



.unb банк основан
в 1973 году

annual report

Day after day

REACHING THE BEST

2016

APPEAL OF THE DIRECTION OF THE BANK

DEAR SHAREHOLDERS, MEMBERS OF THE BOARD OF DIRECTORS, COLLEAGUES, PARTNERS, CLIENTS!

We are pleased to present you a report on the results achieved by Interprogressbank in 2016. Our Bank managed to reiterate the reputation of a reliable partner ready to assist clients and shareholders in achieving their strategic targets in very difficult conditions. The financial and operating results obtained in the past year attest to the fact that the Bank has considerable strength, reliable partners and customers, strong competitive edge and a well-conceived development strategy on which we can rely in the future.

The past 2016 was full of important events both for the world as a whole and for our country. Worldwide markets responded by the growth of volatility to the impact of various political and economic factors. We observed a continuation of the recession, drop in real income of companies and citizens, further reduction in investment activity and depletion of government reserves in Russia. A number of Russian companies and banks continue to be subject to international sanctions. Significant impact on the banking sector was provided by the actions of the Bank of Russia, which continued to clear the credit and financial sector by forcing unconscientious players.

On the other hand, a record low inflation rate was recorded in 2016 for the entire recent history of the Russian economy (5.4%), the Bank of Russia proceeds to the reduction in interest rates and the national currency significantly strengthened. These

phenomena – as whole, undoubtedly positive ones – contributed to a decrease in the average market profitability of active banking operations.

But despite the fact that the external environment became more complex and less predictable, we were obliged to guarantee our customers consistently premium service, and our shareholders – lucrative fee according to the results of the year.

Today we can say that the targets set for the Bank's management for 2016 have been achieved. The bank maintained its positions in the market and continued to develop.

Interprogressbank cleared a profit of 602.2 mln RUB, which is 37% more than in the previous year and significantly higher than the planned value according to the results of the year. The Bank's equity capital was 5.6 bln RUB, while the Bank has a significant margin of capital adequacy to cover possible banking risks and implement statutory ratios. Given these indicators, in 2016 we decided to pay dividends on the results of the Bank's operation for 2015 and from previously undistributed profit. In total, the Bank paid to the shareholders 1.188 mln RUB.

The net loan indebtedness of the Bank increased by 7.3% up to 28.7 bln RUB. The bank reached the planned growth in the client base, while maintaining the high quality of its loan portfolio. Our principal borrowers are still enterprises of the real sector of economy and highly reliable credit institutions; the share

of borrowers of the first and second class accounts more than 80% of the total amount of stipulated loan limits. The growth in a share of active clients and the low (in comparison with the average one for the market) share of defaulting loans – 3.8% of the total loan portfolio – confirm the quality of the Bank's client base.

The Bank offers its clients an expanded line of loan products, uses a well-targeted risk assessment system, and adheres to a conservative approach to the selection of borrowers. In general, this enables us to form a stable and well-diversified loan portfolio. The aggregated net volume of loans granted to entities (including small and medium-sized enterprises), as well as to natural persons, amounted to 19.8 bln RUB as of 01.01.2017.

At the same time, Interprogressbank continued to develop cooperation with companies of strategic interest for it, and focused on the development of the most important competencies and competitive edge, including versatility, flexibility, and individual approach to clients.

The measures taken throughout the year provided for an increase in the efficiency of the Bank's business units and allowed the formation of new reliable sources of income. As an illustration we can mention the connection of the Bank to the National System of Payment Cards «Mir», which in the future will service the majority of employees of publicly owned companies and budgetary institutions, as well as the development of the direction of secured lending (mortgage loans) and the expansion of cross-selling.

To judge the correctness of the strategy chosen by the management, it is necessary to take into consideration not only the results of 2016, but also the general trends of the Bank's development. Moreover, they are the following: for the last five years, our Bank has increased capital more than 3.5 times, net assets – 2.5 times. During this time, we achieved the net profit growth of 5.6 times. Within a period not exceeding five years, Interprogressbank has entered the 100 largest banks in Russia in

19.8 bln RUB –
aggregated
net loan value

602.2 mln RUB –
net profit

terms of net profit volume, size of the aggregated loan portfolio, volumes of lending of entities and volume of attracted funds of entities and natural persons.

Despite all the difficulties, the past 2016 was successful for Interprogressbank. It is possible that the countdown of a new recovery period of the domestic economy, in which, we are sure, Interprogressbank will continue its successful development will begin from this year, because we have everything necessary for this: reliable clients and partners, an experienced team of employees and managers, confidence of stockholders.

With appreciation for your contribution to the development of Interprogressbank,

**Dmitry Aleksandrovich
Yakovlev**
Chairman of the Board

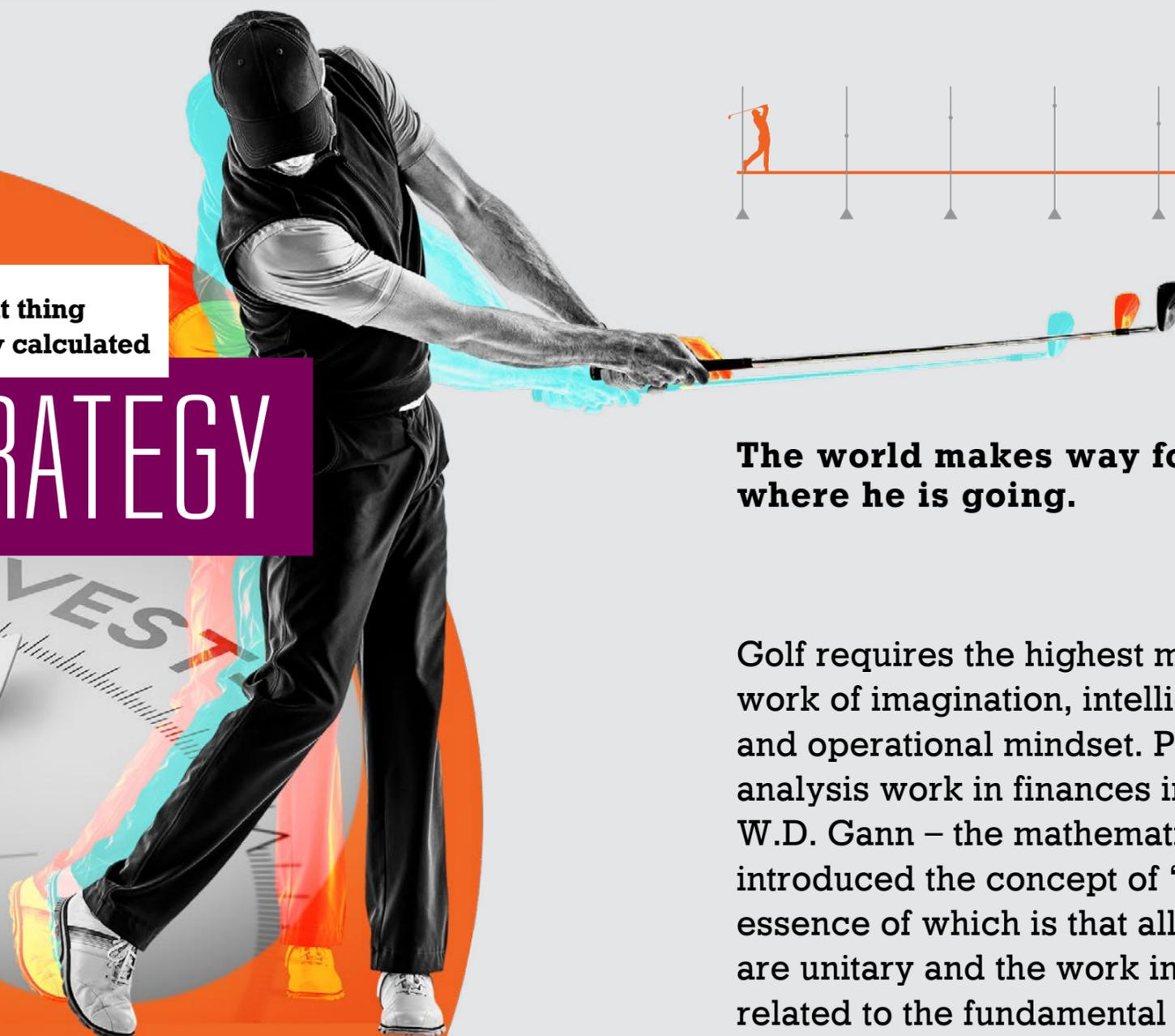


**Galina Ivanovna
Dubinkina**
President



Finances as golf: the most important thing on the way to success is a precisely calculated

STRATEGY



The world makes way for the man who knows where he is going.

Ralph Waldo Emerson

Golf requires the highest mental determination, fair work of imagination, intelligence, competent strategic and operational mindset. Principles of multifaceted analysis work in finances in a similar way, for example, W.D. Gann – the mathematician of legend and trader introduced the concept of “The Law of Vibration”, the essence of which is that all processes of the Universe are unitary and the work in financial markets is directly related to the fundamental processes in the world.

Gunn’s strategies were so precise that they allowed making 286 transactions within 25 days, 264 of which were profitable.

The world record in golf was achieved in 1995; the ball bunkers from a distance of

453 m

ABOUT THE BANK

41.3 bln RUB –
net assets*
-4.3%

602.2 mln RUB –
net profit**
+37.7%

5.6 bln RUB –
equity
capital*
-0.5%

37.0 bln RUB –
attracted
funds***
+2.8%

INTERPROGRESSBANK (BANK IPB (JSC)) IS A UNIVERSAL CREDIT AND FINANCIAL INSTITUTION OFFERING A WIDE RANGE OF FINANCIAL SERVICES AND HIGH QUALITY PRODUCTS TO NATURAL PERSONS AND ENTITIES.

The banking license for natural persons and entities with funds in rubles and foreign currency No. 600 dated 18.09.2015. The primary date of registration by the Bank of Russia is 26.10.1990.

The Bank's major clients in the corporate segment are enterprises of the real sector of economy with an impeccable credit history and financial discipline, including taxpayer-funded enterprises. Among the Bank's clients are the representatives of various sectors of economy: trade and transport, metallurgy, chemical and construction industries, telecommunications companies. The geographic footprint of the Bank covers Moscow and the Moscow Region, St. Petersburg and the Leningrad Region.

Interprogressbank was founded in March 1973 as a branch of the State Bank of the USSR in Moscow and since a few reorganization of the credit system has been carried out in the country, it changed its organizational structure several times. In 1990,

the Bank (at that time the Krasnogvardeiskoe branch of the Zhilsotsbank of the USSR) was reorganized into the Commercial Bank for Economic and Social Development Interprogressbank and obtained a banking license for natural persons and entities in rubles and foreign currency No. 600.

Interprogressbank continues to develop preserving the reputation of a stable and reliable credit and financial institution, combining the best traditions of the Russian banking system and modern management approaches, offering clients optimal service standards and flexible Fee Policy, individual approach and products based on new information technologies.

* As of 01.01.2017.

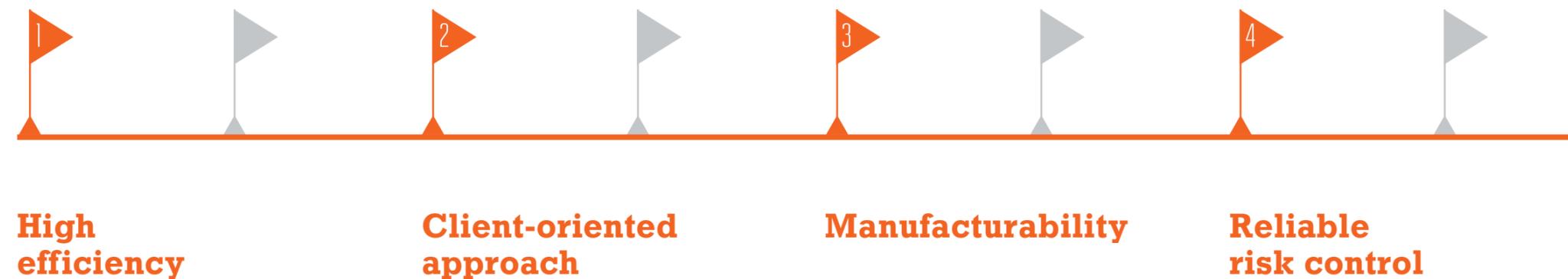
** Following the results of 2016 after payment of income tax.

*** Attracted funds from entities and natural persons with regard to issued debt obligations as of 01.01.2017.

COMPETITIVE EDGE



CORE PRINCIPLES APPROVED IN THE BANK'S DEVELOPMENT STRATEGY



GOVERNING BODIES

Interprogressbank (Joint Stock Company) is an entity and acts by virtue of the powers vested in him by operation of law and the legislation of the Russian Federation.

Further to the decision of the General Shareholder Meeting of the Bank dated June 25, 2015 (Minutes No. 1-2015) the Bank's names have been changed: full legal name of Bank in Russian is "INTERPROGRESSBANK" (Joint Stock Company),

abbreviated legal name of the Bank in Russian is IPB Bank (JSC). The previous Statute of Joint-Stock Bank Interprogressbank as a closed company was approved by the General Shareholder Meeting on August 5, 2002. In accordance with the established procedure, the Central Bank of Russia registered a new Statute of Interprogressbank as a Joint-Stock Company on August 7, 2015.

BOARD OF DIRECTORS

Chairman of the Board of Directors	Nikolay Alexandrovich Sobolev
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Members of the Board of Directors	Alexey Andreevich Krapivin
	Valery Anatolyevich Markelov
	Yuri Vasilyevich Obodovskii
	Boris Efimovich Usherovich

MANAGEMENT BOARD OF THE BANK

Chairman of the Management Board	Dmitry Aleksandrovich Yakovlev
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First Deputy Chairman of the Management Board	Michael Yurievich Savinykh
Deputy Chairman of the Management Board	Tatyana Igorevna Mikheeva
Deputy Chairman of the Management Board	Sergey Igorevich Pronin
Director of Legal Department	Oleg Stanislavovich Korchagin

SITUATION IN THE LINE OF BUSINESS AND POSITION OF THE BANK

THE BANKING SECTOR OF RUSSIA PARTIALLY OVERCOMES THE CRISIS OF PREVIOUS YEARS FOR 2016, ALTHOUGH IT IS TOO EARLY TO SPEAK ABOUT ITS COMPLETE RECOVERY.

Low economic activity of enterprises and a decline in real incomes of the population throughout almost the whole 2016 had exerted downward pressure on the credit and financial institutions.

The macroeconomic environment was largely determined by external factors. The oil price downturn in international markets in early 2016 was comparable on scale to the first "oil shock" on the cusp of 2014/2015; prices for a number of other commodities exported from Russia fell to the lowest levels over the last 5–7 years. The possibilities for financial borrowing from external sources for Russian borrowers were limited in connection with the international financial sanctions. An additional destabilizing factor was the global financial markets conjuncture extremely unstable throughout 2016.

Signs of adaptation of the Russian economy to the changed external conditions were only outlined by the end of the year, and the financial sector statistics did not reflect them. According to the data of Central Bank of Russia*, the volume of loans and other invested funds provided by banks to non-financial entities-residents declined almost continuously throughout the whole reporting year. According to the results of the year, the volumes of deposits of entities and, albeit to a lesser extent, funds on settlement accounts of institutions decreased. Banks were able to refill the resource base due to the growth of private deposits: their share in the

liabilities structure grew by 2.2 pct. (year on year) and exceeded 30%. At the same time, the volume of consumer loan increased by 1.1%, although the share of loans to natural persons in the asset profile remained almost unchanged.

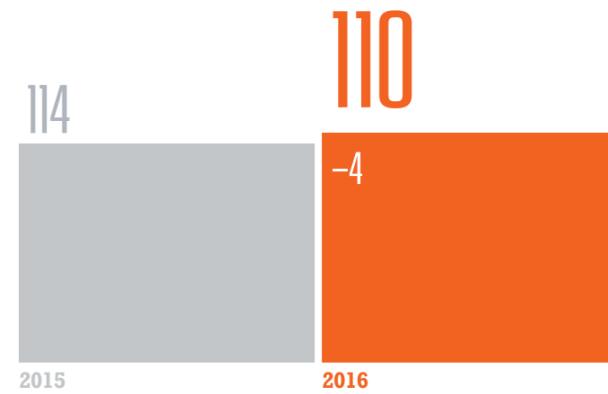
The Bank of Russia continued to clear the financial market from unconscientious players in 2016: 93 banks lost licenses. However, due to the contraction of the economy and significant requirement strengthening on the part of financial monitoring, the reduction in the number of credit and financial institutions did not lead to a noticeable weakening of competition. On the contrary, against the backdrop of a significant increase in competitive bids, the trend of leading lowering of the rates for active transactions with an acceptable level of risk is becoming more evident compared with a lowering of the rates for passive transactions.

IPB Bank (JSC) continued to develop dynamically in the difficult conditions of 2016 defining the target for itself: achieving maximum business performance while maintaining a balance within the system of liquidity-profitability-capitalization.

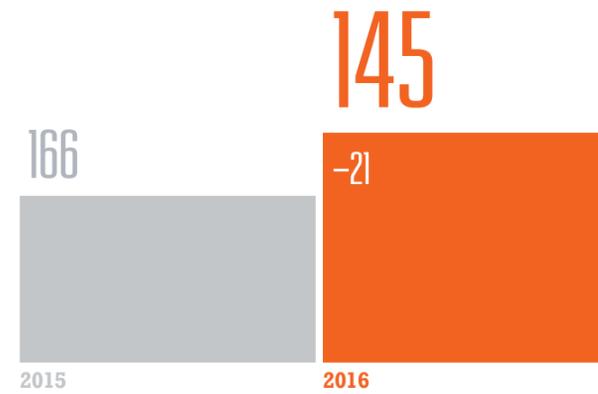
The Bank has intensified efforts to expand and maintain the client base paying particular attention to the assessment and limitation of the accepted risks. The results of the year confirmed the correctness of the choice of priorities: the Bank significantly improved the key financial ratios ensuring payment of dividends to shareholders.

* Dynamic series of indicators of certain tables "Review of the banking sector of the Russian Federation", www.cbr.ru/analytics/bank_system/obs_tables.xlsx.

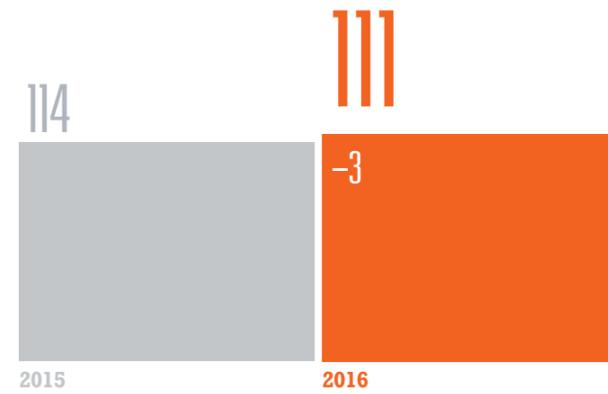
MARKET STANDING (POSITION) OF THE BANK*



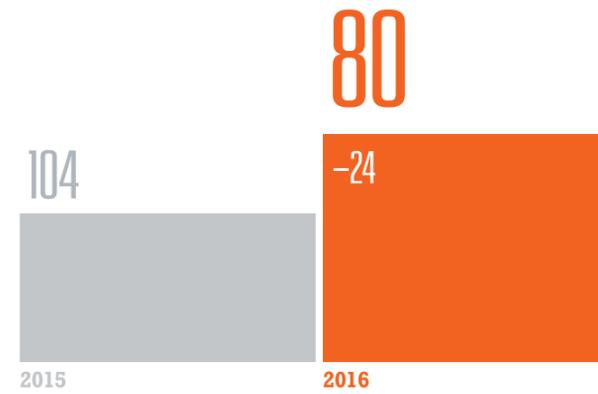
NET ASSETS



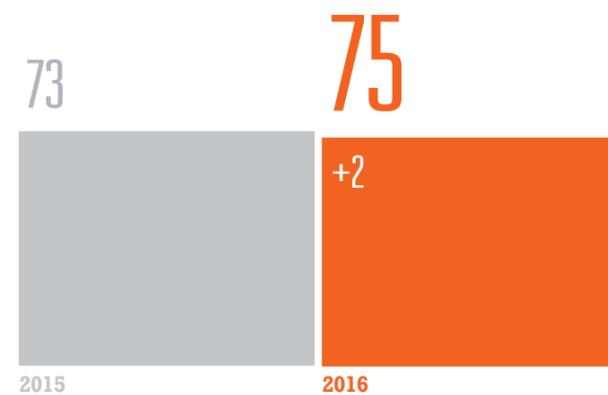
PERSONAL LOANS



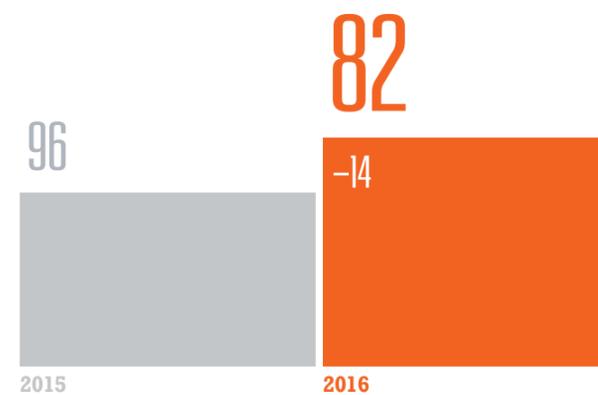
CAPITAL



CORPORATE FUNDS



CORPORATE LOANS



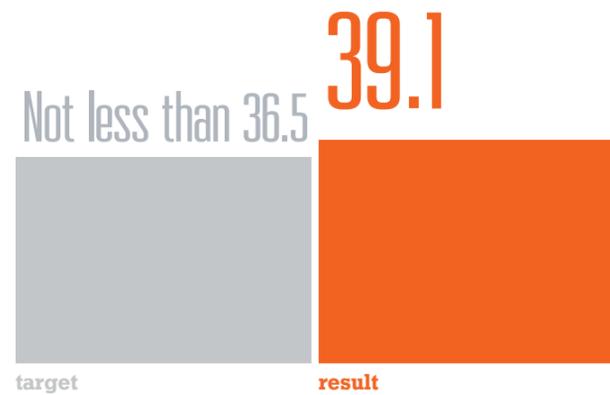
PRIVATE DEPOSITS

* According to the independent analytical and rating center Banki.ru as of the end of the corresponding year.

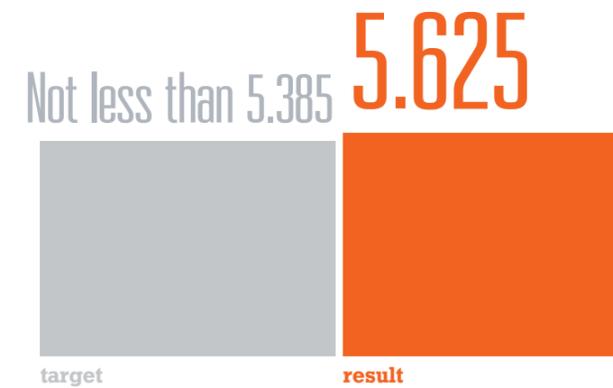
TARGETED INDICATORS*

THE BANK REACHED THE MAJOR GOALS
IN THE DEVELOPMENT STRATEGY FOR 2016:

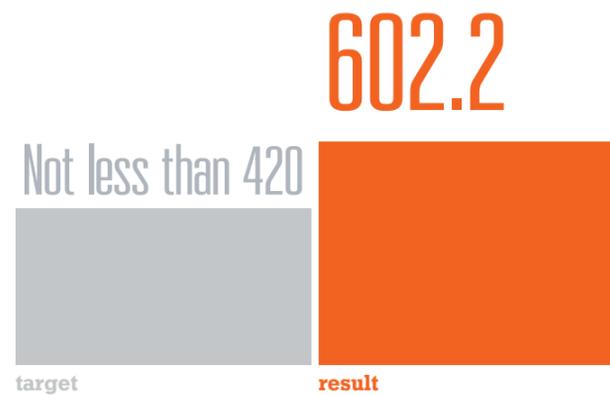
The annual average value of net assets for 2016, bln RUB



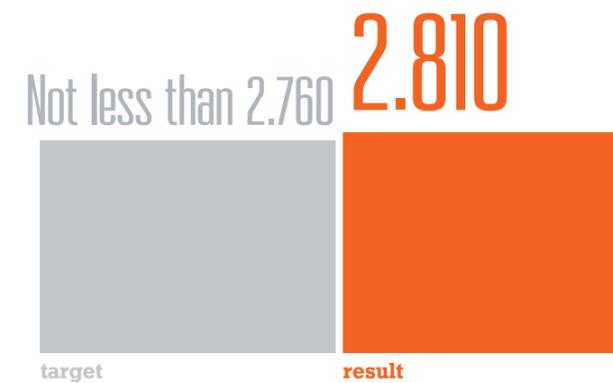
Equity accumulation (capital), bln RUB



The profit according to the results of the year, mln RUB



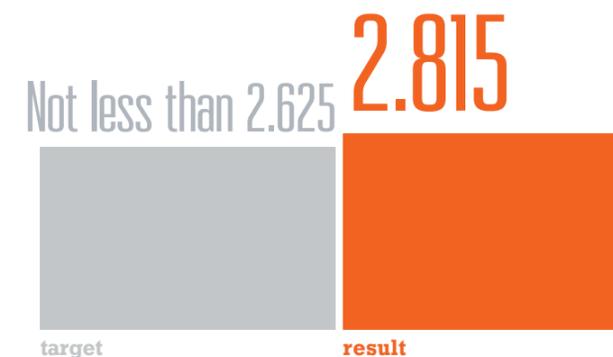
Capital stock accumulation of the Bank, bln RUB



Retention of competitive positions in the banking association**



Additional capital accumulation of the Bank, bln RUB



* As of 01.01.2017.

** According to the independent analytical and rating center Banki.ru.

PRIORITY AREAS OF ACTIVITY AND PROSPECTS OF THE BANK DEVELOPMENT

CORE AREAS OF BUSINESS OF INTERPROGRESSBANK



Services for corporate clients

on the settlement and current account maintenance, obtaining deposits, lending and other types of financing, broking and foreign currency transactions.

Services for natural persons

on the counting of citizens, transfers and payments settlement on behalf of natural persons, lending in the context of consumer lending, safekeep, deposit acceptance, bank cards service, broking and foreign currency transactions.

Investment and trading transactions with financial assets,

including investing in securities of issuers with a high level of reliability and ratings from leading international rating agencies.

THE BANK'S EFFICIENCY IS PROVIDED DUE TO THE PRINCIPAL ACTIVITIES: LENDING TO THE REAL ECONOMY, FINANCIAL INVESTMENT, OPERATIONAL MAINTENANCE OF ENTITIES AND NATURAL PERSONS, INCLUDING THROUGH THE USE OF HIGH-TECHNOLOGY REMOTE MAINTENANCE SYSTEMS.

To achieve the specified goals on efficiency, the Bank:

- ▶ provides a stable composition of balances and capital adequacy;
- ▶ develops intra-bank controlling mechanism of asset quality and improves the work with potentially bad debt to minimize credit risks;
- ▶ improves the efficiency of business units finding ways and means for cost optimization and forms new sources of income.

The Bank updated its objectives for each area of activity and carried out a number of activities aimed at improving efficiency and optimizing the structure of corporate and investment business in 2016 in difficult macroeconomic and market conditions. Business models were adapted with due account for the changed external conditions and balance of expected benefits and potential risks. The Bank has focused on maintaining and supporting baseline competencies and the prime competitive edge: strategic partnership with Russian companies and the universality.

Noting that the Russian government is taking measures to support the development of small and medium-sized enterprises, the Bank continued to work with corporate clients in the medium-sized business segment. Maintaining a stable long-term relationship with strategic clients remains a priority for the Bank. At the same time, the principal criterion in the Bank's credit decision making is the credit quality and credit worthiness.

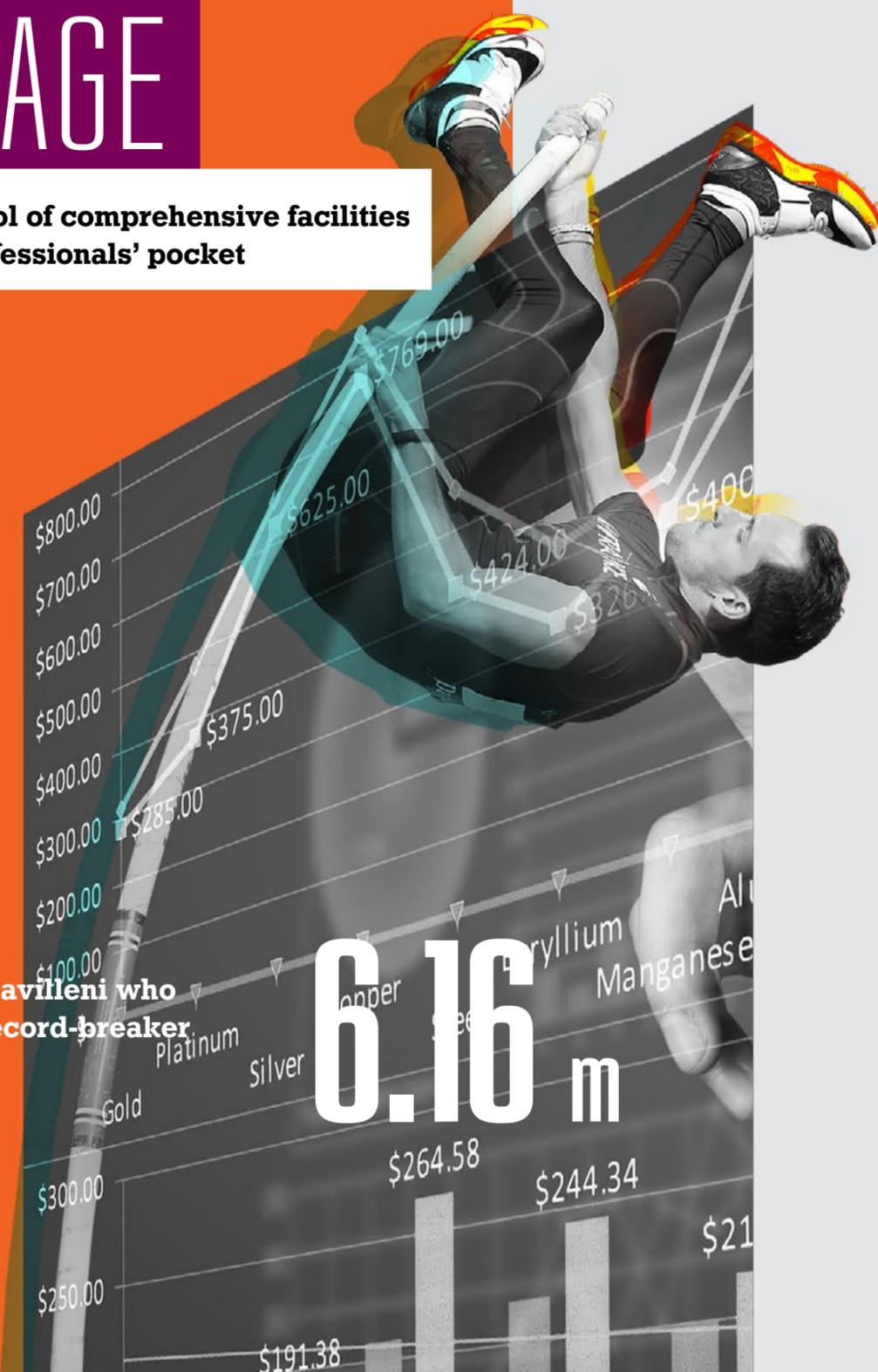
In future, the Bank plans to increase the income from the retail business and provides for appropriate changes in the structure of the loan portfolio. The priority client base for the Bank's retail business will remain employees of corporate clients of the Bank, as well as natural persons with an income level not lower than the average. The Bank is working at the improvement of service quality offered to retail customers, by the development of remote sales channels. At the same time, the Bank strains after the increase in transaction profitability in this segment by expanding the offers to its clients of commission products (payroll card programs and bank cards, including cards of the Mir payment system) and secured lending (mortgage loan) while maintaining high borrower requirements.

LEVERAGE

is a tool of comprehensive facilities in professionals' pocket

French jumper Reno Lavilleni who is the current world record-breaker wins the height of

6.16 m



Degree of Financial Leverage is the application of borrowed funds increasing the size of transactions and the return on equity with the correct calculated risks and benefits.



Leicester Salamon: the financial leverage of good

Nowadays, investors are increasingly looking for social results. Professor Salamon who is a researcher of non-profit sector of the economy found a use of leverage in charity using new private capital resources, while gaining the maximum effect from using financial resources.

KEY FINANCIAL INDICATORS ACCORDING TO THE RESULTS OF 2016

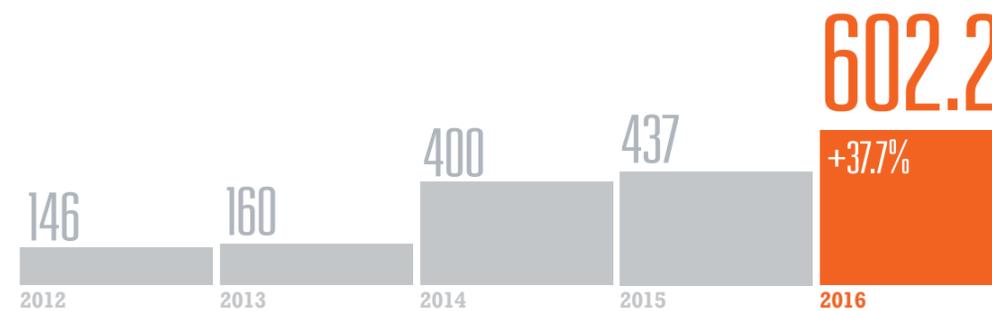
The Bank's financial result after tax on income amounted to 602.2 mln RUB in 2016, which is 37.7% higher than the same indicator for the previous reporting period. The increase in net profit was mainly due to a significant growth of net interest income after the creation of provisions for possible losses, an increase in income from securities transactions and foreign currency.

The Bank's net interest income after the creation of provisions for possible losses increased by 22% compared to the previous year and exceeded 1.7 bln RUB.

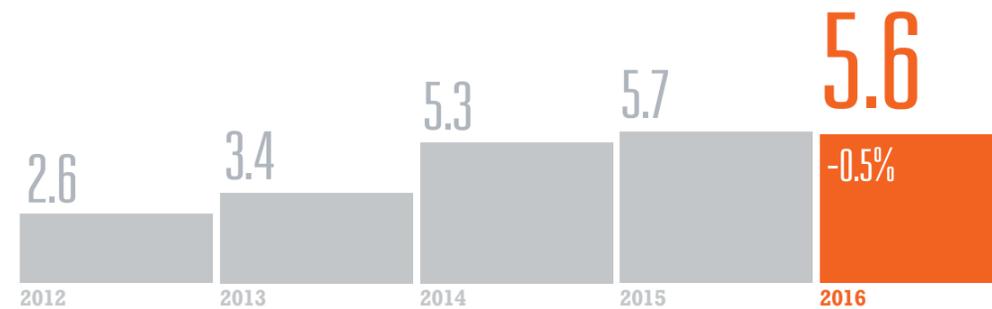
The aggregate of net income of the Bank from securities transactions, including equity income from entities amounted to 267 mln RUB in 2016. Significant influence on the increase in income on securities was made by investments in shares of issuers with a high level of reliability and by ratings from leading international rating agencies at the level of Russia's sovereign rating.

The borrowings from entities and natural persons considering the issued debt obligations as of January 1, 2017 reached almost 37.0 bln RUB, including 18.7 bln RUB from natural persons.

Net assets of the Bank (asset value less provision for impairment) amounted to 41.3 bln RUB as of 01.01.2017.



THE BANK'S FINANCIAL RESULT AFTER THE TAX ON INCOME, MLN RUB



EQUITY (CAPITAL), BLN RUB

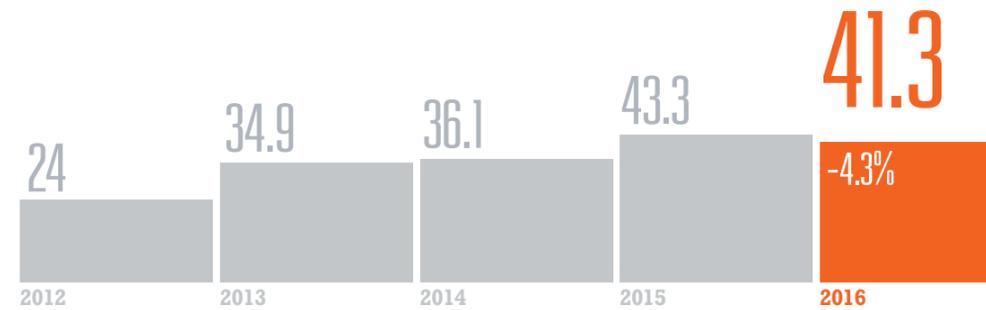
The most significant part (69.5%) in the asset profile was occupied by the net lending receivables at the balance sheet date – 28.7 bln RUB, which is 7.3% more than as of at the end of the previous period. The principal borrowers of the Bank are enterprises of the real sector of economy, as well as highly reliable lending institutions.

The second largest net worth quote (12.6% or 5.2 bln RUB) accounted for the share of funds placed in credit institutions – these are mainly placements on correspondent accounts in highly reliable financial and credit institutions of Russia from among the TOP-30.

The substantial net worth quote of the Bank (8%) is invested in liquid securities with a low level of risk. The aggregate of the security portfolio amounted to 3.4 bln RUB as of 01.01.2017 decreasing by 17% compared to the previous reporting date, which in absolute terms amounted to 0.7 bln RUB.

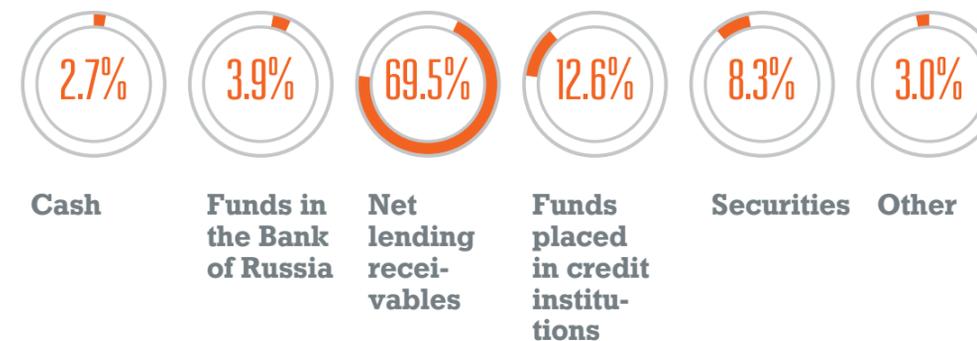
Achieving and maintaining the adequacy level of the Bank's equity necessary for the implementation of the stated strategic goals is at the forefront for the further development of the Bank. The Bank continued to successfully implement the program of equity accumulation due to the capitalization of current profits in 2016. In 2016 it was decided to pay dividends based on the results of work for 2015 and from earlier undistributed profits totaling 1.188 mln RUB considering the net profit for the reporting period significantly exceeding the specified planned value and the existence of a significant provision of capital adequacy to cover possible banking risks and statutory ratios execution. The Bank's equity amounted to 5.625 mln RUB as of 01.01.2017 decreasing by 0.5% compared to the value for the previous reporting date (5.655 mln RUB).

37.0 mln RUB – borrowings

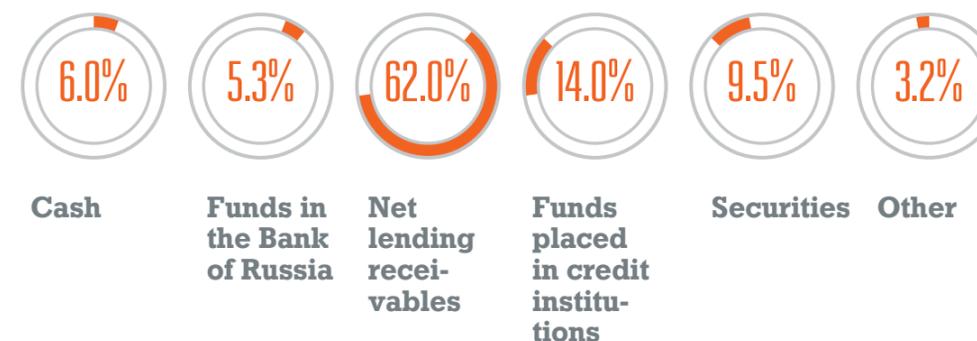


NET ASSETS OF THE BANK (THE ASSET VALUE LESS PROVISION FOR IMPAIRMENT), BLN RUB

NET ASSET PROFILE OF THE BANK IN 2016:



NET ASSET PROFILE OF THE BANK IN 2015:



SPEED

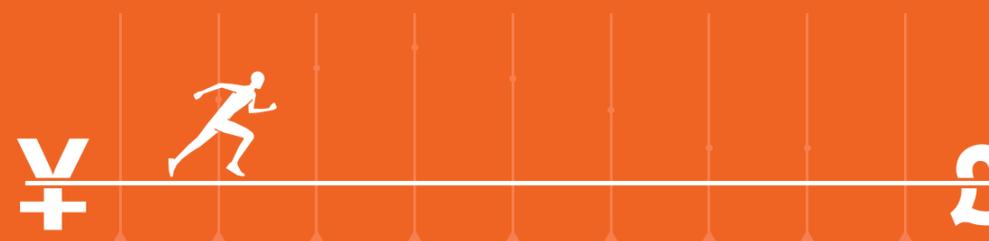
is beyond the movement. This is both
the philosophy and the formula of life



GBP/JPY (pound/yen) is the most powerful and extra-volatile currency pair.

This particular tool demonstrated the largest volatility in the world for one trading day, which was more than

300
points



The fastest person in the world is Jamaican athlete Usain Bolt, who wins three world records in three sprint disciplines. One of these impressive achievements is

9.58 sec.

on the hundred-meter race

CORPORATE BUSINESS

MAJOR TASKS FOR 2016:

- ▶ Increase in the number of clients in compliance with the Bank's requirements for the quality of the client base; reduction of the share of high-risk segment in the Bank's client portfolio.
- ▶ Increase in the Bank's income while maintaining marginality not lower than the minimum level set by the Bank.
- ▶ Increase in the share of non-interest income.
- ▶ Optimization of costs.
- ▶ Increase the volume of the loan portfolio primarily through the development of cooperation with reliable and loyal clients of the Bank.

AGGRAVATION OF THE SITUATION IN THE FUNDING MARKET THROUGHOUT 2016 AND BUSINESS DEPRESSION LEAD TO DETERIORATION OF THE FINANCIAL CONDITION OF SOME CLIENTS, THEIR POSITIONING IN ANY GIVEN MARKET SEGMENT. THE BANK COORDINATED THE BUSINESS STRATEGY WITH A LINE OF CORPORATE CLIENTS TO MINIMIZE ITS RISKS.

At the same time, Interprogressbank continued to develop cooperation with companies of strategic interest. Consistent work on the development and strengthening relations with existing partners allowed increasing in the penetration of banking products into the Business-To-Clients. In addition, the

Bank highlighted the attractive terms for products and services, the team expertise, high quality of services, individual approach to solving specific tasks of each client, decision-making time, convenience, and functionality of remote interaction channels with clients, high manufacturability.

According to the results of 2016, the Bank achieved the planned increase in the client base. Its sectoral structure has not undergone substantial transformations: trade and services, construction and transport complex enterprises prevail.

Today the Bank offers a wide range of high-technology bank instruments for large, medium, and small-sized businesses considering the interests and needs of each client group. Throughout 2016, the penetration of products on the client base demonstrated a moderate positive tone, which indicates a significant growth potential of this area of corporate business according to our reckoning.

At the same time, the Bank notes the high efficiency of corporate business as a whole, which makes it possible to achieve a profitable cost-to-income ratio in this segment. Further growth in the Bank's corporate business will largely depend on maintaining and increasing the client base considering the ongoing economic downfall. The Bank intends to increase its attractiveness for corporate clients primarily due to the high professionalism of client managers, wide range of products and friendly technology solutions.

OBJECTIVES AND PLANS FOR 2017:

- ▶ Extension of cooperation with existing clients and increase of their loyalty to the Bank.
- ▶ Activation of work in the segment of small and medium-sized business.
- ▶ Volume growth of financial borrowing of corporate clients.
- ▶ Operative management of the loan portfolio in accordance with the market conditions.
- ▶ Increase in non-interest income.
- ▶ Improvement of the sales system organization.

LENDING

MAJOR TASKS FOR 2016:

- ▶ Development of cooperation with the most reliable and significant borrowers.
- ▶ Increase in volume and further diversification of the loan portfolio, while simultaneously improving its quality and increasing marginality.
- ▶ Improving the quality of loan indebtedness provision.
- ▶ Modernization of existing and implementation of new rules and methods for risk assessment.
- ▶ Minimization of credit risks; increase the effectiveness of monitoring and credit risk management.
- ▶ Development of new products for small and medium-sized businesses.
- ▶ Lending of capital investment projects of corporate borrowers that invest in fixed assets.
- ▶ Development of cooperation with partner banks for more complete, high-quality and prompt satisfaction of customer needs in credit products.
- ▶ Granting and servicing of loans using remote banking services (RBS).
- ▶ Development of mortgage lending both according to the standard products of the Bank and AHML standards.

THE LOAN PORTFOLIO OF THE BANK IS SUFFICIENTLY DIVERSIFIED BY THE TYPES OF LOANS, TYPES OF BORROWERS AND LENDING CONDITIONS.

Throughout 2016, the Bank with sufficient provision fulfilled all the requirements of the Bank of Russia regarding the risk magnitude per borrower or a group of related borrowers, the volume of considerable loans, loans related to the shareholders and insiders (for more details, see "Credit risk").

The Bank lends the enterprises of trade, metallurgy, telecommunications, chemical, construction, transport and other branches of the economy, other credit institutions, as well as provides the clients with bank guarantees to ensure fulfillment of contractual commitments on goods delivery, execution of works and services, as well as return of an advance. In the total volume of loan indebtedness and free limits on loans, the share of enterprises and institutions is 90.3%, the rest – natural persons.

In 2016, as before, the overwhelming majority of the Bank's borrowers confirmed their creditworthiness fulfilling their obligations to the Bank on time and in full.

At the same time, considering the general unfavorable economic background – the continuation of the decline in production and drop in sales in certain sectors, difficulties in attracting external financing to the economy, drop in real incomes of the population and other factors – the Bank was forced to tighten requirements for borrowers. Particular attention in 2016 was aimed at reducing the bad debts, monitoring the loan portfolio and diversification of credit risks, improving tools and analysis methods of the economic activity of business entities.

The Bank has expanded activities related to monitoring the financial condition of borrowers adhering to the principle of reasonable conservatism with regard to risk control. In particular, the Bank more closely monitored the situation in sectors where the borrowers work, collected and analyzed information not only on the borrower, but also on its main counterparties. Efforts have been reinforced to identify maintenance attributes of suspicious activity and attention to the potentially problem areas of the borrowers' activities.

The Bank also raised the requirements for the funding ratio of loan products. In the approval of lending limits for medium and large-sized business clients, the Bank determined the terms of loan products on an individual basis considering the loan objectives, specifics of the client's activity, the client's real capabilities to repay the obligations to creditors. The list

of credit products for small-sized enterprises is more universal and designed considering the specifics of business of this category of borrowers.

A rule of thumb states that the multifaceted approach to the selection of clients and their lending, individual approach in structuring transactions, the Bank's focus on long-term and mutually beneficial cooperation with each client are compensated. Despite the tightening of lending conditions, the Bank continued to attract new solvent borrowers and expanded its cooperation with clients with a good credit history, which allowed maintaining the Bank's income in the lending segment in terms of working with a minimum maintenance margin.

The share of overdue indebtedness as of 01.01.2017 in the volume of the Bank's requirements for non-financial entities was 3.3%, which is lower than the same indicator for the banking system as a whole (3.7%); on the claims to credit institutions it did not exceed the level of indicator in the banking system (0.1%).

RESULTS
OF 2016:

24.1

bln RUB – total amount of loan indebtedness and free limits on loans of enterprises and institutions as of 01.01.2017.

2.6

bln RUB – total amount of loan indebtedness and free limits on loans of natural persons as of 01.01.2017.

547.7

mln RUB – the amount of guarantees issued by the Bank for the obligations of corporate clients.

Less than
3.8%

of the total loan portfolio was the amount of overdue indebtedness of companies and natural persons.

More than
80%

of the total amount of fixed limits was the share of lending limits granted to prime-quality borrowers classified according to the requirements of CB of RF in the first and second quality categories.

3.8

bln RUB or 85% of total interest income was the total amount of interest income on loans granted to clients that are not credit institutions.

LENDING TO NATURAL PERSONS

Interprogressbank offers natural persons a wide range of credit products: loans, loan facilities, overdrafts, credit cards and other products. The Bank seeks to offset the needs of borrowers to the greatest possible extent offering lending both within the approved standardized products and on individual terms. Upon sale of lending products, the priority is given to clients with a good credit history and participants of payroll card program.

In 2016, the Bank updated the line of consumer loans and launched a new product for mortgage lending of real estate under construction – “Novostroyka.IPB”.

In addition, the Bank obtained in the reporting year accreditation of the Agency for Housing Mortgage Lending (AHML) as a mortgage supplier, which made it possible to develop more

actively mortgage lending to natural persons, including by acquiring the rights of claim on loans to natural persons granted for the house-buying. One of the most important tasks for 2017 will be the launch of a new type of loan mortgage products within the framework of the Bank’s cooperation with AHML.

The adopted strategy allowed increasing the volume of lending to natural persons to 2.6 bln RUB, while the volume of overdue indebtedness decreased by 9.7% to 01.01.2017 compared to the same indicator at the beginning of the previous year.

The Bank continues to optimize business processes and improve information systems servicing the segment of lending to natural persons by solving the tasks of reducing the time for making lending decision on loan applications, increase in the efficiency and availability of the lending process for the Bank’s clients. Works on the process automation of making lending decision on mortgage loans and expanding the capabilities of the remote banking service in terms of lending were continued in 2016.

OBJECTIVES AND PLANS FOR 2017:

- ▶ Improvement in service of borrowers, including due to the use of information technology.
- ▶ Improvement of the Bank’s regulations on analyzing the financial situation of borrowers and assessing credit risks.
- ▶ Attraction of new corporate clients for servicing that form part of large financial and industrial holdings.
- ▶ Keeping up with competitive ability of the Bank’s loan products through the modernization of existing products, introduction of new tariffs and lending conditions in accordance with market trends.
- ▶ Offer of new credit products to natural persons, increase in volume of retail lending.
- ▶ Launch of a new type of lending mortgage products within the framework of the Bank’s cooperation with AHML.
- ▶ Attracting borrowers from small and medium-sized enterprises:
 - introduction of new products;
 - extension of the product line;
 - optimization of the Bank’s requirements for the documentation package provided by the client.

RETAIL BUSINESS

MAJOR TASKS FOR 2016:

- ▶ Extension of the Bank's loyalty programs for existing clients.
- ▶ Optimization of the product line for clients with different income levels.
- ▶ Affiliating with the pool of participating banks of the National System of Payment Cards "Mir", development and introduction of new products and services of the Bank on the basis of the "Mir" system.
- ▶ Improvement of the interface and extension of the functionality of the remote banking system for natural persons "IPB-Online".
- ▶ Increase in the profitability of the business by reducing operational and agency costs, including measures for relocation and optimization of the ATM network.
- ▶ Ensuring an acceptable level of risk on the retail loan portfolio.

Defining the tasks of retail business for 2016 the Bank took into account the rather high probability of continuing the recession accompanied by a decrease in real incomes of the population and a slowdown in the growth of retail turnover, as well as possible aggravation of competition in the retail banking market.

Reasoning from this fact, it was decided to concentrate efforts on improvement of operational efficiency in this business segment and increasing the loyalty of existing clients.

The Bank implemented measures for reduction of operational and agency costs, development of alternative sales channels and cross-sells; optimized a product line designed for customers with different income levels; improved the system of remote banking services; offered the customers a number of new services available through the network of payment terminals and ATMs.

As before, Interprogressbank's clients were offered money transfer services to any part of the world, as the Bank is the partner of Western Union and «Zolotaya Korona» money transfer systems.

The big event in 2016 was the Bank's connection to the National System of Payment Cards «Mir», which will be used by all employees of state and budgetary institutions, organizations, and enterprises.

BANK CARDS

The number of active cards issued by the Bank exceeded 23.3 thousand units as of 01.01.201; the total increase in the issuance of cards by the end of the year was about 5%. This business line has traditionally been one of the priorities for the Bank and is actively developing.

In 2016, the Bank became a participant in the national payment system «Mir» and began preparation for the issue of new products based on the Mir Premium and World Classic cards. A new specialized product – the debit card Platinum SPB was developed and implemented for the branch in St. Petersburg. The loyalty program for card products “Cash Back” was modernized: clients had the opportunity to independently select the promotional categories through the remote banking service “IPB-Online”. The service of instant money transfers between cards of different payment systems was launched at the Bank’s website in the reporting year.

The introduction of new card products for both entities and natural persons is planned for 2017. One of the most important tasks for 2017 will be the issue of bank cards with the possibility of mobile proximity payments PayWave. In addition, the introduction of the technology of automated assignment/change of PIN-code using an Interactive Voice Response System (IVR) was planned.

23.3 thousand active cards issued by the Bank

5% total growth of card issuance

4.8 bln RUB – operational turnover of the ATM network

72 devices of its own ATM network of Interprogressbank

ATM (AUTOMATIC TELLER MACHINE)

In 2016 the Bank’s ATMs conducted more than 529 thousand transactions, and the operational turnover of the ATM network amounted to more than 4.8 bln RUB. Interprogressbank’s ATMs service all types of cards of international payment systems VISA, MasterCard, China Union Pay, JCB, American Express, Russian system «Zolotaya Korona», and since 2016 – cards of the Russian payment system «Mir».

Interprogressbank’s own ATM network comprised 72 devices as of January 1, 2017, including 18 ATMs with a cash-in function. In 2016, the Bank relocated and optimized the ATM network by reducing the number of devices by about a third due to the withdrawal of ATMs from high-rent points and low turnovers, which reduced the cost of maintaining the network.

At the same time, the Bank expanded the list of services and products available to clients through a network of ATMs and terminals. Thus, a new type of services was introduced in more than 800 terminals of the Bank: instant replenishment of cards by cash.

It was planned to open the network of automated mini-offices for servicing natural persons in 2017 on the basis of a network of ATMs and payment terminals. In addition to transactions with bank cards clients will be able to independently perform the most requested types of transactions for deposit and credit products, order additional services and services of the Bank.

MERCHANT ACQUIRING

The Bank offers a full range of acquiring services for entities and individual entrepreneurs, including Internet acquiring and specialized technological cash solutions for supermarkets and hotel facilities.

In 2016, the Bank serviced more than 773 thousand transactions in retail and service outlets, the total turnover of which exceeded 1.2 bln RUB. Compared to the previous year the number of transactions increased by 26.7%; the turnover decreased by 13.6%; the variety of trends of these indicators reflects the general trends in the retail segment in the past year: decline in turnover, average check amount.

The Bank timely provided servicing of cards of the «Mir» payment system in retail and service partner enterprises in accordance with the requirements of the legislation.

1.2 bln RUB – total turnover of transactions in retail and service outlets

26.7% increase in the number of transactions

“E-PAYMENTS” (ELECTRONIC PAYMENTS)

Interprogressbank services a significant share of legally significant e-payments using payment terminals in state and municipal institutions of the European part of Russia. The Bank’s network of terminals is deployed in Moscow and the Moscow Region, St. Petersburg and the Leningrad Region, Nizhny Novgorod and Samara Regions and the Krasnodar Krai.

In 2016, the Bank focused on improving the quality of service through a network of terminals: the functionality of the software and technical capabilities of the equipment were expanded. The Bank systematically rotated devices to improve the financial efficiency of the terminal network.

24% increase in the number of network terminals (in 2015 – an increase of 10%)

> 4 mln – total number of transactions in the terminal network, an increase of 15%

> 5 bln – turnover of terminal network, an increase of 21%

In 2016, the possibility of effecting of payments using the bank cards of the international payment systems VISA, MasterCard and the National System of Payment Cards «Mir» was realized in the terminals of the Bank.

Extension of cooperation with Multipurpose Center for the provision of state and municipal services (MPC) «My Documents» remains one of the most attractive and cost-effective lines of the Bank's work in the segment of e-payments. In 2016 the Bank's payment terminals were installed in the MPC «My Documents» in the Leningrad Region. Similar projects are being implemented by the Bank in Tver and Moscow Regions.

The Bank connects the development prospects of the payment terminal network mainly with the expansion into new markets of the constituent entities of the Russian Federation both in the European and Asian part of the country, the extension of cooperation with the public services centers "My Documents", other state and municipal institutions and organizations rendering paid services to the population.

The Bank planned the comprehensive efforts related to the assessment of the prospects for expansion into new markets in the Kursk and Kaluga Regions and in certain regions of Siberia as of 2017. Alongside with the development of new regional markets the Bank intends to expand the range of services available through the network of payment terminals.

ONLINE BANK

The Bank has updated the design and interface of the current system of remote banking services for natural persons «IPB-Online». The system functional was significantly expanded and was introduced: payment of tax accruals, fines for automobilists, housing and communal services, instant transfers between cards of the Bank. Users have the opportunity to conduct currency conversion operations, including Swiss francs and pounds sterling. A new section has been created for card holders with the "Cash Back" loyalty program, where they can choose the category of the current promotion.

The launch of a new WEB-version of the IPB-Online system is planned for 2017; fundamental changes are introduced in the interface and design of the system. In addition, the Bank plans to implement mobile applications based on the Android and IOS platforms.

TRANSACTIONS ON THE FINANCIAL MARKETS

INTERPROGRESSBANK CONDUCTS TRANSACTIONS IN ALL SEGMENTS OF THE RUSSIAN FINANCIAL MARKET AND IS ITS ACTIVE PARTICIPANT.

In 2016, the Bank conducted transactions on the exchange and non-exchange market carrying out activities both at the expense of its own funds and on behalf of clients, including:

- ▶ transactions on the securities market aimed at optimizing the Bank's portfolio consisting of reliable government and corporate ruble bonds and Eurobonds;
- ▶ transactions of direct and reverse RRP with shares and bonds;
- ▶ transactions with shares of Russian companies;
- ▶ exchange and non-exchange foreign exchange transactions in the Russian and international markets, fixed-term transactions in the foreign exchange market, as well as foreign exchange transactions with cash currency;
- ▶ currency SWAP transactions;
- ▶ transactions for attracting and placement of cash with the Central Bank of the Russian Federation and at the interbank lending market.

The Bank began to invest in stocks of Russian companies on the reporting year in order to increase the yield of the securities portfolio. The largest share in the portfolio was the securities of electricity generating units, the financial results of which fundamentally improved during 2015–2016, as well as the level of dividend payouts significantly increased. The result was

a significant increase in the stock value of the sector companies, which ensured a high level of profitability of these Bank's investments.

While forming the debt securities portfolio the Bank continued to adhere to a conservative approach, while maintaining the heightened requirements for financial instruments. The largest share in the securities portfolio is ruble bonds of reliable issuers included in the Lombard list of the Central Bank of the Russian Federation.

When conducting foreign exchange transactions the Bank applied the principles of flexible foreign exchange policy while ensuring a low level of risks. At the same time, the Bank made the best use of exchange liquidity, liquidity of the interbank market and transactions with the Central Bank of the Russian Federation to ensure the best prices of arbitrage transactions, transactions of the Bank's clients and SWAP transactions, thus providing an attractive and most comfortable working conditions to the counterparty banks and the Bank's clients (both natural persons and entities).

The ongoing monitoring of changes in the political and economic situation in the domestic and international financial markets allowed the Bank to responsively manage both its financial flows and investments in various market segments and at the same time the level of risks accepted.

INTERNATIONAL SETTLEMENTS AND FOREIGN EXCHANGE CONTROL

THE BANK MAINTAINS THE LONG-TERM CORRESPONDENT RELATIONS WITH FIRST-CLASS FOREIGN AND RUSSIAN BANKS (PJSC "SBERBANK", PJSC "PROMSVYAZBANK" AND OTHERS), IS A MEMBER OF SWIFT, AND SECURES PAYMENTS WORLDWIDE IN ALL MAJOR WORLD CURRENCIES, HIGH QUALITY, AND SPEED OF SETTLEMENTS.

The structure of the correspondent network of the Bank reflects the current business needs of the Bank itself and the needs of its clients in high-technology and high-quality banking services.

The Bank offers a full range of services while conducting export-import transactions by the clients: account management (in US dollars, euros, pounds sterling, Swiss francs); purchase and sale of non-cash currency for non-cash rubles at the request of the client; transactions with currency in cash; international settlements, trade finance transactions in rubles and foreign currency; foreign exchange control.

The competitive edges of the Bank are: high speed of effecting payments, flexible approach to tariff setting for services; experience in servicing documentary payment methods under foreign trade contracts; consultations on the selection of optimal conditions and form of foreign trade settlements, including to reduce commercial risks and costs when conducting international trade transactions, foreign currency hedging; the IPB Bank's (JSC) specialists involvement in negotiations of clients with foreign counterparties and banks.

Interprogressbank is authorized by the FCS of the Russian Federation to issue guarantees in favor of customs authorities.

DEVELOPMENT OF THE REGIONAL BANKING

BY THE END OF 2016, THE REGIONAL NETWORK OF THE BANK HAD ONE BRANCH AND ONE ADDITIONAL OFFICE IN ST. PETERSBURG, ELEVEN ADDITIONAL OFFICES AND FIVE OUT-OF-THE-OFFICE CASH COUNTERS IN THE MOSCOW REGION.

The total number of offices for the year has not changed. The Bank focused on optimizing the costs for maintaining the network, changing the location of additional offices in the Moscow Region while maintaining profitable and most effective internal business units, as well as improving the quality of client service at points of service.

PLANS FOR 2017:

- ▶ Opening of new mobile offices in large shopping complexes in St. Petersburg with high client stream.
- ▶ Creation of a mortgage center on the basis of a new additional office with convenient location within walking distance of metropolitan railway.
- ▶ Creation of a network of automated branches of the Bank in Moscow and St. Petersburg in the format of "mini-office" on the basis of its own ATMs and payment terminals. This decision will allow quickly and effectively expand the Bank's presence in the two largest cities of Russia; increase the convenience, accessibility, and efficiency of servicing the Bank's clients outside the location of its traditional branches.

n

Effective Risk Management

The first rule is on the foundation,
the second is on the flow,
the third one is on the growth.

NCF =

$(CI_i - CO_i)$

$i=1$

FLOW,

NCF – Net Cash Flow;
CI – Cash Inflow;
CO – Cash Outflow;
n – the number
of evaluation period of cash flows.

annual report 2016

Michael Fred Phelps is the only 23-time Olympic champion in the history of sport, 26-time world champion at 50 m and overall record-breaker in the number of awards (28) in the history of the Olympic Games.

even the fastest one,
can be directed and controlled

KEY RISK FACTORS RELATED TO THE BANK'S ACTIVITIES

THE PRINCIPAL RISKS RELATED TO THE BANK'S ACTIVITIES ARE: CREDIT RISK, LIQUIDITY RISK, MARKET RISK (INTEREST, STOCK MARKET, EXCHANGE), AS WELL AS OPERATING RISKS, INCLUDING THE INTERNET BANKING RISKS.

In addition, the Bank regularly makes an assessment of: legal risk, reputation risk and strategy risk. The Risk Management System in the Bank is constantly improved considering the statutory regulation and recommendations of the Bank of Russia, as well as the internationally recognized standards and regulations of the Basel Committee on Banking Supervision.

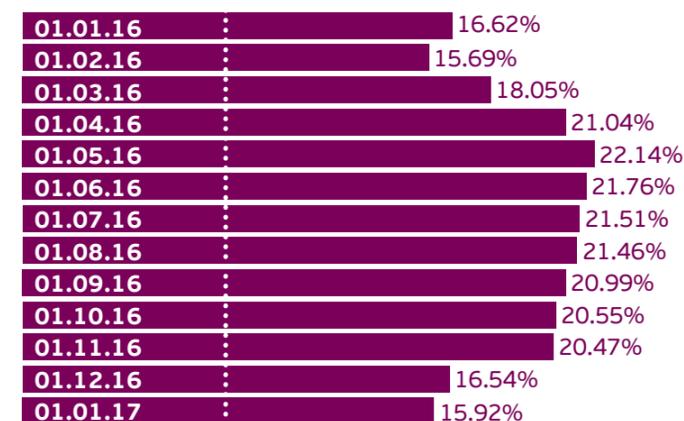
INFORMATION ON THE MANAGEMENT OF CAPITAL

The Bank's policy on management of capital is aimed at maintaining a capital base sufficient to maintain the confidence of investors, creditors and to ensure the Bank development.

The value of the Bank's equity (capital) is calculated on the basis of the Bank of Russia Regulation No. 395-P dated December 28, 2012 «On the Methodology for determining the amount of own funds (capital) of Credit Institutions (Basel III)». The capital adequacy is determined by the requirements of the Bank of Russia Regulation No. 139-I dated December 3, 2012 «On Banks' Required Ratios». Capital adequacy ratios determine the minimum ratio of the Bank's capital to the Bank's risk-weighted assets.

THROUGHOUT 2016 THE CAPITAL ADEQUACY RATIOS WERE FULFILLED WITH A SUBSTANTIAL PROVISION IN COMPARISON WITH THEIR LIMIT VALUES:

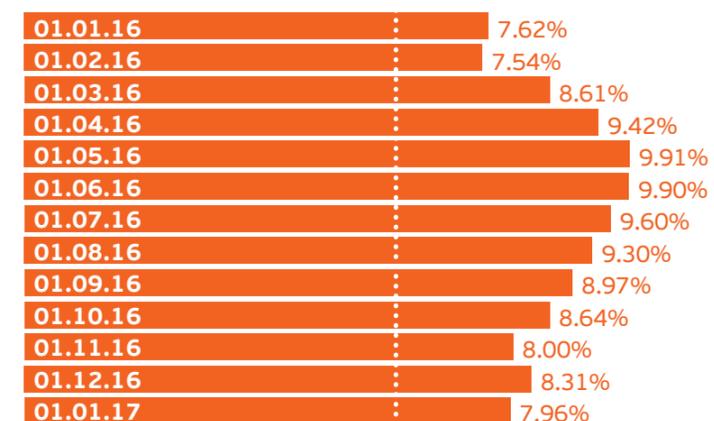
H1.0 / minimum 8%



H1.1 / minimum 4.5%



H1.2 / minimum 6%



The Bank provides information on the calculation of statutory ratios in accordance with the established accountability form to the territorial institution of the Bank of Russia supervising its activities. The capital adequacy ratios are monitored by the Bank daily to ensure compliance with the requirements set by the Bank of Russia, as well as for internal planning objectives and management of capital. In the event that the value of capital adequacy ratios approaches the limit set by the requirements of the Bank of Russia and the Bank's internal requirements, this information is brought to the notice of the Bank's Management Board and the Board of Directors.

INFORMATION ON THE CONCENTRATION OF RISKS RELATED TO THE BANK TRANSACTIONS IN THE CONTEXT OF GEOGRAPHIC ZONES AND FORMS OF CURRENCY

The base volume of the Bank's assets is concentrated in the Russian Federation in the Moscow Region. The basic indicator for managing sovereign risks arising from transactions outside the Russian Federation is the sovereign rating of the country assigned by the leading rating agencies (S&P, Fitch and Moody's).

The Moscow Region is a financial center and a place of concentration of Russian and foreign financial institutions, which is a buoying factor for the development of the Bank's activities.

The Bank monitors the concentration of sovereign and regional risks on a constant basis.

In order to limit the concentration of currency risk, the Bank makes limits both on the aggregate of the open foreign exchange position and on the size of the position for each of the currencies

separately. The size of the open foreign exchange position (OFX position) is calculated in accordance with the Instruction of the Bank of Russia No. 178-I dated December 28, 2016 "On the amounts (limits) of open foreign exchange positions, method for their calculation and particulars of supervision over their observance by credit organizations" as subsequently amended.

CREDIT RISK

Credit risk is the default risk of the Bank in consequence of non-performance, untimely or incomplete performance of financial obligations to the Bank by the client in accordance with the terms of the agreement.

The Bank's Credit Risk Management is carried out by identifying and assessing this risk at the methodological and operational levels, ensuring adherence to the policies and procedures adopted in the Bank and is based on the following principles:

- ▶ integrated nature of the assessment – covers all aspects of credit banking in order to establish the real level of the Bank's credit risk and determine the necessary measures on its regulation;
- ▶ systematization of economic and other indicators of the borrower's creditworthiness determining the degree of risk: financial indicators of credit review and information obtained from all available sources of information (media, the Internet, individual contact with the borrower, etc.) are taken into account;

- ▶ assessment principle of risk factors in the dynamics and predicting their impact on the future. The essence of this principle is that the Bank responds timely to external and internal changes, which are expressed in increasing the risk of the loan portfolio and applies the necessary methods of its regulation specified in the Bank's Credit Policy;
- ▶ risk assessment of the Bank's loan portfolio is objective and accurate, so it is based on reliable information, and the conclusions and recommendations are justified by analytical calculations;
- ▶ clear definition of the competence of the collegial bodies and officials of the Bank in making decisions;
- ▶ focus on centralization of control over the credit risk level at all stages of the business process;
- ▶ independence of the units performing the Credit Risk Assessment and Control from the Bank's units and management bodies that assume the risks.

The main internal reference document governing the process of credit risk assessment, adoption and management is the Bank's Credit Policy, which defines: the credit risk management system, procedure for granting loans and decision making system on the provision of loan products, characteristics of loan products and the basic conditions for their provision, core collateral requirements and other.

For the purpose of operative credit risk management and its mitigation the Bank has established loan committees (credit, medium, small), as well as a limit committee, which are responsible for approving transactions subject to credit risk depending on the degree of materiality and transaction type.

Assessment methodology of credit risks: assessment of the financial position of borrowers (counterparties), quality of loans, standard requirements for collateral, procedure for granting loans and making decisions on their issuance, as well as procedures aimed at preventing and minimizing the damage that may be caused by this type of risk stated in the internal documents of the Bank, developed in accordance with the requirements of the Bank of Russia.

THE BANK PROVIDES THE FOLLOWING PROCEDURES FOR THE CREDIT RISK IDENTIFICATION AND ASSESSMENT:



The assessment of individual credit risks for transactions bearing credit risk is carried out by the Bank according to the types of clients that are divided into corporate clients, natural persons and financial institutions.

The Bank assets exposed to credit risk increased in 2016 from 35.893 bln RUB to 36.260 bln RUB, while the share of overdue assets decreased from 3.4% to 2.3% and its current value that is lower than the average for the banking system as a whole (3.6% as of 01.01.2017*); the formed provisions increased from 5.6% to 6.4%; the value of these indicators is acceptable for the Bank.

To reduce the level of credit risk the loan products are provided mainly in the presence of collateral. As collateral for the transactions of corporate and retail lending the Bank considers the pawn of tangible assets, guarantees, sureties, property rights and other pawn; for transactions of reverse repo are accepted securities as the collateral.

1.1 pct.
decrease
in the share
of overdue assets

0.8 pct.
increase
in provisions

PORTFOLIO ALLOCATION SUBJECTED TO CREDIT RISK AS OF 01.01.2017, THOUSAND RUB

Financial instrument	Assets	Share of overdue assets	Provisions/ Assets
Requirements for credit institutions	14,108,887	0.0%	0.1%
Requirements for entities	19,677,082	3.3%	9.8%
Requirements for natural persons (taking into account repurchased rights of claims)	2,474,505	8.3%	14.7%
TOTAL	36,260,474	2.3%	6.4%

The basic method of limiting credit risk is the system of limits.
The Bank sets:

- ▶ Structural limits for: loans to entities and natural persons, placement of funds in the interbank market, investments in promissory notes of entities circulating on the non-exchange market, placement of funds in the established securities market.
- ▶ Limits on the borrower / group of related borrowers.
- ▶ Limits on counterparties / issuers in the financial market.

* "Review of the banking sector. Analytical indicators". The Central Bank of the Russian Federation, Banking Supervision Department No. 175 May 2017. www.cbr.ru/analytics/bank_system/obs_1705.pdf.

Monitoring and overview of established limits is carried out on a regular basis (in accordance with the frequency of available statements). The actual compliance of limits regarding the level of accepted risk is monitored on a daily basis by the Bank's business units within its area of responsibility.

The Bank monitors major credit risks and concentration risks by the control of statutory ratios established in accordance with the requirements of the Bank of Russia in relation to the amount of risk per borrower / group of related borrowers (H6 ratio), the volume of large loans (H7), as well as ratios related to the shareholders and insiders (H9.1 and H10.1).

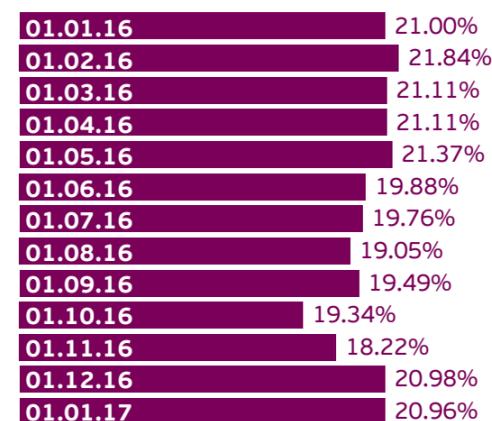
COUNTERPARTY CREDIT RISK

The credit risk management of the counterparty is carried out through a system of limits for individual counterparties and groups of counterparties depending on the type of transactions, risk level, decisions that are made in accordance with the Bank's current decision-making procedures.

The key factor for decision-making on the establishment of credit risk limits for counterparties is the financial position of the counterparty. The financial position of the counterparties is assessed using internal methods of the Bank based on the financial statements and additional information.

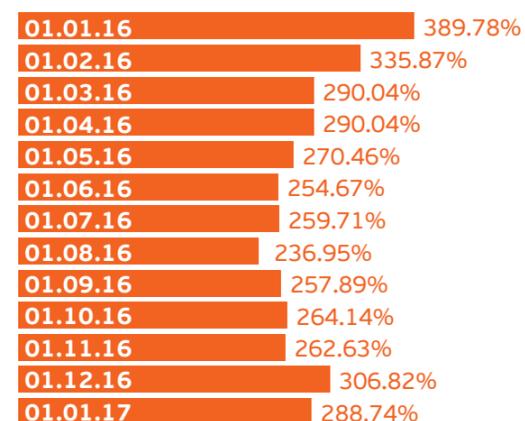
DYNAMICS OF REGULATIONS H6, H7, H9.1 AND H10.1 TESTIFIES TO THE AVAILABILITY OF SUFFICIENT PROVISION COMPARED TO THEIR LIMIT VALUES:

H6 / maximum 25%



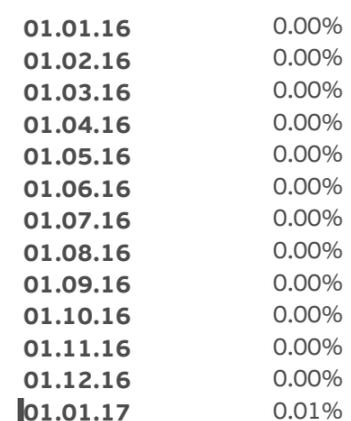
The ratio of maximum level of exposure per borrower or group of related borrowers

H7 / maximum 800%



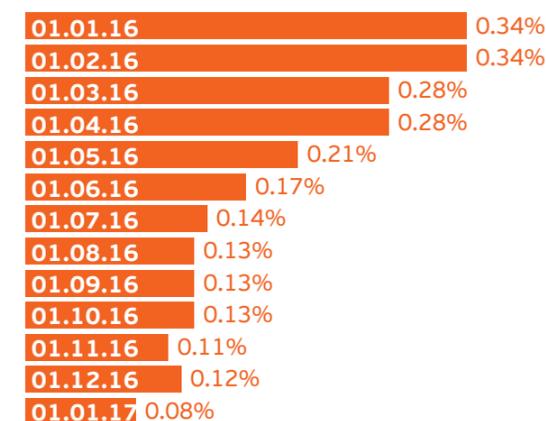
The ratio of the maximum amount of large credit risks

H9.1 / maximum 50%



The ratio of the maximum amount of loans, bank guarantees, and sureties provided by the Bank to its participants (shareholders)

H10.1 / maximum 3%



The aggregate of risk for insiders of the Bank

The methodology described in Appendix 3 of the Bank of Russia Instruction No. 139-I, dated December 3, 2012, "On Prudential Supervision Ratios" is used in the assessment of credit risk on the derivative financial instruments.

The amount of credit risk on derivative financial instruments is zero as of 01.01.2017.

MARKET RISK

For the purposes of profit the Bank undertakes the market risks arising from adverse changes in market factors. Market risk includes stock market, interest, commodity and exchange risks.

The system operating in the Bank is based on:

- ▶ limitation of market risks through a system of structural and individual limits ensuring the compliance of the volume of risks accepted with the nature and scope of the Bank's transactions;
- ▶ assessment of market risks;
- ▶ assessment of the potential impact on the financial position of the Bank of a number of specified adverse changes in market risk factors (stress-testing practices).

STOCK MARKET AND INTEREST RISKS

Stock market and interest risks relate to the trading portfolio of securities (stocks and bonds) are assessed as acceptable due to the high reliability of issuers. The volume of the security portfolio is regulated by the Bank in accordance with the structural limits of asset allocation established by the Policy on the attraction and allocation of resources approved annually.

Individual limits on investments in securities by issuers, as well as structural limits on financial instruments depending on the current economic situation (within the structural limits of the Policy on the attraction and allocation of resources) are set by the limit committee during the year.

In order to limit the risk for obtaining severe losses in case of unfavorable price dynamics on the securities market, the method of price control is used – setting limits for the maximum amount of losses (stop-loss).

All securities of the Bank were included in the trading portfolio, the volume of which amounted to 3.429 bln RUB as of 01.01.2017, while all bonds of the portfolio were included in the Lombard List of the Bank of Russia.

3.429

bln RUB –
volume
of securities
portfolio

COMMODITY RISK

There were no commodity risks in the Bank throughout 2016.

EXCHANGE RISK

Exchange risk management is carried out by ensuring the maximum possible correspondence between the asset currency and the currency of liabilities by the forms of currency. The main limitation on exchange risk is the amount of open foreign exchange position calculated in accordance with the Bank of Russia Instruction No. 124-I dated July 15, 2005, "On setting amounts (limits) on open foreign exchange positions, the methodology for calculating them and the specifics of supervision over their compliance by Credit Institutions".

In accordance with the requirements of the Bank of Russia, the limit of the open foreign exchange position in each currency is not more than 10% of the Bank's capital. Throughout 2016, the limit was fulfilled.

In accordance with the requirements of the Bank of Russia the limit of the total amount of open positions is not more than 20% of the Bank's capital. The limit committee minute No. 17 dated November 28, 2014 made the decision to restrict this limit to 10% of the Bank's capital. The specified limit was also observed by the Bank in 2016.

The share of total open positions in the Bank's capital was 3.65% as of 01.01.2017.

MARKET RISK ASSESSMENT

The Sensitivity Analyses of the Bank to the market risk is carried out through the stress-testing practices in the context of the components of market risk: stock market, interest, exchange risk reflecting the impact on the financial result and the Bank's capital of changes in relevant risk factors (market interest rates, exchange rates, securities prices).

Factors of interest and market stock risk are possible market changes in the value of securities applied to the Bank's securities portfolio assessed according to the current fair value.

MARKET RISK AS OF 01.01.2017, THOUSAND RUB

Interest risk, total, incl.:	37,169.6
Special interest risk	20,081.7
Total interest risk	17,087.9
Stock market risk, total, incl.:	274,010.9
Special stock market risk	137,835.4
Total stock market risk	136,175.5
Exchange risk	17,105.8
Aggregate market risk MR=12.5*(IR+SR+ER)	4,103,578.5

* In accordance with the requirements of the Bank of Russia Regulation No. 511-P, dated December 3, 2015, "On the Procedure for Calculating the Market Risk Value by Credit Institutions".

Essential factors affecting the sensitivity of securities assessed according to the current fair value are: type of securities (equity/debt), reliability of the issuer and period of the paper until maturity (offer).

The Bank's trading portfolio comprised debt and equity securities as of 01.01.2017.

Stress losses on debt securities (bonds) subject to stock market risk are calculated on the basis of the portfolio of these securities considering the price reduction according to the following principles: the determining factor for ruble bonds is the interest rate development of the money market; for currency securities (considering the fact that if the foreign exchange rates grow during the crisis, they are grow significantly slowly compared to ruble ones) – the reliability of the issuer, while in both cases the other important parameter is the term to maturity (the nearest offer) of the paper.

To assess the reliability of the issuer the ratings of the international rating agencies Standard & Poors, Moody's and Fitch were used.

The stress-testing practices scenario provides for such a price reduction, at which the yield from the analysis date to maturity (the nearest offer) after the price reduction for each paper would increase by the amount of stress interest rate development in the crisis period (namely, by 4.0%).

1.1%

of the Bank's capital amounted to aggregate stress losses

The Bank's portfolio had ruble and foreign currency bonds subjected to equity risk as of 01.01.2017, while the rating of most of the securities corresponded to the Russian sovereign rating.

The aggregate stress losses in the price drop scenario and corresponding increase in the yield of securities by 4% per annum totaled 64.864 mln RUB or 1.11% of the Bank's capital, on the Bank's portfolio; the impact on the financial result and the Bank's capital is assessed as insignificant.

The Bank's portfolio of equity securities is represented by the stocks of PJSC FGC UES, ALROSA Diamond Company (PJSC), VTB Bank (PJSC), ANK Bashneft JSC, which are highly reliable issuers. The Bank considers these investments as short-term, sees the potential for price increase on these securities during the time interval of 1 year.

Stress losses on equity securities are calculated on the basis of the portfolio of these securities considering the drop in their price by the limit of the stop-loss of 15%.

The aggregate stress losses on equity securities amounted to 162.580 mln RUB or 2.78% of the Bank's capital; the impact on the financial result and the Bank's capital is assessed as insignificant.

The factors of exchange risk are possible adverse changes in the exchange rates applied to the values of the Bank's open foreign exchange positions in each currency.

Stress-testing practices of an exchange risk implies the calculation of losses due to unfavorable change in exchange rates by 10% based on the maximum permissible by prudential authorities aggregate open foreign exchange position (OFEP) in all currencies (20% of the Bank's capital, in fact 10% considering the restrictions set by the Bank's Limit Committee).

Possible losses with a 10% adverse change in exchange rates are assessed in the amount of 58.567 mln RUB or 1% of the Bank's capital; thus, the factors of exchange risk do not have a significant impact on the financial result and the Bank's capital.

INTEREST RISK OF BANK BOOK

Interest risk factors are possible market changes in interest rates applied to the balance (gap) between assets and liabilities that are sensitive to changes in interest rates in each range of maturity periods for a time interval of 1 year.

Possible losses due to the adverse changes in interest rates by 400 basis points, total for all periods of the time interval of 1 year amounted to 104.379 mln RUB or 1.78% of the Bank's capital; the impact on the financial result and the Bank's capital is assessed as insignificant.

SENSITIVITY ANALYSES OF THE BANK TO THE INTEREST RISK AS OF 01.01.2017, THOUSAND RUB

Line number	Article	Up to 30 days	From 31 to 90 days	From 91 to 180 days	From 181 days to 1 year
1	BALANCE-SHEET ASSETS				
1.2	Funds on correspondent accounts in lending agencies	266	0	0	0
1.3	Loan indebtedness, total, of which:	9,283,542	4,705,465	6,982,322	5,132,183
1.3.1	lending agencies	8,386,033	0	0	0
1.3.2	entities that are not lending agencies, total	850,165	4,598,949	6,772,004	4,892,964
1.3.3	natural persons, total	47,344	106,516	210,318	239,219
1.7	Fixed assets and intangible assets	712	1,425	2,259	67,272

Line number	Article	Up to 30 days	From 31 to 90 days	From 91 to 180 days	From 181 days to 1 year
2	OFF-BALANCE REQUIREMENTS	0	0	0	0
3	Total balance-sheet assets and off-balance sheet claims	9,284,520	4,706,890	6,984,581	5,199,455
4	BALANCE-SHEET LIABILITIES				
4.1	Funds of lending agencies	0	0	0	0
4.2	Funds of clients that are not lending agencies, total, of which:	7,129,477	3,636,530	5,518,248	8,870,138
4.2.1	on settlement (current) accounts of entities and natural persons	4,515,227	116,198	331,136	2,050,137
4.2.2	deposits of entities	168,471	127,506	1,399,306	302,082
4.2.3	investments (deposits) of natural persons	2,445,779	3,392,826	3,787,806	6,517,919
4.3	Issued promissory notes	174,611	9,143	252,882	53,654
5	OFF-BALANCE SHEET OBLIGATIONS	0	0	0	0
6	Total balance sheet liabilities and off-balance sheet liabilities	7,304,088	3,645,673	5,771,130	8,923,792
7	Aggregate GAP (line 3 - line 6)	1,980,432	1,061,217	1,213,451	-3,724,337
8	Change in net interest income:	X	X	X	X
8.1	+ 400 basis points	75,913.92	35,372.49	30,336.28	-37,243.4
8.2	- 400 basis points	-75,913.9	-35,372.5	-30,336.3	37,243.37
8.3	time factor	0.9583	0.8333	0.625	0.25

Based on the accountability form 0409127 "Information on interest rate risk".

LIQUIDITY RISK

Liquidity risk is the risk of the Bank's inability to finance its activities, i.e. to fulfill obligations as they matured without losses in the amount threatening the Bank's financial stability.

Liquidity risk is associated with the following factors:

- ▶ inflows and outflows of funds:
 - risk of gap between amounts and dates of receipts and writing off the funds;
 - risk of contingent liquidity requirements.

- ▶ investment in financial assets:
 - market liquidity risk, i.e. the risk of loss probability during assets disposal or because impossibility of closing an existing position due to underliquidity or insufficient traded values;
 - risk of funding, i.e. the risk associated with potential changes in the cost of funding, which affect the future income of the Bank.

- ▶ the liquidity management system is an essential system of the Bank: the Bank's resources are limited, therefore the quality of their planning and maintenance of the normal functioning of this system is a priority task.

- ▶ the liquidity management system of the Bank is comprised of two parts:
 - management system of current payment position;
 - management system of the Bank's accounting liquidity.

Management system of current payment position is focused on maintaining a positive payment position in all currencies in the actual mode when the most likely scenario of events is realized.

Management system of the Bank's accounting liquidity is aimed at ensuring the sufficient level of the Bank's ability to fulfill its obligations during different time periods. It includes the analysis of liquidity lowering risk using the statutory requirements established by the Bank of Russia and the analysis of the liquidity risk associated with the gap in discharge of claims and liabilities. Provision of liquidity includes determining the minimum required amount of liquid assets to ensure the completion of average cash flow.

Management system of the Bank's accounting liquidity is the main tool ensuring the fulfilment of the Bank's obligations regardless of counterparts' actions.

Steady monitoring of the Bank's accounting liquidity and its behavior rests with the Finance Department.

Liquidity behavior monitoring includes:

- ▶ analysis of liquidity lowering risk using the statutory requirements established by the Bank of Russia;
- ▶ analysis of the liquidity risk associated with the gap in discharge of claims and liabilities;
- ▶ cash flow forecasting;
- ▶ analysis of possible conflict of interest between liquidity and profitability.

For the analysis of the liquidity risk, the actual values of the statutory liquidity ratios N2, N3, N4 are estimated based on the requirements of the Bank of Russia Instruction No. 139-I dated 03.12.2012 with amendments effective as of 2016.

Analysis of the liquidity risk by analysis of the gap in discharge of claims and liabilities defines the gap in the Bank's discharge of claims and liabilities based on balance sheet data and data on terms to maturity of credits and deposits for the time being.

Maximum allowable liquidity surplus/strain is calculated once every three months using resource base statistics in the prior quarter. The calculation of the maximum allowable values is carried out according to the approved procedure of the Bank.

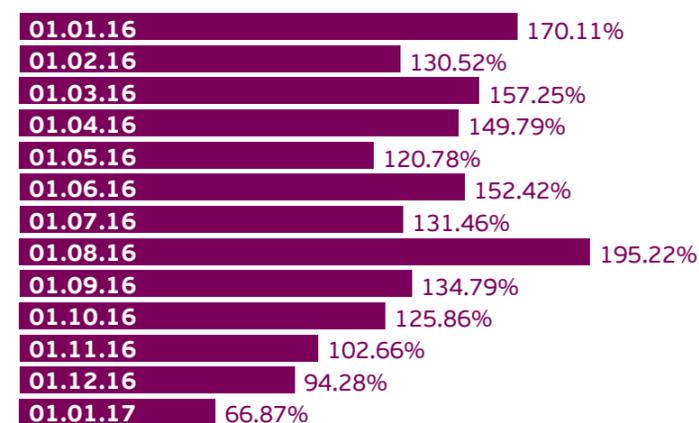
Over 2016 there was no violation of maximum allowable liquidity surplus/strain.

One of management tools of liquidity risk is also stress-testing practices focused on determination of possible Bank's liquidity strain associated with potential cash outflow of customers' accounts. Scenario analysis is used during stress-testing of liquidity risk.

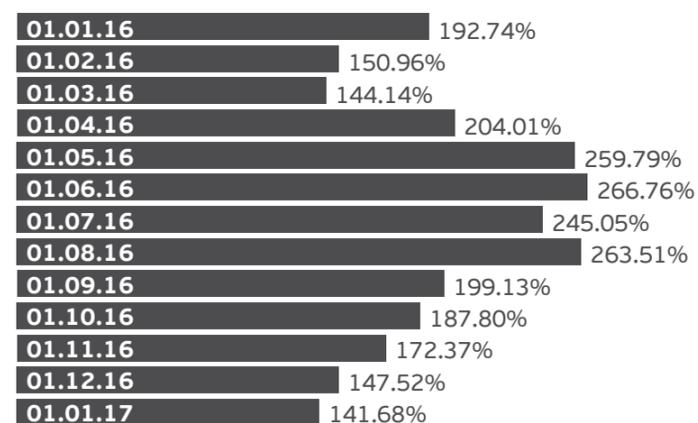
According to the results of stress-testing performed as of 01.01.2017, there is no liquidity strain as a result of cash outflow of customers' accounts due to the specified scenario.

DURING REPORTING YEAR THE BANK HAS SUFFICIENTLY FULFILLED THE STATUTORY LIQUIDITY RATIOS ESTABLISHED BY THE BANK OF RUSSIA

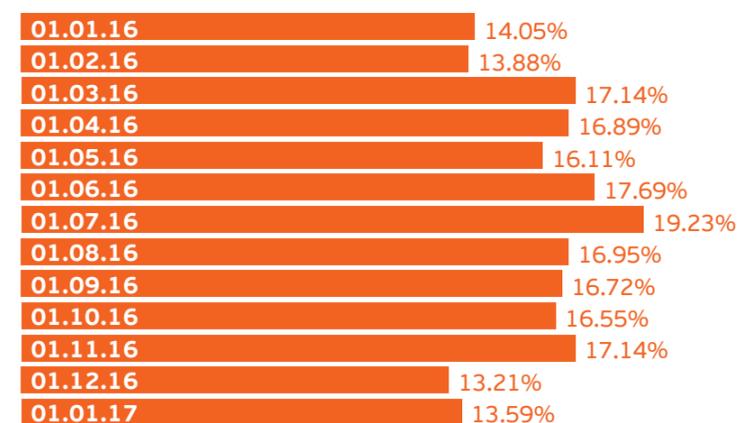
N2 / minimum 15%



N3 / minimum 50%



N4 / maximum 120%



DISTRIBUTION OF ASSETS, OBLIGATIONS, AND OFF-BALANCE SHEET ITEMS, VALUE OF CUMULATIVE MATURITY GAP AS OF 01.01.2017

Redemption date	On call	1 day	From 2 to 7 days	From 8 to 30 days	From 31 to 90 days	From 91 to 180 days	From 181 days to 1 year	More than a year	Without term and overdue	Total
ASSETS										
Balance assets	11,036,002			9,535,249	4,528,641	6,605,072	4,845,009	3,390,189	1,213,978	41,154,140
Off-balance assets				3,110,886	186,661	2,786,531	1,202,798	118,204		7,405,080
Total assets	11,036,002			12,646,135	4,715,302	9,391,603	6,047,806	3,508,393	1,213,978	48,559,220
Total assets cumulatively	11,036,002	11,036,002	11,036,002	23,682,137	28,397,439	37,789,042	43,836,849	47,345,242	48,559,220	
LIABILITIES										
Balance liabilities	15,999,994	9,161	18,573	2,525,183	3,207,423	5,236,415	6,346,188	4,002,829		37,345,767
Off-balance liabilities	4,602,549			3,068,028						7,670,577
Total liabilities	20,602,544	9,161	18,573	5,593,211	3,207,423	5,236,415	6,346,188	4,002,829		45,016,344
Total liabilities cumulatively	20,602,544	20,611,705	20,630,277	26,223,489	29,430,912	34,667,327	41,013,515	45,016,344	45,016,344	
Liquidity overhang (shortage)	-9,566,542	-9,161	-18,573	7,052,924	1,507,879	4,155,188	-298,381	-494,436		
Liquidity overhang (shortage) cumulatively	-9,566,542	-9,575,703	-9,594,275	-2,541,352	-1,033,473	3,121,715	2,823,334	2,328,898		
Coefficient of liquidity overhang (shortage) cumulatively / relative share of the amount of liquidity gap in the value of liabilities	-21.3	-21.3	-21.3	-5.6	-2.3	6.9	6.3	5.2		
Limit values of the liquidity ratio		-67.2	-66.3	-62.7	-53.5	-39.5	-10.9	-1.5		

OPERATIONAL RISK

Operational risk is the default risk arising from the unreliability and insufficiency of the Bank's internal management procedures, the failure of information, and other systems or the effect of external events on the Bank's activity.

The Bank takes the following measures for operational risk reduction:

- ▶ Use of means of confidential information protection from unauthorized access, provision of personal data security in order to prevent the abusive activity or illegal actions of employees and third parties with regard to the Bank.
- ▶ Insurance of property by insurance companies (vehicles, interior and exterior finish of premises, engineering and communication systems and networks), installation of fire and burglar alarm in premises in order to prevent damage or loss of fixed assets and other tangible assets.
- ▶ Provision of going concern in case of equipment or systems failure: the Bank has developed the "Plan of actions aimed at provision of going concern and (or) recovery of business of Interprogressbank, JSC, in the event of unforeseen conditions" describing in detail the sequence of personnel actions concerning the recovery/maintenance of the Banks going concern upon the occurrence of the said circumstances. In particular, the provision is made for changeover to backup servers, backup communication channels, backup power sources, use of key information backup. The Plan modules are tested at regular intervals.
- ▶ In accordance with the Internal Control Rules, the Bank monitors regularly customer data and analyzes customers' transactions as for anti-money laundering and combating the financing of terrorism.

OPERATIONAL RISK VALUE AS OF 01.01.2017.

1,619,687

Net interest income,
thousand RUB

605,509

Net non interest
income, thousand RUB

6,675,588

Income for the period
(3 years),
thousand RUB

2,225,196

Average income
for the period
(3 years),
thousand RUB

333,779

Amount of
operational risk (OR),
thousand RUB

In accordance with the Bank of Russia Regulation No. 346-P
"On the procedure for calculating the amount of operational risk" dated 03.11.2009.

- ▶ Optimization of activity arrangement, prevention of management and execution errors: operational risk management is carried out at all levels of the internal control system; execution of internal procedures, regulations, instructions, legislation of the Russian Federation is monitored on regular basis; internal structural subdivisions of the Bank provide the reports on operational risk factors to the risk management office on regular basis; the data are organized and the summary is submitted for consideration to the Bank Management and Board of Directors.
- ▶ Maintaining the base of operational risk events, including those leading to operational losses, system analysis of this base, defining the lines of activity most influenced by operational risk factors, taking measures to minimize the effect of these factors.

Amount of operating losses for 2016 was 0.4% of the Bank's capital. Thus, operational risk factors do not have a significant effect on the Bank's profit or loss and capital.

LEGAL RISK

Legal risk management is aimed at maintaining the risk taken by the Bank at the level determined by the Bank in accordance with its strategic tasks. Primary focus is on provision of maximum soundness of assets and preservation of capital due to reduction (exclusion) of possible losses, including by way of cash outflow based on courts decrees (decisions) that may cause unforeseen losses.

Legal risk factors are as follows:

- ▶ ineffective organization of legal work leading to errors in law in the Bank activity due to the actions of employees or management bodies of the Bank;
- ▶ violation of contract terms by the Bank;
- ▶ inadequate addressing the legal issues by the Bank during the implementation of activities, development and introduction of new technologies and realization conditions of bank operations and other transactions, financial innovations and technologies;
- ▶ irregularity of legal system (absence of residual legal regulation, competing legislation of the Russian Federation, its exposure to changes, including those with regard to inadequate methods of governmental regulation and (or) supervision, inappropriate application of foreign legislation and (or) norms of international law), inability to resolve specific issues by means of negotiations and as a result the Bank's resort to judicial authorities for their settlement;
- ▶ violation of contract terms, regulatory legal acts by the Bank customers and counterparts.

Legal risk management is carried out by the following methods:

- ▶ boundary values (limits) system;
- ▶ authority and decision-making system;
- ▶ information system;
- ▶ legislation monitoring system;
- ▶ supervision system.

For the purposes of identifying and assessing the features of legal risk, the Bank has introduced the set of boundary parameters (limits), the change in condition and value of which means change in the characteristics of a particular line of Bank's activity and accordingly the change in legal risk.

Boundary parameters (limits) system is intended to record exceeding the allowable level of legal risk by the Bank.

In 2016, there were no legal risk factors affecting significantly the Bank profit or loss and capital.

REPUTATIONAL RISK

Reputational risk is the default risk arising from the negative image of credit institution by its participants, counterparties, supervisory bodies and other concerned parties who may negatively affect the ability of credit institution to keep up existing and (or) establish new business relations and maintain permanently the access to fund sources.

The Bank estimates the reputational risk level based on the following parameters:

- ▶ change in the Bank financial condition (actual of fulfilment of statutory ratios and change of ratios at runtime);
- ▶ increase (decrease) in the number of claims against the Bank, including those related to quality of customers and counterparties experience;
- ▶ negative and positive feedback and news about the Bank, its affiliated persons in the mass media, as well as changing of business reputation of the Bank's affiliated persons, regular customers and counterparties;

- ▶ finding facts of stealing, forgery, fraud in the Bank, use by employees of confidential information received from customers and counterparties for personal purposes;
- ▶ poor efficiency of the Bank and its affiliated persons as for anti-money laundering and combating the financing of terrorism, as well as other illegal activities carried out by unscrupulous customers and counterparties and (or) employees of the Bank (failure to comply with the Requirements of Federal Law No. 115-FZ dated 07.08.2001 and the Internal Control Rules for the purposes of AML/CFT);
- ▶ closing of accounts by high profile customers of the Bank.

In 2016, there were no reputational risk factors affecting significantly the Bank profit or loss and capital.

STRATEGY RISK

It is the risk of adverse change in the Bank's performance due to erroneous decisions made during the Bank's management including those made during developing, approving and implementing the Bank's Strategy, improper execution of decisions made, as well as the inability of the Bank's management bodies to take into account the changes in external factors.

A distinctive feature of strategy risk is that demonstration of this risk in the Bank is only possible in connection with the strategic targets of the Bank's functioning and decisions (or their absence) of the management bodies on their fulfilment.

Strategy risk factors are as follows:

- ▶ poor strategic planning, including insufficient consideration of probable dangers that may threaten the Bank's activities; wrong (insufficiently substantiated) definition of business opportunities where the Bank can reach competitive advantage; failure to achieve the strategic targets set by the Bank due to lack or incomplete provision of necessary resources (financial, material and technical, manpower);
- ▶ complete (partial) lack of appropriate organizational measures (managerial decisions) ensuring the achievement of the strategic targets;
- ▶ making managerial decisions in conflict with the adopted Strategy;
- ▶ failure to implement the managerial decisions during the Strategy implementation;
- ▶ errors during selection of methods for strategic targets achievement;
- ▶ changes in the Bank's macroeconomic environment, including offering new types of banking products and services on the market, changes in market indicators, changes in the economy as a whole;
- ▶ changes in the current legislation of the Russian Federation, statutory acts of regulatory bodies.

Management of strategy risk is carried out regularly during the development and revision of the Bank's Strategy, as well as in the process of its implementation.

The aspects related to the external environment (politics, economy, social trends, technologies, level of competition, customer needs), internal capabilities and available resources of the Bank are analyzed on all fronts at the stage of strategic planning.

During the Bank's current activities on fulfillment of the strategic tasks, the Bank's Strategy indicators are monitored at all times. The Bank's current activities and Strategy are corrected depending on the degree of achievement of strategic targets and the results of external and internal conditions and factors analysis.

Assessment of strategy risk at the stage of the Strategy implementation is carried out each half year as of July 1 and January 1 and as and when necessary (in case of adverse events or abnormal situations that may affect the achievement of indicators set by the Bank's Strategy).

Identification of strategy risk is carried out on the basis of targets and tasks set by the Bank's development Strategy and includes collection, analysis and processing of information about the strategy risk factors.

In 2016, there were no strategy risk factors adversely affecting the fulfilment of the Strategy key indicators by the Bank.

Staff, infrastructure

FIRMNESS:

you can reach for more by challenging yourself

Swiss endurance

Swiss franc is considered the most stable and resistant to crisis currency due to its flexible exchange rate. It is remarkable that it can be called as “sport currency” since the headquarters of many international sports federations are in Switzerland and prize money in many sports is paid in Swiss francs.

annual report 2016

Success of a company as a whole depends on the result of every its element

Ironman is one of the most difficult competitions in the world. Within 17 hours athletes overcome:

2.4 miles of swim

112 miles of bicycle racing

26.2 miles of marathon trial

STAFF AND REMUNERATION SCHEME

By the end of 2016, the Bank employed 520 people. Compared with the end of the previous year, the number of the Bank's employees is comparable to the previous year.

In 2016, the Bank continued to focus on the main targets of its staff policy:

- ▶ formation of unified internal culture;
- ▶ maintaining effective balance between the processes of staff rotation and continuity, including as for number and experience, according to needs;
- ▶ development of knowledge, skills and opportunities of employees;
- ▶ enhancement of employee engagement system;
- ▶ increasing the Bank's attraction as an employer for prospective candidates and for employees.

The Bank's staff policy stands for the achieving strategic targets by means of staff development and increase of employees' performance. The Bank strengthens and develops internal culture in an effort to bring up the involvement of each employee to accomplish strategic missions. At the same time, the Bank aims at provision of the social security of its employees by implementing a series of personnel support programs.

In 2016, the Bank continued to focus on the main targets of its staff policy.

The Bank builds relations with employees based on continuity, mutual respect and unfailing fulfillment of cross liabilities. Ethics in corporate communications of Interprogressbank is focused on creating an atmosphere of co-partnership between employees. The Bank considers responsibility, cohesion, mutual respect and purposefulness of the team, knowing the value of its each member to be insurance of quality and business performance.

REMUNERATION SCHEME

The IPB Bank (JSC) applies Regulation on staff remuneration scheme developed by Instruction of the Bank of Russia No. 154-I "On the procedure for assessing remuneration systems of credit institutions and the procedure for submitting to credit institutions orders to eliminate violations identified in their remuneration systems" dated 17.06.2014.

All the Bank's employees including employees of the Bank's business units and its branch in St. Petersburg are subject to broad principles:

- ▶ remuneration is differentiated depending on the complexity and accountability of the work performed, the level of general and special knowledge and skills of the employee,

the importance of his work status (profession), his position, the degree of independent behavior and responsibility of the employee at tasks performance;

- ▶ equal work is remunerated by equal pay.

These principles are implemented by means of establishing clear duty regulations, as well as the definition of knowledge, competency, and skills of employees, rate of remuneration at the labor market, as well as the complexity, quality and amount of labor of each employee.

Organization, monitoring, and control of remuneration scheme come under the jurisdiction of the Bank's Board of Directors. The Board of Directors also assesses its compliance with the Bank's strategy, the nature and scope of the transactions performed, the Bank's performance, the level of risks taken on the basis of reports provided by the authorized person. Deliberation of decisions made by the Bank's Board of Directors on remuneration organization, monitoring, and control is entrusted to the Chairman of the Bank's Board of Directors.

The Bank's payroll budget is also approved by the Bank's Board of Directors. Payments exceeding 5% of the payroll budget approved by the Board of Directors are accepted as "large remuneration payments" and are subject to mandatory agreement with the Board of Directors. Payments over the approved payroll budget are also agreed with the Bank's Board of Directors.

The remuneration scheme provides the incentive and compensation payments to employees in addition to the position salary (fixed part). At the same time, the incentive payments for two categories of the Bank's employees are paid based on special conditions.

According to the Bank's domestic regulations, "The Bank's executive boards and employees taking risks" (hereinafter referred to as employees taking risks) category includes 16 persons who are the members of the following Bank's managerial bodies and committees attached to the managerial bodies:

- ▶ Bank directors;
- ▶ Credit Committee members (large, mean and small);
- ▶ Limit Committee members;
- ▶ Asset and Liability Committee members.

"The employees responsible for internal control and risk assessment" category includes 19 persons:

- ▶ Internal Audit Service staff;
- ▶ Internal Control Service staff;
- ▶ Risk Management Office staff;
- ▶ Financial Monitoring Office staff.

In order to avoid conflict of interest, the employees responsible for risk assessment can be the members of the committees taking risks, with consultative role.

Incentive payments include:

- ▶ current bonus that can be paid to the Bank's employees in addition to the official salary (except for employees taking risks) provided the profit and loss of the Bank's current activities is positive and provided that the employees perform their official duties in a proper way in order to motivate the Bank's employees to improve the efficiency and quality of labor;
- ▶ task bonus for the achievement of the Bank's activities key figures which may be paid in addition to the official salary to employees taking risks, at carrying out operations (transactions) that bear risks.

The current bonus is paid as a percentage of the official salary. At the same time, the official salaries for the employees responsible for internal control and risk assessment are not less than 50% of the total paid remuneration package.

The decision on payment of the task bonus is taken by the Bank's Board of Directors based on the year-end performance. The basis for making decision on task bonuses to employees taking risks is the achievement of the Bank's activities key figures with account for the profile of the risks taken by the Bank.

The following main types of risks involved in bank activities are assessed: credit risk, liquidity risk, market risk (equity risk, interest risk, exchange risk, commodities risk). The assessment is based on the approaches recommended by the Basel Committee, the Bank of Russia, as well as those used by the banking community (stress testing, gap analysis, etc.).

The Bank's Board of Directors is entitled to cancel all or part of the task bonus payments based on other factors including negative trends in the economic development of the country and/or the banking sector.

FLEXIBILITY

is the ability to see the invisible, to move the intangible, to create the shapeless

An individual approach to business operation helps to create products that solve client tasks in the best possible way.



Ingvar Kamprad, a founder of "Ikea" Corporation, once could not squeeze the table into his car, so he came up with the idea of creating unit furniture.

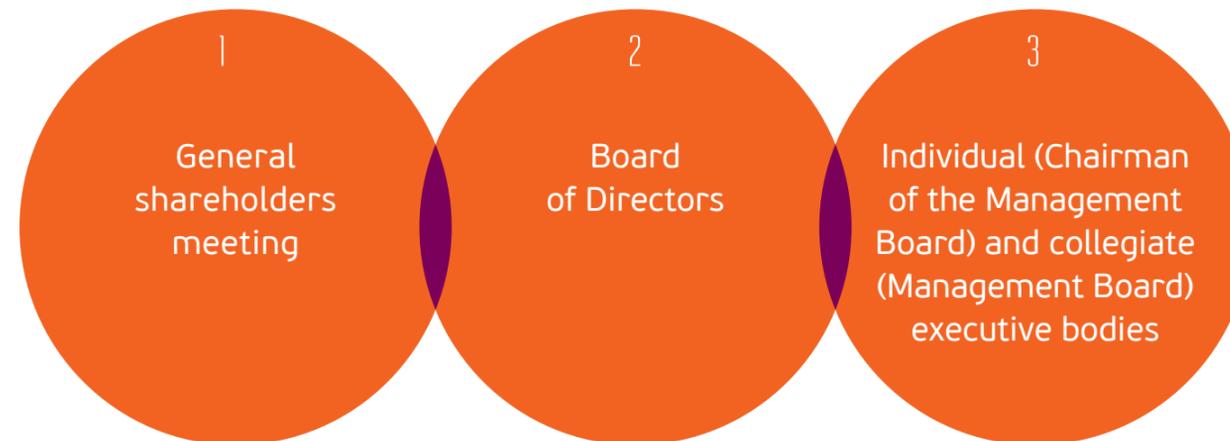


In **1820**,

the Royal Exchange introduced options, the most flexible contracts among all the financial instruments.

CORPORATE GOVERNANCE

THE BANK MANAGEMENT IS PROVIDED ACCORDING TO THE PROCEDURE ESTABLISHED BY THE CURRENT LEGISLATION OF THE RUSSIAN FEDERATION AND THE BANK'S CHARTER. ACCORDING TO THE BANK'S CHARTER, THE BANK'S MANAGERIAL BODIES ARE:



General shareholders meeting is the highest Bank management body. The Legislation of the Russian Federation and the Bank's Charter established the list of decisions made solely by the General shareholders meeting. The Bank's Board of Directors provides the general management of the Bank except for those issues the resolution of which falls within the competence of the General shareholders meeting. The management of the Bank's current operations is provided by the executive bodies, i.e. individual (Chairman of the Management Board) and collegiate (Management Board) ones.

The Bank's Board of Directors (as of 01.01.2017):

- ▶ Nikolay Alexandrovich Sobolev
- ▶ Alexey Andreevich Krapivin
- ▶ Valery Anatolyevich Markelov
- ▶ Yuri Vasilyevich Obodovskii
- ▶ Boris Efimovich Usherovich

CURRICULUM VITAE OF THE BOARD OF DIRECTORS MEMBERS

1	Sobolev Nikolay Aleksandrovich
Title	Chairman of the Board of Directors
Date of election (re-election) to the Board of Directors	28.05.2014 (23.12.2016)
Vocational education	Lomonosov Moscow State University, 1986. Specialty: Economist-cybernetics.
Employment history for the last 3 years	Since 02.06.2014 — First Vice-President of the IPB Bank (JSC). Responsibilities: case management, work with strategic clients of the Bank, participation in the development of the Bank's strategy. Since 28.05.2014 — Chairman of the Board of Directors of the IPB Bank (JSC). Responsibilities of the Chairman of the Board of Directors in accordance with the Federal Law «On Joint Stock Companies» and the Bank's Statute.
2	Krapivin Alexey Andreyevich
Title	Member of the Board of Directors
Date of election (re-election) to the Board of Directors	09.06.2010 (23.12.2016)
Vocational education	Financial Academy under the Government of the Russian Federation, 2007. Specialty: Economist.
Employment history for the last 3 years	Since September 29, 2009 to May 29, 2015 — Director General of YuBK-Profuslugi LLC. Responsibilities of the individual executive body in accordance with the Federal Law «On Limited Liability Companies» and the Company's Statute. Since June 29, 2010 to June 26, 2015 — Member of the Board of Directors of the IPB Bank (JSC). Responsibilities of a member of the Board of Directors in accordance with the Federal Law «On Joint Stock Companies» and the Bank's Statute. Since October 13, 2011 to October 17, 2014 — Director General of Diviti-Invest LLC. Responsibilities of the individual executive body in accordance with the Federal Law «On Limited Liability Companies» and the Company's Statute. Since June 28, 2012 to June 29, 2015 — Member of the Board of Directors of OJSC Transelectrom-ontazh. Responsibilities of the Member of the Board of Directors in accordance with the Federal Law «On Joint Stock Companies» and the Company's Statute. Since August 31, 2012 to June 30, 2015 — Member of the Board of Directors of OJSC Mtsensk Foundry. Responsibilities of the Member of the Board of Directors in accordance with the Federal Law «On Joint Stock Companies» and the Company's Statute.

Since September 28, 2012 — Member of the Board of Directors of JSC Roszheldorproyekt. Responsibilities of the Member of the Board of Directors in accordance with the Federal Law «On Joint Stock Companies» and the Company's Statute.

Since October 10, 2012 — Member of the Board of Directors of PJSC Lengiprotrans. Responsibilities of the Member of the Board of Directors in accordance with the Federal Law «On Joint Stock Companies» and the Company's Statute.

Since December 20, 2012 to May 14, 2014 — Director General of Breeze LLC. Responsibilities of the individual executive body in accordance with the Federal Law «On Limited Liability Companies» and the Company's Statute.

Since December 20, 2012 to December 15, 2014 — Director General of Sukharevka. Responsibilities LLC of the individual executive body in accordance with the Federal Law «On Limited Liability Companies» and the Company's Statute.

Since December 29, 2012 — Director General of KIP Stark LLC. Responsibilities of the individual executive body in accordance with the Federal Law «On Limited Liability Companies» and the Company's Statute.

Since July 01, 2015 — Director General of Girasol LLC. Responsibilities of the individual executive body in accordance with the Federal Law «On Limited Liability Companies» and the Company's Statute.

Since July 02, 2016 — Director General of 1520 Group LLC. Responsibilities of the individual executive body in accordance with the Federal Law «On Limited Liability Companies» and the Company's Statute.

Since October 05, 2016 — Director General of NPG 1520 LLC. Responsibilities of the individual executive body in accordance with the Federal Law «On Limited Liability Companies» and the Company's Statute.

Since June 01, 2015 to November 27, 2015 — Member of the Board of Directors of the Bank Vozrozhdenie (PJSC). Responsibilities of the Member of the Board of Directors in accordance with the Federal Law «On Joint Stock Companies» and the Company's Statute.

Since February 06, 2013 to June 30, 2016 — Member of the Board of Directors of CJSC MFC GRAS. Responsibilities of the Member of the Board of Directors in accordance with the Federal Law «On Joint Stock Companies» and the Company's Statute.

Since February 07, 2013 to June 30, 2016 — Member of the Board of Directors of CJSC MPRC GRAS. Responsibilities of the Member of the Board of Directors in accordance with the Federal Law «On Joint Stock Companies» and the Company's Statute.

Since October 13, 2014 — Member of the Board of Directors of PJSC Bamstroyemkhanizatsiya. Responsibilities of the Member of the Board of Directors in accordance with the Federal Law «On Joint Stock Companies» and the Company's Statute.

Since February 21, 2013 to June 30, 2015 — Member of the Board of Directors of JSC Dalgiprotrans. Responsibilities of the Member of the Board of Directors in accordance with the Federal Law «On Joint Stock Companies» and the Company's Statute.

Since June 27, 2014 to June 30, 2016 — Member of the Board of Directors of JSC MFS-1. Responsibilities of the Member of the Board of Directors in accordance with the Federal Law «On Joint Stock Companies» and the Company's Statute.

Since December 20, 2013 to June 3, 2014 — Member of the Board of Directors of ED ACTIVE LLC. Responsibilities of the Member of the Board of Directors in accordance with the Federal Law «On Limited Liability Companies» and the Company's Statute.

Since July 01, 2015 — Member of the Board of Directors of Transproektfinans LLC. Responsibilities of the Member of the Board of Directors in accordance with the Federal Law «On Limited Liability Companies» and the Company's Statute.

3	Markelov Valery Anatolyevich
Title	Member of the Board of Directors
Date of election (re-election) to the Board of Directors	27.06.2007 (23.12.2016)
Vocational education	Tashkent Higher All-Troops Command College named after Vladimir Lenin, 1987. Specialty: Operating engineer of caterpillar and wheeled vehicles.
Employment history for the last 3 years	<p>Since June 27, 2007 — Member of the Board of Directors of the IPB Bank (JSC). Responsibilities of the Member of the Board of Directors in accordance with the Federal Law «On Joint Stock Companies» and the Bank's Statute.</p> <p>Since September 31, 2012 — Member of the Board of Directors of OJSC Mtsensk Foundry. Responsibilities of the Member of the Board of Directors in accordance with the Federal Law «On Joint Stock Companies» and the Company's Statute.</p> <p>Since October 10, 2012 — Member of the Board of Directors of OJSC Lengiprotrans. Responsibilities of the Member of the Board of Directors in accordance with the Federal Law «On Joint Stock Companies» and the Company's Statute.</p>
4	Obodovskii Yuri Vasilyevich
Title	Member of the Board of Directors
Date of election (re-election) to the Board of Directors	27.06.2007 (23.12.2016)
Vocational education	<p>Odessa Highest Artillery Command School of Frunze, 1991. Specialty: Engineer.</p> <p>All-Russian State Distance-Learning Institute of Finance and Economics, 1996. Specialty: Economist.</p> <p>Odessa Regional Institute of Public Administration of National Academy of Public Administration, Office of the President of Ukraine, 2003. Specialty: Specialist in public administration.</p> <p>Financial University under the Government of the Russian Federation, 2006. Specialty: Economist.</p>

Employment history for the last 3 years	<p>Since June 27, 2007 to June 25, 2015 — Member of the Board of Directors of the IPB Bank (JSC). Responsibilities of the Member of the Board of Directors in accordance with the Federal Law «On Joint Stock Companies» and the Bank's Statute.</p> <p>Since June, 2011 — Deputy Chairman of the Board of Directors of OJSC Elteza. Responsibilities of the Member of the Board of Directors in accordance with the Federal Law «On Joint Stock Companies» and the Company's Statute.</p> <p>Since September, 2012 — Member of the Board of Directors of JSC Roszheldorproyekt. Responsibilities of the Member of the Board of Directors in accordance with the Federal Law «On Joint Stock Companies» and the Company's Statute.</p> <p>Since October, 2012 — Member of the Board of Directors of PJSC Lengiprotrans. Responsibilities of the Member of the Board of Directors in accordance with the Federal Law «On Joint Stock Companies» and the Company's Statute.</p> <p>Since October, 2014 — Member of the Board of Directors of PJSC Bamstroyamehanizatsiya. Responsibilities of the Member of the Board of Directors in accordance with the Federal Law «On Joint Stock Companies» and the Company's Statute.</p> <p>Since April 04, 2014 to April 04, 2015 — Director General of 1520 Group LLC. Responsibilities of the individual executive body in accordance with the Federal Law «On Limited Liability Companies» and the Company's Statute.</p> <p>Since April 04, 2014 to April 04, 2015 — Director General of NPG 1520 LLC. Responsibilities of the individual executive body in accordance with the Federal Law «On Limited Liability Companies» and the Company's Statute.</p> <p>Since December, 2015 — Director General of Alaksa LLC. Responsibilities of the individual executive body in accordance with the Federal Law «On Limited Liability Companies» and the Company's Statute.</p>
5	Usherovich Boris Yefimovich
Title	Member of the Board of Directors
Date of election (re-election) to the Board of Directors	23.12.2016
Vocational education	<p>Since June 24, 2015 — Member of the Board of Directors of JSC Roszheldorproyekt. Responsibilities of the Member of the Board of Directors in accordance with the Federal Law «On Joint Stock Companies» and the Company's Statute.</p> <p>Since October 10, 2012 to June 29, 2015 and June 27, 2016 — Member of the Board of Directors of OJSC Lengiprotrans. Responsibilities of the Member of the Board of Directors in accordance with the Federal Law «On Joint Stock Companies» and the Company's Statute.</p> <p>Since November 28, 2016 — Member of the Board of Directors of PJSC Bamstroyamehanizatsiya. Responsibilities of the Member of the Board of Directors in accordance with the Federal Law «On Joint Stock Companies» and the Company's Statute.</p>

During 2016, there have been changes in the membership of the Bank's Board of Directors: withdrawal of the Board of Directors Members Elena Anatolyevna Usherovich and Tatyana Dmitriyevna Orlova according to the decisions of the Bank's Extraordinary General shareholders meeting (EGSM Protocol No. 03-2016 dated 23.12.2016). According to the decision of the Bank's Extraordinary General shareholders meeting (EGSM Protocol

No. 03-2016 dated 23.12.2016), Boris Efimovich Usherovich and Alexey Andreevich Krapivin have become the members of the Board of Directors.

The Bank did not pay any payments (remuneration) to the members of the Board of Directors in 2016.

Composition of the Bank's Management Board (as of 01.01.2017):

- | | |
|--|---|
| ▶ Dmitry Alexandrovich Yakovlev | Chairman of the Management Board |
| ▶ Michael Yurievich Savinykh | First Deputy Chairman of the Management Board |
| ▶ Tatyana Igorevna Mikheeva | Deputy Chairman of the Management Board |
| ▶ Sergey Igorevich Pronin | Deputy Chairman of the Management Board |
| ▶ Oleg Stanislavovich Korchagin | Director of Legal Department |

CURRICULUM VITAE OF THE MANAGEMENT BOARD MEMBERS

1	Yakovlev Dmitry Aleksandrovich
Title	Chairman of the Board
Vocational education	Moscow State Law University, 1993. Specialty: Jurisprudence.
Employment history for the last 3 years	Since October 31, 2008 – Chairman of the Management Board of the IPB Bank (JSC). Responsibilities of the individual executive body in accordance with the Federal Law «On Joint Stock Companies» and the Bank's Statute.

2	Savinykh Mikhail Yurievich
Title	First Deputy Chairman of the Board, Member of the Board
Vocational education	Moscow Institute of Electronic Engineering, 1993. Specialty: Automation and control in technical systems. Plekhanov Russian University of Economics, 1995. Specialty: Banking and financial industry.
Employment history for the last 3 years	Since May 22, 2006 — First Deputy Chairman of the Board, IPB Bank (JSC). Supervises: Information Technology Department; Currency Management; Financial Monitoring Management; Collection Management; Operations Management; Management of Payment Systems and Technologies; Management of the Development of Bank E-payments and Technologies; Management of Cash Transactions and Monetary Circulation. Fulfills the responsibilities of the Chairman of the Board during his temporary absence.
3	Mikheeva Tatiana Igorevna
Title	Deputy Chairman of the Board, Member of the Board
Vocational education	Lomonosov Moscow State University, 1994. Specialty: Russian language and literature. Lomonosov Moscow State University, 2012. Specialty: National economics.
Employment history for the last 3 years	Since July 09, 2013 — Deputy Chairman of the Management Board of IPB Bank (JSC). Supervises: Lending Department; Management of pledge operations; Sector of preliminary analysis.

4	Pronin Sergey Igorevich
Title	Deputy Chairman of the Board, Member of the Board
Vocational education	Moscow State Technical University, 2001. Specialty: Economics and Company Management (machine building).
Employment history for the last 3 years	Since 01.04.2007 to 11.02.2015 — Head of Financial Department of IPB Bank (JSC). Responsibilities: management of the financial department activities, development, coordination and control of measures on liquidity management of the Bank's balance, optimization of the asset and liability structure, coordination and control of measures on forecasting the current financial result of the Bank's activity, coordination and control of budget formulation procedures, as well as budget management. Since 11.02.2015 — Deputy Chairman of the Management Board of IPB Bank (JSC). Supervises the financial department and the financial unit as a whole.
5	Korchagin Oleg Stanislavovich
Title	Chief Legal Officer, Member of the Board
Vocational education	International Institute of Economics and Law, 1998.
Employment history for the last 3 years	Since 01.11.2010 – Chief Legal Officer of the Bank. Responsibilities: legal support of the Bank's activities.

Composition of the Management Board did not change in 2016.

BANK'S COMPLIANCE WITH THE PRINCIPLES AND RECOMMENDATIONS OF THE CORPORATE GOVERNANCE CODE

In its activities, the Bank applies the principles and recommendations of the Corporate Governance Code recommended for use by the Bank of Russia Letter No. 06-52 / 2463 "On the Code of Corporate Governance" dated 10.04.2014.

The Board of Directors of the Bank agrees that full compliance with the principles and recommendations of the Code is an efficient tool for improving the management of the Bank; provides reliable risk management and internal control; harmonization of relations between the Bank's executive bodies, the Board of Directors, shareholders and other interested parties; compliance with shareholders' interests and standards of information disclosure, as well as unfailing monitoring of the Bank's activities by shareholders and other interested parties.

IN 2016, THE BANK ADHERED TO THE MOST IMPORTANT BASIC PRINCIPLES AND RECOMMENDATIONS OF THE CORPORATE GOVERNANCE:

- ▶ The Bank ensures just and equal treatment of all shareholders in exercising their right to participate in the management of the Bank. Equal terms have been created for all shareholders, i.e. shareholders of the same category (type), including minority shareholders and foreign shareholders. Shareholders are also provided with just and equal opportunity to participate in the distribution of the Bank's profits through the receipt of dividends.
- ▶ The Bank's corporate governance model ensures the delineation of the powers and responsibilities of the management and control bodies.
- ▶ The Board of Directors of the Bank defines the main long term oriented strategic guidelines, key performance indicators of the Bank, carries out strategic management of the Bank, defines the main principles and approaches to the organization of the risk management and internal control system in the Bank, monitors the activities of executive bodies, determines the Bank's policy on remuneration of the Board of Directors members and executive bodies, as well as implements other core functions. The Board of Directors is an effective and professional management body of the Bank that is able to make non-prejudicial independent judgments and make decisions meeting interests of the Bank and its shareholders.
- ▶ The Board of Directors ensures the performance evaluation of the Board of Directors, its committees and Members of the Board of Directors.
- ▶ The system of remuneration of the executive bodies and other key personnel of the Bank provides the dependence of the remuneration on the Bank's performance and the personnel contribution to achieving this result.

- ▶ Internal control and risk management system is for the management decision making with account of reasonable assurance in achieving the goals set for the Bank. Internal audit is carried out to ensure a regular independent evaluation of the reliability and effectiveness of the risk management and internal control system, as well as corporate governance practices.
- ▶ The Bank is in effort to be transparent for shareholders, investors and other interested parties; disclose complete, accurate and up-to-date information about its activities so that its shareholders and investors have the opportunity to make valid decisions. Information and documentation are provided upon the requests of shareholders in accordance with the equal and unhindered access.
- ▶ Actions that significantly affect or may affect the stock capital and financial position of the Bank and thus the shareholders' position (major corporate actions) are carried out under fair terms ensuring compliance with the rights and interests of shareholders, as well as other interested parties. The procedure of taking major corporate actions in the Bank allows the shareholders to receive complete information about such actions in due time. Therefore, shareholders have the opportunity to influence the commission of such actions ensuring the observance and adequate level of their rights protection.
- ▶ The Bank disclosed information in accordance with the legislative requirements.

FINANCIAL STATEMENTS

annual report 2016

BALANCE SHEET (REPORTING FORM) AS OF 01.01.2017

OKUD form code 0409806
Quarterly (annual)
thousand rubles

Line number	Item name	Number of explanations	Data as of the accounting date	Data as of the beginning of the accounting period
1	2	3	4	5
I. ASSETS				
1	Cash	13.1	1,090,288	2,632,289
2	Funds of credit institutions in the Central Bank of the Russian Federation	13.2	1,624,051	2,318,322
2.1	Required reserves	13.3	277,613	218,880
3	Assets in the credit institutions	13.4	5,201,923	6,150,622
4	Financial assets at fair value through surplus or deficit	13.5, 13.6	0	0
5	Net lending receivables	13.9	28,690,966	26,737,095
6	Net investment in securities and other financial assets available for sale	13.5, 13.7	3,428,943	3,138,759
6.1	Investments in subsidiaries and affiliates		0	0
7	Net investment in securities held to maturity	13.5, 13.8	0	987,912
8	Requirements for current income tax		0	5,670
9	Deferred tax asset		102,861	53,542
10	Fixed assets, intangible assets and material assets	13.10	877,254	904,686
11	Non-current assets held for sale		4,392	0
12	Other assets	13.11	275,672	384,269
13	Total assets		41,296,350	43,313,166

Line number	Item name	Number of explanations	Data as of the accounting date	Data as of the beginning of the accounting period
II. LIABILITIES				
14	Loans, deposits and other funds of the Central Bank of the Russian Federation	13.12	0	2,429,676
15	Funds of credit institutions		29,160	952,955
16	Funds held for customers other than credit institutions	13.13	36,051,329	34,094,538
16.1	Deposits (funds) of natural persons, including private entrepreneurs		18,694,198	18,803,823
17	Financial liabilities at fair value through surplus or deficit		0	0
18	Issued debentures	13.14	927,967	1,855,912
19	Liabilities for current income tax		74,918	1,382
20	Deferred tax liability		160,239	111,637
21	Other liabilities	13.15	466,711	556,677
22	Provisions for possible bad loans, other potential losses and transactions with residents of offshore areas		268,483	101,954
23	Total liabilities		37,978,807	40,104,731
III. SHAREHOLDERS' EQUITY				
24	Capital of shareholders (participants)		1,133,338	1,133,338
25	Treasury shares		0	0
26	Share premium		0	0
27	Reserve fund		56,667	56,667
28	Revaluation at fair value of securities held for trading, decreased by deferred tax liability (increased by deferred tax asset)		198,545	2,249
29	Revaluation of fixed assets and intangible assets, decreased by deferred tax liability		487,098	489,006

Line number	Item name	Number of explanations	Data as of the accounting date	Data as of the beginning of the accounting period
30	Revaluation of liabilities (requirements) for long-term remunerations		0	0
31	Revaluation of hedging instruments		0	0
32	Grant funding (contributions to assets)		499,950	0
33	Undistributed profit (uncovered loss) of past years		339,727	1,089,826
34	Unused profit (loss) during the accounting period		602,218	437,349
35	Total shareholders' equity capital		3,317,543	3,208,435
IV. OFF-BALANCE SHEET LIABILITIES				
36	Irrevocable liabilities of credit institution		13,507,858	7,557,989
37	Guarantees and surety bonds issued by the credit institution		547,658	1,608,506
38	Non-credit contingent liabilities		0	0

PROFIT AND LOSS STATEMENT (REPORTING FORM) FOR 2016

Form code 409807
Quarterly (annual)
Thousand rubles

SECTION 1. ON PROFIT AND LOSS

Line number	Item name	Number of explanations	Data over the accounting period	Data of relevant period of last year
1	2	3	4	5
1	Interest income, total, including:	14.1	4,499,657	4,972,122
1.1	from investment of funds in credit institutions		446,012	131,810
1.2	from loans granted to clients other than credit institutions		3,805,986	4,355,126
1.3	from provision of services of financial lease		0	0
1.4	from investments in securities		247,659	485,186
2	Interest expenses, total, including:	14.2	2,413,619	2,497,253
2.1	of raised funds of credit institutions		17,039	247,157
2.2	of raised funds of clients other than credit institutions		2,299,200	2,123,160
2.3	of issued debentures		97,380	126,936
3	Net interest income (negative interest margin)		2,086,038	2,474,869
4	Change of provision for possible bad debts, loan indebtedness and equaled indebtedness, cash placed on correspondent account, together with interest income, total, including:		-337,690	-1,041,929
4.1	change of provision for potential losses on loans and accrued interest receivables		23,812	-46,123
5	Net interest income (negative interest margin) after creation of provision for potential losses		1,748,348	1,432,940
6	Net income from transactions in financial assets at fair value through surplus or deficit		-350	-13,848
7	Net income from transactions involving financial liabilities at fair value through surplus or deficit		0	0
8	Net income from transactions in securities available for sale		205,104	-6,159
9	Net income from transactions in securities held to maturity		-13	-33,179
10	Net income from foreign currency transactions		48,206	320,064

Line number	Item name	Number of explanations	Data over the accounting period	Data of relevant period of last year
11	Net income from foreign currency revaluation		-25,268	-442,796
12	Net income from transactions in precious stones and metals		0	0
13	Income from shareholdings		62,104	0
14	Fee income	14.3	517,670	524,546
15	Fee expenses	14.4	135,779	115,972
16	Change of provision for potential losses on securities available for sale		0	0
17	Change of provision for potential losses on securities held to maturity		0	0
18	Change of provision for other losses		-169,517	-11,532
19	Other operating income		85,697	30,117
20	Net income (expenses)		2,336,202	1,684,181
21	Transaction expenses		1,542,603	1,062,757
22	Pretax profit (losses)		793,599	621,424
23	Tax (restitution) expense	14.5	191,381	184,075
24	Income (loss) from continuing operations		612,575	437,349
25	Income (loss) from discontinued operations		-10,357	0
26	Profit (loss) during the accounting period		602,218	437,349

SECTION 2. ON OTHER CONSOLIDATED INCOME

Line number	Item name	Number of explanations	Data over the accounting period	Data of relevant period of last year
1	2	3	4	5
1	Profit (loss) during the accounting period		602,218	0
2	Other consolidated income (loss)	14.6	X	X
3	Items that don't reclassify in profit or loss, total, including:		-2,389	0
3.1	change of asset revaluation reserve		-2,389	0
3.2	change of revaluation reserve of liabilities (requirements) according to employee benefit plan		0	0
4	Tax on income relating to items which can't be reclassified in profit or loss		-472	0
5	Other consolidated income (loss) which can't be reclassified in profit or loss, with the deduction of tax on income		-1,917	0
6	Items which can't be reclassified in profit or loss, total, including:		245,370	0
6.1	change of revaluation reserve of assets available for sale		245,370	0
6.2	change of fund of cash flow hedge		0	0
7	Tax on income related to items which can't be reclassified in profit or loss		49,074	0
8	Other consolidated income (loss) which can't be reclassified in profit or loss, with the deduction of tax on income		196,296	0
9	Other consolidated income (loss) with the deduction of tax on income		194,379	0
10	Financial result during the accounting period		796,597	0

**STATEMENT OF SUFFICIENCY OF CAPITAL, AMOUNT OF RESERVES
FOR DOUBTFUL LOANS AND OTHER ASSETS
AS OF (REPORTING FORM) 01.01.2017**

OKUD form code 409808
Quarterly (annual)
thousand rubles

SECTION 1. INFORMATION ON CAPITAL ADEQUACY LEVEL

Line number	Instrument name (line item)	Number of explanations	Cost of instrument (value of indicator) as of the accounting date		Cost of instrument (value of indicator) as of the beginning of the accounting period	
			included in calculation of capital	not included in calculation of capital during the period through January 1, 2018	included in calculation of capital	not included in calculation of capital during the period through January 1, 2018
1	2	3	4	5	6	7
Source of core capital						
1	Share capital and share premium, total, included generated by:		1.133.338.0000	X	1.133.338.0000	X
1.1	ordinary shares (interests)		1.133.338.0000	X	1.133.338.0000	X
1.2	preferred shares		0.0000	0.0000	X	
2	Undistributed profits (loss):		1.637.131.0000	X	1.400.453.0000	X
2.1	of previous years		338.455.0000	X	1.088.585.0000	X
2.2	accounting year		1.298.676.0000	X	311.868.0000	X
3	Reserve fund		56.667.0000	X	56.667.0000	X
4	Participations in share capital subject to gradual exclusion from calculation of capital		not applicable	X.	not applicable	X
5	Capital instruments of core capital of subsidiaries, which belong to third parties		not applicable	not applicable	not applicable	not applicable
6	Sources of core capital, total (line 1 +/- line 2 + line 3 - line 4 + line 5)		2.827.136.0000	X	2.590.458.0000	X
Indicators decreasing sources of core capital						
7	Adjustment of trading portfolio		not applicable	not applicable	not applicable	not applicable

Line number	Instrument name (line item)	Number of explanations	Cost of instrument (value of indicator) as of the accounting date		Cost of instrument (value of indicator) as of the beginning of the accounting period	
			included in calculation of capital	not included in calculation of capital during the period through January 1, 2018	included in calculation of capital	not included in calculation of capital during the period through January 1, 2018
8	Goodwill exclusive of deferred tax liabilities		0.0000	0.0000	0.0000	0.0000
9	Intangible assets (except for goodwill and loan servicing rights) with the deduction of deferred tax liabilities		10,356.0000	0.0000	634.0000	0.0000
10	Deferred tax liabilities depending on income receivable		0.0000	0.0000	0.0000	0.0000
11	Cash flow hedge reserves		not applicable	not applicable	not applicable	not applicable
12	Incomplete loan loss provisions		0.0000	0.0000	0.0000	0.0000
13	Income from securitization transactions		not applicable	not applicable	not applicable	not applicable
14	Income and expense connected to changes in a financial liability's credit risk at fair value		not applicable	not applicable	not applicable	not applicable
15	Assets of defined benefit plan		not applicable	not applicable	not applicable	not applicable
16	Investment in own shares (in portions)		0.0000	0.0000	0.0000	0.0000
17	Cross-shareholdings (in portions)		not applicable	not applicable	not applicable	not applicable
18	Minor investments in instruments of core capital of financial institutions		0.0000	0.0000	0.0000	0.0000
19	Essential investments in instruments of core capital of financial institutions		0.0000	0.0000	0.0000	0.0000
20	Rights to service mortgages		not applicable	not applicable	not applicable	not applicable
21	Deferred tax assets which don't depend on income		0.0000	0.0000	0.0000	0.0000
22	Grand total of essential investments and deferred tax assets in a part exceeding 15 per cent of the amount of core capital, total, including:		0.0000	0.0000	0.0000	0.0000
23	essential investments in instruments of core capital of financial institution		0.0000	0.0000	0.0000	0.0000
24	rights to service mortgages		not applicable	not applicable	not applicable	not applicable
25	deferred tax assets which don't depend on income		0.0000	0.0000	0.0000	0.0000
26	Other indicators reducing sources of core capital set by the Bank of Russia, total, including:		0.0000	0.0000	0.0000	0.0000
26.1	indicators subject to gradual exclusion from calculation of capital		0.0000	X	0.0000	X
27	Negative value of additional capital		6,904.0000	X	951.0000	X

Line number	Instrument name (line item)	Number of explanations	Cost of instrument (value of indicator) as of the accounting date		Cost of instrument (value of indicator) as of the beginning of the accounting period	
			included in calculation of capital	not included in calculation of capital during the period through January 1, 2018	included in calculation of capital	not included in calculation of capital during the period through January 1, 2018
28	Indicators, decreasing sources of core capital, total (amount of lines from 7 to 22 and line 26 and 27)		17,260.0000	X	1,585.0000	X
29	Core capital, total (line 6 – line 28)		2,809,876.0000	X	2,588,873.0000	X
Sources of additional capital						
30	Instrument of additional capital and share premium, total, including:		0.0000	X	0.0000	X
31	classified as capital		0.0000	X	0.0000	X
32	classified as liabilities		0.0000	X	0.0000	X
33	Instruments of additional capital subject to gradual exclusion from calculation of capital		0.0000	X	0.0000	X
34	Instruments of additional capital of subsidiaries which belong to third parties, total, including:		not applicable	not applicable	X	X
35	Instruments of additional capital of subsidiaries subject to gradual exclusion from calculation of capital		not applicable	not applicable		
36	Sources of additional capital, total (line 30 + line 33 + line 34)		0.0000	X	0.0000	X
Indicators decreasing sources of additional capital						
37	Investment in own instruments of additional capital		0.0000	0.0000	0.0000	0.0000
38	Crossholding of instruments of additional capital		not applicable	not applicable	not applicable	not applicable
39	Minor investments in instruments of additional capital of financial institutions		0.0000	0.0000	0.0000	0.0000
40	Essential investments in instruments of additional capital of financial institutions		0.0000	0.0000	0.0000	0.0000
41	Other indicators decreasing source of additional capital set by the Bank of Russia, total, including:		0.0000	X	0.0000	X
41.1	indicators subject to gradual exclusion from calculation of capital, total, among them:		0.0000	X	0.0000	X
41.1.1	intangible assets		0.0000	X	0.0000	X
41.1.2	own shares (participatory interests) acquired (repurchased) of shareholders (participants)		0.0000	X	0.0000	X
41.1.3	shares (participatory interests) of subsidiaries and affiliates and credit institutions being residents		0.0000	X	0.0000	X

Line number	Instrument name (line item)	Number of explanations	Cost of instrument (value of indicator) as of the accounting date		Cost of instrument (value of indicator) as of the beginning of the accounting period	
			included in calculation of capital	not included in calculation of capital during the period through January 1, 2018	included in calculation of capital	not included in calculation of capital during the period through January 1, 2018
41.1.4	shareholder's equity capital composed of improper assets		0.0000	X	0.0000	X
41.1.5	negative value of additional capital due to adjustment of capital in the amount of sources of additional capital formed with the use of improper assets by investors		0.0000	X	0.0000	X
42	Negative value of additional capital		0.0000	X	0.0000	X
43	Indicators decreasing sources of additional capital (amount of lines from 37 to 42)		0.0000	X	0.0000	X
44	Additional capital, total (line 36 – line 43)		0.0000	X	0.0000	X
45	Fixed capital, total (line 29 + line 44)		2,809,876.0000	X	2,588,873.0000	X
Sources of additional capital						
46	Additional capital instruments and share premium		2,514,962.0000	X	2,716,390.0000	X
47	Additional capital instruments subject to gradual exclusion from calculation of capital		300,000.0000	X	350,000.0000	X
48	Additional capital instruments of subsidiaries which belong to third parties, total, including:		not applicable	X	not applicable	X
49	Additional capital instruments of subsidiaries subject to gradual exclusion from calculation of capital		not applicable	X	not applicable	X
50	Loss provision		not applicable	X	not applicable	X
51	Sources of additional capital, total (line 46 + line 47 + line 48 + line 50)		2,814,962.0000	X	3,066,390.0000	X
Indicators decreasing sources of additional capital						
52	Investments in own instruments of additional capital		0.0000	0.0000	0.0000	0.0000
53	Cross holding of additional capital instruments		not applicable	not applicable	not applicable	not applicable
54	Minor investments in additional capital instruments of financial institutions		0.0000	0.0000	0.0000	0.0000
55	Essential investments in additional capital instruments of financial institutions		0.0000	0.0000	0.0000	0.0000
56	Other indicators decreasing sources of additional capital set by the Bank of Russia, total, including:		0.0000	X	0.0000	X

Line number	Instrument name (line item)	Number of explanations	Cost of instrument (value of indicator) as of the accounting date		Cost of instrument (value of indicator) as of the beginning of the accounting period	
			included in calculation of capital	not included in calculation of capital during the period through January 1, 2018	included in calculation of capital	not included in calculation of capital during the period through January 1, 2018
56.1	indicators subject to gradual exclusion from calculation of capital, total, among them:		0.0000	X	0.0000	X
56.1.1	sources of capital formed with the use of improper assets by investors		0.0000	X	0.0000	X
56.1.2	delinquent receivables lasting over 30 calendar days		0.0000	X	0.0000	X
56.1.3	subordinate loans issued to credit institutions being residents		0.0000	X	0.0000	X
56.1.4	excess of total amount of loans, banking guarantees and securities issued to shareholders (participants) and insiders over the maximum amount		0.0000	X	0.0000	X
56.1.5	investment in the construction and acquisition of fixed assets and material assets		0.0000	X	0.0000	X
56.1.6	difference between fair market value of interest which belongs to withdrawn members and realizable value paid by other member		0.0000	X	0.0000	X
57	Indicators decreasing sources of additional capital (amount of lines from 52 to 56)		0.0000	X	0.0000	X
58	Additional capital, total (line 51 – line 57)		2,814,962.0000	X	3,066,390.0000	X
59	Equity capital, total (line 45 + line 58)	15.1	5,624,838.0000	X	5,655,263.0000	X
60	Risk Weighted Assets:		X	X	X	X
60.1	subject to gradual exclusion from calculation of capital		0.0000	X	0.0000	X
60.2	necessary to determine adequacy of core capital		36,515,912.0000	X	33,903,772.0000	X
60.3	necessary to determine adequacy of capital assets		36,515,912.0000	X	33,903,772.0000	X
60.4	necessary to determine adequacy of equity capital		37,113,608.0000	X	34,503,853.0000	X
Indicators of adequacy of equity capital and addition to capital adequacy ratio, per cent						
61	Adequacy of core capital (line 29 / line 60.2)		7.6949	X	7.6359	X
62	Adequacy of capital assets (line 45 / line 60.3)		7.6949	X	7.6359	X
63	Adequacy of equity capital (line 59 / line 60.4)		15.1557	X	16.3902	X
64	Addition to equity adequacy ratio, total, including:		0.6250	X	not applicable	X
65	Capital conservation buffer		0.6250	X	not applicable	X

Line number	Instrument name (line item)	Number of explanations	Cost of instrument (value of indicator) as of the accounting date		Cost of instrument (value of indicator) as of the beginning of the accounting period	
			included in calculation of capital	not included in calculation of capital during the period through January 1, 2018	included in calculation of capital	not included in calculation of capital during the period through January 1, 2018
66	Counter cyclical buffer		0.6250	X	not applicable	X
67	Systematic importance buffer		not applicable	X	not applicable	X
68	Core capital available to sustain additions to equity adequacy ratio		1.6949	X	1.6359	X
Adequacy ratio of equity capital, per cent						
69	Core capital adequacy ratio		4.5000	X	5.0000	X
70	Adequacy ratio of capital assets		6.0000	X	6.0000	X
71	Adequacy ratio of equity capital		8.0000	X	10.0000	X
Indices applied in the event of reduction of sources of capital not exceeding materiality threshold						
72	Minor investments in capital instruments of financial institutions		0.0000	X	0.0000	X
73	Essential investment in capital instruments of internal model		0.0000	X	0.0000	X
74	Rights to service mortgage loans		not applicable	X	not applicable	X
75	Deferred tax assets, which don't depend on income		0.0000	X	0.0000	X
Restrictions related to inclusion of loss provisions when calculating additional capital						
76	Loss provisions included in calculation of additional capital when standardized approach is employed in relation to items subject to calculation of credit risk		not applicable	X	not applicable	X
77	Restrictions related to loss provisions included in calculation of additional capital when employing standardized approach		not applicable	X	not applicable	X
78	Loss provisions included in calculation of additional capital when internal model-based approach is employed in relation to items subject to calculation of credit risk		not applicable	X	not applicable	X
79	Restrictions related to loss provisions included in calculation of additional capital when employing internal model-based approach		not applicable	X	not applicable	X
Instruments subject to gradual exclusion from calculation of equity capital (applied from January 1, 2018 till January 1, 2022)						
80	Current restrictions related to instruments included in group of sources of core capital always provided that such instruments are subject to gradual exclusion from calculation of equity capital		not applicable	X	not applicable	X
81	Instruments not included in sources of core capital due to restrictions		not applicable	X	not applicable	X

Line number	Instrument name (line item)	Number of explanations	Cost of instrument (value of indicator) as of the accounting date		Cost of instrument (value of indicator) as of the beginning of the accounting period	
			included in calculation of capital	not included in calculation of capital during the period through January 1, 2018	included in calculation of capital	not included in calculation of capital during the period through January 1, 2018
82	Current restrictions to include instruments which are subject to gradual exclusion from calculation of equity capital in the group of sources of additional capital		not applicable	X	not applicable	X
83	Instruments not included in the sources of additional capital due to restrictions		not applicable	X	not applicable	X
84	Current restriction related to instruments included in group of sources of additional capital always provided that such instruments are subject to gradual exclusion from calculation of equity capital		not applicable	X	not applicable	X
85	Instruments not included in additional capital due to restrictions		not applicable	X	not applicable	X

Information on accounting data used as sources when drafting section 1 are given in explanations N of supporting information to the form 0409808.

SECTION 2. INFORMATION ON VALUE OF CREDIT, OPERATIONAL AND MARKET RISK COVERED BY THE CAPITAL

SUBSECTION 2.1. CREDIT RISK WHEN APPLYING THE STANDARDIZED APPROACH

thousand rubles

Line number	Line item	Data as of the accounting date			Data as of the beginning of the accounting year			
		Number of explanations	Value of assets (instruments) measured with the use of standardized approach	Assets (instruments) with the deduction of loss provisions	Value of assets (instruments) weighted by risk	Value of assets (instruments) measured with the use of standardized approach	Assets (instruments) with the deduction of loss provisions	Value of assets (instruments) weighted by risk
1	2	3	4	5	6	7	8	9
1	Credit risk related to assets reflected on balance account		31,609,056	29,160,028	21,313,610	40,058,541	38,258,445	23,909,097
1.1	Assets with risk ratio* 0 per cent, total, among them:		3,099,669	3,099,669	0	9,525,619	9,525,619	0
1.1.1	cash and required reserves deposited in the Bank of Russia		2,714,339	2,714,339	0	4,950,611	4,950,611	0
1.1.2	credit requirements and other requirements secured by guarantees issued by the Russian Federation, Ministry of Finance of the Russian Federation and the Bank of Russia together with pledge of government debt securities issued by the Russian Federation, Ministry of Finance of the Russian Federation and the Bank of Russia		0	0	0	0	0	0
1.1.3	credit requirements and other requirements as to Central Banks or governments of the countries, which have country assessments "0", "1"**, including those secured by guarantees of these countries, etc.		0	0	0	0	0	0
1.2	Assets with risk ratio of 20 per cent, total, among them:		5,933,436	5,933,436	1,186,687	6,036,576	6,029,527	1,205,905
1.2.1	credit requirements and other requirements as to subjects of the Russian Federation, municipal entities and other organizations, secured by guarantees and pledge of securities of the subjects of the Russian Federation and municipal entities		0	0	0	0	0	0
1.2.2	credit requirements and other requirements as to the Central Banks or governments of the countries, which have country assessment "2", including those secured by their guarantees (pledge of securities)		0	0	0	0	0	0
1.2.3	credit requirements and other requirements as to credit institutions being residents of the countries, which have country assessment "0", "1" and have long-term credit rating***, including those secured by guarantees		0	0	0	463,821	463,821	92,764
1.3	Assets with risk ratio of 50 per cent, total, among them:		0	0	0	215	215	108

Line number	Line item	Data as of the accounting date			Data as of the beginning of the accounting year			
		Number of explanations	Value of assets (instruments) measured with the use of standardized approach	Assets (instruments) with the deduction of loss provisions	Value of assets (instruments) weighted by risk	Value of assets (instruments) measured with the use of standardized approach	Assets (instruments) with the deduction of loss provisions	Value of assets (instruments) weighted by risk
1.3.1	credit requirements and other requirements in foreign currency, secured by guarantees of the Russian Federation, Ministry of Finance and the Bank of Russia and by pledge of government debt securities of the Russian Federation, Ministry of Finance of the Russian Federation and the Bank of Russia denominated in foreign currencies.		0	0	0	0	0	0
1.3.2	credit requirements and other requirements to the Central Banks or governments of the countries, which have country assessment "3", including those secured by their guarantees (pledge of securities)		0	0	0	0	0	0
1.3.3	credit requirements and other requirements as to credit institutions being residents of the countries, which have country assessment "0", "1", and don't have long-term credit rating, together with credit institutions being residents of the countries, which have country assessment "2", including those secured by their guarantees		0	0	0	0	0	0
1.4	Assets with risk ratio of 100 per cent, total, among them:		22,575,951	20,126,923	20,126,923	24,496,131	22,703,084	22,703,084
1.4.1	loans to the borrowers being entities		17,436,744	15,603,663	15,603,663	21,887,967	20,204,686	20,204,686
1.4.2	credit requirements as to resident banks denominated in foreign currencies		2,239,774	2,239,774	2,239,774	139,296	139,296	139,296
1.4.3	permanent assets net of amortization		1,061,886	679,735	679,735	975,814	620,260	620,260
1.5	Assets with risk ratio of 150 per cent – credit requirements and other requirements as to the Central Banks or governments of the countries, which have country assessment "7"		0	0	0	0	0	0
2	Assets with other risk ratio:		X	X	X	X	X	X
2.1	reduced risk ratio, total, including:		5,856,082	5,856,082	1,171,216	624,023	624,023	124,805
2.1.1	mortgage loans with risk ratio of 50 per cent		0	0	0	0	0	0
2.1.2	mortgage loan with risk ratio of 70 per cent		0	0	0	0	0	0
2.1.3	requirements of Clearing Members		5,856,082	5,856,082	1,171,216	624,023	624,023	124,805
2.2	with high risk ratio, total, including:		3,059,688	2,758,887	5,187,329	4,079,326	3,832,699	5,217,791
2.2.1	with risk ratio of 110 per cent		116,420	115,229	126,752	233,021	227,134	249,846
2.2.2	with risk ratio of 130 per cent		1,521,441	1,455,408	1,892,070	2,221,956	2,202,010	2,862,613

Line number	Line item	Data as of the accounting date			Data as of the beginning of the accounting year			
		Number of explanations	Value of assets (instruments) measured with the use of standardized approach	Assets (instruments) with the deduction of loss provisions	Value of assets (instruments) weighted by risk	Value of assets (instruments) measured with the use of standardized approach	Assets (instruments) with the deduction of loss provisions	Value of assets (instruments) weighted by risk
2.2.3	with risk ratio of 150 per cent		1,295,815	1,062,238	1,593,357	1,624,349	1,403,555	2,105,332
2.2.4	with risk ratio of 250 per cent		0	0	0	0	0	0
2.2.5	with risk ratio of 1250 per cent		126,012	126,012	1,575,150	0	0	0
2.2.5.1	under legal assignment of cash claims, including those certified by mortgage to mortgage agents or specialized mortgage lenders		0	0	0	0	0	0
3	Cash loans, total, including:		209,658	203,277	629,822	51,516	43,533	130,596
3.1	with risk ratio of 140 per cent		0	0	0	0	0	0
3.2	with risk ratio of 170 per cent		0	0	0	0	0	0
3.3	with risk ratio of 200 per cent		0	0	0	0	0	0
3.4	with risk ratio of 300 per cent		209,658	203,277	609,822	51,516	43,533	130,596
3.5	with risk ratio of 600 per cent		0	0	0	0	0	0
4	Contingent credit risk, total, including:		5,140,862	4,872,379	555,814	5,622,685	5,520,730	1,123,861
4.1	on financial instruments with high-risk		547,658	538,312	555,814	1,608,506	1,587,142	1,123,861
4.2	on financial instruments with average risk		0	0	0	0	0	0
4.3	on financial instruments with low-risk		0	0	0	0	0	0
4.4	on financial instruments without risk		4,593,204	4,334,067	0	4,014,179	3,933,588	0
5	Credit risk in respect of derivative financial instruments		0		0	0		0

* Asset classification according to risk groups was made in accordance with clause 2.3 of Instructions of the Bank of Russia No. 139-I.

** Country assessments are given in accordance with classification made by export credit agencies of the countries, which participate in the Agreement and which are members of the Organization for Economic Cooperation and Development (OECD) "On the basic principles of provision and use of export credits which are officially supported" (information on country assessments is published on the official website of the Bank of Russia in the information and telecommunication network "Internet" in the section "Banking Supervision").

*** Long-term credit rating of credit organization is determined on the basis of ratings assigned by International Rating Agencies: Standart & Poor's or Fitch Rating's or Moody's Investors Service.

SUBSECTION 2.1.1. CREDIT RISK WHEN APPLYING THE INTERNAL RATINGS-BASED APPROACH

thousand rubles

Line number	Line item	Data as of the accounting date			Data as of the beginning of the accounting year			
		Number of explanations	Value of assets (instruments) measured with the use of standardized approach	Assets (instruments) with the deduction of loss provisions	Value of assets (instruments) weighted by risk	Value of assets (instruments) measured with the use of standardized approach	Assets (instruments) with the deduction of loss provisions	Value of assets (instruments) weighted by risk
1	2	3	4	5	6	7	8	9
1	Credit risk calculated with the use of basic internal rating-based approach	15.2	0	0	0	0	0	0
2	Credit risk calculated with the use of advanced internal rating-based approach		0	0	0	0	0	0

SUBSECTION 2.2. OPERATIONAL RISK

thousand rubles

Line number	Line item	Number of explanations	Data as of accounting date	Data as of the beginning of the accounting period
1	2	3	4	5
6	Operational risk, total, including:		333,779.0	247,667.0
6.1	Income intended for calculating operational risk capital, total, including:		2,225,196.0	1,651,111.0
6.1.1	net interest income		1,619,687.0	1,143,692.0
6.1.2	net non-interest income		605,509.0	507,419.0
6.2	Number of years preceding to the date of calculation of operational risk value		3.0	3.0

SUBSECTION 2.3. MARKET RISK

thousand rubles

Line number	Line item	Number of explanations	Data as of accounting date	Data as of the beginning of the accounting period
1	2	3	4	5
7	Aggregate market risk, total, including:		4,103,578.5	902,275.7
7.1	interest-rate risk, total, including:		37,169.6	48,445.7
7.1.1	gross		17,087.9	17,035.9
7.1.2	special		20,081.7	31,409.8
7.1.3	gamma risk and vega risk of a portfolio containing options		0.0	0.0
7.2	equity risk, total, including:		274,010.9	0.0
7.2.1	gross		136,175.5	0.0
7.2.2	special		137,835.4	0.0
7.2.3	gamma risk and vega risk of a portfolio containing options included in the calculation of equity risk		0.0	0.0
7.3	exchange risk, total, including:		17,105.8	23,736.4
7.3.1	gamma risk and vega risk of a portfolio containing options included in the calculation of exchange risk		0.0	0.0
7.4	commodity risk, total, including:		0.0	0.0
7.4.1	basic commodity risk		0.0	0.0
7.4.2	additional commodity risk		0.0	0.0
7.4.3	gamma risk and vega risk of a portfolio containing options included in the calculation of commodity risk		0.0	0.0

SECTION 3. INFORMATION ON AMOUNT OF PROVISIONS FOR LOAN LOSSES AND OTHER ASSETS

thousand rubles

Line number	Line item	Number of explanations	Data as of accounting date	Gains (+) / decrease (-) during the accounting period	Data as of the beginning of the accounting period
1	2	3	4	5	6
1	Actual loan loss provisions, total, including:		2,641,214	490,926	2,150,288
1.1	for loans, loan indebtedness and similar indebtedness		2,336,529	325,151	2,011,378
1.2	for other assets where there is a risk of loss, and other loss		36,202	-754	36,956
1.3	for credit-related contingency and securities with rights certified by depository, which don't meet the requirements of the Bank of Russia, reflected on below-line balance accounts		268,483	166,529	101,954
1.4	for transactions made with the residents of offshore zones		0	0	0

SECTION 4. INFORMATION ON FINANCIAL LEVERAGE INDEX

thousand rubles

Line number	Line item	Number of explanations	Value as of accounting date 01.01.2017	Value as of the date separated in time by one quarter from the accounting date 01.10.2016	Value as of the date separated in time by two quarters from the accounting date 01.07.2016	Value as of the date separated in time by three quarters from the accounting date 01.04.2016
1	2	3	4	5	6	7
1	Fixed capital, thousand rubles		2,809,876.0	2,616,779.0	2,704,078.0	2,696,906.0
2	Value of assets and off balance sheet requirements at risk for calculating financial leverage index, thousand rubles		41,372,986.0	37,778,435.0	37,194,001.0	39,984,025.0
3	Basel III leverage ratio, per cent	16.2	6.8	6.9	7.3	6.7

ACCOUNTANT'S OPINION

TO SHAREHOLDERS AND THE BOARD OF DIRECTORS OF IPB BANK (JSC):

In our opinion, the annual financial statements give a true and fair view of the financial position of INTERPROGRESSBANK (Joint Stock Company) as of January 1, 2017, financial results of its operations and cash flows for the year 2016 in accordance with Russian Rules on preparation of accounting reports by credit institutions.

Board of Tax Consultants LLC

January 1, 2017
Moscow

STATEMENT OF PAYMENT OF DECLARED (ACCRUED) DIVIDENDS ON THE BANK'S EQUITY ISSUES

The amount of dividends paid to shareholders is determined based on the Bank's net profit calculated according to the financial (accounting) statements and is approved by the decision of the General shareholders meeting upon the recommendation of the Bank's Board of Directors.

In November 2016, the Bank paid 1.1 bln RUB of dividends from undistributed profit of past years.

In accordance with the decision of the extraordinary General shareholders meeting, in March 2017, the Bank paid dividends based on the results of 2016 totaling 400 million rubles.

MAJOR TRANSACTIONS AND RELATED PARTY TRANSACTIONS

During the reporting period, the Bank did not make major transactions recognized in accordance with the Federal Law "On Joint Stock Companies" which was in force until December 31, 2016, as well as other transactions approved by major transactions procedure in accordance with the Charter of the Joint Stock Company.

The Bank concluded 37 transactions recognized as related party transactions, which require approval of the Bank's authorized management body in accordance with the Federal Law "On Joint Stock Companies" in force until December 31, 2016. These transactions include:

- ▶ 4 transactions totaling 2 588 000 000 rubles approved by the Bank's General shareholders meeting;
- ▶ 33 transactions totaling 12 734 438 852 rubles approved by the Bank's Board of Directors.

INFORMATION ON EQUITY HOLDING INTEREST AND ON THE BANK'S SHARES OWNERSHIP BY MEMBERS OF THE BOARD OF DIRECTORS AND MANAGEMENT BOARD

Name	Owned share of common stock, %
Yuri Vasilyevich Obodovskii	12.5705
Valery Anatolyevich Markelov	28.6727
Alexey Andreevich Krapivin	28.6727
Nikolay Alexandrovich Sobolev	0
Boris Efimovich Usherovich	14.9655
Dmitry Alexandrovich Yakovlev	0
Michael Yurievich Savinykh	0
Tatyana Igorevna Mikheeva	0
Sergey Igorevich Pronin	0
Oleg Stanislavovich Korchagin	0

In 2016, the members of the Board of Directors and the Management Board did not make any transactions on acquisition or carve-out of the Bank's shares.

INFORMATION ON PAYMENTS (REMUNERATION) TO KEY MANAGEMENT PERSONNEL

In 2016, the total amount of remuneration to employees taking risks was 49,727 thousand rubles; the floating part of remuneration (task bonus) was not paid based on the results of activities in 2016.

In 2016, the total amount of remuneration to "employees responsible for internal control and risk assessment" was 18,312 thousand rubles, including the fixed amount (official salary) of 11,744 thousand rubles, current bonus of 6,105 thousand rubles, compensatory payment of 463 thousand rubles.

The Bank does not provide the non-monetary type of wages. The Bank also does not provide payment of remuneration part in the form of difference in the Bank's shares value in contracts with employees.

INDICATORS OF ENVIRONMENTAL PERFORMANCE OF THE BANK

Information on power resources used by INTERPROGRESSBANK in 2016 is provided below in physical and monetary terms:

2016			2015		2014	
	Amount	Cost, RUB, in thousands	Amount	Cost, RUB, in thousands	Amount	Cost, RUB, in thousands
Electrical power, kWh	501.5	2,271.0	482.5	2,316.1	489.2	2,304.3
Heating energy, Gcal	472.2	936.5	425.8	752.7	420.1	725.3
Water, cu m	2,052	128.0	2,303	132.4	2,072	117.6
Fuel, T (petrol, diesel fuel)	101	3,978.0	86	3,114.8	67	2,074.5

LICENSES AND PERMITS

License for conducting banking operations of individuals and legal entities both in Russian rubles and foreign currencies No. 600 dated 18.09.2015.*

License of securities industry participant for conducting:

- ▶ Dealing activity No. 045 - 02841 - 010000 dated 16.11.2000.
- ▶ Broker activity No. 045 - 02801 - 100000 dated 16.11.2000.
- ▶ Depository activity (without restriction on the period of validity) No. 045 - 03170 - 000100 dated 04.12.2000.

Federal Security Service License for the development, production, distribution of encryption (cryptographic) tools, information systems and telecommunications systems No. LSZ 0006365 dated 10.08.2012.

Statutory deposit insurance participant: Certificate No. 700 dated 24.02.2005.

Membership in professional associations and organizations:

- ▶ Russian Bankers' Association (RBA);
- ▶ Moscow Banks Union (MBU);
- ▶ Visa International, International payment system (alien member);
- ▶ MasterCard, International payment system (alien member);
- ▶ National Securities Market Association (SRO NSMA);
- ▶ Trading participant in currency, equity and time market of MOEX, OJSC;
- ▶ Securities industry participant.

* Date of substitution in relation to registration of INTERPROGRESSBANK Charter as Joint Stock Company by the Central Bank of the Russian Federation. Primary date of registration by the Bank of Russia is 26.10.1990.

BANKING INFORMATION

S.W.I.F.T. code: INTPRUMM

REUTERS dealing code: INPG

TELEX: 414154 INPRO RU

BIK (Russian Central Bank Identifier Code): 044525402

TIN (Taxpayer Identification Number): 7724096412

RRC (Registration Reason Code): 772401001

OKPO (General Classifier of Enterprises and Organizations): 29323770

OKVED (Russian Standard Industrial Classification of Economic Activities): 65.12, 67.13.2

Corresponding account 3010181010000000402 in the Central Bank of the Russian Federation Main Branch in Central Federal District

Information for settlements in foreign currencies

Correspondent bank	Account number	Account currency	SWIFT
US dollars			
Public Joint-Stock Company Sberbank of Russia	30109840400000001221	USD	SABRRUMM
Public Joint-Stock Company Promsvyazbank	30109840600000464101	USD	PRMSRUMM
EURO			
Public Joint-Stock Company Sberbank of Russia	30109978000000001221	EUR	SABRRUMM
Public Joint-Stock Company Promsvyazbank	30109978200000464101	EUR	PRMSRUMM

LICENSES AND CONTACTS

Full name: INTERPROGRESSBANK (Joint Stock Company)

Abbreviated name: IPB Bank (JSC)

Address: 115201, Moscow, Starokashirskoye highway, house 2, block 1, building 1

Region of registration: Moscow

Telephone: +7 495 411-00-00

Fax: +7 499 613-92-09

E-mail: info@ipb.ru

Website: www.ipb.ru

BANK REGIONAL NETWORK

Bank branches are located in Moscow region and Leningrad region. Bank Head Office is located in Moscow; its branch is in Saint Petersburg. As of 31.12.2016, the Bank regional network comprised 12 secondary offices and 5 out-of-the-office cash counters.

Bank Head Office in Moscow:

Address: 115201, Moscow, Starokashirskoye highway, house 2, block 1, building 1

Telephone: +7 495 411-00-00

Fax: +7 499 613-92-09

E-mail: info@ipb.ru

Website: www.ipb.ru

Bank Branch in Saint Petersburg:

Address: 197022, Saint Petersburg, Medikov Avenue, house 9, letter B, apartment 24H

Telephone: +7 812 382-11-22 (ext. 3600)

Secondary offices:

Gamma	Address: 105613, Moscow, Izmaylovskoye highway, house 71, building 4G-D Telephone: +7 495 411-00-00
Izmaylovsky	Address: 105187, Moscow, Izmaylovskoye highway, house 71, building A Telephone: +7 495 411-00-00 (ext. 3020)
Leningradsky	Address: 125284, Moscow, Leningradsky Avenue, house 33A Telephone: +7 495 411-00-00 (ext. 3160)
Maryino	Address: 109652, Moscow, Novomaryinskaya Street, house 12/12, building 1 Telephone: +7 495 411-00-00 (ext. 3100)
Paveletsky	Address: 115054, Moscow, Novokuznetskaya Street, house 36/2, building 1 Telephone: +7 495 411-00-00 (ext. 3145)
Salyut	Address: 119571, Moscow, Leninsky Avenue, house 158 Telephone: +7 495 411-00-00 (ext. 3180)
Sportivniy	Address: 119048, Moscow, Usacheva Street, house 29, building 3 Telephone: +7 495 411-00-00 (ext. 3200)
Universitetsky	Address: 119311, Moscow, Lomonosovsky Avenue, house 23 Telephone: +7 495 411-00-00 (ext. 3260)
Tsentralniy	Address: 129090, Moscow, Mira Avenue, house 24, building 1 Telephone: +7 495 411-00-00 (ext. 7151)
Sheremetyevsky	Address: 127521, Moscow, Sushevsky Val Street, house 55 Telephone: +7 495 411-00-00 (ext. 3060)
Lobnya	Address: 141730, Moscow Region, Lobnya City, Lenina Street, house 16, apartment 1 Telephone: +7 495 577-16-09, 411-00-00 (ext. 3351)
Moskovsky (of branch in Saint Petersburg)	Address: 196105, Saint Petersburg, Moskovsky Avenue, house 143 letter A Telephone: +7 812 382-11-22 (ext. 3650)

Out-of-the-office cash counters:

Gamma	Address: 105613, Moscow, Izmaylovskoye highway, house 71, building 4G-D Telephone: +7 495 411-00-00 (ext. 3029)
Vega	Address: 105187, Moscow, Izmaylovskoye highway, house 71, building 3V Telephone: +7 495 411-00-00 (ext. 3031)
Izmaylovskaya	Address: 105187, Moscow, Izmaylovskoye highway, house 71, building A Telephone: +7 495 411-00-00 (ext. 3025)
MIFI	Address: 115409, Moscow, Kashirskoye Avenue, house 31 Telephone: +7 495 411-00-00 (ext. 3340), +7 499 323-91-78
Tsaritsyno	Address: 109235, Moscow, Proektiruemiy Avenue 4386, house 10 Telephone: +7 499 722-33-57