

STRATEGY

VTB Group operates in accordance with its Development Strategy for 2017–2019.

The Strategy 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 the 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.

2018 results of VTB Group's Development Strategy for 2017–2019

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 fulfil 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.