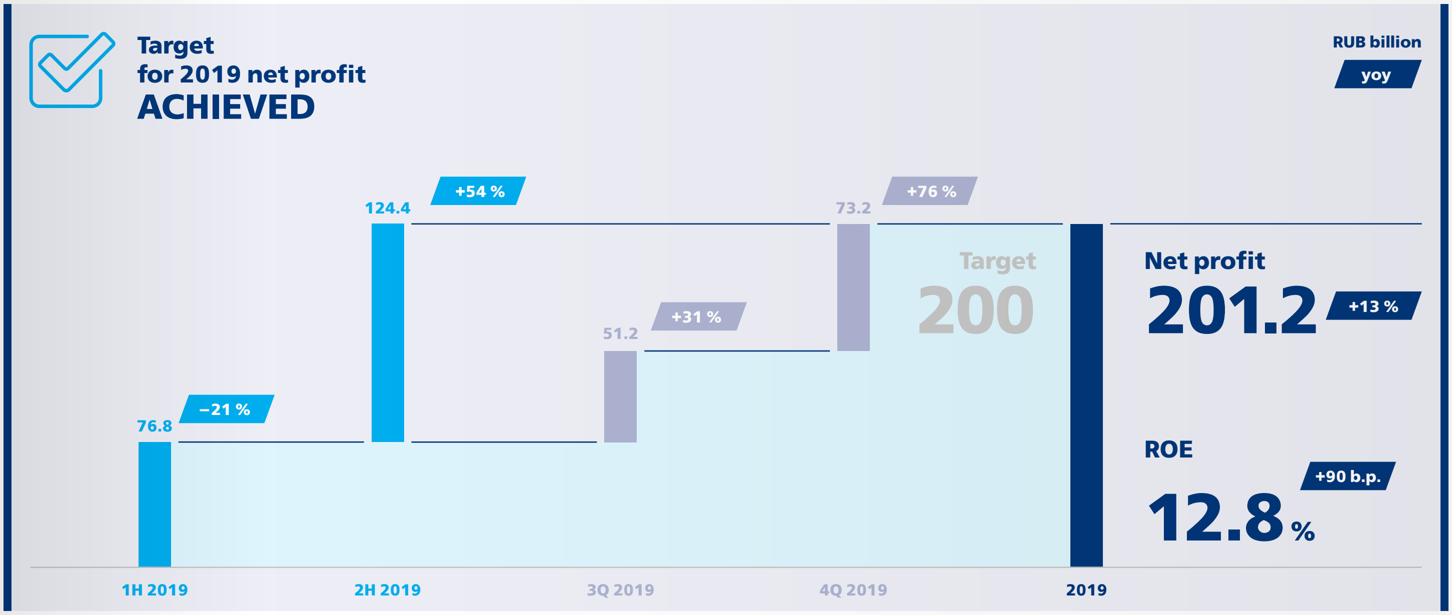
RESULTS OVERVIEW[1]

FINANCIAL REVIEW

VTB GROUP KEY IFRS FINANCIAL RESULTS



Net interest margin	Cost to income	Cost of risk
3.4 % (−30 b.p.)	41.6 % (+330 b.p.)	0.8 % (−70 b.p.)

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

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

ANALYSIS OF VTB GROUP'S IFRS INCOME STATEMENT

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

KEY INCOME STATEMENT INDICATORS, RUB billion

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

Net interest income and net interest margin

Net interest income for 2019 amounted to RUB 440.6 billion, compared with RUB 439.7 billion a year earlier. In 2019, interest income and expenses grew on the back of an increase in interest-earning assets and interest-bearing liabilities, while the increase in interest expense (19.4 % year-on-year) outstripped growth in interest income (11.0 % year-on-year) mainly due to an increase in the cost of funding by 30 b.p. (5.2 % in 2019) compared with a 10 b.p. decrease in the return on interest-earning assets to 8.4 % in 2019.

NET INTEREST INCOME, RUB billion

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

As of the end of 2019, net interest margin had decreased by 30 b.p. to 3.4 %. On the back of a series of reductions in the *Bank of Russia's* key rate starting in June 2019, the Group's net interest margin began growing in 2H 2019. In 1Q 2019, the Group's net interest margin reached its lowest level for the year at 3.2 % amid rising funding costs (outstripping the revaluation of assets) due to an increase in the *Bank of Russia's* key rate at the end of 2018. In 2Q, net interest margin increased slightly quarter-on-quarter and remained at a stable level of 3.3 % throughout 2Q and 3Q 2019. In 4Q, VTB Group's net interest margin increased to 3.5 % due to a consistent easing of monetary policy and an improvement in the Group's funding structure.

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

Net fee and commission income

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

Net fee and commission income for 2019 increased by 29.2 % year-on-year to RUB 108.5 billion. The robust growth in net fee and commission income was due to operations with securities and capital market transactions (accounting for 9.3 p.p. of the 29.2 p.p. increase in net fee and commission income), fees for the distribution of insurance products and agents' services (7.8 p.p. of the 29.2 p.p. increase), as well as the consolidation of three acquired banks (6.5 p.p. of the 29.2 p.p. increase).
The Group's net commission margin increased by 10 b.p. year-on-year to 0.7 %. The Group's net fee and commission income outstripped growth in net interest income (0.2 % year-on-year) and net other income (−6.1 % year-on-year). Thus, the share of net fee and commission income in the structure of operating income before provisions increased to 17.8 % from 14.3 % in 2018.

NET FEE AND COMMISSION INCOME, RUB billion

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

Provision charge

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

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

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

Staff costs and administrative expenses

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

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

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

Net profit

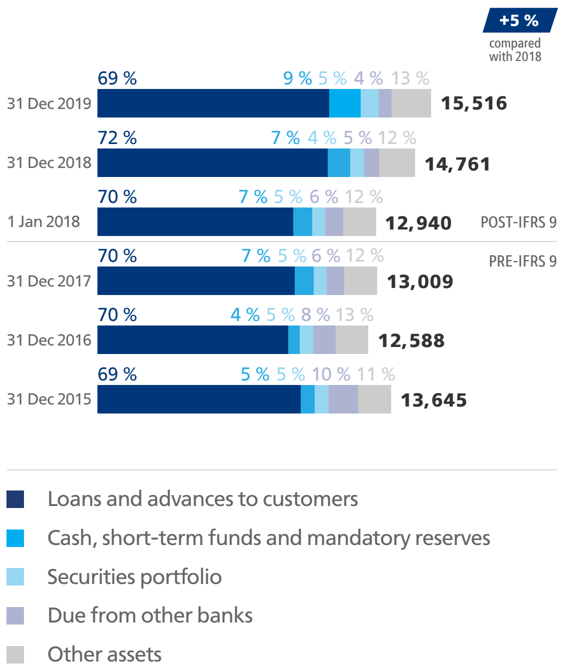
Net profit for 2019 increased by 12.9 % compared with 2018 and amounted to RUB 201.2 billion – this is in line with the Bank's strategic forecast of RUB 200 billion – amid strong growth in fee and commission income and improved asset quality. The net profit of RUB 201.2 billion was an all-time high for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

ANALYSIS OF VTB GROUP'S IFRS BALANCE SHEET

Assets

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

ASSETS STRUCTURE, RUB billion

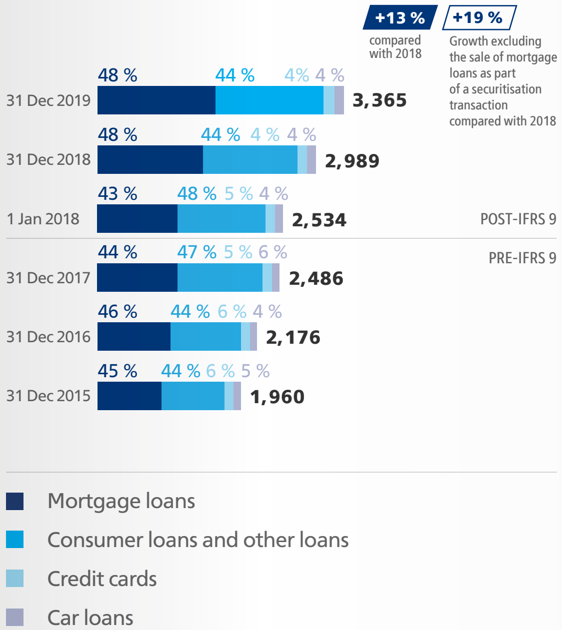


The main component of the Group's total assets is net loans and advances to customers, accounting for 69 % of the Group's total assets.

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

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

RETAIL LOAN PORTFOLIO STRUCTURE, RUB billion



Significant transactions involving the sale of securitised mortgage loans had an impact on the growth of the Group's retail loan portfolio. In 2019, the Bank continued creating mortgage-backed securities and raising awareness of them among customers. This product enables the Bank to attract liquidity, optimise the utilisation of capital on mortgage loans, remove interest risks from its balance sheet and earn profits by lowering market interest rates. In 2019, VTB Bank increased its volume of issued mortgage-backed securities to RUB 265 billion[1], which is a record for the Russian market. Excluding the disposal of mortgage loans, the retail loan portfolio increased by 19 %.

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

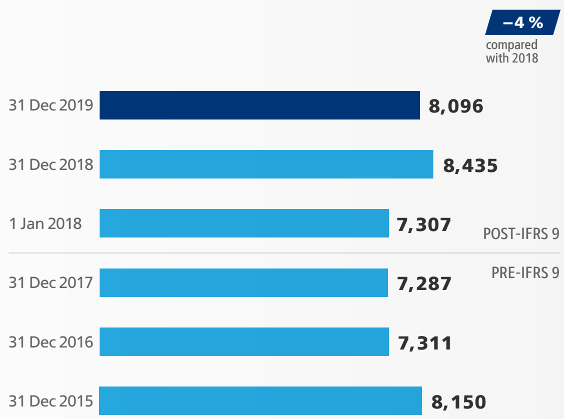
As of 31 December 2019, secured loans (mortgages and car loans) accounted for 52 % of total retail lending, unchanged from the beginning of the year.

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

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

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

LOANS TO LEGAL ENTITIES, RUB billion

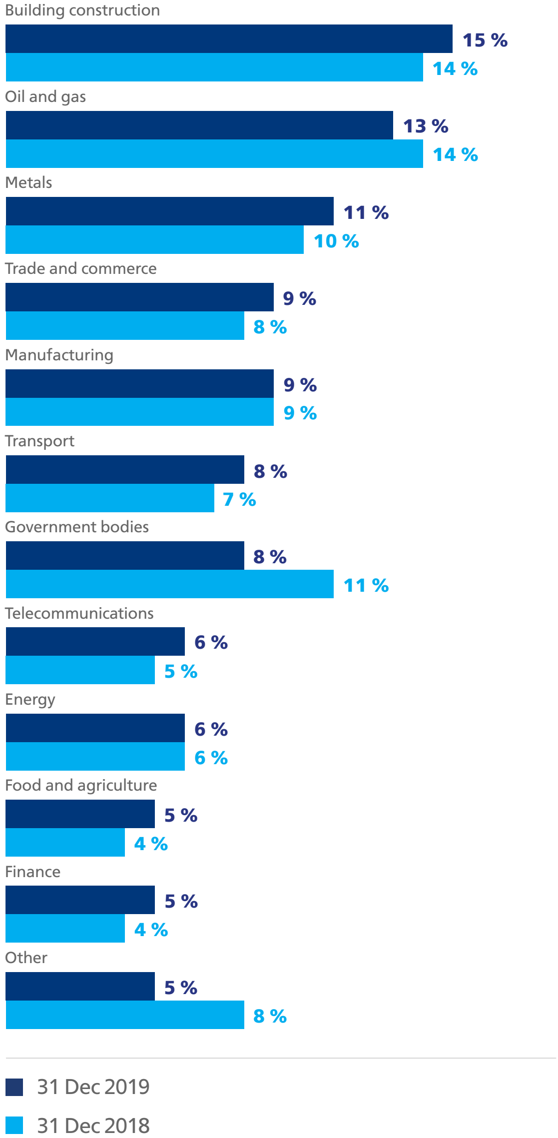


At the same time, the loan portfolio (before provisions) in the *Medium and Small Business (MSB)* segment enjoyed robust growth of 10.0 %[2] in 2019, reaching RUB 1,481.0 billion. Loans to *MSB* borrowers accounted for 18 % of the total portfolio of loans to legal entities in 2019, an increase of 230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

[1] VTB Group's IFRS financial statements for 2019 take into account the disposal of securitised mortgage loans in the amount of RUB 190 billion.

[2] To ensure comparability of data on the MSB segment of the loan portfolio, data for Vozrozhdenie Bank was included in the segment portfolio as of 31 December 2018. In the Group's financial statements for 2018, data on Vozrozhdenie Bank was provided in a separate segment.

LOANS TO LEGAL ENTITIES, BY INDUSTRY



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

Asset quality

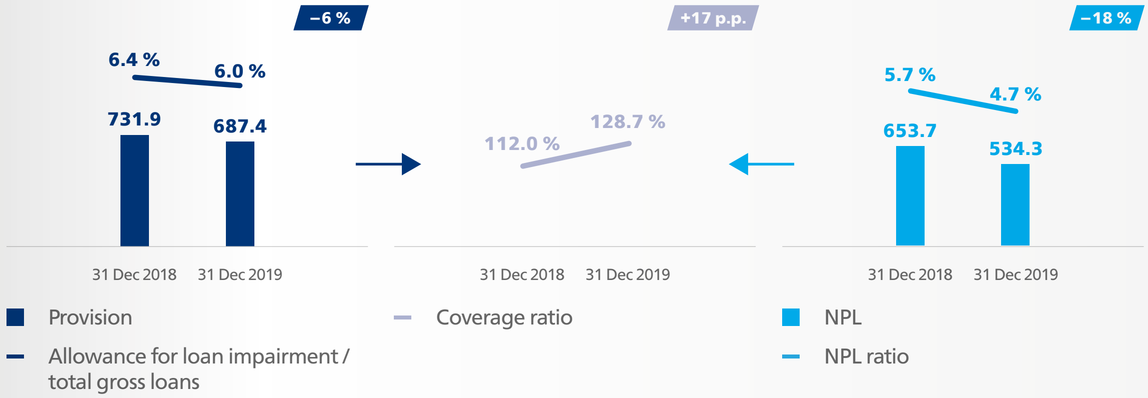
As of 31 December 2019, the total amount of non-performing loans[1] was RUB 534 billion, or 4.7 % of gross total customer loans (compared with RUB 654 billion, or 5.7 %, as of 31 December 2018).

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

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

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

ASSET QUALITY, RUB billion



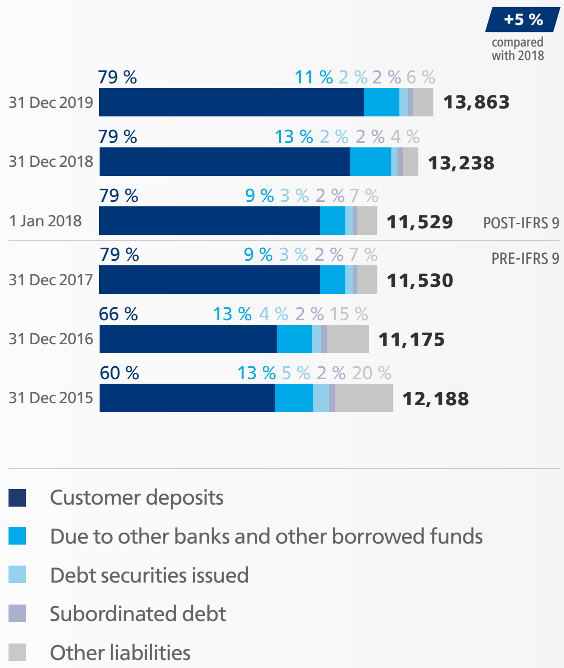
Liabilities

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

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

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

LIABILITIES STRUCTURE, RUB billion



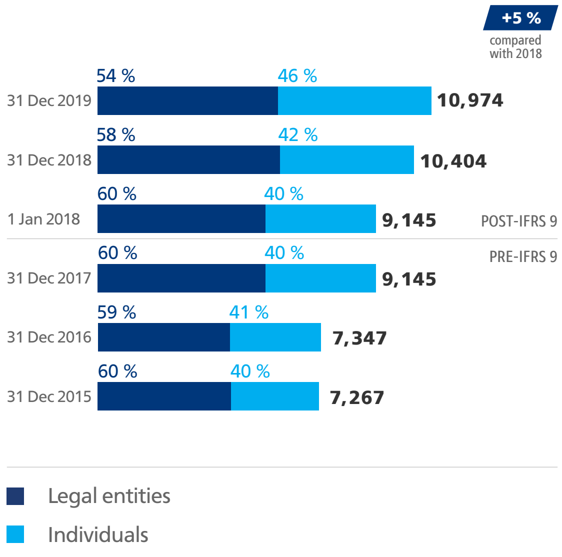
In line with its Development Strategy, the Group continued to increase the share of *Retail Business* in total liabilities. Customer funding from individuals increased by 14.4 % in 2019 to RUB 5.0 trillion, being ahead twice as much as the growth rate in the Russian banking sector in funding from individuals.

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

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

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

CUSTOMER DEPOSITS, RUB billion



LIABILITIES, RUB billion

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

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

Capital and capital adequacy

The Group's capital management policy is to maintain a sustainable capital base so as to retain the confidence of investors, creditors and the market participants, as well as to ensure the future development of its operations. The Group manages its capital in accordance with the requirements of the B*ank of Russia*. The *Bank of Russia* has recognised the Bank as a systemically important credit institution. Thus, capital adequacy requirements calculated in accordance with the requirements of the *Bank of Russia* include premiums on a banking group's risk-weighted capital adequacy standards, as well as a premium for systemic importance.

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

VTB GROUP CAPITAL AND CAPITAL ADEQUACY, RUB billion

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