

SAFMAR. BRINGING THE BEST TOGETHER

Annual Review 2016



SAFMAR

Financial investments





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For more information please visit
our web site at
www.safmarinvest.ru



We are always keen to hear what you think
about the 2016 Annual Review of SAFMAR
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ir@safmarinvest.ru

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ABOUT THE COMPANY

Launched in late 2016, SAFMAR Financial investments¹ is Russia's first diversified public investment holding company focusing on the financial industry. Its investment portfolio consists of Russian companies bringing together leasing, insurance and pension assets, including 100% in leasing company Europlan (after spinning off leasing operations of PJSC Europlan into a standalone subsidiary), 49% in VSK Insurance House and 100% in SAFMAR Non-Governmental Pension Fund (NPF SAFMAR). SAFMAR Financial investments is part of SAFMAR Group, one of Russia's largest industrial and financial groups managing financial assets (banks, leasing, non-governmental pension funds (NPFs) and insurance), commercial real estate and development projects, oil and gas companies, and other non-financial assets.

7,000+

employees²

18

years

in the leasing market

25+

years

in the insurance market

23

years

in the asset management
market

¹ In this Annual Review, the terms "SAFMAR Financial investments", PJSC "SAFMAR Financial investments", "SAFMAR Financial Investments holding company", "holding company", "holding" and "we" refer to all companies whose performance highlights are consolidated in the 2016 IFRS financial statements of PJSC Europlan. For more information, please visit our corporate web site at www.safmarinvest.ru

² Including employees of Europlan, VSK Insurance House and NPF SAFMAR as at 31 December 2016.

ASSET PORTFOLIO

LEASING



100%

Leasing portfolio:

over RUB **27** bn

Clients:

in-house customer pool
comprising

over **63,000**
companies

ca. **1.5** m
prospective corporate clients

N°1

independent car leasing
company in Russia

rating from
Fitch

BB-

rating from Expert
RA (RAEX)

ruAA-¹

NON-GOVERNMENTAL PENSION FUND



SAFMAR

pension
fund

100%

Assets under management:

over RUB **192** bn

Clients:

2.3 m
accounts

Top 5

by the number of clients

Top 6

by total assets under
management

rating from Expert
RA (RAEX)

A++

INSURANCE



49%

Written premiums:

over RUB **53** bn

Clients:

15.8 m
retail accounts

230,000
companies

Top 8

insurance company
in Russia

rating from
Fitch

BB-

rating from Expert
RA (RAEX)

ruAA¹

➔ For more details on our assets, including business overview, growth plans, financial results and risks, please see Our assets on pages 22-45.

¹ Corresponds to rating A++ according to the previously applied methodology.



MISSION

Our mission is to contribute to the fast growth of financial infrastructure in Russia by investing in prospective financial companies and projects with a significant value creation potential. We are committed to continuous quality improvements in our business processes, products and services for the benefit of all our stakeholders.

INVESTMENT HIGHLIGHTS



High resilience to macroeconomic fluctuations owing to the diversified investment portfolio



Focus on leaders in every dedicated segment



Clear development strategy to ensure strong portfolio synergies



Value creation model based on long-term growth and sustained increases in dividend yields



Professional investment team with unique expertise and competencies in the financial industry

IFRS FINANCIAL PERFORMANCE



7.0

RUB bn

Total income from operations and finance income



3.3

RUB bn

Net profit



29.7

RUB

Earnings per share

SHAREHOLDING STRUCTURE

The company's shares are traded on the Moscow Exchange (ticker: EPLN)¹. The ISIN trading code: RU000A0JWV89. From 16 June 2017, the company's shares are included in the key indices (MICEX and RTS) calculated by the Moscow Exchange.

Share capital structure as at 31 December 2016, %



■ 65,48% SAFMAR
Group's companies

■ 34,52% Free-float

The free float stands at 34.5%.² As of January 2017, the company's the company's Russian and international shareholders included:



major commercial and investment banks;



investment funds;



public investment funds; and



private pension funds.

¹ PJSC Europlan (SAFMAR Financial investments). The ticker will be altered after Europlan's actual changes of its name to SAFMAR Financial investments.

² Free float as at 31 December 2016 is calculated by cumulation of shares owned by SAFMAR Group's companies and was confirmed by the Moscow Exchange after the consolidation of the main and additional issues of shares of PJSC Europlan on 23 March 2017.

The majority shareholder of holding company SAFMAR Financial investments is SAFMAR Group, one of the largest and most successful privately-owned business groups in Russia.

MAIN BENEFICIARIES OF SAFMAR GROUP



Mikail Shishkhanov



Mikhail Gutseriev



Sait-Salam Gutseriev

PORTFOLIO COMPANIES MANAGEMENT



Alexander Mikhaylov

Chief Executive Officer



Sergei Tsikalyuk

Chairman of the Board of
Directors



SAFMAR
pension
fund



Alexander Lukin

Chief Executive Officer

CEO'S STATEMENT



Dear shareholders,

In 2016, SAFMAR Group marked an important milestone in its financial market track record, as it leveraged Europlan, a leasing company acquired in 2015, to launch SAFMAR Financial investments, Russia's first public investment holding company focusing solely on the financial industry. Our main goal is to ensure the successful growth of the new holding company based on a clear value creation vision and the efficient management of our asset portfolio to achieve higher returns on invested capital for all investors.

We believe that this new and unique large-scale project offers a great investment opportunity, as the holding company has already succeeded in bringing best-in-class and high-margin businesses under its control.

These businesses include Europlan, the largest private player in the car leasing market that has seen its market value rise by as much as 27% since IPO in December 2015. The holding company also owns an interest in VSK Insurance House, an insurance major with a return on equity of over 29%. With over RUB 192 bn in assets under management,

SAFMAR Non-Governmental Pension Fund is among the Top 10 participants of the Russian pension market. In 2016, the holding company's assets reached RUB 293.9 bn, with liabilities amounting to RUB 215.6 bn. As at 31 December 2016, the holding company's equity stood at RUB 78.3 bn.

We also seek to identify prospective targets in the financial industry which might become a valuable addition to our existing assets and enhance the shareholder value by contributing to the higher dividend yields and market capitalisation.

We believe that SAFMAR Financial investments is making great progress in achieving the set goals and remain positive about its strong development potential and investment prospects.

Avet Mirakyan
Chief Executive Officer,
SAFMAR GROUP

OUR HISTORY

SAFMAR Financial investments is a major financial market player managing leasing, insurance and pension assets, all of which lead the charge in their respective business segments. Below are the key milestones in the holding's history.



➔ For more details on key events and developments in 2016, please see **pages 9-11**.

KEY EVENTS AND DEVELOPMENTS IN 2016



Completing the integration of insurance businesses

On 27 July, we closed the deal integrating the insurance businesses of VSK Insurance House and SAFMAR GROUP whereby VSK acquired a 100% stake in B&N Insurance. The insurance business integration project is centred around and managed by VSK Insurance House, with its shareholder maintaining the controlling stake.



Europlan's bond offering

On 11 October 2016, Europlan completed the offering of five million 10-year BO-07 series exchange-traded bonds with the par value of one thousand Russian roubles (RUB 1,000) each and gross proceeds of RUB 5 bn. The bond offering was fully subscribed. The first coupon rate for BO-07 series exchange-traded bonds was set at 11.75% p.a., with the second, third and fourth coupon rates being equal to that of the first one. The coupon yield per bond stands at RUB 58.59. The bond issuance offers semi-annual coupons (182 days) and a two-year put option. The offering of BO-07 series exchange-traded bonds was managed by B&N Bank jointly with Alfa Bank, Sovcombank and UniCredit Bank.



Consolidation of four pension funds under NPF SAFMAR

Following the reorganisation **in August 2016**, NPF SAFMAR incorporated three non-governmental pension funds, including the European Pension Fund, Regionfond and Obrazovanie i Nauka NPFs. As at 31 December 2016, the combined pension fund managed a total of RUB 192.1 bn in pension assets. The reorganisation exercise sought to meet the clients' needs by enhancing the efficiency of pension assets management and promoting a higher quality customer service.



Europlan's SPO and establishment of SAFMAR Financial investments, a public holding company

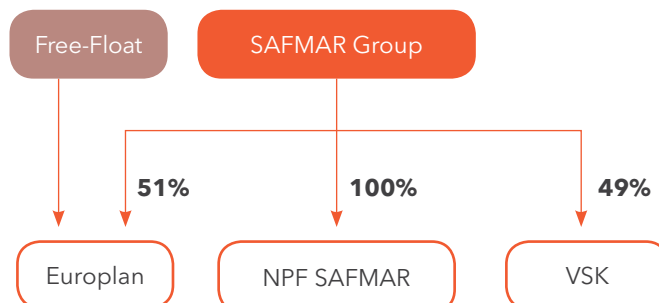
In December 2016, Europlan completed its secondary public offering on the Moscow Exchange selling 20.8 m shares worth RUB 15 bn. The offering price stood at RUB 720 per share.

The SPO was key to transforming Europlan into SAFMAR Financial investments, a public financial and investment holding company focusing on investments and achievement of transparency in the management of Russian financial companies. Going forward, PJSC Europlan will be renamed into PJSC SAFMAR Financial investments.

Milestones leading to the creation of SAFMAR Financial investments

Stage 1: Formation of holding company structure

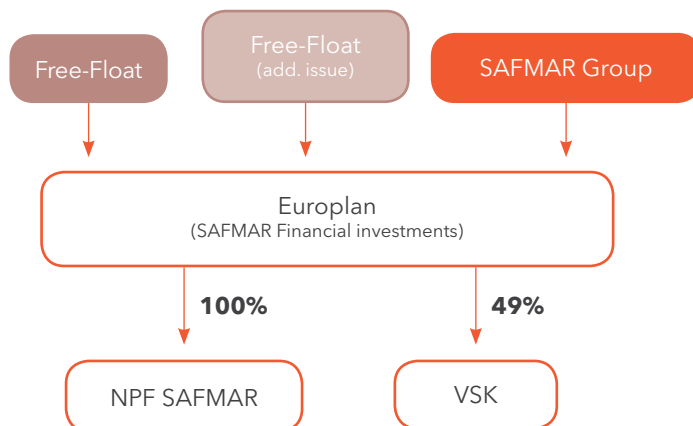
- Structure formation and strategy development for the future holding company
- Shares exchange ratios were determined by an independent Big Four advisor
- Rights of creditors and minority shareholders fully observed



* Structure is represented as at 22 December 2016.

Stage 2: Additional share issuance

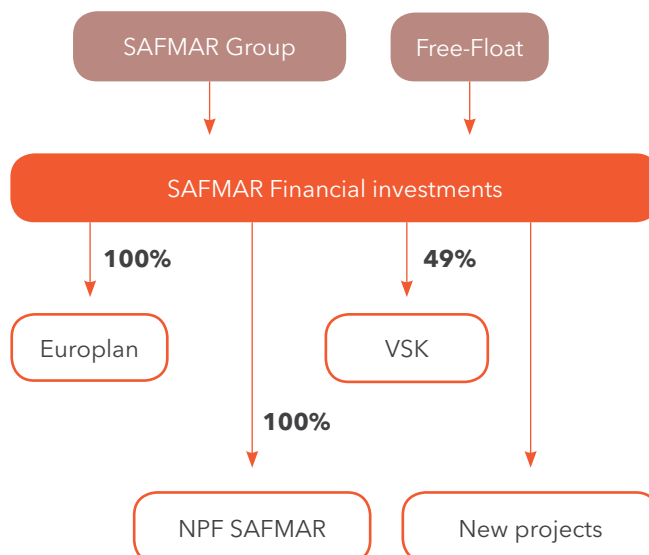
- PJSC Europlan share issuance with payment in shares of NPF SAFMAR, shares of VSK Insurance House and in cash via public offering (SPO)
- Additional capital raised for the expansion of the holding company's investment portfolio
- Minority shareholder base was significantly expanded



ACTUAL STAGE

Stage 3: Target structure of the holding company

- To achieve its target structure, the holding company is currently in process of spin off the leasing operations from the existing PJSC Europlan into a standalone subsidiary with 100% equity participation of SAFMAR Financial investments
- To be completed in summer 2017



Credit line agreements

In October 2016, Europlan signed a long-term RUB 10 bn credit line for four years with Sberbank. The company will use the funds to finance its leasing projects, as the stable

funding from Russia's largest bank will further enhance its capacity to enter into new leasing deals and assist in developing clients' businesses.

Key events after the reporting date

Europlan's reorganisation

On 20 February 2017, Europlan's Extraordinary General Meeting of Shareholders resolved to reorganise PJSC Europlan by spinning off JSC Europlan Leasing Company (JSC Europlan LC) into PJSC Europlan's wholly owned subsidiary. The new subsidiary will take over Europlan's core assets, as well as the rights under leasing contracts and other leasing-related assets as per the deed of transfer approved by shareholders and the spin-off balance sheet. The reorganisation is set to be completed in summer 2017.

VSK Insurance House's bond offering

In April 2017, VSK Insurance House successfully completed the offering of its debut exchange-traded bonds for a total amount of RUB 4 bn. The book building took place on

4 April 2017, with investors submitting over 50 orders and the bond issue being three times oversubscribed. The first coupon rate stood at 11.05% p.a., with the second and third coupons being set at a rate equal to the first one. The bond issuance offers semi-annual coupons and a 1.5-year put option. VSK's 01P-01 series bonds are available for trading on the secondary market (securities section) of the Moscow Exchange since 11 April.

Inclusion of the holding company's shares in the MICEX index

On 16 June 2017, Europlan's ordinary shares were included in the key indices (MICEX and RTS) calculated by the Moscow Exchange. The company's free float was increased from 23 to 35%.

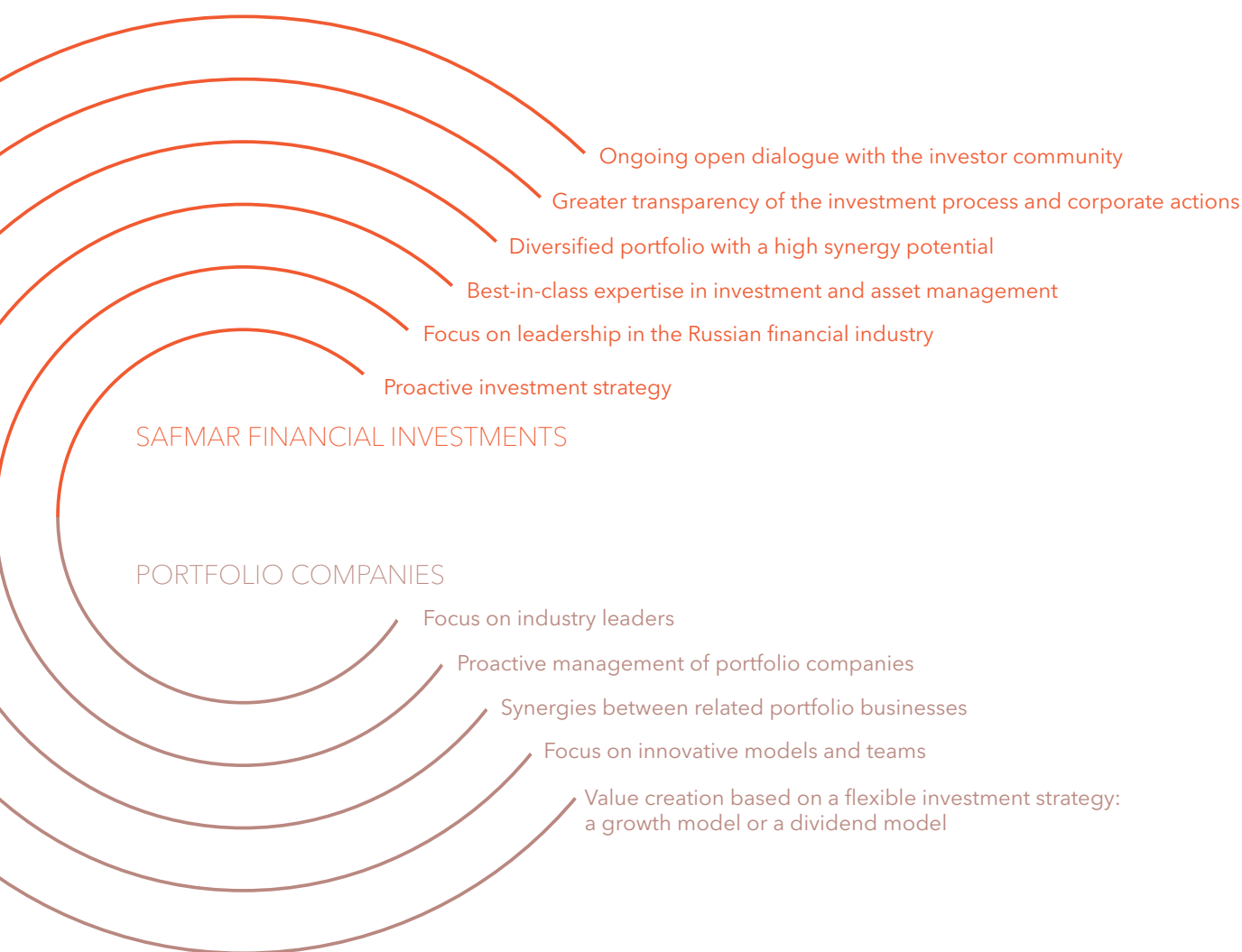
OUR STRATEGY

Our strategy focuses on investments in the premium Russian financial assets leading the charge in dedicated market segments to build a diversified high-performance investment portfolio. Our investment decisions prioritise the companies and innovative teams that create new markets and shape prospective demand giving the holding company a competitive edge in the rapidly changing international and economic environment. We target

financial assets which have the potential to become a valuable addition to our existing assets and enhance the shareholder value.

As the holding company was only established in late 2016, the management keeps working on a consolidated development strategy and intends to submit it to the Board of Directors for approval in the second half of 2017.

Key principles of our investment strategy



Investment policy

Our investment policy aims to implement a value creation model focused on the long-term growth and sustainably rising dividend yields. Our goal is to promptly achieve leadership in the Russian financial industry. To this end,

the company intends to further develop best-in-class investment and assets management expertise and remain committed to greater transparency of the investment process and corporate actions.

Key investment considerations



Target industry

Focus on the financial industry only



Target segments

Leasing, insurance, pension funds, financial technologies, banks, etc.



Geography

Mainly Russian-based assets of federal or regional significance



Maturity of the target companies

Rapidly growing companies or mature business models with a steady dividend flow



Investment horizon

Three years or more



Target ownership

A sizeable minority interest or a controlling stake



Cross-business synergies

Desirable but not a prerequisite for investment decisions

Key value drivers and strategic goals

SAFMAR Financial investments has an in-depth industry expertise and a clear shareholder value creation strategy in respect of each of its assets.

Investment	Description	Strategy	Value creation
	<ul style="list-style-type: none"> • Largest car leasing company in Russia • Leasing portfolio: over RUB 27 bn • In-house client pool: over 63,000 companies and ca. 1.5 m prospective corporate clients 	Maintain leadership in the vehicle leasing segment for both corporate (including sole proprietors) and retail clients	Business growth Dividends
	<ul style="list-style-type: none"> • Universal insurance company with a balanced product portfolio • Client base: 15.8 m retail accounts and over 230,000 companies in Russia • Total gross written premium of RUB 53.3 bn in 2016 • Regional network embracing over 400 branches and offices 	Maintain and improve the company's position in the lucrative insurance segments	Business growth Dividends
	<ul style="list-style-type: none"> • RUB 184 bn of retirement savings and over RUB 8 bn of pension reserves under management • Client base: ca. 2.3 m clients under compulsory pension insurance (CPI) and 75,000 customers under non-state pension plans (NSPP) • Top 4 by retirement savings, Top 16 by pension reserves, and Top 5 by the number of clients 	Maintain and improve the company's position in the CPI and NSPP segments	Business growth Dividends

RISK MANAGEMENT

In line with the plans to develop the company as a financial holding company, a robust risk management framework is crucial to achieving the strategic goals and is designed to appropriately assess existing risks, prevent risk exposure, and mitigate adverse effects if risks materialise.

Currently, the company employs an integrated approach to risk management, which includes: risk identification, analysis, assessment and prioritisation, risk management planning and coordination, monitoring and control across all kinds of inherent risks, geographies and business units. Risk reporting covers all kinds of risks to ensure that

information escalated to the management is complete, fair and comparable for each of the decision making levels, which supports the risk management controls and decision making processes top down and bottom up across the holding company depending on risk priority and significance.

RISK MANAGEMENT SYSTEM DEVELOPMENT

We are committed to further improving the risk management system to support the holding company's sustained long-term growth to benefit all shareholders and investors. To this end, in the second half of 2017,

the holding company intends to establish the Unified Risk Management Centre as a function to combine risk management competencies across all business segments, i.e. leasing, insurance, and pension businesses.

REVIEW OF KEY RISKS

In the course of its operations, the company is exposed to industry, legal and other – both internal and external – factors (material terms and conditions, events, circumstances, and actions). This leads to the occurrence of a number of risks which may under certain conditions affect the company's financial position and performance. The company's operations also have inherent financial

risks, which depend on changes in the economic and financial environment. The company is exposed to market risk, credit risk and liquidity risk. If any of the above financial risks materialises, the management is determined to take all possible actions to mitigate the adverse effects. Company's actions will be addressing specific circumstances on a case-by-case basis.

Country risk

Political and economic developments, military conflicts, states of emergency, strikes and natural disasters may lead to deterioration of the entire national economy and, hence, the financial health of the company.

The company is registered and carries on its core business in the Russian Federation, meaning that the key country-specific risks affecting its operations are Russia-specific. However, in view of the ever increasing globalisation, any material deterioration in the global economic environment may well trigger a severe downfall in the Russian economy and logically result in weaker demand for the products and services of the company.

Russia has sovereign investment-grade ratings assigned by the Big Three credit rating agencies. These credit ratings reflect Russia's low public debt and high external liquidity, while also indicating the country's high political risk, which is the key constraint on any rating upgrades. In addition,

downward pressure on the ratings has been coming from the declining commodity prices and global capital market challenges.

The socio-economic development in Russia may also be hindered by:

- economic instability;
- political and government instability;
- underdeveloped banking system;
- inferior infrastructure;
- macroeconomic fluctuations.

The said factors may have the following outcomes that are potentially unfavourable for the company's development:

- immature political, legal and economic institutions;
- imperfect judicial system;
- contradictory ongoing changes to tax and currency control laws;
- strong resistance of the officialdom to efficient reforms;

- high dependence of the economy on the commodity sector and the resulting vulnerability to a potential drop in commodity prices.

Fluctuations of oil and gas prices, changes in the RUB to USD and RUB to EUR exchange rates, and other factors may adversely impact the entire national economy and, consequently, the company's prospects going forward.

The Russian economy is sensitive to deterioration in the market environment and slowdowns in business activity elsewhere. New financial problems or risks affecting emerging markets may push down foreign investments in Russia. In addition, Russia produces and exports large quantities of crude oil, gas and metals, which makes it highly dependent on commodity prices, with any drop in commodity prices (especially oil and gas prices) likely to slow down the national economic growth. The said factors may considerably limit the company's access to funding sources in Russia and adversely impact its operations at large.

Political risk

The domestic political landscape is currently stable. Factors that are likely to affect the political environment in the future include a greater concentration of power and a weaker role of democratic institutions, along with a slower reformist policy and higher corruption and bureaucratisation. These factors may potentially limit the holding company's general ability to raise investments.

Geopolitical risks may also destabilise the Russian political system. In particular, Russia's involvement in political and military conflicts in its neighbouring countries and economic and political sanctions against Russian companies, banks and officials compromise the Russian standing on a global scale, which, in turn, may have a negative impact on the country's political stability and investment climate.

Over the past few years, Russia has been involved in economic, political and military conflicts with some post-Soviet member countries in the CIS. As a result, Russia has scaled down its relations with some countries of the international community, including those that have the largest capital markets and are the place of

Russia is a multinational state which includes regions with varying levels of socio-economic development. As a result, internal conflicts in Russia, including those using military force, may not be completely ruled out. On top of that, the company cannot rule out the risks of a potential state of emergency in the country.

The company's response

The company believes that the risk of natural disasters and potential transport disruptions in Russian regions where the company operates is minimal. Based on its ongoing monitoring of the economic environment in Russia and the impact of external economic drivers and risks in forecasting future operations and financial and economic performance, the company believes the above-mentioned trends and its implications to be foreseeable. In the upcoming years, analysts project no major deterioration in the situation in Russia that might adversely impact the company's operations.

domiciliation for businesses that are heavily investing in Russia. Those businesses may change their investment strategies and decisions in response to the current geopolitical developments based on the assessment of related economic and financial risks. In case of escalation, geopolitical conflicts may adversely impact the Russian and regional economies and spark negative sentiments among investors towards the Russian market, which will undermine the ability of Russian companies generally and the holding company in particular to tap international capital markets. If the existing conflicts intensify or new ones arise, this may push down liquidity, add to a higher volatility, and impair the holding company's securities while also putting constraints on raising debt and equity funding.

The company's response

The company continuously monitors the political environment to proactively identify the factors described above. In case of military conflicts, states of emergency, or strikes in Russia, the company will plan its operations in real time with promptly response to any radical changes.

Economic risk

The business of the holding company and its assets relates closely to the global economic and financial environment and is exposed to the following key factors:

- potential decrease in prices on crude oil, metals, coal and other commodities;
- new sanctions imposed by Europe and the US with a view to limiting access to international capital markets;
- ongoing capital outflow, further depreciation of the Russian rouble vs the US dollar and euro;
- slowdown in GDP growth and business activity; and
- higher inflation rate and lower purchasing power.

Possible adverse changes in Russia's economic trends driven by continuing sanctions, fluctuations in export commodities prices, and FX exchange rates and interest rates changes may have a considerable impact on the operations of the holding company and its businesses.

The company's response

If any or some of the above risk factors materialise, the company is determined to take all possible actions to offset their adverse impact. The company continuously monitors the economic environment both in Russia and

beyond and factors in such risks while forecasting its operations and financial and economic performance going forward. If the macroeconomic environment deteriorates, the company intends to take all necessary actions to mitigate the implications for its business. Actions will be addressing specific circumstances on a case-by-case basis. The company cannot guarantee that its actions to counter adverse consequences will prove successful, since most of the above risk factors are beyond its control.

In case of further deterioration of the macroeconomic environment, given that the company carries out its core business solely in Russia, it intends to implement an overarching anti-crisis plan. Based on the historical experience of anti-crisis management, the best way to address the deteriorating macroeconomic environment has been to mitigate FX and interest rate risks by entering into interest rate swaps and FX options and forwards.

Industry risks

For more details on industry risks related to the holding company's assets, please see pages 29, 35 and 44.

Financial risks

The company's operations have inherent financial risks, which depend on changes in the economic and financial environment. The key financial risks include:

- **credit risk**

The company is exposed to the credit risk, i.e. a situation when either of the parties to a financial transaction defaults on its obligations and, hence, causes financial losses to the other party. Credit risk exposure arises out of the company's lending and borrowing operations and other third-party transactions that result in new financial assets.

- **market risk** (currency risk, fluctuations of floating interest rates, funding risk due to rising interest rates)

- **liquidity risk**

This risk implies that the company may find it difficult to perform under its obligations. The company continuously monitors the liquidity situation to build up and maintain a diversified funding base.

The company's response

The key objectives of financial risk management are to set, and ensure compliance with, the risk limits. The company believes that its exposure to FX and interest rate risks, along with the liquidity risk, is insignificant.

Legal risks

The legal risks affecting the company's operations are the risks related to changes in tax and currency control legislation in Russia, as well as the risks of tougher regulatory requirements of the Bank of Russia with regard to non-credit financial institutions.

While the holding company's exposure to the currency control risk is minimal, its relevance will be greater in case of massive capital flight or weakening of the Russian rouble. If raising funding in external markets, the holding company will be exposed to currency control risks in respective jurisdictions.

Recent developments in Russia suggest that the tax authorities may be taking a more assertive approach in their interpretation and application of tax legislation (including transfer pricing laws), tax audits and additional tax assessments, which is likely to result in claims on previously acceptable transactions or accounting methods. Thus, significant tax amounts, fines and penalties may be assessed. Amounts of potential claims not filed yet and the probability of an unfavourable outcome cannot be determined. The tax authorities are entitled to conduct on-site audits to verify tax calculations and payments, provided that fiscal periods remain open to such tax audits for three calendar years preceding the year when decision about audit is made. Under certain conditions, financial statements over earlier fiscal periods may also be audited.

In 2016, the Bank of Russia toughened regulation of non-credit financial institutions by putting in place an improved and more centralised control framework. The insurance and pension lines of business are now subject to the following requirements:

- the establishment of a clear procedure for the insurance organisations to calculate the statutory liabilities to equity (capital) ratio;
- the establishment of a clear procedure to transfer the insurance portfolio in cases where insurance organisations become subject to bankruptcy prevention measures or a licence withdrawal;
- the establishment of a special depository responsible for promptly identifying the insurance organisations' breaches of the applicable laws through daily monitoring of compliance with the requirements for the composition and structure of the assets accepted for coverage of insurance provisions and equity (capital) of an insurer, and with the rules applying to the investment of insurance provisions and equity (capital) of an insurer;
- introduction of additional requirements to the funds' risk management systems;
- transition to a unified chart of accounts for non-credit financial institutions;
- transition to an electronic reporting form based on the XBRL technical standards in line with the best international reporting practices.

Strategy risk

This risk implies that the company may face losses due to mistakes or deficiencies in making decisions on its growth plans and strategy, which may result in a failure to identify or substantiate its key opportunities, provide the required financial, physical, technological or human resources and take appropriate management decisions that are required to achieve its strategic objectives and plans.

Reputation risk

This risk implies that the company may face losses due to negative perceptions of its financial health, the quality of its services, or the nature of its operations generally.

Since the inception, the holding company and its businesses have seen no threats to their business

The company's response

Short and mid-term planning is in place to ensure the efficient assessment and implementation of strategic decisions, with contributions from respective functions, which aim to analyse the current performance of the company, set out priority areas, develop strategic plans, and monitor their implementation.

reputation. The holding company and its businesses are committed to full and timely disclosure of reliable information as required by Russian laws, including disclosure of their financial position, performance, ownership structure and other material facts.

FINANCIAL PERFORMANCE

The core business of SAFMAR Financial investments is effective investments and management of financial assets, specifically in the leasing, insurance and pension industries. 2016 financial performance highlights are shown below. For more details on the business overview and operating highlights of specific businesses within the holding company, please see Our assets on pages 22-45.

IFRS consolidated financial statements of the holding company

RUB m	2016	2015
Total income from operations and finance income (consolidated)	7,005	5,977
including:		
from leasing activities	5,597	5,612
from pension fund activities	757	0
from insurance activities	492	395
from other activities and inter-segment adjustments	158	(30)
Profit before income tax from continuing operations	4,104	2,480
Net profit / (loss)	3,310	1,415
including:		
from leasing activities	2,364	2,315
from pension fund activities	487	0
from insurance activities	488	253
from other activities and inter-segment adjustments	(29)	(1,154)
Earnings per share¹	29.65	12.67

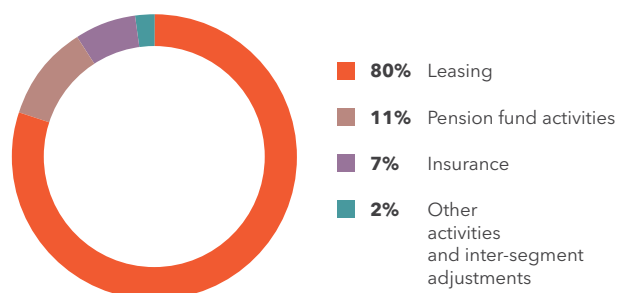
Income from operations and finance income and net profit

In 2016, the holding company's income from operations and financial activities reached RUB 7.0 bn, up 17% y-o-y, while its net profit amounted to RUB 3.3 bn, up 134% y-o-y, mainly driven by:

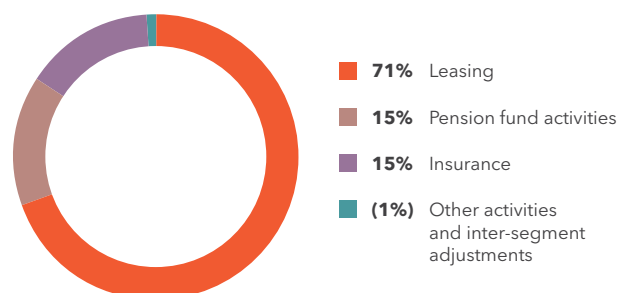
- from pension fund activities: acquisition of 100% shares in JSC NPF SAFMAR in December 2016;

- from insurance activities: the acquisition of 49% shares in VSK Insurance House in December 2016; and
- from other activities: expenses from the disposal of JSC Europlan Bank in December 2015, with no similar expenses recurring in 2016.

Income from operational and financial activities in 2016 by segment, %



Net profit / (loss) in 2016 by segment, %



¹ RUB per share

IFRS consolidated statement of financial position

RUB m	2016	2015
Assets	293,903	37,557
Liabilities	215,556	26,901
Equity	78,347	10,656
Total liabilities and equity	293,903	37,557

SAFMAR Financial investments (PJSC Europlan) IFRS consolidated annual financial statements for the year ended 31 December 2016 are available at:



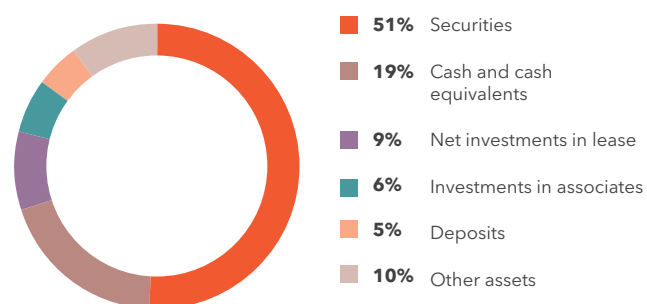
<https://www.europlan.ru/en>

Assets

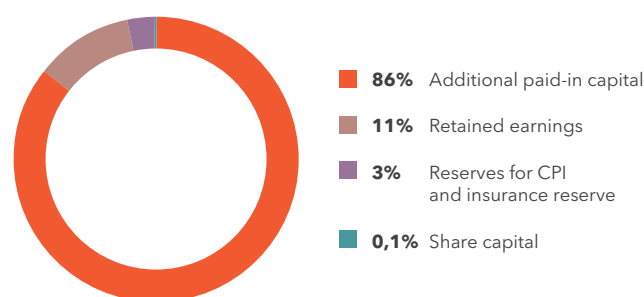
In 2016, the holding company's assets reached RUB 293.9 bn vs RUB 37.6 bn in 2015 as a result of the acquisition of 100% shares in NPF SAFMAR and 49% shares in VSK Insurance House in December 2016. The holding company keeps around 84% of its assets in liquid assets (including bank deposits, cash, and securities, which account for 75%) and high-margin leasing portfolio (net investments in lease, which account for 9%).

The holding company considerably ramped up its equity through the increase in share capital funded by the additional share issue for a total of RUB 59.4 m in December 2016, and also an increase in additional paid-in capital to RUB 67.2 bn resulting from the combined business goodwill, shareholder's contributions, and proceeds from the sale of treasury shares.

Assets structure as at 31 December 2016, %



Equity structure as at 31 December 2016, %



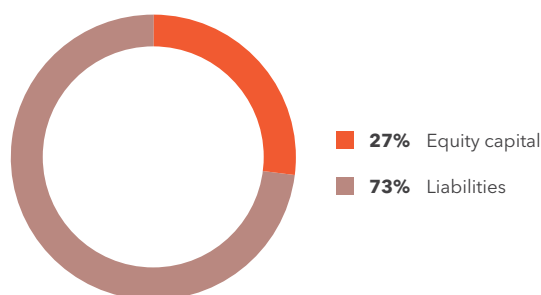
Liabilities

In 2016, company's liabilities amounted to RUB 215.6 bn vs RUB 26.9 bn in 2015 as a result of the acquisition of NPF SAFMAR in December 2016, which makes up 89% of its consolidated liabilities. Importantly, the liabilities under compulsory pension insurance (CPI) agreements and non-state pension agreements (NSPA) are the funds owned by

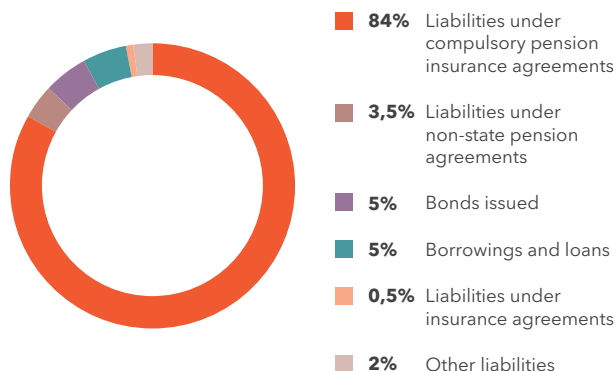
pension fund clients, whose behaviour is essential for the pension business growth.

The holding company's borrowings and loans account for no more than 5% of its total liabilities.

Equity capital and liabilities as at 31 December 2016, %



Liabilities structure as at 31 December 2016, %



Proforma of consolidated financial results of SAFMAR Financial investments (IFRS)¹

For the purposes of presenting comparable data of y-o-y holding company's performance (taking into account that the actual acquisition of NPF SAFMAR and 49% stake in VSK Insurance House occurred in December 2016), below

is the proforma of consolidated financial results of SAFMAR Financial investments prepared in the assumption of assets consolidation as at 1 January 2015.

RUB m	2016	2015	%
Net interest income	4,594	4,299	7%
Total income from operations and finance income	10,184	8,131	25%
Net profit	6,105	3,644	68%
Share in other comprehensive income of associates	40	14	-
Total comprehensive income for the period	6,144	3,658	68%
Assets	304,045	214,017	42%
Liabilities	215,409	132,883	62%
Equity	88,636	81,134	9%
ROA	2.4%	1.9%	-
ROE	7.2%	4.7%	-

¹ Prepared on the basis of IFRS principles in the assumption of assets consolidation (incl. PJSC Europlan, NPF SAFMAR and other merged pension funds, VSK Insurance House) as at 01.01.2015 with the goal of presenting comparable data. Investments to VSK Insurance House using the equity method based on the actual valuation of shares of VSK during the SPO of PJSC Europlan and adding the financial result of the associate for 2015 and 2016. Goodwill was calculated based on the actual valuation of shares of NPF SAFMAR during the SPO of PJSC Europlan and the value of net identifiable assets of NPF SAFMAR and other merged pension funds as at 01.01.2015.

OUR ASSETS

SAFMAR Financial investments combines best-in-class leasing, insurance and pension assets that are top-rated leaders of their respective industries. We aim to maximise the business efficiency by building up a diversified high-performance investment portfolio with a high value creation potential, including through synergies among portfolio businesses and promotion of trust-based and reliable long-term relations with all clients and partners.



europlan



VSK INSURANCE HOUSE



SAFMAR
pension
fund

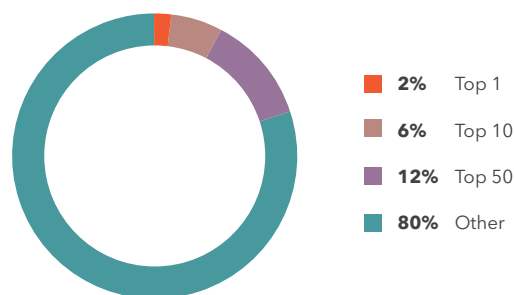
EUROPLAN

Business overview and key highlights of 2016

Europlan is a car leasing business that provides corporate and retail clients with a full range of services related to vehicle leases and aftermarket operations. Established in 1999, Europlan leases out vehicles to small and medium-sized entities through its network of branches and representative offices covering over 70 Russian regions.

Company's in-house client pool comprises 16,000+ current clients (with 36,000 equipment units on lease) and 63,000+ reliable corporates that signed lease agreements in the past. In addition, company's leasing portfolio shows low concentrations on major lessees, which mitigates the portfolio default risk. In 2016, Europlan secured 19,000+ car leasing contracts across Russia and all leasing segments (+29% y-o-y).

Leasing portfolio concentrations on major lessees based on IFRS pre-provision net investment balance in 2016



100%

owned by SAFMAR
Financial investments



COMPANY MANAGEMENT:

Mikail Shishkhanov
Chairman of the Board
of Directors

Alexander Mikhaylov
Chief Executive Officer



Nº 1

in the Russian car
leasing market in 2016¹



18
years

in the leasing market



27+
RUB bn

in leasing portfolio



63,000+

clients



1,600

employees

¹ Based on the Leasing in Russia 2016 research by Expert RA (RAEX) rating agency.

Market overview

Russian leasing market

Well regulated by domestic laws, the Russian leasing industry has been in existence for more than 18 years. Throughout these 18 years, it has been governed by industry-specific Federal Law No. 164-FZ of 29 October 1998 On Financial Lease (Lease). The rights and obligations of parties to lease transactions are further specified in the Civil and Tax Codes of the Russian Federation. This creates a more reliable legal framework for leasing operations in Russia than in many other financial segments.

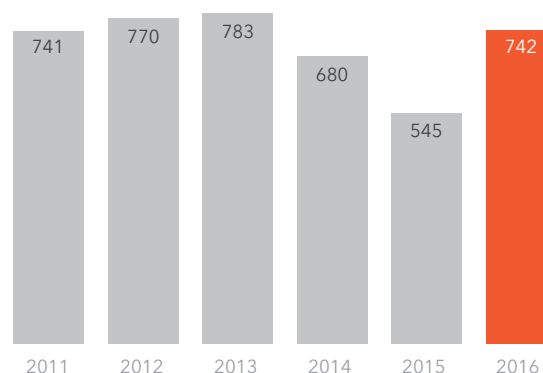
The Russian leasing market is quite widely segmented. The leasing market capacity is highly volatile due to possible major transactions in rail car and aircraft leases as well as equipment leases (e.g. telecoms and utilities). Hence, leasing companies that operate in those segments are hardly comparable to those making multiple transactions with unrelated lessees as is the case with the car leasing business. The total leasing market volume rose by 36% to RUB 742 bn, reaching the level of 2011, driven by major transactions and market expansion, which relied heavily on the government subsidy programme. The forecast by the RAEX (Expert RA) rating agency suggests that in 2017, the leasing market will continue on the rise to exceed RUB 800 bn, while from 2018 onwards the financial lease operations will be increasingly affected by the ongoing regulatory reform.

Car leasing market in 2016

As compared to other segments, the car leasing market shows much lower concentrations on both lessors and lessees, with industrial and financial majors keeping a low profile. In addition, this business excels in the number of contracts being made, higher standardisation of financial services, higher liquidity of leased assets, and lower average deal values.

Based on research by the RAEX (Expert RA) rating agency, the car leasing business was the most resilient segment in

Leasing market volume, RUB bn



the industry during the recession of 2014 and 2015. Due to their high liquidity, vehicles have become most sought after among all leased assets as the economy was slowing down. In the past few years, this market has seen both incumbent industry leaders and state-owned companies greatly strengthen their positions, with the latter joining the Top 5 by new business volume. As leasing companies were refocusing on the car leasing segment, its share in total leasing volume rose to 35% in 2016 vs 20% in 2013.

Importantly, the car leasing share was rising while car sales were falling. For instance, between 2014 and 2016, sales of new passenger cars and light-duty commercial vehicles dropped by 43% (based on AEB data) and those of new heavy-duty vehicles fell by 40% (based on AUTOSTAT data). Based on estimates by the RAEX (Expert RA) rating agency, over the same period, the leasing share in sales rose from 4% to 8% in respect of new passenger cars and light-duty commercial vehicles and from 34% to 53% in respect of new heavy-duty vehicles.

The leasing share in car sales

'000	2014	2015	2016
New passenger cars and light-duty vehicles sold	2,490	1,601	1,426
Passenger cars leased out	91	87	114
Leasing share in passenger car sales, %	4%	5%	8%
New heavy-duty vehicles sold	88	51	53
Heavy-duty vehicles leased out	30	26	28
Leasing share in heavy-duty vehicle sales, %	34%	51%	53%

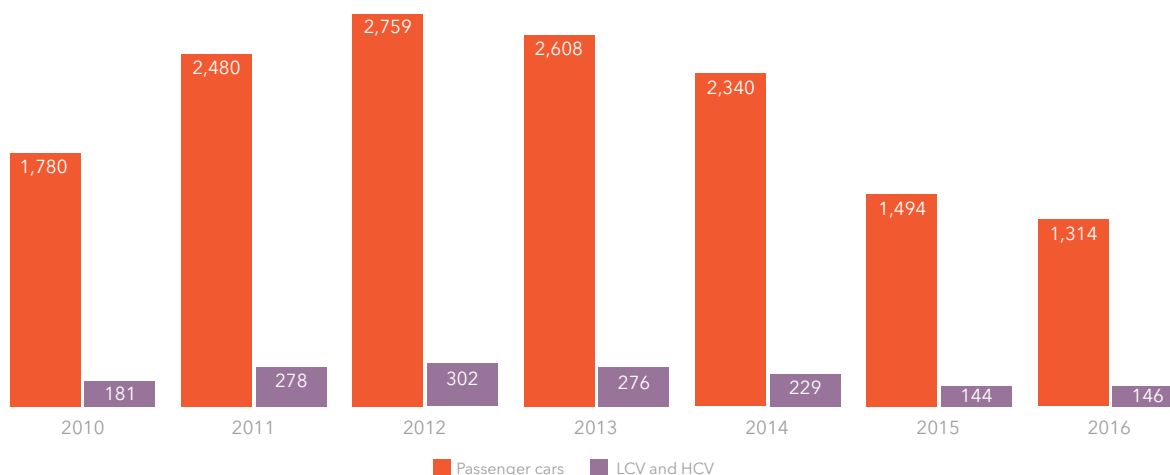
Source: RAEX (Expert RA) estimate, LC survey data

In the past few years, the car leasing segment has been increasingly dominated by light-duty commercial vehicles (LCV) with a gross weight not exceeding 3.5 tonnes. Based on a leasing market survey by the RAEX (Expert RA) rating agency, the leasing share in LCV sales rose from 29% in 2014 to 36% in 2016. This is attributable to the government subsidy programme, which in 2016 stimulated the demand for Russian-made light-duty commercial vehicles and pushed up the car leasing share. For example, the programme facilitated 63,000 vehicle leases over the past two years, with new business volumes growing by 18% in 2015 and 14% in 2016 (based on the RAEX (Expert RA) rating agency estimate). The number of vehicles to be leased under the government programme is forecast at around 50,000 to

60,000 in 2017, or approximately 20% of new business in this segment.

The car sales data over the past 15 years show an ever increasing potential for the market to return to pre-crisis sales in the mid-term. Prior to 2008, passenger car sales used to enjoy double-digit growth rates, outpacing many European markets, including Eastern Europe. Sales of international brands scored a CAGR of 65% between 2003 and 2007. In 2009, car sales suffered a drastic decline across all segments. The market hit a new high in 2012. PricewaterhouseCoopers forecasts that the market will return to 2 m sales of new passenger cars as early as in 2019.

Car sales in Russia in 2010-2016, '000 vehicles



Source: AUTOSTAT

The LCV market seems to have stabilised, whereas the heavy-duty vehicles showed modest growth (+4%) in 2016. The market therefore shows signs of recovery mainly driven by the overall economic stabilisation and strong government support under the state subsidy programme targeting the leasing of heavy-duty and light-duty commercial vehicles. The ageing of passenger car and commercial vehicle fleets caused by the economic instability in 2014-2015 is set to drive further growth in new car sales and the leasing market.

Europlan's position in the car leasing market

There are at least 300 players in the leasing market, but most of them close a relatively small number of transactions per year. The number of transactions made gives the most accurate representation of the client pool management efficiency and market positioning of a company, and by that parameter Europlan ranks among the market leaders, invariably outpacing its peers at all times when the surveys were conducted.

Top 20 leasing companies by the number of transactions made in 2016

No.	Leasing company	2016	2015	CAGR in 2016
1	VTB Leasing	22,823	21,079	8%
2	Europlan	19,650	15,186	29%
3	VEB-Leasing	18,037	23,587	(24%)
4	Baltic Leasing Group	9,930	7,693	29%
5	RESO-Leasing	7,117	6,103	17%
6	Element Leasing	6,155	3,429	79%
7	Sberbank Leasing Group	5,753	2,541	126%
8	Siemens Finance	4,184	3,741	12%
9	CARCADE Leasing	3,708	7,871	(53%)
10	Stone-XXI Group	3,353	2,689	25%
11	Volkswagen Group Finanz	2,983	4,579	(35%)
12	Major Leasing	2,628	2,161	22%
13	UniCredit Leasing	2,339	1,876	25%
14	URALLEASING Group	2,057	1,476	39%
15	CONTROL Leasing	1,814	1,033	76%
16	SOLLERS-FINANCE	1,519	929	64%
17	Alfa Leasing Group	1,217	62	1,863%
18	KAMAZ LEASING GROUP	1,192	877	36%
19	Sistema Leasing 24	1,131	940	20%
20	Leasing Trade	1,022	913	12%

Source: RAEX (Expert RA), based on LC survey data

The RAEX (Expert RA) research focuses on the volumes of new business in 2016 (the value of leased assets, excl. VAT, in leasing transactions closed in 2016) across car leasing sub-segments to rank top Russian leasing companies as follows:

Top leasing companies in the passenger car leasing segment in 2016

		New business volume, RUB m
1	Europlan	21,326
2	VEB-Leasing	21,159
3	VTB Leasing	16,698
4	RESO-Leasing	11,877
5	Baltic Leasing Group	7,459
6	Sberbank Leasing Group	7,258
7	CARCADE Leasing	6,704
8	Major Leasing	4,756
9	Volkswagen Group Finanz	3,445
10	Stone-XXI Group	2,371

Source: RAEX (Expert RA)

Top leasing companies in the commercial vehicle leasing segment in 2016

		New business volume, RUB m
1	Europlan	14,098
2	VEB-Leasing	11,825
3	Sberbank Leasing Group	11,668
4	VTB Leasing	11,515
5	KAMAZ LEASING GROUP	9,631
6	Baltic Leasing Group	7,684
7	Element Leasing	7,118
8	State Transport Leasing Company	4,692
9	Siemens Finance	3,973
10	Stone-XXI Group	3,839

Source: RAEX (Expert RA)

Hence, Europlan became the car leasing market leader in 2016 in both passenger car and heavy-duty vehicle segments.

Based on experts' mid-term estimates, the Russian car leasing market will most likely be driven by:

- underlying trends in car sales volumes (especially in money terms);

- higher leasing penetration as an alternative to corporate vehicle purchases (as funding becomes ever more scarce and less available to corporate buyers, lower margins keep dragging the number of direct unleveraged purchases down, etc.);
- stronger focus on retail and SME clients;
- product bundles offering simplified and operating leasing options; and
- higher concentration and stronger competition for the most promising deals.

Strategy and growth paths

On 20 February 2017, Europlan's Extraordinary General Meeting of Shareholders resolved to reorganise PJSC Europlan by spinning off JSC Europlan Leasing Company (JSC Europlan LC) into PJSC Europlan's wholly owned subsidiary.

The new subsidiary will fine-tune its future operations and use its future proceeds to maintain and increase its leasing business volumes, and retain its status of Russia's largest private car leasing company demonstrating high growth rates, operational excellence and financial stability thanks to the advanced credit analysis and risk management systems. The leasing subsidiary will remain focused on small-scale leases targeting large, medium and small businesses. In line with its long-term strategy, the leasing business will specifically seek to:

- develop financial leasing of motor vehicles as its core product;
- develop support services to assist the client in car fleet operation;
- develop operating lease of passenger cars, including for retail clients;
- retain existing corporate clients;
- increase the share of new business related to the suppliers of leased assets;
- increase the share of passenger cars as the most liquid leased assets;
- increase the share of vendors achieving and exceeding the targets; and
- improve customer service in both the call centre and online channels.

To achieve the above goals, Europlan LC intends to:

- improve the sales process to further enhance penetration across existing distribution channels;
- transfer the proprietary distribution network (branches, representative offices, outlets) to the reorganised leasing company and ensure its further expansion;
- expand the external distribution network comprising motor vehicle and equipment suppliers;
- improve customer experience through centralised, automated and standardised processes to originate, execute and administrate lease transactions;
- develop robust business infrastructure;
- further improve the quality of risk management and workout process, especially in the rapidly changing business environment;

- meet the rising need for skilled workforce through efficient HR recruitment, training, motivation, retention, assessment and development; and
- improve accounting and reporting systems.

Social policy

In its social policy, the company is guided by the principles of transparency and fairness honouring its social responsibilities as required by the applicable laws. The fundamental principles of the social policy are further detailed in the company's Regulation on Social Policy, internal labour regulations, employment contracts and other by-laws governing the relations of the company and its employees. The social policy is part of a higher-level HR policy. Hence, it employs a holistic approach to enhancing both the corporate efficiency and loyalty of each and every employee.

In addition to the statutory social safety nets guaranteed by the government, the company runs the following social programmes:

- additional temporary disability benefits;
- voluntary health insurance;
- personal accident insurance;
- financial aid to employees facing various hardships;
- greetings and gifts to employees to commemorate anniversaries and other significant dates;
- New Year events for employees' children;
- perks for the best employees and seniority benefits; and
- sports and recreation activities, corporate events, PR promotion of significant professional achievements and awards for outstanding performance.

The HR policy seeks to enhance employee loyalty, protect and enforce their rights and social guarantees, and support efficient HR management. Bonuses have been put in place to encourage employees meeting the KPIs or demonstrating outstanding performance. In addition, key executives are entitled to bonuses for their commitment to long-term goals subject to the achievement of business targets confirmed by the annual performance and competency appraisal conducted as per the applicable internal regulations.

Financial performance

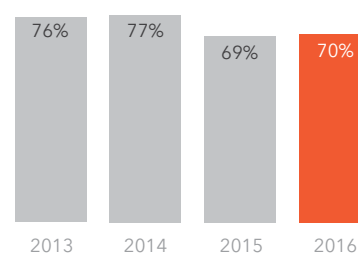
IFRS financial highlights in the leasing segment¹

RUB bn	2016	2015	Change
Assets	39.5	37.4	6%
Net investments in lease (NIL)	27.5	25.8	6%
Equity	13.8	11.5	21%
Net interest income	4.1	4.2	(2)%
Net profit	2.4	2.3	2%
ROAE	18.7%	21.6%	-
ROAA	6.2%	5.5%	-
Equity/Assets	35%	31%	-
Debt/Equity	1.7x	2.0x	0.3x

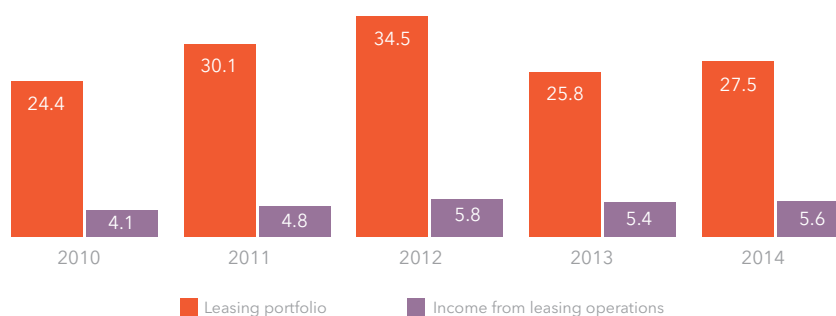
In 2016, net profit rose by 2% to RUB 2.4 bn. As at 31 December 2016, net asset value stood at RUB 13.8 bn, up 21% y-o-y.

The high-margin leasing portfolio consists of net investments in lease (NIL), which account for 70% of assets in the leasing business. In 2016, NIL rose by 6% y-o-y to RUB 27.5 bn. In addition, IFRS income from leasing operations reached RUB 5.6 bn in 2016, up 3% y-o-y.

NIL share in leasing assets, %



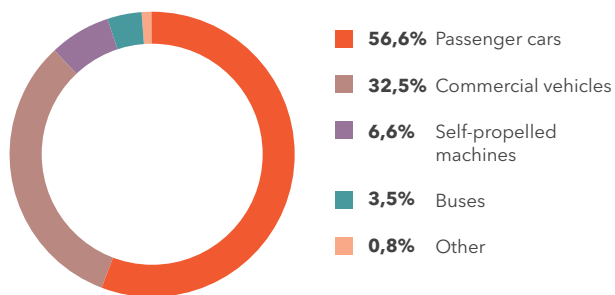
Leasing portfolio and income performance, 2012-2016², RUB bn



¹ The 2012-2016 data have been stated for the leasing operations only based on Europlan's IFRS consolidated financial statements by segment for the respective period.

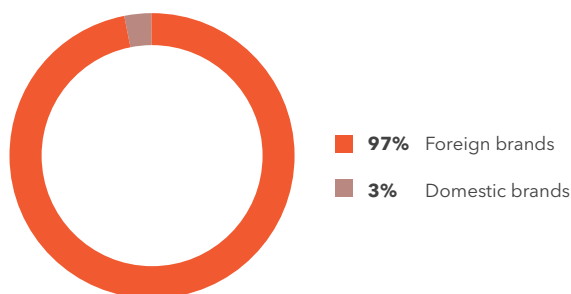
² Leasing portfolio and income performance is shown before changes in the impairment provisions for interest bearing assets of the leasing segment based on the 2012-2016 IFRS financial statements.

Leasing portfolio by the type of leased assets in 2016



In 2016, net investments in lease were mostly represented by liquid assets, including passenger cars (56.6%), commercial vehicles, such as LCV, MCV, HCV and trailers (32.5%), self-propelled machines (6.6%), buses (3.5%), and other assets (0.8%).

Passenger car leasing portfolio by brand in 2016



The passenger car leasing portfolio is dominated by foreign brands (97%), with domestic brands accounting for ca. 3%.

The use of highly liquid assets ensures the company's financial resilience going forward.

In 2016, the company maintained the share of repeat customers in its NIL portfolio at the previous levels, which demonstrates the efficiency of our policy aimed at retaining high-quality clients with a strong track record. In 2017, the company intends to keep working on the retention of repeat customers as one of its core priorities.

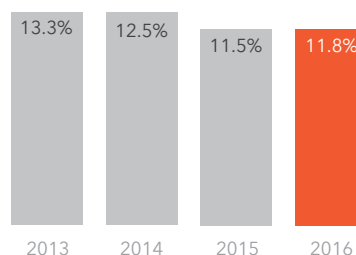
In 2016, the net investment portfolio was reasonably diversified to include lessees from different revenue categories, industry segments and geographies. Small businesses accounted for ca. 83% of the investment portfolio.

In 2016, the company also demonstrated strong operating efficiency mainly owing to a higher interest margin coupled with effective operating cost management and a lower cost of risk.

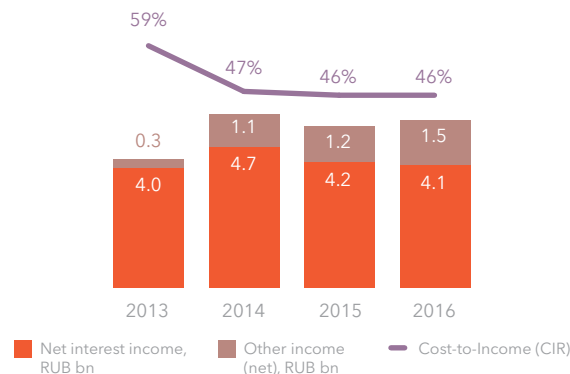
In 2016, the cost to income ratio (CIR) totalled 46%, one of the lowest ratios in both the car leasing segment and the wider financial industry.

In 2016, the return on assets (ROA) amounted to 6.2%, with the return on equity (ROE) reaching 18.7%.

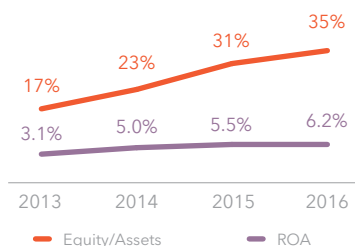
Net interest margin, %



Operating income and efficiency



Return on assets and equity ratio, %



Europlan has also made exceptional progress generating new business volumes. In 2016, new business in the car leasing segment totalled RUB 38 bn, up 57% y-o-y, including passenger cars (RUB 21.3 bn) and heavy-duty vehicles (RUB 14.1 bn). Europlan's new business in the SME segment totalled RUB 35.1 bn (including all regions and segments), up 56% y-o-y.

Key risk factors

The Russian leasing industry has been around for more than 20 years and is thoroughly regulated by domestic laws. From 2011 to 2016, the industry saw no material adverse changes in the leasing legislation. In the current environment, the existing leasing laws may be subject to changes resulting in the licensing of leasing activities or additional requirements from the Bank of Russia. If this happens, the company may face material direct impediments and be forced to reduce the number of new leasing transactions, focusing on the leasing contracts secured by the ownership of leased assets.

The company's perspective on potential material changes in the industry

As the company operates in the Russian Federation, the key industry-specific risks are related to its operations in the domestic market.

The most significant risks arising from potential deterioration in the industry (including potential material changes) include:

- risks related to increased competition from state-owned leasing companies;
- risks related to inflation and fluctuations of the Russian rouble against major world currencies;
- risks related to the deterioration of economic environment in Russia and the resulting slowdown in investments; and
- risks related to the Russian banking system/industry.

The potential response

The company puts special emphasis on risk analysis and assessment developing mechanisms to mitigate the risks. The company's risk management framework is seamlessly integrated into the corporate business processes. To

mitigate the risks related to increased competition, including from international majors tapping into the Russian market, the company continuously assesses and compares its key competitive advantages (popular leasing products, support services, branch network and business process automation) against those of current and potential competitors.

The existing leasing portfolio is balanced in such a way that the average maturity and structure of the company's payables exceed those of current lease payments. Hence, due to its strong liquidity position, the company will be able to repay the debt even if it suspends all new business and focuses solely on the existing leasing portfolio. If these risks materialise, the company intends to take all the necessary steps to offset and/or mitigate the adverse impact by pursuing a smart and efficient economic policy in its dedicated segment.

The company does not provide leasing services to cash-strapped and newly incorporated businesses. It employs a centralised risk assessment approach, which offers two analysis options:

- Analysis based on a scoring model. This procedure is used to assess small businesses. Such clients generally lease passenger cars or heavy-duty vehicles, as well as self-propelled machines.
- Individual analysis. This procedure is used to assess big clients. The limit per client is capped at USD 5 m.

In addition to credit and business risks, all projects are duly analysed to identify property and legal risks. This risk management framework helps to reduce the number of defaults. In case of lessee's default, the company has the right to recover leased assets. All assets recovery cases are resolved by the Moscow Arbitration Court irrespective of the lessee's domicile.

Ratings

Fitch BB-

In December 2016, Fitch Ratings confirmed Europlan's rating at BB- (with a stable outlook), which reflects the company's strong results, sustainably low credit losses, robust liquidity position and low leverage. Fitch experts also noted that Europlan's financials were the strongest among peers, with market leadership, focus on the car leasing segment, and business growth despite the contracting car market in Russia being highlighted as the key positive drivers behind the rating confirmation.

Expert RA ruAA-

In May 2017, RAEX (Expert RA) revised the credit rating of Europlan due to changes in the methodology and assigned rating ruAA- (which corresponds to rating A++ according to the previously applied methodology). A developing rating outlook and a "Supervised" status were retained. Previously, the company had rating A++. The remaining key factors exerting positive influence on the rating score are strong competitive positions in the Russian leasing market in combination with wide geographic reach. Agency analysts noted a higher share of equity in the funding structure and a low-level of clients past due amount as the key drivers behind the company's strong rating. The rating agency also emphasised Europlan's highly diversified leasing portfolio in terms of clients, the company's information transparency, the existence of a positive public credit records and a high level of its corporate governance.

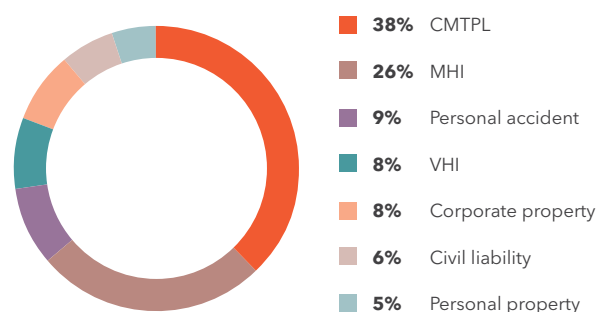
VSK

Business overview and key highlights of 2016

VSK Insurance House was established in 1992 as a universal insurance company offering services to retail and corporate clients across Russia. The company has consistently ranked among Top 10 insurance players by gross written premiums leading the way in such key segments as motor insurance and voluntary health insurance (VHI). VSK provides insurance coverage for over 15 m retail clients and more than 230,000 corporate customers from Russia. The company's regional distribution network counts over 400 offices in all Russian regions, which enables VSK to effectively support insurance contracts across the country.

In 2016, the company demonstrated solid operating performance, with the combined loss ratio below 100% and return on equity above 29%.

VSK insurance portfolio structure by product, %



49%

owned by SAFMAR
Financial investments

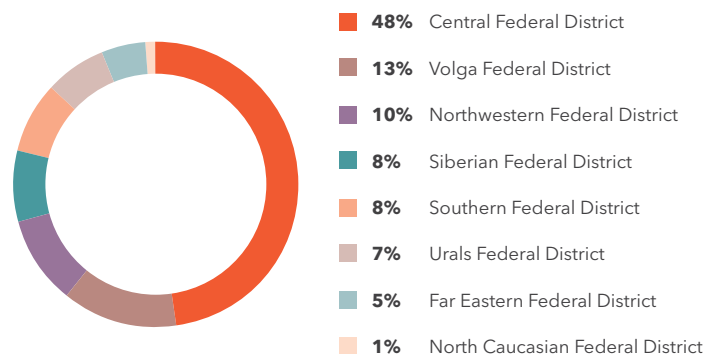


COMPANY MANAGEMENT:

Sergei Tsikalyuk
Chairman of the Board of
Directors

Oleg Ovsiyanitsky
Chief Executive Officer,
Chairman of the
Management Board

VSK insurance portfolio structure by region, %



25+
years

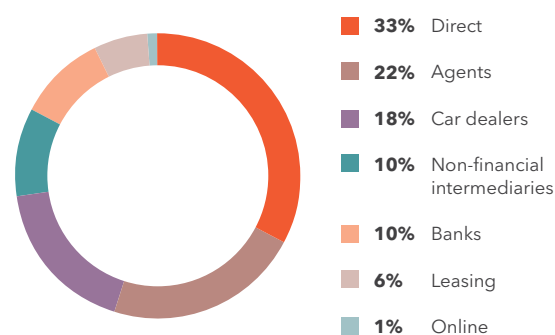
in the insurance market



15+
m

people and
230,000 corporate
customers in Russia
insured by VSK

VSK insurance portfolio structure by distribution channel, %



100+

advanced insurance
services



5,400

employees

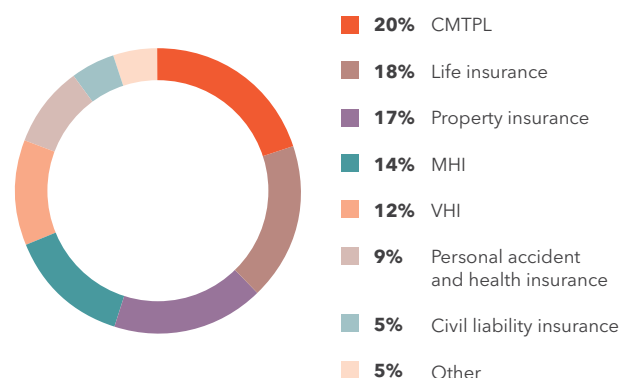
Market overview

Insurance market in 2016

In 2016, after three years of slowdown, the insurance market scored the highest growth in the past four years, with the gross premium income rising to RUB 1,181 bn, up 15.3% y-o-y. Gross premiums mainly came from CMTPL (RUB 234 bn), life insurance (RUB 216 bn), property insurance (RUB 204 bn), motor hull insurance (RUB 171 bn), VHI (RUB 138 bn), personal accident and health insurance (RUB 108 bn) and civil liability insurance (RUB 55 bn).

Insurance contributions grew by 7.9% (excluding life insurance).

Insurance market structure in 2016, %



The quarterly premium growth rates had been increasing for three successive quarters since early 2016, but started to wane in Q4 2016. The positive quarterly premium growth was driven by the aggressive promotion of investment-linked life insurance products, aftermaths of the CMTPL tariffs hike, a revival in the personal accident and health insurance segment, and a recovery in the corporate market after the previous year's dip. The quarterly premium growth slowed down to 16% (5.9% without life insurance) in Q4 2016 due to the drop in quarterly CMTPL premiums and lower growth rates in the segments of personal accident and health insurance and VHI after they reached their peaks in Q3 2016.

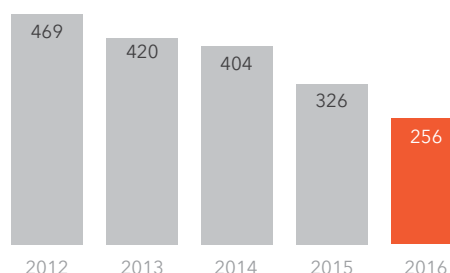
In absolute terms, the insurance market grew by RUB 157 bn in 2016, with life insurance accounting for nearly as much as 55% of that growth (RUB 86 bn). Incremental premium growth also came from personal accident and health insurance (RUB 27.1 bn), CMTPL (RUB 15.7 bn), VHI (RUB 8.9 bn), insurance of other retail and corporate property (RUB 7.5 bn each) and financial risk insurance (RUB 6.8 bn)¹.

¹ RAEX (Expert RA) data.

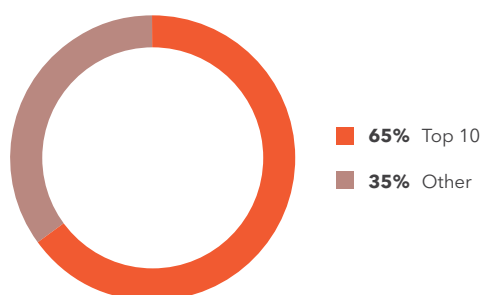
Consolidation is still ongoing in the insurance market, with the number of players consistently shrinking. As at the end of 2016, only 256 insurance companies were listed in the Unified State Register of Insurers, with 70 firms pulling out of the market in just one year. The reasons for that include tougher regulatory requirements for insurers' financial stability, bankruptcies, and voluntary withdrawals from the business. Importantly, this trend is likely to persist in the mid-term, as experts predict further reduction in the number of players and stronger market concentration and consolidation.

The market share of the leading insurance companies has been rising for several years now. In 2016, Top 10 insurance companies accounted for 65% of the market, with their share rising to 80% or more in some of the dedicated segments.

Number of players in the insurance market



Insurance market consolidation, %

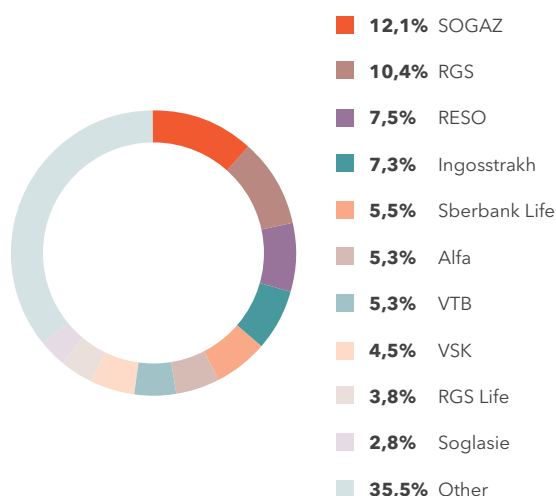


VSK position in the insurance market

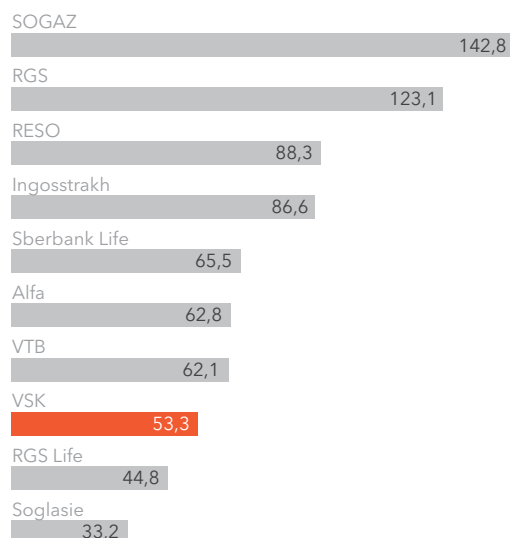
With a market share of 4.5%, VSK Insurance House has invariably ranked among Top 10 Russian insurance companies across all key products, including as a Top 5 motor insurer with a share of 8.7% and 8.0% in CMTPL and MHI, respectively.

In 2016, VSK ranked 8th by gross premium income in Russia, which was up 11.3% y-o-y.

Market share by key products¹, %



Top 10 insurance players by gross written premiums in 2016, RUB bn



In 2016, the company also demonstrated positive premium growth in all key market segments, with its CMTPL premium income increasing by 11.3% y-o-y to RUB 20.4 bn. Despite the MHI market shrinking by 8.8%, VSK saw a 4.5% rise in premiums climbing from the 5th to the 4th spot in the ranking of major MHI insurers. In addition, VSK demonstrated impressive growth in non-motor insurance segments. In 2016, its VHI premium income increased by 36%, with the company's market share rising from 2.5% to 3.1%. Cargo insurance was yet another driver, with premium income rising by 28.4% despite the 2% slump in the market.

Strategy and growth paths

The choice of an investment strategy for VSK Insurance House is underpinned by its goals, which harness asset management tools to:

- ensure solvency and high liquidity of assets;
- secure the recoverability of investments and thereby mitigate multiple associated risks; and
- ensure competitive returns on the investment portfolio.

In 2017, the company will keep working on its core business, relying on proceeds from its operations and expanding its footprint and product line. VSK also intends to develop new lines of business, including through the acquisition of insurance companies with an in-depth industry expertise focusing on specific distribution channels or market segments.

Going forward, VSK will seek to:

- become a Top 5 insurer by gross written premiums until 2020;
- develop a robust governance framework and enhance the management team's forecasting and decision-making competencies;
- put in place an efficient framework to manage changes and roll out innovations;
- transform the existing operational model and organisational structure to cut costs and optimise use of the company's resources; and
- create a universal insurance group offering its clients the full range of insurance services.

¹ Including the products such as CMTPL, life insurance, property insurance, motor hull insurance, personal accident and health insurance and civil liability insurance.

HR policy

In line with the development strategy seeking to achieve a profitable growth of sales and increase the market share in Russia, VSK headcount increased by 5% y-o-y to 5,400 employees in 2016. Employees aged below 40 account for 72% of the headcount, with young people aged below 30 making up the bulk of that group (38%). In terms of gender composition, women tend to dominate accounting for ca. 60% of the headcount. The company promotes equal opportunities for men and women as regards their engagement, professional development and career prospects.

In 2015, the company put in place an updated KPI-based motivation system for its employees in the branch network, which introduced monthly bonuses based on a company-wide KPI scorecard. As a result, the company gained an additional tool to boost sales force activity with a view to increasing premium income and managing the quality of the insurance portfolio. That translated into a stronger employee commitment and a quicker response to changes in the VSK business processes and the insurance market at large.

Financial performance

IFRS financial highlights

RUB m	2016	2015	Change
Assets	67,690	58,440	16%
Liabilities	52,786	47,405	11%
Equity	14,905	11,035	35%
Insurance premium	53,259	47,871	11%
Insurance claims incurred	(27,394)	(24,855)	10%
Profit before tax	4,992	4,117	21%
Net profit	3,787	3,066	24%

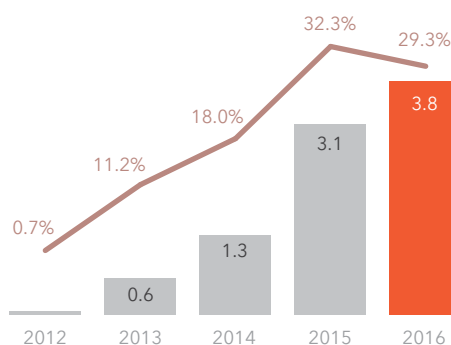
VSK Insurance House IFRS consolidated annual financial statements for the year ended 31 December 2016 are available at:



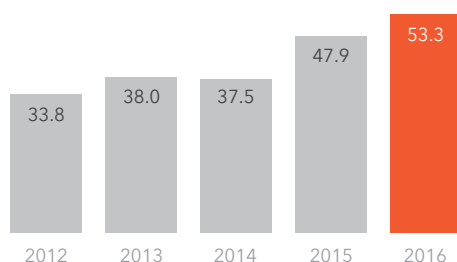
www.vsk.ru/about/today/financial_report/

In 2016, VSK's insurance premium income rose by 11% y-o-y to RUB 53.3 bn. The company saw a steady increase in IFRS net profit (+24% y-o-y), which amounted to RUB 3.8 bn with a ROE of above 29%.

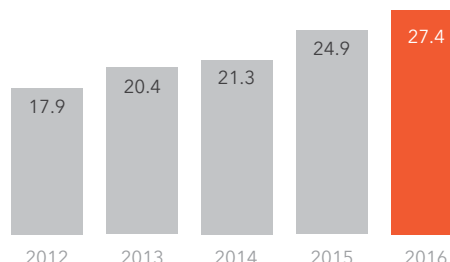
Net profit, RUB bn and ROE, %



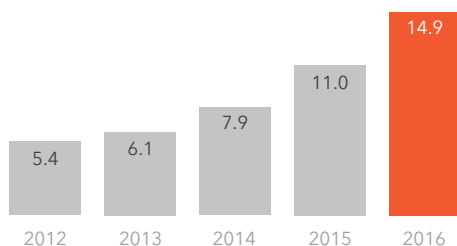
Insurance premium, RUB bn



Insurance claims incurred, RUB bn

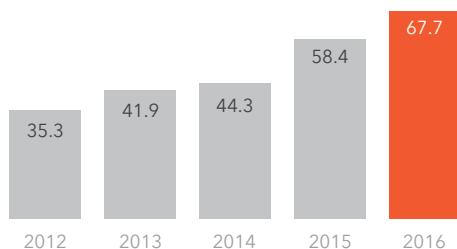


Equity, RUB bn



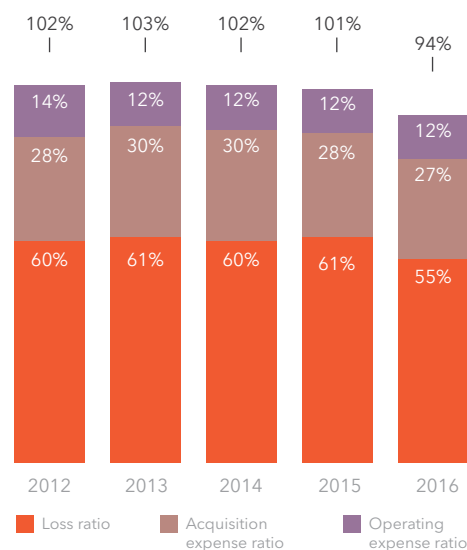
In 2016, VSK's equity rose by 35% y-o-y to RUB 14.9 bn. At the end of 2016, the assets stood at RUB 67.7 bn (up 16% y-o-y).

Assets, RUB bn



In 2016, VSK focused on a higher operating business efficiency bringing down the combined ratio from 100.9% to 94.2%¹. This was largely due to the 55% drop in the loss ratio as a result of lower losses in the MHI segment.

Combined ratio, %



VSK has also been improving its liquidity position, with the ratio of liquid assets to net technical provisions rising from 85% in late 2015 to 91% in 2016.

Key risk factors

The key risks affecting the insurance industry include:

- increased competition, price dumping in certain segments, and the rising role of captive insurance;
- the increased role of intermediaries (monopolisation) as core distribution channels: higher agency fees, lower margins;
- underwriting risks: risks of deterioration in the quality and structure of insurance portfolio (assessment of risks to be insured, efficiency of the underwriting policy, optimal tariffs, compliance with sales rules, effective pre-contract background checks);
- risks related to third party abuses: loss adjustments (risks of policyholder and third party abuses to benefit from unjustified payouts), support and facilitation of key business processes (risks of internal fraud);
- further sanctions and rising hostility towards Russia: limited access to international reinsurers;
- actuarial risks;
- risks related to compulsory motor third-party liability insurance; and

- amendments to laws and regulations governing the insurance business, including those related to:
 - the easing or lifting of restrictions applied to foreign insurers and their branches in the Russian Federation;
 - the review of tariffs and conditions in heavily regulated segments (including compulsory motor third-party liability insurance; compulsory liability insurance of hazardous facility owners; compulsory carrier liability insurance against travel damages to the lives, health and property of passengers; developer liability insurance), which is likely to put pressure on gross premiums and margins; and
 - instability in the insurance market caused by the bankruptcy of small insurers.

To mitigate the the above risks, the company employs **the insurance and reinsurance strategies** to protect its insurance portfolio.

The insurance strategy aims to diversify the portfolio of insured risks so that it could comprise a wide variety of unrelated risks. It also seeks to maximise diversification

¹ The ratio was calculated based on the 2016 IFRS financial statements

for each risk type (i.e. each risk is assigned to a portfolio sufficient to minimise the risk of random deviations from the projected number and gravity of insured events).

The reinsurance strategy serves to partially reinsure the insured risks in order to limit the insurer's exposure to a specific insured event or its cumulative losses from the simultaneous onset of multiple identical events. Reinsurance is one of the keys to maintaining financial stability. The company carefully analyses reinsurance companies and their financial stability to choose the most reliable partners.

Currently, VSK also relies on the system of obligatory reinsurance contracts (see below), which effectively protect its portfolio from a wide variety of risks. The contracts are signed with the leading Western (including Swiss Re ('AA-' by S&P), Hannover Re ('AA-' by S&P), Partner Re

('A+' by S&P), SCOR ('AA-' by S&P), Lloyd's syndicates ('A+' by S&P)) and Asian reinsurers (including PICC ('Aa3' by Moody's), GIC ('A-' by S&P), Trust Re ('A-' by A.M. Best)). As at 31 December 2016, non-resident reinsurers with an S&P rating of A- or higher and resident reinsurers with an Expert RA rating of A+ or higher made up 97% of the company's insurance portfolio. As at 31 December 2016, non-resident reinsurers with an S&P rating of A- or higher and resident reinsurers with an Expert RA rating of A+ or higher accounted for 97% of the company's provisions.

The efficiency of reinsurance protection is proved by the hefty reinsurance payouts received by the company to cover major losses incurred vis-a-vis its insured and reinsured clients. As at 31 December 2016, the reinsurers' share in the Outstanding Claims Reserve stood at RUB 1.15 bn. In 2016, reinsurance payouts totalled RUB 192 m.

Ratings

Fitch BB-

In March 2017, Fitch Ratings confirmed VSK Insurance House's Insurer Financial Strength (IFS) rating at BB- on the international scale and assigned it the Issuer Default Rating (IDR) of BB- (stable outlook). Agency analysts noted VSK's strong operating profitability (as supported by the investment returns) and the high quality of its investment portfolio as the key drivers behind the company's solid rating.

Expert RA ruAA

In June 2017, RAEX (Expert RA) revised the reliability rating of VSK Insurance House due to changes in the methodology and assigned rating ruAA (which corresponds to rating A++ according to the previously applied methodology). A stable outlook was assigned to the rating. Earlier, the company had rating A++ with a stable outlook. Key drivers behind the strong rating included solid above-normal solvency margins, high current and adjusted net insurance liquidity ratios, robust returns on assets, equity and investments, and solid equity growth rates. The rating agency also noted highly reliable reinsurance coverage and a track record of large payouts as the positive factors.

NPF SAFMAR

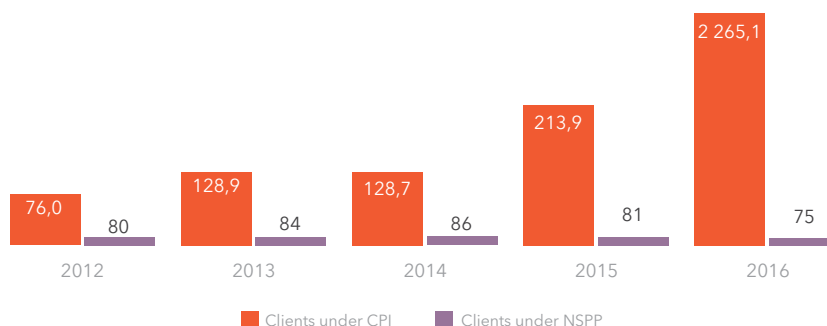
Business overview and key highlights of 2016

SAFMAR Non-Governmental Pension Fund (NPF) was established in 1994 and has an impressive track record in the Russian pension market. The Fund's core businesses include compulsory pension insurance in line with the applicable Russian laws and individual compulsory pension insurance agreements, and provision of corporate and individual non-state pension plans for the Funds clients.

2016 marked a milestone in the Fund's history: NPF SAFMAR was reorganised through the takeover of

three non-governmental pension funds. As a result, the pension assets under the Fund's management increased by 5.5 times in just one year, while its client base expanded by more than 9 times. All the legal and organisational procedures related to the reorganisation have been finalised by now, and the Fund continues to fulfil all its obligations to the clients of the incorporated non-governmental pension funds, including NPF European Pension Fund, NPF REGIONFOND and NPF Obrazovanie i Nauka.

Client base evolution, '000 accounts



In 2016, the Fund's client base (insured persons and members) counted 2.34 m accounts, including over 2.265 m accounts under compulsory pension insurance

agreements and 74,900 accounts under non-state pension agreements.



100%

owned by SAFMAR
Financial investments



COMPANY MANAGEMENT:

Mikail Shishkhanov
Chairman of the Board
of Directors

Alexander Lukin
Chief Executive Officer



23
years

in the assets
management market



192+
RUB bn

in assets under
management



2.3
m

clients under
compulsory pension
insurance



164

employees¹

¹ as at 31 December 2016.

Market overview

Russian pension market in 2016

Key 2016 trends in the pension industry:

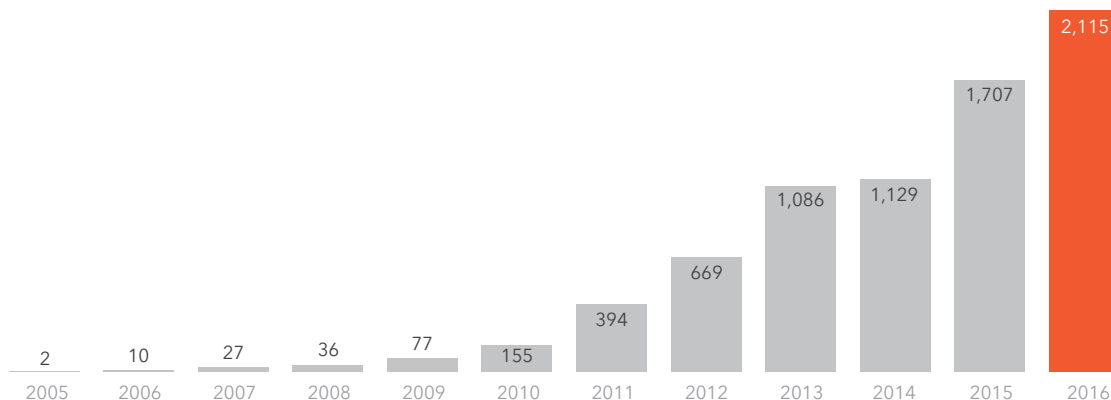
- Market consolidation since 2015
 - 90% of all pension assets managed by non-governmental pension funds in Russia are controlled by nine pension groups;
 - A guarantee scheme was put in place, with licenses revoked from those funds that failed to meet the requirements of the Bank of Russia.
- Tougher regulatory requirements
 - NPFs are to put in place a risk management framework, with approval required for each transaction;
 - NPFs are to introduce stress testing and assess adequacy of the assets to perform obligations;
 - Introduction of fiduciary duty, ongoing discussion to allow NPFs to invest funds on their own.
- Suspension of compulsory pension insurance (CPI) contributions extended until 2019
- Ongoing migration of retirement savings from the Pension Fund of the Russian Federation to non-governmental pension funds
 - More than 34 m people have already transferred their savings from the Pension Fund of the Russian Federation to non-governmental pension funds, which accounts for more than 50% of Russians who were born prior to 1967;
 - Following the transfer campaign of 2016, 4.7 m people transferred their savings from the Pension Fund of the Russian Federation to non-governmental pension funds, which accounts for 72% of all pension transfer applications approved by the Pension Fund of the Russian Federation.
- CPI transformation into «personal pension capital» (PPC) proposed by the Bank of Russia and the Ministry of Finance
- Retirement age increase
 - Discussion is ongoing to increase the retirement age up to 63 years for both men and women;
 - Retirement age is to be increased gradually (+6 months per year).
- No upward revision of pensions for employed pensioners
- Distribution networks refocusing to promote non-state pension plans (NSPP)
 - Individual and corporate products;
 - Early retirement NSPP.

CPI market evolution

In 2016, total retirement savings managed by non-governmental pension funds (NPFs) rose by 24% y-o-y (RUB 407.5 bn) to RUB 2.12 tn, according to the NPF financial statements published at the website of the Bank of Russia.

Total NPF-managed pension assets increased to reach 3.7% of GDP (0.4 p.p.).

Retirement savings, RUB bn



Source: Central Bank of Russia

Following the transfer campaign of 2016, Russians submitted a total of 12 m pension transfer applications, including those submitted in 2013–2015 to state the selected non-governmental pension fund (those applications were put on hold as NPFs were being converted into joint stock companies and the guarantee scheme was being put in place).

Some 6.5 m applications were finally approved (i.e. 54.2% of all submitted applications), under which:

- 4.7 m people transferred their savings from the Pension Fund of the Russian Federation to non-governmental pension funds (72.3%);

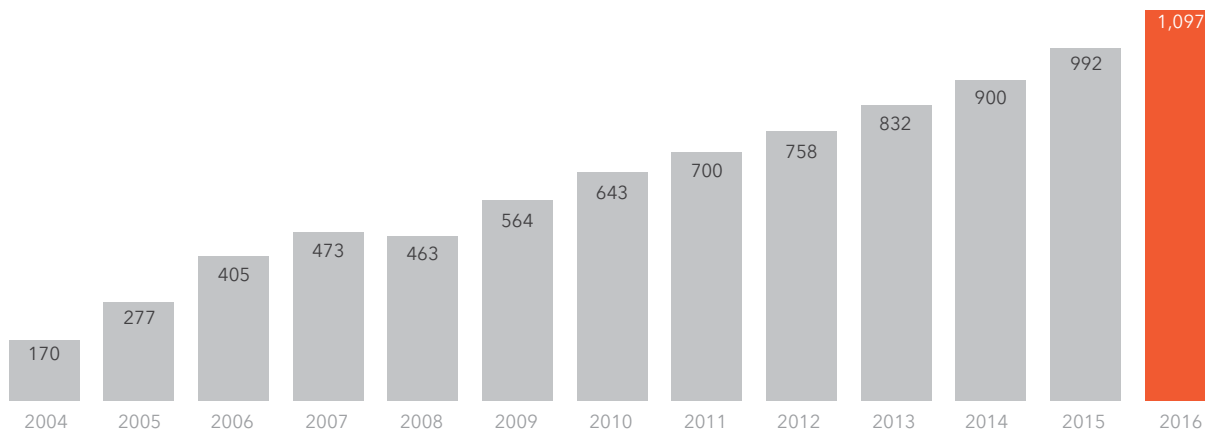
- 1.7 m people migrated to another NPF (26.2%);
- 79,300 people returned from NPFs to the Pension Fund of the Russian Federation (1.2%); and
- 9,100 clients changed their managing company (0.14%) (insured by the Pension Fund of the Russian Federation).

Some 5.2 m applications were rejected as part of the 2016 transfer campaign.

NSPP market evolution

In 2016, total pension reserves managed by non-governmental pension funds increased by 11% y-o-y to RUB 1.1 tn.

Pension reserves, RUB bn



Source: Central Bank of Russia

Despite the challenging economic environment, corporate pension plans (CPP) continue to be seen as an interesting investment opportunity. Financial statements confirm the trends which have been gaining momentum over the past few years. CPPs are viewed by the companies as an efficient tool to retain and motivate employees and promote the image of a socially responsible employer. However, CPP penetration is largely constrained by limited payroll budgets.

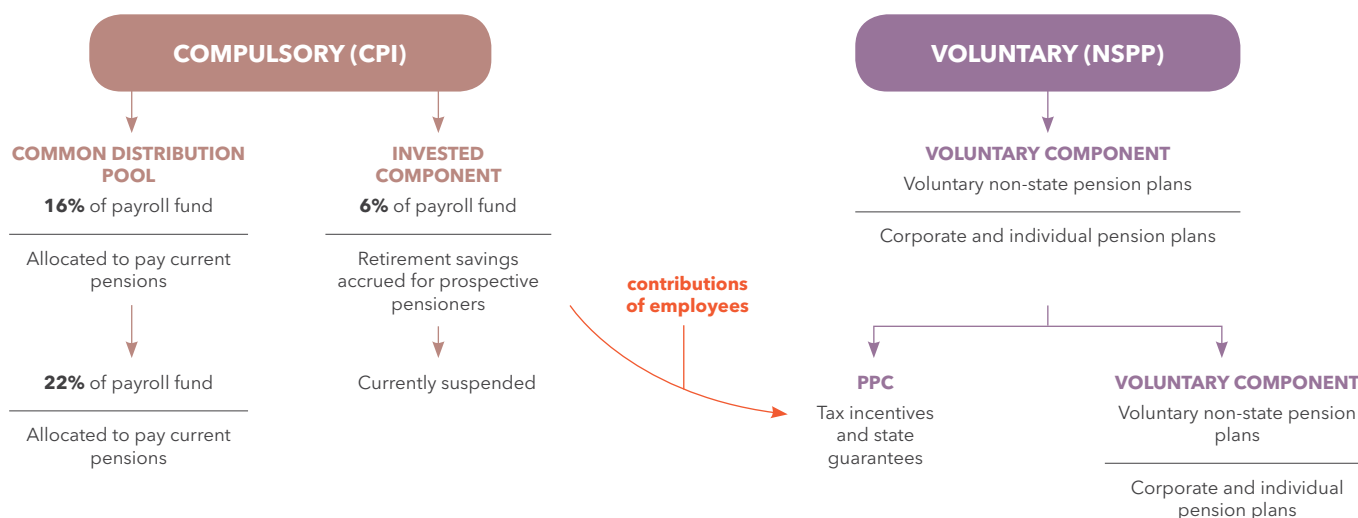
This segment is set to grow further on driven by the increasing popularity of corporate programmes and social responsibility principles.

Personal pension capital (PPC)

In late September 2016, the Bank of Russia and the Ministry of Finance submitted their proposals to improve the retirement savings scheme by introducing the concept of personal pension capital raised by NPFs from employees' voluntary contributions. PPC is projected to be introduced in 2019.

The new concept suggests that employers pay all their social contributions (22% of the payroll fund) to the common distribution pool, while employees will pay contributions to the PPC scheme from their own wages on a discretionary basis. By various estimates, 10% to 70% of employed Russians are likely to become regular PPC contributors.

Personal pension capital concept

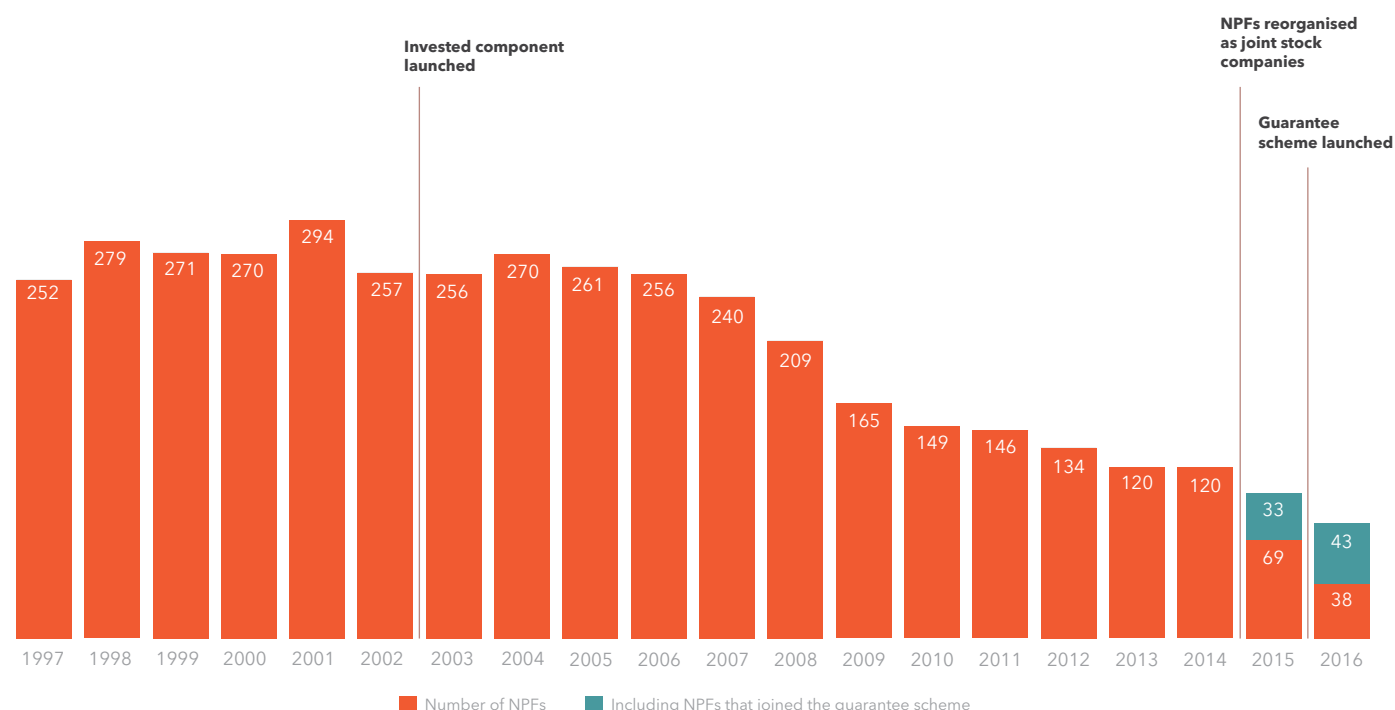


According to the concept, PPC will be raised by non-governmental pension funds from employees' voluntary contributions (no caps set). The contributions paid by employees will be complemented by state-sponsored tax and social deductions, which are to be transferred to a PPC account automatically. Employers participating in the co-financing will be entitled to certain benefits, too. Russians will have the right to transfer their legacy retirement savings under the compulsory pension insurance scheme as their contribution to a PPC account. The employed Russians

who fail to voice their opinion on participation in the PPC scheme during the transition period are expected to be enlisted by default.

The number of non-governmental pension funds has seen a sharp decline on the back of the recent developments, including NPFs' reorganisation as joint stock companies, the guarantee scheme and market consolidation. 90% of all NPF-managed pension assets in Russia are controlled by nine pension groups.

Number of non-governmental pension funds in 1997-2016



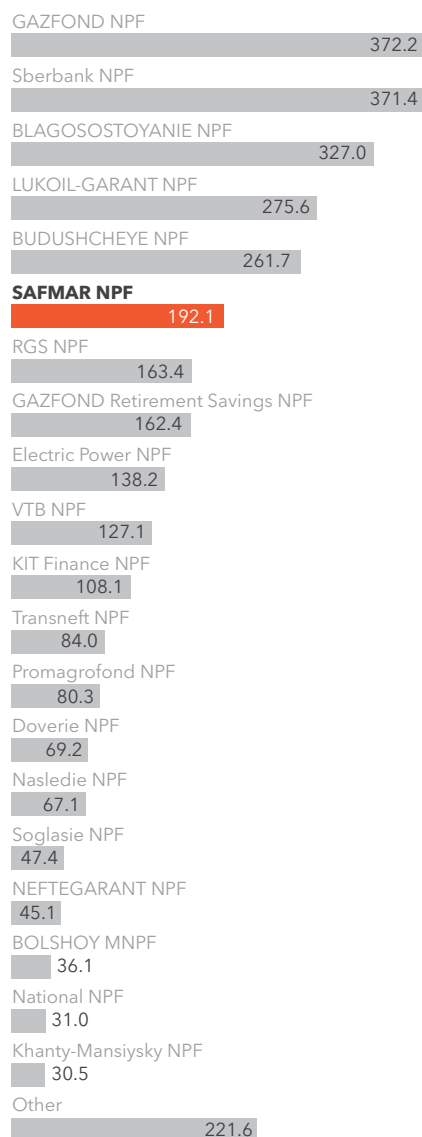
NPF SAFMAR's position in the pension market

Key features of SAFMAR Non-Governmental Pension Fund's position in the pension market:

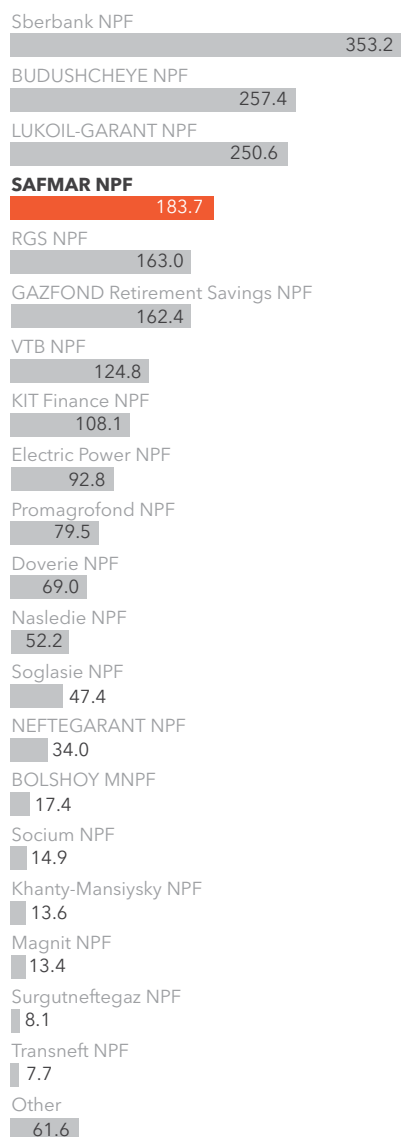
- High market share in CPI: Top 5 company (12% of the market);
- Growth of CPI savings above the market average (+88% vs 5% in 2016);
- Low average age of insured persons and members;
- Single infrastructure embracing all combined funds; and
- The return on investment of retirement savings of 9.35% p.a. offered by the Fund is almost twice the inflation rate in 2016 (5.4% according to the Russian Federal State Statistics Service)¹.

¹ The calculation is based on the Disclosure Standards for Investments of Retirement Savings approved by the Russian Ministry of Finance (Order No. 107n dated 22 August 2005).

Top 20 NPFs (retirement savings + pension reserves), RUB bn



Top 20 NPFs by retirement savings, RUB bn



Top 20 NPFs by pension reserves, RUB bn



75%

of all NPF-managed pension assets (retirement savings + pension reserves) in Russia are controlled by Top 10 non-governmental pension funds, with NPF SAFMAR ranking 6th among them¹. Top 20 NPFs account for 93.1% of the Russian market.

84%

of all retirement savings are controlled by Top 10 non-governmental pension funds. Top 20 NPFs account for 97.1% of the Russian market. NPF SAFMAR ranks 4th by the volume of retirement savings¹.

88%

of all pension reserves are controlled by Top 10 non-governmental pension funds. Top 20 NPFs account for 97.1% of the Russian market. NPF SAFMAR ranks 16th by the volume of pension reserves¹.

¹ RAS data.

Strategy and growth paths

In 2017, NPF SAFMAR will commit itself to strengthening its position among non-governmental pension funds in Russia and enhancing client acquisition. The Fund's long-term strategic goal is to evolve into the largest private non-governmental pension fund in Russia combining high growth rates of its client base, efficient and reliable investment of retirement savings and pension reserves, and financial health based on advanced risk analysis and management systems. The Fund will remain focused on insured persons, corporate and retail clients interested in non-state pension plans. As part of the long-term strategy, the Fund's management will primarily strive to:

- develop corporate non-state pension plans as its core product;
- develop individual non-state pension plans;
- expand CPI client base;
- retain existing clients;

- increase the non-state pension plans share in the Fund's business;
- enhance operating efficiency; and
- improve customer experience.

To this end, the Fund intends to:

- improve sales process;
- expand distribution channels;
- launch cross sales;
- improve customer experience through centralised, automated and standardised origination, execution and administration of client contracts;
- streamline the Fund's business processes;
- efficiently control investment risks;
- secure talents through effective selection, training, motivation, retention, appraisal and development of human resources; and
- improve accounting and reporting systems.

Financial performance

IFRS financial highlights

RUB m	2016	2015
Assets	213,374	35,976
Liabilities	191,193	34,944
Liabilities under CPI agreements	181,893	29,914
Liabilities under NSPP	7,882	4,843
Other liabilities	1,418	130
Equity	22,181	1,032
Income less expenses from investment activities	9,387	3,070
Net profit	1,643	414

NPF SAFMAR IFRS consolidated annual financial statements for the year ended 31 December 2016 are available at:

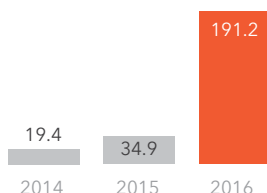


www.npfsafmar.ru/raskrytie-informatsii/

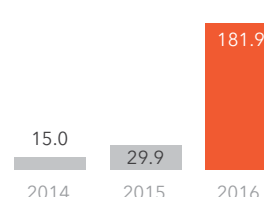
In 2016, the Fund's assets reached RUB 213.4 bn, while its liabilities amounted to RUB 191.2 bn based on the IFRS financial statements. As of 31 December 2016, the Fund's equity stood at RUB 22.2 bn. The significant growth is largely attributable to the reorganisation in August

2016 when three non-governmental pension funds became part of NPF SAFMAR. As of 31 December 2016, the Fund's profit reached RUB 1.6 bn, while its income less expenses from investment activities totalled RUB 9.4 bn.

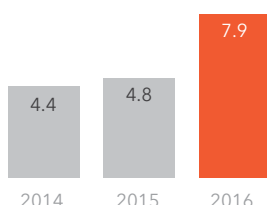
Liabilities, RUB bn



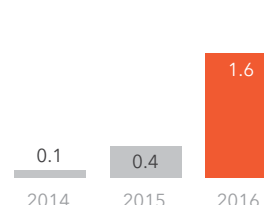
Liabilities under CPI contracts, RUB bn



Liabilities under NSPP, RUB bn



Net profit, RUB bn



Investments

The Fund pursues a conservative investment strategy aimed at capital preservation. During 2016, the Fund invested its retirement savings and pension reserves via seven asset management companies. The selected asset management companies are leading players in the discretionary management of pension assets with a highly efficient investment process, which helps minimise multiple financial and operational risks.

Managers of pension reserves:

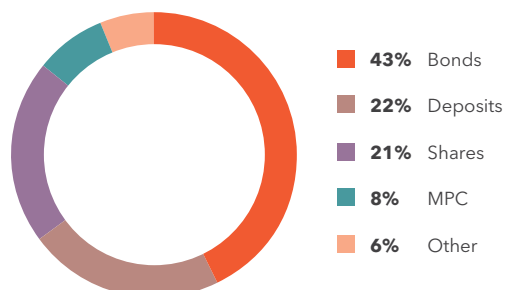
- B&N FINAM Group Asset Management company LLC;
- JSC EFG Asset Management;
- Kapital Asset Management company LLC; and
- Raiffeisen Capital Asset Management company LLC.

Managers of retirement savings:

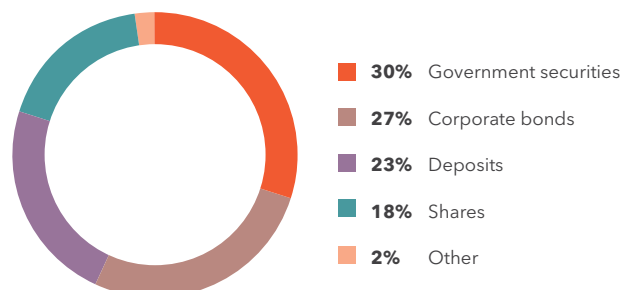
- B&N FINAM Group Asset Management company LLC;
- EFG Asset Management JSC;
- REGION Asset Management JSC;
- Kapital Asset Management company LLC;
- URALSIB Asset Management company JSC (the discretionary management contract between NPF SAFMAR and URALSIB Asset Management company was terminated on 28 January 2016); and
- TKB Investment Partners JSC (the discretionary management contract between NPF SAFMAR and TKB Investment Partners was terminated on 5 February 2016).

As of 31 December 2016, return on investment of retirement savings and pension reserves amounted to 9.35% and 7.55%, respectively¹.

Investment portfolio structure of retirement savings, %



Investment portfolio structure of pension reserves, %



¹ The calculation is based on the Disclosure Standards for Investments of Retirement Savings approved by the Russian Ministry of Finance (Order No. 107n dated 22 August 2005).

In 2016, returns on investment of retirement savings and pension reserves accrued to client accounts¹ were as follows:

NPF	Weighted average return on investment of retirement savings accrued to client accounts in 2016	Weighted average return on investment of pension reserves accrued to client accounts in 2016
NPF SAFMAR	8.74%	10.36%
NPF Obrazovanie i Nauka	9.49%	8.46%
NPF REGIONFOND	9.57%	9.00%
NPF European Pension Fund	8.32%	10.81%

Specialist Depository

Reliability and capital preservation are the top priorities in the pension industry. Here the Fund is clearly one step ahead of other collective investment vehicles

as it employs additional controls: all investments are monitored on a case-by-case basis along with follow-up control by a specialist depository, Unified Specialist Depository.

Key risk factors

In the course of its operations, the Fund manages the following key financial and non-financial risks:

- the credit risk – the risk of losses that may be incurred by the Fund if a party (counterparty, issuer, asset management company, lending institution, etc.) fails to perform, or to perform on time or in full, its financial obligations pursuant to a contract or other document governing the relations of counterparties;
- the market risk – the risk of losses that may be incurred by the Fund with respect to pension assets invested in financial instruments, due to changes in the market value thereof;
- the liquidity risk, including the current liquidity and the long-term liquidity risks – the risk of losses that may be incurred by the Fund if the Fund or its investment counterparty represented by an asset management company, fails to ensure performance of obligations in full. The liquidity risk arises out the mismatch between the maturities of the Fund's financial assets and financial liabilities;
- operational risks – risks of malfunctioning key business processes and accounting procedures, errors caused by IT platform deficiencies and/or inadequate staff qualifications, substandard corporate practices which result or are likely to result in financial losses or other adverse consequences for the Fund;
- actuarial risks – risks of appreciation of liabilities due to changes in estimates of future cash flows under the contracts with the Fund's clients (depositors, pension plan members, insured persons); and
- compliance risks – risks related to possible violations in the course of professional activities.

Importantly, the Fund is also exposed to potential adverse events related to the NPF regulation by the government.

These risks may not only affect the market value of shares, but also make it impossible for the Fund to carry on certain operations in its capacity of an NPF. The probability of this risk cannot be reasonably determined as long as the pension system reform is ongoing and the government's intentions with regard to employees' pension assets and the NPF regulation remain unclear.

Currently, the Fund employs the following risk management techniques:

- avoidance – abandoning decisions related to the unacceptable risk exposure or modifying and replacing processes in part or in full. Risk avoidance includes amendments to strategic objectives or operating processes;
- control or mitigation – procedures reducing the risk probability and/or affecting the amount of loss for the Fund (limiting, hedging, etc.);
- transfer – transfer of risks to a third party in full or in part. The decision to transfer the risk depends on the type of business activities, the importance of risk-bearing operations and their financial value; and
- acceptance – acceptance of the risk in full or in part if all the available risk mitigants are not economically feasible compared to the damage that may be caused by the risk event. The management is aware of the risk and its nature and deliberately elects not to take any steps to minimise it.

To mitigate the risks related to NPF operations, the Fund intends to:

- develop a portfolio of high-quality assets with a good credit rating in line with the existing investment strategy;
- limit risks based on a framework of internal limits and key risk indicators;
- diversify the client base and investment portfolio;

¹ Weighted average returns for two periods of 2016:
For period 1 from 1 January 2016 to 28 August 2016, returns accrued per each fund.
For period 2 from 29 August 2016 to 31 December 2016, returns accrued from the reorganised fund.

- timely perform compliance procedures, among other things by monitoring the laws governing the pension industry, and comply with regulatory orders;
- etc.

NPF SAFMAR set up the Risk Management Department which continuously identifies, assesses, analyses, manages and monitors the Fund's risks, while also preparing the respective reports for the Board of Directors, the Risk Management Committee and the Fund's management.

The Fund complies with the regulatory risk management requirements for NPFs and implements Bank of Russia's Directive No. 4060-U On Requirements to Setting Up the Risk Management System by Non-Governmental Pension Funds.

In 2016, **Oliver Wyman**, an international consulting firm, ran diagnostics on the Fund's risk management system and developed recommendations for the key risk management areas to further implement and improve relevant international best practices.

Ratings

Expert RA A++

The Fund is regularly rated by Expert RA, one of the leading Russian rating agencies. In 2016, Expert RA affirmed the Fund's reliability rating at "A++" (extremely high (the highest) reliability), outlook stable. The agency highlighted the Fund's well-organised business processes, well-regulated risk management and significant financial support from its beneficiary as the key drivers positively impacting the rating. Other rating drivers included high reliability of the Fund's key asset management companies, moderately high diversification of pension reserves across asset management companies, and a moderately low share of investments in related parties and securities of the same financial group in the portfolio of pension reserves. Agency analysts also emphasised the Fund's moderately high information transparency and solid accrued investment returns on retirement savings.

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE FRAMEWORK

In the course of its operations, the company relies on the principles of corporate conduct set out in the Code of Corporate Governance, which was approved on 21 March 2014 by the Board of Directors of the Bank of Russia and based on the applicable laws of the Russian Federation.

The company followed the recommendations set forth by the Bank of Russia's Letter No. IN-06-52/8 dated 17 February 2016 On Disclosure of Compliance with the Principles and Recommendations of the Code of Corporate Governance in Annual Reports by Public Joint Stock Companies as the methodology to assess its compliance with the principles of corporate governance set out in the Bank of Russia's Code of Corporate Governance. The company analysed the compliance of its Charter and internal documents as well

as corporate governance practices with the principles and recommendations of the Bank of Russia's Code of Corporate Governance. The assessment results are described in the Corporate Governance Code compliance report¹.

Since Europlan's (SAFMAR Financial investments) ordinary registered shares are included in the Level 1 (A1) Quotation List of the Moscow Exchange, the company also abides by the principles of corporate governance and the independence criteria for the members of the Board of Directors which are required to be observed by the Listing Rules of the Moscow Exchange. In order to maintain its shares in the Level 1 (A1) Quotation List, the company submits quarterly compliance reports to the Moscow Exchange.

CORPORATE GOVERNANCE MAP

In accordance with its Charter, Europlan (SAFMAR Financial investments) had the following governance bodies effective from 1 January 2016 to 18 November 2016:

- General Meeting of Shareholders;
- Board of Directors;
- Management Board (collective executive body); and
- Chief Executive Officer - CEO (sole executive body).

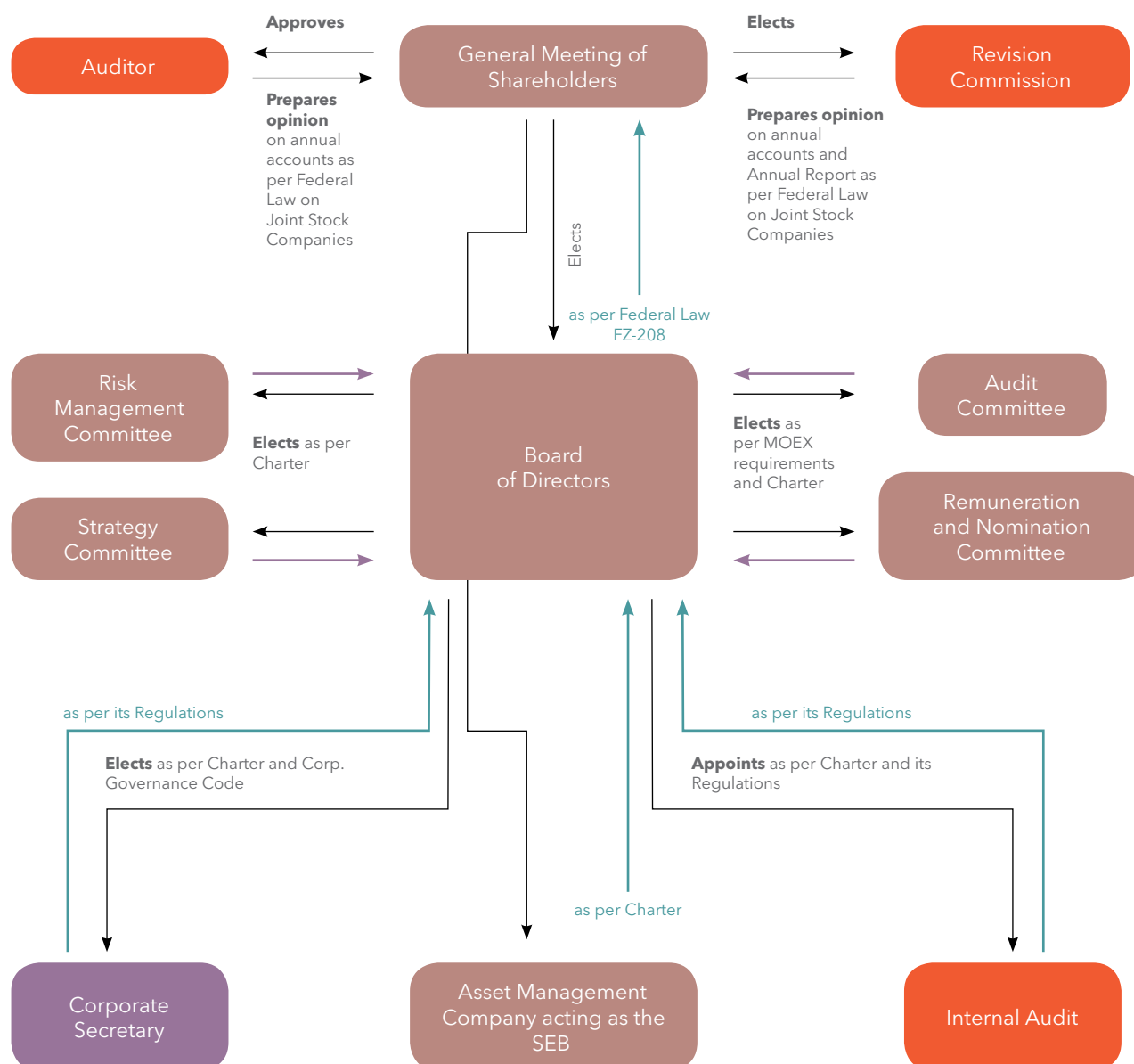
Effective from 18 November 2016, the governance bodies of the company are:

- General Meeting of Shareholders;
- Board of Directors; and
- Asset Management Company (following the delegation of authority of the sole executive body pursuant to the resolution of the General Meeting of Shareholders).

¹ To view the company's Corporate Governance Code compliance report, please visit the following web site at <http://www.e-disclosure.ru/portal/files.aspx?id=11328&type=2>

² Effective from 4 April 2016, the title of the sole executive body (pursuant to the 18th version of Europlan's Charter) was amended from the President to the Chief Executive Officer (CEO).


Corporate governance structure of Europlan (SAFMAR Financial investments) as at 31 December 2016



Details of powers of governance bodies are described in PJSC Europlan (SAFMAR Financial investments) Charter and company's quarterly reports.

GENERAL MEETING OF SHAREHOLDERS

In 2016, the following General Meetings of Shareholders were held:

Type	Date	Agenda	Resolutions passed (with reference to material facts)
EXTRAORDINARY	22 March 2016	<ol style="list-style-type: none"> 1. Approval of the Company's Auditor. 2. Approval of possible interested-party transactions that can be made by the Company in its ordinary course of business in the future. 3. Approval of the new version of the Charter of PJSC Europlan (18th version). 	 <p>http://www.e-disclosure.ru/portal/event.aspx?EventId=Hi764uX1d0iZTKZeXC6CA-B-B</p>
ANNUAL	6 June 2016	<ol style="list-style-type: none"> 1. Approval of Europlan's 2015 Annual Report and Europlan's 2015 annual accounts (financial statements). 2. Distribution of profits and losses (including payment (declaration) of dividends) for 2015. 3. Election of the Board of Directors. 4. Election of the Revision Commission. 5. Approval of the Company's Auditor in charge of the Company's 2016 accounts (financial statements) under the Russian Accounting Standards (RAS). 6. Approval of the Regulations on the General Meeting of Shareholders of PJSC Europlan. 7. Approval of the Regulations on the Management Board of PJSC Europlan. 8. Approval of the Regulations on the Revision Commission of PJSC Europlan. 9. Approval of possible interested-party transactions with JSC Europlan Bank that can be made by the Company in its ordinary course of business in the future. 	 <p>http://www.e-disclosure.ru/portal/event.aspx?EventId=-AleJAaGr9UqAObecvmogyw-B-B</p>
EXTRAORDINARY	11 October 2016	<ol style="list-style-type: none"> 1. Decision by Company not to offer issue-grade securities. 2. Increase of the Company's authorised capital through issue of additional shares. 	 <p>http://www.e-disclosure.ru/portal/event.aspx?EventId=rgHEJk50Eqd-AueEGNTZGw-B-B</p>
EXTRAORDINARY	18 November 2016	<ol style="list-style-type: none"> 1. Delegation of authority of the sole executive body of the Company under a contract to an asset management company. 2. Approval of the terms and conditions of a contract for the delegation of authority of the sole executive body of the Company to an asset management company. 	 <p>http://www.e-disclosure.ru/portal/event.aspx?EventId=bcHorjwv0yAlWoiB2PWkg-B-B</p>

BOARD OF DIRECTORS

Members of the Board of Directors

The Board of Directors of Europlan (SAFMAR Financial investments) was initially established pursuant to the resolution of the sole shareholder dated 27 October 2015.

Members of the Board of Directors effective from 27 October 2015 to 6 June 2016:

1. Mikail Shishkhanov – Chairman of the Board of Directors
2. Mikhail Gonopolsky – Deputy Chairman of the Board of Directors
3. Mikhail Yevloyev – Member of the Board of Directors
4. Alexander Lukin – Member of the Board of Directors
5. Alla Gryaznova – Independent Director
6. Alexander Myakenky – Independent Director
7. Alexander Turbanov – Independent Director

The Board of Directors of Europlan effective as of 31 December 2016 was elected by the resolution of the Annual General Meeting of Shareholders of Europlan (SAFMAR Financial investments) dated 6 June 2016. Annual General Meeting of Shareholders resolved to increase the number of members of the Board of Directors from seven to nine, which highlights the mature corporate governance and empowers minority shareholders to more fully represent their interests by electing their representatives to the Board of Directors going forward.

All members of the Board of Directors are non-executive directors, with three out of nine members of the Board of Directors recognised as independent directors pursuant to the independence criteria approved by the Moscow Exchange.

Members of the Board of Directors as of 31 December 2016



**Mikail
Shishkhanov**

Chairman of the Board of Directors



**Mikhail
Gonopolsky**

Deputy Chairman of the Board of Directors



**Oleg
Andriyankin**

Member of the Board of Directors



**Nikita
Bykov**

Member of the Board of Directors



**Alexander
Lukin**

Member of the Board of Directors



**Avet
Mirakyan**

Member of the Board of Directors



**Alla
Gryaznova**

Independent Director



**Alexander
Myakenky**

Independent Director



**Sergei
Nazarov**

Independent Director

Details of 5 years' track record of members of the Board of Directors are described in Europlan's Q1 2016 quarterly report, which is disclosed on the internet on the disclosure web sites at:



<http://www.e-disclosure.ru/portal/files.aspx?id=11328&type=5>



<http://europlan.ru/portal/investor/disclosure>

Full name	Date of birth	Education	Primary employment	Interest in the authorised capital and percentage of ordinary shares
Mikhail Shishkhanov Chairman of the Board of Directors	1972	A degree in Economics: Peoples' Friendship University of Russia, bachelor's degree in Economics. Peoples' Friendship University of Russia, master's degree in Economics, Finance Academy under the Government of the Russian Federation	Chairman of the Management Board / President, PJSC B&N BANK	0%
Mikhail Gonopolsky Deputy Chairman of the Board of Directors	1983	A degree in Management, State University of Management, Moscow	Managing Director, JSC SAFMAR GROUP	0%
Oleg Andriyankin	1981	A degree in Law, National Research Institute Higher School of Economics, majoring in Law, 2003	Chief Financial Officer, JSC SAFMAR GROUP	0%
Nikita Bykov	1976	A degree in Economics, Plekhanov Russian University of Economics, 1998, majoring in Economics (Global Economy), 2001, post-graduate programme in Finance and Credit, PhD in Economics	CEO, Automama LLC	0%
Alexander Lukin	1976	A degree in Economics: Plekhanov Russian University of Economics, Moscow	Chief Executive Officer, NPF SAFMAR	1,750 ordinary registered shares (0.0016% of authorised capital). Acquired in December 2015
Avet Mirakyan	1974	A degree in Economics: Yerevan State University, majoring in International Economic Relations, 1996	Chief Executive Officer, JSC SAFMAR GROUP	6,848 ordinary registered shares were acquired in December 2016 (0.0061% of authorised capital).
Alla Gryaznova Independent Director	1937	University degree: Moscow Financial Institute	President of the Financial University under the Government of the Russian Federation	0%
Alexander Myakenky Independent Director	1947	A degree in Law: All-Russian Distance Institute of Law (Moscow State Law University)	None	0%
Sergei Nazarov Independent Director	1973	A degree in Economics: Khabarovsk State Academy of Economics and Law	None	0%

Board of Directors' report

During its meeting held on 27 June 2016, the Board of Directors re-elected Mikhail Shishkhanov as its Chairman, elected members to the Audit Committee, the Remuneration and Nomination Committee, the Risk Management Committee and the Strategy Committee, and elected chairs of the Board Committees. All members of the Audit Committee and the Remuneration and Nomination Committee are independent directors.

The Board of Directors and the Board Committees are fully compliant with the Moscow Exchange requirements for

corporate governance of issuers included into the Level 1 (A1) Quotation List and the recommendations of the Bank of Russia's Code of Corporate Governance.

In 2016, the Board of Directors held 29 meetings, including five meetings held in person and 31 Committee meetings.

During the reporting period, the Board of Directors addressed very sensitive matters, including the convocation of an Annual General Meeting to approve the 2015 results and Extraordinary Meetings of Shareholders, which

resolved to increase the authorised capital and delegate the authority of the sole executive body of Europlan to an asset management company, specifically JSC SAFMAR GROUP, in the course of the planned reorganisation. The Board also considered recommendations of the Board of Directors based on the agenda of general meetings. The Board of Directors also considered and resolved matters such as bond issues, guidance for the governance bodies of subsidiaries and affiliates, approval of internal documents of the company, determination of the fee payable to the external Auditor in charge of RAS financial statements and approval of the Auditor in charge of IFRS financial statements, determination of the remuneration for members of the collective executive body, approval of the terms and conditions of interested-party transactions, major transactions and those which require its approval pursuant to the Charter, approval of Internal Audit inspection reports

and plans as well as other matters which come within the authority of the Board of Directors.

The Board Committees held preliminary discussions and prepared recommendations on the most important matters considered by the Board of Directors.

Members' attendance of the Board of Directors and Board Committee meetings

In 2016, all members of the Board of Directors actively participated in meetings and discussions. Over the reporting period, quorum was present for each item of meeting agendas, including some major transactions, which won unanimous support of all the elected members of the Board of Directors.

1 January 2016 to 6 June 2016						
Members of the Board of Directors in the reporting year	Independent director	Board of Directors meetings attended	Audit Committee	Remuneration and Nomination Committee	Strategy Committee	Risk Management Committee
Mikhail Gonopolsky		8/8	-	-	0/0	4/4
Alla Gryaznova	+	7/8	5/5	3/3	-	-
Mikhail Yevloyev		8/8	-	-	0/0	-
Alexander Lukin		8/8	-	-	0/0	-
Alexander Myakenky	+	8/8	5/5	3/3	-	-
Mikhail Shishkhanov		7/8	-	-	0/0	-
Alexander Turbanov	+	5/8	5/5	3/3	0/0	-

6 June 2016 to 31 December 2016						
Members of the Board of Directors in the reporting year	Independent director	Board of Directors meetings attended	Audit Committee	Remuneration and Nomination Committee	Strategy Committee	Risk Management Committee
Oleg Andriyankin		19/21	-	-	-	-
Nikita Bykov		21/21	-	-	2/2	-
Mikhail Gonopolsky		20/21	-	-	2/2	4/5
Alla Gryaznova	+	20/21	3/4	4/5	-	-
Alexander Lukin		18/21	-	-	1/2	-
Avet Mirakyan		20/21	-	-	2/2	-
Alexander Myakenky	+	21/21	4/4	5/5	-	-
Sergey Nazarov	+	21/21	4/4	5/5		5/5
Mikhail Shishkhanov		21/21	-	-	1/2	-

BOARD COMMITTEES

Established by the Board of Directors on 28 October 2015 and renewed on 27 June 2016, the following Board Committees were active in 2016:



Audit Committee

The Audit Committee was initially established pursuant to the resolution of the Board of Directors dated 28 October 2015. The Committee comprises three independent directors, specifically Alla Gryaznova, Alexander Myakenky and Alexander Turbanov. Prior to the Annual General Meeting of Shareholders of 6 June 2016, the Committee had been chaired by independent director Alexander Turbanov. In June 2016, the Annual General Meeting of Shareholders resolved to elect to the Board of Directors Sergei Nazarov, also an independent director. On 27 June 2016, the Board of Directors resolved to elect Sergei Nazarov as the Committee Chairman in the reporting year. Since its inception, the Audit Committee has been fully compliant with the Moscow Exchange requirements for corporate governance of issuers included into the Level 1 (A1) Quotation List and the provisions of the Bank of Russia's Code of Corporate Governance.

Since its re-election, the Committee met eight times (at least twice every quarter) to consider agenda items and make resolutions in presentia. The Committee deliberated on matters which come within its authority, including:

- 2016 annual accounts of the company (with the Committee expressing its opinion on the external Auditor's report and submitting it to the Annual General Meeting of Shareholders);
- Internal Audit inspection results supplied quarterly and for 2016 cumulatively;
- external Auditor's nomination for 2017 (with a recommendation submitted for approval to the Annual General Meeting of Shareholders);
- 2016 report and 2017 action plan of the Audit Committee and the Internal Audit function; and
- 2016 update on abusive practices of third parties and the company's employees, including an update on anti-money laundering and counter-terrorism financing (AML/CTF).

Following deliberations, the Committee issued recommendations, including:

- 2016 action plan of the Internal Audit function;
- Auditor's nomination; and
- opinion on the Auditor's report based on annual accounts of the company.

Remuneration and Nomination Committee

The Remuneration and Nomination Committee was re-elected by the Board of Directors on 27 June 2016. The Committee comprises three independent directors, specifically Alla Gryaznova, Alexander Myakenky and Sergei Nazarov. The Committee is chaired by Alexander Myakenky. The Committee is fully compliant with the Moscow Exchange requirements for corporate governance of issuers included into the Level 1 (A1) Quotation List and the provisions of the Bank of Russia's Code of Corporate Governance.

Since its inception, the Committee met six times to consider agenda items and make resolutions in presentia. The Committee deliberated on matters which come within its authority, including:

- nominations to the Board of Directors and the Revision Commission of the company in accordance with the requirements of the Moscow Exchange and the provisions of the Code of Corporate Governance with a view to making recommendations to shareholders;

- recommendations to improve and streamline the organisational structure of the company;
- regulations on motivation of members of the Management Board and key executives of Europlan;
- progress reports on corporate culture, HR brand promotion, non-financial incentives, staff turnover, claims/complaints management; and
- matters preliminarily considered and approved: material terms and conditions of contracts with members of the Management Board, the Chief Executive Officer, including terms of their termination and recommendations on the salaries paid to the Chief Executive Officer, members of the Management Board, and other key executives.

Following deliberations, the Committee issued recommendations, including:

- nominees recommended for election to the Board of Directors and the Revision Commission of the company;
- the organisational structure of the company;
- promotion of corporate culture, support to intra-group HR cooperation, policies to retain best performing employees; and
- material terms and conditions of contracts with members of the Management Board and the Chief Executive Officer, including terms of their termination.

Strategy Committee

The Strategy Committee was established pursuant to the resolution of the Board of Directors dated 28 October 2015. Currently, the Committee comprises the following members of the Board of Directors: Mikail Shishkhanov, Avet Mirakyan, Alexander Lukin, Mikhail Gonopolsky, Nikita Bykov and Alexander Mikhaylov, the Chief Executive Officer (following the delegation of authority of the sole executive body to an asset management company, Chief Executive Officer of Europlan). The Committee is chaired by Mikail Shishkhanov.

The Committee and their working group deliberated on matters which come within their authority, including:

- the company's strategy in the leasing and insurance businesses;
 - market positioning and recommendations on 2016 budget adjustments; and
 - status update on the Group's joint projects.
- Following deliberations, the Committee issued recommendations, including:
- strategy to increase the company's market share in the corporate leasing segment;
 - customer base development; and
 - adjusted budget of the company for 2016.

Risk Management Committee

The Risk Management Committee was re-elected by the Board of Directors on 27 June 2016. Currently, the Committee comprises: members of the Board of Directors Mikhail Gonopolsky, Sergei Nazarov, an independent director, risk management experts Georgy Arakelyan and Artem Arkhangelsky, and the company's Vice President Sergei Pukhov. The Committee is chaired by Georgy Arakelyan.

Since its re-election, the Committee met five times (four times in presentia) to consider agenda and pass resolutions. The Committee deliberated on matters which come within its authority, including:

- risk appetite targets for 2017;
- risk environment in the leasing and insurance businesses;
- projects / action plans to enhance risk metrics and key product collection in the leasing and insurance businesses; and
- limits on bank deposits with Russian and foreign banks or other lending institutions.

Following deliberations, the Committee issued recommendations, including:





- risk appetite targets; and
- action plans to enhance risk metrics and key product collection in the leasing and insurance businesses.





Based on the recommendation of the Risk Management Committee, the Board of Directors approved limits on bank deposits with Russian and foreign banks and other lending institutions.

MANAGEMENT BOARD



Effective from 1 January 2016 to 18 November 2016, the company had the Management Board, its collective executive body, which was elected by the Board of Directors on 28 October 2015.

Members of the Management Board in 2016

Full name	Tenure of office in 2016	Date of birth	Education	Primary employment	Interest in the authorised capital and percentage of ordinary shares
 <p>Nikita Bykov Chairman of the Management Board before 15 February 2016</p>	From 1 January 2016 to 15 February 2016	1976	A degree in Economics	President of PJSC Europlan (before 15 February 2016)	0%
 <p>Alexander Mikhaylov Chairman of the Management Board from 16 February 2016</p>	From 1 January 2016 to 18 November 2016	1977	A degree in Economics	Chief Executive Officer (before 4 April 2016 – President)	On 2 August 2016, the number of ordinary registered shares rose to 2,380 shares, or 0.00213% of the increased authorised capital.
 <p>Alexander Levi</p>	From 1 January 2016 to 18 November 2016	1953	A degree in Economics	Deputy Chief Executive Officer (before 4 April 2016 – Senior Vice President)	0%
 <p>Nikolay Mizyura</p>	From 1 January 2016 to 18 November 2016	1982	A degree in Economics	Deputy Chief Executive Director (before 4 April 2016 – Vice President)	0%

Full name	Tenure of office in 2016	Date of birth	Education	Primary employment	Interest in the authorised capital and percentage of ordinary shares
 Tatiana Yurina	From 1 January 2016 to 18 November 2016	1971	A degree in Economics	Deputy Chief Executive Officer (before 4 April 2016 – Vice President)	0%
 Maxim Bazhenov	From 1 January 2016 to 27 June 2016	1973	A degree in Economics	Vice President (before 12 April 2016)	0%
 Sergei Pukhov	From 1 January 2016 to 18 November 2016	1972	University degree	Head of Risk Assessment Department	0%
 Lyudmila Teterikova	From 1 January 2016 to 18 November 2016	1964	University degree	Chief Financial Officer	0%

Details of changes to the person acting as the company's sole executive body

Tenure of office	Full name	Date of birth	Education	Interest in the authorised capital and percentage of ordinary shares
2 September 2015 – 15 February 2016	 Nikita Bykov	1976	A degree in Economics	0%
16 February 2016 – 18 November 2016	 Alexander Mikhaylov	1977	A degree in Economics	0.00213%
18 November 2016 to date	 JSC Financial Group SAFMAR¹	-	-	5,744,249 ordinary registered shares, or 5.15% of the authorised capital, beneficially owned by EUROPLAN HOLDINGS LIMITED and managed on its behalf by JSC SAFMAR GROUP

Details of 5 years' track record of members of the Management Board are described in Europlan's Q1 to Q3 2016 quarterly reports, which are disclosed on the internet on the disclosure web sites at:



<http://www.e-disclosure.ru/portal/files.aspx?id=11328&type=5>



<http://europlan.ru/portal/investor/disclosure>

¹ As from 1 March 2017, the name changed to JSC SAFMAR GROUP

REMUNERATION AND COMPENSATION FOR MEMBERS OF THE GOVERNANCE BODIES

Board of Directors

The members of the company's Board of Directors are entitled to remuneration and compensation determined in accordance with the Remuneration and Compensation Policy for the Board of Directors approved by the sole shareholder (Resolution No. 15-2015 dated 9 December 2015).

The amount of remuneration payable to independent directors is linked to:

- performance of director's duties related to the membership in the Board of Directors; and
- performance of other duties related to the membership in the Board committees.

In 2016, Members of the Board of Directors received the remuneration for membership in amount of RUB 9.3 m.

Management Board

The members of the Management Board are entitled to remuneration determined on the basis of a reasonable balance between the fixed and variable components. The latter is linked to the company's performance and their personal (individual) contribution thereto. To determine the amount of remuneration payable to each top executive, including the President and members of the Management Board, the Board of Directors has developed and approved dedicated KPIs. Salary is payable to members of the Management Board pursuant to their employment contracts.

In 2016, the total remuneration paid out to the members of the Management Board based on their performance during the year totalled RUB 98.5 m, including salaries (RUB 41.5 m), bonuses (RUB 52.3 m) and other compensations (RUB 4.7 m).

In 2016, no compensation was paid by the company for the expenses related to the performance of the members' duties with its governance bodies.

INTERNAL CONTROL OVER BUSINESS AND FINANCIAL OPERATIONS

The company has both the Revision Commission and the Internal Audit function in place. The Board of Directors has set up the Audit Committee and the Risk Management

Committee. The powers of the Revision Commission are set out in the company's Charter (Section 14 of the 18th version of Europlan's Charter).

The powers of the Internal Audit function are described in the Regulation on the Internal Audit Function (version 2 dated 31 August 2016) approved by the Board of Directors on 28 October 2015 and available at:



<http://www.e-disclosure.ru/portal/files.aspx?id=11328&type=1>



<http://www.europlan.ru>

Members of the Revision Commission prior to 6 June 2016

Full name	Date of birth	Education	Primary employment	Interest in the authorised capital and percentage of ordinary shares
Ilya Karasev	1955	University degree	-	0%
Marina Konkova	1955	University degree	Deputy Chief Financial Officer, Europlan	0%

Members of the Revision Commission as of 31 December 2016

Full name	Date of birth	Education	Primary employment	Interest in the authorised capital and percentage of ordinary shares
Marina Agafonova	1988	University degree	Chief Expert of Internal Audit, B&N Bank	0%
Ilya Drozdov	1982	University degree	Head of Internal Control, Rost Bank	0%

Members of Internal Audit in 2016

Full name	Date of birth	Education	Primary employment	Interest in the authorised capital and percentage of ordinary shares
Lyudmila Kostikova	1971	University degree	Head of Internal Audit	0%
Ekaterina Polukhina	1984	University degree	Deputy Head of Internal Audit	0%

Remuneration and compensation for members of control bodies

Revision Commission, RUB

	2016
Salary	681,628
Total	681,628

In 2016, no compensation was paid by the company for the expenses related to the performance of the members' duties with the Revision Commission.

Internal Audit, RUB

	2016
Salary	4,280,024
Total	4,280,024

In 2016, no compensation was paid by the company for the expenses related to the performance of the members' duties with the Internal Audit function.

EXTERNAL AUDIT

The company selects auditors through bidding whereby it requests and compares auditors' proposals.

When comparing auditors' proposals, the company relies on the following criteria:

- whether an offerer belongs to leading international audit firms;
- whether an offerer commands a good business reputation;
- whether an offerer has a track record with leasing companies, banks, insurance companies with extensive branch networks across Russia;
- whether an offerer has in-house experts certified by internationally recognised accounting and auditing associations and organisations;
- whether an offerer has a professional, highly qualified, experienced working group;

- whether the fee is acceptable; and
- whether the offerer is willing to meet the company's deadlines.

The company designates and authorises its employees and, if required, other experts and specialists, to review the proposals, which includes evaluation and follow-up negotiations, if necessary. At the evaluation stage, the company evaluates, compares and ranks proposals by relevance based on the above criteria.

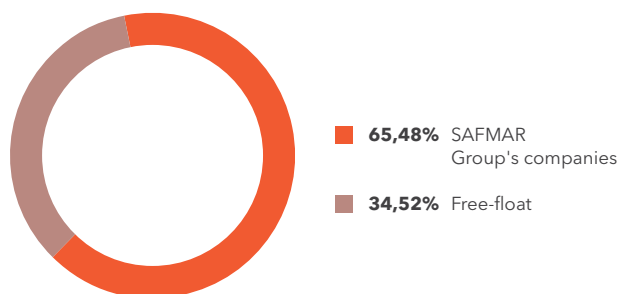
Asset Management Company acting as the SEB received the remuneration in amount of RUB 737.5 thousand. In August 2016, the Board of Directors set the fees payable to Ernst & Young LLC for the 2016 reporting period at RUB 8,716,000, including VAT.

INFORMATION FOR SHAREHOLDERS AND INVESTORS

SHARE CAPITAL STRUCTURE

As at 31 December 2016, the issued outstanding share capital amounts to RUB 74,797,000 and consists of 111,637,791 ordinary registered shares with a par value of RUB 0.67 each.

Share capital structure of SAFMAR Financial investments (PJSC Europlan)¹



1 684

The number of shareholders registered in the share register

In December 2016, the company issued 88,660,791 ordinary registered shares with a par value of RUB 0.67 each, thus increasing its share capital by RUB 59,402,000. The total amount of cash and the value of other assets contributed as payment for the issued shares was RUB 66,446,216,000. The number of issued shares paid for in cash amounted to 20,833,333 shares, and the cash contributed as payment for the issued shares reached RUB 14,999,995,000. In consideration for some of the additionally issued shares, the company received 149,763 ordinary registered shares in JSC NPF SAFMAR and 17,885,000 ordinary registered shares in VSK Insurance House for a total of RUB 49,446,221,000. The number of issued shares paid for by shares in JSC NPF SAFMAR and VSK Insurance House amounted to 67,827,458 shares assessed at fair value standing at RUB 49,446,221,000. In February 2017, the amendments to the company's Charter were recorded in the Unified State Register of Legal Entities to reflect the increase in its share capital and the number of issued shares.

As at 31 December 2016, Europlan (SAFMAR Financial investments) had the following share issues outstanding:

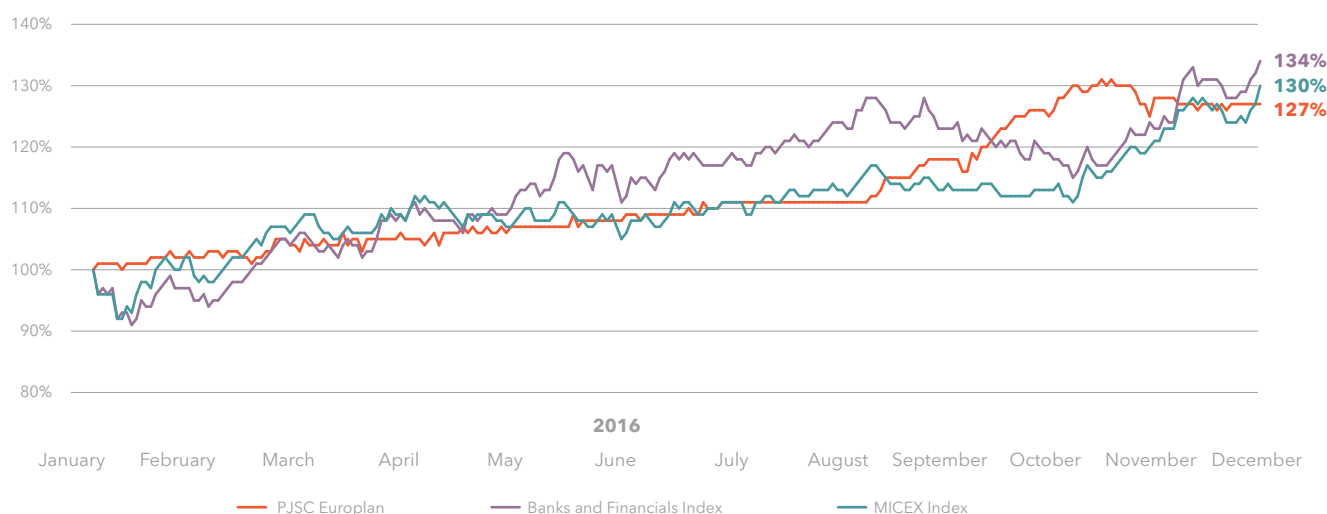
1. The state registration number and the date of state registration:
1-02-56453-P dated 1 October 2015 in the amount of 22,977,000 shares.
2. The state registration number and the date of state registration:
1-02-56453-P-002D dated 15 November 2016 in the amount of 88,660,791 shares.

On 23 March 2017, the Bank of Russia decided to cancel 002D individual code of state registration No. 1-02-56453-P-002D assigned to the additional issue of ordinary registered shares in Europlan. The company's shares of consolidated issues are included in the Level 1 (A1) Quotation List of the Moscow Exchange.

¹ As at 31 December 2016.

	As at 31 December 2015	As at 31 December 2016	As at 31 March 2017
EPLN ¹ market cap, RUB	13,204,881.90	16,635,348,000.00	83,951,618,832.00
EPLN-002D market cap, RUB	–	64,234,743,079.50	–
Total	–	80,870,091,079.50	–

**Performance of ordinary shares in Europlan (SAFMAR Financial investments)
(as at 31 December 2016)**



+27%

Europlan's ordinary shares growth
in 2016

Between 1 January 2016 and 31 December 2016 Europlan's shares have added 27% in price, rising from RUB 571 to RUB 723.5 per share.

On 16 June 2017, the company's shares were included into the MICEX index, the capitalisation-weighted composite index based on prices of the 50 most liquid Russian stocks of the largest and dynamically developing Russian issuers. Company's shares are also included into the Broad Market index and the Financial Industry index.

¹ The ticker will be altered after Europlan's actual changes of its name to SAFMAR Financial investments.

DIVIDEND POLICY

The Dividend Policy of SAFMAR Financial investments (PJSC Europlan) was approved by the resolution of the Board of Directors in November 2015.

Given the current state of its core business, the dividend policy provides that the company determines dividend recommendations for the General Meeting of Shareholders

based on net profit resulting from both accounts (financial statements) and IFRS consolidated financial statements and, in case of year-end dividends, also based on retained earnings of prior years.

The company neither accrued and/or paid dividends nor distributed profits for 2013-2016.

The dividend policy regulation is available on the company's web site at:



www.safmarinvest.ru

The company publishes resolutions of its General Meeting of Shareholders concerning dividend payments on its corporate web site at www.safmarinvest.ru, on the internet on the disclosure web site at:



<http://www.e-disclosure.ru/portal/company.aspx?id=11328>

and also communicates this information to its shareholders through publications prescribed by the applicable laws in the Russian Federation.

INFORMATION POLICY

The company makes disclosures in a regular, consistent, and timely manner, ensuring its accessibility, reliability, completeness and comparability.

The company makes disclosures on its securities, business and financial operations as follows:

- information on the stages of the securities issue as well as statements of material facts;

- Prospectus;
- quarterly reports;
- annual reports;
- Charter;
- information that may have a material effect on the market value of its securities; and
- information on its affiliates.

The Corporate Governance Code compliance report prepared pursuant to Bank of Russia's Letter No. IN-06-52/8 dated 17 February 2016 On Disclosure of Compliance with the Principles and Recommendations of the Code of Corporate Governance in Annual Reports by Public Joint Stock Companies is available on the company's web site at www.safmarinvest.ru and at:



<http://www.e-disclosure.ru/portal/files.aspx?id=11328&type=2>.

CORPORATE RESPONSIBILITY AND CHARITY

The companies of SAFMAR Group pursue socially important long-term projects supporting culture, sports, healthcare, arts, education and spirituality via SAFMAR Charitable Foundation¹. These projects mainly aim to support complex personal development of individuals, promote healthy lifestyles, and develop large-scale

fitness and sports activities. All programmes of the Fund meet the criteria of transparency, clear articulation of strategy, and consistency in implementation. In the course of its activities, the Fund leverages best Russian charitable practices.

9

areas of charitable activities

42

dedicated charitable programmes

15

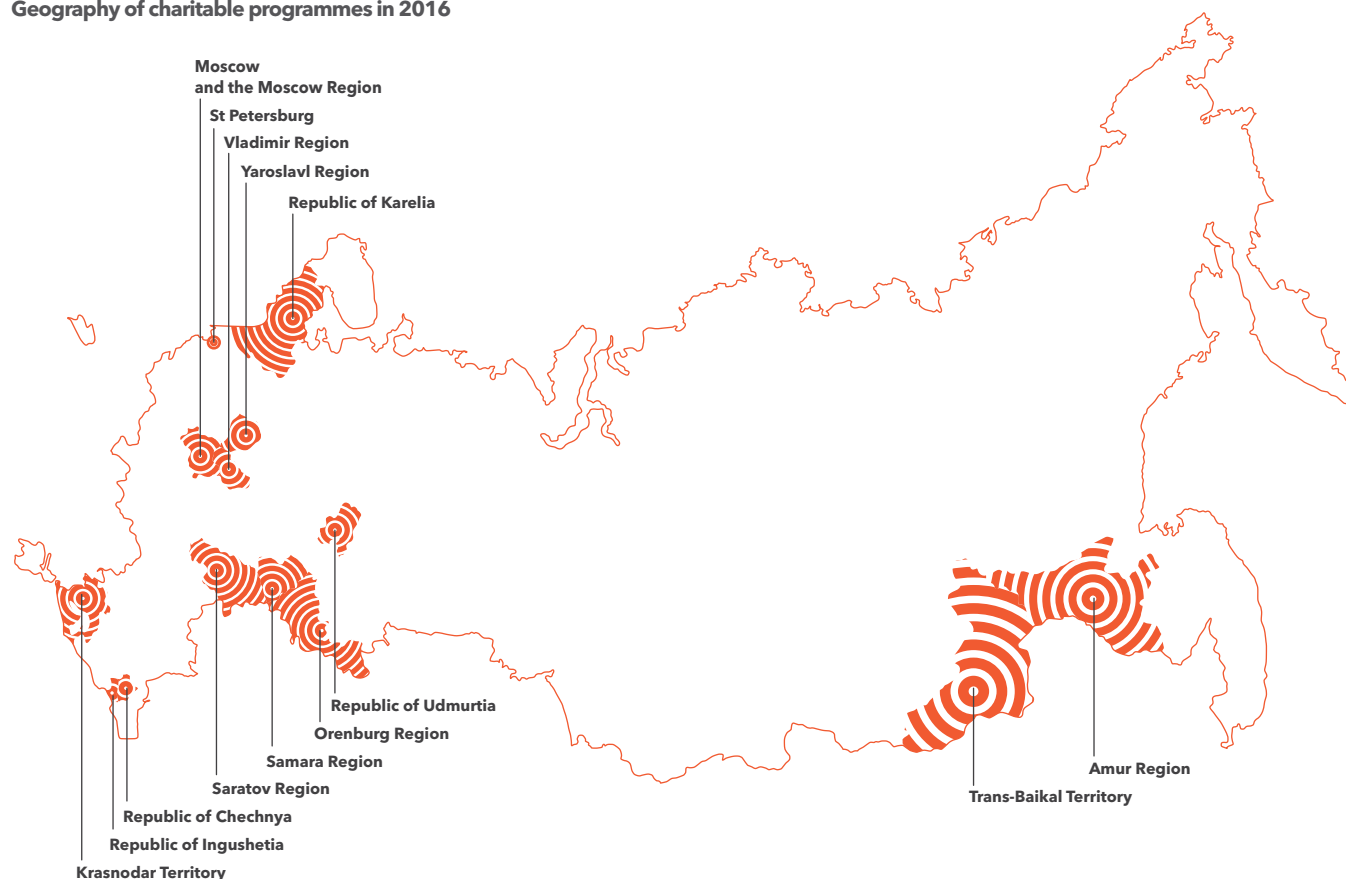
Russian regions covered

1+

RUB bn

of dedicated financing

Geography of charitable programmes in 2016



¹ For more details on SAFMAR CF, including its governance bodies, please visit our web site at www.safmar.ru

SAFMAR Charitable Foundation (CF), a non-profit charitable organisation, was established on 16 September 2013 by PJSC RussNeft, which is part of SAFMAR Group and is headed by Mikhail Gutseriev, one of most foremost Russian philanthropists.

The Fund is supervised by the Fund Council, the Board of Trustees and the Revision Commission. SAFMAR CF is part of Donors Forum, a non-profit grant-making partnership that unites the largest charitable funds in Russia. The members of Donors Forum strive to bring about a professional charitable community in Russia and promote best charitable practices.

PRINCIPLES OF CHARITABLE ACTIVITIES

The Fund implements its programmes in accordance with the following principles:

- Informational transparency
- Financial transparency
- Accountability
- Targeted aid
- Expert-based approach
- Meaningful social impact

In preparations to launch a charitable programme, the Fund also puts special emphasis on:

- **Staged programme implementation**

Careful review and evaluation of a programme pilot helps identify strengths and weaknesses of its concept and administration and estimate costs to achieve targets.

- **Partnership**

Large-scale charitable programmes rely on strong support from a wider range of stakeholders. The Fund is open for cooperation and is ready for a dialogue on an equal footing with all target audiences involved.

- **Innovative approach**

Development and implementation of new approaches, solutions, and techniques to make a difference by better addressing the needs of charity recipients.

KEY AREAS OF CHARITABLE ACTIVITIES OF SAFMAR CF IN 2016

Culture

This area includes charitable programmes aimed at supporting culture and arts in cooperation with leading non-profit and non-governmental organisations and cultural institutions.

The Fund supports exciting cultural forums, concerts, and performances in Russia to contribute to the preservation and development of Russian cultural traditions. The Fund finances charitable classical music events for both young and adult audiences and helps music schools purchase musical instruments for their talented students.

Sports

The Fund implements programmes aimed at promoting mass sports and assists in fitness and recreational activities. To this end, the Fund helps build sports infrastructure and

public amenities across Russia, organise competitions, and support youth athletics.

Healthcare

The Fund's programmes are designed to enhance the facilities and resources of Russian healthcare flagships. The Fund helps purchase ambulances for healthcare institutions

and rural hospitals across Russia, build a rehabilitation facility intended for disabled children, and purchase state-of-the-art medical equipment.

Museums

The Fund implements programmes aimed at developing leading Russian museums, supporting exhibitions,

large-scale cultural events, workshops, and publication of educational materials and general fiction.

Education

The Fund implements programmes to support joint training projects with educational institutions across Russia,

including innovative solutions to improve pre-school, high-school and university education.

Spirituality and revival of spiritual values

The Fund assists in reviving holy sites, building and restoring churches, mosques, and synagogues. There are also a number of projects that strive to achieve a constructive dialogue between prominent leaders of

traditional confessions in Russia, strengthen peace and understanding between peoples of Russia, promote cultural ideas, moral standards, and universal human values in the modern world.

Talented youth

The Fund implements programmes intended to foster talented young people and support their creative activities.

Aid to people in need

The Fund supports projects providing aid to the disadvantaged social groups and assists in social

rehabilitation of special needs children, unemployed population groups, and orphans.

Specific projects

The Fund implements a number of projects to support World War II veterans. This is to pay tribute to those who defended Russia and to pay homage to the Russian history,

which will help strengthen the link between generations and nurture patriotic feelings and a love for their country among young people.

Q&A ABOUT SAFMAR FINANCIAL INVESTMENTS

STRATEGY

1. What is the strategic goal behind creating SAFMAR Financial investments?

We resolved to leverage on PJSC Europlan, a public company, to launch a holding company under the trade name SAFMAR Financial investments (SFI). SFI consolidates our leasing (Europlan), pension (SAFMAR Non-Governmental Pension Fund) and insurance (an interest in VSK held by SAFMAR Group) assets.

By doing that, we are launching Russia's first ever public financial holding company with a diversified business and a focus solely on the financial industry. The holding company will target industry leaders, bringing about a business model resilient to macroeconomic fluctuations, with a clear growth path and value creation strategy to benefit all investors and shareholders.

2. What are the advantages of a financial holding company?

The Group has been cherishing this idea for several years now. A financial holding company offers a variety of advantages to investors, shareholders, and all stakeholders of the businesses involved:

- Access to the Holding Company's capital to a wide range of investors
- Status of a publicly traded company, which makes a difference in terms of management quality and level of responsibility
 - All the companies within the holding company will gain an additional tool to enhance corporate governance, business process transparency, and robust risk management

- The public status is in line with the regulator's policy and even outpaces the financial system's progress towards better management efficiency and transparency
- Growth for existing businesses and a platform for further diversification
 - Enhancing key business areas and seeking new financial products that match the market needs
 - Seeking and implementing synergies among portfolio businesses
 - Seeking and implementing opportunities for inorganic growth to achieve diversification and synergies
- Promoting the brand and building impeccable reputation
 - Fostering the Company's reputation as a reliable partner and leader in the Russian financial industry
 - Developing the proprietary brand, which embodies a link between generations and a solid foundation for further growth
- Domestic financial market development
 - Building a unique structure in the national market to pave the way for full-scale development of Russia's entire financial industry
 - With limited supply in the domestic market, especially in the financial sector, we offer a new appealing investment opportunity with a high upside, which will undoubtedly have a positive impact on the stock market
 - The new financial holding company is clearly one step ahead of today's market and helps lay a foundation going forward. Current investors will make the most of their interest in the holding company as the economy and capital markets recover.

TRANSACTION TERMS

3. Who were the investors in the follow-on offering?

The demand mainly came from Russian and CIS investors, specifically banks, asset management companies, funds, investment houses, and around 1,200 retail accounts.

We are confident about the fundamental investment appeal of SAFMAR Financial investments and its constituent companies, with the listing on the Moscow Exchange helping to provide access for both Russian and international investors. The company's shares have already proved appealing to the investor community.

4. Why did this transaction take place just under a year after Europlan's IPO?

This transaction was in line with the long-term strategy of the majority shareholder aimed at enhanced value creation by leveraging synergies among portfolio businesses. Europlan currently is, and will remain to be, a public company as part of a holding company that manages financial assets of SAFMAR Group.

5. Why was the consolidation of Europlan with NPF SAFMAR and VSK Insurance House structured as a new share issue rather than a merger/combination or otherwise?

We considered multiple possible choices for our strategic initiative to come into being and decided that in terms of timing and required corporate actions, issuing new shares was the most efficient way to contribute assets to Europlan.

6. What underlies the determination of conversion ratios in respect of shares in NPF SAFMAR and VSK Insurance House that were used as a payment for the new share issue of Europlan?

The Board of Directors of Europlan determined the share price of VSK and NPF SAFMAR with reference to the valuation prepared by an independent adviser (a Big Four firm). The conversion ratios were calculated based on the

price of Europlan's shares following the book building process.

7. Why was it Europlan that was chosen as the core company to combine the governance of the businesses?

Europlan is one of the best assets of SAFMAR Group, with its December 2015 IPO nearly 1.5x oversubscribed and its shares growing in value virtually all the time. Since its IPO in December 2015, Europlan's shares have added 27%. In November 2016, the capitalisation of Europlan exceeded RUB 17 bn for the first time in the 17 years of its history.

The company has been steady in solid high financial performance while maintaining a leadership standing in the Russian car leasing market and boasting a strong reputation among partners, investors, clients, and other stakeholders. Given that Europlan's shares are already listed on the Moscow Exchange, it makes sense to leverage this company to launch SAFMAR Financial investments in response to the shareholders' intention to make all non-banking financial assets public.

8. What underlies the price range of the offering?

The indicative price range was determined based on the quoted market price of Europlan's shares, with an additional discount applied.

9. Are you satisfied with the market valuation? What market capitalisation did you expect?

The valuation resulted from the book building process. The offering price range was determined based on the quoted market price of Europlan's shares. SAFMAR Financial investments is very satisfied with the book building outcome as market capitalisation hit the projected level of around RUB 80 bn.

10. Why was it December 2016 that was chosen for the offering to take place?

We believe that the Russian market has passed its trough and is embarking on a moderate growth, with signs of stabilisation and improvement already noticeable. Investors are well aware that by far not all businesses are currently on the decline. The most successful businesses and industry leaders – and we believe Europlan, VSK Insurance House, and NPF SAFMAR are among them – are best suited to enhance their positions in the market and foster further growth. In our opinion, the market has been offering the most favourable environment for an equity issue, with many Russian companies actively were going public this year.

11. Why was the additional share issue of Europlan paid for by shares in VSK Insurance House and NPF SAFMAR?

Given the structuring of the process to launch the SAFMAR Financial investments holding company, a new share issue by Europlan paid for by shares in VSK Insurance House

and NPF SAFMAR was the best way to achieve our goal effectively in terms of timing and required corporate actions.

12. What underlies the pricing of shares in VSK Insurance House and NPF SAFMAR?

The valuation report was prepared by an independent adviser (a Big Four firm). Based on the report, the Board of Directors of Europlan determined the share price of VSK Insurance House and NPF SAFMAR as follows:

- with respect to ordinary shares in NPF SAFMAR, two hundred twenty thousand one hundred and 00/100 Russian roubles (RUB 220,100.00) per share; and
- with respect to ordinary shares in VSK Insurance House, eight hundred and eighty seven and 50/100 Russian roubles (RUB 887.50) per share.

No shareholders exercised their pre-emptive right to acquire additional shares.

OUTLOOK

13. When will the process to establish the holding company reach its completion? What will the business of SAFMAR Financial investments look like after all the internal reorganisation processes are over?

We intend to finalise the business structuring exercise until the end of 2017. SAFMAR Financial investments will be at the top of the organisation structure, with its capital comprising a majority stake held by SAFMAR Group plus free float. In turn, SAFMAR Financial investments will be a holding company combining Europlan, NPF SAFMAR and the Group's interest in VSK Insurance House.

14. What investment tools will SAFMAR Financial investments be focusing on?

The holding company will be mainly investing in financial assets. We are willing to acquire new assets as opportunities arise that meet our investment criteria.

15. What is the dividend policy of the holding company?

We believe that SAFMAR Financial investments will be adding value through both the growing business of its portfolio companies and dividends paid by portfolio companies to the holding company. We contemplate that dividend payouts will come from excess capital accrued by portfolio companies in the course of their operations.

16. What synergies do you expect to gain from the three businesses, specifically NPF, car leasing and insurance?

We believe that significant synergy opportunities exist in terms of both cross sales and client acquisitions (between car leasing and insurance, between NPF and insurance) and cost synergies (from client base pooling, back office optimisation, etc.). Currently, we are conducting an in-depth analysis of possible synergies, which is set to translate into a detailed implementation programme.

17. What mechanisms will be provided to protect the rights of minority shareholders?

A robust and transparent corporate governance framework is a top priority for the company's management and its majority shareholder. We guarantee full protection of minority shareholder rights by maintaining all-round transparency of SAFMAR Financial investments and its portfolio companies (including regular management

presentations and investor meetings, disclosure of audited financial statements, etc.).

18. What sources do you expect to rely on to finance new acquisitions?

We intend to partially accumulate the dividend flow within SAFMAR Financial investments so as to finance prospective acquisitions going forward. In addition, we do not rule out debt or new equity offerings. In this regard, any and all corporate actions will only be possible in strict compliance with the rights of existing minority shareholders.

19. How will the exercise of bringing together business governance affect Europlan's operations, strategy, employees, clients and partners?

As far as Europlan's core operations and current business processes are concerned, the formation of the holding company and subsequent consolidation of shares under its umbrella will not affect Europlan's business and will only serve to enhance the cooperation opportunities within SAFMAR Group. Europlan will remain focused on car leasing operations, maintaining its leadership in the segment. Europlan's general business approach, management and strong team of 1,600+ employees will persist. The concentration of shares within Europlan's legal framework will help enhance its capacity to honour its obligations to stakeholders such as clients, partners, creditors and investors.

20. How will bringing together the governance of the businesses affect the composition of Europlan's Management Board and Board of Directors?

While the formation of the holding company may entail some formal legal amendments related to stock exchange or share management rules, no radical changes to the company's business are expected.

20. How did Europlan respond to the creation of SAFMAR Financial investments?

Europlan's management welcomed bringing together the governance of the businesses. By consolidating shares within one holding company that combines lucrative and mature businesses with multi-billion reserves ready to invest in debt instruments, the company will strengthen its capacity to maintain leadership in the car leasing industry and grow its business.

ADDITIONAL INFORMATION

GLOSSARY

'000 thousand

bn billion

CF charitable foundation

CIR cost to income ratio

CMTPL compulsory motor third-party liability insurance

CPI compulsory pension insurance

CPP corporate pension plan

FD federal district

GDP gross domestic product

Group group of companies

HCV heavy-duty commercial vehicles

IA Internal Audit

IFRS International Financial Reporting Standards

IPO initial public offering

KPI key performance indicator

LC leasing company

LCV - light-duty commercial vehicles

LE legal entity

m million

M month

MHI - motor hull insurance

NIL net investments in lease

MPC Mortgage participation certificate

NPF non-governmental pension fund

NSPP non-state pension plans

p.a. per annum

PFR Pension Fund of the Russian Federation

PPC personal pension capital

Q quarter

RAS Russian Accounting Standards

Retail individuals

ROA return on assets

ROE return on equity

RUB bn billions of Russian roubles

RUB m millions of Russian roubles

SEB sole executive body

SME small and medium-sized entities

SPO secondary public offering

tn trillion

VHI voluntary health insurance

DISCLAIMER

This Review has been prepared by SAFMAR Financial investments (the “company”).

This Review is for information purposes only and does not constitute an offer or a solicitation of an offer to make any transactions in relation to goods, work or services, as well as securities or other investment instruments.

This Review contains certain estimates and forward-looking statements as to financial performance of specific company's businesses and other matters concerning their operations. Any and all statements which do not contain historical facts are forward-looking by nature and therefore involve certain risks and uncertainties. There is no guarantee that these statements will prove accurate: actual

results in future may differ considerably from the estimates. These statements are based on a balanced assessment of the company's management. The company assumes no obligation to update any forward-looking statements.

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