APPROVED
by the General Shareholders' Meeting of
CREDIT BANK OF MOSCOW
Minutes No. ______ dated ____.____.2020

CREDIT BANK OF MOSCOW

2019

ANNUAL REPORT

Correctness of information was confirmed by the Audit Panel of CREDIT BANK OF MOSCOW

* Pre-approved
by the Supervisory Board of
CREDIT BANK OF MOSCOW
Minutes No. dated _________2020

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KEY EVENTS

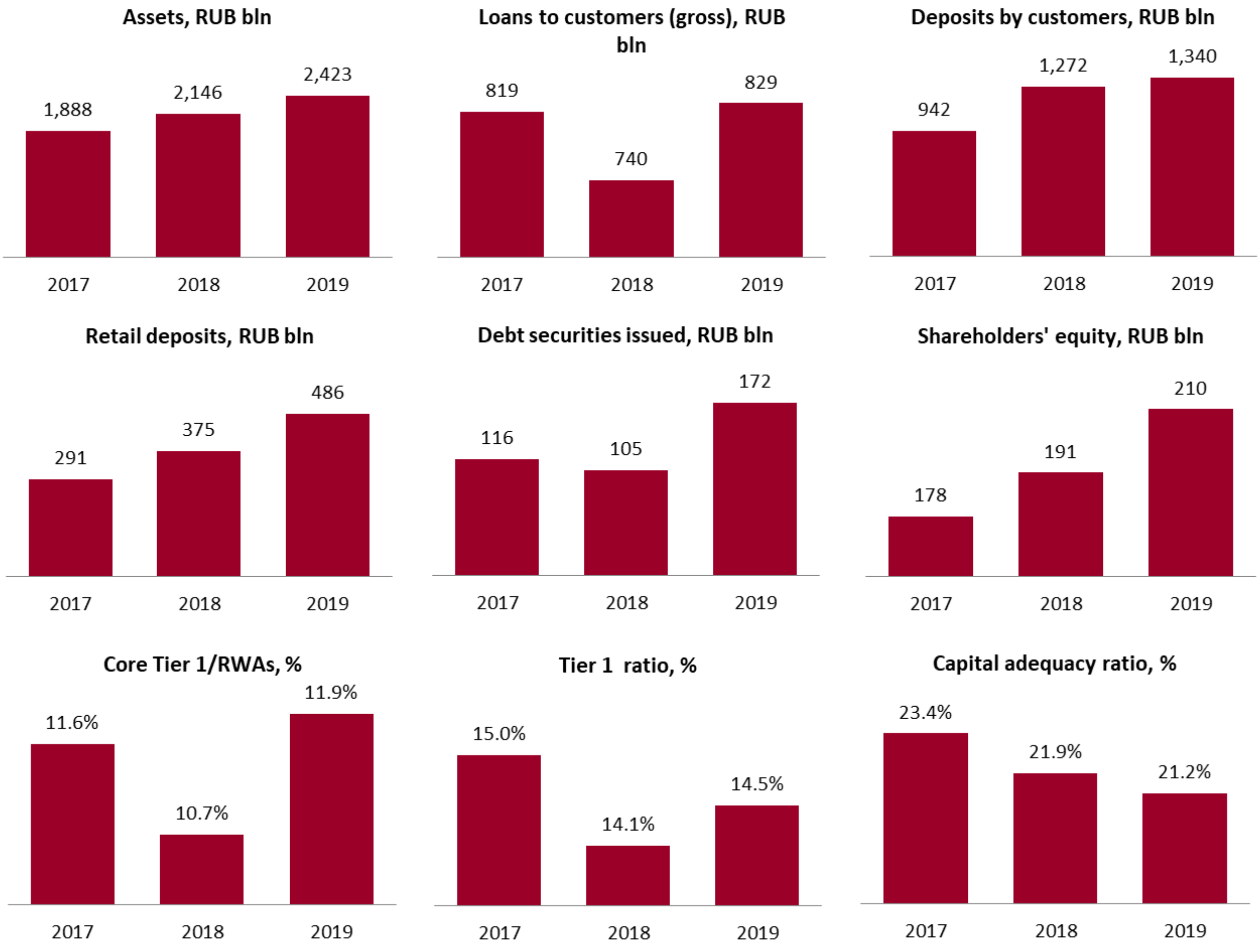
Key events – 2019

Month	Event
January	CBM launched a new product for corporate customers – notional cash pooling
February	CBM placed its debut euro-nominated EUR 500 mln 5.15% 5-year senior Eurobond. CBM launched a new product for corporate customers – “Automatic Overnight”. CBM became a partner of the Russian Franchise Association.
March	CBM was topped the list of Russian banks in the Forbes '*World’s Best Banks 2019*' ranking. CBM successfully placed a USD 500 mln 7.121% 5.25-year senior Eurobond.
April	CBM signed an up to USD 500 mln syndicated loan facility with 12 major lenders from Europe, the USA, the Middle East and Asia. Expert RA upgraded CBM’s credit rating to “ruA”, stable outlook.
May	CBM became the sole privately-owned Russian bank on the Forbes Global 2000 list of the world’s largest public companies.
June	Fitch Ratings upgraded CBM’s rating to BB, stable outlook. CBM paid out its first dividends to shareholders: the total dividend payout was RUB 2,979 million.
July	CBM was listed by The Banker among the Top 1000 World Banks 2019 by first tier capital, ranking 7th domestically and 11th in the Central and Eastern Europe. CBM joined FinTech Association (AFT). CBM presented its first 2018 Sustainability Report based on GRI standards. CBM implemented a new electronic real-time FX trading platform.
September	CBM was ranked by Forbes among Russia’s 200 largest privately-owned companies as the 2nd largest financial sector player. Euromoney’s Cash Management Survey – 2019 placed CBM first in the Best Service category.

October	CBM was the first Russian bank to receive an ESG[1] rating: Rating-Agentur Expert RA GmbH assigned it a BBB ESG rating. Fulfilling its comprehensive strategy to develop corporate social and environmental responsibility programmes, CBM became a partner of the World Wildlife Fund (WWF), and signed a partnership agreement with Moscow Zoo. CBM's Mudrost (Wisdom) card won the Frank Banking Award 2019 as the best bank card for pensioners. CBM launched a new product for legal entities and sole proprietors — loans secured upon commercial property. CBM's EUR 500 mln 5-year 5.15% Senior Eurobond was named the '*Most Innovative Bond Deal*' by the British magazine *International Finance*.
November	CBM placed 2.75 bln shares in an SPO totalling RUB 14.7 bln to improve its capital structure and quality. CBM bought back USD 150 mln in the aggregate principal amount of its subordinated Eurobond issues (CBOM27 and CBOM-perp), of which, after a partial redemption, USD 440 mln and USD 540 mln remain outstanding, respectively. CBM obtained the Chinese national scale credit rating of AA+ from China Lianhe Credit Rating Co.
December	The new MKB Online mobile banking app won a Runet Prize award in the *Mobile Application of the Year* nomination. CBM signed an up to CNY 2 bln syndicated loan, becoming the first privately-owned Russian bank to receive funding from Chinese financial institutions. CBM was ranked by Cbonds among the top 5 domestic bond arrangers in 2019: more than 80 deals aggregating around RUB 900 bln in principal amount.

[1] ESG – Environmental, Social, Governance

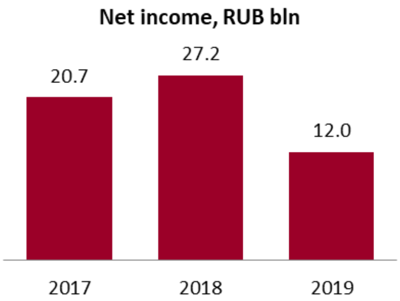
KEY FINANCIAL PERFORMANCE INDICATORS

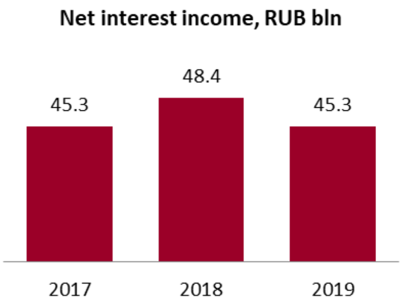


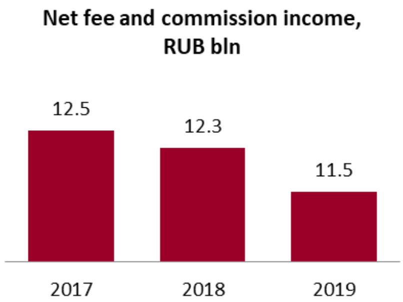
Explanation:

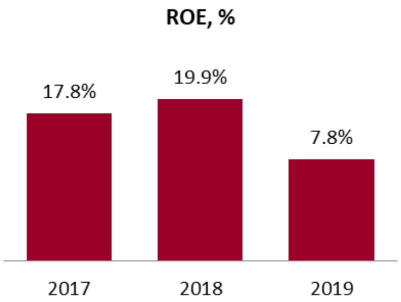
The core capital *increased by 17.0% y-o-y to RUB 170.2 bln. The capital structure was strengthened by a RUB 14.7 bln SPO carried out on the Moscow Exchange in November 2019.* ***The Tier 1 capital ratio*** *calculated in accordance with Basel III rose from 10.7% as at end-2018 to 11.9% as at end-2019.*

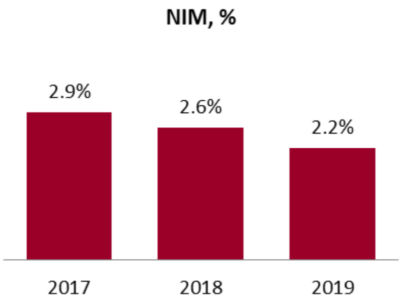
The bank's ***total capital*** *according to the Basel III standards rose by 1.8% y-o-y to RUB 302.9 bln. The additional and tier 2 capitals declined because of currency revaluation and partial buyback and cancellation of subordinated Eurobonds CBOM27 and CBOM-perp in November 2019. The total capital adequacy ratio reduced from 21.9% to 21.2%.*

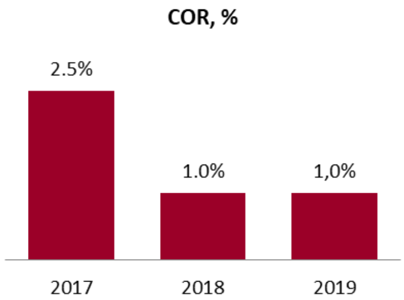












Explanation:

Net income *for 2019 was RUB 12.0 bln. It fell largely because the rouble exchange rate continued to climb in 4Q2019, which was reflected in the FX-nominated perpetual subordinated Eurobonds revaluation, and because net interest income shrank while risk indicators remained at their 2018 levels.*

Net interest income *decreased by 6.5% y-o-y to RUB 45.3 bln as interest income rose by 6.8% and interest expense by 14.0% in 2019 due to a faster growth of retail deposits and repricing of large corporate deposits in the first half of 2019.*

MISSION AND VALUES

Mission

Be a reliable, helpful and insightful financial assistant for customers and partners, thus promoting the development of each of them and the national economy on the whole.Vision:

- Be effective to remain reliable;
- Offer high-quality solutions at acceptable prices;
- Guarantee convenience, user-friendliness and high-quality expertise.

Values

Each day we seek to do more and become better.We know how to work in tough circumstances and overcome difficulties.

We know how to be flexible and find the best solutions in changing market conditions.We increase efficiency to remain reliable.We value the trust of our customers, partners and society.We foster long-term relationships with them as we understand the high extent of our responsibility.We want all our services and products to be advantageous, understandable and convenient, and all our interaction channels to guarantee quality and friendliness.

We also seek to exemplify sustainable development principles for our customers and partners, guided by social and environmental responsibility principles, and based on best national and international corporate governance practices.

STRATEGIC REPORT

1. *Address of the Chairman of the Supervisory Board*

DEAR SHAREHOLDERS, INVESTORS, CUSTOMERS, PARTNERS AND EMPLOYEES,

It is my pleasure to provide you with the 2019 Annual Report of CREDIT BANK OF MOSCOW. I am also pleased to report that our bank's shareholder and investor bases have continued to grow following a series of successful capital transactions in 2019.

Words of satisfaction from the results achieved last year would definitely sound more solid and encouraging, should they be said in a healthier and more stable environment. Unfortunately, the recent coronavirus outbreak has totally changed mindsets, ways of life, economies, financial markets, plans and expectations. While we deeply feel for people themselves and for the families who suffered from the virus, we are also preparing to a different environment, both socially and economically. We are developing the ways both to support the businesses and individuals, and to keep on serving the needs of our clients in an even better and more efficient way. The economies will sooner or later be returning to growth after the current downturn, and we believe that a track record of our strong performance, on which we will report herein, will be a good basis to withstand the crisis and move forward.

While economic growth worldwide was relatively slow last year, a look at the performance of emerging markets shows Russia to be a relative outperformer of its peers due to a mix of financial stability, currency strength, and relatively cheap valuations. Russian borrowers were especially active through 2019 in the international capital markets amid global interest rates cuts and higher risk appetite of investors seeking to retain portfolio return levels. Though banking sector growth is somewhat constrained by slow economic growth in Russia, a few larger market players - including our bank - are well positioned to be in the forefront of the sector in terms of maintaining growth opportunities, increasing market share, and ensuring healthy asset quality.

Our focus in 2019 was on client services, technological development, and the reliability and efficiency of our IT systems. Strategically we continue to develop in the key areas of larger corporate and high-quality retail segments, focusing on cross-selling, enhancing efficiency and digital banking, while improving customer experience. We have increased our digital presence, with the penetration of remote banking into our retail client base now exceeding 50% and into our corporate base now exceeding 90%. The real winners of the digital transformation process are our clients, and we are pleased to see improved client scores of those using our remote banking applications.

As mentioned, our shareholder base is now larger and more diverse, with another milestone transaction performed in 2019: an SPO coupled with a buy-back of our Tier 1 and Tier 2 Eurobonds. This transaction resulted in the optimization of our capital structure and the strengthening of our regulatory capital, enabling us to prepare for further growth, while also meeting investor expectations. New equity was raised in the amount of RUB 14.7 billion, Eurobonds in the amount of USD 150 million were repurchased and cancelled, and a gain of approximately USD 28 million was recorded from cancellation of the Eurobonds.

CBM has focused on growing its businesses with a primary goal of delivering long-term solid financial returns justifying the investments of our shareholders and investors, while at the same time being a bank of first choice for our customers and counterparties.

For us, 2019 also became a milestone in terms of bringing our environmental, social and governance initiatives to a new level. In addition to what had already been accomplished in terms of our environmentally friendly business principles – enhanced by EBRD social and environmental policies, strong governance structure and charity projects - we have now placed ESG issues as a focus of our business development on a strategic level. Last year we issued the first Sustainability Report for the bank, developed a sustainable business development road map and formed a dedicated Sustainable Development Workgroup aiming at expanding the bank's contribution to the achievement of a sustainable future. In addition, CBM became a partner of the World Wildlife Fund, developed more socially-oriented products, and our efforts earned recognition by Rating-Agentur Expert RA GmbH rating agency, which assigned a BBB ESG rating to the bank. Our further commitment is to continue to seek opportunities to develop our businesses for the benefit of our stakeholders and the public, and to do it in a responsible manner.

In terms of corporate governance, the Board is pleased to report on another independent recognition of the bank's efforts in becoming one of the leaders in transparency, sustainability and strong corporate governance in Russia: in 2019 CBM was recognized by World Finance Corporate Governance Awards as having the "Best Corporate Governance in Russia".

The bank also last year continued to implement recommendations by the Central Bank of Russia as to best corporate governance practices which we believe benefit the Bank's stakeholders. In particular, the Supervisory Board of the Bank reviewed new recommendations described in the Central Bank of Russia's information letter No. IN-06-28/18 "On Guidance for Members of Financial Institutions' Board of Directors (Supervisory Boards)", Russia's information letter No. IN-06-28/45 on recommendations as to the boards of directors' (supervisory board's) "engagement in the processes of IT development and management and information security risk management in a public joint-stock company" and information letter No. IN-06-28/41 on recommendations on "self-appraisal of public joint-stock companies' board of directors (supervisory boards)" and developed a plan to implement those recommendations. The Supervisory Board also invested significant time during the year to the development of a longer-term strategy for the bank, as well as the further development of the internal audit function, including communication with external auditors and monitoring of risk management matters. In order to make an independent evaluation of the work of the Supervisory Board, the Supervisory Board retained an external consultant – Stanton Chase – to measure and evaluate the Board, the results of which formed the basis for further improvements in 2019.

We are pleased to report that we have continued to progress toward achieving our strategic objectives, while building a more viable enterprise better able to capture future growth opportunities, offer first class products and technologies to our clients, and deliver solid shareholder value and investor returns.

While aware of the challenges, we do believe that our bank is well-positioned to take advantage of the significant opportunities which lie ahead.

Chairman of the Supervisory Board **William Forrester Owens**

2. *Address of the Chairman of the Management Board*

Dear shareholders, investors, partners and customers,

2019 was quite a successful year for the Russian banking sector. After 3-4 years of high volatility, the financial market situation has stabilised. This was partly due to a series of actions taken by the Bank of Russia, such as consistent key rate cuts and the limitation of borrowers' debt load, which also encouraged responsible consumer lending. In addition, a positive trend continued in retail and corporate deposit-taking – despite declining rates, the deposit portfolios did nothing but grow. All these factors ensured strong performance of the Russian banking system, with annual earnings reaching a record-high RUB 2 tln.

Last year was also successful for Credit Bank of Moscow, which consolidated its market positions as a top-ten Russian bank. We closed the year as the largest privately-owned public bank by assets. The bank's assets grew by 13% in 2019 to reach RUB 2.4 tln. Total gross loan portfolio increased by 12% y-o-y to RUB 829.2 bln, and core capital rose by 17% y-o-y, reaching RUB 170.2 bln. The bank demonstrates high operational efficiency and good corporate governance, as recognised by a World Finance Corporate Governance Award.

The bank now services more than 25,000 corporates and almost 1.8 mln individuals. Customer deposits, representing 60.5% of total liabilities, demonstrated stable growth in 2019, having increased by 5.3% to RUB 1.34 tln mainly due to a strong 29.6% inflow of retail deposits that reached RUB 486.2 bln or 36.3% of total deposits. These figures are a testament to the efficient way we have built long-term trust-based relationships with customers and consistent improvement of the product range, financial technologies, remote banking facilities, and overall customer service.

Our investment and private banking team achieved a significant breakthrough in 2019. In just one year, CBM rose from a debt capital market debutant to a top-5 arranger of public bond placements. We closed 80 deals totalling RUB 900 bln in 2019. The bank made a significant step in developing its investment business in international markets, too: Belarus, Kazakhstan, Uzbekistan and Kyrgyzstan. Continuous development is shown by mkb private banking – a new business line of the Bank targeting high net worth individuals: the volume of structured finance with family offices rose to USD 600 mln. These achievements did not go unnoticed by the market: CBM received 3 awards from Cbonds last year, including the "*Best Arranger for the Non-Financial Sector*", and the "*Start of the Year*" for mkb private banking from Spear's Magazine.

In 2019, CBM continued developing its business in Asia. We see Asia as a key strategic region for business expansion, and China as a strategic partner for the entire Russian economy. Being a systemically important bank, CBM seeks to strengthen business relationships and ties between Russian and Chinese financial institutions, share information and develop joint business initiatives. In late 2019, CBM was the first privately-owned Russian bank to raise a syndicated loan, a facility of up to CNY 2 bln, from Chinese financial institutions. The proceeds are earmarked for financing trade between Russia and China. It is a priority for CBM to participate in programmes promoting Sino-Russian relations and cooperation and, in particular, support projects related to the Belt and Road Initiative.

CBM is rated quite high by Russian and international agencies: in 2019, Fitch Ratings upgraded its rating to BB reflecting an improved evaluation of its risk profile, while Expert RA highlighted the improved quality of its assets and upgraded its rating to ruA. Other agencies also affirmed CBM's ratings: A by ACRA, BB- by S&P, and Ba3 by Moody's. In 2019 CBM was the first

Russian bank to receive a BBB[esg] rating from Rating-Agentur Expert RA GmbH, which reflects a high expert evaluation of the bank's efforts to integrate ESG principles into its business strategy. CBM was also rated AA+ on the Chinese national scale by China Lianhe Credit Rating Co.

We are not complacent about our achievements. Since very early 2020, the bank's geography of presence has been expanding: 134 branches cover as many as 21 regions of Russia, operational centres have opened in Smolensk and Saint Petersburg. We are developing as a modern financial institution of a national scale. We continue integrating cutting-edge financial technologies and best product solutions into our operations. We are making a bank that is friendly not only to its customers and partners, but also to its employees, by fostering the features expected of a responsible and attractive employer and by promoting comfortable environment for effective work and personal development.

Nevertheless, it is clear that 2020 will be a challenging year for all sectors of the economy of many countries, including Russia. The outbreak of the new coronavirus infection that started in late 2019 continues to provoke a high volatility in the financial markets and puts pressure on the entire global economy. In that environment, acknowledging its social responsibility and possible risks, the bank's key priority is to further maintain its own stability and make arrangements to support the stability of our customers and the safety of our staff. To this end, the bank has already announced the launch of loan restructuring programmes for affected parties and sectors in line with the new initiatives of Russian state authorities. We continue serving all our customers and investors. We are monitoring the situation and are taking all necessary precautions.

For many years, CBM has been able to show strong performance not only in periods of economic growth, but also amid financial turbulence thanks to its sustainable, ever profitable business model, high capital adequacy and shareholders' support. As a systemically important bank, we understand our impact on a significant part of the economy and society, and will therefore continue to introduce best global practices of corporate social responsibility. I believe that all these steps will help us strengthen our positions as a leading privately-owned commercial bank, enhance our efficiency, and remain a beneficial partner for customers, a transparent and understandable business for investors, and a profitable asset for shareholders.

Chairman of the Management Board **V.A. Chubar**

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

4. *Economy and banking sector*

Macroeconomic update

According to the latest statistics, GDP growth in 2019 was 1.4%. Expectations at the beginning of 2019 stood at 1-1.5% with an average forecast of 1.2%. Q1 and Q2 data showed a considerable slowdown to only 0.5% and 0.9%, respectively. However, Q3 and Q4 data showed growth accelerating to 1.7% and 2.3%, respectively.

In the industry context, the positive contribution of non-gas industries decreased most significantly compared to the previous year. The contribution of the industry against the backdrop of stable growth rates remained at the level of the previous year. In addition, high crop yields and stable conditions ensured that the agriculture sector contributed about 0.1% to GDP growth (after a near-zero contribution the year before).

The contribution of trade turnover to economic growth in 2019 decreased to 0.2% after 0.3% a year earlier. With that, the growth rate slowed both in the retail segment (down to 1.6% from 2.8% a year earlier) and in the wholesale segment (despite a significant acceleration due to one -time factors in Q4).

The Russian manufacturing PMI index increased to 47.5 points in December 2019, according to IHS Markit research. In November, the index was 45.6 points but, despite this, it remains below 50 points, which indicates a downward trend in the sector.

The business activity index (PMI) in the Russian service sector in December 2019 decreased to 53.1 points compared to 55.6 points a month earlier. Domestic and external demand increased as companies displayed a renewed growth in export orders. However, business expectations fell to their lowest level since August 2017 amid increased competition. Uncertainty about the growth in business activity is also reflected in slowing job growth.

In our view, the Russian economy is showing signs of stability, but growth is still unsustainable and subject to external risks. The situation on the Russian financial market remained stable at the end of 2019. The increase in volatility in global financial markets given the spread of coronavirus was not accompanied by significant net sales of OFZs from non -residents, their share increased by 1.8 percentage points to 33.2% in the reporting period.

Banking sector key indicators

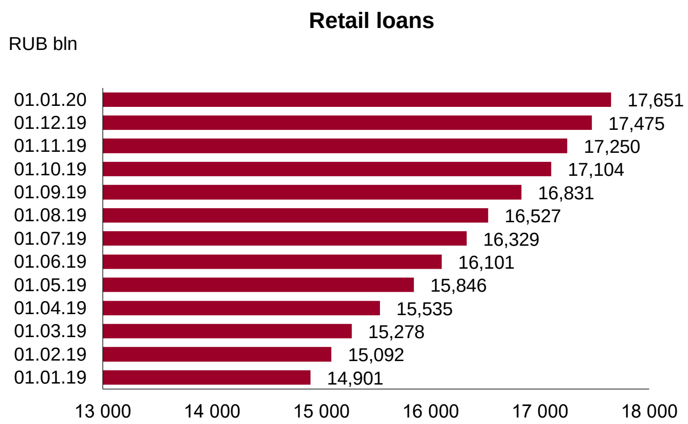
The Russian banking sector has been stable in 2019. Retail credit expansion overlook corporate lending, while growth slowed in the second half of the year due to CBR’s restrictive measures for unsecured consumer lending. CBR has continued its clean up of the sector by revoking the licences of banks and focusing on the financial rehabilitation of large financial institutions.

RUB bln	1-Jan-20	1-Jan-19	Change y-o-y
Assets	**96,581**	**94,084**	**2.7%**
Corporate loans	33,777	33,372	1.2%
overdue	2,618	2,093	25.1%
as % of loans	*7.8%*	*6.3%*	
Retail loans	17,651	14,901	18.5%
overdue	765	760	0.5%
as % of loans	*4.3%*	*5.1%*	
Retail deposits	30,549	28,460	7.3%
Corporate deposits	28,146	28,006	0.5%
Income	2,037	1,345	51.5%

Source: CBR (all numbers in nominal terms)

Retail lending

- Retail lending eased to a growth of 18.5% in 2019 compared with 22.4% in 2018. The slight slowdown was partially the result of additional premiums to the risk factors for unsecured consumer loans, depending on the borrower's debt burden.

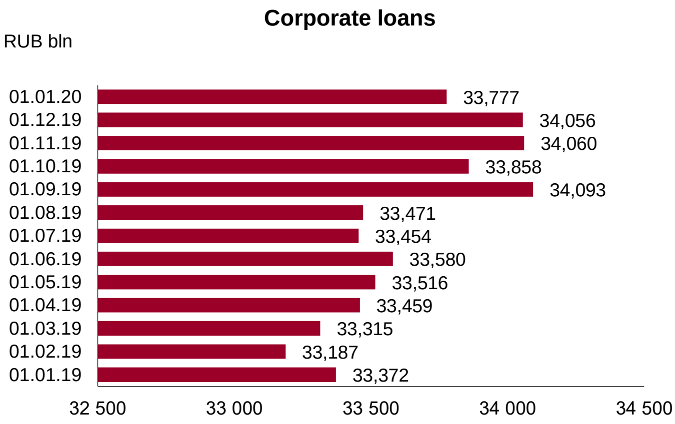


Source: CBR (all numbers in nominal terms)

- Unsecured consumer loan portfolio growth rate was 20.1% in 2019 compared to 21.6% in 2018. In October 2019, CBR launched new measures to cool down unsecured consumer lending. As of 1 October 2019, all banks are obliged to calculate debt-to-income ratios for all consumer loans above RUB 10,000. The higher this ratio, the larger the risk coefficient that has to be applied to the loan.
- Mortgage loans increased by 15.5% to RUB 7.6 tln in 2019.
- Car loans increased by 15.1% in 2019.
- The share of overdue loans decreased to 4.3% by the end 2019 from 5.1% at its start, mainly due to portfolio expansion.

Corporate lending

- Corporate loan portfolio growth rate remains weak. Corporate lending increased by 1.2% in 2019 (+4.3% net of FX effect) vs. 10.5% (+5.1% net of FX effect) growth in 2018. The demand from quality corporate borrowers remains weak. At the same time, the upcoming changes in capital requirements related to the decrease of risk weights for certain types of assets, should add some capital for lending operations.

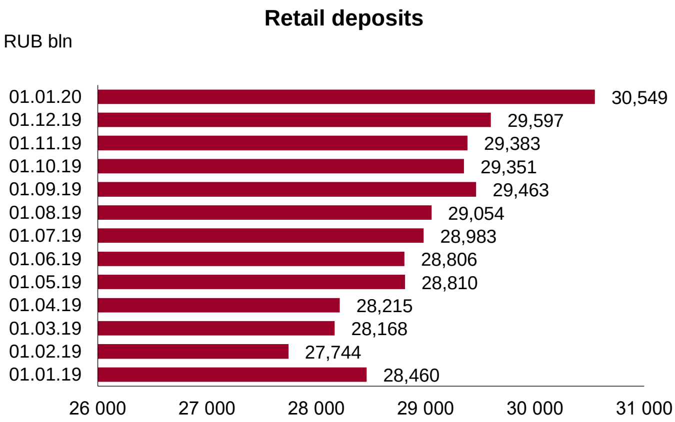


Source: CBR (all numbers in nominal terms)

- The share of overdue loans was 7.8% in 2019 vs. 6.3% a year ago. However, this was more a technical increase due to changes in accounting principles (implementation of IFRS 9) in 2019.

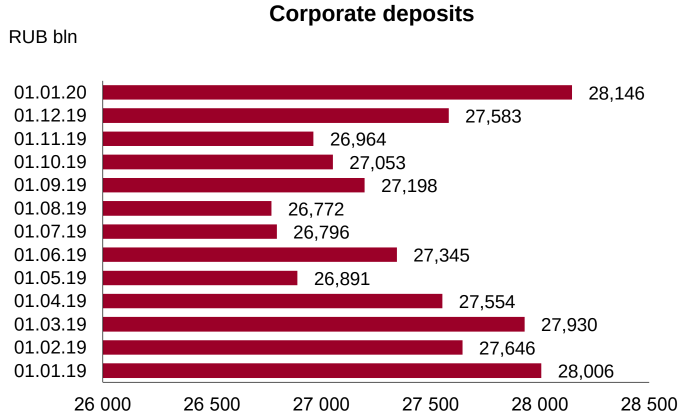
Funding base

- Retail deposits increased by 7.3% (+9.9% net of FX effect) in 2019 vs. 9.5% (+5.5% net of FX effect) in 2018. Interest rates were broadly flat in the first half of 2019 and then started to fall back. Thus, retail clients tried to fix the current yield on deposits amid declining interest rates.



Source: CBR (all l numbers in nominal terms)

- Corporate deposits increased by 0.5% in 2019 (+4.3% net of FX effect) vs. 12.7% growth in 2018 (+5.6% net of FX effect).



Source: CBR (all numbers in nominal terms)

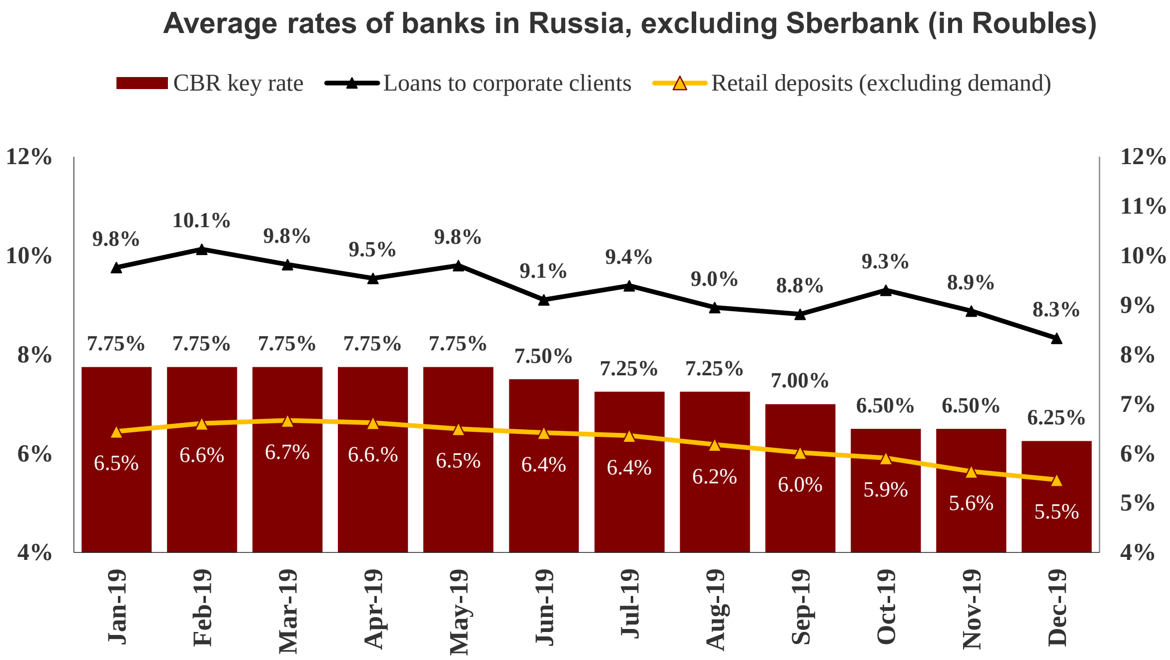
- The deposit dedollarisation trend continued in 2019, partly due to the rapid decline of FX denominated rates compared to local currency interest rates.

Earnings and capital

- Sector profitability was strong, driven mainly by the results posted by the largest banks. The banking sector earned RUB 2,037 bln in 2019 vs. RUB 1,345 bln in 2018. However, income growth in 2019 was largely due to the introduction of IFRS 9 (about RUB 400 bln additional income from technical adjustments).
- Total capital adequacy ratio increased by 0.2 ppt to 12.4% as of 1 December 2019 from 12.2%. Base capital increased by 0.4 ppt to 8.7% as of 1 December 2019.

Interest rates

- Since the beginning of 2019, CBR has cut the key rate five times – from 7.75% to 6.25%. These decisions mainly evolved from the continuing deceleration of inflation and economic growth below CBR's expectations.
- The average rate for loans to non-financial organisations decreased to 9.0% as of 1 December 2019 from 10.0% in January 2019. The average rate for retail term deposits was 5.6% as of 1 December 2019, which is 90 ppts below the rate as of 1 January 2019.



- The TOP 10 Russian banks' deposit rate decreased to 6.01% at the end of 2019 from 7.53% in the first ten days of January 2019.

5. *Business model. Competitive advantages. Position in the industry.*

Business model

CREATED VALUE

Shareholders and investors	Customers	Human resources	Society
Debut dividend payout was made in 2019 in the amount of RUB 2,978.8 mln or 24.6% of the bank's 2018 RAS net income	High quality banking products and technologies – customer base expanded by 18% in 2019	9,780 employees[2]	A consistent number of public projects, including cooperation with the *Arifmetika Dobra* charity supporting orphans and adoptive families, and ESG/CSR projects under the sustainable development strategy

UNIQUE OPERATING MODEL

Corporate business: focus on major customers	Retail banking: high-quality customer base	Investment business: diversified line of products	International business: active player in international capital markets	Transparent ownership structure and high corporate governance standards
– Focus on strong, large and medium, state- and privately-owned companies in target segments – Focus on RAROC[3] and value-added services with 70% of corporate clients using more than 1 CBM product – Leading position in Moscow region with strong footprint in the Russian market – Online platform powered by artificial intelligence – Cash handling platform providing strategic benefits from a risk management perspective	– 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 – Omni-channel distribution network with strategically located branches and powerful online offering: over 130 branches, over 1,100 proprietary ATMs and over 6,800 payment terminals – Customer service digitalisation, focus on remote banking channels – Leading deposit offering with competitive interest rates	– Active use of cross sale tools generating added value – Access to global markets – Full range of investment banking services: ECM, DCM, M&A, equity financing etc. – Focus on low risk deals with prime counterparties and efficient utilisation of capital – Solid Track Record in DCM: Top-3 Best Arranger for the Non-Financial Sector in 2019	– The most active Russian bank by public transactions in the international capital market in recent years (IPO in 2015, SPO in 2015, 2017 and 2019, 3 Eurobond issues in the last 2 years, international syndicated loans) – Using a strong international business franchise to further diversify the funding base by maturities, sources, instruments and counterparties – The most favourable position in the current market conditions to access international capital markets, plus broad experience – Growing operations in the strategically important Asian region	– Reputable minority shareholders, including EBRD – Full compliance with best international corporate governance practices – Leadership in transparency and disclosure – 5 out of the 10 Supervisory Board members are independent directors, and 2 others are nominees of minority shareholders – Management engagement in decisions related to environmental policies and reporting

[2] Across the banking group (CBM, SKS, Inkakhran)
[3] Risk-adjusted return on capital

UNIQUE OPERATING MODEL					
		and convenience for customers, leading loyalty programmes across retail products			

RESOURCES	Financial capital	Intellectual capital	Human capital	Social and reputational capital
	• The bank enjoys a well-diversified funding structure, including, in particular, corporate, retail and bank deposits. • The bank's high credit ratings from four leading international and two Russian rating agencies, and an unblemished financial history give it access to international funding and allow it to tap capital markets actively. • In 2019, the bank issued EUR500 mln and USD500 mln Eurobonds, made a RUB 14.7 bln SPO, and raised two syndicated loans up to USD500 mln and up to RMB 2 bln, all of which strongly improved its capital structure and quality, and lengthened its liabilities.	• The bank's technological development policy seeks to ensure operational efficiency, information security, a better customer experience, and rapid and high-quality development of new services and products for corporate, retail and investment banking customers. • The optimal automation solutions chosen (including upgraded CRM systems) make it possible to accomplish business tasks most efficiently, responding promptly to market changes and customer demands	• The bank's HR strategy is aimed at hiring, developing and retaining highly qualified and efficient employees. • To develop human capital and build an effective team, CBM employs the best HR practices - annual performance appraisal as part of the performance management system, a modular system approach to training based on individual development plans and competency model, use of modern adaptation methods, development of internship programs, and automation of HR processes. • The bank has created an open corporate culture with a developing environment, promoting corporate social responsibility (CSR) as a part of its corporate culture.	• Emphasis is placed on commitment to key standards and values adopted by the bank and shared by its employees and management, including social and environmental obligations. • The bank's business model emphasises socially-responsive products, in particular social retail products, and support for exporters and SMEs. • CBM seeks to exemplify sustainable development principles for its customers and partners, guided by social and environmental responsibility principles, and based on best national and international corporate governance practices. • CBM recognises the importance of each of the 17 Sustainable Development Goals adopted by the UN General Assembly in 2015. In its practice, CBM focuses on 6 of them, identified as our top priorities: good health and well-being, quality education, decent work and economic growth, industry, innovation and infrastructure.

Competitive Advantages

STRONG FINANCIAL PERFORMANCE AND FINANCIAL STABILITY

- The bank has been profitable over many years of organic growth. The bank's total assets rose by 55% from 31 December 2016 to 31 December 2019, while its return on equity was 14.2%.
- Thanks to its successful, ever-profitable business, shareholder support and sizeable liquidity buffer, CBM is able to show strong performance not only in periods of economic growth, but also amid financial turbulence.
- It is characteristic of the bank to maintain a stable funding profile and strong capital adequacy ratios: its 2019YE total capital adequacy ratio was 21.2%, one of the highest among its peers.

THE BANK'S SUSTAINABLE BUSINESS MODEL

- Balanced loan portfolio structure focusing on corporate lending with large and medium-sized businesses (including Russian blue chips) prevailing.
- Active development of investment banking business to deliver synergy with corporate and retail businesses and propel further growth of the bank's business.
- Balanced growth of retail business, based on a deep understanding of the target customer and a focus on customers with a high credit rating.
- Use of cross-selling and other channels for retail customer acquisition and servicing, including the bank's 6,800 payment terminals that provide access to the payment history of every second person applying for a loan. This unique source of information minimises the risk of fraud associated with walk-ins and ensures a high-quality growth of the business.
- A cash handling service is another risk monitoring and control tool; it helps monitor the liquidity risks of certain customers representing in the wholesale and retail trade segment.

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

- Pursuing a flexible customer policy and fast decision-making thanks to proven procedures.
- Constant improvement of customer experience, using advanced information technology and offering innovative products.
- Active development of delivery channels, including full-scale branches working until late 7 days a week to sell banking products and provide a wide range of financial options.
- Active development of remote banking channels: CBM provides electronic payment systems and online banking services to corporate customers, as well as online and mobile banking services to retail customers. Remote sale channels such as online banking, and physical sale networks such as payment terminals together provide CBM's customers with access to services seven days a week.
- Giving customers access to a Russia-wide unified system of payment devices thanks to partner programmes with other major Russian banks.

HIGHEST RISK MANAGEMENT STANDARDS: EMPHASIS ON ASSET QUALITY

- Conservative risk management approaches, strict underwriting procedures and unique risk monitoring tools help maintain a low level of overdue loans compared to the bank's peers.
- Lending to high-quality corporate borrowers and, retail-wise, to existing customers, corporate customers' employees and partners, and public sector employees.

- Well-managed loan portfolio quality with an average NPL ratio of 2.5%[4] and cost of risk of 2.3%[4].
- Low-risk securities portfolio with virtually no investments in high-risk instruments such as shares or securities of limited liquidity.

HIGH OPERATIONAL EFFICIENCY WITH FURTHER GROWTH POTENTIAL

- Maximisation of operational efficiency through centralised decision-making, concentration on the corporate segment, and active development of remote service channels and innovative products, reducing the workload of the bank's branches. A well-managed average cost-to-income ratio (CTI) of 33.2%[4].
- A fast follower strategy – prompt implementation of innovative technologies, and participation in key fintech initiatives. Recently, CBM has been focusing on access to new solutions to increase its business efficiency, in particular, through membership in the Interbank Information Network, SWIFT, Faster Payments, FinTech Association, FinTechLab and other financial market development organisations, and it has further been introducing new solutions to its systems, including artificial intelligence programs.

ACTIVE INTEGRATION OF CORPORATE SOCIAL RESPONSIBILITY INTO BUSINESS PROCESSES

- Best corporate governance practices in compliance with EBRD requirements: the Supervisory Board includes experts of international standing; its committees work effectively, adhering to high international corporate governance standards.
- Stimulating economic growth while improving social wellbeing: support for SMEs, special offers for pensioners and young families and accessibility of financial services for people with reduced mobility.
- Environmental standards for the loan portfolio: evaluating projects for compliance with Russian and EBRD environmental, health and safety requirements. Management engagement in decisions related to environmental policies and reporting.
- One of the most transparent Russian companies.

Position in the industry

Concentration of bank assets remained unchanged in 2019: the top 20 banks still account for 83% of the total assets, and the top 10 banks account for 74%. There are still only two privately-owned banks among the ten largest banks by assets.

CBM is a top bank owned by non-state domestic shareholders. It operates as a universal bank, with the corporate segment accounting for the greater part of its loan portfolio and the retail segment for a significant portion of its deposit portfolio. Unlike state-controlled banks, whose access to long-term international financing has been severely curtailed by international sectoral sanctions, CBM, as a large privately-owned bank, maintains access to global debt and equity capital markets, and has been increasingly competitive in the Russian banking sector.

Despite the high competition in the banking market and the changing macroeconomic environment, CBM continuously demonstrates high adaptability and vindicates its status as the largest privately-owned public bank. The bank increased its market share in corporate lending by 2.68 pp

[4] Weighted average of year-end figures for 2016-2019.

since 2015 to 4.69% as at end-2019. Its market share in retail lending was 0.71% as at end-2019. Over that period, the bank's market share in corporate and retail deposit-taking expanded by 0.67 and 0.69 pp, reaching 3.65% and 1.59%, respectively.

The bank's key competitors in corporate lending are: Sberbank, VTB, Gazprombank, Russian Agricultural Bank and Alfa Bank. Retail lending competitors include: Sberbank, VTB, Alfa Bank, UniCredit Bank, Raiffeisenbank, Sovcombank and Tinkoff Bank.

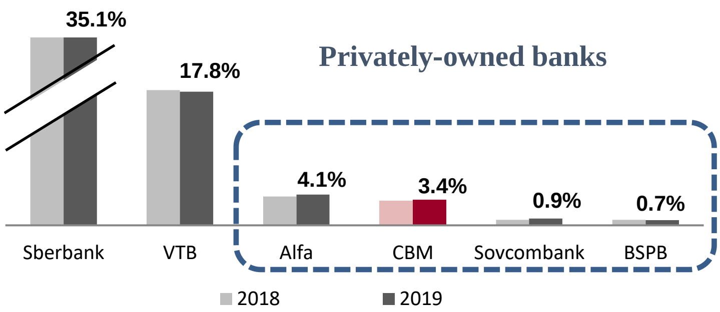
Evolution of the Bank's Market Shares

	2015	2016	2017	2018	2019
Corporate loans	2.01%	3.07%	4.38%	4.30%	4.69%
Total loans to individuals	1.15%	0.95%	0.92%	0.73%	0.71%
Corporate deposits	2.98%	2.24%	2.99%	3.16%	3.65%
Retail deposits	0.90%	1.01%	1.23%	1.29%	1.59%

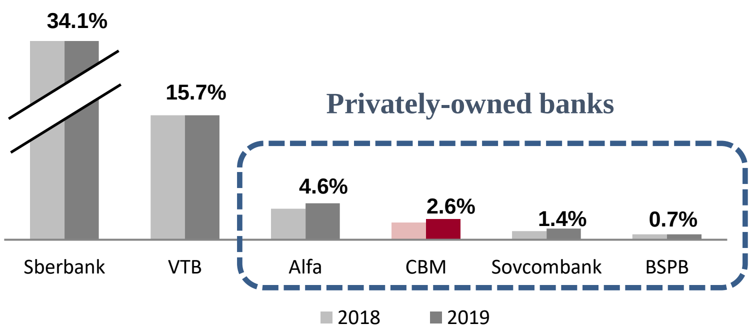
Source: banki.ru

Among Russian privately-owned banks, CBM consistently maintains the second position in terms of market share of the total loan portfolio and the volume of attracted deposits of corporate and retail customers, which amounted to 3.4% and 2.6%, respectively.

Share in the Market's Loan Portfolio



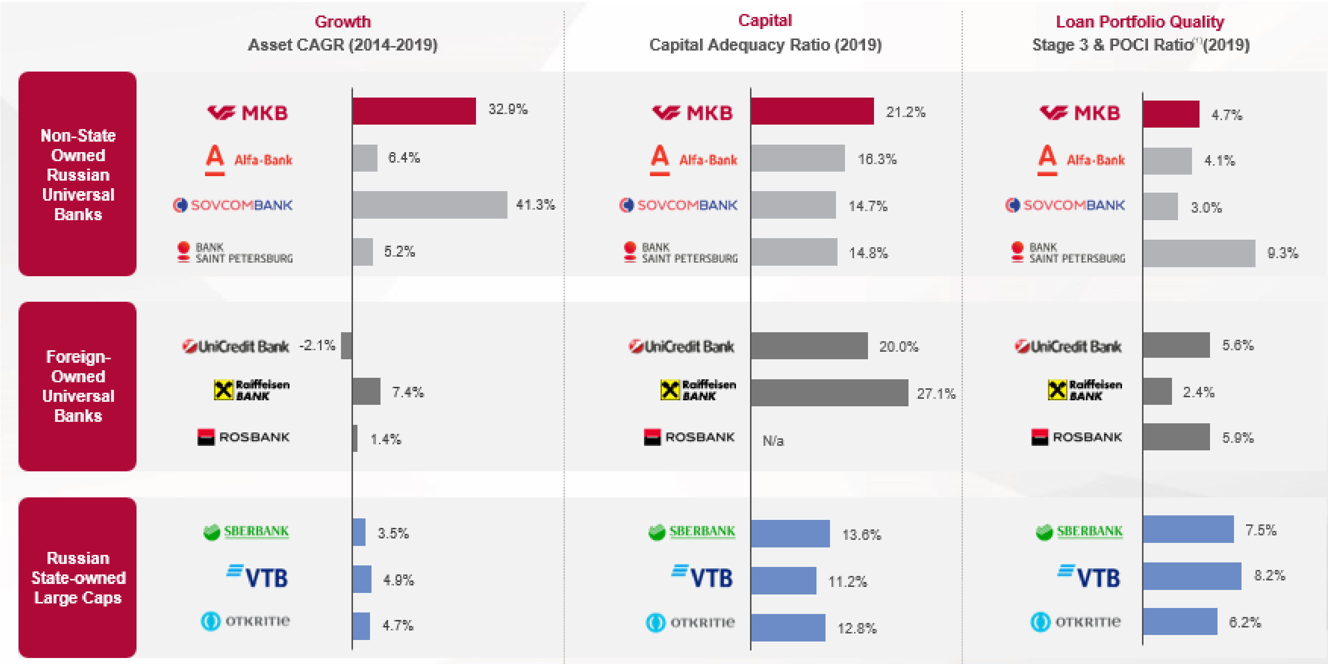
Share in the Market's Deposit Portfolio



Source: banki.ru

CBM continues to demonstrate a strong financial position. As at 31.12.2019, it has high capital adequacy ratios compared to its main competitors, and features among the leaders by asset growth rates for the last 5 years and by loan portfolio quality.

Comparison with Competitors



Source: Company data, publicly available IFRS financial statements

(1) Stage 3 and POCI (Purchased or originated credit-impaired) loans divided by gross loans to customers at amortised cost, except for Rosbank for which calculated as [Stage 3 + POCI loans]/[All gross loans to customers]. (2) For Rosbank the calculation of Stage 3 & POCI Ratio is as at 30 September2019.

6. *Strategy*

CBM's strategic objective is to strengthen its market positions among the leading universal commercial banks to consolidate its status as the bank of choice for its customers and become the bank of choice for international business. 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. The bank intends to exemplify sustainable development principles for its customers and partners, guided by social and environmental responsibility principles, and based on best national and international corporate governance practices.

Key elements of CBM's strategy:

Goals	Tasks	Results
1. Maintain high asset quality	➢ Optimise and enhance risk management ➢ Limit high-risk business lines ➢ Shift focus in lending towards less risky segments ➢ Build a sophisticated debt recovery system	➢ One of the lowest shares of Stage 3 and POCI loans in the gross loan portfolio among competitors: 4.7% as at end- 2019 ➢ Cost of risk (COR) remained at 1.0% as at end-2019 ➢ Almost no investments in high-risk instruments such as shares or securities of limited liquidity
2. Deliver further sustainable development	➢ Consolidate positions as the largest publicly-traded privately-owned bank ➢ Become the bank of choice for international business ➢ Concentrate on balanced and diversified growth with a focus on the corporate segment ➢ Concentrate retail business on high-margin consumer and mortgage loans to prime customers ➢ Create a synergistic effect within CBM by developing its investment business, and expand business volumes ➢ Minimise cost of funding ➢ Upgrade the bank's ratings ➢ Develop ESG-oriented products and support ESG initiatives ➢ Lead the way in adapting best corporate governance practices	➢ The largest Russian publicly-traded privately-owned bank by assets ➢ Top 5 Russian bank by corporate loan portfolio ➢ Top 5 domestic bond arranger in 2019 ➢ Competitive international infrastructure at the level of banking market leaders ➢ Top 5 in terms of cross-border factoring according to the Russian Association of Factoring Companies ➢ Upgraded by two rating agencies: to BB by Fitch and to ruA by Expert RA ➢ First Russian bank to receive an ESG rating ➢ Rated AA+ by Lianhe Ratings on the Chinese national scale ➢ Mudrost (*Wisdom*) card ranked among the best bank cards for pensioners ➢ Sustainable Development Workgroup created ➢ The "Best Corporate Governance in Russia 2019" award by World Finance

3. Maintain high efficiency	➢ Maintain operational efficiency at a high level ➢ Actively implement its cross-selling strategy ➢ Focus on transaction business to increase the bank's profitability and minimise risks and expenses	➢ CTI remains traditionally low at 33.2% in 2016-2019 ➢ Further development of remote service channels ➢ Fee income from transaction business rose by 26%
4. Develop IT tools to attract and service customers and improve the cost/return ratio	➢ Develop its IT systems and solutions actively and continuously ➢ Deliver most in-demand and up-to-date services through its remote banking solutions ➢ Update the bank's technologies for market needs	➢ A pilot *Digital Helper* project developed for customers to access real-time information on credit card issue and maintenance, and to improve their financial literacy ➢ CBM joined FinTech Association in 2019 to introduce cutting-edge digital solutions to optimise its business processes ➢ CBM connected to NSD's Swift Service Bureau in 2019, reducing its IT expenses, while preserving a high level of transaction security ➢ A current account text alert service available to corporate customers since February 2019
5. Build a professional team	➢ Improve the staff's professional skillset ➢ Promote effectiveness and automate processes ➢ Create a bank-wide goal setting system, translating strategic goals to each employee	➢ A series of area-specific training programmes put in place, completed by 2,475 employees ➢ Active use of remote training channels and Webtutor software: more than 4,200 distance learning course completions in 2019, 20% more than in 2018. ➢ Performance Management (PM) system launched ➢ 3 managers of the bank appeared in the 2019 *Top 1000 Russian Managers* ranking of Russian Managers Association and Kommersant Publishing House
6. Enhance the bank's positioning and perception	➢ Improve brand awareness and attractiveness ➢ Establish closer ties with customers to achieve maximum efficiency across the entire relationship life-cycle	➢ A Euromoney survey placed the bank 1st in the *Best Service* category ➢ The customer base expanded by 18% in 2019

7. *Risk Management*

The bank's risk management goal is to ensure stability and soundness, to protect the interests of its shareholders' customers in carrying out its core activity, and to achieve 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 principal of engaging the bank's collective bodies and management in its risk management control procedures;

– 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;

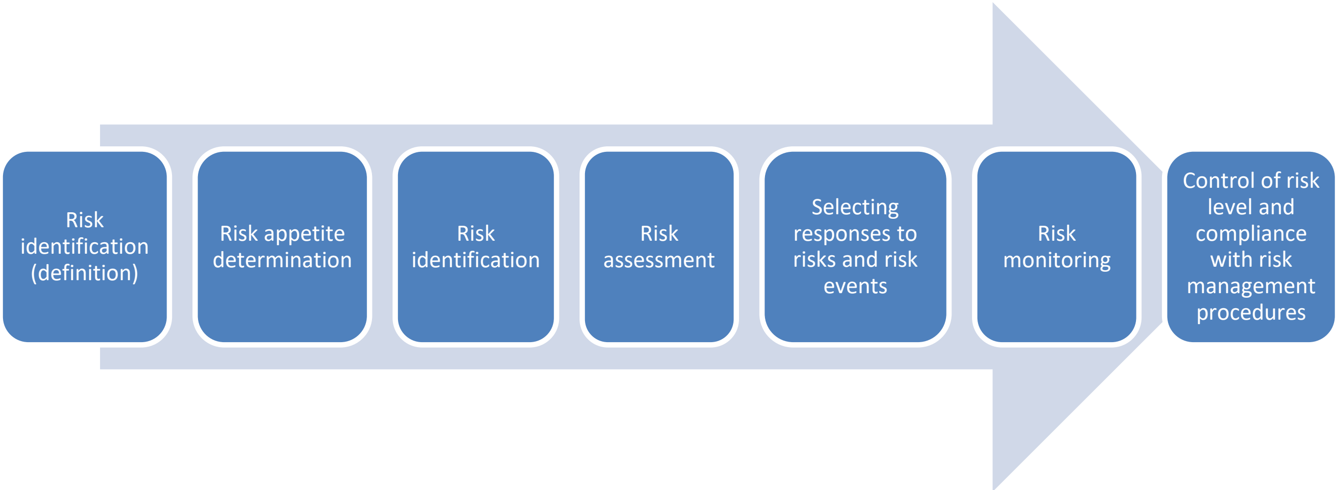
– The principle of awareness and involvement of all concerned subdivisions in the bank's risk management approaches and methods;

– 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.

1. 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/or 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.

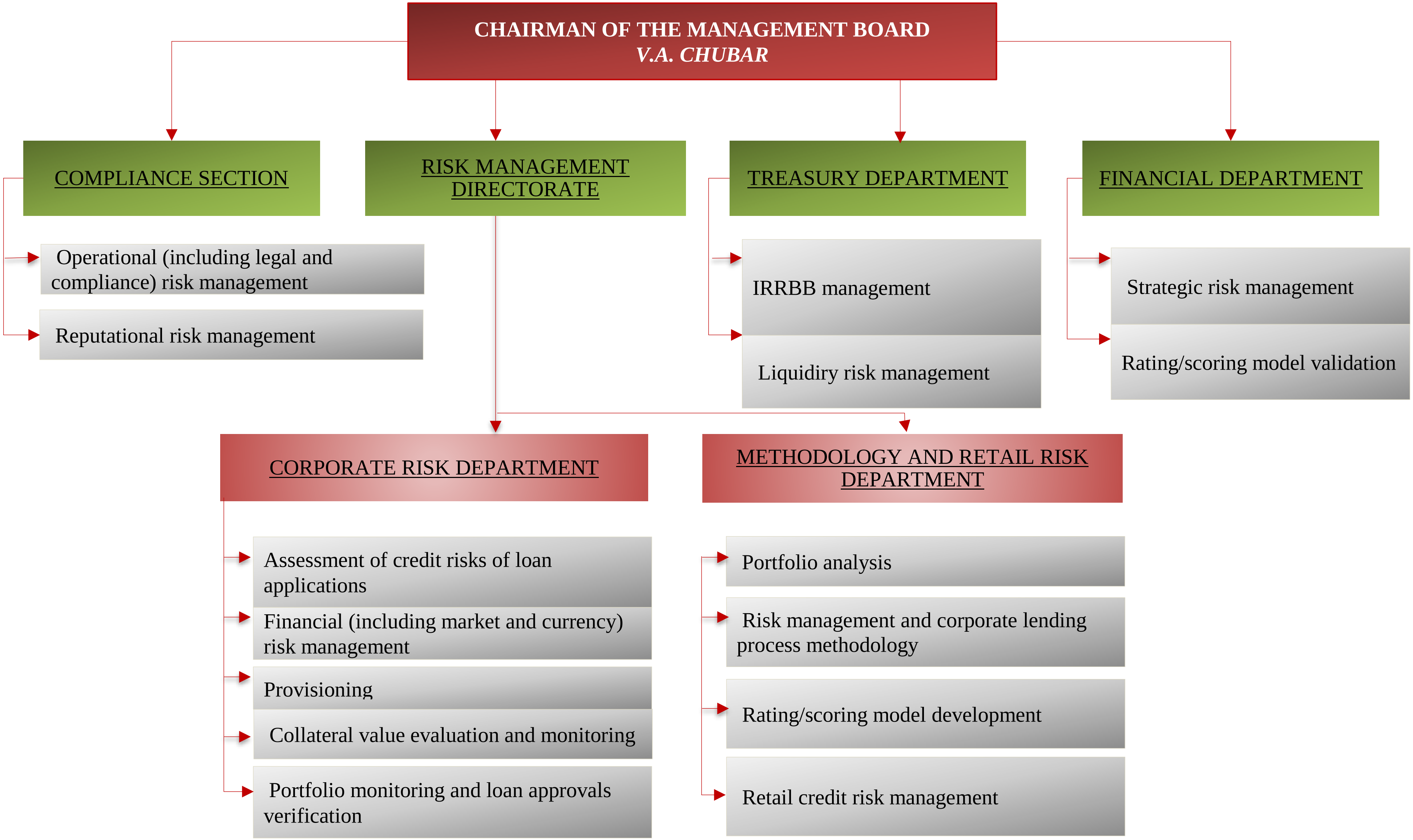
Risk monitoring

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 indicators (key risk indicators) 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



Qualitative performance indicators of risk management subdivisions

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

Other important indicators are

Asset quality	Keeping key risk indicators (KRIs) of critical risk types below their ceilings	Monitoring indicators
Keeping overdue loans (90+) below the ceiling Observing vintage indicators of risk in new issues of retail and express products	Credit risk (incl. credit risk of default and counterparty credit risk) Concentration risk Market risk Interest rate risk in the banking book FX risk in the banking book Operational (incl. legal and compliance) risk Liquidity risk Reputational risk Strategic risk	Compliance with: • Counterparty limits; • Structural limits; • Authority limits; • Market instrument limits; Loan portfolio duration

2. Major Innovations in Risk Management in 2019

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 action plans in previous years.

– A set of measures was implemented to improve the retail risk assessment process, including updates of scoring models and the system of regular monitoring of risk indicators.

– Some internal processes and functions were improved, as retail applications underwriting methodology was transferred from Retail to the Risk Management Directorate.

– External validation of corporate rating models for the assessment of default probability was performed by an independent consultant; the model was approved for use in IFRS and ICAAP calculations.

– In line with amendments to the Bank of Russia's Regulation No.590-P, a methodology for evaluation of creditworthiness of special-purpose lending category "residential construction with the use of escrow accounts opened with the bank" was developed for the purposes of prudential RAS provision calculations allowing for the use of some models for residential property project financing using escrow accounts. The corporate customer monitoring system was further developed (reduction of the "actual to alarm" time lapse), covering the Next Best Action (NBA)/ stress parameter analysis process and current monitoring arrangements, including the use of informal sources of information.

– The system of portfolio risk metrics for standardised SME lending products was improved.

3. Risk Criticality Assessment

Ongoing development of the 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 points 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 \ Probability of risk/frequency of risk events	1 point	2 points	3 points
3 points	**Interest rate risk in the banking book** **Strategic risk** **4**	**Credit risk** **Concentration risk**[5] **Liquidity risk** **Reputational risk** **5**	**6**
2 points	**Concentration risk**[1] **Securitisation risk** **Environmental risk** **Insurance risk** **Fixed assets devaluation risk** **Emergency support risk** 3	**Concentration risk**[1] **Operational risk** **4**	**Market risk** **FX risk in the banking book** **5**
1 point	**Residual risk in market risk** **Residual risk in operational risk** **Transfer risk** **Migration risk** **Motivational risk** **Business risk** **Model risk** **Concentration risk**[1] **Risk of devaluation of interests in subsidiary and controlled JSCs, MFs** **2**	**Residual risk in credit risk** **3**	**4**

Potential losses / ***Probability of risk/frequency of risk events***

Changes in the Risk Profile Compared to 2019:

Motivational and emergency support risks were added to the long list of the most common (characteristic) risk types and subtypes inherent in the bank's operations; technological risk was qualified as a part of operational risk.

The annual identification procedure (whose results were approved by the Supervisory Board) did not lead to any changes to the list of critical risk types for 2020 compared to that for 2019. Other

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[5] Concentration risk scored:
- 5 points in case of considerable exposures to one counterparty or group of counterparties;
- 4 points in case of:
  - credit exposures to counterparties from one sector of economy (involved in same business activity or selling same goods and services);
  - the Bank's dependence on specific liquidity sources;
  - credit risk mitigation efforts (indirect concentration risk from taking identical types of collateral or independent guarantees issued by one counterparty).
- 3 points in case of:
  - considerable investments in instruments belonging to same type or sensitive to same factors;
  - the Bank's dependence on specific types of income.
- 2 points in case of:
  - credit exposures nominated in same currency;
  - credit exposures to counterparties based in same geographical area.

risks inherent in the bank's business, including singular risks, are not critical for it because they did not receive, pursuant to its internal methodology, scores implying material impact on the bank.

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 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 a deteriorated 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 members 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 enhance 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, concentration limits, authority limits and other structured limits.

Measures Taken in 2019 to Minimise this Type of Risk

With respect to corporate credit risks, the following measures were taken in credit risk assessment methodology and improvement of the bank's internal lending and loan monitoring processes:

– New approaches to the corporate customer monitoring program in order to identify existing problems in the Customer business planning system and processes (as the Provisional Manual for Monitoring Corporate Customers Strategic Planning was approved and a relevant pilot project was launched);

– The system of SME customer risk metrics was improved, as well as the accounting and monitoring systems.

– Methodology was developed for assessing the creditworthiness of the special-purpose lending category "residential construction with the use of escrow accounts opened with the bank" was developed.

– Methodology for credit risk assessment and limit calculations for transactions involving lending institutions, the internal credit rating of investment companies, and calculations of performance indicators for financial market transactions were all improved.

In retail risks, credit risk indicators and efficiency indicators for their evaluation were improved, namely:

– Retail customers' default probability scoring application models for general-purpose loans and credit cards were improved and commissioned for industrial operation.

– New behavioural models for default probability assessments of all loan claims to retail borrowers were developed and calibrated by an external consultant.

– Approaches to risk assessments of loan applications received from business owners/ sole proprietors were revised.

– The performance monitoring system for retail business risk management and separate stages of the lending process was improved.

Activities Planned for 2020 to Minimise this Risk

– Develop approaches to the model risk and emergency support risk assessment and management.

– Develop business with SMEs, including SME scoring models, relevant updates of the lending processes, and SME lending requirements, terms and standards.

– Develop approaches for sovereign risk assessment.

– Improve procedures of control over conditions precedent in retail business and implement measures improve and develop of the erroneous retail solvency assessment identification process.

– Implement a set of measures to reduce the bank’s losses caused by defaults, including finalisation of the bank’s collateral policy aimed at updating priority levels of some types of security, including those associated with recent legislative changes; improve overdue debt collection procedures and the system for monitoring retail business collection indicators.

– Establish an ICAAP reporting competence centre at CBM Group’s new subsidiaries.

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:

1) instrument interest rate risk, i.e. the exposure to adverse effects from unfavourable changes in interest rates of the trading portfolio instruments (in particular, the risk of negative revaluation of the trading portfolio as a result of changes in fixed income interest rates);

2) 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;

3) 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.

4) commodity risk, i.e. the exposure to losses due to adverse changes in market prices of commodities, save for precious metals (including commodity derivatives)

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 / Management Board. 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 / Stressed Value-at-Risk for the entire portfolio.

Measures Taken in 2019 to Minimise this Type of Risk

– Methodology was improved for determining Current Fair Value (CFV) of financial instruments including for new financial instruments.

– New financial instruments fair value calculation and accounting processes were automated.

Activities planned for 2020 to minimise this risk

– Test market risk measurement algorithms using the IRC (Incremental Risk Capital) component. Improve the market risk management system (introduce the IRC and Expected Shortfall approaches).

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 pertaining 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:

1) 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.;

2) process risk, i.e. the risk of losses caused by errors in transaction execution, settlement, booking, reporting, pricing and other processes;

3) 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.;

4) 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;

5) 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.

6) compliance (regulatory) risk, i.e. the exposure to adverse effects from non-compliance with requirements of international and Russian laws, the bank's commitments to its shareholders and third parties, its bylaws, standards of self-regulatory organisations (if mandatory for it) as well as due to sanctions and/or other enforcement actions imposed by supervisory bodies.

7) technological risk, i.e. the exposure to losses from using outdated technologies or sunk costs of new technologies.

Measures Taken in 2019 to Minimise this Type of Risk

– The subsidiaries' operational risk management methodology was updated.

– Steps were taken to develop an internal operational risk management culture at the bank, including preparation of training materials, delivery of special training programmes on Operational Risk Management to employees followed by relevant testing.

– Steps were taken to improve manageability of the BC/DR system under development (BC/DR Plan testing).

–An annual operational risk self-appraisal test was performed using the Automated Operational Risk Management System.

Activities Planned for 2020 to Minimise this Risk

– Design and introduce new operational risk control tools and draft new appropriate bylaws.

– Continue the risk management culture development efforts with respect to the Group's operational risks.

– Update the operational risk incident classifier to reflect the changes in external regulations.

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.

Measures Taken in 2019 to Minimise this Type of Risk

Actions to introduce a new type of structure limit, namely a limit on the largest counterparties (related parties), and its calculation and monitoring algorithms were approved, and indicative values for the new limits of the bank's loan claims concentration were set.

Activities Planned for 2020 to Minimise this Risk

– Validate and calibrate concentration risk quantification models, update the levels of concentration risk appetite indicators (KRIs) and adjust the risk quantification guidance if necessary;

– Perform annual macroeconomic and sectoral stress testing for the bank's top ten borrowers and report findings to the bank's 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 CBR (instant (N2) and current (N3) liquidity ratios). The bank also controls compliance with the long-term liquidity ratio (N4); and, starting from 2018, as CREDIT BANK OF MOSCOW was included in the list of systemically important credit institutions, the short-term liquidity ratio (N26) (the "STL"; calculated in line with Regulation on Calculating the Short-Term Liquidity Ratio (Basel III) by Systemically Important Credit Institutions No. 510-P dated 03.12.2015) has been calculated and monitored on a daily basis.

The bank distinguishes the following liquidity risk types:

1) risk of mismatch between incoming and outgoing cash flows;

2) risk of unforeseen liquidity requirements, i.e. the risk of consequences of unexpected events in future that may require more resources than projected;

3) 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;

4) 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);

– Procedures for liquidity forecasting and time analysis of liquidity (short-term, current and long-term liquidity);

– Procedures 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 and 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/Management Board, 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 ALCO/Management Board.

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.

Measures Taken in 2019 to Minimise this Type of Risk

– The automation level has been enhanced in the bank’s dynamic balance sheet modelling and mandatory liquidity ratios forecasting, including the STL, which improved the timeliness and accuracy of the forecasts. The regulation for management of the bank’s highly liquid asset portfoliohas been approved, which governs issues associated with retention of the STL at its target level, as determined by the bank’s Assets & Liabilities Committee in line with the risk appetite indicator, prescribed by the Risk and Capital Management Strategy. Target volume indicators and limits for were set the highly liquid securities portfolio.

– New limits and restrictions were imposed for some of the bank’s transactions in order to mitigate the liquidity risk and regulate mandatory liquidity ratios.

– A system of compensations for liquidity risks was introduced related to pricing of the bank's assets- and liabilities-side products, and the Methodology for allocation of incidental costs to support the N26 ratio for different business lines was approved.

– The liquidity risk reporting system was improved: the scope of regular managerial reports to the Assets & Liabilities Committee was amended as regards the status and forecast of liquidity and mandatory ratios.

Activities Planned for 2020 to Minimise this Risk

– Improve the liquidity risk limit system;

– Improve further the methodology for modelling the bank’s dynamic balance sheet and stress testing the bank's liquidity;

– Automate further processes of modelling the bank’s dynamic balance sheet and forecasting liquidity indicators and mandatory ratios.

Interest Rate Risk in the Banking Book (IRRBB)

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. Interest rate risk in the banking book stems from mismatches between maturities of, or between changes in interest rates on, assets and liabilities.

Interest rate risk in the banking book management procedures include the following:

– Gap analysis using interest rate stress tests;

– Identification of major sources of IRRBB 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 the business planning process;

– IRRBB 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 interest rate risk in the banking book are taken by a collective body, the ALCO/Management Board, thus ensuring comprehensive and effective control over that risk.

The bank sets and regularly controls relevant limits linked to loan utilisation effectiveness, profitability and maximum interest rate gaps on various time horizons. To limit the impact of interest rate risk in the banking book 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 interest rate risk in the banking book. On an ongoing basis, the bank optimises interest rates on the assets side and liabilities side in line with the current market situation and tariff policies of its main competitors.

Measures Taken in 2019 to Minimise this Type of Risk

– A new assessment methodology for interest rate risk in the banking book in line with the Bank of Russia's recommendations and Basel Committee standards concerning assessment of interest rate risk in the banking book and including application of behavioural models for the bank's assets- and liabilities-side products was approved.

– A methodology to calculate compensations for the interest rate risk related to embedded optionalities in assets- and liabilities-side products was fully implemented; and new standard form loan agreements was enacted to accommodate compensations for the interest rate risk related to embedded optionalities in credit products.

– The scope of regular managerial reports provided to the Assets & Liabilities Committee was updated as regards the dynamics of the bank's assets and liabilities structure and interest margin.

Activities Planned for 2020 to Minimise this Risk

– Improve behavioural models of the bank's assets- and liabilities-side products designed for assessment of the interest rate risk in the banking book, and risk-based pricing.

– Improve the system of limits of interest rate risk in the banking book.

– Improve regular managerial reports provided to the Assets & Liabilities Committee as regards interest rate risk in the banking book.

FX Risk in the Banking Book (FXRBB)

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.

FX risk in the banking book represents potentially 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.

FXRBB management requires limits to be set on the bank's OCP.

FXRBB management procedures include the following:

– The bank's compliance with Bank of Russia Instruction No. 178-I "On Setting Open Currency Position Limits, the Methodology for Calculating them, and Modalities of Supervision of Credit Institutions' Compliance therewith" dated 28.12.2016 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 as a whole;

– The key currency risk factors, such as governmental, macroeconomic and financial ones are monitored on a daily basis.

Measures Taken in 2019 to Minimise this Type of Risk

– For better management of FX risk in the banking book, a Regulation for the bank's Open Currency Positions was approved, detailing the split of the open currency position (OCP) into the trading OCP (OCP of the trading portfolio of financial instruments) and structural OCP and documenting a strategy for structural OCP management.

– Limits for the trading OCP were established.

Activities Planned for 2020 to Minimise this Risk

– Improve the FXRBB limits system.

– Improve the automation level of the trading and structural OCP management processes.

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 categories of stakeholders;

– 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;

– maintaining an advanced corporate governance system and developing it in line with the bank's strategic goals and interests of all stakeholders;

– ensuring a high level of corporate culture;

– adherence to the code of professional ethics and culture;

– transparent and advanced staff remuneration, incentive, training and qualification upgrade system.

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 is also well-reputed in the national and international financial communities.

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.

Measures Taken in 2019 to Minimise this Type of Risk

– In line with the BC/DR system development road map, the most promising methods and principles for securing business continuity were identified and are to be implemented, processes of business continuity and mitigation of discontinuity factors most important for the bank were introduced, and relevant methodology was designed to regulate the processes. BC/DR procedures incorporated processes of qualitative assessment of the Reputational Risks and inclusion of relevant indicators in the decision-making process. These actions ensured compliance of the bank's BC/DR system with the Bank of Russia's requirements and international standards, created a material safety margin for the business processes and systems, and ensured a due level of reputational risk to match the bank's scale of operations.

– Development of a reputational risk management system, in particular by further integration of reputational risk assessment and management processes at various levels of the internal control and risk management system was secured by establishing the bank's regulations for internal controls. The control processes ensured greater transparency and business openness of the bank for its stakeholders within the corporate governance system.

Activities Planned for 2020 to Minimise this Risk

– BC/DR system development resulted in elaboration of a road map for updating and improvement of the BC/DR system in 2020 (BC/DR RM 2020). The road map incorporates plans for regular monitoring, risk assessment, and evaluation of business discontinuity factors. The bank shall implement BC/DR RM 2020 in line with the most advanced methods and business continuity principles, which will both ensure compliance with the Bank of Russia's requirements and international standards and create a material safety margin for the business processes and systems.

– Develop a reputational risk management system, in particular by integrating further reputational risk assessment and management processes at various levels of the internal control and risk management system, ensuring greater transparency and openness of the bank for all stakeholders. Among other things, the bank plans to update existing regulations and its subsidiary financial institutions in reputational risk management, including monitoring and assessment processes.

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.

The main goal of the strategic risk management is to establish an interdisciplinary system allowing for appropriate managing decisions in respect of the bank's activities, aimed at reducing the impact of strategic risks on the bank in general.

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.

Activities Planned for 2020 to Minimise this Risk

– Optimise business planning procedures to make the major business segments more profitable, curb growth of general and administrative expenses and salary costs.

Automated and Software Risk Management Solutions

SAS	➢ Decision-making unit in retail lending process (scoring, limit setting, customer categorisation) ➢ Development of credit risk quantification models (internal rating and scoring models) ➢ Automation of customer routing in Collection (automatic customer segmentation at early and late recovery stages) ➢ Operational risk management system
ORACLE SIEBEL	➢ Routing of retail loan applications ➢ Standardised retail and corporate customer profiles transferred to all of the Bank's systems, including risk management systems ➢ Tracking corporate customers' group structures, in particular identifying affiliation criteria, including links to retail customers ➢ Feeding credit histories from credit bureaux into new applications entered in CRM
In-house development of МКБ	➢ Routing of corporate loan/credit limit applications ("Loan pipeline") ➢ Monitoring of corporate customers and transactions ➢ Calculation of internal corporate credit ratings ➢ Online gathering and storing data on overall counterparty exposures, including financial market and retail lending operations. Automation of the Bank’s common limit catalogue ➢ Control of limits, including structural limits and related authorities, control of regulatory ratios

OVERVIEW OF OPERATIONS

1. *Corporate business*

The contribution of corporate business[6] to the bank's key performance indicators:

Share in total assets	31%
Share in deposits	39%
Share in interest income	34%
Share in fee and commission income	61%
Share in comprehensive income	42%

Key Results of 2019:

– CREDIT BANK OF MOSCOW is a leader in corporate banking, ranked No. 5 and No. 6 by corporate loans and corporate deposits respectively as of end-2019;

– The corporate loan portfolio rose by 11.8% y-o-y (16.4% net of currency revaluation) to RUB 719.4 bln, mainly due to loans issued to large high-quality corporate customers.

– Guarantees and letters of credit remain a strong source of fee income, contributing RUB 2.3 bln or 15% of the total fee and commission income as at 31 December 2019;

– The strategy of developing services and offerings for SME customers is being actively pursued:

- New products were introduced (updated range of cash management packages, instant corporate cards, online dashboard, loans secured upon commercial property, on-site account opening service and others).
- The partner network is being intensively developed as one of the sale channels.

– The bank is actively developing its investment banking franchise, which creates a synergistic effect with the corporate business and contributes to business growth;

– A regional development strategy was adopted for corporate business; the bank entered the Saint Petersburg market;

– CBM was one of the first Russian banks to adopt the new, project finance-styled, escrow account-based scheme to finance residential construction;

– The portfolio of express guarantees expanded by more than 3 times to RUB 26 bln. They were issued to more than 2,000 customers;

– High-tech cash management products were launched;

– New factoring products were launched, unique to the Russian market: state-backed factoring and dual currency factoring;

– Launch of a new product, “Public Contract Loan”.

CBM is a top-10 bank in Russia, largely due to the quality of customer service in the corporate business sector. The bank offers its customers an effective system of comprehensive banking services, including remote banking, meeting all basic needs of companies and sole proprietors.

[6] Including CBM's cash handling business

Corporate banking is the bank's main business area, accounting for 87% of its loan portfolio at the end of 2019. The bank has focused on controlling credit risks without undermining the corporate portfolio's profitability by concentrating on the most stable sectoral segments and by tightening requirements to corporate customer quality and deal structures.

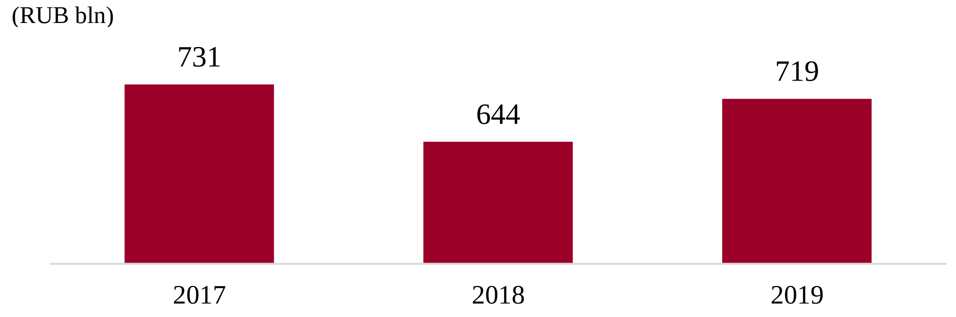
Key products include corporate lending, international finance and foreign trade support, trade finance and documentary operations, a full range of cash management and liquidity management services and products, e-commerce tools, factoring and deposits.

Corporate Lending

Corporate lending, which accounts for the largest portion of the bank's loan portfolio, is of significant importance in its 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.

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-2019, of more than 15,000 active customers. The bank is adapting to new economic conditions without compromising its traditionally low level of non-performing loans (NPL 90+). The gross corporate loan portfolio expanded in 2019 by 12% to RUB 719 bln, mainly due to loans issued to large high-quality corporate customers.

Gross corporate loan portfolio

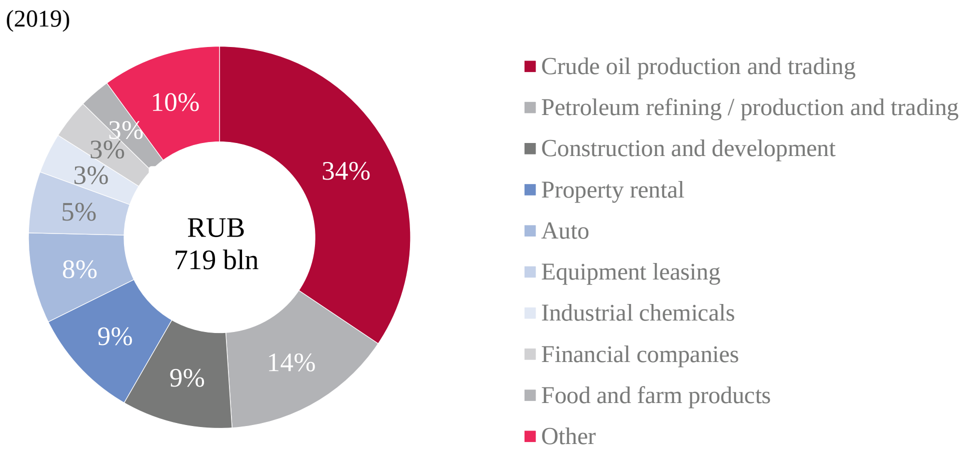


The sectoral structure of the corporate portfolio is fully in line with the bank's strategy, according to which CBM pays special attention to high-quality large corporate customers. Focusing on large borrowers from less risky industries, CBM is able to maintain a high portfolio quality. As at end-2019, oil production and refining, accounting for 34% and 14%, respectively, dominate the corporate loan portfolio. Historically, the companies in this sector are the most stable, develop actively and are supported by the government. Large borrowers also included companies in the construction, property rental and automotive sectors, accounting for 9%, 9% and 8%, respectively.

The bank also lends to such key sectors as equipment leasing, industrial chemistry, finance, food products etc.

As an authorised bank, CBM offers the full range of services under Federal Law 214-FZ. Particular growth is observed in project finance for developers using private escrow accounts.

Corporate loans breakdown by industry



The bank participates in implementation of the Government's SME Support Programme and cooperates with Moscow's Fund of Small Business Credit Assistance by providing a variety of banking products, including guarantees and surety bonds.Such growth potential is seen in fee and commission income, which, unlike interest income, is low-risk and can be increased without additional funding, and, therefore, without affecting the net interest margin.

The bank earned RUB 60.4 bln on corporate business (without cash handling business) or 39% of its total income in 2019. Despite the high competition, the bank's adjusted interest rate policy coupled with the launch of many new products helped increase corporate business income by 6% compared to 2018. At the same time, the net financial result of corporate business dropped from RUB 16.9 bln in 2018 to RUB 7.9 bln in 2019, mostly because large corporate deposits were repriced in the first half of 2019.

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.

Trade Finance and Documentary Operations

Trade finance is traditionally one of the bank's priority development areas. As in previous years, its main tasks in this area, apart from maintaining the portfolio quality and controlling risks, remain finding more partners and expanding the product line to meet the needs of its customers, improving terms for confirming letters of credit, financing and servicing due to large business volumes.

The main competitive advantages of the bank are a broad global network of partners, high credit ratings, experience and professionalism of the staff, a customer-oriented approach, and the high quality of its services. They allow the bank to service different global trade flows and offer customers the most attractive terms using the entire range of trade and export finance tools. As a result, the bank is traditionally among the leaders of the trade finance market with the reputation of a professional and trustworthy financial institution.

Assisting corporate customers in penetrating foreign markets, the bank found new trade finance partners in 2019, in particular in Egypt, Saudi Arabia, Korea and Uzbekistan, where it successfully made transactions using such instruments as unsecured confirmed letters of credit and guarantees.

In 2019, the bank resumed its interbank business, which involved assuming foreign bank risk (confirming export letters of credit with discounting and post-financing, issuing guarantees against counter-guarantees, issuing reimbursement undertakings, interbank loans). The bank’s main counterparties were its traditional partners – the largest banks in Belarus and Kazakhstan.

Based on 2019 results, the bank was recognised as the most active confirming bank in Russia under the Trade Finance Support Programme of the International Investment Bank. The International Investment Bank is a multilateral institution for development that promotes social and economic development, prosperity and economic cooperation between its member states (the Bulgaria, Hungary, Vietnam, Cuba, Mongolia, the Russian Federation, Romania, Slovakia and the Czech Republic). In 2020, the bank plans to increase its presence by diversifying counterparties in its target markets.

In 2019, as part of the expansion of its trade finance product line, the bank launched a new product - international non-recourse factoring, which is a very promising and high-demand instrument in the international market. The bank is expanding its international factoring customer portfolio, developing and finalising products, implementing transactions under the one-factor/two-factor model, including with the participation of an export insurance agency, and further strengthening and developing cooperation with factors from different countries that are part of Factors Chain International (FCI), of which the bank has been a member since 2018.

Based on 2019 results, the bank was ranked among the top 5 international factoring companies by the Association of Factoring Companies (AFC), with a RUB 0.42 bln portfolio.

Since 2018 CBM has been actively participating in state export support programmes and is an authorised bank under the Ministry of Economic Development of Russia’s programmes (as approved by Russian Government Decree No. 620 dated 16 May 2017), the Ministry of Industry and Trade of Russia’s programme (as approved by Russian Government Decree No. 191 dated 23 February 2019) and the Ministry of Agriculture of Russia’s programme (as approved by Russian Government Decree No. 512 dated 26 April 2019).

As part of the implementation of these programmes, the bank cooperates closely with the ministries responsible for their implementation, and with the Russian Export Center (JSC), it contributes to the development of new support programmes, and to changing existing programmes based on requests and comments of existing and potential customers of the bank.

When organising export financing, the bank consults its customers in many aspects by explaining modern risk management instruments and cash flows, helping formulate the terms of export contracts, and often participating in negotiations for their execution, thus contributing to the optimisation and standardisation of export projects.

When implementing subsidised transactions, the bank acts on a “one stop shop” basis and provides customers with a full range of services from initial consulting, preparing the customer for entry into the programme and ensuring that the transaction is included in the register of subsidised transactions, to providing direct support for the loan and bringing the customer's position with regard to subsidising mechanisms to the attention of the subsidy programme administrators.

The total volume of preferential loans provided to exporters at subsidised interest rates reached RUB 25 bln in 2019.

The bank actively cooperates with banks and other institutions in different parts of the world to service the international trade flows of its customers.The key partners of the bank in short-term and long-term finance include world-renowned financial market leaders such as Korea Eximbank, Bayerische Landesbank, Citibank, Commerzbank AG, Crédit Agricole, Credit Suisse AG, HSBC, Industrial and Commercial Bank of China, ING Bank N.V, Intesa Sanpaolo S.p.A., JPMorgan Chase, KBC Bank N.V., Landesbank Baden-Württemberg, Raiffeisen Bank International AG, Société Générale, UBI Banca, UBS AG, UniCredit Group and others.

The bank is accredited by most export credit agencies, ready to provide insurance coverage for its long-term finance transactions, such asHermes (Germany), SACE (Italy), COFACE (France), EKN (Sweden), OeKB (Austria), EDC (Canada), KUKE (Poland) and FINNVERA (Finland).

Acquiring

CBM offers merchant and online acquiring services, enabling bank card payments for goods and services.The bank's acquiring business is present in most regions of Russia.

In 2019, the bank approved an e-commerce development strategy until 2023.

In accordance with the approved strategy, the CBM is actively developing e-commerce, including the continuous improvement of technologies and services, and an exponential growth of financial indicators.

The services include: creating an open API, C2A and A2C transfer and payment services, online payments for goods/services using Apple Pay, Google Pay and Samsung Pay, and much more.

The bank's acquiring business showed an increase in the weighted average merchant commission rate in 2019 (1.69% in 2018 compared to 1.77% in 2019) due to stronger sales in the SME segment and diversification of the current portfolio.

One of the main trends is the continuing impressive growth of the MIR card turnover: it reached RUB 12.1 bln compared to RUB 10.3 bln in 2018, representing 11.85% of the total acquiring turnover.

Online acquiring also showed a positive trend: turnover stood at RUB 6.2 bln compared to RUB 5.7 bln in 2018 (+7.3%).

In 2020, the bank plans to pursue an active a strategy to expand the portfolio and attract prime customers for online acquiring, including service providers.

Payments

The bank has a broad correspondent account network in all major currencies with leading financial 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 almost anywhere in the world in a timely and cost-effective manner.

The bank is constantly developing remote access services and IT solutions. Various options are implemented for direct integration of the Customer's accounting system with the bank: host-to-host 1C Direct Bank, NSD Transit 2.0 and SPFS. The bank substantially improved its online banking features and level of security by migrating to personal data encryption tools.

Euromoney's Cash Management Survey 2020 recognised CBM as the best bank of 2019 in the *Best Service in Russia* nomination.

Factoring

At the end of 2019, the average factoring portfolio amounted to RUB 8.2 bln, an increase of 50% y-o-y. It is diversified by sectors and regions with customers being present in most federal districts of Russia. The bank was ranked 11th by factoring portfolio among members of the Association of Factoring Companies.

Last year, the bank added two new factoring products:

– *State-backed factoring*

The bank agreed and launched a product for financing receivables of public procurement participants.

– *Dual currency factoring*

The bank agreed and prepared the launch of a factoring financing product as part of the currency transfer of customers whose contracts are denominated in conditional units.

Cash Handling

The bank is one of the cash handling market leaders in Moscow and Moscow Region, as well as in Russia as a whole. Since 2015, its Group includes Inkakhran, one of the largest cash handling companies in Russia.

The Russian economy remains cash-intensive, which supports the high demand for cash handling services, especially among retailers. Historically, retail companies and credit institutions have been an important business segment for the bank and generate a significant part of cash handling fees.

On top of the direct fee and commission income, the cash handling services allow the bank to obtain additional benefits by reducing the cost of operating its own network of self-service devices (ATMs and payment terminals) and by installing them in places with high customer traffic, which increases the return on installation and maintenance investments.

The bank regularly develops and introduces new cash handling products. One example is the collection of revenues through self-service devices (ATMs and payment terminals) with online crediting of funds to the customer's account.

The provision of cash handling services sets the bank apart from the competition and represents a significant competitive advantage.

Main results of cash handling business as at end-2019:

- 2,700 customers, including 120 credit institutions;
- more than 41,700 serviced points;
- more than 400 cash handling routes.

The bank actively attracted new large customers and conducted regular logistics optimisation exercises in 2019.

The bank has two in-house cash handling centres (where physical cash is accepted, counted and credited to customers accounts), of which one is located in the south of Moscow, one in the north, and 25 centres elsewhere in Russia, The bank transported and counted more than RUB 3,700 bln and RUB 2,400 bln, respectively, in 2019. As at end-2018, the bank's fleet consisted of more than 800 armoured cash collection vehicles of varying capacity.

The bank earned RUB 3.6 bln in fee and commission income on cash handling services[7] in 2019 and intends to continue developing this strategically important franchise, which creates synergy with 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 software.Its capabilities allow the bank to reduce consistently 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.

In 2019, the bank successfully united its and INKAKHRAN's cash collection businesses, relocating them to a new, state-of-the-art cash handling centre in Moscow.

The cash collection business is going to be developed further in 2020, with the market positions to be consolidated not only in Moscow, but also in all other parts of Russia.

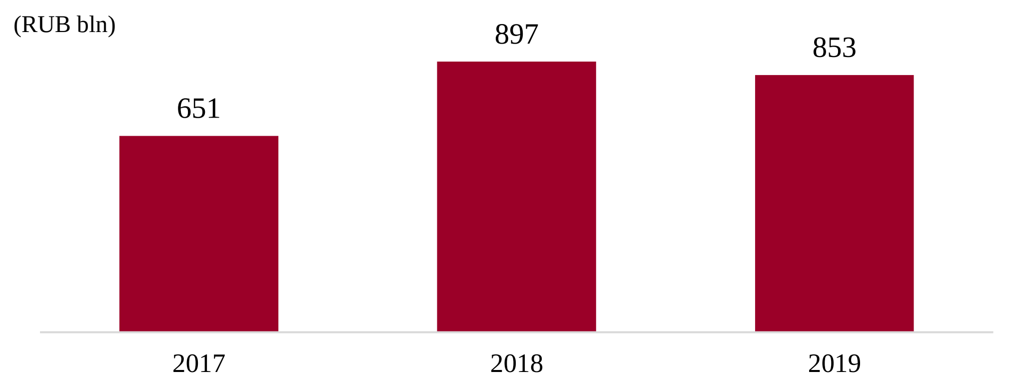
[7] Includes the fee and commission income from cash handling and other cash operations

Corporate Deposits

Corporate deposits are essential for building a stable funding base for the bank hence the provision of special deposit conditions and flexible terms to its customers is an important task of CREDIT BANK OF MOSCOW'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.

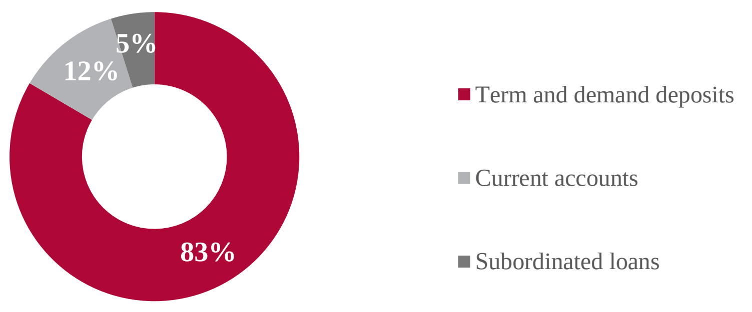
Corporate deposits represented 39% of the bank's liabilities as at end-2019, having decreased by 5% y-o-y to RUB 853.4 bln due to the state pension fund's withdrawal in the first quarter after the eligible bank ratings were revised upwards. However, the three subsequent quarters saw a strong 17% inflow of corporate deposits, driven by CBM's reliable market reputation, professional, customer-oriented product development, robust performance, and minimal risks attested by high international ratings.

Corporate deposits



As at 31 December 2019, term deposits accounted for 83% of corporate accounts (or RUB 711.0 bln). Current accounts, which represent 12% of corporate deposits or RUB 99.4 bln, are also an important source of corporate deposits.

Types of corporate deposits



New Products and Introduced Technologies

Recognising the new needs of its customers and seeking to meet market requirements in the best way, the bank continuously improves service quality and introduces new products and services. New products, services and technologies for corporate customers introduced during 2019 include:

– **Lombard loans** - a unique product secured upon real estate, which provides individual conditions, low interest rates and reduced approval time;

– **Express guarantee issuance robotisation** - automation of recieving, converting and reviewing applications;

– **Public tender loans** - a new product in the product line for public contracts under 44-FZ;

– **General suretyship mechanism** - automation of a unique type of suretyship - multi-suretyship, which allows the surety to cover an unlimited number of obligations under one agreement;

– **Next Best Offer recommendation engine** - a CRM recommendation engine that is based on the analysis of big data and identifies the needs of legal entities and sole proprietors for the bank's products;

– **Automation of client management process -** Next Best Action engine, an autonomous mechanism for setting tasks to client managers through CRM, which is based on continuous analysis of events in the customer base. It is designed to increase customer loyalty, reduce active customer outflow and understand its causes;

– **Customer 360 portal** - an information resource for displaying all external information on legal entities and sole proprietors: registration details, disclosed information on owners, financial information, participation in tenders, public contracts and so on;

– **Escrow account for settlements under co-investment agreement (214-FZ)** - involvement in the financing of developers;

– **Platform for agents and customers** (dashboard);

– **Connection to SWIFT GPI** - the global payments innovation initiative (GPI) which significantly improves the quality of customer service when making international payments by increasing speed, transparency and continuous tracking of international payments;

– **Compensatory pooling** - development of the notional cash pooling product which implements a mechanism for compensating interest expenses on overdrawn accounts of pool members by charging an increased rate on positive balances on other pool participants' accounts;

– **Single deposit account** - allows transactions on one deposit account (without opening a new account for each transaction) under one general agreement;

– **Automatic overnight** - customers may, at their discretion, automatically place available cash in Russian roubles or US dollars for 1 business day by using the *Your Bank Online* system.

2. Retail business

The contribution of retail business to the bank's key performance indicators:

Share in total assets	4%
Share in deposits	22%
Share in interest income	10%
Share in fee and commission income	37%
Share in comprehensive income	14%

Key Results of 2019:

– The number of retail customers increased by 18% and reached 1.8 mln people (compared to 1.5 mln in 2018);

– The bank increased retail deposits by 30% to RUB 486 bln, coming 7th in the bank ranking by retail deposits;

– The retail loan portfolio expanded by 14% to RUB 109.8 bln;

– A new card line and multi-currency service was launched: the portfolio of active cards grew by 44% to 362,000;

– *Mudrost* pension programme: more than 125,000 cards issued, monthly pension contributions reached RUB 7.6 bln. Ranked 1st in the *Most Advantageous Pension Card* nomination of FRANK BANKING AWARD 2019;

– New *CBM Online* mobile bank. Ranked 1st in the *Mobile Application* nomination of Runet Prize 2019;

– Customer activity in remote banking services increased by 49%;

– New investment & savings products: a range of mutual fund products and a combined product: deposit + individual investment account – a fivefold increase in sales.

The bank offers a wide product range:

- General-purpose loans;
- Mortgage lending;
- Plastic cards;
- Deposits;
- Accumulation account;
- Letters of credit;
- Individual safe-deposit boxes;
- Insurance products and individual investment accounts.

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. CBM is present in 19 regions through 130 offices in total as at 31 December 2019.

Remote banking was one of the highest development priorities in retail business in 2019. In 2019, the number of entering remote banking customers rose by 55% and the share of unique mobile banking customers by 22%. The penetration of active customer base by remote banking channels increased by 49% to 40%. The number of financial operations made through the remote service channels soared by 74%, and the number of all operations by 82%. The mobile application's evaluation rose to 4.2 (+1.4) and 4.7 (+1.5) in App Store and Google Play. Loan applications through the remote banking services were very popular, displaying a 360% increase.

Lending

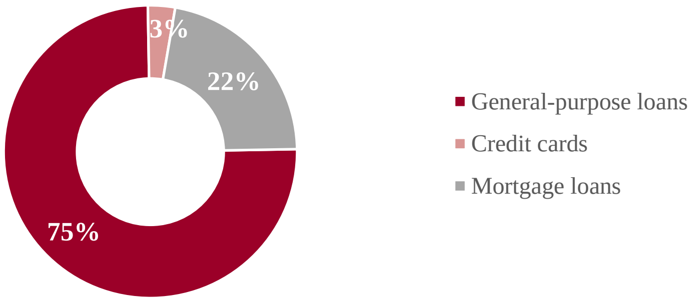
In 2019, the bank adjusted its retail business development strategy, leading to the 14% growth of the retail loan portfolio to RUB 109.8 bln.

In order to mitigate its risks, the bank works with a reliable customer base: its target segments are its existing customers, payroll customers, employees of its corporate customers, employees of the public sector and customers with a stable, positive credit history.

For efficient risk management, the bank uses the Risk-Based Pricing methodology, which allows segmenting customers by various criteria in order to make the most effective price offer.

The bank offers its customers innovative technologies for remote submission of loan applications, thus reducing operating costs.

Retail loan portfolio structure



General-Purpose Loans

General-purpose unsecured loans are and, pursuant to the current strategy, are expected to remain, the main driver for the bank's retail business in the future. The bank offers its clients the chance to finance various purchases and other activities, with maturities ranging from 6 months to 15 years.

The bank also offers insurance contracts processing services in respect of its consumer loans, partnering with insurance market leaders.

In 2019, the share of general-purpose loans in the retail portfolio remained unchanged at 75%, while their gross amount increased by 14% to reach RUB 82.4 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.

As at end-2019, the bank's gross mortgage portfolio amounted to RUB 23.7 bln, or 22% of the total retail portfolio. Loans are mainly issued for purchases in the primary housing market. A part of the retail portfolio (including RUB 2.9 bln of mortgage loans) was reassigned to the private banking business.

Card Products

In 2019, the bank started creating a new card image and completely updated its product range of debit and credit cards, which is based on a segmented approach to the customer base and fully meets market demands. The multicurrency support for cards was key update. The bank also revised its approach to sales of card products and analytics of their metrics, launched a new incentive system, and developed a portfolio management model.

In 2019, the bank focused on increasing the flow of regular payments to its cards. It developed and implemented new payroll cards and optimised the procedures for managing payroll customers.

To achieve maximum reach of the target audience, the bank made an arrangement with the Pension Fund concerning the remote work stations of customer services and entered into agreements with the Pension Fund's divisions in all regions of the bank's presence. CBM began active cooperation with the Union of Russian Pensioners in improving the financial literacy of old people and providing them the best banking services. A function to transfer pensions to the bank online (through the Public Services (Gosuslugi) Portal) was implemented.

The bank also started expanding its channels for selling card products by implementing an agent scheme for BP cards at filling stations.

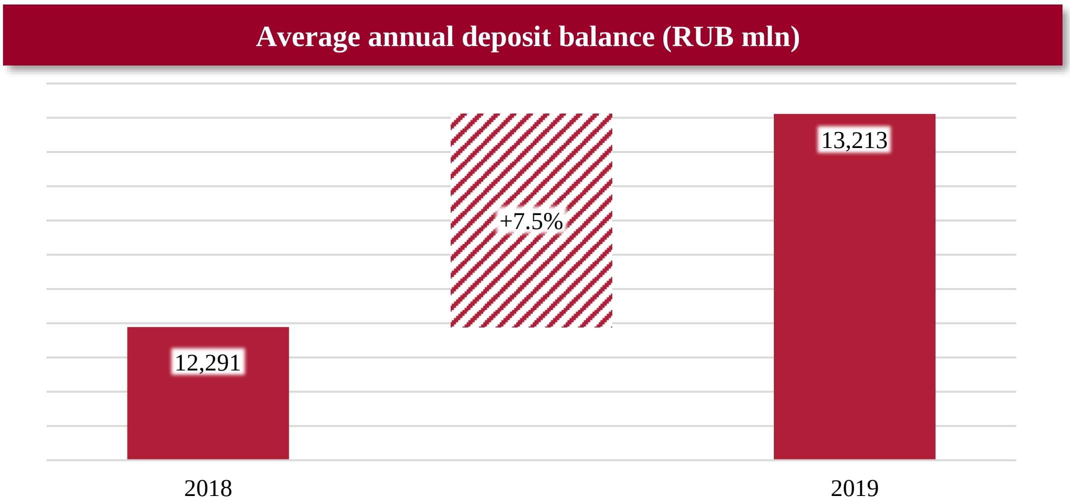
In 2019, the bank updated its loyalty programme for the new card range, expanded the list of programme levels and provided customers with greater opportunities for obtaining loyalty tools.

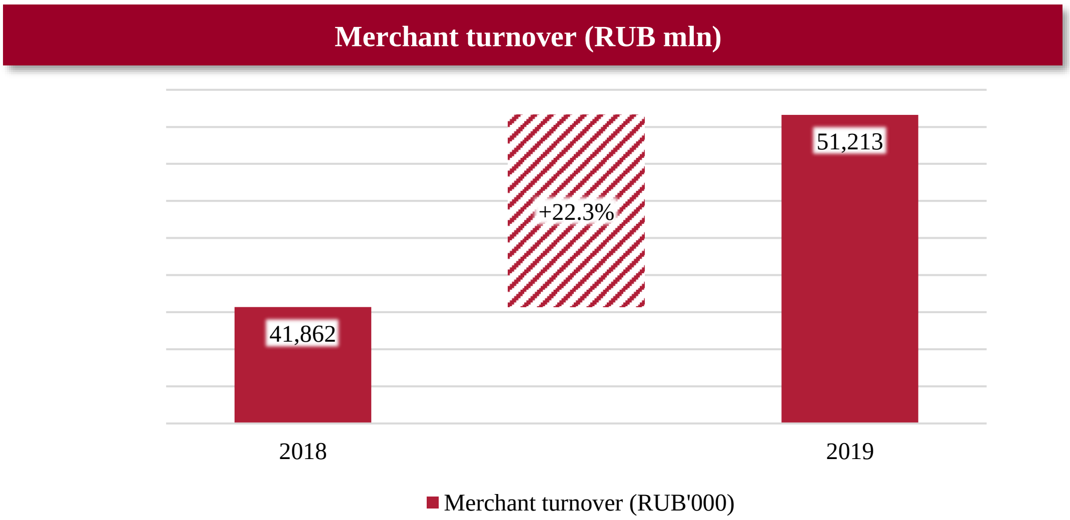
The bank's portfolio of active[8] cards expanded from 253,000 cards in January 2019 to 361,000 cards in December 2019; active cards accounted for a 42% share.

Portfolio segment-oriented promotions for the bank's customers, and motivational contests jointly with international payment systems, aimed primarily at making the customer base more active, helped, among other things, increase average monthly card balances[9] and total merchant turnover by 42% and 30%, respectively. The credit card portfolio expanded by 4% from RUB 3.6 bln to RUB 3.7 bln.

The debit card portfolio expanded by 55% from RUB 11 bln to RUB 17 bln.

[8] Used at least once by the client in the last month to complete a financial transaction (which changes the payment limit).
[9] Less balances of virtual cards (a service product accompanying loans and deposits) and loan disbursements.



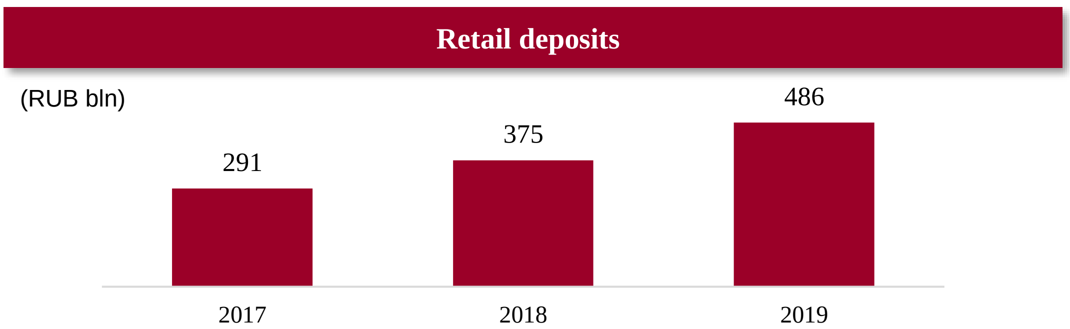


Retail Deposits

Retail deposits remain one of bank's key funding sources. It undertook a large-scale marketing campaign in 2019 to attract private deposits and launched, in the beginning of that year, an accumulation account product which helped expand its portfolio of demand deposits.

In February, the deposit range was supplemented with a *MEGA Online* special deposit that provides an option to choose any number of months between 3 and 36 as the deposit term and may only be opened via *MKB Online*. A new term of 18 months was offered for *All-Inclusive* and *Grand* deposits.

In December, a *New Year's Dreams* combined deposit with IIA (individual investment account) was added to the product range as part of the promotional New Year offer.



The retail deposit portfolio reached RUB 486 bln in 2019, which is 30% or RUB 111 bln higher than the previous year. The customer retention rate reached 85% in 2019. Remote service channels — online banking and mobile banking — play an important role in depositor retention.

Letters of Credit

Special attention was paid in 2019 to encouraging individuals to use letters of credit in real property transactions as a risk mitigation tool. In March 2019, an agency agreement was made with one of the largest developers, PIK Group, to increase the amount of raised funds for letters of credit from RUB 0.7 bln to RUB 2.5 bln per month. Additional steps included agency agreements with other developers and individuals, which doubled the balances to RUB 3.2 bln, in total, as compared to the beginning of the year.

New Products and Introduced Technologies

The life of a modern customer is very dynamic, but the preferences remain the same: convenience and comfort. Therefore, visiting the bank to take out a loan has long been supplanted by online lending. In 2019, to inrease sales of its retail products and reduce time and labour costs for the provision of services, the bank implemented the following:

– Loan applications for general-purpose (consumer) loans and *Can Be More* cards with a set lending limit can be completed on the bank's website.

– Loan applications “left-off” by the customer at any stage of its completion on the bank’s website can be stored and further finalised by the Call Centre to process the loan.

– The *Auto Payments* service has been launched, allowing branch managers to make auto payments for customers at the bank’s offices.

– CBM Online and CBM Mobile remote banking service systems were upgraded: the user interface of the mobile version available to customers on iOS and Android platforms was significantly changed, which contributed to a 40% increase in transaction activity.

– Services were implemented, providing customers with greater possibilities to complete transactions online, such as money transfers through the Faster Payments system, QR-code payments of public utilities and mortgage applications; generating account statements became possible and auto payments for public utilities and partial and full repayment of loans were successfully provided in the mobile application.

– Qualitatively new functions of multicurrency cards were successfully developed and implemented.

– Customers can promptly communicate with bank employees via online chat.

– Fail safety was increased and system operation was optimised.

– The bank introduced behavioural analytics, optimised expenses for SMS-text mailings (RUB 26 mln saved over 5 months in the context of MKB Mobile), and launched a mobile bank for Private Banking.

Business Development Plans for 2020

The main drivers of growth in 2020 will be:

1) Increasing the portfolio of liabilities in accordance with the market growth rate;
2) Increasing the portfolio of low-risk assets with a focus on mortgage lending;
3) Increasing fee income.

3. Investment banking business

Share in total assets	59%
Share in deposits	29%
Share in interest income	54%
Share in comprehensive income	54%

Key Results of 2019:

The bank notably solidified its positions in main areas of investment banking in 2019:

– It was ranked the 3rd best arranger for the non-financial sector in 2019 by Cbonds;

– It was ranked the 4th arranger of market issues in 2019 by Cbonds, having arranged more than 80 bond issues for corporate customers;

– It became a top-5 local repo market operator by trading volume on Moscow Exchange;

– Mkb private bank was recognised as the *Start of the Year* by SPEAR’S Magazine at its Russia Wealth Management Awards 2019;

– CBM continued working on strengthening its brand in the investment banking market by attending the SPIEF, and in Kazakhstan and Uzbekistan by holding a series of non-deal road shows.

CBM’s investment banking team builds long-term relationships with its customers and offers them an ever-expanding product range for successful development of their business. Capitalising on its wide sectoral and product expertise, the bank can provide all necessary services and infrastructure to its customers in the shortest time.

After CBM’s investment banking business was launched, a lot was done to diversify its repo portfolio and its own operations, while its capabilities for working with foreign counterparties in the financial market were significantly enhanced.

The bank solidified its competitive advantages in 2019, putting in place a diversified range of investment products and instruments, of which the key ones are:

- Operations in debt capital markets (DCM);
- Repo transactions;
- Hedging of currency, interest rate and commodity risks;
- Operations in the foreign exchange market;
- Synthetic finance;
- Structured finance;
- Brokerage services;
- Securities trading in the exchange and over-the-counter markets, including leveraged trading;
- Option programmes;

- Operations in the equity capital markets (ECM);
- Advice on mergers and acquisitions (M&A).

Stronger competitive advantages of CBM's investment business are partly attributable to the synergy with SOVA Capital. Thanks to strategic design and optimisation of internal processes, the bank expanded the list of counterparties in main areas of business and showed a much stronger financial result.

Key Competences

Individualised approach

Non-standardised solutions
Working with broad base of corporate customers, IB seeks to accommodate their individual needs rather than offer standardised solutions for their transactions

Bank as long-term partner

Customised solutions for customers
IB offers comprehensive and long-term solutions for customers

High-speed decision-making

Efficient setup of internal processes
Organisational structure allows for prompt review of transactions and delivery of good-quality indicative offers to customers

Wide product range

Ever widening product range
Timely introduction of new products and services for customers and partners

Proper risk assessment

Infrastructure and resources
Bank has all requisite infrastructure and resources to analyse and manage market and credit risks

Expertise

Sectoral coverage and expertise
Wide coverage of industries and sectoral expertise allow IB jointly with Sova Capital to offer good-quality comprehensive solutions for businesses in Russia, CIS and Europe

Debt Capital Markets (DCM)

In 2019, CBM arranged more than 80 bond issues for such corporate customers as Russian Railways, Gazprom, Rosseti, Gazprom Neft, Russian Post, X5 Retail Group and others, with the nominal value totalling about RUB 900 bln. Compared to 2018, CBM's market share increased from 4% to 11%.

CBM continued development of its business in the CIS. The bank organised the first placement of bonds of a Belarusian issuer (Eurotorg) on the Russian market. CBM also acted as a rating consultant for Kazakhstan Temir Zholy (KTZ). In December 2019, KTZ was assigned the highest kzAAA rating by Expert RA.

CBM's Investment Block actively increases retail customer access to debt capital markets. This year, it issued a structured product, ETSB (Exchange-traded structured bonds).

Ranking of Russian Bond Arreangers, 2019 (Market Issues)

#	Investment bank	Volume, RUB mln	Market share, %	Number of issuers	Number of issues
1	GAZPROMBANK	325,158	16.13%	50	93
2	Sberbank CIB	279,726	13.87%	48	73
3	РЕГИОН	231,281	11.47%	30	56
4	**MKB**	**229,475**	**11.38%**	**46**	**86**
5	SOVCOMBANK	206,356	10.23%	57	89
6	VTB Capital	202,056	10.02%	51	76
7	ROSBANK	92,446	4.58%	17	25
8	OTKRITIE	78,642	3.90%	29	36
9	Alfa-Bank	74,212	3.68%	24	33
10	BCS	67,442	3.34%	31	42
11	Raiffeisen BANK	63,697	3.16%	21	34
12	Russian Agricultural Bank	47,830	2.37%	11	15
13	UniCredit Bank	33,399	1.66%	11	15
14	ВБРР	18,349	0.91%	5	6
15	PSB	16,244	0.81%	3	5

***Source**: Cbonds.ru*

Financing Secured by Liquid Assets (REPO)

In 2019, the bank strengthened its leading position in the top-5 ranking of REPO market operators in all arrangements:

– The volumes of structured finance were increased through the development of existing partnerships and the creation of new ones with the country's largest holdings;

– The customer base for direct and reverse repo transactions was expanded;

– A market-making agreement was signed with the Moscow Exchange in REPOs with CPC (clearing participation certificates).

Currency Derivative Instruments and Interest Rates

Strengthening the presence of derivative financial instruments in the market:

– Doubling of currency hedging operations and interest rate risks for corporate customers;

– Implementation of a single pool;

– Implementation of share basket option, barrier option, CBR's key rate swap, dual currency deposit.

Now, CBM:

– Actively expands its counterparty base;

– Expands crossings with the largest foreign and Russian banks.

Foreign Exchange (FX)

The bank introduced a new, modern electronic trading platform (MKB Exchange) which allows its customers to complete their own foreign exchange transactions at the best rates. The core of the platform is a quotation aggregator, which allows customer to create their own better-quality quotation feed based on quotations from counterparty banks and Moscow Exchange. The bank also started feeding quotations to customers in Bloomberg.

CBM’s investment business continued to improve the quality of services to retail customers: this year, the volume of retail foreign exchange transactions increased by 12%.

Brokerage Services

Development of the bank’s brokerage platform led to the following results:

– Growth of the customer base;

– Introduction of new products and services for both corporate customers and individual investors.

Strengthening the bank’s position in this area was ensured by the following innovations:

– Implementation of REPOs with CPC (clearing participation certificates) and CC (central counterparty);

– Implementation of direct access to the US market (New York Stock Exchange (NYSE), NASDAQ), access to a German electronic trading system Xetra, a Pan-European stock exchange Euronext (EN), London Stock Exchange (LSE), Hong Kong Stock Exchange (HKSE) and Warsaw Stock Exchange (WSE) through voice brokerage;

– Implementation of a transaction mechanism with partial collateral and risk profiling;

– Implementation of a sub-brokerage model in brokerage;

– Organisation of DMA-access for customers to the foreign exchange and derivatives markets;

– Automation and optimisation of basic calculations and processes.

Development of Depository services:

– Introduction of new tariffs;

– Automation and simplification of internal processes.

Private Banking

Strengthening of mkb private bank:

– Rebranding: creation of the mkb private bank brand;

– Mkb private bank was awarded *Start of the Year* in SPEAR’S Russia Wealth Management Awards 2019;

– Launch of a new site of the subdivision, customisation of the application;

– Running a range of advertising campaigns.

The mkb private bank package for wealthy customers includes a range of banking and investment services:

– Addressing everyday financial and non-financial targets;

– Achievement of long-term life goals;

– Competent wealth management;

– Investments in various products:

- In Russian and foreign markets;
- Premium banking service;
- Individual insurance programmes;
- Individual pension programmes.

Mkb private bank's strategy centres on a comprehensive customer service model based on the Group's product capabilities. It is focused on various customer needs related to the rational utilisation, protection, increase and hereditary transfer of wealth. The ability to maintain a dialogue with each customer on the whole range of their life goals and translate them into financial solutions is the key competence of mkb private bank managers.

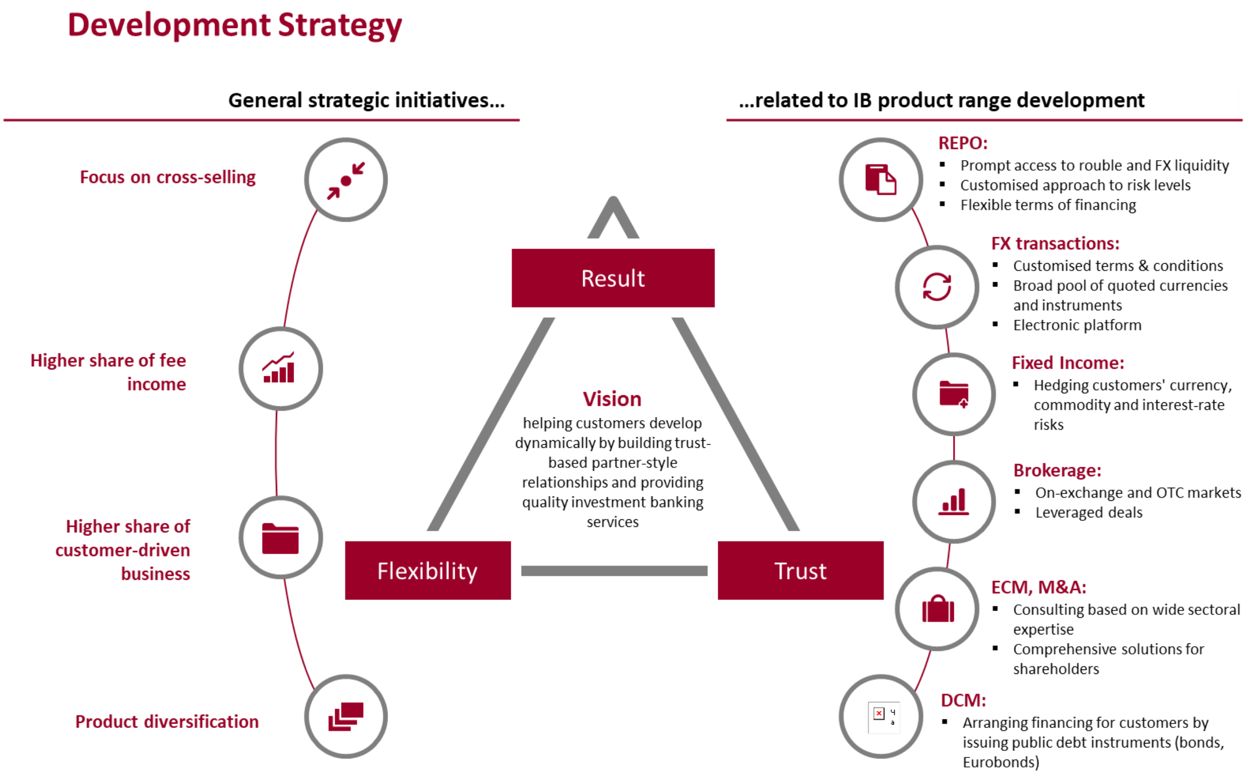
Investment Business Development Plans

The CBM's Investment Block sets ambitious goals for the coming years and plans to consolidate its hold in the investment banking market as one of the leaders both in the quality of its services and in financial results:

- Active expansion in the local capital market and a 1.5 fold gain of the CBM's share.
- Base bank for key corporate customers for the whole range of investment banking operations (One-stop-shop approach):
    - focus on cross-sells with CBD[10];
    - growth of fee income share;
    - growth of customer business share;
    - product diversification.
- Expansion of geographical presence on international capital market.
- Strengthening of market leadership, broken down into product ranges:
    - REPO: strengthening of the position in the top 3 market operators by volume of transactions. Expansion of REPO book.
    - DCM: maintaining the position in the top 5 banks by volume of transactions.
- Development of product range:
    - structured finance (Margin loan, REPO, total return swap and other derivatives);
    - risk hedging instruments: IRS (interest rate swap), swap, forward (forward contract), NDF (non-delivered forward);
    - corporate treasury, liquidity management, dual currency deposits;
    - derivative financial instruments tied to the commodity markets;
    - PESS (Private equity and special situations) capabilities (mergers and acquisitions, pre-IPO investing and funding, Private Equity).

[10] Corporate business Directorate

Further development of new investment products will help achieve a synergistic effect, serve as a driver for better operational efficiency, increase brand awareness and, as a result, augment CBM's shareholder value.



New Products and Introduced Technologies

– Introduction of the NTPro platform for foreign exchange transactions (an electronic trading platform for the bank's customers, which expands the functions of the bank's existing solution: pre-trade control, the ability to use a large number of liquidity sources and to adjust the quotation aggregator, ans increase the number of currency pairs);

– Connection of REPO desk employees to the Saint Petersburg Forex Exchange to conduct trading activities;

– Quik X (mobile application for trading) for customers of the brokerage desk (configured to use the trading platform on mobile devices);

– Unsecured transactions (Brokerage. Automation of special REPOs, marking of transactions in the brokerage report for the customer);

– Export of customer orders from QUIK to MCB BO (in-house application for organising internal booking of customers' and proprietary dealing in securities by the back office) (Brokerage. Loading of orders from QUIK with identification of customers and their EDS);

– Implementation of FORTS (Russian futures and options trading platform) and own transactions (automation of operations in the derivatives market);

– Transactions with interim payments of interest on REPOs (Brokerage. Finalisation of MCB BO regarding customer transactions with interim payments of interest on REPOs);

– Brokerage in the Moscow Exchange FX market (Brokerage. Automation of transactions in the FX market (customer transactions);

– FX options (automation of accounting for FX options: guides, bookkeeping, tax accounting, risks, reporting);

– Money Market (money market transactions) for FORTS (enhancement of FORTS (own transactions) related to automation of instrument-futures in the OFZ basket);

– Barrier option;

– Loading of all transactions from Softwell (application for registration of transactions, management of positions, calculation of income, control of limits, payments, accounting and reporting) / BackQORT (automated back office) to CBM BO (with respect to Message Queuing: for FOREX transactions, interbank lending transactions, securities transactions (own, brokerage), REPOs (own) and FORTS transactions (brokerage));

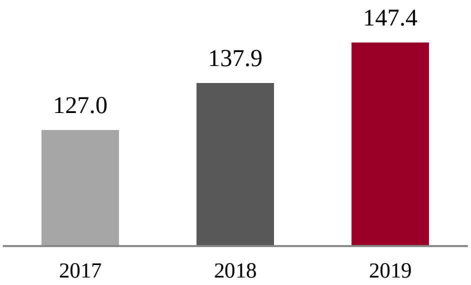
– FORTS, customer transactions (Brokerage. Derivatives Market Brokerage (FORTS));

– Connection to the standardised derivative market (execution of exchange and OTC transactions, their recording in the system and accounting).

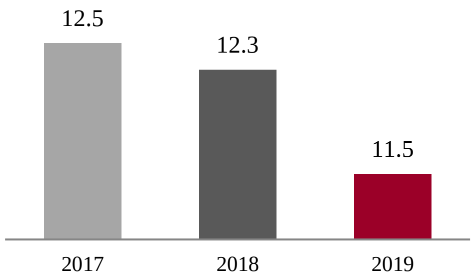
FINANCIAL RESULTS

1. Key financial results

Interest income, RUB bln



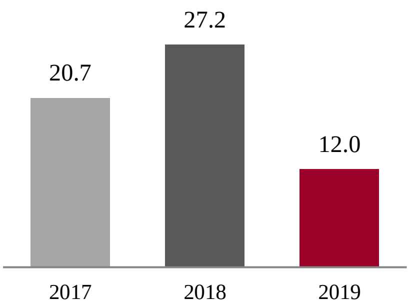
Net fee and commission income, RUB bln



Interest income grew by 6.8% y-o-y to RUB 147.4 bln, mainly driven by accounts and deposits with other financial institutions and CBR.

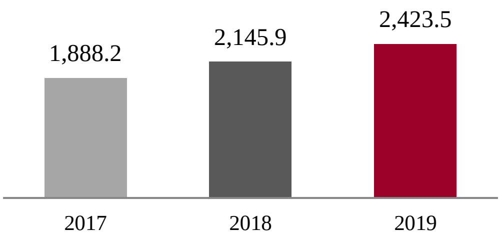
Net fee income declined by 6.6% y-o-y to RUB 11.5 bln, partly due to lower fees from settlements and bank transfers.

Net income, RUB bln

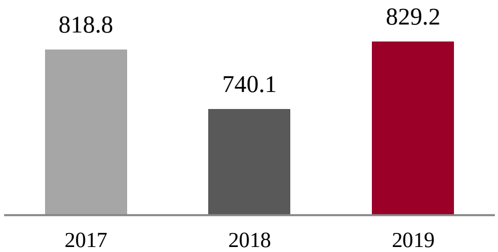


Net income declined by 56.1% y-o-y to RUB 12.0 bln, largely due to technical revaluation of the perpetual subordinated Eurobonds and weaker net interest income.

Assets, RUB bln



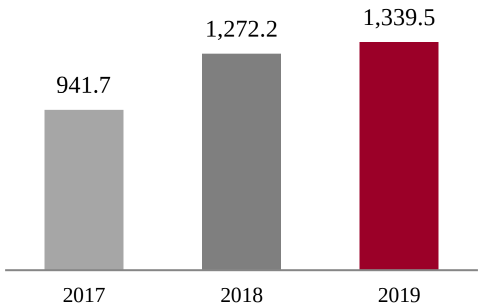
Loan Portfolio (gross), RUB bln



Total assets rose by 12.9% y-o-y to RUB 2,423.5 bln.

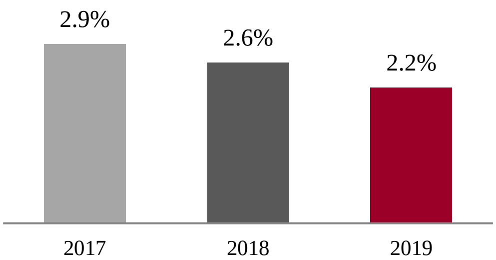
Gross loan portfolio expanded by 12.0% y-o-y to RUB 829.2 bln.

Deposits by Customers, RUB bln



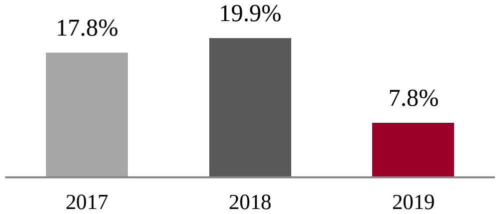
Customer deposits expanded by 5.3% y-o-y to RUB 1,339.5 bln.

NIM, %



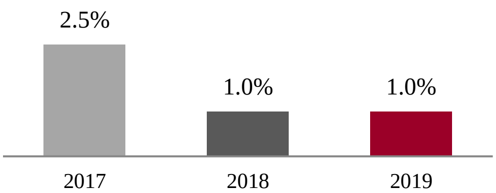
Net interest margin (NIM) was 2.2% as interest expense rose by 14.0% y-o-y.

ROE, %



Return on equity (ROE) decreased to 7.8%, partly due to a technical revaluation of the FX-nominated perpetual subordinated Eurobonds, which reflected the rouble exchange rate's continuing growth in 4Q2019.

COR, %



Cost of risk (COR) was 1.0% as at end-2019, implying that the loan portfolio quality remained high.

2. *Key results*

- Assets increased by 12.9% to RUB 2.4 tln.
- Return on equity decreased to 7.8% compared to 19.9% one year ago. Return on assets was 0.5% compared to 1.4% as at end-2018.
- Gross loan portfolio rose by 12.0% to RUB 829.2 bln.
- Ratio of NPLs (90+ days) to gross loan portfolio grew from 1.6% to 3.6%.
- The ratio of NPL90+ to retail loan portfolio decreased by 0.7 pp to 3.6% as at end-2019.
- Cost of risk (COR) remained at 1.0% as in 2018.
- Provisioning rate increased from 4.2% as at end-2018 to 4.9% as at end-2019.
- Customer deposits increased by 5.3% y-o-y to RUB 1.3 tln. Retail customer deposits increased by 29.6% y-o-y to RUB 486.2 bln.
- Basel III capital grew by 1.8% y-o-y to RUB 302.9 bln. Core capital expanded by 17.0% to RUB 170.2 bln.
- Capital adequacy ratio remained high at 21.2%, and Tier 1 capital adequacy ratio rose by 1.2 pp to 11.9%.
- Interest income increased by 6.8% to RUB 147.4 bln.
- Net income was RUB 12.0 bln.

3. Income statement analysis

Interest Income

For the year ended 31 December 2019, CBM's interest income increased by RUB 9.4 bln, or 6.8%, to RUB 147.4 bln from RUB 137.9 bln for the year ended 31 December 2018.

	2019		**2018**		**Change**
	RUB bln	% of total	RUB bln	% of total	%
Loans to customers	65.6	44.5%	68.9	50.0%	-4.8
Due from banks, other financial institutions and CBR	67.0	45.5%	58.1	42.1%	+15.3
Debt financial assets and other financial instruments	14.8	10.0%	10.9	7.9%	+35.2
Total interest income	147.4	100.0%	137.9	100.0%	+6.8
Average yield on interest-earning assets (%)[11]		7.2%		7.6%	

The interest income growth was mostly driven by the yield on accounts and deposits at other financial institutions and CBR as a result of a general increase in the volume of interbank transactions coupled with an expansion of their rouble-nominated share which generates higher interest income on average. Another driver was the expanding debt financial assets and other financial instruments. The average yield on interest-bearing assets decreased from 7.6% as at 31 December 2018 to 7.2% as at 31 December 2019. A decrease in the average interest yield is due to persistent key rate cuts, higher competition in the banking sector and a greater share of highly liquid assets held pursuant to CBM's conservative approach to liquidity risk management and lending against a moderate recovery of economic growth.

Interest Income on Loans to Customers

The loan portfolio's contribution to the total interest income decreased by 5.5 pp y-o-y to 44.5% as at 31 December 2019. In absolute terms, the decrease was RUB 3.3 bln as at 31 December 2019. This was attributable to CBR's key rate cuts, which put pressure on the market rates, and tougher competition for prime borrowers. CBM's average yield on loans to customers decreased from 10.0% for the year ended 31 December 2018 to 9.1% for the year ended 31 December 2019 in line with the general market trend to lower interest rates.

[11] Average yields and values are averaged by quarters

Interest Income on Due from Credit and Other Financial Institutions and CBR

Interest income on due from credit and other financial institutions and the CBR represented 45.5% and 42.1% of total interest income for the years ended 31 December 2019 and 2018, respectively.

For the year ended 31 December 2019, interest income on due from credit and other financial institutions and CBR increased by RUB 8.9 bln, or 15.3%, to RUB 67.0 bln from RUB 58.1 bln for the year ended 31 December 2018.

A substantial share of interest income on due from credit and other financial institutions and CBR reflects a significant amount of reverse repo transactions, allowing the bank to generate stable income with minimum levels of risk and capital consumption, while maintaining a comfortable "liquidity cushion" for any eventual instability of the financial market.

CBM's average yield rose from 6.1% for the year ended 31 December 2018 to 6.2% for the year ended 31 December 2019, as a result of repricing and a greater volume of higher-yield rouble-nominated reverse repos.

Interest Income on Debt Financial Assets and Other Financial Instruments

Interest income on debt securities (including trading financial assets and investment financial assets) represented 10.0% and 7.9% of total interest income for the years ended 31 December 2019 and 2018, respectively. For the year ended 31 December 2019, interest income on debt financial assets and other financial instruments increased by RUB 3.9 bln or by 35.2% to RUB 14.8 bln from RUB 10.9 bln for the year ended 31 December 2018 as a result of the securities portfolio growth which obliges CBM as a systematically important bank to comply with a mandatory ratio by holding a large amount of highly liquid securities.

The average interest rate earned on debt securities increased to 6.3% for the year ended 31 December 2019 from 6.2% for the year ended 31 December 2018.

Interest Expense

For the year ended 31 December 2019, CBM's total interest expense increased by RUB 12.6 bln, or 14.0%, to RUB 102.1 bln from RUB 89.5 bln for the year ended 31 December 2018.

	2019		**2018**		**Change**
	RUB bln	% of total	RUB bln	% of total	%
Due to customers	67.1	65.8%	48.6	54.3%	+38.0%
Due to credit institutions and CBR	25.5	25.0%	32.1	35.8%	-20.4%
Debt securities issued	9.4	9.2%	8.8	9.8%	+7.1%
Total interest expense:	102.1	100.0%	89.5	100.0%	+14.0%
Average rate on interest-bearing liabilities (%)		5.2%		5.1%	

The overall increase in CBM’s interest expense during the period under review was driven by growth of interest expense on due to customers and debt securities issued. The average interest rate paid by the bank on interest-bearing liabilities was 5.2% and 5.1% for the years ended 31 December 2019 and 2018, respectively.

Interest Expense on Due to Customers

Interest expense on due to customers remained the largest component of CBM’s total interest expense during the periods under review, representing 65.8% and 54.3% of total interest expense as at 31 December 2019 and 2018.

For the year ended 31 December 2019, interest expense on customers’ current accounts and deposits increased by RUB 18.5 bln or by 38.0% to RUB 67.1 bln from RUB 48.6 bln as at 31 December 2018. This was caused by the general increase in due to customers by 5.3% to RUB 1,339.5 bln for 2019 as compared to RUB 1,272.2 bln for 2018, and a repricing of large corporate deposits in the first half of 2019. The average interest rate on current accounts and deposits by customers rose from 4.7% in 2018 to 5.4% in 2019.

Interest Expense on Due to Credit Institutions and CBR

Interest expense on due to credit institutions and the Bank of Russia represented 25.0% and 35.8% of total interest expense as at 31 December 2019 and 2018, respectively.

For the year ended 31 December 2019, interest expense on due to credit institutions and the Bank of Russia decreased by RUB 6.6 bln, or 20.4%, to RUB 25.5 bln from RUB 32.1 bln for the year ended 31 December 2018. This was due to a decrease in the average interest rate paid by CBM on deposits by credit institutions from 5.3% in 2018 to 4.4% in 2019, in line with the market trend, and a decrease in the average amount due from financial institutions by 3.6% to RUB 583.7 bln.

Interest Expense on Debt Securities Issued

Interest expense on debt securities issued represented 9.2% and 9.8% of total interest expense for the years ended 31 December 2019 and 2018, respectively.

For the year ended 31 December 2019, interest expense on debt securities issued increased by RUB 0.6 bln, or 7.1%, to RUB 9.4 bln from RUB 8.8 bln as of 31 December 2018. This was mostly attributable to two FX-nominated Eurobond issues placed in February and March 2019. The average interest rate on debt securities issued decreased from 7.7% in 2018 to 6.2% in 2019 in line with the market trend, while the average amount of debt securities issued rose by 32% to RUB 151.4 bln as two FX-nominated Eurobonds were issued in the international market and rouble bonds in the domestic market, availing of favourable market conditions.

Net Interest Income

Net interest income has historically been the largest component of the bank’s operating income.

	2019	2018
	(RUB bln)	
Interest income	147.4	137.9
Interest expense	(102.1)	(89.5)
Net interest income before charge for credit losses	45.3	48.4
Net interest margin	2.2%	2.6%

For the year ended 31 December 2019, net interest income before charge for credit losses decreased by RUB 3.1 bln, or 6.5%, to RUB 45.3 bln from RUB 48.4 bln for the year ended 31 December 2018. CBM's net interest margin was 2.2% and 2.6% as of 31 December 2019 and 2018, respectively. CBM's net interest margin was 2.6% and 2.2% as of 31 December 2019 and 2018, respectively. The net interest margin narrowed consistently in 2018 and 2019 because interest income rose by 6.8% and interest expense by 14.0% in 2019, due to accelerated growth of retail deposits and repricing of large corporate deposits in the first half of 2019.

Charge for Credit Losses

Loan impairment provisions and charge for credit losses are the main indicators of the bank's loan portfolio quality and reflect its approach to risk management.

RUB mln	**Year ended 31 December**	
	2019	**2018**
Charge for credit losses on loans to customers:		
Loans to corporate customers	**3,753**	**6,009**
Auto loans	(19)	(13)
Mortgage loans	(144)	(60)
Credit cards	189	45
Consumer loans	3,960	1,296
Total loans to individuals	**3,986**	**1,268**
Total charge for credit losses on loans to customers	**7,739**	**7,277**
Cost of risk	**1.0%**	**1.0%**

For the year ended 31 December 2019, CBM recognised a charge for credit losses on loans to customers of RUB 7.7 bln, an increase of RUB 0.35 bln, or 6%, from RUB 7.3 bln for the year ended 31 December 2018. The slight increase in the charge for credit losses on loans to customers is attributable to a more active development of consumer lending in 2019. The preservation of the loan portfolio quality was also evidenced by the cost-of-risk ratio, which was as low as 1.0% at end-2019.

Non-Interest Income

	Year ended 31 December	
	2019	2018
	RUB mln	
Fee and commission income	15,398	15,829
Fee and commission expense	(3,864)	(3,483)
Net loss on loans to customers at fair value through profit or loss	(1,590)	(5,611)
Net gain or (loss) on financial assets at fair value through profit or loss	793	(189)
Net gain or (loss) from sale and redemption of investment financial assets at fair value through other comprehensive income .	(272)	(251)
Net realised gain or (loss) on investment financial assets at amortised cost	200	-
Net gain on derecognition of financial instruments measured at AC	295	-
Net foreign exchange (loss)	(13,252)	2,723
Net gain on change in financial liabilities measured at fair value through profit or loss	162	-
Impairment gain or (loss) on other non-financial assets, credit gain or (loss) on other financial assets and credit related commitments and other provisions	3,318	(2 895)
State deposit insurance scheme contributions.......	(2,691)	(1 906)
Operating lease income..	44	81
Net gain from disposal of subsidiaries.................	-	637
Other net operating income (expense)	(665)	3 366
Non-interest income or (expense)	**(2,124)**	**8 301**

Fee and Commission Income

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

	2019	2018
Fee and commission income		
Plastic cards	2,926	3,161
Other cash operations	2,741	2,392
Guarantees and letters of credit	2,348	2,177
Insurance contracts processing	2,250	2,324
Settlements and wire transfers	1,892	2,329
Cash handling	1,564	1,954
Currency exchange and brokerage commission	1,039	976
Opening and maintenance of bank accounts	481	303
Other	157	213
	15,398	**15,829**

The bank's total fee and commission income decreased by RUB 0.4 bln, or 2.7%, to RUB 15.4 bln as of 31 December 2019 from RUB 15.8 bln as of 31 December 2018. That slight decrease was driven by settlements and wire transfers (mainly due to retail fee cuts) and by cash handling. However, 2019 saw a growth in fee and commission income from other cash operations and from guarantees and letters of credit by 14.6% to RUB 2.7 bln and 7.9% to RUB 2.3 bln, respectively.

Fee and Commission Expense

For the year ended 31 December 2019, fee and commission expense increased by RUB 0.4 bln, or 10.9%, to RUB 3.9 bln. The increase in fee and commission expense in 2019 compared to 2018 was mainly driven by guarantees and other credit instruments taken as a result of growing business volumes.

Net Fee and Commission Income

For the year ended 31 December 2019, CBM had a net fee and commission income of RUB 11.5 bln as compared to RUB 12.3 bln for the year ended 31 December 2018. The share of fee and commission income in operating income (before provisions) expanded by 9.1 pp from 18.9% in 2018 to 28.0% in 2019.

Net Loss on Loans to Customers at Fair Value through Profit or Loss

Net loss on loans to customers at fair value through profit or loss decreased from RUB 5.6 bln for the year ended 31 December 2018 to RUB 1.6 bln for the year ended 31 December 2019. This income statement item came to being in the first quarter of 2018 due to the adoption of IFRS 9. It reflects changes in fair value of loans to corporate customers at fair value through profit or loss, and is used in calculating the cost of risk.

Net Gain (Loss) on Financial Instruments at Fair Value through Profit or Loss

For the year ended 31 December 2019, CBM had a net gain on financial instruments at fair value through profit or loss of RUB 0.8 bln as compared to a net loss of RUB 0.2 bln for the year ended 31 December 2018. CBM enters into securities operations mainly for interest income and deployment of extra liquidity. CBM does not engage in transactions with securities for speculative purposes.

Net Loss from Sale and Redemption of Financial Assets at FVOCI

For the year ended 31 December 2019, CBM recorded a net loss from sale and redemption of financial assets at fair value through other comprehensive income of RUB 0.3 bln, which is similar to last year's figure.

Net Foreign Exchange Gains

The bank's foreign exchange gains or losses primarily comprise net gains or losses from foreign exchange transactions, net gains or losses on open foreign currency positions and on the purchase and sale of foreign exchange derivatives for hedging the foreign exchange risks of its clients. The bank generates net income from foreign exchange transactions where its sale price for a particular instrument exceeds its purchase price, and typically incurs losses on its derivative transactions, which losses represent the cost of hedging arrangements made to limit the bank's foreign currency exposure and to manage its liquidity position.

The bank's net foreign exchange loss for the year ended 31 December 2019 was RUB 13.3 bln compared to a net gain of RUB 2.7 bln for the year ended 31 December 2018. That net loss was mainly due to the implications of a stronger rouble for the accounting treatment of the US dollar-nominated Tier 1 perpetual subordinated Eurobonds.

Impairment Gain or (Loss) on Other Non-Financial Assets, Credit Gain or (Loss) on Other Financial Assets and Credit Related Commitments and Other Provisions

Impairment gain on other non-financial assets and credit related commitments and other provisions was RUB 3.3 bln for the year ended 31 December 2019 compared to losses of RUB 2.9 bln for the year ended 31 December 2018. That gain was partly due to a reversal of provisions made upon receipt of collateral under a large guarantee in the first quarter of 2019.

State Deposit Insurance Scheme Contributions

State deposit insurance scheme contributions include amounts that the bank pays for its membership in the state mandatory system of retail deposit insurance, and are assessed in proportion to its retail deposit portfolio. Such contributions amounted to RUB 2.7 bln in 2019 and RUB 1.9 bln in 2018. The increase is explained by the growth of CBM's retail deposit portfolio in 2019.

Other Operating Income (Expense)

For the year ended 31 December 2019, CBM's other operating expense was RUB 0.7 bln as compared to other operating income of RUB 3.4 bln in 2018. The substantial amount of other operating income in 2018 was mainly due to income from operations with own securities (including income from a partial redemption of Eurobonds due 2027 and perpetual Eurobonds) and fees earned.

Operating Expense

As of 31 December 2018, the bank's operating expense increased by RUB 1.8 bln, or 9.3%, to RUB 21.2 bln from RUB 19.4 bln as of 31 December 2018. This was primarily due to increases in salaries and employment benefits.

	2019		**2018**	
	RUB mln	**%**	**RUB mln**	**%**
Salaries and employment benefits	14,167	66.7%	12,290	63.3%
Administrative expenses	5,155	24.3%	6,085	31.3%

Depreciation of property and equipment	1,903	9.0%	1,051	5.4%
Operating expense....................	**21,225**	**100.0%**	**19,426**	**100.0%**
Cost-to-income ratio (%)		**51.6%**		**29.8%**

Salaries and Employment Benefits

Salaries and employment benefits increased by RUB 1.9 bln, or 15.3%, to RUB 14.2 bln for the year ended 31 December 2019 from RUB 12.3 bln for the year ended 31 December 2018. This increase was primarily due to salary increases resulting from the overall development of the bank's business and growing competition among employers.

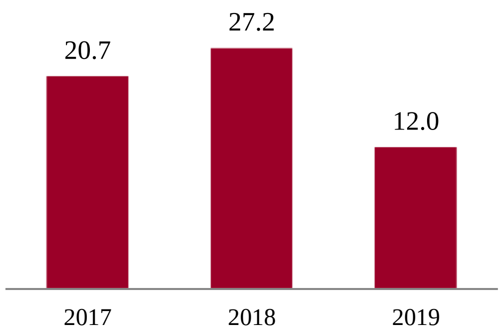
Administrative Expenses

For the year ended 31 December 2019, CBM's administrative expenses decreased by RUB 0.9 bln, or 15.3%, to RUB 5.2 bln from RUB 6.1 bln for the year ended 31 December 2018. The decrease primarily reflects a more than fivefold reduction, by RUB 1.0 bln, in occupancy expenses in 2019 due to the new, IFRS 9-related accounting rule.

Net Income

Net income for 2019 was RUB 12.0 bln. It fell largely because the rouble exchange rate continued to climb in 4Q2019, which was reflected in the FX-nominated perpetual subordinated Eurobonds revaluation, and because net interest income shrank while risk indicators remained at their 2018 levels.

Net income, RUB bln



4. Structure of Assets and Liabilities

Balance Sheet

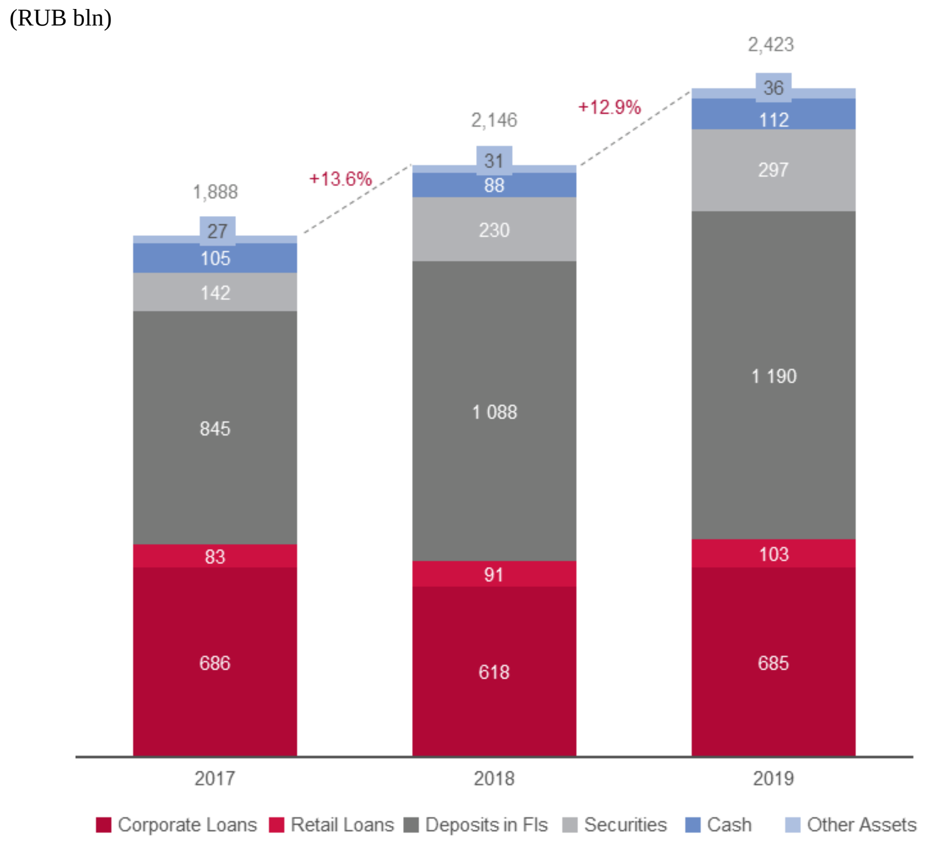
RUB mln	2019	2018	Change
Assets			
Cash and cash equivalents	953,645	1,162,779	-18%
Obligatory reserves with the Bank of Russia	16,944	13,065	+30%
Due from credit and other financial institutions	348,794	13,183	+2546%
Trading financial assets	38,550	15,665	+146%
Investment financial assets	258,168	214,481	+20%
Loans to customers	788,655	709,045	+11%
Investments in associates	2,350	2,275	+3%
Property and equipment	9,515	7,182	+32%
Other assets	6,876	8,252	-17%
Total assets	**2,423,497**	**2,145,927**	**+13%**
Liabilities and equity			
Due to the Bank of Russia	-	-	-
Due to banks	677,936	552,930	+23%
Due to customers	1,339,535	1,272,175	+5%
Financial liabilities measured at fair value	9,874	6,329	+56%
Debt securities issued	168,549	105,305	60%
Deferred tax liability	3,370	4,248	-21%
Other liabilities	13,801	13,767	0%
Total liabilities	**2,213,065**	**1,954,754**	**+13%**
Equity			
Share capital	30,692	27,942	+10%
Additional paid-in capital	58,210	46,247	+26%
Perpetual debt issued	37,871	46,691	-19%
Revaluation surplus for buildings	407	490	-17%
Fair value reserve for securities	1,146	(1,834)	+162%
Change in fair value of financial liability attributable to changes in the credit risk	64	-	+100%
Retained earnings	82,042	71,637	+15%
Total equity	**210,432**	**191,173**	**+10%**
Total liabilities and equity	**2,423,497**	**2,145,927**	**+13%**

Asset Structure

As at 31 December 2019, the bank's total assets increased by 13.0% or RUB 277.6 bln and reached RUB 2,423.5 bln. The increase was mainly driven by an 11.2% growth of CBM's net loan portfolio to RUB 788.7 bln, and reflects the expansion of its reverse repo business coupled with an increase in its portfolio of high-quality corporate and government bonds.

Loans to customers remain one of the largest components of CBM's assets, accounting for 32.5% thereof. Liquid assets, which include cash and cash equivalents, due from banks and the securities portfolio, rose in 2019 by RUB 193.0 bln or 13.7% to RUB 1,599.2 bln or 66% of total assets.

Asset Structure



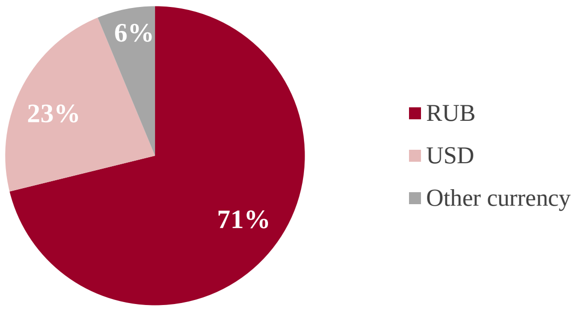
Loan Portfolio

The gross loan portfolio (before credit loss allowance) as at 31 December 2019 was RUB 829.2 bln, representing a 12.0% increase from RUB 740.1 bln as at 31 December 2018. The increase was mainly driven by loans issued to large, high-quality corporate customers. The share of corporate loans in the total loan portfolio remained the same as in 2018, i.e. 86.8%. The corporate portfolio stood at RUB 719.4 bln as of 31 December 2019.

The retail loan portfolio increased by 13.7% y-o-y to RUB 109.8 bln as unsecured consumer lending rose by 14.1% to RUB 82.4 bln and mortgage lending by 14.6% to RUB 23.7 bln. Thus, the share of retail loans in the total loan portfolio increased to 13.2% as at end-2019.

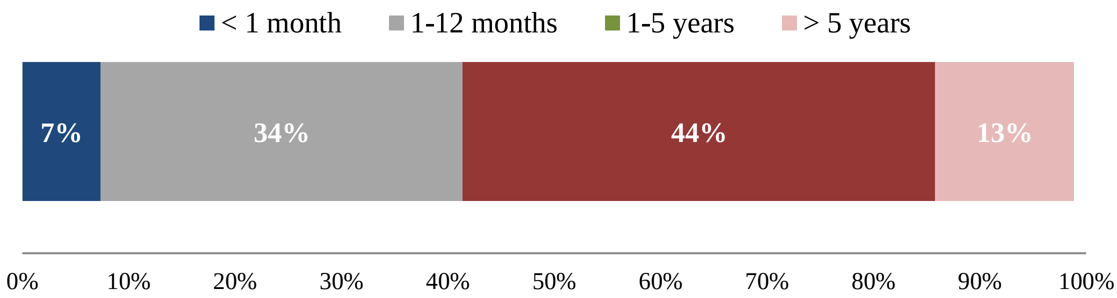
Being an active player in the international finance market, the bank has liabilities nominated in foreign currencies. For a more balanced currency structure of its assets and liabilities, the bank now only gives foreign currency loans to customers with a foreign currency component in their business. As at 31 December 2019, 71% of the bank's loan portfolio was nominated in roubles, 23% in US dollars and the remaining 6% in other currencies.

Loan Portfolio by Currency



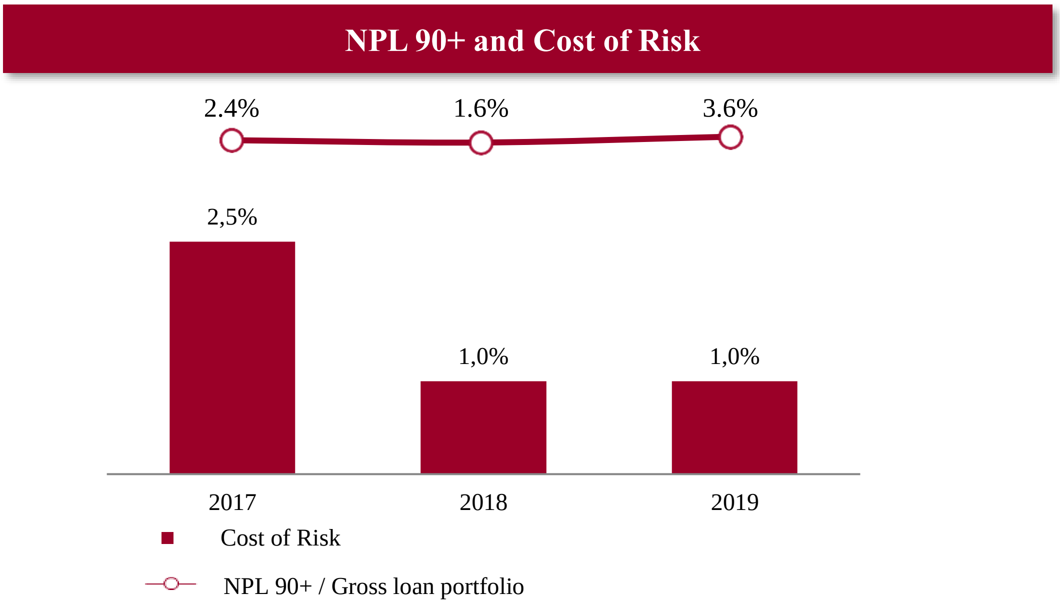
As at end-2019, the total portfolio had a large, 41% portion of loans with maturities of up to 1 year. Long-term loans (with maturities exceeding 5 years) accounted for 13%.

Total Loan Portfolio by Maturities

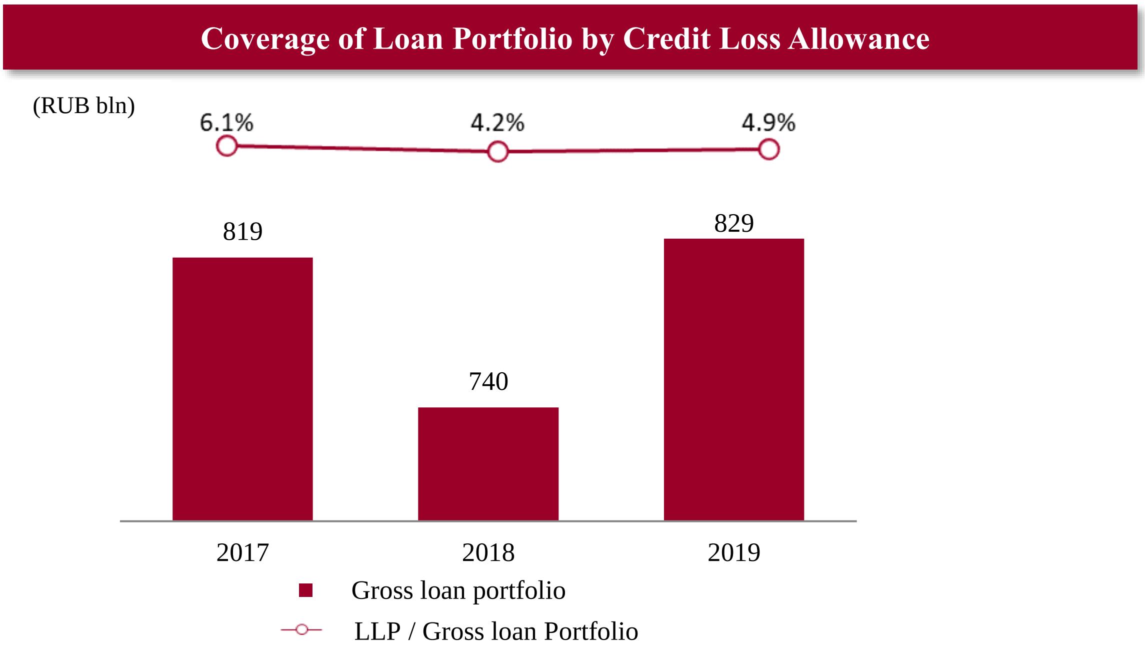


Loan Portfolio Quality

Loan portfolio quality has been maintained at a high level. After overdue debt (NPL90+) increased in the first half of 2019 due to the deteriorated financial condition of a large corporate borrower, the second half-year saw no adverse changes in the loan portfolio, with NPL90+ declining by 0.3 pp compared to 1H2019 and reaching 3.6%. Write-offs accounted for a marginal 0.6% share of the gross portfolio in 2019 (2.1% in 2018).

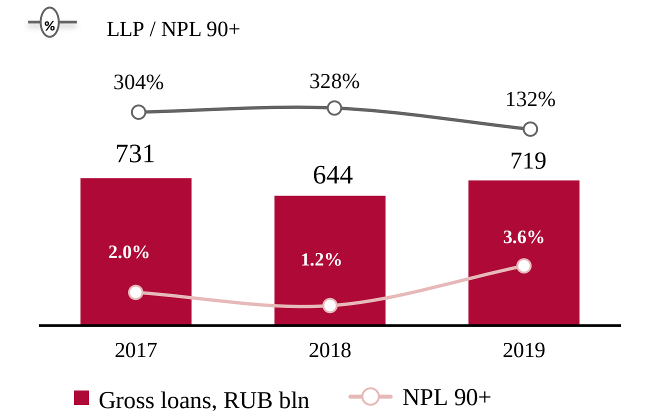


Credit loss allowance stood at RUB 40.5 bln as at end-2019 as compared to RUB 31.1 bln as at end-2018, having increased by 0.7 pp to 4.9% as a percentage of the gross loan portfolio. Credit loss allowance increased by 30%, or RUB 9.5 bln, mainly because the financial condition of a large corporate borrower from the oil and gas sector deteriorated in the first quarter of 2019. The NPL90+ coverage ratio was 137% as at end-2019. The preservation of the loan portfolio quality was also evidenced by the cost-of-risk ratio that was as low as 1.0% as at 31 December 2019.

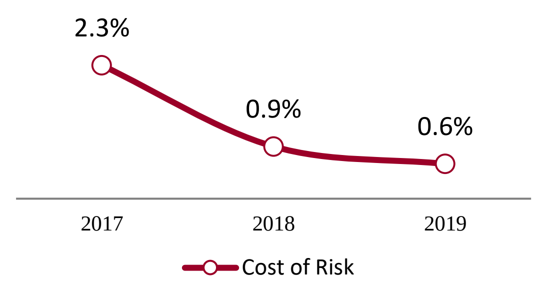


The corporate loan portfolio provisioning rate increased by 0.7 pp to 4.7%, with the LLP/NPL coverage ratio falling to 132%. The corporate loan book quality has been maintained at a high level, with the cost of risk declining by 0.3 pp y-o-y to 0.6% and annual charges for credit loss allowance by RUB 2.5 bln to RUB 3.8 bln as at end-2019. The ratio of NPL90+ to gross corporate portfolio was 3.6% as at end-2019.

Corporate Loan Book



Cost of Risk of Corporate Book

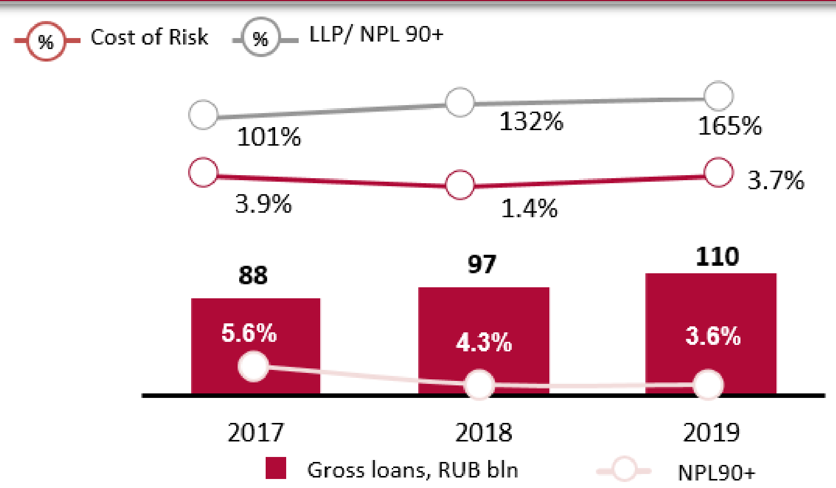


NPL90+ in the gross retail portfolio, which expanded by 13.7% y-o-y, dropped to 3.6% as at end-2019 from 4.3% as at end-2018. As the retail loan portfolio is not aggressively expanded and most new loans are originated to employees of the bank's corporate customers and to its existing clients, the portfolio's quality remains at an acceptable level.

The NPL coverage ratio for the retail portfolio increased to 164.9% as of 31 December 2019 compared to 131.8% as at end-2018 partly because retail NPLs fell by RUB 0.2 bln to RUB 4.0 bln. The provisioning rate for the retail portfolio rose by 0.3 pp to 6.0%.

The cost of risk of the retail loan portfolio increased in 2018 by 2.5 pp to 3.9% due to higher risk appetite and growth rates in unsecured consumer lending.

Retail Loan Book



Cash and Cash Equivalents

Cash and cash equivalents represent items that are readily convertible into cash and are subject to an insignificant risk of changes in value.

The decrease in cash and cash equivalents resulted from the decreases in due from credit and other financial institutions with maturities below 1 month, which mostly represent reverse repo transactions secured upon securities of top-tier issuers and putting minimal pressure on capital.

As at 31 December 2019, CBM had cash and cash equivalents of RUB 953.6 bln as compared to RUB 1,162.8 bln as at 31 December 2018, representing a decrease of 18%. Due from banks and other financial institutions with maturities below one month dropped by 22% to RUB 841.3 bln. Such changes were mostly driven by the bank’s efforts to lengthen the maturities of reverse repo transactions to meet the needs of certain customers.

Due from Credit and Other Financial Institutions

Accounts and deposits with banks expanded from RUB 13.2 bln as at end-2018 to RUB 348.8 bln as at end-2019. The increase in deposits in credit and other financial institutions was attributable to an increase in the volume of reverse repo transactions with maturities exceeding 1 month, from RUB 7.8 bln to RUB 344.0 bln as at end-2019 in line with counterparties’ needs. Importantly, more than 90% of securities pledged under reverse repo agreements were rated BBB- or higher as at 31 December 2019.

Securities Portfolio

CBM’s securities portfolio comprised 12.2% and 10.7% of its total assets as at 31 December 2019 and 2018, respectively. CBM classifies its securities portfolio into trading financial assets and investment financial assets. Its securities portfolio consists primarily of Russian government and municipal securities, corporate bonds and Eurobonds of top-tier Russian companies with solid credit ratings. As at end-2019, 50% of the securities portfolio was attributable to CBR, Russian government and municipal bonds and 42% to corporate bonds, with 72% of the debt securities portfolio being on the Bank of Russia’s Lombard List.

As at 31 December 2019, CBM’s securities portfolio totalled RUB 296.7 bln compared to RUB 230.1 bln as at 31 December 2018. The increase in its securities portfolio is primarily attributable to an increase in the volume of the Bank of Russia’s bonds, aimed at enhancing CBM’s liquidity ratios and generating stable low-risk income.

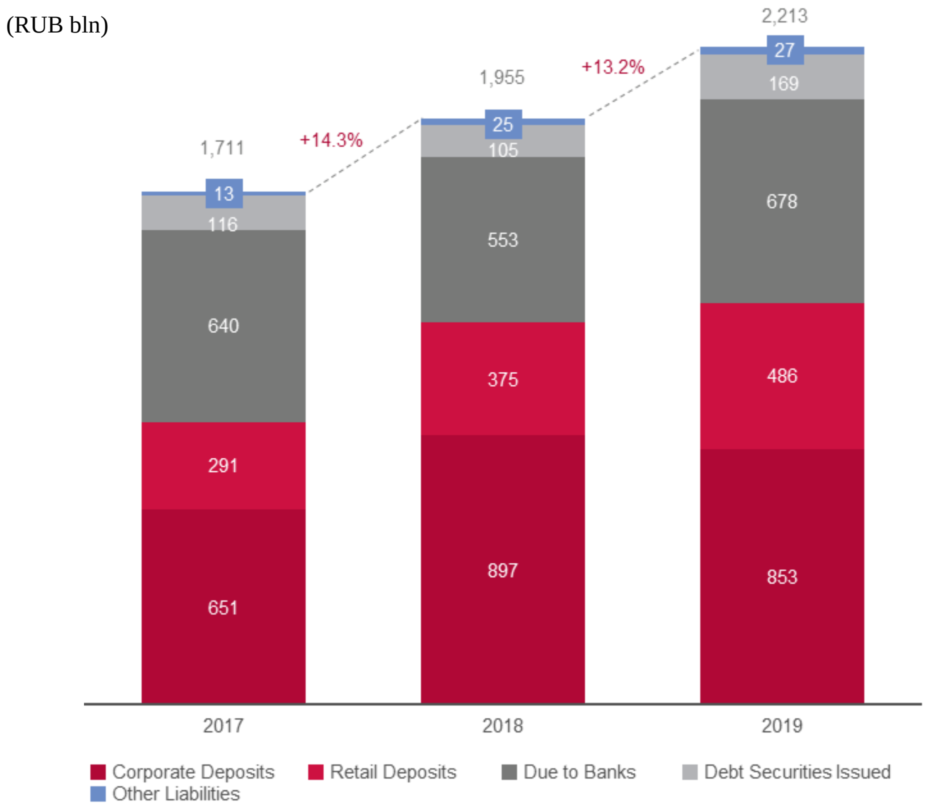
Liability Structure

Funding

The bank’s liabilities consist primarily of current accounts and deposits from corporate and retail customers. Other sources of funding include domestic bonds and Eurobonds, borrowings in the Russian interbank market, borrowings from international financial institutions and syndicated loans. The bank also has access to Bank of Russia financing on a secured and unsecured basis.

CBM's funding strategy pursues diversification in order to achieve an optimal balance between its equity, domestic and international borrowings to cover the growing needs of its business, both in terms of currency and maturity.

Liability Structure



As at 31 December 2019, CBM's liabilities totalled RUB 2,213 bln, having increased by RUB 258 bln, or 13.2%, from RUB 1,955 bln as at 31 December 2018. This increase was driven by retail deposits, accounts and deposits of credit institutions, and debt securities issued.

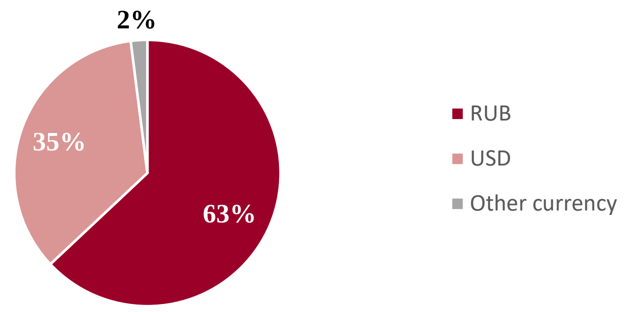
Funding Base

Current Accounts and Deposits by Customers

Accounts and deposits by customers represented 60.5% of total liabilities or RUB 1,339.5 bln in 2019, having grown by 5.3% y-o-y. The deposit base expanded due to a strong 29.6% inflow of retail deposits that reached RUB 486.2 bln or 36.3% of total deposits. Corporate deposits decreased by 4.9% y-o-y to RUB 853.4 bln due to the State Pension Fund's withdrawal in the first quarter of 2019 after the eligible bank ratings were revised upwards. However, the three subsequent quarters saw a strong 17% inflow of corporate deposits. Customer deposits are a strong source of liquidity for the bank which grows steadily as the bank expands its customer base in the process of solidifying its positions in the Russian banking sector.

Term deposits decreased slightly to RUB 1,137 bln, representing 85% of the total deposit base. They account for 83% of all corporate deposits or RUB 711 bln and 88% of all retail deposits or RUB 425.7 bln.

Deposit Portfolio Breakdown by Currencies

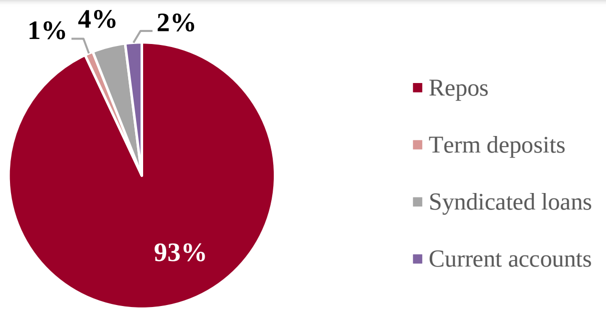


Customer deposits are denominated mainly in roubles (63% of the total deposit base as at end-2019 compared to 54% as at end-2018).

Due to Credit Institutions

Due to credit institutions include payables under repurchase agreements, term deposits, current accounts and syndicated loans. Due to credit institutions represented 30.6% and 28.3% of total liabilities as at 31 December 2019 and 2018, respectively.

Breakdown of Deposits by Credit Institutions



Due to credit institutions increased by RUB 125.0 bln, or 23%, from RUB 552.9 bln as at 31 December 2018 to RUB 677.9 bln as at 31 December 2019. The increase in 2019 was attributable to a 29% increase in payables under repurchase agreements to RUB 629.9 bln and a 23% increase in syndicated loans to RUB 26.8 bln, driven mainly by the need to raise additional resources to finance reverse repos and loan portfolio expansion.

Debt Instruments

CBM issues debt securities in the domestic and international markets to fund its business growth. Debt securities issued represented 7.6% and 5.4% of CBM's total liabilities as at 31 December 2019 and 2018, respectively. The total amount of debt instruments rose by 60.1% y-o-y to RUB 168.5 bln, primarily due to two FX-nominated Eurobond issues placed in February and March 2019.

	2019		2018	
	RUB bln	% of total	RUB bln	% of total
Bonds	136.0	80.7%	61.1	58.0%
Subordinated bonds	32.5	19.3%	44.2	42.0%
Total debt securities issued	168.5	100.0%	105.3	100.0%

In February 2019, CBM issued its debut euro-nominated 5-year EUR 500 mln 5.15% senior Eurobond. Furthermore, CBM issued a 5-year USD 500 mln 7.121% senior Eurobond in March 2019. That transaction was the first public borrowing in US dollars by a Russian bank last year, and helped diversify the bank's investor base by attracting new investors from Continental Europe and Southeast Asia.

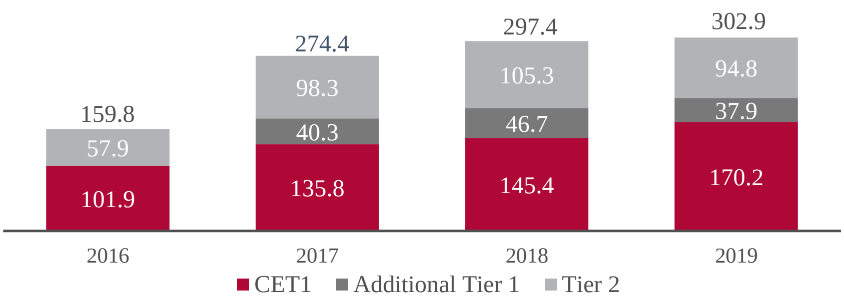
Equity

Equity Capital

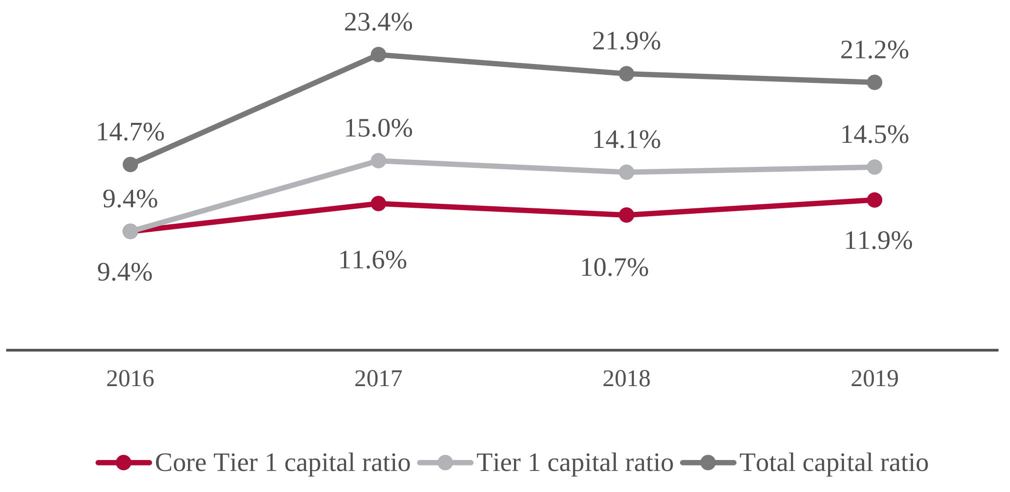
The bank's total capital according to Basel III standards rose by 1.8% y-o-y to RUB 302.9 bln. The capital structure was strengthened by a RUB 14.7 bln SPO carried out on the Moscow Exchange in November 2019. The additional and Tier 2 capitals declined because of currency revaluation and partial buyback and cancellation of subordinated Eurobonds CBOM27 and CBOM-perp in November 2019.

The Tier 1 capital ratio calculated in accordance with Basel III rose from 10.7% as at end-2018 to 11.9% as at end-2019. The total capital adequacy ratio reduced from 21.9% to 21.2%. The core capital increased by 17.0% y-oy- to RUB 170.2 bln.

IFRS Capital Adequacy (Basel III)



IFRS Capital Adequacy Ratios (Basel III)



CORPORATE GOVERNANCE SYSTEM

1. Controlling Shareholder's Memorandum

CREDIT BANK OF MOSCOW's efficient and well-developed corporate governance system is an important element of its policy, integrated into its business management system.

The bank seeks to meet the best international and Russian standards by continuously improving its governance system in line with the Russian Corporate Governance Code recommended by the Bank of Russia and international corporate governance standards setting out most important principles shared by the bank's shareholders, directors and officers.

The commitment of the bank's shareholders, Supervisory Board members and employees to the Corporate Governance Code is attested by the fact that its principles and provisions are incorporated into the bank's bylaws, and its corporate governance system is being developed according to a plan approved by the Supervisory Board. The development of corporate governance practices in the bank is overseen by the Compensation, Corporate Governance and Nominations Committee of the Supervisory Board.

The controlling shareholder is a Supervisory Board member himself and confirms his commitment to best corporate governance practices by making sure each year that as many independent directors are elected to the Supervisory Board as necessary to comply with the listing rules and corporate governance principles.The controlling shareholder also participates in annual shareholders meetings, thus giving minority shareholders an opportunity to ask him directly about the bank's development.

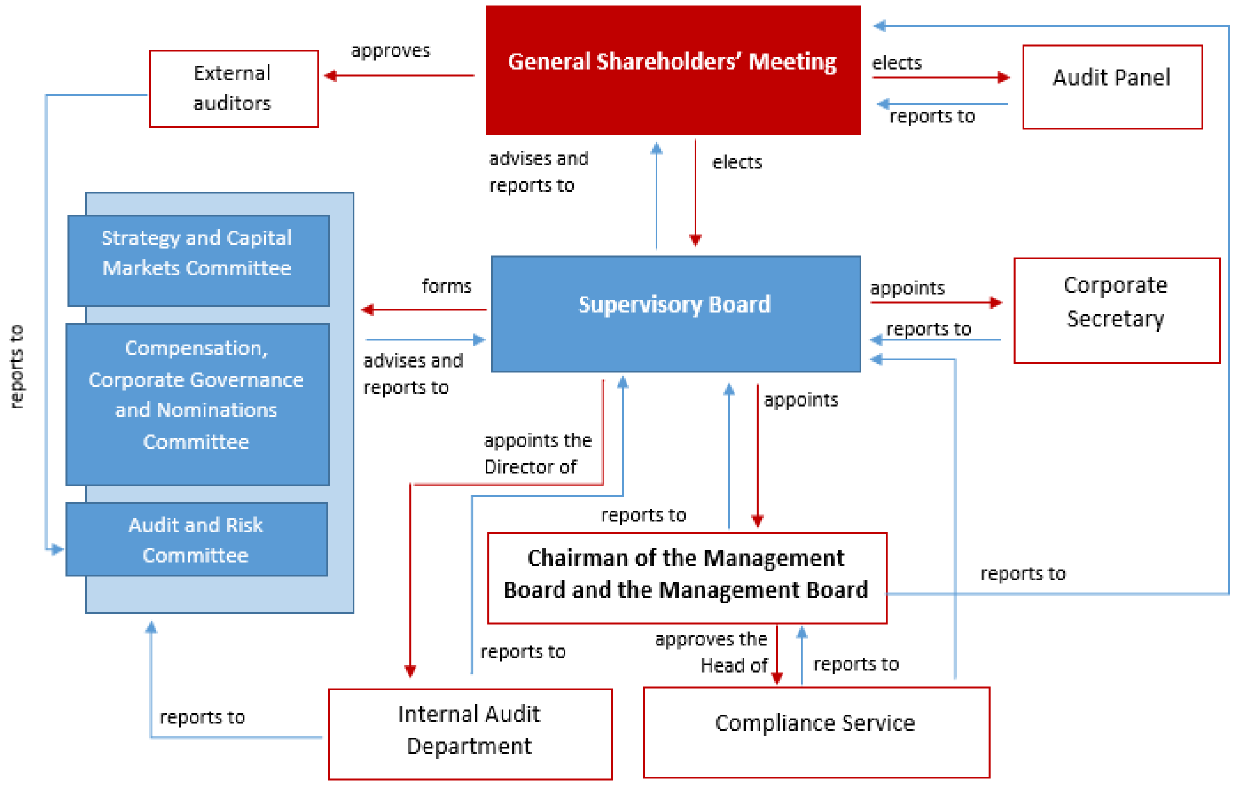
The Supervisory Board pays much attention to the protection of minority shareholders' interests and to the quality of the bank's disclosures to all stakeholders.To protect shareholders' interests and facilitate the achievement of the bank's goals, the Supervisory Board regularly monitors the risk management and internal control system's effectiveness.

The bank grows and develops actively, strengthening its capital base in particular by way of equity capital market exercises, and seeking to comply, now and going forward, with high corporate governance standards.

2. Corporate governance system

The bank's corporate governance system is a system of principles and standards, balancing interests of its shareholders, management and other stakeholders, facilitating effective performance of its management bodies and enhancing its investment appeal.

<u>The Bank's Corporate Governance Structure</u>



Being committed to good corporate governance, CREDIT BANK OF MOSCOW improves its corporate governance system on an ongoing basis in line with legal changes, Moscow Exchange's listing rules, recommendations of the Russian Corporate Governance Code and the Bank of Russia, international standards and best practices, but, above all, its shareholders' interests.

<u>2.1. Corporate Governance Principles</u>

The bank has committed to the following corporate governance principles (as set forth 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 title 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 and 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 judgements 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 Corporate Secretary should ensure efficient interaction with its shareholders, coordination of the bank's operations designed to protect the rights and interests of its shareholders, and support the efficient work of the 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.

2.2. Improvement and Development of the Bank's Corporate Governance System in 2019 and Plans for 2020

The bank clearly understands the role of corporate governance and continuously works on its development and improvement. The following important changes were made in the reporting period:

– The bank decided to disclose more information to its shareholders in preparation for general meetings;

– A new D&O insurance agreement was signed upon annual revision of insurance terms;

– A corporate governance improvement plan was produced following an internal audit of corporate governance;

– Following an external performance appraisal of the Supervisory Board, a plan was formulated to improve its performance, in particular by providing specific training to its members;

– Corporate governance improvement plans were produced following a review of Bank of Russia letters No. IN-06-28/45 dated 24 May 2019 *On Recommendations on Boards of Directors' (Supervisory Boards') Engagement in IT Development and Management and Information Security Risk Management in a Public Joint-stock Company and* No. IN-06-28/18 dated 28 February 2019 *On Guidance for Members of Financial Institutions* ;

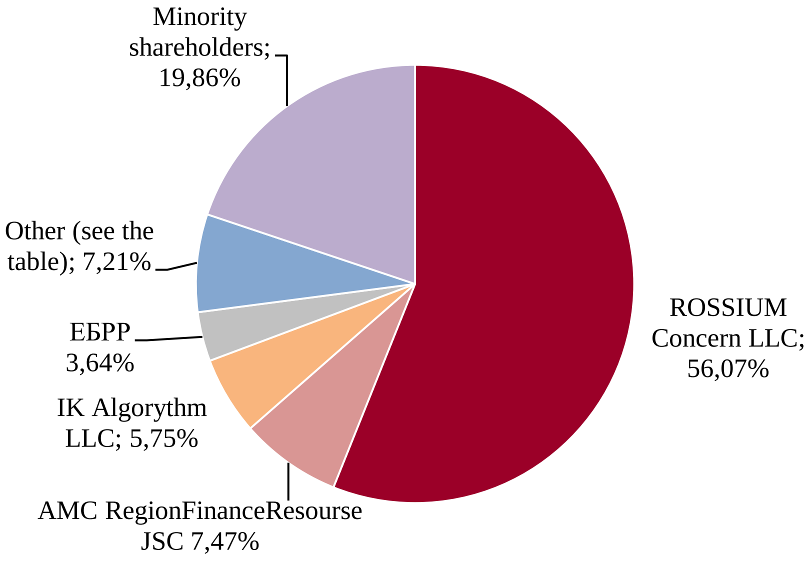
– A three-year internal audit plan was approved;

– The Supervisory Board held a strategic session;

– As a result of ongoing monitoring of laws, certain bylaws were drafted and approved, and some existing ones were amended: the Charter (amendment No. 3 reflecting that the charter capital was increased in 2019 was registered by the Bank of Russia in January 2020); Regulation on the General Shareholders' Meeting; Regulation on the Supervisory Board; Regulation on the Compensation, Corporate Governance and Nominations Committee of the Supervisory Board; Regulation on the Internal Audit Department; List of Measures Intended to Identify, Control and Prevent Consequences of, Conflicts of Interest in Investment Consulting; the bank's and the banking group's Risk and Capital Management Strategies; the banking group's Risk Management Policy; Payroll and Overall Remuneration Regulation; Regulation on Remuneration of Members of the Management Board and Selected Senior Executives; Performance appraisal criteria and annual bonus calculation methodology for the Corporate Secretary; the banking group's Financial Recovery Plan; Regulation on the hotline of the Audit and Risk Committee of the Supervisory Board; Code of Corporate Ethics; HR Policy; Regulation on the Supervisory Board's Performance Appraisal; Supervisory Board Member Induction Regulation.

In order to improve and develop its corporate governance system and pursuant to its approved plans for 2020, the bank is going to adjust its bylaws and corporate procedures for better conformity with the Bank of Russia's corporate governance recommendations; monitor changes in corporate governance-related laws and regulations, reflecting them in its Charter and other bylaws.

3. *General Shareholders' Meeting*



Share Capital Structure[12]

Shareholder	Percentage
REGION Trust LLC (PPF Evolution JSC)	3.1289%
REGION Trust LLC (PPF FUTURE JSC)	2.3722%
VektorInvest LLC	1.0877%
REGION Trust LLC (PPF Evolution JSC)	0.4396%
REGION Trust LLC (PPF Social Development JSC)	0.1011%
REGION Trust LLC (PPF Social Development JSC)	0.0395%
Vladimir A. Chubar	0.02328%
AMC REGION Investments JSC (Moscow Income strategy)	0.010096%
REGION Investment Company JSC	0.003%
REGION EsM JSC (Moscow Income strategy)	0.00128%
Total:	**7.206656%**

Registered, issued and placed equity of the bank consists of 29,829,709,866 ordinary shares of 1 rouble par value each.The bank's shares are admitted to trading on Moscow Exchange in the first level quotation list.

3.1. *Information About the Bank's Shares*

Categories (classes) of shares	
Type and category of shares	Ordinary registered
Issue form	Uncertificated
Number of shares issued	29,829,709,866
Par value of 1 (one) security, RUB	1

[12] As at 21.01.2020

3.2. 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.The shareholders exercise their right to participate in managing the bank primarily by 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 interested party 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 Regulation on the General Shareholders' Meeting, which are intended to ensure observance of shareholders' rights and comply with all requirements of 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, and post on its website, a notice of the General Shareholders' Meeting at least 21 (twenty one) days or, if the bank's reorganisation is on the agenda, 30 (thirty) days before the date thereof, at the same time giving the shareholders access to the materials, and enough time to prepare for the agenda items, of the General Shareholders' Meeting; if the agenda of an extraordinary General Shareholders' Meeting includes election of Supervisory Board members or reorganisation of the bank by way of merger, spin-off or demerger and election of the board of directors (supervisory board) of the company so created, the bank notifies the persons entitled to participate therein and named in the shareholder register about calling thereof at least 50 (fifty) days before the date thereof.

– To ensure equal treatment of all its shareholders, including foreign shareholders, 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 at such meetings by all of 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.

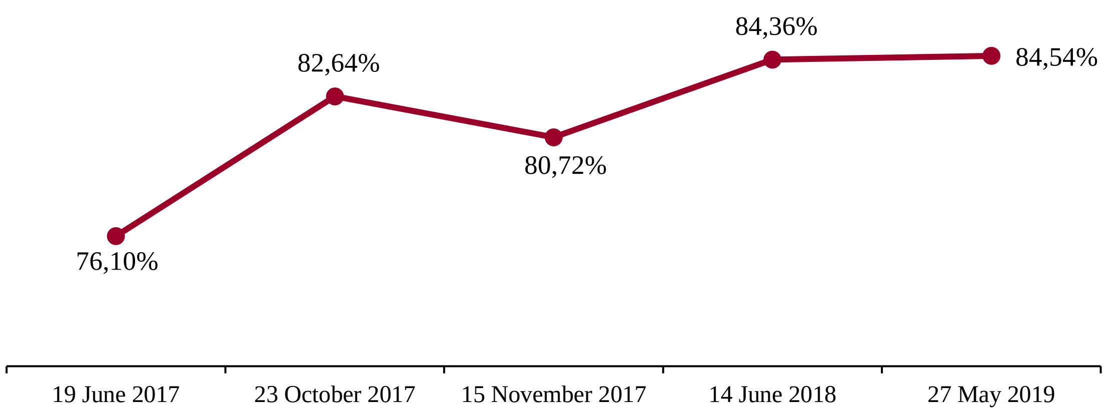
3.3. General Shareholders' Meetings in 2019

The annual General Shareholders' Meeting was held on 27 May 2019 to consider the following issues:

1. Approval of the bank's annual report for 2018.
2. Approval of the bank's annual accounting (financial) statements for 2018.
3. Distribution of the bank's income for 2018, 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 members.
7. Determination of remuneration and compensation for Supervisory Board members.
8. Election of the Audit Panel members.
9. Approval of amendments to the bank's Charter.
10. Approval of the Regulation on the General Shareholders' Meeting.
11. Approval of the Regulation on the Supervisory Board.
12. Approval of joining Factors Chain International (FCI).

The list of items of agenda of the annual General Shareholders' Meeting and its resolutions are available on the bank's website in the disclosure section, and on the website of Interfax-CRKI, an information agency accredited by CBR for disclosures (the "Interfax website").

Quorum of the General Shareholders' Meetings in 2017-2019



3.4. 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.

3.5. Dividend History

The Annual General Shareholders’ Meeting held on 27 May 2019 decided to pay out RUB 2,978,768,085.26 as dividends on ordinary registered shares.

The 2018 net income less the dividend payment was retained by the bank. For each of the preceding years, it was decided not to pay any dividend:

2019: dividends were paid for 2018.

2018: no resolution to pay (declare) dividends was made.

2017: no resolution to pay (declare) dividends was made.

2016: no resolution to pay (declare) dividends was made.

2015: no resolution to pay (declare) dividends was made.

2014: no resolution to pay (declare) dividends was made.

3.6. 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 December 2016 has been JSC IRC – R.O.S.T. (former JSC R.O.S.T. Registrar) who also has the statutory duty to act as the counting commission.

4. Supervisory Board

The Supervisory Board is a collective body and the key element of the bank’s corporate governance system. It represents shareholders’ interests and is responsible for increasing the value of the business by formulating the long-term strategy, defining principles and approaches to arranging a risk management system and internal controls, and by monitoring performance of the bank’s executive bodies.

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 also 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 to be approved by the Supervisory Board, and cover main issues of the bank’s operations.

4.1. 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 relevant 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 and scrutinise 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.

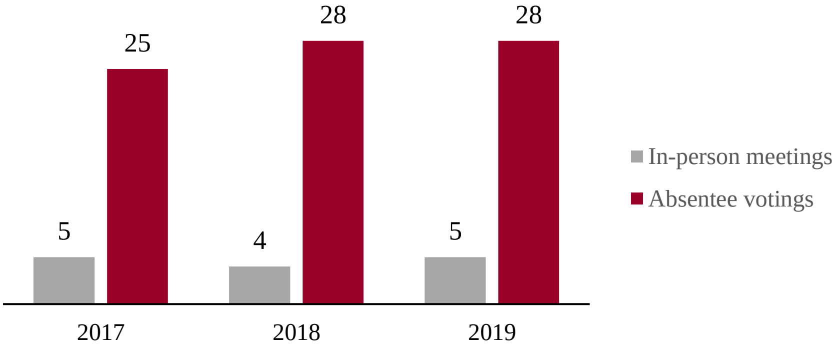
No Supervisory Board meeting was adjourned for want of quorum.

4.2. Supervisory Board's Report for 2019

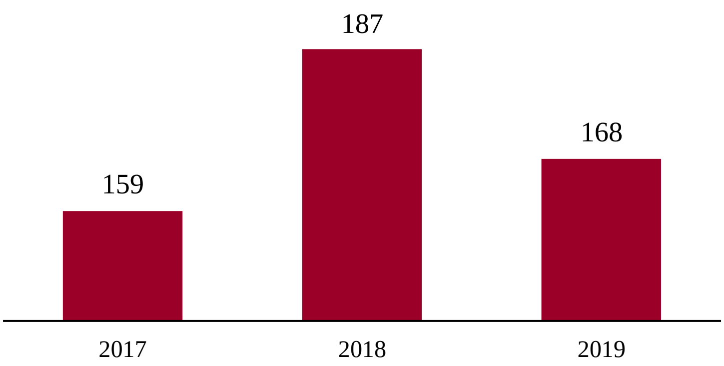
33 Supervisory Board meetings were held in 2019 (of which five were in-person meetings), 1 meeting more than in 2018.

The full list of items of agenda of Supervisory Board meetings, and their resolutions are available on the bank's website in the disclosure section and on the Interfax website.

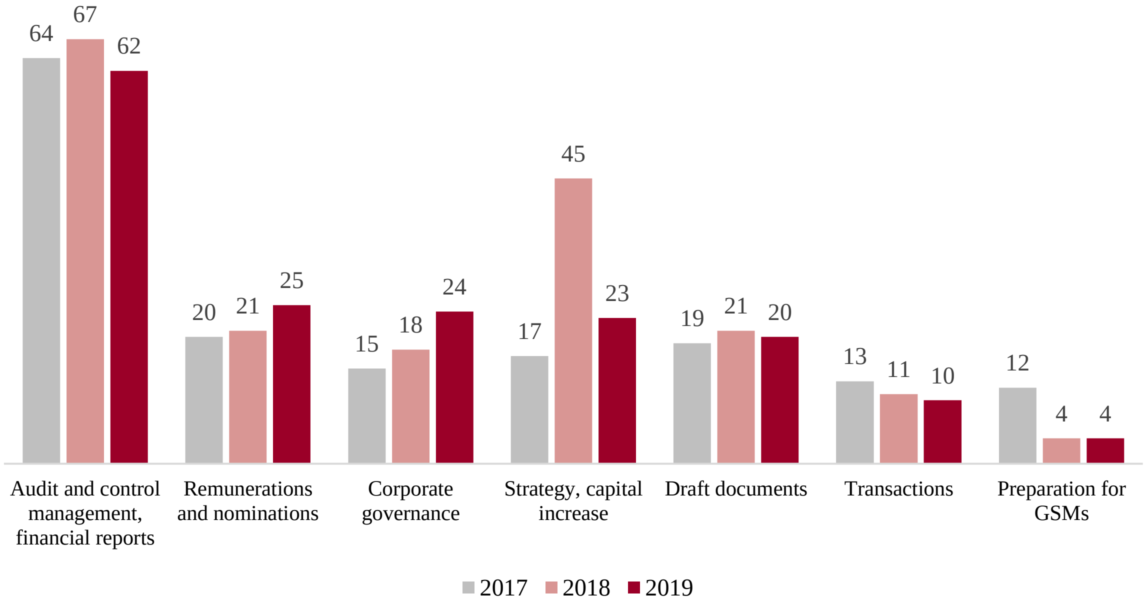
Number of Supervisory Board Meetings



Number of Issues Transacted at Supervisory Board Meetings



Statistics of Issues Discussed



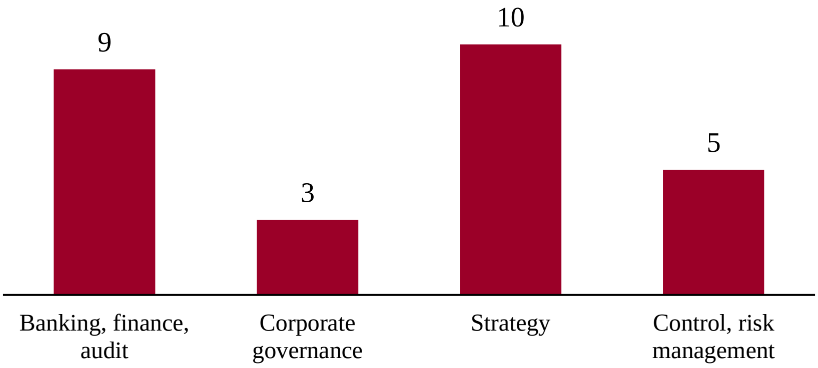
4.3. Attendance of Supervisory Board and Supervisory Board Committees Meetings by Directors in 2019

Director	Supervisory Board	Audit and Risk Committee	Compensation, Corporate Governance and Nominations Committee	Strategy and Capital Markets Committee
William Forrester Owens	33/33 (100%)	-	12/12 (100%)	6/6 (100%)
Roman I. Avdeev	33/33 (100%)	-	-	4/6 (66,6%)
Andrew Sergio Gazitua	33/33 (100%)	-	12/12 (100%)	6/6 (100%)
Vladimir A. Chubar	33/33 (100%)	-	-	5/6 (83,3%)
Thomas Günther Grasse	33/33 (100%)	24/24 (100%)	-	6/6 (100%)
Andreas Klingen	33/33 (100%)	24/24 (100%)	-	6/6 (100%)
Ilkka Seppo Salonen	33/33 (100%)	24/24 (100%)	-	6/6 (100%)
Sergey Yu. Menzhinsky	33/33 (100%)	-	-	3/6 (50%)
Lord Daresbury (Peter)	33/33(100%)	-	12/12 (100%)	6/6 (100%)
Alexey A. Stepanenko	33/33 (100%)	-	-	-

4.4. Supervisory Board Members as at 31 December 2019

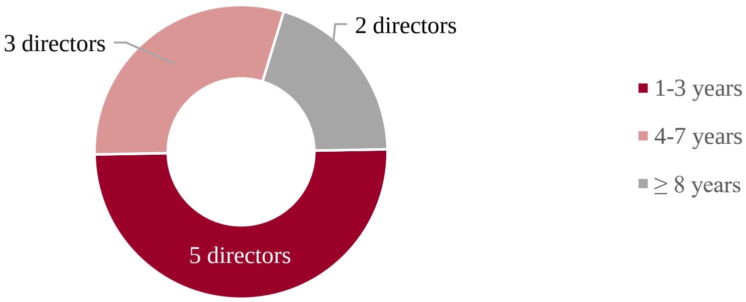
The current Supervisory Board members were elected by the annual General Shareholders' Meeting on 27 May 2019 by cumulative voting and will serve until the next annual shareholders' meeting.

Key Competences of Supervisory Board Members

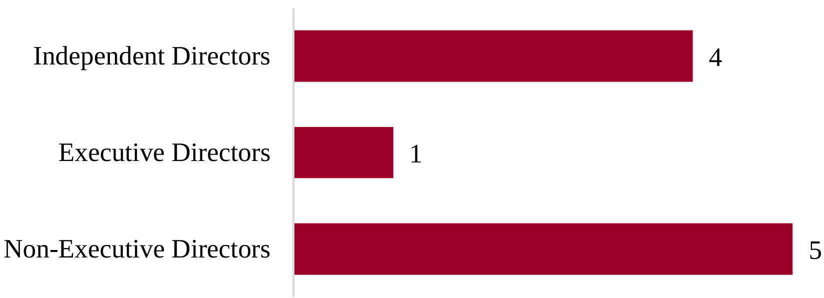


Director	*Banking, finance, audit*	*Corporate governance*	*Strategy*	*Control, risk management*
William Forrester Owens	+	+	+	
Roman I. Avdeev	+		+	
Andrew Sergio Gazitua	+	+	+	+
Thomas Günther Grasse	+		+	+
Lord Daresbury (Peter)		+	+	
Andreas Klingen	+		+	+
Sergey Yu. Menzhinsky	+		+	
Ilkka Seppo Salonen	+		+	+
Alexey A. Stepanenko	+		+	+
Vladimir A. Chubar	+		+	

Breakdown of Supervisory Board Members by Years of Service



Breakdown of Supervisory Board Members by Degree of Independence



4.5. Changes in the Supervisory Board in 2019

There were no changes in the Supervisory Board in 2019.

As at 31 December 2019, there were 10 Supervisory Board members, five directors recognised as independent directors under the independence criteria set out by the bank’s Charter and Corporate Governance Code and Moscow Exchange’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.

4.6. Supervisory Board Members as at 31 December 2019

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

Year of birth: 1950

Education:

bachelor’s degree in Science from Stephen F. Austin State University (USA).

master’s degree in Public Affairs from University of Texas (USA).

Main employment:

Senior Director of Greenberg Traurig, LLP

Stake in the bank’s charter capital and percentage of ordinary shares held in the bank:

No stake in the bank’s charter capital.

Shares of the bank acquired or disposed of:

None

Roman I. Avdeev

Non-Executive Director, member of the Supervisory Board

Member of the Strategy and Capital Markets Committee

Year of birth: 1967

Education:

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

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

1999: Ph.D. in Engineering Science from Penza State Academy of Architecture and Construction.

Main employment:

None

Stake in the bank’s charter capital and percentage of ordinary shares held in the bank:

No stake in the bank’s charter capital.
Shares of the bank acquired or disposed of:
None

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

Year of birth: 1962
Education:
1985: bachelor’s degree in Arts in Political Science from Haverford College.
Main employment:
None
Stake in the bank’s charter capital and percentage of ordinary shares held in the bank:
No stake in the bank’s charter capital.
Shares of the bank acquired or disposed of:
None

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

Year of birth: 1955
Education:
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.
Main employment:
None
Stake in the bank’s charter capital and percentage of ordinary shares held in the bank:
No stake in the bank’s charter capital.
Shares of the bank acquired or disposed of:
None

Lord Daresbury (Peter)

Independent Non-Executive Director, member of the Supervisory Board
Member of the Compensation, Corporate Governance and Nominations Committee and the Strategy and Capital Markets Committee

Year of birth: 1953

Education:

1971: graduated from Eton College.

1975: Master of Arts' degree from Magdalene College, Cambridge.

1980: attended Sloan fellowship in London Business School.

Main employment:

Director of Daresbury Estates Limited

Stake in the bank's charter capital and percentage of ordinary shares held in the bank:

Stake in the bank's charter capital: 0.00168%.

Percentage of ordinary shares held in the bank: 0.00168%.

Shares of the bank acquired or disposed of:

None

Andreas Klingen

Independent Non-Executive Director, member of the Supervisory Board
Member of the Strategy and Capital Markets Committee and the Audit and Risk Committee

Year of birth: 1964

Education:

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

Main employment:

None

Stake in the bank's charter capital and percentage of ordinary shares held in the bank:

No stake in the bank's charter capital.

Shares of the bank acquired or disposed of:

None

Sergey Yu. Menzhinsky

Non-Executive Director, member of the Supervisory Board
Member of the Strategy and Capital Markets Committee

Year of birth: 1971

Education:

1993: degree in Mechanics and Applied Mathematics from Lomonosov Moscow State University.

2011: degree in State and Municipal Administration from the Russian Presidential Academy of National Economy and Public Administration.

2009: advanced training courses at the Institute of Stock Market and Management.

2011: MBA qualification under the "Master of Business Administration – Strategic Management and Entrepreneurship" programme of Moscow International Higher Business School MIRBIS.

Main employment:

Advisor at REGION Investment Company JSC

Stake in the bank's charter capital and percentage of ordinary shares held in the bank:

No stake in the bank's charter capital.

Shares of the bank acquired or disposed of:

None

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

Year of birth: 1955

Education:

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

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

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

Main employment:

Executive Chairman of the Board of Directors of East Office of Finnish Industries

Stake in the bank's charter capital and percentage of ordinary shares held in the bank:

No stake in the bank's charter capital.

Shares of the bank acquired or disposed of:

None

Alexey A. Stepanenko

Non-Executive Director, member of the Supervisory Board

Year of birth: 1981

Education:

2004: degree 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.

Main employment:

CFO at Limited Liability Company ROSSIUM Concern

Stake in the bank's charter capital and percentage of ordinary shares held in the bank:

Stake in the bank's charter capital: 0.00229%.

Percentage of ordinary shares held in the bank: 0.00229%.

Shares of the bank acquired or disposed of:

None

Vladimir A. Chubar

Executive Director, member of the Supervisory Board, Chairman of the Management Board Member of the Strategy and Capital Markets Committee

Year of birth: 1980

Education:

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.

Main employment:

Chairman of the Management Board of CREDIT BANK OF MOSCOW

Stake in the bank's charter capital and percentage of ordinary shares held in the bank:

Stake in the **bank's** charter capital: 0.02328%.

Percentage of ordinary shares held in the bank: 0.02328%.

Shares of the bank acquired or disposed of:

– Transaction date: 06.11.2019;

– Transaction type: acquisition in the course of the placement of the bank's seventeenth additional share issue;

– Category (type) of shares: ordinary uncertificated registered shares, issue state registration number 10101978B, international securities identification number (ISIN) RU000A0JUG31;

– Number of shares: 3,000,000 (total number of shares held: 6,945,400).

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 immediately of any identified violations of laws or the bank's bylaws

– Contributing to improvement of the bank's corporate governance.

Svetlana S. Sukhareva has been the Corporate Secretary of the Supervisory Board and its committees since December 2014.

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.

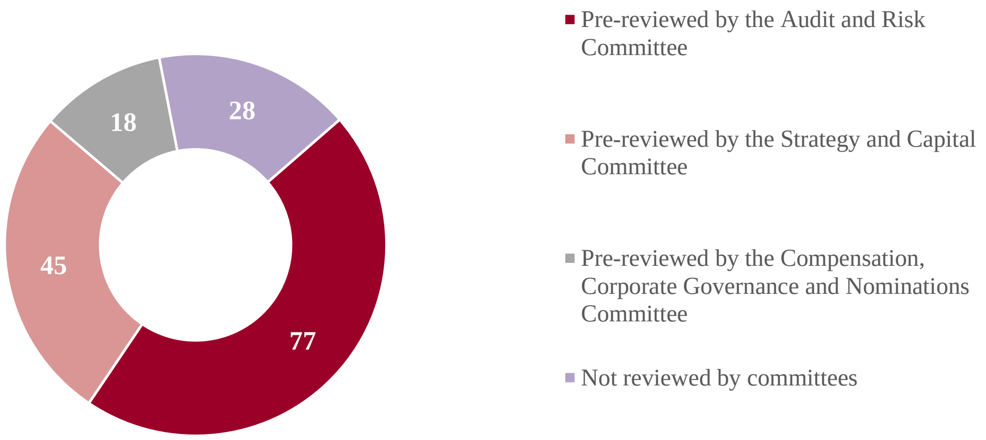
Svetlana Sukhareva started her career in 2007 at VTB Bank's FI Department. In 2014, she joined CREDIT BANK OF MOSCOW's Corporate Secretary Section, and, in December 2014, was appointed the bank's Corporate Secretary by resolution of its Supervisory Board.

No stake in the bank's charter capital.

4.7. 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.

Number of Supervisory Board Issues Pre-Reviewed by its Committees



4.8. Changes in the Supervisory Board Committees in 2019

	Audit and Risk Committee		**Compensation, Corporate Governance and Nominations Committee**		**Strategy and Capital Markets Committee**	
	Elected on 15 June 2018	**Elected on 28 May 2019**	**Elected on 15 June 2018**	**Elected on 28 May 2019**	**Elected on 15 June 2018**	**Elected on 28 May 2019**
William Forrester Owens (Independent			+ (Chairman)	+ (Chairman)	+	+

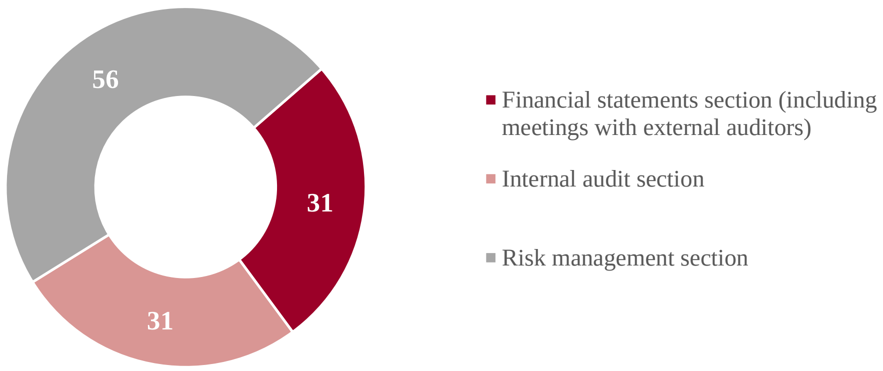
Director)						
Andrew Sergio Gazitua (Independent Director)			+	+	+ (Chairman)	+ (Chairman)
Roman I. Avdeev (Non-Executive Director)					+	+
Thomas Günther Grasse (Non-Executive Director)	+	+			+	+
Vladimir A. Chubar (Executive Director)					+	+
Andreas Klingen (independent director)	+	+			+	+
Ilkka Seppo Salonen (Independent Director)	+ (Chairman)	+ (Chairman)			+	+
Sergey Yu. Menzhinsky (Non-Executive Director)					+	+
Lord Daresbury (Peter) (Independent Director)			+	+	+	+

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

4.9. 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 full list of the Committee's functions and competences is given in the Regulation on the Audit and Risk Committee.

Issues Addressed by the Audit and Risk Committee in 2019



Audit and Risk Committee's Report

The Audit and Risk Committee (ARC) was formed to analyse the efficiency of the bank's internal control and risk management procedures. Based on its work the Committee brings for the decision of the Supervisory Board initiatives ensuring the continuous improvement of the audit, risk management as well as internal control processes of the bank.

The Regulation of the Audit and Risk Committee and any amendments shall be approved by the Supervisory Board and is published on the website of Credit Bank of Moscow: https://mkb.ru/investor/emitent-news/regulations

The ARC routinely covers financial statements and management, risk management, internal control, internal audit (including relevant corporate governance issues) as well as external audit and information security. Other topics are considered as they arise in coordination with the Chair of the Supervisory Board.

The Committee is accountable to the Supervisory Board and its work is governed by Russian Legislation, the Bank's Charter, Regulation on Supervisory Board as well as Regulation on The Audit and Risk Committee, the pertinent regulatory documents of the Central Bank of Russia and the recommendations issued by the regulator. The Audit and Risk Committee minutes are tabled for the Supervisory Board's meeting for consideration and the Committee Chairman updates the Board in each meeting verbally on the Committee proceedings and recommendations on areas within its responsibility.

The Committee has three members: Thomas Grasse (Non-Executive Director), Andreas Klingen (Independent Non-Executive Director) and Ilkka Salonen (Independent Non-Executive Director, Chair). Its members have a wide range of skills and experience in finance, internal audit, risk management and compliance. In an effort to obtain an integrated holistic view of the bank and as a general practice all Members of the Supervisory Board participate in the meetings of the Committee, with the right to comment the agenda items. Also the CEO, CRO, CFO, the Head of Internal Audit and the external auditors of the bank attend the ARC meetings. Key members of the management team, Risk Management Group and the Head of Internal Control who are also responsible for the Compliance function of the bank are also invited to attend as appropriate.

During 2020 the ARC had 5 meetings in person and 15 in absentia respectively. The participation activity of the members in the meetings was as follows: all committee members participated in any of the 20 meetings.

The meetings are split in to three sections, one dealing with Finance, the other with Internal Audit and third with Risk Management Issues.

In addition to the meetings in person and in absentia, the Committee had 4 meetings held by means of conference calls in which matters related to financial reporting were discussed. The calls were attended by the bank's senior management and the International Finance Reporting Standards (IFRS) Auditor.

CBM has been a systemically important credit institution since 2017. The committee therefore emphasized the need for the bank to do its planning of capital accounts with high quality. This was reflected especially in the tasks of the Finance and Risk Management functions and through this also had an impact on the priorities the Committee set in its work.

The ARC continuously evaluates in any of its meetings the professional level of the personnel of the functions it supervises as well as the prevailing procedures and policies and assesses whether they are on an appropriate level in regard to the bank's operational environment and the risks it is facing. Based on our findings we are comfortable with the quality of the human resources involved and the processes used in the management of the Finance, Risk Management and Internal Control Functions in Credit Bank of Moscow and note with satisfaction that the bank acknowledges the need to continuously develop them.

Finance

In Finance the ARC's duty is to control that the bank's financial statements are produced, both in International Standards and by Russian Accounting Practices (RAP), in such a way that they are in compliance with financial reporting standards and governance requirements [give a fair picture of its accounts both in the annual reports as well as in the interim statements] and to prepare approval by the Supervisory Board. The integrity of CBM financial statements and financial reporting, principal risks, areas where material accounting judgements and management estimates have been made as well as scope and clarity of disclosures was comprehensively reviewed and considered in detail by the Committee and it received regular updates from the bank's financial management as well as the external auditors.

The Committee reviews the Management Letter produced by the external auditors and monitors recommendations implementation, as appropriate via the head of internal audit.

An essential part of this process is assessment of the effectiveness and independence of the Auditors and their Senior Partners engaged in the audit process. The Committee looked at the issue attentively and its conclusion is that in 2019 this requirement was met in a fully satisfactory manner.

The IFRS Auditor of the Bank is KPMG Russia, having won the tender organized in 2018. In Autumn of the year 2019 the Auditing Partner, Natalia Lukashova announced that she is leaving the company and Ekaterina Tatarinova replaced her as the Auditing Partner. The KPMG team made a report in each of the ARC meetings. In addition the members of the ARC met from time to time with the Auditing Partner without the presence of the bank's representatives.

The RAP Auditor is Business Systems Development (RBS), whose representatives made an in-person report twice during the year. In addition members of the Committee arranged a preliminary conference call with the Auditor on annual financial statements discussion.

With the migration to IFRS9 standard the importance of models used in assessment of the quality of the loan book of the bank has grown substantially. This means that these models have to be regularly validated. In Credit Bank of Moscow the validation is responsibility of the finance function and consequently this topic was discussed in depth in the Finance section during the year. An external consultant was hired to assess the models and in the last meeting of the year the results of their work were brought to the attention of the Committee.

Internal Audit

The Committee's responsibility is to ensure the independence of Internal Audit function with among other things controlling that the IAD is being allocated enough resources and overseeing that its planned audits reflect the risks imbedded in the internal control processes. In addition to the annual budget of the Internal Audit Division, the Committee also recommends to the Supervisory Board the level of remuneration (both fixed and variable part) of the Head of the Internal Audit.

Bringing the Internal Audit function to meet the highest industry standards was high on the agenda of the ARC in 2019. An external consultant was engaged to support the management of the Internal Audit Division in the process. Planning process of the audits was also included in the scope of the project. As a result of this project the internal audit charter and the internal audit manual were also considered and updated.

The committee gave also substantial amount of attention to make sure that the audit processes in the bank and its subsidiaries are coherent and that the head of the bank's Internal Audit Division is having full information on the Audits conducted in the subsidiaries.

The resources allocated to Internal Audit grew to 28 persons during the year, which corresponds to the needs. The budget for professional training was also brought to the level corresponding to the new level of headcount. The IAD personnel continued their efforts to receive Certified Internal Auditor certificates.

Risk Management

In respect to risk management functions the ARC is to control the reliability and effectiveness of the bank's risk management, internal capital adequacy assessment procedures and internal control systems. This includes reviewing and evaluating the risk management and internal control policies.

The Committee focuses on supervising and reviewing the Group risk strategy, risk management framework, risk appetite statement, risk tolerance and in all its meetings monitored key risk indicators developments as per reports provided by the Chief Risk Officer. Furthermore, regular stress testing results for several risk categories and management's key assumptions underlying each scenario testing were reviewed by the ARC to assess resilience as well as regulatory compliance with minimum standards set by the Central Bank of Russia.

The Committee also comprehensively reviews and monitors strategic plans and projects developed by Risk Management Division addressing complex risk management solutions involving several business lines and business functions. The ARC is committed to strive for a holistic understanding of bank's risk management ecosystem as well as new potential emerging risks to assist the Supervisory Board in its decisions. In addition the ARC pledges to guide the bank to a risk culture appropriate to an institution of its position.

The Bank's Internal Control Section was reorganized during the year in order to ensure that the compliance- and AML-related processes are centralized. Throughout the year the Committee reviewed and monitored the effectiveness and status of sanctions risk compliance controls, the Anti Money Laundering and Anti Terrorist Financing as well as Know Your Customer policies, procedures and processes implemented by the bank. Another important item was the assessment of the Business Continuity and Disaster Recovery Plan and its consequent development to close the gaps existing vis-à-vis the industry's best practices.

The Committee followed – and will continue to follow – the work done in the sphere of IT-risks, including the cyber-risks.

Notwithstanding the credit risk and all related portfolio aspects remain a central risk consideration. Therefore, risks imbedded in the bank's balance sheet were discussed in every session of the Committee.

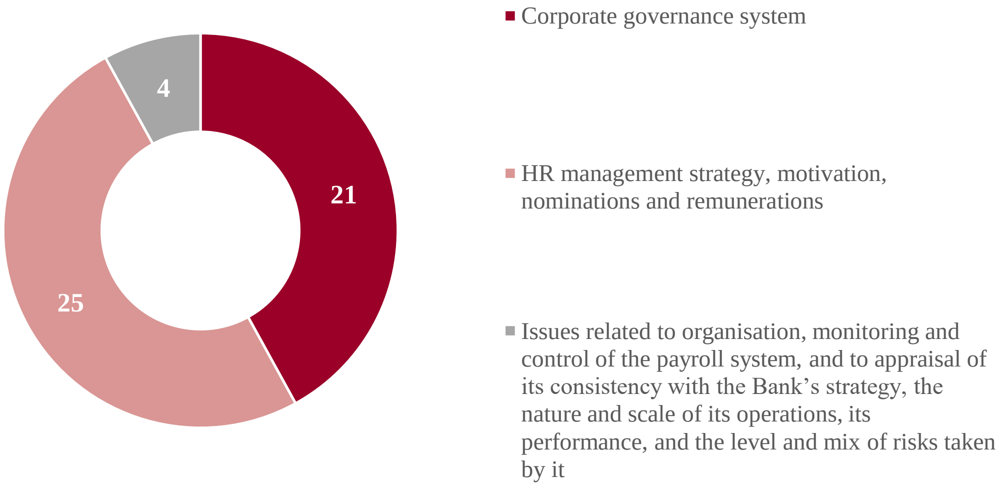
The bank concentrated its management of liquidity risk in to the Treasury function. With this change the ARC has started to receive regular reports from the Treasury in each of its meeting.

The Committee updated its Regulation which was subsequently approved by the Supervisory Board and performed a self assessment to consider its performance.

4.10. The 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.

Issues Addressed by the Compensation, Corporate Governance and Nominations Committee in 2019



Compensation, Corporate Governance and Nominations Committee's Report

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

Due to the increased importance of Environment, Social and Governance matters, the duties of the Committee were amended to include the review of sustainability reports of the bank to be published annually, with continuing responsibility for corporate governance improvement. The Committee also recognized the importance of succession planning for Supervisory Board members, and this was also added to the Committee's functions.

The Committee consists of three members: William Owens (Chairman of the Committee), Andrew Gazitua and Lord Daresbury (Peter). All Committee members are independent directors, as required by the Moscow Exchange for admitting securities to its first level quotation list.

During 2019, twelve Committee meetings were held, six of which were in person. The Committee reviewed and provided recommendations to the Supervisory Board on the following matters:

- The Committee actively worked in the areas of sustainability, ESG and improved corporate governance. The Committee assisted in the CRS activities of the Bank, working to gain ESG rating of Rating-Agentur Expert RA GmbH. In addition, the Committee managed the implementation of resolutions approved by the Supervisory Board and its committees, developed plans to improve the bank's corporate governance system, amended internal regulations related to the Committee competence, and reviewed a report on compliance with principles and recommendations of the Bank of Russia's Corporate Governance Code;

- With respect to remunerations, the Committee conducted performance appraisals of the Management Board and its Chairman, advised the Supervisory Board on the amount of remuneration to be paid, developed KPIs for the Management Board and its Chairman, reviewed issues concerning large remuneration payments and deferred award payments, conducted the annual performance appraisal of the Corporate Secretary and prepared recommendations to the Supervisory Board concerning the Secretary's bonus;
- With respect to HR management strategy, motivation, nominations, the Committee conducted performance appraisals of the Supervisory Board and its committees and developed ways to improve Supervisory Board performance, evaluated nominees to the Supervisory Board for election at the annual General Shareholders' Meeting, discussed and approved changes in the Management Board, reviewed HR strategy, and discussed a long-term incentive plan for members of the Management Board, a succession program for Management Board members, and risk taker/risk manager categorization criteria;
- With respect to organization, monitoring and control of the payroll system, the Committee reviewed proposed changes to internal regulations.

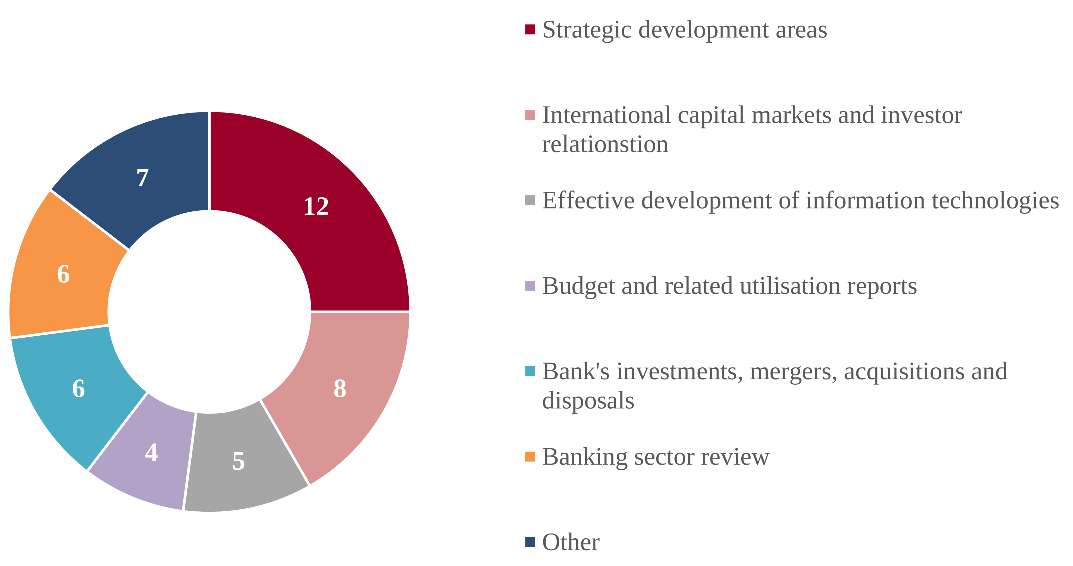
The Committee believes it made progress last year in improving the compensation system and corporate governance of the Bank, while also fulfilling its role in nominations and management approvals.

4.11. 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.

In addition to the above tasks, the Committee is involved in the budget process, reviews information at the stage of budget preparation, and performs 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.

__Issues Addressed by the Strategy and Capital Markets Committee in 2019__



Strategy and Capital Markets Committee's Report

As one of the top private banks in the Russian market, CBM continued to focus on capitalizing on its leading position in the market in 2019. The overall banking environment had improved in 2019 as the level of nonperforming loans have fallen but limited areas of growth and shrinking margins still presented challenges for market players. The Russian banking market is highly competitive, dominated by large state-owned banks which allow for certain advantages. Within this context, CBM has developed a strategy of identifying areas of profitable growth within its universal banking framework where the bank serves both corporate and SME/retail segments of the market.

The Strategy and Capital Market Committee (SCMC) has focused its efforts this year on supporting managements initiatives in developing new areas of profitable growth, with a strong focusing on the bank's IT/digital transformation.

A key oversight of the SCMC is the monitoring of CBM's financial progress against an agreed budget throughout the year. The bank's financial performance was marked by a not strong results in the first half of the year: significant amount of high-liquid assets on the bank's balance sheet as well as faster growth of retail deposits and repricing of big corporate deposits in 1H2019 led to a lower net interest margin. This result and the challenge of growing the corporate bank loan book drew closer attention by the SCMC over the course of 2019 to focus on management's efforts of enhancing its corporate strategy to mirror the bank's ambitions. Management responded by devising clear targeted initiatives around specific sectors and upgraded the team and the bank's offering to targeted blue chip clients. By the fourth quarter, these efforts had begun to show signs of progress, positioning CBM to enter into 2020 with a stronger basis to grow its corporate business and achieve the targets in place for the year. The other key areas of the bank, notably retail and investment banking, achieved their targets. A key item to note is the bank's continued strong growth in funding, surpassing its targets for both corporate and retail deposits as well as placement of bonds and loans domestically and internationally. These achievements continue to broaden the bank's funding base and reduce reliance on single sources. Although the overall monthly performance of the bank by the end of 2019 was satisfactory, the year's total performance was hampered by the poor performance in the first part of the year, partly due to specific accounting treatment of the FX-nominated perpetual Tier 1 subordinated Eurobonds given the stronger rouble in 2019.

In 2019, CBM's retail business showed good growth and met its target for the year. The retail management team has devised clear strategies and targets, many of which relay on the continued transformation of the bank's digital capabilities. The team has continued to refine its risk management framework as it drives to attract profitable clients without sacrificing the overall quality of the portfolio. In investment banking, CBM is now firmly positioned among the top 5 arrangers in the Russian domestic bond market, with more than 80 issuances of over RUB900 bln in 2019. This capability helps the bank offer its corporate clients a seamless offering in respect to debt opportunities across a broad spectrum. As the bank evolves, the investment banking team is looking to expand its offering to clients by offering.

During the course of the year, SCMC spent significant time reviewing CBM's various strategic initiatives. As the bank continues to position itself among the leading banks in Russia, the bank continues to develop strategies to differentiate itself from its competitors. Each division and key operating subsidiary of the bank made numerous presentations on their strategies to the SCMC over the course of the year. In November, SCMC held an offsite with key members of management to broaden the discourse and ensure a holistic approach to CBM's strategy. This exercise has reinforced key aspects of the bank's vision and has served to undertake a further review which is targeted to be completed in the first quarter of 2020.

As a bank with a strong presence in Moscow and growing business in the St Petersburg region, CBM believes that an important area for potential growth is beyond its core markets. A key strategy for the bank is the further development of if its digital offerings both with retail and corporate customers. The bank also is indirectly employing its key subsidiaries as a means to expand beyond its core markets, a strategy that allows for growth through alternative and less costly approaches. SKS Bank and Elecsnet JSC target primarily retail clients by providing fee-based services and products through a fast-growing agency network and through one of the largest networks of payment terminals and ATMs in Russia. Inkakhran employ cash services throughout many regions of Russia and are used to support corporate clients of CBM. The bank continuously reviews acquisition opportunities (M&A deals) in the market as a potential way to expand, as exemplified by acquisition of retail deposit base of Sovetsky bank and rebranding its branches. SCMC monitors opportunities presented by management.

A core focus of the SCMC has been reviewing the evolution of CBM's Information Technology division ("IT") and the bank's digitalisation platform and services. Like all leading financial institutions, CBM's IT strategy has become the corner stone for the bank's future endeavours and performance. In 2018, a new management assumed leadership of the IT division and introduced a clear framework and plan to elevate CBM's IT functionality and robustness. Last year, this team articulated a clear plan with milestones to be achieved during 2020. During the course of the year, the SCMC met with the IT leadership each quarter to review progress of the plan's implementation. SCMC believes the success of CBM is highly dependent on effective implementation of IT strategy and takes particular interest in supporting the bank's efforts in this area.

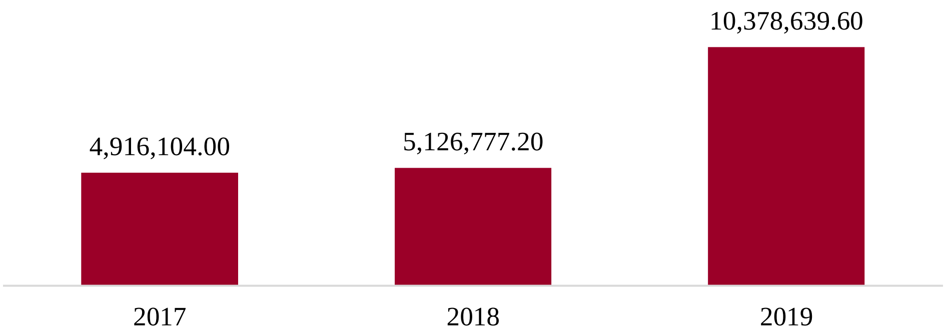
As part of its quarterly review, the SCMC monitors CBM's key capital and liquidity ratios in order to assist in assessing the bank's capital market needs and activities. CBM is among the most active issuers of bonds in the international markets among the Russian banks. Management has made it a priority to establish and maintain strong relationships with international investors, knowing that is very important to diversify the sources of funding and capital for the bank as well as help to manage its currency and liquidity gaps. Throughout the year, a dedicated IR team and senior management attend all the key investor conferences and visit or entertain calls from investors on a regular basis. A key priority of management has been to broaden its base of investors, targeting potential sources from Asia, in particular China, and the middle east. This effort made by management has resulted in CBM being well known in the international markets. In 2019, the bank was able to tap into the international markets with two very successful issuances in the first quarter, a USD 500 mm Eurobond at 7.12% and a EUR 500 mm Eurobond at 5.15%. As part of its cost management, in November the bank successfully concluded a tender offer of USD 150 mm for 2 series of notes, Loan Participation Notes due 2027 and Perpetual Callable Loan Participation Notes, issued by CBoM Finance p.l.c followed by the redemption of USD 247 mm of the same notes. The bank also signed syndicated loan agreement of up to USD 500 mm in April with 12 large lenders from Europe, the USA, Middle East and Asia, ING BANK N.V., London Branch acted as a Facility agent, and successfully concluded a syndicated loan facility of up to RMB 2,000 mm in December with a consortium of regional Chinese banks led by HARBIN BANK CO. LTD. and HUISHANG BANK CO. LTD. This syndicated loan is symbolic of not only a new source of funding for the bank but also represents the opening up of the Chinese market for further activities for CBM. In September, the bank, responding to the advent of higher capital buffers for strategically important banks and the bank's growth in balance sheet, issued a primary offering of RUB 14,712 mm of common equity shares to support its capital ratios. Most of the shares were taken up by existing shareholders.

The financial year ending in December 2019, was a year of consolidation for CBM. The various teams in the bank devised and made decisions on several key initiatives which positions the bank to grow profitably across several segments without compromising its risk parameters. The overall economic environment remains uncertain but the bank has identified attractive segments for growth in 2020 and beyond and will continue to monitor the market for attractive opportunities as they become evident. SCMC and management are closely aligned and understand to succeed in the Russian market a disciplined but flexible approach is essential.

4.12. 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, Management Board members and key officers.The bank chooses an insurance company through tender procedures.Terms of insurance were reviewed at the Compensation, Corporate Governance and Nominations Committee meeting.

D&O Insurance Costs (RUB)



4.13. 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. On two occasions, it did so engaging an external organisation (in respect of 2015 and 2018). In 2020, the appraisal for 2019 was made by way of self-appraisal.

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:

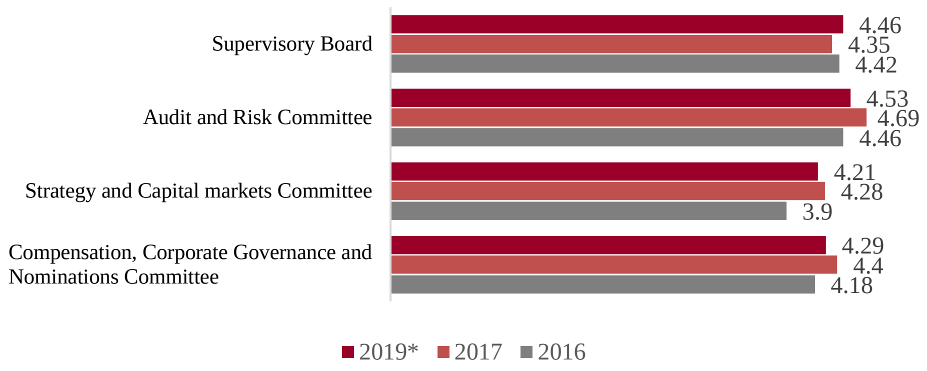
- the Supervisory Board;
- the Supervisory Board committees;
- the Chairman of the Supervisory Board;
- the Supervisory Board members;
- the Corporate Secretary.

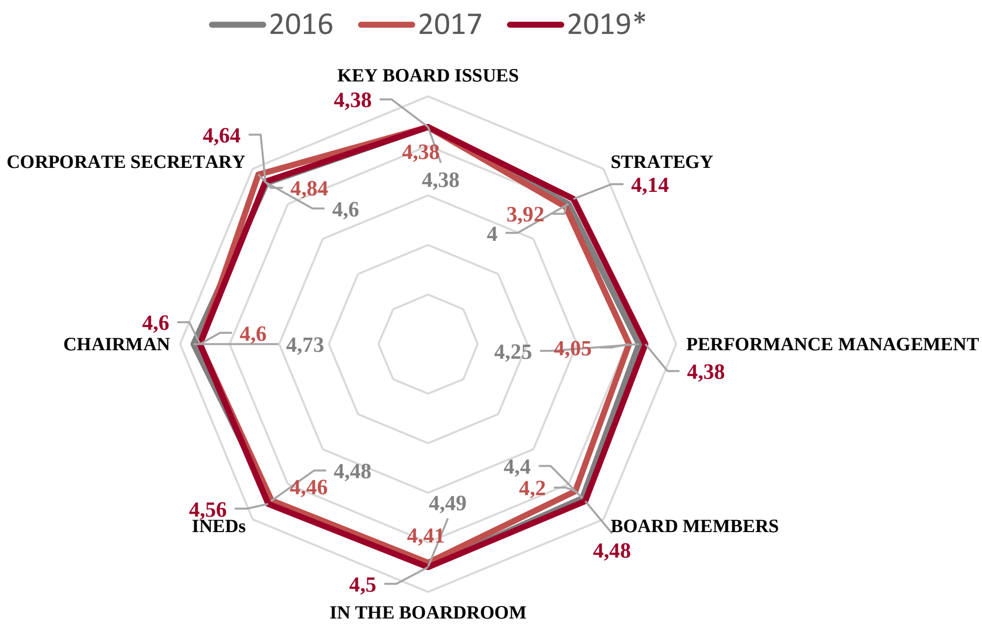
The self-appraisal was made using questionnaires listing more than 40 items. Responses were assessed on a five-point scale, with the opportunity to provide additional comments.

The self-appraisal identified the following strengths of the Supervisory Board and its committees: independence of Board members' judgments, constructive relations between them and the management, based on mutual trust and respect, Board members' preparedness for meetings, timely planning of Board meetings for the year, the Chairman's leading role, effective support provided to directors by the Corporate Secretary, thorough analysis of the Management Board's progress towards approved indicators, well-established process of selecting new candidates to the Supervisory Board, accurate minuting of the Board meetings, monitoring fulfilment of the Board's requests, independent directors' oversight of fine-tuned risk management processes, and the Board committees' active role in making recommendations and proposals for the Supervisory Board.

The self-appraisal also helped identify areas for the Supervisory Board to focus on during 2020.

Results of Performance Appraisal of the Supervisory Board and its Committees





** The Supervisory Board's performance in 2018 was appraised externally*

4.14. 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 the annual General Shareholders' Meeting on 14 June 2018.

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.

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.

The annual remuneration is calculated as follows:

Basic remuneration	
Annual basic remuneration of a Supervisory Board member	USD 100,000
Extra remuneration	
Chairman of the Supervisory Board	USD 170,000
Member of a Supervisory Board committee	USD 15,000 for each committee
Chairman of a Supervisory Board committee	USD 25,000 for each committee
Chief Independent Non-Executive Director	USD 100,000

The aggregate annual remuneration to be paid to a Supervisory Board member may not exceed USD 325,000.

Any Supervisory Board member's remuneration for any past quarter may be reduced by:

– 10%, if he or she missed up to 25% of Supervisory Board meetings and absentee voting in that quarter;

– 30%, if he or she missed more than 25% and up to 50% of Supervisory Board meetings and absentee voting sessions in that quarter;

– 50%, if he or she missed more than 50% and up to 75% of Supervisory Board meetings and absentee voting sessions in that quarter;

– 75%, if he or she missed more than 75% of Supervisory Board meetings and absentee voting sessions in that quarter.

The total amount of the Supervisory Board members' remunerations for 2019 was RUB 98,084,636.75.

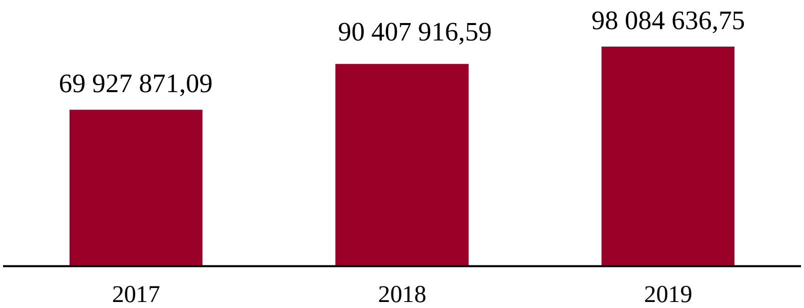
Supervisory Board members are reimbursed for actual, properly documented expenses related to their attendance at Supervisory Board meetings.RUB 190,124.33 was reimbursed to Supervisory Board members in 2019.

Remuneration of the Supervisory Board Members

Director	Supervisory Board committee membership and chairmanship	USD, 2019
Executive Directors		
Vladimir A. Chubar	Member of the Strategy and Capital Markets Committee	-
Alexey A. Stepanenko	-	-
Non-Executive Directors		
Roman I. Avdeev	Member of the Strategy and Capital Markets Committee	-
Thomas Günther Grasse	Member of the Audit and Risk Committee Member of the Strategy and Capital	185,714.29 (pre-tax)

	Markets Committee	130,000.00 (after-tax)
Sergey Yu. Menzhinsky	Member of the Strategy and Capital Markets Committee	-
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	442,857.14 (pre-tax) 310,000.00 (after-tax)
Andrew Sergio Gazitua	Chief Independent Non-Executive Director Member of the Compensation, Corporate Governance and Nominations Committee Chairman of the Strategy and Capital Markets Committee	342,857.14 (pre-tax) 240,000.00 (after-tax)
Andreas Klingen	Member of the Audit and Risk Committee Member of the Strategy and Capital Markets Committee	185,714.29 (pre-tax) 130,000.00 (after-tax)
Ilkka Seppo Salonen	Chairman of the Audit and Risk Committee Member of the Strategy and Capital Markets Committee	200,000.00 (pre-tax) 140,000.00 (after-tax)
Lord Daresbury (Peter)	Member of the Compensation, Corporate Governance and Nominations Committee Member of the Strategy and Capital Markets Committee	185,714.29 (pre-tax) 130,000.00 (after-tax)
TOTAL		1,542,857.14 (pre-tax) 1, 080,000.00 (after-tax) (RUB 98,084,636.75 pre-tax)

Supervisory Board Members' Remunerations in 2017–2019 (RUB)



5. *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.

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; 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 the Chairman of the Management Board report to the Supervisory Board.

The following changes in the Management Board took place in 2019:the appointment of Alexey A. Stepanenko was terminated on 03.04.2019, Elena V. Shved on 11.06.2019, Pavel B. Shevchuk on 03.10.2019. Sergey E. Putyatinsky joined the Management Board as a Deputy Chairman on 10.01.2019.

Thus, as of 31 December 2019, the Management Board consisted of nine top managers.

Members of the Management Board

Vladimir Alexandrovich Chubar – Chairman of the Management Board, member of the Supervisory Board.

More information is given in the Supervisory Board section.

Alexey Vladimirovich Kosyakov – Deputy Chairman of the Management Board

1. Date and place of birth: 12 August 1983, Vidnoe, Moscow Region

2. Education:

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.

***3.* Career summary[13]:**

[13] Employments in at least five years prior to the appointment (election) in the Bank.

Swedbank OJSC

28.02.2008 – 18.05.2010: Senior Associate of the Consumer and Car Lending Unit of the Retail Business Division.

JSCB Bank of Moscow

21.06.2010 – 07.04.2011: Chief Associate of the Retail Credit Products Development Unit of the Retail Credit Products and Technologies Development Division.

CREDIT BANK OF MOSCOW

12.04.2011 – 31.07.2011: Head of the Consumer Lending Division of thy Retail Business Directorate's Retail Lending Department.

01.08.2011 – 31.01.2012: Director of the Retail Lending Department of the Retail Business Directorate.

01.02.2012 – 14.10.2013: Head of the Retail Business Directorate.

15.10.2013 – to date: member of the Management Board.

15.10.2013 – to date: Deputy Chairman of the Management Board.

4. Stake in the bank's charter capital as at the end of the reporting year: 0.00143%

5. Percentage of ordinary shares held in the bank as at the end of the reporting year: 0.00143%.

6. Shares of the bank acquired or disposed of in the reporting year: none.

Svetlana Vladimirovna Sass – Chief Accountant

1. Date and place of birth: 1 April 1965, Moscow

2. Education:

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 IFRS Reporting*: *Calculation of Deferred Tax according to IAS 12* at the Institute for Development of Modern Educational Technologies (IRSOT).

3. 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: Advisor 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.

4. Stake in the bank's charter capital as at the end of the reporting year: 0.00056%

5. Percentage of ordinary shares held in the bank as at the end of the reporting year: 0,00056%

6. Shares of the bank acquired or disposed of in the reporting year: none.

<u>Anton Olegovich Virichev – Head of the Risk Management Directorate, member of the Management Board</u>

1. Date and place of birth: 11 April 1978, Moscow

2. Education:

1999: degree in Finance and Credit from the Financial University under the Government of the Russian Federation.

3. Career summary:

CREDIT BANK OF MOSCOW

02.02.2009 – 31.03.2009: Head of the Risk Analysis Unit of the Risk Management Division.

01.04.2009 – 05.08.2010: Head of the Risk Management Division.

06.08.2010 – 31.03.2011: Director of the Risk Management Department.

Sberbank of Russia OJSC

16.06.2011– 25.06.2012: Manager of the Food Industry and Trade Unit of the Customer Managers Division of the Largest Customers Department.

NOTA-Bank (JSC)

09.07.2012 – 16.01.2015: Director of the Business Development Department.

CREDIT BANK OF MOSCOW

19.01.2015 – to date: Head of the 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.

4. Stake in the bank's charter capital as at the end of the reporting year: 0.00157%

5. Percentage of ordinary shares held in the bank as at the end of the reporting year: 0.00157%

6. Shares of the bank acquired or disposed of in the reporting year: none

<u>Alexander Nikolaevich Kaznacheev – Deputy Chairman of the Management Board</u>

1. Date and place of birth: 16 December 1974, Volodarsk, Dzerzhinsky district, Nizhny Novgorod region

2. Education:

1996: degree of foreign language-speaking engineer-economist in Economics and Management in Machinery Industry from Moscow Aviation Institute

1999: Ph.D. in Economics from Moscow Aviation Institute.

2013: *MBA – Banking Management* programme at the International Business School of the Financial University under the Government of the Russian Federation.

3.* Career Summary*:

Bank GPB (JSC)

19.09.2008 – 11.08.2017: First Vice President.

Bank CUB (JSC)

03.06.2008 – 04.12.2017: member of the Board of Directors.

GPB – factoring LLC

19.02.2010 – 28.09.2017: member of the Board of Directors.

Gazprombank Leasing AO

27.06.2011– 30.11.2017: member of the Board of Directors.

ETP GPB LLC

29.12.2012 – to date: member of the Board of Directors.

25.01.2013 – 21.05.2017: Chairman of the Board of Directors.

22.05.2017– to date: Deputy Chairman of the Board of Directors.

CREDIT BANK OF MOSCOW

14.08.2017 – 17.10.2017: Advisor to the Chairman of the Management Board.

18.10.2017 – to date: member of the Management Board.

18.10.2017 – to date: Deputy Chairman of the Management Board.

NCO INKAKHRAN (JSC)

15.02.2018 – to date: member of the Board of Directors.

4. Stake in the bank's charter capital as at the end of the reporting year: 0.00158%

5. Percentage of ordinary shares held in the bank as at the end of the reporting year: 0.00158%

6. Shares of the bank acquired or disposed of in the reporting year: none

<u>Oleg Alexandrovich Borunov – Deputy Chairman of the Management Board</u>

1. Date and place of birth: 22 November 1979, Murom, Vladimir Region

2. Education:

2002: degree of economist in Finance and Credit from the State University of Management.

3. Career summary:

VTB Bank PJSC (parallel employment)

01.12.2011 – 24.09.2015: Head of the Repo Unit of the Fixed Income and FX Trading Division of the Investment Products Department.

25.09.2015 – 10.07.2016: Managing Director of the Repo Unit of the Fixed Income and FX Trading Division of the Investment Products Department.

11.07.2016 – 31.03.2017: Vice President, Managing Director of the Repo Unit of the Fixed Income and FX Trading Division of the Investment Products Department.

JSC VTB Capital

02.06.2012 – 07.06.2015: Head of the Repo Division of the Equities Department.

08.06.2015 – 31.03.2017: Head of the Equities Department.

VTB Capital Broker

09.11.2013 – 19.05.2017: Chairman of the Supervisory Board

Investment Bank VESTA (LLC)

20.06.2017 – 08.09.2017: Advisor overseeing the bank's investment business.

CREDIT BANK OF MOSCOW

11.09.2017 – 26.10.2017: Advisor to the Chairman of the Management Board.

27.10.2017 – to date: member of the Management Board.

27.10.2017 – to date: Deputy Chairman of the Management Board

Sova Capital Limited

21.09.2018 – to date: Independent Director on the Board of Directors.

4. Stake in the bank's charter capital as at the end of the reporting year: 0.00158%

5. Percentage of ordinary shares held in the bank as at the end of the reporting year: 0.00158%

6. Shares of the bank acquired or disposed of in the reporting year: none

Mikhail Valerievich Polunin - First Deputy Chairman of the Management Board

1. Date and place of birth: 20 December 1974, Omsk

2. Education:

1996: degree in Automated Information and Management Systems from Omsk State Technical University

2002: degree in Finance and Credit from All-Russian State Distance-Learning Institute of Finance and Economics.

***3.* Career summary:**

Sviaz-Bank JSC

22.03.2012 – 11.08.2014: Director of Saint Petersburg branch.

Bank RRDB (JSC)

09.09.2014 – 31.05.2015: Advisor.

01.06.2015 – 15.02.2017: Vice President.

State Corporation Deposit Insurance Agency

16.02.2017 – 10.08.2017: anti-crisis manager at the Temporary Administrations Support Unit of the FI Restructuring Department.

PERESVET BANK (JSC)

11.08.2017 – 21.02.2018: President.

10.08.2017 – 27.06.2018: member of the Board of Directors.

CREDIT BANK OF MOSCOW

07.11.2017 – 22.03.2018: Advisor to the Chairman of the Management Board.

23.03.2018 – to date: First Deputy Chairman of the Management Board.

NCO Inkakhran (JSC)

15.02.2018 – 29.11.2019: member of the Board of Directors.

ELECSNET REGIONS JSC

23.01.2019 – to date: member of the Board of Directors.

ELECSNET KAZAN JSC

23.01.2019 – to date: member of the Board of Directors.

NCO ELECSNET (JOINT-STOCK COMPANY)

24.01.2019 – to date: member of the Board of Directors.

ELECSNET JSC

24.01.2019 – to date: member of the Board of Directors.

4. Stake in the bank's charter capital as at the end of the reporting year: 0.00072%

5. Percentage of ordinary shares held in the bank as at the end of the reporting year: 0.00072%

6. Shares of the bank acquired or disposed of in the reporting year: none

Kamil Raifovich Yusupov - Deputy Chairman of the Management Board

1. Date and place of birth: 11 October 1971, Aktanysh settlement, Aktanyshsky district, Republic of Tatarstan

2. Education:

Professional education:

1994: electrical engineer's degree in Automation of Technological Processes and Production from Kamsk Polytechnic Institute, qualification

1998: manager's degree in Management from Kazan State Finance and Economics Institute

3. Career Summary:

VTB Bank OJSC

25.03.2013 – 03.04.2015: Head of Directorate for the Republic of Tatarstan of VTB Bank branch in Nizhny Novgorod.

Tatar Regional Office of All-Russia Public Organization BUSINESS RUSSIA

23.01.2015 – to date: Chairman of Tatar regional office.

Avers Bank LLC

16.04.2015 – 23.04.2015: Advisor to the Chairman of the Management Board.

24.04.2015 – 07.05.2018: Chairman of the Management Board.

30.04.2015 – 08.05.2018: member of the Board of Directors.

Tulpar Technic Ltd.

14.04.2016 – to date: member of the Board of Directors.

CREDIT BANK OF MOSCOW

04.06.2018 – 16.08.2018: Advisor to the First Deputy Chairman of the Management Board.

17.08.2018 – to date: member of the Management Board.

17.08.2018 – to date: Deputy Chairman of the Management Board

4. Stake in the bank's charter capital as at the end of the reporting year: none

5. Percentage of ordinary shares held in the bank as at the end of the reporting year: none

6. Shares of the bank acquired or disposed of in the reporting year: none

Sergey Evgenyevich Putyatinsky - Deputy Chairman of the Management Board

1. Date and place of birth: 15 July 1982, Saratov

2. Education:

2004: engineer's degree in Computing Devices, Computer Complexes, Systems and Networks from Saratov State University

2004: occupational retraining programme *English Interpreter/Translator – Professional Communication* at Saratov State University.

2014: certificate of financial market specialist in depository activities from the Self-Regulatory Organisation National Securities Market Association.

3. Career summary:

NSD

24.10.2013 – 27.07.2018: CIO.

14.01.2015 – 27.07.2018: member of the Management Board

Russian Capital (joint-stock company)

30.07.2018 – 05.10.2018: CIO.

CREDIT BANK OF MOSCOW

08.10.2018 – 10.01.2019: Advisor to the First Deputy Chairman of the Management Board.

10.01.2019 – to date: member of the Management Board.

10.01.2019 – to date: Deputy Chairman of the Management Board.

SAMAS-IT LLC

15.08.2005 – 20.11.2017: General Director.

4. Stake in the bank's charter capital as at the end of the reporting year: none

5. Percentage of ordinary shares held in the bank as at the end of the reporting year: none

6. Shares of the bank acquired or disposed of in the reporting year: none

Elena Vladimirovna Shved*[14] *— Director of the Financial Department, member of the Management Board

1. Date and place of birth: 20 November 1987, Bolshevo-1, Moscow Region

2. Education:

2008/2010: bachelor's/master's degrees in Applied Mathematics and Physics from the Moscow Institute of Physics and Technology (State University).

3. Career summary:

Alta-Bank (CJSC)

01.02.2011 – 01.04.2011: Senior Associate of the Market and Structural Risks Appraisal and Analysis Unit of Risks Appraisal and Analysis Division.

CREDIT BANK OF MOSCOW

04.04.2011 – 31.01.2012: Lead Associate of the Banking Risks Analysis Unit of the Risk Management Department's Financial Risks Division.

01.02.2012 – 04.10.2012: Senior Associate of the Financial Markets and Counterparties Analysis Unit of the Analytical Department's Financial Markets Analysis Division.

05.10.2012 – 14.02.2013: Head of the Banking and Market Risks Analysis Unit of the Analytical Department's Financial Markets Analysis Division.

15.02.2013 – 06.10.2013: Head of the Financial Risk Analysis Division.

07.10.2013 – 11.06.2019: Director of the Financial Department.

22.03.2016– 11.06.2019: member of the Management Board.

SKS Bank, LLC

06.08.2016 – 31.07.2019: member of the Board of Directors.

4. Stake in the bank's charter capital as at the end of the reporting year: 0.00191%

5. Percentage of ordinary shares held in the bank as at the end of the reporting year: 0.00191%

6. Shares of the bank acquired or disposed of in the reporting year: none

Alexey Anatolyevich Stepanenko*[15] *– Deputy Chairman of the Management Board, member of the Supervisory Board.

More information is given in the Supervisory Board section.

[14] Appointment terminated on 11.06.2019 (last day in office).

[15] Appointment terminated on 03.04.2019 г. (last day in office).

Pavel Borisovich Shevchuk[16] - First Deputy Chairman of the Management Board

1. Date and place of birth: 12 February 1973, Moscow

2. Education:

1996: mechanical engineer's degree from Bauman Moscow State Technical University.

2012: degree in Law from Kutafin Moscow State Law Academy.

1998: occupational retraining programme "Finance and Credit" at the Finance and Banking Technologies Institute.

2003: securities management, and investment funds, mutual funds and private pension funds management firm executive / comptroller / specialist qualification upgrade.

3. Career summary:

Sberbank, Moscow Bank

01.06.2012 – 31.12.2014: Director of Tverskoe Branch.

01.01.2015 – 04.04.2016: CIB Managing Director.

05.04.2016 – 16.05.2016: Managing Director covering large, medium, small and micro-businesses (including defence industry enterprises).

REGION IC JSC

14.11.2016 – 24.04.2017: First Deputy General Director.

CREDIT BANK OF MOSCOW

05.02.2018 – 22.03.2018: Advisor to the Chairman of the Management Board.

23.03.2018 – 03.10.2019: First Deputy Chairman of the Management Board

23.03.2018 – 03.10.2019: member of the Management Board.

NCO INKAKHRAN (JSC)

15.02.2018 – 03.10.2019: member of the Board of Directors.

ELECSNET REGIONS JSC

23.01.2019 – 01.11.2019: member of the Board of Directors.

ELECSNET KAZAN JSC

23.01.2019 – 01.11.2019: member of the Board of Directors.

NCO ELECSNET (JOINT-STOCK COMPANY)

24.01.2019 – 04.10.2019: member of the Board of Directors.

ELECSNET JSC

24.01.2019 – 04.10.2019: member of the Board of Directors.

Sport Territory LLC

26.09.2017 – to date: General Director.

Alphasport LLC

20.10.2017 – to date: General Director.

4. Stake in the bank's charter capital as at the end of the reporting year: 0.0002%

5. Percentage of ordinary shares held in the bank as at the end of the reporting year: 0.0002%

6. Shares of the bank acquired or disposed of in the reporting year: none

Remuneration of the Management Board

The structure of remuneration of executive management bodies (executives) and the terms and conditions for payment of remuneration to Management Board members are set out in the

[16] Appointment terminated on 03.10.2019 (last day in office).

Regulation on Remuneration of Members of the Management Board and Selected Senior Executives of the bank approved by the Supervisory Board.

The system of remuneration of executives is implemented in line with requirements of the Bank of Russia's Instruction 154-I "On Assessing, and Ordering Remedy of Breaches in, Credit Institutions' Payroll Systems" dated 17 June 2014.

Structure of remuneration of executives:

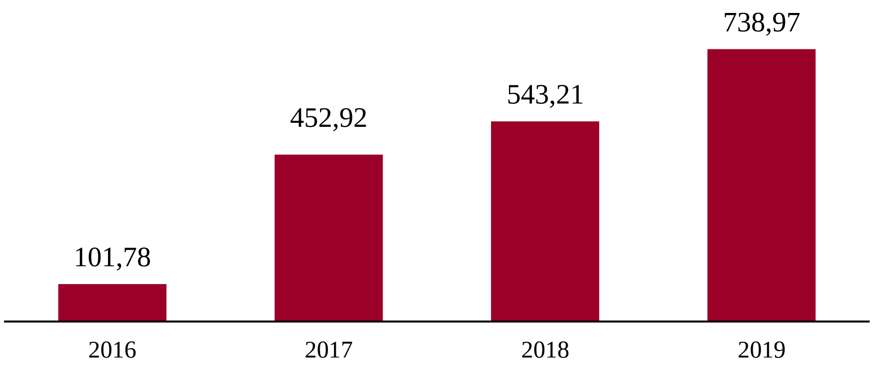
1. Non-performance-related components (fixed part of remuneration).
2. Performance-related components (non-fixed part of remuneration).
    2.1. Annual cash award;
    2.2. Deferred long-term performance award;
    2.3. Award for completion of critical tasks (projects).

Annual performance-related awards to the bank's executives depend on how the bank and each of executives meet the annual targets approved by the Supervisory Board in two aspects:

– The bank's financial targets (financial results, ROE, ROA, Cost of Risk, NPL and CTI);
– Individual performance targets.

The bank's executives may be awarded for completion of critical tasks (projects) by decision of the Supervisory Board as advised by the Chairman of the Management Board.

Executive Body Remunerations in 2016–2019 (RUB mln)



By resolution of the Supervisory Board, annual awards for 2016-2018 and a part of deferred remuneration for 2016 and 2017 as adjusted on the basis of 2017 and 2018 results, respectively, were paid to the members of the executive bodies.

6. 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 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 minimises 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 Chairman of the Management Board and his 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 Department
    - The Compliance Department, which includes the Compliance Section (Internal Control Section) and Financial Monitoring Division headed by a designated AML/CFT compliance officer
    - The Stock Market Professional Participant Controller
- Other subdivisions as may be required by the nature and the scale of the bank's business.

Internal Audit Department

The role of the Internal Audit Department (IAD) is to conduct internal audits, monitor and provide direct assistance to the bank's management bodies in ensuring its efficient operation, through independent and objective recommendations, to enhance 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 applicable laws and provisions, the bank's Charter, the resolutions of the bank's authorised 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 and 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. Its independence is established by the bank's bylaws, and is based on the principles that the IAD:

- Acts under direct control of the Supervisory Board;
- Does not undertake any audited activities;
- On its own initiative, reports to the Supervisory Board on, and also informs the Chairman of the Management Board and the Management Board of, any matters coming to its attention when exercising its functions, and on proposals regarding their resolution;
- Is to be independently audited by external auditors or the Supervisory Board.

The Supervisory Board regularly engages external experts for independent appraisal of the IAD's performance from the viewpoint of CBR's requirements (Regulation 242-P), the

International Professional Practices Framework of the Institute of Internal Auditors (the "Standards"), stakeholders' expectations and best practices of internal audit. Such appraisal was performed in 2019 by PWC, who confirmed that the IAD worked in compliance with CBR's requirements and the Standards, and noted significant improvements compared to the preceding appraisal made in 2017. The IAD:

– Prepared the Strategic Internal Audit Plan for 2020-2022 and had it approved by the Supervisory Board;

– Prepared the Certified Internal Auditor Training Plan and began training and examination of employees;

– Prepared the Quality Assurance and Enhancement Programme, setting out approaches to internal and external appraisals of the IAD; made an annual self-appraisal, and requested feedback from Management Board members on how well it met their expectations;

– Updated its Work Manual, setting out the basic auditing rules of, requirements to, and practical recommendations on, organisation and execution of audits, including approaches to documenting audit work;

– Introduced a data analysis tool and formulated key audit indicators for every business line of the bank, allowing the IAD to promptly identify risk events or suspicious operations requiring further investigation, and generate dashboards visualising the analysed data;

– Updated the format of its quarterly activity report for the Audit and Risk Committee.

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 IAD's competence:

– 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;

– Appraising the bank's operations for economic expediency and efficiency;

– Reviewing internal control processes and procedures;

– Reviewing performance of the bank's internal control service and risk management service;

– Other functions provided for by the bank's bylaws.

In planning its activities and in auditing, the IAD exchanges information with internal parties (Compliance Department, Security Department, Information Security Department, Stock Market Professional Participant Comptroller, Quality Control Group) and external parties (the Bank of Russia and external auditors), who audit the bank and provide consulting services in respect of risk management and internal control.

Compliance Section

The Compliance Section (CS) 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 CS acts in line with principles of independence, fairness and impartiality. The CS forms part of the Compliance Department which, in its turn, reports to the Supervisory Board, the Chairman of the Management Board and the Management Board. The Compliance Section submits reports on its performance to the bank's executive bodies and the Supervisory Board on a quarterly basis.

The CS 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 misconduct;

– 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 Department, the Compliance Section 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 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 General Shareholders' Meeting.

Within its competence, the Audit Panel 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 consists of three members elected by the General Shareholders' Meeting for a term ending at the next annual General Shareholders' Meeting.

On 27 May 2019, the following persons were elected to the Audit Panel by the annual General Shareholders' Meeting:

Evgeny O. Gudkov, Deputy Head of the Financial Department, MKB Capital;

Alexandra A. Vastyanova, Risk Management Vice President, MKB Capital;

Vyacheslav Yu. Osipov, Head of the Reporting and Audit Division, ROSSIUM Concern.

External Auditors

The bank's external auditors in 2019 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 2018–2019 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 2019 IFRS statements and the interim reviews for 3, 6 and 9 months of 2019 stood at RUB 24,450,000, excluding VAT.

RBS’s fees for the audit of 2019 RAS statements and the interim review for 9 months of 2019 stood at RUB 2,700,000, including VAT.

FOR SHAREHOLDERS AND INVESTORS

Developing relationships with shareholders and investors remains a key priority for CBM. The bank maintains an open and transparent dialogue with its existing and potential shareholders and investors, acknowledging the high degree of responsibility it faces. CBM is committed to ensuring equal access to its public information for all stakeholders.

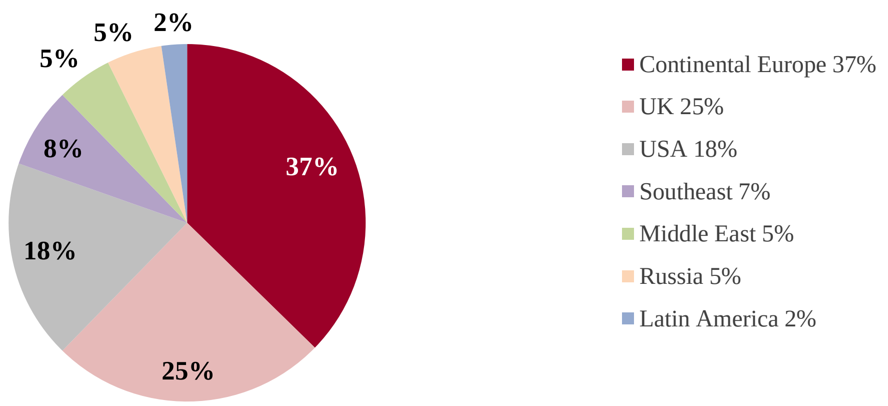
The bank mainly contacts institutional shareholders and investors through the Chairman of the Management Board, Senior Vice President, Corporate Secretary and IR Division, who are open to discuss with investors any questions they may have.

The Supervisory Board is regularly updated on shareholders and investors' position regarding the bank by its management and IR team. All feedback from analysts and the bank's consultants is also given to the Supervisory Board.

The bank's official website, mkb.ru, allows investors to see the bank's results, press releases, investor presentations, information on its corporate governance, corporate and social responsibility, management and other information of importance to them.

Information is provided to shareholders and investors at annual shareholders' meetings, in annual reports monthly newsletters and quarterly consolidated financial statements with related presentations and webcasts. During the year the bank's team held more than 150 investor meetings with, 3 roadshows, 2 non-deal roadshows, and attended 15 conferences all over the world. Pursuant to its investor base diversification strategy, CBM participated in investor meetings not only in its traditional locations (the UK, Continental Europe and the USA), but also in Singapore, China, UAE, Argentina and Chile.

Investor meetings in 2019 (geographical distribution)



Shareholder and Investor Calendar for 2019

Date	Event
1Q2019	
09-11 January	UniCredit Emerging Europe Winter Conference 2019, Kitzbuhel
07-11 February	Investor meetings in Zurich, Paris, Frankfurt, Vienna, London, and New York in the course of offering senior Eurobonds issued via CBOM Finance p.l.c.
25-27 February	J.P. Morgan 2019 Global Emerging Markets Corporate Conference
27-28 February	Citi 16th Annual Asia Pacific Investor Conference 2019, Singapore
07 March	Disclosure of 2018 IFRS results
13-19 March	Investor meetings in Amsterdam, Paris, London, New York and Boston in the course of offering senior Eurobonds issued via CBOM Finance p.l.c.
2Q2019	
03-04 April	Moscow Exchange Forum in Moscow
16 April	Notice of the Annual General Shareholders' Meeting convened on 27 May
02 May	Record date for participation in the Annual General Shareholders' Meeting convened on 14 June
06 May	Access to materials in preparation for the Annual General Shareholders' Meeting convened on 27 May
16-17 May	UBS 20th Annual Financial Institutions Conference, Lausanne
27 May	Annual General Shareholders' Meeting
29 May	BAML_Emerging Markets Debt and Equity Conference, Miami
30 May	Disclosure of 1Q2019 IFRS results
04-05 June	Sberbank CIB Russia the inside track, Moscow
19-20 June	Barclays Emerging Markets Conference, London
24-26 June	Renaissance Capital Annual Russia Conference, Moscow
3Q2019	
27 August	Disclosure of 1H2019 IFRS results
03–04 September	HSBC GEMs Investor Forum 2019, London
24–26 September	J. P. Morgan Emerging Markets Credit Conference, London
4Q2019	
17-18 October	Non-deal Roadshow, Santiago
18 October	Moscow Exchange Forum in London
23-25 October	BCP Conference, Buenos Aires
28-29 October	Auerbach Conference, New York
30 October – 4 November	Investor meetings in Stockholm, Tallinn, Paris, Frankfurt, London and New York in the course of secondary public offering
13-14 November	Commerzbank EM Conference, Dubai
19-21 November	Moscow Exchange Forum in Shanghai
20-22 November	Annual VTB Capital "Russia Calling!" Investment Forum
27 November	Disclosure of 9M2019 IFRS results

SHARES

The bank's shares are on the first-level list of Moscow Exchange

Instrument type	Short name	Ticker	ISIN
Ordinary share	CBM ao	CBOM	RU000A0JUG31

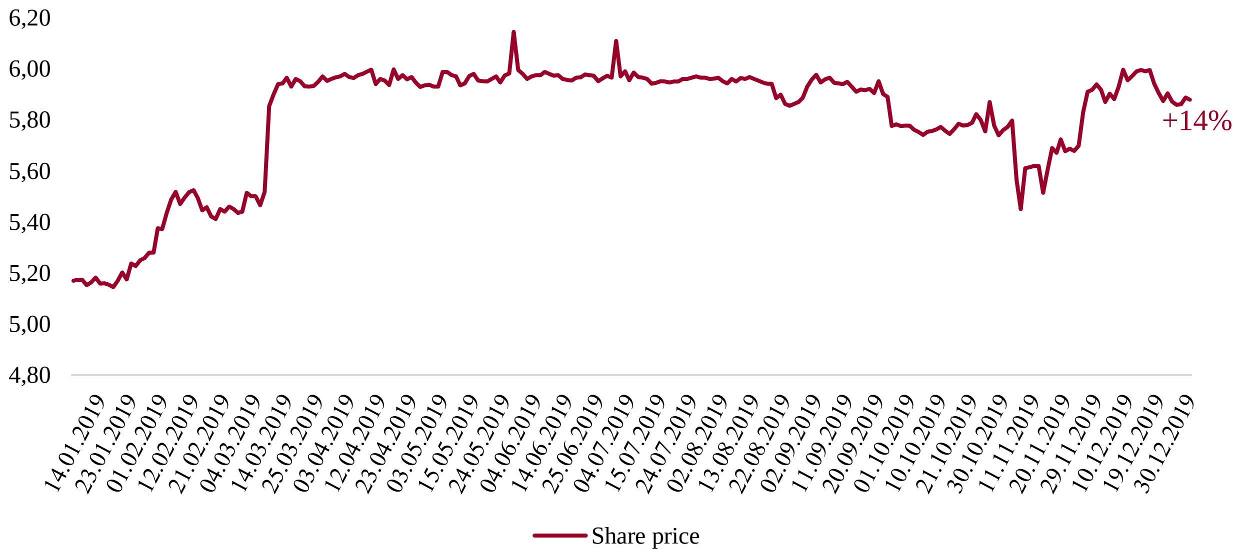
The bank's initial public offering supported by institutional and private investors took place in June 2015. Selling at **RUB 3.62** per share, it aggregated **RUB 13.2 bln**.

In December 2015 and in October 2017, the bank made secondary public offerings on Moscow Exchange, raising **RUB 16.5 bln** and **RUB 14.4 bln**, respectively, and achieving a market capitalisation of RUB 87.6 bln.

In November 2019, CBM issued 2,750 mln shares through the SPO at RUB 5.35 per share raising **RUB 14.7 bln**. The discount to the closing price of the trading session on 5 November 2019 (RUB 5.565) was 3.9%, a market capitalisation achieved RUB 166.0 bln.

On 16 June 2016, the Moscow Exchange included CREDIT BANK OF MOSCOW's shares (CBOM) in its **MOEX and RTS** indices as it revamped their reference bases. As at 31 December 2019, MOEX Russia and RTS indices covered the **top 39** liquid shares of the largest Russian companies from key sectors of the economy. These indices are the main indices of Moscow Exchange for calculating issuers' capitalisation. The bank'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**.

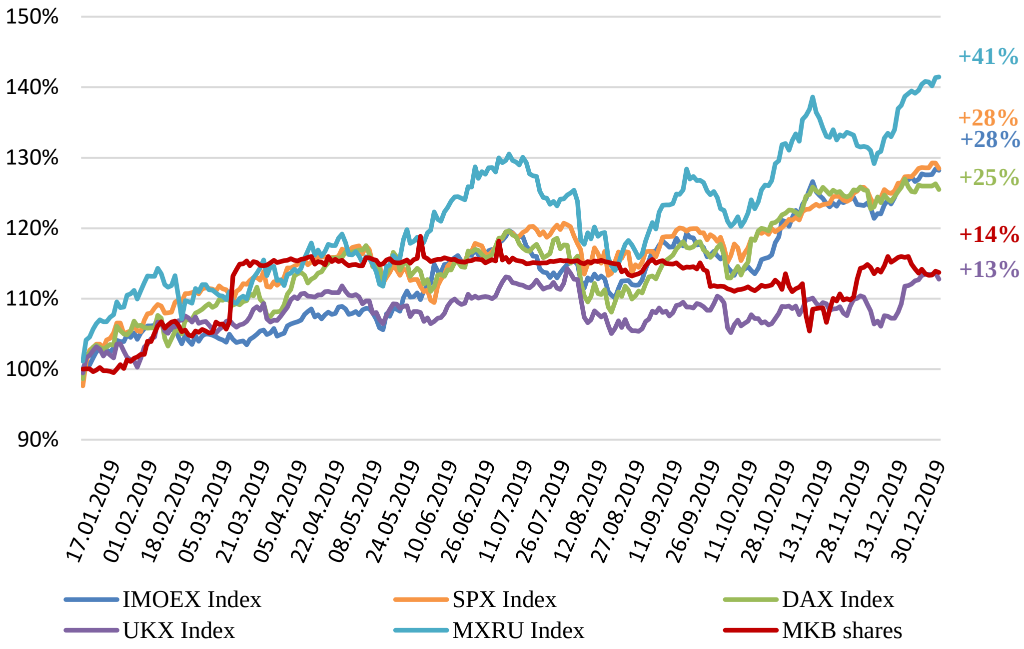
The Bank's Share Price in 2019 (RUB)



On 1 June 2018, CBM's shares were also included in MSCI EMERGING MARKETS SMALL CAP INDEX. It covers 1,655 shares of companies in 26 countries and approximately 14% of the free float-adjusted market capitalisation in each country.

CBM's shares were also included in MVIS Russia Small Cap Index. The index tracks the performance of the largest and most liquid small-cap companies in Russia.

The Bank's Share Price Compared to Global Indices in 2019 (%)



BONDS

Eurobonds

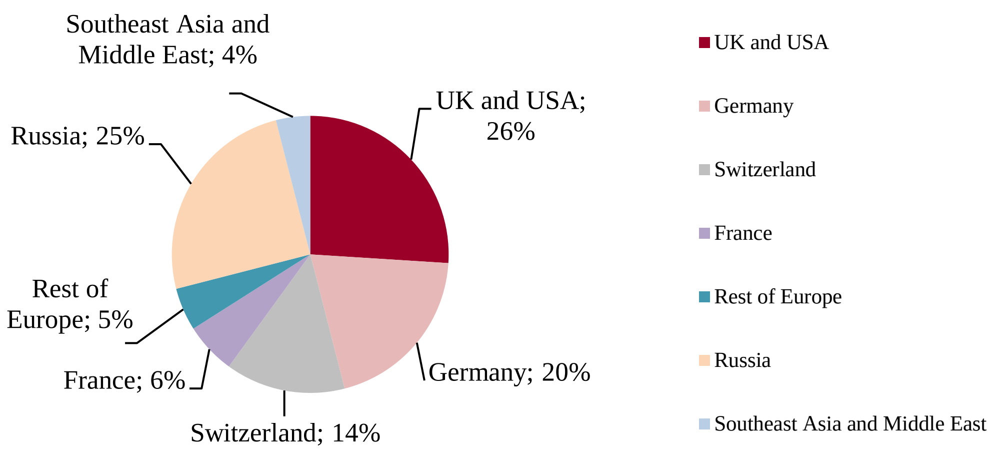
CBM has been an active player in the Eurobond market since its debut in 2006. As at end-2019, the outstanding principal amount of its Eurobonds totalled USD 2.5 bln, EUR 0.5 bln and RUB 5.0 bln. They were issued via a special purpose vehicle, CBOM Finance p.l.c., on the Irish Stock Exchange.

Security type	Placement date	ISIN	Par value	Amount outstanding	Coupon rate	Maturity, years
Subordinated Eurobonds 2025	26.11.2014	XS1143363940	RUB 5,000,000,000	RUB 5,000,000,000	16.500%	10.5
Eurobonds 2021	07.11.2016	XS1510534677	USD 500,000,000	USD 500,000,000	5.875%	5
Subordinated Eurobonds 2027	05.04.2017	XS1589106910	USD 600,000,000	USD 440,000,000	7.500%	10.5
Subordinated perpetual Eurobonds	10.05.2017	XS1601094755	USD 700,000,000	USD 540,000,000	8.875%	Perpetual Eurobonds
Eurobonds 2023	14.02.2018	XS1759801720	USD 500,000,000	USD 500,000,000	5.55%	5
Eurobonds 2024 EUR	20.02.2019	XS1951067039	EUR 500,000,000	EUR 500,000,000	5.15%	5
Eurobonds 2024 USD	25.03.2019	XS1964558339	USD 500,000,000	USD 500,000,000	7.121%	5.25

In February 2019, CBM placed its debut euro-nominated 5-year EUR 500 mln 5.15% Eurobond issue.

The issue attracted investors from Continental Europe (45%), the UK and the USA (26%), Southeast Asia and Middle East (4%) and Russia (25%). In total, more than 120 orders were placed from 19 countries of the world. Such distribution speaks of a permanent interest in the bank's bonds issues on the part of the international investment community. The book building process was preceded by a series of meetings with institutional investors in Zurich, Frankfurt, Vienna, Paris, London and New York.

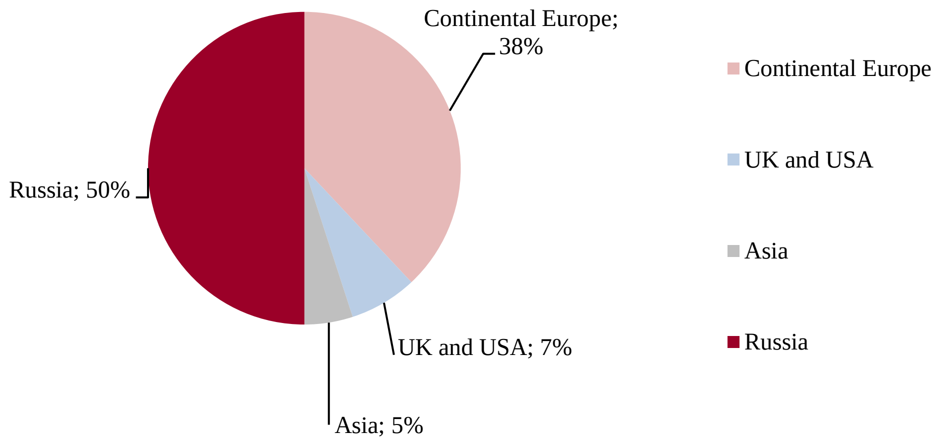
Eurobonds due in 2024 (EUR 500 mln)



In March 2019, CBM successfully placed a 5.25-year USD 500 mln 7.121% Eurobond issue. This transaction was the first public borrowing in US dollars by a Russian bank this year, and was the bank's second international placement in 2019.

A series of meetings with investors in London, Amsterdam, Munich and New York resulted in a book of orders with a wide geographical coverage: Continental Europe (38%), the UK and the USA (7%), Asia and Latin America (5%). The Russian investors' share is 50%. In total, more than 80 orders were placed from 19 countries of the world.

Eurobonds due in 2024 (USD 500 mln)



In 2019 Credit Bank of Moscow optimised its capital structure through of partial repayment and cancellation of USD 600 mln 7.500% p. a. Eurobonds due 2027 and perpetual USD 700 mln 8.875% p.a. Eurobonds. As a result, USD 440 mln in principal of CBOM’27 bonds and USD 540 mln in principal of perpetual bonds remain outstanding.

Internal bonds

The bank’s bonds are on the first level list of Moscow Exchange.

Security type	Placement date	ISIN	Par value, RUB mln	Coupon rate	Maturity, years
Exchange-traded bond series BO-09	25.03.2015	RU000A0JU898	3,000	10.25%	5
Exchange-traded bond series 001R-01	04.10.2019	RU000A100WC4	10,000	8.35%	3
Exchange-traded bond series 001R-02	03.12.2019	RU000A1014H6	7,000	7.75%	2

Some of the bank’s bond issues are on the third level list of Moscow Exchange

Security type	Placement date	ISIN	Par value, RUB mln	Coupon rate	Maturity, years
Corporate bond series 15	24.07.2018	RU000A0ZZE87	3,000	12.0%	-
Exchange-traded bond series BSO-P01	11.06.2019	RU000A100FF2	1,000	4.5%	3
Exchange-traded bond series BSO-P02	15.07.2019	RU000A100KS5	1,000	4.5%	3
Exchange-traded bond series BSO-P03	15.07.2019	RU000A100KT3	1,000	4.0%	3

Exchange-traded bond series BSO-P04	03.09.2019	RU000A100SF5	1,000	3.5%	3
Exchange-traded bond series BSO-P05	04.10.2019	RU000A100WT8	1,000	3.25%	3
Exchange-traded bond series BSO-P07	13.11.2019	RU000A101160	1,000	3%	3
Exchange-traded bond series BSO-P08	19.12.2019	RU000A1016Y6	1,000	2.55%	3
Exchange-traded bond series BSO-P09	19.12.2019	RU000A1016X8	1,000	1.55%	3
Exchange-traded bond series BSO-P10	19.12.2019	RU000A1016W0	1,000	0.01%	3

The Bank's Credit Ratings as of 31.12.2019

Fitch Ratings	**BB***	long-term default rating
	B	short-term issuer default rating
	B+	viability rating
	4	rating support
		Stable outlook
Standard and Poor's	**BB-**	long-term counterparty credit rating
	B	short-term counterparty credit rating
		Stable outlook
Moody's Investors Service	**Ba3/NP**	long-term local and foreign currency deposit rating
	Ba2	**Counterparty risk rating**
		Stable outlook
ACRA	**A (RU)**	national scale credit rating
		Stable outlook
Expert RA	**ru A****	**Credit rating**
		Stable outlook
Rating-Agentur Expert RA GmbH***	**BBB [esg]**	**ESG (Environmental Social Governance) rating**
China Lianhe Credit Rating Co*****	**AA+**	**Long-term credit rating**

Rating Actions in 2019:

*	Fitch upgraded CBM's rating to BB "Stable" in June 2019.
**	Expert RA upgraded CBM's rating to ruA "Stable" in April 2019.
***	ESG Rating-Agentur Expert RA GmbH assigned a rating to CBM in October 2019.
****	China Lianhe Credit Rating Co. assigned a rating to CBM in November 2019.

SUSTAINABLE DEVELOPMENT

1. Human resources

CREDIT BANK OF MOSCOW's management devotes priority attention to the development of human capital and the creation of an effective team.

The bank's HR management strategy is aimed at attracting, training and retaining highly qualified and efficient personnel. In order to achieve these objectives, all activities to develop the organisational structure, improve business processes and increase professional development of the employees are based on the goal setting management, improvement of the key performance indicators system, corporate culture development and increased involvement of all employees.

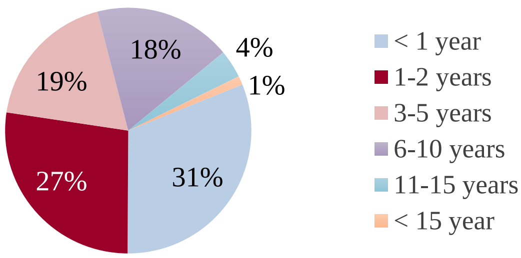
In 2019, the bank's HR management strategy was structured in accordance with the bank's strategic goals. In addition, a focus was made on efficiency and improvement of business processes.

Bank's Headcount Structure

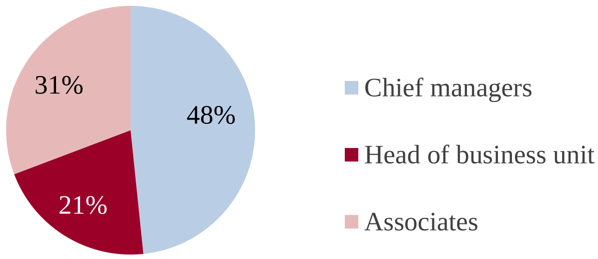
As at end-2019, CBMs headcount was 5,407 people, which is 11% lower than in 2018. Such a decrease in the headcount structure was primarily due to the delegation of cash handling to INKAKHRAN and the improvement of business processes.

Analysis of the Bank's Personnel as at 31 December 2019

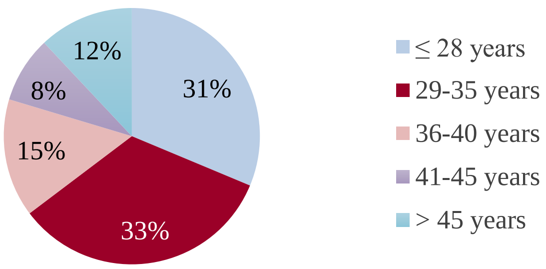
Distribution of the Bank's employees by length of employment as at 31.12.2019



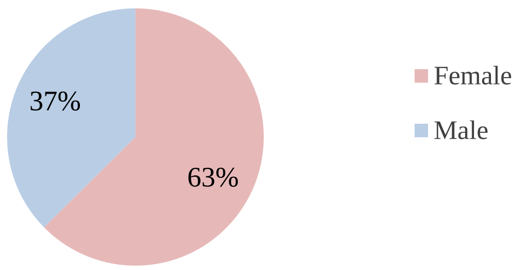
The Bank's headcount structure by the category of employees as at 31.12.2019



Distribution of the Bank's employee by age as at 31.12.2019



Gender structure as at 31.12.2019



The implementation of new financial and non-financial motivation programmes led to the need to seek relevant instruments for revising approaches to staff costs. Thus, in 2019, the bank audited its functional and organisational structure, which resulted in a profound modernisation of the bank's management structure, namely:

- The number of management levels reduced from 8 to 6, and the manageability rate almost doubled to 8.9;

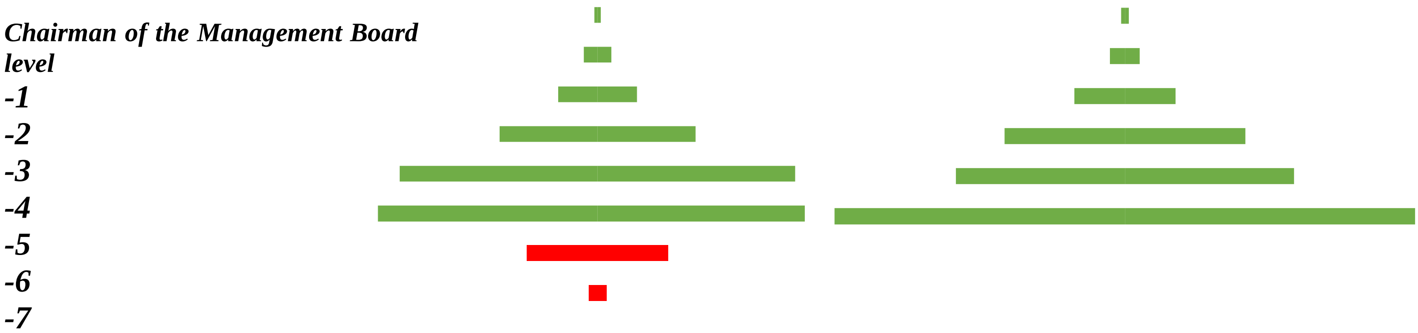
- The bank's organisational structure is formed on the principle of customer segmentation. Each team has a high degree of independence and is fully responsible for the P&L, product development and implementation, sales and analytics in its segment;

- In 2019, a market industry customer coverage subdivision was created as part of the corporate block.

Support and control are performed by competence centres in areas such as HR, Risk, Finance, IT, PR & Marketing, Legal, Compliance, Operations and the Customer Service & Care Centre. The last two centres are partially transferred to the Regional Service Centres in Smolensk and Perm, respectively.

The bank's IT function has a minimum number of management levels. Project activities in the Agile format allow minimising time to market in the development and implementation of new banking products. The interaction of IT with customer and functional teams is facilitated by IT business partners who are competent in and understand operation of the supported subdivisions. This advances a deep understanding of the needs for automation of the bank's current operational processes.

Organisational Hierarchy Management Levels Transformation from 2018 to 2019



a) end-2018 b) end-2019

Staff Recruitment and Adaptation

In 2019, staff recruitment was improved: the Recruitment and Adaptation Guidance was revised and approved, and new reporting and recruitment analytics were introduced.

In addition to ongoing recruitment for vacant positions, the bank's staff recruitment subdivisions recruited staff for the bank's new contact centre in Perm, and for new branches in Saint Petersburg and other Russian cities as part of the bank's regional development.

The bank's Staff Recruitment Subdivision launched several projects aimed at engaging staff, creating a base of potential nominees and developing CBM's HR brand. For example, the referral programme *We Choose Colleagues!*, and the *CBM Universe* programme for engaging young specialists . Under the *CBM Universe* programme, the largest Moscow universities were engaged, including MGIMO University, Moscow State University, Bauman Moscow State Technical University and the Moscow Institute of Physics and Technology, and lectures and master classes by CBM's top managers and experts were organised for graduate students of these universities. In addition, the heads of the Tver IT subdivision took part as a jury in the hackathon of Tver State University.

In 2019, the bank launched an internal competition programme for its employees, which provides professional and career development opportunities for the employees, reduces the time to close vacancies and the adaptation period of employees in new positions, increases employee loyalty and reduces staff turnover.

In 2020, we shall continue to work on improving the headhunting quality, reducing vacancy closure time and recruitment process automation.

Training and Development

The bank assigns a critical part in its talent pool development system to the continuous development and improvement of the knowledge and skills of its employees, which are based on the strategic goals and business tasks of the subdivisions.

During 2019, the bank's employees took part in the following:

- Professional training focusing on products, services, internal processes, operation methods and technologies;
- Professional training regulated by Russian laws;
- Communication, managerial competence and business skills training.

The employeeEmployee knowledge and skills were improved using external and internal resources.

In 2019, the business skills training system was based on a competency-based approach, in line with the implemented model of general banking competencies for employees, and leadership competencies for the bank's heads.

The bank implemented the following training programmes:

- "*CBM Success Academy* consisting of 11 training programmes in various areas;
- "*Leadership Academy* consisting of 4 training and leadership development programmes;
- Customised training of business subdivision employees in sales, negotiations and customer relations.

All of the aforesaid programmes provide the employees with an opportunity to improve their professional level, develop their corporate and managerial competencies, and exchange experience with their colleagues at the bank. 2,475 employees completed the programmes. Participants highly valued the level of organisation and holding of the events, giving a score of 9.63 on a 10-point scale.

The bank has implemented and regularly runs basic training for new employees of business areas who will subsequently communicate with the bank's customers. The training is based on career models and includes the principal aspects of employee activities in relevant positions. The training is held both in face-to-face and in remote formats (remote courses, webinars). In 2019, basic training was held for employees of the Retail, the Underwriting Division and the Overdue

Debt Collection Division. In 2019, approximately 2,300 participants attended various basic training programmes.

Active use of remote training channels and Webtutor software was an important component of the training. More than 4,200 distance learning courses were completed in 2019, 20% more than in 2018.

For The *Talent Pool* programme is a regular fixture for employees of the Retail Business branches. The 5th group of employees completed the programme in 2019. The *Talent Pool* is a platform for intra-company training of prospective employees for career development. Reserve employees are trained under the modular competency development programme. In 2019, all reserve employees successfully completed their final qualification examination, and most of them were promoted to managerial positions.

In 2019, the bank launched the Performance Management (PM) system.

As part of PM:

– The Regulation for annual examination was developed and approved;
– All stages of the system were automated;
– All participants in the system were informed and trained in the PM.

To form a unified approach and a culture of interaction between employees and managers, when performing all stages of the Performance Management System, the bank arranges training events for employees and managers in various formats: information sessions, webinars and electronic distance learning courses.

Plans for developing the bank's training system in 2020:

– Implementing a training and development programme for the bank's managers;

– Expanding programme topics for employees and heads of divisions, units and groups to improve knowledge and business skills;

– Implementing a coaching system for employees of the Retail Block front offices;

– Extending modern distance learning tools (developing and implementing interactive distance learning courses, electronic simulators for developing software skills and others).

Incentives and Wages

The bank builds its incentive strategy based on the principal goal of being a reliable, helpful and insightful financial assistant for customers and partners, thus promoting the development of each of them and the national economy as a whole. The bank seeks to provide its employees with a worthy reward in accordance with the bank's corporate culture and values, while strictly observing the labour laws of the Russian Federation and regulatory requirements.

The bank's incentive strategy supports the sustainable engagement, motivation and retention of highly qualified staff. The bank's remuneration programmes are based on responsibility, risk minimisation and compliance with legislative and regulatory requirements. They support the bank in achieving the desired level of a high-performance culture.

The remuneration system includes fixed and non-fixed parts, determined based on the employees' qualification and experience, parameters of their work, the job-prescribed level of responsibility and work results, both of the employee and the bank in general.

In 2019, considerable attention was paid to optimising and improving existing incentive systems, taking into account the bank's updated business strategy and the emerging needs of the business subdivisions. Thus, the number of existing incentive systems was reduced by almost half to increase their transparency, simplify staff understanding of them, and to unify the approach to determining key results that are important for the bank.

In 2019, an incentive programme was launched in accordance with the performance management system for all business functions and for the managers of the assistance, support and control functions. In 2020, we plan to cover all bank employees with this programme, excluding subdivisions that have separate performance management and bonus systems.

The bank applies a system of benefits that includes voluntary health insurance, compensation for lost income due to employee illness, various types of cash assistance, special partner offers and discounts for employees and New Year gifts for the children of employees.

The bank launched recognition programmes at the “employee-employee” and “manager-employee” levels, which support the corporate competence model.

2. Corporate culture

The bank continues to develop corporate sports. Its futsal and hockey teams participate in various tournaments, including for charity. The participation of the bank’s employees in running events, especially in charity races arranged jointly with the *Arifmetika Dobra* charity, is growing in popularity. In 2019, the bank held Donor Day for voluntary blood donations for the first time and with considerable success.

A volunteer movement as part of the Corporate Social Responsibility concept is gaining momentum. In 2019, the bank’s employees held master classes and a New Year’s feast for pupils of a boarding school, helped a shelter for dogs and participated in a number of charity events together with *Arifmetika Dobra* to help orphans not only in Moscow and the Moscow Region, but also in other Russian regions with decent education and social adaptation.

Recognising its responsibility to future generations, the bank’s management strives to support economics or banking graduates. The bank’s representatives continue to participate actively in various events devoted to the development of young professionals, and to increase the number of places to practice every year.

3. Information technologies

The bank’s IT-development policy is aimed at improving its banking technologies, and developing, optimising and upgrading its IT systems. The IT Directorate is responsible for development and implementation of the 2019-2020 IT strategy, IT policies, improvement and maintenance of the entire IT infrastructure, software development, deployment and maintenance, i.e. measures intended to support implementation of business initiatives and for compliance with the requirements of the regulator.

The bank is committed to building a failsafe 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. The cost efficiency of the created infrastructure is also taken into account.

In order to build a failsafe IT infrastructure, the bank uses a distributed data centre (DDC), enabling it to ensure high efficiency of transaction processing with a strong protection of such transactions against any infrastructure breakdowns. All data centres (DCs) in the DDC are connected by a private network of fibre-optic links (Dark Fiber) via main and back-up, non-overlapping routes. Usage of DDC architecture has increased reliability and scalability of IT infrastructure at acceptable costs, because IT systems in this architecture do not fail (but only become less productive) if one centre fails. Taking into account the projected capacity, the overall productivity would not decrease by more than 10-15% if one data processing centre fails, and the impact would be mainly limited to the least critical systems at the Office Productivity level.

The DDC uses high-tech engineering systems and management utilities to achieve maximum manageability of the sophisticated engineering infrastructure by enabling collection, sorting and circulation of critically important alerts, video surveillance records and other important information, so that the entire picture of the sophisticated engineering infrastructure can be seen from any point of the network.

In terms of improving the IT infrastructure fault tolerance, considerable attention is paid to the practical aspects of ensuring business continuity. During the year, in accordance with the developed plan, the bank performed disaster recovery testing in the data centre of information systems (DR-testing), which was aimed at checking and confirming the target recovery periods set for the relevant categories of system criticalness. In the course of the tests, the employees of the IT Directorate practice switching components of information systems between the nodes of the DDC and recovering systems in conditions close to real ones.

In order to be able toTo further scale up while increasing the level of security and reliability, the bank launched the concept of using the platforms of commercial operators' DC that meet Tier 3 requirements as nodes of the bank's distributed computing centre. In 2019, agreements were concluded with two service providers, whose facilities formed the basis for launching the deployment of additional nodes of the bank's DDC.

The DDC is operated by a VMware vSphere virtualisation platform. The virtual server farm is based on cloud technologies in the form of a Private Cloud, and forms the bank's main processing capacity. The VMware High Availability Cluster-based virtualisation increases IT systems reliability, the server utilisation ratio, equipment density and, owing to faster roll-out and greater testing possibilities, accelerates the introduction of new products. This solution also simplified IT infrastructure expenditure planning by unifying processing resources.

As part of the solution to increase the availability of the bank's business applications, special attention is paid to expanding the coverage and increasing the effectiveness of IT infrastructure monitoring. In 2019, a dedicated competency for the development of this area was created at IT. An architectural concept for building an integrated monitoring system was developed and approved. The architecture of the target system is based, on the one hand, on open source solutions for the technical monitoring of infrastructure components and, on the other, on the productivity monitoring and end-to-end transaction monitoring software of world leaders. In accordance with the approved target architecture, the bank removed monitoring from non-target systems, expanded the number of monitoring metrics, deployed the target technical monitoring architecture and launched pilot operation of end-to-end transaction monitoring solutions.

In the retail block, the bank successfully completed key tasks 1 and 2 of the Collection project priority, which increase collection efficiency, such as through segmentation of overdue loans in the early stages of overdue, automation of debt receipt and repayment in real time. The bank also developed a calculation to incentivise Collection employees, automated the process of forming a portfolio and delivering it to collection agencies at the pre-trial collection stage, and developed and implemented Collection reports to track indicators in real time. Work was successfully completed on the introduction of blocking of all withdrawal operations in the event of an individual's bankruptcy.

In pursuit of strict control over operational efficiency, the bank's development strategy requires the maximum use of remote client service systems. To perform transactions and data exchange with the bank, corporate customers use the convenient and constantly improving internet banking system *Your Bank Online* (YBO).

In 2019, a current account text alert service became available to corporate customers, with which they can quickly receive notifications of cash flows on their accounts. To unify the exchange of financial messages with customers, the international standard ISO20022 is being actively implemented. Customers can now receive statements in the ISO20022 format, and make rouble and foreign currency payments. In 2019, integration with the National Settlement Depository was successfully completed.

Thanks to successful integration with MPS Round, customers can now pay customs payments to companies involved in foreign trade, legal entities and individuals in real time.

In 2019, YBO was successfully connected to the SWIFT Global Payment Innovation (GPI) service to quickly and efficiently manage cross-border payment flows, track fund transfers along the entire chain of correspondent banks thanks to unique transaction numbers, and track payment status and location online.

The bank successfully launched projects to extend the standard and extended business days in roubles, US dollars and euro, and to introduce round-the-clock acceptance of interbank payments.

Relating to the development of the banking platform, in accordance with the regulatory requirements of provisions No. 604-P, 605-P, 606-P of the Central Bank of the Russian Federation, the IFRS 9 objectives for credit, deposit, interbank and securities transactions were implemented in 2019. The improvements ensured the correct recording of these operations on the accounts of book records and the calculation of the necessary indicators in accordance with the regulator's requirements.

As part of the requirements of Regulation No. 659-P, the objectives of IAS 16 *Property, Plant and Equipment* in CFT were implemented in 2019. The purpose of the improvements was to prescribe the accounting treatment for property, plant and equipment, including the recognition of assets, the determination of their carrying amounts, and the depreciation charges and impairment losses to be recognised in relation to them.

As the Russian Central Bank's requirements grow ever tougher, the bank resorted to an industrial solution to ensure advanced environment for AML/CFT, sanction control, FATCA and CRS purposes. The tender was won by AML Adviser, a comprehensive system covering the entire scope of the Compliance Department's tasks.

The implementation of the AML solution, a customer activity analysis complex, is very important given the substantial expansion of the bank's customer base and its prospects of further development, especially in the regions. The project started in early 2019 and is to finish in the first half of 2020. It will result in a full package of tools for straightforward and effective compliance with AML/CFT laws and the sanctions regime, and for statutory, FATCA and CRS reporting.

During the year, the bank implemented processes for sanctions screening, FATCA/CRS reporting, and regulatory reporting (under Ordinance 4936-U).

many times over and more than doubling their number. In late 2019, the bank deployed a SAS ESP-based platform for launching online marketing campaigns, which will improve the quality and speed of interaction with customers, boost cross-sales and decrease customer outflow. The migration to a cluster solution made SAS RTDM-based automatic loan application processing more failsafe and faster. Pre-scoring of corporate customer applications was established.

The bank is a principal member of Visa, MasterCard, MIR, JCB and UPI 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 based on the Compass Plus solution. The bank operates its own card personalisation centre to ensure prompt card issuance. State-of-the-art bank card technologies are being actively adopted: Google Pay, Samsung Pay, Apple Pay, Garmin Pay services, and payment rings are all supported.

In 2019 the bank was connected to CBR’s FPS payment system, enabling its customers to transfer funds using telephone numbers as identifiers.

In 2019, the bank actively implemented an IT strategy for approaches to software quality control. New approaches increase the reliability and fault tolerance of application software. In particular, the development of load testing and productivity testing areas is aimed at checking the on-load operation of application software, searching for maximum system productivity, checking the system for increased database volumes, and application software operation on various hardware packages in order to select the optimal level. As part of development of this area, the bank launched a programme to introduce stress testing for key back-office systems.

As part of the tasks to optimise the budget and increase its effectiveness, an End-to-End Analytics system was launched at the end of the year. It analyses the effectiveness of marketing investments based on data that tracks the full path of the customer from viewing an advertisement, visiting the site and ending with sales and repeat sales. The End-to-End Analytics system, when used with Wi-Fi radars and the Dynamic Call Tracking system, will indicate the real costs of each product and each landed customer with breakdown of channel, and the effectiveness of cross-selling. The project is critical for increasing the effectiveness of promotion channels.

The bank pays considerable attention to information security and cyber resilience issues. The most important information security processes are those identifying and remedying both purely technical vulnerabilities of information systems and logical vulnerabilities affecting customer service processes and products. The following threat prevention projects were initiated and successfully completed:

- A next-generation firewall as a basic element of protection against external attacks;
- A solution to counter targeted attacks which use malicious email messages or malicious sites, which, in turn, use 0-day vulnerability and are not detected by standard protection tools, for example, antiviruses. The system rebuffed more than 650 targeted attacks;
- A fraud monitoring system for remote banking;
- A staff training system that simulates mailing of malicious file attachments and phishing links and automatically starts testing if employees open such attachments or enter their passwords on linked websites;
- An anti-fraud system for detecting abnormal and illegal payments transmitted to the Bank of Russia or SWIFT;

- Systems searching confidential information in databases, network folders and workstations;
- A data loss prevention (DLP) system to monitor and prevent attempted theft of confidential information of the bank and its customers.

As part of the system of protection against external and hacker attacks, the bank launched a project to protect its web applications. To protect its ATMs and payment terminals, the bank launched a project to create an isolated software environment for them.

Based on 2019 results, the quality of the information security services was confirmed by audits for compliance with the PCI DSS and the SWIFT Customer Security Programme.

4. Society

CBM, as a responsible employer, actively co-operates 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.

The bank's employees regularly support orphans in charity events dedicated to Children's Day, Knowledge Day and the New Year. All funds raised are used to allow as many orphans as possible across Russia to prepare for entrance examinations at higher educational institutions and secondary specialised colleges, thus gaining a chance for a decent adult life. More than 900 bank employees (a little less than 20% of the headcount) took part in charity events held by *Arifmetika Dobra* in 2019.

CBM employees actively participate in other charity projects with the bank's support. In 2019, the bank's volunteers made two visits to Redkino boarding school, where they held educational master classes for pupils; they also took part in a clean-up event at the *Domashny* animal shelter. More than 150 employees took part in the annual Donor Day.

In 2019, CBM began implementation of a whole range of environmental projects under its introduction of a social responsibility strategy at the bank. CBM has partnered with an environmental NGO "ECA" by sponsoring the planting of 10,000 young fir and pine trees in Malopurginsky District of the Udmurt Republic as part of its *Plant a Forest* project. The bank has joined the World Wildlife Fund's Panda Club, an annual membership programme designed to unite the efforts of Russian business and WWF in preserving our country's nature. The first joint project of CBM and WWF Russia serves to protect the North-West Pre-Caspian population of the saiga antelope by organising a winter-time census using low-noise, drones in December 2019.

In a situation when the fight against cyber fraud is becoming one of the most important challenges of the day, CBM actively creates counteraction systems, not only by developing and improving information security technologies, but also by increasing the role of banking employees' corporate culture and awareness of these problems. The bank regularly trains its own employees, and reports on improving the literacy of citizens in the fight against cyber fraud at public venues, conferences and in the media.

As one of the largest federal-scale privately-owned banks, CBM is extremely interested in building constructive relationships with the media. Operating in accordance with international standards of business social responsibility, CBM builds an information policy of transparency and openness to all audiences. In 2019, the bank first became a partner of Europe's largest media festival. The bank supports the development of modern, professional and high-quality journalism at any level, from federal publications to local newspapers of small settlements. The daily activities of the bank’s press service are dedicated to ensuring transparency and accessibility of information on the bank’s operations, its social agenda, products and services.

CBM actively supports social projects of the Government of the Russian Federation, offers profitable and affordable financial products to improve the quality of life of pensioners. CBM’s *Mudrost* card was recognised as the most profitable card for pensioners by experts of the Frank RG agency as part of the Frank Banking Award 2019. In a little more than a year after its launch, more than 100,000 pensioners have become *Mudrost* cardholders. The bank is actively involved in joint projects with the Union of Russian Pensioners in Moscow. In 2019, the grand festival of pensioners *Our Youth Has No End!* and the charity concert *Hello, Country of Heroes* in honour of the Heroes of the Homeland Day were held with the bank’s support.

As a result of a comprehensive approach to the implementation of social and environmental initiatives, CBM became the first Russian bank to receive a “BBB” ESG rating from Rating-Agentur Expert RA GmbH. The ESG Rating is an assessment of a company’s performance in three key segments of corporate social responsibility: environmental, social, and governance. The rating reflects the bank’s achievements and development areas in sustainability and corporate social responsibility.

Aware of its responsibility to future generations, the bank’s management seeks to support the students of the Department of Financial Markets and Banks of the Financial University under the Government of the Russian Federation. The bank arranges a number of activities to organise practical training for senior students, job placement for graduates, and it involves its top managers in the educational process. The bank’s internship programme *MKB Universe* has already become a springboard to a successful career in the financial market for dozens of students and graduates of the Financial University.

CBM’s top managers consistently appear in the *Top 1000 Russian Managers* annual ranking of Russian Managers Association and Kommersant Publishing House. The ranking is a tool for fair assessment of the professional reputation of Russian executives. It highlights the most professional managers of Russia, as recognised by the professional community itself. The 2019 ranking includes 3 managers from the bank: Vladimir Chubar is listed among the best CEOs in the *Commercial Banks* segment, his first deputy Mikhail Polunin among the best bank managers in specialised nominations, and Victoria Poigina, Marketing and PR Vice President, among the best marketing directors in the *Commercial Banks* segment.

5. Environmental management

Sustainable Development

In the pursuit of sustainable development goals, CBM actively expands its customer base, improves its public image and business reputation locally and internationally, and builds trust-based, transparent and long-term relations with customers, employees, shareholders, NGOs and investors, focusing on social responsibility and ecological culture.

CBM endorses the Sustainable Development Goals (SDGs) included in the global strategic programme *Transforming Our World: the 2030 Agenda for Sustainable Development* adopted by the UN General Assembly at its 70th session in September 2015. CBM identified 6 strategically prioritised SDGs in 2019 and is carrying out a number of projects and initiatives to achieve them.

CBM's strategically prioritisedCBM’s Strategically Prioritised Sustainable Development Goals (SDGs)

Goal 3. Ensure healthy lives and promote well-being for all at all ages

Goal 4. Ensure inclusive and equitable, quality education and promote lifelong learning opportunities for all

Goal 17. Strengthen the means of implementation and revitalise the global partnership for sustainable development

Goal 8. Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all

Goal 9. Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation

Goal 12. Ensure sustainable consumption and production patterns

CBM’s contribution goes beyond the above listed goals: more information on its sustainable development projects and activities can be found in the Sustainability Report published on its official website.

CBM is committed to solving any social or environmental issues arising in the course of lending. It has a Social and Environmental (S&E) Management Policy that establishes a system integrating ecological risk management procedures and socially and ecologically-responsive management principles into its business model. This approach ensures compliance with leading international financial institutions’ standards and applicable social and environmental laws, which underpins the bank’s competitive advantages and business reputation.

The S&E management system’s functions and authorities are clearly distributed among the bank’s management bodies and subdivisions involved in the lending process. That system not only serves as the framework for analysing environmental and social risks and related mitigation opportunities, but also sets out a comprehensive environmental, health and safety management approach designed to improve that system through integration of environmental risk management mechanisms into the bank’s business processes.

The bank’s environmental policy is being regularly improved to ensure that the credit process adapts to the current requirements of national environmental laws and international S&E risk management requirements and standards used by leading international financial institutions in assessing financed projects. Such activities promote social responsibility of the bank’s employees and their involvement in evaluating the environmental impact of clients’ activities and their projects financed by it, at all stages of the lending process.

With the aid of its international shareholder, European Bank for Reconstruction and Development, CBM has built an efficient and internationally aligned process for the provision of classic lending and in other forms of financial support offered to customers (in accordance with EBRD Performance Requirements (PR1-PR10)). The bank does not finance any projects related to business activities named on the EBRD Environmental Exclusion List.

The EBRD not only delegated to the bank the responsibility for initial appraisal and monitoring of current transactions as regards S&E risks, but also the overall management of the entire loan portfolio in terms of its compliance with applicable S&E standards.

Guided by the aforesaid regulations and adhering to the fundamental values in its activities, the bank 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. The bank is expanding its S&E responsibility with every year, standing to its principles and complying with the requirements and provisions of Russian environmental laws and international S&E standards.

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.

The EBRD's experts visit the bank on a regular basis to monitor its loan portfolio in terms of compliance with international environmental standards. Such monitoring gives the bank a full and impartial picture of its S&E efforts made during a year.

The bank makes annual S&E reports on its borrowers' compliance with S&E requirements and overall S&E indicators of its total loan portfolio. As at the end of 2019, the bank's loan portfolio did not contain any loans which would involve environmental problems, no events were identified where a deal already made was later turned down for S&E reasons, or where any borrowers faced a lawsuit, had accidents, received complaints, were fined or otherwise sanctioned due to their non-compliance with any requirements of the applicable environmental laws.

The bank made an important step towards the integration of its sustainability activities by creating a Sustainable Development Workgroup uniting officers from subdivisions that are keen and able to partake in shaping internal processes so as to expand the bank's contribution to the achievement of a sustainable future.

CBM's sustainable development efforts also gained independent recognition by Rating-Agentur Expert RA GmbH, which assigned a "BBB[esg]" ESG rating to the bank in 2019, making CBM the first Russian bank to receive an ESG rating. The consolidated rating grade "BBB[esg]" reflects the bank's achievements and development areas as regards sustainability and corporate social responsibility.

ESG RATING CERTIFICATE

Rating-Agentur Expert RA GmbH Assigned

RATING

TO CREDIT BANK OF MOSCOW

The rated entity's position is average. The rated entity faces a bearable amount of risks, which can be mitigated with a reasonable number of further actions.

Environment rating – BB[e]
Social rating – BB[s]
Governance rating – A[g]

Composite ESG rating – BBB[esg]

Rating validity period: 25.10.2019–25.10.2020

Ms. Svetlana Grishankova
Managing director
Rating-Agentur Expert RA GmbH
25.10. 2019

During the rating validity term the Agency has the right to change or withdraw the assigned rating if additional factors with significant influence on ESG risks and opportunities of the rated entity are identified. The rating updates are available at www.raexpert.eu.

INTERNATIONAL GROUP OF RATING AGENCIES
RAEX EXPERT RA EUROPE
Moscow - Ekaterinburg - Almaty - Minsk - Frankfurt - Hong-Kong

ESG SCALE

BBB[esg]

MANAGEMENT OF ESG RISKS AND OPPORTUNITIES IS OF SUFFICIENT LEVEL

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APPENDICES

Appendix 1
Statements under IFRS

KPMG

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 2019, 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 2019, 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 Code of Ethics for Professional Accountants (including International Independence Standards), and we have fulfilled our other ethical responsibilities in accordance with the requirements in the Russian Federation and the International Code of Ethics. 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.

Expected credit losses ('ECL') for loans to customers	
Please refer to Notes 4 and 14 in the consolidated financial statements.	
The key audit matter	**How the matter was addressed in our audit**
Loans to customers represent 33% of assets and are stated net of allowance for expected credit losses ('ECL') that is estimated on a regular basis and is sensitive to assumptions used. Due to the significant volume of loans to customers and the related estimation uncertainty, this area is a key audit matter.	We analyzed the key aspects of the Group's methodology and policies related to ECL estimate for compliance with the requirements of IFRS 9, including with the involvement of our own specialists in financial risks management. To analyze adequacy of professional judgement and assumptions made by the management in relation to allowance for ECL estimate, we performed the following procedures: • For loans to corporate clients we assessed and tested the design and operating effectiveness of the controls over allocation of loans into Stages. • For a sample of loans to corporate clients, we tested whether Stages are correctly assigned by the Group by analyzing financial and non-financial information, as well as assumptions and professional judgements, applied by the Group. • For a sample of loans to corporate clients, we tested the correctness of data inputs for PD calculation. • For a sample of Stage 3 loans to corporate clients, where ECL are assessed individually we critically assessed assumptions used by the Group to forecast future cash flows, including estimated proceeds from realizable collateral and their expected disposal terms based on our understanding and publicly available market information. • For loans to individuals we tested the design and operating effectiveness of controls over completeness and accuracy of data inputs into ECL calculation models, timely reflection of delinquency events and loan repayments in the underlying systems and allocation of loans into Stages. We agreed input data to supporting documents on a sample basis. • We assessed predictive capability of the Group's methodology by analyzing models validation results. We also assessed whether the consolidated financial statements disclosures appropriately reflect the Group's exposure to credit risk.

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 2019 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 scepticism 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.

— 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 or 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 Federal Law No. 395-1, dated 2 December 1990, *On Banks and Banking Activity*

Management is responsible for the Group's compliance with mandatory ratios and for maintaining internal controls and organizing risk management systems in accordance with the requirements established by the Bank of Russia.

In accordance with Article 42 of Federal Law No. 395-1, dated 2 December 1990 *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 2020 established by the Bank of Russia; and

— whether the elements of the Group's internal control and organization of its risk management systems comply with the requirements established by the Bank of Russia.

These procedures were selected based on our judgment, and were limited to the analysis, inspection of documents, comparison of the Bank's internal policies, procedures and methodologies with the applicable requirements established by the Bank of Russia, and 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 the mandatory ratios established by the Bank of Russia, we found that the Group's mandatory ratios, as at 1 January 2020, 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 2019, 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 whether the elements of the Group's internal control and organization of its risk management systems comply with the requirements established by the Bank of Russia, we found that:

  - as at 31 December 2019, 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 taking relevant risks in accordance with the regulations and recommendations issued by the Bank of Russia;

  - the Bank's internal documentation, effective on 31 December 2019, 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 authorised management bodies of the Bank in accordance with the regulations and recommendations issued by the Bank of Russia;

  - as at 31 December 2019, 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 2019, 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 2019, the Supervisory Board and Executive Management of the Bank had responsibility for monitoring the Group's compliance with the risk limits and capital adequacy ratios established in the Bank's internal documentation. In order to monitor the effectiveness of the Group's risk management procedures and their consistent application during 2019, the Supervisory Board and Executive Management of the Bank periodically discussed the reports prepared by the risk management and internal audit functions, and considered the proposed corrective actions.

Procedures with respect to elements of the Group's internal control and organization of its risk management systems were performed solely for the purpose of examining whether these elements, as prescribed in the Federal Law and as described above, comply with the requirements established by the Bank of Russia.

The engagement partner on the audit resulting in this independent auditors' report is:

Tatarinova E.V.

JSC "KPMG"

Moscow, Russian Federation

18 March 2020

CREDIT BANK OF MOSCOW (public joint-stock company)
Consolidated Statement of Profit or Loss and Other Comprehensive Income
for the year ended 31 December 2019
(in millions of Russian Roubles unless otherwise stated)

	Notes	2019	2018
Interest income calculated using the effective interest method	5	142,484	133,287
Other interest income	5	4,868	4,646
Interest expense	5	(102,069)	(89,518)
Net interest income	5	**45,283**	**48,415**
Charge for credit losses on debt financial assets	11,12, 14,15	(6,821)	(2,221)
Net interest income after credit losses on debt financial assets		**38,462**	**46,194**
Fee and commission income	6	15,398	15,829
Fee and commission expense	6	(3,864)	(3,483)
Net gain or (loss) on loans to customers at FVTPL		(1,590)	(5,611)
Net gain or (loss) on financial assets at FVTPL		793	(189)
Net gain or (loss) from sale and redemption of Investment financial assets at FVOCI		(272)	(251)
Net realised gain or (loss) on Investment financial assets at amortised cost		200	-
Net gain or (loss) on derecognition of financial instruments measured at amortised cost	14	295	-
Net foreign exchange gains or (losses)	9	(13,252)	2,723
Net gain on change in financial liabilities measured at fair value through profit or loss		162	-
Impairment gain or (loss) on other non-financial assets, credit gain or (losses) on other financial assets and credit related commitments and other provisions	8	3,318	(2,895)
State deposit insurance scheme contributions		(2,691)	(1,906)
Operating lease income		44	81
Net gain from disposal of subsidiaries		-	637
Other net operating income or (expense)		(665)	3,366
Non-interest income or (expense)		**(2,124)**	**8,301**
Operating income		**36,338**	**54,495**
Salaries and employment benefits	7	(14,167)	(12,290)
Administrative expenses	7	(5,155)	(6,085)
Depreciation of premises and equipment and right-of-use assets		(1,903)	(1,051)
Operating expense		**(21,225)**	**(19,426)**
Profit before income taxes		**15,113**	**35,069**
Income tax	10	(3,156)	(7,845)
Profit for the year		**11,957**	**27,224**

CREDIT BANK OF MOSCOW (public joint-stock company)
Consolidated Statement of Profit or Loss and Other Comprehensive Income
for the year ended 31 December 2019
(in millions of Russian Roubles unless otherwise stated)

	Notes	2019	2018
Profit for the year		**11,957**	**27,224**
Other comprehensive income or (loss)			
Items that will not be reclassified subsequently to profit or loss:			
- revaluation of buildings		(104)	(115)
- income tax for revaluation of buildings		21	23
Items that are or may be reclassified subsequently to profit or loss:			
Movement in fair value reserve (debt instruments):			
- net change in fair value		4,429	(3,818)
- net amount transferred to profit or loss		(704)	(160)
- income tax related to movement in fair value reserve		(745)	796
Change in fair value of financial liability attributable to changes in credit risk		80	-
Income tax related to change in fair value of financial liability attributable to changes in credit risk		(16)	-
Other comprehensive income or (loss) for the year, net of income tax		**2,961**	**(3,274)**
Total comprehensive income for the year		**14,918**	**23,950**
Basic and diluted earnings per share (in RUB per share)	33	**0.32**	**0.89**

Chairman of the Management Board — Vladimir A. Chubar

Chief Accountant — Svetlana V. Sass

CREDIT BANK OF MOSCOW (public joint-stock company)
Consolidated Statement of Financial Position
as at 31 December 2019
(in millions of Russian Roubles unless otherwise stated)

	Notes	31 December 2019	31 December 2018
ASSETS			
Cash and cash equivalents	11	953,645	1,162,779
Obligatory reserves with the Central bank of the Russian Federation		16,944	13,065
Due from credit and other financial institutions	12	348,794	13,183
Trading financial assets	13	38,550	15,665
- *held by the Group*	*13*	*37,920*	*12,909*
- *pledged under sale and repurchase agreements*	*13*	*630*	*2,756*
Loans to customers	14	788,655	709,045
- *loans to corporate clients*	*14*	*685,372*	*617,911*
- *loans to individuals*	*14*	*103,283*	*91,134*
Investment financial assets	15	258,168	214,481
- *held by the Group*		*206,844*	*84,703*
- *pledged under sale and repurchase agreements*		*51,324*	*129,778*
Investments in associates		2,350	2,275
Property and equipment	16	9,515	7,182
Deferred tax asset		113	113
Other assets	17	6,763	8,139
Total assets		**2,423,497**	**2,145,927**
LIABILITIES AND EQUITY			
Due to credit institutions	18	677,936	552,930
Due to customers	19	1,339,535	1,272,175
- *due to corporate customers*	*19*	*853,353*	*897,099*
- *due to individuals*	*19*	*486,182*	*375,076*
Financial liabilities measured at fair value through profit or loss	22	9,874	6,329
Debt securities issued	20	168,549	105,305
Deferred tax liability		3,370	4,248
Other liabilities	21	13,801	13,767
Total liabilities		**2,213,065**	**1,954,754**
Equity			
Share capital	23	30,692	27,942
Additional paid-in capital		58,210	46,247
Perpetual debt issued	23	37,871	46,691
Revaluation surplus for buildings		407	490
Fair value reserve for securities		1,146	(1,834)
Change in fair value of financial liability attributable to changes in the credit risk		64	-
Retained earnings		82,042	71,637
Total equity		**210,432**	**191,173**
Total liabilities and equity		**2,423,497**	**2,145,927**

Chairman of the Management Board — Vladimir A. Chubar

Chief Accountant — Svetlana V. Sass

CREDIT BANK OF MOSCOW (public joint-stock company)
Consolidated Statement of Cash Flows
for the year ended 31 December 2019
(in millions of Russian Roubles unless otherwise stated)

	Notes	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest receipts		140,587	140,326
Interest payments		(91,004)	(84,526)
Fees and commission receipts		15,868	15,568
Fees and commission payments		(3,378)	(3,272)
Net receipts (payments) from operations with securities		342	(217)
Net (payments) receipts from foreign exchange		(29,366)	22,428
State deposit insurance scheme contributions payments		(2,497)	(1,742)
Net other operating (expense) income (payments) receipts		(841)	3,099
Operating leases income receipts		44	81
Salaries and employment benefits paid		(13,711)	(11,446)
Administrative expenses paid		(4,859)	(5,063)
Income tax paid		(1,457)	(2,021)
Operating cash flows before changes in operating assets and liabilities		**9,728**	**73,215**
(Increase) decrease in operating assets			
Obligatory reserves with the Central bank of the Russian Federation		(3,879)	(4,181)
Due from credit and other financial institutions		(351,545)	3,928
Trading financial assets		(19,722)	(9,608)
Loans to customers		(125,032)	71,306
Other assets		(445)	2,561
Increase (decrease) in operating liabilities			
Due to credit institutions except syndicated and subordinated loans		151,903	(119,684)
Due to customers except subordinated loans		109,103	278,038
Other liabilities		(3,210)	2,217
Net cash (used in) from operations		**(233,099)**	**297,792**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of investment financial assets		(397,043)	(294,562)
Proceeds from disposal and redemption of investment financial assets		363,891	191,279
Net disposal of subsidiary		-	847
Purchase of property and equipment and intangible assets		(1,511)	(1,345)
Sale of property and equipment and intangible assets		169	557
Sale of investment property		113	-
Purchase of associates		-	(2,275)
Net cash used in investing activities		**(34,381)**	**(105,499)**

CREDIT BANK OF MOSCOW (public joint-stock company)
Consolidated Statement of Cash Flows
for the year ended 31 December 2019
(in millions of Russian Roubles unless otherwise stated)

	Notes	2019	2018
CASH FLOWS FROM FINANCING ACTIVITIES			
Issuance of share capital	23	14,713	-
Proceeds from placement and issuance of perpetual debt		403	4,996
Repayment and redemption of perpetual debt issued		(3,452)	(6,144)
Interest on perpetual debt paid		(3,872)	(3,872)
Proceeds from syndicated borrowings		28,120	376
Repayments of syndicated borrowings		(19,920)	(11,452)
Proceeds from placement and issuance of subordinated bonds		8,658	356
Partial redemption of subordinated bonds		(16,102)	(13,718)
Proceeds from placement and issuance of other bonds		135,659	42,421
Repayments of other bonds		(50,120)	(53,726)
Cash outflow from lease liabilities		(891)	-
Dividends paid	23	(2,979)	-
Net cash from (used in) financing activities		**90,217**	**(40,763)**
Effect of exchange rates changes on cash and cash equivalents		**(31,592)**	**78,514**
Effect of changes in ECL on cash and cash equivalents	11	(279)	(626)
Change in cash and cash equivalents		**(209,134)**	**229,418**
Cash and cash equivalents, beginning of the year		1,162,779	933,361
Cash and cash equivalents, end of the year	11	**953,645**	**1,162,779**

Chairman of the Management Board — Vladimir A. Chubar

Chief Accountant — Svetlana V. Sass

CREDIT BANK OF MOSCOW (public joint-stock company)
Consolidated Statement of Changes in Equity
for the year ended 31 December 2019
(in millions of Russian Roubles unless otherwise stated)

	Share capital	Additional paid-in capital	Perpetual debt issued	Revaluation surplus for buildings	Fair value reserve for securities	Change in fair value of financial liability attributable to changes in the credit risk	Retained earnings	Total equity
Balance as at 1 January 2018	**27,942**	**46,247**	**40,320**	**582**	**1,348**	**-**	**53,431**	**169,870**
Total comprehensive income for the year	-	-	-	(92)	(3,182)	-	27,224	**23,950**
Perpetual debt redemption	-	-	(5,897)	-	-	-	-	**(5,897)**
Issuance of perpetual debt	-	-	5,049	-	-	-	-	**5,049**
Interest paid on perpetual debt issued	-	-	-	-	-	-	(3,872)	**(3,872)**
Foreign exchange translation of perpetual debt issued	-	-	7,219	-	-	-	(7,465)	**(246)**
Transaction costs on perpetual debt issued	-	-	-	-	-	-	(54)	**(54)**
Tax effect on perpetual debt issued	-	-	-	-	-	-	2,373	**2,373**
Balance as at 31 December 2018	**27,942**	**46,247**	**46,691**	**490**	**(1,834)**	**-**	**71,637**	**191,173**
Balance as at 1 January 2019	**27,942**	**46,247**	**46,691**	**490**	**(1,834)**	**-**	**71,637**	**191,173**
Total comprehensive income for the year	-	-	-	(83)	2,980	64	11,957	**14,918**
Issue of share capital	2,750	11,963					-	**14,713**
Perpetual debt redemption	-	-	(4,825)	-	-	-	1,373	**(3,452)**
Issuance of perpetual debt	-	-	403	-	-	-	-	**403**
Interest paid on perpetual debt issued	-	-	-	-	-	-	(3,872)	**(3,872)**
Foreign exchange translation of perpetual debt issued	-	-	(4,398)	-	-	-	4,398	**-**
Tax effect on perpetual debt issued	-	-	-	-	-	-	(472)	**(472)**
Dividends paid	-	-	-	-	-	-	(2,979)	**(2,979)**
Balance as at 31 December 2019	**30,692**	**58,210**	**37,871**	**407**	**1,146**	**64**	**82,042**	**210,432**

Chairman of the Management Board Vladimir A. Chubar Chief Accountant Svetlana V. Sass

Appendix 2
Statements under RAS

Appendix 3
List of interested party transactions made in the reporting year (2019)

Parties	Transaction type	Material terms	Approving body	Interested party
Seller: the bank **Buyer:** Limited Liability Company Ingrad Service (renamed as Limited liability Company Industrial Facility Management on 20.06.2019)	Sale of 99.9% equity interest in LLC Atil Haritonyevsky	**Transaction amount:** RUB 737,953,308 **Subject:** 99.9% equity interest in LLC Atil Haritonyevsky	Supervisory Board, Minutes No. 30 dated 21.12.2018	ROSSIUM Concern LLC, the person controlling the bank with the power to cast 56.07% votes in the bank's supreme governing body; Roman I. Avdeev, member of the Supervisory Board; Vladimir A. Chubar, Chairman of the Management Board, member of the Supervisory Board; Alexey A. Stepanenko, member of the Supervisory Board.
Seller: the bank **Buyer:** Limited Liability Company ROSSIUM Concern	Sale of 0.1% equity interest in LLC Atil Haritonyevsky, exit from the company.	**Transaction amount:** RUB 738,692 **Subject:** 0.1% equity interest in LLC Atil Haritonyevsky	Supervisory Board, Minutes No. 30 dated 21.12.2018	ROSSIUM Concern LLC, the person controlling the bank with the power to cast 56.07% votes in the bank's supreme governing body; Roman I. Avdeev, member of the Supervisory Board; Vladimir A. Chubar, Chairman of the Management Board, member of the Supervisory Board; Alexey A. Stepanenko, member of the Supervisory Board.
Seller: the bank **Buyer:** Limited Liability Company Ingrad Service (renamed as Limited liability Company Industrial Facility Management on 20.06.2019)	Sale of 99.9% equity interest in LLC Atil Klimovsky	**Transaction amount:** RUB 1,387,611,000 **Subject:** 99.9% equity interest in LLC Atil Klimovsky	Supervisory Board, Minutes No. 30 dated 21.12.2018	ROSSIUM Concern LLC, the person controlling the bank with the power to cast 56.07% votes in the bank's supreme governing body; Roman I. Avdeev, member of the Supervisory Board; Vladimir A. Chubar, Chairman of the Management Board, member of the Supervisory Board; Alexey A. Stepanenko, member of the Supervisory Board.

Seller: the bank **Buyer:** Limited Liability Company ROSSIUM Concern	Sale of 0.1% equity interest in LLC Atil Klimovsky, exit from the company.	**Transaction amount:** RUB 1,389,000 **Subject:** 0.1% equity interest in LLC Atil Klimovsky	Supervisory Board, Minutes No. 30 dated 21.12.2018	ROSSIUM Concern LLC, the person controlling the bank with the power to cast 56.07% votes in the bank's supreme governing body; Roman I. Avdeev, member of the Supervisory Board; Vladimir A. Chubar, Chairman of the Management Board, member of the Supervisory Board; Alexey A. Stepanenko, member of the Supervisory Board.
Member: the bank **Company:** Limited Liability Company INKAKHRAN-SERVICE	Equity contribution in the form of real property	**Transaction amount: RUB** 120,400,000 **Contribution (property):** 1. A non-residential building located at: 11 Yaroslavskaya Street, Moscow: - Cadastral (or notional) number: 77:02:0023003:2508; - located on a plot of land at: 11 (bldg. 1) Yaroslavskaya Street, Moscow ("Land 1"), cadastral number: 77:02:0023003:129. The building shall pass to the Company together with the lease of Land 1. 2. A non-residential building located at: 11 Elevatornaya Street, Moscow: - Cadastral (or notional) number: 77:05:0010002:5109; - located on a plot of land at: 1 Elevatornaya Street, Moscow ("Land 2"), cadastral number: 77:05:0010002:38. The building shall pass to the Company together with the lease of Land 2.	Supervisory Board, Minutes No. 29 dated 12.12.2018	Roman I. Avdeev, member of the Supervisory Board;
Service recipient: the bank **Joint lead manager:** Sova Capital Limited	Acting as joint dealer manager under subscription agreements dated 15 February 2019	**Fee amount:** EUR 332,500 (equivalent to RUB 24,906,078.75 **as at the payment date** 19.02.2019)	Supervisory Board, Minutes No. 3 dated 04.02.2019	Roman I. Avdeev, member of the Supervisory Board;

Service recipient: the bank **Joint lead manager:** Sova Capital Limited	Acting as joint dealer manager under subscription agreements dated 21 March 2019	**Fee amount:** EUR 250,000 (equivalent to RUB 15,935,500,00 **as at the payment date** 22.03.2019)	Supervisory Board, Minutes No. 8 dated 11.03.2019	Roman I. Avdeev, member of the Supervisory Board;
Seller: the bank **Buyer:** Limited Liability Company Ingrad Service (renamed as Limited liability Company Industrial Facility Management on 20.06.2019)	Sale of real property (non-residential building)	**Transaction amount: RUB** 458,057,006.72 **Subject:** A non-residential building with the floorspace of 5755.7 sq m, cadastral number: 77:07:0012007:1097, located at: 10-2-1 Ochakovskoe Shosse, Moscow.	Supervisory Board, Minutes No. 30 dated 21.12.2018	ROSSIUM Concern LLC, the person controlling the Bank with the power to cast 56.07% votes in the Bank's supreme governing body; Roman I. Avdeev, member of the Supervisory Board;
Seller: the bank **Buyer:** Limited Liability Company Ingrad Service (renamed as Limited liability Company Industrial Facility Management on 20.06.2019)	Sale of real property (non-residential buildings)	**Transaction amount: RUB** 95,963,308.84 **Subject:** 1. A non-residential building with a floorspace of 6732.5 sq. m, cadastral number: 77:07:0012007:4816, located at: 10-2-2 Ochakovskoe Shosse, Moscow. 2. A non-residential building with a floorspace of 972.6 sq. m, cadastral number: 77:07:0012007:1099, located at: 10-2-3 Ochakovskoe Shosse, Moscow; 3. A non-residential building with a floorspace of 28.7 sq. m, cadastral number: 77:07:0012007:1100, located at: 10-2-4 Ochakovskoe Shosse, Moscow; 4. A non-residential building with a floorspace of 956.8 sq. m, cadastral number: 77:07:0012007:1101, located at: 10-2-5 Ochakovskoe Shosse, Moscow.	Supervisory Board, Minutes No. 30 dated 21.12.2018	ROSSIUM Concern LLC, the person controlling the bank with the power to cast 56.07% votes in the bank's supreme governing body; Roman I. Avdeev, member of the Supervisory Board.
Service recipient: the bank Joint dealer manager: Sova Capital Limited	Services intended to underwrite and/or arrange, the placement (public offering) of an additional issue of the	**Fee amount**: USD 260,000.00 (equivalent to RUB 16,389,334.00 as at **the payment date** 31.01.2020)	Supervisory Board, Minutes No. 25 dated 28.10.2019	Roman I. Avdeev, member of the Supervisory Board;

	bank’s ordinary shares under an engagement letter dated 25 October 2019.			
Service recipient: the bank **Joint dealer manager**: Sova Capital Limited	Acting as joint dealer manager under a dealer manager agreement dated 29 October 2019.	**Fee amount**: USD 100,000.00 (equivalent to RUB 6,240,710.00 as at **the payment date** 23.12.2019)	Supervisory Board, Minutes No. 25 dated 28.10.2019	Roman I. Avdeev, member of the Supervisory Board;

List of major transactions made in the reporting year (2019)

None

Appendix 4
Report on Compliance with Principles and Recommendations of 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 2020 (minutes No. 00).

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 2019.

No.	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.	1. The company's bylaws, approved by its General Shareholders' Meeting and setting out rules for holding general meetings, are publicly available. 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.	V complied with partly complied with 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.	1. General Shareholders' Meetings are announced on the website at least 30 days in advance. 2. Meeting announcements specify the	V complied with partly	

		venue and documents required for admission. 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.	complied with ☐ not complied with	
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.	1. 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. 2. 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. 3. 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.	V complied with ☐ partly complied with ☐ 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.	1. Shareholders could propose agenda items for the annual general meeting within at least the first 60 days of the reporting period. 2. The company did not reject any proposals made in the reporting period	☐ complied with V partly complied with	The first criterion is not complied with. The bank's Charter allows the first 30 days of a year for adding items to the agenda of the annual General Shareholders' Meeting, in line with art. 53, cl. 1 of the Federal Law "On Joint-Stock Companies". As shareholders have never proposed any items of agenda or nominated candidates to the Supervisory Board, it can be presumed that they are not interested in exercising that right. With the evolution of shareholders' equity and arrival of proposals from shareholders on agenda items and candidates, the bank will consider reflecting this recommendation in the Charter.

		as regards agenda items or nominees to its governing bodies because of typos or other minor mistakes therein.	☐ not complied with	
1.1.5	Each shareholder was able to freely exercise their right to vote in the simplest and most convenient way.	1. 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.	V complied with ☐ partly complied with ☐ not complied with	
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.	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.		The second criterion is partly complied with and the third criterion is not complied with. Not all nominees to the company’s governing and control bodies attended the meeting that voted on their nominations. Not all Supervisory Board members were able to attend the annual general shareholders’ meeting in 2019 since some of them are not Russian residents and have busy schedules.

		2. Nominees to the company's governing and control bodies were available for answering shareholders' questions at the meeting that voted on their nominations. 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	☐ complied with V partly complied with ☐ not complied with	It should be noted that the membership of governing and control bodies has not changed compared to the preceding year. The third criterion is not complied with. The issue will be reviewed in preparation for the next in-person General Shareholders' Meeting.

		period.		
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.	1. The company has developed a dividend policy, which is approved by the Board of Directors and disclosed. 2. If the company's dividend policy links the size of dividends to its financials, reference is made to consolidated financials.	☐ complied with V partly complied with ☐ not complied with	The second criterion is not complied with. As of now the dividend policy refers to unconsolidated RAS financial statements, which is a long-standing practice. The Supervisory Board considered amending the dividend policy in 2018 and decided not to do it. The Supervisory Board will revert to this issue later and, if it decides positively, the relevant recommendations of the Code will be factored into the Dividend Policy.
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	1. The company's dividend policy clearly states financial/economic circumstances in which no dividends should be paid.	V complied with ☐ partly	

	view and might lead to the formation of false assumptions about the company's activity.		complied with ☐ not complied with	
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.	V complied with ☐ partly complied with ☐ 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	V complied with ☐ partly complied with	

		shareholders (persons entitled to cast votes attached to voting shares) that do not formally qualify as non-arm's-length transactions.	☐ 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.	V complied with ☐ partly complied with ☐ 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.	V complied with ☐ partly	

			complied with ☐ not complied with	
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	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. The company's registrar maintains its share register with the quality and reliability required by the company and its shareholders.	V complied with ☐ partly complied with ☐ 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	1. The Charter entitles the Board of		The first criterion is not complied

	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.	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.	☐ complied with V partly complied with ☐ not complied with	with as regards fixing the terms of contracts with members of executive bodies. 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 the key term of contracts - remunerations of Management Board members. The bank is not going to amend the Charter accordingly, as it would not make any change.
2.1.2	The Board of Directors	1. During the reporting period, the		

	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.	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.	V complied with partly complied with 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.	V complied with partly complied with 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.	V complied with ☐ partly complied with ☐ 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	V complied with ☐ partly complied with ☐ 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.	V complied with partly complied with not complied with	
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.	V complied with partly complied with 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.	V complied with ☐ partly complied with ☐ 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.	V complied with ☐ partly complied with ☐ 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.	V complied with partly complied with not complied with	
2.3.2	Board members are elected pursuant to a transparent procedure enabling the shareholders to obtain information about respective	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,	V complied with	

	candidates sufficient for them to get an idea of the candidates' personal and professional qualities.	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.	☐ partly complied with ☐ 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.	V complied with ☐ partly complied with ☐ 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	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	V complied with	

	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.	shareholders' interests.	☐ partly complied with ☐ not complied with	
2.4	The Board of Directors includes a sufficient number of independent directors			
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	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.	V complied with ☐ partly complied with ☐ not complied with	

	partners or competitors, or the government.			
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.	V complied with ☐ partly complied with ☐ not complied with	
2.4.3	Independent directors account	1. Independent directors account for at		

	for at least one-third of all directors elected to the Board.	least one-third of Board membership	V complied with ☐ partly complied with ☐ not complied with	
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.	V complied with ☐ partly complied with ☐ 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.	V complied with partly complied with 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.	V complied with partly complied with 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.	V complied with ☐ partly complied with ☐ not complied with	
2.6	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.			
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.	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. 2. The company's bylaws require that Board members do not vote on any issue in which they have a conflict of interest.	V complied with ☐ partly complied with	

		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.	☐ not complied with	
2.6.2	Rights and duties of Board members are clearly stated and documented in the company's bylaws.	1. The company has adopted and published a bylaw clearly stating Board members' rights and duties.	V complied with ☐ partly complied with ☐ not complied with	

2.6.3	Board members have sufficient time to perform their duties.	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. 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.	V complied with partly complied with not complied with	
2.6.4	All Board members have equal	1. The company's bylaws entitle Board		

	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.	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. 2. The company has a formalised on-boarding programme for newly elected Board members.	V complied with partly complied with not complied with	
2.7	Meetings of the Board of Directors, preparation for them, and participation of Board members therein ensure the efficient work of the Board.			
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.	V complied with partly complied with 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.	1. It enables the shareholders to get properly prepared for such meetings. 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.	V complied with partly complied with 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.	☐ complied with V partly complied with ☐ not	The principle is complied with only partially. 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). The Supervisory Board believes such form of communication effectively facilitates prompt decision-making and reinforces the bank's competitiveness. The Supervisory Board considered amending the Charter or other bylaws accordingly but decided not to do it.

			complied with	
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.	☐ complied with ☐ partly complied with V not complied with	The principle is not complied with. However, the bank makes sure all of its elected directors participate in Supervisory Board meetings and, in 2019, the recommendation to take decisions "by a majority vote of all elected Board members" was effectively complied with. The Supervisory Board considered amending the Charter accordingly but decided not to do so.
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-	1. The Board of Directors set up an audit committee comprised exclusively of independent directors.		The first criterion is not complied with. Most members of the Supervisory Board's Audit and Risk Committee are

	consider any matters of control over the company's financial and business activities.	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.	☐ complied with V partly complied with ☐ not complied with	independent, which meets Moscow Exchange's requirements for admission to 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. The only non-independent director on the Audit and Risk Committee does not meet any specific criteria of dependence.

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.	1. The Board of Directors set up a remuneration committee comprised exclusively of independent directors. 2. The remuneration committee is chaired by an independent director who is not the Chairman of the Board. 3. The company's bylaws set out the remuneration committee's tasks, including those listed in recommendation 180 of the Code.	☐ complied with V partly complied with ☐ not complied with	The second criterion is not complied with. The Committee is chaired by the Chairman of the Supervisory Board. The Chairman of the Supervisory Board was elected the Chairman of the Compensation, Corporate Governance and Nominations Committee based on his competence. Directors are allocated to committees based not only on their independence, but also their particular professional and practical experience, and preferences, which makes their work on the committee more effective.

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.	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. 2. The company's bylaws set out the nomination (or substitute) committee's tasks, including those listed in recommendation 186 of the Code.	V complied with partly complied with not complied with	
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,	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.	V complied with partly complied with not complied with	

	safety and environment committee etc.).			
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.	1. Board committees are chaired by independent directors. 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.	V complied with partly complied with not complied with	
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.	V complied with partly complied with 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.	☐ complied with ☑ V partly complied with ☐ not	The first criterion is partly complied with. In the reporting year, a performance appraisal was made in respect of the Supervisory Board, its committees, and the Chairmen Supervisory Board and its committees, but not individual Supervisory Board members. The Supervisory Board decides annually whether to make the individual appraisal, and in 2020 it decided not to appraise individual directors' performance in 2019. Such appraisal was, however, made in respect of 2018, and confirmed the incumbent directors' uniqueness in terms of experience, reputation and engagement in the bank's affairs.

			complied with	
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.	V complied with partly complied with 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.	V complied with partly complied with not	

			complied with	
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.	V complied with ☐ partly complied with ☐ 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.	V complied with ☐ partly complied with ☐ 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.	V complied with partly complied with 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.	V complied with partly complied with not complied with	

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.	V complied with ☐ partly complied with ☐ 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.	V complied with ☐ partly complied with ☐ 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.	V complied with ☐ partly complied with ☐ 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.	V complied with ☐ partly complied with ☐ not complied with	
4.3	The company's executive remuneration system links executives' remuneration to performance and their personal contributions thereto.			

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.	1. 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. 2. 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. 3. The company has a procedure for restitution of bonuses unjustly received by its executives and other key managers.	V complied with partly complied with 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).	1. 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).	V complied with partly	

		2. 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.	complied with ☐ not complied with	
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.	1. 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.	V complied with ☐ partly complied with ☐ not complied with	
5.1	The company has in place an efficient risk management and internal control system designed to provide reasonable confidence that its goals will be achieved.			
5.1.1	The company's Board of	1. Responsibilities of the company's		

	Directors has defined principles of and approaches to arranging a risk management system and internal controls in the company.	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.	V complied with partly complied with 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.	V complied with partly complied with not complied with	
5.1.3	The company's risk management and internal control system makes it	1. The company has an approved anti-corruption policy.	V complied with	

	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.	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.	☐ ☐ partly complied with ☐ 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.	V complied with ☐ partly complied with ☐ not complied with	
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,	1. To ensure internal audits, the company		

	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.	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.	V complied with partly complied with 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.	V complied with partly complied with 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.	V complied with partly complied with not complied with	
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.	1. The company discloses its corporate governance system and principles, on its website and otherwise. 2. The company discloses the membership of its executive bodies and	V complied with partly complied with not	

		Board of Directors, specifying which directors are independent and which of them serve on which Board committee (as defined in the Code). 3. If it has a controlling party, the company publishes such party's memorandum of intentions regarding the company's corporate governance.	complied with	
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.	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. 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. 3. In case of a material foreign equity	V complied with ☐ partly complied with ☐ not complied with	

		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.		
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.	1. 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. 2. The company discloses its capital structure in full in its annual report and on its website in line with Recommendation 290 of the Code.	V complied with partly complied with 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.	1. The company's annual report covers key aspects of its operations and financial results 2. The company's annual report covers	V complied with partly	

		environmental and social aspects of its operations.	complied with ☐ 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.	1. The company's information policy sets out an easy procedure for shareholders to access its information, including information on its controlled entities, whenever required.	V complied with ☐ partly complied with ☐ not complied with	
6.3.2	When providing information to its shareholders, the company maintains a reasonable balance between individual shareholders' interests and	1. The company did not unreasonably deny shareholders' information requests during the reporting period. 2. Where so required by the company's	V complied with ☐ partly	

	its own need to keep confidential sensitive business information that might have a material impact on its competitiveness.	information policy, shareholders are notified that certain information is confidential and acknowledge the duty of confidentiality in its respect.	complied with ☐ not complied with ☐ not complied with	
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	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.	☐ complied with	The principle is partly complied with. The bank's Charter lists transactions requiring approval by the Supervisory Board and the General Shareholders' Meeting as required by Russian laws, and they match the "material corporate transactions within the meaning of the Bank of Russia's Corporate Governance Code," but are not defined as "material corporate actions" there, while being so defined in the bank's Corporate Governance Code. The bank does not

	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.	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.	[ ] [V] partly complied with [ ] not complied with	plan to amend the Charter, because it already complies with that recommendation in essence.
7.1.2	The Board of Directors plays a key role in passing resolutions or making recommendations relating to material corporate	1. The company has a procedure allowing independent directors to express their positions in respect of material corporate actions before they are approved.	[V] complied with	

	actions; for that purpose, it relies on opinions of the company's independent directors.		☐ partly complied with ☐ not complied with	
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.	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. 2. During the reporting period, all material corporate actions were approved before they were made.	☐ complied with V partly complied with	The principle is partly complied with, as the bank's Charter does not define any transactions as "material corporate actions", but imposes additional criteria to control transactions that are not subject to approval as a matter of law, but require the Supervisory Board's approval by virtue of the Charter.

			☐ 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.	1. During the reporting period, the company disclosed its material corporate actions in due time and in detail, including reasons and timelines.	V complied with ☐ partly complied with ☐ not complied with	
7.2.2	The company's bylaws set out rules and procedures for material corporate actions.	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.		The principle is not complied with. All of those criteria are set forth in Russian laws. The Supervisory Board considers and will consider regularly within the matters of compliance with the best practices of corporate governance whether to amend any bylaws in line with that recommendation. As of now, it does not see any point in doing so

		2. The company’s bylaws set out a procedure for engaging an independent appraiser to evaluate its shares to be acquired or bought back. 3. The company’s bylaws set out an expanded list of criteria for qualifying Board members and other persons referred to in respective laws as interested parties.	☐ complied with ☐ partly complied with V not complied with	because those recommendations are set forth in applicable laws and, in the relevant cases, would be binding on the bank whether or not they are set out in its bylaws.