

6.1 Human resources

CREDIT BANK OF MOSCOW's management devotes priority attention to the development of human capital and the creation of an effective team.

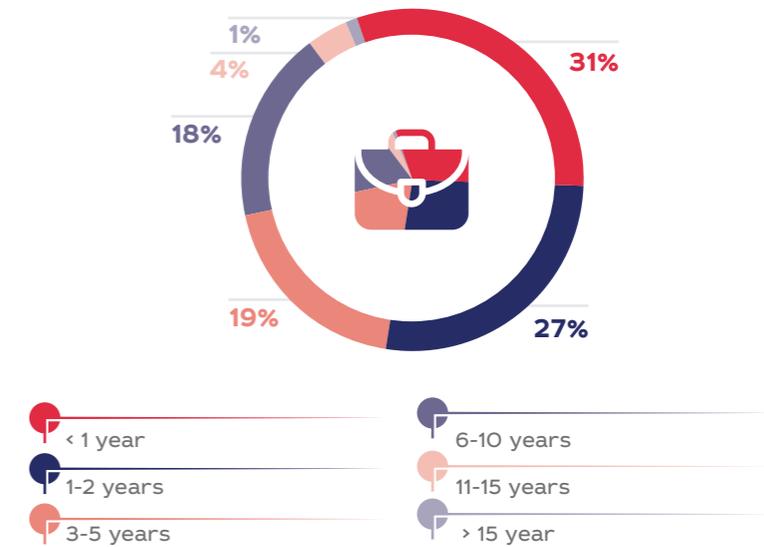
The bank's HR management strategy is aimed at attracting, training and retaining highly qualified and efficient personnel. In order to achieve these objectives, all activities to develop the organisational structure, improve business processes and increase professional development of the employees are based on the goal setting management, improvement of the key performance indicators system, corporate culture development and increased involvement of all employees.

In 2019, the bank's HR management strategy was structured in accordance with the bank's strategic goals. In addition, a focus was made on efficiency and improvement of business processes.

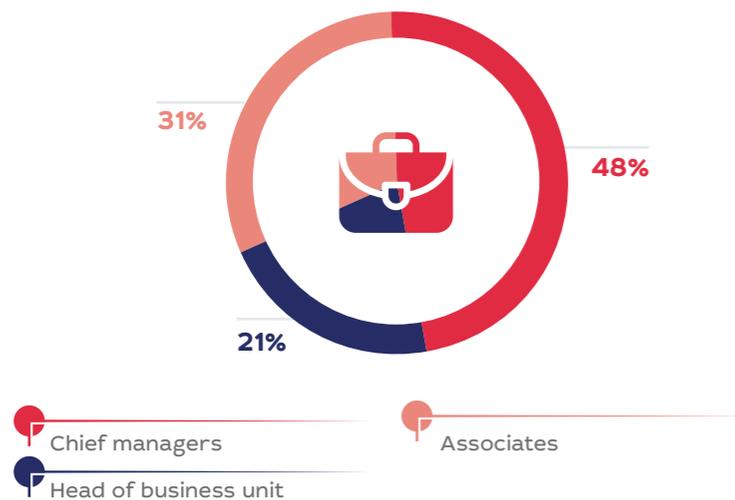
Bank's Headcount Structure

As at end-2019, MKB's headcount was 5,407 people, which is 11% lower than in 2018. Such a decrease in the headcount structure was primarily due to the delegation of cash handling to INKAKHRAN and the improvement of business processes.

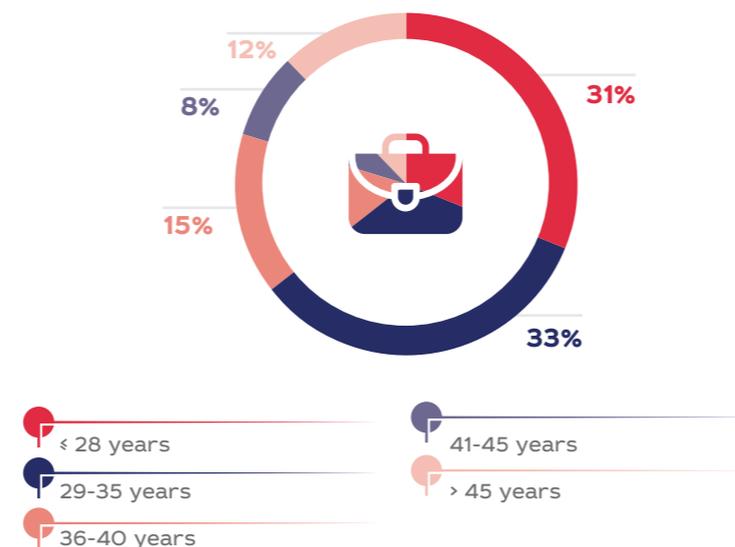
Distribution of the Bank's employees by length of employment as at 31.12.2019



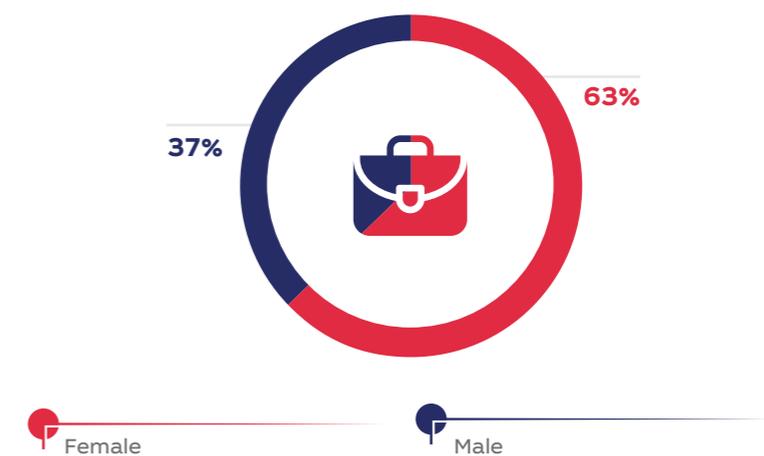
The Bank's headcount structure by the category of employees as at 31.12.2019



Distribution of the Bank's employee by age as at 31.12.2019



Gender structure as at 31.12.2019



The implementation of new financial and non-financial motivation programmes led to the need to seek relevant instruments for revising approaches to staff costs. Thus, in 2019, the bank audited its functional and organisational structure, which resulted in a profound modernisation of the bank's management structure, namely:

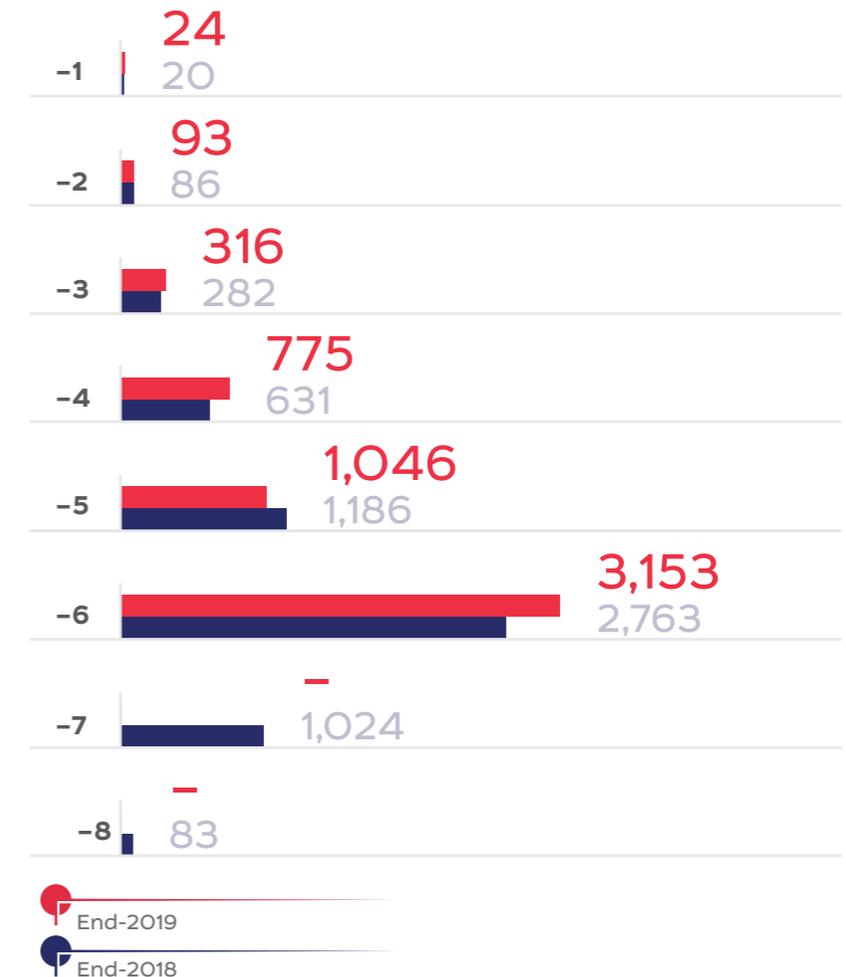
- The number of management levels reduced from 8 to 6, and the manageability rate almost doubled to 8.9;
- The bank's organisational structure is formed on the principle of customer segmentation. Each team has a high degree of independence and is fully responsible for the P&L, product development and implementation, sales and analytics in its segment;
- In 2019, a market industry customer coverage subdivision was created as part of the corporate block.

Support and control are performed by competence centres in areas such as HR, Risk, Finance, IT, PR & Marketing, Legal, Compliance, Operations and the Customer Service & Care Centre. The last two centres are partially transferred to the Regional Service Centres in Smolensk and Perm, respectively.

The bank's IT function has a minimum number of management levels. Project activities in the Agile format allow minimising time to market in the development and implementation of new banking products. The interaction of IT with customer and functional teams is facilitated by IT business partners who are competent in and understand operation of the supported subdivisions. This advances a deep understanding of the needs for automation of the bank's current operational processes.

Organisational Hierarchy Management Levels Transformation from 2018 to 2019

Chairman of the Management Board level



Staff Recruitment and Adaptation

In 2019, staff recruitment was improved: the Recruitment and Adaptation Guidance was revised and approved, and new reporting and recruitment analytics were introduced.

In addition to ongoing recruitment for vacant positions, the bank's staff recruitment subdivisions recruited staff for the bank's new contact centre in Perm, and for new branches in Saint Petersburg and other Russian cities as part of the bank's regional development.

The bank's Staff Recruitment Subdivision launched several projects aimed at engaging staff, creating a base of potential nominees and developing MKB's HR brand. For example, the referral programme We Choose Colleagues!, and the MKB Universe programme for engaging young specialists. Under the MKB Universe programme, the largest Moscow universities were engaged, including MGIMO University, Moscow State University, Bauman Moscow State Technical University and the Moscow Institute of Physics and Technology, and lectures and master classes by MKB's top managers and experts were organised for graduate students of these universities. In addition, the heads of the Tver IT subdivision took part as a jury in the hackathon of Tver State University.

In 2019, the bank launched an internal competition programme for its employees, which provides professional and career development opportunities for the employees, reduces the time to close vacancies and the adaptation period of employees in new positions, increases employee loyalty and reduces staff turnover.

In 2020, we shall continue to work on improving the headhunting quality, reducing vacancy closure time and recruitment process automation.

Training and Development

The bank assigns a critical part in its talent pool development system to the continuous development and improvement of the knowledge and skills of its employees, which are based on the strategic goals and business tasks of the subdivisions.

During 2019, the bank's employees took part in the following:

- Professional training focusing on products, services, internal processes, operation methods and technologies;
- Professional training regulated by Russian laws;
- Communication, managerial competence and business skills training.

The employee knowledge and skills were improved using external and internal resources.

In 2019, the business skills training system was based on a competency-based approach, in line with the implemented model of general banking competencies for employees, and leadership competencies for the bank's heads.

THE BANK IMPLEMENTED THE FOLLOWING TRAINING PROGRAMMES:

- “MKB Success Academy consisting of 11 training programmes in various areas;
- “Leadership Academy consisting of 4 training and leadership development programmes;
- Customised training of business subdivision employees in sales, negotiations and customer relations.

All of the aforesaid programmes provide the employees with an opportunity to improve their professional level, develop their corporate and managerial competencies, and exchange experience with their colleagues at the bank. 2,475 employees completed the programmes. Participants highly valued the level of organisation and holding of the events, giving a score of 9.63 on a 10-point scale.

The bank has implemented and regularly runs basic training for new employees of business areas who will subsequently communicate with the bank’s customers. The training is based on career models and includes the principal aspects of employee activities in relevant positions. The training is held both in face-to-face and in remote formats (remote courses, webinars). In 2019, basic training was held for employees of the Retail, the Underwriting Division and the Overdue Debt Collection Division. In 2019, approximately 2,300 participants attended various basic training programmes.

Active use of remote training channels and Webtutor software was an important component of the training. More than 4,200 distance learning courses were completed in 2019, 20% more than in 2018.

For The Talent Pool programme is a regular fixture for employees of the Retail Business branches. The 5th group of employees completed the programme in 2019. The Talent Pool is a platform for intra-company training of prospective employees for career development. Reserve employees are trained under the modular competency development programme. In 2019, all reserve employees successfully completed their final qualification examination, and most of them were promoted to managerial positions.

In 2019, the bank launched the Performance Management (PM) system.

As part of PM:

- The Regulation for annual examination was developed and approved;
- All stages of the system were automated;
- All participants in the system were informed and trained in the PM.

To form a unified approach and a culture of interaction between employees and managers, when performing all stages of the Performance Management System, the bank arranges training events for employees and managers in various formats: information sessions, webinars and electronic distance learning courses.

Plans for developing the bank’s training system in 2020:

- Implementing a training and development programme for the bank’s managers;
- Expanding programme topics for employees and heads of divisions, units and groups to improve knowledge and business skills;
- Implementing a coaching system for employees of the Retail Block front offices;
- Extending modern distance learning tools (developing and implementing interactive distance learning courses, electronic simulators for developing software skills and others).

Incentives and Wages

The bank builds its incentive strategy based on the principal goal of being a reliable, helpful and insightful financial assistant for customers and partners, thus promoting the development of each of them and the national economy as a whole. The bank seeks to provide its employees with a worthy reward in accordance with the bank's corporate culture and values, while strictly observing the labour laws of the Russian Federation and regulatory requirements.

The bank's incentive strategy supports the sustainable engagement, motivation and retention of highly qualified staff. The bank's remuneration programmes are based on responsibility, risk minimisation and compliance with legislative and regulatory requirements. They support the bank in achieving the desired level of a high-performance culture.

The remuneration system includes fixed and non-fixed parts, determined based on the employees' qualification and experience, parameters of their work, the job-prescribed level of responsibility and work results, both of the employee and the bank in general.

In 2019, considerable attention was paid to optimising and improving existing incentive systems, taking into account the bank's updated business strategy and the emerging needs of the business subdivisions. Thus, the number of existing incentive systems was reduced by almost half to increase their

transparency, simplify staff understanding of them, and to unify the approach to determining key results that are important for the bank.

In 2019, an incentive programme was launched in accordance with the performance management system for all business functions and for the managers of the assistance, support and control functions. In 2020, we plan to cover all bank employees with this programme, excluding subdivisions that have separate performance management and bonus systems.

The bank applies a system of benefits that includes voluntary health insurance, compensation for lost income due to employee illness, various types of cash assistance, special partner offers and discounts for employees and New Year gifts for the children of employees.

The bank launched recognition programmes at the "employee-employee" and "manager-employee" levels, which support the corporate competence model.