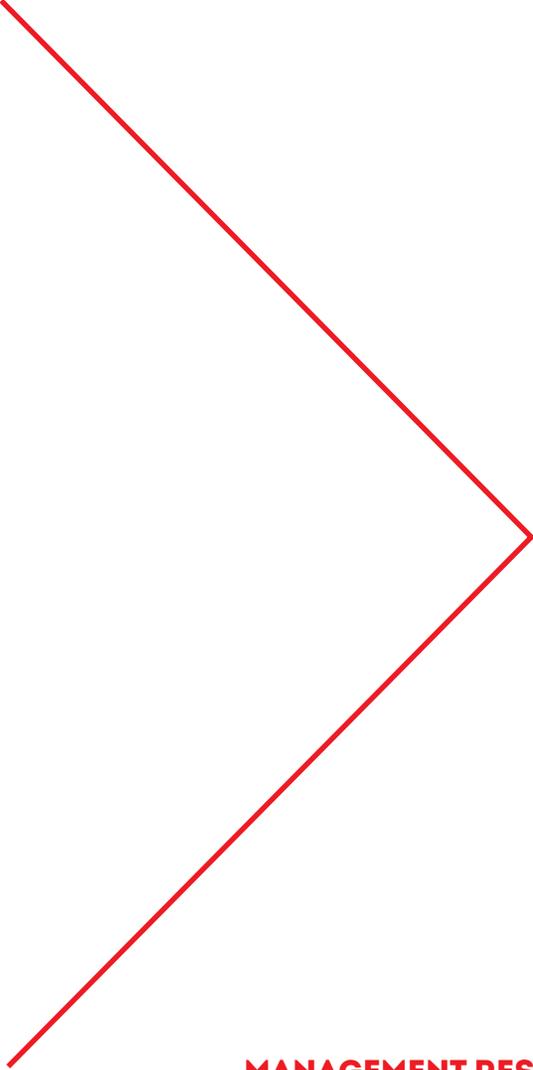




# 2015

**ANNUAL  
REPORT**



## **MANAGEMENT RESPONSIBILITY STATEMENT**

**We confirm that to the best of our knowledge and belief:**

- ▶ The financial statements, prepared in accordance with International Financial Reporting Standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of Almazergienbank
- ▶ The management report includes a fair review of the development and performance of the business and the position of Almazergienbank, together with a description of the principal risks and uncertainties that it faces.



*Chair of the Management Board  
of JSCB Almazergienbank JSC  
**Lyudmila Nikolaeva***

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## DEAR SHAREHOLDERS, PARTNERS, FRIENDS!

In the year 2015 the tendencies noted in the previous year continued for the economy of the country and the republic as well. The rates of economic growth were held down due to certain economic circumstances. All of that influenced the growth of the banking sector as well, including the regional banks with state participation.

However, in spite of unfavorable economic conditions, Almazergienbank finished last year successfully. Today Almazergienbank ranks highly among the Russian banks by all its key indicators: the volume of retail credit portfolio and the size of the corporate credit portfolio, by private deposits and the size of the capital. The implementation of the Bank's Development Strategy, adopted in 2014, began to bring actual results last year.

Certainly, I would like to mention the work of the Supervisory Board and its committees, engaged in making the key decisions: the Bank's recapitalization in the amount of RUB 900 mln, ar-

ranged by the strategic partner and main shareholder of Almazergienbank – the Government of the Sakha Republic (Yakutia), and increase of the authorized capital. Today, the recapitalization allows Almazergienbank to implement large-scale social and infrastructural projects, from lending housing construction in rural regions to funding the construction of kindergartens, so much needed in all regions of Yakutia.

In the period under review, we continued to improve the system of corporate governance in the Bank. The system of corporate governance in the Bank is monitored thoroughly, the work on the development of anticorruption procedures and compliance control is continued.

The Supervisory Board approved a number of major documents, including the Anticorruption Policy, the Corporate Social Responsibility Policy, and the Regulations on the key performance indicators for management.

THIS IS WHERE I SEE ALMAZERGIENBANK'S UNIQUENESS – ALTHOUGH IT HAS NOT COMPLETED THE MODERNIZATION OF ITS BUSINESS PROCESSES YET, IT IS NOT AFRAID OF IMPLEMENTING THE NEW LARGE-SCALE PROJECTS, THAT CAN GREATLY BENEFIT BOTH THE DEVELOPMENT OF ECONOMY AND THE SOLUTION OF SOCIAL ISSUES. AT THAT, I SHOULD NOTE THAT THE MODERNIZATION OF THE BANK'S OPERATIONS IS GOING QUITE SUCCESSFULLY ”

The measures taken by the Bank resulted in the RAEX Rating Agency's increase of its credit rating from A "High level of creditworthiness" to A+ "Very high level of creditworthiness", Outlook Stable.

As I have already mentioned, in 2014 the new Development Strategy of the Bank until 2018 was adopted. Today, it is important to make right conclusions from the results of the Strategy's implementation for the past year and a half, to assess correctly the macroeconomic situation and mid-term development prospects of the banking business in Russia, in order to set the right priorities and amend the Development Strategy in a timely manner. The members of Almazergienbank's Supervisory Board will be engaged in the development of the necessary amendments.

In the years to come, Almazergienbank should focus on improving the quality of distant servicing, traditional servicing in operational offices and development of the service

quality management system. That is why, the improvement of quality of almost all banking activities will be the management's priority task.

On behalf of the Supervisory Board, I would like to express my gratitude to all employees of Almazergienbank for their effective work, initiative and energy, without which the Bank would not have achieved its present results. We are confident that, improving its main activities, the Bank is moving on the right track. Almazergienbank should continue developing its activity as a reliable high-tech bank, which makes considerable contribution to the development of the republic's economy.

*Chair of the Supervisory Board of JSCB Almazergienbank JSC,  
General Director of Non-Profit Organization  
"Trust Fund for Future Generations  
of the Sakha Republic (Yakutia)"  
Sergey Mestnikov*



## DEAR CUSTOMERS AND PARTNERS OF ALMAZERGIBANK, COLLEAGUES, FRIENDS!

In 2014 the Supervisory Board of Almazergibank approved the Bank's Development Strategy, where modernization was identified as a priority way of Almazergibank's development. Large-scale modernization, based on the implementation of new technologies, continued in the year 2015. The work was conducted in the following major areas: improvement of software systems for the development of high-tech distant servicing, improvement of traditional servicing in the operational offices in the context of the gradual increase in their number, development of the service quality management system, enlargement of the product line to meet the demands of various customer segments, primarily, small and medium businesses.

Thus, in 2015 each third loan to the small and medium businesses in the republic was granted by Almazergibank, which made 34 % of the lending volume to Yakutia's small

and medium businesses. It could be noted that throughout last year, in the conditions of the country's economy stunted development, when lending volumes of federal banks were objectively decreasing, it was Almazergibank – the state-owned regional bank – that provided considerable support to the small and medium businesses.

The modernization of the Bank's business processes guaranteed its success in 2015. It is confirmed by many of our record-breaking indicators. Almazergibank became 83rd by the volume of the retail credit portfolio, came close to the TOP 100 of the country's largest banks by the size of the corporate credit portfolio and private deposits. We also were among 150 largest Russian banks by the capital's size.

In addition, the Bank considerably strengthened its activity in corporate lending, having occupied the share of 18 % in the republic's target market. By the results of 2015, the Bank's corporate credit portfolio made RUB 11,7 bln. The Bank was obviously successful in the private funds attracted – the republican market share made 15,9 %. The

Bank achieved the growth of the aggregate credit portfolio by 24 % – from RUB 14 to 17,3 bln at year-end, as well as the increase of the attracted customer funds by 18 % – from RUB 17,1 to 20,1 bln.

At year-end 2015, we increased the profit from the operations with securities six-fold – from RUB 9,3 mln in 2014 to RUB 53,4 mln. According to the federal Finance Ministry, Almazergienbank ranks 12th in the rating of the largest banks to buy gold in 2015.

Progressive and tangible success of Almazergienbank reflected in the Bank's ratings at the federal level. Thus, by the decision of the RF Finance Ministry, Almazergienbank became one of the 38 large Russian banks to get the right to take part in the federal mortgage lending program with state support. By this program, in the last year's May-June we lent 402 mortgage loans for RUB 898 mln, including in Yakutsk – 647 mln, in the republic's and Russian regions – RUB 251 mln. Total in 2015, the Bank granted RUB 1 163 mln of mortgage loans.

3 new offices were involved in achieving these, I dare say, excellent results: supplementary operational office in Nyurba, operational office in Vladivostok and supplementary operational office in Mirny.

Still, the achieved results do not imply that all tasks have been completed. It is needed to finalize the creation of the efficient customer relationship management system (CRM), introduce new types of distant servicing, increase the level of the bank's branches' efficiency, first of all, front offices, and make corporate business corporate investment. We have to considerably increase the current share of wage projects in the republican market.

We are developing trustful and truly strategic relationships with the Government of the Sakha Republic (Yakutia). Being our strategic partner and main shareholder, in 2015 the Government, represented by the Ministry of Property and Land Relations, recapitalized the Bank. The effect of such support is utterly concrete: in 2016 we began financing a number of key programs, which will allow to build 27000 square meters of housing in the rural regions, as well as construct 16 kindergartens in the republic's regions.

Solving the new tasks will be impossible without introducing innovative technologies, breakthrough improvement of interaction with the customers. That is why we have decided to call the year 2016 the Year of Quality.

As you know, Almazergienbank became the official partner of the 6th Children of Asia International Sports Games.

THUS, IN 2015  
EACH THIRD LOAN  
TO THE SMALL  
AND MEDIUM  
BUSINESSES  
IN THE REPUBLIC  
WAS GRANTED  
BY ALMAZERGIENBANK,  
WHICH MADE 34 %  
OF THE LENDING  
VOLUME TO YAKUTIA'S  
SMALL AND MEDIUM  
BUSINESSES ”

The right of becoming a partner of this largest sport event in 4 years is only entrusted to the best companies and teams. As a socially oriented bank and a financial backbone of the region's economy development, Almazergienbank is engaged in the implementation of other large-scale infrastructure projects as well. And we will continue working for the benefit of the republic's population in all our operations areas.

*Chair of the Management Board  
of JSCB Almazergienbank JSC  
Lyudmila Nikolaeva*

# 1.

## HIGHLIGHTS AND EVENTS OF THE YEAR 2015

### FINANCIAL HIGHLIGHTS

The year 2015 was uneasy for the banking sector of the Russian Federation; this is primarily pre-conditioned by complicated macroeconomic conditions, sudden devaluation of the national currency, and growth of market risks. However, despite the situation, JSCB Almazergienbank demonstrated decent financial outcomes and preserved the quality and reliability of banking services provided to the population.

As of January 1, 2016, the Bank's credit portfolio made RUB 17 348 mln, the amount of the attracted funds – RUB 20 191 mln, the size of own capital – RUB 3 358 mln, profit for the year made RUB 167 mln.

<sup>1</sup> Data from the Bank's IFRS reporting confirmed by the independent auditor PricewaterhouseCoopers Audit JSC

#### FINANCIAL HIGHLIGHTS OF JSCB ALMAZERGIENBANK JSC<sup>1</sup>

Indicator, RUB mln	2015	2014	2013
Assets	25 217	20 411	21 022
Loans and advances to customers	17 348	14 019	12 353
Customer accounts	20 191	17 138	18 102
Own funds	3 358	2 214	2 018
Net profit	167	184	70
<b>Performance indicators, %</b>			
Net interest margin (NIM)	6,5	6,5	8
Cost to income ratio (CIR)	63	64	74,3
Return on assets (ROA)	0,7	0,9	0,4
Return on equity (ROE)	6	8,7	3,5
Average headcount, persons	733	622	607

## KEY EVENTS OF THE YEAR 2015

### MARCH

The Central Bank of the Russian Federation acknowledged JSCB Almazergienbank JSC as a significant credit organization in the payment service market; the relevant entry was made to the Register of Credit Organizations;

### MAY 20

Almazergienbank was accredited at the Agency of Credit Guarantees as a partner-bank;

### MAY–JUNE

The Bank successfully participated in the implementation of the federal program of mortgage lending with state support, within which the loans granted by the program of mortgage lending with state support amounted to RUB 898 mln;

### AUGUST

The Bank's authorized capital increased by RUB 900 mln due to the investment of the main shareholder – the Government of the Sakha Republic (Yakutia) represented by the Ministry of Property and Land Relations, in compliance with the Plan of urgent arrangements to secure the sustainable development of economy and social stability of the Sakha Republic (Yakutia);

### AUGUST 11

Fitch Ratings International Rating Agency, taking into account the macroeconomic problems, reviewed the ratings throughout Russia, and the rating of the Sakha Republic (Yakutia) as a region of the Russian Federation was changed. Fitch Ratings confirmed the rating of Almazergienbank BB- at the international level and 'A+(rus) at the national level, having changed the outlook from Stable to Negative;

### NOVEMBER

The Ministry of Industry and Trade of the Russian Federation issued a license to Almazergienbank for export of fine gold in standard ingots and bullions until October 2016;

### NOVEMBER 3

RAEX (Expert RA) Rating Agency revised upwards the Bank's credit rating (long-term creditworthiness) from A "High level of creditworthiness" to A+ "Very high level of creditworthiness"/Outlook Stable;

### NEW BRANCHES WERE OPENED IN 2015 IN ORDER TO DEVELOP THE BANK'S TERRITORIAL NETWORK:

- ▶ Supplementary operational office in Nyurba was opened **on May 28, 2015**;
- ▶ Representative office in Vladivostok was closed and operational office was opened **on August 27, 2015**;
- ▶ New supplementary operational office in Mirny was opened **on October 5, 2015**.

# 2.

## STRATEGY, MISSION AND VALUES

### MISSION

Our main task is to make a real contribution to the socio-economic development of the Sakha Republic (Yakutia), promote the strengthening of its financial and credit system, and, based on that, develop efficient banking business guaranteeing increase in our shareholders' investments.

The Bank's mission – in active partnership consolidation with the Government of the Sakha Republic (Yakutia) we will work for the effective implementation of investment policy, large-scale infrastructure projects, support and development of small and medium entrepreneurship, implementation of regional social programs aimed to improve the population's living standards.

Using the best world practices in our work, we will continue creating a highly professional team of specialists and establishing a modern hi-tech platform for doing business, as well as improve the system of corporate governance and risk management.

### VALUES

**ECONOMIC DEVELOPMENT OF THE SAKHA REPUBLIC (YAKUTIA)** | We work to secure Yakutia's socio-economic growth

We realize our responsibility for the development of our republic's economy and aim for Yakutia to become a modern and highly-developed region. We finance highly effective sectors of economy producing high-level competitive products. We support local manufacturers and want our businessmen to develop.

**IMAGE** | Flawless reputation guarantees our Bank's sustainability and development

We have been working on the financial market for more than 20 years and actively use our professional experience, which allows us to move forward confidently. We value our reputation that we have gained through the years of hard work. We arrange our work in compliance with the best banking traditions, supported by the professionalism of our staff and providing our customers with perfect service and high quality of banking products. Our customers know: Almazergienbank means reliability, stability and decency.

**SOCIAL RESPONSIBILITY** | We aim to actively contribute to social development and social decisions

We guarantee our staff's social security and stability and provide our customers with quality services based on high professionalism of our employees; through personal example

of each employee we care about the environment, encourage voluntary participation of the Bank's staff in the Bank's corporate and charitable actions and support volunteer initiatives of the Bank's staff.

**TEAM OF PROFESSIONALS** | We will achieve success with our professional team

Our team is a united living organism. Our relationships are based on mutual respect, cooperativeness and support. Our employees are people who consciously and honestly perform their duties and work with the highest efficiency. We find it interesting to jointly solve complicated tasks and achieve outstanding results. People make our main strength. We shape leaders who professionally and persistently work at all levels of management, create strong teams and strengthen our spirit – the spirit of entrepreneurship, energy, mutual support and creative activity. Day by day we develop our bank with our every action, bringing it to the aim and new quality of our work. Highly competent staff makes our main strength.

**WELL-ESTABLISHED RELATIONSHIP WITH CUSTOMERS** | Customer needs are our concern

We establish long-term relationship with customers and will do everything necessary to make sure that every person coming to our Bank becomes our loyal customer and recommends us to his or her friends, acquaintances and partners. We appreciate our customers' trust and justify it. We always seek to treat ourselves and others with dignity. In complicated situations, when choice has to be made, we find honest solutions accommodating the interests of all parties. We create new living standards.

**LEGITIMACY, SECURITY AND TRANSPARENCY** | We base our work on the principles of openness and transparency

We scrupulously follow the acknowledged principles and norms of international law, as well Russian and Yakutia's legislation and the Bank's internal documents. We adhere to the policy of maximum openness and transparency of the Bank's activity. We aim to use all available sources of information for a free access of all interested parties to the disclosed information about the Bank.

**IMPLEMENTATION OF INNOVATIONS** | We implement up-to-date banking technologies for our customers' convenience and optimization of servicing processes

We adhere to innovative style in everything to do with the development of new market segments, modern financial

services, advanced banking technologies and forms of work, new contacts and proposals, search for the new business dimensions and new forms of cooperation with customers and receiving new ideas.

**HEALTHY LIFESTYLE** | A healthy employee guarantees the success of the whole Bank

Healthy lifestyle has become an integral part of the Bank's corporate culture. To preserve and improve each employee's health, the company develops and implements programs aimed to form the staff's healthy lifestyle and prevent illnesses.

## THE BANK'S STRATEGIC GOALS AND OBJECTIVES

The strategy of innovative development provides an accelerated growth of assets and capital of the Bank, enabling it to join the 100 largest banks in Russia.

The Bank needs to work on high-margin retail lending and loans to small and medium businesses, on retaining large corporate customers, primarily with state participation, and getting access to the additional, including international, sources of funding and attracting subordinated loans. Implementation of a comprehensive modernization of the Bank will allow to achieve the highest value of return on equity and to ensure a high level of profit for the Bank's capitalization.

The introduction of advanced information technologies, human capital development, application of methods and forms of management based on the best Russian and international practices must become a reliable basis for long-term sustainability and competitiveness of the Bank to the rapidly changing and growing market challenges.

The need to link the Bank's Development Strategy with the plans of socio-economic development of the Sakha Republic (Yakutia) preconditions an active partnership consolidation of the Bank with the Government in understanding the Bank's role in ensuring sustainable, balanced economic growth and welfare in the region.

## IMPLEMENTATION OF THE STRATEGY

In 2015, the implementation of the first stage of the Bank's Strategy continued, its priority being an integrated internal modernization, including:

- ▶ Improvement of business processes to increase the profitability and efficiency of business and cost reduction;
- ▶ Development of IT infrastructure and technologies aimed to secure the business market needs in automation means and information technologies;
- ▶ Modernization of customer service, first of all improvement of distant banking servicing technologies.

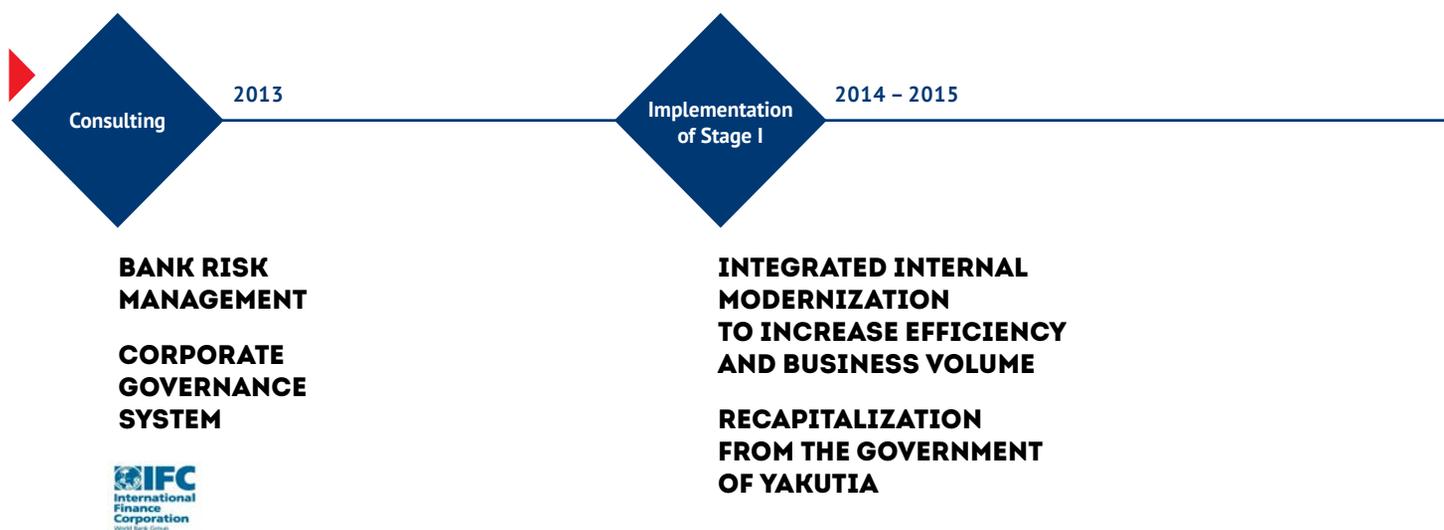
Within the frameworks of implementation of the Development Strategy 2014–2018, the following financial results were achieved at last year-end:

- ▶ capital of RUB 3 358 mln (89 % to the Strategy's plan);
- ▶ net profit of RUB 167 mln (71 % to the Strategy's plan);
- ▶ credit portfolio of RUB 17 348 mln (75 % to the Strategy's plan);
- ▶ return on assets ROA of 0,7 % (with the Strategy's plan 0,7 %);
- ▶ return on equity ROE of 6,0 % (with the Strategy's plan 7,7 %);
- ▶ CIR of 63 % (with the Strategy's plan 63 %).

Additional sales points were opened in the towns of Nyurba and Mirny with the purpose of expanding the regional coverage; operational office in Vladivostok started its operations.

To achieve a high level of satisfaction among the Bank's staff, a new wage system was developed and introduced; it is based on the system of grades, or objective assessment of each position's contribution in the overall position hierarchy.

STAGES OF THE BANK'S  
DEVELOPMENT STRATEGY  
IMPLEMENTATION  
IN 2014-2018



Within the development of its partnership with the Government of the Sakha Republic (Yakutia), Almazergienbank took part in implementing the state program of support of small and medium business and social projects, including granting loans to the construction organizations for building kindergartens. After the consideration and selection by the Russian Finance Ministry, the Bank was included in the list of 38 large Russian banks to get the right to take part in the federal program of mortgage lending with state support.

In 2015 the Bank started the implementation of large-scale projects aimed to develop customer services and improve efficiency within the Bank: the implementation of the first stage of the new Internet-Bank began, a project of switching to the IBM-based electronic dossier was launched, as well as the system of distant meetings by Microsoft.

**The second stage of the Strategy is being implemented in 2016. Within this stage, the Bank will amend the Strategy with account of the current macroeconomic and geopolitical conditions; if the strategic investor is attracted, the Bank plans to:**

- ▶ enter the TOP 100 of Russian banks by assets and capital;
- ▶ occupy the leading positions in the banking sector of the Sakha Republic (Yakutia);
- ▶ create a brand, recognizable on the sub-federal level;
- ▶ maximize the financial result for the shareholders.

As the effect from the implementation of the second stage of the Bank's Strategy in 2016–2017, a sub-federal brand will start to be created, the Bank's image and its recognizability will improve, cooperation with Russian and international financial institutions will develop in order to attract funds on the markets of internal and external capital. External economic activity will also develop to the interest of the customers and the Bank.

At the third and final stage of the Strategy in 2018, it is planned to fix the created development basis, move to the sustainable growth model and continue the business buildup.



# 3.

## ECONOMY, BANKING SECTOR AND POSITION IN THE SECTOR

<sup>2</sup>Source: <http://www.worldbank.org/eca/russian/data/index.html>

<sup>3</sup>Source: <http://economy.gov.ru/minec/activity/sections/macro/monitoring>

### ECONOMY

**GLOBAL ECONOMY<sup>2</sup>** | In 2015, the rates of global economic growth were quite low. The year was marked by the reduction of prices for raw commodities, shrinking of trade and capital flows, as well as the periods of financial volatility, which adversely affected the economic activity. In 2015, the global economy's growth rate slowed down to 2,4 % compared to 2,6 % in 2014. At the same time, whereas the sharp reduction of prices for raw materials negatively affected such large developing countries as Russia and Brazil, other developing economies, for example, Vietnam and India, finished the year optimistically.

In the future, economic development will depend on achieving the higher rates of economy's growth in the high-income countries, stabilization of prices for raw commodities and China's transfer to a higher level of economic growth, based on domestic consumption and service industry development. The global economy growth is forecasted at 2,9 % in 2016 and 3,1 % in 2017-2018.

**RUSSIAN FEDERATION<sup>3</sup>** | The economic situation was formed under the influence of worsening external economic conditions, primarily due to reduction of prices for oil, the EU and US sanctions, the ongoing tendency of lower investment activity, as well as large-scale outflow of capital from the country, boosted by the repayment of a considerable amount of foreign debt in the first half year of 2015.

At last year-end, according to the preliminary assessment of the Federal State Statistics Service, the GDP reduced by 3,7 % compared to last year. According to the assessment of the Russian Ministry of Economy, in December 2015 the reduction made 3,5 %. Such indicators as mineral resources extraction, agriculture, construction had positive dynamics. At the same time, slower recession of processing industries, retail trade and paid services to population is observed. High price of borrowed resources, rise in price for imported investment goods, growth of debt load and overall economic uncertainty of investors favored the disinvestment to the fixed capital.

The forecast of socio-economic development for 2016-2018 features the development of the Russian economy in the conditions of the ongoing geopolitical instability, continued EU and US economic sanctions towards Russia and the countersanctions. Restricted access of Russian companies to the global capital markets and quite high level of net private capital outflow, related to the foreign debt repayment, adversely affect the restoration of investment activity.



**THE MAIN OFFICE  
OF ALMAZERGIENBANK  
IS LOCATED HERE  
IN YAKUTSK.  
IT ALLOWS  
TO QUICKLY GET  
ANSWERS TO ALL  
QUESTIONS**

**ALEXEY  
SEMYONOV**

**General Director,  
Tuesok LLC**

–  
Distribution  
and wholesale delivery  
of foodstuffs

We started in 2004. For 11 years we have opened 6 branches – in Suntar, Nyurba, Vilyuisk, Churapcha, Amga, and Lensk. Now we are opening a branch in Olyokminsk. When we were choosing a financial partner, we chose Almazergienbank. One of its advantages is that its main office is located here, in Yakutsk. It allows to quickly get answers to all questions. We see that Almazergienbank works

for the customer and takes into account its desires. For example, to us long-term and short-term loans are important for the development, we need overdraft for quick operations, bank guarantees to take part in the bids and tenders, and convenient wage payment mechanism to all employees in the network. All that we have found in Almazergienbank.

# IN 2015, THE REPUBLIC'S ECONOMY GROWTH RATES WERE EXCEEDING THE AVERAGE RUSSIAN ONES ”

<sup>4</sup>Source: Report of executive authorities of the SR (Y) on the results of work in 2015, approved by the Resolution of the Government of the SR (Y) dated January 27, 2016 № 57-p. <http://economy.gov.ru/minec/activity/sections/macro/monitoring>

<sup>5</sup>Source: [http://www.psbinvest.ru/upload/files/stocks-ic/Banks\\_12m2015.pdf](http://www.psbinvest.ru/upload/files/stocks-ic/Banks_12m2015.pdf)

<sup>6</sup>Source: <http://regnum.ru/news/economy/2043393.html>

**SAKHA REPUBLIC (YAKUTIA)<sup>4</sup>** | In 2015, it became possible for the Sakha Republic (Yakutia) to preserve positive dynamics of economic growth and social stability thanks to the underlying strength accumulated in the previous years. Due to the implementation of the Plan of emergency arrangements to secure sustainable growth of economy of the Sakha Republic (Yakutia), it was possible to fulfill all financial obligations, organize a prescheduled delivery of fuel and energy resources and foodstuffs to the Arctic regions, preserve transport accessibility and predetermine economic activity of both the large companies and small and medium businesses.

In 2015, the republic's economy growth rates were exceeding the average Russian ones, taking the leading positions among the regions of the Far Eastern Federal District. Despite the complicated external political and economic situation, positive growth rates by the major macroeconomic indicators of the republic were achieved at the year-end – gross domestic product (102 %), industrial production (103,8 %), capital investment (100,1 %), construction volume (100,8 %) and retail trade turnover (102,1 %).

The growth of economy is linked with the implementation of the large-scale investment projects. Fuel and energy projects are of key importance in the republic now, as well as the related infrastructure projects.

Due to weaker ruble rate and import restrictions, the consumer price index at year-end 2015 made 111,8 % (annual average).

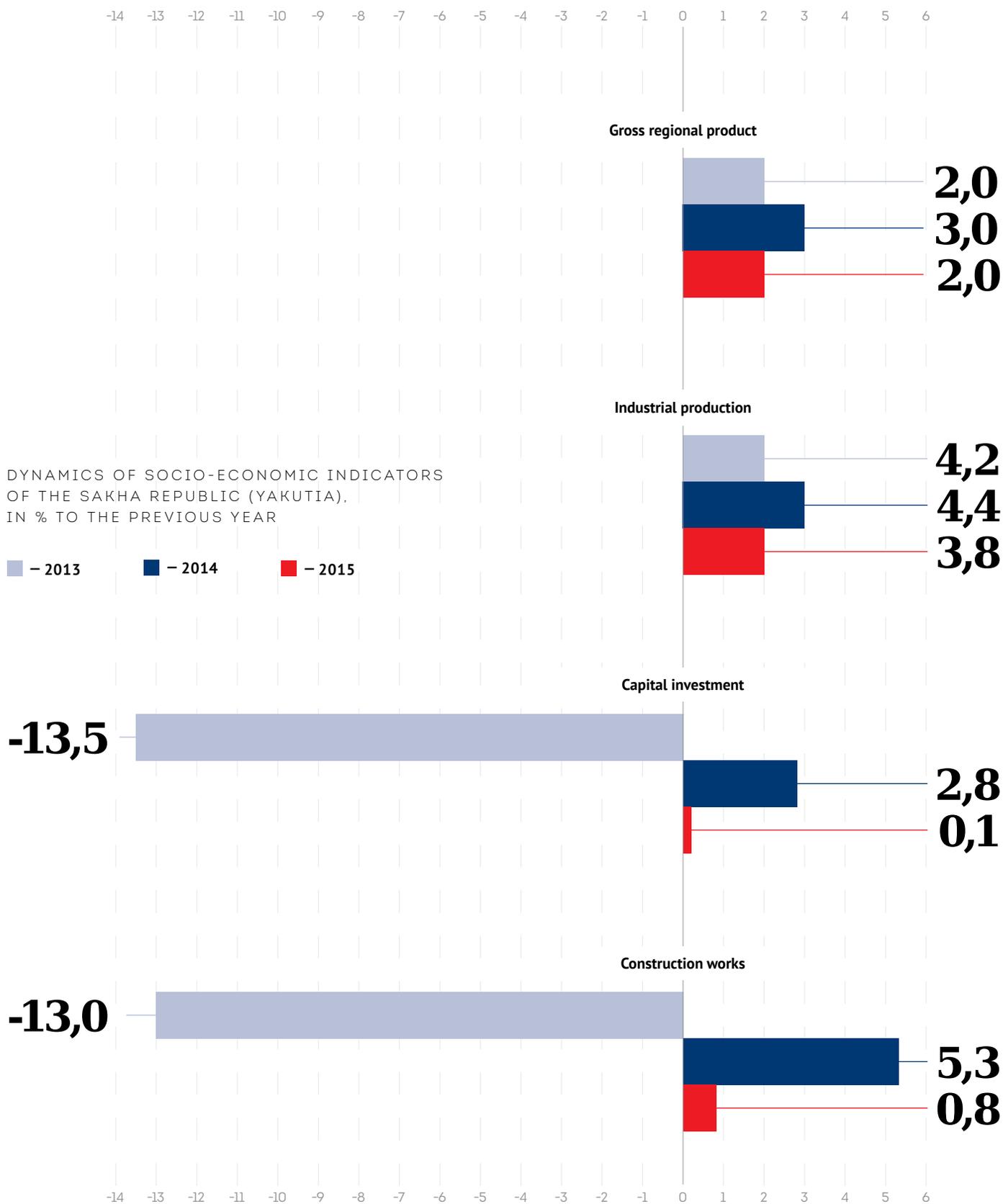
## BANKING SECTOR<sup>5</sup>

Last year was anything but simple for the Russian banks, which is confirmed by both the facts and the statistics.

The banks' results were affected by the growth of the interest paid, as well as by higher credit losses and the need for increased reserves. At the year-end, the growth rates of the Russian bank's assets slowed down to 6,9 % on the annual average. The main factors to slow down the banks' growth were reduced consumer loans and lower growth rates of the corporate credit portfolio.

In 2015 the banks were supported by the lowering of the key interest rate from 17 % to 11 %, which allowed the banks to replenish their liabilities at acceptable rates. According to the Central Bank of the Russian Federation, the implemented recapitalization program had a positive effect on the banks' statutory ratios and lending dynamics. The rise in ratios (capital adequacy, maximum level of exposure per borrower or a group of related borrowers) was favored by the remaining regulatory exemptions (in terms of formation of reserves and use of fixed foreign currency rates).

The expected reduction in the key interest rate in the Russian Federation from 11 % to 7 % (provided the inflation is 6,5 %) and the growth of the real income of the population and companies will make preconditions for better financial result in the banking sector in 2016.<sup>6</sup>



<sup>7</sup>Target market – market of lending to legal entities and private entrepreneurs, not engaged in “mineral resources extraction” type of economic activity

<sup>8</sup>The calculation is made by the bank’s internal methodology based on the data of the Russian Central Bank ([www.cbr.ru](http://www.cbr.ru))

## THE BANK’S POSITION IN THE SECTOR

JSCB Almazergienbank JSC is one of the largest financial institutions in the Sakha Republic (Yakutia). For over 20 years the Bank has successfully developed in the financial market, which is indissolubly tied to the implementation of the strategic development plans of the Sakha Republic (Yakutia).

The banking sector of the republic is represented by 26 credit organizations, including 2 independent commercial banks and 24 branches of out-of-region banks.

In the last three years, Almazergienbank brought up its share in the target republican market<sup>7</sup> of corporate lending from 10 % to 18 %. At the year-end 2015, the corporate credit portfolio of the Bank made RUB 11,8 bln.

In 2015, each third loan to the small and medium business was granted by Almazergienbank; thus, the Bank provided for 34 % of the lending volume to the small and medium businesses in the republic and increased the market share to 21 % in the republic.

The bank occupies the leading positions in the private funds market, which made over RUB 13,9 bln with the share of 15,9 % in the republic’s market. The Bank’s share in the corporate funds market increased from 14,4 % to 14,9 %.

The Bank’s share in the housing credit market debt grew by 1,1 percentage point compared to 2014, the Bank’s share in the mortgage lending market made 6,0 %. The level of the overdue indebtedness of the aggregate credit portfolio made 2,5 %, with the republic’s average value being 4,9 %.

The dynamics of Almazergienbank’s lending to legal entities and private entrepreneurs in 2015 exceeds the overall market dynamics. At that, the level of overdue indebtedness

by the end of the year made 2,3 %, which is much lower than the all-republican value, which made 5 %<sup>8</sup>.

In 2015, after being selected by the Russian Finance Ministry, Almazergienbank was included in the list of 38 large Russian banks to get the right to take part in the federal program of mortgage lending with state support. For the year, the Bank granted RUB 1 163 mln of mortgage loans total.

Credit ratings of the largest expert agencies confirm the reliability and stability of the Bank. In November 2015, RAEX Rating Agency raised Almazergienbank’s credit rating to A+ “Very high level of creditworthiness”/Outlook Stable. Previously, the Bank had A “Very high level of creditworthiness” rating. According to the assessments of Fitch Ratings International Rating Agency, the Bank’s rating was confirmed at the national level – A+ and at the international – BB-

SHARE OF JSCB ALMAZERGIENBANK IN THE BANKING MARKET OF THE SAKHA REPUBLIC (YAKUTIA) IN 2013-2015, %

Indicator	01.01.2016	01.01.2015	01.01.2014
Aggregate credit portfolio, including	3,9	3,7	4,7
Corporate loans (in the target market) <sup>9</sup>	18,1	12,7	10,1
Customer loans	6,2	5,4	5,4
Corporate deposits	14,9	14,4	13,2
Retail deposits	15,9	15,6	17

<sup>9</sup>Target market – market of lending to legal entities and private entrepreneurs, not engaged in “mineral resources extraction” type of economic activity

POSITIONS OF JSCB ALMAZERGIENBANK JSC IN THE RUSSIAN BANKS' RATING IN 2013-2015

Indicators	01.01.2016	01.01.2015	01.01.2014
Own funds (capital)	149	201	206
Assets	162	182	173
Loans to enterprises and organizations	126	154	170
Retail loans	83	98	110
Retail deposits	114	127	117

CREDIT RATING OF ALMAZERGIENBANK AT DECEMBER 31, 2015

Agency	Rating	Outlook
Fitch Ratings	BB-	Negative
Fitch Ratings (rus)	A+	Stable
RAEX	A+	Stable

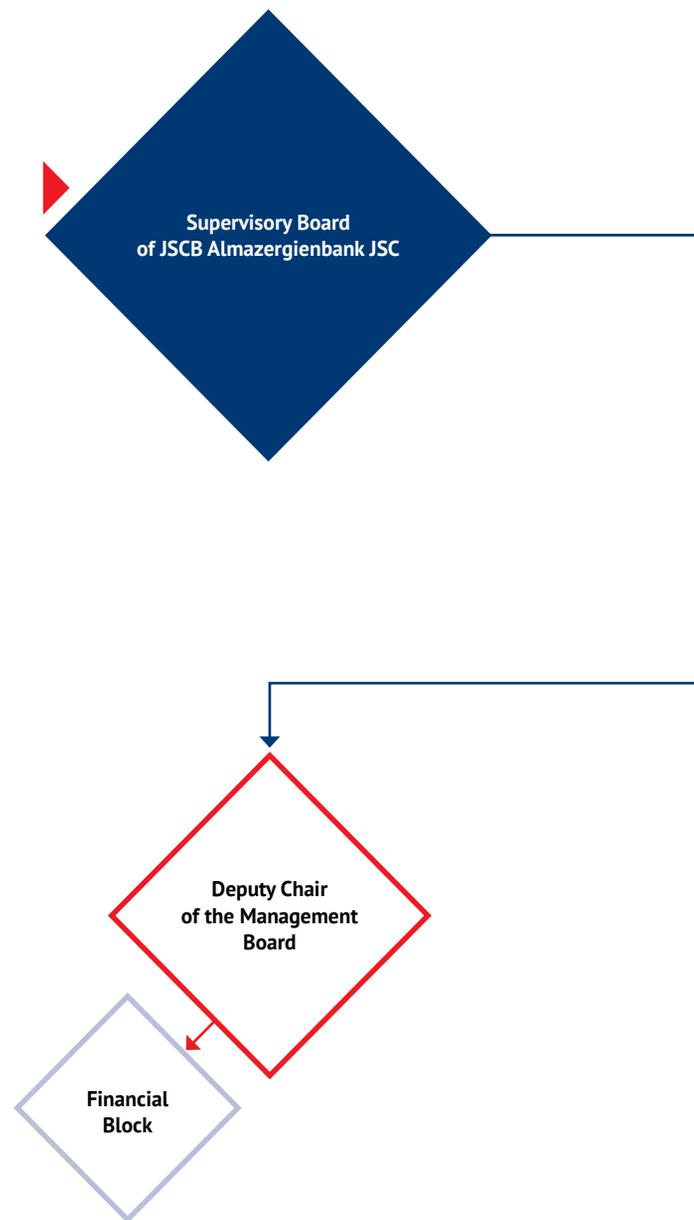
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## MANAGEMENT REPORT

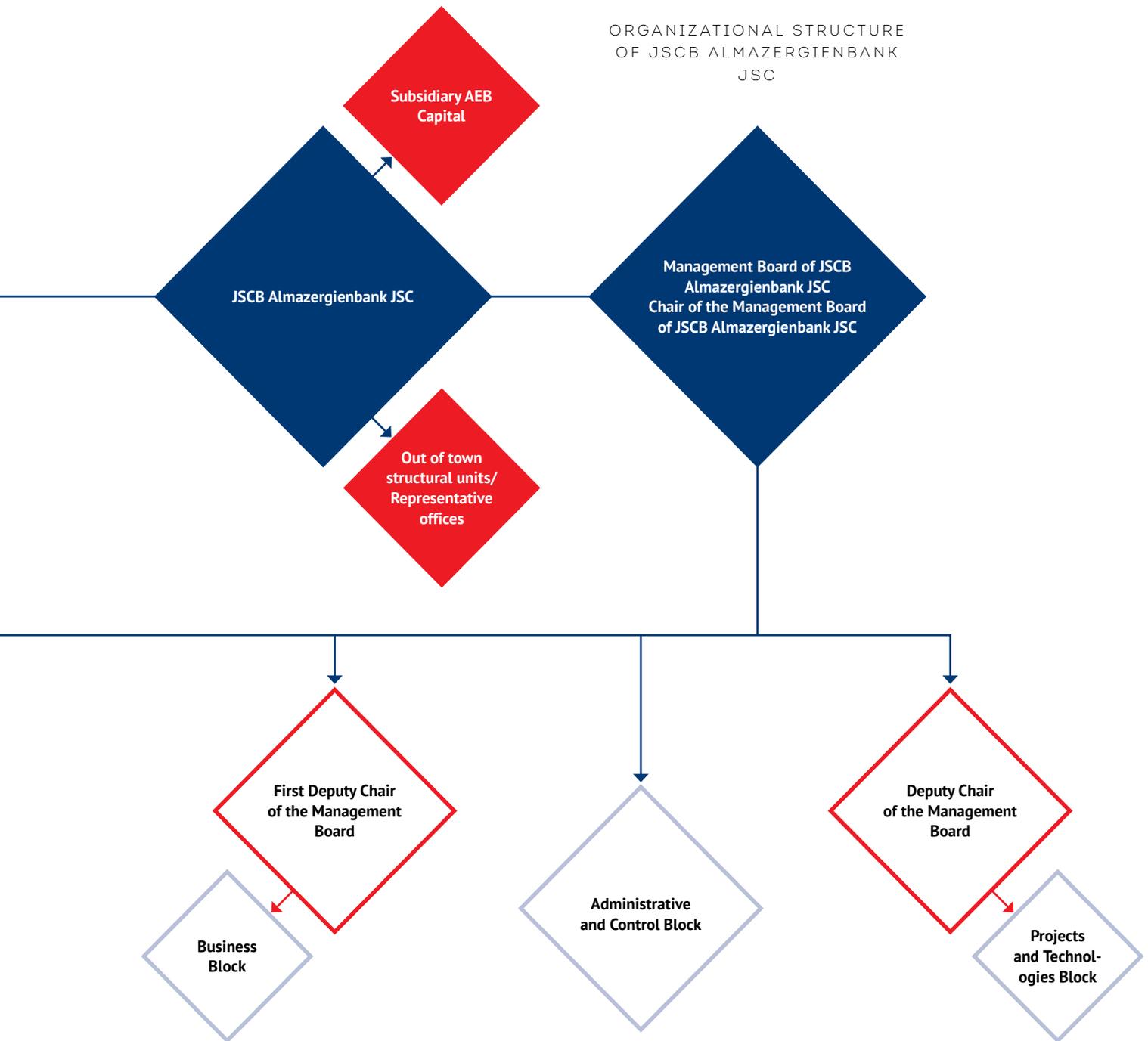
### ORGANIZATIONAL STRUCTURE

The organizational structure of JSCB Almazergienbank JSC is based on the hierarchical (vertical) type model and contains four blocks, formed with account of the banking activity classification by their function:

- ▶ Administrative and control block (including the system of banking risk management, legal support, financial monitoring, internal control system, personnel management, methodological support of business, public relations, security and information security, secretariat and administration and maintenance activity management), subordinate to the Chair of the Management Board;
- ▶ Business block, consisting of the departments, servicing/providing services to the corporate and retail customers, headed by the relevant directors, including the areal network, subordinate to the Chair of the Management Board and the First Deputy Chair of the Management Board;
- ▶ Financial block (including the system of analysis and planning, accounting and reporting, subdivisions operating in the financial and interbank markets), subordinate to the Deputy Chair of the Management Board for Finances;
- ▶ Projects and technologies block subordinate to the Deputy Chair of the Management Board for IT.



ORGANIZATIONAL STRUCTURE  
OF JSCB ALMAZERGIENBANK  
JSC



## OPERATING REVIEW

In the current market conditions, realizing the importance of preserving the Bank's stable position and our responsibility to our present and potential customers, we always strive for moving to a new level of development by enlarging the list of banking products, improving the quality and accessibility of the provided services, as well as by creating all necessary conditions for a convenient servicing of our customers.

**We realize our social responsibility to all people of Yakutia and are actively involved in the implementation of the following programs:**

- ▶ Mortgage lending;
- ▶ Transport project;
- ▶ Campus project of the North-Eastern Federal University.

**Directions of the Bank's activity:**

- ▶ Raising funds from individuals and legal entities to deposits;
- ▶ Lending to individuals and legal entities;
- ▶ Opening and maintenance of bank accounts;
- ▶ Money transfers;
- ▶ Cash services to individuals and legal entities, collection;
- ▶ Purchase and sale of foreign currency;
- ▶ Operations with precious metals;
- ▶ Operations with securities;
- ▶ Issue and servicing of plastic cards, merchant acquiring
- ▶ Foreign trade contracts servicing;
- ▶ Issuance of bank guarantees;
- ▶ Trust management of monetary funds and other assets;
- ▶ Consulting and information services.

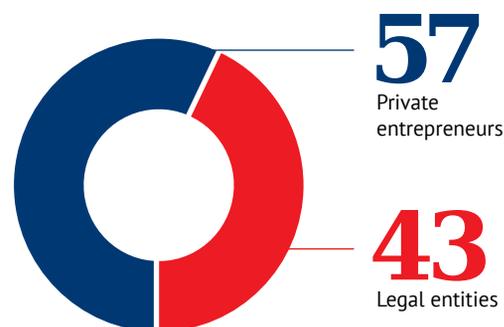
As of January 1, 2016, the Bank's branch network includes 14 supplementary offices in the republic's regions, 11 operational offices, including the one in Khabarovsk and a new operational office in Vladivostok, and representative offices in Moscow and Saint-Petersburg.

## CORPORATE BUSINESS

One of the priority directions of the Bank's activity is work with corporate customers, which include the largest private and state-owned companies and small and medium businesses.

**CUSTOMER BASE** | As of January 01, 2016, the Bank serves over 9,5 thousand customers, 43 % of which are legal entities, and 57 % – private entrepreneurs.

STRUCTURE OF THE CUSTOMER BASE FOR 2015. %



**LENDING** | In 2015, the dynamics of lending to legal entities and private entrepreneurs of JSCB Almazergienbank exceeded the market's overall dynamics. The volume of the corporate credit portfolio for 2015 grew by 32 % to RUB 11,8 bln. The largest share in the structure of the credit portfolio of legal entities and private entrepreneurs is occupied by the loans granted by the Main Office in Yakutsk – 80 % of the granted loans.

DYNAMICS OF THE CORPORATE CREDIT PORTFOLIO FOR 2013–2015, RUB MLN

2013	7 748
2014	8 941
2015	11 782



**WE ENTERED  
THE MARKET  
IN 1996 AND THAT  
WAS ALSO WHEN  
WE BEGAN OUR  
COOPERATION WITH  
ALMAZERGIEBANK.  
OUR  
ESTABLISHMENT  
AND DEVELOPMENT  
ARE INDISSOLUBLY  
TIED TO IT**



**ALEXANDER  
NIKIFOROV**

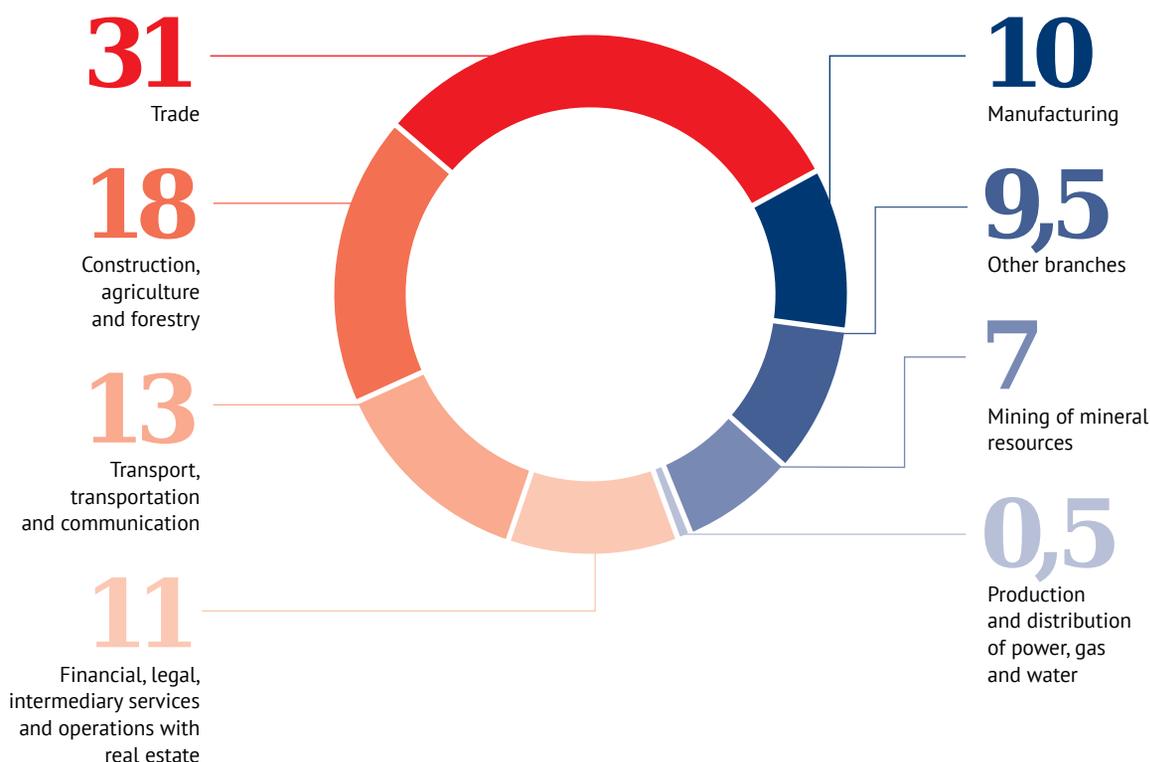
**General Director,  
CopirTechService**

—  
Wholesale and retail sale  
of office and computer  
equipment

We entered the market in 1996 and that was also when we began our cooperation with Almazergienbank, so our establishment and development are indissolubly tied to it. We started as a company of technical service and repair of office equipment, gradually expanding our areas of work. We added wholesale and retail sale of office equipment, printing and photo services, souvenir production. To understand the scale of our development – at the start there were 7 of us, and to-

day we are 140 people. And throughout all 20 years of development, Almazergienbank has been our bank. It serves our accounts, we have a credit line and a wage project here, its payment terminals are installed in our points of sale, it granted us a target credit for buying real estate. Moreover, on numerous occasions Almazergienbank helped us buy housing for our staff by granting loans with a minimal document package and short issuing period.

STRUCTURE OF THE CORPORATE CREDIT PORTFOLIO BY BRANCHES  
AT DECEMBER 31, 2015, %



Almazergienbank supports the implementation of projects in trade, construction sector and production of construction materials, transport, housing and utilities and energy sector, agriculture, forestry and wood processing, diamond sector, and other.

#### LENDING TO SMALL AND MEDIUM BUSINESSES

At year-end, JSCB Almazergienbank has reached the target value by the volume of credit portfolio of small and medium businesses, which was planned at RUB 5,6 bln; at that, the actual value at December 31, 2015 made RUB 5,6 bln for the Sakha Republic (Yakutia). **The aggregate portfolio of small and medium businesses made 55 % of the aggregate volume of credit portfolio, including:**

- ▶ small business (revenue from RUB 60 to 400 mln a year) occupies 24 %;
- ▶ medium business (revenue from RUB 400 to 1 000 mln a year) occupies 16 %;
- ▶ micro business (revenue to RUB 60 mln a year) occupies 15 %.

At year-end, the share of Almazergienbank in lending to small and medium businesses made 25 %, which is 4,8 percentage points higher than in 2014. By the credit portfolio, the Bank's share grew by 2,6 percentage points to 20 %, which is reasoned by a consistent implementation of the Bank's Credit Policy priorities.

To implement the state program of financial and guaranty support to the small and medium businesses, in 2015 the Bank continued to actively cooperate with the SME Bank JSC. To guarantee the access of the small and medium entrepreneurship and infrastructural organizations to the credit and other financial resources, a deposit of Primorsky Krai Guarantee Fund was placed. Also, the Bank won the tender for granting loans and bank guarantees to the small and medium businesses, guaranteed by the Guarantee Fund of Khabarovsk Krai, was accredited by the Russian Export Credit and Investment Insurance Agency EXIAR to support the export-oriented customers and by the Federal Corporation of Small and Medium Entrepreneurship Development to assist the republican Small Entrepreneurship Development Fund.

**BANK GUARANTEES** | In 2015, Almazergienbank actively issued bank guarantees to its customers. At the year-end, the number of bank guarantees issued by the Bank exceeded that of 2014 by 60 %. The portfolio of bank guarantees at January 1, 2016 made RUB 1,5 bln.

**RESOURCE BASE** | For the years of its work on the financial market of the Sakha Republic (Yakutia), JSCB Almazergienbank has gained a reputation of a stable and reliable partner.

In 2015, the volume of funds attracted from the corporate customers grew by 11 % compared to the previous year and made RUB 6,3 bln, including the corporate deposit balances – RUB 3,1 bln, legal entities deposit balances – RUB 3,2 bln.

#### CORPORATE ACCOUNTS, RUB MLN

2014	
	<b>3 456</b>
	<b>2 135</b>

2015	
	<b>3 165</b>
	<b>3 060</b>

 – Account balances of legal entities and private entrepreneurs

 – Deposits of legal entities

The services of remote banking are available for efficient banking operations. Remote banking, including “Internet-Bank-Client” service, embraces 87 % of the customers attracted in 2015; “Bank-Client” service embraces 13 %.

**OPERATIONS WITH PRECIOUS METALS** | JSCB Almazergienbank JSC conducts the following major operations in the precious metals market:

- ▶ sale of precious metals to jewelry companies;
- ▶ purchase and sale of precious metals with individuals;
- ▶ purchase and sale of precious metals on the terms of supplying of gold under the deals with gold mining companies;
- ▶ opening of unallocated metal accounts for individuals and legal entities.

In the year under review, the Bank sold precious metals in the overall volume of 1 375 364 grams.

#### DYNAMICS OF GOLD AND SILVER SALE IN BARS, KG

2013	
	<b>372,7</b>
	<b>16</b>

2014	
	<b>258,3</b>
	<b>59,7</b>

2015	
	<b>1 351,8</b>
	<b>23,6</b>

 – Gold

 – Silver

<sup>10</sup>Source: <http://gold.1prime.ru/show.asp?id=37477>

During 2015, the Bank had a balanced net foreign exchange position for the precious metals, which resulted in mitigated market risks.

According to information of the Russian Finance Ministry, JSCB Almazergienbank JSC ranks 12th in the rating of Russian banks to purchase gold in 2015, out of 30 major precious metals market players<sup>10</sup>.

**CURRENCY OPERATIONS** | For 2015, the net profit from foreign exchange sale and purchase operations in cash and noncash made RUB 32,2 mln, which is 50 % more compared to 2014. The Bank continues to successfully trade on the currency market (MICEX).

It is worth noting that, according to the data for the 4th quarter of 2015, the Bank ranks 2nd among the 11 banks represented in Yakutia by the overall number of the serviced transaction certificates.

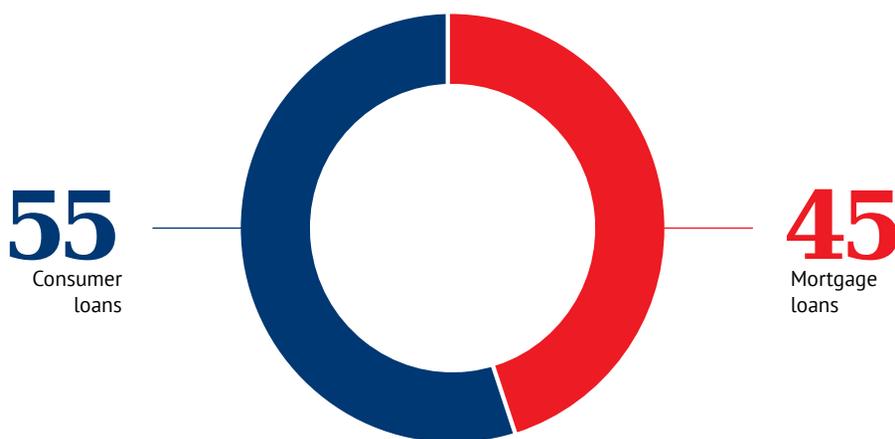
## RETAIL BUSINESS

One of the key areas to secure the efficient development of the Bank's activity is retail business: mortgage and consumer lending, deposit taking and servicing of wage projects, construction of convenient and modern channels to service the population. For 2015, the number of retail customers made over 300 thousand people.

**LENDING** | In 2015, the credit portfolio of the retail business grew by 14 % compared to 2014 and made RUB 6,9 bln. This result is primarily reasoned by the Bank's participation in the state mortgage lending program. In 2015, after being selected by the Russian Finance Ministry, Almazergienbank was included in the list of 38 large Russian banks to get the right to take part in the federal program of mortgage lending with state support. For the year 2015, the Bank granted RUB 1,2 bln of mortgage loans total.

In the structure of the credit portfolio, the credits of the Bank's Main Office occupy 58 %, out-of-town structural units – 42 %. The share of mortgage lending grew from 38 % to 45 %. 55 % of the portfolio fall on the share of consumer lending.

STRUCTURE OF THE RETAIL CREDIT PORTFOLIO  
AT JANUARY 1, 2016, %



**RESOURCE BASE** | In 2015, to achieve the goals set by the Bank's Deposit Policy and timely change the deposit interest rates for securing the acceptable level of the Bank's profitability, the market was analyzed on a regular basis, the target audience was determined, and new products were introduced. The Bank actively worked on developing the sales and servicing channels.

The volume of attracted funds grew by 21 % compared to 2014 and made RUB 14 bln. In 2015, the share of Almazergienbank in Yakutia's retail deposits market made 13 %. In the structure of the resource base, the deposits of the Main Office make 61 %, out-of-town structural units – 39 %.

#### DYNAMICS OF PRIVATE FUNDS FOR 2013–2015, RUB MLN

2013	12 950
2014	11 547
2015	13 965

The volume of opened deposits for 2015 made 38,4 % from the annual credit turnover on private deposit accounts. Of them, 58 % are opened in Yakutsk, 42 % – in the Bank's out-of-town units. To attract the new clients, as well as to retain the present ones, a new line of deposits with attractive terms and conditions was launched.

The deposits' terms and conditions reasoned the demand for these products in the market. Only Bai Bai-nai and Zhar-Ptitsa deposits attracted 17,5 % of deposits of the total amount of private deposits. As a result, at January 1, 2016, the volume of private deposits made RUB 11 638 mln, and the balances of the current retail deposits and on-demand deposits made RUB 2 327 mln.

**BANK CARDS** | In 2015, the number of the issued plastic cards grew by 20 % compared to 2014.

Almazergienbank operates about 9% of all wage payments to the population of the republic. Numerous presentations

and promotion actions for the enterprises were organized in 2015, which resulted in the new wage projects.

The Bank continues to participate in the implementation of the republic's social project on charging the monthly payments and subsidies to the welfare beneficiaries' social cards. Transport project is also implemented successfully; it allows for the introduction in Yakutsk of the system of automated record-keeping and noncash fare payment system in the urban and suburban public transport. **At January 1, 2016, over 165 thousand cards were registered in the Automated fare payment system, including:**

- ▶ 66 % – transport cards;
- ▶ 24 % – school cards;
- ▶ 10 % – social cards with transport application.

Consistent work was also conducted to join the NSPK, JCB and Union Pay payment systems. It is planned to join these systems in 2016.

The Bank's terminal and ATM networks are developing actively. During last year, the number of electronic terminals exceeded 1 500 items. As at December 31, 2015, the ATM network of JSCB Almazergienbank includes about 150 ATMs, of which 52% are located in Yakutsk, 48 % of the ATMs are located in the regions and the Bank's operations areas.

The ATM network of Almazergienbank ranks second in the Sakha Republic (Yakutia) by the number of ATMs.

**DISTANT BANKING SERVICING** | In 2015, active work on connecting the customers to distant banking services continued.

There are over 10 000 clients in "Your Bank Online" program, of them 72 % – in Yakutsk, 28 % – in the out-of-town structural units of the Bank. About 40 thousand customers are connected to SMS-Info service, of them 58 % – in Yakutsk, 42 % – in the Bank's operations areas.

As of January 1, 2016, the number of valid distant banking servicing agreements made 190 thousand, of them 11 % are "Your Bank Online", 89 % are SMS-Info.

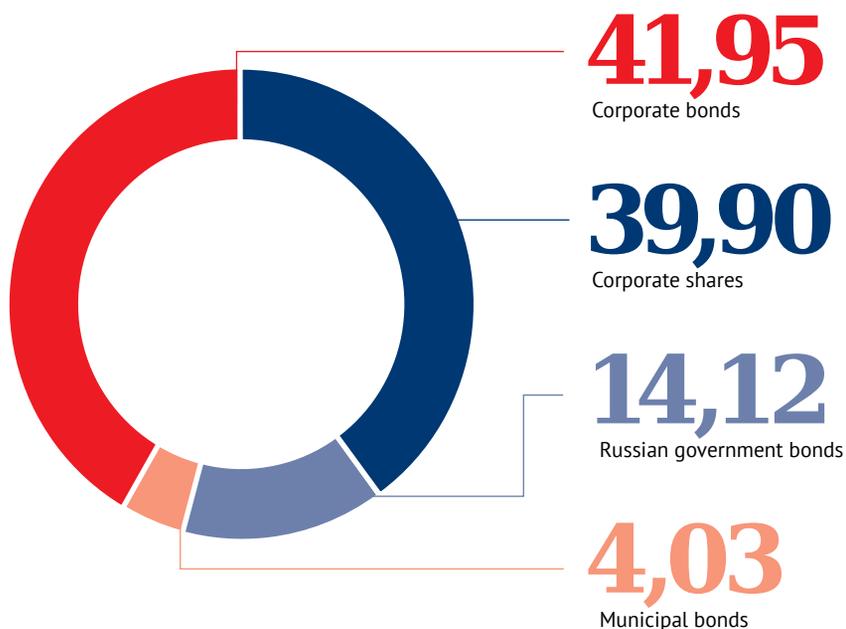
## OPERATIONS WITH SECURITIES

As JSCB Almazergienbank JSC holds a license of a professional participant of the securities market, it actively trades in the securities market to earn profit and maintain liquidity. Taking into account the unstable situation in the financial market, the Bank's securities portfolio in 2015 mostly consisted of the first-tier marketable instruments issued by the large Russian companies. At that, the average share of bonds in the portfolio made about 60%, the share of stocks – 40 %. The total value of the portfolio reduced by 23 % to RUB 905 mln during the year. The reduction was reasoned by the withdrawal of money from the securities portfolio to allocate it to such high-yield instruments as lending.

Almazergienbank actively developed and expanded the range of services offered to the customers in the securities market. Thus, the Bank worked on direct participation in MICEX stock market trading, and already in January 2016 it gained the official status of the trading participant.

This status allows the Bank to offer its customers brokerage services and securities trust management services on competitive terms. In addition, the status of MICEX trading sessions' participant gives the Bank other significant advantages, one of which being the possibility of attracting and placing the monetary funds by making repo transactions with the Central counteragent.

STRUCTURE OF THE SECURITIES PORTFOLIO  
AT DECEMBER 31, 2015. %





**I HAVE PURCHASED  
A PRODUCTION  
BASE WITH  
BORROWED FUNDS.  
I HAVE CHOSEN  
ALMAZERGIBANK  
AS A PARTNER  
BECAUSE HERE  
I HAVE FOUND  
SUPPORT  
AND UNDERSTANDING**

**ALEXANDER  
STEPANOV**

**Private entrepreneur,  
Private Entrepreneur Stepanov**

–  
Bulk stock packaging,  
production of constructions  
from sandwich panels

I have been engaged in packing grain and sugar since 2001. I have opened three retail shops and one wholesale, constructed modern warehouses totaling 6000 square meters. I don't like to stand still and stay content with the achievements, I seek for new niches. That is why in 2008 I decided to change the business and start manufacturing. I have purchased

a production base with borrowed funds. I have chosen Almazergienbank as a partner because here I have found support and understanding. Now, in addition to packing, my company produces moveable heated garages, block modules and garden cottages from sandwich panels.

IN 2015, THE BANK'S ASSETS  
GREW BY 23,5 % AND MADE  
RUB 25 217 MLN ”

<sup>11</sup>According to the Bank's management report compiled in compliance with the Russian Accounting Standards.

<sup>12</sup>According to the Bank's management report compiled in compliance with the Russian Accounting Standards.

## FINANCIAL REVIEW

In spite of complicated macroeconomic and market conditions, at the year-end 2015 the key performance indicators of JSCB Almazergienbank JSC displayed confident growth. The Bank obtained a net operating income before provision in the amount of RUB 2 183 mln, which is 26 % higher than that of 2014.

The Bank's own funds grew by 52 % and made RUB 3 358 mln, which is primarily connected to the increase in the Bank's capital by RUB 900 mln last August. It was a contribution of the Ministry of Property and Land Relations of the Sakha Republic (Yakutia); it had a positive effect of the Bank's statutory ratios.

Net interest income increased by 14 %, the growth of net interest expense made 1,2 %. Operating expense slowed down its growth towards income, which allowed to fully meet the key performance indicator CIR (Cost to Income Ratio), that made 63% at the year-end 2015, which is 1 percentage point lower than in 2014.

Due to lower credit quality of the borrowers, the Bank allocated RUB 529 mln to allowances for provisions, which is 1,4 times higher than in 2014. The level of provisions to the credit portfolio made 7,3 % against 6,6 % in 2014.

In 2015, the Bank's assets grew by 23,5 % and made RUB 25 217 mln. 99 % of the income-yielding assets are cov-

ered with the attracted funds of the Bank's customers, which made RUB 20 191 mln at the year-end. The major part of the income-yielding assets fall on the credit portfolio, whose volume has grown by 24 % in the amount of RUB 17 348 mln compared to 2014.

In the year under review, the credit portfolio targets were exceeded by 17 %<sup>11</sup>. The key growth drivers were corporate loans, in particular lending to legal entities, which occupy the main share of the Bank's credit portfolio. The credit portfolio grew by 32 % compared to 2014 and made RUB 11 781 mln. The volume of the retail credit portfolio made RUB 6 924 mln, which is RUB 858 mln more than in 2014. Territorially, Yakutsk occupies 74% of the credit portfolio's structure; regional network in the Sakha Republic (Yakutia) occupies 22 %, and regional network beyond the republic in Russia occupies 4 %.

The level of overdue indebtedness<sup>12</sup> made 2,6 %, which is 0,2 percentage point lower than in 2014.

At the year-end 2015, the net profit of Almazergienbank made RUB 167 mln, which is due to accrual of provisions for assets and credit-related contingency, caused by low rates of economic growth and fall of the real income of the population. The Bank didn't meet the targeted return of revenue ratio, but it met the targeted return on assets and the share of operating expense in the operating income.

## KEY FINANCIAL PERFORMANCE INDICATORS OF THE BANK FOR 2014–2015

Nº	Indicator	2014	2015	Change, %
1	Assets, RUB mln	20 411	25 217	23,5
2	Liabilities, RUB mln	18 198	21 858	20,1
3	Own funds, RUB mln	2 214	3 358	51,7
4	Credit portfolio, RUB mln	14 019	17 348	23,7
5	Operating income before provisions, RUB mln	1 707	2 183	27,9
6	Net interest income, RUB mln	1 218	1 388	14,0
7	Net interest income after provisions for loan portfolio impairment, RUB mln	853	859	0,7
8	Net commission income, RUB mln	354	358	1,1
9	Administrative and other operating expense, RUB mln	1 092	1 376	26,0
10	Loan loss provision, RUB mln	366	529	44,6
11	Profit before taxation, RUB mln	234	220	-6,0
12	Profit, RUB mln	184	167	-9,2

## PROSPECTS OF THE BANK'S DEVELOPMENT IN 2016

The arrangements on the Bank's development for the year are stipulated in the 2016 Work Plan, approved by the Supervisory Board of JSCB Almazergienbank JSC.

The Bank's capitalization is planned in order to implement projects in 2016, which will allow to implement the target positions in the rating of the largest banks, approved by the Strategy, as well as strengthen the market positions in the Sakha Republic (Yakutia). The recapitalization is planned by increasing the Bank's capital in the amount of RUB 298 mln, which will be possible due to the contribution of the major shareholder represented by the Ministry of Property and Land Relations of the Sakha Republic (Yakutia), as well as by attracting subordinate loans for RUB 100 mln.

After the recapitalization, by the end of 2016 the Bank's authorized capital will increase by 17 %, own funds (capital) – by 16 %. The Bank's assets will make RUB 29,9 bln, including the income-yielding assets (78 %), that will be fully covered by the funds attracted from the Bank's customers.

**Within the recapitalization obligation, the Bank will participate in the following state programs:**

**1 |** State Program of the SR (Y) on providing quality housing for 2012–2019, in the subprogram on the develop-

ment of mortgage housing lending. RUB 500 mln will be allocated to crediting the private housing construction in the localities with the population less than 20 thousand people;

**2 |** State Program of the SR (Y) on providing quality housing for 2012–2019, in the subprogram on improving access to the apartment building market. RUB 500 mln will be allocated to mortgage lending to buy housing in the primary market of apartment buildings in the localities with the population less than 20 thousand people;

**3 |** State Program of the SR (Y) on providing quality housing and utilities services and power sector development for 2012–2019, to grant target loans to population totaling RUB 50 mln with preferential interest rates for municipal improvement, including heat and water supply and waste water disposal.

**CORPORATE BUSINESS |** The corporate customer credit portfolio will grow to RUB 14,6 bln due to the Bank's participation in the state public-private partnership program of lending the construction of kindergartens in the amount of RUB 2,7 bln.

The target loan volume made RUB 9,3 bln, of which 44% – lending to large business, 28 % – small and medium business, 28 % – funding the construction of kindergartens.

In 2016 the Bank will continue to intensively attract funds from the development institutes and federal organizations

to Yakutia's economy. Thus, it is planned to attract RUB 214 mln from the subjects of SME Bank JSC to the development of small and medium entrepreneurship.

**RETAIL BUSINESS** | The retail credit portfolio will grow by 10 % to RUB 7,6 bln. In the structure of the retail portfolio, the share of consumer loans will make 46 %, the share of mortgage loans will grow by RUB 1 bln to 54 %, due to the implementation of the program of mortgage crediting of the private housing construction, improving access to the apartment building market and municipal improvement in the regions of the republic.

Private funds will continue making the basis of the Bank's resource base; their share will make 67 % in the total volume of the attracted funds.

In order to reduce the rates of rise in the cost of the attracted private funds, it is planned to substantially increase the number of wage projects in Yakutsk and increase the balances of the wage plastic cards accounts in 2016. Work on increasing the net commission income and control over the level of the formed provisions will continue.

## RISK MANAGEMENT

Risk management and mitigation has traditionally been a priority direction in the work of JSCB Almazergienbank JSC.

The Bank's Supervisory Board approves the Risk Management Policy which includes a coordination of efforts on the development of the risk management system, identifies functions and authority of all levels of the risk management system. Under the Supervisory Board there is a Risk Management & Audit Committee which aids the Supervisory Board with identifying the priority directions of the Bank's activity in the field of risks and with creating conditions for proper risk management.

The policy of Almazergienbank in the field of risk management is aimed at creating a comprehensive system of risk management which corresponds with the nature and scale of the Bank's activity and the profile of the taken risks as well as meets the requirements of the business's further development. The current risk management system is based on the statutory regulations and recommendations of the Bank of Russia as well as the regulations of the Basel Committee on Banking Supervision. The Bank carries out comprehensive work on risk management, that includes the provision of the effective internal control system and implementation of the requirements established by the Bank of Russia.

Unit responsible for the construction of the system of risk management and control over credit, market and operational risks taken by the Bank is an independent unit of the Bank - Risk Management Department. Risk management is not only a function of risk managers; it is also integrated into all business processes of the Bank. Unit initiating and implementing transactions bears responsibility for implementation of a specific risk event.

The Bank identifies the following risk types as the substantial ones: credit risk; market risk; liquidity risk; operational risk; legal risk; reputational risk; strategic risk.

**CREDIT RISK** | Credit risk is managed in compliance with the Bank's credit Policy, that was approved as amended on April 29, 2015. The purpose of the Credit Policy is to secure the growth of the Bank's credit portfolio in a target volume and with a balance between the profitability and risk.

### Basic methods of credit risk management:

- ▶ risk prevention through assessing potential risks before making a transaction;
- ▶ limiting credit risk through setting limits;
- ▶ transaction structuring;
- ▶ transaction security management;
- ▶ using the decision-making authority system;
- ▶ monitoring and control of credit risk level.

### In 2015 the Bank made the following major arrangements:

- ▶ Tightened control over the appropriate use of credit funds;
- ▶ Control over the implementation of additional conditions and covenant have been introduced;
- ▶ The Bank's control over the expiration of the collateral insurance period has been introduced;
- ▶ The Bank's control over the state registration of movable property in the notariate pledge registry has been introduced;
- ▶ Regulations of insurance protection of the Bank's interests have been developed and introduced;
- ▶ Regulations of the Credit Commission, Small Credit Commission have been restated; the commissions' new composition has been approved;

- ▶ Methodological recommendations on preparation of consolidated statements of the Group of related companies have been developed;
- ▶ Monitoring of credit portfolio quality broken down by the authority level has been introduced;
- ▶ A project of introducing the methodology of corporate loans provision in compliance with IFRS39 has been implemented.

The established and well-functioning system of credit risk management allowed the Bank to hold the level of overdue indebtedness below the average in the republic, both in corporate and retail lending.

**MARKET RISK |** The Bank manages market risk by setting the open position limits to the size of the portfolio by certain financial instruments, the terms of change in interest rates, currency position, loss limits, as well as by conducting a regular monitoring of their observation, whose results are reviewed and approved by the Management Board.

The Bank continued the conservative policy of placing in securities it had begun in 2014. To minimize the market risk and the load on capital, the trading portfolio is mostly formed from the marketable instruments.

**LIQUIDITY RISK |** The Bank adopted the Strategy for liquidity management and created a multilevel liquidity management system that provides an integrated approach to monitoring, forecasting and decision-making in this area and includes the scenario approach to the determination of the current and projected liquidity.

**The Bank manages the liquidity risk as follows:**

- ▶ planning the structure of assets and liabilities;
- ▶ setting the control over the limits and indices of liquidity risk;
- ▶ forming the liquidity cushion;
- ▶ timely planning and preparation of arrangements aimed to support and restore liquidity in the case of unfavorable events.

During the period under review, the Bank daily met the requirements of quick liquidity ratio H2, current liquidity ratio H3 and long-term liquidity ratio H4.

**OPERATIONAL RISK |** The Bank's operational risk management system is aimed at preventing possible losses and decreasing the probability of business process frustration, inability to provide high quality of customer service due to personnel error, system failures, internal or external fraud, breach of legislation. In the period under review, the operational risk, subject to permanent monitoring in the Bank, has not had a significant impact of the results of its activity.

In order to develop the operational risk management system, in the period under review the Bank continued to improve its work on improving the methodological documents on operational risk management in accordance with the recommendations of the Bank of Russia, Basel II Agreement and consultants of the International Finance Corporation.

**LEGAL RISK |** In compliance with the recommendations of the Basel Committee, the Bank views legal risk as a constituent of the operational risk. To mitigate legal risk, regular identification and collection of data on the legal risk factors is conducted. Based on the obtained information, analytical database about the incurred losses is formed, which contains information about the types and sizes of legal risk losses.

**REPUTATIONAL RISK | The Bank's reputational risk management is based on the following arrangements:**

- ▶ The Bank has a clear vision of its future and position in the market – the Bank has its Development Strategy approved by the Supervisory Board.
- ▶ Analysis of meeting the target indicator of market share, analysis of financial and other reasons of the market share's reduction in the regions allows the Bank's management to timely make proper decisions.
- ▶ The Bank has developed and implements the procedures of official, persistent and timely review of customer complaints.
- ▶ The Bank has developed the standards and norms of customer service; all employees observe the Code of Corporate Ethics and the Corporate Governance Code.
- ▶ The Bank has organized the system of the key bank risks management, including the ongoing monitoring

of customer operations, in order to control the anti-money laundering in compliance with the Federal Law № 115-FL on the Counteraction of the Legitimization (Laundering) of the Proceeds of Crime and the Financing of Terrorism.

- ▶ The Bank is informationally open – it regularly publishes its financial reporting and reveals all required information. The Bank has its permanently updated website and uses different Internet resources.
- ▶ The Bank launches publicity events (publication of promotional materials and other), implements sponsorship and charity projects, analyzes the influence of the advertisement and information policy on its business reputation.

**STRATEGIC RISK** | To mitigate the strategic risk, the Bank uses the following key measures: controls that the decisions made by the higher authorities are executed by the Bank's lower units and employees; standardizes the Bank's major operations and transactions; monitors the banking services market to identify the new areas of the Bank's activity and sets the new strategic tasks; monitors the resources, including the financial, material and technical, and human, to implement the Bank's strategic tasks; establishes the management reporting that is used to make management decisions.

Sustainable development in the Russian and regional markets of banking services under the growing competition and slower growth of the banking system prove the rightness of the Bank's chosen development strategy and absence of significant strategic risks.

**PRIORITIES OF THE RISK MANAGEMENT SYSTEM DEVELOPMENT** | In order to identify, evaluate and aggregate the significant risks, control their volumes and plan the size of the specific capital for their coverage, the internal procedures of assessing the capital adequacy will be developed.

**For further development of risk management system, in 2016 the Bank will continue to use and actively implement the beginner and basic level elements, as well as subsequently move to the advanced level by:**

- ▶ developing the calculation methodology and further expansion of the economic capital's model field of application;
- ▶ implementing the advanced methods of the quantitative assessment of risks, systematization of approaches to the creation and implementation of the applied models and methods, including the borrowers' rating;
- ▶ continuing the implementation and improvement of the integrated system of risk-appetite indicators;
- ▶ improving the applied stress-testing methodologies;
- ▶ analyzing the introduced new banking products and the planned methods of their implementation in terms of risks;
- ▶ enhancing the arrangements to prevent the non-typical situations and emergencies;
- ▶ forming a regular risk reporting database.



**WE HAVE CLOSELY COOPERATED WITH ALMAZERGIBANK SINCE 1998 – IN TRADE, IT'S IMPORTANT TO TIMELY REPLENISH THE WORKING CAPITAL, AND OVERDRAFT OFTEN COMES TO THE HELP HERE**

**AYAL MAKAROV**

**General Director,  
Myasnoy Dvor Company**

–  
Sale of meat and meat products,  
production of smoked meat and semi-  
finished products through  
a corporate chain

We sell meat, meat products and foodstuffs. We have our own meat processing facility. Our first shop was opened in 1997, today we already have 10 points of sale, branches in the regions, warehouses and even a small restaurant. We have closely cooperated with Almazergienbank since 1998 – in trade, it's important to timely replenish the work-

ing capital, and overdraft often comes to help here. And with long-term loans we expand our business – purchase equipment, premises for warehouses and shops. By the way, the ATMs of Almazergienbank are installed in all our shops.

# 5.

## CORPORATE GOVERNANCE

### CORPORATE GOVERNANCE SYSTEM

The system of corporate governance in JSCB Almazergienbank JSC is based on the strict implementation of principles of the Corporate Governance Code (letter of the Bank of Russia dated April 10, 2014 № 06-52/2463), as well as on the Bank's Corporate Governance Code, Charter of the Bank, Regulations on the General Shareholders Meeting, Regulations of the Supervisory Board, Regulations on the Risk Management and Audit Committee, Regulations on the Strategic Development and Corporate Governance Committee, Regulations on the HR and Remuneration Committee, Regulations on the Chair of the Management Board, Regulations on the Management Board, Regulations on the Audit Team, Information Policy and other internal documents of the Bank.

**The corporate governance system is based on the following principles of corporate governance:**

- ▶ Ensure the protection of shareholders' rights and legal interests.
- ▶ Exercise strategic governance of the Bank by the Supervisory Board, define the key principles and approaches to organizing the risk management and internal control system, control over the Bank's executive bodies activity, and implementation of other key functions.
- ▶ Supervisory Board's accountability to the Bank's shareholders;
- ▶ Ensure that the Supervisory Board makes decisions that meet the interests of the Bank and its shareholders;
- ▶ Ensure that the Supervisory Board includes enough independent directors;
- ▶ Ensure that the Bank's executive bodies have a possibility of conducting efficient management of the Bank's current operations prudently, in good faith

and solely for the benefits of the Bank conducting efficient management of the Company's current operations, as well as ensure the Bank's executive bodies' accountability to the Supervisory Board and the Company's shareholders;

- ▶ Ensure the establishment in the Bank of an efficient system of risk management and internal control aimed to secure reasonable assurance in reaching the goals set before the Bank;
- ▶ Ensure timely disclosure of full and true information about the Bank, including its financial position, economic performances, structure of ownership and management in order to provide the Bank's shareholders and investors an opportunity for making informed decisions;
- ▶ Ensure effective control over the financial and economic activity of the Bank with the purpose of protecting rights and legal interests of its shareholders;
- ▶ Corporate social responsibility.

General shareholders meeting is a supreme management body of JSCB Almazergienbank JSC. The Bank's Supervisory Board is elected by shareholders and is accountable to them; it provides strategic management and control over the activity of the executive bodies – Chair of Management Board and Management Board. The executive bodies manage the Bank's current operations and implement tasks set by the shareholders and the Supervisory Board.

A system of internal control over financial and economic activity holds a special place in the system of corporate governance, which aims to protect shareholders' rights and legal interests. Under the Bank's Supervisory Board there is a Risk Management & Audit Committee; together with the Internal Audit Service it aids the management bodies to secure the Bank's efficient work. The Audit Team controls the compliance with law of the operations conducted by the Bank.

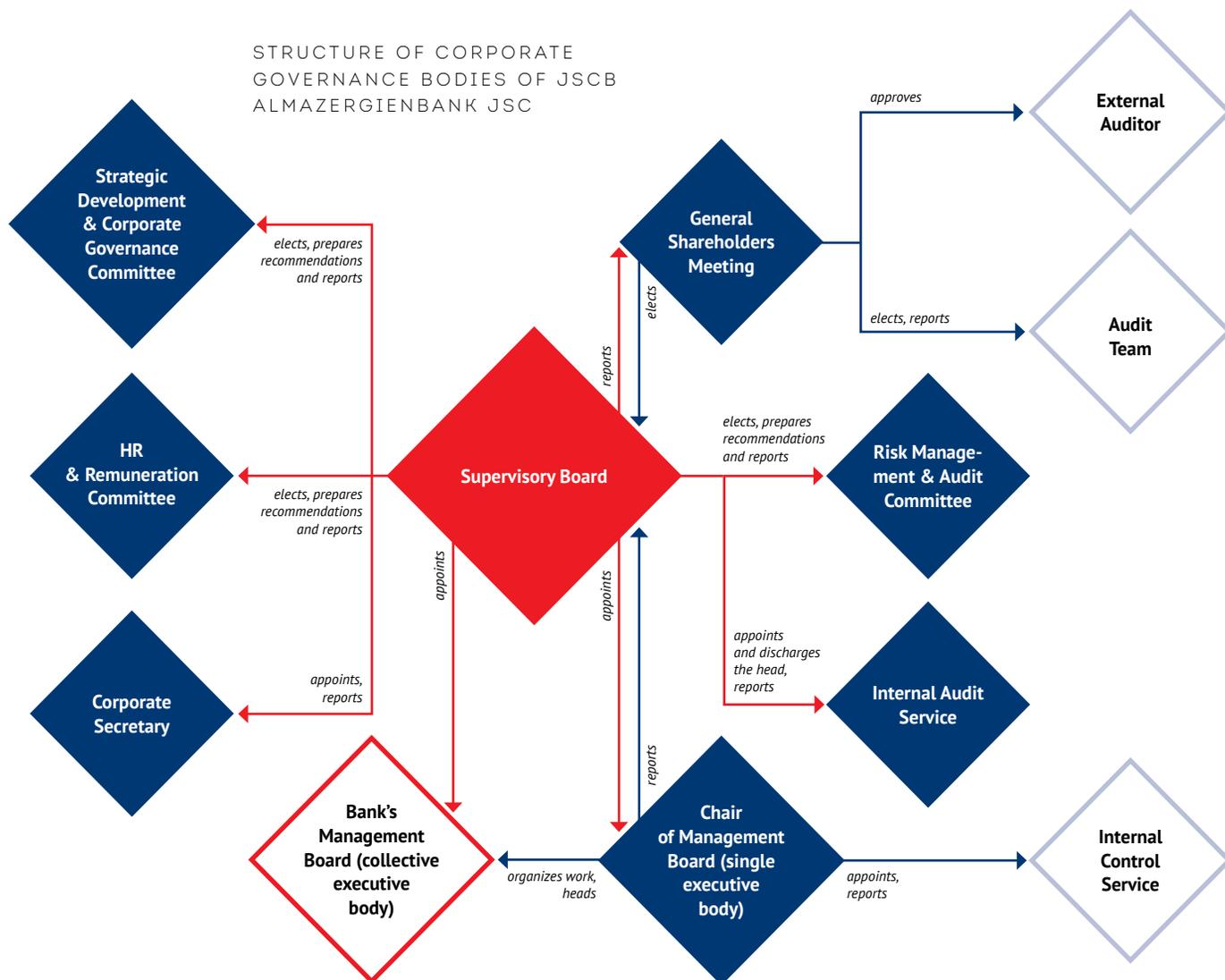
To conduct audit and confirm financial statements, JSCB Almazergienbank JSC involves an external auditor not having ownership interests with the Bank and its shareholders.

The HR & Remuneration Committee under the Supervisory Board develops recommendations on the key issues of appointing and motivating the members of the Supervisory Board and executive bodies.

The Supervisory Board's Strategic Development and Corporate Governance Committee considers and develops recom-

mendations on the issues of strategic development and corporate governance.

JSCB Almazergienbank JSC timely discloses true information, including information about its financial position, economic performances and ownership structure. The information is disclosed in compliance with the requirements of the Russian law and on the basis of the Bank's current Information Policy.



# THE YEAR 2015 SAW 5 EXTRAORDINARY SHAREHOLDERS' MEETINGS WHERE 5 ISSUES WERE CONSIDERED



## **DEVELOPMENT OF CORPORATE GOVERNANCE SYSTEM**

At the beginning of the year 2015, the Supervisory Board of JSCB Almazergienbank JSC approved the Corporate Governance System Development Plan for 2015.

In the year under review, JSCB Almazergienbank JSC continued its work on improving the corporate governance system.

**To implement the Corporate Governance System Development Plan, the Bank has conducted the following work on improving the corporate governance system:**

- ▶ Self-assessment of corporate governance quality, based on the self-assessment methodology of the Federal Agency for State Property Management, was conducted in JSCB Almazergienbank JSC;
- ▶ The Regulations on the Self-Assessment Procedure of the Supervisory Board of JSCB Almazergienbank JSC were developed and approved;
- ▶ The Regulations on the Remuneration to the members of the Supervisory Board of JSCB Almazergienbank JSC were reviewed and approved as amended;
- ▶ Anti-corruption Policy of JSCB Almazergienbank JSC was approved;
- ▶ Conflict Resolution Policy of JSCB Almazergienbank JSC was approved;
- ▶ The Regulations on the Remuneration of Executive Bodies and other Key Executives of JSCB Almazergienbank JSC, including by the requirement of the Bank of Russia (Instruction №154-И) were approved.

## **GENERAL SHAREHOLDERS MEETING**

General Shareholders Meeting is a supreme management body of JSCB Almazergienbank JSC. The decision on its convening is made by the Supervisory Board. By voting on the issues on the agenda at the Meeting, the Bank's holders exercise their rights related to the participation in its management. General Shareholders Meetings are held annually on the date defined in compliance with the applicable law, no sooner than March 1 and no later than June 30 of the year following the accounting year.

Shareholders are informed of the date and place of the General Shareholders Meetings, as well as of the date as of which the list of people entitled to attend is made, in compliance with the applicable law and the Bank's Charter.

Annual General Shareholders Meeting of JSCB Almazergienbank JSC took place on June 26, 2015 in Yakutsk; it was chaired by the Chair of the Bank's Supervisory Board Sergey Mestnikov. The Chair of the Management Board Lyudmila Nikolaeva and Chief Accountant Sergey Vasiliev spoke on the issues on the agenda. **Shareholders took part in discussing eleven issues on the agenda.**

- ▶ On approving the Annual Report of JSCB Almazergienbank JSC on the results of the year 2014.
- ▶ On approving the accounting statements of JSCB Almazergienbank JSC for the year 2014, including the profit and loss statement.

- ▶ On the distribution of profits and losses of JSCB Almazergienbank JSC on the results of the year 2014.
- ▶ On the payment of dividends.
- ▶ On the payment of remuneration to the members of the Supervisory Board of JSCB Almazergienbank JSC.
- ▶ On approving the auditor to confirm the accounting of JSCB Almazergienbank JSC for the year 2015.
- ▶ On electing the members of the Supervisory Board of JSCB Almazergienbank JSC for the year 2015.
- ▶ On electing the Audit Team of JSCB Almazergienbank JSC for the year 2015.
- ▶ On approving the restated Regulations on Remuneration and Compensation to the members of the Supervisory Board of JSCB Almazergienbank JSC.
- ▶ On approving the restated Regulations on the Management Board of JSCB Almazergienbank JSC.
- ▶ On approving the interested party transactions that can be implemented by JSCB Almazergienbank JSC in the future.

Protocol № 01 dated 27.06.2014 was made up on the results of the Annual General Shareholders Meeting.

Shareholders made a decision on paying the dividends on the results of the year 2014 in the amount of RUB 0,03056546961 per one common share of JSCB Almazergienbank JSC with a nominal value of one ruble.

As of 31.12.2015, the amount of paid dividends made RUB 35 397 365,26, whereas the share of the paid dividends in the total amount of stated dividends made 99,99%.

The amount of dividends paid to the major shareholder – Government of the Sakha Republic (Yakutia) represented by the Ministry of Property and Land Relations of the Sakha Republic (Yakutia) – made RUB 26 475 354,23.

In addition to the Annual Meeting, shareholders are entitled to convene extraordinary shareholders' meetings. The year 2015 saw 5 extraordinary shareholders' meetings where 5 issued were considered.

**Major issues considered at the extraordinary meetings:**

- ▶ On approving the restated Charter of JSCB Almazergienbank JSC;
- ▶ On amending the Charter of JSCB Almazergienbank JSC;
- ▶ On increasing the authorized capital of JSCB Almazergienbank JSC;
- ▶ On approving the sale of common registered uncertified shares of JSCB Almazergienbank JSC of additional issue.

## SUPERVISORY BOARD

The Supervisory Board of JSCB Almazergienbank JSC, being one of the most important elements of the Bank's corporate governance, has overall charge of the activity, defines the Bank's long-term strategy, acts in accordance with Russian law, Charter, and Regulations on the Supervisory Board (approved as amended at the Extraordinary General Shareholders Meeting of JSCB Almazergienbank JSC by Protocol №3 dated 29.08.2014).

Members of the Supervisory Board are elected at the General Shareholders Meeting for a period until the next annual meeting. Shareholders holding at least 2 % of the Bank's voting shares total are entitled to nominate the candidate to the Supervisory Board members. Members of the Supervisory Board are elected by cumulative voting at the General Shareholders Meeting.

Composition of the Supervisory Board effective at the end of the year 2015 in the amount of 7 people was elected on June 26, 2015.

### COMPOSITION OF THE SUPERVISORY BOARD OF JSCB ALMAZERGIENBANK JSC

№	Composition of the Supervisory Board elected at the Annual General Shareholders Meeting on 27.06.2014	Composition of the Supervisory Board elected at the Annual General Shareholders Meeting on 26.06.2015
<b>Non-executive Directors</b>		
1	Sergey Mestnikov	Sergey Mestnikov
2	Lyubov Beryozkina	Lyubov Beryozkina
3	Nadezhda Kononova	Nadezhda Kononova
4	Evgeny Chekin	Evgeny Chekin
5	Andrey Nikolaev	Andrey Nikolaev
<b>Executive Director</b>		
6	Lyudmila Nikolaeva	Lyudmila Nikolaeva
<b>Independent Director</b>		
7	Dmitry Filippov	Dmitry Filippov

5 of them are non-executive directors, 1 is an independent director. A combination of executive and non-executive directors ensures representation of interests of all shareholders and allows the Supervisory Board to efficiently solve the Bank's tasks.

## DATA ON THE PARTICIPATION OF THE SUPERVISORY BOARD MEMBERS IN THE COMMITTEES

	Chair of the Supervisory Board	Deputy Chair of the Supervisory Board	Chair, Risk Management and Audit Committee	Chair, HR & Remuneration Committee	Chair, Strategic Development & Corporate Governance Committee	Member, Risk Management and Audit Committee	Member, HR & Remuneration Committee	Member, Strategic Development & Corporate Governance Committee
Sergey Mestnikov								
Lyubov Beryozkina								
Nadezhda Kononova								
Evgeny Chekin								
Lyudmila Nikolaeva								
Dmitry Filippov								
Andrey Nikolaev								

During the year 2015 there was no fact of the Supervisory Board's member losing a status of independent director.

**In compliance with the decision of the Extraordinary General Shareholders Meeting dated August 29, 2014, the Supervisory Board's competence includes the following functions:**

- ▶ Strategic management of the Bank's operations;
- ▶ Quarterly monitoring of implementation of working plans and the Bank's budget;
- ▶ Approval of risk management policy, review of reports on the risk management status and effectiveness.
- ▶ Approval of the Risk Appetite Statement;
- ▶ Approval of the Internal Audit Service's work plans;
- ▶ Consideration of quarterly reports of the professional securities trader comptroller.
- ▶ Consideration of semiannual internal control reports and assessment of efficiency of the Bank's internal control system.
- ▶ Making decisions on participation and termination of participation of the Bank in other organizations.

This full list of the Supervisory Board's functions is stated in the Regulations on the Supervisory Board. The document is posted on the Bank's website at <http://www.albank.ru>.

**CHAIR OF THE SUPERVISORY BOARD** | The Supervisory Board's Chair is elected by the Board's members by a majority vote. The Bank's Supervisory Board has a right to reelect its Chair at any time by a majority vote of the total number of the Board's members.

The Supervisory Board's Chair cannot combine this position with the position of the Bank's Management Board Chair and shall not have employment relationship with the Bank.

The Chair of the Supervisory Board, together with the Corporate Secretary, organizes its work, convenes the meetings and chairs them, as well as chairs the General Meetings of the Bank's Shareholders. In the absence of the Supervisory Board's Chair, his/her functions are performed by the Deputy Chair of the Supervisory Board.

COMPOSITION  
OF THE SUPERVISORY  
BOARD

### **SERGEY MESTNIKOV**

*Member of the Supervisory Board since 28.06.2012, Chair of the Supervisory Board since 23. 07.2012*

He was born in 1981 in Borogotsy village of Ust-Aldan District of Yakut ASSR. At 31.12.2015 he had no share in the authorized capital of Almazergienbank

#### **Education**

13.12.2013	Russian Presidential Academy of National Economy and Public Administration Speciality: Economic manager. Qualification: Crisis management of enterprises, regions and industries
16.06.2003	Yakutsk State University Speciality: Law. Qualification: Lawyer

#### **Further vocational education**

11.06.2010	Management Institute under the President of the SR (Y) Program: Enterprise management
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#### **Professional experience for the last 5 years**

02.2016 – until present	General Director, Non-Profit organization "Trust Fund for the Future Generations of the Sakha Republic (Yakutia)"
28.03.2012–02.2016	First Deputy Minister of Property and Land Relations of the Sakha Republic (Yakutia)
05.2011–03.2012	Head, Secretariat of the Chair of Government of the Sakha Republic (Yakutia)
07.2010–05.2011	Deputy Head, Secretariat of the Chair of Government of the Sakha Republic (Yakutia)
01.2008–07.2010	Head, Department of Property of Agroindustrial Complex, Housing and Community Amenities, Mass Media and Social Sector of the Ministry of Property and Land Relations of the Sakha Republic (Yakutia)

#### **Membership in the board of directors (supervisory board) of other enterprises**

- ▶ Chair of the Board of Directors, SakhaTransNefteGaz JSC
- ▶ Chair of the Board of Directors, Republican Investment Company JSC
- ▶ Member of the Board of Directors, RIC Sterkh JSC
- ▶ Member of the Board of Directors, SIMC SakhaMedStrakh
- ▶ Chair of the Board of Directors, Republican Mortgage Agency

**LYUBOV BERYOZKINA**

*Member of the Supervisory Board from 13.06.2013, Deputy Chair of the Supervisory Board from 12.07.2013*

She was born in 1965 in Tiksi settlement of Bulun District of Yakut ASSR. At 31.12.2015 she had no share in the authorized capital of Almazergienbank

**Education**

25.12.1987	Novosibirsk Agricultural Institute Speciality: Accounting and analysis of economic activity in agriculture Qualification: Accounting economist in agriculture
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**Further vocational education**

2009	Postgraduate studies, Russian Presidential Academy of Public Administration with a degree in Finance and Credit
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**Professional experience for the last 5 years**

23.07.2012 – until present	First Deputy Finance Minister of the Sakha Republic (Yakutia)
08.07.1999–23.07.2012	Head, Budget Department, SR (Y) Finance Ministry

**Membership in the board of directors (supervisory board) of other enterprises**

- ▶ Member of the Board of Directors, Republican Investment Company JSC
- ▶ Member of the Supervisory Board of the Strategic Research Center of the Sakha Republic (Yakutia)
- ▶ Member of the Board of Directors of the Sakha Republic (Yakutia) Development Corporation JSC

**EVGENY CHEKIN**

*Member of the Supervisory Board from 13.06.2013*

He was born in 1973 in Krasnoye settlement of Yaroslavl Oblast. At 31.12.2015 he had no share in the authorized capital of Almazergienbank

**Education**

24.06.2004	All-Russian Distance Institute of Finance and Economics Speciality: Finance and credit
20.06.1997	Yaroslavl State Medical Academy Speciality: General medicine

**Professional experience for the last 5 years**

08.2012 – until present	Deputy Minister of Economy of the Sakha Republic (Yakutia)
08.2011–08.2012	Head, Department of Public-Private Partnership, Ministry of Economy and Industrial Policy of the Sakha Republic (Yakutia)
08.2009–08.2011	Head, Department of Public-Private Partnership, Committee of Investment Policy and External Economic Activity, Department of Economic Development of Yaroslavl Oblast
04.2008–05.2009	Executive Director, Regional Business Development Unit, Special Unit in Yaroslavl, VTB-Leasing JSC

**Membership in the board of directors (supervisory board) of other enterprises**

- ▶ Member of the Board of Directors, Transport and Logistics Center JSC
- ▶ Member of the Board of Directors, Yakutia Venture Company JSC
- ▶ Member of the Board of Directors, South Yakutia's Development Corporation JSC
- ▶ Member of the Board of Directors, Yakutia's Development Corporation JSC
- ▶ Member of the Board of Directors, Yakutia Cluster Development Center JSC
- ▶ Member of the Board of Directors, RIC Sterkh JSC

**NADEZHDA KONONOVA**

Member of the Supervisory Board from 28.09.2010

She was born in 1959 in Yakutsk of Yakut ASSR. At 31.12.2015 she had no share in the authorized capital of Almazergienbank

**Education**

1997	Russian Presidential Academy of Public Administration Speciality: Management. Qualification: Economic manager
1984	Khabarovsk Polytechnic Institute Speciality: Economy and organization of forestry. Qualification: Planning engineer

**Further vocational education**

25.07.2014	Strategic session and seminar on management consulting with participation of the leading international company McKinsey & Company
14.06.2012	Seminar of the Independent Directors Association: "Work of a member of the board of directors, professional agent, independent director in a company partially owned by the government"

**Professional experience for the last 5 years**

28.04.2012 – until present	Deputy General Director, Republican Investment Company JSC
11.01.2008 – 27.04.2012	Advisor to the President of the Sakha Republic (Yakutia)
01.08.2002 – 10.01.2008	Head, Labor and Payroll Unit, JSC ALROSA CC

**Membership in the board of directors (supervisory board) of other enterprises**

- ▶ Member of the Board of Directors, RIC Plus JSC
- ▶ Member of the Board of Directors, Yakutia Venture Company JSC
- ▶ Member of the Board of Directors, Tuymada Shopping & Entertainment Center OJSC

**ANDREY NIKOLAEV**

Member of the Supervisory Board from 13.06.2013

He was born in 1977 in Suntar village of Suntar District of YASSR. At 31.12.2015 he had no share in the authorized capital of Almazergienbank

**Education**

30.06.2000	G.V. Plekhanov Russian Academy of Economics Speciality: Finance and credit. Qualification: Economist
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**Further vocational education**

21.09.2006	Institute of Professional Development and Financial Specialists Training, Enterprise management: internal accounting and international accounting standards
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**Professional experience for the last 5 years**

01.10.2013 – until present	First Deputy General Director, Almazy Anabara JSC
01.07.2005 – 30.09.2013	Deputy General Director for Economy and Finance, Almazy Anabara JSC

**Membership in the board of directors (supervisory board) of other enterprises**

No

**DMITRY FILIPPOV**

*Member of the Supervisory Board, Independent director from 27.06.2014*

He was born in 1973 in Pushkino of Moscow Region. At 31.12.2015 he had no share in the authorized capital of Almazergienbank

**Education**

04.07.1994	Ural Institute of National Economy Speciality: International economic relations Qualification: Economist with a knowledge of a foreign language
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**Degree**

22.03.2012	Candidate of Economics
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**Professional experience for the last 5 years**

2015 – until present	Dean, Road Faculty, Ammosov North-Eastern Federal University
01.09.2006–2015	Assistant Professor, Finance and Banking Department, Economics and Finance Institute, North-Eastern Federal University
01.02.2001 – until present	Consulting expert on project management, investment, business planning

**Membership in the board of directors (supervisory board) of other enterprises**

No

**LYUDMILA NIKOLAeva**

*Member of the Supervisory Board, Executive director from 27.06.2014*

She was born in 1969 in Maya village of Megino-Kangalassy District of YASSR. At 31.12.2015, her share in the authorized capital of Almazergienbank makes 0, 17 %

**Education**

1993	Saint-Petersburg University of Economics and Finance Speciality: Finance and credit. Qualification: Economist
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**Further vocational education**

03.2015	Effective Anti-Crisis Management, Effective Management Strategy seminars
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**Professional experience for the last 5 years**

17.07.2014 – until present	Chair of the Management Board, JSCB Almazergienbank JSC
07.03.2014–16.07.2014	Acting Chair of the Management Board, JSCB Almazergienbank JSC
01.10.2010–06.03.2014	First Deputy Chair of the Management Board, JSCB Almazergienbank JSC
01.03.2005–31.09.2010	Deputy Chair of the Management Board – ead of Corporate Business Unit

**Membership in the board of directors (supervisory board) of other enterprises**

- ▶ Chair of the Board of Directors, AEB Capital LLC
- ▶ Member of the Board of Directors, YC Properties LLC

NUMBER OF MEETINGS (ABSENT VOTES) WITH PARTICIPATION OF THE SUPERVISORY BOARD MEMBER IN 2015

Members of the Supervisory Board	Number of meetings, including absent votes, with participation of the Supervisory Board member in 2015
Sergey Mestnikov	20 of 24
Lyubov Beryozkina	20 of 24
Evgeny Chekin	20 of 24
Nadezhda Kononova	22 of 24
Andrey Nikolaev	15 of 24
Dmitry Filippov	23 of 24
Lyudmila Nikolaeva	19 of 24

NUMBER OF PHYSICAL MEETINGS HELD IN 2015 – 10. NUMBER OF MEETINGS IN ABSENTIA HELD IN 2015 – 14



The meetings of the Bank's Supervisory Board are convened under the initiative of its Chair or if demanded by the member of the Supervisory Board, the Bank's Audit Team or Auditor, the Bank's Management Board and the Chair of the Bank's Management Board.

Quorum for the meeting of the Bank's Supervisory Board makes at least 4 people out of the number of the elected members of the Bank's Supervisory Board.

The decisions at the Supervisory Board's meetings are made by a majority vote of the present members, if more votes are not required by the Federal Law on Joint-Stock Companies, the Charter or the Regulations on the Bank's Supervisory Board.

Each member of the Board has one vote at making decisions at the Supervisory Board's meetings.

The meetings of the Bank's Supervisory Board are regular; extraordinary meetings are convened if required.

The work plan of the Bank's Supervisory Board is developed for a period between the Annual General Shareholders Meetings and is approved by the Supervisory Board. The meetings of the Bank's Supervisory Board are scheduled based on the Bank's activity.

The internal documents of Almazergienbank define a minimal number of Supervisory Board's meetings – at least once a quarter; in practice the meetings and the absent votes are held at least 3 times a quarter. The members of the Supervisory Board receive the notice and the necessary materials 10 days prior to the meeting. The Supervisory Board can be arranged as an absent vote.

The year 2015 saw 24 meetings of the Supervisory Board, where 130 issues were considered.

**During 2015 the Bank's Supervisory Board considered the following issues:**

- ▶ On approving the Risk Appetite Statement and quarterly consideration of the reports of meeting the risk appetite parameters;
- ▶ On approving the Statement of work of JSCB Almazergienbank JSC in the field of bank risk management;
- ▶ On approving the Statement of work of the Internal Audit Service of JSCB Almazergienbank JSC;

- ▶ On approving the Comptroller's Report of JSCB Almazergienbank JSC;
- ▶ On considering the information about the status of the information security system of JSCB Almazergienbank JSC for the year 2014;
- ▶ On coordinated approvals of the Report of Credit Policy Implementation of JSCB Almazergienbank JSC for the year 2013;
- ▶ On approving the KPI of Almazergienbank's management and the Regulations on the KPI system for the management of JSCB Almazergienbank JSC;
- ▶ On implementing the Plan and the budget (quarterly);
- ▶ On approving the Activity Assessment Procedure for the Supervisory Board of JSCB Almazergienbank JSC.

## COMMITTEES OF THE SUPERVISORY BOARD

For the Supervisory Board to perform its functions more effectively, as well as for a preliminary detailed study of certain issues, there are committees developing recommendations on the issues within the Supervisory Board's competence.

### The following committees work in the Bank:

- ▶ Risk Management & Audit Committee
- ▶ HR & Remuneration Committee
- ▶ Strategic Development and Corporate Governance Committee

**RISK MANAGEMENT & AUDIT COMMITTEE** | The Risk Management & Audit Committee has been established to develop the soundly-based recommendations for the Supervisory Board while the latter one controls the Bank's financial and economic activity, truthfulness of financial reporting, functioning of internal control systems and risk management.

The Committee's main tasks include the consideration of financial reporting and other financial information disclosed publically or provided by the Bank to its investors, shareholders and other interested parties; organization of the Bank's interaction with an external auditor; surveillance over the formation of internal control systems, risk management and functioning of internal audit.

### The Committee consists of 4 members of the Supervisory Board, including 1 Independent director elected by the Committee's Deputy Head:

- ▶ Lyubov Beryozkina, Chair of the Committee, Deputy Chair of the Supervisory Board;
- ▶ Dmitry Fillipov, Deputy Chair of the Committee, member of the Supervisory Board, Independent director;
- ▶ Evgeny Chekin, Member of the Committee, Member of the Supervisory Board;
- ▶ Andrey Nikolaev, Member of the Committee, Member of the Supervisory Board.

The year 2015 saw 11 meetings of the Risk Management & Audit Committee of the Supervisory Board of JSCB Almazergienbank JSC, including 8 meetings with joint attendance and 3 meetings in the form of absent votes.

Total 43 issues were considered, including such as preliminary consideration of the Risk Appetite Statement and quarterly consideration of the reports of meeting the risk appetite parameters, of the reports and plans of the Internal Audit Service, report on bank risks, comptroller's report, information security report, AML/TF report, Regulations on the internal control system and Internal Audit Service, etc.

After preliminary review, the Committee has recommended that the Supervisory Board approve the internal documents and the interested party transactions and take note of the reports of the relevant units.

The Committee issued 2 commissions to the Bank's Management Board; 1 of them has been fulfilled, the other 2 are currently in progress. They included such commissions as the one on reducing the high and medium risk appetite indicators and the one on fulfilling the key unsecured credits indicator at the level of 30 % by 31.12.2015.

**HR & REMUNERATION COMMITTEE** | The Committee aims to improve the efficiency of the Bank's development management by elaborating the soundly-based recommendations to the Bank's Supervisory Board regarding personnel policy and motivation, as well as regarding the control over the implementation of such decisions made by the Supervisory Board.

The Committee's main tasks are to develop the Bank's policy regarding the establishment and motivating of the Supervisory Board's activity, develop the Bank's policy regarding the remuneration of members of the Management Board and other key executives of the Bank.

**The Committee includes:**

- ▶ Nadezhda Kononova, Chair of the Committee, Member of the Supervisory Board;
- ▶ Andrey Nikolaev, Deputy Chair of the Committee, Member of the Supervisory Board.
- ▶ Sergey Mestnikov, Member of the Committee, Chair of the Supervisory Board.

Total, the year 2015 saw 8 meetings of the HR & Remuneration Committee of Almazergienbank's Supervisory Board, all of them with joint attendance.

Total 23 issues were considered in 2015, including such as the termination of powers and election of the new Management Board of the Bank and consideration of the terms and conditions of the employment agreement of the Management Board's Chair. The Committee gave recommendations on paying personal remunerations to the members of the Supervisory Board; it also reviewed and recommended to approve the Personnel Policy of JSCB Almazergienbank JSC, recommended to approve the restated Regulations on remuneration and compensations to the members of the Supervisory Board.

The Committee issued the Bank's Management Board 3 commissions; 1 of them has been fulfilled, the other 2 are currently in progress. The commissions included such as the one on improving the KPI (key performance indicators) structure for the Bank's top management, providing the data on the Bank's social payments on top of the Russian Labor Code.

**STRATEGIC DEVELOPMENT & CORPORATE GOVERNANCE COMMITTEE**

The Strategic Development & Corporate Governance Committee aims to improve the efficiency of the Bank's development management by elaborating the soundly-based recommendations to the Bank's Supervisory Board regarding the Bank's long-term and mid-term development Strategy, development of the best practices of the Bank's corporate governance to the interests of shareholders, investors and other stakeholders of the Bank.

The main tasks of the Committee are as follows: consideration of long-term and mid-term strategies of the Bank's development, monitoring and timely correction of the Strategy, consideration of the largest innovative and investment programs and projects, issues of the Bank's reorganization and restructuring, organizing the development of proposals on improving the corporate governance in the Bank, prevention and resolution of corporate conflicts and conflicts of interests, etc.

**In compliance with the provisions of the Regulations on the Committee, the Committee consists of 4 members of the Supervisory Board, including 1 Independent director:**

- ▶ Evgeny Chekin – Chair of the Committee, Member of the Supervisory Board;
- ▶ Sergey Mestnikov – Member of the Committee, Chair of the Supervisory Board;
- ▶ Dmitry Filippov – Member of the Committee, Member of the Supervisory Board, Independent Director;
- ▶ Lyudmila Nikolaeva – Member of the Committee, Member of the Supervisory Board

The year 2015 saw 9 meetings of the Strategic Development & Corporate Governance Committee of JSCB Almazergienbank JSC total, including 7 meetings with joint attendance and 2 meetings in the form of absent votes.

Total 33 issues were considered, including such as the preliminary review of the Bank's authorized capital increase, Report on the implementation of the adopted annual work plan and budget of the Bank, Statement of work on reducing the overdue indebtedness and incidental assets, preliminary review of internal documents.

After preliminary review the Committee has recommended that the Supervisory Board approve the internal documents and take note of the reports of the relevant units.

The Committee issued 8 commissions to the Bank's Management Board, 7 of them have been fulfilled, 1 is currently in progress. The commissions included such as the one on securing the fulfillment of target indicators, on enhancing work to attract money to corporate accounts, and promoting the salary projects.

**CORPORATE SECRETARY** | The Bank's Corporate Secretary ensures that the Bank's bodies and executives observe the rules and procedures of corporate governance guarantying the realization of rights and interests of shareholders, as well as work of the Supervisory Board and interaction with the Bank's shareholders. The Corporate Secretary's duties also include the arrangement of the General Shareholders Meeting, meetings of the Supervisory and Management Boards, as well as development of corporate government practices in the Bank in compliance with the interests of its shareholders, provision of effective functioning of information exchange channels between the Bank's management bodies and assistance with disclosing information about the Bank.

Functionally, the Corporate Secretary is subordinate to the Supervisory Board and administratively – to the Chair of the Management Board.

Tatiana Krivtsova is the Corporate Secretary of JSCB Almazergienbank JSC.

#### BIOGRAPHICAL DATA OF THE CORPORATE SECRETARY OF JSCB ALMAZERGIENBANK JSC

##### **TATIANA KRIVTSOVA**

*Corporate Secretary of JSCB Almazergienbank JSC*

*She has been a member of the Board of All-Russian Public Organization "National Association of Corporate Secretaries" since July 2014*

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She was born in 1955 in Chulman settlement of Aldan District of Yakut ASSR

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##### **Education**

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1985	Novosibirsk Institute of Water Transport Engineers Speciality: Water transport operations. Qualification: Water transport engineer
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##### **Professional experience for the last 5 years**

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16.06.2014 – until present	Corporate Secretary, JSCB Almazergienbank JSC
02.05.2006–15.06.2014	Head, Bank Operations Department, JSCB Almazergienbank JSC
30.06.2010–15.06.2014	Head, Corporate Governance Department, JSCB Almazergienbank, Secretary of the Supervisory Board of JSCB Almazergienbank JSC (coordinated position)

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## MANAGEMENT BOARD

The Management Board is a collective executive body of Almazergienbank managing the Bank's current activities together with the Bank's Chair of Management Board. The Management Board is accountable to the General Shareholders Meeting and Supervisory Board.

The Management Board acts on the basis of Russian law, Charter of JSCB Almazergienbank JSC and Regulations on the Management Board of JSCB Almazergienbank JSC approved by the General Shareholders Meeting (Protocol № 1 dated 26.06.2015).

The Supervisory Board defines the personal composition of the Management Board, elects its members and can terminate their appointment. The members of the Management Board are appointed based on the decision of the Supervisory Board and approval of the nominees by the RF Central Bank. The Management Board's term of appointment cannot exceed five years.

The Management Board manages the Bank's current operations, with the exception of the issues attributed to exclusive competence of the General Shareholders Meeting and Supervisory Board, and arranges the implementation of their decisions.

### MANAGEMENT BOARD OF JSCB ALMAZERGIEBANK JSC

#### LYUDMILA NIKOLAEVA

*Member of the Supervisory Board, Executive director from 27.06.2014*

She was born in 1969 in Maya village of Megino-Kangalassy District of YASSR. At 31.12.2015, her share in the authorized capital of Almazergienbank makes 0,17 %

#### Education

1993	Saint-Petersburg University of Economics and Finance Speciality: Finance and credit. Qualification: Economist
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#### Further vocational education

03.2015	Effective Anti-Crisis Management, Effective Management Strategy seminars
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#### Professional experience for the last 5 years

17.07.2014 – until present	Chair of the Management Board, JSCB Almazergienbank JSC
07.03.2014–16.07.2014	Acting Chair of the Management Board, JSCB Almazergienbank JSC
01.10.2010–06.03.2014	First Deputy Chair of the Management Board, JSCB Almazergienbank JSC
01.03.2005–31.09.2010	Deputy Chair of the Management Board – Head of Corporate Business Unit

#### Membership in the board of directors (supervisory board) of other enterprises

- ▶ Chair of the Board of Directors, AEB Capital LLC
- ▶ Member of the Board of Directors, YC Properties LLC

**ANZHELIKA AKIMOVA***First Deputy Chair of the Management Board of JSCB Almazergienbank JSC*

She was born in 1965 in Ytyk-Kyuel village of Alexeevsky District of Yakut ASSR.  
At 31.12.2015 the share in the authorized capital of Almazergienbank makes – 0, 03 %

**Education**

1996	Finance Academy under the Government of the Russian Federation Speciality: Banking. Qualification: Banking economist
1989	Blagoveshchensk Agricultural Institute Speciality: Economy and organization of agriculture. Qualification: Agricultural industry economist

**Further vocational education**

03.2015	Leadership Management Russia Educational Center Effective Anti-Crisis Management, Effective Management Strategy seminars
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**Professional experience for the last 5 years**

16.09.2014 – until present	First Deputy Chair of the Management Board of JSCB
03.06.2013 – 15.09.2014	Head, Bank for the Sakha Republic (Yakutia) of the Asian Pacific Bank (JSC)
08.08.2011 – 02.06.2013	Manager, Vice-President, Asian Pacific Bank (JSC)
01.06.2006 – 07.08.2011	Manager, Asian Pacific Bank (JSC)

**Membership in the board of directors (supervisory board) of other enterprises**

- ▶ Member of the Board of Directors, Republican Mortgage Agency
- ▶ Chokurdakh Fish Factory LLC

**SVETLANA PLATONOVA***Deputy Chair of the Management Board of JSCB Almazergienbank JSC*

She was born in 1965 in Lomtuka village of Megino-Kangalassy District of Yakut ASSR. At 31.12.2015 the share in the authorized capital of Almazergienbank makes – 0,01 %

**Education**

1988	Novosibirsk Institute of National Economy Speciality: Industrial planning. Qualification: Economist
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**Further vocational education**

03.2015	Leadership Management Russia Educational Center Effective Anti-Crisis Management, Effective Management Strategy seminars
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**Professional experience for the last 5 years**

01.07.2013 – until present	Deputy Chair of the Management Board of JSCB Almazergienbank JSC
10.11.2010 – 30.09.2013	Head, Economic Analysis and Planning Department
01.09.2004 – 09.11.2010	Head, Analysis and Forecasting Department

**Membership in the board of directors (supervisory board) of other enterprises**

- ▶ Member of the Board of Directors, Republican special registrar Yakutsk Fund Center JSC
- ▶ Member of the Board of Directors, AEB Capital LLC

**ANATOLY TABUNANOV**

*Deputy Chair of the Management Board of JSCB Almazergienbank JSC*

He was born in 1963 in Ytyk-Kyuel village of Aleexevsky District of YASSR. At 31.12.2015 the share in the authorized capital of Almazergienbank makes – 0,01 %

**Education**

2002	Yakutsk Economics and Law Institute (branch) of the Academy of Labor and Social Relations Speciality: Finance and Credit. Qualification: Economist
1985	Ammosov Yakutsk State University Speciality: Industrial and Civil Engineering. Qualification: Construction engineer

**Further vocational education**

03.2015	Leadership Management Russia Educational Center, Effective Anti-Crisis Management, Effective Management Strategy seminars
07.06.2012	Retail Finance Publishing House, Marketing in Retail Business course

**Professional experience for the last 5 years**

01.10.2014 – until present	Deputy Chair of the Management Board of JSCB Almazergienbank JSC
10.11.2010 – 30.09.2014	Deputy Chair of the Management Board – Head, Retail Business Department
02.05.2006 – 09.11.2010	Head, IT Department

**Membership in the board of directors (supervisory board) of other enterprises**

No

**LYUBOV BUSLAEVA**

*Member of the Management Board JSCB Almazergienbank JSC*

*Head, Premium office of JSCB Almazergienbank JSC*

She was born in 1950 in Yakutsk of Yakut ASSR. At 31.12.2015 the share in the authorized capital of Almazergienbank makes – 0,05 %

**Education**

1973	Ammosov Yakutsk State University. Physics and Mathematics Faculty Speciality: Mathematics. Qualification: Teacher of mathematics
1996	Saint-Petersburg Economics Institute Speciality: Financial management. Qualification: Economic manager

**Further vocational education**

03.2015	Leadership Management Russia Educational Center Effective Anti-Crisis Management, Effective Management Strategy seminars
30.03.2011	PriceWaterhouse Coopers Course in fundamentals of corporate/banking risks and credit assessment

**Professional experience for the last 5 years**

05.11.2014 – until present	Head, Premium office of JSCB Almazergienbank JSC
01.09.2004 – 20.10.2014	Head, Customer Service Department

**Membership in the board of directors (supervisory board) of other enterprises**

No

**IGOR BORISOV**

*Member of the Management Board. Head, Corporate Business Department*

He was born in 1983 in Mokhsogollokh settlement of Ordzhonikidzevsky region of Yakut ASSR. He has no share in the authorized capital of JSCB Almazergienbank JSC

**Education**

2006	Ammosov Yakutsk State University. Law Faculty Speciality: Law. Qualification: Lawyer
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**Further vocational education**

03.2015	Leadership Management Russia Educational Center Effective Anti-Crisis Management, Effective Management Strategy seminars
13.02.2012–18.02.2012	Russian Management School Short-term training on the modern technologies of finance and investment management

**Professional experience for the last 5 years**

11.2014 г. – until present	Head, Corporate Business Department, Member of the Management Board of JSCB Almazergienbank JSC
04.2014–11.2014	Head, Corporate Customer Unit, Corporate Business Department of JSCB Almazergienbank JSC
09.2013–04.2014	Head, Loan Unit (front office), Corporate Business Department of JSCB Almazergienbank JSC
11.2011–09.2013	Head, Project Funding Department of JSCB Almazergienbank JSC
07.2010–11.2011	Head, Supplementary office of JSCB Almazergienbank JSC in Churapcha settlement of Churapcha region

**Membership in the board of directors (supervisory board) of other enterprises**

- ▶ Member of the Board of Directors, YC Properties LLC
- ▶ Member of the Board of Directors, AEB Capital

**NATALIA FEDULOVA**

*Member of the Management Board. Head, Risk Management Department*

She was born in 1975 in Kyllakh settlement of Olyokminsk region of Yakut ASSR. She has no share in the authorized capital of JSCB Almazergienbank JSC

**Education**

1996	Siberian Commercial Academy of Consumer Cooperation Speciality: Economics and Company Management. Qualification: Economic manager
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**Degree**

29.09.2005	Candidate of Economics
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**Further vocational education**

03.2015	Leadership Management Russia Educational Center Effective Anti-Crisis Management, Effective Management Strategy seminars
10.09.2012–15.09.2012	Financial University at the RF Government Short-term advanced vocational training on Banking management and change management

**Professional experience for the last 5 years**

02.02.2015 – until present	Head, Risk Management Department, Member of the Management Board of JSCB Almazergienbank JSC
20.02.2012–30.01.2015	Deputy Director, Yakutsk Regional Branch, Russian Agricultural Bank JSC
03.10.2011–20.02.2012	Head, Corporate Customer Service Department, Yakutsk Regional Branch of Russian Agricultural Bank JSC
02.12.2010–03.10.2011	Head, Customer Service Department, Yakutsk Regional Branch of Russian Agricultural Bank JSC
01.02.2008–02.12.2010	Head, Resource Department, Yakutsk Regional Branch of Russian Agricultural Bank JSC

**Membership in the board of directors (supervisory board) of other enterprises**

No

## REMUNERATION OF THE MEMBERS OF THE SUPERVISORY BOARD AND MANAGEMENT BOARD OF JSCB ALMAZERGIEBANK JSC

Remuneration of the members of the Supervisory Board for 2015 is defined in compliance with the Regulations on Remunerations and Compensations to the Members of the Supervisory Board of JSCB Almazergienbank JSC (hereinafter referred to as the Regulations), approved by the General Shareholders Meeting of JSCB Almazergienbank JSC (Protocol № 01 dated June 26, 2015) and by the General Shareholders Meeting of JSCB Almazergienbank JSC (Protocol № 01 dated June 13, 2013).

According to the Regulations, the final amount of remuneration to the member of the Supervisory Board is defined with account of his/her actual participation in the work as a Member of the Supervisory Board as well as a Member or Chair of the Supervisory Board's Committee.

In compliance with Article 1.6 of the Regulations, those individuals who are prohibited to receive any payments from commercial organizations by the federal legislation, are not remunerated and compensated.

### INFORMATION ON REMUNERATION AND COMPENSATION TO THE MEMBERS OF THE SUPERVISORY BOARD IN 2015

Components of the Regulations of remuneration	Components of remuneration			Compensation payments
	Basic remuneration	Additional remuneration		
Goals	Stimulate personal participation in the meetings of the Supervisory Board	Stimulate personal participation in the work of the Supervisory Board's committees		Reimbursement of expenses related to the participation in the meetings of the Supervisory Board
Amount-defining criteria	Actual participation in the meeting of the Supervisory Board, in at least 75 % of the held meetings	Actual participation in the work of the Committees		Actual expenses incurred
Types of additional payments	–	For performing the duties of		<ul style="list-style-type: none"> <li>▶ travel expenses to the meeting's venue by all modes of transport;</li> <li>▶ housing rent expenses;</li> <li>▶ expenses related to getting professional consultations;</li> </ul>
		Committee member	Committee Chair	
		10 %	20 %	30 %
Maximum possible payments	100% participation in the meetings of the Supervisory Board	100% participation in the work of Committees		
Terms of payments	Within 15 working days after the holding of the Annual General Shareholders Meeting	Within 15 working days after the holding of the Annual General Shareholders Meeting		Within 15 working days after receiving the documents confirming the actual expenses
Amount for the first 6 months of 2015 (paid in July 2015)	RUB 319 132,50	RUB 168 136,28		–
Amount for the second 6 months of 2015 (to be paid in July 2016 upon the decisions of the Annual General Shareholders Meeting)	RUB 1 000 000,00	RUB 150 000,00		–

**KEY PROVISIONS OF THE POLICY OF JSCB ALMAZERGIEBANK JSC IN THE FIELD OF REMUNERATION AND (OR) COMPENSATION TO THE MEMBERS OF THE MANAGEMENT BOARD**

I The amount of the official salary of the Bank's Management Chair is set in compliance with the Agreement with the single executive body of JSCB Almazergienbank JSC, which is signed with the Chair of the Supervisory Board of JSCB Almazergienbank and discloses the terms and conditions of the employment agreement with the Chair of the Bank's Management Board.

The fixed component of the payroll for the members of the Bank's Management Board is paid in compliance with the Regulations on the system of payroll and stimulation of the employees of JSCB Almazergienbank. Remuneration for working in the Bank's Management Board is paid in compliance with the Regulations on the Management Board of JSCB Almazergienbank JSC.

The variable component of the bonus pay to the single executive body and members of the Management Board of the Bank is defined by fulfilling the key performance indicators of the Bank, set by the Regulations on the system of key performance indicators of the management of JSCB Almazergienbank JSC (approved by the Supervisory Board of JSCB Almazergienbank JSC, protocol № 33 dated 18.06.2015) from July 01, 2015. Before July 2015, it was defined by the Regulations on the system of remunerative incentives of the employees of JSCB Almazergienbank JSC.

Compensation payments to the members of the Management Board of the Bank are effected in compliance with the Regulations on compensation payments and social support to the employees of JSCB Almazergienbank JSC.

The main goal of remuneration and (or) compensation policy is to create a competitive motivational package to attract highly-qualified professionals to the Bank's management.

The aim of introducing the system of key performance indicators to pay the bonus pay to the members of the Bank's Management Board is to transfer the Bank's development strategy into the form of concrete indicators of the operations management, to assess the current status of their achievement, to construct the effective risk management system, as well as to increase the Bank's value in the long-term.

Remuneration for working in the Bank's Management Board, compensation payments are aimed for the Management Board members to fulfill the strategic indicators, as well as to stimulate personal participation in the work of the Bank's management body.

INFORMATION ON THE REMUNERATION TO THE MEMBERS OF THE BANK'S MANAGEMENT BOARD (RUB. THS)

Component of the policy	Component of remuneration			
	Fixed component	Variable component Quarterly bonus (till July 2015)	Remuneration for participating in the work of the Management Board	Compensation payments
		Annual remuneration		
Goals	To create a competitive motivational package to attract and retain highly-qualified professionals in the Bank's management in order to achieve the strategic indicators and plans set by the Supervisory Board.			
Amount-defining criteria	Grade in compliance with the assessment of the held position	Depending of the fulfillment of the set target values and target KPI values, approved by the Management Board	5% of the official salary of the member of the Management Board	In compliance with the payments stipulated in the employment agreement, agreement with the single executive body of compensation payments
Maximum possible payments	27 246,6	878,4 6 602,0	546,0	3 100,0
Terms of payments	In the period of paying the salary in the Bank	Before the date 15 of the month following the reporting quarter	In the period of paying the salary in the Bank	In the period of paying the payroll by the bank's relevant orders
		Before the 31 <sup>st</sup> of July following the reporting year after compiling the annual reporting and its approval by the annual shareholders meeting		

Component of the policy	Component of remuneration			
	Fixed component	Variable component Quarterly bonus (till July 2015)	Remuneration for participating in the work of the Management Board	Compensation payments
		Annual remuneration		
Total amount of payments for 2015	27 246,6	878,4 0,0	266,3	2 260,0

## INTERNAL CONTROL AND AUDIT

Internal control and audit is an integral part of corporate governance and one of the most important factors in the effective operation of the Bank. The internal control and audit services of the Bank ensure stability of the Bank's development and guarantee the protection of the interests of shareholders, which increases the Bank's investment attractiveness.

In compliance with COSO (Committee of Sponsoring Organizations of the Treadway Commissions) model, the Bank has formed a control environment with three defense lines; there is a system of risk assessment, control procedures are implemented.

### The Bank's internal control system guarantees:

- ▶ effectiveness and efficiency of the Bank's operations;
- ▶ effectiveness of asset and liability management (including asset protection) and risk management;
- ▶ reliability and timeliness of financial and management information and reporting;
- ▶ information safety;
- ▶ compliance with legislation, regulations and standards;
- ▶ exclusion of the involvement of the Bank and its employees in unlawful activities;
- ▶ key requirements for the organization of internal control and audit, basic standards and principles of operation, as well the distribution of powers and responsibilities are established in the Bank's internal documents.

**In compliance with the Bank's Charter endorsed by the General Shareholders Meeting, the system of the Bank's internal control bodies includes:**

- ▶ Bank's management bodies (General Shareholders Meeting, Supervisory Board, Management Board, Chair of the Management Board);
- ▶ Audit Team;
- ▶ Bank's Chief Accountant (his/her deputies);
- ▶ Heads of internal structural units (their deputies);
- ▶ Structural Units (responsible staff) of the Bank exercising internal control in compliance with the authority defined by the Bank's internal normative acts.

**RISK MANAGEMENT & AUDIT COMMITTEE** | The responsibility for proper functioning of the internal control system is born by the Supervisory Board of the Bank. In order to fulfill this task: develop fully informed recommendations to the Supervisory Board at exercising control over the financial and economic activities of the Bank, reliability of financial reporting, operation of the internal control risk management systems, the structure of the Supervisory Board includes the Risk Management & Audit Committee. The Committee's work is guided by the Regulations on Risk Management & Audit Committee of the Supervisory Board of JSCB Almazergienbank JSC\*.

**AUDIT TEAM** | The Bank has an Audit Team, whose main tasks are to monitor financial and economic activities of the Bank, ensure monitoring of compliance of the Bank's financial and economic operations with the current legislation of the Russian Federation and the Charter of the Bank, and implement independent assessment of information about the financial condition of the Bank. The Audit Team

is elected by the General Shareholders Meeting that determines its size and composition for a period until the next Annual General Shareholders Meeting.

**At the Bank's Annual General Shareholders Meeting on June 26, 2015 the following composition of the Audit Team was elected:**

- 1** | Pavel Oshchepkov – Chief Accountant, Almazy Anabara OJSC (principal place of employment), Advisor to General Director, Nizhne-Lenskoye OJSC (part-time);
- 2** | Tatiana Lvova – Head, Government Debt Department, Ministry of Finance of the Sakha Republic (Yakutia);
- 3** | Anna Vasilieva – Head, Department of Property of Diamond Complex, Finance and Credit and Insurance Organizations, Ministry of Property and Land Relations of the Sakha Republic (Yakutia).

In 2015 the members of the Bank's Audit Team were not paid a remuneration.

**INTERNAL AUDIT SERVICE** | To assist the management bodies in ensuring the efficient operation of the Bank, the Internal Audit Service (IAS) was established in the Bank in August 2014. The unit monitors the system of internal control, conducts limited and full-scope audit and provides recommendations on improving the banking activities and control procedures.

IAS is an independent structural unit of the Bank; it reports directly to the Supervisory Board that approves the plans of the IAS and supervises their implementation, considers the IAS reports on the results of audit and monitoring of the internal control system, as well as on the implementation of IAS activities and recommendations to address the identified weaknesses; it analyzes the issues of resources provision, including the appointment of the head of the Internal Audit Service.

**The IAS scope of functions includes:**

- ▶ check and assessment of the effectiveness of internal control system;
- ▶ check the functioning of the banking risk management system;
- ▶ check and assessment of the corporate governance system;
- ▶ check the accuracy, completeness, objectivity and timeliness of accounting and management reporting;

- ▶ check the compliance with Russian legislation and regulatory and supervision agencies;
- ▶ check the adequacy and reliability of internal control over the use of automated information systems.

Within the framework of its competence, the IAS cooperates with the Bank's Risk Management & Audit Committee and external auditors in providing information about the internal control system, as well as the main deficiencies identified by the IAS in the period under review.

**INTERNAL CONTROL SERVICE** | The Internal Control Service (ICS) exercises internal control and assists the management of the Bank in ensuring the effective functioning of the Bank, namely, the timely detection of compliance risk and taking action to maintain the regulatory risk at a satisfactory level.

ICS is an independent unit and reports to the Chair of the Management Board.

**The ICS main tasks are as follows:**

- ▶ construction of the system of internal control, management of a regulatory risk to maintain it at a level that does not threaten the financial stability of the Bank and guarantees the interests of its shareholders, creditors and depositors;
- ▶ identification of a regulatory risk, development of recommendations to mitigate it and to take action to address the deficiencies in the system of internal control and regulatory risk management.

The set tasks of the ICS are implemented by an annual work plan endorsed by the Chair of the Management Board.

**EXTERNAL AUDITOR** | To check and confirm the truthfulness of its annual financial statements, Almazergienbank engages an independent professional auditing organization – external auditor.

In accordance with the Federal Law of the Russian Federation dated December 30, 2008 N307-FL «On audit activity», if the share of state ownership in the organization's authorized capital is at least 25%, the contract for mandatory audit of accounting (financial) reporting is signed through an open tender.

In order to conduct an open tender for selecting an external auditor, tender documentation is prepared, which is eventually posted as a tender notice on the official website of procurements of the Russian Federation [www.zakupki.gov.ru](http://www.zakupki.gov.ru).

Approval of the auditor's competitive selection terms, results of the tender, monitoring of tender's progress, preliminary examination of conditions of the contract signed with the auditor, including the amount of remuneration, and consideration of external auditor's reports is effected by the Audit & Risk Management Committee of the Bank's Supervisory Council.

Tender commission, created in the Bank in accordance with the requirements of procurement legislation, checks that the organizations that have applied for the auditor selection tender meet the requirements specified in the tender documentation. The composition of the tender commission is reviewed and approved by the Audit and Risk Management Committee under the Bank's Supervisory Board. The commission may include the Bank's employees (including those trained in public procurement), as well as the members of the Supervisory Board.

After the deadline for submission of bids to take part in the tender, the meetings of the tender commission are held as part of tender procedures. In order to identify the best conditions for the contract's fulfillment in accordance with the criteria and procedures established in the tender documentation, the submitted bids are evaluated and compared. The criteria for assessing the bids include the price of the contract, the qualification of participants, including working experience and professional reputation, audit methodology and other qualitative and functional characteristics.

According to the law and the constituent documents, the audit company selected to conduct the mandatory annual audit is endorsed by the Bank's Supervisory Board and approved at the General Shareholders Meeting.

On the results of the Bank's financial and economic activity check, the external auditor prepares a report submitted to the Risk Management & Audit Committee for review. A prepared report is submitted to the Bank's Supervisory Board and is presented at the Annual General Shareholders Meeting.

**The following companies were approved as the Bank's auditors in 2015:**

- ▶ Joint-Stock Company PricewaterhouseCoopers Audit Moscow;
- ▶ Energy Consulting/Audit Close Corporation (Moscow).

PricewaterhouseCoopers Audit JSC has been the Bank's IFRS external auditor since 2012.

Energy Consulting/Audit CC has been the Bank's RAS external auditor since 2015.

The companies have no property interests in JSCB Almazergienbank JSC, except for payment for auditor's services, are not the Bank's or its management affiliates, and do not provide the Bank with consulting services stipulated in Clause 6 of Article 1 of the Federal Law on Audit.

**COMBATING MONEY LAUNDERING** | JSCB Almazergienbank JSC attaches great importance to the implementation of measures aimed at combating money laundering and terrorist financing. The Bank's internal documents regulating the activities in this area are based on the «know your customer» principle, elimination of possibility of using products (services) to conduct money laundering operations, and compliance with the Russian law.

**The tasks of anti-money laundering control and terrorist financing include:**

- ▶ Identify in the Bank's customers' activity operations subject to mandatory control, and other operations with money or other property related to money laundering and terrorist financing;
- ▶ The Bank's protection from penetration of money-laundering and maintenance of its business reputation.



**TO FUND LEASING  
PROJECTS,  
IT IS NECESSARY  
TO ATTRACT  
FINANCIAL RESOURCES  
ON FAVORABLE  
CONDITIONS,  
THAT IS WHY WE  
HAVE STARTED  
TO COOPERATE WITH  
ALMAZERGIBANK**

**VALERY  
EVDOKIMOV**

**Founder**  
**Invest-Business Leasing**  
—  
Financial leasing

Our company is engaged in financial leasing, we make its opportunities available to the small and medium businesses. We have worked since 2013, but we have already had 100 clients, and today the portfolio of implemented transactions makes RUB 1,2 billion. The very establishment of Invest-Business Leasing preconditioned the cooperation with Almazergienbank. The first joint project was financing the purchase of packing equipment

by Yakutsk bread-baking complex. The Bank always helps, even in the complicated and nonstandard situations – the management and staff treat our wishes with attention; all questions are answered quickly and professionally. We cooperate with the Bank not only in terms of obtaining credit resources; we jointly participate in the implementation of state regional and municipal projects.

# 6.

## SUSTAINABLE DEVELOPMENT

JSCB Almazergienbank JSC – the largest bank of the Sakha Republic (Yakutia) – since its establishment has considerably impacted the economic and social development of its operations areas in the republic. In 2015, Almazergienbank persistently integrated the principles of corporate social responsibility into all aspects of its activity, striving to consider all interests of stakeholders, thus, securing the stability of its business.

### PERSONNEL

Workforce is our key asset and major competitive advantage. One of the Bank's main tasks is to attract and retain the best personnel. We are convinced that each of the Bank's employees must have the highest level of knowledge and skills – that is the only way for us to become the Bank meeting the world's highest standards.

The main strategic goal of Almazergienbank's personnel policy is to create the Bank's HR-branding or create a reputation of an effective employer, guarantying the long-term solution to all HR tasks, as well as to form a team of highly professional financiers, aimed to achieve the result and fulfill the set target values. Solving ambitious tasks is within the power of a true well-consolidated team. Providing the personnel's quality is the general aim of the Bank's Personnel Policy endorsed in 2015.

The Bank's HR management is implemented in strict compliance with the Labor Code of the Russian Federation. The Bank guarantees equal rights and opportunities to all employees, provides legal support and creates favorable working conditions. As of December 31, 2015, the staff listing of JSCB Almazergienbank JSC makes 733 persons.

In HR management, great attention is attached to compensation payments, social support measures, sport and corporate events of the Bank's staff, aimed at forming and defining the Bank's principles, creation of a well-consolidated workforce, whose views and opinions comply with the ethical and moral public principles, as well the Bank's corporate values.

During 2015, the work on personnel improvement and creation of conditions for a professional self-fulfillment was conducted progressively and quite efficiently.

**SOCIAL SUPPORT** | Complying with the obligations of participating in the state systems of social insurance and providing all staff with mandatory social support, Almazergienbank supports and develops the supplemental medical insurance and social support. These are such programs as optional medical insurance and professional insurance of its staff. As part of providing social guarantees to its staff, the Bank assumes supplementary liabilities of accident insuring, life insuring, and supplemental retirement insuring for certain categories of staff.

The Bank also complies with all obligations under the material support program: at child birth, close relatives' death, loss of personal assets, providing social support to the laid off staff or in case of loss of income due to accident at work, illness, maternity, childcare, nursing, old age, loss of employment, incapacitation, providing mandatory medical service under the RF legislation.

One of the Bank's key tasks for the nearest future is to strengthen the gained result and further develop the HR policy.

**MOTIVATION AND PAYROLL** | Creation of an efficient, transparent and well-balanced system of staff motivation has traditionally been one of the key directions of work of Almazergienbank.

In the year 2015, we began to implement a new system of motivation by the key performance indicators (KPI). In addition to KPI, the Bank has created motivating programs for the staff of out-of-town structural units, bad debts staff and front-office staff.

In order to improve the system of personal remuneration, a new remuneration scheme has been developed and introduced; it is based on the system of grades or objective assessment of each position's contribution in the overall hierarchy of positions, as well as on forming the official salary in compliance with the data of the peer (comparable) market.

**TRAINING AND DEVELOPMENT** | The Bank's success is guaranteed by its employees. Almazergienbank places special emphasis on training, developing and promoting of its personnel; it persistently pursues a policy of its staff career development which aims to satisfy the business's interests in proper performance of the key functions.

The system of staff recruitment and adaptation has been introduced in the Bank. The system aims to introduce a unified procedure of initiation, recruitment, hiring and adaptation. To improve the efficiency of the vacancies' closure, a technology of headhunting has been developed, as well as the defining of level of meeting the set requirements. A tutorship system has been elaborated for the newly-hired staff, which aims to assist the new employees in their professional development. Tutors are selected from the specially-trained employees of the Bank; they help the new staff in adaptation and induction.

The Bank places special emphasis on the fact that well-trained employees are acutely aware of their tasks and ways of their implementation; personnel training has always been an important aspect of human resources management. Attending of trainings and seminars will open to many specialists/heads of structural units the opportunities of professional and career development, self-fulfillment and self-improvement. For this purpose, the Bank organizes educational programs and trainings free of charge for the staff.

The Bank treats personnel as the most important strategic resource and is interested in regular professional development in all areas of activity. The results of professional development allow to include an employee into the Personnel

reserve. The professional development of the Bank's staff is conducted at the Bank's expense.

**LABOR PROTECTION** | JSCB Almazergienbank JSC believes that its major priority is every employee's value, in particular his or her health, life and high working capacity. The Bank pays great attention to protecting its staff labor by providing safe working conditions improved every year.

All employees are involved in the labor protection system, know their professional risks and methods of their management in order to prevent the probability of accidents and incidents, and understand responsibility for their actions and decisions. The Bank has created optimal working conditions in terms of work places' arrangement.

In order to preserve and improve each employee's health, the company develops and implements programs aimed to install healthy lifestyle among its staff and prevent diseases: health survey, medical examinations and vaccinations.

## SOCIAL RESPONSIBILITY

One of the strategically important directions in the Bank's activity in the field of sustainable development is its involvement in solving of the socially significant tasks in its operations areas. Almazergienbank, being the largest bank of the Sakha Republic (Yakutia) implementing the tasks of implementing the state socio-economic policy, contributes to the republic's economy by implementing joint republican projects.

In order to fulfill the tasks set by the Bank's strategy, in 2015 we continued the implementation of joint public projects on the construction of pre-school educational institutions. Due to the topicality of the issue of shortage of places in the kindergartens, in 2015 Almazergienbank launched a credit project on financing and opening private kindergartens. Total 4 entrepreneurs were funded within the program; 4 kindergartens were opened for 430 kids.

The Bank provides loans to small and medium businesses under the guarantee of the Small Business Development Fund.

The Bank is successfully implementing the Transport Project of the Sakha Republic (Yakutia) on the introduction of the automated accounting system and cashless payment of fares in the urban and suburban public transport in Yakutsk and the Social Project on transferring monthly cash payments and subsidies to the welfare beneficiaries to social cards. In 2015 the Bank issued 1 251 new social cards with a transport application.

In retail lending, the Bank has a pro-active position of social responsibility. In 2015 the Bank continued granting loans to young families for the construction of private housing and purchase of housing under the "Own House" loan program involving a family maternity capital. Total 229 loans were granted for RUB 90 747 thousand. In lending, the Bank also embraces pensioners, both employed and unemployed. In 2015, 687 loans totaling RUB 128 425 thousand were issued.

Within the frameworks of a partner agreement with Ammosov NEFU, both intramural and extramural student loans were developed and introduced.

#### **RAISING FINANCIAL AWARENESS OF THE POPULATION** |

The Bank has paid growing attention to the promotion of financial awareness of the general population. To this end, the Bank annually participates in the fair of financial and social services organized by the Ministry of Finance of the Sakha Republic (Yakutia), where the Bank's specialists provide the public with detailed advice on mortgage, the terms of a new line of consumer loans, and information on new profitable deposits.

As a permanent partner, Almazergienbank takes part in the fairs for students of higher education institutions and vocational schools; it organizes presentations to improve financial awareness. Students are provided with general information about debit cards, card using procedures, providing services to customers, SMS-Info, «Your Bank Online». In April, the Bank's specialists met with the students of Baikal State University of Economics and Law. Within the frameworks of the project on raising financial awareness, our staff introduced the future economists to the Bank's credit products. This event was co-organized with Diaskon Finance investment and financial company.

JSCB Almazergienbank JSC is a long-term partner of the NEFU Finance and Economics Institute. The agreement between the NEFU Finance and Economics Institute and the

Bank frameworks the implementation of joint projects favoring the vocational training and employment of students. Almazergienbank incites the students with scholarships for academic success and pro-active attitude.

In addition, the republican television weekly broadcasts "Almazergienbank's Bulletin" program, with different information and educational video plots for the population. For example, the information about plastic cards, internet-banking, directions for use of ATMs and terminals, primarily, for the pensioners, elderly and senior citizens. The materials of the Russian Central Bank on financial awareness are also broadcasted.

In April 2015, the Bank organized in Yakutsk the first on-site seminar outside the official training centers of the PricewaterhouseCoopers Academy. For the republic's population, this educational event became a unique opportunity of getting the ACCA International Financial Reporting diplomas.

**CHARITY** | JSCB Almazergienbank JSC attaches great importance to its social projects aimed to support sports, culture, healthcare, education, and assistance to vulnerable social groups.

**In 2015 the Bank sponsored organizations and population for the total of RUB 14 093 thousand, including the following major directions:**

- ▶ sports, that includes the support of the republican federations of: free-style wrestling, boxing, equestrian sport, rhythmic gymnastics, mas-wrestling;
- ▶ culture, education, healthcare, based on supporting the educational, healthcare and cultural institutions, aid to disabled children (within cooperation with Kharyskhal Charity Fund), oncology patients (for example, the small patients of the children's Hematology Unit of the Republican Hospital №1 – National Center of Medicine);
- ▶ veterans of the Great Patriotic War, home front veterans, disabled veterans, frameworking the arrangements dedicated to the 70th Victory Anniversary, aid was granted to the republican Victory Fund, financial aid was granted to the veterans and disabled veterans;
- ▶ guardianship, that frameworked financial assistance to Gabyshev National State Museum of Arts of the SR (Y), Yaroslavsky Yakutsk State Unified Museum

of Northern Peoples' History and Culture, Museum and Center of Vargan of the Peoples of the World, State Circus of the SR (Y), Ammosov Museum of History and Statehood of the SR (Y).

As it was mentioned before, Almazergienbank was actively involved in celebrating the 70th Anniversary of the Great Victory. A one-day salary of the personnel in the amount of RUB 1 321 540 was transferred to the city's Victory Fund. The money was allocated to the construction of The Soldier of Tuymada Memorial in Yakutsk and to providing material and financial aid to the veterans.

By a good tradition, before the Bank's 22nd birthday charity actions were held in the orphanages, junior rehabilitation centers, and children's hospitals in each region and locality of Almazergienbank's operations.

In April, the Bank's employees organized an environmental action "Personal Example" and collected garbage in the area of Yakutsk Poultry Farm. More than 16 cubes of large-sized and dry garbage were collected and prepared for recycling.

## ENVIRONMENTAL PROTECTION

Environmental responsibility is another important aspect of the Bank's corporate social responsibility. The Bank has a modern infrastructure, on whose correct operation depends not only the availability and quality of services, but also the environment. **Since the main source of the Bank's environmental impact is the exploited infrastructure and consumables, to mitigate the direct negative impact on the ecology, we began to control the use of resources and to implement various measures to increase resource and energy efficiency:**

- ▶ our employees use a shredder for the Bank's operations waste management;
- ▶ electronic document management system TEZIS is improved, which has significantly reduced paper consumption;
- ▶ fluorescent lamps are gradually replaced with the LED ones in the Bank's premises;
- ▶ when purchasing office equipment, the Bank is guided by certain technical criteria for energy efficiency and environmental performance;

- ▶ modern telecommunication technologies were introduced, which allow the employees to replace frequent business trips with video seminars and video-conferencing with nonresident structural units,
- ▶ we gradually switch to using tablet and laptop computers at the meetings;
- ▶ digital archive has been introduced.

The Bank's environmental policy is based on the international standards and will be guided by the principles of "green office"; every year we will try to increase our contribution to environmental protection.

The Bank sees corporate social responsibility and its contribution to the sustainable development of society in solving all these problems collectively. Applying all the above efforts to the progressive integration of the principles of corporate social responsibility in the business processes of the Bank, we lay the basis for long-term success.

## INFORMATION ON THE MAJOR TRANSACTIONS AND INTERESTED PARTY TRANSACTIONS

In compliance with the recommendations of the Corporate Governance Code (letter of the Bank of Russia dated 10.04.2014 N 06-52/2463), the company's major transactions mean the company's large transactions, interested party transactions major for the company (where the company defines their importance), as well as other transactions acknowledged as major by the company.

Interested party transactions are those meeting the criteria established by Article 81 of the Federal Law dated 26.12.1995 N 208-FL on Joint-Stock Companies.

**The Bank didn't have major transactions in 2015; 22 interested party transactions were made, including:**

- ▶ 6 transactions totaling RUB 624 000 000, and 4 subordinated loan/deposit agreements totaling RUB 200 000 thousand, approved by the Supervisory Board;
- ▶ 12 transactions totaling RUB 1 054 562 000, approved by the General Shareholders Meeting

# 7.

## INFORMATION FOR SHAREHOLDERS

### SHARE CAPITAL

As of 01.01.2016, the authorized capital of JSCB Almazergienbank JSC makes RUB 2 058 084 446 (two billion fifty-eight million eighty-four thousand four hundred forty-six) and is divided into 2 058 084 446 (two billion fifty-eight million eighty-four thousand four hundred forty-six) common registered shares with a price of 1 (one) ruble each. All of the Bank's shares are common registered and are issued in a book-entry form.

As of January 1, 2016, the Bank has no outstanding preferred shares.

The Bank's largest shareholder is the Sakha Republic (Yakutia) represented by the Ministry of Property and Land Relations of the Sakha Republic (Yakutia); its share makes 85,82 %, having increased from 74,79 % as a result of one additional issue of shares for the amount of RUB 900 000 000 with a price of 1 (one) ruble each.

In compliance with the list of the registered persons, as of 01.01.2016 the number of shareholders of JSCB Almazergienbank JSC is 30.

There is no information on share ownership exceeding 5 percent, besides those already disclosed by the Bank.

### INFORMATION ON THE DIVIDEND POLICY AND DIVIDEND RECORD

In compliance with the Bank's Dividend policy (approved by the protocol of the meeting of the Supervisory Board № 21 dated December 29, 2014), the Bank's shareholders are entitled to get a part of the Bank's net profit in the form of dividends. The amount of dividends paid to the shareholders is defined based on the net profit received by the Bank calculated by the data of the Bank's accounting (financial) statements, and is approved by the decision of the General Shareholders Meeting upon the recommendation of the Supervisory Board.

In compliance with Clause 5 of Article 44 of the Law № 208-FL On Joint-Stock Companies, an individual registered in the shareholder register must timely inform the register-keeper of the company's shareholders of changes in his/her personal data, including bank details. Shall the shareholder fail to provide the information on changes in his/her personal data, the Company and the Register-keeper shall not be responsible for the incurred losses.

### INFORMATION ON THE DIVIDEND HISTORY FOR THE LAST 5 YEARS

	2011	2012	2013	2014	2015
Net profit by RAS, RUB mln	67 244	156 157	154 522	176 987	177 520
Dividend per one common share	0,0173	0,027812	0,026686	0,030565	0,017251
Total volume of dividend payments, RUB mln	16 389	30 553	30 804	35 397	35 504



**I STARTED  
COOPERATING WITH  
ALMAZERGIENBANK  
UPON MY FRIEND'S  
ADVICE. THAT'S  
HOW IT WORKS  
IN BUSINESS —  
SATISFIED CLIENTS  
RECOMMEND YOU  
TO THEIR FRIENDS  
AND ACQUAINTANCES**



**OLEG RAZUMOV**

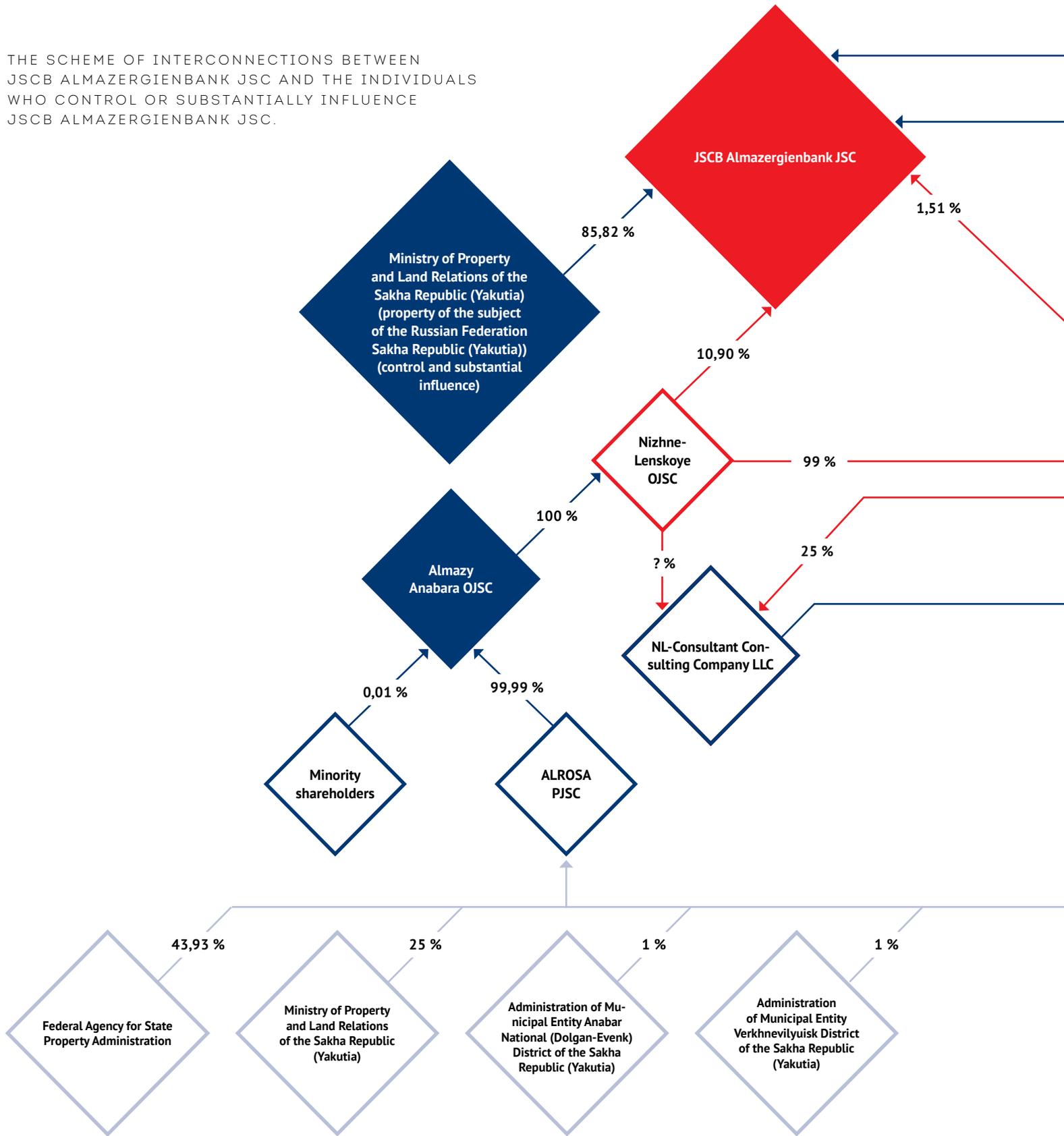
**Private Entrepreneur,  
Private Entrepreneur Razumov**

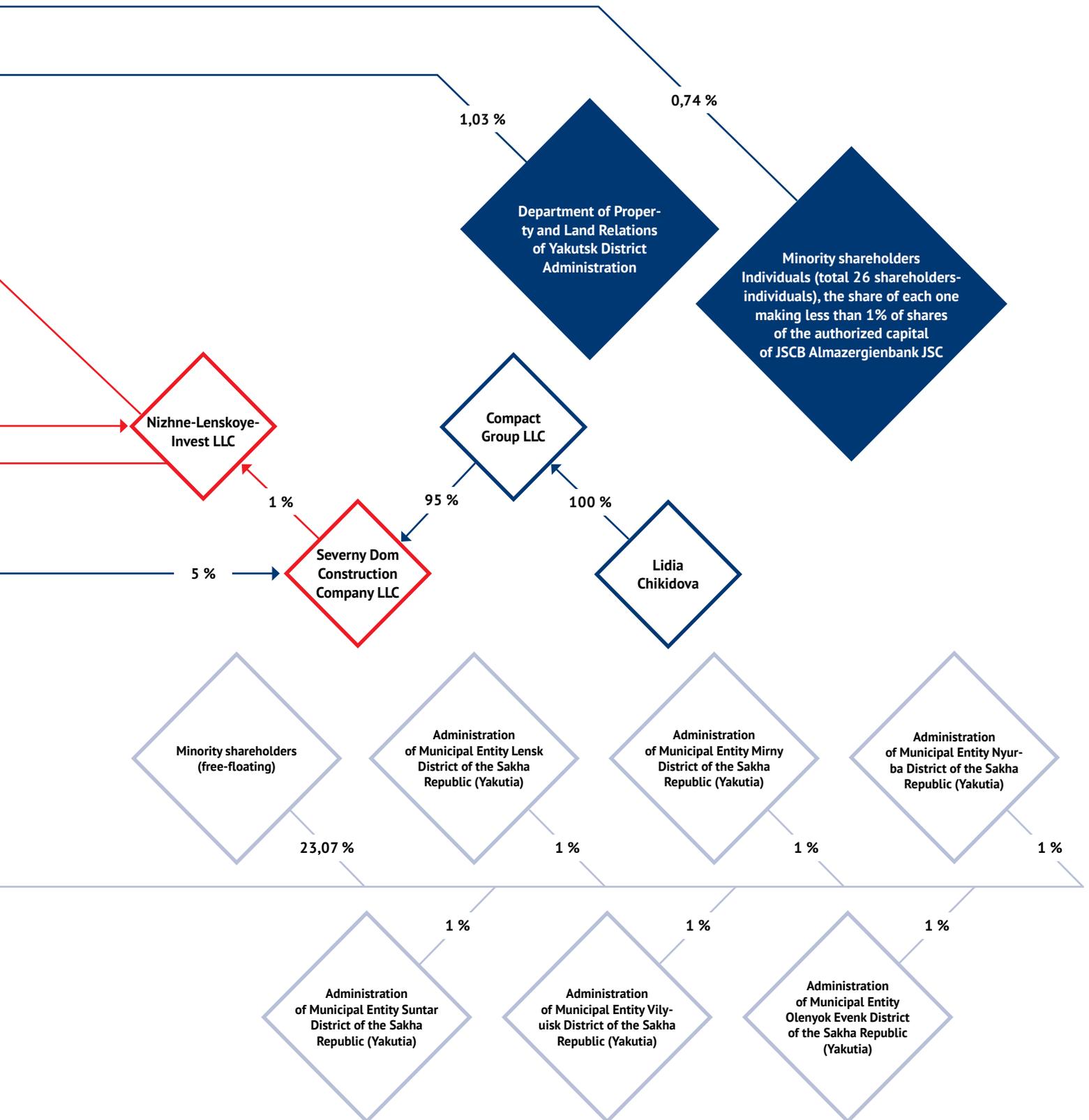
—  
Production of block modules,  
tubes, construction from  
sandwich panels

Our company produces block modules and tubes, also we do construction from sandwich panels. I believe that in business the main driver for success is vigor, entrepreneurial attitude, pro-activeness and honesty in relationships with partners and customers. Here, Almazergienbank and we match each other. I started

cooperating with the bank in 2007 upon my friend's advice. That's how it works in business — satisfied customers recommend you to their friends and acquaintances. Our company used loans, which boosted our work. Now, I recommend my colleagues and acquaintances to work with Almazergienbank.

THE SCHEME OF INTERCONNECTIONS BETWEEN JSCB ALMAZERGIENBANK JSC AND THE INDIVIDUALS WHO CONTROL OR SUBSTANTIALLY INFLUENCE JSCB ALMAZERGIENBANK JSC.





# 8.

## APPENDICES

*\*The Bank's IFRS reporting is confirmed by the independent auditor Pricewaterhouse-Coopers Audit JSC.*

### IFRS REPORTING\*

CONSOLIDATED STATEMENT OF FINANCIAL POSITION,  
IN THOUSANDS OF RUSSIAN ROUBLES

	Note	31 December 2015	31 December 2014
<b>ASSETS</b>			
Cash and cash equivalents	7	4 207 447	3 201 539
Securities at fair value through profit or loss	8	295 275	385 110
Due from other banks	9	147 719	158 296
Loans and advances to customers	10	17 348 455	14 019 488
Investment securities available for sale	11	592 538	756 624
Investment in associates and joint ventures		8 668	-
Investment property	12	670 077	215 954
Premises, equipment and intangible assets	13	1 122 338	1 125 132
Other financial assets	14	583 709	350 636
Other assets	15	200 662	172 829
Current income tax prepayment		-	21 220
Non-current assets held for sale	16	39 821	4 489
<b>TOTAL ASSETS</b>		<b>25 216 709</b>	<b>20 411 317</b>
<b>LIABILITIES</b>			
Due to other banks	17	629 260	256 526
Customer accounts	18	20 190 794	17 137 919
Debt securities in issue		208	7 200
Current income tax liability		31 936	-
Deferred income tax liability	29	23 198	14 093
Provisions for liabilities and charges	19	16 232	2 807
Other financial liabilities	20	150 414	93 456
Post-employment benefit obligations	21	52 964	34 550
Other liabilities	22	114 296	102 212
Subordinated debt	23	649 000	549 000
<b>TOTAL LIABILITIES</b>		<b>21 858 302</b>	<b>18 197 763</b>



	Note	2015	2014
<b>Profit before tax</b>		<b>220 294</b>	<b>234 297</b>
Income tax expense	29	(53 626)	(50 789)
<b>PROFIT FOR THE YEAR</b>		<b>166 668</b>	<b>183 508</b>
<b>Other comprehensive income / (loss):</b>			
<b>Items that may be reclassified subsequently to profit or loss:</b>			
- Losses from revaluation of securities available for sale		44 124	(19 792)
- Deferred tax recorded in other comprehensive income	29	(8 824)	4 001
<b>Items that will not be reclassified to profit or loss:</b>			
- Revaluation of premises and equipment	13	111 141	–
- Deferred income tax recorded directly in other comprehensive income	29	(22 228)	–
- Remeasurements of post-employment benefit obligations	21	(13 289)	29 389
- Deferred income tax recorded directly in other comprehensive income	29	2 658	(5 878)
<b>Other comprehensive income for the year</b>		<b>113 582</b>	<b>7 720</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>280 250</b>	<b>191 228</b>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY, IN THOUSANDS OF RUSSIAN ROUBLES

	Note	Share capital	Share premium	Revaluation reserve for securities available for sale	Revaluation reserve for premises and equipment	Remeasurements of post-employment benefit obligations	Retained earnings	Total equity
<b>Balance at 31 December 2013</b>		<b>1 374 111</b>	<b>176 000</b>	<b>(123 888)</b>	<b>324 005</b>	<b>(732)</b>	<b>268 593</b>	<b>2 018 089</b>
Profit for the year		–	–	–	–	–	183 508	183 508
Other comprehensive income		–	–	(15 791)	–	23 511	–	7 720
<b>Total comprehensive income for 2014</b>		<b>–</b>	<b>–</b>	<b>(15 791)</b>	<b>–</b>	<b>23 511</b>	<b>183 508</b>	<b>191 228</b>
Share issue	24	35 141	–	–	–	–	–	35 141
Dividends declared	30	–	–	–	–	–	(30 904)	(30 904)
<b>Balance at 31 December 2014</b>		<b>1 409 252</b>	<b>176 000</b>	<b>(139 679)</b>	<b>324 005</b>	<b>22 779</b>	<b>421 197</b>	<b>2 213 554</b>
Profit for the year		–	–	–	–	–	166 668	166 668
Other comprehensive income		–	–	35 300	88 913	(10 631)	–	113 582
<b>Total comprehensive income for 2015</b>		<b>–</b>	<b>–</b>	<b>35 300</b>	<b>88 913</b>	<b>(10 631)</b>	<b>166 668</b>	<b>280 250</b>
Share issue	24	900 000	–	–	–	–	–	900 000
Dividends declared	30	–	–	–	–	–	(35 397)	(35 397)
<b>Balance at 31 December 2015</b>		<b>2 309 252</b>	<b>176 000</b>	<b>(104 379)</b>	<b>412 918</b>	<b>12 148</b>	<b>552 468</b>	<b>3 358 407</b>

## CONSOLIDATED STATEMENT OF CASH FLOWS, IN THOUSANDS OF RUSSIAN ROUBLES

	Note	2015	2014
<b>Cash flows from operating activities</b>			
Interest income received	25	2 743 698	2 258 827
Interest paid	25	(1 342 904)	(1 095 828)
Fees and commissions received	26	419 320	424 430
Fees and commissions paid	26	(72 826)	(63 772)
Income received from trading in securities at fair value through profit or loss		10 284	5 939
Income received from financial derivatives		86	2 333
Income received from trading in foreign currencies		32 232	21 551
Income received from trading in precious metals		58 642	7 039
Other operating income received		47 518	42 516
Staff costs paid	28	(653 647)	(586 467)
Administrative and other operating expenses paid	28	(513 727)	(399 959)
Income tax paid		(19 760)	(101 297)
<b>Cash flows from operating activities before changes in operating assets and liabilities</b>		<b>708 916</b>	<b>515 312</b>
<b>Net decrease / (increase) in:</b>			
mandatory cash balances with the Central Bank		304 059	(334 587)
securities at fair value through profit or loss:		108 734	84 087
due from other banks	9	7 363	(110 304)
loans and advances to customers	10	(4 112 180)	(2 210 754)
other financial assets	14	(132 531)	(48 697)
other assets	15	(8 816)	(58 258)
non-current assets held for sale		(6 273)	23 345
<b>Net increase/(decrease) in:</b>			
due to other banks		372 734	64 435
customer accounts	18	2 910 551	(1 095 243)
debt securities in issue		(6 992)	1 490
other financial liabilities	20	35 229	64 540
<b>Net cash from/(used in) operating activities</b>		<b>180 794</b>	<b>(3 104 634)</b>
<b>Cash flows from investing activities</b>			
Net cash received from / (used in) transactions with investment securities available for sale		252 719	(43 254)
Acquisition of premises and equipment and intangible assets	13	(227 213)	(259 330)
Proceeds from disposal of premises and equipment and investment properties		27 814	16 490
Acquisition of associate		(9 800)	–
Dividend income		10 581	11 368
Acquisition of investment property	12	(16 932)	(33 786)
<b>Net cash from / (used in) investing activities</b>		<b>37 169</b>	<b>(308 512)</b>

	Note	2015	2014
<b>Cash flows from financing activities</b>			
Issue of ordinary shares		900 000	–
Dividends paid	30	(35 397)	(30 904)
Proceeds from subordinated debt		100 000	357 000
Repayment of subordinated debt	23	–	(220 000)
<b>Net cash from financing activities</b>		<b>964 603</b>	<b>106 096</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>		<b>127 401</b>	<b>169 577</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>1 309 967</b>	<b>(3 137 473)</b>
Cash and cash equivalents at the beginning of the year (not including mandatory cash balances with the CBRF)	7	2 666 628	5 804 101
<b>Cash and cash equivalents at the end of the year (not including mandatory cash balances with the CBRF)</b>	<b>7</b>	<b>3 976 595</b>	<b>2 666 628</b>

## CONTACTS AND REQUISITES

**FULL NAME** | Joint-Stock Commercial Bank Almazergienbank Joint-Stock Company

**ABBREVIATED NAME** | JSCB Almazergienbank JSC

**LEGAL ADDRESS** | 677000, Russian Federation, Sakha Republic (Yakutia), Yakutsk, 1 Lenin Avenue

**TEL./FAX** | (4112) 425-425

**E-MAIL** | bank@albank.ru

**BANK DETAILS** | Correspondent account 30101810300000000770 at the State Settlement Center of the National Bank of the SR (Y) of Yakutsk BIC 049805770  
KPP (Industrial Enterprise Classification Code) 143501001  
OKPO (All-Russian Classifier of Enterprises and Organizations) 31452865  
OKONKH 96120 (All-Russian Classifier of Economy Branches)

**LICENSES** | General license of the RF Central Bank for banking operations in rubles and foreign currency № 2602 of 08.06.2015;

License of the RF Central Bank for attracting to deposits and placement of precious metals and other operations with precious metals № 2602 of 08.06.2015

License of a professional participant of the securities market for carrying out activity in managing securities of the RF Federal Financial Markets Service №014-04782-001000 of 23.02.2001

License of a professional participant of the securities market for carrying out depository activity of the RF Federal Financial Markets Service №014-04732-000100 of 16.02.2001

License of a professional participant of the securities market for carrying out dealer activity of the RF Federal Financial Markets Service №014-04769-010000 of 23.02.2001

License of a professional participant of the securities market for carrying out broker activity of the RF Federal Financial Markets Service №014-04752-100000 of 23.02.2001

General license of the RF Ministry for Industry and Trade for export of fine gold in standard ingots and bullions №092RU15002000414 of 06.10.2015