
ANNUAL REPORT OF THE STATE CORPORATION «DEPOSIT INSURANCE AGENCY» FOR 2016

**APPROVED BY THE RESOLUTION OF THE BOARD
OF DIRECTORS OF THE AGENCY
DATED MARCH 14, 2017**



DIA

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**ADDRESS OF THE MINISTER OF FINANCE
OF THE RUSSIAN FEDERATION, CHAIRMAN
OF THE BOARD OF DIRECTORS OF THE STATE
CORPORATION "DEPOSIT INSURANCE AGENCY",
ANTON G. SILUANOV**



DEAR COLLEAGUES,

I am pleased to present you the report on the operation of the State Corporation "Deposit Insurance Agency" in 2016.

During the past year the Agency continued work under the conditions of strengthening by the Bank of Russia of financial stability of the banking sector. Despite the increased number of insured events (88) as compared with the previous year and significant volume of payouts (568.4 billion rubles), in 2016 the Agency managed to preserve high standards of quality of the services provided to depositors. The average term of payout start was 10.7 business days (13.8 calendar days) from the date of the insured event occurrence.

The deposit insurance system was also improved in respect of the mechanism of differentiation of insurance premiums paid by member banks into the mandatory deposit insurance fund by the level of risk. At present, the rates take into account not only the high interest rates on deposits attracted by the banks but also the indicators of financial position of the banks, including supervisory corrective measures of the Bank of Russia applied to them.

The process of non-government pension funds (NPFs) inclusion into the pension savings guarantee system was completed in the past year. An important stage in the Agency's operations was implementation of the possibility of remote acceptance of applications for insurance payout in the electronic form. In the reporting period DIA carried out stage-by-stage transfer of property and liabilities from liquidated NPFs to stably functioning ones for the first time in its history.

Since December 2016 the Agency received additional powers – to act as receiver of failed insurance organizations.

In the reporting year DIA started receivership (liquidation) proceedings in respect of 94 credit institutions which is the maximal indicator throughout the Agency's history and 14 non-government pension funds. Bankruptcy and liquidation proceedings were completed in 30 banks. 78.8 billion rubles were allocated to meet claims of creditors of failed banks which is also the highest amount throughout DIA history. 6.8 billion rubles were allocated for payments to NPF creditors.

In 2016 DIA successfully continued the most important and very complex work related to the search and recovery of the assets of failed banks which were transferred abroad by their unfair former owners.

Every year the Agency proves its effectiveness by contributing to the increase of stability, transparency and reliability of the Russian banking system, as well as public confidence in it.

BOARD OF DIRECTORS



MR. ANTON SILUANOV

Minister of Finance
of the Russian Federation,
Chairman of the Board
of Directors



MR. MAXIM AKIMOV

First Deputy Head
of the Office of the Russian
Federation Government



MR. SERGEI BARSUKOV

Director of Financial Policy
Department of the Ministry
of Finance of the Russian
Federation



MR. FEDOR MALISHEV

Referent of the Expert
Directorate of President
of the Russian Federation



MR. ALEXEI MOISEEV

Deputy Minister of Finance
of the Russian Federation



MS. ELVIRA NABIULLINA

Governor of the Bank of Russia



MR. SERGEI IGNATIEV

Adviser to the Governor
of the Bank of Russia



MR. YURY ISAEV

General Director of the State
Corporation «Deposit Insurance
Agency»



MS. YULIYA LESCHEVSKAYA

Director of Department of
Finance-banking Operation
and Investment Development
of the Ministry of Economic
Development of the Russian
Federation



MR. NIKOLAI PODGUZOV

Deputy Minister of Economic
Development of the Russian
Federation



MR. VASILY POZDYSHEV

Deputy Governor of the Bank
of Russia



MR. ALEXEY SIMANOVSKIY

Adviser to the Governor
of the Bank of Russia

DIA EXECUTIVE BOARD



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General Director



MR. VALERY MIROSHNIKOV
First Deputy General Director



MR. GEORGY AGAPTSEV
Deputy General Director



MR. RUBEN AMIRIANTS
Deputy General Director



MR. ALEXEI BELOV
Deputy General Director



MS. NATALIA MOLODTSOVA
CFO–Chief Accountant



MR. OLEG BARANOV
Deputy General Director



MR. VITALIY KONOSHENKOV
Director, Investment
Department



MR. SERGEY SAVCHENKO
Deputy General Director

MILESTONES OF 2016

- From the beginning of 2016 differentiated rates of premiums to be paid by member banks to the Fund were applied depending on several criteria (indicators of financial position of the bank; interest rates paid by the bank to its depositors that exceed the upper limits established by the Bank of Russia).
- Supported by the Bank of Russia, Sociological Company «Public Opinion Fund» and the Agency started a joint research project «Bank in anti-crisis» aimed at creation of interactive communication platform for interaction with consumers of bank services.
- DIA and the Agency for Guaranteed Repayment of Bank Deposits of Individuals (Republic of Belarus) signed the Memorandum of Understanding and Cooperation.
- DIA and the Deposit Insurance Corporation (Mongolia) signed the Memorandum of Understanding and Cooperation.

JANUARY

FEBRUARY

APRIL

MAY

JULY

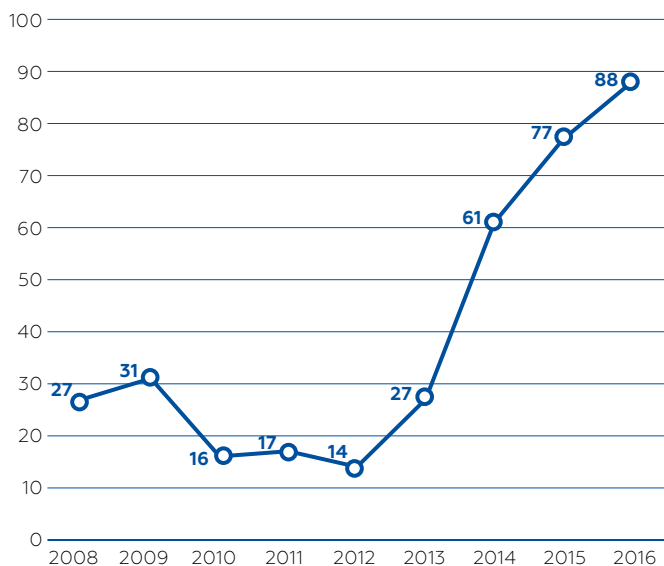
- The largest insured event in the Agency's history: the banking license was revoked from the Commercial Bank INTERCOMMERZ (LLC), deposit payouts amounted to 64.4 billion roubles.
- When arranging for payouts in the Commercial Bank INTERCOMMERZ (LLC) the Agency for the first time used the tool that allows remote acceptance of applications for deposit payouts.

- The aggregate payouts by the Agency to the bank depositors from the beginning of operation of the deposit insurance system exceeded 1 trillion roubles.
- Injunctive measures were imposed on the assets of S.V. Pugachev who was the actual controlling owner of failed CJSC International Industrial Bank — in France, Luxembourg and the Cayman Islands.

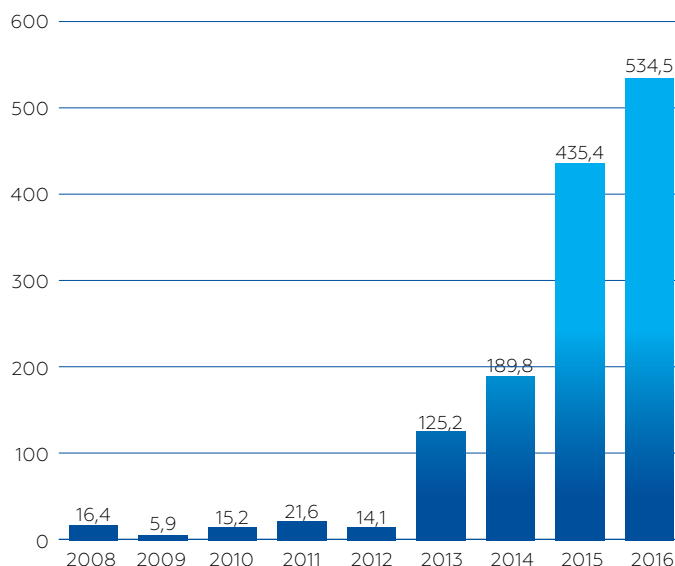
- Representative of the Agency was elected as a member of the governing body of the European Forum of Deposit Insurers (EFDI) – EFDI Board of Directors.
- The banking license was revoked from JSC CB RosinterBank, deposit payouts amounted to 56.6 billion roubles.
- The banking license was revoked from VPB Bank JSC, deposit payouts amounted to 35.3 billion roubles. Large scale operations on attraction of retail deposits without their reflection in the accounting books for the amount exceeding 6.3 billion roubles were detected.
- Moratorium was imposed on satisfaction of claims of creditors of JSCB PRESVET (JSC) (which is an insured event), payouts to depositors amounted to 6.2 billion roubles.
- The first two projects for gradual transfer of assets and liabilities of liquidated non-government pension funds (NPF Transstroy, Non-government Pension Fund «Professional Independent Pension Fund») were implemented.

AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER
<ul style="list-style-type: none"> — When arranging for insurance payouts in JSC Arksbank large scale operations on attraction of retail deposits without their reflection in the bank's accounting books were detected (for the amount exceeding 35 billion roubles). 		<ul style="list-style-type: none"> — Representative of the Agency was elected as a member of the governing body of the International Association of Deposit Insurers (IADI) – IADI Executive Council. 		<ul style="list-style-type: none"> — Total volume of deposits in the banking system achieved 24 trillion roubles. — As part of measures to increase capitalization of certain banks, the Agency transferred to the banks the federal loan bonds with the aggregate nominal value of 836.9 billion roubles. — Total volume of assets of liquidated banks exceeded 3 trillion roubles. — The law authorizing the Agency to perform the functions of the corporate receiver in respect of the insurance organizations came into force.

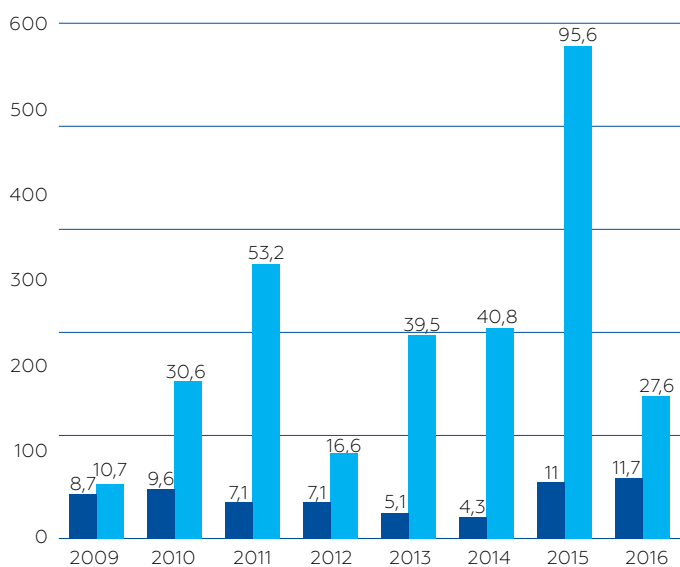
DYNAMICS OF MAIN INDICATORS



Number of insured events

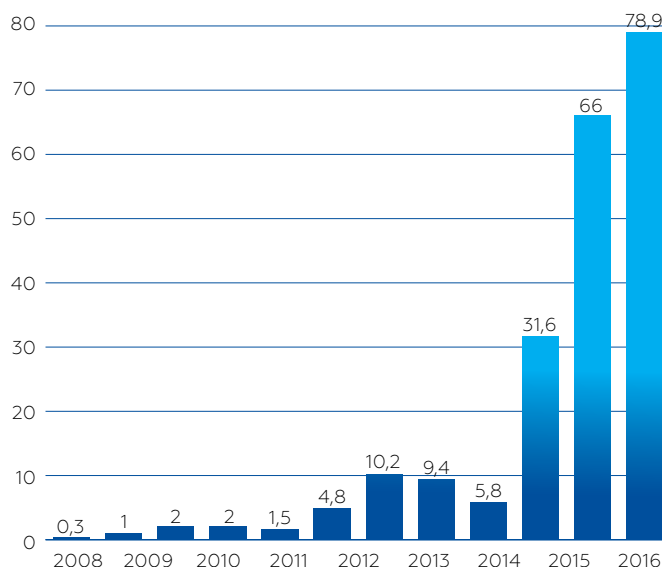


Liability on the insured events which occurred during the year, billion rubles

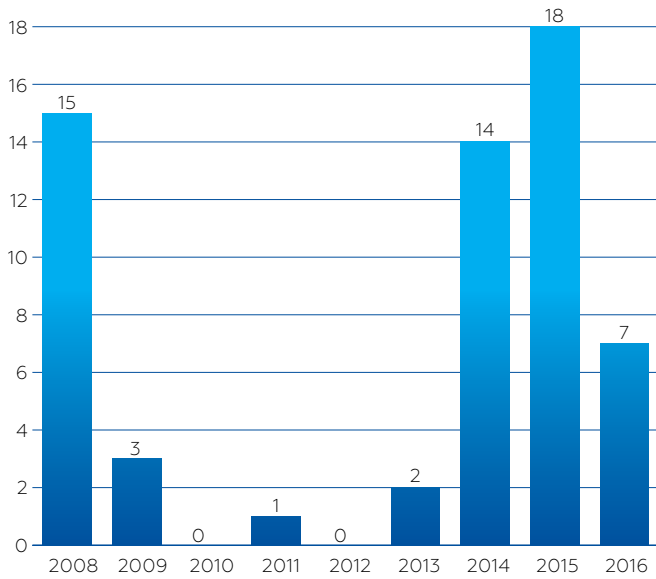


Return of financing allocated for resolution, billion rubles

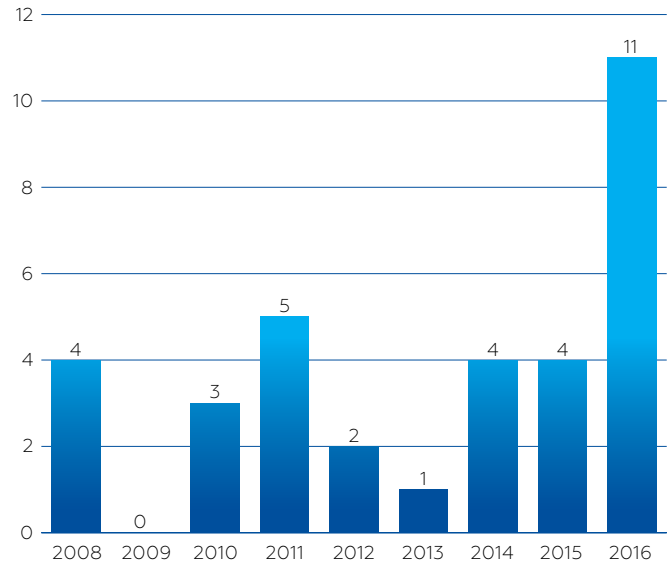
Interest Principal



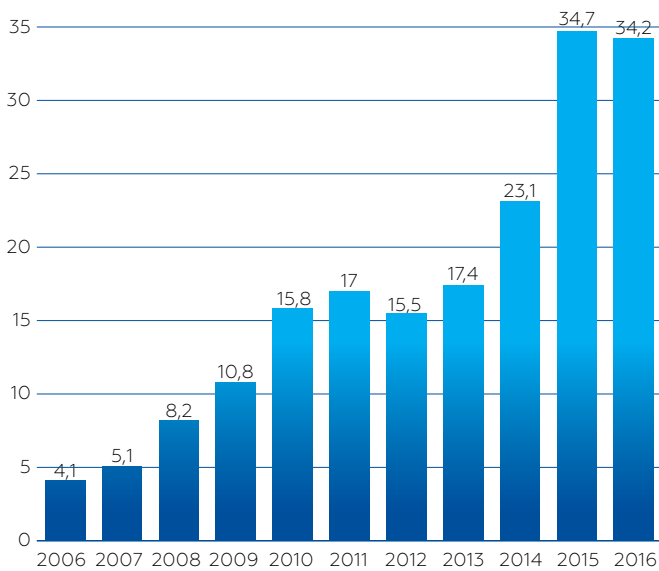
Dynamics of payouts to creditors of liquidated banks throughout the Agency's history, billion rubles



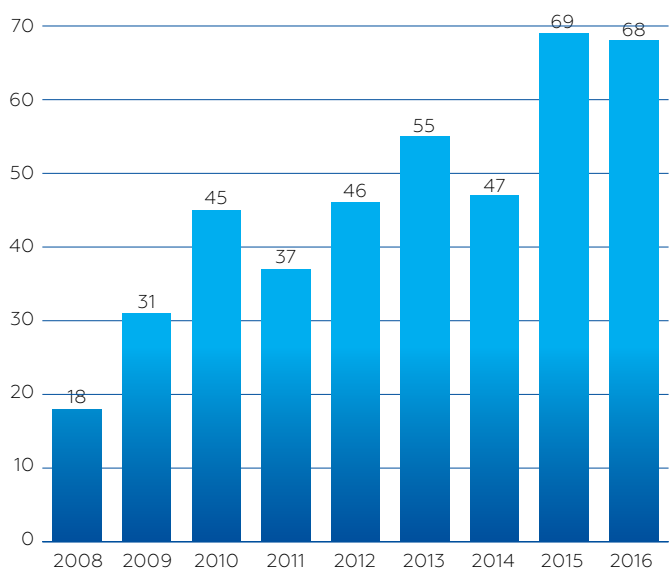
Number of bank resolution projects started



Number of bank resolution projects completed



Dynamics of satisfaction of creditors' claims in the credit institutions in respect of which receivership proceedings were completed, %



Length of liquidation proceedings, months

IMPLEMENTING THE AGENCY DEVELOPMENT STRATEGY UNTIL 2020

IN 2016 THE AGENCY STARTED IMPLEMENTATION OF ITS DEVELOPMENT STRATEGY UNTIL 2020 APPROVED BY RESOLUTION OF THE BOARD OF DIRECTORS OF THE AGENCY DATED DECEMBER 14, 2015 (MINUTES NO. 17) (HEREINAFTER REFERRED TO AS THE STRATEGY).

THE STRATEGY IS AIMED AT THE DEVELOPMENT OF NEW AND IMPROVEMENT OF EXISTING FUNCTIONS OF THE AGENCY, FURTHER IMPROVEMENT OF RELIABILITY AND CONVENIENCE OF SERVICES OF THE AGENCY FOR CUSTOMERS, INCLUDING THROUGH PROVISION OF AS MANY SERVICES IN THE ELECTRONIC FORM AS POSSIBLE.

The Strategy was implemented on the basis of 2016 Plan approved by the resolution of the Management Board of the Agency dated February 15, 2016, (Minutes No. 17). Implementation of the Strategy followed eight main lines.

DEPOSIT INSURANCE

Despite the large number of insured events (88) and significant volume of payouts (568.4 billion roubles) in the reporting year, the Agency managed to preserve high standards of quality of its services provided to insured depositors: the average term of payout start amounted to 10.7 business days (13.8 calendar days) from the date of the insured event. Payouts were made in 96% of populated settlements out of those where the offices of the failed banks were located as of the date of the insured events occurrence (in 69 constitutive entities of the Russian Federation).

In the reporting year the Agency for the first time utilized the tool that allows remote acceptance of applications for insurance payout in the electronic form.

Improvement of the mechanism of differentiation of rates of insurance premiums paid by DIS member banks to the Fund by the level of risk became an important step in DIS development in 2016. At present, the rates take into account not only the interest rates on deposits attracted by the banks that exceed the threshold established by the Bank of Russia but also the indicators of financial position of banks, including prompt corrective actions applied by the Bank of Russia.

IN 2016 CONSULTATIONS STARTED WITH THE HEADS OF THE DEPOSIT INSURANCE SYSTEMS OF MEMBER STATES OF THE EURASIAN ECONOMIC UNION (EAEU) IN RESPECT OF HARMONIZATION OF DIS MAIN PARAMETERS AND PROCEDURES OF FINANCIAL RECOVERY AND BANKRUPTCY OF CREDIT INSTITUTIONS.

GUARANTEEING THE RIGHTS OF INSURED PERSONS SUBJECT TO THE MANDATORY PENSION INSURANCE (GUARANTEEING THE PENSION SAVINGS)

In 2016 the process of accession to the system for guaranteeing pension savings (SGPS) of non-government pension funds (hereinafter also referred to as NPF(s), member fund(s), fund(s)) that received the licenses for pension provision and pension insurance before the effective date of the Law on Guaranteeing Pension Savings was completed.

As of December 31, 2016 41 funds was registered with the pension savings guarantee system.

BANKRUPTCY PREVENTION IN FINANCIAL ORGANIZATIONS

In the reporting year the Agency accepted offers of the Bank of Russia to participate in resolution of 7 banks. The resolution procedures that were commenced earlier were completed in respect of 11 credit institutions.

Funds recovery under the resolution projects funded by the Agency amounted to 27.6 billion roubles. In addition, 11.7 billion roubles were received as interest for the use of resources provided by the Agency.

In the reporting period the Agency for the first time in its history arranged the gradual transfer of assets and liabilities from liquidated NPFs to financially sound NPFs which allowed speeding up fulfilment of obligations in respect of non-government life pensions to be paid to the participants of the non-government pension fund removed from the market.

In 2016 the Agency actively participated in the development of bills prepared at the initiative of the Bank of Russia that were aimed at the improvement of bank resolution regime's effectiveness.

RECEIVERSHIP (LIQUIDATION) OF FINANCIAL ORGANIZATIONS

In the reporting year the Agency started receivership (liquidation) proceedings in respect of 94 credit institutions (the maximal indicators throughout the Agency's history) and 14 NPFs. Bankruptcy and liquidation proceedings were completed in 30 banks.

78.8 billion roubles were allocated for meeting creditor claims of liquidated banks which is also the greatest indicator throughout the DIA history.

6.8 billion roubles were allocated for payments to NPFs' creditors.

The average percentage of satisfaction of creditors' claims in the banks where the liquidation proceedings were completed in the reporting period amounted to 34.2%.

In 2016 operation of the special electronic portal for asset sale was improved: the set of options was expanded, speed and easiness of access were increased.

Draft methodological recommendations on NPF financial analysis for the purpose of detection of reasons and circumstances of their bankruptcy were prepared.

Preparatory measures to perform a new statutory function of the Agency – receivership management in respect of insurance organizations – were taken.

COMMUNICATION STRATEGY

To further develop public dialog of the Agency with the expert community and consumers of its services, work of the Expert Analytical Council and the Public Council for Cooperation with Creditors of Financial Institutions continued.

Supported by the Bank of Russia, Sociological Company "Public Opinion Fund" (FOM) and the Agency started a joint research project "Bank in anti-crisis". Along with regular all-Russia surveys of banking system functioning, this project created an interactive communication platform for interaction with consumers of banking services based on the crowd-sourcing principles.

Improvement of effectiveness of the information policy of the Agency was supported by the development of new communication channels with consumers of its services and society in general (work in blogs, social media).

An important element of “feedback” system with the consumers of the Agency’s services was the regular and systematic analysis of citizens’ requests (letters, e-mail letters and phone calls on the hot line).

OPTIMIZATION OF THE OFFICIAL WEB-SITE OF THE AGENCY CONTINUED, APPLICATIONS FOR MOBILE DEVICES WERE DEVELOPED TO INCREASE ITS ACCESSIBILITY AND USER-FRIENDLINESS.

In the reporting period the Agency paid much attention to the participation in the programs for improvement of financial literacy of the population implemented under the aegis of the Ministry of Finance of the Russian Federation.

FINANCIAL STRATEGY

Uninterrupted and full funding of all lines of operations of the Agency was assured.

The procurement management system of the Agency was improved (in terms of planning, preparation and performance of purchases, control over execution of signed contracts). The Agency carried out as many purchases as possible through tender procedures, including those in the electronic form using special e-trade platforms.

The financial risk management system of the Agency and its subsidiaries and affiliates was optimized.

Monthly and quarterly monitoring of operations of the banks in respect of which the Agency took measures to increase their capitalization was carried out (in terms of compliance of their operations with the requirements of the agreements concluded with the Agency and the Procedure and Conditions of placement of the property contribution of the Russian Federation in the property of the State Corporation “Deposit Insurance Agency” into subordinated liabilities and preferred shares of the banks. Following such monitoring, in 2016 the Board of Directors of the Agency a number of times made decisions on the imposition of fines on the banks for detected violations.

CORPORATE GOVERNANCE

In compliance with the methodological recommendations approved by the Government of the Russian Federation, the system of quality indicators of operation of the Agency in external and

internal business processes was created. These indicators characterize the quality of operations of the Agency in the main areas of its activity connected with provision of services to external consumers (deposit insurance, guaranteeing pension savings, resolution and liquidation procedures in respect of financial organizations, investment of temporary idle funds of the Agency) and they serve as the indicators of effectiveness of internal operations of servicing divisions of the Agency. In the reporting year target values of all quality indicators of operations of the Agency in external and internal business processes were achieved.

In order to improve customer focus of the Agency, develop practice of service provision in the electronic form, improve reliability and speed of the technological infrastructure, information and technological audit of the Agency was carried out – it allowed examining the Agency's information systems and developing proposals on their modernization.

Work on prevention and suppression of corrupt practices among the employees of the Agency was activated. The list of positions of its employees that require submission of information on their income, expenses, property and property obligations and the list of functions of the Agency where corrupt practices are possible were extended.

THE RISK MANAGEMENT SYSTEM OF THE AGENCY THAT IS BASED ON THE INTERNATIONAL STANDARDS AND BEST PRACTICES WAS IMPROVED. NOW IT IS COMPLIANT WITH THE METHODOLOGICAL GUIDELINES DEVELOPED BY THE MINISTRY OF ECONOMIC DEVELOPMENT OF RUSSIA IN PURSUANCE OF THE ORDER OF PRESIDENT OF THE RUSSIAN FEDERATION DATED DECEMBER 27, 2014 NO. PR-3013 AND ALLOWS TIMELY DETECTION, ASSESSMENT AND PREVENTION OF RISKS WHICH MAY AFFECT THE RESULTS OF ACTIVITY AND REPUTATION OF THE AGENCY.

Re-assessment of risks of the Agency took place in 2016 in compliance with which the risks in average do not exceed the set level of acceptable risk. Distribution of obligations and responsibility among the participants of the risk management system provides for consistency and effectiveness of measures to be taken to ensure the reasonable level of confidence in the implementation of the Agency Development Strategy until 2020.

HR STRATEGY

Measures to deepen and update knowledge and skills of the employees of the Agency, acquire new competences connected with expansion of functions of the Agency (short- and long-term re-training and skill development programs; educational programs) were implemented.

The survey of involvement and professional satisfaction of employees of the Agency was performed, as the result areas for increasing the employees' interest in improving their performance were identified.

The system of Key Performance Indicators (KPIs) of the Agency was improved, the KPI systems of its subsidiaries and affiliates was harmonized with the KPI system of the Agency.

I. REPORT ON THE AGENCY OPERATIONS IN 2016



-
- 1.1.** DIS MAIN INDICATORS
AS OF DECEMBER 31, 2016
 - DIS STRUCTURAL INDICATORS
 - DIS FINANCIAL AND ECONOMIC INDICATORS

 - 1.2.** DEPOSIT INSURANCE PAYOUTS
 - ARRANGING AND PAYING OUT INSURANCE
 - PREVENTING FRAUD IN DIS

 - 1.3.** CONTROL MEASURES
TAKEN TO THE
DIS MEMBER BANKS

 - 1.4.** THE MANDATORY
DEPOSIT INSURANCE FUND
(FUND)

 - 1.5.** INVESTMENT OF TEMPORARY
IDLE MONETARY
RESOURCES OF THE FUND

 - 1.6.** DIS IMPACT ON THE BANK
DEPOSIT MARKET
-





IN 2016 DIS CONTINUED TO FUNCTION UNDER INCREASED STRESS RESULTING FROM CONTINUED MEASURES OF THE BANK OF RUSSIA TO IMPROVE THE BANKING SECTOR SOUNDNESS AND REMOVE FROM THE BANKING SERVICES MARKET WEAK AND UNCONSCIENTIOUS PLAYERS.

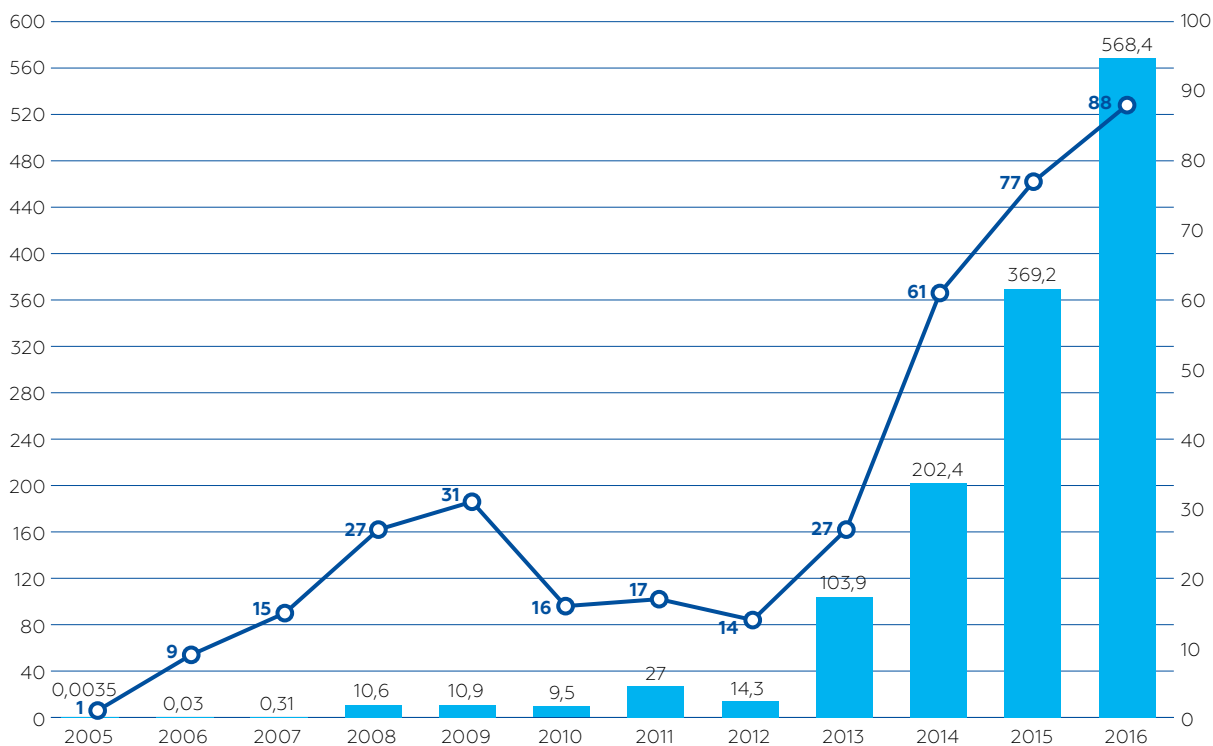


Figure 1. Number of Insured Events and Payouts (2005–2016)

■ Payouts (billion rubles)
 ○—○ Number of payout cases

During the year, there were 88 insured events in respect of DIS member banks (as compared to 77 in 2015). The payouts amount increased by 54% as compared to the previous year (from 369.2 billion roubles up to 568.4 billion roubles), while the number of depositors that applied for insurance increased by 38% (from 713.0 thousand up to 986.5 thousand people). In total, for 13 years of DIS functioning, 383 insured events occurred; the total amount of insurance liability amounted to 1,367 billion roubles to 7.4 million of depositors included into the registers of liabilities of the banks (figure 1).

11 large insured events with the insurance liability over 10 billion roubles in each case occurred in 2016. The greatest expenses of the Fund were allocated towards payouts to depositors of Commercial Bank INTERCOMMERZ (LLC) (64.4 billion roubles), JSC CB Rosinter-Bank (56.6 billion roubles), JSC Arksbank (38.2 billion roubles), VPB Bank (JSC) (35.3 billion roubles), all from Moscow, and PJSC Tatfondbank (53.8 billion roubles), Kazan city. The aggregate amount of insurance liability related to these banks amounted to 248 billion roubles.

In 2016 compensation payments were also made from the Fund for the amount of 293.6 million roubles in favour of 4,029 depositors of 45 Ukrainian banks which terminated their operations at the territory of the Republic of Crimea and the city of federal importance of Sevastopol (2.3 billion roubles in favour of 23 thousand depositors in the previous year).

Significant payouts during the reporting period required attraction to the Fund of 474 billion roubles of additional funding in the form of borrowings from the Bank of Russia, as the result the total volume of the Agency's borrowings from the Bank of Russia reached 549 billion roubles as at the year end.

1.1

DIS MAIN INDICATORS AS OF DECEMBER 31, 2016

AS OF THE BEGINNING OF 2016, 842 MEMBER BANKS WERE REGISTERED IN THE DIS. THE FOLLOWING CHANGES OCCURRED IN THE MEMBERSHIP OF THE DEPOSIT INSURANCE SYSTEM WITHIN THE YEAR.

DIS STRUCTURAL INDICATORS

2 banks were included into the register (JSC BS Bank (Special Bank) and ICBC Bank (JSC), both registered in Moscow).

36 banks were excluded from the register, with 12 banks (INRES-BANK LLC, PJSC Pervobank, Bank Expo Finance JSC, JSC BS Bank

(Special Bank), PJSC Khanty-Mansi Bank Otkrytie, PJSC BINBANK (all registered in Moscow), PJSC CB KEDR (Krasnoyarsk), PJSC BINBANK Surgut (Surgut), PJSC BINBANK Smolensk (Smolensk), PJSC CB Verkhnevolzhsky (Rybinsk), PJSC BINBANK Tver (Tver), JSC BINBANK Murmansk (Murmansk)) excluded due to the termination of their operations because of reorganization through merger with other DIS member banks; 23 more banks (CJSC JSCB MIB, OJSC Agrokhimbank, CBI Bank LLC, OJSC CB Vypel, OJSC TSB, CB AUERBANK LLC, My Bank (LLC), (LLC) CB NEOPOLIS-BANK, CB VETB JSC, JSCB "First Capital" (CJSC), CB "Stary Kreml" (LLC),

CB Sovincom LLC, OJSC Printbank (all registered in Moscow), CB Sotscreditbank LLC (Ufa), CB KBC /LLC/ (Tver), CB Universal LLC (Pervouralsk), CB SPBRR OJSC (Saint Petersburg), CJSSCB NADEZH-NOST OJSC (Kurgan), CJSC MEGA-BANK (Tyumen), Sakhalin-West MABES OJSC

(Yuzhno-Sakhalinsk), JSCB ENO (PJSC) (Krasnodar), CB Surgut Central LLC (Surgut), JSCB Adam International JSC (Makhachkala) being excluded due to the completion of deposit insurance payouts and one bank — JSC RNKO PRIPOLYARKOM (Tyumen) — being excluded due to repayment of all liabilities to depositors after termi-

nation of the right to attract into deposits the funds of individuals – its banking license was amended.

The history of changes in DIS membership is presented in Table 1.

YEAR	INCLUDED	EXCLUDED	NUMBER OF DIS MEMBER BANKS AS OF THE END OF THE YEAR	INSURED EVENTS DURING THE YEAR
2004	381	0	381	0
2005	562	12	931	1
2006	10	7	934	9
2007	7	7	934	15
2008	13	10	937	27
2009	7	19	925	31
2010	7	23	909	16
2011	5	18	896	17
2012	7	12	891	14
2013	5	23	873	27
2014	3	16	860	61
2015	0	18	842	77
2016	2	36	808	88

Table 1. Changes in the number of DIS member banks

Thus, as of December 31, 2016 808 banks were registered in DIS, including 515 operating banks with the license to work with individuals (including 3 banks in respect of which the Bank of Russia has imposed moratorium on satisfaction of creditors' claims); 4 credit institutions that formally remain to be DIS members but lost their right to open new accounts and accept funds into deposits from individuals; 289 banks that were in the process of receivership (liquidation).

DIS FINANCIAL AND ECONOMIC INDICATORS

During the reporting year the deposit insurance coverage limit was 1.4 million roubles (for escrow accounts opened for settlements under the real estate purchase transactions – 10 million roubles) per depositor per bank.

The system of differential premiums paid by the banks introduced from the middle of 2015 was further improved in the reporting period. Taking into account the increased load on the Fund, the basic premium rate applied earlier (0.10% of the calculation base) was increased up to 0.12% of the calculation base from Q3 2016 by the decision of the Board of Directors of the Agency. Starting from Q2 2016 the additional rate was increased from 20% to 50% of the basic rate, and increased additional rate was increased from 150% to 200%. When paying premiums in 2016 additional rates were applied to the banks if the maximal interest rate on deposits attracted by the banks in the respective calculation period exceeded the upper limit established by the Bank of Russia and starting from Q1 2016 – also depending on the indicators of the financial position of the banks.

By the end of the reporting period, the total amount of insured (eligible for coverage) deposits came up to 24 trillion roubles, with increase for 2016 being 1.13 trillion roubles (4.9%).

AS OF THE END OF THE YEAR, THE AMOUNT OF THE AGENCY'S INSURANCE LIABILITY (COVERED DEPOSITS) WAS ESTIMATED TO BE 16.3 TRILLION ROUBLES (14.9 TRILLION ROUBLES IN THE PREVIOUS YEAR). IN RELATIVE TERMS (AS COMPARED TO THE TOTAL AMOUNT OF INSURED DEPOSITS) IT ALSO INCREASED AND MADE UP 67.8% (WITH 65.1% AT THE END OF 2015).

1.2

DEPOSIT INSURANCE PAYOUTS

IN 2016 THERE WERE 88 INSURED EVENTS IN RESPECT OF DIS MEMBER BANKS (INCLUDING 5 EVENTS IN CONNECTION WITH IMPOSITION BY THE BANK OF RUSSIA OF MORATORIUM ON SATISFACTION OF CREDITORS' CLAIMS) WITH THE TOTAL VOLUME OF INSURANCE LIABILITY OF THE AGENCY OF 534.5 BILLION ROUBLES TO 2.1 MILLION OF DEPOSITORS INCLUDED INTO THE REGISTERS OF LIABILITIES OF THE BANKS.

ARRANGING AND PAYING OUT INSURANCE

Payouts in all banks (except for JSC Interraschet RNKO where no payouts were made in connection with the absence of insured liabilities to depositors) started not later than on the 12th business day, while the average time of payout start was 10.66 business days. In calendar days the period of preparation for payouts in all banks took up to 14 days (13.83 days in the average), except for CB MCB (LLC), CB NCB LLC, JSCB BNCV (JSC), PJSC IntexBank where the period reached up to 18–21 days due to the New Year holidays.

Information on the occurrence of insured events and payouts to insured depositors was published on the Agency's official website, in the official edition of the Bank of Russia, printed media at the location of the failed bank or at the place of residence of the considerable number of its depositors, and was also displayed directly in the failed bank offices.

In the reporting period 1.2 million mail notifications were sent to depositors of 76 banks included into the liabilities registers and not applying for payouts during the first days – informing them of the place, time and procedure of payouts. 370.8 thousand notifications were sent in January 2017 to depositors of 12 banks in respect of which the insured events occurred in December.

To ensure the most convenient conditions for depositors to receive insurance payments, agent banks were engaged on a competitive basis for all payout cases.

THE NETWORK OF STRUCTURAL DIVISIONS OF THE AGENT BANKS ALLOWED TO ENSURE RECEIPT OF INSURED PAYMENTS IN MOST POPULATED SETTLEMENTS WHERE THE OFFICES OF FAILED BANKS WERE LOCATED (IN AVERAGE THE TOTAL AMOUNT OF SUCH PAYOUTS EXCEEDED 95%). PAYOUTS TOOK PLACE IN 69 CONSTITUENT ENTITIES OF THE RUSSIAN FEDERATION, INCLUDING THE REPUBLIC OF CRIMEA AND THE CITY OF FEDERAL IMPORTANCE OF SEVASTOPOL. DEPOSITORS RESIDING OUTSIDE THE SAID POPULATED SETTLEMENTS WERE ABLE TO RECEIVE THEIR INSURANCE PAYMENTS THROUGH BANK TRANSFERS OR POSTAL TRANSFERS.

In the reporting year depositors' claims to liquidated banks for amounts that exceeded the coverage limit were accepted according to the "one-window" principle in the agent banks for subsequent inclusion of these claims by the Agency into the failed banks' creditor claims register, and 34.4 thousand of such depositors out of 56.1 thousand of potential applicants used this possibility (61.3%).

Two or more agent banks were engaged for payouts in 21 cases of insured event occurrence, and the depositors were divided among them by their place of residence and/or alphabetically. The largest amount of insurance indemnity was paid by the Agency through PJSC Sberbank of Russia (44.0%), VTB 24 (PJSC) (18.7%), PJSC Bank FC Otkrytie (17.5%) and JSC Rosselkhozbank (10.9%). In average, the depositors left about 30% of the indemnity in the said banks as new deposits.

As of December 31, 2016 65 agent banks were accredited with the Agency, of which 23 regional banks, for payouts in case of insured event occurrence in the banks registered in the same constituent entity of the Russian Federation. Structural divisions of the accredited banks are located in all constituent entities of the Russian Federation allowing most depositors to receive payouts at the place of residence.

Eight out of ten credit institutions attracting the largest volume of households' deposits are the accredited agent banks – PJSC Sberbank, VTB 24 (PJSC), JSC ALFA-BANK, Bank GPB (JSC), JSC Rosselkhozbank, PJSC BINBANK, PJSC Bank FC Otkrytie, PJSC Promsvyazbank.

2 banks were accredited by the Agency in the reporting year: Bank Vozrozhdenie (PJSC), PJSC BANK SGB; 13 bank were excluded from the list of accredited banks: JSCB INVESTTORGBANK (PJSC), CB Intercommerz (LLC), PJSC Pervobank, PJSC Khanty-Mansi Bank Otkrytie, JSC CB Rosinterbank, JSC BM-Bank, JSC Sotsinvestbank, OJSC Krayinvestbank, JSC JSCB EXPRESS-VOLGA, JSC Econombank, PJSC BALTINVESTBANK, PJSC BINBANK and PJSC Tatfondbank.

Throughout 2016 the Agency provided the opportunity to receive insurance payments for depositors of 305 banks, including those that failed in earlier years. For the reporting period, insurance payments for the total amount of 568.4 billion roubles were received by 986.5 thousand depositors of 240 banks, including 15.8 thousand individual entrepreneurs (volume of payouts – 1.82 billion roubles). In the reporting period 531 depositors of 20 banks applied to the Agency directly to receive insurance payments for the total amount of 18.1 million rules in cash or by postal transfer.

In the reporting period liquidation proceedings were completed in 20 banks in respect of which the insured events occurred earlier (CB Universal LLC, CB SPBRR OJSC, JSCB Adam International JSC, JSCB "First Capital" (CJSC), VETB, CB Sovincom LLC, CB "Stary Kreml" (LLC), CJSC BVA Bank, CJSSCB NADEZHNOT OJSC, CJSC MEGA-BANK, OJSC Printbank, (OJSC) CB PERTO-AERO-BANK, CB Surgut Central LLC, Sakhalin-West MABES (OJSC), JSCB ENO (PJSC), CJSC WDB-bank, CB BVT (LLC), RNKO MGB LLC, OJSC VECOMBANK and CB European Credit LLC). The total amount of payouts in these banks equaled to 5.61 billion roubles, with 2.67 billion roubles repaid to the Mandatory Deposit Insurance Fund in the course of liquidation proceedings (47.5% of the paid amount).

DURING THE REPORTING PERIOD THE AGENCY CONTINUED TO IMPROVE DEPOSIT PAYOUT AND DEPOSITOR INFORMING TECHNOLOGIES. AMENDMENTS WERE INTRODUCED INTO THE REGULATORY DOCUMENTS OF THE AGENCY GOVERNING ACCEPTANCE BY THE AGENT BANKS OF APPLICATIONS IN THE FORM OF ELECTRONIC DOCUMENTS.

PREVENTING FRAUD IN DIS

The important areas of activity of the Agency are counteracting attempts of fraud with deposit insurance and protection of rights of depositors affected by illegal actions of failed banks.

Deposit transactions were analysed for each insured event in order to identify transactions that could be qualified as fictitious liabilities to depositors increasing the insurance liability of the Agen-

cy. As a result, in 41 banks (JSC Miraf-Bank, CB Mezhtrastbank LLC, Millennium Bank (CJSC),

CB Intercommerz (LLC), CB Alta-Bank (CJSC), CB Unifun (JSC), Bank Zerich (CJSC), PJSC JSCB 1Bank, Bank Bogorodsky (LLC), JSC Smartbank, PChRB Bank LLC, JSC FIA-BANK (JSC), CB "Capital's Pulse" LLC, JSC JSCB Stella-Bank, Interactive Bank (LLC), CB BFG-Credit (LLC), CB El Bank LLC, JSCB VEK (JSC), Promregionbank LLC, PJSC CB EurocityBank,

RICB Rinvestbank LLC, Bank Credit-Moscow (PJSC), JSC Promenergobank, JSC JSCB Gazstroybank, JSCB Russian Trust Bank (JSC), BaykalBank (PJSC), PJSC Vyborg-bank, JSC BANK RCB, JSCB Finprombank (PJSC), Centercombank (LLC), CB IMoneyBank LLC, CB Razvitie LLC, JSCB PRESVET (JSC), CB Financial Capital LLC, CB Kuban Universal Bank (LLC), JSCB NZBank (OJSC), CB VEGA-BANK (JSCB), CB International Development Bank (JSC), PJSC Tatfondbank, PJSC IntexBank and JSCB BNKV (JSC)) about 17 thousand cases of artificial creation of deposit liabilities covered by DIS through inclusion into the accounting documents of the bank of technical records on funds credited to the accounts of individuals for illegal receipt of payouts were detected for the total amount of 12.2 billion roubles. Artificially created deposit liabilities were excluded from calculation of insurance indemnity.

IN THE COURSE OF PREPARATION AND MAKING PAYOUTS, THE AGENCY ALSO DETECTED CASES OF MISAPPROPRIATION OF FUNDS OF DEPOSITORS THROUGH THE USE OF SO-CALLED "DOUBLE ACCOUNTING", WHERE THE OFFICIAL BANK RECORDS DO NOT REFLECT INFORMATION ON ACCOUNTS (DEPOSITS) OPENED BY DEPOSITORS OR THE FUNDS WERE DEBITED FROM THEIR ACCOUNTS WITHOUT KNOWLEDGE AND CONSENT OF THEIR HOLDERS. THUS, IN CB MIKO-BANK, JSCB CROSSINVESTBANK (OJSC), JSC JSCB STELLA-BANK, JSCB MOSTRANSBANK OJSC, JSC ARKS-BANK, JSC CB ROSINTERBANK, BANK VPB (JSC), CB KAMA HORIZON LLC AND CB NCB LLC THE AGGREGATE VOLUME OF HIDDEN AND MISAPPROPRIATED MONETARY FUNDS OF 69 THOUSAND DEPOSITORS AMOUNTED TO 57.3 BILLION ROUBLES.

In some banks (PJSC CB EurocityBank, JSC CB RosinterBank, BANK VPB (JSC) and CB Kama Horizon LLC) the latest electronic databases and primary documents were destroyed directly before the occurrence of the insured event and they illegally were not transferred to the temporary administration in order to hide assets stripping or facts of funds misappropriation from the accounts of depositors.

Information on such facts with the signs of acts subject to penal sanctions was sent by the Bank of Russia and the Agency to the law-enforcement authorities to make the respective procedural decisions.

In case of detection in the bank of signs of creation of fictitious deposits, presence of double accounting, falsification or destruction of accounting data, the Bank of Russia and the Agency were making decisions on exclusion of dubious liabilities of the bank from the initial calculation of the insurance indemnity and on subsequent restoration of their actual size on the basis of all data which was found in the bank and analysis of primary documents available presented by the depositors. This procedure required individual consideration of the documents for each depositor which significantly affected the terms of restoration of rights to deposits and, in case of large number of depositors, making decisions on making insurance payments.

In the reporting period the Agency received more than 100 thousand claims on disagreement with the size of insurance indemnity and about 21 thousand applications from the citizens involved into artificial formation of deposits with the confirmation of fictitiousness of credit and debit operations performed immediately prior to the bank closure.

DURING 2016 THE AGENCY WAS PROVIDING ADVICE TO THE CITIZENS ON THE ISSUES CONNECTED WITH THE USAGE OF BANKING SERVICES AND INSURANCE COVERAGE, INCLUDING PERSONAL VISITS OF CITIZENS TO THE AGENCY, CONTACTS THROUGH THE "HOT LINE" (1.1 MILLION PHONE CALLS WERE PROCESSED) AND WRITTEN REQUESTS AND ELECTRONIC REQUESTS THROUGH FEEDBACK FUNCTIONS OF THE WEB-SITE OF THE AGENCY (MORE THAN 34 THOUSAND WRITTEN RESPONSES AND COMMENTS WERE SENT). MORE THAN 100 THOUSAND RESPONSES WERE FORMED THROUGH THE AUTOMATED INFORMATION SERVICES ON THE WEB-SITE OF THE AGENCY WHICH PROVIDE FOR TRACING BY THE DEPOSITORS OF THE STAGE OF PROCESSING OF THEIR REQUESTS.

1.3

CONTROL MEASURES TAKEN TO THE DIS MEMBER BANKS

THE PURPOSE THAT THE AGENCY EMPLOYEES PURSUE WHILE PARTICIPATING IN INSPECTIONS CARRIED OUT BY THE BANK OF RUSSIA IS TO MITIGATE THE RISKS CONNECTED WITH POSSIBLE VIOLATIONS BY THE BANKS OF THE OBLIGATIONS IMPOSED ON THEM BY THE LAW ON DEPOSIT INSURANCE, NAMELY: OBLIGATIONS TO MAKE RECORDS OF THE BANK'S LIABILITIES TO DEPOSITORS AND TO FORM THE REGISTER OF SUCH LIABILITIES WHEN DUE, AS WELL AS THE OBLIGATION TO PAY PREMIUMS TO THE MANDATORY DEPOSIT INSURANCE FUND IN FULL AMOUNT AND IN TIMELY MANNER.

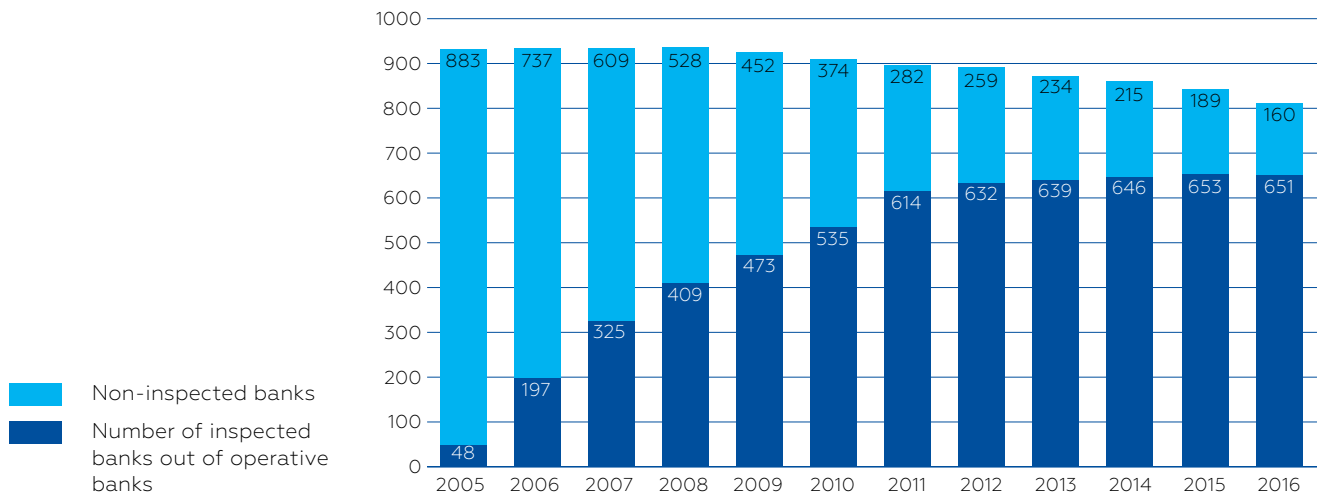


Figure 2. Number of inspected DIS member banks in 2005–2016

Banks were inspected according to the schedule established by the Bank of Russia’s “Consolidated Plan of Inspections of Credit Institutions (their Branches) for 2016”. In 2016, the Agency employees participated in inspections of 63 banks (with 9 unscheduled inspections) situated in 27 constituent entities of the Russian Federation in all federal districts. The total amount of deposits with the said banks equalled to 7.1% of all deposits in the banking system (not taking into account the Sberbank of Russia). Throughout the time of DIS operation the Agency inspected 78% of member banks (figure 2).

In the course of inspections main attention was paid to how the banks maintain records on the data of depositors and their accounts in compliance with the register generation requirements established by the Bank of Russia. The results of evaluation of the register generation quality are presented in Figure 3. 9 banks formed registers in full compliance with the established requirements, 51 bank formed registers generally complying with the established requirements but with minor deficiencies, 2 banks formed the register with material violations. Typical deficiencies identified in the course of inspections include: lack or distortion of identification information on depositors, liabilities and counterclaims; duplicating records on depositors; incomplete inclusion of data on counterclaims of the bank to its depositors.

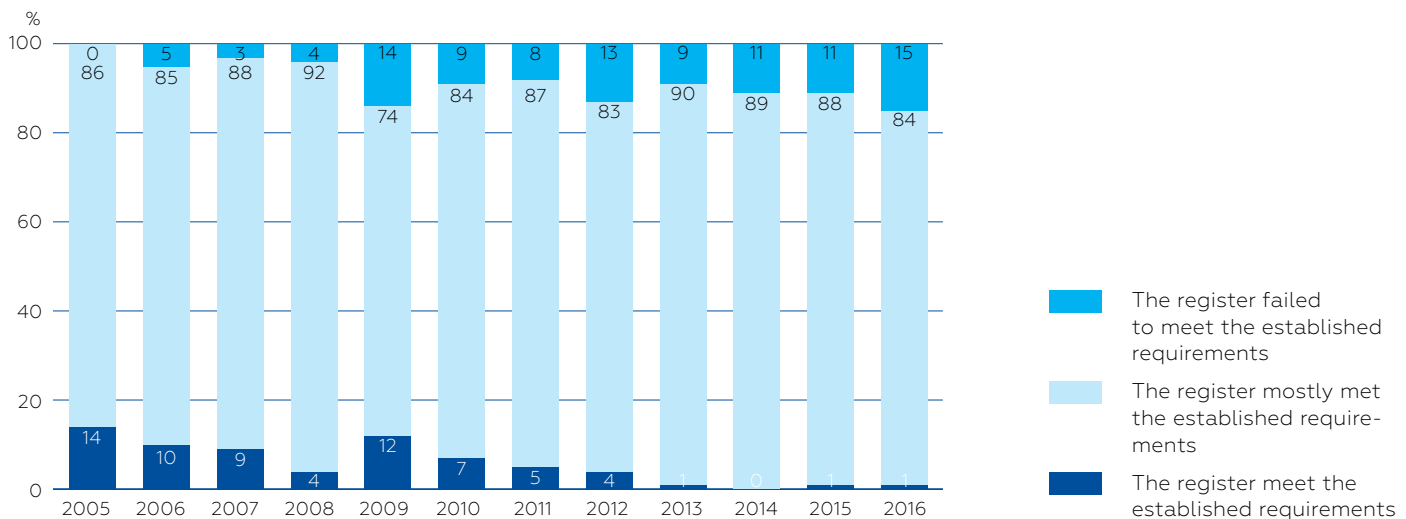


Figure 3. Results of Check of Liabilities Register Quality in 2005–2016

1.4

THE MANDATORY DEPOSIT INSURANCE FUND

TO MAINTAIN FINANCIAL SUSTAINABILITY OF THE MANDATORY DEPOSIT INSURANCE FUND, THE AGREEMENT WITH THE BANK OF RUSSIA FOR PROVISION TO THE AGENCY OF UNSECURED LOANS FOR UP TO 5 YEARS IS IN EFFECT SINCE 2015. AS OF THE END OF 2016 THE TOTAL VOLUME OF SUCH LOANS AMOUNTED TO 549 BILLION ROUBLES WHILE THE APPROVED LIMIT IS 600 BILLION ROUBLES.

During the year the Fund received 660.6 billion roubles, including 474 billion roubles of borrowed funds received from the Bank of Russia; 99.6 billion roubles of DIS member banks' insurance premiums; 48.6 billion roubles from the bankruptcy estate of liquidated banks to redeem the claims under the insurance indemnity paid earlier; 33.8 billion roubles of net cash from investment of temporary idle resources of the Fund; 4.6 billion roubles of other proceeds (return of funds for financing of compensation payments — from ANO FZV; proceeds from transfer of property and liabilities, etc).

The Fund expenses in the reporting period presented in DIF Cash Flow Statement equalled to 669.5 billion roubles, including: 663.4 billion roubles — for payouts to insured depositors¹; 3.8 billion roubles — for agency fees; 2.3 billion roubles — for financing of activity of the Autonomous Non-for-Profit Organization "Depositors' Protection Fund" (ANO FZV).

The balance of cash on the Fund's accounts as of December 31, 2016 amounted to 0.25 billion roubles.

During 2016, DIS member banks paid insurance premiums for Q4 2015 and for Q1, Q2 and Q3 of 2016.

¹ These expenses include 95.0 billion roubles transferred to agent banks for the insurance indemnity paid in 2015 at their expense.

IN Q4 2015 AND Q1 2016 THE BASIC PREMIUM RATE WAS 0.10% OF THE CALCULATION BASE, ADDITIONAL RATE – 20% OF THE BASIC RATE AND INCREASED ADDITIONAL RATE – 150% OF THE BASIC RATE. FROM Q2 2016 THE ADDITIONAL RATE WAS INCREASED FROM 20% TO 50% OF THE BASIC RATE, INCREASED ADDITIONAL RATE WAS INCREASED FROM 150% TO 200%.

From Q3 2016 the Board of Directors of the Agency increased the basic rate up to 0.12% of the calculation base, the additional rate (50% of the basic one) was increased from 0.05% to 0.06% and increased additional rate was increased from 0.20% to 0.24%, respectively. When paying premiums in 2016 additional rates were applied in relation to a bank if the maximal interest rate on deposits attracted by the bank in the respective calculation period exceeded the basic level of interest rate on deposits calculated by the Bank of Russia by 2 or 3 percentage points and starting from Q1 2016 – also depending on the indicators of financial position of the banks.

As for the additional and increased additional rates, during 2016 the banks transferred 6.13 billion roubles of premiums, including: for Q4 2015 – 0.05 billion roubles by 39 banks, for Q1 2016 – 2.06 billion roubles by 125 banks, for Q2 2016 – 1.80 billion roubles by 104 banks, for Q3 2016 – 2.22 billion roubles by 112 banks.

Summarized information on the insurance premiums actually received in 2016 for each calculation period is presented in Table 2.

CALCULATION PERIODS	Q4 2015	Q1 2016	Q2 2016	Q3 2016	TOTAL (AVERAGE)
Insurance premiums paid for the calculation period (billion roubles)	21,1	24,6	24,2	29,7	99,6
Number of payers	608	579	556	533	(569)
Including premiums paid at additional rates (billion roubles)	0,05	2,06	1,80	2,22	6,13
Number of payers at additional rates	39	125	104	112	(95)

Table 2. Insurance Premiums of DIS Member Banks into the Fund in 2016 for Specific Calculation Periods

In 2016, short-term delays in payments (for 1–2 days) were committed by 1 to 3 banks per quarter. Most operating banks paid insurance premiums in full amount and in due time. Information on the cases of violation by the banks of the procedure and terms of premium payments is reflected in table 3.

CALCULATION PERIODS	Q4 2015	Q1 2016	Q2 2016	Q3 2016	TOTAL (AVERAGE)
Penalty for incomplete and/or untimely premium payment (thousand roubles)	102,8	4,7	0,9	597,1	705,5
Number of banks violating terms of payment	2	1	2	3	(2)

Table 3. Penalty for violation by the banks of the procedure and terms of premium payments in 2016

IN 2016, 11 CLAIMS TO REPAY THE DEBT TOTALLING 453.2 MILLION ROUBLES WERE SENT TO THE OPERATING BANKS. SUCH CLAIMS TO 7 BANKS WERE REPAID IN FULL (304 MILLION ROUBLES), 4 BANKS DID NOT REPAY THE DEBT (149.4 MILLION ROUBLES) DUE TO THE REVOCATION OF THEIR LICENSES. 74 CLAIMS TOTALLING 1,455 MILLION ROUBLES WERE SENT TO THE BANKS WITH LICENSES REVOKED EARLIER. AS OF THE END OF THE REPORTING PERIOD ALMOST ALL UNPAID INSURANCE PREMIUMS WERE CLAIMS TO LIQUIDATED BANKS. WITHIN THE FRAMEWORKS OF SETTLEMENTS WITH 3RD PRIORITY CREDITORS, 24 LIQUIDATED BANKS TRANSFERRED TO THE FUND 6.2 MILLION ROUBLES TO PARTIALLY REDEEM THE AGENCY'S CLAIMS RELATED TO PREMIUMS.

1.5

INVESTMENT OF TEMPORARY IDLE MONETARY RESOURCES OF THE FUND

**TO ENSURE PROTECTION FROM INFLATION
AND REPLENISHMENT OF THE FUND, THE AGENCY
IS INVESTING TEMPORARY IDLE MONETARY
RESOURCES IN THE MARKET FOLLOWING
THE PRINCIPLES OF REPAYMENT, PROFITABILITY
AND LIQUIDITY.**

The Fund's cash was invested in compliance with the Regulations on Investing Temporary Idle Monetary Resources of the State Corporation "Deposit Insurance Agency" as approved by the decision of the Agency's Board of Directors dated September 30, 2014.

In 2016 to pay insurance indemnity, the securities from the Fund's investment portfolio were sold by the Agency, some securities were presented for redemption against the available offers, and funds from the credit line of the Bank of Russia were also attracted. Interim accumulation of liquid resources of the Fund was in the form of deposits with the Bank of Russia.

As of December 31, 2016 the Fund's investment portfolio (assets) amounted to 15.0 billion roubles. 21% of the Fund's resources were invested in the federal loan bonds of the Russian Federation; 4% were invested in the bonds of constituent entities of the Russian Federation and 53% were invested in the deposits with the Bank of Russia. Besides, 19% of the Fund's resources were invested in corporate bonds, 1% – in the bonds of the international financial organizations (the Eurasian Development Bank). Cash balance amounted to 2% (figure 4). At present there are no shares in the investment portfolio of the Fund.

The total amount of income from investing the Fund resources for 2016 adjusted for revaluation of securities equalled to 2.29 billion roubles, with return on invested funds being 10.5% per annum.

Thus, with moderately conservative policy in 2016, the Agency received the yield comparable with the results of market players having similar investment restrictions.

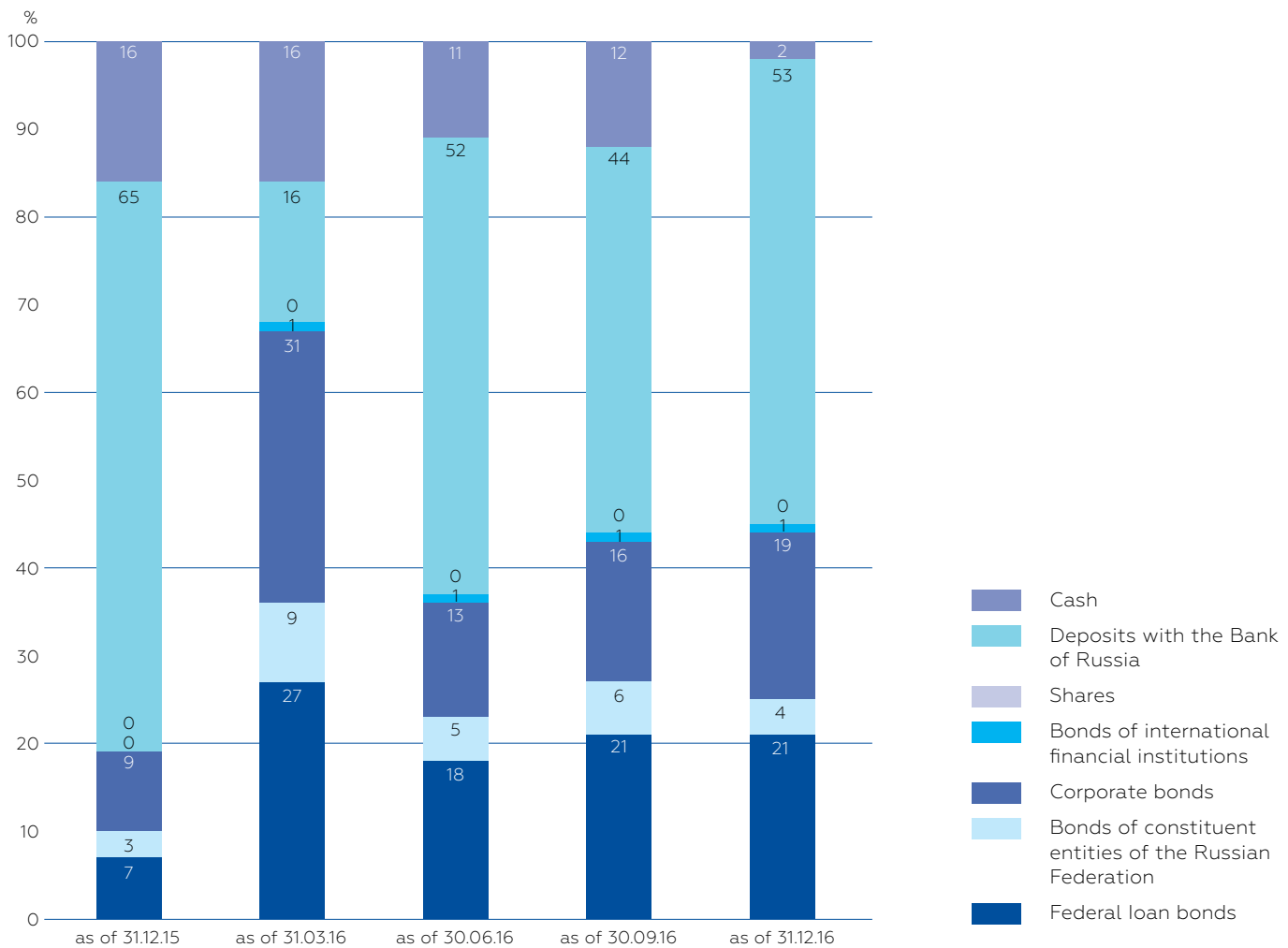


Figure 4. Changes of the Fund Investments Structure, %

1.6

DIS IMPACT ON THE BANK DEPOSIT MARKET

DURING THE REPORTING PERIOD THE VOLUME OF BANK DEPOSITS OF INDIVIDUALS WAS INCREASING AT RELATIVELY SLOW PACE AS COMPARED WITH THE PREVIOUS PERIODS. THE MAIN REASONS OF LOWER DYNAMICS IN DEPOSITS WERE STRENGTHENING OF THE NATIONAL CURRENCY (ROUBLE) EXCHANGE RATE IN RESPECT OF FOREIGN CURRENCIES (NEGATIVE CURRENCY REVALUATION), DECREASE IN DEPOSIT INTEREST RATES AND IN THE ACTUAL DISPOSABLE INCOME OF THE POPULATION. AGAINST THIS BACKGROUND DIS REMAINED AN IMPORTANT STABILIZING FACTOR OF THE MARKET OF HOUSEHOLDS' DEPOSITS.

In 2016 the amount of bank deposits of individuals increased by 981.2 billion roubles (in 2015 – by 4,666.4 billion roubles) up to 24,200.3 billion roubles.

In relative terms, the growth was 4.2% (Figure 5). Without currency revaluation deposit growth would amount to 9.2% (in 2015 – 25.2% and 16.8%, respectively).

As of December 31, 2016 deposits of individual entrepreneurs amounted to 337.4 billion roubles (1.4% of the total amount of deposits of individuals) with 26.8% increase from the beginning of the year. The amount of insurance liability to them is estimated to be 203.1 billion roubles or 60.4% of the total amount of deposits of individual entrepreneurs – which corresponds to the structure of deposits of individuals in general.

After achieving maximum in Q2 2016, investments into uninsured bearer saving certificates was decreasing for the most part of the year. As a result, during the year funds invested into such certificates decreased by 85.8 billion roubles (by 15.0%) down to 485.3 billion roubles. The share of bearer certificates in total deposits also decreased, making 2.0%.

IN GENERAL, THE AMOUNT OF HOUSEHOLD DEPOSITS WITH BANKS (INCLUDING DEPOSITS OF INDIVIDUAL ENTREPRENEURS) IN 2016 INCREASED BY 1,130.7 BILLION ROUBLES (IN 2015 – BY 4,586.7 BILLION ROUBLES). IN RELATIVE TERMS, IT SHOWED GROWTH OF 4.9% UP TO 24,020.6 BILLION ROUBLES (IN 2015 – BY 25.1%).

Dynamics of daily deposit gains demonstrates that in 2016 the population savings were significantly below the level of the previous year. In January–November of 2015 the growth of such deposits averaged 1.4 billion roubles per day or 3.8 billion roubles per day without currency revaluation (8.8 billion roubles per day in January–November of 2015, 6.2 billion roubles per day without currency revaluation). Traditional pre-New Year bonus payments and other additional remunerations resulted in large increase in the deposits. In December 2016 deposits of individuals increased by 526 billion roubles which is comparable with the growth of the previous year less the currency revaluation.

Large deposits close to the maximal size of insurance indemnity (coverage limit) demonstrated the most active growth in the reporting

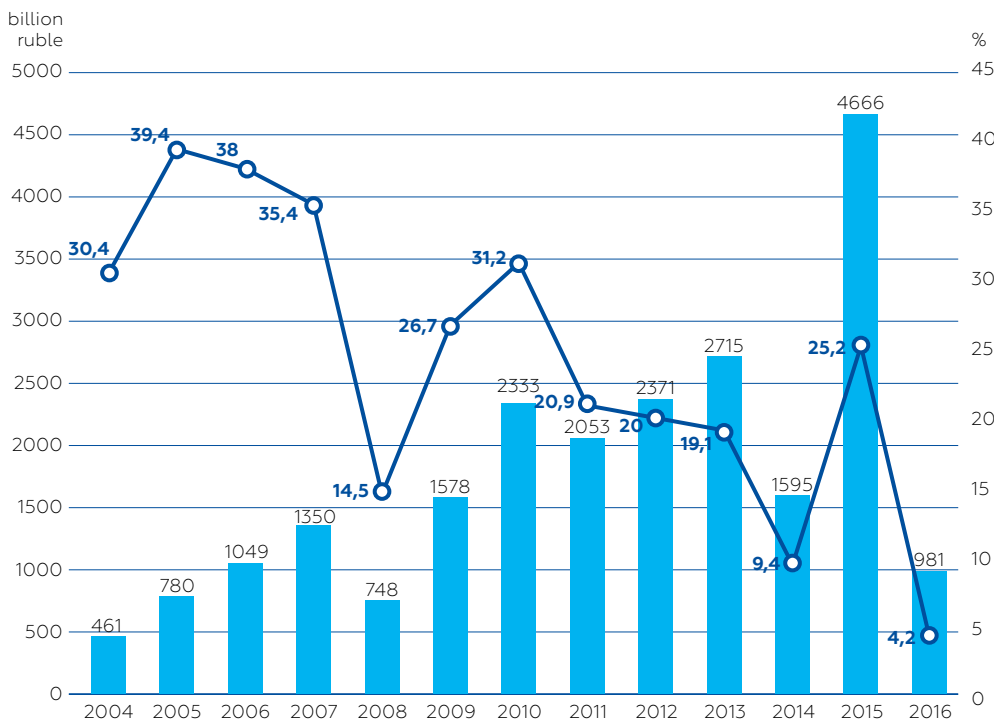


Figure 5. Growth of Households' Deposits in 2004 – 2016 (billion roubles, %)

■ Growth (billion roubles)
 ○—○ Growth (%)

year. Thus, deposits from 1 million to 1.4 million roubles increased by 29.0% in terms of amount and by 28.2% in terms of the number of accounts, and deposits from 1.4 million roubles to 3 million roubles – by 13.5% in terms of amount and by 13.8% in terms of the number of accounts. The amount of deposits from 3 million roubles to 5 million roubles increased by 10.0% in terms of amount and by 12.1% in terms of the number of accounts. At the same time, the amount of deposits exceeding 5 million roubles decreased by 4.7% in terms of amount while the number of accounts increased by 0.9%.

THE AMOUNT OF DEPOSITS FROM 100 THOUSAND TO 700 THOUSAND ROUBLES AND FROM 700 THOUSAND ROUBLES TO 1 MILLION ROUBLES INCREASED BY 6.1% AND 9.3% IN TERMS OF AMOUNT AND BY 4.6% AND 7.5% IN TERMS OF THE NUMBER OF ACCOUNTS, RESPECTIVELY.

By the results of the year, the share of deposits from 700 thousand roubles to 1.4 million roubles increased from 17.1% to 19.5%, deposits over 1 million roubles decreased from 43.8% up to 41.6% of the total deposit amount. The share of deposits below 700 thousand roubles changed insignificantly (figure 6).

The share of foreign currency deposits for the year decreased from 29.4 to 23.7%. The main decrease resulted from rouble strengthening.

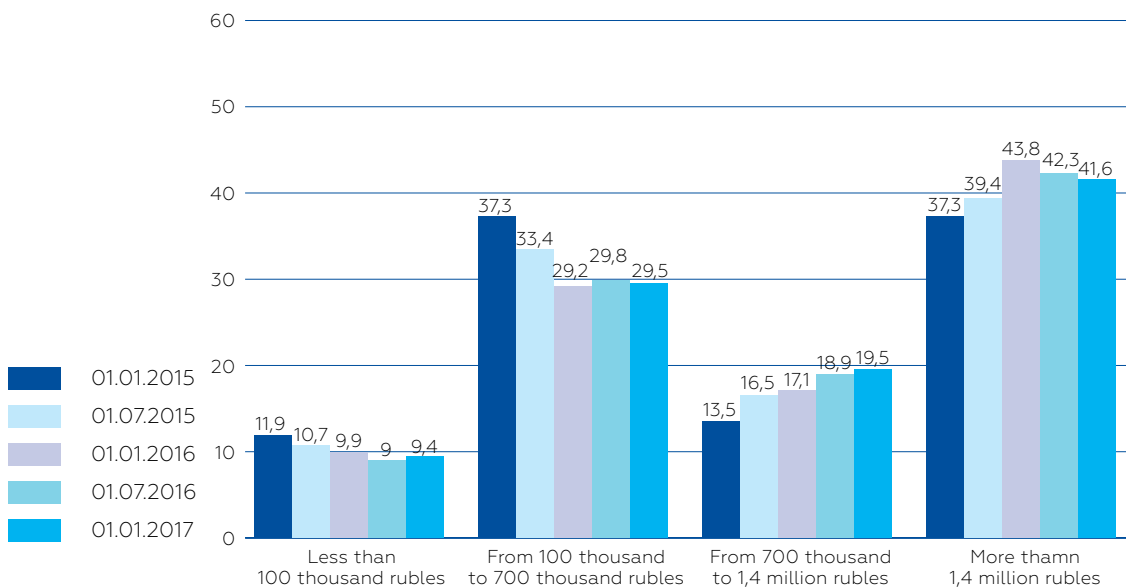


Figure 6. Structure of Deposits as for Deposit Amount (%)

In connection with more rapid reduction of rates on short-term deposits (less than 1 year), their share decreased from 40.0% to 35.2%. There was simultaneous growth of share of long-term deposits (more than 1 year) from 43.5% to 46.5%. The share of on-demand deposits also slightly increased – from 16.6% to 18.3%. At that, the main change in the deposit structure took place in the first half of the year.

In 2016, the share of 30 largest banks in terms of deposit amount increased from 81.7% up to 85.2%, including increase of the share of the Sberbank of Russia from 45.9% to 46.5%. Gradual growth of share of the largest banks continues from the end of 2013 – total increase for the period is almost 9 p.p.

The Agency’s insurance liability (covered deposits) increased during 2016 and as of December 31, 2016 amounted to 67.8% of all insured deposits (65.1% as of December 31, 2015). Without considering PJSC Sberbank, this indicator increased from 58.4 to 61.8% (figure 7).

The established coverage limit of 1.4 million roubles fully covers 99.7% of all deposits in terms of the number of accounts (98.9% without accounts below 1 thousand roubles) and 58.4% of all deposits in terms of amount. The average deposit amount in the banking system (without accounts below 1 thousand roubles) amounted to 158.5 thousand roubles as of December 31, 2016.

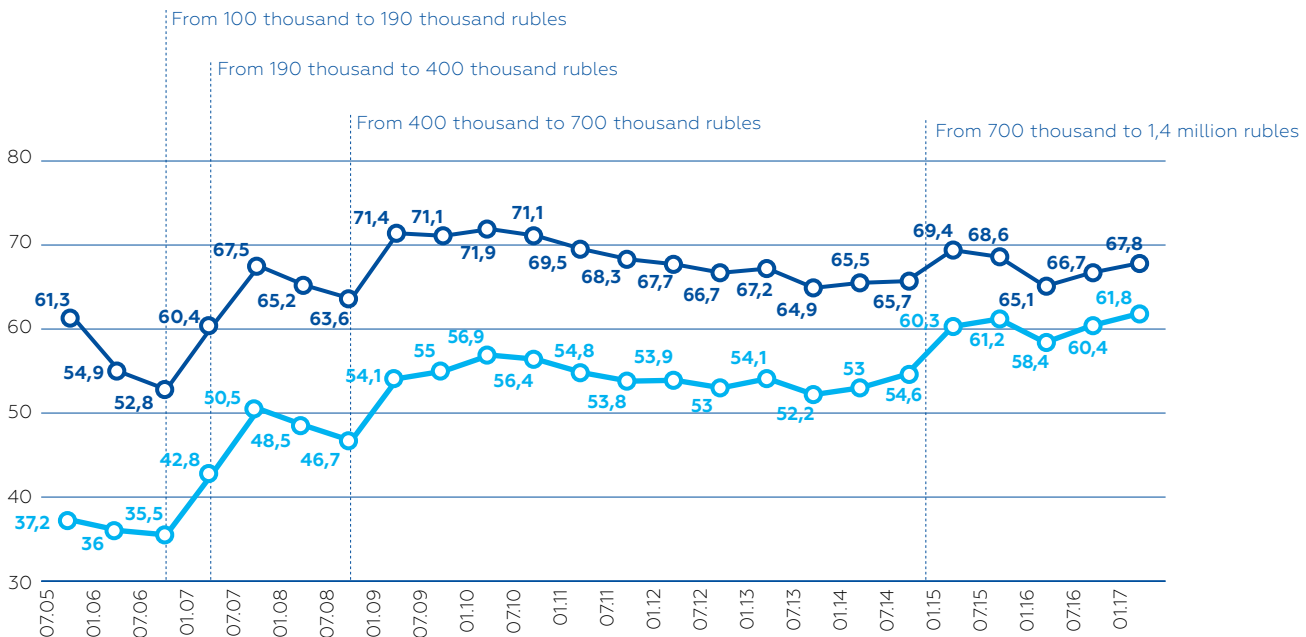


Figure 7. The Agency’s Insurance Liability in 2005–2016 (%)

- All banks
- Without considering PJSC Sberbank

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- 2.1.** MAIN INDICATORS OF THE SYSTEM FOR GUARANTEEING MANDATORY PENSION SAVINGS
 - 2.2.** CONTROL MEASURES IN RESPECT OF PSGS MEMBER FUNDS
 - 2.3.** THE PENSION SAVINGS GUARANTEE FUND
-





2.1

MAIN INDICATORS OF THE SYSTEM FOR GUARANTEEING MANDATORY PENSION SAVINGS

In 2016 the process of accession to the system for guaranteeing pension savings (PSGS) of non-government pension funds that received the licenses for pension provision and pension insurance before the effective date of the Law on Guaranteeing Pension Savings was completed. The funds meeting the requirements of the Bank of Russia to the membership in PSGS were included into the register of non-government pension funds – members of PSGS (hereinafter also referred to as the register of member funds).

As of December 31, 2016 41 funds was registered members of PSGS. During the reporting period 14 funds were included into the register of member funds and 6 funds (JSC NPF StalFund, NPF REGIONFUND (JSC), NPF European Pension Fund (JSC), JSC NPF Education and Science, JSC NPF URALSIB, and JSC NPF Our Future) were excluded from the register due to their merger with other member funds.

In order to improve the methodological base governing internal business processes connected with payment of the guaranteed compensation, the Management Board of the Agency approved the Procedure of guaranteed compensation payment to mandatory pension insurers dated March 10, 2016 (Minutes No. 29) and developed and approved standard documents connected with applications of the insurers for guarantee compensation.

To automate the key business processes connected with testing of compliance of the register of liabilities of the member fund with the current law, in the reporting period the Agency developed func-

tional requirements to the automated software complex for control and analysis of the registers of liabilities of the member funds. Introduction of this software complex is scheduled for 2017, after that it may be accessed through the web-site of the Agency allowing the member funds to independently test the register on a regular basis.

TO IMPROVE EFFICIENCY OF EXTERNAL COMMUNICATIONS THE AGENCY CONTINUED OPERATIONAL COOPERATION WITH THE LEGAL ENTITIES PARTICIPATING IN PSGS IN THE ELECTRONIC FORM. IN MAY 2016 THE AGENCY CONCLUDED THE E-DOCUMENT EXCHANGE AGREEMENT WITH THE PENSION FUND OF THE RUSSIAN FEDERATION. THE RESOLUTION OF THE MANAGEMENT BOARD OF THE AGENCY DATED DECEMBER 22, 2016 (MINUTES NO. 178) APPROVED THE STANDARD AGREEMENT FOR ORGANIZATION OF ELECTRONIC WORKFLOW WITH MEMBER FUNDS AND POSTED IT ON THE WEB-SITE OF THE AGENCY. THE MEMBER FUNDS MAY MAKE DECISION ON THEIR ACCESSION TO THE SAID AGREEMENT ON A VOLUNTARY BASIS.

Due to the absence of guarantee events in respect of member funds in 2016, no guaranteed compensation was paid by the Agency.

2.2

CONTROL MEASURES IN RESPECT OF PSGS MEMBER FUNDS

To regulate participation of the Agency employees in inspections of member funds carried out by the Bank of Russia, the Management Board of the Agency approved the Procedure of participation of employees of the State Corporation "Deposit Insurance Agency" in inspections of non-government pension funds on topics related to the PSGS dated August 1, 2016 (Minutes No. 105). The Bank of Russia did not carry out any inspections of member funds with the participation of the Agency employees scheduled for 2016 due to the reorganization of the funds included into the inspection plan in the form of merger with other member funds. Unscheduled inspections of the Bank of Russia with the participation of the Agency employees were also not arranged.

At the same time, the Agency systematically carried out off-site inspections of member funds on the basis of requests for information and explanations related to fulfilment of the obligation to pay the admission and guarantee fees to the Pension Savings Guarantee Fund (PSGF). Deficiencies detected in terms of completeness and timeliness of payment of admission and guarantee fees by the member funds in 2016 were eliminated in full.

2.3

THE PENSION SAVINGS GUARANTEE FUND

AS OF DECEMBER 31, 2016 THE PSGF AMOUNTED TO 575 MILLION ROUBLES. DURING THE YEAR PSGF RECEIVED 418 MILLION ROUBLES.

When receiving funds to PSGF, the Agency was comparing the amounts of paid admission and guarantee fees with the amounts of fees payable in compliance with the Law on Guaranteeing Pension Savings. Incomplete payments of fees were identified with three member funds. All these member funds fulfilled their obligations to repay the debt in full.

To ensure protection from inflation and replenishment of the PSGF, the Agency was investing temporary idle monetary resources according to the principles of repayment, profitability and liquidity.

As of December 31, 2016 41% of the PSGF investment portfolio were invested in the federal loan bonds of the Russian Federation; 3% – in bonds of the constituent entities of the Russian Federation, 42% – in corporate bonds, 13% – in deposits with Russian credit institutions, 1% – cash balance (Figure 8).

The total amount of income from investing the PSGF assets in 2016 adjusted for revaluation of securities equalled to 52 million roubles, with return on invested funds being 11.3% per annum.

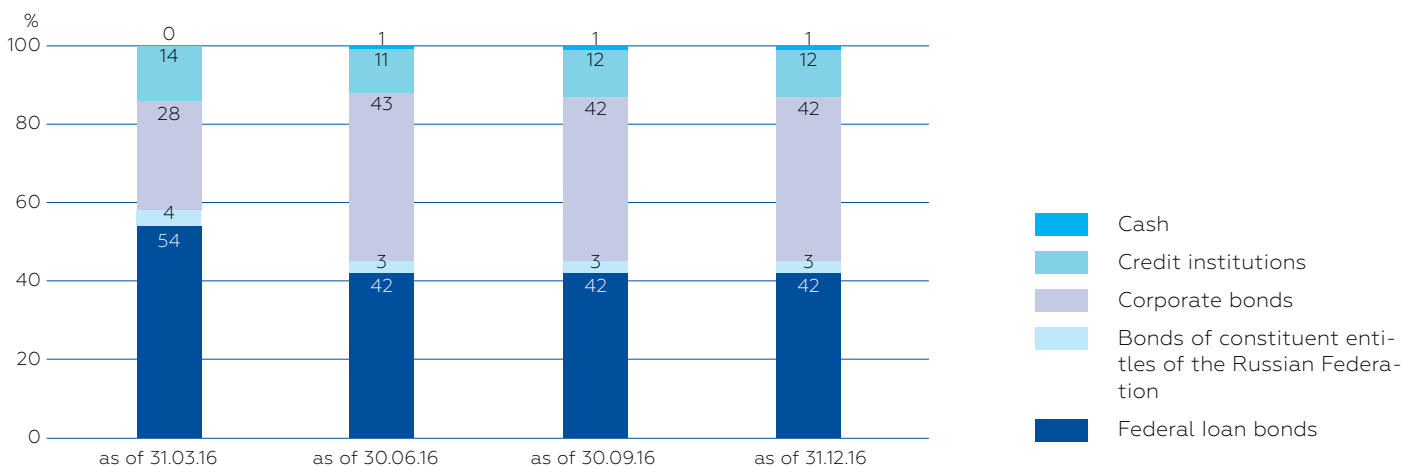


Figure 8. Change in the Structure of PSGF Assets

3.1. BANK RESOLUTION MEASURES

3.2. ASSET MANAGEMENT

- ASSET MANAGEMENT FOR BANKS IN RESOLUTION
- MANAGEMENT OF ASSETS ACQUIRED DURING BANK RESOLUTION

3.3. BANK RESOLUTION FUNDING










3.1

BANK RESOLUTION MEASURES

TO STRENGTHEN STABILITY OF THE BANKING SYSTEM, ENSURE ITS SUSTAINABLE DEVELOPMENT, PROTECT THE INTERESTS OF CREDITORS AND DEPOSITORS OF BANKS, IN 2016 THE AGENCY CONTINUED IMPLEMENTATION OF MEASURES TO PREVENT BANK FAILURES.

As of the beginning of 2016, resolution measures were implemented in relation to 30 banks. During the year, the Agency accepted offers of the Bank of Russia to take part in preventing bankruptcy of 7 banks, while the Bank of Russia made decision on revocation of banking licenses in respect of 5 of these credit institutions. As of December 31, 2016 the Agency participated in resolution of 26 banks (Figure 9).

Measures to prevent bankruptcy of 5 banks were completed in the reporting year due to their reorganization. In compliance with the Agency's plans of participation in bankruptcy prevention measures, PJSC BINBANK Smolensk (former name – OJSC SKA-Bank), PJSC BINBANK Surgut (former name – OJSC AKKOBANK), PJSC BINBANK Tver (former name – OJSC Tveruniversalbank) and PJSC CB KEDR were reorganized in the form of merger with the investor – PJSC BINBANK, and INRESBANK LLC – with PJSC MOSOBLBANK.

-  Number of projects as of the end of the year
-  Number of new projects of transfer of assets and liabilities of the banks
-  Number of new projects as of the end of the year
-  Completed bankruptcy prevention projects
-  Banks where banking licenses were revoked in the course of resolution

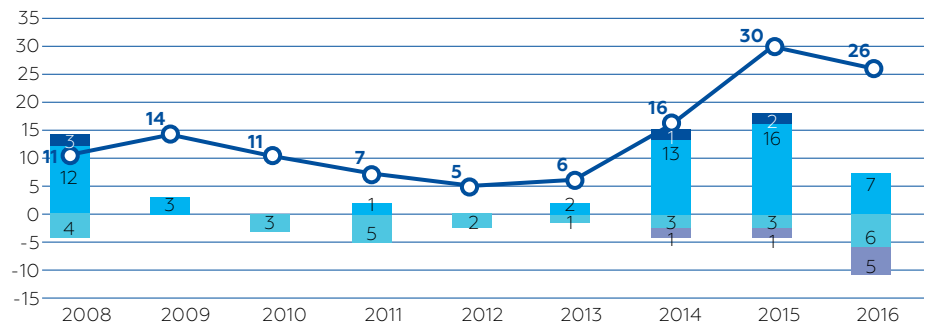


Figure 9. Number of Bank Resolution and Settlement of Obligation Projects (Initiated and Completed) throughout the Agency's History

The Agency also completed bankruptcy prevention measures in relation to JSC CB "Poidem!". Measures stipulated by the plan of participation in bankruptcy prevention of this bank were fully implemented. At that, 100% of shares of JSC CB "Poidem!" belonging to OJSC JSCB Probusinessbank (in respect of which the receivership was initiated) were sold in public offering. The purchaser was PJSC Sovcombank, a large financial institution with broad branch network which is the nineteenth largest bank in Russia by size of assets.

In respect of the new bankruptcy prevention projects in 2016 the Agency used such a resolution tool as temporary administration of the Agency to manage the bank.

It should be noted that in the reporting period the temporary administration to manage the bank represented by the Agency faced such serious problems as destruction of electronic databases of the information systems of the banks and absence of primary documentation. The difficulties prevented the temporary administration from fulfilling its functions and evaluating the feasibility and possibility of further implementation of measures to prevent their bankruptcy. This led to revocation of some of these banks' banking licenses.

An important area of the Agency's actions to prevent bank bankruptcies was attraction of investors (Figure 10). In the reporting period in three resolution projects that started in 2015 investors were selected by the Agency, and they commenced the bank bankruptcy prevention measures together with the Agency.

The largest financial rehabilitation project throughout the history of the Agency's operation in the capacity of resolution authority is still JSC BM-Bank (former name – OJSC "The Bank of Moscow"), the Agency is implementing measures to prevent this bank's bankruptcy together with the investor – Bank VTB (PJSC) – since 2011. Within the frameworks of resolution of this bank, the Agency provided financial aid amounting to 294.8 billion roubles at the expense of borrowings from the Bank of Russia. As of December 31, 2016 a part of the loans totalling 28.52 billion roubles was repaid.

An important area of the Agency's operations is control over financial rehabilitation of the banks. During 2016 there were 6 comprehensive on-site inspections of financial position and fulfilment of bank financial rehabilitation plans, including to evaluate the quality of new loans granted and check compliance of the banks with the limits of operations established by the Agency.

In addition, in the reporting period there was inspection of circumstances of deterioration of the financial position of one bank which resolution started before the reporting period. The inspection allowed to establish the legal grounds to bring the guilty persons to account for the losses inflicted on the bank.

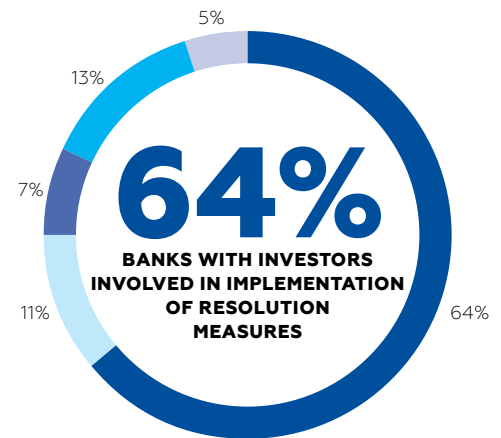


Figure 10. Distribution of Resolution and Settlement of Bank Obligations Projects by Kinds and Types

- 36 (64%) – banks with investors involved in resolution
- 6 (11%) – banks where transfer of assets and liabilities took place
- 4 (7%) – banks resolved or being resolved directly by the Agency
- 7 (13%) – banks where bankruptcy prevention measures were not started in connection with revocation of their banking license
- 3 (5%) – banks where the sole resolution tool is the temporary administration of the Agency

3.2

ASSET MANAGEMENT

ASSET MANAGEMENT FOR BANKS IN RESOLUTION

The Agency performs controlling and guiding functions while managing assets of the banks in which it is a shareholder (participant) or acts as the temporary administration.

In 2016, the Agency considered and approved 142 applications of JSCB RUSSIAN CAPITAL (PJSC), PJSC BALTINVESTBANK, OJSC CB Solidarnost, JSC Sotsinvestbank, PJSC Krayinvestbank, CJSC Bank Sovetsky, JSC BM-Bank and PJSC Baltic Bank on establishing credit limits for their borrowers, managing problem assets and performing certain operations.

MANAGEMENT OF ASSETS ACQUIRED DURING BANK RESOLUTION

In the reporting year, the Agency did not purchase any assets in the course of implementation of bank resolution measures.

In the previous years, assets of ten resolved banks were purchased: KIT Finance Investment Bank (OJSC), Bank Petrovskiy OJSC, GB Nizhny Novgorod OJSC, SB GUBERNSKIY (OJSC), JSCB SOYUZ (OJSC), PotencialBank OJSC, Bank24.ru (OJSC), Nizhegorodpromstroibank CJSC, CB RBR (CJSC) and JSCB RUSSIAN CAPITAL (PJSC) for the total amount of 166 billion roubles.

As of December 31, 2016 the book value of the assets amounted to about 70 billion roubles.

In the reporting year the Agency organized 24 sale procedures of assets purchased by the Agency in the course of bank bankruptcy prevention measures. Proceeds from the sale of these assets amounted to 383.31 million roubles.

Due to the measures taken by the Agency aimed at recovery of funds spent on purchasing the rights of claim, the debtors repaid 229.34 million roubles in the reporting year.

All in all, in 2016 the Agency received a total of 612.65 million roubles from managing assets acquired by the Agency in the course of bank resolution.

BANK RESOLUTION FUNDING

3.3

As of December 31, 2016 the Agency allocated to the implementation of bank resolution measures 1.537.55 billion roubles (progressive total), of which: 1,308.16 billion roubles were funded at the expense of loans from the Bank of Russia, including 294.81 billion roubles were spent on the resolution of JSC BM-Bank; 259.33 billion roubles were funded from the property contribution of the Russian Federation into the Agency's property; and 7.75 billion roubles were funded from the assets of the Fund.

In the reporting year, the Agency provided funding for the implementation of bank bankruptcy prevention measures at the expense of borrowings from the Bank of Russia totalling 37.69 billion roubles,

In compliance with the approved schedules the borrowers repaid to the Agency 27.59 billion roubles of the principal debt and paid 11.68 billion roubles as the interest on the borrowed funds.

Unrecoverable debt under resolution projects for the amount of 3.44 billion roubles was written down at the expense of capitalized profit that increased the property contribution of the Russian Federation.

Thus, as of December 31, 2016 the total amount of funding provided by the Agency for the implementation of bank resolution measures amounted to 1,179.08 billion roubles, out of which 111.25 billion roubles were financed at the expense of the Agency's equity.

In 2016, the Agency repaid loans to the Bank of Russia for the amount of 17.75 billion roubles from the funds repaid by borrowers. As of December 31, 2016 the debt of the Agency to the Bank of Russia amounted to 1,067.83 billion roubles.

Control over spending of funds and other actions of the Agency connected with bank bankruptcy prevention was exercised by the Board of Directors of the Agency, the Bank of Russia and the Chamber of Accounts of the Russian Federation.

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- 4.1.** LIQUIDATION MANAGEMENT
 - 4.2.** RECEIVERSHIP ESTATE FORMATION FOR SETTLEMENTS WITH CREDITORS
 - 4.3.** INVESTIGATING AND CONTESTING DUBIOUS TRANSACTIONS. BRINGING GUILTY PERSONS TO ACCOUNT
 - 4.4.** MANAGING CURRENT EXPENDITURES OF LIQUIDATED BANKS
 - 4.5.** VERIFICATION AND SATISFACTION OF CREDITORS' CLAIMS, OPERATION OF GOVERNING BODIES OF LIQUIDATED BANKS
-





4.1

LIQUIDATION MANAGEMENT

AS OF DECEMBER 31, 2016 THE AGENCY WAS ACTING AS THE RECEIVER (LIQUIDATOR) OF 295 CREDIT INSTITUTIONS WHICH FIGURE EXCEEDS THE SAME INDICATOR OF THE PREVIOUS YEAR 1.3 TIMES.

Receivership (bankruptcy) proceedings were performed in 272 credit institutions and compulsory liquidation in 23 credit institutions (Figure 11).

In the reporting year the Agency was appointed as the receiver (liquidator) in 94 credit institutions which figure exceeds the same indicator of the previous year by 15 units (Figure 12). In respect of 86 credit institutions receivership (bankruptcy) proceedings were commenced, in 8 – forced liquidation.

In the reporting year, the share of banks located outside the Moscow Region was 37% of the total number of credit institutions in which the Agency acted as the receiver (liquidator) (Figure 13).

Liquidated credit institutions broken down by federal districts are presented in Figure 14.

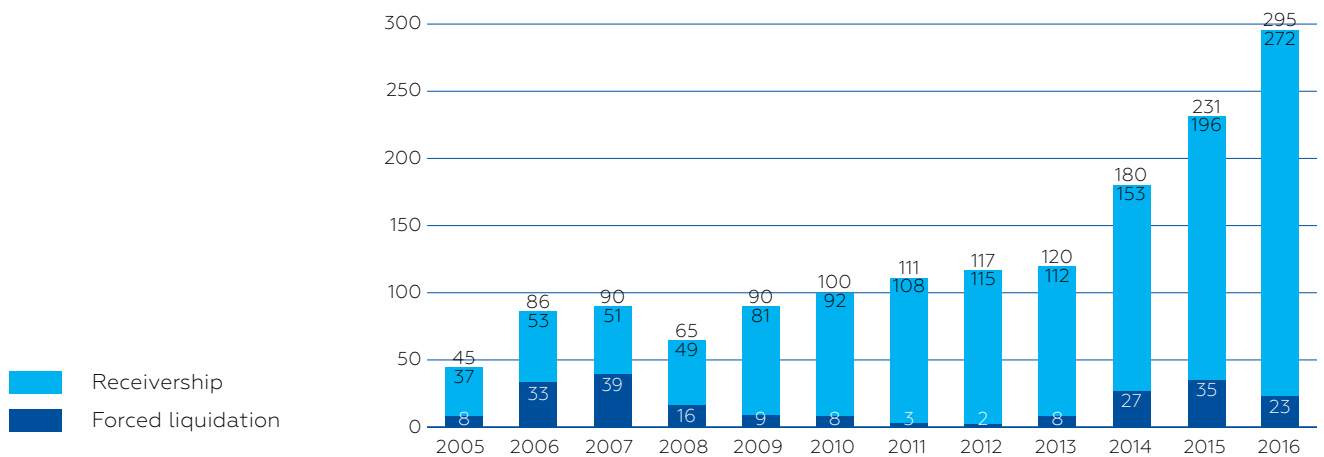


Figure 11. Number of Banks in Liquidation for the Period of the Agency's Operation (as at the Year End)

In 2016 the trend of large universal banks with large volume of assets and liabilities which offered customers the wide range of financial instruments coming under the Agency's management was preserved (Vneshprombank LLC, CB INTERCOMMERZ (LLC), JSC CB RosinterBank, Bank VPB (JSC), JSCB FINPROMBANK (PJSC), CB BFG-Credit (LLC), NOTA-Bank (PJSC), BANK RSB 24 (JSC), PChRB Bank LLC, JSC RUSSTROYBANK, Svyaznoy Bank JSC, PJSC JSCB Baltika, etc.).

In many banks which came under the Agency's management in the reporting year the evidence of misappropriation of property



Figure 14. Banks under Liquidation Broken Down by Federal Districts of the Russian Federation

- 185 (63%) – Moscow
- 12 (4%) – Central Federal District
- 17 (6%) – North Western Federal District
- 10 (3%) – Southern Federal District
- 26 (9%) – Volga Federal District
- 11 (4%) – Ural Federal District
- 8 (3%) – Siberian Federal District
- 7 (2%) – Far-Eastern Federal District
- 19 (6%) – North Caucasus Federal District

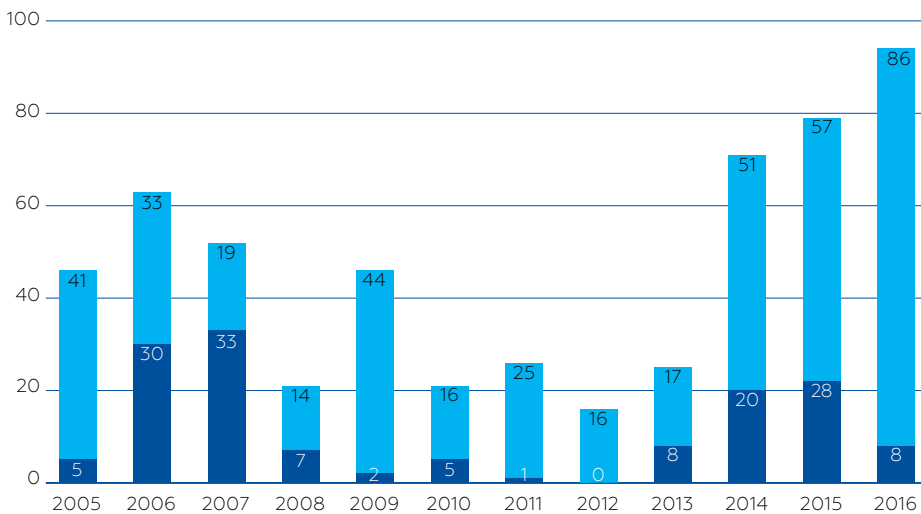


Figure 12. Number of Initiated Receivership (Liquidation) Proceedings

- Receivership
- Forced liquidation

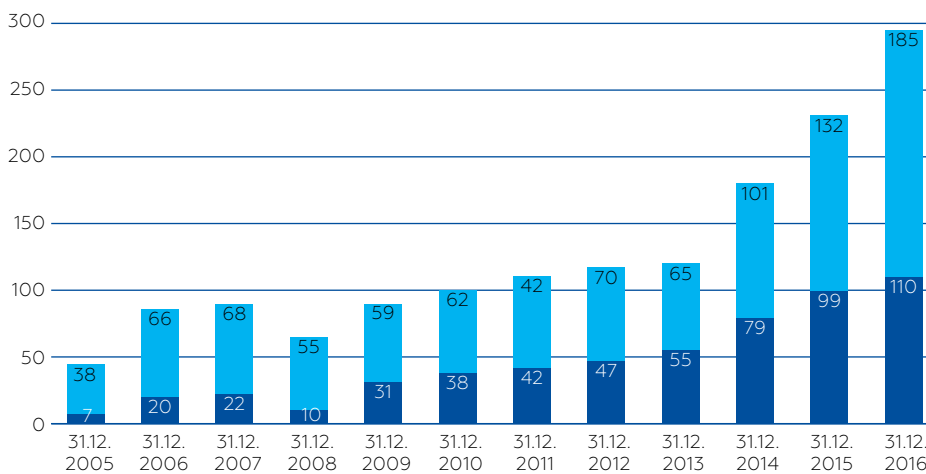


Figure 13. Share of Regional and Moscow Banks in the Total Number of Liquidated Credit Institutions

- Registered in Moscow and the Moscow Region
- Registered in other regions

disguised as provision of loans and commitment of other illegal operations with the assets with the signs of acts subject to penal punishment were detected. Based on the results of consideration of the applications of the Bank of Russia and the Agency, the law-enforcement authorities initiated criminal cases related to the facts of asset misappropriation in a number of banks (CB INTERCOMMERZ (LLC), JSC Arksbank, CJSC MAB, OJSC JSCB Capitalbank (PJSC), BANK GOROD (OJSC), NOTA-Bank (PJSC), JSC JSCB Stella-Bank, CB Admiralteysky LLC, CB MIKO-BANK LLC, Vneshprombank LLC, JSCB Benefit-bank (CJSC), PChRB Bank LLC, CB CBR BANK (LLC), and CB Antalbank LLC).

Since the beginning of the Agency's operation as the corporate receiver (liquidator), liquidation proceedings have been completed in 265 credit institutions (Figure 15).

In 2016 liquidation proceedings were completed

in 30 credit institutions, of which: bankruptcy proceedings were completed in respect of 13 banks (CB Universal LLC, CB SPBRR OJSC, CB EUROSOYUZ (LLC), JSCB "First Capital" (CJSC), JSCB "Online Bank" (CJSC), NCO CJSC MezhrefionClearingCenter, CJSC MEGA-BANK, OJSC CB PERTO-AERO-BANK, Sakhalin-West MABES (OJSC), CJSC WDB-bank, CB BVT (LLC), OJSC VECOMBANK, JSCB CODEX (OJSC); compulsory liquidation proceedings were completed in respect of 17 banks (NCO "First Land CC (LLC), JSCB Adam International JSC, CB Sovincom LLC,

CB "Stary Kreml" (LLC), RNKO CMR (LLC), CJSC BVA Bank», CJSSCB NADEZHNOT OJSC, OJSC Printbank, CB Surgut Central LLC, JSCB ENO (PJSC), RNKO MGB LLC, NCO Assignment LLC, CB "SETTLEMENTS AND SAVINGS BANK" LLC, JSB BRP (OJSC),

PJSC CB TEST, PJSC Adelantbank, and CB European Express LLC.

The Agency was appointed as receiver (liquidator) in CB EURO-SOYUZ (LLC), RNKO CMR (LLC) and PJSC CB TEST after suspension of previous private arbitration managers.

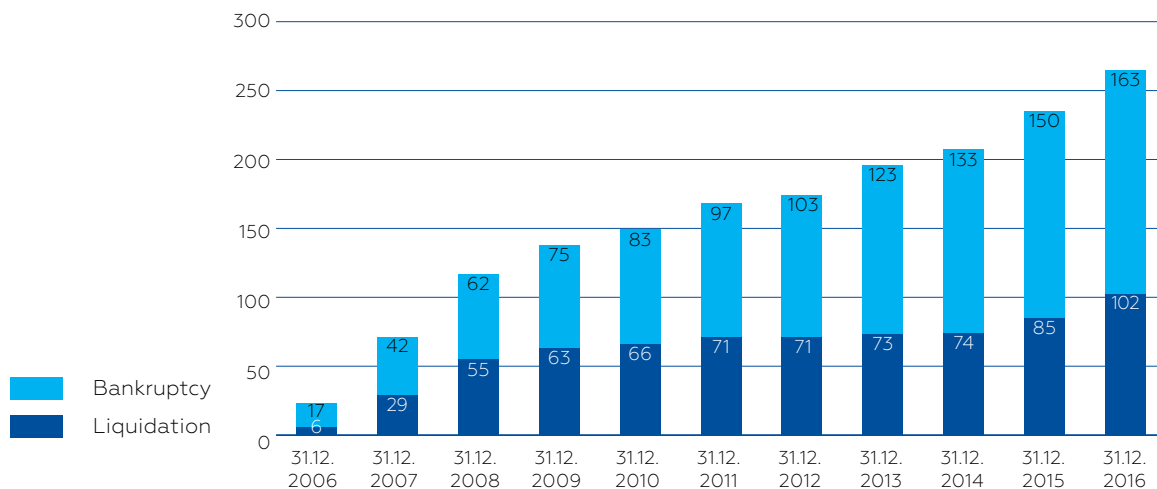


Figure 15. The Number of Banks where Liquidation Procedures were Completed in 2006–2016 (Cumulatively)

The average length of liquidation proceedings in respect of the banks where receivership was completed equalled to 46 months which exceeds the average indicator of the previous year by 4 months. The increased length of bankruptcy proceedings are due to the length of litigations to recover assets in some banks and to bring former executives and owners of the credit institutions to civil liability (CB SPBRR OJSC, CJSC MEGA-BANK, OJSC CB PERTO-AERO-BANK, Sakhalin-West MABES (OJSC), CJSC WDB-bank, CB BVT (LLC) and OJSC VECOMBANK). The liquidation proceedings in respect of these banks exceeded 6 years. In addition, the bankruptcy proceedings in respect of OJSC CB PERTO-AERO-BANK were preceded by compulsory liquidation proceedings. The terms of compulsory liquidation proceedings were less than one year in CB "Stary Kreml" (LLC), RNKO CMR (LLC), RNKO MGB LLC and PJSC CB TEST with the average length of compulsory liquidation proceedings being 16 months.

In 2016 the Agency employees participated in 99 temporary administrations managing credit institutions as appointed by the Bank of Russia; this facilitated prompt measures that ensured recovery of assets, early identification of transactions committed by the management of the banks to the detriment of interests of the credit institutions and their creditors and prompt consideration of creditors' claims.

To facilitate for receivership (liquidation) the Agency engaged specialized organizations to provide specific legal services, accounting and supporting the register of creditor claims' handling, evaluating the property, ensuring scientific and technical processing of archive documents of liquidated financial organizations, holding electronic asset sales, organize storage of property, etc.

As of December 31, 2016, 126 organizations were accredited by the Agency to render services to liquidated credit institutions. 1,352 tenders were held in the reporting year for the right to render services to the banks liquidated by the Agency which figure exceeds the same indicator for the previous year 1.5 times.

4.2

RECEIVERSHIP ESTATE FORMATION FOR SETTLEMENTS WITH CREDITORS

THE ACTIONS, INCLUDING SEARCH, INVENTORY, EVALUATION OF PROPERTY, DEBT RECOVERY FROM DEBTORS OF LIQUIDATED BANKS, PROPERTY SALE, WERE PERFORMED IN ORDER TO FORM THE MAXIMAL RECEIVERSHIP ESTATE WHICH IS THE SOURCE OF SETTLEMENTS WITH CREDITORS OF LIQUIDATED BANKS.

The actions, including search, inventory, evaluation of property, debt recovery from debtors of liquidated banks, property sale, were performed in order to form the maximal receivership estate which is the source of settlements with creditors of liquidated banks.

In 2016, on the basis of internal regulatory documents, within the frameworks of financial analysis of credit institutions, the Agency arranged evaluation of assets of 96 banks subject to liquidation. In compliance with the acting legislation, at the request of creditors, independent evaluation of assets of 75 liquidated credit institutions was completed.

In the reporting year, 112.8 billion roubles were recovered from assets of the liquidated credit institutions (in 2015 – 75 billion roubles), including: mandatory reserves deposited with the Bank of Russia amounted to 9.2 billion roubles; cash of liquidated banks in hand and on correspondent accounts with the Bank of Russia – 28.6 billion roubles; receipts from repayment and recovery of loans – 39.9 billion roubles; 21.8 billion roubles were balances on banks' correspondent accounts with the clearing houses; 5.3 billion roubles – securities; 1.5 billion roubles – fixed assets; 6.5 billion roubles – other assets.

As compared with 2015 proceeds from liquidation of failed banks' assets increased 1.8 times (from 40.6 billion roubles to 75 billion roubles), the volume of funds of the banks in the form of cash and balances on their correspondent accounts with the Bank of Russia increased from 21 billion roubles to 28.6 billion roubles; the funds

deposited with the Bank of Russia decreased from 13.6 billion roubles to 9.2 billion roubles (Figure 16).

The growth of proceeds to bankruptcy estate of liquidated banks resulted from strengthening of legal actions efforts of the Agency and optimization of the system of sale of property of liquidated credit institutions as well as from 1.9 times increase in the volume of assets of liquidated banks and the share of liquid assets in total assets of the banks which came under the Agency's management in 2015–2016.

As the result of prejudicial actions taken by the Agency and aimed at repayment of debt by the debtors of the credit institutions, 62.6 billion roubles was recovered to the bankruptcy estates of liquidated banks which exceeds the same indicator of the previous year 1.9 times.

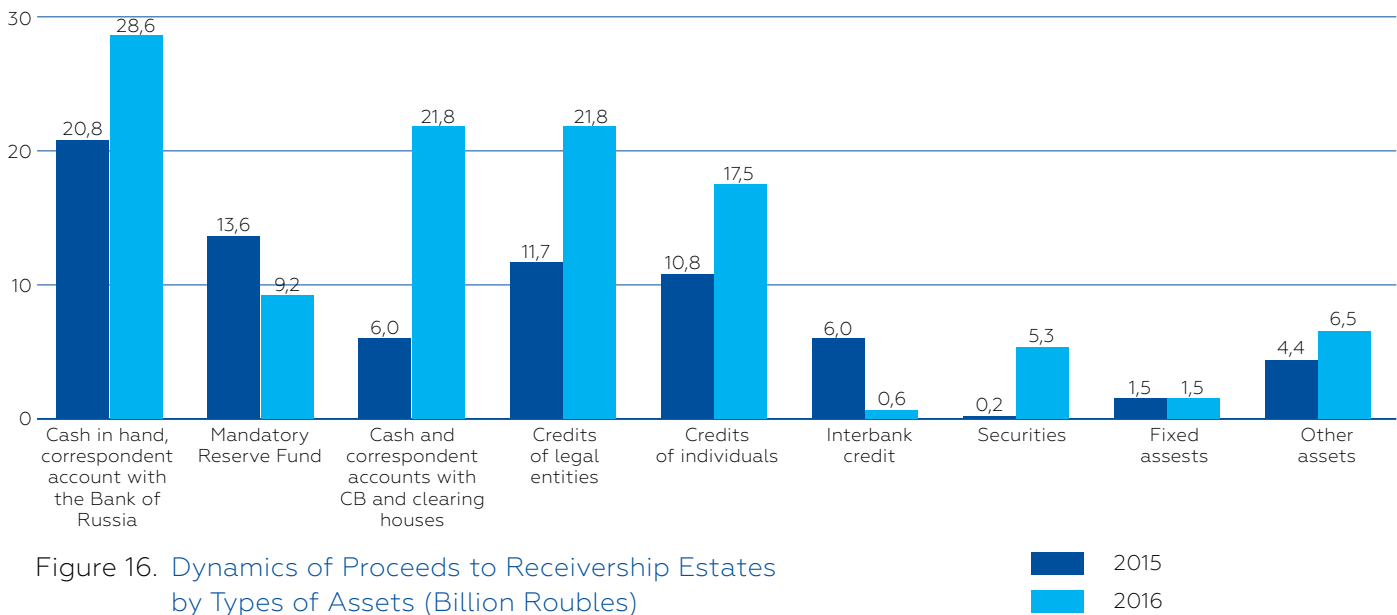


Figure 16. Dynamics of Proceeds to Receivership Estates by Types of Assets (Billion Roubles)

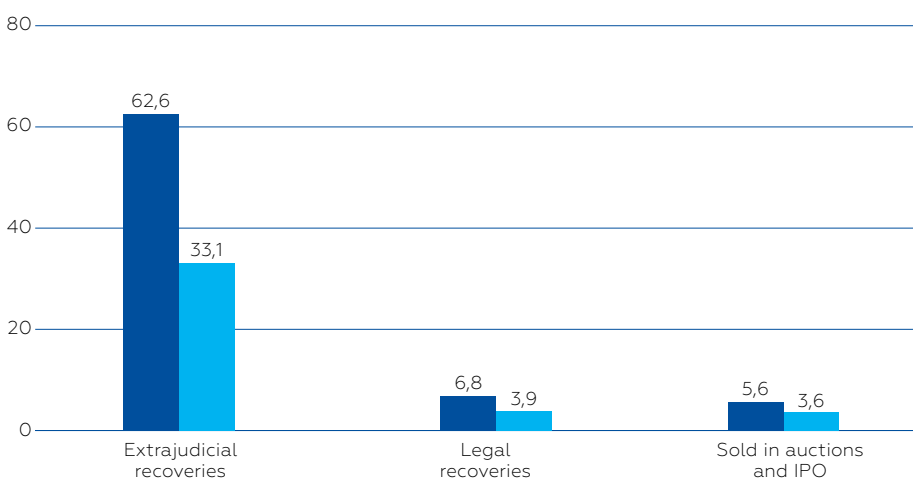


Figure 17. Dynamics of Proceeds to Receivership Estates by Types of Collection²

2016
2015

2 Without the funds deposited with the Bank of Russia, funds of the banks placed in cash desk and on correspondent accounts with the Bank of Russia.

103 THOUSAND STATEMENTS OF CLAIM (TOTALLING 1,033 BILLION ROUBLES) WERE FILED TO ARBITRATION COURTS AND COURTS OF LAW FOR THE REPORTING PERIOD TO RECOVER THE ASSETS OF LIQUIDATED CREDIT INSTITUTIONS, WHICH EXCEED THE SAME INDICATOR OF THE PREVIOUS YEAR 3.4 TIMES.

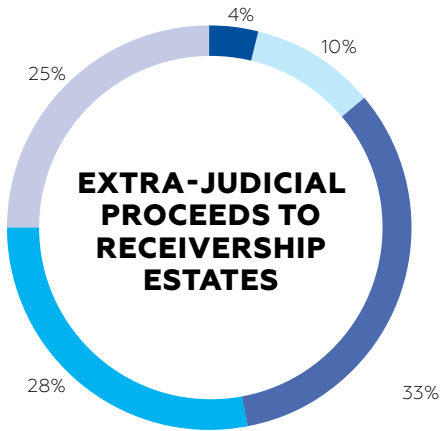


Figure 18. Extra-judicial Proceeds to Receivership Estates by Types of Assets

- Securities
- Other assets
- Cash and correspondent accounts with CB and clearing hoses
- Claims against legal entities
- Claims against individuals

36 thousand claims (totalling 647 billion roubles) were satisfied, 5 thousand claims (44 billion roubles) were dismissed.

As of December 31, 2016 a total of 163 thousand claims were brought for the total amount of 2,922 billion roubles, 78 thousand enforcement proceedings totalling 1,144 billion roubles, of which 35 thousand (totalling 369 billion roubles) were initiated in the reporting year.

As the result of judicial work and collection through enforcement proceedings, the volume of proceeds to the bankruptcy estates from the debtors of credit institutions amounted to 6.8 billion roubles which exceeds the same indicator of 2015 1.7 times.

In 2016, as established by federal laws, the Agency held 768 sales with the property of 197 liquidated banks, including 220 auctions, 201 repeated auctions, 267 public offerings in electronic form, 19 sales on the organized securities market, 61 times the property with the book value less than

100 thousand roubles was sold through public offerings not in the electronic form. 5.6 billion roubles were received to the receivership estates from sale of property, which exceeds the same indicator of the previous year 1.5 times.

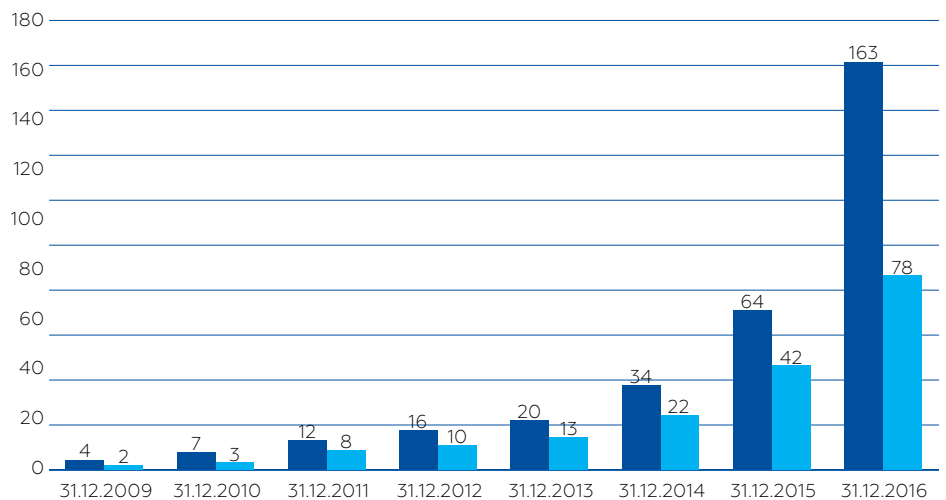


Figure 19. Dynamics of Claim Handling

- Claims submitted to judicial authorities
- Enforcement proceeding initiated

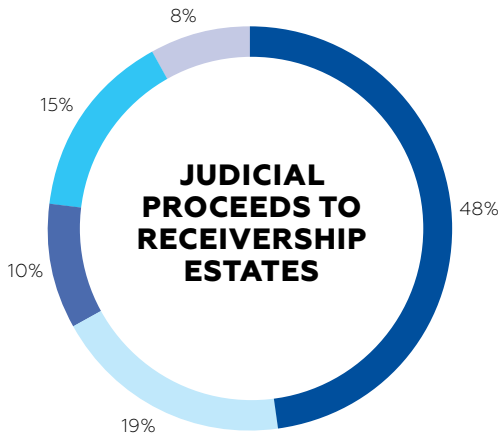


Figure 20. Judicial Proceeds to Receivership Estates by Types of Assets

- Securities
- Other assets
- Cash and correspondent accounts with CB and clearing hoses
- Claims against legal entities
- Claims against individuals

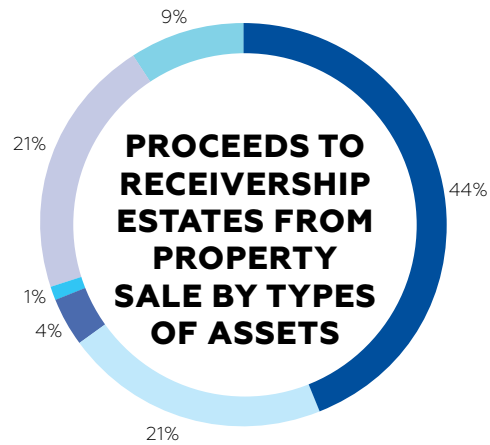


Figure 21. Proceeds to Receivership Estates from Property Sale by Types of Assets

- Corporate securities
- Real estate and land
- Other assets
- Precious metals, stones, commemorative coins, pieces of art
- Claims against legal entities
- Claims against individuals

4.3

INVESTIGATING AND CONTESTING DUBIOUS TRANSACTIONS, BRINGING GUILTY PERSONS TO ACCOUNT

ACTING AS THE OFFICIAL RECEIVER (LIQUIDATOR), THE AGENCY TAKES MEASURES AIMED AT IDENTIFICATION AND CONTESTING TRANSACTIONS THAT ARE TO THE DETRIMENT TO THE PROPERTY INTERESTS OF THE CREDIT INSTITUTIONS AND THEIR CREDITORS (DUBIOUS TRANSACTIONS), SEARCHES FOR AND RECOVERS BANK ASSETS ILLEGALLY HELD BY THIRD PARTIES, AND ALSO ESTABLISHES GROUNDS TO BRING TO ACCOUNT LIABLE PERSONS THAT ARE GUILTY OF CAUSING CREDIT INSTITUTION FAILURE.

In the reporting year, inspections to identify dubious transactions were performed in 82 credit institution. Transactions to be contested were identified in 65 credit institutions. The respective action plans to contest dubious transactions were approved and implemented.

In 2016, 2,954 cases seeking to contest dubious transactions of liquidated credit institutions were considered in courts of law and arbitration courts, with 1,744 of them based on the claims filed in the reporting year. 717 claims of the Agency were sustained. 2.31 billion roubles were received to be included in the bankruptcy estates of liquidated credit institutions as the result of contesting dubious transactions by the Agency in 2016.

In the reporting years circumstances of bankruptcy of 30 credit institutions were investigated, with evidences of intentional bank-

ruptcy identified in 28 banks. Evidences of intentional bankruptcy were not identified in JSCB Online Bank (CJSC); in CB NAFTABANK LLC opinion was made on impossibility to identify the circumstances of bankruptcy due to the absence of electronic databases and documents of the bank.

21 CLAIM OF THE AGENCY SEEKING TO IMPOSE FINANCIAL LIABILITY ON EX TOP-MANAGERS OF BANKS FOR THE AMOUNT OF 59.5 BILLION ROUBLES WERE FILED TO COURTS. CLAIMS OF THE AGENCY TO RECOVER DAMAGES WERE SATISFIED IN RESPECT OF THE EXECUTIVES OF CB OKHOTNY RYAD (LLC) FOR THE AMOUNT OF 199 MILLION ROUBLES, OJSC ORESLSOTSBANK (TWO CLAIMS) FOR THE TOTAL AMOUNT OF 286 MILLION ROUBLES, JSCB BRR (OJSC) FOR THE AMOUNT OF 1,298 MILLION ROUBLES, JSCB MFT-BANK (OJSC) FOR THE AMOUNT OF 35 MILLION ROUBLES AND MONETNY DOM BANK OJSC FOR THE AMOUNT OF 110 MILLION ROUBLES. CLAIMS OF THE AGENCY TO BRING TO SUBSIDIARY LIABILITY IN THE AMOUNT OF 118 MILLION ROUBLES OF THE EXECUTIVES OF MCB UNITED MINING BANK (LLC) WERE ALSO SATISFIED.

Claims of the Agency to recover damages from ex top-managers of OJSC Oreslsotsbank for the amount of 19 million roubles, CB KAMCHATKA LLC for the amount of 54 million roubles, CB FAMILY LLC for the amount of 261.4 million roubles and to bring to subsidiary liability of the former executives of JSCB Siberian Energy Bank CJSC for the amount of 887 million roubles were dismissed.

112 filings based on identified evidences of different crimes as discovered in credit institutions were submitted to the law-enforcement authorities, including: 16 – evidences of intentional bankruptcy; 76 – evidences of misappropriation of funds and property of credit institutions, and evidences of abuse of authority exercised by former top-managers and employees of credit institutions; 5 – evidences of attempted misappropriation of funds from the mandatory deposit insurance fund; 15 – other grounds.

In the reporting period 180 criminal cases were initiated, including: 154 based on evidences of misappropriation of funds and property of credit institutions and evidences of abuse of authority exercised by former top-managers and employees of credit institutions; 2 – evidences of deliberate bankruptcy; 6 – attempted theft from the mandatory deposit insurance fund; 18 – other grounds.

Guilty verdicts were brought under 25 criminal cases.

- 1) On January 20, 2016 the Dorogomilovsky District Court of Moscow found deputy Chairman of the Management Board

of SB Bank (LLC), V.V. Melnikov, guilty of the crime stipulated by Article 172.1 of the Criminal Code of the Russian Federation (reporting falsification), he was sentenced to a fine of 300 thousand roubles, punishment dismissed due to the amnesty. The verdict came into legal force.

- 2)** On February 03, 2016 the Sovetsky District Court of Vladikavkaz found Chairman of the Management Board of CB Art-Bank (LLC), V.E. Tibilov, guilty of the crime stipulated by part 1 Article 201 of the Criminal Code of the Russian Federation (abuse of powers), he was sentenced to a fine, punishment dismissed due to the amnesty. Civil claims of the bank against V.E. Tibilov was satisfied for 5.9 million roubles. The verdict came into legal force.
- 3)** On February 25, 2016 the Basmany District Court of Moscow found a member of the Board of Directors of CB OGNi MOSKVY LLC, M.Yu. Rulyak, guilty of the crimes stipulated by part 4 Article 160 (embezzlement) and part 4 Article 159 of the Criminal Code of the Russian Federation (fraud) she received a 4 year suspended prison sentence. The sentence confirmed the right of the bank for the satisfaction of its civil claim, the size of the claim compensation is to be determined in civil proceedings. The verdict came into legal force.
- 4)** On March 10, 2016 the Ostankinsky District Court of Moscow found Chairman of the Management Board of JSCB CODEX (OJSC), D.B. Mirvelov, guilty of the crime stipulated by Article 196 of the Criminal Code of the Russian Federation (deliberate bankruptcy), he was sentenced to imprisonment for 2 years, punishment dismissed due to the amnesty. The sentence recognized the right of the bank for the satisfaction of its civil claim, the size of the claim compensation is to be determined in civil proceedings. The verdict came into legal force.
- 5)** On March 21, 2016 the Dorogomilovsky District Court of Moscow found the President – Chairman of the Management Board of JSCB OBPI (PJSC), A.A. Odintsov, guilty of the crime stipulated by Article 172.1 of the Criminal Code of the Russian Federation (reporting falsification), he received a 1 year and 6 months suspended prison sentence. The verdict came into legal force.
- 6)** On March 22, 2016 the Kuybyshevsky District Court of Saint Petersburg found cash guard driver of CB Admiralteysky LLC, D.V. Mikhailov, guilty of the crime stipulated by part 4 Article 158 of the Criminal Code of the Russian Federation (theft), he received a 4 year and 6 months prison sentence. The verdict satisfied the civil claim of the bank in the amount of 8.9 million roubles. The verdict came into legal force.
- 7)** On April 7, 2016 the Kungursky Municipal Court of the Perm Territory found the cashier of Kungursky branch of OJSC JSCB Probusinessbank, E.Yu. Gileva, guilty of the crime stipulated by part 3 Article 160 of the Criminal Code of the Russian

- Federation (embezzlement), she was sentenced to a fine of 100 thousand roubles. The verdict came into legal force.
- 8)** On April 29, 2016 the Kirovsky District Court of Rostov-on-Don found the Chairman of the Management Board of OJSC JSB "Southern Trade Bank", M.N. Taraeva, guilty of the crimes stipulated by part 1 Article 201 (abuse of powers) and part 2 Article 195 (illegal actions in case of bankruptcy) of the Criminal Code of the Russian Federation, he received a 2 year suspended prison sentence; she was released from punishment in connection with expiration of criminal prosecution limitation period. The sentence recognized the right of the bank for the satisfaction of its civil claim in civil proceedings. The verdict came into legal force.
 - 9)** On May 6, 2016 the Central District Court of Novokuznetsk found the head of VIP Unit of JSCB NMB OJSC, S.E. Marchenko, guilty of the crime stipulated by part 4 Article 160 of the Criminal Code of the Russian Federation (embezzlement), she received a 4 year suspended prison sentence. The verdict came into legal force.
 - 10)** On May 23, 2016 the Vasileostrovsky District Court of Saint Petersburg found the Chairman of the Management Board of BANK FININVEST LLC, N.S. Gromova, guilty of five crimes stipulated by part 4 Article 160 of the Criminal Code of the Russian Federation (embezzlement), she received a 3 year suspended prison sentence. The verdict satisfied the civil claim of the bank amounting to 1,795.3 million roubles. The ruling of appeal of the Saint Petersburg Municipal Court dated July 21, 2016 changed the verdict, decision on satisfaction of the civil claim was revoked, the right of the bank for the satisfaction of its civil claim was recognized, the size of claim compensation was transferred for consideration under civil proceedings, the remaining part of the verdict came into legal force.
 - 11)** On May 25, 2016 the Dorogomilovsky District Court of Moscow found the Chairman of the Management Board of CB OPM-Bank LLC, N.V. Ryabkov, guilty of the crime stipulated in Article 172.1 of the Criminal Code of the Russian Federation (Reporting Falsification), he received a 1 year and 6 months suspended prison sentence. The verdict came into legal force.
 - 12)** On June 14, 2016 the Central District Court of Tula found the head of cash operations unit of the Tula branch of Vneshprombank LLC, T.V. Belova, guilty of the crime stipulated in part 3 Article 160 of the Criminal Code of the Russian Federation (Embezzlement), she was sentenced to a fine of 250 thousand roubles. The verdict came into legal force.
 - 13)** On July 05, 2016 the Babushkinsky District Court of Moscow found deputy Chairman of the Management Board of Vitas Bank LLC, S.A. Sergeev, guilty of the crime stipulated in part 4 Article 159 of the Criminal Code of the Russian Federation

(Fraud), he was imprisoned for 5 years. The verdict satisfied the civil claim of the bank amounting to 570 million roubles. The verdict came into legal force.

- 14)** On July 18, 2016 the Zamoskvoretsky District Court of Moscow found the acting Chairman of the Management Board of JSC JSCV Stella-Bank, O.V. Petrov, guilty of the crime stipulated in part 4 Article 159 of the Criminal Code of the Russian Federation (Fraud), he was imprisoned for 2 years and 6 months. The sentence recognized the right of the bank for the satisfaction of its civil claim, the size of the claim to be determined in the course of civil proceedings. The verdict came into legal force.
- 15)** On July 20, 2016 the Millerovsky District Court of the Rostov Region found the head of additional office of CB Doninvest LLC in Millerovo, I.V. Bandurina, guilty of the crime stipulated in part 4 Article 159 of the Criminal Code of the Russian Federation (Fraud), she received a 4 year and 5 months prison sentence. The verdict satisfied the civil claim of the bank amounting to 3.6 million roubles. The verdict came into legal force.
- 16)** On August 25, 2016 the Vasileostrovsky District Court of Saint Petersburg found the Chairman of the Board of Directors of BANK FININVEST LLC, V.E. Landgraf, guilty of five crimes stipulated in part 4 Article 160 (Embezzlement) of the Criminal Code of the Russian Federation, he received a 4 year suspended prison sentence. The sentence recognized the right of the bank for the satisfaction of its civil claim, size of the claim is to be determined in the course of civil proceedings. The verdict came into legal force.
- 17)** On August 25, 2016 the Khasavyurt Municipal Court of the Republic of Dagestan found the manager of the operational office of PJSC EUROCOMMERCE in Khasavyurt, M.U. Adilmirzaev, guilty of the crime stipulated in part 4 Article 159 of the Criminal Code of the Russian Federation (Fraud), he was imprisoned for 2 years. The verdict satisfied the civil claim of the bank amounting to 16.6 million roubles. The verdict came into legal force.
- 18)** On September 12, 2016 the Promyshlenny District Court of Smolensk found the Chairman of the Management Board of OJSC Smolensk Bank", A.A. Danilov, guilty of the crimes stipulated in part 2 Article 195 (Illegal satisfaction of creditors' claims), part 2 Article 165 (Causing property damage), part 4 Article 159 (Fraud) of the Criminal Code of the Russian Federation, he received a 7 year suspended prison sentence. The sentence recognized the right of the bank for the satisfaction of its civil claim, size of the claim is to be determined in the course of civil proceedings. The ruling of appeal of the Smolensk Regional Court dated November 30, 2016 changed the verdict, the punishment of A.A. Danilov was reduced down to 6 year and 1 month of suspended imprisonment, the

- remaining part of the verdict came into legal force.
- 19)** On October 07, 2016 the Dorogomilovsky District Court of Moscow found Acting Chairman of the Management Board of Bank Imperia LLC, I.A. Kuleshov, guilty of the crimes stipulated in part 2 Article 201 (Abuse of powers) and Article 196 (Deliberate Bankruptcy) of the Criminal Code of the Russian Federation, he was imprisoned for 5 years. The verdict satisfied the civil claim of the bank amounting to 1,108.6 million roubles. The verdict came into legal force.
 - 20)** On October 10, 2016 the Sovetsky District Court of Makhachkala found deputy Chairman of the Board of Directors of CB NAFTABANK LLC, R.A. Azizkhanova, guilty of the crimes stipulated in part 2 Article 210 (Organization of criminal community), part 4 Article 159 (Fraud), part 2 Article 172 (Illegal Banking), part 2 Article 173.1 (Illegal establishment of a legal entity), part 2 Article 173.2 (Illegal use of documents to establish a legal entity) and part 2 Article 185.5 (Falsification of the resolution of the general meeting of shareholders) of the Criminal Code of the Russian Federation, she was sentenced to 6 year and 6 months of imprisonment and a fine of 400 thousand roubles with suspended execution. At the same time, the court satisfied civil claims of the bank and the Agency for 672.3 million roubles and 13.2 million roubles, respectively. The verdict came into legal force.
 - 21)** On October 25, 2016 the Zolsky District Court of Kabardino-Balkarskaya Republic found the credit operations specialist of the additional office of the branch of PJSC CB EUROCOMMERCE in North-Caucasian Federal District, A.M. Abrokov, guilty of the crime stipulated in part 4 Article 159 of the Criminal Code of the Russian Federation (Fraud), he was imprisoned for 4 years. The verdict satisfied the civil claim of the bank amounting to 2.7 million roubles. The verdict came into legal force.
 - 22)** On November 2, 2016 the Pervouralsky Municipal Court of Sverdlovsk Region found the member and Chairman of the Board of Directors of CB Universal LLC, A.G. Akopyan, guilty of the crime stipulated in part 4 Article 159 of the Criminal Code of the Russian Federation (Fraud), he was imprisoned for 5 years.
 - 23)** On November 16, 2016 the Sovetsky District Court of Rostov-on-Don found the chief manager of an internal structural division of the additional office No. 2 of JSCB Capitalbank (PJSC), N.V. Porkhuleva, guilty of the crime stipulated in part 4 Article 160 of the Criminal Code of the Russian Federation (Embezzlement), she received a 3 year suspended prison sentence. The verdict satisfied the civil claim of the bank amounting to 1.1 million roubles.
 - 24)** On November 28, 2016 the Zolsky District Court of Kabardino-Balkarskaya Republic found an employee of the additional office of the branch of PJSC CB EUROCOMMERCE

in the North-Caucasian Federal District, B.Kh. Mamedov, and 8 his accomplices guilty of the crimes stipulated in part 2 Article 159 and part 2 Article 159.1 of the Criminal Code of the Russian Federation (Fraud), B.Kh. Mamedov received a 2 years and 6 months suspended prison sentence, his accomplices – from 1 year and 6 months to 2 years and 6 months. The verdict satisfied the civil claim of the bank to the defendants totalling 1.3 million roubles. The verdict came into legal force.

- 25)** On December 19, 2016 the Promyshlenniy District Court of Khabarovsk found the cashier of the additional office No. 142/3 of JSC DALTA-BANK, N.N. Pak, guilty of the crime stipulated in part 4 Article 160 of the Criminal Code of the Russian Federation (Embezzlement), she received a 4 year suspended prison sentence. The verdict satisfied the civil claim of the bank amounting to 1.5 million roubles.

4.4

MANAGING CURRENT EXPENDITURES OF LIQUIDATED BANKS

CURRENT EXPENSES FOR RECEIVERSHIP (LIQUIDATION) FOR THE REPORTING YEAR AMOUNTED TO 17.4 BILLION ROUBLES WHICH EXCEEDED THE SAME INDICATOR OF THE PREVIOUS YEAR 1.6 TIMES.

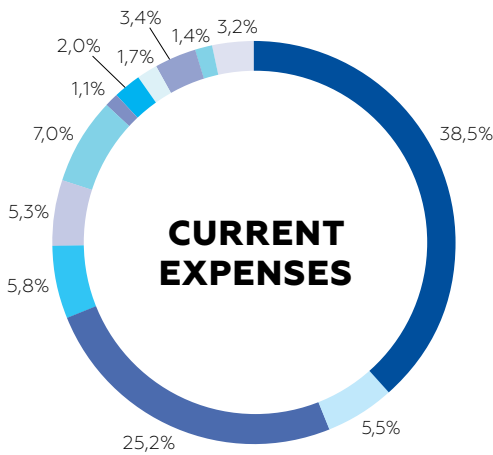


Figure 22. Structure of current expenses on liquidation (bankruptcy) of credit institutions in 2016

- Salary, including compensation payment
- Salary accruals
- Legal costs and costs for arbitration proceedings
- Expenses for expert examination of documents and placement of archives
- Rent
- Expenses of information and intermediary services
- Postal, telegraph, telephone, expenses
- Maintenance of buildings and structures
- Security expenses
- State duty paid
- Transport expenses
- Other expenses

Current expenses for receivership (liquidation) for the reporting year amounted to 17.4 billion roubles which exceeded the same indicator of the previous year 1.6 times.

In addition to the above-mentioned increase in the number and volume of assets of liquidated banks, the main reason of increase in current expenses was the growth of payments of salaries and severance pay to dismissed employees of liquidated banks. In 2016 salary payments amounted to 6.7 billion roubles (38.5% of total expenses of liquidated banks). 2016 also saw main payments of salaries and severance pay to dismissed employees of the banks taken by the Agency at the end of 2015.

Legal costs account for significant share (25.2%) in the current expenses of liquidated banks. Due to the increase in the scope of work on debt collection from the debtors of the banks in courts, such costs increased 1.6 times as compared to the previous year and amounted to 4.4 billion roubles.

As large credit institutions with branch network and significant real estate came under the management of the Agency, expenses connected with security, rent, operation and maintenance of real estate increased 1.4 times.

The structure of expenses on liquidation (bankruptcy) of credit institutions in 2016 is presented on Figure 22.

IN CASE OF LACK OF FUNDS IN THE LIQUIDATED CREDIT INSTITUTIONS, LIQUIDATION PROCEDURE EXPENSES WERE PREPAID BY THE AGENCY AS ESTABLISHED BY LAW TO SPEED UP THE LIQUIDATION AND TO DISCHARGE THE SALARY DEBT TO FORMER EMPLOYEES IN THE SHORTEST POSSIBLE TIME.

In the reporting year, the amount of prepaid funds taking into account the debt as of the beginning of the reporting period was equal to 1.2 billion roubles; 1.1 billion roubles were repaid by the liquidated credit institutions during the year.

4.5

VERIFICATION AND SATISFACTION OF CREDITORS' CLAIMS, OPERATION OF GOVERNING BODIES OF LIQUIDATED BANKS

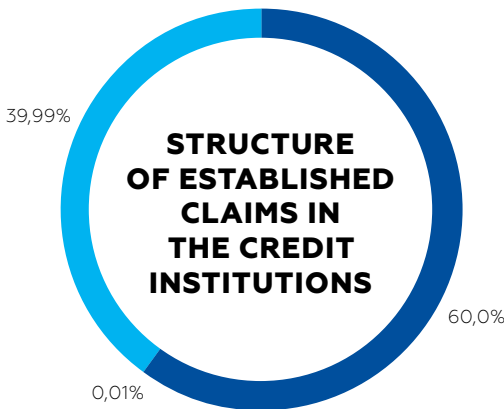


Figure 23. Structure of Established Claims in the Credit Institutions where Liquidation Procedures Continue as of December 31, 2016 (Billion Rubles; %)

- 1244,58 billion rubles (60,0%) – 1st priority
- 0,19 billion rubles (0,01%) – 2nd priority
- 829,62 billion rubles (39,99%) – 3rd priority

As significant number of credit institutions came under the management of the Agency in 2016, the total amount of established creditor claims in the banks in receivership (liquidation) increased almost 2 times – from 1,055.9 billion rubles up to 2,074.4 billion rubles, the total number of creditors increased 1.3 times – from 267.1 thousand up to 347.8 thousand persons.

Overall, as of December 31, 2016 the claims of 347.8 thousand creditors of the credit institutions where the liquidation procedures were not completed amounted to 2,074.4 billion rubles (Figures 23 and 24).

In 2016 78.93 billion rubles were allocated for meeting creditor claims which exceeded the indicator of the previous year 1.2 times (66.02 billion rubles).

The average percentage of satisfaction of creditors' claims in the failed banks where the liquidation proceedings were completed throughout the Agency's History amounted to 34.2% (Figure 26).

In terms of the priority of claims, throughout the Agency's history the claims of first priority creditors were satisfied by 65.9% (on the average), second priority – by 19.0%, third priority – by 16.6%.

In the reporting year assets remaining after settlements with creditors totalling 7.9 billion rubles was distributed among the shareholders (participants) of 17 credit institutions (cash, rights of claim, real estate, securities and other assets).

In the reporting period 133,736 judicial acts, decrees of court bailiffs, decisions of heads of tax authorities, acts of other authorities and officials on levy of execution, on suspension of operations on accounts, on search and arrest and/or other restrictions on funds on

the accounts of customers of liquidated credit institutions were considered. 10,460 of which were in respect of creditors of liquidated credit institutions.

In 2016 129 meetings of creditors of liquidated credit institutions were held, with 103 of them being the first meetings of creditors. All in all, 3,996 creditors were present at the creditors' meetings (4.29% of the total number of creditors entitled to participate in such meetings). Such creditors held 86.26% of total votes.

As of December 31, 2016 277 creditor committees were operational, of which 274 committees had full powers to decide on the issues referred by the legislation to the competence of creditors' meetings or creditor committees in full. In the reporting period, 2,547 meeting of creditor committees were held in which 5,284 issues were considered. Decisions proposed by the receiver (liquidator) were supported on most issues (82.17%).

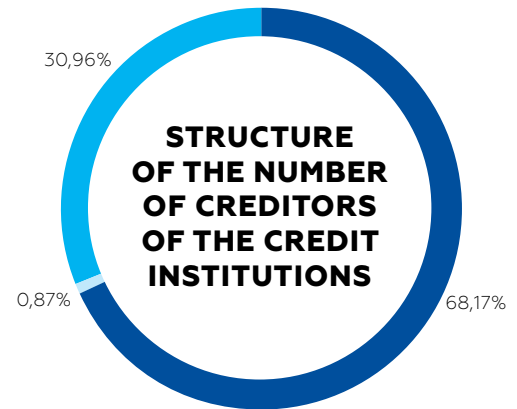


Figure 24. Structure of the Number of Creditors of the Credit Institutions where Liquidation Procedures Continue as of December 31, 2016 (thousand creditors; %)

- 237,05 thousand creditors (68,17%) – 1st priority
- 3,03 thousand creditors (0,87%) – 2-я priority
- 107,67 thousand creditors (30,96%) – 3-я priority

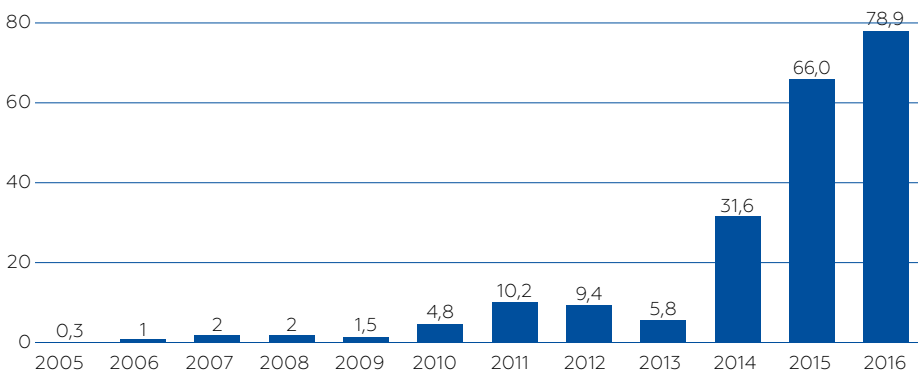


Figure 25. Dynamics of Payments to Meet Creditor Claims throughout the Agency's History (Billion Roubles)

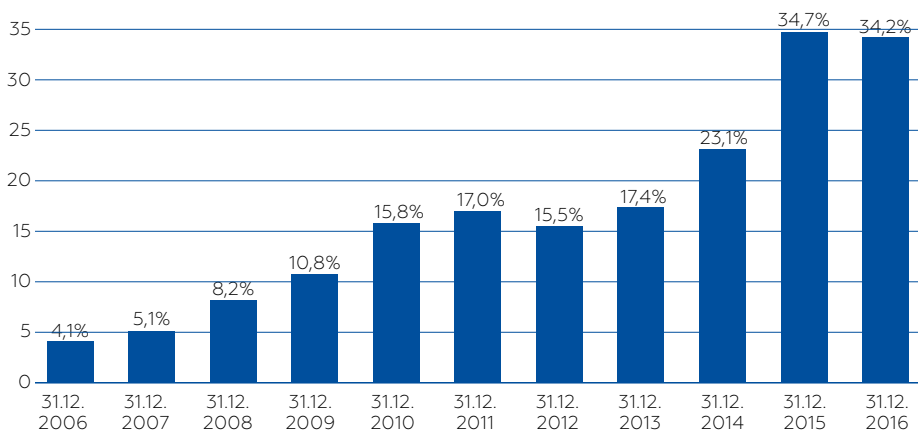
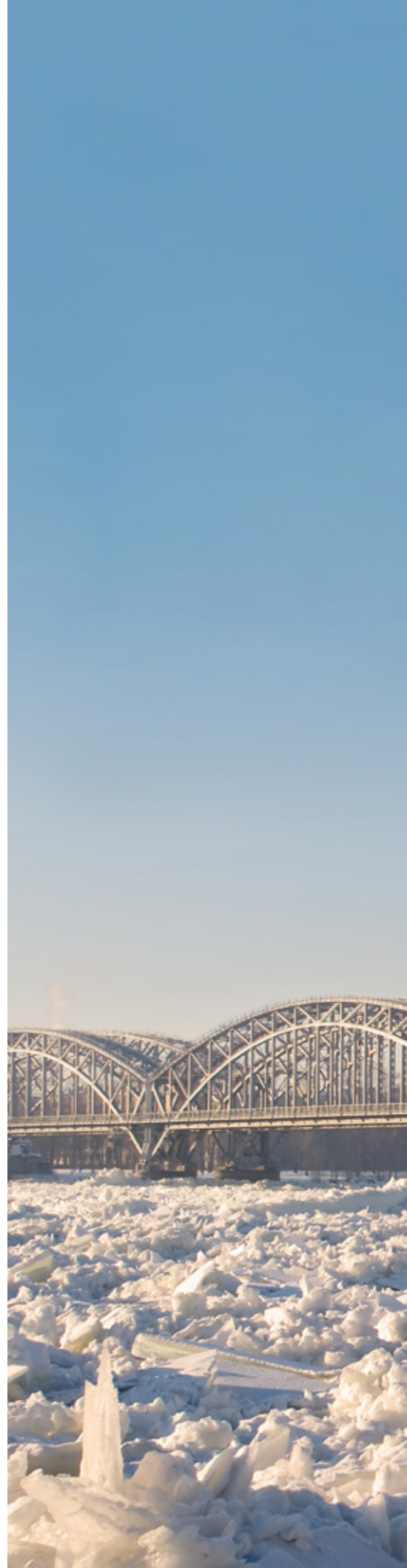


Figure 26. Dynamics of Satisfaction of Creditor Claims in the Banks where Receivership Proceedings were Completed throughout the Agency's History

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- 5.1.** NPF LIQUIDATION MANAGEMENT
 - 5.2.** FORMATION OF FUNDS FOR SETTLEMENTS WITH CREDITORS
 - 5.3.** INVESTIGATING AND CONTESTING DUBIOUS TRANSACTIONS. BRINGING GUILTY PERSONS TO ACCOUNT
 - 5.4.** VERIFICATION AND SATISFACTION OF CREDITORS' CLAIMS, OPERATION OF GOVERNING BODIES OF LIQUIDATED NPFs
 - 5.5.** PREPARATION FOR PERFORMANCE OF FUNCTIONS OF THE RECEIVER IN RESPECT OF INSURANCE ORGANIZATIONS
-





5.1

NPF LIQUIDATION MANAGEMENT

AS OF DECEMBER 31, 2016 THE AGENCY CARRIED OUT LIQUIDATION PROCEEDINGS IN 34 NPFs INVOLVED EARLIER IN THE MANDATORY PENSION INSURANCE AND NOT REGISTERED WITH THE PSGS. THEY INCLUDED 7 RECEIVERSHIP PROCEEDINGS AND 27 FORCED LIQUIDATIONS OF NPFs (FIGURE 27).

In the reporting year the Agency started liquidation proceedings in respect of 14 NPFs, in 13 of which the Bank of Russia initiated forced liquidation proceedings, in one NPF bankruptcy proceedings were opened on the basis of the application filed by its former management. The same indicators of the previous year were 15 NPFs (14 forced liquidations, one NPF – bankruptcy proceedings).

NPF forced liquidation is carried out in compliance with the procedures stipulated by the Law on Bankruptcy for bankruptcy

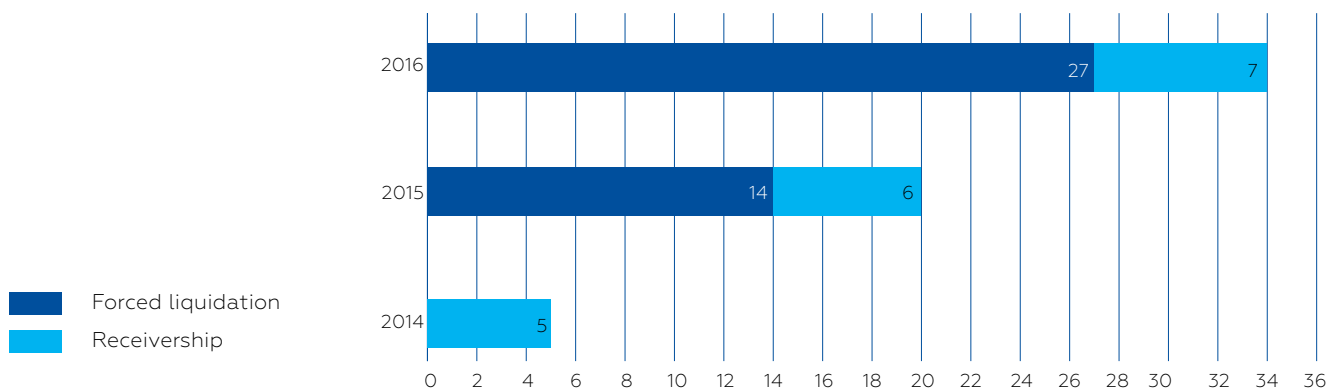


Figure 27. Number of NPFs in Respect of which the Agency Performed the Liquidation Procedures (Running Total)

proceedings subject to the peculiarities established by Federal Law dated May 7, 1998 No. 75-FZ "On non-government pension funds".

THE KEY FACTORS THAT AFFECTED DYNAMICS OF THE NUMBER OF NPFs LIQUIDATED BY THE AGENCY ARE: FAILURE BY AN NPF TO COMPLY WITH THE STATUTORY REQUIREMENTS TO THE ADMISSION INTO PSGS BY JANUARY 1, 2016 AND VIOLATION OF REQUIREMENTS TO DISTRIBUTION, PROVISION OR DISCLOSURE OF INFORMATION AND DISPOSAL OF THE FUNDS OF PENSION SAVINGS IN VIOLATION OF THE REQUIREMENTS STIPULATED BY THE FEDERAL LAWS AND REGULATIONS OF THE BANK OF RUSSIA IN COMPLIANCE WITH WHICH THE LICENSED ACTIVITY SHOULD BE PERFORMED.

The NPFs registered in the Moscow Region prevailed in 2016 (their share exceeded 60%). The trend towards the increase in the number of cancelled licenses of regional NPFs is also observed (thus, as of the end of 2016 their share amounted to about 40% of the total number of NPFs liquidated by the Agency, while in 2015 and 2014 this indicators did not exceed 25% and 20%, respectively).

NPFs with the large number of customers and members of financial groups continued to fall under liquidation. Thus, in 2016 the Agency was appointed as the liquidator in six NPFs included into the financial group of E. Novitsky. The aggregate amount of pension savings and pension reserves generated by this group, according to the most recent financial statements submitted by the liquidated NPFs, exceeded 23 billion roubles, the number of insured persons exceeds 336 thousand persons; the number of participants of the

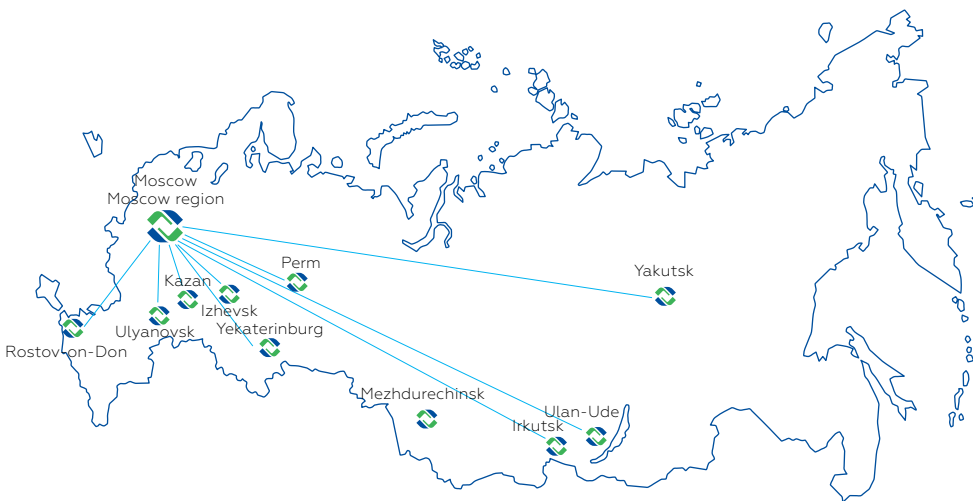


Figure 28. Regional Presence of Liquidated NPFs

voluntary pension system exceeds 326 thousand persons. The largest NPFs among them are

1st NPF JSC (Moscow) and JSC NPF MECHEL-FUND (Mezhdurechensk, Kemerovo Region).

In the reporting year the Agency employees participated in 13 temporary administrations to manage NPFs appointed by the Bank of Russia which contributed to the improvement of efficiency of assets recovery measures, determination of NPF liabilities and shortening of their terms.

Important areas of activity of the Agency to manage the liquidation proceedings in NPFs in 2016 included:

- identification and recovery of assets in the possession of third parties, including credit institutions and managing companies under the trust management agreements;
- introduction of approaches to comprehensive evaluation of the market value and expert examination of reports on evaluation in respect of cross-assets of the financial institutions;
- improvement of workflow with managing companies and special depositories. To ensure timely receipt of information on NPF assets, electronic workflow with the leading Russian special depositories was organized, formats of monthly provision by the managing companies of information on sale of assets of liquidated NPFs in trust management were introduced;
- preparation and endorsement by the Bank of Russia of interim liquidation balance sheets of 21 NPFs allowing to start settlements with creditors;
- as agreed with the supervisory authority, implementation of the technology of stage-by-stage transfer of liabilities in respect of life non-state pensions and resources of pension reserves to another non-government pension fund as far as the funds for settlements are accumulated;
- bringing of NPF controlling persons to criminal and civil law liability.

Uninterruptedness of liquidation proceedings was secured both by full-time employees of the Agency and special organizations accredited with the Agency which were engaged to evaluate the market value of assets, structure the archive documentation of liquidated NPFs, brokerage and depository operations, provide actuary, legal services, services of operators of electronic platforms, etc. Therefore, in 2016 there were more than 100 tenders to select special organizations accredited with the Agency in the above nominations.

OPENNESS AND AVAILABILITY OF THE INFORMATION ON THE COURSE OF THE MAIN LIQUIDATION MEASURES IN THE REPORTING PERIOD WAS ASSURED BY PLACEMENT OF MORE THAN 900 PUBLICATIONS ON THE WEB-SITE OF THE AGENCY, IN THE UNIFIED FEDERAL REGISTER OF DATA ON BANKRUPTCY AND MASS MEDIA. IN THE REPORTING PERIOD THE AGENCY ALSO PREPARED MORE THAN 4 THOUSAND RESPONSES TO REQUESTS OF INDIVIDUALS AND LEGAL ENTITIES RELATED TO THE ORGANIZATION OF LIQUIDATION PROCEEDINGS.

5.2

FORMATION OF FUNDS FOR SETTLEMENTS WITH CREDITORS

FOR THE PURPOSES OF EFFICIENT MANAGEMENT OF LIQUIDATION PROCEEDINGS, INCLUDING TIMELY IMPLEMENTATION OF PRIORITY MEASURES TO ACCUMULATE FUNDS FOR SETTLEMENTS WITH CREDITORS, IN 2016 INVENTORY OF ASSETS OF 25 NPFs WAS ARRANGED, THE RESULTS WERE SUMMED UP IN THE REPORTING PERIOD FOR 24 NPFs.

The measures taken in 2016 revealed shortage of assets for 2.96 billion roubles from which the main share (more than 90%) falls on the assets of JSC NPF Strategy. The Agency took measures to identify the causes of the shortage, to search and recover the assets.

The aggregate amount of assets of 34 NPFs liquidated by the Agency is 112.5 billion roubles, according to the accounting data as of the date of commencement of liquidation proceedings. The book value of assets of NPFs in respect of which the liquidation proceedings were commenced in 2016 is 40.8 billion roubles.

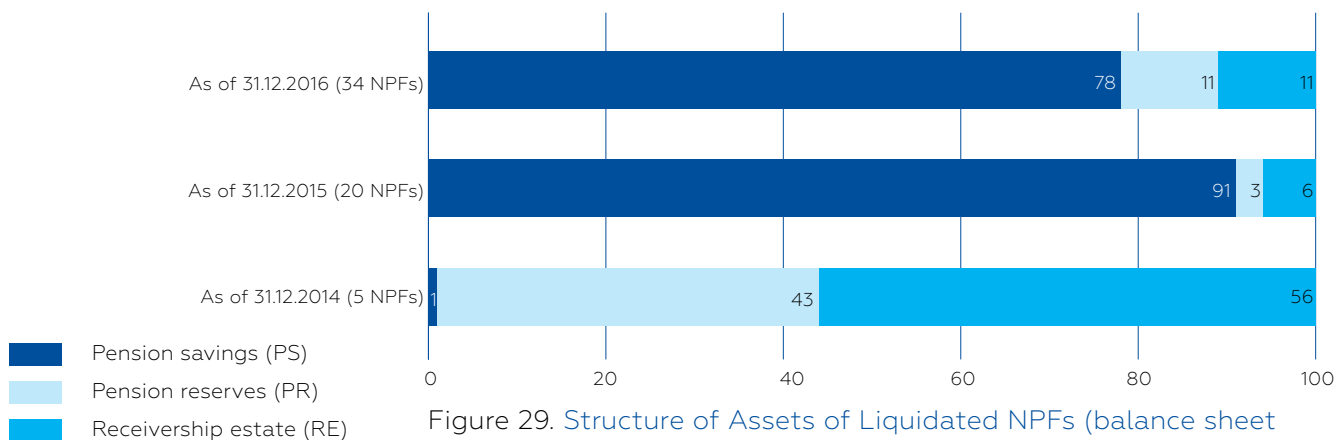


Figure 29. Structure of Assets of Liquidated NPFs (balance sheet data), %

Ratio of assets of liquidated NPFs by pension savings, pension reserves and equity (property used for chartered activity) (the bankruptcy estate) is presented in Figure 29. Change in the assets structure is connected with appointment of the Agency as the liquidator of NPFs with large volume of funds formed under the non-government pension programs.

According to the preliminary estimates, the aggregate market value of assets of the liquidated NPFs as of the reporting date does not exceed 30% of their book value which corresponds to the same indicator in 2015. The Agency as the receiver (liquidator) of NPFs has a legal right to independently determine the market value of assets traded on exchanges and of other assets with engagement of an independent appraiser.

The ratio of estimated and book value of the assets into which the pension savings are invested and pension reserves are placed does not significantly differ from the above average indicator. While the estimated value of the assets forming the equity (bankruptcy estate) is less than 5% of its book value.

Not more than 25% (about 28 billion roubles) fall on the liquid assets formed with cash on settlement, deposit and brokerage accounts with financially stable credit institutions and securities traded on the organized market.

The main share of pension savings and pension reserves is invested through managing companies related to NPF beneficiaries into low-liquid assets: mortgage participation certificates, technical bonds — in respect of pension savings, investment units of closed unit investment funds — in respect of pension reserves, and placed on settlement, deposit and brokerage accounts with failed banks. Thus, the portfolios of liquidated NPFs are dominated by long-term financial instruments with high level of risk, including those with technical features (Figure 30).

In the reporting year the Agency developed approaches to organize the work with the pools of homogeneous assets recorded on balance sheets of various liquidated financial institutions:

- to conduct comprehensive evaluation of cross-assets in the investment portfolios of two and more liquidated financial institutions (18 contracts with numerous evaluation customers were concluded);
- as agreed with the Bank of Russia, participation of NPFs in corporate actions in respect of cross-assets is assured (purchase of shares by the issuer, repurchase of bonds at the request of holders, early redemption of bonds, acceptance of third-party offers);
- bankruptcy proceedings of common debtors of various financial institutions are initiated and maintained.

Subject to the statutory obligation, NPFs invested pension savings and placed pension reserves mainly through the managing companies. The Agency as the receiver (liquidator) of NPFs works to recover the assets in more than 130 separate portfolios of securities formed by 39 managing companies under separate trust management agreements.

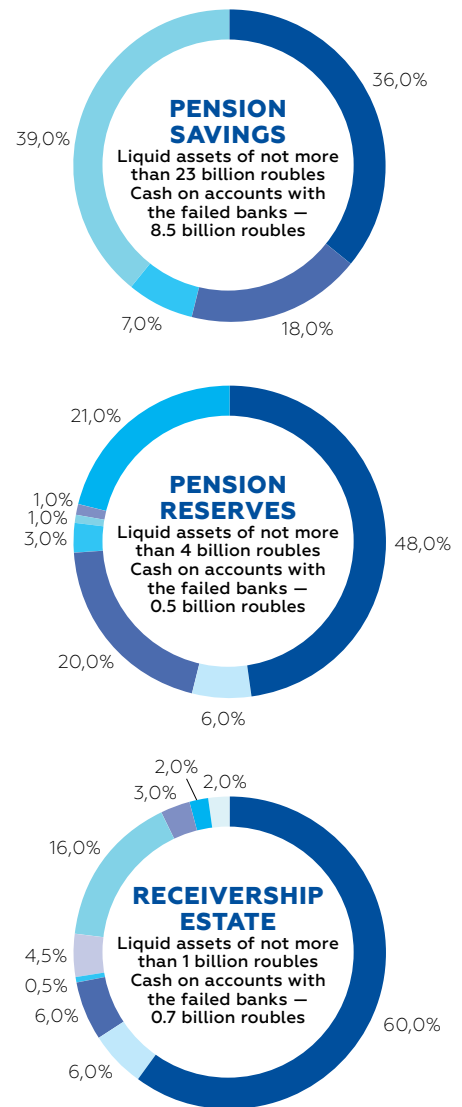


Figure 30. Comparative Analysis of Assets Portfolio of Liquidated NPFs by Types of Investments (book value)

- Shares, bonds
- Premissory notes
- Cash
- Deposits
- Stakes
- MPC
- RealEstate
- Investment units
- Fixed assets

The managing companies should invest NPF funds under trust management based on the principles of safety of such funds. Therefore, 144 claims to return the property from trust management were sent to the managing companies.

Following the measures taken, the managing companies voluntarily returned the funds of pension savings, pension reserves and equity in the amount exceeding 12 billion roubles, including from sale of assets by them. More than 91% of all proceeds from trust management fall on 2016 (Figure 31).

The Bank of Russia cancelled licenses for managing investment funds, unit investment funds and non-government pension funds of ten managing companies which managed the assets of liquidated NPFs. In 2016 the supervisory authority took such measures in respect of six managing companies.

To ensure return of assets from the managing companies with the cancelled licenses, if there are grounds the Agency initiates petitions to the Bank of Russia to appoint temporary administrations.

In cases of cancellation of the managing companies' licenses the Agency arranged transfer of securities and cash to the accounts of liquidated NPFs, transfer (assignment) of claims to NPF debtors.

In 2016 the Agency recovered securities with the book value exceeding 53 billion roubles from trust management to the custody accounts of NPFs. To this end, special organizations were selected and brokerage agreements, depositary agreements were concluded, 100 NPF custody accounts were opened.

Acceptance of claims on deposits with operating credit institutions amounting to 5 billion roubles and replacement of creditors in the registers of creditor claims of liquidated credit institutions for the claims exceeding 8.4 billion roubles were assured. Additional receipt

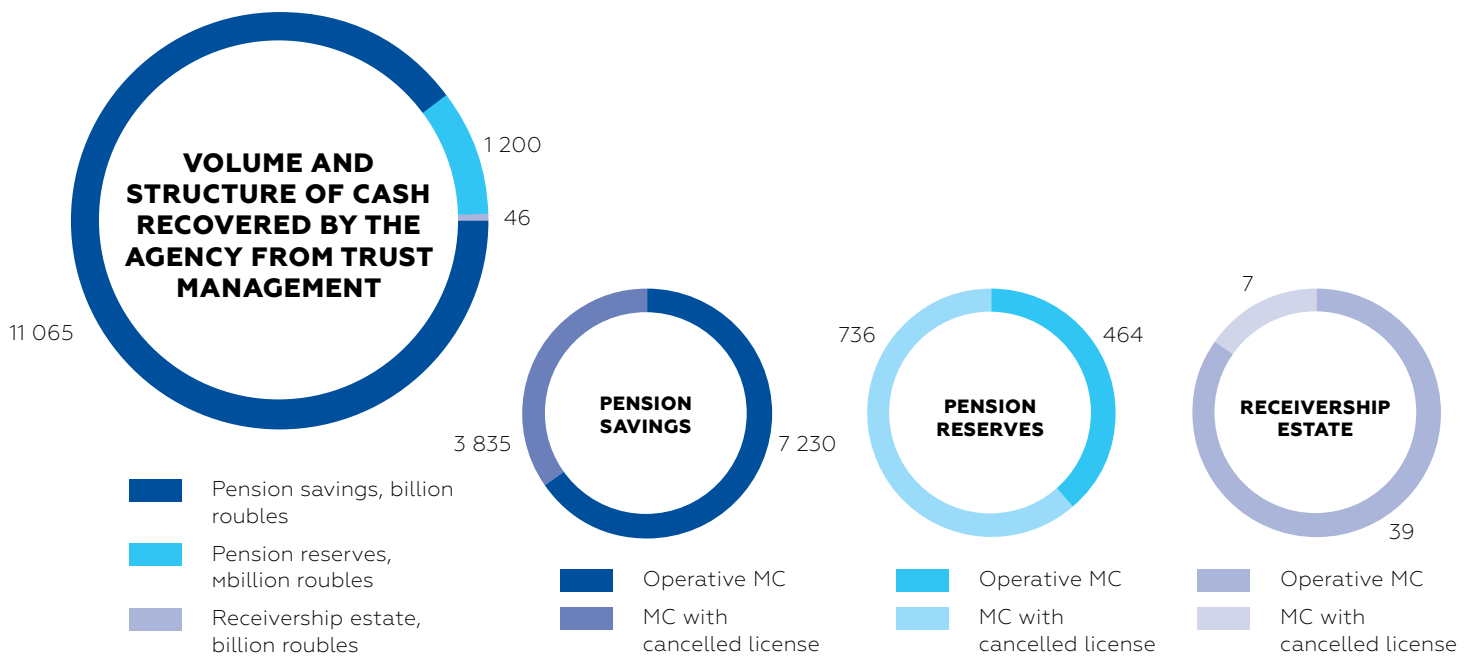


Figure 31. Volume and Structure of Cash Recovered by the Agency from Trust Management

of funds in the amount of 4.6 billion roubles was assured at the expense of closing of the NPFs' settlement accounts with the banks, redemption (receipt) of income on securities and deposits within the terms stipulated by the documents on issue of securities and concluded contracts, respectively, received by the liquidator, including after return of assets from the managing companies which have gone out of business.

The Agency also performed the procedures aimed at changing the manager of mortgage coverage of mortgage participation certificates with the book value of 23.2 billion roubles.

To improve efficiency of asset management in the liquidated NPFs and provide for their integrity, the Agency monitored corporate events and financial market condition which included participation of liquidated NPFs in the corporate events (including offers) of securities' issuers and allowed to accumulate cash on the NPFs' accounts in the amount of 1.65 billion roubles. (Figure 32).

In case of failure of debtors, including managing companies, to comply with the requirements of the Agency, the debt shall be collected judicially.

In 2016 the debt was collected in respect of the bonds which issuers did not perform the obligations to the securities holders, totalling 15.66 million roubles. NPFs' claims are included into the register of claims of creditors to the bonds guarantor in the amount of 14.63 million roubles.

In the reporting year the claims of the Agency on collection of pension reserve funds from three managing companies (MC BIN FINAM Group LLC, CJSC Managing Company TRINFICO, CJSC MC TRANSFIN-GROUP) were satisfied judicially and cash was recovered, including at the expense of the equity of managing companies, in the amount of 22 million roubles.

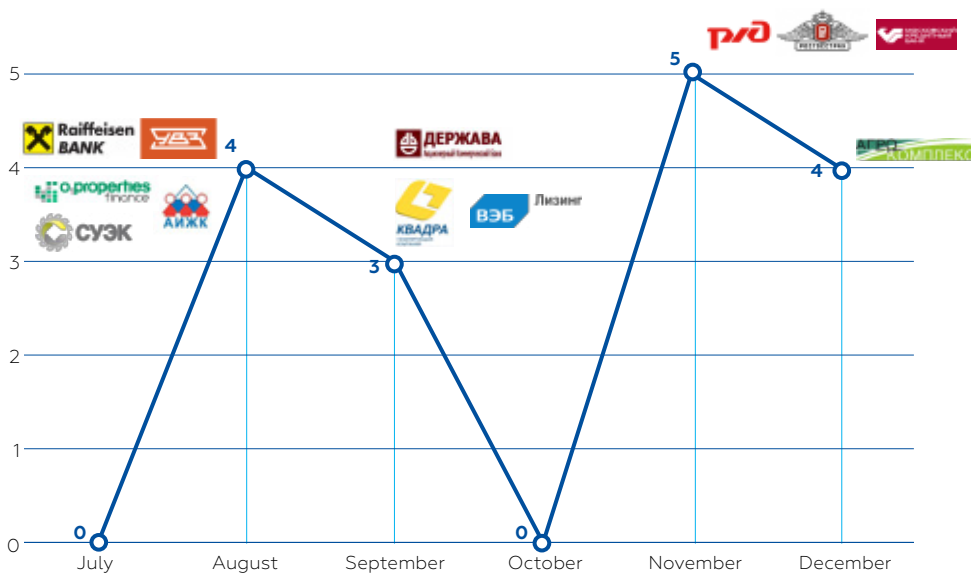


Figure 32. The Agency's Participation in Corporate Events and Offers of Securities Issuers

IN 2016 THE AGENCY TOOK MEASURES AIMED AT THE SALE OF ASSETS OF SIX NPFs AT E-TRADES IN THE FORM OF AUCTION AND THROUGH PUBLIC OFFERING AND TOOK MEASURES TO SALE THE PROPERTY OF LOW VALUE. THE AMOUNT OF PROCEEDS FROM THE TRADES AND ORGANIZED MEASURES IN 2016 AMOUNTED TO 1.11 MILLION ROUBLES.

13.8 billion roubles were credited to the NPFs' accounts opened with the Agency, including to pension savings – 12.2 billion roubles, pension reserves – 1.4 billion roubles, bankruptcy estate – 0.2 billion roubles making about 95% of all cash proceeds from the beginning of liquidation proceedings.

Thus, as of December 31, 2016 the ratio of cash received from the beginning of receivership (forced liquidation) commencement and estimated value of assets of the liquidated NPFs reached 50% (Figure 33).

The size of current expenses of NPFs made at the expense of bankruptcy estate of NPFs in 2016 amounted to 0.07 billion roubles (Figure 34), while the maximal share in their structure are the expenses connected with payment of salary and severance pay to former NPFs' employees (more than 70%).

In case the liquidated NPFs have no cash, the Agency prepaid the current expenses for liquidation proceedings at its own expense. Throughout the period of receivership (forced liquidation) expenses in the amount of 33 million roubles were advanced (including 28 million roubles in 2016), 9 million roubles were recovered (taking into

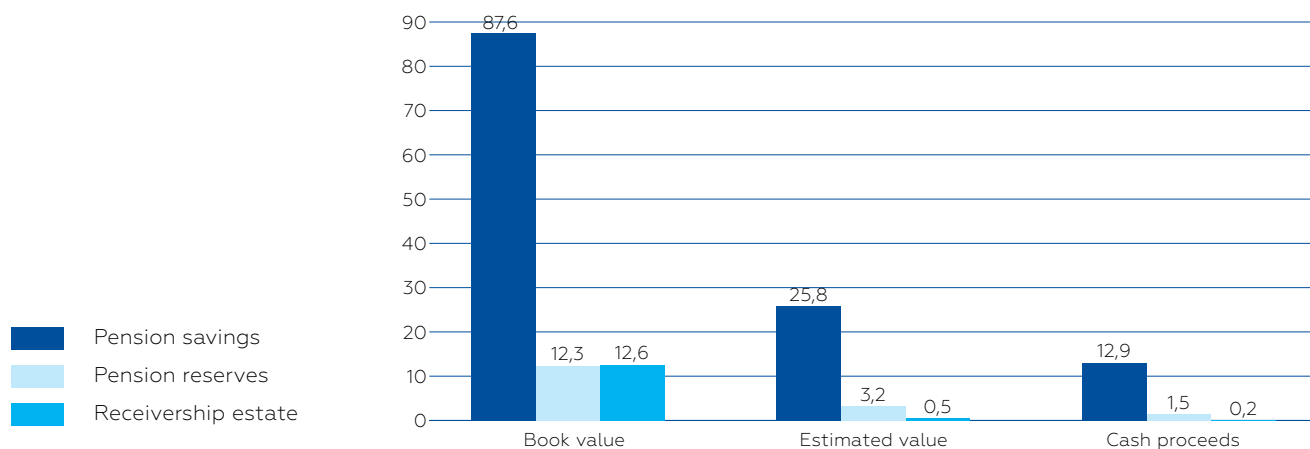


Figure 33. Book and Estimated Value of Assets of Liquidated NPFs (from the beginning of receivership (liquidation))

account the funds provided earlier for these purposes) (in 2016 – 8 million roubles). Due to almost complete absence of sources for payment of current expenses with liquidated NPFs (26 out of 34 NPFs), the Agency paid expenses without the prospects of their recovery in most cases.

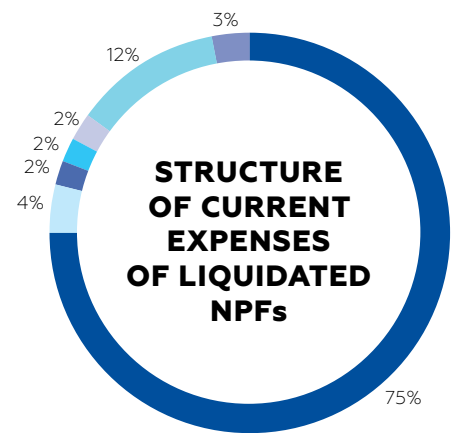


Figure 34. Structure of Current Expenses of Liquidated NPFs

- Salary, compensation to employees, insurance premiums
- Postal, telegraph, telephone expenses
- Maintenance of buildings and structures
- Transport expenses
- Expenses for actuarial
- Expenses for property evaluation
- Other expenses

5.3

INVESTIGATING AND CONTESTING DUBIOUS TRANSACTIONS. BRINGING GUILTY PERSONS TO ACCOUNT

IN THE REPORTING PERIOD THE AGENCY TOOK MEASURES TO IDENTIFY DUBIOUS TRANSACTIONS AND CIRCUMSTANCES OF DETERIORATION OF FINANCIAL POSITION OF 7 NPFs (JSC NPF "SOLNECHNOE VREMYA", JSC NPF "SOLNTSE. ZHIZN. PENSIA.", JSC NPF SAVINGS FUND "SOLNECHNY BEREG" , JSC NPF "ADEKTA-PENSIA", JSC NPF "ZASCHITA BUDUSCHEGO", JSC NPF "SBEREGATELNY" AND NPF "URALOBORONZAVADSKY". SIGNS OF DELIBERATE BANKRUPTCY WERE DETECTED IN RESPECT OF 6 OF THE ABOVE NPFs (EXCEPT FOR JSC NPF "ZASCHITA BUDUSCHEGO"). DUBIOUS TRANSACTIONS TO BE CHALLENGED WERE NOT IDENTIFIED.

Five claims of the Agency seeking to impose property liability on ex top-managers of NPFs for the total amount of 790.9 million roubles were sent to courts. (NPF "Industrial", Non-government Pension Fund "Professional Independent Pension Fund", NO NPF "Semeyny", NPF "Transstroy" and NPF "General Pension Fund). Claims of the Agency in respect of the executives of NPF "Transstroy", NPF "Industrial" and Non-government Pension Fund "Professional Independent Pension Fund" were satisfied in the amount of 383.8 million roubles.

Preliminary inspections to identify dubious transactions were also performed in 14 NPFs (NPF "Povolzhsky", NPF "Pravo", NPF "Vremya", JSC NPF "Uchastie", JSC NPF "Novy Vek OPS", JSC NPF "Mosenergo

OPS", NPF "Rodnik", OJSC NPF "First Russian Pension Fund", NPF "PNPF Garant-Prof", NPF "Tikhy Don", JSC NPF "Blagovest", OJSC NPF "Blagodenstvie", JSC NPF "Erel", PJSC NPF "Siberian Capital").

The Agency has approved and implements the working action plans to challenge dubious transactions in 10 NPFs (NPF "Povolzhsky", NPF "Rodnik", JSC NPF "Erel", JSC NPF "Mosenergo OPS", JSC NPF "Novy Vek OPS", NPF "Vremya", NPF "Pravo", JSC NPF "Uchastie", Non-commercial Organization "Podolsk Non-government Pension Fund", JSC NPF "Metallurgov").

In the reporting period the claims to hold invalid the transactions of NPF "Semeyny" in the amount of 3.5 million roubles, NPF "Rodnik" in the amount of 25.2 million roubles were satisfied, the judicial acts came into legal force.

Determination of the court dated June 28, 2016 within the frameworks of the dispute to challenge the transaction of Non-commercial Organization "Podolsk Non-government Pension Fund" approved the amicable agreement in the amount of 5.5 million roubles.

The other applications are being considered by courts.

The total volume of cash received as the result of challenging by the Agency of dubious transactions in 2016 amounted to 9 million roubles.

Applications were sent to the law enforcement authorities concerning the facts of property theft and deliberate bankruptcy in 7 NPFs (JSC NPF "Solnechnoe vremya", JSC NPF "Solntse. Zhizn. Pensia.", JSC NPF Savings Fund "Solnechny bereg", JSC NPF "Adekta-Pensia", JSC NPF "Zaschita buduschego", JSC NPF "Sberegatelny" and NPF Uraloboronzavodsky").

The law enforcement authorities initiated 2 criminal cases based on the fact of NPF property theft (JSC NPF Strategy, JSC NPF "Blagovest").

The guilty verdict was made under the criminal case in respect of 2 NPFs: On April 8, 2016 the Meschansky District Court of Moscow found the president of Non-government Pension Fund "Professional Independent Pension Fund", A.A. Berg, and the president of NPF "Transstroy", I.I. Gorina, guilty of the crime stipulated in part 4 Article 160 of the Criminal Code of the Russian Federation (Embezzlement), they were imprisoned for 2 years. The verdict came into legal force.

5.4

VERIFICATION AND SATISFACTION OF CREDITORS' CLAIMS, OPERATION OF GOVERNING BODIES OF LIQUIDATED NPFs

AS OF DECEMBER 31, 2016 2,234,435 CLAIMS OF NPFs' CREDITORS FOR THE TOTAL AMOUNT OF 95,078 MILLION ROUBLES WERE ESTABLISHED, INCLUDING THOSE SUBJECT TO SATISFACTION AT THE EXPENSE OF PENSION SAVINGS – 83,927 MILLION ROUBLES; AT THE EXPENSE OF PENSION RESERVES – 10,913 MILLION ROUBLES; AT THE EXPENSE OF BANKRUPTCY ESTATE – 238 MILLION ROUBLES (FIGURES 35 AND 36).

From the beginning of 2016 the number of established claims of creditors increased more than 70 times.

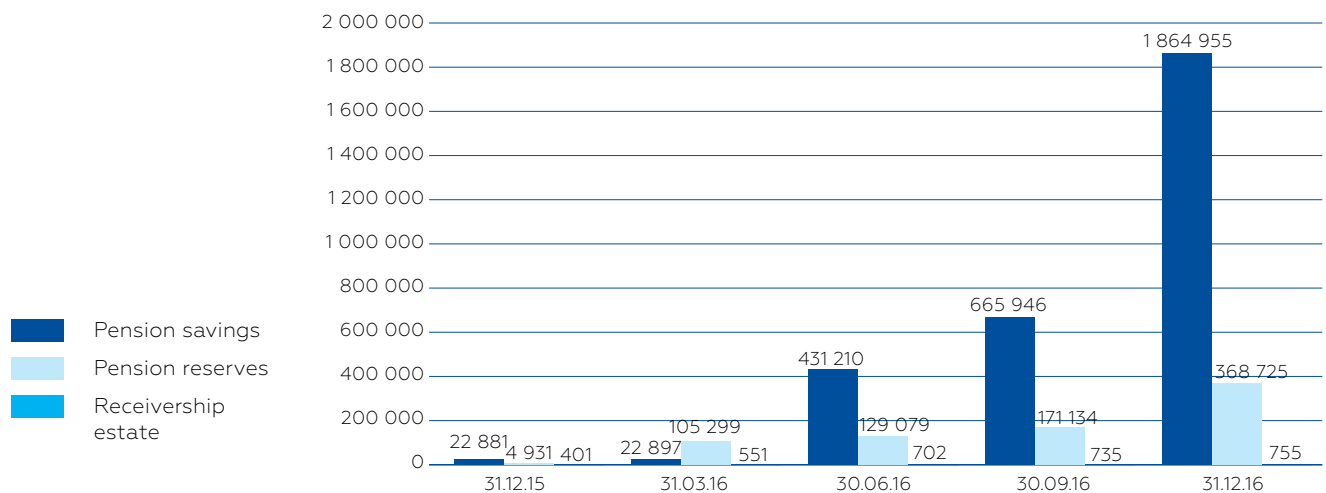


Figure 35. Dynamics of Established Claims of NPFs' Creditors, Units

Claims of the Bank of Russia acquired as the result of transfer of funds to the Pension Fund of the Russian Federation (PFR) in compliance with part 6 Article 23 of the Law on Guarantee were included by the Agency into the registers of claims of the creditors of 27 NPFs as first priority claims subject to satisfaction at the expense of pension savings. The aggregate amount of the claims of the Bank of Russia is 66,853 million roubles, i.e. 70% of the total amount of established claims of the NPFs' creditors.

After endorsement by the Bank of Russia of interim liquidation balance sheets, in 2016 the resources of pension savings amounting to 6,763 million roubles were allocated towards settlements with creditors (the Bank of Russia and PFR) (Figure 37).

In compliance with sub-Clause 2 Clause 6 Article 186.4 of the Law on Bankruptcy, the receiver shall identify the obligations under non-government pension contracts according to the data available in the non-government pension fund. More than 90% of obligations under non-government pension contracts were established on the basis of the data available in the NPFs.

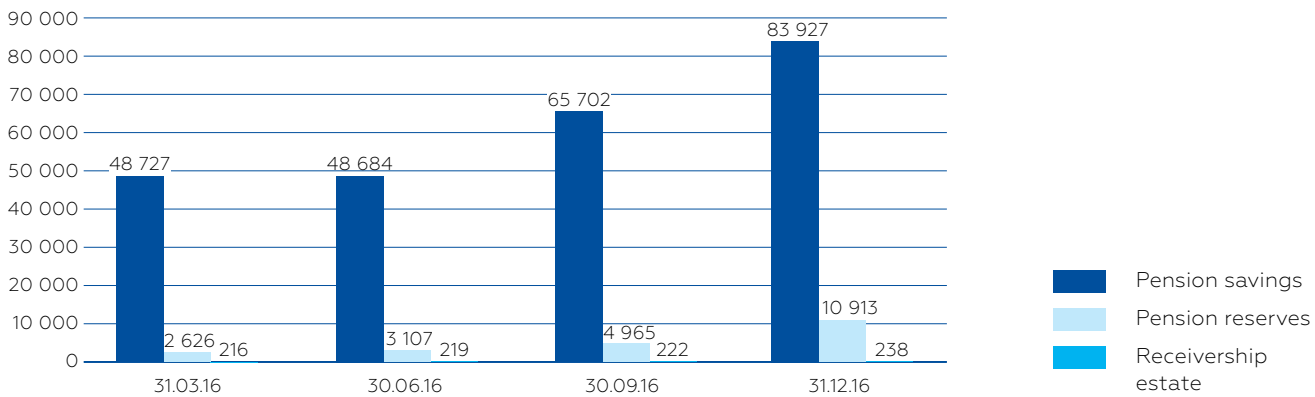


Figure 36. Dynamics of Established Claims of NPFs' Creditors, Million Roubles

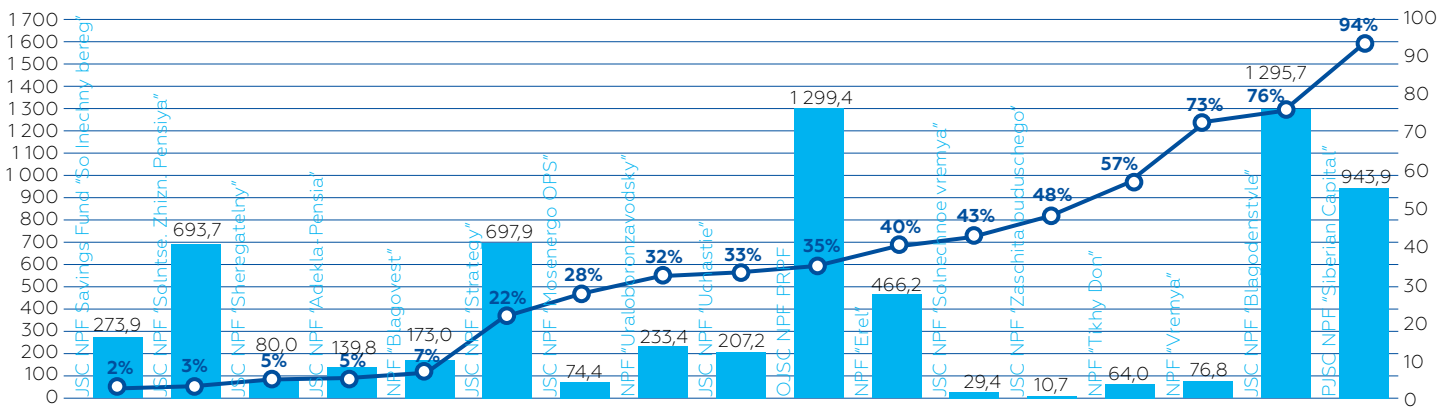


Figure 37. Amount and Percentage of Claims of the Bank of Russia Satisfied in 2016

■ Million roubles
 ○ % of satisfaction of requirements of the Bank of Russia

For the purpose of determining the amount of NPF obligations under life non-government pensions to the NPF participants the measures on actuarial valuation of obligations of 8 NPFs were taken in the reporting period.

As of December 31, 2016, on the basis of actuarial conclusions, obligations of 12 NPFs in respect of 14,361 participants under life non-government pensions amounting to 2,538 million roubles were established (Figure 38). Among other things, 8,876 participants (more than 60% of pensioners) were receiving life non-government pension payments from the liquidated NPFs belonging to the financial group of E. Novitsky, the aggregate amount of liabilities to them is 2,75 million roubles.

To reduce the terms of transfer of obligations under life non-government pensions and funds of pension reserves to another non-government pension fund, in the reporting year the Agency offered and agreed upon with the Bank of Russia stage-by-stage payments usually on the quarterly basis, with accumulation of additional funds for settlements.

Thus, in 2016 the Agency made decisions to transfer to other non-government pension funds obligations to pay due life non-government pensions to 5,303 participants of seven liquidated NPFs (Non-government Pension Fund "Professional Independent Pension Fund", NPF "Transstroy", JSC NPF "Blagovest", JSC NPF "Erel", NPF "Rodnik", JSC NPF "Solntse. Zhizn. Pensia.", NPF "PNPF Garant-Prof") in the amount of 433 million roubles. At the first stage of transfer, the payment fund for the fulfilment of the obligations was formed in the amount of 107 million roubles.

The aggregate amount of funds allocated towards settlements with NPF creditors is more than 6,781 million roubles.

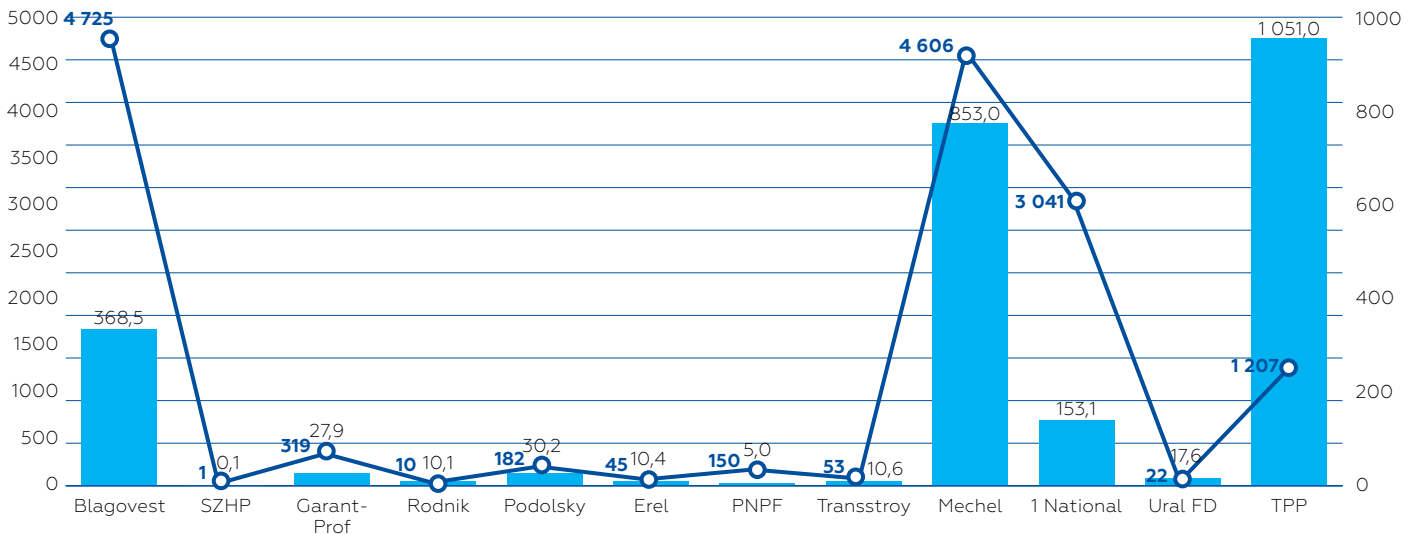


Figure 38. Life Pension Liabilities

■ Liabilities, million roubles
 ○—○ Number of creditors, persons

During 2016 21 meeting of creditors of liquidated NPFs were convoked, 19 were held, of which 18 for the first time. All in all, 536 creditors were present at these meetings (0.39% of the total number of creditors entitled to participate in such meetings). Such creditors held 80.79% of total votes.

In addition, 12 meetings of employees, former employees of NPFs were convoked, 3 of them were held.

As of December 31, 2016 24 creditor committees existed, all committees had powers to make decisions on the issues referred by the legislation to the competence of creditors' meetings or creditor committees in full.

IN 2016 122 MINUTES OF MEETINGS OF CREDITOR COMMITTEES HELD WHICH CONSIDERED 265 ISSUES, INCLUDING APPROVAL (ADJUSTMENT) OF THE LIQUIDATION PROCEEDINGS COST ESTIMATE (38.87%), CONSIDERING REPORTS OF THE RECEIVER (LIQUIDATOR) (9.43%), PROLONGATION OF THE BANKRUPTCY PROCEEDINGS (6.04%), WERE RECEIVED. DECISIONS PROPOSED BY THE RECEIVER WERE MADE ON MOST ISSUES (95.47%).

5.5

PREPARATION FOR PERFORMANCE OF FUNCTIONS OF THE RECEIVER IN RESPECT OF INSURANCE ORGANIZATIONS

SINCE DECEMBER 21, 2016 THE AGENCY IS AUTHORIZED TO ACT AS RECEIVER IN CASE OF BANKRUPTCY OF INSURANCE ORGANIZATIONS, AND THE AGENCY EMPLOYEES MAY BE INCLUDED INTO TEMPORARY ADMINISTRATIONS OF SUCH FINANCIAL INSTITUTIONS APPOINTED BY THE BANK OF RUSSIA. THE ABOVE INNOVATIONS WERE INTRODUCED INTO THE LEGISLATION BY FEDERAL LAW DATED JUNE 23, 2016 NO. 222-FZ "ON INTRODUCTION OF AMENDMENTS INTO CERTAIN LEGAL ACTS OF THE RUSSIAN FEDERATION".

As of December 31, 2016 the Agency employees were not included by the Bank of Russia into temporary administrations of any insurance organization, arbitration courts did not make decisions on appointment of the Agency as the receiver in bankruptcy of insurance organizations.

At the same time, in 2016 the Agency approved the action plan to perform the functions of the receiver in respect of insurance organizations under which:

- internal regulations and by-laws were developed (Standard plan of main receivership measures in respect of insurance organizations, Procedure of work with accounts of the insurance organization in the course of receivership (liquidation),

amendments were introduced into the Terms of reference of a representative of the receiver (liquidator) of the financial institution, Procedure of preparation, endorsement and control of the estimate of current expenses of the financial institution for bankruptcy proceedings (liquidation), procedures for standard publications were regulated, the order on participation of the Agency employees in the work of temporary administrations of insurance organizations was prepared, etc);

- bills on unification of the mechanism of establishment of claims of creditors of insurance organizations similar to the credit institutions were prepared;
- interaction with the persons participating in bankruptcy proceedings against insurance organizations was organized, including participation in discussion and preparation of draft regulations of the Bank of Russia to be developed in compliance with the legislation;
- technical assignment for the refinement of the web-site of the Agency, Liquidation of insurance organizations section was prepared and implemented.





MEASURES AIMED AT THE INCREASE OF BANK CAPITALIZATION ARE BEING TAKEN IN COMPLIANCE WITH THE FEDERAL LAW DATED DECEMBER 29, 2014 N 451-FZ "ON INTRODUCTION OF AMENDMENTS INTO ARTICLE 11 OF THE FEDERAL LAW "ON INSURANCE OF DEPOSITS OF INDIVIDUALS WITH THE BANKS OF THE RUSSIAN FEDERATION" AND ARTICLE 46 OF THE FEDERAL LAW "ON THE CENTRAL BANK OF THE RUSSIAN FEDERATION (THE BANK OF RUSSIA)" THROUGH PLACEMENT OF FEDERAL LOAN BONDS (OFZS) CONTRIBUTED BY THE RUSSIAN FEDERATION INTO THE PROPERTY OF THE AGENCY INTO SUBORDINATED LIABILITIES AND PREFERRED SHARES OF BANKS.

In 2016 the Agency concluded contracts for purchase of subordinated liabilities or preferred shares and the agreements for activity monitoring with 10 banks: PJSC Tatfondbank, PJSC Pervobank, PJSC Zapsibcombank, JSC JSB ROSSIYA, PJSC BANK URALSIB, JSCB RUSSIAN CAPITAL (PJSC), JSC GENBANK, TCB BANK PJSC, JSCB RosEuroBank (JSC) ESVET (JSC). The total nominal value of OFZs transferred to the said banks in the reporting year amounted to 34.2 billion roubles.

From the start of implementation of measures to increase bank capitalization, the Agency concluded contracts with 34 banks amounting to 836.9 billion roubles.

The banks participating in these measures aimed at their capitalization increase have, in particular, assumed the following obligations:

- during three years to increase for at least 1% a month their lending and placement of funds into the bonds of companies that operate in the industries nominated as the most important for Russia's development, SMEs, constituent entities of the Russian Federation as well as mortgage lending and investments into mortgage bonds (obligation to increase lending);
- at the expense of additional funds of their shareholders (participants) or third parties or at the expense of the profit of the bank, to increase the equity (capital) of the bank, including the Tier 1 capital of the bank, by 50% of the aggregate nominal value of OFZs received from the Agency;

- during three years not to increase the level of remuneration of the bank's top managers and the payroll fund of other employees of the bank.

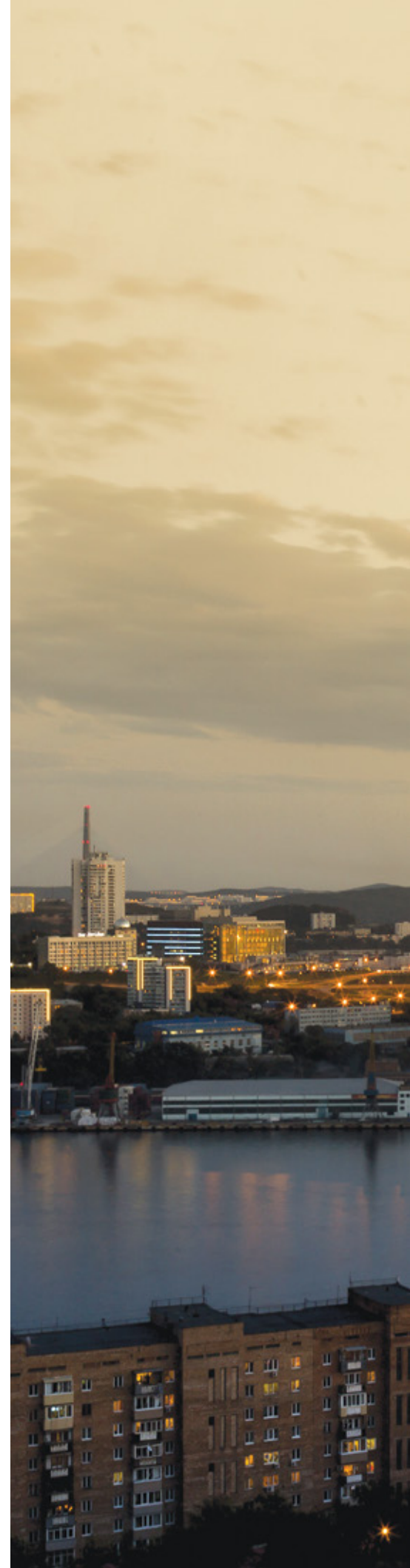
As of December 31, 2016 the total size of loans and investments into the bonds of enterprises from priority industries provided by the banks during the period after receipt of OFZs increased by 20.2% or 1,339.6 billion roubles.

During the period after receipt of OFZs the banks mainly provided mortgage (housing) loans and acquired mortgage bonds (27% of total increase in funding), provided loans and acquired bonds of enterprises from the processing industry (16%), transport and communication enterprises (15%), electric power, gas and water production and distribution enterprises (14%), SMEs (7%).

In respect of a bank that has violated obligations to increase lending, the Board of Directors of the Agency made decisions on imposition of fines in the reporting year. In 2016 claims to pay fines totalling 190 million roubles were sent to 7 banks. Fines received from the banks were transferred by the Agency to the federal budget.

AS OF DECEMBER 2016, 8 BANKS ENSURED INDEPENDENT INCREASE IN THEIR EQUITY (CAPITAL), INCLUDING THE TIER 1 CAPITAL OF THE BANK, FOR MORE THAN 50% OF THE AGGREGATE NOMINAL VALUE OF OFZS RECEIVED FROM THE AGENCY.

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- 7.1.** CORPORATE GOVERNANCE
 - SOCIAL RESPONSIBILITY OF THE AGENCY
 - 7.2.** INTERNAL AND EXTERNAL AUDIT
 - 7.3.** HUMAN RELATIONS
 - 7.4.** ANTI-CORRUPTION POLICY OF THE AGENCY
 - 7.5.** OPERATIONS OF THE AGENCY REPRESENTATIVE OFFICES IN FEDERAL DISTRICTS
 - 7.6.** INFORMATION TECHNOLOGIES
 - 7.7.** INFORMATION POLICY AND INTERNATIONAL COOPERATION
 - 7.8.** PROCUREMENT OPERATIONS OF THE AGENCY
 - 7.9.** FINANCING OF THE AGENCY OPERATIONS
-





7.1

CORPORATE GOVERNANCE

IN COMPLIANCE WITH THE LAW ON DEPOSIT INSURANCE, THE AGENCY'S MANAGEMENT BODIES ARE THE BOARD OF DIRECTORS, MANAGEMENT BOARD AND DIRECTOR GENERAL.

In 2016, 8 meetings of the Board of Directors were held, in which strategic issues of the Agency's operation were considered. Thus, the Board of Directors considered issues on adequacy of the Fund's resources, investment of temporary idle funds of the Agency, borrowings from the Bank of Russia, measures aimed at prevention of bank bankruptcy and using funds of the property contribution of the Russian Federation provided to the Agency to implement bank bankruptcy prevention measures; change of the system of representative offices of the Agency in the Federal Districts; results of operations of ANO FZV; key performance indicators of the Agency and issues connected with participation of the Agency in measures to increase capitalization of specified banks.

Decisions of the Board of Directors were implemented by the Management Board of the Agency according to the schedule. 185 meetings of the Management Board were held which considered 1,350 issues related to core and operational activities of the Agency.

In 2016 the Management Board of the Agency approved 45 internal regulations (including new versions) and amended 47 regulatory documents.

The workflow of the Agency in 2016 was 638,386 units. The aggregate workflow of the Agency and liquidated credit institutions in 2016 was 1,118,916 units.

SOCIAL RESPONSIBILITY OF THE AGENCY

In its operations the Agency pays much attention to the social responsibility and facilitating sustainable social development.

Ensuring ongoing operation of the deposit insurance system, efficient management of liquidation procedures in insolvent banks and NPFs, implementing measures aimed at prevention of bankruptcy of socially and economically significant banks and participation of the Agency in measures to increase capitalization of systemically important banks contributed to maintaining stability of the financial and banking system, extension of lending to industrial enterprises in support of sustainable economic development of the country.

By protecting rights and legal interests of citizens, enterprises and organizations that faced problems with their banks, the Agency helped retain workplaces and increase tax receipts to the budgets of all levels.

Due to fast reimbursement of insured depositors in failed banks, the Agency prevented decline of well-being and people's quality of life, promoted improvement of moral environment in the society. Efficient functioning of the deposit insurance system encouraged citizens to further place their savings in banks on a reasonable basis, thus promoting economic growth.

ENHANCING PEOPLE'S FINANCIAL LITERACY ALSO REMAINED ONE OF THE PRIORITY LINES OF THE AGENCY'S WORK. A NUMBER OF INFORMATION AND EDUCATIONAL PROGRAMS BROADCASTED ON CENTRAL TV WAS PREPARED IN THE REPORTING YEAR WITH THE HELP AND DIRECT PARTICIPATION OF THE AGENCY.

7.2

INTERNAL AND EXTERNAL AUDIT

THE INTERNAL AUDIT SERVICE (HEREINAFTER TO AS THE SERVICE) IS AN INDEPENDENT BUSINESS UNIT OF THE AGENCY WHICH PERFORMS THE FUNCTION OF CONTROL BY THE BOARD OF DIRECTORS OVER THE AGENCY'S OPERATION. GENERAL MANAGEMENT OF THE SERVICE IS PERFORMED BY THE AGENCY'S BOARD OF DIRECTORS, DAY-TO-DAY MANAGEMENT – BY THE AGENCY'S DIRECTOR GENERAL. THE CURRENT TERMS OF REFERENCE OF THE SERVICE APPROVED BY THE BOARD OF DIRECTORS OF THE AGENCY IN 2015 WAS PREPARED IN COMPLIANCE WITH THE METHODOLOGICAL RECOMMENDATIONS ON PREPARATION OF THE REGULATION ON INTERNAL AUDIT APPROVED BY THE GOVERNMENT OF THE RUSSIAN FEDERATION (ORDER DATED JUNE 24, 2016).

To provide to the Board of Directors and the Director General of the Agency the independent and objective information on performance by the structural divisions of the Agency of its functions, in the reporting period the Service carried out scheduled inspections which covered the main areas of activity of the Agency, including organization of payouts, resolution, receivership (liquidation) in respect of financial institutions, increase of capitalization of systemically important credit institutions. Work to implement in the Agency the requirements of legal acts of the Russian Federation on counteracting illegal use of insider information and market manipulation was performed. For the purposes of control over ANO FZV, the Service checked this organization's compliance with contractual and executive discipline.

The management bodies of the Agency were promptly informed on violations, defects and negative events detected by the Service. It was determined that requirements of the legislation, internal reg-

ulations and orders and decisions of the Agency's governing bodies were generally executed.

Risk management system of the Agency was checked, availability and effectiveness of internal control procedures in the structural divisions of the Agency were examined. The Agency's internal control and risk management systems generally corresponded to the nature and scale of the functions and operations performed by the Agency.

The Service ensured interaction with Financial and Accounting Advisors LLC, the auditor of financial statements of the Agency for 2016 which trustworthiness was certified by the said audit firm (presented in Section III hereof). In particular, the said organization positively assessed the quality of internal audit, the internal control system was found reliable.

7.3

HUMAN RELATIONS

HUMAN RESOURCES ARE MANAGED PURSUANT TO THE STRATEGIC PRIORITIES OF THE AGENCY ACCORDING TO THE PRINCIPLES OF COMPLIANCE, CORPORATE AND PROFESSIONAL ETHICS AND SOCIAL RESPONSIBILITY.

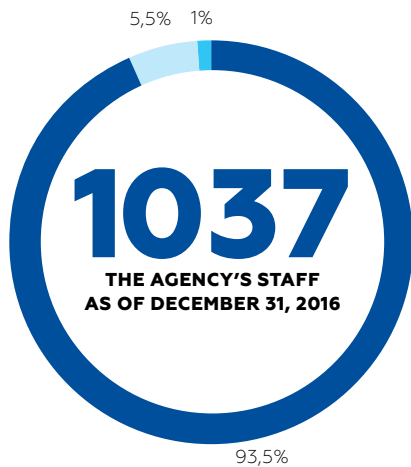


Figure 39. Educational Status of the Agency's Employees

- Employees with higher education
- Employees with incomplete higher or secondary education
- Employees attending higher educational institutions

As of the end of the reporting period the Agency's structure included eighteen departments, two divisions within the Administrative and Economic Department, the Internal Audit Service and six representative offices in the federal districts.

The Agency's staff as of December 31, 2016 was 1,037 person.

HR system covers all HR areas: recruitment, personnel adaptation, training and professional development, salary and social benefit management.

While engaging and recruiting personnel, the focus was made on highly qualified banking specialists, economists and lawyers. Vacancies were filled from internal candidate pool and by engaging specialists from large banks and other financial institutions. In 2016, 255 employees were hired. The average age of employees of the Agency as of the end of the reporting period was 40 years.

As of the end of the reporting period, 93.5% of the Agency's employees had higher education, including higher economic education (47.1%) and higher legal education (21.1%) (Figures 40 and 41). 4.6% of the Agency's employees had academic degrees (48 PhDs). 15.1% of the employees had two higher educations.

An integral part of the Agency's HR policy is professional development of its employees. In 2016 504 employees of the Agency participated in 142 training events. The issues discussed in the seminars covered compliance with requirements of the federal law on counteracting corruption, new legislation including on bankruptcy of legal entities and citizens, reform of the Civil Code of the Russian

Federation, changes in the labour law and federal laws in the sphere of corporate procurement, information security; the Agency also started the program for developing managerial competences of line managers.

SIX EMPLOYEES OF THE AGENCY WERE INCLUDED INTO THE FEDERAL RESERVE OF EXECUTIVE PERSONNEL IN 2016.

In the reporting period, by results of their performance appraisal, 209 employees were promoted, while 13 employees were transferred from one to another business unit in accordance with the Agency's needs.

The Agency's social policy is aimed at enhancing the status of being the Agency employee. One of its top priorities is taking care of the employees' health. In the reporting year programs of medical insurance for employees, life insurance and financial aid in emergency situations were in place.

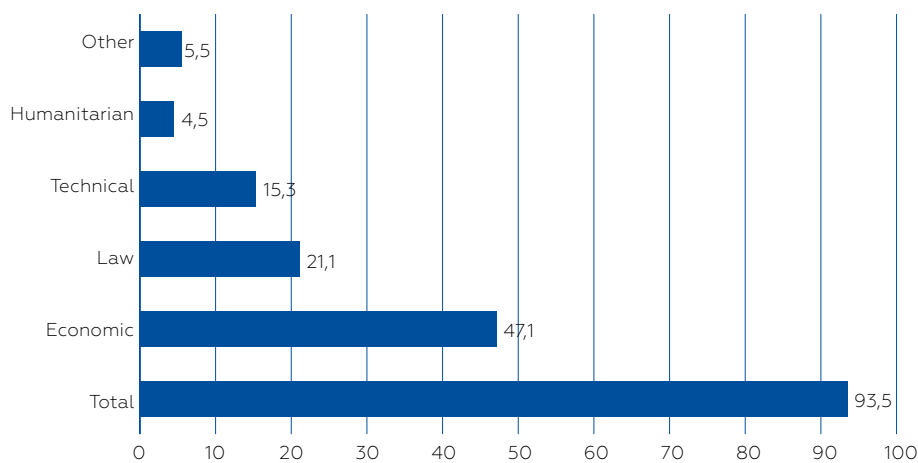


Figure 40. Employees with Higher Education

7.4

ANTI-CORRUPTION POLICY OF THE AGENCY

TO COMPLY WITH THE REQUIREMENTS OF THE LEGISLATION OF THE RUSSIAN FEDERATION AND NATIONAL ANTI-CORRUPTION PLAN FOR 2016–2017, THE AGENCY HAS CREATED AND OPERATES THE CORRUPTION PREVENTION AND COUNTER-ACTION SYSTEM. THE OBJECTIVE OF THE SYSTEM IS TO CREATE CONDITIONS IMPEDING THE POSSIBILITY OF CORRUPT BEHAVIOUR, PREVENTING CORRUPTIVE PRACTICES. THE POWERS OF THE DIVISION RESPONSIBLE FOR PREVENTION CORRUPTION AND OTHER OFFENSES ARE VESTED ON THE INTERNAL AUDIT SERVICE.

In 2016 there were preventive, organizational, explanatory and other measures, control measures,

including compliance with the requirements of the legislation of the Russian Federation in respect of settlement (prevention) of the conflict of interests, compliance with the prohibition on acceptance of gifts in connection with performance of job duties, inspections for the purposes of counteracting corruption, keeping "Anti-Bribery" section on the web-site of the Agency, "trust line" maintenance.

The Agency approved the List of positions for which is it prohibited to open and have accounts (deposits), keep cash and valuables with foreign banks located outside the Russian Federation, own and/or use foreign financial instruments. In connection with changes in the legislation of the Russian Federation and staffing table of the Agency, the list of positions in the Agency for which the appointed employees should provide data on income, expenses, assets and liabilities of property nature was significantly expanded. In 2016 such data were provided by all employees of the Agency when due. More than 90 employees of the Agency passed training in anti-bribery, including that under the programs agreed upon with the Administration of the President of the Russian Federation.

The Agency takes part in operations of interdepartmental working group to execute Clause 17 of the National Anti-Corruption Plan for 2016–2017 aimed at improvement of anti-bribery work in state corporations and their subsidiaries.

THE MEETINGS OF THE MANAGEMENT BOARD OF THE AGENCY CONSIDER THE STATUS OF ANTI-CORRUPTION WORK AND MEASURES TO IMPROVE IT TWICE A YEAR, THE ANTI-BRIBERY ACTION PLAN OF THE AGENCY FOR 2017 WAS APPROVED WHICH ALLOWED TO TAKE MEASURES ON PREVENTION AND COUNTERACTING CORRUPTION IN THE AGENCY ON SYSTEMATIC BASIS.

7.5

OPERATIONS OF THE AGENCY REPRESENTATIVE OFFICES IN FEDERAL DISTRICTS

IN THE REPORTING YEAR THE AGENCY'S REPRESENTATIVE OFFICES IN SOUTHERN, VOLGA, URAL, NORTH-CAUCASIAN, SIBERIAN, FAR EASTERN FEDERAL DISTRICTS CONTINUED, REPRESENTATIVE OFFICE IN CRIMEA OPERATED TILL OCTOBER 2016. IN CONNECTION WITH INCLUSION OF CRIMEA FEDERAL DISTRICT INTO SOUTHERN FEDERAL DISTRICT, THE AGENCY REPRESENTATIVE OFFICE IN CRIMEA FEDERAL DISTRICT WAS CLOSED AND ITS FUNCTIONS WERE TRANSFERRED TO THE REPRESENTATIVE OFFICE IN SOUTHERN FEDERAL DISTRICT.

The Agency Representative Offices undertook public awareness efforts enhancing awareness about the deposit insurance and pension savings guarantees, resolution and liquidation of financial organizations; assisted in arranging payouts to insured depositors and managing liquidation proceedings in banks; interacted with DIS member banks, local offices of the Bank of Russia, public and municipal authorities at the territory of federal districts.

IN 2016 THE REPRESENTATIVE OFFICES OF THE AGENCY RECEIVED ABOUT 24 THOUSAND REQUESTS FROM CITIZENS AND ORGANIZATIONS, INCLUDING 18.2 THOUSAND – ON THE WEB-SITE OF THE AGENCY IN THE ELECTRONIC FORM. REPLIES WERE PROVIDED IN RESPONSE TO ALL REQUESTS IN TIME.

7.6

INFORMATION TECHNOLOGIES

MEASURES TO PROVIDE FOR CONTINUITY OF FUNCTIONING OF THE AGENCY INFRASTRUCTURE AND EFFECTIVE AUTOMATION OF KEY BUSINESS PROCESSES WERE TAKEN IN 2016 WITHIN THE FRAMEWORKS OF THE AGENCY DEVELOPMENT STRATEGY FOR 2016.

In 2016 the program for modernization of IT infrastructure of the Agency was successfully completed: work on modernization of data transmission network; data storage system; server infrastructure was performed. In compliance with the project, state-of-the-art high-performance server equipment was put into commercial operation, to ensure data safety two-level back-up system was introduced, virtual infrastructure of the Agency was modernized, and the capacity of data storage systems was increased significantly. Based on the requirements of assurance of high level of continuity of provision of IT services, work on clustering of the official web-site of the Agency was completed. The architecture of the implemented solution is adapted to peak loads on the web-site of the Agency in case of large insured events.

In 2016 work on improvement of the mechanism of inclusion of data into the Unified Federal Register of Data on Bankruptcy (UFRDB) through the connection gateway of the information system of the Agency and AIS UFRDB was also completed.

Within the frameworks of development of the DIS functions, the system of keeping the register of DIS member banks was adapted to the conditions of calculation of differential premiums to the Fund, possibilities of informing depositors on the course of consideration of their applications on disagreement with the payout amount were expanded as part of the payout system.

To ensure PSCS functioning, program for testing the register of NPF liabilities to the insured persons used by the Agency employees during

scheduled inspections of NPFs and provided for independent testing of the register of liabilities by PSGS member NPFs was created.

During 2016 work on modernization of the corporate web-site of the Agency was performed, sub-section for posting information on the progress of liquidation proceedings of credit institutions and NPFs was developed. Work on modernization of the electronic workflow system of the Agency on the basis of document management platform was commenced.

THE REPORTING PERIOD SAW INFORMATION AND TECHNICAL MAINTENANCE OF OPERATION OF TEMPORARY ADMINISTRATIONS, PLACEMENT OF AUTOMATED BANKING SYSTEMS OF 100 LIQUIDATED CREDIT INSTITUTIONS IN THE INFRASTRUCTURE OF THE AGENCY AND IT SUPPORT OF LIQUIDATION PROCEEDING IN NON-GOVERNMENT PENSION FUNDS WITH CANCELLED LICENSES.

7.7

INFORMATION POLICY AND INTERNATIONAL COOPERATION

THE BASIC PRINCIPLES OF INFORMATION POLICY OF THE AGENCY ARE TRANSPARENCY, OPENNESS AND OPERATIONAL EFFICIENCY. IT'S KEY OBJECTIVES INCLUDE IMPROVEMENT OF CONFIDENCE OF THE CITIZENS IN THE FINANCIAL SYSTEM, MINIMIZATION OF SOCIAL TENSION, INCLUDING THROUGH SYSTEMIC WORK ON IMPROVEMENT OF THE LEVEL OF FINANCIAL LITERACY OF THE POPULATION, AWARENESS OF MECHANISMS OF PROTECTION OF INTERESTS OF FINANCIAL SERVICE CONSUMERS CREATED BY THE STATE.

In the reporting period, information explanatory work on functioning and development of the deposit insurance system, organization of bank resolution procedures, liquidation (bankruptcy) of credit institutions and NPFs, implementation of bank capitalization increase program continued. 318 press releases and information messages were prepared and sent to mass media. There were more than 40 thousand publications on the activity of the Agency. The Agency gave more than 1,000 comments and interviews.

The Agency performs large-scale work on improvement of financial literacy of the population to explain the principles of operation of the deposit insurance system and popularize other lines of DIA operations. The management of the Agency also took part in recording of special reports and 24 TV programs "Personal Money" on Russia 24 TV Channel devoted to the most asked-for areas of operations of the Agency. The TV Channel also broadcasted a series of 8 videos "Russia in Digits" which graphically illustrated the statistic data on DIS and DIA.

An important element of activity to improve financial literacy of the population was the non-fiction film broadcasted in December

2016 by the First Channel "Conspiracy Theory. Deposit Insurance Agency" (joint project with the Bank of Russia) devoted to counteracting various types of fraud connected with bank deposits and business of credit institutions.

In 2016 the Agency and FOM Group supported by the Bank of Russia implemented a joint research project "Banks in anti-crisis" — a system of sociological researches including all-Russian surveys of individuals and legal entities as well as the Internet community of banking service consumers. In the course of research 6 thousand of individuals, 300 legal entities were surveyed, data of initiative researches by FOM were used (about 39 thousand respondents); the audience of the Internet project was more than 36 thousand persons.

Along with public informing, the Agency takes active part in the events important for professional market players. During the reporting period the executives of the Agency presented reports at conferences and forums on the subject both in Russia and abroad, in particular, at the meeting of the committee of the Federation Council on the budget and financial markets (Moscow), meeting "Regulation by the Bank of Russia of activity of commercial banks (Moscow), 15th session of the Russian Economic Forum (Geneva), 7th Russian Pension Congress (Moscow), 27th Congress of ARB (Moscow), meeting of the Association of Regional Banks of Russia, 20th Saint Petersburg International Economic Forum (Saint Petersburg), 25th International Financial Congress "Prospects of Financial Market Development" (Saint Petersburg), 14th International Banking Forum "Banks of Russia — 21st Century" (Sochi), Conference "Institute of Bankruptcy in Russia (Moscow), Moscow Financial Forum 2016, banking conference "Banking Sector of Russia Today and Tomorrow" (Moscow), Hogan Lovells Conference "Search and Levy of Execution on Assets Abroad and Counteracting International Corporate Fraud (Moscow), etc.

THERE WERE THREE MEETINGS OF THE EXPERT ANALYTICAL COUNCIL AND TWO MEETINGS OF THE PUBLIC COUNCIL FOR INTERACTION WITH CREDITORS OF FINANCIAL ORGANIZATIONS OF THE AGENCY THAT CONSIDERED TOPICAL ISSUES OF OPERATIONS OF THE AGENCY WITH PARTICIPATION OF MASS MEDIA REPRESENTATIVES.

To expand public access to information on the Agency's operations, much attention was paid to the improvement of the corporate website. In the reporting period there were about 19 thousand updates of the web-site (46.5% more than in 2015). Implementation of a set of measures aimed at improvement of user friendliness of the web-site for the visitors from different categories continued. Services for citizens are constantly improved; in 2016 services of search for agent banks for the depositors of the banks that faced the insured event and the

services which allow to learn about changed introduced into the registers of liabilities of the banks were updated.

Active work with depositors and broad audience through official accounts of the Agency in Facebook, VKontakte, Twitter and Odnoklassniki continued in the reporting year. In addition to studying various information materials regularly posted in the Agency's communities, the participants received individual explanations of issues of interest to them. Stable dynamics of growth in the number of subscribers was fixed during 2016, it increased more than 3 times during the year. Aggregate audience coverage exceeded 445 thousand persons a year and the number of publications exceeded one thousand.

The number of requests from depositors (creditors) through "hot line" of the Agency remains at a high level. During 2016 the "hot line" was receiving more than 121 thousand calls a month (about 1.45 million calls a year) which is 20.8% more than in 2015. High indicators of subscriber service quality were preserved (shortening of waiting time, increase in share of processed calls, extension of provided information, etc.).

In compliance with the requirements of the legislation on informing population on payouts and progress of bankruptcy (liquidation) proceedings, official messages of the Agency were published in mass media promptly. During the year there were 2,093 mandatory publications in the Journal of the Bank of Russia, Kommersant Newspaper and other federal and regional printed media exceeding the indicators of 2015 more than 1.6 times.

INTERNATIONAL COOPERATION

The Agency continued to participate in the activity of two international associations which unite the deposit insurers from different countries – the International Association of Deposit Insurers (IADI) which includes 83 organizations from 77 countries of the world and the European Forum of Deposit Insurers (EFDI) which members are 66 organizations from 44 European countries.

At the IADI General Annual Meeting held in October 2016, a representative of the Agency was elected to the superior governing body of IADI – Executive Council and was included into two key committees of the Executive Council – on Core Principles and Research and on Training and Technical Assistance. Election of a representative of the Agency to EFDI Board of Directors in September 2016 was also a recognition of significant role and high international authority of the Russian deposit insurance system.

In the reporting year the operation of the Agency was a subject of in-depth analysis carried out by the International Monetary Fund (IMF) while evaluating the financial system of the Russian Federation (FSAP). IMF Report published in September 2016 noted that the Russian deposit insurance system functions with high effectiveness and the bank resolution system with participation of the Agency proven its importance for the maintenance of financial stability.

BILATERAL COOPERATION OF THE AGENCY WITH DEPOSIT INSURERS FROM EURASIAN ECONOMIC UNION (EAEU) MEMBER STATES DEVELOPED ACTIVELY. IN APRIL 2016 THE AGENCY SIGNED A MEMORANDUM OF UNDERSTANDING AND COOPERATION WITH THE AGENCY FOR GUARANTEED REPAYMENT OF BANK DEPOSITS OF BELARUS. TODAY THE AGENCY HAS SUCH AGREEMENTS WITH THE DEPOSIT INSURERS OF ALL EAEU MEMBER STATES.

7.8

PROCUREMENT OPERATIONS OF THE AGENCY

PROCUREMENT OPERATIONS OF THE AGENCY ARE PERFORMED IN COMPLIANCE WITH THE FEDERAL LAW DATED JULY 18, 2011 NO. 223-FZ "ON PURCHASE OF GOODS, WORK, SERVICES BY CERTAIN TYPES OF LEGAL ENTITIES" AND THE REGULATIONS ON PURCHASE OF GOODS, WORK, SERVICES BY THE STATE CORPORATION "DEPOSIT INSURANCE AGENCY" DEVELOPED THEREUNDER AND APPROVED BY THE RESOLUTION OF THE BOARD OF DIRECTORS OF THE AGENCY DATED DECEMBER 7, 2011 (MINUTES NO. 4).

Specifics of operations of the Agency materially affect the nomenclature of purchased goods, work and services necessary to perform its main functions.

In 2016 purchases through the tenders also held in the electronic form using the electronic trading platforms were widely used. 14 tenders, 17 auctions, 27 request for quotations and 13 requests for bids were carried out.

Based on the results of 12 tenders, 12 contracts were concluded for the amount of 273.34 million roubles, 7 auctions (including three with multiple lots) – 14 contracts for the total amount of 4,579.8 thousand US dollars (rouble equivalent as of the date of conclusion of the contracts – 295.32 million roubles), 8 auctions (including three with multiple lots) – 19 contracts for the total amount of 103.23 thousand US dollars (rouble equivalent as of the date of conclusion of the contracts – 7.58 million roubles), 16 requests for quotations – 16 contracts for the total amount of 12.8 million roubles, 10 requests for bids – 4 contracts for the amount of 30.93 million roubles, 11 framework service agreements for search of potential purchasers of non-core assets of the Agency which price is determined after provi-

sion of services and amounted to 240.98 thousand roubles for the reporting year. Savings from the purchases through competitive procedures are estimated to be 107.7 million roubles (14% of initial (maximal) contract value).

A total of 3,940 purchases were made which resulted in conclusion of contracts for the amount of 2,217.32 million roubles.

IN THE REPORTING PERIOD IN THE COURSE OF PURCHASES THE AGENCY ACTIVELY COOPERATED WITH SMEs. COST OF PURCHASES FROM SMEs AMOUNTED TO 796.60 MILLION ROUBLES MAKING 35.93% OF THE AGGREGATE COST OF ALL PURCHASES DURING THE YEAR. AT THAT, THE COST OF PURCHASES MADE ONLY AMONG SMEs AMOUNTED TO 416.99 MILLION ROUBLES AND THE SCOPE OF SUCH PURCHASES MAKES 18.81% OF THE AGGREGATE COST OF ALL PURCHASES DURING THE YEAR.

7.9

FINANCING OF THE AGENCY OPERATION

IN 2016 CURRENT EXPENSES ON SUPPORTING THE AGENCY WERE IN LINE WITH THE COST ESTIMATE APPROVED BY THE RESOLUTION OF THE AGENCY'S BOARD OF DIRECTORS DATED DECEMBER 14, 2015 (MINUTES NO. 17).

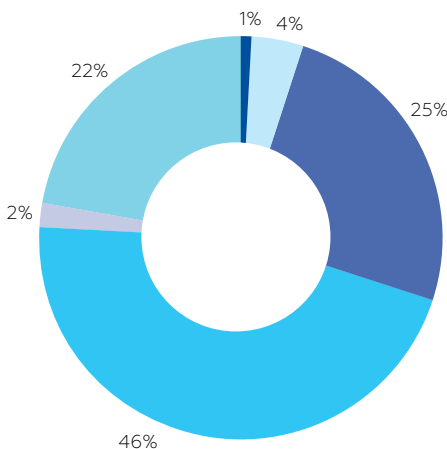


Figure 41. Structure of Investments to Support the Agency's Operations as of December 31, 2016

- Bonds of international financial institutions
- Bonds of constituent entities of the Russian Federation
- Deposits with Russian credit institutions
- Corporate bonds
- Cash
- Federal loan bonds

The total amount of the Agency's actual costs was equal to 3,915.6 million roubles which corresponds to 86.5% of the planned costs

(4,528.6 million roubles), including administrative and economic expenses of 3,673.4 million roubles (87.4% of the plan) and capital investments of

242.2 million roubles (73.9% of the plan).

Expenses on supporting the Agency's operation were spent in accordance with the Procedure of Financing Expenses and Using Income of the State Corporation "Deposit Insurance Agency" as approved by the resolution of the Board of Directors dated September 15, 2005 (Minutes No. 3), from income received from investment of the temporary idle funds and income from other operations. In the reporting year, the total amount of such income was equal to 9,83 million roubles.

In compliance with the operational efficiency improvement and cost cutting program of the Agency for 2016 approved by resolution of the Management Board of the Agency dated February 18, 2016 (Minutes No. 18), the expenses of the Agency per one full-time employee in the reporting year decreased by 3.8%.

Temporary idle funds were invested in accordance with the limits established pursuant to the Regulations on Investing Temporary Idle Monetary Resources of the State Corporation "Deposit Insurance Agency" as approved by the resolution of the Agency's Board of Directors dated September 30, 2014 (Minutes No. 5). Limits for

investments in specific assets of the Agency, changes of their amount and extending their terms were approved by the Management Board. Investment of funds was controlled by the Agency's Internal Audit Service and INFINITUM Specialized Depository JSC, an entity selected in a tender in accordance with the Resolution of the Government of the Russian Federation dated December 21, 2011 No. 1080.

As of December 31, 2016, the total amount of temporary idle funds of the property contribution of the Russian Federation received by the Agency under the Law on Deposit Insurance, and funds available on the accounts of liquidated credit institutions amounted to 49.66 billion roubles. Amount of funds invested in various financial instruments was equal to 48.75 billion roubles. The balance of cash on accounts reserved for the Agency's expenses and for supporting liquidation proceedings amounted to 908 million roubles. The structure of investment of these funds as of December 31, 2016 is presented in Figure 42.

As of December 31, 2016 the funds of the property contribution of the Russian Federation received by the Agency for the purposes of bank bankruptcy prevention and settlement of obligations of banks in compliance with the then valid Federal Law dated October 27, 2008 No. 175-FZ "On additional measures to strengthen stability of the banking system till December 31, 2014", amounted to 146.8 billion roubles. Their distribution structure is presented in Figure 43.

In the reporting year the total amount of income earned from investment of funds that are not the assets of the Mandatory Deposit Insurance Fund and the Pension Savings Guarantee Fund adjusted for revaluation of securities equalled to 8.2 billion roubles.

Based on the performance in 2016 the Agency received profit before tax in the amount of 7.26 billion roubles, while profit tax adjusted for deferred tax assets amounted to 1.11 billion roubles, and the Agency's net profit was equal to 6.15 billion roubles. In compliance with the profit distribution procedure approved by the Agency's Board of Directors, 1.32 billion roubles out of this amount were allocated to the Mandatory Deposit Insurance Fund, 0.03 billion roubles were allocated to PSGF, 4.80 billion roubles were allocated to the increase of the property contribution of the Russian Federation into the property of the Agency that is not included in the Mandatory Deposit Insurance Fund and the Pension Savings Guarantee Fund.

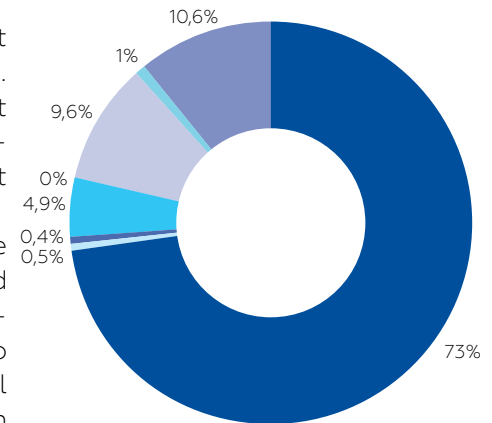


Figure 42. Structure of Investments to Prevent Bank Bankruptcy as of December 31, 2016*



* Book value (total amount of the property contribution – 146.8 billion roubles).

II.

FINANCIAL STATEMENTS



BALANCE SHEET

OF THE STATE CORPORATION "DEPOSIT INSURANCE AGENCY" FOR 2016

million
roubles

	ASSETS	AS OF 31.12.2016	AS OF 31.12.2015	AS OF 31.12.2014
I.	ASSETS			
1.	Investment of the Mandatory Deposit Insurance Fund's resources	15,015	47,463,	104,450,
	1.1. Long-term	5,979,	8,616	58,885,
	1.2. Short-term	9,036,	38,847	45,565
2.	Investment of the Pension Savings Guarantee Fund's resources	556	123	0
	2.1. Long-term	256	87	0
	2.2. Short-term	300	36	0
3.	Investment of the Agency's resources that are not included into the funds	86,860	60,912	38,723
	3.1. Long-term	27,050	16,136	7,759
	3.2. Short-term	59,810	44,776	30,964
4.	Funding of measures aimed at prevention of bankruptcies of financial institutions and settlement of obligations of banks	1,179,082	1,172,571	791,113
5.	Funding of measures aimed at the increase of bank capitalization	838,000,	838,000,	,1,000,000
6.	Fixed assets	6,978,	5,205,	4,770
7.	Cash including	10,242,	16,307,	6,727
	7.1. Cash of the Mandatory Deposit Insurance Fund	247	9174	5,280
	7.2. Cash of the Pension Savings Guarantee Fund	6	5	16,
8.	Other assets	1,201,078	686,601	349,726
	TOTAL FOR SECTION I	3,337,811	2,827,182	2,295,509
	TOTAL ASSETS	3,337,811	2,827,182	2,295,509

	LIABILITIES	AS OF 31.12.2016	AS OF 31.12.2015	AS OF 31.12.2014
II.	EQUITY			
9.	Resources of the Mandatory Deposit Insurance Fund	41,839	37,454	83,599
10.	Resources of the Pension Savings Guarantee Fund	575	128	0
11.	Property contribution of the Russian Federation, including:	991,715	985,691	1,161,642
	11.1. Funds for measures aimed at prevention of bank bankruptcies and settlement of obligations of banks	146,836	144,002	158,346
	11.2. Funds for measures aimed at the increase of bank capitalization	838,000	838,000	1,000,000
12.	Funds and reserves	0	0	0
13.	Retained earnings (uncovered loss)	0	4,671	0
	TOTAL FOR SECTION II	1,034,129	1,027,944	1,245,241
III.	LIABILITIES			
14.	Loans and credits received, including:	1,616,834	1,122,891	644,520
	14.1. Long-term	1,588,334	850,487	612,920
	14.2. Short-term	28,500	272,404	31,600
15.	Funds of financial institutions placed in bankruptcy and liquidation	53,794	35,970	22,554
16.	Other liabilities	633,054	640,377	383,194
	TOTAL FOR SECTION III	2,303,682	1,799,238	1,050,268
	TOTAL LIABILITIES AND OWN FUNDS	3,337,811	2,827,182	2,295,509
For information: off-balance sheet assets and liabilities				
17.	Received collaterals for obligations and payments	1,114,488	851,947	531,347
18.	Given collaterals for obligations and payments	5,000	5,000	5,340
19.	Depreciation of fixed assets	531	347	259

General Director



Yu.O. Isaev

Chief Accountant
February 15, 2017


N.D. Molodtsova

The Balance Sheet trustworthiness is certified by the audit firm "FBC" LLC, a member of the self-regulated organization of auditors "Non-commercial Partnership "Audit Association Sodruzhestvo", membership certificate N 7198, ORNZ – 11506030481.

President:



S.M. Shapiguzov

(auditor's qualification certificate 01-001230, ORNZ – 29501041926)

STATEMENT OF INCOME (LOSSES)

OF THE STATE CORPORATION "DEPOSIT INSURANCE AGENCY" INCLUDING INCOME/LOSS RECEIVED FROM INVESTING OF TEMPORARY IDLE FUNDS FOR 2016

million roubles

	DESCRIPTION OF ITEMS	FOR THE REPORTING PERIOD	SIMILAR PERIOD OF THE PREVIOUS YEAR
INCOME			
1.	Revenues from placement (investment) of the Mandatory Deposit Insurance Fund's resources, total, including:	2,314	11,141
	1.1. Income from operations with securities	0	441
	1.2. Interest income	2,004	7,603
	1.3. Other income	310	3,097
2.	Revenues from placement (investment) of the Pension Savings Guarantee Fund's resources, total, including:	52	16
	2.1. Income from operations with securities	0	0
	2.2. Interest income	46	11
	2.3. Other income	6	5
3.	Revenues from placement (investment) of the Agency's resources which are not the funds, total, including:	20,006	17,362
	3.1. Income from operations with securities	129	127
	3.2. Interest income	19,300	16,487
	3.3. Other income	577	748
4.	Revenues from use of funds received to take measures to increase bank capitalization	94,241	100,854
5.	Other income	247	306
TOTAL INCOME		116,860	129,679

million roubles

	DESCRIPTION OF ITEMS	FOR THE REPORTING PERIOD	SIMILAR PERIOD OF THE PREVIOUS YEAR
EXPENSES			
6.	Expenses related to operations with securities purchased at the expense of the Mandatory Deposit Insurance Fund	-23	-7
7.	Expenses related to operations with securities purchased at the expense of the Pension Savings Guarantee Fund	0	0
8.	Expenses related to operations with securities purchased at the expense of the Agency's resources which are not the funds	-2	-2
9.	Interests expenses	-11,258	-9,396
10.	Expenses incurred in the course of the measures to increase bank capitalization	-94,235	-100,854
11.	Administrative expenses of the Agency	-3,673	-2,993
12.	Other expenses	-401	-924
TOTAL EXPENSES		-109,592	-114,176
PROFIT (LOSS) BEFORE TAX		7 268	15 503
13.	Profit tax	-878	-1,034
14.	Deferred tax assets (+), liabilities (-)	-236	-250
NET PROFIT (LOSS) OF THE REPORTING PERIOD		6 154	14 219

General Director



Yu.O. Isaev

Chief Accountant



N.D. Molodtsova

February 15, 2017

The Statement of Income (Losses)'s trustworthiness is certified by the audit firm "FBC" LLC, a member of the self-regulated organization of auditors "Non-commercial Partnership "Audit Association Sodruzhestvo", membership certificate N 7198, ORNZ – 11506030481.

President:



S.M. Shapiguzov

(auditor's qualification certificate 01-001230, ORNZ – 29501041926)

CASH FLOW STATEMENT OF THE MANDATORY DEPOSIT INSURANCE FUND

OF THE STATE CORPORATION
"DEPOSIT INSURANCE AGENCY"
FOR 2016

million roubles

INDICATOR		FOR THE REPORTING PERIOD	FOR THE PREVIOUS YEAR
I.	DIF CASH FLOW		
	CASH BALANCE AS OF THE BEGINNING OF THE REPORTING PERIOD	9 174	5 280
1.	Inflows – total, including:	660 619	260 193
	1.1. Insurance premiums of DIS member banks	99 626	75 678
	1.2. Property contribution	0	0
	1.3. Funds received on a repayable basis	474 000	75 000
	1.4. Inflows connected with investments	33 840	66 865
	1.5. Other inflows	53 153	42 650
2.	Outflows – total, including:	-669,546	-256,299
	2.1. Payouts to depositors	-667,177	-253,011
	2.2. Repayment of borrowed funds	0	0
	2.3. Outflows connected with investments	0	0
	2.4. Other outflows	-2,369	-3,288
	CASH BALANCE AS OF THE END OF THE REPORTING PERIOD	247	9174

million roubles

	INDICATOR	FOR THE REPORTING PERIOD	FOR THE PREVIOUS YEAR
II.	DIF CAPITAL CHANGE		
	DIF BALANCE AS OF THE BEGINNING OF THE REPORTING PERIOD	37,454	83 599
3.	Inflows	130,309	125 033
4.	Outflows	-125,924	-171,178
	DIF BALANCE AS OF THE END OF THE REPORTING PERIOD	41,839	37,454

General Director



Yu.O. Isaev

Chief Accountant
February 15, 2017


N.D. Molodtsova

The MDIF Cash Flow Statement's trustworthiness is certified by the audit firm "FBC" LLC, a member of the self-regulated organization of auditors "Non-commercial Partnership "Audit Association Sodruzhestvo", membership certificate N 7198, ORNZ – 11506030481.

President:



S.M. Shapiguzov

(auditor's qualification certificate 01-001230, ORNZ – 29501041926)

CASH FLOW STATEMENT OF THE PENSION SAVINGS GUARANTEE FUND

OF THE STATE CORPORATION
"DEPOSIT INSURANCE AGENCY" FOR 2016

million roubles

	INDICATOR	FOR THE REPORTING PERIOD	FOR THE PREVIOUS YEAR
I.	PSGF CASH FLOW		
	CASH BALANCE AS OF THE BEGINNING OF THE REPORTING PERIOD	5	0
1.	Inflows - total, including:	418	122
	1.1. Guarantee and accession fees	418	117
	1.2. Funds received on a repayable basis	0	0
	1.3. Inflows connected with investments	0	0
	1.4. Other inflows	0	0
2.	Outflows - total, including:	-417	-117
	2.1. Payouts to depositors	0	0
	2.2. Repayment of borrowed funds	0	0
	2.3. Outflows connected with investments	-417	-113
	2.4. Other outflows	0	-4
	CASH BALANCE AS OF THE END OF THE REPORTING PERIOD	6	5

million roubles

	INDICATOR	FOR THE REPORTING PERIOD	FOR THE PREVIOUS YEAR
II.	PSGF CAPITAL CHANGE		
	PSGF BALANCE AS OF THE BEGINNING OF THE REPORTING PERIOD	128	0
3.	Inflows	447	128
4.	Outflows	0	0
	PSGF BALANCE AS OF THE END OF THE REPORTING PERIOD	575	128

General Director



Yu.O. Isaev

Chief Accountant
February 15, 2017


N.D. Molodtsova

The PSGF Cash Flow Statement trustworthiness is certified by the audit firm "FBC" LLC, a member of the self-regulated organization of auditors "Non-commercial Partnership "Audit Association Sodruzhestvo", membership certificate N 7198, ORNZ – 11506030481.

President:



S.M. Shapiguzov

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