

**25 YEARS  
OF GROWTH IN HARMONY  
WITH OUR CUSTOMERS**





# Table of Contents

## Highlights

## Key Financial Performance Indicators

## Mission and Values

### 1. Strategic Report

- 1.1. Address of the Chairman of the Supervisory Board
- 1.2. Address of the Chairman of the Management Board
- 1.3. Management Responsibility Statement
- 1.4. Economy and banking sector
- 1.5. Business model. Competitive advantages. Position in the industry.
- 1.6. Strategy
- 1.7. Risk Management

### 2. Overview of operations

- 2.1. Corporate banking
- 2.2. Retail banking
- 2.3. Cash handling

### 3. Financial results

- 3.1. Income statement analysis
- 3.2. Key Results
- 3.3. Income statement analysis
- 3.4. Structure of assets and liabilities under IFRS

### 4. Corporate governance system

### 5. For shareholders and investors

### 6. Sustainable development

- 6.1. Human Resources
- 6.2. Corporate Culture and Social Responsibility
- 6.3. Information technologies
- 6.4. Society
- 6.5. Environmental Management

### Contacts

### Appendices

- Appendix 1. IFRS Statements
- Appendix 2. RAS Statements
- Appendix 3. List of interested party transactions made in the reporting year (2016)
- List of major transactions made in the reporting year (2016)
- List of transactions requiring approval under the Charter made in the reporting year (2016)
- Appendix 4. Report on Compliance with the Principles and Recommendations of the Corporate Governance Code.



# Highlights

## February

CBM received Banki.ru prize in the nomination Deposit of the Year

## March

CBM's Solid History TV commercial was awarded as the Best TV Sport Commercial

## May

CBM's online acquiring was acclaimed as the most effective service in the market in the Internet Acquiring Rank 2016 survey

## June

The Moscow Exchange included CBM's shares in its MICEX and RTS indices

## July

MOEX Excellence Award in the special nomination The best IR among companies that closed their IPO on the Moscow Exchange in 2015

## August

CBM acquired SKS Bank to develop its investment banking

## October

CBM launched an online acquiring service for e-commerce start-ups

## October

CBM successfully placed a USD 500 mln Eurobond

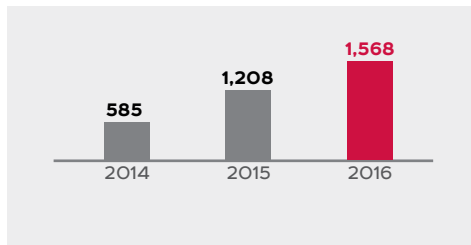


more information  
at CBM website

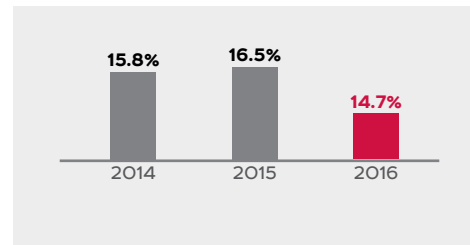


## Key financial performance indicators

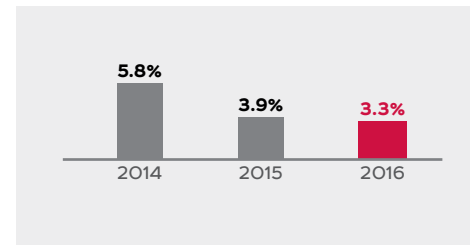
Assets, RUB bln



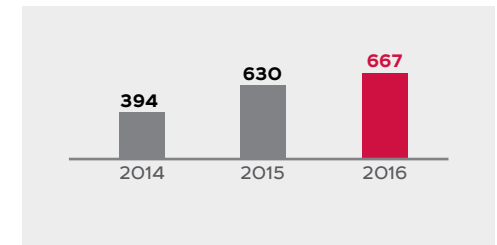
Capital adequacy ratios (Basel III), %



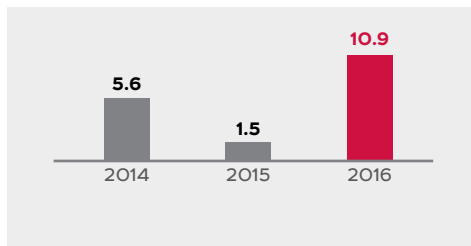
Net interest margin, %



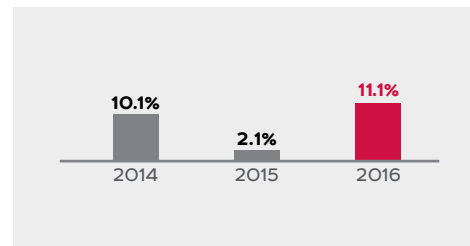
Gross loan portfolio, RUB bln



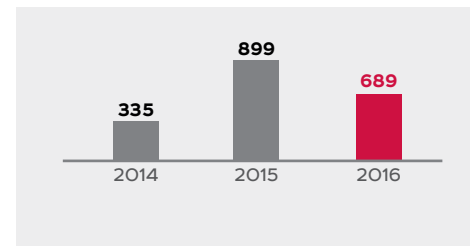
Net profit, RUB bln



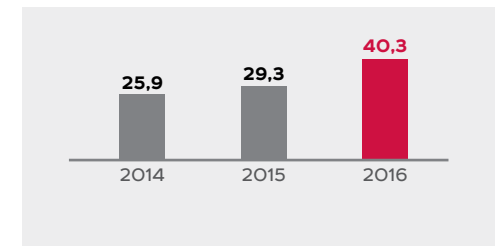
ROAE, %



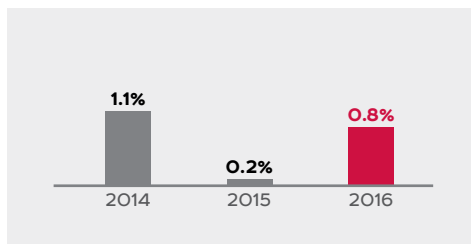
Customer accounts, RUB bln



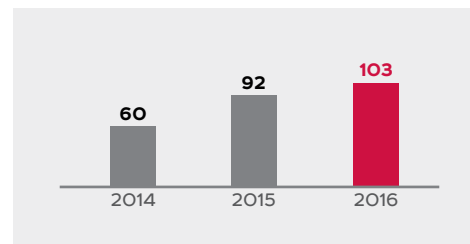
Net interest income, RUB bln



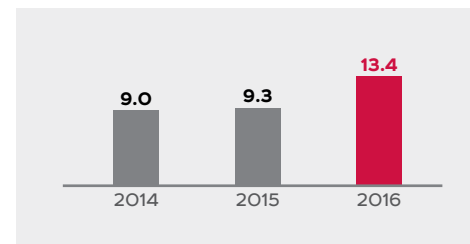
ROAA, %



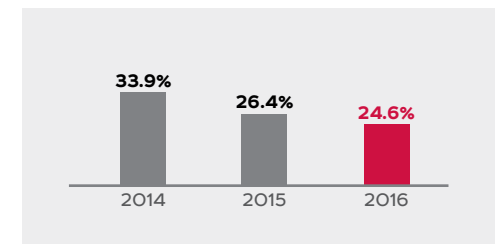
Equity, RUB bln



Fee and commission income, RUB bln



Cost-to-income, %







# Mission and Values

## Mission

We help customers make their way to the accomplishment of their aims, aspirations and desires, by satisfying their need for high quality financial services and offering mass market and exclusive banking products designed on the basis of best international and Russian experience.

## Values

The Bank's operations are based on a transparent business model, effective management and good corporate governance matching international standards. The Bank's primary values are:

### SOCIAL RESPONSIBILITY

We are responsive to social needs and environmental concerns, which is reflected in the transparency of our activities, ethical conduct, respect for third parties' interests and rights, commitment to strict principles formulated and propagated by the Bank and laying the framework for all its operations.

### EFFICIENCY

We emphasise efficient use of internal and external resources.

### RELIABILITY

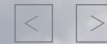
We are committed to long-term friendly relations with our customers and treat them like we would like to be treated ourselves.

### CONSTANT DEVELOPMENT

We are not self-complacent with our achievements and seek to attain new goals.

### UNITED PROFESSIONAL TEAM

Efficient and coherent performance of the whole team and each individual employee is ensured by common and clear understanding of moral and professional reference points and values.



# 1. Strategic Report



The content  
section

- 1.1. [Address of the Chairman of the Supervisory Board](#)
- 1.2. [Address of the Chairman of the Management Board](#)
- 1.3. [Management Responsibility Statement](#)
- 1.4. [Economy and banking sector](#)
- 1.6. [Business model.](#)  
[Competitive advantages.](#)  
[Position in the industry.](#)
- 1.7. [Strategy](#)
- 1.8. [Risk Management](#)





## 1.1. Address of the Chairman of the Supervisory Board

2016 was an important year of transition for the Russian economy: the downturn in the country's industrial production and business activity, observed during the last few years, is gradually reversing and the economy's recovery is becoming more stable.



**William Forrester Owens**

CHAIRMAN OF THE  
SUPERVISORY BOARD



For a detailed biography, see the Corporate governance system section

p. 88

Dear Shareholders, Investors, Customers and Partners, 2016 was an important year of transition for the Russian economy: the downturn in the country's industrial production and business activity, observed during the last few years, is gradually reversing and the economy's recovery is becoming more stable. This is witnessed by the base GDP growth consensus forecast for 2017 of at least 1%, to be driven by growing consumption as real household income is expected to rise. While the past years' crisis once again highlighted the Russian economy's sensitivity to oil prices, steps are being taken to lessen that dependence and switch to a more balanced economic development model.

Positive trends at the macro level will certainly be favourable for the Russian banking sector. In particular, we believe that the worst of the 2014-2016 crisis, with its higher provisioning rates, falling profits and rising operating expenses, is now behind us and the banking sector is stabilising as asset quality and other performance indicators improve. CREDIT BANK OF MOSCOW was no exception, and in 2016 it once again showed strong results, confirming its ranking as a reliable and trusted leader in the Russian banking sector, whose strategy and business model have proven to be effective even during times of crisis.



For a detailed information, see the Economy and banking sector section

p. 12

Improvements in the Russian regulatory environment, along with changes in international requirements placed on the banking sector, play an increasingly important role in any bank's activities. CREDIT BANK OF MOSCOW supports and is aligned with these reforms and has always been committed to the highest international standards and regulatory requirements. Its Supervisory Board has focused on improving its internal management systems, with an emphasis on risk management, stress tests and capital planning. During 2016, the Bank improved its risk management strategy to align with the current operating environment, placing a top priority on enhanced risk management in line with the latest regulatory requirements. The Bank also focused in 2016 on updating and improving its internal risk management policies, sectoral and product strategies, including further automation of and improvement of its credit processes. The Bank also retained an outside risk management consulting firm to





advise and counsel the Bank's management and Supervisory Board on bettering its risk management procedures.

The Bank works hard to improve its corporate governance procedures and monitors (and adopts where appropriate) the latest changes and developments in national and international corporate governance. In 2016, the Bank retained the international consulting firm of Odgers Berndtson to undertake



For a detailed information, see the Corporate governance system section

p. 73

a performance appraisal of the Supervisory Board and also prepared a "road map" of actions needed to fulfil recommendations of the Bank of Russia's Corporate Governance Code. Last year the Bank updated key regulations and policies applicable to its Supervisory Board, committees and internal bodies. In addition, due to changes in the Supervisory Board's membership, succession planning was addressed as well.

In 2016, the Supervisory Board was joined by two new independent directors and two new non-executive directors. The Bank welcomes the professional experience and expertise of these new Supervisory Board members and believes that they will make a meaningful contribution to further improvement of its corporate governance system.

In 2016, the Bank strengthened its position in the Russian banking market and broadened its product offering to customers. In particular, CREDIT BANK

OF MOSCOW successfully closed its acquisition of Savings and Loans Services Bank to expand its financial market business and develop a new line of business – investment banking. This is the Bank's second significant M&A transaction in the last two years following its purchase of the cash handling service company INKAKHRAN in 2015. CBM expects both of these acquisitions to improve its ability to serve its customers.

We are optimistic about 2017 and believe that CREDIT BANK OF MOSCOW's business model, development strategy, well-established corporate governance system, transparency and openness in doing business, and commitment to best international principles and practices will continue to underpin its successful development, sound financial condition and a growing market position.

**William Forrester  
Owens**

CHAIRMAN OF THE  
SUPERVISORY BOARD





## 1.2. Address of the Chairman of the Management Board

The year 2016 was not easy for the Russian banking sector. Nevertheless, as the economy revived towards the year-end, new development prospects and growth opportunities opened up.



Vladimir A. Chubar

CHAIRMAN OF THE  
MANAGEMENT BOARD



For a detailed biography, see the Corporate governance system section

p. 97

DEAR SHAREHOLDERS, INVESTORS, PARTNERS AND CUSTOMERS,

The year 2016 was not easy for the Russian banking sector. Nevertheless, as the economy revived towards the year-end, new development prospects and growth opportunities opened up. But they came with toughening competition for high-quality business, so banks faced new challenges and had to re-adapt to the now improving market conditions.

In 2016, the Russian economy continued to feel the impact of foreign policy factors, oil price volatility and contracting GDP, but we may state that Russian companies mostly demonstrated an ability to work successfully in harsh macroeconomic conditions, while the economy gradually moved to a moderate growth trajectory after two years of recession.

In the prevailing economic environment, CREDIT BANK OF MOSCOW strengthened its position among the top-5 privately-owned Russian bank by total assets, loan portfolio, funding base and equity.

The Bank's importance for the Russian economy was acknowledged by the addition of the Bank's shares by the Moscow Exchange to its MICEX and RTS in-

**CREDIT BANK OF MOSCOW STRENGTHENED  
ITS POSITION AMONG THE TOP-5  
PRIVATELY-OWNED RUSSIAN BANK**

dices as it revamped their reference bases. These indices cover the top 50 liquid shares of the largest Russian companies from key sectors of the economy. CBM's shares also made their way to the broad market shares index and the financial sector index. The Bank's free-float estimated under the Moscow Exchange's methodology was 21% as at end-2016.

CREDIT BANK OF MOSCOW acquired Savings and Loans Services Bank (SKS Bank) in 2016 to develop a new line of business – investment banking – as it aims to provide its customers the full range of financial services and develop cross sales ensuring sustainable business growth. This subsidiary credit institution was acquired to expand the product range with such products as brokerage services, individual investment accounts, depository services and underwriting. Using a separate company as a vehicle for this business line allows us to optimise IT processes, better control costs and ensure prompt decision-making.



The Bank continuously improves its IT architecture, introduces new IT solutions and remote access services, with full awareness that IT systems in banking have long since turned from a supporting service into a key competitive advantage in their own right, as numerous examples show.

The Bank's achievements in this area were acknowledged by authoritative sources. Markswebb Bank & Report acclaimed it on two occasions in 2016: the



For a detailed information, see the Information technologies section

p. 139

**IT SYSTEMS IN BANKING HAVE LONG SINCE TURNED FROM A SUPPORTING SERVICE INTO A KEY COMPETITIVE ADVANTAGE IN THEIR OWN RIGHT**

Bank's online acquiring was praised as the most effective e-commerce service among Russian banks, ahead of larger market players, while its online banking facility MKB Online came 8th in the Internet Banking Bank 2016 survey covering 36 online banking facilities whose performance and functionality were evaluated against a checklist of more than 300 criteria.

In 2016, the Bank demonstrated strong financial results. Its net income for 2016 increased by 7 times to RUB 10.9 bln mainly because the interest and fee income rose on the back of good quality growth of the Bank's operations amid gradually stabilising business activity. The Bank's net interest income increased by 37.6% in 2016 and amounted to RUB 40.3 bln. The net interest margin was 3.3%.

The fee and commission income increased by 43.4% compared to 2015 and reached RUB 13.4 bln. That

growth was notably driven by cash handling fees that soared by 67.4% to RUB 2.6 bln, partly because of the integration of INKAKHRAN acquired in November 2015.

The Bank's operational efficiency remained at a record level for the Russian banking sector, as evidenced by the cost-to-income (CTI) ratio reducing to 24.6%.

The Bank's total assets expanded by 29.8% in 2016 to RUB 1.6 bln, and it should be noted particularly that their quality improved significantly. The ratio of non-performing loans (NPL90+) in the gross loan portfolio fell from 5.1% to 2.3% in 2016, the cost of risk declined from 5.4% to 4.6%, and the NPL90+ coverage ratio increased from 113.7% to 263.3%.

In November 2016, the Bank returned to the Euro-bond market, after a two-year hiatus, with a 5-year USD 500 mln 5.875% LPN issue. It had the longest term of all similar instruments issued by Russian banks since mid-2014 and stood out for its amount among similar transactions of privately-owned Russian banks in 2016.

The deal can be viewed as a milestone as its wide geographic distribution, minimal interest rate and benchmark size witness to the Bank being trusted as a prime borrower, commended for its business model's efficiency and viewed favourably by the international investment community.

CREDIT BANK OF MOSCOW actively supports charitable causes. A noteworthy contribution to the protection of vulnerable social groups is made by charitable campaigns organised by the Bank's employees in co-operation with the Arifmetika Dobra charity. The Bank won the second place among the largest Russian banks in the Social Project of the Year

nomination of the Bank Review magazine's Financial Sphere award for the fund-raising events held by the Bank in 2016 to sponsor additional educational programmes for orphanages across Russia.

Also, in September 2016, CREDIT BANK OF MOSCOW and Moscow's Department of Culture, for the fifth year in a row, co-organised the Bright People international family street art festival in Moscow.

We not only welcome and support charitable causes and artistic development of the young, but also promote Russian sports. As part of the sponsorship for the Russian football team at the 2016 UEFA European Championship and 2018 FIFA World Cup, the Bank carries out a multi-stage image campaign – Solid History, aiming, regardless of match results, to remind that Russia is a great country with a rich football history. The Solid History series of TV sport commercials twice received the government-supported Sport and Russia award as the Best TV Sport Commercial in 2015 and 2016.

The Bank is set to go beyond what it has already achieved – we see a potential that it can use in the coming years to leverage its customer relationships, broaden its customer base, improve its product offerings, sales channels and IT solutions and, on the whole, make a greater contribution to development of the Russian financial sector.

Vladimir A. Chubar

CHAIRMAN OF THE  
MANAGEMENT BOARD



## 1.3. Management Responsibility Statement

I HEREBY CERTIFY THAT, TO THE BEST OF MY KNOWLEDGE:

(a) the financial statements prepared in accordance with the International Financial Reporting Standards and Russian Accounting Standards give a true and fair view of the assets, liabilities, financial position and profit or loss of CREDIT BANK OF MOSCOW and

(b) that the management report includes a fair review of the development and performance of the business and the position of CREDIT BANK OF MOSCOW together with a description of the principal risks and uncertainties that it faces.

On behalf of the Management Board: **Vladimir A. Chubar**

CHAIRMAN OF THE  
MANAGEMENT BOARD



## 1.4. Economy and banking sector

### Macroeconomic update

In 2016, the Russian economy continued to be affected by relatively low oil prices, and further political and economic situation.

In 2016, the Russian economy continued to be affected by relatively low oil prices, and further political and economic situation. Despite the complex business environment, 2016 results may be considered satisfactory against the background of the recent geopolitical developments and the situation in the global commodities markets, as the fall in Russia's GDP in 2016 was less than expected at only 0.2% against 3.7% in 2015. Despite the on-going decline of the consumer demand caused by falling real income, the investment demand grew as evidenced by re-stocking requirements. The economic growth was mainly driven by net exports. The inflation rate decreased from 12.9% in early 2016 to 5.4% in early 2017, which put the indicator quite close to the target value of 4% set for 2017. The national economy demonstrated some growth of investment demand

and industrial output, while the capital outflow went down from RUB 55.6 bln in 2015 to RUB 14.5 bln in 2016.

Overall, one may say that the Russian economy was successful in overcoming the double shock of falling oil prices and deteriorating access to the international financial markets and can be expected to return to moderate growth in 2017 after two years of recession.

Despite a positive outlook, our base case scenario for 2017 assumes further uncertainty in the geopolitical and external economic environment, preservation of restrictions and sanctions imposed by Western countries on Russia, relatively low oil prices and restricted access to foreign capital for Russian companies.





## Banking sector overview

### Assets

Breakdown of financial institutions by assets (descending)	01.01.2014		01.01.2015		01.01.2016		01.01.2017	
	RUB bln	% of the total	RUB bln	% of the total	RUB bln	% of the total	RUB bln	% of the total
Top 5	30,235	52.7	41,594	53.6	44,884	54.1	<b>44,233</b>	<b>55.3</b>
6th to 20	10,905	19.0	16,674	21.5	17,925	21.6	<b>18,258</b>	<b>22.8</b>
21st to 50	6,384	11.1	8,260	10.6	9,391	11.3	<b>8,445</b>	<b>10.6</b>
51st to 200	6,983	12.2	8,406	10.8	8,484	10.2	<b>7,520</b>	<b>9.4</b>
201st to 500	2,377	4.1	2,316	3.0	2,060	2.5	<b>1,529</b>	<b>1.9</b>
501st and the rest	540	0.9	413	0.5	254	0.3	<b>79</b>	<b>0.1</b>
<b>TOTAL</b>	<b>57,423</b>	<b>100</b>	<b>77,663</b>	<b>100</b>	<b>83,000</b>	<b>100</b>	<b>80,063</b>	<b>100.0</b>

Source: CBR

↓ **3.5%**

The Russian banking sector's assets decreased by 3.5% in 2016.

↑ **1.9%**

With the Russian currency appreciating by 16.7% against dollar, the sector's assets grew by 1.9% yoy (net of FX revaluation).

↑ **55.3%**

The 5-bank asset concentration ratio increased from 54.1% as at end-2015 to 55.3% as at end-2016.



## Loan portfolio

RUB bln	1 Jan 16	1 Jan 17	Change yoy
<b>Corporate loans</b>	<b>33,301</b>	<b>30,135</b>	<b>-9.5%</b>
overdue (1+ day)	2,076	1,892	
as % of loans	6.2%	6.3%	-8.9%
<b>Retail loans</b>	<b>10,684</b>	<b>10,804</b>	<b>1.1</b>
overdue (1+ day)	864	858	
as % of loans	8.1%	7.9%	-0.7%
<b>Total loans</b>	<b>43,985</b>	<b>40,939</b>	<b>-6.9%</b>
overdue (1+ day)	2,940	2,750	
as % of loans	6.7%	6.7%	-6.5%
<b>USD/RUB EXCHANGE RATE</b>	<b>72.93</b>	<b>60.66</b>	<b>-16.7%</b>

Source: CBR

↓ **6.9%**

The gross loan portfolio shrank by 6.9% (2.4% net of FX revaluation).

↓ **9.5%**

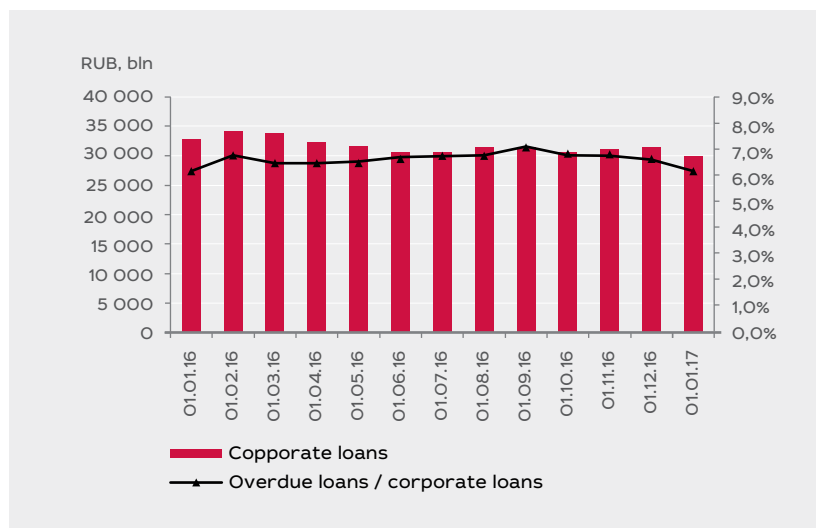
This reduction was mainly due to corporate loans decreasing by 9.5% yoy or 5.1% net of FX revaluation.

↑ **1.1%**

The retail loan portfolio increased by 1.1% in 2016 (1.4% net of FX revaluation) mainly due to mortgage loans encouraged by the federal mortgage lending support programme that operated until the end of 2016.



## Corporate loans



Source: CBR

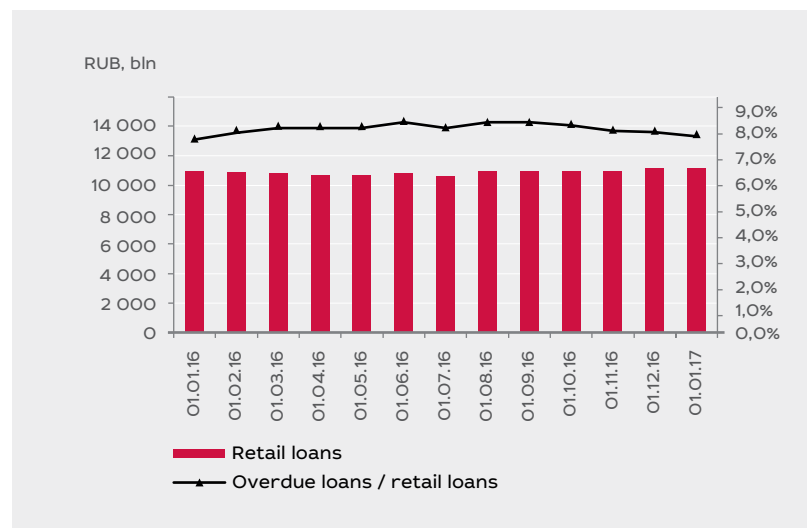
↑ 6.3%

The share of overdue loans in the corporate loan portfolio rose by 0.1 pp to 6.3% in 2016.

↓ 7.9%

The retail loan portfolio's quality also improved as at end-2016. The share of overdue loans decreased from 8.1% to 7.9%.

## Retail loans



Source: CBR

↑ 10.1%

The total reserves-to-loans ratio increased in 2016 by 0.6 pp to 10.1%.



## Funding base

RUB bln	1 jan 16	1 jan 17	Change yoy
<b>Customer accounts (demand + term)</b>	51,907	50,003	-3.7%
Retail deposits	23,219	24,200	4.2%
Corporate deposits	19,018	16,385	-13.8%

Source: CBR

↓ 3.7%

Customer accounts dropped by 3.7% in 2016 solely because of foreign currency revaluation (+2.6% net of FX revaluation).

↓ 13.8%

Corporate deposits decreased by 13.8% (5.5% net of FX revaluation).

↑ 4.2%

Retail deposits rose by 4.2% (9.2% net of FX revaluation).

↓ 5.7 pp.

Other notable trends of 2016 include a change in the retail deposit portfolio structure. The share of FX-nominated deposits decreased by 5.7 pp to 23.7%.

Deposits and correspondent accounts due from credit institutions in the Bank of Russia (on deposits and correspondent accounts) grew by 22.2%, as did their percentage in banking sector assets (from 2.5 to 3.2%). Interbank loans to resident banks grew by 1.4 times, while the portfolio of interbank loans to non-resident banks dropped by 1.8 times.<sup>1</sup>

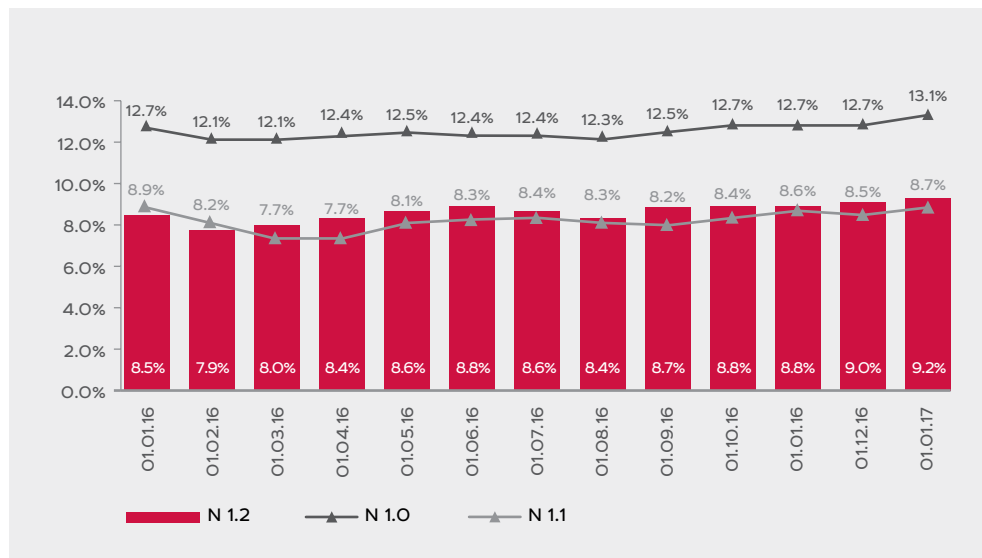
<sup>1</sup> According to CBR's report On the Russian Banking Sector's Development in December and on the Results of 2016.





## Income and capital adequacy

### Capital adequacy (Basel III)



Source: CBR

↑ **3.5%**

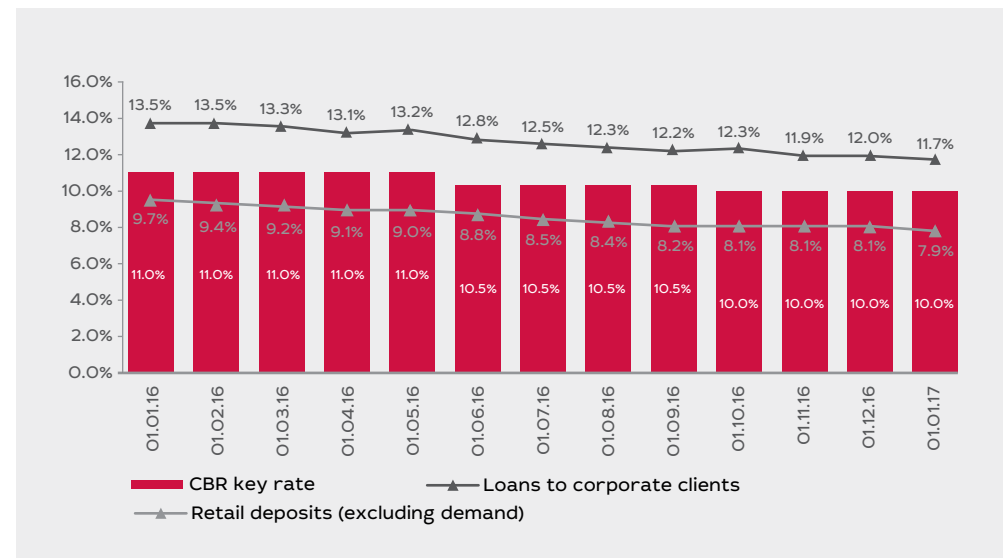
A prominent positive result of 2016 was the almost five-fold growth of credit institutions' income compared to 2015 (RUB 930 bln vs RUB 192 bln). Loss provisions grew by 3.5% yoy, or by RUB 188 bln (2015: +33.4%, or RUB 1,352 bln).

↑ **13.1%**

Capital adequacy of Russian banking sector remained strong with N1.0 ratio at or above 12.3% in 2H2016 (N1.0 was 13.1% as of 1 January 2017).

## Interest rates

### Average rates of banks in Russia, excluding Sberbank (in Rubles)



Source: CBR

↓ **7.9%**

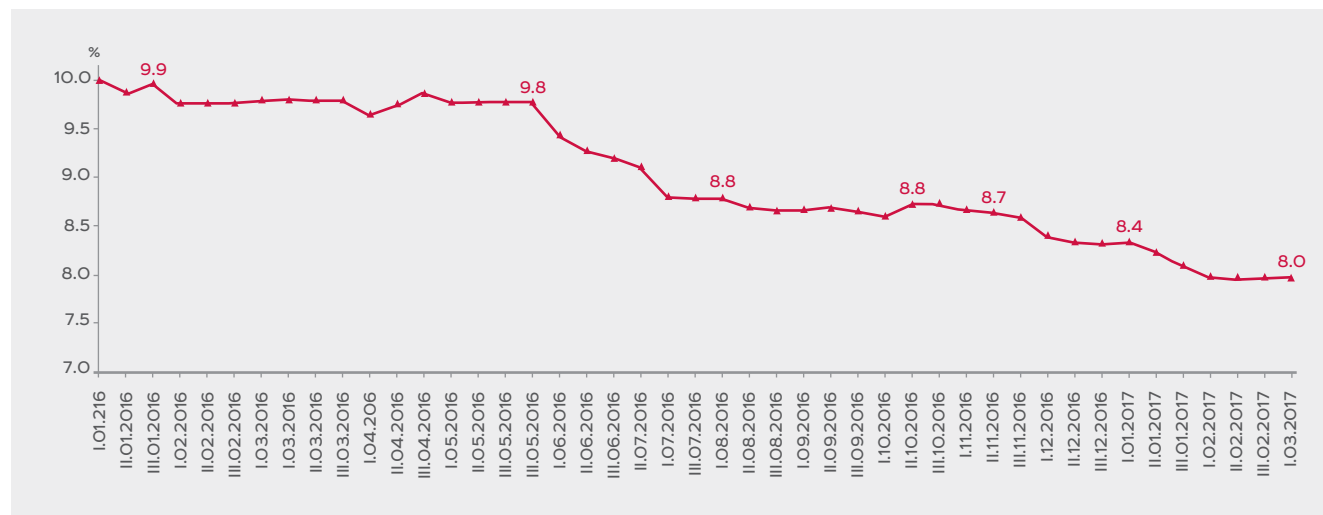
The average rate on retail deposits declined by 180 bps to 7.9% in the same period.

↓ **11.7%**

The average rate on loans to non-financial organisations fell to 11.7% in January 2017 from 13.5% in January 2016.



## Deposit rates of TOP-10 Russian banks



Source: CBR

↓ 8%

The top 10 Russian banks' average deposit rate reduced to 8.0% by early January 2016 from 10% as at the beginning of the last year.

↓ 9.75%

The Bank of Russia's Board of Directors decided to reduce the key rate to 9.75% on 24 March 2017 as inflation continued to decline in line with forecasts and the economy signalled recovery.

↓ 4%

The most likely mid-term scenario is the continuation of the economic and GDP recovery trajectory and the external political and economic uncertainty which remains high and can thus adversely affect foreign exchange and inflation

expectations. As the 4% inflation target is highly likely to be achieved by end-2017, and given changes in external and internal conditions, the Bank of Russia sees it possible to gradually cut the key rate in the 2nd-3rd quarters of 2017.

## Liquidation of credit institutions

CBR revoked **98 licenses** in 2016. 14 more licenses were cancelled due to reorganisation of credit institutions.



Annual report 2016 / 1. Strategic Report / 1.5. Business model. Competitive advantages. Position in the industry.

## 1.5. Business model. Competitive advantages. Position in the industry.

### CREATED VALUE

**Shareholders and investors****RUB 10.9 bln**

of net income in 2016

**Customers****+18%**

Access to high-quality banking services, with a 18% customer base growth in 2016

**Personnel****8,161**

employees

**Society**

Charitable campaigns organised by the Bank's employees in co-operation with the Arifmetika Dobra charity

### UNIQUE OPERATING MODEL

**STABLE CORPORATE BUSINESS**

- Focus on strong big- and mid-caps in target segments.
- Wider coverage of Russian "blue chips".
- Further development of new fee products to support fee income growth and cross sales.

**RETAIL BANKING: HIGH-QUALITY CUSTOMER BASE**

- Target market segments: consumer and mortgage lending.
- Thorough customer screening based on a rigorous underwriting policy aimed at maintaining high loan portfolio quality.
- Differentiated risk appetite based on customer segmentation.
- Huge potential of the retail banking market in the Moscow Region.

**ONE OF THE LARGEST CASH HANDLING SERVICES PROVIDERS IN RUSSIA**

- Starting point for acquiring new customers and increasing loyalty.
- Powerful tool to monitor customers' cash flows.
- Ability to directly debit customer accounts to repay their overdue loans.
- Maintenance of proprietary and partner banks' network of payment terminals

**EFFECTIVE MULTI-CHANNEL SALES AND SERVICE PLATFORM**

- 91 branches and 24 cash offices in Moscow and Moscow Region.
- Over 1,000 proprietary multi-function ATMs, and over 7,000 ATMs of partner banks.
- Over 5,725 payment terminals serving as an efficient customer acquisition and service channel.
- Active development of online and mobile banking appreciated by more than 890,000 users.

**TRANSPARENT OWNERSHIP STRUCTURE AND HIGH CORPORATE GOVERNANCE STANDARDS**

- Reputable minority shareholders, including such international organisations as IFC and EBRD
- Full compliance with best international corporate governance practices
- 4 out of the 10 Supervisory Board members are independent directors, and 2 more are nominees of minority shareholders

### RESOURCE UTILITIES

**FINANCIAL CAPITAL**

- CBM enjoys a well-diversified funding structure, including, in particular, corporate, retail and bank deposits.
- The Bank's high credit ratings from three leading international rating agencies, and unstained financial history allow it to raise capital all over the world and perform as an active capital market player.
- The Bank placed USD 500 mln Eurobond in 2016

**INTELLECTUAL CAPITAL**

- The Bank's IT-development policy is aimed at improving its banking technologies, and developing, optimising and upgrading its IT systems.
- Accumulated knowledge and advanced procedures have already proved their effectiveness: scoring systems of the latest generation, upgraded loan pipeline and other retail business IT systems — all of that helped to fully automate processes and minimise credit risk.

**HUMAN CAPITAL**

- The Bank is committed to investing in human resources by providing the necessary training, preparing a talent pool and developing an HR policy, ensuring problem-solving and setting out a clear system of key performance indicators (KPIs) and a framework for employee career growth and cultural development, including sports activities etc.
- CBM has an experienced and credible management team.
- Highly qualified and goal-oriented staff.
- The Bank's key HR principle is equal treatment for all employees, with a focus on internal HR development.

**SOCIAL AND REPUTATIONAL CAPITAL**

- Emphasis is placed on commitment to key standards and values adopted by the Bank and shared by its employees and management.
- CBM succeeded in creating an attractive and recognisable brand based on its good reputation in the banking market and high service quality
- The Bank has a strong commitment to social and environmental responsibility.



## Competitive Strengths

CBM's management believes that CBM has a number of competitive advantages in the Russian banking market, including the following.

### AN ESTABLISHED POSITION IN THE MOSCOW AREA BANKING MARKET IS A SIGNIFICANT POTENTIAL FOR FURTHER BUSINESS DEVELOPMENT

Successful operation in Russia's most developed and financially active region which is covered by most of large nationwide and regional companies and whose social and economic indicators notably exceed average Russian levels.

### THE BANK'S SUSTAINABLE BUSINESS MODEL

- Balanced loan portfolio structure focusing on corporate business with the large and medium-sized businesses prevailing.
- Cash handling service instrumental in monitoring liquidity risks of customers representing the wholesale and retail trade segment.
- Balanced growth, based on a deep understanding of the target customer and a focus on highly creditworthy customers.
- Active development of cross-selling and other channels for retail customer acquisition and servicing, including a network of 5,750 payment terminals and giving access to the payment history of one in two persons applying to the Bank for a loan, which minimises the risk of fraud from walk-in customers and ensures quality growth of the business.

### HIGHEST SERVICE STANDARDS: A FLEXIBLE AND INNOVATIVE APPROACH TO BANKING SERVICES

- Pursuing a flexible customer policy and fast decision-making thanks to proven procedures and concentration of operations in one region.
- Constant improvement of customer satisfaction by using advanced information technology and offering innovative products.
- Active development of new delivery channels of services for customers, including the delivery of banking products and the provision of a wide range of financial choices through full-scale branches working without weekends and until late and remote banking services (ATMs, payment terminals, Bank-Customer Electronic Payment Systems, MKB Online Banking System and mobile applications).
- The ability of the Bank's customers to access a Russia-wide unified system of payment devices thanks to partner programmes involving other major Russian banks.

### HIGHEST RISK MANAGEMENT STANDARDS: EMPHASIS ON ASSET QUALITY

- Conservative risk management practices, strict underwriting procedures and unique risk monitoring instruments, helping to maintain a low level of the Bank's overdue loans compared to its competitors.
- Working with quality corporate borrowers and with retail banking customers who are current customers of the Bank, employees or partners of its corporate banking customers, or public sector employees.

- Diversification of the loan portfolio across different industries.

- Low risk level of the securities portfolio because the Bank has practically no investments in high-risk products such as shares and securities of limited liquidity.

### HIGH OPERATING EFFICIENCY WITH A POTENTIAL FOR FURTHER GROWTH

Maximisation of operational performance by concentrating operations in one region, centralised decision-making, proactive development of remote service channels and innovative products, reducing the workload of the Bank's branches and rigid cost control.

### EXPERIENCED MANAGEMENT TEAM

- The team of managers features rich Russian and international experience and a profound insight into the specific nature of the Russian business environment.
- The Supervisory Board members are experts of international standing, having extensive experience in various fields such as international finance, investments, capital markets and accounting.
- Effective work of the Supervisory Board's committees, adhering to high international corporate governance standards.





## SHAREHOLDERS' SUPPORT

- The Bank's shareholders have over time provided financial support, compatible with its growth rate, through increases in equity.
- High-profile international financial institutions that are part of the Bank's shareholder structure contribute their global experience to the Bank's corporate development and provide direct or indirect support to facilitate the implementation of international projects.
- The Bank's successful IPO and SPO on the Moscow Exchange in 2015 helped notably broaden the ranks of its shareholders, providing additional support for further business development.

## SUSTAINABLE PROFITABLE GROWTH

The Bank has been profitable over many years of organic growth.



## Market shares and main competitors

	2012	2013	2014	2015	2016
Corporate loans	0.77%	0.90%	0.81%	1.95%	2.94%
Retail loans	0.65%	0.98%	1.11%	1.12%	0.96%
Corporate deposits	0.67%	1.03%	0.96%	2.88%	2.15%
Retail deposits	0.87%	0.92%	1.02%	0.88%	1.04%

Despite the toughening competition in the banking market amid the changing macroeconomic environment, CREDIT BANK OF MOSCOW continues to demonstrate high adaptability and confirms its standing as one of the largest Russian privately-owned banks. The Bank increased its market share to 2.94% as at end-2016. Its share in retail lending grew to 0.96% in 2016. Over 5 years, the Bank's market shares in corporate and retail deposit-taking expanded by 1.48 and 0.17 pp, reaching 2.15% and 1.04%, respectively.

Key competitors of the Bank in corporate lending are: Sberbank, VTB, Gazprombank, Bank Otkrytie, Alfa-Bank, Promsvyazbank, Unicredit Bank. Examples of retail lending competitors are: Sberbank, VTB24, Alfa-Bank, B&N Bank, Raiffeisenbank, Vozrozhdenie.



Vladimir A. Chubar

CHAIRMAN OF THE  
MANAGEMENT BOARD

« In the prevailing economic environment, CREDIT BANK OF MOSCOW strengthened its position among the top-5 privately-owned Russian banks by total assets, loan portfolio, funding base and equity.



## 1.6. Strategy

CBM's strategic objective is to strengthen further its position as one of the leading universal commercial banks in Russia and as the bank of choice for its customers. It aims to develop and improve further its corporate and retail banking products and services based on best international and Russian practices and thus maintain sustainable performance.

GOAL	TASKS	2016YE RESULTS
Maintain high asset quality	<ul style="list-style-type: none"> <li>Optimise and enhance its risk management</li> <li>Limit high-risk business lines</li> <li>Shift focus in lending towards less risky segments</li> </ul>	<ul style="list-style-type: none"> <li>Ratio of NPLs (90+ days) to gross loan portfolio reduced to 2.3% (vs 5.1% as at end-2015).</li> <li>Cost of Risk decreased to 4.6% (vs 5.4% as at end-2015).</li> <li>Provisioning rate remains stable at 6%.</li> </ul>
Deliver further sustainable development	<ul style="list-style-type: none"> <li>Strengthen its positions among the top-five privately-owned Russian banks</li> <li>Concentrate on balanced and diversified growth with a focus on the corporate segment</li> </ul>	<ul style="list-style-type: none"> <li>Top-3 privately-owned Russian bank by assets</li> <li>Top-7 Russian bank by corporate loan portfolio</li> <li>Top-8 Russian bank by loan portfolio</li> </ul>
Enhance efficiency	<ul style="list-style-type: none"> <li>Keep its operational efficiency at a high level by optimising its operational expenses and increasing its operational income, and by developing further its management and control systems</li> <li>Fulfil actively its cross selling strategy</li> </ul>	<ul style="list-style-type: none"> <li>Net income rose by 7 times yoy to RUB 10.9 bln</li> <li>Further development of remote service channels</li> <li>CTI remained as low as 24.6%</li> </ul>
Develop IT facilities	<ul style="list-style-type: none"> <li>Develop its IT systems and solutions actively and on a continuous basis</li> <li>Deliver most in-demand and up-to-date services within its remote banking solutions</li> </ul>	<ul style="list-style-type: none"> <li>For corporate clients:               <ol style="list-style-type: none"> <li>1) New services were set up as part of the Your Bank Online project</li> <li>2) A new mobile app MKB Business was released</li> </ol> </li> <li>For individuals:               <ol style="list-style-type: none"> <li>1) MKB Online was actively developed</li> <li>2) A brand new mobile app MKB Mobile 2 was developed</li> </ol> </li> </ul>
Build a professional team	<ul style="list-style-type: none"> <li>Improve the professional skillset of its staff</li> </ul>	<ul style="list-style-type: none"> <li>The Bank has been successfully running the School of Growth project for more than 3 years, with more than 270 employees attending in 2016.</li> </ul>



## 1.7. Risk Management

The Bank's risk management goal is to ensure its stability and soundness.

The Bank's risk management goal is to ensure its stability and soundness as well as protection of its shareholders' customers' interests in carrying out its core activity, and achieving the results envisaged by the Bank's strategy.

### RISK MANAGEMENT DEVELOPMENT PRINCIPLES.

The Bank's risk management system adheres and conforms to the following principles:

- **The principle of compliance** with the Bank's overall strategy as regards doing banking in the most effective way (i.e. with maximum profitability and minimum risks);
- **The principle of risk management independence.** Risk management subdivisions cannot form part of, or report to a senior manager who has oversight of, any subdivisions taking risks and fulfilling the Bank's business plan;
- **The principle of risk managers' responsibility** for the methodological, analytical, controlling and coordinating role in the Bank's overall risk management system;

- **The principle of risk minimisation** at the level of the Bank's management and collective body members;
- **The principle of taking action to minimise the probability of risks** and/or mitigate the impact of assumed risks;
- **The principle of risk managers' membership in all of the Bank's collective bodies** (committees, commissions, panels, etc.) who have authority to assume any kind of risk;
- **The principle of standardisation of products, services and processes for the Bank as a whole;** provision of services at its places of presence in line with unified standards and technologies which provide the most efficient way to achieve targets and to prevent any human-caused unforeseeable losses resulting from any individual's adverse interference with the Bank's operations;

- **The principle of three-level risk management:**
  - strategic: risk management at the level of the Bank as a whole;
  - tactical: risk management at the level of specific business areas;
  - operative: risk management at the level of individual counterparties (borrowers, issuers), exposures, instruments and processes;
- **The principle of full integration of the risk management function into the corporate governance procedure:** all processes in the Bank should be built subject to compliance with the risk management policies and standards. The risk management function must be involved in making decisions to develop or implement new, or upgrade existing, objectives, plans or products of the Bank, and in setting priorities in its activities;
- **The principle of building the risk management function as a centralised structure** responsible for management of the Bank's critical risk types;
- **The principle of arranging risk management functions** by the following areas: risk determination, identification, assessment, monitoring, reporting and control;



- **The principle of awareness and involvement of all concerned subdivisions** in the Bank's risk management approaches and methods;
- **The principle of risk analysis:** no risks may be taken until analysed by the risk management function. The Bank shall not take any non-quantified or non-qualitatively assessed risk. The Bank may not assume any risk without cover or security, until its magnitude and likelihood is assessed;
- **The principle of linking the risk management system organisation quality** and the level of risk taken to remunerations, compensations and incentives of the Bank's executives and risk takers.



## Risk management stages and structure



The Bank manages risks in accordance with the following stages, each involving responsible subdivisions/employees.

### RISK IDENTIFICATION (DEFINITION)

The Bank's bylaws give a wide list of risk types to which it can be exposed in its activities specifying rules to qualify them as critical, describing the nature of their origin, and listing affected products, processes and operations.

### RISK APPETITE DETERMINATION

The Bank determines tolerances for critical risk types. Risk appetite indicator determination process and algorithms (for calculable indicators) are set out in the Bank's bylaws.

### RISK IDENTIFICATION

The Bank takes steps to identify any risks posed by operations made and products offered. Risk identification procedures are set out in the Bank's bylaws.

### RISK ASSESSMENT

The Bank performs qualitative and quantitative risk assessment. Assessment algorithms are set out in the Bank's bylaws and undergo testing for their relevance and effectiveness.

### SELECTING RESPONSES TO RISKS AND RISK EVENTS

Based on risk assessment, the Bank takes, limits, shares or excludes a risk using risk management tools. Responses to risk events are selected based on their efficiency.

### RISK MONITORING

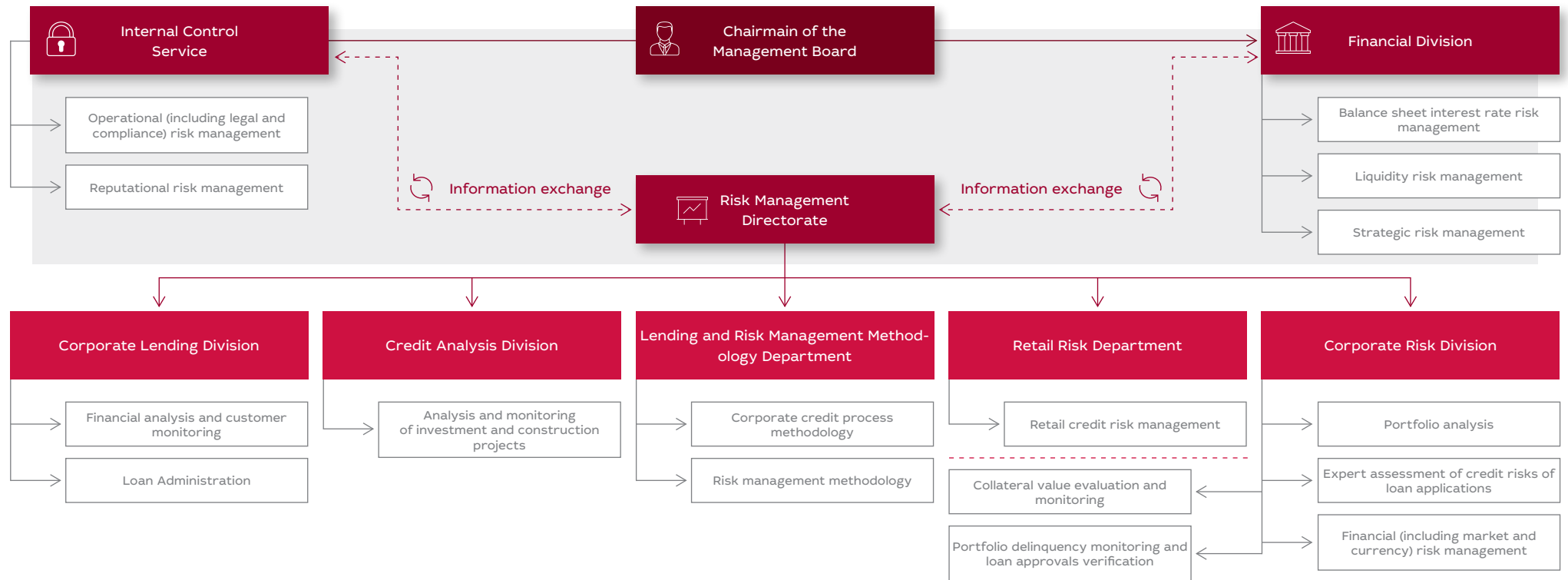
The Bank monitors risks taken and adds further responses in the case of a material increase in the level of a risk or a change in its profile. Monitoring procedures are set out in the Bank's bylaws. Monitoring results are reflected in the Bank's internal reporting.

### CONTROL OF RISK LEVEL AND COMPLIANCE WITH RISK MANAGEMENT PROCEDURES

The Bank controls compliance with established limits, risk appetite and other limitations. Three types of control are in place: prior, current and follow-up control. The Bank also controls compliance with risk management procedures. Control (including remote control) procedures are set out in the Bank's bylaws.



## Risk Management Structure



### RISK MANAGEMENT IN THE BANK'S COMMITTEES

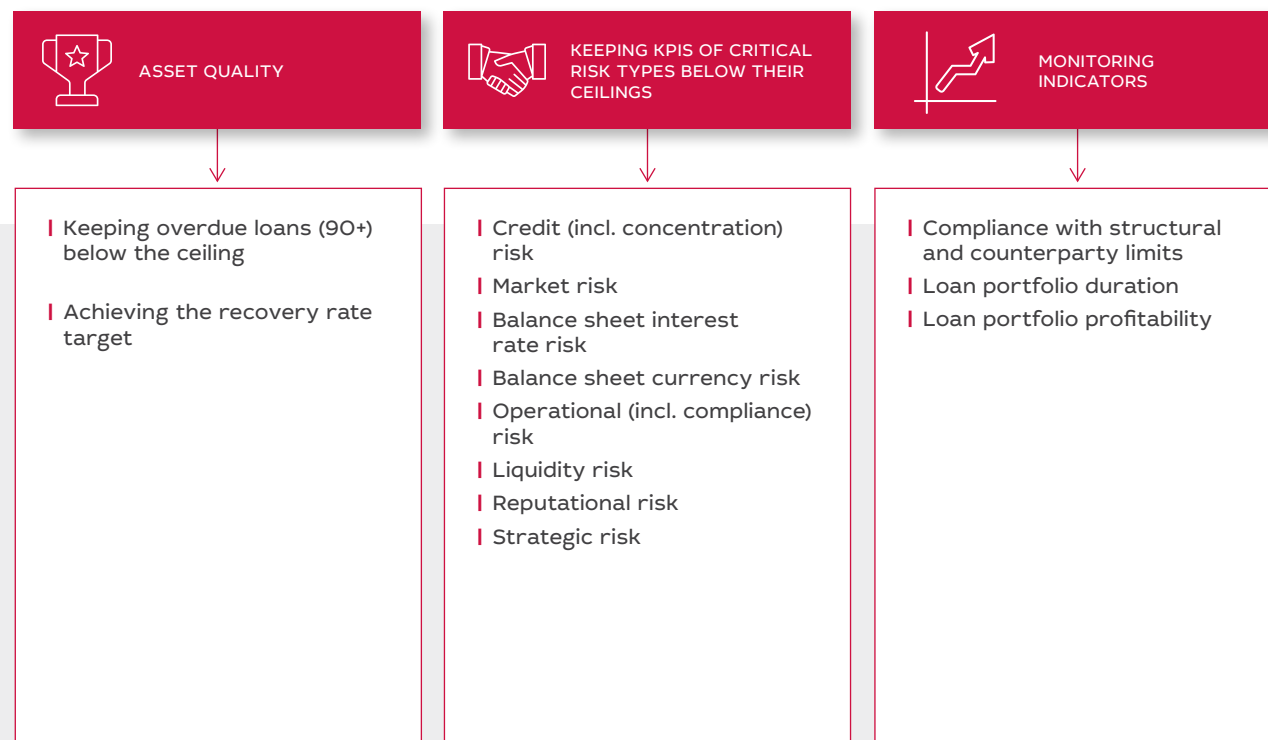






## Qualitative performance indicators of risk management subdivisions

### Important risk management indicators



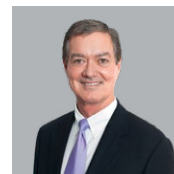
Closing each reporting period with COR below the ceiling is the key qualitative performance indicator of the Bank's risk management function



## Major innovations in risk management by year

The Bank has established a mature risk management system which matches the scope of its activities and profile and ensures achievement of the goals envisaged by the Bank's Development Strategy.

The Bank has established a mature risk management system which matches the scope of its activities and profile and ensures achievement of the goals envisaged by the Bank's Development Strategy. The risk management system is sufficiently flexible to ensure a prompt reaction to changes in the Bank's operating environment. The current risk management system has been shaped through achievement of goals and consistent implementation of the action plan in previous years.



**William Forrester Owens**

CHAIRMAN OF THE  
SUPERVISORY BOARD

« During 2016, the Bank improved its risk management strategy to align with the current operating environment, placing a top priority on enhanced risk management in line with the latest regulatory requirements.

### 2014

- The basic set of bylaws defining the objectives, goals and principles of risk management, the functions and responsibility of the Bank's subdivisions and management bodies for risk management, and describing the key elements of the risk management system (risk assessment, limit setting, collateralisation, provisioning, etc.) was created.
- A system of key risk indicators was developed for each critical risk type along with related monitoring principles.
- Projects for automation of key risk management processes and procedures were initiated and the process of centralised accumulation of required historical data was initiated, which lays the basis for expanding the future use of statistical risk management methods.
- The Bank's risk limitation system was optimised. The general limitation principles and goals, types and categories of existing limits, their definitions and structure, rules for setting, revising and using such limits were all set out. Such systematisation helped to limit the critical risks to which the Bank is exposed more precisely and properly.
- The Bank's loan portfolio provisioning methodology was revised in accordance with International Financial Reporting Standards.



## 2015

- The risk management strategy was updated. The updated document verifies the mid-term goals, objectives and development stages of the risk management system in connection with the Bank's changed environment and risk management priorities and describes approaches to the organisation of internal capital adequacy appraisal procedures, in particular principles of identification, evaluation and forecasting of critical risks, for determination of the target level and structure of the Bank's capital, and the system of reporting formed within the framework of these procedures.
- Credit analysis and corporate lending management function in the Bank's corporate client segment was included into the area of responsibility of the risk management function.
- Risk quantification instruments based on the statistical methods (in particular involving use of historical data) were developed and introduced in the credit process.
- New standards were developed for handling collateral, which helped to systematise key collateral handling principles, types and categories of collateral accepted by the Bank and features of its handling, including stop factors.
- Standards covering operations with groups of affiliated customers (potential customers) were revised.

## 2016

- The Bank's Risk and Capital Management Strategy was updated in line with changes in its operating environment and risk management priorities, and with key ICAAP (Internal Capital Adequacy Assessment Process) requirements set out in CBR's Ordinance No. 3624-U
- Critical risk quantification methodology was developed as required by CBR's Ordinance No. 3624-U, an ICAAP reporting system was developed and started to generate regular reporting for the Bank's governing bodies.
- Based on a graphic description, bylaws were prepared outlining the corporate credit process and the related customer monitoring process;
- The responsibility for financial analysis of major transactions of the subsidiary leasing company was transferred to the Risk Management Directorate's subdivision covering credit analysis;
- Further steps were taken to automate the corporate credit process;
- The process of grouping legal entities and sole proprietors into holdings and holdings into financial groups was automated on the basis of CRM.



## Risk criticality assessment

Ongoing development of risk management system is crucial for timely identification and assessment of risks, and for efficient operation of the instruments developed to manage them. The Bank annually identifies and assesses risks inherent in its activities.

Criticality tests result in the Bank's risk map serving as the basis for qualifying particular types of risk as critical to the Bank. The risk map grades the Bank's risks. The aggregated value of any risks is calculated as the sum of scores given by an expert.

**Classification of identified risks by their criticality** is based on a two-factor assessment:

- potential damage;
- probability (forecasted frequency of risk events).

Each factor is scored 1 to 3 points by surveying experts from subdivisions responsible for taking and managing the Bank's risks. Critical risks are those scoring 4 or higher on the two criticality factors taken together.

POTENTIAL LOSSES	3 SCORES	3 Concentration risk in credit risk	6 Liquidity risk Operational risk	9 
	2 SCORES	2 Residual risk in credit risk Securitisation risk Collateral concentration risk Model risk	4 Market risk Balance sheet interest rate risk	6 Credit risk (incl. risk of default and counterparty credit risk) Balance sheet currency risk
	1 SCORE	1 Migration risk Transfer risk Concentration risk in market risk Liquidity concentration risk	2 Property devaluation risk	3 Reputational risk Strategic risk
		1 SCORE	2 SCORES	3 SCORES

PROBABILITY OF RISK / FREQUENCY OF RISK EVENTS



## CHANGES IN THE RISK PROFILE COMPARED TO 2015:

- counterparty credit risk was singled out as a sub-type of credit risk;
- compliance and legal risks were merged into operational risk and are assessed on a consolidated basis.

Other risks inherent to the Bank's operations, including specific (single) risks, are not critical as the sum of scores given by an expert for the factors of such risks is less than 4 score. The Bank at least annually deploys an action plan to identify risks and test them for criticality.

According to its risk map, the Bank qualifies as critical the following risk types:

### CREDIT RISK (INCL. RISK OF DEFAULT AND COUNTERPARTY CREDIT RISK)

Credit risk is the main risk to which the Bank's is exposed given the nature of its business and balance-sheet structure. The source of this type of risk is the Bank's exposure to losses due to non-performance, late or partial performance by a debtor of its obligations to the Bank under existing agreements and to consequences of a deteriorated condition of its borrowers, counterparties or securities issuers. A deteriorated condition means a deterioration both in their financial condition and of other quantitative and qualitative indicators (business reputation, positions among competitors, sector indicators, state of the regional economy, etc.), i.e. all factors that can affect a borrower's, counterparty's or security issuer's solvency.

#### The credit risk includes:

- 1. Credit risk of default** means the probability of the Bank suffering any losses due to a debtor defaulting on its contractual obligations to the Bank, or any impact from deteriorating condition of a borrower, counterparty or securities issuer.
- 2. Counterparty credit risk**, i.e. the risk that a counterparty fails to perform its contractual obligations before the relevant transactions are finally settled. Such operations are not made without prior evaluation of counterparties' financial condition and probability of counterparty credit risk events both before the settlement is over and while it is underway.

The Bank has in-house models to quantify the probability of default and other credit risk components used to estimate expected losses, required economic capital and risk-weighted assets. The Bank creates provisions for its lending operations in line with the risk it assumes strictly as recommended or required by the Bank of Russia.

Credit risk is measured using an evaluation system involving analysis of counterparty-specific risk factors based on type and nature of business. Credit risk is limited (controlled) by means of a multi-level system of limits applicable to individual counterparties / exposures and to portfolios of exposures grouped by a certain attribute (sector limits, limits by activities and types of financing, limits on concentration of largest borrowers, etc.).

In order to reduce credit risk, the Bank limits the total amount of credit risk per borrower (group of related borrowers). All lending limit requests trigger an independent risk measurement aimed at

a comprehensive and thorough analysis of potential borrowers. Credit risks are managed based on limits set for various types of transactions and subject to the regular monitoring of borrowers' creditworthiness. The Bank also thoroughly and prudently analyses potential and existing borrowers for economic safety and values collateral taken to secure borrowers' obligations to the Bank subject to the subsequent monitoring of their availability and changes in their actual value throughout the entire life cycle of the loan product. All loan-related documents are subject to thorough legal due diligence.

Lending activities are coordinated, and related decisions are taken, by the Bank's credit committee whose membership represent all subdivisions concerned, including risk management. Some of the Credit Committee's decision-making powers may be delegated to authorised officers. Credit risk management activities are coordinated by the Credit Risk Committee, a specialised management body reporting to the Management Board.

The principle of distribution of responsibility in credit risk management is reflected in the Bank's Risk Management Policy, Credit Policy and loan approval procedures.

#### Key credit risk management elements:

- The Risk Management Policy approved by the Supervisory Board is the Bank's framework risk management document defining the goals, principles and tools of risk management;
- The Bank's Credit Policy which is regularly aligned with market conditions, the Bank's lending strategy and existing risks;





- Improvement of the formalised borrower appraisal principles and methods (rating models for corporate borrowers, scoring systems for retail business), risk-based application of the general principles of pricing, collateralisation and provisioning. In the reporting period, the Bank validated and revised its internal rating and scoring models to increase their quality and bring them into line with best practices of quantitative credit risk evaluation;
- Control over limits for borrowers and groups of related borrowers, and over concentrations on sectors and business segments.

#### Measures taken in 2016 to minimise this type of risk:

- Credit analysis approaches were unified: critical financial and non-financial indicators were structured, compulsory algorithms were devised to respond when an indicator leaves its target range, and critical levels of indicators were defined.
- Credit risk and retail lending risk quantification methodology was approved;
- Risk quantification tools based on statistical methods were further developed and introduced into the credit process, in particular methodology was developed to calculate LGD and internal credit ratings of corporate customers, and a new corporate PD model was introduced into the credit process;
- Collateral evaluation methodology and some related processes were updated and approved;
- Behavioural scoring was introduced to calculate numeric risk indicators in the retail lending process;

- Covenant setting approaches for structuring deals/counterparty limits were unified;
- Loss estimation rules were devised for various debt recovery strategies so as to minimise losses, adopting the right solution at the right time for borrowers who display signs of trouble;
- The process of approving retail loan applications of corporate customers' owners was optimised with analysis of such corporate customers' risks and establishment of common limits;
- The LGD calculation methodology for secured retail loans was modified;
- Types of collateral were classified, retail loan portfolio statistics was prepared on repayments for different collateral types and LTVs.

#### Activities planned for 2017 to minimise this risk:

- Optimise methodologies, models and procedures introduced in the Bank in 2016, automate ICAAP reporting and extend ICAAP to CBM's banking group;
- Develop approaches ensuring consistent, transparent and fair credit quality evaluation, and outline an algorithm for the financial analysis of borrowers and decision-making at all stages of the credit process;
- Apply detailed stress-testing procedures to the corporate loan portfolio to estimate probable losses across the portfolio and its structural components under various macroeconomic scenarios, and ensure prompt response to the existing / forecasted external shocks;

- Introduce stage by stage an automated system to control and gauge the utilisation of limits set by the Bank (stage 1 to be completed in 2017);
- Formalise approaches to analysis of retail loan applications of corporate customers' owners;
- Design and approve sectoral limits to gauge the Bank's risks at the portfolio level, define key stress factors of the main sectoral indicators;
- Revise the standards of certain evaluation procedures to achieve more accurate forecasts of delinquent customers' recovery rates, curtail the probability of taking overvalued or illiquid collateral, and provide fair information for credit decision-making.

#### MARKET RISK

The source of this type of risk is the Bank's exposure to losses and negative consequences due to adverse changes in the market value of financial instruments in its trading book and derivatives, and in exchange rates of currencies and/or precious metals.

#### The market risk includes:

- **instrument interest rate risk**, i.e. the exposure to adverse effects from unfavourable changes in interest rates of trading portfolio instruments (in particular, the risk of negative revaluation of trading portfolio as a result of changes in fixed income interest rates);
- **instrument currency risk**, i.e. the exposure to adverse effects from changes in FX rates and/or precious metal prices through devaluation



of FX-nominated financial instruments and/or precious metals in the trading portfolio; Trading portfolio currency risk is calculated based on interest rate and securities portfolio risks of FX-nominated instruments;

- **securities portfolio risk**, i.e. the exposure to adverse changes in market prices of securities in the trading portfolio or derivative financial instruments due to factors related to both specific issuers and general fluctuations in market prices of financial instruments.

Operating in the financial market, the Bank assumes risks of instruments in its trading portfolio (risks of adverse changes in the prices of equity instruments, changes in interest rates of fixed income debt instruments, as well as changes in currency exchange rates and the resulting negative revaluation of its trading portfolio).

The Bank manages market risks as required by the Bank of Russia's regulations and also uses internal methods compliant with guidelines of the Basel Committee on Banking Supervision.

The Bank manages its market risk by setting limits on open positions in financial instruments, interest rates, maturities and currency, and also stop-loss limits. Limits and positions are monitored on a regular basis and are reviewed and approved by the Asset and Liability Committee. In addition, the Bank uses stress tests to model the impact of different market scenarios.

The Bank applies conservative approaches to building its securities portfolio so as to avoid significant losses that could affect its financial stability. The Bank mostly deals in bonds of Russian issuers included in the Bank of Russia's Lombard List and having short durations.

The Bank's exposure to market risks may be evaluated by calculating maximum possible loss per each security and Value-at-Risk for the entire portfolio.

#### Measures taken in 2016 to minimise this type of risk:

- CFV estimation methodology for financial instruments was revised and approved;
- FX market limit utilisation approaches were improved;
- New algorithms were put in place to gauge financial instruments' market risk;
- Stressed market risk calculation procedure was developed (Stressed VaR), trial calculations were made and algorithms were tested for further capital quantification using this component;
- Market risk capital charge estimation approaches were updated (under ICAAP).

#### Activities planned for 2017 to minimise this risk:

- Finalise automation of market risk measurement;
- Test market risk measurement algorithms using the IRC component.

#### OPERATIONAL RISK (INCL. LEGAL RISK AND COMPLIANCE RISK)

The source of this type of risk is the exposure to adverse effects from the credit institution's internal operating processes and procedures being inconsistent with the nature and scale of its activities and/or statutory requirements or being violated

by its staff and/or other persons (by any unintentional or deliberate actions or omission), from its information, technological or other systems being functionally or otherwise inadequate and/or failing (malfunctioning), or from any external events.

Operational risks have the peculiarity of being inherent in all of the Bank's activities, rather than in individual products / processes.

**To limit the operational risk, the Bank details in its bylaws a complex of the following measures intended to minimise the probability of operational risk events resulting in losses and/or to minimise (limit) such losses:**

- Procedures for execution of transactions, distribution of responsibilities, related reporting and follow-up control designed to prevent (limit) operational risk, and control over those procedures;
- Requirements to banking automation and InfoSec systems, and prospects of their development;
- Insurance procedures, including property insurance (insurance of buildings, other assets, including money and securities, from loss (destruction), shortage or damage, in particular inflicted by third parties or staff, and business risk insurance covering losses resulting from banking risk events) and personal insurance (H&S insurance);
- Bylaw approval procedures requiring validation by subdivisions responsible for assessing operational risks.

The Bank's operational risk management procedures set forth methods to identify and assess operational risks assumed in various areas of its activities.

**Operational risk includes:**

- **staff risk**, i.e. the risk of losses caused by errors or malfeasance of the Bank's staff, their insufficient qualification, work overload, unpractical working processes, etc.;
- **process risk**, i.e. the risk of losses caused by errors in transaction execution, settlement, booking, reporting, pricing and other processes;
- **system risk**, i.e. the risk of losses caused by deficiencies of the Bank's technologies such as insufficient capacity of its systems, their inadequacy for operations being made, rough data processing methods, or low quality or inadequacy of data used, etc.;
- **external risks**, i.e. the risks of losses caused by changes in the Bank's operating environment, such as changes in laws, politics, economy, etc., and risks of physical interference from outside;
- **legal risk**, i.e. the exposure to adverse effects of the Bank's failure to perform its contractual obligations to customers/counterparties, their failure to perform essential terms of supply and other agreements signed by them with the Bank concerning provision of goods, works and services (except for credit-related agreements), unsatisfactory level of legal work in the Bank, imperfection and instability of the Russian legal system, variability of laws and regulations governing the Bank's operations.
- **compliance risk**, i.e. the exposure to adverse effects from non-compliance with requirements of Russian laws, the Bank's commitments to its shareholders and third parties, its bylaws, Standards of self-regulatory organisations (if man-

datory for it) as well as due to sanctions and/or other enforcement actions imposed by supervisory bodies.

**Measures taken in 2016 to minimise this type of risk:**

- Operational risk indicators were aligned with changes in the business scale, threshold calculation algorithms were updated, and scheduled methodological work was carried out to improve operational risk management tools, which helped promptly respond to, and adequately evaluate, operational risk events;
- A SAS EGRC industrial solution-based automated operational risk management system was put into pilot operation, and a system of regular training programmes was developed and successfully put in place for users of this system;
- The Bank's operational risk management standards were incorporated into its subsidiaries' internal control systems, and the regular reporting system reflecting their operational risks was updated.

**Activities planned for 2017 to minimise this risk:**

- Update consolidated information on key operational risk indicators, update bylaws setting out fundamental principles and tools of operational risk management;
- Carry out the annual operational risk self-check procedure using the Automated Operational Risk Management System and report the results to the Supervisory Board.

**LIQUIDITY RISK**

The source of this type of risk is the possibility of the Bank running short of cash to perform its obligations in full. Liquidity risk can arise as a result of a mismatch in the Bank's financial assets and financial liabilities (in particular caused by a failure of one or more of its counterparties to perform their financial obligations in due time) and/or an unforeseen abrupt acceleration of its financial liabilities.

The Bank exercises strict control on a daily basis over compliance with statutory liquidity ratios set by the CBR (instant (N2) and current (N3) liquidity ratios). Risks relating to funding sources are controlled by the capital adequacy ratios (N1.1, N1.2, N1.O) and long-term liquidity ratio (N4).

**The Bank distinguishes the following liquidity risk types:**

- **risk of mismatch** between incoming and outgoing cash flows;
- **risk of unforeseen liquidity requirements**, i.e. the risk of consequences of unexpected events in future that may require more resources than projected;
- **market liquidity risk**, i.e. the risk of selling assets at a loss or inability to close an existing position due to insufficient market liquidity or insufficient amount of trades. The effects of this form of risk may be factored into the market risk evaluation;
- **funding risk**, i.e. the risk associated with potential changes in cost of funding (individual and market credit spread) affecting the Bank's future income.

**The Bank's liquidity risk management procedures include the following:**

- Specific risk factors;
- Procedures to determine the Bank's funding needs, including identification of liquidity surplus/shortage and limits of liquidity surplus/shortage (liquidity limits);
- The procedure for liquidity forecasting and time analysis of liquidity (short-term, current and long-term liquidity);
- Procedure for setting liquidity limits and developing ways to control compliance with such limits, to report limit violations to the Bank's management bodies and suggest corrective actions;
- Procedures for daily liquidity management and longer term liquidity management;
- Methods for analysing liquidity of assets and stability of liabilities;
- Liquidity recovery procedures, including procedures for making decisions on mobilisation (sale) of liquid assets, other possible (and most easily accessible) ways of additional funding in case of liquidity shortage.

Final decisions as to liquidity risk are taken by a collective body, the ALCO, thus ensuring comprehensive and effective control over that risk.

The current and forecast liquidity risks are managed separately at the Bank.

Current liquidity management is the main task of the Bank's operative management of assets and

liabilities, involving short-term forecasting and management of cash flows in terms of currencies and maturities to ensure performance of the Bank's obligations, execution of customer payments and funding of assets-related transactions. Current liquidity is managed through prompt (intraday) estimation of the Bank's current payment position and forecasting changes therein based on the payment schedule and different scenarios.

The main purpose of forecast (medium- and long-term) liquidity management is to develop and implement a system of ALM measures to maintain the Bank's solvency and ensure the planned growth of the assets portfolio at an optimum balance between liquidity and profitability. This is done at the Bank by making long-term liquidity forecasts and setting internal liquidity requirements (required liquid and highly liquid cushion, required amount of the liquid securities portfolio). Long-term liquidity forecasts go to the Bank's Asset and Liability Committee.

In addition, stress tests are run based on risk factors relevant to liquidity forecasts and the Bank's capability to mobilise liquid assets in the event of a liquidity shortfall.

This prevents material liquidity gaps, ensures uninterrupted performance of obligations, saves costs of urgent fund raising in the case of emergency situations and makes assets-related transactions more profitable thanks to the right choice of instruments.

**BALANCE SHEET INTEREST RATE RISK**

The risk of deterioration of the Bank's financial condition through a decrease of its capital, income or assets value resulting from a change in market interest rates affecting its assets and liabilities other than its trading portfolio. Balance sheet interest rate risk stems from mismatches between maturities of, or between changes in interest rates on, assets and liabilities.

**Balance sheet interest rate risk management procedures include the following:**

- Gap analysis using interest rate stress tests;
- Identification of major sources of balance sheet interest rate risk inherent to operations (transactions) sensitive to interest rate changes;
- Modelling of maturities and cost of assets (liabilities), in particular setting target product maturities at the business subdivisions' level in the course of business planning process;
- Balance sheet interest rate risk limits and ways to control compliance with them, a system to report limit violations to the Bank's management bodies, and a correction process.

Final decisions as to balance sheet interest rate risk are taken by a collective body, the ALCO, thus ensuring comprehensive and effective control over that risk.

The Bank sets and regularly controls limits on this type of risk, restricting the indicators of effectiveness of loan funds and business profitability and maximum interest rate gaps on various time horizons. To limit the impact of balance sheet interest



rate risk on the Bank's financial results, the Bank analyses maturities of loans issued and funding raised to reveal any mismatches between its assets and liabilities exposed to interest rate changes. This analysis helps decide what structure of assets and liabilities is optimal and ensures maximum resilience to financial losses caused by balance sheet interest rate risk. The Bank optimises on an ongoing basis interest rates on the assets side and liabilities side in line with the current market situation and tariff policies of its main competitors.

## BALANCE SHEET CURRENCY RISK

The exposure to potential losses due to changes in exchange rates/prices of foreign currencies/ precious metals in which the Bank has open currency positions (OCP) at the bank book level.

Balance sheet currency risk represents potential adverse effects from changes in FX rates and/or precious metal prices at the bank book level by measuring the aggregate long or short open currency position against the Bank's capital.

Balance sheet currency risk management requires limits to be set on the Bank's OCP.

### Balance sheet currency risk management procedures include the following:

- The Bank's compliance with the Bank of Russia's Instruction No.124-I On Setting Open Currency Position Limits, the Methodology for Calculating Them, and Modalities of Supervision of Credit Institutions' Compliance Therewith dated 15.07.2005 is monitored on a daily basis: its designated subdivisions ensure that the open foreign currency position in any single foreign currency

or precious metal does not exceed 10% of its equity (capital). The Bank goes beyond the Bank of Russia's regulatory restrictions by setting more conservative management limits on the size of its open foreign currency position in each currency;

- The Bank monitors and forecasts on a daily basis its open foreign currency position in each currency and in whole;
- The key currency risk factors, such as governmental, macroeconomic and financial ones are monitored on a daily basis.

## CONCENTRATION RISK

The risk of significant losses that can pose a threat to the Bank's solvency and ability to continue its business due to its exposure to large counterparty risks, risks in specific sectors, regions, markets, currencies, etc.

### Concentration risk management procedures include the following:

- Concentration risk identification and measurement procedure;
- List of concentration limits on the existing structure of the Bank's risk-bearing assets grouped into portfolios by various attributes, and aggregate indicators of its operations. The aim is to limit losses resulting from overconcentration on certain counterparties, groups of counterparties or groups of assets of the Bank;

- Developing ways to control compliance with such limits, in particular control the Bank's portfolios of instruments with the aim to identify risk concentrations that are new for it and are not captured by the concentration limit system, and ways to report limit violations to its management bodies, and corrective procedures.

## STRATEGIC RISK

This risk means the exposure to adverse consequences of mistakes (flaws) in strategic decisions such as oversight or underestimation of potential threats, wrong or inadequate choice of prospective business areas where it can gain an edge over its competitors, lack/insufficiency of resources (financial, material, technical, human) and organisational measures (managerial decisions) required to attain its strategic goals.

### Strategic risk management procedures include the following:

- Periodic revaluation of the Bank's development strategy;
- Planning the development of new lines of business, new products, technologies and services, expansion of existing technologies and services and strengthening of the Bank's infrastructure;
- Analysing competition so as to identify strategic risks such as the threat of new competitors entering the market, the threat of product substitution or the threat of continuous evolution of strategic risk factors during the lifetime of services provided.



The capital charge estimation stage was embedded into the product/service development procedure.

Key strategic risk indicators are limited in accordance with the Bank's procedures. Limit control results, breaches and correction proposals are regularly reported to the Bank's management bodies to ensure prompt control over achievement of the Bank's strategic goals.

## REPUTATIONAL RISK

The source of this type of risk is the Bank's exposure to losses as a result of an outflow of the Bank's customers (counterparties) due to a negative public perception of the Bank's financial stability, quality of its services or the nature of its activity as a whole. The probability and amount of losses that can be caused by this risk depends on the level of this risk in the Russian banking sector as a whole.

**Reputational risk management procedures include the following:**

- Procedures/ tools/ mechanisms for dealing effectively with all key categories of counterparties;
- Ethical conduct in provision of services;
- Ongoing monitoring of internal and external threats to the Bank's reputation;
- Understanding shareholders' and investors' expectations as to disclosure;
- Adherence to the code of professional ethics and culture;

- Transparent and advanced staff remuneration, incentive, training and qualification upgrade system.

Currently, there are no factors that could damage the Bank's business reputation. The Bank meets all of its obligations on time and in full. The Bank's credit history includes large loans from leading credit institutions of the world, syndicated loans and bond issues. The Bank also has a good reputation among retail customers.

The Bank makes considerable efforts to promote its image in the eyes of its customers and the public by increasing its information transparency. Reputational risk management is an integral part of the risk management system and is practiced with the direct involvement of the Bank's management.





## Automated and software risk management solutions



- Decision-making unit in retail credit process (scoring, limit setting, customer categorisation)
- Development of credit risk quantification models (internal rating and scoring models)
- Automation of collection stage in retail credit process
- Operational risk management system



- Routing of corporate loan applications («Loan pipeline»)
- Unified limit catalogue of the Bank (planned for 2017)
- Monitoring of corporate customers and transactions (planned for 2017)
- Calculation of internal corporate credit ratings (planned for 2017-2018)
- Calculation of LLP/LP for credit transactions (planned for 2017-2018)



- Routing of retail loan applications
- Standardised retail and corporate customer profiles translated to all of the Bank's systems, including risk management systems
- Tracking corporate customer's group structures, including links to retail customers



To be done in 2017-2018:

- Gathering and storing data on overall counterparty exposures, including financial market and retail lending operations
- Control of limits, incl structural limits and related authorities
- Control of regulatory concentration ratios



## 2. Overview of operations



The content  
section

- 2.1. [Corporate banking](#)
- 2.2. [Retail banking](#)
- 2.3. [Cash handling](#)





## 2.1. Corporate banking

### The Contribution of Corporate business to Key Performance indicators of the Bank:

Percentage of total	
Loans	85%
Deposits	64%
Interest income	84%
Net fee and commission income	17%
Provisions for loans impairment	81%

### Key Business Result

- CREDIT BANK OF MOSCOW is one of the leaders in corporate banking, ranked No. 7 and No. 10 by corporate loans and corporate deposits respectively as at end-2016;
- The gross corporate loan portfolio expanded by 11.0% to RUB 566.2 bln in 2016;
- Guarantees and letters of credit remain an essential source of fee income, contributing RUB 2.0 bln or 15.0% of the total fee income in 2016;
- The loan portfolio grew thanks to the existing customers and new high quality customers, including those operating in strategically important sectors of economy;
- The Bank targets reliable large and mid-caps leading in their niches;
- CREDIT BANK OF MOSCOW was No. 8 by SME loan origination in 2016, having climbed up by 3 notches compared to 2015, according to a survey by RAEX;

## No. 7 and No. 10

CREDIT BANK OF MOSCOW is one of the leaders in corporate banking, ranked No. 7 and No. 10 by corporate loans and corporate deposits

- The Bank adopted a new SME business development strategy focused on fee income;
- CBM's online acquiring was acclaimed as the most effective service in the market by the Internet Acquiring Rank 2016 survey;
- 12th spot by turnover in the Russian factoring market, 10th spot by factoring portfolio in 2016, AFC;
- A survey by RAEX placed CREDIT BANK OF MOSCOW's subsidiary MKB-Leasing on the 8th spot by new business volume among Russian leasing companies in 2016 compared to the 16th spot in 2015;
- The Bank tirelessly develops remote access services and IT solutions such as Foreign Exchange Control Dashboard, Your Bank Online, and introduces new ones, for example the MKB Business app.

**CBM is the largest regional bank and is a top-10 Russian bank largely due to its corporate business.** Corporate banking is a key business area for CREDIT BANK OF MOSCOW. CBM offers its customers an efficient system of comprehensive banking





(including remote) service, meeting all basic needs of companies and sole proprietors.

In 2016, the Russian economy started to show signs of stabilisation and adaptation to macroeconomic complications, but many restraining factors persisted. Responding to the existing challenges, the Bank focused on minimising its credit risks without undermining the corporate portfolio's profitability by concentrating on the most stable sectoral segments and by tightening requirements to corporate customers' quality and deal structures.

Key corporate banking products include corporate lending, trade finance and documentary operations, settlements, leasing, factoring and corporate deposits. In addition, the Bank prioritises the development of products and technologies intended to optimise customer relationship procedures and acquire new customers.

## Corporate lending

Corporate lending, which accounts for the largest portion of the Bank's loan portfolio, is of significant importance in CBM's business structure.

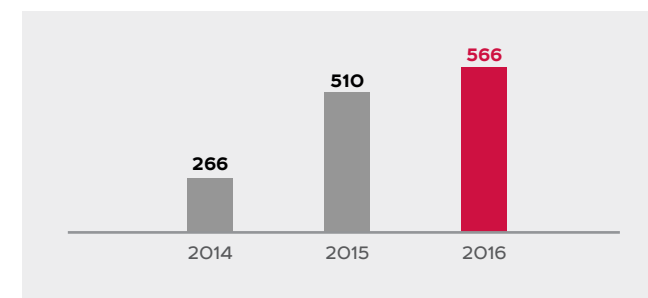
Corporate lending, which accounts for the largest portion of the Bank's loan portfolio, is of significant importance in CBM's business structure.

The Bank offers its customers a wide range of services such as secured/unsecured loans, overdrafts, current account facilities, loans backed by collectable sale proceeds, loans for financing investment/operational activities and so on.

The Bank targets large companies who are leaders in their sectors, whose credit quality is confirmed by leading rating agencies, and whose operating and financial indicators are strong enough to forecast no difficulties in servicing and repaying debt obligations.

The Bank has always demonstrated high adaptability to market changes, and in 2016 it readjusted the sectoral structure of its loan portfolio so that the oil & gas, food and agricultural sectors now prevail in it. Companies in those sectors have historically been steadiest and received strong opportunities for development and governmental support due to macroeconomic factors.

### Gross loan portfolio, RUB bln



CBM moderately grows its loan portfolio, as it is adapting to the new economic realities, and keeps the ratio of non-performing loans (NPL 90+) at a traditionally low level. The gross corporate loan portfolio expanded in 2016 by 11.0% to RUB 566 bln, mainly due to loans issued to high-quality corporate customers. Having been developing its corporate business for many years, the Bank has succeeded in building close relationships with its customer base consisting, as at end-2016, of more than 15,000 active customers.

The Bank's loan portfolio is well diversified by sector: no sector of the economy accounts for more than 20% of the corporate loan portfolio. As of 31 December 2016, 18% of the gross corporate portfolio was attributable to oil companies, including oil refineries and petrochemical producers, 12.8% to food and agricultural companies, 11.0% to rental businesses and 10.5% to the financial sector. The Bank also lends to such key sectors as construction, services and metals etc.

The Bank earned on corporate business basically as much as in 2015, or 72% of its total income. It was mainly restrained by key rate cuts and the Bank's risk-based approach resulting in a moderate



loan portfolio growth and an expanded share of risk-free, low-margin interbank transactions and securities portfolio on its balance sheet. However, the corporate segment's financial result net of expenses almost doubled compared to the previous year, which means the Bank flexibly manages its funding base and has built strong relationships with its customers.

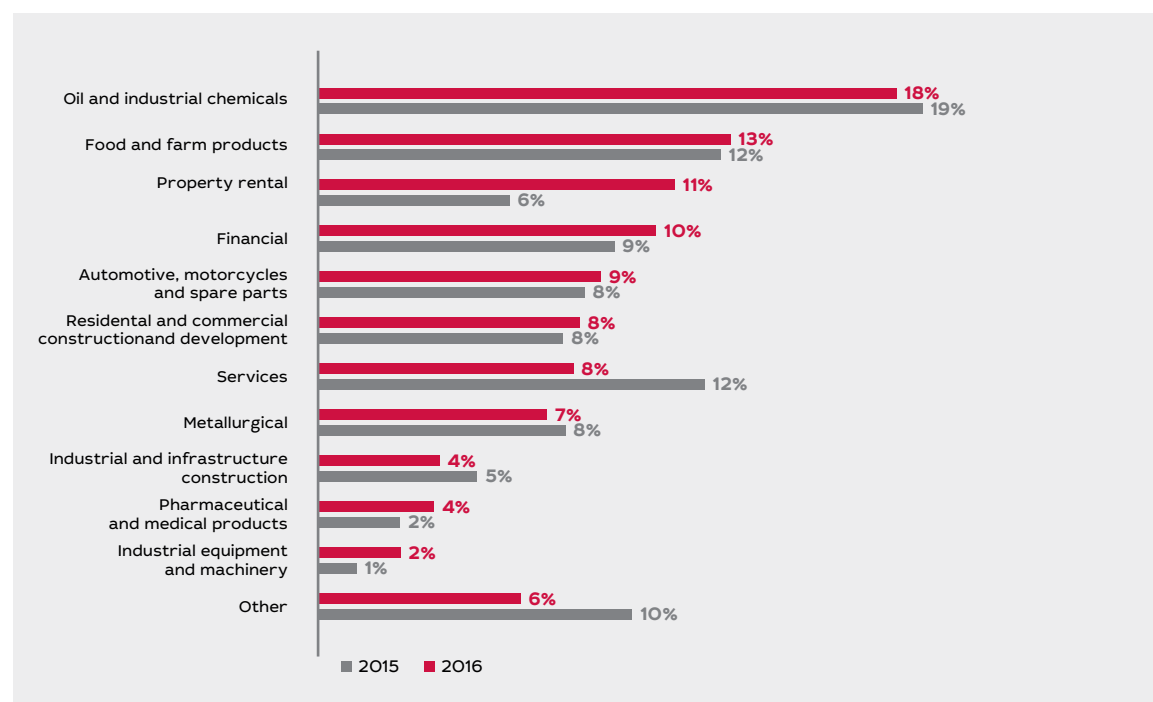
Using its vast experience in corporate lending, the Bank plans to pursue further its balanced approach to analysis of corporate lending risks, further diversify its corporate loan portfolio and focus on lending in the segments that are most resilient to changes in the macroeconomic situation.

The Bank also participates in the implementation of the Government Programme launched to support small and medium-sized businesses and cooperates with Moscow's Fund of Small Business Credit Assistance. Under these programmes the Bank provides various banking products, including guarantees and suretyships.

CREDIT BANK OF MOSCOW raised funds from SME Bank in 2016 to develop lending to SMEs registered in the Russian Federation. They will be able to obtain financing from the Bank to buy or repair fixed assets, buy, reconstruct or build premises, to expand existing or set up new production.

The Bank devised a new SME segment development strategy in late 2016 and adopted it in early 2017. This segment is attractive in terms of profitability and the Bank sees certain growth areas there. It is going to derive mainly fee income which, unlike interest income, is risk-free, does not utilise the Bank's funding base and therefore does not affect the net interest margin.

## Corporate loan portfolio by industry



The approved strategy seeks to create a single economically effective sale and service model. In three years, the Bank expects to increase fee income by offering new transaction products; augment income from existing customers using cross-sales; and adopt a differentiated service model. To this end, the Bank plans to fulfil the following tasks:

- Introduce a new service model for high-yielding and other customers

- Create a differentiated range of package products
- Develop non-banking services that help SME customers in tackling their business tasks
- Promote the Bank's brand as a friendly, innovative bank for SMEs



## Trade finance and documentary transactions

### Bank guarantees are a stable source of fee income for the Bank.

Bank guarantees are a stable source of fee income for the Bank. As of 31 December 2016, guarantees and letters of credit yielded RUB 2.0 bln or 15.0% of the Bank's fee income.

#### CBM offers such kinds of guarantees as:

- bid guarantees;
- customs guarantees;
- performance bonds;
- down-payment guarantees;
- excise guarantees;
- guarantees in favour of tax authorities
- guarantees in favour of the Federal Service for Alcohol Market Regulation;
- counter-guarantees, etc.

Guarantees and letters of credit are an attractive product for the Bank because, unlike loan products, their prices are not based on the Bank's cost of funds, which enables CBM to compete effectively with state-owned banks in this area.

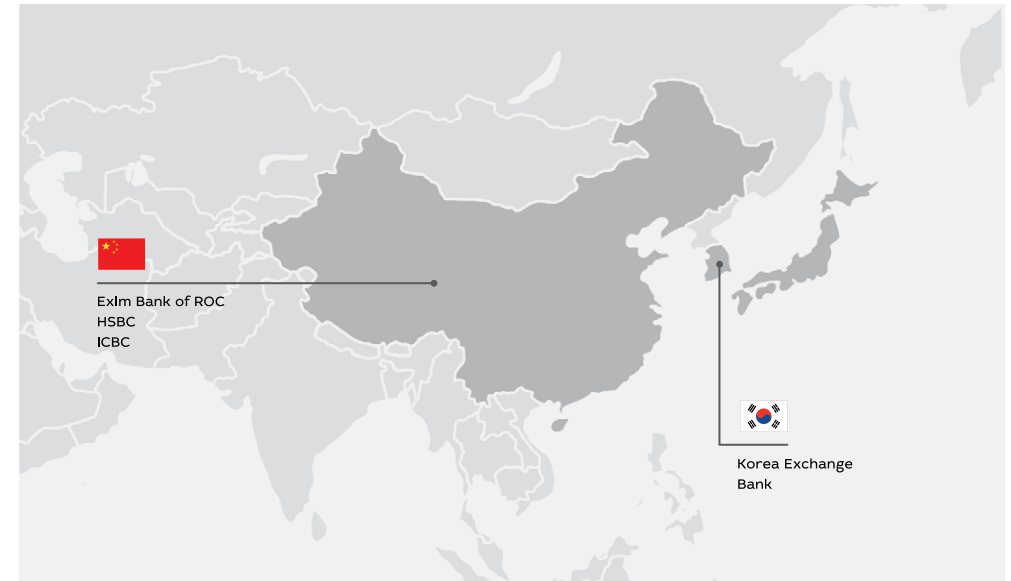
As of now, CREDIT BANK OF MOSCOW is one of the leaders in trade finance among Russian banks. A broad global network of partners, high credit ratings, accumulated experience and high qualification of the employees allow the Bank to arrange long-term funding under the foreign trade contracts of customers, using the entire range of trade and export funding tools, ensuring support for customers, especially for trade networks and distributors, while conducting business with all key countries being Russia's trade partners.

CBM actively co-operates with banks and other institutions in various parts of the world to service international trade flows of its customers. The key partners of the banks in short-term and long-term funding include world-renowned financial market leaders such as Citibank, JPMorgan Chase, Uni-Credit Group, Intesa Sanpaolo S.p.A., UBS AG, Credit Suisse AG, ING Bank N.V, Commerzbank AG, Landesbank Baden-Wuerttemberg, BayernLB, Industrial and Commercial Bank of China.





Annual report 2016 / 2. Overview of operations/ 2.1. Corporate banking





The Bank has accreditation from the majority of export insurance agencies that are prepared to provide insurance coverage for long-term funding transactions, such as Hermes (Germany), SACE (Italy), COFACE (France), EKN (Sweden), OeKB (Austria), EDC (Canada), KUKE (Poland) and FINNVERA (Finland).

The Bank expanded its portfolio of guarantees and suretyships by 52% in 2016. The main growth was attributable to its existing customers. Normally, guarantees and suretyships are provided as part of comprehensive customer service.

## Acquiring

CREDIT BANK OF MOSCOW offers merchant and online acquiring services. CBM's online acquiring service gives a company a dedicated relationship manager, next business day credits, and the ability to make cancellations and refunds in three clicks.

The Bank's online acquiring offers further advantages: free-of-charge MS Excel-reports for each transaction, prompt setup of service and integration with the Bank's payment page, effective fraud prevention systems - Fraud Monitoring, 3D-Secure and high conversion of payments.

CREDIT BANK OF MOSCOW's online acquiring was acclaimed as the most effective e-commerce service among Russian banks in the Internet Acquiring Rank 2016 survey by Marksw Webb Rank&Report.

## Payments

The Bank has a broad correspondent account network in all major currencies with leading finan-

cial institutions worldwide. The Bank's correspondent network includes approximately 80 accounts held with domestic and foreign credit institutions, enabling the Bank to make different types of payments to various parts of the world in a timely and cost-effective manner.

## Investment and banking business

In August 2016, the Bank acquired Savings and Loans Services Bank (SKS Bank) to expand its business in financial markets and develop a new line of business – investment banking.

In August 2016, the Bank acquired Savings and Loans Services Bank (SKS Bank) to expand its business in financial markets and develop a new line of business – investment banking.

**The main activities will be:**

- brokerage services
- depository services
- underwriting services.
- financial market operations on its own behalf and for its own account

A separate company used as a vehicle for this spectrum of services can optimise IT processes, ensure prompt decision-making and efficiently curb costs.

## Leasing

The Bank has provided a wide range of leasing finance services all over Russia since 2005. Leasing services are provided by the Bank's subsidiaries: MKB-Leasing LLC and M-leasing LLC (together, MKB-Leasing Group), and CBM Ireland Leasing Limited. Today MKB-Leasing Group has more than 400 customers. MKB-Leasing Group actively attracts external financing and enjoys a wide network of counterparties.

**CBM offers the following kinds of leasing:**

- leasing of cars;
- leasing of trucks;
- leasing of passenger vehicles;
- leasing of rolling stock;
- leasing of special-purpose machinery;
- leasing of equipment;
- leasing of aircraft;
- leasing of river and sea boats;
- leasing of real property;
- leaseback.

As at end-2016, MKB-Leasing group of companies is ranked eighth by Expert RA rating agency by new business volume (RUB 22.9 bln) and thirteenth by leasing portfolio (RUB 32.6 bln) among Russian leasing companies.

**MKB-Leasing issued its debut 5-year RUB 3 bln bonds in October 2016.**

The company was rated 'B+/C' by S&P Global Ratings and 'A' (long-term credit rating) by RAEX.



The company takes an active part in the Russian Ministry of Industry and Trade's wheeled vehicles leasing stimulating programmes, is an authorised leasing company of the Industrial Development Fund and carries out projects under SME Bank's programmes.

CBM Ireland Leasing Limited, created specifically for operational leasing of aircraft, owns a fleet of passenger aircraft, leased in 2016 to one of the largest Russian airlines.

CBM plans to develop its leasing business further with a focus on the mining, processing and machinery industries, as well as service companies. One of the priority goals is to maintain high leasing portfolio quality, in particular by pursuing a conservative risk management policy.

## Factoring

Since 2005 the Bank has provided factoring services, mainly recourse factoring, accounting for 64.1% of total turnover.

The Bank made factoring-related agreements with a number of largest nation-wide retail chains in the last year to simplify the process of reviewing their suppliers' factoring applications and reduce its risks.

In 2016, the Bank continued to expand the functionality of the electronic factoring service allowing its customers to switch to the electronic document flow.

In 2016, the factoring portfolio grew by RUB 1.9 bln to RUB 9.1 bln. It is diversified by sectors and regions with customers being present in most federal districts of Russia. However, 69% of business is concentrated in the Central Federal District (mostly

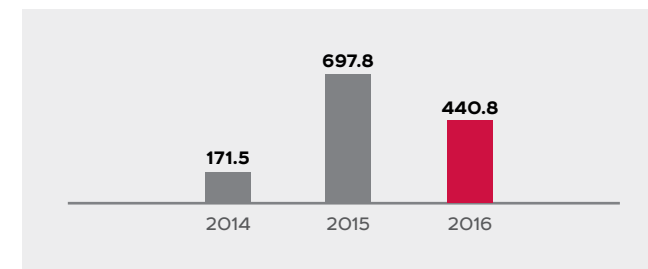
in Moscow and the Moscow Region). The average turnover per customer was RUB 645 mln in Moscow and the Moscow Region and RUB 6.8 bln outside this area. 31.8% of the turnover is attributable to manufacturing customers (of which 97.5% falls to metals), 52.2% to wholesalers and 16.0% to service providers. Based on end-2016 data the Bank was ranked tenth by the Association of Factoring Companies and Expert RA among all factoring market participants by the size of its portfolio and twelfth by its total turnover.

## Corporate deposits

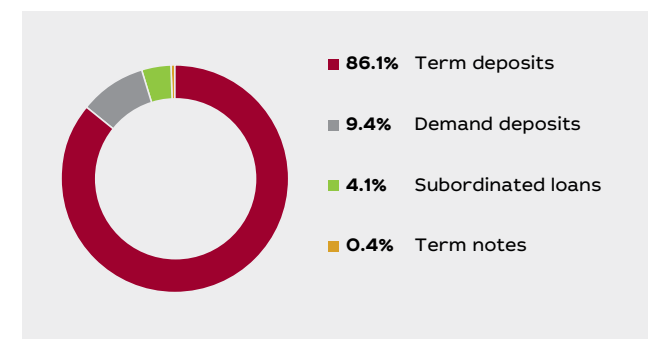
Corporate deposits are essential for building a stable funding base for the Bank, hence the provision of special conditions and flexible terms to clients is an important task of CBM's product policy. The Bank offers current accounts and term deposits for corporate customers and seeks continuously to improve its existing products and develop new ones to meet its customers' needs. The Bank's deposit range ensures a comfortable choice for customers in terms of currencies, maturities, interest payment frequencies and liquidity management options. The Bank offers competitive interest rates on corporate deposits. The Bank's customers can also earn fixed interest income on the threshold balances of their current accounts.

As of 31 December 2016, term deposits accounted for 95% of corporate accounts. Apart from current accounts and deposits, the Bank offers its corporate customers to buy its promissory notes which are liquid financial instruments that may be pledged or sold. As of 31 December 2016, the Bank's promissory notes amounted to RUB 2.8 bln.

### Corporate deposits dynamic, RUB bln



### Corporate deposits by types





## New products and introduced technologies

Recognising new needs of its customers and seeking to meet market requirements in the best way, CBM continuously improves its services and elaborates with new products and services. New products, services and technologies for corporate customers introduced during 2016 include:

**CBM CONTINUOUSLY IMPROVES ITS SERVICES AND ELABORATES WITH NEW PRODUCTS AND SERVICES.**

1. **MKB Business** is a mobile application allowing legal entities view their accounts from mobile device.
2. Important and useful functions were added to Your Bank Online. Legal entities and sole proprietors may now make scheduled recurring intrabank transfers through that system on weekends and public holidays. Thus the new functionality of the Recurring Transfers service allows customers to automatically transfer, several times per week, fixed amounts, opening daily balance and available cash balance between accounts, whether on a banking day or not.
3. The Bank completed the second stage of development of the remote banking for foreign trade participants called Foreign Exchange Control Dashboard. It is intended to facilitate communication between customers and the Bank in

respect of contracts liable to foreign exchange control for which deal passports are opened. It will increase the speed of informing customers of the progress in settlements and speeding up the document flow. The newly added functionality will help notify customers of deadlines for submission of foreign exchange control documents.

Corporate-wise, the CRM system was linked to product systems giving relationship managers and heads of sales teams fuller information on their customers' banking products. The system now has a much broader capacity in terms of due diligence on potential customers and their representatives, with financial monitoring staff linked in.

As part of the optimisation of corporate business processes, the Loan Pipeline software was rendered able to support credit transactions, guarantees, agreements and items of collateral, and to interact with remote banking channels. As a result, the transaction maintenance process itself was essentially simplified and standardised, and the analytical data for management and statutory accounting was amplified.

In 2016, the Bank actively developed a service allowing customers to deposit sales revenues onto their current accounts using automatic devices (Electronic Cash Handling), which reinforced its image in the banking market. This project is remarkable for attracting many new customers and for the technological advancement of the service delivered through new devices.

In pursuit of strict control over operational efficiency, the Bank's development strategy requires the maximum use of remote client service systems. Most corporate clients use the Your Bank Online In-

ternet banking system or its offline version – Your Bank in Your Office to complete their transactions.

The Bank continues to actively develop Your Bank Online as the more technological and promising of the two. It is presently used by most corporate customers to exchange documents with the Bank. 2016 saw the implementation of new services popular with corporate customers, such as Recurring Corporate Payments and Material Pooling and Overdraft with Common Limit, and the list of services available in the Foreign exchange control dashboard was significantly expanded. The section Let's Help Orphans was added to give customers an easy-to-use interface to make donations to the Arifmetika Dobra charity. A new bank card section gives customers up-to-date information and allows them to request statements on corporate and customs cards.

Seeking to meet our customers' growing demands to the fullest extent, the Bank issued a new mobile application in 2016 for legal entities – MKB Business. This app is a light version of Your Bank Online and allows customers to view their accounts, transactions, account balances, corporate and customs cards, foreign exchange rates, locate the Bank's branches, payment terminals and ATMs.

The Bank develops its own acquiring services and has made agreements with major retail chains to integrate their terminal equipment with cash solutions and launched automated document flow with points of sale. The processing centre's software has technology solutions to serve VISA, MasterCard, UPI, JCB and MIR cards both on the Bank's equipment and on its partners' web pages.



## 2.2. Retail banking

### The Contribution of Retail Business to Key Performance indicators of the Bank:

Percentage of total	
Loans	15%
Deposits	36%
Interest income	16%
Net fee and commission income	45%
Provisions for loans impairment	19%

### Key business results:

- The number of retail customers rose by 19% to 1.1 mln;
- The Bank increased retail deposits by 24% or RUB 47.7 bln and came 11th in Banki.ru's ranking of banks by retail deposits, 1 notch higher than the year before;
- 9th by SME loan origination in Moscow Area in 2016, RUSIPOTEKA

**CREDIT BANK OF MOSCOW** expanded its branch network in Moscow and the Moscow Region by 50% by opening 31 new offices in 2016.

CBM's branches were opened in 8 cities around Moscow with a population of more than 90,000 where the Bank had no offices: Pushkino, Himki, Zheleznodorozhny, Krasnogorsk, Ramenskoe, Sergiev Posad, Voskresensk and Dolgoprudny.

**The total number of CBM's offices as of 31 December 2016 increased to 91, of which 23 offices are located in the Moscow Region.**

### The Bank offers a wide product range:

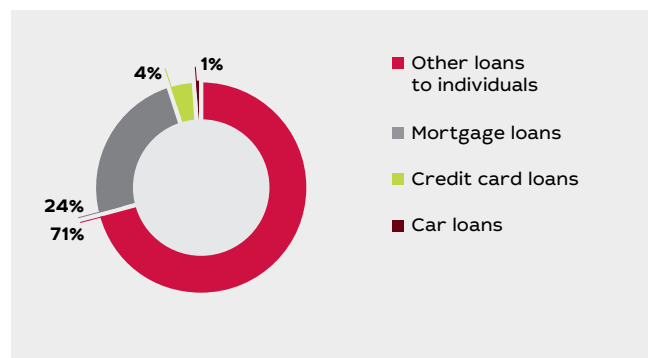
- General purpose consumer loans;
- Mortgage lending;
- Plastic cards;
- Car loans;
- Deposits;
- Insurance products, private pension fund services.

The existing comprehensive product range serves well as a customer acquisition and retention tool and thus allows the Bank to compete in all segments of retail business.

Fee business was of paramount importance in 2016. Last year's successful introduction of commission-bearing products by the Bank resulted in the growth of insurance-generated revenues, which



## Retail loan portfolio structure

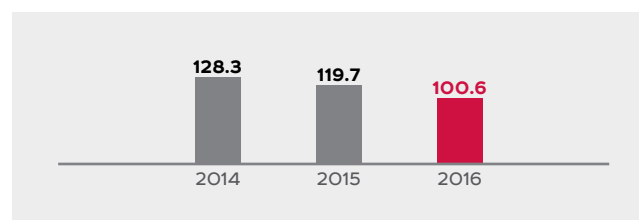


increased by 51% yoy. Our wide product range and sales channels secured the growth of revenues generated by plastic cards by 24% as compared to 2015.

## Lending

According to the Russian banking sector's official statistics, the generally weak demand for credit products resulted in a moderate 5.9% growth of the retail lending in Moscow and the Moscow Region in 2016. The Bank's retail loan portfolio performance as its retail loans portfolio shrank by 16% in 2016.

### Retail loan portfolio dynamics, RUB bln



On the whole, the Bank continued to develop its retail business following its strategy with some adjustments reflecting the market situation.

In order to mitigate its risks, the Bank works with a reliable base of customers; its target segments are the Bank's existing customers, customers who bank their salaries, employees of its corporate customers, civil servants and customers with a stable, positive credit history.

The Bank implemented distant Credit Application technology for its customers, and the single-call loan provision technology. In order to manage its credit risks efficiently, the Bank introduced several market segmentation techniques to select the most efficient communications channels and product offers; individual pricing tools were also utilised.

The share of secondary sales to the Bank's customers grew to 43%. Operating costs were reduced by optimising the customer acquisition process and increasing the share of remote customer services. A series of promotions was carried out to win other banks' quality customers by offering them, in particular, attractive credit products.

### GENERAL PURPOSE CONSUMER LOANS

General purpose consumer loans are unsecured cash loans provided to retail customers for unspecified purposes. General purpose consumer loans are, and are expected to remain, the main driver for CBM's retail business in the future. CBM offers general purpose consumer loans to finance various purchases and other activities, with maturities ranging from six months to 5 years. CBM seeks to differentiate its general purpose consumer loan offerings by selling through its network of terminals and providing for easy loan repayment through those terminals and ATMs. CBM also offers insurance contracts processing services in respect of its consumer loans, partnering with several insurance companies.

In 2016, the share of general purpose consumer loans in the retail portfolio fell slightly from 76% to 71%, to stand at RUB 71.7 bln.

### MORTGAGE LENDING

Mortgage lending is a priority area of the retail business. The Bank offers residential and commercial mortgages. Mortgage loans may be used to buy apartments both in primary and secondary housing markets.





In 2016, the Bank managed to expand its mortgage loan portfolio to RUB 23.9 bln, while the share of mortgage loans in its total retail portfolio grew to 24%.

In April 2015, the Bank joined the governmental mortgage subsidy programme. As a result, its mortgage loan portfolio rose with the arrival of high quality borrowers, qualifying under the Ministry of Finance's requirements.

## RUB 4.1 bln

**THE BANK CLOSED ITS SECOND EVER MORTGAGE SECURITISATION IN THE AMOUNT OF RUB 4.1 BLN.**

The Bank issued 1,049 loans in the reporting year, totalling RUB 2.958 bln, most of which financed purchases in the primary housing market. In 2016, the Ministry of Finance granted CBM's requests for additional credit limits on two occasions, thus recognising its active participation in the governmental mortgage subsidy programme. As of the ending date of the programme, the Bank had fully utilised the Ministry's limit of RUB 5.4 bln. The Bank offers its customers a most favourable set of terms and conditions for mortgage financing of new housing provided by leaders of the national construction and development industry.

In late December 2016, the Bank closed its second ever mortgage securitisation in the amount of RUB 4.1 bln. The issuer, LLC Mortgage Agent CBM 2, placed RUB 3.3 bln 10.15% mortgage-backed bearer bonds due in December 2043. Moody's rated the

bonds as Baa3(sf) attesting to their high credit quality. The interest was shown by asset management, investment and insurance companies.

## Bank cards

The Bank has retained the competitive strengths and sales channels of its classical card products, issuing annually around 600,000 new cards. Average monthly on-demand balances rose to RUB 11.5 bln and yearly trade turnover exceeded RUB 30 bln. The Bank actively develops its debit card products and boosts remote sales of credit cards, in particular through MKB Online.

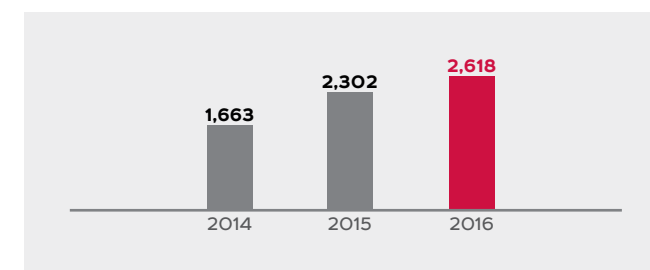
To boost card transaction activity, the Bank actively develops its bonus programme, including cash-back rewards; it also focuses on organising card promotions with its partners.

In 2016, our joint co-branding card issue project with AvtoSpetsCentre Group was developing in a pro-active manner, as the dealership distant card application technology and home delivery of cards were implemented. About 3,000 cards were issued under the programme, and 80% of the customers were new to the Bank.

In 2016, the Bank successfully certified the issue of Mir bank cards with the National Payment Card System and intends to start issuing Mir cards in 2017.

In 2016, the Bank increased its plastic card income to RUB 2.4 bln, a rise of 24% yoy.

## Number of plastic cards issued thousand pcs.



## Acquiring

In 2016, the Bank continued to develop its card service infrastructure. The annual turnover demonstrated confident growth (+ 22%, or RUB 127 bln) secured by our strategy of enhancing the business development by improving qualitative performance indicators and acquisition margins.

With this strategy, the Bank managed to increase fees and commissions by 24% yoy (RUB 2.06 bln against RUB 1.66 bln in 2015). The Bank also continued to upgrade its equipment in strict accordance with payment systems' requirements. As of 1 January 2017, over 80% of the payment terminal network was equipped with proximity card modules, NFC and most advanced payment techniques, such as Apple Pay or Samsung Pay.

Quality servicing of Mir cards was secured, and although the turnover was only about RUB 8 mln in 2016, judging by the rate of their issue, a multifold growth and active expansion may be expected in 2017.





Note should be made of further growth of the UPI cards segment, as turnover here was about RUB 350 mln in the 2016.

In the acquiring segment, online acquiring continued to develop as a most rapidly growing market with high potential demonstrated even in an unstable environment. Turnover was close to RUB 2 bln here, and further growth of this sector's share in our portfolio is expected.

## Car loans

In 2016, the Bank significantly reduced its loan portfolio from RUB 3.3 bln to RUB 1.2 bln, largely transforming car loans from an active product into a service one. However, the Bank intends to keep this product to ensure the full range of services and retain customers.

## Retail deposits

Retail deposits remain one of the key funding sources for the Bank. High-quality management of the deposit portfolio secured a 75% retention of the customer base. An important element of our efforts to retain deposit customers is the employment of remote service channels, online banking and mobile banking, whose share of the total deposits remains high, at over 35%.

In 2016, the Bank undertook a large-scale marketing campaign to attract private depositors.

In 2016, the retail term deposit portfolio reached RUB 235 bln (+24% compared to 2015), a rise by RUB 43.7 bln, of which RUB 12.6 bln were attributable to new offices opened in 2016 (29% growth).

To mitigate the negative effect from currency re-valuation, the rouble share in the deposit portfolio was increased to 85% (+9% in 2016).

Banki.ru ranks the Bank as No. 11 by retail deposits, 1 place higher than in 2015.

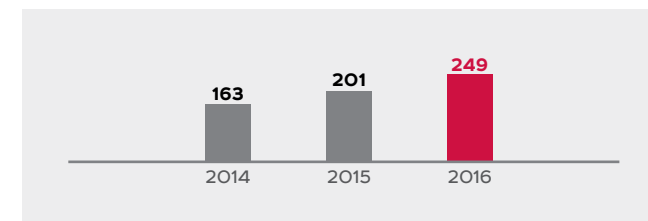
The retail deposit expansion amid the sharply changing macroeconomic situation speaks of the high level of the Bank's credibility.

## Sale channels and IT solutions

Retail-wise, in 2016 card issue and servicing processes were implemented and remote banking channel functionality was expanded. The first stage (pre- and soft collection) of the debt recovery automation project was successfully completed, and the second stage (hard- and legal collection, engagement of debt collection agencies) is underway. A personal bankruptcy management automation project was accomplished, as were projects integrating additional borrower check-up sources. 2016 also saw the completion of several projects integrating the Siebel CRM system with the Genesys call-centre system, thus automating customer service processes (informing customers of products, speeding up the review of complaints, debt collection campaigns etc.).

In 2016, the general purpose consumer loans and credit card processes were complimented by new procedures, designed for consideration of mortgage applications, general purpose credit applications made through MKB Online, pre-approved credit offers and debit cards.

### Retail deposits dynamics, RUB bln



In 2016, the Bank introduced a flow-line document scan technology based on an ABBYY solution to reduce the workload and mitigate relevant operational risks.

In 2017–2018, introduction of the uniform front office based on the Oracle Siebel CRM platform is to be finalised by the transfer of deposit and settlement procedures.

It is planned to introduce in 2017 a new back office system designed by CFT to book deposits and, later, loans and credit cards.

Thus, after completing implementation of a single front office based on Oracle Siebel CRM and CFT's deposit and credit back office, the Bank's IT platform for servicing individual customers will be significantly upgraded, which will ensure a reduction in operating costs and further product development for the segment.

MKB Online, a retail Internet banking system similar to Your Bank in Your Office / Your Bank Online was also actively developed in 2016. Tools were added to take out loans and pre-approved offers without visiting the Bank's office. The system's security was also enhanced. To protect personal data and prevent fraud, a fraud monitoring system, SCRAM-authentication, two-level authentication, SIM card



replacement control and other suspicious activity monitoring tools were enabled. For customers who prefer mobile devices, the Bank developed a brand new app, MKB Mobile 2, with state-of-the-art protection and improved navigation. The app can read card numbers using a camera or NFC, deliver push notifications, give access to the bonus programme and much more besides.

The Bank pays special attention to financial data transfer issues pertaining to card transactions; in 2016, the Bank significantly improved its fraud monitoring system for cards and remote banking channels (online banking, mobile applications).

The Bank also develops its ATM network based on direct agreements with banks that have a wide network of ATMs, thereby reducing transaction costs. At present, the Bank's ATM network is integrated with those of ROSGOSSTRAKH BANK, UniCredit Bank, Alfa-Bank and Raiffeisenbank, whether based on bilateral inter-host solutions or through international payment systems.

Endeavouring to make client service as convenient as possible, the Bank invests a lot in its network of payment terminals. The Bank's terminals can be used not only to pay for third-party services, but also to make intrabank transactions, top up third-party banks' cards and the transport card Troika, using cash or VISA and MasterCard bank cards. The Bank also dynamically expands the range of services offered to card holders by extending its bonus programme and promoting its Universal Bank Card project enabling customers to use their own and borrowed funds from a single card.

The Bank actively engages in B2G projects and successfully launched services allowing dwellers

of Moscow and Moscow Region to use more easily public transport, healthcare and educational facilities. In addition to the Troika card, the transport card Strelka can now also be topped up, while urban transport and commuter train tickets can be loaded onto transport cards.



## 2.3. Cash handling

### Key business results:

- More than 3,500 customers, of which 204 are credit institutions, as at end-2016;
- The number of cash handling points reached 35,555.
- The number of cash handling routes exceeded 560 following the arrival of many new large customers;

**CBM is a market leader in providing cash handling services to businesses in Moscow, the Moscow Region, and Russia as a whole.** Cash handling services are in high demand, especially among customers engaged in retail business, an overwhelmingly cash-intensive business. Historically, the Bank has targeted retail companies operating in various business segments. They account for a sizeable portion of its cash handling fee income.

Cash handling services to retail chains allow the Bank to cut drastically the cost of servicing its own network of ATMs and terminals by placing them at its customers' locations. An additional advantage is the high customer traffic around such locations,

which increases the return on investments in the installation and maintenance of ATMs and terminals. The Bank has implemented a product for accepting customers' sales revenues via self-service devices (ATMs and payment terminals) with crediting cash to their accounts online. The provision of cash handling services helps to differentiate the Bank from its competitors and represents an additional advantage for the Bank in attracting and retaining corporate customers.

The Bank has three in-house cash handling centres, of which 2 are located in the southern area and one in the northern area of Moscow, and 22 centres elsewhere in Russia, where physical cash is accepted, counted and credited to customers' accounts. As at end-2016, the Bank's fleet consisted of more than 810 armoured cash handling vehicles of varying capacity. As of 31 December 2016, it operated more than 560 cash handling routes. This was prompted by the acquisition of many new customers such as: MTS mobile phone stores, X5 chain supermarkets, the Burger King fast food chain, Russian Regional Development Bank and many other, and by the improvement of its services for the existing customers, such as: ROSBANK, Auchan, Citibank, Post-Bank.

In November 2015, CBM increased its market share by acquisition of INKAKHRAN, one of the largest cash handling companies in Russia, and during 2016 it took steps to integrate the company into the Group.

As of now, INKAKHRAN is one of the leaders of cash handling business. It operates four autonomous conveyer counting workshops, and as such is Russia's largest certified privately-owned cash handling centre with essentially unlimited capacity: it recounts more than RUB 1.3 tln per year.

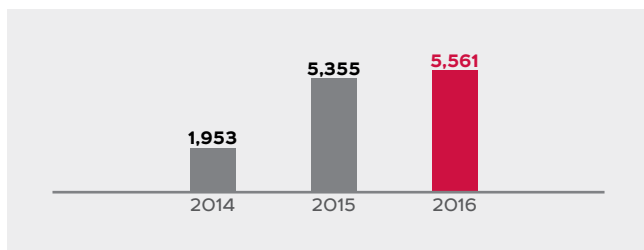
The value of physical money transported in 2016 grew from RUB 5.4 to RUB 5.6 tln.

Fee and commission income from cash handling services in 2016 amounted to RUB 2.6 bln, which is 67.4% more than the last year. The Bank plans to continue development of these important activities which create synergy with the development of corporate business.

The Bank has one of the largest cash handling centres in Moscow. To ensure technological leadership in this area, the Bank's IT specialists have developed and continually improve specialised automation



### Money transported, RUB bln



software. Its capabilities allow the Bank to reduce notably the cost of cash handling services provided to its and other credit institutions' customers, to deliver cash to/from terminals and ATMs and other credit institutions' branches.





### 3. Financial Results



The content  
section

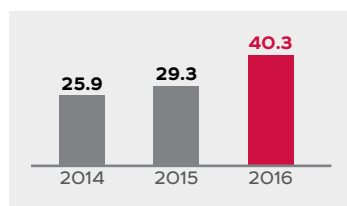
- 3.1. [Financial Results](#)
- 3.2. [Key Results](#)
- 3.3. [Income statement analysis](#)
- 3.4. [Structure of assets and liabilities under IFRS](#)



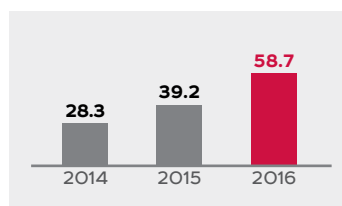


## 3.1. Financial Results

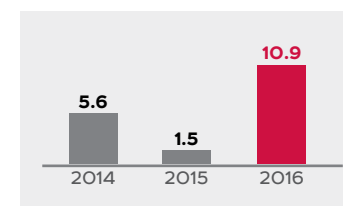
### Income statement, RUB bln



Net interest income increased by 37.6% yoy to RUB 40.3 bln

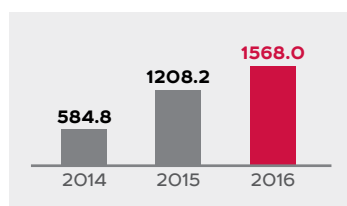


Total operating income (before provisions) grew by 49.7% yoy to RUB 58.7 bln

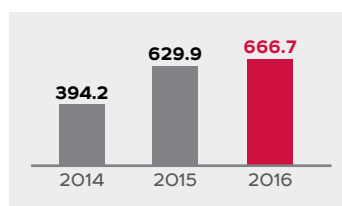


Net income increased by 7 times yoy up to RUB 10.9 bln

### Balance sheet, RUB bln

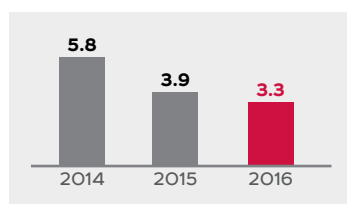


Total assets grew by 30.0% yoy to RUB 1,568 bln

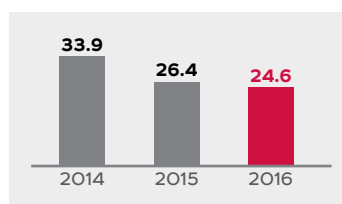


Gross loan portfolio expanded by 5.8% yoy to RUB 666.7 bln

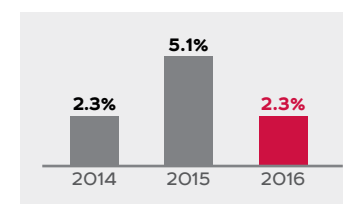
### Key financial indicators, %



Net interest margin was 3.3%



Cost-to-income (CTI) ratio dropped to 24.6%



Share of non-performing loans (90+ days) fell to 2.3% from 5.1%



## 3.2. Key results

x7

Net income for 2016 increased by 7 times yoy to RUB 10.9 bln (USD 179.3 mln).

11.1 %

Return on equity was 11.1%.

0.8 %

Return on assets was 0.8%.

3.3 %

Net interest margin was 3.3%.

29.8 %

Assets expanded by 29.8% to RUB 1.6 tln (USD 25.8 bln).

5.8 %

Gross loan portfolio rose 5.8% to RUB 667 bln (USD 11.0 bln).

2.3 %

Ratio of NPLs (90+ days) to gross loan portfolio reduced from 5.1% as at end-2015 to 2.3% as at end-2016.

4.6 %

Cost of Risk (CoR) decreased from 5.4% as at end-2015 to 4.6% as at end-2016.

6.0 %

Provisioning rate remains stable at 6%.

689.5

Customer deposits stood at RUB 689.5 bln (USD 11.4 bln).

12.0 %

Equity increased 12% to RUB 103.4 bln (USD 1.7 bln).

159.8

Basel III capital amounted to RUB 159.8 bln (USD 2.6 bln), with the capital adequacy ratio of 14.7% and Tier I ratio of 9.4%.

24.6 %

Cost-to-income ratio dropped from 26.4% as at end-2015 to 24.6% as at end-2016.

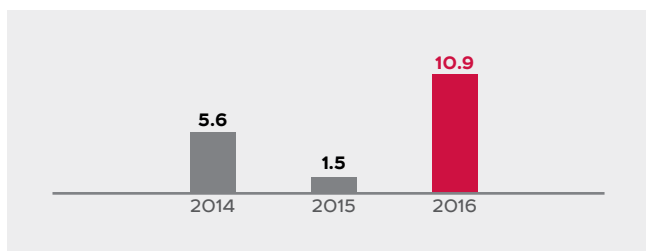




## 3.3. Income statement analysis

### Profit for the Period

Net Income, RUB bln



**CBM's profit for the period was RUB 10,874 mln and RUB 1,509 mln for the years ended 31 December 2016 and 2015, respectively.** The increase in net income was mainly driven by the growth of interest and fee income on the back of good quality growth of the Bank's business amid gradually stabilising business activity.

### Interest Income

For the year ended 31 December 2016, CBM's interest income increased by RUB 24,187 mln, or 27.1%, to RUB 113,398 mln from RUB 89,211 mln for the year ended 31 December 2015.

The increases in CBM's interest income during the period under review resulted primarily from increases in interest income from loans to customers and due from credit and other institutions. While average balance of interest-earning assets increased from RUB 753,382 mln for the year ended 31 December 2015 to RUB 1,232,737 mln for the year ended 31 December 2016, average yield on interest-earning assets decreased gradually from 11.8% for the year ended 31 December 2015 to 9.2% for the year ended 31 December 2016. The decrease of average yield on interest-earning assets reflects the increase of the share of assets with lower interest rates as a result of the Bank's conservative approach to liquidity management and lending operations in response to the uncertain economic environment in Russia.

#### INTEREST INCOME ON LOANS TO CUSTOMERS

The majority of CBM's interest income received in the period under review was attributable to interest income on loans to customers. Interest income on loans to customers represented 72.1% and 78.8% of total interest income for the years ended 31 December 2016 and 2015, respectively.

For the year ended 31 December 2016, interest income on loans to customers increased by RUB 11,526 mln, or 16.4%, to RUB 81,819 mln from RUB 70,293 mln for the year ended 31 December 2015. This increase was primarily attributable to an increase in interest income on loans to corporate customers as a result of increased lending volumes in line with CBM's strategy to expand its loan portfolio organically to existing corporate clients. The average balance of loans to customers increased to RUB 600,623 mln for the year ended 31 December 2016 from RUB 456,789 mln for the year ended 31 December 2015. CBM's average yield on loans to customers decreased to 13.6% for the year ended 31 December 2016 from 15.4% for the year ended 31 December 2015 due to decreasing interest rates on corporate loans in line with the market trend as a result of the decreasing CBR

**Year ended 31 December**

	2016		2015		CHANGE,
	RUB mln	% of total	RUB mln	% of total	%
Interest income					
Loans to customers, of which					
Corporate	63,182	55.7%	48,792	54.7%	29%
Individuals	18,637	16.4%	21,501	24.1%	-13%
Due from credit and other financial institutions and the CBR	19,450	17.2%	9,170	10.3%	112%
Debt securities	12,130	10.7%	9,748	10.9%	24%
Total interest income	113,398	100.0%	89,211	100.0%	27%
<b>Average yield on interest-earning assets (%)</b>		<b>9.2%</b>		<b>11.8%</b>	

key rate. During 2016, the declining key rate of the CBR affected cost of funding, on the one hand, and interest rates on loans to customers, on the other hand. CBM intentionally decreased interest rates on granted loans in order to maintain the high quality of the loan portfolio by attracting reliable customers via providing favourable conditions, while the decreased cost of funding enabled CBM to lower interest rates and maintain a comfortable level of profitability at the same time.

**INTEREST INCOME ON DUE FROM CREDIT AND OTHER FINANCIAL INSTITUTIONS AND THE CBR**

Interest income on due from credit and other financial institutions and the CBR represented 17.2% and 10.3% of total interest income for the years ended 31 December 2016 and 2015, respectively.

For the year ended 31 December 2016, interest income on due from credit and other financial institutions and the CBR increased by RUB 10,280 mln, or 112.1%, to RUB 19,450 mln from RUB 9,170 mln for the year ended 31 December 2015.

These increases were due to increased volumes of transactions on the interbank lending and repo markets as part of CBM's strategy in terms of maintaining strong liquidity position. The average balance of due from credit and other financial institutions and the CBR increased to RUB 487,647 mln for the year ended 31 December 2016. CBM's average yield decreased from 4.5% for the year ended 31 December 2015 to 4.0% for the year ended 31 December 2016. This decrease was primarily a result of the lower interest rate environment due to excess liquidity in the Russian interbank lending market due to the stabilisation of the Russian economy.

**INTEREST INCOME ON DEBT SECURITIES**

Interest income on debt securities (includes financial instruments at fair value through profit or loss and available-for-sale securities) represented 10.7% and 10.9% of total interest income for the years ended 31 December 2016 and 2015, respectively.

For the year ended 31 December 2016, interest income on debt securities increased by RUB 2,382 mln, or 24.4%, to RUB 12,130 mln from RUB 9,748 mln for the year ended 31 December 2015 while the average interest rate received by CBM on debt securities decreased to 8.4% for the year ended 31 December 2016 from 10.3% for the year ended 31 December 2015. The increase in the securities portfolio reflects the continued implementation of CBM's strategy to maintain high proportion of liquid assets on balance while the decrease in average interest rates on debt securities was mainly due to the lower interest rate environment in 2016 as compared to 2015 due to the stabilisation of the Russian economy.



## Interest Expense

	2016		2015	
	RUB mln	% of total	RUB mln	% of total
Deposits by customers	53,928	73.8%	44,195	73.8%
Debt securities issued	10,773	14.7%	11,399	19.0%
Deposits by credit and other financial institutions and the CBR	8,398	11.5%	4,328	7.2%
Total interest expense	73,099	100.0%	59,922	100.0%
<b>Average rate on interest-bearing liabilities (%)</b>		<b>5.9%</b>		<b>8.0%</b>

For the year ended 31 December 2016, CBM's total interest expense increased by RUB 13,177 mln, or 22.0%, to RUB 73,099 mln from RUB 59,922 for the year ended 31 December 2015.

The overall increase in CBM's interest expense during the periods under review mainly resulted from increases in interest expense on deposits by customers. The average interest rate paid by CBM on interest-bearing liabilities was 5.9% and 8.0% for the years ended 31 December 2016, and 2015, respectively.

### INTEREST EXPENSE ON DEPOSITS BY CUSTOMERS

Interest expense on deposits by customers was the largest component of CBM's total interest expense during the periods under review, representing 73.8% of total interest expense for the years ended 31 December 2016 and 2015.

For the year ended 31 December 2016, interest expense on deposits by customers increased by RUB 9,733 mln, or 22.0%, to RUB 53,928 mln from RUB 44,195 mln for the year ended 31 December 2015. The growth of interest expense on deposits by customers was due to an increase in the average balance of deposits by customers from RUB 526,148 mln for 2015 to RUB 858,548 mln in 2016 as a result of the inflow of deposits from large corporate customers and individuals, while the average interest rate paid by CBM on deposits by customers decreased from 8.4% in 2015 to 6.3% in 2016 in line with the market trend due to decreased interest rates in Russian economy.

### INTEREST EXPENSE ON DEBT SECURITIES ISSUED

Interest expense on debt securities issued represented 14.7% and 19.0% of total interest expense for the years ended 31 December 2016 and 2015, respectively.

For the year ended 31 December 2016, interest expense on debt securities issued decreased by RUB 626 mln, or 5.5%, to RUB 10,773 mln from RUB 11,399 mln for the year ended 31 December 2015. This decrease was due to the decrease in the average interest rate on CBM's debt securities issued from 9.5% in 2015 to 9.2% in 2016 as a result of decrease of CBR's interest rate, devaluation of USD-denominated Eurobonds as a result of gradual appreciation of the rouble, as well as the insignificant decrease in the average balance of debt securities issued from RUB 119,972 mln in 2015 to RUB 116,647 mln in 2016.

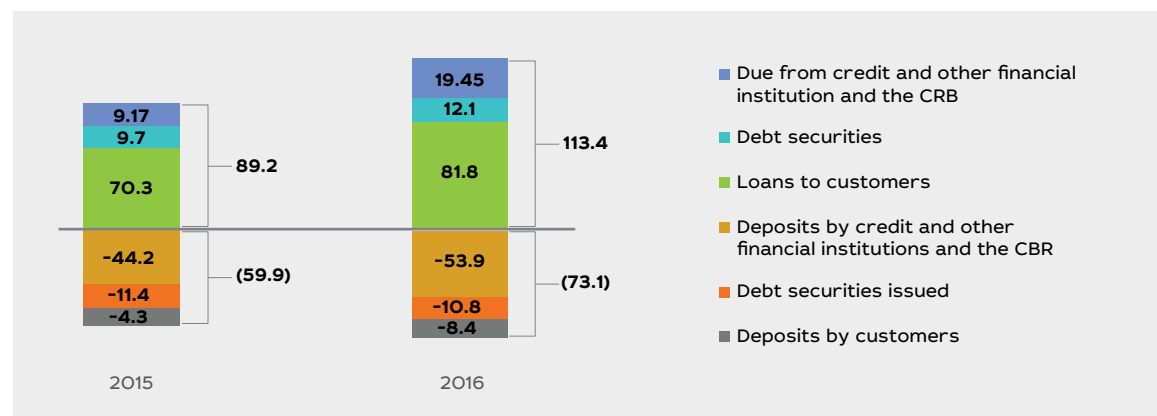
### INTEREST EXPENSE ON DEPOSITS BY CREDIT AND OTHER FINANCIAL INSTITUTIONS AND THE CBR

Interest expense on deposits by credit and other financial institutions and the CBR represented 11.5% and 7.2% of total interest expense for the years ended 31 December 2016 and 2015, respectively.

For the year ended 31 December 2016, interest expense on deposits by credit and other financial institutions and the CBR increased by RUB 4,074 mln, or 94.1%, to RUB 8,398 mln from RUB 4,328 mln for the year ended 31 December 2015. This increase was due to increases in the average balance of deposits by credit and other financial institutions and the CBR to RUB 253,989 mln for the year ended 31 December 2016 from RUB 100,875 mln for the year ended 31 December 2015, which is explained by funding requirements to finance the growth of business, as well as diversification of the funding base. The average interest rate paid by CBM on deposits by credit and other financial institutions and the CBR was 3.3% and 4.3% for the years ended 31 December 2016 and 2015, respectively.



## Net Interest Income



	2016	2015
(RUB mln, except percentages)		
Interest income	113,398	89,211
Interest expense	(73,099)	(59,922)
Net interest income before provision for impairment of loans	40,299	29,289
Net interest margin	3.3%	3.9%

Net interest income has historically been the largest component of CBM's operating income.

For the year ended 31 December 2016, net interest income before provision for impairment of loans increased by RUB 11,010 mln, or 37.6%, to RUB 40,299 mln from RUB 29,289 mln for the year ended 31 December 2015. CBM's net interest margin was 3.3% and 3.9% for the years ended 31 December 2016 and 2015, respectively. A decline in net interest margin in 2016 as compared to 2015 is explained by the increase of share of high-liquid and less profitable assets as a result of its conservative approach to maintain liquidity due to changes in interest rates in the economy.

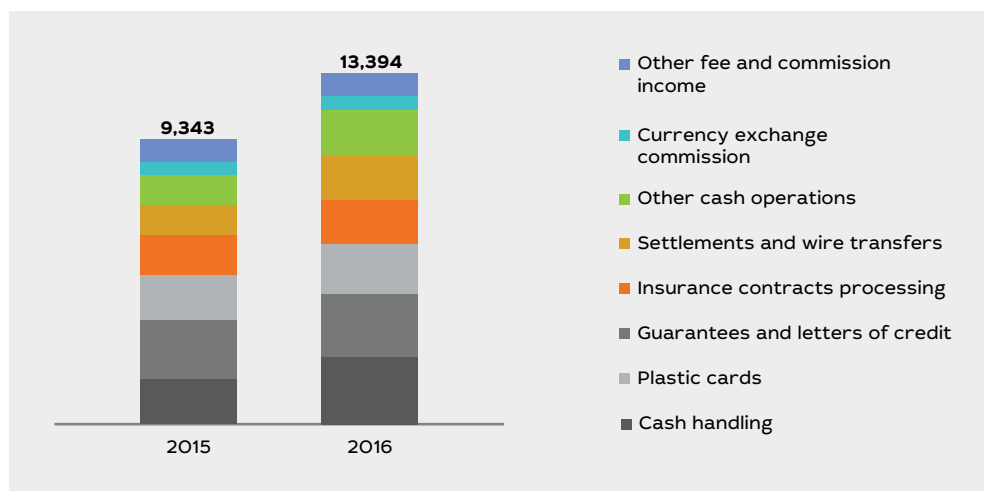
## Provision for Impairment of Loans

Provision for impairment of loans represents the provision charge for loans to customers during a given period.

For the year ended 31 December 2016, CBM recognised a provision for impairment of loans of RUB 29,783 mln, an increase of RUB 3,747 mln, or 14.4%, from RUB 26,036 mln for the year ended 31 December 2015. The ratio of loan impairment allowance to NPLs fluctuated and was 263.3% and 113.7% as at 31 December 2016 and 2015, respectively. CBM's management believes that the level of impairment allowance as at 31 December 2016 covers all significant impaired loans. Since 31 December 2016, major loans are not expected to require creation of a significant provision for impairment of loans.



## Non-interest Income



### FEE AND COMMISSION INCOME

The largest source of CBM's non-interest income is its fee and commission income. CBM's fee and commission income primarily comprises commissions generated by cash handling, plastic cards, guarantees and letters of credit, insurance contracts processing, settlements and wire transfers and other cash operations.

CBM's total fee and commission income increased by RUB 4,051 mln, or 43.4%, to RUB 13,394 mln for the year ended 31 December 2016 from RUB 9,343 mln for the year ended 31 December 2015. The increase was attributable to the increases in almost all components of fee and commission income, including primarily due to cash handling following further expansion of CBM's cash handling business, as a result of the acquisition of INKAKHRAN in

November 2015, plastic card operations due to the continuing rapid development of this business line, guarantees and letters of credit due to increased demand for documentary services, insurance contract processing due to the Bank's strategy for active development of this product, settlements and wire transfers due to increased transactions and other cash operations due to continued development of the payment terminals network. The increase in fee and commission income reflects CBM's strategy to develop fee and commission products that are not connected to the cost of the Bank's funding base. Moreover, CBM increased fees on a number of its products in line with the market.

### FEE AND COMMISSION EXPENSE

For the year ended 31 December 2016, fee and commission expense increased by RUB 529 mln, or 30.8%, to RUB 2,247 mln from RUB 1,718 mln for the year ended 31 December 2015. The increase of fee and commission expense in 2016 as compared to 2015 is primarily attributable to the growth in settlements, wire transfers and plastic cards as a result of further development of CBM's plastic cards business and an increase in the number of transactions with plastic cards, which resulted in an increase in the volume of commissions paid to payment card systems.

### NET FEE AND COMMISSION INCOME

For the reasons described above, for the year ended 31 December 2016, CBM had net fee and commission income of RUB 11,147 mln as compared to net fee and commission income of RUB 7,625 mln for the year ended 31 December 2015.

### NET GAIN ON FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

For the year ended 31 December 2016, CBM had a net gain on financial instruments at fair value through profit or loss of RUB 235 mln as compared to a net gain of RUB 1,202 mln for the year ended 31 December 2015. The decrease in net gain for 2016 as compared to 2015 was due to negative revaluation of the securities portfolio. CBM does not engage in transactions with securities for speculative purposes.



## NET REALISED GAIN ON AVAILABLE-FOR-SALE ASSETS

CBM's available-for-sale assets are government, municipal and corporate bonds. CBM had a net gain on available-for-sale securities of RUB 1,208 mln for the year ended 31 December 2016 mainly due to the changes in market valuation of the securities portfolio.

## NET FOREIGN EXCHANGE GAINS

CBM's income or expense from net foreign exchange gains or losses primarily represents net gains or losses from currency transactions, net gains or losses on open foreign currency positions and the purchasing and selling by CBM of currency derivatives for hedging the currency risks of its clients. CBM generates income from net foreign exchange transactions where CBM's sale price for a particular instrument is higher than its purchase price, and typically incurs losses on its derivative transactions, which are hedging expenses incurred in order to limit CBM's foreign currency exposure and to manage its liquidity position. CBM does not engage in derivative transactions for speculative purposes.

CBM had a net foreign exchange gain of RUB 6,065 mln for the year ended 31 December 2016 as compared to a net foreign exchange gain of RUB 2,743 mln for the year ended 31 December 2015. The net foreign exchange gains for the year ended 31 December 2016 were mainly due to income generated from swap contracts, as well as from currency conversion operations conducted by CBM on behalf of its customers. These are one-off events that may not reoccur in the future.

## STATE DEPOSIT INSURANCE SCHEME CONTRIBUTIONS

State deposit insurance scheme contributions include amounts that CBM pays for membership in the state mandatory system of retail deposit insurance, and are assessed in proportion to the volume of deposits by retail customers. Such contributions increased by RUB 212 mln, or 29.9%, to RUB 920 mln from RUB 708 mln for the year ended 31 December 2015. The increases are explained by the growth of CBM's retail deposit portfolio.

## OPERATING LEASE INCOME

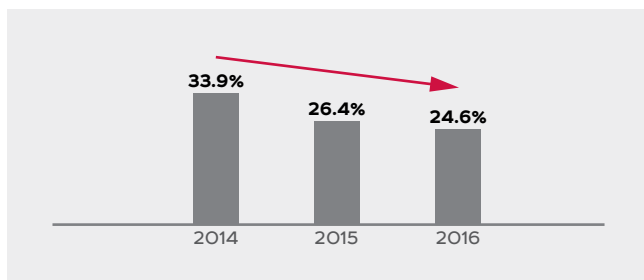
For the year ended 31 December 2016, CBM's operating lease income was RUB 1,252 mln as compared to RUB 41 mln for the year ended 31 December 2016. The significant increase was due to a rise in income from the operating lease of aircraft acquired by CBM in 2015 as a result of enforcement of collateral under letters of credit. For the purposes of operating leasing of aircraft, CBM established a subsidiary, CBM Ireland Leasing Limited.



## Operating Expense

For the year ended 31 December 2016, CBM's operating expense increased by RUB 3,973 mln, or 35.3%, to RUB 15,219 mln from RUB 11,246 mln for the year ended 31 December 2015. This increase was primarily due to the increases in salaries and employment benefits, administrative expenses and depreciation of property and equipment.

### Cost-to-income ratio, %



CBM's cost-to-income ratio was 24.6% and 26.4% for the years ended 31 December 2016 and 2015, respectively. It decreased because operating income grew faster than operating expenses, which speaks of improved operational efficiency of the Bank.

### SALARIES AND EMPLOYMENT BENEFITS

Salaries and employment benefits increased by RUB 2,181 mln, or 39.5%, to RUB 7,700 mln for the year ended 31 December 2016 from RUB 5,519 mln for the year ended 31 December 2015. These increases were primarily due to an increase in the number of employees as a result of the expansion of CBM's business and were also due to salary increases resulting from competition in the market for qualified personnel. CBM had 8,161 employees as at 31 December 2016 and 7,709 as at 31 December 2015.

### ADMINISTRATIVE EXPENSES

For the year ended 31 December 2016, CBM's administrative expenses increased by RUB 1,059 mln, or 25.2%, to RUB 5,260 mln from RUB 4,201 mln for the year ended 31 December 2015. The increases reflect the expansion of CBM's corporate and retail banking activities, development of branch network (including ATMs and payment terminals) and expansion of business in the cash handling.

**Occupancy.** For the year ended 31 December 2016, CBM's occupancy expenses increased by RUB 305 mln, or 37.4%, to RUB 1,121 mln from RUB 816 mln for the year ended 31 December 2015. The increase reflected the expansion of its distribution network (including branches, ATMs and payment terminals), as well as the effect of consolidation of INKAKHRAN and SKS Bank.

**Advertising and business development.** For the year ended 31 December 2016, CBM's advertising and business development expenses decreased

by RUB 15 mln, or 1.6%, to RUB 907 mln from RUB 922 mln for the year ended 31 December 2015. The decrease in 2016 primarily reflects CBM's spending optimisation coupled with an overall price decline in the advertising industry.

**Property maintenance.** For the year ended 31 December 2016, property maintenance expenses increased by RUB 264 mln, or 66.7%, to RUB 660 mln from RUB 396 mln for the year ended 31 December 2015. The increase primarily resulted from the acquisition of INKAKHRAN and also the expansion of CBM's distribution network.

**Security.** For the year ended 31 December 2016, expenses relating to security increased by RUB 270 mln, or 77.4%, to RUB 619 mln from RUB 349 mln for the year ended 31 December 2015. These increases are explained primarily by related expenses following the growth of CBM's cash handling business mainly due to the acquisition of INKAKHRAN.

**Operating taxes.** For the year ended 31 December 2016, operating taxes increased by RUB 55 mln, or 10.4%, to RUB 586 mln from RUB 531 mln for the year ended 31 December 2015.





## 3.4. Structure of assets and liabilities under IFRS

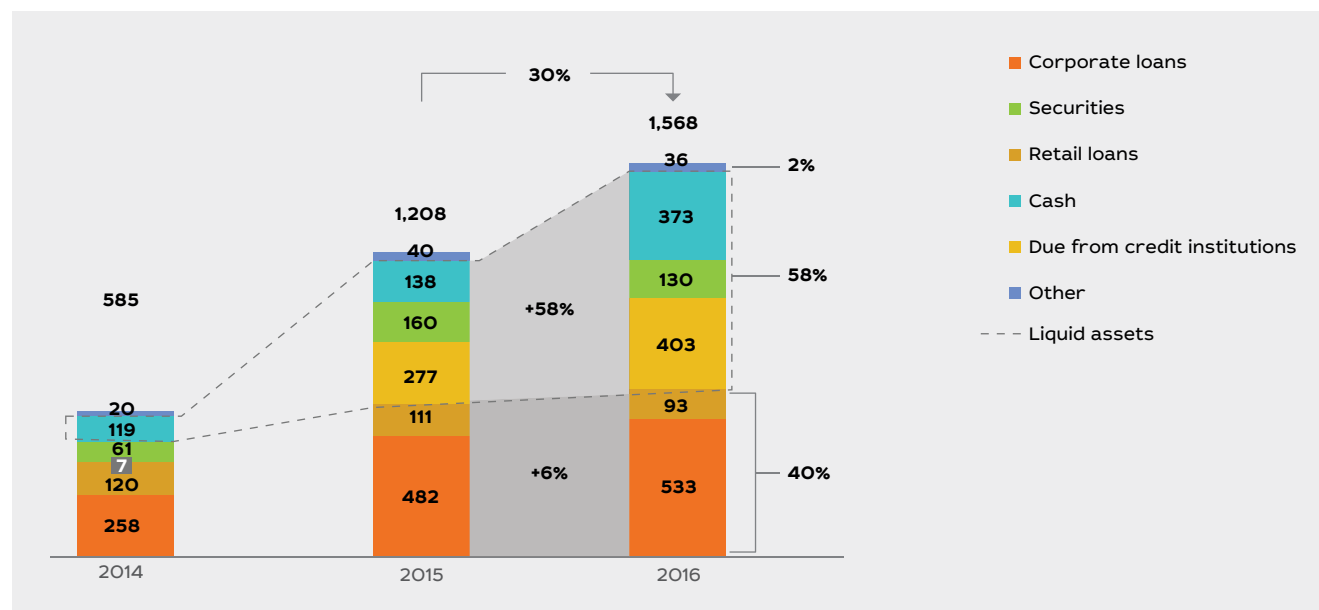
58%

Liquid assets represent 58% of total assets

### Asset structure

As at 31 December 2016, CBM had total assets of RUB 1,567,969 mln as compared to RUB 1,208,201 mln as at 31 December 2015. The increase in total assets by RUB 359,768 mln, or 29.8%, for the year ended 31 December 2016 as compared to the year ended 31 December 2015 is primarily attributable to the increases in cash and cash equivalents, deposits in credit institutions and loans to customers.

Asset structure , RUB bln





## Balance Sheet

RUB mln	2016	2015	2015 – 2016
<b>Assets</b>			
Cash and cash equivalents	373,327	138,015	170%
Obligatory reserves with the CBR	7,287	5,936	23%
Due from credit institutions	403,480	277,296	46%
Financial instruments at fair value through profit or loss	83,909	72,137	16%
Available-for-sale securities	45,903	87,403	-47%
Loans to customers	626,535	593,065	6%
Property and equipment	21,278	7,004	204%
Other assets	6,250	27,344	-77%
<b>Total assets</b>	<b>1,567,969</b>	<b>1,208,201</b>	<b>30%</b>

RUB mln	2016	2015	2015 – 2016
<b>Liabilities and equity</b>			
Deposits by the CBR	247,170	4,045	6.01%
Deposits by credit institutions	381,624	84,660	351%
Deposits by customers	689,496	898,692	-23%
Debt securities issued	137,203	121,155	13%
Deferred tax liability	190	2,381	-92%
Other liabilities	8,885	4,930	80%
<b>Total liabilities</b>	<b>1,464,568</b>	<b>1,115,862</b>	<b>31%</b>
<b>Equity</b>			
Share capital	24,742	24,742	0%
Additional paid-in-capital	35,047	35,047	0%
Revaluation surplus for buildings	688	769	-11%
Revaluation reserve for available-for-sale securities	451	220	105%
Currency translation reserve	39	-	-
Retained earnings	42,434	31,560	34%
<b>Total equity</b>	<b>103,401</b>	<b>92,338</b>	<b>12%</b>
<b>Total liabilities and equity</b>	<b>1,567,969</b>	<b>1,208,201</b>	<b>30%</b>



## Loan portfolio

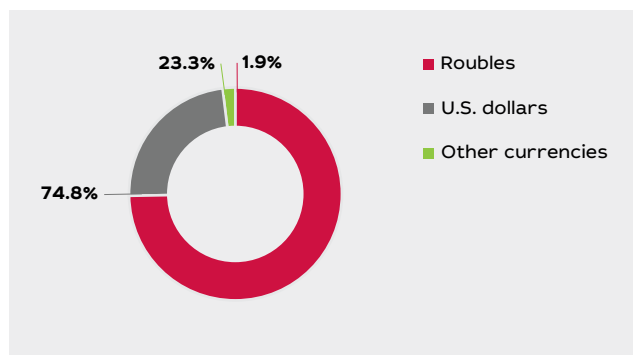
Loans to customers (net of loan impairment allowance) are the largest component of CBM's total assets, accounting for 39.9% and 49.1% of total assets as at 31 December 2016 and 2015, respectively.

As at 31 December 2016, loans to customers (net of loan impairment allowance) amounted to RUB 626,535 mln, representing a 5.6% increase from RUB 593,065 mln as at 31 December 2015. The increase in loans to customers for 2016 as compared to 2015 is primarily attributed to a 10.6% increase in the corporate loan portfolio. The increase in loans to customers was offset by the decrease in the retail loan portfolio as a result of a conservative approach to origination of loans to individuals in light of economic instability. Decrease of retail loan portfolio resulted from CBM's strategy to mitigate the risk on the retail lending activities which was accompanied by shrink of high-quality loan demand on the market.

### LOAN PORTFOLIO BY CURRENCIES

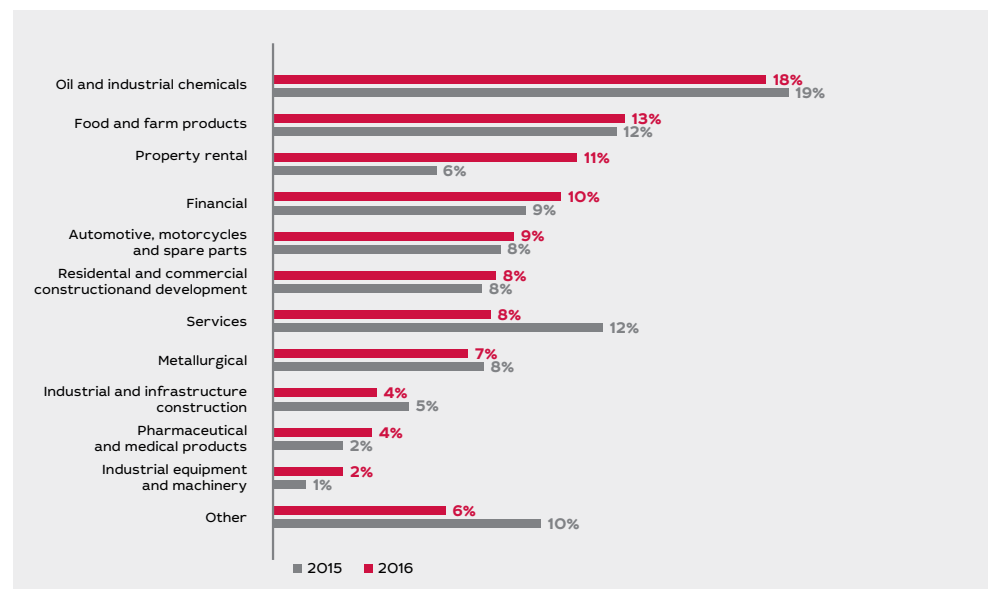
The Bank is an active player in the international capital market, therefore it has liabilities denominated in foreign currencies. In order to better balance the foreign currency structure of its assets and liabilities, currently CBM extends foreign currency loans only to customers that are engaged in businesses with foreign currency components. CBM plans to continue to access the international capital markets and syndicated loan markets, which sub-

jects it to risks inherent in currency fluctuations and the uncertainty of these markets as a reliable funding source. As at 31 December 2016, 74.8% of CBM's loans to customers were denominated in RUB, 23.3% in U.S. dollars and the remaining 1.9% in other currencies.



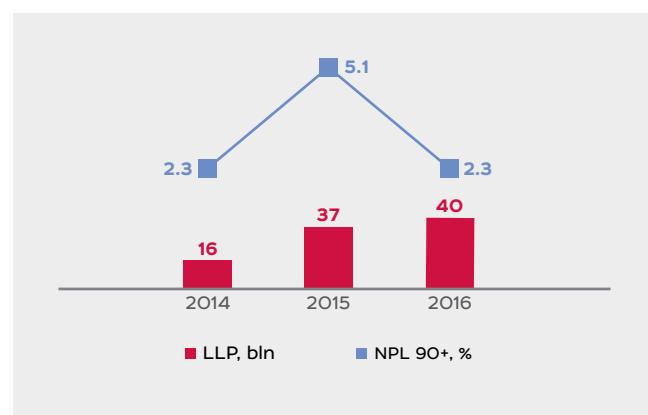
### LOAN PORTFOLIO QUALITY

**The majority of CBM's loan portfolio** consists of loans to corporate customers. In recent years, as part of its strategy, CBM has broadened its focus to large high-quality corporate clients in industry sectors more enduring to the current economic conditions, such as oil and gas, food, transportation. Companies operating in oil and industrial chemicals sector, historically the strongest sector of Russian economy, generate stable cash flows sufficient for repayment of their debt obligations. The food and farm sector benefited from counter-measures imposed by Russia on import of certain food and farm products from a number of countries in response to sanctions, so that companies operating in this sector were able to increase production capacity met by upsized market demand.



The loan portfolio quality improved because the economic situation in Russia stabilised and customers resumed repaying their bad debts.

## NPL 90+



## LOAN PORTFOLIO QUALITY

In the period under review, CBM's loans to customers increased from RUB 378,014 mln as at 31 December 2014 to RUB 593,065 mln as at 31 December 2015 and RUB 626,535 mln as at 31 December 2016. CBM's loan impairment allowance also increased from RUB 16,176 mln as at 31 December 2014 to RUB 36,874 mln as at 31 December 2015 and RUB 40,203 mln as at 31 December 2016. As at 31 December 2016, the NPLs accounted for 2.3% of the total gross loan portfolio as compared to 5.1% of the total gross loan portfolio as at 31 December 2015, thus demonstrating a significant downside year-on-year.

## DUE FROM CREDIT INSTITUTIONS

As at 31 December 2016, CBM had deposits in credit and other financial institutions of RUB 403,480 mln as compared to RUB 277,296 mln as at 31 December 2015. This increase was primarily attributable to an increase in volume of reverse REPO as part of CBM's liquidity management strategy. The Bank estimates the transactions as bearing low-risk, due to high-quality pledge in the form of highly liquid securities by top-tier issuers, which is coupled with minimum pressure on the Bank's capital. Of RUB 403,480 mln of deposits in credit and other financial institutions, RUB 275,110 mln have the maturity from one to three months with the remaining portion from three months to one year.



## CASH AND CASH EQUIVALENTS

The growth of this item in 2016 was primarily driven by an increase in amounts due from credit institutions maturing in less than 1 month, mainly represented by reverse REPOs with highly liquid securities of top-tier issuers.

Cash and cash equivalents represent items that are readily convertible to known amounts of cash, which are subject to an insignificant risk of changes in value. As at 31 December 2016, CBM had cash and cash equivalents of RUB 373,327 mln as compared to RUB 138,015 mln as at 31 December 2015, representing an increase of 270.5%. This increase was primarily due to a RUB 177,847 mln increase in total due from credit institutions and other financial institutions with maturity of less than one month and a RUB 60,734 mln increase in balances on the Bank's correspondent accounts.

## SECURITIES PORTFOLIO

CBM's securities portfolio comprised 8.3% and 13.2% of CBM's total assets as at 31 December 2016 and 2015, respectively. CBM classifies its securities portfolio into financial instruments at fair value through profit or loss and available-for-sale securities. CBM's securities portfolio consists primarily of Russian government and municipal securities, corporate bonds and Eurobonds of top-tier Russian companies with solid credit ratings. During the periods under review CBM increased securities portfolio and continued to invest into liquid securities included in the CBR's Lombard List, so that it could derive liquidity on interbank market from CBR by selling securities directly or under repurchase contracts at any time.

Additionally, CBM's securities portfolio generates stable interest income while maintaining high asset quality, which is especially important in current unstable macroeconomic environment.

## PROPERTY AND EQUIPMENT

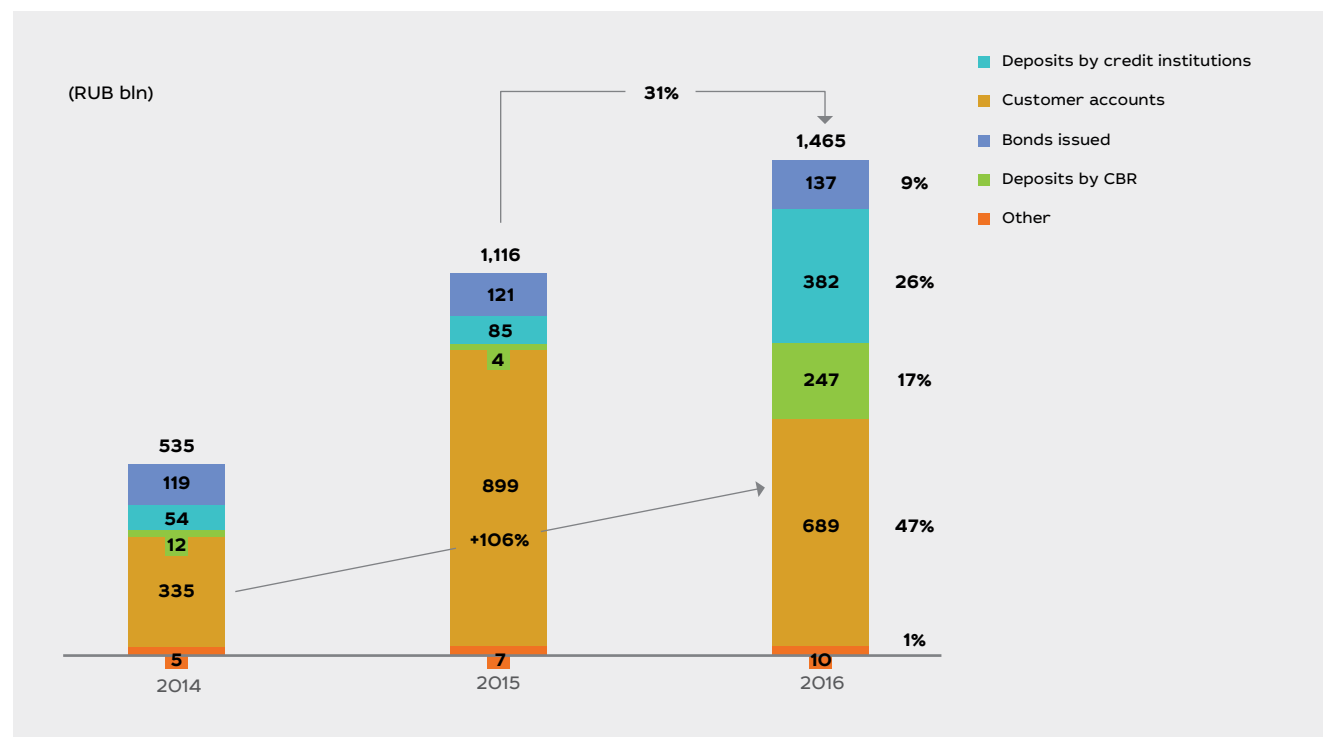
CBM's property and equipment consists of buildings, vehicles (including armoured cash handling vehicles), ATMs, payment terminals, computers and office equipment, furniture, aircraft, other property and construction in progress and assets subject to operating lease. CBM's property and equipment was RUB 21,278 mln and RUB 7,004 mln as at 31 December 2016 and 2015, respectively. The significant increase in property and equipment in 2016 as compared to 2015 was mainly due to acquire of aircraft in the amount of RUB 16,587 mln which were recorded in "other assets" line item as property held for further leasing. The increases in the value of CBM's property and equipment during the periods under review were due to further development of CBM's network.

## OTHER ASSETS

Other assets primarily include receivables, property held for sale, prepaid expenses and intangible assets.



## Liabilities structure



As at 31 December 2016, CBM had total liabilities of RUB 1,464,568 mln, an increase of RUB 348,706 mln, or 31.3%, from RUB 1,115,863 mln as at 31 December 2015. This increase was primarily due to the increase in deposits by the CBR and deposits by credit and other financial institutions.

## Resource base

### DEPOSITS BY CUSTOMERS

Deposits by customers decreased by RUB 209,196 mln or 23.3% to RUB 689,496 mln as at 31 December 2016 from RUB 898,692 mln as at 31 December 2015.

Corporate deposits represented 63.9% and 77.6% of CBM's total deposits by customers as at 31 December 2016 and 2015, respectively. The decrease in deposits by customers in 2016 as compared to 2015 was due to scheduled partial repayments to large depositors in December 2016 which were later offset by comparable deposits. The number of the Bank's corporate clients rises consistently, and it considers corporate deposits as an important source of funding.

Private customer accounts represent a reliable source of liquidity for the Bank which grows steadily with the expansion of its client base as it strengthens its positions in the Russian banking sector. The balances of private customer accounts augmented by 23.8% to RUB 248,654 mln as of 31 December 2016.

### DEPOSITS BY CREDIT AND OTHER FINANCIAL INSTITUTIONS

Deposits by credit and other financial institutions include payables under repurchase agreements or collateralised loans, term deposits, current accounts, subordinated debts and syndicated loans. Deposits by credit institutions represented 26.0% and 7.6% of total liabilities as at 31 December 2016 and 2015, respectively.





Deposits by credit and other financial institutions increased by RUB 296,965 mln, or 350.8%, to RUB 381,624 mln as at 31 December 2016 from RUB 84,660 mln as at 31 December 2015. The significant increase in 2016 as compared to 2015 is explained mainly by the increase in payables under repurchase agreements or collateralised loans to RUB 247,011 mln for 2016 from RUB 22,603 mln for 2015 as a result of active operations on the interbank lending market through repo transactions due to favourable interest rate environment to finance the expansion of corporate lending business, and the increase of interbank balances in assets for the purposes of current liquidity management.

#### DEPOSITS BY THE CBR

Deposits by the CBR, mainly represented by direct REPO transactions, increased to RUB 247,170 mln as at 31 December 2016 from RUB 4,045 mln as at 31 December 2015.

## Debt instruments

#### DEBT SECURITIES ISSUED

CBM issues debt securities in the domestic and international markets to fund the ongoing growth of its business operations. Debt securities issued represented 9.4% and 10.9% of CBM's total liabilities as at 31 December 2016 and 2015, respectively. Change in balances occurred primarily due to the replacement of matured debt instruments by newly issued securities, as well as revaluation of USD-denominated Eurobond, reflecting changes in the RUB/USD exchange rate.

The Bank set a milestone in October 2016 by placing a USD 500 mln 5-year 5.875% senior unsecured Eurobond issue on the Irish Stock Exchange.

In December 2016, the Bank placed RUB 3,328 mln 10.15% mortgage-backed bonds due 2043, its second ever issue of that kind.

#### OTHER LIABILITIES

Other liabilities amounted to RUB 8,885 mln and RUB 4,930 mln as at 31 December 2016 and 2015, respectively. Other liabilities primarily consist of payables to suppliers and allowances on issued guarantees. Other liabilities increased during the periods under review primarily due to an increase in payables to suppliers as a result of the overall growth of CBM's business.

## Capital

#### FUNDING

CBM's funding base relies primarily on deposits from retail and corporate customers. Other sources of funding include its promissory note programme, issues of rouble-denominated bonds and Eurobonds, funds raised on the Russian interbank market, funds raised from international financial institutions and in the form of syndicated loans and subordinated loans. CBM also has access to funding from the CBR on a secured and unsecured basis.

CBM's funding strategy is to continue to develop a diversified funding policy in order to achieve an optimum balance between its own capital, domestic and international borrowings to cover the growing

needs of CBM's business, both in terms of currency and maturity.

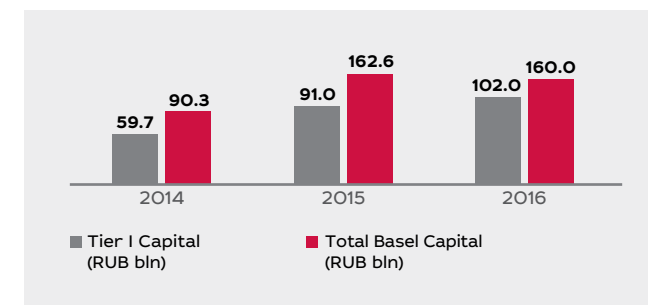
#### EQUITY

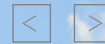
CBM's total equity increased by RUB 11,062 mln, or 12.0%, to RUB 103,400 mln as at 31 December 2016 from RUB 92,338 mln as at 31 December 2015. This increase was primarily due to a RUB 10,874 mln increase in retained earnings.

#### CAPITAL ADEQUACY

CBM's Tier 1 capital increased by RUB 10,915 mln, or 12.0%, to RUB 101,909 mln as at 31 December 2016 from RUB 90,994 mln as at 31 December 2015. This increase was due to an increase in retained earnings.

CBM's Tier 2 capital decreased by RUB 13,661 mln, or 19.1%, to RUB 57,897 mln as at 31 December 2016 from RUB 71,558 mln as at 31 December 2015. This decrease was mainly due to a decrease in USD-denominated subordinated debt due to the appreciation of the Russian Rouble against the U.S. Dollar in 2016, as well as amortisation of subordinated debt under Russian regulations.





## 4. Corporate Governance system

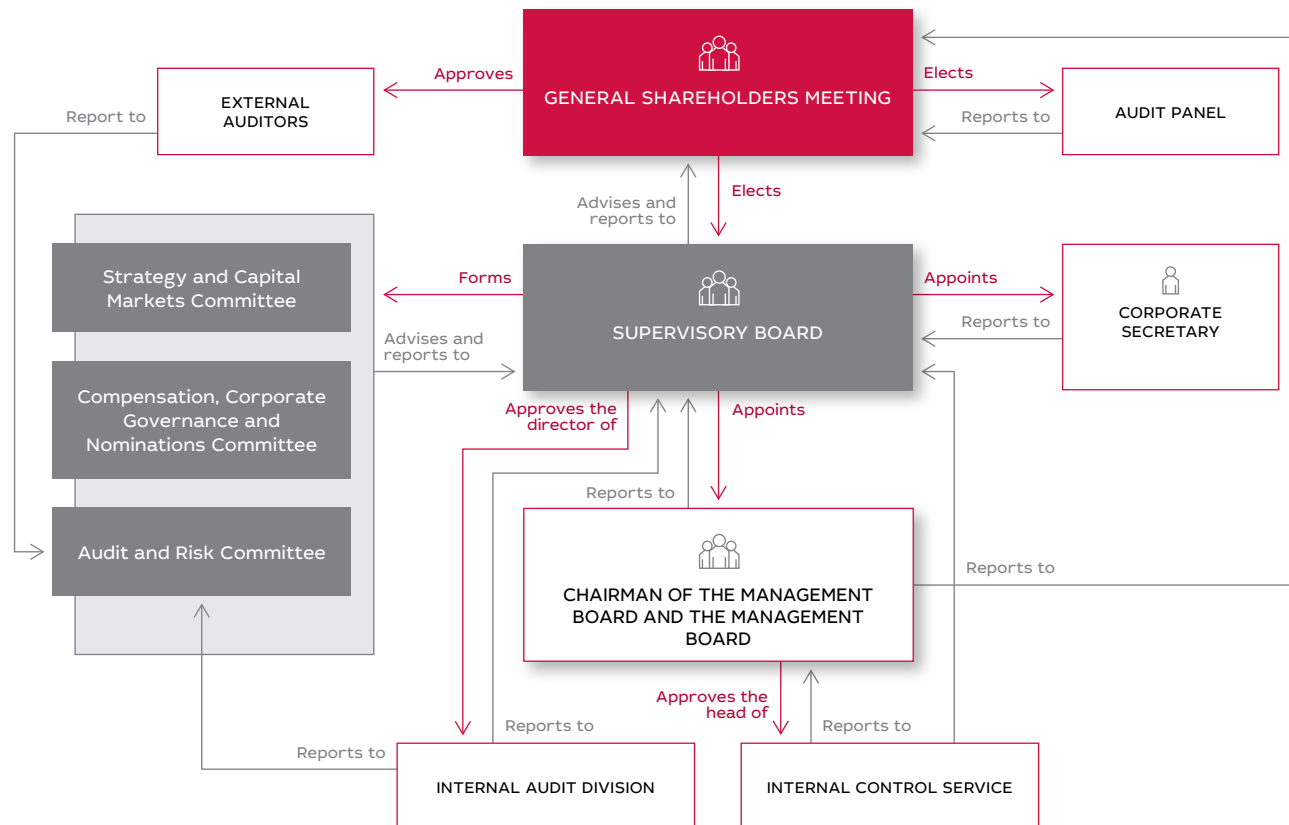






## 4.1. Corporate Governance system

The Bank's corporate governance system is a system of principles and norms allowing it to harmonise, to its benefit, rights and lawful interests of its shareholders, members of its Supervisory Board and executive bodies, employees and other stakeholders, which system serves the goal of maximising the Bank's profits subject to applicable laws and international standards.



The Bank's corporate governance system is a system of principles and norms allowing it to harmonise, to its benefit, rights and lawful interests of its shareholders, members of its Supervisory Board and executive bodies, employees and other stakeholders, which system serves the goal of maximising the Bank's profits subject to applicable laws and international standards.

The Bank is highly committed to best corporate governance practices as a means to protect its shareholders' and investors' interests and enhance its investment appeal.



## Corporate governance principles

The Bank undertakes to comply with the following corporate governance principles (as set out in its Corporate Governance Code):

### In respect of the shareholders:

- equal and fair treatment
- equal and fair opportunity to participate in profits
- equal terms and conditions
- reliable and efficient means of recording titles to shares

### In respect of the Supervisory Board:

- the Supervisory Board is responsible for the strategic management of the Bank, determines major principles of and approaches to creation of a risk management and internal control system within the Bank, monitors the activity of the Bank's executive bodies
- the Supervisory Board reports to the General Shareholders' Meeting

- the Supervisory Board should be an efficient and professional governing body of the Bank which is able to make objective and independent judgments and pass resolutions in the best interests of the Bank and its shareholders
- the Supervisory Board should include a sufficient number of independent directors
- the Chairman of the Supervisory Board should help it carry out the allocated functions in the most efficient manner;
- Supervisory Board members should act reasonably and in good faith in the best interests of the Bank and its shareholders
- meetings of the Supervisory Board, preparation for them and participation of Supervisory Board members therein should ensure the efficient operation of the Supervisory Board
- the Supervisory Board may form committees for preliminary consideration of the most important issues of the Bank's business

- the Supervisory Board should provide for an evaluation of the quality of its work and that of its committees and members

### In respect of the Corporate Secretary:

- the Bank's Corporate Secretary should ensure efficient interaction with its shareholders, co-ordination of the Bank's operations designed to protect the rights and interests of its shareholders, and support the efficient work of the Bank's Supervisory Board

### In respect of the Bank's Supervisory Board member and executive remuneration system:

- the level of remuneration paid by the Bank shall be sufficient to enable it to attract, motivate, and retain persons having the required skills and qualifications
- remuneration due to the Supervisory Board members and executives of the Bank should be paid in accordance with the remuneration policy approved by the Bank
- the system of remuneration of the Supervisory Board members should ensure harmonisation of the financial interests of the directors with the long-term financial interests of the shareholders
- the Bank's executive remuneration system should ensure harmonisation of the directors' financial interests with the shareholders' long-term financial interests

### In respect of the risk management and internal control system:

- the Bank should have an efficient internal control and risk management system in place
- the Bank should arrange for an internal audit to independently appraise, on a regular basis, the reliability and efficiency of its risk management and internal control system and corporate governance practices



**In respect of the Bank's information disclosure and its information policy:**

- the Bank and its activities should be transparent to its shareholders, investors, and other stakeholders
- the Bank should disclose, on a timely basis, full, up-to-date and reliable information about its activities
- the Bank should provide any information or documents requested by its shareholders in accordance with the principle of equal and unhindered accessibility

**In respect of material corporate actions:**

- any material corporate actions should be taken on fair terms and conditions, ensuring that the rights and interests of the shareholders as well as other stakeholders are observed
- the Bank should make provision for a procedure for taking any material corporate actions that would enable its shareholders to receive full information about such actions in due time and to influence them, and that would also guarantee that the shareholders' rights are observed and duly protected in the course of such actions



## Amendments to the Bank's corporate governance system and areas for further development

Recognising the importance of corporate governance, the Bank continuously improves this system.

### 2012

The Bank's shareholding structure is diversified, with the majority shareholder being joined by international institutional investors with strong corporate governance commitments. New members join the Supervisory Board, bylaws are amended, and Supervisory Board committees are created.

### 2013

The Corporate Governance Development Plan is approved, under which the Supervisory Board committees' procedures are optimised, a series of bylaws are drafted and approved, and the office of Corporate Secretary is instituted within the Bank's corporate governance structure.

### 2014

The Supervisory Board develops a road map to implement recommendations of the Bank of Russia's Corporate Governance Code (the "Code"). The first Supervisory Board self-appraisal is made in respect of 2013. Some bylaws are aligned with best corporate governance practices.

### 2015

The Bank makes an IPO and an SPO on MICEX SE, which adds its shares to the first level quotation list. To give more information to its shareholders and investors, the Corporate Governance sections of its website are updated. In 2014 and 2015, the Bank's bylaws are aligned with the Code's recommendations, thus introducing key provisions to be set out in its updated Corporate Governance Code. In late 2015, the Bank refreshes its Corporate Governance Code to meet the high standards of corporate governance promulgated by the Bank of Russia. The updated Code sets out guidance for both directors and executives of the Bank.

### 2016

The Bank focuses on improving its corporate governance practices based on the last year's Code recommendation compliance report and the updated road map for implementing the Code's recommendations. Changes in the Bank's corporate governance in 2016 are detailed below.





## Development of the Bank's corporate governance system in 2016

**The Bank is among the top 20 companies with the best corporate governance practices according to the National Corporate Governance Index survey conducted by the National Association of Corporate Directors supported by the Moscow Exchange and the Russian Union of Industrialists and Entrepreneurs (RSPP). It covered 100 largest public companies listed on the Moscow Exchange.**

- In line with the recommendation of the Bank of Russia's Corporate Governance Code to carry out an external performance appraisal every 3 years, the Supervisory Board approved the engagement of Odgers Berndtson for such appraisal.
- The scope of materials deliverable to shareholders increased: materials for preparation to General Shareholders' Meetings now include Supervisory Board members' positions in respect of agenda items; information on Supervisory Board nominees now includes the results of their appraisal;
- D&O insurance terms were revised;
- The Supervisory Board searched for independent directors to replace resigning Nicholas Dominic Haag and Bernard Daniel Sucher. As a result, Ilkka Seppo Salonen and Andreas Klingens joined as independent directors, while Marina Nastashkina and Genadi Lewinski joined as non-executive directors;

- The Supervisory Board devoted much attention to the implementation of ICAAP and IFRS9.
- Performance appraisal of the Management Board was carried out;
- The Risk and Capital Management Strategy and the Bank's Development Strategy were developed and approved;
- The Charter was amended and supplemented, the Regulation on the General Shareholders' Meeting, Regulation on the Supervisory Board, Regulation on the Audit Panel, Regulation on the Chairman of the Management Board, Regulation on Remunerations and Compensations Payable to Supervisory Board Members, Regulation on the Audit and Risk Committee of the Supervisory Board, Regulation on the Compensation, Corporate Governance and Nominations Committee of the Supervisory Board, Regulation on the Corporate Secretary and Remuneration Policy were approved in new versions, and payroll system bylaws were revised.

In the course of improving its corporate governance system, the Bank seeks to make its business more transparent, in particular through extensive communications with Russian and international shareholders and investors.

**The Bank plans to do the following in 2017 to improve and develop its corporate governance system:**

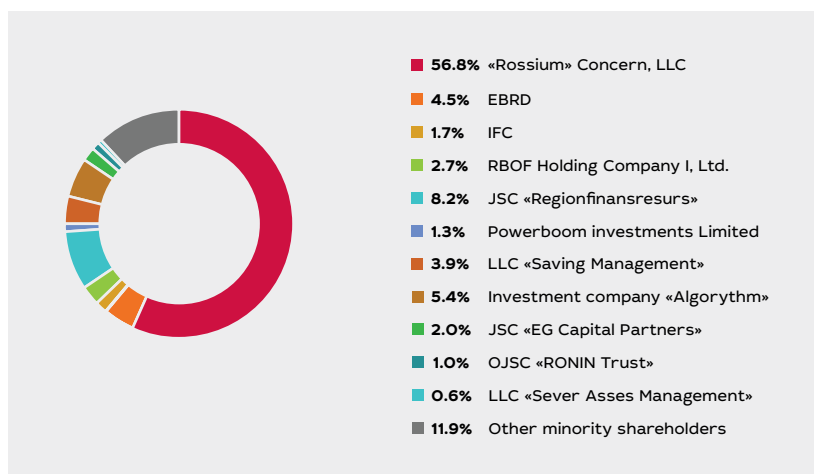
- implement recommendations of the Bank of Russia's Corporate Governance Code pursuant to the road map drafted by the Compensation, Corporate Governance and Nominations Committee;

- make the English and Russian versions of the Bank's website more informative for investors and shareholders;
- better align management bodies' bylaws with best corporate governance practices and statutory requirements;
- carry out an external independent appraisal of the internal audit function;
- put the external audit out to tender;
- discuss a long-term motivation programme for management.



## 4.2. General Shareholders' Meeting

### Share capital structure<sup>1</sup>



Registered, issued and placed equity of the Bank consists of 23,879,709,866 ordinary shares, each with a par value of RUB 1. The Bank's shares are admitted to trading on MICEX SE in the first level quotation list.

### Categories (classes) of shares

Type and category of shares	Ordinary registered
Issue form	Uncertificated
Number of shares issued	23,879,709,866
Par value of 1 (one) security, RUB	1

<sup>1</sup> As at 31.12.2016

**Changes in the capital structure as of 31.12.2014**

Shareholder	Share
ROSSIUM Concern LLC	85%
EBRD	7.5%
IFC	2.90%
RBOF Holding Company I, Ltd.	4.60%

**Changes in the capital structure as of 31.12.2015**

Shareholder	Share
ROSSIUM Concern LLC	56.83%
EBRD	4.54%
IFC	1.75%
RBOF Holding Company I, Ltd.	2.79%
LLC "Region Portfolio Investments" managing the closed-end fund of long-term direct investments "Algorithm"	9.47%
JSC "AMC "Regionfinansresurs" managing the closed-end fund of long-term direct investments "Vector of Development"	8.69%
PJSC "Rosgosstrakh"	2.31%
Powerboom Investments Limited	2.30%
OJSC "Capital Insurance"	0.58%
Other shareholders	10.74%

**Changes in the capital structure as of 31.12.2016**

Shareholder	Share
ROSSIUM Concern LLC	56.83%
EBRD	4.54%
IFC	1.69%
RBOF Holding Company I, Ltd.	2.68%
JSC "AMC "Regionfinansresurs" managing the closed-end fund of long-term direct investments "Vector of Development"	8.19%
Powerboom Investments Limited	1.32%
LLC "Savings Management"	3.86%
LLC "PE fund "Algorhythm"	5.39%
JSC "EG Capital Partners"	1.99%
LLC "RONIN Trust"	0.99%
LLC "Sever Asset Management"	0.58%
Other shareholders	11.94%



## Preparations for General Shareholders' Meetings

The General Shareholders' Meeting is the Bank's supreme managing body. Shareholders' participation in general meetings is the basic form of exercising their right to participate in the Bank's management. Shareholders can have a significant impact on the business through voting. In particular, shareholders' meetings have the power to approve the annual report and annual accounting statements, elect the Bank's key management and control bodies, approve major transactions and non-arm's-length transactions and a number of other important matters.

The procedure for preparing and holding General Shareholders' Meetings is governed by the Bank's Charter and by the Regulation on the General Shareholders' Meeting of CREDIT BANK OF MOSCOW, which are intended to ensure observance of shareholders' rights and comply with all requirements of the Russian laws and recommendations of the Bank of Russia's Corporate Governance Code. The Supervisory Board shall, when acting on any matters related to the calling or preparing of the General Shareholders' Meetings, observe, inter alia, the following rules:

- the Bank shall send to the shareholders a notice of the General Shareholders' Meeting and post it on the Bank's website at least 30 days prior to its date at the same time providing access to the materials of the General Shareholders' Meeting giving enough time to the shareholders for preparation on items of the agenda of the General Shareholders' Meeting;
- to ensure equal treatment of all its shareholders, including the foreign ones, the Bank may provide materials and voting ballots in Russian and English;
- the Bank shall disclose the information about the date of drawing up a list of persons entitled to participate in a General Shareholders' Meeting at least 7 days prior to such a date;
- during the preparation for the General Shareholders' Meeting the shareholders can ask questions by sending them to the Corporate Secretary's e-mail address cs@mkb.ru;
- the General Shareholders' Meetings shall be held in Moscow, and the venue and time shall be chosen with account taken of the number of shareholders and the possibility of personal attendance of such meetings by all the Bank's shareholders;
- each shareholder can participate in an in-person General Shareholders' Meeting exercising his/her right to vote in a way convenient for him/her: mailing the voting ballot or attending in person;
- in contemplation of the General Shareholders' Meeting, the shareholders shall be given such information and in such manner as will enable them to get a comprehensive view of the Bank's performance and make well-grounded decisions on the items of the agenda thereof;
- agendas of the General Shareholders' Meetings shall be clearly defined;

## General Shareholders' Meetings in 2016

In 2016, in addition to the annual General Shareholders' Meeting, 3 (three) extraordinary shareholders' meetings were held which, by a majority of votes, approved the following issues:

### Extraordinary General Shareholders' Meeting dated 03 March 2016:

1. Making of amendments to the Bank's Charter.
2. Approval of the updated Regulation on the General Shareholders' Meeting of the Bank.
3. Approval of the updated Regulation on the Supervisory Board of the Bank.
4. Approval of the updated Regulation on the Audit Panel of the Bank.
5. Approval of an interested party transaction.

### Extraordinary General Shareholders' Meeting dated 29 April 2016:

1. Determination of remunerations payable to the Supervisory Board members.
2. Approval of an interested party transaction.

### Annual General Shareholders' Meeting dated 28 June 2016:

1. Approval of the Bank's annual report for 2015.
2. Approval of the Bank's annual accounting (financial) statements, including the report on financial results.



3. Distribution of the Bank's income for 2015, including payment (declaration) of dividends;
4. Approval of the Bank's auditors.
5. Determination of the number of Supervisory Board members.
6. Election of the Supervisory Board.
7. Election of the Audit Panel.
8. Determination of remuneration and compensation for Supervisory Board members.
9. Approval of transactions in which any members of the Management Board or the Supervisory Board are interested.
10. Approval of interested party transactions between the Bank and its affiliates.
11. Approval of interested party transactions between the Bank and Limited Liability Company MKB-leasing.
12. Approval of interested party transactions between the Bank and Limited Liability Company M-leasing.
13. Approval of interested party transactions between the Bank and Limited Liability Company ROSSIUM Concern.
14. Approval of interested party transactions between the Bank and NCO INKAKHRAN (JSC) (among others).
15. Approval of interested party transactions between the Bank and Private Limited Liabil-

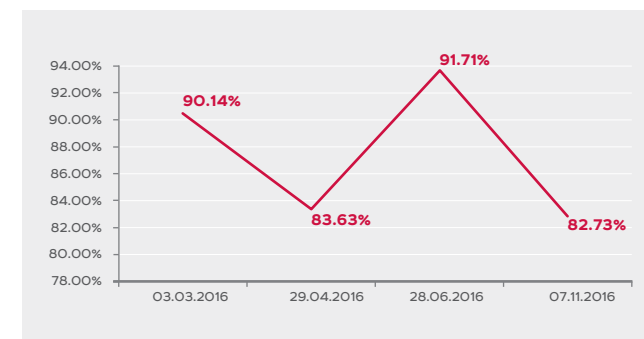
ity Company A5 PHARMACY RETAIL LIMITED (among others).

16. Approval of interested party transactions between the Bank and Limited Liability Company MKB Invest.

**Extraordinary General Shareholders' Meeting dated 7 November 2016:**

1. Termination of appointment of incumbent Supervisory Board members.
2. Determination of the number of Supervisory Board members.
3. Election of the Supervisory Board.

**Quorum of the General Shareholders' Meetings in 2016**



**COMPETENCE OF THE GENERAL SHAREHOLDERS' MEETING UNDER THE CHARTER**

1. Amending the Bank's Charter, except as set forth by the Federal Law On Joint-Stock Companies, and approving new versions of the Bank's Charter.
2. Reorganising the Bank.
3. Liquidating the Bank, appointing a liquidation committee and approving the interim and final liquidation balance sheets of the Bank.
4. Determining the number of, electing and removing before term, members of, and approving the Regulations of, the Supervisory Board.
5. Determining the number, the par value, the class (type) of, and the rights attached to, the authorised shares of the Bank.
6. Increasing the charter capital by raising the par value of shares.



7. Increasing the Bank's charter capital by placing additional shares except as otherwise reserved to the Supervisory Board under the effective legislation of the Russian Federation and this Charter.
8. Placing privately the Bank's emission securities convertible into shares.
9. Placing publicly the Bank's emission securities convertible into ordinary shares in excess of 25% of the earlier placed ordinary shares.
10. Reducing the Bank's charter capital by reducing the par value of shares, taking out a part of its shares to decrease their total number pursuant to the effective legislation of the Russian Federation, and by redeeming any shares taken out or repurchased by the Bank.
11. Electing, removing before term, determining remunerations and compensations for, members and the Chairman of, and approving the Regulation on, the Audit Panel.
12. Approving the auditors firm of the Bank.
13. Paying (declaring) dividends for the first quarter, half-year or nine months of a reporting year.
14. Approving the Bank's annual reports and annual accounting (financial) statements, including reports on financial results.
15. Allocating the income (in particular paying (declaring) dividends other than for the first quarter, half-year or nine months of a reporting year) or loss of the Bank for a full reporting year.
16. Setting out regulations for holding General Shareholders' Meetings.
17. Splitting up or consolidating any shares of the Bank.
18. Approving any interested party transactions where so required by the effective Russian laws.
19. Approving any major transactions where so required by the effective Russian laws.
20. Buying back any placed shares of the Bank where so provided by the Federal Law On Joint-Stock Companies.
21. Deciding on the Bank's participation in any associations and other unions of business companies.
22. Approving bylaws for the Bank's bodies.
23. Resolving to apply for delisting of the Bank's shares and/or convertibles; Any such resolution shall become effective provided that the total number of shares presented for buy-back does not exceed the number of shares that may be bought back by the Bank under restrictions imposed by the Federal Law On Joint-Stock Companies;
24. Resolving any other matters set forth by the Federal Law On Joint-Stock Companies.

## Dividend policy

The Supervisory Board's approach to recommending dividend size and payment mechanics is set forth in the Bank's Dividend Policy.

Any decision to pay (declare) dividends, including any decision on dividend size and payment procedure for shares of each category (type) shall be taken by the General Shareholders' Meeting based on the Supervisory Board's recommendations.

Dividends shall be paid out of the Bank's net income and distributed among shareholders in proportion to the number of their shares of the respective category and type.

The Supervisory Board shall recommend dividend amounts to the General Shareholders' Meeting so that at least 10% of the Bank's RAS net income is distributed thereby.

## Dividend history

The Annual General Shareholders' Meeting of CREDIT BANK OF MOSCOW held on 28 June 2016 decided not to pay any dividends for 2015. The income earned in 2015 was left at the disposal of the Bank. Similar resolutions were made in the previous years.

## Registrar

As a means to safeguard the shareholders' title to shares, the Bank's share register is maintained by an independent registrar. The Bank's registrar since October 2016 has been JSC R.O.S.T. Registrar. The registrar also has the statutory duty to act as the counting commission.





## 4.3 Supervisory Board

### Competences of the Supervisory Board according to the Charter:

1. setting the Bank's business priorities;
2. calling annual and extraordinary General Shareholders' Meetings;
3. recommending to the General Shareholders' Meeting the amount of, and the method for payment of, dividends on the Bank's shares;
4. forming the Bank's executive bodies, in particular appointing and removing the Chairman of the Management Board and members of the Management Board;
5. appointing and removing the Head of Internal Audit Division;
6. resolving to appoint and remove the Corporate Secretary;
7. resolving to increase the Bank's charter capital;
8. resolving in respect of certain transactions as provided for by Russian law;

9. approving the Bank's budget, and any other matters contemplated by its Charter and applicable Russian laws.

The Supervisory Board is the key element of the Bank's corporate governance system. The Supervisory Board represents shareholders' interests and is responsible for increasing the value of the business by organising effective management.

The Supervisory Board's competence is set out in the Bank's Charter and the Regulation on the Supervisory Board of CREDIT BANK OF MOSCOW, which specifies the procedure for convening and holding Supervisory Board meetings and formulates the basic qualification requirements for Supervisory Board members.

Supervisory Board meetings are called according to a timetable of meetings for each corporate year to be approved by the Supervisory Board in December and covering main issues of the Bank's operations.

### Preparation of Supervisory Board meetings and their quorum

The Charter requires that materials relating to the agenda be provided to Supervisory Board members 15 days prior to the meeting so as to allow them to make reasonable decisions. The Supervisory Board seeks to make any resolutions on agenda items at in-person meetings after they are first considered at meetings of the Supervisory Board committees. The Supervisory Board's work plan pre-defines which committee is to examine which matter. The Regulation on the Supervisory Board covers the procedure for preparing and holding Supervisory Board meetings.

When holding in-person meetings, Supervisory Board members also have business meetings as business dinners, where they informally discuss colleagues' (including the Chairman of the Management Board and a representative of the majority shareholder) viewpoints in respect of agenda items.

Supervisory Board meetings enjoyed 100% attendance in 2016.



No Supervisory Board meeting was adjourned for want of quorum.

## Supervisory Board's report for 2016

25 Supervisory Board meetings were held in 2016 (of which four were in-person meetings) and considered the following issues:

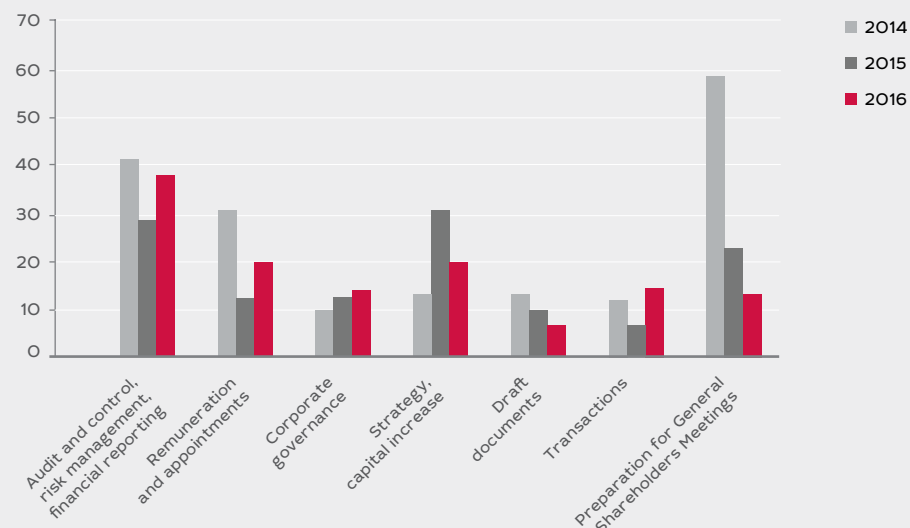
- Determination of the placement price of the Bank's additional ordinary registered uncertificated shares, increasing the Charter capital, approval of the Resolution on Additional Issue of Ordinary Registered Uncertificated Shares of the Bank and the Prospectus;
- review of prevailing "sentiments" and expected trends in the international markets;
- reports of the Supervisory Board committees;
- remuneration of the Management Board members, the Internal Audit Division's staff and the Corporate Secretary;
- the Management Board performance appraisal, independent appraisal of the Supervisory Board, its committees and Chairman, independent directors, the Corporate Secretary and self-appraisal of the Internal Audit Division;
- the Bank's budget;
- financial results of the Bank's operations;
- reports on the Bank's risk management, risk management quality, mandatory ratios and capital size;
- results of liquidity stress testing;
- the Internal Audit Division's reports and plans;
- the Stock Market Professional Participant Controller's Reports;
- interested party transactions and transactions requiring approval in accordance with the Bank's Charter;
- proposal to the General Shareholders' Meeting of a list of Supervisory Board nominees and election of new members to Supervisory Board committees;
- changes in the Bank's executive bodies;
- approval of a new registrar of the Bank;
- approval of, and proposal to the General Shareholders' Meeting to approve, the Bank's bylaws (Risk and Capital Management Strategy, Development Strategy, amendments and supplements to the Charter, Regulation on the General Shareholders' Meeting, Regulation on the Supervisory Board, Regulation on the Audit Panel, Regulation on the Chairman of the Management Board, Regulation on Remunerations and Compensations Payable to Supervisory Board Members, Regulation on the Audit and Risk Committee of the Supervisory Board, Regulation on the Compensation, Corporate Governance and Nominations Committee of the Supervisory Board, Regulation on the Corporate Secretary and Remuneration Policy);
- the report on compliance with the principles of the Corporate Governance Code;
- Supervisory Board plan of work.



### Supervisory Board meeting statistics for 2013–2015

Nº		2013	2014	2015	2016
1.	Number of Supervisory Board meetings, of which:	18	31	23	25
	in-person meetings	4	5	4	4
	absentee votings	14	26	19	21
2.	Number of issues transacted at SB meetings	136	185	135	130

### Statistics of issues discussed



### Attendance of Supervisory Board and Supervisory Board committees meetings by directors in 2016

Nº	Director	In-person meetings	Absentee meetings	Attendance, %
1	William Forrester Owens	4/4	21/21	100%
2	Roman I. Avdeev	4/4	21/21	100%
3	Andrew Sergio Gazitua	4/4	21/21	100%
4	Mikhail E. Kuznetsov	4/4	21/21	100%
5	Nicholas Dominic Haag	3/3	17/17	100%
6	Vladimir A. Chubar	4/4	21/21	100%
7	Bernard Daniel Sucher	3/3	17/17	100%
8	Thomas Günther Grasse	4/4	21/21	100%
9	Alexey A. Stepanenko	2/2	9/9	100%
10	Andrey A. Kryukov	2/2	9/9	100%
11	Genadi Lewinski	2/2	12/12	100%
12	Marina M. Nastashkina	2/2	12/12	100%
13	Andreas Klinglen	1/1	4/4	100%
14	Ilkka Seppo Salonen	1/1	4/4	100%

Supervisory Board committees meetings enjoyed 100% attendance in 2016.



## Supervisory Board members as at 31 December 2016

The current Supervisory Board members were elected by an extraordinary General Shareholders' Meeting on 07 November 2016 by cumulative voting and will serve until the next annual shareholders' meeting to be held in June 2017.

As at 31 December 2016, there were 10 Supervisory Board members, four directors qualified as independent directors under the independence criteria set out by the Bank's Charter and Corporate Governance Code and MICEX SE's Listing Rules. This proportion of independent directors corresponds to international practice and ensures unbiased, prudent and independent decision-making.

One of the independent Supervisory Board members with extensive business experience, in particular in financial, investment and strategic management, is elected as the Senior Independent Non-Executive Director.

### Changes in the Supervisory Board in 2016

	Elected on 26 June 2015	Elected on 28 June 2016	Elected on 07 Nov. 2016
William Forrester Owens	+	+	+
Andrew Sergio Gazitua	+	+	+
Roman I. Avdeev	+	+	+
Bernard Daniel Sucher	+	+	-
Vladimir A. Chubar	+	+	+
Nicholas Dominic Haag	+	+	-
Mikhail E. Kuznetsov	+	+	+
Thomas Günther Grasse	+	+	+
Alexey A. Stepanenko	+	-	-
Andrey A. Kryukov	+	-	-
Genadi Lewinski	-	+	+
Marina M. Nastashkina	-	+	+
Andreas Klinge	-	-	+
Ilkka Seppo Salonen	-	-	+



## Supervisory Board members as at 31 December 2016



**William Forrester  
Owens**

INDEPENDENT NON-EXECUTIVE  
DIRECTOR

CHAIRMAN OF THE  
SUPERVISORY BOARD

MEMBER OF THE STRATEGY  
AND CAPITAL MARKETS  
COMMITTEE, CHAIRMAN OF THE  
COMPENSATION, CORPORATE  
GOVERNANCE AND NOMINATIONS  
COMMITTEE

Born on 22 October 1950 in Fort Worth, Texas (USA).

1973: bachelor's degree in Science from Stephen F. Austin State University (USA).

1975: master's degree in Public Affairs from University of Texas (USA).

First elected to the Supervisory Board by an extraordinary General Shareholders' Meeting on 28 November 2012; re-elected by an extraordinary General Shareholders' Meeting on 07 November 2016.

Chairman of the Supervisory Board since 16 April 2013.

No stake in the Bank's charter capital.

### CAREER SUMMARY:

11.01.2007 – 15.12.2016: member of the Board of Directors of Key Energy Services, Inc.

01.02.2007 – to date: Senior Fellow in University of Denver.

01.06.2007 – 01.06.2012: member of the Board of Directors of FESCO.

06.01.2010 – to date: member of the Board of Directors of Cloud Peak Energy, Inc.

01.04.2010 – 31.12.2015: Managing Director of Renew Strategies LLC.

13.05.2010 – to date: member of the Board of Directors of Bill Barrett Corporation.

26.04.2011 – to date: member of the Board of Directors of Federal Signal Corporation.

28.11.2012 – to date: member of the Supervisory Board of CREDIT BANK OF MOSCOW.

16.04.2013 – to date: Chairman of the Supervisory Board of CREDIT BANK OF MOSCOW.

01.01.2016 – to date: Senior Director of Greenberg Traurig.



**Roman I. Avdeev**

NON-EXECUTIVE DIRECTOR,  
MEMBER OF THE SUPERVISORY  
BOARD

MEMBER OF THE STRATEGY AND  
CAPITAL MARKETS COMMITTEE

Born on 17 July 1967 in Odintsovo, Moscow Region (Russia).

1996: degree in Industrial and Civil Construction from Lipetsk State Technical University.

1994: certificate in banking from the Moscow International University of Business and Information Technologies.

First elected to the Supervisory Board by the sole shareholder on 17 January 2008; re-elected by an extraordinary General Shareholders' Meeting on 07 November 2016. No stake in the Bank's charter capital.

Indirectly controls 56.83% of shares in the Bank (as of 31.12.2016).

#### CAREER SUMMARY:

03.12.2002 – 03.11.2004: General Director of Market-Holding LLC.

07.10.2003 – 03.11.2004: General Director (part-time employment) of Capital CBM LLC.

04.11.2004 – 26.04.2005: General Director of Capital CBM LLC.

27.04.2005 – 17.01.2008: General Director of Rossium Concern LLC.

09.01.2007 – 17.01.2008: Head of International Financing Subdivision (part-time employment) of CREDIT BANK OF MOSCOW.

17.01.2008 – to date: member of the Supervisory Board of CREDIT BANK OF MOSCOW.

18.01.2008 – 10.10.2008: Chairman of the Management Board – President of CREDIT BANK OF MOSCOW.

10.10.2008 – 05.11.2008: Chairman of the Management Board of CREDIT BANK OF MOSCOW.

05.11.2008 – 13.09.2010: President of CREDIT BANK OF MOSCOW.

14.09.2010 – 31.01.2012: General Director of Rossium Concern LLC.

02.02.2012 – 14.05.2012: President of Rossium Concern LLC.

15.05.2012 – 20.05.2013: General Director of Rossium Concern LLC.

27.03.2014 – 27.02.2015: Chairman of the Board of Directors of MCB Capital LLC.

28.02.2015 – to date: President of MCB Capital LLC.

23.09.2015 – to date: member of the Board of Directors of Rossium Concern LLC.

23.09.2015 – 20.10.2015: Chairman of the Board of Directors of Rossium Concern LLC.

31.05.2016 – to date: member of the Board of Directors of Non-State Pension Fund of Defence Industrial Complex CPI JSC.

30.06.2016 – to date: member of the Board of Directors of Private Pension Fund Soglasie JSC.

06.08.2016 – to date: member of the Board of Directors of Savings and Loans Services Bank LLC.





**Andrew Sergio  
Gazitua**

SENIOR INDEPENDENT NON-  
EXECUTIVE DIRECTOR, MEMBER  
OF THE SUPERVISORY BOARD

MEMBER OF THE COMPENSATION,  
CORPORATE GOVERNANCE AND  
NOMINATIONS COMMITTEE,  
CHAIRMAN OF THE STRATEGY  
AND CAPITAL MARKETS  
COMMITTEE

Born on 14 February 1962 in New York (USA).

1985: bachelor's degree in Arts in Political Science  
from Haverford College.

First elected to the Supervisory Board by res-  
olution of the sole shareholder on 13 April 2012;  
re-elected by an extraordinary General Sharehold-  
ers' Meeting on 07 November 2015.

No stake in the Bank's charter capital.

#### CAREER SUMMARY:

30.06.2004 – to date: member of the Board of Directors of Web  
Financial Group, S.A.

01.08.2004 – 31.12.2011: Managing Director of the Bank of America/  
Merrill Lynch.

01.04.2005 – 16.12.2009: member of the Board of Directors of  
Merrill Lynch CIS.

14.12.2006 – 31.12.2011: member of the Board of Directors of Merrill  
Lynch South Africa.

27.01.2008 – 27.10.2011: member of the Board of Directors of  
Merrill Lynch Saudi Arabia.

15.12.2011 – to date: member of the Board of Directors of Civitas  
Partners Holdings Limited.

13.04.2012 – to date: member of the Supervisory Board of CREDIT  
BANK OF MOSCOW.

11.04.2013 – to date: Chairman of the Board of Directors of AS  
Expobank, Latvia.

16.04.2015 – to date: member of the Board of Directors of Awad  
Capital Ltd., Dubai.

30.01.2016 – to date: member of the Board of Directors of  
Walbrook Capital Markets Limited, UK.



**Thomas Günther  
Grasse**

NON-EXECUTIVE DIRECTOR,  
MEMBER OF THE SUPERVISORY  
BOARD

MEMBER OF THE STRATEGY AND  
CAPITAL MARKETS COMMITTEE  
AND THE AUDIT AND RISK  
COMMITTEE

Born on 15 May 1955 in Ludwigshafen am Rhein (Germany).

1977: bachelor's degree in Banking from Frankfurt School of Finance and Management.

1999: training in investment and banking activities and corporate finance in J.P. Morgan, New York.

First elected to the Supervisory Board by an extraordinary General Shareholders' Meeting on 31 March 2014; re-elected by an extraordinary General Shareholders' Meeting on 07 November 2016.

No stake in the Bank's charter capital.

#### CAREER SUMMARY:

01.05.2009 – to date: owner of TG Consult, Munich, German.

04.05.2009 – 07.04.2014: member of the Board of Directors of Banca Intesa CJSC (Moscow).

25.03.2010 – 29.12.2014: member of the Board of Directors of Alliance Bank JSC (Almaty, Kazakhstan).

25.05.2012 – to date: member of the Advisory Board of Specta Group AG, Zug, Switzerland, and Moscow, Russia.

31.03.2014 – to date: member of the Supervisory Board of CREDIT BANK OF MOSCOW.

29.04.2014 – to date: member of the Board of Directors of Banca Transilvania S.A., Cluj-Napoca, Romania.



Andreas Kling

INDEPENDENT NON-EXECUTIVE  
DIRECTOR, MEMBER OF THE  
SUPERVISORY BOARD

MEMBER OF THE STRATEGY AND  
CAPITAL MARKETS COMMITTEE  
AND THE AUDIT AND RISK  
COMMITTEE

Born on August 18, 1964 in Berlin (Germany). 1991: Master of Science degree in physics from Technische Universität in Berlin.

1993: Master of Business Administration degree from Rotterdam School of Management.

First elected to the Supervisory Board by an extraordinary General Shareholders' Meeting on 07 November 2016.

No stake in the Bank's charter capital.

#### CAREER SUMMARY:

15.07.2008 – 30.06.2012: member of the Advisory Board of good. bee Holding GmbH (Vienna, Austria).

28.11.2008 – 11.06.2013: member of the Board of Directors of Commercial Bank Center Invest OJSC (Rostov-on-Don, Russia).

01.07.2010 – 30.07.2013: Deputy Chief Executive Officer, CFO, Head of Treasury and Corporate Banking at Public Company Erste Bank (Kiev, Ukraine).

01.10.2014 – to date: Associate Professor at bbw Hochschule (Berlin, Germany).

14.11.2014 – to date: member of the Board of Directors of KOMERCIJALNA BANKA A.D. (Belgrade, Serbia).

22.06.2015 – to date: member of the Supervisory Board of NOVA LJUBLJANSKA BANKA D.D. (Ljubljana, Slovenia).

07.11.2016 – to date: member of the Supervisory Board of CREDIT BANK OF MOSCOW.

22.12.2016 – to date: member of the Board of Directors of Kyrgyz Investment and Credit Bank CJSC (Bishkek, Kyrgyz Republic).



**Mikhail E. Kuznetsov**

NON-EXECUTIVE DIRECTOR,  
MEMBER OF THE SUPERVISORY  
BOARD

MEMBER OF THE COMPENSATION,  
CORPORATE GOVERNANCE AND  
NOMINATIONS COMMITTEE

Born on 20 June 1979 in Samara (Russia).

2001: degree in Management from Samara State Economic University.

2004: Ph.D. in Economics.

2001: certified on finance at the Loyola Marymount University (USA). 2010: Chartered Director degree from the Institute of Directors (UK).

2014: Executive MBA diploma from the IE Business School (Madrid).

#### CAREER SUMMARY:

01.07.2007 – 01.11.2011: General Director of Corporate Development Centre AND CJSC.

01.04.2009 – to date: General Director of Topcompetence LLC.

01.12.2010 – 01.06.2014: member of the Board of Directors of, Independent Director of RMP-Holding OJSC.

01.07.2011 – 01.07.2012: Chairman of the Board of Directors of Volzhanka OJSC.

01.11.2011 – to date: General Director of Corporate Development Advisers LLC.

01.04.2012 – to date: Executive Director of National Association of Corporate Directors.

01.07.2012 – 01.07.2014: member of the Board of Directors of, Independent Director of Tonot-Center OJSC.

01.07.2012 – 30.06.2016: member of the Board of Directors of, Independent Director of Energosetproject OJSC.

27.06.2013 – to date: member of the Supervisory Board of CREDIT BANK OF MOSCOW.

28.06.2013 – to date: member of the Board of Directors of ECHO OJSC.

First elected to the Supervisory Board by the annual General Shareholders' Meeting on 21 June 2013; re-elected by an extraordinary General Shareholders' Meeting on 07 November 2016.

No stake in the Bank's charter capital.

28.06.2014 – 15.06.2015: member of the Board of Directors of Mosenergoremont OJSC.

28.06.2014 – 30.06.2016: member of the Board of Directors of Megapolis-service LLC.

22.05.2015 – to date: member of the Board of Directors of Eastcomtrans LLP (Kazakhstan).

19.06.2015 – to date: Chairman of Audit Panel Sovcomflot OJSC.

19.12.2015 – to date: member of the Board of Directors of Research and Production Association Angstrom OJSC.

27.06.2016 – to date: member of the Board of Directors of National Engineering Centre for Energy JSC.

30.06.2016 – to date: member of the Board of Directors of Kristall Production Corporation JSC.



Genadi Lewinski

NON-EXECUTIVE DIRECTOR,  
MEMBER OF THE SUPERVISORY  
BOARD

Born on 24 November 1976 in Kiev (Ukraine).

2003: degree in Law from University of Bielefeld (Germany).

First elected to the Supervisory Board by an extraordinary General Shareholders' Meeting on 28 November 2012; re-elected by an extraordinary General Shareholders' Meeting on 07 November 2016.

No stake in the Bank's charter capital.

#### CAREER SUMMARY:

10.01.2006 – to date: attorney at the legal consultancy  
Rechtsanwaltskanzlei Lewinski.

28.11.2012 – 31.03.2014: member of the Supervisory Board of  
CREDIT BANK OF MOSCOW.

30.06.2014 – 11.12.2014: member of the Board of Directors of  
VEROPHARM PJSC.

29.06.2015 – 21.06.2016: member of the Board of Directors of  
Pharmacy Chain 36.6 PJSC.

28.06.2016 – to date: member of the Supervisory Board of CREDIT  
BANK OF MOSCOW.



**Marina M.  
Nastashkina**

NON-EXECUTIVE DIRECTOR,  
MEMBER OF THE SUPERVISORY  
BOARD

Born on 10 June 1970 in Moscow (Russia).

1994: degree in Nuclear Power Materials Technology from the Moscow D. Mendeleev Institute of Chemical Technology.

First elected to the Supervisory Board by the annual General Shareholders' Meeting on 28 June 2016; re-elected by an extraordinary General Shareholders' Meeting on 07 November 2016.

No stake in the Bank's charter capital.

#### CAREER SUMMARY:

01.04.2011 – 01.02.2012: First Vice President of CREDIT BANK OF MOSCOW.

01.02.2012 – 05.09.2014: Deputy Chairperson of the Management Board of CREDIT BANK OF MOSCOW.

08.09.2014 – to date: Vice President of MCB Capital LLC.

23.09.2014 – to date: Chairman of the Board of Directors of Ingrad JSC.

23.09.2015 – 28.06.2016: member of the Board of Directors of ROSSIUM Concern LLC.

21.10.2015 – 28.06.2016: Chairman of the Board of Directors of ROSSIUM Concern LLC.

28.06.2016 – to date: member of the Supervisory Board of CREDIT BANK OF MOSCOW.

10.02.2017 – to date: member of the Board of Directors of OPIN PJSC.



**Ilkka Seppo Salonen**

INDEPENDENT NON-EXECUTIVE  
DIRECTOR, MEMBER OF THE  
SUPERVISORY BOARD

MEMBER OF THE STRATEGY AND  
CAPITAL MARKETS COMMITTEE,  
CHAIRMAN OF THE AUDIT AND  
RISK COMMITTEE

Born on 24 October 1955 in Espoo (Finland).

1981: Master of Political Science degree (major in Economics) from Helsinki University.

1994: completion of management courses at Kansallis-Osake-Pankki Bank (Finland).

#### CAREER SUMMARY:

03.09.2003 – to date: member of the Board of Directors of Corims Oy (Finland).

21.06.2010 – to date: member of Advisory Board Russia Opportunity Fund Essedel (Russia).

16.03.2010 – 20.03.2013: member of Board of Directors of SRV Oy (Finland).

21.04.2010 – to date: Chairman of the Board of Directors of Garmoshka Oy (Finland).

24.04.2010 – 20.03.2013: member of Board of Directors of Oriola-KD (Finland).

31.05.2010 – 26.04.2012: member of Board of Directors of Trigon Agri A/S (Denmark).

25.06.2010 – 14.09.2012: member of the Board of Directors of Promsvyazbank OJSC.

27.04.2011 – 31.07.2012: member of the Supervisory Board of JSCB CreditPromBank (Russia).

13.07.2012 – 17.09.2012: Advisor at URALSIB BANK JSC (Russia).

25.06.2010 – 01.01.2013: partner at Septem Partners Oy (Finland).

25.06.2010 – 27.06.2014: member of the Board of Directors of KAMAZ OJSC (Russia).

09.08.2010 – 23.05.2012: member of the Board of Directors of Septem Partners Oy (Finland).

24.04.2010 – to date: member of the Board of Directors of Sysmän Kirjakylä Oy (Finland).

18.04.2011 – 11.03.2015: Chairman of the Board of Trustees of the Fund of Small Business Credit Assistance of Moscow.

2004: completion of executive education programme at IESE business school.

First elected to the Supervisory Board by an extraordinary General Shareholders' Meeting on 07 November 2016.

No stake in the Bank's charter capital.

10.12.2011 – 01.01.2013: Chairman of the Board of Directors of Sysmän Kirjakauppa Oy (Finland).

11.04.2012 – 14.02.2013: member of the Board of Directors of BTA Bank JSC (Kazakhstan).

28.06.2012 – 17.04.2015: member of the Supervisory Board of URALSIB BANK JSC (Russia).

18.09.2012 – 17.04.2015: Chairman of the Management Board of URALSIB BANK JSC (Russia).

22.11.2012 – 29.04.2015: member of the Board of Directors of Leasing Company URALSIB LLC (Russia).

29.04.2013 – 24.04.2014: member of the Board of Directors of URALSIB Capital LLC (Russia).

22.04.2014 – 29.04.2015: Chairman of the Board of Directors of Leasing Company URALSIB LLC (Russia).

21.07.2014 – 17.04.2015: member of the Board of Directors of Victoria Children Foundation (Russia).

23.07.2014 – 17.04.2015: member of the Board of Directors of Private Pension Fund URALSIB CJSC (Russia).

19.05.2015 – to date: partner at Septem Partners (Finland).

01.06.2015 – to date: deputy member of the Board of Directors of Fennovoima Oy (Finland).

07.11.2016 – to date: member of the Supervisory Board of CREDIT BANK OF MOSCOW.

16.01.2017 – to date: Acting CEO of East Office of Finnish Industries (Finland).



Vladimir A. Chubar

EXECUTIVE DIRECTOR, MEMBER  
OF THE SUPERVISORY BOARD,  
CHAIRMAN OF THE MANAGEMENT  
BOARD

MEMBER OF THE STRATEGY AND  
CAPITAL MARKETS COMMITTEE

Born on 18 July 1980 in Bezhetsk, Tver Region (Russia).

2005: degree in Finance and Credit from the Finance Academy under the Government of the Russian Federation.

2007: course Budgeting and Financial Planning in Commercial Banks at the Association of Russian Banks' Institute of Banking Business.

#### CAREER SUMMARY:

16.06.2005 – 26.03.2006: Lead Associate of Financial Statements Unit of Financial Department of CREDIT BANK OF MOSCOW.

27.03.2006 – 28.10.2007: Head of Financial Statements Unit of Financial Department of CREDIT BANK OF MOSCOW.

29.10.2007 – 16.03.2008: Head of Financial Department of Financial Division of CREDIT BANK OF MOSCOW.

17.03.2008 – 31.03.2008: Head of Financial Statements Department of Financial Division of CREDIT BANK OF MOSCOW.

01.04.2008 – 22.10.2008: Director of Financial Division of CREDIT BANK OF MOSCOW.

21.05.2008 – to date: member of the Management Board of CREDIT BANK OF MOSCOW.

23.10.2008 – 12.01.2010: Deputy Chairman of the Management Board of CREDIT BANK OF MOSCOW.

13.01.2010 – 31.01.2012: First Deputy Chairman of the Management Board of CREDIT BANK OF MOSCOW.

20.10.2010 – to date: member of the Supervisory Board of CREDIT BANK OF MOSCOW.

01.02.2012 – to date: Chairman of the Management Board of CREDIT BANK OF MOSCOW.

First elected to the Supervisory Board by the sole shareholder on 20 October 2010; re-elected by an extraordinary General Shareholders' Meeting on 07 November 2016.

No stake in the Bank's charter capital.

23.09.2015 – to date: member of the Board of Directors of ROSSIUM Concern LLC.

06.08.2016 – to date: member of the Board of Directors of Savings and Loans Services Bank LLC.

08.08.2016 – to date: Chairman of the Board of Directors of Savings and Loans Services Bank LLC.



## Corporate Secretary

The Corporate Secretary is an officer independent from the Bank's executive bodies and reports to its Supervisory Board.

### The Corporate Secretary's main functions include:

- arranging preparation and holding of the Bank's General Shareholders Meetings,
- ensuring operation of the Supervisory Board and its committees,
- assisting in implementation of the disclosure policy and keeping the Bank's corporate documents,
- managing the Bank's relationships with its shareholders and contributing to the prevention of corporate conflicts;
- ensuring the Bank's interactions with regulators, trading facilities, the registrar and other professional stock market participants,
- ensuring and checking the fulfilment of statutory and internal procedures intended to give effect to shareholders' rights and lawful interests,
- informing the Supervisory Board forthwith of any identified violations of laws or the Bank's bylaws,
- contributing to improvement of the Bank's corporate governance.

Since December 2014 Svetlana S. Sukhareva is the Corporate Secretary of the Supervisory Board and its committees.

Born on 29 November 1984 in Moscow, Russia.

2007: degree in Finance and Credit from the Plekhanov Russian University of Economics, 2013: degree in Translation and Translation Studies from the Russian State University for the Humanities.

2014: specialised course Corporate Secretary at the Russian Institute of Directors, and qualification upgrade course Corporate Secretary in 2017.

Svetlana Sukhareva started her career in 2007 at VTB Bank's FI Department. In 2014, she joined CREDIT BANK OF MOSCOW's Corporate Secretariat, and in December 2014 was appointed the Bank's Corporate Secretary by resolution of its Supervisory Board.

No stake in the Bank's charter capital.



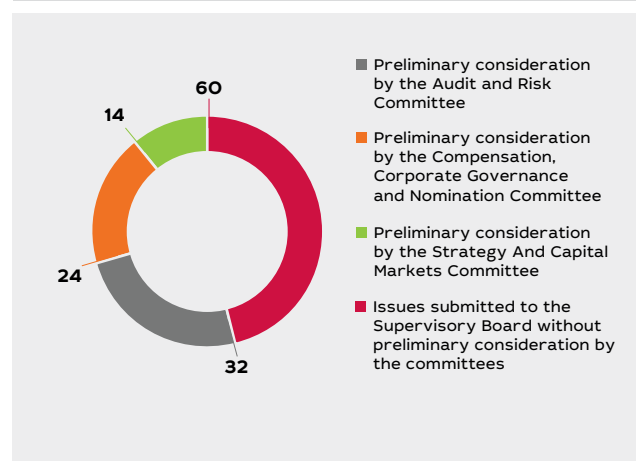
## Supervisory Board committees

The Supervisory Board committees were created to undertake a preliminary study of the most important matters reserved to the competence of the Supervisory Board and to provide relevant recommendations. They serve as a venue for the open exchange of opinions and an in-depth study of the matters being considered.

The Supervisory Board committees were created to undertake a preliminary study of the most important matters reserved to the competence of the Supervisory Board and to provide relevant recommendations. They serve as a venue for the open exchange of opinions and an in-depth study of the matters being considered.

The Committees consist mainly of Supervisory Board members who do not serve in the Bank's executive bodies. According to MICEX SE's requirements for the first level quotation list which includes the Bank's securities, most members of the Audit and Risk Committee and the Compensation, Corporate Governance and Nominations Committee are independent directors.

**Number of Supervisory Board issues pre-reviewed by its committees**





## Changes in the Supervisory Board committees in 2016

	Audit and Risk Committee			Compensation, Corporate Governance and Nominations Committee			Strategy and Capital Markets Committee		
	Elected 30 June 2015	Elected 7 July 2016	Elected 8 Nov. 2016	Elected 15 Sept. 2015	Elected 7 July 2016	Elected 8 Nov. 2016	Elected 15 Sept. 2015	Elected 7 July 2016	Elected 8 Nov. 2016
William Forrester Owens (Independent Director)				+	+	+	+	+	+
Andrew Sergio Gazitua (Independent Director)				+	+	+	+	+	+
Nicholas Dominic Haag (Independent Director)	+	+					+		
Bernard Daniel Sucher (Independent Director)	+	+					+		
Roman I. Avdeev (Non-Executive Director)							+	+	+
Thomas Günther Grasse (Non-Executive Director)	+	+	+				+	+	+
Mikhail E. Kuznetsov (Non-Executive Director)				+	+	+			
Vladimir A. Chubar (Executive Director)							+	+	+
Andreas Klinge (Independent Director)			+						+
Ilkka Seppo Salonen (Independent Director)			+						+



## The Audit and Risk Committee

advises the Supervisory Board on the issues within its competence, controls reliability and efficiency of the Bank's risk management and internal control system, controls measures taken to ensure the Bank's financial (accounting) statements are complete, accurate and true, ensures implantation and promotion of risk management culture in the Bank, ensures independency and fairness of internal and external audit functions and controls performance of the system alerting of potential malfeasance by the staff or by third parties.

### THE MAIN ISSUES ADDRESSED BY THE COMMITTEE IN 2016:

#### Financial statements section

- Review of the IFRS auditor rotation and determination of the fee level for KPMG as the IFRS auditor;
- As part of meetings with external auditors – review of RAS and IFRS financial statements and respective auditors' reports;

#### Internal audit section

- Review of the Internal Audit Division's reports;
- Review of the stock market professional participant comptroller's reports;
- Review of key issues arising out of the vintage analysis and the risk map;

- Review of self-appraisal results of the Internal Audit Division and remuneration for staff and the Director of the Internal Audit Division;
- Review of the Internal Audit Division's work plans;
- External appraisal of the internal audit function;

#### Risk section

- Review of the progress in ICAAP implementation in the Bank;
- Independent appraisal of ICAAP in the Bank and review of its results;
- Review of updates on market and liquidity risks;
- Review of operational risk management reports;
- Review of compliance risk management reports;
- Review of risk management reports;
- Review of risk management quality reports;
- Review of reports on the Bank's mandatory ratios and capital;
- Review of impact of the new bankruptcy legislation on the retail loan portfolio;
- Review of Information Security Department's reports;
- Review of the progress in implementing IFRS9;
- Review of the Risk and Capital Management Strategy;

- Review of the Compliance Officer's Report on implementation of the AML/CFT regulations in 2015 and the measures recommended for improvement of the AML/CFT system;
- Discussion of information security issues.

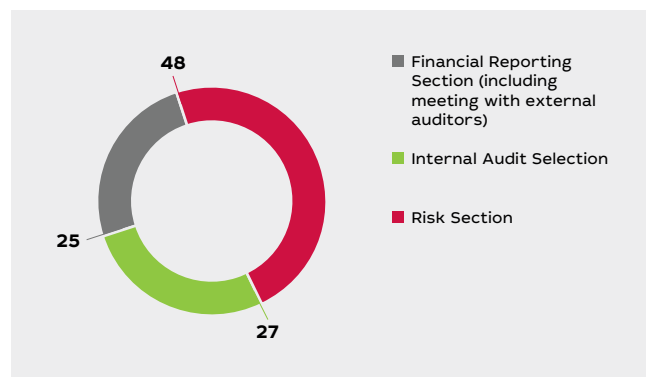


The full list of the Committee's functions and competences is given in the Regulation on the Audit and Risk Committee available on the Bank's website.





## Issues addressed by the Audit and Risk Committee in 2016



## AUDIT AND RISK COMMITTEE'S REPORT

Audit and Risk Committee (ARC, the Committee) had in 2016 as its main target to continue to advance the level of good corporate governance built during preceding years.

The ARC comprises of three members, each being a non-executive member of the Supervisory Board (SB). As in previous years, the ARC meetings were also attended by other SB members.

At the end of the year the composition of the ARC changed profoundly when the Chairman, Nicholas Haag, and one ordinary member, Bernard Sucher, resigned. They were replaced by Andreas Klingen and Ilkka Salonen (Chair).

The ARC convened in person during the year five times. In addition to this it held four conference call meetings with participation of the IFRS auditor, KPMG, and a couple of conference calls with the company consulting the Bank in the ICAAP process.

The ARC had in each of its meetings reports from KPMG and the RAS auditor, RBS Business Systems Development (RBS), on their respective findings in auditing the financials of the Bank. In addition to these meetings the ARC members met from time to time with the IFRS auditor separately, without the management being present.

The ARC studied diligently the independence of the Bank's auditors and found it to be satisfactory. During the year the ARC discussed the need to arrange a tender to choose the Bank's IFRS auditor. Taking into account the ongoing processes of implementation of IFRS9 and ICAAP as well as the change in the committee's composition, it decided in its December meeting to revert to the issue of organisation of the tender in 2017.

In addition to the financial reporting of the Bank the ARC had two more streams in each of its meetings, the Internal Audit Unit's report and the Bank's Risk Management Unit's report.

### The main issues discussed in the streams were as follows:

- Improving the processes of the Bank in order to make the Bank compliant to the requirement set by implementation of ICAAP and IFRS9.
- Organisation of a quality assessment of the Bank's Internal Audit function, to be conducted by one of the big four auditing companies. In the last

meeting of the year it was decided that a tender will be organised during the first half of 2017.

- Approval of the Internal Audit working plan and budget. The committee noted with satisfaction the support that IA has regarding its resourcing from the management of the Bank. It also pointed out to the head of the unit that the vacancies should be filled swiftly.
- The sufficiency of provisions made against the impaired loans. It was noted that during 2016 the Bank had assumed a more conservative stance in creating provisions, which was welcomed by the ARC members.
- Cyber-security. The Bank is investing resources to this important issue and the ARC will follow closely fulfilment of the plans.
- Regular reports of the Chief Compliance Officer to the ARC, which showed that the Bank has implemented best practices in its KYC processes.

The committee conducted an annual self-assessment.



## Compensation, Corporate Governance and Nominations Committee

formulates the Bank's remuneration policy, principles and criteria for Supervisory Board members, Management Board members and the Chairman of the Management Board, preliminarily appraises the Management Board and the Chairman of the Management Board and annually conducts a self-appraisal, puts forward proposals to the Supervisory Board as to terms of contracts with Management Board members (including early termination provisions), advises the Board of Directors on setting the principles governing remuneration and bonus payments for the Corporate Secretary, communicates with shareholders to prepare recommendations for them as to voting on the election of Supervisory Board members, plans appointments and advises on building a good corporate governance system.



The full list of the Committee's functions and competences is given in the Regulation on the Compensation, Corporate Governance and Nominations Committee available on the Bank's website

### THE MAIN ISSUES ADDRESSED BY THE COMMITTEE IN 2016

#### Implementation of the remuneration policy for Supervisory Board and Management Board members, the Chairman of the Management Board and selected senior executives

- Recommendations as to remunerations payable to Supervisory Board members;
- Determination of yearly remunerations for Management Board members;
- Remunerations for certain Management Board members;
- Adjustment of the Bank's management remuneration system.
- Review of the long-term performance award programme;

#### Preliminary appraisal of the Management Board and appraisal of the Supervisory Board's performance

- Making of an external independent performance appraisal of the Supervisory Board;
- Review of the Management Board performance appraisal report;
- Review of the Supervisory Board performance appraisal results;
- Review of the Management Board members' KPI list and bonus plan for the year;

### Planning appointments

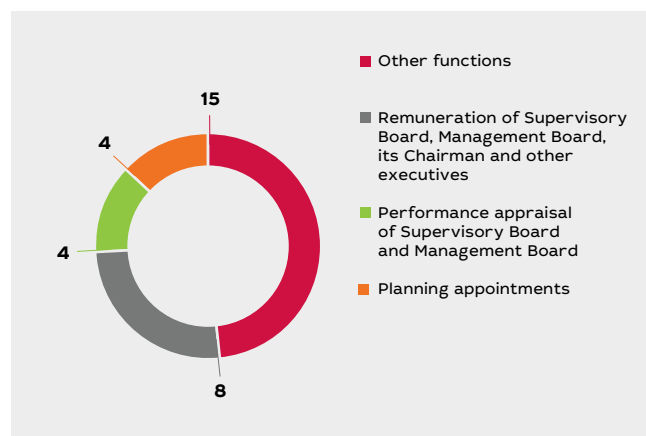
- Identifying successors to Management Board members;
- Searching for candidates to the Supervisory Board;
- Review of candidates to the Supervisory Board;

### Other functions of the Committee

- Review of progress with the new D&O policy;
- Calling and preparing General Shareholders' Meetings;
- Revision of the current versions of the Bank's payroll system bylaws;
- Review of the report on performing Supervisory Board requests;
- Review of the Supervisory Board's work plan;
- Review of the list of reports deliverable to the Supervisory Board;
- Compliance with requirements of the CBR's Corporate Governance Code;
- Appraisal of the Corporate Secretary and changes in the motivation system.



## Issues addressed by the Compensation, Corporate Governance and Nominations Committee in 2016



### COMPENSATION, CORPORATE GOVERNANCE AND NOMINATIONS COMMITTEE'S REPORT

The Compensation, Corporate Governance and Nominations Committee was established to advise the Supervisory Board on the matters of corporate governance system development, appointment and succession of the Bank's management, giving recommendations to the Bank's shareholders as to nominations to the Supervisory Board and remuneration of Supervisory Board members, advising the Supervisory Board on determining the remuneration policy for and approving the actual remuneration to Management Board members and ensuring compliance with all the appropriate regulation within the committee's responsibilities.

Most Committee members are independent directors, as required by MICEX for admitting securities to its first level quotation list.

**6 meetings of the Committee were held in 2016, 5 of which were in person. The Committee considered 29 issues, notably including the following:**

- Analysis of the Bank's compliance with recommendations of CBR's Corporate Governance Code;
- The Bank's compliance with listing requirements concerning corporate governance;
- Approval of the remuneration programmes for Management Board members and selected senior executives;
- Developing the concept of the long-term incentive plan;
- Discussing key appointments to the Management Board and approval of the succession plan;
- Updating the methodology for the Supervisory Board self-appraisal;
- Conducting the appraisal of the Supervisory Board with the assistance of the external consultant;
- Preliminary approval of the Supervisory Board members' compliance with the independence criteria, set by the listing rules and the internal documents of the bank;
- Organisation of the Supervisory Board members search, selection and nomination process;

- Performance appraisal of the Bank's management bodies and approval of annual bonuses;
- Terms of insurance and renewal of the D&O policy;
- Preparations for the annual and extraordinary General Shareholders' Meetings.



## The Strategy and Capital Markets Committee

analyses the Bank's strategic management issues and ensures functioning of the strategic management cycle, formulation of the Bank's dividend policy and evaluates the effectiveness of the Bank's long-term performance. The Committee also focuses on preparing recommendations for the Supervisory Board regarding fund raising from international capital markets, optimising the internal processes related to the Bank's capital market activities and building a model of internal cooperation in connection with funding.

Apart from the above tasks, the Committee is involved in the budget process, reviews information at the stage of budget preparation, make a preliminary review of the Bank's financial model.



The full list of the Committee's competences is given in the Regulation on the Strategy and Capital Markets Committee available on the Bank's website

### THE MAIN ISSUES ADDRESSED BY THE COMMITTEE IN 2016

#### Strategic development areas

- Discussion of recent capital market trends and further action plan.
- Review of the Bank's Development Strategy.
- Increasing of the charter capital
- Review of the Bank's dividend policy.
- Discussion of online retail products.

#### Review of the Bank's investments

- Purchase of SKS Bank (LLC).
- Review of the report on SKS Bank.

#### Approval of the budget and related utilisation reports

- Review and adjustment of the Bank's Budget;
- Review of the Bank's budget utilisation forecast;

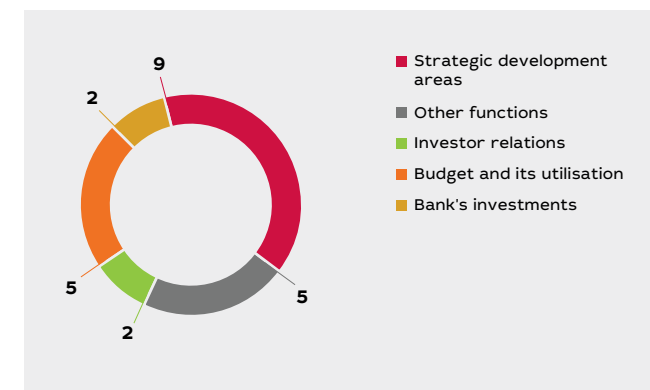
#### Investor relations

- Review of the Investor Relations Unit's reports.

#### Other functions of the Committee

- Review of interested party transactions,
- Review of changes in Russian laws regarding approval of major transactions and interested party transactions.

### Issues addressed by the Strategy and Capital Markets Committee in 2016



### STRATEGY AND CAPITAL MARKETS COMMITTEE'S REPORT

The Strategy and Capital Market Committee (SCMC) is comprised of seven directors, four of whom are independent, and it is tasked first and foremost with overseeing the goals and principles of the Bank's strategy as well as its international capital market approach and investor relations. The overall economic environment in Russia showed signs of improvement in 2016, which have been reflected in CREDIT BANK OF MOSCOW's improved financial performance for the year. Nevertheless, the SCMC continued to pay close attention throughout the year to the Bank's monthly performance as compared to management's forecasts as well as monitor the Bank's capital and liquidity positions to ensure timeless access to capital markets if required.



With a gradual improvement in the overall environment, the committee engaged with management in reviewing strategic opportunities throughout the year to ensure that Bank was well positioned to react to any changes in the banking market. Management identified early on an opportunity to enter into brokerage activities and strengthen the group's activities in repurchase programs. The Bank successfully purchased SKS Bank in August of 2016 to enable the creation of a standalone brokerage subsidiary for CBM, allowing for new services to be offered to the Bank's client base as well as for clients of the new brokerage subsidiary. The SCMC backed the initiative and, as the business is de novo, continues to monitor its evolution within the CBM group, as it does with all the Bank's subsidiaries.

In November of 2016, CBM successfully placed a USD 500 mln senior Eurobond in the international markets. This highly successful offering demonstrated once again the Bank's ability to tap the markets at opportune moments to obtain stellar results. The SCMC routinely reviews investor sentiment and, with the Bank's management, closely monitors the evolution of the capital markets. The SCMC believes that 2017 will provide several opportunities for CBM to access the capital markets to strengthen its liquidity and capital base.

The markets have continued to show signs of recovery and the SCMC and management closely screen opportunities to issue securities to secure attractive terms and conditions to ensure the Bank's future growth and prosperity. The SCMC firmly continues to support management's strategy by continuously monitoring trends and opportunities in the market to ensure that the Bank remains among the leading institutions in the Russian banking market.



## Liability Insurance

To provide liability protection for the Supervisory Board members and officers of the Bank, since 2013 the Bank has taken out liability insurance for the Directors and officers. The Bank chooses an insurance company through tender procedures. Terms of insurance are reviewed at the Compensation, Corporate Governance and Nominations Committee meetings.

## Performance appraisal of the Supervisory Board and its committees

Starting from 2014, in accordance with best corporate governance practices, in particular with the Corporate Governance Code recommendations, the Supervisory Board annually appraises its own and its committees' performance. In 2016, an external organisation was engaged to carry out such appraisal for 2015, while in 2017 it was done by way of self-appraisal for 2016.

The self-appraisal was made under the Regulation on Appraisal of the Supervisory Board. Its aim was to identify the strengths of the Supervisory Board and its committees, areas of concern for the Supervisory Board and the Management Board, and areas for improvement.

### The appraisal covered:

- the Supervisory Board;
- the Supervisory Board committees;
- the Chairman of the Supervisory Board;
- the Supervisory Board members;
- the Corporate Secretary.

The self-appraisal identified the following strengths of the Supervisory Board and its committees: optimal balance of power on the Supervisory Board, independence of judgments and decisions of its members, its composition in terms of the right mix of competences, leadership of the Chairman in its work, the active role of its committees in producing recommendations for the Supervisory Board within their remit, and constructive relations between Su-

pervisory Board members and management based on mutual respect and trust.

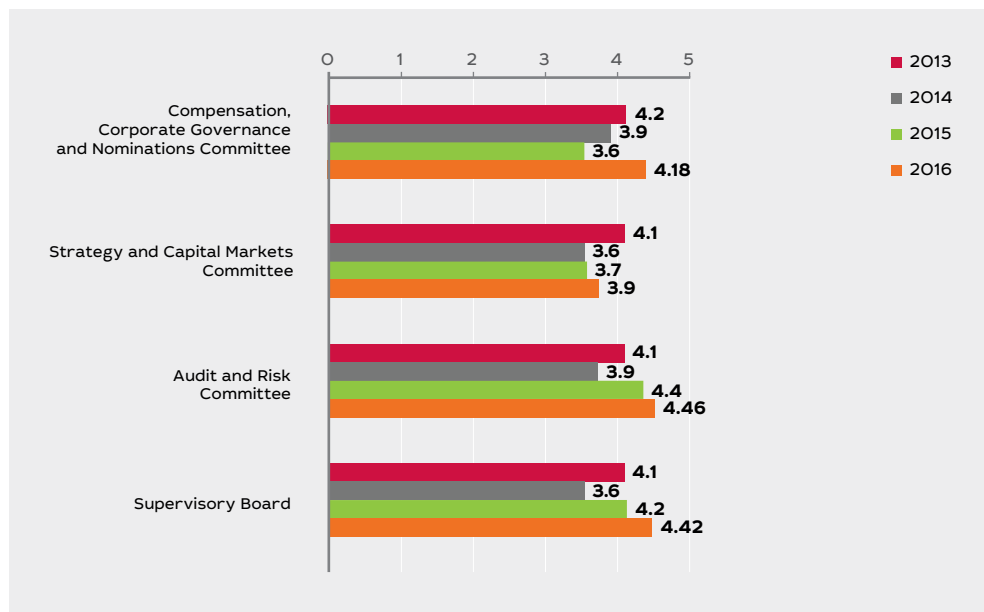
The following areas for improvement were specified: continuing work on the succession plan for the Management Board, controlling the implementation of the Bank's strategy, staff motivation system, Supervisory Board members' professional development/participation in conferences.

The results of self-appraisal were reviewed and approved at in-person meetings of the Compensation, Corporate Governance and Nominations Committee and the Supervisory Board. It was noted that the 2016 appraisal results were better than for preceding years, especially as regards the Chairman's appraisal.

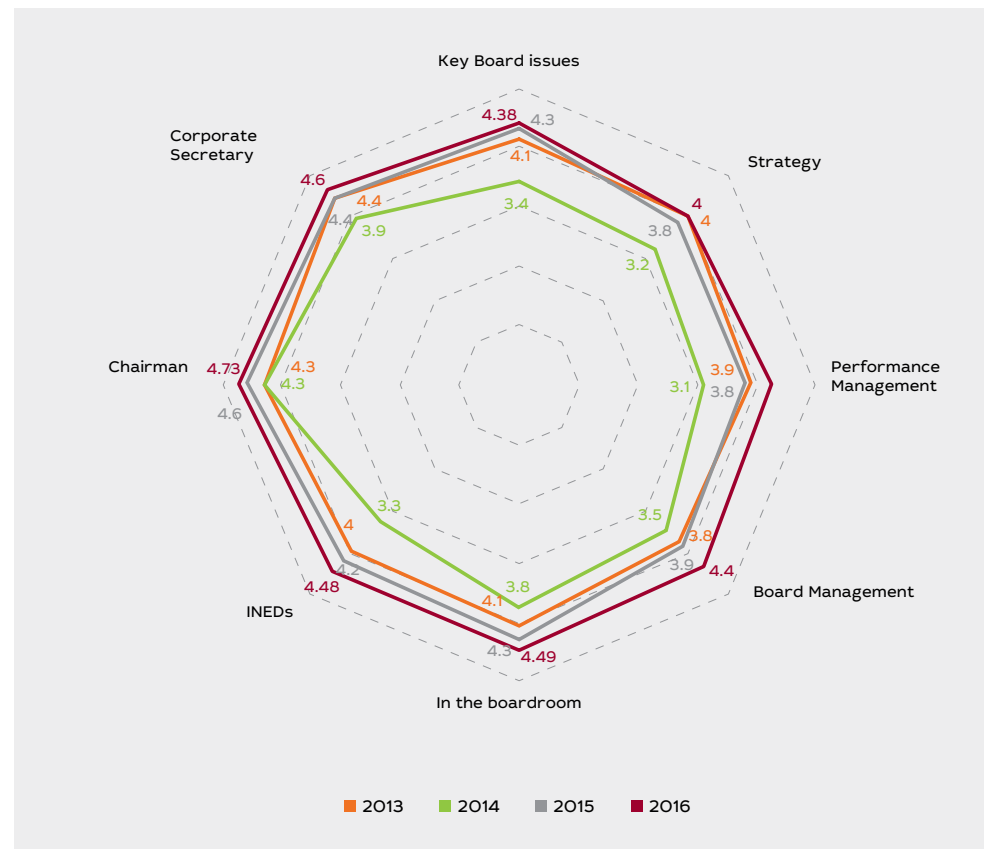




## Results of performance appraisal of the Supervisory Board and its committees



## Results of performance appraisal of the Supervisory Board and its committees



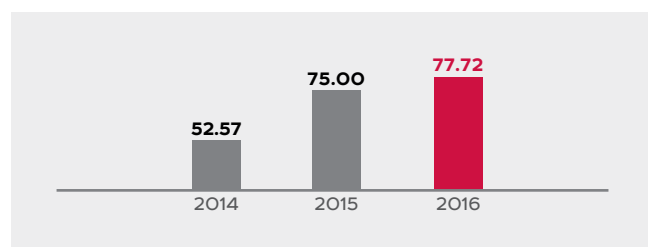


## Supervisory Board members remuneration system

The amount and procedures for payment of remuneration to Supervisory Board members are determined in accordance with the Regulation on Remuneration and Compensation Payable to the Bank's Supervisory Board Members (the "Regulation on Remuneration and Compensation"), approved by an extraordinary General Shareholders' Meeting on 11 September 2015.

The Regulation on Remuneration and Compensation provides for remuneration to certain Supervisory Board members and reimbursement of justified expenses, incurred in the performance of their duties.

### Supervisory Board members' remunerations in 2014-2016, RUB mln



### Remuneration for serving as Supervisory Board members is paid to:

- Supervisory Board members qualifying as independent directors under criteria set forth in the Bank's Charter and the Corporate Governance Code;
- Supervisory Board members who are not employed by, or serve on the management bodies of, any legal entities forming part of the Bank's group of persons.

### The annual remuneration consists of basic remuneration and remuneration for extra duties:

1. Annual basic remuneration for serving as a Supervisory Board member is 80,000 (eighty thousand) US dollars.
2. Annual remuneration for extra duties is as follows:
  - for serving as the Chairman of the Supervisory Board, 150,000 (one hundred and fifty thousand) US dollars;
  - for serving on a Supervisory Board committee, 10,000 (ten thousand) US dollars per committee;
  - for serving as the Chairman of a Committee, 20,000 (twenty thousand) US dollars per committee; and
  - for serving as the senior independent non-executive director (if this position is recognised by resolution of the Supervisory Board), 100,000 (one hundred thousand) US dollars.

The aggregate annual remuneration to be paid to a Supervisory Board member may not exceed 270,000 (two hundred and seventy thousand) US dollars.

### Any Supervisory Board member's remuneration for any past quarter may be reduced by:

- – 10%, if he or she skipped up to 25% of Supervisory Board meetings and absentee votings in that quarter;
- – 30%, if he or she skipped more than 25% and up to 50% of Supervisory Board meetings and absentee voting sessions in that quarter;
- – 50%, if he or she skipped more than 50% and up to 75% of Supervisory Board meetings and absentee voting sessions in that quarter;
- – 75%, if he or she skipped more than 75% of Supervisory Board meetings and absentee voting sessions in that quarter.

The total amount of the Supervisory Board members' remunerations for 2016 was RUB 77,721,000.

Supervisory Board members are reimbursed for actual, properly documented expenses related to their attendance at Supervisory Board meetings. Remuneration and compensation are paid by the Bank on a quarterly basis within one month after the end of each calendar quarter.



## Remuneration of the Supervisory Board members

Director	Supervisory Board committee membership and chairmanship	USD, 2015	USD, 2016
Executive Director			
Vladimir A. Chubar	Member of the Strategy and Capital Markets Committee	—	—
Non-Executive Directors			
Roman I. Avdeev	Member of the Compensation, Corporate Governance and Nominations Committee until 15.09.2015 Member of the Strategy and Capital Markets Committee since 15.09.2015	—	—
Mikhail E. Kuznetsov	Member of the Compensation, Corporate Governance and Nominations Committee	90,000	90,000
Thomas Günther Grasse	Member of the Audit and Risk Committee Member of the Strategy and Capital Markets Committee	100,000	100,000
Genadi Lewinski	—	—	—
Marina M. Nastashkina	—	—	—
Independent Directors			
William Forrester Owens	Chairman of the Supervisory Board Chairman of the Compensation, Corporate Governance and Nominations Committee Member of the Strategy and Capital Markets Committee	260,000	260,000
Andrew Sergio Gazitua	Senior Independent Non-Executive Director Member of the Compensation, Corporate Governance and Nominations Committee Chairman of the Strategy and Capital Markets Committee	210,000	210,000
Nicholas Dominic Haag	Chairman of the Audit and Risk Committee Member of the Strategy and Capital Markets Committee	110,000	93,859
Bernard Daniel Sucher	Member of the Audit and Risk Committee Member of the Strategy and Capital Markets Committee	100,000	85,326
Andreas Klinglen	Member of the Audit and Risk Committee since 08.11.2016 Member of the Strategy and Capital Markets Committee since 08.11.2016	-	14,674
Ilkka Seppo Salonen	Chairman of the Audit and Risk Committee since 08.11.2016 Member of the Strategy and Capital Markets Committee since 08.11.2016	-	16,141
<b>ИТОГО</b>		<b>USD 870,000 (RUB 74,995,000)</b>	<b>USD 870,000 (RUB 77,721,000)</b>



## 4.4. Chairman of the Management Board and the Management Board

The Management Board is the Bank's collective executive body responsible for the overall direction of its current activities. The Management Board is headed by the Chairman of the Management Board who is the Bank's sole executive body.

The competence of the Management Board and the Chairman of the Management Board are set out in the Bank's Charter and the Regulation on the Management Board and the Chairman of the Management Board of CREDIT BANK OF MOSCOW.



The full list of competences of the Management Board and the Chairman of the Management Board is given in the Regulation on the Management Board and the Chairman of the Management Board available on the Bank's website

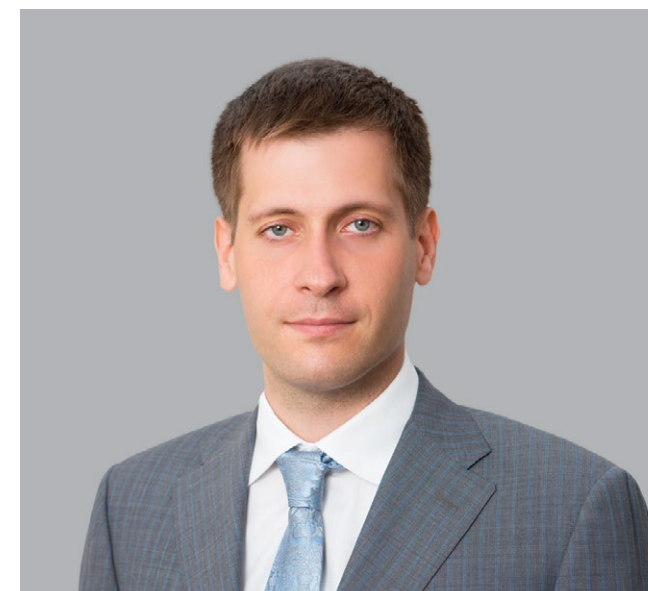
Key responsibilities of the Management Board include: ensuring the implementation of any resolutions of the General Shareholders' Meeting and the Supervisory Board and any recommendations of the Audit Panel; the organisation and management of the Bank's day-to-day operations; forming committees for any activities of the Bank and delegating to these committees some of the powers of the Management Board under respective committee regulations in accordance with approved regulations;

determining the Bank's organisational structure and total headcount, and reviewing the staffing of the Bank.

The Chairman of the Management Board directs Management Board proceedings, represents the Bank and undertakes transactions without a power of attorney, disposes of the Bank's property, organises the accounting and reporting at the Bank, and decides other matters arising in the Bank's day-to-day activities.

The Management Board is elected by the Supervisory Board indefinitely as recommended by the Chairman of the Management Board. The Management Board and Chairman of the Management Board report to the Supervisory Board.

As at 31 December 2016, the Management Board consisted of ten top managers. Anton Virichev (Head of Risk Management Directorate) joined the Management Board on 24 February 2016, while Elena Shved (Director of Financial Division) joined on 22 March 2016, Alexey Stepanenko (Deputy Chairman of the Management Board) joined on 11 November 2016 and Andrey Kryukov (Deputy Chairman of the Management Board) joined on 14 November 2016.



Vladimir A. Chubar

CHAIRMAN OF THE MANAGEMENT BOARD, MEMBER OF THE SUPERVISORY BOARD.



More information is given in the Supervisory Board section.



## Members of the Management Board



**Dmitry A. Eremin**

FIRST DEPUTY CHAIRMAN  
OF THE MANAGEMENT BOARD

2001: degree in Protective Communication Systems from the Academy of Federal Security Service of the Russian Federation.

2003: degree in Finance and Credit from the Moscow Institute of Economics and Finance.

2003: training course Establishment, Preservation and Development of a Client Base at the Institute of Advanced Training and Training of Financial Specialists.

2005: training course Diagnostics of Borrowers during a Credit Interview. Counteracting Manipulations at the International Financial Banking School, Moscow.

2006: training course Effective Operation of Branches and Additional Offices at the Banking Institute of the Association of Russian Banks.

2012: qualification of financial market specialist in brokerage, dealing and securities management from the Autonomous non-commercial organisation Institute of Additional Trade Education International Financial Centre.

No stake in the Bank's charter capital.

### CAREER SUMMARY:

#### CREDIT BANK OF MOSCOW

03.11.2003 – 21.12.2003: Head of Sales Unit of Krasnye Vorota branch of Customer Business Department.

22.12.2003 – 12.09.2004: Deputy Director of Krasnye Vorota branch of Customer Business Department.

13.09.2004 – 30.09.2004: Director of Krasnye Vorota branch of Customer Business Department.

01.10.2004 – 03.02.2008: Director of Krasnye Vorota branch.

04.02.2008 – 31.03.2008: Director of Customer Service Division.

01.04.2008 – 30.06.2008: Director of Corporate Business Division.

22.04.2008 – to date: member of the Management Board.

01.07.2008 – 31.01.2012: Deputy Chairman of the Management Board-President, Deputy Chairman of the Management Board.

01.02.2012 – to date: First Deputy Chairman of the Management Board.

#### NCO INKAKHRAN (JSC)

16.11.2015 – to date: member of the Board of Directors.



**Darya A. Galkina**

DEPUTY CHAIRPERSON  
OF THE MANAGEMENT BOARD

Born on 20 June 1981 in Moscow, Russia.

2003: degree in Law from the Moscow Academy of Economics and Law.

2014: course Financial Analysis: Evaluating a Company's Financial Condition at the Higher School of Economics.

No stake in the Bank's charter capital.

#### CAREER SUMMARY:

##### **KB Integral LLC**

01.08.2005 – 26.06.2006: Leading Legal Counsel of Legal Unit.

##### **CREDIT BANK OF MOSCOW**

03.07.2006 – 02.06.2008: Leading Legal Counsel of Lending Legal Support Unit of Legal Department.

03.06.2008 – 02.02.2009: Head of Corporate Lending Legal Support Unit of Legal Department.

04.05.2009 – 01.08.2010: Head of Lending Legal Support Department.

02.08.2010 – 31.01.2012: Director of Legal Division.

10.09.2010 – to date: member of the Management Board.

01.02.2012 – to date: Deputy Chairperson of the Management Board.

##### **NCO INKAKHRAN (JSC)**

16.11.2015 – to date: member of the Board of Directors.

27.11.2015 – to date: Chairperson of the Board of Directors

##### **NCO INKAKHRAN (JSC)**

16.11.2015 – to date: member of the Board of Directors.

27.11.2015 – to date: Chairperson of the Board of Directors.





**Alexey V. Kosyakov**

DEPUTY CHAIRMAN  
OF THE MANAGEMENT BOARD

Born on 12 August 1983 in Vidnoe, Moscow Region.

2006: degree in Electronic and Automation Engineering of Physical Installations from the Moscow Engineering and Physics Institute.

2009: degree in Finance and Credit from Plekhanov Russian Academy of Economics.

#### CAREER SUMMARY:

##### Swedbank OJSC

28.02.2008 – 18.05.2010: Senior Manager of Consumer and Car Lending Unit of Retail Business Department.

##### JSCB Bank of Moscow OJSC

21.06.2010 – 07.04.2011: Chief Manager of Retail Lending Products Development Unit of Retail Lending Products and Technologies Development Department.

No stake in the Bank's charter capital.

##### CREDIT BANK OF MOSCOW

12.04.2011 – 31.07.2011: Head of Consumer Lending Department of Retail Business Directorate's Retail Lending Division.

01.08.2011 – 31.01.2012: Director of Retail Lending Division of Retail Business Directorate.

01.02.2012 – 14.10.2013: Director of Retail Business Directorate.

15.10.2013 – to date: Deputy Chairman of the Management Board.

15.10.2013 – to date: member of the Management Board.



**Svetlana V. Sass**

CHIEF ACCOUNTANT

Born on 1 April 1965 in Moscow.

1987: degree in Organisation of Mechanised Processing of Economic Data from the Moscow State University of Economics, Statistics and Informatics.

1993: training course at the International Centre for Training of Managers.

1994: training course at Joint-Stock Company Corporate Certification Centre Consultbankir.

1999: training course at the Institute of Professional Accountants of Russia of the Ministry of Finance of the Russian Federation.

2007: training course at the International Financial Banking School, Moscow.

2012: training course A Bank: Accounting, Taxes and Reporting at the Private Educational Institution – the Institute of Advanced Training and Training of Financial Specialists.

2013: training course Accounting and Tax Accounting in Commercial Organisations, Non-commercial Organisations and Budget Institutions. Complex Issues in preparation of IFRS Reporting: Calculation of Deferred Tax according to IAS 12 at the Institute for Development of Modern Educational Technologies (IRSOT).

## CAREER SUMMARY:

### CB Holding-Credit LLC

06.10.2000 – 06.08.2006: CFO – Chief Accountant.

07.08.2006 – 21.04.2008: CFO.

### CREDIT BANK OF MOSCOW

24.04.2008 – 24.06.2008: Adviser to the Chairman of the Management Board – President.

25.06.2008 – to date: Chief Accountant.

05.11.2008 – to date: member of the Management Board.

### NCO INKAKHRAN (JSC)

13.04.2016 – to date: member of the Board of Directors.

No stake in the Bank's charter capital.



**Yury A. Ubeev**

SENIOR VICE PRESIDENT

Born on 21 October 1974 in Vladimir.

No stake in the Bank's charter capital.

1996: degree in Management from the East Siberia State University of Technology and Management.

#### CAREER SUMMARY:

---

##### **Rus-Bank JSCB**

01.08.2006 – 08.07.2010: Director of the Treasury.

---

##### **CB Novoe Vremya LLC**

19.07.2010 – 23.08.2010: Adviser to the Chairman of the Management Board.

24.08.2010 – 01.08.2011: Deputy Chairman of the Management Board.

---

##### **CREDIT BANK OF MOSCOW**

08.08.2011 – 14.10.2012: Vice President.

15.10.2012 – to date: Deputy Chairman of the Management Board.

18.11.2016 – to date: Senior Vice President.

---

##### **SKS Bank (LLC)**

06.08.2016 – to date: member of the Board of Directors.

18.11.2016 – to date: Chairman of the Management Board.



**Anton O. Virichev**

HEAD OF RISK MANAGEMENT  
DIRECTORATE

Born on 11 April 1978 in Moscow.

No stake in the Bank's charter capital.

1999: degree in Finance and Credit from the Financial University under the Government of the Russian Federation.

#### CAREER SUMMARY:

---

##### CREDIT BANK OF MOSCOW

02.02.2009 – 31.03.2009: Head of Risk Analysis Unit of Risk Management Department.

01.04.2009 – 05.08.2010: Head of Risk Management Department.

06.08.2010 – 31.03.2011: Director of Risk Management Division.

---

##### Sberbank of Russia OJSC

Manager of Food Industry and Trade Unit of Largest Customers Division's Customer Managers Department.

---

##### NOTA-Bank (JSC)

09.07.2012 – 16.01.2015: Director of Business Development Division.

---

##### CREDIT BANK OF MOSCOW

19.01.2015 – to date: Head of Risk Management Directorate.

24.02.2016 – to date: member of the Management Board.

---

##### SKS Bank (LLC)

16.09.2016 – to date: member of the Board of Directors.



Elena V. Shved

DIRECTOR OF FINANCIAL  
DIVISION

Born on 20 November 1987 in Bolshevo-1, Moscow Region, Russia.

2008: Bachelor's degree in Applied Mathematics and Physics; 2010: Master's degree in Applied Mathematics and Physics from the Moscow Institute of Physics and Technology (State University).

No stake in the Bank's charter capital.

#### CAREER SUMMARY:

---

##### Commercial bank Alta-Bank (closed joint-stock company)

01.02.2011 – 01.04.2011: Senior Associate of Market and Structural Risks Appraisal and Analysis Unit of Risks Appraisal and Analysis Department.

---

##### CREDIT BANK OF MOSCOW

04.04.2011 – 31.01.2012: Lead Associate of Banking Risks Analysis Unit of Risk Management Division's Financial Risks Department.

01.02.2012 – 04.10.2012: Senior Associate of Financial Markets and Counterparties Analysis Unit of Analytical Division's Financial Markets Analysis Department.

05.10.2012 – 14.02.2013: Head of Banking and Market Risks Analysis Unit of Analytical Division's Financial Markets Analysis Department.

15.02.2013 – 06.10.2013: Head of Financial Risk Analysis Department.

07.10.2013 – to date: Director of the Financial Division.

22.03.2016 – to date: member of the Management Board.

---

##### SKS Bank (LLC)

06.08.2016 – to date: member of the Board of Directors



**Alexey A. Stepanenko**

DEPUTY CHAIRMAN OF THE  
MANAGEMENT BOARD

Born on 06 November 1981 in Nevinnomyssk (Russia).

2004: Economics degree, majoring in Finance and Credit from the Financial University under the Government of the Russian Federation.

2003: broker / dealer firm executive / comptroller / specialist qualification from the Federal Commission for the Securities Market.

No stake in the Bank's charter capital.

#### CAREER SUMMARY:

##### CREDIT BANK OF MOSCOW

10.08.2010 – 01.04.2011: Head of Financial Risk Department.

01.04.2011 – 01.02.2012: Deputy Director of Risk Management Division.

01.02.2012 – 02.07.2012: Director of Analytical Division.

02.07.2012 – 04.03.2013: Vice President.

21.11.2014 – 28.06.2016: member of the Supervisory Board.

##### MCB Capital LLC

04.03.2013 – 01.08.2014: Vice President.

27.03.2014 – 27.02.2015: member of the Board of Directors.

01.08.2014 – to date: First Vice President.

##### JCS Ingrad

06.08.2014 – to date: member of the Board of Directors.

##### NCO INKAKHRAN (JSC)

16.11.2015 – 13.04.2016: member of the Board of Directors.

##### PPF of Defence Industry JSC

31.05.2016 – to date: member of the Board of Directors.

##### ROSSIUM Concern LLC

29.06.2016 – to date: Chairman of the Board of Directors.

##### PPF Soglasie JSC

30.06.2016 – to date: member of the Board of Directors.

##### SKS Bank (LLC)

06.08.2016 – to date: member of the Board of Directors.

##### CREDIT BANK OF MOSCOW

11.11.2016 – to date: Deputy Chairman of the Management Board.

11.11.2016 – to date: member of the Management Board.

##### OPIN PJSC

10.02.2017 – to date: member of the Board of Directors.





**Andrey A. Kryukov**

DEPUTY CHAIRMAN OF THE  
MANAGEMENT BOARD

Born on 29 August 1986 in Moscow (Russia).

2008: Law degree, majoring in Jurisprudence from the Academy of Economic Security (Academy of Tax Police).

No stake in the Bank's charter capital.

#### CAREER SUMMARY:

##### **BDO CJSC (before 20.01.2010: BDO Unicon CJSC)**

02.02.2009 – 01.10.2010: Legal Counsel.

01.10.2010 – 24.10.2011: Senior Legal Counsel.

##### **CREDIT BANK OF MOSCOW**

31.10.2011 – 02.05.2012: Head of Investment Transactions Legal Support Unit.

02.05.2012 – 02.07.2012: Head of Investment Projects and Corporate Relations Legal Support Department.

02.07.2012 – 16.04.2013: Director of Legal Division.

26.06.2015 – 28.06.2016: member of the Supervisory Board.

##### **MCB Capital LLC**

16.04.2013 – 01.08.2014: Vice President.

27.03.2014 – 27.02.2015: member of the Board of Directors.

01.08.2014 – to date: First Vice President.

##### **Pharmacy Chain 36.6 PJSC**

29.06.2015 – 21.06.2016: member of the Board of Directors.

##### **JCS Ingrad**

06.08.2014 – to date: member of the Board of Directors.

##### **NCO INKAKHRAN (JSC)**

16.11.2015 – 13.04.2016: member of the Board of Directors.

##### **PPF of Defense Industry JSC**

31.05.2016 – to date: member of the Board of Directors.

##### **ROSSIUM Concern LLC**

29.06.2016 – to date: member of the Board of Directors.

##### **PPF Soglasie JSC**

30.06.2016 – to date: member of the Board of Directors.

##### **CREDIT BANK OF MOSCOW**

14.11.2016 – to date: Deputy Chairman of the Management Board.

14.11.2016: member of the Management Board.



## Remuneration of the Management Board

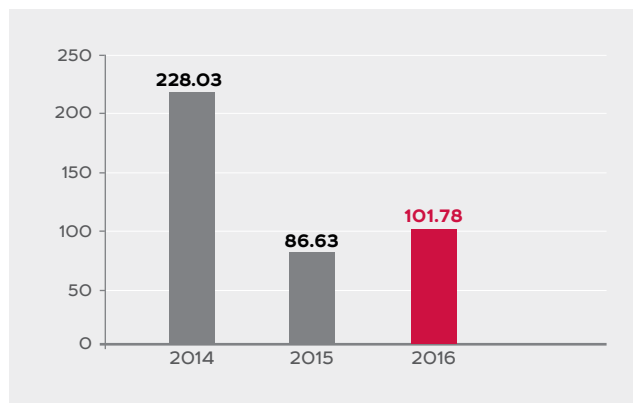
The terms and conditions for payment of remuneration to Management Board members are set out in the Regulation on Remuneration of Members of the Management Board and Selected Senior Executives of the Bank, whereby overall remuneration is split into non-performance-related components (fixed part of remuneration) and performance-related components (non-fixed part of remuneration), the latter consisting of an annual cash award and a deferred long-term performance award.

Annual performance-related awards to the Bank's executives depend on how they meet the annual targets approved by the Supervisory Board in two dimensions: the Bank's financial results (ROE, ROA, Cost of Risk, NPL and CTI) and individual targets. The Supervisory Board may increase or cut the annual cash award by up to 100%.

In addition to the fixed and non-fixed remuneration, Management Board members may be paid an award for completion of critical tasks. It can be proposed by the Chairman of the Management Board with the final decision made by the Supervisory Board.

The non-fixed part of Management Board members' remuneration for 2014-2015 was withheld (with their consent) by the Supervisory Board due to the unstable market situation, although the KPIs were achieved. The decision regarding the non-fixed part of the Management Board members' remuneration for 2016 was made by the Supervisory Board in 2017.

### Management Board members' remunerations in 2014-2016, RUB mln





## 4.5. Internal control system

The internal control system is an integral part of the corporate governance system and one of the most vital elements in the Bank's effective performance.

The internal control system is an integral part of the corporate governance system and one of the most vital elements in the Bank's effective performance. The internal control system provides for protection of the interests of the Bank's investors and customers by ensuring that the Bank's employees act in compliance with Russian laws, regulations and professional standards. It ensures a level of reliability appropriate to the nature of the Bank's operations and minimizes banking risks.

The system of internal control is based on a clear allocation of authorities and responsibilities between the Banks' executive bodies, subdivisions and employees. The main requirements for the organisation of internal control as well as the allocation of authority and areas of responsibility are enshrined in the bylaws of the Bank. The Audit and Risk Committee, which reports to the Supervisory Board, supports the efficient functioning of the internal control system at the Bank and secures the effective participation of the Supervisory Board in exercising control over the Bank's financial and commercial activities.

### Internal control within the Bank is undertaken by:

- the General Shareholders' Meeting;
- the Supervisory Board;
- the Management Board;
- the Chairperson of the Management Board and his/her deputies;
- the Chief Accountant and his/her deputies;
- the Audit Panel;
- the Audit and Risk Committee of the Supervisory Board;
- the Bank's subdivisions and officers responsible for internal control as authorised by its corporate documents;
- the Internal Audit Division; the Internal Control Service;

- the subdivision (officer) in charge of anti-money laundering control;
- the stock market professional participant controller;
- other subdivisions as may be required by the nature and the scale of the Bank's business.

The Bank attaches special importance to measures taken for anti-money laundering and combating the financing of terrorism. Internal control programmes and regulations, which are based on the Know Your Customer principle, enabled the Bank to increase the effectiveness of its risk management in 2016.



## Internal Audit Division

The role of the Internal Audit Division (IAD) is to conduct internal audit and control and provide direct assistance to the Bank's management bodies in ensuring its efficient operation by providing independent and objective recommendations aimed at increasing the effectiveness of the systems of internal control, risk management and corporate governance. The IAD monitors the compliance of the rules, procedures and practices of the Bank's operations with the regulatory acts in force, the Bank's Charter, the resolutions of the Bank's authorized bodies, monitors the effectiveness of the functioning of the decision-making system and allocation of authority, the risk management system, the system for combating money laundering and the financing of terrorism, as well as of other systems for protecting the Bank's activities and conducts internal audits of the activities of the Bank's subdivisions. The IAD is independent in its activities.

**The independence of the IAD is established by the Bank's bylaws, and is defined by the following principles, in accordance with which the IAD:**

- is subordinated to and accountable to the Bank's Supervisory Board;
- does not undertake activities subject to audit;
- on its own initiative, reports to the Supervisory Board on matters arising in the course of exercising the IAD's functions, and on proposals regarding their resolution and also provides such

information to the Chairman of the Management Board and the Management Board.

The organisational structure of the IAD includes subdivisions responsible for the audit of corporate, retail business and information technology.

**The following matters fall within the competence of the IAD:**

- verification and evaluation of the effectiveness of the internal control system;
- verification of the risk management system;
- verification of the reliability and adequacy of the procedures securing the safety of property;
- verification of the reliability, completeness, objectivity and timeliness of accounting and management reports;
- verification of the adequacy and reliability of the system of internal controls in terms of the use of automated information systems.

Within its competence, the IAD cooperates with the Bank's Audit and Risk Committee and external auditors with regard to the provision of information concerning the system of internal control, as well as the major deficiencies identified by the IAD in the course of the audit.

## Internal Control Service

The Internal Control Service (ICS) performs internal control in order to identify risks of losses resulting from any non-compliance by the Bank with federal laws and other statutes of the Russian Federation, the Bank's bylaws, or from the imposition of any sanctions and/or other actions by supervising authorities.

**The ICS reports to the Chairman of the Management Board. The ICS carries out the following functions:**

- developing the methodological framework of the internal control system;
- reviewing bylaws developed by the Bank's internal subdivisions from the viewpoint of their compliance with banking laws and the Bank of Russia's regulations;
- monitoring Russian laws for the purpose of updating corporate documents in due time;
- making proposals to improve banking service technologies so as to comply with banking laws, abridge service time and increase service quality;
- developing bylaws intended to identify conflicts of interest and prevent internal misconducts;
- developing bylaws intended to enforce rules of corporate conduct and standards of professional ethics;
- providing methodological support to the Bank's staff regarding evaluation of regulatory risks and identification of such risks in internal technologies or rules of specific banking operations;



- analysing the results of internal and external audits of banking operations so as to adjust existing corporate documents regulating the internal control system and regulatory risk management;
- registering regulatory risk events and maintaining an analytical database of the Bank's losses;
- evaluating the extent of any deviations identified in transactions, finding their causes, any systemic errors, abuse or organised schemes, and initiating investigations;
- assessing the need for any regulatory risk mitigation measures and preparing appropriate decisions within its competence;
- controlling subdivisions' compliance with approved procedures, limits, processes and technologies;
- liaising with the Bank of Russia and external auditors regarding any methodological issues related to internal control and regulatory risk management;
- analysing customer grievance indicators and the Bank's observance of customers' rights;
- analysing the suitability of any outsourcing arrangements of the Bank.

## Audit and Risk Committee

The Audit and Risk Committee acts in the interests of the Bank's shareholders, the Bank itself and its investors, promotes the establishment of an effective system of control over the financial and commercial activity of the Bank, and ensures the actual involvement of the Supervisory Board in exercising control over the financial and commercial performance of the Bank.

The Audit and Risk Committee acts within powers conferred to it by the Supervisory Board under the relevant regulation.

In its activities, the Audit and Risk Committee is fully accountable to the Supervisory Board and acts under Russian laws, the Bank's Charter, the Regulation on the Supervisory Board, the Regulation on the Audit and Risk Committee and other bylaws of the Bank as approved by its General Shareholders' Meetings and the Supervisory Board, and also resolutions of the Committee itself.

The Audit and Risk Committee co-operates with other Supervisory Board Committees, the Bank's Audit Panel, auditors of the Bank, the Management Board, the Internal Audit Division, the Internal Control Service and other management and control bodies of the Bank.

## Audit Panel

The Bank's Audit Panel is a standing, elective body forming part of the Bank's internal control system. The Audit Panel acts in the interests of the Bank and its shareholders for the purposes of mitigating the risks of the Bank's business activities.

The Audit Panel of the Bank is subject to the legislation of the Russian Federation, the regulations of the Bank of Russia, the Bank's Charter, the Regulation on the Audit Panel and the resolutions of the Bank's General Shareholders' Meeting.

Within its competence, the Audit Panel of the Bank shall inspect the Bank's compliance with applicable laws and regulations, organising the Bank's internal control, the legality of operations made by the Bank (by full or selective verification) and the state of the Bank's cash and property.

According to the Bank's Charter, the Audit Panel of the Bank consists of three members, elected by the General Shareholders' Meeting for a term ending at the next annual General Shareholders' Meeting.

**On 28 June 2016 the following persons were elected to the Audit Panel by the annual General Shareholders' Meeting:**

- Evgeny O. Gudkov, Deputy Director of Financial Division, MCB Capital (chairman of the panel);
- Alexandra A. Vastyanova, Risk Management Vice President, MCB Capital (member of the panel);
- Vyacheslav Yu. Osipov, Head of Reporting and Audit Department, ROSSIUM Concern (member of the panel).



## External Auditors

The Bank's external auditors in 2016 were Joint-Stock Company KPMG (in respect of the International Financial Reporting Standards) and Joint-Stock Company Audit-Consulting Group Business Systems Development (RBS) (in respect of the Russian Accounting Standards).

External auditors are appointed by the General Shareholders' Meeting upon the Supervisory Board's recommendation. In its turn, the Supervisory Board relies on recommendations as to the choice of the Bank's auditor given by its Audit and Risk Committee which, following discussions in 2014-2016 and meetings with auditors, recommended that it keep the current auditors, whose independence and impartiality was acknowledged by the members of that Committee.

KPMG's fees for the audit of 2016 IFRS statements and the interim reviews for 3, 6 and 9 months of 2016 stood at RUB 22,302,000, including VAT.

RBS's fees for the audit of 2016 RAS statements and the interim review for 9 months of 2016 stood at RUB 2,000,000, including VAT.





## 5. For Shareholders and Investors





## 5. For Shareholders and Investors

The Bank's adaptation to the changing macroeconomic environment is reflected in the improvement of approaches to doing business, in particular, in shifting the focus towards greater openness to partners, shareholders and investors.

The Bank's adaptation to the changing macroeconomic environment is reflected in the improvement of approaches to doing business, in particular, in shifting the focus towards greater openness to partners, shareholders and investors. The Bank maintains an open and transparent dialogue with its existing and potential investors and shareholders, a responsibility that it takes very seriously.

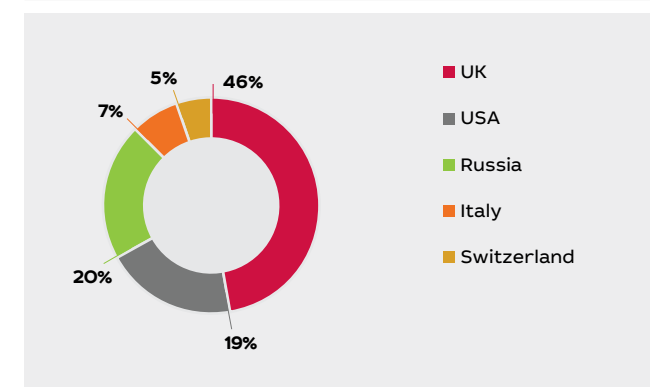
The Bank's primary contact with institutional investors is through the Chairman of the Management Board, Senior Vice-President and Investor Relations Department, each of whom provide a standing invitation to investors to discuss any matters they wish to raise.

The Bank communicates with its investors and shareholders via Annual General Meetings, Annual Reports and consolidated financial statements. These are supported by a combination of presentations and webcasts. Over the course of the year, we met with over 100 institutional investors, and participated in investor conferences and roadshows around the world: UK, Europe, US, Singapore and Hong Kong.

The Supervisory Board is regularly updated on the views of investors and shareholders by the Bank's executive management and the Investor Relations team and, where appropriate, requests them to address the relevant matters. Informal feedback from analysts and advisors is also shared with the Supervisory Board.

The Bank's official website, [www.mkb.ru](http://www.mkb.ru), provides investors with access to its results, press releases, investor presentations, details on its corporate governance and corporate social responsibility framework, management, and other relevant information.

### Investors met in 2016 (by geography)





## Investor Calendar 2016

Date	Event
<b>1Q2016</b>	
15 January	Record date for participating in the extraordinary General Shareholders' Meeting to be held on 3 March
1 February	Notice of the extraordinary General Shareholders' Meeting to be held on 3 March
29 February – 2 March	J.P. Morgan 2016 Miami Global Emerging Markets Corporate Conference
3 March	Extraordinary General Shareholders' Meeting
11 March	LSEG CIS & CEE Conference
18 March	Record date for participating in the extraordinary General Shareholders' Meeting to be held on 29 April
29 March	IFRS results for 2015
30 March	Notice of the extraordinary General Shareholders' Meeting to be held on 29 April
<b>2Q2016</b>	
12-13 April	2016 Moscow Exchange Forum
29 April	Extraordinary General Shareholders' Meeting
16 May	Record date for participating in the annual General Shareholders' Meeting to be held on 28 June
24-25 May	Sberbank CIB Russia: The Inside Track One-on-One Conference (Moscow)

Date	Event
27 May	Notice of the annual General Shareholders' Meeting to be held on 28 June
31 May	IFRS results for 1Q2016
8 June	Société Générale CEEMEA Conference (London)
28 June	Annual General Shareholders' Meeting
<b>3Q2016</b>	
22 August	IFRS results for 1H2016
13 September	Record date for participating in the extraordinary General Shareholders' Meeting to be held on November 7
14 September	Notice of the extraordinary General Shareholders' Meeting to be held on 7 November
28-29 September	J.P. Morgan Credit and Equities Emerging Market Conference (London)
<b>4Q2016</b>	
4 October	Access to materials for the extraordinary General Shareholders' Meeting of the Bank to be held on November 7
7 November	Extraordinary General Shareholders' Meeting
9 November	ATON Banking Day (Moscow)
24 November	IFRS results for 9M2016
6-7 December	Moscow Exchange Forum in London



## SHARES

**CBM's initial public offering supported by institutional and private investors took place in June 2015.** Selling at RUB 3.62 per share, it aggregated RUB 13.2 bln.

**In December 2015, CBM made an SPO on the Moscow Exchange** raising RUB 16.5 bln and achieving a market capitalisation of RUB 87.6 bln.

On 16 June 2016, the Moscow Exchange included **CREDIT BANK OF MOSCOW's shares (CBOM)** in its **MICEX and RTS indices** as it revamped their reference bases.

MICEX and RTS indices cover the top 50 liquid shares of the largest Russian companies from key sectors of economy and are the main indices of the Moscow Exchange for calculating issuers' capitalisation.

**CBM's shares also made their way to the broad market shares index and the financial sector index.** The former covers shares with at least a 5% free-float. According to the Moscow Exchange's data, CBM has a 25% free-float.

According to the Moscow Exchange's data, **CBM's capitalisation exceeded RUB 102 bln as of 31 December 2016.**

- **Type of security:**  
Ordinary shares
- **Short name:**  
CBM
- **Trading Code:**  
CBOM
- **ISIN:** RU000AOJUG31



The detailed information can be viewed on the Bank's website

### CBM's Share Dynamics & MICEX %



### CBM's Share Dynamics & MICEXFNL (MICEX Financials) %







## BONDS

The Bank's bonds are on the first level list of the Moscow Exchange.

Type of security	Date of placement	ISIN	Outstanding face value amount, RUB.	Maturity, years
Bonds series 11	25.12.2012	RU000AOJTF50	3,000,000,000	5.5
Bonds series 12	19.03.2013	RU000AOJTPD7	2,000,000,000	5,5
Exchange bonds series BO-06	24.10.2013	RU000AOJU880	5,000,000,000	5
Exchange bonds series BO-07	30.10.2013	RU000AOJU8W1	7,000,000,000	5
Exchange bonds series BO-10	11.07.2014	RU000AOJUQQ5	5,000,000,000	4
Exchange bonds series BO-11	11.07.2014	RU000AOJUQR3	15,000,000,000	4
Exchange bonds series BO-09	25.03.2015	RU000AOJU898	3,000,000,000	5



The detailed information can be viewed on the Bank's website



## International capital markets

The Bank debuted in the Eurobonds market in 2006. As of now, the following Eurobonds, all of which were issued through the Bank's special purpose vehicle CBOM Finance p.l.c., are outstanding



The detailed information can be viewed on the Bank's website

Type of security	Date of placement	ISIN	Outstanding face value amount, issue currency	Maturity, years	Listing
Eurobond	25.01.2013	XS0879105558	USD 500,000,000	5	Irish Stock Exchange
Eurobond	25.04.2013	XS0924078453	USD 500,000,000	5,5	Irish Stock Exchange
Eurobond	21.11.2014	XS1143363940	RUB 5,000,000,000	10	Irish Stock Exchange
Eurobond	27.10.2016	XS1510534677	USD 500,000,000	5	Irish Stock Exchange





## Ratings of the Bank

Agency	International scale	National scale
Fitch Ratings	<ul style="list-style-type: none"><li>• BB – Long term issuer default</li><li>• B – Short term counterparty default</li><li>• bb – Viability</li><li>• 5 – Support</li></ul> <b>Negative outlook</b>	
Standard and Poor's	<ul style="list-style-type: none"><li>• BB – Long term counterparty default</li><li>• B – Short term issuer default</li></ul> <b>Negative outlook</b>	
Moody's Investors Service	<ul style="list-style-type: none"><li>• B1/NP – Long term global and local currency deposit</li></ul> <b>Stable outlook</b>	
RA Expert		<b>A (II)</b> <b>Negative outlook</b>



## 6. Environmental Management



The content  
section

- 6.1. [Human Resources](#)
- 6.2. [Corporate Culture and Social Responsibility](#)
- 6.3. [Information technologies](#)
- 6.4. [Society](#)
- 6.5. [Sustainable development](#)





## 6.1. Human Resources

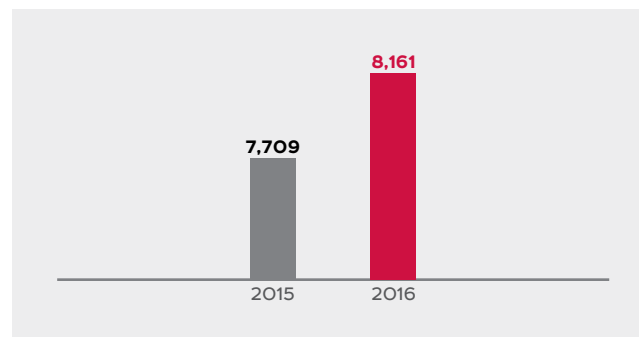
The Bank's staff is its most important resource, ensuring a competitive edge and helping achieve strategic goals and success.

The Bank's staff is its most important resource, ensuring a competitive edge and helping achieve strategic goals and success. The Bank's HR policy has always aimed at ensuring accomplishment of the business goals and has always been integrated into the Bank's long-term development strategy.

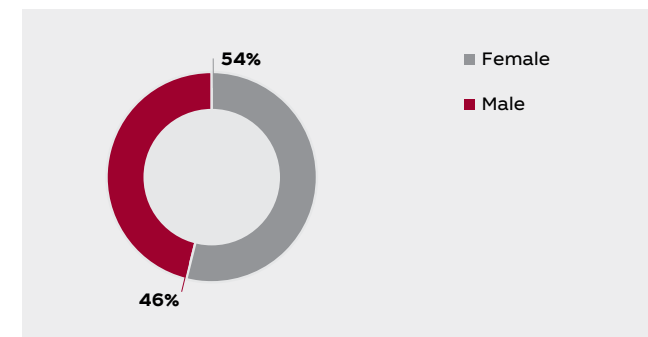
The existing principles and mechanisms of HR management policy implementation have always allowed a flexible adaptation of strategic management decisions to various trends of the Russian banking sector. The key objective of the Bank's HR policy in 2016 was to reform its HR processes, to complete a transition, as expeditiously as possible, from a restrained approach to infrastructure development to an optimal increase in the scale of certain areas of the Bank's business activity. An important prerequisite for implementation of this transition included the mandatory increase in efficiency of HR use at an acceptable risk level.

Thus, the 2016 HR policy provided for a certain set of measures, aimed at attracting qualified personnel to the Bank, training and retaining them.

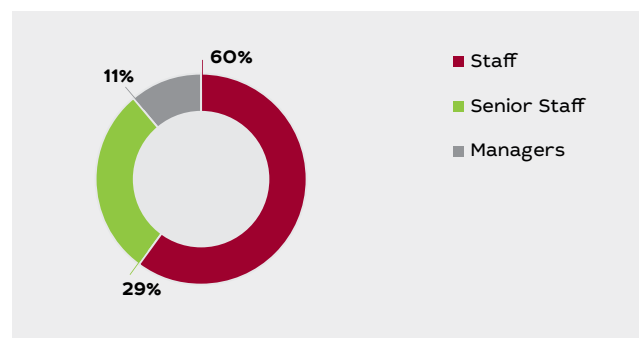
### The Bank's staff dynamics



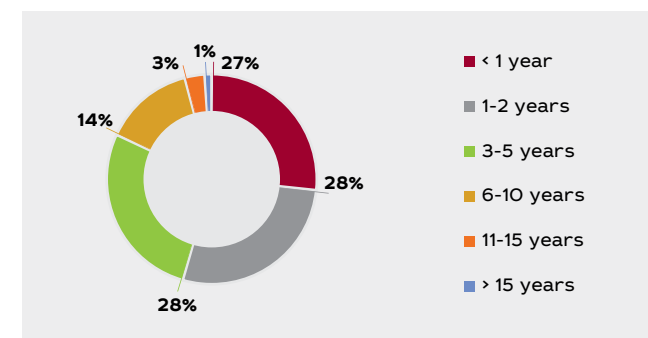
### Employee gender structure



### Headcount structure, by category of employees



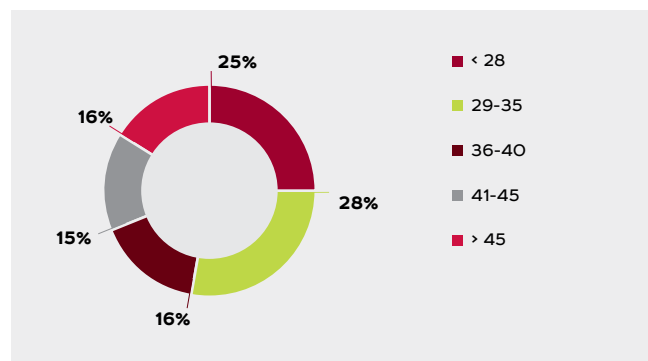
### Distribution of the Bank's employees by length of employment







## Employee age distribution



The headcount rose by 6% compared to the previous year and, as of 31 December 2016, the Bank employed 8,161 people. Below is an overview of the Bank's personnel.

The above information demonstrates that the key tasks for 2016, to increase effectively the Bank's headcount and to stabilise human resources were both achieved: about 49% of all employees have been at the Bank over 3 years, while the ratio of the managerial personnel to the number of specialists demonstrates an optimal approach to development of the Bank's HR infrastructure.

## Teambuilding

An important goal for 2016 was the timely staffing of the actively developing branch network as per the approved timetable. In just one year, over 30 offices were opened in Moscow and the Moscow Region. A growth of the branch network was tied with a simultaneous increase in the staff number of the Information Technology Division and several supporting subdivisions.

The serious goals of staff attraction and variable qualification level of the candidates in the external labour market served to strengthen the Bank's staff recruitment subdivisions in 2016. The Bank revised not only the requirements for candidates but changed priorities in staff attraction channels. To increase the percentage of responses of young specialists, the Bank cooperated with over 20 of Russia's leading universities, including the Russian Presidential Academy of National Economy and Public Administration, the Financial University under the Government of the Russian Federation and the Plekhanov Moscow State University. About 60 students attended internships at the Bank, most of whom are being considered for future employment.

In 2016, the Bank also actively developed internal staff rotation programmes, which allow employees to build their careers not only vertically but also horizontally, and allow the Bank to create its internal talent pool of entry-level and management positions.

## Staff Training and Development

The high internal requirements for personnel qualification level and the goals of risk minimisation contributed to the creation of additional training programmes for development of the Bank's HR potential. In 2016, the Bank launched long-term and large-scale training programmes for certain business areas, to ensure achievement of targets set under such programmes as part of the Bank's strategic development.

### RETAIL SEGMENT

**In order to increase sales profitability and improve the quality of customer service:**

- The Off-Site Master Classes project was scaled up, which primarily aims not only to broaden the knowledge and skills in sales of the Bank's fee-based products, but also to strengthen control over application of this knowledge and skills, as well as to check compliance with the Bank's client servicing standards. 50 branches and over 190 employees took part in the project, with every participant receiving individual recommendations for development of their skills in cross sales, and senior officials receiving the instruments allowing further development of the skills of their employees onsite;
- The Product Knowledge project was launched, which aims to support the high level of awareness of the product range among employees of the retail network. The project provides for monthly testing of the employees, branch directors and managing directors. In addition to knowledge



measurement, the project eliminates any detected “bottlenecks” through face-to-face seminars on types of errors.

In 2017, the goal of maintaining the high level of product awareness will be implemented through expansion of distance-learning courses.

### CASH HANDLING SEGMENT

In order to increase the focus on clients and to lower the operating risk level for employees in the cash handling segment, a special programme Working in Conflict Situations was developed, in which 167 employees were involved. This programme provided not only for a study of the theoretical aspects of work in conflict situations, but also for analysis of real customer claims and the refinement of various algorithms of employee actions, depending upon the nature of the situation.

### UNDERWRITING DEPARTMENT

To mitigate the risk level when analysing borrowers, many underwriting processes were automated in 2016, which led to a revision of the training system for employees in this segment and to a series of training events devoted to changing working techniques in certain areas and instructions pertaining to client verification. In order to increase the quality of telephone verification of clients, an additional training module Telephone Verification of Clients: Success Formula was developed, in which over 70 employees were involved.

### LOAN RECOVERY DEPARTMENT

In 2016, a training system was created for this segment, which provides for special training sessions, seminars and online courses for employees, depending on their record of service in the division and their rank. It is also very important to the Bank that its employees comply with Russian legislation, so, following the amendments made to Federal Law No. 230 On Protection of Individuals' Rights and Lawful Interests in Recovery of Overdue Debts, all employees of the Department attended a special seminar.

The Bank's senior management highly values its employees and seeks to create conditions for the development of their knowledge and skills. Therefore, in addition to specialised training, the Bank has, for over 3 years, been implementing the School of Growth project. This is a project, consisting of generally accessible, short-term courses devoted to various topics. Every year, the project contents are supplemented with new courses. For example, in 2016, the courses Basic Concepts of Managing MS Access Databases, Time Management for Senior Officials, Basic Concepts of Managing Various Types of Employees, and Preparation of Effective PowerPoint Presentations were introduced. In 2016, a total of 270 employees from various subdivisions (103 senior officials and 167 employees) took part in the project.



## Cash and Non-Cash Incentives for Personnel

The single objective of creating the existing systems of cash incentives for various business segments of the Bank is to incentivise the employees to increase their labour efficiency, to focus on higher performance and to minimise risks.

The single objective of creating the existing systems of cash incentives for various business segments of the Bank is to incentivise the employees to increase their labour efficiency, to focus on higher performance and to minimise risks.

**In order to improve the existing remuneration systems, the Bank conducts an annual audit, which:**

- Maintains the clarity and transparency of their application for the employees;
- Ensures alignment of Bank employee remuneration with the nature and scale, level and combination of the assumed risks;
- Introduces the best international and Russian practices of incentives to banking sector personnel;
- Ensures compliance with the requirements of Russian legislation.

Modification of the existing incentive systems carried out in 2016 increased human resources efficiency at an optimal cost level, since it was designed to take into account not only individual work results, but the results of the business units and the Bank as a whole.

Using non-cash incentive methods, the Bank seeks to demonstrate loyalty to the personnel, to ensure comfortable conditions for its employees and incentivise their contribution to the Bank's development.

For example, in the retail segment, the year 2016 was declared to the Search for Stars year and, under this motto, three large-scale competitions were held: Best in Their Role, Who Wants to Be a Branch Director? and The Strongest Link in Sales.

All of these competitions aimed not only to identify the best employees in terms of performance, but also to enhance their involvement in the work and increase their team spirit. All competitions consisted of several modules that provided for group work and individual tasks. For example, in the Best in Their Role competition, the teams took part in the adapted quiz game What? Where? When?, while in The Strongest Link in Sales competition, players took part in a version of Brain Ring, similar to the well-known TV programme.

Over 800 employees of the retail network, branch directors and managing directors took part in the competitions, and over 300 employees were awarded prizes and were named winners in special categories.

The valued commitment of the participants in the Who Wants to Be a Branch Director competition

helped identify promising candidates for the Bank's strategic talent pool. The competition enabled the employees to increase the level of their knowledge and skills through a special series of homework assignments, together with their senior officials and through attendance of face-to-face training sessions at the Bank's Training and Development Centre.





## 6.2. Corporate Culture and Social Responsibility

In 2016, as before, the Bank's senior management focused particular attention on employee compliance with the Code of Corporate Ethics

In 2016, as before, the Bank's senior management focused particular attention on employee compliance with the Code of Corporate Ethics which reflects not only the principles, standards and rules of conduct, but also the key corporate values.

The senior management especially seeks to maintain and develop family values, implementing various programmes aimed both at charity support of orphaned children and the arrangement of special events for children of the Bank's employees.

Every year the Bank holds special fairs selling children's toys made by orphaned children. All money made from the sale of these toys is directed to pay for the education and private tutors of orphaned children. The Bank's employees may make personal donations through the internal corporate portal. Over the past four years, the Bank has actively cooperated with the Arifmetika Dobra charity. Bank employees regularly participate in events arranged by the charity, such as a charity relay race.

For its employees' children, the Bank holds annual competitions of children's work, planned to coincide with Children's Day and, on the occasion

of the Bank's Birthday, special master classes are held. The employees' children may attend master classes free-of-charge to develop both their creativity and fitness.

Corporate sport is one of the most important elements of the Bank's corporate culture. As of today, the Bank runs football, volleyball, basketball and hockey teams, all trained by experienced coaches and who represent the Bank in various inter-corporate competitions. The Bank also runs women's support team, which takes an active part in all sports events.

Development of a Russian graduate talent pool is becoming an important area of the Bank's corporate responsibility. It is precisely for this reason that the senior management supports active participation of the Bank's representatives in various round-tables and conferences, devoted to university graduates, specialising in banking. In 2016, the Bank played an active part in implementation of a special project initiated by the Career Development Centre of the Russian Presidential Academy of National Economy and Public Administration. Under this project, graduates fulfilled special tasks to address acute problems in Russia's contempo-

rary banking sector, under the guidance of the Bank's Training and Development Centre specialists.

The Bank will continue actively participating in programmes aimed at adapting the knowledge of graduates to the present-day realities of the banking sector.



## 6.3. Information technologies

The Bank's research and development (R&D) policy is aimed at improving its banking technologies.

The Bank's R&D policy is aimed at improving its banking technologies, and developing, optimising and upgrading its IT systems. The IT Directorate is responsible for making IT policies, developing and maintaining the whole IT infrastructure, developing, implementing and maintaining the Bank's software. The Bank works on a comprehensive and ongoing basis to make its internal interaction processes and IT structures more mature, in particular by improving its internal regulations and implementing state-of-the-art methodologies such as ITIL, TOGAF, SCRUM, and KANBAN.

The Bank is committed to building a failsafe and powerful IT infrastructure. As it needs to ensure guaranteed execution and high efficiency of banking and, first and foremost, customer transactions, the main IT infrastructure design criteria are the elimination of Single Points of Failure and the ability to promptly expand IT systems' processing capacities.

To ensure transactions are executed with high efficiency and protection from any infrastructure failures, the Bank uses 3 data centres (DC) merged into a single distributed data centre (DDC). All DCs in the DDC are connected by a private network of

independent fibre-optic links (Dark Fiber) via main and back-up, non-overlapping routes. The DDC architecture increased reliability and scalability of the IT infrastructure at acceptable cost, because it prevents the entire system from disrupting when one centre fails. As part of the ongoing DDC enhancement process, one of the key components of the DDC, Lukov Pereulok DC, was radically upgraded in 2016. The main feature of this project was the upgrading of the DC's engineering systems without any interruption to the IT provision. The project increased the DC's available power by 125% and its useful capacity by 150%. Furthermore, by deploying a new engineering infrastructure monitoring and dispatching system based on the WAGO IO-System solution, its manageability and reliability was also improved.

The DDC is operated by VMware vSphere virtualisation platform. The virtual server farm is based on cloud technologies in the form of a Private Cloud, and is the main processing capacity for the Bank. The VMware High Availability Cluster-based virtualisation increased IT systems' reliability, the server utilisation ratio, equipment density, and, owing to faster roll-out and greater testing possibilities, accelerated the introduction of new products. In

### THE BANK IS FOCUSED ON DEVELOPING ITS IT INFRASTRUCTURE

addition, this solution simplified the IT infrastructure expenditure planning by unifying processing resources.

One of the main tasks of the IT subdivisions is to choose optimal automation solutions and increase operational efficiency. By improving its IT systems, the Bank expects to make most business processes less cost- and time-consuming. This approach will significantly enhance the Bank's competitiveness, its products' attractiveness and its customer service quality.

The Bank continues to actively develop its front office solution for corporate and retail clients based on the Oracle Siebel 8 advanced platform. Works in 2016 were mainly aimed at expanding the CRM system's integration with other Bank systems and migrating new business processes to a single front-line system.



Active replacement of back-office software continued in 2016. In line with the approved IT strategy, a housekeeping booking module was successfully put into industrial operation and a module was launched for the Settlement Centre to exchange payment documents with INKAKHRAN. This helped optimise the process of exchanging financial documents between the subsidiary and the Bank based on a single platform (CFT-Bank), a project was launched to migrate the proprietary and third-party promissory

---

**TO PROVIDE A COMPREHENSIVE  
AND HIGH-QUALITY PLASTIC CARD  
SERVICE, THE BANK OPERATES ITS OWN  
PROCESSING CENTRE**

note booking module to the new CFT-Bank platform and the migration of the retail deposit booking unit continued.

The Bank is a principal member of Visa and MasterCard and issues a wide range of cards: debit, credit, prepaid and virtual cards, both for the mass and premium segments. To provide a comprehensive and high-quality plastic card service, the Bank operates its own processing centre supplied by the international company TSYs Card Tech. To ensure a full operating cycle and prompt card issuance, the Bank operates its own card personalisation centre.

In 2016, the Bank extensively refreshed its self-service infrastructure and entered new regions. Coupled with development of the payment terminal network functionality, this increased the number of services payable through self-service devices by 30%. Overall, the well-developed payment terminal

network infrastructure helps the Bank successfully acquire new retail and corporate customers. The network of self-service devices also allows for a higher degree of automation as the branch network expands, and, accordingly, helps optimise the Bank's costs.

The Bank makes consistent efforts to implement the industry and international regulators' requirements for protecting personal data of the Bank's clients and employees in accordance with Federal Law No. 152-FZ On Personal Data, protecting information of the National Payment System in accordance with Federal Law No. 161-FZ On the National Payment System as well as protection of payment card data in accordance with the Payment Card Industry Data Security Standard (PCI DSS).

Qualified staff of the IT Directorate ensure stable operation of all of the Bank's systems, regularly test, upgrade and monitor them and work on ensuring data protection.



## 6.4. Society

The Bank actively contributes to the development of charitable activities in the Moscow area.

The Bank actively contributes to the development of charitable activities in the Moscow area. Thus, the Bank provides its customers with the opportunity to donate funds to various charitable funds without charge, directly through the Bank's payment terminals or online services.

A noteworthy contribution to the protection of vulnerable social groups is made by charitable campaigns organised by the Bank's employees in co-operation with the Arifmetika Dobra charity, founded in March 2014 by the Bank's beneficial owner Roman Avdeev for a systemic solution to the social orphanhood problem in Russia. In 2016, numerous events were held together with the fund to raise and transfer funds for additional educational programmes to orphanages all around Russia to allow as many orphans as possible to prepare for entrance examinations at higher educational institutions and secondary specialised colleges, thus gaining an opportunity to lead a decent adult life.

In September 2016, the Bright People international family street art festival was held for the fifth year in a row as part of public celebrations of City Day in Moscow. Moscow's Department of Culture and CREDIT BANK OF MOSCOW were traditional-

ly co-organisers of the festival. Bright People is a socially-oriented project, devoted to the multidisciplinary development of children, aimed at promoting the creative skills of each child, providing them with a wide insight into the world and harmonically bringing out the best in them. All citizens could visit the festival free of charge. Everyone could take an active part in the most impressive, creative, open-air workshop, watch new productions from leading Russian and international theatre companies, take part in performances, master classes and carnival processions. For the first time innovative projects were presented at the festival by municipal cultural institutions – museums and exhibition halls and municipal libraries.

The first Bright People international festival took place in Moscow, devoted to the twentieth anniversary of CREDIT BANK OF MOSCOW, gathering hundreds of thousands of children and their parents and received considerable, positive feedback. Since 2013, the festival has become an annual event and has been included in the programme of The Best City on Earth, a Moscow city festival held by the Moscow Government. The Bank now supports the city project as well.

CREDIT BANK OF MOSCOW is an official sponsor of Russia's national football team until and throughout 2018. Thus, as a sponsor the Bank will support the national team at important football events for the country – UEFA Euro 2016 and 2018 FIFA World Cup, which will be held in Russia.

In the end of 2015, the Bank launched the Solid History image campaign to accompany the Russian team matches at the European Championship. The campaign is based on a concept dedicated – the history of Russian football and it tells the young generation and reminds the older generation that the Russian football team has a solid history and bright victories of its great players form its foundation.



## 6.5. Sustainable development

The Bank has traditionally been committed to a socially and environmentally responsible way.

The Bank has traditionally been committed to a socially and environmentally responsible way of running its everyday credit business, it cares about its image and business reputation locally and internationally, values its existing customers and vigorously acquires new ones, builds long-term, transparent and confident relationships with its employees, shareholders and investors, with a focus on social responsibility and environmental culture.

The Bank's business reputation, its competitive advantages, ability to meet comprehensively the growing needs of its existing and prospective customers, its aptitude in building transparent relationships both internally (staff) and externally (customers, counterparties, financial partners, authorities, mass media etc.) depend on its ability to integrate promptly, through its social and environmental (S&E) management system, ecological risk management procedures and S&E-oriented management principles into its business model, thus ensuring compliance with existing S&E laws and standards applied by leading international financial institutions in financing their and their customers' projects.

The S&E management system is based on clear distribution of the functions and authorities among the management bodies and subdivisions of the Bank involved in the credit process. The overall policy implementation control is the responsibility of the social and environmental manager, who is appointed to this position from among the Bank's senior management. Coordination is performed by the Bank's authorised officer who acts as the social and environmental coordinator.

The S&E management system is described in the Bank's Social and Environmental Policy which sets out the comprehensive approach to environmental, health and safety management envisaging improvement of the S&E management system through integration of environmental risk management mechanisms in the Bank's business processes.

The Bank's environmental policy is being constantly improved to ensure that the credit process meets the current requirements of national environmental laws and international requirements and standards with respect to S&E risk management which are applied by leading international financial institutions to assessment of financed projects. Such activities facilitate social responsibility of the Bank's employ-

ees and their involvement in evaluating the environmental impact of activities of the clients and clients' projects financed by the Bank at all stages of the credit process.

Regular consultations with customers on S&E issues also improve the ability of the customers financed by the Bank to minimise S&E risks and thus improving the environmental and economic efficiency of their operations. Borrowers' compliance with applicable environmental laws and environmental awareness are important factors of their appraisal by the Bank.

The Bank's commitment to informational openness and transparency in doing business manifests itself in an ongoing dialogue with its clients concerning compliance with S&E laws and their overall awareness of changes in the national environmental laws and requirements of the Bank's international shareholders. In classic lending and in other forms of financial support offered to customers, the Bank adheres to the S&E requirements of its international shareholders: EBRD Performance Requirements (PR1-PR10) and IFC Performance Standards on Social & Environmental Sustainability. Any projects related to business activities listed in EBRD and IFC



Environmental Exclusion List are not financed by the Bank.

The EBRD and IFC not only delegated to the Bank the responsibility for initial appraisal and monitoring of transactions as regards environmental and social risks, but also the overall management of the entire loan portfolio in terms of its compliance with applicable S&E standards.

The Bank extensively uses a precautionary principle, focuses especially on preventive risk management, monitoring and control of residual risks and assessment of their impact on its loan portfolio's sensitivity to S&E components. Guided by these regulations and adhering to the key values in its activities, the Bank is increasingly expanding its S&E responsibility with every year, remaining faithful to its principles and compliant with the requirements and provisions of Russian environmental laws and international standards governing S&E activities.

Regular internal audits, monitoring of the loan portfolio for identification and assessment of the S&E risks as well as analysis of the Bank's credit process in general notably improve the S&E efficiency of the Bank's lending activities, which are based on an understanding of the significance of the S&E component in due diligence of projects financed by the Bank.

In addition to internal audit, every year experts representing the Bank's international shareholders monitor the Bank to ensure its loan portfolio is consistent with international environmental standards, which, upon such audits, gives a full and impartial picture of S&E efforts made by the Bank during the year.

The Bank also reports annually to its international shareholders on the S&E figures related to its loan portfolio by providing annual S&E reports. As at the end of 2016, the Bank's loan portfolio does not contain any loans which would involve environmental problems, no events were identified where a deal made was turned down for social and environmental reasons, or where borrowers were involved in lawsuits, had accidents, received complaints, were fined or otherwise sanctioned due to their non-compliance with any requirements of the applicable environmental laws.

To minimise the negative impact on the environment, the Bank is working on decreasing the use of energy resources in its activities. Consumption of resources by the Bank in 2016 is set out in the table below.

Vladimir A.Chubar

CHAIRMAN OF THE  
MANAGEMENT BOARD



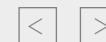


www.mkb.ru

[Highlights](#)  
[Key Financial Performance Indicators](#)  
[Mission and Values](#)

1. [Strategic Report](#)  
2. [Overview of Operations](#)  
3. [Financial Results](#)  
4. [Corporate Governance System](#)

5. [For Shareholders and Investors](#)  
6. [Sustainable Development](#)  
[Contacts](#)  
[Appendices](#)



144 / 197

Annual report 2016 / Contacts

# Contacts

## CREDIT BANK OF MOSCOW

Full company name	CREDIT BANK OF MOSCOW (public joint-stock company)
Abbreviated name	CREDIT BANK OF MOSCOW
Location:	2 (bldg. 1) Lukov pereulok, Moscow 107045, Russia
Postal address:	2 (bldg. 1) Lukov pereulok, Moscow 107045, Russia
Telephone:	(495) 777-4-888 8 (800) 100-4-888
Fax:	(495) 797-4210
Telex:	614645 MCB RU
E-mail:	info@mkb.ru
Website:	www.mkb.ru

## For Shareholders and Investors

Name	Sergey Lukyanov
Position	Head of Investor Relations
Tel.:	+7 (495) 797-42-22 ext. 6223
Mailto:	Lukyanov@mkb.ru



www.mkb.ru

[Highlights](#)  
[Key Financial Performance Indicators](#)  
[Mission and Values](#)

1. [Strategic Report](#)  
2. [Overview of Operations](#)  
3. [Financial Results](#)  
4. [Corporate Governance System](#)

5. [For Shareholders and Investors](#)  
6. [Sustainable Development](#)  
[Contacts](#)  
[Appendices](#)



145 / 197

Annual report 2016 / Contacts

## Auditor's details

Full company name	Joint-Stock Company KPMG
Abbreviated name	KPMG
Location	10, Presnenskaya naberezhnaya, Moscow 123112, Russia

Full company name	Joint-Stock Company Audit-Consulting Group Business Systems Development (RBS)
Abbreviated name	ACG RBS
Location	5 (bldg. 3) Sushchevsky val, Moscow 127018, Russia

## Registrar:

Full company name	Joint-Stock Company R.O.S.T. Registrar
Location	Box 9, 18 Stromynka street, Moscow 107996, Russia
Postal address:	Box 9, 18 Stromynka street, Moscow 107996
Telephone:	+7 (495) 771-73-35
Fax:	+7 (495) 771-73-34
Website:	<a href="https://www.rrost.ru/ru/">https://www.rrost.ru/ru/</a>
E-mail:	rost@rrost.ru



# Appendices



The content  
section

[Appendix 1. IFRS Statements](#)

[Appendix 2. RAS Statements](#)

[Appendix 3.](#)

[List of interested party transactions  
made in the reporting year \(2016\)](#)

[List of major transactions made in  
the reporting year \(2016\)](#)

[List of transactions requiring approval under  
the Charter made in the reporting year \(2016\)](#)

[Appendix 4.](#)

[Report on Compliance with the Principles  
and Recommendations of the Corporate  
Governance Code](#)







# Appendix 1.

## IFRS Statements



JSC "KPMG"  
10 Presnenskaya Naberezhnaya  
Moscow, Russia 123112  
Telephone +7 (495) 937 4477  
Fax +7 (495) 937 4400/99  
Internet www.kpmg.ru

### Independent Auditors' Report

To the Shareholders and Supervisory Board of CREDIT BANK OF MOSCOW (public joint-stock company)

### Report on the Audit of the Consolidated Financial Statements

#### Opinion

We have audited the consolidated financial statements of CREDIT BANK OF MOSCOW (public joint-stock company) (the "Bank") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2016, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2016, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

#### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the independence requirements that are relevant to our audit of the consolidated financial statements in the Russian Federation and with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the requirements in the Russian Federation and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Audited entity: Credit Bank of Moscow (public joint-stock company).  
Registration number in the Unified State Register of Legal Entities 1027739551282.  
Moscow, Russia.

Independent auditor: JSC "KPMG" is a company incorporated under the Laws of the Russian Federation, a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.  
Registration number in the Unified State Register of Legal Entities 1027700125628.

Member of the Self-regulated organisation of auditors "Russian Union of Auditors" (Association). The Foreign Registration Number of the Entry in the Register of Auditors and Audit Organisations: No. 1160308203.



CREDIT BANK OF MOSCOW (public joint-stock company)  
Independent Auditors' Report  
Page 2

### Impairment of loans to customers

Please refer to the note 13 in the consolidated financial statements.

The key audit matter	How the matter was addressed in our audit
<p>The impairment of loans to customers is estimated by management through application of judgment and use of highly subjective assumptions.</p> <p>Due to the significance of loans to customers (representing 40% of total assets) and the related estimation uncertainty, this is considered a key audit risk.</p> <p>We focused on adequacy of collective impairment allowance for loans to corporate clients calculation versus historical losses incurred. We paid particular attention to assumptions and methodology used for calculation of impairment allowance for loans to corporate clients, including analysis of future cash flows for collateralized loans with signs of impairment.</p> <p>For loans to individuals we focused on key assumptions and judgements made by the Group in calculation of impairment allowance.</p>	<p>We assessed and tested the design and operating effectiveness of the controls over impairment identification for loans to corporate clients.</p> <p>With respect to not impaired loans to corporate clients, where impairment is calculated based on historic data, we assessed whether historic experience was reflective of the losses incurred in the portfolio based upon the current economic environment and the current circumstances of the borrowers by comparing historical information to our own assessment.</p> <p>For a sample of exposures that were subject to an individual impairment assessment, we specifically challenged the Group's assumptions on the expected future cash flows, including the value of realizable collateral based on our own understanding and available market information.</p> <p>For impairment of loans to individuals calculated using statistical models, we tested the basis and operation of those models and the data used.</p> <ul style="list-style-type: none"><li>We tested whether historical losses are calculated accurately and compared main assumptions to our own assessment in relation to key inputs.</li><li>We tested system-generated reports for impairment calculation in respect of completeness and accuracy of data used and the calculations within the reports. We also assessed IT controls over timely reflection of default events in the underlying systems.</li></ul> <p>We also assessed whether the financial statement disclosures appropriately reflect the Group's exposure to credit risk.</p>



CREDIT BANK OF MOSCOW (public joint-stock company)  
Independent Auditors' Report  
Page 3

### Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual report for the year ended 31 December 2016 but does not include the consolidated financial statements and our auditors' report thereon. The Annual report is expected to be made available to us after the date of this auditors' report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

### Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

### Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.



CREDIT BANK OF MOSCOW (public joint-stock company)  
Independent Auditors' Report  
Page 4

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**Report of findings from procedures performed in accordance with the requirements of the Federal Law dated 2 December 1990 No. 395-1 On Banks and Banking Activity**  
Management is responsible for the Group's compliance with mandatory ratios and for maintaining internal control and organising risk management systems in accordance with requirements established by the Bank of Russia.

In accordance with Article 42 of Federal Law dated 2 December 1990 No. 395-1 On Banks and Banking Activity (the "Federal Law"), we have performed procedures to examine:

- the Group's compliance with mandatory ratios as at 1 January 2017 as established by the Bank of Russia; and
- compliance of elements of the Group's internal control and organization of its risk management systems with requirements established by the Bank of Russia.



CREDIT BANK OF MOSCOW (public joint-stock company)  
Independent Auditors' Report  
Page 5

These procedures were selected based on our judgment and were limited to analyses, inspections of documents, comparisons of the Bank's internal policies, procedures and methodologies to applicable requirements established by the Bank of Russia, as well as recalculations, comparisons and reconciliations of numerical data and other information.

Our findings from the procedures performed are reported below.

- Based on our procedures with respect to the Group's compliance with mandatory ratios as established by the Bank of Russia, we found that the Group's mandatory ratios as at 1 January 2017 were within the limits established by the Bank of Russia.

We have not performed any procedures on the accounting records maintained by the Group other than those which we considered necessary to enable us to express an opinion as to whether the Group's consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2016, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

- Based on our procedures with respect to compliance of elements of the Group's internal control and organisation of its risk management systems with requirements established by the Bank of Russia, we found that:

- as at 31 December 2016, the Bank's internal audit function was subordinated to, and reported to, the Supervisory Board, and the risk management function was not subordinated to, and did not report to, divisions accepting relevant risks in accordance with regulations and recommendations issued by the Bank of Russia;
- the Bank's internal documentation, effective on 31 December 2016, establishing the procedures and methodologies for identifying and managing the Group's significant credit, operational, market, interest rate, legal, liquidity and reputational risks, and for stress-testing was approved by the authorized management bodies of the Bank in accordance with regulations and recommendations issued by the Bank of Russia;
- as at 31 December 2016, the Bank maintained a system for reporting on the Group's significant credit, operational, market, interest rate, legal, liquidity and reputational risks, and on the Group's capital;
- the frequency and consistency of reports prepared by the Bank's risk management and internal audit functions during 2016, which cover the Group's credit, operational, market, interest rate, legal, liquidity and reputational risk management, was in compliance with the Bank's internal documentation. The reports included observations made by the Bank's risk management and internal audit functions as to their assessment of the effectiveness of the Group's procedures and methodologies, and recommendations for improvement;
- as at 31 December 2016, the Supervisory Board and Executive Management of the Bank had responsibility for monitoring the Group's compliance with risk limits and capital adequacy ratios as established by the Bank's internal documentation. With the objective of monitoring effectiveness of the Group's risk management procedures and their consistent application during 2016 the Supervisory Board and Executive Management of the Bank periodically discussed reports prepared by the risk management and internal audit functions, and considered proposed corrective actions.



CREDIT BANK OF MOSCOW (public joint-stock company)  
Independent Auditors' Report  
Page 6

Our procedures with respect to elements of the Group's internal control and organisation of its risk management systems were performed solely for the purpose of examining whether these elements, as prescribed in the Federal Law and described above, are in compliance with the requirements established by the Bank of Russia.

The engagement partner responsible for the audit resulting in this independent auditor's report is:

Kolotov A. E.



JSC "KPMG"

Moscow, Russia

15 March 2017





www.mkb.ru

## Highlights

## Key Financial Performance Indicators

## Mission and Values

## 1. Strategic Report

## 2. Overview of Operations

## 3. Financial Results

## 4. Corporate Governance System

## 5. For Shareholders and Investors

## 6. Sustainable Development

## Contacts

## Appendices



149 / 197

## Annual report 2016 / Appendices / Appendix 1. IFRS Statements

### CREDIT BANK OF MOSCOW (public joint-stock company) Consolidated Statement of Financial Position as at 31 December 2016

	Notes	31 December 2016 RUB'000	31 December 2015 RUB'000
<b>ASSETS</b>			
Cash and cash equivalents	9	373 326 515	138 014 586
Obligatory reserves with the Central Bank of the Russian Federation		7 286 909	5 936 111
Deposits in credit and other financial institutions	10	403 480 148	277 295 869
Financial instruments at fair value through profit or loss, including	11	83 908 535	72 136 989
- pledged under sale and repurchase agreements	11	6 543 543	2 654 432
Available-for-sale securities, including	12	45 903 483	87 402 909
- pledged under sale and repurchase agreements	12	19 818 447	2 115 753
Loans to customers	13	626 535 060	593 065 265
- loans to corporate customers	13	531 470 046	482 423 222
- loans to individuals	13	91 065 014	110 642 043
Property and equipment	14	21 278 058	7 004 418
Other assets	15	6 249 914	27 344 481
<b>Total assets</b>		<b>1 567 968 622</b>	<b>1 208 200 628</b>
<b>LIABILITIES AND EQUITY</b>			
Deposits by the Central Bank of the Russian Federation	16	247 169 523	4 044 647
Deposits by credit and other financial institutions	17	381 624 465	84 659 913
Deposits by customers	18	689 495 720	898 692 231
- deposits by corporate customers	18	440 842 162	697 763 224
- deposits by individuals	18	248 653 558	200 929 007
Debt securities issued	19	137 203 416	121 154 765
Deferred tax liability	8	189 860	2 380 552
Other liabilities	20	8 885 063	4 930 058
<b>Total liabilities</b>		<b>1 464 568 047</b>	<b>1 115 862 166</b>
<b>Equity</b>			
Share capital	21	24 741 640	24 741 640
Additional paid-in capital		35 047 463	35 047 463
Revaluation surplus for buildings		687 505	769 176
Revaluation reserve for available-for-sale securities		450 796	220 070
Currency translation reserve		39 441	-
Retained earnings		42 433 730	31 560 113
<b>Total equity</b>		<b>103 400 575</b>	<b>92 338 462</b>
<b>Total liabilities and equity</b>		<b>1 567 968 622</b>	<b>1 208 200 628</b>

Commitments and Contingencies

22-24

Chairman of the Management Board

Vladimir A. Chubir

Chief Accountant

Svetlana V. Sass

The consolidated statement of financial position is to be read in conjunction with the notes, forming an integral part of the consolidated financial statements.

10

### CREDIT BANK OF MOSCOW (public joint-stock company) Consolidated Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2016

	Notes	2016 RUB'000	2015 RUB'000
Interest income	4	113 398 443	89 210 510
Interest expense	4	(73 099 118)	(59 922 036)
<b>Net interest income</b>	<b>4</b>	<b>40 299 325</b>	<b>29 288 474</b>
Provisions for impairment of loans	13	(29 783 276)	(26 035 950)
<b>Net interest income after provision for impairment of loans</b>		<b>10 516 049</b>	<b>3 252 524</b>
Fee and commission income	5	13 393 746	9 342 662
Fee and commission expense	5	(2 246 735)	(1 717 768)
<b>Net gain on financial instruments at fair value through profit or loss</b>		<b>234 843</b>	<b>1 201 576</b>
Net realized gain (loss) and impairment of available-for-sale assets		1 207 698	(400 913)
Net foreign exchange gains		6 065 151	2 742 778
State deposit insurance scheme contributions		(920 428)	(707 566)
Operating lease income		1 252 106	41 839
Other operating losses, net		(548 803)	(564 752)
<b>Non-interest income</b>		<b>18 437 878</b>	<b>9 937 856</b>
<b>Operating income</b>		<b>28 953 927</b>	<b>13 190 380</b>
Salaries and employment benefits	6	(7 700 313)	(5 518 561)
Administrative expenses	6	(5 259 675)	(4 201 011)
Depreciation of property and equipment	14	(1 481 345)	(618 295)
Provisions for impairment of other assets and credit related commitments	7	(777 758)	(907 971)
<b>Operating expense</b>		<b>(15 219 091)</b>	<b>(11 245 838)</b>
<b>Profit before income taxes</b>		<b>13 734 536</b>	<b>1 944 542</b>
Income tax	8	(2 860 919)	(435 071)
<b>Profit for the year</b>		<b>10 873 617</b>	<b>1 509 471</b>
<b>Other comprehensive income</b>			
<b>Items that will not be reclassified subsequently to profit or loss:</b>			
- revaluation of buildings		(102 089)	(433 440)
- income tax for revaluation of buildings		20 418	86 688
<b>Items that are or may be reclassified subsequently to profit or loss:</b>			
<b>Revaluation reserve for available-for-sale securities:</b>			
- net change in fair value		1 557 727	2 021 394
- net change in fair value transferred to profit or loss		(1 269 319)	(149 397)
- income tax related to revaluation reserve for securities		(57 682)	(374 398)
<b>Exchange differences on translation:</b>			
- exchange differences on translation		45 076	-
- income tax related to exchange differences on translation		(5 635)	-
<b>Other comprehensive income for the year, net of tax</b>		<b>188 496</b>	<b>1 150 847</b>
<b>Total comprehensive income for the year</b>		<b>11 062 113</b>	<b>2 660 318</b>
<b>Basic and diluted earnings per share (in RUB per share)</b>	<b>32</b>	<b>0.46</b>	<b>0.09</b>

Chairman of the Management Board

Vladimir A. Chubir

Chief Accountant

Svetlana V. Sass

The consolidated statement of profit or loss and other comprehensive income is to be read in conjunction with the notes, forming an integral part of the consolidated financial statements.

9

### CREDIT BANK OF MOSCOW (public joint-stock company) Consolidated Statement of Cash Flows for the year ended 31 December 2016

	Notes	2016 RUB'000	2015 RUB'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Interest receipts		109 336 595	82 579 116
Interest payments		(69 792 574)	(57 056 559)
Fees and commission receipts		13 714 257	9 853 178
Fees and commission payments		(2 246 735)	(1 717 768)
Net receipts from operations with securities		1 327 569	38 301
Net receipts (payments) from foreign exchange		3 037 123	(1 246 606)
State deposit insurance scheme contributions payments		(851 118)	(670 637)
Net other operating income receipts		242 458	1 023 813
Operating losses income receipts		1 241 135	-
Salaries and employment benefits paid		(7 684 268)	(5 456 036)
Administrative expenses paid		(4 990 375)	(4 883 334)
Income tax paid		(3 413 817)	(973 465)
<b>Operating cash flows before changes in operating assets and liabilities</b>		<b>39 920 250</b>	<b>21 490 003</b>
<b>(Increase) decrease in operating assets</b>			
Obligatory reserves with the Central Bank of the Russian Federation		(1 350 070)	(2 559 553)
Deposits in credit and other financial institutions		(177 327 458)	(243 752 224)
Financial instruments at fair value through profit or loss		(11 390 215)	(19 468 573)
Loans to customers		(95 122 562)	(208 355 528)
Other assets		1 131 869	(13 930 901)
<b>Increase (decrease) in operating liabilities</b>			
Deposits by the Central Bank of the Russian Federation		249 438 913	(15 523 831)
Deposits by credit and other financial institutions except syndicated and subordinated loans		319 980 875	37 250 376
Deposits by customers except subordinated loans		(128 547 707)	498 370 144
Promissory notes issued		238 088	(3 966 999)
Other liabilities		1 166 885	23 546
<b>Net cash from operations</b>		<b>198 138 868</b>	<b>49 575 460</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of available-for-sale securities		(51 859 409)	(127 350 888)
Proceeds from disposal and redemption of available-for-sale securities		80 456 809	59 860 188
Net (payment) receipt on acquisition of subsidiaries		(193 630)	2 576 481
Purchase of property and equipment		(912 960)	(479 906)
Sale of property and equipment		76 958	3 312
Purchase of investment property		(370 000)	-
<b>Net cash from (used in) investing activities</b>		<b>27 197 768</b>	<b>(65 390 813)</b>

The consolidated statement of cash flows is to be read in conjunction with the notes, forming an integral part of the consolidated financial statements.

11





*CREDIT BANK OF MOSCOW (public joint-stock company)  
Consolidated Statement of Cash Flows  
for the year ended 31 December 2016*

Notes	2016 RUB'000	2015 RUB'000
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Issuance of common stock	-	29 690 654
Proceeds from subordinated deposits	-	20 828 090
Repayment of subordinated deposits	(700 857)	-
Proceeds from syndicated borrowings	-	251 237
Repayment of syndicated borrowings	-	(22 696 240)
Proceeds from issuance of other bonds	44 535 809	3 000 000
Repayment of other bonds	(14 870 106)	(11 998 080)
<b>Net cash from financing activities</b>	<b>28 964 846</b>	<b>19 075 661</b>
<b>Effect of exchange rates changes on cash and cash equivalents</b>	<b>(18 989 553)</b>	<b>16 056 357</b>
<b>Change in cash and cash equivalents</b>	<b>235 311 929</b>	<b>19 317 665</b>
Cash and cash equivalents, beginning of the period	128 014 586	118 696 921
<b>Cash and cash equivalents, end of the period</b>	<b>373 326 515</b>	<b>138 014 586</b>

Chairman of the Management Board

Chief Accountant

Vladimir A. Chubar

Svetlana V. Sass

The consolidated statement of cash flows is to be read in conjunction with the notes, forming an integral part of the consolidated financial statements.

*CREDIT BANK OF MOSCOW (public joint-stock company)  
Consolidated Statement of Changes in Equity  
for the year ended 31 December 2016*

	Share capital	Additional paid-in capital	Shares in the process of issue	Revaluation surplus for buildings	Revaluation reserve for available-for-sale securities	Currency translation reserve	Retained earnings	Total equity
	RUB'000	RUB'000	RUB'000	RUB'000	RUB'000	RUB'000	RUB'000	RUB'000
1 January 2015	15 329 692	9 768 757	5 000 000	1 115 928	(1 277 529)	-	30 850 642	59 987 490
Total comprehensive income for the year	-	-	-	(346 752)	1 497 559	-	1 509 471	2 660 318
Shares issued (note 23)	9 411 948	25 278 706	(5 000 000)	-	-	-	-	29 690 654
31 December 2015	<b>24 741 640</b>	<b>35 047 463</b>	-	<b>769 176</b>	<b>230 070</b>	-	<b>31 560 113</b>	<b>92 338 462</b>
Total comprehensive income for the year	-	-	-	(81 671)	230 726	39 441	10 873 617	11 062 113
31 December 2016	<b>24 741 640</b>	<b>35 047 463</b>	-	<b>687 505</b>	<b>450 796</b>	<b>39 441</b>	<b>42 433 730</b>	<b>103 400 575</b>

Chairman of the Management Board

Chief Accountant

Vladimir A. Chubar

Svetlana V. Sass

The consolidated statement of changes in equity is to be read in conjunction with the notes, forming an integral part of the consolidated financial statements.



# Appendix 2.

## RAS Statements



Auditor's Report

### TO SHAREHOLDERS

OF CREDIT BANK OF MOSCOW (public joint-stock company)

#### AUDITED COMPANY

Full name: CREDIT BANK OF MOSCOW (public joint-stock company).

Short name: CREDIT BANK OF MOSCOW.

Number and date of state registration:

- Certificate of state registration of credit institution No. 1978 issued by the Central Bank of the Russian Federation on August 18, 1999;
- Certificate of making a record into the Unified State Register of Legal Entities No. 102773955282 issued by the Ministry of Taxation of the Russian Federation on November 18, 2002.

Registered office: 2 (bldg. 3), Sukhobazovskiy, Moscow 197045, Russian Federation.

#### AUDITOR

Full name: JSC "Audit-Consulting Group "Business Systems Development (RBS)".

Short name: JSC "ACG "RBS".

State registration number: 1027739153430.

Registered office: 5 (bldg. 3), Sukhobazovskiy, Moscow 127018, Russian Federation.

Membership in a self-regulatory organisation of auditors:

- Active member of the self-regulatory organisation of auditors "Auditors' Association 'Sodruzhestvo' Non-Profit Partnership (NPP AAS), membership certificate No. 4632 dated 20.08.2012.

Number in the Register of Auditors and Audit Entities of the self-regulatory organisation of auditors: 11205027697.



Auditor's Report

We have audited the accompanying CREDIT BANK OF MOSCOW's (public joint-stock company) (the "Bank") annual accounting (financial) statements for 2016 comprising of the following publication forms:

1. Balance Sheet (published form) as of 01 January 2017;
2. Report on Financial Results (published form) for 2016;
3. Annexes to the Balance Sheet and Report on Financial Results, including:
  - Report on Capital Adequacy and Provisions for Doubtful Loans and Other Assets (published form) as of 01 January 2017;
  - Statement of Mandatory Ratios, Leverage Ratio and Short-term Liquidity Ratio (published form) as of 01 January 2017;
  - Cash Flow Statement (published form) for 2016;
  - Explanatory Notes to the annual accounting (financial) statements for 2016.

#### AUDITED COMPANY'S RESPONSIBILITY FOR THE ANNUAL ACCOUNTING (FINANCIAL) STATEMENTS

Management of the Bank is responsible for the preparation and fair presentation of this annual accounting (financial) statements in accordance with Russian accounting (financial) reporting rules, and for such internal control system as necessary to make annual accounting (financial) statements free from any material misstatements caused by bad faith conduct or error.

#### AUDITOR'S RESPONSIBILITY

Our responsibility is to opine on the fair presentation of these annual accounting (financial) statements based on our audit. We conducted our audit in accordance with the Federal Auditing Standards. Those standards require that we comply with applicable ethical requirements and plan and perform the audit so as to obtain reasonable assurance of the annual accounting (financial) statements being free from any material misstatement.

The audit involved procedures to obtain audit evidence of the amounts and disclosures in the annual accounting (financial) statements. The selection of procedures is subject to our judgment which is based on the estimated risk of a material misstatement caused by bad faith conduct or error. In estimating that risk, we reviewed the internal control system ensuring preparation and fair presentation of the annual accounting (financial) statements in order to select appropriate audit procedures, and not to opine on the effectiveness of such system.

The audit also included evaluation of whether the accounting policies applied are appropriate and whether the management's estimates are reasonable, as well as evaluation of the overall presentation of the annual accounting (financial) statements.

We believe that the audit evidence obtained in the audit process is sufficient and appropriate to opine on the fair presentation of these annual accounting (financial) statements.

#### OPINION

In our opinion, the enclosed annual accounting (financial) statements present fairly, in all material respects, the financial position of the Bank as of 01 January 2017, its financial performance and its cash flows in 2016 in accordance with Russian annual accounting (financial) reporting rules.



Auditor's Report

Opinion required by Article 42 of Federal Law No. 395-1 "On Banks and Banking Activities" dated December 2, 1990 (as amended and supplemented).

Management of the Bank is responsible for the Bank's compliance with mandatory ratios promulgated by the Bank of Russia, and compliance of its internal control and risk management systems with the Bank of Russia's requirements to such systems.

Pursuant to article 42 of Federal Law No. 395-1 "On Banks and Banking Activities" dated 02 December 1990, our audit of the Bank's annual accounting (financial) statements for 2016 checked:

- the Bank's compliance, as of 01 January 2017, with mandatory ratios promulgated by the Bank of Russia;
- compliance of its internal control and risk management systems with the Bank of Russia's requirements to such systems.

This check was limited to such procedures selected based on our judgment as inquiries, analysis, review of documents, comparison of the requirements, processes and methodology approved by the Bank with the Bank of Russia's requirements, as well as recalculation and comparison of quantitative indicators and other information.

Our check resulted in the following findings:

1) in relation to the Bank's compliance with mandatory ratios promulgated by the Bank of Russia:

- such ratios of the Bank as of 01 January 2017 were within the limits set by the Bank of Russia.

We did not perform any procedures in respect of the Bank's annual accounting data other than the procedures we deemed necessary for the purposes of expressing an opinion on whether the Bank's accounting statements reflect accurately in all material respects its financial condition as of 01 January 2017, the results of its business operations and cash flows in 2016 in accordance with Russian rules for preparation of credit institutions' annual accounting (financial) statements.

2) in relation to the compliance of the Bank's internal control and risk management systems with the Bank of Russia's requirements to such systems:

- as required and recommended by the Bank of Russia, as of 01 January 2017 the Bank's Internal Audit Division was subordinate and accountable to the Supervisory Board, its risk management subdivisions were not subordinate or accountable to subdivisions assuming relevant risks, the heads of its Internal Audit Division and risk management subdivision met the eligibility criteria set forth by the Bank of Russia;
- the Bank's policy documents in effect as of 01 January 2017 setting out the methodology for identification and management of credit, operational, market, interest rate, legal, liquidity and reputational risks relevant to it, and for stress testing, were approved by its authorised governing bodies as required and recommended by the Bank of Russia;
- the Bank had in place, as of 01 January 2017, a reporting system for credit, operational, market, interest rate, legal and reputational risks relevant to it, and its equity (capital);
- reports on the Bank's credit, operational, market, interest rate, legal, liquidity and reputational risks were prepared by the Bank's risk management subdivisions and Internal Audit Division during 2016 as often and in such sequence as required by its policy documents, such reports included observations of the Bank's risk management subdivisions and Internal Audit Division in



www.mkb.ru

[Highlights](#)

[Key Financial Performance Indicators](#)

[Mission and Values](#)

[1. Strategic Report](#)

[2. Overview of Operations](#)

[3. Financial Results](#)

[4. Corporate Governance System](#)

[5. For Shareholders and Investors](#)

[6. Sustainable Development](#)

[Contacts](#)

[Appendices](#)



152 / 197

Annual report 2016 / Appendices / Appendix 2. RAS Statements



Auditor's Report

respect of the efficiency appraisal of the Bank's respective methodologies, and recommendations on how to improve them;

- as of 01 January 2017, the Bank's Supervisory Board and executive bodies had the responsibility to control its compliance with the risk tolerances and capital adequacy levels set forth by its policy documents, as well as the efficiency, and consistency in application, of its risk management procedures.

We performed the procedures in respect of the Bank's internal control and risk management systems only for the purposes of audit of their compliance with the Bank of Russia's requirements to such systems.

#### OTHER INFORMATION

Management of the Bank decided to disclose its full annual accounting (financial) statements by posting it on the Bank's official website [www.mkb.ru](http://www.mkb.ru) and by it for disclosing information under the Bank of Russia's Guidelines No. 3081-U "On Disclosure by Credit Organisations of Their Activities" dated 25 October 2013.

Please note that this audit opinion on the attached annual accounting (financial) statements must be considered together with all reporting forms and the explanatory note which form integral parts of the annual accounting (financial) statements.

The attached annual accounting (financial) statements are not intended to present the financial condition and performance according to accounting principles and methods generally accepted in countries or other political entities other than the Russian Federation. Therefore, they are not intended for anyone unfamiliar with accounting principles, procedures and methods accepted in the Russian Federation.

Annexes: CREDIT BANK OF MOSCOW'S (public joint-stock company) annual accounting (financial) statements for 2016.

«28» March 2017

Head of Bank Audit Unit,  
Audit Division, JSC "ACG "RBS"  
acting under power of attorney  
№ 03-1 dated 30 September 2016  
(qualification certificate No. 03-000437 dated  
04.12.2012 for an indefinite term)

<Signature>

S.E. Bykova

Round seal:  
JOINT-STOCK COMPANY\*  
5 (bldg. 3), Sushchevsky val, Moscow  
127018, Russian Federation  
Audit-Consulting group «Business  
Systems Developments»\*

www.mkb.ru  
BUSINESS SYSTEMS DEVELOPMENTS (RBS), 2017

6

CREDIT BANK OF MOSCOW

Banking Statements		
Code of territory by OKATO	by OKPO	Code of credit institution (branch)
45	09318941	1978

BALANCE SHEET  
(published form)  
as of 01.01.2017

of the Credit Institution: CREDIT BANK OF MOSCOW  
(public joint-stock company) / CREDIT BANK OF  
MOSCOW Mailing Address: 2  
(bldg. 1) Lukov pereulok, Moscow 107045

OKUD Form Code  
0409806  
Quarterly (Annual)  
(RUB '000)

No.	Item	Note number	as at the reporting date	as at the beginning of the year
1	2	3	4	5
I. ASSETS				
1	Cash	3.1.1	17077747	14505945
2	Placements with Central Bank of the Russian Federation		27531567	30580124
2.1	Mandatory reserves		7227925	5918695
3	Placements with financial institutions	3.1.2	76707624	13825890
4	Net investment in securities at fair value through profit or loss	3.1.2	57753437	55732546
5	Net loans to customers	3.1.4	1101339306	953625984
6	Net investment in securities and other financial assets available for sale	3.1.5	77204776	97765297
6.1	Investment in affiliated organisations		4684348	4334438
7	Net investment in investment securities held to maturity	3.1.6	974273	0
8	Current income tax claims		421093	1790825
9	Deferred tax asset		1354482	60323
10	Premises and equipment, intangible assets and inventories	3.1.7	6558356	6802017

1	2	3	4	5
11	Long-term assets held for sale		622063	0
12	Other assets	3.1.8	15188046	11299301
13	Total assets		1382732770	1185988252
II. LIABILITIES				
14	Loans, deposits and other funds of the Central Bank of the Russian Federation		93328949	3974083
15	Amounts due to credit institutions	3.1.10	376826895	57533512
16	Customer accounts (non-credit institutions)	3.1.11	775561426	986999748
16.1	Deposits of individuals		243347886	198132395
17	Financial liabilities at fair value through profit or loss		1045839	560904
18	Debt securities in issue	3.1.12	33543714	43994866
19	Current income tax liability		403514	0
20	Deferred tax liability		482075	869659
21	Other liabilities	3.1.13	16158474	11312007
	Provisions for possible losses on off-balance sheet credit related commitments, other possible losses and settlements with off-shore zone residents		1802780	1166708
22				
23	Total liabilities		1299153666	1106411487
III. EQUITY				
24	Funds of shareholders (partners)	3.1.14	23879710	23879710
25	Treasury shares		0	0
26	Share premium		35047463	35047463
27	Reserve funds		4313214	4313214
28	Revaluation at fair value of securities available for sale, reduced by deferred tax liability (increased by deferred tax asset)		499417	-699658
29	Revaluation of fixed assets and intangible assets less deferred tax liabilities		1153716	876899
30	Revaluation of obligations (claims) to pay long-term remunerations		0	0
31	Hedging instruments		0	0
32	Donations (equity contributions)		0	0



## Annual report 2016 / Appendices / Appendix 2. RAS Statements

33	Undistributed profit of past years (prior year losses)	16159136	16034019
34	Unused profit (loss) for the reporting period	2526448	125118
35	Total equity	83579104	79576765
	IV.OFF-BALANCE LIABILITIES		
36	Irrevocable commitments of credit institution	880121968	543025531
37	Guarantees and sureties issued by credit institution	102627470	67590604
38	Non-credit contingencies	682427	396673

Acting Chairman of the Management Board  
 <Signature>  
 [Round seal: Public joint stock company\*  
 2 (bldg. 1) Lukov pereulok, Moscow, Russia, 107045  
 CREDIT BANK OF MOSCOW  
 Cert. of the Bank of Russia NO. 1978]

Eremin D.A.

Chief Accountant  
 <Signature>

Sass S.V.

17 February 2017

Banking Statements		
Code of territory by OKATO	by OKPO	Code of credit institution (branch)
45	09318941	1978

Report on Financial Results  
 (published form)  
 for 2016  
 of the Credit Institution: CREDIT BANK OF  
 MOSCOW (public joint-stock company) /  
 CREDIT BANK OF MOSCOW  
 Mailing Address: 2 (bldg. 1) Lukov  
 pereulok, Moscow 107045

OKUD Form Code 0409807  
 Quarterly (Annual)  
 (RUB '000)

## Section 1. Profit and loss

No.	Item	Note number	for the reporting period	for the corresponding reporting period of previous year
1	2	3	4	5
1	Total interest income, including:		113754491	89721005
1.1	Interest on placements with credit institutions		8680251	6138991
1.2	Interest on loans to other customers (non-credit institutions)		93551342	74001217
1.3	Interest on services under finance lease		0	0
1.4	Interest on securities portfolio		11522898	9580797
2	Total interest expense, including:		73217777	58953375
2.1	Interest on funds borrowed from credit institutions		7739262	3191741
2.2	Interest on customer accounts (non-credit institutions)		61359758	50443590
2.3	Interest on debt securities issued		4118757	5318044
1	2	3	4	5

3	Net interest income (negative interest margin)		40536714	30767630
4	Movement in provision for possible losses on loans, loan and similar debt, funds placed on corresponding accounts and interest income accrued, total, including:	3.2.1	-31501683	-23732112
4.1	Movement in provision for possible losses on interest income accrued	3.2.1	-1387068	-413311
5	Net interest income (negative interest margin) after provisioning for possible losses		9035031	7035518
6	Net income from operations with financial assets at fair value through profit or loss		8152437	1959259
7	Net income from operations with financial liabilities at fair value through profit or loss		-6307	47726
8	Net income from operations with securities available for sale		1552914	-672
9	Net income from operations with securities held to maturity		0	0
10	Foreign exchange income, net	3.2.2	5500939	1148188
11	Foreign exchange revaluation income, net	3.2.2	-7580440	-1054217
12	Precious metal income, net		0	0
13	Income from shareholding in other legal entities		809	923
14	Commission income		10545101	9466596
15	Commission expense		2115660	1788847
16	Movement in provision for possible losses on securities available for sale	3.2.1	9841	0
17	Movement in provision for possible losses on securities held to maturity	3.2.1	-9841	0
1	2	3	4	5



Annual report 2016 / Appendices / Appendix 2. RAS Statements

18	Movement in provision for other losses	3.2.1	-2284458	1178686
19	Other operating incomes		1299847	1991368
20	Net income (expense)		24100213	19984438
21	Operating expenses		17933429	18300351
22	Profit (loss) before taxation		6166784	1684087
23	Tax charged (paid)	3.2.3	3640336	1558969
24	Income (loss) from continuing operations		2642093	125118
25	Income (loss) from discontinued operations		-115645	0
26	Income (loss) for the period		2526448	125118

Section 2. Aggregate income

	Item		for the reporting period	for the corresponding reporting period of previous year
1	2	3	4	5
1	Income (loss) for the period		2526448	0
2	Other aggregate income (loss)			
3	Items not subject to reclassification to income or loss, total, of which:		493726	0
3.2	Change in the revaluation fund of fixed assets		493726	0
3.2	Change in accumulated revaluation of obligations (claims) under fixed payment pension programmes		0	0
4	Income tax applicable to items that cannot be reclassified to income or loss		69204	0
5	Other total income (loss) that cannot be reclassified to income or loss net of income tax		424522	0
1	2	3	4	5

6	Items that can be reclassified to income or loss, total, of which:		1453046	0
6.2	Change in accumulated revaluation of financial assets available for sale		1453046	0
6.2	Change in cash flows hedging fund		0	0
7	Income tax applicable to items that may be reclassified to income or loss		253969	0
8	Other aggregate income (loss) that may be reclassified to income or loss, net of income tax		1199077	0
9	Other aggregate income (loss) net of income tax		1623599	0
10	Financial result for the period		4150047	0

Acting Chairman of the Management Board

<Signature>

Eremin D.A.

[Round seal: Public joint stock company\*  
2 (bldg. 1) Lukov pereulok, Moscow, Russia, 107045  
CREDIT BANK OF MOSCOW  
Cert. of the Bank of Russia NO. 1978]

Chief Accountant

<Signature>

Sass S.V.

17 February 2017

Banking Statements		
Code of territory by OKATO	by OKPO	Code of credit institution (branch)
45	09318941	1978

REPORT ON CAPITAL ADEQUACY AND PROVISIONS FOR DOUBTFUL LOANS AND OTHER ASSETS (PUBLISHED FORM) AS OF 01.01.2017

he Credit Institution: CREDIT BANK OF MOSCOW (public t-stock company) / CREDIT BANK OF MOSCOW  
ling Address: 2 (bldg. 1) Lukov pereulok, Moscow 107045

OKUD Form Code 0409808 Quarterly (Annual) (RUB '000)

Section 1. Capital adequacy

No	Item	Note number	Instrument value (indicator) as at the reporting date not		Instrument value (indicator) as of the beginning of the year	
			included in the capital calculation	not included in the capital calculation	included in the capital calculation	not included in the capital calculation
1	2	3	4	5	6	
Sources of base capital						
1	Charter capital and share premium, total, of which:	3.3	58927173	X	58927173	X
1.1	ordinary shares (participatory interests)	3.3	58927173	X	58927173	X
1.2	preferred shares		0	X	0	X
2	Retained income:	3.3	19087172	X	16025326	X
2.1	of the past years	3.3	16161795	X	16025326	X
2.2	of the reporting year	3.3	2925377	X	0	X
3	Reserve fund		4313214	X	4313214	X
4	Participatory interests in the charter capital subject to gradual deletion from calculation of the equity (capital)		not applicable	X	not applicable	X



www.mkb.ru

[Highlights](#)  
[Key Financial Performance Indicators](#)  
[Mission and Values](#)

1. [Strategic Report](#)  
2. [Overview of Operations](#)  
3. [Financial Results](#)  
4. [Corporate Governance System](#)

5. [For Shareholders and Investors](#)  
6. [Sustainable Development](#)  
[Contacts](#)  
[Appendices](#)



155 / 197

Annual report 2016 / Appendices / Appendix 2. RAS Statements

	Base capital instruments of subsidiaries held by third parties	not applicable		not applicable	
5					
6	Base capital sources, total (Line 1 +/- Line 2 + Line 3 - Line 4 + Line 5)	82327559	X	79265713	X
<b>Indicators that reduce the base capital sources</b>					
7	Adjustment of trading portfolio	not applicable		not applicable	
8	Goodwill net of deferred tax liabilities	0		0	
9	Intangible assets (excluding goodwill and any amounts of the rights as to mortgage loan servicing) less deferred tax liabilities	112384	74923	2339	3508
10	Deferred tax assets contingent upon future profits	0		0	
11	Cash flow hedging provisions	not applicable		not applicable	
12	Incomplete provisions for possible losses	0		0	
13	Revenues from securitisation transactions	not applicable		not applicable	
14	Revenues and expenses associated with credit risk change under liabilities assessed at the fair value	not applicable		not applicable	
15	Pension plan assets with the agreed payments	not applicable		not applicable	
16	Investments in own shares (with participatory interests)	0		0	
17	Mutual cross-shareholding (with participatory interests)	not applicable		not applicable	
18	Immaterial investments in the base capital instruments of financial institutions	0		0	
19	Material investments in the base capital instruments of financial institutions	0		0	

20	Rights as to mortgage loan servicing	not applicable		not applicable	
21	Deferred tax assets not contingent upon future profits	0		0	
22	Aggregate of material investments and deferred tax assets to the extent exceeding 15% of the base capital amount, total, including:	0		0	
23	material investments in the base capital instruments of financial institutions	0		0	
24	rights as to mortgage loan servicing	not applicable		not applicable	
25	deferred tax assets not contingent upon future profits	0		0	
26	Other indicators that reduce the base capital sources set by the Bank of Russia, total, including:	0		389937	
26.1	indicators subject to gradual deletion from calculation of the equity (capital)	0	X	0	X
27	Negative value of the capital surplus	927362	X	826166	X
28	Indicators that reduce the base capital sources, total (sum of Lines 7-22 and Lines 26 and 27)	1039746	X	1218442	X
29	Base capital, total (Line 6 - Line 28)	81287813	X	78047271	X
<b>Capital surplus sources</b>					
30	Capital surplus sources and paid-in surplus, total, including:	0	X	0	X
31	classified as the capital	0	X	0	X
32	classified as the liabilities	0	X	0	X

33	Capital surplus instruments subject to gradual deletion from calculation of the equity (capital)	0	X	0	X
34	Capital surplus instruments of subsidiaries held by third parties, total, including:	not applicable	X	not applicable	X
35	Capital surplus instruments of subsidiaries subject to gradual deletion from calculation of the equity (capital)	0	X	0	X
36	Capital surplus sources, total (Line 30 + Line 33 + Line 34)	0	X	0	X
<b>Indicators that reduce the capital surplus sources</b>					
37	Investments in own instruments of the capital surplus	0		0	
38	Mutual cross-holding of capital surplus instruments	not applicable		not applicable	
39	Immaterial investments in the capital surplus instruments of financial institutions	not applicable		not applicable	
40	Material investments in the capital surplus instruments of financial institutions	0		0	
41	Other indicators that reduce the capital surplus sources set by the Bank of Russia, total, including:	927362	X	826166	X
41.1	indicators subject to gradual deletion from calculation of the equity capital, total, including:	927362	X	826166	X
41.1.1	Intangible assets	74923	X	3508	X
41.1.2	own shares (participatory interests) acquired (bought out) from shareholders (participants)	0	X	0	X





www.mkb.ru

[Highlights](#)  
[Key Financial Performance Indicators](#)  
[Mission and Values](#)

1. [Strategic Report](#)  
2. [Overview of Operations](#)  
3. [Financial Results](#)  
4. [Corporate Governance System](#)

5. [For Shareholders and Investors](#)  
6. [Sustainable Development](#)  
[Contacts](#)  
[Appendices](#)



156 / 197

Annual report 2016 / Appendices / Appendix 2. RAS Statements

	shares (participatory interests) of subsidiaries and associated financial and credit institutions being residents					
41.1.3		852439	X	822658	X	
41.1.4	sources of equity, for formation of which any improper assets were used	0	X	0	X	
41.1.5	negative value of the additional capital resulted from adjustment of the equity (capital) for an amount of the additional capital sources formed by using any improper assets by investors	0	X	0	X	
42	Negative value of the additional capital	0	X	0	X	
43	Indicators that reduce the capital surplus sources (sum of Lines 37-42)	927362	X	826166	X	
44	Capital surplus, total (Line 36 - Line 43)	0	X	0	X	
45	Core capital, total (Line 29 + Line 44)	81287813	X	78047271	X	
<b>Additional capital sources</b>						
46	Additional capital sources and paid-in surplus	46017131	X	48178602	X	
47	Additional capital instruments subject to gradual deletion from calculation of the equity (capital)	13792037	X	24756341	X	
48	Additional capital instruments of subsidiaries held by third parties, total, including:	not applicable	X	not applicable	X	
49	Additional capital instruments of subsidiaries subject to gradual deletion from calculation of the equity (capital)	not applicable	X	not applicable	X	
50	Provisions for possible losses	not applicable	X	not applicable	X	

51	Additional capital sources, total (Line 46 + Line 47 + Line 48 + Line 50)	59809168	X	72934943	X	
<b>Indicators that reduce the additional capital sources</b>						
52	Investments in own instruments of the additional capital	0		0		
53	Mutual cross-holding of the additional capital instruments	not applicable		not applicable		
54	Immaterial investments in the additional capital instruments of financial institutions	0		0		
55	Material investments in the additional capital instruments of financial institutions	0		0		
56	Other indicators that reduce the additional capital sources set by the Bank of Russia, total, including:	0	X	21872	X	
56.1	indicators subject to gradual deletion from calculation of the equity (capital), total, including:	0	X	0	X	
56.1.1	capital sources, for formation of which the investors used any improper assets	0	X	0	X	
56.1.2	overdue accounts receivable for over 30 calendar days	0	X	0	X	
56.1.3	subordinated loans issued to resident credit institutions	0	X	21872	X	
56.1.4	excess of an aggregate of loans, bank guarantees and sureties issued to own shareholders (participants) and insiders over its maximum amount	0	X	0	X	

56.1.5	investments in construction and acquisition of fixed assets and tangible assets	0	X	0	X	
56.1.6	difference between the actual value of an ownership interest due to the exited participants and the value, at which the ownership interest was disposed of to another participant	0	X	0	X	
57	Indicators that reduce the additional capital sources, total (sum of Lines 52-56)	0	X	21872	X	
58	Additional capital, total (Line 51 - Line 57)	59809168	X	72913071	X	
59	Equity (capital), total (Line 45 + Line 58)	141096981	X	150960342	X	
60	Risk-weighted assets:	X	X	X	X	
60.1	subject to gradual deletion from calculation of the equity (capital)	0	X	0	X	
60.2	required to determine the base capital adequacy	1117706943	X	956081156	X	
60.3	required to determine the core capital adequacy	1117706943	X	956081156	X	
60.4	required to determine the equity (capital) adequacy	1119149088	X	957177280	X	
<b>Indicators of adequacy of the equity (capital) and premiums to the equity (capital) adequacy ratios, %</b>						
61	Base capital adequacy (Line 29 / Line 60.2)	7,2727	X	8,1632	X	
62	Core capital adequacy (Line 45 / Line 60.3)	7,2727	X	8,1632	X	
63	Equity (capital) adequacy (Line 59 / Line 60.4)	12,6075	X	15,7714	X	
64	Premiums to the equity (capital) adequacy ratios, total, including:	0,625	X	not applicable	X	
65	capital adequacy maintenance premium	0,625	X	not applicable	X	
66	anti-cyclic premium	0	X	not applicable	X	
	premium for the system relevance of banks	not applicable	X	not applicable	X	



## Annual report 2016 / Appendices / Appendix 2. RAS Statements

68	Base capital available for allocation to maintain premiums to the equity (capital) adequacy ratios	1,2727	X	not applicable	X
not applicable					
69	Base capital adequacy ratio	4,5	X	5	X
70	Core capital adequacy ratio	6	X	6	X
71	Equity (capital) adequacy ratio	8	X	10	X
Indicators recognised for reduction in the capital sources that do not exceed the set materiality thresholds					
72	Immaterial investments in the capital instruments of financial institutions	0	X	0	X
73	Material investments in the capital instruments of internal models	7286964	X	1371097	X
74	Rights as to mortgage loan servicing	not applicable	X	not applicable	X
75	Deferred tax assets not contingent upon future profits	400000	X	60323	X
Restrictions on inclusion of any provisions for possible losses in calculation of the additional capital					
76	Provisions for possible losses to be included in calculation of the additional capital with regards any positions, where the standardised approach is applied to calculate credit risk on such positions	not applicable	X	not applicable	X
77	Restrictions on inclusion of any amounts of provisions for possible losses in calculation of the additional capital by using the standardised approach	not applicable	X	not applicable	X

78	Provisions for possible losses to be included in calculation of the additional capital with regards any positions, where the internal model-based approach is to calculate credit risk on such positions	not applicable	X	not applicable	X
79	Restrictions on inclusion of any amounts of provisions for possible losses in calculation of the additional capital by using the internal model-based approach	not applicable	X	not applicable	X
Instruments subject to gradual deletion from calculation of the equity (capital) (applicable from 01.01.2018 to 01.01.2022)					
80	Current restriction on inclusion in the base capital sources of any instruments subject to gradual deletion from calculation of the equity (capital)	0	X	0	X
81	Part of instruments not included in the base capital sources due to restrictions	0	X	0	X
82	Current restriction on inclusion in the capital surplus sources of any instruments subject to gradual deletion from calculation of the equity (capital)	0	X	0	X
83	Part of instruments not included in the capital surplus sources due to restrictions	0	X	0	X
84	Current restriction on inclusion in the additional capital sources of any instruments subject to gradual deletion from calculation of the equity (capital)	0	X	0	X

85	Part of instruments not included in the additional capital sources due to restrictions	0	X	0	X
----	--	---	---	---	---

Note.

Details of the balance sheet data being the sources for Section 1 of the Report are given in Notes N to the accompanying information to Form 0409808.

Section 2.  
Sub-section 2.1. Credit risk  
under the standardised  
approach

(000' RUB)								
No	Item	Note number	as at the reporting date			as at the beginning of the year		
			Value of assets (instrument s) assessed according to standardised approach	Assets (instrument s) net of created loan loss provisions	Value of risk weighted assets (instrument s) as	Value of assets (instrument s) assessed according to standardised approach	Assets (instrument s) net of created loan loss provisions	Value of risk weighted assets (instrument s)
1	2	3	4	5	6	7	8	9
1	Credit risk of balance sheet assets		774873070	711774856	640530666	818586849	770146366	672537660
1.1	Assets with 0 percent risk ratio <1>, total, of which:							
1.1.1	cash and mandatory reserves deposited in the Bank of Russia		50316107	50316107	0	51173457	51173457	0
1.1.1	credit and other receivables secured by guarantees, or by pledge of debt securities, of the Russian Federation, the Ministry		44609314	44609314	0	45086069	45086069	0
1.1.2			696232	696232	0	0	0	0



www.mkb.ru

[Highlights](#)  
[Key Financial Performance Indicators](#)  
[Mission and Values](#)

1. [Strategic Report](#)  
2. [Overview of Operations](#)  
3. [Financial Results](#)  
4. [Corporate Governance System](#)

5. [For Shareholders and Investors](#)  
6. [Sustainable Development](#)  
[Contacts](#)  
[Appendices](#)



158 / 197

Annual report 2016 / Appendices / Appendix 2. RAS Statements

	of Finance of Russia or the Bank of Russia						
	credit and other receivables due from, or secured by guarantees or pledge of securities of, the central banks or governments of risk category "0" or "1" countries						
1.1.3	Assets with 20 percent risk ratio total, of which:						
1.2		27423176	27411756	5482352	43865242	43847294	8769459
	credit and other receivables due from, or secured by guarantees or pledge of securities of, constituent entities or municipalities of the Russian Federation						
1.2.1		5007651	5007651	1001530	2761331	2761331	552266
	credit and other receivables due from, or secured by guarantees or pledge of securities of, the central						
1.2.2		0	0	0	0	0	0

	banks or governments of risk category "2" countries						
	credit and other receivables due from, or guaranteed by, credit institutions with long-term credit rating <3> domiciled in risk category "0" or "1" countries						
1.2.3	Assets with 50 percent risk ratio, total, of which:	7373737	7373737	1474747	30269581	30269581	6053916
1.3		0	0	0	22714828	22714828	11357414
	credit and other receivables in foreign currencies secured by guarantees, or by pledge of foreign currency-nominated debt securities, of the Russian Federation, the Ministry of Finance of Russia or the Bank of Russia						
1.3.1		0	0	0	0	0	0

	credit and other receivables due from, or secured by guarantees or pledge of securities of, central banks or governments of risk category "3" countries						
1.3.2		0	0	0	0	0	0
	credit and other receivables due from, or guaranteed by, credit institutions without long-term credit ratings domiciled in risk category "0" or "1" countries or credit institutions domiciled in risk category "2" countries						
1.3.3	Assets with 100% risk ratio, total, of which:	695131146	632044352	632044352	700833322	652410787	652410787
1.4	corporate loans	443369284	399151529	399151529	471411994	441495313	441495313
1.4.1	retail loans	86806261	69901004	69901004	102769723	86620979	86620979
1.4.2	investments in securities	28117587	27034749	27034749	54822252	54812411	54812411
1.4.3	Assets with 150 percent risk ratio – credit and other receivables due from central banks or governments						
1.5		2002641	2002641	3003962	0	0	0



## Annual report 2016 / Appendices / Appendix 2. RAS Statements

	of risk category "7" countries							
2	Assets with other risk ratios, total, of which:	X	X	X	X	X	X	X
2.1	receivables due from clearing members		13276002	13267612	1126477	5584387	5573881	1665868
2.1.1	mortgage loan with 50 percent risk ratio		46262	46168	23084	0	0	0
2.1.2	mortgage loan with 70 percent risk ratio		323213	320753	224527	2021543	2011037	1407726
2.1.3	receivables due from clearing members		12654101	12654101	732705	3562844	3562844	258142
2.2	with high percent risk ratio		184399378	158614368	224050142	76057367	68698752	103406874
2.2.1	with 110 percent risk ratio		69190465	67047842	73752626	296997	141275	155402
2.2.2	with 130 percent risk ratio		14218698	11522526	14979283	1011838	967526	1257784
2.2.3	with 150 percent risk ratio		94821233	74534495	111801742	74139771	66981190	100471784
2.2.4	with 250 percent risk ratio		5184868	4535232	11338080	608761	608761	1521904
2.2.5	with 1250 percent risk ratio		984114	974273	12178411	0	0	0
2.2.5.1	under transactions for assignment of cash claims, including claims		984114	974273	12178411	0	0	0

	supported with mortgage certificates, to mortgage agents or SPVs						
3	Consumer loans, total, of which:	1103056	1039685	1510569	291530	254358	518082
3.1	with 140 percent risk ratio	64849	37506	52509	180577	153850	215389
3.2	with 170 percent risk ratio	3392	739	1256	9593	3186	5416
3.3	with 200 percent risk ratio	450	0	0	450	0	0
3.4	with 300 percent risk ratio	184577	181958	545875	98563	95551	286654
3.5	with 600 percent risk ratio	2964	1938	11630	2347	1771	10623
4	Credit risk of credit-related commitments, total, of which:						
4.1	high risk financial instruments	129823371	128020591	104114398	74983018	73816319	67147392
4.2	average risk financial instruments	102627470	101020053	99708777	68533149	67518410	67147392
4.3	low risk financial instruments	9475000	9475000	3547500	0	0	0
4.4	risk-free financial instruments	9959582	9954606	858121	0	0	0
5	Credit risk of derivative financial instruments	7761319	7570932	0	6449869	6297909	0
		3442820		3545677	1408231		1795577

<1> Assets are classified into risk groups according to clause 2.3 of the Bank of Russia's Instruction No. 139-I.  
<2> Country risk categories are based on the classification of the Export Credit Agencies participating in the OECD's "Arrangement on Officially Supported Export Credits".  
(Country risk categories are published on the Bank of Russia's official website in the section "Banking supervision").  
<3> Credit institution long-term credit ratings are as assigned by:  
Standard & Poor's, Fitch Rating or Moody's Investors Service.

## Sub-section 2.2

## Operational risk

		(000' RUB)						
		as at the reporting date			as at the beginning of the year			
No	Item	Note number	Value of assets (instruments) assessed according to internal rating-based approach	Assets (instruments) net of created loan loss provisions	Total credit risk	Value of assets (instruments) assessed according to internal rating-based approach	Assets (instruments) net of created loan loss provisions	Total credit risk
1	Credit risk calculated by using the basic internal rating-based approach	3	4	5	6	7	8	9
1	Credit risk calculated by using the advanced internal rating-based approach		0	0	0	0	0	0
2			0	0	0	0	0	0

## Sub-section 2.2 Operational risk

		(000' RUB)		
		(quantity)		
No	Item	Note number	As at the reporting date	As at the beginning of the reporting year
6	Operational risk, total, of which:		5256330	3963504
6.1	Income for the purposes of calculating capital to cover operational risk, total, of which:		105126599	79270080
6.1.1	net interest income		71832648	53732059
6.1.2	net non-interest income		33293951	25538021
6.2	Number of years preceding the date of operational risk calculation	3	3	



## Section 2. Sub-section 2.3

(000' RUB)				
No	Item	Note number	As at the reporting date	As at the beginning of the reporting year
7	<b>Aggregate market risk, total, of which:</b>		77285850	59611421
7.1	<i>interest rate risk, total, of which:</i>		6122350	4468848
7.1.1	general		1224013	1154892
7.1.2	special		4898337	3313956
7.1.3	gamma-risk and vega-risk under options included in calculation of the interest risk securities		0	0
7.2	<i>portfolio risk, total, of which:</i>		0	0
7.2.1	general		0	0
7.2.2	special		0	0
7.2.3	gamma-risk and vega-risk under options included in calculation of the securities portfolio risk		0	0
7.3	<i>currency risk, total, of which:</i>		0	300065,7
7.3.1	gamma-risk and vega-risk under options included in calculation of the currency risk		0	0
7.4	<i>commodity risk, total, including:</i>		60518	0
7.4.1	principal commodity risk		50432	0
7.4.2	additional commodity risk		10086	0
7.4.3	gamma-risk and vega-risk under options included in calculation of the commodity risk		0	0

## Section 3. Provisions for doubtful loans and other assets

(000' RUB)					
No	Item	Note number	As at the reporting date	Increase (+)/decrease (-) in the reporting period	As at the beginning of the reporting year
1	Loss provisions actually created, total, of which:		90762114	33710013	57052101
1.1	for loans and loan equivalents		86462880	31440204	55022666
1.2	for other assets exposed to risk of losses and for other losses		2496456	163719	862737
1.3	for off-balance sheet credit commitments and securities recorded by depositories non-compliant with the Bank of Russia's criteria		1802778	636080	1166698
1.4	for operations with off-shore residents		0		0

## Section 4. Leverage ratio

No	Item	Note number	As at the reporting date	As at the date, one quarter before the reporting date	As at the date, two quarters before the reporting date	As at the date, three quarters before the reporting date
1	Core capital, thousand RUB		81287813	77625985	78282929	78324275
2	Balance sheet assets and off-balance sheet commitments at risk for leverage ratio calculation, RUB'000		1892692822	1606236193	1323682503	1535179207
3	Basel III leverage ratio, percent		4,3	4,8	5,9	5,1

Section "For reference".  
Information on loan loss provision movement

1. Provisions created (topped up) in the reporting period (RUB'000), total	110710889
of which resulting from:	
1.1. loan origination	52232787
1.2. changes in loan quality	24576355
1.3. changes in the Bank of Russia's official foreign exchange rates	18390680
1.4. other reasons	15511067
2. Reversal (reduction) of provisions in the reporting period (RUB'000), total	79270675
of which resulting from:	
2.1. write-off of irrecoverable loans	42823
2.2. repayment of loans	46012241
2.3. changes in loan quality	2088896
2.4. changes in the Bank of Russia's official foreign exchange rates	20748714
2.5. other reasons	10378001

Acting Chairman of the Management Board

&lt;Signature&gt;

Eremin D.A.

[Round seal: Public joint stock company\*  
2 (bldg. 1) Lukov pereulok, Moscow, Russia, 107045  
CREDIT BANK OF MOSCOW  
Cert. of the Bank of Russia NO. 1978]

Chief Accountant

&lt;Signature&gt;

Sass S.V.

17 February 2017



Annual report 2016 / Appendices / Appendix 2. RAS Statements

Banking Statements		
Code of territory by OKATO	by OKPO	Code of credit institution (branch)
45	09318941	1978

STATEMENT OF MANDATORY RATIOS,  
LEVERAGE RATIO AND SHORT-TERM  
LIQUIDITY RATIO  
(PUBLISHED  
FORM)  
AS OF 01.01.2017

OKUD Form Code  
0409813  
Quarterly (Annual)  
(%)

Section 1. Mandatory ratios

No	Item	note number	Regulatory value	Actual value as the reporting date	Actual value as at the beginning of the year
1	2	3	4	5	6
1	Base capital adequacy ratio (N1.1), banking group (N20.1)		4,5	7,3	8,2
2	Core capital adequacy ratio (N1.2), banking group (N20.2)		6	7,3	8,2
3	Capital adequacy ratio (N1.1), banking group (N20.0)		8	12,6	15,8
4	Capital adequacy ratio of non-bank settlement credit institution which can make money transfers without opening bank accounts, and related banking transactions (N1.3)				
5	Instant liquidity ratio (N2)		15	59,9	106,7
6	Current liquidity ratio (N3)		50	106,2	327,5
7	Long term liquidity ratio (N4)		120	46,8	59,8
8	Maximum exposure to single borrower or a group of		25	Max 21,8	Max 17,7

	related borrowers (N6)			Min 0,5	Min 1,4
9	Maximum amount of major credit risks (N7), banking group (N22)		800	381,9	287,7
10	Maximum amount of loans, bank guarantees and sureties extended by the bank to its participants (shareholders) (N9.1)		50	0	0
11	Aggregate exposure to the bank's insiders (N10.1)		3	0,4	0,4
12	Ratio of equity interests held by the bank (to its equity (capital) (N12), ratio of equity interests held by the banking group to its equity (capital) (N23)		25	2,7	2,3
13	Ratio of total liquid assets with terms of the nearest 30 calendar days to total liabilities of non-bank settlement credit institution (N15)				
14	Liquidity ratio of non-bank settlement credit institutions which can make money transfers without opening bank accounts, and related banking transactions (N15.1)				
15	Ratio of maximum aggregate amount of loans to customers-participants of settlements for completion of settlements (N16)				
16	Ratio of provision of loans by settlement non-bank credit institution on its behalf and at its expense to borrowers, other than customers-participants of settlements (N16.1)				

17	Minimum ratio of the amount of the mortgage coverage to the amount of issued mortgage-backed bonds (N18)				
18	Maximum exposure of the banking group to a single borrower or group of related borrowers (N21)				

Section 2 Sub-section 2.1 Calculation of balance sheet assets and off-balance sheet commitments

No	Item	note number	Amount
1	2	3	4
1	Assets according to balance sheet (published form), total		1382732770
2	Adjustment for equity investments in credit, financial, insurance or other organisations consolidated in the banking group's financial statements, but ignored in calculation of equity (capital), mandatory ratios and open currency positions (limits)		not applicable as per RAS
3	Adjustment for fiduciary assets booked according to accounting rules but not included in leverage ratio calculation		0
4	Adjustment for derivatives		1045855
5	Adjustment for securities lending transactions		46881235
6	Loan equivalent adjustment of credit-related commitments		108505567
7	Other adjustments		9768695
8	Balance sheet assets and off-balance sheet commitments at risk as adjusted for leverage ratio calculation, total:	3.4	1529396732

Section 2 Sub-section 2.2 Leverage ratio calculation

No	Item	note number	Amount
1	2	3	4
	Balance sheet assets at risk		





## Annual report 2016 / Appendices / Appendix 2. RAS Statements

1	Balance sheet assets, total:		881834602
2	Adjustment by deduction of items reducing core capital sources		927361
3	Balance sheet assets at risk as adjusted for (line 1 minus line 2), total:	note number	880907241
	Derivatives transactions risk		
4	Current credit risk of derivatives transactions (net of received variable margin), total:		2396965
5	Counterparty risk under derivatives transactions, total:		1045855
6	Adjustment for nominal value of provided under derivatives transactions to be written-off of balance sheet according to accounting rules		not applicable as per RAS
7	Adjustment by deduction of remitted variable margin in certain cases		0
8	Adjustment for customer transactions due to be executed by central counterparty (applicable to clearing members)		0
9	Adjustment for credit risk related to underlying assets under issued credit derivatives		0
10	Adjustment by deduction of issued credit derivatives		0
11	Adjusted derivatives risk (sum of lines 4, 5, 9 minus lines 7, 8, 10), total:		3442820
	Securities lending transactions risk		
12	Receivables under securities lending transactions (netted), total:		852955959
13	Adjustment for cash netting (receivables and obligations) under securities lending transactions		0

14	Counterparty risk under securities lending transactions		46881235
15	Risk under guarantee securities lending transactions		0
16	Adjusted receivables under securities lending transactions (sum of lines 12, 14, 15 minus line 13), total:		899837194
	Credit-related commitments risk (CRV)		
17	Nominal value of credit-related commitments risk (CRV), total:		128020591
18	Adjustment for loan equivalent ratios		19515024
19	Adjusted risk under credit-related commitments (CRV) (difference of lines 17 and 18), total:		108505567
	Risk capital		
20	Core capital		81287813
21	Balance sheet assets and off-balance sheet commitments at risk for leverage ratio calculation (sum of lines 3, 11, 16, 19), total:	3.4	1892692822
	Leverage ratio		
22	Basel III leverage ratio (line 20/ line 21), percent		4.3

Acting Chairman of the Management Board

<Signature>

[Round seal: Public joint stock company\*  
2 (bldg. 1) Lukov pereulok, Moscow, Russia, 107045  
CREDIT BANK OF MOSCOW  
Cert. of the Bank of Russia NO. 1978]

Eremin D.A.

Chief Accountant

<Signature>

Sass S.V.

17 February 2017

Banking Statements		
Code of territory by OKATO	by OKPO	Code of credit institution (branch)
45	09318941	1978

CASH FLOW STATEMENT  
(PUBLISHED FORM)  
AS OF 01.01.2017

of the Credit Institution: CREDIT BANK OF MOSCOW (public joint-stock company) /  
CREDIT BANK OF MOSCOW  
Mailing Address: 2 (bldg. 1) Lukov pereulok, Moscow 107045

OKUD Form Code  
0409814  
Quarterly (Annual)  
(RUB '000)

No	Item	note number	Cash flows for the reporting period	Cash flows for the respective reporting period of the last year
1	2	3	4	5
1	<b>Net cash from/used in operating activities</b>			
	<i>Cash from/used in operating activities before changes in operating assets and liabilities, total, including:</i>			
1.1		3.5	45520628	16376060
1.1.1	Interest received	3.5	110159336	80426297
1.1.2	Interest paid	3.5	-69456225	-56598344
1.1.3	Commissions received	3.5	10545101	9466506
1.1.4	Commissions paid	3.5	-2115660	-1788847



www.mkb.ru

[Highlights](#)  
[Key Financial Performance Indicators](#)  
[Mission and Values](#)

1. [Strategic Report](#)  
2. [Overview of Operations](#)  
3. [Financial Results](#)  
4. [Corporate Governance System](#)

5. [For Shareholders and Investors](#)  
6. [Sustainable Development](#)  
[Contacts](#)  
[Appendices](#)



163 / 197

Annual report 2016 / Appendices / Appendix 2. RAS Statements

1.1.5	Gains less losses from trading in financial assets at fair value through profit or loss available for sale	8771082	1659824
1.1.6	Gains less losses from trading in securities held to maturity	0	-672
1.1.7	Gains less losses from trading in foreign currencies	5500939	1148188
1.1.8	Other operating income received	1046153	1984561
1.1.9	Operating expense paid	-17147017	-17720765
1.1.10	Expense/refund on income tax paid	-1783081	-2200688
1.2	<i>Increase/decrease in net cash from operating assets and liabilities, total, including:</i>	11152429	-24431285
1.2.1	Net increase/decrease in mandatory reserves with the Bank of Russia	-1309230	-2558625
1.2.2	Net increase/decrease in trading in securities at fair value through profit or loss	-2263200	-51064128
1.2.3	Net increase/decrease in loans to customers	-297673496	-461176293
1.2.4	Net increase/decrease in other assets	-3146877	2911720

1.2.5	Net increase/decrease in loans, deposits and other funds of the Bank of Russia	89607663	-22753001
1.2.6	Net increase/decrease in due to other banks	342810374	-7696234
1.2.7	Net increase/decrease in customer accounts (non-credit institutions)	-108145372	528645656
1.2.8	Net increase/decrease in financial liabilities at fair value through profit or loss	484935	-208032
1.2.9	Net increase/decrease in promissory notes issued	-10300904	-10590325
1.2.10	Net increase/decrease in other liabilities	1088536	57977
1.3	<i>Total for Section 1 (items 1.1 + item 1.2)</i>	3.5	56673057
2	<b>Net cash from/used in investment activities</b>		
2.1	Purchase of securities and other financial assets classified as available for sale	-138838083	-103198289
2.2	Proceeds from sale and repayment of securities and other financial assets classified as available for sale	145081638	84152967
2.3	Purchase of securities classified as held to maturity	0	0

2.4	Proceeds from sale of securities classified as held to maturity	0	0
2.5	Purchase of premises and equipment, intangible assets and material assets	-763653	-316201
2.6	Proceeds from sale of premises and equipment, intangible assets and material assets	175304	2603
2.7	Dividends received	0	-272
2.8	<i>Total for Section 2 (sum of items 2.1 to 2.7)</i>	3.5	5655206
3	<b>Net cash from/used in financing activities</b>		
3.1	Contributions of shareholders (partners) to charter capital	0	34690654
3.2	Purchase of treasury shares	0	
3.3	Sale of treasury shares	0	
3.4	Dividends paid	0	
3.5	<i>Total for Section 3 (sum of items 3.1 to 3.4)</i>	0	34690654
4	<b>Effect of changes in official exchange rates of foreign currencies to rouble set by the Bank of Russia on cash and cash equivalents</b>		
4		-1267308	2179405
5	<b>Increase in/use of cash and cash equivalents</b>	61060955	9455642
5.1	Cash and cash equivalents at the beginning of the reporting year	52964397	43508755



5,2	Cash and cash equivalents at the end of the reporting year	3,5	114025352	52964397
-----	--	-----	-----------	----------

Acting Chairman of the Management Board

<Signature>

Eremin D.A.

[Round seal: Public joint stock company\*  
2 (bldg. 1) Lukov pereulok, Moscow, Russia, 107045  
CREDIT BANK OF MOSCOW  
Cert. of the Bank of Russia NO. 1978]

Chief Accountant

<Signature>

Sass S.V.

17 February 2017



## Appendix 3

### List of interested party transactions made in the reporting year (2016)

Parties	Transaction type	Material terms	Governing body which approved the transaction	Interested party
Lender: Bank Borrower: MKB-Leasing LLC	Loan	RUB 800,000,000 Term: 5 years Interest rate 12% per annum	General Shareholders' Meeting	R.I. Avdeev, Supervisory Board member, V.A. Chubar, Supervisory Board member, Chairman of the Management Board
Lender: Bank Borrower: MKB-Leasing LLC	Loan	RUB 508,200,000 Term: 5 years Interest rate 12% per annum	General Shareholders' Meeting	R.I. Avdeev, Supervisory Board member V.A. Chubar, Supervisory Board member, Chairman of the Management Board
Lender: Bank Borrower: STOA-17 JSC	Loan	RUB 650,000,000 Term: 3 years Interest rate 15% per annum	General Shareholders' Meeting	ROSSIUM Concern LLC
Lender: Bank Borrower: GROUPSTROY – C JSC	Loan	RUB 700,000,000 Term: 2 years Interest rate 15% per annum	General Shareholders' Meeting	ROSSIUM Concern LLC
Lender: Bank Borrower: CBM IRELAND LEASING LIMITED	Loan	USD 43,000,000 Term: 9 years Interest rate: LIBOR + 4.00% per annum	Supervisory Board	R.I. Avdeev, Supervisory Board member, V.A. Chubar, Supervisory Board member, Chairman of the Management Board
Lender: Bank Borrower: CBM IRELAND LEASING LIMITED	Loan	USD 43,000,000 Term: 9 years Interest rate: LIBOR + 4.00% per annum	Supervisory Board	R.I. Avdeev, Supervisory Board member, V.A. Chubar, Supervisory Board member, Chairman of the Management Board
Lender: Bank Borrower: CBM IRELAND LEASING LIMITED	Loan	USD 43,000,000 Term: 9 years Interest rate: LIBOR + 4.00% per annum	Supervisory Board	R.I. Avdeev, Supervisory Board member, V.A. Chubar, Supervisory Board member, Chairman of the Management Board
Lender: Bank Borrower: CBM IRELAND LEASING LIMITED	Loan	USD 43,000,000 Term: 9 years Interest rate: LIBOR + 4.00% per annum	Supervisory Board	R.I. Avdeev, Supervisory Board member, V.A. Chubar, Supervisory Board member, Chairman of the Management Board



Annual Report 2016 / Appendix 3. List of interested party transactions made in the reporting year (2016)

Parties	Transaction type	Material terms	Governing body which approved the transaction	Interested party
Lender: Bank Borrower: CBM IRELAND LEASING LIMITED	Loan	USD 43,000,000 Term: 9 years Interest rate: LIBOR + 4.00% per annum	Supervisory Board	R.I. Avdeev, Supervisory Board member, V.A. Chubar, Supervisory Board member, Chairman of the Management Board
Lender: Bank Borrower: CBM IRELAND LEASING LIMITED	Loan	USD 43,000,000 Term: 9 years Interest rate: LIBOR + 4.00% per annum	Supervisory Board	R.I. Avdeev, Supervisory Board member, V.A. Chubar, Supervisory Board member, Chairman of the Management Board
Guarantor: Bank Principal: MCB Capital LLC	Bank guarantee	Up to RUB 347,850,261 Term: 11 months Interest rate 3% per annum from guarantee amount	Supervisory Board	R.I. Avdeev, Supervisory Board member, V.A. Chubar, Supervisory Board member, Chairman of the Management Board
Guarantor: Bank Principal: MCB Capital LLC	Bank guarantee	Up to RUB 69,571,845 Term: 1 year Interest rate 3% per annum from guarantee amount	Supervisory Board	R.I. Avdeev, Supervisory Board member, V.A. Chubar, Supervisory Board member, Chairman of the Management Board
Buyer: Bank Seller: ROSSIUM Concern LLC	Equity purchase agreement	Acquisition of 100% equity interest in CBM Ireland Leasing Limited	Supervisory Board	R.I. Avdeev, Supervisory Board member, V.A. Chubar, Supervisory Board member, Chairman of the Management Board, A.A. Kryukov, Supervisory Board member
Lender: Bank Borrower: Inkakhran-Service LLC	Loan	RUB 50,000,000 Interest rate: 11% Agreement term: up to 12 months, term of tranches: up to 6 months	Supervisory Board	R.I. Avdeev, Supervisory Board member, V.A. Chubar, Supervisory Board member, Chairman of the Management Board, A.A. Kryukov, Supervisory Board member
Guarantor: Bank Principal: NCO INKAKHRAN (JSC)	Bank guarantee issuance agreement	USD 32,000,000 1.5% per annum Up to 12 months Beneficiary: Citibank JSC	Supervisory Board	R.I. Avdeev, Supervisory Board member, V.A. Chubar, Supervisory Board member, Chairman of the Management Board, A.A. Kryukov, Supervisory Board member
Lender: Bank Borrower: MKB-Leasing LLC	Loan	RUB 700,000,000 Term: 5 years Interest rate: 12%	General Shareholders' Meeting	R.I. Avdeev, Supervisory Board member, V.A. Chubar, Supervisory Board member, Chairman of the Management Board
Lender: Bank Borrower: MKB INVEST LLC	Loan	RUB 500,000,000 Term: 1 year Interest rate: 12% (for tranches 32666001, 32666002, 32666003); 11.5% (for tranche 32666004)	General Shareholders' Meeting	R.I. Avdeev, Supervisory Board member, V.A. Chubar, Supervisory Board member, Chairman of the Management Board



Annual Report 2016 / Appendix 3. List of interested party transactions made in the reporting year (2016)

Parties	Transaction type	Material terms	Governing body which approved the transaction	Interested party
Insurer: Bank Policyholder: Rosgosstrakh PJSC	Supplement to Directors & Officers Liability Insurance Agreement	Insurance amount: USD 25 mln; Insurance premium: USD 4,867.10; Insurance period: 18.05.2015: 17.05.2016	General Shareholders' Meeting	All Supervisory Board members, Chairman of the Management Board, Management Board members, ROSSIUM Concern LLC
Insurer: Bank Policyholder: Rosgosstrakh PJSC	Directors & Officers Liability Insurance Agreement	Insurance amount: USD 50,000,000; Insurance premium: up to USD 130,000 (may be increased by no more than USD 120,000 (up to USD 250,000) in case of additional share placement or acquisition of a new subsidiary); Term: 18.05.2016 - 17.05.2017	General Shareholders' Meeting	All Supervisory Board members, Chairman of the Management Board, Management Board members, ROSSIUM Concern LLC
Seller: Bank Buyer: INGRAD JSC	Equity purchase agreement	RUB 430,000,000 Sale of 100% equity interest in Atil Parkovaya LLC	Supervisory Board	R.I. Avdeev, Supervisory Board member, V.A. Chubar, Supervisory Board member, Chairman of the Management Board
INGRAD JSC	Exchange market technical underwriting agreement	RUB 100,000	Supervisory Board	R.I. Avdeev, Supervisory Board member, V.A. Chubar, Supervisory Board member, Chairman of the Management Board
ROSSIUM Concern LLC	Exchange market technical underwriting agreement	RUB 100,000	Supervisory Board	R.I. Avdeev, Supervisory Board member, V.A. Chubar, Supervisory Board member, Chairman of the Management Board
ROSSIUM Concern LLC	Exchange market technical underwriting agreement	RUB 100,000	Supervisory Board	R.I. Avdeev, Supervisory Board member, V.A. Chubar, Supervisory Board member, Chairman of the Management Board
ROSSIUM Concern LLC	Exchange market technical underwriting agreement	RUB 100,000	Supervisory Board	R.I. Avdeev, Supervisory Board member, V.A. Chubar, Supervisory Board member, Chairman of the Management Board
Guarantor: Bank Principal: NCO INKAKHRAN (JSC)	Bank guarantees issuance agreement	RUB 50,000,000 Term: up to 37 months Interest rate: 2% per annum Beneficiaries: government institutions, legal entities	Supervisory Board	R.I. Avdeev, Supervisory Board member, V.A. Chubar, Supervisory Board member, Chairman of the Management Board





Annual Report 2016 / Appendix 3. List of interested party transactions made in the reporting year (2016)

Parties	Transaction type	Material terms	Governing body which approved the transaction	Interested party
Lender: Bank Borrower: A.F. Vaskin	Loan	RUB 28,400,000 Interest rate 13.00%	General Shareholders' Meeting	V.A. Chubar, Supervisory Board member, Chairman of the Management Board
Lender: Bank Borrower: A.P. Ubeeva	Card issuance with withdrawal limit	RUB 200,000 Card's expiry date is 31.01.2019	General Shareholders' Meeting	Y.A. Ubeev, Management Board member
Lender: Bank Borrower: ROSSIUM Concern LLC	Loan	RUB 1,000,000,000 Term: 12 months For acquisition of equity securities of issuers with certain rating, financing of working capital, including current expenditures	General Shareholders' Meeting	R.I. Avdeev, Supervisory Board member, V.A. Chubar, Supervisory Board member, Chairman of the Management Board
Lender: Bank Borrower: ROSSIUM Concern LLC	Loan	RUB 1,000,000,000 Term: 1 year Interest rate: 15.00%	General Shareholders' Meeting	R.I. Avdeev, Supervisory Board member, V.A. Chubar, Supervisory Board member, Chairman of the Management Board
Lender: Bank Borrower: M-leasing LLC	Loan	RUB 500,000,000 Term: 5 years Interest rate: 12.00%	General Shareholders' Meeting	R.I. Avdeev, Supervisory Board member, V.A. Chubar, Supervisory Board member, Chairman of the Management Board
Lender: Bank Borrower: D.A. Eremin	Loan	RUB 3,000,000 Term: 3 years Interest rate: 15.00%	General Shareholders' Meeting	D.A. Eremin, First Deputy Chairman of the Management Board, Management Board member
Lender: Bank Borrower: D.A. Galkina	Loan	RUB 500,000 Term: 2 years Interest rate: 24.00%	General Shareholders' Meeting	D.A. Galkina, Deputy Chairperson of the Management Board, Management Board member
Lender: Bank Borrower: Yury Alekseevich Ubeev	Loan	RUB 360,302 Term: 2 years Interest rate: 24.00%	General Shareholders' Meeting	Y.A. Ubeev, Management Board member
Guarantor: Bank Principal: NCO INKAKHRAN (JSC)	Counter guarantee	RUB 50,000,000 Term: 2 months Interest rate: 0.50%	General Shareholders' Meeting	R.I. Avdeev, Supervisory Board member, V.A. Chubar, Supervisory Board member, Chairman of the Management Board ROSSIUM Concern LLC



Annual Report 2016 / Appendix 3. List of interested party transactions made in the reporting year (2016)

Parties	Transaction type	Material terms	Governing body which approved the transaction	Interested party
Guarantor: Bank Principal: NCO INKAKHRAN (JSC)	Counter guarantee	RUB 120,000,000 Term: 2 months Interest rate: 0.50%	General Shareholders' Meeting	R.I. Avdeev, Supervisory Board member, V.A. Chubar, Supervisory Board member, Chairman of the Management Board ROSSIUM Concern LLC
Buyer: SKS Bank LLC Seller: Bank	Bond purchase agreement	RUB 73,059,000 Sale of bonds of KB DeltaCredit JSC	Supervisory Board	R.I. Avdeev, Supervisory Board member, V.A. Chubar, Supervisory Board member, Chairman of the Management Board
Buyer: SKS Bank LLC Seller: Bank	Bond purchase agreement	RUB 65,630,880 Sale of bonds of Volkswagen Bank RUS LLC	Supervisory Board	R.I. Avdeev, Supervisory Board member, V.A. Chubar, Supervisory Board member, Chairman of the Management Board
Buyer: SKS Bank LLC Seller: Bank	Bond purchase agreement	RUB 74,340,700 Sale of bonds of Saint Petersburg Telekom OJSC	Supervisory Board	R.I. Avdeev, Supervisory Board member, V.A. Chubar, Supervisory Board member, Chairman of the Management Board
Buyer: SKS Bank LLC Seller: Bank	Bond purchase agreement	RUB 78,909,160 Sale of bonds of VEB-leasing JSC	Supervisory Board	R.I. Avdeev, Supervisory Board member, V.A. Chubar, Supervisory Board member, Chairman of the Management Board
Buyer: SKS Bank LLC Seller: Bank	Bond purchase agreement	RUB 72,489,900 Sale of Russian federal bonds ISIN: RU000AOJV7J9	Supervisory Board	R.I. Avdeev, Supervisory Board member, V.A. Chubar, Supervisory Board member, Chairman of the Management Board
Buyer: SKS Bank LLC Seller: Bank	Bond purchase agreement	RUB 72,702,000 Sale of Russian federal bonds ISIN:RU000AOJV7K7	Supervisory Board	R.I. Avdeev, Supervisory Board member, V.A. Chubar, Supervisory Board member, Chairman of the Management Board
Eltaunt LLC	Charter capital increase	RUB 155,328,212.38 Equity contribution by the Bank	Supervisory Board	R.I. Avdeev, Supervisory Board member, V.A. Chubar, Supervisory Board member, Chairman of the Management Board
Lender: Bank Borrower: MKB-Leasing LLC	Loan	RUB 500,000,000 Term: 5 years Interest rate: 12%	General Shareholders' Meeting	ROSSIUM Concern LLC
Lender: Bank Borrower: Atil Parkovaya LLC	Loan	RUB 107,209,450.19 Term: 2 years Interest rate: 16%	General Shareholders' Meeting	ROSSIUM Concern LLC
Lender: Bank Borrower: V.N. Reshetnikov	Loan	RUB 325,000 Term: 2,5 years Interest rate: 15%	General Shareholders' Meeting	ROSSIUM Concern LLC



Annual Report 2016 / Appendix 3. List of interested party transactions made in the reporting year (2016)

Parties	Transaction type	Material terms	Governing body which approved the transaction	Interested party
Lender: Bank Borrower: A.A. Kryukov	Loan	RUB 1,000,000 Term: 2 years Interest rate: 24%	General Shareholders' Meeting	A.A. Kryukov, Deputy Chairman of the Management Board, Management Board member
Lender: Bank Borrower: S.G. Dyuzhikov	Loan	RUB 750,000 Term: 5 years Interest rate: 19.5%	General Shareholders' Meeting	ROSSIUM Concern LLC
Guarantor: Bank Principal: NCO INKAKHRAN (JSC)	Guarantee	RUB 2,763,620.02 Term: 3 years Interest rate: 1.5%	General Shareholders' Meeting	R.I. Avdeev, Supervisory Board member, V.A. Chubar, Supervisory Board member, Chairman of the Management Board ROSSIUM Concern LLC
Guarantor: Bank Principal: NCO INKAKHRAN (JSC)	Guarantee	RUB 1,089,049.98 Term: 1 year Interest rate: 1.5%	General Shareholders' Meeting	R.I. Avdeev, Supervisory Board member, V.A. Chubar, Supervisory Board member, Chairman of the Management Board ROSSIUM Concern LLC
Guarantor: Bank Principal: NCO INKAKHRAN (JSC)	Guarantee	RUB 838,749,300 Term: 6 months Interest rate: 1.5%	General Shareholders' Meeting	R.I. Avdeev, Supervisory Board member, V.A. Chubar, Supervisory Board member, Chairman of the Management Board ROSSIUM Concern LLC
Guarantor: Bank Principal: NCO INKAKHRAN (JSC)	Guarantee	RUB 94,726,500 Term: 6 months Interest rate: 1.5%	General Shareholders' Meeting	R.I. Avdeev, Supervisory Board member, V.A. Chubar, Supervisory Board member, Chairman of the Management Board ROSSIUM Concern LLC
Guarantor: Bank Principal: NCO INKAKHRAN (JSC)	Guarantee	RUB 31,575,500 Term: 1 year Interest rate: 1.5%	General Shareholders' Meeting	R.I. Avdeev, Supervisory Board member, V.A. Chubar, Supervisory Board member, Chairman of the Management Board ROSSIUM Concern LLC
Guarantor: Bank Principal: NCO INKAKHRAN (JSC)	Counter guarantee	RUB 50,000,000 Term: 2 months Interest rate: 0.5%	General Shareholders' Meeting	R.I. Avdeev, Supervisory Board member, V.A. Chubar, Supervisory Board member, Chairman of the Management Board ROSSIUM Concern LLC
Guarantor: Bank Principal: NCO INKAKHRAN (JSC)	Counter guarantee	RUB 65,000,000 Term: 1 month Interest rate: 0.5%	General Shareholders' Meeting	R.I. Avdeev, Supervisory Board member, V.A. Chubar, Supervisory Board member, Chairman of the Management Board ROSSIUM Concern LLC



www.mkb.ru

[Highlights](#)  
[Key Financial Performance Indicators](#)  
[Mission and Values](#)

1. [Strategic Report](#)  
 2. [Overview of Operations](#)  
 3. [Financial Results](#)  
 4. [Corporate Governance System](#)

5. [For Shareholders and Investors](#)  
 6. [Sustainable Development](#)  
[Contacts](#)  
[Appendices](#)



171 / 197

Annual Report 2016 / Appendix 3. List of interested party transactions made in the reporting year (2016)

Parties	Transaction type	Material terms	Governing body which approved the transaction	Interested party
Lender: Bank Borrower: SKS Bank LLC	Interbank lending	RUB 1,200,000,000 Term: 5 days Interest rate: 10.25%	Supervisory Board	R.I. Avdeev, Supervisory Board member, V.A. Chubar, Supervisory Board member, Chairman of the Management Board ROSSIUM Concern LLC
Guarantor: Bank Surety: Pioneer Group JSC, MRK Pioneer LLC (borrower)	Suretyship agreement to loan agreement	RUB 2,030,000,000 Term: 60 months	Supervisory Board V.A. Chubar, Supervisory Board member, Chairman of the Management Board	Чубарь В.А. член Наблюдательного Совета Банка, председатель Правления Банка
Guarantor: Bank Surety: Pioneer Group JSC, MRK Pioneer LLC (borrower)	Suretyship agreement to loan agreement	RUB 1,500,000,000 Term: 60 months	Supervisory Board V.A. Chubar, Supervisory Board member, Chairman of the Management Board	Чубарь В.А. член Наблюдательного Совета Банка, председатель Правления Банка
Guarantor: Bank Surety: Pioneer Group JSC, MSK Pioneer LLC (borrower)	Suretyship agreement to loan agreement	RUB 500,000,000 Term: 60 months	Supervisory Board	V.A. Chubar, Supervisory Board member, Chairman of the Management Board
Guarantor: Bank Surety: Pioneer Group JSC, Lendgrand LLC (borrower)	Suretyship agreement securing loan agreement	RUB 1,000,000,000 Term: 60 months	Supervisory Board	V.A. Chubar, Supervisory Board member, Chairman of the Management Board
NCO INKAKHRAN (JSC)	Share purchase agreement	Acquisition of additionally issued 84,745,762 ordinary registered shares for RUB 199,999,998.32 by the Bank	Supervisory Board	R.I. Avdeev, Supervisory Board member, V.A. Chubar, Supervisory Board member, Chairman of the Management Board
Lender: Bank Borrower: A.A. Stepanenko	Loan	RUB 4 000 000.00 Term - 10 years Interest rate 15%	General Shareholders' Meeting	A.A. Stepanenko, Deputy Chairman of the Management Board, Management Board member

List of major transactions made in the reporting year (2016) – None



### List of transactions requiring approval under the Charter made in the reporting year (2016)

Parties	Transaction type	Material terms	Governing body which approved the transaction	Grounds
Lender: Bank Borrower: ALROSA (PJSC)	Loan	RUB 23 bln or USD 300 mln (EUR equivalent) For RUB: CBR's key interest rate +2% (effective); For foreign currency: Libor+4% (effective) Limit term: 12 months (27.01.2017); General agreement term: 36 months	Supervisory Board	Cl. 12.36.26 of the Bank's Charter
Eltaunt LLC	Creation of a subsidiary by the Bank's controlled company Eltaunt LLC	Creation of Atil Klimovsky LLC, 100% owned by Eltaunt LLC	Supervisory Board	Cl. 12.36.28 of the Bank's Charter
Lender: CBOM Finance p.l.c. Borrower: Bank	Loan agreement	USD 500 mln Term: 5 years, Interest rate: 5.875%	Supervisory Board	Cl. 12.36.24 of the Bank's Charter



## Appendix 4

### 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 CREDIT BANK OF MOSCOW at the meeting held on 15 May 2017 (Minutes No. 12)

The Supervisory Board confirms that this report contains complete and true information on the company's compliance with the principles and recommendations of the Corporate Governance Code for 2016.

N	Corporate governance principles	Compliance criteria	Status of compliance	Explanation of non-compliance
1.1	The company should ensure equal and fair treatment of all its shareholders in the course of exercise by them of their rights to participate in the management of the company.			
1.1.1	The company creates most favourable conditions for its shareholders, enabling them to participate in the general meeting, develop informed positions on its agenda items and provide them with the opportunity to coordinate their actions and express their opinions on the issues discussed.	<ol style="list-style-type: none"> <li>1. The company's bylaws, approved by its General Shareholders' Meeting and setting out rules for holding general meetings, are publicly available.</li> <li>2. The company provides accessible means to communicate with it, such as a «hotline», e-mail or Internet forum, enabling shareholders to express their opinion and propose agenda items in the course of preparations for general meetings. The company did so in respect of each general meeting held in the reporting period..</li> </ol>	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partly complied with <input type="checkbox"/> not complied with	
1.1.2	Procedures for giving notice of the general meeting and provision of materials for it enables the shareholders to be properly prepared for participation therein.	<ol style="list-style-type: none"> <li>1. General Shareholders' Meetings are announced on the website at least 30 days in advance.</li> <li>2. Meeting announcements specify the venue and documents required for admission.</li> <li>3. Shareholders were given access to information as to who proposed agenda items and nominees to the company's Board of Directors and Audit Panel.</li> </ol>	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partly complied with <input type="checkbox"/> not complied with	





N	Corporate governance principles	Compliance criteria	Status of compliance	Explanation of non-compliance
1.1.3	During the preparation for and holding of the general meeting, the shareholders were able, freely and in a timely manner, to receive information about the meeting and its materials, to pose questions to members of the company's executive bodies and Board of Directors, and to communicate with each other.	<ol style="list-style-type: none"> <li>In the reporting period, shareholders were given the possibility to put questions to the company's executives and Board members before and in the course of the annual general meeting.</li> <li>The Board of Directors' position (including minuted dissenting opinions) on each item of the agenda of general meetings held in the reporting period was included in the materials for those meetings.</li> <li>The company gave duly entitled shareholders access to the lists of persons entitled to participate in each general meeting held in the reporting period from the date such lists became available.</li> </ol>	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partly complied with <input type="checkbox"/> not complied with	
1.1.4	There were no unjustified difficulties preventing shareholders from exercising their right to demand that a general meeting be convened, nominate candidates to the company's governing bodies, and to table proposals on its agenda.	<ol style="list-style-type: none"> <li>Shareholders could propose agenda items for the annual general meeting within at least the first 60 days of the reporting period.</li> <li>The company did not reject any proposals made in the reporting period as regards agenda items or nominees to its governing bodies because of typos or other minor mistakes therein.</li> </ol>	<input type="checkbox"/> complied with <input checked="" type="checkbox"/> partly complied with <input type="checkbox"/> not complied with	The first criterion is not complied with. The Bank's bylaws allow the first 30 days of a year for adding items to the agenda of the annual General Shareholders' Meeting, which was, at the time it was set out in the Bank's Charter, and continues to be in line with statutory requirements. In the reporting period, the Bank did not debar shareholders from proposing items later, nor did any shareholders holding more than 2% of its shares and entitled to add items of agenda ask for this.
1.1.5	Each shareholder was able to freely exercise their right to vote in the simplest and most convenient way.	<ol style="list-style-type: none"> <li>The company's bylaws (internal policy) entitle each participant of a general meeting may request, before that meeting is closed, a copy of their completed ballot, certified by the counting commission.</li> </ol>	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partly complied with <input type="checkbox"/> not complied with	



Annual Report 2016 / Appendix 4. Report on Compliance with the Principles and Recommendations of the Corporate Governance Code.

N	Corporate governance principles	Compliance criteria	Status of compliance	Explanation of non-compliance
1.1.6	Procedures for holding a general meeting set by the company provide an equal opportunity to all persons present at the general meeting to express their opinions and ask questions that might be of interest to them.	<p>1. General Shareholders' Meetings held in the reporting period as in-person meetings (joint attendance of shareholders) had enough time allocated for reports on and discussion of the agenda items.</p> <p>2. Nominees to the company's governing and control bodies were available for answering shareholders' questions at the meeting that voted on their nominations.</p> <p>3. When making decisions related to the preparation and holding of General Shareholders' Meetings, the Board of Directors considered using telecommunication means to enable shareholders to participate remotely in general meetings in the reporting period.</p>	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partly complied with <input type="checkbox"/> not complied with	
1.2	Shareholders have an equal and fair opportunity to participate in the company's profits by means of dividends.			
1.2.1	The company has developed and put in place a transparent and clear mechanism for determining the amount of dividends and their payment.	<p>1. The company has developed a dividend policy, which is approved by the Board of Directors and disclosed.</p> <p>2. If the company's dividend policy links the size of dividends to its financials, reference is made to consolidated financials.</p>	<input type="checkbox"/> complied with <input checked="" type="checkbox"/> partly complied with <input type="checkbox"/> not complied with	The second criterion is not complied with. The Supervisory Board is going to consider the Bank's updated Dividend Policy in 2017.
1.2.2	The company does not make a decision on the payment of dividends, if such decision, without formally violating limits set by law, is unjustified from an economic point of view and might lead to the formation of false assumptions about the company's activity..	<p>1. The company's dividend policy clearly states financial/economic circumstances in which no dividends should be paid.</p>	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partly complied with <input type="checkbox"/> not complied with	

[Highlights](#)[Key Financial Performance Indicators](#)[Mission and Values](#)[1. Strategic Report](#)[2. Overview of Operations](#)[3. Financial Results](#)[4. Corporate Governance System](#)[5. For Shareholders and Investors](#)[6. Sustainable Development](#)[Contacts](#)[Appendices](#)

176 / 197

[www.mkb.ru](http://www.mkb.ru)

Annual Report 2016 / Appendix 4. Report on Compliance with the Principles and Recommendations of the Corporate Governance Code.

N	Corporate governance principles	Compliance criteria	Status of compliance	Explanation of non-compliance
1.2.3	The company does not allow deterioration of dividend rights of its existing shareholders.	1. The company did not take steps affecting existing shareholder' dividend rights in the reporting period.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partly complied with <input type="checkbox"/> not complied with	
1.2.4	The company seeks to eliminate any ways through which its shareholders can derive any profit or gain from the company other than dividends and distribution of its liquidation value.	1. To prevent shareholders from deriving any profit (gain) from the company, other than dividends and liquidation value, its bylaws establish control mechanisms, in a timely manner, to identify and submit for approval transactions with parties affiliated (related) to material shareholders (persons entitled to cast votes attached to voting shares) that do not formally qualify as non-arm's-length transactions.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partly complied with <input type="checkbox"/> not complied with	
1.3	The system and practices of corporate governance ensure equal terms and conditions for all shareholders owning shares of the same class (category) in a company, including minority and foreign shareholders as well as their equal treatment by the company.			
1.3.1	The company has created conditions which would enable its governing bodies and controlling persons to treat each shareholder fairly, in particular, which would rule out the possibility of any abuse of minority shareholders by major shareholders.	1. The procedures for managing material shareholders' potential conflicts of interest were effective during the reporting period, and any conflicts between shareholders were duly dealt with by the Board of Directors.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partly complied with <input type="checkbox"/> not complied with	
1.3.2	The company does not perform any acts which will or might result in artificial reallocation of corporate control therein.	1. No quasi-treasury shares exist or participated in voting during the reporting period.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partly complied with <input type="checkbox"/> not complied with	



N	Corporate governance principles	Compliance criteria	Status of compliance	Explanation of non-compliance
1.4	The shareholders are provided with reliable and effective means of recording their rights in shares as well as with the opportunity to freely dispose of such shares in a non-onerous manner.			
1.4.1	The shareholders are provided with reliable and efficient means of recording their rights to shares as well as with the opportunity to freely dispose of such shares in a non-onerous manner.	1. The company's registrar maintains its share register with the quality and reliability required by the company and its shareholders.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partly complied with <input type="checkbox"/> not complied with	
2.1	The Board of Directors is responsible for the strategic management of the company, determines major principles of and approaches to the creation of the risk management and internal control system within the company, monitors the activity of the company's executive bodies and carries out other key functions.			
2.1.1	The Board of Directors is responsible for decisions related to the appointment and removal of [members] of executive bodies, in particular upon their failure to perform their duties in the proper manner. The Board of Directors also ensures that the company's executive bodies act in accordance with an approved development strategy and main business goals of the company.	1. The Charter entitles the Board of Directors to appoint, remove, and fix the terms of contracts with, members of executive bodies. 2. The Board of Directors has reviewed the report(s) of the sole executive body and members of the collective executive body on implementation of the company's strategy.	<input type="checkbox"/> complied with <input checked="" type="checkbox"/> partly complied with <input type="checkbox"/> not complied with	The first criterion is not complied with. The Bank's Charter does not specifically state the Supervisory Board's authority to fix the terms of contracts with members of executive bodies. It gives a broader definition of the Supervisory Board's competence without mentioning the particular authority to fix the terms of contracts with members and the Chairman of the Management Board. This authority, however, is set out in the Regulation on the Compensation, Corporate Governance and Nominations Committee. The Supervisory Board approves standard form contracts with Management Board members and their essential terms such as the validity period and the remuneration amount.



N	Corporate governance principles	Compliance criteria	Status of compliance	Explanation of non-compliance
2.1.2	The Board of Directors establishes basic long-term targets of the company's activity, evaluates and approves its key performance indicators and principal business goals, and evaluates and approves its strategy and business plans in respect of its principal areas of operations.	1. During the reporting period, the Board of Directors reviewed the implementation and updating of the company's strategy, approved its business plan (budget) and reviewed criteria and indicators (including those of an interim nature) pertaining to their implementation.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partly complied with <input type="checkbox"/> not complied with	
2.1.3	The Board of Directors defines principles of and approaches to arranging a risk management system and internal controls in the company.	1. The Board of Directors has defined principles of and approaches to arranging a risk management system and internal controls in the company. 2. The Board of Directors appraised the company's risk management system and internal controls during the reporting period.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partly complied with <input type="checkbox"/> not complied with	
2.1.4	The Board of Directors determines the company's policy on remuneration and/or reimbursement (compensation) of its Board members, executives and other key managers.	1. The company has developed and put in place a Board-approved policy on remuneration and/or reimbursement (compensation) of its Board members, executives and other key managers. 2. The Board of Directors has reviewed issues related to the said policy(ies) during the reporting period.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partly complied with <input type="checkbox"/> not complied with	
2.1.5	The Board of Directors plays a key role in prevention, detection and resolution of internal conflicts between the company's bodies, shareholders and employees.	1. The Board of Directors plays a key role in prevention, detection and resolution of internal conflicts. 2. The company has set up a system to identify transactions involving a conflict of interest, and a system of measures designed to resolve such conflicts	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partly complied with <input type="checkbox"/> not complied with	
2.1.6	The Board of Directors plays a key role in ensuring that the company is transparent, discloses information in full and in due time, and provides its shareholders with unhindered access to its documents.	1. The Board of Directors has approved a regulation on the information policy. 2. The company has designated officers responsible for implementation of its information policy.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partly complied with <input type="checkbox"/> not complied with	



Annual Report 2016 / Appendix 4. Report on Compliance with the Principles and Recommendations of the Corporate Governance Code.

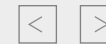
N	Corporate governance principles	Compliance criteria	Status of compliance	Explanation of non-compliance
2.1.7	The Board of Directors monitors the company's corporate governance practices and plays a key role in its material corporate events.	1. The Board of Directors has reviewed the company's corporate governance practices during the reporting period.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partly complied with <input type="checkbox"/> not complied with	
2.2	The Board of Directors is accountable to the company's shareholders.			
2.2.1	Information about the work of the Board of Directors is disclosed and provided to the shareholders.	1. The company's annual report for the reporting period discloses the attendance of individual directors at Board and committee meetings. 2. The annual report discloses key results of appraisal of the Board's performance during the reporting period.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partly complied with <input type="checkbox"/> not complied with	
2.2.2	The Chairman of the Board of Directors is available to communicate with the company's shareholders.	1. The company has a transparent procedure enabling shareholders to communicate their questions and positions thereon to the Chairman of the Board of Directors.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partly complied with <input type="checkbox"/> not complied with	
2.3	The Board of Directors is an efficient and professional governing body of the company which is able to make objective and independent judgments and pass resolutions in the best interests of the company and its shareholders.			
2.3.1	Only persons with impeccable business credentials and a personal reputation, who have the knowledge, skills, and experience necessary to make decisions that fall within their competence and perform their functions efficiently are elected to the Board of Directors.	1. The procedure for appraising the performance of the company's Board includes an appraisal of Board members' professional qualifications. 2. The Board of Directors (or its nominations committee) appraised Board nominees in the reporting period in terms of their experience, knowledge, business reputation, potential conflicts of interest, etc.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partly complied with <input type="checkbox"/> not complied with	





Annual Report 2016 / Appendix 4. Report on Compliance with the Principles and Recommendations of the Corporate Governance Code.

N	Corporate governance principles	Compliance criteria	Status of compliance	Explanation of non-compliance
2.3.2	Board members are elected pursuant to a transparent procedure enabling the shareholders to obtain information about respective candidates sufficient for them to get an idea of the candidates' personal and professional qualities.	1. All General Shareholders' Meetings held in the reporting period with agenda, including Board election, were provided by the company with biographies of all Board nominees, results of their appraisal by the Board of Directors (or its nominations committee) and information on their compliance with the independence criteria as per recommendations 102 – 107 of the Code, and their written consents to election to the Board of Directors.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partly complied with <input type="checkbox"/> not complied with	
2.3.3	The composition of the Board of Directors is balanced, in particular, in terms of the qualifications, experience, expertise and business skills of its members. The Board of Directors enjoys the confidence of the shareholders.	1. As part of its performance appraisal procedure in the reporting period, the Board of Directors reviewed its needs in terms of professional qualifications, experience and business skills.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partly complied with <input type="checkbox"/> not complied with	
2.3.4	Membership of the company Board of Directors enables the Board to organise its activities in a most efficient way, in particular, to create committees of the Board of Directors, and it enables substantial minority shareholders of the company to elect a nominee to the Board of Directors for whom they would vote.	1. As part of its performance appraisal procedure in the reporting period, the Board of Directors looked into the conformity of the membership numbers to the company's needs and shareholders' interests.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partly complied with <input type="checkbox"/> not complied with	


[Highlights](#)
[Key Financial Performance Indicators](#)
[Mission and Values](#)
[1. Strategic Report](#)
[2. Overview of Operations](#)
[3. Financial Results](#)
[4. Corporate Governance System](#)
[5. For Shareholders and Investors](#)
[6. Sustainable Development](#)
[Contacts](#)
[Appendices](#)


181 / 197

www.mkb.ru

Annual Report 2016 / Appendix 4. Report on Compliance with the Principles and Recommendations of the Corporate Governance Code.

N	Corporate governance principles	Compliance criteria	Status of compliance	Explanation of non-compliance
2.4	<b>The Board of Directors includes a sufficient number of independent directors.</b>			
2.4.1	An independent director means any person who has the necessary professional skills and expertise and who is sufficiently able to have his/her own position and make objective and bona fide judgments, free from the influence of the company's executive bodies, any individual group of its shareholders or other stakeholders. It should be noted that, under normal circumstances, a candidate (or an elected director) may not be deemed to be independent, if he/she is associated with the company, any of its substantial shareholders, material trading partners or competitors, or the government.	1. During the reporting period, all independent Board members met all of the independence criteria as per recommendations 102 – 107 of the Code, or were qualified as such by Board resolution.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partly complied with <input type="checkbox"/> not complied with	
2.4.2	The company evaluates whether its Board nominees meet the independence criteria and reviews, on a regular basis, whether or not independent Board members meet the independence criteria. When carrying out such evaluation, substance should take precedence over form.	1. In the reporting period, the Board of Directors (or its nominations committee) made an opinion on the independence of each Board nominee and made it known to shareholders. 2. At least once during the reporting period, the Board of Directors (or its nominations committee) reviewed independence of incumbent Board members named by the company as independent directors in its annual report. 3. The company has put in place procedures to be followed by any Board member who ceases to be independent, including the obligation to notify the Board of Directors thereof in a prompt manner.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partly complied with <input type="checkbox"/> not complied with	
2.4.3	Independent directors account for at least one-third of all directors elected to the Board.	1. Independent directors account for at least one-third of Board membership.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partly complied with <input type="checkbox"/> not complied with	

[Highlights](#)[Key Financial Performance Indicators](#)[Mission and Values](#)[1. Strategic Report](#)[2. Overview of Operations](#)[3. Financial Results](#)[4. Corporate Governance System](#)[5. For Shareholders and Investors](#)[6. Sustainable Development](#)[Contacts](#)[Appendices](#)

182 / 197

[www.mkb.ru](http://www.mkb.ru)

Annual Report 2016 / Appendix 4. Report on Compliance with the Principles and Recommendations of the Corporate Governance Code.

N	Corporate governance principles	Compliance criteria	Status of compliance	Explanation of non-compliance
2.4.4	Independent directors play a key role in preventing internal conflicts in the company and performance by the latter of material corporate actions.	1. Independent directors (who do not have a conflict of interest) pre-examine material corporate actions involving a potential conflict of interest, and report the results to the Board of Directors.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partly complied with <input type="checkbox"/> not complied with	
2.5	The chairman of the Board of Directors helps it perform the functions imposed thereon in a most efficient manner.			
2.5.1	The Board of Directors is chaired by an independent director, or one of the elected independent directors is designated as the senior independent director to coordinate their work and liaise with the chairman of the Board of Directors.	1. The Board of Directors is chaired by an independent director, or one of the independent directors is designated as the senior independent director.  2. The role, powers and responsibilities of the Chairman of the Board of Directors (and, if applicable, the senior independent director) are duly set out in the company's bylaws.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partly complied with <input type="checkbox"/> not complied with	
2.5.2	The Board Chairman ensures that Board meetings are held in a constructive atmosphere and that any items on the meeting agenda are discussed freely. The chairman also monitors fulfilment of decisions made by the Board of Directors.	1. Performance of the Chairman of the Board of Directors was appraised as part of the procedure for appraising Board performance during the reporting period.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partly complied with <input type="checkbox"/> not complied with	
2.5.3	The Chairman of the Board of Directors takes any and all measures as may be required to provide the Board members in a timely fashion with information required to make decisions on agenda items.	1. The company's bylaws set out the duty of the Chairman of the Board of Directors to take measures to ensure Board members are provided with materials on agenda items of Board meetings in a timely manner.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partly complied with <input type="checkbox"/> not complied with	



N	Corporate governance principles	Compliance criteria	Status of compliance	Explanation of non-compliance
2.6	<b>Board members act reasonably and in good faith in the best interests of the company and its shareholders, being sufficiently informed, with due care and diligence.</b>			
2.6.1	Board members make decisions considering all available information, in the absence of a conflict of interest, treating shareholders of the company equally and assuming normal business risks.	<ol style="list-style-type: none"> <li>1. The company's bylaws require Board members to notify the Board of Directors if they have a conflict of interest in respect of any Board or committee meeting's agenda item before that item is taken up.</li> <li>2. The company's bylaws require that Board members do not vote on any issue in which they have a conflict of interest.</li> <li>3. The company has a procedure allowing the Board of Directors to seek professional advice on issues within its competence at the company's expense.</li> </ol>	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partly complied with <input type="checkbox"/> not complied with	
2.6.2	Rights and duties of Board members are clearly stated and documented in the company's bylaws.	<ol style="list-style-type: none"> <li>1. The company has adopted and published a bylaw clearly stating Board members' rights and duties.</li> </ol>	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partly complied with <input type="checkbox"/> not complied with	
2.6.3	Board members have sufficient time to perform their duties.	<ol style="list-style-type: none"> <li>1. Individual attendance of, and time committed to preparations for, Board and committee meetings were taken into account in the course of Board appraisal in the reporting period.</li> <li>2. The company's bylaws require that Board members notify the Board of Directors of their intention to serve in governing bodies of other entities (save for the company's controlled and dependent entities) and of any such appointment.</li> </ol>	<input type="checkbox"/> complied with <input checked="" type="checkbox"/> partly complied with <input type="checkbox"/> not complied with	<p>The second criterion is not complied with.</p> <p>The duty to notify of an intention to serve in governing bodies of other entities is not set out in the Bank's bylaws.</p> <p>This recommendation will be reflected in the relevant amendments to the Bank's Charter and then to its other bylaws</p>
2.6.4	All Board members have equal opportunities to access the company's documents and information. Newly elected Board members are provided with sufficient information about the company and work of its Board of Directors as soon as practicable.	<ol style="list-style-type: none"> <li>1. The company's bylaws entitle Board members to access documents and make enquiries concerning the company and its controlled entities, and its executive bodies must provide the relevant information and documents.</li> <li>2. The company has a formalised onboarding programme for newly elected Board members.</li> </ol>	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partly complied with <input type="checkbox"/> not complied with	

[Highlights](#)[Key Financial Performance Indicators](#)[Mission and Values](#)[1. Strategic Report](#)[2. Overview of Operations](#)[3. Financial Results](#)[4. Corporate Governance System](#)[5. For Shareholders and Investors](#)[6. Sustainable Development](#)[Contacts](#)[Appendices](#)

N	Corporate governance principles	Compliance criteria	Status of compliance	Explanation of non-compliance
2.7	<b>Meetings of the Board of Directors, preparation for them, and participation of Board members therein ensure the efficient work of the Board.</b>			
2.7.1	Meetings of the Board of Directors are held as needed, with due account for the company's scope of activities and its then current goals.	1. The Board of Directors met at least six times in the reporting year.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partly complied with <input type="checkbox"/> not complied with	
2.7.2	A procedure for preparing for and holding meetings of the Board of Directors is set it out in the company's bylaws. It enables the shareholders to get properly prepared for such meetings.	1. The company approved a bylaw setting out the procedure for preparing and holding Board meetings, requiring, inter alia, at least 5 days' notice of any meeting, as a general rule.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partly complied with <input type="checkbox"/> not complied with	
2.7.3	The form of a Board meeting is chosen depending on the importance of items on its agenda. The most important issues are decided at in-person meetings.	1. The company's Charter or bylaws require that the most important issues (as listed in recommendation 168 of the Code) are reviewed at in-person Board meetings.	<input type="checkbox"/> complied with <input checked="" type="checkbox"/> partly complied with <input type="checkbox"/> not complied with	<p>The issues recommended by the Code to be reviewed at in-person meetings are not always reviewed so. Although some issues are put for absentee voting, decisions are collectively discussed on conference calls among Supervisory Board members, who may express their dissenting opinion (if any).</p> <p>The Supervisory Board believes such form of communication effectively facilitates prompt decision-making and reinforces the Bank's competitiveness.</p>



N	Corporate governance principles	Compliance criteria	Status of compliance	Explanation of non-compliance
2.7.4	Decisions on most important issues relating to the company's business are made at a Board meeting by a qualified majority vote or by a majority vote of all elected Board members.	1. The company's Charter requires that the most important issues, listed in recommendation 170 of the Code, be decided at Board meetings by a qualified majority of at least three quarters of votes, or by a majority vote of all elected Board members.	<input type="checkbox"/> complied with <input type="checkbox"/> partly complied with <input checked="" type="checkbox"/> not complied with	The principle is not complied with. The Supervisory Board considered amending the Bank's Charter to fulfil this recommendation in 2016, whereupon it was decided not to amend the current version of the Bank's Charter as regards Supervisory Board decision-making. The Bank makes sure all of its elected directors participate in Supervisory Board meetings, and in 2016 the recommendation to take decisions «by a majority vote of all elected Board members» was effectively complied with.
2.8	The Board of Directors forms committees for preliminary consideration of the most important issues of the company's business.			
2.8.1	An audit committee comprised of independent directors was set up to pre-consider any matters of control over the company's financial and business activities.	1. The Board of Directors set up an audit committee comprised exclusively of independent directors. 2. The company's bylaws set out the audit committee's tasks, including those listed in recommendation 172 of the Code. 3. At least one audit committee member is an independent director, experienced and knowledgeable in preparing, analysing, reviewing and auditing financial statements. 4. The audit committee met at least once per quarter during the reporting period.	<input type="checkbox"/> complied with <input checked="" type="checkbox"/> partly complied with <input type="checkbox"/> not complied with	<p>The first criterion is not complied with and the second one is partly complied with. In respect of the first criterion: Most members of the Supervisory Board's Audit and Risk Committee are independent, which meets the Moscow Exchange's requirements as regards shares on the first level quotation list. The committee is formed so as to ensure the right balance of independence and professionalism, with independent directors being given the key role.</p> <p>In respect of the second criterion: The Supervisory Board considered amending the Regulation on the Audit and Risk Committee in 2016 and decided to bring it in line with article 172 of the Code as regards the Committee's tasks when it is next updated.</p>





N	Corporate governance principles	Compliance criteria	Status of compliance	Explanation of non-compliance
2.8.2	A remuneration committee comprised of independent directors and chaired by an independent director who is not the Board Chairman was set up to pre-consider any matters concerning the development of effective and transparent remuneration practices.	<ol style="list-style-type: none"> <li>1. The Board of Directors set up a remuneration committee comprised exclusively of independent directors.</li> <li>2. The remuneration committee is chaired by an independent director who is not the Chairman of the Board.</li> <li>3. The company's bylaws set out the remuneration committee's tasks, including those listed in recommendation 180 of the Code.</li> </ol>	<input type="checkbox"/> complied with <input checked="" type="checkbox"/> partly complied with <input type="checkbox"/> not complied with	<p>The first and the second criteria are not complied with and the third criterion is partly complied with. In respect of the first criterion:</p> <p>Most members of the Supervisory Board's Compensation, Corporate Governance and Nominations Committee are independent, which meets the Moscow Exchange's requirements as regards shares on the first level quotation list.</p> <p>The committee is formed so as to ensure the right balance of independence and professionalism, with independent directors being given the key role.</p> <p>In respect of the second criterion:</p> <p>The committee is chaired by the Chairman of the Supervisory Board.</p> <p>The Chairman of the Supervisory Board was elected the Chairman of the Compensation, Corporate Governance and Nominations Committee based on his competence.</p> <p>In respect of the third criterion:</p> <p>The Supervisory Board considered amending the Regulation on the Compensation, Corporate Governance and Nominations Committee in 2016 and decided to bring it in line with article 180 of the Code as regards the Committee's tasks when it is next updated.</p>



N	Corporate governance principles	Compliance criteria	Status of compliance	Explanation of non-compliance
2.8.3	A nomination (appointments, HR) committee, composed mostly of independent directors, was set up to pre-consider any matters relating to HR planning (succession planning), the professional mix and efficiency of the Board of Directors.	<ol style="list-style-type: none"> <li>1. The Board of Directors set up a nomination committee (or its tasks listed in recommendation 186 of the Code are carried out by another committee), comprised mostly of independent directors.</li> <li>2. The company's bylaws set out the nomination (or substitute) committee's tasks, including those listed in recommendation 186 of the Code.</li> </ol>	<input type="checkbox"/> complied with <input checked="" type="checkbox"/> partly complied with <input type="checkbox"/> not complied with	<p>The second criterion is partly complied with. Not all the tasks listed in cl. 186 of the Code are set out in the Regulation on the Compensation, Corporate Governance and Nominations Committee (which acts as a nomination committee) (the "Regulation").</p> <p>The Supervisory Board considered adding the Committee's tasks set out in article 186 of the Code in 2016 and decided to bring the Regulation in line with the said article as regards the Committee's tasks when it is next updated.</p>
2.8.4	Taking account of its scope of activities and levels of related risks, the company's Board of Directors checked that its committees' membership is fully consistent with its tasks and the company's business goals. Additional committees were either formed or considered unnecessary (strategy committee, corporate governance committee, ethics committee, risk management committee, budget committee, health, safety and environment committee etc.).	<ol style="list-style-type: none"> <li>1. In the reporting period, the Board of Directors reviewed its committees' membership for consistency with its tasks and the company's business goals. Additional committees were either formed or considered unnecessary.</li> </ol>	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partly complied with <input type="checkbox"/> not complied with	
2.8.5	The composition of the committees is determined in such a way as to allow a comprehensive discussion of issues being considered on a preliminary basis with due account given to differing opinions.	<ol style="list-style-type: none"> <li>1. Board committees are chaired by independent directors.</li> <li>2. The company's bylaws (policies) limit non-member attendance of audit, nomination and remuneration committee meetings to those invited by the chairman of the corresponding committee.</li> </ol>	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partly complied with <input type="checkbox"/> not complied with	

[Highlights](#)[Key Financial Performance Indicators](#)[Mission and Values](#)[1. Strategic Report](#)[2. Overview of Operations](#)[3. Financial Results](#)[4. Corporate Governance System](#)[5. For Shareholders and Investors](#)[6. Sustainable Development](#)[Contacts](#)[Appendices](#)

188 / 197

www.mkb.ru

Annual Report 2016 / Appendix 4. Report on Compliance with the Principles and Recommendations of the Corporate Governance Code.

N	Corporate governance principles	Compliance criteria	Status of compliance	Explanation of non-compliance
2.8.6	The chairmen of the committees regularly inform the Board of Directors and its Chairman of the work of their committees.	1. The chairmen of the committees reported to the Board of Directors on the work of their committees on a regular basis during the reporting period.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partly complied with <input type="checkbox"/> not complied with	
2.9	The Board of Directors ensures evaluation of the quality of its work and that of its committees and Board members.			
2.9.1	Appraisal of the Board of Directors' performance is aimed at determining how effectively the Board of Directors, its committees and Board members work and whether their work meets the company's needs, at making their work more intensive and identifying areas for improvement.	1. Self-appraisal or external appraisal of the Board's performance made in the reporting period included performance appraisal of committees, individual Board members and the Board as a whole.  2. Results of the Board of Directors' self-appraisal or external appraisal made during the reporting period were reviewed at an in-person Board meeting.	<input type="checkbox"/> complied with <input checked="" type="checkbox"/> partly complied with <input type="checkbox"/> not complied with	The first criterion is partly complied with. In the reporting year, performance appraisal was made in respect of the Supervisory Board, its committees, its and their Chairmen, but not individual Supervisory Board member.
2.9.2	Performance of the Board of Directors, its committees and Board members is appraised on a regular basis, at least once a year. To conduct an independent performance appraisal of the Board of Directors' work, an outside organisation (consultant) is engaged on a regular basis, at least once every three years.	1. The company engaged an outside organisation (consultant) to conduct an independent performance appraisal of the Board of Directors at least once in the last three reporting periods.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partly complied with <input type="checkbox"/> not complied with	
3.1	The company's Corporate Secretary is responsible for efficient interaction with the shareholders, coordination of the company's actions designed to protect the rights and interests of its shareholders, and support of effective work of its Board of Directors.			
3.1.1	The Corporate Secretary has the knowledge, experience, and qualifications sufficient for performance of his/her duties, as well as an impeccable reputation and enjoys the trust of the shareholders.	1. The company has adopted and disclosed a Corporate Secretary Regulation.  2. The company's website and annual report discloses the Corporate Secretary's background in the same amount of detail as for Board members and executives.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partly complied with <input type="checkbox"/> not complied with	

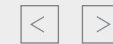
[Highlights](#)[Key Financial Performance Indicators](#)[Mission and Values](#)[1. Strategic Report](#)[2. Overview of Operations](#)[3. Financial Results](#)[4. Corporate Governance System](#)[5. For Shareholders and Investors](#)[6. Sustainable Development](#)[Contacts](#)[Appendices](#)

189 / 197

[www.mkb.ru](http://www.mkb.ru)

Annual Report 2016 / Appendix 4. Report on Compliance with the Principles and Recommendations of the Corporate Governance Code.

N	Corporate governance principles	Compliance criteria	Status of compliance	Explanation of non-compliance
3.1.2	The Corporate Secretary is sufficiently independent of the company's executive bodies and is vested with powers and resources required to perform his/her tasks.	1. The Board of Directors approves the Corporate Secretary's appointment, removal and bonuses.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partly complied with <input type="checkbox"/> not complied with	
4.1	The company pays such remuneration that is sufficient to attract, motivate and retain persons having the required skills and qualifications. The company's directors, executives and other key managers are remunerated in accordance with an approved remuneration policy.			
4.1.1	The company remunerates its directors, executives and other key managers sufficiently to motivate them to work effectively and to attract and retain knowledgeable, skilled and duly qualified persons. The company avoids paying them more than necessary or unreasonably more than it pays to its staff.	1. The company has adopted bylaws (policies) on remuneration of Board members, executives and other key managers, clearly setting out approaches to such remuneration.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partly complied with <input type="checkbox"/> not complied with	
4.1.2	The company's remuneration policy was developed by its remuneration committee and approved by the Board of Directors. With the aid of its remuneration committee, the Board of Directors monitors the company's implementation of and compliance with the remuneration policy and, where necessary, reviews and amends the same.	1. During the reporting period, the remuneration committee reviewed the remuneration policy(ies) and its (their) application in practice and, where necessary, gave recommendations to the Board of Directors.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partly complied with <input type="checkbox"/> not complied with	
4.1.3	The company's remuneration policy provides for transparent mechanisms to be used to determine the amounts payable to Board members, executives and other key managers of the company, and regulates any and all types of payments, benefits and privileges provided to any of the above persons.	1. The company's remuneration policy(ies) provide(s) for transparent mechanisms to be used to determine the amounts payable to Board members, executives and other key managers of the company, and regulates any and all types of payments, benefits and privileges provided to any of the above persons.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partly complied with <input type="checkbox"/> not complied with	

[Highlights](#)[Key Financial Performance Indicators](#)[Mission and Values](#)[1. Strategic Report](#)[2. Overview of Operations](#)[3. Financial Results](#)[4. Corporate Governance System](#)[5. For Shareholders and Investors](#)[6. Sustainable Development](#)[Contacts](#)[Appendices](#)

190 / 197

www.mkb.ru

Annual Report 2016 / Appendix 4. Report on Compliance with the Principles and Recommendations of the Corporate Governance Code.

N	Corporate governance principles	Compliance criteria	Status of compliance	Explanation of non-compliance
4.1.4	The company has developed a reimbursement policy listing reimbursable expenses and specifying service levels provided to its directors, executives and other key managers. Such policy may form part of the company's compensation policy.	1. The company's remuneration policy(ies) or other bylaws set out rules for reimbursement of expenses incurred by its directors, executives and other key managers.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partly complied with <input type="checkbox"/> not complied with	
4.2	The Board remuneration system ensures harmonisation of the directors' financial interests with the shareholders' long-term financial interests.			
4.2.1	The company pays fixed annual remuneration to its directors. The company does not pay remuneration for attending specific Board or committee meetings.  The company does not use short-term incentives or bonus payments in respect of its directors.	1. Fixed annual remuneration was the sole monetary remuneration paid to Board members for serving on the Board of Directors during the reporting period.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partly complied with <input type="checkbox"/> not complied with	
4.2.2	Long-term holding of shares in the company is the best way to align Board members' financial interests with the long-term interests of the company's shareholders. However, the company should not make the right to sell shares conditional upon achievement of certain performance targets, and Board members do not participate in any option programmes.	1. If the company's remuneration policy entitles Board members to shares in the company, their holding of such shares must be regulated and encouraged to be long-term by clear and disclosed rules.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partly complied with <input type="checkbox"/> not complied with	
4.2.3	The company is not bound to pay any additional allowance or compensation in the event of early dismissal of Board members upon a change of control over the company or in any other circumstances.	1. The company is not bound to pay any additional allowance or compensation in the event of early dismissal of Board members upon a change of control over the company or in any other circumstances.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partly complied with <input type="checkbox"/> not complied with	



N	Corporate governance principles	Compliance criteria	Status of compliance	Explanation of non-compliance
4.3	<b>The company's executive remuneration system links executives' remuneration to performance and their personal contributions thereto.</b>			
4.3.1	Remuneration of the company's executives and other key managers is structured so as to ensure a reasonable and justified ratio between its fixed portion and its variable portion that is dependent on the company's performance and personal contributions thereto.	<ol style="list-style-type: none"> <li>During the reporting period, annual performance indicators approved by the Board of Directors were used to determine the variable portion of remuneration of the company's executives and other key managers.</li> <li>In the course of the last appraisal of the company's executive remuneration system, the Board of Directors (remuneration committee) made sure the company uses an appropriate ratio of the fixed and variable portions of remuneration.</li> <li>The company has a procedure for restitution of bonuses unjustly received by its executives and other key managers.</li> </ol>	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partly complied with <input type="checkbox"/> not complied with	
4.3.2	The company put in place a long-term incentive programme for executives and other key managers linked to its shares (options or other derivatives based on its shares).	<ol style="list-style-type: none"> <li>The company set up a long-term incentive programme for its executives and other key managers linked to its shares (financial instruments based on its shares).</li> <li>The company's long-term incentive programme for its executives and other key managers requires any shares or other financial instruments obtained thereunder to be held for three years before they can be sold. The right to sell them is subject to achievement of certain performance targets.</li> </ol>	<input type="checkbox"/> complied with <input type="checkbox"/> partly complied with <input checked="" type="checkbox"/> not complied with	Principle 4.3.2. is not complied with. The Supervisory Board considered introducing a long-term motivation programme in 2016, but so far did not decide to do so. However, the Compensation, Corporate Governance and Nominations Committee regularly monitors this matter and discusses the possibility of its introduction at its meetings.
4.3.3	Any golden parachutes paid by the company to its executives or key managers, whose powers it terminates early at the company's own initiative and with no bad faith on the part of such executives and key managers, do not exceed twice the fixed portion of their annual remuneration.	<ol style="list-style-type: none"> <li>Any golden parachutes paid by the company in the reporting period to its executives or key managers, whose powers it terminates early at the company's own initiative and with no bad faith on the part of such executives and key managers did not exceed two times the fixed portion of their annual remuneration.</li> </ol>	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partly complied with <input type="checkbox"/> not complied with	





N	Corporate governance principles	Compliance criteria	Status of compliance	Explanation of non-compliance
5.1	<b>The company has in place an efficient risk management and internal control system designed to provide reasonable confidence that its goals will be achieved.</b>			
5.1.1	The company's Board of Directors has defined principles of and approaches to arranging a risk management system and internal controls in the company.	1. Responsibilities of the company's management bodies and subdivisions in respect of its risk management and internal control system are clearly defined in its bylaws/policy approved by the Board of Directors.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partly complied with <input type="checkbox"/> not complied with	
5.1.2	The company's executive bodies ensure the establishment and continuing operation of an efficient risk management and internal control system in the company.	1. The company's executive bodies distributed risk management and internal control responsibilities and authority between their subordinate managers (heads) of subdivisions and units.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partly complied with <input type="checkbox"/> not complied with	
5.1.3	The company's risk management and internal control system makes it possible to obtain an objective, fair and clear view of its current condition and prospects, integrity and transparency of its accounts and reports, and the reasonableness and acceptability of the risks it assumes.	1. The company has an approved anti-corruption policy. 2. The company set up an accessible mechanism for informing the Board of Directors or the audit committee of any infractions of laws, the company's internal procedures or its code of ethics.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partly complied with <input type="checkbox"/> not complied with	
5.1.4	The Board of Directors takes the necessary and sufficient measures to ensure that the company's existing risk management and internal control system is consistent with the principles of and approaches to its creation as set forth by the Board of Directors and that it operates efficiently.	1. The Board of Directors or its audit committee appraised the company's risk management and internal control system during the reporting period. The key results of such appraisal are disclosed in the company's annual report.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partly complied with <input type="checkbox"/> not complied with	



Annual Report 2016 / Appendix 4. Report on Compliance with the Principles and Recommendations of the Corporate Governance Code.

N	Corporate governance principles	Compliance criteria	Status of compliance	Explanation of non-compliance
5.2	The company arranges for internal audits to independently appraise, on a regular basis, the reliability and efficiency of its risk management and internal control system and corporate governance practices.			
5.2.1	To ensure internal audits, the company set up a separate subdivision or engaged an independent external entity. The functional accountability of the internal audit subdivision is delimited from its administrative accountability. The internal audit subdivision is functionally accountable to the Board of Directors.	1. To ensure internal audits, the company set up a separate internal audit subdivision, functionally accountable to the Board of Directors or its audit committee, or engaged a similarly accountable independent external entity.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partly complied with <input type="checkbox"/> not complied with	
5.2.2	The internal audit subdivision appraises the internal control system, the risk management system and the corporate governance system. The company applies generally accepted internal audit standards.	1. Internal audit appraised the internal control and risk management system during the reporting period. 2. The company uses generally accepted approaches to internal control and risk management.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partly complied with <input type="checkbox"/> not complied with	
6.1	The company and its activities are transparent to its shareholders, investors, and other stakeholders.			
6.1.1	The company developed and implemented an information policy enabling it to efficiently exchange information with its shareholders, investors and other stakeholders.	1. The company's Board of Directors approved its information policy developed in line with recommendations of the Code. 2. The Board of Directors (or one of its committees) reviewed matters related to the company's compliance with its information policy at least once in the reporting period.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partly complied with <input type="checkbox"/> not complied with	

[Highlights](#)[Key Financial Performance Indicators](#)[Mission and Values](#)[1. Strategic Report](#)[2. Overview of Operations](#)[3. Financial Results](#)[4. Corporate Governance System](#)[5. For Shareholders and Investors](#)[6. Sustainable Development](#)[Contacts](#)[Appendices](#)

N	Corporate governance principles	Compliance criteria	Status of compliance	Explanation of non-compliance
6.1.2	The company discloses its corporate governance system and practices, including detailed information on its compliance with the principles and recommendations of the Code.	<ol style="list-style-type: none"> <li>1. The company discloses its corporate governance system and principles, on its website and otherwise.</li> <li>2. The company discloses the membership of its executive bodies and Board of Directors, specifying which directors are independent and which of them serve on which Board committee (as defined in the Code).</li> <li>3. If it has a controlling party, the company publishes such party's memorandum of intentions regarding the company's corporate governance.</li> </ol>	<input type="checkbox"/> complied with <input checked="" type="checkbox"/> partly complied with <input type="checkbox"/> not complied with	The third criterion is not complied with. The controlling party's memorandum of intentions regarding the company's corporate governance in the Bank is not published. However, the Bank's controlling party is a member of its Supervisory Board and as such participates in meetings of the Compensation, Corporate Governance and Nominations Committee, Strategy and Capital Markets Committee and expresses his support for the development of its corporate governance by voting affirmatively on related issues; and has a practical possibility to inform Supervisory Board members directly of his plans concerning the Bank's corporate governance.
6.2	The company discloses, on a timely basis, full, up-to-date and reliable information about itself so as to enable its shareholders and investors to make informed decisions.			
6.2.1	The company discloses information in accordance with the principles of regularity, consistency and timeliness, accessibility, reliability, completeness and comparability of disclosed data.	<ol style="list-style-type: none"> <li>1. The company's information policy sets out approaches and criteria for identification, and procedures for timely disclosure, of information that can materially affect its valuation and the price of its securities.</li> <li>2. If the company's securities are traded in foreign organised markets, material information is disclosed in Russia and in such markets simultaneously and equivalently during the reporting year.</li> <li>3. In case of a material foreign equity interest in the company, disclosures were made during the reporting year not only in Russian, but also in one of the most widespread foreign languages.</li> </ol>	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partly complied with <input type="checkbox"/> not complied with	

[Highlights](#)[Key Financial Performance Indicators](#)[Mission and Values](#)[1. Strategic Report](#)[2. Overview of Operations](#)[3. Financial Results](#)[4. Corporate Governance System](#)[5. For Shareholders and Investors](#)[6. Sustainable Development](#)[Contacts](#)[Appendices](#)

195 / 197

[www.mkb.ru](http://www.mkb.ru)

Annual Report 2016 / Appendix 4. Report on Compliance with the Principles and Recommendations of the Corporate Governance Code.

N	Corporate governance principles	Compliance criteria	Status of compliance	Explanation of non-compliance
6.2.2	The company avoids using a formalistic disclosure approach and discloses material information about its activities, even if such disclosure is not required by law.	<ol style="list-style-type: none"> <li>During the reporting period, the company disclosed its annual and semi-annual IFRS financial statements. The company's annual report for the reporting period includes its annual IFRS financial statements together with the auditors' report.</li> <li>The company discloses its capital structure in full in its annual report and on its website in line with Recommendation 290 of the Code.</li> </ol>	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partly complied with <input type="checkbox"/> not complied with	
6.2.3	The company's annual report, one of the most important tools of its information exchange with shareholders and other stakeholders, contains information making facilitating appraisal of its annual performance results.	<ol style="list-style-type: none"> <li>The company's annual report covers key aspects of its operations and financial results</li> <li>The company's annual report covers environmental and social aspects of its operations.</li> </ol>	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partly complied with <input type="checkbox"/> not complied with	
6.3	The company provides any information or documents requested by its shareholders in accordance with the principle of equal and unhindered accessibility.			
6.3.1	The company provides any information or documents requested by its shareholders in accordance with the principle of equal and unhindered accessibility.	<ol style="list-style-type: none"> <li>The company's information policy sets out an easy procedure for shareholders to access its information, including information on its controlled entities, whenever required.</li> </ol>	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partly complied with <input type="checkbox"/> not complied with	
6.3.2	When providing information to its shareholders, the company maintains a reasonable balance between individual shareholders' interests and its own need to keep confidential sensitive business information that might have a material impact on its competitiveness.	<ol style="list-style-type: none"> <li>The company did not unreasonably deny shareholders' information requests during the reporting period.</li> <li>Where so required by the company's information policy, shareholders are notified that certain information is confidential and acknowledge the duty of confidentiality in its respect.</li> </ol>	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partly complied with <input type="checkbox"/> not complied with	


[Highlights](#)
[Key Financial Performance Indicators](#)
[Mission and Values](#)
[1. Strategic Report](#)
[2. Overview of Operations](#)
[3. Financial Results](#)
[4. Corporate Governance System](#)
[5. For Shareholders and Investors](#)
[6. Sustainable Development](#)
[Contacts](#)
[Appendices](#)


196 / 197

www.mkb.ru

Annual Report 2016 / Appendix 4. Report on Compliance with the Principles and Recommendations of the Corporate Governance Code.

N	Corporate governance principles	Compliance criteria	Status of compliance	Explanation of non-compliance
7.1	Any actions that will or may materially affect the company's share capital structure and financial position and, accordingly, the position of its shareholders ("material corporate actions") are taken on fair terms and conditions ensuring that the rights and interests of the shareholders as well as other stakeholders are observed.			
7.1.1	Material corporate actions are deemed to include reorganisation of the company, acquisition of 30 or more percent of its voting shares (takeover), its entry into any material transactions, increasing or decreasing its share capital, listing and delisting of its shares, as well as other actions that may be expected to materially change the rights of its shareholders or infringe on their interests. The company's Charter lists (or gives criteria of) transactions or other acts that constitute material corporate actions and as such require approval by its Board of Directors.	<ol style="list-style-type: none"> <li>1. The company's Charter lists transactions or other acts constituting material corporate actions and their identification criteria. Material corporate actions require approval by the Board of Directors. Where such corporate actions are expressly reserved by law to the General Shareholders' Meeting, the Board of Directors gives shareholders appropriate recommendations.</li> <li>2. The company's Charter defines material corporate actions so as to include at least: its reorganisation, acquisition of 30 or more percent of its voting shares (takeover), increasing or decreasing its share capital, listing and delisting of its shares.</li> </ol>	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partly complied with <input type="checkbox"/> not complied with	
7.1.2	The Board of Directors plays a key role in passing resolutions or making recommendations relating to material corporate actions; for that purpose, it relies on opinions of the company's independent directors.	<ol style="list-style-type: none"> <li>1. The company has a procedure allowing independent directors to express their positions in respect of material corporate actions before they are approved.</li> </ol>	<input type="checkbox"/> complied with <input checked="" type="checkbox"/> partly complied with <input type="checkbox"/> not complied with	Principle 7.1.2 is partly complied with as no such procedure exists, but independent directors always state their positions and give their recommendations through the Committees on which they serve. This recommendation will be incorporated into the Bank's Corporate Governance Code when it is next updated.



Annual Report 2016 / Appendix 4. Report on Compliance with the Principles and Recommendations of the Corporate Governance Code.

N	Corporate governance principles	Compliance criteria	Status of compliance	Explanation of non-compliance
7.1.3	Any material corporate actions which would affect the rights or lawful interests of the company's shareholders are made on equal terms and conditions for all of the shareholders; if statutory mechanisms designed to protect shareholder rights prove to be insufficient to that end, additional measures are taken to protect their rights and lawful interests. In such cases, the company not only seeks to comply with the formal requirements of law but also follows the corporate governance principles set out in the Code.	<ol style="list-style-type: none"> <li>1. The company's Charter sets out material corporate action criteria that are lower than the statutory criteria and reflect the nature of its business.</li> <li>2. During the reporting period, all material corporate actions were approved before they were made.</li> </ol>	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partly complied with <input type="checkbox"/> not complied with	
7.2	The company has in place such a procedure for taking material corporate actions as would enable its shareholders to become fully and timely informed about them and influence them, and as would also guarantee that their rights are observed and duly protected in the course of such actions			
7.2.1	When disclosing material corporate actions, the company explains their reasons, conditions and consequences.	<ol style="list-style-type: none"> <li>1. During the reporting period, the company disclosed its material corporate actions in due time and in detail, including reasons and timelines.</li> </ol>	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partly complied with <input type="checkbox"/> not complied with	
7.2.2	The company's bylaws set out rules and procedures for material corporate actions.	<ol style="list-style-type: none"> <li>1. The company's bylaws set out a procedure for engaging an independent appraiser to evaluate assets disposed of or acquired in a major or non-arm's-length transaction.</li> <li>2. The company's bylaws set out a procedure for engaging an independent appraiser to evaluate its shares to be acquired or bought back.</li> </ol>	<input type="checkbox"/> complied with <input type="checkbox"/> partly complied with <input checked="" type="checkbox"/> not complied with	The principle is not complied with. The Bank's Supervisory Board considered amending its bylaws in line with these recommendations of the Code in 2016 and decided not to do so because they are set out in applicable laws and would be binding on the Bank, in the relevant cases, whether or not they are set out in its bylaws.