

DEPOSIT
INSURANCE
AGENCY



2017 ANNUAL REPORT

ANNUAL REPORT OF THE STATE CORPORATION “DEPOSIT INSURANCE AGENCY” FOR 2017



DIA

**APPROVED BY THE RESOLUTION
OF THE BOARD OF DIRECTORS OF THE STATE
CORPORATION “DEPOSIT INSURANCE
AGENCY” DATED MARCH 6, 2018**

ANNUAL REPORT OF THE STATE CORPORATION “DEPOSIT INSURANCE AGENCY” FOR 2017



DIA

**MOSCOW
2018**

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ADDRESS

**OF THE GOVERNOR OF THE BANK OF RUSSIA, CHAIRMAN
OF THE BOARD OF DIRECTORS OF THE STATE
CORPORATION "DEPOSIT INSURANCE AGENCY",
ELVIRA S. NABIULLINA**



Operation of the Deposit Insurance Agency is one of the most important elements of the population trust in the banking system. The main priority of DIS is to improve protection of the depositors' rights. This work is complex and hard: from search and return of assets of failed banks into receivership estate to solving the problem of "off-balance-sheet deposits". During the past year, the Agency managed to achieve progress in many areas.

Effectiveness of work related to search and recovery of assets of failed banks which were transferred abroad by unfair owners is being improved. For the year the average percentage of satisfaction of creditor claims of the failed banks amounted to 41% while it was a little more than 4% at the beginning of the Agency's operations.

In 2017 the problem of "off-balance-sheet deposits" affected about 12.1 thousand depositors of 5 bank totaling about RUB 11 billion which is about 6 times less than in the previous year. At the moment, the Agency managed to almost completely restore «manually» in the accounts the actual situation with the deposits and to make payouts (to 99% of the "off-balance sheet" depositors totaling about RUB 68 billion).

One of the key projects for the nearest future for public convenience is provision of services, including payment services, receipt of insurance payouts in the electronic form and through the Unified Portal for State Services.

In 2017 the functions of the Agency changed in connection with introduction of a new mechanism of financial rehabilitation of credit institutions through the Banking Sector Consolidation Fund without participation of DIA, nevertheless, the highly qualified specialists of the Agency take active part in examination and evaluation of financial condition of the resolved banks.

The Agency also acquires new functions. Thus, during the past year, the Agency started to perform the functions of the receiver of insurance organizations for the first time.

The banking system recovery policy of the Bank of Russia requires from the Agency demonstration of operational efficiency and quality as well as the ability to decrease the losses of the citizens resulting from actions of unfair bankers whose financial institutions failed. The Agency was successful in performing its functions in the past year and I am sure that the situation will remain the same in the future.

BOARD OF DIRECTORS



**Ms. Elvira
Nabiullina**

Governor of the Bank
of Russia



**Mr. Maxim
Akimov**

First Deputy Head
of the Office of the Russian
Federation Government



**Mr. Sergey
Arakelov**

Deputy Commissioner
of the Federal Tax Service
of Russia



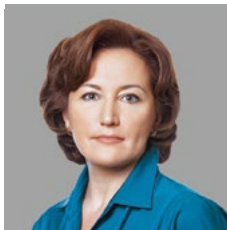
**Mr. Fedor
Malishev**

Referent of the Expert
Directorate of President
of the Russian Federation



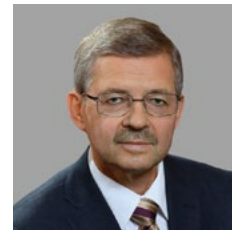
**Mr. Alexey
Moiseev**

Deputy Minister
of Finance of the Russian
Federation



**Ms. Olga
Polyakova**

Deputy Governor
of the Bank of Russia



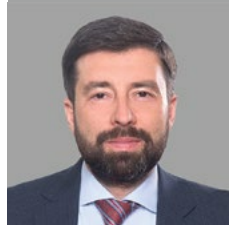
**Mr. Dmitry
Tulin**

First Deputy Governor
of the Bank of Russia



**Mr. Sergey
Ignatiev**

Adviser to the Governor
of the Bank of Russia



**Mr. Yury
Isaev**

General Director of the State
Corporation "Deposit Insurance
Agency"



**Mr. Nikolay
Podguzov**

General Director
of the Russian Post



**Mr. Vasily
Pozdyshev**

Deputy Governor
of the Bank of Russia



**Mr. Vladimir
Chistyukhin**

Deputy Governor
of the Bank of Russia



**Mr. Sergey
Shvetsov**

First Deputy Governor
of the Bank of Russia

DIA EXECUTIVE BOARD



**Mr. Yury
Isaev**

General Director



**Mr. Valery
Miroshnikov**

First Deputy General
Director



**Mr. Ruben
Amirants**

Deputy General Director



**Mr. Georgy
Agaptsev**

Deputy General Director



**Mr. Oleg
Baranov**

Deputy General Director



**Ms. Natalia
Molodtsova**

CFO–Chief Accountant



**Mr. Yury
Pechenkin**

Director, IT Department



**Ms. Maria
Filatova**

Deputy General Director



**Mr. Vitaliy
Konoshenkov**

Director, Investment
Department



**Mr. Sergey
Savchenko**

Deputy General Director

MILESTONES OF 2017

The increased additional rate of insurance premiums of DIS member banks to the Funds was increased from 300% to 400% of the basic rate.

JANUARY

The Agency commenced to exercise the powers of the receiver of insurance organizations (receivership proceedings were commenced in respect of Antal-Insurance LLC).

MARCH

In the UK the transaction was completed to sell the real estate object - Lower Venn Farm - previously owned by S.V. Pugachev who was the controlling owner of the failed CJSC International Industrial Bank. The revenue from the sale was included into the bankruptcy estate of the CJSC International Industrial Bank.

The largest insured event in the history of the Agency took place: The Bank of Russia imposed moratorium on satisfaction of claims of creditors of the PJSC BANK YUGRA, payouts to the bank's insured depositors amounted to 173 billion rubles.

As a result of amendments to the Law on Deposit Insurance, the new Board of Directors of the Agency was formed. It includes 13 people: seven representatives of the Bank of Russia, five representatives of the Government of the Russian Federation and Director General of the Agency. The Board of Directors of the Agency is chaired by the Chairman of the Bank of Russia E.S. Nabiullina.

Legislative changes came into effect under which the existing bank resolution system was supplemented by the resolution management possibility for the Bank of Russia with the help of the Banking Sector Consolidation Fund and its managing company.

JULY

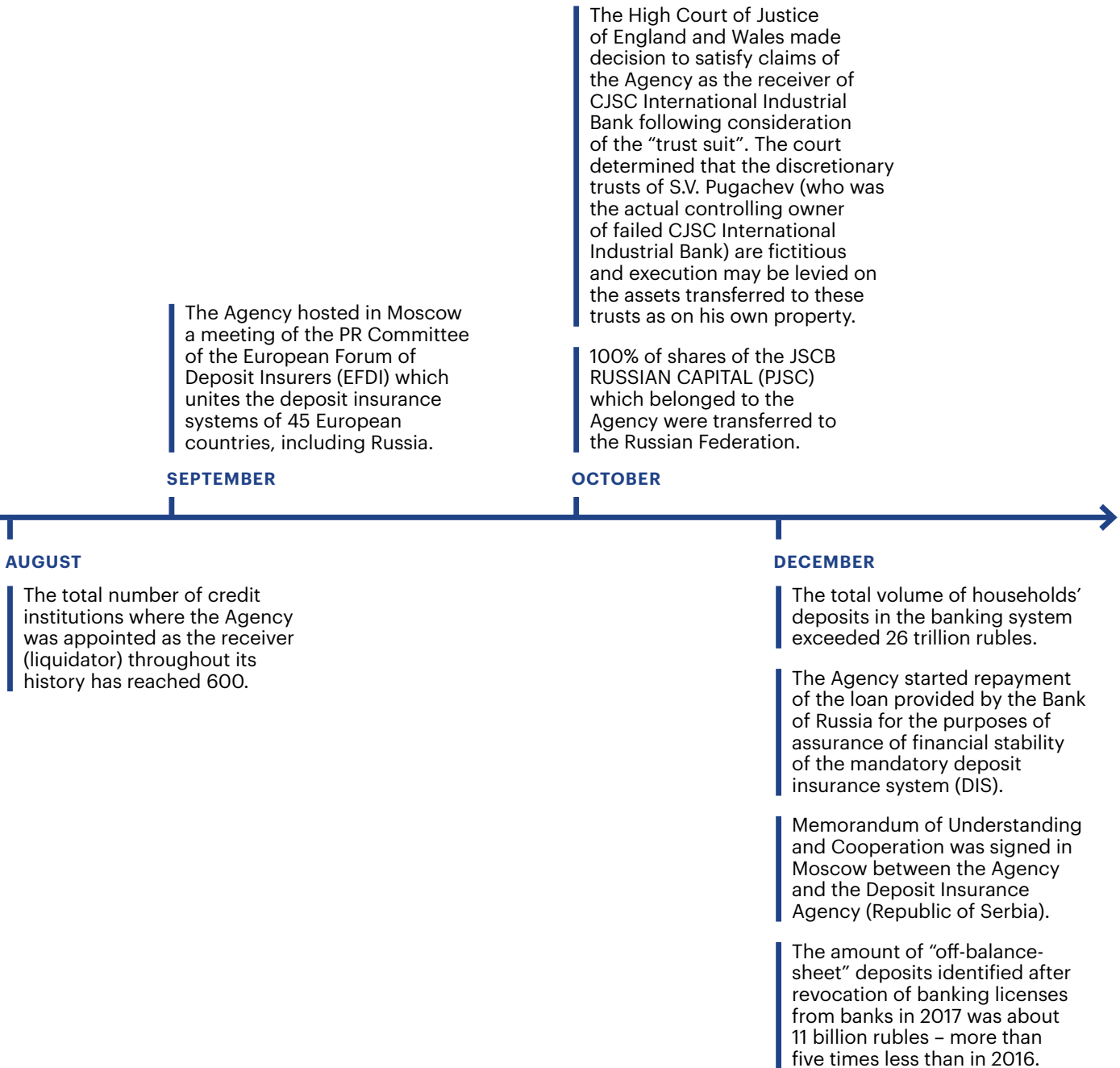
FEBRUARY

The Bank of Russia appointed the Agency as the temporary administration of JSCB PRESVET (JSC), the bank's resolution started.

APRIL

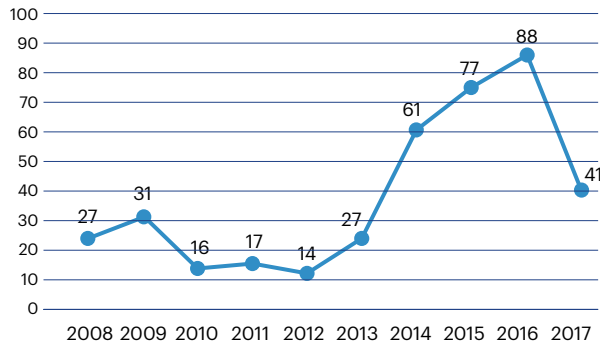
The four hundredth insured event from the moment of commencement of operation of the deposit insurance system took place – the Bank of Russia imposed moratorium on satisfaction of claims of creditors of the JSCB Spurt (PJSC).

The increased additional rate of insurance premiums of DIS member banks to the Funds was increased from 400% to 500% of the basic rate.

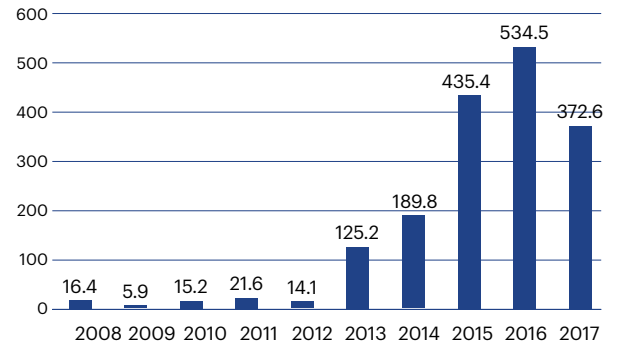


DYNAMICS OF MAIN INDICATORS

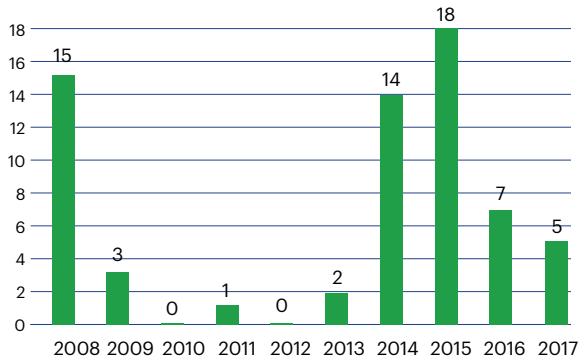
Number of insured events



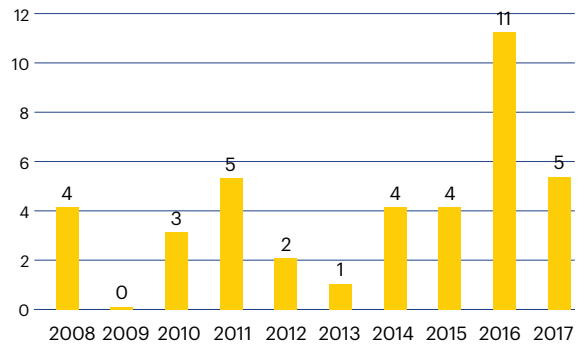
Liability on the insured events which occurred during the year, billion rubles



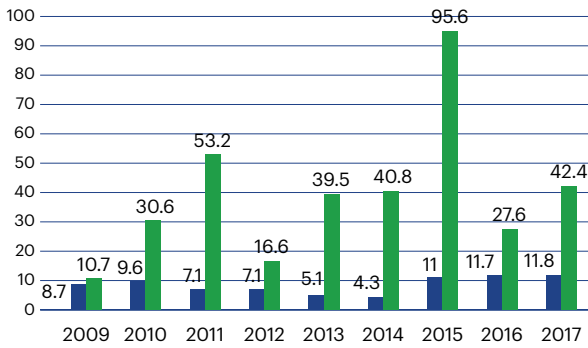
Number of bank resolution projects started



Number of bank resolution projects completed

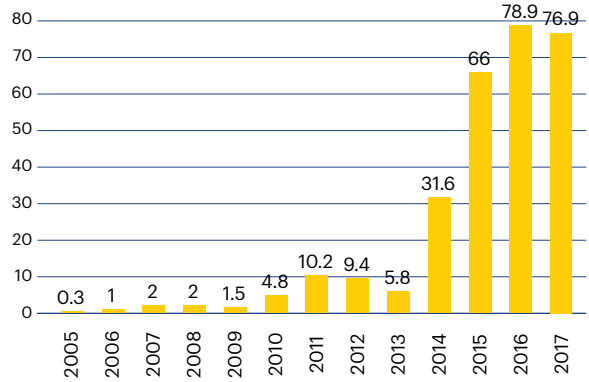


Return of financing allocated for resolution, billion rubles

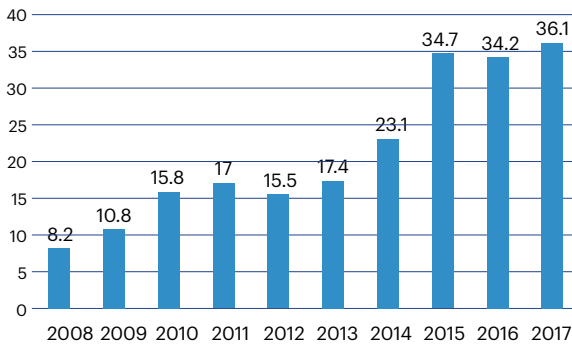


- Interest
- Principal

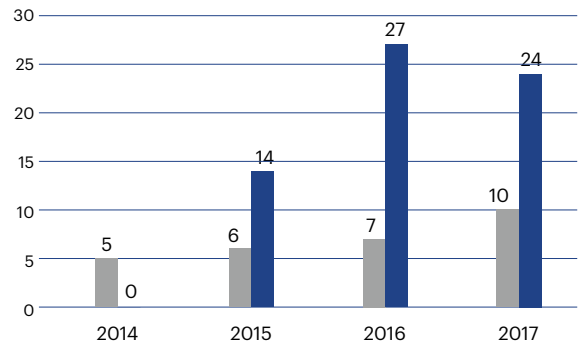
Dynamics of payouts to creditors of liquidated credit institutions, billion rubles



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



Number of NPFs in respect of which the Agency performed liquidation procedures



- Receivership
- Forced liquidation

IMPLEMENTATION OF THE AGENCY'S DEVELOPMENT STRATEGY UNTIL 2020

IN 2017 THE AGENCY CONTINUED IMPLEMENTATION OF ITS DEVELOPMENT STRATEGY UNTIL 2020 APPROVED BY THE RESOLUTION OF THE BOARD OF DIRECTORS OF THE AGENCY DATED DECEMBER 14, 2015 (MINUTES № 17) (HEREINAFTER REFERRED TO AS THE STRATEGY).

The Strategy is aimed at development of new and improvement of existing functions of the Agency, further improvement of reliability and convenience of services of the Agency for their consumers, including through provision of as many services in the electronic form as possible.

The Strategy was implemented on the basis of 2017 Plan approved by the resolution of the Management Board of the Agency dated December 27, 2016 (Minutes № 182). Implementation of the Strategy followed eight main lines.

DEPOSIT INSURANCE

The Agency preserved high standards of quality of its services provided to insured depositors: the average term of payout start amounted to 10 business days (13 calendar days) from the date of an insured event. Payouts were made in 97% of populated settlements out of those where the offices of failed banks were located as of the date of the insured events occurrence (in 65 constituent entities of the Russian Federation).

In the reporting year the Agency started implementation of the "Electronic DIA" program aimed at further improvement of quality of the Agency's services through their digitalization. Within the frameworks of the said program the Agency implemented the customer relations management system for the customers who disagree with the amount of insurance payouts and developed the pilot service (on the official web-site of the Agency) to fill in and file applications on disagreement with the payout amount in the electronic form.

In 2017 the Agency took a number of additional measures to counteract the attempts of illegal receipt of insurance indemnity and to restore the rights of citizens to “off-balance-sheet” deposits not reflected in the official records of failed banks. Approaches to resolve such problems developed by the Agency were approved by the resolution of the Board of Directors of the Agency dated March 14, 2017 (Minutes № 2).

During the reporting year, within the framework of further development of the system of differentiated premiums of DIS member banks to the MDIF, in pursuance of the resolutions of the Board of Directors of the Agency, the level of the increased additional rate of insurance premiums of banks to the Fund was gradually increased — from 300% to 400%, later its amount was further increased up to 500% of the basic rate.

The Agency actively participated in the development of legislative proposals to apply the deposit insurance system to accounts of small businesses (including micro enterprises). The respective bill passed first reading in the State Duma of the Federal Assembly of the Russian Federation.

In 2017 interactions with heads of deposit insurance agencies/funds 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 continued.

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

In the absence of guarantee events in 2017, the main work of the Agency in the sphere of assurance of effective functioning of the pension savings guarantee system (PSGS) was connected with the participation in inspections of PSGS member funds carried out by the Bank of Russia and with improvement of interaction between the member funds, including through transition to the electronic work flow.

BANKRUPTCY PREVENTION IN FINANCIAL ORGANIZATIONS

In the reporting year the Agency accepted proposals of the Bank of Russia to participate in resolution of 5 banks. The resolution procedures implemented with the participation of the Agency were completed in respect of 5 credit institutions.

One of the most important events of 2017 was transfer, in compliance with the Federal Law dated December 19, 2016 № 415-FZ “On the Federal Budget for 2017 and the Planned Period of 2018 and 2019”, of 100% of shares of the JSC RUSSIAN CAPITAL (PJSC) resolved by the Agency to the Russian Federation with subsequent transfer of these shares to the JSC “Housing Mortgage Lending Agency”.

Funds recovery under the resolution projects funded by the Agency amounted to 42.44 billion rubles. In addition, 11.77 billion rubles were received as interest for the use of resources provided by the Agency.

RECEIVERSHIP (LIQUIDATION) OF FINANCIAL ORGANIZATIONS

In the reporting period the Agency started implementation of a new statutory function — receivership in relation to insolvent insurance organizations.

In 2017 the Agency performed liquidation proceedings in relation to 350 credit institutions, 34 NPFs and 10 insurance organizations. The aggregate volume of assets of these financial institutions was about 4 trillion rubles.

Receivership and forced liquidation proceedings were completed in 27 credit institutions, the average percentage of satisfaction of creditors' claims in these banks was 45.6%.

76.9 billion rubles were allocated towards payment to the creditors of liquidated banks, 14.6 billion rubles were allocated to meet claims of creditors of liquidated NPFs.

COMMUNICATION STRATEGY

To develop public dialog of the Agency with the expert community and consumers of its services, work of the Expert Analytical Council of the Agency (EAC) continued in 2017. In 2017 EAC approved the concept of expansion of accessibility of the Agency's services in the electronic form (creation of Electronic DIA).

The official web-site of the Agency (web-site of the Agency) was improved during the reporting period; new applications for mobile devices were developed to increase their accessibility and user-friendliness.

The Agency continued active participation in the programs aimed at improvement of financial literacy of the population implemented under the aegis of the Ministry of Finance of the Russian Federation.

The Agency hosted in Moscow a meeting of the PR Committee of the European Forum of Deposit Insurers (EFDI) which unites the deposit insurance systems of 45 European countries, including Russia.

In the reporting year, along with the regular and systematic analysis of requests from the citizens (letters, e-mail letters and "hot line" phone calls), monitoring of the level of satisfaction of key consumer groups with the Agency's services started.

FINANCIAL STRATEGY

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

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

Effective functioning of the risk management system of the Agency and its subsidiaries and affiliates (the Agency's S&A) was maintained, comprehensive measures to manage various types and kinds of risk were taken regularly.

Regular monitoring of operations of banks in respect of which the Agency took measures to increase their capitalization was carried out in terms of fulfilment by the said banks of the obligations established by the agreements concluded with the Agency, in compliance with the provisions of 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 approved by the resolution of the Board of Directors of the Agency dated January 13, 2015 (Minutes № 1). In 2017 the Board of Directors of the Agency a number of times made decisions on the imposition of fines on banks for violations detected in the course of such monitoring.

CORPORATE GOVERNANCE

In 2017 implementation of the programs of reengineering of the Agency's business process started. Its main objectives are improvement of customer focus and effectiveness of operation, introduction of process approach which provides for constant optimization of business processes and project management when implementing changes in the Agency.

In the reporting year the system of anti-corruption measures existing in the Agency was further improved: the range of persons obliged to declare their income, expenses, property and property obligations was expanded; mechanisms for processing and analysis of such data were modernized, there were additional checks of possibilities of occurrence of conflicts of interests and organizational and HR measures to eliminate them were taken.

HR STRATEGY

Measures to deepen and update knowledge and skills of the Agency's employees were implemented: the employees of the Agency were trained in the methods of process and project management; remote personnel training and testing system was introduced.

Development of the system of non-material incentives for the employees of the Agency continued — individual and collective titles of honor were established — “The best employee of the year” (in several nominations by the core lines of operation of the Agency) and “The best project of the year”.

The survey of involvement of employees of the Agency was performed, as the result a mid-term program for increasing the employees' interest in their performance was developed.





REPORT ON THE AGENCY'S OPERATION IN 2017





1.

Ensuring Operation of the Deposit Insurance System (DIS)

- 1.1. DIS Main Indicators
as of December 31, 2017
- 1.2. Deposit Insurance Payouts
- 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

ENSURING OPERATION OF THE DEPOSIT INSURANCE SYSTEM (DIS)

IN 2017 THE DEPOSIT INSURANCE SYSTEM (DIS) CONTINUED TO FUNCTION UNDER A QUITE INCREASED STRESS RESULTING FROM STRENGTHENING BY THE BANK OF RUSSIA OF FINANCIAL SUSTAINABILITY OF THE BANKING SECTOR AND REMOVAL FROM THE BANKING SERVICES MARKET WEEK AND UNCONSCIENTIOUS PLAYERS.

During the year the Agency faced 41 insured event in respect of DIS member banks (as compared to 88 in 2016) with the Agency's liability (covered deposits) of 372.6 billion rubles. The payouts amount decreased by 29% as compared to the previous year (from 568.4 billion rubles to 404.3 billion rubles), while the number of depositors that applied for insurance decreased by 35% (from 986.5 thousand to 637.8 thousand people). In total, for 14 years of DIS functioning, 424 insured events occurred; the total amount of insurance liability amounted to 1 746 billion rubles to 8.4 million of depositors included into the registers of liabilities of the banks (figure 1).

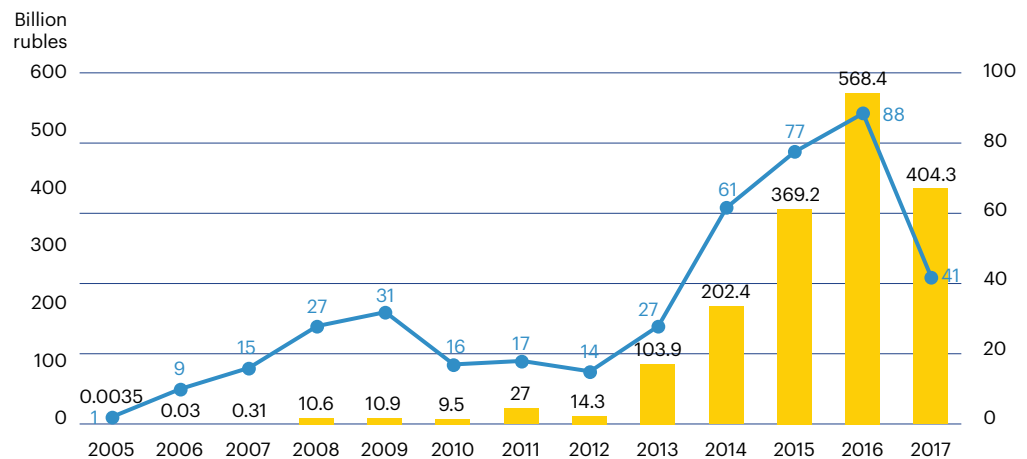


Figure 1. Number of Insured Events and Payouts (2005–2017)

■ Payouts (billion rubles)
— Number of payout cases

Imposition on July 10, 2017 of moratorium on satisfaction of claims of creditors against the PJSC BANK YUGRA was the largest insured event throughout the history

of DIS functioning in terms of the volume of eligible deposits (189 billion rubles) and covered deposits (173 billion rubles).

Besides this, 5 other large insured events with the insurance liability over 10 billion rubles in each case occurred in 2017. The largest amounts were allocated towards payouts from the Fund to depositors of the CB REB (JSC) (34.3 billion rubles), the PJSC Mezhtopenergobank (21.4 billion rubles), the JSCIB OBRAZOVANIE (JSC) (19.5 billion rubles), the JSCB Legion (JSC) (11.6 billion rubles) and the PJSC Bank VVB (11.3 billion rubles). The aggregate amount of covered deposits in these banks amounted to 98.5 billion rubles.

Significant payouts during the reporting period required attraction to the Fund of additional funding in the form of borrowings from the Bank of Russia, the total volume of the Agency's borrowings from the Bank of Russia reached 821 billion rubles as of the end of 2017.

To improve convenience and accessibility for the population of the deposit insurance services, the Agency performed work to transfer some of them into electronic form. Order of the Government of the Russian Federation dated December 6, 2017 № 2721-p supplemented the list of services data on which is to be included in the federal register of state and municipal services (functions), namely:

- provision to a depositor of an extract from the register of the banks liabilities to the depositors specifying the amount of payouts due on his/her deposits;
- provision to a depositor of the certificate on the amounts paid and deposits that have been reimbursed;
- acceptance of deposit payout claims.

This order recommended the Agency to provide the listed services using the federal information system "Unified Portal for State and Municipal Services (Functions)". Technical implementation of this project is scheduled for 2018.

1.1

DIS MAIN INDICATORS AS OF DECEMBER 31, 2017

DIS STRUCTURAL INDICATORS

As of the beginning of 2017, 808 banks were registered in DIS. The following changes occurred in the membership of the Deposit Insurance System during the year.

3 banks were included into the register (ONEY BANK LLC and JSC RFK-bank (both registered in Moscow) and Ikano Bank LLC (Moscow Region, Khimki)).

30 banks were excluded from the register, with 8 (CB UNIASTRUM BANK (LLC), JSC BINBANK Stolitsa (Moscow), CB Guarantee Bank — Moscow (JSC) (Moscow), JSC Metcombank (Cherepovets), PJSC Bashprombank (Ufa), PJSC Bank BFA (Saint Petersburg), JSC Uralprivatbank (Yekaterinburg) and JSC NARODNY ZEMELNO-PROMYSHLENNY BANK (Biysk)) — excluded due to the termination of their operations because of reorganization through merger with other DIS member

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
2017	3	30	781	41

Table 1. Changes in DIS member banks

banks; 22 more banks (OJSC VECOMBANK (Kaluga), OJSC CB PERTO-AERO-BANK (Saint Petersburg), CJSC StroyComBank (Saint Petersburg), RNKO MGB LLC (Makhachkala), CJSC WDB-bank (Saratov), JSCB Radian (OJSC) (Irkutsk), CB "Settlements and Savings Bank" LLC (Moscow), CB BVT (LLC) (Moscow), CB European Express LLC (Moscow), OJSC CB PROMBANK (Moscow), CB FAMILY LLC (Moscow), CJSC BVA Bank (Moscow), JSC ProBank (Moscow), JSC Interraschet RNKO (. Moscow), CB Moscow Capital (LLC) (Moscow), JSC NASH BANK (Moscow), OCEAN BANK (JSC) (Moscow), CB INTERREGIONAL POSTAL BANK LLC (Moscow), JSB SNB (CJSC) (Kaliningrad), OJSC CB SOTSGORBANK (Moscow Region, Mytishchi), OJSC CB Sibkontakt (Khanty-Mansi Autonomous District — Yugra, Nyagan) and OJSC Combank Prikamie (Perm)) — being excluded due to the completion of their liquidation.

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

Thus, as of December 31, 2017 781 banks were registered in DIS, including 468 operating banks with the license to work with individuals (including 1 bank 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; 309 banks that were in the process of receivership (liquidation).

DIS FINANCIAL AND ECONOMIC INDICATORS

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

The system of differentiated premiums paid by DIS member banks introduced from the middle of 2015 was further developed in the reporting period. The following insurance premium rates were in effect in Q1 2017: basic rate — in the amount of 0.12% of the calculation base per quarter; additional rate — in the amount of 50% of the basic rate; increased additional rate — in the amount of 400% of the basic rate. From Q2 2017 the resolution of the Board of Directors of the Agency brought the increased additional rate up to the maximal level established by the Law on Deposit Insurance — 500% of the basic rate. Additional rates were applied to banks based on the data provided by the Bank of Russia depending on maximal interest rates on deposits attracted by them and parameters of financial position of the banks, including supervisory corrective measures introduced by the Bank of Russia. Taking into account continued increased load on the Fund and the amount of Agency's borrowings from the Bank of Russia to ensure the payouts, at the end of the year the Board of Directors of the Agency made decision to increase from Q1 2018 the basic premium rate up to the maximal level allowed by the Law on Deposit Insurance — 0.15% of the calculation base per quarter.

By the end of the reporting period, the total amount of eligible deposits came up to 26.0 trillion rubles, with increase for 2017 being 2.0 trillion rubles (8.4%).

As of the end of the year, the amount of the Agency's insurance liability (covered deposits) was estimated to be 18.0 trillion rubles (16.3 trillion rubles in the previous year). In relative terms (as compared to the total amount of insured deposits) it also increased and made up 69.2% (with 67.8% at the end of 2016).

1.2

DEPOSIT INSURANCE PAYOUTS

ARRANGING AND PAYING OUT INSURANCE

In 2017 there were 41 insured events in respect of DIS member banks (including 4 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 372.6 billion rubles to 1 million of depositors included into the registers of liabilities of the banks.

Payouts in all banks started not later than on the 12th business day, while the average time of payout start was 10.1 business days. In calendar days the period of preparation for payouts in all banks did not exceed 14 days (13.1 days in the average), except for CB PREODOLENIE LLC and JSC CB NOTHERN CREDIT where the period reached 19 and 20 days, respectively, 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 considerable number of its depositors, and was also displayed directly in the bank's offices.

In the reporting period 953.2 thousand mail notifications were sent to depositors included into the liabilities registers of 34 banks and not applying for payouts during the first days, informing them of the place, time and procedure of payouts. 136.6 thousand notifications were sent after expiration of the reporting report (in January 2018) to depositors of 7 banks in respect of which the insured events occurred in December 2017.

To ensure the most convenient conditions for depositors to receive insurance payouts, agent banks were engaged on a competitive basis for 40 insured events. In one case (CB EUROSTANDARD (LLC)) due to small number of officially recorded depositors (less than 10), payouts were made directly by the Agency.

The network of structural divisions of the agent banks allowed to ensure receipt of insurance payments in 97% of populated settlements where the offices of failed banks were located. Depositors residing outside the populated settlements where the offices of the agent banks were located were able to claim insurance payments directly from the Agency in non-cash form or in cash through postal transfer. Payouts took place in 69 constituent entities of the Russian Federation, including the Republic of Crimea and the city of federal importance of Sevastopol.

Two or more agent banks were engaged in payouts in 13 cases of insured event occurrence and in such cases 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 (39%), VTB24 (PJSC) (27%) and JSC Rosselkhozbank (12%). In average, reimbursed depositors left about 40% of indemnity in the said banks as new deposits.

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 by the Agency into the creditors' claims register. 54.4 thousand such depositors (98%) out of 55.5 thousand of potential claimants used this possibility.

As of December 31, 2017 62 agent banks were accredited with the Agency, of which 22 regional banks, for payouts in case of insured event occurrence in 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.

4 banks were accredited by the Agency in the reporting year, 7 banks were excluded from the list of accredited banks. The major credit institutions attracting the largest volumes of households' deposits are the accredited agent banks, including PJSC Sberbank, VTB 24 (PJSC), JSC ALFA-BANK, Bank GPB (JSC) and JSC Rosselkhozbank.

Throughout 2017 the Agency provided the opportunity to receive insurance payments for depositors of 329 banks, including those that failed in earlier years. For the reporting period, insurance payments for the total amount of 404.3 billion rubles were received by 637.8 thousand depositors of 262 banks, including 15.6 thousand individual entrepreneurs (volume of payouts — 2 billion rubles). 2.5 thousand depositors applied to the Agency directly to receive insurance payments for the total amount of 0.4 billion rubles with payment by postal transfer made to 0.4 thousand depositors for the total amount of 20 million rubles.

In the reporting period liquidation proceedings were completed in 20 banks in respect of which the insured events occurred earlier (CB FAMILY LLC, OJSC CB PROMBANK, CJSC StroyComBank, JSC ProBank, JSCB Radian (OJSC), CB Moscow Capital (LLC), OJSC NASH BANK, OJSC CB SOTSGORBANK, JSC Interraschet RNKO, JSB SNB (CJSC), OCEAN BANK (JSC), OJSC Combank Prikamie, OJSC CB Sibkontakt, OJSC Bank "Sootechnestvenniki", MJSCB PREMIER CJSC, TRANSENERGOBANK LLC, CB "INTERREGIONAL POSTAL BANK", ICB Entuziastbank LLC, JSCB GALABANK CJSC and United National Bank (LLC)). The total amount of payouts in these banks equaled to 10.3 billion rubles, with 4.58 billion rubles recovered to the Fund in the course of liquidation proceedings (44.62% of the paid amount).

PREVENTING FRAUD IN DIS

An important area of activity of the Agency was counteracting attempts of fraud with deposit insurance and protection of rights of depositors affected by illegal actions of the banks.

Deposit transactions were analyzed for each insured event in order to identify transactions that could be qualified as fictitious liabilities to depositors increasing the insurance liability of the Agency. As a result, in 23 banks (CB Talmenka-bank LLC, PJSC JSCB Novation, JSCB Yenisei (PJSC), Ankor Bank (JSC), JSC Bank TGB, CB Oil Alliance (PJSC), PJSC MAB Tempbank, CB REB (JSC), JSCIB Obrazovanie (JSC), Bank SIBES (JSC), Vladprombank LLC, JSCB Spurt (PJSC), CB Informprogress (LLC), JSC

Legion (JSC), PJSC Bank Premier Credit, PJSC Mezhtopenergobank, CB MFBank LLC, Bank "New Symbol" (JSC), PJSC Bank VVB, CB Kansky LLC, Bank Solidarnost JSC, CB Preodolenie LLC and JSC CB Northern Credit) 4 920 cases of artificial creation of deposit liabilities of the Fund to depositors through inclusion into the accounting records 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 4.5 billion rubles.

In particular, the technical records were included into the accounting records of banks on allegedly performed operations on transfer of funds from the accounts of legal entities to the accounts of individuals or from the accounts of individuals where the funds exceeded the deposit insurance coverage limit stipulated by the Law on Deposit Insurance to the accounts of other individuals, i.e. the so-called deposit "splitting" operations were performed.

By such actions similar to insurance fraud, their organizers aimed at shifting liability for the obligations of the banks to their depositors and other creditors which entrusted their funds to them to the Agency.

The number of such operations decreased two times as compared with 2016, and the amount of transferred funds decreased 2.8 times. Artificially created deposit liabilities of the Fund were excluded from calculation of insurance indemnity.

In the course of preparation and making payouts, the Agency also detected cases of fraud through the use of so-called "off-balance accounting", where the information on actually accepted deposits of citizens was not reflected in the official bank records or was included into the records directly before revocation of the bank's license. Thus, in JSC Bulgar bank, CB Talmenka-bank LLC, JSC Bank TGB, JSCB Krylovky (JSC) and CB Kansky LLC there were cases of hiding 10.9 billion rubles from accounting in order to misappropriate the deposits attracted from 12.1 thousand depositors (as compared to 2016 the amount of funds hidden by the banks decreased 5.5 times).

At that, in CB REB (JSC), CB EUROSTANDARD (LLC) and JSC Bank TGB, taking into account information received from the law-enforcement authorities, the signs of falsification of documents to include into the records of the bank of non-existent (fictitious) deposits and attempts of misappropriation of resources of the Fund were detected. As the result of detection in 2017 of 1 450 fictitious deposits, damage to the Fund exceeding 1.5 billion rubles was prevented.

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 order to prevent illegal payouts, all deposits with the signs of artificial formation ("splitting") or falsification ("fictitious deposits") and not reflected in the automated banking systems (ABS) were not included by the temporary administrations appointed by the Bank of Russia into the registers of liabilities to depositors which were used for payouts.

Restoration on accounts of "off-balance-sheet" liabilities of the bank and decision making on the claims of persons who did not agree with the amount of payout due were made on the basis of supporting documents submitted by them and documents and data found in the bank or on the basis of court decisions or the information received from the investigative authorities.

The Agency carried out restoration of rights to "off-balance-sheet" deposits out of court on the basis of individual analysis of information on each depositor received from not less than two independent sources. In all cases one of such sources was the supporting documents provided by the depositor (bank deposit (account) agreements, bank account statements, cash receipt notes, other settlement documents). The other sources could be any accounting data and documents provided by the former management of the bank or found in the bank by the temporary administration (parts of various ABS and databases or primary documents

proving bank deposit (account) transactions). In addition, the data of official test registers provided earlier to the Bank of Russia and data of the payment systems and remote banking service systems were used.

From the beginning of 2017 the Agency restored in accounts and included into insurance payouts the “off-balance-sheet” liabilities to 13.1 thousand depositors under their claims (including under the insured events which occurred earlier) exceeding 7.9 billion rubles in total. The rights of more than 99% of such depositors were restored out of court.

Approaches used by the Agency to restore the data on liabilities to the depositors who are the victims of illegal actions of banks which attracted funds of individuals to the accounts and deposits without their reflection in official accounts and measures taken by the Agency to protect the resources of the Fund from illegal claims of the persons who participated in the actions aimed at artificial overstatement of the size of insurance liability of the Agency were approved by resolution of the Board of Directors of the Agency dated March 14, 2017.

In the reporting period the Agency received more than 48.2 thousand claims on disagreement with the amount of insurance indemnity due and about 6.1 thousand applications from citizens involved into artificial formation of deposits with the confirmation of fictitiousness of credit and debit operations performed on the eve of bank closures.

During 2017 the Agency was providing advice to the citizens on the issues connected with the usage of banking services and deposit insurance coverage, including personal visits of citizens to the Agency, contacts through the “hot line” (215 thousand phone calls were processed) and written requests and electronic requests through feedback functions of the web-site of the Agency (more the 28.2 thousand written responses and comments were sent). More than 500 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 PURSUED WHILE PARTICIPATING IN INSPECTIONS CARRIED OUT BY THE BANK OF RUSSIA IS TO MITIGATE THE RISKS CONNECTED WITH POSSIBLE VIOLATIONS BY THE BANKS OF THEIR OBLIGATIONS IMPOSED 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, AS WELL AS THE OBLIGATION TO PAY PREMIUMS TO THE FUND IN FULL AMOUNT AND IN A TIMELY MANNER.

Banks were inspected according to the schedule established by the Bank of Russia's "Consolidated Plan of Inspections of Credit Institutions (their Branches) for 2017". In the reporting year the Agency employees participated in inspections of 73 banks (with 15 unscheduled inspections) situated in 25 constituent entities of the Russian Federation. The total amount of deposits with the said banks equaled to 7.5% of all deposits in the banking system (not taking into account the Sberbank of Russia).

In the course of inspections main attention was paid to how the banks maintain records on data on 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 2.

In 2017 8 banks formed registers in full compliance with the established requirements, 64 banks formed registers generally complying with the established requirements but with minor deficiencies, one bank 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.

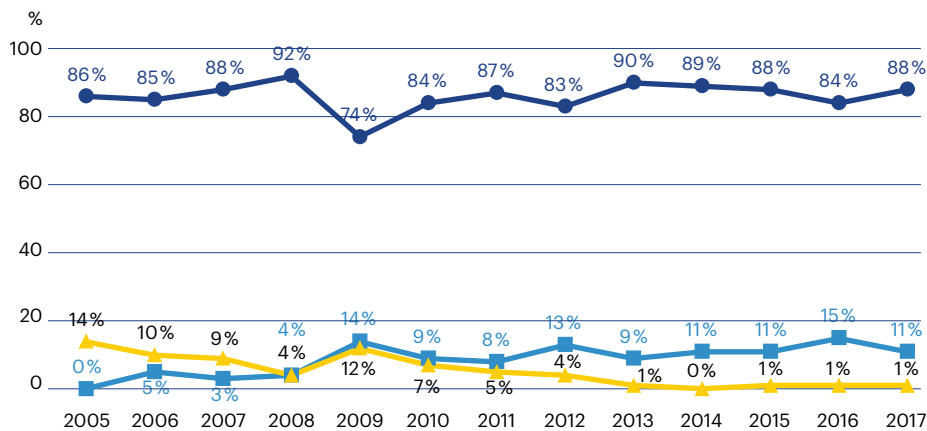


Figure 2. Results of Check of Liabilities Register Quality in 2005-2017 (as % of tests carried out during the year)

- The register failed to meet the established requirements
- The register mostly met the established requirements
- The register met the established requirements

Throughout the history of DIS, the share of DIS member banks (including liquidated), in respect of which inspections were conducted with the participation of the Agency's employees gradually grew up to 82% (Figure 3). As of the end of 2017 inspections with the participation of the Agency related to deposit insurance were taken in respect of 83% of the existing DIS member banks where 78% of household deposits are placed (without PJSC Sberbank).

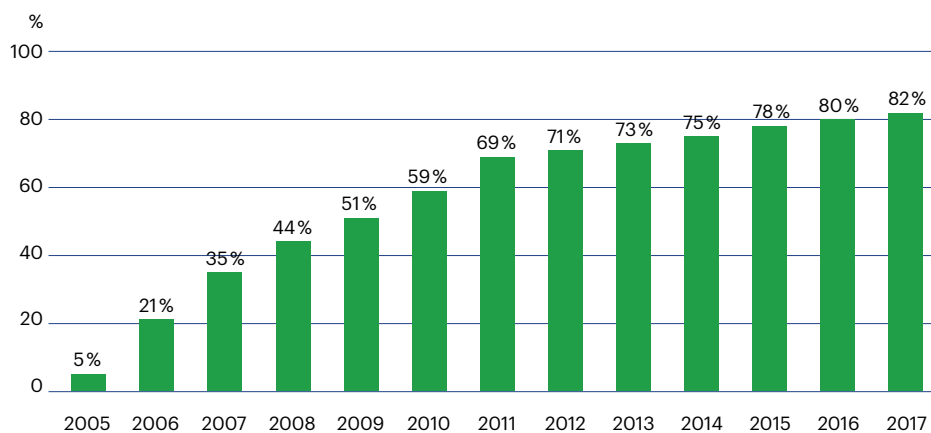


Figure 3. Banks Inspected in Relation to Deposit Insurance (% of DIS member banks as of the end of the year)

1.4

THE MANDATORY DEPOSIT INSURANCE FUND

TO MAINTAIN FINANCIAL SUSTAINABILITY OF THE 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 2017 THE TOTAL VOLUME OF SUCH LOANS AMOUNTED TO 821 BILLION RUBLES WHILE THE APPROVED LIMIT WAS 1 030 BILLION RUBLES.

During the year the Fund received 483.4 billion rubles, including 293 billion rubles of borrowed funds received from the Bank of Russia; 127.7 billion rubles of DIS member banks' insurance premiums; 61.6 billion rubles recovered from bankruptcy estates of liquidated banks to redeem the claims under the insurance indemnity paid earlier; 1.1 billion rubles of other proceeds (proceeds from transfer of property and liabilities of financial institutions, etc).

The Fund's expenses in the reporting period equaled to 483.2 billion rubles, including: 438.9 billion rubles — for payouts to insured depositors; 8.2 billion rubles — for agency fee; 17.1 billion rubles — for repayment of borrowings received from the Bank of Russia; 2.1 billion rubles — for financing of operation of the Autonomous Non-for-Profit Organization "Depositors' Protection Fund" (including compensations to the depositors of Ukrainian banks which terminated their operations at the territory of the Republic of Crimea and the city of federal importance of Sevastopol; 16.9 billion rubles — for investment of temporary idle resources of the Fund into income-bearing financial assets.

The balance of cash on the Fund's accounts as of December 31, 2017 amounted to 44.4 billion rubles.

As for the additional and increased additional rates, during 2017 the banks transferred 12.75 billion rubles of premiums, including: for Q4 2016—3 billion rubles by 105 banks, for Q1 2017—3.75 billion rubles by 92 banks, for Q2 2017—3.09 billion rubles by 62 banks, for Q3 2017—2.91 billion rubles by 78 banks. Summarized information on the insurance premiums actually received in 2017 for each calculation period is presented in Table 2.

Calculation Periods	Q4 2016	Q1 2017	Q2 2017	Q3 2017	Total (average)
Insurance premiums paid for the calculation period (billion rubles)	30.9	32.2	31.9	32.7	127.7
Number of payers	513	496	480	474	(491)
Including premiums paid at additional rates (billion rubles)	3.0	3.75	3.09	2.91	12.75
Number of payers at additional rates	105	92	62	78	(84)

Table 2. Insurance Premiums of the Banks into the Fund in 2017 for Specific Calculation Periods

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 2016	Q1 2017	Q2 2017	Q3 2017	Total
Penalty for incomplete and/or untimely premium payment (thousand rubles)	239.9	1 936.6	6.4	17.4	2 200.3
Number of violating banks, pcs	13	14	4	7	38

Table 3. Penalty for violation by the banks of the procedure and terms of premium payments in 2017

In 2017, 11 claims to repay the debt totaling 1.12 billion rubles were sent to the operating banks, of which: 7 claims were repaid by the banks in full (1.07 billion rubles); 4 banks did not repay the debt (0.05 billion rubles) due to the revocation of their licenses. 52 claims totaling 2.03 billion rubles 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 framework of settlements with 3rd priority creditors, 24 liquidated banks transferred to the Fund 2.3 million rubles to partially redeem the Agency's claims related to insurance premiums.

1.5

INVESTMENT OF TEMPORARY IDLE MONETARY RESOURCES OF THE FUND

TO ENSURE PROTECTION FROM INFLATION AND REPLENISHMENT OF THE FUND, THE AGENCY HAS INVESTED 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 (Minutes № 5).

In 2017 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, 2017 the Fund's investment portfolio (assets) amounted to 32.1 billion rubles.

11% of the Fund's resources were invested in federal loan bonds of the Russian Federation 0.1% were invested in bonds of constituent entities of the Russian

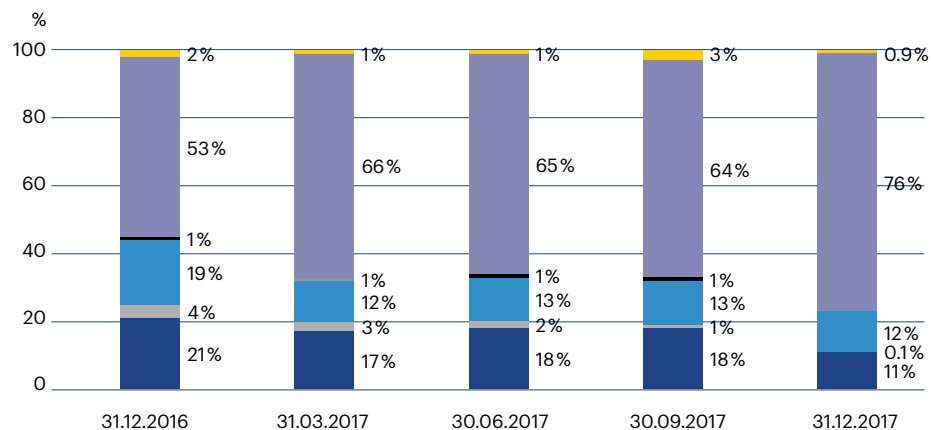


Figure 4. Changes of the Fund's Asset Structure



Federation and 76% were invested in deposits with the Bank of Russia. In addition, 12% of the Fund's resources were invested in corporate bonds. Cash balance amounted to 0.9% (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 2017 adjusted for revaluation of securities equaled to 2.1 billion rubles, with return on invested funds being 9.1% per annum.

Thus, with moderately conservative policy in 2017, the Agency received the yield comparable with the results of market players having similar investment restrictions.

1.6

DIS IMPACT ON THE BANK DEPOSIT MARKET

DURING THE MOST PART OF 2017 THE VOLUME OF BANK DEPOSITS OF INDIVIDUALS WAS INCREASING AT RELATIVELY SLOW PACE. THE MAIN REASONS OF SUCH DYNAMICS IN DEPOSITS WERE SOME DECREASE IN DEPOSIT INTEREST RATES AND IN THE ACTUAL DISPOSABLE INCOME OF THE POPULATION. AGAINST THIS BACKGROUND DIS REMAINED AN IMPORTANT STABILIZING FACTOR FOR THE MARKET OF HOUSEHOLDS' DEPOSITS.

In 2017 the amount of bank deposits of individuals increased by 1 787.1 billion rubles (in 2016 — by 981.2 billion rubles) up to 25 987.4 billion rubles.

In relative terms, the growth was 7.4% (Figure 5), without currency revaluation deposit growth would amount to 8.6% (in 2016–4.2 and 9.2%, respectively).

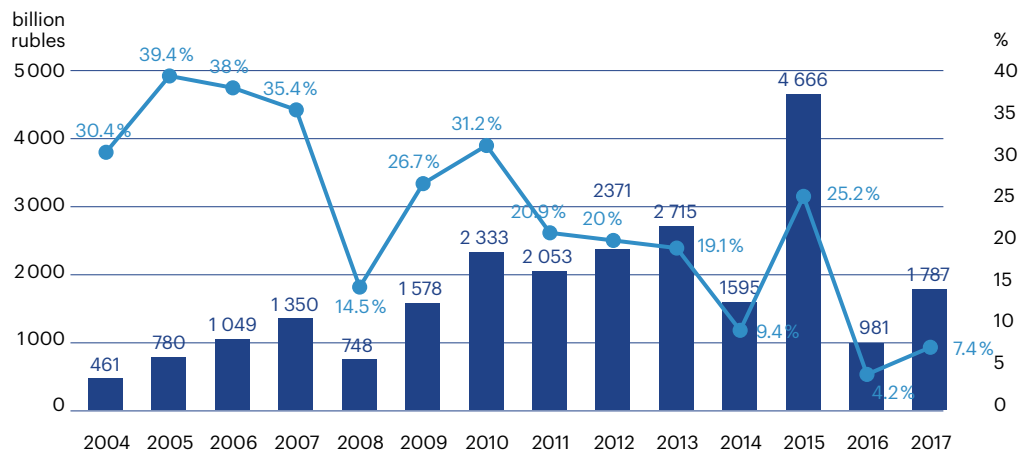


Figure 5. Growth of Households' Deposits in 2004 - 2016 (billion rubles, %)

■ Growth (billion rubles)
— Growth (%) (right scale)

As of December 31, 2017 deposits of individual entrepreneurs amounted to 459.5 billion rubles (1.8% of the total amount of deposits of individuals) with 36.2% increase from the beginning of the year. The amount of insurance liability to them is estimated to be 265.1 billion rubles (or 57.7% of the total amount of deposits of individual entrepreneurs) which corresponds to the general structure of deposits of individuals.

Investments into uninsured bearer saving certificates were decreasing throughout the year. As the result, during the year funds invested into such certificates decreased by 97.6 billion rubles (by 20.1%) down to 387.7 billion rubles. The share of bearer certificates in total deposits also decreased, making up 1.5%.

In general, the amount of insured (eligible) household deposits with banks (including deposits of individual entrepreneurs) in 2017 increased by 2 012.4 billion rubles (in 2016 — by 1 130.7 billion rubles). In relative terms, it showed growth of 8.4% up to 26 033.0 billion rubles (in 2016 — by 4.9%).

Dynamics of daily deposit gains demonstrates that in 2017 the population savings were as follows. In January–November of 2017 the growth of deposits averaged 2.4 billion rubles per day, 3.0 billion rubles per day without currency revaluation (1.4 billion rubles per day in January–November of 2016, 3.8 billion rubles per day without currency revaluation). Traditional Pre-New Year bonus payments and other additional remunerations resulted in large increase in the deposits. In December deposits of individuals increased by 990.5 billion rubles (by 32 billion rubles per day on average) which slightly exceeds the last-year December proceeds less the currency revaluation.

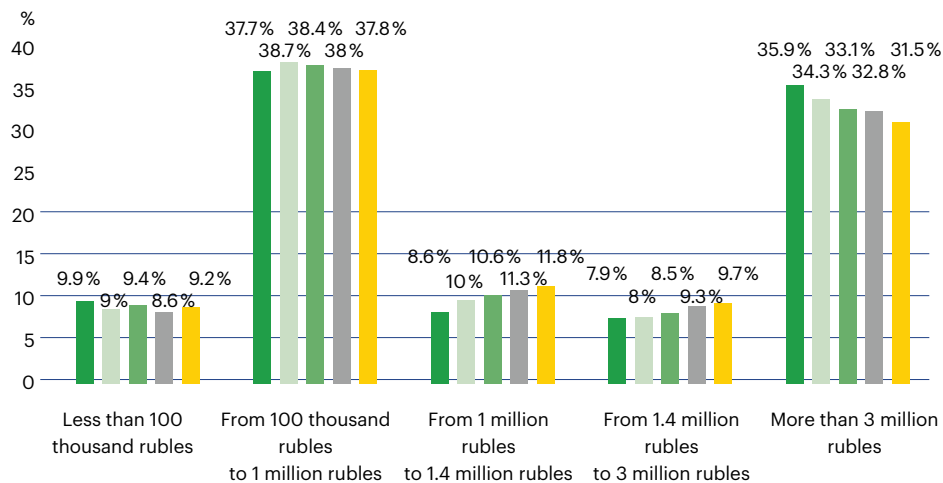


Figure 6. Structure of Deposits as for Deposit Amount (%)

■	31.12.2015	■	30.06.2017
■	30.06.2016	■	31.12.2017
■	31.12.2016		

Deposits close to the maximal size of insurance indemnity (coverage limit) demonstrated the most active growth in the reporting year as a year before. Thus, deposits from 1 million to 1.4 million rubles increased by 21.1% in terms of amount and by 20.9% in terms of the number of accounts, and deposits from 1.4 million rubles to 3 million rubles — by 23.2% in terms of amount and by 22.9% in terms of the number of accounts.

Deposits with balances less than 100 thousand rubles were up by 6.3% in terms of the amount and by 3.4% in terms of the number of accounts. Deposits from 100 thousand to 1 million rubles increased by 6.7% in terms of amount and by 6.6% in terms of the number of accounts. Deposits amounting to over 3 million rubles increased by 3.1% in terms of the amount and by 8.5% in terms of the number of accounts.

By the results of the year, the shares of deposits from 1 million to 1.4 million rubles and from 1.4 million to 3 million rubles increased from 10.6% to 11.8% and from 8.5% to 9.7%, respectively. The shares of deposits below 100 thousand rubles changed insignificantly (figure 6).

There was decrease in deposit interest rates during 2017. Thus, according to the Bank of Russia, the average maximal retail deposit interest rate in rubles by 10 largest banks decreased by 1.1 p. p. — from 8.4% down to 7.3% (in 2016 — by 1.7 p. p.).

Due to the trend towards decrease in return on deposits during 2017 there was an increase in the share of short-term (less than 1 year) deposits (from 35.2% up to 37.8%) and on-demand deposits and up to 30 days (from 18.3% up to 21.0%). The share of long-term deposits (more than 1 year) decreased from 46.5 to 41.2%. At that, the main change in the deposit structure took place in the second half of the year.

The share of foreign currency deposits for the year decreased from 23.7 to 20.6%. This share decreased both as the result of ruble strengthening and due to low interest rates on foreign-currency deposits.

In 2017, the share of 30 largest banks in terms of deposit amount increased from 85.2% up to 87.0%, while the share of PJSC Sberbank decreased from 46.5% to 46.1%. Gradual growth of share of the largest banks continues from the end of 2013 — total increase for the period is more than 10 p. p.

The Agency's insurance liability (covered deposits) increased during 2017 and as of December 31, 2017 amounted to 69.2% of all insured deposits (67.8% as of December 31, 2016). Without considering PJSC Sberbank, this indicator increased from 58.4 to 64.1% (figure 7).

The established coverage limit of 1.4 million rubles fully covers 99.7% of all deposits in terms of the number of accounts (98.8% without accounts below 1 thousand rubles) and 58.9% of all deposits in terms of amount. The average deposit amount in the banking system (without accounts below 1 thousand rubles) amounted to 159.1 thousand rubles as of December 31, 2017.

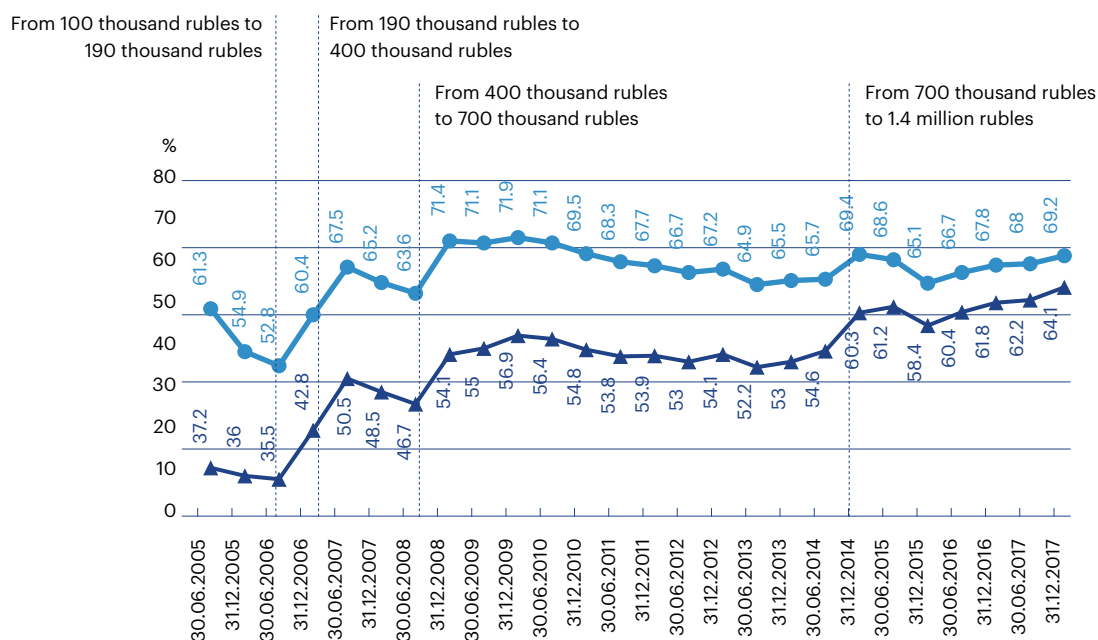
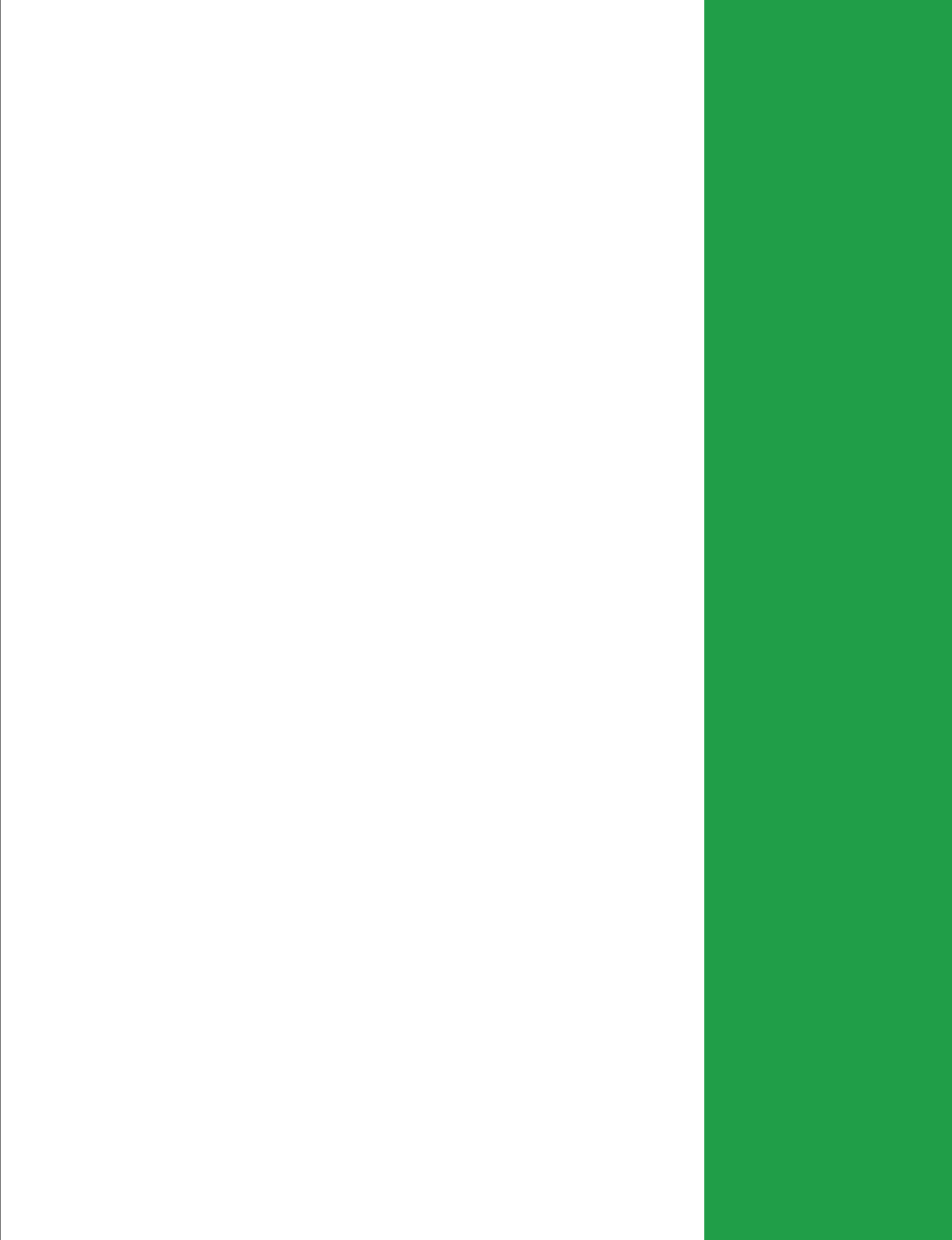


Figure 7. The Agency's Insurance Liability in 2005–2017 (%)

- For all banks
- Without PJSC Sberbank





2.

Operation of the System for Guaranteeing Mandatory Pension Savings

- 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

AS OF DECEMBER 31, 2017 38 NPFS INCLUDED BY THE AGENCY INTO THE REGISTER OF MEMBER FUNDS AND THE PENSION FUND OF THE RUSSIAN FEDERATION WHICH IS PSGS MEMBER BY LAW WERE MEMBERS OF THE SYSTEM FOR GUARANTEEING PENSION SAVINGS (PSGS). DURING THE REPORTING PERIOD 3 FUNDS (CJSC NPF PROMAGRO-FUND, CJSC KIT FINANCE NPF AND CJSC NPF NASLEDIE) WERE EXCLUDED FROM THE REGISTER OF MEMBER FUNDS DUE TO THEIR MERGER WITH OTHER MEMBER FUND — JSC “NPF GAZFUND PENSION SAVINGS”.

Data on quantitative change in the membership throughout the history of PSGS are presented in the table below:

Year	Included into the register of participating funds	Excluded from the register of participating funds	Number of participating funds as of the end of the year
2015	33	0	33
2016	14	6	41
2017	0	3	38

The PSGS has not experienced any guarantee events throughout its history (including the reporting period). Thus, changes in the number of member funds were due to their consolidation.

In the reporting year the Agency signed supplementary agreement dated June 29, 2017 № 1 to E-Document Exchange Agreement with the Pension Fund of the Russian Federation setting the form and format of information provision for determining the calculation base for the purpose of control over completeness of guarantee fees payment.

To interact with member funds in the electronic form as stipulated by the Law on Guaranteeing, as of the end of the reporting year 35 member funds expressed

their wish to accede to the Agreement on EDE¹, posted on the web-site of the Agency of which:

- 24 member funds are fully ready to interact with the Agency under electronic workflow;
- software testing is in progress with 4 member funds;
- receipt of documents stipulated by EDE Agreement is expected from 7 member funds.

To provide the member funds with the possibility to independently check the register of liabilities to the insured persons and eliminate the errors in the course of its formation, in December 2017 the program (software) of control over the register of liabilities together with the manual were posted on the web-site of the Agency. The program is open for access and is an automated control of compliance of the register of liabilities of a member fund to insured persons with the requirements of the Bank of Russia in terms of completeness of content and format of data provision.

1

The E-Document Exchange Agreement between the State Corporation "Deposit Insurance Agency" and non-government pension fund being a member of the pension savings guarantee system approved by resolution of the Management Board of the Agency dated December 22, 2016 (Minutes № 178).

2.2

CONTROL MEASURES IN RESPECT OF PSGS MEMBER FUNDS

DURING 2017 INSPECTIONS OF MEMBER FUNDS WERE MAINLY RELATED TO CALCULATION, TIMELINESS AND COMPLETENESS OF PAYMENT OF GUARANTEE FEES TO THE PSGF.

In the reporting period the Agency employees took control measures in respect of 38 member funds, including:

- 4 scheduled inspections of member funds carried out as part of the working groups of the Bank of Russia. They showed that the registers of liabilities to insured persons provided by member funds generally complied with the requirements of the Bank of Russia. Debt for payment of guarantee fees for 2016 reporting year was detected in respect of one fund and it was repaid in the course of inspection together with the penalty for incomplete payment of fees.
- 34 member funds were inspected by the Agency distantly in terms of completeness of payment of guarantee fees to the PSGF. Following these off-site inspections, claims to pay the guarantee fees and penalties were sent to two member funds which committed incomplete payment of fees for 2016.

THE PENSION SAVINGS GUARANTEE FUND

2.3

AS OF DECEMBER 31, 2017 THE PSGF BALANCE AMOUNTED TO 1.13 BILLION RUBLES. DURING THE YEAR THE PSGF RECEIVED 0.49 BILLION RUBLES.

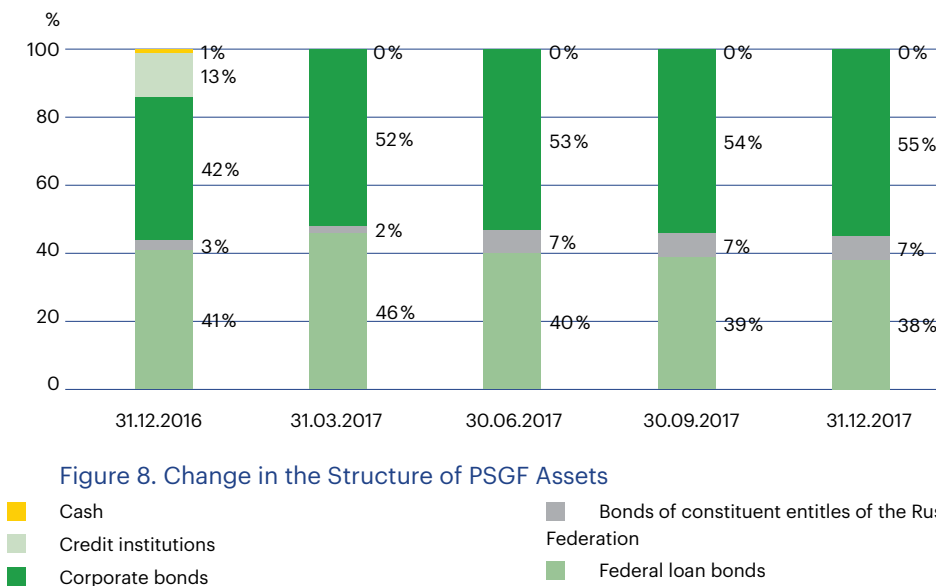
In 2017 3 member funds paid guarantee fees with a short-term (not more than 3 days) delay. All these member funds fully repaid the debt, including penalty for untimely fee payment.

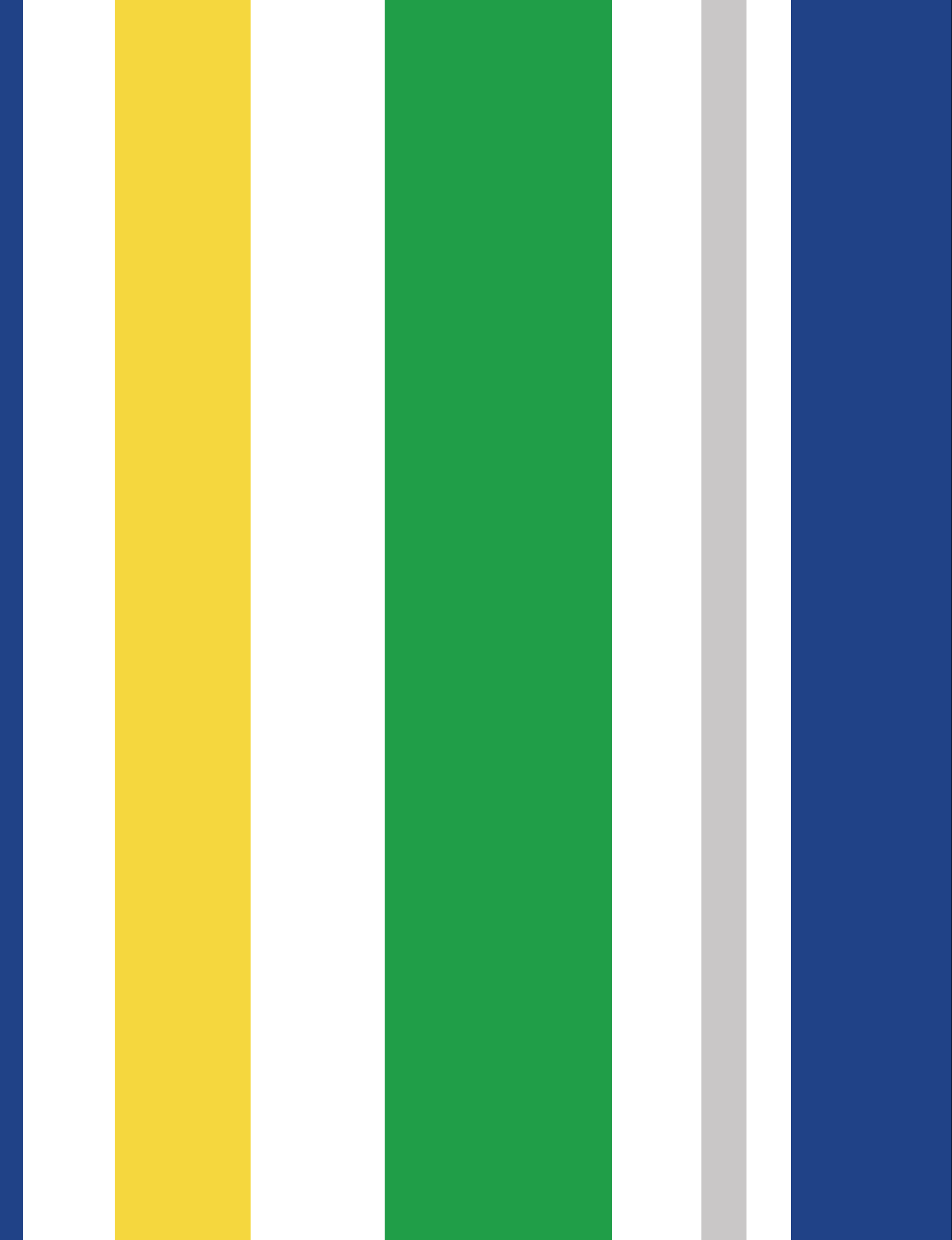
Due to the absence of guarantee events in 2017, guarantee compensation was not paid by the Agency.

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, 2017 38% of the PSGF investment assets portfolio were invested in federal loan bonds of the Russian Federation. 7% were invested into bonds of the constituent entities of the Russian Federation, 55% were invested into corporate bonds.

The total amount of income from investing the PSGF assets in 2017 adjusted for revaluation of securities equaled to 116.8 million rubles, with return on invested funds being 12.1% per annum.





3.

The Agency's Actions to Resolve Failing Banks

3.1. Bank Resolution Measures

3.2. Asset Management

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 2017 THE AGENCY CONTINUED IMPLEMENTATION OF MEASURES TO PREVENT BANK FAILURES.

As of the beginning of 2017, resolution measures were implemented in relation to 26 banks. During the year, the Agency accepted proposals of the Bank of Russia to take part in preventing bankruptcy of 5 banks, including JSC GENBANK which is one of largest banks in the Republic of Crimea.

While the Bank of Russia made decision on revocation of banking licenses in respect of 3 of these banks (JSCB Spurt (PJSC), PJSC BANK YUGRA and PJSC MJSCB Tempbank), the licenses were also revoked from 2 other banks (PJSC Tatfundbank and PJSC IntexBank) in respect of which the bankruptcy prevention measures started in 2016. This development was caused by the low quality of assets of the said credit institutions detected in the course of resolution and, therefore, infeasibility of further bankruptcy prevention measures.

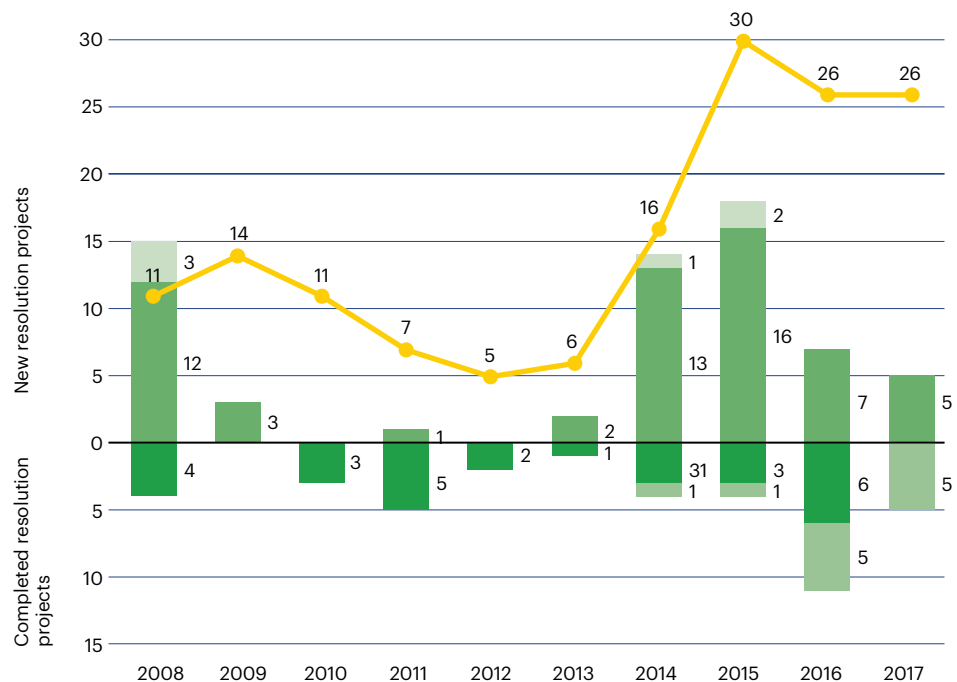
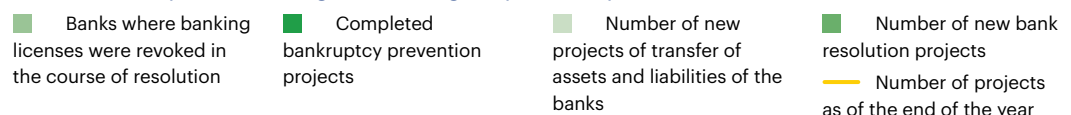


Figure 9. Number of Bank Resolution and Settlement of Obligations Projects (Initiated and Completed) throughout the Agency's History



Thus, as of December 31, 2017 the Agency participated in resolution of 26 banks. Dynamics of the Agency's activity in terms of financial rehabilitation of credit institutions is presented in Figure 9.

The Agency carries out activity on rehabilitation of credit institution mainly with attraction of investors (Figure 10) which allows optimizing project management and gives the possibility for the market players to determine the development strategy of the resolved banks, to deal with their day-to-day management under the Agency's control. In the reporting period investors were determined in respect of 3 projects (JSCB RUSSIAN CAPITAL (PJSC), JSCB PERESVET (JSC) and JSC GENBANK). Besides this, an investor which took bankruptcy prevention measures in OJSC Timer Bank (former JSCB BTA-Kazan (OJSC)) was replaced.

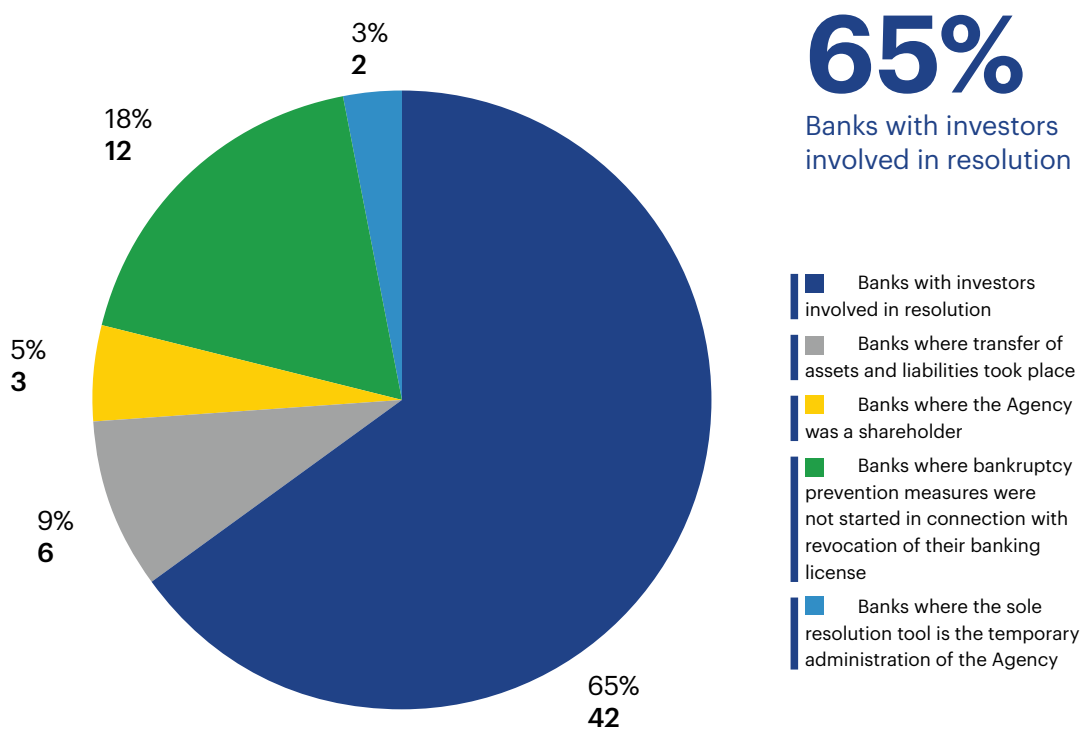


Figure 10. Distribution of Resolution and Settlement of Bank Obligations Projects by Kinds and Types

One of the important events in 2017 was transfer of 100% of shares of JSCB RUSSIAN CAPITAL (PJSC) to the treasury of the Russian Federation with their subsequent transfer to JSC "Housing Mortgage Lending Agency" which was performed by the Agency on the basis of Federal Law dated December 19, 2016 № 415-FZ "On the Federal Budget for 2017 and the Planned Period of 2018 and 2019" and order of the Government of the Russian Federation dated October 5, 2017 № 2165-p.

The Agency participated in resolution of JSC RUSSIAN CAPITAL (PJSC) since 2009. Throughout this period the Agency was the majority shareholder of the bank and from 2015 it became the owner of 100% of its shares.

These measures taken by the Agency allowed the bank to minimize expenses for working with its assets, fully comply with the prudential regulations, achieve the standard supervision regime of the Bank of Russia and, therefore, speed up completion of the bankruptcy prevention measures.

In September 2017 the Agency performed additional capitalization of JSC RUSSIAN CAPITAL (PJSC) for 15.06 billion rubles through purchase of additional issue of ordinary shares of the bank at the expense of the property contribution of the Russian Federation made into the property of the Agency in compliance with Federal Law dated December 29, 2014 № 451-FZ “On introduction of amendments into 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 (Bank of Russia)” and in October 2017 it provided financial aid through purchase of a part of assets of the bank.

The Board of Directors of the Agency made decision based on which on October 26, 2017 all shares of JSC RUSSIAN CAPITAL (PJSC) belonging to the Agency were transferred to the Russian Federation represented by the Federal Agency for State Property Management. Later on (on December 26, 2017), all shares of the bank were transferred into the ownership of JSC “Housing Mortgage Lending Agency”.

Thus, JSC “Housing Mortgage Lending Agency” acquired the status of an investor into JSC RUSSIAN CAPITAL (PJSC) and participates in bank bankruptcy prevention measures scheduled to be completed by December 31, 2018.

Another significant event of 2017 in the sphere of resolution of credit institutions was a project of financial rehabilitation of JSCB PERESVET (JSC) which faced financial difficulties in H2 2016.

The Agency analyzed the financial position of this credit institution which resulted in identification of possibility of its financial rehabilitation only with the participation of the bank’s creditors (i. e. using “bail-in” resolution tool).

Therefore, the Agency and the Bank of Russia performed large-scale work which resulted in attraction to financial rehabilitation of the credit institution of not only the investor — the Bank VBRR (JSC) but also a significant number of the banks’ creditors.

The plan of participation in bankruptcy prevention measures of JSCB PERESVET (JSC) provides for financial aid of the Agency to the bank totaling 99.8 billion rubles and replacement of a part of short-term and mid-term liabilities of the bank to the creditors (about 55%) with the liabilities under long-term bonds which will be converted into ordinary shares upon expiration of 15 years.

This measure allowed preservation of this credit institution while minimizing the expenses of the state for its financial rehabilitation.

The largest financial rehabilitation project throughout the Agency’s history 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 an investor — Bank VTB (PJSC) — since 2011. Within the framework of resolution of this bank, the Agency provided financial assistance amounting to 294.81 billion rubles at the expense of borrowings from the Bank of Russia. As of December 31, 2017 a part of these loans totalling 28.77 billion rubles was repaid.

An important area of the Agency’s operations in the sphere of financial rehabilitation of banks was the work of temporary administrations to manage the resolved banks and regular and comprehensive control over the progress of financial rehabilitation of the banks.

In 2017 the Agency was acting as temporary administrations of 8 banks. This measure allowed taking control over operations of these banks, to organize their work subject to the existing financial possibilities avoiding agitation among the creditors and depositors as soon as possible. There was also a comprehensive analysis of the financial position of the banks which resulted in decision making on the feasibility and expediency of their subsequent operation.

During 2017 there were 10 comprehensive scheduled and unscheduled inspections of resolved banks and investors participating in taking bankruptcy prevention measures which resulted in taking measures to optimize the resolution procedures.

In addition, in the reporting period investigation of circumstances of deterioration of financial position were completed in 3 banks which resolution started before the reporting period (JSC FUNDSERVICEBANK, JSC Bank AVB and JSCB Investtorgbank (PJSC)) which allowed to establish legal grounds for bringing the guilty persons to account for the losses inflicted on the banks.

3.2 ASSET MANAGEMENT

ASSET MANAGEMENT FOR BANKS IN RESOLUTION

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

In 2017, the Agency considered and approved 88 applications of JSCB RUSSIAN CAPITAL (PJSC), JSC CB Solidarnost, PJSC Krayinvestbank, JSC Bank Sovetsky, PJSC Baltic Bank, Timer Bank (PJSC), JSCB Tavrishesky (OJSC), Bank TRUST (PJSC) and JSCB PERESVET (JSC) 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 purchased assets amounting to 36.08 billion rubles in the course of implementation of measures to prevent bankruptcy of JSCB RUSSIAN CAPITAL (PJSC).

In the previous years, assets of 10 banks in resolution were purchased: KIT Finance Investment Bank (OJSC), OJSC Bank Petrovskiy, GB Nizhny Novgorod OJSC, SB GUBERNSKIY (OJSC), JSCB SOYUZ (OJSC), Potential Bank OJSC, Bank24.ru (OJSC), Nizhegorodpromstroibank CJSC, CB RBR (CJSC) and JSCB RUSSIAN CAPITAL (PJSC) for the total amount of 166.5 billion rubles.

In the reporting year the Agency organized 22 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 464.70 million rubles.

Due to the measures taken by the Agency aimed at the recovery of funds spent on purchasing the rights of claim, the debtors repaid 335.05 million rubles in the reporting year.

All in all, in 2017 the Agency received a total of 799.75 million rubles from managing assets acquired by the Agency in the course of bank resolution.

As of December 31, 2017 the Agency allocated to the implementation of bank resolution measures 1 817.76 billion rubles (running total), of which: 1 505.02 billion rubles were funded at the expense of loans from the Bank of Russia (including 294.81 billion rubles were spent on the resolution of JSC BM-Bank), 304.99 billion rubles were funded from the property contribution of the Russian Federation into the Agency's property, and 7.75 billion rubles 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 totaling 196.86 billion rubles.

In compliance with the approved schedules the borrowers repaid to the Agency 42.44 billion rubles of the principal debt and paid 11.77 billion rubles as interest on the borrowed funds.

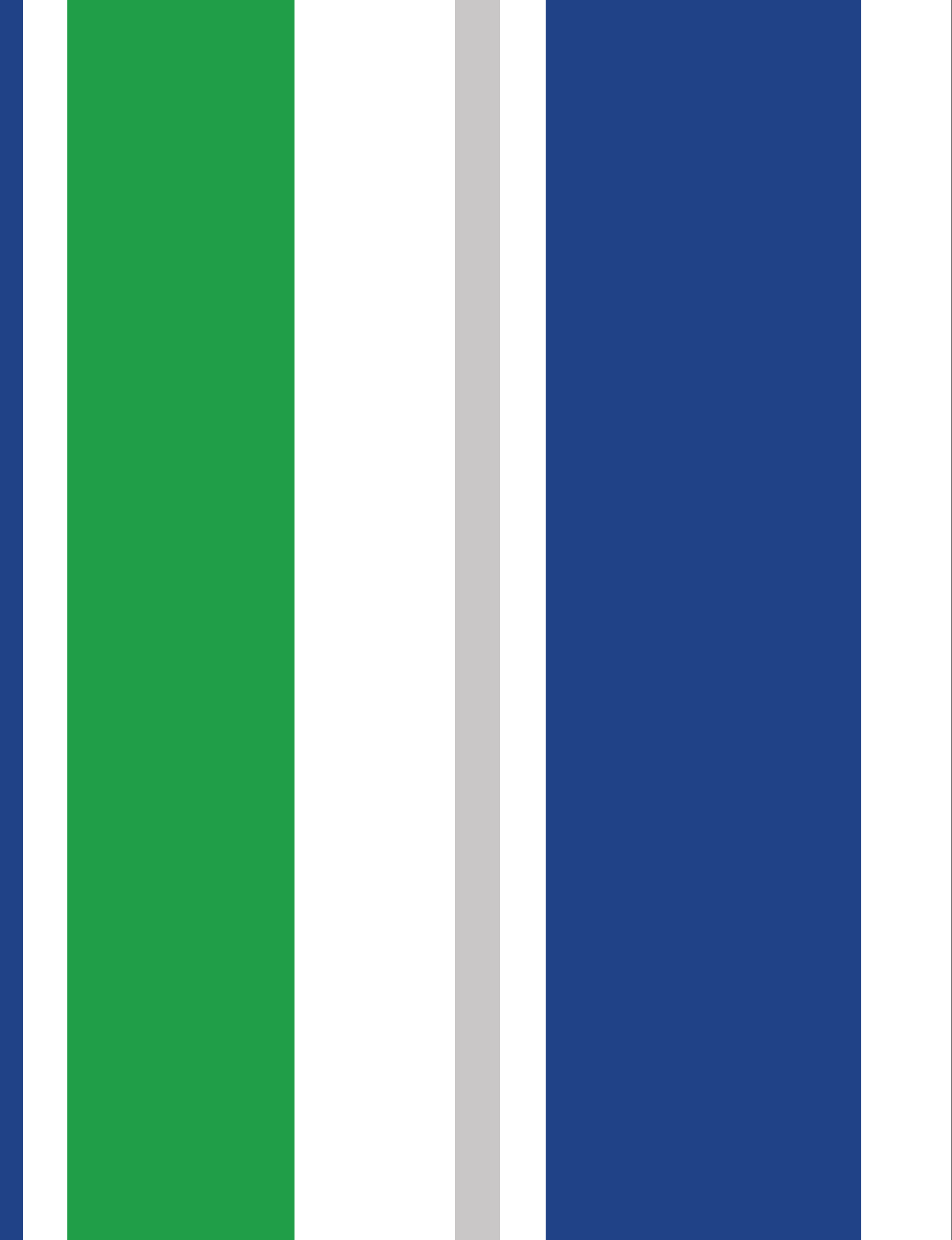
Unrecoverable debt under resolution projects for the amount of 4.4 billion rubles was written down at the expense of the Agency's capitalized profit that was ascribed to the property contribution of the Russian Federation into the Agency's property.

Thus, as of December 31, 2017 the total amount of funding provided by the Agency for the implementation of bank resolution measures amounted to 1 314.7 billion rubles, out of which the property contribution of the Russian Federation to the Agency's property amounted to 83.96 billion rubles, 1.22 billion rubles were proceeds from assets acquired by the Agency in the course of taking measures to prevent bank bankruptcy.

In 2017, the Agency repaid loans to the Bank of Russia for the amount of 23.73 billion rubles from the funds repaid by borrowers.² As of December 31, 2017 the debt of the Agency to the Bank of Russia amounted to 1 229 52 billion rubles.

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.

² Including partially discharged obligations of the Agency to the Bank of Russia in the amount of 2.66 billion rubles through compensation granting.



4.

The Agency's Operations as the Receiver (Liquidator) of Credit Institutions

- 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 Creditor Claims, Work of Management Bodies of Liquidated Banks

4.1

LIQUIDATION MANAGEMENT

As of December 31, 2017, the Agency was acting as the receiver (liquidator) in 323 credit institutions. Receivership proceedings were performed in 302 credit institutions and compulsory liquidation in 21 credit institutions (Figure 11).

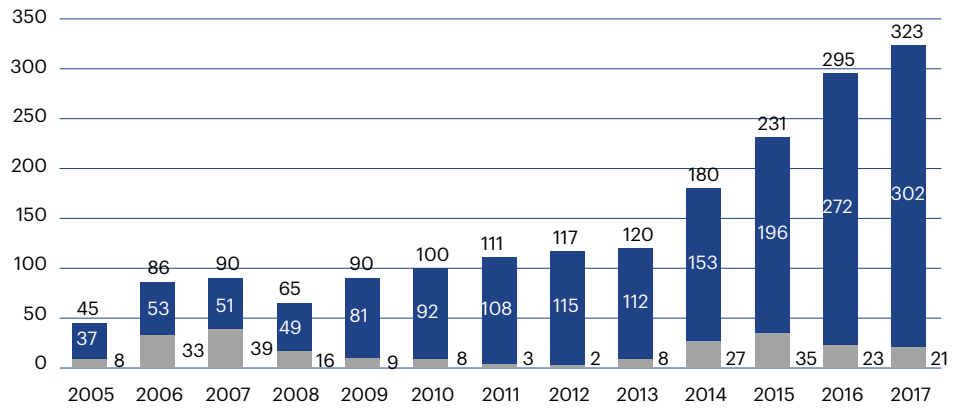


Figure 11. Number of Banks in Liquidation for the Period of the Agency’s Operation (as of the End of the Year)

- Receivership
- Forced liquidation

In the reporting year the Agency was appointed as the receiver (liquidator) in 55 credit institutions (Figure 12). In respect of 47 credit institutions receivership (bankruptcy) proceedings were commenced, in 8 – forced liquidation.

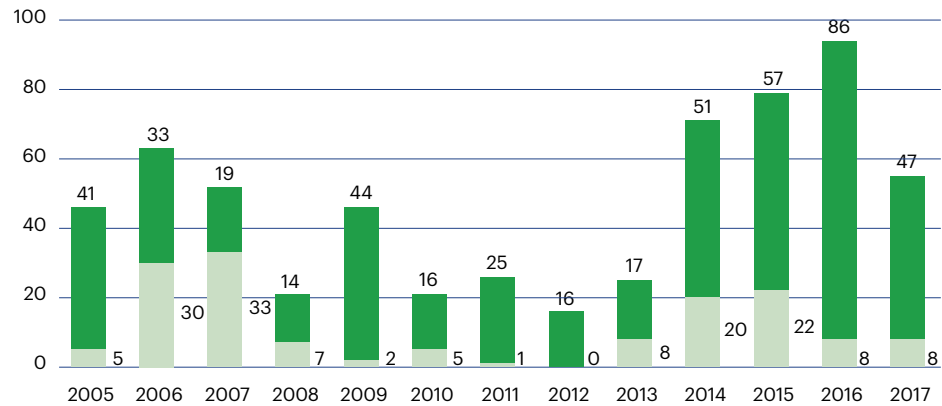


Figure 12. Number of Initiated Receivership (Liquidation) Proceedings

- Receivership
- 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).

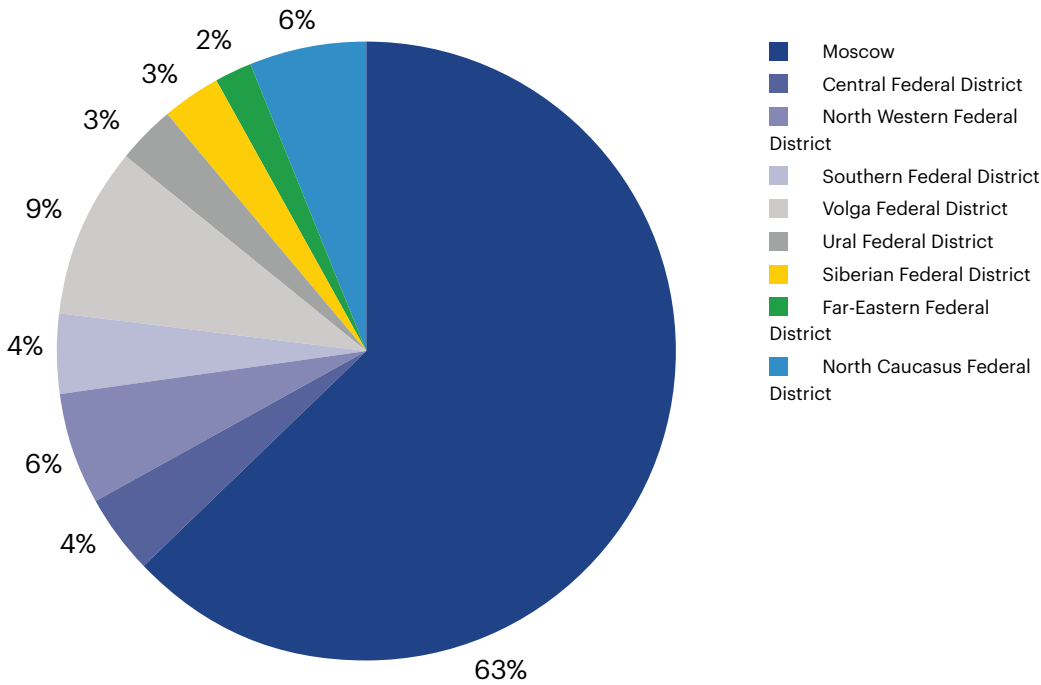


Figure 13. Banks under Liquidation Broken Down by Federal Districts of the Russian Federation

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

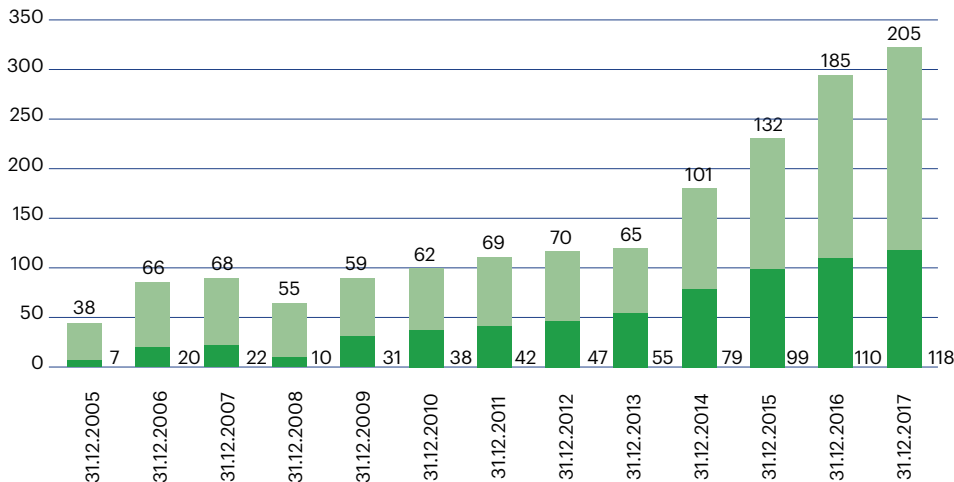


Figure 14. Share of Regional and Moscow Banks in the Total Number of Liquidated Credit Institutions

Registered in Moscow and the Moscow Region
 Registered in other regions

In 2017 the trend of large universal banks with large volumes of assets and liabilities which offered customers wide range of financial instruments coming under the Agency’s management was preserved (PJSC Tatfundbank, CB REB (JSC), PJSC Mezhtopenergobank, JSCIB OBRAZOVANIE (JSC), PJSC IntexBank, PJSC M2M

Private Bank, CB IMoneyBank LLC, JSCB Legion (JSC), JSCB Spurt (PJSC) and Centercombank LLC). PJSC Tatfundbank accounts for 32% of the total assets of credit institutions in which the Agency was appointed as receiver (liquidator) in 2017.

In most banks in respect of which the Agency commenced the liquidation proceedings in the reporting year the evidences of misappropriation of property disguised as provision of loans and commitment of other illegal operations with assets with the signs of acts subject to penal punishment were detected. The Bank of Russia and the Agency has sent the respective applications to the law-enforcement authorities based on these facts.

Since the beginning of the Agency's operation as the corporate receiver (liquidator), liquidation proceedings have been completed in 292 credit institutions (Figure 15).

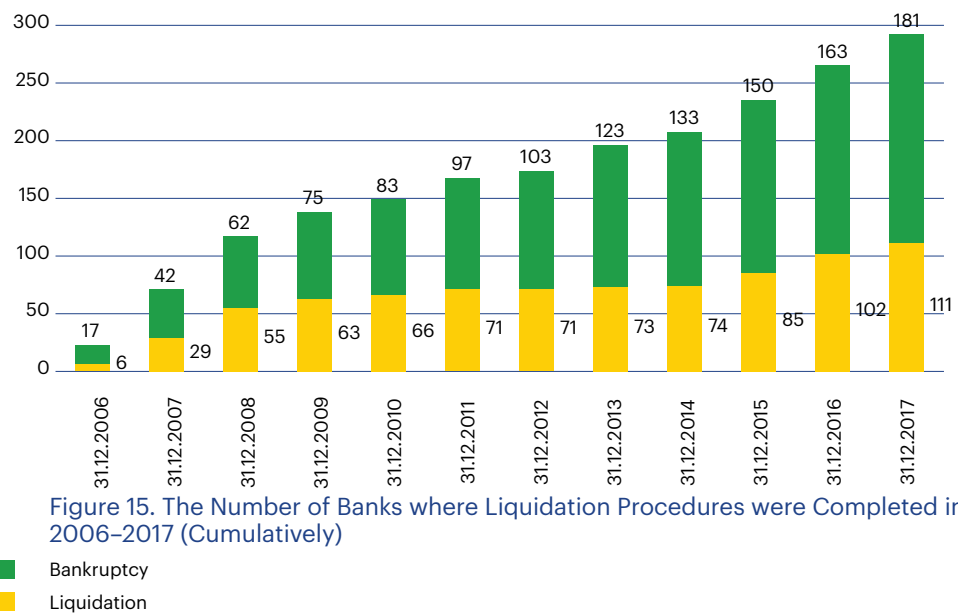


Figure 15. The Number of Banks where Liquidation Procedures were Completed in 2006–2017 (Cumulatively)

■ Bankruptcy
■ Liquidation

In 2017 the Agency completed liquidation proceedings in 27 credit institutions, of which: receivership proceedings were completed in respect of 18 banks (CB SOTSECONOMBANK LLC, CB FAMILY LLC, CB PROMBANK LLC, NCO Financial Services (LLC), CJSC NCO MRC, IPOZEMbank LLC, CB Moscow Capital (LLC), OJSC NASH BANK, OJSC CB SOTSGORBANK, JSB SNB (CJSC), OJSC Combank Prikamie, OJSC CB Sibkontakt, Delna bank LLC, OJSC Bank "Sootechestvenniki", MJSCB PREMIER CJSC, TRANSENERGOBANK LLC, United National Bank (LLC) and JSCB GALABANK CJSC), compulsory liquidation proceedings were completed in respect of 9 banks (CJSC StroyComBank, JSC DALTA-BANK, JSC ProBank, JSCB Radian (OJSC), CBSI Stroyindbank LLC, RNKO Mayma LLC, OCEAN BANK (JSC), Congress-Bank OJSC and ICB LLC).

The average length of liquidation proceedings in respect of banks where receivership was completed exceeded the average indicator of the previous year 1.1 times and equalled to 50 months due to the length of litigations to recover assets, absence of potential purchasers of assets of the banks due to their low liquidity and measures to bring former executives and owners of the credit institutions to civil (subsidiary) liability.

At that, in respect of IPOZEMbank LLC and United National Bank (LLC) the receivership proceedings were completed in 14 and 22 months, respectively.

The average length of forced liquidation equalled to 17 months. At that, in respect of RNKO Mayma LLC and ICB United National Bank LLC these proceedings were completed in 12 months and in respect of OCEAN BANK (JSC) — in 13 months.

In 2017 the Agency's employees participated in 60 temporary administrations managing credit institutions as appointed by the Bank of Russia; this facilitated speeded-up commencement of 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.

In addition, within the framework of business process reengineering aimed at improvement of effectiveness of liquidation proceedings and building of "end-to-end" liquidation process, the Agency employees who took part in the work of temporary administrations of the Bank of Russia managing JSCB Legion (JSC), PJSC MJSB Tempbank, PJSC BANK YUGRA and CB Novopokrovsky LLC performed additional functions managing the credit institutions in terms of organization and support of HR work and organization of scientific and technical processing of documents of the credit institutions.

To facilitate the Agency's activity as the receiver (liquidator), specialized organizations to provide legal services, accounting and supporting the register of creditors' 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. were engaged.

As of December 31, 2017, 119 organizations were accredited by the Agency to render services to liquidated credit institutions. 1 306 tenders were held in the reporting year for the right to render services to the banks liquidated by the Agency and 32 tenders to render services of payment acceptance from borrowers of liquidated banks.

4.2 RECEIVERSHIP ESTATE FORMATION FOR SETTLEMENTS WITH CREDITORS

IN ORDER TO FORM THE MAXIMAL RECEIVERSHIP ESTATE WHICH IS THE SOURCE OF SETTLEMENTS WITH CREDITORS OF LIQUIDATED BANKS IN THE REPORTING YEAR THE AGENCY INTRODUCED NEW APPROACHES TO HANDLING ASSETS OF LIQUIDATED CREDIT INSTITUTIONS.

In the course of work, analysis of the structure and quality of assets of liquidated credit institution was conducted and assets that are the most important for the formation of receivership estates and requiring individual approach were detected.

Special attention was paid to the identification of assets belonging simultaneously to several liquidated financial institutions (cross assets), for example, securities, interests, claims to one borrower or a group of related parties, etc, and the assets belonging to the group of related parties within one liquidated financial institution. In respect of such assets the Agency provided for making consolidated decisions on organization of their handling, including when determining the procedure, conditions and terms of sale, representing the interests of the liquidated financial institution in the bankruptcy proceedings of related or common debtors, agreeing upon the approaches to judicial work and considering requests to change the conditions of fulfillment of obligations, etc.

The credit portfolio was analyzed at an early stage of assets handling.

The credit portfolio of legal entities was analyzed by the composition and structure, liquidity of pledged property, degree of economic activity of debtors and by identified groups of related parties.

To determine feasibility of transfer of the credit portfolio provided to individuals to a servicer, approaches to the analysis of the structure and quality of such portfolios were developed. To effectively sell the retail loans, the key parameters of consolidation of loans by homogeneous characteristics into the pools (segments) to form the lots (sets for sale) focused on the respective category of purchasers were determined.

Approaches to formation of combined lots were introduced, including by territorial principle, homogeneity of lot composition, restrictions as to the quantity and sized of loans.

In the reporting year the Agency implemented the pilot project "Comprehensive support of the credit portfolio of ANCOR BANK (JSC) provided to individuals" with attraction of a servicer that will be responsible for collection of overdue debt, including extra-judicial and judicial collection.

In 2017, on the basis of internal regulatory documents, within the framework of financial analysis of credit institutions, the Agency arranged evaluation of assets of 57 banks subject to liquidation in the reporting year and at the end of 2016. In compliance with the acting legislation of the Russian Federation, at the request of creditors, independent evaluation of assets of 73 liquidated credit institutions was completed.

In the reporting year 118.3 billion rubles were recovered from assets of liquidated credit institutions (in 2016–112.8 billion rubles), including: mandatory reserves deposited with the Bank of Russia amounted to 6.2 billion rubles; cash in hand and on correspondent accounts with the Bank of Russia – 22.4 billion rubles; receipts from sale and recovery of assets – 89.7 billion rubles (59.8 billion rubles received as the results of repayment and recovery of loans; 7.1 billion rubles were balances on banks' correspondent accounts with the clearing houses; 13.7 billion rubles – securities; 2.9 billion rubles – fixed assets; 6.2 billion rubles – other assets).

As compared with 2016, proceeds from assets handling increased 1.2 times (from 75 billion to 89.7 billion rubles), mainly due to the increase in proceeds from debt repayment under loans to individuals and legal entities and sale/redemption of securities (Figure 16).

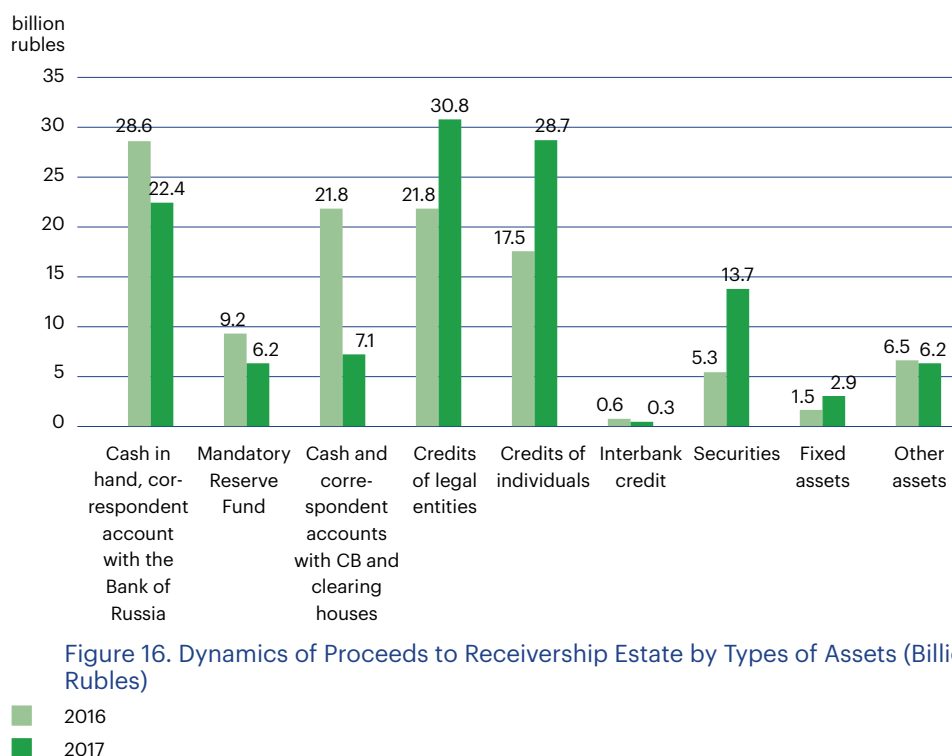


Figure 16. Dynamics of Proceeds to Receivership Estate by Types of Assets (Billion Rubles)

■ 2016
■ 2017

As the result of actions taken by the Agency and aimed at repayment of debt by debtors of liquidated credit institutions, proceeds from repayment of debt based on court decisions increased 1.8 times as compared with the previous year and proceeds from asset sale increased 2.5 times. The main source of proceeds

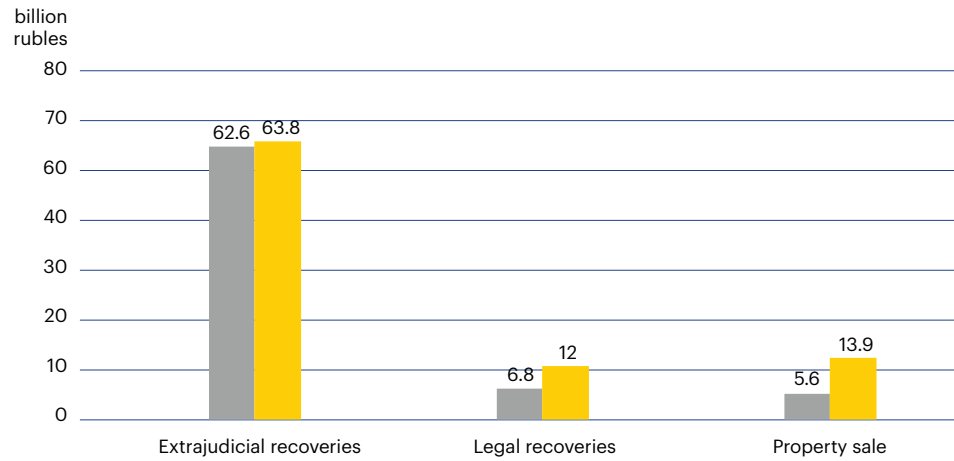
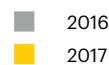


Figure 17. Dynamics of Proceeds to Receivership Estate by Types of Collection³



(63.8 billion rubles) to receivership estate was extra-judicial debt collection (Figure 17).

To recover assets of liquidated credit institutions, 86 thousand claims (totaling 1 541 billion rubles) were sent to arbitration courts and courts of law in the reporting period.

78 thousand claims (totaling 824 billion rubles) were satisfied; 8 thousand claims (120 billion rubles) were dismissed.

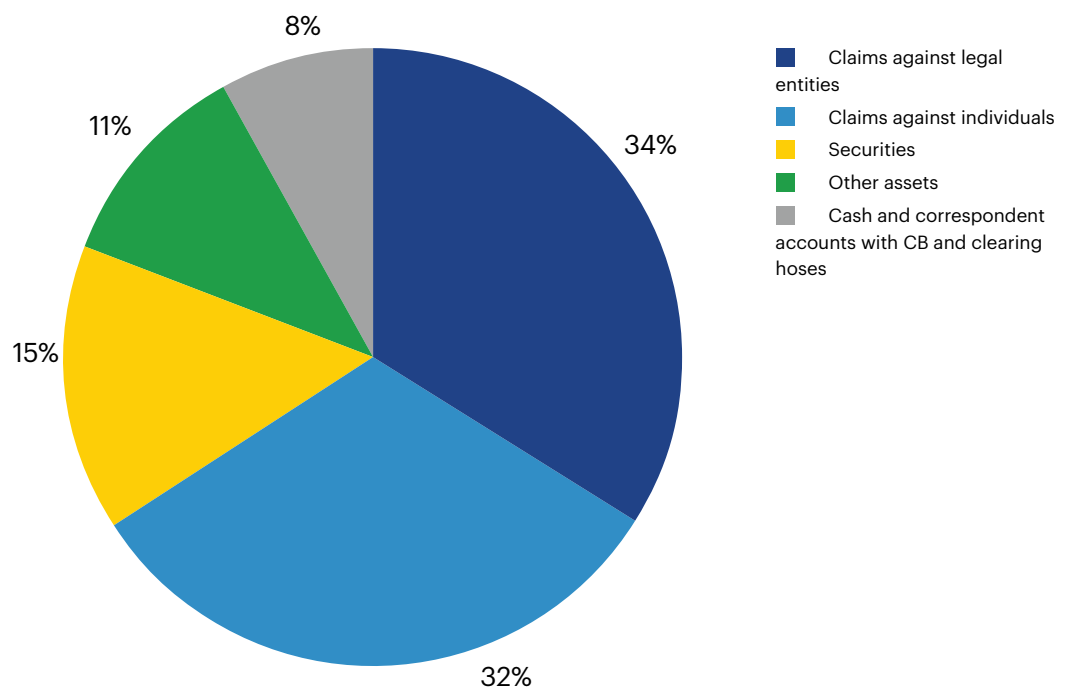


Figure 18. Extra-judicial Proceeds to Receivership Estates by Types of Assets

3

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

As of December 31, 2017 a total of 250 thousand claims were brought for the total amount of 2 922 billion rubles, 149 thousand enforcement proceedings totaling 1 144 billion rubles, of which 70 thousand (totaling 730 billion rubles) were initiated in the reporting year.

As the result of judicial work and debt collection through enforcement proceedings initiated, the proceeds to the bankruptcy estates from debtors of liquidated credit institutions amounted to 12 billion rubles. Proceeds from debt collection under claims to legal entities increased 2.4 times as compared to the previous year (from 3.3 billion to 7.8 billion rubles), to individuals – 2.7 times (from 1.3 billion to 3.5 billion rubles).

In 2017, as established by federal laws, the Agency held 1 345 sales with the property of 271 liquidated banks, including 728 auctions, 469 public offerings in electronic form, 27 sales on the organized securities market; 110 times the property with the book value less than 100 thousand rubles was sold through public offerings not in the electronic form. 13.9 billion rubles were received to the receivership estates from sale of property which exceeds the same indicator of the previous year 2.5 times.

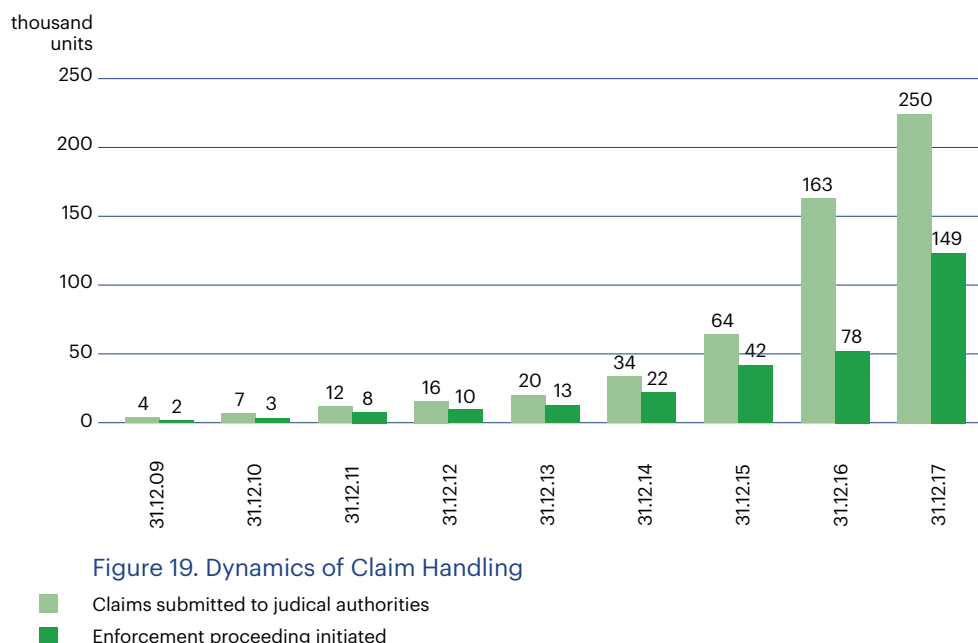


Figure 19. Dynamics of Claim Handling

Growth in sale volume was achieved both at the expense of growth of sale of securities on the exchange market and at the expenses of general increase in volume of claims subject to sale.

The major part of proceeds from the asset sale was income from the sale of securities (43.6% of total proceeds), claims to legal entities and individuals (34.8%) and real estate (18.5%).

Such sales' growth was caused not only by an increase in the number of assets subject to sale but by more active market promotion, including through the information portal of the Agency – www.torgiasv.ru (the Portal), improvement of quality and transparency of information provided and sale procedures.

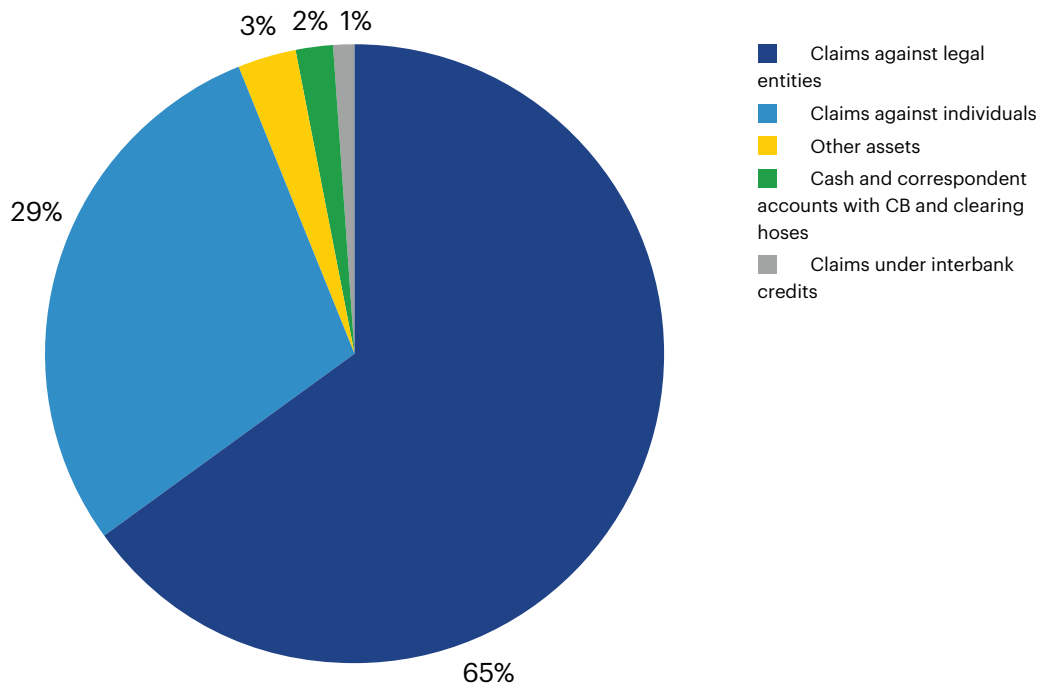


Figure 20. Judicial Proceeds to Receivership Estates by Types of Assets

In 2017 information on 111 422 sold lots was posted on the Portal which in 2.4 times more than in 2016, the number of posted photos was 25 289 (2.24 times more). Significant increase in the number of views and unique visitors of the Portal and requests sent by the visitors of the Portal testifies to feedback. In 2017 the number of views was 34.7 million which is 2.36 times more than in 2016, the number of unique visitors was 1.4 million (3 times more), the number of requests was 15 069 (2.1 times more).

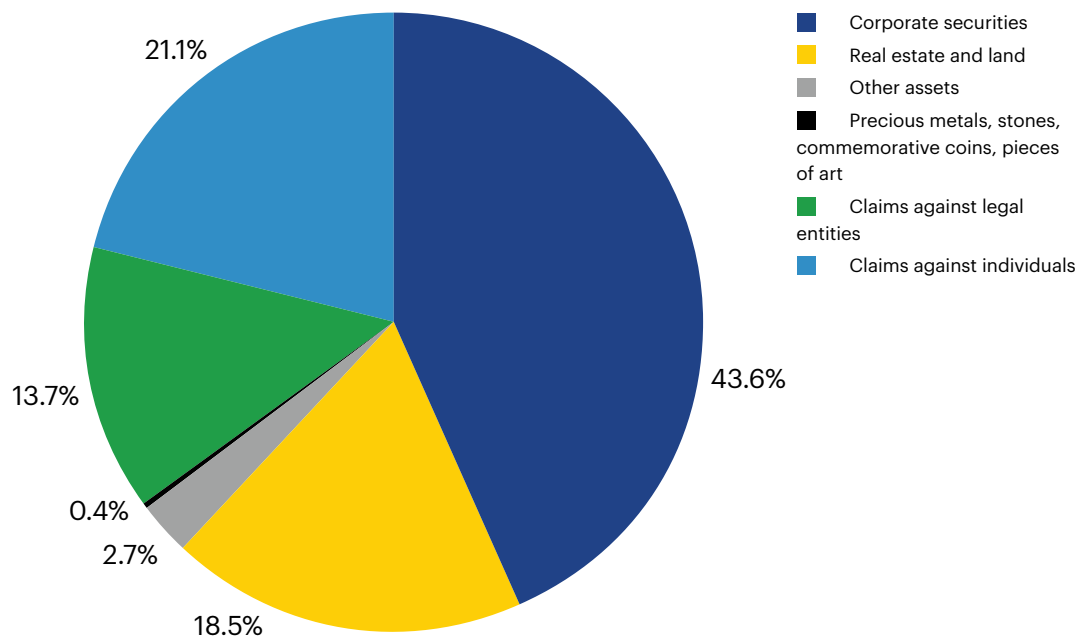


Figure 21. Proceeds to Receivership Estates from Property Sale by Types of Assets

To further improve the procedures of sale of assets of liquidated credit institutions, in the reporting year the new format of sale of assets of liquidated banks with the book value less than 100 thousand rubles was developed, tested and implemented — non-electronic auction.

In 2017 there were 11 non-electronic auctions which resulted in sale of almost two thirds of lots for the total amount of about 6 million rubles, the number of participants exceeded 150 persons.

This format of assets sale allowed to materially speed-up their sale and increase the number of potential buyers and, therefore, strengthen competitions among them which led to the increase in the volumes of sales as compared with electronic sales. Therefore, the Agency plans to significantly increase the number of non-electronic auctions to be held in the future.

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 CONTRIBUTING TO A CREDIT INSTITUTION FAILURE.

In the reporting year, inspections to identify dubious transactions were performed in 69 credit institutions. Transactions to be contested were identified in 65 credit institutions. The respective action plans to contest dubious transactions were approved and implemented.

In 2017, 4 536 cases seeking to contest dubious transactions of liquidated credit institutions were considered in courts of law and arbitration courts, with 2 507 cases based on the claims filed in the reporting year. 1 387 claims of the Agency were sustained. 2.8 billion rubles were received to be included in the bankruptcy estates of liquidated credit institutions as the result of contesting dubious transactions by the Agency in 2017.

In the reporting years investigations of circumstances of bankruptcy of 58 credit institutions were completed, with evidences of intentional bankruptcy identified in 45 banks; in respect of 4 credit institutions (CJSC IpoTek Bank, JSCB IntrustBank (OJSC), OJSC MCB Zamoskvoretsky and IJSB Dig-Bank (OJSC)) opinions were made on impossibility to identify the circumstances of bankruptcy; in 9 banks (United National Bank (LLC), IPOZEMbank LLC, "May Bank. Ipoteka (OJSC), RNKO RC ENERGOBUSINESS (LLC),

ESIDBANK LLC, OJSC Purpe Bank, OJSC Investbank BZL, CB First Deposit LLC and Centercombank LLC) the evidences of intentional bankruptcy were not identified.

The Agency sent to courts 58 claims seeking to impose financial liability on ex top-managers of banks for the amount of 216.7 billion rubles. Claims of the Agency to recover damages were satisfied in respect of the executives of Travel Bank LLC (60 million rubles), CB OGNI MOSKVY LLC (6 028 million rubles), CB IKF LLC (252.4 million rubles), CB Transinvestbank (LLC) (244 million rubles) and JSIB Imbank (OJSC) (180 million rubles).

Claims of the Agency to bring to subsidiary liability executives of CB VBB LLC, Vitas Bank LLC, OJSC RUSICH CENTER BANK, CIIB SOCHI LLC and OJSC Udmurtinveststroybank in the amount of 236 million rubles, 3 304 million rubles, 361 million rubles, 2 365 million rubles and 85 million rubles, respectively, were also satisfied.

Claims of the Agency to recover damages from ex top-managers of OJSC JSB "Southern Trade Bank" for the amount of 17 million rubles, MI-Bank (OJSC) for the amount of 450 million rubles, Bank "Russian Banker's House" (CJSC) for the amount of 884 million rubles, VSB LLC for the amount of 426.8 million rubles and to bring to subsidiary liability of former executives of CB RATIBOR-BANK LLC for the amount of 318.4 million rubles and OJSC "Municipal Commercial Bank" for the amount of 158.9 million rubles were dismissed.

134 filings based on identified evidences of different crimes as discovered in credit institutions were submitted to the law-enforcement authorities, including: 36 — evidences of intentional bankruptcy; 77 — evidences of misappropriation of funds and property of credit institutions, and evidences of abuse of authority exercised by top-managers and employees of credit institutions; 3 — evidences of attempted misappropriation of funds from the mandatory deposit insurance fund; 18 — other grounds.

In the reporting period 177 criminal cases were initiated, including: 156 based on evidences of misappropriation of funds and property of credit institutions and evidences of abuse of authority exercised by top-managers and employees of the credit institutions; 5 — evidences of deliberate bankruptcy; 7 — attempted theft from the mandatory deposit insurance fund; 9 — other grounds.

Guilty verdicts were brought under 32 criminal cases.

1. On January 19, 2017 the Nikulinsky District Court of Moscow found former Chairman of the Board of Directors of CB Gagarinsky (JSC) E. Sh. Kadyrgulov guilty of three crimes stipulated by part 4 of Article 159 (fraud) of the Criminal Code of the Russian Federation, he was sentenced to imprisonment for 5 years. The sentence recognized the right of the bank to satisfy the civil claim, size of claim compensation was transferred for consideration under civil proceedings. The verdict came into legal force.

2. On February 1, 2017 the Kaspiysky Municipal Court of the Republic of Dagestan found N. M. Magomedova (former advisor of the Primosky Branch of Dageneregobank LLC and head of Kaspysky Branch of ESIDBANK LLC) guilty of the crimes stipulated by part 3 and part 4 of Article 160 (embezzlement) of the Criminal Code of the Russian Federation, part 3 and part 4 of Article 159 (fraud) of the Criminal Code of the Russian Federation, she was sentenced to imprisonment for 5 years and 6 months. The sentence recognized the right of Dageneregobank LLC and ESIDBANK LLC to satisfy the civil claims, size of claims compensation

was transferred for consideration under civil proceedings. The verdict came into legal force.

3. On February 7, 2017 the Sovetsky District Court of Makhachkala found G. R. Rabadanova (former deputy Chairman of the Management Board of CB NAFTABANK LLC) guilty of the crimes stipulated by part 2 of Article 210 (organization of criminal community (criminal group) or participation in it) of the Criminal Code of the Russian Federation, part 4 of Article 159 (fraud) of the Criminal Code of the Russian Federation and part 2 of Article 172 (illegal banking) of the Criminal Code of the Russian Federation, she received a 6 year suspended prison sentence and was sentenced to the fine in the amount of 200 thousand rubles. The court satisfied civil claims of the bank and the Agency for 3 million rubles and 2 million rubles, respectively. The verdict came into legal force.

4. On April 21, 2017 the Tushinsky District Court of Moscow found former Chairman of the Management Board of REGNUM BANK (LLC), A.F. Khasanov guilty of the crime stipulated by Article 1 (falsification of financial accounting documents and reporting of financial organization) of the Criminal Code of the Russian Federation, he was sentenced to a fine in the amount of 500 thousand rubles. The verdict came into legal force.

5. On April 26, 2017 the Ostankino District Court of Moscow found the former head of Corporate Finance Department of OJSC JSCB Probusinessbank, N.V. Alekseev, guilty of the crime stipulated by part 4 of Article 160 of the Criminal Code of the Russian Federation (embezzlement), he was sentenced to imprisonment for 4 years. The verdict satisfied the civil claim of the bank amounting to 2 443 million rubles. The ruling of appeal of the Moscow Municipal Court dated July 5, 2017 changed the verdict. N. V. Alekseev was sentenced to imprisonment for 3 years and 8 months and the fine in the amount of 800 thousand rubles. The right of the bank to satisfy the civil claim was recognized, size of claim compensation was transferred for consideration under civil proceedings.

6. On May 11, 2017 the Zamoskvoretsky District Court of Moscow found former Chairman of the Management Board of OJSC PRB, O.V. Kurbatov, actual owner of the bank, G.B. Balayan, and their accomplice, G. V. Zimatkin, guilty of the crimes stipulated by part 4 of Article 160 of the Criminal Code of the Russian Federation (embezzlement) and part 2 of Article 201 (abuse of powers) of the Criminal Code of the Russian Federation. O. V. Kurbatov was sentenced to imprisonment for 6 years and 6 months and the fine in the amount of 700 thousand rubles, G. B. Balayan was sentenced to imprisonment for 7 years and the fine in the amount of 800 thousand rubles, G. V. Zimatkin was sentenced to imprisonment for 4 years and the fine in the amount of 700 thousand rubles. The sentence recognized the right of the bank to satisfy the civil claim, size of claim compensation was transferred for consideration under civil proceedings. The verdict came into legal force.

7. On May 12, 2017 the Khamovniki District Court of Moscow found the former president of Vneshprombank LLC, L.I. Markus, and vice president of the bank, E.V. Glushakova, guilty of the crimes stipulated by part 4 of Article 159 (fraud) of the Criminal Code of the Russian Federation and part 4 of Article 160 of the Criminal Code of the Russian Federation (embezzlement). L. I. Markus was sentenced to imprisonment for 9 years, E.V. Glushakova was imprisoned for 4 years. The sentence recognized the right of the bank to satisfy the civil claim, size of claim compensation was transferred for consideration under civil proceedings. The ruling of appeal of the Moscow Municipal Court dated August 15, 2017 changed the verdict — L.I. Markus was finally sentenced to imprisonment for 8 years and 6 months, the remaining part of the verdict remained unchanged and came into legal force.

8. On May 12, 2017 the Anapa Municipal Court found the former manager of the Additional Office № 5 Anapa of the Sochi Branch of OJSC Bank Narodny

Credit, V.G. Polenitsa, the former head of regional development department of the bank, V.A. Korobov, former credit specialist of the bank, I.A. Porkhunova, former leading specialist of the information analytical department of the bank, A.N. Ovsyannikov, former customer relations specialist, Yu.A. Medzhitova and their accomplices, A.M. Zakariyan, A.A. Terteryan, A.A. Belozarov, R.R. Nersesyan, V.N. Dolgaya, K.E. Gavrikov, A.V. Bondarenko, M.A. Zhevnyak, M.A. Chayka, I.A. Gnezdilov, S.P. Grebenkina, M.V. Usikov, R.V. Usikov and A.A. Shutov guilty of the crimes stipulated by part 4 of Article 159 (fraud) of the Criminal Code of the Russian Federation, parts 2–4 of Article 1 (fraud in lending) of the Criminal Code of the Russian Federation. V.G. Polenitsa was sentenced to imprisonment for 8 years, V.A. Korobov was sentenced to imprisonment for 7 years, I.A. Porkhunova, Yu.A. Medzhitova and A.N. Ovsyannikov received a 4 year suspended prison sentence, their accomplices was sentenced to imprisonment for different terms (some of them received suspended prison sentence), The sentence recognized the right of the bank to satisfy the civil claim, size of claim compensation was transferred for consideration under civil proceedings. The verdict came into legal force.

9. On May 22, 2017, the Uraysky Municipal Court of Khanty-Mansy Autonomous Region — Yugra found former Chairman of the Management Board of Uraycombank LLC, V.P. Bezzubenko guilty of the crime stipulated by part 4 of Article 160 of the Criminal Code of the Russian Federation (embezzlement), he received a 4 year suspended prison sentence.

10. On May 25, 2017 the Ostankino District Court of Moscow found the former head of the department of OJSC JSCB Probusinessbank for interaction with shareholders and subsidiaries, M.M. Krylova guilty of the crime stipulated by part 4 of Article 160 of the Criminal Code of the Russian Federation (embezzlement), she was sentenced to imprisonment for 3 years and 6 months and the fine in the amount of 1 million rubles. The claim of the bank was dismissed due to its satisfaction in the course of consideration of the criminal case in relation to N.V. Alekseev. The ruling of appeal of the Moscow Municipal Court dated July 31, 2017 changed the verdict, 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.

11. On May 31, 2017 the Gubkinsky District Court of Yamalo-Nenetsky Autonomous District found the former leading operator of Mercury cash office of OJSC SIBNEFTBANK, S.P. Aronsky, guilty of the crimes stipulated by part 2 and part 3 of Article 160 of the Criminal Code of the Russian Federation (embezzlement), he was sentenced to imprisonment for 3 years. The verdict came into legal force.

12. On June 27, 2017 the Sarovsky Municipal Court of Nizhny Novgorod Region found O.S. Sinkova (former director of Sarovsky Branch of JSC Greenfieldbank) guilty of the crime stipulated by part 4 of Article 160 of the Criminal Code of the Russian Federation (embezzlement), she received a 3 year suspended prison sentence. The sentence recognized the right of the bank to satisfy the civil claim, size of claim compensation was transferred for consideration under civil proceedings. The verdict came into legal force.

13. On June 28, 2017 the Butyrsky District Court of Moscow found E.A. Levina (former leading specialist of the operational department of the Altufievo Additional Office of JSC RosinterBank) guilty of the crime stipulated by part 3 of Article 159 of the Criminal Code of the Russian Federation (fraud), she received a 2 year suspended prison sentence. The verdict satisfied the civil claim of the bank amounting to 209 thousand rubles. The verdict came into legal force.

14. On June 30, 2017 Khamovniki District Court of Moscow found the former president of CB VBB LLC, O.E. Shershnev guilty of the crime stipulated by part 4 of Article 160 of the Criminal Code of the Russian Federation (embezzlement), he

was sentenced to imprisonment for 3 years and 6 months, the civil claim of the bank amounting to 9 million rubles was satisfied. The verdict came into legal force.

15. On July 17, 2017 the Tverskoy District Court of Moscow found the former shareholder and member of the Board of Directors of JSCB Investbank (OJSC), S.B. Mastuyugin and former acting Chairman of the Management Board of the bank, O.V. Borgardt, guilty of the crimes stipulated by part 2 of Article 201 (abuse of powers) and part 4 of Article 160 of the Criminal Code of the Russian Federation (embezzlement), they were sentenced to imprisonment for 8 and 6 years, respectively. The sentence recognized the right of the bank to satisfy the civil claim, size of claim compensation was transferred for consideration under civil proceedings.

16. On August 14, 2017 the Basmany District Court of Moscow found T. Yu. Okuneva (former deputy head of the credit department of OJSC RUSICH CENTER BANK) guilty of the crime stipulated by part 4 of Article 159 of the Criminal Code of the Russian Federation (fraud), she received a 4 year suspended prison sentence. The sentence satisfied the civil claim of the bank for damages amounting to 1 149 million rubles. The verdict came into legal force.

17. On August 21, 2017 the Zamoskvoretsky District Court of Moscow found the former member of the Board of Directors of CB Okhotny Ryad (LLC), V.V. Parakhin, and the former Chairman of the Management Board of the bank, E. A. Vladimirova, guilty of the crime stipulated by part 4 of Article 160 of the Criminal Code of the Russian Federation (embezzlement), and E. A. Vladimirova was also found guilty of the crime stipulated by part 4 of Article 159 of the Criminal Code of the Russian Federation (fraud), V.V. Parakhin was sentenced to imprisonment for 3 years, E. A. Vladimirova received a 5 year suspended prison sentence. The sentence recognized the right of the bank to satisfy the civil claim, size of claim compensation was transferred for consideration under civil proceedings. On August 30, 2017 the sentence on the civil claim was appealed against.

18. On August 28, 2017 the Basmany District Court of Moscow found the former Chairman of the Management Board of CB OGNI MOSKVY LLC, A.V. Nikolaenko, former financial director of the bank, A.V. Bashmakov, former deputy Chairman of the Management Board of the bank, A.V. Velmakina, former managers of the Central Additional Office of the bank, G.V. Zhdanov, former director of the Customer Relations Department, I.V. Ionkina, former manager of Central Additional Office of the bank, E.O. Konortseva and their accomplice, T.A. Pushkareva, guilty of the crimes stipulated by part 4 of Article 160 of the Criminal Code of the Russian Federation (embezzlement) and/or part 4 of Article 159 of the Criminal Code of the Russian Federation (fraud), they were sentenced to imprisonment (A.V. Bashmakov — for 7 years, A.V. Nikolaenko — for 5 years, A.V. Velmakina — for 3 years, T.A. Pushkareva — for 3 years and 6 months, E.O. Konortseva — for 4 years, I.V. Ionkina — for 3 years, G.V. Zhdanov — for 3 years). The sentence recognized the right of the bank to satisfy the civil claim, size of claim compensation was transferred for consideration under civil proceedings.

19. On September 4, 2017, the Tersmy District Court of Kabardino-Balkarskaya Republic found M. Kh. Guzitaeva (former leading sales and customer service specialist of PJSC CB EUROCOMMERCE) guilty of the crime stipulated by part 4 of Article 159 of the Criminal Code of the Russian Federation (fraud), she was sentenced to imprisonment for 2 years and 6 months (with suspended execution). The verdict satisfied the civil claim of the bank amounting to 6 million rubles. The verdict came into legal force.

20. On September 12, 2017 the Nikulinsky District Court of Moscow found the former chief accountant of CB Instroybank LLC, N. Yu. Sukhova, guilty of the crime stipulated by part 4 of Article 159 of the Criminal Code of the Russian Federation (fraud), he received a 3 year suspended prison sentence. The sentence recognized

the right of the bank to satisfy the civil claim, size of claim compensation was transferred for consideration under civil proceedings. The verdict came into legal force.

21. On September 21, 2017 the Naberezhnochelninsky Municipal Court of the Republic of Tatarstan found L. F. Yarullina (former head of additional office № 55 of OJSC TATAGROPROMBANK) guilty of the crime stipulated by part 4 of Article 159 of the Criminal Code of the Russian Federation (fraud), he received a 3 year suspended prison sentence. The verdict satisfied the civil claim of the bank to L. F. Yarullina amounting to 8 million rubles. The verdict came into legal force.

22. On September 26, 2017 the Vsevolzhsky Municipal Court of the Leningrad Region found the former First Deputy Director of JSC Ruskobank, A. V. Yurkovets guilty of the crime stipulated by part 2 of Article 201 (abuse of powers) of the Criminal Code of the Russian Federation, he was sentenced to the fine in the amount of 400 thousand rubles. The verdict came into legal force.

23. On October 4, 2017 the Sovetsky District Court of Ryazan found the former Chairman of the Management Board of RICB Rinvestbank LLC, M. K. Tkachev guilty of the crimes stipulated by part 4 of Article 159 of the Criminal Code of the Russian Federation (fraud) and part 2 of Article 195 (illegal actions in case of bankruptcy) of the Criminal Code of the Russian Federation, he received a 1 year and 9 months suspended prison sentence. The sentence partially (in the amount of 7 million rubles) satisfied the civil claim of the bank. In the remaining part (82 million rubles), the right of the bank to satisfy the civil claim was recognized, size of claim compensation was transferred for consideration under civil proceedings. The verdict came into legal force.

24. On October 6, 2017 the Podolsk Municipal Court found the former shareholder of CJSC Promsberbank, A. A. Kulikov, former head of the corporate funding department, Z. B. Musina, and former assistant to the Chairman of the Management Board of the bank, A. V. Kibitsky, guilty of the crimes stipulated by part 4 of Article 159 of the Criminal Code of the Russian Federation (fraud) and/or part 4 of Article 160 of the Criminal Code of the Russian Federation (embezzlement), they were sentenced to imprisonment (A. A. Kulikov — for 9 years, Z. B. Musina — for 5 years, A. V. Kibitsky — for 3 years). The sentence recognized the right of the bank to satisfy the civil claim, size of compensation was transferred for consideration under civil proceedings. At the same time, the court canceled arrests levied on the property of convicted and other persons. On October 13, 2017 the Agency sent to the Moscow Regional Court a complaint to the verdict in terms of cancellation of the arrests levied.

25. On October 6, 2017 the Zamoskvoretsky District Court of Moscow found former acting Chairman of the Management Board of CB EUROTRUST (CJSC), P. O. Zhurin, former Chairman of the Board of Directors of the bank, A. V. Krysin, former chief accountant of the bank, S. A. Ayvaz, former director of the Financial Department of the bank, O. P. Bocharova, and former director of the Financial Markets Operations Department of the bank, A. S. Esakov, guilty of the crimes stipulated by part 4 of Article 160 of the Criminal Code of the Russian Federation (embezzlement) and part 4 of Article 159 of the Criminal Code of the Russian Federation (fraud). The convicted persons were sentenced to imprisonment and fine (A. V. Krysin — for 8 years and the fine in the amount of 800 thousand rubles; P. O. Zhurin — for 6 years and the fine in the amount of 500 thousand rubles; O. P. Bocharova — for 5 years and 6 months and the fine in the amount of 500 thousand rubles; A. S. Esakov — for 5 years and 6 months and the fine in the amount of 500 thousand rubles, S. A. Ayvaz — 5 year suspended prison sentence and the fine in the amount of 500 thousand rubles). The sentence recognized the right of the bank to satisfy the civil claim, size of claim compensation was transferred for consideration under civil proceedings.

26. On October 11, 2017 the Preobrazhensky District Court found the former acting Chairman of the Management Board of OJSC CB MUST-Bank, A. V. Chemetov,

guilty of the crime stipulated by part 4 of Article 160 of the Criminal Code of the Russian Federation (embezzlement), he was sentenced to imprisonment for 4 years and 6 months. The sentence recognized the right of the bank to satisfy the civil claim, size of claim compensation was transferred for consideration under civil proceedings. On October 18, 2017 the Agency sent to the Moscow Municipal Court a complaint to the verdict in terms of satisfaction of the civil claim. The ruling of appeal of the Moscow Municipal Court dated November 27, 2017 dismissed the complaint, the verdict came into legal force.

27. On October 16, 2017 the Zamoskvoretsky District Court of Moscow found the former acting Chairman of the Management Board of JSC JSCB Stella-Bank, O.V. Petrov, guilty of the crime stipulated by part 4 of Article 159 of the Criminal Code of the Russian Federation (fraud), he was sentenced to imprisonment for 1 year and 1 month. The verdict satisfied the civil claim of the bank amounting to 1 924 million rubles. The verdict came into legal force.

28. On October 19, 2017 the Presnensky District Court of Moscow found the former Chairman of the Management Board of Interactive Bank (LLC), A.V. Bulatchik, guilty of the crime stipulated by part 1 of Article 201 of the Criminal Code of the Russian Federation (abuse of powers), she received a 1 year suspended prison sentence. The verdict satisfied the civil claim of the bank amounting to 5 million rubles. The verdict came into legal force.

29. On October 24, 2017 the Sovetsky District Court of Makhachkala found the former head of the cash desk of CB NAFTABANK LLC, T.E. Samedova, guilty of the crimes stipulated by part 2 of Article 210 (organization of criminal community (criminal group) or participation in it) of the Criminal Code of the Russian Federation, part 4 of Article 159 (fraud) of the Criminal Code of the Russian Federation and part 2 of Article 172 (illegal banking) of the Criminal Code of the Russian Federation, she received a 6 year and 6 months suspended prison sentence and was sentenced to the fine in the amount of 400 thousand rubles. The court satisfied civil claims of the bank and the Agency for 3 million rubles and 2 million rubles, respectively.

30. On November 1, 2017 the Blagoveschensky Municipal Court of the Amur Region found the former Chairman of the Board of Directors of OJSC Vostokkreditbank, M. Yu. Serkin, and the former Chairman of the Management Board of the bank, A.V. Konchalin, guilty of the crime stipulated by part 1 of Article 195 (illegal actions in case of bankruptcy) of the Criminal Code of the Russian Federation, each of them was sentenced to imprisonment for 2 years, the convicted persons are released from punishment in connection with expiration of criminal prosecution limitation period. The right of the bank to satisfy the civil claim was recognized by the court, size of claim compensation was transferred for consideration under civil proceedings. On November 24, 2017 the Agency appealed against the verdict.

31. On November 7, 2017 the Zamoskvoretsky District Court of Moscow found former employees of JSCB EIB CJSC (former deputy head of the account service department, D. Yu. Marova, former chief specialist of the account service department, O.V. Volkova, former senior cashier of the cash operations department, L.L. Mirzoyan, former leading specialist of the account service department, R.S. Mikheev, former senior cashier of the cash operations department, T.N. Pushkova, and former leading cashier of the cash operations department, N.V. Shipova) guilty of the crime stipulated by part 4 of Article 159 of the Criminal Code of the Russian Federation (fraud), they were sentenced to imprisonment (D. Yu. Marova received a 4 year suspended prison sentence, R.S. Mikheev received a 4 year suspended prison sentence, O.V. Volkova received a 3 year and 6 months suspended prison sentence, T.N. Pushkova received a 3 year and 6 months suspended prison sentence, N.V. Shipova received a 4 year suspended prison

sentence, L. L. Mirzoyan received a 3 year and 6 months suspended prison sentence).

32. On November 20, 2017 the Basmany District Court of Moscow found the former deputy head of the credit department of CB IKF LLC, D.V. Kapitanov, guilty of the crime stipulated by part 4 of Article 159 of the Criminal Code of the Russian Federation (fraud), he was sentenced to imprisonment for 2 year and 6 month. The verdict satisfied the civil claim of the bank amounting to 5 million rubles.

4.4 MANAGING CURRENT EXPENDITURES OF LIQUIDATED BANKS

Current expenses for receivership (liquidation) for the reporting year amounted to 20.3 billion rubles which exceeded the same indicator of the previous year 1.2 times.

The main reason of the increase in current expenses was the growth of expenses connected with legal costs. Such expenses make a significant share (33.5%) of the current expenses of liquidated credit institutions.

Due to the increase in the scope of work on debt collection from debtors of liquidated banks in courts, expenses for legal costs and arbitration proceedings increased 1.5 times as compared to the previous year and amounted to 6.8 billion rubles. At the same time, the volume of proceeds to receivership estates from debtors of liquidated credit institutions as the result of judicial work increased 2.5 times as compared to the previous year.

Expenses for payments of salaries decreased 1.2 times as compared to the previous year and amounted to 5.5 billion rubles (27%), out of which 4.2 billion rubles were spent to discharge arrears in salaries and severance pays to dismissed employees. In 2017 in the course of receivership (liquidation), measures were taken in respect of the credit institutions to dismiss more than 11.8 thousand persons (in 2016–13.5 thousand persons).

The structure of expenses on liquidation (bankruptcy) of credit institutions in 2017 is presented on Figure 22.

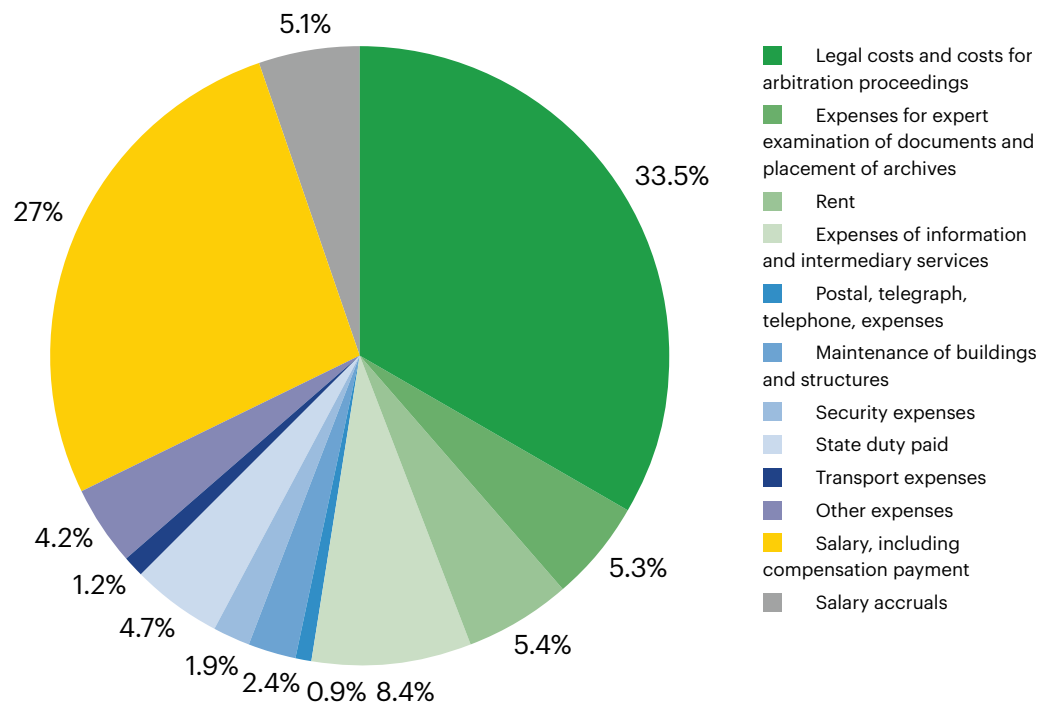


Figure 22. Structure of current expenses on liquidation (bankruptcy) of credit institutions in 2017

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 1.8 billion rubles; 1.2 billion rubles were repaid by the liquidated credit institutions to the Agency during the year.

4.5

VERIFICATION AND SATISFACTION OF CREDITOR CLAIMS, OPERATION OF GOVERNING BODIES OF LIQUIDATED BANKS

AS OF DECEMBER 31, 2017 CLAIMS OF 399.5 THOUSAND CREDITORS OF LIQUIDATED CREDIT INSTITUTIONS TOTALING 2 635 BILLION RUBLES WERE ESTABLISHED, OF WHICH 1 595 9 BILLION RUBLES WERE THE CLAIMS OF GOVERNMENT COMPANIES AND OTHER LEGAL ENTITIES WITH STATE PARTICIPATION, INCLUDING CLAIMS OF THE FEDERAL TAX SERVICE OF RUSSIA AND THE AGENCY. FOR THE REPORTING YEAR THE NUMBER OF CREDITORS INCREASED 1.2 TIMES, THE AMOUNT OF ESTABLISHED CLAIMS INCREASED 1.3 TIMES.

The structure of established creditor claims and the number of creditors of credit institutions where the liquidation procedures has not been completed are presented on Figures 23 and 24.

Claims of the Agency as the first priority creditors to 294 liquidated DIS member banks in respect of insurance payouts and other obligations amounted to 1 444.8 rubles.

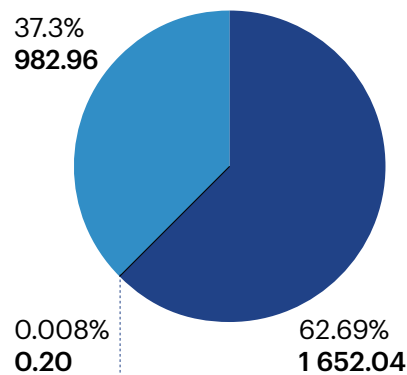


Figure 23. Structure of Established Claims in the Credit Institutions where Liquidation Procedures Continue as of December 31, 2017 (Billion Rubles; %)

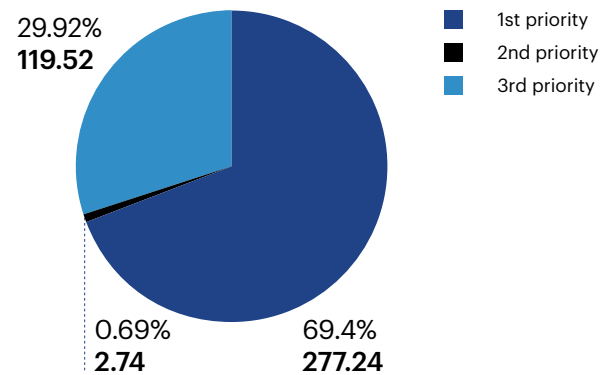


Figure 24. Structure of the Number of Creditors of the Credit Institutions where Liquidation Procedures Continue as of December 31, 2017 (thousand creditors; %)

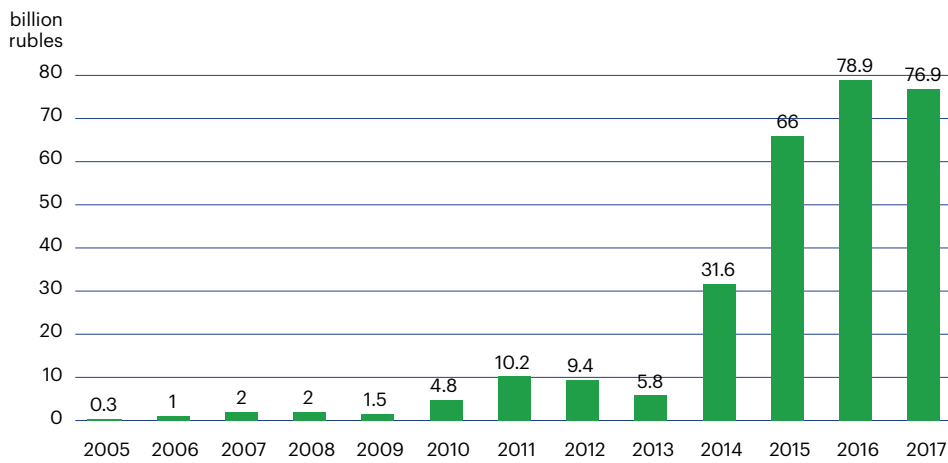


Figure 25. Dynamics of Payments to Meet Creditor Claims throughout the Agency's History (Billion Rubles)

Settlements for 76.9 billion rubles were made with creditors (Figure 25), of which 40.3 billion rubles were allocated to satisfy claims of the Agency as the first priority.

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 36.1% (running total) (Figure 26).

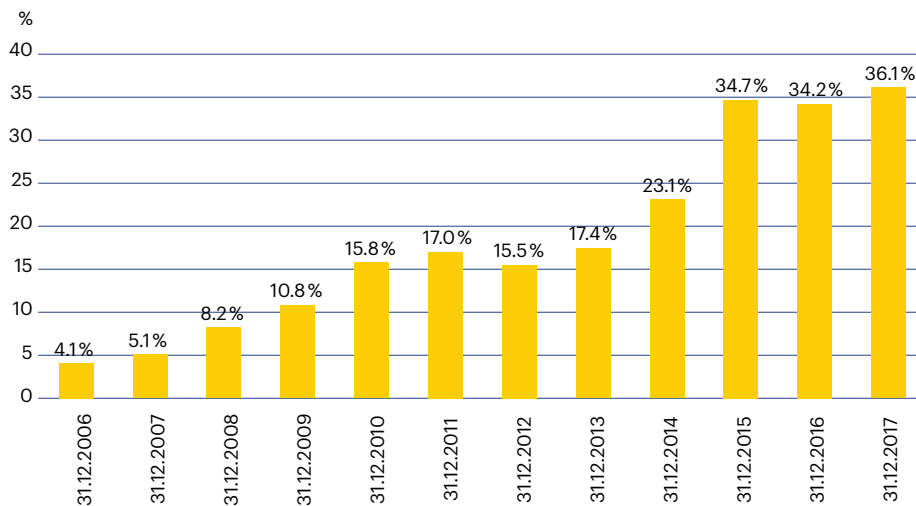


Figure 26. Dynamics of Satisfaction of Creditor Claims in the Banks where Receivership Proceedings were Completed throughout the Agency's History

In terms of the priority of claims, throughout the Agency's history the claims of first priority creditors were satisfied by 62.1% (on the average), second priority — by 14.5%, third priority — by 14.0%.

Compensation in the amount of 0.4 billion rubles and 0.5 billion rubles, respectively, was granted to the creditors of JSCB GALABANK CJSC and OJSC Uralfinprombank. Claims to former executives of the bank were granted to the creditors as the compensation.

In the reporting year, assets remaining after settlements with creditors totaling 4.4 billion rubles were distributed among shareholders (participants) of 10 credit institutions (cash, rights of claim, real estate, securities and other assets).

In the reporting period 139 410 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. 7 231 of which were in respect of creditors of liquidated credit institutions.

In the reporting period 145 meetings of creditors of liquidated credit institutions were convened, with 64 meetings of creditors being the first meetings of creditors where the creditors' committees were formed. 41 meetings of creditors in the regional liquidated credit institutions were held. One of the most significant regional meetings of creditors was the first meeting of creditors of PJSC Tatfundbank in which 653 creditors participated. This meeting of creditors was accompanied by the increased attention of regional authorities and the public to the bankruptcy of the bank which was the second largest bank of the Republic of Tatarstan in terms of assets.

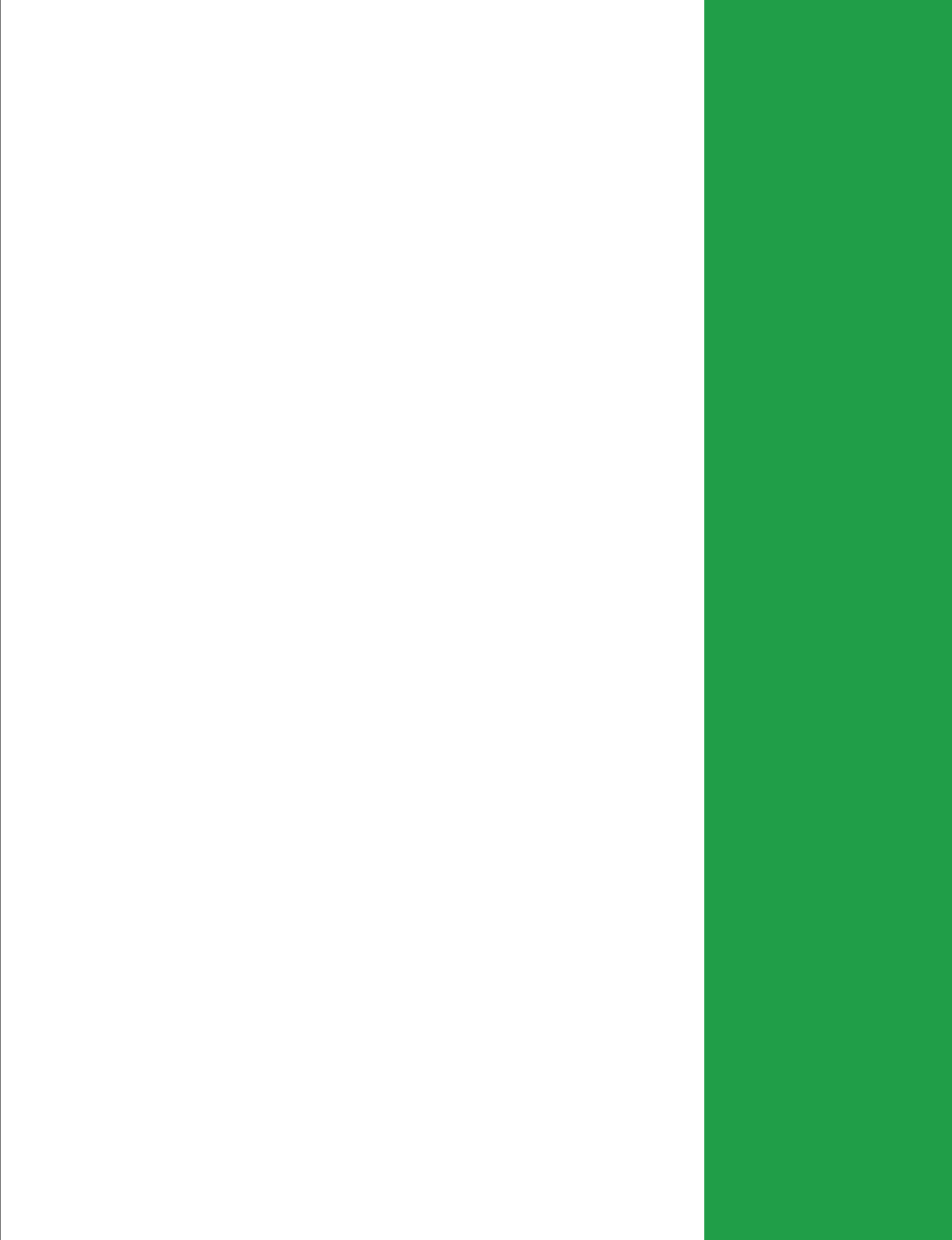
There were 7 meetings of creditors of liquidated credit institutions convened at the initiative of their creditors in order to reelect the creditors' committees. The largest such meeting was the meeting of creditors of OJSC JSCB Probusinessbank where 824 creditors participated.

A total of 4 469 creditors took part in the meetings held. On the average, the creditors holding 85.6% of the total number of votes included in the list of meeting participants took part in the meetings.

As of December 31, 2017 314 creditor committees were operational, of which 312 committees had full powers to decide on the issues referred by the legislation on bankruptcy to the competence of creditors' meetings or creditor committees in full. In the reporting period, 3 558 meetings of creditor committees were held in which 6 650 issues were considered. Decisions proposed by the receiver (liquidator) were supported on most issues (64.66%).

For the reporting period 69.7 thousand of applications of citizens and organizations on the issued within the competence of the Agency were considered and responded to.

In 2017, due to the increase in the number of creditors due to the revocation of banking licenses from large credit institutions the number of requests to the Agency for explanations from the representatives of legislative and executive authorities, law-enforcement authorities, public organizations, courts and notaries increased.





5. The Agency's Operations to Manage Receivership (Forced Liquidation) in Non-government Pension Funds (NPF)

- 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 Creditor Claims, Work of Management Bodies of Liquidated NPF**

5.1

NPF LIQUIDATION MANAGEMENT

AS OF DECEMBER 31, 2017 THE AGENCY CARRIED OUT LIQUIDATION PROCEEDINGS IN 34 NPFs INVOLVED EARLIER IN THE MANDATORY PENSION INSURANCE AND NOT INCLUDED INTO THE PSGS. THERE WERE RECEIVERSHIP PROCEEDINGS IN 10 NPFs AND FORCED LIQUIDATIONS IN 24 NPFs (FIGURE 27).

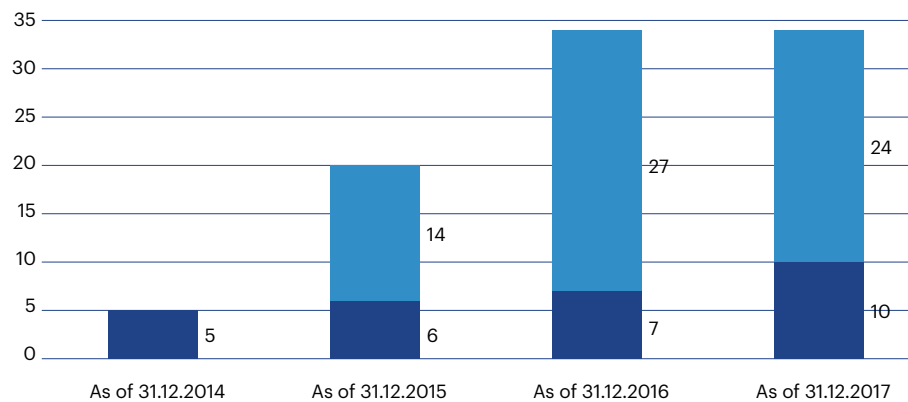


Figure 27. Number of NPFs in Respect of which the Agency Performed the Liquidation Procedures (Running Total)

- Receivership
- Forced liquidation

In the reporting period the Bank of Russia did not cancel licenses for pension support and pension insurance of any NPFs which performed activity on mandatory pension insurance.

Liquidation measures in respect of NPFs were carried out in the order and in compliance with the procedures stipulated by the Law on Bankruptcy for bankruptcy proceedings subject to the peculiarities established by Federal Law dated May 7, 1998 № 75-FZ "On non-government pension funds".

To improve project effectiveness and customer focus, in the reporting year the Agency worked on improvement of the internal methodological base and standards of operation. Within the framework of implementation of the development strategy of the financial markets of the Russian Federation and formation of additional long-term measures aimed at improvement and unification of the liquidation proceedings, the Agency summarized the best practices of law application when managing the liquidation proceedings and prepared the concept of incorporation into the legislation of the Russian Federation on insolvency (bankruptcy) of the unified principles of organization and implementation of the liquidation proceedings of all types of financial institutions.

The need for such work is also caused by detection by the Agency in 2017 of facts of insufficiency of funds to satisfy creditors' claims in most NPFs in the course of forced liquidation.

Eleven applications for declaring NPFs insolvent (bankrupt) and on opening receivership proceedings in respect of them were sent to the arbitration courts in the order approved by the Bank of Russia. In respect of three NPFs the courts made decisions on opening receivership proceedings and appointment of the Agency as the receiver. Transfer from the forced liquidation procedure to bankruptcy will allow to use the statutory mechanisms to bring to civil (subsidiary) liability of persons who controlled the NPFs.

The funds registered in the Moscow Region prevailed among the liquidated NPFs in 2017 (their share exceeded 60%).

The following may be also included into the list of important events of the reporting year aimed at improvement of the NPF liquidation proceedings management system:

Active interaction with the controlling authorities was assured in terms of approval of sale of assets which allowed to sale financial assets of NPFs during organized sales for 0.6 billion rubles. By agreement with the Bank of Russia, NPFs participated in the corporate actions in respect of securities (repurchase by the issuer/third parties) for the total amount exceeding 3 billion rubles.

Tenders held by the Agency provided for transfer, including stage-by-stage, of the obligation to pay appointed life non-government pensions and funds of the pension reserves to the operating non-government pension funds in respect of 8.8 thousand participants in the amount of 2.07 billion rubles making more than 80% of the total amount of the respective obligations of the liquidated NPFs.

The total funds allocated towards payments to creditors of liquidated NPFs, including the insured persons, depositors/participants, amounted to about 15 billion rubles exceeding the same indicator of the previous year 2 times.

Receivership (forced liquidation) proceedings were managed by the Agency's employees and specialized organizations accredited by the Agency. In 2017 there were more than 50 tenders to select specialized organizations, including for the right to conclude with the Agency agreements for assets evaluation, depository and brokerage services, services of systematization and storage of documentation, transport services and e-platform operator services.

The Agency paid much attention to the implementation of measures aimed at informing creditors and other stakeholders on their rights in the course of liquidation proceedings. The respective involvement into the said processes and availability of information in 2017 was achieved through placement of publications (more than 1 100) on the web-site of the Agency, in the Unified Federal Register of Data on Bankruptcy, in the Unified Federal Register of Data on the Facts of Business of Legal

Entities and mass media. In the reporting period the Agency also prepared more than 5 thousand responses to requests of creditors (individuals and legal entities) related to the organization of liquidation proceedings in respect of NPFs. In addition, in the reporting period the Agency regularly analysed and systematized frequently asked questions of NPFs' creditors with subsequent posting on the web-site of the Agency of answers for the target audience.

FORMATION OF FUNDS FOR SETTLEMENTS WITH CREDITORS

5.2

TIMELY WORK ON IDENTIFICATION, INVENTORY TAKING AND COLLECTION OF ASSETS OF LIQUIDATED NPFs, INCLUDING THE MANAGING COMPANIES UNDER TRUST MANAGEMENT AGREEMENTS, ALLOWED TO INITIATE A NUMBER OF COMPREHENSIVE MEASURES FOR FORMATION OF FUNDS FOR SETTLEMENTS WITH CREDITORS.

Given the need to ensure integrity of assets of NPFs, the reporting period saw the operations of transfer of securities with the book value exceeding 1 billion rubles from the custody accounts of a trustee which license for management of investment funds, unit investment funds and non-government pension funds was canceled by the Bank of Russia to the custody accounts of NPFs opened with the accredited specialized organization. Measures on transfer of pension savings from the managing company in which the Bank of Russia has introduced the temporary administration were organized in the amount exceeding 0.7 billion rubles.

The aggregate amount of assets of 34 NPFs liquidated by the Agency was 112.6 billion rubles, according to the accounting data as of the dates of commencement of liquidation proceedings (Figure 28). The total amount of detected

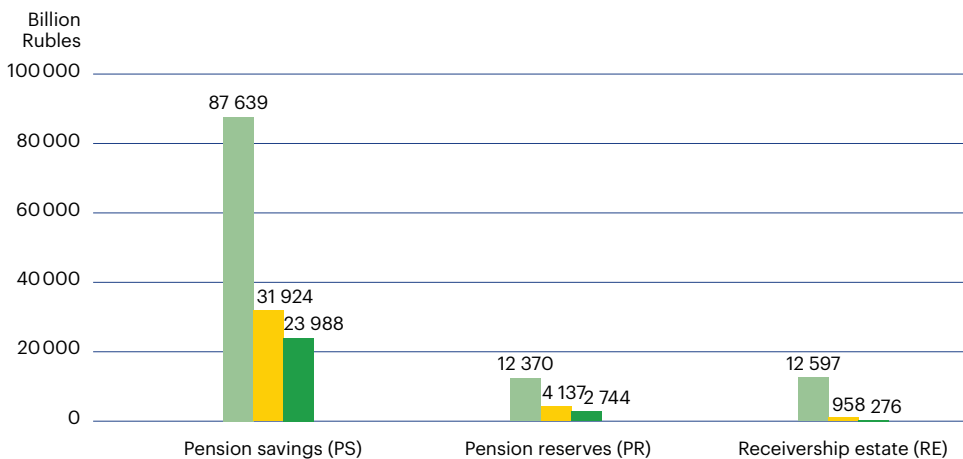


Figure 28. Assets of Liquidated NPFs (Billion Rubles)

- Book value*
 - Estimated value
 - Proceeds
- * The indicator used the book value of assets as of the date of commencement of the receivership proceedings (forced liquidation).

shortage for all NPFs exceeded 4 billion rubles. The Agency took measures aimed at the identification of causes of the shortage, provision for search and recovery of assets and bringing the executives to liability for such actions/wrongdoings.

Long-term financial instruments that lost their value fully or partially prevailed in the investment portfolios of liquidated NPFs. The main share of pension savings and pension reserves is invested/placed with attraction of managing companies related to the fund beneficiaries into low-liquid assets and/or assets with the signs of “technical”: in respect of pension savings — mortgage participation certificates and bonds, in respect of pension reserves — investment units of closed unit investment funds and cash on accounts with failed banks.

The Agency paid great attention to its work with complex assets that were reflected in the books of different liquidated financial institutions. The total book value of such assets belonging to NPFs amounted to 60 billion rubles as of December 31, 2017, the estimated value was about 7 billion rubles (Figure 29). Most issuers of corporate bonds defaulted on repayment of coupon yield and principal. Therefore, the Agency worked on debt collection, including initiation and support of bankruptcy proceedings of common debtors of different financial institutions.

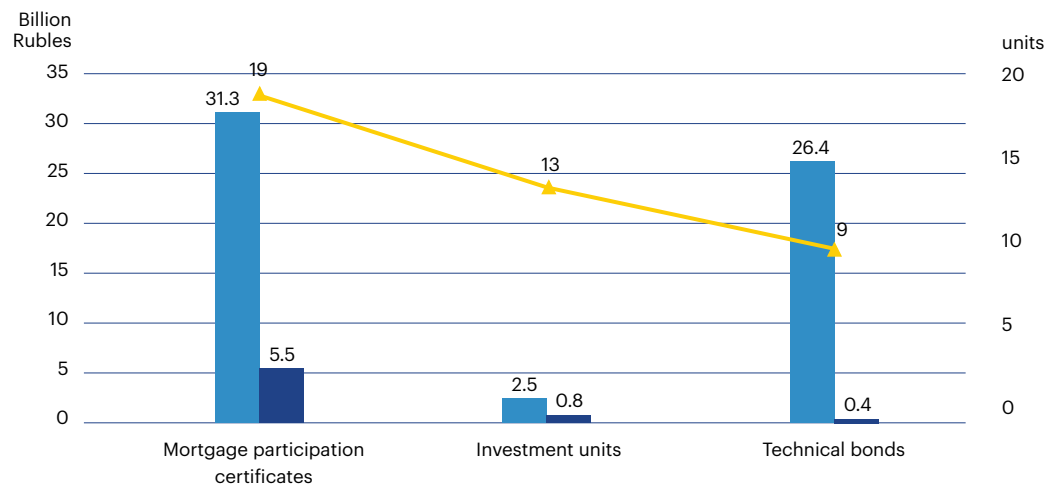


Figure 29. Portfolio of Complex Assets Belonging to NPFs

■ Book value
 ■ Estimated value
 — Number of NPFs

Given the low quality of most assets of the liquidated funds and impossibility to recover them through out of court procedures, statements of claim were submitted to arbitration courts and courts of law as of December 31, 2017 (throughout the period of liquidation proceedings) for debt collection totalling more than 30 billion rubles, enforcement proceedings were initiated for the total amount of about 19 billion rubles. In the reporting year, the Agency continued work on debt collection from the managing companies in courts, the aggregate amount of claims was 1.7 billion rubles.

The Agency implemented measures aimed at collection of funds from debtors (their guarantors) in respect of which the liquidation proceedings are carried out.

As of the reporting date claims of liquidated NPFs are included into the registers of claims of debtors' creditors totalling about 35 billion rubles. Claims of 7 NPFs in the amount of more than 10.3 billion rubles are also included into the register of claims of the creditors of the managing company in respect of which the receivership proceedings were commenced in the current year.

In 2017, according to the procedure approved by the Bank of Russia, the Agency started organized sale of securities making part of investment portfolios of 13 NPFs. Proceeds from these operations amounted to 591 million rubles.

In order to improve effectiveness of asset management in liquidated NPFs, the Agency monitored the corporate events and financial market condition which provided for participation of the Agency in the order agreed upon with the Bank of Russia in the corporate actions (offers/repurchases) of issuers and third parties in respect of issued securities belonging to the NPFs. As the result of such measures in 2017 cash in the amount of 3 096 million rubles was credited to the special accounts of NPFs opened with the Agency (Figure 30).

The Agency daily monitored both activity of trust managers of NPF assets, mortgage coverage, unit investment funds and activity of other professional securities market participants.

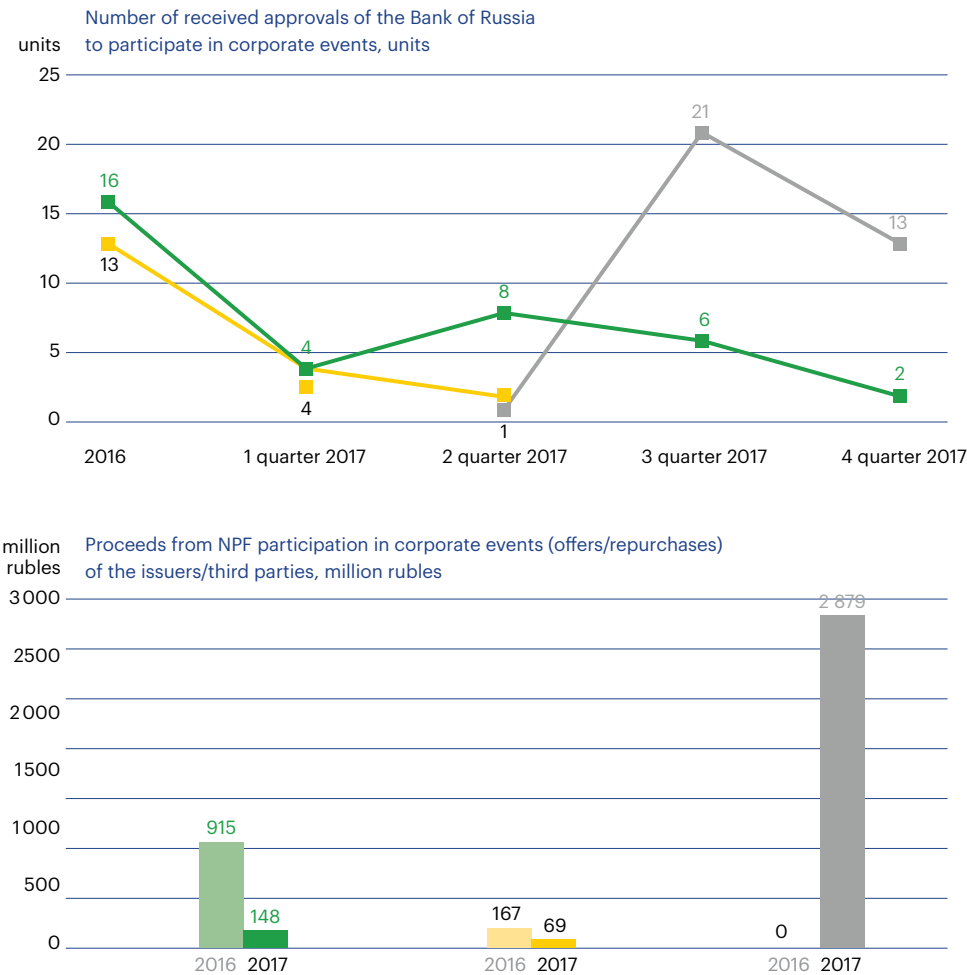


Figure 30. Participation in Corporate Actions

- Agreement by the Agency with the Bank of Russia upon NPF participation in the offers/ repurchases of securities issuers
- Agreement by the Agency with the Bank of Russia upon Trust MC participation in the offers/ repurchases of securities issuers
- Agreement by the Agency with the Bank of Russia upon NPF participation in the offers of third parties

As of December 31, 2017 the Bank of Russia cancelled licenses for managing investment funds, unit investment funds and non-government pension funds of 12 managing companies which managed assets of liquidated NPFs. In 2017 the supervisory authority took such measures in respect of 2 managing companies.

Given the need to ensure integrity of assets of liquidated financial institutions, protection of rights and legal interests of creditors by the Agency, in the reporting year the procedures aimed at replacement of managing companies which managed assets of closed unit investment funds were taken.

In 2017 the Agency implemented measures aimed at sale of assets not being financial investments, of 24 NPFs. Following sales through public offerings, fixed assets, including real estate, for the amount of 2.8 million rubles were sold. The Agency also ensured sale of assets with the book value of less than 100 thousand rubles (more than 1 000 objects) totalling 1.3 million rubles.

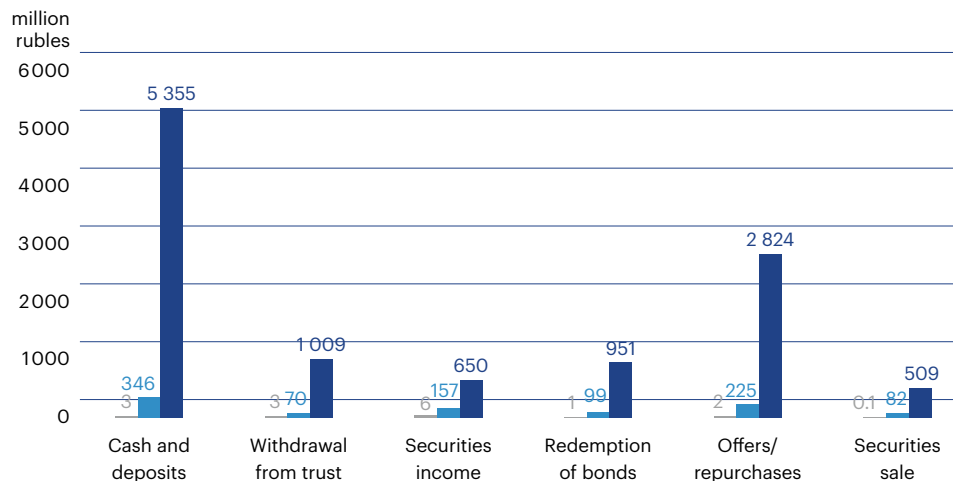


Figure 31. Structure of Cash Recovered from Operations with Financial Assets in 2017

- Receivership estate
- Pension reserves
- Pension savings

Thus, the set of asset recovery measures implemented by the Agency allowed to accumulate in 2017 12.4 billion rubles, including the pension savings in the

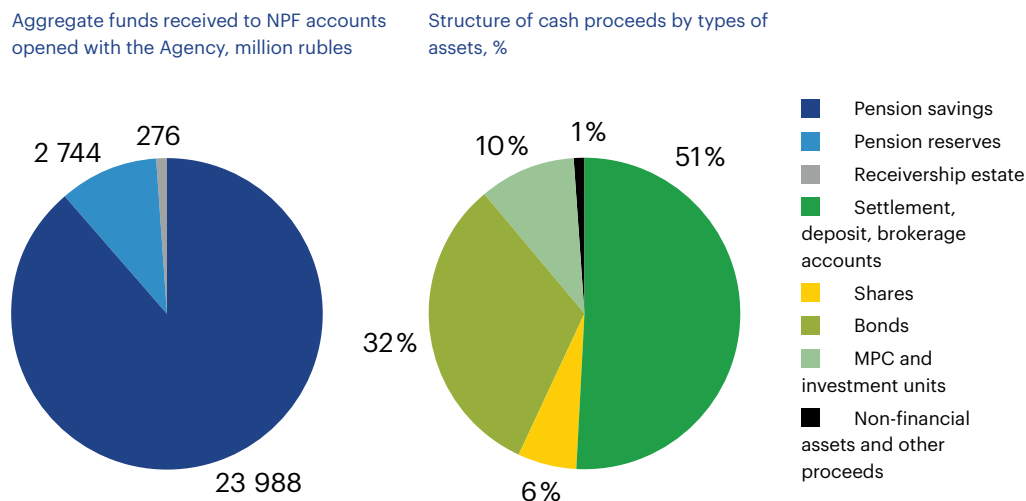


Figure 32. Structure of Cash Recovered as of December 31, 2017

amount of 11 billion rubles (Figure 31). The aggregate amount of funds credited to the accounts of NPFs opened with the Agency throughout the period of receivership (forced liquidation) amounted to 27 billion rubles (Figure 32). This indicator for 2017 was more than 45% of the total proceeds for the whole period of liquidation proceeding (2014–2017).

NPF current expenses in the reporting period amounted to about 40 million rubles, the main share of the was related to payment of salaries to former employees of liquidated NPFs, evaluation of assets, storage and processing of documentation of liquidated NPFs (Figure 33). Due to insufficiency of funds of liquidated NPFs to pay the current expenses, the Agency also prepaid them at the expense of its own resources. About 80 million rubles of expenses were prepaid (including 47 million rubles in 2017), about 22 million rubles were repaid to the Agency (including about 13 million rubles in 2017).

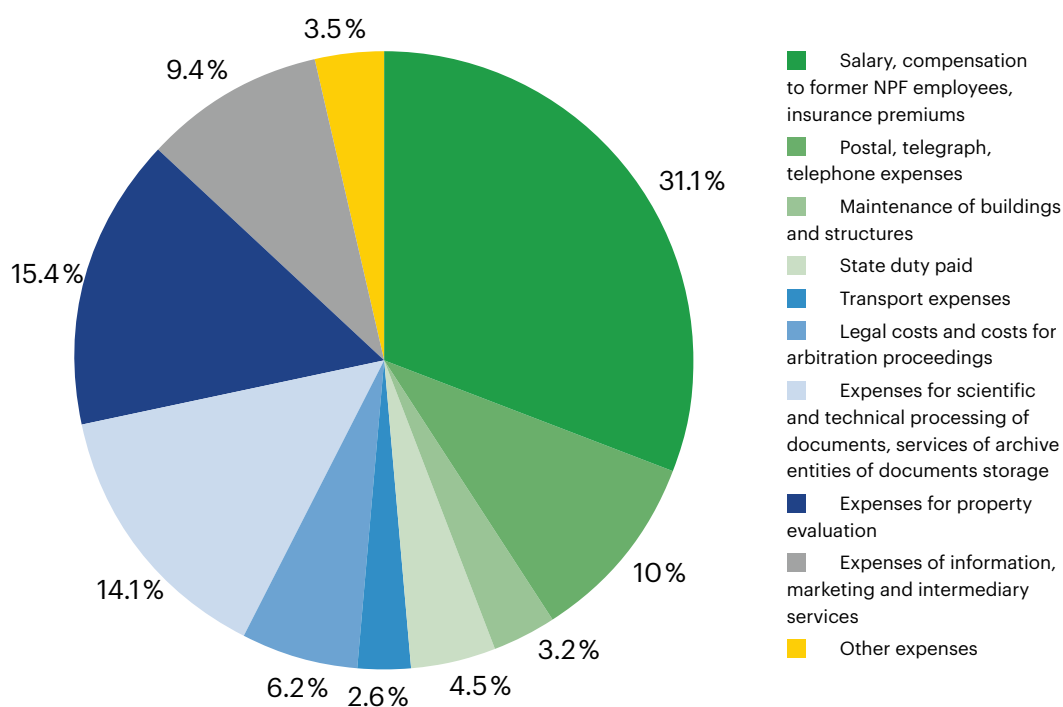


Figure 33. Structure of Current Expenses of Liquidated NPFs

5.3

INVESTIGATING AND CONTESTING DUBIOUS TRANSACTIONS, BRINGING GUILTY PERSONS TO ACCOUNT

IN THE REPORTING PERIOD THE AGENCY CONTINUED WORK ON INVESTIGATION OF CIRCUMSTANCES OF BANKRUPTCY AND DETERIORATION OF FINANCIAL POSITION OF SOME NPFs.

Following the inspections carried out in 2017 the evidences of deliberate bankruptcy were detected in NPF "Povolzhsky", JSC NPF "Strategy", JSC NPF "Mosenergo OPS", OJSC NPF "First Russian Pension Fund" and NPF "Rodnik".

In 2017 the Agency sent 4 applications to the law-enforcement authorities based on the facts of misappropriation of assets and deliberate bankruptcy of NPFs (part 4 of Article 160 of the Criminal Code of the Russian Federation (embezzlement) and Article 196 of the Criminal Code of the Russian Federation (deliberate bankruptcy)) (JSC NPF "Strategy", NPF "Povolzhsky", NPF "Rodnik" and NPF "Pravo"). Criminal cases were not initiated by the law-enforcement authorities during the reporting period, the courts made no verdicts.

In 2017 7 applications of the Agency were sent to arbitration courts on invalidation of certain transactions of NPF "Vremya", JSC NPF MECHHEL-FUND, JSC NPF ZERICH, JSC NPF "TPP fund", JSC NPF "Metallurgov", 1st NPF JSC and JSC NPF "Blagovest" totalling 5.6 billion rubles. Taking into account the dubious transactions challenged earlier, in the reporting period claims of the Agency to invalidate certain transactions in respect of NPF "Povolzhsky", NPF "Rodnik", NPF "Pravo", JSC NPF "Novy Vek OPS" were satisfied for the amount of about 0.8 billion rubles. The Arbitration Court of Moscow applied in respect of NPF "Rodnik" the consequences of invalidity of transactions in the form of collection of losses in favour of the fund in the amount of 37.8 million rubles.

In respect of 3 NPFs (JSC NPF "Uchastie", JSC NPF "Erel" and JSC NPF "Mosenergo OPS"), the arbitration courts refused to satisfy claims filed by the Agency totalling about 0.7 billion rubles in respect of JSC NPF "Metallurgov" — the case was dismissed due to the liquidation of the defendant. Other applications are being considered by arbitration courts.

Claims of the Agency to collect losses were partially satisfied in respect of an executive of NPF "Industrial" in the amount of 179.8 million rubles, application for collection of losses from the former head of NPF "Povolzhsky" in the amount of 12.3 million rubles was sent to the arbitration court.

VERIFICATION AND SATISFACTION OF CREDITOR CLAIMS, OPERATION OF GOVERNING BODIES OF LIQUIDATED NPFs

5.4

As of December 31, 2017 2 235 087 claims of creditors for the total amount of 96.0 billion rubles were established, including those subject to satisfaction at the expense of pension savings — 84.0 billion rubles; at the expense of pension reserves — 11.7 billion rubles; at the expense of bankruptcy estate — 0.3 billion rubles.

Besides this, on the basis of arbitration awards, 455 claims of creditors totalling about 46 million rubles were held justified and subject to satisfaction after satisfaction of claims of creditors included into the register of creditors' claims.

In the course of liquidation proceedings in NPFs which are not members of the pension savings guarantee system, claims of the Bank of Russia acquired as the result of transfer of funds to the Pension Fund of the Russian Federation amounted to 66.9 billion rubles.

On the basis of actuarial calculations, obligations of 12 NPFs in respect of 14 361 participants under life non-government pensions amounting to 2.5 billion rubles were established.

As of December 31, 2017 (running total) claims of creditors in the amount of 21.4 billion rubles were satisfied, including at the expense of pension savings — 20.0 billion rubles, at the expenses of pension reserves — 1.4 billion rubles, at the expense of bankruptcy estate — 5 million rubles (Figure 34).

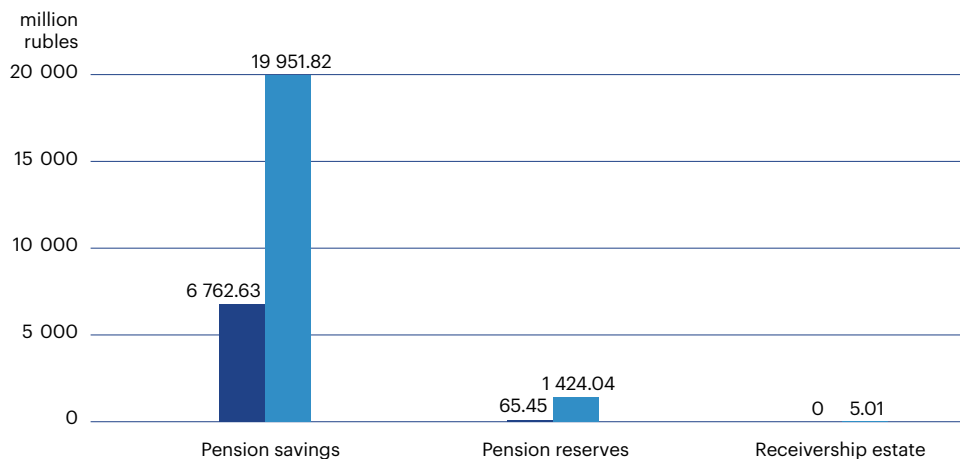


Figure 34. Dynamics of Satisfaction of Creditor Claims (Running Total) (Million Rubles)

- As of 31.12.2016
- As of 31.12.2017

In 2017 the aggregate amount of satisfied creditor claims was 14.6 billion rubles exceeding the same indicator of 2016 more than 2 times.

In 2017 13.2 billion rubles from pension savings were allocated towards settlements with creditors. At that, 13.07 billion rubles were allocated towards settlements with the Bank of Russia which allowed to fully satisfy claims of this creditors established in the register of creditors' claims of 3 NPFs. In the reporting year the Agency also ensured fulfillment of obligations to insured persons and successors of the deceased insured persons which formed the funded part of the labour pension in 3 NPFs through transfer of pension savings to the Pension Fund of the Russian Federation. Information with breakdown of amounts of obligations in respect of 53 430 insured persons was submitted to the Pension Fund of the Russian Federation, the payouts amounted to 115 million rubles.

More than 1 359.1 million rubles were allocated towards settlements with creditors at the expense of pension reserves in 2017, including more than 1 312 million rubles transferred to other NPFs to the first priority creditors, 7 million rubles allocated towards satisfaction of claims of the second priority creditors, 1 million rubles – the third priority creditors, 39 million rubles – the fourth priority creditors, 0.1 million rubles – the fifth priority creditors.

In the reporting period settlements with creditors with claims to be satisfied at the expense of pension reserves were made in 22 NPFs. Cash was paid to more than 25 500 creditors, repurchase amounts of 360 creditors were transferred to other NPFs as pension contributions under non-government pension support agreements.

As of December 31, 2017 obligations on transfer of liabilities and pension reserves to other non-government pension funds for payment of life non-government pensions in the amount of more than 1.3 billion rubles were discharged. As the result of implemented measures, claims of the first priority creditors to be satisfied at the expense of pension reserves were fully satisfied in 6 NPFs, by more than 50% – in 2 NPFs (Figure 35).

5.01 million rubles were allocated towards settlements with creditors at the expense of bankruptcy estates, including towards satisfaction of claims of the first

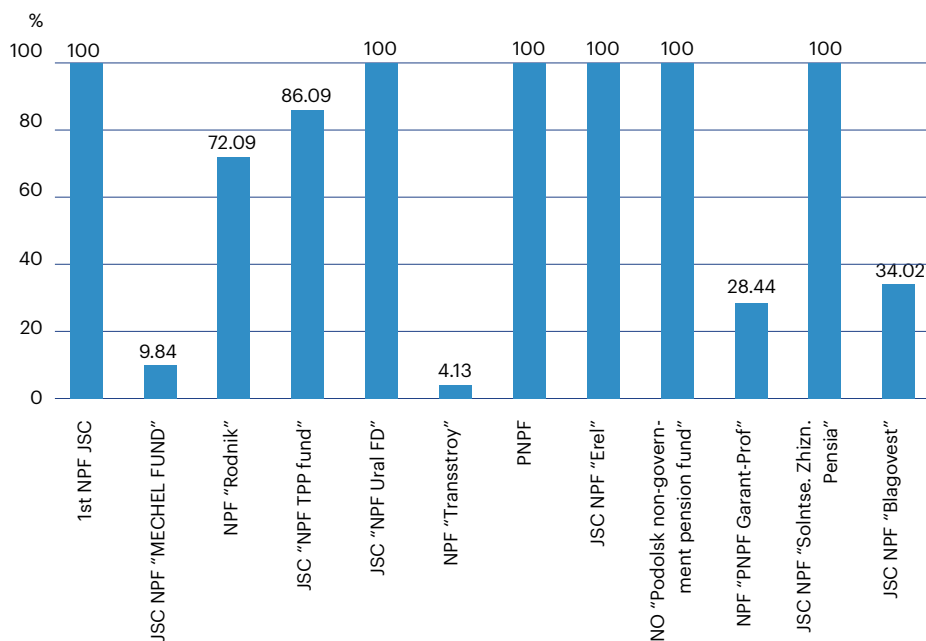


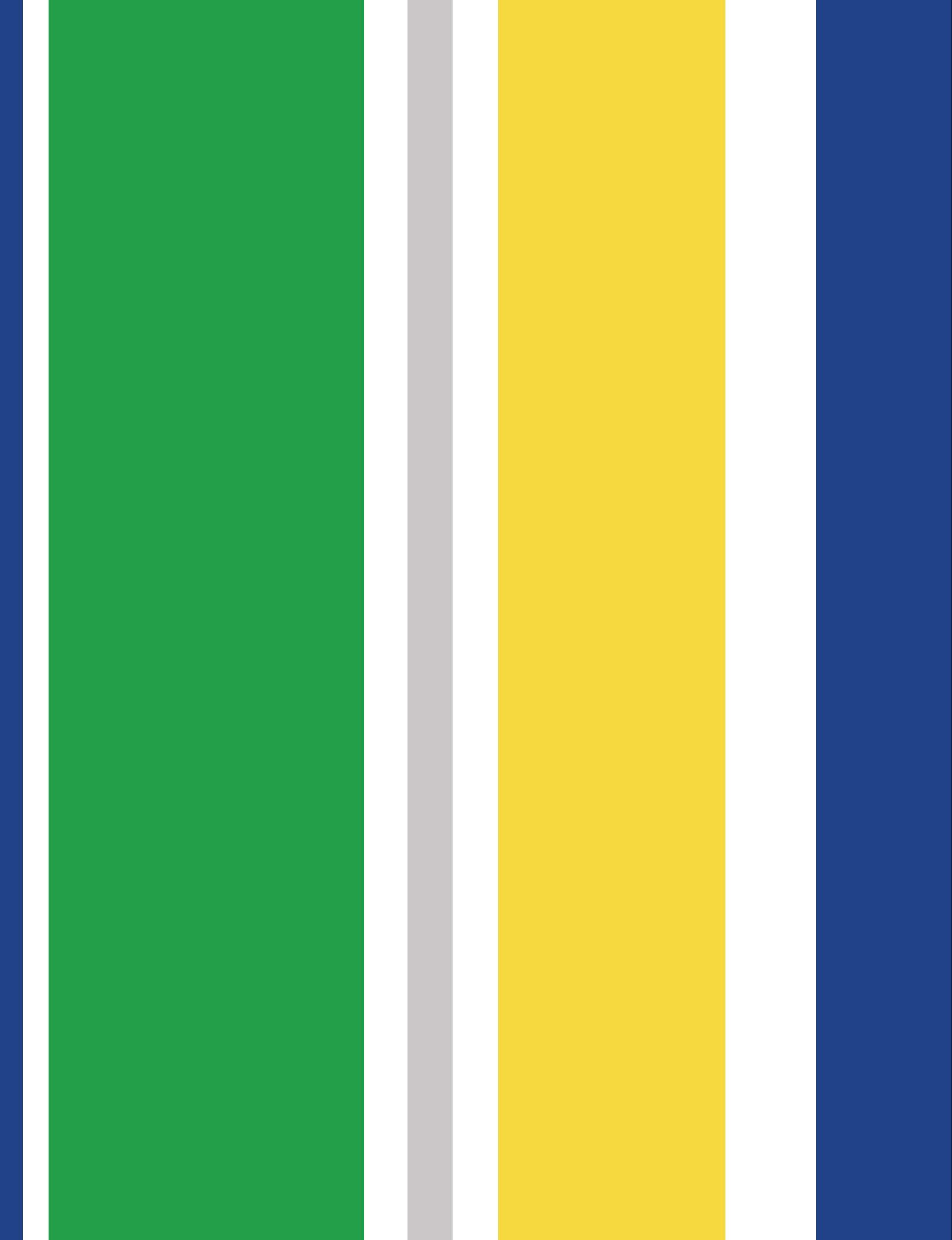
Figure 35. Performance of Life Pension Liabilities of NPFs

■ Satisfaction percentage as of 31.12.2017

priority creditors — 0.41 million rubles, the third priority creditors — 4.60 million rubles. Following such settlements, claims of creditors of Non-commercial Organization “Podolsk Non-Government Pension Fund” were satisfied in full.

In 2017 20 meetings of creditors of liquidated NPFs were convoked, 11 of which were held (8 first meetings, including 1 repeated). All in all, 623 creditors were present at these meetings holding 65.8% of the total number of votes. 9 meetings of creditors were not held due to the absence of quorum.

As of December 31, 2017 32 creditor committees were operational, which had full powers to decide on the issues referred by the legislation on bankruptcy to the competence of creditors’ meetings or creditor committees. In 2017 253 meetings of creditor committees were held and considered 424 issues, including on approval (adjustment) of the cost estimate, report of the receiver, sale of the funds’ assets. Decisions proposed by the receiver (liquidator) were supported on most issues (96.93%).



6. The Agency's Operations to Manage Liquidation Proceedings in Insurance Organizations

6.1. Insurance Organizations Liquidation Management

6.2. Formation of Funds for Settlements with Creditors

6.3. Investigating and Contesting Dubious Transactions. Bringing Guilty Persons to Account.

6.4. Verification and Satisfaction of Creditor Claims, Work of Management Bodies of Liquidated Insurance Organizations

6.1

INSURANCE ORGANIZATIONS LIQUIDATION MANAGEMENT

IN COMPLIANCE WITH AMENDMENTS INTRODUCED INTO THE LEGISLATION OF THE RUSSIAN FEDERATION WHICH CAME INTO EFFECT ON DECEMBER 21, 2016, THE AGENCY IS AUTHORIZED TO ACT AS RECEIVER OF INSURANCE ORGANIZATIONS.

To exercise these powers, in the reporting period the Agency mainly formed the methodological base governing the liquidation proceedings in respect of insurance organizations.

The Agency also performed work aimed at improvement of legislation of the Russian Federation on insolvency (bankruptcy) in respect of insurance organizations. Within the framework of measures to unify the mechanisms of receivership in case of bankruptcy of insurance organizations, proposals were submitted to the Bank of Russia:

- to reform the procedure of establishment of claims of creditors of insurance organizations and introduce the mechanism of establishment of claims of creditors of insurance organizations similar to credit institutions;
- to expand the functions of the temporary administration of the insurance organization to vest the powers on consideration and establishment of claims of creditors, keeping the register of creditors' claims;
- to unify the procedure of engagement of third-party organizations to provide the services to insurance organizations in compliance with the established order for credit institutions and NPFs, excluding the provisions on the need for the supervisory authority to approve such procedure.

Temporary procedure of selection of specialized organization to provide services to liquidated insurance organizations was agreed upon with the Bank of Russia.

In compliance with the Agency's proposals, the Bank of Russia also determined the procedure of interaction of the temporary administration of an insurance organization and the Agency to prepare documents of the insurance organization for transfer to the receiver.

During 2017 the Agency acted as receiver of 10 insurance organizations (Antal-Insurance LLC, ESTER LLC, JSC IC Med-Garant, IC Gala LLC, JSC IC Podmoskovie, IC Active LLC, IC Univers-Garant LLC, IC Moskovia LLC, IC Invest-Alliance LLC and IC Vysota LLC).

Determination of the Arbitration Court of Moscow dated October 19, 2017 released the Agency from duties of the receiver of IC Active LLC.

The geography of presence of the liquidated insurance organizations including their separate structural divisions covers 21 region of the Russian Federation.

During 2017 the Agency employees were included in temporary administrations of IC Galaktika LLC, JSC IC Podmoskovie, IC Moskovia LLC, MIC STRAZH LLC named after S. Zhivago, JSC IC ROSMED and IG ASKO LLC. Participation in temporary administrations allowed speeding-up the procedure of transfer of documents and assets when the Agency is appointed as the receiver in JSC IC Podmoskovie and IC Moskovia LLC.

6.2 FORMATION OF FUNDS FOR SETTLEMENTS WITH CREDITORS

MEASURES TAKEN IN 2017 REVEALED SHORTAGE OF ASSETS IN THE LIQUIDATED INSURANCE ORGANIZATIONS FOR 7.37 BILLION RUBLES, MAKING ABOUT 95% OF THE BOOK VALUE. THE MAIN AMOUNT OF SHORTAGE (MORE THAN 46.6%) FELL ON THE ASSETS OF IC UNIVERS-GARANT LLC AND ABOUT 15% FELL ON JSC IC PODMOSKOVIE AND ESTER LLC.

The main share of assets of the insurance organizations falls on real estate (buildings, land plots) — 49.7%, accounts receivable — 26.1% and financial investments (cash on settlement accounts with credit institutions) — 23.9%.

In 2017 the valuation of assets of 4 liquidated insurance organizations was carried out, their market value was assessed as about 15.1% of their book value.

In the reporting period the Agency held 12 tenders to select specialized

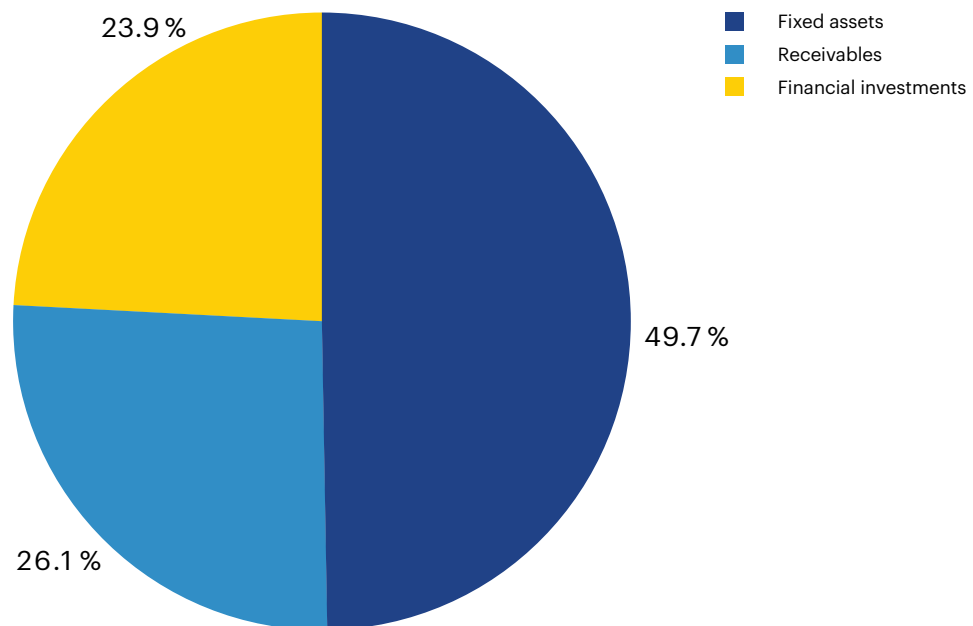


Figure 36. Structure of Main Assets of Liquidated Insurance Organizations

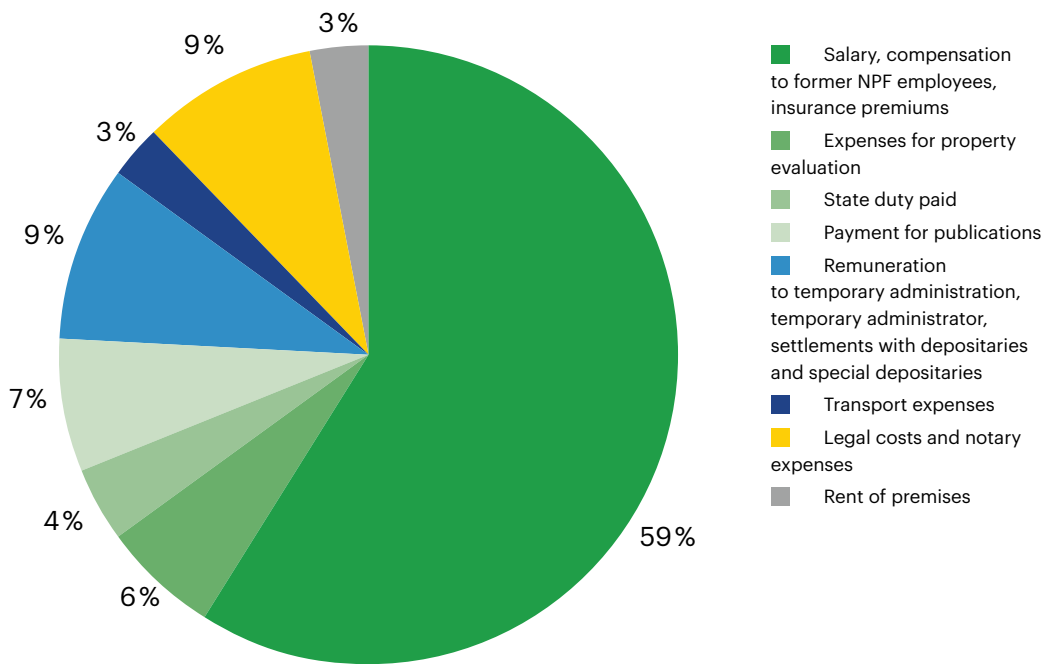


Figure 37. Structure of Current Expenses of Liquidated Insurance Organizations

organizations to provide transportation and evaluation services, accounting services. As of December 31, 2017 the Bank of Russia approved the results of selection of 9 specialized organizations to provide services in the course of receivership in respect of 6 insurance organizations (Antal-Insurance LLC, ESTER LLC, IC Gala LLC, IC Moskovia LLC, JSC IC Podmoskovie and JSC IC Med-Garant).

The current expenses of liquidated insurance organizations were in compliance with the estimates of current expenses approved by the Bank of Russia. In 2017 the Bank of Russia approved the estimates of current expenses of 7 liquidated insurance organizations. The current expenses for 2017 amounted to 2.7 million rubles. The maximal specific weight in the expense structure falls on the expenses connected with payment of salary to former employees of liquidated insurance organizations.

In cases when liquidated insurance organizations did not have available liquidity, the Agency prepaid the current expenses for liquidation proceedings. In 2017 the Agency prepaid current expenses for the amount of 1.13 million rubles, the Agency recovered 377 thousand rubles.

6.3

INVESTIGATING AND CONTESTING DUBIOUS TRANSACTIONS, BRINGING GUILTY PERSONS TO ACCOUNT

IN THE REPORTING PERIOD THE AGENCY INVESTIGATED AND CONTESTED DUBIOUS TRANSACTIONS IN ANTAL-INSURANCE LLC, IC GALA LLC AND JSC IC MED-GARANT.

Based on the effective judicial acts, in 2017 the claims to hold invalid some transactions of Antal-Insurance LLC for the amount of 430.37 million rubles were satisfied.

Measures were implemented to investigate the circumstances of bankruptcy of Antal-Insurance LLC which resulted in detection of the signs of deliberate bankruptcy.

Application for collection of losses from the former head of Antal-Insurance LLC and the head of temporary administration managing this insurance organization in the amount of 2.5 million rubles was filed to court. Two applications on the fact of misappropriation of assets of the insurance organization and abuse of powers (Antal-Insurance LLC) were sent to the law-enforcement authorities.

VERIFICATION AND SATISFACTION OF CREDITOR CLAIMS, WORK OF MANAGEMENT BODIES OF LIQUIDATED INSURANCE ORGANIZATIONS

6.4

IN 2017 THE AGENCY TOOK PRIORITY MEASURES OF RE-CEIVERSHIP, INCLUDING ACCEPTANCE OF DOCUMENTATION FROM TEMPORARY ADMINISTRATIONS AND A TEMPORARY MANAGER; SEARCH AND CLAIMING OF ASSETS OF THE INSURANCE ORGANIZATIONS, STRICT ACCOUNTING FORMS; FORMATION OF THE REGISTER OF RECEIVED CREDITORS' CLAIMS; INVENTORY OF PROPERTY OF INSURANCE ORGANIZATIONS.

Measures to form and keep the registers of received creditors' claims and registers of creditors' claims of insurance organizations were implemented by the Agency in respect of 9 insurance organizations in the process of receivership, including keeping registers of creditors' claims transferred by previous arbitration managers in respect of 3 insurance organizations.

As of December 31, 2017 a total of 1 732 creditors' claims for the amount of 1 124.41 million rubles were included into the registers of creditors' claims of 6 insurance organizations.

Following consideration of the received creditors' claims, objections in respect of 1 064 claims were submitted to the arbitration courts.

In compliance with the order of the Plenum of the Higher Arbitration Court of the Russian Federation dated July 23, 2009 N59 "On some issues of application of the Federal Law "On Enforcement Proceedings" in case of initiation of a bankruptcy case", work was performed to notify 166 creditors of the insurance organizations on completed enforcement proceedings.

In the reporting period no cash funds was allocated towards settlements with creditors of insurance organizations.

During 2017 four meeting of creditors of liquidated insurance organizations were convoked, three were held, of which two for the first time. All in all, at these meetings creditors were present holding 82.99% of the total number of votes.

As of December 31, 2017 two creditor committees operated which had full powers to decide on the issues referred by the legislation on bankruptcy to the competence of creditors' meetings or creditor committees in full.

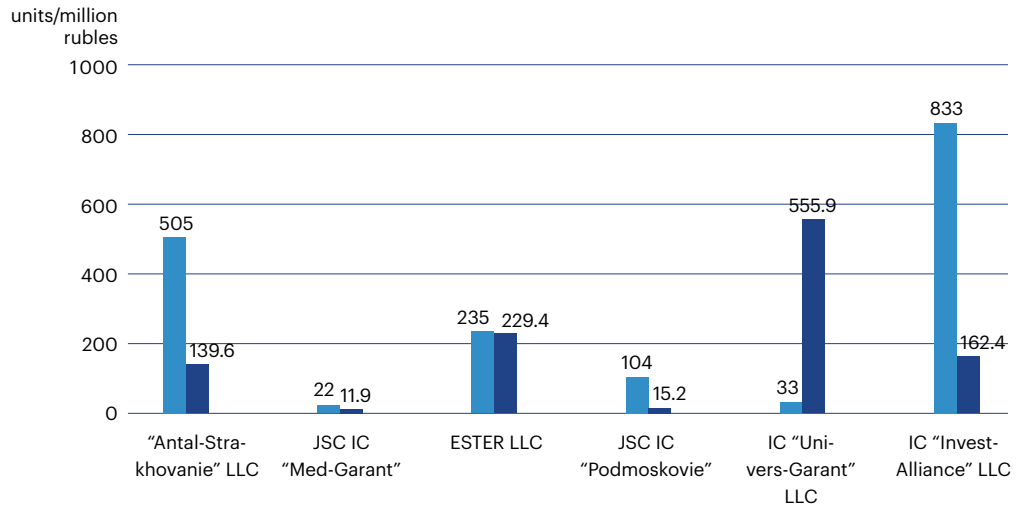
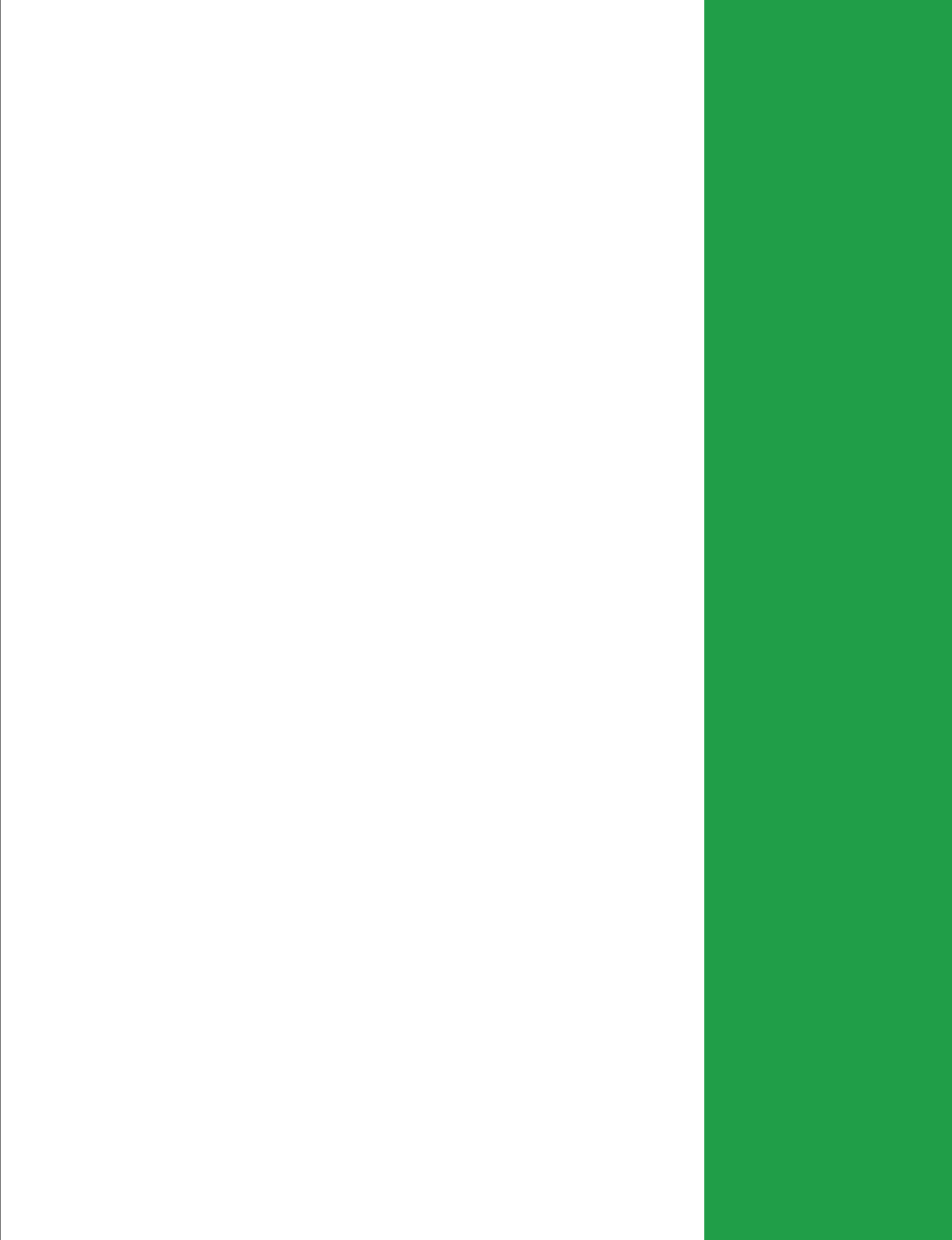


Figure 38. Summary Data on Established Creditors' Claims

- Number, units
- Amount, million rubles

In the reporting period nine meetings of creditor committees were held and considered 20 issues, including on approval (adjustment) of the cost estimates, reports of the receiver, sale of assets. Decisions proposed by the receiver were made on most issues (95%).





7.

Measures to Increase Bank Capitalization

MEASURES TO INCREASE BANK CAPITALIZATION

MEASURES AIMED AT THE INCREASE OF BANK CAPITALIZATION ARE BEING IMPLEMENTED IN COMPLIANCE WITH THE LAW ON BANK CAPITALIZATION 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.

As of the beginning of the reporting year the Agency concluded subordinated loan agreements and contracts for purchase of preferred shares with 34 banks for the total amount of 836.9 billion rubles.

During 2017 subordinated loans for the amount of 62.8 billion rubles were partially repaid to the Agency. In compliance with the Federal Law dated December 5, 2017 № 362-FZ "On the Federal Budget for 2017 and Planned Period of 2018 and 2019" and the order of the Government of the Russian Federation dated August 28, 2017 № 1832-r, OFZs returned to the Agency in the amount of 48.6 billion rubles were transferred to the budget of the Russian Federation in 2017.

In compliance with the changes to the list of banks in respect of which the capitalization increase measures are taken approved by the Government of the Russian Federation, in the reporting year the Agency concluded two contracts for purchase of preferred shares of JSCB RUSSIAN CAPITAL (PJSC) for the total amount of 15.3 billion rubles, including one contract for the amount of 14.2 billion rubles at the expense of OFZs returned to the Agency earlier.

In compliance with the order of the Government of the Russian Federation dated October 5, 2017, in 2017 all preferred shares of JSCB RUSSIAN CAPITAL (PJSC) with the aggregate nominal value of 39.6 billion rubles being at the disposal of the Agency were transferred to the budget of the Russian Federation. In the reporting year, subordinated loan agreements with OJSC Bank "FC Otkrytie", PJSC Promsvyazbank and PJSC BINBANK for the total amount of 113.4 billion rubles and with JSC GENBANK and JSCB PERESVET (JSC) were terminated and in respect of them claims of the Agency under the subordinated loan agreements totaling 1.5 billion rubles were exchanged for ordinary shares of the banks.

The banks participating in the program of bank capitalization increase, in compliance with their agreements concluded with the Agency, assumed the obligations to increase the volumes of lending to priority industries and other obligations.

The total amount of loans and investments into the bonds of enterprises from the priority sectors of the economy provided by the banks in respect of which the

measures to increase capitalization were taken during the period after OFZ receipt increased by 30.38% (or by 1.83 trillion rubles).

During the period of taking measures to increase capitalization the banks mainly increased the mortgage (housing) loans and acquired mortgage bonds (35% of the total increase in lending), increased loans and acquired bonds of enterprises from the processing industries (29%), enterprises operating in the sphere of agriculture, hunting and provision of services in these spheres (14%), transport and communication enterprises (11%), electric power, gas and water production and distribution enterprises (9%).

In respect of banks that have violated their obligations, the Board of Directors of the Agency made decisions on imposition of fines. From the beginning of the program on increasing capitalization of specific banks, claims for the amount of 822.9 million rubles were submitted, of which 632.8 million rubles in 2017. Fines received from the banks were fully transferred by the Agency to the federal budget.



8.

Facilitation of the Agency's Main Functions

- 8.1. Corporate governance**
- 8.2. Internal and External Audit**
- 8.3. Human Relations**
- 8.4. Anti-corruption Policy of the Agency**
- 8.5. Operations of the Agency
Representative Offices in Federal
Districts**
- 8.6. Information Technologies**
- 8.7. Information Policy and
International Cooperation**
- 8.8. Procurement Operations
of the Agency**
- 8.9. Financing of the Agency Operations**

8.1 CORPORATE GOVERNANCE

ACCORDING TO THE LAW ON DEPOSIT INSURANCE, THE AGENCY'S GOVERNING BODIES ARE THE BOARD OF DIRECTORS, THE MANAGEMENT BOARD AND DIRECTOR GENERAL.

In 2017 eight 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 (including their repayment), 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; activity of representative offices of the Agency in Federal Districts, results of operation of the Autonomous Non-for-Profit Organization "Depositors' Protection Fund" (ANO FZV), key performance indicators of the Agency and issues connected with the participation of the Agency in measures to increase capitalization of specific banks.

Due to expansion of the range of powers and increase in the scope of work of the Agency, issues of development strategy and determination of priority lines of activity became of special importance. Therefore, the Board of Directors of the Agency decided to create and start operation of the Strategy Committee of the Board of Directors.

In 2017 implementation of the programs of reengineering of the Agency's business processes started. Its main objectives are improvement of customer focus and effectiveness of operation. The Agency introduced the process approach which provides for constant optimization of business processes and project management when implementing changes in the Agency. In 2017 building of digital process repository started, methodological base of process management was created; more than 150 employees of the Agency improved their qualification in the sphere of process and project management and change management.

Key business processes of the Agency were highlighted in the created business processes' map, work to evaluate the possibilities for their significant improvement (reengineering) was commenced on the priority ones. As for the functions of the Agency implemented in cooperation with the Bank of Russia, improvements implemented by the Agency are evaluated together with the Bank of Russia to achieve the best performance indicators of the "end-to-end" business processes.

In the reporting year the Board of Directors and the Management Board of the Agency made a number of decisions establishing a new labour remuneration system for employees of the Agency from 2018. The said reorganization of the labour remuneration system is aimed at the increase of personal responsibility of the Agency's employees for their performance.

Decisions of the Board of Directors were implemented by the Management Board of the Agency according to the schedule. 152 meetings of the Management Board were held which considered 1 350 issues related to core and operational activities of the Agency.

In 2017 the Management Board of the Agency approved 37 internal regulations (including new versions) and amended 42 regulatory documents.

The workflow of the Agency in 2017 was 619 639 units. The aggregate workflow of the Agency and liquidated credit institutions was 1 241 712 units.

SOCIAL RESPONSIBILITY OF THE AGENCY

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

Ensuring ongoing operation of the deposit insurance system, efficient management of liquidation procedures in insolvent banks, NPFs and insurance organizations, implementing measures aimed at prevention of bankruptcy of socially and economically significant banks and participation of the Agency in measures to increase capitalization of 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 legitimate 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 of 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 financial literacy of people also remained one of the priority lines of the Agency's work. A number of public awareness and educational programs broadcasted on central TV was prepared in the reporting year; a special web-site was created with the help and direct participation of the Agency.

8.2

INTERNAL AND EXTERNAL AUDIT

THE INTERNAL AUDIT SERVICE (HEREINAFTER REFERRED 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 were approved by the Board of Directors of the Agency.

To provide to the Board of Directors of the Agency and the Director General of the Agency independent and objective information on fulfilment by the structural divisions of the Agency of their functions, in the reporting period the Service carried out scheduled inspections which covered the main areas of activity of the Agency. The activity of ANO FZV was also controlled. Work aimed at compliance by the employees of the Agency with the requirements of legal acts of the Russian Federation on counteracting illegal use of insider information and market manipulation was performed.

The governing 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 regulations and orders and decisions of the Agency's governing bodies were generally executed. 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 the Financial and Accounting Advisors LLC, the auditor of financial statements of the Agency for 2017 which trustworthiness was certified by the said audit firm (presented in Section III hereof).

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.

As of the end of the reporting period the Agency's structure included 18 departments, 2 divisions within the Administrative and Economic Department, the Internal Audit Service and 4 representative offices in the federal districts.

The Agency's staff as of December 31, 2017 was 1 092 people.

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

While engaging and recruiting personnel, the focus was made on banking specialists, economists and various lawyers. Vacancies were filled from internal candidate pool and by engaging specialists from large banks and other financial institutions. In 2017, 162 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, 94.0% of the Agency's employees had higher education, including higher economic education (49.3%) and higher legal education (22.4%) (Figures 39 and 40). 3.8% of the Agency's employees had academic degrees (42 PhDs). 15.0% of the employees had two higher educations.

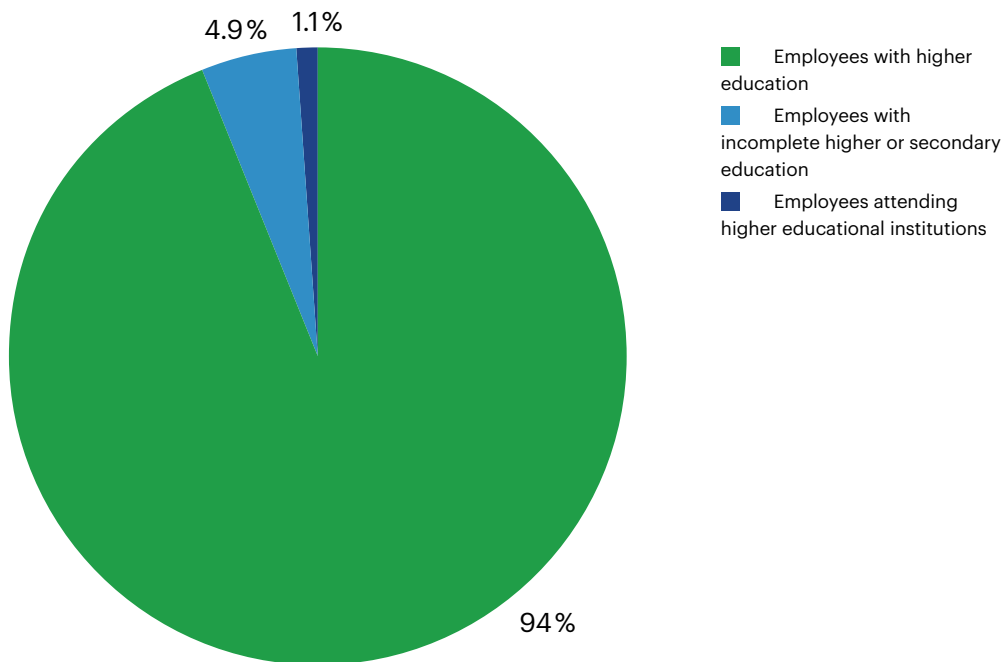


Figure 39. Educational Status of the Agency's Employees

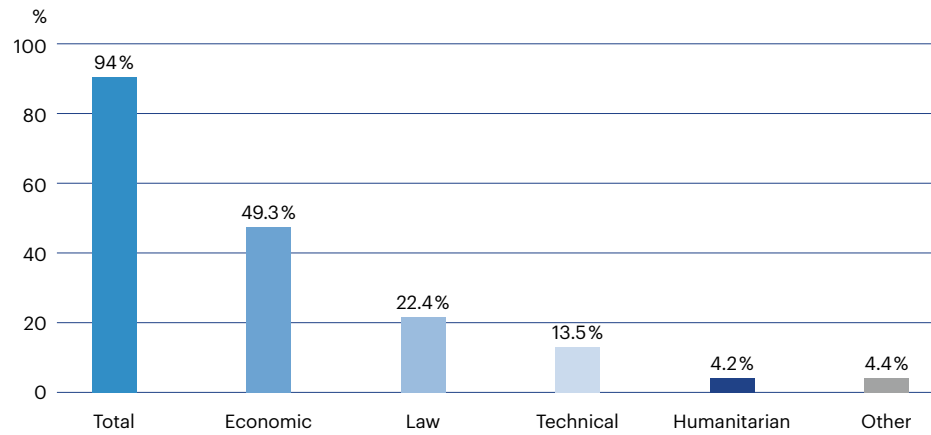


Figure 40. Employees with Higher Education

An integral part of the Agency's HR policy is professional development of its employees. In 2017 462 employees of the Agency participated in 83 training events, 261 employees participated in 18 conferences and forums and corporate training seminars and other capacity building events. The issues discussed in the seminars covered corporate procurement and information security, compliance with requirements of the federal law on counteracting corruption, accounting and tax legislation. In addition, the Agency had a large-scale personnel training to prepare for the introduction of process and project management and reengineering of business processes (15% of the total number of employees was trained).

In 2017 the Agency completed study of its staff involvement which included survey with subsequent discussion of results in the form of target focus groups and general corporate discussion sessions. 627 employees of the Agency participated in the study. The level of involvement was 68% exceeding the average industry indicator. The action plan to increase staff involvement was made as the result of the focus groups and the general corporate discussion session. The first measures implemented were the contest of child's drawings of family members of the Agency's employees and the awarding ceremony for the best employees (in various nominations) for 2017.

Five employees of the Agency were included into the federal reserve of executive personnel in 2017.

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.

The Agency paid much attention to the implementation of health and fitness and sports programs within the frameworks of which the Fourth Spartakiad of the Agency was held and teams of the Agency in different sports took part in the Third Spartakiad of financial authorities winning the first place.

ANTI-CORRUPTION POLICY OF THE AGENCY

8.4

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 COUNTERACTION SYSTEM.

The powers of the division responsible for the prevention of corruption and other offenses are vested on the Internal Audit Service.

In 2017 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 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 supplemented the List of positions for which the citizens and the employees of the Agency have to provide data on their personal income, expenses, property and property obligations (Certificates). By the end of the reporting period the number of such employees exceeded 500. The Code of Ethics and Internal Conduct of the Agency’s employees included the prohibition to work in case of close relations or kinship (parents, spouses, children, brothers, sisters and brothers, sisters, parents, children of spouses and spouses of children) if such work is connected with direct subordination or accountability of one employee of the Agency to another. The procedure of consideration of notices on personal interest when performing job duties which leads or may lead to the conflict of interests, etc. was improved.

As proposed by the Prosecutor General’s Office of the Russian Federation, there was additional study of Certificates provided by the employees of the Agency for reporting years 2012–2016 in terms of compliance with the requirements of legal acts of the Russian Federation on control over expenses, each fact of purchase of the respective property was examined.

There were four meetings of the Commission on compliance with the requirements to internal conduct and settlement of the conflict of interests which passed recommendations on application of disciplinary punishments to certain employees of the Agency.

In the reporting period the Management Board of the Agency considered the status of anti-corruption work and measures to improve it twice a year, the anti-bribery action plan of the Agency for 2018 was approved which contributes to continued measures on prevention and counteracting corruption in the Agency on systematic basis.

8.5

OPERATIONS OF THE AGENCY REPRESENTATIVE OFFICES IN FEDERAL DISTRICTS

IN THE REPORTING YEAR THE AGENCY'S REPRESENTATIVE OFFICES IN SOUTHERN, VOLGA, URAL, AND SIBERIAN FEDERAL DISTRICTS CONTINUED OPERATIONS, NORTH-CAUCASIAN AND FAR EASTERN REPRESENTATIVE OFFICES OPERATED TILL MARCH 2017.

In accordance with the resolution of the Board of Directors of the Agency, the Agency Representative Offices in North-Caucasian and Far Eastern federal districts were liquidated on February 28, 2017 and their functions were distributed inside the Agency. The Agency's 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 order to improve effectiveness of the representative offices, the resolution of the Board of Directors of the Agency dated October 3, 2017 (Minutes № 6) introduced amendments into the Tentative Terms of Reference of the Representative Office of the Agency specifying the forms of organization of work of the representative offices to assist the Agency when performing the functions of the temporary administrations managing banks, bank liquidator or receiver in case of bankruptcy of financial institutions.

In 2017 the Representative Offices of the Agency received about 18 thousand requests from citizens and organizations, including 13 thousand — through the web-site of the Agency in the electronic form.

MEASURES TO ENSURE CONTINUITY OF FUNCTIONING OF THE AGENCY'S INFRASTRUCTURE AND EFFECTIVE AUTOMATION OF ITS KEY BUSINESS PROCESSES WERE TAKEN WITHIN THE FRAMEWORK OF THE AGENCY'S DEVELOPMENT STRATEGY TILL 2020.

In 2017 work on deployment of solutions to ensure information security was successfully completed. Solutions to protect and analyze the network traffic, protect corporate e-mails, prevent cyber-attacks were effectively implemented. The project on building the high-speed data transmission network between the data processing centers of the Agency necessary to ensure disaster recovery of the Agency's IT infrastructure was implemented.

The system of electronic circulation of documents of the Agency was commenced and it increased the document processing capabilities significantly.

In the course of implementation of a project on development of methodology of process and project management and reengineering of business processes of the Agency, the software to design business architecture and simulate business processes commenced commercial operations successfully.

The reporting period saw information and technical maintenance of operation of temporary administrations of the Agency managing financial institutions, integration of automated banking systems of 77 liquidated credit institutions in the infrastructure of the Agency and IT support of liquidation proceeding in NPFs.

8.7

INFORMATION POLICY AND INTERNATIONAL COOPERATION

THE BASIC PRINCIPLES OF THE AGENCY'S INFORMATION POLICY ARE TRANSPARENCY, OPENNESS AND OPERATIONAL EFFICIENCY.

Its key objectives include improvement of confidence of people 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 mechanism of protection of interests of financial services' consumers created by the state.

In the reporting period information explanatory work on functioning and development of DIS and PSGS, organization of liquidation (bankruptcy) of credit institutions, NPFs and insurance companies (including sale of assets of the liquidated financial institutions), bank resolution procedures and implementation by the Agency of bank capitalization increase measures was performed. 176 press releases and information messages were prepared and sent to mass media. There were 45 468 publications on the activity of the Agency, including 2 834 mandatory publications. The representatives of the Agency gave 1 092 comments and interviews for printed and electronic mass media, radio and TV.

The management of the Agency took part in recording of TV programs on Russia 1 and Russia 24 TV Channels devoted to payouts in the banks with revoked licenses, problem of "off-balance-sheet" deposits and sale of assets of liquidated financial institutions.

In 2017 the Agency held a large-scale information and explanatory campaign on the Internet to improve financial literacy of the population. In September 2017 the Agency launched a special web-site on improvement of financial literacy (<https://finoteka.ru/>). Within the framework of this project implementation many science education, infographic and action clips were created which, in addition to placement on the special web-site, were broadcasted in social media and other Internet resources.

Along with public informing, the Agency takes active part in the events important for professional financial market players. During the reporting period the executives of the Agency took part and presented reports at largest conferences and forums on the subject.

In 2017 the Agency organized in Moscow the meeting of the PR Committee of the European Forum of Deposit Insurers (EFDI) which unites the deposit insurance systems of 45 European countries, including Russia. The event participants discussed strategic approaches and practical aspects of information work within the framework

of national deposit insurance systems, ways to improve effectiveness of communication technologies implemented in compliance with the EU directive on deposit guarantee systems and the issues of improvement of financial literacy of the population, organization of systems of active cooperation with the population, including through TV and Internet technologies.

In the reporting year there was a meeting of the Agency's Expert Analytical Council which discussed the concept of assurance of availability of the Agency's services in the electronic form (creation of "Electronic DIA"). Following the discussion with the participation of representatives from the Bank of Russia, financial banking and scientific expert communities, a special press release was issued which states the main mechanisms and directions of implementation of the said concept.

To expand public access to information on the Agency's operations, much attention was paid to the improvement of the corporate web-site. In the reporting period there were 22 708 updates of the web-site. Implementation of a set of measures aimed at improvement of user friendliness of the web-site of the Agency for the visitors from different categories continued. Services of search for agent banks, interactive maps with lists of divisions of the agent banks for the depositors of the banks that faced the insured event and the services which allow to learn about changes introduced into the registers of liabilities of the banks were implemented and updated.

In 2017 the number of requests from depositors (creditors) through "hot line" of the Agency remains at a high level. In the reporting period the "hot line" received more than 1 million calls (more than 83.5 thousand calls a month). High indicators of customer service quality were preserved (including shortening of waiting time, increase in share of processed calls, extension of provided information). For the purposes of additional monitoring and improvement of work of operators of the "hot line", interactive system for evaluation of quality of telephone services through automated voice automated informer was developed and introduced.

Active work with depositors and broad audience through the official accounts of the Agency in Facebook, VKontakte, Twitter and Odnoklassniki continued in the reporting period. In addition to various information materials regularly posted by the Agency, the participants received individual explanations of issues of interest to them. During the reporting period more than 5 500 requests were received by the "hot line" through social media. During 2017 stable positive dynamics of change in the number of subscribers was fixed, for the reporting period their number increased by 13% as compared with the previous year. Aggregate audience coverage exceeded 164 thousand persons and the number of publications exceeded 197.

In the reporting period the Annual Report of the Agency for 2016 was prepared, approved and published in "Rossiyskaya Gazeta" and the Journal of the Bank of Russia and posted on the web-site of the Agency in two languages (Russian and English).

INTERNATIONAL COOPERATION

In the reporting year the Agency actively participated in multilateral and bilateral international cooperation in such spheres as bank deposit insurance, resolution and liquidation of credit institutions, including participation in various research

and educational programs implemented by the international organizations of deposit insurers.

Being a member of the International Association of Deposit Insurers (IADI or the Association) which at present includes 107 organizations, including 84 deposit insurers from all regions of the world (full members), 10 associated members (mainly central banks) and 14 partners (international financial institutions, including IMF, World Bank, EBRD, regional associations of bank supervision authorities, development banks, etc.), the representatives of the Agency participated in the work of the governing body of the Association — IADI Executive Council, various committees and working groups of IADI. In particular, the Agency's staff members are members of the committees of the Executive Council on Training and Technical Assistance, Core Principles and Research and technical committees on the target size of the deposit insurance fund and on financial inclusion and innovations.

Significant practical experience gained by the Agency attracts much interest of the international community which caused invitation of its management and employees as speakers to various global and regional IADI events. In 2017 representatives of the Agency were speaking at IADI international conferences and seminars in Indonesia, Italy, Kazakhstan, Morocco, USA and Japan. At the meeting of IADI Executive Council in May 2017 a decision was made to hold in Moscow in May 2018 the 55th meeting of IADI Executive Council and International Conference of Deposit Insurers. At present the Agency prepares for this large-scale international event.

Another professional association of deposit insurers in which the Agency participates is the European Forum of Deposit Insurers (EFDI). Its members are 69 organizations, including 58 deposit insurers and 11 systems of investor compensations at the securities market from 45 European countries. A representative of the Agency is a member of EFDI Board of Directors.

For the purposes of strengthening of bilateral cooperation and coordination of interaction at the international level, in December 2017 the Agency concluded a Memorandum of Cooperation with the Deposit Insurance Agency of the Republic of Serbia. The memorandum was signed during the official visit of the President of Serbia to the Russian Federation.

PROCUREMENT OPERATIONS OF THE AGENCY ARE PERFORMED IN COMPLIANCE WITH THE FEDERAL LAW DATED JULY 18, 2011 № 223-FZ “ON PURCHASE OF GOODS, WORK, SERVICES BY SPECIFIC 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 № 4).

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

In 2017 purchases through tenders also held in the electronic form using the electronic trading platforms were widely used. 14 tenders, 21 auction, 16 request for quotations and 15 requests for bids were carried out.

Based on the results of 12 tenders (including one with multiple lots) 13 contracts were concluded for the amount of 597.31 million rubles, 10 auctions (including three with multiple lots) — 12 contracts for the total amount of 7 052.31 thousand US dollars (ruble equivalent as of the date of conclusion of the contracts — 406.82 million rubles), 10 auctions (including four with multiple lots) — 24 contracts for the total amount of 48.94 million rubles, one request for quotations — 1 contract for the total amount of 17.1 thousand US dollars (ruble equivalent as of the date of conclusion of the contract — 1 million rubles), 15 requests for quotations — 15 contracts for the total amount of 13.39 million rubles, 9 requests for bids — 9 contracts for the amount of 64.90 million rubles, one request for bids — 3 framework legal service agreements connected with the representation of the interests of the Agency in courts and bringing to criminal liability persons guilty of causing damage to the Agency where the maximal possible total amount of expenses of the Agency is 50 million rubles, one request for bids — 3 framework service agreements for search of potential purchasers of non-core assets of the Agency which price is determined after provision of services.

Savings from the purchases through competitive procedures are estimated to be 170.3 million rubles (13% of initial (maximal) contract value). In case of purchases through competitive procedures where the initial (maximal) prices of the product

unit are established, savings were achieved at the expense of reduction of such prices.

A total of 3 559 purchases were made which resulted in conclusion of contracts for the amount of 2 753.62 million rubles.

In the reporting period in the course of purchases the Agency actively cooperated with SMEs. Cost of purchases from SMEs amounted to 1 678.99 million rubles making 61% of the aggregate cost of all purchases during the year. Following the purchases in which only SMEs participated, contracts were concluded for the amount of 636.34 million rubles and the scope of such purchases made up 23% of the aggregate cost of all purchases during the year.

The Agency implemented a number of measures aimed at import substitution of purchased goods, work and services equal by technical characteristics and consumer properties to domestic analogues. In particular, within the framework of the project of modernization of IT infrastructure of the Agency completed in 2017, the applied software architecture was fully transferred to the solutions of domestic developers which provide services of its modernization and maintenance to the Agency on continuous basis.

FINANCING OF THE AGENCY OPERATIONS

8.9

IN 2017 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 9, 2016 (MINUTES № 8). THE TOTAL AMOUNT OF THE AGENCY'S ACTUAL COSTS WAS EQUAL TO 4 460.2 MILLION RUBLES WHICH CORRESPONDS TO 85.2% OF THE PLANED COSTS (5 235 0 MILLION RUBLES), INCLUDING ADMINISTRATIVE AND ECONOMIC EXPENSES OF 4 138 9 MILLION RUBLES (85.2 % OF THE PLAN) AND CAPITAL INVESTMENT OF 321.3 MILLION RUBLES (85.5% 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 № 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 11.3 billion rubles.

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 № 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

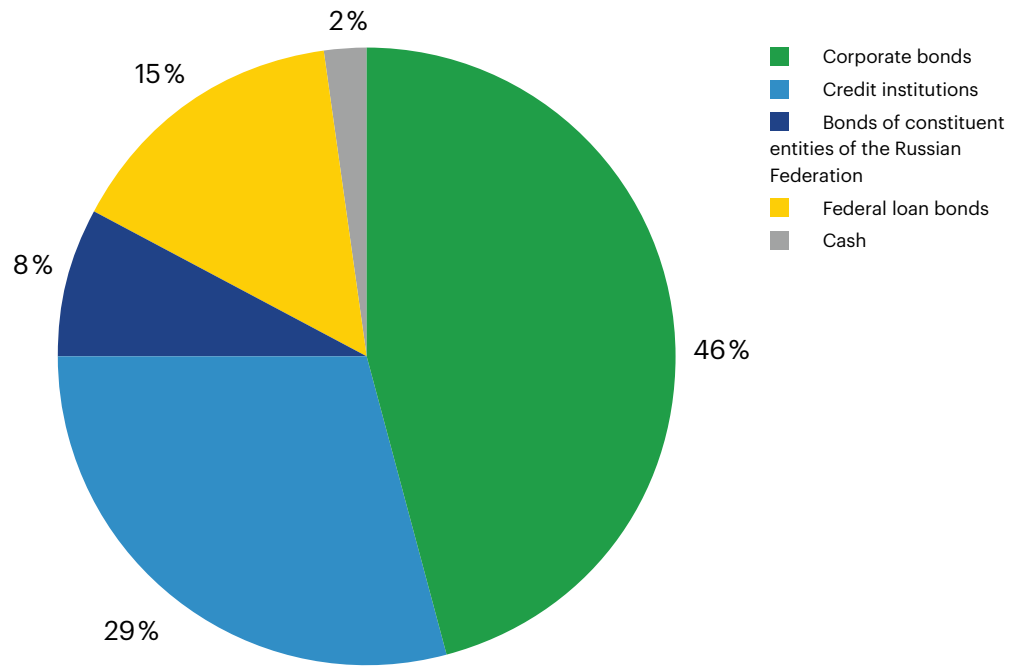


Figure 41. Structure of Investments to Support the Agency's Operations as of December 31, 2017

December 21, 2011 № 1080. The structure of investments to support the Agency's operations as of December 31, 2017 is presented in Figure 41.

As of December 31, 2017 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 № 175-FZ "On additional measures to strengthen stability of the banking system till December 31, 2014", amounted to 91.8 billion rubles. Their distribution structure is presented in Figure 42.

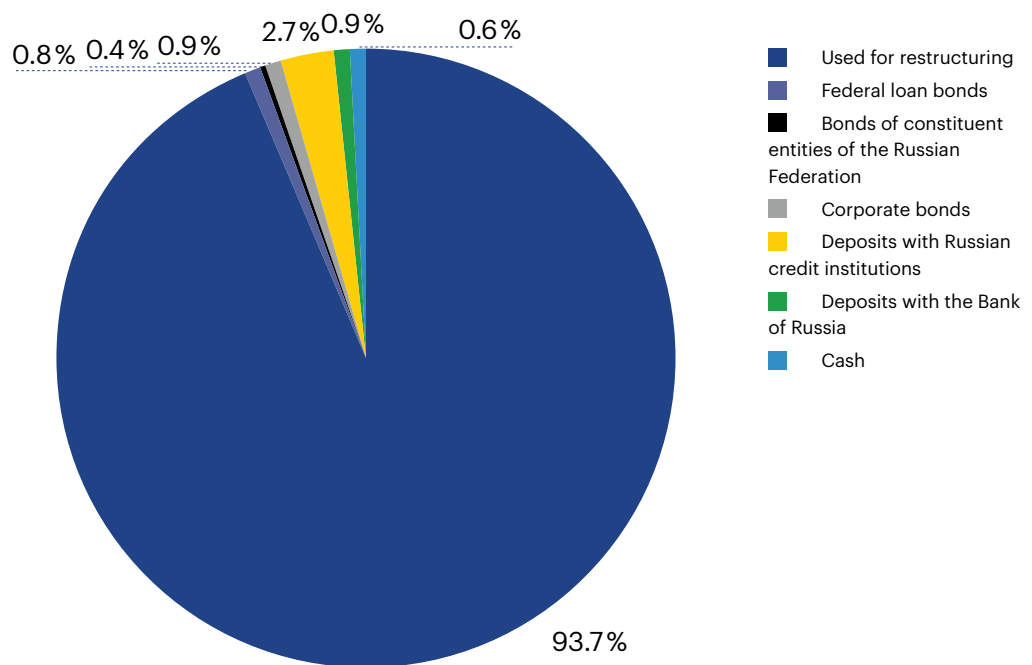


Figure 42. Structure of Investments to Prevent Bank Bankruptcy as of December 31, 2017*

* Book value (total amount of the property contribution — 91.8 billion rubles).

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 8.9 billion rubles.

Based on the performance in 2017 the Agency received profit before tax in the amount of 7.2 billion rubles, while profit tax adjusted for deferred tax assets amounted to 2.7 billion rubles, and the Agency's net profit was equal to 4.5 billion rubles. In compliance with the profit distribution procedure approved by the Agency's Board of Directors, 0.9 billion rubles out of this amount were allocated to the Mandatory Deposit Insurance Fund, 0.1 billion rubles were allocated to PSGF, 3.5 billion rubles 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.





FINANCIAL STATEMENTS

BALANCE SHEET

OF THE STATE CORPORATION "DEPOSIT INSURANCE AGENCY" AS OF DECEMBER 31, 2017

million rubles

	ASSETS	As of 31.12.2017	As of 31.12.2016	As of 31.12.2015
I.	ASSETS			
1.	Investment of the Mandatory Deposit Insurance Fund's resources	31 644	15 015	47 463
	1.1. Long-term	5 296	5 979	8 616
	1.2. Short-term	26 348	9 036	38 847
2.	Investment of the Pension Savings Guarantee Fund's resources	1 114	556	123
	2.1. Long-term	1 087	256	87
	2.2. Short-term	27	300	36
3.	Investment of the Agency's resources that are not included into the funds	69 175	86 860	60 912
	3.1. Long-term	42 282	27 050	16 136
	3.2. Short-term	26 893	59 810	44 776
4.	Funding of measures aimed at prevention of bankruptcies of financial institutions and settlement of obligations of the banks	1 314 695	1 179 082	1 172 571
5.	Funding of measures aimed at the increase of bank capitalization	749 837	838 000	838 000
6.	Fixed assets	1 741	6 978	5 205
7.	Cash including	6 931	10 242	16 307
	7.1. Cash of the Mandatory Deposit Insurance Fund	411	247	9 174
	7.2. Cash of the Pension Savings Guarantee Fund	1	6	5
8.	Other assets	1 531 675	1 201 078	686 601
TOTAL FOR SECTION I		3 706 812	3 337 811	2 827 182
BALANCE		3 706 812	3 337 811	2 827 182

LIABILITIES		As of 31.12.2017	As of 31.12.2016	As of 31.12.2015
II. EQUITY				
9.	Resources of the Mandatory Deposit Insurance Fund	44 440	41 839	37 454
10.	Resources of the Pension Savings Guarantee Fund	1 129	575	128
11.	Property contribution of the Russian Federation, including	848 785	991 715	985 691
	11.1. Funds for measures aimed at prevention of bank bankruptcies and settlement of obligations of the banks	91 806	146 836	144 002
	11.2. Funds for measures aimed at the increase of bank capitalization	749 791	838 000	838 000
12.	Funds and reserves	0	0	0
13.	Retained earnings (uncovered loss)	41	0	4 671
TOTAL FOR SECTION II		894 395	1 034 129	1 027 944

III. LIABILITIES

14.	Loans and credits received, including:	2 050 519	1 616 834	1 122 891
	14.1. long-term	2 021 539	1 588 334	850 487
	14.2. short-term	28 980	28 500	272 404
15.	Funds of financial institutions placed in bankruptcy and liquidation	66 492	53 794	35 970
16.	Other liabilities	695 406	633 054	640 377
TOTAL FOR SECTION III		2 812 417	2 303 682	1 799 238
BALANCE		3 706 812	3 337 811	2 827 182

For information: off-balance sheet assets and liabilities

17.	Received collaterals for obligations and payments	1 259 715	1 114 488	851 947
18.	Given collaterals for obligations and payments	0	5 000	5 000
19.	Depreciation of fixed assets	710	531	347

General Director



Yu.O. Isaev

CFO — Chief Accountant



N.D. Molodtsova

February 20, 2018

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 THE INVESTMENT OF TEMPORARY IDLE FUNDS FOR 2017

million rubles

	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:	2 085	2 314
	1.1. Income from operations with securities	5	0
	1.2. interest income	1 854	2 004
	1.3. other income	226	310
2.	Revenues from placement (investment) of the Pension Savings Guarantee Fund's resources, total, including:	117	52
	2.1. Income from operations with securities	0	0
	2.2. interest income	90	46
	2.3. other income	27	6
3.	Revenues from placement (investment) of the Agency's resources which are not the funds, total, including:	20 916	20 006
	3.1. Income from operations with securities	0	129
	3.2. interest income	20 369	19 300
	3.3. other income	547	577
4.	Revenues from use of funds received to take measures to increase bank capitalization	55 441	94 241
5.	Other income	1 433	247
	Total Income	79 992	116 860

million rubles

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	(3)	(23)
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	(33)	(2)
9. Interests expenses	(12 462)	(11 258)
10. Expenses incurred in the course of the measures to increase bank capitalization	(55 399)	(94 235)
11. Administrative expenses of the Agency	(4 139)	(3 673)
12. Other expenses	(747)	(401)
Total Expenses	(72 783)	(109 592)
Profit (loss) before tax	7 209	7 268
13. Profit tax	(2 442)	(878)
14. Deferred tax assets (+), liabilities (-)	(249)	(236)
Net profit (loss) of the reporting period	4 518	6 154

General Director



Yu.O. Isaev

CFO – Chief Accountant



N.D. Molodtsova

February 20, 2018

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 2017

million rubles

Indicator		For the Reporting Year	For the Previous Year
I. DIF CASH FLOW			
CASH BALANCE AS OF THE BEGINNING OF THE REPORTING PERIOD		247	9 174
1.	Inflows — total, including:	483 403	660 619
	1.1. Insurance premiums of DIS member banks	127 684	99 626
	1.2. Property contribution	0	0
	1.3. Funds received on a repayable basis	293 000	474 000
	1.4. Inflows connected with investments	0	33 840
	1.5. Other inflows	62 719	53 153
2.	Outflows — total, including:	(483 239)	(669 546)
	2.1. Payouts to depositors	(447 058)	(667 177)
	2.2. Repayment of borrowed funds	(17 060)	0
	2.3. Outflows connected with investments	(16 964)	0
	2.4. Other outflows	(2 157)	(2 369)
CASH BALANCE AS OF THE END OF THE REPORTING PERIOD		411	247

Indicator	For the Reporting Year	For the Previous Year
II. DIF CAPITAL CHANGE		
DIF BALANCE AS OF THE BEGINNING OF THE REPORTING PERIOD	41 839	37 454
3. Inflows	169 968	130 309
4. Outflows	(167 367)	-125 924
DIF BALANCE AS OF THE END OF THE REPORTING PERIOD	44 440	41 839

General Director



Yu.O. Isaev

CFO — Chief Accountant



N.D. Molodtsova

February 20, 2018

The MDIF 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

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

CASH FLOW STATEMENT

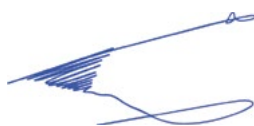
OF THE PENSION SAVINGS GUARANTEED FUND OF THE STATE CORPORATION “DEPOSIT INSURANCE AGENCY” FOR 2017

million rubles

Indicator		For the Reporting Year	For the Previous Year
I. PSGF CASH FLOW			
CASH BALANCE AS OF THE BEGINNING OF THE REPORTING PERIOD		6	5
1.	Inflows — total, including:	489	418
	1.1. Guarantee and accession fees	489	418
	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:	(494)	(417)
	2.1. Payouts to depositors	0	0
	2.2. Repayment of borrowed funds	0	0
	2.3. Outflows connected with investments	(494)	(417)
	2.4. Other outflows	0	0
CASH BALANCE AS OF THE END OF THE REPORTING PERIOD		1	6

Indicator	For the Reporting Year	For the Previous Year
II. PSGF CAPITAL CHANGE		
PSGF BALANCE AS OF THE BEGINNING OF THE REPORTING PERIOD	575	128
3. Inflows	554	447
4. Outflows	0	0
PSGF BALANCE AS OF THE END OF THE REPORTING PERIOD	1 129	575

General Director



Yu.O. Isaev

CFO — Chief Accountant



N.D. Molodtsova

February 20, 2018

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

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

