

EXPLANATORY NOTE

On amendments to the Bank's Charter, Regulation on the General Shareholders' Meeting, Regulation on the Supervisory Board, Regulation on the Management Board and the Chairman of the Management Board

Changes in applicable Russian laws and regulations, including the Federal Law "On Joint-Stock Companies", the Federal Law "On Securities Market", the Federal Law "On Banks and Banking Activities", the Regulation on General Shareholders' Meetings No. 660-P approved by the Bank of Russia on 16.11.2018, call for amending certain sections of the Bank's Charter, Regulation on the General Shareholders' Meeting, Regulation on the Supervisory Board, Regulation on the Management Board and Chairman of the Management Board. Further amendments thereto are intended to improve the Bank's corporate governance practice.

This explanatory note reflects key amendments to the aforesaid documents.

1. Key amendments to the Charter

The first article (General Provisions) is amended to specify that the Bank as the parent credit institution of its banking group may exercise strategic, corporate and risk management at the level of such group and its individual members.

The fifth article (Charter Capital. Property of the Bank) is amended to include requirements to the contents of a resolution to reduce the Bank's charter capital.

The sixth article (Shares and Other Emission Securities of the Bank) is amended to specify that the Bank as a credit institution may issue a new type of bonds – structured bonds.

The seventh article (Rights of the Bank's Shareholders) is amended to confer a pre-emptive right to acquire any privately placed shares or convertibles on shareholders who voted against, or did not vote on, their placement.

The eleventh article (Management of the Bank) is amended as regards the kinds of organisations where the Chairman of the Management Board and his deputies, Management Board members, the Chief Accountant and his deputy may not act as executive officer or chief accountant.

The twelfth article (General Shareholders' Meeting) is amended as regards the preparation and holding of General Shareholders' Meetings, namely: the list of matters to be decided by annual General Shareholders' Meeting is adjusted (cl. 12.9.), the record date for participation in a General Shareholders' Meeting in case of any merger, spin-off or demerger is adjusted (cl. 12.11.), notice to shareholders of General Shareholders' Meetings is extended (cl. 12.13), the Supervisory Board is entitled to propose, on a par with shareholders, agenda items for General Shareholders' Meetings and candidates to the Bank's management bodies (cl. 12.17.).

The thirteenth article (Supervisory Board) is amended (a) to specify that the Supervisory Board has competence over the banking group (sub-clauses 13.2.1., 13.2.14., 13.2.19., 13.2.33., 13.2.35.-13.2.38., 13.2.40. of cl. 13.2.) and may review issues related to the internal capital adequacy assessment procedures (the "ICAAP"); (b) by moving its internal control competence from the seventeenth article to cl. 13.2.19.; (c) to empower it to extend annually its members' qualification as independent directors from 7 to 12 years of their serving as such (subcl. 13.2.44. of cl. 13.2.), (d) to reflect certain legal changes (subcl. 13.2.4., 13.2.6.,

13.2.22. and 13.2.33. of cl. 13.2.); (e) to empower it to approve candidates nominated or to be nominated by the Bank to the boards of directors (supervisory boards) of its subsidiary and controlled companies (sub-clause 13.2.45. of cl. 13.2.); (f) to confer on the Chairman of the Supervisory Board the right to break ties (cl. 13.10.).

The fourteenth article (Management Board) is amended to outline the Management Board's competence as regards the Bank's and its banking group's compliance with ICAAP requirements (cl. 14.2.).

The fifteenth article is amended as regards the competence of the Chairman of the Management Board.

The internal control responsibilities are moved from the seventeenth article to cl. 15.2., the authority to review ICAAP issues is specified. The Chairman of the Management Board is allowed to delegate his AML/CFT/PWMD¹ control functions by a bylaw to his deputy or a Management Board member.

Due to the amendments to the twelfth-fifteenth articles, the seventeenth article (The Bank's Internal Control) is amended as follows: internal control is exercised by the Bank's governing bodies and persons exercising internal control in respect of the Bank and its banking group; the circle and functions/competence of persons exercising internal control in the Bank is adjusted (cl. 17.5.); the Internal Control Section (Compliance Section) may, if its Head is not a Management Board member, be subordinated, by decision of the Chairman of the Management Board, to a Deputy Chairman and member of the Management Board who is not involved in making any decisions related to the Bank's banking operations and other transactions (cl. 17.13.); AML/CFT/PWMD control functions may, by virtue of a bylaw, be carried out by a Deputy Chairman or a member of the Management Board (cl. 17.14);

The twentieth article (Amending the Bank's Charter) is amended to conform with applicable Russian laws, namely art. 12 of the Federal Law "On Joint-Stock Companies".

2. Key amendments to the Regulation on the General Shareholders' Meeting

The sections six to twelve are brought in line with the Federal Law "On Joint-Stock Companies", in particular:

- the list of information (materials) deliverable to shareholders in contemplation of the General Shareholders' Meeting;
- the procedure of submitting voting ballots;
- the procedure of substituting the Chairman of the Supervisory Board as the Chair of a meeting.

3. Key amendments to the Regulation on the Supervisory Board

They result from the amendments to the Charter and are as follows:

- the Supervisory Board's competence is extended to the banking group;
- the Supervisory Board's competence includes reviewing ICAAP reports and issues;
- other key amendments to the Charter relating to the Supervisory Board.

4. Key amendments to the Regulation on the Management Board and Chairman of the Management Board.

They reflect amendments to the Charter and requirements of the Bank of Russia's Information Letter No. IN-03-41/58 dated 08.07.2019 "On preclusion of conflicts of interest and conditions conducive thereto" and are as follows:

- the Management Board's and its Chairman's competence is extended to the banking group;

¹ Anti-money laundering and combating the financing of terrorism and proliferation of weapons of mass destruction

- the Management Board's and its Chairman's internal control competences are delimited (fourth section);

- the CRO is entitled to abstain from voting on resolutions approving, and/or amending the terms and structure of, counterparty limits and/or credit or security transactions to preclude a conflict of interest (cl. 2.3.6.).