

VTB Group Investor Day

*19 May 2017
London*



Some of the information in this presentation may contain projections or other forward-looking statements regarding future events or the future financial performance of VTB Bank (PJSC) ("VTB") and its subsidiaries (together with VTB, the "Group"). Such forward-looking statements are based on numerous assumptions regarding the Group's present and future business strategies and the environment in which the Group will operate in the future. We caution you that these statements are not guarantees of future performance and involve risks, uncertainties and other important factors that we cannot predict with certainty. Accordingly, our actual outcomes and results may differ materially from what we have expressed or forecasted in the forward-looking statements. These forward-looking statements speak only as at the date of this presentation and are subject to change without notice. We do not intend to update these statements to make them conform with actual results.

ROBUST GROWTH STORY AND STRONG COMPETITIVE POSITIONS IN ALL KEY SEGMENTS

Leading player in Russia with strong positioning in all key segments

- 19% market share in Russia (% of total assets)
- market leader in investment banking (ECM, DCM, M&A)
- largest market share for corporate deposits (26%)
- national champion in retail and consumer banking

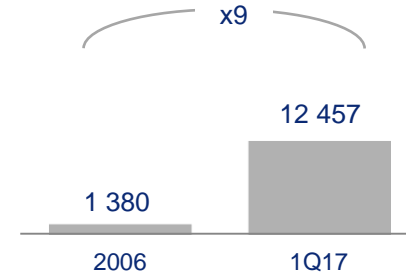
Extensive branch network in Russia and unique global network

- over 9,500 outlets in Russia (incl. c. 8,100 Post Bank outlets)
- presence in 22 countries

Solid client base

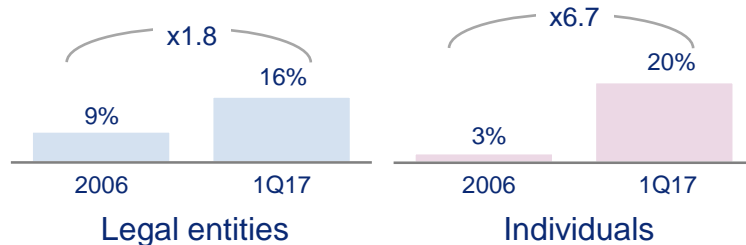
- 23.5 mln clients in Russia and abroad

Total assets RUB trln

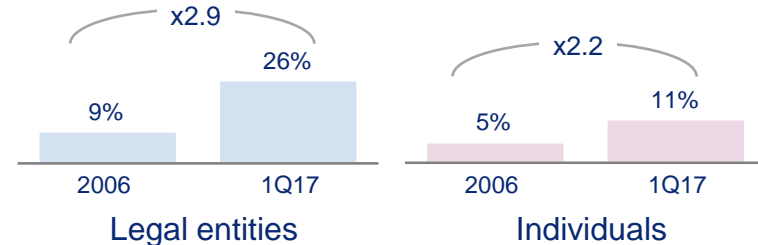


VTB market share in Russia

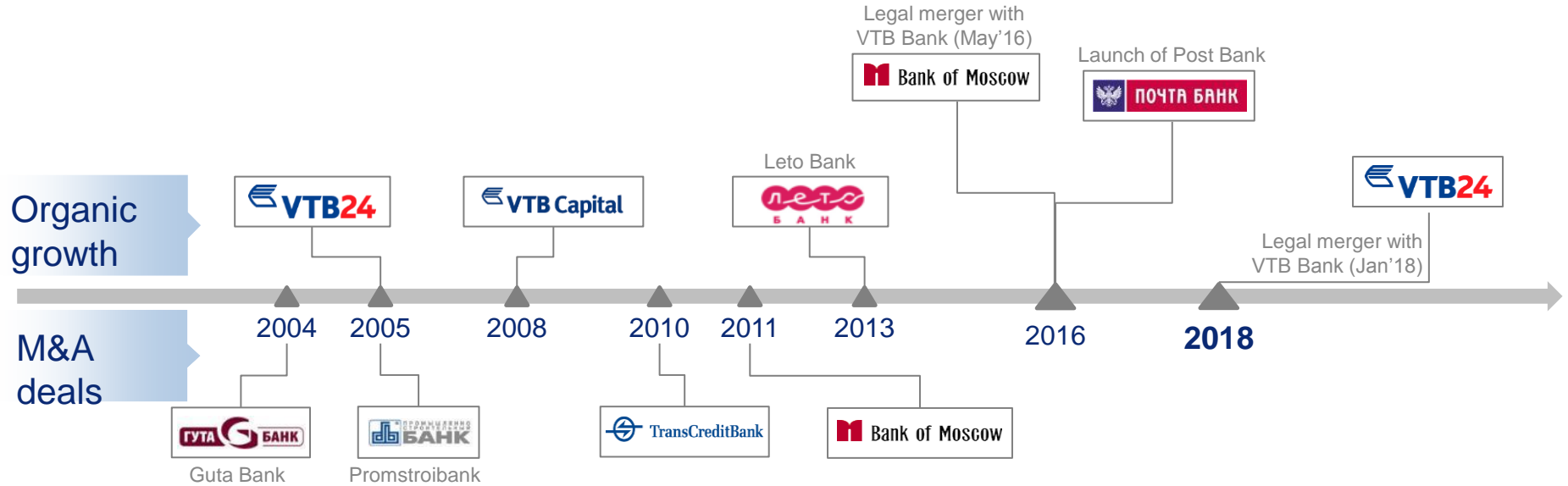
Loans



Deposits



VTB GROUP CORPORATE DEVELOPMENTS: MIX OF MERGERS AND ORGANIC GROWTH



VTB GROUP OPERATING MODEL IN LINE WITH BEST GLOBAL PRACTICES

VTB Group key business lines

Assets
1Q17



2014–2016 STRATEGY IMPLEMENTATION RESULTS

Summary of 2014–2016 strategy implementation results

Market positioning

- ✓ Met the targets for asset and loan portfolio growth (CAGR of 13%)
- ✓ Grew market shares in lending above targets
- ✓ Strengthened relationships with largest corporate clients, kept leading position in investment banking
- ✗ Did not meet the target for retail deposits
- ✗ Did not meet the target for the share of retail in the overall loan portfolio

Financial targets

- ✗ Did not meet the net income and ROE targets
 - Increased cost of liabilities and lower NIM driven by hike of the CBR key rate
 - CoR exceeded the target level during certain periods due to the economic slowdown and a number of credit risk events in subsidiaries (incl. in Ukraine)
 - Slowdown in business activity and slower-than-anticipated growth in retail affected negatively commission income target
- ✓ Met the targets for costs control

Qualitative targets

- ✓ Successfully implemented major transformation projects: launch of Mid-Corporate Banking, integration of the Bank of Moscow, launch of Post Bank, overhaul of the overseas network management system
- ✗ Technology: potential for improvement remains

Lessons learned

- **A business model shall be supported by an adequate share of customer funds (primarily retail)**
- **Centralisation of credit expertise and risk management improves the resilience of lending business to an economic slowdown**
- **Growth of transactional business in the lower segments drives fee income, reducing the impact of interest-rate risk on profits**
- **Integration of banks drives synergies between business lines and cost optimisation**
- **Transformation of technology capabilities allows to strengthen long-term customer relationships**

KEY MARKET TRENDS IN THE NEW STRATEGIC PERIOD

Business environment

Economy & markets

- Moderate growth of the banking sector on the backdrop of the economic recovery
- The CBR key rate is expected to decrease, but monetary policy will remain tight

Competition & clients

- Ongoing consolidation in the banking sector
- Growing competition for customers affects margins
- Migration to digital channels and growing demand for service quality

Regulation

- Regulatory tightening
- New accounting standards with implications on profitability and capital

Window of opportunity for market share growth

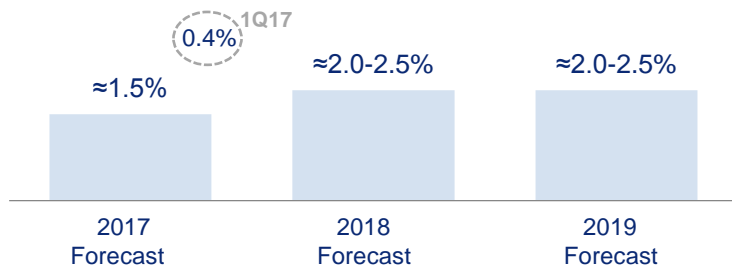
An active repartition of the market is ongoing: VTB and other major banks are strengthening their positions

Market situation bodes well for growth of VTB business

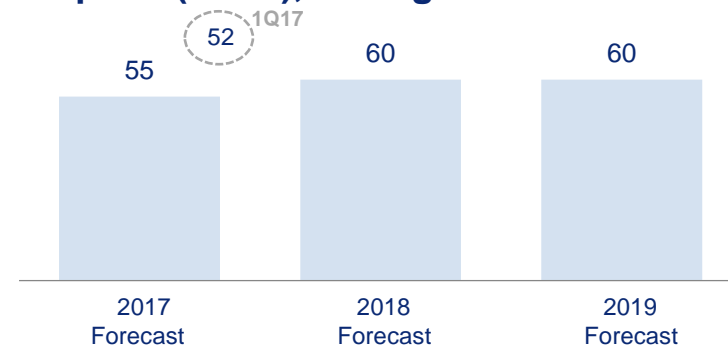
- Smaller banks continue to lose market share: in conditions of instability and ongoing license revocations, customers will prefer large and state players
 - Reduced margins will drive players with insufficient business scale out of the market
-

VTB GROUP MACRO EXPECTATIONS UNTIL 2019

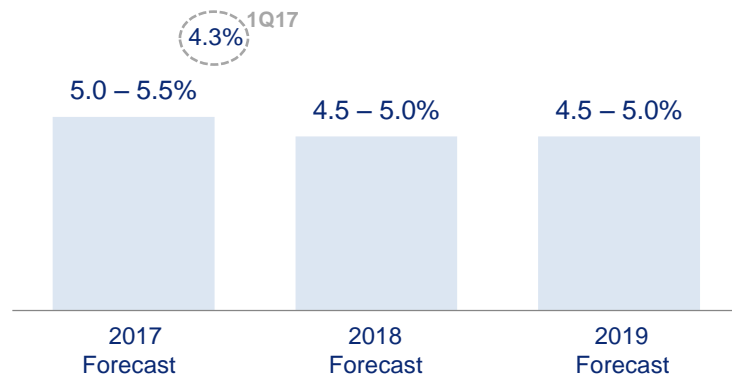
GDP growth Y-o-Y



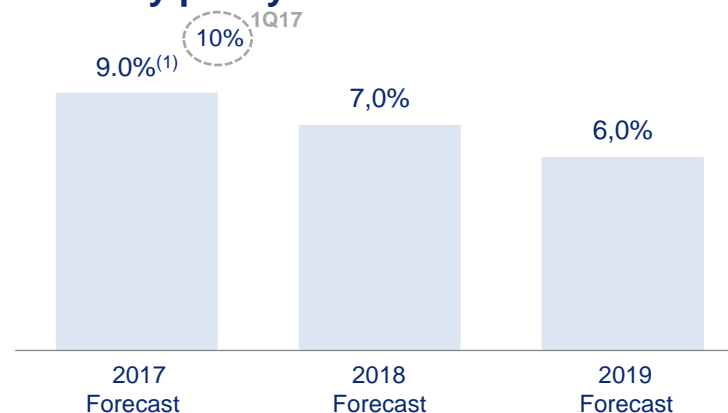
Oil price (Urals), average USD/bbl



CPI inflation Dec YTD / Dec YTD



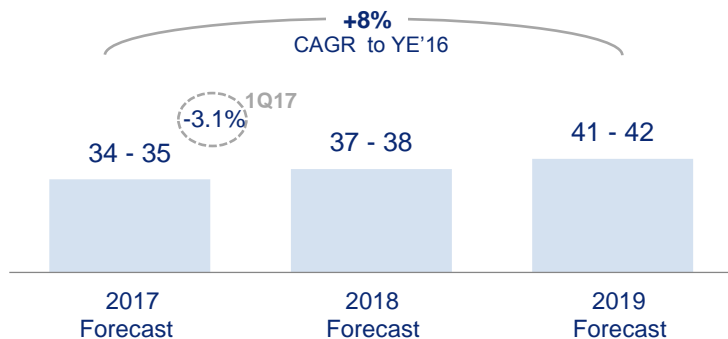
CBR key policy rate EOP



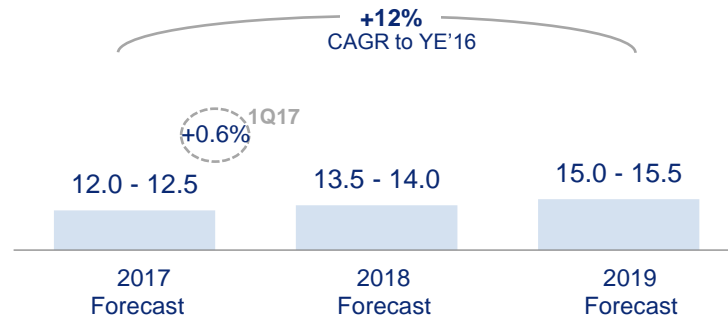
(1) Updated after the release of 2016 IFRS results.

RUSSIAN BANKING SECTOR UNTIL 2019

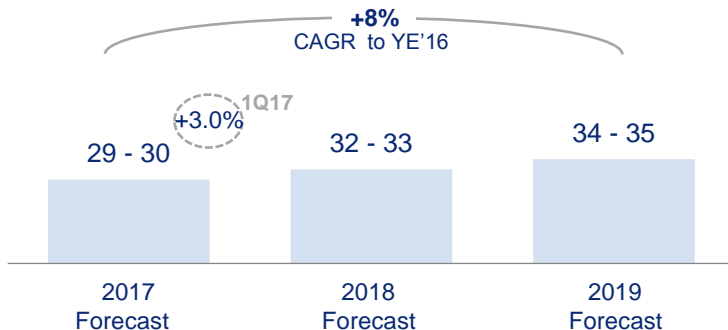
Loans to legal entities RUB trln



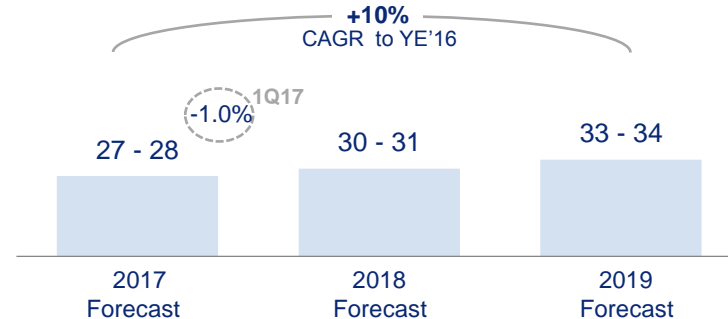
Loans to individuals RUB trln



Deposits of legal entities RUB trln



Deposits of individuals RUB trln



VTB GROUP TARGET VISION



Reliable **profitable bank** that provides stable **target level ROE**
Net income target for 2019 – over RUB 200 bn, 2019 ROE c.14%



Long-term customer relationships in all market segments



Integrated Group with efficient **interaction between business lines**



High-tech bank – market leader in customer service and quality of internal processes



Balanced strategy of **business** in **foreign markets that are key** to Russia

VTB GROUP KEY INITIATIVES UNDER THE 2017–2019 STRATEGY

1 Improvement of the funding structure and reduction of funding costs



2 New scale in Retail business: increased market share and retail funding for the Group



3 Achieving target profitability in Corporate-Investment Banking while maintaining market leadership



4 Developing new business model in Mid-Corporate Banking focused on ambitious customer base growth and revenue diversification



5 Integration of VTB and VTB24 banks and reaching a new level of cooperation between business lines



6 Digital transformation of the Group's business and processes

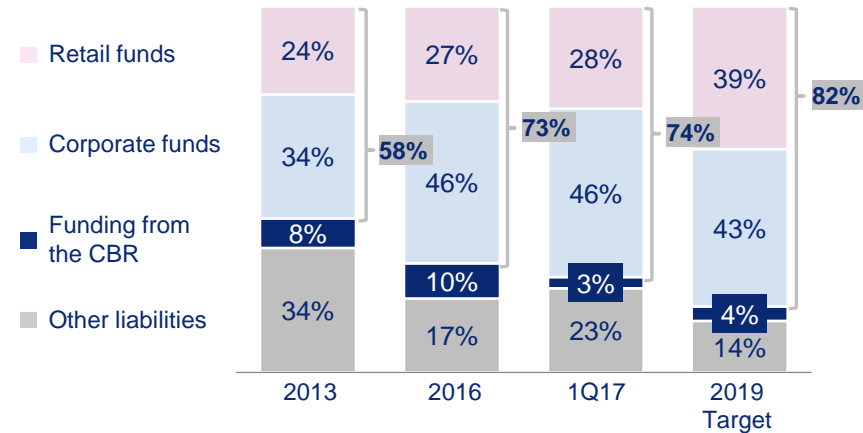




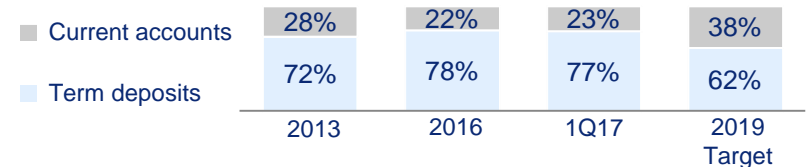
Roadmap

- Increasing the share of customer deposits in total liabilities and improving the resistance to interest rate risk
- Improving the currency structure of customer deposits with Retail becoming a key source of RUB liquidity
- Increasing the proportion of current accounts
- Reduction of funding from the CBR

Structure of interest-bearing liabilities



Structure of customer funds



New scale in Retail Business: increased market share and retail funding for VTB Group

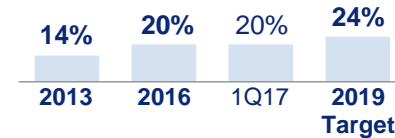


Roadmap

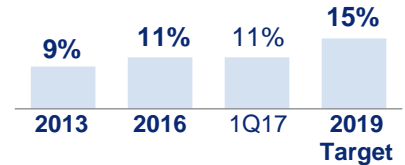
- 2-fold increase of customer base and market share growth
- VTB Bank and Post Bank taking the market lead in customer loyalty in their relevant segments
- Growing the number of products per client (by >20%)
- Aggressively expanding proportion of clients using online channels
- Growing CRM-based sales

Market share in Russia

Loans to individuals

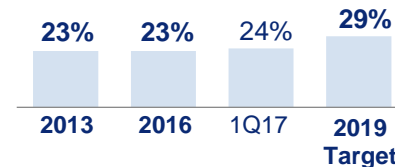


Deposits of individuals

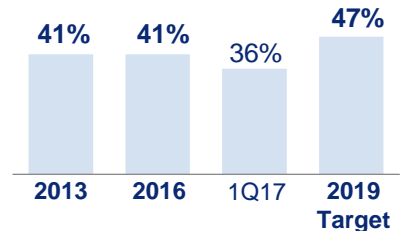


VTB Group Retail Business

% of total gross loans



% of total customer deposits



DEVELOPMENT OF POST BANK

Roadmap

- Significantly improve market share in mass retail
- Gain access to the pensioner customer base
- Build the nation's largest network of low cost offices; close the gap with Sberbank in geographical reach
- Rapid roll-out: presence in 15,000 post offices by YE'19
- Business model primarily focused on deposits
- Achieve operational excellence in retail mass segment: cost-efficient network and digital bank

Key indicators



	2016 Actual	1Q17 Actual	2019 Target
Number of post offices thsd offices	6.3	8.1	15.0
Loans to individuals RUB bn	116	120	505
Funding from individuals RUB bn	37	48	678
Net income RUB bn	1.2	0.2	11.5

3

Achieving target profitability in Corporate-Investment Banking while maintaining market leadership



Roadmap

- Higher profitability driven by lower cost of funding
- Expansion and diversification of customer base
- Loan growth as markets recover
- Solidifying leading positions in Investment Banking

Target business model

- Client base expansion due to competitive pricing given
 - ✓ Improvement of funding structure and cost of funds
 - ✓ Implementation of sales approach with flexible pricing, based on profit maximisation by client (all-in-pricing) and product cross-subsidising (including products relating to different business lines)
- Credit growth in line with market (industry structure change in accordance with stated priorities, efficient use of international presence: syndication and credit risk hedging, financing guaranteed by Export Credit Agencies)
- Efficient credit process (reduction of Time-to-Money)
- Deposits growth with stable loans-to-deposits ratio
- Current accounts market share growth
- New direct banking service with on-line access to all products, high quality of technical support

Developing new business model in Mid-Corporate Banking focused on ambitious customer base growth and revenue diversification



Roadmap

- 1.5x customer base growth
- New sales model: customer acquisition through transaction services
- Active development of online sales channels
- Increase of credit process efficiency
- Enhanced cost control

Target business model

- Client base expansion
 - ✓ Increasing presence in the upper segment (increase of customer base by 23%)
 - ✓ 1.6x customer base growth in the lower mass segment
- Transformation of the business model
 - ✓ Improvement of the coverage model (individual work with major clients) and cross-sales in the upper segment
 - ✓ Mass model coverage in the lower segment

5

Integration of VTB and VTB24 banks and reaching a new level of cooperation between business lines



Integration goals

- Build a highly competitive business model of the integrated bank
- Streamline corporate structure and improve manageability
- Achieve further synergies of corporate and retail businesses
- Generate value from cost reduction and optimisation



Roadmap

Creating in-demand digital products

- Personification of products and pricing
- Reducing time-to-market

Growing the penetration of digital channels

- Enhancing functionality and usability of mobile and internet banking

Development of data analysis tools

- Analytical tools to support sales
- Predictive analytics
- Self-learning product models

Increasing productivity and reducing the cost of operations

- End-to-end digitalisation of processes and elimination of manual operations

Key KPIs

Time to Market



months

3 times decrease

Share of active retail customers in internet banking



3.6 times increase

Share of online cash loans to individuals



Website

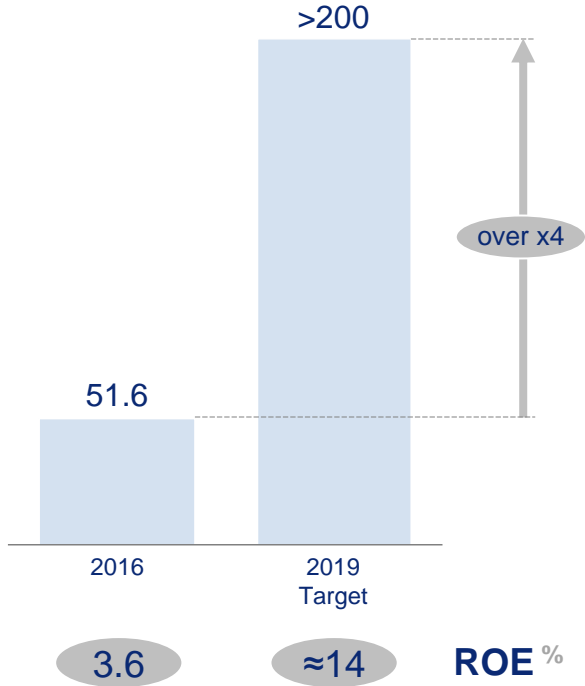
3.8 times increase

Internet bank

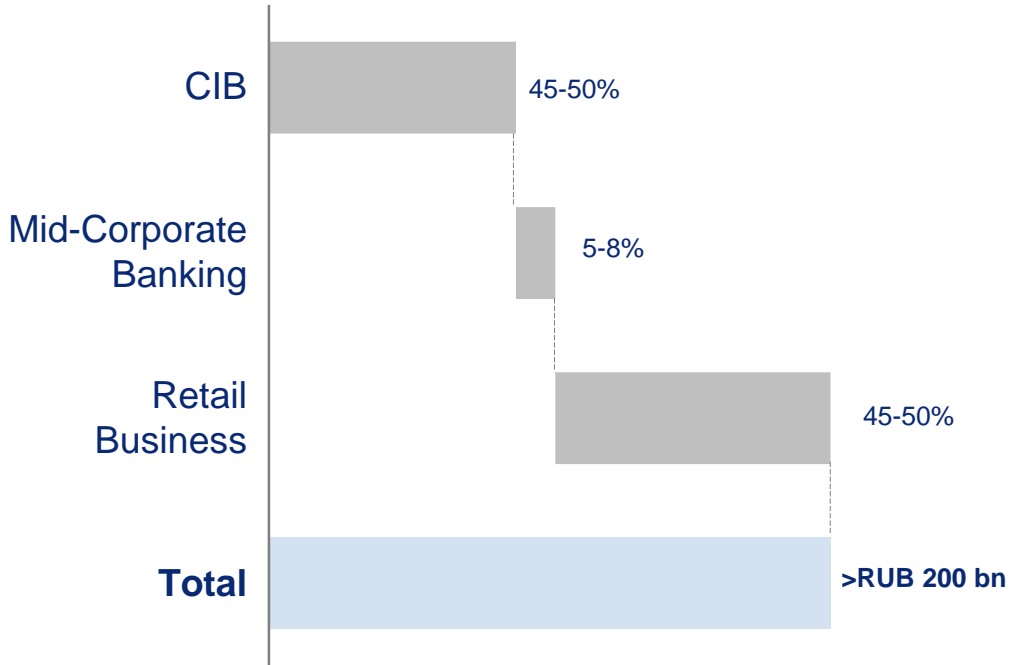
15 times increase

VTB GROUP GOAL IS TO REACH RUB 200 BN NET PROFIT TARGET BY 2019

Net profit RUB bn



2019 net profit breakdown %



MANAGEMENT EXPECTATIONS AND TARGETS UNTIL 2019*

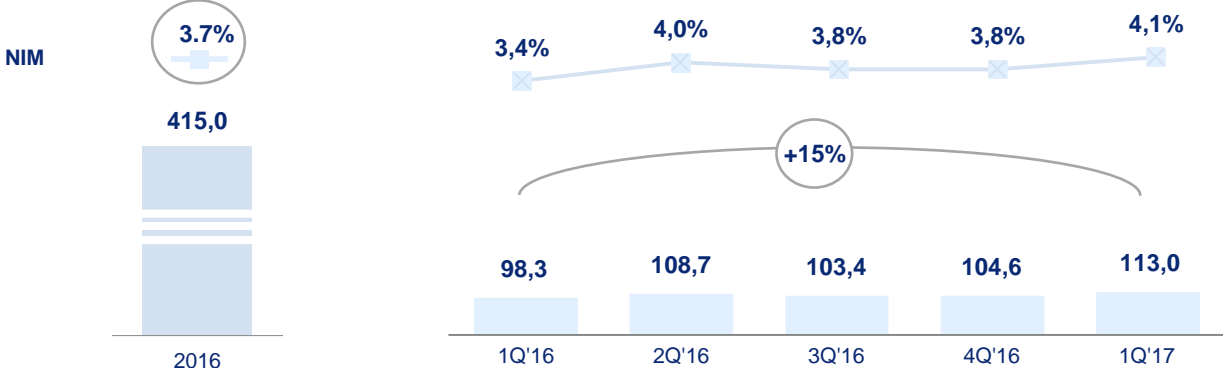
Indicator	Measurement	2017	2018	RUSSIA 2019
Macro				
GDP growth	% YoY	1.5	≈2.0-2.5	≈2.0-2.5
CPI	% Dec YTD/Dec YTD	5.2	4.5 – 5.0	4.5 – 5.0
Oil price (Urals), average	USD/bbl	54	60	60
CBR key rate, eop	%	9.0	7.0	6.0
Banking sector				
Loans to legal entities	% 3Y CAGR			2017-2019 8
Loans to individuals	% 3Y CAGR			12
Deposits of legal entities	% 3Y CAGR			8
Deposits of individuals	% 3Y CAGR			10
Indicator	Measurement	2017	2018	2019
Loans to legal entities	% YoY	in line with the market	in line with the market	in line with the market
Loans to individuals	% YoY	above the market	above the market	above the market
Net interest margin	%	4	≈4	≈4
NCI growth	% 3Y CAGR			2017-2019: 17
Cost of risk	%	<2.0	<2.0	<2.0
Cost-to-income	%	below 45	low 40's	low 40's
Net profit	RUB bn	≈100	≈150	>200



Management expectations for 2017 were updated after the release of 1Q'2017 IFRS results.

1Q'2017 UPDATE: CORE INCOME LINES

Net interest income ^{RUB bn} & NIM



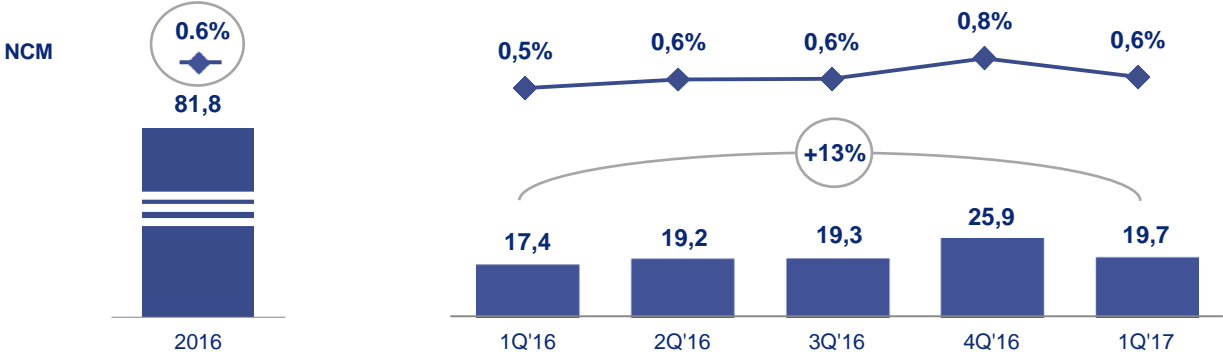
Strategic target 2017

NIM **4%**

✓

On track to deliver

Net fee & commission income ^{RUB bn} & NCM



Strategic target CAGR 2017-2019

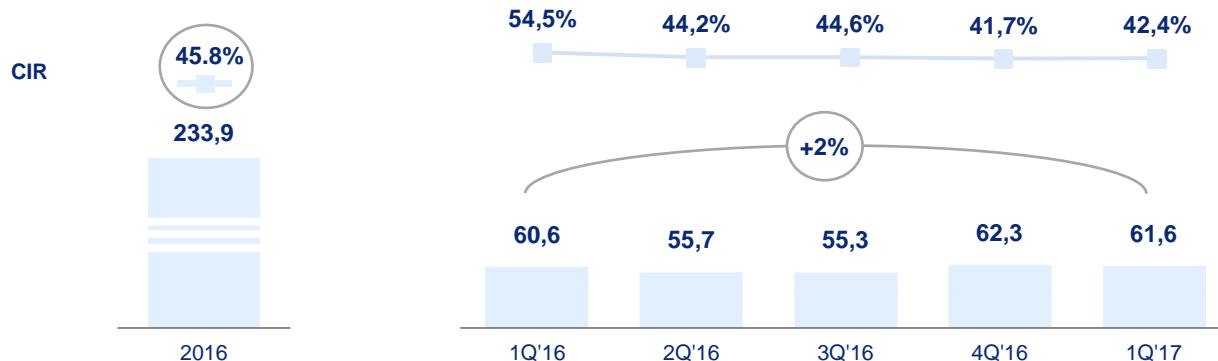
Fee growth **+17%**

✓

On track to deliver

1Q'2017 UPDATE: OPERATING EXPENSES AND PROVISIONS

Staff costs and admin expenses ^{RUB bn} & CIR



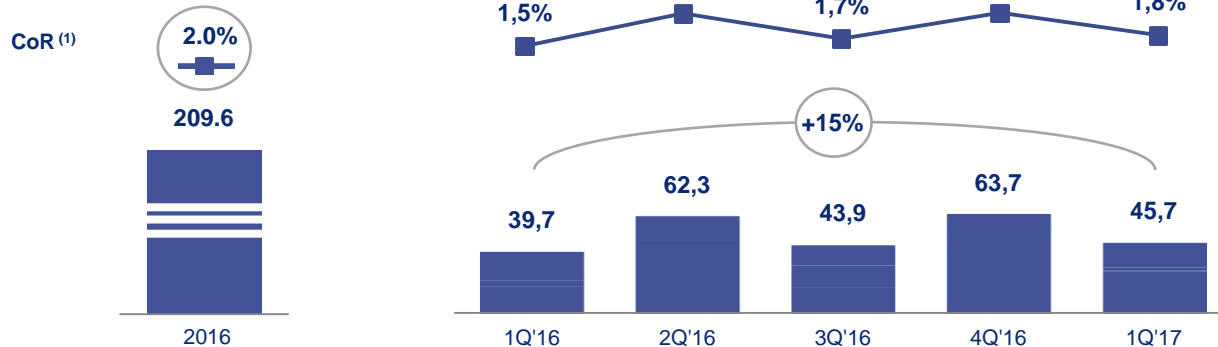
Strategic target
2017

CIR < 45%



**On track
to deliver**

P&L provisions ^{RUB bn} & CoR



Strategic target
2017

CoR < 2%

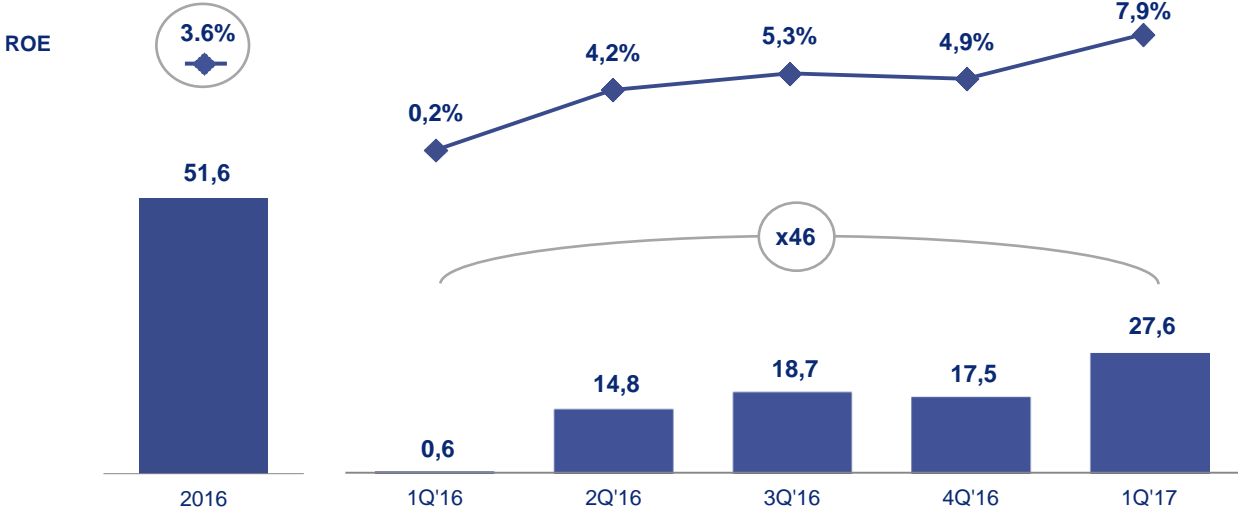


**On track
to deliver**

(1) Including credit related commitments

1Q'2017 UPDATE: NET PROFIT AND ROE

Net profit ^{RUB bn} & ROE



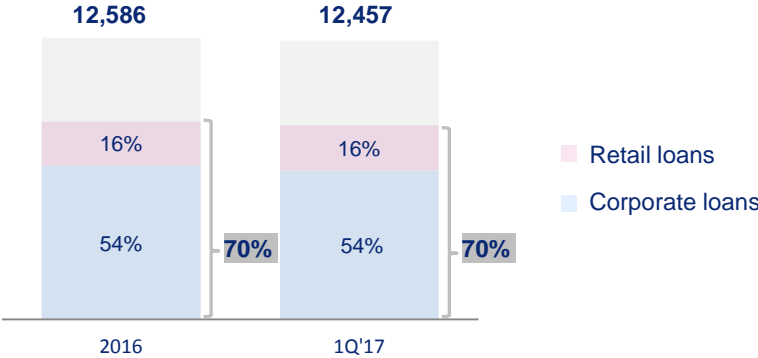
Strategic target 2017

Net profit (RUB bn) ≈100

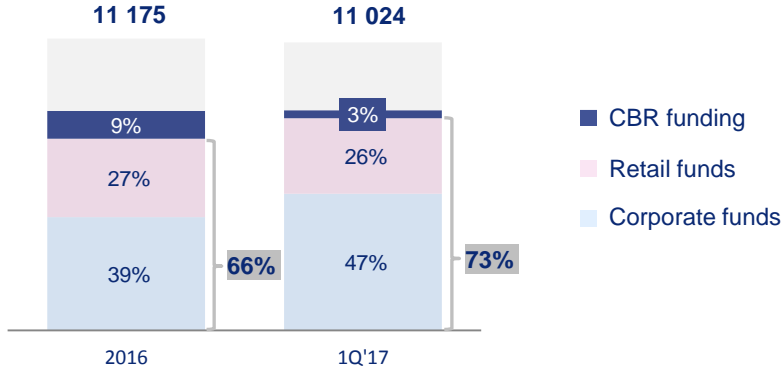
✓
On track to deliver

1Q'2017 UPDATE: BALANCE SHEET AND CAPITAL METRICS

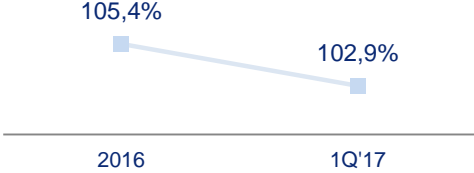
Assets structure RUB bn



Liabilities structure RUB bn

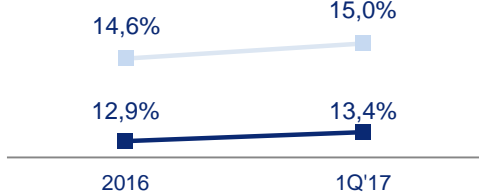


LDR (1)



Improved balance sheet structure

Capital



Strong capital adequacy ratios

(1) Including collateralised funding from the CBR

1Q'2017 RESULTS CONSISTENT WITH STRATEGIC TARGETS

Indicator	Measurement	2017 expectations	1Q'2017 actual
Macro (Russia)			
GDP growth	% YoY	1.5%	0.4%
CPI	% Dec YTD/Dec YTD	5.2%	4.3%
Oil price (Urals), average	USD/bbl	54	52
CBR key rate, eop	%	9.0%	10.0%
Banking sector			
Loans to legal entities	% 3Y CAGR	8	-3.1% YTD
Loans to individuals	% 3Y CAGR	12	0.6% YTD
Deposits of legal entities	% 3Y CAGR	8	3.0% YTD
Deposits of individuals	% 3Y CAGR	10	-1.0% YTD
 VTB			
	Measurement	2017 expectations	1Q'2017 actual
Loans to legal entities	% YoY	in line with the market	in line with the market ✓
Loans to individuals	% YoY	above the market	above the market ✓
Net interest margin	%	4%	4.1% ✓
NCI growth	% 3Y CAGR	2017-2019: 17%	13% YoY ✓
Cost of risk	%	<2.0%	1.8% ✓
Cost-to-income	%	below 45%	42.4% ✓
Net profit	RUB bn	≈100	27.6 ✓



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