



**.ipb**  
interprogressbank

ANNUAL REPORT  
**2018**

# APPEAL OF THE BANK MANAGEMENT

**DEAR SHAREHOLDERS, MEMBERS  
OF THE BOARD OF DIRECTORS,  
COLLEAGUES, PARTNERS, CUSTOMERS!**

The past 2018 was a significant year for us: Interprogressbank celebrated its 45<sup>th</sup> anniversary. We have come a long way, we have overcome more than one crisis, but we have survived and continue to develop. A small credit institution, established as Krasnogvardeyskoye branch of the State Bank of the USSR, has now been transformed into a successful, stable universal Bank, with a wide range of customers and partners in many regions of Russia. According to the size of its credit portfolio and a number of other indicators, our Bank is consistently among the top hundred in the country.

We continue following the tradition, helping to develop the real sector of the economy, but also actively introduce new technologies, form modern channels of work with customers to provide them with more convenient and secure access to any banking services, at any time, from anywhere in the world. We choose a strategy of sustainable development, which involves conservative assessment and limitation of accepted risks, but at the same time aims the

Bank to achieve maximum business performance within the framework of the system “liquidity — profitability — capitalization”.

**The past year has confirmed the reasonableness of the Bank’s Development Strategy. Despite the unfavorable external environment, growth of uncertainty and geopolitical risks that have affected the dynamics of capital flows and the ruble exchange rate, we have achieved the goals for all key indicators set by the Development Strategy for 2018.**

The Bank received a net profit in the amount of RUB 638 million, which is 28% higher than the goal set by the Strategy — RUB 500 million. Although the profit according to the results of 2018 was 37% lower than the same indicator in the previous year, in absolute terms — this is the second result for the whole history of the Bank. The reduction of profits was mainly the result of the increase in provisions for possible losses on loans, loan indebtedness and equiv-

**38.3** **bn RUB**  
assets

**5.6** **bn RUB**  
of own funds  
(capital) as of  
01.01.2019

alent debts for RUB 389 million, as well as a reduction in income from transactions with securities and foreign currency.

At the same time, the most important components of the Bank's profit — net interest income and net commission income — increased in 2018. Thanks to a well-thought-out Development Strategy, a mature risk assessment system and a conservative approach in the selection of customers, the Bank has formed a diversified and effective credit portfolio in the amount of RUB 20 bn as of 01.01.2019. The vast majority of the customers confirm their loyalty by using new products offered by the Bank.

At the present time an increasing number of transactions in the banking sector are carried out remotely. In 2018, the number of the Bank's customers connected to the on-line banking system increased by 61%, and its turnover increased by more than one third. The Bank continues to improve and optimize the system software: IPB-Online, fully functional mobile application for individuals, allowing to work with the Bank through a mobile phone powered by iOS or Android, has been put into operation; its functionality has now been significantly expanded.

In the same quick and effective way the Bank develops other technologically advanced channels of interaction with the customers: we have very successfully launched a segment of the terminals network in St. Petersburg; we have almost completed the upgrade of the POS-terminal network, which

ensured an increase in its turnover by 32% and an increase in the efficiency of use of each device; we have provided continuity of service of bank cards, and the volume of non-cash transactions on cards has also increased compared to the previous year.

Due to the high quality and technological effectiveness of service, the Bank attracts companies and organizations to payroll card programs, and in the future it will develop cross-sales, so we will continue to improve the infrastructure, products and business processes simultaneously, improving the quality, speed and efficiency of customer service through any channels.

**Our Development Strategy determines the most important tasks to improve the operational efficiency of the Bank for the next year. The Bank expects to maintain a steady pace of development and to achieve its targets for all key indicators.**

**2.2**

%  
**return on assets**

**11.9**

%  
**return on equity**

# INTERPROGRESSBANK: KEY POINT

**INTERPROGRESSBANK IS A UNIVERSAL BANK PROVIDING CITIZENS AND LEGAL ENTITIES WITH A WIDE RANGE OF FINANCIAL SERVICES AND PRODUCTS. THE BANK SEEKS TO COMBINE THE BEST TRADITIONS OF THE RUSSIAN BANKING SYSTEM AND MODERN MANAGEMENT APPROACHES, OFFERS CUSTOMERS FLEXIBLE RATES AND PRODUCTS DEVELOPED UPON MODERN INFORMATION TECHNOLOGIES.**

## CORE AREAS OF BUSINESS

1

### **Services to corporate customers**

The Bank serves both large and small companies. Customers are offered cash and settlement services and account management services, placement of temporarily surplus funds on deposits, guarantees, loans and other types of financing, brokerage and depository services, acquiring and collection services, money transfers in foreign currency, attractive conditions for payroll card programs.

2

### **Services to individuals**

To individuals, particularly within the framework of payroll card programs, the Bank offers: consumer and mortgage loans; account management and placement of funds in deposits in rubles and foreign currency; transfers in rubles and foreign currency, including instant transfers person-to-person; letters of credit; custody service; insurance of a wide range of risks; investment life insurance; services of safekeeping of valuables; electronic payments through a network of terminals and ATMs of the Bank.

3

### **Investment and trading transactions with financial assets**

The Bank invests its own funds and executes the customers' orders to invest in securities of issuers with a high level of reliability and ratings from leading international rating agencies.

## COMPETITIVE ADVANTAGES

- › Wide range of financial services for legal entities and individuals
- › Focus on long-term relationships with customers and partners
- › Individual approach in servicing of strategically valuable loyal customers
- › A line of highly demanded, effective products for small businesses
- › Strong positions at the fast-growing market of electronic payments
- › High rates of renewal of products and services to keep them up with other companies
- › Adult, systematic, conservative approach to risk assessment and capital adequacy level
- › Participation in the deposit insurance system

## DEVELOPMENT STRATEGY. BASIC PRINCIPLES



## THE WAY THE BANK ACHIEVES EFFICIENCY AND RELIABILITY

- › Provides a stable balance sheet structure and capital adequacy
- › Develops internal control mechanisms of asset quality
- › Improves the efficiency of structural units, minimizes costs
- › Forms new sources of income
- › Introduces high-tech services and products demanded by customers

## HISTORY OF THE BANK: KEEPING THE BEST TRADITIONS ALIVE

In 2018, Interprogressbank celebrated its 45<sup>th</sup> anniversary.

The Bank was founded in March 1973 as a branch of the State Bank of the USSR, in Moscow. In 1988, there was a banking reform in the Soviet Union, state trade credit and financial organizations were established, and the branch of the State Bank was reorganized in Krasnogvardeyskoye branch of Zhilsotsbank of the USSR. Two years later, with the beginning of the transition to a market economy, on the basis of this branch a private Commercial Bank for economic and social development "Interprogressbank" was formed, which received a license from the Bank of Russia No. 600 to conduct banking operations of individuals and legal entities in rubles and foreign currency. In 1992, the first General Meeting of Shareholders decided to reorganize the Bank in the form of its transformation into a joint-stock company with the preservation of legal succession under all previous obligations.

Throughout its history, the Bank focused on servicing enterprises of the real sector of the economy, according to this goal, it forms its Development Strategy. Its basic principles remain unchanged. Assuming responsibility to the customers and partners, the Bank seeks to improve its efficiency and sustainability. Deeply understanding current and future needs of the customers, relying on modern technologies, the Bank continuously improves business processes, creates new demanded products, increases availability and quality of financial services.

# KEY RESULTS

**FOLLOWING A THOUGHT-OUT DEVELOPMENT STRATEGY, THE BANK IS STRENGTHENING ITS COMPETITIVE POSITION AT THE MARKET. THE CUSTOMERS CONFIRM LOYALTY TO THE BANK, USING ITS NEW PRODUCTS AND SERVICES.**

# Achievement of strategic objectives

IPB BANK (JSC) HAS ACHIEVED ALL THE KEY INDICATORS OUTLINED IN THE DEVELOPMENT STRATEGY FOR 2018.

## FIXED CAPITAL, RUB BN



## AVERAGE ANNUAL NET ASSETS VALUE, RUB BN



## NET PROFIT, RUB MLN



## POSITION IN THE MARKET



\* The Bank's place in the ranking in terms of assets according to the Independent Analytical and Rating Center Banki.ru.

# Business growth of the Bank

THE BANK'S DEVELOPMENT STRATEGY IS FOCUSED ON THE ACHIEVEMENT OF MAXIMUM BUSINESS PERFORMANCE WITHIN THE FRAMEWORK OF THE SYSTEM "LIQUIDITY — PROFITABILITY — CAPITALIZATION".

**FIXED CAPITAL,  
RUB BN**



**OWN FUNDS (CAPITAL),  
RUB BN**



**RETURN  
ON EQUITY, %**



EFFICIENCY OF USE OF THE ASSETS INCREASES AGAINST THE REDUCTION IN THEIR SIZE DUE TO THE REDUCTION IN SIZE OF NET LENDING RECEIVABLES.

**ASSETS,  
RUB BN**



**NET LENDING  
RECEIVABLES, RUB BN**



**EFFICIENCY OF USE  
OF THE ASSETS (ROA), %**

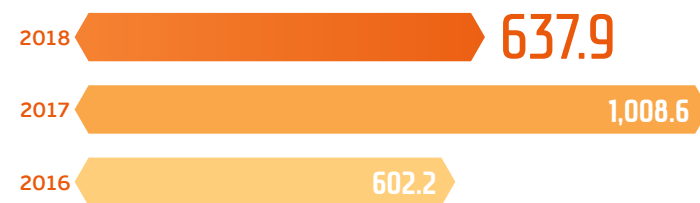




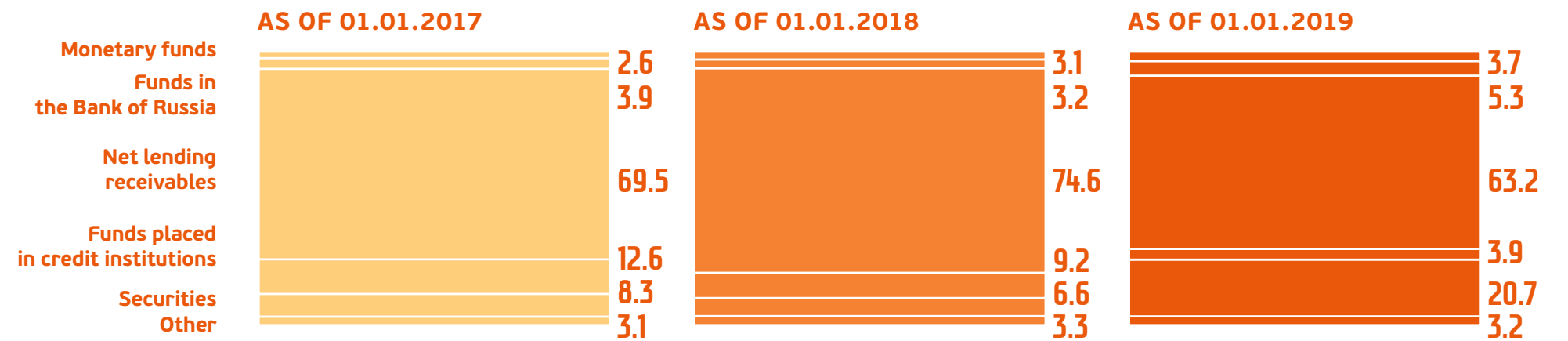
THE BANK REMAINS STABLE AND PROFIT-MAKING ORGANIZATION.

THE BANK MAKES A PROFIT DUE TO THE DEVELOPMENT OF THE MAIN AREAS OF ACTIVITIES: CREDIT ACTIVITIES AND OPERATIONAL SERVICES FOR ENTERPRISES AND ORGANIZATIONS OF THE REAL SECTOR OF THE ECONOMY, CITIZENS OF RUSSIA, INVESTMENT IN DEFENSIVE SECURITIES.

**THE BANK'S NET PROFIT AFTER PAYING PROFIT TAX, RUB MLN**



**STRUCTURE OF ASSETS, %**

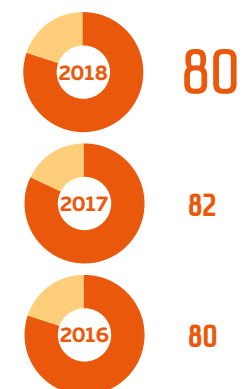


MAIN BORROWERS OF THE BANK ARE ENTERPRISES OF THE REAL SECTOR OF THE ECONOMY, INCLUDING GOVERNMENT-SPONSORED ENTERPRISES WITH A PERFECT CREDIT HISTORY AND FINANCIAL DISCIPLINE.

**DYNAMICS OF LOAN INDEBTEDNESS OF LEGAL ENTITIES AND INDIVIDUALS, RUB BN**



**SHARE OF CREDIT LIMITS PROVIDED TO PRIME BORROWERS THAT ARE CLASSIFIED ACCORDING TO I AND II CATEGORY OF QUALITY, %**



**DYNAMICS OF INVESTMENTS IN SECURITIES, RUB BN**



NET INTEREST INCOME AND NET INTEREST MARGIN OF THE BANK HAVE INCREASED DUE TO THE LEADING DECREASE IN THE NET INTEREST PAID.

**NET INTEREST INCOME (BEFORE CREATION OF PROVISIONS), RUB BN**



**NET INTEREST MARGIN, %**



**OPERATING EXPENSES, RUB BN**



THE BANK EFFECTIVELY USED THE TENDENCY FOR REDUCTION OF MARKET RATES, OFFERING NEW COMPETITIVE PRODUCTS TO INDIVIDUALS AND LEGAL ENTITIES.

**TOTAL INTEREST PAID, RUB BN**



**INTEREST PAID ON BORROWED FUNDS OF THE CUSTOMERS NOT BEING CREDIT INSTITUTIONS, RUB BN**

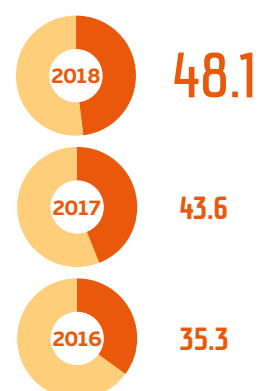


BY ATTRACTING COMPANIES AND ORGANIZATIONS TO PAYROLL CARD PROGRAMS, THE BANK DEVELOPS CROSS-SALES IN LOW-RISK SEGMENTS OF SERVICE OF INDIVIDUALS.

**TOTAL BANK'S LIABILITIES, RUB BN**



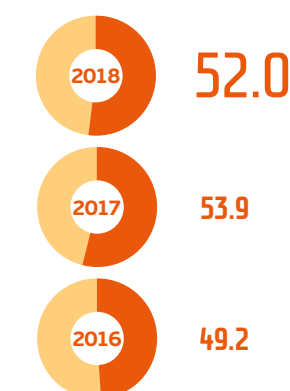
**SHARE OF CORPORATE CUSTOMERS' FUNDS IN LIABILITIES, %**



**DEPOSITS (FUNDS) OF INDIVIDUALS INCLUDING INDIVIDUAL ENTREPRENEURS, RUB BN**



**SHARE IN LIABILITIES, %**



**NET INTEREST INCOME (BEFORE CREATION OF PROVISIONS), RUB BN**



**OPERATING EXPENSES, RUB BN**



## ECONOMY AND BANKING SECTOR IN RUSSIA IN 2018

***IN THE RUSSIAN ECONOMY RECOVERY GROWTH CONTINUED WITH WEAK INVESTMENT ACTIVITY, AT THE SAME TIME, THE DEMAND FOR BORROWED FUNDS AMONG THE POPULATION INCREASED. AS A RESULT, NET PROFIT OF THE BANKING SECTOR INCREASED BY MORE THAN 1.6 TIMES THAT ALLOWED BANKS TO FORM ADDITIONAL CAPITAL. UNDER FAVORABLE CONDITIONS IT CAN BE DIRECTED TO EXTEND CREDITING OF THE ECONOMY.***

Volume of Russia's GDP in 2018 increased by 2.3% against 1.6% in the previous year, and GDP growth in market prices (including taxes) amounted to 12.8%. GDP growth rates turned out to be the highest since 2012, they significantly exceeded both the official forecast of the government (1.8%) and the forecast of the Bank of Russia (1.5–2.0%). However, the quality of growth requires attention: it is not

balanced, concentrated in those sectors where the post-crisis recovery of the domestic market is still ongoing, or there are no barriers on the foreign markets.

The most significant contribution to the acceleration of economic growth was made by the mining industry, transportation and storage, as well as construction, where the recession of 2017 could be overcome. In all three cases, the growth was primarily associated with the oil and gas sector, which used a favorable combination of external circumstances (rise in prices for exported raw materials, forced withdrawal of a number of countries — major suppliers from the world market, etc.) and is supported by the state to expand production and sales.

Other industries could not achieve impressive results. The growth rate of trade and real estate sector has slowed down in comparison with the previous year, although it has remained positive. The decline, although minor, was observed in agricultural production (-0.6%), which was due to poor grain yield. In manufacturing, the growth rate remained almost at the level of the previous year (2.6%), but it differed greatly by branches: chemical complex, food industry, production of construction materials

and woodworking industry grew faster; while growth in mechanical engineering and metallurgy gradually faded by the end of the year.

According to the results of 2018, the balanced financial result (that is total profit minus total loss) of the Russian industry increased by 64.3%, and profitability — by 26.0%. However, in this case a very uneven dynamics was observed. Mining and processing of minerals remained the leaders, in other sectors the profitability practically did not grow or even decreased, as enterprises continued to feel the consequences of the crisis and the weakness of domestic demand. In almost half of the sectors CMASF\* estimates that working capital yields were not even lower than market interest rates on loans, but even lower than risk-free investments in government securities. As a result, the investments in fixed capital of enterprises over the past year almost did not grow, if we do not take into account the statistical effect of the commissioning of one major facility — the Yamal LNG plant.

\* Thesis on the economy. 2018. Overall results. Center for Macroeconomic Analysis and Short-Term Forecast. April 2019. [www.forecast.ru/\\_ARCHIVE/Mon\\_13/2019/132018.pdf](http://www.forecast.ru/_ARCHIVE/Mon_13/2019/132018.pdf).

Enterprises are not just folding investment activity, a lot of them are leaving the market. Over the past year, the total number of enterprises and organizations decreased by 7.6%, and the decline in entrepreneurial activity affected all sectors of the economy, except for healthcare and social services. The consolidation trend was especially strong in the sectors focused on the domestic consumer: the number of enterprises in agriculture, wholesale and retail trade, financial and insurance activities decreased by more than 10%. The construction and real estate sector demonstrated slightly greater stability (-3.7% and -4%, respectively), although the leading indicators of Rosstat show the uncertainty of market participants in the stability of their position: business confidence index fluctuates near historically minimum values (since 2010).

Analysis of the use of GDP also confirms the increased imbalance of the economy towards commodities exports: in 2018 net exports increased more than twofold, while final consumption expenditure increased by only 6.4% and household final consumption expenditure increased by only

5.6%. As a result, the growth of retail trade turnover, in the recent past one of the most dynamic industries, amounted to only 2.6%, which, however, is twice as high as the result of the previous year (1.3%). Although the Bank of Russia stated the transition of the population from the savings model of behavior to the consumer model of behavior — it was noticeable in the dynamics of sales of durable goods, including cars, this market segment grew by 12.8% — lasting in fact the fifth year in a row compression of real disposable income remains a strong deterrent to further economic growth.

According to the Bank of Russia, budgetary policy was also of a restraining nature. The surplus of the consolidated budget of the Russian Federation in 2018 exceeded RUB 3.0 trillion or 2.9% of GDP against the deficit of 1.5% of GDP a year earlier. The surplus budget revenues are still used to form a “safety cushion” to insure the economy against possible external shocks. In addition, the Ministry of Finance of Russia, in accordance with the fiscal rule, continued to buy currency for further replenishment of the NWF by sending to the Fund more than RUB 4.2 bn. It should be noted that

in 2018, important decisions were taken to remove some of the existing restrictions on economic growth. Among them is the creation of Fund for Development, the funds of which until 2024 will be directed to implement infrastructure projects in addition to budget expenditures for the same purpose. The Fund will be formed at the cost of domestic borrowings, and its costs can reach 0.5–0.6% of GDP. In 2019, it is expected to allocate RUB 1.69 bn to finance national projects and a comprehensive infrastructure development plan. Subject to the preservation of macroeconomic stability, it can be expected that the beginning of the implementation of the planned projects with the participation of the state will support business activity in a number of sectors of the economy.

The decisions were also made to expand loan and guarantee support to small and medium-sized businesses, in particular, in 2019 Russian banks lending to small and medium-sized businesses at advantageous rates, will be reimbursed RUB 13 bn which they have not received.

## **BANKS AND THE FINANCIAL SECTOR**

In October 2017, the Bank of Russia reformed its banking supervision system, focusing on preventive measures and prevention of losses of depositors and the state, instead of responding to problems when they have already become apparent. The reform of banking supervision, as well as the expected increase in the amount of insurance payments for at least some categories of depositors will increase confidence in the Russian banking system and will contribute to the further financial stabilization of the economy. In the meantime, the Bank of Russia continued

to clear the financial sector. Over the past year, the total number of credit institutions decreased by 77, and by the end of 2018 in Russia 440 working banks remained.

Against the background of consolidation of the sector by 01.01.2019 the total capital of banks reached RUB 10.2 trillion, and return on equity increased to 13.8% (+5.5 pp compared to the beginning of the reporting year). According to the results of 2018, the banks received record-breaking profits of RUB 1.3 trillion, 1.6 times more than a year before. The most significant source of profit generation of the banks remains the growth of net interest

income (+18.7% to RUB 3.1 trillion), and the net interest income of the banks on the transactions with individuals increased by 90.6% for the year.

According to the results of the year, ruble deposits of the population and organizations increased by 12.3% (+7.9% with the exception of the foreign currency revaluation factor), and banks increased lending to the economy by 11.5% (8.7% with the exception of foreign currency revaluation). According to the Central Bank, the credit expansion was accompanied by an improvement in the quality of the credit portfolio: against the background of

reduction of interest rates, the banks began to be more selective while choosing the borrowers, and the share of non-performing consumer loans decreased from 12.8% to 10% for the year.

The most significant increase was in the requirements of the banking sector in the retail segment. Moreover, the growth rate of lending to the population and individual entrepreneurs turned out to be record-breaking — 122.8%, and the total volume of loans was RUB 14.9 trillion. The credit portfolio grew primarily due to residential mortgage (+23.1%, up to RUB 6.6 trillion) and unsecured consumer loans (+22.8%), which account for almost half of the credit portfolio of individuals or RUB 7.4 trillion. Only in 2018, the banks granted about 1.5 million mortgage residential loans for more than RUB 3 trillion, the credit expansion was favored by the reduction in rates in this market segment to at least 9.4% per annum.

Despite such high growth rates of household lending, the debt burden on their income has not yet reached the previous peak of 2013 (16.9% against 20.6% in 2018). Provided that the regulator is able in 2019 to return inflation to the levels close to the target (4%), and if it continues to reduce the rate, we can expect further growth in this segment of the market. However, it may be more modest, given that in 2019 the Bank of Russia took measures to reduce the risks of the financial system due to fears of inflating the “bubble” in the market of unsecured loans. In particular, the regulator increased the premium to the

risk-benefit ratios for consumer loans from 10% to 30% and obliged the banks from October 2019 to calculate the debt burden indicator for individuals.

Debt on loans provided to non-financial institutions increased by 5.8% (in 2017 — by 3.7%), the share of these loans in the assets of the banking sector in 2018 almost did not change (35.5%). At the same time, the volume of loans to enterprises of transport and communications (+32.8%), agriculture and forestry (+15.9%), wholesale and retail trade (+14.0%) increased significantly. The volume of new loans to small and medium-sized enterprises increased by 11.4% and amounted to RUB 6.8 trillion by 01.01.2019, the debt to the banks from small and medium-sized businesses amounted to RUB 4.2 trillion.

**In general, the banking system has adapted to the post-crisis environment better than many other sectors of the economy. The rate of growth of lending to the economy as a whole correspond to GDP growth rate, however, according to estimates of the Association of Russian banks, the banking sector has accumulated about RUB 3.3 trillion of excess liquidity. The banks place a significant share of available funds on deposits with the Central Bank, receiving an acceptable zero risk income, since the regulatory requirements for the quality of borrowers are so high that the enterprises corresponding to them are simply not enough.**

## COMPETITIVE POSITIONS OF THE BANK\*

STRATEGY KEY INDICATOR: "THE BANK EFFECTIVELY AND SUCCESSFULLY COMPETING WITH MAJOR RUSSIAN FINANCIAL AND CREDIT INSTITUTIONS AND PRESERVING ITS MARKET NICHE".

	Russia 2019 [2018]	Moscow region 2019 [2018]
ASSETS (NET) .....	116 [-4]	77 [-3]
NET PROFIT .....	78 [-16]	51 [-6]
CAPITAL (ACCORDING TO FORM 123) .....	116 [-1]	85 [-2]
CREDIT PORTFOLIO .....	91 [-1]	64 [+1]
LOANS TO ENTERPRISES .....	66 [+9]	49 [+4]
LOANS TO INDIVIDUALS .....	120 [+17]	65 [+8]
DEPOSITS OF INDIVIDUALS.....	75 [-1]	45 [+2]
FUNDS OF ENTERPRISES AND ORGANIZATIONS .....	108 [-14]	71 [-7]
INVESTMENTS IN SECURITIES.....	89 [+55]	56 [+26]
RETURN ON NET ASSETS .....	136 [-43]	72 [-17]
RETURN ON EQUITY.....	76 [-27]	41 [-9]

\* According to the Independent Analytical and Rating Center Banki.ru. The Bank's place in the ranking as of 01.01.2019 (change compared to the position as of 01.01.2018).

# FINANCIAL RESULTS

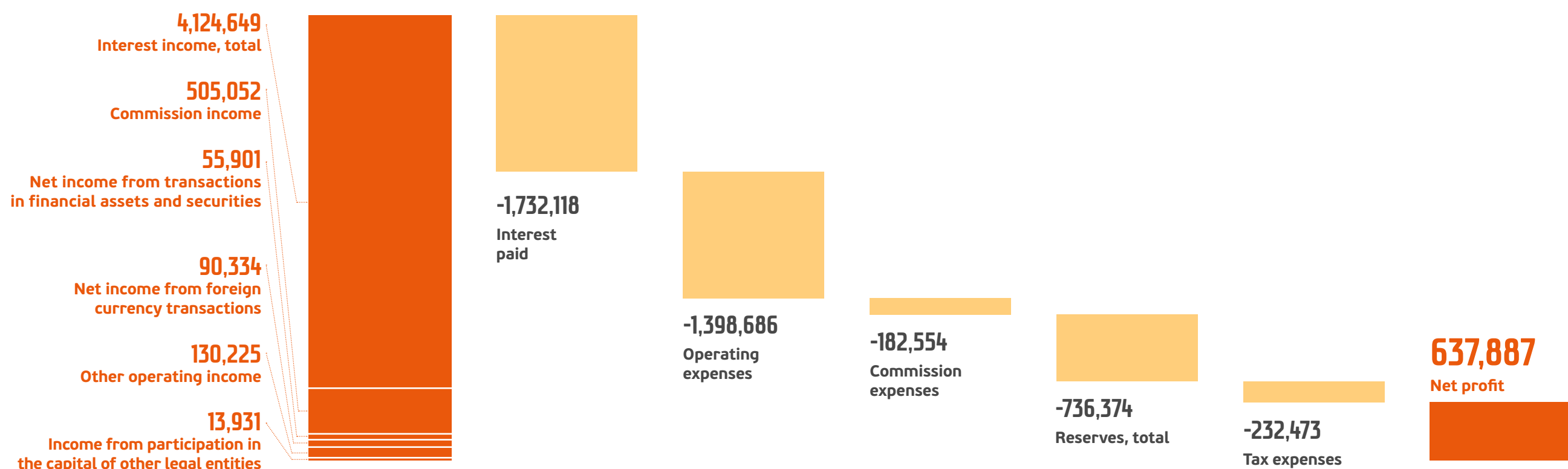


**IPB Bank (JSC) completed 2018 with profit of RUB 638 million — this is the second largest indicator in the history of the Bank.**

Net profit of IPB Bank (JSC) in 2018 amounted to RUB 637.9 million. Despite the moderate and rather uneven growth of the Russian economy, both in terms of time and industry, the Bank completed one more year with a profit, strengthening the potential for its further development.

In comparison with the previous 2017 year when the Bank received the record-breaking profits in its history in the amount of RUB 1,008.6 million, the volume of net profit received in 2018 decreased by 36.7%. The main factor influencing the net profit was an increase of 125.5% in the cost of formation of provisions for possible losses on loans, loan indebtedness and equivalent debts; the Bank increased the amount of provisions up to RUB 699.3 million. It should be noted that the average annual rate of growth of the Bank's profit in recent years remains positive.

**KEY COMPONENTS OF PROFIT GENERATION IN 2018, MLN RUB**



**Net interest income** of the Bank in 2018 increased by 9.3% up to RUB 2,392.5 million, their growth rate accelerated: in 2017, they increased by 4.9%. As in previous years, the Bank's income was formed at the expense of principal activities: lending to the real sector of the economy, investment in securities of reliable issuers with ratings of leading international rating agencies, as well as operational services for legal entities and individuals, including using high-tech remote maintenance systems.

**Borrowings** from legal entities and individuals, taking into account the issued debentures of the Bank as of 01.01.2019 amounted to RUB 30.1 bn, which is 18.1% less than as of January 1 of the reporting year (RUB 36.7 bn).

**Net assets** (less provision for impairment) as of 01.01.2019 was RUB 38.3 bn. As the Bank has significantly increased the amount of provisioning, the net assets are 6.6% less than the indicator on the previous reporting date.

**Net lending receivables** — RUB 24.2 bn as of 01.01.2019 — take the main part (63.2%) in the structure of assets of the Bank. Net lending receivables decreased by 20.9% compared to the previous reporting date. The main borrowers of the Bank, as before, are the enterprises of the real sector of the economy, as well as highly reliable credit institutions.

A substantial share of the Bank's net assets — 20.7% or RUB 7.9 bn in absolute terms — is invested in marketable instruments with a low level of risk. In comparison with January 1 of the reporting year, the total value of the Bank's investments in securities increased by RUB 5.2 bn or 2.9 times.

As of reporting date, less than 4% of the Bank's assets were placed in credit institutions. In absolute terms, the amount of funds placed in credit institutions decreased by RUB 2.3 bn and amounted to RUB 1.5 bn. The Bank places funds on correspondent accounts mainly in the largest resident banks of Russia.

**The value of the Bank's equity (capital)** as of 01.01.2019 increased to RUB 5,635.3 million or by 1.4% compared to the same indicator at the beginning of the reporting year. At the same time, the Bank increased its fixed capital by 15.3%, and its share in the structure of own funds increased to 58.1%. IPB Bank (JSC) has sufficient capital to cover significant and potential risks and meets the regulatory requirements of the Bank of Russia with a significant margin. IPB Bank (JSC) considers the maintenance of sufficient level of own funds as one of the most important conditions to achieve its strategic goal — continued growth as a stable universal financial institution serving the real sector of the Russian economy and the citizens of the country.

For more than 45 years, IPB Bank (JSC) has been a reliable business and financial partner of its customers. In the reporting year, the Bank did not stop working in any of the main areas of its activities. Having significant readily obtainable assets, the Bank fulfills all its obligations on time and in full.

**15.3** %  
increase in fixed  
capital

**58.1** %  
of the fixed capital  
in the structure of  
own funds

# OPERATING RESULTS

# CORPORATE BUSINESS

**THE BANK CONFIRMED ITS REPUTATION OF A RELIABLE PARTNER, PROVIDING ITS CUSTOMERS WITH CONVENIENT AND PROFITABLE FINANCIAL INSTRUMENTS. THE VAST MAJORITY OF THE CUSTOMERS REMAIN LOYAL TO THE BANK.**

The Bank's corporate business is well diversified. The Bank's customers are traditionally the companies representing various sectors of the real economy: trade, metallurgy, telecommunications, chemical industry, construction, transport.

The Bank serves both large and small companies, providing the customers with cash and settlement services and account management services, providing loans and guarantees, acquiring and collection services, money transfers in foreign currency, offers attractive terms for payroll card programs.

## PRIMARY OBJECTIVES FOR 2018

1

**Continued co-operation with reliable and significant customers,** lending to investment projects of corporate borrowers that make capital investments in the development of enterprises.

2

**The attraction of new significant customers to be served, the priority** is the enterprises being the part of large financial and industrial holdings.

3

**Improving the speed, convenience, quality of customer service,** including using secure channels of remote interaction with the Bank.

4

**Efficient use of available resources of the Bank:** increase of the marginality of the credit portfolio and profitability of corporate customer service, the development of cross-sales.

5

**Extension of cooperation with partners in SME lending projects** — credit institutions and small and medium-sized business supporting funds. Development and implementation of new products for small and medium-sized businesses.

In 2018, the Bank continued mutually beneficial cooperation with the customers having a good credit history. The vast majority of the customers have remained loyal to the Bank in the current economic and political environment, and the Bank reaffirmed its reputation as a reliable partner that guarantees the provision of convenient and profitable financial instruments to customers.

More than 80% of credit limits are granted to prime borrowers classified in accordance with the requirements of the Bank of Russia in the first and second quality categories.

In the corporate segment, the Bank focuses on providing comprehensive services, taking into account the specifics of certain groups of customers — large, medium-sized and small businesses. The work is based taking into account the interests and needs of a group of customers, and then —

taking into account the characteristics of the business of a particular customer, the real prospects of the company and its ability to repay its obligations to creditors. Thus, the Bank meets the individual needs of each customer in financial services and, offering qualitative service, maintains high efficiency. This approach is the key to success in building long-term and mutually beneficial relationships with the customers. The Bank strives to develop these relations consistently, that allows it to increase the penetration of banking products into the customers' business.

Large companies and enterprises that are of strategic interest to the Bank are offered an individual approach to specific problems, attractive terms for products and services. The Bank focuses on the professionalism of its team, high speed of decision-making, convenience and functionality of channels of remote interaction with the customers.

**26.3** **bn RUB**  
total amount of lending  
receivables and free  
limits on loans  
of enterprises  
and organizations

**>80** **%**  
of credit limits are  
granted to prime  
borrowers

## Customer support in the small business segment

The line of the Bank's products for small businesses is standardized to a greater extent, but the products for small businesses themselves are structured so that they solve the most acute and widespread problems of entrepreneurs. At the same time, the Bank is obliged to minimize its own risks, which are usually assessed as high in this segment.

One of the ways to solve the dilemma is to establish partnership relations with institutions for business support and to create banking products with their participation, taking

into account the specifics of this category of borrowers. The advantage of working with funds is that they provide sureties for loan obligations of the customers.

Let us give an example. The state seeks to expand access for small businesses to the flow of orders from large organizations and enterprises with public ownership. However, a mandatory condition for the conclusion of the agreement/contract in accordance with 222-FZ and 44-FZ is the provision of a bank guarantee by the principal

(contractor). Small businesses, as a rule, do not have sufficient collateral to obtain bank guarantees. As a result, small business is actually deprived of access to a huge and steadily growing market, and lending to such enterprises turns out to be associated with increased banking risks due to their low resistance to market fluctuations.

**Bank guarantees are highly sought-after product in the segment of small and medium-sized businesses.**

The Bank solves this problem by offering small businesses a highly sought-after product in the current realities: bank guarantees under the guarantee of funds to promote lending to small and medium-sized businesses. The Bank attracts its partners — credit institutions — to the transaction on lending to small enterprises. As the risk level on loans to small businesses is reduced in this structure of the transaction, the Bank and its partner banks can expand their work in this important segment of the economy.

Two years ago, the Bank obtained accreditation and guarantees from a number of funds for assistance in lending to small and medium-sized business. In the previous year, the principal structure of transactions significantly reducing the Bank's risks in lending to small companies was developed and tested. The Bank was convinced of its effectiveness.

In 2018, the Bank continued cooperation with credit institutions-partners and funds to support small and medium-sized businesses. Bank guarantees can now be provided more quickly: to do this, the Bank offers its customers to conclude a Master Agreement for the provision of bank guarantees.

Taking into account the higher margin on small business service operations, the Bank seeks to increase its presence in this market sector consistently. In order to be able to offer small companies significantly more attractive lending terms, the Bank has submitted to the Ministry of Economic Development of the Russian Federation an application for participation in the selection as one of the authorized banks receiving subsidies from the federal budget for the reimbursement of income on loans issued to small and medium-sized businesses at advantageous rate in 2019-2024, that it did not receive.

**1,376.6** mln RUB  
the amount  
of guarantees  
issued by  
the Bank for  
the obligations  
of corporate  
customers

# Lending in the corporate segment

The Bank remains committed to a conservative approach in determining its credit policy. It provides for meeting the demand of the Bank's customers — legal entities and individuals — for credit resources and obtaining the top profit by the Bank, but subject to minimization and diversification of the Bank's credit risk.

The Bank refers credit risk to the most significant, as a significant share of its transactions is related to lending to the real sector of the Russian economy, and the pace of its development remains very moderate. To reduce credit risk, the Bank sets and monitors credit risk limits (see Section «Risk Management»), and also promotes credit products, involving the security. Tangible assets, guarantees, sureties, property rights are accepted as collateral for corporate and retail lending transactions. The Bank regularly updates requirements for collateral of credit products.

The Bank ensures high profitability of its credit portfolio by building an effective line of credit products, particularly in high-margin market segments.

## PRIMARY OBJECTIVES FOR 2018

1

**Reducing the level of credit risks of the Bank**, particularly by improving the quality of collateral of outstanding loans.

2

**Diversification of the credit portfolio**, particularly through the introduction of new products for small and medium-sized businesses.

3

**Increasing the marginality of the credit portfolio**, but in compliance with the risk limits for lending transactions and strengthening the control over the performance by borrowers of their obligations under credit and security interest agreements.

4

**Improvement of risk assessment methods and regulations for analysis of financial position of the customers and borrowers.** Modernization of existing and introduction of new rules and methods of risk assessment. Improvement of the effectiveness of credit risk monitoring and management.

5

**Modernization of the Bank's credit products** in order to increase their competitiveness, expansion of the product line, introduction of new competitive products.

The structure of the corporate credit portfolio has also changed for the better. As of 01.01.2019, the share of short-term loans («overdraft» and loans up to 90 days) accounted for only 0.4% of the effective debt of non-governmental commercial organizations. Both the amount and the share of such debt decreased almost twice in comparison with the previous reporting date. In contrast, the share of medium-term and long-term loans increased from 14.5% to 15.4%.

In 2018, as before, the Bank carried out a number of additional measures to monitor the customer portfolio: taking into account the market conditions, it analyzed the situation in the industries where the customers work and identified potential area of concern. In accordance with internal procedures, the Bank collects and analyzes the information not only on the borrower, but also on its main counterparties. The results of monitoring are used in making decisions on extending or reducing cooperation with borrowers.

The Bank pays special attention to the work with bad debts. By 01.01.2019, the share of overdue debt did not exceed 5.4% of the total credit portfolio of the Bank, that is, the total debt of companies and individuals.

An effective risk management system, an integrated approach to the selection of the customers and their lending, an individual approach to structuring transactions, the Bank's focus on long-term and mutually beneficial cooperation with each customer justified itself in the past year. In 2018, as before, the vast majority of the Bank's customers fulfilled their obligations to the Bank on time and in full.

up to **15.4** %  
increased  
the share  
of medium-term  
and long-term  
loans

< **5.4** %  
share  
of overdue debt  
in total credit  
portfolio



## Lending to individuals

The Bank offers a wide line of credit products for individuals: loans, credit lines, overdrafts, credit cards, mortgage lending and other products. Credits are granted within the framework of standardized banking products and on individual terms, but forming a retail loan portfolio, the Bank in any case proceeds from the need to strive balance of profitability and quality of the portfolio.

**RUB 2.8 bn is the total amount of lending receivables and free limits on loans of individuals as of 01.01.2019 (+7.7% compared to 01.01.2018).**

When realizing credit products, the Bank gives preference to reliable borrowers: the customers with a good credit history, and above all — the employees of the companies and organizations accepted by the Bank for corporate services involved in payroll card programs.

High quality and technological effectiveness of servicing the individuals increase the competitiveness of the Bank in the corporate segment, helping it to attract companies and organizations to payroll card programs, and in the future — to develop cross-sales. The Bank is constantly improving its service infrastructure and products, striving to be more attractive for both corporate and private customers. The Bank considers long-term cooperation with the customers in both market segments as a goal and as one of the most important indicators of the effectiveness of its work.

**The Bank strives to be closer to its customers. In 2018, a new supplementary office was opened in Moscow business center «Sirius Park».**

In the context of product categories, the priority direction of lending to individuals remains mortgage. In 2018, the Bank participated in the programs of «Dom.rf» (the name before March 2018 — AHML), the state institute for development in the housing sector, providing mortgage loans under standard mortgage lending programs. In addition, the Bank continued to cooperate with the development company Sminex. For this partnership the Bank has developed mortgage products focused on out-of-town buyers («VIP. Mortgage») and commercial real estate («Commercial mortgage. Sminex» and «Mortgage. Sminex»). Mortgage is offered to the buyers of objects which are realized by the developer.

The Bank develops its activity, in particular, acquires portfolios of rights of claim on the loans of individuals granted to purchase house against security of immovable property.

**Debit «Mortgage Card» is a new product of the Bank with attractive terms for mortgage borrowers.**

growth **7.7** %  
of lending receivables and free limits on loans to individuals

**> 1.0** mln RUB  
rights of claims under the contracts collateralized by mortgage

**152** payroll card programs are serviced by the Bank

In 2018, the Bank optimized the business processes of mortgage lending and introduced a number of information technologies allowing to reduce the time of the Bank's decision on loan applications, as well as to make the process of obtaining a loan more rapid and convenient for the customers. Specially for mortgage borrowers, the Bank began to issue a «Mortgage Card» with a loyalty program and payment of bonuses (Cash Back) in the home/repair category.

In addition, in 2018 the Bank significantly updated the line of consumer loans. The Bank continues working on products that stimulate the placement of people's funds on deposits. At the end of 2018, the seasonal deposit «New Year's Maximum» was launched.

## PROMISING AREAS OF ACTIVITIES AND PLANS FOR 2019

1

**Improving the quality of service to the borrowers.** Optimization of business processes and implementation of technical solutions allowing to reduce the time of the Bank's decision on loan applications.

2

**Improvement of risk assessment methods** and regulations of the Bank for analysis of financial position of the borrowers.

3

**Increase in the Bank's loan portfolio while maintaining an acceptable level of risk.** Attraction of new significant corporate customers to be served, that are the part of large financial and industrial holdings.

4

**Development of lending to small and medium-sized businesses.** Extension of the number of the Bank's partners in this area in order to reduce the risk in case of lending to small companies.

5

**Expansion of the Bank's product line,** particularly through the introduction of new credit products for companies and individuals. Modernization of the Bank's credit products in order to improve their competitiveness.

## RETAIL BUSINESS

***HIGH STANDARDS OF RETAIL SERVICE  
IMPROVE THE COMPETITIVENESS OF  
THE BANK IN THE CORPORATE SEGMENT,  
HELPING IT ATTRACT COMPANIES TO  
PAYROLL CARD PROGRAMS AND DEVELOP  
CROSS-SALES.***

The Bank's retail business combines a number of high-tech areas: remote customer service via digital channels — Internet, mobile banking; networks of self-service devices — payment terminals and ATMs; bank cards, merchant acquiring. All these areas are highly competitive, and the Bank maintains a high rate of update of retail services and products.

## Bank cards

By the end of 2018, the Bank issued more than 22,000 cards of Visa, MasterCard and MIR payment systems. The issue of the Bank meets modern technological standards and requirements of payment systems, the cards are issued by its own personalization center, allowing the customer to set and change the pin code through the voice menu of the contact center (IVR) and (or) through the Internet Bank.

In 2018, the Bank offered its individual customers 8 types of debit cards and 5 types of credit cards, as well as 2 card-based products for legal entities. Cards are also issued for employees of the companies — customers of the Bank participating in payroll card programs. In 2018, the Bank served 152 payroll card programs.

**22,000** **cards,**  
issued by  
the Bank, were  
active as  
of 01.01.2019

In 2018, the Bank launched new card products:

- › for mortgage borrowers — debit card «Mortgage Card» with loyalty program: payment of bonuses Cash Back in the home/repair category;

- › for privileged customers — a credit card with a loyalty program VIP CASH BACK Plus;
- › debit card of premium category «Just Card» without commission for card issue and service, without additional services and loyalty programs.

In 2019, the Bank plans to update and improve the technology of payment cards, in particular, a project will be implemented to connect the issue to the payment system GOOGLE/ANDROID PAY for VISA bank cards.

## Internet Bank

In 2018, the Bank completed the creation of a full-fledged channel of remote banking services: since September, the customers have access to mobile versions of the Internet Bank «IPB-Online» for IOS and Android operating systems. It tried to make new mobile versions not only functional, but also user-friendly: in particular, the logic of operations was simplified, a number of functions were added, the structure of information blocks placement was updated.

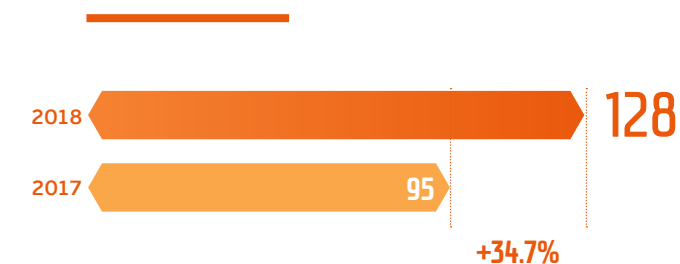
Mobile versions help the Bank to activate cross-sales, promote various banking products and services, many of them can now be issued by customers remotely. In addition, the Bank activated a channel for sending information messages to the customers, and promotional materials are mailed out regularly.

New possibilities of mobile versions of the Internet Bank «IPB-Online»:

- › full capacity of cash management is available to the customers;
- › online versions of the main deposit products have been introduced;

- › the format of statements generated through remote banking channels has been improved;
- › fields with blocked operations have been added;
- › fields with MCC-code of trade outlets (code shows trade specialization of trade outlet, that is important for cards with cashback) have been added;
- › the Bank has already developed and will soon implement the function of flexible charging of fees for transactions in the RBS system.

### NUMBER OF TRANSACTIONS, THOUS. PCS.



### TURNOVER, RUB BN



The capacity of the Internet Bank and its mobile versions will be constantly expanded, in the future, a number of services which are currently provided only in the offices of the Bank will be transferred to the remote banking system.

It is worth noting that a number of the Bank's products are already being upgraded taking into account their use online. As planned in 2018 the Bank launched a line of

## ATMs

As of the end of the reporting year, the Bank's ATM network consisted of 57 devices, 23 of which were installed in public areas. The Bank regularly rotates ATMs, moving them to places with a more intense human flow, in addition, their placement is determined by the interests of major customers of the Bank.

## Merchant acquiring

In 2018, the Bank almost completed the renewal of POS-terminals network of its customers started a year earlier: the share of new devices for acquiring of the cards with contactless payment technology has reached 99%. At the same time, work on optimizing the tariff plans of merchant acquiring continued: the Bank returned to the tariff schedule

online deposits corresponding to the main deposit products, which before now were available only in the Bank's offices: «Capital-online»; «My income-online»; «Optimal-online». The prospects of this decision have already been confirmed in practice: by the end of the year, users opened more than 1,000 deposits through the remote banking channel, the amount of funds raised by the Bank exceeded RUB 1.9 bn.

with interest rates, which are set depending on the turnover of the retailer and service outlet, and offered customers new tariff plans with a monthly subscription fee for the use of the terminal and the minimum rate, subject to the customer's purchase of its own terminal.

**>1000** **deposits**  
were opened  
online in less  
than a year

**351** **thous.**  
**transactions**  
were made  
by the users  
of ATMs  
(-12.9 per %)

**4.3** **bn RUB**  
turnover  
of the ATM  
network (-8.5%)

**>1.3** **million**  
**transactions**  
in acquiring  
(+37.6%)

The Bank is also expanding its service geography. Since 2018, a range of acquiring services is offered to legal entities and individual entrepreneurs of the Republic of Karelia.

In the immediate future, the Bank is planning to increase the penetration of merchant acquiring services in remote areas of already served Leningrad, Tver, Kursk regions and the Republic of Karelia. The customers of the Bank, retailer and service outlets will be offered card readers with pin-pad keyboards.

**1.8** **bn RUB**  
turnover  
of acquiring  
(+32.0%)

## Payment terminals network. Development prospects

The Bank's terminals accept payments to the accounts of state, municipal and commercial organizations. In 2018, the Bank's terminal network consisted of 880 devices and covered Moscow and Moscow region (442 terminals), St. Petersburg and Leningrad region (393 terminals), as well as Tver, Rostov, Yaroslavl, Chelyabinsk regions, the Republic of Karelia (in total 45 devices).

The Bank adjusts the number of payment terminals in its network and their geographical distribution, taking into account both the general trends in demand for payment services through terminals, and the profitability of certain groups of terminals. In 2018, the Bank began to provide services for receiving payments through terminals in the Republic of Karelia and significantly strengthened its position in Northern capital, by integrating the network of payment terminals of multipurpose center «My documents» in St. Petersburg.

Most of the terminals of the Bank serve visitors and employees of socially important organizations and institutions, such as territorial divisions of the Ministry of

Internal Affairs of Russia and the Federal National Guard Troops Service, multifunctional centers for the provision of state and municipal services «My documents» and others, so that the extending of the terminal network remains one of the priorities of the relevant departments of the Bank. In 2018, the Bank updated the software of the terminals installed in the centers of public services «My documents», and made it possible to pay for services using bank cards directly at the workplaces of operators (in the Republic of Karelia and in Tver region).

The stimulating differentiated algorithms of calculation of the sizes of agency fees were also introduced: now it is more dependent on the profitability of the terminals network and their smooth operation.

The prospects for the development of this area of the Bank's business can be judged by the results achieved in St. Petersburg, where the Bank acquired a network of payment terminals located in the city multipurpose centers «My documents». In this location, the Bank will focus on expanding its presence: it will increase the

**NUMBER OF TRANSACTIONS THROUGH  
TERMINALS NETWORK, MLN PCS.**



**TURNOVER OF THE TERMINALS  
NETWORK, BN RUB**



network of terminals in state and municipal institutions providing public services to the population. And in Moscow and Moscow region the main emphasis will be placed on improving the efficiency of the network: regular rotation of terminals is provided for in order to reduce the costs associated with their installation; models of differentiated agency fees will be introduced depending on the profitability of terminals.

In the future, the Bank is planning to form a segment of the terminals network in the Far Eastern Federal District of the Russian Federation, as well as to deploy a network of terminals in Voronezh, Lipetsk, Pskov regions, where it will also offer the acquiring services.

The overall efficiency of the network will be also increased due to the expansion of the range of services offered through terminals, in particular, the Bank is considering the possibility to introduce such service as the acceptance of payments to repay loans from third-party banks.

44

**mln RUB**  
average monthly  
turnover  
of the Bank's  
terminal network

# TRANSACTIONS IN FINANCIAL MARKETS

In 2018, «INTERPROGRESSBANK» (Joint-Stock Company) was an active participant of the Russian financial market, conducting transactions in all segments. The Bank made transactions on the exchange and over-the-counter markets, carrying out activities both at its own expense and at the request of the customers.

Setting a task to maximize profits while maintaining a predetermined and economically justified level of risks, as well as to provide the widest range of services that meet the needs of the customers, in 2018 the Bank conducted the following transactions:

- › securities market transactions aimed to optimize the Bank's portfolio consisting of reliable government and corporate ruble bonds and Eurobonds;
- › direct and reverse REPO transactions with shares and bonds;
- › transactions with shares and depositary receipts of Russian companies;

- › exchange and off-exchange conversion operations on the Russian and international markets, futures transaction in the foreign exchange market and foreign exchange operations with cash currency;
- › currency SWAP transactions;
- › transactions on attraction and placement of funds with the Central Bank of the Russian Federation and on the interbank lending market.

## PROMISING AREAS OF ACTIVITIES

Participation in corporate offer histories related to mergers and acquisitions, delisting and repurchase of issuers' shares.

## RESULTS AND ACHIEVEMENTS FOR 2018: INTRODUCTION OF NEW PRODUCTS, FUNCTIONALITY AND SERVICES

In the reporting year the Bank reduced the previously formed corporate bond portfolio, at the same time new investments in ruble bonds of the corporate sector was not made. In general, the Bank adhered to a conservative approach, while maintaining increased requirements for financial instruments. The overwhelming volume in the securities portfolio is taken by ruble bonds of reliable issuers included in the Lombard list of the Central Bank of Russia.

The Bank continues taking an active part in auctions for CBBR — coupon bonds of the Bank of Russia. This instrument, taking into account the sovereign level of risk, assumes a significant premium to the federal loan bond curve, which makes it attractive for a conservative investor focused on a short duration of investments. Also, this instrument (CBBR) is a more profitable alternative to the interbank lending market both in terms of profitability, as well as in terms of flexibility in liquidity management.



The Bank made investments on the basis of fundamental analysis of issuers. In addition to fundamental analysis, the investments were made on the basis of information on possible corporate events of the issuers, such as the privatization of the company, the sale of one of its subsidiaries and the distribution of the special dividends. Also, investments involve significant dividend payout. The main share in the Bank's portfolio of shares was taken by the securities of the energy sector companies, which showed dividend yield above the average market yield.

When conducting conversion operations, the Bank was guided by the principles of a flexible pricing policy while ensuring a low level of risks. At the same time, the Bank made the best use of the exchange liquidity, liquidity of the interbank market and transactions with the Central Bank of the Russia Federation to ensure the best prices of arbitration transactions, transactions of the Bank's customers and SWAP transactions, thus providing banks-counterparties and the customers of the Bank (both individuals and legal entities) with attractive and the most comfortable working terms.

## **DEVELOPMENT PLANS FOR 2019**

It is planned to consider and offer a wider range of financial instruments and issuers for the investment activities of the Bank. Due to the continuing sanctions pressure on the Russian Federation, the tense global economic business environment, increased volatility in the global financial markets and the high degree of uncertainty associated therewith, the investment ideas will be more thoroughly studied and analyzed to minimize the level of risk and maximize profits. Preference will be given to the instruments with a short duration.

In 2019, it is also planned to increase the portfolio of short corporate Eurobonds.

The accompanying analytical and statistical information obtained during the development of promising investment ideas will be accumulated and provided to all interested and authorized persons and employees of the Bank.

Also, the Bank's plans include the increase in the attractiveness of conversion operations for the Bank's customers by narrowing the spreads between the rates of purchase and sale of foreign currency and, as a result, the increase in the turnover of these operations and the growth of the Bank's revenues.

# INTERNATIONAL SETTLEMENTS AND CURRENCY CONTROL

**AUTOMATION OF CURRENCY CONTROL ALLOWED THE BANK TO REDUCE THE TIME AND COSTS FOR VERIFICATION OF PRIMARY FOREIGN TRADE CONTRACTS AND CUSTOMERS' TRANSACTIONS SIGNIFICANTLY AND, AS A FINAL RESULT, TO IMPROVE THE SPEED AND QUALITY OF CUSTOMER SERVICE.**

The Bank offers its customers a full range of services for export and import operations, including account management and currency transfers in US dollars, euros, pounds sterling, Swiss francs, yuan and other currencies; purchase and sale of non-cash currency at the request of the customer; cash transactions; documentary operations in rubles and foreign currency; currency control. The Bank is a member of SWIFT and provides payments anywhere in the world in all major world currencies.

Competitive advantages of the Bank are: high speed of payments, flexible tariffs, extensive experience in settlements under foreign trade contracts. The Bank offers its customers the consultations on the choice of

optimal conditions and forms of foreign trade settlements, foreign currency hedging. Specialists of IPB Bank (JSC) may participate in the negotiations of the customers with foreign counterparties and banks. In addition, the Bank is the bank authorized by the Federal Customs Service of the Russian Federation to issue guarantees in favor of the customs authorities.

## PRIMARY OBJECTIVES FOR 2018

1

**Automation of business processes related to the conduct of foreign currency transactions and currency control, including the receipt and processing of primary and supporting documents and the information when conducting foreign currency transactions, formation of financial statements concerning foreign currency transactions and currency control.**

2

**Implementation of a new automated system of currency control of the Bank (ASCCB).**

3

**Update of software used by the Bank in the remote banking system.**

4

**Expansion of the Bank's correspondent network.**

As a currency control agent in accordance with the current legislation, the Bank controls all types of foreign currency transactions, offering its customers the consultations of highly qualified specialists on the preparation of foreign trade contracts, assessment of compliance of foreign currency transactions with applicable regulations, as well as on all other issues related to the execution by residents and non-residents of the currency legislation of the Russian Federation.

## Automation of business processes in the currency control system allowed to free up the time of qualified specialists of the Bank to advise the customers.

In 2018, instruction of the Bank of Russia No. 181-I dated 16.08.2017 «On the procedure for residents and non-residents to submit to authorized banks the supporting documents and the information when conducting foreign currency transactions, on unified forms of financial statements concerning foreign currency transactions, on the procedure and timing of their submission», as well as the new version of Law dated 10.12.2003 No. 173-FZ «Concerning Currency Regulation and Currency Control» came into effect. In accordance with the requirements of the legislation, the Bank now checks the primary foreign trade contracts and transactions of the residents,

prepares structured currency transaction report forms and certificates of currency transactions on the basis of the primary business documents.

The decisions taken by the legislators and the regulator will allow the exporters and importers to reduce the costs of complying with the requirements of the currency legislation significantly. The Bank, for its part, in 2017–2018 carried out a lot of preparatory work to realize this opportunity in practice and to provide the customers with the most advantageous and convenient terms for registration of transactions of foreign economic activity.

In 2018, the Bank:

- › implemented a new automated system of currency control of the Bank (ASCCB), it replaced the previously used software — customs and banking currency control system (CBCCS);
- › transferred the work of the Currency Control Department and document management of the Department with related business units within the Bank into electronic format;

- › organized electronic document management concerning the processing of the documents received from the customers via remote banking system;
- › automated reporting on currency control.

Automation of business processes in the currency control system allowed the Bank to simplify and reduce the cost of the whole complex of works on control, input and structuring of the information necessary for currency control and formation of regulatory forms of statutory reporting, as well as to reduce the time of registration of contracts and conduct of foreign currency transactions. At the same time during the transition period the Bank did not charge any commission for registration of contracts (loan agreements) and introduction of amendments to Section I of the Bank Control Record.

The measures taken have significantly reduced the labor costs for execution of the documents and to free up the time of qualified professionals to advise the customers.

## PROMISING AREAS OF ACTIVITIES AND PLANS FOR 2019

1

**The Bank will continue to improve and automate business processes related to currency control and foreign currency transactions, it is expected: completely to switch to electronic document flow when executing foreign currency transactions, including storage of the documents, uploading of the incoming electronic documents of the customers in ASCCB; to introduce the module «Currency Settlement Center» in the structure of the automated banking system UNISAB.**

2

**The Bank will start testing and implementing a new remote banking system.**

3

**Routes of payments in foreign currency will be optimized.**

4

**Automatic charging of fees for currency control will be introduced.**

5

**The Bank will continue expanding its correspondent network. In 2018, the agreements for correspondent accounts with Promsvyazbank (collection) and Transcapitalbank were already signed.**

## DEVELOPMENT OF REGIONAL BANKING NETWORK

**THE STRUCTURE OF BANKING NETWORK BECOMES MORE EFFECTIVE AND MODERN, AND THE OFFICES BECOME HIGH-TECH.**

**THE BANK IS IMPROVING SERVICE QUALITY AT THE LOCAL LEVEL, FOCUSING ON FEEDBACK AND CUSTOMERS' REQUESTS.**

By the end of 2018, the Bank's branch network consisted of nine supplementary offices and five out-of-the-office cash counters in Moscow region, a branch and a supplementary office in St. Petersburg. The main part of the Bank's offices is universal branches, providing full bank servicing to all categories of customers.

During the reporting year, the Bank opened a new supplementary office «Sirius Park» in the same-name business quarter of Moscow, where the headquarters of the Bank's major customers are located, and also upgraded

the existing supplementary office «Tsentralny», on the basis of which a high-tech mini-branch of a new type was established.

Despite the small area, in terms of its functionality and technological effectiveness this mini-office is not inferior to the standard point of sale. The customers of the Bank — individuals and legal entities — can get all kinds of banking services here, for operational service the device «Electronic cashier» is used, which allows the customers to save their time significantly.

### FOCUS ON QUALITY OF SERVICE

The Bank is actively implementing remote customer service technologies and electronic payment systems, which allow it not to force the expansion of physical presence in the places of concentration of the customers. However, with the development of virtual technologies that allow you to get the most demanded banking services «in one click», the customer requirements for service in the Bank's office increase dramatically. Increasingly, the customers come to

the office for professional advice, assistance in execution of complex banking products. The office becomes a representative office of the Bank in the real world, and the customer loyalty increasingly depends on the efficiency and professionalism of the Bank's employees «at the local level», on how technologically and comfortably the office space and service are organized.

In 2018, the Bank focused on improving the quality of service in the offices. During the year, monitoring activities were carried out on a regular basis, new employees «at the local level» were trained and improved their practical skills of customer service. The Bank also held a rotation of staff and adjusted the functions of the employees of the points of sale: now every employee of the network has become a «universal» specialist. Reaction of the customers and their appeals were carefully studied, and upon the results of the consideration the measures were taken to eliminate negative feedback in the future.

Summarizing the results of work, the Bank has noted the increased level of satisfaction and customer loyalty: they highly appreciate the professionalism of the staff and recognize that the quality of service in the Bank is «excellent».

In addition, after analyzing the flow of customers and the demand for banking services in the offices, the Bank changed the hours of operation of the points of sale to make their services more accessible.

## PRIMARY OBJECTIVES FOR 2019

1

**The Bank's priorities are still to increase customer loyalty and quality of service.** The Bank is planning to monitor the quality of service in the offices constantly, including receiving feedback from the customers.

2

**Additional research will provide a detailed understanding of the needs of the customers and their level of satisfaction with specific services of the Bank.**

3

**Service in offices will become more comfortable for the customers.** In 2019, it is planned to modernize the supplementary office «Lobnya»: after cosmetic repairs an automatic queue management system will be installed in the office that will increase the efficiency of service and the level of comfort of customers.

# RISK MANAGEMENT

The background features a large orange rectangle on the right side. To its left, there are several overlapping, semi-transparent grey shapes that create a layered, mountain-like effect. The bottom of the image is a solid dark grey shape that tapers to a point on the right side.

**THE BANK BUILDS AND CONSTANTLY IMPROVES ITS SYSTEM OF RISK MANAGEMENT IN ACCORDANCE WITH REGULATORY REQUIREMENTS AND RECOMMENDATIONS OF THE BANK OF RUSSIA, TAKING INTO ACCOUNT INTERNATIONALLY RECOGNIZED STANDARDS, THE PROVISIONS OF THE BASEL COMMITTEE ON BANKING SUPERVISION AND BEST PRACTICES.**

The Bank's risk and capital management strategy was developed in accordance with the recommendations of the Basel Committee on Banking Supervision (BCBS) and the Bank of Russia and is aimed to create an effective system of risk management and capital management, that is, a system that corresponds to the scale of the Bank's activities (the «principle of proportionality») and at the same time ensures that the Bank accepts

an acceptable level of risks necessary to maintain its vigorous activities, to achieve its strategic goals and to obtain an established level of profit.

The Bank's risk and capital management strategy determines:

- › goals and objectives of risk and capital management;
- › accepted risks, highlighting significant and potential risks for the Bank;
- › functions and areas of responsibility of the Bank's management bodies, committees and units within the risk and capital management process;
- › risk control procedures by the Bank's management bodies;
- › the procedure for management of significant and potential risks and capital of the Bank;
- › indicators of attitude toward risk (risk appetite), target (maximum) level of required capital, as well as the planned risk structure;
- › terms of planning the volume of operations (transactions) and capital in the Bank;

- › the composition and frequency of the Bank's reporting on Internal Capital Adequacy Assessment Process (ICAAP), as well as the main approaches to stress testing.

**Risk management is systemic. Through the assessment of all significant and potential risks, the Bank manages economic capital, forms its business objectives taking into account the risk assessment, and makes decisions on the payment of remuneration to top management and employees based on the results of risk management.**

In accordance with the Risk and Capital Management Strategy, in order to eliminate conflicts of interest and ensure proper interaction in terms of control and risk management, the Bank ensures the separation of persons and collegial bodies that take risks, manage risks and perform supervisory functions.

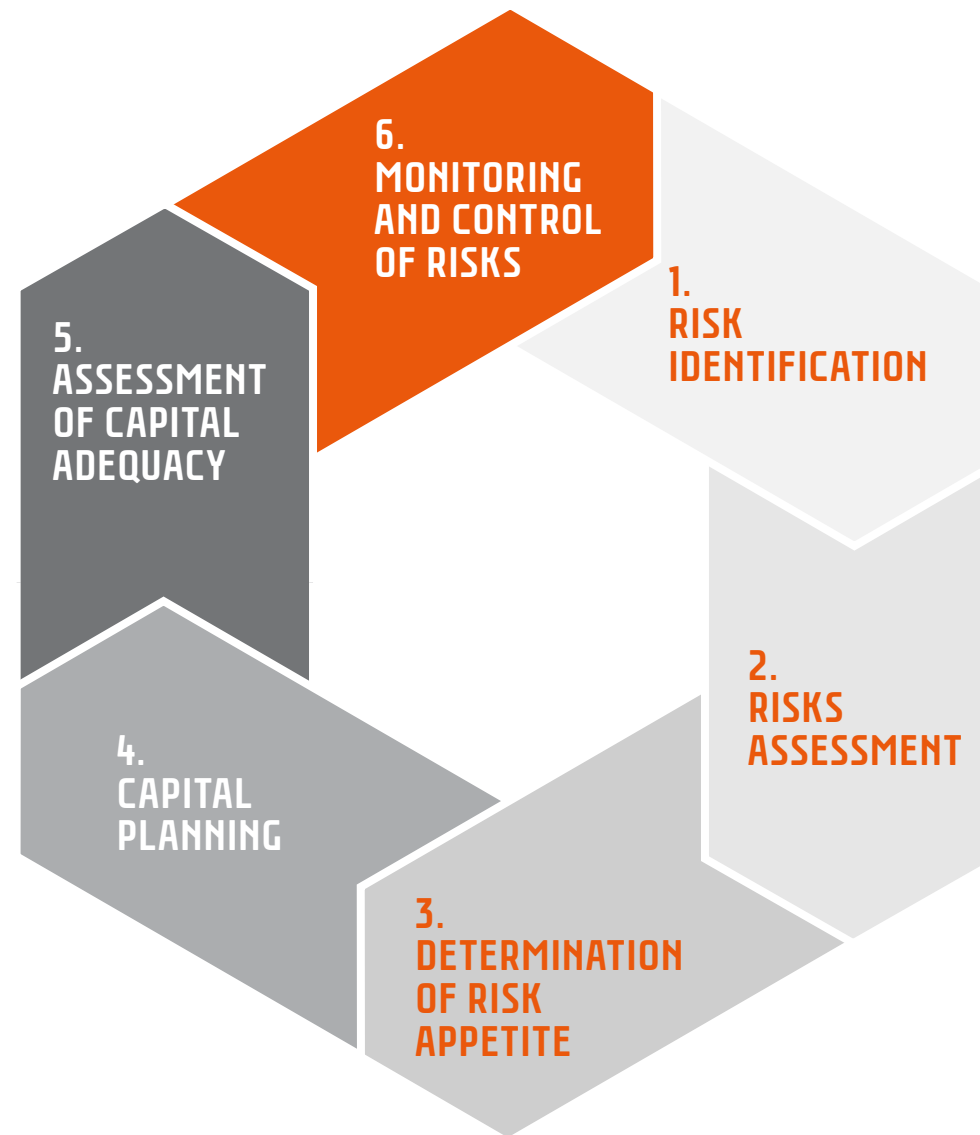
## **INTERNAL CAPITAL ADEQUACY ASSESSMENT PROCESS (ICAAP)**

In accordance with recommendations of the Bank of Russia No. 3624-U «On the Requirements for the Risk and Capital Management System of the Credit Institution and the Banking Group» and the Risk and Capital Management Strategy, the Bank has implemented the Internal Capital

Adequacy Assessment Process (ICAAP) and developed the plans of activities aimed at ensuring business continuity and (or) recovery in the event of non-standard and emergency situations or significant deterioration of the financial condition.

ICAAP activities are carried out regularly, cyclically, and include the following stages:

1. **RISK IDENTIFICATION.** The Bank determines the risks inherent in its activities, identifies significant (material) types of risks.
2. **RISKS ASSESSMENT** Quantitative and (or) qualitative assessment is made.
3. **DETERMINATION OF RISK APPETITE.** The permissible level of significant types of risks is established.
4. **CAPITAL PLANNING.** The planned (target) level of capital is determined based on the Bank's capital requirements for the planned transactions.
5. **ASSESSMENT OF CAPITAL ADEQUACY.** The adequacy of available capital to cover significant risks and other risks is assessed.



6. **MONITORING AND CONTROL OF RISKS.** The effectiveness of risk control procedures, completeness of internal reporting on risks and capital adequacy, and the procedure for informing the Bank's management bodies are evaluated.

The Bank's activities are characterized by the following risk groups: market risk (including: interest-rate, stock market, currency), operational risk (including risks of Internet banking), legal risk, interest-rate risk of bank book, reputation risk and strategic risk.

The Bank determines the list of significant risks in accordance with the Methodology of Identification of Significant Risks approved by the Management Board. In 2018, the Bank identified the following significant risks: credit risk and liquidity risk.

Within the framework of ICAAP, the Bank approved the Procedures for management of certain types of risks and assessment of the Bank's capital adequacy and the Methodology for stress testing.

## Information on the structure of the management bodies and structural units engaged in the management of risk

The structure of the management bodies and structural units engaged in risk management and exercising the corresponding control, is formed in accordance with the Risk and Capital Management Strategy. The functions, powers and areas of responsibility of the Bank's collegial management bodies, executive bodies, structural units and responsible employees related to risk and capital control

are distributed in such a way as to ensure the effective implementation of risk acceptance and management processes, while eliminating possible conflicts of interest.

The risks are controlled by: General Meeting and Board of Directors — at strategic level; Management Board — at process level; Credit Committees, Asset and Liability

Committee, Limit Committee — in the course of its activities, Risk Management Office — in the process of risk identification and monitoring. The Internal Control Service and the Internal Audit Service perform general supervisory functions in the risk management system.



## RISK CONTROL AND RISK MANAGEMENT ARE SYSTEMIC

### RISK CONTROL AT THE STRATEGIC LEVEL

- › **General Meeting of Shareholders** approves the decisions related to the Bank's capital.
- › **Board of Directors** approves strategic documents, procedure for risk management, stress testing methodology; assesses the effectiveness of the risk management system and capital adequacy as a whole.

### CONTROL AT THE LEVEL OF PROCESSES ORGANIZATION

- › **The Chairman of the Management Board, the Management Board** are responsible for the implementation of the Bank's Strategy; organize risk and capital adequacy management processes; ensure the implementation of ICAAP and maintenance of capital adequacy.

### OPERATIONAL RISK MANAGEMENT

- › **Credit Committees** (credit committee, medium credit committee, small credit committee) make decisions on the allocation of credit resources, set limits on specific credit instruments.
- › **Limit Committee** considers changes to the structural limits on the financial instruments, takes decisions on setting limits and making changes to or closing of effective limits.
- › **Asset and Liability Committee** establishes maximum rates for borrowings according to the periods of time; minimum rates of allocation of the resources according to the periods of time; the internal transfer prices for the reallocation of the resources.
- › **Finance Department** monitors the liquidity of the Bank's balance sheet.

### MONITORING OF RISKS AND CONTROL OF RISKS IN THE COURSE OF STRESS TESTING

- › **Risk Management Office** prepares recommendations to the Board of Directors, develops and implements a risk management system, organizes the process of identification and assessment of significant risks, conducts stress testing, and forms ICAAP reporting.

### SYSTEM SUPERVISORY FUNCTIONS

- › **Internal Control Service.**
- › **Internal Audit Service.**

## Information on capital management

According to the Capital Management Policy the Bank maintains a capital base sufficient to cover possible losses necessary to ensure its functioning as a continuously operating financial institution and its further development.

Formation of sufficient capital is considered as a prerequisite to keep the confidence of investors and creditors of the Bank.

By managing the capital, the Bank ensures the compliance with capital requirements set by the Bank of Russia. To calculate the value of own funds (capital), the method described in Regulation of the Bank of Russia dated 04.07.2018 No. 646-P «On the method of determining the value of own funds (capital) of credit institutions (Basel III)»

is used. Capital adequacy is determined in accordance with Instruction of the Bank of Russia dated 28.06.2017 No. 180-I «On Prudential Supervision Ratios».

The Bank's Risk and Capital Management Strategy determines the risk appetite limits for regulatory capital adequacy as well as for internal disposable capital adequacy. Internal capital adequacy is determined by comparing the amount of disposable capital and the total required capital to cover the risks. The disposable capital adequacy is determined as a percentage of the capital required to cover the risks and is set at a level of not less than 100%.

Capital adequacy ratios determine the minimum ratio of the Bank's capital to risk-weighted assets of the Bank. Information on calculation of the prudential supervision ratios in the prescribed form is provided to the territorial institution of the Bank of Russia.

The Bank monitors the compliance of capital adequacy ratios and the indicator of disposable capital adequacy with the requirements of the Bank of Russia on a daily basis — this information is used for internal purposes of

capital planning and management. If the value of capital adequacy ratios and the indicator of disposable capital adequacy are close to the limit set by the Bank of Russia and the Bank's internal documents, this information is immediately brought to the attention of the Management Board and the Board of Directors of the Bank.

During 2018, the Bank fulfilled the capital adequacy ratios, the limits of which are set by Instruction of the Bank of Russia No. 180-I dated 28.06.2017, with a significant reserve. The established internal capital adequacy ratio was observed (that is, the Bank's disposable capital exceeded the required capital), and the planned capital structure was observed.

**The Bank has sufficient capital to cover significant and potential risks.**

	Actual indicators of adequacy of equity (capital) of the Bank, %		Minimum permissible values (ratios)*/ Values subject to the premium applied by the Bank**, %				Ratio
	As of 01.01.2019	As of 01.01.2018	As of 01.01.2019		As of 01.01.2018		
			Ratio	Subject to premium	Ratio	Subject to premium	
COMMON EQUITY ADEQUACY .....	10.17	8.57	4.50	6.38	4.50	5.75	N1.1
FIXED CAPITAL ADEQUACY .....	10.17	8.57	6.00	7.88	6.00	7.25	N1.2
ADEQUACY OF EQUITY (CAPITAL) .....	17.23	16.48	8.00	9.88	8.00	9.25	N1.0
COMMON EQUITY AVAILABLE FOR ALLOCATION TO MAINTAIN PREMIUMS TO EQUITY (CAPITAL) ADEQUACY RATION, % .....	4.17	2.57					

\* Established by Instruction of the Bank of Russia No. 180-I dated June 28, 2017.

\*\* Premiums to capital adequacy ratio applied by the Bank: as of 01.01.2018 — 1.25. as of 01.01.2019 — 1.88.

# Stress testing

Stress testing is an assessment of indicators and parameters of assets and liabilities of the Bank, provided that an exceptional, but still likely pessimistic scenario is implemented. Stress testing is conducted to determine the adequacy of available sources of capital to cover potential losses.

In the course of stress testing the Bank assesses the capital and liquidity adequacy to compensate for losses that may occur in the event of extreme events; and also determines the maximum amount of losses that it may incur if the events develop unfavorably for a long period of time. According to the results of stress testing the Bank develops a set of measures that (in case of implementation of adverse scenarios) exclude the achievement of such a level of risks at which the Bank will not be able to continue its activities.

It is mandatory for the Bank to conduct stress testing of the risks recognized by it as significant — credit risk and liquidity risk.

In addition, in accordance with the principle of proportionality and Internal Capital Adequacy Assessment Process, during stress testing the Bank analyzes the possible impact of risks inherent in its activities. Thus, the influence of interest-rate risk, concentration risk (when conducting stress testing of credit risk, it is taken into account in the form of additional factors, in terms of the concentration of the loan portfolio) and liquidity risk (it is taken into account in terms of the concentration of the resource base) is studied. Stress testing also takes into account the factors that include the assessment of the possible adverse impact of potential risks of banking activities: stock market risk and currency risk.

The Bank uses sensitivity analysis (assessment of changes in the portfolio when the specified risk factors change) as a method of stress testing. According to the degree of rigidity, moderately negative and negative scenarios are studied, taking into account the options for the development of events within the general state of the macroeconomic environment.

The Bank also conducts reverse stress testing (search for a crisis scenario in which there is a violation of the Bank's capital adequacy ratios).

The Bank conducts stress testing regularly, twice a year. The Bank reviews approaches to stress testing of capital adequacy annually.

**The results of stress testing show that the level of risks accepted by the Bank is acceptable for its sustainable development.**

Test	Stress test scenarios	Tested indicators	Test result
AS OF 01.07.2018	AS OF 01.07.2018	LIQUIDITY RATIOS (N2, N3, N4), CAPITAL ADEQUACY RATION (N1.0, N1.1, N1.2), RATION OF MAXIMUM LEVEL OF EXPOSURE PER BORROWER OR GROUP OF RELATED BORROWERS (N6), RATIO OF MAXIMUM LEVEL OF EXPOSURE PER A PERSON RELATED TO THE BANK OR A GROUP OF PERSONS	<b>THE BANK'S INDICATORS ARE NOT BELOW STATUTORY VALUES</b>
AS OF 01.01.2019	AS OF 01.01.2019	LIQUIDITY RATIOS (N2, N3, N4), CAPITAL ADEQUACY RATION (N1.0, N1.1, N1.2), RATION OF MAXIMUM LEVEL OF EXPOSURE PER BORROWER OR GROUP OF RELATED BORROWERS (N6), RATIO OF MAXIMUM LEVEL OF EXPOSURE PER A PERSON RELATED TO THE BANK OR A GROUP OF PERSONS RELATED TO THE BANK (N25)	<b>THE BANK'S INDICATORS ARE NOT BELOW STATUTORY VALUES</b>

# Information on concentration of risks associated with banking transactions in terms of geographical areas, currencies, borrowers and their activities

The Bank's fixed assets are concentrated in Moscow region of the Russian Federation. Since Moscow is the largest financial and business center of Russia, the Bank, in this case, considers the geographical concentration of risks as a positive factor for its development.

However, in order to limit the concentration of risks, the Bank has set limits on the total volume of claims against its counterparties, including funds placed in credit institutions, loan debt, investments in securities, credit related commit-

ments. The Bank monitors limits on the total volume of claims in terms of the following groups of counterparties: by type of economic activities, regional affiliation, country affiliation.

In order to limit the concentration of currency risk, the Bank has set limits both on the total volume of the open foreign currency position and on the size of the position for each currency separately. The size of the open foreign currency position (OFCP) is calculated according to Instruction of the Bank of Russia dated 28.12.2016 No. 178-I «On establish-

ment of sizes (limits) of open foreign currency positions, method of their calculation and particularities of implementation of supervision of their observance by credit institutions».

Managing the risks arising from the transactions outside the Russian Federation, the Bank focuses on the sovereign ratings of foreign countries assigned to them by the international rating agencies S&P, Fitch, Moody's, as on a basic indicator.

## CREDIT RISK (REFERRED TO SIGNIFICANT)

Credit risk is the risk of losses arising as a result of non-fulfillment, or non-fulfillment in time, or partial fulfillment by the customer of its financial obligations to the credit institution in accordance with the terms of the contract.

Credit risk is one of the most significant for the Bank due to the significant share of transactions subject to credit risk in the assets weighted by the level of risks — this is due to the strategy of the Bank, expanding lending to the real sector of the economy. At the same time, the effective credit risk management is one of the Bank's priorities.

General standards of credit risk acceptance and management are approved by the Management Board of the Bank. Credit policy determines, in particular: the organizational structure of the credit risk management system, the procedure for granting loans and the regulations for making decisions on the provision of credit products, the characteristics of

the credit products and the conditions for their provision, the basic requirements for collateral for loans. The credit policy also provides for a number of procedures that the Bank carries out in order to manage credit risk — they are identification, assessment, limitation or reduction and monitoring of credit risk.

The Bank identifies and assesses credit risk through:

- › mandatory and regular assessment of the financial position of borrowers (counterparties);
- › assessment of quality category and risk degree of loans granted;
- › procedure for loan loss provisioning and creation of provisions for possible losses on other transactions;

- › objective evaluation of liquidity and sufficiency of the proposed collateral and its insurance;
- › monitoring of borrowers' performance of the obligations to the Bank and the actual availability of collateral.

The methodology for assessing credit risks, the Bank's standards for collateral for loans, the procedure for granting loans and making decisions on their granting, as well as the procedure for actions aimed to prevent and minimize damage that can be caused by this type of risk, are fixed in the internal documents of the Bank, developed in accordance with the requirements of the Bank of Russia. The Bank uses a standardized approach to credit risk assessment in accordance with Instruction of the Bank of Russia No. 180-I to assess the requirements to its own funds (capital) with respect to credit risk.

Depending on the type of transactions subject to credit risk and on the extent to which this risk is significant for the Bank, the operational management of credit risk is carried out by Credit Committees (credit, medium, small) or Limit Committee. Individual transactions bearing credit risk are assessed by the types of customers, which are divided into three groups: corporate customers, individuals and financial institutions.

In order to reduce the level of credit risk, the Bank promotes credit products that involve collateral: for corporate and retail lending transactions, the Bank accepts tangible assets, guarantees, sureties, property rights as collateral; the collateral for reverse REPO transactions is securities.

The main method of limiting credit risk is a system of limits, including:

- › structural limits on loans to legal entities and individuals, on placement of funds at the interbank market, on investments in promissory notes of legal entities circulating over the counter, on placement of funds at the established securities market;
- › limits per borrower / group of related borrowers;
- › limits on counterparties / issuers in the financial market.

The Bank monitors the established limits and reviews them regularly, in accordance with the frequency of reporting. Actual compliance with the limits on the level of accepted risk is monitored on a daily basis by structural units of the Bank within their areas of responsibility.

In addition, in relation to major credit risks and concentration risks, the Bank also controls the implementation of a number of prudential supervision ratios established in accordance with the requirements of the Bank of Russia: N6 (amount of risk per borrower / group of related borrowers), N25 (maximum level of exposure per a person related to the Bank / a group of persons related to the Bank), N7 (amount of large loans) and N10.1 (the aggregate amount of risk on the Bank's insiders).

**In 2018, the Bank fulfilled all these ratios with a sufficient margin in comparison with the limit values. Established structural limits, as well as limits on borrowers, counterparties / issuers were also observed.**

Indicator	01.01.2019	01.01.2018	
LEVEL OF EXPOSURE PER BORROWER OR GROUP OF RELATED BORROWERS, % .....	19.7	21.8	<b>MAXIMUM STATUTORY VALUE (N6) 25.0</b>
MAJOR CREDIT RISKS, % .....	292.2	288.4	<b>MAXIMUM STATUTORY VALUE (N7) 800.0</b>
LEVEL OF EXPOSURE PER A PERSON RELATED TO THE BANK OR A GROUP OF PERSONS, % .....	2.5	13.9	<b>MAXIMUM STATUTORY VALUE (N25) 20.0</b>
AGGREGATE RISK FOR «INSIDERS» OF THE BANK, % .....	0.1	0.6	<b>MAXIMUM STATUTORY VALUE (N10.1) 3.0</b>

## COUNTERPARTY CREDIT RISK

The Bank manages the counterparty's credit risk by setting credit limits for individual counterparties or their groups, taking into account the type of transactions and the level of risk.

The decision to set credit risk limits on the counterparty is made in accordance with the applicable decision-making procedures in the Bank. In this case, the key factor for making a decision is the financial position of the counterparty, as well as the Bank's assessment of the probability of the counterparty's credit risk before the

settlement is completed or during the settlement of the transaction. The Bank assesses the financial position of the counterparty in accordance with internal methods, on the basis of the counterparty's financial statements and additional information. The exception is the assessment of credit risk of default of the counterparty before the completion of settlements on transactions with derivative financial instruments and REPO transactions — in these cases, the Bank relies on the methods proposed by the Bank of Russia (Annex No. 3 «Method of calculation of credit risk on derivatives» and Annex No. 7 «Methods of calculation

of risk of changes in the value of credit claim as a result of deterioration of the credit quality of the counterparty» to Instruction of the Bank of Russia No. 180-I).

The Bank does not consider the credit risk of default of the counterparty to be a significant risk, since in 2018 it did not conduct any transactions with derivative financial instruments, and REPO transactions were conducted only through the Central counterparty Non-bank Financial Company National Clearing Center (JSC) — a subsidiary of «Moscow Exchange» group.

## LIQUIDITY RISK (REFERRED TO SIGNIFICANT)

Liquidity risk is the risk that a credit institution may not be able to finance its operations, particularly, to meet its obligations as they become due, without incurring losses in the amount that threatens its financial stability.

Liquidity risk can take the form of:

- › risk of imbalance between amounts and dates of cash receipts and write-offs;
- › risk of an unforeseen liquidity requirement, for example, when an event occurs that requires more resources than anticipated;
- › market liquidity risk, that is the risk of loss when selling the assets or in connection with impossibility to close the existing position due to the market situation;

- › risk of funding, which arises in connection with potential changes in the cost of funding, affecting the size of future income of the Bank.

The Bank considers liquidity risk to be significant. Liquidity management system is vital for the Bank: its resources are not infinite, so the quality of their planning must be given priority.

The main mechanism that ensures the Bank's fulfillment of its obligations regardless of the actions of counterparties is the liquidity management system, which covers the management of the current payment position and accounting liquidity management. The Finance Department of the Bank forecasts cash flows, monitors the accounting liquidity of the Bank, analyzes its dynamics and possible conflicts of interest between liquidity and profitability. Provision of liquidity includes the determination of the minimum required liquidity of assets to ensure the passage

of the average cash flow. In the event of the conflict of interest between liquidity and profitability, priority is given to liquidity.

By managing the current payment position, the Bank strives to maintain the current positive payment position in all currencies when implementing the most probable scenario of events.

Management of accounting liquidity should ensure reasonable probability that the Bank will meet its obligations in different periods of time. To do this, the Bank analyzes the risk of liquidity reduction and the risk of liquidity due to the gap in the maturity of claims and liabilities.

The analysis of these risks involves comparison of actual indicators and statutory liquidity ratios (N2, N3, N4) established by Instruction of the Bank of Russia No. 180-I. During the reporting year, the Bank fulfilled these ratios with a large margin.

The gap in the maturity of the Bank's claims and liabilities is analysed on the basis of the balance sheet data and data on the maturity of loans and deposits for the time being. Threshold limit values of surplus/shortage of liquidity are calculated quarterly on the basis of statistical data of the resource base for the previous quarter, and the limit values are calculated in accordance with the methodology approved by the Bank. During 2018, the Bank did not violate the threshold limit values of surplus/shortage of liquidity.

Among the instruments of liquidity risk management the Bank also uses stress testing, which determines the possible shortage of liquidity of the Bank associated with the potential outflow of funds from customers' accounts. According to stress testing conducted under moderately negative and negative scenarios as of 01.07.2018 and 01.01.2019, in the case of theoretically possible outflow of customers' funds, the Bank will be able to meet the regulatory requirements for liquidity, liquidity shortage does not arise.

## MARKET RISK

The Bank's activities aimed to get profit are associated with risks that arise as a result of adverse changes in market factors. Market risk includes stock, interest-rate, currency and commodity risks.

- › limiting the volume of accepted market risks through a system of structural and individual limits, which are set in proportion to the nature and scale of the Bank's transactions;
- › assessment of the potential impact on the financial position of the Bank of certain market risk factors (stress testing).

The Bank assesses market risk in accordance with the requirements of Regulations of the Bank of Russia dated 03.12.2015 No. 511-P «On the Procedure for Calculation by Credit Institutions the Size of Market Risk».

The Bank's applicable market risk management system is based on:

- › market risk assessment;

## STOCK AND INTEREST-RATE RISKS

Stock and interest-rate risks are associated with the probability of losses due to adverse changes in market prices for securities of the Bank's trading portfolio — shares and bonds.

In order to limit these risks, the Bank forms a portfolio of securities in accordance with the structural limits established by it. A number of structural limits of asset allocation is defined by the Policy of the Bank for attraction and placement of resources, which is revised annually. In addition, the Limit Committee sets individual limits on investments in securities by issuers, which are adjusted during the year. To limit the risk of large losses due to unfavorable dynamics of prices on the securities market, limits on the maximum amount of losses (stop loss) are set.

Indicator	01.01.2019	01.01.2018	
INSTANT LIQUIDITY OF THE BANK, %	159.9	85.9	MINIMUM STATUTORY VALUE (N2) 15.0
CURRENT LIQUIDITY OF THE BANK, %	202.4	208.8	MINIMUM STATUTORY VALUE (N3) 50.0
LONG-TERM LIQUIDITY OF THE BANK, %	13.3	13.1	MAXIMUM STATUTORY VALUE (N4) 120.0

## The Bank fulfilled the structural and individual limits established during 2018.

As of 01.01.2019, all securities purchased by the Bank were included in the trading portfolio. Taking into account the high reliability of issuers (the rating of issuers is mainly comparable with the country rating of Russia), the Bank assesses the market risk of the securities portfolio as acceptable.

### CURRENCY RISK

The Bank manages currency risk, ensuring the maximum possible correspondence between the currency of assets and the currency of liabilities by currency.

In addition, the Bank's currency risk is limited by the size of the open foreign currency position which is calculated in accordance with Instruction of the Bank of Russia

### OPERATIONAL RISK

Operational risk is the risk of losses due to unreliability or weaknesses of internal procedures for management of the Bank, failure of information or other systems, under the influence of external events.

The Bank calculates the amount of operational risk in accordance with Regulation of the Bank of Russia No. 652-P dated 03.09.2018 «On the Procedure for Calculation of the Amount of Operational Risk». A set of measures is used to reduce operational risk:

dated 28.12.2016 No. 178-I «On establishment of sizes (limits) of open foreign currency positions, method of their calculation and particularities of implementation of supervision of their observance by credit institutions». In accordance with the requirements of the Bank of Russia, the limit of an open currency position in each currency does not exceed 10% of the Bank's capital. During 2018 the limit was observed.

The Bank also set a limit on the total value of open positions. In accordance with the requirements of the Bank of Russia, it should not exceed 20% of the capital, but the Protocol of the Bank's Limit Committee made the decision to limit the total value of open positions to 10% of the capital. This limit was observed in 2018.

### COMMODITY RISK

There was no commodity risk in the Bank during 2018 and as of 01.01.2019.

1. Implementation of means of protection of confidential information from unauthorized access, security of personal data to prevent abuse or illegal actions of employees and third parties with respect to the Bank.
2. Insurance of property in insurance companies (vehicles, interior and exterior decoration, engineering and communication systems and networks), equipment of premises with fire and security alarms to prevent damage or loss of fixed assets and other tangible assets.

### INTEREST-RATE RISK OF BANK BOOK

The interest-rate risk factor is the 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 demand/maturity range over a time interval of 1 year.

To assess the interest-rate risk, the Bank uses a gap analysis using stress testing, as well as a simplified method of duration. In the course of stress testing, the Bank analyzes the impact on the interest-rate risk of interest rate changes by 200 basis points (a basis point is one hundredth of a percent), as provided for in the Procedure for preparation and submission of reporting form No. 0409127 «Information on the interest-rate risk». The method of duration allows to measure the impact of changes in interest rates on the current value of the Bank's assets and liabilities.

## The Bank assessed the level of interest-rate risk as acceptable during 2018.

3. Ensuring the continuity of the Bank's activities in the event of failure of equipment and systems. The Bank has developed a «Plan of actions aimed to ensure the continuity of activities and (or) recovery of activities in the event of unforeseen circumstances», which gives a detailed description of the sequence of actions of the personnel to restore/maintain the Bank's continuous operations in the event of such circumstances, in particular, provides for the transition to backup servers, backup communication channels, backup



power sources. The Bank creates backup copies of key information. The modules of the Plan are regularly tested.

4. In accordance with the Rules of Internal Control in order to counteract the legalization (laundering) of proceeds from crime and the financing of terrorism, the Bank monitors data on the customers and regularly analyzes customers' transactions.
5. Optimization of the Bank's activities, prevention of management and execution errors. Operational risk is managed at all levels of the Bank's internal control system. The Bank regularly monitors the execution

of internal procedures, regulations, instructions and legislation of the Russian Federation. Internal structural units provide reports on operational risk factors to the Risk Management Office, where these data are systematized. They are submitted in short form to the Management Board and the Board of Directors of the Bank.

6. The Bank maintains a database of operational risk events, including the events that caused operational losses. Systemic analysis of these data allows to reveal the directions of activity experiencing the greatest

influence of the factors of operational risk and to take measures promptly to minimize the influence of these factors.

**In 2018, the value of operating losses did not exceed 0.01% of the Bank's capital. Thus, the measures to reduce the operational risk of the Bank can be considered quite effective: it did not have any significant impact on the financial result and the capital of the Bank.**

## LEGAL RISK

The priority task in the management of legal risk is to ensure maximum safety of the Bank's assets and capital, to reduce (exclude) possible losses and unexpected losses that the Bank may incur if the judicial authorities adopt a resolution (decision) on payment of funds to them.

- › imperfection of legal systems of Russia and other countries;
- › violation by customers and counterparties of the Bank of the terms of contracts, regulatory legal acts.

Legal risk factors are:

- › legal errors of employees or management bodies of the Bank; violation of the terms of contracts by the Bank;
- › insufficient study of legal issues in the course of the current activities of the Bank, when creating and implementing new technologies and financial innovations, changing the conditions of banking operations;

The Bank uses a number of methods to manage and limit legal risk. In particular, in order to identify and assess the signs of legal risk, the Bank introduced a set of borderline parameters (limits), the change in the status and size of which signals changes in the characteristics of a particular direction of the Bank's activities and, accordingly, a change in the level of legal risk.

**In 2018, there were no legal risk factors that could have a significant impact on the financial result and capital of the Bank.**

## REPUTATION RISK

Reputation risk is associated with the perception of the credit institution or its actions by employees, counterparties, supervisory authorities and other interested parties. Negative image of the credit institution may result in losses either due to the impossibility to maintain existing business relationships and to establish new business contacts, or due to limited access to the sources of financing.

To assess the level of reputation risk, the Bank uses the following parameters:

- › changes in the financial condition of the Bank (in particular, the performance of statutory ratios, the dynamics of the relevant actual indicators);

- › increase (decrease) in the number of complaints and claims against the Bank, including the quality of customer and counterparties service;
- › negative and positive reviews and reports about the Bank and its affiliates in the media, as well as changes in the business reputation of the Bank's affiliates, regular customers and counterparties;
- › identification of the facts of theft, forgery, fraud in the Bank, the use by the employees of confidential information received from the customers and counterparties for personal purposes;

- › effectiveness of counteraction of the Bank and its affiliates to actions aimed at legalization (laundering) of proceeds from crime, financing of terrorism and other illegal activities, including the cases of non-compliance with the requirements of Federal Law No. 115-FZ and the Rules of Internal Control for the purpose of AML/CFT;
- › closing of the accounts of large customers of the Bank.

**In 2018, there were no reputation risk factors, which had a significant impact on the financial result and capital of the Bank.**

## STRATEGIC RISK

Adverse impact on the result of the activities of credit institution can be the result of wrong decisions taken in the process of management, particularly while determining the strategy of its development. Strategic risk arises if the decisions are made or not made as a result of an incorrect assessment of the impact of external factors, as well as due to improper execution of the decisions taken by the management.

The Bank identifies the strategic risk based on the goals and objectives defined by its Strategy. The identification process includes the collection, analysis and processing of the information on strategic risk factors. These factors may include:

- › poor strategic planning; incorrect or insufficiently justified determination of promising areas of work in which the Bank can achieve an advantage over competitors; inability to achieve strategic goals due to the lack of necessary resources — financial, material and technical, human resources;
- › insufficient or ineffective organizational measures (management decisions) to ensure that the Bank achieves its strategic objectives;
- › making management decisions contrary to the current Strategy;
- › failure to perform management decisions in the process of the Strategy implementation;
- › mistakes in the choice of methods to achieve strategic goals;
- › miscalculations in assessing the impact of changes in the macroeconomic situation and the Bank's competitive environment on the Bank's operations;
- › unforeseen changes in the current legislation of the Russian Federation, normative acts of regulatory authorities.

The Bank manages strategic risk in a comprehensive manner both in the formation and revision of its Strategy and in the process of its implementation. At the stage of strategic planning, the Bank comprehensively studies various aspects of the external environment (politics, economy, social trends, technology), the level of competition, customer needs and analyzes its capabilities and available resources. While implementing the Strategy, the Bank monitors the indicators of achievement of strategic goals. From the analysis of external and internal conditions and factors, the Bank's current activity or Strategy as a whole is adjusted.

The Bank assesses the strategic risk every six months, as of July 1 and January 1. An extraordinary assessment can be carried out in the event of unfavorable events or emergency situations that may affect the achievement of indicators established by the Bank's Strategy.

**The results of the Bank's activities for 2018 confirm the appropriateness of the chosen strategy. The Bank has reached the targets for the main key indicators — average annual value of net assets, the amount of fixed capital, profit.**

# PERSONNEL AND REMUNERATION SYSTEM

**TO CREATE AND DEVELOP LONG-TERM RELATIONSHIPS WITH THE CUSTOMERS, THE BANK REQUIRES A STABLE, PROFESSIONAL AND WELL MOTIVATED TEAM. INVESTMENTS IN HUMAN CAPITAL DEVELOPMENT ENHANCE THE LONG-TERM COMPETITIVENESS OF THE BANK.**

## Personnel policy

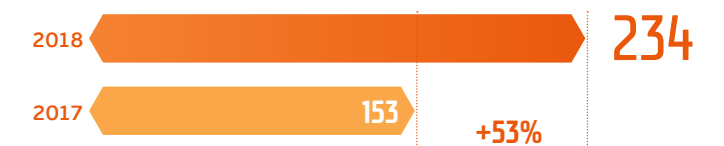
Personnel policy is an important part of the Bank's overall Strategy. Through its personnel policy the Bank defines its philosophy and principles for the development of human capital and, since the competitive advantages of the Bank are realized by its employees, the effectiveness of the personnel policy ultimately determines the success of the Bank in achieving the goals set by its Strategy.

Thus, the purpose of the Bank's personnel policy is to provide it with the most important resource: professional, motivated employees united by a common system of values. Realizing the goals and objectives of the personnel policy, the Personnel Department of the Bank:

- › plans the Bank's need for human resources: determines personnel requirements taking into account the Development Strategy; forms a personnel reserve; participates in the optimization of structural units and business processes;
- › maintains optimal number and quality of personnel to achieve current and strategic goals of the Bank: carries out the search (internal and external) for; hires and dismisses employees, forms proposals for personnel rotation, gives proposals for transfer to a new position, and conducts an audit of business units;
- › adapt new employees, helping them to get involved in work more quickly: organizes trainings for them, introduces them to the rules, instructions and regulations of the Bank; controls the prompt provision of a workplace to a new employee and connection of all necessary devices. The Personnel Department also develops criteria and monitors the successful completion of the probation period by an employee;
- › organizes a system of continuous professional development: identifies the needs of employees in training; organizes training and development of the Bank's personnel by internal and external specialists; provides management consulting and business coaching services;

### DEVELOPMENT OF A TRAINING CENTER OF THE BANK:

#### THE NUMBER OF PARTICIPANTS IN FULL-TIME PROGRAMS, PERSONS



#### THE NUMBER OF PARTICIPANTS IN DISTANCE PROGRAMS, PERSONS



- › manages corporate culture, including: organizes corporate events and charity events, special interest clubs; supports and develops the Bank's intranet website; controls labor discipline;
- › prepares and provides the management of the Bank with analytical and statistical information on the results of human capital management. In particular, the following are provided: analytical report on staff turnover; reporting on risks; HR-metrics.

In 2018, among the priorities of the Personnel Department were selected the following: development of the Training Center, optimization of the organizational structure of the Bank, development of internal communication channels and strengthening of corporate culture. In addition, in cooperation with the Security Department, the Bank organized an automated accounting of working hours of its employees.

It is worth noting the rapid development of the Training Center of the Bank, established a year ago. In the reporting year, it offered 10 types of full-time programs and 10 types of distance programs, and the total number of participants increased by more than 1.5 times compared to the previous year. The programs of the Training Center are focused on improving the professional skills and developing the personal skills of employees, especially those that help the Bank to improve the quality of customer service (see. «Focus on Quality of Service»). In addition, as planned in the previous year, a program of personal mentoring and coaching sessions was launched with the organizational support of the Personnel Department.

In 2018, human resources audit was conducted in six units of the Bank. Human resources audit is a comprehensive study of the effectiveness of personnel management. Personnel Department analyzes the compliance of HR management processes with the Bank's standards and regulations, recommendations and requirements of the regulator; identifies the real need of banking units for employees of a certain level of qualification; evaluates the potential of employees, the effectiveness of their motivation. According to the results of human resources audit, the Bank's management takes decisions on optimization of the organizational structure and business processes.

The development of unified corporate culture, which is based on the principles of mutual responsibility and mutual respect, realization of the value of each team member and

the sense of belonging to the implementation of the common strategic objectives is invariably in the focus of attention of the Personnel Department and the management of the Bank.

The Bank seeks to create conditions not only for professional, but also for personal development of team members, strengthening their health. In 2018, a corporate contract was concluded with the fitness club, English language courses were organized, and an electronic library for employees was created. The Bank encourages their active participation in charitable activities.

On the occasion of the 45<sup>th</sup> anniversary of the Bank, corporate special events were organized for the whole team.

## PLANS FOR 2019

1

**Development of the Training Center.** *New training programs will be introduced, the number of full-time and distance trainings will increase. It is planned to hold business games and other events to help employees develop their professional and personal skills, particularly those helping the Bank to increase customer loyalty and quality of service.*

2

**Human resources audit will be conducted annually.** *It will be conducted in the Bank's units on a regular basis in order to optimize organizational structures and business processes.*

3

**The development of corporate culture** *remains the strategic goal of the Personnel Department.*

# Remuneration system

IPB Bank (JSC) applies the Regulation on staff remuneration system, developed in accordance with Instruction of the Bank of Russia dated 17.06.2014 No. 154-I «On the procedure for assessing the staff remuneration system in a credit institution and the procedure for sending to a credit institution the instruction to eliminate violations in its remuneration system».

The general principles apply to all employees of the Bank, including employees of the internal structural units of the Bank and the branch in St. Petersburg:

- › remuneration is differentiated depending on the complexity and responsibility of the work performed, the level of general and special knowledge and skills of an employee, the importance of his/her profession (specialty), his position, the degree of independence and responsibility of the employee while performing the tasks;
- › equal pay for equal work.

These principles are implemented by establishing clear job descriptions, as well as regular assessment of the knowledge, skills and abilities of each employee, the complexity, quality and quantity of labor spent. Expenses for labour remuneration are adjusted to reflect the level of remuneration in the labour market.

The organization, monitoring and control of the remuneration system are the responsibility of the Board of Directors. Based on the reports provided by the authorized person, the Board of Directors also assesses the compliance of the remuneration system with the Bank's Strategy, the nature and scale of its operations, the results of the Bank's activities and the level of risks taken. The Chairman of the Board of Directors of the Bank is responsible for preparation of the decisions of the Board of Directors on the organization, monitoring and system of remuneration.

The size of the wage fund is also approved by the Board of Directors of the Bank. Payments in excess of 5% of the wage fund approved by the Board of Directors are considered «large remuneration payments» and shall be subject to mandatory approval by the Board of Directors. Payments in excess of the approved wage fund shall be agreed with the Board of Directors of the Bank.

The remuneration system provides for incentive and compensation payments to employees, in addition to the official salary (fixed part). At the same time, two categories of the Bank employees are subject to special conditions for incentive payments.

According to the internal Regulations of the Bank, the category «Executive bodies of the Bank and employees taking risks» (hereinafter referred to as the employees taking risks) includes 16 persons being the members of the following management bodies of the Bank and committees under management bodies (except the members of the committees without a right to vote):

- › the members of the Board of the Bank;
- › the members of Credit Committees (large, medium and small);
- › the members of the Limit Committee;
- › the members of the Asset and Liability Committee.

The category «Employees responsible for internal control and risk assessment» includes 19 persons:

- › the employees of the Internal Audit Service;
- › the employees of the Internal Control Service;
- › the employees of the Risk Management Office;
- › the employees of the Financial Monitoring Department.

# CORPORATE GOVERNANCE

The graphic features a large orange rectangle in the upper half, containing the text 'CORPORATE GOVERNANCE' in white, bold, sans-serif font. Below the orange rectangle is a grey area with several overlapping, semi-transparent geometric shapes, including triangles and polygons, creating a layered, architectural effect.



**FROM AN ORGANIZATIONAL POINT OF VIEW, INTERPROGRESSBANK IS A CORPORATE ENTITY, MANAGED IN ACCORDANCE WITH THE CURRENT LEGISLATION OF THE RUSSIAN FEDERATION AND THE CHARTER OF THE BANK.**

Interprogressbank is not a public company (which would impose additional restrictions in terms of corporate governance), but as a credit institution IPB Bank (JSC) complies with the disclosure requirements of the regulator and follows the applicable recommendations of the Corporate Governance Code approved by the Bank of Russia.

The Board of Directors of the Bank agrees that compliance with the principles and recommendations of the Corporate Governance Code is an effective tool to improve the efficiency of the Bank's management; ensures reliable risk management and internal control, harmonization of relations between the executive bodies of the Bank, the Board of Directors, shareholders and other interested parties, compliance with the interests of shareholders and disclosure standards, as well as effective control over the activities of the Bank by shareholders and other interested parties.

## STRUCTURE OF THE BANK MANAGEMENT BODIES

The first Charter of the Bank as a closed joint-stock company was approved by the General Meeting of Shareholders on 05.08.2002.

In 2015 in accordance with the decision of the General Meeting of Shareholders of the Bank dated 25.06.2015 (Minutes No. 1-2015), the names of the Bank were changed: the full name of the Bank in Russian is «INTERPROGRESSBANK» (Joint-Stock Company), the abbreviated name of the Bank in Russian is IPB Bank (JSC). The Charter of the Bank in force was approved by the General Meeting of Shareholders on 29.06.2016 (Minutes No. 01-2016).

**According to the Charter, the management bodies of the Bank are: the General Meeting of Shareholders and the Board of Directors, as well as the executive bodies — sole (the Chairman of the Management Board) and collegial (the Management Board).**

The General Meeting of Shareholders is the supreme management body of the Bank. The lists of decisions taken exclusively by the General Meeting of Shareholders are determined by the legislation of the Russian Federation and the Charter of the Bank. With the exception of the matters that are within the competence of the General Meeting of Shareholders, the general management of the Bank is carried out by the Board of Directors. The Bank's day-to-day operations are managed by the executive management bodies — sole (the Chairman of the Management Board) and collegial (the Management Board).

In 2018 the General Meeting of Shareholders of the Bank was convened twice:

- › 22.06.2018 — the annual General Meeting of Shareholders approved the Annual report of IPB Bank (JSC) for 2017; the financial statements, including the Income Statement; elected the members of the Board of Directors and the members of the Audit Commission, and approved the auditor of the Bank for 2018.
- › 07.12.2018 — the extraordinary General Meeting of Shareholders made a decision of early termination of the powers of the members of the Board of Directors and election of the Board of Directors.

The composition of the Board of Directors changed twice in 2018. The composition of the Management Board of the Bank did not change in 2018.

The Board of Directors extended the powers of the Chairman of the Management Board for 2 years from 03.11.2018.

# THE MANAGEMENT BOARD OF THE BANK (AS OF 01.01.2019)

**Dmitry Aleksandrovich  
Yakovlev**

Chairman of the Management Board

From 31.10.2008 to the present day — the Chairman of the Management Board of IPB Bank (JSC). Duties performed: performance of duties of the sole executive body in accordance with the Federal Law «Concerning Joint-Stock Companies» and the Charter of the Bank.  
From 10.06.2011 to 28.05.2014 and from 07.12.2018 to the present day — a member of the Board of Directors of IPB Bank (JSC).

**Mikhail Yuryevich  
Savinykh**

Deputy Chairman of the Management Board, a member of the Management Board

Graduated from Moscow Institute of Electronic Engineering in 1993 with a degree in «Automation and Control in Technical Systems», qualification — systems engineer, and in 1995 he graduated from Plekhanov Russian Academy of Economics, with a degree in «Finance and Banking», qualification — Master of Economics.  
From 19.12.2002 to 19.05.2006 — Deputy Chairman of the Management Board at CJSC «Konversbank». Coordinated operations management, cash desks, department of internal accounting reporting, administrative department.  
From 22.05.2006 to 23.05.2006 — Vice-President in IPB Bank (JSC). Coordinates operations management, cash desks, administrative department.  
From 23.05.2006 to 01.11.2008 — the President of IPB Bank (JSC). Performance of duties of the sole executive body in accordance with the Federal Law «Concerning Joint-Stock Companies» and the Charter of the Bank.  
From 01.11.2008 to 31.07.2018 — First Deputy Chairman of the Management Board of IPB Bank (JSC).  
From 01.11.2008 to 09.12.2008 — First Vice-President of IPB Bank (JSC).  
On 09.12.2008 the title of the position «First Vice-President» was changed to «First Vice-Chairman of the Management Board».  
On 26.01.2010 the title of the position «First Vice-Chairman of the Management Board» was changed to «First Deputy Chairman of the Management Board».  
Duties performed: coordinates the Department of Asset and Liability Management, Information Technology Department, Currency Board, Financial Monitoring Department, Cash Collection Department, Operations Department, Department of Payment Systems and Technologies, Department for Development of Online Banking Transfers and Technologies, Cash Operations and Currency Circulation Department. Acts for the Chairman of the Management Board when the latter is absent.  
From 31.07.2018 to the present day — Deputy Chairman of the Management Board of IPB Bank (JSC). Coordinates: Collection Department, Cash Operations and Currency Circulation Department, Department for Development of Banking Transfers and Technologies, Secretariat.

**Tatyana Igorevna  
Mikheeva**

Deputy Chairman  
of the Management Board,  
a member of the Management Board

Graduated from Lomonosov Moscow State University in 1994, qualification — philologist, teacher of Russian language and literature. In 2012 she graduated from Lomonosov Moscow State University with a degree in «National economy», qualification — economist.  
From 01.07.2008 to 26.10.2010 — Advisor. Duties performed: supervising the Department of Lending to Legal Entities and Individuals, attracting corporate and private borrowers, structuring investment credit transactions and interaction with the Bank's structural units in the process of organizing transactions, maintaining effective interaction with borrowers.  
From 26.10.2010 to 09.07.2013 — Vice-President of IPB Bank (JSC). Coordinates: Legal Entities and Individuals Credit Department, Pledge Transactions Department, sector of preliminary analysis, Department for Research and Development of Credit Products.  
From 09.07.2013 to the present day — Deputy Chairman of the Management Board of IPB Bank (JSC). Coordinates: Credit Department, sector of preliminary analysis.

**Sergey Igorevich  
Pronin**

Deputy Chairman  
of the Management Board,  
a member of the Management Board

In 2001 he graduated from Moscow State Technical University (MAMI) with a degree in «Economics and Company Management (machine engineering)», qualification — economist-manager. Upon completion of full-time doctoral programme in MAMI, on 19.01.2005 earned a degree of Ph.D. in Economics.  
Confirmed the qualification of a financial market specialist in broker/dealer activities and securities management activities on 08.12.2006; qualification certificate Series AI-001 No. 000420 is issued by Non-Profit (Self-Regulatory) Organization «National Association of Securities Market Participants» (NASMP).  
From 01.04.2007 to 11.02.2015 — Director of Finance Department of IPB Bank (JSC). Duties performed: management of Finance Department, development, coordination and control of measures to manage the Bank's accounting liquidity; optimization of asset and liability structure; coordination and control of measures to predict the current financial results of the Bank's activities; coordination and control of budget preparation procedures, as well as the Bank's budget performance monitoring.  
From 11.02.2015 to the present day — Deputy Chairman of the Management Board of IPB Bank (JSC). Coordinates: Finance Department, Information Technology Department, Department for Transaction Processing in the Financial Markets, Department for Management and Development of Business of Network, internal structural unit (supplementary offices and out-of-the-office cash counter).

**Oleg Stanislavovich  
Korchagin**

Vice-President,  
a member of the Management Board

Graduated from International Institute of Economics and Law in 1998 with a degree in «Law», qualification — lawyer.  
From 14.05.2006 to 01.11.2010 — Head of Legal Department of IPB Bank (JSC). Duties performed: organization of legal support of the Bank.  
From 01.11.2010 to 16.07.2018 — Director of Legal Department of IPB Bank (JSC). Duties performed: supervising the work of Legal Department, ensuring the fulfillment of the tasks and functions assigned to the Legal Department.  
From 16.07.2018 to the present day — Vice-President of IPB Bank (JSC). Coordinates: Legal Department, Pledge Transactions Department.

## THE BOARD OF DIRECTORS OF THE BANK (AS OF 01.01.2019)

**Nikolai Alexandrovich  
Sobolev**

Chairman of the Board of Directors

In 1986 Graduated from Lomonosov Moscow State University with a degree in «Economic Cybernetics», qualification — economist-cybernetist.  
From 12.10.2010 to 02.06.2014 — the President of IPB Bank (JSC). Duties performed: coordinates customer management, work with strategic customers of the Bank, participates in the development of the Bank's Strategy.  
From 02.06.2014 to the present day — First Vice-President of IPB Bank (JSC). Duties performed: coordinates customer management, work with strategic customers of the Bank, participates in the development of the Bank's Strategy.  
From 28.05.2014 to the present day — the Chairman of the Board of Directors of IPB Bank (JSC). Performs the duties of the Chairman of the Board of Directors in accordance with the Federal Law «Concerning Joint-Stock Companies» and the Charter of the Bank.

**Dmitry Aleksandrovich  
Yakovlev**

Chairman of the Management Board

Graduated from Moscow Law Institute in 1993 with a degree in «Law», qualification — lawyer.  
From 31.10.2008 to the present day — the Chairman of the Management Board of IPB Bank (JSC). Duties performed: performance of duties of the sole executive body in accordance with the Federal Law «Concerning Joint-Stock Companies» and the Charter of the Bank.  
From 10.06.2011 to 28.05.2014 and from 07.12.2018 to the present day — a member of the Board of Directors of IPB Bank (JSC).

**Galina Ivanovna  
Dubinkina**

a member of the Board of Directors

Graduated from Moscow Financial Institute in 1971 with a degree in «Finance and Credit», qualification — economist.

From 10.06.2013 to 25.06.2015 and from 07.12.2018 to the present day — a member of the Board of Directors of IPB Bank (JSC).

From 01.08.2014 to the present day — the President of IPB Bank (JSC). Duties performed: ensuring effective interaction between the Bank and existing customers and attracting new customers; performing representative functions, participation in negotiations in order to develop a modern, customer-oriented, universal, competitive Bank.

**Yury Vasilyevich  
Obodovsky**

a member of the Board of Directors

Graduate of Odessa Higher Artillery Command Order of Lenin School named after Frunze, which he graduated in 1991, with a degree in «Command Tactical Artillery», qualification — engineer. In 1996 graduated from All-Russian Distance Institute of Finance and Economics with a degree in «Finance and Credit», qualification — economist. In 2003 he graduated from Odessa Regional Institute of Public Administration under the President of Ukraine, with a degree in «Public Administration», qualification — Master of Sciences in Government Management. In 2006 graduated from Finance Academy under the Government of the Russian Federation with a degree in «Finance and Credit», qualification — economist. Received Ph.D. in Engineering Science in Peter the Great St. Petersburg Polytechnic University in 2005.

Was a member of the Board of Directors of IPB Bank (JSC) from 27.06.2007 to 25.06.2015, is a member — 29.06.2016 to the present day.

Earlier, he was a member of the Board of Directors:

OJSC «Elteza» — from 30.06.2014 to 17.02.2017;

CJSC «Foratek AT» — from 06.05.2013 to 30.06.2015;

PJSC «Bamstroyemkhanizatsiya» — from 13.10.2014 to 30.06.2017.

During the reporting period, he was a member of the Board of Directors:

JSC «Roszheldorproekt» — from 28.09.2012 to the present day;

PJSC «Lengiprotrans» — from 10.10.2012 to the present day.

Earlier held the position of General Director:

LLC «Group of Companies 1520» — from 04.04.2014 to 30.03.2015;

LLC «NPG 1520» — from 04.04.2014 to 30.03.2015.

During the reporting period, he held the position of General Director:

LLC «Alaksa» — from 23.12.2015 to the present day.

**Aleksey Andreevich  
Krapivin**

a member of the Board of Directors

In 2007 graduated from Finance Academy under the Government of the Russian Federation with a degree in «International currency and credit relations», qualification — economist.

Was a member of the Board of Directors of IPB Bank (JSC) from 29.06.2010 to 26.06.2015, is a member — 23.12.2016 to the present day.

Earlier, he was a member of the Board of Directors:

OJSC «Transelectromontazh» — from 28.06.2012 to 29.06.2015;

OJSC «Mtsensk foundry» — from 31.08.2012 to 30.06.2015;

Bank Vozrozhdenie (PAO) — from 01.06.2015 to 27.11.2015;

CJSC IFC «GRAS» — from 06.02.2013 to 30.06.2016;

CJSC «IPDC «GRAS»» — from 07.02.2013 to 30.06.2016;

JSC «Dalgiprotrans» — from 21.02.2013 to 30.06.2015;

OJSC «IFC-1» — from 27.06.2014 to 30.06.2016;

LLC «ED ACTIVE» — from 20.12.2013 to 03.06.2014;

LLC «Transproekt-Finans» — from 01.07.2015 to 28.04.2017.

During the reporting period, he was a member of the Board of Directors:

JSC «Roszheldorproekt» — from 28.09.2012 to the present day;

PJSC «Lengiprotrans» — from 10.10.2012 to the present day;

PJSC «Bamstroymekhanizatsiya» — from 13.10.2014 to the present day;

LLC «OSK 1520» — from 30.08.2017 to the present day.

Earlier held the position of General Director:

LLC «Ortiga-Group» — from 29.09.2009 to 29.05.2015;

LLC «Diviti-invest» — from 13.10.2011 to 16.10.2014;

OOO «Briz» — from 20.12.2012 to 14.05.2014;

CJSC «Sukharevka» — from 20.12.2012 to 14.05.2014;

LLC «KIP Stark» — from 29.12.2012 to 20.12.2017;

LLC «NPG 1520» — from 05.10.2016 to 28.02.2018.

During the reporting period, he held the position of General Director:

LLC «Girasol» — from 01.07.2015 to the present day;

LLC «Group of Companies 1520» — from 02.07.2016 to the present day;

LLC «Menkar» — from 23.05.2018 to the present day.

# PRINCIPLES AND RECOMMENDATIONS FOR CORPORATE GOVERNANCE OBSERVED BY THE BANK

- › The Bank ensures equal and fair treatment of all shareholders in exercising their right to participate in the management of the Bank. Equal conditions are created for all shareholders — owners of shares of the same category (type), including minority shareholders and foreign shareholders.
  - › Shareholders are given an equal and fair opportunity to share in the profits of the Bank through dividends.
  - › The current corporate governance model of the Bank ensures the separation of powers and responsibilities of management and supervision bodies.
  - › The Bank engages independent external auditors to assess the reliability of the financial statements and material facts affecting the financial position.
- › The Board of Directors of the Bank determines the main strategic guidelines for long-term activities, key performance indicators of the Bank, carries out strategic management of the Bank, determines the basic principles and approaches to the organization of the risk management and internal control system in the Bank, controls the activities of the executive bodies, determines the Bank's policy on remuneration of the members of the Board of Directors and executive bodies, and implements other key functions. The Board of Directors is an effective and professional management body of the Bank, capable of providing objective independent judgments and making decisions that meet the interests of the Bank and its shareholders.
- › The Board of Directors ensures that the quality of work of the Board of Directors, its committees and members of the Board of Directors is assessed.
  - › System of remuneration of executive bodies and other key executives of the Bank provides for the dependence of remuneration on the result of the Bank's work and their personal contribution to the achievement of this result.

- › The internal control and risk management system supports management decisions subject to reasonable assurance in achieving the Bank's objectives. Internal audit is conducted to ensure systematic independent assessment of the reliability and effectiveness of the risk management and internal control system, as well as corporate governance practices.
- › The Bank seeks to be transparent to shareholders, investors and other interested parties; to disclose complete, current and accurate information about its activities in a timely manner so that its shareholders and investors have the opportunity to make informed decisions. Information and documents at the request of shareholders are provided in accordance with equal and unhindered access.
- › Actions that significantly affect or may affect the structure of the share capital and the financial condition of the Bank and, accordingly, the position of shareholders (major corporate actions), are carried out on fair terms that ensure respect for the rights and interests of shareholders and other interested parties.
- › The procedure for carrying out major corporate actions in the Bank allows shareholders to receive full information on such actions in a timely manner. Thus, shareholders have the opportunity to influence the performance of such actions, that guarantees compliance and an adequate level of protection of their rights.
- › The information was disclosed by the Bank in accordance with the requirements of the legislation.



# INTERNAL CONTROL SYSTEM

## **THE INTERNAL CONTROL MANAGEMENT SYSTEMS OF THE BANK ALLOW TO REACT TO CHANGES IN EXTERNAL AND INTERNAL BUSINESS ENVIRONMENT OF THE BANK IN A TIMELY MANNER AND TO DETERMINE AN ACCEPTABLE LEVEL OF BANKING RISKS.**

Internal control in the Bank in accordance with the powers determined by the Charter of the Bank and internal documents of the Bank, is carried out by:

- › Management bodies — the General Meeting of Shareholders, the Board of Directors, the Management Board and the Chairman of the Management Board.
- › Chief accountant (his/her deputies).

- › Audit Commission.
- › Director (his/her deputies) of the branch and chief accountant (his/her deputies) of the branch.
- › Structural units and employees exercising internal control in accordance with the powers defined by the internal documents of the Bank, including:
  - Internal Audit Service;
  - Internal Control Service (compliance service);
  - Financial Monitoring Department;
  - Supervisor of the professional participant of the securities market;
  - Structural unit for risk management;
  - Other structural units and/or other responsible employees of the Bank.

In order to improve internal control procedures and bring the organizational structure of the Bank into compliance with the requirements of the Federal Law «Concerning Banks and Banking Activities» and Regulation of the Bank of Russia

No.242-P «On Organization of Internal Control in Credit Institutions and Banking Groups», the Bank has the Internal Control Service (compliance service), the main functions of which are:

- identification of the risk of losses incurred by the Bank due to non-compliance with the legislation of the Russian Federation, internal documents of the Bank, standards of self-regulatory organizations, and also as a result of sanctions and/or other measures of influence on the part of supervisory authorities (hereinafter referred to as compliance risk);
- coordination and participation in the development of a set of measures aimed to reduce the level of compliance risk in the Bank;
- identification of the conflict of interest in the activities of the Bank and its employees, participation in the development of internal documents aimed at its minimization;
- counteraction to illegal use of insider information, market manipulation.

## INTERNAL AUDIT SERVICE

The Internal Audit Service is established and operates in accordance with the requirements of the legislation of the Russian Federation and regulatory legal acts of the Bank of Russia.

The Internal Audit Service is accountable to the Board of Directors of the Bank and has an independent status. It works on a regular basis without interference from the management bodies, structural units and employees, not being employees of the Service.

The main tasks of the Internal Audit Service include the following: to ensure compliance of the Bank and its employees with the requirements of regulatory legal acts, standards of self-regulatory organizations (for professional participants of the securities market), constituent and internal documents of the Bank.

## AUDIT ORGANIZATION

For annual check and validation of the annual financial statements in accordance with Russian accounting requirements and international financial reporting standards, the Bank engages an external audit organization that is not related to the Bank's or its shareholders' property interests.

The audit organization is elected by the General Meeting of Shareholders on the proposal of the Board of Directors. The results of consideration of the auditors' report of the Bank's audit organization are included in the materials for the annual General Meeting of Shareholders.

In 2018, the audit organization of IPB Bank (JSC) was LLC «Board of Tax Consultants».

# FINANCIAL STATEMENTS



# INDEPENDENT AUDITOR'S REPORT

In our opinion the attached annual financial statements give a true and fair view in all material respects of the financial position of the Bank as of December 31, 2018, its financial performance and its cash flows for the year ended December 31, 2018 in accordance with international financial reporting standards.

LLC «Board of Tax Consultants»  
January 1, 2019  
Moscow

# BANK STATEMENTS

## BALANCE SHEET (published form) for 2018

Form according to OKUD 0409806  
Quarterly (Annual), thousand rubles

Line number	Item name	Note number	Data for the reporting period	Data for the previous reporting year
1	2	3	4	5
<b>I. ASSETS</b>				
1	Monetary funds	6.1.1	1,426,909	1,254,881
2	Funds of a credit institution in the Central Bank of the Russian Federation	6.1.1.1	2,027,279	1,311,217
2.1	Obligatory reserves	6.1.1.2	244,064	311,916
3	Funds in credit institutions	6.1.1.3	1,505,913	3,762,601
4	Financial assets at fair value through profit or loss	6.1.2	0	0
5	Net lending receivables	6.1.6	24,242,113	30,642,214
6	Net investments in securities and other available-for-sale financial assets	6.1.3	7,923,157	2,729,308

Line number	Item name	Note number	Data for the reporting period	Data for the previous reporting year
6.1	Investments in subsidiaries and affiliates		0	0
7	Net investments in securities held to maturity	6.1.7	0	0
8	Current income tax requirements		70,222	33,691
9	Deferred tax asset		92,575	108,678
10	Fixed assets, intangible assets and inventories	6.1.14	729,632	860,465
11	Long-term assets available-for-sale		3,513	3,953
12	Other assets	6.1.18	314,596	342,216
<b>13</b>	<b>Total assets</b>		<b>38,335,909</b>	<b>41,049,224</b>
<b>II. LIABILITIES</b>				
14	Loans, deposits and other funds of the Central Bank of the Russian Federation		0	0
15	Funds of credit institutions	6.1.19	3,543,426	0
16	Funds of the customers not being credit institutions	6.1.20	29,123,587	34,688,230
16.1	Deposits (funds) of individuals, including individual entrepreneurs		17,925,650	20,252,838
17	Financial liabilities at fair value through profit or loss		0	0
18	Issued debentures	6.1.22	931,354	2,018,486
19	Current income tax liabilities		0	143,043
20	Deferred tax liabilities		92,575	115,876
21	Other liabilities	6.1.24	372,592	392,790
22	Provisions for losses on credit-related contingency, other losses and transactions with residents of offshore zones		378,987	342,101
<b>23</b>	<b>Total liabilities</b>		<b>34,442,521</b>	<b>37,700,526</b>

Line number	Item name	Note number	Data for the reporting period	Data for the previous reporting year
<b>III. SOURCES OF OWN FUNDS</b>				
24	Funds of shareholders (participants)	6.1.27	1,133,338	1,133,338
25	Shares repurchased		0	0
26	Share premium		0	0
27	Reserve fund		56,667	56,667
28	Revaluation at fair value of the securities available for sale reduced by deferred tax liability (increased by deferred tax asset)		-8,712	21,615
29	Revaluation of fixed assets and intangible assets reduced by deferred tax liability		423,699	486,573
30	Revaluation of liabilities (claims) for payment of long-term remuneration		0	0
31	Revaluation of hedging instruments		0	0
32	Monetary funds of grant financing (contributions to property)		499,950	499,950
33	Retained profit (uncovered losses) of previous years		1,150,559	141,946
34	Unused profit (loss) for the reporting period		637,887	1,008,609
<b>35</b>	<b>Total sources of own funds</b>		<b>3,893,388</b>	<b>3,348,698</b>
<b>IV. OFF-BALANCE SHEET LIABILITIES</b>				
36	Irrevocable liabilities of the credit institution		13,667,730	15,163,656
37	Guarantees and sureties granted by a credit institution		1,376,552	700,082
38	Contingent liabilities of non-credit nature		0	0

# INCOME STATEMENT (published form) for 2018

Form according to OKUD 0409807  
Quarterly (Annual), thousand rubles

## SECTION 1. PROFIT AND LOSS

Line number	Item name	Note number	Data for the reporting period	Data for the corresponding period last year
1	2	3	4	5
1	Interest income, total, including:	6.2.1	4,124,649	4,348,599
1.1	from placement of funds in credit institutions		352,390	729,867
1.2	from loans to customers not being credit institutions		3,239,937	3,345,500
1.3	from the provision of services for financial lease (leasing)		0	0
1.4	from investments in securities		532,322	273,232
2	Interest paid, total, including:	6.2.2	1,732,118	2,159,556
2.1	on borrowed funds of credit institutions		27,953	117
2.2	on borrowed funds of customers not being credit institutions		1,631,781	2,075,114
2.3	on issued debentures		72,384	84,325
3	Net interest income (negative interest margin)		2,392,531	2,189,043
4	Change in provision for losses on loans, loan indebtedness and equivalent debts, funds placed in correspondent accounts, and accrued interest income, total, including:	6.2.5	-699,341	-310,122
4.1	change in provision for possible losses on accrued interest income		-17,090	-10,943
5	Net interest income (negative interest margin) after creation of possible loss provision		1,693,190	1,878,921
6	Net income from the transactions in financial assets measurable at fair value through profit or loss	6.2.6	575	-20,647
7	Net income from the transactions in financial liabilities measurable at fair value through profit or loss		0	0
8	Net income from transactions with securities available for sale	6.2.7	55,348	189,932



Line number	Item name	Note number	Data for the reporting period	Data for the corresponding period last year
9	Net income from transactions with securities held to maturity		-22	161
10	Net income from foreign currency transactions	6.2.8	-47,706	-33,679
11	Net income from foreign currency revaluation		138,040	258,682
12	Net income from transactions with precious metals			0
13	Income from participation in the capital of other legal entities		13,931	28,780
14	Commission income	6.2.3	505,052	523,769
15	Commission expenses	6.2.4	182,554	237,145
16	Change in provision for possible losses on available-for-sale securities		0	0
17	Change in provision for possible losses on securities held-to-maturity		0	0
18	Change in provision for other losses		-37,033	-61,934
19	Other operating income		130,225	169,503
<b>20</b>	<b>Net income (expense)</b>		<b>2,269,046</b>	<b>2,696,343</b>
<b>21</b>	<b>Operating expenses</b>		<b>1,398,686</b>	<b>1,389,297</b>
22	Profit (loss) before taxation		870,360	1,307,046
23	Tax refund (expense)	6.2.9	232,473	298,437
24	Profit (loss) from continuing operations		637,887	1,008,609
25	Profit (loss) from discontinued operations		0	0
<b>26</b>	<b>Profit (loss) for the reporting period</b>		<b>637,887</b>	<b>1,008,609</b>

## SECTION 2. OTHER COMPREHENSIVE INCOME

Line number	Line Item	Note number	Data for the reporting period	Data for the corresponding period last year
1	2	3	4	5
<b>1</b>	<b>Profit (loss) for the reporting period</b>		<b>637,887</b>	<b>1,008,609</b>
2	Other comprehensive income (loss)		X	X
3	Items that are not reclassified to profit or loss, total, including:		0	0
3.1	change in fixed asset revaluation fund		0	0
3.2	change in reserve for revaluation of liabilities (claims) on staff retirement plan according to the programs with defined benefit		0	0
4	Income tax referred to items that cannot be reclassified to profit or loss		-16,154	-131
5	Other comprehensive income (loss) that cannot be reclassified to profit or loss, net of income tax	6.2.11	16,154	131
6	Items that can be reclassified to profit or loss, total, including:		-35,731	-221,161
6.1	changes in reserve for revaluation of available-for-sale financial assets		35,731	-221,161
6.2	change in cash flow hedge fund		0	0
7	Income tax referred to items that may be reclassified to profit or loss		-7,147	-44,233
8	Other comprehensive income (loss) that can be reclassified to profit or loss, net of income tax		-28,584	-176,928
9	Other comprehensive income (loss), net of income tax		-12,430	-176,797
<b>10</b>	<b>Financial result for the reporting period</b>		<b>625,457</b>	<b>831,812</b>

## SECTION 4. INFORMATION ON FINANCIAL LEVERAGE INDEX

Line number	Name of indicator	Note number	Value as of the reporting date 01.01.2019	Value as of the date that is one quarter from the reporting date 01.10.2018	Value as of the date, that is two quarters from the reporting date 01.07.2018	Value as of the date, that is three quarters from the reporting date 01.04.2018
1	2	3	4	5	6	7
1	Fixed capital, thousand rubles		3,290,849.0	2,817,947.0	2,819,535.0	2,838,552.0
2	Amount of on-balance-sheet assets and off-balance-sheet requirements at risk to calculate the financial leverage index, thousand rubles		39,672,946.0	42,126,336.0	39,233,272.0	40,691,292.0
3	Financial leverage index for "Basel III", percent		8.3	6.7	7.2	6.8

## SECTION 5. KEY FEATURES OF THE CAPITAL INSTRUMENTS

No. / Name of an instrument features	Abbreviated trade name of the issuer of a capital instrument	Instrument identification number	Applicable law	Regulatory conditions			Type of instrument	Cost of the instrument included in the capital calculation	Nominal value of the instrument
				Level of capital in which the instrument is included during the transition period of the «Basel III»	Level of capital in which the instrument is included during the transition period of the «Basel III»	Level of consolidation at which the instrument is included in capital			
1	2	3	4	5	6	7	8	9	
1	IPB Bank (JSC)	10300600B004	643 (THE RUSSIAN FEDERATION)	common equity	common equity	not applicable	ordinary shares	1,133,338	1,133,338 thousand Russian rubles
2	IPB Bank (JSC)	40100600B	643 (THE RUSSIAN FEDERATION)	additional capital	additional capital	not applicable	subordinated bond loan	150,000	500,000 thousand Russian rubles
3	LLC «KES-Project»	not applicable	643 (THE RUSSIAN FEDERATION)	additional capital	additional capital	not applicable	subordinated bond loan	461,267	461,267 thousand Russian rubles
4	LLC «Girasol»	not applicable	643 (THE RUSSIAN FEDERATION)	additional capital	additional capital	not applicable	subordinated credit (deposit, loan)	461,267	461,267 thousand Russian rubles
5	LLC «HC AMARANTH»	not applicable	643 (THE RUSSIAN FEDERATION)	additional capital	additional capital	not applicable	subordinated credit (deposit, loan)	412,384	412,384 thousand Russian rubles
6	LLC «Alaksa»	not applicable	643 (THE RUSSIAN FEDERATION)	additional capital	additional capital	not applicable	subordinated credit (deposit, loan)	244,200	244,200 thousand Russian rubles
7	FELDBURG DIRECT LIMITED	not applicable	196 (REPUBLIC OF CYPRUS)	additional capital	additional capital	not applicable	subordinated credit (deposit, loan)	48,883	48,883 thousand Russian rubles

**SECTION 5. CONTINUATION**

No. / Name of an instru- ment features	Regulatory conditions							Interest/dividends/coupon profit				
	Classification of the instrument for accounting purposes	Date of issue (attraction, placement) of the instrument	Availability of term for the instrument	Instrument maturity date	Right of early redemption (repayment) of the instrument agreed with the Bank of Russia	Initial date(s) of possible realization of the right of early redemption (repayment) of the instrument, the terms of such right and the amount of redemption (repayment)	Subsequent date(s) of possible realization of the right of early redemption (repayment) of the instrument	Type of rate by the instrument	Rate	Existence of the terms of the instrument of termination of payment of ordinary dividends	Obligation to pay dividends	Existence of the terms providing for an increase in payments on the instrument or other incentives for early redemption (repayment) of the instrument
	10	11	12	13	14	15	16	17	18	19	20	21
1	share capital	26.10.1990 26.10.1990 27.11.2002 09.11.2005 08.02.2011 16.12.2013	perpetual	not applicable	not applicable	not applicable	not applicable	not applicable	not applicable	none	fully at the discretion of the parent company and (or) a member of the banking group	none
2	liability accounted at book value	27.06.2012	of fixed term	22.06.2022	none	not applicable	not applicable	fixed rate	11.00	not applicable	payment is mandatory	none
3	liability accounted at book value	24.12.2014	of fixed term	09.12.2024	none	not applicable	not applicable	fixed rate	12.50	not applicable	payment is mandatory	none
4	liability accounted at book value	24.12.2014	of fixed term	09.12.2024	none	not applicable	not applicable	fixed rate	12.50	not applicable	payment is mandatory	none
5	liability accounted at book value	24.12.2014	of fixed term	09.12.2024	none	not applicable	not applicable	fixed rate	12.50	not applicable	payment is mandatory	none
6	liability accounted at book value	24.12.2014	of fixed term	09.12.2024	none	not applicable	not applicable	fixed rate	12.50	not applicable	payment is mandatory	none
7	liability accounted at book value	24.12.2014	of fixed term	09.12.2024	none	not applicable	not applicable	fixed rate	12.50	not applicable	payment is mandatory	none



## SECTION 5. CONTINUATION

No. / Name of the instrument features	Recovery mechanism	Subordination of the instrument	Compliance with the requirements of Regulation of the Bank of Russia No. 395-P and Regulation of the Bank of Russia No. 509-P	Description of nonconformities
	34	35	36	37
1	not applicable	not applicable	yes	not applicable
2	not applicable	not applicable	yes	not applicable
3	not applicable	not applicable	yes	not applicable
4	not applicable	not applicable	yes	not applicable
5	not applicable	not applicable	yes	not applicable
6	not applicable	not applicable	yes	not applicable
7	not applicable	not applicable	yes	not applicable

## SECTION «FOR REFERENCE ONLY». INFORMATION ON THE MOVEMENT IN PROVISION FOR LOSSES ON LOANS, LOAN INDEBTEDNESS AND EQUIVALENT DEBTS

1. Creation (additional charge) of the provision in the reporting period (thousand rubles), total 0, including due to:
  - 1.1. grant of loans — 0;
  - 1.2. changes in the loans quality — 0;
  - 1.3. changes in the official exchange rate of foreign currency against the ruble set by the Bank of Russia — 0;
  - 1.4. other reasons — 0.
2. Recovery (reduction) of the provision in the reporting period (thousand rubles), total — 0, including due to:
  - 2.1. write-offs of bad debts — 0;
  - 2.2. loan repayment — 0;
  - 2.3. changes in the loans quality — 0;
  - 2.4. changes in the official exchange rate of foreign currency against the ruble set by the Bank of Russia — 0;
  - 2.5. other reasons — 0.

# REPORT ON CAPITAL ADEQUACY LEVEL TO COVER RISKS (published form) as of 01.01.2019

Form according to OKUD 0409808  
Quarterly (Annual), thousand rubles

## INFORMATION ON CAPITAL ADEQUACY LEVEL

Line number	Name of the instrument (indicator)	Note number	Cost of the instrument (indicator value) as of the reporting date	Cost of the instrument (indicator value) at the beginning of the reporting year
1	2	3	4	5
<b>Sources of common equity</b>				
1	Share capital and share premium, total, including generated by:		1,133,338.0000	1,133,338.0000
1.1	ordinary shares (interest)		1,133,338.0000	1,133,338.0000
1.2	preferred shares		0.0000	0.0000
2	Retained profits (loss):		2,106,847.0000	1,667,670.0000
2.1	of previous years		1,150,559.0000	140,674.0000
2.2	of reporting year		956,288.0000	1,526,996.0000
3	Reserve fund		56,667.0000	56,667.0000
4	Shares of the authorized capital which are subject to step-by-step exclusion from the calculation of own funds (capital)		not applicable 0.0000	not applicable 0.0000
5	Instruments of common equity of subsidiaries owned by third parties		not applicable 0.0000	not applicable 0.0000
6	Sources of common equity, total (line 1 +/- line 2 + line 3 - line 4 + line 5)		3,296,852.0000	2,857,675.0000
<b>Indicators that reduce the sources of common equity</b>				
7	Adjustment of trading portfolio		not applicable 0.0000	not applicable 0.0000
8	Business reputation (Goodwill), less deferred tax liabilities		0.0000	0.0000

Line number	Name of the instrument (indicator)	Note number	Cost of the instrument (indicator value) as of the reporting date	Cost of the instrument (indicator value) at the beginning of the reporting year
9	Intangible assets (other than goodwill and amounts of mortgage servicing rights) less deferred tax liabilities		24,909.0000	5,298.0000
10	Deferred tax assets dependent on income receivable		0.0000	0.0000
11	Cash flow hedge reserves		not applicable 0.0000	not applicable 0.0000
12	Incomplete provisions for possible losses		0.0000	0.0000
13	Income from securitization transactions		not applicable 0.0000	not applicable 0.0000
14	Income and expenses related to changes in credit risk on liabilities measurable at fair value		not applicable 0.0000	not applicable 0.0000
15	Pension plan assets with defined benefit		not applicable 0.0000	not applicable 0.0000
16	Investments in own shares (interest)		0.0000	0.0000
17	Counter investments of credit institution and financial institution in the instruments of common equity		not applicable 0.0000	not applicable 0.0000
18	Immaterial investments in the instruments of common equity of financial institutions		0.0000	0.0000
19	Material investments in the instruments of common equity of financial institutions		0.0000	0.0000
20	Rights to service mortgage loans		not applicable 0.0000	not applicable 0.0000
21	Deferred tax assets not dependent on income receivable		0.0000	0.0000
22	Aggregate amount of material investments and deferred tax assets to the extent exceeding 15 percent of the common equity, total, including:		0.0000	0.0000
23	material investments in the instruments of common equity of financial institutions		0.0000	0.0000
24	rights to service mortgage loans		not applicable 0.0000	not applicable 0.0000
25	deferred tax assets not dependent on income receivable		0.0000	0.0000
26	Other indicators reducing the sources of common equity established by the Bank of Russia		0.0000	0.0000
27	Negative value of added capital		0.0000	3,825.0000



Line number	Name of the instrument (indicator)	Note number	Cost of the instrument (indicator value) as of the reporting date	Cost of the instrument (indicator value) at the beginning of the reporting year
28	Indicators reducing the sources of common equity, total (the sum of lines 7 to 22 and lines 26, 27)		24,909.0000	19,123.0000
29	Common equity, total (line 6 – line 28)		3,271,943.0000	2,838,552.0000

### Sources of added capital

30	Instruments of added capital and share premium, total, including:		0.0000	0.0000
31	classified as capital		0.0000	0.0000
32	classified as liabilities		0.0000	0.0000
33	Instruments of added capital which are subject to step-by-step exclusion from the calculation of own funds (capital)		0.0000	0.0000
34	Instruments of added capital of subsidiaries owned by third parties, total, including:		not applicable 0.0000	not applicable 0.0000
35	instruments of added capital of subsidiaries which are subject to step-by-step exclusion from the calculation of own funds (capital)		0.0000	0.0000
36	Sources of added capital, total (line 30 + line 33 + line 34)		0.0000	0.0000

### Indicators that reduce the sources of added capital

37	Investments in own instruments of added capital		0.0000	0.0000
38	Counter investments of credit institution and financial institution in the instruments of added capital		not applicable 0.0000	0.0000
39	Immaterial investments in the instruments of added capital of financial institutions		0.0000	0.0000
40	Material investments in the instruments of added capital of financial institutions		0.0000	0.0000
41	Other indicators reducing the sources of added capital established by the Bank of Russia		0.0000	3,825.0000
42	Negative value of additional capital		0.0000	0.0000
43	Indicators reducing the sources of added capital (the sum of lines 37 to 42)		0.0000	3,825.0000
44	Added capital, total (line 36 – line 43)		0.0000	0.0000
45	Fixed capital, total (line 29 + line 44)		3,271,943.0000	2,838,552.0000

Line number	Name of the instrument (indicator)	Note number	Cost of the instrument (indicator value) as of the reporting date	Cost of the instrument (indicator value) at the beginning of the reporting year
<b>Sources of additional capital</b>				
46	Instruments of additional capital and share premium		2,223,364.0000	2,494,603.0000
47	Instruments of additional capital which are subject to step-by-step exclusion from the calculation of own funds (capital)		140,000.0000	225,000.0000
48	Instruments of additional capital of subsidiaries owned by third parties, total, including:		not applicable 0.0000	not applicable 0.0000
49	Instruments of additional capital of subsidiaries which are subject to step-by-step exclusion from the calculation of own funds (capital)		0.0000	0.0000
50	Provisions for possible losses		not applicable 0.0000	not applicable 0.0000
51	Sources of additional capital, total (line 46 + line 47 + line 48 + line 50)		2,363,364.0000	2,719,603.0000
<b>Indicators that reduce the sources of additional capital</b>				
52	Investments in own instruments of additional capital		0.0000	0.0000
53	Counter investments of credit institution and financial institution in the instruments of additional capital		not applicable 0.0000	not applicable 0.0000
54	Immaterial investments in the instruments of additional capital of financial institutions		0.0000	0.0000
55	Material investments in the instruments of additional capital of financial institutions		0.0000	0.0000
56	Other indicators reducing the sources of additional capital established by the Bank of Russia, total, including:		0.0000	0.0000
56.1	overdue receivables exceeding 30 calendar days		0.0000	0.0000
56.2	excess of the total amount of loans, bank guarantees and sureties provided to its shareholders (participants) and insiders over its maximum amount		0.0000	0.0000
56.3	investments in construction and acquisition of fixed assets and inventories		0.0000	0.0000
56.4	difference between the actual value of the share due to the participants that withdrew from the company and the value at which the share was sold to another participant		0.0000	0.0000
57	Indicators reducing the sources of additional capital, total (the sum of lines 52 to 56)		0.0000	0.0000
58	Additional capital, total (line 51 – line 57)		2,363,364.0000	2,719,603.0000
59	Own funds (capital), total (line 45 + line 58)		5,635,307.0000	5,558,155.0000
60	Risk-weighted assets:		X	X

Line number	Name of the instrument (indicator)	Note number	Cost of the instrument (indicator value) as of the reporting date	Cost of the instrument (indicator value) at the beginning of the reporting year
60.1	required to determine the adequacy of the common equity		32,188,576.0000	33,130,835.0000
60.2	required to determine the adequacy of the fixed capital		32,188,576.0000	33,130,835.0000
60.3	required to determine the adequacy of the own funds (capital)		32,704,850.0000	33,727,880.0000

**Indicators of adequacy of equity (capital) and premiums to equity (capital) adequacy ratios, percent**

61	Adequacy of the common equity (line 29 : line 60.1)		10.1650	8.5680
62	Adequacy of the fixed capital (line 45 : line 60.2)		10.1650	8.5680
63	Equity (capital) adequacy (line 59 : line 60.3)		17.2310	16.4790
64	Premiums to equity (capital) adequacy ratios, total, including:		1.8750	1.2500
65	capital conservation buffer		1.8750	1.2500
66	countercyclical buffer		0.0000	0.0000
67	systemic importance buffer		not applicable 0.0000	not applicable 0.0000
68	Common equity available for allocation to maintain premiums to equity (capital) adequacy ratio		4.1650	2.5680

**Equity (capital) adequacy ratios, percent**

69	Common equity adequacy ratio		4.5000	4.5000
70	Fixed capital adequacy ratio		6.0000	6.0000
71	Equity (capital) adequacy ratio		8.0000	8.0000

**Indicators that do not exceed the established materiality thresholds and are not accepted in reducing capital sources**

72	Immaterial investments in the instruments of the capital of financial institutions		0.0000	0.0000
73	Material investments in the instruments of common equity of internal models		0.0000	0.0000
74	Rights to service mortgage loans		not applicable 0.0000	not applicable 0.0000
75	Deferred tax assets not dependent on income receivable		0.0000	0.0000

Line number	Name of the instrument (indicator)	Note number	Cost of the instrument (indicator value) as of the reporting date	Cost of the instrument (indicator value) at the beginning of the reporting year
<b>Limitations on the inclusion of loss provisions in the calculation of additional capital</b>				
76	Loss provisions included in the calculation of additional capital in respect of items for which a standardized approach is used to calculate credit risk		not applicable 0.0000	not applicable 0.0000
77	Limitations on the inclusion in the calculation of additional capital of the amounts of loss provisions using the standardized approach		not applicable 0.0000	not applicable 0.0000
78	Loss provisions included in the calculation of additional capital in respect of items for which an internal model-based approach is used to calculate credit risk		not applicable 0.0000	not applicable 0.0000
79	Limitations on the inclusion in the calculation of additional capital of the amounts of loss provisions using an internal model-based approach		not applicable 0.0000	not applicable 0.0000
<b>Instruments which are subject to step-by-step exclusion from the calculation of own funds (capital) (applicable from January 1, 2018 to January 1, 2022)</b>				
80	Current limitation on the inclusion in the common equity of the instruments which are subject to step-by-step exclusion from the calculation of own funds (capital)		not applicable 0.0000	not applicable 0.0000
81	Portion of instruments not included in the sources of common equity due to a limitation		not applicable 0.0000	not applicable 0.0000
82	Current limitation on the inclusion in the sources of added capital of the instruments which are subject to step-by-step exclusion from the calculation of own funds (capital)		not applicable 0.0000	not applicable 0.0000
83	Portion of instruments not included in the sources of the added capital due to a limitation		not applicable 0.0000	not applicable 0.0000
84	Current limitation on the inclusion in the sources of additional capital of the instruments which are subject to step-by-step exclusion from the calculation of own funds (capital)		not applicable 0.0000	not applicable 0.0000
85	Portion of instruments not included in the sources of the additional capital due to a limitation		not applicable 0.0000	not applicable 0.0000



Line number	Item name	Note number	Authorized capital	Shares repurchased	Share premium	Revaluation at fair value of the securities available for sale reduced by deferred tax liability (increased by deferred tax asset)	Revaluation of fixed assets and intangible assets reduced by deferred tax liability	Increase (decrease) in liabilities (requirements) for payment of long-term remunerations to employees at the end of employment at revaluation	Revaluation of hedging instruments	Reserve fund	Monetary funds of grant financing (contributions to property)	Retained profits (loss)	Total sources of capital
6	Issuance of shares:		0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
6.1	nominal value		0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
6.2	share premium		0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
7	Shares repurchased:		0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
7.1	acquisitions		0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
7.2	disposals		0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
8	Changes in the value of fixed assets and intangible assets		0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
9	Dividends declared and other payments to shareholders (participants):		0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	-800,000.0000	-800,000.0000
9.1	on ordinary shares		0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	-800,000.0000	-800,000.0000
9.2	on preferred shares		0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
10	Other contributions of shareholders (participants) and distribution to shareholders (participants)		0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
11	Other movements		0.0000	0.0000	0.0000	-2.0000	-656.0000	0.0000	0.0000	0.0000	0.0000	1.0000	-657.0000
12	Data for the corresponding reporting period last year		1,133,338.0000	0.0000	0.0000	21,615.0000	486,573.0000	0.0000	0.0000	56,667.0000	499,950.0000	1,150,555.0000	3,348,698.0000
13	Data at the beginning of the reporting year		1,133,338.0000	0.0000	0.0000	21,615.0000	486,573.0000	0.0000	0.0000	56,667.0000	499,950.0000	1,150,555.0000	3,348,698.0000



Line number	Item name	Note number	Authorized capital	Shares repurchased	Share premium	Revaluation at fair value of the securities available for sale reduced by deferred tax liability (increased by deferred tax asset)	Revaluation of fixed assets and intangible assets reduced by deferred tax liability	Increase (decrease) in liabilities (requirements) for payment of long-term remunerations to employees at the end of employment at revaluation	Revaluation of hedging instruments	Reserve fund	Monetary funds of grant financing (contributions to property)	Retained profits (loss)	Total sources of capital
21	Dividends declared and other payments to shareholders (participants):		0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
21.1	on ordinary shares		0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
21.2	on preferred shares		0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
22	Other contributions of shareholders (participants) and distribution to shareholders (participants)		0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
23	Other movements		0.0000	0.0000	0.0000	-1,743.0000	-79,028.0000	0.0000	0.0000	0.0000	0.0000	4.0000	-80,767.0000
24	Data for the reporting period		1,133,338.0000	0.0000	0.0000	-8,712.0000	423,699.0000	0.0000	0.0000	56,667.0000	499,950.0000	1,788,446.0000	3,893,388.0000



# STATEMENT OF CASH FLOW (published form) as of 01.01.2019

Form according to OKUD 0409814  
Quarterly/Annual, thousand rubles

Line number	Item name	Note number	Cash flows for the reporting period	Cash flows for the corresponding reporting period of the year preceding the reporting year
1	2	3	4	5
<b>1</b>	<b>Net cash received from (used in) operating activities</b>			
1.1	Cash received from (used in) operating activities prior to changes in operating assets and liabilities, including:	6.4	1,127,911	925,741
1.1.1	interest received		4,129,207	4,197,453
1.1.2	interest paid		-1,782,939	-2,232,881
1.1.3	fees received		505,052	523,769
1.1.4	fees paid		-182,554	-237,145
1.1.5	gains less losses on the transactions in financial assets measurable at fair value through profit or loss available for sale		68,540	118,473
1.1.6	gains less losses on transactions with securities held to maturity		-22	15,465
1.1.7	gains less losses on foreign currency transactions		-47,706	-33,679
1.1.8	other operating income		144,156	198,187
1.1.9	operating expenses		-1,361,414	-1,355,177
1.1.10	tax expense (refund)		-344,409	-268,724
1.2	Increase (decrease) in net cash from operating assets and liabilities, including:		2,431,222	-2,734,231
1.2.1	net increase (decrease) in obligatory reserves on accounts with the Bank of Russia		67,852	-34,303
1.2.2	net increase (decrease) in investments in securities measurable at fair value through profit or loss		0	0

Line number	Item name	Note number	Cash flows for the reporting period	Cash flows for the corresponding reporting period of the year preceding the reporting year
1.2.3	net increase (decrease) in outstanding loans		6,840,261	-2,514,564
1.2.4	net increase (decrease) in other assets		15,023	46,293
1.2.5	net increase (decrease) in loans, deposits and other funds of the Bank of Russia		0	0
1.2.6	net increase (decrease) in funds of other credit institutions		3,552,653	-29,160
1.2.7	net increase (decrease) in funds of the customers not being credit institutions		-6,926,158	-1,267,662
1.2.8	net increase (decrease) in financial liabilities measurable at fair value through profit or loss		0	0
1.2.9	net increase (decrease) in issued debentures		-1,108,466	1,089,461
1.2.10	net increase (decrease) in other liabilities		-9,943	-24,296
<b>1.3</b>	<b>Total Section 1 (sum of lines 1.1 and 1.2)</b>		<b>3,559,133</b>	<b>-1,808,490</b>
<b>2</b>	<b>Net cash received from (used in) investment activities</b>			
2.1	Acquisition of securities and other financial assets classified as "available for sale"		-19,623,537	-4,852,966
2.2	Revenues from sale and redemption of securities and other financial assets classified as "available for sale"		14,484,576	5,444,473
2.3	Acquisition of securities classified as "held to maturity"		-17,294,947	-306,629,390
2.4	Revenues from redemption of securities classified as "held to maturity"		17,294,947	306,614,086
2.5	Acquisition of fixed assets, intangible assets and inventories		13,234	-20,229
2.6	Revenues from sale of fixed assets, intangible assets and inventories		4	2,777
2.7	Dividends received		0	0
<b>2.8</b>	<b>Total Section 2 (sum of lines from 2.1 to 2.7)</b>		<b>-5,125,723</b>	<b>558,751</b>

Line number	Item name	Note number	Cash flows for the reporting period	Cash flows for the corresponding reporting period of the year preceding the reporting year
<b>3</b>	<b>Net cash received from (used in) financing activities</b>			
3.1	Contributions of shareholders (participants) to the authorized capital		0	0
3.2	Acquisition of shares repurchased		0	0
3.3	Sale of shares repurchased		0	0
3.4	Dividends paid		-7,158	-792,608
<b>3.5</b>	<b>Total Section 3 (sum of lines from 3.1 to 3.4)</b>		<b>-7,158</b>	<b>-792,608</b>
4	Effect of fluctuations in the official exchange rates of foreign currencies against the ruble established by the Bank of Russia on cash and cash equivalents		272,742	420,481
5	Increase (use) of cash and cash equivalents		-1,301,006	-1,621,866
5.1	Cash and cash equivalents at the beginning of the reporting year		6,016,783	7,638,649
5.2	Cash and cash equivalents at the end of the reporting period		4,715,777	6,016,783

# INFORMATION ON STATUTORY RATIOS, FINANCIAL LEVERAGE INDEX AND LIQUIDITY COVERAGE RATIO (published form) as of 01.01.2019

Form according to OKUD 0409813  
Quarterly (Annual)

## SECTION 1. INFORMATION ON STATUTORY RATIOS

Line number	Name of indicator	Note number	Statutory value, interest	Actual value, percent					
				as of reporting date			at the beginning of the reporting year		
1	2	3	4	5			6		
1	Ratio of adequacy of common equity (N1.1), banking group (N20.1)		4.5	10.2			8.6		
2	Ratio of adequacy of fixed capital of the bank (N1.2), banking group (N20.2)		6.0	10.2			8.6		
3	Ratio of adequacy of equity (capital) of the bank (ratio N1.0), banking group (N20.0)		8.0	17.2			16.5		
4	Equity (capital) adequacy ratio for non-bank credit institution having the right to make remittance without opening bank accounts and to carry out other bank transactions connected with them (N1.3)			0.0			0.0		
5	Financial leverage ratio of the bank (N1.4), banking group (N20.4)		3.0	8.3			6.8		
6	Quick liquidity ratio of the bank (N2)		15.0	159.9			85.9		
7	Current liquidity ratio of the bank (N3)		50.0	202.4			208.8		
8	Long-term liquidity ratio of the bank (N4)		120.0	13.3			13.1		
9	Ratio of maximum level of exposure per borrower or group of related borrowers (N6)			maximum value	number of violations	duration	maximum value	number of violations	duration
			25.0	19.7			21.8		
10	Ration of maximum size of major credit risks (N7), banking group (N22)		800.0	292.2			288.4		

11	Ratio of high credits, bank guarantees and sureties granted by the bank to its participants (shareholders) (N9.1)	50.0			0.0			0.0		
12	Ratio of total risk for the bank's insiders (N10.1)	3.0			0.1			0.6		
13	Ratio of use of own funds (capital) of the bank to acquire shares (interests) of other legal entities (N12), ratio of use of own funds (capital) of the banking group for acquisition by the parent credit institution of the banking group and by the members of the banking group of shares (interests) of other legal entities (N23)	25.0			0.0			0.0		
14	Ratio of proportion of liquid assets due in the next 30 calendar days to the amount of NSCA obligations (N15)	0.0			0.0			0.0		
15	Liquidity ratio of non-bank credit institution having the right to make remittance without opening bank accounts and to carry out other bank transactions connected with them (N15.1)	0.0			0.0			0.0		
16	Ratio of the maximum aggregate amount of loans to the customers — participants of settlements for the completion of settlements (N16)	0.0			0.0			0.0		
17	Ratio of provision of NSCA on its own behalf and at the expense of the loans to the borrowers, except for the customers — participants of settlements (N16.1)	0.0			0.0			0.0		
18	Ratio of minimum proportion between the amount of mortgage collateral and the volume of issue of mortgage-backed bonds (N18)	0.0			0.0			0.0		
19	Ratio of maximum level of exposure per borrower or group of related borrowers of banking group (N21)				maximum value	number of violations	duration	maximum value	number of violations	duration
20	Ratio of maximum level of exposure per a person related to the bank (a group of persons related to the bank) (N25)				maximum value	number of violations	duration	maximum value	number of violations	duration
		20.0			2.5			13.9		

## SECTION 2. INFORMATION ON CALCULATION OF FINANCIAL LEVERAGE INDEX

### SECTION 2.1 CALCULATION OF THE AMOUNT OF ON-BALANCE-SHEET ASSETS AND OFF-BALANCE-SHEET REQUIREMENTS AT RISK TO CALCULATE THE FINANCIAL LEVERAGE INDEX

No.	Name of indicator	Note number	Amount, thousand rubles
1	2	3	4
1	Amount of assets in accordance with the balance sheet (published form), total		38,335,912
2	Adjustment regarding the investments in the capital of credit, financial, insurance or other organizations, the reporting data of which are included in the consolidated financial statements, but are not included in the calculation of the amount of own funds (capital), prudential supervision ratios and the amounts (limits) of open currency positions of the banking group		not applicable for reporting of a credit institution as a legal entity
3	Adjustment regarding fiduciary assets recorded in accordance with the accounting rules, but not included in the calculation of the financial leverage index		0
4	Adjustment regarding derivative financial instruments (DFI)		0
5	Adjustment regarding securities lending and borrowing		219,021
6	Adjustment regarding bringing of credit-related contingency to credit equivalent		1,888,764
7	Other adjustments		786,419
<b>8</b>	<b>Amount of on-balance-sheet assets and off-balance-sheet requirements at risk taking adjustments into account to calculate the financial leverage index, total</b>		<b>39,438,257</b>

## SECTION 2.2 TABLE OF CALCULATION OF FINANCIAL LEVERAGE INDEX

No.	Name of indicator	Note number	Amount, thousand rubles
1	2	3	4
<b>On-balance-sheet assets risk</b>			
1	Amount of on-balance-sheet assets, total		29,811,579.00
2	Reducing adjustment for the sum of indicators taken in reducing the value of fixed capital sources		24,909.00
<b>3</b>	<b>Amount of on-balance-sheet assets at risk taking adjustments into account (difference between lines 1 and 2), total</b>		<b>29,786,670.00</b>
<b>DFI transactions risk</b>			
4	Current credit risk on DFI transactions (net of variation margin received), total		0.00
5	Potential counterparty credit risk on DFI transactions, total		0.00
6	Adjustment for the size of the nominal amount of collateral provided for the transactions with derivative financial instruments to be written off from the balance sheet in accordance with accounting rules		in accordance with Russian accounting rules not applicable
7	Reducing adjustment for the sum of variation margin transferred in the established cases		0.00
8	Adjustment regarding the requirements of the bank — the clearing member to the central counterparty for the settlement of the customers' transactions		0.00
9	Adjustment to account for credit risk in respect of the underlying asset on issued credit DFI		0.00
10	Reducing adjustment for issued credit DFI		0.00
<b>11</b>	<b>Amount of risk for DFI adjusted (sum of lines 4, 5, 9 less lines 7, 8, 10), total</b>		<b>0.00</b>
<b>Securities lending transactions risk</b>			
12	Requirements for securities lending transactions (excluding netting), total		7,779,634.00
13	Adjustment for the amount of netting of the monetary part (claims and liabilities) on securities lending transactions		0.00
14	Amount of credit risk on the counterparty on securities lending transactions		219,021.00
15	Amount of risk on guarantee securities lending transactions		0.00
<b>16</b>	<b>Requirements for securities lending transactions subject to adjustments (sum of lines 12, 14, 15 less line 13), total</b>		<b>7,998,655.00</b>

No.	Name of indicator	Note number	Amount, thousand rubles
<b>Credit-related contingency risk</b>			
17	Nominal value of risk on credit-related contingency risk, total		6,991,818.00
18	Adjustment regarding the application of credit conversion equivalent		5,103,054.00
<b>19</b>	<b>Amount of risk on credit-related contingency risk taking adjustments into account (the difference between lines 17 and 18), total</b>		<b>1,888,764.00</b>
<b>Risk capital</b>			
20	Fixed capital		3,290,849.00
<b>21</b>	<b>Amount of on-balance-sheet assets and off-balance-sheet requirements at risk to calculate the financial leverage index (sum of lines 3, 11, 16, 19), total</b>		<b>39,674,089.00</b>
<b>Financial leverage index</b>			
22	Financial leverage index for Basel III (line 20 / line 21), percent		8.29



# ANNEXES

## REPORT ON PAYMENT OF DECLARED (ACCRUED) DIVIDENDS ON SHARES OF THE BANK

The amount of dividends paid to shareholders is determined based on the net profit received by the Bank, calculated according to the accounting (financial) statements, on the recommendation of the Board of Directors of the Bank, approved by the decision of the General Meeting of Shareholders.

No dividends were paid in 2018.

## MAJOR TRANSACTIONS AND INTERESTED PARTY TRANSACTIONS

During the reporting period, the Bank did not make any transactions recognized as major in accordance with the Federal Law «Concerning Joint-Stock Companies», as well as other transactions, which are subject to the procedure of approval of major transactions in accordance with the Charter of the Bank.

The Bank has concluded 5 transactions recognized in accordance with the Federal Law «Concerning Joint-Stock Companies» as interested party transactions and which require the approval by the Board of Directors of the Bank, in the amount of RUB 995,000,000.

# INFORMATION ON THE OWNERSHIP INTERESTS IN THE AUTHORIZED CAPITAL AND ON HOLDING OF THE SHARES OF THE BANK BY THE MEMBERS OF THE BOARD OF DIRECTORS AND THE MANAGEMENT BOARD

Members of the Board of Directors and the Management Board	Share of ordinary shares held, %
Nikolai Alexandrovich Sobolev	0
Galina Ivanovna Dubinkina	0,0138
Iurii Vasilevich Obodovskii	12,5705
Aleksei Andreevich Krapivin	28,6727
Dmitri Aleksandrovich Iakovlev	0
Mikhail Iurevich Savinykh	0
Tatiana Igorevna Mikheeva	0
Sergei Igorevich Pronin	0
Oleg Stanislavovich Korchagin	0

In 2018, the members of the Board of Directors and the Management Board did not make any transactions on acquisition and alienation of the Bank's shares.

# INFORMATION ON PAYMENTS (REMUNERATIONS) TO KEY MANAGEMENT PERSONNEL

This section of the report provides the information on the total amount of remuneration paid to the members of the Board of Directors and the Management Board of IPB Bank (JSC), and for each of the following types of payments:

- › short-term remunerations (amounts payable during the reporting period and 12 months after the reporting date are disclosed: remuneration for the reporting period, including bonuses and compensations, annual paid leave for work in the reporting period, payment for treatment, health care, utilities and other payments in favor of the key management personnel);
- › long-term remunerations (amounts payable 12 months after the reporting date are disclosed: remunerations payable after employment activity has ended, including payment of pensions and other social benefits, remuneration in the form of issuer options, shares, ownership interests in the authorized capital and payment on their basis, as well as other long-term remunerations).

Remuneration (wages, bonuses, commissions, benefits and/or reimbursement of expenses, as well as other property grants) to the Board of Directors for the current financial year (2018) were not paid.

Amount of remuneration (wages, bonuses, commissions, benefits and/or reimbursement of expenses, as well as other property grants), paid to the members of the Management Board: outpayments for the current financial year (2018) amounted to RUB 27,223 thousand, including:

Wages, thousand rubles	27,223
Premiums/bonuses	0.0

# INDICATORS OF ENVIRONMENTAL EFFICIENCY OF THE BANK

Below is given the information on the amount of energy resources used by Interprogressbank in 2016-2018 in physical and monetary terms:

2018			2017			2016		
Energy resources	Quantity	Cost, thousand rubles	Energy resources	Quantity	Cost, thousand rubles	Energy resources	Quantity	Cost, thousand rubles
Electric energy, kWh	455	2,519	Electric energy, kWh	433	2,291	Electric energy, kWh	501,5	2,271
Thermal energy, Gcal	526	1,073	Thermal energy, Gcal	468	857	Thermal energy, Gcal	472,2	936,5
Water, m <sup>3</sup>	1,907	158	Water, m <sup>3</sup>	1,800	140	Water, m <sup>3</sup>	2,052	128
Fuel, t (petrol, diesel)	90	3,356	Fuel, t (petrol, diesel)	68	2,792	Fuel, t (petrol, diesel)	101	3,978

# LICENSES AND PERMITS

Licence to carry out banking operations of individuals and legal entities with funds in rubles and foreign currency No. 600 dated 18.09.2015. Primary date of registration by the Bank of Russia is 26.10.1990.

License to a professional participant of the securities market:

- › to act as dealer No. 045 - 02841 - 010000 dated 16.11.2000
- › to act as broker No. 045 - 02801 - 100000 dated 16.11.2000
- › to act as depositary (without limitation of the period of validity) No. 045 - 03170 - 000100 dated 04.12.2000

Federal Security Service License to develop, produce, distribute cryptographic security tools, information systems and telecommunications systems No. ISZ 0006365 dated 10.08.2012.

Participant in the system of the compulsory insurance of deposits: Certificate No. 700 dated 24.02.2005.

Membership to professional associations and organization:

- › Association of Russian banks (ARB);
- › Moscow Banking Union (MBU);
- › International Payment System Visa International (associate member);
- › International Payment System MasterCard (associate member);
- › National Securities Market Association (SRO NSMA);
- › Trading participant of currency, stock and futures markets;
- › OJSC «Moscow stock Exchange»;
- › Professional securities market participant.

# DETAILS OF THE BANK

SWIFT code: INTPRUMM  
Dealing code «REUTERS»: INPG  
TELEX: 414154 INPRO RU  
BIC: 044525402

OKVED: 65.12, 67.13.2  
Corr./account 30101810100000000402  
in the Central Bank of the Russian Federation Main Branch  
in the Central Federal District

## DETAILS FOR RECEIPT OF PAYMENTS IN FOREIGN CURRENCIES

Correspondent bank	Account number	Account currency	SWIFT
<b>US Dollars</b>			
PJSC «SBERBANK»	30109840400000001221	USD	SABRRUMM
JSC «ALFA-BANK»	30109840700000000315	USD	ALFARUMM
<b>Euro</b>			
PJSC «SBERBANK»	30109978000000001221	EUR	SABRRUMM
JSC «ALFA-BANK»	30109978000000000071	EUR	ALFARUMM
<b>British pounds</b>			
JSC «ALFA-BANK»	30109826000000000039	GBP	ALFARUMM
<b>Swiss franc</b>			
JSC «ALFA-BANK»	30109756700000000027	CHF	ALFARUMM
<b>Chinese yuan</b>			
JSCB «BANK OF CHINA»	30109156200000000168	CNY	BKCHRUMM

# REFERENCE AND CONTACT INFORMATION

Full name: «INTERPROGRESSBANK»  
(Joint-Stock Company)  
Abbreviated name: IPB Bank (JSC)  
Address: 115201, Moscow, Starokashirskoye shosse,  
house 2, block 1, bldg. 1

Region of registration: Moscow  
Phone: +7 495 411-00-00  
Fax: +7 499 613-92-09  
Email: info@ipb.ru  
Website: www.ipb.ru

## REGIONAL NETWORK OF THE BANK

The Bank is represented in Moscow region and Leningrad region. The head office of the Bank is in Moscow, the branch is in St. Petersburg. As of 31.12.2018, the Bank's regional network included 12 supplementary offices and 5 out-of-the-office cash counters.

### HEAD OFFICE OF THE BANK IN MOSCOW:

Address: 115201, Moscow,  
Starokashirskoye shosse, house 2, block 1, bldg. 1  
Phone: +7 495 411-00-00  
Fax: +7 499 613-92-09  
Email: info@ipb.ru  
Website: www.ipb.ru

### BRANCH OF THE BANK IN ST. PETERSBURG:

Address: 197022, St. Petersburg,  
Medikov Avenue, house 9, lit. B, premises 24N  
Phone: +7 812 382-11-22 (ext. 3600)



## SUPPLEMENTARY OFFICES:

«Gamma»	Address: 105613, Moscow, Izmailovskoye shosse, house 71, block 4G-D. Phone: +7 495 411-00-00
«Izmailovsky»	Address: 105187, Moscow, Izmailovskoye shosse, house 71, block A. Phone: +7 495 411-00-00 (ext. 3020)
«Leningradsky»	Address: 125284, Moscow, Leningradsky Avenue, house 33A. Phone: +7 495 411-00-00 (ext. 3160)
«Marino»	Address: 109652, Moscow, Novomarinskaya Str., house 12/12, block 1. Phone: +7 495 411-00-00 (ext. 3100)
«Salut»	Address: 119571, Moscow, Leninsky Avenue, house 158. Phone: +7 495 411-00-00 (ext. 3180)
«Sirius Park»	Address: 115230, Moscow, Kashirskoe shosse, house 3, block 2, bldg. 9. Phone: +7 495 411-00-00 (ext. 3140)
«Universitetsky»	Address: 119311, Moscow, Lomonosovsky Avenue, house 23. Phone: +7 495 411-00-00 (ext. 3260)
«Tsentralny»	Address: 129090, Moscow, Mira Avenue, house 24, bldg. 1. Phone: +7 495 411-00-00 (ext. 7151)
«Lobnya»	Address: 141730, Moscow region, Lobnya, Lenin Str., house 16, premises 1. Phone: +7 495 411-00-00 (ext. 3351)
«Moscowsky» (branch in St. Petersburg)	Address: 196105, St. Petersburg, Moscowsky Avenue, house 143, lit. A. Phone: +7 812 382-11-22 (ext. 3650)

The Bank has no structural units located abroad.

## Out-of-the-office cash counters

«Gamma»	Address: 105613, Moscow, Izmailovskoye shosse, house 71, block 4G-D. Phone: +7 495 411-00-00 (ext. 3029)
«Vega»	Address: 105187, Moscow, Izmailovskoye shosse, house 71, block 3V. Phone: +7 495 411-00-00 (ext. 3031)
«Izmailovskaya»	Address: 105187, Moscow, Izmailovskoye shosse, house 71, block A. Phone: +7 495 411-00-00 (ext. 3025)
«MIFI»	Address: 115409, Moscow, Kashirskoye shosse, house 31. Phone: +7 495 411-00-00 (ext. 3340), +7 499 323-91-78
«Tsaritsyno»	Address: 109235, Moscow, Proektiruyemy Avenue 4386, house 10. Phone: +7 499 722-33-57