



ANNUAL REPORT

RNRC JSC | 2016



RUSSIAN
NATIONAL
REINSURANCE
COMPANY

ADDRESS BY THE CHAIRMAN OF THE SUPERVISORY BOARD OF RUSSIAN NATIONAL REINSURANCE COMPANY, JOINT-STOCK COMPANY, FIRST DEPUTY BOARD CHAIRMAN OF THE BANK OF RUSSIA

Dear Clients and dear Colleagues working with Russian National Reinsurance Company!

On behalf of the shareholder, the Bank of Russia, and the Supervisory Board of RNRC I would like to announce the launch of the new organization – Russian National Reinsurance Company – on the Russian financial market.

The foundation of RNRC was preceded by a long constructive dialogue regarding the company's goals and operating conditions spanned over the last months between the market participants, Government, Bank of Russia and Parliament. This dialogue evolved into a balanced decision allowing for a multiple increase of the national reinsurance capacity, accessibility of reinsurance services for certain types of insurance and a local alternative for transnational reinsurance of risks incurred by Russian companies.

The setup of RNRC is expected to facilitate the stable operation of the Russian insurance market and afford special support to those Russian businesses which face difficulties in placing risks on the international markets. It is critical that RNRC's activities encourage, not curb, the competition on the Russian insurance market. To accomplish this, the Reinsurance Board was set up, composed of the most competent and reputable representatives of the Russian insurance market. No less important for fair competition is to include commercial efficiency factors in the goals and tasks of RNRC. In creating this company, we assume that its operation will be based, first and foremost, on high-quality corporate management, operating efficiency and long-term productive relationships with its clients – insurance companies.

The company was incorporated and brought on stream promptly upon the enactment of the relevant laws. The shareholder laid an emphasis on making a competent Supervisory Board having all the necessary authorities to implement its functional capacities, where a half of the Supervisory Board members are independent directors. Another task was to set up the company's executive bodies, which made an excellent job of launching the company on the market, as evidenced by both RNRC's financial performance, as well as its high credit rating.

I am positive that the status and professionalism of the current Director, Mr. Galushin N.V. and the team he has formed is adequate for a successful fulfillment of RNRC's mission and vision, which suggest the adoption of the highest standards for corporate management, best practices for asset management and absolute transparency of the company's financial statements, the use of advanced information technologies, ability to develop the business and its analytical competences, and availability of professional, loyal, involved and motivated staff.

To sum up, I would like to say thanks to the members of the Supervisory Board and RNRC employees for the work they have completed and to wish that they maintain the startup spirit throughout the company to efficiently accomplish its goals and tasks.

Shvetsov S.A.

ADDRESS BY THE PRESIDENT AND BOARD CHAIRMAN OF RUSSIAN NATIONAL REINSURANCE COMPANY, JOINT-STOCK COMPANY

Dear Partners!

Living in the contemporary world, it is no longer enough to develop in sync with it. It is more important to always attempt to be one step ahead. In order to outpace time, we must try and prove, first hand, the most advanced, and sometimes most unrealistic, assets. Just a year ago, it was hard to believe in the existence of RNRC. A year ago, there was no law on national reinsurer, no team and no office, nor even an idea of how all this could come into existence.

Today, it is a hard fact – the company is on track and acting as an element of the Russian insurance market. Even not being its key element so far, RNRC will very soon become one of the most influential players of the insurance market in Russia.

The first months of our work were about getting the company started on the market. We were preparing ourselves for the key date – January 1, 2017 – equally important to us and the Russian insurers, when the law on mandatory 10% cession came into effect.

Working on a tight schedule, we have done a lot, and our most important achievement, to my mind, was the building of a professional team. The company's launch was successful in all its core competences and allowed establishing comprehensive and wholesome contacts with the market.

We expect our performance figures and financial results to talk for us, and we place special importance on how the market – insurers and brokers – see our developments. We are interested to know how our level of services meets their expectations and how happy they are with our cooperation.

We are open to dialogue; we are building an efficient market-oriented company with transparent decision-making algorithms, high corporate management standards and state-of-the-art IT solutions. And we are confident that RNRC will soon become a recognized center of insurance competences both in Russia, and on the international market.

Galushin N.V.

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1. COMPANY'S DETAILS AND INDUSTRY POSITION

Russian National Reinsurance Company, Joint-Stock Company (hereinafter "RNRC", "Company") was established in pursuance of Federal Law No. 363 dd. July 3, 2016 "On amending the Federal Law on Insurance Business Organization in Russia."

The company was formally incorporated on August 3, 2016 by Resolution No. 1 dd. July 29, 2016 issued by the Company's only founding member – the Central Bank of Russia (OGRN 1167746727378 assigned by Moscow Interdistrict Inspectorate No. 46 of the Federal Tax Service, Certificate 77 No. 017852946 dd. August 3, 2016).

Legal address: Gasheka St. 6, Moscow 125047.

On December 27, 2016, the Company's Sole Shareholder resolved to change the Company's name. The change in the name of the legal entity was duly registered by Moscow Interdistrict Inspectorate No. 46 of the Federal Tax Service (Unified Register No. 8167750220278)

Since December 29, 2016 the Company's official name has been Russian National Reinsurance Company, Joint-Stock Company, abbreviated to RNRC JSC (previously: NPK Reinsurance Company, Joint-Stock Company).

The Bank of Russia passed a resolution on the state registration of the issue, and the report on the issue, of ordinary registered uncertified shares of the Company placed by way of stock purchase by the company's only founding member. The securities issue was assigned the state registration number 1-01-50551-A.

The company's authorized capital is equal to Twenty one billion and three hundred million Rubles (RUB 21,300,000,000) and divided into Two hundred thirteen million (RUB 213,000,000) ordinary registered shares with a par value of RUB 100 each.

Since December 31, 2016, the Company has been acting under reinsurance license PC No. 4351 issued on December 30, 2016. Before this, it was acting under license PC No. 4351 dd. October 12, 2016. The new license was issued in connection with the change in the Company's name.

RNRC signed the first reinsurance contract immediately after obtaining the reinsurance license, as from October 14, 2016. In 2016, the Company spent no more than two and a half months operating outside the regulation on a mandatory 10% cession for the benefit of RNRC applicable for Russian reinsurance cedents, which came into effect on January 1, 2017.

During the first months, the Company's activities were mainly aimed at building its business processes and mechanisms for interaction with Russian insurers, forming the team and putting in operation the information system and document flow system, adopting the local regulatory framework, coordinating the regulations with the market and the Reinsurance Board, and having the Company's regulatory instruments validated by the Company's Supervisory Board, as well as preparing the necessary conditions for the efficient operation in 2017. The Company analyzes the performance of the reinsurance market participants and the competitive environment and builds a development strategy that will enable the Company to position itself as a leader amid the insurance landscape of Russia and other countries.

2. RUSSIAN INSURANCE AND REINSURANCE MARKET IN 2016

The total amount of premium earned by the Russian insurers in 2016 was equal to RUB 1.18 trn. The annual rate of premium growth reached 15.3% against 3.3% in 2015.

Direct insurance

The key growth driver on the market continues to be life insurance. Last year, this segment grew more than by half demonstrating a 66% increase to RUB 215.7 bn and a market share increase of 18.3% (vs. 12.7% a year ago). The growth of life insurance premiums is associated with the promotion of investment programs, as well as the recovery of the lending business. The latter, in turn, led to a significant increase in injury and health insurance premiums, which grew by 33% up to RUB 108 bn.

The versatile dynamics recorded by the regulator was observed in the motor insurance segment. For OSAGO (third party liability insurance) premiums grew by 7.2%, to reach RUB 234.4 bn, while KASKO (motor hull insurance) premiums decreased by 8.8% to 170.7 bn. As a result, the share of motor insurance in the total amount of 2016 premiums lowered from 39.6% a year ago to 34.3%. The amount of insurance payments in 2016 RUB was 505.8 bn and remained comparable with the previous year. The most dramatic increase was seen in the OSAGO segment, where payments grew by 40% and exceeded RUB 1,72.6 bn.

The number of insurance contracts made in 2016 increased by 29% — up to RUB 167.8 mn.

Reinsurance

According to the CBR, the premiums under insurance contracts ceded by the Russian insurers amounted to RUB 132 bn, where RUB 112.5 bn was earned outside Russia and 19.56 inside Russia.

The insurance premiums under reinsurance contracts accepted in Russia amounted to RUB 35.89 bn, including RUB 16 bn under contracts accepted from outside Russia. Payments under such contracts made up RUB 16.5 bn, of which RUB 8.7 bn was paid under reinsurance contracts accepted from outside Russia (fig.1).

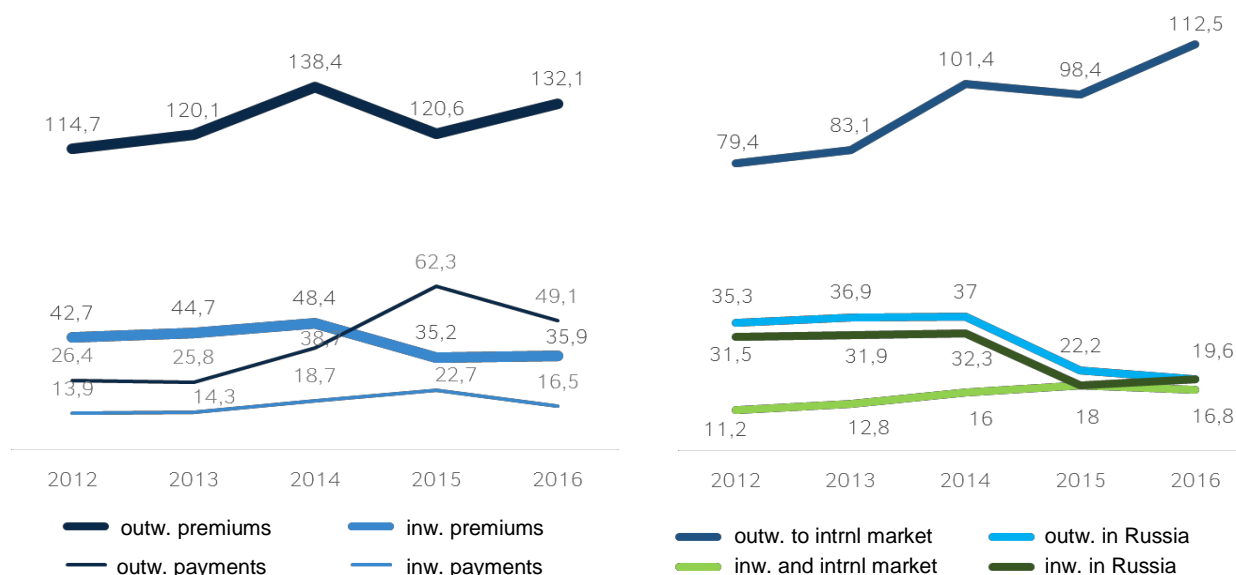


Figure 1. Dynamics of premiums and payment under inward and outward reinsurance in Russia and worldwide in 2012 – 2016, billion RUB.

3. RNRC'S PRIORITY BUSINESS LINES IN 2016

RNRC was established by the Bank of Russia in pursuance of Federal Law No. 363-FZ dd. July 3, 2016 "On Amending the Federal Law on Insurance Business Organization in Russia" valid as from January 1, 2017. As such, from the time RNRC was founded by the Company's only founder – the Bank of Russia – until December 31, 2016, the activities of were mainly focused on the organization of the Company's business and preparation for its full-scale operation under Federal Law No. 363, namely:

1. Shaping the package of constituent documents, registering the legal entity, forming the Company's authorized capital and ensuring its profitability
2. Setting up the Company's management bodies, creating the organizational structure and recruiting staff
3. Building the infrastructural base, renting and preparing the Company's office for work, purchase of equipment and installation of software
4. Drafting the Company's internal documents and policies
5. Obtaining the reinsurance license and entering the legal entity's details in the Unified State Register of Insurers
6. Making pilot reinsurance transactions, forming the Company's client and partner pool

4. 2016 REPORT OF SUPERVISORY BOARD ON RNRC'S PRIORITY BUSINESSES

1. Shaping the package of constituent documents, registering the legal entity, forming the Company's authorized capital and ensuring its profitability

The Bank of Russia, being the only founder of the Company, made a founding decision on July 29, 2016, by which it approved the Articles of Association and appointed the President and Board Chairman. The certificate of state registration of the legal entity, NPK Reinsurance Company, Joint-Stock Company was obtained on August 3, 2016.

The company's authorized capital in the amount of RUB 21.3 bn was formed and fully paid in cash on September 6, 2016. The money received was invested in federal loan bonds and bank deposits to create returns on the Company's capital.

In accordance with the permission of the RF Ministry of Justice to use the word Russian and its derivatives in the Company's name, the Company's shareholder resolved to rename the Company. The new name – Russian National Reinsurance Company, Joint-Stock Company – was registered on December 29, 2016.

2. Setting up the Company's management bodies and organizational structure and recruiting staff

The Supervisory Board approved the Company's board members overseeing the key segments of its organizational system – financial unit, administrative unit, underwriting and security units (the list of members of the corporate management bodies is available in sections 8 and 9)

By December 31, the Company made 42 employment agreements and in 2016 had an average staff of 21 persons.

3. Building the infrastructural base, renting and preparing the Company's office for work, purchase of equipment and installation of software

For efficient operation, the Company made a rental agreement on September 6, 2016 for renting an office at Gasheka St. 6, performed necessary repairs and equipped the workplaces.

The IT infrastructure was deployed, including: the system of application and infrastructural services, local area network, office version of IP telephony and information security system.

Suppliers of IT solutions were engaged to automate the operational (insurance) accounting, financial (UCA-based) and tax accounting, human resource and payroll record-keeping, electronic document flow to meet the Company's needs. The necessary licenses were obtained.

Internet connection and telephony were made available.

The ConsultantPlus legal reference system was installed.

The corporate website www.rnrc.ru.

4. Development of the Company's internal documents and policies

The Company's Supervisory Board developed and approved the Company's budget for 2016 and 2017, financial model for 2017 – 2019 and its Reinsurance Policy, and set the net retention limits, Basic Loss Adjustment Principles, and Procurement Regulation. The Supervisory Board also approved the regulations on the Company's Management Board, President, Supervisory Board and committees of the Supervisory Board, and the Regulation on Internal Audit, appointed the Company's internal auditor, approved the Regulation on Reinsurance Board and determined the membership of the Reinsurance Board. Further events included the development and approval of the regulations on the Company's business units and related job instructions, development of the motivation system for RNRC's staff.

5. Obtaining the reinsurance license and entering the legal entity's details in the Unified State Register of Insurers

On October 12, 2016 the Bank of Russia resolved to issue a reinsurance license to the Company. On October 14, 2016 the Company's details were entered in the Unified State Register of Insurers (registration number 4351).

6. Making pilot reinsurance transactions, forming the Company's client and partner pool

On October 14, 2016 the Company commenced its reinsurance operations and by December 31, 2016 the premium earned (as from the liability attachment date) totaled RUB 148.5 mn.

The amount of the premium earned as of December 31 was RUB 28.7 mn. In 2016, RNRC made 112 reinsurance contracts, including 104 facultative contracts and 8 obligatory contracts with 33 insurance companies and 9 insurance brokers.

As of December 31, 2016 the Company's balance sheet total in accordance with the Russian Accounting Standards (RAS) was RUB 22,068 mn. The Company's own funds were equal to RUB 21.795 mn. The net profit for September - December, 2016 was RUB 495 mn.

The core of the company's portfolio (41%) was formed by corporate reinsurance contracts; 28% was accounted for by construction and installation risks and 16% - by aviation risks. Liability and cargo reinsurance made up 6 and 5% respectively (fig. 2).

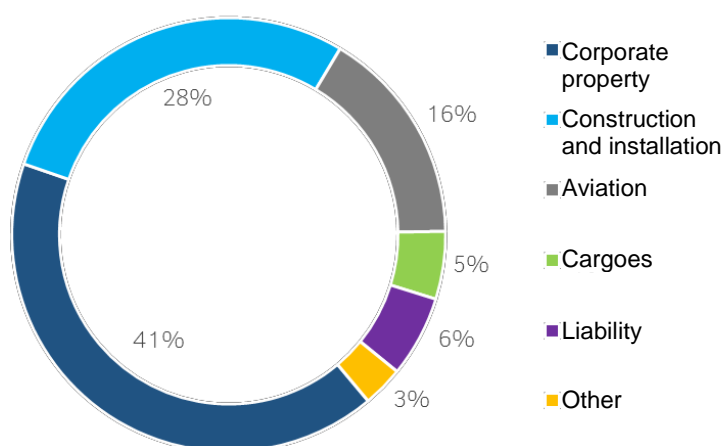


Figure 2. Structure of RNRC's portfolio

5. RNRC'S DEVELOPMENT PROSPECTS

The strategic goal of the Company is to become the leader of the Russian reinsurance market and an important player on the international market, be a center of insurance competences and analytics and an innovative high-technology company employing the best corporate practices.

Since 2017, the Company will hold a share of the Russian reinsurance market exceeding 10%. RNRC's target for the end of 2021 is 15% of the Russian reinsurance market. Reinsurance premiums attracted from the international market will constitute 20% of RNRC's portfolio.

According to the budget approved by the Company's Supervisory Board for the year 2017, the reinsurance premium earned by RNRC in 2017 is estimated at RUB 7.6 bn.

6. MAIN RISK FACTORS AFFECTING RNRC'S OPERATIONS

RNRC's operations are exposed to risks traditionally affecting insurance organizations. Among them:

- 1) insurance risk,
- 2) market risk;
- 3) liquidity risk;
- 4) credit risk;
- 5) country risk;
- 6) operational risk;
- 7) legal/regulatory risk;
- 8) reputational risk;
- 9) strategic risk.

The development of the insurance business depends on many factors, including the general situation in the country. The Company's policy in terms of risk management relies on a balanced approach to accepting pertinent (reinsurance) risks and minimizing other risks.

In order to minimize risks and mitigate their possible adverse impact on the Company's activities, RNRC implements a comprehensive package of risk management measures as applied to its primary risks. For exercising adequate control and optimizing risk management, the Company's functions are subdivided into operations, risk analysis, risk limitation, limits control and making strategic risk management decisions.

Risk management is arranged on three levels: Supervisory Board and Management Board of the Company, controlling units (risk management and internal audit), and operational divisions dealing with clients and counteragents. The Company's Supervisory Board determines the key development areas for the Company and shapes the risk management strategy. The Company's Management Board is the body chiefly responsible for risk management and making key decisions and authorized to oversee the activities of RNRC's operational divisions.

1) Insurance risk

Insurance risk is linked to any insurance (reinsurance) contract and associated with the possible occurrence of an insured event and (or) uncertainty of the amount and (or) time of payment of related loss.

Insurance risk is the Company's greatest financial exposure, which stems from:

- risks associated with individual insured events under reinsurance contracts with a large indemnity amount;
- risks associated with insured events which lead to the Company's simultaneous incurrence of obligations under various reinsurance contracts and (or) with regard to various reinsured risks, i.e. risk accumulation. In particular, natural calamities (earthquakes, floods etc.) may have this effect.

Therefore, an important issue for the Company's Risk Management Policy is to determine the amount of net retention and control risk accumulation.

For its risk management efforts, the Company uses both quantitative and qualitative criteria. The analysis of the qualitative criteria is aimed to determine how a particular risk meets the

Company's minimum requirements for insurance coverage, type and nature of insurable interest, insurance territory etc.

Considering the above mentioned specifics of the Company's activities, the management process does not apply to situations where the Company is obliged by law to make a reinsurance contract. In this case, the Company takes all reasonable steps to mitigate adverse impact of such contracts on the Company. No such contracts were made in the reporting period.

The list of priority and other segments is provided in RNRC' Reinsurance Policy approved by the Company's Supervisory Board.

The Company's net retention figures are shown in the document "RNRC's Net Retention in 2016-2017" approved by the Company's Supervisory Board.

2) Market risk

Market risk is associated with losses incurred as a result of adverse changes in interest rates, market value of financial instruments in a trade portfolio and derivative financial instruments, currency exchange rates and (or) precious metals valuations, which may adversely affect the capital, income or market value of assets and liabilities. The sources of market risk for RNRC are certain assets recognized on its balance sheet (in 2016, RNRC did not have liabilities or off-balance assets exposed to market risk).

The market risk management system developed by the Company allows timely identifying risks assumed by the Company, measuring them and making decisions on optimizing the structure of the investment portfolios:

- Risks are measured in accordance with the Company's analytical methodologies, both for market risk components and the aggregate risk estimate (VAR analysis, stress testing, analysis of instruments'/portfolios' sensitivity to risk, scenario analysis);
- The key instrument for reducing market risk is the system of limits, which includes position limits set for specific instruments/portfolios, authority limits set for the Company's employees responsible for making investment decisions, and limits confining potential and current losses.

The Company's market risk includes currency and interest risks. The company does not have equity investments and therefore, is not exposed to securities risk.

a) currency risk is associated with changes in currency exchange rates applicable to open currency positions. Management of currency risk suggests minimizing the open currency position and making currency transactions mainly US Dollars and Euro. When planning its operations, the Company takes into account volatility of exchange rates and maintains its open currency position within the established limits. The Company does not trade options or futures for foreign currencies. The main source currency risk for the company in 2016 was the accounts receivable of its counteragents denominated in a foreign currency.

b) interest risk arises due to possible adverse changes in interest rates applicable to the Company's assets. RNRC has established limits for admissible interest risk (including limits on investing in financial instruments and limits on current and potential losses resulting from interest risk). Compliance with the effective limits is checked on a daily basis. The Company assesses interest risk for all instruments of its investment portfolios exposed to interest rate variation.

The main source of interest risk for the Company in 2016 was associated with the investments in federal loan bonds.

3) Liquidity risk

Liquidity risk arises as a result of a timing misbalance between financial assets and financial liabilities and/or an unforeseen need to promptly and simultaneously meet its financial liabilities. Liquidity management suggests three ways of taking actions: control of liquidity gaps, consistent funding policy and anti-crisis action plan. Control of liquidity gaps is based on the scenario-specific cash flow forecasting methods (basic scenario, market crisis). The liquidity reserves

formed by the Company and refinancing instruments available to it shall cover the maximum forecasted cash outflow in case of effective stress scenarios.

The Company is least exposed to liquidity risk, as the liabilities on its balance sheet consist mostly of their Company's own funds (as such, its liabilities are marginal), and the assets consist of federal loan bonds and deposits placed with VTB Bank for less than a year.

4) Credit risk

Credit risk is understood as the probability of losing part of assets or earnings or incurring extra costs as a result of failure to perform, untimely or incomplete performance by counteragents of their financial liabilities in accordance with the contractual terms and conditions.

The key part in credit risk management is played by the Company's Management Board. RNRC controls credit risk by setting limits per client or group of related clients. Risk per client, including banks and broker companies, is additionally controlled by limits set on transactions with certain financial instruments. The actual compliance with the established limits is checked on a daily basis. The Company carries out the regular analysis to assess the ability of its existing and prospective counteragents to meet their financial liabilities, and the analysis of the existing limits for compliance with the current level of risks attributable to transaction with counteragents. Credit risk mainly arises when free funds are placed with agency banks. In particular, the main source of credit risk for the Company in 2016 was associated with deposits in VTB Bank.

5) Country risk

Country risk is understood as losses arising from failure to perform (untimely performance) of obligations by its clients located in another country due to economic, social or political, domestic or international events.

RNRC is a resident of Russia and keeps all its assets inside the Russian Federation. As such, its exposure to country risk is currently assessed as zero risk. The main factor of country risk in the future can be reinsurance of risks for facilities/clients (provided operations are conducted outside Russia's jurisdiction) which become subject to any US' or EU's sanctions.

6) Operational risk

Operational risk is about incurring losses as a result of inadequacy or failure of internal processes, human factor, malfunctioning and errors in systems, internal and external fraud.

Management of operational risks includes identification and registration of risk events, measurement of risk exposure (including indirect impacts) and making management decisions. In accordance with the approach adopted by the Company, each operational risk event shall be registered and analyzed for its root causes and consequences. Management of operational risks is based on formalizing the decisions-making procedures, making the Company's operations more transparent, prompt response in case of attachment of operational risks and observance of all regulatory requirements.

2016 saw the commencement of the Company's operations, which included purchasing the computer equipment and software, recruiting staff, drafting corporate regulations for interaction between the business units and maintaining security. Therefore, the main source of operational risk in the reporting period was the computer equipment and software. At the same time, no internal and external fraud was identified.

7) Legal/regulatory risk

In carrying out its activities, the Company strictly follows the requirements of the effective laws and regulations and abides by the contractual compliance policy.

Compliance with the regulatory instruments and contractual requirements is ensured by the operation of the Legal Department and the system of internal control bodies.

RNRC organizes its activities in strict compliance with the effective legislation. Where necessary, the Company approaches the competent public authorities for formal clarifications. Independent legal expert review and the support of external experts are provided to handle the most complex and/or sensitive legal issues. This can be either foreign or Russian firms having

relevant experience. In case of litigation, external experts can be engaged to develop the Company's legal opinion and draft related documents as part of legal proceedings, as well as to represent the Company's interests before the court.

Before establishing contractual relationships with the Company, clients and counteragents undergo a check to confirm authenticity of their details, lawfulness of their activities and business reputation (as applicable). The divisions representing the Company under the contracts monitor client's (counteragent's) compliance with the terms and conditions thereof. The model terms and condition of the contracts offered by the Company to its counteragents contain the provisions regarding liability for failure to perform (untimely performance) by the counteragent of its contractual obligations.

To keep the above legal risks under control, the Company conducts monitoring to identify changes in the effective laws and regulations, arranges for legal expert reviews of its regulatory and administrative documents and contracts for compliance with the current laws and regulations, explores the court practice and carries out internal control to make sure that the Company's business units observe the legal requirements.

No legal / regulatory risk events occurred in the reporting period.

8) Reputational risk

Reputational risk is associated with a possible reduction in the client (counteragent) base as a result of a negative public image being created of RNRC in terms of its financial stability, quality of services and/or nature of its operation on the whole.

Risk of damages resulting from loss of reputation is minimal. RNRC controls and manages all aspects of this risk. The relevant Company's units are responsible for:

- control of compliance with the current laws of the Russian Federation,
- prevention of money laundering and terrorist financing,
- monitoring and management of financial and non-financial risks,
- fulfillment of contractual obligations,
- quality control of services,
- control of the staff's compliance with professional ethics,
- monitoring the Company's media coverage.

During the reporting period, no negative messages about RNRC and/or its senior officers appeared in mass media, no litigations were initiated between the Company and its counteragents, and no significant claims were raised against RNRC by the regulatory authorities.

9) Strategic risk

Strategic risk means risk of losses arising as a result of mistakes (omissions) committed in making the decisions that determined the Company's operational and development strategy.

The main strategic risk for RNRC as a new company is associated with a possible delay in implementing its tasks set for the Company by its shareholder.

Taking into account the ongoing positive growth dynamics of the Company, there are no reasons to consider RNRC's current strategic risk a material exposure.

7. REPORT ON PAYMENT OF DECLARED (ACCRUED) DIVIDENDS ON RNRC'S SHARES

In the reporting year, no dividends on the Company's shares were declared or paid.

8. MEMBERS OF SUPERVISORY BOARD RNRC AS OF 31.12.2016

Shvetsov Sergey Anatolyevich
Chairman of the Supervisory Board

Chistyukhin Vladimir Viktorovich
Deputy Chairman of the Supervisory Board

Chairman of the Remuneration and Staffing Committee
Job title: First Deputy Chairman of the Central Bank of Russia, Member of the Board of Directors of the Central Bank of Russia

Year of birth: 1970.

Education: Higher, Lomonosov Moscow State University

Participatory interest in the share capital: 0%

Common stock ratio: 0%.

No purchase or disposal transactions with RNRC's shares were made during the reporting period.

Ignatyev Sergey Mikhailovich
Member of the Supervisory Board
Member of the Risk Committee

Job title: Advisor of the Chairman of the Central Bank of Russia, Member of the Board of Directors of the Central Bank of Russia

Year of birth: 1 948

Education: Higher, Lomonosov Moscow State University, Candidate of Economic Sciences

Participatory interest in the share capital: 0%

Common stock ratio: 0%

No purchase or disposal transactions with RNRC's shares were made during the reporting period.

Kuritsyna Elena Igorevna
Member of the Supervisory Board
Member of the Audit Committee

Job title: Director of Corporate Relations of the Central Bank of Russia

Year of birth: 1978

Education: Higher, Moscow State Public University

Participatory interest in the share capital: 0%

Common stock ratio: 0%

No purchase or disposal transactions with RNRC's shares were made during the reporting period.

Scheglov Alexander Nikolayevich
Member of the Supervisory Board,
Member of Audit Committee, Member of Risk Committee, Member of the Information Technologies Committee

Year of birth: 1968

Education: Higher, Moscow Physical and Technical Institute, Candidate of Physical and Mathematical Sciences

Participatory interest in the share capital: 0%

Common stock ratio: 0%

No purchase or disposal transactions with RNRC's shares were made during the reporting period

Goreglyad Valery Pavlovich
Member of the Supervisory Board
Chairman of the Audit Committee

Job title: Chief Auditor of the Central Bank of Russia

Year of birth: 1958

Education: Higher, Ordzhonikidze Moscow State Aviation Institute, Doctor of Economic Sciences, Professor

Participatory interest in the share capital: 0%

Common stock ratio: 0% No purchase or disposal transactions with RNRC's shares were made during the reporting period

Yurgens Igor Yuryevich
Member of the Supervisory Board
Chairman of the Risk Committee
Member of the Remuneration and Staffing Committee
Member of the Audit Committee
Member of the Information Technologies Committee

Member of the Remuneration and Staffing Committee
Job title: Deputy Chairman of the Central Bank of Russia, Member of the Board of Directors of the Central Bank of Russia

Year of birth: 1973

Education: Higher, Lomonosov Moscow State University

Participatory interest in the share capital: 0%

Common stock ratio: 0%

No purchase or disposal transactions with RNRC's shares were made during the reporting period.

Golikov Andrey Fedorovich
Member of the Supervisory Board
Member of the Remuneration and Staffing Committee
Member of Risk Committee

Member of the Information Technologies Committee

Year of birth: 1969

Education: Higher, Lomonosov Moscow State University;

UK Institute of Directors, Certified Director (Dip Iod)

Participatory interest in the share capital: 0%

Common stock ratio: 0%

No purchase or disposal transactions with RNRC's shares were made during the reporting period.

Bratanov Mikhail Valeryevich
Member of the Supervisory Board
Member of the Remuneration and Staffing Committee
Member of the Audit Committee
Member of the Risk Committee
Member of the Information Technologies Committee

Job title: Director of ROSBANK Securities Management, Director for Russia and CIS of Societe Generale Securities Services

Year of birth: 1973

Education: Higher, Moscow State Electronic Equipment Institute (Technical University), Candidate of Economic Sciences; Skolkovo Moscow Management School,

Executive Master of Business Administration;

UK Institute of Directors Certified Director (Dip Iod)

Participatory interest in the share capital: 0%

Common stock ratio: 0%

No purchase or disposal transactions with RNRC's shares were made during the reporting period.

Orlovsky Viktor Mikhailovich
Member of the Supervisory Board
Chairman of the Information Technologies Committee

Job title: Director, MONEYTIME VENTURES

Year of birth: 1974

Education: Higher, Tashkent Electrotechnical Communication Institute; Moscow State Economics, Statistics and Informatics University

Participatory interest in the share capital: 0%

Common stock ratio: 0%

No purchase or disposal transactions with RNRC's shares were made during the reporting period

Galushin Nikolai Vladimirovich
Member of the Supervisory Board.
Job title: President - Board Chairman RNRC JSC
Year of birth: 1972
Education: Higher, Plekhanov Russian Economic Academy

Job title: President, Russian Union of Motor Insurance ,
President, National Union of Liability Insurance,
President, All-Russian Union of Insurers
Year of birth: 1952
Education: Higher, Lomonosov Moscow State
University, Candidate of Economic Sciences
Participatory interest in the share capital: 0%
Common stock ratio: 0%
No purchase or disposal transactions with RNRC's
shares were made during the reporting period.

Participatory interest in the share capital: 0%
Common stock ratio: 0%
No purchase or disposal transactions with RNRC's shares
were made during the reporting period

Information on changes in the membership of the Supervisory Board occurred in 2016:

Moiseyev S.R. was elected as a member of the Supervisory Board by Resolution No. 1 of the only founding member on the founding of NPK Reinsurance Company, Joint-Stock Company dd. July 29, 2016; his authorities were terminated by Resolution No. 6 of the sole shareholder NPK Reinsurance Company, Joint-Stock Company on the membership of the Supervisory Board of NPK Reinsurance Company, Joint-Stock Company dd. December 19, 2016.

9 RNRC PRESIDENT AND BOARD CHAIRMAN, MANAGEMENT BOARD MEMBERS

Pursuant to Resolution No. 1 of the only founding member on the founding of NPK Reinsurance Company, Joint-Stock Company dd. July 29, 2016 Galushin Nikolai Vladimirovich was appointed President of RNRC JSC.

Galushin Nikolai Vladimirovich
[President - Board Chairman](#)

Job title: President and Board Chairman of RNRC JSC

Year of birth: 1972

Education: Higher, Plekhanov Russian Economic Academy

Participatory interest in the share capital: 0%

Common stock ratio: 0%

No purchase or disposal transactions with RNRC's shares were made during the reporting period.

Board members:

Vereschaka Alexander Alekseyevich

[Deputy Board Chairman](#)

Year of birth: 1958

Education: Higher, Ivanovo State University

Participatory interest in the share capital: 0%

Common stock ratio: 0%

No purchase or disposal transactions with RNRC's shares were made during the reporting period

Karpova Natalia Vasilyevna

[Deputy Board Chairman](#)

Year of birth: 1972

Education: Higher, Gubkin State Petroleum Academy, Chartered Insurance Institute, London)

Participatory interest in the share capital: 0%

Common stock ratio: 0%

No purchase or disposal transactions with RNRC's shares were made during the reporting period.

Krymova Olga Borisovna

[Deputy Board Chairman](#)

Year of birth: 1974

Education: Higher, RF Government's National Economy Academy

Participatory interest in the share capital: 0%

Common stock ratio: 0%

No purchase or disposal transactions with RNRC's shares were made during the reporting period.

Yuryev Andrey Vasilyevich

[Deputy Board Chairman](#)

Year of birth: 1975

Education: Higher, Pomorye State University, Moscow State Law Academy

Participatory interest in the share capital: 0%

Common stock ratio: 0%

No purchase or disposal transactions with RNRC's shares were made during the reporting period.

10. CRITERIA AND AMOUNT OF REMUNERATION OF MEMBERS OF RNRC'S MANAGEMENT BODIES IN 2016

In the reporting period, the Company developed the Regulation on Motivation and Remuneration of RNRC's President and Board Members in 2017 and the Regulation on Remuneration and Compensations for RNRC's Supervisory Board members, setting out the approaches to remunerating the said officers. The above Provisions were approved in 2017.

The Company's remuneration and (or) compensation policy (hereinafter the Policy) is developed in line with the requirements of the current Russian laws and the regulatory documents of the Bank of Russia in order to improve the remuneration system, stimulate the Company's employees material interest in optimizing their performance in view of related risks, and ensure the Company's financial stability.

The criteria and amount of remuneration for the Board members are subject to approval

одобрению by the Company's Supervisory Board.

The remuneration due the Company's President - Board Chairman and Board members is paid in accordance with the employment agreements and resolution of the Supervisory Board.

No remuneration was paid the Supervisory Board members in 2016.

The amount of all payments (wages, bonuses, compensatory payments etc.) accrued to the Company's employees acting as the Management Board members was equal to RUB 25,411 thous. in 2016, including insurance payments.

11. CORPORATE MANAGEMENT

The Company is committed to observing the fundamental principles of the Corporate Management Code (hereinafter the Code) approved by letter of the Bank of Russia dd. 10.04.2014 No. 06-52/2463 and recommended for use.

Since according to Part 1 of article 13.1 of RF Law on Insurance Business Organization in Russia dd. 27.11.1992 No. 40151 (as amended on 03.07.2016), the Company's shares are 100% owned by its sole shareholder – the Bank of Russia, and considering a fairly short period that is elapsed from the Company's setup, some principles of the Code may not be applicable, or may have not been applied.

From its launch on, the Company has been consistently building an efficient corporate management system based on the recommendations provided by the Bank of Russia in the Corporate Management Code and in line with the best corporate management practices.

Sole Shareholder

The Sole Shareholder is the top management body of the Company. The Company's shareholder is authorized to make key decisions and approve documents regulating the Company's corporate management system, as well as to elect the Supervisory Board members and the President - Board Chairman.

In 2016, the Company's Sole Shareholder issued 7 resolutions approving the following documents: Regulation on Supervisory Board, Regulation on Management Board, Regulation on President, Regulation on Reinsurance Board, Regulation on Audit Commission; elected the Company's Supervisory Board members, appointed the Company's President, elected the Audit Commission members, approved the Company's Registrar and the Company's Auditor. The Sole Shareholder also resolved to file an application with the RF Ministry of Justice to include in its corporate name the words "Russian Federation" or "Russia", and derivative words, to rename the Company into Russian National Reinsurance Company, Joint-Stock Company, and to make amendments to the Company's Article of Association.

Supervisory Board

The Company's Supervisory Board is responsible for the general management of the Company's activities to the exception of issues referred by the Company's Articles to the competence of the Company's Sole Shareholder, and by the Federal Law on Public Joint-Stock Companies – to the competence of the Company's general shareholders' meeting. The competence of the Supervisory Board is determined by the Company's Articles and separated from the competence of its executive bodies. No issues that are referred to the competence of the Supervisory Board can be decided by the Company's executive bodies.

According to the Company's Articles and the Regulation on Supervisory Board, independent directors must account for at least ¼ of the Supervisory Board membership.

Independence of a member (candidate member) of the Company's Supervisory Board is determined by the Supervisory Board on the recommendation of the Supervisory Board's Remuneration and Staffing Committee subject to the criteria set out in the Corporate Management Code recommended for use by the Bank of Russia.

The Regulation on Supervisory Board stipulates that the Company's Supervisory Board should check the Supervisory Board's independent member for compliance with the independence

criteria no less than once a year and report to the Company's Sole Shareholder any circumstances which dismiss independence of any member of the Supervisory Board.

In 2016, no check for compliance with the independence criteria was conducted for the independent members of the Company's Supervisory Board.

The Supervisory Board's members meet the requirements established by the RF Law on Insurance Business Organization in Russia for members of boards of directors (Supervisory Board) of insurance business entities, and have the knowledge, skills and experience necessary for making decisions referred to the competence of the Company's Supervisory Board and required for the efficient implementation of the Supervisory Board's functions.

Chairman of the Supervisory Board

The Company's Supervisory Board is chaired by the Chairman elected from the members of the Supervisory Board.

The Supervisory Board's Chairman cannot be at the same time the President or Board Chairman of the Company.

The Chairman directs the activities of the Supervisory Board, organizes the development of its activity plan and approves the agenda for the Supervisory Board's meetings. At the meeting, the Chairman ensures unhindered discussion of the agenda issues and finding the most efficient solutions to resolve the same.

In 2016, the Company's Supervisory Board held four meetings in person and three meetings by correspondence.

The Supervisory Board passed resolutions on the election of the Management Board members, appointment of the Company's internal auditor, approval of the Reinsurance Board members and election of its Chairman, approval of non-arm's length transactions; also, it approved the following documents: Regulation on Information Policy, Regulation on Internal Audit Organization and Conduct, Regulation on Internal Control, Reinsurance Policy, and Risk Management Policy.

Supervisory Board's Committees

The Supervisory Board, aiming to improve the efficiency of its activities and arrange for the preliminary review of the issues most important to the Company's operations, set up the Audit Committee, Risk Committee, Remuneration and Staffing Committee and Information Technologies Committee.

The Committees of the Supervisory Board's are the advisory and consultative bodies of the Supervisory Board consisting of the Supervisory Board's members.

The Committees, acting within their competence, submit to the Company's Supervisory Board their opinions and recommendations regarding the agenda issues.

The main tasks of the Audit Committee are:

- ensuring the provision of complete, accurate and credible accounting records (financial statements) and consolidated statements of the Company;
- maintaining a reliable and efficient risk management and internal control system and corporate management system, including the efficiency assessment of the Company's risk management and internal control procedure and corporate management practice, and drafting suggestions for their improvement;
- analysis and assessment of efficient implementation of the internal audit functions;
- overseeing external audit and quality assessment of audits and auditors' reports.

In 2016, the Audit Committee of the Supervisory Board held its first meeting to discuss the organization of the Company's internal audits, intermediate results of the internal auditor's activities in Quarter 4, 2016 and the tasks of the Company's internal auditor for 2017.

The ***Supervisory Board's Risk Committee*** was designed to support the efficient performance

of the Supervisory Board's functions in defining the core areas of the Company's activity with regard to insurance, financial and non-financial risks, and providing adequate conditions to manage such risks.

In 2016, the Risk Committee held its first meeting and discussed the Company's Reinsurance Policy, Basic Loss Adjustment Principles, net retention suggestions and Risk Management Policy.

The **Supervisory Board's Remuneration and Staffing Committee** was set up to assist the Supervisory Board in discussing issues associated with the adoption of an efficient and transparent remuneration practice for the Supervisory Board's members, executive bodies and other Company's senior officers, human resource planning, strengthening the Supervisory Board's staff and improving its performance efficiency.

In 2016, the Committee did not hold meetings.

The **Supervisory Board Information Technologies Committee** was set up to assist the Supervisory Board in considering the information and technical support for the Company.

In 2016, the Committee did not hold meetings.

According to the Regulation on Supervisory Board, the Supervisory Board arranges the quality assessment of its own activities and the activities of the Company's Supervisory Board, its Committees and members.

The goal of the quality assessment is to assess the efficiency of operation of the Company's Supervisory Board, its Committees and members, correlate their work with the Company's development needs, streamline the Supervisory Board's activities and identify the potential areas for improvement.

The Regulation on Supervisory Board stipulates that the quality assessment of the Supervisory Board, its Committees and members shall be carried out on a regular basis, but no less than once a year.

The efficiency assessment of the Supervisory Board's Chairman is carried out by the independent directors subject to the opinions of all members of the Supervisory Board.

In 2016, the quality assessment of the Supervisory Board, its Committees, members and Chairman was not conducted because of a fairly short elapsed from the Company's launch.

Company's executive bodies

The Management Board is the Company's collegial executive body directing its routine activities.

The main tasks of the Management Board include:

- management of the Company's routine financial, economic and administrative activities acting within the Board's competence, and ensuring their efficiency;
- implementing the Company's development strategy реализации;
- development of the Company's priority business lines.

The Management Board's members (except for the Company's President) are elected by the Supervisory Board.

The **Company's President, acting as the Board Chairman** directs the activities of the Management Board.

The decision to appoint the Company's President and terminate his/her authorities is made by the Company's Sole Shareholder on the Supervisory Board's suggestion.

The President and Board Chairman organizes the Management Board's activities and annually reports the Board's performance results to the Supervisory Board and the Sole Shareholder.

The President and Board Chairman meets the qualification and other requirements set by the RF Law on Insurance Business Organization in Russia for directors of insurance organizations.

The **Management Board's members** meet the requirements set by the RF Law on Insurance Business Organization in Russia for members of collegial executive bodies of insurance organizations.

Committees subordinated to the Management Board

The Company has a number of collegial working bodies (committees and commissions) subordinated to the Management Board. Their task is to resolve issues and implement the common policy in various areas of the Company's operating activities.

The Company's Risk Committee is a permanent collegial body set up to draft suggestions for the development of the risk management system and internal regulatory documents for risk management and coordination of draft resolutions on specific issues associated with risk management.

The competence of the Risk Committee includes:

- development and implementation of policies, methodologies and other Company's regulatory documents pertaining to risk management;
- development of recommendations for risk response measures in specific situations (transactions, contracts etc.);
- deciding on reinsurance contracts for over-limit, unique or exclusive insurance contracts according to the Regulation on Insurance Risk Assessment and Management, Reinsurance Policy or other Company's internal documents;
- review and submission of risk reports to the Management Board and informing the Management Board of the control procedures' efficiency, risk attachment events, and measures used to prevent such events in the future.

The **Risk Committee** was set up by the Management Board and consists of 7 members appointed by the Management Board.

The Company set up the Tender Commission primarily responsible for accreditation suppliers and reviewing bids submitted under tenders for the purchase of goods, works and services.

Reinsurance Board

According to article 13.1 of the RF Law on Insurance Business Organization in Russia, the Company set up the Reinsurance Board.

The **Reinsurance Board** is a collegial consultative body comprising representatives of insurance organizations meeting the requirements of the RF Law on Insurance Business Organization in Russia.

The members of the Reinsurance Board were approved by the Company's Supervisory Board. The list of the Reinsurance Board's members includes:

Blagutin D.Yu

[Director General, SKOR Reinsurance LLC](#)

Bugayev Yu.S.

[Board Chairman, Association of Professional Insurance Brokers](#)

Volkov M.Yu.

[Director General, Ingosstrakh PJSC](#)

Galperin G.A.

[Director General, VTB Strakhovaniye LLC](#)

Kotlovsky I.B.

[Chairman, Risk Management and Insurance Department, Lomonosov Moscow State University](#)

Markarov D.E.

Director General, Rosgosstrakh PJSC

Novikov V.V.

Board Chairman, Association 'Union of Actuaries'

Ovsyanitsky O.S.

Director General, VSK PJSC

Platonova E.L.

President Self-regulated Union of Insurance Entities "National Insurance Union",

Vice President, All-Russian Union of Insurers

Rakitina V.A.

Director General, RT-Strakhovaniye LLC, Insurance Broker

Rakovschik D.G.

Director General, RESO-Garantia PJSC

Skvortsov V.Yu.

Director General, AlfaStrakhovaniye PJSC

Turbina K.E.

Chief of Regional Office, Gen Re

Ustinov A.A.

Board Chairman, SOGAZ INSURANCE

The activities of the Reinsurance Board are directed and organized by the Board Chairman elected by the Company's Supervisory Board.

The elected Chairman of the Reinsurance Board is Platonova E.L.

The Reinsurance Board submits to the Company's Supervisory Board the opinions and recommendations on the issues falling within its competence.

The priority business lines of the Company, Regulation on Insurance Risk Assessment and Management, and amendments thereto are submitted to the Company's Supervisory Board for approval after their review by the Reinsurance Board.

The Reinsurance Board drafts suggestions for the Company's priority business lines, Insurance Risk Assessment and Management issues.

The Reinsurance Board drafts suggestions for regulatory instruments and internal documents of the Company, as well as new reinsurance products, shapes expectations regarding the Company's ability to meet the reinsurance needs of insurance organizations and regarding the national capacity for reinsurance operations.

The Reinsurance Board reports to the Company's Sole Shareholder and informs it and the Supervisory Board of each meeting held by the Board by making available the meeting minutes.

In 2016, the Board held two meetings and discussed the following documents:

- Company's Reinsurance Policy;
- Basic Loss Adjustment Principles;
- suggestions for net retention.

The documents elaborated in accordance with the suggestions of the Reinsurance Board were approved by the Company's Supervisory Board.

Corporate Secretary

The Corporate Secretary is appointed to maintain ongoing interaction with the shareholders

and support the activities of the Supervisory Board and Management Board of the Company.

12. INTERNAL CONTROL SYSTEM

During the reporting period, RNRC was organizing the internal control system and forming the internal regulatory framework for this business area in accordance with the requirements of the Russian laws and, in particular, the RF Law on Insurance Business Organization in Russia.

The internal control system serves to accomplish the following goals of the Company:

- assistance in protecting the shareholders' and clients' interests, prevention and removal of conflicts of interests, supporting the efficient management of the Company and achievement of its strategic goals in the most efficient way;
- providing conditions for the Company's protection against internal and external risks arising in the course of its activities, and risks associated with inaccurate/incomplete financial statements;
- assistance in ensuring compliance with regulatory instruments, standards of self-regulatory organizations of insurers, constituent and internal documents of the Company, and ethical codes, including those based on trade usage or business custom commonly adopted in the reinsurance industry;
- providing conditions for timely preparation and submission of financial statements and tax accounts, statistical, management and other reports for external and internal users;
- assistance in ensuring integrity of assets and efficient use of the Company's resources and potential;
- providing conditions preventing the Company's or its employees' involvement in unlawful actions, including money laundering and terrorist financing.

The internal control functions are performed by the following officers in accordance with their authorities determined by the Articles of Association, Regulation on Internal Control and other internal administrative documents of the Company:

- Sole Shareholder;
- Supervisory Board;
- Management Board;
- President;
- Audit Commission;
- Chief Accountant and his/her deputies;
- Internal Auditor;
- Officer and Department responsible for compliance with Internal Control Rules and implementing the related programs in accordance with the Russian money laundering and terrorist financing laws;
- Chief Actuary and Actuarial Notation & Risk Management Department.

The Company's Supervisory Board determined the principles and approaches to the organization of the internal control system in the Company.

The Company's executive bodies distributed the internal control functions and authorities between the managers of their subordinated divisions and departments.

Each Company's business unit and (or) employee with the control functions act under the respective regulations and (or) job instructions setting out the goals, competences, status, tasks, subordination and accountability requirements, as well as the operating procedures.

The internal control encompasses all Company's employees, business lines and processes.

The efficiency of the Company's internal control system is ensured by:

- management’s commitment (executive bodies, Supervisory Board) to ensure the staff’s compliance with the existing rules and regulations including ethical codes («tone at the top»);
- maintenance of the principles of three “defense lines”:
 - 1) The first “defense line” is provided by risk owners working at the risk source: each employee and business unit.
 - 2) The second “defense line” is provided by the internal control bodies, including the following control functions: control of risk management, money laundering and terrorist financing prevention, actuarial function, information and IT processes security function.
 - 3) The third “defense line” is represented by the internal audit function through the monitoring and efficiency assessment of the Company’s internal control system.
- necessary and sufficient internal communication, namely:
 - a) informing the employees of the Company’s internal control requirements and their mandatory status;
 - b) training the employees referred to the risk owner categories.
- monitoring and continuously improving the internal control system with a view to its efficient performance.

13. MAJOR TRANSACTIONS MADE IN 2016

No transactions classified as major transactions in accordance with the Federal Law on Joint-Stock Companies were made by the Company in the reporting period.

The Articles of Association do not provide for any other transactions subject to the major transaction approval procedures in accordance with the Company’s Articles.

14. NON-ARMS’ LENGTH TRANSACTIONS MADE IN 2016

In the reporting year, the Company made the following transactions classified as non-arms’ length transactions in accordance with the Federal Law on Joint-Stock Companies and subject to approval by a relevant management body of a joint-stock company according to Chapter XI the Federal Law on Joint-Stock Companies (in the edition valid until 01.01.2017):

- opening the Company’s settlement account with VTB Bank approved by the Company’s Supervisory Board (minutes No. 1 dd. 10.08.2016);
- making the Depository Account Agreement with VTB Bank approved by the Company’s Supervisory Board (minutes No. 1 dd. 10.08.2016);
- making the Broker Services Agreement with VTB Bank approved by the Company’s Supervisory Board (minutes No. 1 dd. 10.08.2016);
- depositing the Company’s cash funds with VTB Bank approved by the Company’s Supervisory Board (minutes No. 1 dd. 10.08.2016, No. 2 dd. 05.09.2016).

Related party: Member of the Company’s Supervisory Board, Chistyukhin V.V., acting as a member of the Supervisory Board of VTB Bank without participatory interest in the share capital of and RNRC and VTB Bank.

15. ENERGY RESOURCES CONSUMPTION IN 2016

The energy resource consumption in 2016 was as follows:

Electric power	6,136 kW	RUB 25.1 thous.
Gasoline	655.88 L	RUB 28.3 thous.

President - Board Chairman RNRC JSC

Galushin N.V.

EXHIBIT 1. 2016 ANNUAL FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S OPINION



Independent auditor's opinion

Attention: Shareholder and Supervisory Board of Russian National Reinsurance Company, Joint-Stock Company:

Summary of audit of annual financial statements

Opinion

In our opinion, the attached financial statements give a true and fair view, in all material respects, of the financial position of Russian National Reinsurance Company, Joint-Stock Company (hereinafter the «Company») as of December 31, 2016, including its financial performance and cash flows for 2016, in accordance with the rules for preparing annual financial statements applicable in the Russian Federation.

Subject of audit

We have audited the annual financial statements of the Company which comprises:

- insurer's balance sheet as of December 31, 2016;
- statement of insurer's financial performance for 2016;
- statement of changes in insurer's equity for 2016;
- cash flow statement for 2016;
- clarifications to balance sheet and financial performance report.

Basis for audit opinion

The audit was conducted in accordance with the International Standards on Auditing (ISA). Our responsibility according to these standards is described below in the section «Auditor's responsibility for audit of annual financial statements» of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

We are independent from the Company in accordance with the Code of Ethics of Professional Accountants of the International Ethics Standards Board for Accountants (IESBA Code) and the ethical requirements of the Code of Professional Ethics for Auditors and Audit Organizations and the Independence Rules for Auditors and Audit Organizations applicable to our audit of annual financial statements in the Russian Federation. We also have complied with other ethical responsibilities set by these requirements and the IESBA Code.

Joint-Stock PricewaterhouseCoopers Audit (PwC Audit, JSC)

Belaya Loshad Business Center, Butyrsky Val, Moscow 125047, Russia

Directors' and corporate management officers' responsibility for financial statements

The Company's directors are responsible for the preparation of financial statements that give a true and fair view in accordance with the Russian rules governing their preparation, and for internal control that the directors find necessary to obtain reasonable assurance about whether the annual financial statements are free from material misstatements due to fraud or error.

In preparing the annual financial statements the directors assume responsibility for assessing the Company's ability to continue as a going concern, disclose where appropriate the information regarding the continuity of its operations, and preparing the financial statements based on the going concern assumption, except where the directors plan to liquidate or wind up the Company, or where the Company has no valid alternative but for liquidation or winding-up.

Persons responsible for corporate management shall oversee the preparation of the Company's annual financial statements.

Independent auditor's responsibility

Our responsibility is to obtain reasonable assurance about whether the annual financial statements are free from material misstatements due to fraud or error, and to prepare the auditor's report containing our opinion. Reasonable

assurance implies a high degree of confidence, but does not guarantee that the audit conducted in accordance with the ISA always identifies material misstatements, if any. Such misstatements can be caused by fraud or error and shall be considered material if they can reasonably be expected to affect, jointly or separately, economic decisions of users made on the basis of such annual financial statements.

As part of our ISA audit, we use professional judgments and apply professional skepticism during the entire audit. We also:

- identify and assess the risks of material misstatements of the annual financial statements due to fraud or error; develop and follow audit procedures in response to these risks; obtain audit evidence being sufficient and appropriate to provide a basis for our audit opinion. Risk of failure to identify a material misstatement as a result of fraud is higher than risk of failure to identify a material misstatement as a result of error, as fraudulent actions may include collusion, forgery, intentional omission, misstatement of information or bypassing the internal control system;
- get an understanding of internal control relevant for audit purposes in order to develop audit procedures appropriate under the circumstances, but not for the purpose of expressing an opinion on the efficiency of the Company's internal control system;
- consider the adequacy of the accounting policy and validity of the amounts and disclosures in the financial statements prepared by the director;
- conclude about the justified use by the directors of the going concern assumption, and based on the audit evidence obtained, conclude about whether there is a considerable uncertainty in connection with events or conditions which may cast significant doubt about the Company's ability to continue as a going concern. If we conclude that there is a considerable uncertainty, we will highlight in our auditor's report a respective disclosure in the annual financial statements or, if such disclosure is wrongful, modify our report. Our conclusions are based on the audit evidence obtained before the issue of our auditor's report. However, future events or conditions may lead the Company to losing its ability to continue as a going concern;
- assess the presentation of the annual financial statements as a whole, its structure and contents, including information disclosure and whether the annual financial statements gives a true and fair view of the underlying operations and events.

We exchange information with persons responsible for corporate management and bring to their notice, among others, information on the planned scope and timeline of the audit, as well as substantial remarks on the audit results, in particular, regarding deficiencies in the internal control system, which we may identify during the audit.

Report on other legal and regulatory requirements and

Report on the application of procedures required by RF Law on Insurance Business Organization in Russia dd. 27.11.1992 No. 4015-1

The Company's directors are responsible for the Company's compliance with the financial stability and solvency requirements set by RF Law on Insurance Business Organization in Russia dd. 27.11.1992 No. 40151 as amended by Federal Law No. 361-FZ dd. July 3, 2016 "On amending certain regulatory instruments of the Russian Federation and invalidating certain regulatory instruments (provisions thereof) of the Russian Federation" (hereinafter the "Law of the Russian Federation") and the regulatory instruments of the insurance supervision body, as well as for organizing the Company's internal control system in accordance with the Law of the Russian Federation.

According to article 29 of the Law of the Russian Federation, as part of auditing the annual financial statements of the Company for 2016 we performed the procedures to assess:

- the Company's compliance with the financial stability and solvency requirements set by the Law of the Russian Federation and the regulatory instruments of the insurance supervision body;
- efficient organization of the Company's internal control system in accordance with the requirements established by the Law of the Russian Federation.

The above procedures were confined to the use of such methods, at our option, as inquiries, analysis, review of the Company internal administrative and other documents, comparison of the Company's approved regulations, rules and methodologies with the requirements established by the Law of the Russian Federation and the regulatory instruments of the insurance supervision body, as well as recalculation and comparison of numerical and other information.

The following findings were obtained based on the above procedures:

- 1) as regards the Company's compliance with the financial stability and solvency requirements established by the Law of the Russian Federation and the regulatory instruments of the insurance supervision body:
 - a) as at December 31, 2016, the Company has duly paid authorized capital in the amount not lesser than the insurer's minimum authorized capital prescribed by the Law of the Russian Federation;
 - b) as at December 31, 2016, the composition and structure of the assets accepted by the Company to cover its insurance reserves and own funds (equity) meet the requirements established by the regulatory instruments of the insurance supervision body;
 - c) as at December 31, 2016, the statutory ratio of the Company's own funds (equity) to assumed liabilities is observed according to the computing procedure provided by the insurance supervision body;

d) the Company's insurance reserves as of December 31, 2016 were calculated in accordance with the rules for making insurance reserves approved by the insurance supervision body and the Company's regulation on making insurance reserves approved by the Company.

We did not perform any procedures regarding the Company's accounting data except for the procedures we considered necessary for expressing an opinion on whether the annual financial statements of the company give a true and fair view, in all material respects, of the Company's financial position as of December 31, 2016, its financial and operational performance and cash flows in 2016 in accordance with rules for preparing annual financial statements applicable in the Russian Federation.

2) as regards the efficient organization of the Company's internal control system:

a) as at December 31, 2016, the Company's constituent and internal administrative documents in accordance with the Law of the Russian Federation provide for an internal control system and describe the authorities of persons responsible for internal control in the Company;

b) as at December 31, 2016, the Company appointed the internal auditor subordinated and reporting to the Company's Supervisory Board and assigned the appropriate authorities, rights and responsibilities;

c) as at December 31, 2016, the Company appointed as the internal auditor a person meeting the qualification and other requirements established by the Law of the Russian Federation;

d) as at December 31, 2016, the Internal Audit Regulation approved by the Company conforms to the Law of the Russian Federation;

e) the internal auditor did not previously hold any positions in the Company's business units;

f) the reports of the Company's internal auditor on the results of the audits held in 2016 were issued with the regularity required by the Law of the Russian Federation and included the internal auditor's observations regarding violations and deficiencies in the Company's operations, their consequences and recommendations for remedy of such violations and deficiencies;

j) during 2016, the collegial executive body of the Company's management system reviewed the reports of the internal auditor.

The procedures assessing the efficient organization of the Company's internal control system were performed exclusively to check the elements of the internal control system required by the Law of the Russian Federation and described above for compliance with the requirements of the Law of the Russian Federation.

March 7, 2017

Moscow, Russian Federation

M.Yu. Bogomolova, Task Owner (qualification certificate No. 01-000194)

Joint-Stock PricewaterhouseCoopers Audit

Audited entity:

Russian National Reinsurance Company, Joint-Stock Company

Certificate of record in the Unified Register of Legal Entities dd. August 3, 2016 No. 1167746727378

Gasheka St. 6, Moscow 125047, Russian Federation

Independent auditor:

Joint-Stock PricewaterhouseCoopers Audit

Certificate of state registration No. 008.890 issued by the Moscow Registration Chamber on February 28, 1992

Certificate of record in the Unified Register of Legal Entities dd. August 22, 2002 No. 1027700148431

Member of the self-regulatory organization Russian Union of Auditors (Association)

Number in the register of auditors and audit organizations 11603050547

INSURER'S BALANCE SHEET

as of December 31, 2016

		Form No. 1-insurer per OKUD	CODES	
		Date (day, month, year)	0710001	
		per OKPO	31 12 2016	
Insurer	Russian National Reinsurance Company, Joint-Stock Company		03812394	
Primary state registration number		per EGRUL	1167746727378	
Insurer's registration number		per EGRSSD	4351	
Taxpayer's identification number		INN	7706440687	
Type of economic activity Insurance		per OKVED	65	
Form of incorporation / ownership		per OKOPF/OKFS	1 22 67	12
Non-public joint-stock company / Federal company				
Unit of meas.: RUB thous. / RUB mn (delete as appropriate)		per OKEI	384	
Place of business (address): Office XII, Dukat Place III BC, 5 Floor, Gasheka St. 6, Moscow 125047				

Notes	Description	Line code	December 31, 2016	December 31, 2015	December 31, 2014
1	2	3	4	5	6
-	ASSETS				
-	I. Assets				
-	Intangible assets	1110	574	-	-
-	Fixed assets	1120	4,159	-	-
-	Income-bearing investments in inventory	1130	-	-	-
-	Financial investments (except cash equivalents)	1140	21,603,363	-	-
-	Deferred tax assets	1150	23,068	-	-
-	Stocks	1210	16,877	-	-
-	Input value added tax	1220	286	-	-
-	Reinsurers' share in life insurance reserves	1230	-	-	-
-	Reinsurers' share in non-life insurance reserves	1240	-	-	-
-	Accounts receivable	1250	414,553	-	-
-	Premium deposit with reinsurers	1260	-	-	-
-	Cash and cash equivalents	1270	4,895	-	-
-	Other assets	1290	151	-	-
-	TOTAL FOR SECTION I	1300	22,067,926	-	-
-	BALANCE	1000	22,067,926	-	-

Notes	Description	Line code	December 31, 2016	December 31, 2015	December 31, 2014
1	2	3	4	5	6
	LIABILITIES				
-	II. Capital and reserves				
-	Authorized capital	2110	21,300,000	-	-
-	Treasury shares / interests) bought out from shareholders (members)	2120	-	-	-
-	Property revaluation	2130	-	-	-
-	Paid-in capital (without revaluation)	2140	-	-	-
-	Reserve capital	2150	-	-	-
-	Undistributed profit (uncovered loss)	2160	495,206	-	-
-	TOTAL FOR SECTION II	2100	21,795,206	-	-
-	III. Liabilities		-	-	-
-	Insurance reserves for life insurance	2210	-	-	-
-	Insurance reserves for non-life insurance	2220	202,655	-	-
-	Borrowed funds	2230	-	-	-
-	Deferred tax liabilities	2240	3,070	-	-
-	Estimated liabilities	2250	25,502	-	-
-	Premium deposit of reinsurers	2260	-	-	-
-	Accounts payable	2270	41,493	-	-
-	Deferred income	2280	-	-	-
-	Other liabilities	2290	-	-	-
-	TOTAL FOR SECTION III	2200	272,720	-	-
-	BALANCE	2000	22,067,926	-	-

Director

 (signature) Galushin Nikolai
 Vladimirovich
 (printed name)

Chief
Accountant

 Borovkova Natalia
 Vilyamovna
 (printed name)

March 3, 2017

INSURER'S FINANCIAL PERFORMANCE

for 2016

		Form No. 2-insurer per OKUD	CODES	
		Date (day, month, year)	0710002	
		per OKPO	31 12 2016	
Insurer	Russian National Reinsurance Company, Joint-Stock Company		03812394	
Primary state registration number		per EGRUL	1167746727378	
Insurer's registration number		per EGRSSD	4351	
Taxpayer's identification number		INN	7706440687	
Type of economic activity Insurance		per OKVED	65	
Form of incorporation / ownership		per OKOPF/OKFS	1 22 67	12
Non-public joint-stock company / Federal company				
Unit of meas.: RUB thous. / RUB mn (delete as appropriate)		per OKEI	384	
Place of business (address): Office XII, Dukat Place III BC, 5 Floor, Gasheka St. 6, Moscow 125047				

Notes	Description	Line code	2016	2015
1	2	3	4	5
	I. Life insurance			
-	Insurance premiums (installments) – net of reinsurance	1100	-	-
-	insurance premiums (installments) under insurance, co-insurance and reinsurance contracts – total	1110	-	-
-	ceded insurance premiums (installments)	1120	-	-
-	Investment income	1200	-	-
-	Investment expenses	1300	-	-
-	Payments – net of reinsurance	1400	-	-
-	payments under insurance, co-insurance and reinsurance contracts – total	1410	-	-
-	reinsurers' share in payments	1420	-	-
-	additional payments (no-claim bonuses)	1430	-	-
-	Changes in life insurance reserves – net of reinsurance	1500	-	-
-	changes in life insurance reserves – total	1510	-	-
-	changes in reinsurers' share in life insurance reserves	1520	-	-
-	Insurance expenses – net of reinsurance	1600	-	-
-	acquisition costs	1610	-	-
-	other insurance expenses	1620	-	-
-	ceding commission and profit commissions under reinsurance contracts	1630	-	-
-	Other life insurance expenses	1700	-	-
-	Other life reinsurance expenses	1300	-	-
-	Life insurance operating result	1000	-	-

Notes	Description	Line code	2016	2015
1	2	3	4	5
	II. Non-life insurance			
-	Earned insurance premiums – net of reinsurance	2100	28,059	-
-	insurance premiums under insurance, co-insurance and reinsurance contracts - total	2110	148,485	-
-	ceded insurance premiums	2120	-	-
-	changes in unearned premium reserve – total	2130	(1,195,26)	-
-	changes in reinsurers' share in unearned premium reserve	2140	-	-
-	Incurred losses – net of reinsurance	2200	(75,359)	-
-	payments under insurance, co-insurance and reinsurance contracts – total	2210	-	-
-	loss adjustment expenses	2220	-	-
-	reinsurers' share in payments	2230	-	-
-	changes in loss reserve – total	2240	(75,359)	-
-	changes in reinsurers' share in loss reserve	2250	-	-
-	Changes in other insurance reserves	2300	(7,470)	-
-	Changes in reinsurers' share in other reserves	2400	-	-
-	Deductibles on insurance premiums	2500	-	-
-	Insurance expenses – net of reinsurance	2600	(1,856)	-
-	acquisition costs	2610	(1,856)	-
-	other insurance expenses – net of reinsurance	2620	-	-
-	ceding commission and profit commissions under reinsurance contracts	2630	-	-
-	Investment income	2700	6,697	-
-	Investment expenses	2800	(605)	-
-	Other non-life insurance earnings	2910	-	-
-	Other non-life insurance expenses	2920	-	-
-	Non-life insurance operating result	2000	(49,934)	-
-	III. Non-operating income and expenses			
-	Administrative expenses	3100	(79,134)	-
-	Other income	3200	773,834	-
-	Other expenses	3300	(67,870)	-
-	Profit (loss) before tax	3400	576,896	-
-	Current profit tax	3500	(101,688)	-
-	including:			
-	permanent tax liabilities (assets)	3510	-	-
-	Changes in deferred tax liabilities	3600	(30,700)	-
-	Changes in deferred tax assets	3700	23,068	-
-	Other	3800	-	-
-	-	3900	-	-
-	Net profit (loss)	3000	495,206	-

Notes	Description	Line code	2016	2015
1	2	3	4	5
	FOR REFERENCE			
-	Property revaluation result not included in net profit (loss) for reporting period	4100	-	-
-	Other operations result not included in net profit (loss) for reporting period	4200	-	-
-	Aggregate financial result for reporting period	4300	405,206	-
-	Base profit (loss) per share	4400	23,200	-
-	Diluted profit (loss) per share	4500	-	-

Director

(signature)

Galushin Nikolai
Vladimirovich
(printed name)

Chief
Accountant

(signature)

Borovkova Natalia
Vilyamovna
(printed name)

March 3, 2017

CHANGES IN INSURER'S CAPITAL

for 2016

		Form No. 3-insurer per OKUD	CODES	
		Date (day, month, year)	0710003	
		per OKPO	31 12 2016	
Insurer	Russian National Reinsurance Company, Joint-Stock Company		03812394	
Primary state registration number		per EGRUL	1167746727378	
Insurer's registration number		per EGRSSD	4351	
Taxpayer's identification number		INN	7706440687	
Type of economic activity Insurance		per OKVED	65	
Form of incorporation / ownership		per OKOPF/OKFS	1 22 67	12
Non-public joint-stock company / Federal company				
Unit of meas.: RUB thous. / RUB mn (delete as appropriate)		per OKEI	384	
Place of business (address): Office XII, Dukat Place III BC, 5 Floor, Gasheka St. 6, Moscow 125047				

1. Capital flows

Description	Line code	Authorized capital	Treasury shares (interests) bought out from shareholders (members)	Paid-in capital	Reserve capital	Undistributed profit (uncovered loss)	Total
1	2	3	4	5	6	7	8
Capital as of December 31, 2016	1000	-	-	-	-	-	-
For 2015							
Capital increase - total	1100	-	-	-	-	-	-
including:							
net profit	1110	x	x	x	x	-	-
property revaluation	1120	x	x	-	x	x	-
income from capital increase	1130	x	x	-	x	-	-
additional issue of shares (additional contributions by the company's members and third parties admitted to company)	1140	-	-	-	x	x	-
increase of par value of shares (participatory interests)	1150	-	-	-	x	-	x
reorganization of legal entity	1160	-	-	-	-	-	-
-	1170	-	-	-	-	-	-

Description	Line code	Authorized capital	Treasury shares (interests) bought out from shareholders (members)	Paid-in capital	Reserve capital	Undistributed profit (uncovered loss)	Total
1	2	3	4	5	6	7	8
Capital decrease – total	1200	-	-	-	-	-	-
including:							
loss	1210	x	x	x	x	-	-
property revaluation	1220	x	x	-	x	-	-
expenses from capital increase	1230	x	x	-	x	-	-
decrease of par value of shares (participatory interests)	1240	-	-	-	x	-	-
decrease of the number of shares (redemption of shares)	1250	-	-	-	x	-	-
reorganization of legal entity	1260	-	-	-	-	-	-
dividends and other similar profit distribution payments to owners (members)	1270	x	x	x	x	-	-
-	1280	-	-	-	-	-	-
Changes in paid-in capital	1300	x	x	-	-	-	x
Changes in reserve capital	1400	x	x	x	-	-	x
Capital as of December 31, 2015	2000	-	-	-	-	-	-
For 2016							
Capital increase - total	2100	21,300,000	-	-	-	495,206	21,795,206
including:							
net profit	2110	x	x	x	x	495,206	495,206
property revaluation	2120	x	x	-	x	x	-
income from capital increase	2130	x	x	-	x	-	-
additional issue of shares (additional contributions by the company's members and third parties admitted to company)	2140	-	-	-	x	x	-
increase of par value of shares (participatory interests)	2150	-	-	-	x	-	x
reorganization of legal entity	2160	-	-	-	-	-	-
contribution to share capital	2170	21,300,000	-	-	-	-	21,300,000
Capital decrease – total	2200	-	-	-	-	-	-
including:							
loss	2210	x	x	x	x	-	-
property revaluation	2220	x	x	-	x	-	-
expenses from capital increase	2230	-	-	-	x	-	-
decrease of par value of shares (participatory interests)	2240	-	-	-	x	-	-
decrease of the number of shares (redemption of shares)	2250	-	-	-	x	-	-
reorganization of legal entity	2260	-	-	-	-	-	-
dividends and other similar profit distribution payments to owners (members)	2270	x	x	x	x	-	-
-	2280	-	-	-	-	-	-
Changes in paid-in capital	2300	x	x	-	-	-	x
Changes in reserve capital	2400	x	x	x	-	-	x
Capital as of December 31, 2016	3000	21,300,000	-	-	-	495,206	21,795,206

2. Corrections due to changes in the accounting policy and correction of errors

Form 0710003 p.3

Description	Line code	December 31, 2014	Changes in capital for 2015		December 31, 2015
			due to net profit (loss)	due to other factors	
1	2	3	4	5	6
Capital – total					
before corrections	4000	-	-	-	-
correction due to:					
changes in the accounting policy	4100	-	-	-	-
correction of errors	4200	-	-	-	-
after corrections	5000	-	-	-	-
including:					
undistributed profit (uncovered loss)					
before corrections	4010	-	-	-	-
correction due to:					
changes in the accounting policy	4110	-	-	-	-
correction of errors	4210	-	-	-	-
after corrections	5010	-	-	-	-
other corrected capital items					
before corrections	4020	-	-	-	-
correction due to:					
changes in the accounting policy	4120	-	-	-	-
correction of errors	4220	-	-	-	-
after corrections	5020	-	-	-	-
including by items					

3. Net assets

Description	Line code	December 31, 2016	December 31, 2015	December 31, 2014
1	2	3	4	5
Net assets	6000	21,795,206	-	-

Director

(signature)

Galushin Nikolai
Vladimirovich
(printed name)

Chief
Accountant

Borovkova Natalia
Vilyamovna
(printed name)

March 3, 2017

INSURER'S STATEMENT OF CASH FLOWS

for 2016

		Form No. 4-insurer per OKUD	CODES	
		Date (day, month, year)	0710004	
		per OKPO	31 12 2016	
Insurer	Russian National Reinsurance Company, Joint-Stock Company		03812394	
Primary state registration number		per EGRUL	1167746727378	
Insurer's registration number		per EGRSSD	4351	
Taxpayer's identification number		INN	7706440687	
Type of economic activity	Insurance	per OKVED	65	
Form of incorporation / ownership		per OKOPF/OKFS	1 22 67	12
Non-public joint-stock company / Federal company				
Unit of meas.: RUB thous. / RUB mn (delete as appropriate)		per OKEI	384	
Place of business (address): Office XII, Dukat Place III BC, 5 Floor, Gasheka St. 6, Moscow 125047				

Description	Line code	2016	2015
1	2	3	4
Cash flows from current operations			
Proceeds – total	1100	19,095	-
including:		-	-
insurance premiums	1110	19,092	-
amounts under subrogation and recourse claims	1120	-	-
amounts under loss payment claims as direct indemnity	1130	-	-
reinsurers' shares in payments under insurance, co-insurance and reinsurance contracts	1140	-	-
payments in connection with obligatory health insurance	1150	-	-
other proceeds	1190	3	-
Payments – total	1200	(173,800)	-
including:		-	-
insurance premiums ceded	1210	-	-
payments under insurance, co-insurance and reinsurance contracts	1215	-	-
acquisition costs	1220	-	-
loss adjustment costs	1225	-	-
loss payment claims as direct indemnity	1230	-	-
direct loss payment to affected parties	1235	-	-
payments to professional associations of insurers as deductibles on insurance premiums according to the Russian laws	1240	-	-
obligatory health insurance payments	1245	-	-
payment of wages and salaries	1250	(23,904)	-
payments to suppliers (contractors) for raw and other materials, works, services	1255	(62,688)	-
debt interest	1260	-	-
corporate income tax	1265	(76,683)	-
other payments	1290	(10,525)	-
Balance of cash flows from current operations	1000	(154,705)	-

Description	Line code	2016	2015
1	2	3	4
Cash flows from investment operations			
Proceeds – total	2100	16,681,554	-
including:		-	-
from sale of fixed assets and intangible assets	2110	-	-
from sale of shares (participatory interests) in other organizations	2120	-	-
from repayment of loans, sales of debt securities (monetary liens against third parties)	2130	-	-
dividends, interest on debt financial investments and similar proceeds from participatory interest in other organizations	2140	717,500	-
other proceeds	2190	15,964,054	-
Payments – total	2200	(37,821,954)	-
including:		(4,954)	-
purchase, creation, upgrading, reconstruction and preparation for use of fixed assets and intangible assets	2210	-	-
purchase of shares (participatory interests) in other organizations	2220	-	-
purchase of debt securities (monetary liens against third parties) , lending	2230	(20,000,000)	-
interest on debt liabilities included in investment value of asset	2240	-	-
other payments	2290	(17,817,000)	-
Balance of cash flows from investment operations	2000	(21,140,400)	-
Cash flows from financial operations			
Proceeds – total	3100	21,300,000	-
including:		-	-
loans and credits received	3110	-	-
monetary contributions of owners (members)	3120	-	-
issue of shares, increase of participatory interests	3130	21,300,000	-
issue of bonds, bills of exchange and other debt securities etc.	3140	-	-
other proceeds	3190	-	-
Payments – total	3200	-	-
including:		-	-
payments to owners (members) in connection with buy-out of treasury shares (participatory interests) or withdrawal from company	3210	-	-
payment of dividends and other similar payments in connection with profit distribution among owners (members) due to redemption (buy-out) of bills of exchange and other debt securities, repayment of credits and loans	3220	-	-
other payments	3290	-	-
Balance of cash flows from financial operations	3000	21,300,000	-
Balance of cash flows for the reporting period	4000	4,895	-
Opening balance of cash and cash equivalents	4100	-	-
Closing balance of cash and cash equivalents	4200	4,895	-
Effects of changes in foreign exchange rates against Ruble	4300	-	-

Director _____ Galushin Nikolai _____ Chief _____ Borovkova Natalia
 (signature) Vladimirovich (printed name) Accountant Vilyamovna
 (printed name)

March 3, 2017

EXHIBIT 2 REPORT ON COMPLIANCE WITH CORPORATE MANAGEMENT CODE

No.	Corporate management principles	Compliance assessment criteria	Compliance status	Deviations from compliance assessment criteria
1.1	The Company shall ensure equal and fair treatment of all shareholders exercising their right to participate in the Company management.			
1.1.1	The Company provides the most favorable conditions for its shareholders to participate in the general meetings, develop a balanced position on the general meeting's agenda issues and an opportunity to declare the opinion on such issues.	<p>1. There is a publicly available internal document of the company approved by the general shareholders' meeting describing the general meeting procedures.</p> <p>2. The company provides an accessible communication channel, such as "hot line", email or web forum to allow its shareholders to express their opinions and ask questions regarding the agenda in preparing for the general meeting. These actions shall be taken by the company before each general meeting held in the reporting period.</p>	General compliance, subject to the specifics contemplated by law for the company where all voting shares are owned by the sole shareholder	<p>Pursuant to art. 47 of the Federal Law on Joint-Stock Companies, in a company where all voting shares are owned by the sole shareholder, decisions on the issues referred to the competence of the general shareholders' meeting are made by the sole shareholder and completed in writing. Provisions regulating the procedure and timeframe for preparing, convening and holding the general shareholders' meetings do not apply except for the provisions concerning the date and time of the annual general shareholders' meetings.</p> <p>The Company and the Company's shareholder provided the communication ways (telephone numbers, email addresses of the managers and business units).</p>
1.1.2	The procedure for notifying of the general meeting and furnishing related materials enables the shareholders to properly prepare for participation therein.	<p>1. The notice convening the general shareholders' meeting is posted (published) on the company's website at least 30 days before the meeting date.</p> <p>2. The notice convening the meeting indicates the place of the meeting and the documents required for access to the meeting room.</p> <p>3. The shareholders were allowed access to the information on those who suggested the agenda issues and nominated members of the company's Supervisory Board and Audit Commission.</p>	General compliance, subject to the specifics contemplated by law for the company where all voting shares are owned by the sole shareholder	The provisions setting the procedure and timeframe for preparing, convening and holding the general shareholders' meeting do not apply to the Company because all voting shares of the Company are owned by the sole shareholder. The Company furnishes the relevant divisions of the Bank of Russia with all materials concerning issues referred to the Sole Shareholder for consideration.
1.1.3	During the preparation and holding of the general meeting, the shareholders were able to receive, without delay or hindrance, any information on the meeting and related materials, ask the Company's executive bodies and Supervisory Board members any questions and communicate with each other.	<p>1. In the reporting period, the shareholders were able to ask the Company's executive bodies and Supervisory Board members questions both before and during the annual general meeting.</p> <p>2. The Supervisory Board's position (including special opinions recorded in the meeting minutes) on each issue on the agenda of the general meetings held during the reporting period was included in the materials pertaining to the general shareholders' meetings.</p> <p>3. The company allowed the authorized shareholders access to the list of persons with the right to participate in the general meeting, starting from the date of its receipt by the company, for all general meetings held during the reporting period.</p>	General compliance, subject to the specifics contemplated by law for the company where all voting shares are owned by the sole shareholder	The provisions setting the procedure and timeframe for preparing, convening and holding the general shareholders' meeting do not apply to the Company because all voting shares of the Company are owned by the sole shareholder. The Company furnishes the relevant divisions of the Bank of Russia with all materials concerning issues referred to the Sole Shareholder for consideration. The Sole Shareholder's employees were able to ask the Company's executive bodies and Supervisory Board members questions by means of email and telephone communication.
1.1.4	The shareholders did not face unreasonable difficulties in convening the general meeting, nominating candidates to the management bodies and suggesting issues to be included in the agenda of the general meeting.	<p>1. In the reporting period, shareholders were able to suggest issues to be included in the agenda of the annual general meeting during at least 60 days of the end of a respective calendar year.</p> <p>2. In the reporting period, the company did not reject any issues to be included in the agenda or candidates nominated to the company's bodies due to mistyping or other minor deficiencies in the shareholders' suggestions.</p>	Not applicable	The provisions setting the procedure and timeframe for preparing, convening and holding the general shareholders' meeting do not apply to the Company because all voting shares of the Company are owned by the sole shareholder
1.1.5	Each shareholder was able to exercise their voting right at their will and using the most simple and convenient method.	1. The company's internal document (internal policy) contains provisions to the effect that every participant of the general meeting can, before the end of a respective meeting, request a copy of his/her completed ballot signed by the counting commission.	Not applicable	The provisions setting the procedure and timeframe for preparing, convening and holding the general shareholders' meeting do not apply to the Company because all voting shares of the Company are owned by the sole shareholder.
1.1.6	The general meeting procedures set by the company afford all persons present at the meeting equal opportunities to express their opinions and ask questions.	<p>1. At all general shareholders' meetings held in the reporting period in form of a meeting (joint presence of shareholders), sufficient time was allocated for making contributions on the agenda issues and discussing the same.</p> <p>2. Candidates to the company's management and</p>	General compliance, subject to the specifics contemplated by law for the company where all voting shares are owned by the sole shareholder	The provisions setting the procedure and timeframe for preparing, convening and holding the general shareholders' meeting do not apply to the Company because all voting shares of the Company are owned by the sole shareholder. Candidates to the Company's management and supervision bodies, at the time of their election/appointment to the respective positions, were available for answering questions of the shareholders.

		<p>supervision bodies were available for answering the shareholders' questions at the meeting where their candidatures were put to vote.</p> <p>3. The Supervisory Board, in making decisions concerning the preparation and holding of the general shareholders' meetings, considered the use of telecommunication means to allow the shareholders remote access for participation in the general meetings held in the reporting period.</p>		
1.2	The shareholders were afforded equal and fair opportunities to participate in the Company's profit distribution by means of dividends.			
1.2.1	The company developed and implemented a transparent and understandable mechanism for computing dividends and setting the payment procedures.	<p>1. The company developed and published the dividend policy and had it approved by the Supervisory Board.</p> <p>2. If the company's dividend policy includes the company's reporting figures used to compute dividends, the respective provision of the dividend policy shall take into account the consolidated financial reporting figures.</p>	Not applicable	No resolution was passed by the Sole Shareholder because the Company was active for less than a year.
1.2.2	The company does not make a decision on the payment of dividends where such a decision, without formally violating the statutory restrictions, is economically unreasonable and may result in shaping a false image of the company's activities.	1. The company's dividend policy contains clear indications to financial/economic circumstances in which the company should not pay dividends.	Not applicable	No resolution was passed by the Sole Shareholder because the Company was active for less than a year.
1.2.3	The company does not allow impairment of the dividend rights of its existing shareholders.	1. In the reporting period, the company did not take any actions leading to impairment of the dividend rights of its existing shareholders.	Compliant	
1.2.4	The company takes effort to exclude any shareholders' practice to use other methods for gaining profit (income) for the company's account, apart from dividends and liquidation cost.	1. In order to exclude the use of other methods for gaining profit (income) for the company's account, apart from dividends and liquidation cost, the company's internal documents stipulate the control mechanisms ensuring timely identification and approval of transactions with entities affiliated (associated) with its major shareholders (persons authorized to use votes attached to the voting shares), where such transactions are not legislatively described as non-arms' length transactions.	Not applicable	The Company identifies and approves non-arms' length transactions in accordance with the effective legislation.
1.3	The corporate management system and practice ensure equal conditions for all shareholders holding shares of the same category (type), including minority (small-scale) shareholders and foreign shareholders, as well as their equal treatment by the company.			
1.3.1	The company has provided the conditions for fair treatment of each shareholder by the company's managers and supervisors, including the conditions preventing unlawful actions of the majority shareholders against the minority shareholders.	1. During the reporting period, the procedures for managing potential conflicts of interest among the substantial shareholder proved efficient, and, if any, conflicts between the shareholders were paid adequate attention by the Supervisory Board.	Not applicable	According to Part 1 of article 13.1 of RF Law on Insurance Business Organization in Russia dd. 27.11.1992 No. 40151 (as amended on 03.07.2016), the Company's shares are 100% owned by its sole shareholder – the Bank of Russia.
1.3.2	The company does not take actions which cause or may cause artificial redistribution of the corporate control functions.	1. No quasi-treasury shares were available or participating in votes during the reporting period.	Compliant	Quasi-treasury shares are absent.
1.4	The shareholders are provided with reliable and efficient mechanisms for registering their rights to shares and an opportunity for unhindered and unencumbered disposal of their shares.			
1.4.1	The shareholders are provided with reliable and efficient mechanisms for registering their rights to shares and an opportunity for unhindered and unencumbered disposal of their shares.	1. The quality and reliability of the registrar's activities associated with keeping the list of owners of the Company's securities conform to the requirements of the company and its shareholders.	Compliant	The Company's registrar, STATUS JSC, was approved by the resolution of the Company's Sole Shareholder and carries out the activities associated with keeping the register of the securities' owners in line with the requirements of the company and its shareholder.
2.1	The Supervisory Board is carries out the strategic management of the company, determines the basic principles and approaches to the arrangement of the risk management and internal control system in the company, supervises the activities of the Company's executive bodies, and performs other key functions.			
2.1.1	The Supervisory Board is responsible for making decisions concerning the appointment and revocation of members of the company's executive bodies, in particular, in connection with improper performance of their duties. The Supervisory Board also makes sure that the company's executive bodies follow the approved development strategies and stick to the main activity areas	<p>1. The Supervisory Board has the authorities stipulated by the company's articles of association to appoint and revoke members of the company's executive bodies and determine the conditions of their agreements with the company.</p> <p>2. The Supervisory Board reviewed the report (reports) of the sole executive body and members of the collegial executive body concerning the company's</p>	Partial compliance	<p>The Company's Articles and the Regulation on Supervisory Board stipulate the authorities of the Supervisory Board to appoint and revoke the members of the Company's executive bodies. The above documents also describe the Supervisory Board's authorities to determine the amount of remuneration and compensations due the Company's President, and the amounts, terms and procedures for payment of remuneration and compensations to the Management Board members.</p> <p>Considering a fairly short period that is elapsed from the Company's setup, the Company's strategy is still pending approval. The development and approval of the Company's</p>

	of the company.	development strategy.		strategy is planned for half-year 1 of 2017.
2.1.2	The Supervisory Board sets the key long-term performance targets, evaluates and approves the key performance targets and business goals of the company, assesses and approves the strategy and business plans for the company's core business lines.	1. During the reporting period, the Supervisory Board discussed at its meetings the issues of implementing and updating the company's strategy and approving its financial and operational plan (budget), criteria and indicators (including intermediate) confirming the accomplishment of the company's strategy and business plans.	Partial compliance	During the reporting period, the Company's Supervisory Board discussed at its meetings the issues associated with the approval of the Company's 2016 and 2017 budget and financial models. Considering a fairly short period that is elapsed from the Company's setup, the Company's strategy is still pending approval. The development and approval of the Company's strategy is planned for half-year 1 of 2017.
2.1.3	The Supervisory Board determines the principles and approaches to the organization of the company's risk management and internal control system.	1. The Supervisory Board set the principles and approaches to the organization of the company's risk management and internal control system. 2. The Supervisory Board assessed the efficiency of the company's risk management and internal control system.	Partial compliance	During the reporting period, the Company's Supervisory Board approved: Regulation on Internal Audit Organization and Conduct, Regulation on Internal Control; Risk Management Policy, and net retention suggestions. Considering a fairly short period that is elapsed from the Company's setup, no assessment of the risk management and internal control system was conducted by the Supervisory Board.
2.1.4	The Supervisory Board determines the company's policy for the remuneration and (or) compensation of expenses incurred by the Supervisory Board, executive bodies and other senior officers of the company.	1. The company developed, implemented and had approved by the Supervisory Board the policy for remuneration and (or) compensation of expenses incurred by the Supervisory Board, executive bodies and other senior officers of the company. 2. During the reporting period, the Supervisory Board discussed at its meetings the issues concerning the above policy (policies).	Partial compliance	In the reporting period, the Company developed the Regulation on Motivation and Remuneration of RNRC's President and Board Members in 2017 and the Regulation on Remuneration and Compensations for RNRC's Supervisory Board members. The documents were approved by the Company's Supervisory Board in 2017.
2.1.5	The Supervisory Board plays a key part in the prevention, identification and settlement of internal conflicts between the company's bodies, shareholders and employees.	1. The Supervisory Board plays a key part in the prevention, identification and settlement of internal conflicts. 2. The company created a system of identification of transaction associated with conflict of interest and a system of measures aimed at the settlement of such conflicts.	Partial compliance	The Company adopted the Procurement Regulation, which helps reduce the risk of potential conflict of interest.
2.1.6	The Supervisory Board plays a key part in ensuring transparency of the company, timely and complete disclosure of information, easy access for the shareholders to the company's documents.	1. The Supervisory Board approved the Regulation on Information Policy. 2. The company appointed the persons responsible for implementing its information policy.	Compliant	
2.1.7	The Supervisory Board supervises the company's corporate management practice and plays a key part in the company's important corporate events.	1. During the reporting period, the Supervisory Board discussed the issue concerning the corporate management practice in the company.	Partial compliance	The Corporate Management Code of the Company is under discussion.
2.2	The Supervisory Board is subordinated to the company's shareholders.			
2.2.1	The information on the Supervisory Board's activities is disclosed and provided to the shareholders.	1. The company's annual report for the reporting period includes the information on the attendance of the meetings of the company's Supervisory Board and its committees by the Supervisory Board's members. 2. The company's annual report includes the information on the key results of the Supervisory Board's activities during the reporting period.	Not applicable	No efficiency assessment of the Supervisory Board was conducted in the reporting period due to a fairly short period of its operation.
2.2.2	The Supervisory Board's Chairman is available for approaching by the company's shareholders.	1. The company has a transparent procedure affording the shareholders an opportunity to direct their questions and opinions on same to the Supervisory Board's Chairman.	Compliant	The Chairman of the Supervisory Board is a senior officer of the Company's Sole Shareholder; all issues associated with the Company's activities are handled in due course.
2.3	The Supervisory Board is an efficient and professional management body of the company capable of making unbiased judgments and independent decisions meeting the interests of the company and its shareholders.			
2.3.1	Members of the Supervisory Board shall have impeccable business and personal reputation as well as knowledge, skills and experience necessary for making decision referred to the Supervisory Board's competence and required for the efficient performance of its functions.	1. The Supervisory Board's efficiency assessment procedure adopted by the company includes, in particular, the assessment of the professional qualification of the Supervisory Board's members. 2. In the reporting period, the Supervisory Board (or its Remuneration and Staffing Committee) checked the candidates to the Supervisory Board's members for the necessary experience, knowledge and reputation, absence of	Partial compliance	Considering a fairly short period that is elapsed from the Company's setup the Supervisory Board's efficiency assessment procedure is still pending adoption. The Company's Sole Shareholder checked the candidates to the Supervisory Board's members for the necessary experience, knowledge and reputation, absence of conflicts of interest etc. when deciding on the membership of the Company's Supervisory Board.

		any conflicts of interest etc.		
2.3.2	The Supervisory Board's members are elected following a transparent procedure allowing the shareholders to obtain the information on the candidates sufficient to have an idea of their personal and professional qualities.	1. For all general shareholders' meetings held in the reporting period where the agenda included issues associated with the Supervisory Board election, the company furnished the shareholders with the background information on all candidates to the Supervisory Board's members, scores of the candidates' assessment carried out by the Supervisory Board (or its Remuneration and Staffing Committee), and the information on the candidate's compliance with the independence criteria according to recommendations 102 - 107 of the Code and subject to the candidate's written consent to be elected as the Supervisory Board's members.	Partial compliance	In accordance with the Sole Shareholder's resolution on electing the Supervisory Board's members, all Supervisory Board's members delivered the questionnaires of the Supervisory Board's members bearing their original signatures, including their background information.
2.3.3	The Supervisory Board has a balanced list of members, in particular, in terms of their qualification, experience, knowledge and business skills, and enjoys the confidence of shareholders.	1. As part of the Supervisory Board's efficiency assessment carried out in the reporting period, the Supervisory Board analyzed its own needs for professional qualification, experience and business skills.	Partial compliance	The assessment of the Supervisory Board's activities was not conducted in the reporting period due to a fairly short period that is elapsed from the Company's setup. The Supervisory Board's members conform to the requirements applied by the RF Law on Insurance Business Organization in Russia to members of the board of directors (Supervisory Board) of an insurance organization.
2.3.4	The number of the Supervisory Board's members allows arranging the Supervisory Board's activities in the most efficient way, including an opportunity to form the Supervisory Board's committees, and affords the minority shareholders an opportunity to have their nominated candidate elected to the company's Supervisory Board.	1. As part of the Supervisory Board's efficiency assessment carried out in the reporting period, the Supervisory Board considered the consistency of the Supervisory Board's staff size with the company's needs and shareholders' interests.	Partial compliance	The assessment of the Supervisory Board's activities was not conducted in the reporting period due to a fairly short period that is elapsed from the Company's setup. The number of the Supervisory Board's members corresponds to the company's needs and the interests of its shareholders.
2.4	The Supervisory Board comprises a sufficient number of independent directors (independent members).			
2.4.1	An independent director is a person with a necessary professional level, experience and independence for shaping his/her own opinion, making unbiased and reasonable judgments unaffected by the Company's executive bodies, groups of shareholders or other parties concerned. Note should be taken that a candidate (elected member of the Supervisory Board) normally cannot be considered independent if he or she is affiliated with the company, its substantial shareholder, major counteragent or competitor, or with the government.	1. During the reporting period, all independent members of the Supervisory Board (independent directors) met all the independence criteria provided in recommendations 102 - 107 of the Code, or were recognized as independent by the resolution of the Supervisory Board.	Partial compliance	During the reporting period, no check was conducted to assess the candidates and members of the Supervisory Board for compliance with the independence criteria. The Supervisory Board's members meet all independence criteria in recommendations 102 - 107 of the Code.
2.4.2	The candidates to the Supervisory Board's members are checked for compliance with the independence criteria; independent members of the Supervisory Board are regularly analyzed for compliance with the independence criteria. The compliance assessment should be guided by the contents rather than by formalities.	1. In the reporting period, the Supervisory Board (or its Remuneration and Staffing Committee) checked the independence of each candidate to the Supervisory Board's members and submitted its opinion to the shareholders. 2. Over the reporting period, the Supervisory Board (or its Remuneration and Staffing Committee) at least once analyzed independence of the existing Supervisory Board's members, who appear in the company's annual report as the independent members of the Supervisory Board. 3. The company developed the procedures to be followed by any Supervisory Board's member when he or she stops being independent, including the obligation to timely inform the Supervisory Board.	Partial compliance	During the reporting period, Supervisory Board did not check the candidates and the Supervisory Board's members for compliance with the independence criteria. The independence assessment of each candidate to the Supervisory Board's members was carried out by the Sole Shareholder when deciding on the membership of the Company's Supervisory Board. The Regulation on Supervisory Board sets the duty of the Supervisory Board's members to inform the Supervisory Board of any circumstances due to which they may cease to be independent.
2.4.3	The independent members of the Supervisory Board (independent directors) make up at least one third of the elected members of the Supervisory Board.	1. The independent members of the Supervisory Board (independent directors) make up at least one third of the Supervisory Board.	Compliant	The Supervisory Board's members meeting the independence criteria in recommendations 102 - 107 of the Code make up at least one third of the Supervisory Board. During the reporting period, the Supervisory Board's members were not assessed in accordance with the independence criteria.
2.4.4	The independent members of the Supervisory Board (independent directors) play a key part in preventing internal conflicts in the company and as part of the substantial corporate actions taken by the company.	1. The independent members of the Supervisory Board (independent directors (not having any conflicts of interest)) carry out the preliminary analysis of the major corporate actions associated with a potential conflict of interest, and submit the results of their analysis to the Supervisory Board.	Partial compliance	The Regulation on Supervisory Board provides that the independent members of the Supervisory Board (independent directors) shall the preliminarily analyze non-arms' length transactions and submit their opinions to the Supervisory Board and the Sole Shareholder.

2.5	The Chairman of the Supervisory Board helps to ensure the most efficient performance of the Supervisory Board's functions.			
2.5.1	The Chairman of the Supervisory Board can be an independent member of the Supervisory Board (independent director), or the top officer among the Supervisory Board's elected independent members (independent directors) coordinating the activities of the independent directors (independent members) of the Supervisory Board and liaising with the Chairman of the Supervisory Board.	<p>1. The Supervisory Board's Chairman is an independent member of the Supervisory Board (independent director), or the top officer among the Supervisory Board's elected independent members (independent directors).</p> <p>2. The role, rights and responsibilities of the Supervisory Board's Chairman (and, where applicable, of the independent top officer among the Supervisory Board (independent director) are properly described in the company's internal documents.</p>	Partial compliance	<p>The role, rights and responsibilities of the Supervisory Board's Chairman are properly described in the Regulation on Supervisory Board.</p> <p>In the interests of the Company's Sole Shareholder, the Supervisory Board's Chairman is elected among the Sole Shareholder's senior officers.</p>
2.5.2	The Supervisory Board's Chairman is responsible for maintaining constructive atmosphere at the board meetings, unhindered discussion of the agenda issues, follow-up control of the resolutions passed at the meetings of the Supervisory Board.	1. The efficiency of the Supervisory Board's Chairman was assessed as part of the efficiency assessment of the Supervisory Board's activities conducted in the reporting period.	Not applicable	No efficiency assessment of the Supervisory Board and its Chairman was conducted in the reporting period due to a fairly short period of operation of the Supervisory Board as a whole, and the Supervisory Board's Chairman in particular.
2.5.3	The Supervisory Board's Chairman takes the necessary actions to timely provide the Supervisory Board's members with the information necessary for passing resolutions on the agenda issues.	1. The duty of the Supervisory Board's Chairman to take actions ensuring the timely provision of the Supervisory Board's members with materials relating to the agenda issues is set forth by the company's internal documents.	Compliant	
2.6	The Supervisory Board's members act reasonably, in good faith and in the best interests of the company and its shareholders, relying on the sufficient information and exercising the appropriate care and discretion.			
2.6.1	The Supervisory Board's members make decisions in consideration of all available information, without being affected by any conflict of interest and providing fair treatment for all the company's shareholders, subject to normal entrepreneurial risk.	<p>1. The company's internal documents provide that a member of the Supervisory Board of any conflict of interest regarding any agenda issue raised at the meeting of the Supervisory Board or the Supervisory Board's committee, before the discussion of the meeting agenda.</p> <p>2. The company's internal documents provide that a member of the Supervisory Board shall abstain from voting on any issue in which he/she has any conflict of interest.</p> <p>3. The company established the procedure which allows the Supervisory Board to obtain professional consultations on the issues referred to its competence at the company's expense.</p>	Partial compliance	The Company does not have a procedure allowing the Supervisory Board to obtain professional consultations on the issues referred to its competence at the company's expense.
2.6.2	The rights and responsibilities of the Supervisory Board's members are clearly stipulated and assigned by the company's internal documents.	1. The company adopted and published an internal document clearly stating the rights and responsibilities of the Supervisory Board's members.	Compliant	
2.6.3	The members of the Supervisory Board are afforded sufficient time for carrying out their responsibilities.	<p>1. The individual attendance of the meetings of the Supervisory Board and its committees and the time allocated to prepare for participation in such meetings were taken into account as part of the efficiency assessment of the Supervisory Board during the reporting period.</p> <p>2. In accordance with the company's internal documents, the Supervisory Board's members shall inform the Supervisory Board of their intention to become members of management bodies in other organizations (except for the company's controlled or associated organizations), as well as of any such appointment.</p>	Partial compliance	No efficiency assessment of the Supervisory Board was conducted in the reporting period due to a fairly short period that is elapsed from the Company's setup.
2.6.4	All Supervisory Board's members have an equal opportunity to access the company's documents and information. The newly elected members of the Supervisory Board are provided with the sufficient information on the company and the activities of the Supervisory Board as soon as possible after being elected.	<p>1. In accordance with the company's internal documents, the Supervisory Board's members may access the company's documents and make inquiries regarding the company and its controlled organizations, and the Company's executive bodies shall provide the relevant information and documents.</p> <p>2. The company has a formalized introductory program for the newly elected members of the</p>	Compliant	The newly elected members of the Supervisory Board are provided, upon request, with the information on the activities of the Company and the Supervisory Board in the period preceding their election as the Supervisory Board's members, and issued copies of related documents. The introductory efforts aimed to familiarize the elected members with the Company's specifics are carried out on an individual basis.

		Supervisory Board.		
2.7	The meetings of the Supervisory Board, as well as the preparation and participation of the Supervisory Board's members in such meetings ensure the efficient operation of the Supervisory Board.			
2.7.1	The meetings of the Supervisory Board are held as required, subject to the scope of the company's activities and tasks relevant for a certain period of time.	1. The Supervisory Board held no less than six meetings during the reporting year.	Compliant	
2.7.2	The company's internal documents set out the procedures for preparing and holding the Supervisory Board's meetings so as to afford the Supervisory Board's members an opportunity to properly prepare for the meeting.	1. The company approved an internal document setting out the procedures for preparing and holding the Supervisory Board's meetings, which, in particular, state that the notice convening a meeting shall normally be given at least 5 days before the meeting date.	Compliant	
2.7.3	The form of meeting of the Supervisory Board is determined considering the importance of the agenda issues. The most important issues are discussed at the meetings held in person.	1. The company's Articles or its internal document states that the most important issues (according to the list provided in recommendation 168 of the Code) shall be discussed at the meetings of the Supervisory Board held in person.	Compliant	
2.7.4	Resolutions on the most important issues concerning the company's activities are passed at the meeting of the Supervisory Board by the qualified majority or simple majority of votes of all elected members of the Supervisory Board.	1. The Company's Articles provide that resolutions on the most important issues set out in recommendation 170 of the Code shall be passed at the meeting of the Supervisory Board by the qualified majority of at least three quarters of votes, or by the majority of votes of all elected members of the Supervisory Board.	Compliant	
2.8	The Supervisory Board sets up committees for the preliminary consideration of the most important issues concerning the company.			
2.8.1	For the preliminary consideration of issues associated with the control of the company's financial and administrative activities, the Supervisory Board set up the audit committee consisting of independent directors (independent members of the Supervisory Board).	<p>1. The Supervisory Board set up the audit committee consisting solely of independent directors (independent members of the Supervisory Board).</p> <p>2. The company's internal documents set out the tasks of the audit committee, including, in particular, the tasks set out in recommendation 172 of the Code.</p> <p>3. At least one member of the audit committee, being an independent director (independent member of the Supervisory Board), has the experience and knowledge in the field of preparing, analyzing, reviewing and auditing accounting records (financial statements).</p> <p>4. Meetings of the audit committee were held no less than once a quarter during the reporting period.</p>	Partial compliance	<p>Considering that the reporting period was the period of the Company's establishment, including the setting up of its management bodies, and in respect of the interests of the Company's Sole Shareholder, the Audit Committee comprised not only independent directors (independent members of the Supervisory Board), but also the employees of the Company's Sole Shareholder.</p> <p>The Regulation on Audit Committee sets out the committee's tasks, including, in particular, the tasks set out in recommendation 172 of the Code.</p> <p>At least one member of the Supervisory Board's Audit Committee, being an independent director (independent member of the Supervisory Board), has the experience and knowledge in the field of preparing, analyzing, reviewing and auditing accounting records (financial statements).</p> <p>The first meeting of the Supervisory Board's Audit Committee was held in Q4, 2016.</p>
2.8.2	For the preliminary consideration of issues associated with creating an efficient and transparent practice of staff remuneration, the remuneration and staffing committee was set up consisting of independent directors (independent members of the Supervisory Board) and chaired by an independent director (independent member of the Supervisory Board) other than the supervisory board's chairman.	<p>1. The Supervisory Board set up the remuneration and staffing committee consisting solely of independent directors (independent members of the Supervisory Board).</p> <p>2. The chairman of the remuneration and staffing committee is an independent director (independent member of the Supervisory Board) other than the supervisory board's chairman.</p> <p>3. The company's internal documents set out the tasks of the remuneration and staffing committee, including, in particular, the tasks set out in recommendation 180 of the Code.</p>	Partial compliance	<p>Considering that the reporting period was the period of the Company's establishment, including its staffing with the key officers, the Supervisory Board set up the Remuneration and Staffing Committee in the reporting period, consisting not only of independent directors (independent members of the Supervisory Board), but also the employees of the Sole Shareholder Общества. The Chairman of the Supervisory Board's Remuneration and Staffing Committee is the Supervisory Board's Chairman, being the senior manager of the Company's Sole Shareholder.</p>
2.8.3	For the preliminary consideration of issues associated with human resource planning (succession planning), professional staffing and efficient operation of the Supervisory Board, the nomination (staffing, human resource) committee was set up, where (назначениям, кадрам), most committee members are independent directors (independent members of the Supervisory Board).	<p>1. The Supervisory Board set up the nomination committee (or the tasks thereof, as set out in recommendation 186 of the Code, are accomplished by another committee), where most committee members are independent directors.</p> <p>2. The company's internal documents set out the tasks of the nomination committee (or a committee with combined functions), including, in particular, the tasks set out in recommendation 186 of the Code.</p>	Partial compliance	The tasks of the Nomination Committee are carried out by the Remuneration and Staffing Committee.

2.8.4	In view of the Company's scope of activities and level of risk, the Supervisory Board made sure that the membership of its committees fully complies with the goals of the company. Additional committees were either formed or recognized as unnecessary (strategy committee, corporate management committee, ethics committee, risk management committee, budget committee, health, safety and environment committee etc.).	1. In the reporting period, the Supervisory Board discussed the compliance of the membership of its committees with the tasks of the Supervisory Board and the goals of the company. Additional committees were formed or were recognized as unnecessary.	Compliant	The Supervisory Board set up the Risk Management Committee and Information Technologies Committee.
2.8.5	The membership of the committees is determined so as to allow comprehensive discussion of preliminarily considered issues, subject to different opinions.	1. The Supervisory Board's committees are chaired by the independent directors (independent members of the Supervisory Board). 2. The company's internal documents (policies) contain the provisions stating that persons not being members of the audit committee or remuneration and staffing committee can only be present at the committees' meetings if invited by their respective chairmen.	Partial compliance	Considering that the reporting period was the period of the Company's establishment, including the setting up of its management bodies, and in respect of the interests of the Company's Sole Shareholder, part of the Supervisory Board's Committee were composed not only of independent directors (independent members of the Supervisory Board), but also of the employees of the Company's Sole Shareholder.
2.8.6	The committees' chairmen regularly inform the supervisory board and its chairman of the activities of the their respective committees.	1. During the reporting period, the committees' chairmen regularly reported to the Supervisory Board on their respective activities.	Partial compliance	The information on the activities of the Committees is promptly provided by their Chairmen to the Supervisory Board.
2.9	The Supervisory Board arranges the quality assessment of the activities of the Supervisory Board, its Committees and members.			
2.9.1	The quality assessment of the Supervisory Board's determines the degree of operation efficiency of the Supervisory Board, its Committees and members, compliance of their work with the company's development needs, and aims to intensify the Supervisory Board's activities and identify the areas where they can be potentially improved.	1. The self-assessment or external assessment of the Supervisory Board conducted in the reporting period included the assessment of the committees and certain members of the Supervisory Board and of the Supervisory Board as a whole. 2. The results of the self-assessment or external assessment of the Supervisory Board conducted in the reporting period were discussed at the Supervisory Board's meeting held in person.	Not applicable	No efficiency assessment of the Supervisory Board was conducted in the reporting period due to a fairly short period of its operation.
2.9.2	The efficiency assessment of the Supervisory Board, its committees and members is carried out on a regular basis, at least once a year. For an independent assessment of the Supervisory Board, an external organization (consultant) is engaged no less than once each three years.	1. For an independent assessment of the Supervisory Board, an external organization (consultant) was engaged by the company no less than once during the last three reporting periods.	Not applicable	No efficiency assessment of the Supervisory Board was conducted in the reporting period due to a fairly short period of its operation.
3.1	The Company's Corporate Secretary efficiently liaisons with the shareholders, coordinates the company's activities aimed at protecting the rights and interests of the shareholders, and supports the proper operation of the Supervisory Board.			
3.1.1	The Corporate Secretary has the knowledge, experience and qualification sufficient to perform his/her responsibilities, has an impeccable reputation and enjoys the confidence of the shareholders.	1. The company adopted and published an internal document – regulation on corporate secretary. 2. The background information on the corporate secretary is available on the company's website and in its annual report, with the same degree of detail as for the Supervisory Board's members the company's executive management.	Partial compliance	The Company appointed the Corporate Secretary. Considering a fairly short period that is elapsed from the Company's setup, the Regulation on Corporate Secretary was not adopted in the reporting period.
3.1.2	The corporate secretary is sufficiently independent from the company's executive bodies and has the necessary authorities and resources to perform his/her tasks.	1. The Supervisory Board approves the appointment, revocation and additional remuneration of the corporate secretary.	Partial compliance	The Company's Supervisory Board approves the appointment of the Supervisory Board's Secretary.
4.1	The remuneration paid by the company is sufficient to attract, motivate and retain persons having the competence and qualification necessary for the company. The remuneration due the members of the Supervisory Board and executive bodies and other senior officers of the company is paid in accordance with the company's remuneration policy.			
4.1.1	The remuneration paid by the company to the members of the Supervisory Board, executive bodies and other senior officers of the company provides sufficient motivation to ensure their efficient performance, allows the company to attract and retain competent and qualified specialists. Still, the company avoids greater than required remuneration and a considerable gap in the remuneration of such officers and the company's employees.	1. The company adopted an internal document (documents) – the policy (policies) for the remuneration of the Supervisory Board's members, executive bodies and other senior officers clearly determining the approaches to the remuneration of the said persons.	Compliant	In the reporting period, the Company developed the Regulation on Motivation and Remuneration of RNRC's President and Board Members in 2017 and the Regulation on Remuneration and Compensations for RNRC's Supervisory Board members, setting out the approaches to remunerating the said officers. The above Provisions were approved in 2017.

4.1.2	The company's remuneration policy was developed by the remuneration and staffing committee and approved by the Supervisory Board. The Supervisory Board, supported by the remuneration and staffing committee, controls the introduction and implementation of the company's remuneration policy, and where necessary, revises and corrects the same.	1. During the reporting period, the remuneration and staffing committee considered the remuneration policy (policies) and the practice of its (their) implementation and, where necessary, provided its recommendations to the Supervisory Board.	Compliant	The Supervisory Board's Remuneration and Staffing Committee reviewed the Regulation on Motivation and Remuneration of RNRC's President and Board Members in 2017 and the Regulation on Remuneration and Compensations for RNRC's Supervisory Board members, in 2017 due to a fairly short period that is elapsed from the Company's setup.
4.1.3	The company's remuneration policy offers the transparent mechanisms for computing the amount of remuneration for the Supervisory Board's members, executive bodies and other company's senior officers, and regulates all types of payments, bonuses and preferences available to the said persons.	1. The company's remuneration policy (policies) offers (offer) the transparent mechanisms for computing the amount of remuneration for the Supervisory Board's members, executive bodies and other company's senior officers, and regulates (regulate) all types of payments, bonuses and preferences available to the said persons.	Compliant	
4.1.4	The company determines the policy for compensation of expenses listing the types of expenses subject to compensation and the level of service the Supervisory Board's members, executive bodies and other company's senior officers may expect. Such policy can be an integral part company's remuneration policy.	1. The company's remuneration policy (policies) or other internal documents set out the rules for compensation of expenses to the Supervisory Board's members, executive bodies and other company's senior officers.	Compliant	
4.2	The remuneration system for the Supervisory Board's members ensures the convergence of the financial interests of the Supervisory Board's members and the long-term financial interests of the shareholders.			
4.2.1	The company pays a fixed annual remuneration to the Supervisory Board's members. The company does not pay any remuneration for participation in certain meetings of the Supervisory Board or the Supervisory Board's committees. The company does not use any forms of short-term motivation and additional material incentives for the Supervisory Board's members.	1. The fixed annual remuneration was the only monetary form of remuneration of the Supervisory Board's members for their work as part of the Supervisory Board during the reporting period.	Compliant	
4.2.2	Long-term ownership of the company's shares most efficiently helps the financial interests of the Supervisory Board's members to converge with the long-term interests of the shareholders. Thereby, the company does not condition the right to dispose of shares by the achievement of any specific activity targets, and the Supervisory Board's members do not participate in any option programs.	1. If the company's internal document (documents) – remuneration policy (policies) provides for issuing the company's shares to the Supervisory Board's members, there shall be developed and disclosed the clear rules for the Supervisory Board's members to own such shares aimed at encouraging long-term ownership of the company's shares.	Compliant	The Regulation on Remuneration and Compensations for RNRC's Supervisory Board members does not provide for issuing the Company's shares to the Supervisory Board's members. An option program for the Supervisory Board's members can be introduced by the Resolution of the Company's Sole Shareholder.
4.2.3	The company does not provide additional payments or compensations in case of early termination of authorities of the Supervisory Board's members as a result of changes in the company's owners or other circumstances.	1. The company does not provide additional payments or compensations in case of early termination of authorities of the Supervisory Board's members as a result of changes in the company's owners or other circumstances.	Compliant	
4.3	The remuneration system for members of the company's executive bodies and other senior officers conditions the remuneration amount by the company's operating results or the personal contribution to the accomplishment of such result.			
4.3.1	The remuneration of the members of the company's executive bodies and other senior officers is determined so as to maintain a reasonable and justified relation of the fixed part of remuneration to the variable part thereof depending on the company's operating results or the personal (individual) contribution to the final result.	1. During the reporting period, the annual efficiency indicators approved by the Supervisory Board were used to determine the variable part of the remuneration due the members of the company's executive bodies and other senior officers. 2. During the last assessment of the remuneration system for the members of the Company's executive bodies and other senior officers, the Supervisory Board (remuneration and staffing committee) made sure that the company was using an efficient ratio of the fixed part of remuneration to the variable part thereof. 3. The company applies the procedure which helps recover bonuses wrongfully received by the members of the company's executive bodies and other senior officers.	Partial compliance	The Supervisory Board approved the Regulation on Motivation and Remuneration of President and Board Members in 2017.
4.3.2	The company introduced the program for long-term motivation of	1. The company introduced the program for long-term motivation	Partial compliance	The Company approved the motivation program for the members of the Company's executive bodies and other

	the members of the company's executive bodies and other senior officers using the company's shares (options or other derivatives of financial instruments based on the company's shares as the core asset).	of the members of the company's executive bodies and other senior officers using the company's shares (financial instruments based on) the company's shares. 2. The program for long-term motivation of the members of the company's executive bodies and other senior officers provides that the right to dispose of shares used in such program and other financial instruments arises no earlier than three years after the issue of the shares. The right of disposal is conditioned by the achievement of the company's specific activity targets.		senior officers for 2017. The program was not approved for long-term use because the Company is in its initial phase.
4.3.3	The amount of compensation (golden parachute) to be paid by the company in case of early termination of the authorities of the executive bodies or senior officers on the company's initiative other than because of their unlawful actions, does not exceed a double fixed part of the annual remuneration.	1. The amount of compensation (golden parachute) to be paid by the company in case of early termination of the authorities of the executive bodies or senior officers on the company's initiative other than because of their unlawful actions, did not exceed a double fixed part of the annual remuneration.	Compliant	In the reporting period, the Company did not, on its initiative, terminate the authorities of the members of its executive bodies or senior officers, nor did it pay any compensation (golden parachute).
5.1	The Company set up an efficient risk management and internal control system as a reasonable assurance of the company's achievement of its goals.			
5.1.1	The Company's Supervisory Board determined the principles and approaches to the organization of the risk management and internal control system the company.	1. The functions of the company's various management bodies and divisions in the risk management and internal control system are clearly determined in the internal documents / relevant policy of the company approved by the Supervisory Board.	Compliant	In the reporting period, the Company's Supervisory Board approved the Regulation on Internal Control and Risk Management Policy, and was organizing the risk management and internal control system and forming the internal regulatory framework. The risk management and internal control system is planned to be finalized in 2017.
5.1.2	The company's executive bodies ensure the setup and efficient operation of the risk management and internal control system of the company.	1. The company's executive bodies arranged the distribution of the risk management and internal control functions and authorities between the subordinated officers (managers) of the company's divisions and departments.	Compliant	
5.1.3	The company's risk management and internal control system provides a true and fair view of the current position and prospects of the company, ensures integrity and transparency of its financial statements, and guarantees that risks assumed by the company are reasonable and acceptable.	1. The company approved the anti-corruption policy. 2. The company organized an accessible channel for informing the Supervisory Board or its Audit Committee of law infringement and violations of the company's internal procedures and code of ethics.	Compliant	The Company adopted the basic insurance risk management provisions and is in the process of finalizing the package of documents regulating the risk management issues, to be completed before the end of 2017.
5.1.4	The Company's Supervisory Board takes the necessary actions to make sure the company's existing risk management and internal control system conforms to the Supervisory Board's principles and approaches to its organization and remains efficient.	1. During the reporting period, the Supervisory Board or the audit committee of the Supervisory Board carried out the efficiency assessment of the company's risk management and internal control system. The assessment results are described in the company's annual report.	Not applicable	Due to a fairly short period of the Company's operation, the Supervisory Board and its Audit Committee did not conduct the efficiency assessment of the Company's risk management and internal control system. The risk management and internal control issues were discussed at the meetings of the Supervisory Board and its Audit Committee when approving the Company's internal documents regulating these areas of activity and when considering the internal auditor's reports on auditing the Company's business processes.
5.2	Internal audits are organized by the company to provide a systematic independent assessment of reliability and efficiency of the risk management and internal control system and the corporate management practice.			
5.2.1	For internal audit purposes, the company sets up a separate business unit or engages a third-party organization. The internal audit department has different functional and administrative subordination. Functionally, it is subordinated to the Supervisory Board.	1. For internal audit purposes, the company set up a separate internal audit department functionally subordinated to the Supervisory Board or its Audit Committee, or engaged a third-party organization with the same subordination principle.	Compliant	The Company appointed the Internal Auditor functionally subordinated to the Supervisory Board.
5.2.2	The internal audit department assesses the efficiency of the internal control system, risk management system, and corporate management system. The company applies the generally accepted internal audit standards.	1. The internal audit during the reporting period included the efficiency assessment of the internal control and risk management system. 2. The company applies the generally accepted internal control and risk management standards.	Partial compliance	The Company follows the generally accepted approaches to internal control and risk management. Considering a fairly short period that is elapsed from the Company's setup, the efficiency of the internal control system и risk management was not assessed by the Internal Auditor in the reporting period.
6.1	The company and its activities remain transparent for the shareholders, investors and other parties concerned.			
6.1.1	The company developed and implemented the information policy making the basis for an efficient information exchange between the company, its shareholders, investors and other parties concerned.	1. The company's Supervisory Board approved the company's information policy developed in accordance with the recommendations of the Code. 2. The Supervisory Board (or one of its committees) considered	Partial compliance	In the reporting period, by the Company's Supervisory Board approved the Regulation on Information Policy. Due to a fairly short period that is elapsed from the Company's setup, the issues associated with the Company's compliance with its information policy were not considered by the Supervisory Board in the reporting period.

		the issues associated with the information policy compliance at least once during the reporting period.		
6.1.2	The company discloses the information on the corporate management system and practice, including the detailed information on the compliance with the principles and recommendations set out in the Code.	<p>1. The company discloses the information on the corporate management system and general corporate management principles used by the company, in particular, on its website.</p> <p>2. The company discloses the information regarding the members of its executive bodies and Supervisory Board, independence of the Supervisory Board's members and their participation in the Supervisory Board's committees (as defined in the Code).</p> <p>3. If there is an entity controlling the company, the company publishes a memorandum of the controlling entity to disclose its plans for the organization of corporate management in the company.</p>	Compliant	<p>The Company discloses the information on the members of its executive bodies and Supervisory Board on the Company's website.</p> <p>All Company's voting shares are owned by the sole shareholder.</p>
6.2	The company timely discloses its complete, relevant and accurate information to enable the company's shareholders and investors to make balanced decisions.			
6.2.1	The company makes its information disclosures in accordance with the regularity, consistency and promptness principles, as well as the principles of accessibility, completeness and comparability of data.	<p>1. The company's information policy determines the approaches and criteria for identification of information capable of materially influencing the evaluation of the company and its securities, and the procedures ensuring timely disclosure of such information.</p> <p>2. If the company's securities are traded on foreign organized markets, the disclosure of relevant information in Russia and on such markets is arranged simultaneously and in equal amount during the reporting year.</p> <p>3. If foreign shareholders own a significant quantity of the company's shares, the information disclosures during the reporting year was arranged in Russian as well as in one of the most common foreign languages.</p>	Partial compliance	<p>The company makes its information disclosures in accordance with the RF Law on Joint-Stock Companies and the Law on Insurance Business Organization in Russia. The company's securities not are traded on Russian and foreign organized markets.</p> <p>The company's shares are not owned by foreign shareholders do.</p>
6.2.2	The company avoids a formalized approach in making its information disclosures and discloses the relevant information on its activities even if the disclosure of such information is not required by law.	<p>1. During the reporting period, the company published its IFRS based annual and half-year financial statements. The company's annual report for the reporting period includes the IFRS annual financial statements and the auditor's report.</p> <p>2. The company discloses the complete information on the structure of its capital in accordance with recommendation 290 of the Code in its annual report and on the website.</p>	Compliant	Considering that the Company's authorized capital is 100% owned by the Company's sole shareholder – the Bank of Russia
6.2.3	The annual report, being one of the company's most important tools for interaction with shareholders and other parties concerned, contains the information that allows assessing the company's results achieved over the year.	<p>1. The company's annual report contains the information on the key aspects of its operating activities and financial results.</p> <p>2. The company's annual report contains the information on the environmental and social aspects of the company's activities.</p>	Compliant	
6.3	The company provides the information and documents at the request of its shareholders in accordance with the principles of equal and unhindered access.			
6.3.1	The company provides the information and documents at the request of its shareholders in accordance with the principles of equal and unhindered access.	1. The company's information policy determines the procedures for unhindered access to the information by the company's shareholders, in particular, to the information on the company's controlled legal entities, where requested by the shareholders.	Compliant	
6.3.2	When the company provides information to its shareholders, a reasonable balance is maintained between the interests of certain shareholders and the interests of the company itself in keeping confidential the important commercial information which can materially influence the company's competitive ability.	<p>1. During the reporting period, the company did not reject any shareholders' request for information, or such rejections were justified.</p> <p>2. In the cases determined by the company's information policy, the shareholders are warned of the confidential nature of information and undertake to maintain its confidentiality.</p>	Compliant	

7.1	Actions materially influencing or capable of materially influencing the structure of the authorized capital and financial position of the company and, accordingly, the position of the shareholders (major corporate actions) are undertaken on fair conditions ensuring the observance of the rights and interests of the shareholders and other parties concerned.			
7.1.1	Major corporate actions are deemed to include reorganization of the company, purchase of 30 or more percent of the company's voting shares (acquisition), major transactions made by the company, increase or decrease of the company's authorized capital, listing and delisting of the company's shares and other actions which may cause a significant change in the rights of the shareholders or infringe upon their interests. The company's articles of association contain a list of (criteria for) transactions or other actions being major corporate actions; and such actions are referred to the competence of the company's Supervisory Board.	<p>1. The company's articles of association provide a list of transactions or other actions being major corporate actions and the criteria for their identification. All decisions pertaining to major corporate actions are referred to the competence of the Supervisory Board. Where such corporate actions are expressly referred by law to the competence of the general shareholders' meeting, the Supervisory Board issues appropriate recommendations for the shareholders.</p> <p>2. According to the company's articles of association, major corporate actions include, as a minimum: reorganization of the company, purchase of 30 or more percent of the company's voting shares (acquisition), major transactions made by the company, increase or decrease of the company's authorized capital, listing and delisting of the company's shares.</p>	General compliance, subject to the specifics contemplated by law for the company where all voting shares are owned by the sole shareholder	The Company's Articles of Association provide that all decisions on the Company's reorganization, increase or decrease of its authorized capital is made by the Sole Shareholder solely on the suggestion of the Company's Supervisory Board. The competence of the Supervisory Board, according to the Company's Articles, includes the submission of issues referred by the Company's Articles to the competence of the Sole Shareholder for the consideration by the Company's Sole Shareholder.
7.1.2	The Supervisory Board plays a key part in making decisions or developing recommendations on major corporate actions; in this, the Supervisory Board relies on the position of the company's independent directors (independent members of the Supervisory Board).	1. The company applies a procedure for the independent directors (independent members of the Supervisory Board) to declare their position on major corporate actions before their approval.	Partial compliance	The Regulation on Supervisory Board provides that all non-arms' length transactions shall be preliminarily considered by the independent directors (independent members of the Supervisory Board) and the opinion of the independent directors (independent members of the Supervisory Board) shall be submitted to the Supervisory Board and the Sole Shareholder.
7.1.3	In taking major corporate actions affecting the rights and lawful interests of the shareholders, equal conditions shall be provided for all company's shareholders, and where the legislative mechanisms are insufficient to protect the shareholders' rights – for additional measures protecting the rights and lawful interests of the company's shareholders. The company is guided not only by formal legislative requirements, but also by the corporate management principles set out in the Code.	<p>1. The company's articles of association, in view of its operational specifics, set lower than statutory minimum criteria for transactions referred to major corporate actions.</p> <p>2. During the reporting period, all major corporate actions were subjected to the approval procedure before implementation.</p>	Not applicable	All Company's voting shares are owned by the sole shareholder.
7.2	The Company applies a procedure for taking major corporate actions that allows the shareholders to obtain complete information on such actions and influence such actions and guarantees observance and adequate protection of the their rights in taking such actions.			
7.2.1	The information on major corporate actions is disclosed including explanation of the reasons, conditions and consequences of taking such actions.	1. During the reporting period, the company timely and in detail disclosed the information on its major corporate actions, including the grounds for same and timeframe.	Compliant	During the reporting period, the Company timely and disclosed the information required by the effective legislation and the Company's Regulation on Information Policy.
7.2.2	The rules and procedures associated with the company's major corporate actions are described in the company's internal documents.	<p>1. The company's internal documents set forth the procedure for engaging an independent valuator to evaluate the property to be disposed of or purchased in a major transaction or a non-arms' length transaction.</p> <p>2. The company's internal documents set forth the procedure for engaging an independent valuator to determine the value of purchasing and buying out the company's shares.</p> <p>3. The company's internal documents contain an extended list of grounds to recognize the Supervisory Board's members and other persons as required by law as related parties under the company's transactions.</p>	Partial compliance subject to the statutory specifics of a company where all shares are owned by its sole shareholder.	The Company is guided by the procedure for evaluating the property to be disposed of or purchased in a major transaction or a non-arms' length transaction, or determining the value of purchasing and buying out the Company's shares as established by the Russian laws.