

2017

Annual
Report

ABOV E P A R V A LUE

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.ipb
interprogressbank



APPEAL OF THE MANAGEMENT OF THE BANK

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

Last year 2017 was undoubtedly prosperous for Interprogressbank. Presenting the report on the work performed during the year, we are pleased to note that the Bank has achieved all the key indicators set in the Development Strategy and has earned the record-breaking profits of over 1 billion rubles after tax. The financial result of the Bank for 2017 is 68% more than the value of the same indicator for the previous reporting period and more than twice higher than the benchmark set by the Bank's Development Strategy.

However, not only a great financial result in itself is important. It always matters how it is achieved. The profit sources and stability are indicative of the extent to which the credit institution pursues its responsible policy, and enable to draw conclusions about its stability in the future.

DEVELOPMENT STRATEGY

Over the years the Bank has been focusing on maintaining and developing its core competencies, and has been putting a premium on the most important competitive advantages — the strategic partnership with Russian companies, and universality.

In 2017, the Bank updated its tasks in each area of activities, and took a number of measures aimed at improving the efficiency and optimization of the structure of corporate and investment business. Business models were adapted with due consideration of the changed external environment, balance of expected benefits and potential risks.

STRATEGY IN ACTION

Since the beginning of the economic crisis, many Russian banks have actually curtailed lending to small and medium-sized businesses*, fearing loan defaults. But we have been confident in the prospects of this market and in the fact that even with the changed external conditions we will be able to maintain a balance of expected benefits and potential risks.

Speaking from the perspective of banks, small and medium-sized businesses are highly profitable, but a very complex segment of the market, which requires professionalism, skills and desire to find solutions that are beneficial to both the Bank and the client. We proudly proclaim that the largest share of the total loan portfolio of Interprogressbank, almost three-quarters, falls on small and medium-sized businesses. The total net volume of loans to legal entities (including small and medium-sized businesses), as well as individuals, amounted to 19.7 billion rubles as of January 01, 2018. The Bank has remained committed to the main principle of its credit policy: the most important criteria in deciding on credit arrangement are the creditworthiness of a borrower and its loyalty to the Bank. With a significant increase in the volume of lending by the Bank to small and medium-sized businesses, the level of overdue or impaired debt in this segment decreased compared to the previous reporting period up to 10.3%. It is currently below the market average in this segment (14.7%). The share of defaulting loans in the total portfolio is at a level that does not threaten the financial strength of the Bank (3.8%). A systematic work is conducted to return



16%

INCREASE IN THE PORTFOLIO
OF MORTGAGE LOANS



overdue debts: in 2017, the Bank recovered the overdue debts from legal entities in the amount of 31 million rubles, from individuals – in the amount of 60 million rubles.

The Bank followed the same principle such as reliability and quality, while developing new promising areas of retail business. In 2017, Interprogressbank opened its first Mortgage Centre to provide a full package of services to any clients purchasing real estate. Previously, the Bank has been accredited by the Agency for Housing Mortgage Lending. By the end of the reporting year, the Center had processed more than 600 applications, and the Bank had provided loans in excess of 100 million rubles. Over the year, the Bank's total mortgage loan portfolio has grown by 16%. Mortgage is one of the best quality banking products in terms of risks, and we intend to quickly increase the volume of this type of lending.

These are just two examples of the Bank's Development Strategy in action. New projects and interesting solutions were implemented by almost all divisions of the Bank in 2017. For example, a line of retail products and services of the Bank in the reporting year underwent more than 60 updates — credit products, bank cards, a new version of the Internet Bank. Interprogressbank and ROSBANK OJSC brought together their cash-machine networks that will greatly enhance the effectiveness of a partnership network as a whole. The Bank increased the number of clients in brokerage services, and the amount of commission on brokerage operations increased by more than 76% compared to the previous year.

Summing up the results of the year, we can say that profit growth has become a well-deserved reward for the Bank. This is a reward for the loyalty to the Strategy and principles. IPB Bank (JSC) remains a consistently profitable organization. Over the past five years being very difficult for the market as a whole, the Bank has increased its profit almost six times, which certainly confirms the correctness of the Strategy chosen.

We are grateful to everyone who worked with us in 2017, supported and had confidence in us — shareholders, customers and partners, our employees. We are confident in the further successful development of Interprogressbank.

**Dmitry Alexandrovich
Yakovlev**
Chairman of the Board

**Galina Ivanovna
Dubinkina**
President

APPEAL OF THE MANA-
GEMENT OF THE BANK



INTERPROGRESSBANK: KEY POINTS

Interprogressbank is a universal bank that provides citizens and legal entities with a wide range of financial services and products. The Bank tends to combine the best traditions of the Russian banking system and modern management approaches, offers customers the optimum service standards, flexible rates and products developed on the basis of state-of-the-art information technologies.

CORE BUSINESS AREAS

CORPORATE BANKING

SERVICING OF SETTLEMENT AND CURRENT ACCOUNTS, DEPOSIT RAISING, PROVISION OF LOANS AND ALL OTHER FINANCIAL TYPES, BROKERAGE OPERATIONS AND OPERATIONS WITH FOREIGN CURRENCY

RETAIL BANKING

MAINTENANCE OF CITIZENS' ACCOUNTS, TRANSFERS AND SETTLEMENTS ON BEHALF OF PHYSICAL PERSONS, LOAN PROVISION UNDER CONSUMER LENDING, SAFEKEEPING, DEPOSIT ACCEPTANCE, BANK CARD MAINTENANCE, BROKERAGE OPERATIONS AND OPERATIONS WITH FOREIGN CURRENCY

INVESTMENT AND TRADING OPERATIONS WITH FINANCIAL ASSETS

INVESTMENT IN THE SECURITIES OF ISSUERS WITH HIGH LEVEL OF RELIABILITY AND RATINGS OF LEADING INTERNATIONAL RATING AGENCIES

The priorities of the Bank are the satisfaction of client needs in up-to-date professional services to the fullest extent possible, high efficiency and reliable risk control. The introduction of high-tech services and products contributes to the growth of the Bank's efficiency

THE BANK'S COMPETITIVE ADVANTAGES



A FUSION OF TRADITIONS AND MODERN APPROACH TO BANKING



A WIDE RANGE OF FINANCIAL SERVICES TO LEGAL ENTITIES AND INDIVIDUALS



OPTIMAL SERVICE STANDARDS AND FLEXIBLE TARIFF POLICY



STATE-OF-THE-ART IT SOLUTIONS FOR CLIENT CONVENIENCE



FOCUS ON LONG-TERM RELATIONSHIPS WITH CLIENTS AND PARTNERS



RELIABILITY. THE BANK PARTICIPATES IN THE DEPOSIT INSURANCE SCHEME

SHARE OF CORPORATE LOAN PORTFOLIO, %

In the corporate segment, the major clients of the Bank are the enterprises of real economy with a perfect credit history and financial discipline, including those financed from the state budget. Currently the Bank's geographic footprint covers Moscow and Moscow Region, St. Petersburg and Leningrad Region.



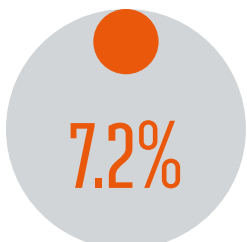
TRADE



CONSTRUCTION



REAL ESTATE



MANUFACTURING ACTIVITIES



TRANSPORT AND STORAGE



OTHERS

THE BANK HISTORY DATES BACK MORE THAN 45 YEARS

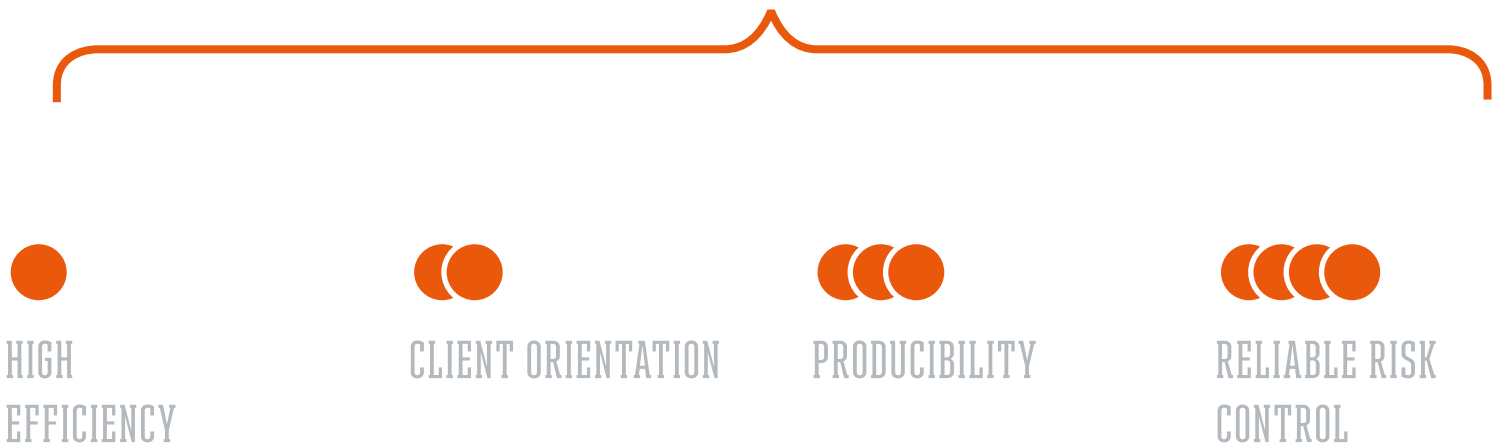
Interprogressbank was founded in March 1973 as a branch of the State Bank of the USSR in Moscow. In 1988, the banking system in the Soviet Union underwent some reforms resulted in the creation of the state branch credit and financial organizations and the transformation of the branch of the State Bank into the Krasnogvardeiskoie branch of the USSR Zhilsotzbank. Two years later, with the beginning of the transition to a market economy, a private Commercial Bank for economic and social development Interprogressbank, which had received a license No. 600 to conduct banking operations of individuals and legal entities in rubles and foreign currency from the Bank of Russia, was established on the basis of this branch. 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 for all previous obligations.

INTERPROGRESSBANK:
KEY POINTS

DEVELOPMENT STRATEGY AND BUSINESS MODEL

The Bank is focused on the long-term relationships with clients. The Bank ensures its sustainable development due to high efficiency of the main activities: lending of the real sector of economy, investment in reliable securities, banking services for legal and natural persons.

THE BANK DEVELOPMENT STRATEGY. BASIC PRINCIPLES



INTERPROGRESSBANK:
KEY POINTS

HOW THE BANK ACHIEVES ITS GOALS TO IMPROVE EFFICIENCY AND RELIABILITY





DOUBLE IMPERIAL OF ELIZABETH I

RUSSIA (1755)

GOLD IMPERIALS SYMBOLIZED THE POWER AND GLORY OF THE COUNTRY



APPROXIMATE
VALUE:

66.7
MLN
RUB

DENOMINATION: 20 RUB

The decrees of Elizabeth I accelerated the formation of the common economic space of Russia. The rapid growth of trade required the reform of monetary circulation, and minting of new gold coins of 10 and 5 rubles, imperials and semi-imperials, began in Russia in 1755. These names were preserved for coins of similar dignity until the last days of the Empire. Coins with a par value of 20 rubles were proof. In 2008, one of them was put up for the St. James's auction, and an anonymous collector purchased it for £ 1.55 million.

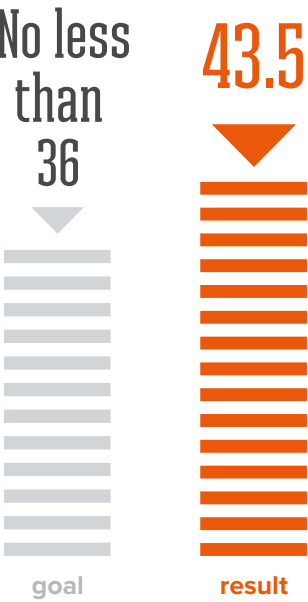
KEY RESULTS

THE BANK HAS ACHIEVED ALL KEY TARGETS SET FOR 2017
IN THE DEVELOPMENT STRATEGY:

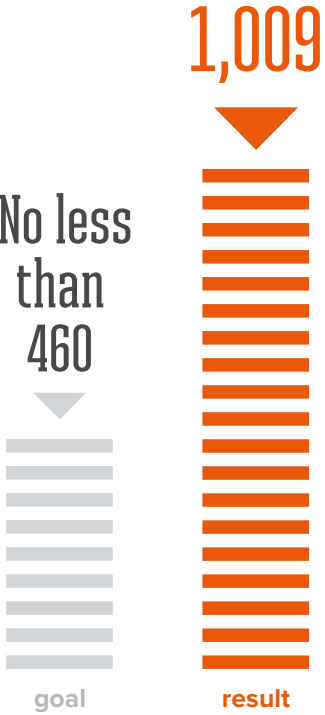
OWN FUNDS
(CAPITAL),
BLN RUB



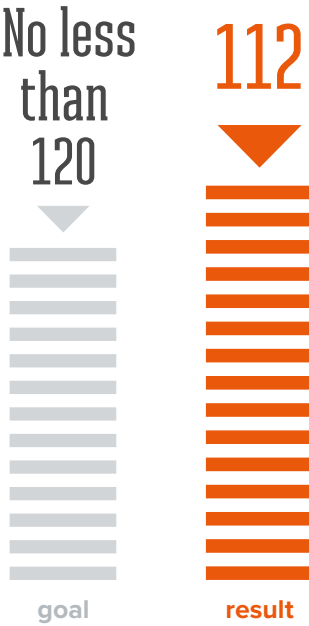
AVERAGE ANNUAL
VALUE OF THE BANK'S
NET ASSETS, BLN RUB



NET PROFIT,
MLN RUB



MARKET
POWER*



* Place in the rating of Russian banks in terms of net assets, according to the independent analytical and rating center Banki.ru as of January 2018.

NET RECEIVABLES,
BLN RUB



| +7%)

RETAIL DEPOSITS,
BLN RUB



| +8%)

NET INCOME,
BLN RUB



| +15.4%)

OPERATING EXPENSES,
BLN RUB



| -9.9%)

KEY
RESULTS

THE ECONOMY AND BANKING SECTOR OF RUSSIA IN 2017

THE RUSSIAN ECONOMY HAS MOVED OUT OF THE PROLONGED RECESSION. ALTHOUGH THE PACE OF ITS GROWTH IN 2017 REMAINED WEAK, MORE SUSTAINABLE AND PREDICTABLE MACROENVIRONMENT WILL GRADUALLY FORM POSITIVE EXPECTATIONS.

ECONOMY: RECOVERY

In 2017, the GDP of Russia grew by 1.5% against its fall of 0.2% a year earlier. Such growth was recorded in the sector of services, trade, mining, transport, agriculture. One of the main drivers of economic growth, along with the beginning of a price rise in the commodity markets, was the recovery of domestic demand on part of the population.

If in 2016, households reduced consumption by 2.8%, then in 2017 they increased it by 3.4%. The recovery of purchasing power of the population was fuelled by: strengthening of the ruble, consumer price and tariff slowdown, a record low level of inflation — 3.8–4% per year, as well as the growth of actual wages significantly accelerated by the end of last year: in the reporting year, they increased by 3.5% compared to 0.8% in 2016.

Another significant phenomenon in the economy was the growth of investments in fixed assets. In 2017, they increased by 4.4% after a continuous decline over the previous 4 years, and in 2015, they fell by more than 10%. Such a sharp change in the dynamics of the indicator was probably due to the completion of large infrastructure projects initiated and/or supported by the state. It is still impossible to speak with confidence about changes in the mood of a wide layer of entrepreneurs. However, both the investment recovery and the government transition

to more active counter-cyclical measures may be recognized as the positive developments of the past year.

According to the data of the Federal Statistics Service (Rosstat), the share of investments in fixed assets in the Russian Federation in 2017 amounted to about 17.34% of GDP. By 2021, this figure is expected to increase up to 25%. If these attempts to “start” the economy prove to be successful, and it avoids strong external shocks, in the next two years we will be able to hope for its growth. Even if its pace is slow, the formation of positive economic expectations is important in itself, since people and companies act in accordance with their expectations, and seek to make them a reality.

BANKS: THROUGH HARDSHIPS TO GROWTH

A record slowdown in inflation rates in 2017 was achieved due to several factors: favorable dynamics of food prices, the inclusion of a budget rule that tamped down the impact of rising oil prices on the market, and the effect of exchange rate transfer, a weak growth of imports due to restrictions in force. In their turn, low inflation and damped inflation expectations enabled the Bank of Russia to reduce the key rate: it lowered it from 10% to 7.75% by stages.

Against the background of the reduction of the key rate, the banks improved the financial conditions for lending to enterprises and the population and

The slowdown in inflation enabled the Bank of Russia to continue the cycle of monetary policy loosening. The volume of lending to the economy began to grow. But the bank income turned out to be 15% less than a year ago

KEY
RESULTS

789.7

BLN RUB
TOTAL INCOME
OF THE BANKING SYSTEM

25%

BANKS,
FROM AMONG THOSE OPERATING
AT THE END OF THE YEAR, CLOSED
THE YEAR IN THE RED

were able to re-increase loan portfolios without significantly reducing the requirements for borrowers. The total loan portfolio of the banks* over the past year has increased by 3.5% (in 2016 it decreased by 6.9%).

At the same time, the growth of the retail loan portfolio has accelerated to 12.7% (against 1.1% in 2016), primarily due to the expansion of mortgage lending. It should be noted that the rate of mortgage growth has remained double-valued for two consecutive years now: in 2016 — 12.1%, in 2017 — 15.0%, while the index of demand** for new mortgage loans has been increasing steadily since mid-2015.

The growth of non-conditional loans to the population has also resumed. The volume of consumer loans in 2017 increased by 11.0% (year-on-year), while in the previous 12 months it decreased by 3.1%. At the same time, the banks had managed to reduce the share of overdue loans in the total retail portfolio — from 7.9% to 7.0% by the end of last year.

The total loan portfolio provided by the banks to non-financial institutions has grown by only 0.2%. Such a weak recovery did not compensate for the collapse of 2016 (-9.5%), and by the beginning of 2018, the volume of loans had not reached a two-year level. The volume of overdue debt in this segment even slightly increased (by 2.7%), but in relation to the assets it still fell for the second year in a row.

For the last year, the banks have managed to increase their assets by 6.4% (in 2016, the assets of the banks decreased by 3.5%). However, the banks have directed part of this increase to reserves: they have increased by 23.6% and their share in aggregate loan portfolio has increased by 8.8% (against 8.2% a year earlier). This can be explained, in particular, by the significant amounts of additional reserves created by the banks transferred to the Banking Sector Consolidation Fund for resolution.

The growth of funds in the accounts of the population amounted to 7.4%. A significant increase in this indicator is due not only to a growth in nominal cash income of the population, but also to a change in a behavior pattern, a greater tendency towards saving. For the sixth year in a row, the population has been increasing the share of cash income transferred on deposits, which reached 47.6% in 2018.

The volume of funds placed on accounts and deposits by enterprises and organizations (excluding the funds of state financial authorities and funds) at the beginning of this year is 2.1% more than 12 months earlier. However, in absolute terms, the volume of funds of enterprises in the banks has not recovered after a 10-percent reduction in 2016.

According to the results of the year the total income of the banking system amounted to 789.7 billion rubles, which is 15.1% less than in the previous year, however, the number of operating credit institutions decreased from 623 to 561. Several major banks were deprived of their licenses, but the concentration of assets in the banking sector continued to grow: by the beginning of this year, the banks of the top twenty accounted for 79.3% of the total assets of the banking system (a year earlier — 75.7%). Thus, competition in the banking sector remained quite intense, even with a reduction in the number of credit institutions. As a result, 140 banks or 25% of the number of banks operating at the end of the year ended with losses in 2017.

* Here and hereinafter the figures as of January 1 (2018, 2017 etc.) are compared. According to the “Review of the Banking Sector of the Russian Federation”, Issue No. 184, February 2018.

** According to the quarterly examination of bank lending conditions of large Russian banks by the Bank of Russia. www.cbr.ru/Collection/Collection/File/4602/ubk_comment_4Q2017.pdf.

KEY
RESULTS

THE BANK HAS STRENGTHENED ITS COMPETITIVE POSITIONS BY MOST INDICATORS*

The key indicator of the Strategy: “The Bank that competes effectively and successfully with the main Russian financial and credit institutions, and is in the TOP 120 Russian banks in terms of net assets”



	RUSSIA	MOSCOW REGION
(NET) ASSETS	112 (-2)	74 (+3)
NET PROFIT	62 (+4)	45 (-)
EQUITY (IN THE FORM OF 123).....	115 (-4)	83 (-)
LOAN PORTFOLIO	90 (+7)	65 (+4)
LOANS TO ENTERPRISES.....	75 (-)	53 (+4)
LOANS TO INDIVIDUALS	137 (+8)	73 (+5)
DEPOSITS OF INDIVIDUALS	74 (+8)	47 (+8)
RETURN ON NET ASSETS	93 (+47)	55 (+20)
RETURN ON EQUITY.....	49 (+46)	32 (+22)

* According to the independent analytical and rating center Banki.ru. The Bank’s place in the ranking as of January 2018 (change compared to January 2017).

KEY RESULTS





GOLD TEN-RUBLE COIN (CHERVONETS) “SEEDER” (SEIATEL)

USSR (1923)

THE INTRODUCTION OF CHERVONETS HAS CONTRIBUTED TO A RAPID GROWTH OF THE SOVIET ECONOMY



APPROXIMATE
VALUE:

150
THOUSAND
RUBLES

DENOMINATION: 10 RUBLES

Chervontsy served the real economy in contrast to “sovznaks”, which covered the budget deficit. Less than a year, the strong currency pushed surrogate currencies out of circulation within the country. International exchanges began to give the price of chervonets, and its rate of 52 cents per ruble in New York was higher than any of the European currencies. Due to chervonets the USSR reined in the hyperinflation, balanced the budget, and attracted foreign capital. The rapid recovery of the country’s economy began, and 1924 went down in history as “the year of the USSR recognition”.

FINANCIAL RESULTS

A more stable and predictable macroeconomic environment has contributed to the implementation of plans of Interprogressbank. With our efforts, we have achieved all the key goals set by the Bank's Development Strategy for 2017.

Following the results of work in 2017, the Bank received its net income in the amount of 1,009 million rubles, which was 68% higher than the Bank's income for the previous reporting period (602 million rubles). It will be recalled that the key indicator of net income for 2017 set forth by the Bank's Strategy is "no less than 460 million rubles." Thus, the indicator of income for the year 2017 provided for in the Strategy of the Bank has been surpassed by more than half.

The Bank's **net income** in 2017 increased mainly due to growth in net interest income, an increase in income from foreign currency transactions and other operating earnings, as well as due to a decrease in operating expenses and provisions for other losses against the background of reduction in net fee and commission income, and income from securities operations.

An increase in the Bank's **net interest income** by 5% up to RUB 2.2 billion compared to 2016 (RUB 2.1 billion) was due to a faster decrease in interest expenses over a decrease in interest income against a reduction in the corporate loan portfolio and an increase in the volume of active operations in the money market. The net interest return after the generation of provisions for possible losses increased by RUB 131 million (8%), compared to the previous year, and amounted to RUB 1.9 billion.

The main contribution to an increase in **income from foreign currency transactions** (the aggregate result of foreign currency transactions and revaluation, including transactions with financial assets at fair value through profit or loss) was made by a significant increase in the volume of currency swap transactions — the use of cash in Russian rubles at a fixed interest rate as a result of the purchase and subsequent sale of foreign currency resources. The profitability of these transactions was mainly due to more attractive rates of the allocation of excess ruble liquidity compared to other instruments of the money market.

68%

INCREASE IN NET INCOME
COMPARED TO THE YEAR 2016

FINANCIAL
RESULTS

10%

REDUCTION
OF OPERATING EXPENSES



Improving the efficiency of structural units and optimizing operating costs remain the focus of the Bank's attention. In 2017, we achieved a reduction in operating expenses, and compared to the previous year, their value decreased by 10% up to 1.4 billion rubles.

The Bank's efficiency is ensured primarily by its core activities, such as lending to the real sector of economy, investing in securities of issuers with a high level of reliability and ratings from leading international rating agencies, operational services for legal entities and individuals, including the use of high-tech remote service systems. As of January 01, 2018, **the volume of funds raised** from legal entities and individuals, including the Bank's long-term debt issued, amounted to 36.7 billion rubles. Compared to January 01, 2017, the volume of funds raised decreased by 37 million rubles, but this is less than 1%.

The value of assets of IPB Bank (JSC) less provisions for impairment (net assets) as of January 01, 2018 in absolute terms amounted to 41.1 billion rubles. As compared with the same indicator as of January 01, 2017, the volume of net assets decreased by less than 1%. At the beginning of the current year, the Bank ranks 111 in the ranking of Russian banks in terms of assets. Thus, the key indicator of the Strategy "the Bank, effectively and successfully competing with the main Russian financial and credit institutions and included in the TOP 120 Russian banks in terms of net assets" has been achieved.

11%

INCREASE IN THE AVERAGE
ANNUAL VOLUME OF NET ASSETS



The main share in the structure of the Bank's assets (75%) belongs to net lending receivables. As of January 1, 2018, the amount of **net lending receivables** was equal to 30.6 billion rubles, and an increase of the indicator compared to the previous reporting date amounted to 7%. As before, the main borrowers of the Bank are the enterprises of the real sector of economy, with an impeccable credit history and financial discipline, as well as highly reliable credit institutions.

The Bank placed part of **net assets** amounting to 9% in credit institutions. These are mainly funds placed on correspondent accounts in highly reliable resident banks from the TOP 15. In absolute terms, the value of investments in credit institutions as of January 01, 2018 amounted to 3.8 billion rubles, which is 1.4 billion rubles less than the same figure as of January 01, 2017.

About 7% of the Bank's net assets or 2.7 billion rubles as at the beginning of the current year were invested in highly liquid securities with a low level of risk. We have also revised the volume of these investments, reducing them by 20% or, in absolute terms, by 0.7 billion rubles.

The average annual value of the Bank's net assets in 2017 amounted to 43.5 billion rubles. Compared to the same indicator of 2016 an increase amounted to 11%, or 4.4 billion rubles. The Bank's Strategy provided for maintaining the average annual value of net assets of at least 36 billion rubles in 2017. Thus, this key indicator of the Strategy is also performed with a large margin: the actual indicator is 1.21 times more than the minimum level.

FINANCIAL
RESULTS

The achievement and maintenance of the level of capital **adequacy** of IPB Bank (JSC), required for the implementation of the strategic objectives to be sought, are one of the priorities for the further development of the Bank as a universal financial and credit institution serving both small and medium-sized businesses and individuals. Taking into account the value of net income for the reporting period and the availability of a significant provision of capital adequacy to cover the Bank's possible risks and to fulfill statutory requirements, in 2017 it was decided to pay dividends based on the results of work for 2016 from the previously undistributed income in the total amount of 800 million rubles.

At the same time, the **Bank's own funds** as of January 1, 2018 amounted to 5.6 billion rubles. Thus, by this key indicator the Bank also reached the goal stated in the Strategy: "The Bank's own funds as of January 1, 2018 shall amount to at least 5.6 billion rubles".

Summing up, we would like to note that the well-thought-out Development Strategy of the Bank and the implementation of its key indicators enable to make good progress. The Bank has a sufficient reserve of its own funds, and expands its client base, while working with an acceptable level of risk. Constantly improving the risk management system, the Bank confirms its reliability and stability, and attracts a growing number of clients — companies and individuals, and our clients, in turn, confirm the loyalty towards the Bank.

The Bank's Development Strategy has set forth the most important tasks of increasing efficiency for the next year. The Bank expects to maintain a steady pace of development and achieve all the goals to be sought.

705.88

RUBLES
PER SHARE WERE
DIVIDEND PAYMENTS

The maintenance of the level of adequacy of its own funds is one of the priorities for the further development of the Bank as a universal financial and credit institution

FINANCIAL
RESULTS



THE MOST UNUSUAL COIN

COPPER PLATE “BIG EAGLE”

RUSSIA (1726)

PLATES FROM URALS COPPER REPLACED SILVER COINS

APPROXIMATE
VALUE:

1.9 MLN RUB

DENOMINATION: 1 KOPECK

The par value of plates was close to the value of metal for coining so that they were the money of full value, cheap in manufacture and resistant to forgery. The idea was borrowed from the Swedes and liked by Peter I, who planned to replace billon five-kopeck coins with copper plates. But the plates were minted in the years of Catherine I, and they decided to mint all the denominations of coins from kopecks to rubles from copper to reduce the treasury costs to buy silver. Due to the cheapness of the Urals copper, Russian plates were full-fledged in all senses: the ruble weighed 1,638 grams.

OPERATING RESULTS

CORPORATE BUSINESS

The Bank is focused on a targeted and integrated approach in servicing corporate clients, while offering a wide range of financial services to large, medium and small businesses. The work is based on the interests and needs of each group of clients and then taking into account the specifics of a particular client, the real prospects of its business, the possibilities to repay obligations to creditors.

This approach enables the Bank to fully meet the client’s needs for financial services and to maintain efficiency with a high quality service that is an important factor in the success of building long-term mutually beneficial relationships with clients. By consistently developing these relationships, the Bank is able to increase the penetration of banking products into the business of clients.

Large companies and enterprises of a strategic interest to the Bank are offered attractive conditions for products and services, an individual approach to solving specific problems. In this segment, the Bank focuses on the professionalism of its team, high speed of decision-making, convenience and functionality of remote channels of interaction with clients, high producibility.

PRIMARY OBJECTIVES FOR 2017



INTENSIVE WORK IN THE SEGMENT OF SMALL AND MEDIUM BUSINESS

The Bank’s receipt of the accreditation of small and medium business credit assistance funds. The advantage of working with the funds is that they provide guarantees for loan obligations of clients so that the Bank is able to reduce the risk level for such loans



ATTRACTION OF PARTNER BANKS AS AGENTS OF THE BANK

Mutually beneficial cooperation with partner banks enables the Bank to significantly expand the range of products and services offered to its own clients and increase the level of their loyalty towards the Bank



CONDUCT OF NEGOTIATIONS AND CLIENT SERVICING

Increase in the volume of corporate clients’ funds, growth in non-interest income, improvement in the sales system

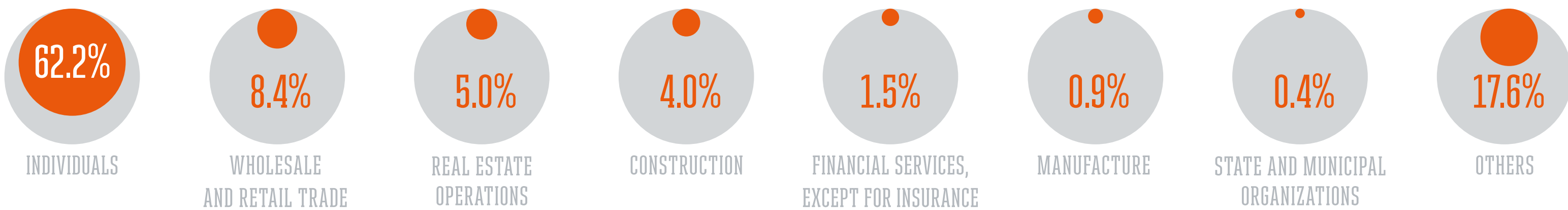


BUSINESS OPPORTUNITIES
AND PLANS FOR 2018



The list of products for small businesses is more universal, and has been developed taking into account the specifics of the business of this category of borrowers. An example is bank guarantees are high-demand in the current realities. When entering into an agreement/contract, in accordance with 222-FZ and 44-FZ, principals (executors) shall provide a customer with a bank guarantee. It is intended to ensure the fulfillment of obligations for the supply of goods, works and services or the return of an advance. However, it is too difficult for small businesses to obtain such guarantees since they usually do not have any sufficient collateral. Interprogressbank addresses this problem by attracting partners – credit organizations, small and medium business supporting funds. As a result, the Bank receives a client, the client receives a bank guarantee, and a customer – a contractor of the contract.

STRUCTURE OF BORROWED FUNDS



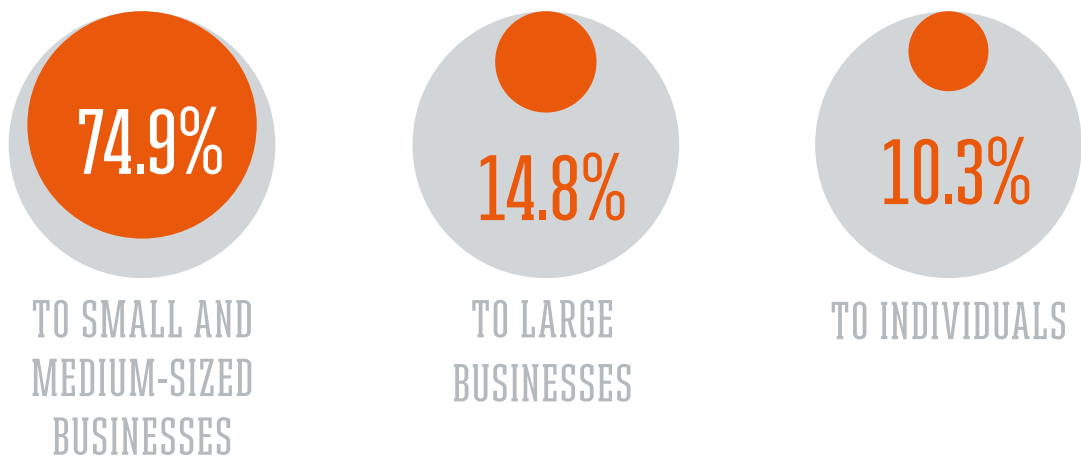
OPERATING
RESULTS

LENDING







Taking into account a downtrend in market rates in the reporting year and in the future, the Bank shall solve the problem of maintaining the profitability of lending. However, the Bank’s primary goal in working with borrowers has been and remains a balance between profitability and loan portfolio quality. The solution of the problem was the diversification of credit risks. In 2017, the Bank expanded the range of borrowers, and at the same time increased the requirements for the level of provision of credit products, and focused on reducing troubled indebtedness.

The Mortgage Credit Centre of Interprogressbank was opened in 2017. Among the new products of the Bank launched in 2017, it is also worth noting the commercial and VIP mortgage programs (in partnership with the development company Sminex) and the new commission product “Investment Life Insurance” (in partnership with the insurance company MAX).

LOAN PORTFOLIO COMPOSITION BY TYPES OF BORROWERS



PRIMARY OBJECTIVES FOR 2017

 PROFITABILITY MAXIMIZATION, improvement of loan portfolio quality in compliance with an acceptable level of risk and diversification of credit risks	 SETUP OF LINE OF LOAN PRODUCTS, taking into account the total satisfaction of the needs of the Bank’s clients — legal entities and individuals — for credit resources	 LOAN PORTFOLIO INCREASE with the maintenance of an acceptable level of risk and a focus on mortgage lending
 EFFECTIVE USE of the Bank’s available resources allocated for lending	 CONTROL OVER THE BANK’S LIMITS of risk on borrower loan transactions, monitoring of borrowers’ fulfillment of their obligations under the loan and security agreements concluded	 DECREASE IN THE LEVEL OF TROUBLED DEBTS

The partnership with the business support institutions enables the Bank to improve lending conditions for small and medium-sized businesses, and reduce its own risks

CORPORATE SEGMENT

In the corporate segment, the Bank directed its efforts to expand cooperation with clients having a good credit history, and actively attracted new solvent borrowers, including small and medium-sized businesses. Having established the partnership with the business support institutions, the Bank was able to lend to small and medium-sized businesses on the terms and conditions acceptable to them and, importantly, reduced its risks.

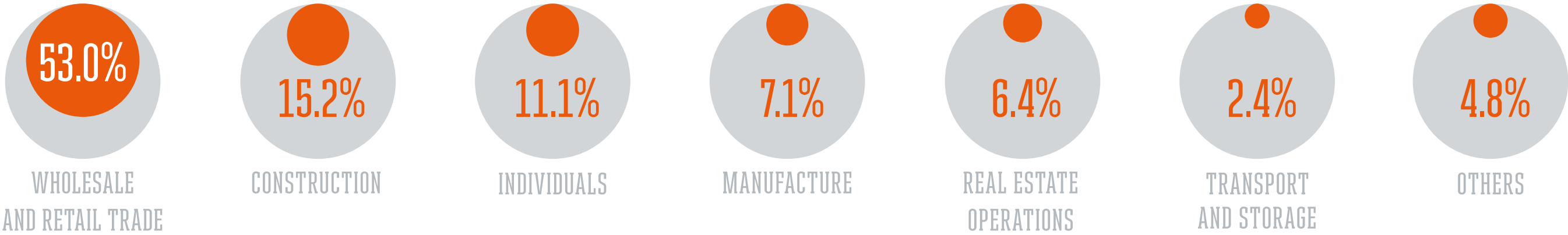
With regard to risk control, the Bank adheres to the principle of reasonable conservatism. Following this principle, during the year, it continued to conduct extensive monitoring of the loan portfolio: monitored the financial market conditions, analyzed the situation in the industries where borrowers worked, identified the signs of questionable activities and potential areas of concern. The analysis of information was made in relation not only to borrowers, but also to their main counterparties.

RETAIL LENDING

The Bank’s priorities in the retail lending segment have not changed: the implementation of loan products to the Bank’s existing clients with a good credit history, and participants in payroll card schemes, mortgage lending, and cross-sales development. The Bank pays special attention to the quality of client service and the optimization of business processes. For example, the use of information technologies makes it possible to reduce the time of decision-making on applications for loans, and it is much easier for the client to make an application through a remote channel.

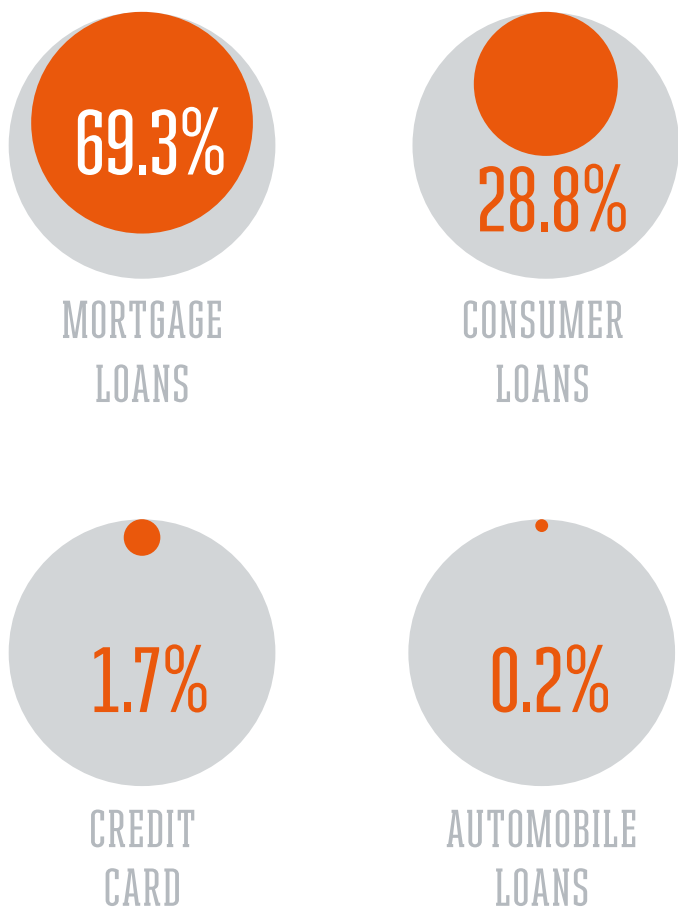
The Bank offers a wide range of products to individuals, including loans, credit facilities, overdrafts, credit cards and other products, which are provided to borrowers both within the framework of approved standardized products and on individual terms. The Bank’s credit managers focus on more active work with employees of companies and organizations — corporate clients of the Bank; successful long-

LOAN PORTFOLIO COMPOSITION BY INDUSTRY
SECTOR OF BORROWERS



OPERATING
RESULTS

COMPOSITION OF LOAN PORTFOLIO
FOR INDIVIDUALS



term cooperation with such private clients is the goal and one of the criteria for effectiveness of the manager’s work.

In order to attract corporate clients to participate in payroll card schemes, the Bank improves the infrastructure and develops special products and offers that are the conditions the clients pay special attention to.

MORTGAGE LENDING

In addition to its own mortgage product line, the Bank opened two new focus areas in 2017.

In partnership with the real estate development company Sminex, the Bank launched and optimized mortgage products targeted at buyers of suburban (VIP.Mortgage) and commercial real estate (Commercial Mortgage Sminex and Mortgage Sminex). The products have been developed according to the Bank’s standards and are offered to the buyers of the objects sold by the real estate development company.

The second focus area – mortgage according to the standards of the Agency for Housing Mortgage Lending (AHML) is expected to dramatically accelerate the growth of mortgage lending volume.

The key event of 2017 was the opening of the Bank’s Mortgage Centre, where clients can get a full range of banking services for mortgage transactions. The Center’s employees attract clients for mortgage products, work with real estate agencies, real estate development companies, advise clients at all stages of the transaction, process incoming orders, take customers to the transaction. By the opening of the Center, the Bank had launched an updated line of mortgage products meeting the standards of the Agency for Housing Mortgage Lending:

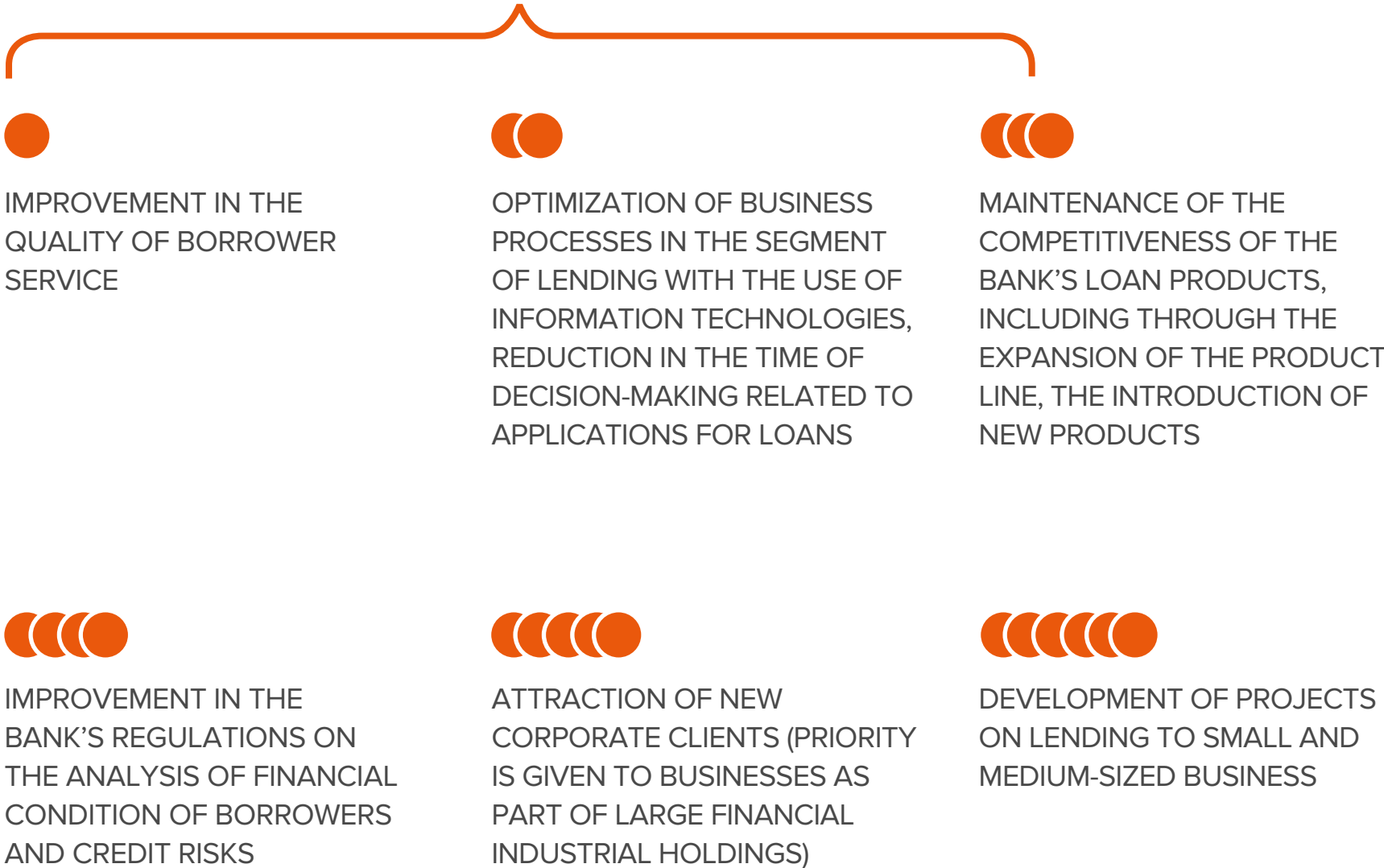
- Acquisition of ready housing;
- Acquisition of housing under construction;
- Relending.

By the end of 2017, the Center had processed more than 600 applications under mortgage programs, and the Bank had issued mortgage loans amounted to more than 100 million rubles.



RESULTS AND ACHIEVEMENTS

BUSINESS OPPORTUNITIES
AND PLANS FOR 2018



- The total amount of loan debt and free limits on loans to enterprises and organizations as of 01.01.2018 amounted to 25.2 billion rubles (growth of 4.6% compared to the beginning of the previous year).
- The share of lending limits granted to first-class borrowers classified in accordance with the requirements of the Bank of Russia in the first and second categories of quality exceeds 82% of the total amount of fixed limits.
- The total amount of loan debt and free limits on loans to individuals as of 01.01.2018 amounted to 2.6 billion rubles (remained at the level of the beginning of the previous year).
- The total amount of interest returns on loans to clients, which are not credit institutions, is equal to 3.3 billion rubles, or 77% of the total amount of interest income.

OPERATING
RESULTS

RETAIL BUSINESS

Interprogressbank's retail business covers a number of high-tech segments, such as the Internet bank and in the near future mobile banking, networks of self-service machines – payment terminals and ATMs, bank cards, merchant acquiring. All these areas may be attributed to the fast-growing and highly competitive. Success factors in these segments are similar.

Clients expect from the Bank a flexible service, a high speed of decision-making, a wide choice of products and services, 24x7 availability, convenience and undoubtedly the security of their transactions. The Bank takes into account these requirements when building its business processes, and its task is to make them effective and standardized, to be able to quickly reconfigure them while maintaining a high rate of updating services and products. It is possible. Only in the past year the Bank's line of retail products and services underwent more than 60 updates!

BANK CARDS

- The Bank has proceeded to issue classic and premium cards of the Mir national payment system. Both retail and corporate (payroll) products of the Bank have been implemented on the basis of these cards.
- In August 2017, after the completion of certification, the Bank began issuing Visa Gold and Visa Platinum cards with the contactless payment technology PayWave.
- The Bank has implemented the paperless PIN technology: now the Bank's clients can independently install or change the PIN code of their bank card through the IVR system. To do so, clients do not need to go to the Bank branch or the self-service machine.

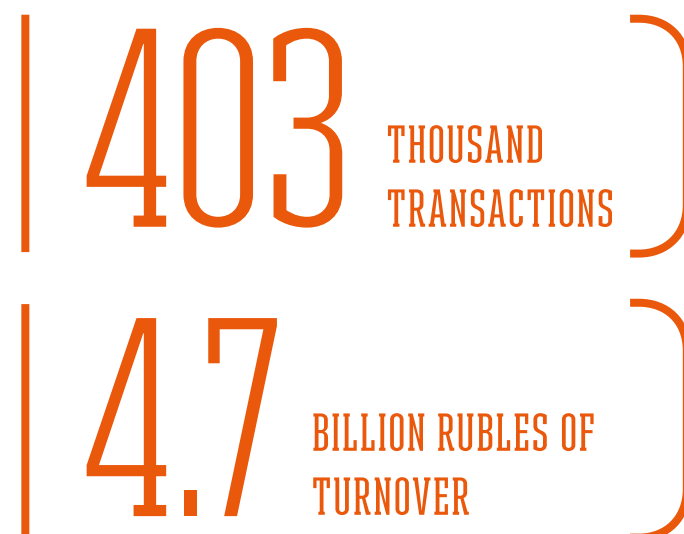
- Among the new products launched in 2017, it is worth noting: debit card Bestcard with the Cashback bonus loyalty program; a specialized co-branded Profcard (the Bank's partner became the Moscow Federation of Trade Unions); the Travelcard innovative card product with multi-currency accounts under the same credit card; Cashcard is a new product for legal entities which enables clients to make self-collection of trade receipts.
- The current CashBack loyalty program has been updated. Clients have the opportunity to choose bonus categories of trade and service enterprises through the Internet Bank "IPB-Online". In addition, for marketing purposes, a new Cashback program has been developed: a refund of 10% of the purchase price in the category, which is determined by the Bank on a monthly basis.
- At the end of 2017, the Bank concluded the relevant agreement and connected the cash back service offered by the payment system to the Mir cards — this solution enables to receive a refund for purchases in an accelerated mode, directly from the Mir payment system.
- The Bank has introduced several new types of services to individuals (cards, accounts, deposits, repayment of loans) in the network of payment terminals Gosplatezh (Government Payment). The integration with this network will enable the Bank to lay the foundation for the development of a network of automated mini-offices.

In 2018, the Bank plans to connect Visa cards issued by it to the Google/Android Pay payment system.

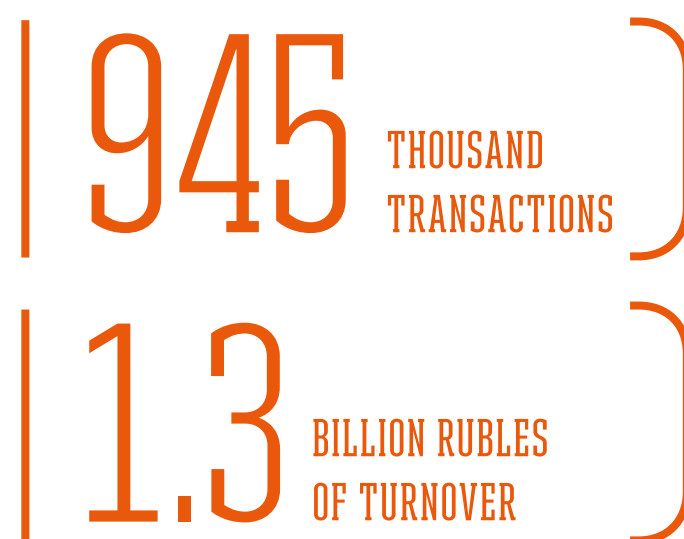
25,000

TOTAL NUMBER
OF ISSUED CARDS

ATM NETWORK IN 2017:



ACQUIRING IN 2017:



ATM AND MERCHANT ACQUIRING

- In 2017, IPB Bank (JSC) and ROSBANK PJSC brought together their cash-machine networks (ATM networks) into a single system providing a set of identical services. This solution enabled the banks to increase the efficiency of networks and availability of ATMs for their clients.
- Thus, the number of Interprogressbank retail ATMs in Moscow Region and St. Petersburg increased from 38 own ATMs at the beginning of the reporting year to more than 400 ATMs of the integrated network at the end of the year. In addition, the Bank analyzed the placement of its ATMs and installed them in the places with a large flow of visitors.
- Interprogressbank ATMs serve all types of cards of the international payment systems Visa, MasterCard, China Union Pay, JCB, American Express, the Russian system “Zolotaia Korona” (“Golden Crown”) and since 2016 — cards of the Russian payment system Mir. In 2017, acquiring of cards of the Armenian Card payment system was connected in the Bank’s ATMs.
- In 2017, the Bank offered trade and service enterprises a new tariff plan for the trade acquiring service: the minimum fixed commission rate, which does not depend on trade turnover, taking into account a monthly fee for use of the trading POS-terminal.
- The Bank has updated 3/4 of the trading POS-terminal network. Obsolete devices are replaced with new ones, with the possibility of card acquiring and contactless payment for purchases.

ELECTRONIC PAYMENTS

Interprogressbank terminals accept payments to the accounts of state, municipal and commercial organizations. In 2017, the terminal network of the Bank consisted of 970 devices covering Moscow and Moscow Region (485 terminals), Saint-Petersburg and Leningrad Region (428 terminal), as well as Tver, Rostov, Kursk, Astrakhan, Yaroslavl and Kostroma Regions (a total of 57 devices).

Most of the terminals of the Bank serve visitors and employees of socially important organizations and institutions, such as the territorial divisions of the Ministry of Internal Affairs of Russia and Federal National Guard Troops Service, Multifunctional Centers for Provision of State and Municipal Services “My Documents” and others. Since the structure and functions of the executive authorities of the Russian Federation change, the Bank adjusts the number of payment terminals in the network, their geographical distribution and departmental affiliation.

Defining the objectives of the network development for 2017, the Bank intended to enlarge its footprint in the constituents of the Russian Federation, increase the profitability of the existing network, and introduce new mechanisms of work and alternative methods of making payments. All the tasks have been completed.

The number of regions covered by the payment terminal network has increased from 7 to 10, the total income of the Bank has increased by 2%, and profit — by 12%. Success was facilitated by the flexibility and responsiveness: the Bank systematically monitors the network, in a timely manner rotates the terminals within the network, carries out activities for the development of previously unoccupied niches of the market in different regions of the Russian Federation.

OPERATING
RESULTS

NUMBER OF TRANSACTIONS, MLN RUB



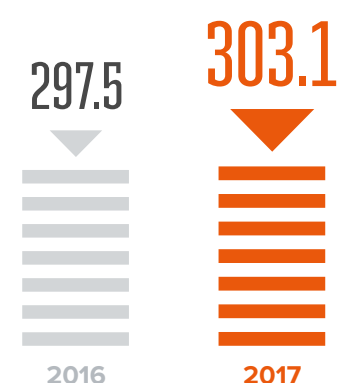
+4%

ELECTRONIC PAYMENTS, BLN RUB



+6%

THE INCOME OF THE BANK, MLN RUB



+2%

An important step in the development of a network of payment terminals of the Bank is the introduction of the complex of software and hardware solutions enabling to make the full range of payments using all the popular credit card Visa, MasterCard and Mir through the terminals of Interprogressbank.

The Bank plans to develop the system of electronic payments: the search for potential partners in new regions of the Russian Federation not involved in the network is in progress, the functionality of software and equipment will be expanded.

INTERNET BANK

In 2017, the Bank completed the project on the introduction of a new version of the IPB-Online Internet Bank for individuals. Within the new system the interface was optimized, the logic of operations was simplified, and the design and structure of information blocks were updated. The blocks of ads have been added that will facilitate cross-selling and promotion of banking products, as well as special sections where the user can remotely apply for products and services of the Bank.

After the upgrade, the Bank significantly increased the number of users of the remote service system and almost 2.5 times increased the turnover of operations carried out through the system.

In 2018, it is planned to launch the mobile version of the IPB-Online system on the basis of Android and IOS platforms.

New functionality of the IPB-Online system:

- Automatic registration of a new client: all it takes to register is to enter the Bank card number and click OK;

- Invoice for Payment service: enables to search for and pay tax debts, fines and other payments of individuals;
- Standing Order service: the execution of automatic payments on the appointed date and time;
- Product Ordering service: the creation of online identified requests from a client to obtain any products of the Bank;
- Function of account or card number search by client's phone number (operates with transfers of funds within the Bank);
- My Finances information visual block: the analytical representation of costs and revenues of the client;
- Service of tax payments for third parties, etc.

IPB-ONLINE IN 2017:



OPERATING
RESULTS

OPERATIONS IN FINANCIAL MARKETS

Interprogressbank is an active participant of the Russian financial market. The Bank operates in all its segments, makes transactions on the exchange and over-the-counter markets at its own expense and on behalf of clients. The Bank considers operations in financial markets both as the services meeting clients' needs, and as an instrument of maximizing the income of the Bank while adhering to the target economically reasonable level of risk.

In general, operating in the financial market, the Bank adheres to a conservative approach, while maintaining increased requirements for financial instruments. The lion's share in the Bank's securities portfolio is held by ruble bonds of reliable issuers included in the Lombard List of the Central Bank of Russia.

In 2017, the Bank conducted operations:

- in the securities market to optimize the portfolio of reliable government and corporate ruble bonds, as well as Eurobonds; direct and reverse REPO operations with shares and bonds;
- operations with shares of Russian companies;
- exchange and over-the-counter currency conversion transactions in the Russian and international markets, futures transactions in the foreign exchange market, and currency conversion transactions;
- currency swap operations;
- operations to raise and place funds with the Central Bank of the Russian Federation and in the interbank lending market.

RESULTS AND ACHIEVEMENTS

The Bank has maintained a previously developed portfolio of bonds with a coupon yield exceeding the yield on the refinancing rate of the Central Bank of the Russian Federation. No new investments were made in the corporate sector bonds. The reason is a significant discount in the yield of corporate bonds of acceptable quality to the current refinancing rate of the Central Bank due to forecasts of further reduction in the key rate.

The Bank participated in auctions for floatation of coupon bonds of the Bank of Russia, the instruments of the Central Bank of Russia with a yield equal to the refinancing rate of the Central Bank of the Russian Federation. These investments are considered as a high-yield and less risky alternative to corporate bonds.

The Russian issuers' equity market showed neutral dynamics in 2017. The Moscow Currency Exchange index, reflecting the dynamics of quotations of shares of Russian issuers, has not changed. The main share in the Bank's equity portfolio was held by the securities of energy companies, which showed a dynamics similar to the broad market.

The main share in the Bank's equity portfolio was held by the securities of energy companies, which showed a dynamics similar to the broad market

OPERATING
RESULTS

**BROKERAGE SERVICES,
CONVERSION OPERATIONS**

The amount of the Bank's
commission on brokerage
operations increased by
more than 76%

In the reporting year, the Bank enlarged the number of clients in brokerage services, and significantly increased the total turnover of clients' operations. The amount of the Bank's commission on brokerage operations increased by more than 76% compared to the previous year.

The Bank's gross
income from conversion
operations for 2017
increased by 27%

In carrying out 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 optimally used exchange liquidity, liquidity of the interbank market and operations with the Central Bank of the Russian Federation to ensure the best prices of arbitrage transactions, transactions of the Bank's clients and swap operations, thus providing counterparty banks and clients of the Bank (both individuals and legal entities) with the attractive and comfortable operational conditions. The Bank's gross income on conversion operations for 2017 was increased by more than a quarter (27%).

Turnover by operations on CNY cash exchange in the Bank for the year 2017 has increased almost 3 times, compared with the year 2016, and has reached 2 million rubles.

OPERATING
RESULTS

**BUSINESS OPPORTUNITIES
AND PLANS FOR 2018**

With the aim of
increasing revenues on
conversion operations,
the Bank may consider
narrowing spreads
between the rates of
buying and selling foreign
currency

The Bank intends to expand the list of financial instruments and issuers — Russian and foreign — with which it conducts operations in the financial market. This will enable to diversify geopolitical risks associated with sanctions and the tense global economic situation, and to invest in both developing and developed markets.

The US market is the most interesting one of the stock markets of developed countries. American companies show stable financial results, which are transformed into a phenomenal growth in the value of issuers' shares. Investments in Kazakh and Turkish companies, which can provide significant returns, are possible in emerging markets.

The Bank monitors corporate events in these markets and will focus on corporate events of issuers such as mergers and acquisitions, placement of shares, buyouts, and securities delisting. The analytical and statistical information obtained in the development of promising investment ideas may be accumulated and compiled to provide all concerned and authorized persons and employees of the Bank. The frequency, volume and format of such publications are being worked out.

With regard to money market transactions, the Bank is considering the possibility of extending the list of counterparties to interbank lending and banknote transactions to obtain the best price conditions for transactions. In order to increase the turnover and income from conversion operations, the Bank may consider the possibility of narrowing spreads between the rates of foreign currency purchase and sale.

OPERATING
RESULTS

INTERNATIONAL SETTLEMENTS AND CURRENCY CONTROL

The Bank offers its clients a full range of services for conducting export-import operations: account management (in US dollars, euros, pounds sterling, Swiss francs), non-cash currency purchase and sale by non-cash rubles at the client's request; transactions with currency in cash, documentary operations in rubles and foreign currency; currency control. The Bank is a member of SWIFT and make payments anywhere in the world in all major world currencies.

The competitive advantages of the Bank are: a high speed of payments, flexible tariffs, and a wide experience in making settlements under foreign trade contracts. The Bank provides its clients with advice on the choice of optimal conditions and forms of foreign trade payments, hedging currency risks. It is possible for the specialists of IPB Bank (JSC) to participate in negotiations between clients and foreign counterparties and banks.

Interprogressbank is an authorized bank of the Federal Customs Service of the Russian Federation to issue guarantees in favor of customs authorities.

RESULTS AND ACHIEVEMENTS

- a unified information resource on accounting for currency transactions was put in place;
- an electronic repository of exchange control documents was created;
- document management with additional offices/branch is optimized.

BUSINESS OPPORTUNITIES AND PLANS FOR 2018



FURTHER AUTOMATION OF
BUSINESS PROCESSES RELATED
TO FOREIGN EXCHANGE
TRANSACTIONS



UPDATE OF THE SOFTWARE USED BY
THE BANK:

- TESTING AND INTRODUCTION
OF THE NEW RBS
- INTRODUCTION OF THE CURRENCY
TRADING DAY MODULE

OPERATING
RESULTS

DEVELOPMENT OF A REGIONAL BANKING NETWORK

As of the end of 2017, the Bank’s regional network consisted of one branch and one secondary office in St. Petersburg, ten secondary offices and five out-of-the-office cash counters in Moscow Region.

The development strategy of the Bank’s regional network provides for monitoring and regular optimization of its maintenance costs, including through the revision of the location of secondary offices and their number, but an important condition is the preservation of high quality of service and convenience for clients. Performing the task of optimizing the network, the Bank closed two secondary offices in Moscow in 2017, reallocating resources in favor of more profitable and efficient points of sale.

In April, the Bank opened a new secondary office Kurskii in order to maintain comfortable service conditions for clients. It is located in the central part of Moscow and operates 7 days a week.

Since the quality of service directly in the offices and the degree of client satisfaction largely affect the regional network performance, in 2017 the Bank improved the methodology for monitoring the quality of client servicing and raised the qualification requirements for employees of the regional network. The Bank arranges trainings for its employees, including using less expensive distance learning technologies, and holds consultations.

In 2018, the Bank will continue to optimize its network in St. Petersburg and Moscow Region. The emphasis in the future is supposed to be placed on the development of a network of automated offices in the format of mini-office on the basis of the Bank’s own ATMs and payment terminals. This solution will enhance the availability and efficiency of the Bank’s client servicing outside the location of its traditional branches, and is estimated by the Bank as the most effective.

The Bank considers the development of the mini-office network based on ATMs and terminals to be the most promising area



100 FRANCS — 37.5 RUBLES OF NICHOLAS II

RUSSIA (1902)

UNUSUAL COIN IN HONOR OF THE RUSSO-FRENCH ALLIANCE



APPROXIMATE
VALUE:

11.04 MLN RUB

DENOMINATION: **37.5 RUB**

In 1902, five years after the monetary reform of S. Y. Witte and the gold standard introduction, the ruble was one of the most stable and desirable currencies in the world. The more unusual is the denomination of this gold coin — 100 francs. It was officially announced as donative. But informally, this issue confirmed the preservation of allied relations between the Russian Empire and France, which were considered as a guarantee of peace in Europe by both countries. However, there was a third version: a small mintage of these coins was made for use in the casino.

RISK MANAGEMENT

The risk management system in the Bank is built and improved in accordance with the regulatory requirements and recommendations of the Bank of Russia, as well as taking into consideration the generally recognized international standards, the provisions of the Basel Committee on banking supervision and best practices.

The Bank identified the types of risks that it defined as significant to its operations; approved the Risk and Capital Management Strategy based on the Bank's Development Strategy, and the Procedures for Managing Certain Types of Risks and Assessing Capital Adequacy. As part of its internal procedures, the Bank plans, evaluates, and regulates each type of risk separately, allocating capital for each significant and potential risk, and in the aggregate, ensuring capital adequacy at an acceptable level. In addition, in order to take into account the negative impact of possible crisis factors, the Bank conducts regular stress tests.

IMPLEMENTATION OF INTERNAL CAPITAL ADEQUACY ASSESSMENT PROCEDURES (ICAAP)

In accordance with the orders No. 3624-U "On Requirements for the Risk and Capital Management System of the Credit Institution and Banking Group" of the Bank of Russia, the Bank introduced the internal capital adequacy assessment procedures (ICAAP) in 2017.

One of the key objectives of the risk and capital management system, as well as the initial and integral stage of the ICAAP implementation, is the risk identification and the determination of significant risks. The decision on which risks are classified as significant shall be made by credit institutions independently. The Bank determined them in accordance with its approved Significant Risk Identification Methodology. This

document describes the procedure and principles of classification of significant risks; the methods of their identification and assessment; the methods of their aggregation with other types of risks to identify such combinations of risks that could lead to losses that significantly affect the assessment of the Bank's capital adequacy. In addition, the Methodology establishes the procedure for controlling the volume of risks.

ASSUMED CLASSIFICATION OF THE BANK'S RISKS

SIGNIFICANT RISKS:

CREDIT RISK
LIQUIDITY RISK

RISKS ASSUMED:

MARKET RISK (INTEREST RATE, EQUITY, FOREIGN EXCHANGE, COMMODITY)
OPERATIONAL RISK (INCLUDING INTERNET BANKING RISKS)

POTENTIAL RISKS ASSUMED:

CONCENTRATION RISK (AS PART OF CREDIT RISK)
INTEREST RISK OF BANK BOOK
LEGAL RISK
REPUTATION RISK
STRATEGIC RISK

RISK
MANAGEMENT

The fundamental document under the ICAAP is the Risk and Capital Management Strategy of the Bank, the main provisions of which determine:

- risk and capital management goals and objectives;
- accepted and significant risks of the Bank;
- functions and areas of responsibility of the Bank's management bodies, committees and divisions within the risk and capital management process;
- control procedures by the Bank's management bodies;
- procedures for management of significant and potential risks and capital of the Bank;
- indicators of risk appetite, target (maximum) level of required capital, as well as the planned risk structure;
- terms for planning the volume of operations (transactions) and capital in the Bank;
- composition and frequency of the ICAAP reporting;
- main approaches to stress testing.

As part of its internal procedures, the Bank plans, evaluates, and regulates each type of risk separately, allocating capital for each significant and potential risk, and in the aggregate, ensuring capital adequacy at an acceptable level. In addition, in order to take into account the negative impact of possible crisis factors, the Bank conducts regular stress tests

INFORMATION ON CAPITAL MANAGEMENT

The Bank’s capital management policy is aimed at maintaining a capital base sufficient to maintain the confidence of investors, creditors, to cover possible losses and ensure the development of the Bank. The amount of the Bank’s own funds (capital) is calculated on the basis of the Regulation of the Bank of Russia dated 28.12.2012 No. 395-P “On the Methodology for Determining the Amount of Own Funds (Capital) of Credit Institutions (Basel III)”.

Capital adequacy is determined by the requirements of the Bank of Russia Instruction No. 180-I dated 28.06.2017 “On Bank Statutory Ratios”. Capital adequacy ratios determine the minimum ratio of the Bank’s capital to risk-weighted assets of the Bank.

The Bank submits the information on the calculation of statutory ratios in the prescribed form of reporting to the territorial institution of the Bank of Russia which supervises its activities.

The Bank’s Risk and Capital Management Strategy defines the risk tolerance for regulatory capital adequacy and internal capital adequacy. Internal capital adequacy is determined by comparing the aggregate amount of capital required to the amount of disposable capital. Capital adequacy is determined as a percentage of the capital required to cover risks, and set forth at a level of at least 100%.

Capital adequacy ratios, as well as disposable capital adequacy indicator, are monitored by the Bank on a daily basis for their compliance with the requirements established by the Bank of Russia, as well as for internal purposes of capital planning and management.

If the value of capital adequacy ratios and disposable capital adequacy indicator are close to the limit value established by the Bank of Russia and the Bank’s internal requirements, this information is immediately reported to the Management Board and the Board of Directors.



In 2017, capital adequacy ratios were met with a significant reserve compared to the limit values

	ACTUAL VALUE AS OF THE REPORTING DATE	ACTUAL VALUE AT THE BEGIN- NING OF THE REPORTING PERIOD	CHANGE
CORE (BASIC) CAPITAL, MLN RUB	2,838.6	2,809.9	+28.7 (+1.0%)
OWN FUNDS, MLN RUB	5,558.2	5,624.8	-66.7 (-1.2%)
R1.0 OWN FUNDS ADEQUACY RATIO, % (MINIMUM OF 8.0%)	16.5	15.2	+1.3 P.P.
R1.1 CORE CAPITAL ADEQUACY RATIO, % (MINIMUM OF 4.5%)	8.6	7.7	+0.9 P.P.
R1.2 BASIC CAPITAL ADEQUACY RATIO, % (MINIMUM OF 6.0%)	8.6	7.7	+0.9 P.P.

STRESS TESTING

The Bank conducts stress testing in order to:

- determine the Bank’s degree of resilience to exceptional but probable extreme events;
- master the bank risk management skills in emergency situations.

The Bank shall conduct stress testing of risks recognized as significant, as well as the following types of risks in accordance with the principle of proportionality under the internal capital adequacy assessment procedures (ICAAP):

- credit risk;
- liquidity risk;
- interest rate risk;
- concentration risk (taken into account in the form of additional factors during stress testing of significant risks: credit risk (in terms of loan portfolio concentration) and liquidity risk (in terms of resource base concentration)).

In addition, a number of factors, including the assessment of a possible adverse impact of the following potential risks of banking activities, may be taken into consideration during stress testing:

- stock risk;
- currency risk.

OBJECTIVES OF STRESS TESTING



ASSESSMENT OF CAPITAL ADEQUACY

and liquidity of the Bank to compensate for losses that may arise in case of extreme events



DETERMINATION OF MAXIMUM MAGNITUDE OF LOSSES

of the Bank in the implementation of scenarios of adverse events of different degree



PRELIMINARY DEVELOPMENT OF A SET OF MEASURES,

excluding the achievement of level at which the Bank will be unable to continue its activities by one or several bank risks in case of implementation of adverse scenarios

Stress testing is carried out 2 times a year

INFORMATION ON CONCENTRATION OF RISKS ASSOCIATED WITH BANKING OPERATIONS IN TERMS OF GEOGRAPHIC ZONES, TYPES OF CURRENCIES, BORROWERS, AND THEIR ACTIVITIES

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

Moscow Region is a financial center and a place of concentration of Russian and foreign financial institutions that is a positive factor for the Bank's development.

In order to limit the concentration risk, the Bank has established the following types of limits on the total amount of claims (funds in credit institutions, loan debt, investments in securities, credit obligations) to the Bank's counterparties:

- by types of economic activity;
- by regional affiliation;
- by country affiliation.

In order to limit the concentration of currency risk, the Bank applies limits both on the total volume of open foreign exchange position and the size of a position for each currency separately.

The concentration risk is also taken into account as the additional factors in stress testing of significant risks: credit risk and liquidity risk

The size of open foreign exchange position (OFEP) is calculated according to the Instructions of the Bank of Russia dated 28.12.2016, No. 178-I "On Setting Size (Limits) of Open Foreign Exchange Positions, the Methodology for Calculating them and the Specifics of Supervision over their Compliance by Credit Institutions".

CREDIT RISK

Credit risk is the risk of losses incurred by the Bank due to the non-performance, late or incomplete performance of financial obligations by the client to the Bank in accordance with the terms and conditions of the agreement.

The Bank's credit risk management is carried out by means of this risk identification and assessment at the methodological and operational levels, ensuring strict adherence to the policies and procedures adopted by the Bank, and based on the following principles:

- integrated nature of assessment – covers all aspects of credit banking activities, in order to determine the actual level of credit risk of the Bank and identify the required measures to regulate it;
- consistency of economic and other indicators of the borrower's creditworthiness, which determine the degree of risk: the financial indicators of the borrower's creditworthiness analysis and the information obtained from all available sources of information (media, Internet, individual communication with the borrower, etc.) are taken into account;

The risk management system ensures the independence of the Bank's controlling units from the units and bodies, which accept risks

- principle of assessing risk factor in dynamics and forecasting their impact on the future. The essence of this principle is that the Bank responds in a timely manner to external and internal changes, which are expressed in an increase in the loan portfolio risk, and applies the required methods of its regulation specified in the Bank's Credit Policy;
- assessment of the Bank's loan portfolio risk is objective and accurate, i.e. based on reliable information, and the conclusions and recommendations are justified by analytical calculations;
- clear definition of competence of the collegial bodies and officials of the Bank in decision-making;
- focus on centralizing control over the level of credit risk at all stages of the business process;
- independence of the units involved in the credit risk assessment and control from the units and management bodies of the Bank which take risks.

The main internal regulatory document regulating the process of assessment, acceptance and management of credit risk is the Bank's Credit Policy, which determines the system of credit risk management, the procedure for granting loans and the system of decision-making on the provision of loan products, the characteristics of loan products and the basic conditions for their provision, the basic requirements for provision, etc.

In order to manage credit risk in a prompt manner and minimize it, the Bank has formed the Credit Committees (credit, medium, small), as well as the Limit Committee, which are responsible for the approval

of operations subject to the credit risk depending on the degree of significance and type of operations.

In order to identify and assess the credit risk, the Bank carries out the following procedures:

- mandatory regular assessment of the financial position of borrowers/ counterparties;
- assessment of the quality category and degree of risk for the loans issued;
- procedure for the formation of provisions for possible loan losses, provisions for possible losses from other operations;
- assessment of liquidity and sufficiency of the proposed provision, its objective assessment and insurance;
- constant monitoring of the borrowers' performance of their obligations to the Bank and the actual availability of provision.

The methods of credit risk assessment: the assessment of the financial position of borrowers (contractors), the quality of loans, the standard requirements provided for provision, the procedure for granting loans and decision-making on their granting, as well as the procedures aimed at preventing and minimizing the damage that can be caused by this type of risk, are recorded in the internal documents of the Bank developed in accordance with the requirements of the Bank of Russia.

Actual indicators characterizing the Bank's credit risks comply with the regulatory requirements or are significantly lower than the standards



The Bank makes the assessment of individual credit risks for transactions bearing the credit risk according to the types of clients, which are divided into corporate clients, individuals and financial institutions.

To reduce the level of credit risk, loan products are granted primarily subject to the availability of provision. As provision for corporate and retail lending operations, the Bank considers the pledge of tangible assets, guarantees, property rights and other collateral. Securities are accepted as a provision for reverse repurchase operations.

The main method of limiting credit risk is the system of limits, which includes:

- Structural limits: on loans to legal entities and individuals, placement of funds in the interbank market, investments in promissory notes of legal entities circulating on the OTC market, placement of funds on the established securities market.
- Limits on a borrower / a group of related borrowers.
- Limits on counterparties/issuers in the financial market.

The monitoring and revision of the fixed limits are carried out on an ongoing basis (in accordance with the frequency of reporting to be submitted). The actual compliance with limits on the level of risk accepted is monitored on a daily basis by the structural units of the Bank within their area of responsibility.

The Bank conducts monitoring of major credit risks and concentration risks by exercising control over the statutory ratios established in accordance with the requirements of the Bank of Russia related to the magnitude of risk per borrower / group of related borrowers (ratio R6), the maximum risk per the person related to the Bank (a group of related persons) (R25), volume of large loans (R7), as well as the ratios related to shareholders and insiders (R9.1 and R10.1).

	STATUTORY VALUE, PERCENT	ACTUAL VALUE AS OF THE RE- PORTING DATE	ACTUAL VALUE AT THE BEGIN- NING OF THE REPORTING PERIOD
R6 MAXIMUM RISK RATIO PER BORROWER OR GROUP OF RELATED BORROWERS	25.0	21.8*	21.8*
R7 MAXIMUM RISK RATIO OF MAJOR CREDIT RISKS	800.0	288.4	300.4
R9.1 MAXIMUM RISK RATIO OF LOANS, BANK GUARANTEES AND SURETIES GRANTED BY THE BANK TO ITS PARTICIPANTS (SHAREHOLDERS)	50.0	0.0	0.0
R10.1 AGREGATE RISK RATIO PER INSIDERS OF THE BANK	3.0	0.6	0.1
R25 MAXIMUM RISK RATIO PER PERSONS RELATED TO THE BANK (A GROUP OF PERSONS RELATED TO THE BANK)	20.0	13.9	19.6

* Actual maximum value for the reporting period.

The Bank conducts the extensive monitoring of loan portfolio, analyzing the information on a borrower and its main counterparties. It takes into account the financial market conditions, the situation in the industry where the borrower operates, the availability of signs of conducting dubious activities, as well as identifies potential areas of concern

CREDIT RISK OF THE COUNTERPARTY

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

A key factor for making the decision on establishing credit risk limits on counterparties is the financial situation of the counterparty, as well as the assessment of the probability of occurrence of the counterparty credit risk prior to the completion of settlements and in the process of making settlement under the transaction. The financial position of counterparties is assessed using the Bank's internal methods on the basis of financial statements and additional information.

When assessing the credit risk of the counterparty's default prior to the completion of settlements under the transactions with derivative financial instruments and REPO transactions, in order to assess the credit risk of the counterparty the Bank applies the methodology set forth in Annex 3 "Methods of Calculating Credit Risk on DFI" and 7 "Methods of Calculating Risk of Changes in the Value of Credit Requirements as a Result of the Deterioration of Counterparty's Creditworthiness" to the Instruction of the Bank of Russia No. 180-I. The credit risk of counterparty's default is not referred to significant risks by the Bank.

As of 01.01.2018, the magnitude of credit risk for derivative financial instruments is zero.

MARKET RISK

In order to gain a profit the Bank assumes the market risks arising from adverse changes in market factors. The market risk includes stock, interest rate, commodity and currency risks.

The operating system in the Bank is based on:

- limiting market risks by means of the system of structural and individual limits, ensuring that the volume of risks assumed is consistent with the nature and scale of operations carried out by the Bank;
- market risk assessment;
- assessment of the potential impact of a number of specified adverse changes in the market risk factors (stress testing) on the Bank's financial position.

The market risk assessment in the Bank is carried out in accordance with the requirements of the Bank of Russia Regulation No. 511-P dated 03.12.2015 "On the Procedure for Calculating Market Risk by Credit Institutions".

STOCK AND INTEREST RATE RISKS

The Bank's stock and interest rate risks are related to the trading portfolio of securities (shares and bonds) and assessed as acceptable due to the high reliability of issuers.

The formation of the securities portfolio volume is carried out in accordance with the structural limits of asset allocation established by the Policy on Raising and Allocating Resources approved annually.

By the decision of the Limit Committee, the Bank has previously reduced the limit of the total amount of open positions to 10% of the capital. This level is lower than the level required by the Bank of Russia (20%)

The individual limits of investments in securities on issuers, as well as the structural limits on financial instruments, depending on the current economic situation (under the structural limits of the Policy on Raising and Allocating Resources) are established and adjusted by the Limit Committee during the year.

The method of prices caps (the establishment of limits on the maximum amount of losses (stop loss)) is used to limit the risk of large losses as a result of unfavorable price behavior in the securities market.

As of 01.01.2018, all securities purchased by the Bank were included in the trading portfolio.

COMMODITY RISK

As of 01.01.2018, there was no commodity risk in the Bank.

CURRENCY RISK

The currency risk management is carried out by ensuring the maximum possible correspondence between the currency of assets and the currency of liabilities by the forms of currency. The main limitation on currency risk is the size of open foreign exchange position calculated in accordance with the Instruction of the Bank of Russia dated 28.12.2016 No. 178-I "On Setting Size (Limits) of Open Foreign Exchange Positions, the Methodology for Calculating them, and the Specifics of Supervision over their Compliance by Credit Institutions".

In accordance with the requirements of the Bank of Russia, the limit of open foreign exchange position in each currency is not more than 10% of the Bank's capital. The limit was observed in 2017.

In accordance with the requirements of the Bank of Russia the limit of the total amount of open positions is not more than 20% of the Bank's capital. The limit was fulfilled in 2017. The minutes of the Limit Committee No. 17 dated 28.11.2014 enshrined the decision to restrict this limit to 10% of the Bank's capital. The specified limit was observed by the Bank in 2017.

INTEREST RISK OF BANK BOOK

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

As a method of interest rate risk assessment, the Bank uses the gap analysis with stress testing for changes in the level of interest rate by 200 basis points (a basis point is a hundredth of a percent) in accordance with the Procedure of Preparation and Presentation of the Reporting Form 0409127 "Information on Interest Rate Risk", as well as a simplified method of duration (measurement of the impact of changes in interest rates on the value of the current cost of assets and liabilities of the Bank).

Funds of the Bank's clients are quite well diversified and form a long-term and stable source of financing for the Bank's activities

LIQUIDITY RISK

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

Liquidity risk is associated with the following factors:

- inflows and outflows of funds:
 - risk of gap between amounts and dates of receipts and writing off the funds;
 - risk of contingent liquidity requirements;
- investment in financial assets:
 - market liquidity risk, i.e. the risk of loss probability in the sales of assets or due to inability to close an existing position as a result of underliquidity or insufficient trading volumes;
 - risk of funding, i.e. the risk associated with potential changes in the cost of funding, which affect the future income of the Bank.

The liquidity management system is a vitally important system of the Bank: the Bank's resources are limited, therefore, the quality of their planning and the maintenance of the proper functioning of this system is a priority task.

The liquidity management system of the Bank is comprised of two components:

- current payment position management system;
- management system of the Bank's accounting liquidity.

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

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

The management system of the Bank's accounting liquidity is the main tool ensuring the Bank's fulfillment of its obligations regardless of counterparts' actions.

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

Liquidity position monitoring includes:

- analysis of liquidity lowering risk using the statutory ratios established by the Bank of Russia;
- analysis of the liquidity risk associated with the gap in the discharge of claims and liabilities;
- cash flow forecasting;

During the reporting year, the Bank performed the statutory liquidity ratios established by the Bank of Russia with a large reserve



- analysis of possible conflict of interest between liquidity and profitability.

For the analysis of liquidity risk, the actual values of the statutory liquidity ratios R2, R3, R4 are estimated based on the requirements of the Bank of Russia Instruction No. 180-I dated 28.06.2017.

The analysis of liquidity risk by the method of analysis of a gap in the discharge of claims and liabilities characterizes the gap in the Bank’s discharge of claims and liabilities based on balance sheet data and data on terms to maturity of credits and deposits for the time being.

Threshold limit values of liquidity surplus/shortage are calculated on a quarterly basis using resource base statistics for the preceding quarter. The estimation of threshold limit values is carried out with the use of the methods approved by the Bank.

In 2017, there was no violation of threshold limit values of liquidity surplus/shortage.

One of the tools of liquidity risk management is the stress-testing practices focused on determination of possible Bank’s liquidity shortage associated with potential cash outflow from the clients’ accounts. The scenario analysis is used during stress-testing of liquidity risk.

As a result of the stress-testing conducted as of 01.01.2018, it is established that the outflow of client funds (according to the specified scenario) will not lead to liquidity shortage of the Bank.

OPERATIONAL RISK

Operational risk is the default risk arising from the unreliability and insufficiency of the Bank’s internal management procedures, the failure of information, and other systems or the effect of external events on the Bank’s activity. The amount of operational risk is calculated in accordance with the Bank of Russia Regulation No. 346-P dated 03.11.2009 “On the Procedure for Calculating the Amount of Operational Risk”.

	STATUTORY VALUE, PERCENT	ACTUAL VALUE AS OF THE REPORT- ING DATE	ACTUAL VALUE AT THE BEGINNING OF THE REPORTING PERIOD
R2 INSTANT LIQUIDITY RATIO OF THE BANK	NOT LESS THAN 15.0	85.9	65.9
R3 CURRENT LIQUIDITY RATIO OF THE BANK	NOT LESS THAN 50.0	208.8	139.6
R4 LONG-TERM LIQUIDITY RATIO OF THE BANK	NOT LESS THAN 120.0	13.1	13.7



The operating losses for 2017 amounted to 0.01% of the Bank's capital. Thus, the operational risk factors have an immaterial effect on the Bank's financial result and capital

The Bank takes a set of measures to reduce operational risk:

- Use of means of confidential information protection from unauthorized access, provision of personal data security in order to prevent the abusive activity or illegal actions of employees and third parties with regard to the Bank.
- Insurance of property by insurance companies (vehicles, interior and exterior finish of premises, engineering and communication systems and networks), installation of fire and burglar alarm in premises in order to prevent damage or loss of fixed assets and other tangible assets.
- Provision of going concern in case of the equipment or system failure: the Bank has developed the "Plan of Actions Aimed at Provision of Going Concern and (or) Recovery of Business of INTERPROGRESSBANK(JSC)inCaseofUnforeseenCircumstances", which describes in detail the sequence of personnel actions concerning the recovery/maintenance of the Bank's going concern upon the occurrence of the above circumstances. In particular, the transition to backup servers, backup communication channels, backup power sources is provided for, the backup of key information is used. The Plan modules are tested at regular intervals.
- In accordance with the Internal Control Rules, the Bank monitors the client data and analyzes the client s' transactions for the purpose of anti-money laundering and combating the financing of terrorism.
- Optimization of the organization of activities, prevention of managementandexecutionerrors:theoperationalriskmanagement is carried out at all levels of the internal control system, the compliance with the internal procedures, regulations, instructions, legislation of the Russian Federation is monitored on a regular

basis, the internal structural units of the Bank provide reports on the operational risk factors to the risk management department on an on-going basis, the data are systematized and submitted in a generalized form for consideration to the Management Board and the Board of Directors of the Bank.

- Maintenance of the base of operational risk events, including those leading to operational losses, the system analysis of this base, the allocation of the areas of business most influenced by the operational risk factors, taking measures to minimize the effect of these factors.

The operating losses for 2017 amounted to 0.01% of the Bank's capital. Thus, the operational risk factors have an immaterial effect on the Bank's profit or loss and capital.

LEGAL RISK

The goal of legal risk management is to maintain the risk assumed at the level determined by the Bank in accordance with its own strategic objectives. The priority is to ensure maximum safety of assets and capital due to reduction (exclusion) of possible losses, including in the form of payments of funds on the basis of court rulings (judgments) that may cause unforeseen losses.

Legal risk factors are as follows:

- ineffective organization of legal work leading to errors in law in the Bank's activity due to the actions of employees or management bodies of the Bank;
- violation of the terms and conditions of contracts by the Bank;

The Bank has introduced a set of threshold parameters (limits), the change of which indicates a change in the nature of a particular business area and, accordingly, the occurrence of legal risk

- inadequate addressing the legal issues by the Bank during the implementation of activities, the development and introduction of new technologies and the conditions of bank operations and other transactions, financial innovations and technologies;
- imperfection of the legal system (lack of sufficient legal regulation, inconsistency of the legislation of the Russian Federation, its exposure to changes, including those with regard to inadequate methods of governmental regulation and (or) supervision, inappropriate application of foreign legislation and (or) rules of international law), inability to resolve certain issues through negotiations and as a result the Bank's resort to judicial authorities for their settlement;
- violation of contract terms, regulatory legal acts by the Bank's clients and counterparts.

Legal risk management is carried out by the following methods:

- threshold value (limit) system;
- authority and decision-making system;
- information system;
- legislation monitoring system;
- supervision system.

For the purposes of identifying and assessing the signs of legal risk, the Bank has introduced a set of threshold parameters (limits), the change in condition and value of which means a change in the characteristics

of a particular area of Bank's activities and, accordingly, a change in legal risk.

The system of threshold parameters (limits) is designed to record the Bank's overrun of an acceptable level of legal risk.

In 2017, there were no legal risk factors that could have a significant impact on the financial result and capital of the Bank.

REPUTATIONAL RISK

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

The Bank uses the following parameters to assess the level of reputational risk:

- change in the Bank's financial condition (actual fulfillment of statutory ratios and change of ratios at runtime);
- increase (decrease) in the number of claims against the Bank, including those related to quality of client and counterparty servicing;
- negative and positive feedback and news about the Bank, its affiliated persons in the mass media, as well as changing of business reputation of the Bank's affiliated persons, regular clients and counterparties;
- finding facts of stealing, forgery, fraud in the Bank, use of confidential information received from clients and counterparties by employees for their personal purposes;

In 2017, there were no reputational risk factors that could have a significant impact on the financial result and capital of the Bank

- poor efficiency of the Bank and its affiliated persons as for antimoney laundering and combating the financing of terrorism, as well as other illegal activities carried out by unscrupulous clients and counterparties and (or) employees of the Bank (failure to comply with the Requirements of Federal Law No. 115-FZ dated 07.08.2001 and the Internal Control Rules for the purposes of AML/CFT);
- closing of accounts by high profile clients of the Bank.

In 2017, there were no reputational risk factors that could have a significant impact on the financial result and capital of the Bank.

STRATEGY RISK

It is the risk of adverse change in the Bank's performance due to erroneous decisions adopted during the Bank's management including in the development, approval and implementation of the Bank's Strategy, improper execution of the decisions adopted, as well as the inability of the Bank's management bodies to take into account the changes in external factors.

A feature of strategy risk that distinguish it from other Bank's risks is the probability of occurrence of such risk in the Bank's activities only in connection with the strategic targets of the Bank's operation and decisions (or their absence) of the management bodies on their fulfillment.

Strategy risk factors are as follows:

- poor strategic planning, including insufficient consideration of probable dangers that may threaten the Bank's activities; wrong (insufficiently substantiated) definition of business opportunities through which the Bank can reach competitive advantages; failure

to achieve the strategic targets set by the Bank due to lack or incomplete provision of required (financial, material and technical, human) resources;

- complete (partial) lack of appropriate organizational measures (managerial decisions) ensuring the achievement of the Bank's strategic targets;
- management decision-making that is contrary to the current Strategy;
- failure to adhere to managerial decisions during the Strategy implementation;
- errors during the selection of methods for the implementation of strategic targets;
- changes in the Bank's macroeconomic environment, including offering new types of banking products and services on the market, changes in market indicators, changes in the economy as a whole;
- changes in the current legislation of the Russian Federation, statutory acts of regulatory bodies.

The management of strategy risk is carried out on an ongoing basis during the development and revision of the Bank's Strategy, as well as in the process of its implementation.

The aspects related both to the external environment (politics, economy, social trends, technologies), competition, client needs, and to the internal capabilities and available resources of the Bank are comprehensively analyzed at the stage of strategic planning.

Strategic risk is assessed in the process of the development of the Bank's Strategy and, at least, every six months, during its implementation

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

The assessment of strategy risk at the stage of the Strategy implementation is carried out each half year as of July 01 and January 01 and as and when necessary (in case of adverse events or abnormal situations that may affect the achievement of indicators set by the Bank's Strategy).

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

In 2017, there were no strategic risk factors that could have a negative impact on the Bank's performance of key indicators of the Strategy. The key indicators of the Bank's Development Strategy for 2017, such as the average annual value of net assets, competitive place in the banking community, the Bank's own funds (capital) (including fixed and additional), profit for the year, were generally met.



RUBLE WITH THE PORTRAIT OF PAUL I

RUSSIA (1796)

COINS OF PAUL I REMINDED SUBJECTS ABOUT DUTY AND HONOR



APPROXIMATE
VALUE:

212.5 MLN RUB

DENOMINATION: 1 RUBLE

The reigning persons of Russia, beginning from Peter the Great, placed their portraits on coins of large denominations. This tradition was interrupted for nearly 90 years by Paul I who ruled for a short period of time. The emperor-knight even from the coins reminded his subjects about duty and honor. Instead of the portrait of the monarch, the legend: "Not unto us, not unto us, But unto thy name" was engraved on the coins. An exceptionally rare "portrait" ruble, not approved by Paul I, was sold at an online auction in 2016. The price of the transaction is three times higher than the starting price of the coin, and remains a record for Russia.

CORPORATE CULTURE

As of the end of 2017, the Bank employed 506 people, and the Bank had the same number of employees at the end of the previous reporting year. The Bank's HR Policy promotes the achievement of strategic targets, and for this reason in 2017, the main emphasis was placed on the staff development and the enhancement of efficiency of employees.

However, the most important goals of the Bank's HR Policy remain:

- formation of a single corporate culture;
- maintenance of an optimal balance in the process of staff renewal and retention, including the staff number and quality in accordance with the needs of the Bank;
- development of skills and potential of employees;
- employee incentive program development;
- enhancement of the appeal of the Bank as an employer for potential candidates and employees.

The Bank strengthens and develops its corporate culture in an effort to foster each employee's sense of engagement with fulfillment of strategic objectives. The Bank seeks to build the relationships with employees on the principles of long-term cooperation, mutual respect and strict performance of mutual obligations. Partnership, mutual responsibility and awareness of the significance of each team member are encouraged in the relations between employees. The Bank considers the team cohesion and commitment as a guarantee of the business quality and effectiveness.

SUM OF THE VALUES. CORPORATE CULTURE OF INTERPROGRESSBANK

VALUE:



RESULT:



CORPORATE CULTURE

RESULTS
AND ACHIEVEMENTS

- corporate website for employees was launched;
- the business audit of the Bank’s divisions was conducted in order to optimize the structures and business processes;
- personal mentoring consultations and coaching sessions were organized;
- eight types of face-to-face training with a total number of 153 employees of the Bank, and eight online training sessions with 330 participants were conducted;
- two training events for top management of the Bank were held;
- the Bank provided organizational support to its employees’ participation in charity programs.

BUSINESS OPPORTUNITIES
AND PLANS FOR 2018



THE MENTORING PROGRAM IS PLANNED TO BE LAUNCHED



THE PROGRAM “THE VOICE OF THE EMPLOYEE” IS PLANNED TO BE INTRODUCED: ENCOURAGING EMPLOYEES TO GIVE FEEDBACK, THE BANK INVOLVES THEM IN SOLVING COMMON PROBLEMS, IS ABLE TO IMPROVE BUSINESS PROCESSES IN LESS TIME AND IMPLEMENT INNOVATIVE IDEAS



THE ANNUAL BUSINESS AUDIT OF THE BANK’S UNITS IN ORDER TO OPTIMIZE ITS STRUCTURES AND BUSINESS PROCESSES WILL BE CONDUCTED



THE BANK INTENDS TO DEVELOP ITS OWN TRAINING CENTER: NEW TRAINING PROGRAMS WILL BE DEVELOPED, THE NUMBER OF FACE TO FACE AND ONLINE TRAININGS WILL BE INCREASED; BUSINESS GAMES AND OTHER ACTIVITIES AIMED AT QUALITATIVE IMPROVEMENT OF PROFESSIONAL AND PERSONAL SKILLS OF THE EMPLOYEES HAVE BEEN SCHEDULED



THE BANK FOCUSES ON THE PRESERVATION AND DEVELOPMENT OF CORPORATE SOCIAL PROGRAMS, AND WILL ENCOURAGE THE PARTICIPATION OF EMPLOYEES IN VOLUNTEER AND CHARITABLE PROJECTS, HEALTH CARE, ENGLISH LEARNING



LARGE CORPORATE EVENTS, INCLUDING IN CONNECTION WITH THE ANNIVERSARY OF THE BANK ARE PLANNED

CORPORATE
CULTURE



REMUNERATION SCHEME

The IPB Bank (JSC) applies the Regulation on Staff Remuneration Scheme developed in accordance with the Instruction of the Bank of Russia No. 154-I “On the Procedure for Assessing Remuneration Schemes of Credit Institutions and the Procedure for Submitting to Credit Institutions Orders to Eliminate Violations Identified in their Remuneration Schemes” dated 17.06.2014.

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

- remuneration is differentiated depending on the complexity and accountability of the work performed, the level of general and special knowledge and skills of the employee, the importance of his or her work status (profession), his or her position, the degree of independence and responsibility of the employee in the performance of tasks set;
- equal pay for equal work.

These principles are implemented by means of establishing clear job descriptions, as well as regular assessment of knowledge, skills and abilities of each employee, the complexity, quality and amount of labor spent. Employee payroll expenses are adjusted with due consideration of the level of wages in the labor market.

The issues on the organization, monitoring, and control of remuneration scheme are under the authority the Bank’s Board of Directors. The Board of Directors assesses the compliance of remuneration schemes with the Bank’s Strategy, the nature and scope of the transactions performed, the Bank’s performance, the level of risks assumed on the basis of reports provided by the authorized person. The preparation of decisions made by the Bank’s Board of Directors on remuneration organization, monitoring, and control is entrusted on the Chairman of the Bank’s Board of Directors.

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

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

According to the Bank's internal regulations, the category "The Bank's Executive Bodies and Employees Assuming Risks" (hereinafter referred to as employees assuming risks) includes 16 persons who are the members of the following Bank's managerial bodies and committees affiliated with the managerial bodies (except for members of committees in a consultative capacity):

- members of the Board;
- members of credit committees (large, medium and small);
- members of the Limit Committee;
- members of the Asset and Liability Management Committee.

The category "The Employees Responsible for Internal Control and Risk Assessment" includes 19 persons:

- Internal Audit Service employees;
- Internal Control Service employees;
- Risk Management Department employees;
- Financial Monitoring Department employees.



COMMEMORATIVE COINS OF THE BANK OF RUSSIA

RUSSIA (2010 AND 2016)

TRIBUTE TO TRADITION AND EXAMPLE OF MODERN MEDALLIC ART



APPROXIMATE
VALUE:

**13 MLN
RUB**

DENOMINATION: 50 THOUSAND RUBLES

The Bank of Russia has issued two series of gold commemorative coins of 50 thousand rubles: to its 150th anniversary and in honor of the 175th anniversary of the savings business in Russia. The first series was comprised of 50 coins, the second — 15. It is difficult to estimate their value, as they have never appeared at auctions. However, the metal cost may serve as the reference minimum price: each coin contains five kilograms of gold of the 999th highest rate. By the way, since the issuance of the first series of coins, the official price for gold established by the Bank of Russia has increased by about 2.5 times.

CORPORATE GOVERNANCE

From an organizational point of view, Interprogressbank is a corporate legal entity, which is managed in accordance with the current legislation of the Russian Federation and the Charter of the Bank.

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

In 2016—2017, Interprogressbank significantly expanded the list of disclosed information. In particular, the Bank publishes the information on composition of its shareholders, their professional qualifications and experience; a list of affiliates and persons under the control or significant influence of which the Bank is; reports on securities issues; informs about the risks assumed, their assessment procedures, discloses risk management principles and other corporate information.

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

THE 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 resolution of the General Meeting of Shareholders of the Bank dated 25.06.2015 (the Minutes No. 1-2015), the Bank's name was changed: the full name of the Bank was «INTERPROGRESSBANK» (Joint - stock company), abbreviated name of the Bank was Bank IPB (JSC). The Charter of the Bank in force was approved by the General Meeting of Shareholders on 29.06.2016 (the 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 are the sole body (the Chairman of the Board) and collegial body (the Management Board).

The General Meeting of Shareholders is the highest Bank management body. The lists of resolutions made exclusively by the General Meeting of Shareholders are determined by the legislation of the Russian Federation and the Charter of the Bank. The Bank's Board of Directors provides the general management of the Bank except for those issues the resolution of which falls within the competence of the General Meeting of Shareholders. The management of the Bank's current operations is carried out by the executive bodies are the sole body (the Chairman of the Board) and collegial body (the Management Board).

Adherence to the principles and recommendations of the Corporate Governance Code is an effective tool to improve the efficiency of the Bank's management

In 2017, the General Meeting of Shareholders of the Bank was convened three times:

- On 09.03.2017, the General Meeting of Shareholders addressed the issue of the distribution of profit in accordance of the results of the financial year 2016 and the payment (declaration) of dividends in accordance of the results of the financial year 2016.
- On 29.06.2017, the annual General Meeting of Shareholders approved the Annual Report of IPB Bank (JSC) for 2016; the financial statements, including the profit and loss statement; elected members of the Board of Directors and members of the

Audit Commission, and approved the Bank’s auditor for 2017. In addition, the restated Regulation on the Board of Directors and restated Regulation on the Executive Bodies of the Bank were approved.

- On 04.12.2017, the extraordinary General Meeting of Shareholders decided to pay dividends at the expense of undistributed net profits of IPB Bank (JSC) based on the results of previous years, taking into account the recommendations of the Board of Directors.

The composition of the Board of Directors and the Management Board of the Bank underwent no changes in 2017.

**THE MANAGEMENT BOARD OF THE BANK
(AS OF 01.01.2018)**

**Yakovlev Dmitry
Aleksandrovich**
Chairman of
the Management
Board of the Bank

In 1993, he graduated from Moscow State Law University on specialty of Jurisprudence.
Since October 31, 2008 he has been the Chairman of the Management Board of IPB Bank (JSC).
In the period from 10.06.2011 to 28.05.2014 he was a member of the Board of Directors of IPB Bank (JSC).

**Savinykh Mikhail
Yurievich**
First Deputy
Chairman of
the Management
Board, Member of
the Management
Board

In 1993, he graduated from Moscow Institute of Electronic Engineering on specialty of Automation and Control in Technical Systems. Then in 1995, he graduated from Plekhanov Russian University of Economics on specialty of Finance and Banking.
Since May 22, 2006 he has been the First Deputy Chairman of the Management Board. He supervises: the Information Technology Department; Currency Management; Financial Monitoring Management; Collection Management; Management of Payment Systems and Technologies; Management of the Development of Bank E-payments and Technologies; Management of Cash Transactions and Monetary Circulation, PR and Advertising Department. He fulfills the responsibilities of the Chairman of the Board during his temporary absence.



**Mikheeva Tatiana
Igorevna**

Deputy Chairman
of the Management
Board, Member of
the Management
Board

In 1993, she graduated from Lomonosov Moscow State University on specialty of Russian Language and Literature. Then in 2012 she graduated from Lomonosov Moscow State University on specialty of National Economics. Since July 09, 2013 she has been the Deputy Chairman of the Management Board of IPB Bank (JSC). She supervises: the Lending Department; Pledge Operation Department; Preliminary Analysis Sector.

**Pronin Sergey
Igorevich**

Deputy Chairman
of the Management
Board, Member of
the Management
Board

In 2001, he graduated from Moscow State Technical University on specialty of Economics and Company Management (Machine Building). He confirmed the qualification of a specialist in the financial market for brokerage and dealer activities and the securities management on 08.12.2006; the qualification certificate Series AI-001 No. 000420 issued by the Non-Profit (Self-regulatory) Organization “National Association of Stock Market Traders” (NASMT). Since 01.04.2007 to 11.02.2015 he has been the Head of Financial Department of IPB Bank (JSC). In addition to the general management of the financial department he was responsible for the development, coordination and control of measures on the Bank’s balance liquidity management, the asset and liability structure optimization, coordination and control of measures on forecasting the current financial result of the Bank’s activity, coordination and control of budget formulation procedures, as well as control over the execution of the Bank’s budget. Since 11.02.2015 he has been appointed as the Deputy Chairman of the Management Board of IPB Bank (JSC). He supervises the Financial Department, Department of Support for Operations in Financial Markets, and coordinates the work of the Bank’s official – the Vice-President-Director of the Network Management and Business Development Department, supervising the activities of the Network Management and Business Development Department, secondary offices out-of-the-office cash counters.

**Korchagin Oleg
Stanislavovich**

Chief Legal Officer,
Member of the
Management Board

In 1998, he graduated from International Institute of Economics and Law. Since 01.11.2010 he has been working as the Chief Legal Officer of the Bank. Responsibilities: legal support for the Bank’s activities.



THE BOARD OF DIRECTORS OF THE BANK (AS OF 01.01.2018)

Sobolev Nikolai Aleksandrovich

Chairman of
the Board of
Directors

In 1986, he graduated from Lomonosov Moscow State University on specialty of Economist-Cybernetics.

Since 02.06.2014 he has been the First Vice-President of the IPB Bank (JSC). He supervises the work with strategic clients of the Bank, participates in the development of the Bank's Strategy.

Since 28.05.2014 up to present he has been the Chairman of the Board of Directors of the IPB Bank (JSC).

Responsibilities of the Chairman of the Board of Directors in accordance with the Federal Law «On Joint-Stock Companies» and the Bank's Statute.

Krapivin Aleksei Andreievich

Member of the
Board of Directors

In 2007, he graduated from Financial Academy under the Government of the Russian Federation on specialty of Economist.

Since 29.06.2010 he has been a member of the Board of Directors of the IPB Bank (JSC).

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

Roszheldorproekt JSC — since 28.09.2012;

Lengiprotrans PJSC — since 10.10.2012;

Bamstroimekhanizatsiia PJSC — since 13.10.2014;

Transproektfinans JSC — since 01.07.2015.

Previously he held the position of Director General:

SCC – Profuslugi JSC — from 29.09.2009 to 29.05.2015.

In prior years he was a member of the Board of Directors:

Transelectromontazh OJSC — from 28.06.2012 to 29.06.2015;

Mtsensk Foundry JSC — from 31.08.2012 to 30.06.2015;

GRAS MFC CJSC — from 06.02.2013 to 30.06.2016;

GRAS MPRC CJSC — from 07.02.2013 to 30.06.2016;

Dalgiprotrans JSC — from 21.02.2013 to 30.06.2015;

ED ACTIVE LLC — from 20.12.2013 to 03.06.2014;

MFS-1 JSC — from 27.06.2014 to 30.06.2016;

Bank Vozrozhdenie PJSC — from 01.06.2015 to 27.11.2015.

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

Stark CIP LLC — since 29.12.2012;

Girasol LLC — since 01.07.2015;

Group of companies 1520 LLC — since 02.07.2016;

NPG 1520 LLC — since 05.10.2016.

**Markelov Valerii
Anatolievich**

Member of the
Board of Directors

In 1987, he graduated from Tashkent Higher All-Troops Command College named after Vladimir Lenin on specialty of Operating Engineer of Caterpillar and Wheeled Vehicles.
Since 27.06.2007 he has been a member of the Board of Directors of the IPB Bank (JSC).
During the reporting period he was a member of the Board of Directors of Mtsensk Foundry JSC (since 31.08.2012) and Lengiprotrans OJSC (since 10.10.2012).

**Obodovskii Yuri
Vasilievich**

Member of the
Board of Directors

In 1991, he graduated from Odessa Highest Artillery Command School of Frunze on specialty of Engineer.
In 1996, he graduated from All-Russian State Distance-Learning Institute of Finance and Economics on specialty of Economist. In 2003, he graduated from Odessa Regional Institute of Public Administration of National Academy of Public Administration, Office of the President of Ukraine on specialty of Specialist in Public Administration. In 2006, he graduated from Financial Academy under the Government of the Russian Federation on specialty of Economist.
He received Ph.D. in Engineering Science from Peter the Great St. Petersburg State Polytechnic University in 2005.
Since 27.06.2007 he has been a member of the Board of Directors of the IPB Bank (JSC).
During the reporting period he was a member of the Board of Directors:
Elteza OJSC — since 06.2011 (Deputy Chairman of the Board of Directors);
Roszheldorproekt JSC — since 09.2012;
Lengiprotrans PJSC — since 10.2012;
Bamstroimehanizatsiia PJSC — since 10.2014.
He held the position of Director General:
Group of companies 1520 LLC — from 04.2014 to 04.2015;
NPG 1520 LLC — from 04.2014 to 04.2015;
Alaksa LLC (from 12.2015, including the reporting period).

**Usherovich Boris
Efimovich**

Member of the
Board of Directors

On 23.12.2016, he was elected to the Board of Directors of the Bank.
During the reporting period he was a member of the Board of Directors:
Lengiprotrans OJSC — since 27.06.2016 (and earlier — from 10.10.2012 to 29.06.2015);
Roszheldorproekt JSC — since 24.06.2015;
Bamstroimehanizatsiia PJSC — since 28.11.2016.



THE PRINCIPLES AND RECOMMENDATIONS IN THE FIELD OF CORPORATE GOVERNANCE OBSERVED BY THE BANK:

- The Bank ensures just and equal treatment of all shareholders in exercising their right to participate in the management of the Bank. Equal terms have been created for all shareholders, i.e. shareholders of the same category (type), including minority shareholders and foreign shareholders.
- Shareholders are also provided with a just and equal opportunity to participate in the distribution of the Bank's profits through the receipt of dividends.
- The Bank's corporate governance model ensures the delineation of the powers and responsibilities of the management and control bodies.
- The Bank engages independent external auditors to assess the reliability of the financial statements and the 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, defines 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, as well as implements other key functions. The Board of Directors is an effective and professional management body of the Bank, capable of making objective independent judgments and making decisions that meet the interests of the Bank and its shareholders.
- The Board of Directors ensures the performance evaluation of the Board of Directors, its committees and members of the Board of Directors.
- The system of remuneration of the executive bodies and other key executive officers of the Bank provides the dependence of the remuneration on the Bank's performance and the personnel contribution to achieving this result.



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

INTERNAL CONTROL SYSTEM

The internal control systems of the Bank enable to react to changes in the external and internal environment of the Bank in a prompt manner and to determine the acceptable level of bank risks.

The internal control in the Bank in accordance with the authority defined by the Bank's Charter and internal documents 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 or her deputies).
- Audit Commission.
- Director (his or her deputies) of the branch and Chief Accountant (his or her deputies) of the branch.
- Divisions and employees exercising internal control in accordance with the authority defined by the internal documents of the Bank, include:
 - Internal Audit Service;
 - Internal Control Service (Compliance Service);
 - Financial Monitoring Department;

- Comptroller of professional participants of the securities market;
- Risk Management Structural Unit;
- Other structural units and/or other responsible employees of the Bank.

In order to improve the internal control procedures and bring the Bank's organizational structure into compliance with the requirements of the Federal Law "On Banks and Banking Activity" and the Regulation of the Bank of Russia No. 242-P "On the Organization of Internal Control in Credit Organizations and Banking Groups", the Bank has implemented the Internal Control Service (Compliance Service), the main functions of which are:

- identification of the risk of the Bank's losses due to non-compliance with the legislation of the Russian Federation, internal documents of the Bank, standards of self-regulatory organizations, and as a result of imposition of sanctions and/or other enforcement actions by the supervisory authorities (hereinafter – regulatory risk);

- coordination and participation in the development of a set of measures aimed at reducing the level of regulatory risk in the Bank;
- identification of conflicts of interest in the activities of the Bank and its employees, participation in the development of internal documents aimed at its minimization;
- countering the illegal use of insider information and market manipulation.

AUDIT ORGANIZATION

The Bank engages an external audit organization that is not related to property interests of the Bank or its shareholders for annual verification and confirmation of the accuracy of the annual statements under the Russian Accounting Rules and International Financial Reporting Standards.

The results of the review of the opinion of the Bank's audit organization are included in the materials for the annual General Meeting of Shareholders. The audit organization is elected by the General Meeting of Shareholders on the proposal of the Board of Directors. In 2017, the audit organization was Development Agency LLC.

INTERNAL AUDIT SERVICE

The Internal Control Service has been 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 Control Service is accountable to the Board of Directors of the Bank, and has an independent status. The work of the Service is carried out on an ongoing basis without interference from the management bodies, units and employees who are not the Service staff. One of the main tasks of the Internal Control Service is to ensure compliance of the Bank and its employees with the requirements of regulatory legal acts, the standards of self-regulatory organizations (for professional participants of the securities market), the constituent and internal documents of the Bank.



12 RUBLES TO SILVER

RUSSIA (1839)

PLATINUM COINS WERE IN CIRCULATION ONLY IN RUSSIA



APPROXIMATE
VALUE:

5 MLN
5 RUB

DENOMINATION: 12 RUBLES

In 1826, the method of industrial platinum processing was developed in Russia, and the Minister of Finance of the Empire the count Kankrin proposed to Nicholas I to start the issuance of platinum coins from the Ural ore. Their unusual denomination (3, 6 and 12 rubles) was due to the fact that platinum was six times more expensive than silver.

In 1839, Kankrin successfully carried out the monetary reform: the binding of the ruble to silver for long provided the stability of the currency.

Platinum coins were minted until 1845, later they were withdrawn from circulation due to the sharp rise in prices for this metal in Europe.

ACCOUNTANT'S OPINION

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

In our opinion, the annual financial statements give a true and fair view of the financial position of «INTERPROGRESSBANK» (Joint - stock company) as of December 31, 2017, the financial results of its operations and cash flows for the year 2017 in accordance with the International Financial Reporting Standards.

Development Agency LLC

January 01, 2018
Moscow

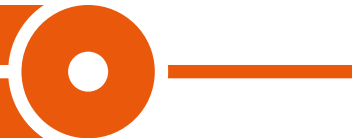


FINANCIAL STATEMENTS

BALANCE SHEET (REPORTING FORM) FOR 2017

OKUD code of form 0409806
Quarterly (annual), thousand rubles

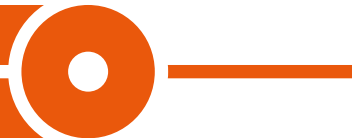
Line number	Item name	Number of explanations	Data for the reporting period	Data for the past reporting period
1	2	3	4	5
	I. ASSETS			
1	Cash	4.1	1,254,881	1,090,288
2	Funds of credit institutions in the Central Bank of the Russian Federation	4.2	1,311,217	1,624,051
2.1	Required reserves	4.3	311,916	277,613
3	Assets in the credit institutions	4.4	3,762,601	5,201,923
4	Financial assets at fair value through surplus or deficit	4.5, 4.6	0	0
5	Net lending receivables	4.9	30,642,214	28,690,966
6	Net investment in securities and other financial assets available for sale	4.7	2,729,308	3,428,943
6.1	Investments in subsidiaries and affiliates		0	0
7	Net investment in securities held to maturity	4.8	0	0
8	Requirements for current income tax		33,691	0
9	Deferred tax asset		108,678	102,861



Line number	Item name	Number of explanations	Data for the reporting period	Data for the past reporting period
10	Fixed assets, intangible assets and material assets	4.10	860,465	877,254
11	Non-current assets held for sale		3,953	4,392
12	Other assets	4.11	342,216	275,672
13	Total assets		41,049,224	41,296,350
II. LIABILITIES				
14	Loans, deposits and other funds of the Central Bank of the Russian Federation	4.12	0	0
15	Funds of credit institutions		0	29,160
16	Funds held for customers other than credit institutions	4.13	34,688,230	36,051,329
16.1	Deposits (funds) of natural persons, including private entrepreneurs		20,252,838	18,694,198
17	Financial liabilities at fair value through surplus or deficit		0	0
18	Issued debentures	4.14	2,018,486	927,967
19	Liabilities for current income tax		143,043	74,918
20	Deferred tax liability		115,876	160,239
21	Other liabilities	4.15	392,790	466,711
22	Provisions for possible bad loans, other potential losses and transactions with residents of offshore areas		342,101	268,483
23	Total liabilities		37,700,526	37,978,807



Line number	Item name	Number of explanations	Data for the reporting period	Data for the past reporting period
III. SHAREHOLDERS' EQUITY				
24	Capital of shareholders (participants)		1,133,338	1,133,338
25	Treasury shares		0	0
26	Share premium		0	0
27	Reserve fund		56,667	56,667
28	Revaluation at fair value of securities held for trading, decreased by deferred tax liability (increased by deferred tax asset)		21,615	198,545
29	Revaluation of fixed assets and intangible assets, decreased by deferred tax liability		486,573	487,098
30	Revaluation of liabilities (requirements) for long-term remunerations		0	0
31	Revaluation of hedging instruments		0	0
32	Grant funding (contributions to assets)		499,950	499,950
33	Undistributed profit (uncovered loss) of past years		141,946	339,727
34	Unused profit (loss) during the accounting period		1,008,609	602,218
35	Total shareholders' equity capital		3,348,698	3,317,543
IV. OFF-BALANCE SHEET LIABILITIES				
36	Irrevocable liabilities of credit institution		15,163,656	13,507,858
37	Guarantees and surety bonds issued by the credit institution		700,082	547,658
38	Non-credit contingent liabilities		0	0

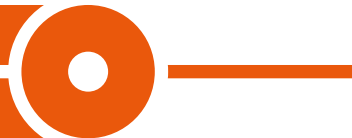


PROFIT AND LOSS STATEMENT (REPORTING FORM) FOR 2017

OKUD code of form 0409807
Quarterly (annual), thousand rubles

SECTION 1. PROFIT AND LOSS

Line number	Item name	Number of explanations	Data for the reporting period	Data for the past reporting period
1	2	3	4	5
1	Interest income, total, including:	5.1	4,348,599	4,499,657
1.1	from investment of funds in credit institutions		729,867	446,012
1.2	from loans granted to clients other than credit institutions		3,345,500	3,805,986
1.3	from provision of services of financial lease		0	0
1.4	from investments in securities		273,232	247,659
2	Interest expenses, total, including:	5.2	2,159,556	2,413,619
2.1	of raised funds of credit institutions		117	17,039
2.2	of raised funds of clients other than credit institutions		2,075,114	2,299,200
2.3	of issued debentures		84,325	97,380
3	Net interest income (negative interest margin)		2,189,043	2,086,038
4	Change of provision for possible bad debts, loan indebtedness and equaled indebtedness, cash placed on correspondent account, together with interest income, total, including:		-310,122	-337,690
4.1	change of provision for potential losses on loans and accrued interest receivables		-10,943	23,812
5	Net interest income (negative interest margin) after creation of provision for potential losses		1,878,921	1,748,348

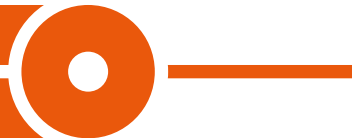


Line number	Item name	Number of explanations	Data for the reporting period	Data for the past reporting period
6	Net income from transactions in financial assets at fair value through surplus or deficit		-20,647	-350
7	Net income from transactions involving financial liabilities at fair value through surplus or deficit		0	0
8	Net income from transactions in securities available for sale		189,932	205,104
9	Net income from transactions in securities held to maturity		161	-13
10	Net income from foreign currency transactions		-33,679	48,206
11	Net income from foreign currency revaluation		258,682	-25,268
12	Net income from transactions in precious stones and metals		0	0
13	Income from shareholdings		28,780	62,104
14	Fee income	5.3	523,769	517,670
15	Fee expenses	5.4	237,145	135,779
16	Change of provision for potential losses on securities available for sale		0	0
17	Change of provision for potential losses on securities held to maturity		0	0
18	Change of provision for other losses		-61,934	-169,517
19	Other operating income		169,503	85,697
20	Net income (expenses)		2,696,343	2,336,202
21	Transaction expenses		1,389,297	1,542,603
22	Pretax profit (losses)		1,307,046	793,599
23	Tax (restitution) expense	5.5	298,437	191,381
24	Income (loss) from continuing operations		1,008,609	612,575
25	Income (loss) from discontinued operations		0	-10,357
26	Profit (loss) during the accounting period		1,008,609	602,218



SECTION 2. OTHER CONSOLIDATED INCOME

Line number	Item name	Number of explanations	Data for the reporting period	Data for the past reporting period
1	2	3	4	5
1	Profit (loss) during the accounting period		1,008,609	602,218
2	Other consolidated income (loss)	5.6	X	X
3	Items that don't reclassify in profit or loss, total, including:		0	-2,389
3.1	change of asset revaluation reserve		0	-2,389
3.2	change of revaluation reserve of liabilities (requirements) according to employee benefit plan		0	0
4	Tax on income relating to items which can't be reclassified in profit or loss		-131	-472
5	Other consolidated income (loss) which can't be reclassified in profit or loss, with the deduction of tax on income		131	-1,917
6	Items which can't be reclassified in profit or loss, total, including:		-221,161	245,370
6.1	change of revaluation reserve of assets available for sale		-221,161	245,370
6.2	change of fund of cash flow hedge		0	0
7	Tax on income related to items which can't be reclassified in profit or loss		-44,233	49,074
8	Other consolidated income (loss) which can't be reclassified in profit or loss, with the deduction of tax on income		-176,928	196,296
9	Other consolidated income (loss) with the deduction of tax on income		-176,797	194,379
10	Financial result during the accounting period		831,812	796,597

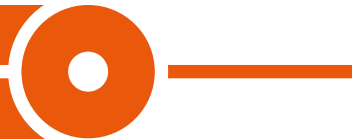


STATEMENT ON THE LEVEL OF CAPITAL ADEQUACY TO COVER RISKS,
THE AMOUNT OF PROVISION FOR POSSIBLE LOSSES ON LOANS AND OTHER ASSETS
(REPORTING FORM) AS OF 01.01.2018

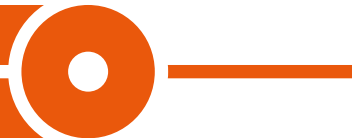
OKUD code of form 0409808
Quarterly (annual), thousand rubles

SECTION I. INFORMATION ON CAPITAL ADEQUACY LEVEL

Line number	Instrument name (line item)	Number of explanations	Cost of instrument (value of indicator) as of the accounting date		Cost of instrument (value of indicator) as of the beginning of the reporting period	
			included in calculation of capital	not included in calculation of capital during the period till January 01, 2018	included in calculation of capital	not included in calculation of capital during the period till January 01, 2018
1	2	3	4	5	6	7
Source of core capital						
1	Share capital and issue income, total, including formed:		1,133,338.0000	X	1,133,338.0000	X
1.1	ordinary shares (shares)		1,133,338.0000	X	1,133,338.0000	X
1.2	preferred shares		0.0000	X	0.0000	X
2	Undistributed profits (loss):		1,667,670.0000	X	1,637,131.0000	X
2.1	of previous years		140,674.0000	X	338,455.0000	X
2.2	accounting year		1,526,996.0000	X	1,298,676.0000	X
3	Reserve fund		56,667.0000	X	56,667.0000	X
4	Participations in share capital subject to gradual exclusion from calculation of capital		not applicable	X	not applicable	X
5	Capital instruments of core capital of subsidiaries, which belong to third parties		not applicable	not applicable	not applicable	not applicable



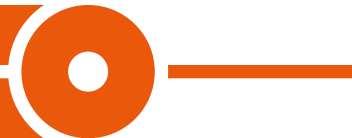
Line number	Instrument name (line item)	Number of explanations	Cost of instrument (value of indicator) as of the accounting date		Cost of instrument (value of indicator) as of the beginning of the reporting period	
			included in calculation of capital	not included in calculation of capital during the period till January 01, 2018	included in calculation of capital	not included in calculation of capital during the period till January 01, 2018
6	Sources of core capital, total (line 1 +/- line 2 + line 3 - line 4 + line 5)		2,857,675.0000	X	2,827,136.0000	X
Indicators decreasing sources of core capital						
7	Trading portfolio adjustment		not applicable	not applicable	not applicable	not applicable
8	Goodwill exclusive of deferred tax liabilities		0.0000	0.0000	0.0000	0.0000
9	Intangible assets (except for goodwill and loan servicing rights) with the deduction of deferred tax liabilities		15,298.0000		10,356.0000	
10	Deferred tax liabilities depending on income receivable		0.0000	0.0000	0.0000	0.0000
11	Cash flow hedge reserves		not applicable	not applicable	not applicable	not applicable
12	Incomplete loan loss provisions		0.0000	0.0000	0.0000	0.0000
13	Income from securitization transactions		not applicable	not applicable	not applicable	not applicable
14	Income and expenses related to changes in credit risk on liabilities at fair value		not applicable	not applicable	not applicable	not applicable
15	Assets of defined benefit plan		not applicable	not applicable	not applicable	not applicable
16	Investment in own shares (in portions)		0.0000	0.0000	0.0000	0.0000
17	Cross-shareholdings (in portions)		not applicable	not applicable	not applicable	not applicable
18	Minor investments in instruments of core capital of financial institutions		0.0000	0.0000	0.0000	0.0000
19	Essential investments in instruments of core capital of financial institutions		0.0000	0.0000	0.0000	0.0000
20	Rights to service mortgage loans		not applicable	not applicable	not applicable	not applicable
21	Deferred tax assets not dependent on future profits		0.0000	0.0000	0.0000	0.0000



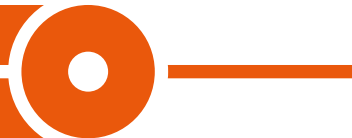
Line number	Instrument name (line item)	Number of explanations	Cost of instrument (value of indicator) as of the accounting date		Cost of instrument (value of indicator) as of the beginning of the reporting period	
			included in calculation of capital	not included in calculation of capital during the period till January 01, 2018	included in calculation of capital	not included in calculation of capital during the period till January 01, 2018
22	Total amount of significant investments and deferred tax assets in part, exceeding 15 per cent of the amount of core capital, total, including:		0.0000	0.0000	0.0000	0.0000
23	essential investments in instruments of core capital of financial institutions		0.0000	0.0000	0.0000	0.0000
24	rights to service mortgage loans		not applicable	not applicable	not applicable	not applicable
25	deferred tax assets not dependent on future profits		0.0000	0.0000	0.0000	0.0000
26	Other indicators reducing the sources of core capital, established by the Bank of Russia, total, including:		0.0000	0.0000	0.0000	0.0000
26.1	indicators subject to gradual exclusion from the calculation of own funds (capital)		0.0000	X	0.0000	X
27	Negative value of additional capital		3,825.0000	X	6,904.0000	X
28	Indicators, decreasing the sources of core capital, total (amount of lines from 7 to 22 and lines 26 and 27)		19,123.0000	X	17,260.0000	X
29	Core capital, total (line 6 - line 28)		2,838,552.0000	X	2,809,876.0000	X
30	Instrument of additional capital and share premium, total, including:		0.0000	X	0.0000	X
31	classified as capital		0.0000	X	0.0000	X
32	classified as liabilities		0.0000	X	0.0000	X
33	Instruments of additional capital subject to gradual exclusion from the calculation of own funds (capital)		0.0000	X	0.0000	X
34	Instruments of additional capital of subsidiaries which belong to third parties, total, including:		not applicable		not applicable	



Line number	Instrument name (line item)	Number of explanations	Cost of instrument (value of indicator) as of the accounting date		Cost of instrument (value of indicator) as of the beginning of the reporting period	
			included in calculation of capital	not included in calculation of capital during the period till January 01, 2018	included in calculation of capital	not included in calculation of capital during the period till January 01, 2018
35	Instruments of additional capital of subsidiaries subject to gradual exclusion from the calculation of own funds (capital)		not applicable	X	not applicable	X
36	Sources of additional capital, total (line 30 + line 33 + line 34)		0.0000	X	0.0000	X
Indicators decreasing sources of additional capital						
37	Investment in own instruments of additional capital		0.0000	0.0000	0.0000	0.0000
38	Crossholding of instruments of additional capital		not applicable	not applicable	not applicable	not applicable
39	Minor investments in instruments of additional capital of financial institutions		0.0000	0.0000	0.0000	0.0000
40	Essential investments in instruments of additional capital of financial institutions		0.0000	0.0000	0.0000	0.0000
41	Other indicators decreasing source of additional capital set by the Bank of Russia, total, including:		3,825.0000	X	0.0000	X
41.1	indicators subject to gradual exclusion from the calculation of own funds (capital), total, including:		3,825.0000	X	0.0000	X
41.1.1	intangible assets		3,825.0000	X	0.0000	X
41.1.2	own shares (participatory interests) acquired (repurchased) of shareholders (participants)		0.0000	X	0.0000	X
41.1.3	shares (participatory interests) of subsidiaries and affiliates and credit institutions being residents		0.0000	X	0.0000	X
41.1.4	shareholder's equity capital composed of improper assets		0.0000	X	0.0000	X
41.1.5	negative value of additional capital due to adjustment of own funds (capital), in the amount of sources of additional capital formed with the use of improper assets by investors		0.0000	X	0.0000	X



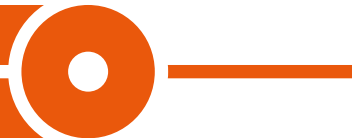
Line number	Instrument name (line item)	Number of explanations	Cost of instrument (value of indicator) as of the accounting date		Cost of instrument (value of indicator) as of the beginning of the reporting period	
			included in calculation of capital	not included in calculation of capital during the period till January 01, 2018	included in calculation of capital	not included in calculation of capital during the period till January 01, 2018
42	Negative value of additional capital		0.0000	X	0.0000	X
43	Indicators decreasing sources of additional capital (amount of lines from 37 to 42)		3,825.0000	X	0.0000	X
44	Additional capital, total (line 36 - line 43)		0.0000	X	0.0000	X
45	Fixed capital, total (line 29 + line 44)		2,838,552.0000	X	2,809,876.0000	X
46	Additional capital instruments and share premium		2,494,603.0000	X	2,514,962.0000	X
47	Additional capital instruments subject to gradual exclusion from the calculation of own funds (capital)		225,000.0000	X	300,000.0000	X
48	Additional capital instruments of subsidiaries which belong to third parties, total, including:		not applicable	X	not applicable	X
49	Additional capital instruments of subsidiaries subject to gradual exclusion from the calculation of own funds (capital)		not applicable	X	not applicable	X
50	Loss provision		not applicable	X	not applicable	X
51	Sources of additional capital, total (line 46 + line 47 + line 48 + line 50)		2,719,603.0000	X	2,814,962.0000	X
Indicators decreasing sources of additional capital						
52	Investments in own instruments of additional capital		0.0000	0.0000	0.0000	0.0000
53	Crossholding of additional capital instruments		not applicable	not applicable	not applicable	not applicable
54	Minor investments in additional capital instruments of financial institutions		0.0000	0.0000	0.0000	0.0000
55	Essential investments in additional capital instruments of financial institutions		0.0000	0.0000	0.0000	0.0000
56	Other indicators decreasing sources of additional capital set by the Bank of Russia, total, including:		0.0000	X	0.0000	X



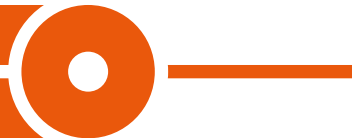
Line number	Instrument name (line item)	Number of explanations	Cost of instrument (value of indicator) as of the accounting date		Cost of instrument (value of indicator) as of the beginning of the reporting period	
			included in calculation of capital	not included in calculation of capital during the period till January 01, 2018	included in calculation of capital	not included in calculation of capital during the period till January 01, 2018
56.1	indicators subject to gradual exclusion from the calculation of own funds (capital), total, including:		0.0000	X	0.0000	X
56.1.1	sources of capital formed with the use of improper assets by investors		0.0000	X	0.0000	X
56.1.2	delinquent receivables lasting over 30 calendar days		0.0000	X	0.0000	X
56.1.3	subordinate loans granted to credit institutions being residents		0.0000	X	0.0000	X
56.1.4	excess of total amount of loans, banking guarantees and securities provided to shareholders (participants) and insiders over the maximum amount		0.0000	X	0.0000	X
56.1.5	investment in the construction and acquisition of fixed assets and material assets		0.0000	X	0.0000	X
56.1.6	difference between fair market value of interest which belongs to withdrawn members and realizable value paid by other member		0.0000	X	0.0000	X
57	Indicators decreasing sources of additional capital (amount of lines from 52 to 56)		0.0000	X	0.0000	X
58	Additional capital, total (line 51 - line 57)		2,719,603.0000	X	2,814,962.0000	X
59	Own funds (capital), total (line 45 + line 58)	6.1	5,558,155.0000	X	5,624,838.0000	X
60	Risk weighted assets:		X	X	X	X
60.1	subject to gradual exclusion from the calculation of own funds (capital)		0.0000	X	0.0000	X
60.2	required to determine adequacy of core capital		33,130,835.0000	X	36,515,912.0000	X
60.3	required to determine adequacy of capital assets		33,130,835.0000	X	36,515,912.0000	X
60.4	required to determine adequacy of own funds (capital)		33,727,880.0000	X	37,113,608.0000	X



Line number	Instrument name (line item)	Number of explanations	Cost of instrument (value of indicator) as of the accounting date		Cost of instrument (value of indicator) as of the beginning of the reporting period	
			included in calculation of capital	not included in calculation of capital during the period till January 01, 2018	included in calculation of capital	not included in calculation of capital during the period till January 01, 2018
Indicators of adequacy of own funds (capital) and addition to own funds (capital) adequacy ratio, per cent						
61	Adequacy of core capital (line 29 / line 60.2)		8.5677	X	7.6949	X
62	Adequacy of capital assets (line 45 / line 60.3)		8.5677	X	7.6949	X
63	Adequacy of own funds (capital) (line 59 / line 60.4)		16.4794	X	15.1557	X
64	Addition to own funds (capital) adequacy ratio, total, including:		1.2500	X	0.6250	X
65	capital conservation buffer		1.2500	X	0.6250	X
66	countercyclical buffer		0.0000	X	0.0000	X
67	systematic importance buffer		not applicable	X	not applicable	X
68	Core capital available to sustain additions to own funds (capital) adequacy ratio		2.5677	X	1.6949	X
Own funds (capital) adequacy ratio, per cent						
69	Core capital adequacy ratio		4.5000	X	4.5000	X
70	Adequacy ratio of capital assets		6.0000	X	6.0000	X
71	Own funds (capital) adequacy ratio		8.0000	X	8.0000	X
Indicators applied in the event of reduction of sources of capital not exceeding materiality threshold						
72	Minor investments in capital instruments of financial institutions		0.0000	X	0.0000	X
73	Essential investment in capital instruments of internal models		0.0000	X	0.0000	X
74	Rights to service mortgage loans		not applicable	X	not applicable	X



Line number	Instrument name (line item)	Number of explanations	Cost of instrument (value of indicator) as of the accounting date		Cost of instrument (value of indicator) as of the beginning of the reporting period	
			included in calculation of capital	not included in calculation of capital during the period till January 01, 2018	included in calculation of capital	not included in calculation of capital during the period till January 01, 2018
75	Deferred tax assets not dependent on future income		0.0000	X	0.0000	X
Restrictions related to inclusion of loss provisions when calculating additional capital						
76	Loss provisions included in calculation of additional capital when the standardized approach is employed in relation to items subject to calculation of credit risk		not applicable	X	not applicable	X
77	Restrictions on inclusion of additional capital in the calculation of provision amounts for possible losses using the standardized approach		not applicable	X	not applicable	X
78	Provisions for possible losses included in the calculation of additional capital in respect of items for which the approach based on internal models is used to calculate the credit risk		not applicable	X	not applicable	X
79	Restrictions related to loss provisions included in calculation of additional capital using the internal model-based approach		not applicable	X	not applicable	X
Instruments subject to gradual exclusion from the calculation of own funds (capital) (applied from January 01, 2018 till January 1, 2022)						
80	Current restrictions related to instruments included in group of sources of core capital always provided that such instruments are subject to gradual exclusion from the calculation of own funds (capital)		not applicable	X	not applicable	X
81	Part of instruments not included in sources of core capital due to restrictions		not applicable	X	not applicable	X
82	Current restrictions to include instruments which are subject to gradual exclusion from the calculation of own funds (capital) in the group of sources of additional capital		not applicable	X	not applicable	X
83	Part of instruments not included in sources of additional capital due to restrictions		not applicable	X	not applicable	X



Line number	Instrument name (line item)	Number of explanations	Cost of instrument (value of indicator) as of the accounting date		Cost of instrument (value of indicator) as of the beginning of the reporting period	
			included in calculation of capital	not included in calculation of capital during the period till January 01, 2018	included in calculation of capital	not included in calculation of capital during the period till January 01, 2018
84	Current restriction related to instruments included in group of sources of additional capital always provided that such instruments are subject to gradual exclusion from the calculation of own funds (capital)		not applicable	X	not applicable	X
85	Part of instruments not included in additional capital due to restrictions		not applicable	X	not applicable	X

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

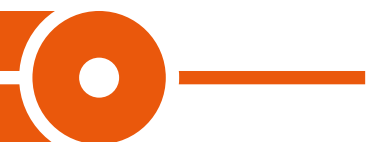


SECTION 2. INFORMATION ON VALUE OF CREDIT, OPERATIONAL AND MARKET RISK COVERED BY THE CAPITAL

SUBSECTION 2.1. CREDIT RISK WHEN APPLYING THE STANDARDIZED APPROACH

thousand rubles

Line number	Line item	Number of explanations	Data as of the accounting date			Data as of the beginning of the reporting period		
			Value of assets (instruments) measured with the use of standardized approach	Assets (instruments) with the deduction of loss provisions	Value of assets (instruments) weighted by risk	Value of assets (instruments) measured with the use of standardized approach	Assets (instruments) with the deduction of loss provisions	Value of assets (instruments) weighted by risk
1	2	3	4	5	6	7	8	9
1	Credit risk related to assets reflected on balance account		32,628,782	30,030,582	21,844,850	31,609,056	29,160,028	21,313,610
1.1	Assets with risk ratio ¹ 0 per cent, total, among them:		7,189,362	7,189,362	0	3,099,669	3,099,669	0
1.1.1	cash and required reserves deposited in the Bank of Russia		2,546,112	2,546,112	0	2,714,339	2,714,339	0
1.1.2	credit requirements and other requirements secured by guarantees issued by the Russian Federation, Ministry of Finance of the Russian Federation and the Bank of Russia together with pledge of government debt securities issued by the Russian Federation, Ministry of Finance of the Russian Federation and the Bank of Russia		0	0	0	0	0	0
1.1.3	credit requirements and other requirements as to Central Banks or governments of the countries, which have country assessments "0", "1" ² , including those secured by guarantees of these countries, etc.		0	0	0	0	0	0
1.2	Assets with risk ratio of 20 per cent, total, among them:		1,245,463	1,245,463	249,093	5,933,436	5,933,436	1,186,687
1.2.1	credit requirements and other requirements as to constituents of the Russian Federation, municipal entities and other organizations, secured by guarantees and pledge of securities of the constituents of the Russian Federation and municipal entities		0	0	0	0	0	0

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Line number	Line item	Number of explanations	Data as of the accounting date			Data as of the beginning of the reporting period		
			Value of assets (instruments) measured with the use of standardized approach	Assets (instruments) with the deduction of loss provisions	Value of assets (instruments) weighted by risk	Value of assets (instruments) measured with the use of standardized approach	Assets (instruments) with the deduction of loss provisions	Value of assets (instruments) weighted by risk
1.2.2	credit requirements and other requirements as to the Central Banks or governments of the countries, which have country assessment “2”, including those secured by their guarantees (pledge of securities)		0	0	0	0	0	0
1.2.3	credit requirements and other requirements for credit institutions – residents of countries with a country rating of “0”, “±1” with a long-term credit rating ³ , including those secured by their guarantees		0	0	0	0	0	0
1.3	Assets with risk ratio of 50 per cent, total, among them:		0	0	0	0	0	0
1.3.1	credit requirements and other requirements in foreign currency, secured by guarantees of the Russian Federation, Ministry of Finance and the Bank of Russia and by pledge of government debt securities of the Russian Federation, Ministry of Finance of the Russian Federation and the Bank of Russia denominated in foreign currencies		0	0	0	0	0	0
1.3.2	credit requirements and other requirements to the Central Banks or governments of the countries, which have country assessment “3”, including those secured by their guarantees (pledge of securities)		0	0	0	0	0	0
1.3.3	credit requirements and other requirements as to credit institutions being residents of the countries, which have country assessment “0”, “1”, and don’t have long-term credit rating, together with credit institutions being residents of the countries, which have country assessment “2”, including those secured by their guarantees		0	0	0	0	0	0
1.4	Assets with risk ratio of 100 per cent, total, among them:		24,193,957	21,595,757	21,595,757	22,575,951	20,126,923	20,126,923
1.4.1	Loans to the borrowers as entities		20,001,528	17,851,423	17,851,423	17,436,744	15,603,663	15,603,663
1.4.2	Credit requirements for resident banks denominated in foreign currencies		2,890,236	2,890,236	2,890,236	2,239,774	2,239,774	2,239,774



Line number	Line item	Number of explanations	Data as of the accounting date			Data as of the beginning of the reporting period		
			Value of assets (instruments) measured with the use of standardized approach	Assets (instruments) with the deduction of loss provisions	Value of assets (instruments) weighted by risk	Value of assets (instruments) measured with the use of standardized approach	Assets (instruments) with the deduction of loss provisions	Value of assets (instruments) weighted by risk
1.4.3	Fixed assets less depreciation		1,035,888	626,154	626,154	1,061,886	679,735	679,735
1.5	Assets with risk ratio of 150 per cent – credit requirements and other requirements as to the Central Banks or governments of the countries, which have country assessment “7”		0	0	0	0	0	0
2	Assets with other risk ratios, total, including:	X	X	X	X	X	X	X
2.1	reduced risk ratio, total, including:		6,019,485	6,019,485	1,203,897	5,856,082	5,856,082	1,171,216
2.1.1	mortgage loans with risk ratio of 50 per cent		0	0	0	0	0	0
2.1.2	mortgage loans with risk ratio of 70 per cent		0	0	0	0	0	0
2.1.3	requirements of clearing members		6,019,485	6,019,485	1,203,897	5,856,082	5,856,082	1,171,216
2.2	with high risk ratio, total, including:		1,910,607	1,421,437	1,514,508	3,059,688	2,758,887	5,187,329
2.2.1	with risk ratio of 110 per cent		540,299	358,187	148,783	116,420	115,229	126,752
2.2.2	with risk ratio of 130 per cent		0	0	0	1,521,441	1,455,408	1,892,070
2.2.3	with risk ratio of 150 per cent		1,370,308	1,063,250	1,365,725	1,295,815	1,062,238	1,593,357
2.2.4	with risk ratio of 250 per cent		0	0	0	0	0	0
2.2.5	with risk ratio of 1250 per cent, total, including:		0	0	0	126,012	126,012	1,575,150
2.2.5.1	under legal assignment of cash claims, including those certified by mortgage to mortgage agents or specialized mortgage lenders		0	0	0	0	0	0
3	Loans for consumer purposes, total, including:		136,926	133,146	384,605	209,658	203,277	629,822
3.1	with a risk factor of 110 per cent		8,906	6,350	7,205	0	0	0

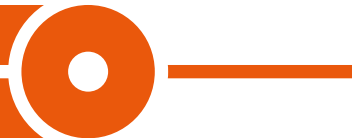


Line number	Line item	Number of explanations	Data as of the accounting date			Data as of the beginning of the reporting period		
			Value of assets (instruments) measured with the use of standardized approach	Assets (instruments) with the deduction of loss provisions	Value of assets (instruments) weighted by risk	Value of assets (instruments) measured with the use of standardized approach	Assets (instruments) with the deduction of loss provisions	Value of assets (instruments) weighted by risk
3.2	with a risk factor of 140 per cent		1,570	1,523	2,132	0	0	0
3.3	with a risk factor of 170 per cent		0	0	0	0	0	0
3.4	with a risk factor of 200 per cent		0	0	0	0	0	0
3.5	with a risk factor of 300 per cent		126,417	125,057	375,171	209,658	203,277	609,822
3.6	with a risk factor of 600 per cent		33	16	97	0	0	0
4	Contingent credit risk, total, including:		6,309,577	5,991,500	664,106	5,140,862	4,872,379	555,814
4.1	on high-risk financial instruments		700,082	680,868	664,106	547,658	538,312	555,814
4.2	on medium-risk financial instruments		0	0	0	0	0	0
4.3	on low-risk financial instruments		5,609,495	5,310,632	0	0	0	0
4.4	on financial instruments without risk		0	0	0	4,593,204	4,334,067	0
5	Credit risk in respect of derivative financial instruments		0		0	0		0

1 Classification of assets by risk groups is made in accordance with paragraph 2.3 of the Bank of Russia Order No. 139-I.

2 Country assessments are provided in accordance with the classification of export credit agencies participating in the Agreement concluded between the member countries of the Organization for Economic Cooperation and Development (OECD) on the basic principles of provision and use of export credit with official support (information on country assessments is posted on the official website of the Bank of Russia in the information and telecommunication network “Internet” in the section “Banking Supervision”).

3 Ratings of long-term creditworthiness of a credit institution are determined on the basis of ratings assigned by international rating agencies: Standart & Poor’s or Fitch Rating’s, or Moody’s Investors Service.



SUBSECTION 2.2. CREDIT RISK WHEN APPLYING THE INTERNAL RATINGS-BASED APPROACH

thousand rubles								
Line number	Line item	Data as of the accounting date				Data as of the beginning of the reporting period		
		Number of explanations	Value of assets (instruments) measured with the use of standardized approach	Assets (instruments) with the deduction of loss provisions	Value of assets (instruments) weighted by risk	Value of assets (instruments) measured with the use of standardized approach	Assets (instruments) with the deduction of loss provisions	Value of assets (instruments) weighted by risk
1	2	3	4	5	6	7	8	9
1	Credit risk calculated with the use of basic internal rating-based approach	6.2	0	0	0	0	0	0
2	Credit risk calculated with the use of advanced internal rating-based approach		0	0	0	0	0	0

SUBSECTION 2.3. OPERATIONAL RISK

thousand rubles				
Line number	Line item	Number of explanations	Data as of the accounting date	Data as of the beginning of the reporting period
1	2	3	4	5
6	Operational risk, total, including:		396,996.0	333,779.0
6.1	Income for calculating capital to cover operational risk, total, including:		2,646,640.0	2,225,196.0
6.1.1	net interest income		1,995,707.0	1,619,687.0
6.1.2	net non-interest income		650,933.0	605,509.0
6.2	Number of years preceding to the date of calculation of operational risk value		3.0	3.0



SUBSECTION 2.4. MARKET RISK

thousand rubles

Line number	Line item	Number of explanations	Data as of the accounting date	Data as of the beginning of the reporting period
1	2	3	4	5
7	Total market risk, total, including:		1,177,033.0	4,103,578.5
7.1	interest rate risk, total, including:		24,793.0	37,169.6
7.1.1	general		9,024.3	17,087.9
7.1.2	special		15,768.7	20,081.7
7.1.3	gamma risk and vega risk of a portfolio containing options included in the calculation of interest rate risk		0.0	0.0
7.2	stock risk, total, including:		60,146.4	274,010.9
7.2.1	general		30,073.2	136,175.5
7.2.2	special		30,073.2	137,835.4
7.2.3	gamma risk and vega risk of a portfolio containing options included in the calculation of stock risk		0.0	0.0
7.3	currency risk, total, including:		9,223.2	17,105.8
7.3.1	gamma risk and vega risk of a portfolio containing options included in the calculation of currency risk		0.0	0.0
7.4	commodity risk, total, including:		0.0	0.0
7.4.1	main commodity risk		0.0	0.0
7.4.2	additional commodity risk		0.0	0.0
7.4.3	gamma risk and vega risk of a portfolio containing options included in the calculation of commodity risk		0.0	0.0



SECTION 3. INFORMATION ON VALUE OF CERTAIN TYPES OF ASSETS, CREDIT-RELATED CONTINGENCIES AND AMOUNT OF FORMED PROVISIONS FOR POSSIBLE LOSSES

SUBSECTION 3.1. INFORMATION ON AMOUNT OF PROVISIONS FOR LOAN LOSSES AND OTHER ASSETS

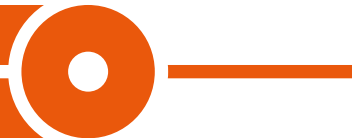
thousand rubles

Line number	Line item	Number of explanations	Data as of the accounting date	Gains (+) / decrease (-) during the reporting period	Data as of the beginning of the reporting period
1	2	3	4	5	6
1	Actual loan loss provisions, total, including:		2,853,400	212,186	2,641,214
1.1	for loans, loan indebtedness and similar indebtedness		2,488,507	151,978	2,336,529
1.2	for other assets where there is a risk of loss, and other loss		22,792	-13,410	36,202
1.3	for credit-related contingencies and securities with rights certified by depository, which don't meet the requirements of the Bank of Russia, reflected on below-line balance accounts		342,101	73,618	268,483
1.4	for transactions made with the residents of offshore zones		0	0	0



SUBSECTION 3.2. INFORMATION ON ASSETS AND CREDIT-RELATED CONTINGENCIES CLASSIFIED ON THE BASIS OF THE DECISION OF THE AUTHORIZED MANAGEMENT BODY OF THE CREDIT ORGANIZATION INTO A HIGHER CATEGORY OF QUALITY THAN IT FOLLOWS FROM THE FORMALIZED CRITERIA FOR CREDIT RISK ASSESSMENT

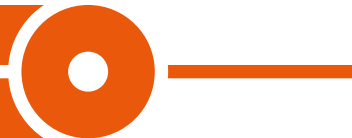
Line number	Line item	Requirement amount, thousand rubles	Formed provision for possible losses				Changes in the volume of formed provisions	
			in accordance with the minimum requirements established by the Bank of Russia Regulation No. 254-P and the Bank of Russia Regulation No. 283-P		by decision of the authorized body		per cent	thousand rubles
			per cent	thousand rubles	per cent	thousand rubles		
1	2	3	4	5	6	7	8	9
1	Requirements for counterparties that have signs indicating a possible failure of actual activity, total, including:	4,798,209	9.41	451,652	9.41	451,652	0.00	0
1.1	loans	4,724,815	9.35	441,548	9.35	441,548	0.00	0
2	Restructured loans	1,961,943	6.23	122,206	6.23	122,206	0.00	0
3	Loans granted to borrowers to repay a debt on previously granted loans	0	0.00	0	0.00	0	0.00	0
4	Loans used to provide loans to third parties and to repay previous obligations of other borrowers, total, including:	947,800	7.94	75,212	7.94	75,212	0.00	0
4.1	to the reporting credit institution	947,800	7.94	75,212	7.94	75,212	0.00	0
5	Loans used to purchase and/or repay equity securities	280,844	0.00	0	0.00	0	0.00	0
6	Loans used to make investments in the authorized capital of other legal entities	0	5.25	0	5.25	0	0.00	0
7	Loans arising from the termination of the borrower's prior obligations through innovation or compensation	0	0.00	0	0.00	0	0.00	0
8	Credit-related contingencies of the counterparty with signs, indicating the possible failure of their actual activity	1,335,829	4.50	60,107	4.50	60,107	0.00	0



SUBSECTION 3.3. INFORMATION ON SECURITIES, THE RIGHTS TO WHICH ARE CERTIFIED BY DEPOSITORIES, AND PROVISIONS FOR POSSIBLE LOSSES ON WHICH ARE FORMED IN ACCORDANCE WITH THE BANK OF RUSSIA ORDER NO. 2732-U

thousand rubles

Line number	Line item	Book value of securities	Fair value of securities	Formed provision for possible losses		
				in accordance with Bank of Russia Regulation No. 283-P	in accordance with the Bank of Russia Order No. 2732-U	total
1	2	3	4	5	6	7
1	Securities, total, including:	0	0	0	0	0
1.1	rights to which are certified by foreign depositories	0	0	0	0	0
2	Equity securities, total, including:	0	0	0	0	0
2.1	rights to which are certified by foreign depositories	0	0	0	0	0
3	Debt securities, total, including:	0	0	0	0	0
3.1	rights to which are certified by foreign depositories	0	0	0	0	0



SECTION 4. INFORMATION ON FINANCIAL LEVERAGE INDEX

thousand rubles

Line number	Line item	Number of explanations	Value as of accounting date 01.01.2018	Value as of the date separated in time by one quarter from the accounting date 01.10.2017	Value as of the date separated in time by two quarters from the accounting date 01.07.2017	Value as of the date separated in time by three quarters from the accounting date 01.04.2017
1	2	3	4	5	6	7
1	Fixed capital		2,838,552.0	2,890,398.0	2,728,325.0	2,212,759.0
2	Value of assets and off-balance sheet requirements at risk for calculating financial leverage index		41,740,847.0	35,417,090.0	41,413,850.0	44,090,246.0
3	Basel III leverage ratio, per cent	7.2	6.8	8.2	6.6	5.0

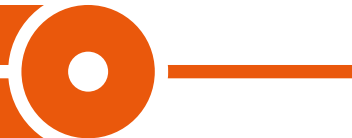


INFORMATION ON STATUTORY RATIOS, FINANCIAL LEVERAGE INDEX AND LIQUIDITY COVERAGE RATIO (REPORTING FORM) AS OF 01.01.2018

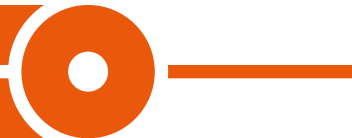
OKUD code of form 0409813
Quarterly (annual)

SECTION 1. INFORMATION ON STATUTORY RATIOS

Line number	Line item	Number of explanations	Standard value, percentage	Actual value, percentage	
				as of the accounting date	as of the beginning of the reporting period
1	2	3	4	5	6
1	Core capital adequacy ratio (R1.1), of banking group (R20.1)		4.5	8.6	7.7
2	Adequacy ratio of the equity of the Bank (R1.2), banking group (R20.2)		6.0	8.6	7.7
3	Adequacy ratio of own funds (capital) of the Bank (ratio R1.0), banking group (R20.0)		8.0	16.5	15.2
4	Adequacy ratio of own funds (capital) of a non-bank credit institution entitled to make money transfers without opening bank accounts and other banking operations related to them (R1.3)				
5	Quick liquidity ratio (R2)		15.0	85.9	65.9
6	Current liquidity ratio of the Bank (R3)		50.0	208.8	139.6
7	Long-term liquidity ratio of the Bank (R4)		120.0	13.1	13.7
7.1	Maximum		25.0	21.8	21.8
	Minimum			0.0	0.0
8	Maximum risk ratio per borrower or group of related borrowers (R6)				
9	Maximum large credit risk ratio (R7), of bank group (R22)		800.0	288.4	300.4



Line number	Line item	Number of explanations	Standard value, percentage	Actual value, percentage	
				as of the accounting date	as of the beginning of the reporting period
10	Maximum ratio of loans, bank guarantees and sureties granted by the Bank to its members (shareholders) (R9.1)		50.0	0.0	0.0
11	Total risk ratio on the Bank's insiders (R10.1)		3.0	0.6	0.1
12	Ratio of use of the Bank's own funds (capital) for the acquisition of shares (stock) of other legal entities (R12), ratio of use of the bank group's own funds (capital) for the acquisition of shares (stock) of other legal entities by the parent credit institution of the bank group and members of the banking group (R23)		25.0	0.0	0.0
13	Ratio of relation of the amount of liquid assets to total assets due within next 30 calendar days and the amount of the obligations of the Non-Bank Settlement and Credit Authority (R15)				0.0
14	Liquidity ratio of a non-bank credit institution entitled to make money transfers without opening bank accounts and other banking operations related to them (R15.1)				0.0
15	Ratio of maximum aggregate amount of loans to clients-participants of settlements for the completion of settlements (R16)				0.0
16	Ratio of the Non-Bank Settlement and Credit Authority's providing on its own behalf and at its own expense loans to borrowers, except for clients-participants of settlements for the completion of settlements (R16.1)				0.0
17	Ratio of minimum relationship of size of mortgage cover and volume of issuance of bonds with mortgage cover (R18)				0.0
18	Ratio of maximum risk on bank related person (a group of bank-related entities) (R25)		20.0	13.9	19.6

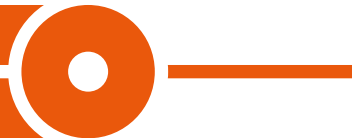


SECTION 2. INFORMATION ON THE CALCULATION OF FINANCIAL LEVERAGE

SUBSECTION 2.1. CALCULATION OF THE AMOUNT OF BALANCE SHEET ASSETS AND OFF-BALANCE SHEET REQUIREMENTS AT RISK FOR THE CALCULATION OF FINANCIAL LEVERAGE

thousand rubles

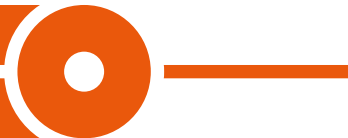
Line number	Line item	Number of explanations	Amount
1	2	3	4
1	Amount of assets in accordance with the balance sheet (reporting form), total		41,049,189
2	Adjustment to investments in the capital of credit, financial, insurance or other organizations, the reporting data of which are included in the consolidated financial statements, but are not included in the calculation of the amount of own funds (capital), statutory ratios and the size (limits) of open foreign exchange positions of the banking group		not applicable for reporting of a credit institution as a legal entity
3	Adjustment to fiduciary assets reflected in accordance with the accounting rules, but not included in the calculation of financial leverage		0
4	Adjustment to derivative financial instruments (DFI)		0
5	Adjustment to securities lending operations		0
6	Adjustment to reduce credit-related contingencies to the credit equivalent		1,209,529
7	Other adjustments		930,074
8	Amount of balance sheet assets and off-balance sheet claims at risk adjusted for financial leverage calculation, total		41,328,644



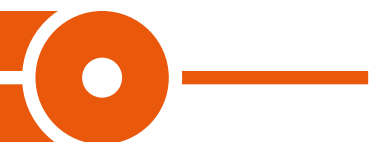
SUBSECTION 2.2. TABLE OF CALCULATION OF FINANCIAL LEVERAGE INDEX

thousand rubles

Line number	Line item	Number of explanations	Amount
1	2	3	4
	Balance sheet asset risk		
1	Amount of balance sheet assets, total		34,747,338.0
2	Reducing adjustment for the amount of indicators taken to reduce the value of fixed capital sources		19,123.0
3	Adjusted amount of balance sheet assets under the risk (difference of lines 1 and 2), total		34,728,215.0
	Risk of transactions with derivative financial instruments		
4	Current credit risk related to DFI transactions (less variation margin), total		0.0
5	Potential credit risk related to DFI transactions per counterparty, total		0.0
6	Adjustment to the amount of nominal amount of provision for transactions with DFI to be debited from the balance sheet in accordance with the accounting rules		not applicable in accordance with the Russian accounting rules
7	Reducing adjustment to the amount of variation margin listed in the established cases		0.0
8	Adjustment to the clearing member Bank's requirements to the central counterparty for the execution of client's transactions		0.0
9	Adjustment to account for credit risk in respect of the underlying asset on issued credit DFI		0.0
10	Reducing adjustment to the issued credit DFI		0.0
11	Adjusted amount of DFI risk (the sum of lines 4, 5, 9 less lines 7, 8, 10), total		0.0



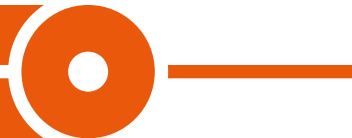
Line number	Line item	Number of explanations	Amount
Securities lending and borrowing risks			
12	Requirements for securities lending and borrowing (excluding netting), total		5,803,103.0
13	Adjustment to the amount of netting of the monetary part (requirements and liabilities) for securities lending and borrowing		0.0
14	Amount of credit risk per counterparty for securities lending and borrowing		0.0
15	Amount of guarantee securities lending and borrowing risk		0.0
16	Adjusted requirements for securities lending and borrowing (sum of lines 12, 14, 15 net of line 13), total		5,803,103.0
Credit-related contingency risk (CRCR)			
17	Nominal value of credit-related contingency risk (CRCR), total		5,967,476.0
18	Adjustment to the application of credit equivalent coefficients		4,757,947.0
19	Adjusted amount of credit-related contingency risk (CRCR) (difference between lines 17 and 18), total		1,209,529.0
Risk capital			
20	Fixed capital		2,838,552.0
21	Amount of balance sheet assets and off-balance sheet risk requirements for the calculation of financial leverage index (sum of lines 3, 11, 16, 19), total		41,740,847.0
Financial leverage index			
22	Financial leverage index for Basel III (line 20 / line 21), per cent	7.2	6.8



CASH FLOW STATEMENT (REPORTING FORM) AS OF 01.01.2018

OKUD code of form 0409814
Quarterly (annual), thousand rubles

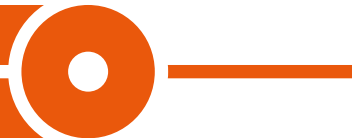
Line number	Line item	Number of explanations	Cash flows for reporting period	Cash flows for the corresponding reporting period of the year preceding the reporting year
1	2	3	4	5
1	Net cash obtained from (used in) operating activities			
1.1	Cash flows obtained from (used in) operating activities prior to changes in operating assets and liabilities, total, including:		925,741	1,199,557
1.1.1	interest received		4,197,453	4,687,060
1.1.2	interest paid		-2,232,881	-2,614,285
1.1.3	fees received		523,769	517,670
1.1.4	fees paid		-237,145	-135,779
1.1.5	income less expenses on operations with available-for-sale financial assets valued at fair value through profit or loss		118,473	175,630
1.1.6	income less expenses on operations with securities held to maturity		15,465	-4,297
1.1.7	income less expenses on foreign currency transactions			
1.1.8	other operating income		198,187	147,538
1.1.9	operating expenses		-1,355,177	-1,512,765
1.1.10	tax expense (reimbursement)		-268,724	-109,421



Line number	Line item	Number of explanations	Cash flows for reporting period	Cash flows for the corresponding reporting period of the year preceding the reporting year
1.2	Increase (decrease) in net cash from operating assets and liabilities, including:		-2,734,231	-3,644,558
1.2.1	net increase (decrease) in required provisions in accounts with the Bank of Russia		-34,303	-58,733
1.2.2	net increase (decrease) in investments in securities valued at fair value through profit or loss		0	0
1.2.3	net increase (decrease) in loan debt		-2,514,564	-3,251,655
1.2.4	net increase (decrease) in other assets		46,293	42,138
1.2.5	net increase (decrease) in loans, deposits and other funds of the Bank of Russia		0	-2,429,676
1.2.6	net increase (decrease) in funds of other credit institutions		-29,160	-924,190
1.2.7	net increase (decrease) in funds of clients which are not credit institutions		-1,267,662	3,709,810
1.2.8	net increase (decrease) in financial liabilities valued at fair value through profit or loss		0	0
1.2.9	net increase (decrease) in debt obligations issued		1,089,461	-817,827
1.2.10	net increase (decrease) in other liabilities		-24,296	85,575
1.3	Total for Section 1 (sum of lines 1.1 and 1.2)		-1,808,490	-2,445,001
2	Net cash obtained from (used in) investment activities			
2.1	Purchase of securities and other financial assets classified as available-for-sale		-4,852,966	-3,608,938
2.2	Proceeds from the sale and redemption of securities and other financial assets classified as available-for-sale		5,444,473	3,433,506
2.3	Purchase of securities classified as held-to-maturity		-306,629,390	-30,480,635
2.4	Proceeds from redemption of securities classified as held-to-maturity		306,614,086	31,366,171
2.5	Acquisition of property, plant and equipment, intangible assets and inventories		-20,229	-9,333
2.6	Proceeds from sales of property, plant and equipment, intangible assets and inventories		2,777	440
2.7	Dividends received		0	0
2.8	Total for Section 2 (sum of lines from 2.1 to 2.7)		558,751	701,211



Line number	Line item	Number of explanations	Cash flows for reporting period	Cash flows for the corresponding reporting period of the year preceding the reporting year
3	Net cash obtained from (used in) financing activities			
3.1	Contributions of shareholders (participants) to the authorized capital		0	499,950
3.2	Acquisition of own shares (stock) purchased from shareholders (participants)		0	
3.3	Sale of own shares (stock) purchased from shareholders (participants)		0	
3.4	Dividends paid out		-792,608	-1,187,416
3.5	Total for Section 3 (sum of lines 3.1 to 3.4)		-792,608	-687,466
4	Effect of changes in official foreign exchange rates against the ruble set by the Bank of Russia on cash and cash equivalents		420,481	-812,448
5	Increase (use) of cash and cash equivalents		-1,621,866	-3,243,704
5.1	Cash and cash equivalents at the beginning of the reporting year		7,638,649	10,882,353
5.2	Cash and cash equivalents at the end of the reporting period		6,016,783	7,638,649



APPENDICES

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

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

In March 2017, based on the results of 2016, the Bank allocated 400 million rubles to pay dividends.

By the resolution of the extraordinary General Meeting of Shareholders in December 2017, the Bank paid dividends from retained earnings of previous years for a total amount of 400 million rubles.

MAJOR TRANSACTIONS AND RELATED PARTY TRANSACTIONS

During the reporting period, the Bank made no major transactions recognized in accordance with the Federal Law "Joint-Stock Companies, which was in force until December 31, 2017, as well as no other transactions approved by major transactions procedure in accordance with the Charter of the Bank.

The Bank concluded 5 transactions recognized as related party transactions, which require approval of the Board of Directors of the Bank, in accordance with the Federal Law "Joint-Stock Companies" in force until December 31, 2017, in the amount of 71,801,000 rubles.



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

Members of the Board of Directors and Management Board	Share of common stocks held, %
Obodovskii Yurii Vasilievich	12,5705
Markelov Valerii Anatolievich	28,6727
Krapivin Aleksey Andreevich	28,6727
Sobolev Nikolai Aleksandrovich	0
Usherovich Boris Efimovich	14,9655
Yakovlev Dmitry Alexandrovich	0
Savinykh Mikhail Yurievich	0
Mikheeva Tatiana Igorevna	0
Pronin Sergei Igorevich	0
Korchagin Oleg Stanislavovich	0

In 2017, members of the Board of Directors and the Management Board made no transactions to acquire or dispose of the Bank’s shares.



INFORMATION ON PAYMENTS (REMUNERATION) TO KEY MANAGEMENT PERSONNEL

Payments (remuneration) to the key management personnel were not made in the reporting period.

Key management personnel: the Board of Directors, the Chairman of the Board, members of the Executive Board, the Chief Accountant and his deputies, as well as employees responsible for taking risks.

This section of the report provides the information on the total amount of remuneration paid to the key management personnel and for each of the following payment types:

- short-term remuneration (the amounts payable in the reporting period and 12 months after the reporting period are disclosed: labor remuneration during the reporting period, including bonuses and compensations, paid annual leave for work in the reporting period, payment for health treatment, medical care, utilities and other payments to the key management personnel);
- long-term remuneration (the amounts payable at the end of the twelve-month period after the reporting date are disclosed: post-employment benefits, including pensions and other social guarantees, remuneration in the form of the issuer's options, shares, equity interest and payments on its basis, as well as other long-term remuneration).

In addition, the information on headcount, including the headcount of the key management personnel, and a summary of the procedures and conditions for the payment of remuneration to the key management personnel and changes in that procedures made in the reporting year compared to the previous year, are provided as part of the disclosure.



INDICATORS OF THE BANK’S ENVIRONMENTAL PERFORMANCE

Information on power resource used by INTERPROGRESSBANK in 2014-17 is provided below in physical and monetary terms:

Power resources	2017		2016		2015		2014	
	Amount	Cost, thousand rubles	Amount	Cost, thousand rubles	Amount	Cost, thousand rubles	Amount	Cost, thousand rubles
Electric power, kWh	433	2,291	501.5	2,271	483	2,316.1	489.2	2,304.3
Heating energy, Gcal	468	8,567	472.2	936.5	426	752.7	420.1	725.3
Water, cu m	1,800	1,400	2,052	128	2,303	132.4	2,072	117.6
Fuel, T (petrol, diesel fuel)	68	2,792	101	3,978	86	3,114.8	67	2,074.5



LICENSES AND PERMITS

License for conducting banking operations of individuals and legal entities both in Russian rubles and foreign currencies No. 600 dated 18.09.2015. The date of primary registration by the Bank of Russia is 26.10.1990.

License of a professional participant of the securities market for carrying out:

- Dealer activity No. 045 - 02841 - 010000 dated 16.11.2000;
- Broker dealer activity No. 045 - 02801 - 100000 dated 16.11.2000;
- Depositary activity (without limitation of validity period) No. 045 - 03170 - 000100 dated 04.12.2000.

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

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

Membership in professional associations and organizations:

- Russian Bank Association (RBA);
- Moscow Bank Union (MBU);
- Visa International, International payment system (associate member);
- MasterCard, International payment system (associate member);
- National Securities Market Association (SRO NSMA);
- Trading participant in currency, equity and time market of Moscow Exchange JSC;
- Professional securities market participant.



BANKING DETAILS

IPB Bank (JSC)
S.W.I.F.T. code: INTPRUMM
REUTERS Dealing code: INPG
TELEX: 414154 INPRO RU
BIK 044525402
TIN (Taxpayer Identification Number): 7724096412
RRC (Registration Reason Code)*: 772401001

OKPO (General Classifier of Enterprises and Organizations): 29323770
OKVED (Russian Standard Industrial Classification of Economic Activities): 65.12, 67.13.2
Corresponding account 30101810100000000402 with the Main Branch of the Central Bank of the Russian Federation in the Central Federal District

* RRC of Interprogressbank has changed since 04.01.2017 in connection with the reorganization of the Federal Tax Service of Russia No. 50 in Moscow.

DETAILS FOR PAYMENTS IN FOREIGN CURRENCIES:

Correspondent bank	Account number	Account currency	SWIFT
US dollars			
Sberbank PJSC	30109840400000001221	USD	SABRRUMM
Alfa Bank JSC	30109840700000000315	USD	ALFARUMM
Euro			
Sberbank PJSC	30109978000000001221	EUR	SABRRUMM
Alfa Bank JSC	30109978000000000071	EUR	ALFARUMM
British pounds			
Alfa Bank JSC	30109826000000000039	GBP	ALFARUMM
Swiss franc			
Alfa Bank JSC	30109756700000000027	CHF	ALFARUMM
Chinese yuan			
Bank of China JSCB	30109156200000000168	CNY	BKCHRUMM



REFERENCE AND CONTACT DETAILS

Full name:

«**INTERPROGRESSBANK**» (Joint - stock company)

Abbreviated name: **Bank IPB (JSC)**

Address: **115201, Moscow,**

Starokashirskoie Highway, house 2, block 1, building 1

Region of registration: **the city of Moscow**

Telephone: **+7 495 411-00-00**

Fax: **+7 499 613-92-09**

E-mail: **info@ipb.ru**

Website: **www.ipb.ru**

BANK REGIONAL NETWORK

Bank branches are located in Moscow and Leningrad regions. Bank Head Office is located in Moscow; its branch is in Saint Petersburg.

As of 31.12.2016, the Bank's regional network included 12 secondary offices and 5 out-of-the-office cash counters.

BANK HEAD OFFICE IN MOSCOW:

Address: 115201, Moscow, Starokashirskoie Highway,
house 2, block 1, building 1

Telephone: +7 495 411-00-00, fax: +7 499 613-92-09

E-mail: info@ipb.ru, website: www.ipb.ru

BANK BRANCH IN SAINT PETERSBURG:

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

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



SECONDARY OFFICES OF THE BANK:

Gamma	Address: 105613, Moscow, Izmaylovskoye Highway, house 71, building 4G-D Telephone: +7 495 411-00-00
Izmailovskii	Address: 105187, Moscow, Izmaylovskoye highway, house 71, building A Telephone: +7 495 411-00-00 (ext. 3020)
Leningradskii	Address: 125284, Moscow, Leningradskii Prospect, house 33A Telephone: +7 495 411-00-00 (ext. 3160)
Marino	Address: 109652, Moscow, Novomaryinskaia Street, house 12/12, building 1 Telephone: +7 495 411-00-00 (ext. 3100)
Kurskii (opened in 2017)	Address: 105064, Moscow, Zemlianoi Val, house 32
Paveletskii (until April 2017)	Address: 115054, Moscow, Novokuznetskaia Street, house 36/2, building 1 Telephone: +7 495 411-00-00 (ext. 3145)
Saliut	Address: 119571, Moscow, Leninskii Prospect, house 158 Telephone: +7 495 411-00-00 (ext. 3180)
Sportivnyi (until February 2017)	Address: 119048, Moscow, Usacheva Street, house 29, building 3 Telephone: +7 495 411-00-00 (ext. 3200)
Universitetskii	Address: 119311, Moscow, Lomonosovskii Prospect, house 23 Telephone: +7 495 411-00-00 (ext. 3260)
Tsentralnii	Address: 129090, Moscow, Mira Prospect, house 24, building 1 Telephone: +7 495 411-00-00 (ext. 7151)

Sheremet'yevskii	Address: 127521, Moscow, Sushevskii Val Street, house 55 Telephone: +7 495 411-00-00 (ext. 3060)
Lobnia	Address: 141730, Moscow Region, Lobnia City, Lenina Street, house 16, apartment 1 Telephone: +7 495 577-16-09, 411-00-00 (ext. 3351)
Moskovskii (secondary office of the branch in Saint Petersburg)	Address: 196105, Saint Petersburg, Moskovskii Prospect, house 143, letter A Telephone: +7 812 382-11-22 (ext. 3650)

OUT-OF-THE-OFFICE CASH COUNTERS:

Gamma	Address: 105613, Moscow, Izmailovskoie Highway, house 71, building 4G-D Telephone: +7 495 411-00-00 (ext. 3029)
Vega	Address: 105187, Moscow, Izmailovskoie Highway, house 71, building 3V Telephone: +7 495 411-00-00 (ext. 3031)
Izmailovskaia	Address: 105187, Moscow, Izmailovskoie Highway, house 71, building A Telephone: +7 495 411-00-00 (ext. 3025)
MIFI	Address: 115409, Moscow, Kashirskoie Highway, house 31 Telephone: +7 495 411-00-00 (ext. 3340), +7 499 323-91-78
Tsaritsyno	Address: 109235, Moscow, Proektiruemyi Proyezd 4386, house 10 Telephone: +7 499 722-33-57

