

## RETAIL BUSINESS

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

### SHARE OF VTB GROUP TOTAL, %

Assets	25
Customer loans and advances (net)	29
Customer deposits and accounts	45
Net interest income	44
Net fee and commission income	45
Provision charge <sup>1</sup>	47
Net operating income (before provisions)	38
Staff costs and administrative expenses	41

Source: VTB Group's IFRS consolidated financial statements for 2019.

## RETAIL LENDING

### Mortgage lending

In 2019, Russia's mortgage market fell short of growth forecasts. At the same time, VTB was one of the few banks to increase its volume of mortgage sales. VTB Group significantly increased its housing loan portfolio, which amounted to RUB 1.6 trillion as of 31 December 2019, a 12 % increase in the portfolio year-on-year. Excluding a securitisation transaction to sell a portion of the mortgage loans, the Bank's mortgage portfolio grew 25 % year-on-year.

These results were made possible thanks to a decrease in interest rates during the year, the digitalisation of the lending process, the development of state support programmes and the launch of a *Far East* mortgage programme.

## 2019 SEGMENT OVERVIEW

### VTB Bank client base in Russia:

**13.3 million**

VTB enjoyed record growth in 2019 with 1 million new clients

VTB saw record-breaking results in the market in terms of retention of retail clients<sup>1</sup>.

### VTB Online users:

**8 million**

(increase of 1.7 million in 2019)

### Number of VTB Bank retail branches in Russia:

**1,519 branches**

in 77 regions of the Russian Federation and 440 cities

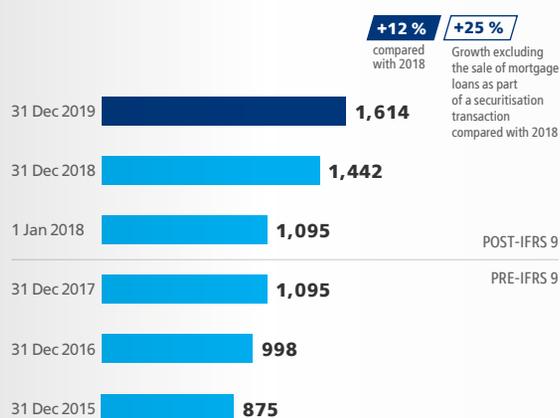
### Number of VTB Bank ATMs in Russia:

**17,620**

<sup>1</sup> According to Finalta.

<sup>1</sup> 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.

## MORTGAGE LOANS, RUB billion



As of the end of 2019, the Group had maintained its share of the mortgage market in Russia at 23.9 %. The Bank issued 275.5 thousand mortgage loans in 2019. At the end of the year, the Bank's mortgage portfolio included more than a million active mortgages. The total volume of mortgage loans issued amounted to RUB 712 billion, the highest ever in VTB Group's history. As of the end of 2019, the average annual mortgage rate at VTB was 9.6% (the average market rate at the end of 2019 was 9.9 %).

In 2019, one out of every four mortgages in the Russian Federation was issued by VTB, and about 1.4 million families purchased housing with our help.

VTB's active presence in the sector of mortgage lending for housing under construction and its cooperation with the country's largest construction companies enabled customers to purchase new housing compliant with current quality requirements under the most favourable terms, including a reduced interest rate for mortgages, and the option of purchasing housing at an earlier stage of construction.

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

In 2019, the average mortgage issued by VTB Bank in Moscow and the Moscow region was valued at RUB 4.5 million, while it was RUB 2 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 60 million.

A mortgage can be issued for a period of up to 30 years, while the information available as of the end of 2019 shows that the average mortgage contractual term is about 16.5 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 5 %. For 2019, 16 thousand loans worth RUB 44 billion were issued through the programme. VTB accounted for 33 % of state-supported loans. In addition, about 2.5 thousand existing VTB mortgage loans worth RUB 6 billion were transferred to the programme.

VTB has already received more than 6.6 thousand applications (for RUB 450 thousand to pay off mortgages) as part of state support for large families.

In mid-December last year, VTB became the first market leader to start work on the *Far East* mortgage programme. As of 31 December 2019, the Bank had accepted more than 3 thousand applications for loans worth RUB 13 billion, and 2 thousand loans worth RUB 8 billion were approved. Ninety-five per cent of these was for the acquisition of real estate in properties under construction with an average loan amount of RUB 3.4 million.

In 2019, 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 2.5 billion were issued through this programme.

In 2019, 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 87.8 billion during the reporting period. For the whole of 2019, refinancing housing loans from other banks accounted for 13 % of VTB's total mortgage sales, and VTB's share of the refinancing market was 54.5 %.

The Bank is actively developing its digital technologies. On the Bank's website, clients can receive preliminary approval for a mortgage in one minute. At the end of 2019, technology was implemented in the Moscow region to enable clients to submit mortgage applications and documents through their personal accounts. The technology will be used throughout the country starting in 2020.



The total volume of mortgage loans issued amounted to

**712**

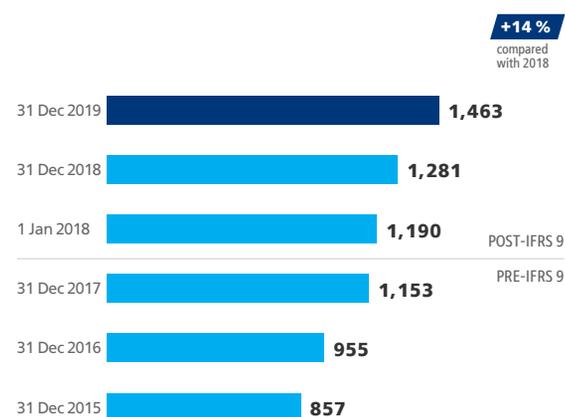
**RUB billion,**  
the highest ever in VTB Group's history.

The Bank operates successfully in the securitisation market. In 2019, the *Bank of Russia* registered three issues of mortgage bonds under the Bank's mortgage agent *MBS Factory* project worth a total of RUB 265.2 billion.

### Consumer loans

VTB Group consumer loans demonstrated strong growth during the reporting period. As of 31 December 2019, VTB Group's consumer loan portfolio amounted to RUB 1.5 trillion, an increase of 14 % year-on-year.

#### CONSUMER LOANS, RUB billion



More than 200 thousand people transferred their loans to VTB as part of a programme for refinancing of loans.

The Group is continuously improving its pricing system to ensure optimal results for this business line. In 2H 2019, the optimisation of product terms enabled the Bank to counterbalance the impact of changes in regulatory capital requirements and maintain an acceptable level of profitability from new loans.

The Bank continued to expand its product line in 2019. A new product called *Passport Refinancing* was launched for the Bank's new payroll clients, which allows clients to refinance their external liabilities after their first wage payment at VTB. Lending was also launched for a new segment for the Bank, non-working pensioners.

Throughout the year, the Bank worked hard to increase the coverage of VTB's client base in terms of pre-approved offers, to optimise its communication strategy for offers and to improve the process for obtaining loans both at the Bank branches

and through remote channels. During the year, the Bank reached an all-time record high in terms of the share of pre-approved loans issued completely remotely through *VTB Online*, which amounted to 16 % (in terms of the number of loans).

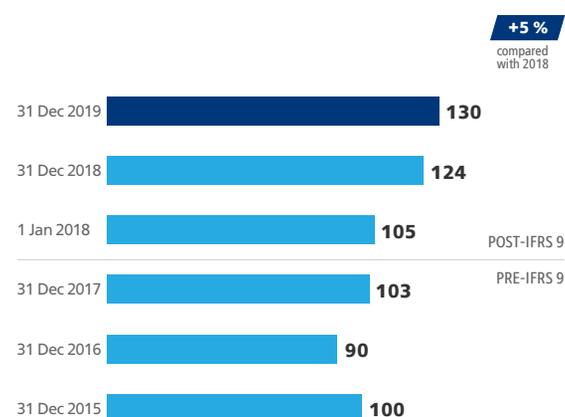
Remote lending to the Bank's clients without a pre-approved offer was also expanded throughout the year. *VTB Online* made it possible for any Bank's client to submit a loan application and to receive a loan entirely through remote channels.

In 2019, special attention was paid to optimising the Bank's risk procedures and its policy on limits when formulating proposals for cash loans and refinancing, which enabled the Bank to create portfolio growth in 2019 by balancing generations of loan in terms of their risk profile.

### Car loans

As of the end of 2019, VTB Group's car loan portfolio reached RUB 129.6 billion, an increase of 5 % compared to the previous year. The Bank's share of the car loan market was 12.7 %.

#### CAR LOANS, RUB billion



VTB Bank's issuance of car loans for new cars in Russia increased by 6 % and amounted to RUB 72.3 billion. The Bank was the market leader in the used-car loans segment, issuing 25.2 thousand loans worth RUB 14.3 billion.

In 2019, the Bank continued to expand the geography of its car loans, opening four new car loan centres: in Chita, Ulan-Ude, Blagoveshchensk and Abakan. Thus, the Bank was operating a total of 79 car loan centres by the end of the year, as well as 703 points of sale (including dealers).



VTB Bank's issuance of loans for new cars in Russia increased

by **6 %**

and amounted

to **72.3**  
RUB billion

The Bank was the **market leader** in the used-car loans segment, issuing

**25.2**  
thousand loans

worth

**14.3**  
RUB billion

The largest number of vehicles financed by VTB in 2019 were sold in Moscow (22 %), St. Petersburg (8 %), Kazan (5 %), Krasnodar (4 %) and Ufa (4 %).

The Bank also expanded its product line in 2019. In July, the Bank introduced a new product for refinancing car loans that makes it possible to refinance car loans both at third-party banks and at VTB. In December, the Bank began lending for the purchase of new and used cars with no down payment. The Bank made a substantial update to its lending terms for the purchase of motorised vehicles and launched the first joint federal programme with the motorcycle manufacturer *Yamaha*.

Partnerships with leading automakers were also developed in 2019. During the year, partnerships were established and joint lending programmes launched with manufacturers such as *Honda*, *Changan* and *Yamaha*.

In 2019, VTB once again took part in the *First Car* and the *Family Car* state programmes offering preferential car loans, in which borrowers received a 10 % discount for the car purchase (25 % for the regions in the Far Eastern Federal District). As of the end of the year, the share of car loans issued through state-supported programmes amounted to 16 % of all VTB car loans (in terms of the number of loans issued).

VTB also took part in subsidy programmes together with car manufacturers. These programmes offer clients very attractive terms: in some cases, customers were offered annual rates of 2.9 %. The Bank's key partners in this area are *Jaguar*, *Land Rover*, *Subaru*, *Volvo*, *Suzuki*, *Lifan* and *Changan*. Some RUB 4.7 billion in loans were issued through these programmes, an increase of 28 % compared to 2018.

A great deal of work was done on the *ExtraLight* programme, which focuses on VTB's own clients, as well as clients who come to the programme through online channels. Some RUB 3.5 billion in loans were issued through the programme, which accounted for 4 % of total loans. In 2019, the Bank lowered rates by an additional 1 p.p. for its payroll clients and repeat customers.

In 2019, VTB Bank completed the transition to a new state-of-the-art front-end solution for processing and issuing car loans. The new platform enables the Bank to make decisions and process car loans quickly, and also to accept applications from partners using API technology.

Another innovation is that it allows clients using the Bank's website to select a car online and immediately receive a preliminary decision on a loan to purchase it.

## BANK CARDS AND ACQUIRING

### BANK CARD PORTFOLIO, RUB billion



As of 31 December 2019, VTB had 26 million bank cards in circulation, 8.8 million of which were active, i.e., were used for an expenditure in the previous month. The Bank issued more than 700 thousand new cards per month. POS turnover (payment transactions for purchases and services) using the Bank's cards increased by 29 % year-on-year and amounted to more than RUB 1.9 trillion.

The bulk of cards issued were the Bank's flagship card product, *Multicard*, which also accounted for the bulk of purchases.

The credit card *Multicard 101* received the *Frank Research Group* award for 2019 as the best credit card with a loyalty programme.

VTB Bank's credit card portfolio grew by RUB 9 billion. In 2019, 1.2 million credit cards were issued, exceeding the figures for previous periods.

Measures taken to optimise risk procedures enabled the Bank to expand the client segments that it issues credit cards to, thus enabling non-working pensioners clients who have submitted a mortgage application to receive a credit card.

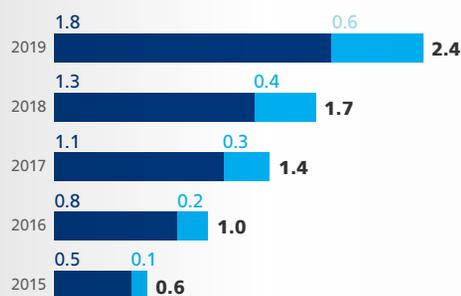
In 2019, the Bank continued to develop its *Multicard* product line and offers for clients:

- The *MIR-Maestro* co-badged card was launched, allowing card payments anywhere in the world;
- *Samsung Pay*, *MirPay* and *Swatch Pay* were launched;
- Top managers involved in a company's payroll projects were given the opportunity to apply for a free *Prime+* package through the payroll programme;
- A pilot was implemented to reduce the time needed to deliver cards to branches in Moscow (one day) and the Moscow region (two days);
- Interest rates on the balance in master accounts were raised in August 2019;
- Client bonus options were transferred to the unified loyalty platform (*Cashback*, *Car*, *Restaurants*, *Collection* and *Travel* options). Clients can now receive simultaneous rewards both for purchases in a particular category and for all purchases;
- A digital card (without a physical plastic card) was launched at *VTB Online*. Digital cards offer all the features of plastic *Multicards*;
- New services for cards were launched through *VTB Online* (card activation, setting up or changing the PIN code);
- A process was launched for issuing payroll cards by proxy (for enterprises located in remote locations);
- Cards were issued to juvenile clients (university students) through the payroll programme.
- Internet acquiring for *UnionPay* cards and *American Express* cards was carried out;
- Scaling of a project was completed that enables travellers to use a bank card to pay for travel in the *Moscow Metro* at ticket barriers. Each vestibule has at least two ticket barriers;
- Merchant acquiring projects were carried out for the following clients: the *TSUM* department store, *Leroy Merlin* and the *Azbuka Vkusa* supermarket chain;
- A project was launched that involves the hook-up of an additional processing centre for *Sirena Travel*, a leader in terms of the distribution of aviation services in Russia;
- The Bank won *S7 Airlines'* Internet acquiring tender;
- A licence was received from Visa to accept payments involving high-risk enterprises;
- Cooperation with *Yandex Group* was expanded and the following new services were connected: *Yandex.Auto*, *Beru.Ru*, *Yandex.Afisha*, *Yandex.Drive*, *Yandex.Health*, *Yandex.Realty* and *Yandex.Zapravki*;
- *AliExpress* traffic increased;
- An Internet acquiring agreement was concluded with *Lomonosov Moscow State University*;
- Online communication was launched between the *Multicard* processing centre and the Bank's accounting system. This will enable higher-tech information transfer;
- The lines of terminal equipment purchased by the Bank were updated, and three-in-one devices (cash register, bank terminal, fiscal data recorder) were introduced;
- The terminal network was migrated to a single processing centre (*Multicard*). Devices and online stores that were previously connected to the processing centres of the former *Bank of Moscow*, the former *VTB24* and the North-West Regional Centre are now operating with the same technologies.

#### Acquiring projects

- A service (*Cash2Card*) was launched that enables cardholders with cards from any Russian banks to top them up with cash at VTB ATMs; the service includes agreements with six banks to service their customers through VTB's ATM network free of charge (with commission paid by the issuer);
- Transfers to cards using the Chinese *UnionPay* payment system from Russian *Visa/MasterCard/MIR* cards through the Bank's website were certified;

## TURNOVER OF THE BANK'S ACQUIRING NETWORK, RUB trillion



- Merchant acquiring
- Internet acquiring

### Multibonus loyalty programme

A single, rebranded VTB Bank's *Retail Business* loyalty programme – *Multibonus* – was launched in 2019. The new programme was formed on the basis of the *Collection* bonus programme and combines the advantages of existing loyalty options. New interfaces were developed for the website and the *Multibonus* mobile application that use the new corporate identity.

The programme enables members to accumulate bonus points by making everyday purchases using their cards and to exchange the points for rewards from the catalogue on the website [multibonus.ru](http://multibonus.ru) or for rewards through programme partners. Some 2 thousand programme members exchange bonus points every day for some RUB 8 million worth of awards.

*Multibonus* loyalty programme:

- Clients can use their bonus points for goods and services from the catalogue, for air and train tickets, hotels, gift certificates and much more, or they can transfer their points as money to a VTB card through their personal accounts;
- More than 100 offers from partners were made available to clients with bonuses of up to 14 % in addition to bonuses from the Bank;
- Depending on the option selected, the portal will display the currency of the account balance and the catalogue prices;
- When disposing of bonus points, the combined balance from all bonus accounts is used.

**+41%**  
turnover growth in 2019  
through *M.video*, *Leroy Merlen*,  
the *TSUM* department store  
and internet acquiring sales

**62**  
thousand clients

**163**  
thousand terminals

### Key loyalty programme highlights for 2019

- 5.4 million customers with active bonus accounts;
- 1.3 million purchases using bonus points in 2019;
- Clients spent 12.1 billion of bonus roubles and their own funds on goods and services through the *Multibonus* catalogue;
- Savings portfolio of RUB 10 billion (total for all programme currencies) as of 31 December 2019;
- Clients paid RUB 1.6 billion of their own funds.

### VTB and Post Bank loyalty programmes combined

The combined *Multibonus* loyalty programme has been available to VTB and Post Bank clients since 1 February 2020.

By using their cards to pay for everyday purchases, cardholders can collect bonus points from both banks in a single personal account and exchange them at their discretion for roubles or goods in the [multibonus.ru](http://multibonus.ru) marketplace or through the application.

This is the first and only combined loyalty programme in the Russian banking market to include a combined balance and a single platform for disposing of bonus points.

The combined *Multibonus* programme allows clients to receive rewards for purchases made using VTB and Post Bank cards and to use bonus points from both banks to pay for goods made by popular brands, air and train tickets, hotel reservations, car rentals, movie tickets, etc.

(the catalogue offers more than 15 thousand rewards). For the convenience of clients, the *Post Bank Online* and *Multibonus* applications were integrated. In the combined personal account, users can check the status of their bonus account, see expected accruals and partner rewards, exchange bonus points into roubles at a rate of 1:1 and transfer them to their account (through the cashback option for VTB clients).

### WORKING WITH BAD DEBTS

In 2019, the Bank confirmed its leading position in the market for the recovery of bad debts and for working with non-core assets obtained during recovery.

VTB launched its *CommissiON* marketplace ([komission.vtb.ru](http://komission.vtb.ru)) in August 2019. In addition to providing information on non-core property obtained during the recovery of overdue debts, the new digital platform also makes it possible for users to purchase property through specially discounted individual lots. Clients can choose a property of interest from a wide list of assets held by VTB, *DOM.RF* and the *Russian Agricultural Bank*. The site presents various types of apartments, houses, townhouses, land, automobiles, specialised machinery and equipment. Businesses can acquire commercial real estate, vehicles or specialised equipment. VTB intends to fill an existing gap in the market by turning the *CommissiON* project into a full-fledged marketplace with expanded functionality and a fully digital client experience.

In 2019, the *Russian Agricultural Bank* and VTB became the first players in the market to begin cooperation on the sale of non-core assets. The *Russian Agricultural Bank* and VTB signed an agreement on the provision of services for the sale of non-core assets through the *CommissiON* marketplace. The site currently brings together more than 3 thousand properties from across the country; taking into account assets of the *Russian Agricultural Bank* transferred for management, the number increases to 4.5 thousand<sup>1</sup>.

In 2019, the Bank found a way to make the processes of loans' collection and issuing complementary. When a client contacts the Bank to purchase

a property from the Bank's list of non-core assets, the Bank also offers the client additional products, such as a mortgage or a *Privilege* package. Since the start of cross-sales, VTB Bank's mortgage lending centres have received more than 500 applications for mortgage loans.

### Barometer of Gratitude

In 2019, the Bank put an automated system in place to assess the quality of the telephone conversations conducted by remote collectors; the assessment system also accepts feedback from clients. Speech analysis tools are used to count the number of conversations in which the client thanks the operator for their attempt to help resolve a situation with overdue debts. The top operators in the *Gratitude* rating receive additional points on top of the final rating per call, which, in turn, has a positive effect on their salary bonus.

### RETAIL DEPOSITS AND ACCOUNTS

In 2019, VTB Group increased its market share for term deposits in Russia by 0.30 p.p. to 14.8 %. As of 31 December 2019, the Group's term deposits portfolio amounted to RUB 3.6 trillion (including foreign banks).

In 2019, the Bank launched the following new product offers for deposits and savings accounts:

- *Time for Growth* deposit promo from 7 February 2019 to 31 March 2020 (seasonal offer with a maximum rate);
- The new *Savings Jar* savings account from 1 March 2019 in the branch network and from 1 October 2019 through *VTB Online* (interest accrued on daily balances);
- Improved terms for *Savings Jar* savings accounts from 1 October 2019 (a higher interest rate for savings of up to RUB 1.5 million; a higher rate had previously been available on savings up to RUB 300 thousand);
- Investment deposits (deposit + mutual funds);
- Special *Pension* deposits for military pensioners (with a higher rate for clients with a military pension certificate).

<sup>1</sup> Pursuant to the agreements signed by the banks, the *Russian Agricultural Bank's* non-core assets are presented in the marketplace, and users can get advice regarding such assets and make a purchase.

By developing the products offered for savings accounts, the Bank was able to increase its savings accounts portfolio by more than 50 % in 2019.

Since 1 February 2020, holders of *Multicard*, *Multicard Privilege* and *Prime+* packages have been eligible to receive additional income as part of the Savings bonus option not only from balances in savings accounts but also from deposits.

### VTB ONLINE REMOTE BANKING SERVICE



With steady growth, the number of active users of **VTB Online** system (available on the Bank's website and through the mobile application) has reached

**8 million.**

In 2019, 104 million payments were made through **VTB Online**, an increase of 33 %, while the volume of payments made through **VTB Online** amounted to RUB 225 billion. The number of P2P<sup>1</sup> transfers made through **VTB Online** increased by 62 % to 82 million.

The **VTB Online** mobile application now has

**6.3 million users.**

<sup>1</sup> Card-to-card cash transfer.

In 2019, 59 % of deposits and 39 % of savings accounts were opened through **VTB Online**, and 10 % of loans were issued through the **VTB Online** system.

During the reporting period, the number of service providers available through **VTB Online** doubled, reaching 10,000 as of 31 December 2019.

### RETAIL BUSINESS DIGITAL PRODUCTS

In 2019, a number of key digital projects were launched as part of the strategic focus on digitalisation of the *Retail Business*:

#### 1. Paperless services in the retail network.

In 4Q 2019, VTB Bank launched a *Digital Office* project, which included the launch of a technology for paperless customer service in the retail network. As of the end of 2019, 155 Bank's offices had switched to the *Digital Office* format.

Over the course of three months, customers completed 25 thousand transactions through the new digital offices, including applications for cash loans and credit cards, servicing debit and credit cards, as well as opening current and savings accounts.

#### 2. Digital mortgage.

In December 2019, a pilot project was launched enabling applications for digital mortgages: clients can apply for a mortgage, open a personal mortgage account and get approval for a mortgage loan on the website without visiting a branch office. By the end of the reporting period, more than 3 thousand people had used the service, and more than 1 thousand loans worth RUB 5 billion had been approved.

An online service was launched that enables clients to order an apartment appraisal. The service, which has been used by more than 230 thousand clients, enables users to request an appraisal in just a few clicks on a mobile phone or computer and is available 24/7. A quarter of all appraisals are completed in one day. In 2019, a project offering virtual mortgages (VR mortgages) was launched. VTB became the first bank in the market to issue a mortgage loan through a *VR mortgage* service when a client from Krasnoyarsk completed the purchase of an apartment in St. Petersburg using the service.

The *VR mortgage* service enables clients to use virtual reality goggles to evaluate all the features of a property, including its location on a city map, infrastructure (playgrounds and viewing decks, proximity to the metro and social amenities), layout and detailed potential room designs. During a VR session, the client is accompanied by a virtual consultant who gives the client a detailed overview of the apartment and also discusses the mortgage terms.

Using VR goggles, clients can choose and purchase, with the help of a mortgage, their favourite property from accredited



### Retail Business digital products

1. Paperless services in the retail network
2. Digital mortgage
3. Digital *Multicard*
4. Digital loans
5. Payment for services using a QR code
6. Biometrics
7. Transfers
8. *VTB Mobile*

VTB developers in Moscow, St. Petersburg, Sochi, Krasnodar and Kaliningrad. The pilot project presents about 100 of the Bank's accredited properties.

3. **Digital Multicard.** In December 2019, VTB and the VISA international payment system began issuing digital bank cards through the *VTB Online* mobile application. Now clients can receive a digital debit card and use it without the need for a plastic card, while retaining all the advantages of the Bank's flagship card product, the *Multicard*.

A digital card can be issued within seconds and is ready for use immediately. This is a new, fast and secure way for VTB's clients to receive a card. For the Bank, this is an important step towards a fully digital experience in applying for, receiving and using card products.

The digital *Multicard* is a full-fledged debit card in an online format that can be issued in any of three currencies: RUB, USD or EUR. Cardholders can set their PIN code, decide on how they want to be notified about transactions and also choose an option for the bonus programme. In December, more than 15 thousand digital cards were issued.

4. **Digital loans.** In 2019, the volume of digital loans issued increased by 270 % to RUB 64.6 billion. This accounted for 10 % of digital sales compared with 2 % in 2018. The increase in the share of digital sales among total sales was facilitated by:

- Automation of the process of issuing pre-approved loans through *VTB Online*;
- Reduction of the time needed to issue pre-approved loans;
- Launch of online loans: clients can now apply for a loan and receive money without visiting a branch (through *VTB Online*).

5. **Payment for services using a QR code.** At the end of 2019, the *VTB Online* system made it possible to pay for regular purchases using a QR code; more than 10 % of the Bank clients used this option to pay bills in December 2019. The ability to pay using a QR code through the *Bank of Russia's Faster Payments System* was also added. Now, the Bank's customers can pay for purchases in stores connected to the *Faster Payments System* using the *VTB Online* mobile application.

6. **Biometrics.** In November 2019, VTB launched its own biometrics platform and began getting consent from clients for the use of biometrics and collecting voice samples from clients through the contact centre.

Over a month and a half, more than 12 thousand clients gave consent, and more than 7 thousand samples of voice biometrics were collected.

The use of this technology will improve customer security and reduce the risks posed by social engineering.

7. **Transfers.** Advances in transfers by a telephone number or card number facilitated a 49 % increase in the portfolio of active users of P2P transfers. A number of factors made this possible: the development of P2P interfaces; joining the *Faster Payments System*, which was used by no fewer than 45 banks as of the end of 2019; and the ability to make transfers by a telephone number between holders of Visa and *MasterCard* bank cards.

8. **VTB Mobile.** On 25 September 2019, the Bank launched its virtual mobile operator, *VTB Mobile*, which uses *Tele2's* radio access network and infrastructure.

Sales of *VTB Mobile* SIM cards were launched at several branches in Moscow in September 2019 and in St. Petersburg in October 2019.

The process of issuing a SIM card takes no more than five minutes thanks to the close integration between the banking and telecoms IT platforms, while the vast majority of subscribers use the *VTB Mobile* application. Thanks to *VTB Mobile*, the Bank was able to attract new clients and reactivate existing Bank clients.

## SERVICES FOR HIGH-NET-WORTH CLIENTS

In 2019, VTB Group continued working hard to attract high-net-worth customers. During the reporting period, emphasis was placed on diversification of the portfolio under management. The number of high-net-worth individuals who are clients of the Bank reached an all-time high in 2019, exceeding 500 thousand customers. During the year, the client base increased by 75 thousand to 553.6 thousand people. At the same time, the average client balance increased from RUB 3 million to RUB 3.2 million.

### Privilege programme

The volume of funds under management of the *Privilege* programme (customer liabilities and investment portfolio) increased to RUB 1.8 trillion (up 20 %). Privilege clients are the most stable growing customer segment (having increased in all four quarters of 2019), accounting for half of the increase in the Bank's rouble liabilities. The investment portfolio increased at a rapid pace from 15 % to 20 % of funds under management. High-net-worth clients are showing an increasing demand for long-term capital planning tools, such as accumulative life insurance and non-state pension coverage, which are provided by the Bank's partners: the *Sogaz-Life* insurance company and the VTB Pension Fund.

For high-net-worth clients, the Bank has introduced more stringent security requirements for transactions, including online transactions, and it has also introduced special measures to combat fraud involving client accounts.

At present, holders of a *Privilege* package can be served at 592 VTB offices in nearly every region of the Russian Federation, including 45 dedicated offices for high-net-worth clients. Most operations can be conducted remotely, including resolving non-financial issues, using the *Concierge Privilege* application.

### Private Banking

VTB Private Banking continued to strengthen its leadership in the private banking market in Russia. As of the end of 2019, the VTB Private Banking network consisted of 31 offices in 26 Russian cities. In 2019, one new VIP office was opened in Irkutsk (*Baikal Prime*).

During the year, VTB saw a 25.6 % increase in Private Banking clients (more than 22.6 thousand clients). VTB Private Banking's assets under management grew by RUB 290 billion to RUB 2.1 trillion. The average balance per customer at the end of 2019 was RUB 93 million.

As of the end of 2019, investment products accounted for more than half of new funds under management. The portfolio of investment products managed by VTB Private Banking increased by 50% in 2019 to RUB 656 billion. The share of premium clients with investment and insurance products increased from 41 % to 50 %.

Premium clients also purchased VTB bonds, which are a good alternative to deposits, as they offer higher yields. In 2019, VTB's portfolio of VTB bonds among premium clients increased by 130 % to RUB 89 billion.

VTB Private Banking is in constant contact with its customers, having conducted around 40 customer events and various forums in 2019, which made it possible to promptly respond to all customer inquiries.

An updated *Prime+* package was launched in 2019, which was developed on the basis of the *Multicard* product. The number of clients holding a Prime package increased by 25 % to 15,389 customers.

The main drivers for the development of VTB Private Banking segment in 2019 were synergy with the corporate division, a new model for the sale of investment products and the fact that VTB formed a professional team that is able to give VTB Private Banking customers a level of investment expertise previously available only to large institutional investors.

One of the fastest-growing areas of VTB Private Banking in 2019 was the *Family Office*<sup>1</sup>. The number of VTB Family Office customers increased by 40 % during the year.

In 2019, VTB's *Family Office* was recognised as the best in Russia at the *ninth Moscow Forum of Family Offices* organised by *Hansa Fincon* for HNWI<sup>2</sup> clients and key players in the private wealth management market.

VTB Private Banking won the prominent *Euromoney Private Banking and Wealth Management Survey* on investments and service for business owners.



**VTB's Family Office**  
In 2019, VTB's Family Office was recognised as the best in Russia at the *ninth Moscow Forum of Family Offices* organised by *Hansa Fincon* for HNWI clients and key players in the private wealth management market.

<sup>1</sup> A family office is a family welfare management model that includes monitoring the implementation of ongoing financial transactions, investing family capital, tax planning, real estate transactions, arranging the education of family members, inheritance issues and so on.

<sup>2</sup> High-net-worth individuals.

## INVESTMENT SERVICES FOR RETAIL CUSTOMER

2019 was a record-setting year for the Bank in terms of sales of investment insurance products. In terms of sales of mutual funds, the Bank became the absolute leader by increasing its portfolio by RUB 56 billion, which accounted for about half the growth of the pooled investment market in the country.

Amid stagnation in the market for investment life insurance (ILI), the Bank increased its sales of ILI by 16 % year-on-year to RUB 17.9 billion.

VTB had a banner year in terms of attracting customers investing in the stock market, with clients opening 565 thousand new brokerage accounts (333 thousand new clients and 231 thousand new personal investment accounts). This was the result of the new sales model introduced across the board in 2Q 2019 and the inclusion of mass retail clients in the process.



**An Investment Advisor service was launched for VTB clients: this was the first software algorithm certified by the Bank of Russia in accordance with the requirements of Federal Law No. 397-FZ. Investment Advisor is a service that recommends an investment portfolio through a brokerage account in accordance with the client's risk profile. The service involves not only the initial composition of the portfolio but also further monitoring and review of the portfolio, if necessary. The service is provided free of charge for the Bank's clients.**

New functionality – the ability for non-Bank customers to open a brokerage account remotely – was added to the *VTB My Investments* mobile application. Now, anyone can become a client of the Bank by downloading the *VTB My Investments* application and completing the remote identification procedure during a chat that takes 5–7 minutes.

During the reporting period, VTB Bank organised, for the first time, the placement of structured bonds with a coupon payout that depends on the performance of the underlying assets and that provide an opportunity for higher returns for investors. One must typically be a qualified investor to invest in such products, which are placed in large lots in the OTC market. Structured bonds with a minimum lot of RUB 50,000 and no qualification requirements enable every retail client of the Bank to access this type of product.

As part of efforts to improve the services available through the *VTB My Investments* application, fees were changed, and a new currency exchange function was launched. Bank clients can now exchange as little as one unit of a particular currency at market rates.

## SOCIAL PROJECTS AND WORK WITH SPECIAL SEGMENTS

In 2019, a comprehensive product offer was made available to pensioners and military pensioners (the current customer portfolio includes 157 thousand pensioners):

- Deposits for military pensioners (+0.1 % above the standard deposit rate);
- Lending at a preferential rate for non-working pensioners, including military personnel;
- The possibility of changing one's pension provider through bank branches was introduced (the existence of a verified account on the *State Services* portal is a prerequisite).

The large-scale issue of campus salary cards for higher education institutions based on the *Multicard* product began, enabling the Bank to increase its portfolio of salary cards in the education sector by more than 100 thousand cards and to increase customer interest in using the card not only as a financial instrument but also for other non-financial services (transport, entry pass, access to electronic document management systems, etc.). The Bank provided support for universities in installing infrastructure for servicing campus cards.

In 2019, VTB began implementation of its Resident Card project on the basis of its *Multicard* flagship card product. The *Resident Card* is a registered multifunctional plastic card offering banking functions and additional non-financial services, such as a travel card, a compulsory medical insurance policy

and an individual insurance number, an entry pass for work and educational institutions, an electronic signature and others. The *Resident Card* is issued jointly with the relevant regional administration and makes possible, among other things, targeted provision and registration of benefits for certain categories of citizens, forecasting and planning regional development, etc.

*Resident Card* projects include the *St. Petersburg Universal Resident Card*, which was launched in May. By the end of the year, the Bank had issued 54 thousand cards.

In addition, the *Muscovite Card* was issued based on the *Multicard*, which enabled the launch of campus projects involving the *Moscow Institute of Physics and Technology* and the *Moscow State Institute of International Relations of the Russian Ministry of Foreign Affairs*, with 2,700 cards issued to students enrolled at these universities. A trial issue of the *Muscovite Card* was launched for various categories of individuals without privileges within salary organisations and at VTB points of sale.

At the end of 2019, pilot sales projects were launched for the issue of the *Social Care Card* for the Vologda region and the *Bank Transport Card* for the Nizhny Novgorod region as the first stage of a *Resident Card* project. Issues related to the Bank's participation in the issue of *Resident Cards* were addressed with more than 20 regions.

### SPECIAL OFFERS FOR VTB BANK SHAREHOLDERS

In 2017, VTB Bank developed a special programme for the Bank's 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. Special service conditions for shareholders became available in all regions where VTB Bank operates since 2018 after merger of VTB and VTB24 Banks.

Preferential terms and conditions for VTB shareholders apply to the *Multicard*, *Privilege* and *Prime* service packages, custody and brokerage services and insurance. Shareholders also have access to reduced rates on cash loans, mortgages and car loans, including when refinancing existing loans from other banks.

In 2019, as part of the Bank's relations with shareholders:

- Cards were given out to congratulate shareholders who survived the siege of Leningrad;
- A promotion was launched called "Welcome bonus points for VTB Shareholders with a *St. Petersburg University Resident Card*" (from 2 September 2019 to 30 June 2020);
- Meetings were held with current and potential shareholders of the Bank in the regions where the Bank operates.

The possibility of accessing special conditions for certain products depends on the size of the individual shareholder's stake in VTB Bank. At the same time, shareholders are not required to provide documents confirming their ownership of shares. The register of shareholders is checked automatically as of its last closing date whenever any branch in VTB's retail network is contacted.

As of 31 December 2019,  
VTB Bank's portfolio of loans  
to shareholders amounted

to **18** RUB billion,  
having increased by 67 %.

Deposits and accounts from individual  
VTB Bank shareholders amounted

to **131** RUB billion.

More detailed information on offers for shareholders can be found [on the Bank's website](#) (available in Russian language only).

### OFFICE NETWORK

On 1 January 2019, VTB began operating its single regional network, which consists of 66 regional operational offices, 24 business groups in Moscow and the Moscow region and six business groups in St. Petersburg and the Leningrad region. Branches began operating as operational support centres for the purpose of centralising and optimising a number of business support functions.

A regional network management system was established, and a single administration was established for the combined regional operational offices and business groups. The managers of the regional divisions of the integrated network, who were competitively selected, have broad powers and are responsible for results-oriented business operations in their respective regions.

As of the end of 2019, the regional network had 1,519 offices in 77 regions and 440 cities of Russia, which included:

- A network of sales offices: 698 universal offices (serving individuals and legal entities), 715 retail offices (serving only individuals), 72 corporate offices (serving only legal entities) and four operational cash offices outside the teller network;
- A network of support offices: 23 branches (9 base branches and 13 auxiliary branches, VIP-branch 7777) and 7 cash offices outside the teller network.

As of the end of 2019, the network development and optimisation plan was fully implemented. In order to make banking services available to more people, 55 new offices were opened during the year, 24 of which are in new cities. In 2019, 23 projects to optimise the infrastructure of the existing network were implemented, and 16 inefficient offices were closed, which enabled the Bank to get rid of excess space and reduce costs.

In order to universalise offices a project was implemented in 2019 to unify offices situated in one location – 115 points of sale in Moscow. A service support model for the regional network through support units was developed and approved.

The Development Strategy for the integrated network to 2022 was adopted. In accordance with the Development Strategy, new technological office formats will appear in the regional network, the network will be more efficient, and network costs will be reduced.

## **NON-BANKING FINANCIAL BUSINESS OF RETAIL BUSINESS GLOBAL BUSINESS LINE**

### *VTB's non-state pension fund*

Non-state Pension Fund VTB Pension Fund (hereinafter, "the Fund"), a fast-growing non-state pension fund in Russia and one of the leading players in the Russian market, provides a full range of services for compulsory pension insurance and non-state retirement benefits, including corporate pension programmes.

The Fund is a member of self-regulatory organisation *National Association of Non-state Funds (NAPF)* and a member of the *NAPF Board*. The Fund plays an active role in the work of specialised committees and commissions within the *State Duma, the Ministry of Finance of the Russian Federation and the Bank of Russia* on the development of the legislative framework and regulation of the activities of non-state pension funds.

As of the end of 2019, the Fund was managing more than RUB 257 billion, up 30 % from 2018. The amount of pension savings (compulsory pension insurance) totalled RUB 249.4 billion (29 % growth), while the amount of pension reserves under non-state coverage totalled RUB 7.1 billion (65 % growth).

The Fund pursues a balanced investment policy that offers an optimal combination of high return and maximum investment security, ensuring the preservation and accrual of customer funds. In 2019, the yield on pension savings allocated to the Fund's customer accounts reached 8.66 %. Thus, the accumulated yield amounted to 51.26 %, and the average annual yield for five years was 8.63 %.

The yield on pension reserves as part of the programme for non-state pensions amounted to 8.16 % through a balanced investment portfolio and 5.54 % through a conservative investment portfolio.

Since 2015 (over five years), the yield for participants in non-state pension programmes has increased 49.56 % through investment income accrued by the Fund through a balanced pension portfolio and 42.80 % through a conservative pension portfolio, which corresponds to average annual returns of 8.16 % and 7.39 % per year, respectively.

As of the end of the reporting period, the Fund was serving about 2.7 million customers. In 2019, the Fund was Russia's fifth-largest by pension assets under management.

In March 2019, the *Expert RA* ratings confirmed the Fund's rating of *ruAAA* (the highest level of creditworthiness/financial reliability/financial stability), with a stable outlook. Thus, the Fund has had the highest-possible financial reliability rating for seven consecutive years.

The Fund is working on the introduction of digital technologies. A new website for the Fund was developed and launched, the *Personal Account* service was updated, functionality was added to enable the Fund's clients to calculate social tax refunds, and functionality was added making it possible to submit applications for private pension payments online. Further upgrading of the service is under way for accepting contributions for non-state pension programmes within the framework of the *VTB Multibonus* programme (a format unique to Russia).

The Fund successfully implemented a project on the provision of non-state pensions for high-net-worth clients through VTB Bank's retail

network. In 2019, the *Magnit* non-state pension fund was acquired for the purposes of further consolidation. Including *Magnit*, the Fund's assets amounted to more than RUB 274 billion, and the Fund serves a total of 2,958 thousand clients.

The *Financial Elite of Russia* awards jury named the Fund the winner of the *2019 Financial Elite of Russia* award in two categories: *Reliability* and *Best Customer Service*.

### 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 receives profit insofar as Post Bank continues its successful growth.

As of the end of 2019, Post Bank's gross loan portfolio had increased by 35 % before provisions to RUB 411 billion. Post Bank's cash loan portfolio increased by 35 % and to RUB 344 billion, its POS loan portfolio increased by 24 % to RUB 46 billion, and its credit card portfolio increased by 42 % to RUB 21 billion.

Post Bank's retail customer deposits and accounts increased by 24 % to RUB 391 billion, while its volume of term deposits increased by 10 % to RUB 249 billion. Customer deposits in savings and current accounts increased by 61 % to RUB 142 billion.

In 2019, Post Bank's client base increased to 13.4 million customers (an increase of 3.5 million people). The number of pensioners receiving

a pension through Post Bank showed impressive growth, increasing by 54 %. As of 31 December 2019, the Bank was providing pension services to a total of 1,344 thousand pensioners (up from 869 thousand as of the beginning of 2019).

During the reporting period, Post Bank's regional network maintained its position in terms of the number of points of presence (more than 19 thousand), while, at the same time, expanding its geography of operations. As of the end of 2019, Post Bank was operating in 8,136 communities (up from 6,075 communities at the beginning of the year).

Post Bank expanded its geography of operations by connecting *Russian Post's* offices in rural areas to an agency network.

Post Bank's ATM network included 4,805 devices as of 31 December 2019. As part of the development of *Russian Post's* acquiring project, Post Bank installed 56 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 31 % to nearly 5 million people.

In June 2019, VTB Capital Investments and Post Bank signed an agreement to provide brokerage services to Post Bank's customers through VTB Bank. The partnership has been effective in attracting customers and expanding the range of banking products available.