## CONTENTS

### VTB AT A GLANCE
- Mission and values ......................................................... 4
- VTB Group today ............................................................. 5
- Financial highlights ......................................................... 14

### STATEMENT OF THE CHAIRMAN OF THE SUPERVISORY COUNCIL  .......... 16

### STATEMENT OF THE PRESIDENT AND CHAIRMAN OF THE MANAGEMENT BOARD .................. 18

### MANAGEMENT REPORT
- Russian economy and banking sector ........................................ 22
- Key events ................................................................................ 26
- Strategy .................................................................................. 30
- Results overview ...................................................................... 35
  - Corporate-investment business .............................................. 37
  - Medium and Small business .................................................. 49
  - Retail business ......................................................................... 53
- Financial review ........................................................................ 65
- Risk management ....................................................................... 76
- Digital transformation ............................................................... 90

### CORPORATE GOVERNANCE
- Overview of the corporate governance system ......................... 100
- General meeting of shareholders ............................................... 104
- Supervisory council ................................................................. 106
- Management board .................................................................. 127
- Compensation of the members of the Supervisory council and the Management board .................................................. 134
- Control and audit ..................................................................... 136
- Investor relations ...................................................................... 143
- Disclosure policy ....................................................................... 150

### SUSTAINABLE DEVELOPMENT
- Personnel .................................................................................. 156
- Responsible resource management ............................................ 158
- Social programmes ..................................................................... 159

### FINANCIAL STATEMENT
- Responsibility statement .......................................................... 162
- Consolidated financial statements ............................................... 162

### ANNEXES
- Share Capital ............................................................................. 170
- Dividends .................................................................................. 171
- Report on compliance with the principles and recommendations of the corporate governance code .................................................. 174
- Bank details and contacts ............................................................ 198
VTB GROUP TODAY

Strong competitive positions in Russia: one of the country’s leading and systemically important banks with a significant share in the Russian financial system’s total customer funds and total assets

673 RUB BILLION

The total volume of mortgage loans issued in 2018, highest ever in VTB Group’s history

23% VTB Group’s market share in mortgage lending
1. VTB AT A GLANCE

ADVANCED DIGITAL WIDE-SCALE

VTB AT A GLANCE

Our mission
To provide world-class financial products and services that help to create a prosperous and sustainable future for our customers, stakeholders and society

Our values
Trust. Gaining and retaining the trust of our customers is VTB Group’s most important value

Reliability. VTB Group’s long-term strength is reinforced by leading positions in the financial markets where we operate and our ability to provide local expertise on a global scale

Transparency. Our business is open and transparent, and all of our key stakeholders cooperate closely in order to deliver maximum value and visibility

Versatility. Our wealth of expertise across a broad range of financial products and services ensures that we offer all of our customers the most comprehensive, flexible and sophisticated solutions that suit their individual needs

Team. Our dedicated team of professionals benefits from the synergy of knowledge afforded by our diverse line of businesses, and our Group’s spirit is enhanced by the energy, creative insight and potential of each member of our team

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

Our vision
VTB Group’s goal is to become a premier player in all of its priority markets

VTB GROUP TODAY

16 countries
VTB Group worldwide

1.6 thsd
Branch network in Russia

16 mln
clients worldwide

VTB
#1
“Bank of the year in Russia” according to “The Banker”

VTB Capital
#1
Best investment bank in Russia

61%
ordinary shares held by the Russian Federation

129 thsd
individual shareholders

16 thsd
ATMs in Russia

77 thsd
employees

VTB BANK CREDIT RATINGS

B&B Global Ratings
BBB–

Moody’s
Baa3

IRAEX
ruAAA

Q1 2021
COMPETITIVE ADVANTAGES

that enable VTB Group to maintain and strengthen its market position

1. Strong competitive positions in Russia: one of the country’s leading and systemically important banks—holds a significant share of the Russian financial system’s total customer funds and total assets

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

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

7. Wide international network gives the Group a unique opportunity to serve Russian customers across the globe

3. A large branch network and a significant customer base

8. VTB Capital’s investment banking division provides a full range of services in international financial markets

4. Leading positions in retail banking services, one of the leaders in the mortgage lending market in Russia

9. Brand awareness and state interest ensure financial strength and increased customer confidence

5. Strong relationships with leading Russian companies in key industries

10. Professional team with a client-oriented approach

VTB GROUP IN RUSSIA

(market share as of 31-Dec-2018)

Assets

Corporate business

- 18.6% loans to legal entities
- 20.7% funding from legal entities

Retail business

- 17.8% loans to individuals
- 22.7% mortgage
- 14.0% funding from individuals

Investment business

- 26.5% fees
- 35.6% DCM
- 84.5% ECM
- 18.7% M&A
VTB Bank and its subsidiaries and affiliates (hereinafter "VTB Group") includes Russian and foreign commercial banks and other companies controlled by the Group.

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, Zapsibkombank, Sarovbiznesbank—as well as through the Post Bank joint venture.

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 2018, the Group’s banking and investment banking business was active in 16 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 Capital in Singapore and a branch of VTB Bank (Europe) in Austria. The Group’s investment banking division conducts operations with securities and provides financial advisory services in Hong Kong and investment banking services in Bulgaria. 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 Banking, Medium and Small Banking and Retail Business represent the Group’s global business lines, which specialise in servicing various client segments.

Client base in Russia

<table>
<thead>
<tr>
<th>Category</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corporate-Investment Banking clients</td>
<td>9.5 thousand</td>
</tr>
<tr>
<td>Medium and Small Banking clients</td>
<td>577 thousand</td>
</tr>
<tr>
<td>Individual clients</td>
<td>12.3 million</td>
</tr>
<tr>
<td>Payroll clients</td>
<td>6.5 million</td>
</tr>
<tr>
<td>Clients using remote channels</td>
<td>6.5 million</td>
</tr>
</tbody>
</table>

1 Calculated based on data for existing corporate clients. An existing corporate client is a corporate client that has a contractual relationship with VTB Group for the provision of banking services and/or uses the services of the Group.

2 The client’s use of mobile or online banking in the preceding 90 days is taken into account (if the client uses both tools, it is counted only once).
Key changes in the structure of the VTB Group

On 1 January 2018, VTB Bank successfully completed the legal procedures for its merger with VTB24, the largest merger ever to take place in the Russian banking market. The transition to a more efficient model as a universal bank enabled us to create a unified organisation capable of responding more efficiently to market changes, consolidating best practices across all business lines and improving the quality of customer service. The merger with VTB24 created synergies within VTB Group, reducing costs and increasing the efficiency of the merged bank. In addition, the merger provides a number of advantages in terms of improving the management structure and interaction among business lines, which also has an indirect positive impact on financial results.

On 31 October 2018, VTB Group and Sogaz Insurance Group closed a deal on the sale of 100% of VTB Insurance. All the companies in VTB Insurance Group, including VTB Life Insurance and VTB Medical Insurance, were included in the transaction. The new company became the largest universal insurance franchise in Russia.

In November 2018, the National Bank of Ukraine declared VTB Bank (Ukraine) insolvent. In December 2018, the National Bank of Ukraine revoked banking license of VTB Bank (Ukraine). As a result, the bank was removed from the Group’s financial reporting.

In December 2018, VTB’s Supervisory Council approved the acquisition of 81.1% of shares of Sarovbiznesbank and 71.8% of Zapsibkombank. These acquisitions did not have a significant impact on the Group’s balance sheet, but they helped increase market share in certain regions, primarily in the retail segment.

In October 2018, VTB completed the acquisition of Vozrozhdenie Bank, which enabled VTB to increase retail customer deposits and its retail loan portfolio, as well as improve the Group’s expertise in terms of working with small and medium-sized enterprises (SMEs).
OWNERSHIP STRUCTURE

Equity capital

- State-owned 92.2%
- 12.1%
- 7.8%
- 47.2%

Voting rights

- Free float 39.1%
- 60.9%
- 36.0%
- 3.1%

Geographical distribution of institutional investors of institutional investors

- 7.8%
- 45.0%
- 47.2%

Regional distribution of individual investors (% of individual shareholder base)

- 61.7%
- 19.9%

- >60% of total shareholders live outside Moscow and Saint-Petersburg and their territories

- 9.4%
- 7.0%
- 2.1%

STOCK EXCHANGE LISTINGS

Moscow Exchange

- Ordinary shares
- Global depositary receipts (GDRs)
- LEI 253400V1H6ART1UQ0N98
- ISIN RU000A0JP5V6

London Stock Exchange

- Ordinary shares
- Global depositary receipts (GDRs)
- LEI 253400V1H6ART1UQ0N98
- ISIN US46630Q1031
- RegS programme
- ISIN US46630Q2021

VTB Bank is one of the largest companies by market capitalisation listed on the Moscow Exchange. The Bank’s ordinary shares are constituents of the major indices on the Moscow Exchange, including the MOEX Russia Index, the RTS Index, the MOEX 10 Index, the MOEX Blue Chip Index, the Broad Market Index and the MOEX Financials Index. One lot is 10,000 shares. The shares are also included in the MSCI Russia Index, MSCI EM Index and FTSE All-World Index.

Each VTB GDR is equivalent to 2,000 VTB ordinary shares. The Bank’s GDRs are included in the MSCI Russian Depositary Index, the MVIS Russia index and the RDX Index.

129.6 thousand shareholders of VTB Bank, including 128.6 thousand individual shareholders
FINANCIAL HIGHLIGHTS

Total assets, RUB bn

<table>
<thead>
<tr>
<th></th>
<th>Pre-IFRS 9</th>
<th>Post-IFRS 9</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total liabilities</td>
<td>11,060</td>
<td>12,191</td>
</tr>
<tr>
<td>Customer deposits</td>
<td>5,669</td>
<td>9,150</td>
</tr>
<tr>
<td>Customer loans</td>
<td>11,529</td>
<td>13,530</td>
</tr>
</tbody>
</table>

Balanced asset growth with focus on retail lending

Customer loans, RUB bn

<table>
<thead>
<tr>
<th></th>
<th>Pre-IFRS 9</th>
<th>Post-IFRS 9</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total assets</td>
<td>12,645</td>
<td>14,761</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>13,188</td>
<td>15,288</td>
</tr>
<tr>
<td>Customer deposits</td>
<td>7,267</td>
<td>9,487</td>
</tr>
<tr>
<td>Customer loans</td>
<td>14,042</td>
<td>16,042</td>
</tr>
</tbody>
</table>

Operating income before provisions, RUB bn

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net interest income</td>
<td>531</td>
<td>415</td>
<td>511</td>
<td>593</td>
<td>641</td>
</tr>
<tr>
<td>Other net operating income</td>
<td>12%</td>
<td>18%</td>
<td>16%</td>
<td>14%</td>
<td>13%</td>
</tr>
<tr>
<td>Net fee and commission income</td>
<td>65%</td>
<td>68%</td>
<td>70%</td>
<td>78%</td>
<td>73%</td>
</tr>
</tbody>
</table>

Net profit, RUB bn

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net profit target</td>
<td>0.8</td>
<td>1.7</td>
<td>51.6</td>
<td>120.1</td>
<td>178.8</td>
</tr>
</tbody>
</table>

Key metrics, %

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net interest margin (NIM)</td>
<td>4.0</td>
<td>2.6</td>
<td>3.7</td>
<td>4.1</td>
<td>3.9</td>
</tr>
<tr>
<td>Net commission margin (NCM)</td>
<td>0.6</td>
<td>0.6</td>
<td>0.6</td>
<td>0.8</td>
<td>0.7</td>
</tr>
<tr>
<td>Cost / income ratio (CIR)</td>
<td>41.9</td>
<td>53.5</td>
<td>45.8</td>
<td>44.0</td>
<td>40.5</td>
</tr>
<tr>
<td>Cost of risk (CoR)</td>
<td>3.4</td>
<td>1.8</td>
<td>1.5</td>
<td>1.6</td>
<td>1.6</td>
</tr>
<tr>
<td>Return on equity (ROE)</td>
<td>0.1</td>
<td>0.4</td>
<td>3.6</td>
<td>8.3</td>
<td>12.3</td>
</tr>
<tr>
<td>Return on assets (ROA)</td>
<td>0.0</td>
<td>0.0</td>
<td>0.4</td>
<td>0.9</td>
<td>1.3</td>
</tr>
</tbody>
</table>
2. STATEMENT OF THE CHAIRMAN OF THE SUPERVISORY COUNCIL

Dear shareholders, clients and partners,

VTB is a Russian leading universal financial institution providing its services to private individuals, businesses and public bodies. The scope of Bank’s activities makes it a financial institution of key systemic importance offering credit and investment solutions to corporate and retail customers.

In 2018, VTB Group made significant progress in achieving its primary objectives: profitability exceeded target levels and the restructuring of the Group was completed successfully.

VTB Group’s IFRS net profit for 2018 amounted to RUB 179 billion, 19% above the target. This was the result of an increase in core banking revenues, efficient cost management and strengthening of market positions in principal business segments. VTB’s loan portfolio growth outperformed the industry dynamics, which allowed the Bank to deliver on its strategic goals in retail and corporate lending. The Group’s market share in loans to corporates increased in 2018 by 190 bp to 19%, while the market share in retail loans grew by 70 bp to 18%. At the same time, the Group significantly strengthened its position in attracting retail deposits: during the reporting year, our market share in Russia increased by 200 bp to 14% significantly outstripping the strategic benchmark.

In a world of rapidly developing technologies and customer expectations it is paramount to ensure the reliability and adaptability of banking systems and the development of competitive advantages through the introduction of innovative financial products and service technologies. Among the Bank’s key achievements in 2018 were the harmonisation of the Group’s IT infrastructure, improvement of the reliability of IT systems and the introduction of new digital services for corporate and retail clients based on an agile development methodology.

The Supervisory Council pays a great deal of attention to maintaining high standards of corporate governance, which are an essential element of sustainable growth. In order to achieve this, together with the Bank’s management we maintain the advanced system to monitor procedures and practices aimed at ensuring that shareholder rights are fully observed, including continuous feedback from minority shareholders.

As of January 2019, the Bank had a total of 129.6 thousand shareholders, 128.6 thousand of whom were private individuals. Our shareholder base grew 37% last year, which is evidence of market confidence in VTB and confirmation of our high level of corporate governance.

Today, VTB Group has set ambitious new goals for itself; achieving them will require changing the way that the Group organises its work and improvements in our corporate culture. The Group’s current strategy will enable VTB to become more flexible and more competitive, and further improve its performance.

I would like to thank VTB’s shareholders, clients and partners for their trust and cooperation. I am confident that the concerted efforts of the Group’s entire team will bring us to further advancements and new achievements.

Sincerely,
Anton Siluanov
Chairman of the Supervisory Council
3. STATEMENT OF THE PRESIDENT AND CHAIRMAN OF THE MANAGEMENT BOARD

Dear shareholders, clients and partners,

For the second year in a row, VTB Group has outperformed the objectives set out in our current three-year strategy for 2017–2019. In 2018, net profit grew by almost 50% to RUB 179 billion, easily exceeding our target of RUB 150 billion and securing a return on equity of 12.3%. This result is based on year-on-year improvements in operating income and cost-efficiency. It also lays the groundwork for a good year in 2019, and I am confident that we will meet our profit targets this year as well. We saw significant growth in the volume of our business last year, and we increased our market shares in key segments. VTB outpaced the industry average in terms of growth in corporate and retail lending, as well as in retail deposits.

The stable macroeconomic situation in the Russian economy in 2018 provided a positive impetus for the development of the retail banking market, which enabled VTB to offer its customers better conditions for a variety of Group products and services.

Retail lending increased by 29% in 2018 to RUB 3.0 trillion. Mortgage lending was the driving force behind growth in the Group’s retail loan portfolio: the Bank issued nearly 300 thousand new mortgage loans in 2018, totalling RUB 0.7 trillion, the most in VTB Group’s history. VTB issued one out of every five mortgage loans in Russia: about 1.4 million families were able to purchase housing with our help. As of 31 December 2018, VTB Group’s mortgage portfolio amounted to RUB 1.4 trillion.

Retail customer deposits increased by 28% to RUB 4.4 trillion as of the end of the year. VTB accounted for a third of the increase in individual deposits across the entire Russian banking sector. Moving VTB’s retail business to the universal platform of the merged bank played a significant role in driving and maintaining this growth.

Our corporate business also enjoyed positive results in 2018.

Throughout 2018, we continued our efforts to solidify our position in midcorporate business. In recent years, this important area of the country’s economy has remained a focus of attention on the part of the Bank’s management. Taking into account market trends and customer needs, VTB Group created a single Medium and Small Banking global business line. As part of the merger with VTB24, we made large-scale changes in the process of serving small and medium-size businesses, developing remote banking channels and services that allow customers to save a great deal of time while managing their business effectively and efficiently.

VTB remains an unwavering leader in corporate-investment business. In 2018, we continued to finance regional and federal projects in the areas of social assets, road construction and railway infrastructure, as well as innovative and high-tech projects in the real sector of the Russian economy. VTB Capital remains the leading investment bank in all segments of the investment banking market in Russia.

Along with ensuring business growth, VTB Group continued its systematic work to improve operational efficiency and risk management systems.

In 2018, we managed to achieve a significant reduction in the share of non-performing loans, which decreased by 120 bp to 5.7%. The coverage ratio of non-performing loans continued to increase, amounting to 112.0% at the end of the year. Against a backdrop of accelerated growth in the Bank’s loan portfolio and significant dividend payments for 2017, increased profitability helped maintain capital adequacy: as of 31 December 2018, VTB’s total and Tier 1 capital adequacy ratios were 13.5% and 12.0%, respectively.

From an operational standpoint, 2018 was our first year as a unified bank following the successful merger with VTB24. The process of transforming VTB Group into a single universal bank is now complete. In 2019, we will have to definitely complete the adaptation of our internal processes for the merged banking platform.

Thanks to the transformation of our organisational structure and the simplification of the management system, VTB was able to achieve significant cost reductions, while also establishing business synergies. As a result, we have become a more efficient and competitive business that can quickly adapt to a rapidly changing external environment.

While preparations were made throughout 2018, the merger of the Bank’s retail and corporate networks was successfully completed in January 2019. This was the largest merger of networks in the history of the Russian banking system. Now, VTB clients can receive a full range of services at any branch of our universal bank in every region where we operate from the Baltic Sea to Kamchatka.

Sincerely,

Andrey Kostin
President and Chairman of the Management Board

In 2018, the Group continued to implement plans to solidify its presence in the most interesting regions for business development.

In October 2018, we acquired Vozrozhdenie Bank, a strong player in the retail and midcorporate segments in the Moscow region. In January 2019, the acquisitions of Sarovbinesbank and Zapsibkombank were completed, which will give VTB a more meaningful presence in the Nizhny Novgorod and Tyumen regions.

I am confident that the ongoing transformation of our business and our new strategic initiatives will help us achieve positive results, implement our plans and accomplish our goals in 2019.

Our priority strategic initiative for the near future remains the further technological transformation of our operations. The digital revolution that has taken place in recent years in all spheres of life continues to gain momentum, and we are responding to customer demand both in terms of the products and services offered by VTB Group and in the way they are provided. Therefore, we are continuing to introduce cutting-edge technologies that make our systems more reliable and secure, while also expanding the range of possibilities available to our customers. In addition, new data analysis technologies are helping us better understand the needs and demands of our customers, while making it possible to individualise products and services and help customers achieve their goals in the best possible way.

I would like to thank all my colleagues for their teamwork and contribution to our shared success. Together, we will continue to improve our results and build a world-class high-tech bank for the benefit of society, our customers and our shareholders.
VTB Group’s sustainable business growth contributes to strengthening VTB’s positions in key market segments in Russia.
RUSSIAN ECONOMY AND BANKING SECTOR

Russian Economy in 2018

In 2018, Russian economic growth accelerated to 2.3% year-on-year from 1.6% in 2017. The structure of growth from the demand perspective was shaped by the MinFin’s fiscal rule, that prevented the increase in oil prices to spill over to the appreciation of the real effective exchange rate (REER): in 2018 the REER declined by 7.7%.

Russian macroeconomic indicators, % change year-on-year

Household demand continued to enjoy the support of robust real wage growth and the expansion of retail lending. Real wages were up 7% (vs. 3.5% in 2017), however, their growth was not even throughout the year: it peaked at 11% in January on the back of low inflation and material acceleration of nominal wage growth, but has decelerated to 2.9% by year end of 2018.

Consumer confidence path matched that of the real wages: elevated in the first half of 2018, but dropped again in the second half of 2018 with gradual pick up in inflation and deceleration of the growth. In 2018, retail sales growth expanded 2.6%, with more visible growth in the non-food segment, while food turnover grew 1.7%.

According to a survey by the Bank of Russia, lending conditions for borrowers also eased in the first half of 2018, but tightened towards the year end of 2018.

From the production perspective, biggest contribution to headline GDP growth rate of 2.3% came from the mining sector (+0.44 pp), retail and wholesale trade (+0.28 pp), while increase in construction added around 0.25 pp. In terms of growth rates, not corrected by the relative sizes of the sectors, then the largest expansion was seen in the financial sector (+6.3%) as lending to households and corporates increased. The HfReCo sector was a close second (+6.1%), due to the 2018 World Cup being held in Russia, while construction (+4.7%) trailed in third place.

Consumer price growth has gradually picked up from 2.5% in December 2017 to 4.3% in December 2018. The turnaround in the price growth trends was to a large extent a function of the local and global harvest, FX pass-through and changes in the tax system. In particular, food category contributed 1.4 pp of the overall 1.8 pp price growth acceleration, while the remainder has been due to higher inflation in core goods and services.

In 2018, the Bank of Russia twice cut its key rate by 0.25 pp and then raised it twice by the same amount, leaving it at 7.75% by the year-end.

Currently, the Bank of Russia is focused on containing short-term inflation risks stemming from external shocks and change in the VAT base rate.

Inflation and Bank of Russia key rate
In 2018, Russian banking sector assets increased by 10.4%, compared to growth of 6.4% a year earlier. The penetration of banking services, defined as a banks’ total assets divided by GDP, increased by 1.6 pp to 94%.

In the first half of 2018, banks reduced interest rates on loans following a decrease in the key rate, which contributed to an increase in demand for borrowing. The increase in interest rates in the second half of the year did not, however, have a significant impact on the growth rate of the loan portfolio. As a result, the acceleration of growth in the retail loan portfolio (up to 22.4% in 2018 from 12.7% in 2017) due to high growth rates in mortgage and consumer lending (23.3% in 2018 and 21.1% in 2017, respectively), as well as the resumption of growth in the corporate loan portfolio (12.0% in 2018 compared to an increase of 2.2% a year earlier) ensured steady growth in lending of 14.7% in 2018.

In 2018, the share of overdue loans in the retail portfolio decreased to 5.1% and in the corporate portfolio to 6.3%. The loan loss provision ratio decreased to 8.3%, but the coverage ratio rose to 177%.

The weakening of the rouble had a noticeable impact on the growth of deposits and accounts. Corporate accounts increased by 16.4% in 2018 (compared to a 7.4% increase in 2017), while term deposits were up by 9.5% in 2018 (compared to 7.4% in 2017), accounting for 71% of banks’ liabilities. During the year, the net loans-to-deposits ratio decreased by 1.3 pp to 72%. Banking sector debt to the Bank of Russia increased by 29% in 2018, reaching 3.1% of assets.

Banks’ profits increased by 70.3% during the reporting period to RUB 1.3 trillion. The number of unprofitable credit institutions decreased from 140 at the end of 2017 to 100 in 2018. Growing profits contributed to an increase in return on equity in 2018, which rose by 6 pp to 15.1%, and an increase in capital adequacy (during the 12 months of 2018, the total capital adequacy ratio (N 1.0) increased by 10 bp to 12.2%).
KEY EVENTS

January
- On 1 January 2018, VTB Bank successfully completed the legal procedures for its merger with VTB24 and began servicing clients under a single brand. As part of the merger, online and mobile banking were renamed VTB Online for individual customers and VTB Business Online for corporate customers. During the New Year holidays, work was carried out to integrate the customer base and IT infrastructure, and all offices and online systems started operating as part of a single brand. A single product line was made available to customers throughout the entire network of VTB offices, offering the usual high level of service.
- VTB Bank began accepting applications for mortgage loans under a new programme of state subsidies. Support for borrowers envisages a reduction in the mortgage rate to 6% over three or five years. The programme can be used by families who have a second or third child between 1 January 2018 and 31 December 2022. Borrowers can take out a loan on preferential terms for the purchase of a newly built property or for existing housing through a developer.

February
- VTB joined a new programme offering preferential financing for small and medium-sized enterprises (Programme 1706, approved by Decree of the Government of the Russian Federation No. 1706 of 30 December 2017). The programme, which is being implemented jointly with Russia's Ministry of Economic Development, provides for a preferential annual lending rate of no more than 6.5% to companies in a variety of industries: agriculture, construction, transport, manufacturing, tourism, healthcare, etc. Loans to finance working capital are provided for up to three years or for up to 10 years for investment purposes.
- VTB reached its Programme 1706 quota ahead of schedule in April 2018, concluding 32 loan agreements worth a total of RUB 4.5 billion. In total, 25 of the Bank’s customers from 19 regions of Russia, representing 16 different industries, received support at a preferential annual rate of 6.5%. More than 80% of the agreements are for investment purposes.

March
- The S&P Global ratings agency upgraded VTB Bank’s long- and short-term ratings from BB+/B1 to BBB-/A-3, with a stable outlook. The agency noted VTB’s success in improving the structure of its resource base by replacing costly financing through capital markets with customer funding, as well as measures to diversify its business profile by increasing its share of retail business and improving operational efficiency through the consolidation of the Group’s structure and management system, as well as reducing the volatility of expenses for provisions.
- VTB Bank launched an expanded benefits programme for shareholders that includes a list of financial products and services that are subject to special conditions for Bank shareholders. The updated product line was launched throughout VTB’s retail network. Preferential terms and conditions for VTB shareholders apply to the Multicard, Privilege and Prime service packages, custody services and insurance. Shareholders also have access to reduced rates on cash loans and when refinancing existing loans from other banks.

April
- VTB transferred the Group's divisions to a single information platform called the Corporate Business Portal. This project involves the introduction of tools for cross-functional interaction among Group employees and a work platform for the Bank’s corporate business call centre, as well as the use of intelligent information processing algorithms. The Bank developed its own proprietary system for its Corporate Business Portal due to the scale and specificity of the Group’s business.
- In April 2018, VTB was recognised as the best bank for trade finance in Eastern Europe in 2017 according to the British publication Global Trade Review. In 2017, VTB concluded more than 800 trade and export financing transactions with counterparties from 50 countries. The Bank supported its customers’ foreign trade activities in the main sectors of the economy, including oil and gas, transport, machine building, chemicals, steelmaking and others. VTB Bank also won an award for the best deal for arranging financing for the supply of aircraft for the Turkish airline SunExpress with insurance coverage provided by the Italian SACE export credit agency. This was a landmark transaction for the aviation financing market.
- VTB created a virtual bank branch to finalise its introduction of technology for remote customer service based on the OmniChat platform. The virtual branch’s main functions are already available on the Bank’s website, as well as through the VTB Online and VTB Business Online mobile applications. The virtual branch is a system that enables interaction between customers and the Bank’s contact centre through the use of chat and other web-based collaboration tools. The online chat function enables customers to contact the Bank and exchange text messages and images with operators. Through remote channels, Bank specialists can help customers complete an application for a cash loan, a credit card or refinancing. This functionality is available both on the www.vtb.com and through the VTB Online and VTB Business Online mobile applications.

May
- On 23 May 2018, VTB Bank's Annual General Shareholders’ Meeting was convened in St. Petersburg. The meeting was attended by more than 1,600 shareholders and shareholder representatives, including attendance via videoconferencing. The event was streamed online on the Bank’s website, www.vtb.com. For the convenience of shareholders, an e-voting system was available for use at the meeting.
June

- VTB Capital’s research team took the top spot in the Institutional Investor Emerging EMEA Research Team Ranking 2018 (in Russia). VTB Capital also climbed one notch in the Institutional Investor rating for the EMEA region, placing fifth among investment banks in the region and taking the top spot among Russian players. The investment bank’s analytical team also became the leader in the EMEA region in the following sectors:
  - first place in the “Transport” category
  - second place in the “Power” category
  - third place in the “Sovereign Debt” category

In individual rankings, the VTB Capital analytical team ranked third in the EMEA region.

- VTB Bank developed and introduced its own application “VTB My Investments” which provides retail clients with fast and easy access to investment products offered by VTB Group. The application incorporates broker services and asset management products. It allows clients to perform transactions in equities, forex and derivatives markets, to see the results of each transaction and the performance of their entire portfolio and to track changes of stock-exchange instrument rates. The flexible interface makes the application comprehensive and user friendly for both beginners and experienced individual investors.

July

- VTB’s Multicard won the Frank RG Banking Reward Award 2018 in the “Frank RG Reward Star Top-Class Programme” category. The award was presented by the Frank Research Group, a leading research company that analyses the competitive environment in the Russian financial services market.

- VTB launched a line of credit products for small businesses in the agriculture segment. Financing is provided for working capital and investment purposes for up to seven years. VTB is working to support agribusiness companies as part of its Medium and Small banking business. VTB was one of the first Russian financial institutions to start working on a programme of preferential lending implemented jointly with Russia’s Agriculture Ministry.

September

- VTB launched a new product, the Multicard credit card that offers a grace period of 101 days and the possibility of withdrawing or transferring funds without commission in the first seven days after receipt of a card. These conditions have been in effect since the cards became available in September 2018. In order to use the Bank’s funds under the new Multicard credit card terms, cardholders simply have to make the minimum payment every month, i.e. 3% of the principal. Having been issued a 101-days Multicard, clients can also refinance other loans during the first seven days, they can transfer or withdraw funds from the card in cash with no fees in order to cover debts in another bank.

October

- VTB Bank was assigned the highest rating for corporate governance, 7++ (Developed Corporate Governance Practice), based on the results of annual independent monitoring carried out by the Russian Institute of Directors. As part of the monitoring, various components of the Bank’s corporate governance system were analysed, such as shareholder rights, the performance of management and oversight bodies, information disclosure and corporate social responsibility.

- VTB completed the acquisition of a controlling stake (85%) in Vozrozhdenie Bank. VTB launched a mandatory offer to buy back shares from Vozrozhdenie Bank’s minority shareholders. All minority shareholders were able to take advantage of the offer up until January 2019. As a result, VTB was able to increase its stake in Vozrozhdenie from 85% to 96.30% of ordinary shares. Vozrozhdenie Bank’s Development Strategy calls for further strengthening of the bank’s market position in the Moscow region in the retail and corporate segments.

- Retail Investor Day was held in Moscow. The event welcomed 6,355 visitors, an all-time record. Stock-market experts and leading VTB analysts presented information on the implementation of VTB Group’s strategy and its financial performance, innovations in terms of interaction between the Bank and its shareholders, as well as a programme of special benefits and offers for Bank shareholders.

- On 31 October 2018, VTB Group and Sogaz Insurance Group closed a deal on the sale of 100% of VTB Insurance. All the companies in VTB Insurance Group, including VTB Life Insurance and VTB Medical Insurance, were included in the transaction. Until the integration is final, the companies in VTB Insurance Group will continue to honour their obligations to their customers in full. During the first stage after the completion of the transaction, VTB Insurance Group companies will continue to operate under their own brand.

November

- VTB Capital hosted the tenth annual Russia Calling! Investment Forum in Moscow. The event attracted more than 2,500 visitors, including more than 500 investors from 63 countries, government officials and heads of leading global corporations. Russian President Vladimir Putin addressed the forum’s plenary session. The forum featured more than 900 business meetings for representatives of Russian companies and investors.

- VTB was named the 2018 Bank of the Year in Russia by The Banker magazine. The publication’s international jury evaluated VTB’s financial performance, as well as the strategic initiatives, technologies, products and services that the Bank introduced from January 2017 through June 2018. In winning the competition for the first time, the jury noted VTB’s best practice in providing banking services in Russia. This award represents recognition by one of the most respected international financial publications of the success that VTB has demonstrated in various areas of activity: technology and management, as well as improving efficiency and shareholder value.

December

- Retail Investor Day was held in St. Petersburg. The programme for the event included presentations by experts from VTB Group and Moscow Exchange. The key topics covered were the results of VTB’s operations in 2018, VTB management’s forecasts for 2019, VTB Group’s dividend policy and an expanded programme of special offers for VTB shareholders.

- VTB Bank’s Supervisory Council approved the purchase of an 81.1% stake in Sarovbirzbank and a 71.8% stake in Zapsibkombank.
STRATEGY


The Strategy is based on three key priorities:

- Increased profitability – exponential growth in net profit to more than RUB 200 billion by 2019 and a return on equity of around 14%;
- Integration of the banking business – the creation of a single universal bank;
- Modernisation – a breakthrough in the development of a modernised, customer-oriented bank through large-scale technological transformation.

The Development Strategy envisages significant structural changes in the Group’s business model with the aim of improving the quality of customer service, strengthening market positions and significantly improving financial results. To achieve these goals, six strategic initiatives were developed and are being implemented:

1. Improvement of the funding structure and reduction of funding costs;
2. Integration of VTB and VTB24 banks and reaching a new level of cooperation between business lines;
3. Digital transformation of the Group’s business and processes;
4. Attainment of the target level of profitability in Corporate-Investment Banking while maintaining market leadership;
5. Development of a new model for Medium and Small Banking focused on exponential growth in terms of the number of clients and income diversification;
6. New scale in Retail business.


In 2018, VTB Group fulfilled its strategic goals in terms of net profit and return on equity. Net income reached a record high of RUB 178.8 billion, exceeding the target by 19%. At the same time, return on equity reached 12.3%, outstripping the target of 10%. Strong positions in the markets for corporate and individual clients’ lending, significant growth in retail deposits and the replacement of more expensive sources of funding as well as effective cost management had a positive impact on the Bank’s ability to fulfill these goals.

Improvement of the funding structure and reduction of funding costs

Fulfilling this goal by 2019 assumes an increase in the share of customer deposits among the Group’s total borrowings to 81%. Retail deposits and accounts should be the key source of this growth. Their share of the Group’s interest-bearing liabilities should increase to 36% by 2019.

By the end of 2018, VTB Group had fulfilled its established goals for attracting customer deposits, which accounted for 82% of interest-bearing liabilities as of the end of the year.

The most important factor behind this growth was more than 28% increase in individual account balances. As a result, the share of retail deposits and accounts among the Group’s interest-bearing liabilities increased to 36%.

At the same time, the average cost of VTB’s interest-bearing liabilities in 2018 decreased from 5.7% to 4.9%.

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

As a result of the merger of VTB and VTB24, the Group must switch to the model of a single universal bank in Russia and take the interaction of its global business lines to a fundamentally different level.

The merger of VTB Bank and VTB24 took place on 1 January 2018. All divisions of the parent organisation, as well as branches and subsidiaries that previously operated as part of VTB24 successfully began operating as part of the merged bank. All of the Bank’s customers now have access to a unified product line, as well as all of the Bank’s systems and processes, including remote banking for corporate customers, online and mobile banking for retail customers, processing, self-service devices and brokerage services, which are fully functioning without crashes.

In 2018, the Bank reached its first targets from the implementation of synergies within the merged bank – savings on operating expenses amounted to RUB 8.3 billion, growth in retail brokerage investments nearly doubled, and there was further growth in payroll projects. As part of the integration, measures for rebranding all points of sale and ATMs were successfully carried out; unified end-to-end work models were built within the merged bank, including support and control areas; key decisions were made on the transition to a unified branch network model.

Digital transformation of the Group’s business and processes

The implementation of a large-scale digital transformation programme includes improving the quality and effectiveness of the implementation of strategic initiatives undertaken in global business lines and functional units, ensuring the reliability and adaptability of the IT platform, as well as creating competitive advantages through the introduction of innovative technologies.

To ensure large-scale transformations, all IT processes were reviewed in 2018, the quality of IT change management and the IT project portfolio were improved, and agile development methods were introduced to reduce products’ time to market.

Thanks to the introduction of advanced management approaches in accordance with plans, key digital transformation projects were being implemented, the IT landscape is being harmonised, IT systems are becoming more reliable, and new digital services are being introduced for retail and corporate customers using agile development techniques.

To ensure a high degree of information security, measures were taken to create a closed perimeter around critical banking systems, to introduce a system that protects against phishing emails, to create a project support service and to integrate information protection tools at the product design stage. As a result, the Group reached the maximum level of compliance with information security standards and was able to ensure zero downtime for critical systems as a result of cyberattacks and zero losses for the Bank because of cyberattacks.

Attainment of the target level of profitability in Corporate-Investment Banking while maintaining market leadership

The implementation of the Group’s Development Strategy in Corporate-Investment Banking involves addressing the following challenges simultaneously: profit growth, maintaining leading positions in the corporate lending market, developing innovative products and upgrading the technology platform in the transaction business, improving the efficiency of cross-selling and profitability per client.

In 2018, the Group’s Corporate-Investment Banking business increased its net profit by 34% to RUB 102.3 billion. At the same time, its loan portfolio increased 17%, which was significantly higher than the growth rate in Russia’s corporate lending market.

VTB Group strengthened its position as a leading expert in the trade finance market and was recognised as the best trade finance bank in Eastern Europe (Global Trade Review) and the best trade finance bank in Russia (Global Finance).

In the investment business, leading positions were maintained in advising on M&A transactions and in arranging placements in public debt and equity markets. Global Finance named VTB Group the best investment bank in emerging markets, while Finance Monthly named it the best consultant among investment banks in Russia in 2018.

In 2018, VTB Group continued to develop customised and innovative client solutions. As a result, projects were implemented to enable payments and to accept contactless cards in the Moscow Metro and on Mosgortrans routes; support was provided for Moscow Parking digital services and for the Moscow Metro and Mosgortrans applications; the first release of the My Smart City application for residents of Moscow was developed.

Created in 2018, the VTB My Investments mobile application was recognised as the best in the market according to the Russian Association of Electronic Communications (RAEC).
Development of a new model for Medium and Small Banking focused on exponential growth in terms of the number of clients and income diversification

VTB Group’s current development priority in Medium and Small Banking is the creation of a unique value proposition and the necessary business infrastructure to ensure exponential growth in terms of the number of clients and diversification of the Group’s revenues.

As of the end of 2018, the volume of the Medium and Small Banking global business line loan portfolio had increased to RUB 1.1 trillion, while customer funding grew to RUB 1.4 trillion.

In 2018, VTB Group introduced a new model for segmentation and customer service. To increase the number of customers, a system of remote sales channels was launched, including a partner channel, online marketing and a call centre. To develop the value proposition, work continued on the implementation of projects to improve transactional products, introduce package offers, develop a remote banking system and optimise the processes of opening and maintaining accounts, including reserved accounts online. The Group also achieved significant results in automating the credit process for SME clients.

New scale in Retail business

The main objectives of VTB Group’s Retail Business strategy are to increase the number of active customers, increase market share in lending and deposits, provide financing for the Group’s goals and develop state-of-the-art technological solutions for customers.

As of the end of 2018, the total number of active customers in the Retail Business in Russia had increased to 12.3 million, including 6.5 million payroll customers. The Retail loan portfolio amounted to RUB 3.0 trillion as of the end of the year, which enabled VTB Group to achieve a 17.8% market share in retail lending. VTB’s share of the market in retail customer funding increased to 14%, while its volume of retail customer funding surpassed RUB 4.4 trillion.

Long-Term Development Programme

Based on the Development Strategy for 2014–2016, the Development Strategy for 2017–2019 and in accordance with the requirements for companies outlined in the special list published by the Government of the Russian Federation (Decree No. 91 of 23 January 2003), the Bank developed and approved an updated Long-term Development Programme for 2014–2019 (Minutes No. 4 of the Supervisory Council of 9 April 2018; hereinafter the “Programme”).

The Programme contains a detailed list of measures to ensure the Bank achieves the development goals specified by the Strategy (a more detailed description of the implementation of individual measures in 2018 is presented in the relevant sections of this Report).

The need to update the Programme in 2018 was due to:

- changes in the macroeconomic conditions related to the forecast used for development of the Programme;
- approval of the Bank’s Development Strategy for 2017–2019 and, as a result, the need to reflect in the Programme VTB’s current strategic initiatives and plans for their implementation for 2017–2019, as well as the need to synchronise the timing of the Programme with VTB Group’s strategic cycle;
- the requirements of the directives of the Government of the Russian Federation regarding changes to the Programme (in terms of increasing labour productivity; the need for human resources, including in engineering and technical specialisations; replacing foreign-made products with products of Russian origin; reducing operating expenses (costs); improving corporate governance; the inclusion of a key performance indicator based on dynamics in SME lending).

In 2018, VTB Group developed a new process for managing the life cycle of its payroll clients, improved the effectiveness of regional client teams in attracting such clients and significantly improved individual payroll offers for Bank clients. To increase balances in the accounts of retail customers, a new model for online sales of liability products was introduced, special incentive programmes were launched, loyalty programmes were developed, and steps were taken to increase customers’ transactional activity. By restarting the Privilege operating model, the quality of service for premium customers was significantly improved.

Key Performance Indicators (KPIs)

An important element in monitoring the attainment of the objectives of the Strategy and the Programme is the inclusion of key performance indicators (KPIs) in the system of incentives for responsible persons, guaranteeing employees a uniform course of action for the attainment of strategic goals.

In order to provide the basis for further development of the KPI system, the following documents were approved by the Bank:

- A list of key performance indicators to measure the performance of members of VTB Bank’s Management Board (Minutes No. 18 of the Bank’s Supervisory Council of 1 December 2017);
- The Method for Calculating and Evaluating the KPI “Return on Shareholder Investment” (Minutes No. 26 of the Bank’s Supervisory Council of 30 December 2014);
- The Procedure for Determining the Expected Amount of Remuneration for the Members of the Bank’s Management Board Depending on the Degree of Fulfilment of the KPIs (Minutes No. 26 of the Bank’s Supervisory Council of 30 December 2014);
- Regulation on Remuneration of the Bank’s Executive Bodies and the Key Performance Indicators for Their Activities (Minutes No. 2 of the Bank’s Supervisory Council of 26 February 2018).

Information on the link between the expected amount of the variable part of remuneration for VTB Bank’s Management Board and the execution of the established KPIs can be found in the Procedure for Determining the Variable Amount of Remuneration for the Members of the Management Board of the Bank, as well as in the employment contracts of the Bank’s senior management.

The key performance indicators are developed to assess the activities of the Bank’s executive bodies, taking into account the areas of activity of the Bank’s respective managers. It is also possible to use individual indicators for each respective manager to determine how successfully various projects/tasks/programmes have been implemented.

The list of KPIs and their weight in accordance with the Bank’s governing documents are determined for the reporting period by a decision of the Supervisory Council on an individual basis for each member of the Management Board.
VTB Group delivered robust business growth in 2018, strengthening its market position and outperforming the industry average both in corporate and retail lending and in customer funding.

In 2018, the Group's loan portfolio (excluding Post Bank as of 1 January 2018 and 31 December 2018) increased by 19% to RUB 11.4 trillion due to an increase in lending to individuals and legal entities.

VTB Group loans to legal entities reached RUB 8.4 trillion, an increase of 15% compared with 1 January 2018. At the same time, the Group saw its share of the corporate lending market increase from 16.8% to 18.6%.

The key drivers of growth in the corporate loan portfolio were the construction, telecommunications and media, as well as trade and commerce sectors. The Group continued to develop work with all sectors, making lending to small and medium-sized enterprises (SMEs) a priority.

Retail lending increased by 29% (excluding Post Bank as of 1 January 2018 and 31 December 2018) to RUB 3.0 trillion. The Group increased its market share by 70 bp to 17.8% (up from 17.1% as of 31 December 2017).

**Loans and advances to legal entities by industry, %**

<table>
<thead>
<tr>
<th>Industry</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Oil and gas</td>
<td>14%</td>
<td>13%</td>
<td>12%</td>
</tr>
<tr>
<td>Construction</td>
<td>11%</td>
<td>11%</td>
<td>10%</td>
</tr>
<tr>
<td>Metal</td>
<td>10%</td>
<td>10%</td>
<td>9%</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>8%</td>
<td>8%</td>
<td>7%</td>
</tr>
<tr>
<td>Government bodies</td>
<td>5%</td>
<td>5%</td>
<td>5%</td>
</tr>
<tr>
<td>Transport</td>
<td>4%</td>
<td>4%</td>
<td>4%</td>
</tr>
<tr>
<td>Trade and commerce</td>
<td>3%</td>
<td>3%</td>
<td>3%</td>
</tr>
<tr>
<td>Energy</td>
<td>2%</td>
<td>2%</td>
<td>2%</td>
</tr>
<tr>
<td>Chemical</td>
<td>1%</td>
<td>1%</td>
<td>1%</td>
</tr>
<tr>
<td>Finance</td>
<td>1%</td>
<td>1%</td>
<td>1%</td>
</tr>
<tr>
<td>Telecommunications and media</td>
<td>1%</td>
<td>1%</td>
<td>1%</td>
</tr>
<tr>
<td>Other</td>
<td>2%</td>
<td>2%</td>
<td>2%</td>
</tr>
</tbody>
</table>

**Share of loans to legal entities in total loan portfolio**

<table>
<thead>
<tr>
<th>Pre-PPI 5</th>
<th>Post-PPI 5</th>
<th>Pre-PPI 5</th>
<th>Post-PPI 5</th>
</tr>
</thead>
<tbody>
<tr>
<td>7,205</td>
<td>8,010</td>
<td>7,287</td>
<td>8,439</td>
</tr>
</tbody>
</table>

1. All figures in this 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 if compared to figures from the Financial Statements of the Group.
2. To calculate the changes in the loan portfolio in terms of accounting for the assets of Post Bank, the line consolidation method is used as of 31 December 2018 (corresponding to the consolidated financial statements of the VTB Group under IFRS for the year ended 31 December 2018) and as of 1 January 2018 (management reporting data is used). For more information, see the section “VTB Group today / VTB Group in the Financial Services Market / Key Changes in the Structure of VTB Group”.

**Key performance indicators of the Group**

<table>
<thead>
<tr>
<th>Indicator</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Return on equity and capital adequacy</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Return on equity</td>
<td>8.3%</td>
<td>12.3%</td>
<td>14%</td>
</tr>
<tr>
<td>Tier 1 CAR</td>
<td>13.1%</td>
<td>12.0%</td>
<td>12%</td>
</tr>
</tbody>
</table>

**Results Overview**

VTB Group delivered robust business growth in 2018, strengthening its market position and outperforming the industry average both in corporate and retail lending and in customer funding.

In 2018, the Group’s loan portfolio (excluding Post Bank as of 1 January 2018 and 31 December 2018) increased by 19% to RUB 11.4 trillion due to an increase in lending to individuals and legal entities.

VTB Group loans to legal entities reached RUB 8.4 trillion, an increase of 15% compared with 1 January 2018. At the same time, the Group saw its share of the corporate lending market increase from 16.8% to 18.6%.

Loans and advances to legal entities by industry, %

VTB Group loans to legal entities reached RUB 8.4 trillion, an increase of 15% compared with 1 January 2018.

At the same time, the Group saw its share of the corporate lending market increase from 16.8% to 18.6%.

Loans and advances to legal entities, RUB billion

<table>
<thead>
<tr>
<th>Pre-PPI 5</th>
<th>Post-PPI 5</th>
</tr>
</thead>
<tbody>
<tr>
<td>7,205</td>
<td>8,010</td>
</tr>
</tbody>
</table>

The key drivers of growth in the corporate loan portfolio were the construction, telecommunications and media, as well as trade and commerce sectors. The Group continued to develop work with all sectors, making lending to small and medium-sized enterprises (SMEs) a priority.

**Loans and advances to legal entities**

<table>
<thead>
<tr>
<th>Industry</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Oil and gas</td>
<td>14%</td>
<td>13%</td>
<td>12%</td>
</tr>
<tr>
<td>Construction</td>
<td>11%</td>
<td>11%</td>
<td>10%</td>
</tr>
<tr>
<td>Metal</td>
<td>10%</td>
<td>10%</td>
<td>9%</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>8%</td>
<td>8%</td>
<td>7%</td>
</tr>
<tr>
<td>Government bodies</td>
<td>5%</td>
<td>5%</td>
<td>5%</td>
</tr>
<tr>
<td>Transport</td>
<td>4%</td>
<td>4%</td>
<td>4%</td>
</tr>
<tr>
<td>Trade and commerce</td>
<td>3%</td>
<td>3%</td>
<td>3%</td>
</tr>
<tr>
<td>Energy</td>
<td>2%</td>
<td>2%</td>
<td>2%</td>
</tr>
<tr>
<td>Chemical</td>
<td>1%</td>
<td>1%</td>
<td>1%</td>
</tr>
<tr>
<td>Finance</td>
<td>1%</td>
<td>1%</td>
<td>1%</td>
</tr>
<tr>
<td>Telecommunications and media</td>
<td>1%</td>
<td>1%</td>
<td>1%</td>
</tr>
<tr>
<td>Other</td>
<td>2%</td>
<td>2%</td>
<td>2%</td>
</tr>
</tbody>
</table>
In 2018, VTB Group continued to increase customer deposits, which amounted to RUB 10.4 trillion, an increase of 16% in the reporting period (excluding Post Bank as of 1 January 2018 and 31 December 2018) due to an increase in deposits from both individuals and legal entities.

Customer funding from legal entities grew by 9% to RUB 6.0 trillion. In deposits and accounts from legal entities in Russia, VTB Group maintained its leading position with a market share of 20.7% at the end of 2018 (compared to 23.1% as of 31 December 2017).

VTB Group deposits from individuals amounted to RUB 4.4 trillion as of 31 December 2018. During 2018, individual deposits had increased by 28% (excluding Post Bank as of 1 January 2018 and 31 December 2018). The Bank enjoyed its biggest increase in market share in the last three years, up by 1.4 pp from 12.6% to 14.0%, outperforming both target and strategic indicators. As of 1 January 2018, excluding Post Bank, the Bank’s market share increased by 2 pp (from 12.0% to 14.0%). In the reporting period, the Group accounted for one-third of the increase in customer deposits in the entire Russian banking sector.

All of VTB Group’s key global business lines contributed to business growth during the reporting period.

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.

Segment overview

Client base in Russia and abroad
11.7 thousand acting clients

Banking client base in Russia
9.5 thousand acting clients

CIB loan portfolio
RUB 6.7 trillion
(before provisions for credit losses, excluding Vozrozhdenie Bank)

Deposits and accounts from CIB clients
RUB 3.9 trillion
(excluding Vozrozhdenie Bank)

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

All of VTB Group’s key global business lines contributed to business growth during the reporting period.

<table>
<thead>
<tr>
<th>Share of VTB Group total, %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assets</td>
</tr>
<tr>
<td>Customer loans and advances (net)</td>
</tr>
<tr>
<td>Customer deposits and accounts</td>
</tr>
<tr>
<td>Net interest income</td>
</tr>
<tr>
<td>Net fee and commission income</td>
</tr>
<tr>
<td>Provision charge1</td>
</tr>
<tr>
<td>Net operating income</td>
</tr>
<tr>
<td>Staff costs and administrative expenses</td>
</tr>
</tbody>
</table>

Source: VTB Group's IFRS consolidated financial statements for 2018

1. This includes expenses for provisions for credit losses on debt financial assets and for provisions for credit losses on credit obligations and other financial assets.
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.

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 (including 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, M&A transactions and consulting services, private equity, asset management, FX and interest-rate products and hedging strategies.

In 2018, the Bank was successful in achieving its targets in terms of key financial indicators in corporate-investment banking and was able to maintain its leading positions thanks to its mobile business model and willingness to make innovative decisions while taking due account of market conditions.

The Bank focused in particular on diversifying its business, improving the efficiency of processes and continued cost reductions. An important achievement in terms of diversifying the corporate-investment banking business was the creation of a brokerage services department — a key source of investment products for retail customers — as part of the merger between VTB and VTB24. In terms of cost reduction, the restructuring of the Group’s European subholding was completed at the end of 2017, and VTB’s European financial operations centre was moved to Frankfurt. This reduced the Group’s costs related to servicing three offices.

Lending to CIB clients

VTB offers a wide range of lending products for corporate clients, providing financing for a range of tenors in all major global currencies. The Bank also offers various types 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 significantly reduce interest rates by allowing the Bank to select the currency for repayment. Leasing and factoring products are provided to the Group’s customers through VTB Leasing and VTB Factoring.

In 2018, the Bank continued its strategic cooperation with the Essar Group by providing commodity prepay financing (a transaction in which the bank provides funds for prepayments for future oil supplies) in the amount of EUR 162 million for the Stanlow Refinery in England, as well as approving USD 2.45 billion in funding for Essar Global Fund Limited and USD 180 million for the Matrix Group.

In 2018, the Group continued to develop its lending business in international markets in Central and Eastern Europe, the Middle East and Africa (CEEMEA), and Asia. Several strategic deals were concluded in Asia, work continues with the aim of expanding the business in CEEMEA countries through new transactions in existing and new regions of operations, and the Group strengthened its focus on new opportunities in Eastern and Southern Europe.

An important area for the development of the Corporate-Investment Business in 2018 was work on the financing of public-private partnership projects.

Work continues on financing projects in the mining sector, and the Bank began financing green-energy projects in Russia.

Against the backdrop of positive trends in the construction and real estate sectors in 2018, the Bank continued to provide financing for high-quality projects, including entering new target markets:

- cooperation expanded with the largest, most stable players in the residential construction sector. As of the end of 2018, five of the 10 largest Russian developers were clients of the Bank;
- in the commercial real estate sector, work continued with borrowers both in terms of construction projects and in lending secured by finished real estate;
- a landmark deal on the use of escrow accounts was signed with the PIK Group;
- cooperation with companies in the housing and communal services sector was expanded;

- lending secured by commercial real estate and construction projects in Central and Eastern Europe was developed, as was lending secured by hotel real estate in Western Europe.

The Bank also carried out significant work to improve its portfolio management: work with borrowers continued to improve the security of transactions.

In 2018, VTB continued to develop trade and export financing in all regions where the Group operates and to support its clients’ foreign trade operations all around the world. The Bank’s first transaction with China’s Sinosure export credit agency was completed.

VTB continued to carry out export credit transactions involving the Export Insurance Agency of Russia (EXIAR). During the reporting period, the first transaction was implemented with Solaris Commodities as part of a programme to subsidise interest rates on export credits from the Russian Export Center and insured by EXIAR.

VTB successfully completed a number of long-term trade finance deals with the participation of leading export credit agencies (ECAs). Taking advantage of the Group’s European operations, the main focus was on direct financing for clients with ECA coverage.

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 2018, the structure of contracts was revised for the investment of funds in the form of deposits in minimum-balance accounts, which made it easier to invest customer deposits. In addition, 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, regulatory decisions and demand from Russian companies.

The Bank’s simplified click-and-deposit system for the investment of free cash also continued to gain popularity among corporate clients in 2018, as it significantly reduces the time needed to process deposit transactions.

CIB transaction banking

Products for managing payments and liquidity

VTB offers companies a wide range of transactional products and services. Leading Russian and foreign holdings in Russia use the Bank’s services on a continuing basis. Solutions for the centralisation of treasuries have been implemented for clients that take into account companies’ individual features, and large-scale projects have been launched for expanded banking support for investment projects and much more.

In 2018, VTB was awarded a prize from the Association of Corporate Treasurers for its significant contribution to the development of corporate treasuries in Russia.

In order to improve the quality of customer service and provide clients with the latest services that they need, the Bank has been implementing a project to launch an advanced system for remote banking services. The system will enable access to a wide range of banking and non-banking services; conduct operations on behalf of several companies through a single interface; enable paperless document management with counterparties, trading platforms and government agencies; manage accounts opened in other banks; quickly generate a variety of analytical reports and much more. The system interface offers flexible settings that make it customisable for every user. In 2018, the first release of the system was made available, and customer transfers got under way.

During the reporting period, VTB also implemented a number of other projects aimed at providing customers with cutting-edge services and improved service quality:

- The business hours for making interbank payments were doubled. Payments by legal entities and individual entrepreneurs received through the remote banking system from 6:00 to 22:00 in the Kaliningrad region and from 6:00 to 23:00 local time in all other regions where the Bank operates are performed on the same day.
- A new pilot procedure for opening accounts was made available through clients’ personal online accounts. The service significantly reduces the time needed to open an account for both the client and the Bank.
- The opening of accounts for CIB clients is centralised, which enables the Bank to ensure uniform documentation review and service quality regardless of the office where the client banks.
Documentary business

VTB Group remained one of the leaders in the documentary business with a market share of 16.3% in terms of the volume of guarantees and letters of credit issued in 2018. Traditionally, significant emphasis has been placed on the development of technologies and processes in order to ensure the implementation of documentary products and services for customers using the most up-to-date technological platform. In 2018, VTB Bank began issuing electronic guarantees for customs authorities, which significantly simplifies the process for all participants and reduces the time required for the customs authorities to receive and verify guarantees by more than 50%.

In addition, the Bank is also playing a leading role in a project aimed at the digitisation of the documentary business that is being carried out by the FinTech Association on the Masterchain blockchain platform. As part of the project, VTB conducted its first pilot transactions in 2018 to issue digital bank guarantees.

The key drivers of business development in this area were:
- the versatility and high degree of flexibility of the product line, covering the whole range of product offerings;
- the complexity of interactions with customers, based on the synergy between the credit and transaction solutions offered by VTB Group;
- significant financial strength and high-performance products, which made it possible to complete low-risk transactions in a highly competitive environment;
- well-developed infrastructure and the establishment of an efficient procedure for the completion of transactions that provide customers with convenient access to documentary products wherever VTB Group operates both inside and outside the country;
- high demand on the part of clients for VTB Group’s expertise in the area of complex structured cross-border transactions and the availability of a developed infrastructure for the implementation of such transactions.

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

In 2018, VTB’s subsidiary banks in Belarus, Kazakhstan, Angola and Western Europe continued to expand and improve their range of transaction banking products and to actively promote their services to clients. All these measures made it possible for the foreign network to earn its highest-ever commission income from the transaction business since it became an independent business line.

In the reporting period, foreign subsidiary banks and branches working in the field of Citibank attracted clients for settlement services, making it possible for them to make both local payments and settlements with counterparties from the Russian Federation as quickly and safely as possible using VTB Group’s infrastructure.

Comprehensive transactional solutions for large companies

In 2018, VTB was actively involved in large-scale projects to centralise the management of cash flows, liquidity and financial risks at leading Russian corporations. VTB also implemented comprehensive transactional solutions for approximately 100 groups of companies made up of more than 3,000 legal entities.

In 2018, VTB Bank retained its position as the main settlement bank for some of the largest companies in Russia, including Russian Railways, Russian Post, Transneft, Rostelecom, Moscow Metro, the Air Traffic Management State Corporation and Rosneft; became the only settlement bank used by Airosa; significantly increased its volume of settlement business with Severstal, Evraz, Zaozhechev and Marks M; while also getting business for settlement services from the East Mining Company.

The Bank provided monitoring services for the accounts of real estate developers (according to Federal law #214-FZ) to some of the leading companies in the industry, including PIK Group, Capital Group, Hals Development, Don-Stroy, Coacoa, Zheleznopotreba, RG Development, TsD, Selt Group and others.

Cutting-edge solutions for transport and for cities

VTB Group continued to develop individual innovative client solutions, with the following projects in particular implemented in 2018:
- VTB became the agent bank for Moscow Metro and enabled the purchase of tickets for urban transport through all MosMetro channels.
- The Bank enabled the use of contactless bank cards on the turnstiles at Moscow Metro stations and on Mosgortrans routes.
- VTB provided support for digital services such as the Moscow Parking application, as well as the Moscow Metro and Mosgortrans applications.
- The Bank developed the first release of the My Smart City application, which allows Moscow residents to receive news from the Moscow city government and departments, information about cultural events and so-called Active Citizen votes, to pay for utilities and fines and to top up Trioka cards.
- VTB started creating an ecosystem for Russian Railways based on the Unified Transport Card.

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 the Bank. During the reporting period, transaction services through accounts with Russian sovereign bonds remained in high demand among domestic and foreign participants in the Russian securities market through Euroclear Bank accounts. Euroclear Bank is one of the largest international account depositories, whose agent for custody operations in Russia is VTB Custody.

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

Investment banking

VTB Group is Russia’s leading investment banking franchise and continues to be one of the key advisors for Russian corporate clients looking to access global capital markets. Investment services are primarily sold under the VTB Capital brand. In 2018, the Group maintained its leading position in various segments of Russia’s investment banking market.

1. VTB Bank’s calculations.

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 2018, VTB Capital strengthened its position in the Russian stock market and became one of the three largest market operators, and it also significantly increased its market share in terms of trade with international clients. VTB Group also strengthened its leading position by trading volume in the Moscow Exchange repo market and became one of the three largest operators in the repo market.

The Group remains one of the leading players in the foreign exchange and derivatives markets, with market shares of 22% and 30%, respectively.

VTB Group maintained its position as one of the leading traders of government and corporate bonds on the Moscow Exchange and in over-the-counter markets. It remains the market leader in Russia in fixed-income instruments. In 2018, the Group’s share of trades in the bond market was 15% for both rouble-denominated bonds and Eurobonds.

Global commodities

VTB Group’s commodities business – a strategic area of development – has established 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 (Russia, China, India, Central Asia, Europe) and to create 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 2018, VTB Group expanded its presence in commodities markets, including in 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).

The Group’s trading companies – VTB Capital Trading (Zug, Switzerland) and VTB Capital Trading LLC (Moscow) – continue to expand their range of services. Structured finance transactions (stocks and cargo in transit), advances on future deliveries (prepayment), and transactions on delinquent deliveries were concluded. The client base was expanded in the CIS countries and other international locations. The first deals in Italy, Turkey and Japan were concluded, while trading volumes increased in Kazakhstan, China and India.

The most significant transactions for the industry are financing the extraction and production of raw materials, as well as optimising the usage of working capital.

VTB Bank continues to offer an option structure to hedge the commodity risks of Russian-based mining companies. The use of this structure makes it possible to reduce the negative impact on companies’ revenues when oil prices fall below a certain level (the so-called protection level). At the same time, due to the special currency component of the structure, the Bank was able to establish a protection level that was economically attractive to oil producers.

Key deals in 2018 included:
- a renewable transaction for hedging market risks for a consumer of petroleum products;
- hedging transactions on iron ore production;
- long-term prepayment on future supplies of crude oil with an independent oil producer;
- a structural transaction for the supply of crude oil with a deferred payment and built-in currency conversion;
- financing the supply of grain crops by providing the buyer with a post-payment;
- financing of warehouse stocks of grain crops;
- advances on the export of grain crops from Kazakhstan for delivery to the European Union.

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.

Advisory

In 2018, VTB Capital was again recognised as the leader in terms of the volume of M&A transactions in Russia, according to a number of independent agencies, including Thomson Reuters, Dealogic and Mergermarket.

Outside Russia, VTB Capital offered consulting services in international M&A markets, including deals in countries such as India, China and Angola.

VTB Capital received several prestigious awards for its consulting services, including:
- “The Best Investment Bank in Emerging Markets”, according to Global Finance;
- “The Best M&A Transaction in Asia 2018”, according to The Banker, for its consulting work on the USD 12.9 billion sale of Essar Oil;
- “The Best Consultant among Investment Banks in Russia 2018”, according to Finance Monthly.

Equity capital markets

In 2018, Thomson Reuters once again named VTB Capital the top bookrunner in the Russian equity market in terms of the volume of placements, with a record market share of 84.5%.

Among the most notable transactions in 2018 was an accelerated book-build for shares in SAFMAR Financial Investments worth USD 163 million, in which VTB Capital acted as the sole global coordinator, as well as an accelerated book-build for the placement of Inter RAO shares worth USD 73 million, where VTB Capital acted as the joint global coordinator and bookrunner.

Debt capital markets

According to the independent agencies Thomson Reuters and Dealogic, VTB Capital was once again one of the top-ranked companies in 2018 in terms of the volume of transactions in the debt capital markets of Russia, the CIS and Eastern Europe. While maintaining its leading position in Russia, VTB Capital strengthened the Company’s global presence in debt capital markets by participating in several transactions outside the country, including for customers from Turkey and Kazakhstan, as well as its 13 new bond issuers for customers from China.

The most significant transactions completed in 2018 included participation as the sole lead manager of the sovereign issue of Eurobonds by the Ministry of Finance of the Russian Federation worth more than USD 4 billion, as well as the organisation of a transaction for the issue of Eurobonds by RusHydro worth CNH 1.5 billion, the first issue of bonds denominated in renminbi (dim sum bonds) by a Russian corporation.

Corporate real estate market

In 2018, VTB began offering corporate real estate consulting services to provide clients with a unique service to assist in complex corporate real estate situations that require not only knowledge of the corporate real estate market but also expert qualifications in terms of financing and structuring.

The Global Banking Services’ new Corporate Real Estate Consulting Department acted as a financial consultant for Yandex in a complex project worth USD 145 million for the acquisition of a property to house the company’s new headquarters.

Investment management – VTB Capital Investments

VTB Capital Investments, a single platform for the VTB investment projects that provides comprehensive investment services for a wide range of investors in the Russian market, was established on 1 January 2018 as part of the CIB global business line.

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 was able to occupy a leading position in the investment services market.

The VTB Capital Investments product line includes an extensive client base and a wide range of products, strategies and investment proposals for both private and institutional Russian and international clients.

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 Russian asset management company for Russian and international investors;
- VTB Bank’s Brokerage Department: brokerage services for private customers;
- VTB Capital Broker: brokerage services for institutional investors; and
- VTB Capital Forex: services for individuals in Forex markets.

VTB Capital Investments was managing more than RUB 1.5 trillion in client assets as of the end of 2018, which was 63% more than the total amount of client assets managed by these businesses before the merger in 2018. VTB Capital Investments manages the funds of more than 300,000 retail and corporate investors, pension funds, and large institutional and sovereign funds.

Thanks to this new approach, close interaction between departments, a focus on results and the team’s commitment to create the best product in the market, VTB managed to launch a record number of new products and services in a very short time. Since the beginning of 2018, VTB Capital Investments has implemented more than 30 projects to launch new products and improve services for customers. New products launched include investment consulting, exchange-traded currency repo, a mobile application with a robo-advisor and VTB exchange-traded funds.

In 2018, the VTB Capital Investments team promptly created a mobile application “VTB My Investments” to help new investors (“The Best Investment Application 2018”, according to the Russian Association for Electronic Communications).

VTB Capital Investment Management is Russia’s largest asset management company, offering a wide range of investment products for institutional and private investors. Its main activities include the management of open-end funds, asset management for private banking customers and institutional accounts, such as privatization funds, insurance companies, endowment funds, sovereign funds and self-regulating organisations.

VTB Capital Investment Management also manages closed-end funds, real estate funds, venture funds and hedge funds.

In 2018, the volume of assets under management exceeded RUB 750 billion.

Working with institutional clients is one of the key areas of VTB Capital Investment Management’s business. The assets of institutional and government clients managed by VTB Capital Investment Management have increased by 26% to more than RUB 365 billion, and contracts have been signed with 13 non-state pension funds and endowment funds.
VTB Capital Investment Management’s retail investment funds have a long history of successful asset management. Twenty retail funds with various investment strategies provide a large selection of investment opportunities. The line of retail investment funds includes bond funds, mixed funds, diversified equity funds, a money market fund, an index fund and a commodity market fund. The strategies employed are diversified by industry, currency and location.

Three open-end fund companies began trading on the Moscow Exchange in 2018, which increased their liquidity and resulted in increased interest from customers.

VTB Capital Investment Management was the market leader in terms of mutual fund portfolio growth in 2018, with more than RUB 30 billion invested, which accounted for more than 32% of the growth in the retail fund market during the reporting period. This investment growth enabled the Company to become one of the three leading companies in the retail mutual investment fund market. The volume of assets managed by retail funds exceeded RUB 40 billion as of the end of 2018, an increase of 30% compared to the previous year.

In the autumn of 2018, sales were launched for the Accumulated Savings mutual investment fund, which offers life insurance for investors equal to the amount of their investments. There is no other fund in the Russian market with a similar offer.

In 2018, VTB Capital Investment Management successfully launched a second residential real estate fund for retail investors with more than RUB 2.4 billion in assets under management.

VTB Bank’s Brokerage Services Department provides brokerage services to private clients.

In 2018, a record number of new products and services were sold:

- VTB Bank was the first to enable clients to register and open Moscow Exchange accounts online;
- The process of opening a brokerage account was made much easier and became much faster: VTB Bank’s retail customers can now sign a brokerage services agreement through VTB Online and continue to conduct operations in the stock, currency and derivatives markets through the VTB My Investments mobile application: opening and adding funds to a brokerage account and/or Individual Investment Account through online banking or the VTB Online mobile application takes no more than three minutes;
- Since the middle of 2018, it has been possible for brokerage service clients to invest in VTB Capital Asset Management mutual funds traded on the stock market and to manage these funds’ portfolios through the VTB My Investments mobile application.

For more about investment services for retail customers, see the ‘Results Overview / Retail Business’ section.

VTB Capital Broker provides institutional and corporate clients, UHNWI1 and family offices2 with individual solutions for investing in ruble and foreign currency instruments using state-of-the-art remote technologies, marginal lending and information and analytical support for their decision-making.

The volume of client assets doubled in 2018, reaching more than RUB 500 billion, and the Company’s revenue also doubled. The number of corporate customers increased by 81% to 451 customer accounts.

VTB Capital Forex is the leader in Russia in terms of client base, volume of client funds, turnover and number of trading operations; its volume of cleared funds exceeded RUB 1 billion, and its volume of trading operations exceeded RUB 4.5 trillion.

---

1. Ultra-high-net-worth individuals.
2. A family office is a family welfare management model that includes monitoring of the implementation of ongoing financial transactions, investing family capital, tax planning, real estate transactions, financing the education of family members, inheritance issues and so on.
Awards received by VTB Capital in 2018

VTB Capital’s major investment transactions in 2018
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. 1 in terms of market share in the leasing market1
- No. 1 in terms of net leasing investments and operating lease assets 1
- No. 1 in the cargo truck segment 1
- No. 1 in the rolling stock segment 1
- No. 1 in the aircraft segment 1
- No. 1 in terms of the volume of new business in the segment of equipment for oil and gas production and processing 2

VTB Leasing is one of Russia’s leading leasing companies. The company has 59 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, in the area of auto leasing, VTB partners with more than 25 thousand small and medium-sized enterprises and individual entrepreneurs. As of the end of 2018, VTB Leasing was one of the largest players in this segment in terms of the number of leased cars and amount of specialised machinery.

By the end of 2018, VTB Leasing’s leasing portfolio amounted to RUB 575.5 billion, while the company’s volume of new leasing contracts amounted to RUB 276.7 billion. The main sectors of the leasing portfolio remain rail transport, aviation equipment 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 12% of the portfolio by the end of 2018.

Factoring
- No. 1 in working with SMEs3
- No. 1 in terms of receivables financing
- No. 1 in terms of factoring portfolio volume

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 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, allowed VTB Factoring to significantly expand its business in 2018: the company’s portfolio grew by RUB 80 billion (or 65%), the largest increase in the factoring market. In general, the volume of receivables financed by the company amounted to RUB 611 billion, while its factoring portfolio exceeded RUB 215 billion. As a result, VTB Factoring remained the leader for the seventh year in a row in terms of both financing receivables and its factoring portfolio, with a market share of more than 30%.

VTB Factoring’s main areas of focus are Russia’s largest companies in markets for goods and services and for the supply thereof, as well as maintaining its leadership in the factoring sector and the development of new opportunities in the factoring business, including long-term factoring, such as contracts in the energy sector and other solutions.

Medium and Small Business

The Medium and Small Business (MSB) global business line specialises in serving small and medium-sized corporate clients.

Segment overview

Client base in Russia and abroad

659.5 thousand
acting clients in the MSB segment (not including clients of Vozrozhdenie Bank)

659.5 thousand
acting clients in the MSB segment

VTB Bank clients in Russia

577 thousand
acting clients in the MSB segment

MSB loan portfolio

RUB 1.3 trillion
(before provisions for credit losses, not including Vozrozhdenie Bank)

RUB 1.4 trillion
(not including Vozrozhdenie Bank)

MSB global business line: Russia, Kazakhstan, Belarus, Armenia, Georgia, Azerbaijan

<table>
<thead>
<tr>
<th>Share of VTB Group total, %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assets</td>
</tr>
<tr>
<td>Customer loans and advances (net)</td>
</tr>
<tr>
<td>Customer deposits and accounts</td>
</tr>
<tr>
<td>Net interest income</td>
</tr>
<tr>
<td>Net fee and commission income</td>
</tr>
<tr>
<td>Provision charge3</td>
</tr>
<tr>
<td>Net operating income</td>
</tr>
<tr>
<td>Staff costs and administrative expenses</td>
</tr>
</tbody>
</table>

Source: VTB Group’s IFRS consolidated financial statements for 2018

1. According to a study by Fitch Ratings, 2018.
3. According to the Association of Factoring Companies of Russia, 2018.

The Medium and Small Business (MSB) segment is one of the most competitive sectors in the banking market. Most of Russia’s largest banks have announced that MSB is a priority segment for development, with so-called digital banks very active in attracting customers. 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.
Very few digital banks have a foothold in the medium-sized-business segment, but there are strong local players in some regions that have an advantage due to their local presence. As a rule, medium-sized-business customers work with two or three banks, which is what determines the specifics of competition: in this segment, the quality of personal customer relations, the price-related and non-price-related transaction terms and the overall quality of service and technology are determining competitive advantages.

Taking into account market trends and customer needs, VTB Group merged its medium-sized- and small-business segments into a single Medium and Small Banking global business line in 2018. As part of this process, extensive changes to the process of servicing small-business clients were worked out and partially implemented. The Bank developed a new sales and service model that takes into account the needs of the three main subsegments in this market. In addition to changing the sales model in its regional network, the Bank began developing sales through remote channels.

In 2018, a single product factory for small and medium-sized businesses was launched that combined the dynamic development of the entire line of transactional and credit products for the SME segment.

In addition, to make the Bank a more attractive option to potential customers and to establish convenient mobile service conditions for customers, a corporate digital factory was created in the reporting period that made it possible not only to apply digital banks’ successful approach to attracting customers but also to build a full-fledged digital habitat (or ecosystem) for customers: active remote banking channels and services were developed that allow customers to save a significant amount of time, while helping them manage their business effectively.

Lending and documentary business

Lending to SME clients largely depends on general trends in the economy, challenging economic conditions, companies reduce their borrowing, while they use credit products more actively during periods of economic growth. At the same time, VTB Bank aims to constantly improve the lending process for SME customers, which ultimately leads to a larger market volume and growth in sales of loan products.

According to the Expert RA rating agency, VTB’s share of the lending market for SMEs was 21% in 2018. In addition, the Bank became one of the three market leaders in terms of loans to SMEs issued in 2018, while the Bank’s lending to SMEs increased at a rate of 22.8% in 2018.

VTB offers preferential financing terms through state programmes that support business.

As of the end of 2018, VTB had 1,756 existing loan agreements for state support programmes worth a total of RUB 211 billion.

As of 1 January 2019, the largest number of loan agreements were part of the preferential programme run by the Russian Agriculture Ministry. Loans are provided to agribusiness companies at an annual rate of not more than 5%.

The second-largest number of loans were provided through programmes for concessional financing through the Russian Ministry of Economic Development (transactions through Programme 674 were concluded in 2017, while those through Programme 1706 were concluded in 2018).

In 2018, a great deal of attention continued to be paid to supporting small and medium-sized enterprises (SMEs). Cooperation with the SME Corporation continued in terms of working with existing and potential SME customers. In its work to support SME customers, VTB offers a lending programme with favourable terms against guarantees from the SME Corporation. Using the SME Corporation’s tools for SMEs, it is now much easier for the real sector of the economy to access financing for business development, including regional production. Projects were financed in a wide range of industries, such as the cultivation of crops, the food industry (flour and gingerbread production), manufacturing industries (furniture, textiles, glass products), sports activities and others.

Together with the Industrial Development Fund, VTB finances projects aimed at developing new high-tech products, technical re-equipment and the creation of competitive production operations.

VTB Bank is also actively involved in a state programme approved by the Russian Government to support investment projects in Russia based on project financing and a programme run by the Russian Ministry of Industry and Trade that provides concessional financing for the purchase of agricultural, road construction and municipal equipment (Programme 163).

In order to increase its lending volume, the Bank implemented a number of pilot projects and programmes in 2018 that enabled it to offer small-business customers loans on favourable terms, including various loyalty programmes for reliable borrowers, pre-approved loans and other targeted offers for customers that take into account the specifics of their business.

For the MSB documentary business, 2018 was marked by a number of achievements, including both the completion of specific transactions and the overall growth of the Bank’s documentary portfolio, as well as the development of the product line and services for customers.

By the end of 2018, there was increased demand for documentary business products on the part of MSB clients: the portfolio of documentary transactions with such clients grew by almost 35% in 2018. In addition to the growing customer demand for bank guarantees among residents of the Russian Federation, a positive trend in the credit business was observed in 2018. The product solutions offered by the Bank for arranging client financing through the use of letters of credit led to an increase in the portfolio of letters of credit by 34%, with the number of transactions increasing by nearly 50%.

A number of projects were implemented in 2018 as part of the development of services for Bank customers. One promising area for the Bank’s documentary business for MSB clients is the development of remote electronic channels for issuing bank guarantees, including in respect of small-business solutions (express guarantees).

MSB transactional business and the development of non-banking services

As part of VTB Group’s development strategy, work continued on the implementation of large-scale strategic projects involving the creation of new products and services, as well as the development of existing VTB transaction services. The key tasks involved projects to unify the processes and services provided on various technological platforms in connection with the merger of VTB Bank and VTB24.

The MSB global business line managed to achieve record results in terms of the opening of current accounts by introducing a basic line of packages throughout the network, as well as through a number of marketing campaigns aimed at attracting customers.

In addition, a number of projects were carried out in 2018 that were aimed at increasing customer loyalty and expanding the product range, in particular:

- a project to open and connect special procurement accounts to the remote banking system (according to Federal Laws #44-FZ/223-FZ);
- the working day for processing intrabank payments was increased to 23 hours;
- a universal corporate card was introduced that combines cash withdrawal and deposit options.

VTB confirmed and strengthened its position as a key financial partner of the City of Moscow with regard to the most important issues related to the capital’s functioning. The Bank ensures best practices in organising the reception and routing of payments received for housing and utilities from residents of Moscow, and the list of partner companies and available services has been expanded. Interaction with government structures and agent banks involved in the project has been maintained at the same high level.

The Bank expanded its cooperation with the Capital Repair Fund of the City of Moscow in 2018 by launching a project on banking support for the settlement of contracts concluded between the Capital Repair Fund and contractors. The successful project was able to attract a significant number of new customers with a total contract volume of about RUB 15 billion.

The Bank plays an active role in the development of a system for the repair of the common property of apartment buildings, maintaining its key position in terms of servicing regional operators in its regional network.

In addition to offering MSB clients its traditional banking products and services, a number of state-of-the-art non-financial services were offered in 2018:

1. The Closer to Business portal is a free information and educational resource that publishes topical articles on business issues, provides expert advice on how to create and develop a business, and offers Bank clients an opportunity to receive training and receive a certificate. In addition, the portal now offers a free online consultation services concerning any business issue that may arise.

2. The VTB Business Connect platform, which enables access to the largest international marketplaces through a single-window system, offers a range of services from cloud accounting to legal assistance and counterparty verification.

3. Online business registration, training and discounts from VTB partners available online. A virtual branch enables customers to interact with the Bank’s contact centre using chat and collaboration tools through web interface.
Small and medium-sized business outside the Russian Federation

Outside Russia, the Group has been working with MSB clients in the CIS and Georgia.

For several years already, VTB Kazakhstan has been taking part in the Business Road Map 2020, a programme approved by the Government of the Republic of Kazakhstan and aimed at the development of regional private entrepreneurship. The Bank finances projects in priority sectors of the country’s economy and with subsequent state subsidisation of the lending rate (in the amount from 30% to 50% of the Bank’s actual loan rate).

In 2018, the Bank signed an agreement with the KazakhExport state corporation that made it possible to expand the range of financial instruments available for export-oriented Kazakh enterprises: pre-export financing and non-payment risk insurance from the importer.

In Azerbaijan, a subsidiary bank signed a memorandum of cooperation with the Azerexport.az portal, which opens up new opportunities for export financing. In accordance with the memorandum, VTB Azerbaijan gained access to a database of about 1,000 exporters.

VTB Georgia maintained its reputation as an active player in the Unified Agro-project state programme to support agribusiness, as well as the Make It in Georgia and Produce It in Georgia state programmes to support local production and tourism. Through these programmes, the government subsidises the Bank’s annual interest rate of up to 10% (the borrower pays the Bank no more than 3% annual interest) and provides guarantees in the amount of 50% of the loan amount.

As part of efforts to improve the quality of the Group’s loan portfolio and to monitor non-core assets, subsidiary banks worked to standardise their approaches to recovering troubled debts based on best practices within the Group. In addition, unified programmes were approved for the divestment of non-core assets.

Retail Business

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

Segment overview

VTB Bank client base in Russia

**12.3 million**

**Number of retail branches of VTB Bank in Russia**

**1,596**

Client base in Russia and abroad

**15.3 million**

including customers of VTB Group’s banking and other non-bank financial business

**Number of VTB Bank ATMs in Russia**

**15,529**

**Number of cards issued by VTB Bank**

**14 million**

**Number of payroll clients**

**6.5 million**

<table>
<thead>
<tr>
<th>Share of VTB Group total, %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assets</td>
</tr>
<tr>
<td>Customer loans and advances (net)</td>
</tr>
<tr>
<td>Customer deposits and accounts</td>
</tr>
<tr>
<td>Net interest income</td>
</tr>
<tr>
<td>Net fee and commission income</td>
</tr>
<tr>
<td>Provision charge</td>
</tr>
<tr>
<td>Net operating income</td>
</tr>
<tr>
<td>Staff costs and administrative expenses</td>
</tr>
</tbody>
</table>

Source: VTB Group’s IFRS consolidated financial statements for 2018.

1. This includes expenses for provisions for credit losses on debt financial assets and for provisions for credit losses on credit obligations and other financial assets.
Retail lending
The growth of VTB Group's retail lending continued to accelerate during the reporting period. A favourable situation developed amid stabilisation of the macroeconomic situation in Russia's retail market. Credit rates reached a historic low in several market segments, as the public began acting on pent-up demand. In this context, VTB Group expanded its retail business throughout the entire reporting period.

The Group continued to improve the conditions for retail lending, promoted new products and took part in state-run anti-crisis programmes to support retail lending, reacting carefully to changes in conditions in the credit environment and continuing to attract a strategic segment of customers.

Loans to individuals (excluding Post Bank as of 1 January 2018 and 31 December 2018) increased by 29% to RUB 3.0 trillion. The Group increased its market share by 70 bp to 17.8% (up from 17.1% as of 31 December 2017).

Retail loan portfolio, RUB billion

<table>
<thead>
<tr>
<th>Year</th>
<th>Mortgage</th>
<th>Car loans</th>
<th>Group cards</th>
<th>Cash loans and other</th>
</tr>
</thead>
<tbody>
<tr>
<td>3Q-2014</td>
<td>1,305</td>
<td>1,900</td>
<td>2,176</td>
<td>2,486</td>
</tr>
<tr>
<td>3Q-2015</td>
<td>1,404</td>
<td>1,960</td>
<td>2,176</td>
<td>2,486</td>
</tr>
<tr>
<td>3Q-2016</td>
<td>1,411</td>
<td>1,960</td>
<td>2,176</td>
<td>2,486</td>
</tr>
<tr>
<td>3Q-2017</td>
<td>1,412</td>
<td>1,960</td>
<td>2,176</td>
<td>2,486</td>
</tr>
<tr>
<td>3Q-2018</td>
<td>1,415</td>
<td>1,960</td>
<td>2,176</td>
<td>2,486</td>
</tr>
</tbody>
</table>

The key drivers of growth in the Group's retail loan portfolio were mortgage lending (up 32% year-on-year), consumer lending (excluding Post Bank as of 1 January 2018 and 31 December 2018: up 28% year-on-year) and car loans (up 18% year-on-year).

VTB is one of the leaders in Russia's mortgage market. As of 31 December 2018, VTB Group's mortgage loan portfolio amounted to RUB 1.4 trillion. During the reporting period, VTB Group's mortgage loan portfolio grew at a rate of 32%, outpacing average growth in the market. As of the end of 2018, the Group had increased its share of the mortgage market in Russia by 1.3 pp to 22.7%. In addition, VTB completed a transaction in 2018 to sell mortgage loans to DOM.RF with the subsequent issue of mortgage securities valued at RUB 150 billion. Not including this sale, the Group's mortgage portfolio would have grown by 45%.

In 2018, the Bank issued 290 thousand mortgage loans. At the end of the year, the Bank's mortgage portfolio included about 991 thousand active mortgages.

The total volume of mortgage loans issued amounted to RUB 672 billion, the highest ever in VTB Group's history. In 2018, one out of every five mortgage loans in the Russian Federation was issued by VTB, about 1.4 million families purchased housing with the help of VTB Group.

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

In 2018, the average mortgage issued by VTB Bank in Moscow and the Moscow region was valued at RUB 4.3 million, while it was RUB 1.9 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 30 million.

A mortgage can be issued for a period of up to 30 years, while the average mortgage contractual term is about 7 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 6%. In 2018, 985 loans worth RUB 2.5 billion were issued through the programme.

In 2018, 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 10 billion were issued through this programme.

In 2018, 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 83.6 billion during the reporting period. The volume of loans issued through the refinancing programme doubled compared to 2017. In December 2018 alone, this service was used by about 5.5 thousand mortgage holders, who obtained loans in excess of RUB 10 billion. For all of 2018, the refinancing of housing loans from other banks accounted for 12.4% of the total volume of VTB's mortgage sales.

VTB Consumer loans demonstrated strong growth during the reporting period. As of 31 December 2018, VTB Group’s portfolio of consumer and other loans amounted to RUB 1.3 trillion, having increased by 28% during the reporting period (excluding Post Bank as of 1 January 2018 and 31 December 2018).

More than 500 thousand people transferred their loans to VTB as part of a programme for cash refinancing of loans from third-party banks.

VTB Group's retail business continued to improve its line of consumer credit products. The Group is continuously improving its pricing system to ensure optimal results for this business line.

During the reporting period, the Bank significantly simplified its procedures for processing consumer loans and improved their terms of service. At the beginning of 2018, a new technology for processing credit products was introduced in Bank offices: clients can apply for several products through a single loan application: cash loans and refinancing plus a credit card. All clients need to obtain an online loan solution is a passport.
VTB Bank reduced the interest rate on cash loans three times during the reporting period. As a result, the nominal rate for this product decreased by an average of 5 pp. In September 2018, a new pricing concept was introduced for cash/refinancing loans, whereby the interest rate depends on whether the loan is insured—borrowers receive a discount on loans when concluding an insurance contract. As a result of the change in the pricing concept, VTB Group increased its share in the cash loan market by 90 bp during the reporting period from 17.7% at the end of 2017 to 18.6% at the end of 2018. In addition, VTB’s market share in cash loan sales reached its highest level ever at 27% during the reporting period.

The Bank simplified access to loans for low-income borrowers; made it possible to apply for refinancing loans without additional references from third-party banks and increased the loan period to seven years. Throughout 2018, remote lending to Bank customers was further developed, new programmes and products were made available for processing through VTB online that make it possible to get a loan without visiting a Bank office (such as a cash loan or top-up—internal refinancing with the possibility of issuing additional funds).

Car loans

Car loans, RUB billion

<table>
<thead>
<tr>
<th>Year</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>January</td>
<td>130</td>
<td>100</td>
<td>90</td>
<td>103</td>
<td>105</td>
</tr>
<tr>
<td>February</td>
<td>105</td>
<td>90</td>
<td>105</td>
<td>108</td>
<td>124</td>
</tr>
</tbody>
</table>

VTB Group is a leader in the automobile loan market. VTB Group car loan portfolio reached RUB 124 billion as of 31 December 2018, an increase of 18% compared with 2017. As of the end of the year, VTB Group had a 14.6% share of the automobile loan market.

During the reporting period, the issuance of car loans increased by 18% compared with 2017 to RUB 84.5 billion. VTB was the market leader in terms of the number of car loans issued in 2018, at 123.5 thousand. Sales performance was supported by an increase in VTB Group’s market share in terms of new automobile loans from 12.6% in January to 17.8% in December.

The market for new-car sales grew by 13% during the reporting period, and VTB’s sales in the new-automobile segment increased by 10%. There was significant development in the area of lending for used cars. In this segment, VTB’s sales increased by 70%, while the share of the used-car segment reached 19%. VTB was the market leader in the used-car loans segment, issuing 30.3 thousand loans worth RUB 16.3 billion.

There was noticeable growth in a programme that finances the purchase and sale of used cars between individuals: 42 times more loans were issued compared to 2017, and the share of this segment reached 1.6%. Transactions for this product are carried out in a single visit to the Bank’s car loan centre. As part of the implementation of this programme in 2018, the Bank worked with a number of websites that specialise in car sales: auto.ru, avto.ru, drom.ru.

To mark its 1 millionth car loan in February 2018, VTB launched a special marketing campaign that was carried out online and also through email and text messages and at ATMs. The millionth client was awarded a Smart car, and 20 policies of additional voluntary insurance (making it possible to set the insurance amount for the period of the insurance policy) were also given away. A special lending programme called AutoJubilee was launched for the low-risk customer segment offering a lower interest rate for the purchase of new cars; the client is offered various discounts depending on the services provided. This campaign was popular among customers throughout Russia, accounting for about 13% of sales, while the volume of automobile loans issued through the programme was RUB 6.0 billion.

In 2018, VTB successfully implemented two programmes offering government subsidies for automobile loans: the First Car and Family Car programmes, through which borrowers received a 10% discount off the car’s sticker price (25% for the Far Eastern Federal District). Some 17.8 thousand loans worth about RUB 8.8 billion were issued through these programmes.

As of the end of the year, the share of state-supported programmes amounted to more than 14% of all VTB automobile loans (in terms of the number of loans issued).

The transformation of VTB’s product line continued in order to improve the personalisation of offers for each individual client: discounts were introduced on lending rates for the purchase of insurance and services offered by VTB specifically for customers with automobile loans, and individual offers were made to customers in the premium segment, employees of the Bank’s corporate clients and VTB Bank shareholders. Thus, customers were able to independently design a personal loan offer based on their personal needs.

There was another special programme that was launched in September 2018. The terms of the Super 5 programme allow borrowers to minimise their loan payments during the first six months thanks to a record low annual interest rate of 5%. The programme was in high demand among customers: the volume of loans issued amounted to RUB 1.7 billion, and the programme saw a 5% increase in sales from September to December.

The largest number of vehicles financed by VTB in 2018 were sold in Moscow (19%), St. Petersburg (8%), Kazan (6%), Chelyabinsk (4%) and Krasnodar (4%).

In addition to developing its automobile loans programmes, VTB also expanded its network by 68 sales points during the year, bringing the total to 741. In 2018, new modules for automobile loans were launched in Salekhard and Yakutsk.

VTB also continued its transition to a new front-end solution in 2018 through which 17.2% of all auto loans were issued in the fourth quarter of the year.

Bank cards and acquiring

Bank card portfolio, RUB billion

<table>
<thead>
<tr>
<th>Year</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>January</td>
<td>114</td>
<td>124</td>
<td>128</td>
<td>128</td>
<td>136</td>
</tr>
<tr>
<td>February</td>
<td>124</td>
<td>128</td>
<td>128</td>
<td>136</td>
<td>131</td>
</tr>
</tbody>
</table>

As of 31 December 2018, VTB’s bank card portfolio amounted to RUB 131 billion, having increased by 6% during the reporting period (excluding Post Bank as of 1 January 2018 and 31 December 2018).

The Bank issued 16.4 million cards in 2018. The majority of cards issued (9.0 million) were Multicards; the flagship product that VTB Bank launched in mid-2017. Multicard is a unique product in the Russian market that can handle all of a client’s daily transactions: card payments, savings, payments and transfers, obtaining credit card loans – clients can apply for a credit card at the same time as they apply for a Multicard.

The Multicard has received well-deserved recognition from the professional community and Bank customers after being named the “Best Card Product” at the end of 2017, the Multicard won the Frank RG Banking Award 2018 in the “Frank RG Reward Star Top-Class Programme” in 2018.

The Bank continued to improve its product line during the reporting period: a new product called Privilege Multicard was launched for privilege customers. The new Privilege package of services includes all the benefits of the Multicard and also offers additional services for high-net-worth clients: a Priority Pass card for business lounges, international travel insurance, a concierge service and roadside assistance. Some 123.3 thousand cards with the updated package were sold in 2018.

In 2018, a number of special offers and solutions were added to the Multicard:

- Global simplification of the Multicard product through the liberalisation of the criteria for its free-of-charge offers, PSP transfers and withdrawals from ATMs of third-party banks.
- A unique Multicard offer of a Visa card with a travel option (+1% of rewards for operations carried out through the Pay service).
- Through instant-issue technology, clients now have to make only one visit to a Bank branch in order to arrange a Multicard.
- The Troika transport application for Multicard enables passengers to use their bank card to ride the metro or other forms of public transport.
The Campus Card enables cardholders to use their Multicard not only to pay for purchases and receive their salary but also as a key that can access various types of automated information and other university and school systems (ID card, library card, electronic academic record, etc.). As of the end of 2018, the Campus Card had been launched at nine educational institutions.

Special Multicard conditions for military pensioners were launched: a card with all its privileges is provided free of charge to individuals who present a military pensioner certificate.

A significant number of operations and services were completely transferred to digital channels: now, tracking a card’s production status, changing loyalty options, connecting to the Pay service and receiving a PIN code are all possible on a smartphone through the Bank’s mobile application.

In September 2018, VTB launched the new Multicard 101 credit card with new parameters:
- Increased grace period of 101 days;
- The ability to withdraw cash with no fees in the first seven days;
- A new “Borrower” bonus option that allows cardholders to reduce the interest rate by 3 pp on cash loans and by 0.6 pp on mortgages;
- Only a passport is required for processing, without proof of income.

The launch of the new Multicard 101 significantly increased sales, with 70% more cards issued compared to the same period in 2017.

There were 3.7 million valid credit cards in circulation at the end of 2018.

Mir card. In October 2018, the Bank began issuing contactless Mir cards (more than 340 thousand cards were issued in Q4 2018). In 2018, VTB completely transferred all recipients of budget funds to the Mir card national payment system. By 1 July 2018, more than 2 million separate accounts had been opened for which Mir cards were issued or reissued.

Payroll projects. For payroll projects since July 2018, VTB launched an updated 828 programme, simplified the criteria and offered free payroll services for the vast segment of companies (legal entities with salaries starting at RUB 10 thousand), cancelled cash withdrawal fees at all ATMs for all payroll cardholders and enabled free transfers to accounts at other banks.

The payroll card portfolio increased by 502 thousand during the reporting period to more than 6.5 million cards. More than 2.5 million payroll cards were sold.

Successful acquiring projects

For the first time anywhere in the world, card-to-card transfers were enabled and carried out using Samsung Pay’s tokenisation technology. When making a money transfer using tokenisation technology, a digital identifier, i.e., a token, is used instead of the sender’s bank card data. This reduces the risk that payment details will be compromised. Every token is unique because it is generated for a specific device and cannot be used separately, which makes it useless for hackers to intercept such data and thus increases the security of the payment service.

Russia’s largest seller of electronics and home appliances, M.Video/Eldorado (all stores and the website), became a client of VTB’s acquiring service.

The State Academic Bolshoi Theatre of Russia (ticket office and online shop) also became a client of VTB’s acquiring service.

New online payment technologies through Google Pay and Samsung Pay were implemented.

In addition to the terminals at Moscow Metro cash desks and the readers in ticket printing machines, two turnstiles were introduced in each station vestibule that are equipped to enable payment for transport by bank card.

VPB’s card-to-card international transfers technology (pennovworld.vtb.ru), enabling transfers to cards of foreign banks.

Changes were made to make it more convenient for tourists from South-east Asia to pay for goods and services in Russia: a network of terminals (27,000 devices) was established for payment through APIPay.

The volume of account-to-card, card-to-account and card-to-card transfers increased several-fold.

Cash2Card technology was implemented, which makes it possible to credit a card with an amount deposited in cash through an ATM or at an agent’s cash desk.

VTB Bank acquiring, RUB billion

<table>
<thead>
<tr>
<th>Category</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Card-to-card transfers</td>
<td>+74%</td>
<td>+58%</td>
</tr>
<tr>
<td>Internet acquiring</td>
<td>+37%</td>
<td>+27%</td>
</tr>
<tr>
<td>POS acquiring</td>
<td>362</td>
<td>430</td>
</tr>
<tr>
<td>Internet acquiring</td>
<td>271</td>
<td>483</td>
</tr>
<tr>
<td>Total</td>
<td>993</td>
<td>913</td>
</tr>
<tr>
<td>Amounts of transactions (by category)</td>
<td>3,000-75,000</td>
<td>4,000-75,000</td>
</tr>
<tr>
<td>POS acquiring</td>
<td>1,359</td>
<td>335</td>
</tr>
<tr>
<td>Internet acquiring</td>
<td>1,058</td>
<td>1,527</td>
</tr>
<tr>
<td>Total</td>
<td>2,417</td>
<td>4,882</td>
</tr>
</tbody>
</table>

VTB Online remote banking service

In 2018, the number of active VTB Online customers increased by 56% to 6.3 million people, including an 81% increase among users who access the system through mobile devices.

For the first time in the Bank’s history, the share of online users exceeded 50% of the total number of active banking clients.

Throughout 2018, the Bank introduced new features and implemented new services in VTB Online, such as:
- Use of a short code to log in and confirm operations through the mobile banking system;
- Push notifications to a smartphone about card transactions and operations carried out through VTB Online;
- Tracking a card’s order status and getting a pin code online;
- Transfers by phone number to another bank within the framework of Visa and MasterCard services;
- Payment of invoices by QR code;
- Ordering bank documents by email without visiting a branch office;
- Installing and changing Multicard bonus options, calculating bonus points and viewing bonus account statements;
- Connecting a card to Apple Pay in two clicks;
- Setting savings goals through mobile banking;
- Zero-visit cash loans with the ability to refinance an existing loan.

This development contributed to an increase in the average number of operations per quarter per user from 10.6 to 12.8, while the rating of the VTB Online mobile application increased from 4.0 to 4.8 in the AppStore and from 3.4 to 4.4 on Google Play.

The Bank won four tenders for the payout of insured deposits to customers of problem banks (with a total payout of RUB 3.7 billion). In addition, a pilot for escrow accounts was launched in conjunction with the CIS and MSB global business lines.

Working with bad debts

In 2018, the Bank confirmed its leading position in the market for the recovery of bad debts. According to a study conducted by PricewaterhouseCoopers at the end of 2018, the Bank’s recovery process is the most cost-efficient in the market.

In 2018, the Bank was the first to begin the widespread use of notary writes, which can significantly reduce the time needed to receive implementation documents.

The collection function continues to develop form a technological point of view. In 2018, an Intelligent Robot Collector was tested to automatically call customers with overdue debts. An intelligent system capable of free speech recognition and synthesis was used to inform clients about the occurrence of overdue debts and to reach an agreement on debt repayment.

The technology makes it possible to significantly reduce (by 7 times) the Bank’s expenses (as compared to the work of an operator) and to improve service quality. It was decided to replicate the technology.

Retail deposits and accounts

As part of VTB Group’s development strategy 2017–2019, one of the Group’s main objectives is to improve its funding structure by increasing its share of customer funding, primarily from individuals.

In 2018, the Bank introduced several promotional offers for deposits and savings accounts:
- The premium promotion in online channels from 24 January to 3 September 2018;
- “Maximal” deposit from 5 July to 3 September 2018;
- “Maximum” deposit from 3 September 2018 to 31 January 2019;
- “Loyal” deposit from 23 November to 31 January 2019;
- Savings account promotion offering a higher rate in the first month from 2 July 2018 to 31 January 2019.

The Bank won four tenders for the payout of insured deposits to customers of problem banks (with a total payout of RUB 3.7 billion). In addition, a pilot for escrow accounts was launched in conjunction with the CIS and MSB global business lines.

VTB Online remote banking service

In 2018, the number of active VTB Online customers increased by 56% to 6.3 million people, including an 81% increase among users who access the system through mobile devices.

For the first time in the Bank’s history, the share of online users exceeded 50% of the total number of active banking clients.

Throughout 2018, the Bank introduced new features and implemented new services in VTB Online, such as:
- Use of a short code to log in and confirm operations through the mobile banking system;
- Push notifications to a smartphone about card transactions and operations carried out through VTB Online;
- Tracking a card’s order status and getting a pin code online;
- Transfers by phone number to another bank within the framework of Visa and MasterCard services;
- Payment of invoices by QR code;
- Ordering bank documents by email without visiting a branch office;
- Installing and changing Multicard bonus options, calculating bonus points and viewing bonus account statements;
- Connecting a card to Apple Pay in two clicks;
- Setting savings goals through mobile banking;
- Zero-visit cash loans with the ability to refinance an existing loan.

This development contributed to an increase in the average number of operations per quarter per user from 10.6 to 12.8, while the rating of the VTB Online mobile application increased from 4.0 to 4.8 in the AppStore and from 3.4 to 4.4 on Google Play.
Sales of deposits, not including VIP clients, increased by 186%, doubling the portfolio of online deposits. The share of online deposits in the total portfolio increased from 26% to 44%. Due to the introduction of zero-visit cash loans in 2018, total loan sales through VTB Online increased 5.5 times.

Payments and transfers

The number of payments and transfers made by VTB customers in 2018 doubled to 201 million operations. This increase was facilitated by the continued development of payment services. Throughout 2018, the Bank's remote banking channels added more than 1.6 thousand new service providers (utilities, education, telecoms, etc.). Key projects in 2018 included:

- The launch of instant transfers by phone number to another bank via the Visa Aria Directory and MasterCard Transfers Hub services;
- The Bank's participation in the development of the Bank of Russia's Fast Payment System (FPS) and taking measures to prepare for the launch of the FPS in March 2019 as part of a consortium of 12 banks;
- The introduction of payments by QR code;
- The possibility of transferring change from payments to service providers when paying in cash at an ATM.

As of the end of 2018, the fastest-growing services were adding funds from cards of another bank (the volume of operations increased 10.9 times to RUB 85.9 billion) and intrabank transfers by phone number (increased 3.4 times to RUB 84.5 billion).

Services for high-net-worth customers

In 2018, VTB continued taking steps to attract customers to the Bank’s premium service model. During the reporting period, emphasis was placed on a qualitative change in the structure of the client base.

Privilege package

As of the end of 2018, the Privilege package showed the following results:

- Customer base: 478 thousand people;
- Liabilities: RUB 1.3 trillion (30% of retail deposits by VTB Group customers);
- Investment products: RUB 198 billion (26% from retail investment products purchased by VTB Bank customers);
- The average account balance among high-net-worth clients increased from RUB 2.6 million in 1Q 2018 to RUB 3.0 million in 4Q 2018.

Privilege holders can be served at 531 VTB offices in 203 cities, including 47 dedicated offices for high-net-worth clients.

Private Banking

VTB Private Banking continued to strengthen its leadership in the private banking market in Russia. As of the end of 2018, the VTB Private Banking network consisted of 30 offices. In 2018, two new VIP offices were opened in Moscow: Lermontovsky and Oktroy Ryad-Prime.

During the year, VTB saw a 30% increase in Private Banking clients to more than 18 thousand customers. VTB Private Banking's assets under management grew by RUB 502 billion to RUB 1.8 trillion. The average balance per customer at the end of 2018 was RUB 100 million.

By the end of the reporting period, the Bank had observed changes in customer preferences in terms of the structure of liabilities. New funds are being directed towards increasingly popular investment products. As of the end of 2018, investment products accounted for 40% of new assets under management. Due to these and other changes, the portfolio of investment products managed by VTB Private Banking increased by 1.9 times in 2018 to RUB 437 billion. In particular, high-net-worth clients purchased VTB bonds, which are a good alternative to deposits, with higher yields. In 2018, VTB Bank issued bonds on 11 occasions, worth a total of more than RUB 35 billion. Private Banking accounted for more than 70% of the total.

During the reporting period, integration processes were successfully completed in terms of transferring VIP customer service to target systems. All customer accounts are available in the mobile application and serviced through the Bank's unified software. VTB Private Banking is in constant contact with its customers, having conducted more than 50 customer events and various forums in 2018, which made it possible to promptly respond to all customer inquiries.

Investment services for retail customers

As of the end of 2018, VTB Group had become one of the three leading market operators among investment companies and banks that provide brokerage services to private clients in terms of the number of registered customers.

2018 showed the best result in the last 10 years for VTB in terms of the increase in the number of its retail customers using brokerage services. The portfolio of registered clients increased by 46 thousand, reaching 319 thousand. Thus, inflow of new of customers increased by 70% compared to the previous year. About 20% of the total number of new brokerage accounts were opened through digital channels due to the launch in October 2018 of a service that enables customers to open accounts remotely, which made the process much simpler for customers. VTB Bank became the first bank to enable clients to register and open Moscow Exchange accounts online. As a result, in December 2018, the Bank added 10.5 thousand new customers (according to the Moscow Exchange), the highest figure for any month in the past 10 years (for the sake of comparison, the Bank added 1.8 thousand new customers in January 2018).

Compared to 2017, the number of new brokerage accounts offering a tax benefit (Individual Investment Accounts) increased by 130%.

The total client portfolio increased by 74% compared to 2017, reaching a record RUB 476 billion. The portfolios of the Structural Notes and Personal Brokerage products almost doubled in the reporting period.

In 2018, VTB Capital Investment Management enjoyed broad sales of its mutual investment funds, as a result of which mutual fund sales in the Bank's agent network increased 20 times compared to 2017, which made VTB Capital Investment Management the market leader in Russia in 2018 in terms of new investments in mutual funds. VTB Capital Investment Management’s mutual fund portfolio grew by more than RUB 30 billion, accounting for 32% of the total growth in the Russian mutual fund market in 2018, having increased by eight times compared with 2017. About 90% of mutual fund sales in 2018 involved high-net-worth clients.

VTB Bank launched its VTB My Investments application in 2018. Now customers can open a brokerage account in just three minutes and start carrying out operations in the securities market. The VTB My Investments application is updated on a regular basis, and new services are added every 2-4 weeks.

Special offers for VTB Bank Shareholders

In 2017, VTB Bank developed a special programme for Bank 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. Prior to the establishment of the merged Bank, not all shareholders could take advantage of special offers, since there were no retail offices of VTB Bank in some regions. The merger of the regional network of the two banks enabled access to the programme for shareholders living in more than 40 regions where the programme was previously unavailable.

In March 2018, VTB expanded its list of financial products and services that are subject to special conditions for Bank shareholders. An updated product line has been launched throughout VTB’s retail network.
A single business leader was assigned to each region who is responsible for the development of business in that region, thus centralising the management functions of the three business lines in the regions where the Bank operates. Regional operational offices now report directly to the central office and have broad authority to make business decisions at the regional level. At the same time, all the network, legal, accounting and administrative support functions for the regional network were transferred to base branches, which are located in urban centres in Russian federal districts and in other major cities where the Bank operates.

Despite these large-scale changes, customer service was provided as usual. As of the end of 2018, VTB’s unified regional network comprised 1,596 sales offices in 77 regions and 414 cities in Russia.

During the year, 24 new offices were opened, and 22 projects were carried out to optimise the existing network. In the course of 2018, 29 inefficient offices were closed.

As part of the merger, work will continue on the development of the Bank’s regional network, including by opening new branches, as well as reducing costs and improving the efficiency of regional divisions.

VTB’s network of self-service devices increased to 15,529 units in 2018 thanks to the development of a self-service network with a recycling function. During the year, the number of service devices with this function increased by 52% from 1,863 to 2,837 devices installed throughout Russia (906 devices in Moscow and the Moscow region and 1,931 devices in regional branches).

Transaction turnover in VTB’s network of self-service devices in 2018 increased by RUB 279 billion (up 7%) compared with 2017, while turnover in cash deposits made through the network of self-service devices increased by RUB 197 billion (up 17%).

The functional differences between the self-service devices of the former VTB24 and VTB Bank’s retail business have been eliminated. The following are now available in self-service devices running special-purpose software:

- searching for and paying traffic fines, taxes and debts owed to the Federal Bailiff Service;

In addition, the interface design was updated on self-service devices equipped with touchscreen, and the colour scheme used in other remote banking channels was applied.

As of 31 January 2019

VTB Bank’s portfolio of shareholder loans amounted to

RUB 11.4 billion, having increased by

56% over the preceding 12 months

deposits and accounts from individual VTB Bank shareholders exceeded

RUB 130 billion, having increased by

8% over the preceding 12 months

Branch network and ATMs

In 2018, large-scale work was carried out to build a target architecture for the regional network that would be the same in every region where the Bank operates, and VTB Bank’s retail and corporate regional networks were merged on 1 January 2019.

As of the end of the report period, the Fund was serving more than 2.2 million customers. In the first nine months of 2018, the Fund was Russia’s fifth-largest by pension assets under management.

In March 2018, the Expert RA ratings agency awarded the Fund a rating of ruAAA (the highest level of creditworthiness/financial reliability/financial stability). Its outlook is stable.

The Fund is working on the introduction of digital technologies. A service for concluding contracts and receiving contributions online for the provision of non-governmental pensions was developed and launched; the Personal Account service was upgraded; a service that allows non-governmental pension provision to receive bonus points as contributions through the VTB Collection programme (a format unique to Russia) went online.
**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 will receive profit insofar as Post Bank continues its successful growth. Moreover, since, at this stage of its development, Post Bank is rapidly expanding its sales network and customer base, a change in the principle of consolidation will have a positive effect on its results and improve the operational performance of VTB Group.

As of the end of 2018, Post Bank's gross loan portfolio increased by 44% to RUB 305 billion. Post Bank's cash loan portfolio increased by 45% to RUB 254 billion, its POS loan portfolio increased by 40% to RUB 37 billion, and its credit card portfolio increased by 35% to RUB 15 billion.

Post Bank’s client base grew to 10 million customers (an increase of 3.6 million). The number of pensioners receiving a pension through Post Bank increased at an even faster rate of 2.4 times. As of 31 December 2018, the Bank was providing pension services to a total of 869 thousand pensioners (up from 358 thousand as of the beginning of 2018).

During the reporting period, Post Bank's regional network expanded by 55% from the beginning of the year to 19 thousand points in 6,075 communities.

Its ATM network grew by 17% to 4,805 devices by 31 December 2018. As part of the development of Russian Post's acquiring project, Post Bank installed 50 thousand payment terminals at Russian Post offices that make it 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 110% to 3.8 million people.

In December 2018, Post Bank launched a pilot project for the sale of VTB Bank mortgage loans. The partnership is effective in terms of attracting customers and selling banking products.

### Financial Review

**Results in brief**

**2018**

| PROFITABILITY FURTHER ENHANCED EXCEEDING STRATEGIC TARGETS | Net profit 178.8 RUB bn (+43% YoY) |
| ROE 12.3% (+4.0 ppt YoY) |
| ROBUST BUSINESS EXPANSION SUPPORTED MARKET SHARE GROWTH IN KEY SEGMENTS | Corporate loans 8,439 RUB bn (+15.5% YoY) |
| Retail loans 2,989 RUB bn (+28.7% YoY) |
| Corporate deposits 5,996 RUB bn (+8.6% YoY) |
| Retail deposits 4,408 RUB bn (+27.7% YoY) |
| NIM RESILIENT DESPITE MARKET HEADWINDS | NIM 3.9% (-20 bp YoY) |
| COMBINATION OF COST CONTROL AND REALISED SYNERGIES IMPROVED EFFICIENCY METRICS | Cost / Income ratio 40.5% (-3.5 ppt YoY) |
| Costs growth (-0.4% YoY) |
| STRONG BALANCE SHEET BUILDING THE FOUNDATION TO NEW GROWTH OPPORTUNITIES | NPL coverage ratio 112% (+2.7 ppt YoY) |
| LDR 103% (+3.3 ppt YoY) |
| Tier 1 CAR 12.0% (-50 bp YoY) |
| Total CAR 13.5% (-80 bp YoY) |
Analysis of VTB Group’s profit and loss statement in accordance with IFRS

Key profit and loss indicators

<table>
<thead>
<tr>
<th>Rub billion</th>
<th>2018</th>
<th>2017</th>
<th>Change, %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net interest income</td>
<td>466.6</td>
<td>460.2</td>
<td>1.8</td>
</tr>
<tr>
<td>Net fee and commission income</td>
<td>90.0</td>
<td>95.3</td>
<td>(5.6)</td>
</tr>
<tr>
<td>Net other income</td>
<td>82.7</td>
<td>37.1</td>
<td>123.5</td>
</tr>
<tr>
<td>Operating income before provisions</td>
<td>641.3</td>
<td>592.6</td>
<td>8.2</td>
</tr>
<tr>
<td>Provision charge</td>
<td>(167.1)</td>
<td>(171.9)</td>
<td>(2.8)</td>
</tr>
<tr>
<td>Staff costs and administrative expenses</td>
<td>(259.8)</td>
<td>(260.9)</td>
<td>(0.4)</td>
</tr>
<tr>
<td>Profit before tax</td>
<td>214.4</td>
<td>159.8</td>
<td>34.3</td>
</tr>
<tr>
<td>Income tax expense</td>
<td>(35.6)</td>
<td>(39.7)</td>
<td>(10.3)</td>
</tr>
<tr>
<td>Net profit</td>
<td>178.8</td>
<td>120.1</td>
<td>48.9</td>
</tr>
</tbody>
</table>

Net interest income and net interest margin

Interest income on loans and advances to customers, amounts due from other banks and financial assets represent one of the main sources of the Group’s operating income. In 2018, gross interest income amounted to Rub 1,034.0 billion, a decrease of 2.1% from 2017.

Interest expense (including payments to the deposit insurance system) decreased by 5.1% to Rub 565.4 billion. The average return on interest-bearing assets decreased by 80 bp to 8.6% as of the end of the year. The average cost of interest-bearing liabilities also decreased by 80 bp to 4.9%. Since the interest-bearing liabilities decreased at the same rate with the yield on interest-bearing assets, there was little change in net interest income.

Net interest income in 2018 increased by 1.8% year-on-year to Rub 466.6 billion due to an outstripping reduction in interest expenses.

The net interest margin for the year decreased by 20 bp to 3.9%. The Group recorded a decrease in net interest margin starting from Q3 2018 that accelerated in Q4 2018. The decrease in the net interest margin in 4Q 2018 was the result of a change (from line to line consolidation to the single-line consolidation principle) in how VTB Group consolidates Post Bank, whose business model implies a high level of risk and high margins. In addition, the decrease in the net interest margin in 2H 2018 was the result of changes in market rates, as well as the the different speed between the revaluation of assets and liabilities cost, and the borrowing of a significant amount of more expensive funds from the Bank of Russia in 3Q 2018 (3% of the Group’s cumulative liabilities as of 30 September 2018). These funds were replaced by customer deposits in 4Q 2018, after which the volume of borrowings from the Bank of Russia returned to normal, amounting to 0.4% of the Group’s total liabilities as of the end of the reporting period.

Interest income

<table>
<thead>
<tr>
<th>Rub billion</th>
<th>2018</th>
<th>2017</th>
<th>Change, %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest income calculated using the effective interest rate method</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial assets measured at amortised cost</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loans and advances to customers</td>
<td>902.7</td>
<td>940.4</td>
<td>-4.9</td>
</tr>
<tr>
<td>Due from other banks</td>
<td>38.3</td>
<td>45.8</td>
<td>-16.4</td>
</tr>
<tr>
<td>Investment financial assets</td>
<td>1.9</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Other financial assets, including securities</td>
<td>-</td>
<td>21.4</td>
<td>-</td>
</tr>
<tr>
<td>Debt financial assets at fair value through other comprehensive income</td>
<td>24.7</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total interest income calculated using the effective interest rate method</td>
<td>967.6</td>
<td>1,016.6</td>
<td>-4.8</td>
</tr>
<tr>
<td>Other interest income</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial assets at fair value through profit or loss</td>
<td>42.1</td>
<td>15.6</td>
<td>169.9</td>
</tr>
<tr>
<td>Net investment in finance lease</td>
<td>24.3</td>
<td>24.0</td>
<td>1.3</td>
</tr>
<tr>
<td>Total other interest income</td>
<td>66.4</td>
<td>39.6</td>
<td>67.7</td>
</tr>
<tr>
<td>Total interest income</td>
<td>1,034.0</td>
<td>1,056.2</td>
<td>-2.1</td>
</tr>
</tbody>
</table>

Interest expense

<table>
<thead>
<tr>
<th>Rub billion</th>
<th>2018</th>
<th>2017</th>
<th>Change, %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer deposits</td>
<td>(424.2)</td>
<td>(433.9)</td>
<td>-2.2</td>
</tr>
<tr>
<td>Due to other banks and other borrowed funds</td>
<td>(87.0)</td>
<td>(107.5)</td>
<td>-19.1</td>
</tr>
<tr>
<td>Debt securities issued</td>
<td>(17.6)</td>
<td>(24.0)</td>
<td>-20.3</td>
</tr>
<tr>
<td>Subordinated debt</td>
<td>(11.9)</td>
<td>(15.0)</td>
<td>-20.7</td>
</tr>
<tr>
<td>Total interest expense calculated using the effective interest rate method</td>
<td>(540.7)</td>
<td>(581.3)</td>
<td>-7.0</td>
</tr>
<tr>
<td>Advances received under construction contracts</td>
<td>(1.9)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total interest expense</td>
<td>(542.6)</td>
<td>(581.3)</td>
<td>-6.7</td>
</tr>
<tr>
<td>Payments to the deposit insurance system</td>
<td>(22.8)</td>
<td>(14.7)</td>
<td>55.1</td>
</tr>
<tr>
<td>Net interest income</td>
<td>468.6</td>
<td>460.2</td>
<td>1.8%</td>
</tr>
</tbody>
</table>
Net fee and commission income

Total fee and commission income in 2018 increased by 2.9%, amounting to RUB 133.4 billion. The bulk of fee and commission income came from settlement transactions and trade finance, accounting for 55.9% of the total, down from 58.4% in 2017. Total fee and commission expense increased by 26.5% in 2018, mainly due to an increase in fees and commissions on settlement transactions and trade finance.

Net fee and commission income for 2018 decreased by 5.6% year-on-year to RUB 90.0 billion.

<table>
<thead>
<tr>
<th>RB billion</th>
<th>2018</th>
<th>2017</th>
<th>Change, %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commission on settlement transactions and trade finance</td>
<td>74.6</td>
<td>75.7</td>
<td>-1.5</td>
</tr>
<tr>
<td>Fee received for insurance products distribution and agents’ services</td>
<td>20.9</td>
<td>18.2</td>
<td>14.8</td>
</tr>
<tr>
<td>Commission on guarantees and other credit-related commitments issued</td>
<td>11.7</td>
<td>13.2</td>
<td>-11.4</td>
</tr>
<tr>
<td>Commission on cash transactions</td>
<td>10.8</td>
<td>6.7</td>
<td>61.2</td>
</tr>
<tr>
<td>Commission on operations with securities and capital markets</td>
<td>9.3</td>
<td>10.7</td>
<td>-13.1</td>
</tr>
<tr>
<td>Other</td>
<td>6.1</td>
<td>5.1</td>
<td>19.6</td>
</tr>
<tr>
<td>Total fee and commission income</td>
<td>133.4</td>
<td>129.6</td>
<td>2.9</td>
</tr>
</tbody>
</table>

The decrease in net fee and commission income was due to the high base effect (net fee and commission income increased by 17% in 2017). Additionally, the net fee and commission income was negatively impacted by change of accounting of the customer loyalty programmes expenses, which were deducted from the gross fee and commission income. The transfer of the portion of expenses from customer loyalty programmes (RUB 9.3 billion) incurred during the reporting period was reflected in the Group’s consolidated financial statements as of 31 December 2018. Prior to the change in accounting policy, all expenses related to loyalty programmes were considered part of other operating expenses. Taking into account the adjustment in the method of accounting for expenses related to the loyalty programmes, the increase in net fee and commission income amounted to 4.2% for 2018.

Net other operating income

Net other income increased by 123.5% and amounted to RUB 82.7 billion. The key drivers behind this increase in other income were an increase in income from the disposal of subsidiaries and associated companies and joint ventures, an increase in income from operations involving foreign currency and precious metals, an increase in income from operations with other financial instruments revalued at fair value through profit or loss, as well as a reduction in expenses from other non-banking activities.

The total financial result from the disposal of VTB Insurance, which is reflected in net other income, amounted to RUB 54 billion. In addition, net other income was negatively impacted during the reporting period by irregular expenses from the revaluation of investment property and fixed assets (RUB 26 billion) and the deconsolidation of VTB Ukraine (RUB 17 billion), as well as the impairment of investments in the associated company Moscow Metrostroi in the amount of RUB 12 billion.

Improving operational efficiency through synergy effects

VTB24

2018 realisation effect

RUB 8 bn

VTB24

2019 expected effect

RUB 15 bn

VTB Europe

2018 realisation effect

EUR 40 mln

Bank of Moscow

2018 realisation effect

RUB 10 bn

Net fee and commission income

Total fee and commission income in 2018 increased by 2.9%, amounting to RUB 133.4 billion. The bulk of fee and commission income came from settlement transactions and trade finance, accounting for 55.9% of the total, down from 58.4% in 2017. Total fee and commission expense increased by 26.5% in 2018, mainly due to an increase in fees and commissions on settlement transactions and trade finance.

Net fee and commission income for 2018 decreased by 5.6% year-on-year to RUB 90.0 billion.
Net profit

Net profit for 2018 increased by 48.9% compared to 2017, amounting to RUB 178.8 billion, due to faster growth of income from core activities (compared to the increase of costs) and increased cost-effectiveness. In 2017, the difference between the increase in income and costs was 4 pp, increasing to 6.4 pp in 2018.

Net profit, RUB billion

Key components:

- ROE: 8.3% → 12.3%
- Net profit: 8% → 17.9%

Assets structure, RUB billion

In 2018, the Group’s gross loan portfolio (excluding Post Bank as of 1 January 2018 and 31 December 2018), increased by 18.7% (to RUB 11,427 billion) amid growth in the volume of retail loans and lending to legal entities by 28.7% and 15.5%, respectively.

Growth in VTB Group’s retail lending continued to accelerate in the reporting period compared to 2017, with the retail loan book increasing by 28.7% (excluding Post Bank as of 1 January 2018 and 31 December 2018) in 2018 (compared to 14.3% in 2017). The Group saw growth in volumes of mortgages, automobile loans and consumer loans of 31.7%, 17.7% and 28.4% respectively (excluding Post Bank as of 1 January 2018 and 31 December 2018) in 2018. The share of retail loans in the portfolio structure increased to 26.2% compared to 25.4% in 2017.

VTB Group’s corporate loan portfolio also grew at a faster pace than 2017 (15.5% in 2018 compared to a decrease of 0.3% in 2017). Accelerated growth of loans to legal entities in the reporting period allowed the Group to compensate for the fact that it lagged behind the overall corporate lending market in 2017 (the Russian banking sector grew by 12.0% in 2018 compared to 2.2% in 2017).

Analysis of the statement of financial position according to IFRS

Assets

As of 31 December 2018, the Group’s total assets amounted to RUB 14,760.6 billion; up 14.1% compared to 1 January 2018. Asset growth was balanced, and the share of the loan portfolio in the asset structure rose to 72% from 70% in 2017.

Loans to legal entities, RUB billion

In 2018, the Group’s gross loan portfolio (excluding Post Bank as of 1 January 2018 and 31 December 2018), increased by 18.7% (to RUB 11,427 billion) amid growth in the volume of retail loans and lending to legal entities by 28.7% and 15.5%, respectively.

Growth in VTB Group’s retail lending continued to accelerate in the reporting period compared to 2017, with the retail loan book increasing by 28.7% (excluding Post Bank as of 1 January 2018 and 31 December 2018) in 2018 (compared to 14.3% in 2017). The Group saw growth in volumes of mortgages, automobile loans and consumer loans of 31.7%, 17.7% and 28.4% respectively (excluding Post Bank as of 1 January 2018 and 31 December 2018) in 2018. The share of retail loans in the portfolio structure increased to 26.2% compared to 25.4% in 2017.

VTB Group’s corporate loan portfolio also grew at a faster pace than 2017 (15.5% in 2018 compared to a decrease of 0.3% in 2017). Accelerated growth of loans to legal entities in the reporting period allowed the Group to compensate for the fact that it lagged behind the overall corporate lending market in 2017 (the Russian banking sector grew by 12.0% in 2018 compared to 2.2% in 2017).

1. Hereinafter: to calculate the change in the loan portfolio, the line-by-line consolidation method is used on 31 December 2018 and 1 January 2018.
Asset quality
As of 31 December 2018, the total amount of non-performing loans1 was RUB 654 billion, or 5.7% of gross customer loans before provisions (compared to RUB 680 billion, or 6.9%, as of 1 January 2018).

Liabilities
The Group’s total liabilities amounted to RUB 13,237.6 billion as of 31 December 2018, an increase of 14.8% compared to 1 January 2018.

As of 31 December 2018, customer deposits amounted to RUB 10,403.7 billion, an increase of 15.9% over the year (excluding Post Bank as of 1 January 2018 and 31 December 2018). As a result, customer deposits accounted for 78.6% of the total loan book as of 31 December 2018, compared to 77.6% as of 1 January 2018.

By the end of the reporting period, deposits from legal entities had increased by 8.6%, while customer deposits were up 27.7% (excluding Post Bank as of 1 January 2018 and 31 December 2018).

The Group’s dependence on funding from debt capital markets remains low. The share of funds raised through issues of debt securities in total liabilities decreased to 2.0% as of 31 December 2018, compared to 2.8% a year earlier.

### Liabilities structure, RUB billion

<table>
<thead>
<tr>
<th>Liabilities</th>
<th>VTB 31-Dec-18</th>
<th>VTB Y-o-Y Change, %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Subordinated debt</td>
<td>11,529</td>
<td>+15%</td>
</tr>
<tr>
<td>Debt securities issued</td>
<td>13,238</td>
<td>+16%</td>
</tr>
<tr>
<td>Customer deposits</td>
<td>5,523</td>
<td>+20.7%</td>
</tr>
<tr>
<td>Collateralized funding from the CBR</td>
<td>5,986</td>
<td>+27.9%</td>
</tr>
<tr>
<td>Due to banks and other borrowed funds</td>
<td>7,201</td>
<td>+29.5%</td>
</tr>
</tbody>
</table>

1. The Group identifies non-performing loans as credit-impaired loans, expected credit losses for these loans are assessed for the entire term, with overdue principal and/or interest payments for more than 90 days, as well as acquired or impaired loans with overdue principal and/or interest payments for a period of more than 90 days from the date of initial recognition.
The Group’s capital management policy is to maintain a sustainable capital base so as to retain the confidence of investors, creditors and market participants, as well as to ensure the future development of its operations.

High profitability supported the level of capital adequacy against a background of accelerated growth in lending and significant dividend payments: as of 31 December 2018, the Group's capital adequacy and Tier 1 capital adequacy ratios were 13.5% and 12.0%, respectively, compared to 14.3% and 12.5% as of 1 January 2018.

In other countries, the Group’s banks comply with the requirements for the level of capital adequacy established by national central banks or other oversight bodies.

**Measures to improve IFRS reporting in 2018**

During the reporting period, VTB Group applied the new standards that entered into force on 1 January 2018:

- IFRS 9 Financial Instruments;
- IFRS 15 Revenue from Contracts with Customers.

With the introduction of IFRS 9, the Group decided to reassess expected credit losses for all types of financial assets and off-balance-sheet liabilities exposed to credit risk.

With the introduction of IFRS 15, the Group revised its assessment of requirements and obligations to comply with the basic principle of the new standard, which is to recognise revenue in an amount that reflects the transaction price at the time of the transfer of goods or the provision of services to a client.

In addition, VTB Group changed its presentation of certain items in its statement of financial position and its profit and loss statement in order to increase the usefulness of the information and its accessibility for users to understand its financial statements:

- Before applying IFRS 9, the Group decided to present on a separate line its consolidated statement of the financial position of its trading financial assets and to reclassify financial assets classified as fair value through profit or loss into investment financial assets;

- Since first applying IFRS 9, the Group has adjusted the comparative information provided in its consolidated profit and loss statement and in respect of interest income and provisions for impairment and for expected credit losses.

In 2018, VTB Group launched a project to implement IFRS 16, which entered into force on 1 January 2019. The project focuses on accounting models, principles of classification and evaluation, as well as processes that need to be developed. Work is under way to verify, test and validate the assumptions used and the results at the Group level.

The Group’s capital management policy is to maintain a sustainable capital base so as to retain the confidence of investors, creditors and market participants, as well as to ensure the future development of its operations.

High profitability supported the level of capital adequacy against a background of accelerated growth in lending and significant dividend payments: as of 31 December 2018, the Group’s capital adequacy and Tier 1 capital adequacy ratios were 13.5% and 12.0%, respectively, compared to 14.3% and 12.5% as of 1 January 2018.

In other countries, the Group’s banks comply with the requirements for the level of capital adequacy established by national central banks or other oversight bodies.

**Measures to improve IFRS reporting in 2018**

During the reporting period, VTB Group applied the new standards that entered into force on 1 January 2018:

- IFRS 9 Financial Instruments;
- IFRS 15 Revenue from Contracts with Customers.

With the introduction of IFRS 9, the Group decided to reassess expected credit losses for all types of financial assets and off-balance-sheet liabilities exposed to credit risk.

With the introduction of IFRS 15, the Group revised its assessment of requirements and obligations to comply with the basic principle of the new standard, which is to recognise revenue in an amount that reflects the transaction price at the time of the transfer of goods or the provision of services to a client.

In addition, VTB Group changed its presentation of certain items in its statement of financial position and its profit and loss statement in order to increase the usefulness of the information and its accessibility for users to understand its financial statements:

- Before applying IFRS 9, the Group decided to present on a separate line its consolidated statement of the financial position of its trading financial assets and to reclassify financial assets classified as fair value through profit or loss into investment financial assets;

- Since first applying IFRS 9, the Group has adjusted the comparative information provided in its consolidated profit and loss statement and in respect of interest income and provisions for impairment and for expected credit losses.

In 2018, VTB Group launched a project to implement IFRS 16, which entered into force on 1 January 2019. The project focuses on accounting models, principles of classification and evaluation, as well as processes that need to be developed. Work is under way to verify, test and validate the assumptions used and the results at the Group level.
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, liquidity risk and operational risks.

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 official website of the Bank at: https://www.vtb.ru/akcionery-i-investory/isklyuchitelnuyu-informatsiyu-po-regulyatsiyi.html (available in Russian language only).

VTB Group’s risk map showing risk appetite indicators

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.

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 such a level that would lead to the cessation of the Group’s operations, including under stress conditions;
- Group 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 buffers 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.
Organisational and functional structure of the Risks Global functional line (GFL Risks)

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 its strategy for the development 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 of procedures for preparing, approving and passing down the Group's risk appetite;
- implementation of internal procedures for assessing capital adequacy (ICAAP) at the Group level in accordance with the regulatory requirements of the Bank of Russia;
- ongoing work on the development of a methodology and principles 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 specify 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), including:

- 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.
**Credit Risk**

Credit risk is the risk of financial loss (loss of revenue or additional expenses) should a borrower/counterparty/issuer fail to meet its contractual obligations.

**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, 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, 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 Group 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 2018, 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.

The corporate credit risks of subsidiary banks were managed by the Risk Department in 2018 (the Corporate Credit Risk Department (CCRD) from 20 November 2018). As the Group’s specialised risk division for corporate credit risks, the CCRD 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.

The centralised management of retail risks at VTB Bank’s subsidiary banks was carried out by the Retail Credit Risk Department (RCRD) in 2018. As the Group’s specialised risk division dealing with credit risks, the RCRD 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’s subsidiary banks that perform the above-mentioned operations are guided by the Main Retail Credit Risk Management Guidelines, approved by the VTB Group Risk Management Committee, as well as other Group documents that establish standards and approaches for managing retail credit risks at the level of each subsidiary bank and at the Group level.

As part of the transition to IFRS 9 at VTB Bank, an intra-bank provisions methodology was developed in accordance with IFRS 9 in 2018, as well as general Group approaches to the establishment of provisions. Since 2018, provisions have been calculated in accordance with IFRS 9 for VTB Group’s financial statements.
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 VTB Risk Department (since 20 November 2018), by VTB Bank’s Corporate Credit Risk Department and the Integrated Risk Management Department) and approved by VTB Bank’s authorised collective body;
- Accepting collateral and insurance to cover credit risks, charging adequate fees for 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 loan portfolio, individual customers, transactions and collateral (including by ranking borrowers);
- Preventing 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 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;
- 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 under Basel III);
- Conducting stress testing of loan portfolio losses, taking into account different macroeconomic scenarios.

The key methods for managing credit risk at VTB Bank are determined by the policy on managing credit risk (credit policy). The main tool for credit risk monitoring and mitigation is the system of established credit limits. In terms of managing retail credit risk, the Bank applies a Credit Risk Management Policy (Credit Policy) in retail business.

The main types of credit risk limits are:
- Limits on the aggregate level of credit risk for the loan portfolio as a whole 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 member of the Group 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 member of the Group.

**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 the profitability of the Group’s operations.

The VTB Group Management Committee and Assets and Liabilities Management Committee 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;
- reviews reports on the status of VTB Group’s liquidity risk as part of reports on Group risks.

**The Group Assets and Liabilities Management Committee**:
- 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;
- decides 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 in order 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;
- monitoring compliance with the regulatory limit set by the Bank of Russia for the short-term liquidity of a banking group.

**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 the following:
- Planned transactions;
- Possible extension of clients’ funds (deposits and promissory notes);
- Possible outflows of unstable “on-demand” capital (clients’ settlement and current accounts, as well as Loro accounts).

In addition, the Risk Department (since 20 November 2018, 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.

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;
- Monitoring calculated gaps taking into account the scenario analysis of the Bank’s liquidity for various time periods to identify disparities between receivables and payments;
- 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 assets and/or liabilities of the Bank 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.

Market Risk

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 VTB Group Assets and Liabilities Management Committee (ALMC).

The ALMC’s main objectives are:
- 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 Group’s Coordination Commission on Assets and Liabilities Management and Interaction with Financial Institutions under the ALMC has been in operation since 2017. Its main objectives are:
- ensuring the effective functioning of common Group principles, procedures and limits in terms of the management of assets and liabilities;
- ensuring effective interaction within the framework of intra-group rules for conducting business with financial institutions.

The Risk Management Committee sets operational and portfolio limits for market risk and distributes the risk appetite for the trading book among VTB Group members and business lines.

The Regulation on the Procedure for Managing Market Risk in VTB Group (hereinafter, the ‘Regulation’) 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 members 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.

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 operations 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’s book;
- Currency risk of the Bank’s 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’s book;

Interest-rate risk of the Bank’s book

Interest-rate risk management is based on VTB Group’s bylaws and includes:
- Setting standard interest rates for deposits and interest rates for financing, taking into account current market conditions;
- Calculating interest-rate risk (ECap, etc.);
- 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 signal 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 (1) the size of the reduction in the net present value of the interest position; and (2) 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;
- The capital for covering 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 used to assess 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 1%
- Capital to cover the currency risk of structural OCP.

Market risk of trading operations

VTB Group is exposed to market risk regarding 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 carried out 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 (DV01, FX delta, etc.).

The Risk Department (since 20 November 2018, 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 weekly basis compliance with Group market risk limits; local market risk limits are monitored by the risk divisions of subsidiary banks on a daily basis;
- informs business units on a weekly basis about compliance with Group limit discipline, provides the ALMC with a monthly report on compliance with limits.

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 Risk Management Committee for consideration and is 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 2018, the greatest impact on market risk would have corresponded with a significant increase in risk-free coupon-denominated interest rates and the widening of credit spreads.

VAR: VaR is calculated based on the following parameters:
- historical period: two years;
- forecasting horizon: one trading day;
- confidence interval: 95%.
- method used: 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 breakdows, internal or external fraud, breaches of client obligations or violations of contractual obligations, 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, mitigation measures are taken in order to eliminate the causes and sources of the risk.

The following measures are taken to manage operational risk:

- 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 methods to respond to operational risks:

- 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.

In 2018, the Group took the following steps to develop its system for managing operational risk:

- Development and implementation 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 fraud and IT risks;
- 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 2018.
Information security issues are the subject of close scrutiny.

The adoption of timely measures enabled the Bank to avoid the possible ramifications of both global cyberattacks and attacks aimed specifically at VTB.

**4.6**

**100%**

or 68,509 cyberattacks fended off

**0**

MINUTES
downtime for critical systems

**0**

RUB
losses for the Bank because of cyberattacks
4.6 DIGITAL TRANSFORMATION

Modern financial markets have entered the digital era, which means new standards for interaction with the Bank’s customers and employees. There are certain features that all popular banking products have in common. First of all, they are as personalized as possible. By knowing customer preferences and anticipating the wishes of banking consumers, it is possible to create personalized products and services. To meet this challenge, tools are used to analyse data from a variety of sources.

In addition, competitive banking services include broad functionality in terms of mobile access—a determining factor in just how user-friendly a particular product is.

The digital transformation is having an impact on both the external and internal business processes of the Bank. Predictive analytics support the creation of high-quality products at just the right time. The move to electronic document flow is increasing labour productivity and reducing costs.

Information Structure

Since the merger of VTB Bank and VTB24 in January 2018, VTB is now the second-largest universal bank in Russia, with about 360 information systems that support large, medium-sized and investment businesses.

Information Structure

The Bank’s information structure includes more than 3,700 physical servers, more than 3,000 communication channels, and more than 2,300 databases that store 26 petabytes of information.

The Bank is developing its IT infrastructure in several areas:
- The development of a private cloud: 163 systems have been migrated to the cloud, and resource usage has been optimised;
- Server infrastructure operation: the "laboratory" partnership programme has been launched (involving servers, data storage systems, virtualisation systems, network equipment and video conferencing) in cooperation with the Technotrans Group. RBS 2.1 infrastructure has been implemented (371 servers, five contours with the installation of open-source software). The merged Bank’s servers used a Linux-based operating system and are updated centrally. The merged Bank’s servers used a Linux-based operating system and are updated centrally.

Ensuring Stability and Reliability

The merger increased the load on the Bank’s IT systems from two to four times. In 2017, an average of 2.8 million transactions were conducted through the Bank’s primary systems. In 2018, this increased to 5.5 million transactions. The load on peak days in 2018 was four times higher than the average for the year for card transactions and 11 times higher for non-card transactions.

Immediate and medium-term measures were taken that enabled the Bank to make it through the peak New Year season (2019) with no failures, while ensuring the availability of twice as much bandwidth as was needed. Measures are being taken to reduce process windows, e.g., the introduction of DevGeoOps will reduce periods of partial or complete unavailability of the Bank’s IT systems for customers by 30-70% (from 16 to 8 hours). Work is under way to fully implement the service level agreement for each parameter for critical services.

Throughout 2018, the Bank’s clients experienced temporary restrictions when using the VTB mobile application, including while conducting various operations. To prevent similar situations in the future, technical steps were taken to increase the traffic capacity of the Bank’s IT systems. In addition, a plan was developed for further measures to improve the fault tolerance and performance of software. In particular, the plan provides for the distribution of information load across various domains depending on the service provided: sales and assistance for Bank products or the provision of customer services. The purchase of additional equipment is also planned.

In 2018, information security issues were the subject of close scrutiny. The adoption of timely measures enabled the Bank to avoid the possible ramifications of both global cyberattacks and attacks aimed specifically at VTB Bank, as well as to pass an inspection on compliance with information security requirements.

As a result, the Bank fended off 100% of cyberattacks: 68,509 cyberattacks (malware attacks on the site and emails). Of these, 759 attacks used modified malware not detected by anti-virus tools.

Key achievements in 2018 in the area of information security:
- The creation of a closed perimeter that ensures a high degree of protection for critical banking systems.
- The introduction of “sandboxes”, i.e., software and hardware packages that analyse incoming information flows and protect the system against phishing emails and emails that contain viruses before they get beyond the Bank’s firewall.
- The creation of project support services, which made it possible to involve information security at all stages of project work.
- Ensuring compliance with the regulatory requirements of the Bank of Russia; the Federal Security Service of the Russian Federation; the Federal Service for Technical and Export Control; the Federal Service for Supervision of Communications, Information Technology, and Mass Media (Roskomnadzor); the SWIFT code system; and others in the field of information security.

Key objectives of the technological transformation within VTB Group:
- Transformation of the IT landscape of the unified Bank
- Formation of the unified Bank’s branch network
- Increasing the number of foresight projects
- Development of remote service channels (mobile-first strategy)
### Main IT Projects in 2018 in Retail and Corporate Business

<table>
<thead>
<tr>
<th>VTB Group</th>
<th>Retail business</th>
<th>Corporate business</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Target</strong></td>
<td><strong>Vision</strong></td>
<td><strong>Vision</strong></td>
</tr>
<tr>
<td><strong>Profitable Bank</strong></td>
<td><strong>Rapid development of remote channels and product improvement</strong></td>
<td><strong>Improving tools for remote service and introducing new solutions</strong></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Key Technological Projects Implemented by VTB Group in 2018

The work of the Supervisory Council was digitised. This has enabled the Bank to optimise the processes involved in preparing and holding meetings of the Supervisory Council by creating a unified communication space in accordance with all security requirements.

The IT infrastructure from the former Bank of Moscow’s automated banking system (ABS) was migrated into VTB’s private cloud platform. The migration has resulted in a reduction of RUB 10 million in operating costs per month due to no longer having to provide technical support for obsolete equipment. In addition, the time needed to carry out the most important background processes was reduced by three times, as was the operational window for backing up data. Annual savings will amount to RUB 120 million.

Next-generation remote banking service platform. Advanced containerisation and traffic management technologies were used for its design, thus increasing the availability and fault tolerance of systems. The distributed capacity of the Bank’s private cloud is used as the basic technological infrastructure.

VDI (virtual desktop infrastructure) technology was implemented, and 14 thousand employees were transferred to virtual work stations. This is part of a large-scale programme to centralise and improve the quality of IT services and provide a common IT platform as part of the integration of former VTB BM and VTB24 structures with VTB.

Corporate Business Portal unified information platform. This project introduces tools for cross-functional interaction among employees and a work platform for the Bank’s corporate business call centre, and it also involves the use of intelligent information processing algorithms.

Advanced data analytics toolkit. This will help specialists from the Big Data and Modelling Centre, the Retail Credit Risk Department and the Retail CRM and Sales Department. The service will improve the accuracy of forecasts and analytics through the use of a new class of models based on neural networks.

VTB Foresight Projects

Work on the Bank’s digital transformation is being carried out in the form of foresight projects. Each project is aimed at the creation and development of digital products based on the most advanced technologies available: big data, blockchain, artificial intelligence, biometrics, and the Internet of things. Five foresight projects were launched in 2017, and the Digital Transformation team from the Information Technology Department developed 17 new products in 2018, while also continuing to develop earlier products.

IT achievements in retail business in 2018

- VTB was the winner in the Breakthrough of the Year category at the Retail Finance Awards for achievements in the finance business in Russia
- 14 days to online automating the issuance of non-standardised documents
- Business Wikipedia knowledge management system for the front line of the Retail Business global business line, winner of Project of the Year 2018 (Global CID competition)
- Reduction from 60 to 25 minutes in the time needed to submit a loan application in former VTB24 systems
- 12 times the time needed to update records for all of the Bank’s corporate customers
- From 13 to 23 thousand increase in the number of payroll clients

My Investments application was the winner of a Retail Finance Award

IT achievements in corporate business in 2018

- A monitoring system for corporate clients regarding the risk of loan defaults is being put into operation;
- A platform for analysing big data was created that is connected to internal and external data sources to enrich the internal analytics and improve the quality of predictive models;
- Connections are in place to the most advanced libraries for data analysis and machine learning available, including using neural networks;
- A pilot project was completed to predict loan defaults by corporate clients based on an analysis of news feeds;
- A pilot project (pilot cross-organisational model) was completed for predicting the acquisition of financial products and services of partner companies by Bank clients based on an analysis of customer transactions;
- A hyperdata project is at the implementation stage: a big data platform for analysing customer data.

Geoanalytics
Project launched in 2018.

- A monitoring system for corporate clients regarding the risk of loan defaults is being put into operation;
- A platform for analysing big data was created that is connected to internal and external data sources to enrich the internal analytics and improve the quality of predictive models;
- Connections are in place to the most advanced libraries for data analysis and machine learning available, including using neural networks;
- A pilot project was completed to predict loan defaults by corporate clients based on an analysis of news feeds;
- A pilot project (pilot cross-organisational model) was completed for predicting the acquisition of financial products and services of partner companies by Bank clients based on an analysis of customer transactions;
- A hyperdata project is at the implementation stage: a big data platform for analysing customer data.


- A prototype for the Digital Banking Guarantee System was developed;
- The first test transactions for the issuance of digital bank guarantees were conducted.

Open API
Project launched in 2018.

- A pilot project was launched to create a portal for developers and open interfaces for the bank’s partners within MBB global business line.
Foresight projects

<table>
<thead>
<tr>
<th>Project Name</th>
<th>2018 results</th>
</tr>
</thead>
<tbody>
<tr>
<td>Omnichannel communications system</td>
<td>Prototype for a Unified Digital Communications System developed.</td>
</tr>
<tr>
<td>Augmented reality platform</td>
<td>Prototype platform developed.</td>
</tr>
<tr>
<td>Intelligent personal assistants for clients</td>
<td>A working prototype was created based on Yandex’s Alice smart speaker system service to advise clients.</td>
</tr>
<tr>
<td>Intelligent robot collector</td>
<td>A pilot project was completed with testing of the functionality for making first call to clients with overdue loans. The result of this communication is automatically recorded in the Bank’s systems.</td>
</tr>
<tr>
<td>Corporate-Investment Business chat service.</td>
<td>Additional functionality implemented within the digital communication platform, improving interaction between the Bank and its Corporate-Investment clients; Preliminary research conducted.</td>
</tr>
<tr>
<td>VR Mortgage.</td>
<td>The concept for an immersive remote service was developed to help the Bank’s clients choose real estate.</td>
</tr>
<tr>
<td>Digital payment service: A blockchain based payment system.</td>
<td>A patent was received for technology used to create blockchain based multi-issuer payment systems; A tool for blockchain based city transfers was developed: the Digital Payment Service.</td>
</tr>
<tr>
<td>Blockchain-based multi-issuer loyalty system.</td>
<td>The concept for a blockchain based multi-issuer loyalty system was developed: The system takes into account the interests of all potential participants: the city, its inhabitants and businesses.</td>
</tr>
<tr>
<td>Short module training platform.</td>
<td>A mobile application was developed that enables call centre employees to acquire new knowledge more efficiently and to maintain it; Content for the application is being developed.</td>
</tr>
<tr>
<td>Internet of things</td>
<td>Prototype tested for automatic data collection from housing and public utilities meters.</td>
</tr>
</tbody>
</table>

Expected impact

At the end of 2018, several developments with a proven impact were being piloted at the bank:

- An intelligent robot collector that allows the Bank to save up to RUB 18 per minute per call, which is 7 times cheaper than a call from an ordinary operator;
- Voice biometrics for servicing corporate clients, making it possible to reduce operational risks and provide improved service quality. The overall impact of the introduction of these technologies is estimated at RUB 392 million over five years.

VTB Corporate Accelerator

For the first time in the Bank’s history, a corporate accelerator was launched in 2018 to work with startups. Its objectives include not only searching for and integrating breakthrough technologies from the open market into the Bank’s internal processes, but also creating an internal culture of working with innovations within VTB. Projects are being considered in priority areas determined in conjunction with the Bank’s business units, including big data and analytics, blockchain, artificial intelligence, biometrics, cybersecurity, etc. Some 190 startups from Russia, Finland, Georgia, Armenia and Belarus submitted applications for participation in the accelerator, and the Bank selected 12 projects to take part in the programme. Various divisions of the Bank launched pilot projects with seven of the participants, including on solutions for collecting, analysing and managing data, process robotisation, speech analytics, etc.

Development of remote service channels (mobile-first strategy)

Today, consumers of financial services prefer virtual services that offer convenience, efficiency, availability and security. Responding to requests and anticipating the needs of customers, the Bank offers digital products that are focused as much as possible on the individual needs of each customer: Improving the processes of interaction with retail and corporate clients requires the transformation of the Bank’s internal business processes. Automation of routine operations, optimisation of the performance of business divisions, improving the quality and speed of business analytics – all of this helps reduce costs and increase productivity.

The following initiatives have been implemented in the interests of retail customers:

- client registration and account reservation with VTB Business Online LITE;
- introduction of Apple Pay;
- adaptation and introduction of Samsung Pay; daily payments through Samsung Pay have exceeded RUB 20 million;
- scanning functionality added for QR codes and barcodes;
- VTB My Investments mobile application launched;
- Robo Advisor, the first service for choosing an investment portfolio in the Russian market, was created; designed for the VTB My Investments application, the service supports a unique rebalancing functionality;
- VTB Front for tablets;
- a push inbox was launched, allowing customers to receive SMS notifications about transactions through the application, along with a properly formatted receipt for each operation;
- a virtual Bank branch was created: this system enables interaction between customers and the Bank’s call centre using chat and collaboration tools through a web interface. An online chat option is currently available for contacting the Bank. This allows customers to exchange text messages and images with operators.

Business clients received new opportunities for process optimisation, including:

- an online business registration service (the first certified myDSS application using CryptoPro DSS technology for signing legal documents through a smartphone);
- functionality that allows customers to access the Bank’s mobile service and confirm operations with a short code/touch/face ID;
- functionality was added that enables customers to obtain documents through the Bank’s mobile service;
- functionality was added that allows customers to change their bonus category through the Bank’s mobile service;
- upon request, remote paperless voting is available through the Bank’s mobile service.
Relations with shareholders and representatives of the investment community have traditionally been a high priority for VTB Group and extend beyond required corporate procedures. During 2018, the number of VTB shareholders increased by almost one-third and reached 130 thousand by the end of the year.

<table>
<thead>
<tr>
<th>Thousand of Shareholders</th>
<th>+37% in 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Share of individual shareholders in the total amount of ordinary shares in free-float</td>
<td>+4 percentage points in 2018</td>
</tr>
</tbody>
</table>
5. 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, centralized 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 Banking, Medium and Small Banking, Retail Banking (for more information on the global business lines and their performance see “Results of the Group’s operations”).

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 Group companies. Furthermore, this management model is a platform for the effective integration of assets acquired by VTB Group.

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

As of the beginning of 2019, as part of the project to establish a unified Bank, VTB Bank was restructured through a merger with VTB24, which will enable more efficient and more effective interaction both among the Bank’s global business lines and in terms of the support and control functions in accordance with the Group’s management model. Since the beginning of January 2019, all divisions of the parent organisation, as well as departments and branches that were previously part of the structure of VTB24, have been operating within the merged Bank as part of all customer segments. Throughout 2018, proactive efforts were made to integrate the former divisions and regional offices of VTB24 into the structure and processes of the merged Bank. In particular, the following actions were taken:

- completed the rebranding of all VTB ATMs and sales points;
- established unified, cross-cutting models for work within the framework of the merged Bank, including in the areas of support and oversight;
- achieved key objectives of the merger’s financial model.

One of VTB Bank’s key priorities in accordance with its development strategy for 2017–2019 (hereinafter, the “Strategy”), approved by the Bank’s Supervisory Council on 14 December 2016 (Minutes No. 21), is strengthening the positions of VTB Group banks in the retail banking market and attracting customer funds.

As part of this initiative, in 4Q 2018 and 1Q 2019, VTB Bank completed the acquisition of controlling stakes in Vozrozhdenie Bank, Sarovbyzinbank and Zapsibkombank. The acquisition of these banks will significantly expand the presence of VTB Bank in the Moscow, Nizhny Novgorod and Tyumen regions.

Further steps are currently being developed to integrate the banks into the Group’s management system, which is expected to be completed in 2020, when they will have finished the transition to the VTB brand.

Corporative governance at VTB Bank is a system of interactions between the executive bodies, the Supervisory Council, shareholders and other stakeholders aimed at realising the rights of shareholders and investors, increasing the investment attractiveness and transparency of the Bank’s operations, creating effective risk assessment mechanisms that can have an influence on the Bank’s value, and 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 exchanges in Russian and abroad. It is also focused on the recommendations of the Corporate Governance Code (“the Code”) approved by the Central Bank of the Russian Federation, 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 Bank is a public joint-stock company whose securities are listed and traded on the Moscow Exchange’s Level 1 list (its highest quotation list), and on the London Stock Exchange, where they are traded as global depository receipts (GDRs).

The General Meeting of Shareholders is the supreme governing body of VTB Bank. Regardless of where their shareholdings are registered, all shareholders of VTB Bank have access to the electronic voting system developed by the Bank’s registrar, VTB Registrar. Electronic voting is possible online at www.vtbreg.com, as well as through the VTB Shareholder application.
The Supervisory Council, elected by the shareholders and accountable to them, provides strategic management of, and oversight over, 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 policy on remuneration and reimbursement for expenses for executive bodies and other key executives of the Bank, plays a key role in the Bank’s significant corporate events, and determines the key principles and overall approach to risk management, and the internal control system.

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

The following committees function under the Bank’s Supervisory Council:

- The Staff and Remuneration Committee 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 considers and makes recommendations on strategic development issues and on improving VTB’s 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 Bank’s Corporate Secretary, who is elected 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 of VTB Bank 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 (D&O insurance).

A Shareholders Consultative Council functions within the Bank. This is an independent expert consultative and advisory body that consists of minority shareholders, and whose meetings are attended by members of the Bank’s Supervisory Council and executive bodies. Members of the Shareholders Consultative Council play an active part in VTB’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 in addition to what is required by law, 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 2018

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

At the Annual General Meeting of Shareholders held on 23 May 2018, a new Supervisory Council was elected that includes, for the first time, five directors not connected with the principal shareholder, including four representatives of minority shareholders, which, according to the Bank, 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 2018, 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:

- the Bank has introduced a practice whereby the Bank’s shareholders are provided with the conclusions (opinions) of the members of the Supervisory Council on the independence of each candidate to the Supervisory Council concerning their compliance with the established independence criteria prepared by the Bank’s Staff and Remuneration Committee. Previously, the Committee considered the issues of candidates’ compliance with the requirements of the Bank’s Supervisory Council without providing the relevant conclusions;
- regarding all significant issues included on the agenda of General Meetings of Shareholders, shareholders are provided with the detailed position of the Bank’s Supervisory Council, prepared in accordance with best practices and expert recommendations;
- the Bank’s annual reports disclose additional information of interest to the Bank’s shareholders, including:
  - on the procedures for electing the Bank’s external auditor;
  - reports on internal assessments of the corporate governance system and the work of the Bank’s Supervisory Council;
  - detailed information on the distribution of the Bank’s net profit;
  - on the remuneration of key executives of VTB Group.

During the reporting year, the Bank’s General Meeting of Shareholders approved a new version of the Regulation on the Procedure for Preparing, Convening and Holding General Meetings of Shareholders. In particular, the new version of the Regulation expands the list of materials (information) provided to shareholders in preparation for the Annual General Meeting of Shareholders.

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 Russian Institute of Directors provides the annual ratings, 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.

In order to further develop the corporate governance system in 2019, the Bank plans to conduct its first-ever external assessment of the Supervisory Council. To be carried out by an independent consultant, the assessment will be aimed at, among other things, determining the effectiveness of the work of both the Supervisory Council as a whole and of the individual members of the Council. The results of the assessment will identify areas in which the activities of the Supervisory Council can be improved.

As part of the Bank’s ongoing work to improve its system for regulating conflicts of interest, amendments to the Bank’s bylaws are planned, including to enshrine the obligation of members of the Bank’s executive bodies to refrain from actions that lead to a conflict of interest.
**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 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. On 1 July 2016, legislative amendments entered into force concerning the procedure for nominee shareholders to provide information to the issuer on the identities of the ultimate owners of shares. In accordance with these amendments, the distribution of ballots by post is restricted to those individuals whose rights to securities are recorded directly with the registrar.

Regardless of where their shareholdings are registered, all shareholders of VTB Bank have access to the e-voting system developed by the Bank’s registrar, VTB Registrar. E-voting is possible online at www.vtb.com, as well as through the VTB Bank Shareholder application.

The decision to convene a General Meeting of Shareholders is taken by the Supervisory Council. In accordance with applicable Russian law 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. 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.

### 2018 Annual General Meeting of Shareholders

VTB’s Annual General Meeting of Shareholders in 2018 was attended by 646 shareholders and their representatives. The Annual General Meeting of Shareholders (AGM) of VTB Bank was held on 23 May 2018 at the Oktyabrsky Grand Concert Hall in St. Petersburg. The meeting was attended by 646 shareholders and their representatives (compared to 513 in 2017). In total, 1,603 shareholders took part, including through voting by proxy, which accounted for 10,529,499,664,253 votes, or 81.2427% of the total votes.

### 1,603 participants in 2018

#### Number of participants at Annual General Meetings of Shareholders 2015–2018

<table>
<thead>
<tr>
<th>Year</th>
<th>Overall Number of Participants</th>
<th>Number of Participants with In-person Attendance</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>1,083</td>
<td>379</td>
</tr>
<tr>
<td>2016</td>
<td>1,144</td>
<td>449</td>
</tr>
<tr>
<td>2017</td>
<td>1,086</td>
<td>613</td>
</tr>
<tr>
<td>2018</td>
<td>1,603</td>
<td>646</td>
</tr>
</tbody>
</table>

Shareholders’ growing interest in annual meetings can be seen not only in the 26% increase in the number of shareholders who personally attended the meeting, but also in the more than twofold increase in the number of views of the traditional webcast of the meeting. For the convenience of minority shareholders, they were given an opportunity to ask the members of the presidium questions via videocall at Shareholder Liaison Centres.

At the Oktyabrsky Concert Hall, the Bank’s shareholders were able to familiarise themselves with materials for the meeting and could obtain information about products and services offered by subsidiaries. In addition to traditional paper and flash cards, meeting materials were made available electronically on stands in the foyer of the Oktyabrsky Concert Hall.

The e-voting system was again available for the annual meeting, which meant that any shareholder could participate in the meeting regardless of where they live or were located at the time of the meeting. Some 1,170 shareholders voted through the e-voting system, which significantly increased the total number of shareholders who took part in the meeting. An e-voting system using biometrics and NFC technology was tested during the annual meeting. Ninety-nine per cent of the participants at the AGM expressed a high opinion regarding the quality of the electronic services and the possibilities provided.

The voting results on agenda items and all decisions taken can be seen in the “Investor Relations” section on the Bank’s website at: https://www.vtb.com (see the “General Meeting of Shareholders’ subsection”).

Thirteen 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 2017;
4. The amount, terms and form of the 2017 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. 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 the Regulation on the Procedure for Preparing, Convening and Holding General Meetings of Shareholders of VTB Bank;
13. The termination of VTB Bank’s participation in the Association of Russian Banks.

Meeting participants supported the proposed draft decisions on all 13 agenda items.

In addition, shareholders agreed to the following distribution of the Bank’s profits from 2017 in accordance with the recommendations of the Bank’s Supervisory Council:

- net profit to be allocated: RUB 101,268,176,223.47;
- allocations to the Reserve Fund: RUB 5,063,408,811.17;
- dividend payment allocations on ordinary shares: RUB 84,476,117.915.11;
- dividend payment allocations on Type 1 registered preference shares: RUB 11,804,188,555.41;
- dividend payment allocations on Type 2 registered preference shares: RUB 16,952,578,170.61;

Shareholders approved a dividend payment of RUB 0.00345549138975912 per ordinary share, which is three times as much as the year before. Detailed information on dividend payments for 2017 is available in Section “Dividends”.

### Grounds for the distribution of VTB Bank’s profit for 2017

#### Distribution of VTB Bank profit for 2017 in accordance with RAS, RUB billion

- Net profit (RAS): 101.3

- 73% of the profit under VTB Bank was distributed as dividends
- 17% to the Reserve Fund
- 5% to the Statutory Audit Commission
- 22% to the Supervisory Council

- Dividends on ordinary shares (RAS) 43.6
- Dividends on Type 1 preference shares (RAS) 11.7
- Dividends on Type 2 preference shares (RAS) 19.1
- A Municipal tax to the Reserve Fund (RAS) 65.3
- Retained net profit (RAS) 22.7

- Net profit (RAS): 101.3

---

**Note:** The content is a translation of the original document and may not be exhaustive or completely accurate in all respects.
The total amount of dividend payments amounted to RUB 73.5 billion, or 61.2% of the Group’s consolidated IFRS net profit for 2017 (72.6% of the Bank’s net profit under RAS), while dividends on ordinary shares amounted to 37% of the Bank’s consolidated net profit under IFRS (or 44% of the Bank’s net profit under RAS).

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

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

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

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

SUPERVISORY COUNCIL

Scope of Responsibilities

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

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

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

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

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

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

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

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

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

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

Liability Insurance for Supervisory Council Members

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

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

Composition of the Supervisory Council

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

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

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

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

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

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

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

Supervisory Council Composition

On 23 May 2018, the AGM elected Mikhail Zadornov, Alexander Sokolov, Shahmar Movsumov (independent director) and Igor Repin (independent director).

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

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

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

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

Structure of the Bank’s Supervisory Council

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

Members of the Supervisory Council as of 31 December 2018

- Anton Siluanov, born in 1963
  - Chairman of the Supervisory Council, civil servant
  - Holds no shares of the Bank’s charter capital as of 31 December 2018.

- Sergei Dubinin, born in 1950
  - Representative of the state, Chairman of the Staff and Remuneration Committee
  - Holds no shares of the Bank’s charter capital as of 31 December 2018.

- Matthias Warnig, born in 1955
  - Representative of the state, Member of the Strategy and Corporate Governance Committee
  - Holds no shares of the Bank’s charter capital as of 31 December 2018.

- Mikhail Zadornov, born in 1963
  - Non-executive director, representative of institutional shareholders
  - Holds 0.0024613% of ordinary shares of the Bank as of 31 December 2018.

- Andrey Kostin, born in 1956
  - President and Chairman of the Management Board, Executive director, representative of the state, Chairman of the Strategy and Corporate Governance Committee
  - Holds 0.00183% of ordinary shares of the Bank as of 31 December 2018.

- Yves Thibault de Silguy, born in 1948
  - Senior Independent Director, Chairman of the Audit Committee
  - Holds no shares of the Bank’s charter capital as of 31 December 2018.

Corporate governance
Corporate governance

ANNUAL REPORT 2018

VTB at a glance Statement of the Chairman of the Supervisory Council Statement of the President and Chairman of the Management Board Management report Sustainable development Financial statements Annexes

Shahmar Movsumov,
born in 1972
Independent director, representative of institutional shareholders, member of the Audit Committee, member of the Staff and Remuneration Committee
Holds no shares of the Bank’s charter capital as of 31 December 2018.

Alexander Sokolov,
born in 1979
Non-executive director, representative of institutional shareholders, member of the Strategy and Corporate Governance Committee
Holds no shares of the Bank’s charter capital as of 31 December 2018.

Igor Repin,
born in 1966
Independent director, member of the Strategy and Corporate Governance Committee, member of the Staff and Remuneration Committee, representative of individual shareholders
Holds 0.00000023% of ordinary shares of the Bank as of 31 December 2018.

Vladimir Chistyukhin,
born in 1973
Representative of the state Member of the Strategy and Corporate Governance Committee
Holds no shares of the Bank’s charter capital as of 31 December 2018.

Mukhadin Eskindarov,
born in 1951
Representative of the state Member of the Strategy and Corporate Governance Committee
Holds no shares of the Bank’s charter capital as of 31 December 2018.

Professional competencies of members of the Supervisory Council1

<table>
<thead>
<tr>
<th>Member of VTB Bank’s Supervisory Council</th>
<th>Strategy</th>
<th>Finance and economics</th>
<th>Risk management, audit</th>
<th>Corporate governance, legal issues</th>
<th>Business administration</th>
</tr>
</thead>
<tbody>
<tr>
<td>Anton Siluanov</td>
<td>✔ ✔ ✔ ✔</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Matthias Warnig</td>
<td>✔ ✔ ✔ ✔</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Yves Thibault de Silguy</td>
<td>✔ ✔ ✔ ✔</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sergey Dubinin</td>
<td>✔ ✔ ✔ ✔</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mikhail Zadornov</td>
<td>✔ ✔ ✔ ✔</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Andrey Kostin</td>
<td>✔ ✔ ✔ ✔</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Shahmar Movsumov</td>
<td>✔ ✔ ✔ ✔</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Igor Repin</td>
<td>✔ ✔ ✔ ✔</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Alexander Sokolov</td>
<td>✔ ✔ ✔ ✔</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Vladimir Chistyukhin</td>
<td>✔ ✔ ✔ ✔</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mukhadin Eskindarov</td>
<td>✔ ✔ ✔ ✔</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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.

Continuous service time as a member of the Bank’s Supervisory Council

Members of the Bank’s Supervisory Council, by age

- More than 3 years
- From 1 to 3 years
- Less than 1 year

- 35-40
- 55-60
- Over 60
Biographies of VTB Bank’s Supervisory Council members as of 31 December 2018

Anton Siluanov
Chairman of the Supervisory Council since 28 April 2017
From May 2018 – First Deputy Prime Minister of the Russian Federation, Minister of Finance of the Russian Federation.
Class 1 Full State Counsellor of the Russian Federation.
Previous positions:
1992–2018 – Deputy Head of Section, Deputy Department Manager-Head of Section, Deputy Department Manager, Deputy Head of Department, 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, acting Minister of Finance of the Russian Federation, Minister of Finance of the Russian Federation.
Born in 1955. In 1971, graduated from the University of Rennes II (France). Doctorate in Economics. Associate Professor.

Matthias Warnig
Member of the Supervisory Council since 28 June 2013, independent member of the Supervisory Council from 4 April 2007 to 28 June 2013, member of the Strategy and Corporate Governance Committee
Since September 2015 – Executive Director of Nord Stream 2 (Switzerland); since 2008 – Director of Interatis (Switzerland).
Also serves as a member of the Board of Directors of Transneft, Deputy Chairman of the Board of Directors of Rosneft, member of the Administrative Board of Gazprom Schweiz (Switzerland), Chairman of the Administrative Council of Gas Project Development Central Asia AG (Switzerland) and Interatis Consulting (Switzerland).
Previous positions:
2006–2016 – Managing Director of Nord Stream (Switzerland);
2006–2006 – Chairman of the Board of Directors of Dresdner Kleinwort for Russia and the CIS;
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;
Born in 1955. In 1981, graduated from the Bruno Leuschner Higher School of Economics in Berlin and Karlshorst, majoring in National Economics. In 1995, received additional professional training at Dresdner Bank AG, Bad Homburg (Germany) and London (United Kingdom) through the Lending and Risk Management programme.
Hold no shares of the Bank’s charter capital as of 31 December 2018.
Conducted no transactions for the acquisition or disposal of shares of the Bank.
Yves-Thibault de Silguy
Senior Independent Director since 23 May 2018, independent member of the Supervisory Council since 28 June 2013 and also from 4 April 2007 to 26 June 2008, chairman of the Audit Committee
Since May 2010 – Vice President of the Board of VINCI SA (France), Senior Director of the Board of Directors VINCI Group (France).
Also serves as President of YTSerneumoconsultants SARL (France), member of the Supervisory Council of VTB (France), member of the Board of Directors of SOLWAY SA (Belgium) and of Louis Vuitton Moët Hennessy SA (France).
Previous positions:
2005–2012 – Member of the Council for Foreign Affairs, French Foreign Ministry;
2004–2011 – Member of the Board of Directors of SMEG (Société Monégasque de l’Electricité 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).
Born in 1955. In 1973, graduated from Lomonosov Moscow State University, majoring in Political Economy. Higher Doctorate in Economics, Associate Professor.
Hold no shares of the Bank’s charter capital as of 31 December 2018.
Conducted no transactions for the acquisition or disposal of shares of the Bank.

Sergey Dubinin
Member of the Supervisory Council since 3 June 2011, chairman of the Supervisory Council from 16 June 2011 to 25 June 2015 and from 14 December 2016 to 26 April 2017, chairman of the Staff and Remuneration Committee
Since February 2014 – Head of the Finance and Credit Department at the Lomonosov Moscow State University Faculty of Economics.
Advisor and member of the Board of Directors of VTB Capital. Member of the Board of Directors of VTB Capital Holding and VTB Capital Holding.
Previous positions:
2005–2008 – Member of the Board of Directors, Chief Financial Officer of RAO UES;
2004–2005 – Member of the RAO UES Management Board;
Born in 1950. In 1973, graduated from Lomonosov Moscow State University, majoring in Political Economy. Higher Doctorate in Economics, Associate Professor.
Hold no shares of the Bank’s charter capital as of 31 December 2018.
Transactions conducted in 2018: disposal on 18 June 2018 of 212,800,000 ordinary shares of the Bank sold through Moscow Exchange.
Mikhail Zadornov  
Member of the Supervisory Council since 23 May 2018  
Since January 2018 – President and Chairman of the Management Board of Bank Otkritie Financial Corporation.

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 the Rosgosstrakh insurance company.

Previous positions:
2005-2017 – President and Chairman of the Management Board and member of the Management Board of VTB24.


Holds shares equivalent to 0.000049% of the Bank’s charter capital as of 31 December 2018. 
Holds 0.00024613% of the Bank’s share capital as of 31 December 2018.

Conducted no transactions for the acquisition or disposal of shares of the Bank.

Andrey Kostin  
President and Chairman of the Management Board since 11 June 2002, member of the Supervisory Council since 29 November 2002, chairman of the Strategy and Corporate Governance Committee

Chairman of the Supervisory Council of the Russian Gymnastics Federation. Member of the Supervisory Councils of Post Bank and of the Russian Volleyball Federation. Member of the Board of Directors at VTB Capital, VTB Capital Holding, VTB Capital III Holding. Member of the Bureau of the Board of Directors of the Russian Union of Industrialists and Entrepreneurs and of the Employers Association of the Russian Union of Industrialists and Entrepreneurs. 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, the Russian Orthodox Church Charitable Foundation, for the Restoration of the Voskhodsk Stavropolegian Resurrection (New Jerusalem) Monastery, the State Marinsky Academic Theatre, the associations I.K.O. Centre, the State Primorsky Opera and Ballet Theatre, the Deal-Blind Support Fund, the Russian Geographical Society, the Doctors, Innovation, Science for Children Foundation for Support and Development in the Field of Pediatric Hematology, Oncology and Immunology. Member of the Supreme Council, United Russia political party. Member of the Management Board of the non-profit partnership National Council on Corporate Governance. Professor in the Department of Finance and Accounting, Director of the Graduate School of Management, St. Petersburg State University. 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 Russian Finance Ministry.

Previous positions:

Born in 1956. In 1979, graduated with Honours from the Economics Department of Lomonosov Moscow State University. PhD in Economics.

Holds shares equivalent to 0.000356% of the Bank’s charter capital as of 31 December 2018. 
Holds 0.00165% of ordinary shares of the Bank as of 31 December 2018.

Conducted no transactions for the acquisition or disposal of shares of the Bank.

Shahmar Movsumov  
Independent member of the Supervisory Council since 29 June 2013, member of the Staff and Remuneration Committee, member of the Audit Committee

Since May 2006 – Executive Director of the State Oil Fund of the Republic of Azerbaijan.


Previous positions:


Holds no shares of the Bank’s charter capital as of 31 December 2018.

Conducted no transactions for the acquisition or disposal of shares of the Bank.

Igor Repin  
Member of the Supervisory Council since 23 May 2018, member of the Strategy and Corporate Governance Committee, Audit Committee, Staff and Remuneration Committee, chairman of the Shareholders Consultative Council

Since September 2001 – Deputy Executive Director of the Professional Investors Association.

Chairman of the Board of Directors of the Federal Centre for Geocological Systems.

Born in 1966. In 1988, graduated from Lomonosov Moscow State University with a major in Land-Hydrology.

Holds shares equivalent to 0.00000005% of the Bank’s charter capital as of 31 December 2018. 
Holds 0.00000023% of ordinary shares of the Bank as of 31 December 2018.

Conducted no transactions for the acquisition or disposal of shares of the Bank.

Alexander Sokolov  
Member of the Supervisory Council since 23 May 2018, member of the Strategy and Corporate Governance Committee

Since July 2018 – Chairman of the Management Board of Bank Otkritie Financial Corporation.

Chairman of the Supervisory Council of Avtovazbank, the Head of the Risks and Collateral Department at Bank Otkritie Financial Corporation.

Previous positions:
2017–2018 – Member of the Management Board of Bank Otkritie Financial Corporation;
2008–2017 – Member of the Management Board of VTB24.


Holds no shares of the Bank’s charter capital as of 31 December 2018.

Conducted no transactions for the acquisition or disposal of shares of the Bank.
Vladimir Chistyukhin  
Member of the Supervisory Council since 19 June 2014, member of the Strategy and Corporate Governance Committee  
Member of the Board of Directors of the Central Bank of the Russian Federation and of the Deposit Insurance Agency.  
Previous positions:  
2011–2013 – Director of the Financial Stability Department, Central Bank of the Russian Federation;  
2004–2011 – Deputy Director of the Banking Regulation and Supervision Department, Central Bank of the Russian Federation;  
Holds no shares of the Bank's charter capital as of 31 December 2018.  
Conducted no transactions for the acquisition or disposal of shares of the Bank.

Mukhadin Eskindarov  
Member of the Supervisory Council since 23 May 2018, member of the Strategy and Corporate Governance Committee  
Chairman of the Supervisory Council of the National Payments Council and of the Treatment and Rehabilitation Centre of the Russian Health Ministry, chairman of the Board of Directors of MিИBank, member of the Supervisory Council of the Russian Agricultural Bank, member of the Board of Directors of SKB-Bank.  
Previous positions:  
Born in 1951. In 1976, graduated from the Moscow Financial Institute with a degree in Finance and Credit. PhD in Economics, Professor.  
Holds no shares of the Bank’s charter capital as of 31 December 2018.  
Conducted no transactions for the acquisition or disposal of shares of the Bank.

Members of the Supervisory Board of VTB Bank until 23 May 2018 (elected by decision of the Annual General Meeting of Shareholders of 26 April 2017)
Corporate governance

11 An induction programme consists of the following activities:

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 Central Bank of the Russian Federation, 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.

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 the schedule through 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 previously-approved decisions and programmes, as well as on directives and assignments stipulated by the Russian Government.

Members are able to review materials for meetings in advance, as well as recommendations and conclusions of the Council's Committees on each agenda point. The schedule for the Council is compiled for the period between AGMs and is approved by the Supervisory 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.

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 his or her vote on the agenda items. In 2018, the Supervisory Council held 17 meetings, including seven in-person meetings and 10 through absentee voting.

Statistics on the meetings of the Supervisory Council

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of in-person meetings and meetings held by absentee voting</th>
<th>In person</th>
<th>By absentee voting</th>
<th>Number of matters considered</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>17</td>
<td>7</td>
<td>10</td>
<td>147</td>
</tr>
<tr>
<td>2017</td>
<td>19</td>
<td>7</td>
<td>12</td>
<td>205</td>
</tr>
<tr>
<td>2016</td>
<td>21</td>
<td>8</td>
<td>13</td>
<td>240</td>
</tr>
<tr>
<td>2015</td>
<td>28</td>
<td>8</td>
<td>20</td>
<td>197</td>
</tr>
<tr>
<td>2014</td>
<td>26</td>
<td>8</td>
<td>18</td>
<td>207</td>
</tr>
</tbody>
</table>

The Supervisory Council actively engaged with the Bank's minority shareholders and also considered the Report on Cooperation with the Bank's Shareholders and an action plan for working with shareholders in the upcoming calendar year.

Independent members of the Supervisory Council took part in meetings with minority shareholders.

In 2018, no conflicts of interest were identified involving members of the Supervisory Council.

Introduction to Membership of the Supervisory Council

The induction programme consists of the following activities:

- Holding meetings with members of the Bank's executive bodies and key managers of the Bank’s structural units
- Consultations with the Bank's Corporate Secretary on issues related to the organisation of the work of the Bank's Supervisory Council
- Familiarising newly elected members of the Bank's Supervisory Council with the Bank's documents

In 2018, the Supervisory Council had 17 meetings, including seven in-person meetings and 10 through absentee voting.

The Supervisory Council actively engaged with the Bank's minority shareholders and also considered the Report on Cooperation with the Bank's Shareholders and an action plan for working with shareholders in the upcoming calendar year.

Independent members of the Supervisory Council took part in meetings with minority shareholders.
### Participation of members of the Supervisory Council and its committees in meetings/absentee voting in 2018

<table>
<thead>
<tr>
<th>Members of the Supervisory Council</th>
<th>Status</th>
<th>Number of meetings (absentee voting)</th>
<th>Number of meetings (absentee voting)</th>
<th>Number of meetings (absentee voting)</th>
<th>Number of meetings (absentee voting)</th>
<th>Number of meetings (absentee voting)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>in-person/meeting participation</td>
<td>in-person/meeting participation</td>
<td>in-person/meeting participation</td>
<td>in-person/meeting participation</td>
<td>in-person/meeting participation</td>
</tr>
<tr>
<td>Artem Silanov</td>
<td>Chairman of the Supervisory Council (до 23.05.2018)</td>
<td>17 of 17</td>
<td>7 of 7 1/5</td>
<td>1 of 1 0/1</td>
<td>0 0/0</td>
<td>0 0/0</td>
</tr>
<tr>
<td>Nikolai Podguzov</td>
<td>(until 23 May 2018)</td>
<td>6/6</td>
<td>1/1 11%</td>
<td>2/2 100%</td>
<td>0 0/0</td>
<td>0 0/0</td>
</tr>
<tr>
<td>Andrey Kostin</td>
<td>President and Chairman of the Management Board</td>
<td>16 of 16</td>
<td>16 of 16</td>
<td>16 of 16</td>
<td>16 of 16</td>
<td>16 of 16</td>
</tr>
<tr>
<td>Shahmar Movsumov</td>
<td>Independent director, Member of the Audit Committee</td>
<td>17 of 17</td>
<td>17 of 17</td>
<td>17 of 17</td>
<td>17 of 17</td>
<td>17 of 17</td>
</tr>
<tr>
<td>Sergey Safity</td>
<td>Senior Independent Director, Member of the Strategy and Corporate Governance Committee (с 23.05.2018)</td>
<td>6 of 6</td>
<td>6 of 6</td>
<td>6 of 6</td>
<td>6 of 6</td>
<td>6 of 6</td>
</tr>
<tr>
<td>Alexander Sokolov</td>
<td>(since 23 May 2018)</td>
<td>10 of 10</td>
<td>10 of 10</td>
<td>10 of 10</td>
<td>10 of 10</td>
<td>10 of 10</td>
</tr>
<tr>
<td>Andrey Sharonov</td>
<td>(until 23 May 2018)</td>
<td>9 of 9</td>
<td>9 of 9</td>
<td>9 of 9</td>
<td>9 of 9</td>
<td>9 of 9</td>
</tr>
<tr>
<td>Mukhadin Eskindarov</td>
<td>Independent Director</td>
<td>5 of 5</td>
<td>5 of 5</td>
<td>5 of 5</td>
<td>5 of 5</td>
<td>5 of 5</td>
</tr>
<tr>
<td>Antén Silanov</td>
<td>Chairman of the Supervisory Council (до 23.05.2018)</td>
<td>12 of 12</td>
<td>12 of 12</td>
<td>12 of 12</td>
<td>12 of 12</td>
<td>12 of 12</td>
</tr>
<tr>
<td>Vladimír Chistyuk</td>
<td>Representative of the state</td>
<td>0 0/0</td>
<td>0 0/0</td>
<td>0 0/0</td>
<td>0 0/0</td>
<td>0 0/0</td>
</tr>
<tr>
<td>Matthias Wenig</td>
<td>Representation of the state</td>
<td>17 of 17</td>
<td>17 of 17</td>
<td>17 of 17</td>
<td>17 of 17</td>
<td>17 of 17</td>
</tr>
<tr>
<td>Sergey Dubinin</td>
<td>Representative of the state</td>
<td>0 0/0</td>
<td>0 0/0</td>
<td>0 0/0</td>
<td>0 0/0</td>
<td>0 0/0</td>
</tr>
<tr>
<td>Andrey Kostin</td>
<td>President and Chairman of the Management Board</td>
<td>13 of 13</td>
<td>13 of 13</td>
<td>13 of 13</td>
<td>13 of 13</td>
<td>13 of 13</td>
</tr>
<tr>
<td>Antén Silanov</td>
<td>Chairman of the Supervisory Council (до 23.05.2018)</td>
<td>17 of 17</td>
<td>17 of 17</td>
<td>17 of 17</td>
<td>17 of 17</td>
<td>17 of 17</td>
</tr>
<tr>
<td>Nikolai Podguzov</td>
<td>(until 23 May 2018)</td>
<td>6/6</td>
<td>6/6</td>
<td>6/6</td>
<td>6/6</td>
<td>6/6</td>
</tr>
<tr>
<td>Andrey Kostin</td>
<td>President and Chairman of the Management Board</td>
<td>16 of 16</td>
<td>16 of 16</td>
<td>16 of 16</td>
<td>16 of 16</td>
<td>16 of 16</td>
</tr>
<tr>
<td>Shahmar Movsumov</td>
<td>Independent director, Member of the Audit Committee</td>
<td>17 of 17</td>
<td>17 of 17</td>
<td>17 of 17</td>
<td>17 of 17</td>
<td>17 of 17</td>
</tr>
<tr>
<td>Sergey Safity</td>
<td>Senior Independent Director, Member of the Strategy and Corporate Governance Committee (с 23.05.2018)</td>
<td>6 of 6</td>
<td>6 of 6</td>
<td>6 of 6</td>
<td>6 of 6</td>
<td>6 of 6</td>
</tr>
<tr>
<td>Alexander Sokolov</td>
<td>(since 23 May 2018)</td>
<td>10 of 10</td>
<td>10 of 10</td>
<td>10 of 10</td>
<td>10 of 10</td>
<td>10 of 10</td>
</tr>
<tr>
<td>Andrey Sharonov</td>
<td>(until 23 May 2018)</td>
<td>9 of 9</td>
<td>9 of 9</td>
<td>9 of 9</td>
<td>9 of 9</td>
<td>9 of 9</td>
</tr>
<tr>
<td>Mukhadin Eskindarov</td>
<td>Independent Director</td>
<td>5 of 5</td>
<td>5 of 5</td>
<td>5 of 5</td>
<td>5 of 5</td>
<td>5 of 5</td>
</tr>
</tbody>
</table>
* Did not participate in meetings (absentee voting) whose agenda items could have involved him in a legal or business-related conflict of interest.

### Key issues considered by the Supervisory Council in 2018

The Bank's Supervisory Council considered a total of 147 issues in 2018, and the Supervisory Council committees prepared recommendations on 60 of these issues.

### Issues considered by the Supervisory Council in 2018

- **Recommendations of the Strategy and Corporate Governance Committee**
- **Recommendations of the Supervisory Council about the Board's decisions**
- **Recommendations of the Audit Committee**
- **Recommendations of the Staff and Remuneration Committee**

#### Priority areas for the Bank’s operations:

- approval of VTB Bank’s business plan and financial plan (budget) for 2019;
- approval of VTB Bank’s Long-Term Development Programme for 2014–2019;
- the Bank’s participation in Dynamo Management Company, VTB Registrar, VTB Bank, VTB Bank’s Kazakhstan subsidiary, VTB Bank (Belarus), VTB Bank (Armenia), Banco VTB Africa, as well as the acquisition of stakes in Vozrozhdenie Bank, Cordex, Sarovbiznesbank and Zapsibkombank.
- termination of participation in VTB Banka a.d. Beograd, VTB ECP Finance Designated Activity Company and VTB insurance;
- approval of an action plan for the sale of the Bank’s non-core assets and for (quarterly) registration of the Bank’s non-core assets;
- restructuring of the Bank’s corporate branch network.
Corporate governance and procedural issues:
- calling, and determining the agenda for the AGM of 23 May 2018, establishing the record date for eligibility to participate in the General Meeting of Shareholders, consideration of issues proposed by Bank shareholders for inclusion on the agenda of the AGM, consideration of candidates proposed by Bank shareholders for election to the Supervisory Council and Statutory Audit Commission, and other issues related to the preparation and conduct 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 2017;
- new editions of the Regulation on Remuneration and Key Performance Indicators for the Activities of the Executive Bodies of VTB Bank and of the Regulation on the Procurement of Goods, Works, and Services by VTB Bank were approved;
- review of the Regulation on the Bank’s Sponsorship and Charitable Activities Committee, the Regulation on the Procedure for Carrying Out Sponsorship Activities within the Bank and the Regulation on the Procedure for Carrying out Charitable Activities within the Bank were approved.

Risks and internal control:
- new editions were approved of the Bank’s Risk and Capital Management Strategy and Procedure for Managing the Most Significant Risks;
- review of reports on the activities of the Internal Audit Department for H2 2017 and H1 2018, and approval of its work plan for 2019;
- review of a report on the results of the implementation in 2017 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;
- review of the quarterly reports by inspectors on the Bank’s professional activities in the securities market and specialised depository;
- review of quarterly reports on significant risks and capital adequacy of VTB Bank, 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 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 2017 and the plan for VTB Bank’s sponsorship and charitable activities in 2019;
- report on the work of the Corporate Secretary in 2017;
- report on interaction between VTB Bank and its shareholders in 2017 and plans to work with shareholders in 2018;
- 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);
- the work plan of VTB Bank’s Supervisory Council for 2018–2019.

In addition, the Supervisory Council also approved a number of related-party transactions in 2018.

Information technology in the work of the Supervisory Council

In 2018, VTB Bank introduced a paperless system for the work of the Supervisory Council through the BoardMaps information and communication system. This software enabled the Bank to optimise the processes involved in preparing and holding meetings of the Supervisory Council by creating a unified communication space that meets all security requirements.

The system gives members of the Supervisory Council access to the materials from current and past meetings of the Supervisory Council, as well as information about decisions adopted, participants and other information required for the work of Supervisory Council members (financial reports, press reviews, Bank bylaws, etc.).

Evaluation of the work of the Supervisory Council

Since 2012, VTB Bank has conducted an annual assessment of its corporate governance system (including assessments of the work of the Supervisory Council and its committees).

The assessment methodology was developed on the basis of the provisions of the Russian Law on Joint-Stock Companies and the recommendations of the Russian Federation Central Bank and was approved by a decision of the Supervisory Council’s Strategy and Corporate Governance Committee. 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.

In accordance with the methodology approved by the Supervisory Council’s Strategy and Corporate Governance Committee, 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 2018, the members of the Supervisory Council continue to give it a high rating. The average score of the corporate governance assessment was 3.91 points (97.8% of the maximum value). Two components received the maximum score of 4 points: prevention of conflicts of interest among shareholders, members of the Supervisory Council, the Bank’s executive bodies and its employees; and monitoring of the internal control system. At the same time, the other assessed components of the Bank’s corporate governance were also highly rated, receiving 3.8–3.9 points out of a possible 4.

Members of the Supervisory Council had an attendance rate of 79.2% at in-person meetings in 2018, while written opinions on the issues under consideration were received from members who were not able to personally attend these meetings. The share of members of the Supervisory Council participating in absentee voting was 91.8%.

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 at a meeting of the Supervisory Council’s Strategy and Corporate Governance Committee, after which it was taken under advisement by the Supervisory Council.

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 2018, the Supervisory Council had the following committees:
- Audit Committee;
- Staff and Remuneration Committee;
- Strategy and Corporate Governance Committee.

The Supervisory Council committees are not governing bodies of the Bank and cannot act in the name of the Supervisory Council.
Supervisory Council Committees and their members (as of 31 December 2018)

AUDIT COMMITTEE
1. Chairman of the Committee
   Yves-Thibault de Silguy
2. Shahrar Movsumov
3. Igor Repin

STAFF AND REMUNERATION COMMITTEE
1. Chairman of the Committee
   Sergey Dubinin
2. Shahrar Movsumov
3. Igor Repin

STRATEGY AND CORPORATE GOVERNANCE COMMITTEE
1. Chairman of the Committee
   Andrey Kosin
2. Matthias Warnig
3. Igor Repin
4. Alexander Sokolov
5. Vladimir Chistyakov
6. Mukhadin Eskindarov

Audit Committee
The Audit Committee performs an analytical and support function to ensure that internal control systems work effectively. The Committee’s remit includes general oversight over the preparation of financial reports and the functioning of the Bank’s risk management and internal control procedures, as well as the appraisal of candidates for external auditors, review of the audit report, review of the effectiveness of the internal control procedures and the drafting of proposals to improve them. The Audit Committee is made up of independent members of the Supervisory Council.

In 2018, 16 meetings (five in-person meetings and 11 through absentee voting) were held by the Audit Committee. Considerable focus was placed on analysis and improvement of internal controls at the Bank and within VTB Group, including the effectiveness of managing various types of risks, the development of internal audit procedures in the context of the merger and consolidation of business within VTB Group.

In 2018, the following key areas were addressed by the Audit Committee:
- strategic issues related to development and risk management within the Bank and VTB Group; including changes in the quality of corporate and retail loan portfolios, and the results of the management of market, operational and compliance risks;
- review of information on the compliance of VTB Bank’s incentive programme with legal requirements, as well as on the areas of functional coordination on personnel management issues within the Group;
- discussion of the results of the merger of VTB and VTB24;
- 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 over the annual open tender for the selection of an external auditor;
- providing recommendations to the Bank’s Supervisory Council on the candidacy of the external auditor;
- 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 both at the Bank and within VTB Group;
- review of other matters related to the Bank’s activities, including pursuant to particular assignments from the Supervisory Council.

Staff and Remuneration Committee
The Staff and Remuneration Committee assists the Supervisory Council in resolving matters within its remit in accordance with the Regulation on the Staff and Remuneration Committee of the Supervisory Council of VTB Bank.

The Committee comprises members of the Supervisory Council who have relevant expertise and experience in this area.

In 2018, nine Committee meetings (four in-person meetings and five through absentee voting) were held. The meetings considered issues such as the composition of the Supervisory Council and the Statutory Audit Commission, including consideration of the status of independent members, determination of the remuneration for the members of the Supervisory Council and the Statutory Audit Commission, the selection and remuneration of members of the Bank’s Management Board, consideration of a new version of the Regulation on Remuneration of the Executive Bodies of VTB Bank and key performance indicators for assessing their work, determining the criteria for classifying remuneration as “significant” and considering the procedure for the establishment and payment thereof, considering the issue of assessing the compliance of members of the Supervisory Council of VTB Bank with the issuer’s criteria for the independence of the members of the Board of Directors (Supervisory Council) provided for by the Listing Rules of Moscow Exchange, as well as other issues within the Committee’s remit.

Strategy and Corporate Governance Committee
The Strategy and Corporate Governance Committee assists the Supervisory Council on matters of strategy and corporate governance. The Committee’s main tasks are to set the Bank’s short-, medium- and long-term strategic objectives and priorities and to monitor progress towards achieving them, to support and improve corporate governance and to assist in the effective strategic management of the Bank’s capital.

In 2018, the Strategy and Corporate Governance Committee held 13 meetings (two in-person meetings and 10 through absentee voting). The following matters were considered at these meetings:

Strategic objectives and priorities
- VTB Bank’s business and financial plans for 2019;
- termination of the Bank’s participation in VTB ECP Finance special purpose vehicle;
- termination of the Bank’s participation in VTB insurance and the acquisition of shares in Cordex;
- termination of the Bank’s participation in VTB Bank a.d. Beograd;
- the Bank’s participation in Vozrozhdenie Bank;
- the Bank’s participation in Saroviznesbank;
- the Bank’s participation in Zapsibkombank;
- report on the implementation of VTB Bank’s Long-Term Development Programme for 2014–2019 based on the results of 2017;

Managing the Bank’s capital
- distribution of profits for 2017 and determination of the amount of dividends to be paid out;
- VTB Bank’s risk and capital management strategy;
- increasing the capital levels of subsidiaries.

Corporate governance:
- results of the evaluation of VTB Bank’s corporate governance system;
- procedures for managing VTB Bank’s most significant risks.

More information about the Supervisory Council and its committees can be found on the Bank’s website at: https://www.vtb.com/o-banke/bank-vtb/nablyudatelnyj-sovet/
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 ensuring 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 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 Central Bank of the Russian Federation and the guidelines of the Federal Property Management Agency.

The Regulation on VTB Bank’s Corporate Secretary is available on the Bank’s website: https://www.vtb.com/akkionery-v-investory/raskrytie-informacii/ustav-i-vnutrennie-dokumenty/.

Evgeny Ignatiev
Biography:

Since June 2013 – Chief of Staff of VTB Bank 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);

Born in 1981. In 1999, graduated from the St. Petersburg Social Services School, majoring in Law, with a qualification to practise as a lawyer. In 2002, received a Law degree from St. Petersburg State University of Maritime and Inland Shipping. In 2017, received an international certificate as a Certified Director from the British Institute of Directors, as well as the title “Cert ID”.

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. Member of the Board of the National Association of Corporate Secretaries. Member of the Moscow Exchange Committee of Issuers.

Holds no shares of VTB Bank’s charter capital.

Has no family ties to other members of the governing or supervisory bodies of VTB Bank.

Information on the Corporate Secretary can be found on the Bank’s website: https://www.vtb.com/akkionery-v-investory/vnutrennie-dokumenty/korporativnyj-sekretar/

MANAGEMENT BOARD

The Management Board is the collective executive body of VTB Bank. The Management Board reports to the General Meeting of Shareholders and the Supervisory Council.

The Management Board acts in accordance with Russian legislation, the Bank’s Charter and the Regulation of the Management Board as approved by the General Meeting of Shareholders.

The Supervisory Council is responsible for determining the size and composition of the Management Board, for electing its members and for pre-term termination of their powers, if necessary. Members of the Management Board are appointed by the Supervisory Council. The term of an employment contract with a member of the Management Board may be no more than five years before it must be reviewed for renewal.

The Management Board is in charge of the day-to-day operations of VTB Bank falling within its area of expertise and is responsible for implementing decisions of the General Meeting of Shareholders and the Supervisory Council.

More detailed information on the powers of the Management Board is provided in the Regulation on the Management Board, available on the Bank’s website: https://www.vtb.com/akkionery-v-investory/raskrytie-informacii/ustav-i-vnutrennie-dokumenty/.

Composition of the Management Board as of 31 December 2018

Andrey Kostin,
born in 1956
President and Chairman of the Management Board
Holds 0.00183% of ordinary shares of the Bank as of 31 December 2018.

Andrey Puchkov,
born in 1977
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
Holds 0.0003% of ordinary shares of the Bank as of 31 December 2018.

Dmitriy Olyunin,
born in 1968
First Deputy President and Chairman of the Management Board, oversees the financial function (finance and accounting departments), risk management, and is also responsible for strategic and corporate development, business processes transformation
Holds no shares of the Bank’s charter capital as of 31 December 2018.

Yuri Soloviev,
born in 1970
First Deputy President and Chairman of the Management Board, oversees the Corporate Investment Business global business line
Holds 0.01819% of ordinary shares of the Bank as of 31 December 2018.
Corporate governance

VTB at a glance

Statement of the Chairman of the Supervisory Council

Statement of the President and Chairman of the Management Board

Management report Sustainable development Financial statements Annexes

Denis Bortnikov, born in 1974
Deputy President and Chairman of the Management Board, oversees the Medium and Small Banking global business line
Holds no shares of the Bank's charter capital as of 31 December 2018.

Olga Dergunova, born in 1965
Deputy President and Chairman of the Management Board, oversees the Information Technology Department
Holds 0.000147% of ordinary shares of the Bank as of 31 December 2018.

Valery Lukyanenko, born in 1955
Deputy President and Chairman of the Management Board, oversees the work with clients from backbone industries
Holds 0.00044% of ordinary shares of the Bank as of 31 December 2018.

Anatoly Pechatnikov, born in 1969
Deputy President and Chairman of the Management Board, oversees the Retail Business global business line
Holds 0.000113% of ordinary shares of the Bank as of 31 December 2018.

Maxim Kondratenko, born in 1973
Member of the Management Board, oversees the risk management divisions, the Big Data and Modelling Centre
Holds no shares of the Bank's charter capital as of 31 December 2018.

Erkin Norov, born in 1954
Member of the Management Board, oversees internal control and audit
Holds no shares of the Bank's charter capital as of 31 December 2018.

Dmitriy Pianov, born in 1977
Member of the Management Board, oversees the finance department
Holds no shares of the Bank's charter capital as of 31 December 2018.

Valery Chulkov, born in 1960
Member of the Management Board, oversees the department of business operations support
Holds no shares of the Bank's charter capital as of 31 December 2018.

Andrey Kostin
President and Chairman of the Management Board, Member of the Supervisory Council
Term of office in accordance with employment contract: 10 June 2017 to 9 June 2022.
(For a detailed biography, see the Supervisory Council section.)

Andrey Puchkov
First Deputy President and Chairman of the Management Board
Term of office in accordance with employment contract: 10 June 2017 to 9 June 2022.

Andrey Olyunin
First Deputy President and Chairman of the Management Board
Term of office in accordance with employment contract: 29 May 2018 to 9 June 2022.

Andrey Puchkov
First Deputy President and Chairman of the Management Board
Term of office in accordance with employment contract: 10 June 2017 to 9 June 2022.

Joined VTB Bank in 2002. Since February 2016 – 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.

Is also the Chairman of the Board of Directors of VTB Debt Centre, Hals Development, BM Bank and Dynamo Management Company.

Previous positions:
1999–2002 – Member of the Moscow City Bar Association;
1997–1999 – Assistant Lawyer; Lawyer at the ALM law firm;

Holds shares equivalent to 0.00006% of the Bank’s charter capital as of 31 December 2018.

Holds 0.00002% of ordinary shares of the Bank as of 31 December 2018.
Yuri Soloviev
First Deputy President and Chairman of the Management Board
Term of office in accordance with employment contract: 10 June 2017 to 9 June 2022.


Is also the 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 and VTB Capital Equity Holding AG.

Previous positions:
2008–2011 – Senior Vice President of VTB Bank; President of VTB Capital
2006–2008 – Head of Investment Banking, First Deputy Chairman of the Management Board, Deutsche Bank Russia


Holds shares equivalent to 0.00362% of the Bank’s charter capital as of 31 December 2018.

Denis Bortnikov
Deputy President and Chairman of the Management Board
Term of office in accordance with employment contract: 10 June 2017 to 9 June 2022.

Joined VTB Bank in January 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 branch, St. Petersburg.

Is also the Chairman of the Board of Directors of VTB Bank (Belarus) and of VTB Bank (Kazakhstan). Member of the Board of Directors of VTB Capital Holding, Chairman of the Supervisory Council of VTB Bank (Azerbaijan). Member of the Leningrad Regional Chamber of Commerce and Industry. Member of the Board of Trustees of the Board of the Federal State Budget Institution of Higher Professional Education St. Petersburg State University and of the Target Capital Fund of the National Research University Higher School of Economics. Member of the Board of the non-profit foundation Forum Analytical Centre. Member of the presidium of the non-commercial partnership National Council on Corporate Governance. Member of the Board of Directors of the IT services company IBS.

Previous positions:
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.


Holds no shares of the Bank’s charter capital as of 31 December 2018.

Olga Dergunova
Deputy President and Chairman of the Management Board
Term of office in accordance with employment contract: 10 June 2017 to 9 June 2022.

Joined VTB Bank in 2016, and previously employed at VTB Bank from 2007 to 2012. Since July 2016 – Deputy President and Chairman of the Management Board. From 2007 to 2012 – Member of the Management Board.

Is also a member of the Supervisory Council of the Association for the Development of Financial Technologies. Member of the Board of Trustees of the Graduate School of Management at the Federal State Budget Institution of Higher Professional Education St. Petersburg State University and of the Target Capital Fund of the National Research University Higher School of Economics. Member of the Board of the non-profit foundation Forum Analytical Centre. Member of the presidium of the non-commercial partnership National Council on Corporate Governance. Member of the Board of Directors of the IT services company IBS.

Previous positions:
2007–2012 – Member of the Management Board of VTB Bank;
1994–2007 – General Director of Microsoft Rus, President of Microsoft Russia and CIS countries.

Born in 1965. In 1987, graduated from the Plekhanov Russian University of Economics.

Holds shares equivalent to 0.00000029% of the Bank’s charter capital as of 31 December 2018.

Valery Lukyanenko
Deputy President and Chairman of the Management Board
Term of office in accordance with employment contract: 10 June 2017 to 9 June 2022.

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-Sized 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 of VTB.

Previous positions:
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 at the Office of the President of the Russian Federation.


PhD in Economics, Professor.

Holds shares equivalent to 0.000009% of the Bank’s charter capital as of 31 December 2018.

Holds 0.000046% of ordinary shares of VTB Bank as of 31 December 2018.
Anatoly Pechatnikov  
Deputy President and Chairman of the Management Board  
Term of office in accordance with employment contract: 14 July 2017 to 9 June 2022.


Is also the Chairman of the Supervisory Council of VTB Debt Centre, Chairman of the Board of Directors of VTB Pension Fund, Member of the Supervisory Council of Post Bank, and Member of the Supervisory Council’s Strategic Planning Committee at the Agency for Housing Mortgage Lending.

Previous positions:
2001–2003 – Head of the Credit Department, Deputy Chairman of the Management Board at DeltaCredit Bank.


Holds shares equivalent to 0.00000226% of the Bank’s charter capital as of 31 December 2018.

Holds 0.0001135% of ordinary shares of the Bank as of 31 December 2018.

Maxim Kondratenko  
Member of the Management Board  
Term of office in accordance with employment contract: 10 June 2017 to 9 June 2022.

Joined VTB Bank in August 2013. Until November 2015 – Head of the Risk Department and Senior Vice President. Since November 2015 – Member of the Management Board. Is also a member of the Supervisory Council of VTB Bank Georgia, Member of the Board of Directors of BM Bank, and Member of the Board of VTB Bank Armenia.

Previous positions:
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)).


Holds no shares of the Bank’s charter capital as of 31 December 2018.

Erkin Norov  
Member of the Management Board  
Term of office in accordance with employment contract: 10 June 2017 to 9 June 2022.


Is also a member of the Board of Directors of BM Bank.

Previous positions:
2007–2009 – Senior Vice President, member of the Management Board. JSC NorosBank; 2002–2007 – Vice President, Senior Vice President, member of the Management Board of the Bank for Foreign Trade of the Russian Federation (Vneshtorgbank); 1999–2002 – Development Director, Development and Strategic Planning Director, USSR Bank for Foreign Economic Activities; 1999 – Department Head, Calculation of Taxable Base and Tax Revenue Planning Department, Russian Ministry of Taxes and Duties; 1992–1999 – Deputy Chairman of the Management Board for Development of AvtoVAZServicing – Lada Service; Marketing and Trade Director, General Director of the Economy and Finance Department at AvtoVAZ Corporation.

Born in 1977. In 2000, graduated from Omsk State University with a degree in Economic Theory. In 2000, received an MBA from the Technical University of Munich.

Holds no shares of the Bank’s charter capital as of 31 December 2018.

Valery Chulkov  
Member of the Management Board  
Term of office in accordance with employment contract: 29 May 2018 to 9 June 2022.

Joined VTB Bank in March 2008. Since May 2018 – Member of the Management Board.

Is also a member of the Board of Directors of Multicard.

Previous positions:


Holds no shares of the Bank’s charter capital as of 31 December 2018.

Dmitry Pianov  
Member of the Management Board  
Term of office in accordance with employment contract: 26 May 2018 to 9 June 2022.

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 Finance Department, Senior Vice President.

Is also a member of the Board of Directors of BM Bank; Member of the Supervisory Councils of Post Bank, VTB Bank (Europe) and Eurofinance Mosnarbank. Member of the Board of VTB Bank Armenia.

Previous positions:


Holds no shares of the Bank’s charter capital as of 31 December 2018.
COMPENSATION OF THE MEMBERS OF THE SUPERVISORY COUNCIL AND THE MANAGEMENT BOARD

Compensation of the 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 determined 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 Remuneration of the Members of the Supervisory Council and Compensation of the Members of the Supervisory Council” section on the Bank’s website at: https://www.vtb.com/o-banke/gruppa-vtb/dokumenty/

The Regulation can be viewed here: https://www.vtb.com/aksiyonnaya-investitsiya/ribniki-informatsii/aktualnye-vnutrennie-dokumenty/akb_0_1/

In accordance with a resolution of the General Meeting of Shareholders, the members of the VTB Bank Supervisory Council may receive remuneration and compensation for expenses incurred in the course of their duties during their term in office.

Remuneration of members of the Supervisory Council of VTB Bank for a full working year

| Base for work on the Supervisory Council | RUB 4,600,000 |
| Bonuses | For chairmanship of the Supervisory Council | + 30% of the base remuneration |
| | For chairmanship of a Supervisory Council Committee | + 20% of the base remuneration |
| | For membership in a Supervisory Council committee | + 10% of the base remuneration |

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 absentees votes held by the Supervisory Council or of a Supervisory Council committee.

The total amount of remuneration paid to a member of the Supervisory Council for work during the corporate year depends on his or her participation in the work of the Supervisory Council and is determined based on actual participation 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 (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, a member of a Supervisory Council committee or the Chairman of a Supervisory Council committee during the corporate year.

The total remuneration paid to a Supervisory Council member for the performance of their duties during the corporate year includes:

- their base payment: for performing the functions of a member of the Bank’s Supervisory Council;
- bonus: for the performance of additional duties.

Compensation in expenses incurred while carrying out their duties, namely: accommodation, food, travel expenses (including VIP lounge services), other duties and fees for air and rail transport.

Remuneration paid to members of the Supervisory Council for 2013–2017

<table>
<thead>
<tr>
<th>Remuneration (in RUB)</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Base</td>
<td>For work on the Supervisory Council (each)</td>
<td>4,600,000</td>
<td>4,600,000</td>
<td>4,600,000</td>
<td>4,600,000</td>
</tr>
<tr>
<td>Bonuses</td>
<td>For chairmanship of the Supervisory Council</td>
<td>1,380,000</td>
<td>1,380,000</td>
<td>1,380,000</td>
<td>1,380,000</td>
</tr>
<tr>
<td></td>
<td>For chairmanship of a Supervisory Council Committee (each)</td>
<td>920,000</td>
<td>920,000</td>
<td>920,000</td>
<td>920,000</td>
</tr>
<tr>
<td></td>
<td>For membership in a Supervisory Council committee (each)</td>
<td>460,000</td>
<td>460,000</td>
<td>460,000</td>
<td>460,000</td>
</tr>
</tbody>
</table>

Supervisory Council members who are not state employees are compensated for expenses they incur while carrying out their duties, namely: accommodation, food, travel expenses (including VIP lounge services), other duties and fees for air and rail transport.

Total remuneration (salary, bonuses) for members of the Management Board, RUB thousand

<table>
<thead>
<tr>
<th>Period</th>
<th>Amount of remuneration</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>1,615,834</td>
</tr>
<tr>
<td>2017</td>
<td>1,399,794</td>
</tr>
<tr>
<td>2016</td>
<td>361,805</td>
</tr>
<tr>
<td>2015</td>
<td>309,031</td>
</tr>
<tr>
<td>2014</td>
<td>1,977,668</td>
</tr>
</tbody>
</table>

In accordance with the policy of awarding bonuses to key Group executives, the Management Board of VTB Bank receives 60% of the annual bonus in cash, 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 2018 was RUB 0.4 billion (compared to RUB 0.3 billion in 2017). As of 31 December 2018, the liability arising from cash-settled, share-based payment transactions amounted to RUB 0.6 billion.

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.

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.

1. The decision on the payment of remuneration to members of the Supervisory Council based on 2017 results was taken at VTB Bank’s AGM on 23 May 2018.
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;
- compliance with legislation, regulatory acts, rules and standards; non-involvement of the Group and its employees in unlawful activities.

The main objectives of VTB Group’s internal control functions include:

- independently assessing the effectiveness of the internal control and risk management systems, accounting reports, business processes and the activities of departments and individual employees, as well as assessing the economic expediency and effectiveness of operations and transactions;
- verifying the reliability of internal control over automated information systems, as well as verifying methods used to secure property;
- monitoring 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;
- developing recommendations to improve the efficiency of systems, processes, procedures, transactions and activities by the Group’s structural units and employees;
- organising efficient communications with external regulatory bodies and auditors;
- ensuring compliance of the activities of the credit and non-credit financial institutions included within VTB Group with the legislation of the country of registration, internal regulations, standards of self-regulatory organisations and common business practices;
- effective management of regulatory (compliance) risks;
- creation and maintenance of an effective system of governance information and reporting;
- preventing the involvement of participants or employees of VTB Group in unlawful activities (including corruption, improper use of insider information and market manipulation);
- avoiding involving Group employees in money laundering or terrorist financing.

The Bank’s internal control system includes:
- governing bodies (General Meeting of Shareholders, Supervisory Council, Management Board and the President and Chairman of the Management Board as the sole executive body);
- Statutory Audit Commission;
- Chief Accountant (and his or her deputies);
- Branch managers (and their deputies) and branch chief accountants (and their deputies);
- Structural units (responsible managers) in charge of internal control.

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.

The Internal Audit Department’s organisational structure comprises a number of units responsible for auditing the credit process, non-credit business processes, regional divisions, digital auditing of processes and information technologies, as well as for coordinating the Group’s internal control systems. To increase the effectiveness of the monitoring of the internal control system at the Bank’s regional branches, the structure of the Internal Audit Department includes dedicated internal control teams at the branch level.

The Internal Audit Department is responsible for:
- verifying and assessing the effectiveness of the Bank’s internal control system;
- verifying the effectiveness of the Bank’s risk management system;
- verifying the reliability, completeness, objectivity and timeliness of the preparation of accounting and management reports;
- verifying compliance with Russian legislation and the requirements of regulatory and supervisory authorities;
- verifying the adequacy and reliability of systems of internal control for the use of automated information systems;
- establishing uniform approaches to the organisation of VTB’s internal control systems.

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 2018, the Internal Audit Department conducted 56 audits, including 10 audits of business processes at the Bank’s parent company and 46 audits of branch activities. In addition, as part of its ongoing monitoring, Internal Audit Department staff members conducted 755 thematic audits at the branch level.

Taking into account systemic trends in the banking sector, the main challenges facing the Internal Audit Department include: more focus in the auditing process on the efficiency and competitiveness of business processes, ensuring that audits are closely linked to the technological changes taking place within the Bank and developing remote and thematic auditing formats for individual processes.
In addition to conducting audits and monitoring the Bank’s internal control system, the Internal Audit Department’s priority is to monitor the activities of subsidiaries. In 2018, the Internal Audit Department conducted 10 audits related to the activities of the Bank’s subsidiaries.

The Internal Audit Department also regularly analyses reports on the work of Group companies’ internal audit services. To enhance the level of professionalism and exchange of experience, on-the-job training is provided for staff from the internal audit services within Group companies, including with the involvement of VTB Group functional coordinators.

The Department of Compliance Control and Financial Monitoring assists the Bank’s governing bodies with the effective management of regulatory (compliance) risks resulting in losses due to non-compliance with the legislation of the country of registration, the Bank’s Charter, standards for self-regulatory organisations, and also as a result of 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 the proliferation of weapons of mass destruction (WMD).

Within VTB Group, the Department of Compliance Control and Financial Monitoring is responsible for ensuring a unified approach to internal (compliance) control, AML/CFT and preventing the spread of WMD within VTB Group’s credit and non-credit financial institutions.

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 Department of Compliance Control and Financial Monitoring interacts with the Coordination Commission on Compliance and Internal Control for the Purpose of Preventing Money Laundering and the Financing of Terrorism, which includes the following tasks:

- development of common principles and standards;
- introducing best practices within VTB Group companies;
- sharing information among VTB Group 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 checks VTB Bank’s compliance with regulations established by the laws of the Russian Federation on accounting procedures, compiling and reporting, the reliability of the information contained in reports and other financial documents of VTB Bank, the organisation of the Bank’s internal control system, the execution by the Bank 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 AGM on 23 May 2018, shareholders re-elected the Statutory Audit Commission as follows:

Sergei Platonov – Chairman of the Statutory Audit Commission, Deputy Director of the Financial Policy Department of the Ministry of Finance of the Russian Federation, member of the Statutory Audit Commission of Gazprom, member of the Audit Commission of the Agency for Housing Mortgage Lending, member of the Statutory Audit Commission of the Russian Agricultural Bank.

A more detailed biography is available here: https://www.vtb.com/aktionery-i-investory/korporativnoe-upravlenie/revizionnaya-komissiya/platonov-sergej-revaiovich/

Yevgeny Gooinaker – Deputy Director of the Dialogue Foundation for the Development of Civic Initiatives, member of the Management Board of the Institute for Contemporary Development.

A more detailed biography is available here: https://www.vtb.com/aktionery-i-investory/korporativnoe-upravlenie/revizionnaya-komissiya/goonaker-yuriy-viktorovich/

Mikhail Krasnov – Member of the Statutory Audit Commission of Rostelecom.

Until November 2018, he served as Chairman of the Supervisory Council of Verysell Industrial Automation Systems.

A more detailed biography is available here: https://www.vtb.com/aktionery-i-investory/korporativnoe-upravlenie/revizionnaya-komissiya/krasnov-mikhail-petrivich/

Anastasia Oshanova – Head of the Department for the Privatisation of Market Organisations at the Office of Property Relations and the Privatisation of Large Organisations of the Federal Agency for State Property Management, member of the Statutory Audit Commission of Rosneftgas.

A more detailed biography is available here: https://www.vtb.com/aktionery-i-investory/korporativnoe-upravlenie/revizionnaya-komissiya/oshanova-anastasia-sergeevna/


A more detailed biography is available here: https://www.vtb.com/aktionery-i-investory/korporativnoe-upravlenie/revizionnaya-komissiya/sabantsev-zahar-borisovich/

Vadim Sokov – Managing Director at Sistema Capital, Member of VTB’s Shareholders Consultative Council.

A more detailed biography is available here: https://www.vtb.com/aktionery-i-investory/korporativnoe-upravlenie/revizionnaya-komissiya/sokov-vadim-viktorovich/
In 2018, the Statutory Audit Commission elected by the AGM on 26 April 2017, in accordance with the Work Plan for VTB Bank’s Statutory Audit Commission for 2017–2018, audited VTB Bank’s financial and economic activities for 2017, as a result of which the Statutory Audit Commission reached the following conclusions:

- no substantial 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 VTB Bank’s financial results for 2017;
- VTB Bank’s annual accounting records and financial statements for 2017, as well as other financial documents, are accurate and provide an objective picture of the financial position of VTB Bank as of 1 January 2018;
- VTB Bank’s 2017 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 2017 is accurate;
- the Bank complies with the statutory requirements established by the Central Bank of the Russian Federation;
- 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 Central Bank of the Russian Federation and are in accordance with the nature and scale of the Bank’s operations;
- The tasks in the area of IT set out in the Bank’s Development Strategy for 2017–2019 and planned for 2017 were successfully completed. The merger of VTB and VTB24 was carried out without any IT failures. Mobile applications and other digital services are developing at a fast pace. Recent advancements have led to growth in the Bank’s retail business, as well as improvements in the quality of customer service and the Bank’s overall performance.

In 2018, VTB Bank’s Statutory Audit Commission held two in-person meetings.

In 2018, the Statutory Audit Commission was provided with information necessary to monitor the financial and economic activities of VTB Bank on a regular basis, including information concerning indicators related to financial statements prepared in accordance with IFRS, consolidated financial statements prepared in accordance with IFRS, information on the implementation of the directives issued by the government of the Russian Federation and the programme for selling non-core assets.

Since 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 Committee on Staff and Remuneration at the Annual General Meeting of Shareholders (Minutes No. 47 of 24 June 2016) and is posted on the Bank’s website at: https://www.vtb.com/akkionety-investinyi/taskytye-informacii/vnutrennie-dokumenty/rtab_0_1/

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 performed 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 Committee are not paid any remuneration, nor are members of the Statutory Audit Commission who are civil servants.

At VTB Bank’s AGM on 23 May 2018, 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 PJSC VTB Bank who are not civil servants:
  - for work as part of the Statutory Audit Commission of VTB Bank: RUB 920,000 each;
  - for chairing the Statutory Audit Commission of VTB Bank: RUB 276,000.

### Amount of remuneration paid to members of the Statutory Audit Commission

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>For work in the Statutory Audit Commission</td>
<td>RUB 2,760,000</td>
<td>RUB 3,680,000</td>
<td>RUB 1,840,000</td>
</tr>
<tr>
<td>Compensation for expenses related to the performance of their duties as members of the Statutory Audit Commission</td>
<td>Not paid</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Information on VTB Bank’s Statutory Audit Commission can be found in more detail on the Bank’s website at: https://www.vtb.com/akkionety-investinyi/korporativenoe-upravlenie/rezionarioya-komissiya/

### External Auditor

In order to audit and confirm the reliability 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 Company’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 Bank published information on the tender and tender documentation on the official public procurement website: www.zakupki.gov.ru.

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.

Three auditors submitted tender bids: Ernst & Young LLC, KPMG CJSC and PricewaterhouseCoopers CJSC.

The selection of the auditor was carried out by a tender commission consisting of competent Bank employees, as well as a representative of the Federal Property Management Agency. 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.

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 25 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.
INVESTOR RELATIONS

Relations 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 2018, the Bank continued implementing its Plan (Roadmap) to improve the perception of VTB among Minority Shareholders. Despite the negative market situation, the number of VTB shareholders increased by almost a third.

In 2018, the key investor relations events were:
- the Annual General Meeting of Shareholders;
- the conversion of VTB24 shares into VTB Bank shares;
- the development of the Bank’s electronic communication channels:
  - the launch of an online platform for communication with institutional investors and for organising meetings;
  - testing of the e-voting system at General Meetings of Shareholders with the use of biometrics and NFC technology;
  - updating the VTB Shareholder mobile app;
- the launch of an updated programme of special offers for individual shareholders at branches of the merged Bank throughout the country.

129 thousand - individual shareholders

The total number of shareholders of the Bank as of January 2019 was 129.6 thousand, including 128.6 thousand individuals. During 2018, the number of shareholders of the Bank increased by 37.3%, or by 35 thousand individuals.

Growth in the number of individual shareholders was observed throughout 2018. Among the Bank’s individual shareholders, more than half are shareholders who bought shares on the secondary market.

- Some 5,655 shareholders received VTB shares in exchange for shares of Bank VTB North-West (formerly PromStroyBank) after its merger with VTB in 2011.
- Some 2,696 shareholders became holders of VTB shares as a result of the conversion of VTB24 Bank shares into VTB Bank shares after their merger.
- Less than 40% are shareholders of the Bank who participated in the initial public offering in 2007.

As of the end of 2018, there had been an increase in the number of shareholders in all age groups, without exception. At the same time, the most impressive growth was seen among 20–35-year-old shareholders, a group that increased by 70%, adding 11 thousand shareholders.

Merger with VTB24, Redemption and Conversion of Shares

At the end of 2017 and the beginning of 2018, VTB Group underwent a large-scale reorganisation that saw the merger of VTB24 into VTB Bank. As a result, on 10 January 2018, ordinary shares in VTB24 were converted into ordinary shares in VTB Bank in accordance with Article 75 of the Federal Law on Joint-Stock Companies. The conversion ratio was 1:79 (1 share of VTB24 was converted into 79 shares of VTB Bank). The terms of the conversion were the same for all VTB24 shareholders. At the same time, shares of VTB24 owned by VTB24 and VTB Bank were not subject to conversion and were redeemed. After the completion of the merger, VTB Bank became the legal successor to VTB24, taking on all of its liabilities.

Changes to the register were made by the Bank’s registrar, VTB Registrar, after the Bank made the relevant entries in the Unified State Register of Legal Entities and on the basis of the documents submitted to the registrar. As a result of the conversion of VTB24 shares into shares of VTB Bank, the number of VTB shareholders increased by 2,696, including 2,611 individuals.
One of the key challenges facing the Bank in terms of developing its relations with minority shareholders in 2018 was to provide shareholders with new possibilities for communication, primarily remote channels of electronic communication. These faster, more convenient forms of electronic communication are gradually gaining more and more trust among users. For example, the VTB Shareholder mobile application, which was developed by VTB Bank and VTB Registrar specifically for the needs of private investors, is very popular. There was a significant increase in the number of users of the application in 2018.

Users of the application have access to information from leading analysts in VTB Group, online information on stock prices, the ability to maintain records of their investment portfolio and to stay up to date on current information about privileges for VTB shareholders.

In 2018, the VTB Shareholder mobile application added functionality that enables users to see all existing privileges for VTB Bank shareholders. In addition, shareholders can use the convenient feature of filtering the available privileges that they want to see. 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.

Through the VTB Shareholder mobile application, any shareholder, regardless of where they live or are currently located, can receive information on the activities of the Bank and VTB Group as a whole and on their investments, they can take part in the management of the Bank, vote at general meetings and not miss out on any important corporate actions. In 2018, the Bank also continued to develop its e-voting functionality, which has been firmly established as the main instrument used by the Bank’s shareholders to express their will. For example, an e-voting system using biometrics and NFC technology was tested at the AGM on 23 May 2018.

Facebook and Twitter remained among the priority means of communication with shareholders, with engagement led through the accounts of the Shareholders Consultative Council. The number of Facebook followers increased by 26% over the year. These channels enable the Bank to quickly convey important information to shareholders and to attract a younger audience. In addition, social networks open up the possibility of hosting a wide range of additional media materials, such as videos and interviews, photo reports and live broadcasts.

Meetings with Shareholders and Investors

One of the key elements of the roadmap to improve the Bank’s image are meetings with shareholders and other interested parties (stakeholders).

Over the last eight years, VTB Bank has been organising events for its retail shareholders in more than 30 regions. There was a significant increase in public interest in such events in 2018. A total of 2,247 people took part, not including the participants in the 2018 AGM and events for other groups of stakeholders. This was an increase of 13% compared to 2017.

In 2018, the Bank prepared and hosted 27 events for retail shareholders, including three Investor Days, eight Open Doors Days, 13 stock market seminars, a webcast of the AGM, a meeting with major shareholders, as well as a round table with large private investors.

Events for retail shareholders in 2018

The biggest events in 2018 were the Investor Days in Moscow (20 October 2018) and St. Petersburg (8 December 2018). In total, 1,156 people attended these events. The Investor Day event in Moscow received 635 visitors, an all-time record.

All these events included a consultation area, where products offered by VTB Group companies were presented. Consultations were provided by VTB Capital, VTB Registrar, VTB Pension Fund, VTB Insurance, experts from the retail unit and the Shareholder Relations Service of VTB Bank and members of 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.

In cities that are classified as priority regions in terms of developing relations with shareholders, VTB held seminars on the stock market with experts from Moscow Exchange.

Guests included VTB shareholders and Group customers, primarily those with brokerage accounts. Seminars were held in 13 cities during the reporting year: Samara, Tomsk, Sochi, Nizhny Novgorod, Kazan, Novosibirsk, Vladivostok, Chelyabinsk, Krasnoyarsk, Khabarovsk, Ikutsk, Krasnodar and Tyumen. A total of 654 people took part in the seminars. The most popular events were those in Kazan and Ikutsk.

As has traditionally been the case, Open Doors Days were the most popular events, which were held in eight different cities in 2018 at Bank branches and operational offices.

At these meetings, shareholders were able to discuss their questions in detail with VTB experts and also take part in individual consultations.

In addition, in those cities where Investor Days and seminars for shareholders were held during the year, VTB Bank experts met with representatives of investment and brokerage companies, analysts and journalists. Maintaining contact with these stakeholder groups is included in the roadmap to improve the perception of VTB and to make its shares more
Corporate governance

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. The meetings with journalists resulted in more than 55 publications in the media that showed VTB Group in a positive light.

As part of a programme to improve the financial literacy of existing and potential retail shareholders and also in order 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 2018, similar events were held in Irkutsk, Nizhny Novgorod and Tomsk. They were attended by over 450 students, who praised the quality of the presentations and the speakers, as well as the topics covered by the workshops.

In addition, in 2018, the Bank took part in 15 international investment conferences, during which 180 meetings with institutional investors were held. 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.

Shareholders Consultative Council

The Shareholders Consultative Council (SCC) represents the interests of minority VTB shareholders in relations with the Bank’s managing bodies. All SCC members are Bank shareholders. In Russian practice, such shareholder councils are very rare. At the same time, the Central Bank considers such councils to be effective and useful for increasing the activity and involvement of shareholders. VTB’s Shareholders Consultative Council has been in operation for almost 10 years and has been actively involved in the development of not only the Bank but also the Group as a whole.

At the AGM in 2018, shareholders once again elected representatives of the SCC into the Bank’s management and oversight bodies. The head of the Consultative Council, Igor Repin, was elected to the Bank’s Supervisory Council, and Vadim Soksov became a member of the Bank’s Statutory Audit Commission.

Members of the Shareholders Consultative Council

Igor Repin – Deputy Executive Director of the Association of Professional Investors. Chairman of the Board of Directors of the Ekologiya Federal Centre for Geoeconomic Systems, Member of the Supervisory Council of VTB Bank and a Member of VTB Bank’s Strategy and Corporate Governance Committee, Audit Committee, and Staff and Remuneration Committee. Graduated from Lomonosov Moscow State University, received a Category 1 certificate from the Moscow Federal Commission for the Securities Market.

Member of VTB’s Shareholders Consultative Council since 2013. Holds shares equivalent to 0.000000046% of the Bank’s charter capital as of 31 December 2018. Holds 0.000000021% of ordinary shares of the Bank as of 31 December 2018.

Vadim Soksov – Managing Director at Sistema, member of VTB Bank’s Statutory Audit Commission. Winner of a Russia’s Financial Elite award for Most Senior Player in the collective investment market. He is also included on the list of “Russia’s top 1,000 managers”. He was a TACIS expert for the World Bank on pension reform in Russia. He graduated from Moscow Lenin State Pedagogical University. PhD in Economics. Member of VTB’s Shareholders Consultative Council since 2013. Holds shares equivalent to 0.000000067% of the Bank’s charter capital as of 31 December 2018. Holds 0.00000154% of ordinary shares of the Bank as of 31 December 2018.

Sergey Gavrilov – Chairman of the Russian State Duma Committee on Civil Society, Public Associations and Religious Organisations. Graduated from Lomonosov Moscow State University. PhD in Economics. Member of VTB’s Shareholders Consultative Council since 2009. Holds shares equivalent to 0.000000358% of the Bank’s charter capital as of 31 December 2018. Holds 0.000001686% of ordinary shares of the Bank as of 31 December 2018.

Alexander Yenin – Head of Premier BCS projects at BCS. Graduated from the Financial University under the Government of the Russian Federation and the Russian State Social University. Member of VTB’s Shareholders Consultative Council since 2017. Holds shares equivalent to 0.0000002458% of the Bank’s charter capital as of 31 December 2018. Holds 0.0000012345% of ordinary shares of the Bank as of 31 December 2018.

Vladimir Znamensky – Lawyer for the United Metallurgical Company, specialising in corporate law. He completed undergraduate studies in Law and master’s studies in Corporate Law at Lomonosov Moscow State University. He is a member of Young International Arbitration Group and the Russian Arbitration Association 25.

Member of VTB’s Shareholders Consultative Council since 2017. Holds shares equivalent to 0.0000000614% of the Bank’s charter capital as of 31 December 2018. Holds 0.000000308% of ordinary shares of the Bank as of 31 December 2018.

Vladimir Zotov – Director of the Institute of Social Engineering at the Kosygin Russian State University and Assistant Professor in the Management Department. He holds a Ph.D. in Economics and is a Corresponding Member of the Russian Academy of Engineering. He graduated from Moscow State University of Design and Technology.

Member of VTB’s Shareholders Consultative Council since 2017. Holds shares equivalent to 0.000000000154% of the Bank’s charter capital as of 31 December 2018. Holds 0.0000000000772% of ordinary shares of the Bank as of 31 December 2018.
Stanislav Kleschev – Head of the Analytics Division in VTB Bank’s Brokerage Services Department. He completed undergraduate and graduate studies at Lomonosov Moscow State University. He is a member of the Moscow Exchange Index Committee and Listing Council. Member of VTB’s Shareholders Consultative Council since 2013.

Holds shares equivalent to 0.000001613% of the Bank’s charter capital as of 31 December 2018.

Holds 0.000008102% of ordinary shares of the Bank as of 31 December 2018.

Valery Petrov – Vice President for Market Development and Regulation at the Russian Association for the Crypto-Industry and Blockchain. Deputy Chairman of the Management Board at the Institute of Financial Markets. He holds several university degrees, as well as a Chartered Financial Analyst (CFA) diploma. Has a PhD in Economics.

Member of VTB’s Shareholders Consultative Council since 2013, was elected Chairman of the second Shareholders Consultative Council. He was a member of the Supervisory Council of VTB Bank from 2016 to 2018.

Holds shares equivalent to 0.000000015% of the Bank’s charter capital as of 31 December 2018.

Holds 0.000000077% of ordinary shares of the Bank as of 31 December 2018.

Maxim Sergeev – Engineer at the St. Petersburg Alferov Academic University. Graduated from Ukhta State Technical University. Member of VTB’s Shareholders Consultative Council since 2013.

Holds shares equivalent to 0.000000968% of the Bank’s charter capital as of 31 December 2018.

Holds 0.000004861% of ordinary shares of the Bank as of 31 December 2018.

Ilya Khersonskev – Advisor to the Chairman of the Management Board at Astramed M5. A member of the Russian Association of Independent Directors. He graduated from the Ural State Technical University with a degree in IT Systems in Economics.

Member of VTB’s Shareholders Consultative Council since 2017.

Holds shares equivalent to 0.000000968% of the Bank’s charter capital as of 31 December 2018.

Holds 0.000004861% of ordinary shares of the Bank as of 31 December 2018.

Yelena Shafranskaya – Self-employed entrepreneur in the field of construction and real estate. She graduated from the Irkutsk Polytechnical Institute with a degree in Cybernetics.

Member of VTB’s Shareholders Consultative Council since 2017.

Holds shares equivalent to 0.000001536% of the Bank’s charter capital as of 31 December 2018.

Holds 0.000007716% of ordinary shares of the Bank as of 31 December 2018.

Elena Shtykanova – Advisor to the Senior Vice-President of Norilsk Nickel. PhD in Economics. She graduated from the Moscow State Institute of International Relations of the Russian Foreign Ministry with a degree in International Economic Relations. Member of VTB’s Shareholders Consultative Council since 2013.

Holds shares equivalent to 0.000000476% of the Bank’s charter capital as of 31 December 2018.

Holds 0.000002900% of ordinary shares of the Bank as of 31 December 2018.

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.

In 2018 5 meetings of the Shareholder Consultative Council were held, as well as 1 online conference with the participation of SCC members.
Areas of activity of the Shareholders Consultative Council in 2018

**RIGHTS OF SHAREHOLDERS**
- Highly rated corporate governance by the regulator and the professional community
- Increase in dividend payout
- Expansion of the programme of shareholder privileges

**STRATEGY AND MANAGEMENT**
- Shareholder participation in shaping VTB Group’s strategy to VTB 2020-2022
- Addition of representatives of retail shareholders to the Supervisory Council and the Statutory Audit Commission
- Close interaction with subsidiaries
- Joint work on the Corporate Governance Code

**COMMUNICATION**
- Development of the system of interaction with shareholders
- Development of existing channels of communication
- Improving electronic services
- Increased shareholder trust in the Bank
- Feedback on the results of test purchases and use of the Group’s products

**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 relationships with all stakeholders, while also increasing the Bank’s investment attractiveness.

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.

The Regulation on the Bank’s Information Policy and the Bank’s Corporate Governance Code can be found here: [https://www.vtb.com/akcionery-investory/raskrytie-informacii/ustav-i-vnutrennie-dokumenty/#tab_0_1](https://www.vtb.com/akcionery-investory/raskrytie-informacii/ustav-i-vnutrennie-dokumenty/#tab_0_1)

---

**Principles of Information Disclosure By The Bank**

**Principle of providing information quickly, consistently and on a regular basis**

**The principle of accessibility to disclosed information**

**The principle of the reliability, completeness and comparability of disclosed information**

**Observance of a reasonable balance between the Bank’s openness and protecting its commercial interests; compliance with 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 personal data protection**

Information disseminated about the Bank’s activities can be divided into three groups:

- Information that must be disclosed in the prescribed manner and by the means specified in regulatory documents and by regulatory authorities;
- Information disclosed by the Bank on a voluntary basis by any means chosen by the Bank;
- Publicly available information that is freely provided at the request of stakeholders for informational purposes.
### Primary information disclosure channels

<table>
<thead>
<tr>
<th>2018 results</th>
<th>2018 results</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 annual report for 2017</td>
<td>16 statements</td>
</tr>
<tr>
<td>2 accounting (financial) reports under RAS</td>
<td>the Bank’s official social media accounts:</td>
</tr>
<tr>
<td>4 consolidated financial statements under IFRS</td>
<td>- Group Facebook: <a href="https://www.facebook.com/vtbgrou/p">https://www.facebook.com/vtbgrou/p</a></td>
</tr>
<tr>
<td>4 quarterly issuer reports</td>
<td>- Bank Facebook: <a href="https://www.facebook.com/vtbrussia/">https://www.facebook.com/vtbrussia/</a></td>
</tr>
<tr>
<td>4 lists of affiliates</td>
<td>- Vkontakte: <a href="https://vk.com/vtb">https://vk.com/vtb</a></td>
</tr>
<tr>
<td>new versions of the Charter and the Regulation on the Procedure for Preparing, Convening and Holding General Meetings of Shareholders</td>
<td>- Odnoklassniki: <a href="https://ok.ru/vtb">https://ok.ru/vtb</a></td>
</tr>
<tr>
<td>other documents in accordance with legislative requirements</td>
<td>- Twitter: <a href="https://twitter.com/VTB">https://twitter.com/VTB</a></td>
</tr>
<tr>
<td>37 material facts/press releases regarding the disclosure of IFRS results on a quarterly and monthly basis, the results of the AGM and of voting at the AGM, including on dividend payments, management appointments (the Management Board and the Supervisory Council), publication of the annual report, PDMR transactions, M&amp;A deals and sales of VTB Group companies, as well as other events that may be important for the investment and analytical community</td>
<td>- Instagram: <a href="https://www.instagram.com/bankvtb">https://www.instagram.com/bankvtb</a></td>
</tr>
<tr>
<td>375 press releases</td>
<td>- YouTube: <a href="https://www.youtube.com/user/vtbgroup">https://www.youtube.com/user/vtbgroup</a></td>
</tr>
<tr>
<td>The site received 28,228,519 visits in 2018.</td>
<td>16 statements</td>
</tr>
<tr>
<td>the Company’s account in the Unified Federal Register of Information about the Activities of Legal Entities, Individual Entrepreneurs and Other Economic Entities: <a href="https://federius.ru/company/8365852f617a4f4a4ff375c269380d">https://federius.ru/company/8365852f617a4f4a4ff375c269380d</a></td>
<td>- YouTube: 22,940,000 views</td>
</tr>
<tr>
<td>147 statements</td>
<td>- Vkontakte: 80,000 subscribers</td>
</tr>
<tr>
<td>VTB Bank’s corporate website, <a href="https://www.vtb.ru">www.vtb.ru</a> and <a href="https://www.vtb.com">www.vtb.com</a>, which has the most complete information about the Bank’s activities, is regularly updated in accordance with the requirements of legislation and the Bank’s bylaws.</td>
<td>- Group Facebook: 210,000 followers</td>
</tr>
<tr>
<td>In addition to information published in accordance with the legislative requirements, the Bank also disclosed:</td>
<td>- YouTube: 22,940,000 views</td>
</tr>
<tr>
<td>- monthly IFRS financial results</td>
<td>- 4 telephone conferences following the disclosure of IFRS statements</td>
</tr>
<tr>
<td>- a social report for 2017</td>
<td>- 13 seminars for shareholders</td>
</tr>
<tr>
<td>- a presentation for investors</td>
<td>- 3 Investor Days</td>
</tr>
<tr>
<td>- 475 press releases</td>
<td>- 8 Open Doors Days</td>
</tr>
</tbody>
</table>
VTB works not only for the benefit of its customers and shareholders, but also contributes to improvements in the welfare of society and various sectors of the economy.

Expenses for targeted sponsorship and charity programmes in 2018

6 large-scale targeted programmes for sponsorship and charity

7.9 RUB BILLION
In its activities, VTB Group is guided by the principles of corporate social responsibility. VTB works not only for the benefit of its customers and shareholders, but it also contributes to improvements in the welfare of society and various sectors of the economy.

Since 2008, the Bank has been issuing annual social reports on VTB’s interaction with stakeholders. This section of the report presents VTB Group’s main results and achievements in 2018 in the field of personnel development, the implementation of social projects and resource management.

More detailed information can be found in VTB Group’s 2018 Sustainable Development Report on the Bank’s website at https://www.vtb.com/uktions/sint-skrs/vygodnaya-o-tsvetnuy./informaci/godo-

### Personnel

In 2019, as part of the implementation of VTB Group’s strategy for 2017–2019, work continued in all key areas of personnel management and on various strategic initiatives in the field of HR. A great deal of attention was paid to the construction of a single universal bank following the merger of VTB Bank and VTB24, as well as the merger of the Bank’s corporate and retail networks into a single regional network.

77,211 employees work in VTB Group

<table>
<thead>
<tr>
<th>Including:</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>VTB Bank</td>
<td>31.6</td>
<td>30.6</td>
</tr>
<tr>
<td>Post Bank</td>
<td>17.6</td>
<td>17.5</td>
</tr>
<tr>
<td>VTB Insurance</td>
<td>5.6</td>
<td>5.5</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>VTB Bank</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Group employees</td>
<td>35</td>
<td>35</td>
</tr>
<tr>
<td>Other companies of VTB employees</td>
<td>27</td>
<td></td>
</tr>
</tbody>
</table>

#### Incentive and remuneration system

VTB’s incentive and remuneration system is designed to motivate employees to be efficient and results-oriented. Incentives provided within the system reflect the results of the Group overall, as well as its business lines and divisions and the individual performance of employees.

In 2018, work continued on improving the remuneration and goal-setting system for the merged Bank in order to maintain the Group’s competitive position in the labour market and to ensure that the salaries of executives and employees are linked to the achievement of business targets. Taking into account the merger of VTB and VTB24, as well as the merger of the Bank’s retail and corporate networks, which was completed in 2018, a project is being implemented for the development and implementation of a grade system.

The aim of the project is to further improve the effectiveness of the wage system and to ensure the establishment of competitive and fair pay grades.

#### Personnel assessment and staff reserve

In 2018, as part of the updated performance management process, which is designed to support the implementation of VTB Group’s strategy and to get employees to set their sights on the achievement of results, individual goals and goals for developing behavioural competencies among Bank employees for the year were established through an automated system on the Corporate Training Portal. The formulation and subsequent evaluation of the achievement of individual goals allowed the Bank to form a clear picture of the results expected from each employee, to stimulate the process of delegating goals and an open dialogue between employees and managers on priority areas of activity and the criteria for evaluating results; the goal of developing general skills such as teamwork, taking responsibility for results, openness to change and a focus on customers helped promote the main messages of the Bank’s corporate culture.

Evaluations of functional management teams were also carried out in 2018. Managers from a number of Bank departments were evaluated. The results of these evaluations enabled the Bank to identify strengths and areas for improvement for the effective solution of business problems, as well as to form individual development plans.

As part of the formation of a staff reserve for the merged universal bank, more than 650 employees took part in an assessment of their leadership potential, which made it possible to form a staff reserve for priority business areas and to determine career and professional growth opportunities for the best-performing high-potential employees. Through selection procedures, the Bank formed a functional and operational staff reserve for middle and line management positions.

#### Training and development

As part of the “Developing Leaders of Tomorrow” strategic initiative, an agreement was concluded in 2018 between VTB Bank, VTB Capital and the INSEAD international business school for executive education. Courses on the following topics are taught online by international professors:

- Business strategy and financial results
- Innovation in an era of change
- Effective leadership communication skills
- Leadership in the digital age
- Strategies for digital transformation

#### Cooperation with the INSEAD international business school

Each programme lasts from five to seven weeks, combining video lectures, remote sessions, practical tasks to apply the knowledge and skills gained, testing and feedback, while requiring daily involvement on the part of the trainees.

The ultimate goal of the programme is to create opportunities for VTB Group managers to obtain systematic, cutting-edge knowledge in the field of management at the global level and to apply it in their daily work. In 2018, 54 managers representing all of the Bank’s global business lines and most of the support and control functions of the merged Bank and VTB Group companies took part in INSEAD programmes. More than 200 managers have been nominated to take part in online programmes through the INSEAD business school in 2019.

To support the process of achieving individual development goals, the Bank has developed versatile training programmes aimed at improving managerial competencies through the use of a variety of distance and face-to-face training formats, including modules that have already been tested – the Negotiations Academy and Management Algorithms – as well as new programmes on team leadership, cross-functional interaction, personal effectiveness, change management and staff motivation and engagement.
Work continued on teaching Agile development management techniques (Agile/Scrum) for innovative project teams, a target model for training and developing Agile teams was developed and approved, including team inspections (an assessment of the team’s maturity and practical case studies), beginning training sessions for all members of project teams, specialised role-based training on Scrum Masters and Product Owner skills, non-training formats and activities to support teams and build a professional community around this area of work at the Bank. To support the professional Agile community, an open platform was initiated with a conference on the subject of Agile contracting together with a leading provider in the field of Agile methodology, ScrumTrek.

In support of the Group’s digital transformation strategy, work began on raising the level of employees’ professional IT knowledge and on forming a technological community through a series of technology breakfasts. In 2018, 10 technology breakfasts were organised. Among the topics that saw the greatest interest were “management of digital transformation, or where technologies live at VTB”, “experience using biometric technologies in Post Bank Online” and “digital product design: How to listen to users”.

In 2018, VTB was the organising partner for the I Am a Professional competition, which is part of the Russia – Land of Opportunity forum. As part of the project, winter schools were organised by VTB and the Higher School of Economics in the areas of Finance and Credit and Business Informatics. The schools included workshops, lectures, business games and business simulations with speakers that included top managers from VTB Bank and leading instructors from the Higher School of Economics. Some of the participants underwent follow-up training at the Bank.

As part of the Bank’s work with young specialists, a target model was developed for training interns at the Bank through the Junior and Growth programmes. The programme for the training and development of young specialists includes face-to-face and distance courses aimed at developing professional skills, as well as personal effectiveness and effective business communications.

**Responsible Resource Management**

In 2018, the Group continued to implement its Energy Conservation and Energy-Efficiency Programme. VTB Group companies adhere to a policy of renovating existing real estate, which is aimed at, among other things, increasing the resource and energy efficiency of the facilities, compliance with high environmental standards and minimising the negative impact on the environment.

As part of improving 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, as they also reduce the harmful impact on the environment and the formation of hazardous waste.

In addition to the use of resource- and energy-saving technologies aimed at reducing their environmental impact, VTB Group companies are constantly reducing their own fleet and freight traffic and are optimising routes for automobile traffic. Every year, more and more tires and automotive batteries are turned in for recycling.

In addition, the process of reducing office printing and the transition to paperless document management are still ongoing. Used batteries are constantly being collected, and waste paper is recycled. VTB Group employees also take part in voluntary environmental activities.

VTB Bank’s main results in the area of resource management in 2018:

- optimisation of the placement of VTB Bank divisions following the merger with VTB24 – a reduction in the total area of occupied premises with an increase in the number of the Bank’s own properties in operation;
- implementation of an Energy-Saving Programme, with the introduction of energy-saving technologies;
- introduction of resource-saving technologies: reduction of water consumption by 14%;
- reduction of the Bank’s own fleet (passenger automobiles), a more than 4 times reduction in diesel fuel consumption;
- collection and transfer for processing/disposal of hazardous waste, recycling of waste paper: a more than 30% increase in the volume of paper sent for recycling.

<table>
<thead>
<tr>
<th>Resource category</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Natural equivalent</td>
<td>2017</td>
<td>2018</td>
</tr>
<tr>
<td>Thermal energy, Gcal</td>
<td>45,918</td>
<td>137,110</td>
</tr>
<tr>
<td>Electricity, thousand kWh</td>
<td>80,817</td>
<td>456,426</td>
</tr>
<tr>
<td>Paper, tonnes</td>
<td>549</td>
<td>3,183</td>
</tr>
<tr>
<td>Fuel consumption, thousand litres</td>
<td>949</td>
<td>3,128</td>
</tr>
<tr>
<td>Monetary equivalent, RUB million</td>
<td>59.1</td>
<td>241.8</td>
</tr>
<tr>
<td></td>
<td>356.5</td>
<td>1,041.2</td>
</tr>
<tr>
<td></td>
<td>33.9</td>
<td>234.1</td>
</tr>
<tr>
<td></td>
<td>31.7</td>
<td>137.6</td>
</tr>
</tbody>
</table>

Resource consumption in 2017 is calculated for VTB Bank’s head office and its branches in Moscow. VTB24 is not included in the calculations.

Data on resource consumption in 2018 is calculated for VTB Bank’s head office and its branches in Russia. The main reason for the increase in resource consumption in 2018 was the merger of VTB24 with VTB Bank.

Monetary equivalents are calculated based on the average market value of resources for each reporting year. Monetary equivalents do not include VAT.

**Social Programmes**

In 2018, VTB Bank continued to support public-interest projects in the form of sponsorship and charitable assistance. In implementing sponsorship and charitable activities, an approach was approved that would see the implementation of six large-scale targeted programmes:

- A Sporting Country
- An Educated Country
- A Country for Business
- A Healthy Country
- A Country for Tradition
- A Cultural Country

Programmatic financing allows the Bank to transmit its core values and social missions to the public. Each programme includes support for both sponsorship and charity projects.
VTB at a glance

Sustainable development

Expenses for targeted sponsorship and charity programmes in 2018

A Sporting Country

RUB 2,798 million

Funding aimed at supporting professional sports and the development of physical education among the population, a contribution to a healthy lifestyle among future generations. In 2018, VTB implemented 25 projects, from such large-scale events such as a Formula 1 race and the VTB Kremlin Cup to the Beringia 2018 traditional dog sledding competition in Kamchatka.

VTB Bank has been the general sponsor of the Russian Gymnastics Federation since 2006. This financing is aimed at improving facilities, as well as supporting the preparation and participation of Russian national teams in international competitions. During the reporting year in 2018, our athletes won 25 gold, 25 silver and 17 bronze medals in competitions at the European and world levels.

VTB Bank is the title sponsor of the VTB United Basketball League, which was created jointly with the Russian Basketball Federation in 2008. Fourteen clubs from six countries – Russia, Belarus, Poland, Latvia, Estonia and Kazakhstan – are taking part in the tournament in the 2018/2019 season. In addition, VTB Bank is the general sponsor of the Student Basketball Association (SBA), Europe’s largest student basketball league, which includes 800 men’s and women’s teams from 476 specialised secondary educational institutions in 70 regions of Russia. The top division of the SBA is called the VTB Student League.

A Cultural Country

RUB 1,369 million

Traditional support for leading Russian theatres, museums, television programmes and other projects in the field of Russia’s cultural heritage.

VTB Bank was the general sponsor of a large-scale exhibition of works by Vasily Vereshchagin at the State Tretyakov Gallery. The exhibition included painting and graphic works, works of decorative and applied art, as well as archival documents and photographs. Some 320 thousand people attended the exhibition.

VTB supports a unique project called the Blue Bird Russian Open Competition for Young Talents. Participants include dancers, vocalists, gymnasts and musicians from all over the country from 5 to 15 years of age. The purpose of the competition is to show support for young talents on national television and to encourage teachers and inspire creativity in younger generations.

An Educated Country

RUB 552 million

Support for projects aimed at promoting patriotism and an interest in the country’s history, strengthening and reviving spiritual values, as well as helping veterans, charitable foundations and religious organisations.

In 2018, VTB Bank was the official sponsor of two feature films in the genre of military-historical drama, which were based on real events that took place during World War II. The subject of Tankers, directed by Konstantin Maksimov, are the heroic deeds of the crew of a KV-1 tank. The film Sobibor, Konstantin Khabelevsky’s directional debut, was timed to coincide with 75th anniversary of the uprising of prisoners in the eponymous death camp in Nazi-occupied Poland.

of all the Orthodox Christian monasteries supported by VTB Bank, one of the most venerated is the Valaam Monastery of the Transfiguration of the Saviour. In 2018, funds were donated to renovate a cultural and historical heritage site, the building that houses the Valaam Monastery’s Winter Hotel.

A Country for Business

RUB 401 million

Sponsoring participation in forums, conferences and business communities to maintain the Bank’s business reputation and support business development. With VTB Bank’s support in 2018, nine major international forums and around 10 industry events were held.

As it has traditionally done, VTB Bank was once again the general sponsor of the 2018 St. Petersburg International Economic Forum. The forum was attended by 17 thousand people from 143 countries. A total of 550 agreements were concluded worth nearly RUB 2.4 trillion.

In September 2018, the 4th Eastern Economic Forum was held in Vladivostok, with VTB Bank as the official sponsor. During the Forum, 220 agreements were signed worth a total amount of RUB 3.185 trillion, which was 1.3 times more than the previous year.

A Healthy Country

RUB 386 million

Charitable support of foundations, institutions and research projects in the field of health. Helping preserve Russia’s environment and providing support for projects aimed at the conservation of biodiversity and regional ecosystems.

The corporate charity programme A World Without Tears, which is aimed at supporting domestic healthcare, completed its 15th year in 2018. In just one year, 24 children’s hospitals in the capital and various regions of the Russian Federation received assistance valued at RUB 75 million. Events took place across the country from Kaliningrad to Khabarovsk.

In the framework of its long-term cooperation, the Bank donated funds to the Amur Tiger Centre to preserve the environmental integrity of the Far Eastern region and increase the population of the Amur tiger in the Russian Federation.
7. FINANCIAL STATEMENTS

RESPONSIBILITY STATEMENT

VTB Management is responsible for preparing the Annual Report and the Group’s consolidated financial statements in accordance with applicable laws and regulations.

I confirm that to the best of my knowledge:
• the consolidated financial statements of VTB Bank and its subsidiaries (together ‘the Group’), prepared in accordance with IFRS, give a true and fair view of the assets, liabilities, financial position and 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

CONSOLIDATED FINANCIAL STATEMENTS UNDER IFRS

The following table shows VTB group selected financial data for the year ended 31 December 2018. 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.

VTB Bank consolidated financial statements and independent auditor's report for the year ended 31 December 2018 can be found on the Bank’s website at: https://www.vtb.com/akcionery-i-investory/finansovaya-informaciya/raskrytie-finansovoj-otchetnosti-po-msfo/

Consolidated income statement for the year ended 31 December (in RUB bn)

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest income calculated using the effective interest method</td>
<td>967.6</td>
<td>1,016.6</td>
<td>-4.8%</td>
</tr>
<tr>
<td>Other interest income</td>
<td>66.4</td>
<td>39.6</td>
<td>67.7%</td>
</tr>
<tr>
<td>Interest expense</td>
<td>(95.6)</td>
<td>(68.3)</td>
<td>-34.7%</td>
</tr>
<tr>
<td>Payments to deposit insurance system</td>
<td>(22.8)</td>
<td>(14.7)</td>
<td>55.1%</td>
</tr>
<tr>
<td>Net interest income</td>
<td>408.4</td>
<td>450.2</td>
<td>-9.4%</td>
</tr>
<tr>
<td>Provision charge for credit losses on credit financial assets</td>
<td>(100.0)</td>
<td>(160.0)</td>
<td>33.1%</td>
</tr>
<tr>
<td>Net interest income after provision for credit losses</td>
<td>308.4</td>
<td>290.2</td>
<td>5.9%</td>
</tr>
<tr>
<td>Net fee and commissions income</td>
<td>16.0</td>
<td>95.3</td>
<td>-82.4%</td>
</tr>
<tr>
<td>Gains net of losses arising from sale and revaluation of loans at fair value through profit or loss</td>
<td>(2.0)</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>Gains net of losses arising from other financial instruments at fair value through profit or loss</td>
<td>21.1</td>
<td>12.6</td>
<td>64.4%</td>
</tr>
<tr>
<td>Gains net of losses arising from sale of financial assets at fair value through other comprehensive income</td>
<td>6.3</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>Gains net of losses from investment financial assets available for sale</td>
<td>n/a</td>
<td>13.9</td>
<td>n/a</td>
</tr>
<tr>
<td>Gains net of losses/(losses net of gains) arising from foreign currencies and precious metals</td>
<td>21.4</td>
<td>(12.4)</td>
<td>272.6%</td>
</tr>
<tr>
<td>Gains net of losses on sale of property, plant and equipment</td>
<td>1.4</td>
<td>30.1</td>
<td>-94.8%</td>
</tr>
<tr>
<td>Share in profit of associates and joint ventures</td>
<td>8.1</td>
<td>1.2</td>
<td>575.0%</td>
</tr>
<tr>
<td>Impairment of investments in associates</td>
<td>(11.8)</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>Gains/(losses) from disposal of subsidiaries and associates</td>
<td>46.6</td>
<td>(3.0)</td>
<td>1,620.0%</td>
</tr>
<tr>
<td>Losses/(gains) arising from extinguishment of liabilities</td>
<td>(0.5)</td>
<td>(3.1)</td>
<td>840.2%</td>
</tr>
<tr>
<td>Provision charge for credit losses on credit related commitments and other financial assets</td>
<td>(3.0)</td>
<td>(3.2)</td>
<td>199.4%</td>
</tr>
<tr>
<td>Reversal of provision for legal claims and other commitments</td>
<td>1.8</td>
<td>0.5</td>
<td>260.0%</td>
</tr>
<tr>
<td>Gain/(loss) from disposal of impaired assets over cost</td>
<td>2.7</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>Other operating income</td>
<td>10.1</td>
<td>13.1</td>
<td>-22.9%</td>
</tr>
<tr>
<td>Non-interest gains</td>
<td>91.1</td>
<td>64.1</td>
<td>42.1%</td>
</tr>
<tr>
<td>Revenue from operating lease of equipment</td>
<td>30.6</td>
<td>22.5</td>
<td>36.0%</td>
</tr>
<tr>
<td>Expenses related to equipment leased out</td>
<td>(14.6)</td>
<td>(14.1)</td>
<td>0.4%</td>
</tr>
<tr>
<td>Revenues less expenses from operating lease</td>
<td>11.6</td>
<td>8.4</td>
<td>38.5%</td>
</tr>
<tr>
<td>Net insurance premiums earned</td>
<td>121.9</td>
<td>82.6</td>
<td>47.8%</td>
</tr>
<tr>
<td>Net insurance claims incurred, movement in liabilities to policyholders and acquisition costs</td>
<td>(99.3)</td>
<td>(81.8)</td>
<td>21.6%</td>
</tr>
<tr>
<td>Revenues less expenses from insurance activity</td>
<td>22.5</td>
<td>20.8</td>
<td>8.2%</td>
</tr>
<tr>
<td>Revenue and other gains from other non-banking activities</td>
<td>71.3</td>
<td>61.4</td>
<td>16.1%</td>
</tr>
<tr>
<td>Cost of sales and other expenses from other non-banking activities</td>
<td>(96.1)</td>
<td>(91.5)</td>
<td>4.8%</td>
</tr>
<tr>
<td>Impairment of land, premises and intangible assets other than goodwill used in non-banking activities</td>
<td>(7.1)</td>
<td>(16.1)</td>
<td>-55.9%</td>
</tr>
<tr>
<td>Net loss from change in fair value of investment property recognised on revaluation or disposal</td>
<td>(14.4)</td>
<td>(23.3)</td>
<td>37.7%</td>
</tr>
<tr>
<td>Gain/(loss) from disposal of disposal group held for sale</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>Revenues less expenses from other non-banking activities</td>
<td>(16.5)</td>
<td>(28.0)</td>
<td>39.7%</td>
</tr>
<tr>
<td>Impairment of land, premises and intangible assets other than goodwill</td>
<td>(0.4)</td>
<td>(3.3)</td>
<td>87.9%</td>
</tr>
<tr>
<td>Impairment of goodwill</td>
<td>(0.1)</td>
<td>(2.1)</td>
<td>98.6%</td>
</tr>
<tr>
<td>Other operating expense</td>
<td>(39.6)</td>
<td>(14.1)</td>
<td>179.4%</td>
</tr>
<tr>
<td>Staff costs and administrative expenses</td>
<td>(259.6)</td>
<td>(360.1)</td>
<td>-27.2%</td>
</tr>
<tr>
<td>Non-interest expenses</td>
<td>(202.2)</td>
<td>(281.4)</td>
<td>27.7%</td>
</tr>
<tr>
<td>Profit before tax</td>
<td>214.4</td>
<td>159.7</td>
<td>34.3%</td>
</tr>
<tr>
<td>Income tax expense</td>
<td>(35.6)</td>
<td>(39.7)</td>
<td>-10.3%</td>
</tr>
<tr>
<td>Net profit after tax</td>
<td>178.8</td>
<td>120.0</td>
<td>49.0%</td>
</tr>
<tr>
<td>Profit/(loss) attributable to:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Shareholders of the parent</td>
<td>179.2</td>
<td>120.3</td>
<td>49.1%</td>
</tr>
<tr>
<td>Non-controlling interests</td>
<td>(0.4)</td>
<td>(3.3)</td>
<td>87.9%</td>
</tr>
<tr>
<td>Basic and diluted earnings per share (expressed in Russian roubles per share)</td>
<td>0.302</td>
<td>0.005</td>
<td>6050.0%</td>
</tr>
<tr>
<td>Basic and diluted earnings per share (before profit after tax from subsidiaries acquired exclusively with a view to resale (expressed in Russian roubles per share)</td>
<td>0.302</td>
<td>0.005</td>
<td>6050.0%</td>
</tr>
</tbody>
</table>
## Consolidated statement of comprehensive income for the year ended 31 December (in RUB bn)

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net profit</td>
<td>178.8</td>
<td>120.1</td>
</tr>
<tr>
<td>Other comprehensive income/(loss):</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net change in fair value of debt financial assets at fair value through other comprehensive income, net of tax</td>
<td>(7.4)</td>
<td>n/a</td>
</tr>
<tr>
<td>Reclassification to income statement on sale of debt financial assets at fair value through other comprehensive income, net of tax</td>
<td>(0.1)</td>
<td>n/a</td>
</tr>
<tr>
<td>Retained in financial assets available-for-sale, net of tax</td>
<td>n/a</td>
<td>2.5</td>
</tr>
<tr>
<td>Cash-flow hedges, net of tax</td>
<td>–</td>
<td>(0.1)</td>
</tr>
<tr>
<td>Shares of other comprehensive income/(loss) of associates and joint ventures</td>
<td>3.5</td>
<td>(2.4)</td>
</tr>
<tr>
<td>Effect of translation net of tax</td>
<td>31.6</td>
<td>0.3</td>
</tr>
<tr>
<td>Total other comprehensive income to be reclassified to profit or loss in subsequent periods</td>
<td>24.0</td>
<td>2.3</td>
</tr>
<tr>
<td>Other comprehensive income/(loss) not to be reclassified to profit or loss in subsequent periods:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Actuarial (losses net of gains)/gains from difference between pension plan assets and obligations</td>
<td>(0.2)</td>
<td>1.1</td>
</tr>
<tr>
<td>Net result on equity instruments at fair value through other comprehensive income</td>
<td>(2.7)</td>
<td>n/a</td>
</tr>
<tr>
<td>Land and premises revaluation, net of tax</td>
<td>6.2</td>
<td>(0.1)</td>
</tr>
<tr>
<td>Total other comprehensive income not to be reclassified to profit or loss in subsequent periods</td>
<td>3.3</td>
<td>1.0</td>
</tr>
<tr>
<td>Total comprehensive income</td>
<td>204.9</td>
<td>123.4</td>
</tr>
<tr>
<td>Total comprehensive income attributable to:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Shareholders of the parent</td>
<td>208.1</td>
<td>123.6</td>
</tr>
<tr>
<td>Non-controlling interests</td>
<td>(1.2)</td>
<td>(0.2)</td>
</tr>
</tbody>
</table>

## Consolidated statement of financial position as at 31 December (in RUB bn)

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>ASSETS</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and short-term funds</td>
<td>958.8</td>
<td>770.3</td>
</tr>
<tr>
<td>Mandatorily cash balances with central banks</td>
<td>111.1</td>
<td>97.1</td>
</tr>
<tr>
<td>Trading financial assets</td>
<td>258.7</td>
<td>272.7</td>
</tr>
<tr>
<td>• Trading financial assets</td>
<td>254.6</td>
<td>276.9</td>
</tr>
<tr>
<td>• Trading financial assets, pledged under repurchase agreements</td>
<td>4.1</td>
<td>6.0</td>
</tr>
<tr>
<td>Derivative financial assets</td>
<td>205.5</td>
<td>170.2</td>
</tr>
<tr>
<td>Cash from other banks</td>
<td>649.1</td>
<td>635.6</td>
</tr>
<tr>
<td>Loans and advances to customers</td>
<td>10,656.2</td>
<td>9,171.4</td>
</tr>
<tr>
<td>• Loans and advances to customers</td>
<td>10,669.3</td>
<td>9,171.4</td>
</tr>
<tr>
<td>• Loans and advances to customers, pledged under repurchase agreements</td>
<td>35.0</td>
<td>n/a</td>
</tr>
<tr>
<td>Investment financial assets</td>
<td>352.6</td>
<td>321.8</td>
</tr>
<tr>
<td>• Investment financial assets</td>
<td>339.5</td>
<td>321.4</td>
</tr>
<tr>
<td>• Investment financial assets, pledged under repurchase agreements</td>
<td>13.1</td>
<td>0.4</td>
</tr>
<tr>
<td>Investments in associates and joint ventures</td>
<td>283.2</td>
<td>171.7</td>
</tr>
<tr>
<td>Assets of disposal groups and non-current assets held for sale</td>
<td>72.0</td>
<td>17.2</td>
</tr>
<tr>
<td>Land, premises and equipment</td>
<td>402.3</td>
<td>340.2</td>
</tr>
<tr>
<td>Investment property</td>
<td>197.2</td>
<td>210.4</td>
</tr>
<tr>
<td>Goodwill and other intangible assets</td>
<td>186.0</td>
<td>151.4</td>
</tr>
<tr>
<td>Deferred income tax asset</td>
<td>119.6</td>
<td>98.7</td>
</tr>
<tr>
<td>Other assets</td>
<td>287.3</td>
<td>430.4</td>
</tr>
<tr>
<td>Total assets</td>
<td>14,760.6</td>
<td>13,009.3</td>
</tr>
<tr>
<td>LIABILITIES</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Due to other banks</td>
<td>1,425.7</td>
<td>810.3</td>
</tr>
<tr>
<td>Customer deposits</td>
<td>10,403.7</td>
<td>9,144.7</td>
</tr>
<tr>
<td>Derivative financial liabilities</td>
<td>145.2</td>
<td>134.6</td>
</tr>
<tr>
<td>Other borrowed funds</td>
<td>329.7</td>
<td>304.5</td>
</tr>
<tr>
<td>Debt securities issued</td>
<td>258.1</td>
<td>327.7</td>
</tr>
<tr>
<td>Liabilities of disposal groups held for sale</td>
<td>–</td>
<td>7.0</td>
</tr>
<tr>
<td>Deferred income tax liability</td>
<td>12.4</td>
<td>30.7</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>452.0</td>
<td>501.5</td>
</tr>
<tr>
<td>Total liabilities before subordinated debt</td>
<td>13,323.1</td>
<td>11,236.4</td>
</tr>
<tr>
<td>Subordinated debt</td>
<td>214.5</td>
<td>192.2</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>13,227.6</td>
<td>11,428.6</td>
</tr>
<tr>
<td>EQUITY</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Share capital</td>
<td>659.5</td>
<td>659.5</td>
</tr>
<tr>
<td>Share premium</td>
<td>433.6</td>
<td>433.6</td>
</tr>
<tr>
<td>Perpetual loan participation notes</td>
<td>156.3</td>
<td>129.6</td>
</tr>
<tr>
<td>Treasury shares and bought-back perpetual loan participation notes</td>
<td>(1.0)</td>
<td>(3.3)</td>
</tr>
<tr>
<td>Other reserves</td>
<td>82.4</td>
<td>46.1</td>
</tr>
<tr>
<td>Retained earnings</td>
<td>197.0</td>
<td>200.4</td>
</tr>
<tr>
<td>Equity attributable to shareholders of the parent</td>
<td>1,232.0</td>
<td>1,466.1</td>
</tr>
<tr>
<td>Non-controlling interests</td>
<td>(5.0)</td>
<td>13.6</td>
</tr>
<tr>
<td>Total equity</td>
<td>1,227.0</td>
<td>1,479.7</td>
</tr>
<tr>
<td>Total liabilities and equity</td>
<td>14,760.6</td>
<td>13,009.3</td>
</tr>
</tbody>
</table>
Consolidated statement of cash flows for the year ended 31 December (in RUB bn)

<table>
<thead>
<tr>
<th>Cash flows from (used in) operating activities</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest received</td>
<td>1,047.8</td>
<td>1,068.6</td>
</tr>
<tr>
<td>Interest paid</td>
<td>(308.4)</td>
<td>(308.5)</td>
</tr>
<tr>
<td>Payments on deposit insurance system</td>
<td>(30.2)</td>
<td>(14.3)</td>
</tr>
<tr>
<td>Losses on operations with trading financial assets</td>
<td>(25.4)</td>
<td>(4.9)</td>
</tr>
<tr>
<td>Gain/(losses) incurred on dealing in foreign currency</td>
<td>80.8</td>
<td>(27.4)</td>
</tr>
<tr>
<td>Fees and commissions received</td>
<td>(43.1)</td>
<td>(35.1)</td>
</tr>
<tr>
<td>Fees and commissions paid</td>
<td>143.0</td>
<td>130.1</td>
</tr>
<tr>
<td>Gains/(losses) incurred on dealing in foreign currency</td>
<td>88.8</td>
<td>(27.4)</td>
</tr>
<tr>
<td>Losses on operations with trading financial assets</td>
<td>(25.4)</td>
<td>(4.0)</td>
</tr>
<tr>
<td>Other operating income received</td>
<td>9.3</td>
<td>9.3</td>
</tr>
<tr>
<td>Other operating expenses paid</td>
<td>(15.5)</td>
<td>(17.0)</td>
</tr>
<tr>
<td>Revenue received from operating lease of equipment</td>
<td>36.9</td>
<td>20.6</td>
</tr>
<tr>
<td>Expenses paid related to equipment leased out</td>
<td>(4.7)</td>
<td>(2.4)</td>
</tr>
<tr>
<td>Net insurance premiums received</td>
<td>152.2</td>
<td>111.0</td>
</tr>
<tr>
<td>Net insurance claims paid</td>
<td>(30.4)</td>
<td>(28.4)</td>
</tr>
<tr>
<td>Revenue received from non-banking activities</td>
<td>32.6</td>
<td>36.8</td>
</tr>
<tr>
<td>Expenses paid related to non-banking activities</td>
<td>(36.3)</td>
<td>(34.5)</td>
</tr>
<tr>
<td>Staff costs, administrative expenses paid</td>
<td>(333.4)</td>
<td>(338.5)</td>
</tr>
<tr>
<td>Income tax paid</td>
<td>(44.6)</td>
<td>(52.1)</td>
</tr>
<tr>
<td>Cash flows from operating activities before changes in operating assets and liabilities</td>
<td>531.2</td>
<td>369.1</td>
</tr>
</tbody>
</table>

Consolidated statement of cash flows for the year ended 31 December (in RUB bn) (continuation)

<table>
<thead>
<tr>
<th>Cash flows from (used in) investing activities</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dividends paid</td>
<td>(78.2)</td>
<td>(44.5)</td>
</tr>
<tr>
<td>Proceeds net of repayment in short term local bonds issued</td>
<td>(11.2)</td>
<td>25.0</td>
</tr>
<tr>
<td>Proceeds from local bonds issued</td>
<td>55.6</td>
<td>55.6</td>
</tr>
<tr>
<td>Repayment of local bonds</td>
<td>(33.6)</td>
<td>(6.0)</td>
</tr>
<tr>
<td>Buy-back of local bonds</td>
<td>(10.6)</td>
<td>(4.7)</td>
</tr>
<tr>
<td>Proceeds from sale of previously bought-back local bonds</td>
<td>3.6</td>
<td>7.1</td>
</tr>
<tr>
<td>Repayment of Eurobonds</td>
<td>(115.8)</td>
<td>(105.3)</td>
</tr>
<tr>
<td>Buy-back of Eurobonds</td>
<td>(3.9)</td>
<td>(11.4)</td>
</tr>
<tr>
<td>Proceeds from sale of previously bought-back Eurobonds</td>
<td>2.4</td>
<td>9.8</td>
</tr>
<tr>
<td>Repayment of bank loans</td>
<td>(1.6)</td>
<td>(10.0)</td>
</tr>
<tr>
<td>Proceeds from other borrowings and funds from local central banks</td>
<td>535.4</td>
<td>473.2</td>
</tr>
<tr>
<td>Repayment of other borrowings and funds from local central banks</td>
<td>(540.4)</td>
<td>(1,446.1)</td>
</tr>
<tr>
<td>Repayment of subordinated debt</td>
<td>–</td>
<td>(24.3)</td>
</tr>
<tr>
<td>Buy-back of subordinated debt</td>
<td>(0.7)</td>
<td>(0.3)</td>
</tr>
<tr>
<td>Proceeds from sale of previously bought-back subordinated debt</td>
<td>0.8</td>
<td>0.2</td>
</tr>
<tr>
<td>Cash received from sale of treasury shares</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Cash paid for treasury shares</td>
<td>(2.4)</td>
<td>(2.0)</td>
</tr>
<tr>
<td>Buy-back of non-controlling interest in subsidiaries</td>
<td>–</td>
<td>(1.6)</td>
</tr>
<tr>
<td>Proceeds from issue to non-controlling interest holders in subsidiaries</td>
<td>3.1</td>
<td>3.4</td>
</tr>
<tr>
<td>Buy-back of perpetual loan participation notes</td>
<td>(10.5)</td>
<td>(5.4)</td>
</tr>
<tr>
<td>Proceeds from sale of previously bought-back perpetual loan participation notes</td>
<td>11.1</td>
<td>4.9</td>
</tr>
<tr>
<td>Amounts paid on perpetual loan participation notes</td>
<td>(13.7)</td>
<td>(12.3)</td>
</tr>
<tr>
<td>Net cash used in financing activities</td>
<td>(205.1)</td>
<td>(1,146.5)</td>
</tr>
<tr>
<td>Effect of exchange rate changes on cash and cash equivalents</td>
<td>50.3</td>
<td>3.4</td>
</tr>
<tr>
<td>Effect of change in impairment loss allowance</td>
<td>(0.3)</td>
<td>n/a</td>
</tr>
<tr>
<td>Net increase in cash and cash equivalents</td>
<td>191.2</td>
<td>289.5</td>
</tr>
<tr>
<td>At the beginning of period</td>
<td>728.1</td>
<td>440.8</td>
</tr>
<tr>
<td>At the end of period</td>
<td>929.3</td>
<td>738.1</td>
</tr>
</tbody>
</table>
Consolidated statement of cash flows for the year ended 31 December (in RUB bn) (continuation)

<table>
<thead>
<tr>
<th>Description</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total comprehensive income/(loss) for the period</td>
<td>–</td>
<td>29.1</td>
</tr>
<tr>
<td>Other comprehensive income/(loss)</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Profit/(loss) for the period</td>
<td>–</td>
<td>29.1</td>
</tr>
<tr>
<td>Net result from bought back perpetual loan</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Net result from treasury shares transactions</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Net result from perpetual loan</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Net result from perpetual loan participation</td>
<td>–</td>
<td>1.1</td>
</tr>
<tr>
<td>notes transactions</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Choice of perpetual loan participation notes</td>
<td>–</td>
<td>120.3</td>
</tr>
<tr>
<td>Profit/(loss) for the period</td>
<td>–</td>
<td>120.3</td>
</tr>
<tr>
<td>Other comprehensive income/(loss)</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Total comprehensive income/(loss) for the period</td>
<td>–</td>
<td>120.3</td>
</tr>
<tr>
<td>Transfer of premises valuation reserve upon</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>disposal or depreciation</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Share-based payments</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Acquisition of subsidiaries</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Disposal of subsidiaries</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Acquisition of non-controlling interests</td>
<td>–</td>
<td>(6.9)</td>
</tr>
<tr>
<td>Increase in share capital of subsidiaries</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Put options on non-controlling interests</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Amortisation paid on perpetual loan participation notes</td>
<td>–</td>
<td>(13.1)</td>
</tr>
<tr>
<td>Foreign exchange translation of perpetual loan</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>participation notes</td>
<td>–</td>
<td>(13.1)</td>
</tr>
<tr>
<td>Tax effect recognised on perpetual loan</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>participation notes</td>
<td>–</td>
<td>(13.1)</td>
</tr>
<tr>
<td>Dividends declared</td>
<td>–</td>
<td>8.1</td>
</tr>
<tr>
<td>Total</td>
<td>–</td>
<td>8.1</td>
</tr>
</tbody>
</table>

Consolidated statement of changes in shareholders’ equity for the year ended 31 December (in RUB bn)

<table>
<thead>
<tr>
<th>Description</th>
<th>Attributable to shareholders of the parent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-cash changes in liabilities arising from</td>
<td>Share capital</td>
</tr>
<tr>
<td>Foreign currency translation</td>
<td>–</td>
</tr>
<tr>
<td>Non-cash changes in liabilities arising from</td>
<td>–</td>
</tr>
<tr>
<td>financial activities</td>
<td>–</td>
</tr>
</tbody>
</table>

Consolidated statement of changes in shareholders’ equity for the year ended 31 December (in RUB bn) (continuation)

<table>
<thead>
<tr>
<th>Description</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>8.1</td>
<td>8.1</td>
</tr>
</tbody>
</table>
In 2018, 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:

<table>
<thead>
<tr>
<th>Type of shares</th>
<th>Number of shares</th>
<th>Nominal value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ordinary shares</td>
<td>12,960,541,337,338</td>
<td>RUB 0.01</td>
</tr>
<tr>
<td>Type 1 preference shares</td>
<td>21,403,797,028,000</td>
<td>RUB 0.01</td>
</tr>
<tr>
<td>Type 2 preference shares</td>
<td>3,073,955,000,000</td>
<td>RUB 0.1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>37,438,243,362,338</td>
<td></td>
</tr>
</tbody>
</table>

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 VTB Bank’s outstanding ordinary shares is 10401000B.

The record date for the state registration of VTB Bank's issue of ordinary shares is 29 September 2016.

The total amount of dividends paid out for 2017 amounted to RUB 73.51 billion (compared to RUB 62.27 billion for 2016, taking into account interim dividends), including RUB 44.76 billion on ordinary shares, RUB 11.80 billion on Type 1 preference shares and RUB 16.95 billion on Type 2 preference shares.

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

In accordance with the decision of the Annual General Meeting of Shareholders, the dividend record date for 2017 was 4 June 2018. Dividends were paid in accordance with the time frame set out by law.

As of 31 December 2018, the amount paid in dividends on ordinary shares amounted to RUB 44,748,611,343.14, with the proportion of dividends paid out of the total declared dividends amounting to 99.977%. Dividends on all types of preference shares were paid in full.

The amount of dividends paid to major shareholders in 2018 was as follows:

- The Russian Federation as represented by the Federal Agency for State Property Management: RUB 11,804,188,555.41;
- The Russian Federation, represented by the Ministry of Finance of the Russian Federation: RUB 11,804,188,555.41;
- The Deposit Insurance Agency: RUB 10,552,578,170.61.

The amount of dividends paid to shareholders of VTB24 in January 2018, VTB Bank took on dividend obligations owing to former shareholders of VTB24.
Dividend Policy

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 Board. In determining the recommended dividend amount, the Supervisory Board 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 each quarter to holders of issued shares.

In accordance with the current Regulation on the Dividend Policy, the recommended amount for dividend payments is determined by the Bank’s Supervisory Board on the basis of the Bank’s consolidated financial statements in accordance with IFRS. The recommended amount of dividend payments, according to the Regulation, is not less than 25% of the Group’s consolidated net profit according to IFRS.

The Dividend Policy is available in the Investor Relations section on the Bank’s website: [https://www.vtb.com/aktsionery-investory/irklyoe-informacsi/ustav-i-vnutrennie-dokumenty/#tab_0_14](https://www.vtb.com/aktsionery-investory/irklyoe-informacsi/ustav-i-vnutrennie-dokumenty/#tab_0_14)

### Record of VTB Bank dividend payments for the last five years

<table>
<thead>
<tr>
<th>Year</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net profit under RAS (RUB million)</td>
<td>34,485</td>
<td>19,674</td>
<td>49,140</td>
<td>69,088</td>
<td>101,268</td>
</tr>
<tr>
<td>Total amount of dividend payments (RUB million)</td>
<td>15,034</td>
<td>18,000</td>
<td>33,093</td>
<td>62,265</td>
<td>73,516</td>
</tr>
<tr>
<td>Dividend payout ratio (% of VTB Bank’s net profit under RAS)</td>
<td>44</td>
<td>91</td>
<td>67</td>
<td>90</td>
<td>73</td>
</tr>
<tr>
<td>Dividend payout ratio (% of VTB Group’s net profit under IFRS)</td>
<td>15</td>
<td>2,290</td>
<td>1,947</td>
<td>121</td>
<td>61</td>
</tr>
<tr>
<td>Dividend payout for ordinary shares (RUB million)</td>
<td>15,034</td>
<td>15,164</td>
<td>15,164</td>
<td>15,164</td>
<td>44,759</td>
</tr>
<tr>
<td>Dividend payout for Type 1 preference shares2 (RUB million)</td>
<td>-</td>
<td>2,836</td>
<td>90</td>
<td>11,130</td>
<td>11,804</td>
</tr>
<tr>
<td>Dividend payout for Type 2 preference shares2 (RUB million)</td>
<td>-</td>
<td>-</td>
<td>17,839</td>
<td>35,971</td>
<td>16,953</td>
</tr>
<tr>
<td>Dividend per ordinary share (RUB)</td>
<td>0.00116</td>
<td>0.00117</td>
<td>0.00117</td>
<td>0.00117</td>
<td>0.0034935</td>
</tr>
<tr>
<td>Dividend per Type 1 preference share (RUB)</td>
<td>-</td>
<td>-0.000012</td>
<td>+0.0000042</td>
<td>0.000052</td>
<td>+0.0005515</td>
</tr>
<tr>
<td>Dividend per Type 2 preference share (RUB)</td>
<td>-</td>
<td>-</td>
<td>+0.0058</td>
<td>0.01170218</td>
<td>+0.005515</td>
</tr>
</tbody>
</table>

1. Taking into account interim dividends on Type 2 preference shares for the first three quarters of 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.
3. 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 preference shares.

### History of VTB Bank dividend payments for ordinary shares over the past 10 years

The amount of the dividend payment per share, as well as the period and form of payment are determined at the General Meeting of Shareholders separately for ordinary shares and for all types of preference shares. The amount of the dividend payment may not exceed the amount recommended by the Supervisory Board. The amount of accrued dividends per share is calculated to the nearest kopek. Rounding is performed in accordance with the rules of mathematical rounding.

The record date for persons entitled to a share of the Bank’s net profit is determined by 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.

At their request, 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 current legislation, which was amended on 1 January 2014, 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.

### 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 depository where their shares are registered. In the case of share transfer to beneficial ownership, documents should be submitted to a trust manager.
REPORT ON COMPLIANCE WITH THE PRINCIPLES AND RECOMMENDATIONS OF THE CORPORATE GOVERNANCE CODE

This report on compliance with the principles and recommendations of the Corporate Governance Code was reviewed by the Supervisory Board of VTB Bank at its meeting on 24 April 2019 within the framework of this Annual Report. VTB Bank’s Supervisory Board confirms that the data provided in this report present complete and accurate information about the Company’s compliance with the principles and recommendations of the Code of Corporate Governance in 2018.

1. The company creates the best possible conditions for its shareholders to participate in the General Meeting, for the development of sound positions related to matters on the agenda or issues under consideration.

1.1.1 The company shall ensure equal and fair treatment for all its shareholders in exercising their rights to participate in the management of the company.

1.1.1.1 The company enjoys a publicly available company bylaw, approved by the General Meeting of Shareholders, that governs the procedures for conducting General Meetings.

1.1.1.2 The company has established a straightforward means of communicating with the company, such as 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.

\[ \text{\textbf{\textit{1.1.1.1}} \quad \text{\textbf{\textit{1.1.1.}} The company creates the best possible conditions for its shareholders to participate in the General Meeting, for the development of sound positions related to matters on the agenda or issues under consideration.}} \]

\[ \text{\textbf{\textit{1.1.1.1.1}} \quad \text{\textbf{\textit{1.1.1.1.1}} The company shall ensure equal and fair treatment for all its shareholders in exercising their rights to participate in the management of the company.}} \]

\[ \text{\textbf{\textit{1.1.1.1.1.1}} \quad \text{\textbf{\textit{1.1.1.1.1.1}} The company enjoys a publicly available company bylaw, approved by the General Meeting of Shareholders, that governs the procedures for conducting General Meetings.}} \]

\[ \text{\textbf{\textit{1.1.1.1.1.1.1}} \quad \text{\textbf{\textit{1.1.1.1.1.1.1}} The company has established a straightforward means of communicating with the company, such as hotline, email or online forums, allowing shareholders to express their opinions and send questions regarding the agenda during preparations for the General Meeting. The company undertook such actions before every General Meeting that took place during the reporting period.}} \]

1. The company enjoys a publicly available company bylaw, approved by the General Meeting of Shareholders, that governs the procedures for conducting General Meetings.

1.1.1.1.1 The company has established a straightforward means of communicating with the company, such as 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.

1.1.1.1.1.1 The company enjoys a publicly available company bylaw, approved by the General Meeting of Shareholders, that governs the procedures for conducting General Meetings.

1.1.1.1.1.1.1 The company has established a straightforward means of communicating with the company, such as 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.

1. During the reporting period, 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 provided those shareholders with a right to access the list of persons entitled to participate in the General Meeting from the date of its receipt by the company in all cases regarding General Meetings held during the reporting period.

\[ \text{\textbf{\textit{1.1.1.1.1.1.1.1}} \quad \text{\textbf{\textit{1.1.1.1.1.1.1.1}} The company enjoys a publicly available company bylaw, approved by the General Meeting of Shareholders, that governs the procedures for conducting General Meetings.}} \]

\[ \text{\textbf{\textit{1.1.1.1.1.1.1.1.1}} \quad \text{\textbf{\textit{1.1.1.1.1.1.1.1.1}} The company has established a straightforward means of communicating with the company, such as hotline, email or online forums, allowing shareholders to express their opinions and send questions regarding the agenda during preparations for the General Meeting. The company undertook such actions before every General Meeting that took place during the reporting period.}} \]

\[ \text{\textbf{\textit{1.1.1.1.1.1.1.1.1.1}} \quad \text{\textbf{\textit{1.1.1.1.1.1.1.1.1.1}} The company enjoys a publicly available company bylaw, approved by the General Meeting of Shareholders, that governs the procedures for conducting General Meetings.}} \]

\[ \text{\textbf{\textit{1.1.1.1.1.1.1.1.1.1.1}} \quad \text{\textbf{\textit{1.1.1.1.1.1.1.1.1.1.1}} The company has established a straightforward means of communicating with the company, such as hotline, email or online forums, allowing shareholders to express their opinions and send questions regarding the agenda during preparations for the General Meeting. The company undertook such actions before every General Meeting that took place during the reporting period.}} \]
### Principles of Corporate Governance

<table>
<thead>
<tr>
<th>No.</th>
<th>Criteria for assessing compliance with the relevant principle of corporate governance</th>
<th>Status &lt;1&gt; of compliance</th>
<th>Comments/explanation &lt;2&gt;</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.1.6</td>
<td>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.</td>
<td>✓ Compliance</td>
<td>□ Partial compliance</td>
</tr>
<tr>
<td>1.2</td>
<td>Shareholders are given equal and fair opportunities to participate in the profits of the company by receiving dividends.</td>
<td>✓ Compliance</td>
<td>□ Partial compliance</td>
</tr>
<tr>
<td>1.2.1</td>
<td>The company has developed and implemented a transparent and clear mechanism for determining the amount and payment of dividends.</td>
<td>✓ Compliance</td>
<td>□ Partial compliance</td>
</tr>
<tr>
<td>1.2.2</td>
<td>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.</td>
<td>✓ Compliance</td>
<td>□ Partial compliance</td>
</tr>
<tr>
<td>1.2.3</td>
<td>The company does not permit any diminution of the dividend rights of existing shareholders.</td>
<td>✓ Compliance</td>
<td>□ Partial compliance</td>
</tr>
</tbody>
</table>

### Principles of Corporate Governance

<table>
<thead>
<tr>
<th>No.</th>
<th>Criteria for assessing compliance with the relevant principle of corporate governance</th>
<th>Status &lt;1&gt; of compliance</th>
<th>Comments/explanation &lt;2&gt;</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.2.4</td>
<td>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.</td>
<td>✓ Compliance</td>
<td>□ Partial compliance</td>
</tr>
</tbody>
</table>

**Compliance**

□ Partial compliance  
□ Non-compliant

**Comments/explanation**

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 (individuals with the right to make use of the votes stemming from voting shares) in cases where the law does not formally recognize such transactions as related-party transactions.
<table>
<thead>
<tr>
<th>No.</th>
<th>Principles of Corporate Governance</th>
<th>Criteria for assessing compliance with the relevant principle of corporate governance</th>
<th>Status &lt;1&gt; of compliance</th>
<th>Comments/explanation &lt;2&gt;</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.1.1</td>
<td>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.</td>
<td>✓ Compliance</td>
<td>Partial compliance</td>
<td>Non-compliant</td>
</tr>
<tr>
<td>2.1.2</td>
<td>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.</td>
<td>✓ Compliance</td>
<td>Partial compliance</td>
<td>Non-compliant</td>
</tr>
<tr>
<td>2.1.3</td>
<td>The Board of Directors determines the principles of, and approaches to, organising a risk management and internal control system in the company.</td>
<td>✓ Compliance</td>
<td>Partial compliance</td>
<td>Non-compliant</td>
</tr>
<tr>
<td>2.1.4</td>
<td>The Board of Directors determines the company’s policy on remuneration and/or reimbursement (compensation) for expenses for members of the company’s Board of Directors, executive bodies and other key executives.</td>
<td>✓ Compliance</td>
<td>Partial compliance</td>
<td>Non-compliant</td>
</tr>
<tr>
<td>2.1.5</td>
<td>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.</td>
<td>✓ Compliance</td>
<td>Partial compliance</td>
<td>Non-compliant</td>
</tr>
</tbody>
</table>

---

<table>
<thead>
<tr>
<th>No.</th>
<th>Principles of Corporate Governance</th>
<th>Criteria for assessing compliance with the relevant principle of corporate governance</th>
<th>Status &lt;1&gt; of compliance</th>
<th>Comments/explanation &lt;2&gt;</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.1.6</td>
<td>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.</td>
<td>✓ Compliance</td>
<td>Partial compliance</td>
<td>Non-compliant</td>
</tr>
<tr>
<td>2.1.7</td>
<td>The Board of Directors oversees the corporate governance practices within the company and plays a key role in significant corporate events.</td>
<td>✓ Compliance</td>
<td>Partial compliance</td>
<td>Non-compliant</td>
</tr>
<tr>
<td>2.2</td>
<td>The Board of Directors is accountable to the company’s shareholders.</td>
<td>✓ Compliance</td>
<td>Partial compliance</td>
<td>Non-compliant</td>
</tr>
<tr>
<td>2.2.1</td>
<td>Information about the work of the Board of Directors is disclosed and presented to the shareholders.</td>
<td>✓ Compliance</td>
<td>Partial compliance</td>
<td>Non-compliant</td>
</tr>
<tr>
<td>2.2.2</td>
<td>The Chairman of the Board of Directors must be available to the company’s shareholders.</td>
<td>✓ Compliance</td>
<td>Partial compliance</td>
<td>Non-compliant</td>
</tr>
<tr>
<td>2.3</td>
<td>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.</td>
<td>✓ Compliance</td>
<td>Partial compliance</td>
<td>Non-compliant</td>
</tr>
<tr>
<td>2.3.1</td>
<td>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 by the members of the Board of Directors.</td>
<td>✓ Compliance</td>
<td>Partial compliance</td>
<td>Non-compliant</td>
</tr>
</tbody>
</table>
2.3.2 The quantitative composition of the Board of Directors shall make it possible to organize 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 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.

<table>
<thead>
<tr>
<th>No.</th>
<th>Principles of Corporate Governance</th>
<th>Criteria for assessing compliance with the relevant principle of corporate governance</th>
<th>Status &lt;1&gt; of compliance</th>
<th>Comments/explanation &lt;2&gt;</th>
<th>Status &lt;1&gt; of compliance</th>
<th>Comments/explanation &lt;2&gt;</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.3.2</td>
<td>The quantitative composition of the Board of Directors shall make it possible to organize 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 the Board of Directors a candidate of their choice.</td>
<td>✓ Compliance</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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.

<table>
<thead>
<tr>
<th>No.</th>
<th>Principles of Corporate Governance</th>
<th>Criteria for assessing compliance with the relevant principle of corporate governance</th>
<th>Status &lt;1&gt; of compliance</th>
<th>Comments/explanation &lt;2&gt;</th>
<th>Status &lt;1&gt; of compliance</th>
<th>Comments/explanation &lt;2&gt;</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.3.3</td>
<td>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.</td>
<td>✓ Compliance</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

2.3.4 The Board of Directors shall carry out, along with the evaluation of the candidates for the Board of Directors, the company’s requirements and the interests of 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 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.

<table>
<thead>
<tr>
<th>No.</th>
<th>Principles of Corporate Governance</th>
<th>Criteria for assessing compliance with the relevant principle of corporate governance</th>
<th>Status &lt;1&gt; of compliance</th>
<th>Comments/explanation &lt;2&gt;</th>
<th>Status &lt;1&gt; of compliance</th>
<th>Comments/explanation &lt;2&gt;</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.3.4</td>
<td>The Board of Directors shall carry out, along with the evaluation of the candidates for the Board of Directors, the company’s requirements and the interests of shareholders.</td>
<td>✓ Compliance</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

2.4 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.

<table>
<thead>
<tr>
<th>No.</th>
<th>Principles of Corporate Governance</th>
<th>Criteria for assessing compliance with the relevant principle of corporate governance</th>
<th>Status &lt;1&gt; of compliance</th>
<th>Comments/explanation &lt;2&gt;</th>
<th>Status &lt;1&gt; of compliance</th>
<th>Comments/explanation &lt;2&gt;</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.4</td>
<td>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.</td>
<td>✓ Compliance</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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.

<table>
<thead>
<tr>
<th>No.</th>
<th>Principles of Corporate Governance</th>
<th>Criteria for assessing compliance with the relevant principle of corporate governance</th>
<th>Status &lt;1&gt; of compliance</th>
<th>Comments/explanation &lt;2&gt;</th>
<th>Status &lt;1&gt; of compliance</th>
<th>Comments/explanation &lt;2&gt;</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.4.1</td>
<td>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.</td>
<td>✓ Compliance</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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.

1. 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.
2. 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.
3. 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.

<table>
<thead>
<tr>
<th>No.</th>
<th>Principles of Corporate Governance</th>
<th>Criteria for assessing compliance with the relevant principle of corporate governance</th>
<th>Status &lt;1&gt; of compliance</th>
<th>Comments/explanation &lt;2&gt;</th>
<th>Status &lt;1&gt; of compliance</th>
<th>Comments/explanation &lt;2&gt;</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.4.2</td>
<td>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.</td>
<td>✓ Compliance</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

2.4.3 Independent directors shall 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.

<table>
<thead>
<tr>
<th>No.</th>
<th>Principles of Corporate Governance</th>
<th>Criteria for assessing compliance with the relevant principle of corporate governance</th>
<th>Status &lt;1&gt; of compliance</th>
<th>Comments/explanation &lt;2&gt;</th>
<th>Status &lt;1&gt; of compliance</th>
<th>Comments/explanation &lt;2&gt;</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.4.3</td>
<td>Independent directors shall account for at least one third of all directors elected to the board.</td>
<td>✓ Partial compliance</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>No.</td>
<td>Principles of Corporate Governance</td>
<td>Criteria for assessing compliance with the relevant principle of corporate governance</td>
<td>Status &lt;1&gt; of compliance</td>
<td>Comments/explanation &lt;2&gt;</td>
<td></td>
<td></td>
</tr>
<tr>
<td>-----</td>
<td>-----------------------------------</td>
<td>--------------------------------------------------------------------------------</td>
<td>------------------------</td>
<td>-------------------------</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
| 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. | ✓ Compliance | □ Partial compliance  
 □ Non-compliant |
| 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. | 1. The Chairman of the Board of Directors is an independent director, or a senior independent director is selected from among the independent directors <3>  
 2. 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-compliant |
| 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-compliant |
| 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-compliant |
| 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. | 1. 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  
 2. 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  
 3. 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-compliant |
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.

| No. | Principles of Corporate Governance | Criteria for assessing compliance with the relevant principle of corporate governance | Status ¥| of compliance | Comments/explanation ¥| |
|-----|-----------------------------------|---------------------------------|--------|----------------|----------------------|
| 2.7.3 | | 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 | | |

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.

| No. | Principles of Corporate Governance | Criteria for assessing compliance with the relevant principle of corporate governance | Status ¥| of compliance | Comments/explanation ¥| |
|-----|-----------------------------------|---------------------------------|--------|----------------|----------------------|
| 2.7.4 | | 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 | | |

2.8 The Board of Directors shall form committees for preliminary consideration of the most important issues related to the company’s activities.

| No. | Principles of Corporate Governance | Criteria for assessing compliance with the relevant principle of corporate governance | Status ¥| of compliance | Comments/explanation ¥| |
|-----|-----------------------------------|---------------------------------|--------|----------------|----------------------|
| 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. | ✓ Compliance | | |

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.

| No. | Principles of Corporate Governance | Criteria for assessing compliance with the relevant principle of corporate governance | Status ¥| of compliance | Comments/explanation ¥| |
|-----|-----------------------------------|---------------------------------|--------|----------------|----------------------|
| 2.8.2 | | 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. | ✓ Partial compliance | | |

1-2. Two of the three directors on the Supervisory Board’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 Moscow Exchange Listing Rules, including the requirements for the composition of the Supervisory Board 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 Board 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 minimized 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 in 2019, the issue of including as candidates for positions on the Supervisory Board more independent directors with the requisite experience to serve on the Committee.
### Principles 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.**

<table>
<thead>
<tr>
<th>No.</th>
<th>Principles of Corporate Governance</th>
<th>Criteria for assessing compliance with the relevant principle of corporate governance</th>
<th>Status &lt;1&gt; of compliance</th>
<th>Comments/explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.8.3</td>
<td>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.</td>
<td>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) 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.</td>
<td>✓ Compliance</td>
<td>1. The functions of the Nominating Committee belong to the Supervisory Board Staff and Remuneration Committee of VTB Bank.</td>
</tr>
</tbody>
</table>

#### 2.8.4
**Given the scope and risk level, the Board of Directors has determined that the composition of its committees fully meets the company’s goals. Additional committees have either been 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.).**

<table>
<thead>
<tr>
<th>No.</th>
<th>Principles of Corporate Governance</th>
<th>Criteria for assessing compliance with the relevant principle of corporate governance</th>
<th>Status &lt;1&gt; of compliance</th>
<th>Comments/explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.8.4</td>
<td>Given the scope and risk level, the Board of Directors has determined that the composition of its committees fully meets the company’s goals. Additional committees have either been 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.).</td>
<td>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.</td>
<td>✓ Compliance</td>
<td>√ Partial compliance  □ Non-compliant</td>
</tr>
</tbody>
</table>

#### 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.**

<table>
<thead>
<tr>
<th>No.</th>
<th>Principles of Corporate Governance</th>
<th>Criteria for assessing compliance with the relevant principle of corporate governance</th>
<th>Status &lt;1&gt; of compliance</th>
<th>Comments/explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.8.5</td>
<td>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.</td>
<td>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.</td>
<td>□ Compliance  ✓ Partial compliance  □ Non-compliant</td>
<td>1. See paras. 2.8.1 and 2.8.2.</td>
</tr>
</tbody>
</table>

#### 2.8.6
**The committee chairmen shall regularly inform the Board of Directors and its Chairman about the work of their committees.**

<table>
<thead>
<tr>
<th>No.</th>
<th>Principles of Corporate Governance</th>
<th>Criteria for assessing compliance with the relevant principle of corporate governance</th>
<th>Status &lt;1&gt; of compliance</th>
<th>Comments/explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.8.6</td>
<td>The committee chairmen shall regularly inform the Board of Directors and its Chairman about the work of their committees.</td>
<td>During the reporting period, the chairman of the committees reported regularly to the Board of Directors on the work of the committees.</td>
<td>✓ Compliance</td>
<td>□ Partial compliance  □ Non-compliant</td>
</tr>
</tbody>
</table>

#### 2.9
**The Board of Directors shall ensure that the quality of its work and that of its committees and its members is assessed.**

<table>
<thead>
<tr>
<th>No.</th>
<th>Principles of Corporate Governance</th>
<th>Criteria for assessing compliance with the relevant principle of corporate governance</th>
<th>Status &lt;1&gt; of compliance</th>
<th>Comments/explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.9</td>
<td>The Board of Directors shall ensure that the quality of its work and that of its committees and its members is assessed.</td>
<td>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.</td>
<td>✓ Compliance</td>
<td>□ Partial compliance  □ Non-compliant</td>
</tr>
</tbody>
</table>

An external evaluation of the work of the Bank’s Supervisory Board was not carried out in 2018 due to the fact that the Bank needed more time to study the issue and to identify potential contractors to carry out such an assessment. At the same time, however, the Bank conducts an annual evaluation of the work of the Supervisory Board as part of its comprehensive evaluation of corporate governance in accordance with Bank of Russia Letter No. 11-T as of 7 February 2007, the results of which are considered at an in-person meeting of the Supervisory Board. The Bank plans to hire an independent consultant in 2019 to conduct an assessment of the Supervisory Board’s work in 2018.
<table>
<thead>
<tr>
<th>No.</th>
<th>Principles of Corporate Governance</th>
<th>Criteria for assessing compliance with the relevant principle of corporate governance</th>
<th>Status &lt;1+&gt; of compliance</th>
<th>Comments/explanation &lt;2&gt;</th>
</tr>
</thead>
<tbody>
<tr>
<td>3.1.1</td>
<td>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.</td>
<td>The company has adopted and disclosed a bylaw called the Regulation on the Corporate Secretary. The company’s website and Annual Report provide biographical information about the Corporate Secretary. The level of detail is provided about the members of the company’s Board of Directors and executive management.</td>
<td>Compliance</td>
<td></td>
</tr>
<tr>
<td>3.1.2</td>
<td>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.</td>
<td>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.</td>
<td>Compliance</td>
<td></td>
</tr>
</tbody>
</table>

4.1 The level of remuneration paid by the company shall be sufficient to enable it to attract, motivate and retain employees who have the required skills and qualifications. Remuneration shall be 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 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 kinds of payments, benefits and privileges provided to such individuals.

4.1.2 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.

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 kinds of payments, benefits and privileges provided to such individuals.
4.3 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).

4.3.2 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.

4.3.3 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.

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.

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.

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.

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).

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.
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.

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.

1. 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.
2. The company uses generally accepted approaches to internal control and risk management.

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.

1. The Board of Directors approved the company’s Information Policy, which takes into account the recommendations of the Code.
2. 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.

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.

1. 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.
2. 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).
3. 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.

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.

1. 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.
2. 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.
3. 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.
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.

1. 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.

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.

1. The company’s Annual Report provides information on the key aspects of its activities and its financial results.
2. The company’s Annual Report contains information about the environmental and social aspects of the company’s activities.

6.3 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.

6.3.1 The company provides information and documents requested by its shareholders in accordance with the principle of equal and unhindered access.

6.3.2 When the company provides information to shareholders, it ensures a reasonable balance between the interests of specific shareholders and the interest of the company itself in ensuring the confidentiality of important trade secrets that could have a material impact on its competitiveness.

1. 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.
2. 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.

7.1 Material corporate actions include the reorganisation of the company, the acquisition of 30 percent 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.

1. 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.
2. The company’s Charter recognises the following, at a minimum, to be material corporate actions: the reorganisation of the company, the acquisition of 30 percent 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.

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 Board and General Meeting of Shareholders in accordance with the recommendation. In addition, the Regulation on the Bank’s Supervisory Board 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 Board 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.

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.

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.

### Criteria for assessing compliance with the relevant principles of corporate governance

<table>
<thead>
<tr>
<th>No.</th>
<th>Principles of Corporate Governance</th>
<th>Criteria for assessing compliance with the relevant principle of corporate governance</th>
<th>Status &lt;1&gt; of compliance</th>
<th>Comments/explanation &lt;2&gt;</th>
</tr>
</thead>
<tbody>
<tr>
<td>7.1.2</td>
<td>The rules and procedures governing material corporate actions taken by the company are stipulated in the company’s by-laws.</td>
<td>Compliance</td>
<td>Partial compliance</td>
<td>Non-compliant</td>
</tr>
<tr>
<td>7.2.1</td>
<td>Information about material corporate actions is disclosed together with the reasons, conditions and consequences of such actions.</td>
<td>Compliance</td>
<td>Partial compliance</td>
<td>Non-compliant</td>
</tr>
</tbody>
</table>

<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-compliant” 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. The Bank believes that the introduction of such a practice could significantly hamper the activities of the Bank and put it at a disadvantage compared to other financial market participants, including in relation to the duration of the procedure for prior approval of transactions. Considering the above, the Bank does not plan to implement this recommendation. According to the Bank, the legislation on joint-stock companies in terms of expanding the list of grounds on which a person may be deemed to be an interested party to a transaction eliminated the risk of non-implementation of this recommendation. Considering the above, the Bank is not currently planning to implement this recommendation.

<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 Ministry of Taxes and Levies 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)
(495) 739 7799

For private clients 8 800 100 2424 (toll-free within Russia)
(495) 777 2424

Fax: Fax: +7 495 258 4781

Email: info@vtb.ru (for information and offers)
compliance@msk.vtb.ru (for insiders)

Website: https://www.vtb.com

Details for transfers: https://www.vtb.com/o-banke/bank-vtb/rekvizity/

VTB Bank (PJSC)

Legal address: 29 Bolshaya Morskaya St. 190000 St. Petersburg

Postal address: 43 Vorontsovskaya St., bldg. 1 109147 Moscow

General enquiries: +7 495 739 7799, 8 800 200 7799

Email: info@vtb.ru

Chief of staff of the Supervisory Board – Corporate Secretary

Evgeniy Ignatyev
Tel.: +7 495 775 7088
Email: ignatyev@vtb.ru

Investor Relations Department (institutional investors and analysts)

Phone: +7 495 775 7139
Email: InvestorRelations@vtb.ru

Shareholder Relations Department (individual shareholders)

Phone: +7 495 258 4947
Email: Shareholders@vtb.ru

Shareholders Consultative Council


Phone: +7 985 774 9155
Email: KSA@vtb.ru

VTB Shareholder mobile application

Stacked icons for AppStore and PlayStore

VTB Bank Shareholders’ Centre in Moscow

35 Myasnitskaya St., office 1026
Phon: +7 495 645 4361

VTB Bank Shareholders Liaison Centre in St. Petersburg

29 Bolshaya Morskaya St., office 40
Phone: +7 812 494 0446

VTB Bank Shareholders Liaison Centre in Yekaterinburg

5 Marshal Zhukova St., Yekaterinburg
Phone: +7 343 379 6615

Auditor

Ernst and Young LLC
77 Sadovnicheskaya Emb, bldg. 1
Phone: +7 495 755 9700

Depositary bank for VTB GDR programme

The Bank of New York Mellon
Legal address: 240 Greenwich Street, New York, NY 10286, USA
Postal address: BNY Mellon, Depositary Receipts Division, 101 Barclay Street – 22nd Floor, New York, NY 10286, USA

Registrar

JSC VTB Registrar
Legal address: 23 Pravdy St., Moscow 125040
Postal address: P.O. Box 54, Moscow 127137, Russia
Phone / fax: +7 495 787 4493
Email: info@vtbreg.ru