

# 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, centralised management of financial performance and risk, and unified control systems.

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

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

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

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

The management system established by the Group enables the Bank to develop a global mechanism for client service, to closely coordinate the work of every business line in all of the Bank's regions of operation, to increase profitability through synergies between business lines and best practices, and to reduce costs by sharing infrastructure and resources more extensively among 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 2018, 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 2018, 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, Sarovbiznesbank 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.