

APPROVED

by the Supervisory Board of  
CREDIT BANK OF MOSCOW  
Minutes No.22 dated 15.12.2015

CREDIT BANK OF MOSCOW's  
CORPORATE GOVERNANCE CODE

## 1. INTRODUCTION

1.1. This Code sets out the main corporate governance principles promoting better performance of the management bodies of CREDIT BANK OF MOSCOW (the “Bank”) and based on balanced approach to the Bank’s shareholders, management bodies and other stakeholders’ interests, with a view to enhance reliability, business culture, control over the Bank’s performance and to ensure compliance with ethical norms for more appropriate satisfaction of the clients’ needs in high quality bank services.

1.2. This Code is based on the Corporate Governance Code recommended by the Bank of Russia, the Federal Law *On Joint-Stock Companies*, international corporate governance standards and the Bank’s Charter and regulations of the Bank of Russia.

1.3. The goals of this Code are improvement of the Bank’s corporate governance in order to protect rights and lawful interests of the shareholders, to improve performance of the Supervisory Board and the Management Board and to enhance investment appeal.

1.4. The principles and rules contained in this Code correspond to international best practices of corporate governance and confirm a high level of performance of the Bank’s management and control bodies, business culture and compliance with high ethical norms.

As corporate governance practice evolves in Russia and abroad, the Bank will further improve the corporate governance rules and principles provided herein and ensure a higher level of compliance therewith in its daily activities.

1.5. This Code is a code of voluntarily adopted rules and obligations, based on balanced approach to the Bank’s shareholders, management bodies and other stakeholders’ interests.

## 2. CORPORATE GOVERNANCE PRINCIPLES

2.1. Application of the principles of the Corporate Governance Code recommended by the Bank of Russia by the Bank is voluntary and based on its desire to increase the Bank’s attractiveness for the current and potential investors.

2.2. The Bank undertakes to fulfil the following Corporate Governance principles:

2.2.1. In relation to the shareholders:

– ensure equal and fair treatment of all shareholders in the course of exercise by them of their right to participate in the management of the Bank;

– grant equal and fair opportunity to participate in the profits of the Bank by means of receiving dividends;

– ensure equal terms and conditions for all shareholders owning shares of the same class (category), including minority and foreign shareholders as well as their equal treatment by the Bank;

– provide the shareholders with reliable and efficient means of recording their rights in shares as well as with the opportunity to freely dispose of such shares in a non-onerous manner.

2.2.2. In relation to the Supervisory Board:

– the Supervisory Board shall be in charge of strategic management of the Bank, determine major principles of and approaches to creation of a risk management and internal control system within the Bank, monitor the activity of the Bank’s executive bodies, and carry out other key functions;

– the Supervisory Board shall report to the General Shareholders’ Meeting;

– the Supervisory Board shall be an efficient and professional management body of the Bank able to make objective and independent judgements and pass resolutions in the best interests of the Bank and its shareholders;

– the Supervisory Board shall include a sufficient number of independent directors (in accordance with the Listing Rules of the Moscow Exchange);

– the Chairperson of the Supervisory Board shall help to carry out the functions imposed on the Supervisory Board in a most efficient manner;

– the Supervisory Board members shall act reasonably and in good faith in the best interests of the Bank and its shareholders, being sufficiently informed, with due care and diligence;

– meetings of the Supervisory Board, preparation for them and participation of Supervisory Board members in such meetings shall ensure efficient operation of the Supervisory Board;

– the Supervisory Board may have committees for pre-examination of the most important matters pertaining to the activities of the Bank;

– the Supervisory Board shall ensure evaluation of quality of work of the Supervisory Board, its committees and members.

2.2.3. In relation to the Bank's Corporate Secretary: the Bank's Corporate Secretary shall be responsible for efficient day-to-day interaction with its shareholders, coordination of the Bank's actions designed to protect the rights and interests of its shareholders and support efficient work of the Supervisory Board.

2.2.4. In relation to the system of remuneration of the Supervisory Board members, executive bodies and other key managers of the Bank:

– the level of remuneration paid by the Bank shall be sufficient to enable it to attract, motivate, and retain persons having required skills and qualifications. Remuneration due to the Supervisory Board members, the executive bodies, and other key managers of the Bank shall be paid in accordance with a remuneration policy approved by the Bank;

– the system of remuneration of the Supervisory Board members shall ensure harmonisation of financial interests of the directors with long-term financial interests of the shareholders;

– the system of remuneration due to the executive bodies and other key managers of the Bank shall provide that their remuneration is dependent on the Bank's performance results and their personal contributions to the achievement thereof.

2.2.5. In respect of the risk management and internal control system:

– the Bank shall have in place an efficient risk management and internal control system designed to provide reasonable confidence that the Bank's goals will be achieved;

– to independently evaluate, on a regular basis, reliability and efficiency of the risk management and internal control system and corporate governance practices, the Bank shall arrange for internal audits.

2.2.6. In respect of the Bank's information disclosure, the Bank's information policy:

– the Bank and its activities shall be transparent to its shareholders, investors, and other stakeholders;

– the Bank shall disclose, on a timely basis, full, updated and reliable information about its activities so as to enable its shareholders and investors to make informed decisions;

– the Bank shall provide information and documents requested by its shareholders in accordance with the principle of equal and unhindered accessibility.

2.2.7. In respect of material corporate actions:

– any actions which will or may materially affect the Bank's share capital structure and its financial position and, accordingly, the position of its shareholders ("material corporate actions") shall 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 shall have in place such a procedure for taking any material corporate actions that would enable its shareholders to receive full information about such actions in due time and influence them, and that would also guarantee that the shareholder rights are observed and duly protected in the course of taking such actions.

### **3. COMPLIANCE OF THE BANK WITH CORPORATE GOVERNANCE PRINCIPLES**

The Bank adheres to corporate governance principles based on equal treatment of shareholders. The Supervisory Board and executive bodies manage the Bank in the interests of all its shareholders.

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

#### **3.1. General Shareholders' Meeting**

3.1.1. The Bank's shareholders, as its owners, have the entirety of the following rights in respect of the Bank, such rights to be observed and preserved by the Supervisory Board and executive bodies:

- right to participate in the managing of the Bank;
- right to obtain information regarding the Bank;
- right to receive dividends;

- right to dispose of the Bank's shares;
- right to defend their interests.

3.1.2. The Bank's shareholders are entitled to participate in the managing of the Bank by way of engaging in the process of calling and holding of the General Shareholders' Meetings. The Bank's policy for calling, preparing and holding the General Shareholders' Meetings shall ensure equal treatment of all its shareholders and equally enable each of them to exercise their rights to participate in the General Shareholders' Meetings.

The General Shareholders' Meetings allow the Bank to inform its shareholders, at least once a year, of its activities, achievements and plans, and engage them in discussion and decision-making with respect to the key issues in the Bank's activities.

3.1.3. The General Shareholders' Meetings are prepared and held as provided for by the applicable Russian laws and regulations, the Bank's Charter and policies governing its management bodies.

3.1.4. The Supervisory Board shall, when acting on any matters related to the calling or preparing of the General Shareholders' Meetings, observe, *inter alia*, the following rules:

- the Bank shall send to the shareholders a notice of the General Shareholders' Meeting and post it on the Bank's website at least 30 days prior to its date at the same time providing access to the materials of the General Shareholders' Meeting giving enough time to the shareholders for preparation on items of the agenda of the General Shareholders' Meeting;

- to ensure equal treatment of all its shareholders, including the foreign ones, the Bank may provide materials and voting ballots in Russian and English;

- the Bank shall disclose the information about the date of drawing up a list of persons entitled to participate in a General Shareholders' Meeting at least seven days prior to such a date (effective as of the date of registration of changes and amendments to the Charter or a new version of the Bank's Charter containing this article);

- during the preparation for the General Shareholders' Meeting the shareholders can ask questions sending them to the Corporate Secretary's e-mail address [cs@mkb.ru](mailto:cs@mkb.ru);

- the General Shareholders' Meetings shall be held in Moscow, and the venue and time shall be chosen with account taken of the number of shareholders and the possibility of personal attendance of such meetings by all the Bank's shareholders;

- each shareholder can participate in an in-person General Shareholders' Meeting exercising his/her right to vote in a way convenient for him/her: mailing the voting ballot or attending in person;

- in contemplation of the General Shareholders' Meeting, the shareholders shall be given such information and in such manner as will enable them to get a comprehensive view of the Bank's performance and make well-grounded decisions on the items of the agenda thereof;

- agendas of the General Shareholders' Meetings shall be clearly defined;

3.1.5. The Bank's procedure for holding the General Shareholders' Meetings reasonably equally enable all the attendees to express their opinions and ask their questions.

Whoever chairs the General Shareholders' Meeting shall act in good faith and reasonably, without using his/her powers to limit the shareholders' rights.

To ensure the shareholders get as complete and fair information on the Bank as possible during the General Shareholders' Meeting, the Bank invites to participate in the annual General Shareholders' Meeting any members of executive bodies and Supervisory Board members, chief accountant, members of the Audit Panel, representatives of the auditor as well as nominees to the Supervisory Board and the Audit Panel.

Besides, the required information is provided to the shareholders regarding the nominees to the Supervisory Board, the Bank's Audit Panel, auditors of the Bank if the agenda of the General Shareholders' Meeting contains an item concerning election of members of these bodies (selection of the Bank's auditor).

3.1.6. Registration procedure for participants of the General Shareholders' Meetings shall not obstruct the shareholders from participation therein. The Bank allots reasonable time for registration so that any shareholders wishing to participate in the General Shareholders' Meeting could be registered.

3.1.7. The General Shareholders' Meetings is held in such a way as to respect shareholders' voting rights.

The Bank endeavours to sum up and announce voting results before the General Shareholders' Meeting is closed to avoid any doubts as to the correctness of the vote counting, thereby promoting the shareholders' trust in the Bank.

The person filling out a voting ballot may, until the end of the General Shareholders' Meeting, request that a copy of the ballot filled out by this persons shall be certified by the counting commission (representatives of the registrar performing the functions of such a counting commission) of the Bank. For that purpose, any person taking part in the General Shareholders' Meeting shall be granted an opportunity to make a copy of the completed voting ballot at his/her expense.

3.1.8. The Bank shall grant to the shareholders an equal and fair opportunity to participate in the profits of the Bank by means of receiving dividends, and for this purpose the Bank shall approve the Dividend Policy published on the Bank's website.

3.1.9. The Bank shall endeavour to create conditions which would enable its management bodies to treat each shareholder fairly.

### **3.2. Supervisory Board**

The Supervisory Board members shall be mindful of their responsibility to the Bank's shareholders and ensure efficient running of the Bank with a view to raise its profitability and investment appeal, and protect rights and lawful interests of all its shareholders.

The Supervisory Board shall act in compliance with the applicable Russian laws and regulations, the Bank's Charter, the Regulation on the Supervisory Board, this Code and other policy documents of the Bank.

#### **3.2.1. Role and Functions of the Supervisory Board**

The Supervisory Board shall perform strategic management of the Bank, determine major principles of and approaches to creation of a risk management and internal control system within the Bank, monitor the activity of the Bank's executive bodies, and carry out other key functions. The competence of the Supervisory Board is set out in the Bank's Charter and the Regulation on the Supervisory Board. According to the recommendations of the Corporate Governance Code recommended by the Bank of Russia the Supervisory Board:

- shall be responsible for decisions to appoint and remove [members] of executive bodies, inter alia, in connection with their failure to properly perform their duties, and shall also procure that the Bank's executive bodies act in accordance with the approved development strategy and main business goals of the Bank;

- shall establish basic long-term targets of the Bank's activity, evaluate and approve the key performance indicators and principal business goals of the Bank, evaluate and approve the strategy and business plans in respect of the principal areas of operation of the Bank;

- shall determine principles of and approaches to creation of the risk management and internal control system in the Bank;

- shall determine the Bank's policy on remuneration and reimbursement of costs (compensation) for members of the Supervisory Board, executive bodies and other key managers;

- shall play a key role in prevention, detection and resolution of internal conflicts between the Bank's bodies, shareholders and employees;

- shall play a key role in procuring that the Bank is transparent, discloses information in full and in due time, and provides its shareholders with unhindered access to the Bank's documents. For these purposes the Supervisory Board shall approve the Bank's Information Policy;

- shall promote a good corporate governance system in the Bank through the active Compensation, Corporate Governance and Nominations Committee of the Supervisory Board.

The Supervisory Board shall report to the General Shareholders' Meeting. The main results of the Supervisory Board performance can be found in the annual statement of the Bank.

#### **3.2.2. Composition of the Supervisory Board**

The Supervisory Board shall be an efficient and professional management body able to make objective and independent judgements and pass resolutions in the best interests of the Bank and its shareholders. The Bank shall adhere to the following principles forming the Supervisory Board:

- only a person with impeccable business and personal reputation who has knowledge, skills, and experience necessary to make decisions that fall within the jurisdiction of the Supervisory Board and to perform its functions efficiently shall be elected as a member of the Supervisory Board;

- the Supervisory Board members shall be elected pursuant to a transparent procedure enabling the shareholders to obtain information about the candidates sufficient for them to get an idea of the candidates' personal and professional qualities;

- the membership of the Supervisory Board shall allow to create committees of the Supervisory Board and shall enable the Bank's substantial minority shareholders to elect the candidate for whom they vote to the Supervisory Board;

- to ensure fair appraisal of the Bank's performance and independent opinion in internal discussions, the relevant management bodies of the Bank shall procure the Supervisory Board is mainly formed of independent directors. Taking into account the Bank's Charter as well as the Listing Rules of the Moscow Exchange, an independent director is a person who has sufficient professional skills, expertise and independence to form his/her own position and is able to make objective and bona fide judgements, free from the influence of the Bank's executive bodies, individual groups of shareholders or other stakeholders. It shall be noted that, under normal circumstances, a candidate (or an elected member of the Supervisory Board) may not be deemed to be independent, if he/she is associated with the Bank, a substantial shareholder or competitor of the Bank or associated with the government<sup>4</sup>

- the Supervisory Board shall evaluate whether or not the Supervisory Board nominees meet the criteria of independence and review, on a regular basis, whether or not the independent Supervisory Board members meet the independence criteria. When carrying out such evaluation, substance shall take precedence over form. The materials for the General Shareholders' Meeting at which the Supervisory Board is to be elected shall include information on which of the proposed nominees meet the criteria of independence;

- an independent director shall abstain from performing any action as a result of which he/she may cease to be independent;

- in case of occurrence of any event a member of the Supervisory Board no longer meets the requirements of the Bank's Charter, the Bank's Corporate Governance Code and the Listing Rules of the Moscow Exchange imposed on independent directors, he/she gives notice of loss of such a status to the Supervisory Board within five (5) working days as of the moment of loss of such an independent status.

#### 3.2.4. Chairperson of the Supervisory Board

The Chairperson of the Supervisory Board shall ensure efficient arrangement of activities of the Supervisory Board and its interactions with other authorities of the Bank. The Chairperson of the Supervisory Board shall be elected from among the independent directors of the Bank in the first meeting after election of the Supervisory Board by the General Shareholders' Meeting.

The Chairperson of the Supervisory Board shall help to carry out the functions imposed on the Supervisory Board in a most efficient manner, ensure that meetings are held in a constructive atmosphere and that any items on the meeting agenda are discussed freely, control implementation of any resolutions of the Supervisory Board as well as take necessary measures to provide the Supervisory Board members in a timely fashion with information required to make decisions on issues on the agenda.

The Chairperson of the Supervisory Board enables its members to express their views on any matters discussed, and facilitates harmonious decisions to be made by the Supervisory Board members in the shareholders' interests. In this regard the Chairperson of the Supervisory Board shall show integrity and act in the Bank's interests.

The Chairperson of the Supervisory Body shall maintain ongoing contact with the Bank's management bodies and officers. The purpose of such contacts shall be not only to obtain in due course as complete and true information as possible for decision-making by the Supervisory Board, but also to procure, where practicable, efficient interaction of such authorities and officers *inter se* and with third parties.

The Chairperson of the Supervisory Board ensures efficient work of its committees, taking the initiative in nominating the Supervisory Board members to committees based on their professional and personal qualities and proposals of the Supervisory Board members regarding formation of the committees, and arranging, where necessary, for the matters considered at the committee level to be brought to the board level. The Chairperson of the Supervisory Board also procures all necessary organisational arrangements to ensure efficient work of its committees.

The competence of the Chairperson of the Supervisory Board shall be defined in the Regulation on the Supervisory Board.

#### 3.2.4. The senior (chief) independent director

In addition to the Chairperson of the Supervisory Board, the senior (chief) independent director shall be elected from among the independent directors, who shall act as the advisor to the Chairperson of the Supervisory Board, coordinate interaction among the independent directors, play a key role in

evaluating the efficiency of performance of the Chairperson of the Supervisory Board and when dealing with proposed successors to the position of the Chairperson of the Supervisory Board.

### 3.2.5. The practice of holding the Supervisory Board meetings

The Supervisory Board meetings shall be held as needed, in accordance with a plan of work approved by the Supervisory Board at the end of each calendar year which includes a tentative list of issues to be considered at respective meetings.

If necessary, extraordinary in-person meetings of the Supervisory Board and meetings of the Supervisory Board by means of telecommunication may be convened. The procedure for calling and holding the meetings of the Supervisory Board is set out in the Regulation on the Supervisory Board.

No later than within one month of the date of the General Shareholders' Meeting in which Supervisory Board members were elected the first meeting of the Supervisory Board shall be held to form its committees and to elect the Chairperson of the Supervisory Board, chairpersons and members of its committees as well as the senior (chief) independent director.

As in-person attendance of the Supervisory Board meetings allows to discuss agenda items in a more thorough and complete manner, most important matters shall be decided at meetings attended in person.

The members of the Supervisory Board shall endeavour to take decisions on the matters listed below in meetings of the Supervisory Board attended in person:

- 1) approval of priority lines of business and business plan of the Bank;
- 2) convening of an annual General Shareholders' Meeting and making of decisions necessary for its convocation and holding, convocation of or refusal to convene an extraordinary General Shareholders' Meeting;
- 3) preliminary approval of the Bank's annual report;
- 4) election and re-election of the Chairperson of the Supervisory Board;
- 5) creation and early dismissal of the Bank's executive bodies;
- 6) submission for consideration by the General Shareholders' Meeting of proposals relating to the Bank's reorganisation (including determination of a conversion ratio for the Bank's shares) or liquidation;
- 7) approval of material transactions of the Bank. Material transactions of the Bank mean its major transactions, any interested party transactions that are material to the Bank, and other transactions that the Bank deems to be material for it;
- 8) approval of the bank's registrar and terms and conditions of a contract to be entered with such registrar, as well as termination of such contract;
- 9) submission for consideration by the General Shareholders' Meeting of a proposal on the transfer of powers of the sole executive body of the Bank to a management company or manager;
- 10) issues relating to an increase in the Bank's charter capital (including determining the value of property to be contributed as payment for additional shares placed by the Bank);
- 11) review of financial activities of the Bank during a reporting period (quarter, year);
- 12) issues relating to listing and delisting of the Bank's shares;
- 13) review of the results of performance appraisal of the Supervisory Board, the Bank's executive bodies and key managers;
- 14) making of decisions on remuneration to be paid to members of the Bank's executive bodies and other key managers;
- 15) review of the risk management policy; and
- 16) approval of the Bank's dividend policy.

The Bank's executive bodies shall provide the Supervisory Board members with all information necessary for performance of their duties.

Furthermore, the Supervisory Board members shall be given possibility to ask questions to the Bank's executive bodies and employees and obtain answers thereto.

### 3.2.6. Committees of the Supervisory Board

For pre-examination of the most important matters reserved to the Supervisory Board, it may create committees in line with the Moscow Exchange's requirements, the Regulation on the Supervisory Board and committees regulations.

Any such committees may only be composed of the Supervisory Board members.

The Supervisory Board has created the Audit and Risk Committee, the Compensation, Corporate Governance and Nominations Committee and the Strategy and Capital Markets Committee. The

Supervisory Board may also create such other permanent or temporary committees (to address specific matters), as it may deem necessary, including budget, ethics and other committees.

Such committees shall have as many members as will allow comprehensive and pluralistic discussion.

Where appropriate, the committees may engage experts having professional knowledge necessary for a specific committee (which also means workgroups may be created) who have no right to vote when decisions are made on any matters within the jurisdiction of the committee.

The key role in arranging activities of a committee is to be played by its chairperson, whose main purpose is to ensure impartiality in preparing the committee's recommendations for the Supervisory Board. The Supervisory Board committees shall be chaired by the Supervisory Board members who are independent directors.

The chairpersons of the committees shall inform the Supervisory Board on their committees' proceedings quarterly.

#### 3.2.7. Treatment of Supervisory Board member conflicts of interest

If a Supervisory Board member has a potential conflict of interest, in particular, if he/she is interested in a particular transaction of the Bank, such member must notify the Supervisory Board accordingly and, in any case, postpone his/her own interests to those of the Bank, he/she shall also abstain from voting on any issues in respect of which he/she has a conflict of interest or shall not be present at the meeting where such issues are to be discussed. To rule out a conflict of interest, executive directors are recommended to abstain from voting when approving the terms and conditions of contracts to be entered with members of the Bank's executive bodies.

The Bank shall take actions to prevent any situations where external pressure may be put on a Supervisory Board member in order to induce him to take an action (or refrain from acting) or make a decision contrary to the Bank's interests. Supervisory Board members shall immediately inform the Chairperson of the Supervisory Board about the above mentioned circumstances.

#### 3.2.8. Liability of Supervisory Board members

##### 3.2.8.1. The Supervisory Board members shall be liable for any undue performance of their duties.

One of the efficient means to ensure due performance by the Supervisory Board members of their duties is the statutory liability to the Bank for any losses caused to it by their wrongful acts.

However, it is understood that managing the Bank is a complicated process involving the likelihood that some decisions taken by the Supervisory Board acting reasonably and in good faith will prove wrong and will adversely affect the Bank.

Whereas one of the conditions for liability to arise is guilt, a member of the Supervisory Board may be held liable if failed to perform his/her duties acting reasonably and in good faith, that is failed to show care and prudence to be expected from a competent manager and use best efforts to duly perform his/her duties. A Supervisory Board member shall be deemed acting reasonably and in good faith if personally non-interested in, and carefully studied all information necessary for, making a specific decision; provided that other related circumstances evidence that such member acted in the Bank's interests only.

3.2.8.2. The Bank may, at its own expense, insure liability of the Supervisory Board members to cover any losses resulting from their actions incurred by the Bank or any third parties.

Insurance of liability of the Supervisory Board members is intended not only to efficiently address their civil liability issues, but also to make membership in the Supervisory Board more attractive for competent professionals who would otherwise be concerned over their exposure to material lawsuits.

#### 3.2.9. Remuneration and compensation for members of the Supervisory Board

Remuneration paid to the members of the Supervisory Board shall be determined by the General Shareholders' Meeting and the Regulation on remunerations and compensations payable to Supervisory Board members.

The amount of the remuneration of a member of the Supervisory Board shall consist of the basic fee and the fee for fulfilment of additional duties, i.e. fulfilment of duties of the Chairperson of the Supervisory Board, member of the committee, chairpersons of the Supervisory Board committees, the senior (chief) independent director of the Bank. The amount of the remuneration paid to a member of the Supervisory Board for the previous quarter shall be reduced if he/she did not participate in 25% or more of meetings and absentee votings of the Supervisory Board in the previous quarter.

The Compensation, Corporate Governance and Nominations Committee of the Supervisory Board shall exercise control over disclosure of information on remuneration policies and practices and on the



company's shares owned by the members of the board of directors and members of the collegial executive bodies and other key managers in the annual statement and on the Bank's website.

#### 3.2.10. Evaluation of work of the Supervisory Board

The Supervisory Board shall ensure annual evaluation of quality of work of the Supervisory Board, its committees and members. Performance of the Chairperson of the Supervisory Board shall be evaluated by the independent directors who shall be chaired by the senior (chief) independent director. The results of such evaluation shall be considered in the Supervisory Board meeting held in the form of joint presence of its members and shall be disclosed in the annual statement. By decision of the Supervisory Board such assessment may be conducted with involvement of a third-party entity.

The Compensation, Corporate Governance and Nominations Committee of the Supervisory Board shall determine a self-evaluation methodology and provide recommendations on selection of an independent consultant for evaluation of performance of the Supervisory Board. Such a methodology and a proposed independent consultant shall be approved by the Supervisory Board.

### 3.3. Corporate Secretary

The Supervisory Board shall appoint the Corporate Secretary for interaction with its shareholders, coordination of the Bank's actions designed to protect the rights and interests of its shareholders, and support of efficient work of the Supervisory Board.

The Corporate Secretary shall be sufficiently independent of the Bank's executive bodies and be vested with resources and powers required to perform his/her tasks.

The Corporate Secretary shall report directly to the Supervisory Board by decision of which the Corporate Secretary is appointed to the position and removed.

The Supervisory Board shall approve the Regulation on the Bank's Corporate Secretary which shall set out the requirements to the nominee to the position of the Corporate Secretary, the procedure of appointment and removal of the Corporate Secretary, lines of reporting for the Corporate Secretary and a procedure for his/her interaction with the management bodies and structural units of the Bank, the functions, rights and duties, the terms and conditions of and a procedure for paying remuneration to the Corporate Secretary, the responsibility of the Corporate Secretary.

### 3.4. Executive bodies of the Bank

#### 3.4.1. Key functions of the Bank's executive bodies

The executive bodies shall address, first of all, the following tasks: to direct the Bank's everyday activities and ensure their compliance with the business plan, and carry out decisions of the Supervisory Board and General Shareholders' Meeting in good faith, timely and efficiently.

The executive bodies shall act in compliance with the Bank's business plan which shall be approved each year by the Supervisory Board. Such document shall govern the Bank's current activities, and its implementation shall be the main criterion for appraising performance of the executive bodies responsible for managing the Bank's current activities.

#### 3.4.2. Composition and formation of the Bank's executive bodies

3.4.2.1. Composition of the Bank's executive bodies shall be such as to ensure the most efficient performance of their functions.

To perform duties of the Chairperson and/or member of the Management Board, an individual has to be professionally qualified as necessary to run the Bank's current activities.

To qualify for appointment as the Chairperson of the Management Board, an individual needs to meet the Bank of Russia's requirements and, in particular, have an appropriate qualification both in banking and in management.

3.4.2.2. The Chairperson and members of the Management Board shall act in the Bank's interests. Personality of the Chairperson and members of the Management Board shall raise no doubt as to whether they will act in the Bank's interests, therefore only persons of unstained reputation ought to be appointed as such. For the purposes hereof, any criminal record for economic offence or offence against the state, or against state or municipal service interests, or any administrative offence, especially related to business activities (including banking), finance, taxes and duties, or stock market, shall, *inter alia*, be considered as reputationally detrimental.

3.4.2.3. Management Board members are responsible for managing the Bank's current activities. To perform effectively that task, they need to be adequately informed of the Bank's current issues and work directly with the middle management.

3.4.2.4. The number of Management Board members shall be selected so as to be optimal for productive and constructive discussion and for making timely and balanced decisions.

3.4.2.5. The contract with the Chairperson and members of the Management Board lists their rights and duties in maximum detail.

The contract, *inter alia*, sets forth reasons for termination thereof, minimum resignation notice requirement, succession procedure, duty of confidentiality before and after retirement, and provisions for holding offices in other entities concurrently with serving as the Chairperson (member) of the Management Board.

3.4.3. Main duties of the Bank's executive bodies:

3.4.3.1. The Chairperson and members of the Management Board shall act reasonably and in good faith in the Bank's interests.

The Chairperson and members of the Management Board, and their affiliates shall not accept any gifts or other direct or indirect benefits intended to influence any actions of, or any decisions made by, the Chairperson or member of the Management Board.

3.4.3.2. Members of the Bank's executive bodies have a duty to ensure the Bank operates in strict compliance with law, the Bank's Charter and other bylaws, and policy pursued by the Supervisory Board. Members of the Bank's executive bodies are obliged to procure that the Bank avoids any illegal actions, payments or practices in its activities, and forthwith report any such cases in writing to the Supervisory Board.

3.4.3.3. The Chairperson and members of the Management Board must not disclose or use for their own or any third party's benefit any confidential or insider information regarding the Bank.

3.4.3.4. The executive bodies shall create an appropriate atmosphere encouraging the Bank's employees to be more interested in efficient performance of the Bank.

The executive bodies shall seek to procure that each employee values their job in the Bank and realises the dependence of their financial standing on the Bank's overall performance results.

Salaries and other payments to the staff shall be determined subject to the product of labour and other relevant factors. The Bank shall have salary determination criteria developed, to be reviewed against general trends in the labour market on a regular basis and revised as appropriate.

The executive bodies shall in due course inform the employees of any decisions made thereby that may affect their working conditions.

Furthermore, the executive bodies shall implement the Bank's health and safety policy, review results of its implementation and, where appropriate, propose improvements thereto to the Supervisory Board if such improvements require its approval.

3.4.4. Arrangement of activities of the Bank's executive bodies

3.4.4.1. The Chairperson of the Management Board shall ensure such arrangement of its meetings as necessary for it to act efficiently.

3.4.4.2. Duties of the executive bodies may not be performed without holding meetings of the Management Board according to a schedule, advisably at least once a week.

3.4.4.3. It shall be so arranged in the Bank that all Management Board members are given sufficient notice of any forthcoming meeting thereof.

Notice of any forthcoming meeting shall be sufficient for the Management Board members to prepare therefor with respect to all agenda items.

3.4.5. Remuneration of the Chairperson and members of the Management Board

3.4.5.1. Remuneration of the Chairperson and members of the Management Board shall be in line with their qualification and actual contribution to the Bank's performance results.

3.4.5.2. The procedure and terms and conditions of remuneration payment to Management Board members shall be set out in the Regulation on remuneration of members of the Management Board and selected senior executives of the Bank, according to which the total remuneration shall be broken down into components which do not depend on achievement of specific results (the fixed part of the work payment) and components depending on achievement of specific results (the variable part of the work payment), and the variable part of the work payment shall consist of two components: the annual bonus and the deferred bonus for achievement of long-term goals.

Annual bonuses shall be paid to members of the Bank's executive bodies depending on the Bank's fulfilment of annual planned goals within the approved Bank's development strategy and shall be determined in accordance with the key development indicators of each supervised business area.

3.4.5.3. The Supervisory Board may approve a program for payment of bonuses for achievement of long-term objectives.

3.4.6. Liability of the Chairperson and members of the Management Board

3.4.6.1. The Chairperson and members of the Management Board shall be liable for any undue performance of their duties.

One of the efficient means to ensure due performance by the Chairperson and members of the Management Board of their duties is the statutory liability to the Bank for any losses caused to it by their wrongful acts.

However, it is understood that reasonable and good faith actions of the Chairperson and members of the Management Board and due performance by them of their duties may prove wrong and adversely affect the Bank.

Whereas one of the conditions for liability to arise is guilt, the Chairperson and members of the Management Board may be held liable if failed to perform their duties acting reasonably and in good faith, that is failed to show care and prudence to be expected from a competent manager and use best efforts to duly perform their duties. The Chairperson / members of the Management Board shall be deemed acting reasonably and in good faith if personally non-interested in, and carefully studied all information necessary for, making a specific decision; provided that other related circumstances evidence that s/he acted in the Bank's interests only.

3.4.6.2. The Supervisory Board shall take actions to remove the Chairperson / members of the Management Board, if guilty of causing losses to the Bank, and to hold them liable for breach of their duties to the Bank.

3.4.6.3. The Bank, at its own expense, insures liability of the Chairperson and members of the Management Board to cover any losses resulting from their actions incurred by the Bank or any third parties.

Such arrangement allows not only to efficiently address the civil liability issues, but also to make membership in the executive bodies more attractive for competent professionals who would otherwise be concerned over their exposure to material lawsuits.

#### **4. RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM**

An operative risk management and internal control system of the Bank shall assure its shareholders of the Bank management policy being appropriate, ensure the investors' trust in the Bank and its management bodies, and facilitate the bank risk assessment.

The key goal of internal control is to protect the lawful interests of the Bank, its investors, lenders and clients in respect to the issues directly related to the Bank's business activities, by ensuring due reliability as appropriate to the nature and scale of the Bank's operations, and the Bank's compliance with the applicable law of the Russian Federation.

This goal requires fulfilling the following tasks:

- achieving, with reasonable confidence, the objectives of the Bank;
- ensuring the efficiency of the Bank's financial and economic activity and rational use of its resources;
- identifying and managing risks;
- ensuring that the assets of the Bank are preserved;
- ensuring the completeness and accuracy of financial, accounting, statistical, managerial, and other reports; and
- control over compliance with the law and the Bank's internal policies, regulations, and procedures.

The internal control system is a complex of bodies and areas of internal control ensuring compliance with the procedure of implementation and achievement of goals set forth by the laws of the Russian Federation, the Bank's Charter and other internal documents of the Bank.

Internal control in the Bank shall be performed by: the General Shareholders' Meeting, the Supervisory Board, the executive management bodies, the Audit and Risk Committee of the Supervisory Board, the Audit Panel, the external auditor, the Internal Audit Division, the Internal Control Service, other subdivisions and employees of the Bank in accordance with the authorities set out in internal documents.

#### **4.1. General Shareholders' Meeting**

The General Shareholders' Meeting shall approve internal documents regulating the activities of the Bank's management bodies related to internal control and shall elect members of the Bank's Audit Panel, the Chairperson of the Bank's Audit Panel and remove them before term, determine remunerations and compensations for members of the Bank's Audit Panel and approve the Regulation on the Bank's Audit Panel.

#### **4.2. Supervisory Board**

The Supervisory Board shall ensure establishment and continuing operation of the efficient internal control system; review and approve documents related to set-up of the internal control system; appraise efficiency of the internal control and discuss issues of internal control and measures of improving its efficiency with the Bank's executive bodies; ensure the Bank's executive bodies' compliance with recommendations or comments of the Internal Audit Division, the auditors' firm and supervisory authorities; oversee performance of activities of the Internal Audit Division; review measures taken to comply with recommendations and to remedy irregularities identified in the Bank's business as reported by the Internal Audit Division at least twice a year; evaluate the internal control system's adequacy to changes to the nature, scale and circumstances of the Bank's business; review the securities market professional participant Controller's quarterly performance reports; approve the amount and conditions of remuneration for the Head of the Internal Audit Division; approve working plans of the Internal Audit Division; approve the Bank's risk and capital management strategy; approve the procedure of management of the Bank's most sensitive risks and control implementation of this procedure; approve a process for applying banking risk management methods and quantitative risk evaluation models; review reports on fulfilment and efficiency of the Bank's internal capital adequacy assessment procedures, on results of stress tests of critical risks, on critical risks, on compliance with mandatory ratios, on the capital amount and the results of the Bank's capital adequacy assessment.

#### **4.3. Management Board and Chairperson of the Management Board**

In relation to internal control, the Management Board and the Chairperson of the Management Board are authorised to:

- define responsibilities for implementation of any resolutions of the Supervisory Board, to implement the Bank's strategy and policy in relation to set-up and performance of the internal control;
- authorise managers of the respective structural units to develop internal control policies, and control performance thereof;
- review compliance of the Bank's business with the internal control regulations, and to evaluate the adequacy of such regulations to the nature and the scale of the Bank's business;
- assign functions to the units and employees responsible for specific aspects (forms and methods) of internal control;
- review the materials and findings of regular internal control performance appraisals;
- set up efficient communication systems enabling provision of users with relevant information;
- ensure performance of a system for control over remediation of any irregularities or deficiencies identified in the internal control and appraise success of any such remediation.

The Deputy Chairpersons of the Management Board (First Deputy Chairpersons of the Management Board, Deputy Chairpersons of the Management Board) are directed by the Chairperson of the Management Board in relation to the internal control.

#### **4.4. Chief Accountant and his/her deputies**

In relation to internal control, the Chief Accountant and his deputies are authorised to:

- set the accounting policy of the Bank in compliance with regulations of the Bank of Russia and the current legislation of the Russian Federation;

- ensure true, complete, fair and up-to-date recording of the Bank's operations in the accounting books;
- ensure timely submission of the true and complete accounting statements and other information under the current statutes to state authorities and other persons, bodies and organisations as required by federal laws;
- monitor the compliance of the undertaken operations with the current legislation of the Russian Federation and regulations of the Bank of Russia;
- assign responsibilities for the safekeeping, and control any transfers, of the Bank's property, and the performance of the Bank's obligations.

#### **4.5. Audit Panel**

4.5.1. The Audit Panel shall check the Bank's business activities and form its independent professional opinion about the Bank's affairs.

The Audit Panel shall have the following powers related to organisation of internal control:

- audit the Bank's financial and economic activities;
- review the Bank's compliance with the accounting and other statutes of the Russian Federation;
- audit the accuracy of the data contained in the reports and other financial documents of the

Bank.

The Audit Panel reports to the Bank's shareholders at the General Shareholders' Meeting in the form of the Audit Panel's opinion based on its audit of the Bank's business activities, annual accounting statements and the reliability of data contained in the Bank's annual report, with such opinion to be attached to the Bank's annual report.

4.5.2. The activities of the Audit Panel are regulated by the Bank's Charter and the Regulation on the Audit Panel.

#### **4.6. Independent Auditor**

4.6.1. The Bank regards audit of accounting statements as one of the key financial controls.

To audit and confirm its annual financial statements, the Bank shall, as provided for in its Charter and the Policy with respect to the External Auditor on an arm's length basis, engage a professional audit company (external auditor).

Recommendations for the Supervisory Board as to the nominee and remuneration cap for the Bank's auditor, the type and scope of its services including related services, shall be prepared by the Audit and Risk Committee of the Supervisory Board.

The Supervisory Board shall propose the nominee for the Bank's auditor to the General Shareholders' Meeting for approval.

The Bank sets such auditor selection criteria as to engage a highly professional and reputed auditor well experienced in bank audit.

4.6.2. The Bank reports under the Russian and international accounting standards, considering their application as an efficient tool to promote trust in the Bank of both its shareholders and clients, as well as its foreign partners.

Continuation and development of this practice shall promote the quality, completeness and reliability of information disclosed.

#### **4.7. Audit and Risk Committee of the Supervisory Board**

Formation and authority of the Audit and Risk Committee of the Supervisory Board shall be as set out in the Regulation on the Audit and Risk Committee of the Supervisory Board approved by the Supervisory Board as provided for the Bank's Charter.

The Audit and Risk Committee of the Supervisory Board shall have the following powers in respect of the risk management and internal audit and control system:

- advise on developing, improving and upgrading the systems of collection, analysis, retention, and provision to Supervisory Board members, of information about risks arising in the course of the Bank's financial and business activities;
- advise on application of up-to-date and efficient banking risk identification, evaluation, optimisation and mitigation techniques (methods) and technologies;

- assess, review, and advise on improvement of, any guidelines, rules or procedures regulating the operation of the Bank’s internal control and risk management system;
- control implementation of any approved plans or programmes intended to improve the Bank’s internal control and risk management system;
- control and review performance of the Bank’s risk management subdivisions;
- assess the Bank’s internal control system performance reports prior to their approval by the Supervisory Board;
- review quarterly performance of the Bank’s risk management subdivisions, any changes (actual or planned) to their organisational structure or internal procedures;
- review the level of credit and market risks and its conformity with the Bank’s development strategy and the general state of the financial market;
- review the amounts of intrabank limits on loan portfolio quality indicators, securities portfolio, exposure to certain groups of persons /sectors, liquidity level and other limits within the competence of the Audit and Risk Committee of the Supervisory Board;
- control the capital structure for compliance with regulatory requirements;
- monitor any risk factors identified by rating agencies and control observance of any recommendations given by them in order to maintain and upgrade the Bank’s ratings;
- develop performance evaluation criteria and system for the Bank’s risk management subdivisions, and monitor how timely banking risks are identified and procedures required to manage them are instituted;
- advise on areas of checks made by the Bank’s internal auditor, in particular as regards approval of the internal auditor’s work plans and activity reports;
- advise on performance appraisal of the Bank’s internal auditor;
- advise on approval (amendment) of the Bank’s policy documents governing activities of the Bank’s internal auditor and on any matters required by the internal audit subdivision’s regulation to be referred to the Supervisory Board;
- advise on preliminary approval of any candidates to the position of, and on approval of essential terms of the contract (supplemental agreements) to be made with, the head of internal audit.

The Bank shall publicly disclose an opinion prepared by the Audit and Risk Committee evaluating an audit report submitted by the Bank’s external auditor, as well as information on whether the Audit and Risk Committee of the Supervisory Board includes an independent director with expertise in preparing, analysing, evaluating, and auditing accounting (financial) statements.

The Bank’s risk management and internal control system includes a hotline of the Audit and Risk Committee of the Supervisory Board for reporting any violations of law, the Bank’s internal procedures or code of ethics by any of its employees or members of its governing or audit bodies.

#### **4.8. Internal Control Service**

The Internal Control Service shall perform functions related to regulatory risk identification and management, and take part in the development of policy documents designed to minimise any conflicts of interest in the Bank’s activities, to combat commercial bribery and corruption, etc.

Regulation on the Internal Control Service shall be approved by the Chairperson of the Management Board.

The Head of the Internal Control Service is an employee of the Bank and is appointed by the Chairperson of the Management Board.

The Head of the Internal Control Service shall not be involved in any banking operations or other transactions.

#### **4.9. Internal Audit Division**

To independently evaluate, on a regular basis, reliability and efficiency of the Bank’s risk management and internal control system and corporate governance practices, the Bank has created the Internal Audit Division that operates independently from executive management bodies and reports to the Supervisory Board which reviews matters related to its organisation and operation. These matters are pre-examined by the Audit and Risk Committee of the Supervisory Board.

5.1. The Bank has developed and implemented the Bank's Information Policy enabling it to efficiently exchange information with its shareholders, investors, and other stakeholders. Such exchange is implemented by means of:

- setting up the Bank's website where it posts information which may be useful for its shareholders and investors;
- holding meetings with participation of members of the executive bodies and other key managers of the Bank, on the one hand, and analysts, on the other hand;
- organising regular presentations and meetings with members of the management bodies and other key managers of the Bank, in particular, in connection with disclosure (publication) of accounting (financial) statements of the Bank or in relation to major investment projects or plans for strategic development of the Bank.

5.2. The Bank's corporate information disclosure policy pursues timely and full disclosure of information on its activities to all interested therein to the extent necessary for taking a balanced decision to participate in the Bank or other actions that can influence the Bank's business activity.

5.3. The main principles of the Bank's information disclosure are as follows: regular, consistent and prompt provision of such information, accessibility thereof to most shareholders and other stakeholders, true and complete content, reasonable balancing between openness of the Bank and protection of its commercial interests, and ensuring equal access to the same information for all stakeholders.

5.4. As required by law with respect to information disclosure, the Bank discloses its financial condition, operational results, management, major shareholders, ownership structure, and material facts affecting its business activities in the form of:

- quarterly reports;
- securities prospectus;
- reports on material facts, including reports in the course of securities issuance;
- information that may have a material effect on the value of the Bank's securities;
- annual report;
- annual accounting statements;
- the Bank's Charter and other bylaws governing its authorities;
- information about the Bank's affiliates.

The list of information to be disclosed by the Bank, and the manner and timing for such disclosure shall be set out in an internal order of the Bank.

5.5. Along with the information required to be disclosed by law, the Bank shall also disclose:

- its mission, strategy, corporate values, objectives, and policies;
- additional information on its financial activity and financial condition;
- its equity structure; and
- information on its social and environmental responsibility.

5.6. The Bank's operations are mainly disclosed through its annual reports, quarterly reports and material fact announcements addressed to its shareholders and investors to give them a fair view of the Bank's operations and development.

5.7. Information disclosed by the Bank shall be posted for public access on the Bank's corporate information website, as this is the most accessible and least costly means for stakeholders to source information regarding the Bank.

5.8. Any information disclosed on the Bank's website in Russian (including any announcements of its forthcoming General Shareholders' Meetings, its annual reports and financial statements prepared in accordance with the International Financial Reporting Standards) is also disclosed in English as it is commonly used in the financial market.

5.9. The Bank's information policy set forth an easy procedure for providing its shareholders with access to its information and documents.

5.10. To keep safe any confidential and insider information, the Bank undertakes not to disclose any confidential information, and controls the use of insider information. The Bank has an approved Insider Trading Prevention Toolkit.

For the purpose hereof, insider information shall mean any non-public information about the Bank and emissive securities issued by it which gives anyone who knows such information by virtue of their

office, labour duties or any contract made with the Bank, an advantage over the other participants of the securities market.

The duty to keep safe any confidential information and obey the rules of treatment of the insider information is on all the Bank's employees who have access thereto.

## 6. MATERIAL CORPORATE ACTIONS

Actions that may result in fundamental corporate changes, including changes to the shareholders' rights, are commonly known as material corporate actions.

6.1. Any material corporate actions shall be taken as openly and transparently as possible. In taking any such actions, the Bank must follow the principles of trust and openness set forth herein.

6.2. Given the importance of material corporate actions, the Bank shall enable its shareholders to influence the same. This end is attained by establishing a transparent and fair procedure based on due disclosure of effects that any such actions may have on the Bank.

6.3. Material corporate actions include, without limitation:

6.3.1. Reorganisation of the Bank

The Supervisory Board shall actively engage in setting terms of the Bank's reorganisation.

The Supervisory Board shall not resolve to bring the question of reorganisation before the General Shareholders' Meeting unless the Supervisory Board is confident of necessity of such reorganisation and its terms as agreed by the executive bodies of the entities involved therein are acceptable.

When considering whether the reorganisation is acceptable, the Supervisory Board shall evaluate its terms and conditions based on whether they are consistent with the interests of the shareholders, including those owning small stakes in the company, and determine whether or not conversion ratios resulting from the reorganisation are just and fair. For the purpose of efficient analysis of these aspects of reorganisation, setting its terms and conditions, and interaction with the executive bodies in connection with the reorganisation and nomination of an appraiser on the basis of whose report the conversion ratios are to be approved, the Supervisory Board may form a special temporary committee consisting of Supervisory Board members. Before the approval by the Supervisory Board of draft documents relating to a proposed reorganisation and before the issue is referred for consideration to the General Shareholders' Meeting, the Supervisory Board members, including independent directors, shall be given the opportunity to participate in negotiations on the reorganisation and organise discussion of the progress of the negotiations by the Supervisory Board and/or its committees.

6.3.2. Acquisition of 30 or more percent of the Bank's shares (takeover).

The Supervisory Board and executive management bodies shall seek to prevent any hostile takeover of the Bank and, where necessary, shall control compliance with voluntary or compulsory offer procedures and fair pricing of acquisition (buyback).

6.3.3. Major and interested party transactions.

Any major or interested party transactions to be made by the Bank are subject to prior consideration and approval by the relevant bodies as provided for by the applicable law of the Russian Federation, and the Bank's Charter and other bylaws.

6.3.4. Increase or decrease of the Bank's authorised capital.

The legislation provides for the protection of the rights of the shareholders in the event of an increase in the Bank's charter capital in the form of the pre-emptive right to purchase shares, the right to vote on a decision to make amendments to the Bank's Charter which would limit the rights of such shareholders and on a decision to increase the charter capital, as well as in the form of the right to demand that shares owned by such shareholders be redeemed if any amendments limiting their rights are made to the Charter.

The equity structure of the Bank consists solely of ordinary shares. Such an equity structure is most conducive to the implementation of the principle of "one share - one vote", as well as to the protection of the property rights of the shareholders. If the Bank decides to place preferred shares the Supervisory Board shall make sure that their placement will not violate any dividend rights of the existing shareholders or and will not lead to dilution of their shareholdings.

A decision to place additional shares to be paid for with non-monetary assets shall be possible only in exceptional cases: when the shares are to be paid for with marketable securities or unique property that is required for the Bank to carry out its principal activity. The value of such property shall be determined by



an independent appraiser with an impeccable business reputation and appraisal experience in the respective area.

#### 6.3.5. Listing and delisting of the Bank's shares.

The Bank's shares are admitted to trading at MICEX Stock Exchange and have been included into the quotation list of the first (top) level as of July 2015. When considering issues relating to listing of the securities, the Supervisory Board evaluated all benefits and costs associated with such listing well in advance.

The Bank shall not take any actions that may lead to a forced delisting of its securities. When considering issues relating to delisting, the Supervisory Board shall ensure that the respective decision is made in a fully transparent manner; in particular, it shall ensure that the holders of the relevant securities are provided with information about the grounds for such a decision and the risks of delisting assumed by the securities holders and protect their rights in connection with the delisting process.

#### 6.3.6. Amendments to the Bank's Charter.

#### 6.3.7. Expansion of the Bank's regional presence (launch of branches, representative offices etc).

#### 6.3.8. Creation of banking groups, joining bank holdings.

#### 6.3.9. Creation of subsidiary and controlled entities.

#### 6.3.10. Liquidation of the Bank.

6.4. In taking any material corporate actions, the Supervisory Board and executive bodies shall, first of all, comply with the Russian laws and regulations and the Bank's Charter.

## 7. CORPORATE CONFLICTS SETTLEMENT

Whereas keeping a good business reputation is important for the Bank and whereas any corporate conflicts are extremely undesirable, the Bank considers it necessary to develop corporate conflict prevention and settlement mechanisms.

The Bank highly values timely prevention and fair settlement of any corporate conflicts.

In relation to corporate conflicts, the Bank's principle is to prevent them as early as possible and to treat them carefully.

When a corporate conflict arises, the Bank shall take a position based on the law of the Russian Federation.

### 7.1. The Notion of Corporate Conflicts

For the purposes hereof, a corporate conflict shall mean any controversy or dispute between the Bank's executive management body and its shareholder arising out of the latter's participation in the Bank, or between any shareholders if affects or may affect the Bank's interests.

7.1.2. Should any corporate conflict arise, the Bank shall as soon as possible determine its position in respect thereto, make an appropriate decision and communicate it to the shareholders.

The Bank shall determine its position subject to the legislation of the Russian Federation and reasonable balance between the Bank's and all its shareholders' interests.

7.1.3. Where necessary, the Bank shall, as set out in the Bank's Charter, this Code and the Bank's policies, provide to any conflict party, court, authority or other governmental body such information as to clarify the actual context of, and take actions to settle, a conflict.

7.1.4. The Bank shall take all practicable actions to settle any corporate conflict, and enable the shareholders to exercise and protect their rights. Any refusal by the Bank to comply with a shareholder's request shall be strictly based on the effective law of the Russian Federation.

7.1.5. Any specific corporate conflict shall be dealt with by such management body of the Bank as is responsible for its subject matter.

7.1.6. If any corporate conflict arisen between the shareholders may affect the Bank's interests, the Bank may request the parties thereto to let it intermediate the settlement thereof.

Furthermore, the Bank may suggest itself as a consultant and provide the parties with any necessary information, documents and advice on the applicable law and the Bank's bylaws.

### 7.2. Determination of the Bank's Position with respect to a Corporate Conflict

7.2.1. Any corporate conflict or situation that may result in a corporate conflict, once arisen, shall be brought before the Management Board with documents and explanations necessary to make a reasonable decision and determine the Bank's position.

7.2.2. If the subject matter of any such potential or actual corporate conflict lies within the authority of the Supervisory Board, the Management Board shall, having reviewed the relevant documents and having formulated its position with respect thereto, request the Supervisory Board to approve such position.

7.2.3. The Supervisory Board may act upon the Management Board's request by deciding either to:

- approve the Bank's position with respect to the corporate conflict as proposed thereby; or
- reject such proposal and formulate another position with respect to the corporate conflict.

7.2.4. The Bank's position with respect to any corporate conflict shall be determined without any members of the Management Board or Supervisory Board who are:

- parties to such conflict; or
- affiliated with any such party.

7.2.5. The Bank's position with respect to any corporate conflict between its shareholders shall be communicated to the parties thereto within 3 business days of the Bank's position determination.

7.2.6. In case the Bank is a conflict party, the Management Board or Supervisory Board shall determine the Bank's position with respect thereto together with approving a list of the Bank's actions intended to settle the conflict.

Subject to consent of the shareholders being corporate conflict parties, the Management Board and/or Supervisory Board (their members) may:

- engage in negotiations between the shareholders provide them any available conflict-related information and documents;
- explain provisions of the law of the Russian Federation and the Bank's bylaws;
- give advice and recommendations to the shareholders;
- draft conflict settlement documents to be signed by the shareholders, undertake, on behalf of the Bank and within their authority, any obligations to the shareholders to the extent it may facilitate the settlement of the conflict.

7.2.7. Based on results of the corporate conflict settlement efforts, the Bank may sign a conflict settlement agreement.

7.2.8. Any corporate conflict between the Bank and its shareholder (a group of its shareholders), between its shareholders, or between its shareholders and any executive bodies of the Bank that is incapable of settlement may be referred to the relevant judicial authority.

## **8. MISCELLANEOUS**

The provisions hereof shall bind all employees of the Bank including its executive bodies (the Chairperson and members of the Management Board), and its Supervisory Board members.

Any violation of provisions hereof by the Bank's employees or Supervisory Board members may result in disciplinary and/or other liability under the applicable law.

This Code may be revised and improved as proposed by any shareholders holding at least 10 per cent of the Bank's registered ordinary shares, by the Chairperson or members of the Management Board, the Supervisory Board members and the Audit Panel members. Any such proposals shall be addressed to the Chairperson of the Supervisory Board.

The text hereof shall be posted on the Bank's website.

This Code (any amendments hereto) shall be effective upon approval by the Supervisory Board, unless otherwise specified by the Supervisory Board.

The Code may be approved by a simple majority vote as determined by reference to the total number of the Supervisory Board members.

If any changes in the legislation of the Russian Federation or in the Bank's Charter bring any provisions hereof in conflict therewith, the Code shall apply to the extent compliant with the effective law and the Bank's Charter.