



## API Voting Recommendations for Annual General Meeting

Company: **Bank Saint-Petersburg PJSC (BSPB)**

Meeting date: **May 24, 2018**

Record date: **April 29, 2017**

### Company Overview

Bank Saint-Petersburg PJSC established 1990 is active in St. Petersburg City, Leningrad region, Moscow City and Kaliningrad.

The Bank's business priorities include lending, settlement and cash services, services to legal entities and individuals, transactions on the foreign exchange market, the interbank lending market, and securities transactions.

In 2017, the Bank placed an additional issue of ordinary shares consisting of 60,000,000 ordinary shares with a nominal value of 1 ruble each. As of January 1, 2018, the authorized capital of Bank Saint-Petersburg PJSC is RUB 519,654,000 and consists of:

- 499,554,000 ordinary registered shares with a nominal value of 1 ruble each;
- 20,100,000 preferred shares with a nominal value of 1 ruble each.

As of December 31, 2017, the equity ownership (percentage of the ordinary shares held by the shareholders) was as follows:

Alexander Savelyev: 24.95%;

Verniye Druzya Management Company LLC: 25.53%;

The Bank's management: 0.16%;

East Capital Group: 6.69%;

THE EUROPEAN BANK FOR RECONSTRUCTION AND DEVELOPMENT: 4.83%;

Free float: 37.83%.

No.	AGM agenda item	API recommendation
1.	<a href="#">Allocation of the profit of Bank Saint-Petersburg PJSC for 2017</a>	<b>FOR</b>
2.	<a href="#">Payout (declaration) of dividends for 2017 (approval of the amount and form of dividend payment for 2017), setting the dividend record date</a>	<b>FOR</b>
3.	<a href="#">Approval of the auditor of Bank Saint-Petersburg PJSC for 2018</a>	<b>ABSTAINED*</b>
4.	<a href="#">Payment of remuneration to the Supervisory Board members of Bank Saint-Petersburg PJSC for the period of their service in 2017-2018</a>	<b>ABSTAINED**</b>

5.	<a href="#">Compensation of the costs incurred by the Supervisory Board members of Bank Saint-Petersburg PJSC in relation to the service in their professional capacity</a>	<b>FOR</b>
6.	<a href="#">Determining the size of the Supervisory Board of Bank Saint-Petersburg PJSC</a>	<b>AGAINST***</b>
7.	<a href="#">Election of the Supervisory Board members of Bank Saint-Petersburg PJSC</a>	API recommends voting <b>FOR****</b> Alexey Germanovich (API-supported independent director) Andrey Zvyozdochkin (independent director)
8.	<a href="#">Election of the Revision Committee members of Bank Saint-Petersburg PJSC</a>	<b>ABSTAINED*****</b> on all candidates
9.	<a href="#">Approval of Amendment No. 2 to the Regulation on Remuneration and Compensations payable to Supervisory Board members of Bank Saint-Petersburg PJSC</a>	<b>FOR</b>

\* There are not enough materials available for an affirmative voting recommendation to the shareholders on this issue; the resolution shall be passed by a simple majority of votes.

\*\* The materials for the meeting do not contain a justification of the amounts of remuneration payable to Supervisory Board members proposed for approval by the shareholders. We recommend that the Supervisory Board consider taking a transparent approach to disclosing information on determining the amount of remuneration payable to Supervisory Board members.

\*\*\* Compared with last year, it is proposed to reduce the size of the Supervisory Board by one member, actually rolling back to the 2016 level. The reduction in the number of Supervisory Board members adversely affects the minority shareholders' ability to elect candidates to the Supervisory Board by their votes.

\*\*\*\* The API recommends that the shareholders vote for the independent director Alexey Germanovich (an API-backed candidate) and Andrey Zvyozdochkin, an independent director nominated by a major shareholder of the Bank, with the aim of increasing the number of independent directors on the Supervisory Board, among other things. Given the nomination of 9 candidates and the reduction in the number of seats on the Board from 10 to 9, all the nominated candidates will be elected to the Supervisory Board. This issue is subject to cumulative voting.

\*\*\*\*\* Seeing as most of the proposed candidates are employed by the Bank, we cannot issue an affirmative voting recommendation on the agenda item in view of a potential conflict of interests.

In-depth review of the Annual General Meeting agenda:

1-2.	AGM agenda item	API recommendation
1.	<a href="#">Allocation of the profit of Bank Saint-Petersburg PJSC for 2017</a>	<b>FOR*</b>
2.	<a href="#">Payout (declaration) of dividends for 2017 (approval of the amount and form of dividend payment for 2017), setting the dividend record date</a>	<b>FOR*</b>

\* The materials for the shareholders meeting do not contain information on the results of individual voting by Supervisory Board members on recommendations to the general shareholders meeting concerning the allocation of

the Bank's profit. Our recommendation is to include the minutes of the Supervisory Board meeting / extracts from the meeting minutes concerning the agenda items of the intended general shareholders meeting in the list of materials provided to the shareholders. It also seems appropriate to supplement rationales for shareholders meetings by the Supervisory Board's approaches to the proposed distribution of profits, for example, to disclose the following factors, according to the Bank's approved dividend policy:

- projected capital adequacy ratios according to Russian GAAP (RAS) and IFRS standards;
- target return on equity ratio (ROE);
- information on approaches to determining availability of funding for the Bank;
- application of a benchmark for setting the absolute amount of dividend per share.

The API believes it necessary to note that the Bank has not revealed the individual remuneration of the Management Board members in the annual report as it was expected to do according to best corporate governance practices. We recommend that the Supervisory Board pay attention to the need to disclose the remuneration of Management Board members, its fixed and variable portions, including the short-term and long-term components.

#### AGENDA ITEMS 1-2 DETAILS:

The accuracy of accounting (financial) statements of Bank Saint-Petersburg PJSC is confirmed by a report provided by audit firm LLC FBK. In the auditor's opinion, the annual accounting (financial) statements reflect fairly, in all material respects, the financial standing of the Bank as of December 31, 2017, its financial performance and cash flows in 2017 according to the standards for preparing accounting (financial) statements established in the Russian Federation.

Please see below the key figures representing the Bank's financial and economic performance in the annual report:

Item	2016	2017	Change, year-on-year
Assets, million rubles	567,855	597,514	5.2%
Net lending receivables and their equivalents, million rubles	392,543	406,808	3.6%
Net investment in securities, million rubles	119,239	125,640	5.4%
Deposits of clients (non-credit institutions), million rubles	364,189	362,757	-0.4%
Equity capital, million rubles	68,178	71,716	5.2%
After-tax profit, million rubles	2,295	4,052	76.6%
Capital adequacy ratio (N1), %	14.2	14.2	0.0 p.p.

In 2017, the Bank's assets increased by 5.2%. The principal asset-side transactions include credit investments and investments in securities. In 2017, the Bank's net lending receivables increased by 3.6% to reach RUB 406,807.5 million. Investments in securities and financial assets increased by 5.4% to RUB 125,640.2 million.

As of January 1, 2018, the Bank's capital adequacy ratio (N1.0) was 14.2 p.p., the minimum regulatory requirement being 8 p.p. As of January 1, 2018, the Bank's liquidity was sufficient for meeting the Bank of Russia's applicable requirements: the acid test ratio (N2) was 117.8%; the current liquidity ratio (N3) was 149.4%; the long-term liquidity ratio (N4) reached 49.5%.

At their Annual General Meeting, the shareholders are asked to decide to allocate the profit for 2017 in the amount of RUB 4,052,481,424.12 as follows:

- RUB 811,488,480.00 for dividend payments;
- RUB 57,040,000.00 for the payment of remuneration to the Supervisory Board members;

- RUB 3,183,952,944.12 as retained earnings.

Compared with the previous year, the amount earmarked for dividends increased by 75% and now reaches 20.02% of the Bank's Russian GAAP (RAS) net profit.

The estimated dividends are as follows: RUB 1.62 per ordinary share, RUB 0.11 per preferred share. The dividend record date is June 4, 2018.

#### DRAFT RESOLUTIONS ON AGENDA ITEMS 1-2:

No. 1. Approve the following allocation of the profit of Bank Saint-Petersburg PJSC for 2017 in the amount of RUB 4,052,481,424.12:

- RUB 811,488,480.00 for dividend payments;
- RUB 57,040,000.00 for the payment of remuneration to the Supervisory Board members;
- RUB 3,183,952,944.12 as retained earnings.

No. 2. Pay the 2017 dividends in cash as follows:

- RUB 1.62 per ordinary share;
- RUB 0.11 per preferred share.

Approve June 4, 2018 as the record date for dividends.

3.	AGM agenda item	API recommendation
	<a href="#">Approval of the auditor of Bank Saint-Petersburg PJSC for 2018</a>	<b>ABSTAINED</b>

#### AGENDA ITEM 3 DETAILS:

LLC FBK (Finansoviye i Bukhgalterskiye Konsultanty) registered by the Moscow Registration Chamber on November 15, 1993 is a member of non-profit partnership Auditor Association Sodruzhestvo.

The materials for the meeting do not disclose information on competitive auditor selection procedures, the Audit Committee's recommendations and the results of voting by the Supervisory Board/Audit Committee on recommendations to the general shareholders meeting, as well as information on the cost of services and the scope of non-audit services provided to the Bank required for assessing factors potentially affecting the audit firm's independence. Therefore, we do not possess sufficient information for an affirmative voting recommendation to the shareholders on this agenda item. We recommend that the Supervisory Board should revise its policy of disclosing materials for the general shareholders meeting.

#### DRAFT RESOLUTION ON AGENDA ITEM 3:

Approve Finansoviye i Bukhgalterskiye Konsultanty Limited Liability Company (LLC FBK) as the auditor of Bank Saint-Petersburg PJSC for 2018.

4.	AGM agenda item	API recommendation
	<a href="#">Payment of remuneration to the Supervisory Board members of Bank Saint-Petersburg PJSC for the period of their service in 2017-2018</a>	<b>ABSTAINED</b>

#### AGENDA ITEM 4 DETAILS:

The total amount of remuneration payable to the Supervisory Board members for their service in 2017 amounted to RUB 57,040,000 increasing 1.8 times (75.5%) against the previous year's level. The materials for the meeting do not

contain a justification of the amounts of remuneration payable to Supervisory Board members proposed for approval by the shareholders. Therefore, we do not possess sufficient information for an affirmative voting recommendation to the shareholders on this agenda item.

We recommend that the Supervisory Board consider taking a transparent approach to disclosing information on determining the amount of remuneration.

#### DRAFT RESOLUTION ON AGENDA ITEM 4:

Approve the payment of remuneration to the Supervisory Board members of Bank Saint-Petersburg PJSC for the period of their service in 2017-2018 as follows:

1. Alexander Savelyev: RUB 5,244,000 in a lump sum;
2. Susan Gail Buyske: RUB 5,520,000 in a lump sum;
3. Andrey Bychkov: RUB 5,980,000 in a lump sum;
4. Alexey Germanovich: RUB 5,520,000 in a lump sum;
5. Vladislav Guz: RUB 5,980,000 in a lump sum;
6. Andrey Zvyozdochkin: RUB 5,921,000 in a lump sum;
7. Andrey Ibragimov: RUB 5,060,000 in a lump sum;
8. Elena Ivannikova: RUB 6,900,000 in a lump sum;
9. Alexander Polukeyev: RUB 5,855,000 in a lump sum;
10. Alexander Pustovalov: RUB 5,060,000 in a lump sum.

5.	AGM agenda item	API recommendation
	<a href="#">Compensation of the costs incurred by the Supervisory Board members of Bank Saint-Petersburg PJSC in relation to the service in their professional capacity</a>	<b>FOR</b>

#### AGENDA ITEM 5 DETAILS:

It is proposed that the amount of compensation payments to Supervisory Board members for the period of their service in this capacity in 2018-2019 be set equal to no more than RUB 15,000,000 in total. The proposed amount of compensations has not changed against the previous year.

#### DRAFT RESOLUTION ON AGENDA ITEM 5:

Compensate Supervisory Board members of Bank Saint-Petersburg PJSC for the actual costs incurred in the period of their service in this capacity in 2018-2019 until the next Annual General Shareholders' Meeting in the amount of not exceeding RUB 15,000,000 (fifteen million rubles) in total.

6.	AGM agenda item	API recommendation
	<a href="#">Determining the size of the Supervisory Board of Bank Saint-Petersburg PJSC</a>	<b>AGAINST</b>

#### AGENDA ITEM 6 DETAILS:

It is proposed that the Supervisory Board of Bank Saint Petersburg PJSC consist of 9 (nine) members. Compared with the previous year, the number of Supervisory Board members is reduced by one member, actually rolling back to the 2016 level. The reduction in the number of Supervisory Board members adversely affects the minority shareholders' ability to elect candidates to the Supervisory Board by their votes.

It should be noted that determining the size of the Board of Directors (Supervisory Board) by a resolution of the general shareholders meeting without amending the corporate charter as appropriate cannot be considered as good

corporate governance practice because of legal uncertainties not offset by any significant advantages for the Company. In the case considered at the General Meeting with reference to this agenda item, the number of candidates nominated by the shareholders to the Board does not exceed the current number of seats on the Board or the number of seats proposed for consideration by the shareholders, so that the number of elected candidates will match the size of the Board regardless of the shareholders' resolution. However, in case the shareholders nominated 10 or more candidates (within the Board size limit approved by the previous shareholders meeting) and simultaneously resolve to reduce the number of seats to 9, the number of Board members elected for the 2018-2019 corporate year would exceed the Board size determined by the shareholders for the period until the 2019 annual meeting as the number of cumulative votes would be calculated proceeding from ten Board members.

In this regard, the API's position is as follows:

Recommendation to the shareholders: vote AGAINST on this agenda item;

Recommendation to the Company's Supervisory Board: initiate amendments to the corporate charter according to which the size of the Supervisory Board is increased to 11 members, recognized in the corporate charter and can only be changed in the procedure used to amend the charter.

#### DRAFT RESOLUTION ON AGENDA ITEM 6:

Determine that the Supervisory Board of Bank Saint-Petersburg PJSC shall consist of 9 (nine) members.

7.	AGM agenda item	API recommendation
	<a href="#">Election of the Supervisory Board members of Bank Saint-Petersburg PJSC</a>	API recommends voting <b>FOR</b> Alexey Germanovich (API-supported independent director) Andrey Zvyozdochkin (independent director)

#### AGENDA ITEM 7 DETAILS:

Nine candidates are proposed for voting.

In case of a positive resolution on agenda item 6, the established size of the Supervisory Board will be equal to the number of actually elected directors.

No.	Name	Candidate office / position (at the primary place of employment)	Nominated by	Years on the Board	Status
1.	Susan Gail Buyske	CA Advans Sicar SA, Supervisory Board member	THE EUROPEAN BANK FOR RECONSTRUCTION AND DEVELOPMENT (EBRD)	6	non-executive director
2.	Andrey Bychkov*	Bank for Development and Foreign Trade State Corporation (Vnesheconombank), Managing Director of the Financial Institutions Department (from July 3, 2017 to present)	Verniye Druzya Management Company LLC	8	non-executive director
3.	Alexey Germanovich**	CJSC Upravleniye Investitsiyami, Advisor to CEO (from May 2014 to present)	East Capital - East Capital Russia	4	Independent director

4.	Vladislav Guz	Bank Saint-Petersburg PJSC, Deputy Chairman of the Supervisory Board	Alexander Savelyev	4	non-executive director
5.	Andrey Zvyozdochkin **	LLC ATON, CEO	Verniye Druzya Management Company LLC	1	independent director
6.	Elena Ivannikova	Bank Saint-Petersburg PJSC, Chair of the Supervisory Board	Verniye Druzya Management Company LLC	12	non-executive director
7.	Pavel Kiryukhantsev	CJSC Zest Leaders, general director (from August 2, 2010 to present)	Verniye Druzya Management Company LLC	0	independent director
8.	Alexander Polukeyev	Assistant of the Presidential Envoy to the Northwestern Federal District of the Russian Federation (November 2010 - September 2011)	LLC Investproyekt	4	independent director
9.	Alexander Savelyev	Bank Saint-Petersburg PJSC, Chairman of the Management Board	Alexander Savelyev	14	executive director

Members of the Supervisory Board are elected by cumulative voting.

\* According to clause 4 sub-clause 7) of Annex 4.1. to the Listing Rules of PJSC Moscow Exchange, a person serving as a member of the Board of Directors of an issuer for more than 7 years in aggregate should be recognized as a party related to that issuer.

\*\*The API officially supports this candidate at the AGM.

For details on the API's engagement with independent directors, please visit the official API website:

<http://api-russia.org>.

All independent directors supported by the API are open to direct contact with shareholders; please contact us for further information.

#### DRAFT RESOLUTION ON AGENDA ITEM 7:

Elect the following persons as members of the Supervisory board of Bank Saint-Petersburg PJSC

1. Susan Gail Buyske
2. Andrey Bychkov
3. Alexey Germanovich
4. Vladislav Guz
5. Andrey Zvyozdochkin
6. Elena Ivannikova
7. Pavel Kiryukhantsev
8. Alexander Polukeyev
9. Alexander Savelyev

8.	AGM agenda item	API recommendation
	<a href="#">Election of the Revision Committee members of Bank Saint-Petersburg PJSC</a>	<b>ABSTAINED</b> on all candidates

#### AGENDA ITEM 8 DETAILS:

It is proposed to elect a new Revision Committee consisting of five members. Despite the nomination of a different candidate, most of the Revision Committee members, just as in previous years, are employed by the Bank. This, in our view, indicates a formal approach to the Committee's activity and signals a potential conflict of interest as the auditor is employed by the audited entity.

No.	Name	Candidate office / position (at the primary place of employment)
1.	Olga Babikova	Bank Saint Petersburg PJSC, Vice President, Director, Commercial Department Outlet Office
2.	Alexander Pustovalov	LLC Evolyutsiya Investment Group, CEO
3.	Nadezhda Komysheva	Bank Saint-Petersburg PJSC, Senior Expert, Proprietary Trading Operations, Investment Department
4.	Nikolay Lokay	LLC Investitsionnaya Finansovaya Kompaniya Bank Saint Petersburg, CEO (from November 2007 to present)
5.	Svetlana Polukhina	Bank Saint-Petersburg PJSC, Senior Expert, Accounting and Reporting Methodology Unit, Accounting Department (from February 2012 to present)

Members of the Revision Committee are elected by a simple majority of votes.

#### DRAFT RESOLUTION ON AGENDA ITEM 8:

Elect the following 5 (five) members to the Revision Committee of Bank Saint-Petersburg PJSC:

1. Olga Babikova
2. Alexander Pustovalov
3. Nadezhda Komysheva
4. Nikolay Lokay
5. Svetlana Polukhina

9.	AGM agenda item	API recommendation
	<a href="#">Approval of Amendment No. 2 to the Regulation on Remuneration and Compensations payable to Supervisory Board members of Bank Saint-Petersburg PJSC</a>	<b>FOR</b>

#### AGENDA ITEM 9 DETAILS:

The amendments vest the General Shareholders Meeting with the power of approving not only the basic remuneration (as provided for by the current version of the Regulation), but also the additional remuneration payable to Supervisory Board members and the amount of reimbursement for expenses incurred by Supervisory Board members.

The remaining amendments to the Regulation are mostly technical (removal of references, correction of erroneous numbering of clauses in by-laws, etc.).

No innovations prejudicing the position or restricting the rights of shareholders are proposed in the document.

**DRAFT RESOLUTION ON AGENDA ITEM 9:**

Approve Amendment No. 2 to the Regulation on Remuneration and Compensations payable to Supervisory Board members of Bank Saint-Petersburg PJSC according to the draft put to vote.

---

The Voting Recommendations are based on the Annual General Meeting reference materials published on the website of Bank Saint-Petersburg PJSC. For questions and/or comment, please contact us at: +7 495 510-5306 or via email: [maksimov@api-russia.org](mailto:maksimov@api-russia.org)