

MAINTAINING A BALANCE OF INTERESTS

ANNUAL REPORT | 2019

The draft of the Annual Report is the subject of review by VTB Bank's Supervisory Council and further approval by the Annual General Meeting of Shareholders in accordance with the time limits set by the law of the Russian Federation.

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THE SCALE OF FORWARD-LOOKING SOLUTIONS

18 countries

PRESENCE OF VTB GROUP BANKING AND
INVESTMENT-BANKING BUSINESS

1.7 thousand

VTB GROUP BRANCH NETWORK
IN RUSSIA



VTB Group Today

MISSION

We help people to make their plans a reality by creating the best financial solutions. We are a team of professionals, working for the benefit of our customers and the country as a whole.

IDENTITY

VTB Group is the leading Russian financial institution with a strong presence in key international markets.

VISION

A universal financial group that is developing both dynamically and sustainably, one that is focused on being the first-choice financial partner for its customers, and which provides the most convenient and cutting edge solutions to their needs.

VALUES



WE VALUE OUR CUSTOMERS

We put our customer needs first. We trust our customers and strive to earn their trust. We listen to our customers and act upon their feedback.



WE WORK AS A TEAM

We respect and trust each other. We support each other and help our colleagues grow. We achieve common goals.



WE ARE RESPONSIBLE FOR OUR RESULTS

We are result-, not process-oriented. Each of us is responsible for our contribution to the common goals. We openly discuss our successes and failures.



WE ARE PROACTIVE

We are not indifferent to what we are doing. We contribute proactively when dealing with shared tasks. We go beyond our formal duties.



WE CONTINUOUSLY IMPROVE OUR PERFORMANCE

We are open to change. We start change with ourselves. We have no fear to experiment.

VTB GROUP AT A GLANCE 2019

18  **countries**
VTB Group worldwide

1.7  **thousand**
branch network in Russia

14  **million**
clients in Russia

61 % 
ordinary shares held by the Russian Federation

159  **thousand**
individual shareholders

82  **thousand**
employees

No. 1
best investment bank in Russia

 **VTB Capital**

No. 1
best broker in Russia

 **VTB Capital**
INVESTMENTS

18  **thousand**
ATMs in Russia

Credit ratings of VTB Bank

 **S&P Global Ratings**

BBB–

 **MOODY'S**

Baa3

 **RAEX**

ruAAA

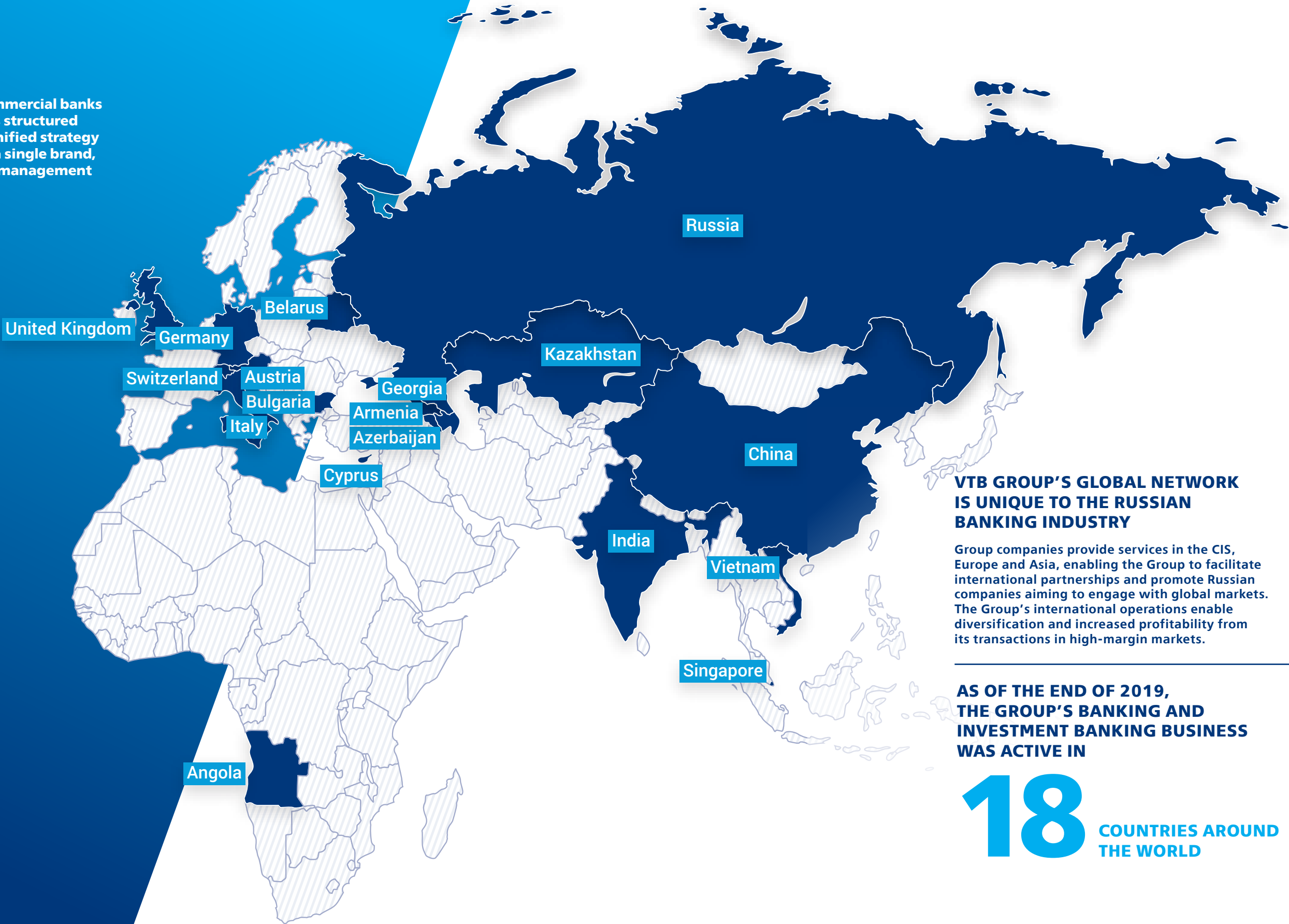
VTB GROUP'S PRESENCE

VTB Group includes Russian and foreign commercial banks as well as financial companies. VTB Group is structured as a holding company, which envisages a unified strategy for the development of Group companies, a single brand, centralised financial management and risk management and unified control systems.

In Russia, the Group performs banking operations through a parent company (VTB Bank) and a number of subsidiary banks – *Vozrozhdenie Bank*, *West Siberian Commercial Bank*, *Sarovbusinessbank* – as well as through the Post Bank joint venture.

As of the end of 2019, the Group's banking and investment banking business was active in 18 countries around the world. Outside Russia, the Group operates through eight subsidiary banks located in Germany, the United Kingdom, Armenia, Belarus, Kazakhstan, Azerbaijan, Georgia and Angola and through two representative offices located in Italy and China, as well as two VTB branches in China and India, a branch of VTB Bank (Europe) in Austria and a branch of VTB Capital in Singapore. The Group's investment banking division conducts operations with securities and provides financial advisory services in Hong Kong, while also conducting investment banking services in Bulgaria and offering commodities financing in Switzerland. The Group also has an associated bank in Cyprus. In addition, VRB Bank, a joint venture between VTB and a Vietnamese bank, conducts banking activities in Vietnam.

The Group operates in all major segments of the financial market. *Corporate-Investment Business*, *Medium and Small Business* and *Retail Business* are the Group's global business lines, which specialise in servicing various client segments.



VTB GROUP'S GLOBAL NETWORK IS UNIQUE TO THE RUSSIAN BANKING INDUSTRY

Group companies provide services in the CIS, Europe and Asia, enabling the Group to facilitate international partnerships and promote Russian companies aiming to engage with global markets. The Group's international operations enable diversification and increased profitability from its transactions in high-margin markets.

AS OF THE END OF 2019, THE GROUP'S BANKING AND INVESTMENT BANKING BUSINESS WAS ACTIVE IN

18 COUNTRIES AROUND THE WORLD

VTB GROUP'S STRUCTURE



KEY CHANGES IN THE STRUCTURE OF VTB GROUP IN 2019

According to VTB Bank's Development Strategy, one of its key priorities is to strengthen the positions of VTB Group banks in the retail banking market and to attract customer deposits.

In an effort to achieve this, VTB Bank acquired *West Siberian Commercial Bank* and *Sarovbusinessbank* in January 2019.

- Sarovbusinessbank* is one of the leading banks in the Nizhny Novgorod region. VTB's acquisition of *Sarovbusinessbank* enabled the Group to increase its base of active retail clients in the Nizhny Novgorod region (about 183 thousand active retail clients) and to greatly increase its market share in the region in terms of retail deposits and retail lending.
- West Siberian Commercial Bank* is one of the leading banks in the Tyumen region and also has a significant presence in the Yamalo-Nenets and Khanty-Mansi autonomous districts (333 thousand active retail clients). With these acquisitions, VTB Group bolstered its branch network in the Nizhny Novgorod and Tyumen regions, its base of salary clients (more than 314 thousand individual salary clients) and its client base among small and medium-sized enterprises (SME) (about 24 thousand SME clients).

During the reporting year, VTB Bank worked on the integration of *West Siberian Commercial Bank* and *Sarovbusinessbank*, as well as *Vozrozhdenie Bank*, which was acquired in 2018, into VTB Group.

These efforts included the following:



Technical and legal concepts were prepared for the integration;



Corporate actions were taken to buy back shares from minority shareholders in accordance with legal requirements;



The management teams at subsidiary banks were strengthened (representatives of VTB Bank joined the banks' Boards of Directors and Management Boards);



VTB Group's standards for client segmentation, financial reporting and business planning were introduced;



An analysis was carried regarding the support and control processes for further alignment with VTB standards.

VTB GROUP'S COMPETITIVE ADVANTAGES

Enable the Group to support and strengthen its market positions

Strong market positions in Russia – a leading, systemically important bank, holds a significant share of the banking system's total customer accounts and deposits and total assets

With an expansive international network, **the Group has a unique opportunity to serve Russian clients across the globe**

Strong relationships with leading Russian companies in key economy industries

Has **a large branch network** and **a broad client base**

A diversified universal banking business with significant market shares in various segments of the Russian market

Corporate-Investment Business division VTB Capital provides **a full range of services in international financial markets**

Leading positions in retail banking services, a leader in the market of investment products for individuals

Sizeable capital creates potential for sustainable asset growth and enables the Bank to finance large companies

Brand awareness and state interest ensure **financial strength and increased customer confidence**

A professional team with a client-oriented approach

VTB GROUP CLIENTS

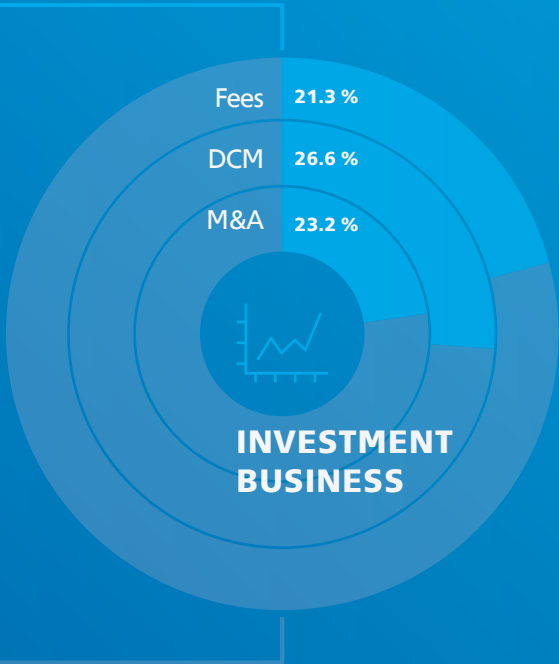
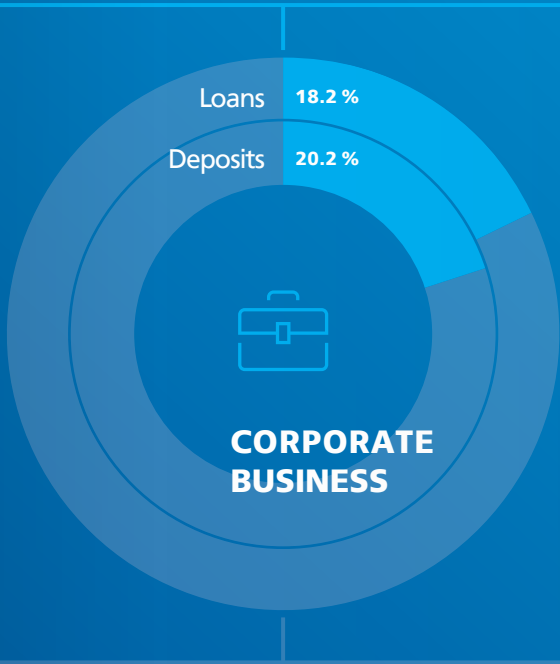
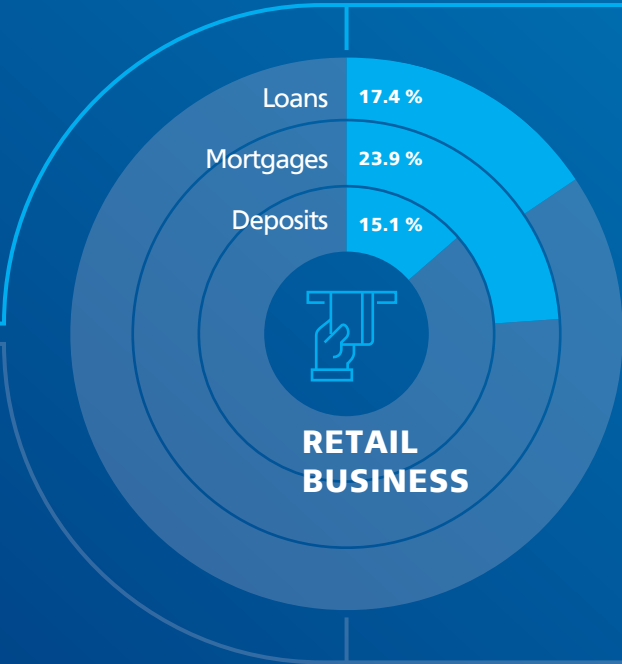
1.9 thousand groups of companies of *Corporate-Investment Business* segment

513 thousand companies of *Medium and Small Business* segment

13.3 million clients of *Retail Business* segment

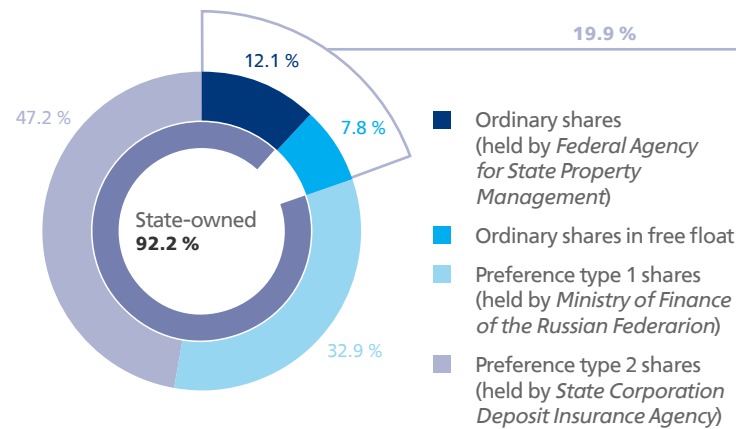


RUSSIAN
BANKING
SECTOR

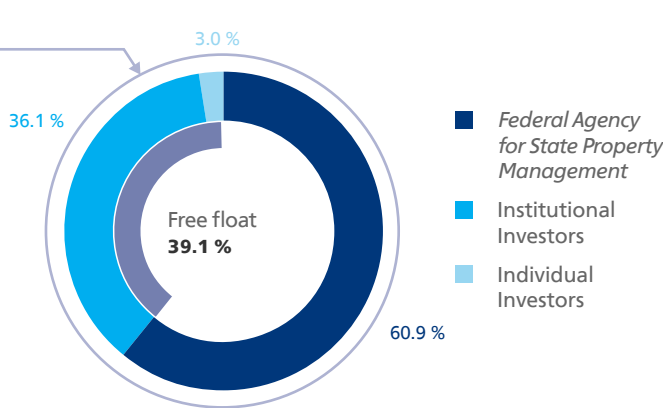


OWNERSHIP STRUCTURE
(December 2019)

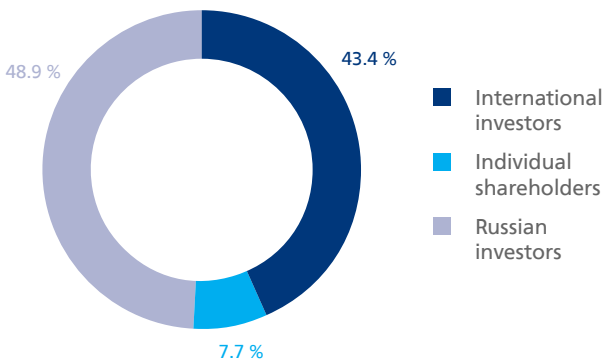
EQUITY CAPITAL



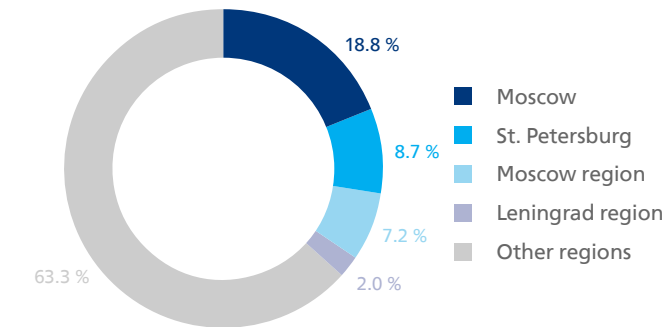
VOTING RIGHTS



GEOGRAPHICAL DISTRIBUTION OF INVESTORS
(% OF FREE FLOAT)



REGIONAL DISTRIBUTION
(% OF INDIVIDUAL SHAREHOLDER BASE)



TOTAL NUMBER
OF VTB BANK SHAREHOLDERS

159.7 thousand

including

158.6 thousand individuals

STOCK EXCHANGE LISTINGS



MOSCOW
EXCHANGE

ORDINARY SHARES

LEI 253400V1H6ART1UQ0N98

ISIN RU000A0JP5V6

VTB Bank shares are included in *Moscow Exchange's Level 1* list and are included in the *Moscow Exchange* and *RTS Index*, as well as the *Subindex*, the *MOEX 10 Index*, the *Broader Market Index*, the *Finance Index*, the *RTS Finance Index* and the *RTS Broad Market Index*.

Ordinary shares are also included in the international *MSCI Russia Index* and the *MSCI EM Index*.



London
Stock Exchange

GLOBAL DEPOSITARY RECEIPTS
(GDRs)

LEI 253400V1H6ART1UQ0N98

144A programme

ISIN US46630Q1031

RegS programme

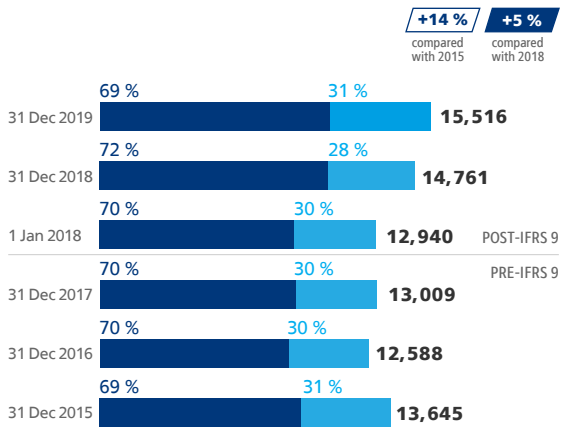
ISIN US46630Q2021

Each GDR is equivalent to 2 thousand of VTB ordinary shares.

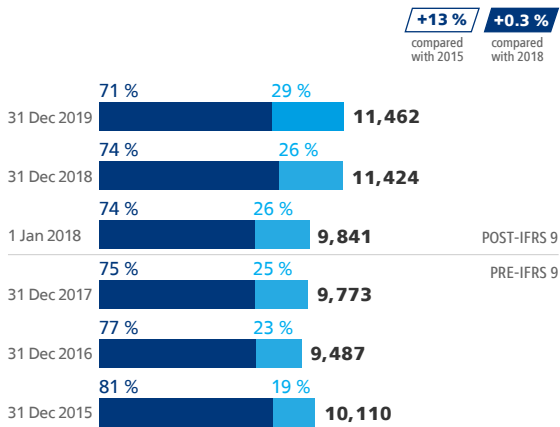
VTB Bank's GDRs are included in the *FTSE All-World Index*, *FTSE EMEA Index* and *MVIS Russia Index*.

KEY FINANCIAL HIGHLIGHTS

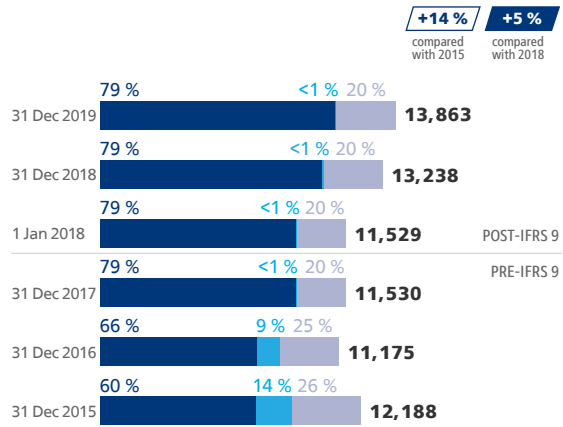
TOTAL ASSETS, RUB billion



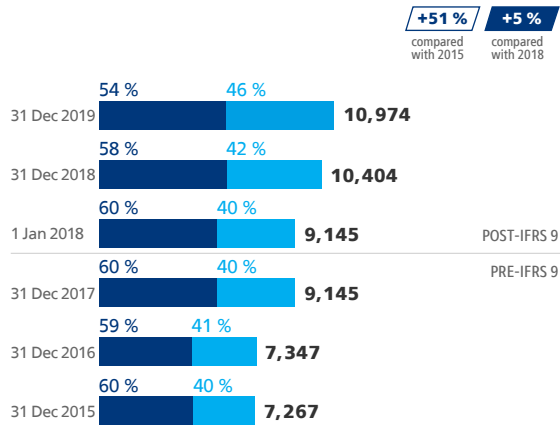
CUSTOMER LOANS, RUB billion



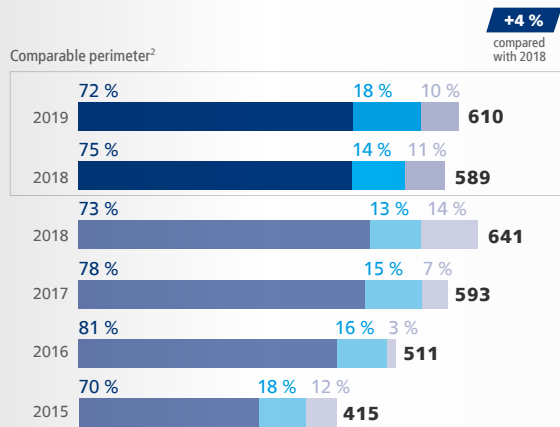
TOTAL LIABILITIES, RUB billion



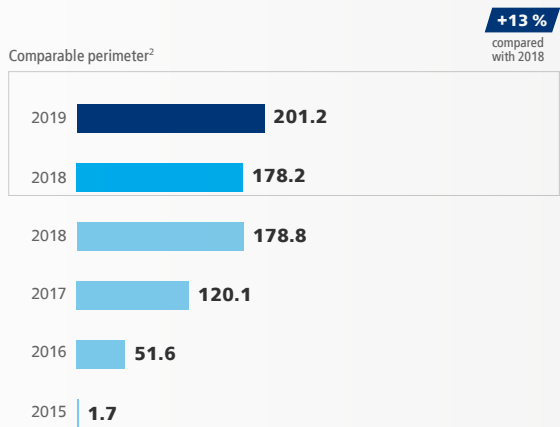
CUSTOMER FUNDING, RUB billion



OPERATING INCOME BEFORE PROVISIONS¹, RUB billion



NET PROFIT¹, RUB billion



KEY PERFORMANCE AND PROFITABILITY INDICATORS, %

	2015	2016	2017	2018	2018	2019
Net interest margin (NIM)	2.6	3.7	4.1	3.9	3.7	3.4 ▼
Net fee and comission margin (NCM)	0.6	0.6	0.8	0.7	0.6	0.7 ▲
Cost to income ratio (CIR)	53.5	45.8	44.0	40.5	38.3	41.6 ▲
Cost of risk (CoR)	1.8	1.5	1.6	1.6	1.5	0.9 ▼
Return on equity (ROE)	0.4	3.6	8.3	12.3	11.9	12.8 ▲
Return on assets (ROA)	0.0	0.4	0.9	1.3	1.3	1.3
Comparable perimeter ²						

¹ Indicators for the years of 2015–2018 are presented as published in the IFRS accounts for the relative period with no further adjustments or reclassifications.
² The P&L components have been compared with modified financial results for 2018 for purposes of accuracy of the year-on-year analysis (not including operational results of Post Bank, Multicarta, VTB Bank (Ukraine) and VTB Bank (Belgrade)).

Statement of the Chairman of the Supervisory Council



Anton Siluanov
Chairman of the Supervisory Council

Dear shareholders, clients, and partners,

In 2019, VTB Group strengthened its position as Russian leading financial institution: profitability targets were met, and significant progress was achieved across all aspects of the Bank's Development Strategy.

The Group's results are undoubtedly positive. IFRS net profit exceeded RUB 200 billion. The number and quality of remote services available to individuals increased, the range of services for businesses was expanded, and the investment services platform was improved. We saw better-than-market mortgage sales and increased market share in retail deposits by 110 b.p. to 15.1 %. While maintaining excellent positions in terms of corporate lending, the Group focused on small and medium-sized enterprises, a segment that is extremely important for the national economy.

Important steps were taken to further the Bank's digitalisation and technological transformation. The Group launched a number of important projects in its **Retail Business** in 2019 in an effort to further improve customer service. VTB Bank was one of the first banks to start using the **Bank of Russia's Faster Payments System**. In addition, a biometric platform was launched that can identify Bank's customers through facial and voice recognition. A digital mortgage project was also implemented, which enables customers to carry out a number of operations remotely through the VTB's mobile application.

We saw better-than-market mortgage sales and increased market share in retail deposits

by **110** b.p.
to **15.1** %.

VTB's practice of maintaining a constructive dialogue with shareholders and representatives of the investment community is recognised as one of the best in Russia, and the Supervisory Council pays special attention to relations with shareholders. For example, the Bank's Development Strategy includes major proposals on the part of minority shareholders. These steps have enabled the Bank to maintain a consistently high **National Corporate Governance Rating**.

Today, the rapidly changing landscape in the banking business poses new challenges for VTB. The Group's Development Strategy for 2019–2022, which was approved by VTB's Supervisory Council last year, was one of the main drivers behind the Group's positive results in 2019, while also providing guidelines for operating in the new business environment.

The priority areas covered in the new Strategy include healthy growth in the banking business, a strengthened focus on customer interests, as well as the accelerated introduction of advanced technologies. The achievement of these objectives will enable the Group to meet its target of RUB 300 billion in net profit in 2022.

In 2019, an external assessment of the work of the Supervisory Council was conducted for the first time. The assessment concluded that the Supervisory Council was highly engaged in decision-making on key issues concerning the Bank's operations. At the same time, the assessment highlighted

areas where the activities of both the Supervisory Council itself and its committees could be improved. The necessary changes will be implemented starting this year.

I am certain that the Group's Development Strategy, approved by the Supervisory Council, will take not only our business to a new level but also the Russian financial services sector as a whole, making it more technology-driven and customer-oriented.

I would like to express my gratitude to VTB's shareholders, clients and partners for their support and high degree of trust. In the future, the Bank will do everything necessary not just to meet your expectations but to exceed them and to achieve success together, while working for the good of society and the prosperity of our country.

Sincerely,
Anton Siluanov

VTB's practice of maintaining a constructive dialogue with shareholders and representatives of the investment community is recognised as one of the best in Russia, and the Supervisory Council pays special attention to relations with shareholders. For example, the Bank's Development Strategy includes major proposals on the part of minority shareholders.

Statement of the President and Chairman of the Management Board



Andrey Kostin
President and Chairman of
the Management Board

Dear shareholders, clients, and partners,

The year 2019 marked an important stage in VTB Group’s development: net profit amounted to RUB 201 billion, equivalent to a 13 % return on equity; we attracted more than 1 million new customers, bringing our total number to 13.9 million. Our shareholder base continued to grow: increasing by 31 % in 2019 to 160 thousand. Last year, we also adopted and began the successful implementation of a new Development Strategy for the period up to 2022, which calls for a profound transformation of the business and a radical improvement in customer experience in a rapidly changing market reality.

Net profit amounted to RUB 201 billion, an increase of 13 % year-on-year. This increase was driven by organic business growth and improving balance sheet structure thanks to better asset quality.

In 2019, the Group’s net profit amounted to RUB 201.2 billion, which was 12.9 % higher year-on-year and in line with our target. Profit growth was the result of higher fee and commission income and improved asset quality. Another factor behind the improvement in our operating metrics was lower provision thanks to higher asset quality. On the back of increased net profit, return on equity increased to 12.8 %.

VTB Group’s retail loan portfolio demonstrated excellent growth during the reporting period, increasing by 13 % to RUB 3.4 trillion. VTB was one of the few banks to increase mortgage volumes in 2019. As of the end of the year, our housing loan portfolio amounted to RUB 1.6 trillion, while the total volume of mortgage loans amounted to RUB 712 billion – an all-time record for VTB Group. In 2019, VTB issued one out of every four mortgage loans in Russia; around 1.4 million families were able to purchase housing with our help.

Our corporate loan portfolio decreased by 4 % in 2019, mainly as a result of a series of large repayments. At the same time, our loan portfolio in the Medium and Small Business segment grew by 10 % over the year. VTB Group offers affordable financing, high-quality service and advanced digital solutions for SME throughout Russia. Last year, we continued to develop remote banking channels and services that allow entrepreneurs to save significant time and manage their business effectively.

The Group continued to increase the share of Retail Business in its liabilities. In 2019, retail deposits grew by 14 % to RUB 5.0 trillion, increasing at a rate twice as fast as the Russian banking sector overall. Corporate deposits remained virtually unchanged over the year, amounting to RUB 5.9 trillion as of 31 December 2019. Our faster-than-market

The total volume of mortgage loans amounted

to **712**
RUB billion,
an all-time record
for VTB Group.

growth in client funding enabled us to improve the stability of our balance sheet structure: our loans-to-deposits ratio decreased to 98.2 % over the year.

In 2019, our main banking revenues increased by 5 %. At the same time, despite a lower net interest margin, which began to recover only in the second half of the year, we were able – through the continued optimisation of our balance sheet structure – to maintain net interest income at 2018 levels. In addition, excellent growth in cross-sales enabled us to achieve a considerable increase of 29.2 % in net fee and commission income.

In 2019, we were able to improve the quality of our assets: the share of non-performing loans in our total loan portfolio decreased by 100 b.p. year-on-year to 4.7 %. We also saw declines in the cost of risk and provision charge, which amounted to RUB 92.2 billion, down 38 % year-on-year. The NPL coverage ratio increased to 128.7 % at the end of 2019, compared with 112.0 % a year earlier.

Last year, staff costs and administrative expenses increased by 12.6 % year-on-year, while the cost to income ratio was 41.6 %, which indicates a high degree of operational efficiency. The substantial investments in infrastructure and competencies that we made in 2019 will serve as a good basis for further growth in productivity.

In 2019, we greatly improved our positions in retail and in servicing small and medium-sized businesses; we saw significant development in retail investment products, and we also maintained a leading position in the corporate-investment business.

VTB Group’s share in the retail funding market in Russia increased to 15.1 %. The Group’s market share in terms of retail lending in Russia was 17.4 %.

In 2019, VTB consolidated its leadership in the corporate-investment business: VTB Capital was named the best investment bank in emerging markets for the third year in a row and was also recognised as the leading bookrunner in Russia, the CIS and Eastern Europe. We continued to arrange financing for regional and federal projects in the areas of social infrastructure, road construction and railway infrastructure, as well as innovative and high-tech projects in the real sector of the Russian economy.

We also continued to provide investment services for individuals. VTB Capital Investments, a retail broker, became a recognised leader in the Russian market, having made a qualitative breakthrough in attracting new customers to the stock market, with its client base growing by 150 % in 2019 to more than 700 thousand. The number of active clients using the VTB My Investments mobile platform increased sixfold to more than 170 thousand; the total volume of transactions exceeded RUB 2 trillion. The quality and appeal of VTB mutual funds followed suit: last year, investors placed RUB 49.5 billion with VTB Capital Management’s mutual funds. This was about half of the funds raised by all market players in Russia.

Our 2019–2022 Development Strategy is based on VTB Group’s vision as a dynamically and steadily growing universal financial company that is designed to be the first-choice financial partner for its customers, meeting their needs in the most convenient manner possible and using the most advanced tools available.

Last year marked an important stage in the development of VTB Group: we successfully completed implementation of our 2017–2019 Development Strategy, and we embarked on a path towards increasing return on equity; we met all of our priority targets in terms of business volumes and market positions. The integration of the Group’s main subsidiaries was our top priority in the previous strategic cycle. The banking market has shifted to a new development paradigm: the market

In 2019, retail deposits grew

by **14 %**
to **5.0**
RUB trillion,

increasing at a rate
twice
as fast as
the Russian banking
sector overall.

In 2019, VTB Capital Investments, a retail broker, became a recognised leader in the Russian market, having made a qualitative breakthrough in attracting new customers to the stock market, with its client base growing

by **150 %**
to more than
700
thousand.

is increasingly turning towards digitalisation, and all processes can be carried out much more quickly, while competition for customers is increasing and the traditional banking business is becoming less profitable. This demands a different business model; adaptation to ongoing tasks and challenges, customer-centricity and a detailed understanding of the client's needs, as well as timely responses to changes are critical aspects of interaction and a real competitive advantage. All these aspects form new growth points for us.

Under these conditions, we adopted a new Strategy, including an updated mission, vision and values, in accordance with which VTB Group identified three key development priorities to 2022. The first priority is an increased focus on clients' transactional operations, support for daily operations, payments and transfers. Another key strategic focus is the optimisation of funding costs. With the goal of maintaining our leadership in the corporate segment, we plan to continue to increase our retail customer base to 18 million and to double our customer base of the **Medium and Small Business**.

In 2019, the Group dramatically reorganised and restructured its IT function. In a short time frame, we conducted a detailed audit of our entire IT landscape, infrastructure, production process and project management and switched to a new format for change management, i.e., through programmes. We focused on improving the stability and reliability of our IT systems and our entire IT infrastructure, upgrading origination conveyors to accelerate bringing in new customers and to improve the quality of our loan portfolio and the speed of decision-making by using advanced technologies for data analysis and modelling. In addition, recognising the importance of working with data, we began building an updated data platform and creating an advanced analytics laboratory to fully utilise the competitive advantages of our existing customer base and to attract new customers.

Programmes were launched for the purpose of digitalising banking support processes and increasing the speed of decision-making, as well as introducing an approach to assessing credit risk based on internal ratings.

I would also highlight our work on building an omnichannel platform, which should become the flagship of our digitalisation process and should also create additional competitive advantages through, first of all, a new customer experience – convenient, high-quality, reliable and secure service for our customers – and through the quick rollout of new client services and products, integration with partners, a state-of-the-art IT landscape and the application of advanced technologies. All this will be created in accordance with a new IT process involving cross-functional teams – close interaction between IT and business and functional customers.

Our responsibility to the public drives all our actions and strategic priorities. With the adoption of VTB Group's new Development Strategy to 2022, we began the comprehensive implementation of sustainable development principles in our activities. The Group's updated strategy, mission and values are aligned with the *UN Sustainable Development Goals* and are contributing to the implementation of all 17 goals that all *UN* member states agreed to achieve by 2030.

In 2019, we identified eight priority goals that VTB will contribute to through its core business, including by supporting and participating in various projects and initiatives aimed at improving the quality of life in the regions where we operate and making advancements in healthcare, science and education, culture and environmental protection.

Climate change is one of our era's key issues, looming large at both the international and national levels. VTB Group is systematising and taking to new heights work on green financing, involving

Our 2019–2022 Development Strategy is based on VTB Group's vision as a dynamically and steadily growing universal financial company that is designed to be the first-choice financial partner for its customers, meeting their needs in the most convenient manner possible and using the most advanced tools available.

customers in the environmental agenda and promoting environmental values in the country. We also continue to improve our own energy efficiency and reduce our environmental impact. Our sponsorship and charity efforts are increasingly focused on supporting special-purpose funds and environmental programmes. All this will enable us to bring our ESG management system to a level consistent with best practices and standards.

We provide a more detailed discussion of our ESG results and projects in our Sustainability Report.

In 2020, the entire world came face to face with fundamentally new and global challenges. In a matter of days and weeks, we had to reorganise our processes in order to minimise risks to the life and health of our customers and employees, on the one hand, and to ensure full-scale operations during the period of self-isolation – on the other hand. We can now say with confidence that we – the entire VTB team – fared well in facing up to these challenges.

Among the results of the ongoing transformational processes are a high degree of operational flexibility and the ability to quickly restructure our operations in light of the spread of COVID-19. We were able to create the necessary conditions, in a short time, to enable some 25 thousand employees and contractors to work remotely. We expanded communication channels, provided necessary access, purchased and configured equipment. We ensured that our projects were carried out, and we continued to introduce new services and solutions. In a short amount of time, we were able to quickly and reliably alter our IT systems and processes – at times the first in the market to do so – to implement government initiatives and solutions to support the economy.

VTB's coordinated, results-driven and critical work in the context of the pandemic underlined our role as a leading Russian financial institution and a top player in the development of information technologies.

Our achievements in the past year established a solid foundation for responding to the serious challenges that 2020 has brought. Thanks to our considerable safety buffer, VTB Group continues to expand its business and increase the speed of internal transformations, and we are ready to use the opportunities that are arising to further strengthen our market position. I would like to thank the entire VTB team – a large but tight-knit group – for their hard work, their readiness for change and their desire for continuous improvement, as well as our shareholders, customers and partners for their trust in us. Our goal is to live up to that trust. Together, we will continue to work for the good of society, while playing a role in the successful development of our country.


Sincerely,
Andrey Kostin

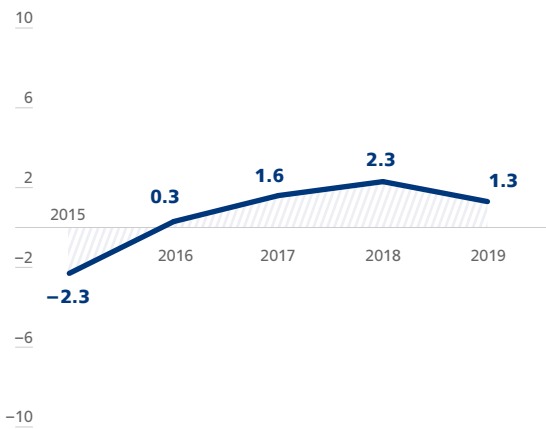
In 2019, we identified 8 priority goals that VTB will contribute to through its core business.

Management Report

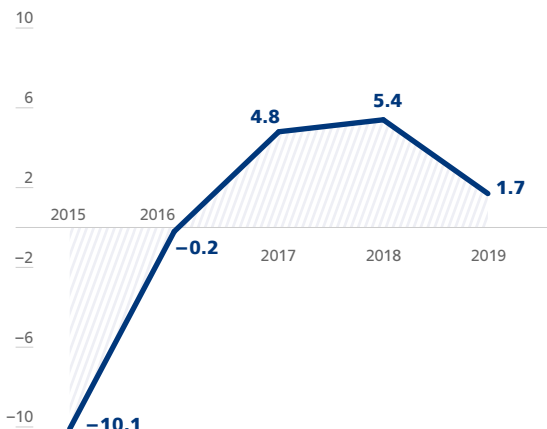
RUSSIAN ECONOMY AND BANKING SECTOR

RUSSIAN MACROECONOMIC INDICATORS (% CHANGE YEAR-ON-YEAR)

GROSS DOMESTIC PRODUCT



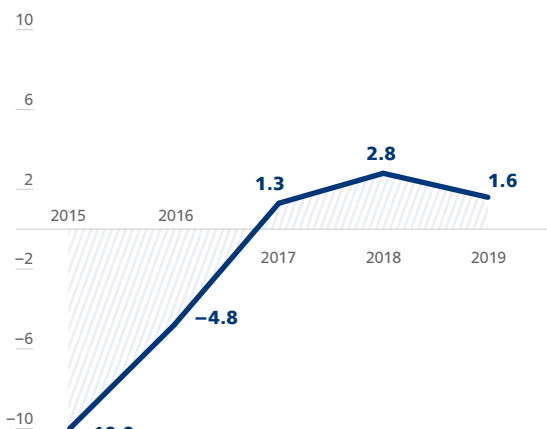
INVESTMENTS IN FIXED ASSETS



INDUSTRIAL PRODUCTION



RETAIL TURNOVER



The Russian economy grew by 1.3 % in 2019. The largest driver of growth was household final consumption expenditure, which increased by 2.3 % in 2019.

In 2018–2019, the structure of economic growth from the demand perspective was shaped by the *Ministry of Finance of the Russian Federation*

budget rule¹: the real effective exchange rate decreased by 7.7 % in 2018 and increased by 2.5 % in 2019 despite an increase in the price of oil in 2018 and a decrease in 2019.

As a result, exports fell by 2.2 % in 2019, while imports expanded by 2.2 %.

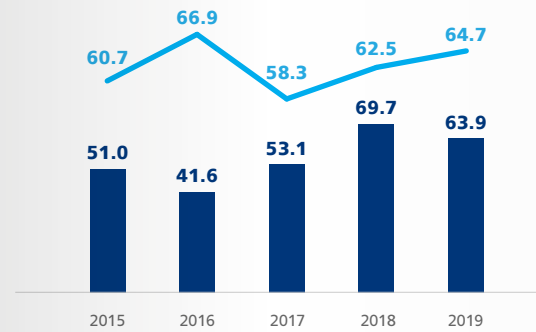
¹ According to the budget rule, the Ministry of Finance of the Russian Federation uses all oil and gas revenues from oil prices above the baseline set in the budget of the Russian Federation to purchase foreign currency for the National Wealth Fund. The price of oil in the 2019 budget was set at USD 41.6 per barrel (Urals).

In addition, economic growth was supported by a 1.4 % increase in gross fixed capital formation and by a 2.8 % increase in government spending.

Household demand was supported by solid real wage growth and the expansion of retail lending. Real wages increased by 2.9 % in 2019, accelerating in December to 6.9 % year-on-year. The higher pace of growth in real wages was partly due to a slowdown in consumer inflation, though it was to a large degree attributable to an increase in companies' net profit: in 2019, companies' net profit increased by 17.5 % from RUB 13.4 trillion to RUB 15.8 trillion².

On the whole, consumer confidence matched growth in real wages, as it increased in the second half of 2019 amid an increase in wages and slower inflation. In 2019, retail sales grew by 1.6 %, with more visible growth in the non-food segment.

OIL PRICE AND EXCHANGE RATES



— USD/RUB (Bank of Russia, average), RUB
■ Oil price (Urals, average), USD

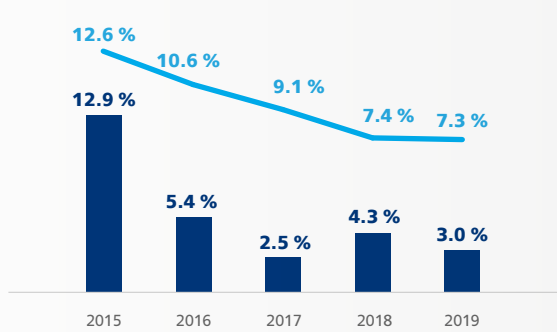
² According to the Federal State Statistic Service.

From the point of view of industrial GDP, the financial sector (+9.7 %) was the biggest contributor to economic growth in 2019 thanks to higher retail and corporate lending, followed by industrial production (+2.4 %) and wholesale and retail trade (+1.7 %). Industrial production increased in 2019 thanks to growth in mining (+3.1 %) and manufacturing (+2.3 %).

An increase in the VAT rate sped up inflation at the beginning of the year (+5.3 % year-on-year in March) before slowing to +3.0 % year-on-year by the end of the year. Two main factors contributed to the slowdown in inflation: an increase in supply in some food markets (in meat, fruits and vegetables in particular) and a stronger rouble, which slowed inflation for non-food products.

Slower-than-expected growth in prices led the *Bank of Russia* to lower its key rate from 7.75 % at the beginning of 2019 to 6.00 % at the beginning of 2020.

INFLATION AND BANK OF RUSSIA KEY RATE



— Bank of Russia key rate (average)
■ CPI inflation (December / December)

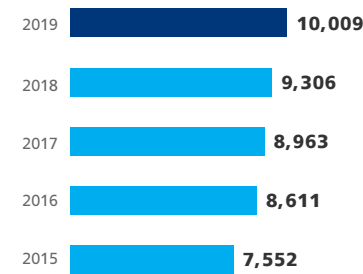
ASSETS, RUB billion



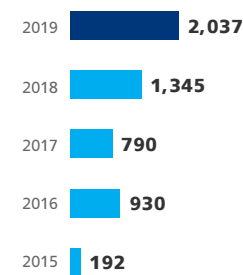
In 2019, growth in the Russian banking sector continued on the back of real GDP growth, a decrease in the key rate and the strengthening of the rouble against the US dollar. Asset growth slowed to 2.7 % compared with a 10.4 % increase a year earlier. At the same time, the penetration of banking services (the ratio of banks’ total assets to GDP) decreased by 2.4 p.p. for the year to 88 %.

Growth in the loan portfolio was driven by demand amid lower interest rates on loans stemming from the *Bank of Russia’s* easing of monetary policy. At the same time, the measures taken by the regulator to cool growth in consumer lending had a visible effect, especially in the fourth quarter, when additional premiums were introduced on risk factors for unsecured consumer loans depending on the borrower’s debt load and the total cost of the loan. As a result, growth in retail lending slowed in 2019 to 18.5 % from 22.4 % a year earlier. At the same time, growth in mortgage lending was down to 16.8 % (compared with 23.3 % in 2018), while consumer lending increased by 19.7 % (compared with 21.8 % in 2018). Growth in the corporate portfolio was constrained by poor demand in the first half of the year and the appreciation of the rouble against the US dollar. By the end of the year, the portfolio had increased by 2.3 % compared with 12.0 % growth in 2018. The share of overdue loans in the corporate portfolio increased by 1.3 p.p. to 6.9 %, while decreasing by 0.8 p.p. in the retail portfolio to 4.3 %.

EQUITY, RUB billion



PROFIT BEFORE TAX, RUB billion

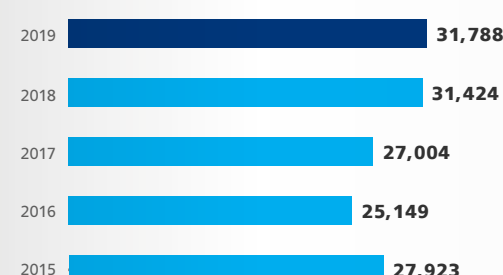


Corporate accounts and deposits remained an important source of funding, accounting for 72 % of banks’ liabilities. At the same time, growth in balances in customer accounts slowed in the context of a stronger rouble and lower deposit rates. Corporate account balances increased by 1.2 % compared with 14.1 % in 2018, while term deposits increased by 7.3 % (compared with 9.5 % in 2018). During the year, the net loans-to-deposits ratio decreased by 2.2 p.p. to 74 %. Banking sector debt to the *Bank of Russia* decreased by 6 % to 2.8 % of assets.

LOANS TO LEGAL ENTITIES, RUB billion

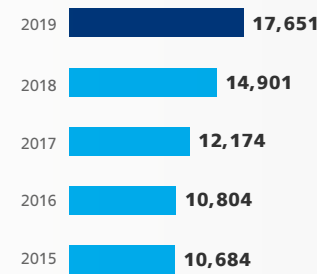


DEPOSITS AND ACCOUNTS OF LEGAL ENTITIES, RUB billion

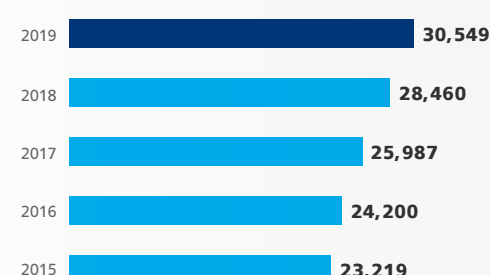


Profit before tax increased by 52 % in 2019 to RUB 2.0 trillion, while net profit increased by 73 % to RUB 1.7 trillion. At the same time, return on equity increased from 10.8 % in 2018 to 17.6 % in 2019. The number of unprofitable credit institutions decreased from 100 at the end of 2018 to 69. Profit growth boosted capital adequacy by 18 b.p. to 12.3 %.

LOANS TO INDIVIDUALS, RUB billion



DEPOSITS AND ACCOUNTS OF INDIVIDUALS, RUB billion



RUSSIAN BANKING SECTOR

Profit before tax during 2019 increased by **52 %**

Net profit during 2019 increased by **73 %**

Return on equity increased to **17.6 %**

Capital adequacy increased to **12.3 %**

2019 KEY EVENTS

- VTB Bank merged its retail and corporate networks – the largest merger in the history of the Russian banking system and a logical continuation of the project successfully completed in 2018 to merge VTB24 with VTB Bank.
- VTB received a patent for a blockchain-based multi-issuer settlement and payment system – the Bank’s first-ever patent for its intellectual property. The technology will enable VTB to create digital products, services and payment instruments that provide a solution for the problem of accounting for reciprocal payments between a practically unlimited number of system participants.
- VTB Bank was named the winner in the *Breakthrough of the Year* in the *Retail Financial Business* category at the *12th annual Retail Finance Awards* presented by *The Retail Finance* magazine for achievements in the financial business in Russia. Experts noted VTB Bank’s record-setting performance in terms of mortgages, lending, savings and commission products, as well as the *VTB My Investments* mobile application.



VTB Bank
MERGED ITS RETAIL AND CORPORATE NETWORKS –
the largest merger in the history of the Russian banking system

- VTB launched a product factory and a digital factory for working with small and medium-sized enterprises to develop and introduce new high-tech products and services:
 - The product factory is aimed at the dynamic development of transactional and credit products for small and medium-sized enterprises. It will improve and accelerate the development of new proposals to meet every business need, and it will ensure that products are brought to market as quickly as possible;
 - The digital factory is responsible for the development of remote sales and the creation of a range of non-banking services for the *Medium and Small Business* segment. The objectives of the digital factory include the organisation of business processes related to remote sales, the introduction and development of non-banking services for entrepreneurs, the provision of state-of-the-art digital solutions for business, as well as the development of new digital communication channels.

- VTB Bank was recognised as the best bank for trade and export finance in Eastern Europe according to the authoritative international publication *Global Trade Review*. The biggest international banks took part in the competition. The selection criteria were the volume and geography of completed transactions, as well as banks’ innovative approach to business and participation in projects of strategic importance. VTB’s unique experience in terms of servicing business contracts ensures an individual approach and offers the most advanced and most profitable solutions for the Bank’s clients.

JANUARY

FEBRUARY

MARCH

APRIL

MAY



VTB Bank was named the winner in the BREAKTHROUGH OF THE YEAR IN THE RETAIL FINANCIAL BUSINESS CATEGORY at the 12th annual Retail Finance Awards

- VTB Bank joined the *Ministry of Economic Development’s* updated programme for preferential financing of small and medium-sized enterprises. The programme provides for the issuance of loans to SMEs at a rate of not more than 8.5 % per annum in 2019–2024, with subsequent subsidies for lending institutions from the federal budget.
- VTB Capital Investment was named the winner of the *Runet Golden App 2018* mobile applications competition in the *Best Investment App* category. The competition was organised by the *Russian Association of Electronic Communications*. The *VTB My Investments* mobile app for private investors received the highest rating among projects by leading Russian companies.



A NEW VTB GROUP’S DEVELOPMENT STRATEGY was adopted, which includes an updated mission, vision and values for the Group

You can read more about VTB Group’s Strategy in the [Strategy](#) section.

- A new VTB Group’s Development Strategy was adopted, which includes an updated mission, vision and values for the Group. The Group sets ambitious new goals, such as significantly improving its business model and achieving, by 2022, the net profit of more than RUB 300 billion with a return on equity of 15 %. The Group’s Strategy for 2019–2022 is built around three main priorities:
 - Healthy growth of the banking business, complemented by initiatives related to the digital economy;
 - A focus on customer interests and service quality;
 - New trends: increased efficiency, digitalisation and advanced technologies.



VTB Capital Investment Management is the winner for RETAIL INVESTORS CATEGORY
of the annual *Financial Market Elite* competition

- VTB Bank completed a strategic project to build its own IT cloud: a unified platform for the flexible management of IT infrastructure was created, which made it possible to reduce the cost of IT resources and to speed up the provision of those resources.
- VTB Bank received an award for high-quality service, as it became one of the best-performing banks in the world in terms of having fewest fraudulent transactions involving Visa payment cards.



My Smart City application developed by VTB Bank was named THE BEST TECHNOLOGY PRODUCT OF THE YEAR
by *The Banker* magazine

- VTB Bank launched a virtual mobile operator, *VTB Mobile*, which uses *Tele2's* radio access network and infrastructure. Users can choose a tariff depending on their minutes or internet data needs and communicate unlimited within the network. International roaming is available for users travelling abroad, it has special options to save money on calls and internet. Clients can also use bonuses that they receive in the *Multibonus* loyalty programme to pay for extra services. When connecting, a user can switch a network with keeping his phone number.



VTB Leasing was named THE LEASING COMPANY OF THE YEAR
at the international *Leader Leasing Awards*

JULY

SEPTEMBER

JUNE

AUGUST

OCTOBER

- The Bank's Annual General Meeting of Shareholders was held on 5 June and was attended by 2,348 shareholders and their representatives, including 740 who attended in person. The event was broadcasted online on VTB Bank's website. For the convenience of shareholders, an e-voting system was available for use at the meeting.
- The awards ceremony for the annual *Financial Market Elite* competition for top businesses took place in Moscow. VTB won the *Brokerage Company of the Year* award. The winner in the *Best Management Company for Retail Investors* category was VTB Capital Investment Management, and the VTB Treasury Fund was the winner in the *Best Bond Fund* category.

- *My Smart City* application developed by VTB Bank was named the best technology product of the year by *The Banker* magazine. VTB's solution was the winner in the *Mobile Applications* category at the *Tech Projects Awards*, beating out mobile products created by some of the world's top banks. *My Smart City* is the first application to link up VTB Bank with Moscow municipal services. The app enables users to view event information, top up their parking account, pay utilities bills and traffic fines, top up the balance of their *Troika* transport card and see the latest *Active Citizen* voting results and more.



VTB Bank launched a virtual mobile operator VTB MOBILE

- VTB Leasing was named the *Leasing Company of the Year* at the international *Leader Leasing Awards*. The *Leader Leasing Awards* are held annually and are awarded to the best leasing companies in Eurasia and Russia, which offer new paths for development and projects and whose activities are aimed at economic development.

- VTB, as part of the second intake for the corporate accelerator it runs jointly with the *Internet Initiatives Development Fund*, launched 12 pilot projects with startups, including a borrower assessment service based on client behaviour data, remote verification of mobile services users, an interactive assistant for employee training and a platform to create virtual voice operators.
- VTB Bank began connecting clients to its contactless payment service for smartphones. This is a *SoftPOS* mobile application that will completely replace classic POS terminals. The Bank provides acquiring services for the platform for self-employed Russians and for micro-enterprises. They can accept payment for their services without purchasing special equipment.

THE VTB ACCELERATOR was designed to search the market for ready-made innovative solutions that can reduce costs or bring the Bank additional profit through the creation of new products and services. Through the accelerator, pilots are quickly carried out to assess the potential business impact and technological feasibility of innovative solutions, and the best performers are scaled up. For its second intake, the VTB accelerator received 301 applications from five countries from technology companies that meet the Bank’s requirements.

- VTB began operating a QR code payment service through the *Faster Payments System* in the *VTB Online* mobile application.
- VTB became the first bank in the market to issue a mortgage loan through a *VR mortgage* service, when a client from Krasnoyarsk completed the purchase of an apartment in St. Petersburg using the service. The Bank’s *VR mortgage* service enables clients to use virtual reality goggles to evaluate all the features of a property, including its location on a city map, infrastructure, layout and detailed potential room designs.
- As part of its work with small and medium-sized enterprises, VTB launched a platform for non-banking services that allows entrepreneurs to hook up the services they need to automate their activities online. The new resource offers customers accounting and tax payment solutions, round-the-clock legal support for their business, and a package of services for taking their business online. In addition, entrepreneurs have access to a service that enables them to search for freelancers to find solutions to one-time business problems, trade management services, as well as express services for verifying counterparties and registering trademarks.



VTB became the first bank in the market to issue A MORTGAGE LOAN THROUGH A VR MORTGAGE SERVICE.
The Bank’s VR mortgage service enables clients to use virtual reality goggles to evaluate all the features of a property

NOVEMBER

**РОССИЯ ЗОВЕТ!
RUSSIA CALLING!**

2,500 visitors
from 68 countries
attracted
the 11th annual
Russia Calling!
investment forum
in Moscow

- VTB Capital hosted the 11th annual *Russia Calling!* investment forum in Moscow. The event attracted more than 2,500 visitors, including more than 500 investors and foreign delegates from 68 countries, as well as government officials and heads of leading global corporations. Russian President Vladimir Putin addressed the forum’s plenary session.
- With VTB’s involvement, the *M-11 Moscow – St. Petersburg* toll highway was opened. The highway was built through a public–private partnership. The construction of the last two sections of the highway – stages 7 and 8 – was completed on the basis of a concession agreement between the *Government of the Russian Federation*, represented by the state-owned company *Avtodor*, and *Two Capitals Highway*, which was established by VTB Capital investment bank and *VINCI Highways*. The agreement was concluded for 27 years: for the period of construction to 2019 and for the period of operation to 2041.

DECEMBER



VTB is recognised as THE BEST TRADE FINANCE BANK IN RUSSIA by the Global Finance

- *Global Finance* recognised VTB as the best trade finance bank in Russia in 2019. The publication’s editorial board reached this conclusion based on an assessment of a number of indicators, including transaction volume; innovative products, services and technologies; and the quality of the services provided. In addition, the opinions of international analysts and experts in the field of trade finance were also taken into account in determining the winners. In 2019, VTB completed trade and export finance transactions in partnership with 75 international financial institutions from more than 50 countries. Transactions were carried out both in traditional industries – chemicals, transport, steelmaking, nuclear energy – and in new alternative industries, including solar and wind energy.

WE CHOOSE THE BEST PATH

2022 STRATEGY

- FOCUS ON CUSTOMER INTERESTS
- ROBUST BUSINESS GROWTH AND DEVELOPMENT OF DIGITAL ECONOMY INITIATIVES
- DIGITALISATION AND IMPROVED EFFICIENCY

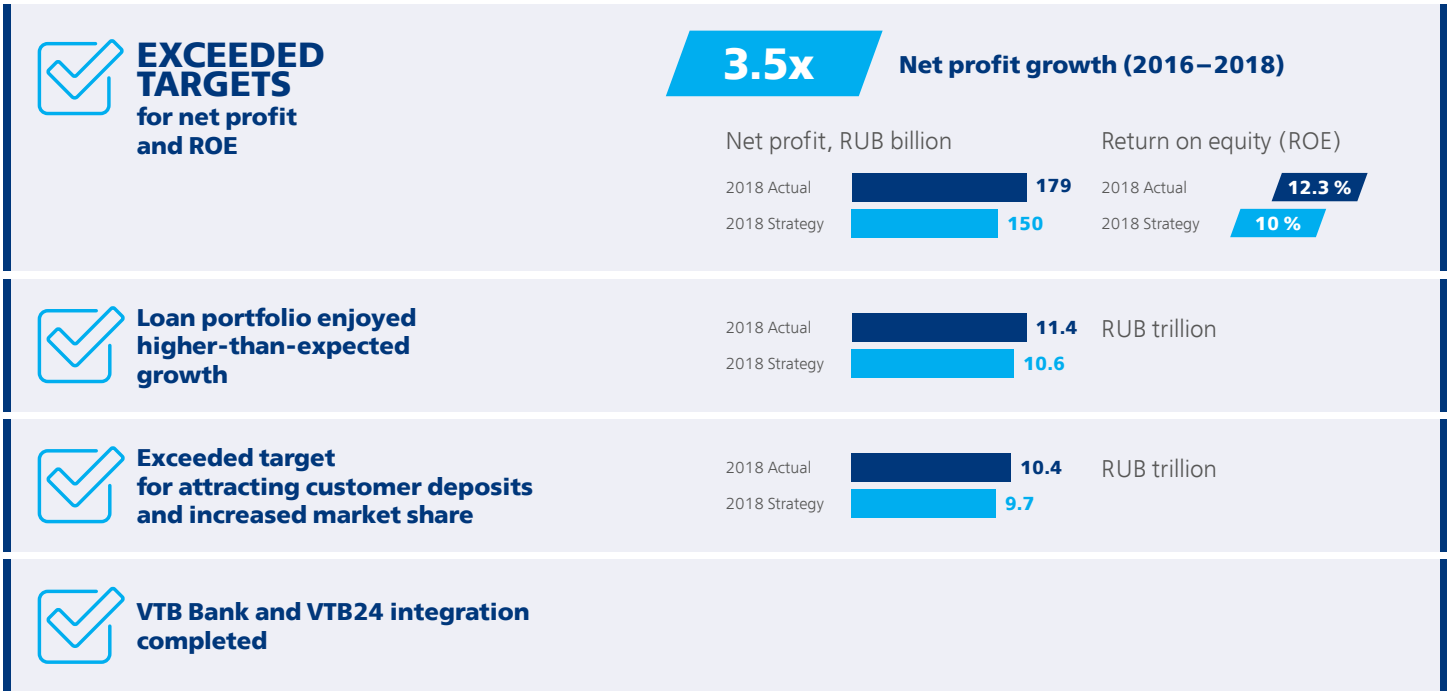


STRATEGY

CONTEXT FOR THE DEVELOPMENT OF A NEW STRATEGY

VTB Group broadly met the key targets outlined in its Strategy for 2017–2019 ahead of schedule. The Group exceeded its targets in terms of return

on equity, growth rates of its loan portfolio and customer funding. VTB Bank’s merger with VTB24 to create a single bank was the biggest integration project to take place in the Russian market in 2018; ambitious work is under way aimed at the digital transformation of the Group’s business and processes.



KEY STRATEGIC PRIORITIES FOR VTB GROUP’S DEVELOPMENT IN 2019–2022

The changing landscape poses new challenges for VTB Group. Competition for customers is heating up, while barriers to their movement between banks are breaking down, and competition from non-financial players is increasing. The model for the consumption of financial services is being transformed with a trend towards greater digitalisation of products and services. Pressure on margins in traditional banking and stagnation in the banking sector continue.

While VTB is focused on long-term and sustainable development, it has to adapt in response to new challenges, which means the evolution of the Bank’s business model, an increased focus on customers and their needs, acceleration of internal processes and optimisation of the Bank’s operating model.

In response to the new situation at the end of April 2019, VTB Bank’s Supervisory Council adopted a new VTB Group Development Strategy for 2019–2022, which includes an updated mission, along with a renewed vision and values.

VTB’s new mission: We help people to make their plans a reality by creating the best financial solutions. We are a team of professionals, working for the benefit of our customers and the country as a whole.

VTB’s strategic vision: A universal financial group that is developing both dynamically and sustainably, one that is focused on being the first-choice financial partner for its customers, and which provides the most convenient and cutting edge solutions to their needs.

In accordance with its mission, values and strategic vision, VTB identifies three key development priorities for 2019–2022:



The interests of our clients and the quality of our service are the focus, which means providing the best offer for our clients and ensuring the highest level of customer satisfaction in the market. The key factors are: strengthening our business model in terms of focusing the Group’s efforts on customer satisfaction, moving to personalised communications based on advanced data analytics and data modelling tools available to customers through the channels that are most convenient for them.



Intensive growth of the banking business, complemented by digital economy initiatives: increasing the number of retail customers by 50 %, doubling the number of *Medium and Small Business* customers and expanding customer coverage in the *Corporate-Investment Business* to more than 85 % of the market.



New dynamics of changes: digitalisation, advanced technologies, increased efficiency.

1. Customers’ usage of digital channels to conduct banking is expected to increase significantly: more than 50 % of sales will be completely digital and 100 % of products will be available to customers through electronic channels by the end of 2022; more than 80 % of service operations will move to remote channels. While remaining a universal bank, VTB will take its branch network and other traditional channels to a new technological level by creating a full-fledged multichannel interface for client interaction. An important priority is the digitalisation of internal processes, which will involve, in particular, the transition to a completely paperless internal workflow while maximising the electronic workflow in relations with external counterparties;

2. The Bank plans to build an advanced operational and processing platform based on a next-generation microservice IT architecture that will create competitive advantages for the Group in terms of the speed at which technological solutions are introduced and new services are brought to market. A single operations centre will be created to provide a high degree of reliability, scalability and efficiency

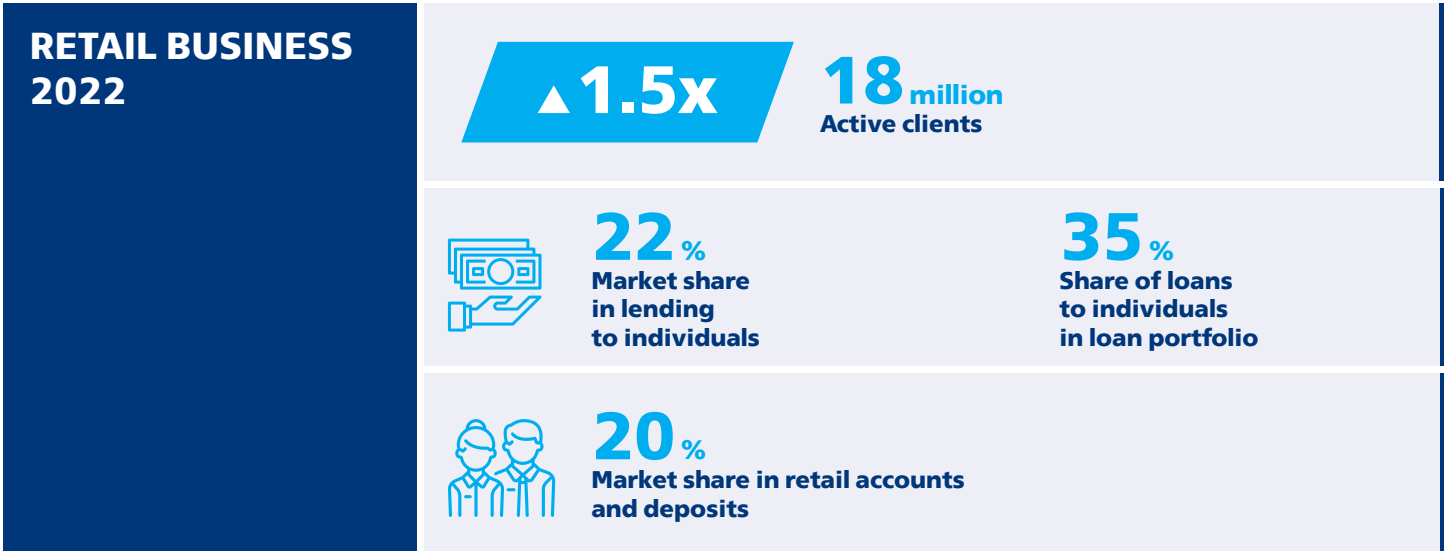
in terms of operational processes. Investments in technological solutions will be aimed at creating leading solutions in such areas as the use of biometric identification platforms, robotics and advanced analytics; the virtualisation of processes based on artificial intelligence technology; the creation of a system of open interfaces for prompt integration with partners; and automation of the cloud infrastructure for the acceleration and scaling of capacities;

3. Key factors will be accelerating the Bank’s response to market changes and customer demand and promoting values within the corporate culture such as innovation, engagement, a commitment to results and teamwork. This new approach will be facilitated by initiatives to develop human capital: the creation of a pleasant working environment and attractive conditions for the top talent in the market, the systematic development of tomorrow’s leaders, ensuring productivity growth and competitive motivation, and a balance of team and individual success. The introduction and scaling of a new model of cross-functional teams will be an important driver for speeding up these processes.



As of the end of 2019, VTB was on the Strategy course to achieve these goals and had met its main targets and achieved its objectives for the year.

MAIN DEVELOPMENT TRENDS
IN RETAIL BUSINESS GLOBAL BUSINESS LINE

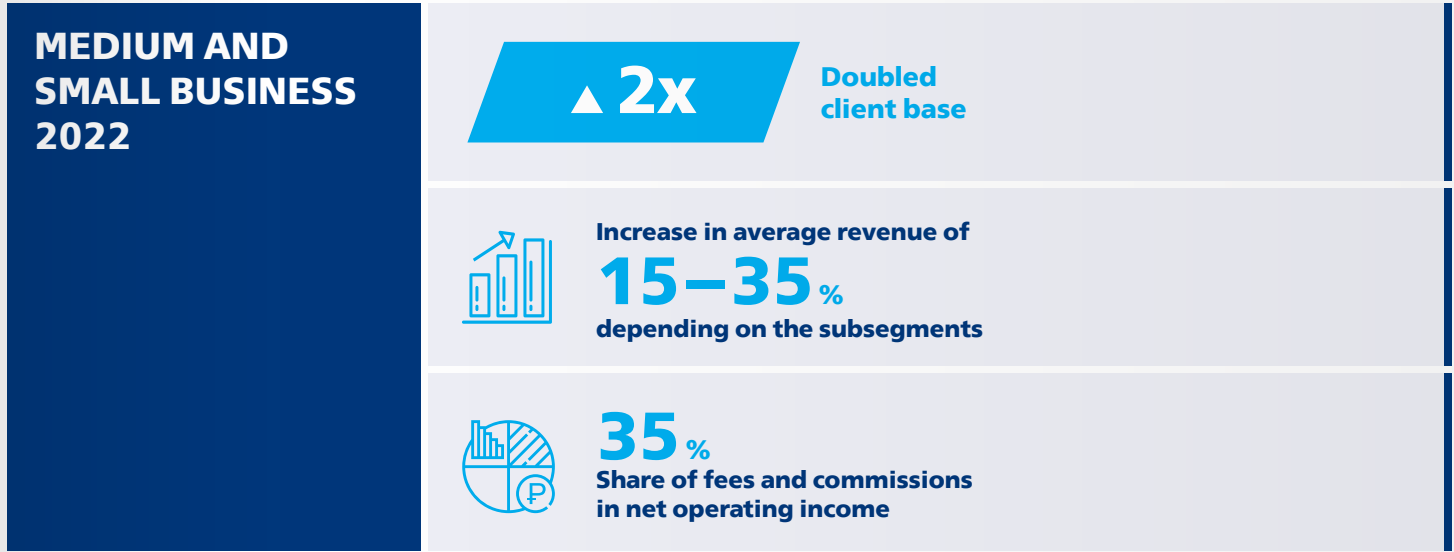


The *Retail Business* Strategy envisages an increase in the client base by 50 % to 18 million customers along with an increase in market share in retail lending to 22 % and, accordingly, an increase to 35 % in terms of the share of loans to individuals in the Group's loan portfolio. Concerning retail customer accounts and deposits, the Bank plans to increase its market share to 20 % on the back of faster growth in balances of current and savings accounts, their share in the structure of deposits from individuals will be greatly increased. Optimisation of the cost of funding, an increase in the share of customers carrying out transactions and customers with multiple products will ensure income diversification and above-market growth in terms of average income per customer.

As of the end of 2019, VTB had seen a record increase in terms of its active clients – more than 1 million people – which was achieved by, among other things, working with the existing customer base in order to reduce the loss of clients, and also by developing digital services and introducing new digital products to market.

In 2019, VTB enabled customers to receive cash loans through a mobile application, introduced a digital debit card and expanded the possibilities for money transfers and payments. VTB added an option to its website that enables customer to get a mortgage approval in 30 seconds without visiting the Bank's branch. The Bank updated its loyalty programme and added more than 10 thousand partners to the *Multibonus* programme. The Bank launched a new *Savings Jar* product, which helps increase the share of savings accounts in the portfolio of customer accounts.

MAIN DEVELOPMENT TRENDS
IN THE MEDIUM AND SMALL BUSINESS GLOBAL BUSINESS LINE



Goals of the *Medium and Small Business* global business line: doubling the client base among small and medium-sized enterprises with an increase in average revenue of 15 %–35 % depending on the subsegment. This will be made possible first of all by increasing the transactional revenue of the business – the share of current account balances among customer accounts in the segment will exceed 40 %, and the share of fees and commissions in net operating income will exceed 35 %. Remote and partner channels will play a significant role in increasing the client base; the share of sales through digital channels will exceed 50 %.

In 2019, the Bank launched a new universal line of settlement and cash services packages for small and medium-sized enterprises that offer a full range of the banking services to meet customers' needs. Since its launch, more than 20 % of VTB's client base has taken advantage of this new financial product. The most popular package among VTB Bank's new clients is the *For Starters* service package, which was developed to support small and medium-sized enterprises.

The Bank made it possible to open a current account without visiting a Bank office by using a service of mobile specialists; a service was launched to enable the online registration of limited-liability companies and sole proprietorships using an electronic signature through a mobile phone.

As part of the Bank's expansion into non-financial services, a joint offer was developed by VTB and *First-OFD* (fiscal data operator) for the sale of online cash registers and OFD products to VTB customers at a discount; a *Digital Accounting* service and *VTB Business QR*¹ were piloted for small enterprises. VTB launched a platform for non-banking services that allows both VTB Bank clients and users, who are not VTB clients, to access state-of-the-art tools for automating business processes and improving their efficiency.

Thanks to a new sales and service model introduced at the beginning of the year, three times more settlement accounts were opened through remote channels compared to 2018. As a result, conversions nearly doubled, and the Bank showed a fourfold improvement in its response time.

¹ *VTB Business QR is a mobile application that enables entrepreneurs to accept cashless payments through the Faster Payments System.*

MAIN DEVELOPMENT TRENDS
IN THE CORPORATE-INVESTMENT BUSINESS GLOBAL BUSINESS LINE

CORPORATE-INVESTMENT BUSINESS 2022



Maintaining leadership positions in investment banking services for corporate and institutional clients



Ensuring better-than-market growth in current account balances and fees and commissions for transaction products



25 % market share of investment products for individuals

VTB’s strategic vision for its *Corporate-Investment Business* implies the development of its existing business model with a special focus on an individualised client approach based on industry specifics and an understanding of client needs, expertise and partnerships to resolve financing challenges of any size, as well as unchallenged leadership in the investment business.

The goals for the development of the *Corporate-Investment Business* global business line are to maintain leadership positions in investment banking services for corporate and institutional clients, to ensure better-than-market growth in current account balances and fees and commissions

for transaction products, and to create, together with the *Retail Business*, conditions for a breakthrough in the investment products market for individuals and, by the end of 2022, to have secured at least 25 % of this market.

In 2019, the *Corporate-Investment Business* global business line launched a new functionality that uses biometric data to authenticate clients through remote banking service channels; the questionnaire was shortened, and the process of requesting documents from clients was streamlined. Among the new tools introduced, a new model for financing housing construction was launched using escrow accounts, and pilot projects were launched with key developers.

SYNERGIES AMONG
GLOBAL BUSINESS LINES

One of the key areas for the Bank in terms of the Strategy implementation is the development of synergies among its global business lines.

Based on 2019 results, initiatives were developed to reinforce the synergies between the corporate and retail businesses. In particular, a number of initiatives were carried out regarding salary clients and cross-promotion of products to clients of the Retail and Corporate Businesses.

Retail customers were connected to the *Faster Payments System (FPS)* to enable them to transfer funds to individuals by telephone number. *VTB Business QR* was launched, making it the first solution in the market enabling customers to receive C2B payments using a QR code through the *Faster Payments System*.

In order to reinforce the development of investment products, VTB enabled to open brokerage and individual investment accounts through *VTB Online*, two partners were connected using the *Open API* technology, and a pilot roboadvisory project was launched. VTB entered the top three in terms of opening new accounts on the *Moscow Exchange*.

A strategy for financing housing construction was approved that involves a transition to the use of escrow accounts in working with developers.

Transport solutions for Moscow and St. Petersburg were introduced; the process of transitioning cardholders from their *Muscovite* social cards to Moscow resident cards got under way; *My Smart City* application and a *Russian Railways* card project were launched. Transport processing using an integrated payment aggregation mechanism was introduced in the *Moscow Metro* and for above-ground transport.

DEVELOPMENT OF OPERATIONAL
AND TECHNOLOGICAL PLATFORM

A key condition for the successful implementation of the strategies of the Bank’s global business lines and for development in the digital economy is the creation of an advanced operational and processing platform that involves efficient processes for operational support, business support and information systems that ensure a high level of automation and stability.

In 2019, VTB developed its *Retail Business* IT systems; the number of changes made to the IT systems increased by 30 % compared with 2018. In terms of IT solutions for the corporate business, VTB continued developing its remote banking channels.

The Bank also began operating cross-functional teams made up of staff from different Bank departments (business divisions, IT, and other organisational units), which individually or in cooperation with other teams work on the delivery of final products to the market. This format has been most common in the development of the *Retail Business and Medium and Small Business*. Since the end of 2019, the Bank has been changing over to a new production process; nine key Strategic programmes were initiated and launched already by the end of 2019 that will be the main drivers of the Bank’s development in 2020–2022. As of the end of the year, the Bank had launched and was operating more than 270 such teams.

DATA MANAGEMENT AND INFORMATION SECURITY STRATEGY

In accordance with VTB’s data management and information security strategy, 2019 saw the creation of a data lab team, the launch of a big data centre and the establishment of an information security monitoring centre.

The Bank’s information security complies with the recommendations of the *Bank of Russia*. The Bank did not suffer any downtime of critical information systems or losses as a result of cyberattacks.

HUMAN RESOURCES, CORPORATE CULTURE AND HUMAN CAPITAL DEVELOPMENT STRATEGY

Based on 2019 results, the Bank became one of the top three employers in the banking industry and one of the top two employers for IT professionals and students.

As part of the Bank’s work with young specialists in 2019, the *Junior* programme was extended to the regional network, and a separate specialisation was added, *IT Junior*, which added more than 70 technical specialists to the Bank’s team.

A pilot project enabling some employees to work remotely was also successfully conducted in 2019, which helped prepare the Bank’s infrastructure and evaluate all the necessary technologies in case of an emergency situation.

An initiative to reduce paper workflow was carried out, which enabled the Bank to reduce the volume of paper printed per employee by 10 % and the volume of paper workflow involving government documents by 50 % compared with 2018.

To realise the innovative potential of staff, an *Innovation Centre* was created, which establishes a unified cultural, resource- and infrastructure-related milieu for the creation, adoption, introduction and adaptation of innovative ideas, practices and processes.

CLIENT-CENTRICITY AND QUALITY

As part of the implementation of the *Client-Centricity and Quality* strategic initiative, a *Quality Centre* was created, which began conducting regular research on the quality of the customer experience on the part of retail customers, and a regular employee survey was introduced to evaluate internal services.

In addition, a strategy for managing the quality of the customer experience in the *Retail Business* was also developed in 2019. According to the 2019 survey, the loyalty index increased by 2 p.p. compared with 2018.

In 2019, work got under way on the development of a data management centre to provide customers with personalised offers through digital channels. Piloting and an assessment of customer satisfaction on the part of corporate clients in the *Medium and Small Business* segment got under way.

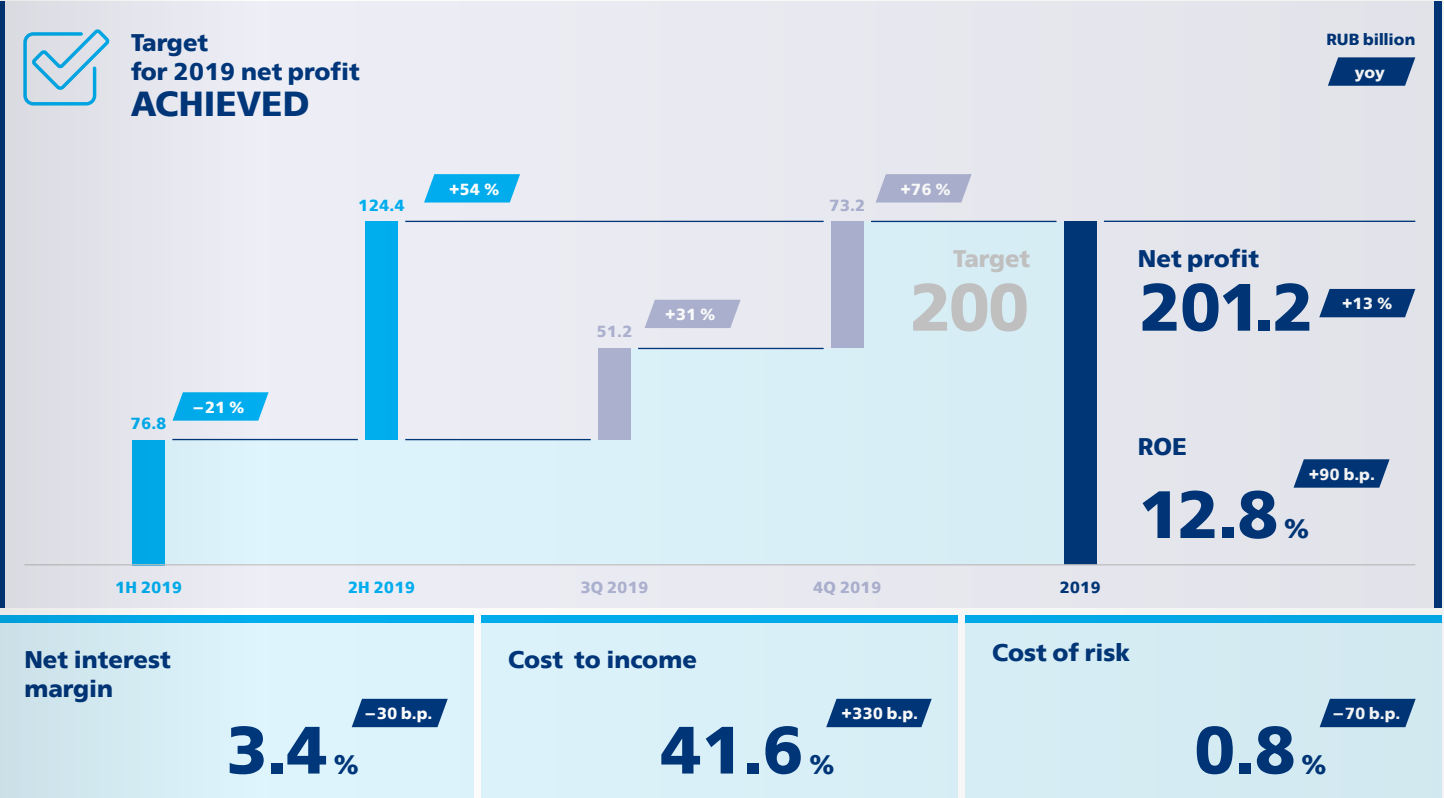
COST EFFICIENCY AND OPTIMISATION

The main areas of cost optimisation and improving the Bank’s efficiency are simplifying processes related to standard operations, automating and roboticising routine functions and processes, increasing transparency and reducing costs, managing non-core assets, reformatting the network, centralising and regionalising homogeneous functions, and integrating banks.

RESULTS OVERVIEW¹

FINANCIAL REVIEW

VTB GROUP KEY IFRS FINANCIAL RESULTS



The P&L statement components have been compared with modified financial results for 2018 for the purposes of accuracy of the year-on-year analysis (operating results of Post Bank, Multicard, VTB Insurance, VTB Bank (Ukraine) and VTB Bank (Belgrade) have been excluded as if these companies have not been consolidated by the Group during 2018).

¹ All figures in the present report are based on the financial results from IFRS Consolidated Financial Statements of VTB Group and might be rounded which allows for insignificant deviations in calculations expressed in percentage amounts compared to data from the Financial Statements of the Group.

ANALYSIS OF VTB GROUP'S IFRS INCOME STATEMENT

The P&L statement components have been compared with modified financial results for 2018 for the purposes of accuracy of the year-on-year analysis (operating results of Post Bank, Multicard, VTB Insurance, VTB Bank (Ukraine) and VTB Bank (Belgrade) have been excluded as if these companies have not been consolidated by the Group during 2018).

KEY INCOME STATEMENT INDICATORS, RUB billion

Indicator	2019	2018	Change, %
Net interest income	440.6	439.7	0.2
Net fee and commission income	108.5	84.0	29.2
Net other income	61.3	65.3	-6.1
Operating income before provisions	610.4	589.0	3.6
Provision charge ¹	-103.3	-154.6	-33.2
Staff costs and administrative expenses	-254.2	-225.8	12.6
Profit before tax	252.9	208.6	21.2
Income tax expense	-51.7	-30.4	70.1
Net profit	201.2	178.2	12.9

Net interest income and net interest margin

Net interest income for 2019 amounted to RUB 440.6 billion, compared with RUB 439.7 billion a year earlier. In 2019, interest income and expenses grew on the back of an increase in interest-earning assets and interest-bearing liabilities, while

the increase in interest expense (19.4 % year-on-year) outstripped growth in interest income (11.0 % year-on-year) mainly due to an increase in the cost of funding by 30 b.p. (5.2 % in 2019) compared with a 10 b.p. decrease in the return on interest-earning assets to 8.4 % in 2019.

NET INTEREST INCOME, RUB billion

Indicator	2019	2018	Change, %
Interest income calculated using the effective interest method	1,039.8	932.6	11.5
Other interest income	67.2	65.1	3.2
Interest expense	-636.5	-536.2	18.7
Payments to the deposit insurance system	-29.9	-21.8	37.2
Net interest income	440.6	439.7	0.2

As of the end of 2019, net interest margin had decreased by 30 b.p. to 3.4 %. On the back of a series of reductions in the Bank of Russia's key rate starting in June 2019, the Group's net interest margin began growing in 2H 2019. In 1Q 2019, the Group's net interest margin reached its lowest level for the year at 3.2 % amid rising funding costs (outstripping the revaluation

of assets) due to an increase in the Bank of Russia's key rate at the end of 2018. In 2Q, net interest margin increased slightly quarter-on-quarter and remained at a stable level of 3.3 % throughout 2Q and 3Q 2019. In 4Q, VTB Group's net interest margin increased to 3.5 % due to a consistent easing of monetary policy and an improvement in the Group's funding structure.

¹ Provision charge for credit losses on debt financial assets, credit related commitments and other debt financial assets and (provision charge) / reversal of provision for legal claims and other commitments.

Net fee and commission income

Gross fee and commission income increased by 30.3 % in 2019 to RUB 166.3 billion. The bulk of commission income came from settlement transactions and trade finance, which accounted for 56.5 % (57.0 % in 2018) of the total amount. Total fee and commission expense increased by 32.6 % in 2019, mainly due to a 37.1% increase in commission expense on settlement and cash transactions and trade finance.

Net fee and commission income for 2019 increased by 29.2 % year-on-year to RUB 108.5 billion. The robust growth in net fee and commission income was due to operations with securities

and capital market transactions (accounting for 9.3 p.p. of the 29.2 p.p. increase in net fee and commission income), fees for the distribution of insurance products and agents' services (7.8 p.p. of the 29.2 p.p. increase), as well as the consolidation of three acquired banks (6.5 p.p. of the 29.2 p.p. increase). The Group's net commission margin increased by 10 b.p. year-on-year to 0.7 %. The Group's net fee and commission income outstripped growth in net interest income (0.2 % year-on-year) and net other income (-6.1 % year-on-year). Thus, the share of net fee and commission income in the structure of operating income before provisions increased to 17.8 % from 14.3 % in 2018.

NET FEE AND COMMISSION INCOME, RUB billion

Indicator	2019	2018	Change, %
Commission on settlement and cash transactions and trade finance	94.0	72.7	29.3
Fee received for insurance products distribution and agents' services	35.3	27.8	27.0
Commission on operations with securities and capital markets	17.4	9.3	87.1
Commission on guarantees and other credit related commitments issued	10.9	11.7	-6.8
Other	8.7	6.1	42.6
Total fee and commission income	166.3	127.6	30.3
Commission on settlement and cash transactions and trade finance	-52.8	-38.5	37.1
Commission on operations with securities and capital markets	-1.9	-1.6	18.8
Commission on guarantees and other credit related facilities received	-0.9	-1.3	-30.8
Other	-2.2	-2.2	0
Total fee and commission expense	-57.8	-43.6	32.6
Net fee and commission income	108.5	84.0	29.2

Provision charge

In 2019, the Group’s provision charge for credit losses on debt financial assets, credit related commitments and other debt financial assets, legal claims and other commitments amounted to RUB 103.3 billion, a decrease of 33.2 % compared with 2018.

The cost of risk was 0.8 % in 2019, down by 70 b.p. year-on-year.

The decrease in the cost of risk and the drop in provision charge occurred while the quality of portfolios in all business segments remained stable.

Staff costs and administrative expenses

Staff costs and administrative expenses amounted to RUB 254.2 billion in 2019, up 12.6 % from 2018.

The increase in expenses was attributable to the consolidation of acquired banks (up 6.8 p.p. of the 12.6 p.p. increase in staff costs and administrative expenses) and to expenses for information technology, digitalisation and the transformation of business processes. The second quarter of the year saw a slowdown in the growth of expenses: as of the end of 1H, staff costs and administrative expenses had increased 22.2 % year-on-year, which slowed to 13.8 % in 3Q. Moreover, expenses decreased by 2.1 % year-on-year in 4Q 2019.

The cost to income ratio (CIR) decreased during the year from 46.6 % in 1H to 37.8 % in 3Q and 37.7 % in 4Q. At the end of 2019, the cost to income ratio was 41.6 %.

Net profit

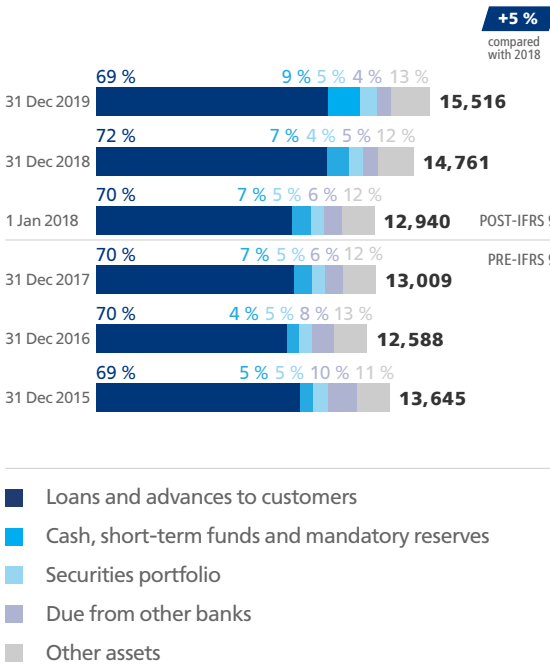
Net profit for 2019 increased by 12.9 % compared with 2018 and amounted to RUB 201.2 billion – this is in line with the Bank’s strategic forecast of RUB 200 billion – amid strong growth in fee and commission income and improved asset quality. The net profit of RUB 201.2 billion was an all-time high for VTB Group.

ANALYSIS OF VTB GROUP’S IFRS BALANCE SHEET

Assets

As of 31 December 2019, the Group’s total assets amounted to RUB 15.5 trillion, an increase of 5.1 % compared with 31 December 2018.

ASSETS STRUCTURE, RUB billion

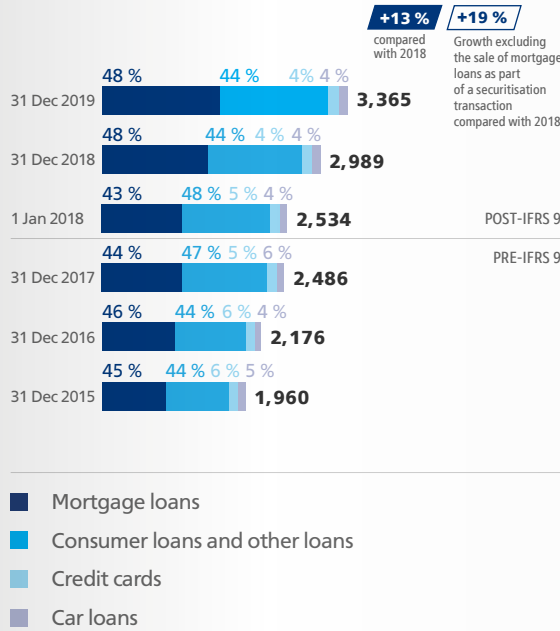


The main component of the Group’s total assets is net loans and advances to customers, accounting for 69 % of the Group’s total assets.

In 2019, the Group’s loan portfolio (before provisions) increased by 0.3 % to RUB 11.5 trillion amid growth in retail loans, which was partially offset by a decrease in loans to legal entities.

VTB Group’s retail loan portfolio showed strong growth during the reporting period, increasing by 12.6 % in 2019 to RUB 3.4 trillion.

RETAIL LOAN PORTFOLIO STRUCTURE, RUB billion



Significant transactions involving the sale of securitised mortgage loans had an impact on the growth of the Group’s retail loan portfolio. In 2019, the Bank continued creating mortgage-backed securities and raising awareness of them among customers. This product enables the Bank to attract liquidity, optimise the utilisation of capital on mortgage loans, remove interest risks from its balance sheet and earn profits by lowering market interest rates. In 2019, VTB Bank increased its volume of issued mortgage-backed securities to RUB 265 billion¹, which is a record for the Russian market. Excluding the disposal of mortgage loans, the retail loan portfolio increased by 19 %.

The consumer loan portfolio increased by 14.2 % from the beginning of the year, while the mortgage loan portfolio grew by 11.9 % in 2019.

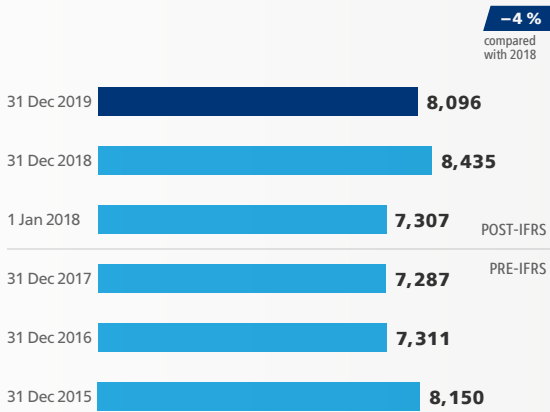
As of 31 December 2019, secured loans (mortgages and car loans) accounted for 52 % of total retail lending, unchanged from the beginning of the year.

The share of retail loans in the total loan portfolio structure increased to 29.4 % compared with 26.2 % in 2018.

The Group’s market share in the retail lending segment in Russia amounted to 17.4 %, decreasing by 30 b.p. in 2019, which was due mainly to the sale of securitised mortgage loans.

The Group’s corporate loan portfolio decreased by 4.0 % in 2019 to RUB 8.1 trillion, mainly as the result of a series of large loan repayments in 4Q. In light of this, the Group’s market share in the corporate lending segment in Russia decreased by 40 b.p. to 18.2 %.

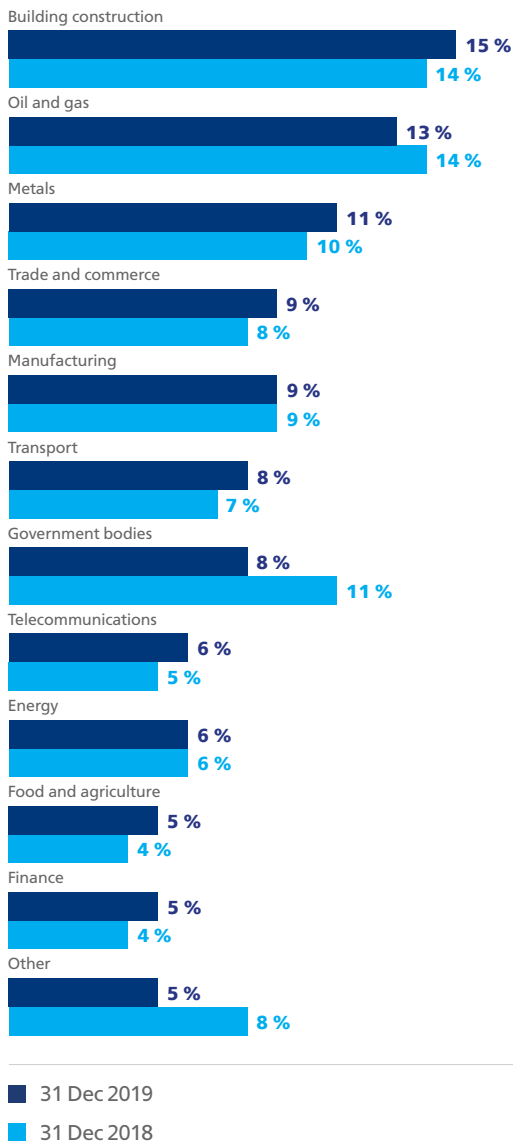
LOANS TO LEGAL ENTITIES, RUB billion



At the same time, the loan portfolio (before provisions) in the *Medium and Small Business (MSB)* segment enjoyed robust growth of 10.0 %² in 2019, reaching RUB 1,481.0 billion. Loans to MSB borrowers accounted for 18 % of the total portfolio of loans to legal entities in 2019, an increase of 230 b.p.

¹ VTB Group’s IFRS financial statements for 2019 take into account the disposal of securitised mortgage loans in the amount of RUB 190 billion.
² To ensure comparability of data on the MSB segment of the loan portfolio, data for Vozrozhdenie Bank was included in the segment portfolio as of 31 December 2018. In the Group’s financial statements for 2018, data on Vozrozhdenie Bank was provided in a separate segment.

LOANS TO LEGAL ENTITIES, BY INDUSTRY



By lending to legal entities in a number of industries, the Group continued to expand its loan portfolio, seeing growth in industries such as metals, building construction, transport, food and agriculture. The Group continued making advances in its work with all sectors, while making lending to small and medium-sized enterprises a priority.

Asset quality

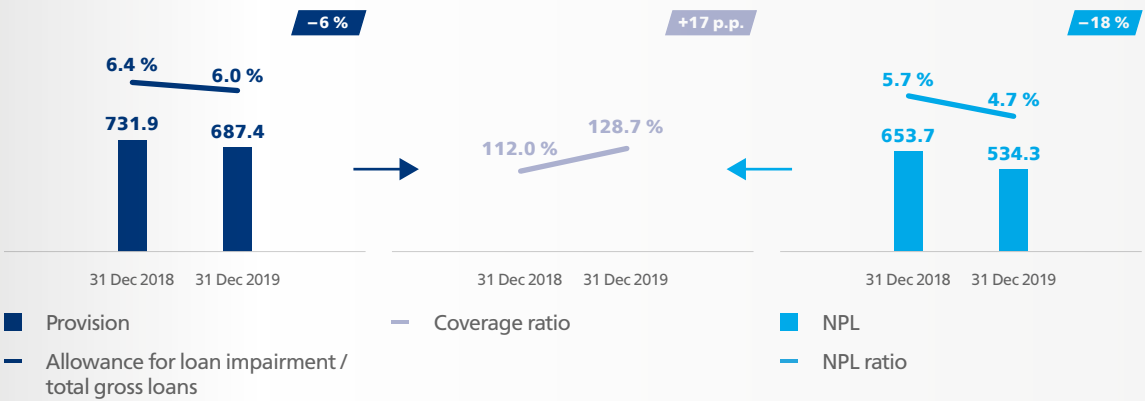
As of 31 December 2019, the total amount of non-performing loans¹ was RUB 534 billion, or 4.7 % of gross total customer loans (compared with RUB 654 billion, or 5.7 %, as of 31 December 2018).

The Group continued its policy of writing off bad assets at the expense of the corresponding allowance for loan impairment after all necessary procedures to recover the asset have been carried out. The volume of non-performing loans written off in 2019 amounted to RUB 165.5 billion (compared with RUB 156.8 billion in 2018).

As a result of the write-off of non-performing loans, the allowance for loan impairment represented 6.0 % of the total gross loans as of 31 December 2019, compared with 6.4 % as of 31 December 2018. At the same time, the non-performing loans coverage ratio increased 17 p.p. to 128.7 % as of 31 December 2019, compared with 112.0 % as of 31 December 2018.

¹ The Group defines non-performing loans (NPL) as lifetime ECL credit-impaired financial assets with contractual principal and (or) interest payments overdue more than 90 days and POCI loans with principal and (or) interest payments becoming overdue more than 90 days after the date of initial recognition. Loans with no contractual payments until maturity, grace period on principal and or interest payments, as well as restructured loans are not considered NPL unless amounts due contractually become more than 90 days overdue.

ASSET QUALITY, RUB billion



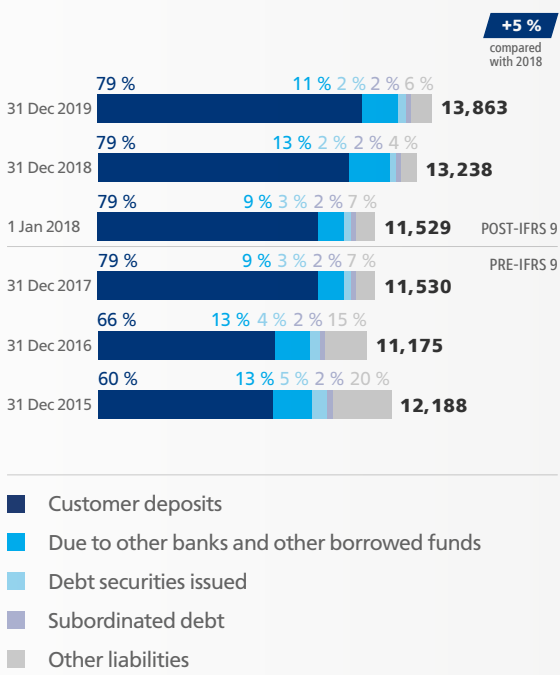
Liabilities

The Group's total liabilities amounted to RUB 13.9 trillion as of 31 December 2019, an increase of 4.7 % year-on-year.

As part of VTB Group's Development Strategy 2019–2022, one of the Group's main objectives is to improve its funding structure by increasing its share of customer deposits, primarily from individuals.

As of 31 December 2019, customer deposits amounted to RUB 11.0 trillion, having increased by 5.5 % as of the end of 2019, which enabled the Group to improve the ratio of total loans to customer deposits to 98.2 % as of 31 December 2019 (down from 102.8 % as of 31 December 2018). At the same time, customer deposits accounted for 79.2 % of the Group's liabilities compared with 78.6 % a year earlier.

LIABILITIES STRUCTURE, RUB billion



In line with its Strategy, the Group continued to increase the share of *Retail Business* in total liabilities. Customer funding from individuals increased by 14.4 % in 2019 to RUB 5.0 trillion, being ahead twice as much as the growth rate in the Russian banking sector in funding from individuals.

As of the end of the reporting period, funding from legal entities decreased by 1.1 % to RUB 5.9 trillion, while funding from customers in the *MSB* segment increased 11.8 %¹ from the beginning of the year. Thus, the *MSB* segment accounted for 14.8 % of customer funding, up from 13.9 % as of 31 December 2018.

As of 31 December 2019, VTB Group’s share of customer funding in the corporate and retail segments in Russia amounted to 20.2 % (a decrease of 50 b.p. in 2019) and 15.1 % (an increase of 110 b.p. in 2019), respectively.

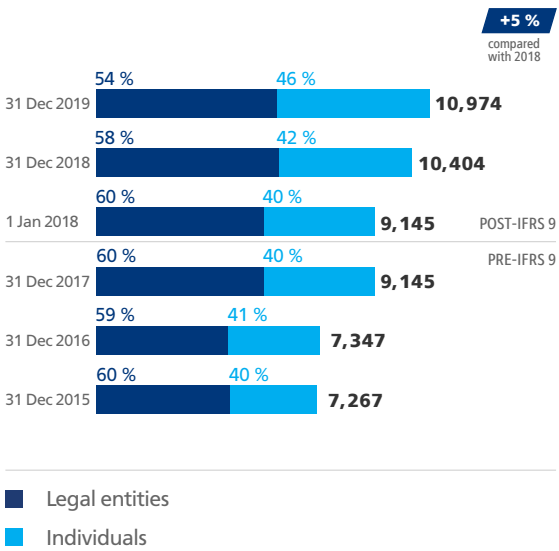
The Group’s dependance on funding from debt capital markets remains low. The share of funds raised through issues of debt securities in total liabilities increased slightly from 2.0 % as of 31 December 2018 to 2.5 % as of 31 December 2019.

LIABILITIES, RUB billion

Indicator	2019	2018	Change, %
Due to other banks	1,177.2	1,425.7	–17.4
Customer deposits	10,974.2	10,403.7	5.5
Derivative financial liabilities	176.5	140.2	25.9
Other borrowed funds	348.9	329.7	5.8
Debt securities issued	343.4	259.1	32.5
Liabilities of disposal groups held for sale	0.3	–	–
Deferred income tax liability	15.7	12.4	26.6
Other liabilities	603.5	452.3	33.4
Total liabilities before subordinated debt	13,639.7	13,023.1	4.7
Subordinated debt	223.1	214.5	4.0
Total liabilities	13,862.8	13,237.6	4.7

¹ To ensure comparability of data on the MSB segment of customer funding, data for Vozrozhdenie Bank was included in the segment as of 31 December 2018. In the Group’s financial statements for 2018, data on Vozrozhdenie Bank was provided in a separate segment.

CUSTOMER DEPOSITS, RUB billion



Capital and capital adequacy

The Group’s capital management policy is to maintain a sustainable capital base so as to retain the confidence of investors, creditors and the market participants, as well as to ensure the future development of its operations. The Group manages its capital in accordance with the requirements of the *Bank of Russia*. The *Bank of Russia* has recognised the Bank as a systemically important credit institution. Thus, capital adequacy requirements calculated in accordance with the requirements

of the *Bank of Russia* include premiums on a banking group’s risk-weighted capital adequacy standards, as well as a premium for systemic importance.

The Group monitors compliance with capital adequacy standards, defined as a percentage of the risk-weighted assets calculated in accordance with the requirements of the *Bank of Russia*: common equity adequacy ratio (N20.1), tier 1 capital adequacy ratio (N20.2) and total capital adequacy ratio (N20.0).

VTB GROUP CAPITAL AND CAPITAL ADEQUACY, RUB billion

Indicator	2019	2018	Change, %
Tier 1 capital	1,552.9	1,388.5	11.8
Common equity	276.1	360.2	–23.3
Total Capital	1,829.0	1,748.7	4.6
Risk-weighted assets after consolidation adjustments (N20.1)	16,278.1	15,375.6	5.9
Risk-weighted assets after consolidation adjustments (N20.2)	16,268.4	15,375.3	5.8
Risk-weighted assets after consolidation adjustments (N20.0)	16,259.3	15,339.7	6.0
Common equity adequacy ratio (N20.1), %	8.74	8.01	0.73 p.p.
Tier 1 capital adequacy ratio (H20.2), %	9.55	9.03	0.52 p.p.
Total capital adequacy ratio (H20.0), %	11.25	11.40	–0.15 p.p.

CORPORATE-INVESTMENT BUSINESS

The *Corporate-Investment Business (CIB)* global business line specialises in servicing major corporate clients through sales of lending, transaction and investment products, as well as leasing and factoring services in Russia, the CIS countries, Europe, Asia and Africa.

SHARE OF VTB GROUP TOTAL, %	
Assets	49
Loans and advances to customers (net)	55
Customer deposits	34
Net interest income	30
Net fee and commission income	26
Provision charge ¹	36
Net operating income (before provisions)	46
Staff costs and administrative expenses	28

Source: VTB Group’s IFRS consolidated financial statements for 2019.

To maximise the impact of its *CIB* customer service, VTB created a dedicated client coverage unit and product units that are responsible for maintaining and developing a line of cutting-edge banking products.

The client coverage unit’s service model centres on sector coverage, with dedicated teams responsible for doing business with clients from different sectors of the economy. This approach enables the Group to improve the quality of its sector expertise and build products and solutions tailored to the needs of specific clients.

The product units are also structured for sector specialisation and to meet the requirements of major corporate clients. This allows the Group to enhance its approach to credit analysis and improve the quality of its corporate loan portfolio.

¹ Provision charge for credit losses on debt financial assets, credit related commitments and other debt financial assets and (provision charge) / reversal of provision for legal claims and other commitments.

2019 SEGMENT OVERVIEW

Client base in Russia:
1,855 groups of companies

CIB gross loan portfolio:
6.3 RUB trillion

Deposits and accounts from CIB clients:
3.7 RUB trillion

Transaction banking comprises two main product lines: the documentary business, which includes a variety of guarantees and letters of credit; and liquidity management products, including account management products, financing products (such as the accrual of interest on client account balances), as well as acquiring services, remote banking services, and settlement and cash services.

The Group’s investment banking business offers a full range of investment banking products, including trading operations, organising debt and equity issuance, consulting services on M&A transactions, private equity, asset management, FX and interest-rate products and hedging strategies.

In 2019, the Bank achieved its targets in terms of key financial indicators in the *Corporate-Investment Business* and was able to maintain its leading positions

thanks to its flexible business model and its willingness to use innovative approach while taking decisions according to market conditions.

The Bank focused in particular on improving the efficiency of processes and continued cost reductions.

LENDING TO CIB CLIENTS

VTB offers a wide range of lending products for corporate clients, providing financing for various terms in all major global currencies. The Bank also offers a variety of credit lines with drawdown limits, credit limits or a combination of these limits.

In addition to traditional financing, VTB also offers major corporate clients complex credit products, including structured repo, investment and project financing, debt and equity financing services, consulting services on structuring investment projects, trade finance services and direct financing from institutional investors and banks. VTB’s clients have access to structured financing products that make it possible to reduce interest rates considerably by allowing the Bank to select the repayment currency. Leasing and factoring products are provided to the Group’s customers through VTB Leasing and VTB Factoring.

As a result of stiff competition on capital markets in 2019, the Group offered its customers complex products with more attractive financing conditions. In particular, the Bank carried out extensive work with exporting companies regarding instruments operated by the *Russian Export Center* and the *Ministry of Industry and Trade of Russia* to support and stimulate exports. One of the main targets was the development of new approaches and loan products for agricultural producers managing a land bank.

At the same time, the Bank’s emphasis on working with solid clients and strengthening the structure of transactions helped reduce losses by creating provisions and reducing the volume of non-performing loans. This was also achieved thanks to accurate market positioning based on an analysis of macroeconomic trends in various sectors of the economy.

Lowered expectations in terms of inflation and developers’ transition to escrow accounts spurred growth in project and equity financing for major real estate developers. In terms of escrow

financing, more than 10 transactions were completed with a drawdown limit of over RUB 130 billion. The Bank also successfully implemented portfolio investments in residential projects: two properties were delivered on schedule, and sales were better than expected.

It is also worth noting that the Bank enjoyed significant success in project financing in 2019:

- VTB consolidated its leading position in terms of financing Russia’s port infrastructure; agreements were signed with a total limit of USD 2 billion, with the potential to increase the limit to USD 3.5 billion;
- A syndicate agreement involving VTB was signed to finance the largest gas processing plant in Russia worth the equivalent of EUR 1 billion;
- The *VEB.RF* project financing factory completed its largest-ever transaction for a methanol plant project (with VTB’s involvement in the amount of EUR 1.1 billion);
- Funding was provided for new solar and wind generation projects through a power purchase agreement worth RUB 40 billion.

In 2019, VTB Bank continued to develop trade and export financing, expanding its product line and introducing individual solutions for its clients. VTB Group supported trading transactions in more than 50 countries all over the world using both traditional products of trade financing (including confirmation and discounting of letters of credit, issuance of guarantees, supply of connected trading credits) and long-term export financing instruments.

Bank fully supported exporters in emerging markets (including in CIS, Asia and Africa) in coordination with export credit agencies. In 2019, the portfolio of relevant transactions grew by 30 %, the amount of new transactions doubled. Developing this sector Bank realised unique solutions in terms of companies’ financing in the sphere of green energy.

VTB Bank continued developing effective infrastructure to fully support Clients’ foreign trade activities in the international markets. VTB Bank (Europe) and *Afreximbank* thus signed an agreement to support clients’ business in African region. Under the agreement *Afreximbank* ensures obligations fulfilment by African financial institutions on the trade financing transactions. This will help increase VTB Group’s business scale in the African market.

DEPOSITS AND ACCOUNTS FROM CIB CLIENTS

Attracting deposits and accounts from *CIB* clients is an important part of VTB's business. The Bank is constantly taking steps to improve customer service and streamline business processes to further develop deposit products and reduce operating expenses.

In order to make liquidity management more effective, the Bank enabled customers to make overnight deposits from a pool of accounts through the *Client Settlement Centre* system. The Bank's electronic click&deposit system for the simplified investment of free cash continued to gain popularity, as it greatly reduces the time needed to process deposit transactions.

The structure of contracts was also revised for the investment of funds in minimum-balance accounts, which further made it easier for customers to invest deposits. VTB's flexible policy in setting rates and its individual approach to customers made it possible to respond in a timely manner to market changes and requests from Russian companies.

CIB TRANSACTION BANKING

Products for managing payments and liquidity

VTB offers companies a wide range of transactional products and services. During the reporting period, VTB implemented a number of projects aimed at providing customers with cutting-edge services and improving service quality:

- The Bank was one of the first in the market to introduce an innovative service that uses the *Faster Payments System* established by the *Bank of Russia* to deposit payments for retail purchases directly into the accounts of retail businesses. The service enables customers to make non-cash payments directly from a bank account without using a card. This new payment instrument will improve the quality, convenience and appeal of cashless payments for customers, while also reducing the acquiring costs for retail businesses;
- The Bank launched and began servicing a universal corporate card that can provide customised functionality to meet the needs of individual clients. The product is based on a modular system, whereby the client determines the operations to be made available to each card user, such as making cash deposits into a company bank account through the Bank's ATM network (self-collection), setting individual spending limits, making cashless payments for goods and services and cash withdrawals;

- A project was launched together with one of the leading telecommunication companies in Russia to send out invoices through an electronic document management system. The software solution provides a simple and quick tool for the exchange of legally binding electronic documents between the users of the electronic document management system, including in communications with the *Federal Tax Service of Russia*;
- In the interests of servicing one of Russia's largest retailers, a project was launched to make it possible to accept cash through specialised devices *Automated Deposit Machine (ADM)* installed in clients' stores and to credit the amount of funds deposited to the client's current account in real time. This solution increases the efficiency of the client's business processes related to the processing and collection of cash revenue, including by enabling the client to avoid errors while processing cash payments, reduce paperwork and not be dependent on a collection schedule;
- A service was introduced that offers extended business hours, allowing customers to make internal RUB payments until 11 PM and external RUB payments until 7 PM Moscow time;
- The process of opening a client account was greatly simplified. Account numbers are reserved online; the term for resident legal entities to open their first RUB account was reduced to one business day, and clients only have to visit a Bank branch once to open an account;
- A pilot service of mobile specialists was launched that provides customers with the submission of all the documents needed to open a current account and to connect to the remote banking system without having to visit a Bank branch;
- For a number of corporate clients, financial data exchange with the Bank was realised through the *Bank of Russia's Financial Data Interchange System* and also in accordance with the *ISO 20022* international standard. The *Financial Data Interchange System* helps reduce risks that could have an impact on the uninterrupted operation, security and confidentiality of financial data exchange, and *ISO 20022* makes it possible for the Bank to link its clients to new solutions implemented on the basis of this standard, and also to reduce the costs of participating parties by using unified models for the exchange of payment information when conducting operations.



The Bank was one of the first in the market to introduce an innovative service that uses the *Faster Payments System* established by the *Bank of Russia* to deposit payments for retail purchases directly into the accounts of retail businesses.

Documentary business

VTB Group remained one of the leaders in the documentary business (ranked second) with a market share of 16.9 %¹ in terms of the volume of guarantees and letters of credit issued in 2019.

Considerable attention has traditionally been paid to the development of technologies and processes to ensure the implementation of documentary products and services for customers using the most advanced technology platform available. In 2019, VTB Bank continued to improve its remote service system for documentary operations and played an active role in joint work with the *Bank of Russia*, the *Ministry of Finance of the Russian Federation*, the *Federal Treasury of Russia*, the *Federal Tax Service of Russia* and the banking community in terms of the digitalisation of bank guarantees. In addition, the Bank also plays a leading role in the *Digital Bank Guarantee* project being carried by the *FinTech Association* on the *Masterchain* blockchain platform.

In 2019, VTB Bank expanded its range of services for documentary letters of credit by offering customers a new service: early repayment on uncovered RUB letters of credit offered and executed by the Bank by means of deferred payment. The service allows sellers, pursuant to delivery contracts with deferred payment, to receive money for delivered goods before the date of deferred payment according to the letter of credit (within the risk limit that the Bank has accepted for the buyer).

VTB Group continues to be an active participant in industry and professional associations in the documentary business, including *ICC Russia*, and it makes significant contributions of expertise to improving the mechanisms that have a regulatory impact on the market and the development of its infrastructure.

Transaction business outside Russia

As of the end of 2019, the transaction business of the VTB Group's international network built its highest volumes of business with corporate clients. These results were facilitated by the launch of new transactional business products and the further improvement of existing products, and also thanks to efforts to enlist resource-intensive clients for services offered by VTB subsidiaries in Belarus, Kazakhstan, Angola and Western Europe, as well as in the Bank's branch in Shanghai.

¹ Market share was calculated using VTB Bank's own methodology.

By using VTB ecosystem to guarantee client funds a maximum of security and thanks to the Bank's willingness to develop individual solutions that take into account the characteristics and needs of local business, VTB was able to expand its client base and intensify cooperation with existing customers.

Comprehensive transactional solutions for the largest companies

During the reporting period VTB was actively involved in large-scale projects to centralise the management of cash flows, liquidity and financial risks at leading Russian corporations. In 2019, VTB implemented comprehensive transactional solutions for approximately 90 groups of companies that include more than 2,500 legal entities.

In 2019, VTB Bank retained its position as the main settlement bank for some of the largest companies in Russia: *Russian Railways*, *Russian Post*, *Transneft*, *Rostelecom*, *Moscow Metro*, the *Air Traffic Management State Corporation*, *Rosneft*, *Rosatom* and *M.Video Group*.

Cutting-edge solutions for transport and for cities

VTB Bank continues to develop and roll out new solutions for transport and the urban environment:

- At the *St. Petersburg International Economic Forum* in June 2019, the *My Smart City* app was officially launched, which links up VTB Bank with Moscow's municipal services, allowing users to view event information, top up their parking account, pay utilities bills and traffic fines, top up the balance of their *Troika* transport card and see the latest *Active Citizen* voting results and much more. The app was named the best technology product of the year by *The Banker* magazine. VTB's solution was the winner in the *Mobile Applications* category at the *Tech Projects Awards*, beating out mobile products created by some of the world's top banks. On the one hand, the app focuses on providing popular services for residents of Russia's largest city. On the other hand, it offers a state-of-the-art channel for communicating with citizens. The Bank's role is to provide convenient payment services and infrastructure for effective interaction between service providers and end users;
- A project was completed to modernise *Moscow Metro* turnstiles to enable payment using a bank card and other devices using contactless



My Smart City app links up VTB Bank with Moscow's municipal services. It allows users

to view event information

to top up their parking account

to pay utilities bills and traffic fines

to top up the balance of their *Troika* transport card

to see the latest *Active Citizen* voting results and much more

Best technology product of the year by *The Banker* magazine

Winner in the *Mobile Applications* category at the *Tech Projects Awards*

technology. The contactless fare service enables users to complete a journey without having to buy a ticket at a ticket office;

- Seamless transfers were made possible using contactless bank cards between different types of urban passenger transport, such as between the *Moscow Metro* and the *Moscow Central Circle*.

Custody services

VTB Group Custody is one of the largest custodians in Russia and provides a full range of custody services for all types of securities issued by Russian and foreign issuers. The majority of companies operating in the Russian market hold depository accounts with VTB Bank. The account service on Russian and foreign securities through *Euroclear Bank's* accounts is constantly in good demand among domestic and foreign market players. *Euroclear Bank* is one of the largest international settlement depository, for which VTB Bank's depository acts as an agent for depository operations in Russia.

The Bank's depository acts as a Russian sub-custodian for the *BNY* and *Deutsche Bank Trust Company Americas*, holding the underlying assets for issuing depository receipts for shares in a number of major Russian issuers.

CIB INVESTMENT BANKING

VTB Group is Russia's leading investment banking services and one of the key players providing access to global capital markets for Russian corporate clients. Investment services are primarily sold under the VTB Capital brand. In 2019, the Group maintained its leading position in various segments of Russia's investment banking market.

Global markets

VTB Group offers a full range of services for fixed income, equity and FX trading, as well as interest-rate and global commodities market operations. The Group also provides currency and interest-rate risk management services, including hedging solutions, as well as structured finance, structured deposits and notes, structured credit and hybrid products.

VTB Group clients are able to access equity capital markets in Russia and in a number of countries in Eastern Europe, the Middle East and Africa. VTB Capital is a member of the *London Stock Exchange*, and it also has access to a number of foreign markets through its extensive network of local brokers.

In 2019, VTB Capital strengthened its position in the Russian stock market, becoming one of the three largest operators in the market, and it also increased its market share considerably in terms of trading with international clients. VTB Group also strengthened its leading position in terms of trading volume in the *Moscow Exchange* repo market and became one of the three largest operators in the repo exchange market.

VTB Group is a major player in currency markets and is a well-known brand not only in the CIS but also further abroad. Germany, the United Kingdom, India and China are just a few of the countries where VTB is licensed to conduct currency trading. VTB Bank continues to be a leading player in the Russian foreign exchange market, offering a wide range of traded currencies and a substantial toolkit for executing client orders. In order to simplify the completion and execution of transactions and to reduce the processing time involved, the Bank developed and introduced electronic trading platforms that quickly became popular with clients. In addition to conversions, VTB Group is also one of the leaders in the derivatives market, with this segment accounting for about 30 % of the total operations.

VTB Group is one of the leading traders of Russian government and corporate bonds (on the *Moscow Exchange* and in over-the-counter markets, denominated both in roubles and in foreign currencies). The Group conducts trading operations with a wide range of Russian and foreign clients, providing them with liquidity in the secondary market in a wide range of debt securities, with an estimated market share of about 15 %. The Group also expanded its presence in corporate debt markets in 2019 for borrowers from Europe and the CIS.

Global commodities

VTB Group's commodities business – a strategic area of development for VTB Group – has established a well-developed infrastructure to support the complete sales cycle from national producers to end consumers all over the world. VTB was able to create, in a very short time, a national universal trader in Russian and international markets (China, India, Central Asia, Europe) and to start an anchor product for the development of its international business. VTB's commodities business is currently represented by a top international team with expertise in all major areas, including oil and petroleum products, coal, precious and industrial metals, agricultural products and fertilizers.

In 2019, VTB Group bolstered its presence in commodities markets, including international markets. Its line of basic assets includes precious and non-ferrous metals (gold, aluminium, copper and tin), oil, petroleum products and petrochemical products, coking and power-generating coal, and agricultural products (soybeans, wheat, barley and sunflower seeds). VTB Bank continues to offer an option structure to hedge the commodity risks of Russian producers of mineral resources. The Group's trading companies – VTB Capital Trading (Zug, Switzerland) and VTB Capital Trading (Moscow) – continue to expand their range of services. Structured finance transactions (stocks and cargo in transit), advances on future deliveries (prepayment), and deliveries with delayed payments were concluded. The client base was expanded in the CIS countries and other international locations. VTB plans to entry into China offshore market through creating a legal entity on the continent territory of China in order to gain transactions at a wider scale and interact with Chinese clients.

Highlights of the commodities business in 2019 included the following:

- No. 1 in Russia in terms of gold purchases (32 % market share);
- No. 1 in the CIS countries in terms of operations with physical aluminium;
- No. 2 in terms of grain exports from Russia (as of 31 December, 9.2 % of exports in the 2019–2020 season);
- Agribusiness transitioned from structural financing operations to a strong operational player in the global market;
- A contract was signed for copper extraction at a mine in Armenia;
- A core logistics team was established with experience in the areas of steelmaking, concentrates and primary base metals.

Investment banking

VTB Group offers a full range of investment banking products, including advising on M&A transactions and organising the issuance of debt and equity securities. The business is focused on serving customers in key sectors of the economy in both Russia and international markets.

Corporate financing

In 2019, VTB Capital was once again recognised as the leader in terms of the volume and number of M&A transactions in Russia, according to a number of independent international agencies, including *Refinitiv* and *Mergermarket*.

According to *Refinitiv*, VTB Capital successfully completed 17 transactions worth a total of USD 4.5 billion, making it the leader in Russia with a 23 % market share.

Among VTB Capital's largest deals was the sale of RUB 60.3 billion in shares of *TransContainer*, a freight transport company, through an open auction; VTB Capital coordinated the auction and acted as financial advisor.

VTB Capital also provided advisory services in international M&A markets outside Russia, including for deals in India, China, Kazakhstan, Angola and Italy. The deals included the acquisition of a 70 % stake in the *Klyuchevskoye* gold deposit in the Chita region by *China National Gold Group Corporation (CNGC)*, a leading state-owned Chinese mining company. VTB Capital acted as a financial advisor to *CNGC*.

VTB Capital has received several prestigious awards for its consulting services, including:

- *The Best Investment Bank in Emerging Markets* in 2018 and 2019, according to *Global Finance*;
- *The Best Investment Bank in Russia 2010–2019*, according to *EMEA Finance*.

Equity capital markets

As of the end of 2019, VTB Capital retained its leading position in the equity markets of Russia and the CIS, having coordinated the largest number of deals – seven – worth a total of USD 1.7 billion.

The most notable transactions included the only initial public offering (IPO) in Russia in 2019, *HeadHunter's* IPO on the US *Nasdaq Exchange* worth USD 253 million, in which VTB Capital acted as a bookrunner. Other notable transactions included the accelerated placement of shares of *Norilsk Nickel* worth USD 551 million and shares of *Polyus* in the amount of USD 390 million, where VTB Capital acted as the global coordinator.



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Debt capital markets

According to the independent agencies *Refinitiv*, *Bloomberg* and *Dealogic*, VTB Capital was once again one of the top-ranked companies in 2019 in terms of volume of transactions in the debt capital markets of Russia, the CIS and Eastern Europe. According to *Dealogic*, VTB Capital organised over 100 transactions in the Russian debt capital market in 2019 worth a total of USD 12 billion. The most notable deals completed during the year included participation as the lead manager of a sovereign issue of Eurobonds by the *Ministry of Finance of the Russian Federation* worth more than USD 6 billion, as well as the coordination of a transaction for the issue of Eurobonds by *Russian Railways* worth EUR 500 million, the first issue of “green” Eurobonds in Russia and the CIS.

Corporate real estate market

In 2019, VTB Capital continued to develop one of its newest lines of activity: providing consulting services concerning corporate real estate; the company has successfully completed three deals since it began offering such services.

EMEA Finance called VTB Capital’s USD 145 million deal to acquire a new headquarters for *Yandex* – the best real estate deal in Central and Eastern Europe in 2019.

Investment management – VTB Capital Investments

VTB Capital Investments, VTB Group’s single, unified platform, is one of the largest and most successful platforms in the Russian market for the provision of comprehensive investment services for a wide range of investors.

With its effective business strategy, excellent team of professionals, focus on the development of digital services, in-depth expertise and optimal risk management system, VTB Capital Investments is able to occupy a leading position in the investment services market.

VTB Capital

INVESTMENTS

provides

a full range

of investment

services

for a broad array

of investors

and consolidates

the following

companies:

VTB Capital Investment Management:

the largest asset management company in Russia, it offers one of the most wide-ranging lines of trust management investment products for Russian and international investors; the leader in terms of managing endowment funds with a market share of more than 30 %; one of the three largest asset management companies in Russia in terms of funds managed in the HNWI segment¹ and also in terms of the volume of reserves among insurance companies, closed-end mutual funds and *Russian Pension Fund*;

VTB Bank’s Brokerage Department:

brokerage services for retail customers with opportunity to trade in both Russian and foreign markets;

VTB Capital Broker:

brokerage services for institutional investors using state-of-the-art technologies for remote servicing and margin lending;

VTB Forex:

services for individuals in Forex markets, with direct access to international currency markets.

¹ High-net-worth individuals.

56

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Management Report

VTB Capital Investments was managing more than RUB 1.9 trillion in client assets in 2019, a 33 % increase year-on-year. The retail client segment saw the most growth, with assets increasing by 58 % to RUB 922 billion. Funds invested by legal entities increased by 16 % to RUB 1 trillion. VTB Capital Investments’ client base increased 2.5 times to more than 715 thousand, and its business revenue increased by more than 44 % compared to 2018.

One area of special focus was the development of the *VTB My Investments* mobile application, VTB Capital Investments’ flagship digital product. The number of active clients using the mobile platform increased sixfold, with more than 170 thousand customers having used the mobile application by the end of 2019; the total volume of transactions exceeded RUB 2 trillion, with monthly turnover exceeding RUB 200 billion.

In 2019, extensive work was conducted on developing the main services and functionalities offered by *VTB My Investments*:

- Functionalities were added such as opening brokerage accounts online, withdrawing funds into master accounts and transferring funds between brokerage accounts, as well as withdrawing funds and transferring them to external accounts;
- The Placement Platform gives users the ability to take part in initial placements directly through the *VTB My Investments* application;
- Functionality was added for purchasing federal loan bonds;
- Trading in foreign shares: more than 1,000 of the most liquid shares on the American stock market were made available through the *St. Petersburg Exchange*;
- Dividend and coupon calendars were created;
- The application provides a robot advisor service, which helps clients form an investment portfolio made up of stocks, bonds and index funds based on their investment profile and the parameters of each client’s existing securities;
- Virtual Advisor: a chatbot was added to answer questions; it appears whenever the central button in the *VTB My Investments* application is pressed;
- Access was provided free of charge to materials adapted from reports by the VTB Capital team of analysts, which has been repeatedly recognised as the best in Russia.

VTB Bank became the first bank in Russia to use *Open API* technology – a platform-based solution that makes it possible to work with an unlimited number of partners – for its investment products. Using this technology, VTB Capital Investments and Post Bank enabled Post Bank clients to open brokerage accounts remotely and to buy and sell federal loan bonds. VTB Capital Investments and RBC launched an investment site at quote.rbc.ru that is also based on this technology. The project enables customers to open investment accounts and conclude transactions on the *Moscow* and *St. Petersburg Exchanges*.

By the end of 2019, VTB had become the undisputed leader in the Russian market in terms of investments in mutual funds. During the year, clients invested RUB 49.5 billion in VTB Capital mutual funds – about half of the funds invested in all market players. With the launch of six funds, VTB Capital Investments created the widest range of exchange-traded funds in the Russian market. VTB Capital Investments became the first, and remains the only, company in the market to disclose the structure of exchange-traded funds online.

In 2019, VTB Capital Investments entered into an agreement with the international investment group *Generali Investments*. Under the agreement, VTB Capital Investments provides comprehensive advisory services to an international portfolio investment group in the Russian market. The comprehensive approach includes the creation of an investment portfolio, analytics, macroeconomic reviews, as well as forecasts for currency conversion transactions. The agreement was the first step in long-term strategic cooperation between the two investment groups in the Russian market.

VTB Capital Investments carried out a record number of projects to launch new products and improve services for customers, such as access for retail brokerage clients to trading on the *St. Petersburg Exchange*, access to margin trading on the *St. Petersburg Exchange*, and access to currency operations in any amount, trading assets with settlements in foreign currency in individual investment accounts, investment bonds, direct access for mutual fund managers to trading on foreign platforms, access to foreign platforms for institutional clients using brokerage services, and the launch of real estate funds for market investors and others.

VTB My Investments mobile application is VTB Capital Investments’ flagship digital product

The number of active clients using the mobile platform increased sixfold:

more than

170

thousand

customers

having used

the mobile

application

by the end

of 2019

The total volume of transactions exceeded

2

RUB trillion

monthly turnover exceeding

200

RUB billion

57

An *Investor School* project was carried out with the goal of improving financial literacy among those who would like to take their first steps in working on stock exchanges – and then to become successful investors.

In 2019, VTB won the *Brokerage Company of the Year Award* as part of the *Financial Market Elite* annual competition. The winner in the *Best Management Company for Retail Investors* category was VTB Capital Investment Management, and the VTB Treasury Fund was the winner in the *Best Bond Fund* category. In addition, VTB Bank received an award from the *Moscow Exchange* in 2019 for its contribution to the development and promotion of individual investment accounts.

Research

VTB Capital provides its clients with high-quality investment analytics on the economy, sovereign debt and the corporate sector and is a recognised source of information on the markets of Russia, Central and Eastern Europe, the Middle East and Africa. VTB Capital analysts cover the activities of more than 110 companies, publishing over 2.7 thousand reviews every year with analysis of financial information and major events that have a direct impact on the activities and results of the companies and sectors of the economy

subject to analysis. VTB Capital analysts work closely with the Equity and Fixed Income Market Operations Departments, while also providing analytical support for strategic decision-making by VTB Group management.

According to the Institutional Investor 2019 Emerging EMEA Research Team survey, VTB Capital analysts ranked sixth in the Emerging EMEA region and second in the *Russia* category. The VTB Capital analytics *Transport* sector team and the *Electricity* sector team were the leaders in the EMEA region. The prize-winning meta-analytics teams in the *Metallurgy*, *Oil and Gas* and *Russia* sectors, among others, also contributed to VTB's high position in the rankings in the Emerging EMEA region.

In the *Extel Survey* 2019 ranking, the VTB Capital analytics team was the winner in terms of the total number of votes in Russia, and VTB's analysts took first place in such categories as *Macroeconomics (Russia)*, *Analytics in the Fixed Income Instrument Market (Russia)*, *Media and Telecommunications (Russia)*, *Banks (Russia)*, *Electricity (EMEA)*, and *Transport and Engineering (EMEA)*, while also winning prizes in the categories of *Metallurgy (Russia)*, *Oil and Gas (Russia)*, *Investment Strategy in the Stock Market (Russia)*, *Country Analytics – Russia* and a number of others.

AWARDS RECEIVED BY VTB CAPITAL IN 2019

Bloomberg #1 DCM Bookrunner in Eastern Europe 2016–2019	dealogic #1 DCM Bookrunner in Russia 2010–2019	 Best Securitisation House in CEE and EMEA 2009, 2010, 2013–2019	 Best Investment Bank in Russia 2010–2019
 Best Rouble Bond House 2010, 2013, 2015, 2017, 2019	 #1 Leading Brokerage Firm in Russia 2019	 #1 Pan European Conference: Investment Forum "RUSSIA CALLING!" 2016–2019	 Best Investment Bank in Russia 2019
 Best Investment Bank in CEE 2013–2019	 Best Investment Bank in Russia 2010–2017, 2019	 Best Investment Bank in Emerging Markets 2018, 2019	 Best FX Provider in Russia 2011–2015, 2017–2019
 #1 Transportation Team in Emerging EMEA 2016–2019	REFINITIV  #1 M&A Advisor in Russia 2019	 Best Financial Services in Russia 2016–2019	 Best Bond Market Sales 2009–2019

VTB CAPITAL'S MAJOR INVESTMENT TRANSACTIONS IN 2019

 China National Gold Group Acquisition of 70 % in Klyuchevskoye gold deposit 2019 Financial advisor	 DataLine RUB 17.5 billion Sale of 100 % to Rostelecom 2019 Financial advisor	 Detsky Mir USD 250 million Marketed Follow-on 2019 Joint Global Coordinator	 DOM.RF RUB 25 billion Rouble Bond 2019 Joint Lead Manager, Bookrunner
 Evraz RUB 20 billion Rouble Bond 2019 Joint Lead Manager, Bookrunner	 Gazprom USD 1.25 billion Eurobond 2019 Lead Manager and Bookrunner	 HeadHunter USD 253 million IPO on Nasdaq 2019 Joint Bookrunner	 Norilsk Nickel USD 551 million ABB 2019 Joint Global Coordinator
 Polyus Gold USD 390 million ABB 2019 Joint Global Coordinator	 Russian Federation USD 5.5 billion EUR 750 million Total New Issues and Taps 2019 Lead Manager and Bookrunner	 Russian Railways EUR 500 million Green Eurobond 2019 Lead Manager	 Severstal USD 800 million Eurobond 2019 Lead Manager and Bookrunner
 TransContainer RUB 60.3 billion Sale of 50 % + 2 shares 2019 Financial advisor	 Uralkali USD 500 million Eurobond 2019 Global Coordinator and Bookrunner	 VRK-3 RUB 8.65 billion Sale of 100 % – 1 share 2019 Financial advisor	 Yandex USD 145 million Acquisition of Korston Club Hotel 2019 Financial advisor

NON-BANKING FINANCIAL BUSINESS

Along with providing corporate clients with banking and insurance services, VTB Group also offers clients leasing and factoring services. Synergies and cross-selling of banking and non-banking products remain one of the Group's main development priorities.

Leasing

- No. 3 in the market in terms of portfolio size¹;
- No. 3 in the market in terms of the volume of new business in 2019¹;
- No. 1 in terms of the volume of new business in the construction equipment segment¹;
- No. 1 in terms of portfolio volume in the construction equipment segment¹;
- No. 1 in terms of portfolio volume in the medical equipment segment¹.

VTB Leasing is one of Russia's leading leasing companies, with 58 offices across Russia, as well as subsidiary businesses in the CIS and Europe. VTB Leasing is one of the top three leasing companies in Russia and one of the top 20 in Europe.

VTB Leasing's clients are large corporate clients, standard bearers in their industries, both state-owned and private: *Aeroflot, Rosneft, the Federal Cargo Company, SUEK, Novotrans, Russian Post* and many others. At the same time, VTB partners with more than 25 thousand small and medium-sized enterprises and individual entrepreneurs in the area of auto leasing. As of the end of 2019, VTB Leasing was one of the largest players in this segment in terms of the number of cars and amount of specialised machinery leased.

By the end of 2019, VTB Leasing's leasing portfolio amounted to RUB 580 billion, while the company's volume of new leasing contracts amounted

to RUB 133 billion. The main sectors of its leasing portfolio are rail transport, specialised machinery and auto leasing. The share of transactions in rapidly expanding sectors for leasing such as automobiles, freight transport and specialised machinery continued to grow, reaching 16 % of its portfolio by the end of 2019.

Factoring

- □No. 1 in the SME segment²;
- □No. 1 in terms of the volume of financing receivables²;
- □No. 1 in terms of the factoring portfolio size².

VTB Factoring, the leader in the Russian factoring market, provides a full range of factoring services for working with receivables and payables. The company operates across Russia through its own network of affiliates located in 15 of the country's largest cities and also through branches of VTB Bank.

The well-coordinated work of VTB Group's unified team, based on an individual approach to the development of unique solutions, enabled VTB Factoring to expand its business considerably in 2019. The volume of financing receivables reached RUB 724 billion; the company's portfolio grew to RUB 256.5 billion. As a result, VTB Factoring remained the leader for the eighth year in a row in terms of both financing receivables and its factoring portfolio, with a market share of more than 35 %.

The main focal areas of VTB Factoring's strategy are working with large companies of federal significance and their suppliers, continuing digitalisation of customers' acquisition and services for factoring business scaling to companies of *MSB* and development of new areas for commercial financing.

¹ According to Expert RA's preliminary data for 2019: raexpert.ru/rankings/leasing/2019.

² According to Expert RA's preliminary data for 2019: raexpert.ru/researches/factoring/factoring_2019.

MEDIUM AND SMALL BUSINESS

The *Medium and Small Business (MSB)* global business line specialises in serving legal entities and individual entrepreneurs with annual revenues of up to RUB 10 billion per group of companies.

Moreover, the following client sub-segments can be distinguished based on client needs for banking products and service models: upper, standard and mass. The main (but not the only) criterion for this segmentation is the volume of annual revenue: the upper segment includes clients with revenue from RUB 1 billion to RUB 10 billion; the standard segment is for clients with revenue from RUB 120 million to RUB 1 billion; the mass segment is for clients with annual revenue of less than RUB 120 million.

SHARE OF VTB GROUP TOTAL, %

Assets	9
Customer loans and advances (net)	12
Customer deposits and accounts	15
Net interest income	15
Net fee and commission income	26
Provision charge ¹	16
Net operating income (before provisions)	16
Staff costs and administrative expenses	15

Source: VTB Group’s IFRS consolidated financial statements for 2019.

Small and medium-sized enterprises are playing an increasingly important role in the economy of the Russian Federation; therefore, work with clients in the *MSB* segment is an important strategic direction for VTB Group.

¹ Provision charge for credit losses on debt financial assets, credit related commitments and other debt financial assets and (provision charge) / reversal of provision for legal claims and other commitments.

2019 SEGMENT OVERVIEW

Client base in Russia:

513
thousand clients

MSB gross loan portfolio:

1.5
RUB trillion

Customer deposits:

1.6
RUB trillion

The *SME* segment is one of the most competitive sectors in the banking market, while the small-business market is characterised by high volatility: with a relatively steady number of customers, there are new companies in the market every year, and a significant portion of customers change banks, which further intensifies competition among banks.

Despite the high degree of regional competition in upper and standard segments of *MSB* banking, VTB Bank enjoys the following competitive advantages: the quality of its customer service, its offer of comprehensive pricing conditions with a selection of the best products for each client, and the speed at which VTB is able to make decisions and provide services.

MSB LENDING AND DOCUMENTARY BUSINESS

The main trend in 2019 in terms of lending remained the provision of concessional loans through state programmes, as well as digitalisation of the process of providing products with credit risk.

These trends were the main drivers behind the development of the Bank’s product line in 2019. The Bank began work on an integrated digital platform (environment) for communicating with counterparties concerning credit and documentary operations conducted in electronic form. The platform will help reduce costs and the time needed to process client applications, increase customer satisfaction, and develop the market for state and commercial contracts in the Russian Federation.

State-run business support programmes

VTB actively participates in all state support programmes for business, offering preferential financing terms under these programmes.

As of the end of 2019, VTB had 3,897 existing loan agreements for state support programmes worth a total of RUB 364 billion. As a result, the Bank’s loan portfolio for preferential programmes amounted to more than RUB 222 billion as of 1 January 2020.

As of 1 January 2020, the largest volume of loan agreements were part of the preferential programme run by the *Russian Agriculture Ministry*, whereby loans are provided to agricultural producers and agribusiness companies at an annual rate of not more than 5 %.

The second-largest volume of loans were provided through programmes for concessional financing through the *Russian Ministry of Economic Development* (transactions through *Programme 674* were concluded in 2017, transactions through *Programme 1706* were concluded in 2018, and transactions through *Programme 1764* were concluded either in 2019 or will be concluded in 2020).

In 2019, a great deal of attention was paid to supporting small and medium-sized enterprises² (SME). Close cooperation with the *SME Corporation* continued in terms of working with existing and potential SME customers.

In an effort to expand SMEs’ access to credit financing, VTB uses a three-level system of guarantee organisations – the *National Guarantee System* – which provides meaningful and effective support for SMEs through guarantees and sureties. As part of its work with the *National Guarantee System*, VTB supports SMEs by providing financing for business development against guarantees provided by the *SME Corporation* and *SME Bank*, as well as guarantees from regional guarantors.

In 2019, the Bank became one of the first to begin using escrow accounts to finance developers pursuant to new legislation; this enabled the Bank to take a leading position in the housing construction market.

In addition, work continues on the implementation of projects aimed at raising the level of digitalisation of the loan process:

- Meticulous preparations were made in order to transfer all departments lending to *MSB* clients to a single automated banking system that maximises functionality in terms of automating processes (with the possibility of developing them further);
- A pilot project was launched to automate analytics (accounting) for small-business clients that apply for loans in order to establish lending limits.

Documentary business

In 2019, the main trends in the development of the *MSB* documentary portfolio were driven by work aimed at converting documentary products to a digital format. For example, the range of remote channels for providing guarantees was expanded to include an express model for credit analysis, and technologies for issuing electronic guarantees for customs authorities were further developed. A project was launched to introduce a digital guarantee conveyor, which enables clients to use paperless technology to complete every stage on the path to becoming a client, from filing an application to receiving a guarantee.

Thanks to the introduction of new technologies, as well as penetration into regional markets, the documentary portfolio of *MSB* clients amounted to more than RUB 300 billion as of the end of 2019, an increase of 21 % from the beginning of the year.



VTB actively participates in all state support programmes for business, offering preferential financing terms under these programmes.

² Small and medium-sized enterprises – economic entities (legal entities and individual entrepreneurs) attributed, in accordance with conditions set by Federal law No. 209 as of 24 July 2007, to small enterprises, including microenterprises and medium enterprises, information about which is included in the unified register of small and medium-sized enterprises.

The Bank continued to develop product offerings in segments that enjoyed constant high demand. Letters of credit in Russian roubles with an option of early payment were made available to *MSB* clients. The availability of guarantee products for all customer segments was expanded, including through simplified and rapid decision-making procedures.

MSB TRANSACTION BUSINESS

In 2019, the *MSB* global business line more than doubled its number of new customers for settlement and cash services.

In August 2019, VTB Bank launched a new unified line of packages for *MSB* customers for settlement and cash services. As of 31 December 2019, there were more than 100 thousand clients using these new financial products; in total, the Bank is serving more than 240 thousand clients with its packages for settlement and cash services.

The new VTB line includes four packages of settlement and cash services – *For Starters*, *Most Important of All*, *All-Inclusive* and *High Turnover* – which enable entrepreneurs to choose the best option depending on the size and objectives of their business. The financial products contain a complete list of necessary banking services for clients. In addition, the *All-Inclusive* and *High Turnover* service packages can be expanded with additional options – *Payments Plus*, *Personal Transfers*, *Cash Withdrawals*, *Cashier Plus* and *Foreign Economic Activities* – that can be combined to suit the client’s needs.

The *For Starters* package is most popular among the Bank’s new clients, having been used by more than 65 thousand customers already. VTB developed its *For Starters* package in order to support small and medium-sized business. The package enables clients to open and maintain a current account in roubles for up to 12 months free of charge, and it also provides remote banking services, an unlimited number of intrabank transfers and up to five external payments.

Not only have VTB’s clients shown appreciation for the benefits offered by the Bank’s new line of packages, but so have independent experts. According to research conducted by *MarksWebb* in the third and the fourth quarters of 2019, VTB is the leader in terms of service advantages for micro and small enterprises in the retail and service industries.

VTB Bank regularly offers preferential terms of service to businesses. In 2019, more than 83 thousand clients took part in the *Let’s start with the best!* campaign, whereby companies and individual entrepreneurs who opened their first settlement account with the Bank were able to do so free of charge, and they also received three months of commission-free services as part of the *Most Important of All* and the *All-Inclusive* packages.

The Bank actively continues to improve its services and processes for opening accounts in order to meet clients’ needs and expectations as much as possible. The Bank conducted large-scale studies to identify shortcomings in its procedures for opening accounts: in doing so, the Bank studied the best practices of competing banks as well as best foreign practices, while also analysing internal processes.

To optimise its processes, the following measures were implemented in 2019:

- A completely new personal account was developed for clients that allows them to reserve accounts;
- To simplify and speed up the process of opening an account, the functionalities for opening the first and subsequent accounts, updating information and other internal Bank processes were automated and centralised.

In 2019, a great deal of work was done to standardise the line and improve the functionality of the Bank’s corporate cards:

- The Bank began issuing registered and instant (unnamed) cards that use the *VISA* payment system;
- Personalised, contactless corporate cards were issued;
- Technology was implemented that enables clients to make card payments via mobile devices (*ApplePay*, *AndroidPay*, *GooglePay*, *SamsungPay*).

In 2019, VTB Bank completed its acquisition of the fiscal data operator *First-OFD*. This acquisition is a strategic investment aimed at expanding the Group’s customer services and bolstering its data monetisation models. Based on the data received from *OFD*, VTB will be able to quickly monitor the financial position of its corporate clients, improve its scoring models and increase the conversion of targeted offers.

The Bank expanded its cooperation with the *Capital Repair Fund of the City of Moscow* in 2019 by launching a project on banking support for the settlement of contracts concluded between the *Capital Repair Fund* and contractors. The successful project managed to attract a significant number of new clients.

In addition, during the reporting period a number of projects were carried out that were aimed at increasing customer loyalty and expanding the product range, in particular:

- A process was coordinated with the Deposit Insurance Agency for payments to small businesses that were clients of *Zhilkredit Bank*;
- The Bank began accepting electronic charter documents for legal entities and individual entrepreneurs using an enhanced qualified electronic signature from the *Federal Tax Service of Russia*;
- The standardisation of typical client forms for contracts and conditions for transactional products was carried out;
- A joint offer from VTB and *First-OFD* was launched to provide customers with settlement and cash services and online cash registers at a discount.

BUILDING A DIGITAL BUSINESS

One of the key areas of the Bank’s development is the creation of a state-of-the-art digital ecosystem for clients: digital products and quality service across all channels, and the development of a leading digital business for *MSB* clients in Russia. In 2019, over 45 thousand settlement accounts were opened through remote channels, which was three times the number opened in 2018. This is more than a quarter of all accounts opened during the year, whereas, two years ago, only 5 % of accounts were opened through remote channels.

In 2019, the Bank made a great effort to find new *MSB* clients through its partners. In fact, the number of clients the Bank was able to attract through its partners increased tenfold, and more than 2.5 thousand agreements with partners were concluded. A project on cooperation between the Bank and the multifunctional *My Documents* centres was launched and is being further developed.

The agency channel made a significant contribution to the implementation of the Bank’s business plan for 2019 in terms of the sale of settlement accounts: the share of accounts opened through the channel accounted for 15 % of the total volume.

In 2019, the Bank made it possible for legal entities, entrepreneurs and individuals engaged in private practice to open a settlement account without visiting a Bank branch.

This service of mobile specialists enables the Bank to:

- Attract new customers – legal entities or individual entrepreneurs – for cash and settlement services outside Bank branches;
- Increase the number of current accounts by reducing the time it takes to open an account;
- Make banking services for customers affordable and convenient;
- Increase the Bank’s competitiveness through mobile customer service.

The service of mobile specialists is currently provided in 15 cities, including Moscow and St. Petersburg.

In 2019, the *Medium and Small Business* section on the Bank’s website was updated with the introduction of a sales-oriented design, simple navigation and a clear section structure, as well as a convenient application form for opening a current account. In addition, the following steps were taken:

- A new digital communication channel (online chat) was added to the *Medium and Small Business* section on the Bank’s website;
- An interactive service for clients was added that enables them to select service packages;
- A series of tests were conducted to assess the convenience and effectiveness of the interface; the data from the tests will provide the basis for an updated user interface.

Non-banking services ecosystem

Launched in 2019, the platform for non-banking and business services allows small and medium-sized enterprises (both VTB Bank customers and non-customers) to access state-of-the-art tools for automating business processes and increasing their efficiency. The platform offers cloud solutions and services from leading Russian companies for accounting, tax reporting to the *Federal Tax Service of Russia* and funds, business security and settlements with counterparties, moving a business online and much more.

In 2019, pilots of two popular services for small entrepreneurs were also launched: *Digital Accounting* and *VTB Business QR*.



Digital Accounting is a mobile application that covers the tax accounting and tax payment needs of entrepreneurs who are used to working in a digital environment. In addition to direct tax accounting services, the application enables users to submit reports to the *Federal Tax Service of Russia* and funds, download bank statements, and get advice on doing business. During the pilot, the application was installed more than **1,300 times**.

VTB Business QR is a mobile application that enables entrepreneurs to accept cashless payments through the *Faster Payments System*. Using the application, the seller enters the amount and purpose of the payment, after which a QR code is generated for the buyer. Individual clients of any bank connected to the *Faster Payments System* can use the application to pay for purchases. The app is especially convenient for individual entrepreneurs, since the revenue from sales is automatically declared to the *Federal Tax Service of Russia*, and a receipt is generated for the buyer.

These non-financial services help small entrepreneurs operate within the law, quickly launch a new business and start accepting payments, which makes them more mobile in addressing urgent problems related to developing their business.

In 2019, the *VTB Business Connect* B2B platform was further developed. *VTB Business Connect* is an online business platform with a built-in modular e-commerce tool that enables clients to automate their sales, as well as their export- and sales-related services. The platform currently has more than 20 thousand users and over 1 million products. In 2019, the range of services available through *VTB Business Connect* was expanded: document management was made available with support for cloud-based qualified electronic signatures, an online export accelerator was launched based on the methodology of the *Russian Export Center*, a secure payment service (micro-credit in digital form) was added, a pilot analysis of government tenders was conducted on the basis of neural networks in an effort to search for new customers for users of the service, and a small-scale procurement project was scaled up within VTB Bank.

Internet banking and mobile banking for business

Based on the results of market research on mobile applications for business in 2019, VTB developed a new design for its single mobile bank for *MSB* clients. The updated version of the application takes into account the latest design trends, ensures excellent ease of use and resolves usability issues. The new application will be piloted starting in 2020.

A new design of the web version of the *VTB Business Online* remote banking service was also developed. The newly designed Internet bank will be available to clients in 2020. Based on the results of an audit and tests to assess the convenience and effectiveness of the interface, conducted by *MarksWebb* in 2019, VTB Bank received high marks for the design concept and functionality in terms of UX/UI design.

In 2019, the system enabled the widespread use of simple electronic signatures (signing documents using an SMS code) in remote banking systems for legal entities and individual entrepreneurs. In addition, the limit for the use of a simple electronic signature was also increased (up to RUB 3 million). The use of simple electronic signatures with the increased limit will be made available in the new design of the *VTB Business Online* banking system.



VTB became the first Russian bank to launch a new way for legal entities to confirm and sign documents. Now, users of *VTB Business Online Lite* internet banking can use cloud-based qualified electronic signatures. This solution was implemented on the basis of the first certified *myDSS* mobile application in Russia. This new option enables users to significantly increase the limits of operations through this online channel thanks to increased reliability and security compared to standard SMS confirmation. Unlike a conventional electronic signature, a cloud-based signature does not require the installation of special software on the client's computer. Another important advantage offered by the service is that it allows users to sign documents even when they are offline.

Internet banking has become even more convenient: by transferring remote banking systems for legal entities in the *MSB* segment to an improved, special-purpose anti-fraud system, the number of payments requiring customer confirmation has been reduced by 30 %.

MEDIUM AND SMALL BUSINESS OUTSIDE THE RUSSIAN FEDERATION

The strategy for working with *MSB* clients through subsidiary banks in the CIS and Georgia focuses on creating a digital environment for clients and state-of-the-art remote service channels. These banks continue to move in the direction of cross-selling and offering comprehensive solutions, especially in terms of servicing the foreign economic activities of the Group's clients.

In Azerbaijan, VTB's subsidiary began cooperation with the *Russian Export Center* to finance the costs that Azerbaijani importers have to pay for deliveries under trade contracts. New projects were launched for the development of digital sales channels, including a digital bank (chatbot) based on *Facebook* messenger and the modernisation of the existing system for remote banking services for corporate clients.

Having paid a great deal of attention to improving the quality of its loan portfolio, **VTB Bank (Armenia)** expanded its specialised service areas for corporate clients and individual entrepreneurs in its branch network in 2019. Cooperation projects were implemented with specialised organisations in Armenia (*Accountants Association, SME Investment Support Centre*).

In Belarus, VTB's subsidiary bank became the first Belarusian bank to enter into an agreement with the *Belarusian Financial Support Fund for Entrepreneurs*, which will enable clients to receive loans secured by the fund (up to 60 % of the principal), and it launched an online service called *Start Your Business Now*, which is used to prepare documents for business registration.

In 2019, **VTB Bank (Georgia)** introduced a procedure for internal factoring operations, which doubled the bank's factoring portfolio and expanded the list of non-banking services provided at points of sale (registration of legal entities and individual entrepreneurs). The bank regularly takes part in state programmes for financing the development of production, agribusiness and tourism.

VTB Bank (Kazakhstan) continues to cooperate with state funds to support the development of small and medium-sized businesses. In 2019, an agreement was signed with *KazakhExport* (*Baiterek* export insurance company) on pre-export financing, which made it possible to expand the range of financial instruments offered to Kazakh exporters. The *Agrarian Credit Corporation (KazAgro)* became a new strategic partner of the bank, having provided the Bank with funds for targeted financing of projects in the agribusiness sector.

RETAIL BUSINESS

The *Retail Business* global business line specialises in banking services for individuals and also includes a line of pension products.

SHARE OF VTB GROUP TOTAL, %	
Assets	25
Customer loans and advances (net)	29
Customer deposits and accounts	45
Net interest income	44
Net fee and commission income	45
Provision charge ¹	47
Net operating income (before provisions)	38
Staff costs and administrative expenses	41

Source: VTB Group’s IFRS consolidated financial statements for 2019.

RETAIL LENDING

Mortgage lending

In 2019, Russia’s mortgage market fell short of growth forecasts. At the same time, VTB was one of the few banks to increase its volume of mortgage sales. VTB Group significantly increased its housing loan portfolio, which amounted to RUB 1.6 trillion as of 31 December 2019, a 12 % increase in the portfolio year-on-year. Excluding a securitisation transaction to sell a portion of the mortgage loans, the Bank’s mortgage portfolio grew 25 % year-on-year.

These results were made possible thanks to a decrease in interest rates during the year, the digitalisation of the lending process, the development of state support programmes and the launch of a *Far East* mortgage programme.

¹ Provision charge for credit losses on debt financial assets, credit related commitments and other debt financial assets and (provision charge) / reversal of provision for legal claims and other commitments.

2019 SEGMENT OVERVIEW

VTB Bank client base in Russia:

13.3 million

VTB enjoyed record growth in 2019 with 1 million new clients

VTB saw record-breaking results in the market in terms of retention of retail clients¹.

VTB Online users:

8 million

(increase of 1.7 million in 2019)

Number of VTB Bank retail branches in Russia:

1,519 branches

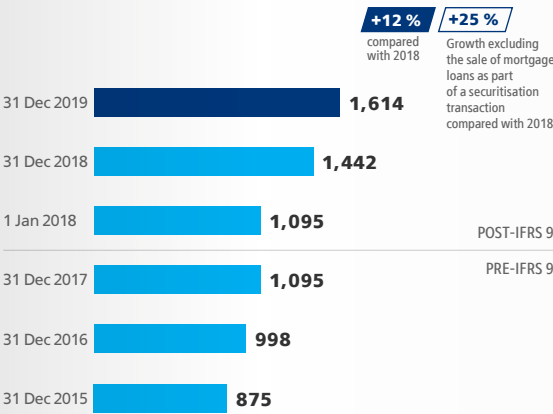
in 77 regions of the Russian Federation and 440 cities

Number of VTB Bank ATMs in Russia:

17,620

¹ According to Finalta.

MORTGAGE LOANS, RUB billion



As of the end of 2019, the Group had maintained its share of the mortgage market in Russia at 23.9 %. The Bank issued 275.5 thousand mortgage loans in 2019. At the end of the year, the Bank’s mortgage portfolio included more than a million active mortgages. The total volume of mortgage loans issued amounted to RUB 712 billion, the highest ever in VTB Group’s history. As of the end of 2019, the average annual mortgage rate at VTB was 9.6% (the average market rate at the end of 2019 was 9.9 %).

In 2019, one out of every four mortgages in the Russian Federation was issued by VTB, and about 1.4 million families purchased housing with our help.

VTB’s active presence in the sector of mortgage lending for housing under construction and its cooperation with the country’s largest construction companies enabled customers to purchase new housing compliant with current quality requirements under the most favourable terms, including a reduced interest rate for mortgages, and the option of purchasing housing at an earlier stage of construction.

VTB’s stable partnerships with leaders in secondary mortgage market allow our clients to select their desired property as conveniently and as quickly as possible, while also minimising transaction risks.

In 2019, the average mortgage issued by VTB Bank in Moscow and the Moscow region was valued at RUB 4.5 million, while it was RUB 2 million in other regions. Borrowers can get a mortgage through VTB with a down payment beginning at 10 %, while the average down payment on mortgage loans is 30 % of the cost of the housing being purchased, and the maximum loan amount is RUB 60 million.

A mortgage can be issued for a period of up to 30 years, while the information available as of the end of 2019 shows that the average mortgage contractual term is about 16.5 years, and the actual period of repayment of mortgage loans is about seven years.

In 2018, a state support programme was launched that enables families with children to get a mortgage loan at an annual interest rate of 5 %. For 2019, 16 thousand loans worth RUB 44 billion were issued through the programme. VTB accounted for 33 % of state-supported loans. In addition, about 2.5 thousand existing VTB mortgage loans worth RUB 6 billion were transferred to the programme.

VTB has already received more than 6.6 thousand applications (for RUB 450 thousand to pay off mortgages) as part of state support for large families.

In mid-December last year, VTB became the first market leader to start work on the *Far East* mortgage programme. As of 31 December 2019, the Bank had accepted more than 3 thousand applications for loans worth RUB 13 billion, and 2 thousand loans worth RUB 8 billion were approved. Ninety-five per cent of these was for the acquisition of real estate in properties under construction with an average loan amount of RUB 3.4 million.

In 2019, VTB maintained its position as a market leader in lending to military personnel participating in the accumulative mortgage system, with a market share of about 20 %. Mortgage loans worth around RUB 2.5 billion were issued through this programme.

In 2019, VTB became the absolute market leader in terms of the refinancing of mortgage loans from third-party banks. Through the programme, customers were issued more than 43 thousand loans worth RUB 87.8 billion during the reporting period. For the whole of 2019, refinancing housing loans from other banks accounted for 13 % of VTB’s total mortgage sales, and VTB’s share of the refinancing market was 54.5 %.

The Bank is actively developing its digital technologies. On the Bank’s website, clients can receive preliminary approval for a mortgage in one minute. At the end of 2019, technology was implemented in the Moscow region to enable clients to submit mortgage applications and documents through their personal accounts. The technology will be used throughout the country starting in 2020.



The total volume of mortgage loans issued amounted to

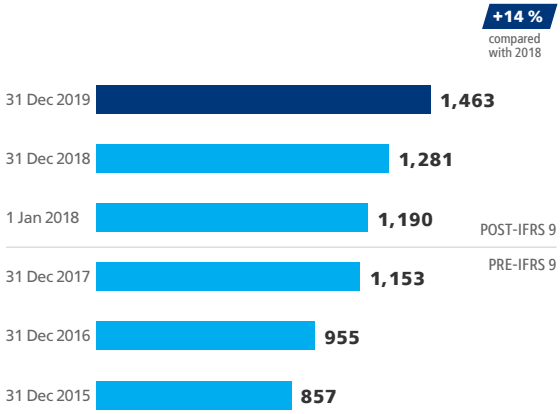
712 RUB billion, the highest ever in VTB Group’s history.

The Bank operates successfully in the securitisation market. In 2019, the *Bank of Russia* registered three issues of mortgage bonds under the Bank’s mortgage agent *MBS Factory* project worth a total of RUB 265.2 billion.

Consumer loans

VTB Group consumer loans demonstrated strong growth during the reporting period. As of 31 December 2019, VTB Group’s consumer loan portfolio amounted to RUB 1.5 trillion, an increase of 14 % year-on-year.

CONSUMER LOANS, RUB billion



More than 200 thousand people transferred their loans to VTB as part of a programme for refinancing of loans.

The Group is continuously improving its pricing system to ensure optimal results for this business line. In 2H 2019, the optimisation of product terms enabled the Bank to counterbalance the impact of changes in regulatory capital requirements and maintain an acceptable level of profitability from new loans.

The Bank continued to expand its product line in 2019. A new product called *Passport Refinancing* was launched for the Bank’s new payroll clients, which allows clients to refinance their external liabilities after their first wage payment at VTB. Lending was also launched for a new segment for the Bank, non-working pensioners.

Throughout the year, the Bank worked hard to increase the coverage of VTB’s client base in terms of pre-approved offers, to optimise its communication strategy for offers and to improve the process for obtaining loans both at the Bank branches

and through remote channels. During the year, the Bank reached an all-time record high in terms of the share of pre-approved loans issued completely remotely through *VTB Online*, which amounted to 16 % (in terms of the number of loans).

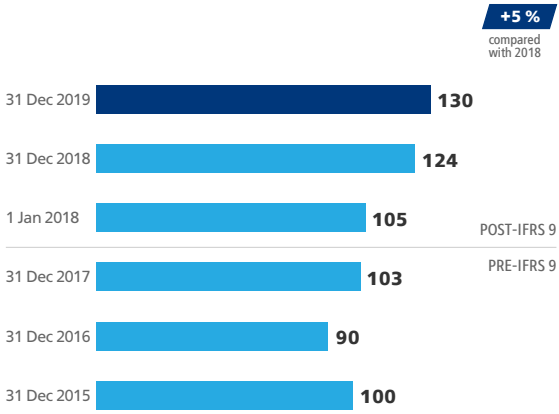
Remote lending to the Bank’s clients without a pre-approved offer was also expanded throughout the year. *VTB Online* made it possible for any Bank’s client to submit a loan application and to receive a loan entirely through remote channels.

In 2019, special attention was paid to optimising the Bank’s risk procedures and its policy on limits when formulating proposals for cash loans and refinancing, which enabled the Bank to create portfolio growth in 2019 by balancing generations of loan in terms of their risk profile.

Car loans

As of the end of 2019, VTB Group’s car loan portfolio reached RUB 129.6 billion, an increase of 5 % compared to the previous year. The Bank’s share of the car loan market was 12.7 %.

CAR LOANS, RUB billion



VTB Bank’s issuance of loans for new cars in Russia increased by 6 % and amounted to RUB 72.3 billion. The Bank was the market leader in the used-car loans segment, issuing 25.2 thousand loans worth RUB 14.3 billion.

In 2019, the Bank continued to expand the geography of its car loans, opening four new car loan centres: in Chita, Ulan-Ude, Blagoveshchensk and Abakan. Thus, the Bank was operating a total of 79 car loan centres by the end of the year, as well as 703 points of sale (including dealers).



VTB Bank’s issuance of loans for new cars in Russia increased

by 6 % and amounted to 72.3 RUB billion

The Bank was the market leader in the used-car loans segment, issuing

25.2 thousand loans worth 14.3 RUB billion

The largest number of vehicles financed by VTB in 2019 were sold in Moscow (22 %), St. Petersburg (8 %), Kazan (5 %), Krasnodar (4 %) and Ufa (4 %).

The Bank also expanded its product line in 2019. In July, the Bank introduced a new product for refinancing car loans that makes it possible to refinance car loans both at third-party banks and at VTB. In December, the Bank began lending for the purchase of new and used cars with no down payment. The Bank made a substantial update to its lending terms for the purchase of motorised vehicles and launched the first joint federal programme with the motorcycle manufacturer *Yamaha*.

Partnerships with leading automakers were also developed in 2019. During the year, partnerships were established and joint lending programmes launched with manufacturers such as *Honda*, *Changan* and *Yamaha*.

In 2019, VTB once again took part in the *First Car* and the *Family Car* state programmes offering preferential car loans, in which borrowers received a 10 % discount for the car purchase (25 % for the regions in the Far Eastern Federal District). As of the end of the year, the share of car loans issued through state-supported programmes amounted to 16 % of all VTB car loans (in terms of the number of loans issued).

VTB also took part in subsidy programmes together with car manufacturers. These programmes offer clients very attractive terms: in some cases, customers were offered annual rates of 2.9 %. The Bank’s key partners in this area are *Jaguar*, *Land Rover*, *Subaru*, *Volvo*, *Suzuki*, *Lifan* and *Changan*. Some RUB 4.7 billion in loans were issued through these programmes, an increase of 28 % compared to 2018.

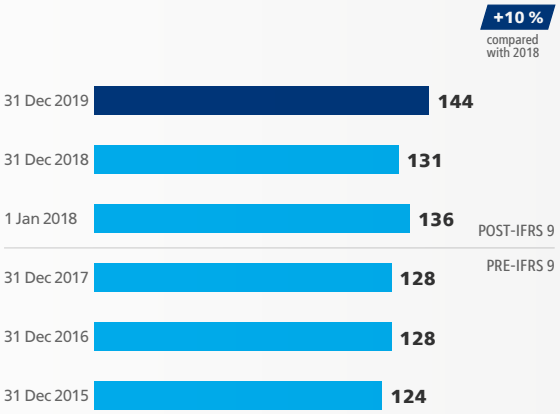
A great deal of work was done on the *ExtraLight* programme, which focuses on VTB’s own clients, as well as clients who come to the programme through online channels. Some RUB 3.5 billion in loans were issued through the programme, which accounted for 4 % of total loans. In 2019, the Bank lowered rates by an additional 1 p.p. for its payroll clients and repeat customers.

In 2019, VTB Bank completed the transition to a new state-of-the-art front-end solution for processing and issuing car loans. The new platform enables the Bank to make decisions and process car loans quickly, and also to accept applications from partners using API technology.

Another innovation is that it allows clients using the Bank’s website to select a car online and immediately receive a preliminary decision on a loan to purchase it.

BANK CARDS AND ACQUIRING

BANK CARD PORTFOLIO, RUB billion



As of 31 December 2019, VTB had 26 million bank cards in circulation, 8.8 million of which were active, i.e., were used for an expenditure in the previous month. The Bank issued more than 700 thousand new cards per month. POS turnover (payment transactions for purchases and services) using the Bank’s cards increased by 29 % year-on-year and amounted to more than RUB 1.9 trillion.

The bulk of cards issued were the Bank’s flagship card product, *Multicard*, which also accounted for the bulk of purchases.

The credit card *Multicard 101* received the *Frank Research Group* award for 2019 as the best credit card with a loyalty programme.

VTB Bank’s credit card portfolio grew by RUB 9 billion. In 2019, 1.2 million credit cards were issued, exceeding the figures for previous periods.

Measures taken to optimise risk procedures enabled the Bank to expand the client segments that it issues credit cards to, thus enabling non-working pensioners clients who have submitted a mortgage application to receive a credit card.

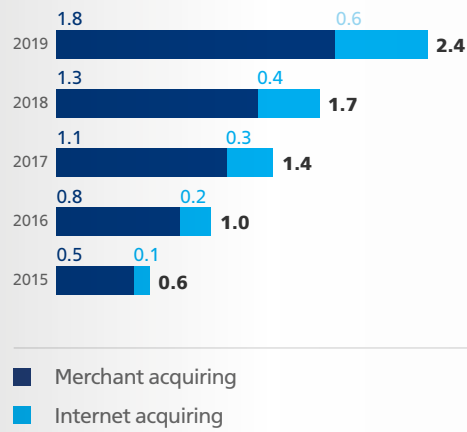
Acquiring projects

- A service (*Cash2Card*) was launched that enables cardholders with cards from any Russian banks to top them up with cash at VTB ATMs; the service includes agreements with six banks to service their customers through VTB's ATM network free of charge (with commission paid by the issuer);
- Transfers to cards using the Chinese *UnionPay* payment system from Russian *Visa/MasterCard/MIR* cards through the Bank's website were certified;
- Internet acquiring for *UnionPay* cards and *American Express* cards was carried out;
- Scaling of a project was completed that enables travellers to use a bank card to pay for travel in the *Moscow Metro* at ticket barriers. Each vestibule has at least two ticket barriers;
- Merchant acquiring projects were carried out for the following clients: the *TSUM* department store, *Leroy Merlin* and the *Azbuka Vkusa* supermarket chain;
- A project was launched that involves the hook-up of an additional processing centre for *Sirena Travel*, a leader in terms of the distribution of aviation services in Russia;
- The Bank won *S7 Airlines'* Internet acquiring tender;
- A licence was received from Visa to accept payments involving high-risk enterprises;
- Cooperation with *Yandex Group* was expanded and the following new services were connected: *Yandex.Auto*, *Beru.Ru*, *Yandex.Afisha*, *Yandex.Drive*, *Yandex.Health*, *Yandex.Realty* and *Yandex.Zapravki*;
- *AliExpress* traffic increased;
- An Internet acquiring agreement was concluded with *Lomonosov Moscow State University*;
- Online communication was launched between the *Multicard* processing centre and the Bank's accounting system. This will enable higher-tech information transfer;
- The lines of terminal equipment purchased by the Bank were updated, and three-in-one devices (cash register, bank terminal, fiscal data recorder) were introduced;
- The terminal network was migrated to a single processing centre (*Multicard*). Devices and online stores that were previously connected to the processing centres of the former *Bank of Moscow*, the former VTB24 and the North-West Regional Centre are now operating with the same technologies.

In 2019, the Bank continued to develop its *Multicard* product line and offers for clients:

- The *MIR-Maestro* co-badged card was launched, allowing card payments anywhere in the world;
- *Samsung Pay*, *MirPay* and *Swatch Pay* were launched;
- Top managers involved in a company's payroll projects were given the opportunity to apply for a free *Prime+* package through the payroll programme;
- A pilot was implemented to reduce the time needed to deliver cards to branches in Moscow (one day) and the Moscow region (two days);
- Interest rates on the balance in master accounts were raised in August 2019;
- Client bonus options were transferred to the unified loyalty platform (*Cashback*, *Car*, *Restaurants*, *Collection* and *Travel* options). Clients can now receive simultaneous rewards both for purchases in a particular category and for all purchases;
- A digital card (without a physical plastic card) was launched at *VTB Online*. Digital cards offer all the features of plastic *Multicards*;
- New services for cards were launched through *VTB Online* (card activation, setting up or changing the PIN code);
- A process was launched for issuing payroll cards by proxy (for enterprises located in remote locations);
- Cards were issued to juvenile clients (university students) through the payroll programme.

TURNOVER OF THE BANK'S ACQUIRING NETWORK, RUB trillion



Multibonus loyalty programme

A single, rebranded VTB Bank's *Retail Business* loyalty programme – *Multibonus* – was launched in 2019. The new programme was formed on the basis of the *Collection* bonus programme and combines the advantages of existing loyalty options. New interfaces were developed for the website and the *Multibonus* mobile application that use the new corporate identity.

The programme enables members to accumulate bonus points by making everyday purchases using their cards and to exchange the points for rewards from the catalogue on the website multibonus.ru or for rewards through programme partners. Some 2 thousand programme members exchange bonus points every day for some RUB 8 million worth of awards.

Multibonus loyalty programme:

- Clients can use their bonus points for goods and services from the catalogue, for air and train tickets, hotels, gift certificates and much more, or they can transfer their points as money to a VTB card through their personal accounts;
- More than 100 offers from partners were made available to clients with bonuses of up to 14 % in addition to bonuses from the Bank;
- Depending on the option selected, the portal will display the currency of the account balance and the catalogue prices;
- When disposing of bonus points, the combined balance from all bonus accounts is used.

+41%
turnover growth in 2019
through *M.video*, *Leroy Merlen*,
the *TSUM* department store
and internet acquiring sales

62
thousand clients

163
thousand terminals

Key loyalty programme highlights for 2019

- 5.4 million customers with active bonus accounts;
- 1.3 million purchases using bonus points in 2019;
- Clients spent 12.1 billion of bonus roubles and their own funds on goods and services through the *Multibonus* catalogue;
- Savings portfolio of RUB 10 billion (total for all programme currencies) as of 31 December 2019;
- Clients paid RUB 1.6 billion of their own funds.

VTB and Post Bank loyalty programmes combined

The combined *Multibonus* loyalty programme has been available to VTB and Post Bank clients since 1 February 2020.

By using their cards to pay for everyday purchases, cardholders can collect bonus points from both banks in a single personal account and exchange them at their discretion for roubles or goods in the multibonus.ru marketplace or through the application.

This is the first and only combined loyalty programme in the Russian banking market to include a combined balance and a single platform for disposing of bonus points.

The combined *Multibonus* programme allows clients to receive rewards for purchases made using VTB and Post Bank cards and to use bonus points from both banks to pay for goods made by popular brands, air and train tickets, hotel reservations, car rentals, movie tickets, etc.

(the catalogue offers more than 15 thousand rewards). For the convenience of clients, the *Post Bank Online* and *Multibonus* applications were integrated. In the combined personal account, users can check the status of their bonus account, see expected accruals and partner rewards, exchange bonus points into roubles at a rate of 1:1 and transfer them to their account (through the cashback option for VTB clients).

WORKING WITH BAD DEBTS

In 2019, the Bank confirmed its leading position in the market for the recovery of bad debts and for working with non-core assets obtained during recovery.

VTB launched its *CommissiON* marketplace (komission.vtb.ru) in August 2019. In addition to providing information on non-core property obtained during the recovery of overdue debts, the new digital platform also makes it possible for users to purchase property through specially discounted individual lots. Clients can choose a property of interest from a wide list of assets held by VTB, *DOM.RF* and the *Russian Agricultural Bank*. The site presents various types of apartments, houses, townhouses, land, automobiles, specialised machinery and equipment. Businesses can acquire commercial real estate, vehicles or specialised equipment. VTB intends to fill an existing gap in the market by turning the *CommissiON* project into a full-fledged marketplace with expanded functionality and a fully digital client experience.

In 2019, the *Russian Agricultural Bank* and VTB became the first players in the market to begin cooperation on the sale of non-core assets. The *Russian Agricultural Bank* and VTB signed an agreement on the provision of services for the sale of non-core assets through the *CommissiON* marketplace. The site currently brings together more than 3 thousand properties from across the country; taking into account assets of the *Russian Agricultural Bank* transferred for management, the number increases to 4.5 thousand¹.

In 2019, the Bank found a way to make the processes of loans' collection and issuing complementary. When a client contacts the Bank to purchase

a property from the Bank's list of non-core assets, the Bank also offers the client additional products, such as a mortgage or a *Privilege* package. Since the start of cross-sales, VTB Bank's mortgage lending centres have received more than 500 applications for mortgage loans.

Barometer of Gratitude

In 2019, the Bank put an automated system in place to assess the quality of the telephone conversations conducted by remote collectors; the assessment system also accepts feedback from clients. Speech analysis tools are used to count the number of conversations in which the client thanks the operator for their attempt to help resolve a situation with overdue debts. The top operators in the *Gratitude* rating receive additional points on top of the final rating per call, which, in turn, has a positive effect on their salary bonus.

RETAIL DEPOSITS AND ACCOUNTS

In 2019, VTB Group increased its market share for term deposits in Russia by 0.30 p.p. to 14.8 %. As of 31 December 2019, the Group's term deposits portfolio amounted to RUB 3.6 trillion (including foreign banks).

In 2019, the Bank launched the following new product offers for deposits and savings accounts:

- *Time for Growth* deposit promo from 7 February 2019 to 31 March 2020 (seasonal offer with a maximum rate);
- The new *Savings Jar* savings account from 1 March 2019 in the branch network and from 1 October 2019 through *VTB Online* (interest accrued on daily balances);
- Improved terms for *Savings Jar* savings accounts from 1 October 2019 (a higher interest rate for savings of up to RUB 1.5 million; a higher rate had previously been available on savings up to RUB 300 thousand);
- Investment deposits (deposit + mutual funds);
- Special *Pension* deposits for military pensioners (with a higher rate for clients with a military pension certificate).

¹ Pursuant to the agreements signed by the banks, the Russian Agricultural Bank's non-core assets are presented in the marketplace, and users can get advice regarding such assets and make a purchase.

By developing the products offered for savings accounts, the Bank was able to increase its savings accounts portfolio by more than 50 % in 2019.

Since 1 February 2020, holders of *Multicard*, *Multicard Privilege* and *Prime+* packages have been eligible to receive additional income as part of the Savings bonus option not only from balances in savings accounts but also from deposits.

VTB ONLINE REMOTE BANKING SERVICE



With steady growth, the number of active users of **VTB Online** system (available on the Bank's website and through the mobile application) has reached **8 million**.

In 2019, 104 million payments were made through **VTB Online**, an increase of 33 %, while the volume of payments made through **VTB Online** amounted to RUB 225 billion. The number of P2P¹ transfers made through **VTB Online** increased by 62 % to 82 million.

The **VTB Online** mobile application now has **6.3 million users**.

¹ Card-to-card cash transfer.

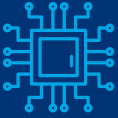
In 2019, 59 % of deposits and 39 % of savings accounts were opened through *VTB Online*, and 10 % of loans were issued through the *VTB Online* system.

During the reporting period, the number of service providers available through *VTB Online* doubled, reaching 10,000 as of 31 December 2019.

RETAIL BUSINESS DIGITAL PRODUCTS

In 2019, a number of key digital projects were launched as part of the strategic focus on digitalisation of the *Retail Business*:

1. **Paperless services in the retail network.** In 4Q 2019, VTB Bank launched a *Digital Office* project, which included the launch of a technology for paperless customer service in the retail network. As of the end of 2019, 155 Bank's offices had switched to the *Digital Office* format. Over the course of three months, customers completed 25 thousand transactions through the new digital offices, including applications for cash loans and credit cards, servicing debit and credit cards, as well as opening current and savings accounts.
2. **Digital mortgage.** In December 2019, a pilot project was launched enabling applications for digital mortgages: clients can apply for a mortgage, open a personal mortgage account and get approval for a mortgage loan on the website without visiting a branch office. By the end of the reporting period, more than 3 thousand people had used the service, and more than 1 thousand loans worth RUB 5 billion had been approved. An online service was launched that enables clients to order an apartment appraisal. The service, which has been used by more than 230 thousand clients, enables users to request an appraisal in just a few clicks on a mobile phone or computer and is available 24/7. A quarter of all appraisals are completed in one day. In 2019, a project offering virtual mortgages (VR mortgages) was launched. VTB became the first bank in the market to issue a mortgage loan through a *VR mortgage* service when a client from Krasnoyarsk completed the purchase of an apartment in St. Petersburg using the service. The *VR mortgage* service enables clients to use virtual reality goggles to evaluate all the features of a property, including its location on a city map, infrastructure (playgrounds and viewing decks, proximity to the metro and social amenities), layout and detailed potential room designs. During a VR session, the client is accompanied by a virtual consultant who gives the client a detailed overview of the apartment and also discusses the mortgage terms. Using VR goggles, clients can choose and purchase, with the help of a mortgage, their favourite property from accredited



Retail Business digital products

1. Paperless services in the retail network
2. Digital mortgage
3. Digital Multicard
4. Digital loans
5. Payment for services using a QR code
6. Biometrics
7. Transfers
8. VTB Mobile

- VTB developers in Moscow, St. Petersburg, Sochi, Krasnodar and Kaliningrad. The pilot project presents about 100 of the Bank's accredited properties.
3. **Digital Multicard.** In December 2019, VTB and the *VISA* international payment system began issuing digital bank cards through the *VTB Online* mobile application. Now clients can receive a digital debit card and use it without the need for a plastic card, while retaining all the advantages of the Bank's flagship card product, the *Multicard*. A digital card can be issued within seconds and is ready for use immediately. This is a new, fast and secure way for VTB's clients to receive a card. For the Bank, this is an important step towards a fully digital experience in applying for, receiving and using card products. The digital *Multicard* is a full-fledged debit card in an online format that can be issued in any of three currencies: RUB, USD or EUR. Cardholders can set their PIN code, decide on how they want to be notified about transactions and also choose an option for the bonus programme. In December, more than 15 thousand digital cards were issued.
4. **Digital loans.** In 2019, the volume of digital loans issued increased by 270 % to RUB 64.6 billion. This accounted for 10 % of digital sales compared with 2 % in 2018. The increase in the share of digital sales among total sales was facilitated by:
- Automation of the process of issuing pre-approved loans through *VTB Online*;
 - Reduction of the time needed to issue pre-approved loans;
 - Launch of online loans: clients can now apply for a loan and receive money without visiting a branch (through *VTB Online*).
5. **Payment for services using a QR code.** At the end of 2019, the *VTB Online* system made it possible to pay for regular purchases using a QR code; more than 10 % of the Bank clients used this option to pay bills in December 2019. The ability to pay using a QR code through the *Bank of Russia's Faster Payments System* was also added. Now, the Bank's customers can pay for purchases in stores connected to the *Faster Payments System* using the *VTB Online* mobile application.

6. **Biometrics.** In November 2019, VTB launched its own biometrics platform and began getting consent from clients for the use of biometrics and collecting voice samples from clients through the contact centre. Over a month and a half, more than 12 thousand clients gave consent, and more than 7 thousand samples of voice biometrics were collected. The use of this technology will improve customer security and reduce the risks posed by social engineering.
7. **Transfers.** Advances in transfers by a telephone number or card number facilitated a 49 % increase in the portfolio of active users of P2P transfers. A number of factors made this possible: the development of P2P interfaces; joining the *Faster Payments System*, which was used by no fewer than 45 banks as of the end of 2019; and the ability to make transfers by a telephone number between holders of Visa and *MasterCard* bank cards.
8. **VTB Mobile.** On 25 September 2019, the Bank launched its virtual mobile operator, *VTB Mobile*, which uses *Tele2's* radio access network and infrastructure. Sales of *VTB Mobile* SIM cards were launched at several branches in Moscow in September 2019 and in St. Petersburg in October 2019. The process of issuing a SIM card takes no more than five minutes thanks to the close integration between the banking and telecoms IT platforms, while the vast majority of subscribers use the *VTB Mobile* application. Thanks to *VTB Mobile*, the Bank was able to attract new clients and reactivate existing Bank clients.

SERVICES FOR HIGH-NET-WORTH CLIENTS

In 2019, VTB Group continued working hard to attract high-net-worth customers. During the reporting period, emphasis was placed on diversification of the portfolio under management. The number of high-net-worth individuals who are clients of the Bank reached an all-time high in 2019, exceeding 500 thousand customers. During the year, the client base increased by 75 thousand to 553.6 thousand people. At the same time, the average client balance increased from RUB 3 million to RUB 3.2 million.

Privilege programme

The volume of funds under management of the *Privilege* programme (customer liabilities and investment portfolio) increased to RUB 1.8 trillion (up 20 %). *Privilege* clients are the most stable growing customer segment (having increased in all four quarters of 2019), accounting for half of the increase in the Bank's rouble liabilities. The investment portfolio increased at a rapid pace from 15 % to 20 % of funds under management. High-net-worth clients are showing an increasing demand for long-term capital planning tools, such as accumulative life insurance and non-state pension coverage, which are provided by the Bank's partners: the *Sogaz-Life* insurance company and the VTB Pension Fund.

For high-net-worth clients, the Bank has introduced more stringent security requirements for transactions, including online transactions, and it has also introduced special measures to combat fraud involving client accounts.

At present, holders of a *Privilege* package can be served at 592 VTB offices in nearly every region of the Russian Federation, including 45 dedicated offices for high-net-worth clients. Most operations can be conducted remotely, including resolving non-financial issues, using the *Concierge Privilege* application.

Private Banking

VTB Private Banking continued to strengthen its leadership in the private banking market in Russia. As of the end of 2019, the VTB Private Banking network consisted of 31 offices in 26 Russian cities. In 2019, one new VIP office was opened in Irkutsk (*Baikal Prime*).

During the year, VTB saw a 25.6 % increase in Private Banking clients (more than 22.6 thousand clients). VTB Private Banking's assets under management grew by RUB 290 billion to RUB 2.1 trillion. The average balance per customer at the end of 2019 was RUB 93 million.

As of the end of 2019, investment products accounted for more than half of new funds under management. The portfolio of investment products managed by VTB Private Banking increased by 50% in 2019 to RUB 656 billion. The share of premium clients with investment and insurance products increased from 41 % to 50 %.

Premium clients also purchased VTB bonds, which are a good alternative to deposits, as they offer higher yields. In 2019, VTB's portfolio of VTB bonds among premium clients increased by 130 % to RUB 89 billion.

VTB Private Banking is in constant contact with its customers, having conducted around 40 customer events and various forums in 2019, which made it possible to promptly respond to all customer inquiries.

An updated *Prime+* package was launched in 2019, which was developed on the basis of the *Multicard* product. The number of clients holding a *Prime* package increased by 25 % to 15,389 customers.

The main drivers for the development of VTB Private Banking segment in 2019 were synergy with the corporate division, a new model for the sale of investment products and the fact that VTB formed a professional team that is able to give VTB Private Banking customers a level of investment expertise previously available only to large institutional investors.

One of the fastest-growing areas of VTB Private Banking in 2019 was the *Family Office*¹. The number of VTB Family Office customers increased by 40 % during the year.

In 2019, VTB's *Family Office* was recognised as the best in Russia at the *ninth Moscow Forum of Family Offices* organised by *Hansa Fincon* for HNWI² clients and key players in the private wealth management market.

VTB Private Banking won the prominent *Euromoney Private Banking and Wealth Management Survey* on investments and service for business owners.



VTB's Family Office
In 2019, VTB's *Family Office* was recognised as the best in Russia at the *ninth Moscow Forum of Family Offices* organised by *Hansa Fincon* for HNWI clients and key players in the private wealth management market.

¹ A family office is a family welfare management model that includes monitoring the implementation of ongoing financial transactions, investing family capital, tax planning, real estate transactions, arranging the education of family members, inheritance issues and so on.
² High-net-worth individuals.

INVESTMENT SERVICES FOR RETAIL CUSTOMER

2019 was a record-setting year for the Bank in terms of sales of investment insurance products. In terms of sales of mutual funds, the Bank became the absolute leader by increasing its portfolio by RUB 56 billion, which accounted for about half the growth of the pooled investment market in the country.

Amid stagnation in the market for investment life insurance (ILI), the Bank increased its sales of ILI by 16 % year-on-year to RUB 17.9 billion.

VTB had a banner year in terms of attracting customers investing in the stock market, with clients opening 565 thousand new brokerage accounts (333 thousand new clients and 231 thousand new personal investment accounts). This was the result of the new sales model introduced across the board in 2Q 2019 and the inclusion of mass retail clients in the process.



An Investment Advisor service was launched for VTB clients: this was the first software algorithm certified by the Bank of Russia in accordance with the requirements of Federal Law No. 397-FZ. Investment Advisor is a service that recommends an investment portfolio through a brokerage account in accordance with the client's risk profile. The service involves not only the initial composition of the portfolio but also further monitoring and review of the portfolio, if necessary. The service is provided free of charge for the Bank's clients.

New functionality – the ability for non-Bank customers to open a brokerage account remotely – was added to the VTB My Investments mobile application. Now, anyone can become a client of the Bank by downloading the VTB My Investments application and completing the remote identification procedure during a chat that takes 5–7 minutes.

During the reporting period, VTB Bank organised, for the first time, the placement of structured bonds with a coupon payout that depends on the performance of the underlying assets and that provide an opportunity for higher returns for investors. One must typically be a qualified investor to invest in such products, which are placed in large lots in the OTC market. Structured bonds with a minimum lot of RUB 50,000 and no qualification requirements enable every retail client of the Bank to access this type of product.

As part of efforts to improve the services available through the VTB My Investments application, fees were changed, and a new currency exchange function was launched. Bank clients can now exchange as little as one unit of a particular currency at market rates.

SOCIAL PROJECTS AND WORK WITH SPECIAL SEGMENTS

In 2019, a comprehensive product offer was made available to pensioners and military pensioners (the current customer portfolio includes 157 thousand pensioners):

- Deposits for military pensioners (+0.1 % above the standard deposit rate);
- Lending at a preferential rate for non-working pensioners, including military personnel;
- The possibility of changing one's pension provider through bank branches was introduced (the existence of a verified account on the State Services portal is a prerequisite).

The large-scale issue of campus salary cards for higher education institutions based on the Multicard product began, enabling the Bank to increase its portfolio of salary cards in the education sector by more than 100 thousand cards and to increase customer interest in using the card not only as a financial instrument but also for other non-financial services (transport, entry pass, access to electronic document management systems, etc.). The Bank provided support for universities in installing infrastructure for servicing campus cards.

In 2019, VTB began implementation of its Resident Card project on the basis of its Multicard flagship card product. The Resident Card is a registered multifunctional plastic card offering banking functions and additional non-financial services, such as a travel card, a compulsory medical insurance policy

and an individual insurance number, an entry pass for work and educational institutions, an electronic signature and others. The Resident Card is issued jointly with the relevant regional administration and makes possible, among other things, targeted provision and registration of benefits for certain categories of citizens, forecasting and planning regional development, etc.

Resident Card projects include the St. Petersburg Universal Resident Card, which was launched in May. By the end of the year, the Bank had issued 54 thousand cards.

In addition, the Muscovite Card was issued based on the Multicard, which enabled the launch of campus projects involving the Moscow Institute of Physics and Technology and the Moscow State Institute of International Relations of the Russian Ministry of Foreign Affairs, with 2,700 cards issued to students enrolled at these universities. A trial issue of the Muscovite Card was launched for various categories of individuals without privileges within salary organisations and at VTB points of sale.

At the end of 2019, pilot sales projects were launched for the issue of the Social Care Card for the Vologda region and the Bank Transport Card for the Nizhny Novgorod region as the first stage of a Resident Card project. Issues related to the Bank's participation in the issue of Resident Cards were addressed with more than 20 regions.

SPECIAL OFFERS FOR VTB BANK SHAREHOLDERS

In 2017, VTB Bank developed a special programme for the Bank's shareholders that includes a comprehensive offer of financial services on preferential terms. The go-ahead for the shareholder benefit programme was given at VTB Bank's Annual General Meeting of Shareholders on 26 April 2017. On that same day, special service conditions were made available at VTB's retail branches. The first contribution was processed on the day the launch of the programme was announced. Special service conditions for shareholders became available in all regions where VTB Bank operates since 2018 after merger of VTB and VTB24 Banks.

Preferential terms and conditions for VTB shareholders apply to the Multicard, Privilege and Prime service packages, custody and brokerage services and insurance. Shareholders also have access to reduced rates on cash loans, mortgages and car loans, including when refinancing existing loans from other banks.

In 2019, as part of the Bank's relations with shareholders:

- Cards were given out to congratulate shareholders who survived the siege of Leningrad;
- A promotion was launched called "Welcome bonus points for VTB Shareholders with a St. Petersburg University Resident Card" (from 2 September 2019 to 30 June 2020);
- Meetings were held with current and potential shareholders of the Bank in the regions where the Bank operates.

The possibility of accessing special conditions for certain products depends on the size of the individual shareholder's stake in VTB Bank. At the same time, shareholders are not required to provide documents confirming their ownership of shares. The register of shareholders is checked automatically as of its last closing date whenever any branch in VTB's retail network is contacted.

As of 31 December 2019, VTB Bank's portfolio of loans to shareholders amounted

to 18 RUB billion, having increased by 67 %.

Deposits and accounts from individual VTB Bank shareholders amounted

to 131 RUB billion.

OFFICE NETWORK

On 1 January 2019, VTB began operating its single regional network, which consists of 66 regional operational offices, 24 business groups in Moscow and the Moscow region and six business groups in St. Petersburg and the Leningrad region. Branches began operating as operational support centres for the purpose of centralising and optimising a number of business support functions.

A regional network management system was established, and a single administration was established for the combined regional operational offices and business groups. The managers of the regional divisions of the integrated network, who were competitively selected, have broad powers and are responsible for results-oriented business operations in their respective regions.

More detailed information on offers for shareholders can be found on the Bank's website (available in Russian language only).

NON-BANKING FINANCIAL BUSINESS
OF RETAIL BUSINESS GLOBAL BUSINESS LINE

VTB’s non-state pension fund

Non-state Pension Fund VTB Pension Fund (hereinafter, “the Fund”), a fast-growing non-state pension fund in Russia and one of the leading players in the Russian market, provides a full range of services for compulsory pension insurance and non-state retirement benefits, including corporate pension programmes.

The Fund is a member of self-regulatory organisation *National Association of Non-state Funds (NAPF)* and a member of the *NAPF* Board. The Fund plays an active role in the work of specialised committees and commissions within the *State Duma, the Ministry of Finance of the Russian Federation* and the *Bank of Russia* on the development of the legislative framework and regulation of the activities of non-state pension funds.

As of the end of 2019, the regional network had 1,519 offices in 77 regions and 440 cities of Russia, which included:

- A network of sales offices: 698 universal offices (serving individuals and legal entities), 715 retail offices (serving only individuals), 72 corporate offices (serving only legal entities) and four operational cash offices outside the teller network;
- A network of support offices: 22 branches (9 base branches and 13 auxiliary branches) and seven cash offices outside the teller network.

As of the end of 2019, the network development and optimisation plan was fully implemented. In order to make banking services available to more people, 55 new offices were opened during the year, 24 of which are in new cities. In 2019, 23 projects to optimise the infrastructure of the existing network were implemented, and 16 inefficient offices were closed, which enabled the Bank to get rid of excess space and reduce costs.

In order to universalise offices a project was implemented in 2019 to unify offices situated in one location – 115 points of sale in Moscow. A service support model for the regional network through support units was developed and approved.

The Development Strategy for the integrated network to 2022 was adopted. In accordance with the Strategy, new technological office formats will appear in the regional network, the network will be more efficient, and network costs will be reduced.

As of the end of 2019, the Fund was managing more than RUB 257 billion, up 30 % from 2018. The amount of pension savings (compulsory pension insurance) totalled RUB 249.4 billion (29 % growth), while the amount of pension reserves under non-state coverage totalled RUB 7.1 billion (65 % growth).

The Fund pursues a balanced investment policy that offers an optimal combination of high return and maximum investment security, ensuring the preservation and accrual of customer funds. In 2019, the yield on pension savings allocated to the Fund’s customer accounts reached 8.66 %. Thus, the accumulated yield amounted to 51.26 %, and the average annual yield for five years was 8.63 %.

The yield on pension reserves as part of the programme for non-state pensions amounted to 8.16 % through a balanced investment portfolio and 5.54 % through a conservative investment portfolio.

Since 2015 (over five years), the yield for participants in non-state pension programmes has increased 49.56 % through investment income accrued by the Fund through a balanced pension portfolio and 42.80 % through a conservative pension portfolio, which corresponds to average annual returns of 8.16 % and 7.39 % per year, respectively.

As of the end of the reporting period, the Fund was serving about 2.7 million customers. In the first nine months of 2019, the Fund was Russia’s fifth-largest by pension assets under management.

In March 2019, the *Expert RA* ratings confirmed the Fund’s rating of *ruAAA* (the highest level of creditworthiness/financial reliability/financial stability), with a stable outlook. Thus, the Fund has had the highest-possible financial reliability rating for seven consecutive years.

The Fund is working on the introduction of digital technologies. A new website for the Fund was developed and launched, the *Personal Account* service was updated, functionality was added to enable the Fund’s clients to calculate social tax refunds, and functionality was added making it possible to submit applications for private pension payments online. Further upgrading of the service is under way for accepting contributions for non-state pension programmes within the framework of the *VTB Multibonus* programme (a format unique to Russia).

The Fund successfully implemented a project on the provision of non-state pensions for high-net-worth clients through VTB Bank’s retail

network. In 2019, the *Magnit* non-state pension fund was acquired for the purposes of further consolidation. Including *Magnit*, the Fund’s assets amounted to more than RUB 274 billion, and the Fund serves a total of 2,958 thousand clients.

The *Financial Elite of Russia* awards jury named the Fund the winner of the *2019 Financial Elite of Russia* award in two categories: *Reliability* and *Best Customer Service*.

POST BANK JOINT VENTURE

In September 2018, VTB Group and *Russian Post* signed additions to the shareholder agreement regarding Post Bank, which resulted in Post Bank becoming a joint venture for the Group. VTB Group treats its investment in Post Bank as an investment in a joint venture that is accounted for using the equity method. VTB Group maintains close cooperation with Post Bank. As a shareholder, VTB Bank receives profit insofar as Post Bank continues its successful growth.

As of the end of 2019, Post Bank’s gross loan portfolio had increased by 35 % before provisions to RUB 411 billion. Post Bank’s cash loan portfolio increased by 35 % and to RUB 344 billion, its POS loan portfolio increased by 24 % to RUB 46 billion, and its credit card portfolio increased by 42 % to RUB 21 billion.

Post Bank’s retail customer deposits and accounts increased by 24 % to RUB 391 billion, while its volume of term deposits increased by 10 % to RUB 249 billion. Customer deposits in savings and current accounts increased by 61 % to RUB 142 billion.

In 2019, Post Bank’s client base increased to 13.4 million customers (an increase of 3.5 million people). The number of pensioners receiving

a pension through Post Bank showed impressive growth, increasing by 54 %. As of 31 December 2019, the Bank was providing pension services to a total of 1,344 thousand pensioners (up from 869 thousand as of the beginning of 2019).

During the reporting period, Post Bank’s regional network maintained its position in terms of the number of points of presence (more than 19 thousand), while, at the same time, expanding its geography of operations. As of the end of 2019, Post Bank was operating in 8,136 communities (up from 6,075 communities at the beginning of the year).

Post Bank expanded its geography of operations by connecting *Russian Post’s* offices in rural areas to an agency network.

Post Bank’s ATM network included 4,805 devices as of 31 December 2019. As part of the development of *Russian Post’s* acquiring project, Post Bank installed 56 thousand payment terminals at *Russian Post* offices that make it is possible to pay for postal services, as well as withdraw and deposit funds onto Post Bank cards at post office cash counters.

Rapid growth in remote banking channels was observed during the reporting period. The number of active users of remote banking services increased by 31 % to nearly 5 million people.

In June 2019, VTB Capital Investments and Post Bank signed an agreement to provide brokerage services to Post Bank’s customers through VTB Bank. The partnership has been effective in attracting customers and expanding the range of banking products available.

RISK MANAGEMENT

POLICY, ORGANISATION AND STRUCTURE OF RISK MANAGEMENT

VTB GROUP-LEVEL RISK MANAGEMENT

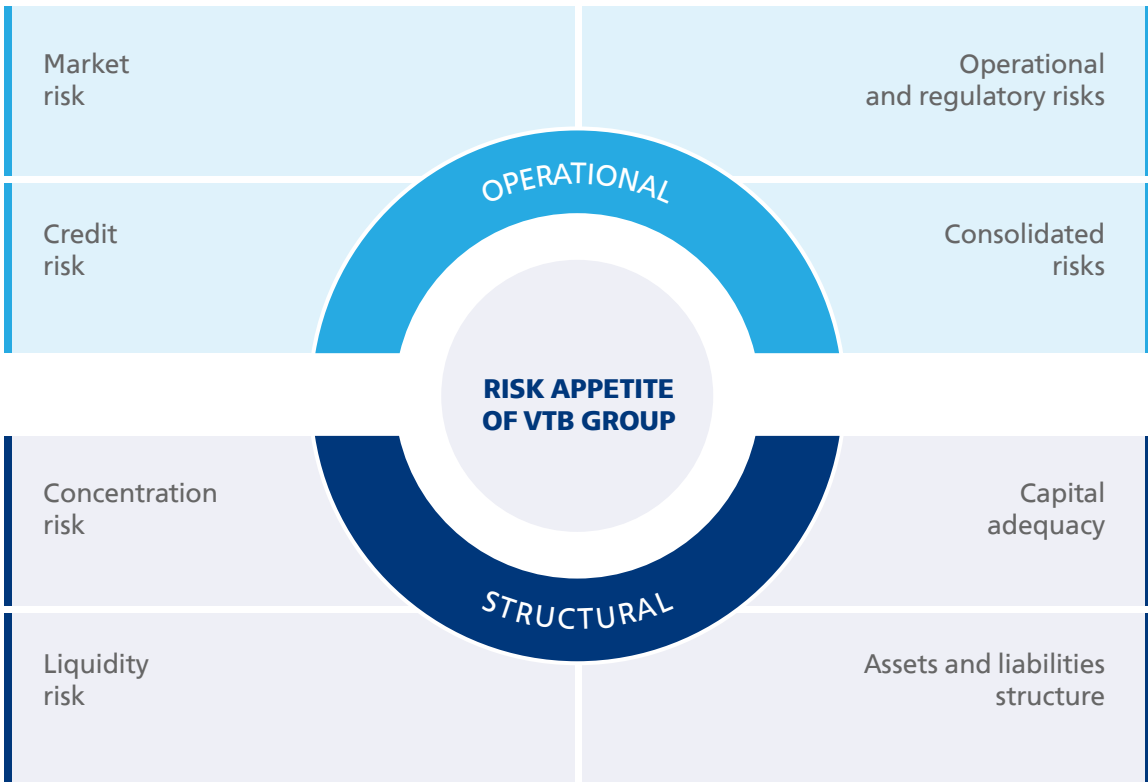
The main risks that VTB Group is exposed to are credit risk, market risks (including risks associated with changes in the market prices of financial instruments, interest rates and foreign exchange rates), liquidity risk and operational risks (including legal risks), as well as individual sub-types of concentration risk (risk of credit concentration within a group of borrowers, risk of concentration of financial instruments, risk of concentration of sources of liquidity).

Risk management at the Group level includes risk identification, evaluation and monitoring; control over the size, structure and concentration of risks; identification of effective measures to optimise and minimise risks; and compiling regular risk reports.

One of VTB Group’s key principles of risk management is to take the Group’s risk appetite into account when managing its activities. Risk appetite is determined in accordance with regulatory requirements and international practice. This approach involves the identification and oversight of the Group’s overall target risk level and risk profile in accordance with its strategic objectives and the integration of risk appetite into business planning and risk management procedures.

Information about the structure of all significant risks inherent in the Group’s activities is disclosed on a regular basis in accordance with the requirements of the Bank of Russia on the Bank’s official website (available in Russian language only).

VTB GROUP RISK MAP AND RISK APPETITE



A high-level risk appetite for the Group includes the following key provisions:

- The size of potential losses on risks accepted by the Group should not reach a level that would lead to the cessation of the Group’s operations, including under stress conditions;
- Group’s companies must have enough capital to secure the interests of creditors in the hypothetical (extremely unlikely) event of unexpected losses as a result of risks taken;
- The structure of the Group’s operational cash flow and liquidity reserves should ensure the timely fulfilment of obligations to clients in the short and long term;
- The structure of assets and liabilities must ensure the efficient use of resources and comply with the Group’s business model;
- The level of risk involved in the decision-making process must be assessed and monitored on an ongoing basis, and the impact of activities must also be assessed on an ongoing basis while taking risks into account;
- As part of its operations, the Group must try to avoid a high degree of concentration of credit risk in counterparties, industries and countries / regions with a high level of risk;
- Sustainable development and economic efficiency in the long term;
- Compliance with the regulatory requirements of the Bank of Russia, the recommendations of international bodies, as well as the requirements of local (foreign subsidiaries) or industry regulators;
- Maintaining an impeccable reputation, avoiding actions that could result in harm to the Group’s reputation;
- Maintaining and improving credit ratings granted by international rating agencies (without state support).

VTB Group’s high-level risk appetite is detailed through the establishment of specific quantitative and qualitative indicators, with corresponding reference values.

Quantitative indicators of risk appetite are divided into operational indicators (they may be passed down to the system of limits established for business lines, VTB Group companies and other allocation levels) and structural indicators (centrally managed at the Group level). Risk appetite indicators limit all significant risks inherent to VTB Group’s operations.

The key principles of the Group’s risk management system also include:

- Compliance with legal and other mandatory requirements;
- Transparency of risk-associated activities for shareholders, investors and other interested parties (primarily by disclosing the relevant information as required), taking into account their interests;
- Analysing and managing risks on a consolidated basis, covering all of the Group’s Russian and foreign banks, as well as its key financial companies;
- Optimal distribution of risks within the Group; minimising exposure and potential losses from risks in markets where the Group operates;
- Developing a risk management culture within the Group’s companies, including improving employees’ skills in terms of identifying and preventing possible risks and losses in their areas of responsibility;
- Providing the risk management function with sufficient resources, introducing modern methods for assessing and monitoring risks and automated risk management systems based on industry best practices.

The Group’s risk management system has a multilayered structure, which includes consolidated (Group-level) and local-level risk management, with a high degree of centralisation of the Group’s risk management function. The risk management system is built around the Group’s global business lines (Corporate-Investment Business, Medium and Small Business, Retail Business) and is based on the harmonisation of approaches to managing risk, including through the coordination of competencies exercised by the Group’s specialised risk divisions.

STRUCTURE OF THE RISK AND CAPITAL MANAGEMENT SYSTEM



¹ CMRMC – Credit and Market Risk Management Committee; FC – Financial Committee.

The standard organisational structure of the Group’s banks and financial companies includes an independent risk assessment and control division that corresponds to the appropriate risk profile, specific features and scale of the business, as well as a senior manager responsible for comprehensive risk management.

The organisational structure of risk management within VTB Group includes the following:

- Collective bodies responsible for coordination within the Group;
- Collective bodies within VTB Bank as the parent bank of the banking group (since the fourth quarter of 2019);
- Headquarters (the Group’s chief risk manager and the Group’s specialised risk divisions);
- Management bodies at the local level, collective working bodies (committees), structural divisions/ authorised officers within Group companies.

Control over the organisation of risk management and the risk management policy within the Group’s companies is carried out on a systematic basis, primarily through corporate governance (including through the representation of VTB Bank on subsidiaries’ supervisory councils/boards of directors), as well as through the Group’s specialised risk divisions. Key internal regulations of subsidiaries related to risk management are approved by governing bodies, taking into account the contribution of the specialised risk divisions.

During the year, the Group continued implementation of the Development Strategy of its risk management system for 2017–2019, as well work on the long-term development programme for the Bank for 2014–2019, which was approved by the Bank’s Supervisory Council, including:

- The implementation of measures to ensure the transition to a methodology for assessing credit risk and the level of provisions in accordance with IFRS 9;
- Improvement of a system of indicators and procedures for preparing, approving and cascading the Group’s risk appetite;
- Implementation of internal procedures for assessing capital adequacy at the Group level in accordance with the regulatory requirements of the *Bank of Russia*;

- Ongoing work on the development of a methodology and procedures for managing certain types of risks (including interest-rate risk);
- Implementation of projects to develop the IT infrastructure for risk management and to prepare risk reports, including taking into account the requirements of the *Bank of Russia*.

VTB BANK–LEVEL RISK MANAGEMENT

The Bank’s main internal documents specifying key principles of, and approaches to, the organisation and development of its risk management system (including subsidiaries included in the Group’s consolidated risk management) are the following:

- The Regulation on the VTB Bank Risk Management System designed in line with the Procedures endorsed by the Russian Government and approved by the Supervisory Council on 16 November 2015;
- VTB Bank’s Strategy for Managing Risk and Capital and the Procedure for Managing VTB Bank’s Most Significant Risks developed in accordance with the regulatory requirements of the *Bank of Russia* and subject to revision at least once a year to update its provisions.

In 2019, new versions of VTB Bank’s Strategy for Managing Risk and Capital and the Procedure for Managing VTB Bank’s Most Significant Risks were approved by a decision of the Bank’s Supervisory Council on 11 November 2019.

The main strategic objective in risk management is to minimise potential financial losses from exposure to the risks faced by the Bank’s operations, ensuring financial strength and long-term sustainable growth for the Bank in accordance with the strategic objectives specified by the Supervisory Council.

VTB Bank’s Strategy aims to create an integrated risk management system that corresponds to the nature and scale of the Bank’s operations and risk profile, and that enables further business development in line with economic conditions and the Bank’s needs.

The Bank’s risk management is developed and improved in accordance with legal regulations and recommendations of the *Bank of Russia*, as well as generally accepted international standards and banking best practices.

VTB Bank’s risk management system comprises the Supervisory Council and the Bank’s executive bodies, credit committees, the Retail Risk Committee, the Finance Committee, the Credit and Market Risk Management Committee and other special committees and structural units involved in risk management processes.

The main divisions responsible for developing the risk management system and controlling significant risks assumed by VTB Bank and VTB Group are VTB Bank’s Corporate Credit Risk Department, Integrated Risk Management Department and Retail Credit Risk Department.

ORGANISATIONAL AND FUNCTIONAL STRUCTURE OF RISKS GLOBAL FUNCTIONAL LINE

The *Risks* global functional line departments ensure the effective functioning and development of the management system.



CREDIT RISK

Credit risk is the risk of incurring losses should a debtor fail to discharge its financial obligations to the Bank in accordance with the terms of their agreement.

VTB GROUP-LEVEL CREDIT RISK MANAGEMENT

Credit risk at VTB Group is managed simultaneously at the local level with VTB Group companies and at the Group (consolidated) level.

Within the framework of the local credit risk management system, VTB Group companies assume and manage credit risks independently (including through insurance and hedging of risks), within the scope of their authority and limits with regard to risk indicators, and in accordance with national regulations. VTB Group’s companies are responsible for the results of their lending activities and the quality of their loan portfolios and also for monitoring and controlling the credit risks associated with their portfolios.

The key elements of the Group’s consolidated credit risk management are as follows:

- Harmonisation of credit policies (credit risk management policies) of the Group’s companies;
- Development and adoption of common standards concerning credit procedures, decision-making processes, models and methods for managing credit risk to be used throughout the entire Group (including the methodology for assessing counterparties, pricing credit operations, collateral, monitoring, backup and stress testing);
- Establishing consolidated limits and other restrictions within the Group (including limits on counterparties/groups of related counterparties, large transactions, countries, industry sectors);
- Assessing the capital necessary to cover the Group’s credit risks;
- Maintaining a centralised database of the Group’s borrowers, including those requiring particular attention;
- Preparing regular consolidated financial statements regarding the Group’s credit risk and submitting them to the Group’s governing bodies for review.

Consolidated risk management covers all essential assets and off-balance-sheet operations of the Group’s companies that bear credit risk

and that require control over their concentration within the Group as a whole. Within the context of consolidated control and reporting, the scope and range of such operations is determined by the Group’s coordinating bodies.

In 2019, specialised units within VTB Bank, including the Non-Core and Bad Assets Department and the Retail Debt Collection Department, dealt with identifying, monitoring and resolving issues of bad debt at the Group level.

In 2019, the corporate credit risks of subsidiary banks were managed by the Corporate Credit Risk Department. As the Group’s specialised risk division for corporate credit risks, the Corporate Credit Risk Department is responsible for developing common approaches and methods for managing corporate credit risks, for evaluating them on a centralised and systematic basis and for developing the optimal structure of corporate credit risk accepted by the Group, including its compliance with the Group’s risk appetite.

In 2019, the centralised management of retail risks at VTB Bank’s subsidiary banks was carried out by the Retail Credit Risk Department. As the Group’s specialised risk division dealing with credit risks, the Retail Credit Risk Department is responsible for developing common approaches and methods for managing retail risks, for evaluating them on a centralised and systematic basis and for developing the optimal structure of retail risk accepted by the Group, including its compliance with the Group’s risk appetite.

VTB BANK-LEVEL CREDIT RISK MANAGEMENT

VTB Bank manages credit risk by:

- Restricting credit risk through the Bank’s existing system of limits, which comply with the *Bank of Russia’s* mandatory regulations and other requirements. They are reviewed regularly by the Corporate Credit Risk Department and the Integrated Risk Management Department and approved by the authorised collective body;
- Accepting collateral and insurance to cover credit risks, charging adequate fees for the credit risk and establishing provisions for possible loan losses;
- Assessing the level of credit risk assumed by the Bank for each counterparty, as well as regularly monitoring the credit portfolio, individual customers, transactions and collateral (including by ranking borrowers);

- Minimising credit risk at the loan application review stage and taking prompt measures as soon as credit risk factors have been identified through monitoring.

The Bank applies the following main methods of credit risk assessment:

- Determining a customer’s level of creditworthiness by analysing financial and non-financial indicators and conducting an expert assessment (in compliance with the Bank’s internal procedures for ranking); the level at which a customer (or a group of related customers) is ranked is taken into account when determining the cost levels of loan transactions; assessing retail credit risks by means of scoring models and automated credit-related decision-making procedures, as well as verifying/assessing client data (the client’s financial position, social variables, credit history);
- Analysing the level of concentration of the Bank’s credit risk for individual borrowers (or a group of related borrowers), industries, countries, customer segments, types of credit products;
- Estimating possible losses from credit risk in the process of calculating and creating provisions for possible losses (in compliance with the requirements of the *Bank of Russia* and IFRS);
- Assessing capital adequacy and the scale of credit risk when calculating the required ratios established by the *Bank of Russia*;
- Determining internal capital needs (capital calculation) for credit risk, taking into account the actual quality of the loan portfolio (as required by the *Bank of Russia* and the standards set by the Basel Committee on Banking Supervision)¹;
- Conducting stress testing of loan portfolio losses, taking into account different macroeconomic scenarios.

The main tool for credit risk monitoring and mitigation is the system of established credit limits.

The key types of credit risk limits are:

- Limits on the aggregate level of credit risk for the loan portfolio overall and for individual segments;
- Limits restricting the level of risk for a particular customer (or a group of related customers).

These limits include limits for operations with a customer (or a group of related customers), including sub-limits for various types of operations with a credit risk / designated purpose (credit limits, documentary limits, limits on trading activities, limits on transactions with debt securities, etc.);

- Limits on the concentration of credit risk (by industry, country, credit products);
- Credit and deposit limits are established for credit organisations (including overdraft sub-limits, nostro accounts, provision of funds), limits on trading operations, limits on transactions with debt securities, and limits on contingent liabilities;
- Limits in accordance with the requirements (mandatory regulations) of the *Bank of Russia*.

The Bank employs collateral to reduce credit risk.

LIQUIDITY RISK

Liquidity risk means the risk that the Group or a Group company will be unable to finance its activities, i.e., to ensure asset growth and settle liabilities as they become due without incurring losses in an amount that would threaten the financial stability of the Group and/or a Group company.

VTB GROUP-LEVEL LIQUIDITY RISK MANAGEMENT

Liquidity risk management involves a set of measures used to manage the Group’s assets and liabilities with the aim of maintaining the Group’s ability to meet its obligations while ensuring an optimal balance between the level of liquidity risk and profitability of the Group’s operations.

The VTB Group Management Committee and Assets and Liability Management Committee (until 4Q 2019) / VTB Bank’s Finance Committee (since 4Q 2019), and VTB Bank’s Treasury Department and the Market Risk Division of the Integrated Risk Management Department all play a role in the Group’s liquidity risk management process.

The VTB Group Management Committee determines the Group’s general policy in the area of liquidity risk management, sets limits and triggers for VTB Group’s liquidity risk appetite, and also reviews reports on the status of VTB Group’s liquidity risk as part of reports on Group’s risks.

¹ Approach based on internal ratings.

The Group Assets and Liabilities Management Committee (until 4Q 2019) / VTB Bank’s Finance Committee (since 4Q 2019) approves the Regulation on the Procedure for Managing Liquidity Risk in the Group, approves the Group’s liquidity risk assessment methodology, monitors the Group’s liquidity, and makes decisions on measures related to the management of the Group’s assets and liabilities with the aim of ensuring the required level of liquidity and growth of the Group’s assets.

Liquidity management is applied at the Group level based on bylaws approved by the Group’s Management Committee. Within the Group, liquidity management is based on the following principles:

- Each bank/company within the Group manages its own liquidity on a separate basis to meet its obligations and comply with the requirements of the national regulator and the recommendations of VTB Bank;
- VTB Bank manages the Group’s liquidity by centrally controlling and managing the key measures taken by the Group.

Methods for controlling and reducing the Group’s liquidity risk include monitoring compliance with the established appetite for liquidity risk and with the regulatory limit and the net stable funding ratio set by the *Bank of Russia* for the short-term liquidity of a banking group, as well as calculating the amount of capital needed to cover liquidity risk.

VTB BANK-LEVEL LIQUIDITY RISK MANAGEMENT

Liquidity risk management involves a set of measures used to manage the Bank’s assets and liabilities with the aim of maintaining the Bank’s ability to meet its obligations while ensuring an optimal balance between the level of liquidity risk and profitability of the Bank’s operations.

The Bank has current and forecast liquidity risk management in place.

Managing current liquidity entails short-term forecasting and management of cash flows in respect of currencies and terms (time frames) so that the Bank can ensure that it will meet its obligations, complete settlements on behalf of its customers and fund ongoing operations.

Current liquidity management is carried out by the Treasury Department based on a real-time (intraday) determination of the Bank’s current

payment position and forecast future payment position, taking into account the payments schedule and other scenarios.

The objective in forecast liquidity management is to develop and implement instruments to manage assets and liabilities to support the Bank’s instant funding capability, and to plan increases in its asset portfolio by optimising the ratio of liquid assets and profitability.

The Bank achieves this by making long-term liquidity forecasts and by adhering to internal liquidity standards (standards for liquid and highly liquid assets and the liquidity standard for the treasury securities portfolio), as formulated by the Assets and Liabilities Management Committee. The liquidity accounting standards of the *Bank of Russia* are also applied when carrying out forecast liquidity management.

Each forecast includes receivables and payments according to the contractual terms for operations, while also taking into account planned transactions, possible extension of clients’ funds (deposits and promissory notes) and possible outflows of unstable “on-demand” capital (clients’ settlement and current accounts, as well as Loro accounts).

In addition, the Integrated Risk Management Department conducts stress testing to assess risk factors that can have an impact on the Bank’s liquidity forecast. Liquidity gaps are closed through new borrowings and the renewal of existing deposits. The Group’s medium-term liquidity is managed by attracting interbank loans and customer deposits, repo transactions and secured loans from the *Bank of Russia*. The currency structure of liquidity is managed by conducting “conversion swap” transactions.

A significant proportion of VTB Group’s liabilities is represented by customer deposits (deposits, promissory notes, current accounts of corporate and retail customers), resources from the *Bank of Russia* and interbank deposits.

Although a considerable portion of customer liabilities are short-term deposits and “on-demand” accounts, the diversification of these liabilities and VTB’s past experience indicate that these liabilities are consistently refinanced by customers, and they are, for the most part, a stable source of funding. The stable element of short-term customer liabilities is determined for various currencies using a statistical trend analysis of the cumulative balances of these accounts over time.

MARKET RISKS

Market risk is the risk of downward pressure on the Group’s financial results or its capital base due to adverse changes in the value of the Group’s assets/liabilities (claims/obligations) as a result of market conditions, i.e., risk factors.

VTB Group has a standing collective body within the Group Management Committee as part of its system for managing the Group’s consolidated assets and liabilities: the Assets and Liabilities Management Committee (until 4Q 2019) / VTB Bank Finance

Money-market instruments (interbank loans and deposits, repurchase agreements) are used to control short-term liquidity and are not considered as a source of funding for long-term assets.

Methods for controlling and reducing liquidity risk include:

- Monitoring compliance with established internal limits and regulations, including appetite for liquidity risk;
- Analysing liquidity risk using a set of quantitative and qualitative indicators;
- Implementing forecasting, situational modelling and stress testing of the Bank’s liquidity;
- Calculating the amount of capital needed to cover liquidity risk;
- Monitoring calculated gaps taking into account the scenario analysis of the Bank’s liquidity for various time periods to identify disparities between receivables and payables;
- Identifying and analysing the impact of internal and external factors on the Bank’s liquidity, and the forecast for changes;
- Adopting and implementing solutions for management of the Bank’s assets and/or liabilities to maintain liquidity risk at a level that complies with internal and regulatory liquidity ratios;
- Developing a detailed plan of action for mobilisation of liquid assets by the Bank in the event of insufficient liquidity;
- Ensuring compliance with the *Bank of Russia’s* mandatory liquidity ratios by monitoring actual and forecast values of intra-bank maximum permissible indicators for mandatory ratios.

Committee and Credit and Market Risk Management Committee (since 4Q 2019). The main objectives of the Assets and Liability Management Committee were to address the following issues:

- Management of VTB Group’s assets and liabilities;
- Management of VTB Group’s treasury risks;
- Determining the principles for internal and external pricing within VTB Group;
- Determining approaches to capital allocation within VTB Group according to different types of risks;
- Determining approaches to the redistribution of capital among VTB Group companies.

The main objectives of the Finance Committee in terms of managing the Group’s risks are as follows:

- Improving the risk and capital management system;
- Capital management;
- Managing the currency risk of a structurally open currency position, the interest-rate risk of the bank book, the market risk of the treasury debt securities portfolio, and liquidity risk (including the risk of liquidity sources’ concentration);
- Determining policies in terms of internal and external pricing and establishing principles for the system for funding operations.

The main objectives of the Credit and Market Risk Management Committee in terms of the Group’s risk management are:

- Improving the system for managing core risks;
- Managing the market risk of the trading book;
- Managing credit risk;
- Managing model risk in terms of credit risks and market risks of the trading book;
- Managing concentration risks (excluding the risk of the concentration of sources of liquidity).

The Regulation on the Procedure for Managing Market Risk in VTB Group establishes procedures for identifying and monitoring market risks, the structure and hierarchy of market risk limits from the level of VTB Group to the level of Group companies and individual divisions, procedures for monitoring compliance with limits and restrictions and for responding in case they are exceeded, and it also specifies the procedure for preparing reports on the Group’s market risk.

According to this Regulation, market risk is assessed and managed in the context of the following types of books:

- A trading book consisting of operations carried out in order to extract profits through their revaluation or hedging of other elements of the trading book;
- A portfolio of treasury debt securities consisting of transactions conducted by the Treasury Department and revalued at fair value;
- A bank book consisting of interest-sensitive instruments that are revalued at amortised cost or instruments used to hedge elements of the bank book. Loans that do not pass the SPPI test are counted in the bank book.

Based on an analysis of VTB Group’s portfolio, the following areas of market risk can be identified:

- Interest rate risk of the bank book;
- Currency risk of the bank book and the treasury debt securities portfolio;
- Depending on the nature of the operations bearing currency risk, the Group’s entire currency position is attributed to either the trading book or the bank book;
- Market risk for the trading book and the treasury debt securities portfolio.

INTEREST RATE RISK OF THE BANK BOOK

Interest rate risk management is based on VTB Group’s bylaws and includes:

- Setting standard interest rates for deposits and internal rates for financing, taking into account current market conditions;
- Calculating interest-rate risk indicators;
- Setting capital limits for covering the interest rate risk for the Group and individual banks;
- Establishing an indicator for the bank book’s appetite for interest rate risk – the indicative value of the sensitivity of net interest income to a change in interest rates.

The main parameters used to assess interest rate risk are:

- the sensitivity of the Group’s interest position to a change in interest rates, measured in terms of the size of the reduction in the net present value of the interest position and the net interest income

under an unfavourable change in interest rates, as well as a parallel movement of the yield curves by 100 and 400 basis points; and

- the capital to cover interest rate risk, measured by assessing reductions in the net current value of the Bank’s interest-rate position in the event of likely unfavourable interest-rate movements.

CURRENCY RISK OF A STRUCTURAL OPEN CURRENCY POSITION

The Group uses internal regulations adopted by the Group’s Management Committee to manage its currency risk. It also ensures that the currency of its assets matches that of its liabilities and maintains an open currency position (OCP) in each of the Group’s banks within established limits, including internal OCP limits and the capital limit to cover the currency risk of structural OCP, as well as regulatory OCP limits.

Approved stress scenarios are used to calculate the capital required to cover VTB Bank’s currency risk stemming from structural OCP.

The following are the main parameters for assessing the currency risk of the Group’s structural OCP:

- Calculation of open currency positions in the context of individual currencies and VTB Group companies;
- Calculation of the OCP sensitivity to changes in foreign currency exchange rates of 1 RUB and by 1 %;
- Capital to cover the currency risk of structural OCP.

MARKET RISK OF TRADING OPERATIONS

VTB Group is exposed to market risk through its trading book and its treasury debt securities portfolio associated with a negative revaluation of instruments due to changes in the values of various risk factors, including bond prices, stocks, commodity instruments, exchange rates, interest rates, credit spreads, risk volatility factors and correlations between them.

Although the treasury bond portfolio is separate from the trading book due to the different objectives in conducting transactions involving these portfolios, market risk management for treasury debt instruments is managed in the same way as for the trading book.

To limit market risk within VTB Group, a set of limits is used. All limits can be divided into the following two groups: portfolio limits (VaR limits, stop-loss limits and stress limits) and operational limits that limit the concentration of individual indicators or types of assets in the portfolio.

The Integrated Risk Management Department performs the following market risk management functions for trading operations:

- Evaluates and reports on the Group’s market risk profile, reviews the structure of limits and prepares proposals for reducing and managing market risk for the trading book and the treasury debt securities portfolio;
- Monitors on a daily basis compliance with the Group’s market risk limits; local market risk limits are monitored by the risk divisions of subsidiary banks also on a daily basis;
- Informs business units on a daily basis about compliance with the Group’s limit discipline.

The results of stress testing are used to assess the market risk of the trading book and the treasury securities portfolio. The methodology used to assess these risk metrics is submitted to the Credit and Market Risk Management Committee for consideration and communicated to VTB Group companies.

Stress testing

The result of the revaluation of the Group’s trading book and treasury debt securities portfolio is modelled on the basis of historical changes in risk factor values (observed under conditions of significant changes in macroeconomic indicators), as well as hypothetical changes in risk factors.

A scenario analysis showed that, in 2019, the greatest impact on market risk would have corresponded with a significant increase in risk-free, rouble-denominated interest rates and the widening of credit spreads.

VaR is calculated based on the following parameters:

- Historical period: two years;
- Forecasting horizon: one trading day;
- Confidence interval: 95 %;
- The method used is historical modelling.

OPERATIONAL RISK

Operational risk is the risk of loss resulting from flaws in the type and scale of the Group’s operations, internal processes and procedures for carrying out banking operations and other transactions, the violation thereof by staff or other individuals (due to unintentional or intentional acts or omissions), the inadequacy or lack of functionality of IT and other systems and/or the failure (breakdown) thereof, as well as damaging external events.

Operational risk includes legal risks but does not include strategic or reputational risks.

VTB Bank’s operational risk management system is designed to minimise incidents of operational risk, including reducing the likelihood of business process failures, the inability to provide high-quality services to the Bank’s clients caused by staff errors, system breakdowns, internal or external fraud, breaches of client obligations or violations of contractual obligations or of the law, and incurring possible losses from taking on such risk.

In managing operational risk, the Bank adheres to the *Bank of Russia’s* regulations, as well as the recommendations of the *Basel Committee on Banking Supervision*. To implement its operational risk strategy, VTB carries out regular procedures to identify, assess, monitor, control and minimise operational risk. All significant deficiencies from a risk perspective that are identified within the internal control system are subjected to detailed analysis. Based on this analysis, measures are taken in order to eliminate the causes and sources of the risk.

To manage operational risk, the Bank has implemented the following unified mechanisms to identify, assess and monitor the level of operational risk: a centralised process to collect information on incidents of operational risk and related consequences; control over the level of key indicators related to operational risk, procedures to minimise operational risk, an operational risk self-assessment and scenario analysis.

The application of the above mechanisms makes it possible to carry out a quantitative and qualitative assessment of operational risk indicators in relation to the Bank’s products, processes and systems, including in the context of individual risk categories and the Bank’s activities, the identification of sources of risk, the development and adoption of mitigating measures and the generation of management reports.

The Bank uses the following methods to respond to operational risks:

- Minimising risk: developing and implementing the necessary corrective measures to reduce identified risks;
- Taking risk: questions related to whether or not to take a certain risk are subject to approval by the authorised bodies/individuals within the Bank in the event that measures aimed at minimising the risk are not economically feasible;
- Avoiding risk: refusal to carry out a business operation subject to an identified risk if the potential losses as a result of the risk would be critical for the Bank and/or if carrying out the operation in question could jeopardise the economic feasibility of the activity associated with the risk, and if measures aimed at minimising the risk are not economically feasible;
- Transferring risk (risk insurance): risk insurance involves those operational risks that the Bank is unable to manage and that exceed the Bank’s direct control (including the risk of the loss of collateral pledged to the Bank to secure credit, the risks associated with the transportation and storage of valuables and cash, property risks, etc.).

The Bank uses the following key methods to reduce and limit its operational risk:

- Maintaining an integrated system of ongoing and follow-up internal controls that cover all of the Bank’s divisions and operations;
- Regulating all key operations using internal standards and codes of practice;
- Registering and documenting banking operations and transactions, and maintaining consistent control over primary documents and operating accounts;
- Applying the principles of dividing and limiting employees’ functions, authority and responsibilities; implementing dual controls; collective decision-making; setting limits on the terms and scale of operations;
- Automating banking operations using high-performance IT systems that are constantly monitored and repaired promptly in case of breakdown;
- Operating a well-managed HR policy, good staff training and education;

- Taking preventive steps to ensure the continuity and recovery of activities related to banking operations and transactions by setting up alternative communications channels; geographically distributed server rooms; independent sources of power, heat and water supply; and by taking fire protection measures.

The insurance programmes covering risks related to the Bank’s professional activities in 2019 were provided by insurance against crime under the *Financial Institution’s Blanket Bond* scheme (including electronic and computer crimes), liability insurance for directors and officers of the Group’s companies, insurance for funds and valuables while in storage and during transit, and ATM insurance. VTB Bank also insures against risks related to business activities (including buildings, equipment and vehicles).

In 2019, the Group took the following steps to develop its system for managing operational risk:

- Development of mechanisms to monitor the level of operational risk at the level of the Bank and the Group’s companies as part of the management of risk appetite;
- Unification of methodological approaches to operational risk management at the Group level, including risk management of risks related to fraud, IT and information security;
- Further development of the methodology for a unified system of tools to be used for operational risk management at the VTB Group level (collection of data on the occurrence of operational risks and related consequences, self-assessment, key risk indicators, corrective action plans to reduce risks and the consequences thereof, scenario analysis);
- Improving regular reporting on the Group’s operational risks.

Operational risk did not have a significant impact on the Bank’s performance in 2019.

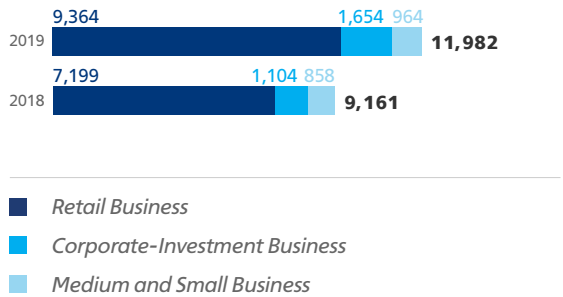
DIGITAL TRANSFORMATION

In 2019, the importance of digitalisation and the introduction of new technologies were highlighted at the national level, with the Government of Russia creating several national projects aimed at introducing state-of-the-art technologies to encourage economic growth and development. The increasing number of citizens who have begun using remote services were the driving force behind this decision. At 78 %, Russia has a high degree of Internet penetration – some 95.8 million Russians are using internet on regular basis. For the banking business, this is resulting in the dynamic development of digital services.

The *Bank of Russia* continues to be an active driver in the development of digital technologies. In addition to launching its *National Payment Card System*, Russia’s banking regulator invested heavily in the development of a unified biometric system and the *Faster Payments System* in 2019.

All the above-mentioned factors are reflected in the results of VTB’s work in the areas of digitalisation and technological development. The total number of changes in VTB’s banking information systems increased by 31 % in 2019 year-on-year. Most of the changes (more than 9.3 thousand) were made to retail systems.

NUMBER OF CHANGES IN IT SYSTEMS BY GLOBAL BUSINESS LINES



KEY HIGHLIGHTS AND IT ACHIEVEMENTS

Highlights	Results
Successfully handled the high season (October 2019–January 2020), ensuring that IT systems provided an acceptable degree of stability and reliability	Demands on IT systems increased by 50 % during the high season, with zero downtime
Advancing IT competencies and creating new ones	Number of developers increased by 131 %
Focus on reliability issues	The reliability indicator as of the end of 4Q 2019 was 99.98 %, excluding maintenance windows, while the target is 99.99 % by 2022
All key decisions related to IT architecture were adopted	100 % future-oriented technologies; zero obsolete solutions in the Bank’s IT architecture
Launched and began replicating a new business process; all IT resources have been combined in teams	277 Agile / Scrum teams formed (cross-functional teams)

RETAIL BUSINESS

In 2019, a number of key digital projects were launched as part of the strategic focus on the digitalisation of the *Retail Business*:

- **Connection to the *Faster Payments System* for individual transfers** using a phone number as the identifier;
- **Launch of a biometric platform** that makes it possible to identify the Bank customers by their face and voice;
- **Implementation of the *Digital mortgage project***: customers no longer need to visit a Bank branch to apply for a mortgage; they can submit an application, provide all the necessary documentation and get a decision remotely through the VTB mobile application;
- **Car marketplace launched**: customers can choose a new car right on the Bank’s website, where they can also receive a car loan;
- **Introduction of chatbots** for automated processing of customer requests;
- **Launch of a robot collector**: reducing personnel costs for initial calls to debtors. The robot is constantly learning; its work is reviewed just like the work of human operators, which enables us to make ongoing changes to scripts.

To improve the stability and reliability of retail systems, a set of measures was developed that is aimed at upgrading server hardware, improving the stability and reliability of systems in the event of a catastrophic incident, and improving the quality of software programming and testing. As a result of these efforts, VTB successfully made it through the high season, the period from October to November, which is traditionally marked by increased customer activity. Despite a significant increase in demand on key systems (considerably greater than expected in some cases), we handled the season successfully.

CORPORATE-INVESTMENT BUSINESS

In 2019, a number of key digital projects were launched in our corporate business:

- **Development of digital channels for investments** VTB Capital Investments and the *RBC media holding* launched an investment site at <https://quote.rbc.ru/>. The project enables customers to open investment accounts and conclude transactions on the *Moscow and St. Petersburg Exchanges*. The acquiring service is backed by VTB Bank together with its technology partner, *Paymo*. The platform is based on an *Open API* (application programming interface) technology. Using this concept, the VTB platform will be able to create a variety of channels offering broader opportunities to an unlimited number of partners. VTB became the first bank in Russia to use this technology to develop investment products.
- **The Transport Processing system** (used in the *Moscow Metro*), with its integrated payment aggregation mechanism, made it easier and faster to connect with new carriers. The average number of metro journeys using bank cards increased from 1.7 thousand per day in 2018 to 231 thousand per day in 2019.
- **The introduction of contactless payment for travel using bank cards** on all *Mosgortrans* routes led to a rapid increase in the average number of ground transport journeys using bank cards from 1.2 thousand per day at the beginning of the year to 47.4 thousand per day at the end of 2019.
- **Digital tariff management** The process of managing the Bank’s tariff policy has been completely digitised: revenue from the acceleration of processes and the flexibility of the tariff policy for customers of the *Corporate-Investment Business and Medium and Small Business* global business lines is expected to amount to RUB 300 million through 2022; automation will optimise the labour costs of operational support units for servicing tariff decisions.
- **Remote banking** VTB continued to develop the functionality of remote banking services for legal entities as part of the *RBS 2.0* project. The number of functionalities implemented during the year as part of *RBS 2.0* increased from 13 % to 60 %. The total number of customers reached 78 thousand, while the average time for processing accounts decreased by 72 %. With the introduction of new functionalities, measures to ensure the reliability of the system were improved; as a result, the number of incidents decreased by 60 %.

- **VTB Business QR** VTB launched a pilot *VTB Business QR* mobile application for individual entrepreneurs, which enables them to receive C2B payments using a QR code through the *Faster Payments System*. The application provides functionality that enables individual entrepreneurs registered as self-employed and applying the *Professional Income Tax* scheme to make payments and issuing checks.

DEVELOPMENT OF IT INFRASTRUCTURE

One of the major focal points for IT departments in 2019 was developing infrastructure and supplying all key systems with the necessary resources for uninterrupted uptime during periods of peak demand. This included the following:

- Three projects were launched to improve the reliability of the Bank’s IT infrastructure;
- A private cloud was created, and 236 information systems of the Bank were transferred into it. The private cloud is a single platform that allows flexible management of the Bank’s IT infrastructure. It enables us to optimise the cost of IT resources and accelerate the process of providing them to the Bank’s internal customers. During the implementation of the project, a catalogue of cloud services was created and automated. The catalogue made it possible to improve the productivity and fault tolerance of the Bank’s IT systems and to introduce a cost management mechanism for internal customers. One of the key results is an improvement in the performance of information systems and in the fault tolerance of the infrastructure after its migration to the new private cloud platform. As a result of the project, the total savings for the operational activities of VTB’s IT systems amounted to RUB 920 million. The cost of ownership was reduced by lowering the cost of maintaining and upgrading old equipment;
- A single dedicated e-mail system using *Exchange 2016* was put into commercial operation, and 22 thousand VTB employees were migrated to this new system;
- A pilot was carried out with *Technoserv* to create a hybrid cloud¹.

DEVELOPMENT AND INTRODUCTION OF INNOVATIONS

In 2019, intensive work continued on the testing and implementation of innovative technologies and products in the framework of priority development projects (foresight projects):

- A patent was obtained for a blockchain technology to create multi-issue settlement and payment systems (*Digital Settlement Service*), and pilots were carried out for a system of cross-border transfers, multiple-currency settlements and instant payments. This was the first time the Bank has patented intellectual property developed in house. The technology will enable VTB to create digital products, services and payment instruments that provide a solution for the problem of accounting for reciprocal payments between an almost unlimited number of participants. These services include *Faster Payments System*, cross-border settlements, loyalty programmes, etc. Potential users include both individuals and legal entities, including other banks. A multi-issuer system has the potential to reduce costs and increase the efficiency of business processes for all participants.
- A prototype of the Bank’s mobile application was created for the *Russian SailFish OS RUS* mobile operating system. The application enables users of devices based on *SailFish OS RUS* to access all of VTB’s main banking services.
- A *Digital User Profile* project and a module for integrating big data into user profiles were implemented.
- A pilot was launched to expand the customer base of the *VTB My Investments* service, and the first mortgage loan was issued using virtual reality (VR) technology.
- Integration tools were implemented with external partners via *Open API* interfaces, including the launch of the *RBC Quote* project in tandem with the *RBC media holding*.

VTB corporate accelerator underwent intense development. The project was launched in 2018 as a tool for quickly piloting innovations within the Bank. The goal of the accelerator is to select projects that have promise for VTB’s business and to develop them to a level that would make it easy to integrate their innovative ideas into the Bank’s business.



A patent was obtained for a blockchain technology to create multi-issue settlement and payment systems (*Digital Settlement Service*), and pilots were carried out for a system of cross-border transfers, multiple-currency settlements and instant payments. This was the first time the Bank has patented intellectual property developed in house.

¹ A hybrid cloud is a combination of a public (external to the Bank) cloud with a private cloud owned by the Bank.

As of the end of 2019, the accelerator portfolio included 29 pilot projects involving technological startups in the following areas:

- Voice assistants to reduce call centre costs;
- Tools to personalise client communications;
- Voice analytics to improve the quality of service at bank offices;
- Geomarketing tools for branch network optimisation;
- Design management tools to reduce document preparation time;
- Data analysis and management platforms;
- Service assistants for employees;
- Behavioural data assessment services for borrowers;
- Tools for assessing the quality of customer service by determining emotions;
- HR solutions for personnel recruitment and evaluations, etc.

HOW THE STARTUP ACCELERATOR WORKS AT VTB BANK:

- 1

A search is conducted for ready-made, innovative startup solutions that can reduce the Bank’s costs or generate additional profit by creating new products and services
- 2

Quick (up to three months) and low-cost (up to RUB 1.5 million) pilot projects are carried out at the request of functional and business units to assess their potential business impact and technological feasibility
- 3

Innovative solutions are quickly integrated into the Bank’s existing products and services

Corporate Governance

OVERVIEW OF THE CORPORATE GOVERNANCE SYSTEM

VTB GROUP CORPORATE GOVERNANCE

VTB Group is structured as a strategic holding. This model entails a common single growth strategy for all Group companies, as well as a single brand, centralised management of financial performance and risk, and unified control systems.

Under its current management model, the Group is governed along two key lines:

- **Administrative management** – executing the rights of the parent bank as the main shareholder by allowing its representatives to participate in the management bodies of subsidiary companies;
- **Functional management** – managing the Group’s business, support and control lines within VTB Group as a whole. Functional coordination is a supplementary governance mechanism that provides early-stage expert review of management decisions.

To achieve key strategic objectives, the following business lines have been established within the Group: *Corporate-Investment Business, Medium and Small Business, Retail Business* (for more information on the global business lines and their performance, see Results overview).

The Group’s Corporate Centre sets the Group’s overall strategic direction and promotes best practices within the Group.

The management system established by the Group enables the Bank to develop a global mechanism for client service, to closely coordinate the work of every business line in all of the Bank’s regions of operation, to increase profitability through synergies between business lines and best practices, and to reduce costs by sharing infrastructure and resources more extensively among the Group companies. Furthermore, this management model

is a platform for the effective integration of assets acquired by VTB Group.

VTB Group pays a great deal of attention to improving its governance system, which is designed to comply fully with corporate and antimonopoly legislation in countries where the Group operates.

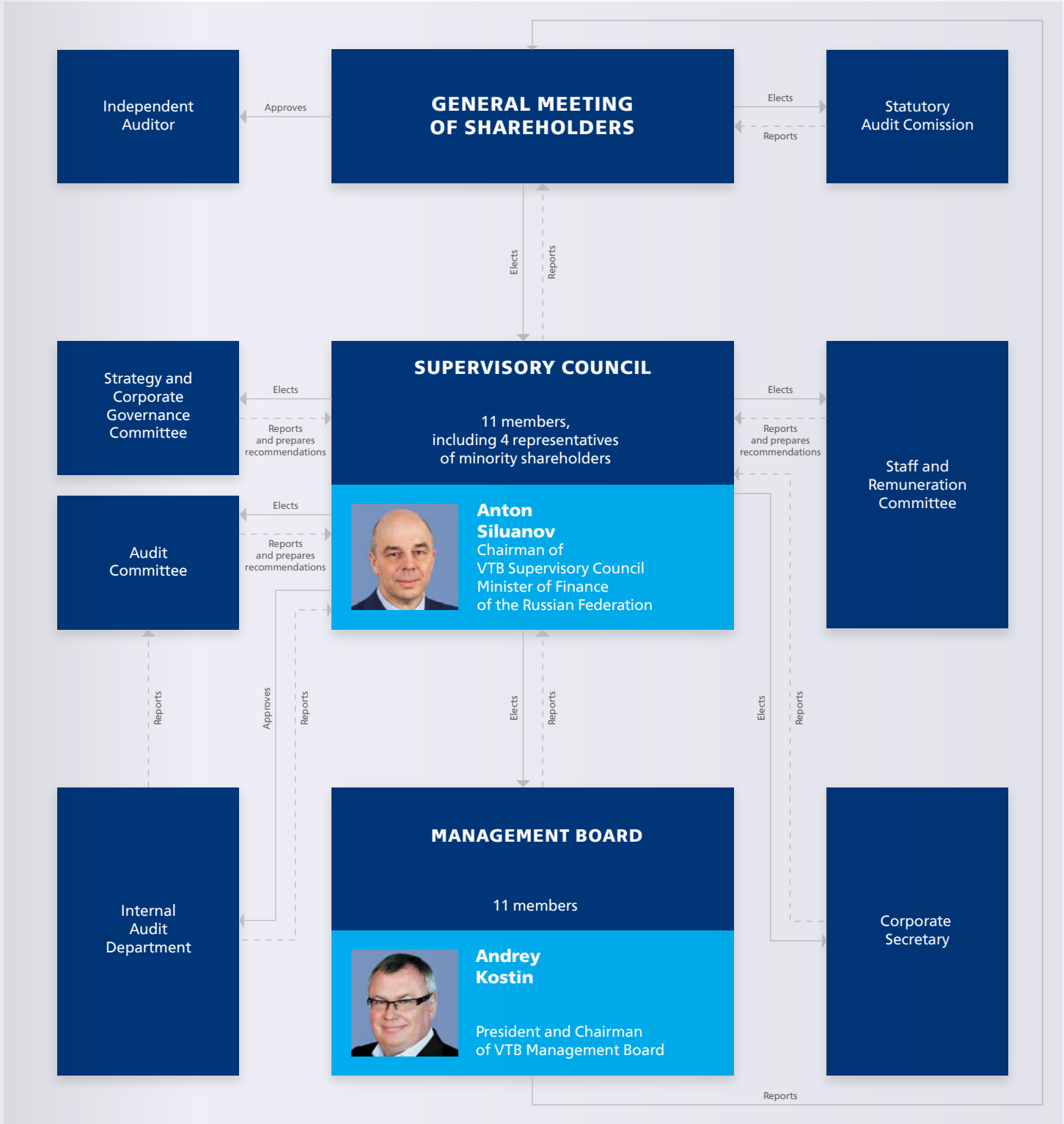
VTB BANK’S CORPORATE GOVERNANCE SYSTEM

Corporate governance at VTB Bank is a system of interactions between executive bodies, the Supervisory Council, shareholders and other stakeholders aimed at protecting the rights of shareholders and investors, improving the Bank’s investment attractiveness and the transparency of its operations, creating effective risk assessment mechanisms that can have an influence on the Bank’s value, and ensuring the effective use of funds provided by shareholders (investors).

The Bank’s corporate governance system is based on the principle of unconditional compliance with legislative requirements and the requirements of stock exchange operators in Russia and abroad. It is also focused on the recommendations of the Corporate Governance Code (*the Code*) approved by the *Bank of Russia*, the recommendations of the *Basel Committee on Banking Supervision* and of the *Financial Stability Board* that are applicable to financial institutions, as well as international best practices and standards of corporate governance.

The principles and procedures of the Bank’s corporate governance are enshrined in bylaws, the most important of which is the Bank’s Corporate Governance Code (approved by the Bank’s Supervisory Council in 2015, minutes No. 27 of 11 December 2015).

VTB BANK’S CORPORATE GOVERNANCE STRUCTURE
AS OF 29 FEBRUARY 2020



The Bank’s corporate governance system is based on the following principles:

- Equal and fair treatment of all shareholders, providing shareholders with opportunities to exercise their rights and protect their legitimate interests;
- Professionalism and accountability of the Supervisory Council, active participation on the part of independent directors as well as members of the Supervisory Council nominated by the Bank’s minority shareholders in the management of the Bank;
- Implementation of strategic management of the Bank by the Supervisory Council and its effective oversight of the activities of executive bodies and of the functioning of the risk management system and internal control;
- Reasonable, conscientious and effective management of the Bank’s ongoing operations by executive bodies and key executives;
- Compliance with the laws of the Russian Federation and the national laws of the countries where the Group’s companies are located;
- Corporate social responsibility;
- A highly ethical approach to business and zero tolerance for corruption;
- Complete, transparent, reliable and timely disclosure of information by the Bank;
- An effective system of internal control as well as internal and external audit;
- Active cooperation with investors, creditors and other stakeholders in an effort to support the Bank’s assets and capitalisation;
- Continuous improvement of corporate governance practices.

The General Meeting of Shareholders is the supreme governing body of VTB Bank. Any holder of ordinary shares may exercise the right to participate directly in the management of the Bank by voting on the agenda of the General Meeting of Shareholders.

The Supervisory Council, elected by the shareholders and accountable to them, provides strategic management and oversight of the Bank’s executive bodies, namely the President and Chairman of the Management Board and the Management Board itself. The Supervisory Council approves the Bank’s strategy and long-term development programme and its Regulation on Remuneration and Compensation

for expenses of executive bodies and other key executives of the Bank, plays a key role in the Bank’s material corporate events, and determines the key principles and overall approach to risk management and the internal control system.

The executive bodies are responsible for day-to-day management and carry out the tasks entrusted to them by the shareholders and the Supervisory Council.

The following committees function under the Supervisory Council:

- **The Staff and Remuneration Committee**, which drafts recommendations on key appointments and incentives for members of the Supervisory Council and the Bank’s executive and control bodies;
- **The Audit Committee**, whose main activity is to analyse and support an effective and adequate system of internal control;
- **The Strategy and Corporate Governance Committee**, which considers, and makes recommendations on, strategic development issues and on improving corporate governance, as well as on refining management of the Bank’s capital.

The Bank has established a special structural unit, the Supervisory Council Administration, headed by the Corporate Secretary, who is approved by the Bank’s Supervisory Council.

The Bank’s financial and economic affairs are monitored by the Statutory Audit Commission and also by the Internal Audit Department, an independent structural unit that operates under the direct supervision of the Supervisory Council. It verifies and assesses the effectiveness of the Bank’s internal control and risk management systems; verifies the reliability, completeness, objectivity and timeliness of accounting and management reports; establishes uniform approaches to the organisation of internal control systems in companies controlled by the Bank; gathers information about their status; and develops recommendations for improvement. The Supervisory Council approves the Internal Audit Department’s work plans and monitors their implementation.

In order to reduce management risks, liability insurance is purchased for the Bank, as well as for members of the Bank’s Supervisory Council and executive bodies (Director’s and Officer’s Liability Insurance, D&O).

The Bank and its minority shareholders created a Shareholders Consultative Council, an independent expert consultative and advisory body consisting of minority shareholders whose meetings are also attended by members of the Bank’s Supervisory Council and executive bodies. Members of the Shareholders Consultative Council play an active part in VTB Bank’s activities, discussing with the Group’s top management the most pressing issues concerning the interests of shareholders, including issues related to strategy development and implementation, as well as improving corporate governance practices.

VTB adheres to a policy of full and timely disclosure of reliable information, giving shareholders, investors and counterparties the opportunity to make properly informed decisions. Information is disclosed in compliance with Russian legislation and the requirements of the UK financial regulator, the *Financial Conduct Authority*. The Bank’s Supervisory Council has approved the VTB Bank Regulation on Information Policy, which is posted on the Bank’s website and specifies the ways in which information may be disclosed, as well as the time frame for such disclosure and the forms such disclosure may take; it provides a list of information that the Bank has taken on a duty to disclose, as well as measures to ensure compliance with the Bank’s Information Policy.

The Bank regularly publishes its financial results in accordance with both Russian and international standards. In order for all stakeholders to obtain the most up-to-date information on VTB Group’s activities as quickly as possible, the Bank publishes information from its IFRS management reporting on a monthly basis in addition to quarterly and annual reports.

DEVELOPMENT OF CORPORATE GOVERNANCE IN 2019

The Bank views improving its corporate governance system as an integral part of its work to improve the efficiency and the results of its activities; the corporate governance system is also subject to constant monitoring by the Bank’s Supervisory Council and executive bodies.

VTB Bank closely monitors the development of corporate legislation and practices and carries out consistent work to improve the corporate governance system within the Bank and the Group companies by applying international standards and the best Russian and international practices.

At the Annual General Meeting of Shareholders on 5 June 2019, a new Supervisory Council was elected, composed of eleven members, including four representatives of minority shareholders and institutional investors, which maximises the Supervisory Council’s independence and also enables it to represent the interests of a wide range of shareholders.

Shareholders also elected a new Statutory Audit Commission, which retained a place for a representative of minority shareholders.

In 2019, the Bank continued to implement the action plan adopted by the Supervisory Council on the implementation of provisions of the Corporate Governance Code, which is the main source of guidance for improving the Bank’s corporate governance system.

During the reporting year, in accordance with a decision (recommendation) of the Bank’s Supervisory Council Staff and Remuneration Committee, an external assessment of the work of the Supervisory Council was conducted for the first time. The assessment also evaluated the work of the Supervisory Council committees, the Chairman of the Supervisory Council and the Bank’s Corporate Secretary. The *Russian Institute of Directors (RID)* was hired to conduct the assessment. The *RID* is recognised for its expertise in the field of corporate governance and for its assessments of the performance of boards of directors in Russian companies.

During the assessment, the members of the Supervisory Council were interviewed and completed questionnaires. The assessment also involved an analysis of the Bank’s bylaws, which enabled the *RID* to maximise the objectivity of its assessment of every essential aspect of the activities of the Supervisory Council in such key areas as strategy development and monitoring strategy implementation, performance in relation to internal control and risk management systems, oversight of the activities of executive bodies and the establishment of an effective incentive system.

According to the assessment, the work of the Supervisory Council was praised by both the members of the Supervisory Council themselves and by *RID* experts. The assessment concluded that the Supervisory Council was highly engaged in decision-making on key issues concerning

the Bank’s operations while maintaining its focus on strategic management. In addition, the Bank’s use of advanced tools for organising the work of the Supervisory Council, the high-profile role of the Chairman of the Supervisory Council in improving the Council’s performance, and the high level of information and organisational support for the activities of the Supervisory Council provided by the Bank’s Corporate Secretary noted as strengths.

At the same time, the assessment highlighted areas in which the activities of the Supervisory Council and its committees can be improved. These include issues related to updating the current inducement system of the Council’s members, expanding the Supervisory Council to include candidates with competencies in the areas of digitalisation and information technology, issues related to the establishment of programmes and the organisation of training for members of the Supervisory Council, and increasing the number of in-person meetings of the Staff and Remuneration Committee and of the Strategy and Corporate Governance Committee.

During the reporting year, the Bank also conducted benchmarking (comparative analysis) of corporate governance practices in order to establish an objective understanding of the Bank’s current level of corporate governance in comparison with Russian companies that are recognised as leaders in this area. The results of this comparative analysis made it possible to identify the strengths and weaknesses of the Bank’s corporate governance system and to identify areas for further improvement.

As part of the work that the Bank carried out to improve the corporate governance system in its subsidiary companies during the reporting year, corporate governance was assessed in its major subsidiaries, including those outside the Russian Federation. The assessments were carried out through questionnaires developed in accordance with the Group-wide corporate governance standards, the *Bank of Russia* Code of Corporate Governance and the *OECD* Principles of Corporate Governance.

The assessments found that the corporate governance system in Group companies as a whole complies with generally recognised best practices of corporate governance, while the most important areas of activity, such as the internal control system, the risk management system and information disclosure, are regulated in accordance with the Group standards. At the same time, areas were identified for improving corporate governance practices both in individual companies and those requiring improvements at the level of the Group standards. Based on the assessments, a list of recommendations was compiled, and road maps were drawn up for improving corporate governance in the respective subsidiaries.

The Bank’s performance in the area of corporate governance enabled it to maintain a high position in the *National Corporate Governance Rating*, where it was accorded a score of 7++, corresponding to “well-developed corporate governance practice”. The *RID* provides the annual rankings, which are based on an independent review. A rating of 7++ is assigned to companies that comply with the requirements of Russian legislation in the field of corporate governance, and it denotes fairly low risk to shareholders of losses associated with corporate governance.

GENERAL MEETING OF SHAREHOLDERS

The General Meeting of Shareholders is the supreme governing body of VTB Bank. Any holder of ordinary shares may exercise the right to participate directly in the management of the Bank by voting on the agenda of the General Meeting of Shareholders. Preference shares carry voting rights only in special cases, as stipulated by the law.

Shareholders may take part in a meeting of shareholders either in person (in the event that an in-person meeting is held) or through absentee voting. All shareholders of VTB Bank have access to the e-voting system developed by the Bank’s registrar, VTB Registrar.

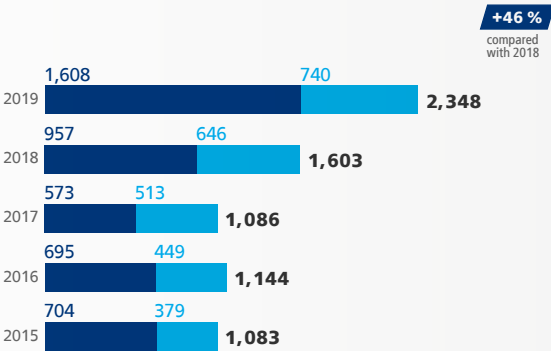
The decision to convene a General Meeting of Shareholders is taken by the Supervisory Council. In accordance with applicable Russian laws and the Bank’s Charter, information about the date and venue of the General Meeting of Shareholders, as well as the record date for shareholders eligible to participate, is published on VTB’s website and is also distributed through the *VTB Shareholder* application. During the time frame specified by law, shareholders can review materials for the General Meeting of Shareholders on the Bank’s website or at *Shareholder Liaison Centres* in Moscow, St. Petersburg and Yekaterinburg. When voting electronically, the materials for meetings are also available through the mobile application and in each user’s personal account on VTB Registrar’s website.

Two General Meetings of Shareholders were convened in 2019.

2019 ANNUAL GENERAL MEETING OF SHAREHOLDERS

The Annual General Meeting of Shareholders (AGM) of VTB Bank was held on 5 June 2019 at the *Oktyabrsky Grand Concert Hall* in St. Petersburg. The meeting was attended by 740 shareholders and their representatives (compared with 646 in 2018). In total, 2,348 shareholders took part, including through absentee voting, which accounted for 11,031,539,082,384 votes, or 85.1163 % of the total votes.

NUMBER OF PARTICIPANTS AT THE AGM, shareholders



- Number of participants with in-person attendance
- Number of participants who voted absentee

Shareholders’ growing interest in annual meetings can be seen not only in the increase in the number of shareholders who personally attended the meeting but also in the nearly twofold increase in the number of shareholders who participated absentee (the number of online views (2,028) increased by 44 % compared with the 2018 AGM).

Shareholders who had previously submitted biometric data were able to register to take part in the meeting by using special self-service terminals. For the purposes of self-registration, a VTB Registrar technology was used to authenticate participants’ identity based on their face and by using a card with an NFC module (R-face service).

During the meeting, the Bank’s shareholders were able to familiarise themselves with materials for the meeting and could obtain information about products and services offered by VTB and its subsidiaries. Meeting materials were made available on tablets in the consultation area in addition to being available in hard copy and on memory cards.

The 2019 AGM gave shareholders an opportunity, for the first time, to submit questions to the presidium electronically via the *VTB Shareholder* mobile application or through special terminals.



2,348 participants in 2019

E-voting is possible online at vtbreg.com, as well as through the [VTB Shareholder](#) application (available in Russian language only).

The e-voting system was widely available during the AGM, which meant that any shareholder could take part in the meeting regardless of where they were living or located, which greatly increased the total number of shareholders participating. Some 1,937 shareholders voted through the e-voting system. It is important to note that the e-voting system used biometrics and NFC technology, including voice recognition, which made the voting process much easier for shareholders with a visual impairment. Most of the participants in the AGM praised the quality of e-services available and the opportunities they provided.

Fourteen agenda items were considered at the meeting:

1. Approval of VTB Bank’s Annual Report;
2. Approval of VTB Bank’s annual financial statements;
3. Approval of VTB Bank’s profit allocation for 2018;
4. The amount, terms and form of the 2018 dividend payment and the record date to determine eligibility to receive dividends;
5. The remuneration of Supervisory Council members who are not state employees, in accordance with VTB Bank’s bylaws;
6. The remuneration of Statutory Audit Commission members who are not state employees, in accordance with VTB Bank’s bylaws;
7. The number of VTB Bank Supervisory Council members;
8. The election of VTB Bank Supervisory Council members;
9. The number of VTB Bank Statutory Audit Commission members;
10. The election of VTB Bank Statutory Audit Commission members;
11. Approval of the VTB Bank auditor;
12. Approval of a new edition of VTB Bank’s Charter;
13. Approval of a new edition of the Regulation on the Procedure for Preparing, Convening and Holding General Meetings of Shareholders of VTB Bank;
14. Approval of a new edition of the Regulation on VTB Bank’s Supervisory Council.

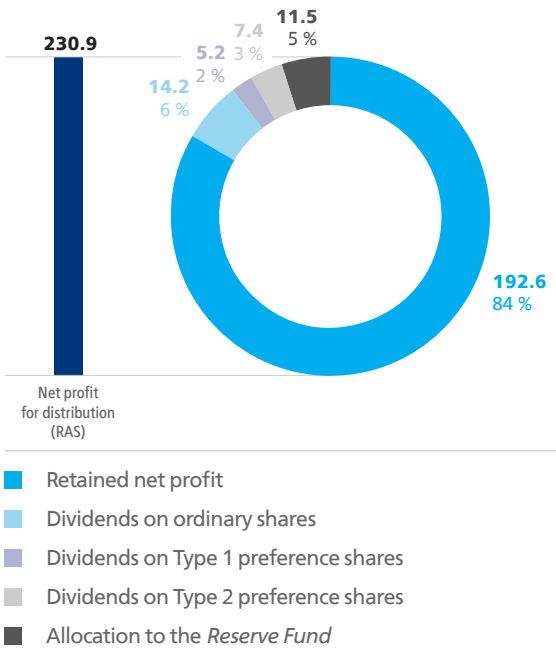
Meeting participants supported the proposed draft decisions on all 14 agenda items.

In addition, shareholders agreed to the following distribution the Bank’s profits from 2018 in accordance with the recommendations of the Bank’s Supervisory Council:

- Net profit to be allocated – **RUB 230,906,903,335.16**
- Allocations to the *Reserve Fund* – **RUB 11,545,345,166.76**
- Dividend payment allocations on ordinary shares – **RUB 14,239,456,640.85**
- Dividend payment allocations on Type 1 registered preference shares – **RUB 5,164,109,976.47**
- Dividend payment allocations on Type 2 registered preference shares – **RUB 7,416,433,382.68**
- Retained net profit – **RUB 192,541,558,168.40**

Shareholders approved a dividend payment of **RUB 0.00109867761463259** per ordinary share.

BASIS FOR THE DISTRIBUTION OF VTB BANK’S PROFIT FOR 2018, RUB billion



The voting results on agenda items and all decisions taken can be seen [in the Investor Relations section on the Bank's official website](#), [in the General Meeting of Shareholders 2019 subsection](#) (available in Russian language only).

Detailed information on dividend payments for 2018 is available [on the Bank's official website](#), [in the Dividends section](#).

Total dividend payments amounted to RUB 26.8 billion, or 15.0 % of the Group’s consolidated IFRS net profit for 2018 (11.6 % of the Bank’s net profit under RAS), while dividends on ordinary shares amounted to 8.0 % of the Bank’s consolidated net profit under IFRS (or 6.2 % of the Bank’s net profit under RAS).

When approving recommendations for the Annual General Meeting of Shareholders on the payment of dividends, the Bank’s Supervisory Council took into account the Bank’s need for capital to comply with the requirements of the *Bank of Russia* (increasing capital requirements as part of the transition to Basel III standards), as well as for sustainable business development and strategy implementation.

Dividend payments for each type of Bank share for 2018 were calculated based on the principle of the equalisation of dividend yields for all three types of the Bank’s shares; the dividend yield for each type of share was 2.4 % (for each ordinary share, this was calculated based on their average market value on *Moscow Exchange* for 2018; 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 2018 amounted to RUB 11.5 billion (compared to RUB 5.1 billion for 2017).

The Bank’s retained net profit, which amounted to RUB 192.5 billion as of the end of 2018, is used to ensure business growth and to maintain the Bank’s capital adequacy in accordance with the requirements of the *Bank of Russia*.

EXTRAORDINARY GENERAL MEETING OF SHAREHOLDERS IN 2019

On 1 November 2019, an Extraordinary General Meeting of Shareholders of VTB Bank was held in the form of absentee voting.

The agenda included three items:

1. The payment (declaration) of dividends for Type 1 preference shares; the amount, terms and form of the dividend payment; and the establishment of the record date to determine eligibility to receive dividends;
2. Approval of Amendment No. 1 to the Charter of VTB Bank;
3. Approval of a new edition of the Regulation on VTB Bank’s Management Board;

The shareholders supported draft decisions on all agenda items at the Extraordinary General Meeting of Shareholders. A total of 2,759 shareholders attended the meeting, 94 % of whom used the e-voting system. The largest number of shareholder votes came through the *VTB Shareholder* mobile application.

The Extraordinary General Meeting of Shareholders adopted a decision to pay interim dividends on Type 1 preference shares from retained profit of previous years.

SUPERVISORY COUNCIL¹



Anton Siluanov
Chairman of the Supervisory Council
Minister of Finance of the Russian Federation



Matthias Warnig
Executive director
of Nord Stream 2 AG
(Switzerland)



Yves-Thibault de Silguy
Vice President,
authorised administrator
of VINCI (France)



Sergey Dubinin
Head of the Finance
and Credit Faculty
at Lomonosov Moscow
State University



Mikhail Zadornov
President and Chairman
of the Management Board
of Bank Otkritie Financial
Corporation



Andrey Kostin
President and Chairman
of VTB Bank's Management
Board



Shahmar Movsumov
Assistant to the President
of the Republic of Azerbaijan,
Head of the Department
for Economic Affairs
and Innovative Development
Policy of the Administration
of the President
of the Republic of Azerbaijan



Igor Repin
Deputy Executive Director
of the Professional Investors
Association



Alexander Sokolov
President and Chairman
of the Management Board
of Trust Bank



Oksana Tarasenko
Deputy Minister of Economic
Development of the Russian
Federation



Vladimir Chistyukhin
Deputy Governor
of the Bank of Russia

¹ The biographies and positions in other organisations of the members of the Supervisory Council are as of 31 December 2019, their professional activities are as of January 2020.

SCOPE OF RESPONSIBILITIES

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

The Supervisory Council's main tasks are the elaboration and adoption of the Bank's Development Strategy, as well as the formation of the Bank's executive bodies and oversight of 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 2019 was elected at the AGM on 5 June 2019. As of 31 December 2019, 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.

[Regulation on VTB Bank Supervisory Council](#)

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 applicable legislation, the listing rules of the stock exchange whose quotation list includes the Bank's securities and the Bank's Charter.

PROFESSIONAL COMPETENCIES OF MEMBERS OF THE SUPERVISORY COUNCIL¹

Member of the Supervisory Council	Anton Siluanov	Matthias Warnig	Yves-Thibault de Silguy	Sergey Dubinin	Mikhail Zadornov	Andrey Kostin	Shahmar Movsumov	Igor Repin	Alexander Sokolov	Oksana Tarasenko	Vladimir Chistyukhin
First year on VTB Bank's Supervisory Council	2017	2007	2007	2011	2018	2002	2013	2018	2018	2019	2014
 Strategy	•	•	•	•	•	•	•		•		
 Finance and economics	•	•		•	•	•	•		•	•	•
 Risk management, audit	•	•	•	•	•	•	•	•	•		•
 Corporate governance, legal issues			•			•		•		•	•
 Business administration	•	•	•		•	•	•	•	•	•	

REMIT OF THE SUPERVISORY COUNCIL

The Supervisory Council provides strategic direction; determines VTB Bank’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, regulation on remuneration and compensation paid to 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.

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 VTB Bank’s Management Board, nor may he or she have any type of employment related 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.

¹ Competencies are established on the basis of information on the education and experience of the members of the Supervisory Council in professional fields and are not a complete list of competencies that the members of the Bank’s Supervisory Council possess.

SUPERVISORY COUNCIL COMPOSITION

On 5 June 2019, the AGM elected Oksana Tarasenko to the Supervisory Council² for the first time. Mukhadin Eskindarov 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 state officials: the civil servants Anton Siluanov and Oksana Tarasenko, as well as the representatives of state interests Sergey Dubinin, Mattias Warnig, Andrey Kostin and Vladimir Chistyukhin.

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 institutional/minority shareholders (professional directors): Mikhail Zadornov, Alexander Sokolov, Shahmar Movsumov (independent director), Igor Repin (independant director) and Yves-Thibault de Silguy (senior independent director).



Anton Siluanov
Chairman of the Supervisory Council
Civil servant



Born in 1963

Ownership of shares in the Bank as of 31 December 2019
% of ordinary shares ▶ 0 %
% of charter capital ▶ 0 %

Education:

Doctor of Economic Sciences.
1985 – *Moscow Financial Institute*, specialisation in finance and credit;
2007 and 2010 – *National State Tax Academy of the Ministry of Finance of the Russian Federation* and the *Financial University under the Government of the Russian Federation*, professional development

Class 1 Full State Counsellor of the Russian Federation

Professional activities:

Since January 2020 Minister of Finance of the Russian Federation;
2018-2020 First Deputy Minister of the Russian Federation, Minister of Finance of the Russian Federation;
1992–2018 Deputy Head of Section, Deputy Department Manager–Head of Section, Deputy Department Manager, Deputy Department Head, Head of Department, Department Manager, Deputy Minister, Director of Department, Deputy Minister, acting Minister of Finance of the Russian Federation, Minister of Finance of the Russian Federation

Positions in other organisations:

- Chairman of the Supervisory Council of *Alrosa*
- Governor from the Russian Federation in the *BRICS New Development Bank and the International Monetary Fund*
- Member of the Supervisory Councils of the *Russian Direct Investment Fund and VEB.RF*
- Member of the Boards of Trustees of the *Skolkovo Foundation* and the *Charitable Foundation for the Restoration of the Resurrection New Jerusalem Monastery*
- Member of the Academic Council of the *Financial University*
- Authorised representative of the Russian Federation in the *Eurasian Development Bank*
- Chairman of the Board of the *Eurasian Fund for Stabilisation and Development* and of the *National Financial Council of the Bank of Russia*

² The biographies and positions in other organisations of the members of the Supervisory Council are as of 31 December 2019, their professional activities are as of January 2020.



Matthias Warnig
Member of the Strategy and Corporate Governance Committee
Representative of the state



Born in 1955

Ownership of shares in the Bank as of 31 December 2019
% of ordinary shares ► 0 %
% of charter capital ► 0 %

Education:

1981 – Bruno Leuschner Higher School of Economics (Berlin, Karlshorst), specialisation in national economics
1995 – additional professional training at Dresdner Bank AG in Bad Homburg in Bad Homburg (Germany) and in London (United Kingdom) through the Lending and Risk Management programme

Professional activities:

Since 2015 Executive Director of Nord Stream 2 AG (Switzerland)
Since 2008 Director of Interatis AG (Switzerland)
2006–2016 Managing Director of Nord Stream AG (Switzerland)
2005–2006 Chairman of the Board of Directors of Dresdner Bank

2004–2005 Chairman of the Management Committee of Dresdner Kleinwort for Russia and the CIS
2002–2005 President of Dresdner Bank

Positions in other organisations:

- Member of the Board of Directors of Transneft and of Fussballclub Gelsenkirchen-Schalke 04 c.V. (Germany)
- Deputy Chairman of the Board of Directors of Rosneft
- Chairman of the Administrative Council of Gas Project Development Central Asia AG (Switzerland) and of Interatis Consulting AG (Switzerland)
- Member of the Administrative Council of Gazprom Schweiz AG (Switzerland)



Yves-Thibault de Silguy
Chairman of the Audit Committee
Senior independent director



Born in 1948

Ownership of shares in the Bank as of 31 December 2019
% of ordinary shares ► 0 %
% of charter capital ► 0 %

Education:

1971 – University of Rennes II in Upper Brittany, degree in law
1972 – University of Paris I (Panthéon-Sorbonne), degree in public law
1972 – Institute for Political Studies (Sciences Po) (Paris, France), specialisation in public law
1976 – National School of Administration (ENA), Guernica class

Professional activities:

Since 2010 Vice President and delegated administrator of VINCI, SAS (France), Senior Director on the Board of Directors, Vinci Group (France), President of YTSEuropaconsultants, SARL (France)
2005–2012 Member of the Council for Foreign Affairs, French Foreign Ministry

2004–2011 Member of the Board of Directors of SMEG (Société Monégasque d'électricité et du gaz)
2004–2006 Vice President of Suez Environnement (Belgium)
2003–2006 Acting General Director, Member of the Executive Committee of Suez (Belgium), President of Aguas Argentinas (Argentina)
2002–2010 Member of the Economic Council, French Defence Ministry
2001–2002 General Director, Suez (Belgium)
2000–2006 President, Sino-French Holdings (Hong Kong)

Positions in other organisations:

- Chairman of the Supervisory Council of Sofisport SA (France)
- Member of the Board of Directors of Louis Vuitton Moët Hennessy SA (France)



Sergey Dubinin
Chairman of the Staff and Remuneration Committee
Member of the Strategy and Corporate Governance Committee
Representative of the state



Born in 1950

Ownership of shares in the Bank as of 31 December 2019
% of ordinary shares ► 0 %
% of charter capital ► 0 %

Education:

Doctor of Economic Sciences, Associate Professor
1973 – Lomonosov Moscow State University, specialisation in political economy

Professional activities:

Since February 2014 Head of the Finance and Credit Faculty at Lomonosov Moscow State University
2005–2008 Member of the Board of Directors, Chief Financial Officer of RAO UES

2004–2005 Member of the Management Board of RAO UES
2001–2004 Deputy Chairman of the Management Board of RAO UES

Positions in other organisations:

- Advisor and member of the Board of Directors of VTB Capital
- Member of the Board of Directors of VTB Capital Holding IB and of VTB Capital Holding



Mikhail Zadornov
Member of the Supervisory Council
Professional director



Born in 1963

Ownership of shares in the Bank as of 31 December 2019
% of ordinary shares ► 0.000246 %
% of charter capital ► 0.000049 %

Education:

Candidate of Economic Sciences
1984 – Plekhanov Russian University of Economics, specialisation in national economic planning

Professional activities:

Since 2018 President and Chairman of the Management Board of Bank Otkritie Financial Corporation
2005–2017 President and Chairman of the Management Board and member of the Management Board of VTB24

Positions in other organisations:

- Member of the Supervisory Councils of Trust Bank, Bank Otkritie Financial Corporation and the Higher School of Economics
- Member of the Board of Directors of the Otkritie private pension fund
- Chairman of the Board of Directors of Rosgosstrakh insurance company and of RGS Bank



Andrey Kostin
Chairman of the Strategy and Corporate Governance Committee

Representative of the state



Born in 1956

Ownership of shares in the Bank as of 31 December 2019
% of ordinary shares ► 0.00183 %
% of charter capital ► 0.00036 %

Education:

Candidate of Economic Sciences
1979 – Lomonosov Moscow State University, Economics Department

Professional activities:

Since 2002 – President and Chairman of VTB Bank’s Management Board
1996–2002 Chairman of Vnesheconombank

Positions in other organisations:

- Chairman of the Supervisory Council of the Russian Gymnastics Federation
- Member of the Supervisory Council of Post Bank and of the Russian Volleyball Federation
- Member of the Board of Directors of VTB Capital, VTB Capital Holding, VTB Capital IB Holding, Russian Post and United Grain Company
- Member of the Bureau of the Board of the Russian Union of Industrialists and Entrepreneurs and of the Russian Union of Industrialists and Entrepreneurs Russian Employers Association

- Chairman of the Board of Trustees of the Bolshoi Theatre
- Member of the Board of Trustees of the Foundation for Supporting and Developing Physical Culture and Sport, the Sports Federation Dynamo Hockey Club, the Financial University under the Government of the Russian Federation, Lomonosov Moscow State University, St. Petersburg State University, Friends of the Russian Museum Development Fund, the Moscow State Institute of International Relations (MGIMO), the Charitable Foundation for the Restoration of the Resurrection New Jerusalem Monastery, the Mariinsky Theatre, the I.K.O. Centre, the State Primorsky Opera and Ballet Theatre, the Deaf-Blind Support Fund, the Russian Geographical Society, the Nauka-Detyam Foundation, the Russian Children’s Foundation, member of the Supreme Council of the United Russia political party
- Member of the Presidium of the non-profit partnership National Council on Corporate Governance
- Member of the Council of the Association of Russian Banks and of the I Am a Professional Association
- Member of the Public Council under the Ministry of Finance of the Russian Federation



Shahmar Movsumov
Member of the Staff and Remuneration Committee
Member of the Audit Committee

Independent director



Born in 1972

Ownership of shares in the Bank as of 31 December 2019
% of ordinary shares ► 0 %
% of charter capital ► 0 %

Education:

1995 – Moscow State Institute of International Relations, specialisation in international economic relations
2004 – John F. Kennedy School of Government at Harvard University, MBA with a specialisation in public finance.

Professional activities:

Since 2019 Assistant to the President of the Republic of Azerbaijan, Head of the Department for Economic Affairs and Innovative Development Policy of the Administration of the President of the Republic of Azerbaijan
2006–2019 Executive Director of the State Oil Fund of the Republic of Azerbaijan
2005–2006 General Director of the National Bank of Azerbaijan

Positions in other organisations:

- Positions in other organisations
- Chairman of the Commission for Transparency in the Extractive Industries (Azerbaijan)
- Chairman of the Supervisory Council of the International Bank of Azerbaijan
- Deputy Chairman of the Supervisory Council of the Azerbaijan Investment Company
- Member of the Supervisory Council of Southern Gas Corridor
- Member of the Board of Trustees of the ADA University Foundation
- Member of the Management Board of the International Forum of Sovereign Wealth Fund



Igor Repin
Member of the Strategy and Corporate Governance Committee
Member of the Staff and Remuneration Committee
Member of the Audit Committee
Chairman of the Shareholders Consultative Council of VTB Bank

Independent director



Born in 1966

Ownership of shares in the Bank as of 31 December 2019
% of ordinary shares ► 0.0000002315 %
% of charter capital ► 0.0000000461 %

Education:

1988 – Lomonosov Moscow State University, specialisation in land hydrology
2004 – Russian Law Academy of the Ministry for Justice, Single Training Programme of Insolvency Receivers
2013 – Higher School of Economics, development programme for boards of directors’ members

Professional activities:

Since September 2001 Deputy Executive Director of the Professional Investors Association

Positions in other organisations:

Chairman of the Board of Directors of the Federal Centre for Geoecological Systems



Alexander Sokolov
Member of the Strategy and Corporate Governance Committee

Professional director



Born in 1979

Ownership of shares in the Bank as of 31 December 2019
% of ordinary shares ► 0 %
% of charter capital ► 0 %

Education:

2002 – Russian State University of Aviation Technology, specialisation in economics and enterprise management

Professional activities:

Since 2018 President and Chairman of the Management Board of *Trust Bank*

Since 2019 Head of the First Block of *Bank Otkritie Financial Corporation*

2017–2018 Member of the Management Board of *Bank Otkritie Financial Corporation*

2008–2017 Member of the Management Board of VTB24

Positions in other organisations:

- Member of the Supervisory Council of *Trust Bank*
- Chairman of the Board of Directors of *United Wagon Company* and of *Inteco*



Oksana Tarasenko
Member of the Strategy and Corporate Governance Committee

Civil servant



Born in 1983

Ownership of shares in the Bank as of 31 December 2019
% of ordinary shares ► 0 %
% of charter capital ► 0 %

Education:

Candidate of Legal Sciences

2005 – Lomonosov Moscow State University, specialisation in jurisprudence

2009 – Lomonosov Moscow State University, specialisation in management

2016, 2017, 2018 – Lomonosov Moscow State University and Russian Presidential Academy of National Economy and Public Administration, programmes of additional professional education

Professional activities:

Since 2008 Deputy Minister of Economic Development of the Russian Federation

2015–2018 Advisor to the Minister, acting Director of the Department for Coordination, Development and Regulation of *Foreign Economic Affairs*, Director of the Corporate Governance Department, Assistant to the Minister of Economic Development of the Russian Federation

2011–2015 Assistant Manager, Head of the *Department for Social and Cultural Organisations and Foreign Property*, Head of *Industrial Organisations and Foreign Property of the Federal Agency for State Property Management*

Positions in other organisations:

- Member of the Board of Directors of *Rosippodromy, Rusnano, Rusnano Management Company, RVC and Sovcomflot*
- Member of the Supervisory Council of *Russian Agricultural Bank*
- Member of the Board of Trustees of the *Skolkovo Foundation* and of the *Charitable Foundation for the Restoration of the Resurrection New Jerusalem Monastery*



Vladimir Chistyukhin
Member of the Strategy and Corporate Governance Committee

Representative of the state



Born in 1973

Ownership of shares in the Bank as of 31 December 2019
% of ordinary shares ► 0 %
% of charter capital ► 0 %

Education:

1995 – Lomonosov Moscow State University, specialisation in legal studies

Professional activities:

Since 2014 Deputy Governor of the *Bank of Russia*

2013–2014 First Deputy Head of the *Financial Markets Service*, the *Bank of Russia*

2011–2013 Director of the *Financial Stability Department*, the *Bank of Russia*

2004–2011 Deputy Director of the Banking Regulation and Supervision Department, the *Bank of Russia*

2002–2004 Deputy Director of the *Department of Foreign Exchange Regulation and Currency Control*, the *Bank of Russia*

Positions in other organisations:

- Member of the Board of Directors of the *Bank of Russia* and of the *Deposit Insurance Agency*



Mukhadin Eskindarov
Tenure at the AGM ended on 5 June 2019

Representative of the state



Born in 1951

Ownership of shares in the Bank as of 31 December 2019
% of ordinary shares ► 0 %
% of charter capital ► 0 %

Education:

Doctor of Economic Sciences, Professor

1976 – Moscow Financial Institute, specialisation in finance and credit

Professional activities:

Since 2006 Rector of the *Financial University under the Government of the Russian Federation*
2002–2006 First Pro-rector of the *Finance Academy under the Government of the Russian Federation*

In accordance with the Regulation on the Bank’s Supervisory Council, 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 the 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.

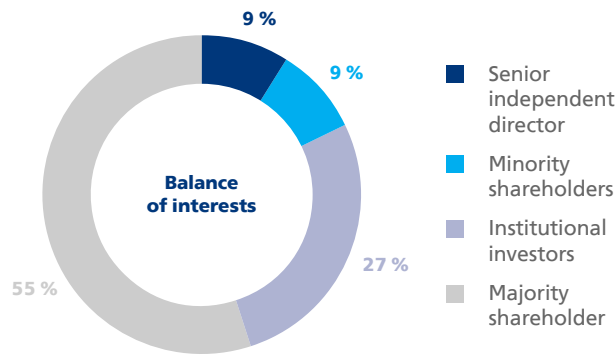
Yves-Thibault de Silguy has been the senior independent director since 28 April 2017. It should be noted that, in October 2019, Mr. de Silguy won a Russian Reputation award in the category of *Best Financial Market Independent Director*.

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.

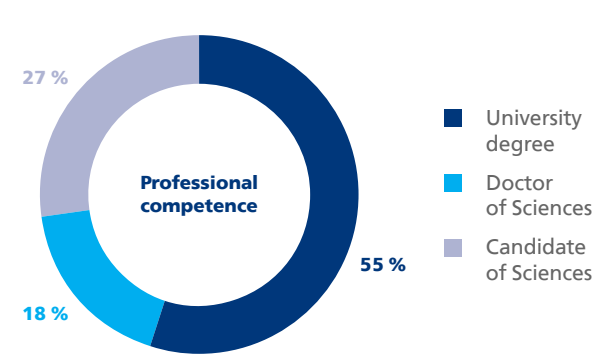
In 2019, no transactions were made involving the acquisition or disposal of the Bank shares by members of the Supervisory Council.

[Information on the activities of the Bank’s Supervisory Council](#) (available in Russian language only).

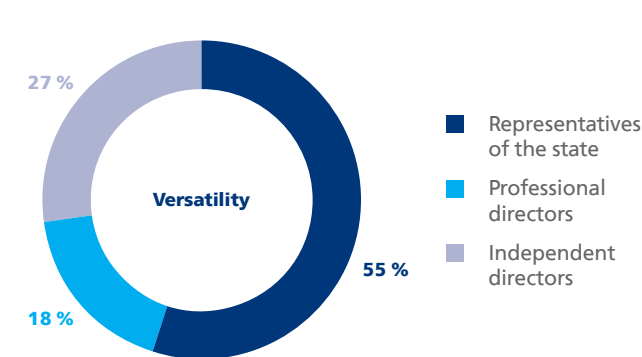
SHAREHOLDER REPRESENTATIVES



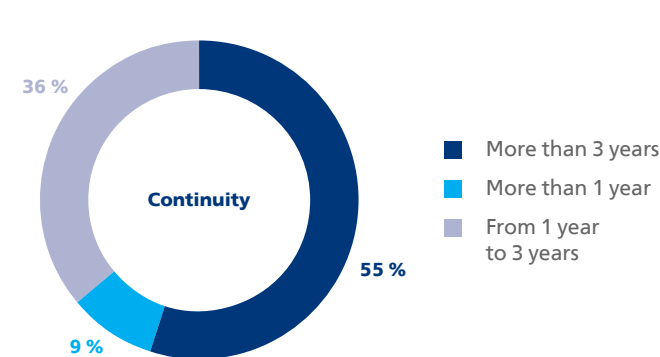
EDUCATION



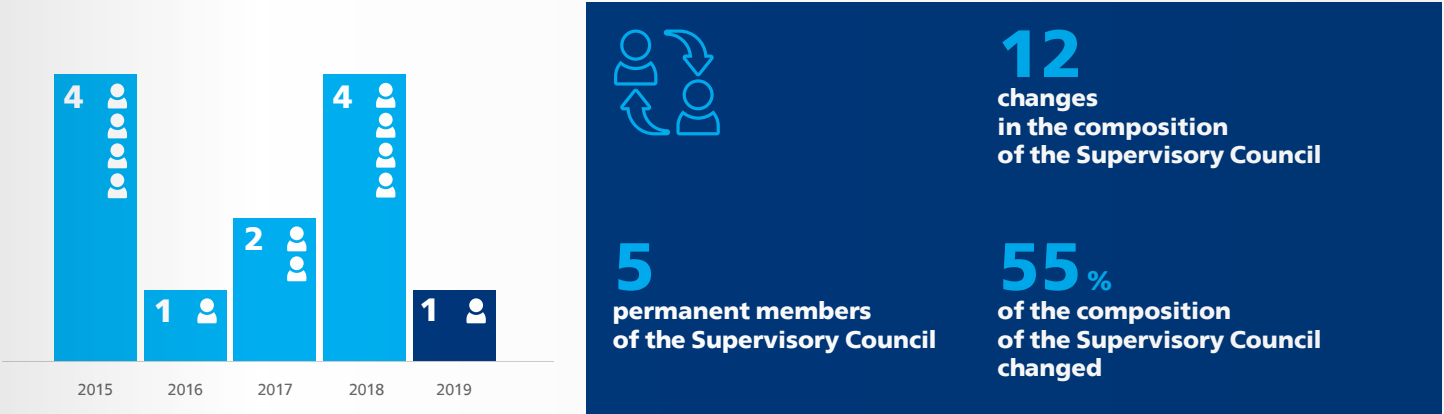
INDEPENDENCE



LENGTH OF SERVICE



CHANGES IN THE COMPOSITION OF THE SUPERVISORY COUNCIL



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 responsibility 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 2019, a contract for directors’ liability insurance was signed for a new term. The feasibility of the extension was approved by VTB Bank’s Operational and Regulatory (Compliance) Risks Committee as well as by VTB Group’s Risk Management Committee.

INTRODUCTION TO MEMBERSHIP OF THE SUPERVISORY COUNCIL

An induction programme for first-time members of the Supervisory Council of VTB Bank was introduced in order to ensure the efficient operation of the Supervisory Council. It will also improve the Bank’s corporate governance practices in accordance with the best international corporate governance principles, including those provided by the Corporate Governance Code approved by the Board of Directors of the *Bank of Russia*, the Regulation on the Staff and Remuneration Committee of the Bank’s Supervisory Council and the Bank’s Corporate Governance Code. The induction programme was created by decision of the Staff and Remuneration Committee of the Bank’s Supervisory Council on 7 October 2016 (minutes No. 48).

As part of the programme in 2019, the Supervisory Council’s newest member, Oksana Tarasenko, met for the first time with members of VTB Bank’s Management Board and with the Corporate Secretary. During these meetings, she was provided with information on the Bank’s Development Strategy for 2019–2022, the corporate governance system and the risk management and internal control system. In addition, she was given an introduction to the Bank’s bylaws and other information necessary for members of the Supervisory Council to perform their duties effectively.

THE INDUCTION PROGRAMME CONSISTS OF THE FOLLOWING ACTIVITIES



REPORT ON THE ACTIVITIES OF THE SUPERVISORY COUNCIL

Meetings of the Supervisory Council are convened at the initiative of its Chairman or at the request of a Council member, the Statutory Audit Commission, the Auditor, the Management Board or the President and Chairman of the Management Board. A quorum is formed by the attendance of half of the elected members.

Decisions are taken by a majority vote of participating members unless otherwise provided in the Charter and the Regulation on the Supervisory Council. For decision-making purposes, each member of the Council has one vote at meetings.

When considering agenda items, the members of the Supervisory Council assess possible conflicts between their interests and the Bank's interests and do not participate in voting on any issue (and, if necessary, do not take part in discussions of the issue) that may, in the opinion of a member of the Supervisory Council, lead to such a conflict of interest.

Meetings of the Supervisory Council are held on a scheduled basis, although, if necessary, they may be held outside of the schedule by means of absentee voting. The format of each Supervisory Council meeting is decided based on the importance of its agenda. The most significant matters are brought before in-person meetings.

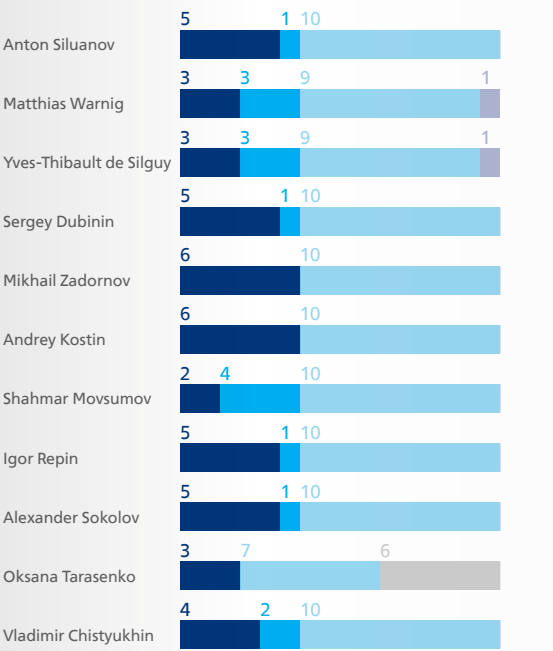
At every Supervisory Council meeting, a report is provided to update members on the implementation of decisions, assignments and programmes approved by the Supervisory Council.

Members are able to review materials for meetings in advance, in addition to the recommendations and conclusions of the Supervisory Council's committees on each agenda point. The Supervisory Council's schedule is compiled for the period between AGMs and is approved by the Council. Meetings are scheduled in advance based on the Bank's business cycle and may be held in person or through absentee voting. Any member unable to attend a meeting can still participate via video conference (including voting on agenda items); they can also submit a written opinion on agenda items.

STATISTICS ON THE MEETINGS OF THE SUPERVISORY COUNCIL

Year	Number of meetings	In-person	By absentee voting	Number of matters considered
2019	16	6	10	142
2018	17	7	10	147
2017	19	7	12	205
2016	21	8	13	240
2015	28	8	20	197

STATISTICS ON THE PARTICIPATION IN MEETINGS/ABSENTEE VOTINGS OF THE MEMBERS OF THE SUPERVISORY COUNCIL



- Attendance at in-person meetings
- Presented written opinion at an in-person meeting
- Participation in absentee voting
- Did not take part in absentee voting on agenda items in which there was a conflict of interest
- Meeting held before Oksana Tarasenko's election to the Supervisory Council

Depending on the results of in-person meetings or absentee ballots, minutes are drawn up reflecting the position of each member of the Supervisory Council based on their vote on the agenda items.

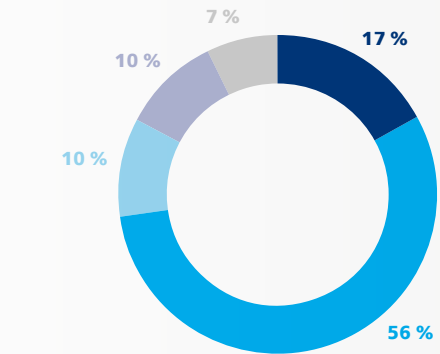
The Supervisory Council actively engaged with the Bank's minority shareholders and also considered the Report on Cooperation with the Bank's Shareholders and a plan of action for working with shareholders in the upcoming calendar year.

Yves-Thibault de Silguy, the Supervisory Council's senior independent director, and Igor Repin, an independent director, took part in meetings with minority shareholders and also in meetings of the Bank's Shareholders Consultative Council.

KEY ISSUES CONSIDERED BY THE SUPERVISORY COUNCIL IN 2019

The Bank's Supervisory Council considered a total of 142 issues in 2019, and the Supervisory Council committees prepared recommendations on 45 of these issues.

ISSUES CONSIDERED BY THE SUPERVISORY COUNCIL



- Priority areas of the Bank's operations
- Corporate governance and procedural issues
- Review of reports and plans
- Risks, internal control
- Staff issues and the incentive system



142 issues considered by the Supervisory Council in 2019

PRIORITY AREAS OF THE BANK’S OPERATIONS:

- Approval of VTB Bank’s business plan and financial plan (budget) for 2019;
- Approval of VTB Bank’s business plan and financial plan (budget) for 2020;
- Approval of VTB Bank’s Development Strategy for 2019–2022;
- Approval of VTB Bank’s Investment Programme for 2019; approval of a programme to improve VTB Bank’s operational efficiency and reduce expenses for 2019;
- Approval of a plan to restore VTB Bank’s financial stability;
- Participation of VTB Bank in Business Finance and VTB Capital Holding, as well as the establishment of VTB UK Holding;
- Approval of an action plan for the sale of Bank’s non-core assets and for (quarterly) registration of the Bank’s non-core assets;
- VTB Bank’s placement of T2-1, T2-2, T2-3 and T2-4 series bonds;
- Restructuring of the Bank’s corporate branch network.

CORPORATE GOVERNANCE AND PROCEDURAL ISSUES:

- Calling and determining the agendas for the AGM and the Extraordinary General Meetings of Shareholders, establishing the record date for eligibility in General Meetings of Shareholders, consideration of issues proposed by Bank shareholders for inclusion on the agenda of AGMs, consideration of candidates proposed by Bank shareholders of the Bank for election to the Supervisory Council and the Statutory Audit Commission, and other issues related to the preparation and holding of the General Meeting of Shareholders;
- Recommendations on the distribution of profits and the amount of dividends on Bank shares;
- Preliminary approval of the Bank’s Annual Report;
- Proposals of candidates for the Bank’s auditor;
- Review of the results of the evaluation of the corporate governance system for 2018;
- Approval of new versions of the Regulations on the Supervisory Council Committees;

- Approval of the Regulation on the Procedure for Carrying out Sponsorship Activities within the Bank, the Regulation on the Procedure for Carrying out Charitable Activities within the Bank and the Regulation on the Bank’s Procurement of Goods, Works and Services.

STAFF ISSUES:

- Election of the Chairman of the Supervisory Council (Anton Siluanov);
- Election of the senior independent director (Yves-Thibault de Silguy);
- Approval of the Supervisory Council to allow the President and Chairman of the Management Board and members of the Management Board to hold management positions in other organisations;
- Election of a Deputy President and Chairman of the Management Board of VTB Bank (Vadim Kulik) and establishing his remuneration and compensation;
- Payment to the President and Chairman of the Management Board and members of the Management Board of VTB Bank of bonuses based on 2018 results and of the share of the deferred bonuses based on 2017 results;
- New version of the Regulation on Remuneration and Key Performance Indicators for the Executive Bodies of VTB Bank and the List of Key Performance Indicators for Evaluating the Activities of Members of the Management Board of VTB Bank were approved.

RISKS AND INTERNAL CONTROL:

- New editions were approved of the Bank’s Risk and Capital Management Strategy and the Procedure for Managing the Most Significant Risks;
- Review of reports on the activities of the Internal Audit Department for 2H 2018 and 1H 2019, and approval of its work plan for 2020;
- Review of a report on the results of the implementation in 2018 of the Rules on Internal Monitoring in Respect of the Prevention of Money Laundering and Terrorist Financing (AML / CTF) and recommended measures to improve the AML / CTF system;
- Quarterly reports by inspectors of the Bank’s professional activities in the securities market were reviewed;

- Review of quarterly reports on significant risks and on VTB Bank’s capital adequacy, as well as on the results of stress testing at VTB Bank; approved/amended key parameters of quantitative indicators of the risk appetite of VTB Bank and of VTB Group.

REVIEW OF REPORTS AND PLANS:

- Reports on the activities of the Supervisory Council’s committees;
- Report on the Bank’s sponsorship and charitable activities for 2018; the plan for VTB Bank’s expenses for sponsorship and charitable activities in 2020;
- Report on the work of the Bank’s Corporate Secretary in 2018;
- Report on interaction between VTB Bank and its shareholders in 2018 and plans to work with shareholders in 2019;
- Report on the financial results and performance of VTB Group companies (quarterly);
- Progress report on the implementation of the Bank’s Programme for the Divestment of Non-core Assets (quarterly).

INFORMATION TECHNOLOGY IN THE WORK OF THE SUPERVISORY COUNCIL

Since 2018, members of the Supervisory Council have been able to use a mobile electronic office that gives them access to materials from current and past meetings of the Supervisory Council and its committees, as well as information about decisions adopted, participants and other information required for the members of the Bank’s Supervisory Council to perform their duties effectively, including financial statements, press reviews, Bank bylaws, etc.

In 2019, the Bank continued to streamline the activities of the Supervisory Council and to update the information and communication system by introducing new, expanded functionality to make it even easier and more convenient for members of the Supervisory Council to use the system.

EVALUATION OF THE WORK OF THE SUPERVISORY COUNCIL

According to the recognised best Russian and foreign practices of corporate governance, since 2012, VTB Bank has conducted an annual assessment of its corporate governance system. The assessment also includes a self-evaluation of the activities of the Supervisory Council based on a questionnaire completed by the members of the Council on the ground of the methodology of the Bank’s corporate governance system assessment approved by the Supervisory Council’s Strategy and Corporate Governance Committee.

In accordance with the methodology the Bank’s corporate governance system is assessed with respect to nine components:

- The division of powers between management bodies;
- Organisation of the activities of the Supervisory Council;
- Approval of the Bank’s Development Strategy and oversight over its implementation;
- Coordination of risk management;
- Prevention of conflicts of interest on the part of shareholders, members of the Supervisory Council, the Bank’s executive bodies and its employees;
- Relations with affiliated parties;
- Determination of rules and procedures ensuring compliance with the principles of professional ethics;
- Coordination of the disclosure of information about the Bank;
- Monitoring the internal control system.

Based on the results of the corporate governance assessment conducted in 2019, the members of the Supervisory Council give it a high rating. The average score of the corporate governance assessment hasn’t been changed in comparison with 2018 and was 3.91 points (97.8 % of the maximum value). Four components received the maximum score of 4 points: relations with affiliated parties; monitoring the internal control system; coordination of risk management; and prevention of conflicts of interest among shareholders, members of the Supervisory Council, the Bank’s executive bodies and its employees. At the same time, the other assessed components of the Bank’s corporate governance were also highly rated, receiving 3.7–3.9 points.

Based on the results of the assessment, the Bank prepared a report on the results of its assessment of the corporate governance system, including, among other things, the Bank’s planned measures to improve its corporate governance system. The report was provisionally reviewed by the Supervisory Council’s Strategy and Corporate Governance Committee, after which it was taken under advisement by the Supervisory Council.

COMPENSATION PAID TO MEMBERS OF THE SUPERVISORY COUNCIL

The amount of remuneration and compensation paid to the members of the Supervisory Council and the procedure for determining the amount thereof is defined in accordance with the Regulation on Remuneration and Compensation Paid to the Members of the Supervisory Council of VTB Bank, approved pursuant to the recommendation of the Supervisory Council’s Staff and Remuneration Committee at the Bank’s AGM (minutes No. 47 of 24 June 2016) and posted in the *Charter and bylaws* section on the Bank’s website.

THE AMOUNT OF REMUNERATION PAID TO MEMBERS OF THE BANK’S SUPERVISORY COUNCIL FOR THE CORPORATE YEAR HAS NOT CHANGED SINCE 2012 AND AMOUNTS TO¹:

	% of base payment	RUB
BASE PAYMENT		
Remuneration for performing the duties of a member of the Supervisory Council	100	4,600,000
BONUSES FOR ADDITIONAL DUTIES		
For chairmanship of the Supervisory Council	30	1,380,000
For chairmanship of a Supervisory Council committee	20	920,000
For membership in a Supervisory Council committee	10	460,000

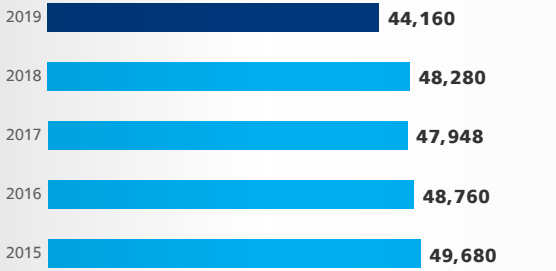
In accordance with a resolution of the General Meeting of Shareholders, the members of VTB Bank’s Supervisory Council may receive remuneration and compensation for expenses incurred in the course of their duties during their term in office depending on their actual involvement in the work of the Supervisory Council and Supervisory Council committees.

In case of early termination, as well as the re-election of members of the Supervisory Council at an Extraordinary General Meeting of Shareholders, the remuneration of a newly elected or former member of the Supervisory Council is determined proportionate to the time spent as a member of the Supervisory Council, as Chairman of the Supervisory Council, as a member of a Supervisory Council committee or as the Chairman of a Supervisory Council committee during the corporate year.

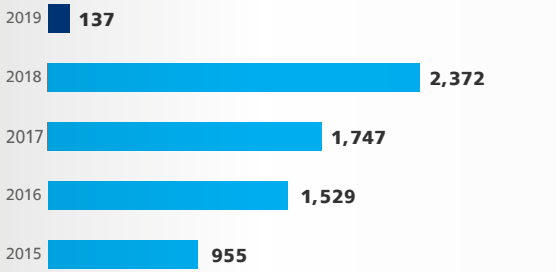
[Information on the activities of the Bank’s Supervisory Council](#) (available in Russian language only).

¹ Payment conditions: attendance in person or participation via video conferencing in at least half of the meetings held, as well as participation in at least half of absentee votes held by the Bank’s Supervisory Council or a Supervisory Council committee.

REMUNERATION PAID TO MEMBERS OF THE SUPERVISORY COUNCIL, RUB thousand



COMPENSATION OF EXPENSES FOR MEMBERS OF THE SUPERVISORY COUNCIL, RUB thousand



The decision on the payment of remuneration to members of the Supervisory Council based on 2018 results was taken at VTB Bank’s Annual General Meeting of Shareholders on 5 June 2019.

The decision on the payment of remuneration to the members of the Supervisory Council based on 2019 results will be made at VTB Bank’s Annual General Meeting of Shareholders in 2020.

In accordance with applicable Russian legislation, members of the Supervisory Council who are state employees do not receive any remuneration.

Remuneration is paid by the Bank through bank transfers; no other forms of remuneration are stipulated.

Supervisory Council members who are not state employees are compensated for expenses they incur while carrying out their duties, including accommodation, food, travel expenses (including VIP lounge services), other duties and fees for air and rail transport.

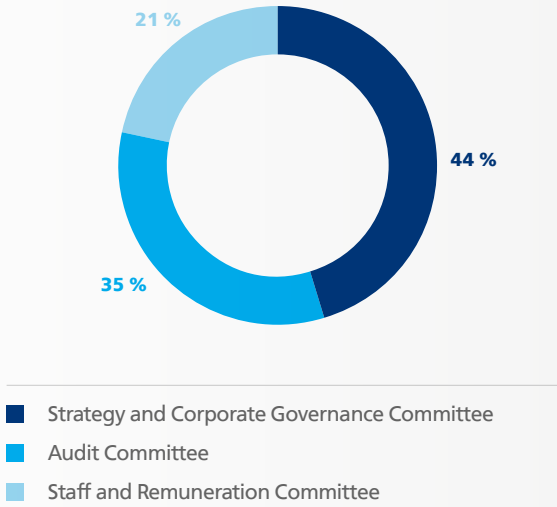
COMMITTEES OF THE SUPERVISORY COUNCIL

The Supervisory Council has standing committees that support the effective implementation of the Council’s managerial and supervisory functions and that provide preliminary detailed analysis and recommendations regarding the issues that the Council deems most important.

At the end of 2019, the Supervisory Council had the following committees:

- Strategy and Corporate Governance Committee;
- Audit Committee;
- Staff and Remuneration Committee.

ISSUES CONSIDERED BY THE SUPERVISORY COUNCIL COMMITTEES



[Regulation on Remuneration and Compensation Paid to the Members of the Supervisory Council](#) (available in Russian language only).



80 issues were considered by the Supervisory Council committees in 2019

STRATEGY AND CORPORATE GOVERNANCE COMMITTEE



Andrey Kostin
Committee Chairman

“In 2019, the Strategy and Corporate Governance Committee submitted recommendations to the Supervisory Council on key issues of strategic and business planning, including the Committee’s recommendation that the Bank’s Development Strategy for 2019–2022 to be approved. The Committee paid special attention to digital technologies introduced into the Bank’s operations.”

STRATEGY AND CORPORATE GOVERNANCE COMMITTEE MEMBERS



Matthias Warnig



Alexander Sokolov



Sergey Dubinin



Oksana Tarasenko



Igor Repin
(independent director)



Vladimir Chistyukhin

MAIN TASKS:

- Determining the Bank’s strategic goals and development priorities for the short, medium and long term, and monitoring of the achievement thereof;
- Supporting and improving the Bank’s corporate governance system;
- Improving the strategic management of the Bank’s capital.

KEY AREAS OF WORK IN 2019

Strategic objectives and priorities:

- New versions of VTB’s business and financial plans (budget) for 2019;
- VTB Bank’s business and financial plans (budget) for 2020;
- VTB Bank’s Development Strategy for 2019–2022;
- VTB’s Bank Long-Term Development Programme for 2019–2023;
- Report on the implementation of VTB Bank’s Long-Term Development Programme for 2014–2019 based on the results of 2018;
- Report on the implementation of the IT strategy for 2017–2019;
- VTB Bank’s Operational Efficiency and Cost Reduction Programme for 2019;
- VTB Bank’s Investment Programme for 2019;
- Establishment of VTB UK Holding;
- VTB Bank’s financial stability recovery plan;
- Termination of the Bank’s participation in Banco VTB África, S.A.;
- Termination of VTB Bank’s participation in Ryabinovaya.

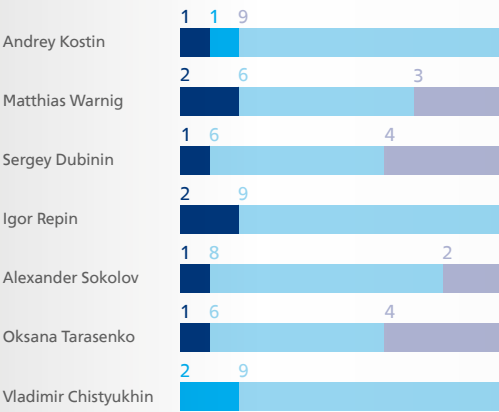
Capital management:

- Distribution of profits for 2018 and determination of the amount of dividends to be paid out;
- VTB Bank’s risk and capital management strategy;
- Increasing/decreasing the capital of subsidiaries.

Corporate governance:

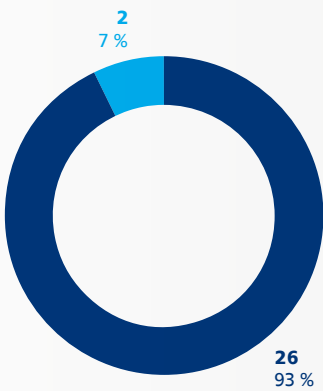
- Results of the assessment of VTB Bank’s corporate governance system;
- The Bank’s accession to the Association of Big Data Market Participants;
- Procedures for managing VTB Bank’s most significant risks.

STATISTICS ON THE PARTICIPATION IN MEETINGS/ABSENTEE VOTING OF THE MEMBERS OF THE STRATEGY AND CORPORATE GOVERNANCE COMMITTEE



- Attendance at in-person meetings
- Presented written opinion at an in-person meeting
- Participation in absentee voting
- Did not attend meetings: was not a member of the committee / there was a conflict of interest

ISSUES CONSIDERED BY THE STRATEGY AND CORPORATE GOVERNANCE COMMITTEE



- Recommendations submitted to the Supervisory Council
- Issues within the exclusive remit of the committee



28 issues were considered by the Strategy and Corporate Governance Committee in 2019

AUDIT COMMITTEE



Yves-Thibault de Silguy
(Senior independent director)
Committee Chairman

“The work of the Audit Committee throughout 2019 helped the Supervisory Council conduct regular in-depth reviews of VTB Bank’s financial statements and its performance. Thanks to the transparent actions of the Bank and its compliance with the strictest international reporting standards, shareholders and regulators were presented with a very reliable and objective picture of the Bank’s financial situation.”

AUDIT COMMITTEE MEMBERS



Shahmar Movsumov
(Independent director)



Igor Repin
(Independent director)

MAIN TASKS:

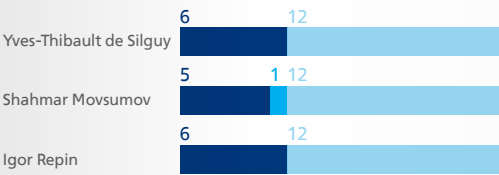
- Ensuring the completeness, accuracy and reliability of the Bank’s financial statements;
- Ensuring the reliability and performance of the risk management and internal control system;
- Ensuring the independence and objectivity of the internal and external audit functions.

KEY AREAS OF WORK IN 2019:

- Discussion of strategic issues related to the Bank and the Group’s development and risk management, including qualitative changes in the corporate and retail loan portfolios and the results of compliance risk management;
- Dialogue with the Bank’s management concerning corporate and social responsibility within VTB Group;
- Discussion of plans on the integration of the banking business of new members of VTB Group;
- Analysis of VTB’s share price;
- Analysis of initiatives implemented by VTB aimed at maintaining the effectiveness of the internal control system in combating money laundering and the financing of terrorism;
- Oversight of the annual open tender for the selection of an external auditor, including the recommendation of candidates to the Supervisory Council;
- Coordinating with the external auditor, assessment of the external auditor’s report and recommendations provided as part of the audit process and of the review of the Bank and Group’s interim and annual RAS and IFRS financial statements;

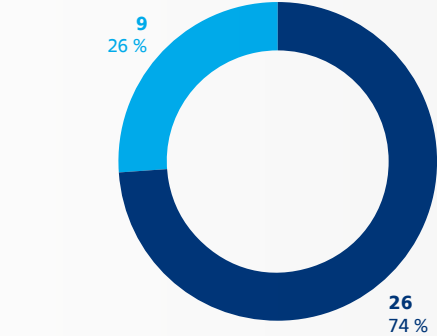
- Regular review of the consolidated financial statements of VTB Bank in compliance with IFRS and quarterly monitoring of the financial results of VTB Group;
- Preliminary review of matters related to the Bank’s Internal Audit Department: analysis of the schedule for internal auditing, discussion of reports of the Internal Audit Department on significant violations and shortcomings discovered at VTB Bank and its subsidiaries, recommendations by internal audit and external supervisory bodies to further improve the procedures involved in internal and external auditing;
- Discussion of issues related to the development of internal auditing, including consideration of the results of an external assessment of the activities of the Internal Audit Department by PwC, which confirmed that VTB’s internal auditing was in compliance with all auditing standards; the assessment also confirmed that the function had reached a high level of maturity;
- Review of other matters related to the Bank’s activities, including pursuant to particular assignments from the Supervisory Council.

STATISTICS ON THE PARTICIPATION IN MEETINGS/ABSENTEE VOTING OF THE MEMBERS OF THE AUDIT COMMITTEE



- Attendance at in-person meetings
- Presented written opinion at an in-person meeting
- Participation in absentee voting

ISSUES CONSIDERED BY THE AUDIT COMMITTEE



- Recommendations submitted to the Supervisory Council
- Issues within the exclusive remit of the committee



35
issues
were considered
by the Audit
Committee
in 2019

STAFF AND REMUNERATION COMMITTEE



Sergey Dubinin
Committee Chairman

“With the direct participation of the Staff and Remuneration Committee, the Bank approved new versions of its Regulations on Remuneration and Compensation of Executive Bodies that guarantee that executive bonuses are directly tied to the performance of executive duties. In addition, a decision was made to have an independent consultant conduct an assessment of the performance of the Supervisory Council, and the corresponding criteria were approved.”

STAFF AND REMUNERATION COMMITTEE MEMBERS



Shahmar Movsumov
(Independent director)



Igor Repin
(Independent director)

MAIN TASKS:

- Ensuring continuity in the activities of the Bank’s executive bodies and the Statutory Audit Commission;
- Arranging a performance assessment of the Bank’s executive bodies and the Statutory Audit Commission;
- Review of the Bank’s HR policy, including in terms of remuneration and oversight of its implementation;
- Assistance in ensuring compliance with the legal requirements governing the activities of members of the Bank’s executive bodies and the Statutory Audit Commission.

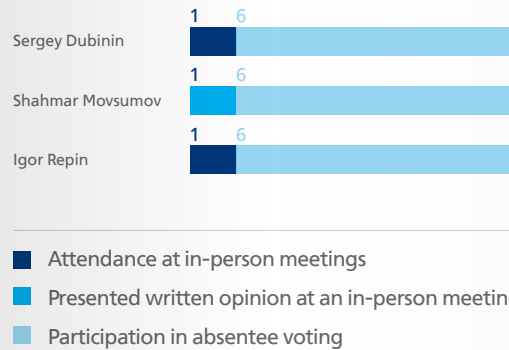
KEY AREAS OF WORK IN 2019:

- Formation of the Supervisory Council and the Statutory Audit Commission;
- Consideration of the status of independent members of the Supervisory Council;
- Determination of the amount of remuneration for work on the Supervisory Council and the Statutory Audit Commission;
- Determination of the members of VTB Bank’s Management Board and remuneration for their work;
- Approval of new version of the Regulation on Remuneration and Compensation of the Executive Bodies of VTB Bank and key performance indicators for their work;

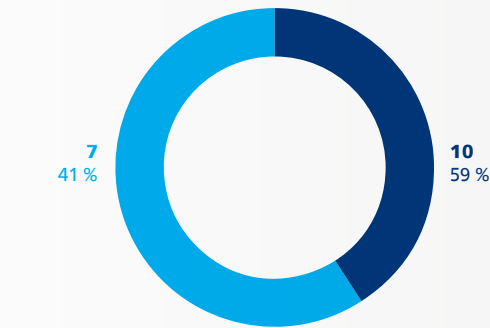
- Conducting an external assessment of the work of the Bank’s Supervisory Council;
- Assessment of the compliance of the members of VTB Bank’s Supervisory Council with the independence criteria for members

- of an issuer’s Board of Directors (Supervisory Council) as provided for by the *Moscow Exchange Listing Rules*;
- Other issues within the remit of the committee.

STATISTICS ON THE PARTICIPATION IN MEETINGS/ABSENTEE VOTING OF THE MEMBERS OF THE STAFF AND REMUNERATION COMMITTEE



ISSUES CONSIDERED BY THE STAFF AND REMUNERATION COMMITTEE



- Recommendations submitted to the Supervisory Council
- Issues within the exclusive remit of the committee



17
issues
were considered
by the Staff
and Remuneration
Committee
in 2019

CORPORATE SECRETARY

VTB Bank established the position of Corporate Secretary in 2011 while introducing measures to improve its corporate governance system.

The Corporate Secretary is a Bank official who oversees compliance on the part of the Bank’s management and employees with applicable legislation, the Charter and bylaws guaranteeing shareholders’ interests and their ability to exercise their legal rights. The Corporate Secretary also provides a liaison between the Bank and its shareholders, promotes the development of corporate governance practices and supports the smooth operation of the Bank’s Supervisory Council. Functionally, the Corporate Secretary is elected by, and reports to, the Supervisory Council and, administratively, to the President and Chairman of the Bank’s Management Board. The Corporate Secretary is subordinate to the Supervisory Council and is appointed and dismissed by decision of the Supervisory Council. The report on the work of the Corporate Secretary is reviewed and approved on an annual basis by the Bank’s Supervisory Council. The report on work for 2018 was approved by the Supervisory Council on 6 March 2019.

The administration of the Supervisory Council operates under the guidance of the Corporate Secretary. The Corporate Secretary is secretary to the Supervisory Council and also serves as secretary for the General Meeting of Shareholders.

The Staff and Remuneration Committee reviews candidates for the position and provides recommendations to the Supervisory Council.

The Corporate Secretary acts on the basis of the Regulation on the Corporate Secretary of VTB Bank, approved by the Bank’s Supervisory Council (minutes No. 22 of 7 September 2015), which takes into account the requirements of the Listing Rules of *Moscow Exchange*, the recommendation of the Corporate Governance Code approved by the Board of Directors of the *Bank of Russia* and the guidelines of the Federal Agency for State Property Management.

 [Regulation on the Bank’s Corporate Secretary](#)
(available in Russian language only).



Yevgeny Ignatiev
Chief of Staff
of the Supervisory Council
and Corporate Secretary

“As part of ongoing work in accordance with the road map for implementing the provisions of the Corporate Governance Code, an external independent evaluation of the activities of the Supervisory Council was carried out last year. VTB Bank’s commitment to high standards of corporate governance as well as the work of the Supervisory Council and the conduct of its activities were highly rated by external experts.”

Born in 1981

Education:

1999 – *St. Petersburg Social Services School*, specialisation in jurisprudence, qualification to practise as a lawyer
2002 – *St. Petersburg State University of Maritime and Inland Shipping*, specialisation in jurisprudence, qualification to practise as a lawyer
2017 – *British Institute of Directors*, international certificate as a Certified Director and the title of Cert IoD

Professional activities:

Since June 2013 Chief of Staff of VTB Bank’s Supervisory Council and Corporate Secretary
2011–2013 Corporate Secretary of VTB Bank
2010–2011 Director of the Shareholder Relations Service at VTB Bank
2008–2010 Senior Manager of the Debt Origination and Investor Relations Department at VTB Bank

2004–2008 Chief Consultant, Deputy Director (acting director) of the Corporate Governance Department at VTB Bank North-West (former Industrial Construction Bank)
2003–2004 Lawyer, *Investtorg*
2002–2003 Assistant Lawyer, *Exchange Complex*

Positions in other organisations:

- Member of the Expert Council of the *National Association of Corporate Secretaries*
- Member of the *Moscow Exchange* Committee of Issuers

Achievements:

Winner of the Corporate Governance Director – Corporate Secretary category at the Director of the Year awards held by the *Independent Directors Association* and the *Russian Union of Industrialists and Entrepreneurs*

MANAGEMENT BOARD



Andrey Kostin
President and Chairman of the Management Board



Andrey Puchkov
First Deputy President and Chairman of the Management Board



Yuri Soloviev
First Deputy President and Chairman of the Management Board



Denis Bortnikov
Deputy President and Chairman of the Management Board



Olga Dergunova
Deputy President and Chairman of the Management Board



Vadim Kulik
Deputy President and Chairman of the Management Board



Valery Lukyanenko
Deputy President and Chairman of the Management Board



Anatoly Pechatnikov
Deputy President and Chairman of the Management Board



Maxim Kondratenko
Member of the Management Board



Erkin Norov
Member of the Management Board



Dmitry Pianov
Member of the Management Board

MEMBERS OF THE MANAGEMENT BOARD

In 2019, Vadim Kulik (29 October 2019) joined the Management Board¹ of VTB Bank as Deputy President and Chairman of the Board, and Oleg Smirnov (18 January 2019) joined as a member of the Management Board.

Dmitry Olyunin (31 January 2020), Oleg Smirnov (13 January 2020) and Valery Chulkov (17 January 2020) left the Board.



Andrey Kostin
Term of office in accordance with employment contract: 10 June 2017 to 9 June 2022

President and Chairman of the Management Board

Born in 1956

Professional activities:

Since 2002 President and Chairman of the VTB Bank Management Board

For a detailed biography, see [the Corporate Governance / Supervisory Council section](#).



Andrey Puchkov
Term of office in accordance with employment contract: 10 June 2017 to 9 June 2022

First Deputy President and Chairman of the Management Board
Oversees the legal and administrative areas, as well as work with non-core and bad assets

Born in 1977

Ownership of shares in the Bank as of 31 December 2019
% of ordinary shares ▶ 0.0003 %
% of charter capital ▶ 0.00006 %

Education:

1998 – *Lomonosov Moscow State University*, law degree with a specialisation in jurisprudence

Professional activities:

Joined VTB Bank in 2002
Since February 2018, First Deputy President and Chairman of the Management Board
Before February 2018, held the following positions in the Bank's legal department: Deputy Head of Department, Head of Department, Vice President (Head of Department),

Senior Vice President (Head of Department), Senior Vice President, member of the Management Board, Deputy President and Chairman of the Management Board
1999–2002 Member of the *Moscow City Bar Association*

Positions in other organisations:

- Chairman of the Board of Directors of VTB Debt Centre
- Chairman of the Board of Directors of *Hals-Development*
- Chairman of the Board of Directors of *BM Bank*
- Chairman of the Board of Directors of *Dynamo Management Company*

¹ The biographies of the members of the Management Board are as of 31 December 2019; their powers and functions are as of 29 February 2020.



Yuri Soloviev
Term of office in accordance with employment contract:
10 June 2017 to 9 June 2022
First Deputy President and Chairman of the Management Board
Oversees the *Corporate-Investment Business* global business line
Born in 1970

Ownership of shares in the Bank as of 31 December 2019
% of ordinary shares ► 0.01819 %
% of charter capital ► 0.00362 %

Education:

1994 – *Plekhanov Russian University of Economics*, degree in economics with a specialisation in international economic relations
2002 – *London Business School*, Master of Business Administration (MBA)

Professional activities:

Joined VTB Bank in **2008**
Since May 2011, First Deputy President and Chairman of the Management Board.
Prior to May 2011, held the following positions: Senior Vice President, President of VTB Capital

2006–2008 Head of Investment Banking, First Deputy Chairman of the Management Board, *Deutsche Bank*
2002–2006 Director, Head of Eastern European Operations at *Deutsche Bank*, London

Positions in other organisations:

- Chairman of the Board of Directors of VTB Capital, VTB Capital Holding, VTB Capital IB Holding, VTB Leasing, *T2 RTK Holding*
- Member of the Board of Directors of VTB Capital Investment Management Holding AG, VTB Capital Private Equity Holding AG, *Sogaz*, *United Grain Company*, *Dynamo Moscow Football Club*



Denis Bortnikov
Term of office in accordance with employment contract:
10 June 2017 to 9 June 2022
Deputy President and Chairman of the Management Board
Oversees the Small and Medium Business global business line
Born in 1974

Ownership of shares in the Bank as of 31 December 2019
% of ordinary shares ► 0 %
% of charter capital ► 0 %

Education:

1996 – *St. Petersburg State University of Economics and Finance*, degree in economics with a specialisation in national economy

Professional activities:

Joined VTB Bank in **2006**
Since November 2011, Member of the Management Board
Before November 2011, Head of *North-Western Regional Centre*; Senior Vice President, Chairman of the Management Board, First Deputy Chairman of the Management Board, Deputy Chairman of the Management Board of VTB Bank North-West; Deputy Head of *Vneshtorgbank's* St. Petersburg branch
2004–2006 Advisor to the General Manager and Deputy General Manager of *Guta-Bank*, North-West branch
1996–2004 Consultant with the Liquidity Management Department, Consultant with the Transfer Operations Department, Consultant with the Department of Financial Instruments, Senior Consultant with the Brokerage

Department, Chief Acquiring and Authorisation Expert, Head of the Acquiring and Authorisation Department at *Industry and Construction Bank*

Positions in other organisations:

- Chairman of the Board of Directors of VTB Capital, VTB Capital Holding, VTB Capital IB Holding, VTB Leasing, *T2 RTK Holding*
- Chairman of the Board of Directors of VTB Bank (Belarus), VTB Bank (Kazakhstan), *West Siberian Commercial Bank*
- Member of the Board of Directors of VTB Capital Holding and of *Vozrozhdenie Bank*
- Chairman of the Supervisory Council of VTB Bank (Azerbaijan)
- Member of the Board of the *Leningrad Regional Chamber of Commerce and Industry*
- Member of the Board of Trustees of the *Federal State Budget Institution of Higher Professional Education St. Petersburg State University of Economics*



Olga Dergunova
Term of office in accordance with employment contract:
10 June 2017 to 9 June 2022
Deputy President and Chairman of the Management Board
Born in 1965

Ownership of shares in the Bank as of 31 December 2019
% of ordinary shares ► 0.00000147 %
% of charter capital ► 0.00000029 %

Education:

1987 – *Plekhanov Russian University of Economics*, degree in economics and mathematics with a specialisation in economic cybernetics
2014 – *Russian Presidential Academy of National Economy and Public Administration*, Information Technologies in Public Administration programme

Professional activities:

Joined VTB Bank in **2016**
Since July 2016, Deputy President and Chairman of the Board
2007–2012, Member of the Management Board
2012–2016 Deputy Minister of Economic Development of the Russian Federation and Head of the *Federal Agency for State Property Management*

2007–2012 Member of the Management Board of VTB Bank
1994–2007 General Director of *Microsoft Rus*, President of *Microsoft Russia and CIS countries*

Positions in other organisations:

- Director of the *Higher School of Management at St. Petersburg State University*
- Member of the Board of Trustees of the *Higher School of Management at St. Petersburg State University*, the *Russian Academy of Education*, the *International Banking Institute* and the *Target Capital Fund of the National Research University Higher School of Economics*
- Member of the Management Board of the *Forum Analytical Centre non-profit foundation*
- Member of the Board of Directors of *IBS IT Services*



Vadim Kulik
Term of office in accordance with employment contract:
29 October 2019 to 9 June 2022
Deputy President and Chairman of the Management Board
Oversees risk management, operational business support, data analysis and modelling, technological development and IT
Born in 1972

Ownership of shares in the Bank as of 31 December 2019
% of ordinary shares ► 0 %
% of charter capital ► 0 %

Education:

1995 – *Mendeleev Russian University of Chemical Technology*, degree in chemical engineering technology with a specialisation in chemical technology for advanced energy materials

Professional activities:

Joined VTB Bank in **2019**
Since October 2019, Deputy President and Chairman of the Management Board
September – October 2019 Advisor to the President and Chairman of the Management Board
2017–2019 Deputy Chairman of the Management Board of *Gazprombank*

2017 Member of the Management Board, First Deputy Chairman of the Management Board of *Otkritie Holding*
2012–2017 Member of the Management Board, Deputy Chairman of the Management Board of *Sberbank of Russia*

Positions in other organisations:

- Director of the Centre for Digital Competencies of the *Russian Academy of National Economy and Public Administration under the President of the Russian Federation*
- Member of the Board of Directors of the *National Clearing Centre*
- Member of the Supervisory Council of the *Russian National Reinsurance Company*



Valery Lukyanenko
Term of office in accordance with employment contract:
10 June 2017 to 9 June 2022
Deputy President and Chairman of the Management Board
Oversees work with clients from backbone industries

Born in 1955

**Ownership of shares
in the Bank** as of 31 December 2019
% of ordinary shares ► 0.00046 %
% of charter capital ► 0.00009 %

Education:

1982 – Novosibirsk Agricultural Institute, degree in agronomy
2005 – Russian Academy of Public Administration under the President of the Russian Federation, degree in management with a specialisation in state and municipal administration

Professional activities:

Joined VTB Bank in **2002**
Since August 2016, Deputy President and Chairman of the Management Board
Since December 2008, Member of the Management Board

Before 2008, Head of the First Corporate Business Division and Senior Vice President, Senior Vice President and Head of Mid-Size Business in the First Corporate Business Division, Senior Vice President of the First Corporate Business Division, Vice President and Head of Large Corporate Business in the Fourth Corporate Business Division, Vice President; Counsellor to the President and Chairman of the Management Board
2001–2002 Chairman of the Council of Experts in Project Financing and Forecasting at *Lanta-Bank*
1994–2002 Head of the State Programmes Division, Head of the Foreign Economic Relations Division in the Administrative Directorate of the President of the Russian Federation



Anatoly Pechatnikov
Term of office in accordance with employment contract:
14 July 2017 to 9 June 2022.
Deputy President and Chairman of the Management Board
Oversees the *Retail Business* global business line

Born in 1969

**Ownership of shares
in the Bank** as of 31 December 2019
% of ordinary shares ► 0.00001135 %
% of charter capital ► 0.0000026 %

Education:

1992 – Moscow Engineering Physics Institute, degree in engineering physics with a specialisation in automation and electronics of physical installations

Professional activities:

Joined VTB Group in **2003**
Since July 2017, Deputy President and Chairman of the Management Board of VTB Bank
2010–2017, Deputy President and Chairman of the Management Board of VTB24
2006–2010, Senior Vice President, Director of the Mortgage Lending Department at VTB24

2003–2006, Head of the Mortgage and Consumer Lending Department at *Vneshtorgbank*.
2001–2003 Head of the Credit Department, Deputy Chairman of the Management Board of *DeltaCredit Bank*

Positions in other organisations:

- Chairman of the Board of Directors of VTB Pension Fund and of *Sarovbusinessbank*
- Deputy Chairman of the Board of Directors of *Vozrozhdenie Bank* and of *West Siberian Commercial Bank*
- Member of the Supervisory Council of Post Bank
- Member of the Strategic Planning Committee of the Supervisory Council of *DOM.RF*



Maxim Kondratenko
Term of office in accordance with employment contract:
10 June 2017 to 9 June 2022
Member of the Management Board
Oversees risk management units

Born in 1973

**Ownership of shares
in the Bank** as of 31 December 2019
% of ordinary shares ► 0 %
% of charter capital ► 0 %

Education:

1996 – Lomonosov Moscow State University, degree in philosophy, with a qualification to teach philosophy
1999 – Russian Foreign Trade Academy of the Ministry of Trade of the Russian Federation, degree in economics (with a foreign language), with a specialisation: global economy
2007 – London Business School to the University of London Degree, Master of Business Administration (MBA)

Information about academic degrees:

Candidate of Economic Sciences (Decision No. 1 of the dissertation council of the *IMEMO Institute of the Russian Academy of Sciences* of 9 February 2000)

Professional activities:

Joined VTB Bank in **2013**
Since November 2015, Member of the Management Board
Before November 2015, Head of the Risk Department and Senior Vice President
2009–2013 First Vice President, Director of the Strategic Risk Department, Director of the Restructuring and Bad Loan Department, *UniCredit Bank*
2008–2009 Member of the Management Board, *Russian Standard Bank*
1999–2008 Executive Director of the Retail Sales and Private Banking Services Department, Head of the Department for Legal Entities, UniCredit Bank (until 26 December 2007, *International Moscow Bank*; until 28 September 2001, *Bank Austria CreditAnstalt* (Russia))

Positions in other organisations:

- Member of the Supervisory Council of VTB Bank (Georgia)
- Member of the Board of Directors of BM Bank and of *Vozrozhdenie Bank*
- Member of the Board of VTB Bank (Armenia)



Erkin Norov
Term of office in accordance with employment contract:
10 June 2017 to 9 June 2022
Member of the Management Board
Oversees issues related to internal control and audit

Born in 1954

**Ownership of shares
in the Bank** as of 31 December 2019
% of ordinary shares ► 0 %
% of charter capital ► 0 %

Education:

1976 – Lomonosov Moscow State University, degree in economics and mathematics with a specialisation in economic cybernetics
2001 – Academy of National Economy under the Government of the Russian Federation, degree in economics with a specialisation in finance and credit
2001 – Academy of National Economy under the Government of the Russian Federation, Executive Master of Business Administration (EMBA) with a specialisation in banking management

Information about academic degrees:

Candidate of Economic Sciences (decision of the council at the *Central Economics and Mathematics Institute of the Academy of Sciences of the Soviet Union* of 7 February 1983, minutes No. 1)

Professional activities:

Joined VTB Bank in **2002**
Member of Management Board **from 2002 to 2007 and since September 2009**
2007–2009 Senior Vice President, member of the Management Board of *Nomos-Bank*
2002–2007 Vice President, Senior Vice President, member of the Management Board of *Vneshtorgbank*
1999–2002 Development Director, Development and Strategic Planning Director, *USSR Bank for Foreign Economic Activities*
1999 Head of the Department for Calculation of the Tax Base and Tax Revenue Planning of the *Russian Ministry of Taxes and Duties*

Positions in other organisations:

Member of the Board of Directors of *BM Bank*



Dmitry Pianov
Term of office in accordance with employment contract: 26 November 2018 to 9 June 2022

Member of the Management Board

Oversees the finance function (Finance Department and Accounting and Reporting Department)

Born in 1977

Ownership of shares in the Bank as of 31 December 2019

% of ordinary shares ► 0 %

% of charter capital ► 0 %

Education:

2000 – Omsk State University, degree in economics with a specialisation in economic theory

2000 – Technical University of Munich, MBA

Professional activities:

Joined VTB Bank in **2010**

Since November 2018, Member of the Management Board

Prior to November 2018, Deputy Head of the Finance Department; Senior Vice President, Head of the Financial Department; Senior Vice President

2004–2010 Head of the Chief Executive Directorate of Economics and Finance, Head of the Department of Economics and Finance of the Chief Executive Directorate for Financial Management, Head of the Controlling and Information Security Division of the Internal Control Service, Head of Directorate of Controlling and Information Security Division of the Internal Control Service of *Uralsib*

Positions in other organisations:

- Member of the Board of Directors of *BM Bank*
- Member of the Supervisory Council of Post Bank and of VTB Bank (Europe)
- Member of the Board of VTB Bank (Armenia)
- Member of the Board of Directors of the *Dynamo-Moscow Football Club*



Dmitry Olyunin
Left the Management Board on 31 January 2020

First Deputy President and Chairman of the Management Board

Oversaw the finance function (Finance Department and Accounting and Reporting Department), risk management, and was also responsible for strategic and corporate development, business process transformation

Born in 1968

Ownership of shares in the Bank as of 31 December 2019

% of ordinary shares ► 0 %

% of charter capital ► 0 %

Education:

1993 – Lomonosov Moscow State University, degree in economics

1994 – Paris Institute of Political Studies, degree in economics and finance

2009 – Paris Dauphine University, master's degree in economics, banking and finance

Professional activities:

Worked at VTB Bank **from 2018** and was Vice President **from 2004 to 2006**; was Vice President and Head of the Coordination and Analysis Office of the Investment Division of *Vneshtorgbank*

From May 2018, First Deputy President and Chairman of the Management Board

2013–2018 Chairman of the Board, *Rosbank*

2011–2013 First Vice President, President and Chairman of the Management Board of *TransCreditBank*

2006–2011 First Deputy Chairman of the Management Board of Industrial and Construction Bank (later renamed *VTB North-West Bank*) until 2007; after 2007, Chairman of the Management Board of *VTB North-West Bank*

Positions in other organisations:

- Chairman of the Board of Directors of *Vozrozhdenie Bank*
- Member of the Board of Directors of VTB Capital Holding
- Category B Director at *Commonwealth Group SA*.
- Member of the Board of Trustees of *St. Petersburg State University*



Valery Chulkov
Left the Management Board on 17 January 2020

Member of the Management Board

Oversaw the department of business operations support

Born in 1960

Ownership of shares in the Bank as of 31 December 2019

% of ordinary shares ► 0 %

% of charter capital ► 0 %

Education:

1982 – St. Petersburg Naval Institute

2002 – Financial Academy under the Government of the Russian Federation, degree in economics with a specialisation in finance and credit

2006–2008 Corporate Director and Head of the Banking Services Operations Department, *ABN AMRO Bank*

2005 Director of the Retail Operations Centre at *Alfa-Bank*

1995–2005 Lead Economist, Senior Economist in the *Foreign Currency Security and Control Department*, Head of the Foreign Currency Dealing Department at *KredoBank*, Deputy Chairman of the Management Board

Professional activities:

Joined VTB Group in **March 2008**

From May 2018, Member of the Management Board of VTB Bank

Before May 2018, Head of the Department of Business Operations Support and Senior Vice President of VTB Bank, Member of the Management Board and Director of the Operations Department of VTB24

Positions in other organisations:

Member of the Board of Directors of *Multicard*



Oleg Smirnov
Left the Management Board on 13 January 2020

Member of the Management Board

Oversaw the *Retail Business* Department, the Mortgage and Car Loan Department, the Digital Business Department, the Customer Service Department and the *Retail Business* Development Department at Subsidiaries

Born in 1975

Ownership of shares in the Bank as of 31 December 2019

% of ordinary shares ► 0 %

% of charter capital ► 0 %

Education:

1996 – Ural State University of Economics, degree in economics with a specialisation in finance and credit

2001 – Ural State University of Economics, candidate of economic sciences

2007–2012 Chairman of the Management Board of *Sberbank* of Russia's subsidiary in Kazakhstan

2007 Advisor to the First Deputy Chairman of the Management Board of the *Sberbank of Russia* head office

1996–2007 *Urals Bank Sberbank of Russia*

Professional activities:

Joined VTB Bank in **November 2018**

From January 2019 to January 2020 member of the Management Board of VTB Bank

2013–2018 Vice President of *Sberbank* and Chairman of *Moscow Bank Sberbank*

2012–2013 Chairman of the Central Russian Bank *Sberbank of Russia*

Positions in other organisations:

- Chairman of the Supervisory Council of VTB Bank (Georgia)
- Chairman of the Board, VTB Bank (Armenia)
- Professor in the *Department of Finance, Money Supply and Credit, Higher School of Economics and Management, Ural Federal University*

REMUNERATION FOR MEMBERS OF THE MANAGEMENT BOARD

The Supervisory Council is responsible for determining the amount of the remuneration and compensation paid to members of the Management Board. Salaries, including compensation and incentive payments, are fixed in the employment contracts of the Management Board members.

TOTAL REMUNERATION (SALARY, BONUSES) FOR MEMBERS OF THE MANAGEMENT BOARD, RUB thousand

Period	Amount of remuneration
2019	2,230,000
2018	1,615,834
2017	1,399,794
2016	361,805
2015	399,031

In accordance with the policy of awarding bonuses to key Group executives, the Management Board of VTB Bank receives 60 % of its annual bonus at a time, and 40 % is deferred for a period of three years. The deferred amount is paid in three equal instalments one, two and three years after the grant date, subject to the achievement of certain non-vesting conditions. Half of the deferred amount is paid in cash, and the other part is paid through a cash-settled, share-based payment plan. The share-based payment expense for 2019 was RUB 0.9 billion (compared to RUB 0.4 billion in 2018). As of 31 December 2019, the liability arising from cash-settled, share-based payment transactions amounted to RUB 1.2 billion.

CONTROL AND AUDIT

INTERNAL CONTROL AND AUDIT

VTB Group’s internal control and audit functions operate in compliance with international best practices and applicable legislation in the countries where the Group operates. The system is guaranteed the necessary independence by the way its parts function together and by its reporting structure.

VTB GROUP’S INTERNAL CONTROL SYSTEM ENSURES:

Efficiency of VTB Group’s and VTB Bank’s activities
Effective management of assets and liabilities (including asset integrity) and risks
Reliable, complete and timely financial and management information and reporting
Information security
Compliance with legislation, regulations, rules and standards
No involvement on the part of the Group and its employees in unlawful activities

The VTB Group Management Committee established an Internal Audit Coordination Committee, as well as a Coordination Committee for Compliance and Internal Control aimed at preventing money laundering and the financing of terrorism.

THE MAIN OBJECTIVES OF VTB GROUP’S INTERNAL CONTROL FUNCTIONS INCLUDE

- To independently assess the effectiveness of the internal control and risk management systems, accounting reports, business processes and the activities of departments and individual employees, and also to assess the economic expediency and effectiveness of operations and transactions;
- To verify the reliability of internal control over automated information systems, and also to verify the methods used to secure property;
- To monitor key risk areas and risk control mechanisms, with a view to identifying shortcomings in the internal control system and emerging risks, and to create mechanisms to prevent these risks;
- To develop recommendations to improve the efficiency of systems, processes, procedures, transactions and activities by the Group’s structural units and employees;
- To communicate with external regulatory bodies and external auditors.

VTB BANK’S INTERNAL CONTROL SYSTEM



Monitoring of the internal control system is carried out on an ongoing basis by management and employees of the Bank’s structural units, as well as by the Internal Audit Department.

Audit Committee. The Audit Committee operates as part of the structure of the Supervisory Council in order to facilitate the effective performance of the functions of the Supervisory Council in the area of control over the Bank’s financial and economic activities. More detailed information on the composition and activity of the Audit Committee can be found in the section *Corporate Governance / Supervisory Council / Supervisory Council Committees*.

Internal Audit Department. The Internal Audit Department provides direct support to the Bank’s governing bodies to ensure that VTB Group works efficiently and effectively. The Internal Audit Department monitors internal control systems, conducts audits and provides impartial recommendations for improving banking operations and control procedures.

The Internal Audit Department is an independent structural unit of VTB Bank and operates under the direct supervision of the Supervisory Council. The Supervisory Council approves the Internal Audit Department’s work plans and monitors their implementation, reviews the Internal Audit Department’s reports on the results of audits and on monitoring of the internal control system, as well as reports on the implementation of the Internal Audit Department’s recommendations to address previously identified issues.

Taking into account the strategic goals of VTB Bank and VTB Group regarding the transformation and digitalisation of business processes, the fit-for-purpose functional model for internal audit was changed in 2019, and the Internal Audit Department was reorganised. The main objectives of the reorganisation are:

- To develop remote, digital audit methods to considerably expand the number of transactions, deals and procedures that are audited;
- To strengthen the focus of auditing on the performance and competitiveness of business processes, the transition from the discrete auditing of facilities to the continuous auditing of processes;

- To ensure a close link between auditing and the Bank’s technological transformation, including in the banking sphere;
- To develop new audit formats: remote and thematic in terms of individual processes;
- To ensure that the internal audit methodology and personnel are up to the task in terms of new technological and organisational challenges.

The Internal Audit Department’s organisational structure comprises a number of units responsible for auditing the lending process, non-credit business processes, regional divisions, digital auditing of processes and information technologies, as well as auditing within the Group. To improve the effectiveness of the monitoring of the internal control system in the Bank’s regional branches, the structure of the Internal Audit Department includes dedicated internal control teams at the branch level.

In 2019, the Internal Audit Department conducted 36 scheduled audits and control measures, including 17 audits of various activities within the parent company and 19 audits of operations in the Bank branches. In addition, as part of its ongoing monitoring, Internal Audit Department staff members conducted 869 thematic audits at the branch level.

In addition to conducting audits and monitoring the Bank’s internal control system, the Internal Audit Department’s priority is operational oversight as well as the coordination and maintenance of the same level of practice and competencies in terms of internal audit within subsidiaries. In 2019, the Department carried out 20 control measures related to the Group’s subsidiary companies and banks. The Internal Audit Department also regularly analyses reports on the work of Group companies’ internal audit services. To enhance the level of professionalism and improve the exchange of experiences, on-the-job training is provided for staff from the internal audit services within Group companies, including the involvement of VTB Group functional coordinators.

The Internal Audit Department liaises with the Audit Committee and independent auditors, providing information on the internal control system and reporting any shortcomings during the audit period.

In 2019, PwC conducted an external independent assessment of the internal audit function in terms of its compliance with international professional standards in the context of oversight recommendations and the requirements of the *Bank of Russia* and the *Federal Agency for State Property Management*. The assessment concluded that VTB’s internal audit function is fully compliant with international standards and with the Internal Audit Code of Ethics. The high level of maturity of the Internal Audit Department was noted in terms of its objectivity, professionalism and use of advanced approaches and technologies.

COMPLIANCE CONTROL

The Compliance Control and Financial Monitoring Department assists the Bank’s governing bodies with the effective management of regulatory (compliance) risks (risks resulting in losses due to non-compliance with the legislation of the country of registration, the Bank’s regulations, standards for self-regulatory organisations, as well as the risk of losses resulting from the application of sanctions and/or the impact of other measures on the part of the supervisory authorities).

Regulatory risks also include the risks of money laundering and the financing of terrorism (AML / CFT), as well as financing the spread of weapons of mass destruction (WMD).

The Compliance Control and Financial Monitoring Department:

- Ensures a unified approach to internal (compliance) control, AML / CFT and preventing the spread of WMD within VTB Group’s credit and non-credit financial organisations;
- Carries out the functional coordination of the activities of credit and non-credit financial institutions that are part of VTB Group in fulfilling their requirements in terms of internal (compliance) control, compliance with international sanctions concerning AML / CFT and the spread of WMD in accordance with the basic principles of managing VTB Group and taking into account the legislative provisions in the country of registration / location of the relevant VTB Group credit or non-credit financial institution.

MAIN TASKS IN TERMS OF INTERNAL (COMPLIANCE) CONTROL

- Ensuring that the activities of VTB Group credit and non-credit financial institutions are in compliance with the legislation of the country of registration, internal regulations, standards of self-regulatory organisations and common business practices;
- Ensuring effective management and minimisation of regulatory (compliance) risk and monitoring the performance of the regulatory (compliance) risk management;
- Coordinating and participating in the development of a set of measures aimed at reducing the level of regulatory (compliance) risk;
- Creating and maintaining an effective system of governance information and reporting;
- Coordinating activities undertaken to meet the requirements of the United States Foreign Account Tax Compliance Act (FATCA) and Common Reporting Standard (CRS);
- Preventing the involvement of VTB Group companies or employees in unlawful activities (including corruption, improper use of insider information, market manipulation, etc.).

MAIN TASKS IN TERMS OF INTERNAL CONTROL FOR THE PURPOSES OF AML / CFT AND PREVENTING THE SPREAD OF WMD

- Ensuring compliance with legislation in the area of AML / CFT and in terms of preventing the spread of WMD;
- Organising an effective internal control system for AML / CFT and for preventing the spread of WMD that is aimed at strengthening VTB Group’s position in financial markets, expanding the scale of its business, and improving the performance of operations and the quality of customer service;

- Minimising the risk of customer transactions involving money laundering or terrorist financing, as well as the risk of non-compliance with international sanctions;
- Avoiding involving VTB Group employees in money laundering, the financing of terrorism and the financing of the spread of weapons of mass destruction.

In the context of measures aimed at the effective development of the systems of internal (compliance) control and AML / CFT and preventing the spread of WMD within VTB Group, the Compliance Control and Financial Monitoring Department interacts with the Coordination Commission on Compliance and Internal Control for the Purpose of Preventing Money Laundering and the Financing of Terrorism (under the VTB Group Management Committee), which includes the following tasks:

- Developing common principles and standards;
- Introducing best practices within VTB Group;
- Sharing information among VTB Group companies and coordinating those companies;
- Improving the general professional capacity of experts.

STATUTORY AUDIT COMMISSION

The Statutory Audit Commission is responsible for providing financial control over the Bank’s financial and economic activities. The Statutory Audit Commission verifies VTB Bank’s compliance with regulations established by the laws of the Russian Federation on accounting procedures, compiling reports and reporting, the reliability of the information contained in reports and other financial documents



Zahar Sabantsev
Chairman of the Statutory Audit Commission; Head of the Division for Financial Sector Monitoring, Organisational Support and Consolidated Work of the Financial Policy Department of the Ministry of Finance of the Russian Federation; member of the Statutory Audit Commission of Rosneft; member of the Statutory Audit Commission of Rosneftgas.



Yevgeny Gontmakher
Deputy Director of the Dialogue Foundation for the Development of Civic Initiatives, member of the Management Board of the Institute for Contemporary Development.



Anastasia Olshanova
Head of the Corporate Relations Department at DOM.RF, member of the Board of Directors at Sakhalin Energy Company.

of VTB Bank, the organisation of the Bank’s internal control system, and the Bank’s execution of instructions from the President and the Government of the Russian Federation. The Statutory Audit Commission is elected at the AGM, which determines its size and composition for the period until the next AGM. At the Bank’s AGM on 5 June 2019, the following members of the Statutory Audit Commission were elected for a new term:



Alexander Vasilchenko
Head of the Department for Relations with Government Agencies of Russian Post; member of the Board of Directors of Oboronpromkompleks, the Centre for Shipbuilding and Ship Repair Technology, and Roscartography; and member of the Statutory Audit Commission of Alrosa.



Mikhail Krasnov
Member of the Statutory Audit Commission of Rostelecom.



Vadim Soskov
Deputy CEO of Gazprombank Asset Management, member of the VTB Shareholders Consultative Council.

In 2019, the Statutory Audit Commission elected by the AGM on 23 May 2018, in accordance with the Work Plan for VTB Bank’s Statutory Audit Commission for 2018, audited VTB Bank’s financial and economic activities for 2018–2019, as a result of which the Statutory Audit Commission reached the following conclusions:

- No violations of legal acts of the Russian Federation on accounting and reporting procedures or violations of legal acts of the Russian Federation in conducting financial and economic activities were found that could have had a significant impact on the Bank’s financial results for 2018;
- VTB Bank’s annual accounting records and financial statements for 2018 as well as other financial documents are accurate and provide an objective picture of the Bank’s financial position as of 1 January 2019;
- VTB Bank’s 2018 annual report was prepared in accordance with the applicable legislation of the Russian Federation;
- The information contained in the report on interested-party transactions completed by the Bank in 2018 is accurate;
- The Bank complies with the statutory requirements established by the Bank of Russia;
- The Bank’s systems of corporate governance, risk management and internal control meet the requirements established by the laws of the Russian Federation and regulations of the Bank of Russia and are in accordance with the nature and scale of the Bank’s operations.

In 2019, the Statutory Audit Commission held three in-person meetings at which the following issues were considered: verifying implementation of the Bank’s budget for management expenses, analysing the Bank’s operating and non-operating expenses, reviewing information on the implementation of the Bank’s investment programme, analysing reports from the Internal Control Department, analysing the Bank’s bylaws governing the activities of the Statutory Audit Commission, electing the Chairman of the Statutory Audit Commission, approving the work plan for the Statutory Audit Commission for the 2019–2020 business year, approving a programme for auditing the Bank’s financial and economic activities for the 2019–2020 business year, and approving a programme for the Statutory Audit Commission’s analysis of the Bank’s bylaws.

In 2019, VTB Bank provided the members of the Statutory Audit Commission with information necessary to monitor the Bank’s financial and economic activities on a regular basis, including information concerning indicators related to financial statements prepared in accordance with RAS and consolidated financial statements prepared in accordance with IFRS, as well as information on the Bank’s implementation of directives issued by the government of the Russian Federation, as well as the Bank’s Long-Term Development Programme and its Programme for the Sale of Non-core Assets.

Since June 2016, the Regulation on Remuneration and Compensation Paid to the Members of the Statutory Audit Commission has been in force at the Bank. The Regulation was approved in accordance with the recommendations of the Bank’s Supervisory Council Staff and Remuneration Committee at the Annual General Meeting of Shareholders (minutes No. 47 of 24 June 2016).

According to this document, the basic part of the remuneration paid to members of the Statutory Audit Commission is 20 % of the average remuneration paid to a member of the Supervisory Council who is an independent director or representative of the state.

The actual amount of remuneration paid to a member of the Statutory Audit Commission during the reporting period is determined based on the number of days in the corporate year during which said member of the Statutory Audit Commission carried out their duties.

For chairing the Statutory Audit Commission, the Regulation on Remuneration and Compensation Paid to the Members of the Statutory Audit Commission establishes a bonus of 30 % of the basic remuneration for members of the Bank’s Statutory Audit Commission. Remuneration is paid by the Bank through bank transfers; no other forms of remuneration are stipulated.

Members of the Statutory Audit Commission who miss more than half of the meetings of the Statutory Audit Commission during the time in which they are members of the Commission are not paid any remuneration, nor are members of the Statutory Audit Commission who are civil servants.

[Information on the Statutory Audit Commission](#)

At VTB Bank’s AGM on 5 June 2019, on the matter of the payment of remuneration to members of the Statutory Audit Commission who are not civil servants in the amount established by the bylaws of VTB Bank, it was decided:

- To pay remuneration to members of the Statutory Audit Commission of VTB Bank who are not civil servants:
 - For work as part of the Statutory Audit Commission of VTB Bank: RUB 916,690 each;
 - For chairing the Statutory Audit Commission of VTB Bank: RUB 275,007;

AMOUNT OF REMUNERATION PAID TO MEMBERS OF THE STATUTORY AUDIT COMMISSION FOR THE PERIOD OF 2016–2019, RUB

Indicator	2015	2016	2017	2018
For work in the Statutory Audit Commission	2,760,000	3,680,000	1,840,000	3,670,070
Compensation for expenses related to the performance of their duties as members of the Statutory Audit Commission	Not paid			

EXTERNAL AUDITOR

In order to audit and confirm the veracity of its annual financial statements, VTB Bank engages an independent, professional external auditor.

In accordance with the legislation of the Russian Federation, the external auditor is approved on the basis of an open tender to conduct the Bank’s obligatory annual audit.

In March 2015, the Bank held an open tender to select an auditor to carry out its obligatory annual audit for the subsequent five years.

The tender procedure was governed by Federal Law No. 44-FZ of 5 April 2013 on the Contractual System for the Procurement of Goods, Works and Services for State and Municipal Needs.

- To compensate members of the Statutory Audit Commission of VTB Bank who are not civil servants, during the performance of their duties, for all expenses associated with the performance of their duties as members of the Statutory Audit Commission of VTB Bank, namely: accommodations, travel and other fees and charges for various types of transport.

Three auditors submitted tender bids: *Ernst & Young*, *KPMG* and *Pricewaterhouse Coopers*.

The selection of an auditor was carried out by a tender commission consisting of competent Bank employees, as well as a representative of the *Federal Agency for State Property Management*. The tender commission evaluated and compared the bids based on the following criteria:

- Contract price;
- The qualifications of each bidder.

The tender commission reviewed the bids and selected *Ernst & Young* as the winner, as it offered the best conditions for fulfilling the terms of the contract and was awarded the most points in the selection procedure.

The Bank published information on the tender and tender documentation on the official public procurement website (available in Russian language only).

Ernst & Young LLC is the Russian subsidiary of *Ernst & Young*, one of the four largest auditing companies in the world. *Ernst & Young* has more than 30 years of successful practice in Russia and the CIS countries. Over the years, the company has established itself as a leading expert in the provision of audit and consulting services in Russia and other CIS countries.

VTB Bank’s profit for 9M’2019 was audited during the reporting period. Auditing service contract was concluded between *LLC CATS*¹ and VTB Bank as a result of purchase from a single counterparty. The actual amount of remuneration was RUB 12,600 thousand.

INFORMATION ON THE ERNST & YOUNG LLC REMUNERATION

Reporting period for which the audit was carried out	Procedure for determining the amount of the auditor's remuneration	Actual amount of remuneration ² paid by the Bank, RUB thousand (including VAT)
FOR THE OBLIGATORY ANNUAL AUDIT OF THE BANK'S FINANCIAL STATEMENTS		
2015	Following an open tender for the selection of an auditor, as approved by the Supervisory Council	212.4
2016	Following an open tender for the selection of an auditor, as approved by the Supervisory Council	212.4
2017	Following an open tender for the selection of an auditor, as approved by the Supervisory Council	201.8
2018	Following an open tender for the selection of an auditor, as approved by the Supervisory Council	201.8
2019	Following an open tender for the selection of an auditor, as approved by the Supervisory Council	60.5
FOR THE PROVISION OF AUDIT SERVICES AS PART OF CONFIRMATION OF THE BANK'S PROFIT FOR THE FIRST HALF OF THE YEAR		
1H 2018	As a result of purchase from a single counterparty	11,210.0

¹ LLC CATS is a part of EY global network and member of Ernst & Young Global Limited.
² The actual amount of the auditor's remuneration paid for the date of writing the report. According to the auditing service contract payment is made in two phases for every auditing year: the first payment in the amount of 30% is made in November of the year for which accounting (financial) statements was audited, the second payment in the amount of 70% is made in June of the year following the reporting year.

ENSURING RESULTS-BASED COOPERATION

159 thousand

INDIVIDUAL
SHAREHOLDERS

+31 %

INCREASE IN THE NUMBER OF
SHAREHOLDERS IN 2019



INVESTOR RELATIONS

Developing relations and supporting a constructive dialogue with shareholders and representatives of the investment community have traditionally been a high priority for VTB Group and extend beyond required corporate procedures. VTB has been recognised as one of the leaders in Russia in this area, which has allowed the Bank to maintain a consistently high national corporate governance rating of 7 ++.

VTB senior management and authorised units engage with investors on an ongoing basis. The Investor Relations Department is responsible for communications with institutional investors, and its Shareholder Relations Service is responsible for communications with individual shareholders.

In 2019, the Bank continued implementing its Plan (road map) to improve the perception of VTB among minority shareholders. The number of VTB shareholders increased by more than a third compared to the previous year and was about 160 thousand people as of December 2019.

IN 2019, THE KEY INVESTOR RELATIONS EVENTS WERE:

- The Annual General Meeting of Shareholders and an Extraordinary General Meeting of Shareholders;
- Corporate actions related to the acquisition, consolidation and merger of credit organisations with the Bank;
- Shareholder participation in the formation of a new development strategy for VTB Group for 2019–2022;
- Development of a programme of special offers and products for shareholders, the introduction of new products under special conditions;
- The development of the Bank’s electronic communication channels;
- The introduction of an e-voting system at General Meetings of Shareholders with the use of biometrics and new VR and NFC technologies;
- Expanded functionality of the *VTB Shareholder* mobile application, creating a seamless transition to the trading section (*VTB My Investments*).

159 thousand individual shareholders

The number of shareholders continued to increase steadily in 2019; the number of VTB Bank shareholders increased by 31 %, or by 37 thousand individuals.

The total number of shareholders of the Bank as of 31 December 2019 amounted to 159.7 thousand, including 158.6 thousand individuals.

Shareholder growth factors:

Increase in the value of the Bank’s shares, with an upwards trend (+35 % for the year);

New VTB Group Development Strategy for 2019–2022;

New formats for shareholder relations, including a benefits and privileges programme;

Increased activity and engagement on the part of shareholders and private investors as a result of the successful implementation of the road map.

INDIVIDUAL SHAREHOLDERS BY WAYS OF SHARES’ AQUISITION



- Purchased shares on the secondary market
- IPO participants
- Former shareholders of VTB North West
- Former shareholders of VTB24

An important area in which the system of relations with minority shareholders is being improved is the development of digital communication channels. Given that more and more young people are becoming shareholders, the demand for electronic forms of communication is constantly growing. For example, the *VTB Shareholder* mobile application is very popular.

Users of the application have access to recommendations from leading analysts in VTB Group, real-time information on stock prices, the ability to maintain records of their investment portfolio and to stay up to date on important news and events for shareholders. The application enables users to see all existing privileges for VTB Bank shareholders. In addition, clients can use the feature of filtering the available privileges. To do this, a user only needs to specify the number of shares they own. For active investors, a function was added that allows investors to connect to the trading system in the *VTB My Investments* application.

Starting in 2019, specially for large events, such as the General Meeting of Shareholders and *Investor Days*, a section has been available in the *VTB Shareholder* mobile application where users can find detailed programmes and information about participants, download interactive maps, ask speakers questions and learn about special offers for VTB shareholders.

Through the mobile application, any shareholder, regardless of where they live or are currently located, has access to news about the activities of the Bank and VTB Group as a whole, and can take part in the management of the Bank by voting at general meetings, receive announcements about events for shareholders and investors and register to participate in them.

The VTB Shareholders Consultative Council now has *Facebook* and *Twitter* accounts for VTB shareholders. The number of followers of these accounts increased by 20 % during the year. Social networks make it possible to quickly convey important information to shareholders, to use a format that is convenient for a young audience, and to continue developing electronic communication channels. In addition, social networks make it possible to host a wide range of additional media materials, such as videos and interviews, photo reports and live broadcasts.

The Bank issues a specialised news digest for shareholders; in 2019, 10 issues of the newsletter for shareholders were shared, and more than 200 news items were published on the Shareholders Consultative Council’s *Facebook* page and through the mobile application.

MEETINGS WITH SHAREHOLDERS AND INVESTORS

One of the key elements of the road map to improve the Bank’s image is meetings with shareholders and other interested parties (stakeholders).

Any person interested in the activities of VTB Group can take part in events, including current and potential shareholders, customers and employees of VTB Group, representatives of the media and investment companies, professional investors and students. In 2019, there was a marked increase in interest in events organised by VTB for its shareholders and stakeholders, which led to a significant increase in the number of participants.

In total, 62 events of various formats were held in 2019.

In particular, in 2019, the Bank prepared and held three *Investor Days*, eight *Open Doors Days*, 14 stock market seminars, a webcast of the AGM and a round table with large private investors.

All these events aroused a great deal of interest among the Bank’s current and potential shareholders. The programme was updated to meet participants’ information needs and expectations; speakers from the *Moscow Exchange* and the *National Settlement Depository*, analysts and stock market experts from Bank’s subsidiaries were invited, as were members of VTB Bank’s Supervisory Council and the Statutory Audit Commission.

There was a significant increase in the number of participants taking part in events for shareholders in 2019. In total, 2,844 people (up 27 % from 2018) took part in such events, not including those who took part in General Meetings, webcasts and events for other stakeholder groups. The biggest events in 2019 were the *Investor Days* in Moscow (19 October 2019) and St. Petersburg (7 December 2019). In total, 1,426 people attended these events. The *Investor Day* event in Moscow received 829 visitors, an all-time record.



VTB Shareholder application

30,395 installations

13,611 active users

86 news and events publications in the application during the year

Participants had the opportunity to ask speakers questions in an informal setting or to consult with them in one of eight consultation areas: *Shareholder Proposals, Insurance Products, VTB Pension Fund, Virtual Reality* (Bank services that use VR technologies) *VTB Registrar, Investment Products, Shareholder Relations and the Shareholders Consultative Council*. The most popular information stand was dedicated to discounted products and services for VTB shareholders. Visitors to *Investor Days* also had access to an interactive area using NFC authentication and other advanced information technologies offered by VTB Bank.

In a number of cities that are home to more than a thousand Bank shareholders, VTB held seminars on the stock market in cooperation with experts from *Moscow Exchange*. Guests included VTB shareholders and the Group’s customers. During the year, seminars were held in 14 cities: Sochi, Rostov-on-Don, Samara, Nizhny Novgorod, Kazan, Novosibirsk, Khabarovsk, Vladivostok, Stavropol, Tomsk, Irkutsk, Krasnoyarsk, Lipetsk and Ufa. A total of 782 people took part in the seminars. The most popular events were those in Kazan, Ufa and Irkutsk. The average rating for workshops based on a survey of participants in 2019 was 4.6 out of 5.

As has traditionally been the case, the *Open Doors Days* were the most popular events, which were held in eight different cities in 2019 at Bank branches and operational offices. At these meetings, shareholders are able to discuss their questions in detail with VTB experts and also receive individual consultations.

During the year, VTB experts also met with representatives of investment and brokerage companies, analysts and journalists. Maintaining contact with these stakeholder groups is one of the priorities of the road map to improve the perception of the Bank among minority shareholders and to make the Bank’s shares more

attractive to investors. During the meetings, topics discussed included the activities of VTB Group, as well as the concerns of private investors from investment companies and the readers of the regional business press. An effort was made to create a favourable investment image for VTB shares. In total, 19 events were held during the reporting period involving 152 representatives of the media and investment and brokerage companies.

As part of a programme to improve the financial literacy of existing and potential individual shareholders and also to develop business cooperation between Bank branches and regional universities, VTB has been organising workshops for students majoring in finance and economics at leading Russian universities since 2013. In 2019, similar events were held in Irkutsk, Novosibirsk, Moscow, Tomsk, Rostov-on-Don and Nizhny Novgorod. The workshops were attended by more than 700 students, who together with experts studied how to form and keep a personal financial plan, trade on exchange, assess qualitative assets’ investment attractiveness. The workshops participants appreciated quality, programme and organisation of the events.

In addition, in 2019, the Bank held more than 300 meetings with institutional investors in Russia, Europe and the United States, while also participating in 18 international investment conferences. The number of investors who attended meetings with VTB Bank doubled compared to 2018. As part of the disclosure of the Group’s IFRS financial results, four online audio conferences and question and answer sessions were held for investors and analysts. In May 2019, as part of the announcement of VTB Group’s new Strategy for 2019–2022, a strategic session was held for analysts from leading international investment banks with the participation of VTB Group’s executives. Twenty-six analysts from major Russian and foreign brokerage companies attended the event.

SHAREHOLDERS CONSULTATIVE COUNCIL

The Shareholders Consultative Council (SCC) is an independent advisory body that represents the interests of minority shareholders of VTB Bank. All SCC members are minority shareholders. In Russian practice, such shareholder councils are very rare. At the same time, the *Bank of Russia*,

as the regulator, notes that this practice is an effective way to increase the activity and involvement of shareholders. For eleven years, the SCC has been representing minority shareholders, protecting their interests and playing an active role in the development of VTB Group.



MEMBERS OF THE SHAREHOLDERS CONSULTATIVE COUNCIL
(AS OF 31 DECEMBER 2019)



Igor Repin

Chairman of the Bank’s Shareholders Consultative Council
Member of the Bank’s Supervisory Council
Member of the Bank’s Strategy and Corporate Governance Committee
Member of the Bank’s Staff and Remuneration Committee
Member of the Bank’s Audit Committee

Member of the Bank’s Shareholders Consultative Council since 2013

For a detailed biography, see the [Corporate Governance / Supervisory Council section](#).



Vadim Soskov

Member of the Bank’s Statutory Audit Commission
Member of the Bank’s Shareholders Consultative Council since 2013

Ownership of shares in the Bank as of 31 December 2019
% of ordinary shares
▶ 0.000015431 %
% of charter capital
▶ 0.000003072 %

Education:

Graduated from the *Moscow Lenin State Pedagogical University*, candidate of Economic Sciences

Professional activities:

Deputy CEO of *Gazprombank – Asset Management*

Achievements:

- Winner of a Russia’s *Financial Elite* award for Most Senior Player in the collective investment market
- Included on the list of Russia’s *Top 1,000 Managers*
- Was a *TACIS* expert for the *World Bank* on pension reform in Russia



Sergey Gavrillov

Member of the Bank’s Shareholders Consultative Council since 2009

Ownership of shares in the Bank as of 31 December 2019
% of ordinary shares
▶ 0.000016866 %
% of charter capital
▶ 0.000003358 %

Education:

Lomonosov Moscow State University, candidate of economic sciences

Professional activities:

Chairman of the *Russian State Duma Committee on Civil Society, Public Associations and Religious Organisations*



Alexander Yenin

Member of the Bank’s Shareholders Consultative Council since 2017

Ownership of shares in the Bank as of 31 December 2019
% of ordinary shares
▶ 0.000000772 %
% of charter capital
▶ 0.000000154 %

Education:

Graduated from the *Financial University under the Government of the Russian Federation and the Russian State Social University*

Professional activities:

Head of *Premier BCS* projects at *BCS*



Vladimir Zotov

Member of the Bank’s Shareholders Consultative Council since 2017

Corresponding Member of the *Russian Academy of Engineering*

Ownership of shares in the Bank as of 31 December 2019
% of ordinary shares
▶ 0.000000000000772 %
% of charter capital
▶ 0.000000000000154 %

Education:

Graduated from *Moscow State University of Design and Technology*, candidate of economic sciences

Professional activities:

Director of the *Institute of Social Engineering* at *Kosygin Russian State University*, Associate Professor in the Management Department



Vladimir Znamensky

Member of the Bank’s Shareholders Consultative Council since 2017

Member of *Young International Arbitration Group* and the *Russian Arbitration Association 25*

Ownership of shares in the Bank as of 31 December 2019
% of ordinary shares
▶ 0.000003086 %
% of charter capital
▶ 0.000000614 %

Education:

Graduated from *Lomonosov Moscow State University* with a bachelor’s degree in law and a master’s degree in corporate law

Professional activities:

Lawyer for the *United Metallurgical Company*, specialising in corporate law



Stanislav Kleshev

Member of the Bank’s Shareholders Consultative Council since 2013

Member of the *Moscow Exchange Index Committee and Listing Council*

Ownership of shares in the Bank as of 31 December 2019
% of ordinary shares
▶ 0.000008102 %
% of charter capital
▶ 0.000001613 %

Education:

Completed undergraduate and graduate studies at *Lomonosov Moscow State University*

Professional activities:

Head of Analytics Division in *VTB Bank’s Brokerage Services Department*



Valery Petrov
Member of the Bank's Shareholders Consultative Council since 2013
Member of the *Moscow Exchange Index Committee and Listing Council*
Ownership of shares in the Bank as of 31 December 2019
% of ordinary shares
▶ 0.000000077 %
% of charter capital
▶ 0.000000015 %

Education:
Holds several university degrees, as well as a Chartered Financial Analyst (CFA) diploma, candidate of economic sciences
Professional activities:
Deputy Chairman of the Management Board at the *Institute of Financial Markets*



Maxim Sergeev
Member of the Bank's Shareholders Consultative Council since 2013
Ownership of shares in the Bank as of 31 December 2019
% of ordinary shares
▶ 0.000000231 %
% of charter capital
▶ 0.000000046 %

Education:
Graduated from *Ukhta State Technical University*
Professional activities:
Engineer at *St. Petersburg Alferov Academic University*



Ilya Khersontsev
Member of the Bank's Shareholders Consultative Council since 2017
Member of the *Russian Association of Independent Directors*
Ownership of shares in the Bank as of 31 December 2019
% of ordinary shares
▶ 0.000021604 %
% of charter capital
▶ 0.000004301 %

Education:
Graduated from *Urals State Technical University* (information systems in economics)
Professional activities:
Advisor to the Chairman of the Management Board at *Astramed-MS*



Yelena Shafranskaya
Member of the Bank's Shareholders Consultative Council since 2017
Ownership of shares in the Bank as of 31 December 2019
% of ordinary shares
▶ 0.000027069 %
% of charter capital
▶ 0.000005389 %

Education:
Graduated from of the *Irkutsk Polytechnical Institute* (cybernetics)
Professional activities:
Self-employed entrepreneur in the field of construction and real estate



Elena Shtykanova
Member of the Bank's Shareholders Consultative Council since 2013
Ownership of shares in the Bank as of 31 December 2019
% of ordinary shares
▶ 0.000002390 %
% of charter capital
▶ 0.000000476 %

Education:
Graduated from the *Moscow State Institute of International Relations of the Russian Foreign Ministry* with a degree in international economic relations, candidate of economic sciences
Professional activities:
Advisor to the Senior Vice President of *Norilsk Nickel*

At the AGM in 2019, shareholders once again elected representatives of the Shareholders Consultative Council to the Bank's management and oversight bodies.
Igor Repin Chairman of the Bank's Shareholders Consultative Council was re-elected as a member of the Bank's Supervisory Council.
Vadim Soskov was re-elected as a member of the Bank's Statutory Audit Commission.

In 2019, five meetings of the SCC were held.
During Council meetings, members of the SCC meet with representatives of the Bank's top management who oversee various areas of activity. In 2019, meetings were held with the managers of the Finance Department, the Brokerage Services Department,

the Strategy and Corporate Development Department, the Integrated Risk Management Department and the Human Resources Department. In addition, several members of the Bank's Management Board and the Supervisory Council also took part in the meetings
The Shareholders Consultative Council plays an increasingly important role in the work of the Group's subsidiaries. In January 2019, for example, three members of the SCC became independent members of the Board of Directors of *Vozrozhdenie Bank*.
SCC members play an active role in communication with shareholders, including at the AGM, *Investor Days*, seminars and online through electronic channels. Information and suggestions received are reflected in the SCC's proposals for VTB management. In 2019, SCC members presented at all key events for shareholders, including *Investor Days* in Moscow and St. Petersburg.

[The Regulation on VTB's Shareholders Consultative Council](#) (available in Russian language only).

2019 SHAREHOLDERS CONSULTATIVE COUNCIL RESULTS

Shareholders' rights	Strategy and management
1. High evaluation of the Bank's work with shareholders and SCC by the professional community 2. Monitoring of profit target execution 3. Development of proposals to the Bank's dividend policy 4. Examination of global experience of interaction with shareholders	1. Inclusion of proposed initiatives to the new VTB Group's Strategy 2. Maintaining minority representatives in the Supervisory Council and in the Statutory Audit Commission 3. Election of SCC representatives to the Management Board of <i>Vozrozhdenie Bank</i>
Communications	Products and services of VTB Group
1. Participation of SCC members in events for shareholders as well as speakers 2. Detailed communication of new strategy to shareholders by SCC members 3. Development of communication channels with shareholders 4. Clarification of decisions made by the Bank	1. Expansion of the programme of special products and services for shareholders 2. Improvement of investment and brokerage products and clients servicing technologies 3. Proposals in development of programmes <i>Affordable Bank</i> and <i>Youth Bank</i> 4. Providing feedback on the results of test purchases

DISCLOSURE POLICY

Information disclosure is one of the most important tools for the Bank’s interaction with shareholders, investors, customers and other interested parties, contributing to the formation of long-term, transparent and trust-based relationships with all stakeholders, while also improving the Bank’s investment case.

Throughout 2019, the Bank’s Supervisory Council monitored compliance on the part of the Bank and its employees with the requirements of the legislation of the Russian Federation on the securities market, on the protection of the rights and legitimate interests of investors in the securities market and on advertising; the regulations of the *Bank of Russia* concerning financial markets; and the requirements and standards of self-regulatory organisations of professional securities market participants that the Bank is a member of; as well as the Bank’s internal regulations, including the Regulation on the Information Policy approved by the Bank’s Supervisory Council on 1 December 2017 (minutes No. 18) (hereinafter, the “Information Policy”).

When disclosing information, VTB Bank is guided by the applicable legislation of the Russian Federation, the requirements of *Moscow Exchange* and the *London Stock Exchange*, the Regulation on the Bank’s Information Policy and its Corporate Governance Code, as well as other requirements and regulations.

PRINCIPLES OF INFORMATION DISCLOSURE BY THE BANK



The principle of providing information quickly, consistently and on a regular basis



The principle of accessibility to disclosed information



Compliance with regulations on the protection of information containing state, commercial, banking and/or official secrets of the Bank and other information protected by law, including insider information and protection of personal data



The principle of the reliability, completeness and comparability of disclosed information



Observance of a reasonable balance between the Bank’s openness and protecting of its commercial interests

[The Bank’s Information Policy and Corporate Governance Code](#) (available in Russian language only).

INFORMATION DISSEMINATED ABOUT THE BANK’S ACTIVITIES CAN BE DIVIDED INTO THREE GROUPS

1

Information that must be disclosed in the prescribed manner and by the means specified in regulatory documents and by regulatory authorities

2

Information disclosed by the Bank on a voluntary basis by any means chosen by the Bank

3

Publicly available information that is freely provided at the request of stakeholders for informational purposes

Primary information disclosure channels	2019 results
The <i>Interfax</i> newswire and the Bank’s dedicated page at: e-disclosure.ru/portal/company.aspx?id=1210 (available in Russian language only)	- According to <i>Interfax</i>, the Bank continued to be ranked second in 2019 among leading companies in terms of information disclosure. 2,345 statements 1 annual report for 2018 2 accounting (financial) statements under RAS 4 consolidated financial statements under IFRS 4 quarterly issuer reports 4 lists of affiliates - New versions of the Charter and the Regulation on the Procedure for Preparing, Convening and Holding General Meetings of Shareholders - Other documents in accordance with legislative requirements
Information about VTB Bank on the website of the <i>London Stock Exchange</i> : londonstockexchange.com/exchange/prices-and-markets/stocks/summary/company-summary/US46630Q2021USUSDIOBE.html	19 material facts / press releases
VTB Bank’s corporate website, vtb.ru and vtb.com , which offers the most complete information about the Bank’s activities and is regularly updated in accordance with the requirements of legislation and the Bank’s bylaws.	In addition to information published in accordance with the legislative requirements, the Bank also disclosed: - Monthly IFRS financial results - A social report for 2018 - A presentation for investors 480 press releases
	The site received 27,807,741 visits in 2019.
The Company’s account in the <i>Unified Federal Register of Information about the Activities of Legal Entities, Individual Entrepreneurs and Other Economic Entities</i> : fedresurs.ru/company/8365852f-517a-4f4f-a4ff-c779c25035bd (available in Russian language only)	154 statements
With regard to ensuring corporate actions: web channels (web service in conjunction with <i>Luch</i> software or the web office of the <i>National Settlement Depository</i>)	13 statements
Informational seminars, conferences, press conferences, meetings, forums and other meetings with persons concerned	4 conference calls following the disclosure of IFRS statements (538 participants) 14 meetings with private shareholders (782 participants) 3 <i>Investor Days</i> for private shareholders (1,744 participants) 8 <i>Open Doors Days</i> (82 participants)

THE BANK’S OFFICIAL SOCIAL MEDIA ACCOUNTS

 facebook.com/vtbgroup/ 206,000 followers	 facebook.com/vtbrussia/ 100,000 followers	 vk.com/vtb 106,700 followers	 ok.ru/vtb 9,500 followers
 twitter.com/vtb 18,800 followers	 instagram.com/bankvtb/ 40,400 followers	 youtube.com/user/vtbgroup 26,960,000 views	

Sustainable Development

In the context of current global challenges the concept of sustainable development becomes even more important. All over the world new approaches of business to management resources, risks and all types of influence on economy, society and ecology are being formed. National strategy is being actively formed in Russia; it combines goals on achieving economic efficiency, social equity and environmental safety.



United Nations (UN) created seventeen icons on Sustainable Developments Goals (SDGs) to increase visual public awareness about sustainable development and its goals. Hereinafter UN SDGs' icons are used.

VTB Bank, among other companies with best Russian business practices, established and extends effective practices in the field of corporate ecological and social responsibility, system charity and volunteering and other.

In 2019, VTB Bank's Supervisory Council adopted new Strategy of VTB Group for 2019–2020, including renewed mission, vision and values. After adoption of the new business strategy VTB Bank came close to a complex introduction of sustainable development elements in its activity.

Since 2008, VTB annually releases non-financial reports devoted to different aspects of corporate social responsibility. Selected indicators in the field of sustainable development, published in the social reports for 2012–2018, were independently audited.

In the Sustainability Report for 2018 VTB Group declared its commitment to the UN formulated strategy to meet 17 Sustainable Developments Goals till 2030. In 2019, the Bank determined its 8 priority goals of sustainable development, achieving of which will be paid a great attention.

The key VTB Group results and achievements for 2019 in the field of personnel development, social projects realisation and management of resource consumption and recycling are provided in the section.

PERSONNEL



STAFF QUANTITY DYNAMICS



■ VTB Bank employees
■ Employees of other VTB Group companies

As of 31 December 2019, VTB Bank employed 59.6 thousand people (compared with 58.2 thousand as of 31 December 2018), while VTB Group employed 82.3 thousand people (compared with 77.2 thousand of 31 December 2018). The main drivers behind the increase in the Group's headcount were the takeover of two new banks – Sarovbusinessbank and West Siberian Commercial Bank – and the increase in the number of IT staff at VTB Bank.



82,250
employees
work at
VTB Group

59,602
employees
work at
VTB Bank

Additional information can be found in [VTB Group's Sustainability Report for the year of 2019](#).

INCENTIVE AND REMUNERATION SYSTEM

VTB's actual incentive and remuneration system is designed to motivate employees to perform their duties at a high level and to be results-oriented.

In 2019, work continued on improving the remuneration system. In particular, the Bank implemented a project to develop and introduce a grade system, the main purpose of which is to make the remuneration system more competitive externally and more fair internally. The grade system will enable the Group to respond to market changes faster and in a more flexible manner in the course of its regular monitoring of the labour market and to take a more balanced approach to establishing competitive wages, while taking into account the Bank's financial position.

One of the Bank's highlights in 2019 was the unification of its retail and corporate networks; in terms of personnel management issues, special attention was paid to the harmonisation of remuneration in the Bank's unified regional network.

CORPORATE CULTURE

Achieving the ambitious goals of VTB Group's new Strategy is largely dependent on developing a corporate culture aimed at increasing client-centricity, improving cross-functional interaction and holding individuals more accountable for achieving results. That is why the Group's management considered it necessary to update VTB's mission, vision and values.

The top management of VTB Group played an active role in determining the priorities for the development of corporate culture. Employees were given an opportunity to express their opinions through a survey about VTB's mission that was conducted in February 2019, which gathered the opinions of more than 17 thousand people. As a result of the survey, VTB Group developed and adopted an updated mission and vision and renewed values.

During the year, a large-scale information campaign was conducted for Group employees in various regions of the Russian Federation about the new Strategy and updated values. Considerable attention was also paid to strengthening and developing internal communication channels in 2019. For example, an updated intranet

portal was launched, a survey was carried out on the engagement of personnel in Russia and abroad, which was conducted for the first time using a single methodology for all Group companies participating in the survey. The Group employee engagement index was 83 %, which, according to the research methodology, indicates that employees understand the strategic goals, mission, vision and values of VTB Group, are ready to undertake additional efforts to achieve these goals and have the necessary resources to do so. The results of the survey also revealed strengths and areas for improvement, an analysis of which will provide a road map for suitable initiatives.

PERSONNEL ASSESSMENT AND STAFF RESERVE

According to the Bank's performance management procedure, employees set, at the beginning of the year, individual goals for their activities and goals for the development of their behavioural competencies for the year. Then, at the end of the year, managers evaluate how well they have achieved their goals and the degree to which their behavioural competencies have developed. The performance management procedure helps employees, in a dialogue with their supervisors, identify priority areas for implementing the VTB Group Strategy, criteria for evaluating results and areas for developing behavioural competencies; at the end of the year, it enables them to receive feedback and outline areas for further development. The goals are set and the results are evaluated in the automated performance management system, which makes the process transparent and produces a clear picture of the results that are expected from each employee.

In 2019, projects for evaluating management teams were implemented in which both senior and middle managers took part. The evaluation results made it possible to identify strengths and areas for development that formed the basis for the establishment of programmes for the further development of managerial competencies.

For participants of the staff reserve for positions in middle and line management in 2019, comprehensive development programmes were implemented that were adapted to the appropriate managerial level.



VTB GROUP EMPLOYEES

36 years old
average age

5.5 years
average term
of employment
at VTB Group

72 %
women

28 %
men

84 %
of employees
have higher
education

In light of the merger of the Bank’s retail and corporate networks, work with the network’s staff reserve entered a new stage of development. A large-scale project was launched to develop a staff reserve for managers for the integrated network.

TRAINING AND DEVELOPMENT

The priorities for the development of professional and behavioural competencies among the Bank’s employees in 2019 were determined by the objectives established in the VTB Group Strategy: building a culture of leadership and performance with a balance of team and individual success and meeting the highest standards in terms of service quality for external and internal clients. Training programmes for managers were aimed at improving managerial skills, developing client-centricity and managing service quality. Work continued with international business schools and foreign professors. More than 200 managers took part in training programmes run by the INSEAD and IMD business schools.

A variety of formats were used to develop the functional skills of employees, from classical modular training programmes to functional coaching (for teams working on the flexible development of IT solutions), international internships to study best practices (corporate accelerator), the development of expert communities and short-duration development formats such as technology breakfasts, in which more than 5,000 employees and invited experts from other high-tech companies took part.

Within the framework of the special-purpose model for the development of Agile teams, the range of training courses and other training formats was considerably expanded.

The training of employees from popular specialties was carried out both in person and through digital content delivery channels, which made it possible for employees in all regions to develop behavioural competencies and to maintain and improve their professional skills. On average, more than 10 development events in various formats were carried out for each Bank’s employee in 2019.

WORK WITH YOUNG SPECIALISTS

In 2019, the second season of the *I Am a Professional* competition for Russian students took place within the framework of Russia – *Land of Opportunity platform*. VTB Bank once again acted as the main organising partner for the competition. As part of the project, winter schools were held in two

fields: finance and credit and business informatics. The schools involved presentations by speakers that included top managers from the Bank and leading instructors from the *Higher School of Economics*, as well as practical workshops, business games and business simulations. The winners of the competition were offered an opportunity to undertake an internship at the Bank.

Work with young specialists continued in the framework of the Bank’s *Junior and Growth* programmes. The Junior programme was scaled up last year to include the Bank’s integrated regional network. All training and development programmes for young professionals include a variety of formats: face-to-face and distance courses, as well as training sessions.

In addition, internships for young IT specialists were offered for the first time in 2019: *IT Junior* and *Java* and *JavaScript* development schools.

RESPONSIBLE RESOURCE MANAGEMENT



One of VTB Group’s main priorities is taking a responsible approach to the consumption of natural resources, with considerable attention paid to improving systems for managing the Group’s own resource and power consumption.

In 2019, the Group continued to implement its *Energy Conservation and Energy-Efficiency Programme*. VTB Group companies adhere to a policy of renovating existing properties, which is aimed at, among other things, increasing the resource and energy efficiency of the facilities, complying with high environmental standards and minimising the negative impact on the environment.

As part of efforts to improve the resource and energy efficiency of VTB Group properties, resource- and energy-saving technologies are being introduced everywhere, and utility systems are being replaced or upgraded, which is having an impact on resource consumption and energy efficiency. The resource- and energy-saving technologies used by VTB Group companies have a twofold impact by reducing harmful effects on the environment and the generation of hazardous waste.


>200
managers
took part in training programmes run by the **INSEAD** and **IMD** business schools.

In addition to the use of resource- and energy-saving technologies aimed at reducing environmental impact, VTB Group companies are constantly reducing their own fleet and freight traffic and are optimising routes for automobile traffic. In 2019, the number of vehicles operated by VTB Group’s parent company was reduced by 43 %, while the number used in the regional network was reduced by 45 %. In addition, a portion of VTB’s Euro 4–rated vehicles were replaced by Euro 5–rated vehicles.

The process of reducing office printing and the transition to paperless document management is still ongoing. Used batteries are constantly being collected, and waste paper is recycled. VTB Group employees also take part in voluntary environmental activities.

The following were VTB Bank’s main achievements in terms of resource management in 2019:

- Implementation of the Energy-Saving Programme, including the following energy-saving steps taken during the year:
 - Conversion to LED lights, replacing 530 fluorescent lights, 1,310 incandescent lights and 60 halogen lights, resulting in savings of 152 thousand kWh, or RUB 815 thousand, for the year;

- Shutting down the ventilation systems in the Bank’s office buildings during off-hours, holidays and weekends, resulting in savings of 181 thousand kWh, or RUB 970 thousand, for the year;
- Partial repair of thermal insulation of the pipelines used in the heating system and hot water supply;
- Introduction of resource-saving technologies, including reduction of the Bank’s own fleet (passenger vehicles):
 - A 15 % reduction in gasoline consumption and a 7 % reduction in diesel consumption;
- Reduction of waste collection costs by selling a portion of the waste generated;
- Collection and transfer of hazardous waste for processing/disposal;
- Recycling of wastepaper:
 - The volume of paper recycled increased by 78 %.

Goals for the period till 2022 in terms of resource consumption and waste management:

- Conversion to LED lights;
- Introduction of an automated electricity metering system;
- Dispatching for engineering systems;
- Maximisation of the volume of waste recycled.



In 2019, the number of vehicles operated by VTB Group’s parent company was reduced
by 43 %,
while the number used in the regional network was reduced
by 5 %.

VTB GROUP’S RESOURCE CONSUMPTION¹

Resource type	2018		2019	
	Natural equivalent	Monetary equivalent, RUB million	Natural equivalent	Monetary equivalent, RUB million
Heating energy, Gcal	115,986	183.4	121,022	190.6
Electricity, thousand kWh	73,595	397.7	78,828	435.8
Gas, thousand m³	399	5.3	445	5.1
Paper, tonnes	1,747	117.3	1,620	116.3
Fuel, thousand litres	2,468	105.9	2,189	96.2
Water, thousand litres	8,434	337.5	9,018	376.1
Drinking water, thousand litres	1,486	12.0	1,641	14.1

¹ Data on the resource consumption of the following VTB Group’s companies: VTB Bank, Holding VTB Capital, Vozrozhdenie Bank, Sarovbusinessbank, VB-Service, VTB Factoring, VTB Leasing, VTB Specialised Depository, VTB Pension Fund, VTB Registrar, VTB Bank (Armenia), VTB Bank (Belarus), VTB Bank (Azerbaijan), VTB Bank (Georgia), VTB Bank (Kazakhstan), VTB Bank (Europe).

GENERATION AND PROCESSING OF HAZARDOUS WASTE

Resource type (tonnes)	2018		2019	
	Generated	% sent for processing/disposal	Generated	% sent for processing/disposal
Fluorescent lights	5	100	11	100
Batteries	1	52	11	93
Car tyres	3,141	100	2,807	100

GENERATION AND RECYCLING OF LOW-HAZARD WASTE

Resource type (tonnes)	2018		2019	
	Generated	% sent for processing/disposal	Generated	% sent for processing/disposal
Trash from office and residential buildings	4,430	100	7,182	100
Food waste	65	100	70	100

SOCIAL PROJECTS

In 2019, VTB Bank actively continued to support public-interest projects in the form of sponsorship and charitable assistance.



During the reporting period, the Bank financed

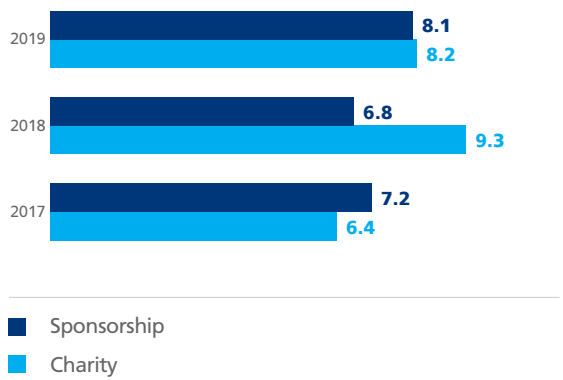
562 projects

worth a total of **16.3 RUB billion**

50.3 % charity projects (RUB 8.2 billion)

49.7 % sponsorship projects (RUB 8.1 billion)

VTB BANK EXPENSES FOR SPONSORSHIP AND CHARITY PROGRAMMES FOR 2017–2019, RUB billion

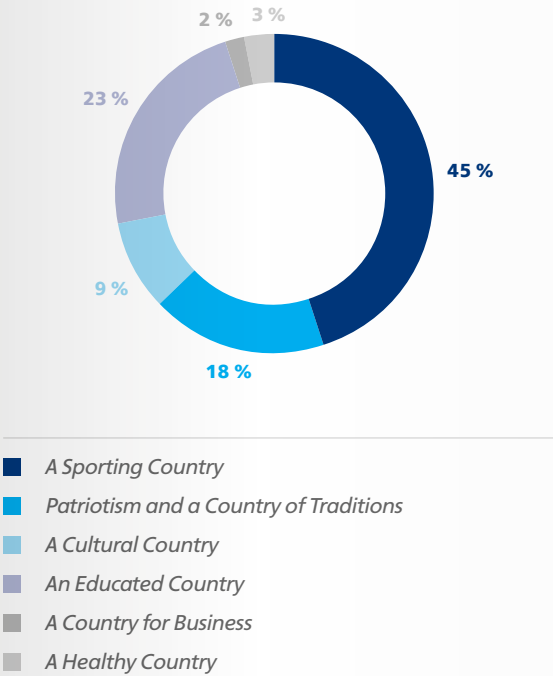


As part of its sponsorship and charitable activities, VTB continues to implement the following six large-scale target programmes:

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

Financing these programmes enables the Bank to share its core values and social mission with society. The programmes are mixed in nature and include both sponsorship and charity projects.

VTB BANK EXPENSES FOR TARGETED SPONSORSHIP AND CHARITY PROGRAMMES



A SPORTING COUNTRY

7,276 RUB million



This programme provides support for both high-performance sports (hockey, tennis, volleyball, gymnastics, etc.) and popular sports that engage a large number of people in healthy lifestyles. In addition, VTB contributes to the development of infrastructure for the supported sports and pays special attention to fulfilling strategic objectives in terms of the development of Russian sport to 2024.

In 2019, VTB Bank implemented 32 major sports projects. The most notable of these were the Formula 1 VTB Russian Grand Prix, the VTB Kremlin Cup and the VTB United Basketball League. VTB also supported the Russian Volleyball Federation and the KAMAZ-master rally team.

PATRIOTISM AND A COUNTRY OF TRADITIONS

2,946 RUB million



The main goals of this programme are to build a sense of patriotism and pride in the country. The programme includes unique projects aimed at reviving national and spiritual values and preserving historical heritage sites. The Bank provides support for public-interest foundations and provides charitable assistance to people in emergency situations and facing hardships in life.

In 2019, VTB Bank implemented 151 projects in this area: support was provided to 17 veterans' foundations, as well as the Valaam and New Jerusalem monasteries; the feature film *Lev Yashin: The Dream Goalkeeper* and the television series *Godunov: The Continuation* were produced with VTB's support.

A CULTURAL COUNTRY

1,378 RUB million

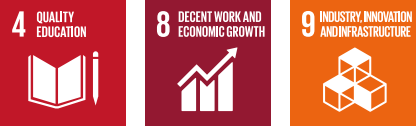


Through this programme, the Bank supports projects related to Russian cultural institutions; national heritage sites (major museums, significant exhibitions); national-level creative unions, troupes and performers (theatres, tours, performances); as well as the primary channels for cultural dissemination (film production, television). Priority projects include those that contribute to the implementation of the strategic objectives for the development of the Russian Federation to 2024 in the framework of the *Culture* national project.

Some 77 cultural events took place in 2019 with VTB's support, including notable exhibitions such as those dedicated to the 175th anniversary of the birth of Ilya Repin at the *Tretyakov Gallery* and the *State Russian Museum*, the premiere of the ballet *The Pygmalion Effect* at the *Boris Eifman Ballet Theatre* and the premiere of the opera *Manon Lescaut* at the *Bolshoi Theatre* and many others.

AN EDUCATED COUNTRY

3,800 RUB million



In accordance with the objectives of the *Education* and *Science* national projects, VTB Bank provides long-term financial support to leading universities in the country in order to ensure that their educational and scientific programmes are aligned with the current needs of society and the long-term objectives for the development of the Russian economy (including in the area of finance). This programme also includes projects to improve financial literacy, support for startups, identifying talented students through professional contests, grants and scholarship programmes.

In 2019, 142 projects received financial support, including the *I Am a Professional* Russian national competition, the *Changellenge Cup IT 2019*, the *What? Where? When?* programme and the *Kidburg* vocational centres for children.

A COUNTRY FOR BUSINESS

383 RUB million



VTB sponsors and organises business events at the national and international levels. The largest industry events related to strategically important areas of VTB Bank's activities are held with the support of Group companies. Support is provided for projects aimed at the development of state-of-the-art technologies in the banking and other sectors of the country's economy, including those contributing to the fulfilment of the strategic objectives for the development of the Russian Federation to 2024 within the framework of the *Digital Economy* national project.

In order to develop the business community and strengthen its reputation in 2019, the Bank supported no fewer than 40 events, including nine major international forums (*St. Petersburg International Economic Forum*, *World Economic Forum*, *Russian Internet Forum*, *Russia Calling* forum, etc.) and industry conferences.

A HEALTHY COUNTRY

551 RUB million



This programme provides funding in the framework of the *Health* and *Environment* national projects. Charitable support is provided to healthcare institutions and for projects related to the development of advanced medical technologies. For over a decade, VTB Bank has been operating its nationwide corporate charity programme *A World Without Tears*, which purchases equipment for children's hospitals. The Bank helps protect the country's environment by supporting projects aimed at increasing the population of rare animal species in Russia's ecosystems and by participating in the work of the *Arctic Council*.

In 2019, 77 projects were implemented, including support for 59 healthcare institutions and seven charitable foundations, as well as projects related to biodiversity conservation. Twenty-six events took place through the *A World Without Tears* programme: 4 in Moscow and 22 in regional cities.

SPONSORSHIP AND CHARITY ACTIVITIES OF OTHER VTB GROUP COMPANIES

VTB companies and subsidiaries conduct sponsorship activities on the basis of their own annual sponsorship plans. Group members make their own independent decisions on charitable activities in line with their forecast limit for the year and in accordance with a decision by their management or their own charity committees.

In addition to VTB Bank, the following members of VTB Group conducted regular activities related to social projects in 2019:

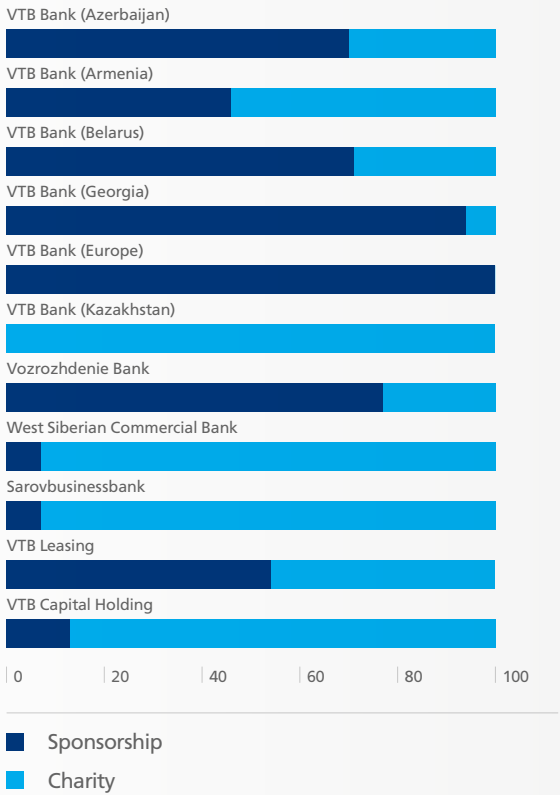
- VTB Bank (Azerbaijan)
- VTB Bank (Armenia)
- VTB Bank (Belarus)
- VTB Bank (Georgia)

- VTB Bank (Kazakhstan)
- VTB Bank (Europe)
- Vozrozhdenie Bank
- West Siberian Commercial Bank
- Sarovbusinessbank
- VTB Leasing
- VTB Capital Holding

Russian members of VTB Group spent a total of RUB 1,416 million, while members of VTB Group operating outside the Russian Federation spent USD 1.3 million. In total, support was provided for 361 projects, including 149 sponsorship and 212 charitable projects.

VTB Bank subsidiaries support projects and programmes that are in line with the areas of social investments that VTB Bank has identified as corporate priorities.

SPONSORSHIP AND CHARITY EXPENSES OF VTB GROUP COMPANIES



Additional information can be found in [VTB Group's Sustainability Report for the year of 2019](#).

Financial Statements

RESPONSIBILITY STATEMENT

VTB management is responsible for preparing VTB Bank’s Annual Report and consolidated financial statements in accordance with applicable laws.

I hereby confirm that to the best of my knowledge:

The consolidated financial statements of VTB Bank (PJSC) and its subsidiaries (hereinafter referred to as “the Group”), prepared in accordance with IFRS, give a true and fair view of the assets, liabilities, financial position, profit or loss of the Group; and

This Annual Report includes a fair review of the development and performance of the Group’s business and position, together with a description of the principal risks and uncertainties that the Group faces.

Andrey Kostin
VTB Bank President and Chairman
of the Management Board

VTB Bank consolidated financial statements and independent auditor’s report for the year ended 31 December 2019 can be found in the [Investor Relations section on the Bank’s website](#).

CONSOLIDATED FINANCIAL STATEMENTS UNDER IFRS

The following table shows VTB Group key financial data under IFRS. For a better understanding of the Group’s financial position, its financial performance and its cash flows, these consolidated key financials should be read in conjunction with the audited consolidated financial statements of the Group.

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER,
in billions of Russian roubles

	2019	2018 (restated)	Change
Interest income calculated using the effective interest method	1,039.8	967.6	7.5 %
Other interest income	67.2	66.4	1.2 %
Interest expense	−636.5	−542.6	17.3 %
Payments to deposit insurance system	−29.9	−22.8	31.1 %
Net interest income	440.6	468.6	−6.0 %
Provision charge for credit losses on debt financial assets	−92.2	−160.6	−42.6 %
Net interest income after provision for credit losses	348.4	308.0	13.1 %
Net fee and commission income	108.5	80.6	34.6 %
Gains net of losses / (losses net of gains) arising from sale and revaluation of loans at fair value through profit or loss	3.3	−2.0	265.0 %
Gains net of losses arising from other financial instruments at fair value through profit or loss	63.1	21.1	199.1 %
Gains net of losses arising from sale of financial assets at fair value through other comprehensive income	1.0	6.3	−84.1 %
(Losses net of gains) / gains net of losses arising from foreign currencies and precious metals	−25.6	21.4	−219.6 %
Gains net of losses arising from sale of financial assets at amortised cost	9.1	0.7	1,200.0 %
Other gains net of losses on financial instruments at amortised cost	0.2	0.7	−71.4 %
Share in profit of associates and joint ventures	11.1	8.1	37.0 %
Impairment of investments in associates	−	−11.8	100.0 %
Gains net of losses from disposal of subsidiaries and associates	7.5	40.8	−81.6 %
Losses net of gains arising from extinguishment of liabilities	−	−0.5	100.0 %
Provision charge for credit losses on credit related commitments and other debt financial assets	−7.8	−8.3	−6.0 %
(Provision charge) / reversal of provision for legal claims and other commitments	−3.3	1.8	−283.3 %
Excess of fair value of acquired net assets over cost	5.6	2.7	107.4 %
Other operating income	7.5	10.1	−25.7 %
Non-interest gains	71.7	91.1	−21.3 %

CONSOLIDATED INCOME STATEMENT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER, in billions of Russian roubles

	2019	2018 (restated)	Change
Revenue and other gains from operating lease of equipment	30.5	26.5	15.1 %
Expenses related to equipment leased out	-15.1	-14.9	1.3 %
Revenues less expenses from operating leasing	15.4	11.6	32.8 %
Net insurance premiums earned	40.8	121.8	-66.5 %
Net insurance claims incurred, movement in liabilities to policyholders and acquisition costs	-60.5	-99.3	-39.1 %
Revenues less expenses from insurance activity¹	-19.7	22.5	-187.6 %
Revenue and other gains from other non-banking activities	96.9	71.3	35.9 %
Cost of sales and other expenses from other non-banking activities	-93.2	-66.3	40.6 %
Impairment of land, premises and intangible assets other than goodwill used in non-banking activities	-1.1	-7.1	-84.5 %
Net loss from change in fair value of investment property recognised on revaluation or disposal	-0.9	-14.4	-93.8 %
Revenues less expenses from other non-banking activities	1.7	-16.5	110.3 %
Reversal of impairment / (impairment) of land, premises and intangible assets other than goodwill	0.1	-9.4	101.1 %
Impairment of goodwill	-	-0.1	100.0 %
Other operating expense	-19.0	-13.6	39.7 %
Staff costs and administrative expenses	-254.2	-259.8	-2.2 %
Non-interest expenses	-273.1	-282.9	-3.5 %
Profit before tax	252.9	214.4	18.0 %
Income tax expense	-51.7	-32.9	57.1 %
Net profit	201.2	181.5	10.9 %
Net profit / (loss) attributable to:			
Shareholders of the parent	202.0	181.9	11.1 %
Non-controlling interests	-0.8	-0.4	100.0 %
Basic and diluted earnings per share (expressed in Russian roubles per share)	0.01453	0.01299	11.9 %

¹ After disposal of VTB Insurance Group in October 2018 this line includes only results of non-state pension funds activity accounted for under IFRS 4 Insurance Contracts.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER, in billions of Russian roubles

	2019	2018
Net profit	201.2	181.5
Other comprehensive income / (loss):		
Other comprehensive income / (loss) to be reclassified to profit or loss in subsequent periods:		
Net change in fair value of debt financial assets at fair value through other comprehensive income, net of tax	7.4	-7.4
Reclassification of gains to income statement on sale of debt financial assets at fair value through other comprehensive income, net of tax	-0.7	-5.1
Cash flow hedges, net of tax	0.1	-
Share of other comprehensive (loss) / income of associates and joint ventures	-2.0	3.5
Effect of translation, net of tax	-21.2	33.8
Total other comprehensive (loss) / income to be reclassified to profit or loss in subsequent periods	-16.3	24.8
Other comprehensive income / (loss) not to be reclassified to profit or loss in subsequent periods:		
Actuarial losses net of gains arising from difference between pension plan assets and obligations	-0.1	-0.2
Net change in fair value of equity financial assets at fair value through other comprehensive income, net of tax	2.0	-2.7
Land and premises revaluation, net of tax	-0.3	6.2
Total other comprehensive income not to be reclassified to profit or loss in subsequent periods	1.6	3.3
Other comprehensive (loss) / income, net of tax	-14.7	28.1
Total comprehensive income	186.5	209.6
Total comprehensive income / (loss) attributable to:		
Shareholders of the parent	186.2	210.8
Non-controlling interests	0.3	-1.2

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER,
in billions of Russian roubles

	2019	2018	Change
Assets			
Cash and short-term funds	1,335.0	935.8	42.7 %
Mandatory cash balances with central banks	127.2	111.1	14.5 %
Trading financial assets	501.3	298.7	67.8 %
• Trading financial assets	481.9	264.6	82.1 %
• Trading financial assets, pledged under repurchase agreements	19.4	34.1	−43.1 %
Derivative financial assets	142.8	202.5	−29.5 %
Due from other banks	610.1	693.1	−12.0 %
Loans and advances to customers	10,774.1	10,691.6	0.8 %
• Loans and advances to customers	10,753.1	10,665.7	0.8 %
• Loans and advances to customers, pledged under repurchase agreements	21.0	25.9	−18.9 %
Investment financial assets	316.6	352.6	−10.2 %
• Investment financial assets	163.5	339.5	−51.8 %
• Investment financial assets, pledged under repurchase agreements	153.1	13.1	1,068.7 %
Investments in associates and joint ventures	264.9	286.8	−7.6 %
Assets of disposal groups and non-current assets held for sale	75.8	22.0	244.5 %
Land, premises and equipment	422.5	402.3	5.0 %
Investment property	196.1	197.2	−0.6 %
Goodwill and other intangible assets	209.2	160.0	30.8 %
Deferred income tax asset	129.9	119.6	8.6 %
Other assets	410.6	287.3	42.9 %
Total assets	15,516.1	14,760.6	5.1 %

	2019	2018	Change
Liabilities			
Due to other banks	1,177.2	1,425.7	−17.4 %
Customer deposits	10,974.2	10,403.7	5.5 %
Derivative financial liabilities	176.5	140.2	25.9 %
Other borrowed funds	348.9	329.7	5.8 %
Debt securities issued	343.4	259.1	32.5 %
Liabilities of disposal groups held for sale	0.3	–	n/a
Deferred income tax liability	15.7	12.4	26.6 %
Other liabilities	603.5	452.3	33.4 %
Total liabilities before subordinated debt	13,639.7	13,023.1	4.7 %
Subordinated debt	223.1	214.5	4.0 %
Total liabilities	13,862.8	13,237.6	4.7 %
Equity			
Share capital	659.5	659.5	0.0 %
Share premium	433.8	433.8	0.0 %
Perpetual loan participation notes	139.3	156.3	−10.9 %
Treasury shares and bought back perpetual loan participation notes	(0.4)	(1.0)	−60.0 %
Other reserves	66.1	82.4	−19.8 %
Retained earnings	362.1	197.0	83.8 %
Equity attributable to shareholders of the parent	1,660.4	1,528.0	8.7 %
Non-controlling interests	−7.1	−5.0	42.0 %
Total equity	1,653.3	1,523.0	8.6 %
Total liabilities and equity	15,516.1	14,760.6	5.1 %

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER,
in billions of Russian roubles

	2019	2018
Cash flows from / (used in) operating activities		
Interest received	1,081.2	1,047.9
Interest paid	−649.7	−508.4
Payments to deposit insurance system	−28.2	−20.2
Gains / (losses) on operations with trading financial assets	65.1	−25.4
(Losses) / gains incurred on dealing in foreign currency	−96.5	88.8
Fees and commissions received	160.0	141.7
Fees and commissions paid	−58.4	−43.1
Other operating income received	6.6	9.3
Other operating expenses paid	−8.9	−15.5
Revenue received from operating lease of equipment	28.4	26.9
Expenses paid related to equipment leased out	−4.8	−4.7
Net insurance premiums received	40.7	152.2
Net insurance claims paid	−3.4	−30.4
Revenue received from non-banking activities	101.1	32.6
Expenses paid related to non-banking activities	−87.7	−36.3
Staff costs, administrative expenses paid	−227.3	−233.6
Income tax paid	−53.4	−44.6
Cash flows from operating activities before changes in operating assets and liabilities	264.8	537.2
Net decrease / (increase) in operating assets		
Net increase in mandatory cash balances with central banks	−15.7	−13.7
Net (increase) / decrease in correspondent accounts in precious metals	−2.9	29.2
Net increase in trading financial assets	−147.9	−74.5
Net decrease in due from other banks	53.2	122.5
Net increase in loans and advances to customers	−319.5	−1,423.6
Net increase in other assets	−129.4	−4.7
Net (decrease) / increase in operating liabilities		
Net (decrease) / increase / in due to other banks	−200.2	573.7
Net increase in customer deposits	845.5	718.9
Net increase in debt securities issued other than bonds issued	3.8	13.7
Net increase / (decrease) in other liabilities	17.8	−2.8
Net cash from operating activities	369.5	475.9

	2019	2018
Cash flows from / (used in) investing activities		
Dividends and other distributions received	10.7	10.0
Proceeds from redemption and sales of investment financial assets	341.4	174.0
Purchase of investment financial assets	−257.5	−197.9
Acquisition of subsidiaries, net of cash	−32.1	6.9
Disposal of subsidiaries, net of cash	3.7	−18.9
Purchase of share in associates and other contributions	−39.1	−140.1
Proceeds from sale of share in associates and other distributions	0.3	64.9
Purchase of land, premises and equipment	−17.4	−53.3
Proceeds from sale of land, premises and equipment	1.1	4.8
Purchase or construction of investment property	−6.6	−7.3
Proceeds from sale of investment property	12.2	3.5
Purchase of intangible assets	−14.7	−10.1
Proceeds from sale of intangible assets	0.1	0.7
Net cash from / (used in) investing activities	2.1	−162.8

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER,
in billions of Russian roubles

	2019	2018
Cash flows from / (used in) financing activities		
Dividends paid	-31.1	-78.2
Proceeds, net of repayment, from short-term local bonds issued	-13.6	-11.2
Proceeds from local bonds issued	125.9	55.6
Repayment of local bonds	-16.3	-33.6
Buy-back of local bonds	-12.0	-10.6
Proceeds from sale of previously bought-back local bonds	0.6	3.6
Repayment of Eurobonds	-	-115.8
Buy-back of Eurobonds	-6.7	-2.5
Proceeds from sale of previously bought-back Eurobonds	6.0	2.4
Repayment of syndicated loans	-1.6	-1.6
Proceeds from other borrowings and funds from local central banks	402.6	535.4
Repayment of other borrowings and funds from local central banks	-394.0	-540.4
Repayments of lease liabilities	-10.6	-
Proceeds from subordinated debt	20.0	-
Repayment of subordinated debt	-0.5	-
Buy-back of subordinated debt	-	-0.7
Proceeds from sale of previously bought-back subordinated debt	-	0.8
Purchase of shares in subsidiaries from non-controlling interests	-6.6	-
Proceeds from issue of shares to non-controlling interest holders in subsidiaries	-	3.1
Cash received from sale of treasury shares	2.9	4.1
Cash paid for treasury shares	-2.4	-2.4
Buy-back of perpetual loan participation notes	-10.6	-10.5
Proceeds from sale of previously bought-back perpetual loan participation notes	10.7	11.1
Amounts paid on perpetual loan participation notes	-13.8	-13.7
Net cash from / (used in) financing activities	48.9	-205.1
Effect of exchange rate changes on cash and cash equivalents	-24.0	83.3
Effect of change in impairment loss allowance	-0.2	-0.1
Net increase in cash and cash equivalents	396.3	191.2
At the beginning of year	929.3	738.1
At the end of year	1,325.6	929.3

	2019	2018
Non-cash changes in liabilities arising from financial activities		
Foreign currency translation		
Eurobonds	-6.4	-15.6
Syndicated loans	3.0	-1.4
Funds from local central banks	-	-0.1
Subordinated debt	14.6	-18.4
Other non-cash changes		
Local bonds	11.4	-1.2
Eurobonds	12.9	1.2
Syndicated loans	-2.1	-0.2
Funds from local central banks	9.2	10.1
Subordinated debt	-3.7	-2.8

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED 31 DECEMBER,
in billions of Russian roubles

	Attributable to shareholders of the parent							Non-controlling interests	Total equity
	Share capital	Share premium	Perpetual loan participation notes	Treasury shares and bought back perpetual loan participation loan notes	Other reserves	Retained earnings	Total		
Balance at 1 January 2018	659.5	433.8	129.6	−3.3	54.1	126.6	1,400.3	10.5	1,410.8
Net result from treasury shares transactions	−	−	−	1.7	−	0.1	1.8	−	1.8
Net result from bought back perpetual loan participation notes transactions	−	−	−	0.6	−	−	0.6	−	0.6
Profit / (loss) for the period	−	−	−	−	−	181.9	181.9	−0.4	181.5
Other comprehensive income / (loss)	−	−	−	−	29.1	−0.2	28.9	−0.8	28.1
Total comprehensive income / (loss) for the period	−	−	−	−	29.1	181.7	210.8	−1.2	209.6
Transfer of premises revaluation reserve upon disposal or depreciation	−	−	−	−	−0.8	0.8	−	−	−
Share-based payments	−	−	−	−	−	−1.1	−1.1	−	−1.1
Acquisition of subsidiaries	−	−	−	−	−	−	−	2.2	2.2
Disposal of subsidiaries	−	−	−	−	−	−	−	−15.9	−15.9
Acquisition of non-controlling interests	−	−	−	−	−	−0.9	−0.9	0.6	−0.3
Increase in share capital of subsidiaries	−	−	−	−	−	−	−	3.1	3.1
Put options over non-controlling interests	−	−	−	−	−	−1.7	−1.7	−	−1.7
Amounts paid on perpetual loan participation notes	−	−	−	−	−	−13.7	−13.7	−	−13.7
Foreign exchange translation of perpetual loan participation notes	−	−	26.7	−	−	−26.7	−	−	−
Tax effect recognised on perpetual loan participation notes	−	−	−	−	−	5.4	5.4	−	5.4
Dividends declared	−	−	−	−	−	−73.5	−73.5	−4.3	−77.8
Balance at 31 December 2018	659.5	433.8	156.3	−1.0	82.4	197.0	1,528.0	−5.0	1,523.0
Impact of adopting IFRS 16 at 1 January 2019	−	−	−	−	−	−6.7	−6.7	−	−6.7
Balance at 1 January 2019 after adoption	659.5	433.8	156.3	−1.0	82.4	190.3	1,521.3	−5.0	1,516.3
Net result from treasury shares transactions	−	−	−	0.5	−	−0.1	0.4	−	0.4
Net result from bought back perpetual loan participation notes transactions	−	−	−	0.1	−	−	0.1	−	0.1
Profit / (loss) for the period	−	−	−	−	−	202.0	202.0	−0.8	201.2
Other comprehensive (loss) / income	−	−	−	−	−15.7	−0.1	−15.8	1.1	−14.7
Total comprehensive income / (loss) for the period	−	−	−	−	−15.7	201.9	186.2	0.3	186.5
Transfer of premises revaluation reserve upon disposal or depreciation	−	−	−	−	−0.3	0.3	−	−	−
Transfer of fair value reserve of equity investment financial assets upon disposal or derecognition	−	−	−	−	−0.3	0.3	−	−	−
Share-based payments	−	−	−	−	−	−0.5	−0.5	−	−0.5
Acquisition of subsidiaries	−	−	−	−	−	0.6	0.6	5.1	5.7
Acquisition of non-controlling interests	−	−	−	−	−	3.0	3.0	−5.4	−2.4
Amounts paid on perpetual loan participation notes	−	−	−	−	−	−13.8	−13.8	−	−13.8
Foreign exchange translation of perpetual loan participation notes	−	−	−17.0	−	−	17.0	−	−	−
Tax effect recognised on perpetual loan participation notes	−	−	−	−	−	−3.4	−3.4	−	−3.4
Dividends declared and other distributions to shareholders	−	−	−	−	−	−33.5	−33.5	−2.1	−35.6
Balance at 31 December 2019	659.5	433.8	139.3	−0.4	66.1	362.1	1,660.4	−7.1	1,653.3

Annexes

SHARE CAPITAL

In 2019, the structure of VTB Bank’s share capital did not undergo significant changes. There was also no change in the amount of the Bank’s charter capital, remaining at RUB 651,033,883,623.38, which is divided into ordinary and preference shares.

SHARE CAPITAL

Type of shares	Number of shares	Nominal value
Ordinary shares	12,960,541,337,338	RUB 0.01
Type 1 preference shares	21,403,797,025,000	RUB 0.01
Type 2 preference shares	3,073,905,000,000	RUB 0.1
Total	37,438,243,362,338	

In accordance with its Charter, the Bank has the right to issue a maximum number of 14,000,000,000,000 ordinary shares with a par value of RUB 0.01 each. The state registration number of ordinary shares 10401000B. The record date for the state registration of the Bank’s issue of ordinary shares is 29 September 2006.

The state registration number of the Bank’s Type 1 preference shares is 20301000B. The record date for the state registration of the issue is 13 December 2016. All shares of this type are placed at the disposal of a sole purchaser, the Russian Federation, as represented by the *Ministry of Finance of the Russian Federation*.

The state registration number of the Bank’s Type 2 preference shares is 20401000B. The record date for the state registration of the issue is 13 December 2016. All shares of this type are placed at the disposal of a sole purchaser, the *State Corporation Deposit Insurance Agency* (hereinafter, the “*Deposit Insurance Agency*”).

VTB Bank’s ordinary shares trade on *Moscow Exchange* and on the *London Stock Exchange in the form of global depository receipts (GDRs)*. *Moscow Exchange* has included VTB Bank’s shares in its Tier 1 list. One lot is 10,000 shares.

VTB Bank Type 1 and Type 2 preference shares are not traded on exchanges and do not offer a fixed dividend for the year. The amount of the dividend is subject to approval at the Annual General Meeting of Shareholders.

In addition, the Bank’s Charter provides for the possibility of paying out interim dividends.

The total number of shareholders of the Bank as of 31 December 2019 amounted to 160 thousand, including 159 thousand individuals. In 2019, the number of shareholders of the Bank increased by 31 %, or by 35 thousand individuals.

The Bank’s largest shareholders are the Federal Agency for State Property Management (12.13 % of the charter capital, or 60.93 % of ordinary shares) and the *Ministry of Finance of the Russian Federation* (32.88 % of the charter capital), as well as the *Deposit Insurance Agency* (47.22 % of the charter capital).

SHAREHOLDER STRUCTURE: HOLDERS OF VTB BANK'S ORDINARY SHARES as of December 2019

Shareholder	% of ordinary shares	% of charter capital
The Russian Federation as represented by the <i>Federal Agency for State Property Management</i>	60.93	12.13
<i>State Oil Fund of the Republic of Azerbaijan</i>	2.95	0.59
<i>Qatar Holding</i>	2.35	0.47
<i>Bank Otkritie Financial Corporation</i>	9.08	1.81
<i>Management-consulting</i>	4.67	0.93
<i>Sistema Capital</i>	1.03	0.21
<i>OTKRITIE LTD</i>	0.02	0.01
Other minority shareholders	18.97	3.75

DIVIDENDS

One of the main rights of shareholders is the right to receive a share of the Bank’s net profit in the form of dividend payments. Dividend payments are approved by the AGM, following recommendations made by the Supervisory Council. In determining the recommended dividend amount, the Supervisory Council is guided by the amount of the Bank’s net profit and by the Dividend Policy. The Bank’s Charter also provides for the possibility of the payment of interim dividends for the first three, six and nine months of the reporting year to holders of issued shares.

The record date for persons entitled to a share of the Bank’s net profit is determined at the General Meeting of Shareholders, but can be no earlier than 10 days before the date when the decision to pay dividends is due to be made, and no later than 20 days following such a decision. The time period for the payment of dividends depends on the type of registered shareholder. Dividend payments to nominal shareholders and trustees listed on the shareholder register must be made within 10 working days, while dividend payments to other registered shareholders must be made within 25 working days of the date when the list of persons entitled to dividends is compiled.

Shareholders appearing on the register receive dividends by bank transfer to their accounts (if bank details are provided) or by postal order. Shareholders whose rights are registered via nominal shareholders receive dividends in monetary form in accordance with the procedure stipulated in Russian laws on securities. The applicable law does not provide for dividend payments in cash.

Any dividends accrued but unclaimed by shareholders within a period of three calendar years are subject to allocation back to the profit of the Bank. Therefore, if a shareholder does not claim his or her accrued dividends within three years, he or she loses the right to receive them. If dividends are transferred to a shareholder’s bank account, they are considered paid.

RECORD OF VTB BANK DIVIDEND PAYMENTS FOR THE LAST FIVE YEARS

	2014	2015	2016 ¹	2017	2018
Total amount of dividend payments (RUB million)	18,000	33,093	62,265	73,516	26,820
DIVIDEND PAYOUT RATIO					
% of VTB Bank's net profit under RAS	91	67	90	73	12
% of VTB Group's net profit under IFRS	2,250	1,947	121	61	15
DIVIDEND PAYMENTS, RUB MILLION					
Ordinary shares	15,164	15,164	15,164	44,759	14,240
Type 1 preference shares ²	2,836	90	11,130	11,804	5,164
Type 2 preference shares ²	–	17,839	35,971	16,953	7,416
DIVIDEND PER ORDINARY SHARE, RUB					
Ordinary shares	0.00117	0.00117	0.00117	≈0.00345	≈0.00110
Type 1 preference shares	–	≈0.000132	≈0.0000042	0.00052	≈0.00024
Type 2 preference shares	–	–	≈0.0058	≈0.01170	≈0.00241
DIVIDEND YIELD, %					
Ordinary shares	2.7	1.7	1.7	5.5	2.4
Type 1 preference shares	–	0.04	5.2	5.5	2.4
Type 2 preference shares	–	5.8	11.7	5.5	2.4

At the Annual General Meeting of Shareholders on 5 June 2019, a decision was made on the payment of dividends based on 2018 results, and the record date for persons entitled to receive a divided was set at 24 June 2019.

¹ Taking into account interim dividends on Type 2 preference shares for 9M 2016 paid in December 2016.
² In accordance with the decision of the Extraordinary General Meeting of Shareholders of VTB Bank on 8 December 2016, Type 1 and Type 2 preference shares were placed by converting preference shares and Type A registered preference shares.

DIVIDEND PAYMENT IN 2019

Dividends were paid in full for all types of shares. There are no liabilities for the payment of dividends.

	Type of shares held	Deductions for the payment of dividends, RUB	Dividend amount per share, RUB	Amount of dividends paid, RUB	Dividends paid, % of the total amount of deductions for the payment of dividends on shares of a given type	Payment date / planned payment date
Federal Agency for State Property Management	Ordinary shares	14,239,456,640.85	0.00109867761463259	8,676,781,631.77	60.94	3 July 2019/ 26 July 2019
Registered nominal shareholders				5,546,669,639.56	38.95	2 July 2019/ 5 July 2019
Other registered shareholders				13,910,760.62	0.10	10 July 2019/ 26 July 2019
Ministry of Finance of the Russian Federation	Type 1 preference shares	5,164,109,976.47	0.00024127074137541	5,164,109,976.47	100	3 July 2019/ 26 July 2019
Deposit Insurance Agency	Type 2 preference shares	7,416,433,382.68	0.0024127074137541	7,416,433,382.68	100	3 July 2019/ 26 July 2019
Dividends in the amount of RUB 2,094,608.90, or 0.01 % of the total amount of deductions for the payment of dividends on ordinary shares, were not paid due to the failure on the part of the persons with the right to receive dividends to provide the Bank or the Bank's registrar with the necessary address details or bank information.						

Funds were sent by bank transfer to the accounts provided to the registrar by registered shareholders and nominal shareholders. In cases where bank details were not provided to the registrar, dividends were sent by postal order.

Dividend taxation

When calculating dividends for the year, a tax agent calculates and withholds tax from the amount of dividends accrued. Since 1 January 2014, when income is distributed in the form of dividends on shares issued by a Russian organisation, not only may the issuer of these shares be considered a tax agent, but, in cases stipulated by law, so may trustees, depositaries and so on. Taking into account that the income tax is calculated and withheld by a tax agent, mutual funds, foreign institutional investors and individual investors can apply for a tax exemption or a reduced tax rate on dividends received by submitting documents that demonstrate that they have the right to preferential tax treatment to the Bank's registrar, VTB Registrar, or to the depositary where their shares are registered. In the case of share transfer to beneficial ownership, documents should be submitted to a trust manager.

The tax rate on dividends for both individuals and legal entities that are residents of the Russian Federation is 13 %, and it is 15 % for non-residents. This rate applies to the total dividend sum, which can be less than the total volume of payments based on the income received by VTB Bank as dividends from participating in other companies, as tax has already been paid on these amounts. If a double taxation agreement applies, tax payments are made in accordance with the rate specified in the agreement, taking into account Russian legislation.

A complete list of the required documents can be found [in the Investor Relations section of the Bank's website \(Dividends subsection\)](#).

REPORT ON COMPLIANCE WITH THE PRINCIPLES AND RECOMMENDATIONS OF THE CORPORATE GOVERNANCE CODE

No.	Principles of corporate governance	Criteria for assessing compliance with the relevant principle of corporate governance	Status ¹ of compliance with the principle of corporate governance	Comments/explanation ² of deviation from compliance with the principle of corporate governance
1.1	The company shall ensure equal and fair treatment for all its shareholders in exercising their rights to participate in the management of the company.			
1.1.1	The company creates the most favourable possible conditions for its shareholders to participate in the General Meeting, for the development of sound positions related to agenda items at the General Meeting, for coordinating their activities, as well as an opportunity to express their views on the issues under consideration.	1. There is a publicly available internal company bylaw, approved by the General Meeting of Shareholders that governs the procedures for conducting General Meetings. 2. The company has established an accessible means of communicating with the company, such as a hotline, email or online forums, allowing shareholders to express their opinions and send questions regarding the agenda during preparations for the General Meeting. The company undertook such actions before every General Meeting that took place during the reporting period.	☒ Compliance ☐ Partial compliance ☐ Non-compliance	
1.1.2	The procedure for giving notice of the General Meeting and the provision of materials for the General Meeting gives shareholders an opportunity to properly prepare for participation in the meeting.	1. Notice of an upcoming General Meeting of Shareholders is posted (published) on the website no later than 30 days before the date of the General Meeting. 2. The notice about an upcoming meeting indicated the place of the meeting and the documents required for admission to the premises. 3. Shareholders were provided with access to information about who proposed the agenda items and who nominated individuals to the Board of Directors and the Statutory Audit Commission.	☒ Compliance ☐ Partial compliance ☐ Non-compliance	

No.	Principles of corporate governance	Criteria for assessing compliance with the relevant principle of corporate governance	Status ¹ of compliance with the principle of corporate governance	Comments/explanation ² of deviation from compliance with the principle of corporate governance
1.1.3	In the course of the preparation for, and the holding of, a General Meeting, shareholders had the opportunity to receive information about the meeting and materials for the meeting without hindrance and in a timely manner to put questions to the executive bodies and the members of the Board of Directors and to communicate with one another.	1. Shareholders had the opportunity to put questions to members of the executive bodies and the members of the Board of Directors prior to and during the Annual General Meeting. 2. The position of the Board of Directors (including dissenting opinions entered in the minutes) on each agenda item at General Meetings held during the reporting period was included in the materials for the General Meeting of Shareholders. 3. The company provides shareholders (who have the right) with an access to the list of persons entitled to participate in the General Meeting starting from the date of its receipt by the company in all cases regarding General Meetings held during the reporting period.	☒ Compliance ☐ Partial compliance ☐ Non-compliance	
1.1.4	Implementation of the shareholder right to request that a General Meeting be convened, to nominate candidates to the management bodies and to make proposals for inclusion on the agenda of the general meeting did not involve needless difficulties.	1. During the reporting period, shareholders had the opportunity to submit proposals for inclusion on the agenda of the Annual General Meeting during a period of no less than 60 days after the end of the corresponding calendar year. 2. During the reporting period, the company did not refuse to accept proposals for the agenda or nominations to the company's various bodies as a result of typos or other insignificant errors in the shareholder's proposal.	☒ Compliance ☐ Partial compliance ☐ Non-compliance	
1.1.5	Every shareholder had an opportunity to freely exercise their right to vote in the simplest and the most convenient way for them.	The company's bylaws (internal policy) contain provisions pursuant to which each participant of a General Meeting may request a copy of their completed ballot certified by the counting commission prior to the completion of the meeting in question.	☒ Compliance ☐ Partial compliance ☐ Non-compliance	

No.	Principles of corporate governance	Criteria for assessing compliance with the relevant principle of corporate governance	Status ¹ of compliance with the principle of corporate governance	Comments/explanation ² of deviation from compliance with the principle of corporate governance
1.1.6	The procedure established by the company for conducting General Meetings provides an equal opportunity to all individuals present at a meeting to express their opinions and ask questions.	1. When conducting General Meetings of Shareholders during the reporting period in the form of a meeting (with the joint presence of shareholders), sufficient time was provided for reports on agenda items, as well as time to discuss those items. 2. Candidates for the company's management and oversight bodies were available to answer questions from shareholders at the meeting at which their nominations were put to a vote. 3. When making decisions related to the preparation and holding of General Meetings of Shareholders, the Board of Directors considered the use of telecommunications facilities to provide remote access to shareholders to participate in General Meetings during the reporting period.	☒ Compliance ☐ Partial compliance ☐ Non-compliance	
1.2	Shareholders are given equal and fair opportunities to participate in the profits of the company by receiving dividends.			
1.2.1	The company has developed and implemented a transparent and clear mechanism for determining the amount and payment of dividends.	1. The company has developed a dividend policy that has been approved by the Board of Directors and that has been disclosed. 2. If the company's Dividend Policy uses the company's reporting indicators to determine the amount of the dividend, then the relevant provisions of the Dividend Policy are taken into account by the Group's consolidated financial statements.	☒ Compliance ☐ Partial compliance ☐ Non-compliance	
1.2.2	The company does not take a decision on the payment of dividends if such a decision, while not formally in violation of legal restrictions, is unjustified from an economic point of view and could lead to the formation of misconceptions about the company's activities.	The company's Dividend Policy provides clear guidance on the financial/economic circumstances under which the company should not pay dividends.	☒ Compliance ☐ Partial compliance ☐ Non-compliance	

No.	Principles of corporate governance	Criteria for assessing compliance with the relevant principle of corporate governance	Status ¹ of compliance with the principle of corporate governance	Comments/explanation ² of deviation from compliance with the principle of corporate governance
1.2.3	The company does not permit any diminution of the dividend rights of existing shareholders.	During the reporting period, the company did not take any actions that led to the diminution of the dividend rights of existing shareholders.	☒ Compliance ☐ Partial compliance ☐ Non-compliance	
1.2.4	The company is committed to preventing shareholders from using other means of earning a profit (income) at the company's expense beyond dividends and liquidation value.	In order to prevent shareholders from using other means of earning a profit (income) at the company's expense beyond dividends and liquidation value, the company's bylaws have established monitoring mechanisms that ensure the timely discovery of, and a procedure for, the approval of transactions with persons affiliated (associated) with major shareholders (those with the right to make use of the votes stemming from voting shares) in cases where the law does not formally recognise such transactions as related-party transactions.	☒ Compliance ☐ Partial compliance ☐ Non-compliance	
1.3	The corporate governance system and practices shall ensure equal terms and conditions for all shareholders owning shares of the same class (category), including minority and foreign shareholders, as well as their equal treatment by the company.			
1.3.1	The company has created the conditions for the fair treatment of each shareholder by the company's management and oversight bodies, including conditions ensuring the inadmissibility of abuse by major shareholders in relation to minority shareholders.	During the reporting period, the procedures for managing potential conflicts of interest involving major shareholders were effective, and conflicts between shareholders, if any, were given due attention by the Board of Directors.	☒ Compliance ☐ Partial compliance ☐ Non-compliance	

No.	Principles of corporate governance	Criteria for assessing compliance with the relevant principle of corporate governance	Status ¹ of compliance with the principle of corporate governance	Comments/explanation ² of deviation from compliance with the principle of corporate governance
1.3.2	The company does not undertake actions that lead or may lead to the artificial redistribution of corporate control.	There were no quasi-treasury shares, or they did not vote during the reporting period.	☒ Compliance ☐ Partial compliance ☐ Non-compliance	
1.4	Shareholders must be provided with reliable and effective ways to register their rights to their shares, as well the possibility to dispose of their shares freely and easily.			
1.4.1	Shareholders must be provided with reliable and effective ways to register their rights to their shares, as well the possibility to dispose of their shares freely and easily.	The quality and reliability of the activities performed by the company's registrar to maintain the register of securities holders meet the needs of the company and its shareholders.	☒ Compliance ☐ Partial compliance ☐ Non-compliance	
2.1	The Board of Directors carries out strategic management within the company, defines the basic principles and approaches to organising a risk management and internal control system within the company, supervises the activity of executive bodies and also performs other key functions.			
2.1.1	The Board of Directors is responsible for decisions relating to the appointment and dismissal of members of executive bodies, including in connection with the improper performance of their duties. The Board of Directors also carries out oversight measures to ensure that the company's executive bodies act in accordance with the approved Development Strategy and the company's main areas of activity.	- The Board of Directors has the authority, per the Charter, to appoint and dismiss members of executive bodies, as well as to determine the terms of their contracts. - The Board of Directors reviewed the report(s) of the sole executive body and of members of the collective executive body on the implementation of the company's strategy.	☒ Compliance ☐ Partial compliance ☐ Non-compliance	

No.	Principles of corporate governance	Criteria for assessing compliance with the relevant principle of corporate governance	Status ¹ of compliance with the principle of corporate governance	Comments/explanation ² of deviation from compliance with the principle of corporate governance
2.1.2	The Board of Directors establishes the basic guidelines for the company's activities in the long term, evaluates and approves the company's key performance indicators and key business goals, and evaluates and approves the strategy and business plans for the company's core activities.	During the reporting period, meetings of the Board of Directors addressed issues related to progress on implementation and updating of the company's strategy, approval of the company's financial and economic plan (budget), as well as the consideration of criteria and indicators (including interim) related to implementation of the company's strategy and business plans.	☒ Compliance ☐ Partial compliance ☐ Non-compliance	
2.1.3	The Board of Directors determines the principles of, and approaches to, organising a risk management and internal control system in the company.	- The Board of Directors has determined the principles of, and approaches to, organising a risk management and internal control system in the company. - The Board of Directors assessed the company's risk management and internal control system during the reporting period.	☒ Compliance ☐ Partial compliance ☐ Non-compliance	
2.1.4	The Board of Directors determines the company policy on remuneration and/or reimbursement (compensation) for expenses for members of the company's Board of Directors, executive bodies and other key executives.	- The company has developed and implemented a policy (policies), approved by the Board of Directors, on the remuneration and reimbursement (compensation) of expenses for members of the company's Board of Directors, executive bodies and other key executives. - Issues related to this policy (policies) were considered during the reporting period at meetings of the Board of Directors.	☒ Compliance ☐ Partial compliance ☐ Non-compliance	
2.1.5	The Board of Directors plays a key role in the prevention, detection and resolution of internal conflicts between the company's executive bodies, shareholders and employees.	- The Board of Directors plays a key role in the prevention, detection and resolution of internal conflicts. - The company has established a system for identifying transactions involving a conflict of interest, and a system of measures aimed at resolving such conflicts.	☒ Compliance ☐ Partial compliance ☐ Non-compliance	

No.	Principles of corporate governance	Criteria for assessing compliance with the relevant principle of corporate governance	Status ¹ of compliance with the principle of corporate governance	Comments/explanation ² of deviation from compliance with the principle of corporate governance
2.1.6	The Board of Directors plays a key role in ensuring the transparency of the company, the timeliness and completeness of the company's disclosure of information, and shareholders' unhindered access to company documents.	1. The Board of Directors approved the Regulation on Information Policy. 2. The company has appointed responsible officials for implementation of its Information Policy.	☒ Compliance ☐ Partial compliance ☐ Non-compliance	
2.1.7	The Board of Directors oversees the corporate governance practices within the company and plays a key role in material corporate events.	During the reporting period, the Board of Directors considered the issue of the company's corporate governance practices.	☒ Compliance ☐ Partial compliance ☐ Non-compliance	
2.2	The Board of Directors is accountable to the company's shareholders.			
2.2.1	Information about the work of the Board of Directors is disclosed and presented to the shareholders.	1. The company's Annual Report for the reporting period includes information on individual directors' attendance at board and committee meetings. 2. The Annual Report contains information about the main results of the assessment of the work of the Board of Directors carried out during the reporting period.	☒ Compliance ☐ Partial compliance ☐ Non-compliance	
2.2.2	The Chairman of the Board of Directors must be available to the company's shareholders.	The company has a transparent procedure for providing shareholders with an opportunity to direct their questions and their position on those questions to the Chairman of the Board of Directors.	☒ Compliance ☐ Partial compliance ☐ Non-compliance	

No.	Principles of corporate governance	Criteria for assessing compliance with the relevant principle of corporate governance	Status ¹ of compliance with the principle of corporate governance	Comments/explanation ² of deviation from compliance with the principle of corporate governance
2.3	The Board of Directors must be an efficient and professional governing body that is capable of making objective and independent judgements and passing resolutions in the best interests of the company and its shareholders.			
2.3.1	Only individuals who have an excellent business and personal reputation, and who also have the knowledge, skills and experience required to make decisions related to the remit of the Board of Directors and required for the effective performance of its functions may be elected as members of the Board of Directors.	1. The company has adopted a procedure for assessing the effectiveness of the Board of Directors that includes an assessment of the professional qualifications of the members of the Board of Directors. 2. During the reporting period, the Board of Directors (or its Nominating Committee) evaluated candidates for the Board of Directors in terms of whether they had the necessary experience, knowledge and business reputation, as well as whether or not they had any conflicts of interest.	☒ Compliance ☐ Partial compliance ☐ Non-compliance	
2.3.2	The members of the Board of Directors are elected through a transparent procedure that allows shareholders to receive information about the candidates that is sufficient to form a picture of their personal and professional qualities.	Whenever a General Meeting of Shareholders was held during the reporting period whose agenda included the issue of the election of the Board of Directors, the company provided the shareholders with the CVs of all candidates for members of the Board of Directors and the results of the evaluation of the candidates conducted by the Board of Directors (or the Nominating Committee). It also provided information on each candidate's compliance with the independence criteria in accordance with recommendations 102–107 of the Code, as well as the written consent of the candidates for election to the Board of Directors.	☒ Compliance ☐ Partial compliance ☐ Non-compliance	
2.3.3	The composition of the Board of Directors shall be balanced, including in terms of the qualifications of its members, their experience, knowledge and business qualities, and it shall enjoy the confidence of the shareholders.	As part of the procedures for assessing the work of the Board of Directors carried out during the reporting period, the Board of Directors analysed its own requirements in the area of professional qualifications, experience and business skills.	☒ Compliance ☐ Partial compliance ☐ Non-compliance	

No.	Principles of corporate governance	Criteria for assessing compliance with the relevant principle of corporate governance	Status ¹ of compliance with the principle of corporate governance	Comments/explanation ² of deviation from compliance with the principle of corporate governance
2.3.4	The quantitative composition of the Board of Directors makes it possible to organise the activities of the Board of Directors in the most efficient manner possible, including the possibility of the formation of the Board committees. It shall also provide the company's significant minority shareholders with an opportunity to elect to the Board of Directors a candidate of their choice.	As part of the procedures for assessing the work of the Board of Directors carried out during the reporting period, the Board of Directors considered the issue of the compliance of the quantitative composition of the Board of Directors with the company's requirements and the interests of shareholders.	☒ Compliance ☐ Partial compliance ☐ Non-compliance	
2.4	The Board of Directors includes a sufficient number of independent directors.			
2.4.1	An independent director is a person who has sufficient professionalism, experience and independence to form their own positions, is able to formulate objective and honest opinions, is independent from the influence of the company's executive bodies, individual groups of shareholders and other interested parties. It should be kept in mind that, under normal conditions, a candidate (elected member of the Board of Directors) who is associated with the company, its major shareholders, a significant counterparty or competitor or the state may not be considered independent.	During the reporting period, all independent members of the Board of Directors met all the criteria for independence set out in recommendations 102–107 of the Code or were recognised as independent by a decision of the Board of Directors.	☒ Compliance ☐ Partial compliance ☐ Non-compliance	

No.	Principles of corporate governance	Criteria for assessing compliance with the relevant principle of corporate governance	Status ¹ of compliance with the principle of corporate governance	Comments/explanation ² of deviation from compliance with the principle of corporate governance
2.4.2	An assessment of the compliance of candidates for the Board of Directors with the criteria for independence shall be carried out, along with a regular review of the compliance of independent members of the Board of Directors with the independence criteria. In conducting such an assessment, content should prevail over form.	- During the reporting period, the Board of Directors (or its Nominating Committee) formed an opinion about each candidate's independence and presented shareholders with their conclusions. - During the reporting period, the Board of Directors (or its Nominating Committee) reviewed, on at least one occasion, the independence of the current members of the Board of Directors who are indicated as independent directors in the company's Annual Report. - The company has developed procedures for determining the necessary actions a Board member must take in the event that he or she ceases to be independent, including the obligation to inform the Board of Directors about this in a timely manner.	☒ Compliance ☐ Partial compliance ☐ Non-compliance	
2.4.3	Independent directors account for at least one third of all directors elected to the Board.	Independent directors account for at least one third of all directors elected to the Board.	☐ Compliance ☒ Partial compliance ☐ Non-compliance	Of the 11 members of the Bank's Supervisory Council, three are independent, which is less than one third of the composition of the Supervisory Council recommended in this paragraph. At the same time, the Bank elected a new Supervisory Council at the Bank's AGM in 2019, which includes five directors with no relation to the principal shareholder, including four representatives of minority shareholders. According to the Bank, the current composition of the Bank's Supervisory Council is balanced, representing the interests of a wide range of shareholders, and it is as independent as possible in its activities.

No.	Principles of corporate governance	Criteria for assessing compliance with the relevant principle of corporate governance	Status ¹ of compliance with the principle of corporate governance	Comments/explanation ² of deviation from compliance with the principle of corporate governance
2.4.4	Independent directors play a key role in the prevention of internal conflicts within the company and in the company's performance of material corporate actions.	Independent directors (who have no conflict of interest) provide a preliminary assessment of material corporate actions related to possible conflicts of interest, and the results of that assessment are presented to the Board of Directors.	☒ Compliance ☐ Partial compliance ☐ Non-compliance	
2.5	The Chairman of the Board of Directors shall facilitate the most effective performance of the functions assigned to the Board.			
2.5.1	The Chairman of the Board of Directors is an independent director, or the elected independent directors select a senior independent director who coordinates the work of the independent directors and is responsible for communication with the Chairman of the Board of Directors.	- The Chairman of the Board of Directors is an independent director, or a senior independent director is selected from among the independent directors³. - The role, rights and responsibilities of the Chairman of the Board of Directors (and, if applicable, of the senior independent director) are stipulated, as required, in the company's bylaws.	☒ Compliance ☐ Partial compliance ☐ Non-compliance	
2.5.2	The Chairman of the Board of Directors ensures a constructive atmosphere for holding meetings, a free discussion of the issues included on the meeting agenda and oversight over the execution of decisions taken by the Board of Directors.	The effectiveness of the work of the Chairman of the Board of Directors is evaluated in the framework of the performance evaluation procedures for the Board of Directors during the reporting period.	☒ Compliance ☐ Partial compliance ☐ Non-compliance	
2.5.3	The Chairman of the Board of Directors shall take the necessary measures for the timely provision of information to members of the Board of Directors in order to take decisions about items on the agenda.	The duty of the Chairman of the Board of Directors to take steps to ensure the timely delivery of materials to members of the Board of Directors concerning items on the agenda of a meeting of the board is stipulated in company bylaws.	☒ Compliance ☐ Partial compliance ☐ Non-compliance	

No.	Principles of corporate governance	Criteria for assessing compliance with the relevant principle of corporate governance	Status ¹ of compliance with the principle of corporate governance	Comments/explanation ² of deviation from compliance with the principle of corporate governance
2.6	Board members act in good faith and reasonably in the interests of the company and its shareholders on the basis of sufficient information, with due care and diligence.			
2.6.1	Board members take decisions based on all available information, without any conflicts of interest, taking into account the equal treatment of the company's shareholders, within the framework of normal business risk.	- According to the company's bylaws, a member of the Board of Directors must notify the Board of Directors if he or she has a conflict of interest in respect of any item on the agenda of a meeting of the board or of a board committee prior to the discussion of the relevant agenda item. - The company's bylaws provide that a Board member must abstain from voting on any matter in which he or she has a conflict of interest. - The company has established a procedure that allows the Board of Directors to receive professional advice on matters within its remit at the company's expense.	☒ Compliance ☐ Partial compliance ☐ Non-compliance	
2.6.2	The rights and obligations of members of the Board of Directors are clearly enshrined in the company's bylaws.	The company has adopted and published a bylaw that clearly stipulates the rights and responsibilities of members of the Board of Directors.	☒ Compliance ☐ Partial compliance ☐ Non-compliance	
2.6.3	Board members have sufficient time to perform their duties.	- Individual attendance at Board and committee meetings, as well as the time devoted to preparation for participation in such meetings, was taken into account as part of the Board of Directors assessment procedures during the reporting period. - In accordance with the company's bylaws, members of the Board of Directors are required to notify the Board of their intention to be a part of the management bodies of other organisations (beyond those that are the company's subsidiaries or dependent organisations), as well as the fact of such appointments.	☒ Compliance ☐ Partial compliance ☐ Non-compliance	

No.	Principles of corporate governance	Criteria for assessing compliance with the relevant principle of corporate governance	Status ¹ of compliance with the principle of corporate governance	Comments/explanation ² of deviation from compliance with the principle of corporate governance
2.6.4	All members of the Board of Directors shall have equal access to the company's documents and information. Newly elected members of the Board of Directors shall be provided, in the shortest possible time, with sufficient information about the company.	1. In accordance with the company's bylaws, the members of the Board of Directors have the right to access documents and to make inquiries concerning the company and its subsidiary organisations, and the company's executive bodies are required to provide relevant information and documents. 2. The company has established a formalised programme of introductory events for newly elected members of the Board of Directors.	☒ Compliance ☐ Partial compliance ☐ Non-compliance	
2.7	Meetings of the Board of Directors, preparations for them and the participation of Board members therein shall ensure that the Board works in an effective manner.			
2.7.1	Meetings of the Board of Directors shall be held as necessary, taking into account the scale of operations and the tasks facing the company at a given period of time.	The Board of Directors held at least six meetings during the reporting year.	☒ Compliance ☐ Partial compliance ☐ Non-compliance	
2.7.2	The company's bylaws shall enshrine procedures for the preparation and holding of Board meetings that allow members of the BOARD of Directors to prepare adequately for such meetings.	The company has approved a bylaw that stipulates the procedure for the preparation and holding of Board meetings, in which it is also established that notice about a meeting must be provided, as a rule, not less than five days prior to the meeting.	☒ Compliance ☐ Partial compliance ☐ Non-compliance	
2.7.3	The format of each meeting of the Board of Directors is determined based on the importance of the items on its agenda. The most important issues are resolved at meetings of the Board of Directors held in person.	The company's Charter or bylaws provide that the most important issues (according to the list provided in recommendation 168 of the Code) must be considered at in-person Board meetings.	☒ Compliance ☐ Partial compliance ☐ Non-compliance	

No.	Principles of corporate governance	Criteria for assessing compliance with the relevant principle of corporate governance	Status ¹ of compliance with the principle of corporate governance	Comments/explanation ² of deviation from compliance with the principle of corporate governance
2.7.4	Decisions on the most important issues concerning the company's activities shall be taken at a meeting of the Board of Directors by a qualified majority or a majority of all the elected members of the Board of Directors.	The company's Charter provides that decisions on the most important issues outlined in recommendation 170 of the Code must be taken at a meeting of the Board of Directors by a qualified majority of not less than three fourths of the votes or by a majority of all the elected members of the Board of Directors.	☒ Compliance ☐ Partial compliance ☐ Non-compliance	
2.8	The Board of Directors shall form committees for preliminary consideration of the most important issues related to the company's activities.			
2.8.1	For the preliminary consideration of issues related to the control of the company's financial and economic activities, an Audit Committee shall be established that is composed of independent directors.	1. The Board of Directors has formed an Audit Committee composed entirely of independent directors. 2. The company's bylaws stipulate the Audit Committee's tasks, including those tasks outlined in recommendation 172 of the Code. 3. At least one member of the Audit Committee, who is an independent director, has experience and expertise in the preparation, analysis, evaluation and auditing of financial statements. 4. Meetings of the Audit Committee took place at least once a quarter during the reporting period.	☒ Compliance ☐ Partial compliance ☐ Non-compliance	

No.	Principles of corporate governance	Criteria for assessing compliance with the relevant principle of corporate governance	Status ¹ of compliance with the principle of corporate governance	Comments/explanation ² of deviation from compliance with the principle of corporate governance
2.8.2	For preliminary consideration of issues related to the formation of effective and transparent remuneration practices, a Remuneration Committee was established that consists of independent directors and is chaired by an independent director who is not the Chairman of the Board of Directors.	1. The Board of Directors established a Remuneration Committee that consists solely of independent directors. 2. The Chairman of the Remuneration Committee is an independent director who is not the Chairman of the Board of Directors. 3. The company's bylaws stipulate the Remuneration Committee's tasks, including those tasks outlined in recommendation 180 of the Code.	☒ Compliance ☐ Partial compliance ☐ Non-compliance	1-2. Two of the three directors on the Supervisory Council's Staff and Remuneration Committee are independent, and the other is a non-executive director. The current members of the Committee are selected based on the individual experience and competence of each member. In addition, the Bank complies with the requirements on corporate governance of the <i>Moscow Exchange</i> Listing Rules, including the requirements for the composition of the Supervisory Council committees. At the same time, the Bank considered the practice of forming a committee from independent directors only to be inexpedient for itself primarily because of the risk that the Committee would include members of the Supervisory Council without the necessary competence in this field. Bearing in mind that the decisions at Committee meetings are adopted by a simple majority, and the majority of the members of the Committee are independent, the Bank has minimised the risk of biased decisions. At the same time, however, the Bank, in collaboration with its principal shareholder (the Federal Agency for State Property Management), plans to explore, prior to the Bank's next AGM, in 2020, the issue of including as candidates for positions on the Supervisory Council more independent directors with the requisite experience to serve on the Committee.

No.	Principles of corporate governance	Criteria for assessing compliance with the relevant principle of corporate governance	Status ¹ of compliance with the principle of corporate governance	Comments/explanation ² of deviation from compliance with the principle of corporate governance
2.8.3	For preliminary consideration of issues related to the implementation of staff planning (succession planning) and the professional composition and performance of the Board of Directors, a Nominating Committee (appointments, human resources) was established, most of whose members are independent directors.	1. The Board of Directors established a Nominating Committee (or the tasks thereof specified in recommendation 186 of the Code are performed by another committee <4>) consisting mostly of independent directors. 2. The company's bylaws stipulate the tasks of the Nominating Committee (or the relevant committee with combined functions), including the tasks outlined in recommendation 186 of the Code.	☒ Compliance ☐ Partial compliance ☐ Non-compliance	1. The functions of the Nominating Committee are entrusted to the Supervisory Council Staff and Remuneration Committee.
2.8.4	Given the scope and risk level, the Board of Directors determined that the composition of its committees fully meets the company's goals. Additional committees were either formed or are not deemed necessary (strategy committee, corporate governance committee, ethics committee, risk management committee, budget committee, committee on health, safety and the environment, etc.).	During the reporting period, the company's Board of Directors considered the composition of its committees in terms of the Board's duties and the company's objectives. Additional committees were either formed or were deemed unnecessary.	☒ Compliance ☐ Partial compliance ☐ Non-compliance	The Strategy and Corporate Governance Committee has been formed and actively functioning in the Bank. The Committee considers, and makes recommendations on, strategic development issues and on improving corporate governance, as well as on refining management of the Bank's capital.⁵
2.8.5	The composition of the committees is determined in such a way that it allows for a comprehensive discussion of issues beforehand, taking into account different views.	1. Committees of the Board of Directors are chaired by independent directors. 2. The company's bylaws (policies) include provisions under which individuals who are not members of the Audit Committee, the Nominating Committee or the Remuneration Committee may attend committee meetings only at the invitation of the chairman of the relevant committee.	☐ Compliance ☒ Partial compliance ☐ Non-compliance	1. See paras. 2.8.1 and 2.8.2

No.	Principles of corporate governance	Criteria for assessing compliance with the relevant principle of corporate governance	Status ¹ of compliance with the principle of corporate governance	Comments/explanation ² of deviation from compliance with the principle of corporate governance
2.8.6	The committee chairmen shall regularly inform the Board of Directors and its Chairman about the work of their committees.	During the reporting period, the chairmen of the committees reported regularly to the Board of Directors on the work of the committees.	☒ Compliance ☐ Partial compliance ☐ Non-compliance	
2.9	The Board of Directors shall ensure that the quality of its work and that of its committees and its members is assessed.			
2.9.1	Assessment of the quality of the work of the Board of Directors is aimed at determining the degree of the effectiveness of the work of the Board of Directors, its committees and Board members, the compliance of their work with the company's development needs, intensification of the work of the Board of Directors and identifying areas in which their work can be improved.	1. The self-assessment and external evaluation of the Board of Directors carried out during the reporting period included an evaluation of the work of the committees, individual Board members and the Board of Directors as a whole. 2. The results of the self-assessment or external assessment of the Board of Directors carried out during the reporting period were discussed at an in-person meeting of the Board of Directors.	☒ Compliance ☐ Partial compliance ☐ Non-compliance	
2.9.2	The work of the Board of Directors, its committees and Board members is assessed on a regular basis, at least once a year. To conduct an independent assessment of the quality of the Board of Directors' work, a third-party entity (consultant) is engaged at least once every three years.	To conduct an independent assessment of the quality of the Board of Directors' work during the last three reporting periods, the Company engaged a third-party entity (consultant) at least once.	☒ Compliance ☐ Partial compliance ☐ Non-compliance	

No.	Principles of corporate governance	Criteria for assessing compliance with the relevant principle of corporate governance	Status ¹ of compliance with the principle of corporate governance	Comments/explanation ² of deviation from compliance with the principle of corporate governance
3.1	The company's Corporate Secretary is responsible for efficient ongoing interaction with its shareholders, coordination of the company's actions designed to protect the rights and interests of its shareholders and support for the efficient work of its Board of Directors.			
3.1.1	The Corporate Secretary has sufficient knowledge, experience and expertise for the execution of his or her duties. This official enjoys an impeccable reputation and the confidence of shareholders.	1. The company has adopted and disclosed a bylaw called the Regulation on the Corporate Secretary. 2. The company's website and Annual Report provide biographical information about the Corporate Secretary. The same level of detail is provided about the members of the company's Board of Directors and executive management.	☒ Compliance ☐ Partial compliance ☐ Non-compliance	
3.1.2	The Corporate Secretary is sufficiently independent of the company's executive bodies, and has been given the necessary authority and resources to carry out his assigned tasks.	The Board of Directors approves the appointment and dismissal of the Corporate Secretary, as well as decisions to award additional remuneration to the Corporate Secretary.	☒ Compliance ☐ Partial compliance ☐ Non-compliance	
4.1	The level of remuneration paid by the company is sufficient to enable it to recruit, motivate and retain employees who have the required skills and qualifications. Remuneration is paid to Board members, executive bodies and other key managers at the company in accordance with the remuneration policy adopted by the company.			
4.1.1	The level of remuneration provided by the company to members of the Board of Directors, executive bodies and other key executives creates sufficient motivation for them to work effectively, allowing the company to recruit and retain competent and skilled professionals. This allows the company to avoid having to pay a level of remuneration that is more than necessary, and it prevents the formation of unjustifiably large gaps in the level of remuneration between these officials and company employees.	The company has adopted a bylaw or bylaws (policy/policies) regulating the remuneration for members of the Board of Directors, executive bodies and other key executives, which clearly stipulate approaches to the remuneration of these individuals.	☒ Compliance ☐ Partial compliance ☐ Non-compliance	

No.	Principles of corporate governance	Criteria for assessing compliance with the relevant principle of corporate governance	Status ¹ of compliance with the principle of corporate governance	Comments/explanation ² of deviation from compliance with the principle of corporate governance
4.1.2	The company's remuneration policy is determined by the Remuneration Committee and approved by the Board of Directors. The Board of Directors, with the support of the Remuneration Committee, monitors the introduction and implementation of the company's Remuneration Policy, and, if necessary, it reviews and makes adjustments to it.	During the reporting period, the Remuneration Committee reviewed the Remuneration Policy (Policies) and the policy regulating its (their) implementation; if necessary, it presented appropriate recommendations to the Board of Directors.	☒ Compliance ☐ Partial compliance ☐ Non-compliance	
4.1.3	The company's Remuneration Policy provides transparent mechanisms for determining the amount of remuneration for members of the Board of Directors, executive bodies and other key executives at the company. It also regulates all types of payments, benefits and privileges provided to such individuals.	The company's Remuneration Policy (Policies) contains (contain) transparent mechanisms for determining the remuneration of members of the Board of Directors, executive bodies and other key executives at the company. It (they) also regulates (regulate) all kinds of payments, benefits and privileges provided to such individuals.	☒ Compliance ☐ Partial compliance ☐ Non-compliance	
4.1.4	The company determines a policy on the reimbursement (compensation) of expenses that enumerates a list of reimbursable expenses and the level of service that members of the Board of Directors, executive bodies and other key executives at the company may qualify for. This policy may form a part of the company's Remuneration Policy.	The policy (policies) on remuneration or the company's other bylaws establish reimbursement rules for Board members, executive bodies and other key executives at the company.	☒ Compliance ☐ Partial compliance ☐ Non-compliance	

No.	Principles of corporate governance	Criteria for assessing compliance with the relevant principle of corporate governance	Status ¹ of compliance with the principle of corporate governance	Comments/explanation ² of deviation from compliance with the principle of corporate governance
4.2	The system of remuneration for members of the Board of Directors shall ensure that the financial interests of the directors are in line with the long-term financial interests of shareholders.			
4.2.1	The company pays fixed annual remuneration to the members of the Board of Directors. The company does not pay remuneration for participation in meetings of the Board or Board committees. The company does not use short-term incentives or additional material incentives for members of the Board of Directors.	Fixed annual remuneration was the only form of monetary remuneration that Board members received for their work on the Board during the reporting period.	☒ Compliance ☐ Partial compliance ☐ Non-compliance	
4.2.2	Long-term holding of company shares has been the most conducive to ensuring the convergence of the financial interests of the members of the Board of Directors with the long-term interests of shareholders. The company does not make the right to dispose of shares dependent on the achievement of certain performance results, and Board members do not participate in option programmes.	If the bylaw (bylaws) detailing the policy (policies) on remuneration include a provision allowing company shares to be granted to members of the Board of Directors, then clear rules regulating how Board members can hold these shares must be stipulated in a way that promotes the long-term holding of such shares.	☒ Compliance ☐ Partial compliance ☐ Non-compliance	Members of the Board of Directors do not participate in the Bank's option programmes.
4.2.3	The company does not provide any additional payments or compensation in the event of the early termination of members of the Board of Directors in connection with the transfer of control over the company or other circumstances.	The company does not provide any additional payments or compensation in the event of the early termination of members of the Board of Directors in connection with the transfer of control over the company or other circumstances.	☒ Compliance ☐ Partial compliance ☐ Non-compliance	

No.	Principles of corporate governance	Criteria for assessing compliance with the relevant principle of corporate governance	Status ¹ of compliance with the principle of corporate governance	Comments/explanation ² of deviation from compliance with the principle of corporate governance
4.3	The system of remuneration due to members of the executive bodies and other key company executives provides that their remuneration is dependent on the company's performance results and their personal contributions to achieving these.			
4.3.1	Remuneration for members of executive bodies and other key executives at the company shall be determined in such a way as to provide a reasonable and justified ratio between their base salary and variable remuneration depending on the company's results and the personal (individual) contribution of each employee to the final result.	1. During the reporting period, the annual performance indicators approved by the Board of Directors were used to determine the amount of variable compensation for members of executive bodies and other key executives at the company. 2. In the course of the last evaluation of the system of remuneration for members of executive bodies and other key executives at the company, the Board of Directors (the Remuneration Committee) confirmed that the Company employed an effective ratio of base salary to variable compensation. 3. The company has established a procedure that provides for the return of bonuses that were unlawfully obtained by members of the executive bodies and other key executives at the company.	☒ Compliance ☐ Partial compliance ☐ Non-compliance	
4.3.2	The company has established a long-term incentive programme for members of the executive bodies and other key company executives using the company's shares (options or other derivative instruments whose underlying asset is company shares).	1. The company has established a long-term incentive programme for members of the executive bodies and other key company executives using the company's shares (financial instruments based on company shares). 2. The long-term incentive programme for members of executive bodies and other key company executives provides that the right to sell shares and other financial instruments that are granted within the programme shall not be granted less than three years from the date that such shares or instruments are awarded. The right to sell shares shall be conditional upon the company's achievement of certain performance indicators.	☒ Compliance ☐ Partial compliance ☐ Non-compliance	

No.	Principles of corporate governance	Criteria for assessing compliance with the relevant principle of corporate governance	Status ¹ of compliance with the principle of corporate governance	Comments/explanation ² of deviation from compliance with the principle of corporate governance
4.3.3	The amount of compensation (golden parachute) that is paid by the company in the event of the early termination of members of the executive bodies or key executives at the initiative of the company and in the absence of any actions taken by the employees themselves that were not in good faith shall not exceed two times the base salary that is paid as part of the annual compensation package.	The amount of compensation (golden parachute) that is paid by the company in the event of the early termination of members of the executive bodies or key executives at the initiative of the company and in the absence of any actions taken by the employees themselves that were not in good faith did not, during the reporting period, exceed two times the base salary that is paid as part of the annual compensation package.	☒ Compliance ☐ Partial compliance ☐ Non-compliance	
5.1	The company has established an efficient risk management and internal control system that is designed to provide reasonable assurance that the company's goals will be achieved.			
5.1.1	The Board of Directors determines the principles and approaches used to shape the company's risk management and internal control system.	The functions that the company's various control bodies and divisions play in the risk management and internal control system are clearly stipulated in the company's bylaws/relevant policies that were approved by the Board of Directors.	☒ Compliance ☐ Partial compliance ☐ Non-compliance	
5.1.2	The company's executive bodies shall ensure the establishment and maintenance of an effective system of risk management and internal control at the company.	The company's executive bodies have ensured the distribution of functions and responsibilities for risk management and internal control between their subordinate unit and department heads.	☒ Compliance ☐ Partial compliance ☐ Non-compliance	
5.1.3	The company's risk management and internal control system provides for an objective, fair and clear picture of the company's current state and prospects, the integrity and transparency of the company's reporting, and the reasonableness and acceptability of the risks taken by the company.	1. The company has approved a policy on preventing corruption. 2. The company provides an accessible means of notifying the Board of Directors or the Board's Audit Committee about violations of the law, internal procedures and the company's code of ethics.	☒ Compliance ☐ Partial compliance ☐ Non-compliance	

No.	Principles of corporate governance	Criteria for assessing compliance with the relevant principle of corporate governance	Status ¹ of compliance with the principle of corporate governance	Comments/explanation ² of deviation from compliance with the principle of corporate governance
5.1.4	The Board of Directors takes necessary measures to ensure that the company's current risk management and internal control system complies with the principles and approaches determined by the Board of Directors to ensure that such a system is organised and functions effectively.	During the reporting period, the Board of Directors or its Audit Committee evaluated the effectiveness of the company's risk management and internal control system. Information about the main findings of this evaluation is included in the company's Annual Report.	☒ Compliance ☐ Partial compliance ☐ Non-compliance	
5.2	The company organises an internal audit to ensure the regular independent evaluation of the reliability and effectiveness of the risk management and internal control system and corporate governance practice.			
5.2.1	The company has created a separate structural unit or contracted an independent external organisation to conduct the internal audit. The functional and administrative reporting relationship of the internal audit unit has been established. Functionally, the internal audit unit is subordinate to the Board of Directors.	The company has created a separate structural unit to conduct internal audits that is functionally subordinate to the Board of Directors or the Audit Committee or it has engaged an independent external organisation with the same subordinate status to conduct internal audits.	☒ Compliance ☐ Partial compliance ☐ Non-compliance	
5.2.2	The internal audit unit evaluates the effectiveness of the internal control system and assesses the effectiveness of the risk management and corporate governance systems. The company employs generally accepted standards in the field of internal auditing.	- During the reporting period, an assessment was provided of the effectiveness of the internal control and risk management system as part of the internal audit process. - The company uses generally accepted approaches to internal control and risk management.	☒ Compliance ☐ Partial compliance ☐ Non-compliance	

No.	Principles of corporate governance	Criteria for assessing compliance with the relevant principle of corporate governance	Status ¹ of compliance with the principle of corporate governance	Comments/explanation ² of deviation from compliance with the principle of corporate governance
6.1	The company and its activities are transparent to shareholders, investors and other interested parties.			
6.1.1	The company has developed and implemented an information policy that ensures effective communication of information between the company, shareholders, investors and other interested parties.	- The Board of Directors approved the company's Information Policy, which takes into account the recommendations of the Code. - The Board of Directors (or one of its committees) considered issues related to the company's compliance with its Information Policy at least once during the reporting period.	☒ Compliance ☐ Partial compliance ☐ Non-compliance	
6.1.2	The company discloses information on its corporate governance system and practices, including detailed information on compliance with the principles and recommendations of the Code.	- The company discloses information on its system of corporate governance and the general principles of corporate governance that are applied in the company, including on the company's website. - The company discloses information on the composition of its executive bodies and its Board of Directors, the independence of Board members and their membership of Board committees (in accordance with the definitions provided in the Code). - In the event that a person should assume control of the company, the company publishes a memorandum by the controlling person concerning said person's plans in relation to the company's corporate governance.	☒ Compliance ☐ Partial compliance ☐ Non-compliance	
6.2	The company discloses complete, up-to-date and reliable information about the company to allow its shareholders and investors to make informed decisions.			
6.2.1	The company discloses information in accordance with the principles of regular publication, consistency, timeliness, as well as accessibility, accuracy, completeness and comparability of the data disclosed.	- The company's Information Policy stipulates the approaches and criteria for determining information that could materially affect the company's valuation, the value of its securities and the procedures that ensure the timely disclosure of such information. - If the company's securities are traded in foreign markets, then equivalent material information is disclosed in the Russian Federation and in those foreign markets at the same time during the reporting year. - If foreign shareholders hold a substantial number of shares in the company, then information was disclosed during the reporting year not only in Russian, but also in a commonly known foreign language.	☒ Compliance ☐ Partial compliance ☐ Non-compliance	

No.	Principles of corporate governance	Criteria for assessing compliance with the relevant principle of corporate governance	Status ¹ of compliance with the principle of corporate governance	Comments/explanation ² of deviation from compliance with the principle of corporate governance
6.2.2	The company avoids taking a formal approach to the disclosure of information, and it discloses important information about its activities even when such disclosure is not required by law.	- During the reporting period, the company disclosed its annual and semi-annual financial statements prepared in accordance with IFRS. The company's Annual Report for the reporting period included annual financial statements that were prepared in accordance with IFRS, along with the auditor's report. - The company discloses both in its Annual Report and on its website complete information on its capital structure in accordance with recommendation 290 of the Code.	☒ Compliance ☐ Partial compliance ☐ Non-compliance	
6.2.3	The Annual Report, which is one of the most important tools for sharing information with shareholders and other interested parties, contains information that makes it possible to assess the company's activities for the year.	- The company's Annual Report provides information on the key aspects of its activities and its financial results. - The company's Annual Report contains information about the environmental and social aspects of the company's activities.	☒ Compliance ☐ Partial compliance ☐ Non-compliance	
6.3	The company provides information and documents requested by its shareholders in accordance with the principle of equal and unhindered access.			
6.3.1	The company provides information and documents requested by its shareholders in accordance with the principle of equal and unhindered access.	The company's Information Policy stipulates a non-burdensome procedure for providing shareholders with access to information, including information about the company's subsidiaries, at the request of shareholders.	☒ Compliance ☐ Partial compliance ☐ Non-compliance	
6.3.2	When the company provides information to shareholders, it ensures a reasonable balance between the interests of specific shareholders and the interests of the company itself in ensuring the confidentiality of important trade secrets that could have a material impact on its competitiveness.	- During the reporting period, the company did not refuse to satisfy shareholder requests for information, or if it did deny any requests, then such refusals were justified. - In cases stipulated by the company's Information Policy, shareholders are warned about the confidential nature of information and take responsibility for maintaining its confidentiality.	☒ Compliance ☐ Partial compliance ☐ Non-compliance	

No.	Principles of corporate governance	Criteria for assessing compliance with the relevant principle of corporate governance	Status ¹ of compliance with the principle of corporate governance	Comments/explanation ² of deviation from compliance with the principle of corporate governance
7.1	Any actions that will or may materially affect the company's share capital structure and its financial position and, accordingly, the position of its shareholders ("material corporate actions") shall be taken on fair terms and conditions ensuring that the rights and interests of the shareholders as well as other interested parties are observed.			
7.1.1	Material corporate actions include the reorganisation of the company, the acquisition of 30 per cent or more of voting shares (takeover), material transactions by the company, an increase or decrease in the company's share capital, the listing and delisting of company shares, as well as other actions that could lead to a significant change in the rights of shareholders or a violation of their interests. The company's Charter includes a list of (criteria for) transactions or other actions falling within the category of material corporate actions. These actions fall within the remit of the company's Board of Directors.	- The company's Charter contains a list of transactions or other actions that constitute material corporate actions and the criteria that are used to determine such actions. Decisions regarding material corporate actions fall within the remit of the Board of Directors. In cases where the authority to take such corporate actions falls within the remit of the General Meeting of Shareholders, the Board of Directors provides shareholders with appropriate recommendations. - The company's Charter recognises the following, at a minimum, to be material corporate actions: the reorganisation of the company, the acquisition of 30 per cent or more of voting shares (takeover), the completion of material transactions by the company, an increase or decrease in the company's share capital and the listing and delisting of company shares.	☐ Compliance ☒ Partial compliance ☐ Non-compliance	1-2 The Bank's Charter does not specify a list of transactions and material corporate actions. At the same time, the Bank's Charter assigns decision-making power regarding such material corporate actions to the remit of the Bank's Supervisory Council and General Meeting of Shareholders in accordance with the recommendation. In addition, the Regulation on the Bank's Supervisory Council Audit Committee provides for a special procedure for the Committee to deal with matters related to material and non-standard transactions concluded by the Bank (para. 2.2.1 of the Regulation), including review of their compliance with applicable standards. Considering the above, in order to avoid duplication in the Bank's Charter of provisions on the procedure for taking decisions on matters falling within the remit of the Supervisory Council and the General Meeting of Shareholders, and also taking into account the lack of relevant practice in comparable companies, the Bank considered it inexpedient to further enshrine in its Charter provisions on material corporate actions and on the procedure for making decisions on such actions.
7.1.2	The Board of Directors plays a key role in making decisions or developing recommendations about material corporate actions. The Board of Directors relies on the position of the company's independent directors.	The company has stipulated a procedure under which the independent directors declare their positions on material corporate actions prior to their approval.	☒ Compliance ☐ Partial compliance ☐ Non-compliance	

No.	Principles of corporate governance	Criteria for assessing compliance with the relevant principle of corporate governance	Status ¹ of compliance with the principle of corporate governance	Comments/explanation ² of deviation from compliance with the principle of corporate governance
7.1.3	When completing material corporate actions that affect the rights and legal interests of shareholders, equal conditions are provided for all company shareholders. If the mechanisms protecting the legal rights of shareholders are insufficient, then further measures to protect the rights and legal interests of the company's shareholders are provided. The company is governed not only by compliance with the formal requirements of the law, but also by the principles of corporate governance set out in the Code.	1. Taking into account the nature of the company's business, the company's Charter establishes less restrictive criteria than the minimum provided for under the law for classifying the company's transactions as material corporate actions. 2. During the reporting period, all material corporate actions underwent an approval process before implementation.	☐ Compliance ☒ Partial compliance ☐ Non-compliance	1. The issue of introducing amendments to the Bank's Charter to enshrine provisions on material corporate actions (transactions) with less restrictive criteria for classifying Bank transactions as material than required by law is currently being explored. At the same time, in order to minimise possible risks, the Regulation on the Bank's Supervisory Council Audit Committee stipulates a special procedure for dealing with issues related to concluding non-standard and material transactions (para. 2.2.1 of the Regulation).
7.2	The company has established a procedure regulating material corporate actions that allows shareholders to receive timely and complete information on such actions, provides them with an opportunity to influence decision-making about such actions and ensures compliance with, and an adequate level of protection of, their rights in the performance of such actions.			
7.2.1	Information about material corporate actions is disclosed together with the reasons, conditions and consequences of such actions.	During the reporting period, the company disclosed information on its material corporate actions in a timely manner and in detail, including the reasons for, and timing of, such actions.	☒ Compliance ☐ Partial compliance ☐ Non-compliance	

No.	Principles of corporate governance	Criteria for assessing compliance with the relevant principle of corporate governance	Status ¹ of compliance with the principle of corporate governance	Comments/explanation ² of deviation from compliance with the principle of corporate governance
7.2.2	The rules and procedures governing material corporate actions taken by the company are stipulated in the company's bylaws.	1. The company's bylaws have established a procedure for retaining an independent appraiser to determine the value of property that is alienated or acquired by a material transaction or a related-party transaction. 2. The company's bylaws have established a procedure for retaining an independent appraiser to assess the value of shares that are acquired or bought back by the company. 3. The company's bylaws have established an expanded list of grounds on which the members of the Board of Directors and other persons referred to in respective laws are deemed to have an interest in the company's transactions.	☐ Compliance ☒ Partial compliance ☐ Non-compliance	3. The Bank believes that implementation of the corresponding practice can make it extremely difficult to carry out its activities and place it in an unequal position in relation to other players of the financial market, including due to the duration of prior approval of deals. Considering the above, the Bank does not plan to implement this recommendation. The Bank believes that the applicable legislation on joint stock companies in the part of the list of grounds according to which a person may be recognised as an interested party to a transaction sufficiently regulates the risks of non-compliance with this recommendation. Considering the above, the Bank does not plan to implement this recommendation

¹ "Compliance" is indicated only if the company meets all the criteria for assessing compliance with the respective principle of corporate governance. Otherwise, the status of "partial compliance" or "Non-compliance" is indicated.

² A status is assigned for each criterion that is used to assess compliance with corporate governance principles in the event that the company meets only part of the criteria or does not meet any of the criteria for assessing compliance with the principle. If the company indicates "compliance", then no further explanation is required.

³ Specify which of the two alternative approaches permitted by the principle has been implemented within the company and explain why this approach was chosen.

⁴ In case the tasks of the Nominating Committee are performed by another committee, then name that committee here.

⁵ Provide a list of additional committees that have been created.

BANK DETAILS AND CONTACTS

Full official name	VTB Bank (Public Joint-Stock Company)
Short name	VTB Bank (PJSC)
Main type of activity	Banking
Date of state registration	17 October 1990
General licence for banking operations	No. 1000
Main state registration number (OGRN)	1027739609391, issued by the Interdistrict Inspectorate of the Federal Tax Service of Russia No. 39 for the city of Moscow on 22 November 2002
Taxpayer identification number (TIN)	7702070139
Bank identifier code (BIC)	044525187
Address	29 Bolshaya Morskaya St., 190000, St. Petersburg
Mailing address	VTB Bank (PJSC) 43 Vorontsovskaya St., bldg. 1, 109147 Moscow
Call centre	For corporate clients 8 800 200 7799 (toll-free within Russia) +7 495 739 7799 For private clients 8 800 100 2424 (toll-free within Russia) +7 495 777 2424
Email	info@vtb.ru (for information and offers) compliance@msk.vtb.ru (for insiders)
Website	vtb.com
Details for transfers	vtb.com/o-banke/bank-vtb/revizity/

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VTB Shareholder mobile application

