



GAZPROMBANK

GAZPROMBANK GROUP
ANNUAL REPORT BASED
ON IFRS CONSOLIDATED
FINANCIAL STATEMENTS

2016

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GROUP**

ANNUAL REPORT
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CONSOLIDATED
FINANCIAL
STATEMENTS

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STATEMENT OF THE CHAIRMAN OF THE BOARD OF DIRECTORS

Dear Shareholders,

The reporting year was busy and fruitful for Gazprombank. The Bank achieved significant financial results and reaffirmed once again its strong reliability and resilience. As one of the country's key systemically-important banks, Gazprombank successfully pursued collaboration with corporate customers, including enterprises of key industries of the Russian economy, in 2016. Within the framework of an approved plan of the Bank's interaction with Public Joint-Stock Company Gazprom, measures were taken last year to make arrangements for provision of integrated banking services to Gazprom and its employees. A great deal of attention was paid to cooperation in management of money flows of Gazprom Group companies,

and also to financial advisory services as well as services related to placement of the Group's securities in the Russian and international markets. Work was continued to enhance technology capability of Gazprombank Group's industrial assets. It also was performed in the interests of Gazprom, a large consumer of the products manufactured by the domestic machine-building industry. The Board of Directors has positively evaluated the Bank's performance, and expresses its conviction that implementation of a well-thought and well-balanced strategy will allow the Bank to reinforce its competitive positions in the banking sector even further.

Alexey B. Miller

*Chairman of the Board of Directors,
Bank GPB (JSC)*

*Chairman of the Management Committee,
Gazprom*



STATEMENT OF THE CHAIRMAN OF THE MANAGEMENT BOARD

**Dear Shareholders,
Customers and Partners
of the Bank,**

An ability to respond timely to external challenges and to adapt to a new reality was probably the most necessary quality in the past few years. Difficulties of that period, which were caused by macro-economic instability and various external shocks, gave a powerful impetus to re-adjustment of the outlook, including the perspective about the hierarchy of targets and prioritizing in everyday activities. The 2016 outcome showed that Gazprombank was able to make use of all available opportunities in the best possible way, in order to cope with challenges, move ahead and solidify its fundamental strengths in the Russian financial market. Today, it can be said with conviction that our efforts have contributed to serious achievements. Last year, Gazprombank generated a considerable profit — RUB 29.0 billion. One important aspect of that success was growth of stable core banking income: in 2016, that indicator was up by 22.1% from a year before. While foreign currency loans were devalued because the ruble was getting stronger, the Bank kept its aggregate loan portfolio at the level of end-2015 last year. At the same time, we managed to increase volumes of new ruble loans and to enlarge the Bank's share in the lending market both for legal entities and private individuals. Another event that can be considered favorable for the Bank was recovery of the interest margin, one of essential

indicators of a financial institution's operations, to the pre-crisis level, with its value reaching 3.0% in 2016.

In 2016, a number of loans were successfully restructured, with PJSC Mechel's indebtedness taking a special place in those efforts. Interaction with the company fell on hard times, but it reflected in full measure Gazprombank's commitment to principles of responsible work with customers. The restructuring will allow PJSC Mechel to pursue actively investment projects that have priority significance for the country and will ensure the company's solvency in the future.

Achievements attest to the Bank's effective work, which required mobilization of all internal resources. Last year, Gazprombank took a tough stance administering its operating costs, and, as a result, they did not exceed the 2015 level, with business performance still improving. In 2016, work to improve operating efficiency was continued; its elements were staff optimization, a program to centralize supporting functions, carrying out projects to enhance the quality of the services provided by the Bank, and cutting costs of transactions.

Owing to a correct choice of priorities, coherent teamwork and support from the government, Gazprombank has managed to achieve performance targets. Key factors of success were continuous

development and consolidation of competitive strengths, with universality of business and a strategic partnership with major enterprises of main industries of Russian economy traditionally being the principal ones among them. Gazprom and its subsidiaries take a special place among the Bank's customers. We develop mutually beneficial cooperation in many areas, everywhere across Russia and abroad. The Bank is actively involved in preparation and implementation of large-scale investment projects of Gazprom Group. For instance, last year, Gazprombank acted as financial consultant of Gazprom Pererabotka Blagoveschensk LLC in a project of construction of the Amur Gas Processing Plant with a capacity of 42 bcm a year. The new plant to be set up within the framework of the Eastern Gas Program will become one of the world's biggest helium producers. The construction project will focus on protection of the environment and creation of an infrastructure required for efficient work of the new enterprise and comfortable living conditions of local residents. In 2016, the Bank continued to carry out the nation's strategically important projects in partnership with other leaders of the domestic oil and gas industry. In association with NOVATEK, its subsidiaries and affiliated companies, financing of the Yamal LNG project was arranged, and also funding for another project — development of a gas field in the Yamal-Nenets Autonomous Area (JSC ARCTICGAZ). Within the framework of the Yamal LNG project, which was a pivotal one in 2016, there are plans to build a large integrated natural gas liquefaction facility in the Yamal Peninsula. The South-Tambey gas condensate

field will provide feedstock for the facility. Once a powerful enterprise of that sector appears in the region, reserves of Yamal hydrocarbons will be supplied to international markets, which will reinforce positions of the Russian Federation as an exporter of LNG. It must be noted that the production-supporting infrastructure will be widely used for community needs. People living in the peninsula will be getting new housing, good roads and advanced modes of transportation and means of telecommunications. In association with Rosneft, our Bank is involved in the construction of Zvezda, the biggest ship-building facility in the Far East. Implementation of that project will help build a new industrial cluster in the Primorye and will produce a significant multiplication effect for a number of associated industries. Well-known international companies have displayed their interest in the enterprise's products. Vladimir Putin, President of the Russian Federation, took part in the ceremonial commissioning of the first stage of the ship-building factory, which confirms strategic importance of the project for the entire Russian ship-building industry. Another project also got presidential approval — the Western High-Speed Diameter in St. Petersburg; it is based on a public-private partnership, and the Bank is very actively involved in it. It is hard to overestimate the meaning of the Western High-Speed Diameter for the city's life and development; once opened, this arterial road will help unclog the historical center of St. Petersburg, the Ring Road, and the urban traffic across the city's districts. Moving around the city will become much faster.

Among international events that occurred in 2016, I would like to emphasize Gazprombank's collaboration with the State Oil Company of the Azerbaijan Republic (SOCAR). Among joint projects, there is construction of gas processing and polymer plants in Garadagh. The gas processing plant will have a capacity of 10 bcm of processed natural gas a year, and the polymer plant will be able to produce 570,000 tons of polyethylene and 120,000 tons of polypropylene annually. The Bank was a financial consultant for the project.

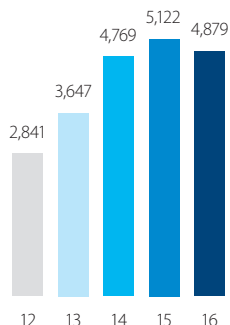
Moreover, an agreement was signed in 2016 between SOCAR and Cryogenmash, an enterprise of Gazprombank Group, to design and supply a nitrogen unit for a project to build high-density polypropylene and polyethylene plants in Azerbaijan, which the company is carrying out in association with the Bank. It is another concrete example of effective work of Gazprombank Group's industrial enterprises in the increase of exports of the domestic hi-tech sector. Products of the machine-building industry were also exported to Kazakhstan and India in 2016. As far as funding of investment projects is concerned, Gazprombank is among global leaders in the Global Advisories Closed category (according to Project Finance International) and as a financial consultant in infrastructure finance (according to IJGlobal). To summarize, we can tell that 2016 was a period of a search for new solutions, of major and intense efforts in all areas of operations. Developing and perfecting its business, Gazprombank has reiterated once again its willingness to pursue most complicated missions. We have overcome temporary difficulties, and we are marching ahead!

Andrey I. Akimov

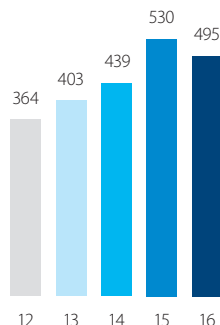
*Chairman of the Management Board,
Bank GPB (JSC)*

KEY PERFORMANCE INDICATORS

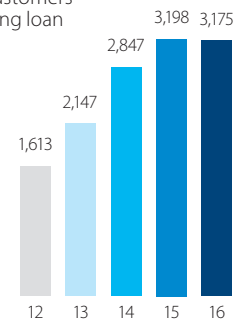
Assets,
RUB billion



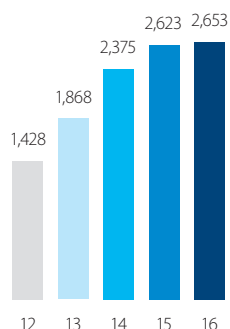
Equity (capital),
RUB billion



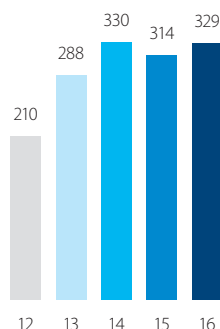
Loans provided
to corporate customers
before deducting loan
loss provisions,
RUB billion



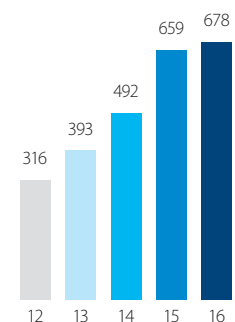
Amounts
owed to corporate
customers,
RUB billion



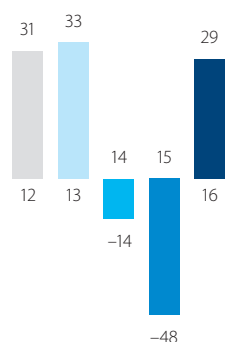
Retail loans before
deducting loan loss
provisions,
RUB billion



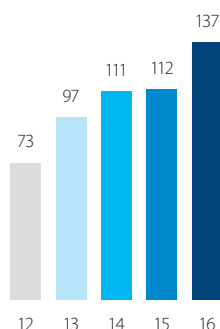
Amounts owed
to individuals,
RUB billion



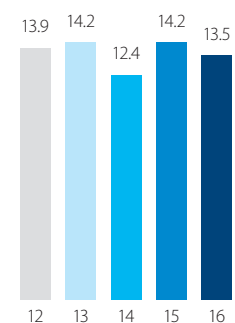
Net profit (loss),
RUB billion



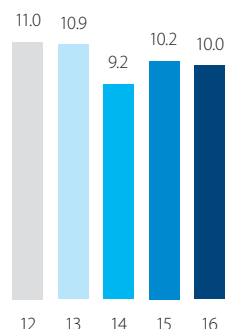
Core banking income,
RUB billion



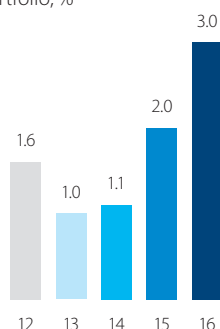
Capital adequacy
(Basel I, II), %



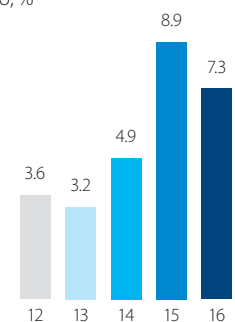
Tier 1 capital adequacy
(Basel I, II), %



Ratio of non-performing
loans to loan portfolio, %



Ratio of loan loss provisions
to loan portfolio, %



1

HISTORY OF THE PRESENT
CRYOGENMASH'S
NEW R&D AND PRODUCTION
FACILITY BASED
IN BALASHIKHA

**MAIN RESULTS
FOR THE YEAR
AND BUSINESS
DEVELOPMENT
OBJECTIVES**



EXTERNAL ENVIRONMENT IN 2016

Growing oil prices, import substitution and product exports stabilized the situation in Russia's economy.

DECLINING CONSUMER ACTIVITY AND DWINDLING INVESTMENTS PREVENTED TRANSITION TO A STABLE GROWTH, BUT INFLATION RATES DECELERATED BY HALF THEREBY.

INCREASE OF REVENUES GENERATED BY EXPORTS AND STEPPED-UP EXPECTATIONS OF SEEING THE RUBLE GROW HAVE BROUGHT CONSIDERABLE FUNDS TO THE RUSSIAN STOCK MARKET.

WORK TO IMPROVE BALANCE SHEETS HAS ALLOWED THE BANKING SYSTEM TO QUINTUPLE PROFIT.

In 2016, global economic growth remained low, at 3.0% versus 3.1% in 2015.

The world's largest economies were rising slowly amidst low commodity prices and risk of deflation. Monetary and credit policies of the greater part of developed countries were still focused on incentives, on keeping up economic activity and combating deflation, but efficiency of those measures was weak.

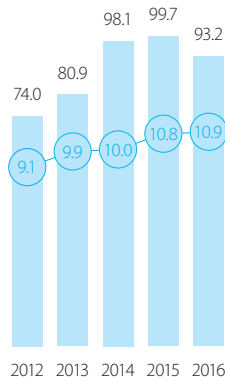
Emerging economies adapted to fluctuations of commodity prices, but their growth remained stable. Oil exporting nations were piling up debt and using their gold and currency reserves to stabilize budgets. Prices of financial assets and commodities had displayed high volatility earlier in the year, but by year's end the situation stabilized. The oil price, which was USD 28/brl in the beginning of last year, surged to USD 53/brl by its end, as a result of an oil production cut agreement within the OPEC (Russia also joined that agreement later) and oil production cuts in the U.S. Commodity price growth boosted inflationary pressure and created prerequisites for a more hawkish monetary and credit policy pursued by the U.S. Federal Reserve System, and harsher rhetoric on the part of the ECB. Hiking the rate by 0.25 p. p. in December, the U.S. Federal Reserve signaled the beginning of a long cycle of rate hikes, and the ECB confirmed it was going to fold its quantitative easing program in 2017.

Lower volatility in financial markets helped stabilize currencies of emerging countries and spurred capital inflow in their assets. Gradual recovery of oil prices, the financial system's diminished need of foreign currency and a downturn in capital flight helped the ruble get much stronger (from RUB 77.9/\$1 in January to RUB 62.1/\$1 in December), with economic expectations stabilizing. Low annual average oil prices (USD 41/brl versus USD 51/brl a year before) sent the annual average ruble rate downhill, from RUB 61.3/\$1 to RUB 67.2/\$1, which boosted the process of import substitution and active exports of non-commodity products from Russia. In 2016, evolution of net exports helped Russia's economy move from a slump in 2015 to stabilization in 2016 (–0.2%). A weaker ruble preserved high annual average inflation (7.4%), which exceeded the incremental growth of nominal household incomes. Real disposable income was down (–5.9% YoY), leading to a decline of real consumer spending (–4% YoY) and maintaining high propensity to save (16% of revenues), with people's credit activity also dwindling. Declining consumer activity and a continuing slump of investments in fixed assets (–1.4%) have not allowed economy so far to make a transition from stabilization to stable growth. A rise in federal budget spending from RUB 15.6 trillion to RUB 16.6 trillion was caused by premature repayments of long-term financial liabilities under

Assets and banking system capital, as % of GDP

■ Assets
○ Capital

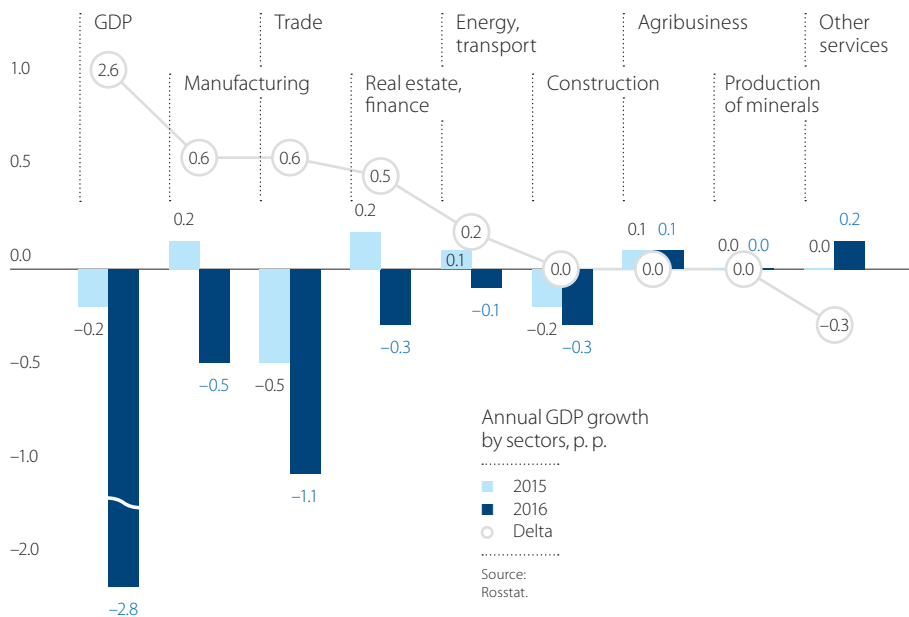
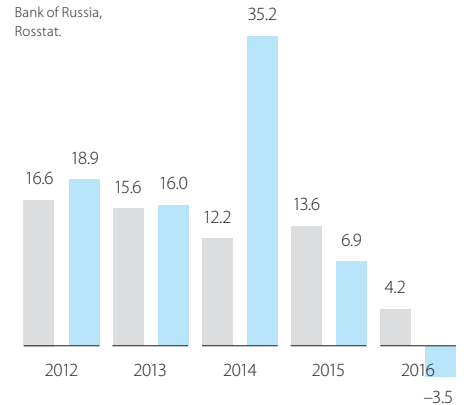
Sources:
Bank of Russia,
Rosstat.



Growth of assets and banking system capital, as % year-on-year

■ Assets
■ Capital

Sources:
Bank of Russia,
Rosstat.



a number of defense-related programs, with current spending in most of other sectors having been cut to 11%. As a result of plummeting oil and gas revenues and growing total expenditure, federal budget deficit was up from 2.7% to 4% of GDP. To offset the deficit, the Ministry of Finance increased domestic loans by one third, and accelerated the privatization program. Growing oil prices and heightened expectations of seeing the ruble get stronger amidst traditional undervaluation of Russian companies in stock exchanges brought significant funds to the Russian stock market. As a result, the annual average RTS index was up from 918 to 1,163 points, the MICEX index from 1,685 to 1,934 points, and income of the banking system in terms

of investments in securities climbed from RUB 640 billion to RUB 996 billion. Year-end inflation, kept in check by a downturn in consumer activity and a stronger ruble, decelerated from 12.9% in December 2015 to 5.4% in December 2016. Responding to that trend, the Bank of Russia contended with cutting the key rate only slightly from 11% to 10%, in order to bring inflation to its target of 4% by the end of 2017. Keeping high real interest rates amidst a lack of high-quality borrowers and a small demand for loans helped stabilize the interest margin of banks and build up surplus of ruble liquidity in the banking system, which was RUB 1.5 trillion in December. Stabilization of the FX market also allowed simultaneously to slash

the volume of foreign currency refinancing supplied within the framework of anti-crisis measures. As a result, rates in the money market went down, and by the end of the year were below the key rate of the Bank of Russia.

Assets of banks, in view of the currency revaluation, climbed only slightly last year (by 1.9%), and the loan portfolio dipped somewhat (-2.4%). Deterioration of financial standing of most borrowers and growing risks because of lesser income as a result of economic deceleration made banks stick to cautious policies. Nominal loan and deposit portfolios of legal entities declined in a major way as a result of currency revaluation (loans to non-financial entities were cut by 9.5%, deposits by 10.1%). The ratio of overdue loans was increasingly growing last year (rising to 7.8%), but it ultimately reverted to the January level (7%) on the back of the work to improve balance sheets. December's write-off of a part of reserves previously piled up as provision for potential losses helped generate a profit in the amount of RUB 930 billion (1.2% of the annual average assets versus 0.2% a year before) and increase equity capital of the banking sector by 4.2% (+RUB 380 billion).

By year's end, the capital adequacy ratio was up from 12.5% to 13.1%. A large capital reserve with respect to the statutory minimum (8%) and excess liquidity attest to a considerable growth of lending potential in economy, which heretofore has remained untapped amidst a weak demand and high estimated risks.

FINANCIAL PERFORMANCE

2016 turned out to be rather thriving for the Bank. Faced with a complicated market environment, the Bank generated net profit, kept its share in terms of core banking business, improved the quality of a number of loans, and was successful in managing changes in its operating costs.

Key financial indicators of Gazprombank Group (the Group) for the year ended 31 December 2016 as provided by consolidated financial statement prepared in accordance with International Financial Reporting Standards (IFRS) are presented below (RUB billion)

	31.12.2016	31.12.2015	Change
Assets	4,879.2	5,122.2	-4.7%
Shareholders' equity	494.5	530.4	-6.8%
Cash and cash equivalents	473.5	633.5	-25.3%
Loans to customers ¹	3,174.8	3,198.0	-0.7%
Retail loans ¹	329.1	314.4	+4.7%
Securities ²	589.1	707.9	-16.8%
Customer accounts	2,652.5	2,623.0	+1.1%
Retail customer accounts	678.3	658.7	+3.0%
Capital markets funding ³	317.3	475.3	-33.2%
Subordinated debts	182.8	207.7	-12.0%
	2016	2015	Change in 2016/2015
Net income / (loss)	29.0	(47.7)	-
Comprehensive income / (loss)	8.1	(24.9)	-
	31 December 2016/ 12 months of 2016	31 December 2015/ 12 months of 2015	Change
Total capital adequacy ratio ⁴	13.5%	14.2%	-0.7 p. p.
Tier 1 capital adequacy ratio ⁴	10.0%	10.2%	-0.2 p. p.
Non-performing loans ⁵ (NPL) % gross loans	3.0%	2.0%	+1.0 p. p.
Allowance for impairment to gross loans to customers	7.3%	8.9%	-1.6 p. p.
Loans-to-deposit ratio ¹	105.2%	107.0%	-1.8 p. p.
Net interest margin ⁶	3.0%	2.5%	+0.5 p. p.
Cost of risk ⁷	0.1%	3.7%	-3.6 p. p.
Cost-to-income ratio ⁸	46.5%	41.8%	+4.7 p. p.

¹ Before deducting loan loss provisions.

² Including securities for trading, investments available for sale, investments in associates and investments held to maturity.

³ Including bonds issued and syndicated interbank loans.

⁴ According to recommendations issued by the Bank for International Settlements (Basel I).

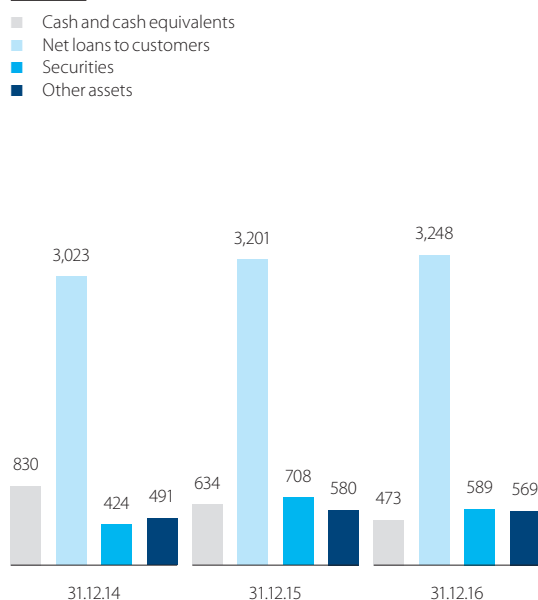
⁵ Loans are qualified as non-performing in case of failure to repay the principal amount or interest for 90 days or longer, or in case of the counterparty default.

⁶ The ratio of net interest income generated in the reporting period to average interest-earning assets as of the end of each quarter in the reporting period. Interest-earning assets include fixed-term deposits in banks, loans provided to customers and debt securities (all before deducting loan loss provisions).

⁷ The ratio of expenditure on provisioning for depreciation of interest-earning assets in the reporting period to the time average of interest-earning assets as of the end of each quarterly period included in the reporting period.

⁸ Operating expenses include salary and other payments to personnel, and administrative expenses relating to banking activities. Operating income includes net interest income, non-interest income and operating profit from non-banking activities.

Assets dynamics, RUB billion



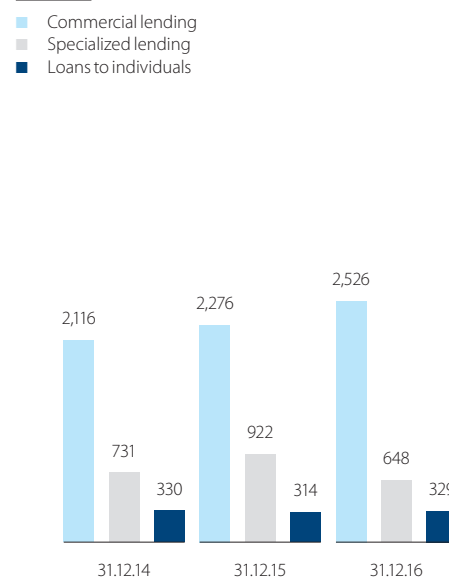
Financial results

In 2016, the Group earned net profit in the amount of RUB 29.0 billion. The total income, including re-assessment of non-trading investments and foreign currency revaluation of the Group's overseas allocations, amounted to RUB 8.1 billion. To compare, in 2015, the Group's net and aggregate loss equaled RUB 47.7 billion and RUB 24.9 billion, respectively. First and foremost, the Group's profit in 2016 stemmed from a rise in net interest income, which increased by 27.1% in 2016, to RUB 122.0 billion, and also from revival of a portion of reserves provided for potential impairment of interest-earning assets (created earlier, during the 2014–2015 crisis period), in connection with restructuring of some large underwater loans. As a result, reserve-building costs amounted to RUB 2.0 billion in 2016, whereas 2015 saw "peak" transfers in the amount of RUB 139.5 billion. The Group's credit exposure as a risk indicator was 0.1% in 2016, compared to 3.7% a year before. Net interest income in 2016 was growing due to both a gain in the Group's interest earnings, which were up 2.5%, to RUB 380.1 billion, in 2016, and also to a dipping interest paid, which slumped by 6.1% to RUB 258.1 billion. By and large, interest earnings were affected by a growing interest income in the portfolio of debt securities. Interest expenses were down mainly because of repayment, in 2016, of a portion of funds previously

received from the Bank of Russia. The net interest margin saw a 0.5 p. p. rise, to 3.0%, in 2016, compared to 2015. The Group's stable income generated by core banking operations, including net interest before deduction of reserves provided for potential depreciation of interest-earning assets and net fee and commission income, was RUB 136.7 billion in 2016, or 22.1% more than in 2015. The percentage of stable income in the Group's operating income was 87.5%, exceeding the 2015 indicator by 23.8 p. p., because of both growing net interest earnings and a decline of the ratio of trading and investment income in the Group's operating income. The aggregate bottom-line in transactions with securities⁹ dwindled by 25.6% in 2016 year-on-year, to RUB 37.4 billion. The main reason for the falling income from securities was the ongoing deceleration of value growth rates of the Group's investments. Non-banking segments posted a RUB 15.0 billion loss from operations in 2016, compared to a profit of RUB 5.3 billion in 2015. As a result of an impact of the above-mentioned factors, the Group's operating income (excluding costs of building reserves provided for potential depreciation of interest-earning assets) amounted to RUB 156.3 billion, down by 11.2% from 2015.

Operating expenses in the reporting period were RUB 72.8 billion, versus RUB 73.6 billion in the previous year. Despite the fact that

Loan portfolio dynamics, RUB billion



operating expenses decreased by 1.1%, a more significant decline of operating income led in 2016 to a growth of the ratio between operating expenses and operating income by 4.7 p. p. to 46.5%.

Business volume indicators

As of end-2016, the Group's assets equaled RUB 4,879.2 billion, down by 4.7% from RUB 5,122.2 billion as of end-2015. The principal factor of the decline was dwindling of the ruble equivalent of foreign currency assets as a consequence of a climbing ruble exchange rate, and also a shrinkage, by RUB 160.0 billion to RUB 473.5 billion, of monetary funds and their equivalents used by the Group to repay loans from the Bank of Russia, Eurobond loans and syndicated loans.

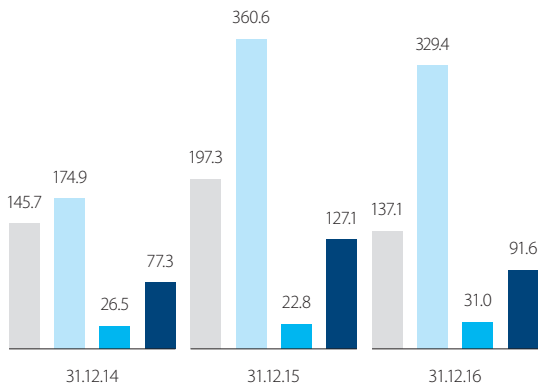
The loan portfolio prior to loan-loss provisions deduction was RUB 3,503.9 billion as of end-2016, which was virtually close to the level of end-2015. The factor of a stronger ruble, which pulled down the ruble equivalent of currency loans, was eventually canceled out by growing business volumes.

The loan portfolio accounted for 66.6% of the Group's aggregate assets, climbing by 4.1 p. p. in 2016. At the same time, the scope of corporate loans

⁹ The total financial bottom-line in transactions with securities includes realized and unrealized results of transactions with securities, a change in the value of the Group's allocations, revenue from investments in affiliated ventures, the result generated from derivative instruments, revenue from retirement of subsidiaries.

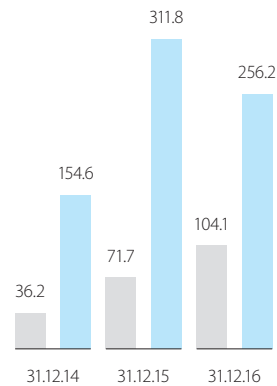
Securities portfolio, RUB billion

- Debt securities reported at fair value
- Debt securities reported at amortized cost
- Traded shares
- Non-traded shares



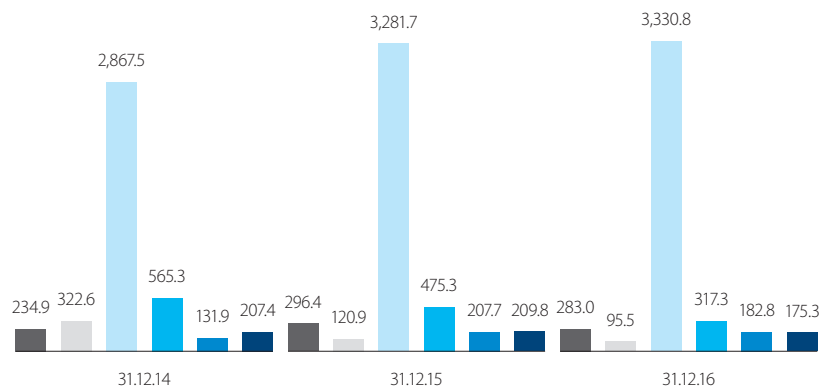
Loan portfolio quality indicators, RUB billion

- Non-performing loans
- Loan loss provisions



Resource base distribution, RUB billion

- Amounts owed to banks
- Amounts owed to the Bank of Russia
- Amounts owed to customers
- Borrowings from capital markets
- Subordinated debt
- Other liabilities



(RUB 3,174.8 billion) remained virtually unchanged compared to end-2015, and the volume of retail loans was up 4.7%, to RUB 329.1 billion, accounting for 9.4% in the structure of the loan portfolio (versus 9.0% as of end-2015).

The Group's securities portfolio was down by 16.8% in 2016, and as of 31 December 2016, it equaled RUB 589.1 billion. Shrinkage of the portfolio was associated with partial disposal of some of the Group's long-term investments, and also with redemption of a number of securities from the portfolio of securities held to maturity and from the Group's trading portfolio. Ultimately, the percentage of securities within the Group's assets decreased by 1.7 p. p. (compared to end-2015) to 12.1%. Traditionally, the structure of the Group's securities

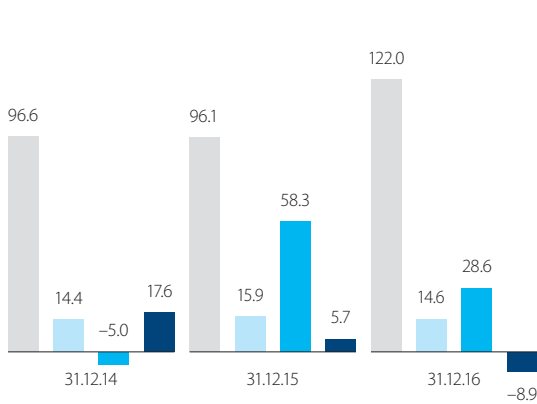
portfolio is characterized by domination of fixed-income instruments representing allocations to Russian government debt and bonds and promissory notes of Russian issuers; the percentage of the latter is also rather stable — as of end-2016 it was 79.2% versus 78.8% as of end-2015.

Funds of corporate and private customers still remain the underlying foundation of the Group's resource base; as of end-2016, they amounted to RUB 3,330.8 billion, showing a 1.5% rise from RUB 3,281.7 billion as of end-2015. In particular, funds of corporate customers equaled RUB 2,652.5 billion as of end-2016, up 1.1% year-on-year. The biggest incremental growth in funds of corporate customers occurred at the end of 2016, rising by 5.6% in the fourth quarter.

Deposits and private accounts added 3% in 2016, showing an accelerated growth rate by year's end and reaching RUB 678.3 billion on 31 December 2016. Customer funds accounted for 76.0% in the Group's liabilities as of 31 December 2016 versus 71.5% a year before. Borrowings in capital markets, including bond issues in the international and Russian markets, and syndicated interbank raising of resources, were partially repaid in 2016, following which their volume shrunk by 33.2% in 2016 and by the end of the year it was RUB 317.3 billion. Borrowings in capital markets correspondingly declined by 3.2 p. p. in the Bank's resource base in 2016, and now they account for 7.2% of the Group's aggregate liabilities as of the reporting date.

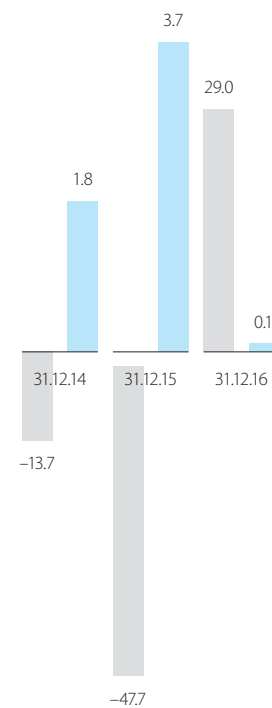
Operating income structure, RUB billion

- Net interest income
- Commission income
- Net income from trading in foreign currencies and securities
- Other income/expenses



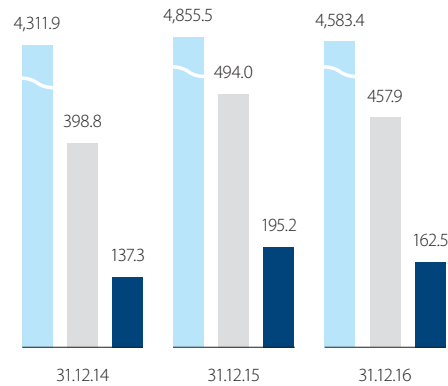
Operating profitability

- Net profit, RUB billion
- Cost of risk, %



Capital adequacy indicators, RUB billion

- RWA
- Tier 1 capital
- Tier 2 capital



In particular, in 2016, the Group repaid a USD 500 million syndicated loan, redeemed Eurobonds with a par value of CNY 500 million, USD 120 million, CHF 200 million and RUB 40 billion, and ruble-denominated bonds for a total amount of RUB 40 billion; at the same time, the Group issued ruble-denominated bonds for a total amount of RUB 45 billion. Revaluation of foreign currency liabilities also helped reduce the ruble equivalent of the borrowings.

As of 31 December 2016, the amount of funds raised from the Bank of Russia and secured by loans to customers equaled RUB 95.5 billion, down by 21.0% from what it was on 31 December 2015. The Bank of Russia's funds accounted for 2.2% in the Group's liabilities at the end of the reporting year.

Asset quality indicators

The ratio between non-performing lending receivables¹⁰ and the amount of the loan portfolio was 3.0% as of end-2016 versus 2.0% as of end-2015.

The ratio between provision for losses from impaired loans and the loan portfolio was 7.3% as of end-2016, declining by 1.6 p. p. year-on-year, including because of a large-scale dismantling of reserves at year's end. Provision for losses from impaired loans exceed non-performing loans 2.5 times.

Capital adequacy

The Group's aggregate capital calculated in accordance with requirements of the Basel Accord (Basel I) on the basis of figures from consolidated statements prepared pursuant to IFRS was RUB 620.4 billion as of end-2016, having

plunged by 10.0%. The key factors that caused the decline were a stronger ruble exchange rate, which affected foreign currency sources in the capital, disposal of a number of the Group's investments, net assets of which were reflected in the capital, so far as holdings of non-controlling shareholders were concerned, and dividend payments on preferred shares in 2016. The Group's assets, weighted to account for risk, were down by 5.6% in 2016. It led to an adjustment of the Group's capital adequacy as of end-2016, with the Group's aggregate capital adequacy being 13.5% versus 14.2% a year before, and tier 1 capital adequacy staying at 10.0% versus 10.2% a year before.

¹⁰ Lending receivables for which the debt principal or interests are 90 or more days overdue or which defaulted.

POSITIONING

Domestically, Bank GPB (JSC) remains in the lead, reaffirming its stable position as one of the top three banks in terms of key volume indicators.

Share of Bank GPB (JSC) in the key indicators of the Russian banking system (RAS), %

	Assets	Capital ¹	Loans to corporate customers	Loans to individuals	Amounts owed to corporate customers ²	Amounts owed to individuals
As of 1 January 2016	6.0	7.0	8.5	2.7	11.1	2.7
As of 1 January 2017	6.0	6.8	9.2	2.9	11.9	2.7

Growth rates in 2016: Bank GPB (JSC) vs. Russian banking system, %

	Assets	Capital ¹	Loans to corporate customers	Loans to individuals	Amounts owed to corporate customers ²	Amounts owed to individuals
Banking system	-3.5	4.2	-6.5	1.1	-10.1	4.2
Bank GPB (JSC)	-4.1	0.2	1.0	9.7	-4.0	2.8

¹ Regulatory capital ('Total Capital (Equity)' metric in the Capital Adequacy Report (Form 808)).

² Including funds of government bodies.

RATINGS

The Bank's current ratings are underpinned by its strong market position in the market and systemic importance.

AS OF 31 DECEMBER 2016, THE FOLLOWING CREDIT RATINGS WERE ASSIGNED TO GAZPROMBANK:

Standard & Poor's

- BB+ (long-term foreign currency credit rating) — negative outlook;
- ruAA+ (national scale rating)¹.

Fitch Ratings

- BB+ (long-term foreign-currency issuer default rating) — stable outlook;
- "AA+(rus)"² (national scale rating) — stable outlook.

Moody's Investors Service

- Ba2 (long-term foreign-currency deposit rating) — negative outlook³.

Dagong Global Credit Rating

- "A-" (long-term foreign currency credit rating) — stable outlook.

Expert RA

- "A++" (national scale creditworthiness rating) — stable outlook.

ACRA

◦ «AA(RU)» (credit rating) — stable outlook. Gazprombank's long-term foreign currency credit ratings were consistent with the sovereign rating of the Russian Federation assigned by Standard & Poor's and were one step lower than Russia's rating assigned by Moody's Investors Service and Fitch Ratings.

On 4 March 2016 Moody's Investors Service placed the sovereign rating of the Russian Federation Ba1 on review for downgrade. Following this rating action, on 9 March 2016 Gazprombank's rating Ba2 was also placed on review for downgrade.

On 26 April 2016 Moody's Investors Service changed the outlook on Gazprombank's rating from possible downgrade

to negative following a similar rating action on sovereign rating of the Russian Federation on 22 April 2016.

On 18 March 2016 Moody's Interfax withdrew the national scale rating of Gazprombank following a similar withdrawal of all issuers' national scale ratings.

On 14 October 2016 Fitch Ratings revised the outlook on Russia's sovereign rating BBB- from negative to stable. Following this rating action, on 21 October 2016 Fitch Ratings changed the outlook on Gazprombank's rating BB+ from negative to stable.

On 24 November 2016 ACRA rating agency assigned AA(RU) rating with stable outlook to Gazprombank.

The Bank's current ratings are underpinned by its traditionally strong position on the lending market, specifically due to loans to large corporations, the systemic importance of the Bank, high probability of receiving government support when necessary, high asset quality (significantly higher than banking sector average), adequate risk management tools, and comfortable liquidity level adequate for debt servicing.

¹ 02.06.2017 — rating was withdrawn.

² 06.02.2017 — rating was withdrawn.

³ 21.02.2017 — outlook was changed to stable.

BUSINESS DEVELOPMENT STRATEGY AND OBJECTIVES

New strategic goals of Bank GPB (JSC) aim at consistent business expansion as well as business performance and profitability improvement while ensuring continuity and further development of key competencies and competitive advantages of GPB Group.

BANK GPB (JSC)
SUCCESSFULLY CARRIES
OUT PRINCIPAL STRATEGIC
MISSIONS SET OUT
BY THE BOARD OF DIRECTORS,
AND, AMONG OTHER THINGS:

- Bank GPB (JSC) keeps a leading position in the industry;
 - ensures growth of business in the areas that have been identified as top priority ones: loans to corporate customers, including project finance, retail business, and operations in financial markets;
 - strives to increase the percentage of its regular income — interest revenue and fees — in the Bank's aggregate income;
 - increases its capital, in order to ensure further stable evolution of GPB Group.
- Responding to changes in macroeconomic and market conditions, including a stronger competition among major banks and declining revenues of banking business, the Bank timely adjusts and reviews its plans, making sure that there is continuity in strategic goals and furthering key competencies and competitive advantages.
- Bank GPB (JSC) makes an effort to handle principal strategic missions, which include promoting strategic partnerships with major Russian companies, keeping up the status of a key systemically important bank, diversification of business and retaining key positions in the market of banking services.
- To accomplish that, the Bank intends to do the following:
- to provide a full range of financial services to major Russian companies;
 - to take part in the implementation of government initiatives aiming to ensure stable economic development;
 - to improve the quality of asset management and of the work with potentially distressed debts;
 - to ensure stability in the structure of the Bank's balance sheet and capital adequacy;
 - to enhance efficiency of operations across all units of GPB Group.
- The Bank will continue its work to increase the return on assets and capital, and, in the corporate segment, the Bank will have the following objectives at hand:
- a well-balanced growth of the loan portfolio across basic industries of economy, with due account of the risk-return ratio;
 - optimization of the currency structure of its loan portfolio in order to mitigate possible risks;
 - development of compound settlement products for corporate customers in order to unlock the potential of cross sales and build a stable and diversified resource base.
- Bank GPB (JSC) plans to keep a prominent presence in the market of specialized funding for large projects, important for Russia's economic development, which are carried out by major companies in top-priority industries of economy,

The Bank has worked out a mechanism of flexible response to external challenges, which timely updates targets and helps the leadership make prudent managerial decisions (taking into account the balance between expected benefits and potential risks) in order to adapt the current business model to changes in the macroeconomic and market situation.

including projects focused on import substitution and adoption of new technologies.

At the regional level, the Bank contemplates further collaboration with local authorities and private sector companies in the implementation of PPP projects aimed at creation of transport infrastructure, community amenities, healthcare facilities and utilities in various Russian regions. The Bank will continue to work with corporate customers among medium-sized businesses, taking the credit quality and reliability of borrowers as the main gauge in making loan-related decisions.

The Bank plans to pay significant attention to development of its retail business,

willing to increase its share in the Bank's assets and in the aggregate income of GPB Group. To pursue this strategic goal, the Bank will be trying to expand its foothold in the retail market and plans:

- to improve existing and to create new products for customers who are private individuals;
- to diversify channels and points of sale, to enlarge their functional capabilities;
- to adopt advanced technologies aimed at improvement of services and of satisfaction of the Bank's customers.

The Bank plans to enhance investment banking and regular banking services, and for that, it will be acting more vigorously in the interests of key corporate

customers in the Russian debt capital market, and will strive to keep its leadership among deal makers amidst a stronger competition.

The Bank is going to make targeted efforts to optimize costs, to increase labor productivity through more efficient business processes and technologies, and to continue perfecting its corporate governance.

2

HISTORY OF THE PRESENT
URALMASH PLANT

**SUSTAINABLE
DEVELOPMENT**



CUSTOMER BASE

In 2016, the Bank pursued collaboration with Gazprom Group, which is not only a key customer but also a platform to adopt and develop innovative settlement services.

A STRIKING EXAMPLE OF JOINT PROJECTS OF BANK GPB (JSC) AND GAZPROM GROUP IN INTRODUCTION OF HI-TECH SETTLEMENT SERVICES IS THE SUCCESSFUL DEVELOPMENT OF THE MATERIAL CASH POOLING SERVICE IN 2016.

The service helps manage liquidity of a group of companies in an efficient manner and outsource to the Bank treasury functions related to automatic consolidation of a group's monetary funds (pool) on a master account selected by the customer, and further automatic payments of the pool members made from the master account (overdraft is also available). Today, the Material Cash Pooling service, which showed strong efficiency and absolute compliance with the customer's requirements, is commercially operated by Gazprom. Work goes on to expand the number of Gazprom Group companies connected to the pool. Cooperation with NOVATEK, its subsidiaries and affiliated companies also continues to develop. In 2016, the total limit of credit risk was increased for NOVATEK Group. The Bank has arranged financing within the framework of the Yamal LNG project and another project to develop a gas field in the Yamal-Nenets Autonomous Area (JSC ARCTICGAZ). Having engaged NOVATEK Group's subsidiaries to be serviced by the Bank, it facilitated transition to provision of compound settlement products offered by Bank GPB (JSC), including connection to the Corporate Settlement Center software application, and the parties were able to start working out implementation of the Material Cash Pooling service, and to develop collaboration in depositing NOVATEK Group's funds.

Bank GPB (JSC) was vigorously carrying out tasks to ensure additional control over targeted use of funds allocated for implementation of investment projects of the Bank's key customers. In 2016, within the framework of those efforts, a first contract for banking support of construction contracts was signed between Bank GPB (JSC) and Gazprom Transgaz Yugorsk LLC. It will permit implementation of a control mechanism for the utilization of funds within the framework of a gas pipeline repair program. A contract was signed with OMZ-DAELIM LLC for the provision of that service under a project of construction of a terminal in the Port of Vysotsk, Leningrad Region, with a capacity of 660,000 tons of LNG a year. In June 2016, Bank GPB (JSC) launched a project of banking support to the construction of a large property for Rosneft. A trilateral agreement was executed, and on its basis the Bank monitors targeted use of funds by the parties involved in the construction. In 2016, the Bank arranged issues of corporate bonds by companies of the oil industry for a total amount of more than RUB 120 billion. Cooperation of Bank GPB (JSC) with major enterprises of the oil and petrochemical industry of CIS countries also saw a dynamic evolution. Gazprombank, Italian export credit agency SACE, Russian export credit agency EXIAR and Azerbaijan's

In 2016, the Bank arranged corporate bond issues for companies of the oil industry for a total amount exceeding RUB 120 billion.

company SOCAR signed a memorandum of understanding on financing and construction of a gas chemical facility in Azerbaijan. The signing ceremony took place in the presence of Russian President Vladimir Putin and Italian Prime Minister Matteo Renzi. According to preliminary estimates, the total investment budget of the project amounts to USD 3.5 billion. Potential supplies of Russian equipment and materials, and the cost of construction and installation services provided by Russian contractors under the project will account for up to 20% of the investment budget. A project of SOCAR Gas Plastics Company opens up new opportunities for Gazprombank Group companies both in terms of funding and export shipments of Russian equipment.

Within the framework of the 2016 St. Petersburg International Economic Forum, an agreement with SOCAR Polymer was signed, with an intention to design and deliver a nitrogen unit (the manufacturer, PJSC Cryogenmash, is a unit of Gazprombank Group) within the framework of a project to build high-density polypropylene and polyethylene plants.

Traditionally, lending to cover current operations and funding of investment projects have been the main lines of cooperation with enterprises of the energy industry.

In 2016, the Bank showed an outstanding growth in commercial lending, with the portfolio of commercial loans to enterprises of the power industry surging by nearly 1.5 times (from RUB 121 billion to RUB 180 billion).

At the same time, demand is increasingly growing for the banking support of construction contracts, which was provided for Kaliningrad Generation LLC, PJSC Lenenergo, and PJSC Quadra — Power Generation in 2016. In addition, Bank GPB (JSC) increased sales of payroll projects to enterprises of the energy sector.

PJSC FGC UES and Velesstroy LLC (and their contractors) were connected to a new service of monitoring by the Bank of debit transactions using e-registers. This service implies transfer of the monitoring function over targeted spending of money by companies under a customer's control to the Bank, and fully automated electronic document management — submission

of a register of payments and receipt of a spending report.

The industry's enterprises display an interest in compound settlement services provided by the Bank. In 2016, the Material Cash Pooling service was implemented at a branch of Bank GPB (JSC) in Krasnoyarsk for Siberian Generating Company Group.

Bank GPB (JSC) continued work related to a wide range of products and services provided to major metallurgical enterprises (PJSC TMK, PJSC Severstal, OJSC MMK, UC Rusal, EvrazHolding LLC, Industrial Metallurgical Holding LLC) and coal industry (JSC SUEK, JSC HC SDS-Coal). The Bank arranged bond issues for PJSC MMC Norilsk Nickel (RUB 15 billion), Metalloinvest Management Company LLC (RUB 5 billion), Evrazholding LLC (USD 500 million), PJSC TMK (RUB 5 billion).

In 2016, a number of joint projects were carried out in the telecom, transport and infrastructure sectors. The Bank executed a syndicated loan agreement with PJSC STLC to finance purchase of 32 SSJ-100 jets. Two loan agreements

for a total amount of RUB 20 billion were signed with PJSC Rostelecom.

Gazprombank arranged a debut bond issue of JSC Federal Passenger Company (RUB 5 billion), and also exchange-traded bond issues of PJSC MTS (RUB 10 billion), PJSC JSFC Sistema (RUB 10 billion) and PJSC STLC (RUB 5 billion).

As a backbone bank of Russia's nuclear power industry, Bank GPB (JSC) keeps its leading positions in servicing money flows of State Atomic Energy Corporation ROSATOM. In 2016, the Bank successfully arranged new exchange-traded bond issues of JSC Atomenergoprom. Active work was going on to develop host-to-host services for enterprises affiliated with State Atomic Energy Corporation ROSATOM.

Gazprombank (jointly with VTB Capital) was a co-lead manager of a RUB 10 billion exchange-traded bond issue for PJSC Power Machines.

In 2016, cooperation started between Bank GPB (JSC) and the Federal Service of National Guard Troops of the Russian Federation. Within the framework of that cooperation, the Bank is tasked with developing customized solutions for key banking products and services both for employees and structural divisions of the National Guard.

Within the framework of a collaboration agreement between the Ministry of Industry and Trade of the Russian Federation and the Bank, the parties agreed to start work under a project to optimize the structure of ministry-dependent enterprises producing conventional armaments, ordnance

and special chemicals, with the purpose of optimizing their production cycles and building a single control loop. Bank GPB (JSC) will act as the base bank in that project and will contribute to its implementation, providing required banking services.

The Bank promotes successful cooperation with subordinate enterprises of the Russian Ministry of Defense, such as JSC Voentorg and the Krasnaya Zvezda media holding, for which Bank GPB (JSC) is the main settlement bank.

In 2016, Bank GPB (JSC) continued active work to provide banking support to contracts, including those related to fulfillment of the Government Defense Order, and also those executed in compliance with Resolution No. 963, dated 20 September 2014, of the Government of the Russian Federation and contracts of the Bank's corporate customers.

The total amount of contracts provided with banking support exceeded RUB 800 billion in 2016. In that period, 32,000 separate accounts for the Bank's customers provided with banking support were reserved and opened. Bank GPB (JSC) provides banking support to major projects, including construction of Zvezda, a ship-building factory in the Primorye, and of a railway bridge over the Amur River (Heilongjiang). Important efforts were made to enhance the quality of customer services. In particular, advisory services were arranged by employees of the Bank's contact center, methodological and hands-on guides on banking support

were developed, relevant regulatory and legal framework was put in place, remote banking services were upgraded. During the reporting period, representatives of Bank GPB (JSC) organized more than 40 workshops covering implementation of the requirements of Federal Law No. 275-ФЗ On Government Defense Order, dated 29 December 2012.

All that, combined with hands-on experience in the area of banking support, allowed Bank GPB (JSC) to consolidate its leadership in that field and to open up new growth prospects.

In 2016, the Bank continued to further its relations with major financial companies, including Capital Group, Sberbank Group of Managing Companies, O1 Group, Leader Group. Cooperation with major private pension funds — Sberbank and Blagosostoyanie — was initiated.

Projects to accept insurance premiums using information and payment terminals gained momentum. They are pursued in association with insurance firms. Other types of services are provided to private pension funds and include transfer of retirement payments using consolidated register technology.

The Bank has opened settlement accounts and has reached a collaboration agreement with ATON Group, one of the leaders in the financial market. Financial companies are increasingly more interested in a service of monitoring, by specialized depositories, of payments made by managing companies. Within the framework of implementation of a project for movable property pledge

In 2016, Bank GPB (JSC) began cooperation with the Federal Service of National Guard Troops of the Russian Federation.

notices to be registered by the Federal Notarial Chamber (FNP), Bank GPB (JSC) developed and successfully launched for the FNP an integrated and customized banking solution in late 2016, which facilitates efficient management of cash inflows and outflows through full automation of the process.

Gazprombank is a leader in an innovative business area — servicing the cash take turnover of corporate customers using automated cash deposit machines (CDM). In 2016, Gazprombank completed 15 projects with large corporate customers, based in several regions across the country, and started rolling out large projects in the retail chains Victoria (Dixy Group) and Magnit (Tander Group), in Gazprom Neft's chain of filling stations (PJSC Gazprom Neft) and in Aero-express LLC.

The number of CDMs maintained by the Bank has increased to 288 devices. The customers' cash take turnover via the Bank's devices reached RUB 16 billion in 2016. Geography of the service availability has enlarged, and by now the Bank's devices have been installed at customers' properties in Moscow, St. Petersburg, Kazan, Ulan-Ude, and in the Perm Territory.

In 2016, GPB-Factoring LLC, a subsidiary of the Bank, launched a factoring program for vendors working with nationwide retail chains. Owing to the program implementation, the volume of assigned money claims against retail chains has grown three times since the program was launched. In 2016, the Bank also arranged issues of exchange-traded bonds of a number of public nationwide retail chains, for a total nominal value of RUB 25 billion. Gazprombank was the financial consultant of TechnoNICOL Corp., one of Russia's largest manufacturers of construction materials, in the purchase of public (AIM-traded) company Superglass, a major independent manufacturer of insulation materials and glass wool in the UK. It is the first deal arranged by Gazprombank for a UK public company.

In 2016, agribusiness remained among top-priority financing areas for the Bank. The Bank is now completely ready for a transition to a new mechanism of soft lending adopted within the framework of Resolution No. 1528 of the Government of the Russian Federation, dated 29 December 2016. Gazprombank plans to keep the scope

of collaboration with industry leaders at a high level and to continue financing of new efficient government-backed projects within the framework of target-oriented priorities of the industry's development.

The customer base of Bank GPB (JSC) enlarged by 13.6% in 2016 and exceeded 53,000 corporate customers as of end-2016.

COMMERCIAL LENDING

By the end of 2016, commercial lending was up 11%, to RUB 2,526 billion.

IN THE REPORTING PERIOD, THE STRUCTURE OF PROVIDED LOANS IN TERMS OF INDUSTRIES DID NOT CHANGE IN ANY MAJOR WAY. ECONOMY'S BASIC INDUSTRIES — METAL INDUSTRY, ELECTRIC POWER INDUSTRY, OIL AND GAS PRODUCTION, TRANSPORTATION, PROCESSING, CHEMICAL AND PETROCHEMICAL INDUSTRY, MINING, AGRIBUSINESS, MACHINE-BUILDING AND RETAIL — ACCOUNT FOR THE MAJORITY OF LOANS.

Gazprombank is involved in active collaboration with enterprises of ferrous and non-ferrous metallurgy. Among our customers we have Russia's major metallurgical holdings: TMK Group, UGMK Group, OMK Group, EVRAZ Group, NLMK Group, Russian Copper Company Group, UC RUSAL, PJSC MMC Norilsk Nickel. During 2016, the Bank increased significantly (by more than 49% versus 2015) lending covering current operations of power sector enterprises, including power grid companies of Rosseti Group, power-generating company PJSC Enel Russia, heat-generating companies Gazprom Energoholding Group (PJSC MIPC, PJSC TGK-1) and other major enterprises of the industry. Current lending provided to RusHydro Group enterprises that carry out operations in generation, transmission and delivery of electric power in the Far East was up, and lending to electric power enterprises of Siberia, including EuroSibEnergo Group enterprises (PJSC IrkutskEnergo), remained at a consistently high level.

To finance short-term cash gaps, the Bank provided lending in the form of overdraft to largest companies of the electric power industry, including power supply companies of Inter RAO Group, PJSC Unipro and Rosseti Group.

Promoting relations with the machine-building industry, Gazprombank continues to collaborate with enterprises of the energy machine-building sector, engineering and service

companies of the power industry (PJSC Power Machines, OJSC Taganrog Boiler-Making Works Krasny Kotelschik, OJSC Kaluga Turbine Works, JSC Tyazhmash, PJSC Machine-Building Factory of Podolsk, Krasnoyarsk Boiler Plant LLC, JSC Ural Turbine Works, Electrosvkavmontazh LLC and others).

Contributing to implementation of strategic missions of the nuclear power industry, Bank GPB (JSC) was in active collaboration with major enterprises of the nuclear power generation complex. In accordance with a resolution of ROSATOM State Corporation, the Bank is one of the base banks servicing the industry's enterprises.

As a strategic partner of ROSATOM State Corporation, the Bank continued cooperation with JSC Atomenergoprom. The Bank was tasked with making arrangements for centralized financing of enterprises of the nuclear power supply complex and with supplying guarantees to ensure those enterprises' compliance with their contractual obligations, including pursuant to the Uniform Industry-Wide Procurement Standard, which regulates activities of ROSATOM State Corporation enterprises. Bank GPB (JSC) was still involved in collaboration with JSC AEM-Technology and PJSC ZiO-Podolsk, subsidiaries of JSC Atomenergomash, a company that consolidates the machine-building assets of ROSATOM State Corporation and produces key equipment for the nuclear and heat power industries, ship-building, gas and petrochemical sectors.

In 2016, the Bank was in cooperation with enterprises of fuel company JSC TVEL, and enterprises of JSC Technabexp-ort Group (trademark: TENEX), one of the world's biggest suppliers of products of the nuclear fuel cycle (NFC), which covers a significant proportion of foreign-designed nuclear reactors demand for uranium enrichment services; the company is included in the control loop of the Development and International Business Module of ROSATOM State Corporation.

Fostering partner relations with ROSATOM State Corporation, Bank GPB (JSC) was financing current operations and issued guarantees to some of the industry's enter-

- development of infrastructure at license blocks;
- construction, reconstruction, technical retrofit of gas production and transportation facilities; and
- construction of new and upgrade of existing processing facilities.

Gazprombank provided loans to large contractors engaged in the implementation of investment programs of Gazprom, Transneft Group and NOVATEK. Simultaneously, the Bank expanded its participation in financing projects of independent natural gas producers, such as PJSC Sibneftegaz and NOVATEK. In 2016, Gazprombank, being an authorized bank to finance enterprises within the frame-

In 2016, a strategic cooperation agreement was reached between PJSC STLC and the Bank, with the Bank appointed an authorized arranger of a syndicated loan for an amount of up to RUB 30 billion. The funds are to be used to finance a program of promoting the lease of Russian-made aircraft Sukhoi Superjet 100, which is carried out by PJSC STLC under an order of the Government of the Russian Federation with a backing from Russia's Ministry of Transport and Ministry of Industry and Trade. Gazprombank supports external economic activities of corporate customers, issues bank guarantees and letters of credit and provides services related to manage-

The Bank strives to attract and retain the most promising and reliable segment of borrowers with a high credit quality.

prises in 2016, such as ElectroKhimPribor Integrated Plant (Federal State Unitary Enterprise), Instrument-Making Plant (Federal State Unitary Enterprise), Mayak Production Association (Federal State Unitary Enterprise), Russian Federal Nuclear Center — VNIIEF (Federal State Unitary Enterprise), JSC NIKIET.

Cooperation of Bank GPB (JSC) with major enterprises of oil and petrochemical industries, including Rosneft Group, PJSC LUKOIL, PJSC Bashneft, Slavneft Group, Gazprom Neft Group, SIBUR Holding Group, TAIF Group, Cordiant Group, Gazprom Neftekhim Salavat LLC, Shchekinoazot Group and PJSC KuibyshevAzot, was traditionally active in 2016. Lending was provided for financing of operations and implementation of programs related to production facilities upgrade. The Material Cash Pooling service was implemented with Gazprom Neft Group, and a respective overdraft loan contract was executed.

In 2016, Bank GPB (JSC) was involved in active collaboration with Gazprom Group, and took part in financing the Group's subsidiaries and affiliated ventures within the framework of Gazprom's investment program, which provides for, among other things:

work of the government order, was pursuing collaboration with enterprises of the defense industry complex and Roscosmos.

In 2016, interaction was continued with leading companies of the telecom market. Gazprombank has PJSC Megafon, PJSC Rostelecom, PJSC MTS, PJSC JSFC Sistema, JSC TransTelecom, JSC ER-Telecom Holding and other telecoms among its customers. Despite negative trends in the consumer sector of economy, a new impetus was given to partner relations of Bank GPB (JSC) with retailers. Work was begun with Auchan Group, one of the biggest international players, and a factoring program of financing of vendors of major nationwide retail chains (Magnit, Lenta, Metro Cash & Carry, Auchan, O'KEY) was enlarged. In 2016, the Bank continued to take an active part in funding of agribusiness enterprises, increasing lending volumes to finance their current operations, and also to be used as investments in business development of companies producing and processing agricultural products and groceries. Special attention was paid to expansion of cooperation with vertically integrated holdings of the food industry and agriculture (Rusagro, Miratorg, Cherkizovo, Komos Group, Aston, Efko, NMGK, KDV, Dominant) and with leading regional enterprises.

ment of payments (documents against payment (D/P)) and trade finance (pre-export finance; short-, mid- and long-term loans for external trade operations (including those covered by export credit agencies) and import factoring).

In structured trade finance operations, the Bank uses the advantages of the Group's Europe-based subsidiaries — Gazprombank (Switzerland) Ltd. and Bank GPB International S.A. (Luxembourg).

The Bank provides financial support to Russian exporters, supplying them with long-term "tied" export loans within the framework of a program of government financial (guarantee-based) support of industrial exports, using trade finance instruments with involvement of JSC EXIAR, acceptance and post-financing of export letters of credit, etc.

The Bank promotes partnership relations in trade finance with financial institutions based in CIS countries and overseas, carrying out operations that necessitate issuance of irrevocable reimbursement undertakings, bank guarantees against counter-guarantees, arranging acceptance and post-financing of letters of credit. A great part of the deals are carried out in the interests of the Bank's corporate customers.

RETAIL BUSINESS

In 2016, Gazprombank Group started to enlarge its retail loan portfolio, keeping its quality at an invariably high level.

EVALUATING PERFORMANCE OF THE RETAIL SEGMENT OF GAZPROMBANK GROUP'S BUSINESS IN 2016, WE CAN STATE THAT RETAIL LIABILITIES WERE SHOWING GROWTH AT THE MARKET LEVEL, WITH THE CURRENCY STRUCTURE CHANGING IN FAVOR OF THE RUBLE COMPONENT; THE RETAIL LOAN PORTFOLIO RESUMED GROWTH, AND ITS QUALITY REMAINS HIGH, WITH THE DELINQUENCY LEVEL STAYING MUCH LOWER THAN THE MARKET AVERAGE.

Main results of 2016

2016 can be described as a year where recovery trends in Russian economy were building up after the 2014–2015 crisis period. A stronger national currency was largely defining the picture of the retail banking market in the reporting year.

As a consequence, the deposit market saw deceleration of growth rates; the decline in the lending market has stopped and the market started to revive. From 2014 to 2015, ruble depreciation was occurring, as a result of which the deposit market was adding in volume at outperforming rates, mostly because of revaluation of the market foreign-currency component. In 2016, the ruble was moving in the reverse direction, with market volumes declining because of falling interest rates on foreign currency deposits and shrinkage of the ruble equivalent of foreign currency deposits. The market was able to make up for the slump by an incremental growth of ruble deposits.

The ratio of "foreign currency predominance" (percentage of foreign-currency deposits) of Gazprombank Group's retail liabilities is higher than the market average. This explains a considerable volume growth in 2014 and 2015, and also why the Bank saw a faster deceleration of deposit growth rates than the market at large. It must be noted, however, that in the reporting year the Group was attracting virtually as much

new business as the market as a whole, which means that declining foreign currency volumes were proactively offset by attracted ruble deposits.

Last year, the retail loan market left the declining phase, which it had entered during the 2014–2015 crisis period, and resumed growth.

In 2016, the Group's retail loan portfolio was rising at rates slightly below market average. This could be explained taking into account its product structure.

The market recovery which had started affected the segment of unsecured lending first and foremost, i.e. credit cards and consumer loans, while the Group pursues a conservative lending policy, making an emphasis on development of mortgage and consumer lending in the low-risk customer segment.

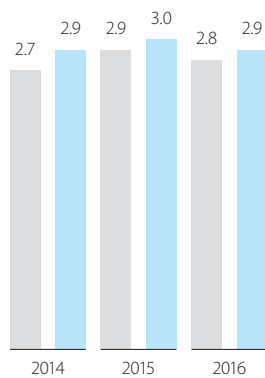
This type of lending policy allows the Group to maintain the quality of its loan portfolio at the highest level, with its delinquency ratio staying significantly below the market average.

On the back of 2016, the Group was ranked at the top of retail rankings, taking 4th place in terms of attracted deposits and 4th place in terms of the volume of the retail loan portfolio.

Systematic implementation of a retail strategy that has maximum coverage of the target customer base and retail lending based on a low-risk business model as its basic elements allowed the Group to offset declining volumes

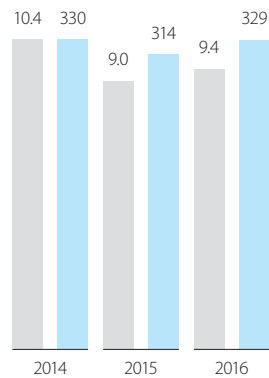
Market shares, %

- Deposits
- Loans



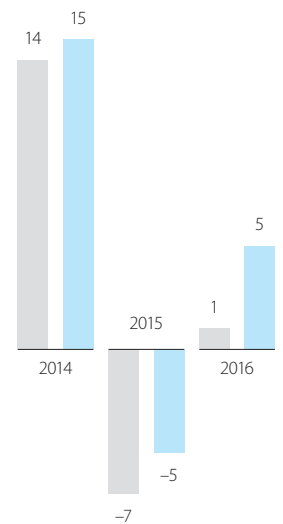
Retail loan portfolio dynamics

- % of total Bank's loan portfolio
- Volume, RUB billion



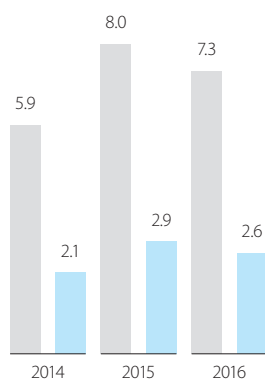
Growth rates for retail loans, %

- Market, RAS
- GPB Group



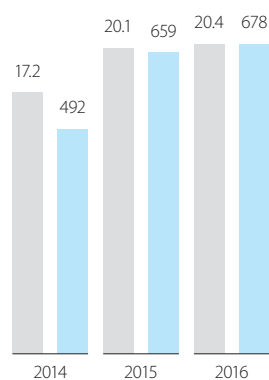
Non-performing loans ratio dynamics, % of retail loan portfolio

- Market, RAS
- GPB Group



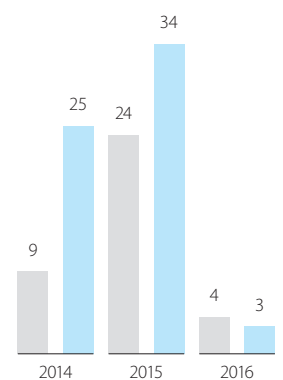
Retail deposit portfolio dynamics

- % of total Bank's deposit portfolio
- Volume, RUB billion



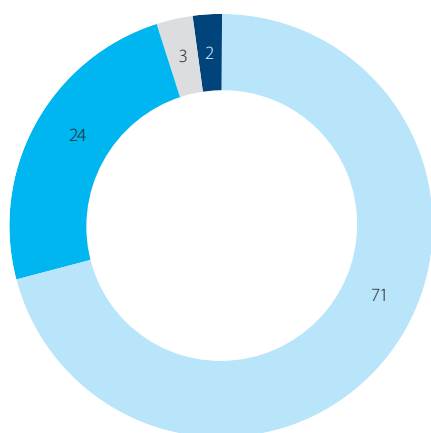
Growth rates for retail deposits, %

- Market, RAS
- GPB Group



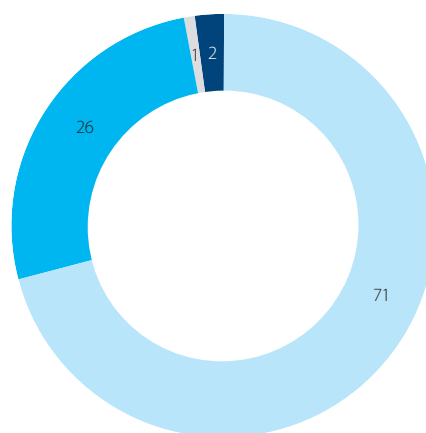
Structure of loans by product lines
in 2015, %

■ Mortgage loans
■ Consumer loans
■ Car loans
■ Credit cards



Structure of loans by product lines
in 2016, %

■ Mortgage loans
■ Consumer loans
■ Car loans
■ Credit cards



of foreign currency deposits by attracting ruble deposits, and to make a transition, alongside the market at large, to an enlarged loan portfolio. The Group's loan delinquency ratio invariably remains low compared to the market average.

Customer base

One of key customer segments for the Bank are employees of Gazprom Group companies and employees of large corporate customers. This customer segment helps build a low-risk portfolio of retail loans, which includes mortgage loans, consumer loans and credit cards, and provides sources of retail funding, such as payroll projects, time deposits and demand deposit accounts.

Loans

In the reporting year, the portfolio of retail loans added 5%, while the market at large gained only 1%. As of the end of the reporting year, the amount of loans to private individuals equaled RUB 329 billion, or 9.4% of the Bank's aggregate loan portfolio. When building the Group's retail loan portfolio, we adopt an approach with a low

credit risk perception, which means that, predominantly, we opt for secured lending (mortgage loans) and lending to customers with a transparent financial standing, namely borrowers with a positive credit history, those who have their salaries transferred to accounts with the Group's banks, and customers of the premium segment. The structure of the retail loan portfolio underwent some changes in 2016, by virtue of market trends, with automotive lending scaled back and the consumer loan market seeing a revival across the segment.

On the back of 2016, we observed a decline in the percentage of the Group's overdue retail loans to 2.6% (in 2015 it was 2.9%) of the aggregate portfolio of loans to private individuals. That indicator plunged within the framework of the general market trend. However, the Group's retail lending model allows it to keep the delinquency ratio at a much lower level than the market average.

Deposits

In 2016, deposits of private individuals were up 3% to RUB 678 billion and accounted

for 20.4% of the total volume of the Group's customer liabilities.

Within the volume of attracted deposits of private individuals, demand deposit accounts total RUB 136 billion, and time deposits are equal to RUB 542 billion. The Group's reputation and appeal of the deposit product range help keep the time structure of the deposit portfolio virtually unchanged, which offers benefits in terms of liquidity and attests to the customers' trust in the Bank as a highly reliable lender.

Bank card business

I. Key quantitative indicators:

- The issuance portfolio was up 8% (from 3.6 to 3.9 million units).
- The number of ATMs jumped by 6% (from 5,300 to 5,600 units) during the year.

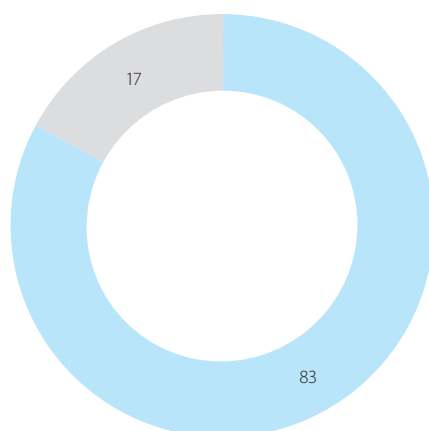
II. New products and services realized in 2016:

Issuance of bank cards of the Mir national payment system:

- November 2015: The Bank was the first to join and start issuing cards of the national payment system MIR.

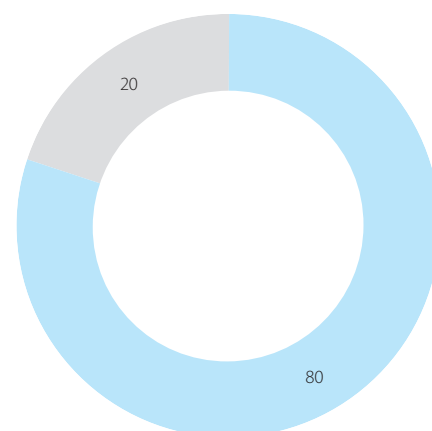
Structure of retail deposits by term
in 2015, %

■ Fixed-term deposits
■ Demand accounts



Structure of retail deposits by term
in 2016, %

■ Fixed-term deposits
■ Demand accounts



The Bank was awarded individual member code 10001.

- December 2015: The Bank issued its first co-badge card powered by MasterCard — the Mir-Maestro card.
- February 2016: The Bank issued its first co-brand card of the Mir payment system — the Mir—Gazprombank—Russian Army card.
- August 2016: The Bank issued its second co-badge card powered by the JCB payment system — the Mir—JCB card.

As of end-2016, the total issue of Mir bank cards exceeded 250,000 units.

Development of on-campus projects:

- August 2016: The Bank started to issue joint bank cards with the Amur Hockey Club — the Gazprombank—Amur card. The card can be used as a payment vehicle and as a fan's certificate, and also allows participation in the loyalty programs of the Amur Hockey Club and the Bank.
- As of 1 January 2017, about 2,000 cards were issued.
- September 2016: Implementation of the Russian Railways Bonus program.

A cooperation agreement was signed between the Bank and JSC Federal Passenger Company. Within the framework of the agreement, discounts are to be offered under the Russian Railways Bonus program to students who hold the Bank's campus cards — up to 25% off the railway ticket price.

III. New projects for corporate customers

- Development of projects with non-financial services included in bank cards (e.g. accounting for reduced-rate medical nutrition) for employees of major enterprises. As of 1 January 2017, more than 18,000 cards were issued.

VI. Development of remote channels

The Telecard system

- A new application of the Telecard system has been designed and rolled out for iOS and Android operating systems.
- The following functions have been included:
 - using a finger print for cardholder identification (Touch ID);
 - concealment of the balance;
 - payment of traffic police fines (including a 50% discount);

- expansion of a list of payments (public information system for regional and local payments, etc.).

The Bank's self-service machines

- The Bank has implemented a new service — opening a deposit using an ATM.

V. Improvement of solutions that help ensure security of transactions using the Bank's cards:

- For a fourth straight year, Bank GPB (JSC) was announced as the winner in two prestigious international nominations in the issue and service of Visa bank cards¹:
 - for the highest efficiency in managing issuer's risks in international transactions;
 - for the best quality of servicing international transactions among Russian issuer banks.

VI. Acquiring

- Acquiring services are provided in association with Inventive Retail Group (a store chain that sells Apple, SONY, Samsung and other branded products).
- Recycling ATMs and automated safe deposit boxes were deployed across large retail and service chains.

¹ According to rankings of the Visa payment system.

PRIVATE BANKING: 2016 FULL-YEAR RESULTS AND DEVELOPMENT PROSPECTS

In 2016, Gazprombank Private Banking displayed stable growth and reinforced its strong positions in the market of private banking services.

IN 2016, ASSETS UNDER GAZPROMBANK PRIVATE BANKING'S MANAGEMENT CLIMBED BY 30%, AND THE NUMBER OF HNWI CUSTOMERS WAS UP 20%. THESE ACHIEVEMENTS WERE FACILITATED BY REINFORCEMENT OF HUMAN RESOURCES AND IMPROVEMENT OF THE PRODUCT LINE.

An emphasis made on products that meet our customers' interests as fully as possible has allowed the Bank to timely modify the line of bank deposits. Changes made to the interest rate, liquidity, capitalization of interests, special conditions in the event of an early termination of a deposit helped maintain competitiveness, and ensure a significant inflow of funds from wealthy customers. In addition to the five key currencies, yuan-denominated deposits were introduced.

Investment-related vectors saw a very active development. Wealthy customers were offered investment solutions that allow making money on various classes of assets without risking to lose invested capital. In particular, under programs of Investment Life Insurance offered by partners, i.e. insurance firms, aggregate insurance premiums surged 2.5 times. Lending opportunities available to private banking customers were enlarged considerably, including those secured by assets placed with the Bank. In 2016, the loan portfolio doubled. A number of transactions were carried out, in which loans and guarantees, which were secured by assets, were granted to legal entities, and mortgage loans were provided to buy luxury apartments, which account for a considerable part of the premium real estate market.

Usability of bank cards for customers also has been enhanced in a major way.



> **30 %**

was the growth of assets under the management of Gazprombank Private Banking

> **5 3 5 0**
customers

the number of HNWI customers climbed by 20% in 2016

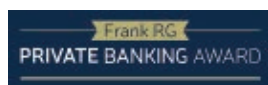
2
fold rise

seen in Gazprombank Private Banking's loan portfolio

Within the framework of private banking pricing plans, we can now issue for free up to 10 major cards in different currencies, and opportunities are available to accumulate miles under the Aeroflot Bonus system and get cashbacks of up to 20% for spending in preferred categories (restaurants, cafés, bars, supermarkets).

In 2016, an important emphasis was made on HR development, and, notably, on expansion of instruments and methods of personnel training and evaluation. Employee educational programs covering private banking products and services were organized both in the traditional on-site format and with the use of remote learning technologies, including the webinar format, which helps hold orientation and training sessions, and sessions where employees can share experiences in a timely manner and with minimum costs. Moreover, that format was now used as an efficient instrument of video monitoring in regular evaluations of professional expertise of client managers. A system to evaluate professional training of client managers was also adopted. In particular, this system helps organize regular and simultaneous knowledge testing of all Private Banking account managers across all products and services. Activities of Gazprombank Private Banking were rated highly by financial market experts. The Bank was ranked

2nd in the nomination TOP 5 Best Banks of the Frank RG Private Banking Award.



In 2017, Gazprombank Private Banking will keep its development vector and will be focused on expansion of its regional and international business. One of key priorities is to increase the frequency of utilization of banking products and to pursue active attraction of new customers.

Art Banking

In the Art Banking segment, provision of a wide range of services to customers remained a priority in 2016, and those services ranged from selection of experts and service providers to handle practical matters related to investments to participation in educational programs to visiting unique events of the world of arts. A program of art events remained in place and was even enlarged; within its framework, customers were able to take part in the main events of artistic life and to see landmark exhibition projects in Russia and abroad.

Tasks related to management of Gazprombank's corporate art collection, which celebrated its fourth year in 2016, were also accomplished. Today, the corporate collection has more than 800 works of over 70 contemporary

Russian artists. Traditionally, works from the Bank's collection took part in large-scale exhibition and museum projects across Russia and abroad in 2016. The most important among them were the Triennale of Contemporary Art in Ljubljana, an exhibition project of selected art works from the Bank's collection within the framework of the First Festival of Art and Lifestyle "Art.Up Art.In" at the Moscow Museum of Contemporary Art, the "Russian Space" project at the Multimedia Art Museum (Moscow).

Gazprombank is the first corporation from Russia and Eastern Europe, which was admitted as a member to the International Association of Corporate Collections of Contemporary Art (IACCCA), a prestigious professional group. At the Bank's invitation, the leadership of the association visited our country for the first time and took part in a round-table discussion, which was to introduce the IACCCA's activities to the Russian art community, to expound underlying strategies of building and maintaining major corporate collections of modern art. A round-table discussion with participation of the curator of the Bank's corporate collection was part of the public program of the "Art.Up Art.In" festival.

In 2016, the Bank's collection was included in the short list of the Corporate Art Awards, an award of the LUISS Business School (Rome) backed by Italy's Ministry of Culture.

PROJECT AND STRUCTURED FINANCE

In 2016, Gazprombank was among global leaders in project finance.

A WIDE EXPERIENCE IN IMPLEMENTATION OF COMPLEX INVESTMENT PROJECTS IN THE KEY INDUSTRIES OF ECONOMY, A WELL-BALANCED LENDING POLICY, PROFESSIONAL, TRUST-BASED AND TIME-TESTED RELATIONS WITH CUSTOMERS AND COUNTERPARTIES SECURED FOR GAZPROMBANK A PLACE AMONG THE LEADING BANKS IN THE GLOBAL AND RUSSIAN MARKETS OF PROJECT AND STRUCTURED FINANCE, INVESTMENT LENDING AND FINANCIAL CONSULTING ON THE BACK OF THE 2016 PERFORMANCE.

Gazprombank carries out investment projects in a wide range of sectors of economy. The main competitive advantages are concentrated in the oil and gas, chemical and petrochemical, mining, metallurgical, machine-building and power industries, in real estate, transport, infrastructure, agribusiness, etc. The Bank's team has a vast expertise in handling projects, proposes integrated financial solutions and customized approach.

Among 2016 projects, the following ones deserve special attention:

The financial deal for the Yamal LNG project was completed. The project purports to develop the South-Tambey gas condensate field in the Yamal Peninsula and construction of an LNG plant with an output of 16.5 million tons of LNG a year. Within the framework of the project, the Sabetta international airport, a sea port and a power plant with a capacity of 376 MW were also built.

Financing of the Yamal LNG project is the biggest project finance deal in Russia's history and also one of the world's largest; it involves shareholders, financial institutions and export credit agencies from Russia, China, France, Italy and Japan. The multi-currency structure of the deal ensures investments in rubles, euros and yuans.

Gazprombank acted as financial consultant for a project company, as arranger, lender, loan facility agent of the Russian

banks, EXIAR's agent and account bank for project accounts. Gazprombank helped attract funding in the amount equivalent to USD 19 billion into the project.

Project Finance & Infrastructure Journal (IJGlobal) named Yamal LNG the world's biggest project in infrastructure finance in 2016.

A project to finance purchase of rolling stock for Aeroexpress LLC was accomplished; it provides for delivery of 62 double-deck Swiss-made passenger railway cars to be operated on the routes connecting the city of Moscow with the airports of the Moscow airport hub (Vnukovo, Domodedovo, Sheremetyevo). The project cost EUR 184 million to carry out.

The main peculiarity was that the project turned out to be Russia's first project with insurance cover by an international export credit agency (SERV, Switzerland) in rubles "on the project." The new rolling stock is scheduled to be commissioned in 2017.

The Bank also won a tender to finance and executed a loan agreement with JSC Federal Passenger Company (Russian Railways Group) to supply double-deck passenger railway cars; the limit of financing was set at RUB 6 billion.

The Bank was actively expanding business in the telecom industry. In 2016, a unique deal was completed, under which a 5-year loan agreement was executed with PJSC Mobile TeleSystems, which contemplates ruble financing in an amount equivalent to EUR 100 million

for the construction of an LTE network; for that project, the Bank raised funding in euros from Danske Bank, with a coverage provided by export credit agency EKN. Bank GPB (JSC) continues to carry out a strategy of construction of plants to produce LNG at light- and medium-tonnage units. In May 2016, CJSC CryoGas (the construction was funded by the Bank) commissioned into operation a new natural-gas liquefaction facility in Pskov, with an output of 20,000 tons a year. The Bank also provides funding for the construction of an LNG plant with an output of 660,000 tons a year in the Port of Vysotsk. In 2016, finance in the amount of RUB 21 billion was provided for the purpose. The structure of the deal provides for loans to be raised from a syndicate of foreign banks, which are to be covered by export credit agencies Hermes and Bpifrance Assurance Export S.A.S. The funds will be used to finance/refinance costs of the purchase of principal process equipment made by Air Liquide and TGE. In order to substitute imports, financing was provided for the construction of Russia's first unit to produce dimethyl ether, with an output of 20,000 tons a year. The amount of the loan granted to DME-Aerosol LLC for the project was EUR 14.8 million. Additionally, in the chemical sector, a project of OJSC Shchekinoazot was funded, which contemplates construction of a unit to produce sulfuric acid, with a capacity of 200,000 tons a year. To optimize costs for the borrower, a forfeiting arrangement

with Exim Bank of China was used, under a Chinese equipment supply contract. Adopting progressive solutions and taking care of the environment, Gazprombank promotes green energy. For instance, a RUB 6.8 billion project of construction of solar power plants with a total capacity of 75 MW was financed in the Republic of Bashkortostan, Republic of Altay and Orenburg Region.

The Bank acted as financial consultant of Gazprom Pererabotka Blagoveschensk LLC, within the framework of a project of construction of the Amur Gas Processing Plant with an output of 42 bcm a year in the Amur Region. The plant will become the world's biggest helium producer. Financial consulting was provided for a project of construction of a gas processing plant and a polymer plant in Garadagh, Republic of Azerbaijan. The capacity of the gas processing plant will be 10 bcm a year, the output of the polymer plant will reach 570,000 tons of polyethylene and 120,000 tons of polypropylene a year. The Bank contemplates engagement of a Chinese strategic investor and Chinese contractors within the framework of revival of economic relations among the countries of the Silk Road.

Many other projects were completed, which ensured for Gazprombank's specialized finance loan portfolio according to IFRS to equal RUB 648 billion by year's end. In rankings of major international publishers released on the back of 2016

performance, Gazprombank was among global leaders in the area of investment project finance. The Bank shared 3rd place, according to Project Finance International, among the Global Top 10 for Advisories Closed; 2nd to 5th ranks as financial consultant in infrastructure finance, according to IJGlobal; was ranked 10th as a commercial lender in the energy sector, according to the Trade Finance magazine. In addition, the Bank took 2nd place as CIS mandated arranger of syndicated lending, according to Dealogic. Gazprombank's ability to be effective in any economic environment, proven by multiple examples of successfully completed projects and powered by a strong experience, highly qualified personnel, established reputation and large scale of operations, predetermined further efficient development of project and structured finance as an area of the Bank's business.

Consulting for M&A deals and investments in minority stakes of non-public companies

Gazprombank is one of the leaders of the M&A market in Russia, which attests to the Bank's consistently strong performance. At the ceremony for the 2016 Russia M&A Awards led by Preqveca agency, Gazprombank was named Russia's best investment bank for a second straight year. According to the Thomson Reuters agency, from 2007 to 2016, more than 80 M&A deals for a total

amount exceeding USD 40 billion were executed with Gazprombank's involvement. Gazprombank provides consultations to customers on matters related to private offerings, purchase and sale of business, mergers, joint ventures and equity swaps. The Bank continues to develop Merchant Banking, or investments (independently or as a co-investor) in minority stakes of non-public fast-growing companies. Gazprombank representatives take part in corporate management of portfolio companies of MIR Capital, a joint fund with Italy's Intesa Group.









Public-private partnership

In April 2016, the Republic of Komi, Road Concession LLC and Gazprombank executed a direct agreement within the framework of financial closing in a project of construction of sections of the Syktyvkar — Naryan-Mar automobile road, with costs running as high as RUB 6.2 billion. A respective concession agreement for reconstruction, construction and operation of sections of the Malaya Pera — Irael and Irael — Kadzher roads, of the total length of 80.5 km, was executed in July 2015; a facility agreement was signed in December 2015. The sections are scheduled to begin operations no later than in 2018. In December 2016, traffic was opened along the entire length of the Western High-Speed Diameter. Technically, the central part of the road, built within the framework of a 2012 PPP agreement, is the biggest in scale, with about 30 sophisticated engineering facilities; the costs exceed RUB 120 billion. Gazprombank

was an investor and financial consultant of the project and provided financing within the framework of a syndicate consisting of five financial institutions. The project involves a team of people from several departments of Gazprombank, including the Direct Investments Department, the Project and Structured Finance Department, the Public Private Partnership Center, the Bank's Branch in St. Petersburg. Moreover, in December 2016, a concession agreement was signed for the first PPP transport project in the Far East — construction of an automobile road to bypass the city of Khabarovsk. The agreement will stay in effect for 15 years, and the project will cost more than RUB 40 billion. Gazprombank acts as financial consultant and plans to provide financing to the concession operator for a total amount of up to RUB 10 billion. PPP projects contribute to development of railway communications. For instance, the Bank, as financial consultant, takes part in the construction project of the Bovanenkovo — Sabetta railway line, with a total length of more than 170 km, in the Yamal-Nenets Autonomous Area. Investments exceed RUB 113 billion. The Yamal-Nenets Autonomous Area is a traditional region where the Bank operates, and a project of daycare centers and schools construction is also implemented there in the form of PPP. In 2016, Gazprombank was actively involved in medical PPP projects. In particular, the Bank is in talks to complete the financial stage of a project of construction of a new treatment and rehabilitation building

of City Hospital No. 40 in St. Petersburg; an agreement on the project joint implementation was signed by the Bank, Italian company Pizzarotti and the Russian Direct Investment Fund in June 2016, during the St. Petersburg International Economic Forum, in the presence of Russian President Vladimir Putin and Italian Prime Minister Matteo Renzi. That project won a prestigious national award, Rosinfra, for 2016, in the Best PPP Project for Communities category. The Bank received an award in the Best Investor nomination. Gazprombank also finances two concessions in the construction of PET centers in Balashikha and Podolsk. Two loan agreements executed by Gazprombank with the concession operator are worth RUB 2.7 billion. Those projects will help create a modern system of diagnostics and effective treatment of oncological diseases in the Moscow Region. Gazprombank, in association with relevant investors, is in talks about implementation of similar projects in other Russian regions. 2016 was also the first year of working under a new federal law on PPP. In particular, it permits carrying out projects where a private partner, after completing a facility, is also involved in its maintenance, which is especially in demand in education and healthcare. The legislation sees further improvement, and Gazprombank is engaged in the work of relevant groups under the Russian Ministry of Economic Development, the Ministry of Construction, Housing and Utilities, the Chamber of Commerce and Industry, and the Federation Council.

MOST SIGNIFICANT PROJECT FINANCE AND FINANCIAL ADVICE TRANSACTIONS IN 2016

 <p>Construction of an LNG plant based on the South-Tambey gas condensate field</p> <p>USD 19 billion</p> <p>Arranger, lender, facility agent, EXIAR agent, financial adviser</p>	 <p>Construction of a section of the Syktyvkar — Naryn Mar automobile road</p> <p>RUB 6.2 billion</p> <p>Funding arranger, lender</p>	 <p>Financing shipment of 62 double-deck railway cars covered by an export credit agency</p> <p>RUB 11.1 billion</p> <p>Adviser, funding arranger, lender</p>	 <p>Varnitsa. Construction of a salt plant to make Extra class edible salt from saline solution produced from the salt beds developed in the course of the Kaliningrad natural gas storage expansion</p> <p>≈ RUB 2 billion</p> <p>Lender</p>	 <p>Construction of an automobile road to bypass the city of Khabarovsk</p> <p>RUB 43 billion</p> <p>Member of a consortium</p>
 <p>Financing construction of solar power plants in the Republic of Bashkortostan, Republic of Altay, Orenburg Region, with a total capacity of 75 MW</p> <p>RUB 6.8 billion</p> <p>Lender</p>	 <p>Financing construction of 6 pre-school educational institutions in the Yamal-Nenets Autonomous Area</p> <p>RUB 5.9 billion</p> <p>Lender</p>	 <p>Financing shipment of double-deck long-distance passenger cars</p> <p>RUB 5.6 billion</p> <p>Lender</p>	 <p>Refinancing costs to purchase equipment for expansion of LTE networks in Russia</p> <p>≈ EUR 100 million</p> <p>Funding arranger, lender</p>	<p>DME-AEROZOL</p> <p>Construction of a unit to produce dimethyl ether</p> <p>EUR 14.8 million</p> <p>Lender</p>
 <p>Construction of a unit to produce sulfuric acid</p> <p>RUB 1.9 billion</p> <p>Lender</p>	<p>BARKLI</p> <p>Reconstruction of the Art Gallery residential building in Moscow</p> <p>RUB 1.68 billion</p> <p>Lender</p>	 <p>Funding of construction of a gas processing plant and a polymer plant in Garadagh, Azerbaijan Republic</p> <p>USD 3.5 billion</p> <p>Financial adviser</p>	 <p>Consulting services to raise funding from export credit agencies and Russian banks for the Long Fu 1 TPP construction project (Vietnam)</p> <p>USD 1.1 billion</p> <p>Financial adviser</p>	 <p>Construction of a rehabilitation building of City Hospital No. 40 in St. Petersburg</p> <p>RUB 8.9 billion</p> <p>Financial adviser</p>
 <p>Construction of the Bovanenkovo — Sabetta railway line in the Yamal-Nenets Autonomous Area</p> <p>RUB 114 billion</p> <p>Financial adviser</p>	 <p>Construction of the Amur Gas Processing Plant</p> <p>Financial adviser</p>	 <p>Construction of a timber and chemical plant in the Yenisei District of the Krasnoyarsk Territory</p> <p>USD 2.4 billion</p> <p>Financial adviser</p>		

COMMODITY AND CAPITAL MARKET OPERATIONS

Gazprombank provides a wide range of services, keeping leadership in key business areas in capital markets.

Deal-making in the debt capital market

In 2016, Gazprombank arranged

64 primary bond issues of 38 issuers, for a total amount of RUB 633 billion, in the local debt capital market, and was the leader in the Cbonds ranking of lead managers in all the key categories:

- first place in the general rating of lead managers (all issues);
- first place in the rating of lead managers of market issues;
- first place in the rating of corporate sector lead managers.

The Bank retained leadership in the general rating, despite a stronger competition among investment banks: over the year, the scope of offerings managed by Gazprombank surged by 46% (from RUB 433 billion to RUB 633 billion), and the number of offerings by 23% (from 52 to 64 issues).

Gazprombank also remains one of the leading Russian banks in the Eurobond segment, as it arranged seven international deals for a total amount of USD 3.2 billion (in the equivalent) in three different currencies.

Selected Gazprombank deals in 2016

The Bank's performance was highly evaluated by market players, and the Bank received landmark prizes of the Cbonds Awards, a prestigious annual award, in 2016:

- Best Investment Bank (Company) – Arranger for Fuel and Energy Complex
- Best Investment Bank (Company) — Arranger for Non-oil sector

- Best Russian Investment Bank on Eurobond Market

A deal for the placement of Moscow Region bonds, in which Gazprombank was the general agent, was not only the biggest in 2016 in the sub-federal segment, but was also awarded the Comeback of the Year prize.

A deal to issue bonds of JSC Federal Passenger Company, arranged by Gazprombank, was awarded the Debut of the Year prize. Gazprombank was also the lead manager in a landmark issue for the Russian market — issue of exchange-traded bonds of Vnesh-econombank, ПБО-001P-03 Series; those were 5-year US dollar-denominated bonds with settlements in Russian rubles. The deal was the first market transaction with that structure of settlements in the local market. In the Eurobond segment, the Bank was the lead manager and book-runner of all deals for Gazprom in 2016. For Evraz Group, the Bank arranged management of liabilities related to Eurobond redemption, and offering of a new USD 750 million Eurobond issue; for PJSC Polyus it arranged a debut USD 500 million Eurobond issue. Moreover, deals were completed to issue eurocommercial papers and convertible Eurobonds for Industrial Metallurgical Holding Managing Company LLC.

Asian vector






The Bank is consistent in establishing its foothold in Asian markets and in enlarging interaction with Asian investors, in particular those based in Hong Kong, continental

China and other countries of the Asian-Pacific region, and also with regulators and infrastructure players of the debt and equity capital markets. In December 2016, the Bank arranged a meeting with investors in Shanghai and meetings with largest banks in Beijing for the Russian Ministry of Finance. To promote joint projects for issuers and investors from Russia and China, Gazprombank took part in a conference that was organized by the Moscow and Shanghai Stock Exchanges in Shanghai. GPB Financial Services Hong Kong Ltd., Gazprombank's subsidiary, provides brokerage services for transactions with securities in Hong Kong, renders support to projects, and arranges road shows in the Asian-Pacific region for Russia's leading companies that the Bank has as its customers.

Work in stock markets

Since 2013, Gazprombank has been mandated as corporate broker for Gazprom. During 2016, Gazprombank was involved in the preparation of Gazprom's road shows in Europe and Asia, and Investor Days in London and New York.

Gazprombank pursues work aimed at enhancement of the appeal of Russian companies to Asian investors. During the year, Gazprombank organized more than ten road shows for government officials of the Russian Federation and for companies of the oil, gas, metallurgical and consumer sectors in Hong Kong and in the Asian region at large.

 3.375 % 2.7 years CHF 500,000,000 Lead manager	 3.125 % 7 years EUR 1,000,000,000 Lead manager	 2.750 % 5 years CHF 500,000,000 Lead manager	 4.699 % 5.5 years USD 500,000,000 Lead manager	 6.750 % 5.5 years USD 500,000,000 Lead manager
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Arrangers rating (all issues)

Source:
Cbonds
as of 31.12.2016.

Arranger	Share, %	Amount, RUB million
Gazprombank	21.0	382,759
VTB Capital	18.0	329,092
Sberbank CIB	13.6	248,776
Otkritie Financial Corporation Bank	11.0	200,919
Sovcombank	6.9	125,949
Others	29.5	537,708
Total	100	1,825,203

Arrangers rating (market issues)

Source:
Cbonds
as of 31.12.2016.

Arranger	Share, %	Amount, RUB million
Gazprombank	19.9	220,967
VTB Capital	19.0	211,063
Sberbank CIB	13.9	153,943
Sovcombank	10.5	117,183
ROSBANK	8.0	88,417
Others	28.7	320,172
Total	100	1,111,745

Trade operations

In 2016, the Bank managed to achieve significant results in trading and sales of debt and equity instruments.

In terms of trading, the Bank is confidently numbered among major market players, including:

- TOP 5 major dealers in Russian Eurobonds (according to the Bloomberg agency, 2016)
 - TOP 4 major dealers in corporate bonds in the Russian local market
 - TOP 5 banks in terms of Federal Loan Bonds (OFZ) sales
 - TOP 4 operators of equity securities in the Moscow Exchange (among Russian banks)
- In 2016, the Bank was bestowed high awards in key nominations of the Cbonds Awards:
- Best Bond Market Trading (first place)
 - Best Bond Market Sales (second place).

 4.90% 5 years USD 600,000,000 Arranger	 9.39% 5 years RUB 30,000,000,000 Arranger	 Moscow Region 9.65% 7 years RUB 25,000,000,000 General agent	 Yamal-Nenets Autonomous Area 9.37% 7 years RUB 20,000,000,000 Arranger	 9.95% 3 years RUB 5,000,000,000 Arranger
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Arrangers rating (corporate sector)

Source:
Cbonds
as of 31.12.2016.

Arranger	Share, %	Amount, RUB million
Gazprombank	22.2	369,342
VTB Capital	16.2	270,610
Sberbank CIB	13.8	230,356
Otkritie Financial Corporation Bank	12.1	200,919
ROSBANK	5.7	95,417
Others	30.0	499,583
Total	100	1,666,227

Arrangers rating (Eurobonds, issues of Russian corporate and finance issuers)

Source:
Bloomberg
as of 31.12.2016.

Arranger	Share, %	Amount, RUB million
JP Morgan	11.5	2,063.2
VTB Capital	7.5	1,347.5
Citi	5.6	1,000.0
Gazprombank	5.0	892.8¹
UBS	4.9	883.3
Others	65.5	11,821.3
Total	100	18,008.1

¹ Including US dollar-denominated local bonds of VEB for USD 600 mln.

Moreover, in 2016, the Bank effectively arranged and organized a number of landmark events (road shows, investor days and round-table discussions) for investors in debt and equity instruments in Asia, Europe and the U.S.

In 2016, active work was continued to foster trade relations with investors for the purpose of opening trading lines. A dialog was established with virtually all important investors in the Asian region.

Brokerage services

In 2016, the Bank's brokerage business was still on the rise. Owing to advanced relations with institutional and corporate customers, assets used in brokerage services soared by 50%, to RUB 600 billion.

The trade volume of customer transactions reached a record high of RUB 1.4 trillion, and the total number of customer accounts was up by 25%, and was 23,000 as of end-2016. In the reporting period, the Bank was also focused on development of products and services for private customers. In 2016, customers were offered a new method of FX transactions with brokerage accounts using GPB-i-Trade, the Bank's information and trading system. To attract private money to the financial market, a system of sales of individual investment accounts in all offices of the Bank has been set up.

Analytical support

The Market Research Department is focused in its analysis on Russian economy, energy and banking sectors, financial markets and prospects of business development in other emerging markets, including member nations of the Eurasian Economic Union and Asian countries.

Analysts study and analyze the Russian financial market by industries, issuers, and topics our customers are most interested in. In 2016, the Bank continued to release analytical products covering most topical issues. In particular, special reviews were prepared, such as Regions of Russia. An Investment Guide, which offered analysis of the financial and economic standing of 41 constituent territories of the Russian Federation; Infrastructure of Russia. Points of Investment Growth Amidst Budget Limitations, where a review of needs and sources of finance for the country's

infrastructure projects was provided. A report entitled Russian Agribusiness. Realization of Export Potential described growth prospects of agricultural exports, and the development potential of Russia's Far East.

Detailed reviews were prepared on issues of the budget, monetary and credit policy; a number of analytical studies were released which covered most important topics in the Russian banking sector, such as the effect produced on the ruble rate by the reduction of foreign currency use in the banking sector, and the impact made by regulation of banks' demand in the bond market.

In addition to industry-related reports, Gazprombank handles analysis of all the key Russian issuers and financial instruments.

The Bank's expertise in market analysis enjoys well-deserved authority and recognition in the investment community. Over the past seven years, the Cbonds agency has invariably included Gazprombank in the top three leaders of Russian analytical expertise in the debt market.

Transactions in precious metals

The Bank is engaged in financing and purchase transactions involving precious metals with the top leaders of the industry, which handle mining and processing of refined precious metals. The key customers of Bank GPB (JSC) include Polymetal International Plc., PJSC Polyus, Millhouse Capital UK Ltd., NORILSK NICKEL, Yuzhuralzoloto (UGC), UMMC, Russian Copper Company, Highland Gold Mining Ltd., Russian Platinum,

JSC "URALELEKTROMED" refineries of OJSC Krastsvetmet, JSC Prioksky Non-Ferrous Metals Plant, JSC Yekaterinburg Non-Ferrous Metal Processing Plant. In 2016, the scope of finance provided to various enterprises of the industry exceeded RUB 33 billion. Loans were extended to gold-mining and processing businesses to finance their operating and investment needs; one area of focus was enlargement of the operations spectrum and improvement of their efficiency. In the area of narrow-scoped industry products, we could cite loans in precious metals to gold mining companies, enterprises of the chemical and petrochemical industry, and short-term and mid-term prepaid supplies of precious metals within the framework of trade agreements. In terms of purchases of precious metals from mining and processing enterprises, Gazprombank consistently keeps third rank in the Russian market of precious metals. Last year, purchases exceeded 34 tons in gold equivalent. Exports to key global centers of spot trade in precious metals — London, Zurich, Hong Kong, Dubai and Delhi — equaled 8 tons in gold equivalent.

GPB-MetallInvest LLC, a subsidiary of the Bank, provides services related to processing, purchase and sales of products containing precious metals to enterprises of Russia's petrochemical industry; it also supplies imported catalytic systems. Its core customer base includes Surgutneftegaz OJSC (KINEF LLC), PJSOC Bashneft, Rosneft, Gazprom Neft PJSC, SIBUR Holding. The subsidiary's revenue in the reporting year amounted to RUB 4.29 billion.

ASSET MANAGEMENT

In 2016, Gazprombank Group saw stable development and growth of assets under management in the retail segment.

GAZPROMBANK GROUP IS A LEADER OF THE ASSET MANAGEMENT MARKET, PROVIDING SERVICES RELATED TO MANAGEMENT OF FUNDS OF PRIVATE AND CORPORATE CUSTOMERS. IN 2016, ASSETS IN THE GROUP'S TRUST MANAGEMENT EXCEEDED RUB 151 BILLION.

GPB Group concentrated assets of more than 70 corporate customers under its management, including funds of major non-government pension funds and endowment funds. The product line includes over 20 retail and private investment funds, and an international fund registered in the Grand Duchy of Luxembourg.

- Gazprombank — Asset Management reiterated once again its stature as an absolute leader of the endowment capital market. The company has concentrated the biggest number of endowment funds under its management: 46 endowment funds on the back of 2016.
- In 2016, Gazprombank — Asset Management was ranked at the top among its peers and competitors in terms of funds in individual trust management¹.
- Gazprombank — Asset Management traditionally demonstrated its superiority in terms of management efficiency in 2016. For instance, Gazprombank — MICEX Index, an open-end mutual fund, showed the best return in its category (with the total net assets of at least RUB 100 million)². Gazprombank — MICEX Index-Power Energy, another open-end mutual fund, displayed the best return among index investment funds². Gazprombank — Bonds Plus, yet another open-end mutual fund, was the best in terms of risk-adjusted

return, compared to other bond funds operating in the market.

- Open-end mutual investment fund Gazprombank — Bonds Plus is ranked second in terms of its size among all open-end and interval mutual investment funds in Russia².
- Gazprombank — Asset Management was included in the TOP 5 managing companies in terms of value of its net assets allocated to open-end and interval investment funds². The company was ranked second³ in terms of the net volume of funds allocated to open-end mutual funds in 2016², and it increased its assets by RUB 5.9 billion, showing the best year-on-year incremental growth rate of 99%.

In 2016, rating agency Expert RA reaffirmed Gazprombank — Asset Management's rating of maximum reliability and service quality at A++. The ratings that were previously awarded to the company by the National Rating Agency and the National League of Management Companies also correspond to the maximum reliability level (AAA on the scale of those agencies).

¹ Third place based on the latest available update, on the back of Q3 2016 — National Rating Agency.

² According to Investfunds.ru agency as of end-2016.

³ Second place according to Investfunds.ru agency, after Raiffeisen — Bonds fund which attracted RUB 7 billion in 2016.

PRIVATE EQUITY

Gazprombank continues to remain an active investor in the strategic sectors of the Russian economy.

Media Business and Telecommunications

Gazprom Media

Gazprom Media Holding is one of Russia's major media holding companies. In 2016, Russia's advertising market recovered to pre-crisis levels; on the back of 2016, the market is expected to grow by 10-12%. Structuring of the Group's assets by way of their consolidation into key business segments was completed, and entertainment TV channel TNT-4 was successfully launched.

Speech Technology Center

The Center is a leading developer of innovative multimode biometrics, speech recognition and synthesis systems, multi-track recording, processing and analysis of audio and video information and products based on artificial intelligence. Among major projects in 2016 were creation of a document management system for the Russian judicial system and introduction of a voice control module to be inserted in the onboard information system for KAMAZ Group, Russia's biggest truck manufacturer. The most promising vector in the future is deemed to be STC's participation in creating a nationwide platform and a database of biometric prints of users based on voice and facial recognition technologies.

Optic Fiber Systems

JSC Optic Fiber Systems is Russia's only factory producing optic fiber, the main component of telecom cables (the factory's capacity is 2.5 million km a year). The project has been carried out by joint efforts of Bank GPB (JSC) and ROSNANO since 2011 in Saransk, Mordovia. In 2016, commercial launch of the production facilities took place. The factory's produce was certified by PJSC Rostelecom, and the company started deliveries of first production lots abroad.

Infrastructure projects

Northern Capital Highway

Northern Capital Highway is a project of construction and operation of the Western High-Speed Diameter, a toll automobile road, which has strategic importance for the transport system of St. Petersburg. The project is implemented by Bank GPB (JSC) and VTB on the basis of a private-public partnership. In early December 2016, the central section of the road was commissioned into operation, and Northern Capital Highway started operating the entire road, seeing a significant growth of traffic intensity.

Portenergo

Since the end-2015 a consortium of investors comprising Gazprombank and a group of major Russian and international investors, own an LPG and light oil terminal at the Ust-Luga commercial sea port. In 2016, the capacity of the LPG and light oil terminal increased from 4.0 mln to 5.2 mln tpa enabling achievement of operational targets.

BIONET

Since 2013, the Bank has been carrying out a project of manufacturing industrial pellets in the Arkhangelsk Region. Those pellets are used as clean fuel in the heat and electric power energy industries. The capacity of the facility amounts to 150,000 tons pellets a year. In February 2017, the first commercial batch of pellets was shipped to Transcor Oil Services S.A. (Belgium), one of the largest European traders in energy resources. In the course of 2017, long-term contracts of sale of fuel pellets to European buyers are expected to be signed.

Petrochemical industry

PENOPLEX

PENOPLEX SPb LLC, of which GPB Group became a shareholder in 2012, is a leading manufacturer of heat insulation materials based on extruded polystyrene foam (XPS) and the industry's technology leader. For several years in a row, the company has been ranked first in Europe and second in the world in terms of XPS production.

Manufacturing and service sector

Eriell

Eriell is a major player in the oil service market of Russia and the CIS. In 2016, the company continued to carry out a strategy for the entry into international markets. Among its most significant achievements was mobilization of equipment for well-drilling in Iraq for Lukoil Middle East and being qualified by Saudi Aramco — for the first time among all Russian drilling companies.

Alvansa

Alvansa is a Russian pharmaceutical company based in the village of Obolenskoye, Moscow Region, which produces more than 150 various medical drugs. In 2016, the company saw a 44% income growth (which outperforms growth rates in the Russian pharmaceutical market manifold) and the beginning of the construction

of a new factory of solid-dosage forms, alongside existing production facilities, in accordance with European GMP standards. The new facility will help increase the company's production capacity by 600 tons (over 1.6 billion tablets and capsules a year).

Oil and gas projects

Gazprom Gas Motor Fuel

In 2016, the company was engaged in building infrastructure for the development of the gas motor fuel market in the Russian Federation.

In 2016, construction of 35 new automobile CNG stations was completed, as was a complex reconstruction of 4 CNG stations.

In addition, the company continued consolidating existing gas motor infrastructure. By the end of 2016, the company had bought more than 160 CNG stations from Gazprom Group companies and third parties. The company's strategy contemplates further expansion of the network of CNG stations and wider availability of gas motor fuel for consumers.

JSC Vasilievsky Mine

Bank GPB (JSC) Group owns a 62.5% stake in JSC Vasilievsky Mine, a company prospecting for and producing gold in the Krasnoyarsk Territory. In 2016, gold production was 1.3 tons. In 2016, the company began a project of reconstruction of a hard rock

processing plant, within the framework of a long-term program up to 2031, which contemplates capacity expansion and production growth to 1.8 to 2.0 tons a year.

CJSC CryoGAS

In 2016, the company commissioned a natural gas liquefaction unit in Pskov. The unit will provide fuel to the first LNG-powered ferry in the Baltic Sea, which consumes approx. 19,000 tons of LNG a year. The company continued to carry out a project of construction of a low-tonnage LNG plant in the Kaliningrad Region; the project was included in the list of comprehensive investment projects in priority areas of civilian industries. The plant is to be commissioned into operation in early 2018.

In 2016, the Bank continued work towards construction of an LNG production and reloading terminal in the area of the Port of Vysotsk, Leningrad Region. The plant capacity will be 660,000 tons of LNG a year. As of end-2016, the total amount of GPB Group's investments in the projects carried out by CryoGAS Group amounted to RUB 15.1 billion.

MACHINE-BUILDING ASSETS: PRINCIPAL AREAS OF OPERATIONS AND KEY PROJECTS

Machine-building enterprises of GPB Group are main providers of unique technology equipment and integrated solutions for key industries: fuel and energy complex, oil, gas and petrochemical industries, metallurgy and mining.

IN 2016, THE MACHINE-BUILDING ASSETS OF GPB GROUP CONTINUED THEIR SUCCESSFUL DEVELOPMENT.

The key events that defined past year, 2016, were the following:

In the nuclear power industry:

- Manufacturing of a WWER-1200 reactor shell was completed for the second power generation unit of the Baltic Nuclear Power Plant.
- Accumulator tanks of the emergency core cooling system were shipped for the fourth power generation unit of the Tianwan Nuclear Power Station (China) and for the first and second power generation units of the Kola Nuclear Power Plant; this equipment ensures safe operation of nuclear power stations.

In the petrochemical industry:

- A contract previously executed with Sakhalin Energy was still in force. It is a contract for the production and supply of equipment to be used at a gas booster station for the purpose of preparing gas coming from the Lenskaya-A sea platform for further transportation to the south of the island of Sakhalin. Russian-made separators will be used for the first time at a production facility of Sakhalin Energy.

- A contract was signed with CJSC Tamaneftgaz, and a project is being carried out to manufacture spherical tanks with a capacity of 5,000 cubic meters. Those spherical tanks will be used for propane storage at a transshipment terminal for liquefied hydrocarbon gases in the Port of Taman. Spherical tanks of that volume have never been produced in Russia before.
- Production and shipment of 25 sets of packaged petrochemical equipment were completed in the interests of Gazprom Group for the infrastructure of the Chayandiskoe oil and gas condensate field, which is the basic field to build Gazprom's Yakutsk center of gas production and resource base for the Power of Siberia gas pipeline.
- An agreement was signed with Zapsibneftekhim LLC (SIBUR Holding) on construction of a facility for the production of industrial gases at a Zapsibneftekhim facility currently under construction: nitrogen and compressed dry air will ensure operations at all the key facilities of Zapsibneftekhim, from main technology units to site utilities.
- In order to implement the investment project of an LNG plant construction in the Port of Vysotsk, design and delivery of two mixed refrigerant compressor units with a unit capacity of 25 MW

is underway; the units will be used for natural gas liquefaction. Production of mixed refrigerant compressors will be set up in Russia for the first time.

As part of development efforts,

GPB Group's machine-building assets continued to enlarge their foothold in export markets. In particular, three cryogen air separation units were commissioned into operation at the Kazzinc and Kazphosphate enterprises in the Republic of Kazakhstan. Six mining shovels were shipped to India under an order from Coal India, a major global coal producer.

In the area of adoption of new products,

we should note the start of production of Russia's mining shovel — EKG-35 (bucket capacity: 35 cubic meters) and Russia's first hydraulic mining shovel UGE-300. Mid-term strategic priorities for GPB machine-building assets remain as follows:

- fostering competencies in the implementation of integrated projects on a turn-key basis (EPC — engineering, procurement and construction);
- enlargement of foothold in export markets, and keeping leadership in the Russian and CIS markets;
- mastering new products, including within the framework of import substitution programs;
- enhancing production efficiency and cost-saving.

RESOURCE BASE DEVELOPMENT

In 2016, the structure of the Bank's resource base did not see significant changes. As a result of a stronger ruble rate, evaluation of the foreign-currency portion of the resource base was down in 2016, which reduced the Bank's total liabilities by 4.5%. The Bank's liabilities adjusted for FX rate fluctuations were up 4.4% in 2016.

FUNDS OF CORPORATE AND PRIVATE CUSTOMERS CONSTITUTE THE KEY COMPONENT OF THE BANK'S RESOURCE BASE. THANKS TO COOPERATION WITH MAJOR RUSSIAN ENTERPRISES THAT HAS SPANNED OVER MANY YEARS, AND OWING TO INTEGRATED SERVICES PROVIDED TO THEIR EMPLOYEES, THE BANK KEEPS UP A STABLE VOLUME OF CUSTOMER MONEY, RESILIENT TO ECONOMIC SHOCKS.

Structure of the resource base

Customer funds constitute the underlying basis for funding of Gazprombank's active operations. As of end-2016, they accounted for 76.0% of the Bank's liabilities, and were up 4.5 p. p. in 2016.

Fund-raising in capital markets, including placed bonds and subordinated debt (in total, 11.4% of the resource base), build the Bank's long-term resource base.

The Bank made scheduled repayments of a number of foreign-currency loans, and replaced them with new market instruments, as well as funds of corporate and retail customers, as a result of which the percentage of the resource base built by fund-raising in capital markets was down 2.8 p. p. versus end-2015.

In 2016, Gazprombank decreased the amount of funds raised from the Bank of Russia, having repaid RUB 25.4 billion. The move was caused by a high cost of that resource compared to customer funds. As a result, the percentage of that source of funding declined to 2.2% in the structure of liabilities as of end-2016.

Customer funds

Funds of corporate and private customers are the key component of the Bank's resource base. Thanks to cooperation with major Russian enterprises that has

spanned over many years, and owing to integrated services provided to their employees, the Bank keeps up a stable volume of customer money, resilient to economic shocks.

In 2016, funds of corporate customers grew by 1.1%, to RUB 2,652.5 billion, and accounted for 60.5% of the Bank's resource base.

Funds of private individuals equaled RUB 678.3 billion, or 15.5% of the total resource base, and they were up 3% over the year.

Debt capital markets

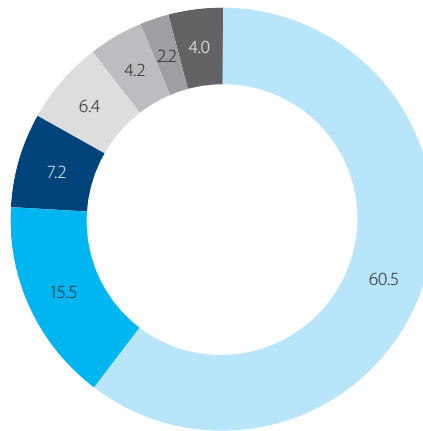
As of end-2016, the portfolio of funds raised in capital markets equaled RUB 500.1 billion (11.4% of the Bank's liabilities), out of which RUB 317.3 billion were comprised by bonds, and RUB 182.8 billion by subordinated loans.

The loan portfolio provides for a regular repayment schedule and is diversified in instruments and currencies, including Russian ruble, U.S. dollar, euros, Chinese yuan and Swiss franc.

In 2016, the Bank continued to expand the tool kit of fundraising in the domestic bond market. In February 2016, the Bank issued 5-year 2-ИП Series mortgage-backed bonds in the amount of RUB 15 billion. For those

Resource base structure as of 31 December 2016, %

- Amounts owed to corporate customers
- Amounts owed to individuals
- Senior debt, borrowed from capital markets
- Amounts owed to banks
- Subordinated debt
(including the subordinated deposit of the National Wealth Fund amounting to RUB 44.2 billion)
- Amounts owed to the Bank of Russia
- Other liabilities



In 2016, the structure of the Bank's resource base did not see significant changes. Customer funds, which accounted for 76% of the Bank's liabilities as of year's end, remain the underlying basis for funding.

bonds, a floating coupon rate was set in the amount of the yield on OFZ with a one-year grace period, multiplied by 1% p. a. Moreover, in 2016, the Bank successfully placed 4 issues of exchange-traded bonds with a total par value of RUB 30 billion.

In 2016, the Bank redeemed Eurobond issues for CNY 500 million, USD 120 million and two issues for RUB 20 billion each, and a syndicated loan of USD 433 million.

Instruments of long-term funding in the Bank of Russia

To incentivize lending provided to long-term investment projects, the Bank of Russia has worked out a framework of granting loans for up to 3 years to financial institutions. Within the framework of that program, the Bank raised RUB 30 billion and used that money to finance investment projects.

Refinancing instruments

In addition to highly liquid instruments (monies and equivalent funds, cash due from banks, trading securities), which accounted for 14.4% of the Bank's assets as of end-2016, the Bank has access to additional sources of expanding its liquidity in the event external stress scenarios should become a reality. Based on the structure of assets that meet the Bank of Russia's criteria set for loan collaterals, the Bank can additionally raise RUB 824 billion (about 17% of the total assets). The Bank was moderate in using that resource last year: as of end-2016, liabilities in pledge instruments owed to the Bank of Russia amounted to RUB 65 billion (7.9% of the available volume).

DEPOSITORY OPERATIONS, SPECIALIZED DEPOSITORY SERVICES

IN 2016, BANK GPB (JSC) MAINTAINED HIGH CLASS IN PROVIDING DEPOSITORY SERVICES AND SPECIALIZED DEPOSITORY SERVICES. THE BANK'S DEPOSITORY IS ASSIGNED THE AAA RELIABILITY RATING ACCORDING TO THE NATIONAL DEPOSITORY RELIABILITY RATING SCALE, AND IS RANKED FIRST AMONG THE TOP 30 BIGGEST DEPOSITORIES IN TERMS OF THE MARKET VALUE OF DEPOSITED SECURITIES¹. WITH ITS EXTENSIVE REGIONAL NETWORK THAT INCLUDES MORE THAN 100 SERVICE OUTLETS, THE DEPOSITORY MAINTAINS MORE THAN 400,000 SECURITIES ACCOUNTS FOR OVER 600 ISSUERS, LEAVING ITS COMPETITORS BEHIND BY THE AMOUNT OF DEPOSITED ASSETS AND THE NUMBER OF DEPOSITORS.

The total number of transactions within the depository chain exceeded 992.5 thousand.

Local offices of the Bank's depository chain inform shareholders of Gazprom and other issuers about submissions for general meetings of shareholders. The depository provides infrastructure support to international projects of Gazprom Group (an ADR program) and to domestic and international projects of Gazprom-bank Group.

Within the framework of a legislative reform covering corporate actions, the Depository Center provided to its customers an opportunity of exercising corporate rights via a depository,

which significantly facilitates investors' access to the exercise of their corporate rights. New standards of corporate actions, including the use of electronic document management systems, enhance the quality of services provided by the Bank and efficiency of customer interaction.

In 2016, the Bank's Depository Center carried on its collaboration with the National Securities Market Association, JSC AHML and the Central Bank of the Russian Federation as an authorized depository of the Bank of Russia responsible for accounting and safekeeping collaterals (mortgage pool) pledged by borrowing banks in favor of the Bank of Russia under the pilot Lombard Lending project implemented by the Bank of Russia. By the end of the year, the Bank's depository kept more than 340,000 mortgage certificates with a total value of mortgage-backed liabilities over RUB 557 billion. Within the framework of nominee holding, income on securities was paid to the Bank's depositors with respect to more than 2,000 corporate actions announced by issuers of securities.

The amount of money transfers exceeded RUB 130 billion in rubles, USD 9 billion in U.S. dollars, and EUR 200 million in euros. In 2016, all scheduled upgrades of the depository's IT infrastructure were completed. Efforts were primarily focused on the introduction of a new automated system for the specialized depository, regulatory compliance, enhancing the level of straight through orders processing in transactions involving mortgage certificates and tackling issues related to operational risk management.

The Bank's specialized depository was ranked among Top 10 of the national rating of specialized depositories on the back of its performance in 1H2016, and was in eighth line on the Top 10 list of specialized depositories in terms of assets in custody as of 30 June 2016¹. The value

of assets held in custody was approx. RUB 150 billion as of the year-end 2016. The Bank's specialized depository supervises asset management of its customers, which include include management companies of mutual investment funds (MIF), mortgage bond issuers, mortgage pool managers, and state-owned corporations established by the Russian Federation. As far as customer relations are concerned, the depository intends to strengthen its positions significantly through greater coverage of the customer base and more active customer relations with the existing depositors.

The principal vector of the depository's customer service policy remains unchanged, i.e. to differentiate the depository performance model by individual segments (professional financial traders, strategic investors, insurance companies, pension funds, and pooled investment market players), as well as development of the product range, and optimization of internal technologies and processes. The depository seeks to raise the efficiency of its performance by taking the following steps: study of customer needs, offering a wide range of new financial instruments, investigation and classification of Russian customers and their need for custodial services.

The model of the depository business adopted by the Bank will enable it to benefit from its competitive advantages as much as possible. These advantages include an extensive customer base, a strong brand, and a wide service network.

¹ The ratings were released by the Foundation for Development of Financial Institutions — Infrastructural Institute (INFII), in cooperation with the Professional Association of Registrars, Transfer-Agents, and Depositories (PARTAD) on the official website: www.safedepo.ru, based on the performance in the first 6 months of 2016.

RISK MANAGEMENT

For the purpose of in-depth and all-around review of matters, the Audit Committee and the Compensation Committee operate under the Board of Directors.

THE BANK FOCUSES ON IMPROVEMENT OF THE RISK AND CAPITAL MANAGEMENT SYSTEMS IN ACCORDANCE WITH THE REQUIREMENTS OF THE BANK OF RUSSIA, DEVELOPMENT OF A MONITORING SYSTEM TO REVIEW COUNTERPARTIES WITH A HIGH-RISK PROFILE, IMPROVEMENT OF STRESS TEST PROCEDURES AND CAPPING THE CONCENTRATION RISK. IN ADDITION, THE BANK IS FOCUSED ON DEVELOPMENT OF A QUANTITATIVE EVALUATION METHODOLOGY. AVAILABILITY OF A FULL-FLEDGED MANAGEMENT SYSTEM IS A DECISIVE FACTOR OF EFFICIENT OPERATIONAL RISK MANAGEMENT.

Risk management system

The Board of Directors annually approves the Risk Appetite Statement, which includes both quantitative and qualitative indicators designed to provide high-level guidelines on the structure and values of risks that the Bank and the Group are willing to take in pursuit of their strategic goals. This risk appetite is further scaled and operationalized to the level of limits for separate risks and positions.

The following key principles guide the Bank's approach to risk management: A) The Board of Directors adopts the general risk and capital management policy and determines the level of risk acceptability (risk appetite), strategic goals, fundamental risk management policies and the stress-testing scenarios.

For the purpose of in-depth and all-around review of matters, the Audit Committee and the Compensation Committee operate under the Board of Directors. The Audit Committee's mandate includes preliminary review of matters related to internal and external audit, and matters of risk and capital management coming within the terms of reference of the Board of Directors.

The mandate of the Compensation Committee of the Board of Directors includes preliminary review of matters coming within the terms of reference of the Board of Directors and related to establishment and functioning

of an effective remuneration system subject to accepted risks.

B) Within the risk and capital management strategy adopted by the Board of Directors, the Management Board provides overall risk management for the Group's operations and regularly monitors actual risk levels to see how they conform to the approved risk appetite level.

C) Dedicated committees and commissions reporting to the Chairman of the Management Board and the Management Board of Bank GPB (JSC) (Investment Committee, Credit Committee, Assets and Liabilities Management Committee (ALMC), Commission for Financial Market and Operational Risks (Risk Commission), Processes and Technologies Development Committee, Strategy Committee and Corporate Governance and Compensations Committee, Assets Restructuring Committee) are appointed to address issues relating to individual risk types. Members of the committees and commissions are subject to approval by the Chairman of the Management Board.

D) Units of the Risk Management Division (RMD) are independent from business units and are supervised by the Head of the Risk Management Division reporting directly to the Chairman of the Management Board.

E) Risk management is applied in an integrated manner at all operational levels, considering the relationships and cross

impact of various risks. The Bank's RMD performs the function of managing Group risks.

F) At the Group level, the Bank defines the roles and objectives of the management bodies of the Group companies, including those of local risk management divisions (if any), as they pertain to identification, assessment and monitoring of risks related to transactions performed by Group companies.

The Group has an integrated risk management system which enables it to:

- use unified risk management approaches within the Group;
- control risk management activities in Group companies;
- align the overall Group / Group company risk profile with the Group's strategic objectives and make informed decisions at the Group level.

The Group's risk management system is based on advanced standards, models and practices accepted in financial organizations.

In 2016, the Bank was focused on the following aspects of risk management:

- improvement of risk and capital management system in line with the requirements set forth by Directive of the Bank of Russia No. 3624-U On Requirements to the Risk and Capital Management System of a Credit Institution or a Banking Group (hereinafter referred to as "Directive No. 3624-U") at the level of the Bank and the Group;
- optimization of the limit-setting process for operations in financial markets;
- diffusion of the Bank's system of limits across subsidiary banks and adoption of an integrated system of limits at the Group level;
- enhancement of efficiency of the wealth management system and liquidity risk subject to the regulator's requirements;

- enhancement of the operational risk management culture and integration of the results of operational risk management into the performance evaluation of the Bank's divisions;
- improvement of the system for early identification of counterparties with a higher risk level; improvement of mechanisms helping work out early response measures and strategies of work with respective counterparties;
- further development of a methodology of quantitative evaluation of credit exposure;
- implementation of organizational procedures within the framework of a project to adopt requirements of the international financial reporting standard IFRS 9 Financial Instruments coming into effect on 1 January 2018.

Key risks in 2016

1. Credit risk

The Group is exposed to the risk of financial losses occurring due to a borrower or counterparty defaulting on their obligation to the Group (credit risk).

Credit risk is managed in accordance with the regulations of the Central Bank of Russia, Basel Committee principles and guidelines concerning banking supervision, and internal documents developed to incorporate such principles.

The main objectives of credit risk management include:

- sustainable development of the Group;
- compliance of the loan portfolio quality and the credit risk profile with the Group's strategic goals;
- optimal combination of profitability and credit risk level with due account of capital limits and capital adequacy requirements.

Credit risk management is based on uniform methodological approaches and procedures within the framework of an integrated system of risk analysis,

management and control. Credit risk management is performed at all stages of the credit process, from the review of a customer's loan application to the full settlement of all liabilities.

The credit risk management process includes the following elements:

- risk identification, quantitative and qualitative assessment of risk;
- risk limitation and mitigation measures (including setting limits, taking security);
- risk monitoring and control (including control of set limits), both with respect to individual borrowers and at the general portfolio level;
- building loss reserves;
- planning credit risk levels.

Qualitative assessment of credit risk takes the form of conclusive expert opinions on acceptability of requested parameters of a deal, required measures of minimizing credit risks taken in that regard, and on compatibility of the requested form of the cash flow funding model to the designated purpose of the deal.

Internal ratings serve as a key element of quantitative evaluation of credit exposure. Our rating system includes an array of methods, procedures, control systems, data collection and information systems used for assigning, change and verification of a given rating.

Quantitative credit risk assessment is exercised in accordance with the Group's models designed to estimate the probability of borrower default for various types of counterparties, including:

- corporate customers (leading, major, medium sized and other customers, for project finance transactions);
- financial institutions;
- individuals (applicative models of default probability assessment by retail lending sector);
- constituent entities of the Russian Federation and local authorities.

Counterparties are assigned internal ratings based on the approved models for estimating the probability of borrower default. Internal credit ratings are used to set credit risk limits, calculate expected losses, create loan loss provisions, and conduct risk-weighted analysis of the loan portfolio and financial planning. Target credit risk levels are set in accordance with risk appetite. Decisions on manageable risk levels are made by authorized bodies, including the Investment Committee, the Credit Committee and the Chairman of the Management Board. Transactions submitted to review by the Credit Committee or Investment Committee are subject to examination by independent experts of the RMD. The Group sets ultimate risk limits for every borrower or a group of borrowers. Compliance with (and use of) credit risk limits is monitored on an ongoing basis and represents the limit compliance monitoring. Development and improvement of the credit risk limits system is a priority line of work for the Group.

Monitoring is performed on a regular basis, from the moment when a limit was assigned to a customer to the moment when the counterparty fulfills all of its commitments to the Group. The purpose of the monitoring is to identify any changes in the level of credit exposure in a timely manner, to evaluate that exposure, to adopt preventive measures and to control the fallout of the risk occurrence.

The process of monitoring of credit exposure includes, among others, the following types of monitoring:

- monitoring of payment discipline;
- monitoring of the financial standing of counterparties;
- monitoring of financial covenants (terms of limit);

- monitoring of security (pledges, surety, other types of security);
- monitoring of internal capital adequacy provided as risk allowance;
- monitoring of other negative factors;
- control over contingent and supplementary clauses in a deal;
- control over the use of limits.

In 2017, there are plans to adopt an upgraded Early Warning System (EWS). Where negative trends are identified in the activities of counterparties that are legal entities, on the back of monitoring, respective counterparties are included in a section of the Watch List Register information resource (which includes Watched Counterparties, Potentially Troubled Counterparties, and Troubled Counterparties).

Information from the Watch List Register is used, among other things, for the selection of intensity (mode) of monitoring and strategy of further work with the assets, and also in the implementation of mechanisms that impose restrictions on transactions with counterparties.

The Group performs stress tests of credit exposure on a regular basis, in order to evaluate potential changes in the quality of the loan portfolio in the event of unfavorable changes in the economic situation. Analysis of a borrower's credit exposure and of the price exposure of real estate values plays an important part in the management of credit exposure in retail lending. The risk management system performs regular selective checks of loan applications, and verifies the quality of the appraisal of the property to be collateralized in mortgage lending, after it was done by an independent appraiser.

In the wake of the adoption of the law on bankruptcy of private individuals, an annually updated database was set up, which contains information about the Bank's customers — private individuals who have gone bankrupt.

2. Concentration risk

Concentration risk arises in connection with the Group's exposure to big risks. The Group performs on a regular basis:

- analysis of the Group's exposure to each form of concentration risk (identifies concentration risk);
- monitoring of the level of acceptability of concentration risk and estimates acceptability of concentration risk with respect to its every form for which no limits are set.

The Group stress-tests concentration risk regularly in order to evaluate potential losses in the event of adverse changes in the economic situation.

The result of stress-testing is presented in the form of evaluation of the impact of negative scenarios on quantitative metrics of concentration risk, capital adequacy, and actions aimed at minimization of expected losses.

At present, the Group either has set or is adopting the following limits of concentration risk:

- limits of concentration for counterparties / groups of related counterparties;
- limit of industry concentration;
- limit of risk concentration per one person affiliated with the Bank (group of persons affiliated with the Bank);
- limit of risk concentration per one surety (guarantor);
- country limits;
- regional limits of concentration;
- limit of concentration risk for operations in financial markets, including by types of financial instruments, basic assets, and by individual characteristics of instruments;
- limits of concentration risk for funding sources and expected cash inflows.

Limits of concentration risk are set and revised by the authorized body on a regular basis with due account of the appetite for risk and capital budget.

Simultaneously with the setting / revision of limits of concentration risk for each type of the above limits, the following parameters are determined at the discretion of the authorized body:

- signal values warning of an approach to set limits of concentration;
- the procedure for the monitoring of the limits, including actions in the event of identified over-limit in a completed deal;
- methodological peculiarities of estimation of a respective limit, and, if possible, the information system is identified which will take account of and monitor respective limits;
- the procedure of documenting the outcome of limits monitoring.

3. Country risk

Country risk is a risk of financial losses due to foreign counterparties defaulting on their obligations to the Group for economic, political or social reasons, or as a result of a limited access to the counterparty's committed amounts denominated in foreign currency because of national legislation (irrespective of the counterparty's creditworthiness).

The Group manages this risk according to its Country Risk Policy. This policy defines key principles and approaches for the assessment of country risks and setting country limits. Country risk assessment considers the economy scale (GDP level) and the sovereign rating of the country.

4. Liquidity risk

The Group manages its liquidity to ensure that sufficient liquidity is available to meet its commitments to customers, creditors and note holders, and to fulfill its business plans for active banking operations. The Bank's liquidity management system is an integrated solution of risk identification, evaluation and control

across the Group's banking segment.

It is an essential part of the assets and liability management (ALM) system at the Group level, including the head office and regional branches.

The liquidity management system consists of two main components:

- instant (short-term) liquidity management implemented by the Treasury on a regular basis;
- medium-term and long-term liquidity management performed by the ALM Committee and the Internal Treasury Department as part of the ALM function, ultimately for the purpose of setting an effective risk-return ratio.

The liquidity management policy is subject to approval by the Board of Directors upon submission by the Management Board.

At the executive level, liquidity risk is managed by the ALM Committee.

The ALM Committee determines the policy for asset and liability management that aims to build up a liquidity gap control framework considering maturity profiles for assets and liabilities. It also helps to provide effective diversification of funding sources and availability of sufficient funding in stressed conditions.

The Risk Management Division monitors liquidity risks and reports on the status regularly to the ALM Committee, the Management Board and the head of the Risk Management Division. Risk reporting includes qualitative and quantitative risk estimations, stress testing results, and evaluation of additional liquidity sources (liquidity buffer).

Liquidity risk management methods

The liquidity risk management system is integrated into the transaction planning processes in order to determine the required funding sources in normal and stressful situations. The Group applies limits on the following liquidity risk indicators to mitigate it:

- period of solvency without external support;
- short-term liquidity (STL);
- net stable funding ratio (NSFR);
- liquidity gaps for realistic (business as usual) and liquidity stress scenarios in terms of maturity and key currencies;
- minimum level of liquidity buffer.

Gap analysis estimates the forecast excess or shortfall of cash inflows over outflows grouped by maturity and currencies and thus allows identification and management of open liquidity exposures. Gap analysis is supported by scenario analysis, which includes a realistic scenario (business as usual) and a liquidity stress scenario. Scenario analysis is performed as part of regular risk evaluation:

- Realistic scenario: shows the average expected liquidity level.
- Stress scenario: shows stress tolerance and the ability to maintain sufficient liquidity without implying restrictions on assets related banking transactions.

As part of the liquidity risk management system, the Bank has a Contingency Funding Plan (CFP) that sets out the strategies for addressing liquidity shortfalls in emergency situations. The CFP is updated on an annual basis and outlines policies to manage a range of stress scenarios, and establishes lines of responsibility, including proactive emergency monitoring, activation and escalation procedures.

5. Market risk

Managing market risk includes limitation and monitoring of market risks that affect the Group's banking business. Responsibility for the decision-making process regarding acceptable market risk levels is vested in dedicated bodies: ALM Committee, Risk Management Commission and the Chairman of the Management Board. The market

The Bank relays the appetite for risk and the budget of economic capital to the operational level via a system of limits.

risk management function is assigned to the Risk Management Division.

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

- a system of limits ensuring that the volume of risks corresponds to the adopted risk appetite and the amount of economic capital distributed among business lines concerned;
- qualitative and quantitative market risk assessment with the use of value-at-risk (VaR) methodology, stress testing, scenario analysis and sensitivity analysis.

The Risk Management Division supports the market risk management system on a regular basis, and, in particular:

- monitors pre-set risk limits;
- builds reports to be submitted to authorized bodies and senior executives;
- revises values of risk limits in accordance with the Bank's plans and appetite for risk;
- takes part in working out measures for the optimization of the use of risk limits subject to business efficiency, including with due account of stress-test results.

Interest rate risk

Interest rate risk in the trading book comes from the bonds and derivatives present in the Bank's trading portfolio. Interest rate risk in the banking book arises when there is a mismatch between the maturity profiles of rate sensitive assets and rate sensitive liabilities.

The Bank's policy with respect to the interest-rate risk exposure is reviewed on a regular basis and approved by the ALM Committee. The RMD prepares regular reports on the interest rate risk exposure for the ALM Committee and other management bodies of the Bank. In accordance with the Bank's appetite for risk, the ALM Committee has set the following indicators of interest-rate risk:

- sensitivity of the net present value of assets and liabilities;
- gaps in the requirements and the Bank's commitments in terms of time pools;
- sensitivity of the net interest income of the bank book;
- sensitivity of the financial outcome (so far as revaluation of financial instruments is concerned) to the changes in the interest-rate curve.

Interest-rate risk management is integrated in the Banks' planning procedure; consequently, decisions about changes in the structure of assets and liabilities, made in the form of the Bank's business plans, are adopted with due consideration of the target profile of the interest-rate risk.

Currency risk

The principal sources of currency risk include investment in foreign companies and banks, as well as the position arising from creation of provisions on currency assets that is subject to due hedging. The Bank is free of significant currency positions opened for the purpose of speculative gains. Currency risks arising from transactions with customers are hedged by counter

transactions with highly reliable counterparties.

The ALM Committee and the Risk Commission set limits on the level of currency risk exposure for each portfolio (trading, investment, the Group, the Bank and subsidiaries). For trading portfolios, maximum losses are also limited (stop-loss). Separate limits apply to operations involving derivatives. The Bank's currency risk exposure limits comply with the minimum requirements of the Central Bank of Russia.

The Bank assesses the value at risk and sensitivity of profit to foreign exchange rate fluctuations as part of a stress scenario. Stress testing provides conservative scenarios for fluctuations of currencies and precious metals against the ruble.

Equity risk

The Bank has investments primarily in sovereign securities and bonds of high-quality major Russian issuers. The Bank also assumes risks from non-market financial instruments (strategic and direct investments). These risks, however, are specific, due to the fact that no revaluation is required for this type of assets and the investments are long-term, which makes it possible to gain profit from projects once the economic environment becomes favorable. Derivatives are used for risk hedging.

The VaR methodology is only applied to quoted instruments. Non-quoted instruments are not included in the traditional VaR model, and a separate model is used to calculate the capital value for these instruments. Therefore, the Bank does

not exercise real-time monitoring of risks relating to these assets. The main tool for managing this risk is allocating capital to cover the risk of depreciation over the horizon of financial planning (one year) and strategic planning (five years). The Bank also assesses the sensitivity to securities price changes as part of a systemic stress scenario. Stress testing includes analysis of conservative scenarios, where the stress level assumes a decrease in quotes for equities and an increase in YTM for debt securities.

According to the Bank's risk appetite, the Risk Committee sets market risk limits (VaR limits, limits for sensitivity to interest rate fluctuations), limits for maximum losses (stop-loss), limits for exposure level (nominal limits, structural limits). The Committees the Risk Commission make decisions on the risk concentration limits for each issuer/financial instrument.

6. Operational risk

Operational risk is defined as the risk of a loss resulting from inadequate or ineffective internal processes, personnel and (or) third parties, management systems or external events. In particular, losses from staff errors, internal or external fraud, model errors or natural disasters are considered losses due to operational risks.

Quantitative measurement of those risks is more complicated than in case of other types of financial risks, therefore a comprehensive system of operational risk management is a decisive factor in effective management of operational risk.

Today, the Bank's operational risk management system comprises the following key elements:

- operational risk management methodology;
- principles on which operational risk management is based and their integration in decision-making procedures observed at the Bank;

- operational risk identification and escalation procedures;
- acquisition and registration of data on risk events caused by operational risk, and their consequences;
- self-evaluation of operational risks by the Bank's divisions, including keeping a register of the Bank's operational risks;
- qualitative and quantitative assessment of risk (including the process of evaluation of controls effectiveness);
- business continuity and disaster recovery system (is being optimized);
- operational risk monitoring system (including key risk indicators);
- operational risk reporting.

Altogether, these components provide the advantage of quick detection of risks in policies, processes and procedures for adequate operational risk management. Prompt detection, assessment and addressing of these deficiencies to risk owners of the corresponding management level can substantially reduce the potential frequency and/or severity of losses due to operational risk and/or event.

The Bank attaches special importance to a systemic approach to regular monitoring and to submission of statements on the operational risk and substantial risks of operational losses.

In order to mitigate operational risks, the Bank uses principles, methods and approaches based on best practices in operational risk governance and control.

A) The Bank ensures acceptable level of corporate culture in operational risk management by raising awareness of the values and goals of risk management among all employees of the Bank, and also by setting and monitoring compliance with the rules and standards of risk management.

B) The system of operational risk management is integrated in the Bank's risk management system.

C) The Bank approves risk appetite both at the Bank level at large, and in the form of principles governing constraints set on operational risk-taking.

D) The Bank develops internal documents regulating:

- staff job descriptions;
- business processes for banking operations;
- business continuity and disaster recovery plans;
- policy on information disclosure.

E) The Bank builds processes of monitoring and information escalation with respect to operational risks across all levels of the Bank's corporate governance structure, in order to ensure proactive operational risk management.

F) The Bank implements principles for segregation of duties and conflict-of-interest policies.

G) The Bank implements new products and business processes only after the relevant procedures and processes have been properly documented. Internal regulatory documents are only approved when signed off by subject matter experts, including the Risk Management Division and the Compliance Service.

H) The Bank organizes procurement of goods and services on a competitive basis.

In order to reduce the negative effects from specific types of operational risks, the Bank has provided comprehensive insurance coverage including contracts for:

- Comprehensive Crime & Professional Indemnity Insurance (standard crime insurance, including internal fraud, electronic crime insurance and computer crime insurance, professional liability insurance);
- employee voluntary medical insurance;
- insurance of property, including insurance of self-service machines.

BANK GPB (JSC) REGIONAL NETWORK

Centralization of back-office and support functions, standardization of principal business processes, and improvement of the organizational, staff, and functional structure were the key instruments of enhancing efficiency of the regional network in 2016.

For the purpose of improving efficiency of presence in accordance with resolutions of the Bank's Board of Directors and Management Board, branches in Volgograd, Tyumen, Yakutsk, Yuzhno-Sakhalinsk, Astrakhan, Omsk and Khabarovsk

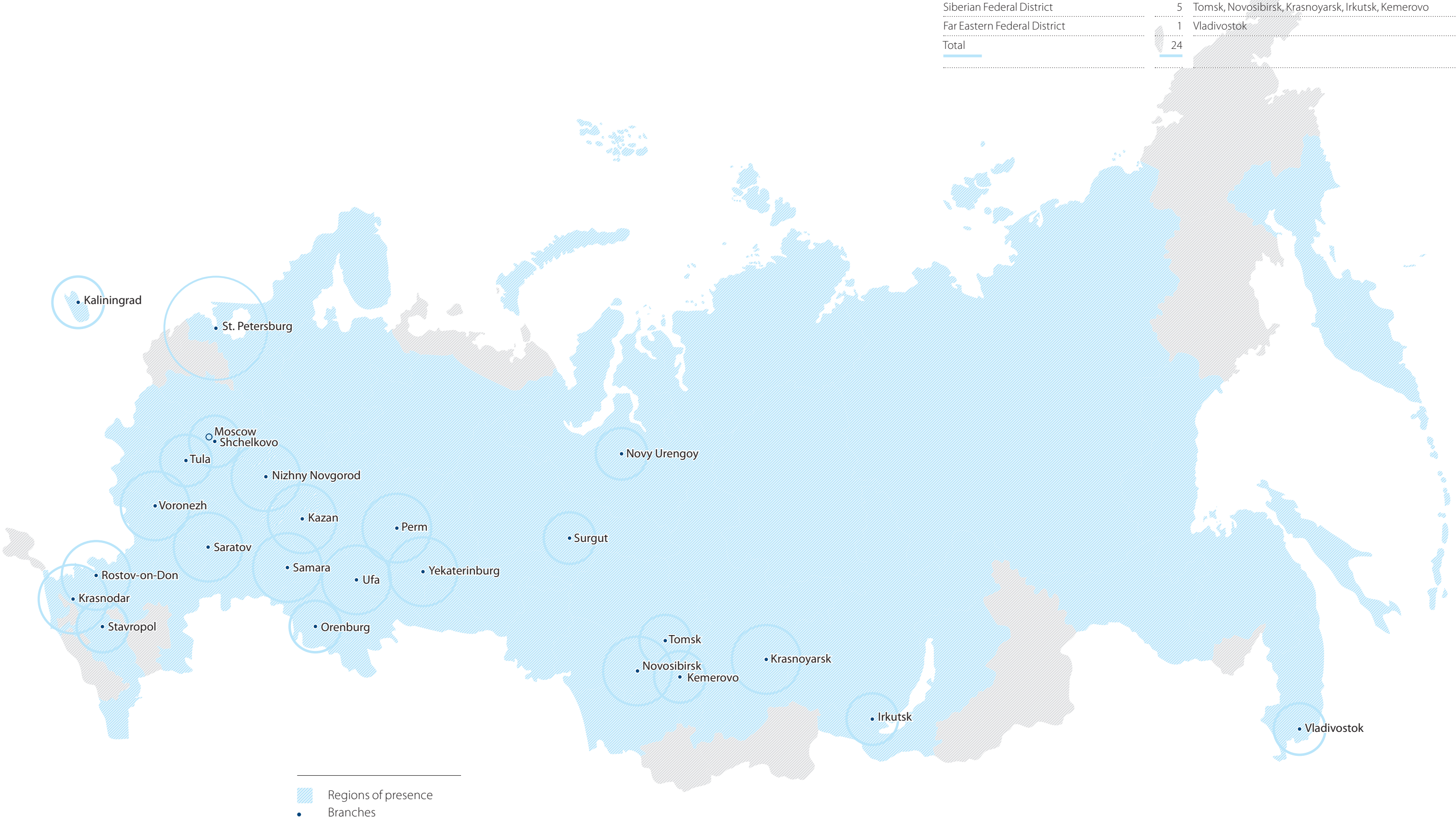
were promoted to the status of operating offices in 2016. In 2017, there are plans to continue measures for the development of the Bank's sales office network and optimization of the Bank's presence in individual regions of the Russian Federation.

Information about standalone structural units.

The Bank comprises the following standalone structural units:

Regional network in the Russian Federation	As of 01.01.2016	As of 01.01.2017
Branches	31	24
Branch offices	262	233
Operational offices	73	101
Out-of-office cash counters	5	4
Total units in the Russian Federation	371	362

REGIONAL NETWORK MAP



Geographic location of the branches across principal regions where the Bank has a foothold as of 1 January 2017:

Central Federal District	3	Shchelkovo (Moscow Region), Tula, Voronezh
Northwestern Federal District	2	St. Petersburg, Kaliningrad
Southern Federal District	2	Krasnodar, Rostov-on-Don
North Caucasian Federal District	1	Stavropol
Volga Federal District	7	Nizhny Novgorod, Saratov, Orenburg, Ufa, Perm, Samara, Kazan
Ural Federal District	3	Yekaterinburg, Surgut, Novy Urengoi
Siberian Federal District	5	Tomsk, Novosibirsk, Krasnoyarsk, Irkutsk, Kemerovo
Far Eastern Federal District	1	Vladivostok
Total	24	

HR POLICY, EMPLOYEE DEVELOPMENT AND MOTIVATION

Team efforts building Gazprombank's image as a stable and efficient institution that takes care of its development and caters to the welfare of its employees have been awarded more than once with prestigious international prizes by the HR community.

IN 2016, AMIDST EXISTING LIMITATIONS IMPOSED BY THE DEPOSIT INSURANCE AGENCY ON THE PAYROLL BUDGET, THE BANK CARRIED OUT A SERIES OF MEASURES TO DOWNSIZE AND TO CUT ITS STAFF; IN ADDITION, WORK WAS CONTINUED TO IMPROVE TRANSPARENCY OF ALLOCATION OF FUNCTIONS, AUTHORITIES AND RESPONSIBILITIES AMONG DIVISIONS AND OFFICERS.

On one hand, those moves helped eliminate redundant jobs and cut inefficient personnel; and, on the other, they allowed building required resources for keeping, incentivizing and raising efficiency of the key staff. In the past few years, optimization of business processes and automation of operations that require intensive manual labor have become a key factor of success in competitive struggle. In that regard, the Bank continued to centralize support and assistance functions (operational service, underwriting, internal control, etc.) in regions with optimal labor costs; and to unify and standardize the organizational and functional structure of the branches. Adoption of new functional formats helps reallocate resources in favor of the Bank's business divisions. A great deal of attention is also paid to standardization of GPB Group's regulatory framework in terms of payroll and personnel incentives, social guarantees and benefits, and compliance with regulators' requirements. As of 31 December 2016, the Bank's workforce consisted of 13,800 people. About 90% of the staff are college graduates, the average period of service at the Bank is 5.8 years, with about 1,000 people having stayed with Bank GPB (JSC) for more than 15 years. The average age of employees is 38 years; approximately 20% of the personnel are under 30. In 2016, special attention in staff recruitment was paid to newly adopted

technologies, such as psychological diagnostics and professional tests. To screen applicants for a new call center in Cheboksary, remote testing was used, which helped select specialists with required competencies within a short time. In 2016, a personnel technology called Assessment Center was widely used as an efficient staff selection instrument for a large-scale applicant screening amidst time constraints. Assessment was carried out to select applicants for the positions of operational employees, customer managers and executive assistants. Moreover, Assessment Centers were used in the screening of managers for Underwriting Centers in three regions. In 2016, regular work was performed to evaluate how successfully new employees complete the orientation period and to provide them with assistance should any issues arise. Staff turnover in the Head Office was up in 2016 (11.7%) versus 2015 (9.2%), largely because of downsizing and personnel cuts. Across the Bank as a whole, staff turnover was 16.2% in 2016 (12.4% in 2015), which, nevertheless, is below the market average. That level of turnover was conditioned by the Bank's stability and reliability, availability of social benefits and guarantees, the Bank's established corporate culture, within the framework of which taking care of human resources is invariably a priority. The Bank's leadership pays a lot of attention to development and advancement

In connection with centralization of support functions, advanced technologies of large-scale remote testing and distance learning were used in 2016.

of professional level of the personnel.

The Bank has in place an integrated system of corporate training for employees, which is aimed at proactive development of key expertise and competencies, required for creating a competitive edge and completion of assigned business objectives.

The system includes:

- corporate workshops and trainings;
- individual training of employees;
- module programs aimed at systematic development of managerial skills and personal growth;
- remote learning;
- an e-library of business literature;
- studying for qualification certificate exams, which is mandatory for employees to be able to perform their functional duties.

The themes, methods and forms of learning activities are determined in accordance with the Bank's goals for the current and future periods, with strategies and policies in individual areas of operations, approved schedules under projects and outcomes of regular performance evaluations.

In 2016, more than 6,600 of the Bank's employees completed on-site training, of which:

- 4,000 were representatives of the Head Office;
- 2,600 were employees of the branch network.

Throughout the year, in-house consultants who are the Bank's employees were engaged in conducting training programs for products and project management.

In 2016, in-house coaches were trained who teach improvement of the technology of underwriting loan applications of private individuals; 12 groups of underwriters of the branch network completed training.

Within the framework of the Bank's interaction with Russian universities:

- the procedure of screening applicants for the enrollment to the International Banking Business program of the Bank GPB (JSC) Chair in the International Energy Policy and Diplomacy Institute of MGIMO of the Russian Ministry of Foreign Affairs, and the program of internship at the Bank's divisions were modified;

- 29 named scholarships were awarded to students of 11 leading finance and economics universities of Moscow and St. Petersburg;
- work goes on with interns, and more than 100 students interned in various divisions of the Bank's Head Office.

In 2016, within the framework of annual performance evaluation, a system of "cascading" the Bank's Plan key targets from the leadership to low-level employees was adopted across the Bank. Moreover, competencies of heads of front office divisions are evaluated according to the "360 degrees" method on a regular basis. Professional tests are widely used, which help quickly and effectively evaluate knowledge of employees in the area of the Bank's regulations, business processes, products, policies and procedures. With that aim in mind, a package of more than 100 e-tests is used; those tests were designed in association with the Bank's specialists.

The Bank has adopted a system of remote learning, which is successfully functioning and developing as a priority in corporate training. The system helps effectively use

In 2016, the Bank established a close tie between the annual planning system and the individual performance evaluation system, and implemented a system of “cascading” key targets of the overall plan all the way down to low-level employees.

internal resources and suggest immediate solutions adapted to the ever-changing external environment.

The corporate library of e-training courses and e-tests keeps teaching aids and tutorials on virtually all areas of the Bank’s activities and operations.

The Bank continuously expands its e-training library by developing in-house products and by purchasing ready-made solutions. In 2016, active work was pursued in development of a database of e-content used for training of all categories of the Bank’s employees. A combination of onsite and distance learning is common practice in the Bank’s corporate programs, and webinars have become a much-in-demand and popular form of interaction between employees of the Bank’s branch network and the Head Office. In 2016, distance learning covered about 13,000 people, and more than 4,500 people took part in webinars. The Bank’s HR policy has been celebrated by the professional community more than once; on the back of 2016, the Bank also received awards.



RANDSTAD AWARD IN THE MOST ATTRACTIVE EMPLOYER IN THE FINANCIAL SERVICES SECTOR NOMINATION

It is the world's largest survey in which respondents (representatives of employed and unemployed populace) select the most attractive employer in each market segment out of the country's biggest companies in terms of personnel.



WINNER OF THE LEADERSHIP INDEX RATING

This rating is composed on an annual basis by Rabota.ru (RDV-Media Group) based on the opinions of 120,000 employees of Russian companies, 3,000 HR specialists and 10 most renowned experts of the job market.

DEVELOPMENT OF INFORMATION TECHNOLOGIES

During the reporting period, the Bank carried out a number of projects within the framework of centralization and standardization of IT solutions, adoption of new systems supporting core operations. Measures were taken to drive down costs and to enhance efficiency of IT processes.

ALL IN ALL, THE BANK CARRIES OUT MORE THAN 40 IT PROJECTS AIMED AT QUALITY IMPROVEMENT AND MAKING NEW OPPORTUNITIES AVAILABLE IN CUSTOMER SERVICE PROVISION AND IN SAVING TRANSACTIONAL COSTS.

In 2016, a project of the Bank's settlement functions centralization was completed. All the branches were connected to a centralized settlement system. The Bank's branches in Yekaterinburg, St. Petersburg, Novosibirsk, Tyumen and Omsk have been transferred to a centralized corporate platform, and technology support has been ensured in the general transformation of the branch network. The principal business goals of the Bank's transition to a centralized corporate platform are as follows:

- customer base growth through better service quality;
- cutting the "time to market";
- larger scope of operations and their quicker implementation;
- enlargement of the range of available products and services;
- cutting operational costs;
- mitigating operational and regulatory risks;
- decommissioning of decentralized and outdated systems in the Bank's branches.

In addition to the basic objectives of the project, reengineering of key business processes was completed within the framework of efforts to ensure work of Gazprom in St. Petersburg, document processing was standardized, workplaces were brought in line with unified standards. In 2016, the Bank completed required technological modifications to carry out a project for the Government Defense Order; in the process, 978 corporate customers were connected to the remote banking system, and approx. 3,000 documents are processed on average every day. The GPB-IEIS automated system has been rolled out. It ensures electronic exchange with federal authorities (in particular, interactions with the Federal Bailiff Service, the Federal Tax Service and the Central Electoral Commission have been established). In the Head Office and at the Bank's branches in Novosibirsk and Nizhny Novgorod, a specialized system of support of operations with distressed debt of retail customers was launched into pilot operation. Commercial operation was started with respect of the functions that allow opening and replenishing deposits via ATMs; a number of new capabilities were integrated in the Home Bank system. To ensure continuity of the Bank's operations and of customer services, technology solutions were designed and developed for the unification and centralization

of the network infrastructure of the Bank at large and of its individual branches, and also for the development of the data processing center infrastructure.

In December 2016, initial evaluation of the Bank's IT processes was completed in accordance with the Capability Maturity Model Integration (CMMI). Potential of efficiency improvement of basic processes was identified, which will help tackle competitive challenges in digital technologies and hi-tech services provided to customers. On the back of the evaluation results, the main guidelines of the IT module's organizational development through to 2020 have been identified. The purpose is to reach third maturity level in accordance with the CMMI, which will ensure the Bank's leadership in information technologies.

During 2016, some of the Bank's critical automated systems were switched over to the Agile/SCRUM methodology in the course of their development.

The total number of ordering departments exceeded 30 within the framework of "agile development," and the number of updates of systems rolled out within the framework of the new methodology during the year exceeds 2000.

In 2016, examination and testing of domestically available solutions and solutions based on freeware were going on within the framework of import substitution; pilot projects were planned for the technologies selected for testing.

SOCIAL RESPONSIBILITY AND INTERNATIONAL CULTURAL COOPERATION

Social responsibility has always been and remains among the high-priority corporate values in Gazprombank.

SCIENCE AND EDUCATION, CULTURE AND KNOWLEDGE DISSEMINATION, SPORTS, ASSISTANCE TO DISADVANTAGED SOCIAL GROUPS, PROTECTION OF THE ENVIRONMENT ARE PRIORITY AREAS OF THE BANK'S REGULAR AND SYSTEMIC WORK IN THIS FIELD.

Paying close attention to training of highly qualified specialists in economics, Gazprombank has not only established a tight rapport with the country's major higher education institutions, but it also actively promotes secondary professional education. One striking example is the professional excellence competition Gazprombank Working Scholars, which has been organized annually since 2010 in more than 25 cities across Russia. Educational institutions taking part in that nationwide competition train workforce for strategically important industries of Russian economy, such as metallurgy, nuclear power energy, petrochemical industry, heavy- and medium-duty machine-building, automotive industry, defense industry. On the back of the competition results, 40 winners in every institution are awarded an annual named scholarship from the Bank, and the participating colleges receive sponsor donations. To foster healthy lifestyles, the Bank provides support to many federations, clubs and other organizations promoting elite or mass sports, including physical culture among children. Over many years, Gazprombank has been a partner of the Zenit Football Club, which holds, in association with its sponsor, the Grand Football Festival for children. It is a unique social and athletic project that became nationwide in 2016. The festival brought together more than 50,000 people: young football players, aficionados, football

and sports fans. The event took place in six cities of Russia (Saratov, Sochi, Kaliningrad, St. Petersburg, Omsk, Yekaterinburg), and on the back of its results the best of the best went to a training camp in Sochi. Over many years, Gazprombank has been a general partner of annual European and world cups in Latin American dances and of the charity Vienna Ball in Moscow; it also provides assistance to the Russian Dance Union.

Work in the area of culture and knowledge dissemination is of essential importance for Gazprombank; the Bank has museums, theaters and cinema organizations — Moscow Kremlin Museums, A.S. Pushkin Museum of Fine Arts, State Hermitage and others — as its key partners. No less attention does the Bank pay to nurturing creative endeavors of children. Every year, Orlyonok (Eaglet), a national center for children, situated on the shores of the Black Sea, hosts, in association with Gazprombank, the Children's Song of the Year festival presided by Angelina Vovk, a people's artist. The event is a gathering bringing together more than 300 performers from across the nation, where talented youngsters have an excellent opportunity to prove their mettle on big stage, to take part in master classes hosted by stars of the Russian show business, and relax on the seaside in a cozy cove. One of the most important areas of charity activities of Bank GPB (JSC) is rendering assistance to underprivileged social groups,

International cultural collaboration also remains one of top-priority vectors of the Bank's humanitarian mission.

within the framework of which the Bank collaborates closely with veterans' organizations, orphans' homes, boarding schools. Support provided to orphans in general occupies a special place in those efforts. For many years, the Bank has been a donor of Children's Villages — SOS, an inter-regional charity NGO, it is actively involved in the construction of family child-care homes for orphans across Russia and backs up the traditional New Year charity campaign "I believe in Father Frost" organized for the benefit of orphans; the Bank's employees also take part in it on an individual basis.

Within the framework of its environmental endeavors, Gazprombank continues to donate to the endowment fund of the Land of the Leopard national park. In 2015, the Bank took a young leopardess named Bary under its care and since then has been observing closely the development of the natural reserve at large and the life of its ward in particular.

International cultural cooperation

Within the framework of the annual international forum "Conoscere Eurasia,"

Gazprombank jointly with Bank Intesa organized a traditional nonprofit event for residents of the Italian city and guests of the forum in the fall of 2016 in Verona. Ahead of the festivities to celebrate the 80th anniversary of the Igor Moiseyev State Academic Ensemble of Popular Dance, the legendary company performed its program Dances of the Peoples of the World for the first time. The concert was an immediate sensation and was one of the most memorable events in Gazprombank's international cultural cooperation.

In 2016, Gazprombank embarked on collaboration with Shorter, an international festival of short-length films that has been organized since 2013 to seek out and support young talents. The Board of Trustees includes leaders of the Russian movie industry: Fyodor Bondarchuk, Igor Tolstunov, Sergei Selyanov, Valery Todorovsky, Leonid Vereschagin, Sergei Melkumov. Over the four years of its existence, the event has paved the shortest and at the same time the widest way to the world of motions pictures for newcomers among movie directors and actors.

Battalion, a film directed by Dmitry Meskhiev and backed financially by Gazprombank, was awarded the Grand Prix at an international cinema festival of BRICS (Brazil, Russia, India, China, South Africa) in 2016. The picture won in four nominations, including World's Best Motion Picture, Best Motion Picture of BRICS Countries, Best Actress in a Lead Role, and Best Sound Editing. The event was a real international victory of Russian cinema. After it saw a wide distribution, Battalion won more than 30 Russian and international prizes.

Alongside motion pictures, a great deal of attention was paid to initiatives in the theater. Gazprombank backed the audience choice award The Star of the Theater Lover. That Russian prize has the status of independent award, and rather than by a professional judging panel, it is bestowed by theater-going audiences in Russia and abroad. Among its nominations there are Best Russian Theater Abroad, Best Social Project, Best Production for Children and Youth, Best Performance by a Theater Actor (Actress) in Motion Pictures, Favorite Theater, and many others.

3

HISTORY OF THE PRESENT

PLATOV
INTERNATIONAL
AIRPORT

**CORPORATE
GOVERNANCE**



SHAREHOLDERS OF BANK GPB (JSC)

Full name	As of 01.01.2016			As of 01.01.2017		
	Share in common stock ¹ , %	Share in Type A preferred stock ² , %	Share in Type B preferred stock ³ , %	Share in common stock ¹ , %	Share in Type A preferred stock ² , %	Share in Type B preferred stock ³ , %
Public Joint-Stock Company Gazprom	35.5414	0	0	35.5414	0	0
Non-State Pension Fund GAZFOND	6.0798	0	0	6.0798	0	0
Open Joint-Stock Company GAZ-Tech	11.1125	0	0	11.1125	0	0
Open Joint-Stock Company GAZ-Service	16.2223	0	0	16.2223	0	0
Open Joint-Stock Company GAZKON	16.2316	0	0	16.2316	0	0
Closed Joint-Stock Company Leader (pension fund asset management company), Trust Management	0.3534	0	0	0.3534	0	0
Closed Joint-Stock Company Leader (pension fund asset management company)	0.0004	0	0	0.0004	0	0
State Corporation Bank for Development and Foreign Economic Affairs (Vnesheconombank)	10.1907	0	0	10.1907	0	0
Russian Federation represented by the Ministry of Finance of the Russian Federation	0	100	0	0	100	0
State Corporation Deposit Insurance Agency	0	0	100	0	0	100
Limited liability company New Financial Technologies	4.2180			4.2356		
Individuals	0.0499	0	0	0.0323	0	0
Total	100	100	100	100	100	100

¹ Of the total number of common shares.

² Of the total number of Type A preferred shares.

³ Of the total number of Type B preferred shares.

BOARD OF DIRECTORS OF BANK GPB (JSC)

The Board of Directors composition as of 1 January 2017.

	Chairman of the Board of Directors
Alexey B. Miller	Chairman of the Management Committee, Gazprom
	Deputy Chairmen of the Board of Directors
Andrey I. Akimov	Chairman of the Management Board, "Gazprombank" (Joint-stock Company)
Mikhail L. Sereda	Deputy Chairman of the Management Committee, Head of the Administration of the Management Committee, Gazprom
Yury N. Shamalov	President of Non-State Pension Fund GAZFOND
	Members of the Board of Directors
Elena A. Vasilieva	Deputy Chairwoman of the Management Committee, Chief Accountant, Gazprom
Anatoly A. Gavrilenko	General Director, CJSC Leader
Vladimir A. Dmitriev	Vice President, Chamber of Commerce and Industry of the Russian Federation
Kirill A. Dmitriev	Chief Executive Officer, Russian Direct Investment Fund Management Company
Ilya V. Eliseev	Deputy Chairman of the Management Board, "Gazprombank" (Joint-stock Company)
Yulia S. Karpova	Deputy Chairperson and Member of the Management Board of Vnesheconombank
Andrey V. Kruglov	Deputy Chairman of the Management Committee, Gazprom
Kirill G. Seleznev	Member of the Management Committee, Department Head, Gazprom

Profiles of Members of the Board of Directors, "Gazprombank" (Joint-stock Company)

Alexey B. Miller

Year of birth: 1962.

Educational background: Graduated from the Voznesensky Leningrad Institute of Finance and Economics in 1984. Candidate of Sciences (Economics).

Job titles in the past three years: From June 2001 to date — Chairman of the Management Committee, Gazprom.

Andrey I. Akimov

Year of birth: 1953.

Educational background: Graduated from the Moscow Institute of Finance in 1975.

Job titles in the past three years: From January 2003 to date — Chairman of the Management Board, Bank GPB (JSC).

Mikhail L. Sereda*Year of birth:* 1970.*Educational background:* Graduated from St. Petersburg State University of Economics and Finance in 1997.*Job titles in the past three years:* From September 2004 to date: Deputy Chairman of the Management Committee, Head of the Administration of the Management Committee, Gazprom.

Yury N. Shamalov*Year of birth:* 1970.*Educational background:* Graduated from the Higher Naval Engineering School in 1992; graduated from the Russian Foreign Trade Academy (Ministry of External Economic Relations of the Russian Federation) in 1996. Ph. D. (Economics).*Job titles in the past three years:* From August 2003 to date — President of Non-State Pension Fund GAZFOND.

Elena A. Vasilieva*Year of birth:* 1959.*Educational background:* Graduated from the Voznesensky Leningrad Institute of Finance and Economics in 1986; graduated from the St. Petersburg International Institute of Management in 2008.*Job titles in the past three years:* From September 2001 to date — Deputy Chairwoman of the Management Committee, Chief Accountant, Gazprom.

Anatoly A. Gavrilenko*Year of birth:* 1972.*Educational background:* Graduated from Lomonosov Moscow State University in 1995 and 2001.*Job titles in the past three years:* From May 2004 to date — General Director, CJSC Leader (pension fund asset management company).

Vladimir A. Dmitriev*Year of birth:* 1953.*Educational background:* Graduated from Moscow Institute of Finance in 1975. Doctor of Sciences (Economics).*Job titles in the past three years:* From June 2007 to February 2016 — Chairman, State Corporation Bank for Development and Foreign Economic Affairs (Vnesheconombank); from April 2016 to date — Vice President, Chamber of Commerce and Industry of the Russian Federation.

Kirill A. Dmitriev*Year of birth:* 1975.*Educational background:* Graduated from Stanford University in 1996; graduated from Harvard University in 2000.*Job titles in the past three years:* From June 2009 to July 2011 — Head of Ukraine's Representative Office of Icon Private Equity Limited; from May 2011 to date — Chief Executive Officer, Russian Direct Investment Fund Management Company.

Ilya V. Eliseev*Year of birth:* 1965.*Educational background:* Graduated from Zhdanov Leningrad State University in 1987. Ph. D. (Law).*Job titles in the past three years:* From August 2005 to date — Deputy Chairman of the Management Board, Bank GPB (JSC).

Yulia S. Karpova*Year of birth:* 1970.*Educational background:* Graduated from the Plekhanov Moscow Institute of National Economy in 1991; graduated from the Financial Academy (under the Government of the Russian Federation) in 1999.*Job titles in the past three years:* From November 2007 to April 2012 — Director, Directorate of FX and Financial

Transactions, from April 2012 to March 2014 — Deputy Chairperson, from March 2014 to date — Deputy Chairperson and Member of the Management Board of Vnesheconombank.

Andrey V. Kruglov*Year of birth:* 1969.*Educational background:* Graduated from St. Petersburg Technology Institute of Refrigeration Industry in 1994; studied at the Interdisciplinary Institute of Advanced Training and Staff Retraining at the St. Petersburg University of Economics and Finance in 1995. Doctor of Sciences (Economics).*Job titles in the past three years:* From April 2004 to July 2015 — Deputy Chairman of the Management Board, Head of Department; from July 2015 to date — Deputy Chairman of the Management Committee, Gazprom.

Kirill G. Seleznev*Year of birth:* 1974.*Educational background:* Graduated from the Ustinov Baltic State Technical University in 1997; graduated from St. Petersburg State University in 2002. Ph. D. (Economics).*Job titles in the past three years:* From September 2002 to date — Member of the Management Committee, Department Head, Gazprom; from March 2003 to date — CEO of Gazprom Mezhregiongaz (LLC) (concurrently).

MANAGEMENT BOARD OF BANK GPB (JSC)

The Management Board composition as of 1 January 2017.

Andrey I. Akimov	Chairman of the Management Board
Oleg M. Vaksman	Deputy Chairman of the Management Board
Ilya V. Eliseev	Deputy Chairman of the Management Board
Dmitry V. Zauers	Deputy Chairman of the Management Board
Viktor A. Komanov	Deputy Chairman of the Management Board
Alexey A. Matveev	Deputy Chairman of the Management Board
Alexander Y. Muranov	Deputy Chairman of the Management Board
Famil K. Sadygov	Deputy Chairman of the Management Board
Alexander I. Sobol	Deputy Chairman of the Management Board
Elena A. Borisenko	First Vice President
Vladimir N. Vinokurov	First Vice President
Andrey A. Pimenov	First Vice President
Igor V. Rusanov	First Vice President
Valery A. Seregin	First Vice President
Alexander M. Stepanov	First Vice President
Yan V. Tsenter	First Vice President

Andrey I. Akimov

Year of birth: 1953.

Education: A graduate of Moscow Financial Institute (1975) majoring in Economics.

Career: From October 1974 to November 1990 Andrey was an employee of Vneshtorgbank in the positions of Credit Inspector, Head of Foreign Exchange Department, Deputy General Manager of the bank's office in Zurich, and Chairman of the Management Board in Donau Bank. From February 1991 to January 2003

he held the position of Managing Director at IMAG Investment Management & Advisory Group AG (Austria). Chairman of Bank GPB (JSC) Management Board since January 2003.

Oleg M. Vaksman

Year of birth: 1977.

Education: Bachelor's degree in Law from the University of the Witwatersrand in Johannesburg, South Africa (2002).

Career: From May 2003 to March 2005 Oleg held the position of Chief Operating

Officer (Analysis) at First National Bank in Johannesburg, South Africa. From October 2005 to January 2008 he worked at KPMG London Advisory Department as a risk consulting manager responsible for the financial sector. From January 2008 to June 2009 Oleg served as Performance Management Director and from July 2009 to February 2010 as Consulting Director (Partner) with Business Consulting at PricewaterhouseCoopers Russia B.V., Moscow. Employed by Gazprombank in February 2010 as First Vice President,

elected as a Member of the Management Board in April 2010 and appointed Deputy Chairman of the Management Board in February 2013.

Ilya V. Eliseev

Year of birth: 1965.

Education: A degree in Law from Zhdanov Leningrad State University (1987). Awarded a degree of Candidate of Sciences in Law in 2001.

Career: From January 1991 to March 2003 Ilya worked at St. Petersburg State University in the Department of Law (Civil Law). From May 2003 to July 2005 he held the position of Vice President and President of the Law Center Association in St. Petersburg. He has worked for Bank GPB (JSC) in the position of Deputy Chairman of the Management Board since August 2005.

Dmitry V. Zauers

Year of birth: 1979.

Education: Graduated from Tomsk State University with a degree in Management (2001).

Career: Dmitry started his career in August 2001 with Gazprombank. Through June 2003, he held the positions of specialist and lead specialist of the Lending Department with the Bank's branch in Tomsk; from June 2003 to May 2011 he worked in the Bank's Regional Business Development Division and held the position of Chief Specialist of the Network Management Department until March 2006; from March 2006 to September 2007 he was Deputy Head of the Network Coordination Division and Head of the Network Management Department; from September

2007 to February 2010 he served as Head of the Network Coordination Department and from February 2010 to May 2011 as Deputy Head of the division. In May 2011 he was appointed Vice President and then First Vice President of the Bank in September 2012. He has been a Member of the Management Board since February 2013 and Deputy Chairman of the Management Board since November 2014.

Viktor A. Komanov

Year of birth: 1973.

Education: A graduate of Plekhanov Russian Academy of Economics majoring in Economics (1995) and the London School of Economics and Political Science (1997).

Career: Viktor started his career in September 1990 with commercial banks Stroycredit and Moscovia. Then until March 1996 he worked as a lead economist at commercial banks YALOS-BANK, National Credit and Gagarinsky. From 1996 to 1997 he served as Head of the New Product Development Division of the Corporate Services Division at Menatep Bank. From December 1997 to November 1998 Viktor was an analyst with the Corporate Finance Department of Fleming USB (CJSC). Up to February 2001, he held the position of Deputy Head of the Investment Banking Department of Fleming USB (CJSC). Up to March 2002 he was Deputy Head of the Corporate Client Banking and Capital Markets Department at J. P. Morgan Bank International LLC. From April 2002 to October 2003 Viktor worked in the Moscow office of Lukoil Overseas Service LTD in the positions of Head of the M&A Department and later Head of the International Business

Development Department. Joined Bank GPB (JSC) in October 2003. From October 2003 to February 2004 he acted as Advisor to the Management Board and Corporate Finance Director; from February 2004 to November 2007 he was Head of the Corporate Finance Department; from November 2007 to July 2010 served as First Vice President. He was elected as a Member of the Management Board in April 2007 and appointed Deputy Chairman of the Management Board in July 2010.

Alexey A. Matveev

Year of birth: 1963.

Education: A degree in Economics from Moscow Financial Institute (1986).

Career: Alexey started his career in January 1986 with VTB's Soyuzraschetexport, where he worked as an inspector and an economist until December 1987. From January 1988 to June 1989 he worked as an economist in Vnesheconombank of the USSR. Then Alexey joined International Moscow Bank where he was Head of the Financial Credits Department until January 1992. During the following year he worked as Foreign Affairs Consultant with Servis-Globus (a joint venture). From February 1993 to July 1995 he held the positions of Director for External Loans, Member of the Management Board, and Executive Vice President of Inter-Sectoral Commercial Bank for Wholesale Development. In July 1995 he joined JSC Bank Credit Suisse (Moscow) where he worked as Head of the Securities Management Department and Vice President until June 1998. During 1999, Alexey was Advisor to the Chairman of the Management Board in Eastern European Investment Bank. From June

1999 to March 2001 he held the position of Head of the Investment Banking Department in Fleming USB (CJSC). From May 2001 to February 2003 he was Managing Director in Investment Company Troika Dialog (CJSC). He joined Gazprombank in February 2003, working as Advisor to the Chairman of the Management Board from February to July 2003, and was appointed Deputy Chairman of the Management Board in July 2003.

Alexander Y. Muranov

Year of birth: 1958.

Education: A graduate of Leninsky Komsomol Lviv Polytechnic Institute majoring in Electronic Engineering (1980).

Career: Alexander's career started in November 1980 with Elektroizmeritel Plant named after the 50th Anniversary of the USSR in Zhytomyr, where he worked as an Engineer, Laboratory Chief and Deputy Head of R&D until August 1994. From 1995 to 1998 he held the positions of Economist, Head of the Correspondent Relations Department, Deputy Chairman of the Management Board and First Deputy Chairman of the Management Board in Unibest (a commercial bank). From October 1998 to February 2005 his career continued with Rosprombank in the positions of Vice President, First Vice President, and President of the Bank. He joined Bank GPB (JSC) in February 2005 and has been acting as Deputy Chairman of the Management Board until the present.

Famil K. Sadygov

Year of birth: 1968.

Education: A graduate of Ordzhonikidze State Academy of Management majoring

in Engineering Economics (1993). Awarded a degree of Candidate of Sciences in Economics in 2006.

Career: From 1992 to 1994 Famil occupied managerial positions in a number of trading companies. From June 1994 to May 1995 he held the position of Deputy CEO & Chief Manager at National Diamond Fund (CJSC). From June 1995 to March 1996 he served in the Ministry of Finance of the Russian Federation as a consultant of the Administrative Control Department. From March 1996 to April 1997 Famil held the position of Head of the Forecast & Analysis Department. From April to June 1997 he acted as Deputy Head of Science and Technology under the Russian Federal Road Service. He was Deputy Head of the Directorate in Dorinvest until January 1998 and Deputy Head of the Russian Federal Road Service until July 1999. From July 1999 to December 2004 he served in the capacity of Deputy Minister for Taxes and Duties of the Russian Federation. From January 2005 to February 2009 he held the position of Deputy Head of the Federal Treasury. From February 2009 until the present Famil has been Deputy Chairman of the Management Board in Bank GPB (JSC).

Alexander I. Sobol

Year of birth: 1969.

Education: A graduate of Ordzhonikidze Moscow Aviation Institute majoring in Engineering Economics (1991). Awarded a degree of Candidate of Sciences in Economics in 2003.

Career: Alexander started his career in February 1989 in Ordzhonikidze Moscow Aviation Institute, where he worked as a technician and an engineer until

September 1993. In September 1993 he joined Russian National Commercial Bank (RNCB) and worked there until November 1998 in the positions of Economist, Head of the Financial Resources Department, Deputy Head and Head of the Consolidated Analysis Department, Vice President of the Bank, Vice President & Head of the Compliance Control Service, and Deputy Chairman of the Management Board & Head of the Compliance Control Service. Alexander joined Bank GPB (JSC) in November 1998 and held the positions of Advisor to the Chairman of the Management Board from November 1998 to February 1999 and Deputy Head of Strategic Development and Resource Planning & Advisor to the Chairman of the Management Board from February 1999 to November 1999. He has been Deputy Chairman of the Management Board since November 1999.

Elena A. Borisenko

Year of birth: 1978.

Education: A graduate of St. Petersburg State University (2000), majoring in Law.

Career: Elena started her career in May 1999 as a legal adviser at CJSC Plaza Firm. From August to November 2000, she was the Head of the Law Group at CJSC Plaza Plus. From December 2000 to November 2008, she worked at OJSC Jewelry Trade of North-West, first as a Legal Adviser, then as the Head of the Law Department. From November 2008 to September 2009, she was an Adviser to the Head of the Federal Service for State Registration, Cadastral Records and Cartography. From September 2009 to June 2012, she was first an Adviser to the Justice

Minister of the Russian Federation and afterwards the Director of the Department of Legal Aid and Interaction with the Judicial System of the Ministry of Justice of the Russian Federation. In July 2010, she was awarded the civil service rank of Full State Counsellor of the Russian Federation, 3rd Class. From June 2012 to July 2015, she was Deputy Minister of Justice of the Russian Federation. In December 2012, she was awarded the civil service rank of Full State Counsellor of the Russian Federation, 2nd Class. From September 2015 till now, she has been First Vice President, Member of the Management Board of Bank GPB (JSC).

Vladimir N. Vinokurov

Year of birth: 1959.

Education: Graduated from Dzerzhinsky Tambov Higher Military Aviation Engineering School in 1981 with a degree in Radio Engineering; a graduate of the Higher School of the KGB qualified as an officer with a degree in higher professional education in 1991; a graduate of the Russian Academy of Public Administration with a degree in Social Sciences in 1994.

Career: Vladimir did military service with the USSR Ministry of Defense from July 1981 to September 1983 and with KGB/FSB counterintelligence offices (staff records and fieldwork) from September 1983 to December 1998. From December 1998 to March 2014 he served in the FSB Center for Special Assignments, holding the position of Chief Deputy and Chief Personnel Officer to June 2003, Chief Deputy and Chief Officer of Unit A from

June 2003 to March 2014. Employed by Bank GPB (JSC) since March 2014 in the positions of First Vice President and Member of the Management Board.

Andrey A. Pimenov

Year of birth: 1964.

Education: A graduate of Moscow Pedagogical Institute with a teacher's degree in Vocational Training and General Technical Disciplines (1992).

Career: Andrey started his career in 1984 as Foreman of Vocational Training in a technical college. In April 1991 he became Director General of Cicera (a small enterprise), and then served as Deputy Director General in Ares LLP from January 1993 to January 1995. From February 1995 to September 1996 Andrey held the position of Senior Manager of the Branching Department in Commercial Investment Bank Alfa Bank. From October 1996 to October 1998 he worked in the Moscow Regional Office of Menatep Bank LLC as Head of Business Development. From October 1998 to February 1999 he was Head of Corporate Services in the Moscow Branch of Menatep St. Petersburg. From March 1999 to November 2000 he held the position of Head of Administration in Rosprombank LLC. From November 2000 to November 2002 he acted in the capacity of Business Center Manager in the Moscow Representative Office of Trekhprudny Management Limited. From November 2002 to April 2005 Andrey was head of Polet Federal Operating Company. He joined Gazprombank in May 2005 working as Head of Administrative Support until December 2006. From December 2006 to July 2007 he held the position of First Vice President

& Head of Administrative Support. He was appointed First Vice President in July 2007 and elected as a Member of the Management Board in October 2013.

Igor V. Rusanov

Year of birth: 1970.

Education: A graduate of Moscow Institute of Physics and Technology with a degree in Engineering Mathematics (1993).

Career: Igor's career started with the Institute of Design Automation under the USSR Academy of Sciences, where he worked as an engineer from April 1990 to November 1993. From June 1994 to July 1997 he was employed by Neftekhimbank, where he held the positions of Specialist and Chief Specialist of the Securities Department until May 1996 and Deputy Head of the Dealing Department from June 1996 to July 1997. In July 1997 he was appointed Acting Head of Treasury. In August 1997 he joined Bank GPB (JSC) where he worked as Head of the Promissory Notes and Bonds Department and Deputy Head of Securities until February 1999; Deputy Head of Treasury, Deputy Head of Treasury & Head of Liquidity Control & Analysis, and Deputy Head of Treasury & Head of Cash Flow Management from February 1999 to December 2003; Head of Structured & Syndicated Financing from December 2003 to September 2004; Vice President & Head of the Debt Capital Markets Department from September 2004 to January 2006; Vice President & Head of the Capital Markets Department from January 2006 to September 2007; Vice President & Head of Structured & Syndicated Financing and Corporate Solutions from September 2007 to January 2011. He was appointed

First Vice President in January 2007 and elected as a Member of the Management Board in February 2013.

Valery A. Seregin

Year of birth: 1966.

Education: A graduate of Makarov Pacific Higher Naval School majoring in Radio Engineering (1988).

Career: From 1991 to 1992 Valery worked for Moskovsky Fondovy Dom as Head of the Operations Department. From June 1992 to May 1994 he was Head of the Securities Department of Aviabank. In May 1994 he joined Neftekhimbank where he held the positions of Head of the Securities Department and Deputy Chairman of the Management Board until May 1997. From May 1997 to April 2002 he was Deputy Chairman of the Management Board in Gazprombank. Until November 2004 he occupied the position of Deputy CEO of the Agency for Housing Mortgage Lending (OJSC). From December 2004 to April 2010 Valery worked in GPB-Mortgage (OJSC) in the capacity of Advisor to the Management Board and Chairman of the Management Board. He joined Bank GPB (JSC) in April 2010 as First Vice President. Elected as a Member of the Management Board in June 2010.

Alexander M. Stepanov

Year of birth: 1976.

Education: A bachelor's degree from Moscow State Institute (University) of International Relations (MGIMO) in Management with a qualification in a foreign language (1997); a master's degree from G. V. Plekhanov Russian Academy

of Economics in Economics (1999). Awarded a degree of Candidate of Sciences in Economics in 2000.

Career: Aleksandr started his career in April 1994 with Sozidanie LLP as a computer operator. From February 1997 to December 1999 he worked as a consultant at Monitor Eurasia Africa Ltd. and then as a consultant in the Moscow Representative Office of A.T. Kearney GmbH from January 2000 to April 2001. From April 2001 to October 2004 he held the position of Analyst, Deputy Director of Transportation Projects, and Investment Director in Finartis LLC. In October 2004 Aleksandr joined Gazprombank as Director of the Project Finance Department until October 2006 and Advisor to Chairman of the Management Board from October 2006 to February 2011. In February 2011 he was appointed First Vice President & Head of the Strategic Industrial Assets Department. Elected as Member of the Management Board in November 2014.

Yan V. Tsenter

Year of birth: 1974.

Education: A graduate of Ural State University of the Order of the Red Banner of Labor with a degree in Mathematics (1996); a graduate of Ural State University of Economics majoring in Economics (2006).

Career: Yan's career started in July 1995 with Uralpromstroibank, where he worked until February 1998 as an economist and a dealer. From February 1998 to March 2000 he held the positions of Manager and Asset Manager

of the Trust Management Department, Deputy Head of Treasury and Head of Customer Service of the Ural Bank for Reconstruction and Development. He joined Bank GPB (JSC) in March 2000 as a department head. Later he occupied the positions of Deputy Branch Manager in Yekaterinburg from April 2002 to July 2010, and Branch Manager from July 2010 to February 2012. In February 2012 Yan was appointed Vice President and Branch Manager in Yekaterinburg. From August 2012 to December 2013 he acted in the capacity of First Vice President and Branch Manager in Yekaterinburg. Elected as a Member of the Management Board in August 2012 and appointed First Vice President in January 2014.

Changes in the Management Board in 2016

N.G. Korenev and S.E. Malyuseva left the Management Board.

E.A. Borisenko became a member of the Management Board.

A.M. Stepanov, a Management Board member, was appointed to the position of First Vice President.

CORPORATE GOVERNANCE SYSTEM OF BANK GPB (JSC)

As of 1 January 2017.

The corporate governance system of Bank GPB (JSC) comprises management bodies, internal control services, a system of relations between management bodies and the Bank's Shareholders, and the management's interaction with stakeholders.

THE BANK IS MANAGED IN COMPLIANCE WITH THE PROCEDURE SPELLED OUT IN THE LEGISLATION OF THE RUSSIAN FEDERATION AND THE BANK'S ARTICLES OF ASSOCIATION.

Pursuant to Article 9 of the Bank's Articles of Association, the Bank's management bodies are:

- the General Shareholders Meeting;
- the Board of Directors;
- the sole (Chairperson of the Management Board) and the collective (Management Board) executive bodies.

The decision-making powers and competences of the General Shareholders Meeting, the Board of Directors, the Management Board and the Chairman of the Management Board are established in line with the laws of the Russian Federation and the Bank's Articles of Association. The Bank's supreme management body is the General Shareholders Meeting. The Bank's Board of Directors is in charge of the general management of the Bank's operations, except for matters reserved for the General Shareholders Meeting, according to the Federal Law on Joint-stock Companies (No. 208-FZ, dated 26.12.1995) and the Bank's Articles of Association.

Two committees are in operation under the Board of Directors, i.e. the Audit Committee and the Compensation Committee.

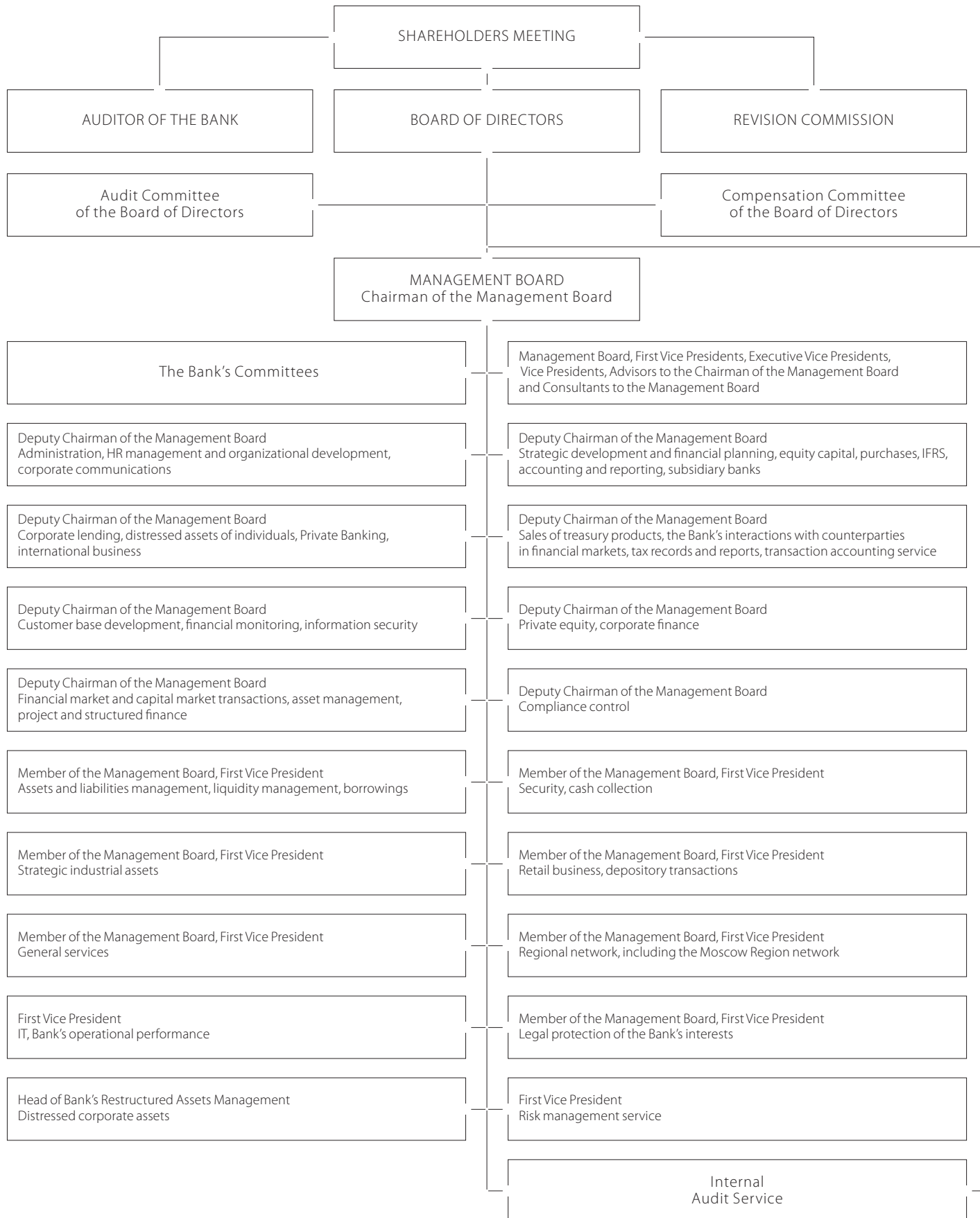
The Bank's day-to-day operations are managed by the sole (Chairman of the Management Board) and collective (Management Board) executive bodies.

Performance of the Bank's management bodies: Summary

In the reporting year, two General Shareholders Meetings were held. At the annual General Shareholders Meeting in June the Bank's 2015 annual report and annual accounting (financial) statements were approved, as were the Bank's external auditor and the Bank's Board of Directors. The annual General Shareholders Meeting also resolved to approve the new revision of the Articles of Association, ruled to approve related-party transactions that might be executed in the future, in the course of the Bank's regular business; and addressed other matters included in the agenda of the annual General Shareholders Meeting. In December, an extraordinary General Shareholders Meeting took place, which resolved to pay (declare) the Bank's dividend on the back of performance in the first nine months of 2016, and also to set the date on which persons entitled to dividends paid by the Bank are identified; the meeting also resolved to increase the Bank's authorized capital. In 2016, the Board of Directors held 35 meetings and addressed 51 issues; the Audit Committee of the Board of Directors convened 14 times and addressed 40 issues; the Management Board held 61 sessions where it looked into 254 matters.

ORGANIZATIONAL MANAGEMENT FLOWCHART OF BANK GPB (JSC)

As of 1 January 2017.



INTERNAL CONTROL SYSTEM

To achieve strategic goals amidst an ever-changing competitive and regulatory environment, the Bank has built an effective system of internal controls.

THE BANK DOES ITS BEST TO MAKE AN EFFECTIVE INTERNAL CONTROL SYSTEM ITS COMPETITIVE EDGE.

The internal control system encompasses all management levels of the Bank, and all types of its business, including branches and units. Efficiency criteria of the Bank's system of internal controls include uninterrupted functioning of all its components and minimization of all significant risks. The Bank has put in place procedures of regular monitoring of the internal control system. Internal controls at the Bank are designed in a package, with the application of both regulatory requirements and generally accepted international practices, including the Three Lines of Defense Model. That approach provides the Bank's management bodies with the required level of assurance that the internal control system functions properly. Setting up the system of effective internal controls and getting it to function is a mission that falls within the authority of the Bank's Board of Directors.

The Bank's internal control system includes:

- management bodies responsible for building the corporate control culture in the Bank to emphasize and demonstrate the significance of internal control and audit to personnel at all levels;
- the Revision Commission of the Bank;
- Chief Accountant (or Deputy Chief Accountants) of the Bank;
- Branch Manager (Deputy Branch Managers) or Chief Accountant (or Deputy Chief Accountants) of a branch;
- business units and employees of the Bank in charge of internal control by their authority as stated in the Bank's internal regulations.

The Internal Audit and Internal Control Services are an integral part of the internal control system.

Compliance control

One of the integral parts of the internal control system is compliance control. The core of the compliance risk management system is the Compliance Control Service (CCS).

The CCS exercises compliance control in the following areas:

- compliance with the applicable rules, regulations and standards by the Bank and its personnel;
- monitoring of compliance risk levels;
- prevention and detection of competing interests that may arise in the course of the Bank's activity;
- compliance with the US Foreign Account Tax Compliance Act (FATCA) by all entities of the Gazprombank Group;
- compliance with Russian legislation concerning the securities market, protection of rights and legitimate interests of investors in the securities market, advertising laws and internal regulations of the Bank in this area;
- compliance with the laws on the prevention of illegal use of insider information and market manipulation

Independent assessment of the Bank's internal control system through internal auditing is important for ensuring its efficient operation.

by the Bank, its personnel and customers as well as compliance with Russian legislation and the Bank's internal regulations concerning operations of Gazprombank's Specialized Depository;

- development of unified approaches to internal control for all entities of the Gazprombank Group.

In its work, the CCS interacts with the Audit Committee of the Bank's Board of Directors; the committee evaluates the effectiveness of compliance control procedures adopted by the Bank, proposes ways of their improvement, and facilitates the decision-making process in matters related to compliance risk management. The CCS submits regular reports to the Bank's Board of Directors and the Management Board on its work and identified compliance risks. CCS officers are members of the AML/CFT and Compliance Risk Committee of the Russian Banking Association and non-commercial partnership "National Financial Market Council" (NFMCC), as well as members of the Pooled Investment Control Committee of the

PARTAD self-regulated organization. The CCS also maintains active cooperation with the International Compliance Association (UK).

Internal audit

Independent assessment of the Bank's internal control system through internal auditing is important for ensuring its efficient operation.

The Bank set up a dedicated Internal Audit Service (IAS) that reports directly to the Board of Directors (Audit Committee of the Board of Directors).

The Audit Committee of the Board of Directors ensures preliminary review of matters related to IAS activities, including analysis of IAS work plans and performance reports.

The Board of Directors approves all action plans for the auditing team and monitors their fulfillment, reviews IAS performance reports, including internal control inspection and audit results, monitors the progress of the IAS-prescribed correction work to eliminate all identified drawbacks, and addresses resource management issues,

including the appointment of the head of the IAS.

The key principles of the IAS are independence, unbiased judgement and professional competence.

The IAS inspects each of the Bank's structural units or each type of business transaction and operation at least once every three years.

Expert assessment of the residual risk is exercised in respect of all areas of the Bank's activity, which is subject to the objectives and strategy of the Bank, changes in the level of inherent risk, changes in business processes, previous inspection results, the opinion of the Bank's management regarding the current risk levels, and other factors.

The IAS monitors the efficiency of measures taken by the Bank's units and management bodies to mitigate the identified risks. The scope of the IAS's competence includes independent monitoring of the internal control system performance to assess whether the existing system is effective and meets the Bank's objectives, as well as to detect deficiencies and propose initiatives to improve the Bank's internal control system.

4

HISTORY OF THE PRESENT

YAMAL LNG,
A NATURAL GAS
LIQUEFACTION PLANT

SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

DERIVED FROM THE AUDITED
CONSOLIDATED FINANCIAL
STATEMENTS FOR THE YEAR ENDED
31 DECEMBER 2016



INDEPENDENT AUDITORS' REPORT ON THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders and Board of Directors of "Gazprombank" (Joint-stock Company).

JSC "KPMG"
10 Presnenskaya Naberezhnaya
Moscow, Russia 123112
Telephone: +7 (495) 937 4477
Fax: +7 (495) 937 4400/99
Internet: www.kpmg.ru

Audited entity:

"Gazprombank" (Joint-stock Company).
Registration number in the Unified State
Register of Legal Entities 1027700167110.
Moscow, Russian Federation.

Independent auditor:

JSC "KPMG", a company incorporated
under the Laws of the Russian Federation,
a member firm of the KPMG network
of independent member firms affiliated
with KPMG International Cooperative
("KPMG International"), a Swiss entity.
Registration number in the Unified State
Register of Legal Entities 1027700125628.
Member of the Self-regulated organisa-
tion of auditors "Russian Union of auditors"
(Association). The Principal Registration
Number of the Entry in the Register
of Auditors and Audit Organisations:
No. 11603053203.

Opinion

The summary consolidated financial statements, which comprise the summary consolidated statement of financial position as at 31 December 2016, the summary consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and related notes, are derived from the audited consolidated financial statements of "Gazprombank" (Joint-stock Company) (the Bank) and its subsidiaries (the Group) for the year ended 31 December 2016.

In our opinion, the accompanying summary consolidated financial statements are consistent, in all material respects, with the audited consolidated financial statements, in accordance with the basis described in Note 2.

Summary Consolidated Financial Statements

The summary consolidated financial statements do not contain all the disclosures required by International Financial Reporting Standards. Reading the summary consolidated financial statements and our report thereon, therefore, is not a substitute for reading the audited consolidated financial statements and our report thereon.

The Audited Consolidated Financial Statements and Our Report Thereon

We expressed an unmodified audit opinion on the audited consolidated financial statements in our report dated 30 March 2017. That report also includes the communication of key audit matters. Key audit matters are those matters that in our professional judgement, were of most significance in our audit of the consolidated financial statements for the current period.

Management's Responsibility for the Summary Financial Statements

Management is responsible for the preparation of the summary consolidated financial statements in accordance with the basis described in Note 2.

Auditors' Responsibility

Our responsibility is to express an opinion on whether the summary consolidated financial statements are consistent, in all material respects, with the audited consolidated financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810 (Revised), "Engagements to Report on Summary Financial Statements".

Kolosov A. E.

The engagement partner on the audit resulting in this independent auditors' report

JSC "KPMG"

30 March 2017

Moscow, Russian Federation

**GAZPROMBANK GROUP
SUMMARY CONSOLIDATED STATEMENT OF PROFIT
OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2016**

(in millions of Russian rubles unless otherwise stated)

	2016	2015
Interest income	380,096	370,945
Interest expense	(258,049)	(274,886)
Net interest income	122,047	96,059
Impairment of interest earning assets	(2,044)	(139,545)
Net interest income (loss) after impairment of interest earning assets	120,003	(43,486)
Fees and commissions income	25,025	25,342
Fees and commissions expense	(10,402)	(9,430)
Non-interest gain from financial assets and liabilities at fair value through profit or loss, net	14,029	16,527
Gain from investments available-for-sale	2,073	3,223
Income from accounting for investments in associates under the equity method	11,236	31,631
Gain from disposal of subsidiaries	10,010	—
(Loss) gain from trading in foreign currencies, operations with foreign currency derivatives and foreign exchange translation, net	(8,785)	6,901
Other operating income, net	6,048	398
Non-interest income	49,234	74,592
Non-banking operating revenues	213,948	201,120
Non-banking operating expenses	(228,942)	(195,793)
Non-banking operating (losses) profits	(14,994)	5,327
Banking salaries and employment benefits	(38,452)	(39,011)
Banking administrative expenses	(34,298)	(34,539)
Impairment of other assets and provisions for other risks	(22,325)	(13,488)
Impairment of goodwill	(5,758)	(2,791)
Non-interest expense	(100,833)	(89,829)
Profit (loss) before profit tax	53,410	(53,396)
Profit tax (expense) benefit	(24,403)	5,673
Profit (loss) for the year	29,007	(47,723)

	2016	2015
Other comprehensive income (loss), net of tax		
<i>Items that are or may be reclassified to profit or loss in subsequent periods:</i>		
Investments available-for-sale:		
net change in fair value	607	(1,721)
net change in fair value transferred to profit or loss	(128)	88
impairment transferred to profit or loss	–	866
Net change in cash flow hedge reserve	(103)	(15)
Foreign operations:		
exchange differences on translation	(11,791)	23,100
exchange differences on translation transferred to profit or loss on disposal of subsidiaries	(9,667)	–
Movements in other comprehensive income of associates	175	492
Total other comprehensive (loss) income, net of tax	(20,907)	22,810
Total comprehensive income (loss) for the year	8,100	(24,913)
Profit (loss) for the year attributable to:		
Bank's shareholders	31,151	(57,117)
Non-controlling interests	(2,144)	9,394
	29,007	(47,723)
Total comprehensive income (loss) for the year attributable to:		
Bank's shareholders	12,566	(40,354)
Non-controlling interests	(4,466)	15,441
	8,100	(24,913)

The summary consolidated financial statements were derived from the consolidated financial statements of Gazprombank Group, which were approved for issue by the Management Board of "Gazprombank" (Joint-stock Company) and signed on its behalf on 30 March 2017.

The summary consolidated financial statements should be read in conjunction with the consolidated financial statements of the Gazprombank Group from which they were derived.

Signed on behalf of the Management Board:

Andrey I. Akimov
Chairman of the Management Board

Famil K. Sadygov
Deputy Chairman
of the Management Board

30 March 2017

**GAZPROMBANK GROUP
SUMMARY CONSOLIDATED
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016**

(in millions of Russian Rubles unless otherwise stated)

	31 December 2016	31 December 2015
Assets		
Cash and cash equivalents	473,460	633,509
Obligatory reserve with the Central Bank of the Russian Federation	31,701	24,170
Due from credit institutions	65,298	51,167
Financial assets at fair value through profit or loss	207,831	255,980
<i>of which pledged under repo agreements</i>	3,257	3,141
Loans to customers	3,247,624	3,200,572
Investments available-for-sale	22,215	23,397
Investments in associates	75,312	113,527
Receivables and prepayments	96,608	111,206
Investments held-to-maturity	329,443	360,595
<i>of which pledged under repo agreements</i>	—	417
Inventories	60,726	60,783
Profit tax assets	26,295	45,229
Property, plant and equipment	127,569	117,104
Intangibles	56,874	66,711
Goodwill	30,669	36,427
Other assets	27,620	21,781
Total assets	4,879,245	5,122,158

	31 December 2016	31 December 2015
Liabilities		
Financial liabilities at fair value through profit or loss	27,377	25,278
Amounts owed to credit institutions	378,463	448,996
Amounts owed to customers	3,330,819	3,281,673
Bonds issued	317,335	443,621
Profit tax liabilities	8,104	10,163
Subordinated debts	182,784	207,697
Other liabilities	139,843	174,319
Total liabilities	4,384,725	4,591,747
Equity		
Share capital	202,072	202,072
Additional paid-in capital	110,738	110,684
Treasury shares	(9,695)	(9,641)
Perpetual debt issued	60,656	72,882
Foreign currency translation reserve	7,284	26,420
Fair value reserve for securities available-for-sale and cash flow hedge reserve	505	129
Retained earnings	128,360	107,288
Equity attributable to the Bank's shareholders	499,920	509,834
Non-controlling interests	(5,400)	20,577
Total equity	494,520	530,411
Total liabilities and equity	4,879,245	5,122,158

The summary consolidated financial statements should be read in conjunction with the consolidated financial statements of the Gazprombank Group from which they were derived.

Signed on behalf of the Management Board:

Andrey I. Akimov
Chairman of the Management Board

Famil K. Sadygov
Deputy Chairman
of the Management Board

30 March 2017

GAZPROMBANK GROUP
SUMMARY CONSOLIDATED STATEMENT OF CHANGES
IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2016

(in millions of Russian Rubles unless otherwise stated)

	Share capital	Additional paid-in capital	Treasury shares
31 December 2014	76,324	110,063	(9,020)
(Loss) profit for the year	—	—	—
Items that are or may be reclassified to profit or loss in subsequent periods:			
Investments available-for-sale:			
net change in fair value	—	—	—
net change in fair value transferred to profit or loss	—	—	—
impairment transferred to profit or loss	—	—	—
Net change in cash flow hedge reserve	—	—	—
Foreign operations:			
exchange differences on translation	—	—	—
Movements in other comprehensive income of associates	—	—	—
Total items that are or may be reclassified to profit or loss in subsequent periods	—	—	—
Total comprehensive income (loss) for the year	—	—	—
Preference shares issued	125,748	—	—
Accruals for perpetual debt issued	—	—	—
Foreign exchange translation of perpetual debt issued	—	—	—
Tax effect on perpetual debt issued	—	—	—
Acquisition and disposal of non-controlling interests in subsidiaries	—	—	—
Acquisition of subsidiaries	—	—	—
Dividends declared	—	—	—
Acquisition and sale of treasury shares	—	621	(621)
Other movements	—	—	—
31 December 2015	202,072	110,684	(9,641)

Perpetual debt issued	Foreign currency translation reserve	Fair value reserve for securities avail- able-for-sale and cash flow hedge reserve	Retained earnings	Equity attributable to Bank's shareholders	Non-controlling interests	Total equity
56,258	9,367	911	181,105	425,008	13,975	438,983
—	—	—	(57,117)	(57,117)	9,394	(47,723)
—	—	(1,721)	—	(1,721)	—	(1,721)
—	—	88	—	88	—	88
—	—	866	—	866	—	866
—	—	(15)	—	(15)	—	(15)
—	17,053	—	—	17,053	6,047	23,100
—	—	—	492	492	—	492
—	17,053	(782)	492	16,763	6,047	22,810
—	17,053	(782)	(56,625)	(40,354)	15,441	(24,913)
—	—	—	—	125,748	—	125,748
—	—	—	(4,606)	(4,606)	—	(4,606)
16,624	—	—	(16,624)	—	—	—
—	—	—	4,246	4,246	—	4,246
—	—	—	(654)	(654)	232	(422)
—	—	—	—	—	1,147	1,147
—	—	—	(13)	(13)	(10,212)	(10,225)
—	—	—	—	—	—	—
—	—	—	459	459	(6)	453
72,882	26,420	129	107,288	509,834	20,577	530,411

The summary consolidated financial statements should be read in conjunction with the consolidated financial statements of the Gazprombank Group from which they were derived.

GAZPROMBANK GROUP
SUMMARY CONSOLIDATED STATEMENT OF CHANGES
IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2016

(in millions of Russian Rubles unless otherwise stated)

	Share capital	Additional paid-in capital	Treasury shares
31 December 2015	202,072	110,684	(9,641)
Profit (loss) for the year	—	—	—
<i>Items that are or may be reclassified to profit or loss in subsequent periods:</i>			
<i>Investments available-for-sale:</i>			
net change in fair value	—	—	—
net change in fair value transferred to profit or loss	—	—	—
Net change in cash flow hedge reserve	—	—	—
<i>Foreign operations:</i>			
exchange differences on translation	—	—	—
exchange differences on translation transferred to profit or loss on disposal of subsidiaries	—	—	—
Movements in other comprehensive income of associates	—	—	—
<i>Total items that are or may be reclassified to profit or loss in subsequent periods</i>	—	—	—
Total comprehensive (loss) income for the year	—	—	—
Accruals for perpetual debt issued	—	—	—
Foreign exchange translation of perpetual debt issued	—	—	—
Tax effect on perpetual debt issued	—	—	—
Acquisition and disposal of non-controlling interests in subsidiaries	—	—	—
Disposal of subsidiaries	—	—	—
Dividends declared	—	—	—
Acquisition and sale of treasury shares	—	54	(54)
Other movements	—	—	—
31 December 2016	202,072	110,738	(9,695)

Perpetual debt issued	Foreign currency translation reserve	Fair value reserve for securities avail- able-for-sale and cash flow hedge reserve	Retained earnings	Equity attributable to Bank's shareholders	Non-controlling interests	Total equity
72,882	26,420	129	107,288	509,834	20,577	530,411
—	—	—	31,151	31,151	(2,144)	29,007
—	—	607	—	607	—	607
—	—	(128)	—	(128)	—	(128)
—	—	(103)	—	(103)	—	(103)
—	(9,469)	—	—	(9,469)	(2,322)	(11,791)
—	(9,667)	—	—	(9,667)	—	(9,667)
—	—	—	175	175	—	175
—	(19,136)	376	175	(18,585)	(2,322)	(20,907)
—	(19,136)	376	31,326	12,566	(4,466)	8,100
—	—	—	(5,326)	(5,326)	—	(5,326)
(12,226)	—	—	12,226	—	—	—
—	—	—	(1,380)	(1,380)	—	(1,380)
—	—	—	256	256	(870)	(614)
—	—	—	—	—	(18,616)	(18,616)
—	—	—	(16,846)	(16,846)	(1,038)	(17,884)
—	—	—	—	—	—	—
—	—	—	816	816	(987)	(171)
60,656	7,284	505	128,360	499,920	(5,400)	494,520

The summary consolidated financial statements should be read in conjunction with the consolidated financial statements of the Gazprombank Group from which they were derived.

Signed on behalf of the Management Board:

Andrey I. Akimov
Chairman of the Management Board

Famil K. Sadygov
Deputy Chairman
of the Management Board

30 March 2017

GAZPROMBANK GROUP
SUMMARY CONSOLIDATED STATEMENT OF CASH
FLOWS FOR THE YEAR ENDED 31 DECEMBER 2016

(in millions of Russian Rubles unless otherwise stated)

	2016	2015
Cash flows from operating activities		
Interest received	362,142	338,245
Fees and commissions received	24,947	24,955
Interest paid	(281,270)	(239,770)
Fees and commissions paid	(10,256)	(9,318)
Non-interest receipts (payments) from financial assets and liabilities at fair value through profit or loss	6,246	(1,231)
(Payments) receipts from derivative contracts with foreign currency and from foreign exchange operations	(28,857)	24,212
Media business operating receipts	76,066	73,320
Media business operating payments	(46,137)	(38,496)
Machinery business operating receipts	55,455	54,814
Machinery business operating payments	(53,963)	(51,338)
Other segment operating receipts	76,292	72,985
Other segment operating payments	(69,760)	(68,519)
Other operating receipts (payments)	8,544	(477)
Banking salaries and employment benefit payments	(36,794)	(34,531)
Banking administrative expenses and other operating payments	(24,879)	(28,333)
<i>Cash flows from operating activities before changes in operating assets and liabilities</i>	<i>57,776</i>	<i>116,518</i>
(Increase) decrease in operating assets		
Obligatory reserve with the Central Bank of the Russian Federation	(7,531)	8,421
Due from credit institutions	(18,935)	(35,471)
Financial assets at fair value through profit or loss	46,779	(12,171)
Loans to customers	(308,489)	54,845
Other operating assets	(21,435)	(4,638)
Increase (decrease) in operating liabilities		
Amounts owed to credit institutions	25,892	(206,512)
Amounts owed to customers	350,843	48,812
Other operating liabilities	3,283	(27,526)
<i>Net cash flows from (used in) operating activities before profit tax</i>	<i>128,183</i>	<i>(57,722)</i>
Profit tax paid	(8,665)	(5,175)
<i>Net cash flows from (used in) operating activities</i>	<i>119,518</i>	<i>(62,897)</i>

	2016	2015
Cash flows from investing activities		
Property, equipment and intangibles purchased	(65,301)	(70,577)
Property, equipment and intangibles sold	7,660	10,435
Acquisition of subsidiaries, net of cash acquired	–	(2,422)
Disposal of subsidiaries, net of cash disposed	6,934	–
Investments available-for-sale purchased	(13,211)	(5,707)
Investments available-for-sale sold	6,997	1,276
Investments in associates purchased	(39,357)	(34,498)
Investments in associates sold	1,440	815
Dividends received from associates	5,919	22,539
Investments held-to-maturity redeemed and purchased	10,774	(26,109)
Dividends received	883	852
Net cash flows used in investing activities	(77,262)	(103,396)
Cash flows from financing activities		
Treasury shares sold and acquired	(54)	(621)
Bonds issued and sold from earlier repurchased	35,270	5,000
Bonds redeemed or repurchased	(100,689)	(171,411)
Coupon on perpetual debt paid	(5,019)	(4,504)
Syndicated loans redeemed	(27,258)	(4,332)
Subordinated debts received	–	38,434
Subordinated debts repaid	(1,511)	(50)
Acquisition of non-controlling interests in subsidiaries	(603)	(422)
Financing of non-banking activities received	1,406	5,913
Financing of non-banking activities redeemed	(9,872)	(9,200)
Dividends paid	(17,884)	(1,162)
Net cash flows used in financing activities	(126,214)	(142,355)
Effect of change in exchange rates on cash and cash equivalents	(76,091)	111,812
Change in cash and cash equivalents	(160,049)	(196,836)
Cash and cash equivalents, beginning of the year	633,509	830,345
Cash and cash equivalents, end of the year	473,460	633,509

The summary consolidated financial statements should be read in conjunction with the consolidated financial statements of the Gazprombank Group from which they were derived.

Signed on behalf of the Management Board:

Andrey I. Akimov
Chairman of the Management Board

Famil K. Sadygov
Deputy Chairman
of the Management Board

30 March 2017

GAZPROMBANK GROUP NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

Note 1.

Principal activities and organisation

The Gazprombank Group (the Group) primarily consists of:

- "Gazprombank" (Joint-stock Company), which is the parent company,
- subsidiary banks, including GPB-Mortgage JSC, Credit Ural Bank JSC, Gazprombank (Switzerland) Ltd., and Bank GPB International S.A., and a number of smaller financial companies, that support the banking business,
- several significant non-banking companies.

"Gazprombank" (Joint-stock Company) (the Bank) was established in 1990.

The Bank has a general banking license and a license for operations with precious metals from the Central Bank of the Russian Federation (the CBR), and licenses for securities operations and custody services from the Federal Financial Markets Service of Russia, which in 2013 became a part of the CBR. Its subsidiary banks and companies also have general banking licenses for operations in Switzerland and Luxembourg and investment, brokerage and asset management licenses for operations in Cyprus, Luxembourg and Hong Kong. The Bank is the third largest bank in the Russian Federation in terms of assets and equity, and it provides a broad range of commercial and investment banking services to many of Russia's leading corporations, including, among

others, PJSC Gazprom and its related parties (the Gazprom Group). The principal corporate banking services include: commercial lending, project and acquisition finance, trade finance, financial and operating leasing, deposit taking, settlements and cash management, capital markets transactions, asset management, brokerage, corporate finance and mergers and acquisitions advisory, and depositary and custodian services. The Bank is also involved in private equity transactions, foreign exchange and securities trading, and operations with precious metals. The Bank provides a range of services to private individuals, including employees of its corporate clients, high net worth individuals and the general public. Retail services include: lending, deposit taking, debit and credit card services, brokerage, asset management and a range of other services.

The Bank has controlling stakes in several non-banking investments, which are consolidated in these financial statements and are presented as separate segments, including:

- JSC Gazprom-Media Holding and its subsidiaries (the Media segment) is a Russian media group of companies, the principal activities of which are TV and radio broadcasting, advertising, publishing, film production and distribution primarily undertaken in the Russian Federation.

- OMZ and its subsidiaries (the OMZ Group) and a number of other industrial assets (together — the Machinery segment). OMZ Group produces nuclear power plant equipment, specialty steels, machinery equipment, manufacturing and mining equipment. The OMZ Group manufacturing facilities are based in the Russian Federation and the Czech Republic.

The legal address of the Bank is: Bld.1, 16, Nametkina St., Moscow, 117420, Russian Federation.

The consolidated financial statements for the year ended 31 December 2016 are published at Bank's website www.gazprombank.ru.

As at 31 December 2016, PJSC Gazprom owns 35.54% of the outstanding ordinary shares of the Group. A substantial portion of the Group's funding is from the Gazprom Group. As such the Group is economically dependent on the Gazprom Group. These summary consolidated financial statements were authorised for issue by the Management Board of the Bank on 30 March 2017.

Note 2. **Basis of presentation**

a) General

These summary consolidated financial statements, which comprise the summary consolidated statement of financial position as at 31 December 2016, the summary consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for 2016, and related notes are derived from the audited consolidated financial statements of the Group, except that substantially all note disclosures are omitted. The consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS). Management is responsible for the preparation of the consolidated financial statements in accordance with IFRS. The preparation of consolidated financial statements in accordance with IFRS requires management to make judgements and key estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial information and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates. Key areas of judgements and key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have

a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, include:

- estimation of allowance for impairment losses for financial assets measured at amortised cost. These include mainly loans to customers, amounts due from credit institutions, receivables and other assets. The estimation of allowance for impairment losses involves the exercise of judgement and is based on internal credit risk rating systems and statistical data.
- valuation of complex and illiquid financial instruments. This involves the exercise of judgement and use of valuation models. In the absence of an active market management has to make assumptions in respect of appropriate inputs used in valuation models, some of which may not be based on observable market data.
- estimation of fair values of identifiable assets and liabilities acquired in business combinations. This involves the exercise of judgement and use of valuation models, which among others include assumptions about future business performance and cash flows and appropriate discount rates.
- estimation of impairment losses for non-financial assets (including goodwill). This involves the exercise of judgement and use of valuation models, which among others include

assumptions about future business performance, estimation of cash flows from assets assessed for impairment and estimation of appropriate discount rates.

- assessment of whether the Group has control or significant influence for investments where control or significant influence is determined by contractual arrangements or other factors other than voting rights held by the Group.
- recognition of deferred tax assets. This involves the exercise of judgement about future taxable profits available to utilise tax losses carryforward.

b) Russian economic environment

The Group's operations are primarily located in the Russian Federation. The Russian Federation displays certain characteristics of an emerging markets. The legal, tax and regulatory frameworks continue to develop and are subject to frequent changes and varying interpretations. Management of the Group believes that it is taking all necessary efforts to support the economic stability of the Group in the current environment. In 2014, the United States OFAC and the European Council implemented coordinated sectoral sanctions against some of the Russian banks and corporations, including the Bank, and some of the Russian officials and businessmen. The sanctions prohibit the U.S. and EU citizens or entities operating on the territory of the U.S. and EU transacting in, providing financing for, or otherwise dealing in the debt instruments of the Group with a maturity of longer than 30 days issued after the date of the sanctions announcement. During 2016, the Russian economy was negatively affected by low oil prices, ongoing political tension in the region and continuing international sanctions, all of which contributed to the country's economic recession resulted in a decline in gross domestic product. The financial markets continue to be volatile and are characterised by frequent significant price movements and increased trading spreads. According to some rating

agencies Russia's credit rating was downgraded to below investment grade. These summary consolidated financial statements reflect management's assessment of the impact of the Russian business environment on the operations and the financial position of the Group. The future business environment may differ from management's assessment. The Group is not exposed to significant seasonal or cyclical variations in operating income during the financial year.

c) Basis of measurement

These summary consolidated financial statements are prepared on the historical cost basis except for financial instruments at fair value through profit or loss and available-for-sale financial assets are stated at fair value.

d) Functional and presentation currency

The functional currency of the Bank and the majority of its subsidiaries is the Russian ruble (the RUB) as, being the national currency of the Russian Federation, it reflects the economic conditions of the majority of underlying events and circumstances relevant to them. Some of the Group's principal subsidiaries have functional currency different from the Russian ruble:

Name	Functional currency
Gazprombank (Switzerland) Ltd.	Swiss franc
Bank GPB International S.A.	Euro
ŠKODA JS a.s.	Czech crown
Centrex Europe Energy & Gas AG	Euro

e) Changes in accounting policies

Except for the adoption of new standards and interpretations as at 1 January 2016, the accounting policies are applied consistently to all periods presented in the summary consolidated financial statements. Accounting policies are applied consistently by the Group entities.

The summary consolidated financial statements should be read in conjunction with the consolidated financial statements of the Gazprombank Group from which they were derived.

Signed on behalf of the Management Board:

Andrey I. Akimov
Chairman of the Management Board

Famil K. Sadygov
Deputy Chairman
of the Management Board

30 March 2017

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HISTORY OF THE PRESENT

STANDALONE
HYBRID POWER PLANT
IN THE ALTAY TERRITORY

REFERENCE
INFORMATION



BRANCHES OF BANK GPB (JSC)

As of 1 July 2017.

Branch name (short name)	Number and date of registration	Head of the branch (title, name)	Address, phone number
Bank GPB (JSC) Branch in Vladivostok	354/42 19.03.2009	Branch Manager Dmitry V. Gutnikov	5a Uborevicha St., Vladivostok, Primorsky Territory, 690091 (423) 265-08-35
Bank GPB (JSC) Branch in Voronezh	354/49 26.06.2013	Vice President, Branch Manager Gennady N. Koptyaev	11 Kirova St., Voronezh, Voronezh Region, 394018 (473) 200-81-55
Bank GPB (JSC) Branch in Yekaterinburg	354/26 24.01.2000	First Vice President Yan V. Tsenter	134v Lunacharskogo St., Yekaterinburg, 620075 (343) 355-58-00
Bank GPB (JSC) Branch in Kazan	354/47 09.02.2010	Vice President, Branch Manager Marat F. Mukhametshin	32 Levo-Bulachnaya St., Kazan, Republic of Tatarstan, 420111 (843) 221-73-01
Bank GPB (JSC) Branch in Kaliningrad	354/38 02.08.2007	Branch Manager Olga V. Bolshakova	5 Leninsky Prospect, Kaliningrad, Kaliningrad Region, 236039 (4012) 30-52-00
Bank GPB (JSC) Branch in Kemerovo	354/36 27.02.2007	Branch Manager Pavel Yu. Scherbakov	Office 7, 32 Sovetskiy Prospect, Kemerovo, Kemerovo Region, 650000 (3842) 34-50-90
Bank GPB (JSC) Branch in Krasnodar	354/2 03.11.1992	Branch Manager Aleksey Yu. Pavin	11 Dmitrievskaya Damba St., Krasnodar, Krasnodar Territory, 350033 (861) 210-48-00
Bank GPB (JSC) Branch in Krasnoyarsk	354/34 25.01.2006	Branch Manager Pavel G. Avdeev	87b Akademika Kirenskogo St., Krasnoyarsk, Krasnoyarsk Territory, 660041 (391) 274-58-00
Bank GPB (JSC) Branch in Nizhny Novgorod	354/4 04.02.1993	Vice President, Branch Manager Evgeny A. Kogan	65b, Maxima Gorkogo St., Nizhny Novgorod, 603000 (831) 422-18-11
Bank GPB (JSC) Branch in Novosibirsk	354/29 05.02.2001	Vice President, Branch Manager Namzhil N. Urbanaev	2 Kavaleriyskaya St., Novosibirsk, 630105 (383) 200-10-00
Bank GPB (JSC) Branch in Novy Urengoy	354/6 04.02.1993	Branch Manager Andrey S. Bykov	4 26 Syezda KPSS St., Novy Urengoy, Tyumen Region, 629300 (3494) 93-53-81
Bank GPB (JSC) Branch in Perm	354/32 09.10.2002	Vice President, Branch Manager Aleksandr N. Zarubey	77a Maksima Gorkogo St., Sverdlovsky District, Perm, Perm Territory, 614007 (342) 219-00-50

Branch name (short name)	Number and date of registration	Head of the branch (title, name)	Address, phone number
Bank GPB (JSC) Branch in Samara	354/37 09.03.2007	Branch Manager Vladimir V. Agafonov	106a, bld. 1, Novo-Sadovaya St., Oktyabrsky District, Samara, Samara Region, 443068 (846) 339-69-45
Bank GPB (JSC) Branch in St. Petersburg	354/13 13.12.1993	Executive Vice President, Branch Manager Olga V. Dragomiretskaya	3A Proletarskoy Diktaturi St., St. Petersburg, 191124 (812) 301-99-99
Bank GPB (JSC) Branch in Stavropol	354/24 26.12.1997	Branch Manager Aleksandr G. Kuritsyn	429b Lenina St., Stavropol, Stavropol Territory, 355029 (8652) 56-67-83
Bank GPB (JSC) Branch in Surgut	354/48 14.07.2010	Branch Manager Oleg F. Myzgin	12 Svobody Blvd., Surgut, Khanty-Mansiysk Autonomous Area — Yugra, Tyumen Region, 628417 (3462) 24-49-80
Bank GPB (JSC) Branch in Tomsk	354/12 19.10.1993	Branch Manager Dmitry N. Litvinenko	7 1905 Goda Lane, Tomsk, Tomsk Region, 634009 (3822) 61-00-63
Bank GPB (JSC) Branch in Tula	354/3 04.02.1993	Branch Manager Natalya A. Antonova	106 Lenina Prospect, Tula, 300026 (4872) 50-05-55
Bank GPB (JSC) Branch in Ufa	354/25 03.02.1999	Branch Manager Roza N. Urazgildeeva	138 Mendeleeva St., Ufa, Republic of Bashkortostan, 450022 (347) 256-67-80
Bank GPB (JSC) Branch Central Branch, Moscow Region	354/28 23.06.2000	Branch Manager Evgeny A. Guzeev	1–1a Proletarsky Prospect, Shchelkovo, Moscow Region, 141100 (496) 255-65-55

REPRESENTATIVE OFFICES OF BANK GPB (JSC) IN OTHER COUNTRIES

As of 1 April 2017.

GAZPROMBANK PAYS CLOSE ATTENTION TO BUSINESS DEVELOPMENT ABROAD. CURRENTLY, REPRESENTATIVE OFFICES OF BANK GPB (JSC) ARE OPERATING IN BEIJING, ULAANBAATAR, NEW DELHI AND ASTANA.

The key objectives of the Bank's foreign representative offices include:

- representing the GPB (JSC) and expanding the scope of its business operations in the local banking markets;
- maintaining relationships with the local governmental authorities and credit institutions;
- assisting in the promotion of Gazprombank brand and products in financial markets;
- supporting business development and implementing specific projects of the Bank's strategic customers and partners.

Offices	Date of opening	Head of the office	Location
Representative Office of "Gazprombank" (Joint-stock Company) in Beijing (China)	30.08.2006	Acting Head of the Representative Office, Averkiy M. Savostianov	Central International trade Center, Suite No. 1205 in Tower C, No 6A Jianguomenwai Avenue, Chaoyang District, Beijing, China, 100022 (+8610) 65-63-05-16
Representative Office of "Gazprombank" (Joint-stock Company) in Ulaanbaatar (Mongolia)	14.02.2008	Valery A. Kislov	6 Prospect Mira, Ulaanbaatar, Mongolia, 14250 (+976) 99-10-99-02
Representative Office of "Gazprombank" (Joint-stock Company) in New Delhi (India)	25.05.2010	Sergey F. Mitreykin	10/48 Malcha Marg, Diplomatic Enclave, Chanakyapuri, New Delhi — 110021, Delhi, INDIA (+9111) 24-10-86-48
Representative Office of "Gazprombank" (Joint-stock Company) in the Republic of Kazakhstan	30.09.2014	Askar S. Aspandiyarov	6 th floor, Business Center «Q», block A, building 15 A, Kabanbay Batyra avenue, «Esil» district, Astana, 010000, The Republic of Kazakhstan (+7701) 514 04 40

SUBSIDIARY AND AFFILIATED BANKS WITH AN OWNERSHIP OF MORE THAN 5%

As of 1 March 2017.

GAZPROMBANK HAS INTERESTS IN A NUMBER OF CREDIT INSTITUTIONS IN RUSSIA, CIS AND WESTERN EUROPE.

GPB Group banks

In 2016, the regional network of Bank GPB (JSC) included five subsidiary banks, namely AREXIMBANK — GAZPROM-BANK GROUP CJSC (the Republic of Armenia), Bank GPB-Mortgage (Joint-stock Company), Credit Ural Bank (Joint-stock Company, CUB JSC), Gazprombank (Switzerland) Ltd., GPB International

S.A. (the Grand Duchy of Luxembourg), and two affiliated banks, i. e., Belgazprombank OJSC (the Republic of Belarus) and Russian-Venezuelan joint-stock commercial bank EVROFINANCE MOSNARBANK (Joint-stock Company).

Name of the bank	CEO	Contacts
Belgazprombank OJSC	Chairman of the Management Board Viktor D. Babariko	60/2 Pritytskogo St., Minsk, the Republic of Belarus, 220121 Phone: +375 17 229-16-16 Fax: +375 17 369-45-25 E-mail: bank@bgpb.by
CUB JSC	Chairperson of the Management Board Svetlana V. Yeremina	17 Gagarina St., Magnitogorsk, Chelyabinsk Region, Russia, 455044 Phone: +7 (3519) 248-910 Fax: +7 (3519) 248-930 E-mail: office@creditural.ru
GPB-Mortgage JSC	Chairman of the Liquidation Commission Maxim L. Korotkin	14 Kolomensky Proezd, Moscow, Russia, 115446 Phone: +7 (495) 223-40-40, Fax: +7 (495) 223-40-41 E-mail: mail@gpb-ipoteka.ru
Gazprombank (Switzerland) Ltd.	Chairman of the Management Board Roman R. Abdulin	Zollikerstrasse 183, CH — 8032 Zurich Switzerland +41-44-386-86-86 E-mail: info@gazprombank.ch
Bank GPB International S.A.	CEO Dmitry N. Derkach CEO Thomas Kiefer	15 rue Bender, L-1229, Luxembourg +352-26-29-751 E-mail: info@gazprombank.lu
EVROFINANCE MOSNARBANK JSC	CEO and Chairman of the Management Board Valeria B. Adamova	29 Novy Arbat St., Moscow, Russia, 121099 Phone: +7 (495) 967-81-82, Fax: +7 (495) 967-81-33 E-mail: info@evrofinance.ru

Credit Ural Bank (Joint-stock Company)

is a technically advanced universal credit institution. It can boast of many years of business experience and provides a full range of banking services in Magnitogorsk. The reliability and impeccable reputation of Credit Ural Bank are confirmed by high ratings from the world's top rating agencies. Thus, Expert RA affirmed the bank's rating at A+ (Very high level of creditworthiness) with stable outlook.

In 2016, Credit Ural Bank was awarded Southern Urals Consumer Confidence Mark (Magnitogorsk).

Belgazprombank OJSC is a universal bank with a focus on providing banking services to the subsidiaries of Gazprom, energy sector enterprises and small- and medium-sized businesses in the Republic of Belarus.

Over the two years of existence of Belarus Development Bank's program to provide funding to small and medium-sized businesses, in which 12 national banks are taking part, Belgazprombank, for a second time in 2016, became an absolute leader in terms of the number of completed projects and funding volumes. At the Sixth Entrepreneurship Forum, the bank was bestowed the highest award of the Development Bank — Best Bank-Partner in Support Provided to Small and Medium-Sized Businesses.

Gazprombank (Switzerland) Ltd. assists

in the expansion of Gazprombank's presence in global financial markets, and provides financial and banking support to the commercial and investment business of Bank GPB's customers. In 2016, the bank started to develop new banking products for Commodity Trade Finance.

Bank GPB International S.A. commenced its operations in the Grand Duchy of Luxembourg in January 2014. The bank's focus is to provide services to corporate customers and individuals and develop financial and investment banking services of the Gazprombank Group in the EU countries and in global financial markets. In accordance with an approved development strategy, the bank's authorized capital was increased by EUR 50 million to EUR 130 million in March 2016.

The bank successfully performs functions of a platform offering structured products to customers of the GPB Group private banking business. Additionally, the bank carried out its first deals in Commodity Trade Finance for corporate customers.

Bank GPB-Mortgage (Joint-stock Company)

was a specialized mortgage bank. Within the framework of a program to optimize Gazprombank Group's mortgage business, which was approved by the bank's Board of Directors, all working assets of Bank GPB-Mortgage (JSC) were moved to the balance sheet of Bank GPB (JSC) in the course of last year, and in December 2016, actions aimed at its voluntary winding-up were initiated.

AREXIMBANK — GAZPROMBANK GROUP

CJSC was a universal financial institution that ensures the presence of Bank GPB (JSC) in the Republic of Armenia. In October 2016, 100% of the bank's shares were sold to a third-party investor that owns a large banking business in Armenia.

L I C E N S E S

License type (licensed activities): General Banking License.

License (permit) or activity-specific permitting document number: 354.

License (authorization, permit) date of issue: 29.12.2014.

Issuing authority: The Bank of Russia.

Validity: Without limitation.

License type (licensed activities): Professional securities market player license for securities management activities.

License (permit) or activity-specific permitting document number: 177-04329-001000.

License (authorization, permit) date of issue: 27.12.2000.

Issuing authority: Federal Securities Commission of Russia (The Bank of Russia).

Validity: Without limitation.

License type (licensed activities): Activity of specialized depositories, investment funds, mutual investment funds and private pension funds.

License (permit) or activity-specific permitting document number: 22-000-0-00021.

License (authorization, permit) date of issue: 13.12.2000.

Issuing authority: Federal Securities Commission of Russia (The Bank of Russia).

Validity: Without limitation.

License type (licensed activities): Professional securities market player license for dealer activities.

License (permit) or activity-specific permitting document number: 177-04280-010000.

License (authorization, permit) date of issue: 27.12.2000.

Issuing authority: Federal Securities Commission of Russia (The Bank of Russia).

Validity: Without limitation.

License type (licensed activities): Professional securities market player license for brokerage activities.

License (permit) or activity-specific permitting document number: 177-04229-100000.

License (authorization, permit) date of issue: 27.12.2000.

Issuing authority: Federal Securities Commission of Russia (The Bank of Russia).

Validity: Without limitation.

License type (licensed activities): Professional securities market player license for depository activities.

License (permit) or activity-specific permitting document number: 177-04464-000100.

License (authorization, permit) date of issue: 10.01.2001.

Issuing authority: Federal Securities Commission of Russia (The Bank of Russia).

Validity: Without limitation.

License type (licensed activities): License for banking operations (with precious metals).

License (permit) or activity-specific permitting document number: 354.

License (authorization, permit) date of issue: 29.12.2014.

Issuing authority: The Bank of Russia.

Validity: Without limitation.

License type (licensed activities): General license/export (other raw silver in bars with a purity value of no less than 999 parts of silver per 1000 parts of alloy).

License (permit) or activity-specific permitting document number: 092RU16002001458.

License (authorization, permit) date of issue: 15.12.2016.

Issuing authority: Ministry of Industry and Trade of the Russian Federation.

Validity: From 15.12.2016 to 06.12.2017.

License type (licensed activities): License authorizing the use of information constituting state secrets.

License (permit) or activity-specific permitting document number: 5105.

License (authorization, permit) date of issue: 19.02.2015.

Issuing authority: Center for Licensing, Certifying and Protecting State Secrets of the Federal Security Service of Russia.

Validity: 05.12.2017.

License type (licensed activities): Certificate of state registration of a credit institution (with a note of Moscow Main Territorial Directorate of the Bank of Russia regarding change of form of incorporation from CJSC to OJSC as of September 27, 2007) (with a note of the Bank of Russia regarding change of form of incorporation from OJSC to JSC as of December 30, 2014).

License (permit) or activity-specific permitting document number: 354.

License (authorization, permit) date of issue: 13.11.2001.

Issuing authority: The Bank of Russia.

Validity: Without limitation.

License type (licensed activities): Certificate of registration of a Russian organization with the tax authority at its registered address.

License (permit) or activity-specific permitting document number: Without number.

License (authorization, permit) date of issue: 06.01.2017.

Issuing authority: Inspectorate of the Federal Tax Service No. 28 in the city of Moscow.

Validity: Without limitation.

License type (licensed activities): Certificate of entering information about a legal entity, incorporated prior to July 1, 2002 into the Unified State Register of Legal Entities.

License (permit) or activity-specific permitting document number: 77 № 004890355.

License (authorization, permit) date of issue: 28.08.2002.

Issuing authority: Administration of the Ministry of the Russian Federation for Taxes and Levies for the city of Moscow.

Validity: Without limitation.

License type (licensed activities): Certificate of inclusion of the bank in the Register of the Deposit Insurance System Member Banks.

License (permit) or activity-specific permitting document number: 629.

License (authorization, permit) date of issue: 10.02.2005.

Issuing authority: State Corporation Deposit Insurance Agency.

Validity: Without limitation.

License type (licensed activities): Certificate of registration of a member of the National Securities Market Association.

License (permit) or activity-specific permitting document number: 045.

License (authorization, permit) date of issue: 28.02.2001.

Issuing authority: The National Securities Market Association.

Validity: Without limitation.

License type (licensed activities): Certificate of membership in the Professional Association of Registrars, Transfer Agents and Depositories (PARTAD).

License (permit) or activity-specific permitting document number: series A No. 0000193.

License (authorization, permit) date of issue: 29.09.1994.

Issuing authority: Professional Association of Registrars, Transfer Agents and Depositories (PARTAD).

Validity: Without limitation.

License type (licensed activities): Notice of registration with the tax authority as a major taxpayer.

License (permit) or activity-specific permitting document number: letter No. 245927939.

License (authorization, permit) date of issue: Date of the letter: 10.11.2015, Registered on: 17.11.2006.

Issuing authority: Interdistrict Inspectorate of the Federal Tax Service for Major Taxpayers No. 9.

Validity: Without limitation.

License type (licensed activities): Notice regarding the right to act as a guarantor in interaction with tax authorities.

License (permit) or activity-specific permitting document number: Without number.

License (authorization, permit) date of issue: 01.05.2016.

Issuing authority: Federal Customs Service of Russia.

Validity: Till 30.04.2019.

License type (licensed activities): License authorizing the development, manufacture and distribution of cryptographic equipment, information and telecommunications systems protected with the use of cryptographic equipment, performance of work and provision of services in the field of data encryption, maintenance of cryptographic equipment, information and telecommunications systems protected with the use of cryptographic equipment.

License (permit) or activity-specific permitting document number: No. 14136 H.

License (authorization, permit) date of issue: 05.03.2015.

Issuing authority: Center for Licensing, Certifying and Protecting State Secrets of the Federal Security Service of Russia.

Validity: Without limitation.

License type (licensed activities): Technical protection of confidential information.

License (permit) or activity-specific permitting document number: No. 0860.

License (authorization, permit) date of issue: 03.08.2009.

Issuing authority: Federal Service for Technical and Export Control.

Validity: Without limitation.

License type (licensed activities): General license for export (of other raw gold not used for minting coins in bars with a purity value of no less than 995 parts of gold per 1000 parts of alloy).

License (permit) or activity-specific permitting document number: No. 092RU17002001525.

License (authorization, permit) date of issue: 22.02.2017.

Issuing authority: Ministry of Industry and Trade of the Russian Federation.

Validity: From 22.02.2017 to 14.02.2018.

License type (licensed activities): Single-use license/export (raw or powdered platinum in bars with a purity value of no less than 999.5 parts of platinum per 1000 parts of alloy).

License (permit) or activity-specific permitting document number: No. 093RU16002000340.

License (authorization, permit) date of issue: 20.10.2016.

Issuing authority: Ministry of Industry and Trade of the Russian Federation.

Validity: From 20.10.2016 to 13.10.2017.

License type (licensed activities): Single-use license/export (raw or powdered palladium in bars with a purity value of no less than 995.5 parts of palladium per 1000 parts of alloy).

License (permit) or activity-specific permitting document number: No. 093RU16002000339.

License (authorization, permit) date of issue: 20.10.2016.

Issuing authority: Ministry of Industry and Trade of the Russian Federation.

Validity: From 20.10.2016 to 13.10.2017.

CONTACT INFORMATION AND BANK DETAILS

Full name	"Gazprombank" (Joint-stock Company)
Abbreviated name	Bank GPB (JSC)
Start of business operations	31 July 1990
Mailing (legal) address	16 Nametkina St., bldg 1, Moscow, 117420
Place of business	63 Novocheremushkinskaya St., Moscow, 117418
Single Help Desk	+7 (495) 913-74-74
Fax	+7 (495) 913-73-19
Telex	412027 GAZ RU
Website	www.gazprombank.ru
E-mail	mailbox@gazprombank.ru
SWIFT code	GAZPRUMM
Reuters Dealing code	GZPM
Correspondent account	30101810200000000823 with the Main Branch of the Central Bank of the Russian Federation for the Central Federal District, Moscow
INN	7744001497
KPP	997950001
BIC	044525823
OKPO	09807684
OKVED	64.19
OGRN	1027700167110 dated 28 August 2002

