Bank of Russia

The Central Bank of the Russian Federation

BANKING SUPERVISION REPORT 2017

Moscow

2018

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FOREWORD

Dear readers,

The Bank of Russia is pleased to present the latest edition of its Banking Supervision Report.

In 2017, banks operated in an overall favourable macroeconomic environment. Despite the external constraints, the economy showed moderate growth of business activity, domestic demand increased and inflation posted the lowest readings in recent Russian history.

We can confidently state that key banking sector indicators entered a growth path in 2017. Given the decline in the cost of borrowing, lending to the economy accelerated pronouncedly. Household deposits showed solid growth. We continued to withdraw unscrupulous and financially unstable institutions from the banking sector.

In this environment, in 2017 the Bank of Russia applied financial rehabilitation measures to a number of large banks using the mechanism of the Banking Sector Consolidation Fund. This allowed the regulator to recapitalise credit institutions and promptly stabilise their operations. The new mechanism helped solve the problem of undervaluation of credit and other risks of certain banking groups, which had been accumulating for years and were revealed thanks to effective supervision. An adequate assessment of asset quality of banking groups under resolution brought about large-scale creation of loss provisions, affecting the banking sector's financial performance.

At the same time, the ongoing growth of banks' net interest income somewhat set off the additional provisioning. As a result, the banking sector posted a ₽0.8 trillion profit in 2017.

In 2017, a banking supervision overhaul was launched. It is aimed at shrinking the decision-making framework to centralise and standardise supervision and increase its operational efficiency. The overhaul is ultimately targeted at the transition to preventive and advisory supervision.

A noticeable progress was achieved in the introduction of an electronic document workflow between the regulator and credit institutions. This reduces banks' costs and efforts, improves operational efficiency of banks' communication with the supervisor and accelerates the regulator's response to changes in credit institutions.

Banking regulation saw a further introduction of international recommendations in recognition of the specifics of the Russian market. The 2017 innovations included the introduction of the Internal Capital Adequacy Assessment Process (ICAAP) in banks. At the first stage, the ICAAP was introduced in systemically important credit institutions.

The Report analyses the operational macro environment of credit institutions, considers global risks and their impact on the systemic stability of the banking sector, which is assessed, among other things, through stress testing.

The overall 2017 results show that after the market clean-up the Russian banking sector retained stability it needed to meet the economy's demand for banking services, and can make a larger contribution to economic growth at the next stage.

Elvira Nabiullina
Bank of Russia Governor

I. ECONOMIC ENVIRONMENT OF THE BANKING SECTOR

I.1. Macroeconomics and external global risks

I.1.1. External global risks

2017 saw global growth of economic activity as volatility indicators remained at their all-time low in global financial markets. The IMF estimates that global GDP growth accelerated from 3.2% in 2016 to 3.8%[1] in 2017. That said, GDP growth in advanced economies stepped up from 1.7% to 2.3%, while emerging markets and developing countries registered an increase from 4.4% to 4.8%. The global economy is expected to grow by 3.9% in 2018.

Improvements in the US economy resulted primarily from a stronger labour market. Unemployment rate fell from 4.7% in December 2016 to 4.1% in December 2017 with stable job creation and wage growth. The ISM Manufacturing index rose from 54.3 pp in December 2016 to 59.3 pp in December 2017. Consumer price growth (the CPI index) stood at 2.1% YoY in December 2017. Given the above positive trends, the US Federal Reserve (US Fed) raised the key rate three times to 1.25–1.5%. The expected reduction of the corporate tax burden had a favourable impact on the US economy. In this environment, the stock market saw the highest growth since 2013 (S&P 500 rose by 19.4%).

Improvements in the economy are also tangible in the eurozone. The European Commission estimates that 2017 GDP growth in the eurozone stood at 2.3%[2], the highest reading in 10 years. Unemployment dropped from 9.7% in December 2016 to 8.7% in December 2017. The Markit PMI Manufacturing index rose from 54.9 pp in December 2016 to 60.6 pp in December 2017. Consumer price growth (the CPI index) stood at 1.4% YoY in December 2017. In addition, the eurozone registered accelerated growth in household lending (annual lending growth increased to 3.2% in December 2017 vs 2.3% in December 2016) and stabilised growth in lending to non-financial companies (1.8% and 1.9% respectively). As the eurozone's economy accelerated growth, the European Central Bank (ECB) decided to taper asset purchases from January 2018. The expectations of further improvements in the eurozone's economy resulted, in their turn, in the euro's appreciation against the US dollar by 14.1% in 2017. Having said that, banking sectors of individual countries of the eurozone continued to experience problems. Therefore, the European regulators elaborated new proposals on mitigating risk associated with problem loans.

Central banks of some other advanced economies also started tightening their monetary policies as economic growth recovered. The Bank of Canada increased its key rate twice in 2017, given the stable consumer spending and good growth of employment and income. The Bank of England raised its key rate once, largely due to accelerating inflation.

Economic conditions in most emerging market economies were favourable. IMF estimates suggest that budget deficit in emerging markets and advanced economies shrank from 4.8% in 2016 to 4.4% of GDP in 2017, the negative current account balance stabilised at 0.3% of GDP as of year-end.

In China, GDP growth accelerated from 6.7% in 2016 to 6.9% in 2017, and the risks of negative economic developments abated. Nevertheless, the ongoing expansion of shadow banking in China remains among the key risks to financial stability. The regulators continued to implement measures to restrict problem loans through writing-off, restructurisation, securitisation and assignment to third parties. At the same time, the expected policy tightening in China aimed at limiting debt burden brought about a considerable hike in interest rates (10-year sovereign bond yield rose by 85 bp to 3.9% in 2017).

Some countries registered an increased volatility in financial markets due to domestic tensions. Political risks and structural imbalances in the economy ag-

[1] As of April 2018.

[2] As of February 2018.

gravated in South Africa, Turkey and Brazil, while the US protectionist policy undermined Mexico's economy. Particularly high volatility was registered in the period between September and November 2017 (10-year sovereign bond yields rose by 40 to 160 bp with national currencies depreciating against the US dollar by 3% to 12%). The state of Russian markets remained more favourable compared with other countries during this period.

During the whole of 2017, global investors showed high risk appetite driving a sizeable capital inflow to emerging markets. EPFR data[1] suggest that net inflow to funds investing in emerging market shares and bonds totalled $188.4 billion in 2017 (in 2016, $35.1 billion). Better perception of emerging market risks brought down the average sovereign risk premium (5-year CDS)[2] to the lowest readings since early May 2013 (97 bp). The premium on Russia's sovereign 5-year CDS shrank in 2017 by 58 bp to 117 bp (the lowest reading since early 2008); the proportion of non-residents' investment in Russian sovereign bonds increased from 26.9% to 33.1%.

The resumed oil price growth in the second half of 2017 was an external tailwind for Russia. The average annual Brent crude price stood at $54.7 a barrel in 2017, 21% higher compared with the 2016 reading. The extended agreement between OPEC countries and other large producers to limit oil supply boosted oil prices. At the same time, the year saw oil production in the US accelerate; this may put at risk the recovery in the balance of supply and demand in the global oil market in the future.

I.1.2. Macroeconomics

In 2017, Russia's economy continued to recover. GDP grew by 1.5% (in 2016, it declined by 0.2%). The external economic environment was favourable, whereas the above-mentioned oil production cut agreement restrained growth of Russian oil exports. Positive supply movements were largely determined by the internal economic structure and, to a lesser degree, by external factors. The labour market remained stable. Unemployment held low, below its natural level. Domestic consumer demand recovered at a moderate pace without hindering inflation slowdown. Annual inflation declined close to 4% as early as the first half of 2017, and continued to slow in the second half of the year, driven, among other things, by temporary factors associated primarily with certain food markets. In December, annualised inflation stood at 2.5% (in December 2016, 5.4%).

The recovery in consumption triggered growth in production of consumer goods, including durables. The expanding output of consumer goods was also supported by import substitution, among other things, in production of household chemicals, food products, some durable goods and pharmaceuticals. Certain imported goods, primarily food products, were almost completely replaced by domestic equivalents. The gradual replacement of imports also supported certain investment-focused sectors, in particular production of motor vehicles, agricultural machinery and equipment. However, slack performance in construction constrained output of investment goods.

In 2017, agricultural output increased by 2.4% following heavy crops and growing livestock production.

The expanding industrial and agricultural production had a positive impact on freight turnover that increased by 5.4% in 2017.

The growing consumption boosted retail trade turnover and sales of foreign online stores. Growth in consumer confidence and household demand was backed up by a stable labour market. The unemployment rate failed to exert additional pressure on prices. Monetary conditions ensured gradual recovery in demand for loans, whereas ruble deposits maintained their appeal. This ensured a smooth transition from the saving-based to the consumption-focused model. Final consumption spending increased by 2.6% (in 2016, it shrank by 1.9%), including a 3.4% rise in final consumption of households. However, this failed to exert a considerable inflationary pressure. As the fiscal policy remained conservative, the decline in the budget deficit only slightly increased the general government's final consumption expenditures in 2017 (0.4%).

The recovery in investment demand made a tangible contribution to GDP growth in 2017. Gross fixed capital formation increased by 4.3% (in 2016, by 0.8%). In the first half of the year, investment activity was largely backed up by major state-financed investment

[1] Emerging Portfolio Fund Research, Inc. is a US-based organisation that monitors fund inflows to / outflows from investment finds and their distribution.

[2] The indicator is calculated for 10 countries: Brazil, Chile, China, Indonesia, Malaysia, Mexico, Peru, the Philippines, Turkey and South Africa.

projects. The increase in fixed capital investments of the private sector was sustainable throughout 2017. Changes in inventories favoured GDP performance. As a result, gross capital formation grew by 7.4% in 2017 (in 2016, it shrank by 1.9%).

As the ruble appreciated and the domestic demand expanded, imports of goods and services increased considerably in 2017 (by 17% after a 3.6% shrinkage in 2016). Export quantities of goods and services added 5.1% (in 2016, 3.2%). As a result, the contribution of net exports to GDP growth was negative in 2017.

Inflation continued to slow down in 2017 affected by permanent and temporary factors. Along with demand movements, falling inflation expectations were among permanent factors driving the medium-term trend towards inflation slowdown. As of year-end, the average annualised inflation rate[1] reached 3.7%.

The 2017 exchange rate dynamics also contributed to inflation slowdown. Disinflationary impact of this temporary factor was the most pronounced in the first half of the year gradually fading by the year-end as the effect of ruble appreciation of the first half of the year abated.

In the second half of the year inflation slowdown was driven by the expanding supply of crop products and stable growth of livestock production. In December 2017, the annual food price growth rate declined to 1.1%, an all-time low (from 4.6% in December 2016).

The annualised growth rate of non-food prices declined sustainably during the most of the year to slow down to the all-time low by the year end totalling 2.8% in December 2017 (in December 2016, 6.5%). The decrease in the growth rate of service prices was the least pronounced in 2017. Most of the year it held at roughly 4% to reach 4.4% in December 2017 (in December 2016, 4.9%).

The annualised core inflation that factors out items with regulated prices and those subject to the most pronounced fluctuations under the influence of one-off factors (including fruit and vegetables) slowed to 2.1% by the end of 2017 (from 6.0% in December 2016).

Inflation decline to the level close to the target made room for a key rate cut. Over the year the Bank of Russia reduced the key rate from 10.00% to 7.75%.

Moderately tight monetary policy created conditions for a balanced economic recovery keeping inflation movements in check. At the same time, real deposit rates appealed to households, and households' transition from saving to consumption was smooth.

I.2. Financial markets

I.2.1. Money market

In 2017, the banking sector moved to a sustainable structural liquidity surplus (see Subclause I.2.4). Rates on overnight ruble interbank loans held close to the Bank of Russia key rate in 2017. In the second half of the year, a small negative spread remained between interbank rates and the key rate (money market rates were in the lower range of the interest rate corridor). This resulted from banks' slow adjustment to the considerable liquidity inflow in the second half of the year. The FX liquidity position remained favourable in the first half of 2017. This was driven by the ongoing sizeable supply of foreign currency in the market and the inflow of funds in the current account, and supported by the Bank of Russia's FX repo auctions.

In the second half of 2017, as the demand for foreign currency in the domestic market was high, some market participants reduced their supply amid currency outflow through customer transactions. This resulted in higher cost of dollar-denominated borrowings. As credit institutions attracted considerable amounts of US dollars in the FX swap segment, overnight ruble rates on FX swaps held largely in the lower range of the Bank of Russia's interest rate corridor. In December 2017, the Bank of Russia increased the limits on USD/RUB sell/buy FX swap supporting rates in this segment of the money market.

I.2.2. Foreign exchange market

The foreign exchange market was stable during the year. The ruble's appreciation was driven by rising oil prices, recovering interest of foreign investors in Russian assets, and positive interest rate differential in Russia and abroad. The tightening of the US Fed's

[1] Reflects changes in the average prices over the past 12 months against the average prices in the previous 12 months.

Figure 1.1. Rates and turnover on overnight transactions in the ruble money market

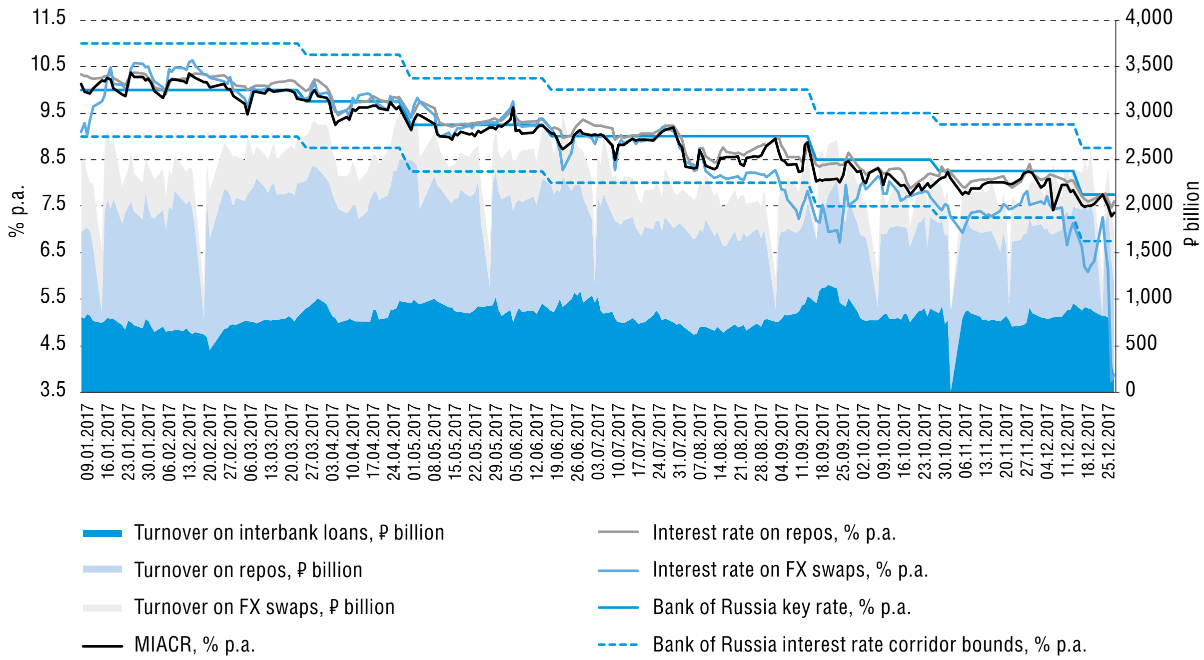
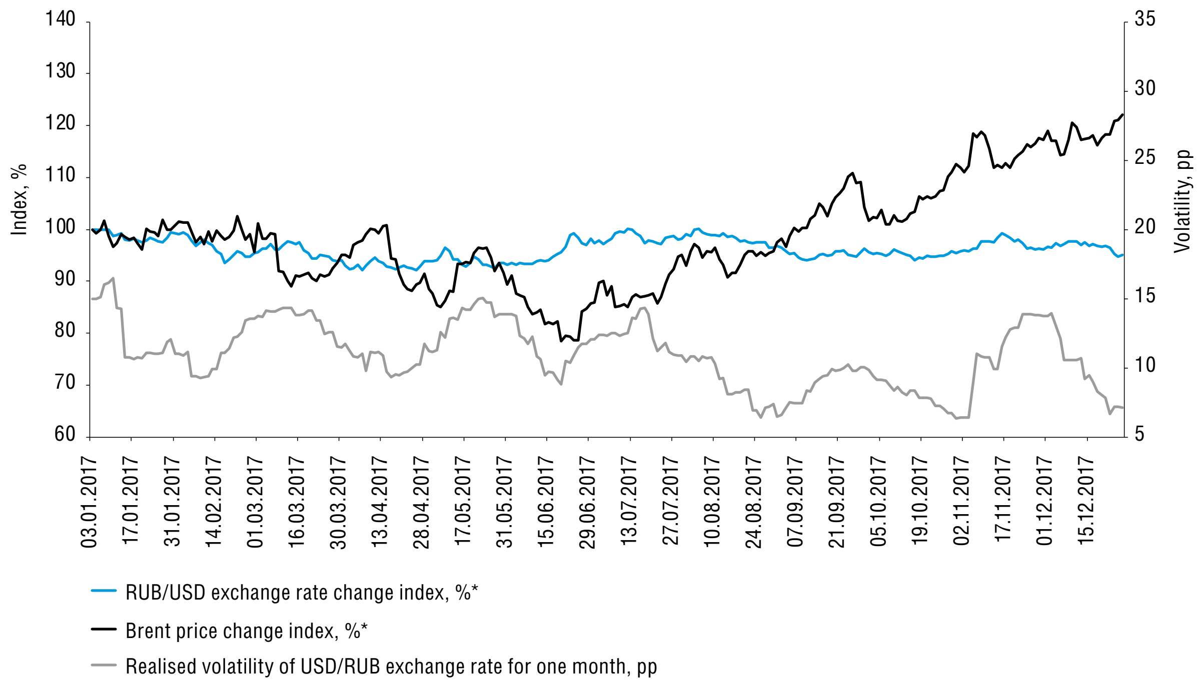


Figure 1.2. Ruble exchange rate and volatility



** Values of indicators as of 3 January 2017 are taken as 100%.*

Source: Thomson Reuters.

monetary policy exerted a certain downward pressure on the ruble and its peer currencies[1].

By the end of 2017 (as of 29 December 2017), the ruble strengthened against the US dollar by 4.4% to ₽57.6291 per US dollar, and weakened against the euro by 9.1% to ₽68.7861 per euro.

Oil price elasticity of the ruble continued to decrease thanks to the introduction of the fiscal rule and

[1] The ruble's peer currencies include the Canadian dollar, the Norwegian krone, the Mexican peso, the South-African rand, the Turkish lira, the Brazilian real, the Indian rupee and the Indonesian rupiah.

a considerable effect on the exchange rate of the factors unrelated to commodity markets (global risk appetite, the US Fed's policy and uncertainty over the sanctions). The ruble volatility declined moderately holding close to the readings registered in summer of 2014.

As the domestic FX market was stable, the Bank of Russia gradually reduced credit institutions' outstanding amount on refinancing operations (repos and loans) in foreign currency, given their temporary nature. By November 2017, credit institutions repaid all debts on these operations.

I.2.3. Corporate securities market

In 2017, the situation in the corporate securities market was relatively favourable. Debt and equity prices were mostly on the rise.

Volatility of stock indices in the domestic stock market declined compared with previous year. The RTS index rose by 0.2% as the ruble appreciated, while the MOEX index dropped by 5.5%. In 2017, the stock market capitalisation on the Moscow Exchange declined in ruble terms by 5.0% to ₽35.9 trillion. The turnover of the secondary trading of shares and depositary receipts on the Moscow Exchange declined in 2017 by 0.3% against 2016 to ₽9.1 trillion. The share of credit institutions' stock in the cumulative turnover of the secondary trading on the Moscow Exchange was 29.7%.

Issuing activity in the primary market of corporate bonds increased against 2016 due to the falling cost of borrowing. Overall, 251 new issues of corporate bonds were placed in 2017 for the total face value of ₽2,880.0 billion[1]. These included credit institutions' bonds, which accounted for 18.2% of the aggregate placement volume.

The portfolio of corporate bond issues traded in the domestic market increased by 21.0% in 2017 compared with 2016 to the total face value of ₽11.4 trillion. Broken down by sectors, credit institutions' securities accounted for the bulk of the portfolio, but their share decreased from 22% as of end-2016 to 21% as of end-2017.

The corporate bond yield (the IFX-Cbonds index[2]) continued to fall as inflation slowed, decreasing from 10.02% p.a. as of end-2016 to 8.05% p.a. as of end-2017.

I.2.4. Bank of Russia operations to regulate banking sector liquidity

In 2017, the banking sector operated amid structural liquidity surplus that shaped in the second half of January 2017 and gradually expanded to ₽2.6 trillion by the year end. The main sources of liquidity inflow to the banking sector in 2017 were operations to provide liquidity to PJSC Bank FC Otkritie, PJSC B&N Bank and PJSC Promsvyazbank from the Banking Sector Consolidation Fund, as well as the transfer of funds to the State Corporation Deposit Insurance Agency for bank resolution and to agent banks for compensation of insurance indemnities to depositors of banks whose licences were revoked. The spending of sovereign funds' money to finance deficit of the federal budget also made a considerable contribution to liquidity surplus. This factor had a tangible impact on liquidity by the year end. The conversion of sovereign funds in 2017 was in line with the previously announced plans of Russia's Ministry of Finance. The Bank of Russia's operations to buy monetary gold in the domestic market under the international reserve management caused liquidity inflow of ₽0.5 trillion in 2017. In 2017, the overall liquidity inflow through the budget channel, including the above operations, the Ministry of Finance's foreign currency purchases in the domestic FX market, the Federal Treasury's operations to place temporarily available budgetary funds on bank deposits and in repos, the Ministry of Finance's OFZ transactions, settlements under the Bank of Russia's sell/buy USD/RUB FX swaps and other operations, totalled ₽3.9 trillion. In 2017, the liquidity outflow was associated with the increase in cash in circulation by ₽0.6 trillion. At the same time, this factor caused a traditional inflow of funds to the banking sector in January and an outflow in December.

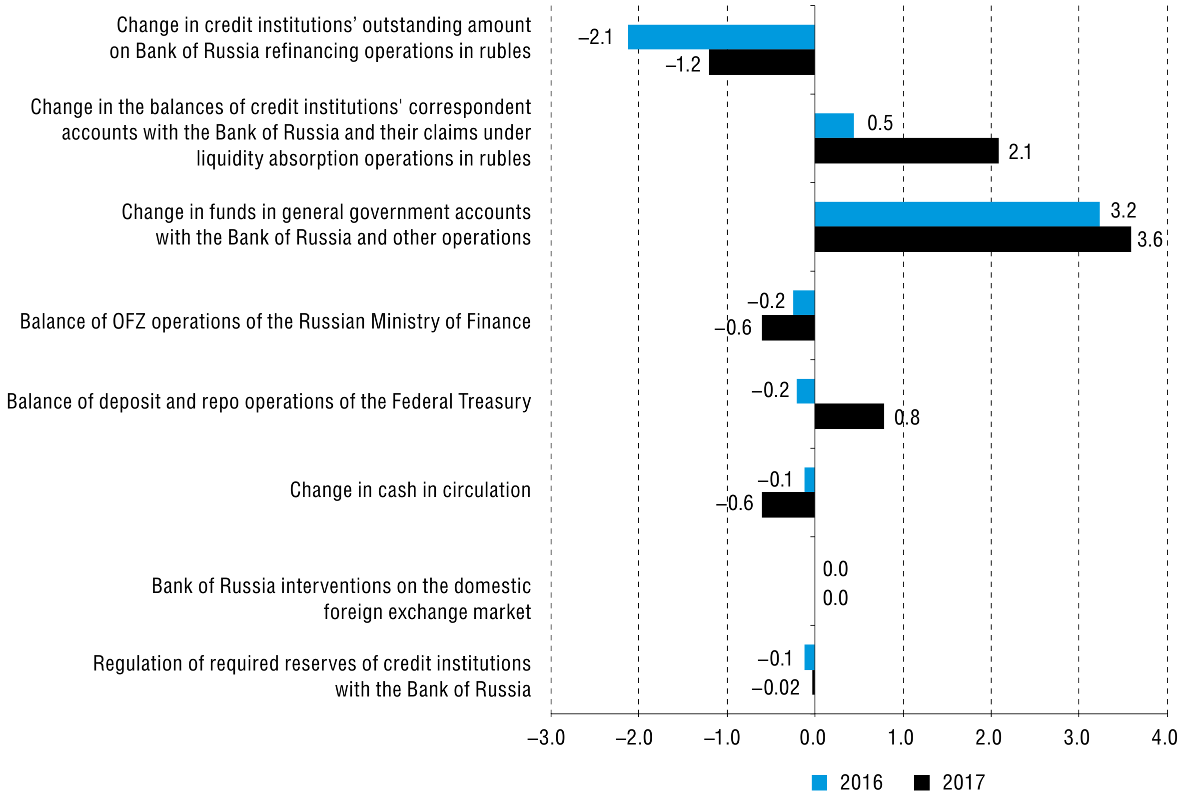
The implementation of the Bank of Russia's decision of November 2016 to update the composition of reservable liabilities of credit institutions included in the calculation of required reserves[3] triggered

[1] Cbonds.ru news agency.

[2] An indicator of the corporate bond effective yield calculated by Cbonds.ru news agency.

[3] Starting from 1 January 2017, reservable liabilities of credit institutions include long-term liabilities maturing in no less than three years. In addition, the Bank of Russia established reduced required reserve ratios for banks with a basic licence effective 1 December 2017. The ratios remained unchanged for banks with a universal licence and non-bank credit institutions.

Figure 1.3. Liquidity factors and change in debt on Bank of Russia refinancing operations and claims under liquidity absorption operations in rubles, ₽ trillion



growth in banks' required reserves. The averaged part of required reserves of credit institutions increased by ₽0.2 trillion to ₽1.9 trillion in 2017.

The increase in structural liquidity surplus in 2017 reduced credit institutions' demand for Bank of Russia refinancing operations. Banks' outstanding loans with the Bank of Russia shrank from ₽2.7 trillion to ₽2.0 trillion in 2017.

In 2017, banks reduced their debt on standing repo facilities to the average of ₽150 billion. The Bank of Russia's standing repo facilities were in high demand only in the third quarter of 2017 following the outflow of customer deposits from major banks which subsequently faced financial resolution.

In order to preserve the conditions for re-allocation of funds between banks and form the rate in the overnight segment of the money market close to the key rate, the Bank of Russia absorbed the excess liquidity for the average of more than ₽800 billion through regular one-week deposit auctions. The volumes of these operations increased considerably by the year end amid the inflow of funds through the fiscal channel.

In order to absorb the stable part of excess liquidity, the Bank of Russia issued three coupon bond issues (coupon OBRs). From the time of the first issue in August till end-2017 their volume in circulation[1] increased to ₽0.4 trillion. The Bank of Russia's OFZ sale from its portfolio also helped absorb liquidity from the banking sector.

In order to offset considerable short-term deviations in banks' demand for liquidity from its supply and prevent tangible fluctuations in money market rates, the Bank of Russia carried out fine-tuning operations on certain dates. Banks raised ₽270 billion in two days of the only repo auction held in January 2017. The Bank of Russia held 27 fine-tuning deposit auctions with the average volume of absorbed liquidity totalling roughly ₽400 billion.

On the backdrop of structural liquidity surplus and banks' shrinking demand for refinancing, the Bank of Russia started to gradually reduce the volume of collateral eligible for Bank of Russia operations by raising requirements for the quality of such assets. In particular, the Bank of Russia revised upwards the requirements to the minimum credit rating of the is-

[1] At par value with the coupon yield factored in.

sue (issuer) of securities included in the Lombard List and suspended listing of new bond issues of financial institutions. At the same time, in 2017 the Bank of Russia started using national ratings assigned to Russian issuers and considering its own credit quality assessments of securities issues (issuers) in its decision-making on including bonds in the Lombard List. As of the end of 2017, credit institutions' potential marketable collateral totalled ₽8.5 trillion. The value of non-marketable assets eligible as collateral on Bank of Russia loans and pledged for Bank of Russia loans[1] totalled ₽5.2 trillion by the end of 2017.

To optimise its monetary policy toolkit the Bank of Russia ceased to provide loans secured by gold. As a result, standard refinancing instruments include two types of loans – loans pledged with securities and loans pledged with non-marketable assets (loans issued by credit institutions to their customers).

In 2017, the Bank of Russia continued to use specialised refinancing instruments (further referred to as specialised instruments) to back up bank lending to small and medium-sized businesses, project financing, military mortgage and non-commodity exports.

In September 2017, the Bank of Russia Board of Directors approved a strategy to abandon specialised instruments. One of the strategy's key principles is to avoid worsening of conditions on previously issued loans.

Effective 1 September 2017, the Bank of Russia introduced the emergency liquidity assistance mechanism (ELA). Banks may resort to it in case of temporary liquidity challenges to obtain funds for up to 90 days at a fixed interest rate that equals the key rate plus 1.75 pp.

[1] Loans issued in accordance with Bank of Russia Regulation No. 312-P, dated 12 November 2007, 'On the Procedure for Extending Bank of Russia Loans Covered by Assets or Guarantees to Credit Institutions'.

II. RUSSIAN BANKING SECTOR

In order to explore the banking business and assess the impact of such factors as ownership, capital and resolution measures, the Bank of Russia analysed the following clusters of credit institutions:

- state-controlled banks (directly or indirectly controlled by the Government or the Bank of Russia);
- foreign-controlled banks[1];
- private banks with capital of more than ₽1 billion;
- private banks with capital of less than ₽1 billion;
- banks under resolution (through the State Corporation Deposit Insurance Agency (DIA) and Limited Liability Company Fund of Banking Sector Consolidation Asset Management Company, (FBSC AMC Ltd.));
- non-bank credit institutions (NCI).

For a more accurate estimation of performance of clustered banks, the calculations were based on the bank classification as of 1 January 2018.

II.1. Banking sector macroeconomic performance

As of the end of 2017, the banking sectors' total assets increased from ₽80 trillion to ₽85 trillion thanks to growth in ruble assets from ₽58 trillion to ₽66 trillion, whereas FX assets reduced slightly (from ₽22 trillion to ₽19 trillion). FX assets decreased in ruble terms both because of the nominal shrinkage of FX assets (from $367 billion to $330 billion) and as a result of the ruble's strengthening.

The banking sector's relative indicators were affected by the ruble exchange rate movements, as well as licence revocations and cancelling of some credit institutions (except for reorganisation-related licence cancelling). Consequently, to enable a more accurate presentation of key banking sector performance indicators, this analytical material reflects the growth rate (adjusted for currency effects) for credit institutions in operation as of 1 January 2018 (including banks reorganised throughout the year).

As a result, the banking sector's total assets increased by 9.0%. Nevertheless, outpacing growth of nominal GDP reduced the bank assets to GDP ratio from 92.9% to 92.6%[2].

The ratio of the banking sector's capital to GDP also dropped by 0.7 pp over the year and reached 10.2% as of 1 January 2018. That said, capital increased by 1.3% to ₽9.4 trillion. A considerable impact on capital movements was exerted by a one-off loss provisioning for bad loans of banks undergoing financial resolution under the new mechanism using the resources of the Banking Sector Consolidation Fund.

In the sources of credit institutions' resource base, the share of household deposits grew from 30.2% to 30.5% of total liabilities, and the ratio of household deposits to GDP increased from 28.1% to 28.2% as of year-end. The indicator of the profit share and bank funds in total liabilities remained virtually unchanged (11%). At the same time, the share of funds credit institutions borrowed from the Bank of Russia shrank from 3.4% to 2.4%. The share of corporate deposits and funds on accounts (excluding credit institutions) in total liabilities decreased from 30.4% to 29.2%.

[1] Banks directly or indirectly controlled by foreign legal entities and foreign citizens (other than banks where ultimate beneficiaries are Russian individuals and legal entities), and banks where the direct or indirect (through third parties) share of foreign legal entities and foreign citizens who are the ultimate owners of shareholders (participants) of the bank exceeds 50% of the total number of voting shares (stakes) in the bank.

[2] Due to the updated GDP data, the indicator as of the beginning of 2017 differs from the reading recorded in the Bank of Russia's Annual Report for 2016 and the Banking Supervision Report for 2016.

The value of loans to the economy (non-financial organisations and households) increased overall by 6.2% as of year-end. On the backdrop of economic recovery, the ratio of loans to the economy to GDP shrank from 47.5% to 46.0%.

II.2. Banking operations

In 2017, the banking sector operated in a climate of gradual economic recovery: some industries demonstrated outpacing growth, real wages started rising and consumer demand continued its revival. The banking sector stabilised after the unsteady performance in 2014–2015. The capital cushion was estimated as sufficient for further expansion of lending and banking business. A smooth reduction of the key rate and funding cost had a favourable effect on the banking sector financial indicators, mostly the increase in lending to the economy.

Another 2017 tailwind came from the ongoing inflow of household savings to banks; this proved households' confidence in banks.

II.2.1. Funding and borrowed funds structure

The funding of the banking sector in 2017 was fairly balanced: funds were mostly raised from household deposits and corporate deposits and accounts. Household deposits have been holding the first place among funding sources since March 2017.

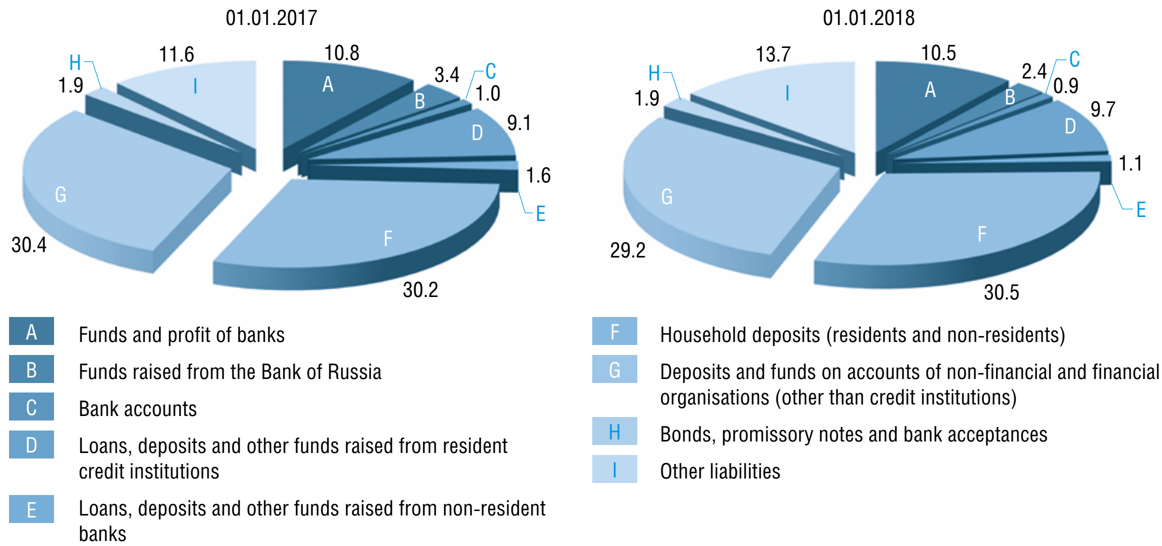
The replacement of the Bank of Russia's funds with market sources (primarily household deposits) was observed in the structure of banking sector liabilities (Figure 2.1).

The Bank of Russia's efforts[1] resulted in further dedollarisation of key balance-sheet items. The banking sector's FX liabilities (in US dollar terms) shrank by 7.1% in 2017, and their share in total banking sector liabilities dropped to 21.8% (as of 1 January 2017, 26.5%).

In 2017, Russian banks still faced complications in accessing foreign funding sources. This motivated banks to incentivise the use of internal sources. As of 1 January 2018, deposits accounted for 30.5% and corporate deposits and accounts (other than credit institutions) – for 29.2% of bank liabilities (a year earlier, 30.4% and 30.2% respectively).

In 2017, households deposits[2] increased by 10.7% (in 2016, by 11.8%) to ₽26.0 trillion. Meanwhile, the FX component shrank from 23.7% to 20.6% in 2017.

Figure 2.1. Banking sector liabilities, %



[1] Higher regulatory requirements for FX credit operations (additional coverage of FX assets with capital) and required reserve ratios for FX liabilities.

[2] Including savings certificates.

This resulted from the outpacing growth of ruble deposits (+14.2%) and a 0.4% drop in FX deposits in US dollar terms.

A sizeable increase in deposits was registered in private banks with capital of more than ₽1 billion (+13.4%) pointing to households' confidence in such banks (Table 2.1). State-controlled banks continued to register sustainable deposit growth (+12.8%). Foreign-controlled banks considerably increased their household deposits (+21.0%) as the value of loans raised from the parent institutions dropped.

Small private banks with capital of less than ₽1 billion held a minor share of the deposit market (less than 1%) and their operations failed to have a considerable impact on the indicator's movements.

Table 2.1. Household deposits by bank group*

Bank group	Share in the banking sector, %		Share in liabilities of respective bank group, %	
	01.01.2017	01.01.2018	01.01.2017	01.01.2018
State-controlled banks	65.4	66.5	33.6	34.7
Foreign-controlled banks	5.7	6.2	22.0	24.4
Private banks with capital of more than ₽1 billion	18.1	18.5	31.5	32.2
Private banks with capital of less than ₽1 billion	0.8	0.8	31.6	39.2
Banks under resolution	9.7	8.0	23.0	20.1
Non-bank credit institutions	0.0	0.0	0.0	0.0

** Here and elsewhere, calculations were made for credit institutions registered as of 1 January 2018 to enable a more accurate estimation of banks' performance.*

Deposit maturity structure changed significantly. Though long-term deposits (over one year) account for more than a half of total deposits, their share declined in 2017 from 56.8% to 52.0% amid the expected rate cuts.

Deposits for 91 to 180 days increased their share[1] in the structure of short-term deposits (for less than one year)[2] to account for 20.6% of total household deposits (Figure 2.2). The share of deposits for six to 12 months shrank from 31.3% to 25.7%.

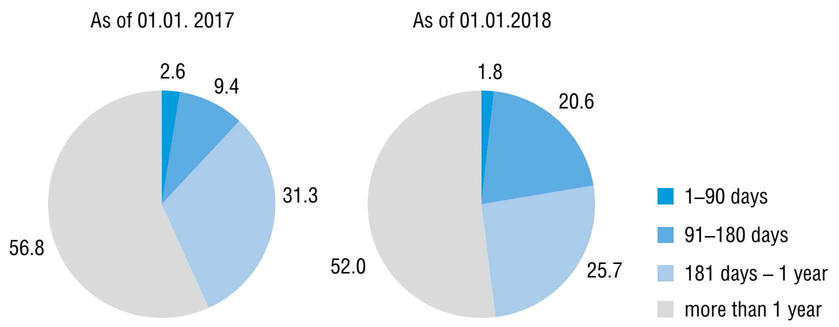
In the reporting year, interest rates on ruble-denominated household deposits for more than one year decreased from 7.8% p.a. in January to 6.4% p.a. in December 2017.

The trend towards a faster growth in deposits within the insurance coverage (₽1.4 million) continued in 2017: their share increased from 60.8% to 61.4% (Figure 2.3).

Most deposit accounts were opened for the amount up to ₽100 thousand. The share of accounts with such balance in total deposits remained virtually unchanged holding at 93.8% as of 1 January 2018 (a year earlier, 94.0%). Deposits for ₽100 thousand to ₽1 million accounted for the bulk of other deposits (Figure 2.4).

As the economy revived and corporate income went up, the total amount of deposits and funds on corporate accounts increased by 4.8% in 2017 (dropped by 1.7% in 2016). As of 1 January 2018, corporate funds totalled ₽24.8 trillion.

Figure 2.2. Deposits by maturity, %



[1] Shares are calculated net of sight deposits and funds for which there is no maturity information available.

[2] The analysis is based on data from monthly Reporting Form 0409101 'Trial Balance Sheet on the Accounting Records of a Credit Institution'.

Figure 2.3. Household deposits by balance amount, % of total deposits

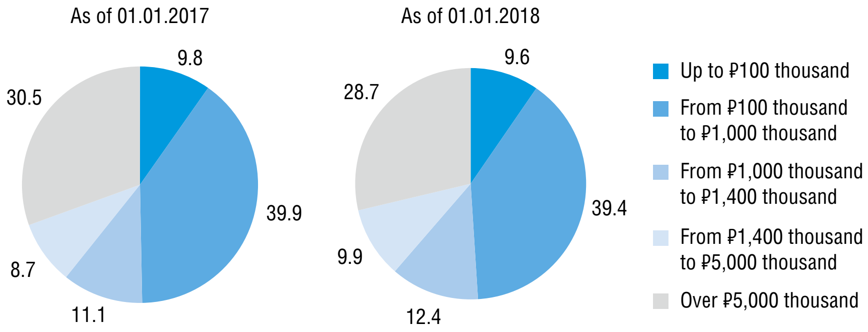
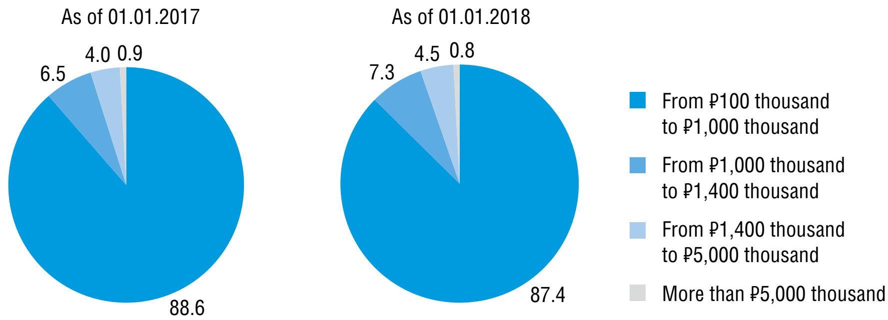


Figure 2.4. Household deposits by balance amount (net of accounts and deposits under ₽100 thousand), % of total accounts



In 2017, corporate deposits and accounts showed the highest growth pace in foreign-controlled banks (+16.3%) and large private banks (+15.9%).

Corporate funds raised by state-controlled and small banks demonstrated a less pronounced increase (+5.1 and +2.1% respectively).

Table 2.2. Deposits and funds on accounts of non-financial and financial organisations (other than credit institutions), by bank group

Bank group	Share in the banking sector, %		Share in liabilities of respective bank group, %	
	01.01.2017	01.01.2018	01.01.2017	01.01.2018
State-controlled banks	61.7	62.0	32.5	30.9
Foreign-controlled banks	7.7	8.6	30.8	32.6
Private banks with capital of more than ₽1 billion	17.1	19.1	30.6	31.8
Private banks with capital of less than ₽1 billion	0.5	0.5	19.4	24.4
Banks under resolution	11.5	8.6	27.8	20.6
Non-bank credit institutions	0.8	1.1	8.1	9.4

As interest rates sustainably declined, the share of short-term deposits (maturing within one year, including sight deposits) in total corporate deposits increased from 49.2% to 56.5% over the year.

A smooth reduction of the Bank of Russia key rate helped decrease the weighted average interest rate on ruble deposits of non-financial organisations maturing in more than one year from 9.0% p.a. in January to 7.5% p.a. in December 2017 (Figure 2.5). Interest rates on ruble deposits for up to one year inclusive (including sight deposits) demonstrated a more sustainable decline, falling from 8.8% p.a. in January to 6.6% p.a. in December.

The amount of funds raised by credit institutions through bond issue increased in 2017 by 12.4% to ₽1.2 trillion, and the share of this source in banking sector liabilities remained unchanged over the year (1.4%). The volume of promissory notes and bank acceptances issued by credit institutions re-

Figure 2.5. Weighted average interest rates on ruble deposits raised by credit institutions from non-financial organisations in 2017, %

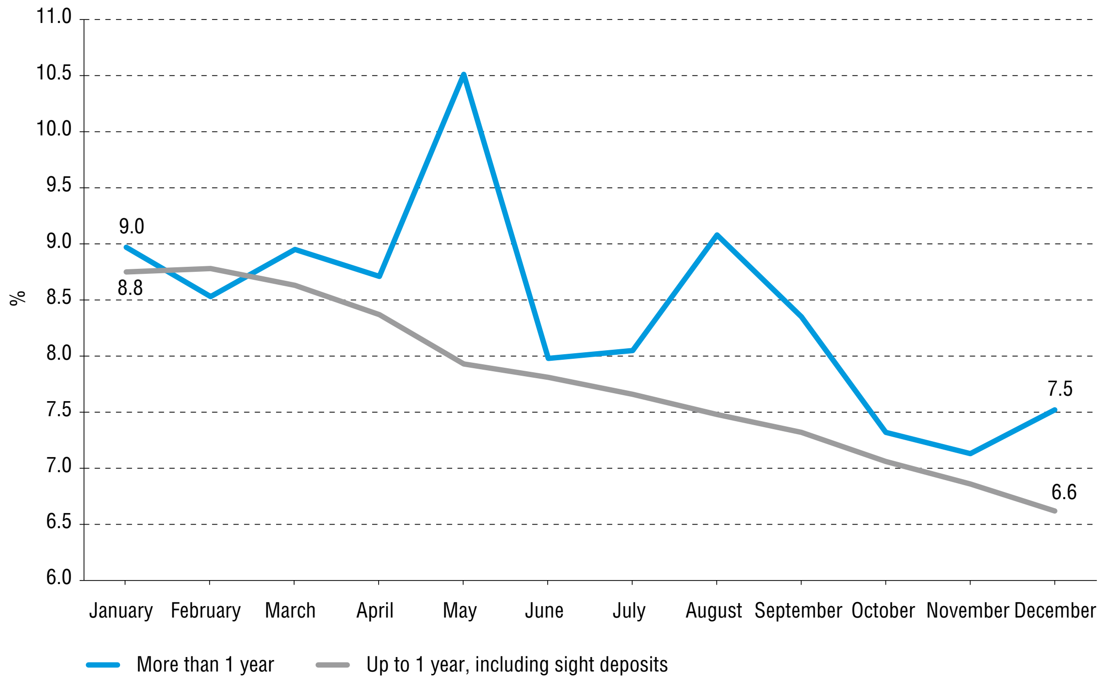
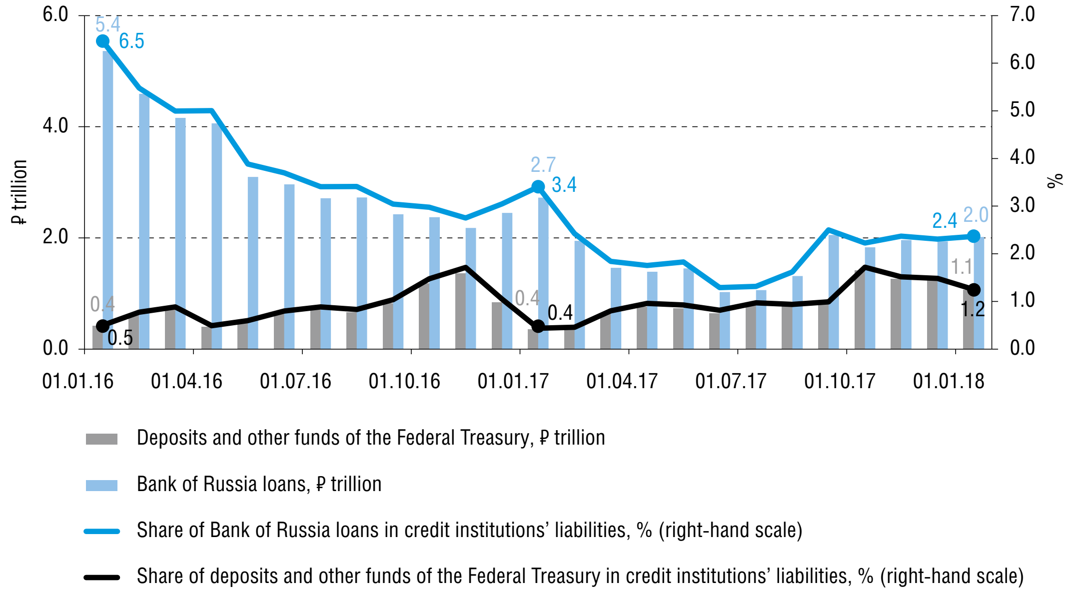


Figure 2.6. Loans extended by the Bank of Russia and deposits and other funds of the Federal Treasury



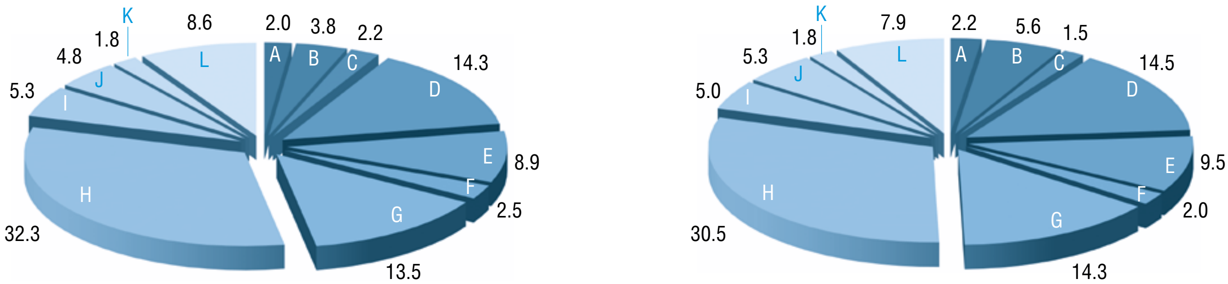
mained virtually unchanged, and their share in banking sector liabilities was insignificant (0.5% as of 1 January 2018).

Amid the transition to a stable structural liquidity surplus, credit institutions reduced their borrowing from the Bank of Russia considerably (by 25.7%). The share of these funds in banking sector liabilities dropped from 3.4% to 2.4% (Figure 2.6). At the same time, funds placed by the Federal Treasury on deposits with banks tripled in 2017 with their share in banking sector liabilities increasing from 0.4% to 1.2%.

II.2.2. Fund placement and asset structure

Banking sector assets increased by 9.0% to ₽85.2 trillion over the year (in 2016, by 3.4%).

Figure 2.7. Banking sector asset structure, %



A — Money, precious metals
B — Accounts with the Bank of Russia
C — Correspondent accounts with credit institutions
D — Securities
E — Loans, deposits, and other placed funds provided to resident credit institutions
F — Loans, deposits, and other placed funds provided to non-resident banks
G — Loans and other funds provided to resident and non-resident households
H — Loans and other placed funds provided to resident non-financial institutions
I — Loans and other placed funds provided to non-resident legal entities (other than banks)
J — Loans and other placed funds provided to financial organisations (other than banks)
K — Fixed assets and intangible assets
L — Other assets

Just like liabilities, assets registered dedollarisation. Credit institutions' FX assets (in US dollar terms) shrank by 9.0% in 2017, and their share in total assets dropped to 22.3% (as of 1 January 2017, 27.8%).

In 2017, as in the previous year, state-controlled banks accounted for the bulk of total banking sector assets (58.5%) (as of 1 January 2017, 58.3%). The share of private banks with capital exceeding ₽1 billion increased from 17.2% to 17.5%. At the same time, the share of banks undergoing financial resolution and private banks with capital of less than ₽1 billion fell from 12.7% to 12.2% and from 0.8% to 0.6% respectively. The share of NCIs increased by 0.5 pp to 3.5%. The share of foreign-controlled banks remained unchanged at 7.7%.

2017 witnessed tangible positive developments both in retail and corporate lending (Figures 2.8 and 2.9). The total value of loans to the economy (non-financial organisations and individuals) rose by 6.2% to ₽42.4 trillion in 2017 (in 2016, shrank by 0.8%). At the same time, the share of loans to the economy in banks' assets declined somewhat from 51.1% to 50.8%.

Non-financial organisations' outstanding loans increase by 3.7% to ₽30.2 trillion in the overall banking sector in 2017 (in 2016, dropped by 0.8%).

State-controlled banks were substantially engaged in corporate lending. As of year-end, state-controlled banks increased loans to non-financial organisations by 7.8%. Corporate loan portfolio of large private banks expanded by 5.9% in 2017. Foreign-controlled banks were less engaged in lending to the Russian economy. Corporate loan portfolio of this group of banks only added 2.4%.

As a result, the structure of the corporate lending market underwent considerable changes in 2017 (Table 2.3).

Table 2.3. Loans to non-financial organisations in banking sector total loans, %

Bank group	01.01.2017	01.01.2018
State-controlled banks	67.1	69.7
Foreign-controlled banks	6.0	5.8
Private banks with capital of more than ₽1 billion	15.1	15.5
Private banks with capital of less than ₽1 billion	0.5	0.4
Banks under resolution	11.2	8.6
Non-bank credit institutions	0.0	0.0

Lending to different industries showed mixed dynamics in 2017. Loans to agricultural and forestry companies rose by 9.2% over the year. A considerable

Figure 2.8. Growth of household loans in 2017, %

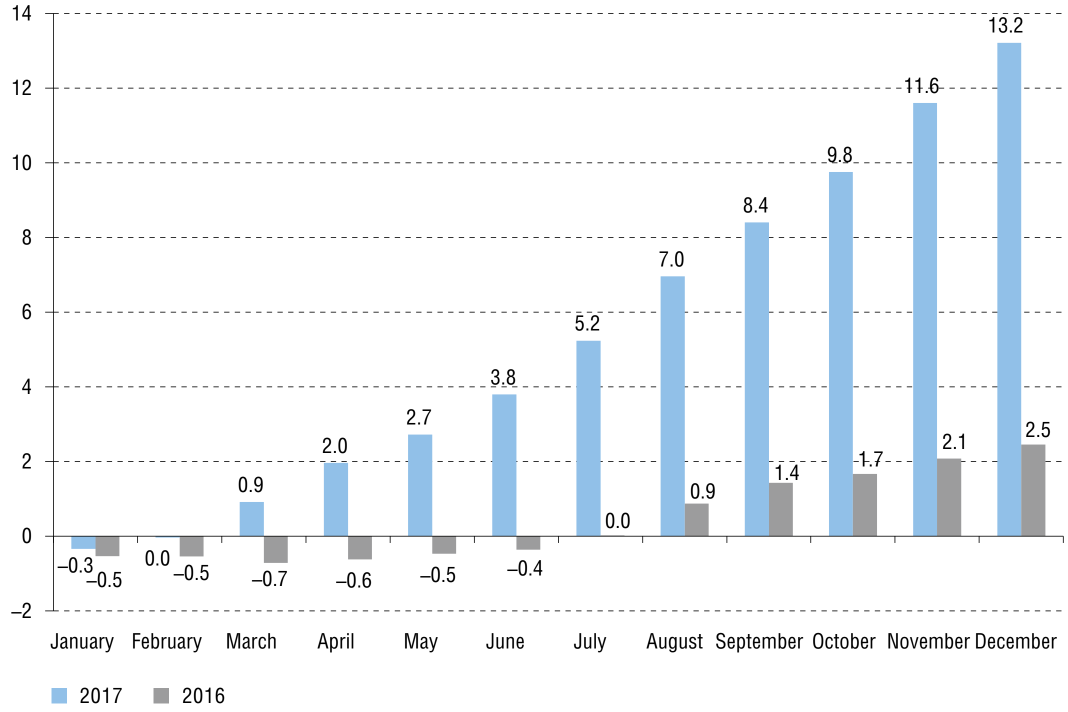
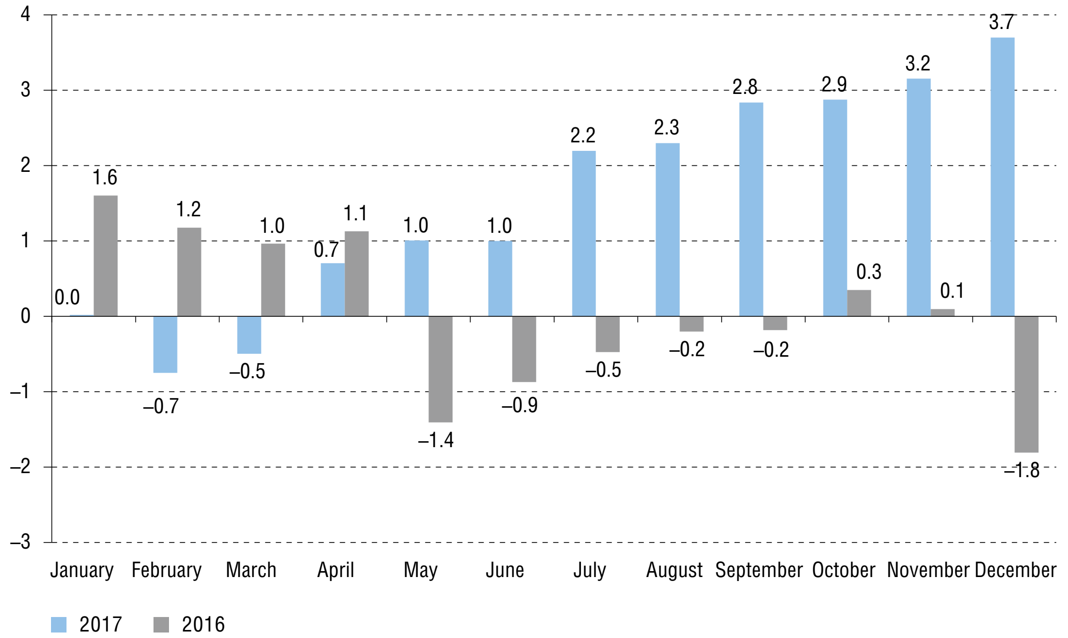


Figure 2.9. Growth of loans to non-financial organisations in 2017, %



increase was registered in lending to companies engaged in mining and quarrying (by 24.4%) and operations with real estate, leasing and services (by 27.3%). At the same time, outstanding loans to construction companies shrank by 3.8% and to wholesale and retail companies – by 3.6%.

Manufacturing companies accounted for the major share of issued loans (22.3% of the corporate loan portfolio as of 1 January 2018 and 21.9% as of 1 January 2017)[1]. The share of loans to wholesale and retail companies shrank from 15.5% to 13.9% in 2017 (Figure 2.10).

[1] For loans to resident legal entities and sole proprietors, except for loans to complete settlements.

Figure 2.10. Sectoral structure of the banking sector's corporate loan portfolio, %

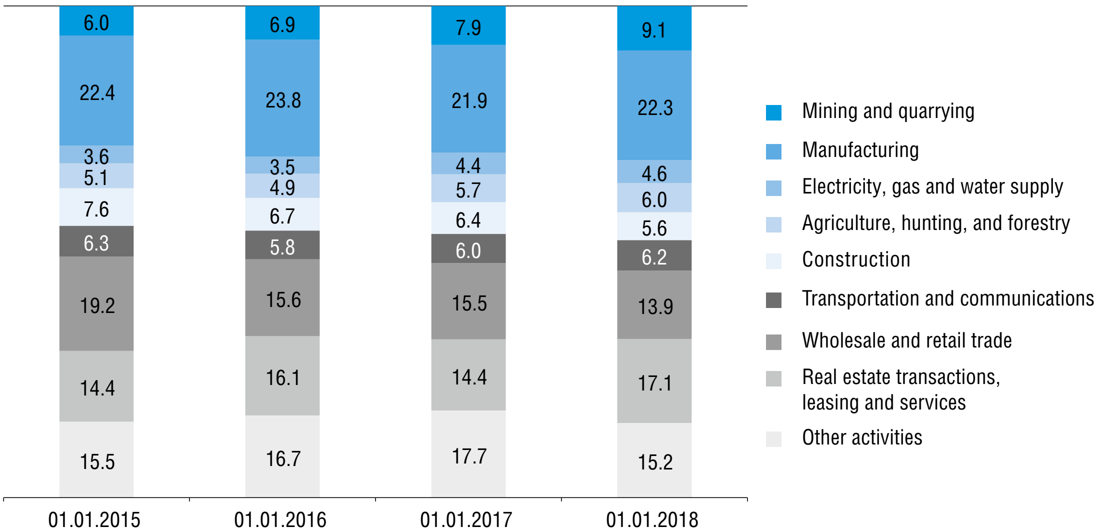
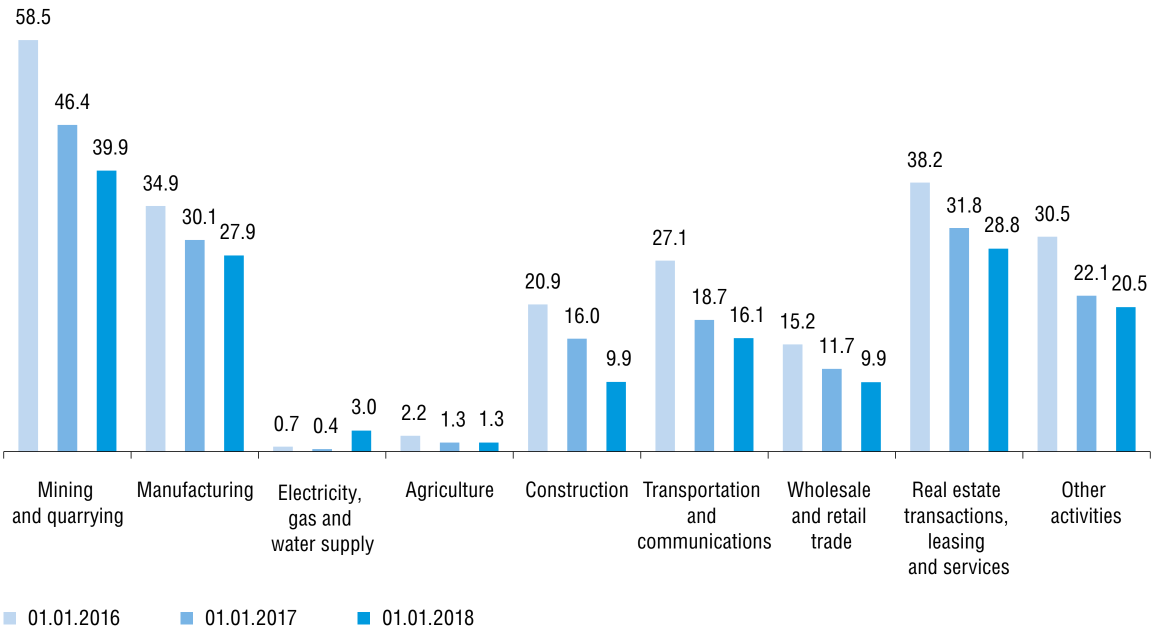


Figure 2.11. Share of outstanding corporate FX loans by economic activity, %



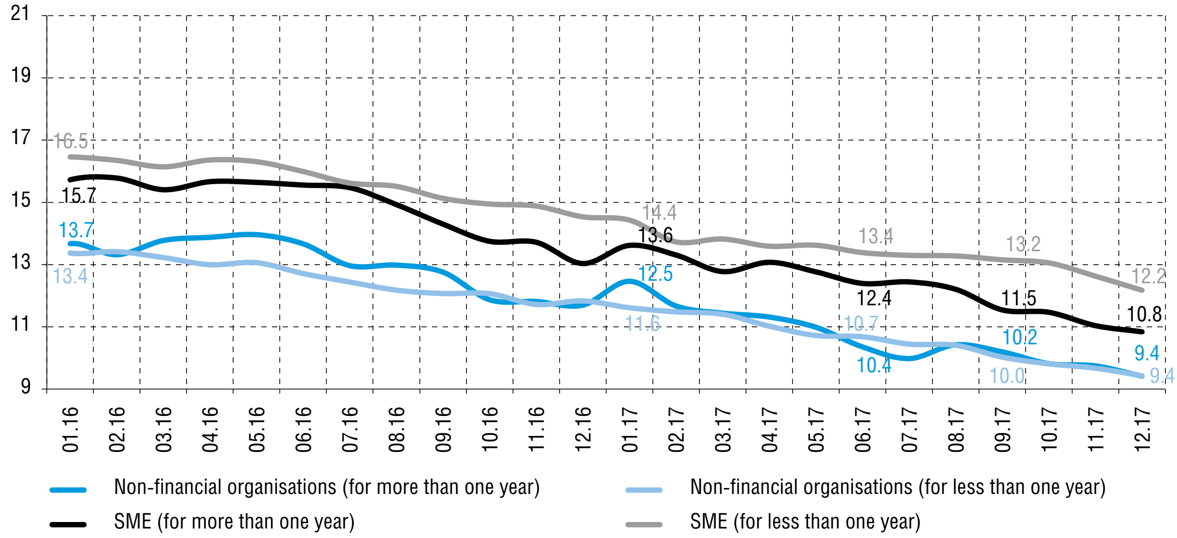
The share of FX loans in total loans to non-financial organisations declined from 32.2% to 29.7% in 2017. This is explained both by the drop in FX loans and the ruble's strengthening. The proportion of FX loans to all economic entities other than companies engaged in electricity, gas and water supply declined. The most considerable decline was registered in companies engaged in mining and quarrying (from 46.4% to 39.9%); however, these companies had the highest FX debt, given their significant FX revenues (Figure 2.11).

2017 registered favourable dynamics of interest rates on loans to non-financial organisations: the weighted average rate on ruble loans maturing in more than one year stood at 9.4% p.a. in December 2017, 3.1 pp below than the January 2017 reading (Figure 2.12).

In 2017, interest rates on loans to small and medium-sized enterprises (SMEs) remained higher than the rates on corporate loans as a whole. For loans with maturities of more than one year, the excess of interest rates for SMEs over those for non-financial organisations on the whole increased from 1.2 pp to 1.4 pp.

The trend towards growth in lending to (SMEs) that emerged in late 2016 gained hold in 2017: the to-

Figure 2.12. Weighted average interest rates on ruble loans to non-financial organisations, % p.a.



tal value of loans to SMEs rose considerably in 2017 (+15.4%)[1]. Outstanding bank loans to SMEs increased by a mere 1.3% to ₽4.2 trillion as of 1 January 2018 following a shrinkage in the SME loan portfolio in August 2017. The latter resulted from striking some borrowers off the Unified Register of SMEs[2].

Outstanding loans to individuals increased by 13.2% to ₽12.2 trillion in 2017 (in 2016, by 2.5%); this segment accounted for 14.3% of banking sector assets as of 1 January 2018. As the Bank of Russia took measures to mitigate credit risk in the FX retail lending market, the share of FX loans in the retail loan portfolio declined considerably in the reporting period (from 1.5% to 0.9%).

Unsecured consumer loans account for the bulk of the retail loan portfolio. Nevertheless, despite the recovery that followed several years of contraction, the share of these loans in the retail portfolio dropped from 50.2% to 49.5% in 2017.

Ongoing growth of mortgage lending helped improve the structure of retail operations: outstanding housing mortgage loans (HMLs) increased by 15.7% to ₽5.2 trillion in 2017 (in 2016, by 12.1%) driven by the subsidising of the interest rate on these loans by the Government. The number of HMLs issued in 2017 also increased compared to 2016: from 856 thousand to 1.1 million loans (by 26.9%).

HML dynamics by currency

Growth in HMLs was mainly driven by ruble loans; the value of ruble loans issued in 2017 increased by 37.3% to ₽5.1 trillion (the share in the total value of housing mortgage loans is 99.2%). The number of ruble loans issued over the year rose by 26.9% to 1.1 million loans. The weighted average rate on ruble HMLs in the reporting year dropped from 11.8% in January to 9.8% in December.

The issue of FX mortgage loans almost stopped: in 2017, 11 loans for a total amount of $9.4 million were issued (in 2016, 34 loans for a total amount of $18 million) (Figure 2.13). The share of FX HMLs, with acquired claims factored in, decreased from 1.9% as of 1 January 2017 to 1.2% as of 1 January 2018.

About two-thirds of mortgage loans in 2017 were provided by state-controlled banks, and their high share is largely explained by their active participation in governmental mortgage support programmes (Table 2.4).

2017 registered growth in car loans (by 15.0%, to ₽0.7 trillion); as of 1 January 2018, they accounted for 5.9% of the retail loan portfolio.

1 The value of loans to SMEs for the banking sector as a whole, unadjusted for FX revaluation and banking licence revocations.

2 Some legal entities which did not meet the requirements for SMEs according to the reporting data for the previous calendar year were stricken off the SME register as of 10 August 2017 by the Federal Tax Service (Clause 5 of Article 4.1 of Federal Law No. 209-FZ, dated 24 July 2007, ‘On the Development of Small and Medium-sized Businesses in the Russian Federation’).

Figure 2.13. Outstanding FX HMLs (including acquired receivables due) and HMLs issued year-to-date

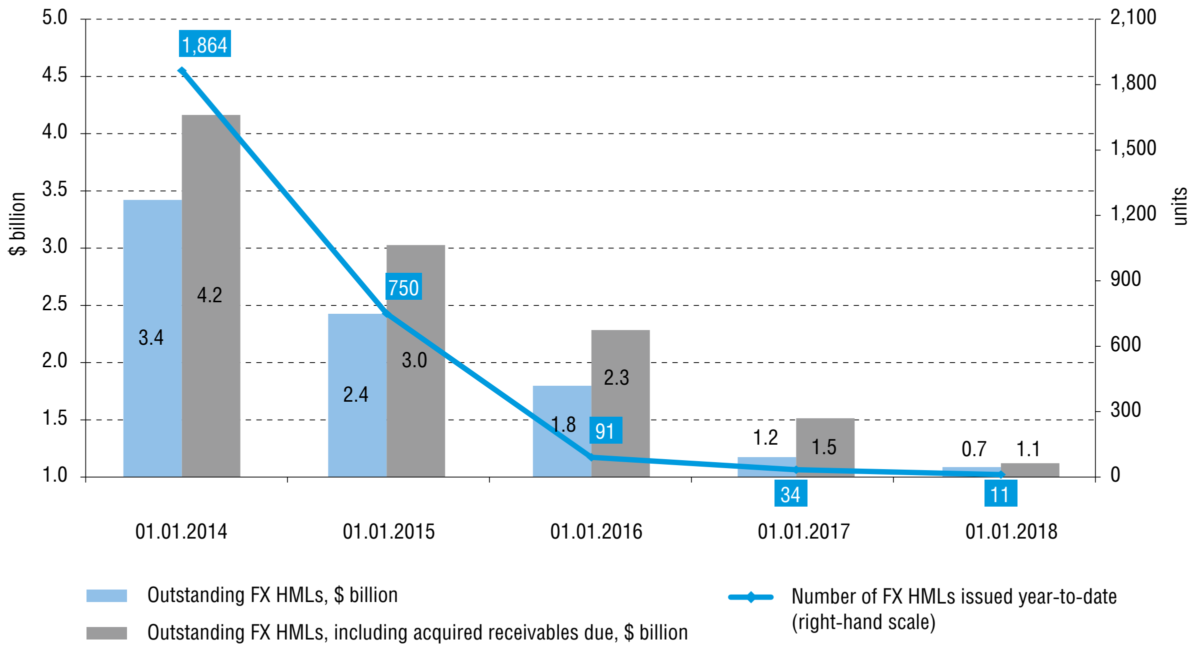


Table 2.4. Household loans by bank group

Group of credit institutions	Share of household loans, %			
	in the banking sector		in the assets of the respective group of banks	
	01.01.2017	01.01.2018	01.01.2017	01.01.2018
State-controlled banks	66.4	67.3	15.5	16.5
Foreign-controlled banks	12.5	12.1	22.1	22.5
Private banks with capital of more than ₽1 billion	15.2	15.5	12.0	12.7
Private banks with capital of less than ₽1 billion	0.6	0.5	9.4	11.4
Banks under resolution	5.1	4.6	5.4	5.4
Non-bank credit institutions	0.0	0.0	0.0	0.0

In 2017, rates on retail loans for more than one year continued to go down (Figure 2.14) having fallen to 12.9% p.a. by December. Nevertheless, in the light of the outpacing decrease in the consumer price index, real interest rates on loans held at 10–11%.

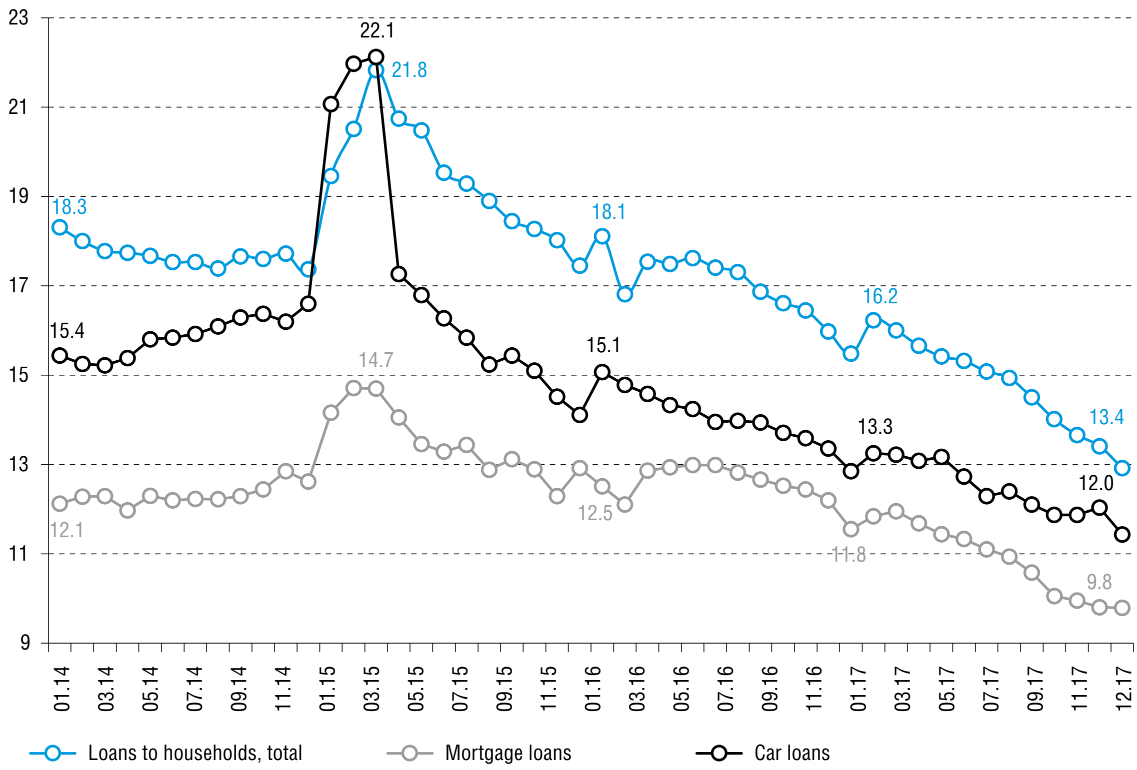
Given the positive dynamics of weighted average interest rates on household loans, the effective interest rate (EIR) on consumer loans decreased as well. Compared with the first quarter, the fourth quarter of 2017 saw a decline in EIRs in almost all 20 categories of consumer loans, as well as a 0.9 pp decrease in the upper bound of average market EIRs of credit institutions (to 28.7%[1]).

Credit institutions' securities portfolio expanded by 9.7% to ₽12.3 trillion in 2017 (in 2016, by 4.4%); however, its share in banking sector assets remained virtually unchanged and totalled 14.5% as of 1 January 2018. Debt investment still accounted for the bulk (81%) of this portfolio, having increased to ₽9.9 trillion. Having said that, in the light of the shrinking MOEX index (-5.5% in 2017), the expansion of the debt portfolio is attributed to the real increase in investments to this instrument rather than revaluation. A considerable portion of debt securities (12.9%) was transferred without derecognition. Investments in Russian debt increased considerably to ₽3.6 trillion, whereas their share in total investments in debt securities slightly declined from 36.1% to 35.8%.

As of 1 January 2018, state-controlled banks and private banks with capital of more than ₽1 billion were the main debt holders accounting for 43.7% and 25.0% of the banking sector's debt purchases.

[1] The average market effective interest rate on general purpose loans, unsecured special purpose loans (other than POS loans), consumer refinancing loans for up to one year in the amount of up to ₽30 thousand.

Figure 2.14. Weighted average interest rates on household ruble loans maturing in more than one year, % p.a.



The portfolio of banks' participation in subsidiary and affiliated joint-stock companies increased by 13.0% to ₽1.7 trillion (in 2016, it shrank by 6.5%), and its share in securities investment expanded from 13.6% to 14.2%.

Equity investments rose by 41.8% in the reporting period (in 2016, growth was 28.9%). As of the end of 2017, equity investment amounted to ₽480 billion, and its share in securities portfolio rose from 3.1% to 3.9%.

Receivables on loans to non-resident banks added 14.8% with their share in banking sector assets rising from 9.0% to 9.5%. In contrast, interbank loans[1] with non-resident banks shrank by 7.7% with their share in banks' assets falling from 2.5% to 2.0%. The total portfolio of interbank loans increased by 10.0% in 2017 (in 2016, by 15.1%) and as of year-end receivables on these loans totalled ₽9.8 trillion. The share of interbank loans in banking sector assets remained virtually unchanged over the year (11.5%).

II.2.3. Financial performance of credit institutions

II.2.3.1. FINANCIAL PERFORMANCE OF THE BANKING SECTOR

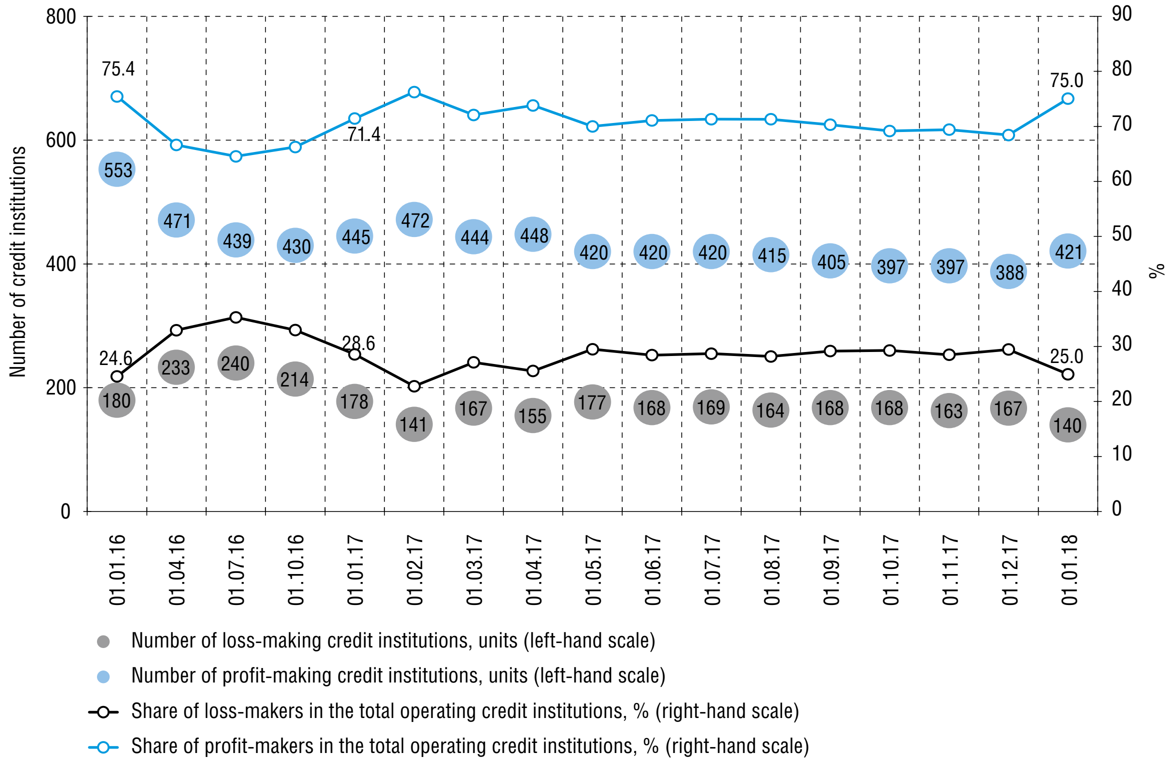
In 2017, credit institutions gained profit in the amount of ₽790 billion (in 2016, ₽930 billion). The decline in profit was explained by substantial net creation of additional loss provisions that increased by ₽769 billion or 39% in 2017 compared with 2016. Additional loss provisions were largely created by a number of large banks undergoing financial resolution, including resolution with the Bank of Russia's involvement.

In 2017, most credit institutions were profitable; their share increased from 71% to 75% compared with 2016. As many as 421 credit institutions[2] registered profit of ₽1.6 trillion in total (in 2016, 445 credit institutions and ₽1.3 trillion respectively). 140 credit institutions closed the year with a ₽772 billion loss; they accounted for 25% of operating credit institutions (in 2016, 178 credit institutions suffered losses of ₽362 billion, or 29% of operating credit institu-

[1] Interbank loans mean loans, deposits and other funds placed (raised) in the interbank market, including repos.

[2] Including one credit institution that posted zero profit.

Figure 2.15. Profit- and loss-making credit institutions



tions as of 1 January 2017). Roughly 95% of losses were from banks undergoing bankruptcy prevention measures.

The main contributors to banking sector profits were state-controlled banks (₽1.0 trillion rubles), private banks with capital of more than ₽1 billion (₽197 billion) and foreign-controlled banks (₽151 billion). In 2017, banks undergoing financial resolution suffered sizeable losses (₽596 billion) mainly associated with large additional loss provisioning. Small losses were also registered by private banks with capital of less than ₽1 billion (₽51 million).

In 2017, systemically important credit institutions gained a ₽918 billion profit, slightly below the 2016 profit (₽972 billion). This resulted from additional provisioning by systemically important credit institutions undergoing financial resolution with the Bank of Russia's involvement.

As of year-end 2017, the return on assets of credit institutions stood at 1.0%, and the return on equity was 8.3% (a year earlier, 1.2% and 10.3% respectively).

State-controlled banks were the most profitable in 2017; the return on their assets stood at 2.1% and return on equity – at 16.1%. Foreign-controlled banks also posted high return (2.4% and 13.8% respectively) (Table 2.5).

Table 2.5. Profitability ratios by bank group

Bank group	Return on assets, %		Return on equity, %	
	2016	2017	2016	2017
State-controlled banks	1.9	2.1	15.8	16.1
Foreign-controlled banks	1.8	2.4	11.4	13.8
Private banks with capital of more than ₽1 billion	0.4	1.4	3.3	10.9
Private banks with capital of less than ₽1 billion	0.1	-0.01	0.5	-0.1
Memo item: systemically important credit institutions	*1.9*	*1.7*	*15.7*	*13.5*

Overall, 291 banks, or 47% of operating credit institutions, improved their return on assets throughout the year, and 280 banks, or 45%, improved their return on equity.

The analysis of factors, that determined the return on equity in 2017, showed that the decline of this indicator was caused by a shrinking financial leverage and profit margin; however, it was supported by the return on assets (Table 2.6).

Table 2.6. Return on banking sector equity in 2017

$$\underbrace{\frac{\text{Assets*}}{\text{Capital*}}}_{\text{Equity multiplier (financial leverage)}} \times \underbrace{\frac{\text{Financial result}}{\text{Total net income**}}}_{\text{Profit margin}} \times \underbrace{\frac{\text{Total net income**}}{\text{Assets*}}}_{\text{Return-on-assets ratio}} = \underbrace{\frac{\text{Financial result}}{\text{Capital*}}}_{\text{Return on equity}}$$

	Equity multiplier (financial leverage)	Profit margin	Return-on-assets ratio	Return on equity
2016	8.9021	0.2796	0.0412	0.1026
2017	8.5397	0.1955	0.0498	0.0831

** Average for the period.*
*** Gross net income is the sum of net interest income, net income from securities trading, net income from FX transactions, net commission income, and other net income (before loss provisions net of recovered ones and maintenance costs of the credit institution are deducted).*

II.2.3.2. FINANCIAL PERFORMANCE STRUCTURE OF CREDIT INSTITUTIONS

In 2017, the main profit driving factors of the banking sector included net interest income, net commission income, net income from securities trading and other net income. Considerable constraint came from tangible growth in loss provisions, especially in banks undergoing financial resolution. Table 2.7 and Figure 2.16 show the drivers of credit institutions' financial performance[1] in 2017.

Net interest income was the most significant item of financial performance in all bank groups; it accounted for 64% of profit generating factors (in 2016, 67%). In 2017, net interest income shrank by 2% to ₽2.6 trillion (in 2016, it increased by 26% compared with 2015). This component remained the most significant item of financial performance for all bank groups, except for banks undergoing financial resolution. The highest readings were posted by state-controlled banks (72%) and private banks with capital of more than ₽1 billion (64%). The lowest value was registered in foreign-controlled banks (48%) and banks under resolution (14%).

The share of net interest income in gross interest income increased from 41% as of 1 January 2017 to 45% as of 1 January 2018 due to the decline in gross interest income outpacing the shrinkage of gross interest expenses.

As of the end of 2017 Q4, net interest margin[2] stood at 4.0% (excluding non-bank credit institutions), slightly below the 2016 Q4 reading (4.1%) mostly due to the shrinking net interest income (Figure 2.17).

Net commission income[3] grew by ₽33 billion, or by 4%, to ₽926 billion in 2017 (in 2016, by 15.7%). The share of net commission income in the structure of profit drivers grew insignificantly (from 22.4% to 22.9%). This indicator averaged 19% across bank groups in 2017. The share of net commission income in the structure of profit drivers was the most significant in private banks with capital of more than ₽1 billion (28%) and the lowest in banks undergoing financial resolution (5%). State-controlled bank and private banks with capital of less than 1 billion registered almost similar share of net commission income in the structure of profit drivers (23% and 24% respectively).

In 2017, net income from securities trading shrank by 38% to ₽258 billion, accounting for 6% in the structure of profit drivers (in 2016, 10%).

Net income from securities trading accounted for the largest share (29%) of profit drivers in foreign-controlled banks, which reflects higher importance of operations in the securities markets in the structure of their business compared to other bank groups.

[1] Based on Reporting Form 0409102 'Credit Institution Performance Statement'. Financial performance as per Reporting Form 0409102 (₽785.1 billion as of 1 January 2018 and ₽929.1 billion as of 1 January 2017) differ from the data as per Reporting Form 0409101 'Trial Balance of a Credit Institution' (₽789.7 billion as of 1 January 2018 and ₽929.7 billion as of 1 January 2017) mainly due to the difference in the number of reporting credit institutions. In certain cases the discrepancies between the total and the sum of components are due to the rounding of data.

[2] Margin is calculated as the ratio of net interest income for the last 12 months to the average chronological amount of earning assets (loans, deposits and other funds placed, including funds placed with the Bank of Russia; investments in debt and discounted promissory notes).

[3] Including commission income/expenses from operations that bring interest income/expenses.

Table 2.7. Financial performance structure of credit institutions

No.	Profit drivers	2016	2017	Growth rates	
				₽ billion	%
1	Net interest income	2,653	2,593	–60	–2.3
2	Net income from securities trading	417	258	–159	–38.0
3	Net income from transactions with foreign currency and precious metals	25	92	67	269.7
4	Net commission income and premiums	893	926	33	3.7
5	Other net income	-664	170	834	–125.7
6	Operational and administrative expenses of credit institutions	–1,731	–1,821	–90	5.2
7	Net additional provisions	-665	–1,433	–769	115.7
8	Profit before tax	929	785	–144	–15.5

Figure 2.16. Banking sector profit drivers, ₽ billion

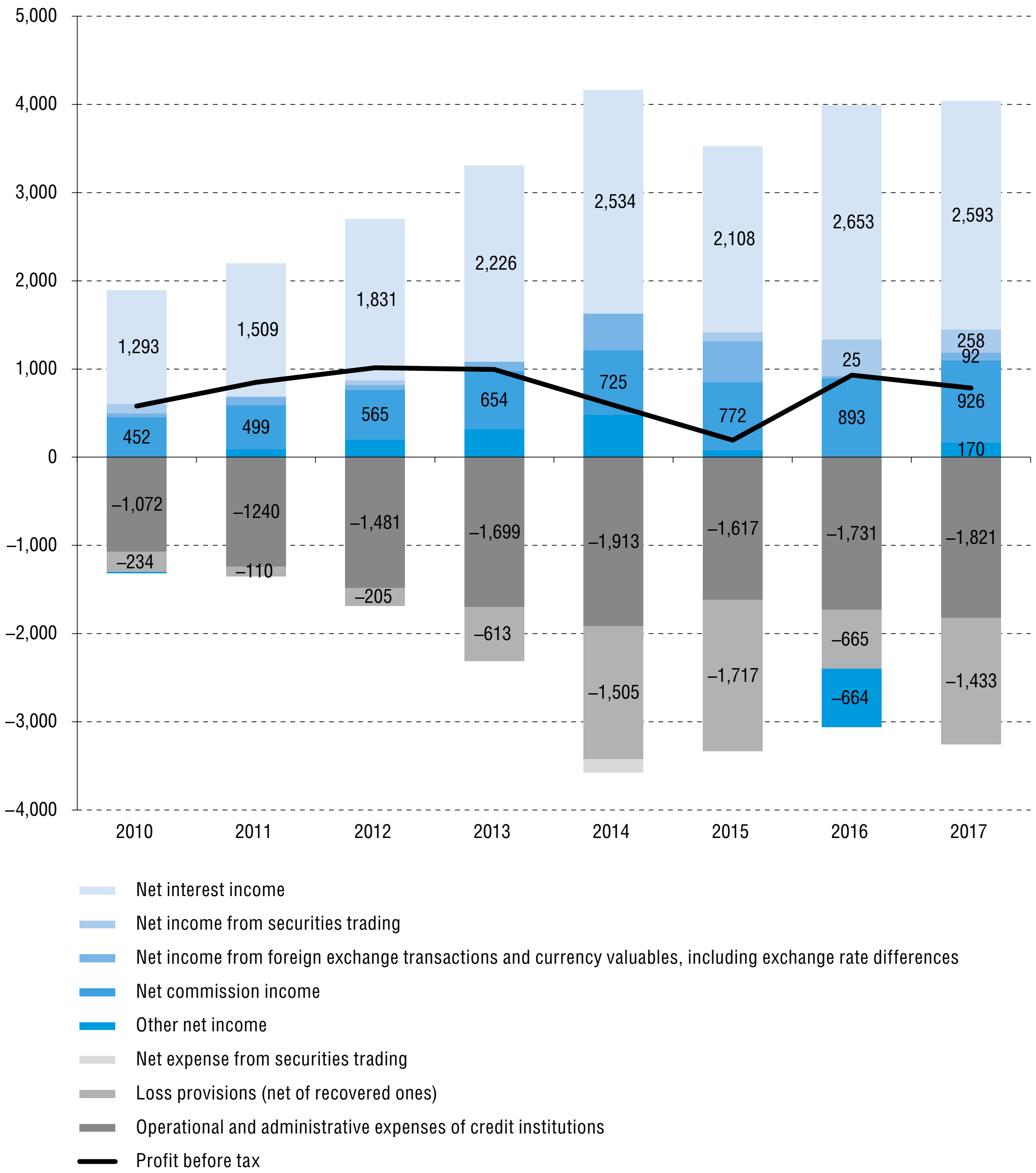


Figure 2.17. Net interest margin in 2016–2017 (excluding non-bank credit institutions), %

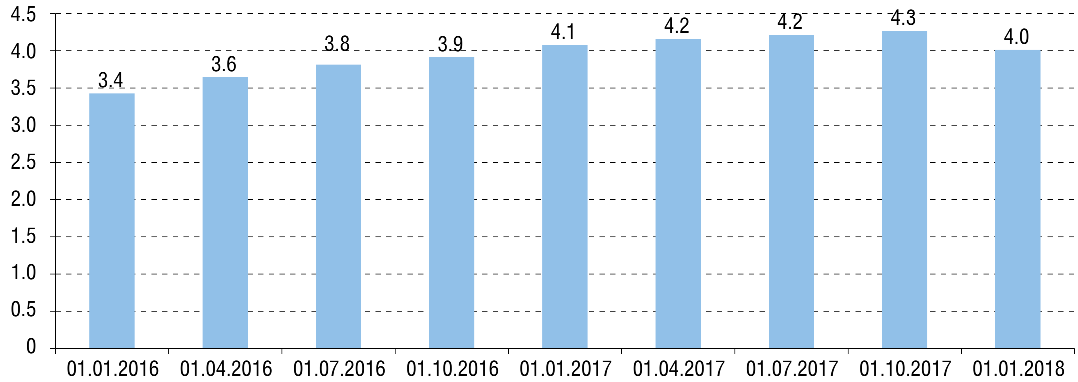
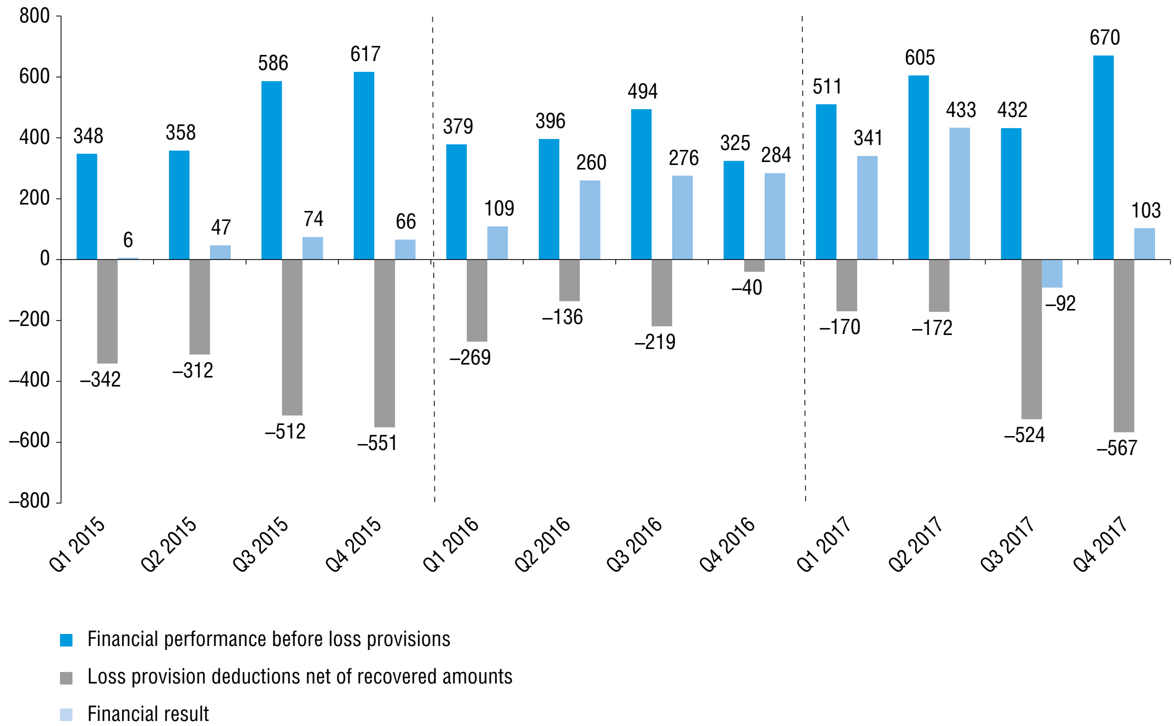


Figure 2.18. Financial performance of the banking sector and loss provisions, ₽ billion



Note: the data reflect quarterly growth.

In 2017, banks increased the efficiency of their FX transactions with net income from these transactions rising by ₽67 billion, or by a factor of 3.7, to ₽92 billion (in 2016, they shrank by a factor of 18). The share of this item in the structure of the banking sector's profit drivers also rose from 0.6% to 2.3%.

Income from foreign exchange transactions increased in all bank groups, except for state-controlled banks. State-controlled banks suffered loss on those operations; their share in profit reducing factors was 0.3% (a year before the share of income from FX transactions of these banks in profit drivers was 3%).

The banking sector's financial performance was also supported by net income on other operations of credit institutions. In 2017, such income totalled ₽170 billion, or 4% of profit drivers (in 2016, these operations registered net expense of ₽664 billion). Surplus on other transactions resulted from the decline in other expenses (other income rose only slightly): operating expenses from operations with placed funds shrank by ₽121 billion, expenses from derivative transactions – by ₽468 billion, and other operating expenses – by ₽231 billion.

In 2017, administrative expenses of credit institutions grew both in the banking sector and in most groups of credit institutions by a total of 5% to ₽1.8 trillion (56% of profit reducing factors). These expenses accounted for the bulk of profit reducing factors in private banks with capital of less than ₽1 billion (87%) and banks with capital of more than ₽1 billion (70%), and held the lowest share in banks undergoing financial resolution (18%).

The cost-income ratio[1] decreased considerably in the banking sector (from 49.5% to 43.1%). However, the situation is not uniform across bank groups. With systemically important credit institutions factored out, the cost-income ratio was much higher standing at 55.6% as of the end of 2017. The ratio is especially high in small banks (with capital of less than ₽1 billion) (83.7%), having risen considerably over the year (by 11.5 pp due to the outpacing decline in net income).

The Bank of Russia's resolution of the banking sector is reflected in provisioning dynamics (Figure 2.18). In 2017, net loss provisions (except for recovered provisions) increased by ₽769 billion to ₽1.4 trillion to account for 44% of profit reducing factors vs 22% in 2016. Banks created additional provisions for toxic assets accumulated in previous years.

Net additional loss provisions increased in all bank groups, except for private banks with capital of more than ₽1 billion and private banks with capital of less than ₽1 billion. As a result, the share of provisions in profit reducing factors in these banks shrank from 32% to 21% and from 15% to 13% respectively.

The share of provisions in profit reducing factors rose the most significantly in banks undergoing financial resolution (from 42% to 76%) and state-controlled banks (from 16% to 21%).

In 2017, profit tax adjusted for deferred tax liabilities and deferred tax assets rose by 6.4% to ₽251 billion (in 2016, profit tax tripled to ₽236 billion). As of 1 January 2018, the net effect of deferred tax assets and liabilities on net tax expenses of the banking sector amounted to ₽55 billion.

II.3. Institutional aspects of banking sector development

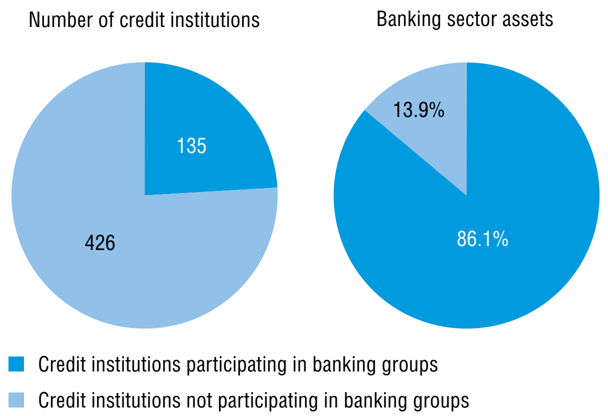
II.3.1. Banking groups and bank holding companies

II.3.1.1. BANKING GROUPS

The effective law defines a banking group as an unincorporated association of legal entities under control or material influence of a parent credit institution.

As of end-2017, there were registered 90 banking groups that united 135 credit institutions accounting for 86.1% of the sector's assets as of 1 January 2018. In 2017, major banking activity was conducted by the groups' parent banks accounting for 79.9% of the sector's assets. The number of participants in banking groups varies from 2 to 596 (including both financial and non-financial organisations). Most banking groups consist only of the parent bank (60 groups); 30 groups count 2 or more credit institutions.

Figure 2.19. Bank groups

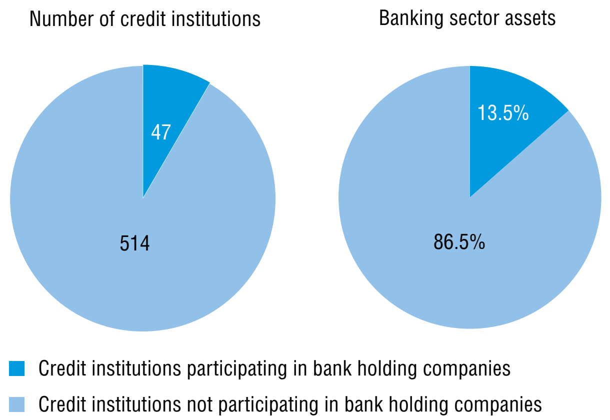


II.3.1.2. BANK HOLDING COMPANIES

Bank holding companies play a significant role in the Russian financial market along with banking groups. The law defines them as unincorporated associations of legal entities including at least one credit institution controlled by the parent company (which is not a credit institution) and other legal entities if banking operations account for less than 40% of their activ-

[1] The cost-income ratio is one of the most popular performance indicators of credit institutions.

Figure 2.20. Bank holding companies



ity (calculated in accordance with the Bank of Russia's methodology[1] that factors in the share of income and assets of a credit institution(s) in the holding company's aggregate data).

As of 1 January 2018, 35 bank holding companies operated in Russia. They united 47 credit institutions accounting for 13.5% of banking sector assets. The number of members of bank holding companies (both financial and non-financial organisations) ranged from 2 to 137. As of 1 January 2018, bank holding companies included 20 banking groups.

Most asset management companies of holding companies were registered in Russia and 12 asset management companies were registered abroad.

II.3.2. Quantitative characteristics of the banking sector

Systemic efforts aimed at banking sector resolution resulted in improvement of qualitative aspects of Russian banks' operations and withdrawal of unscrupulous players from the banking market. The number of operating credit institutions declined by 62 banks to 561 credit institutions in 2017 (Figure 2.21).

Major multibranch banks continued to optimise their internal structural divisions reducing their number by a total of 914 units (by 2.7%, due to the cut in the number of cash operations departments outside cash settlement centres from 4,995 to 3,033); to 33,286 as of 1 January 2018 (as of 1 January 2017, 34,200 units). At the same time, the number of additional offices increased from 19,776 to 20,263, operations offices – from 7,230 to 7,743, credit and cash offices – from 1,943 to 1,972, and mobile banking vehicles – from 256 to 275.

As a result of these changes, the number of internal structural divisions per 100 thousand people fell from 23.3 as of end-2016 to 22.7 as of end-2017; however, in many cases this was offset by a wider range of banking e-services to households and businesses. For more details refer to Subsection II.6.

To raise financial inclusion, the development strategy of PJSC Post Bank seeks to create its divisions in the offices of FSUE Russian Post in remote and rural regions. Throughout 2019, PJSC Post Bank intends to open branches in all Russian regions, and increase the number of customer centres and bank windows in post offices, including in remote and rural regions.

As of 1 January 2018, foreign capital accounted for 12.94% of the total authorised capital of operating credit institutions, as calculated by the Bank of Russia in accordance with the procedure established in Article 18 of the Federal Law 'On Banks and Banking Activities'[2] (vs 13.51% as of 1 January 2017 and 13.44% as of 1 January 2016).

II.3.3. Development of regional banking

In 2017, most Russian regions observed a reduction in the number of operating credit institutions: the number of regional banks[3] decreased from 302 to 277 (following the revocation of 20 licences and the reorganisation of five credit institutions); 15 banks have been under financial resolution. The share of regional banks in banking sector total assets reduced slightly from 9.5% to 9.3% at the end of the year.

Regional banks' profits showed favourable dynamics, increasing against the previous year by a factor of 1.9 to ₽55 billion in 2017. Capital adequacy of regional banks rose from 12.1% to 12.7% in 2017, exceeding the overall banking sector readings.

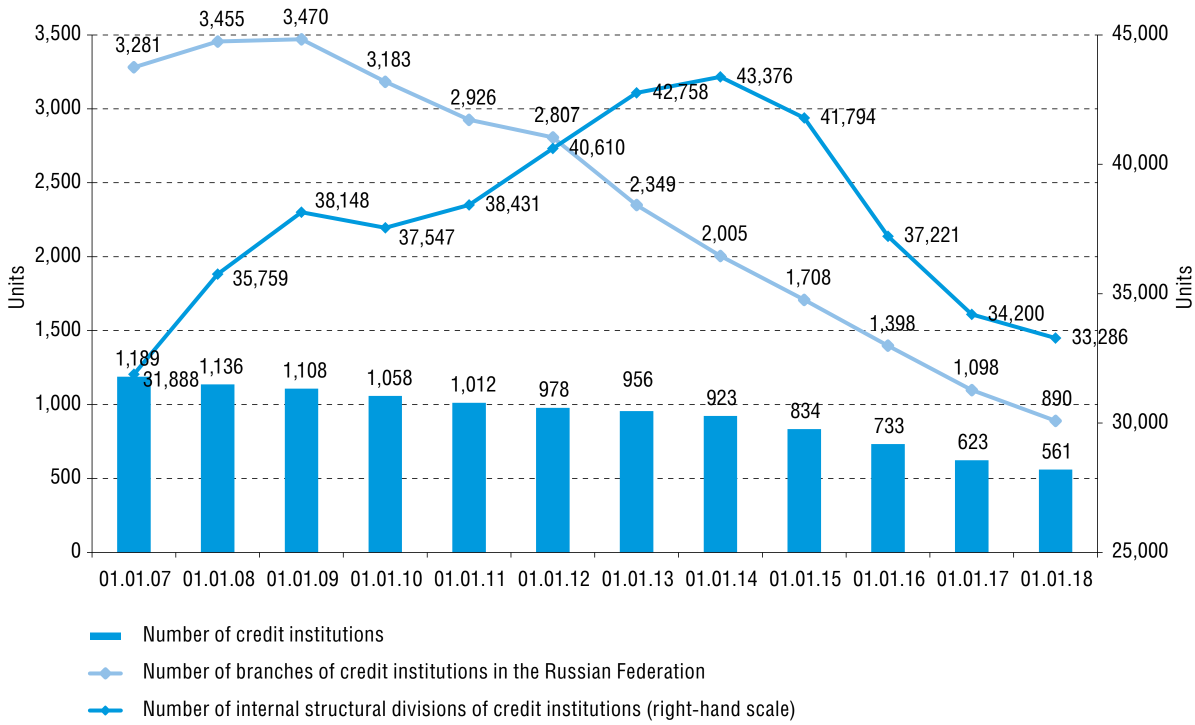
All banks servicing households and legal entities in Russian regions have internal structural divisions. As of the end of 2017, the aggregate index of the

[1] The share of banking operations is calculated in accordance with Bank of Russia Ordinance No. 4618-U, dated 27 November 2017, 'On the Methodology for Calculating the Share of Banking Activities in the Overall Operations of a Bank Holding Company'.

[2] Federal Law No. 395-1, dated 2 December 1990, 'On Banks and Banking Activities'.

[3] Regional banks are banks registered outside Moscow and the Moscow Region.

Figure 2.21. Number of credit institutions and their branches



density of banking services[1] in most regions did not change substantially. Banking services are still most accessible in the Central Federal District (especially in Moscow), followed by the North-Western Federal District where banking services are highly accessible in Saint Petersburg. The index rose slightly in these regions in 2017.

Other regions saw the index rise or stabilise, except for the North-Caucasian Federal District, where the index declined and has shown the lowest readings of all Russian federal districts (see Table 5.2 of the Statistical Appendix).

II.3.4. Concentration of banking services

In 2017, indicators of banking industry concentration continued to rise.

Banking concentration in Russia equals to the medium readings of EU countries but is closer to the level in the countries with low concentration readings. Top-5 Russian credit institutions accounted for 55.8% of banking sector assets as of 1 January 2018 (as of 1 January 2017, 55.3%); this indicator is much higher in 19 EU countries[2]: the highest concentration is registered in Greece (97.3%), Estonia (88.0%) and Lithuania (87.1%); concentration is lower in nine EU countries – Luxembourg (27.6%), followed by Germany (31.4%) and Austria (34.5%).

This indicator varies significantly across developing countries: from 36% in India and 37% in China to 82% in Brazil[3]. Top-5 US banks account for 43% of banks' assets.

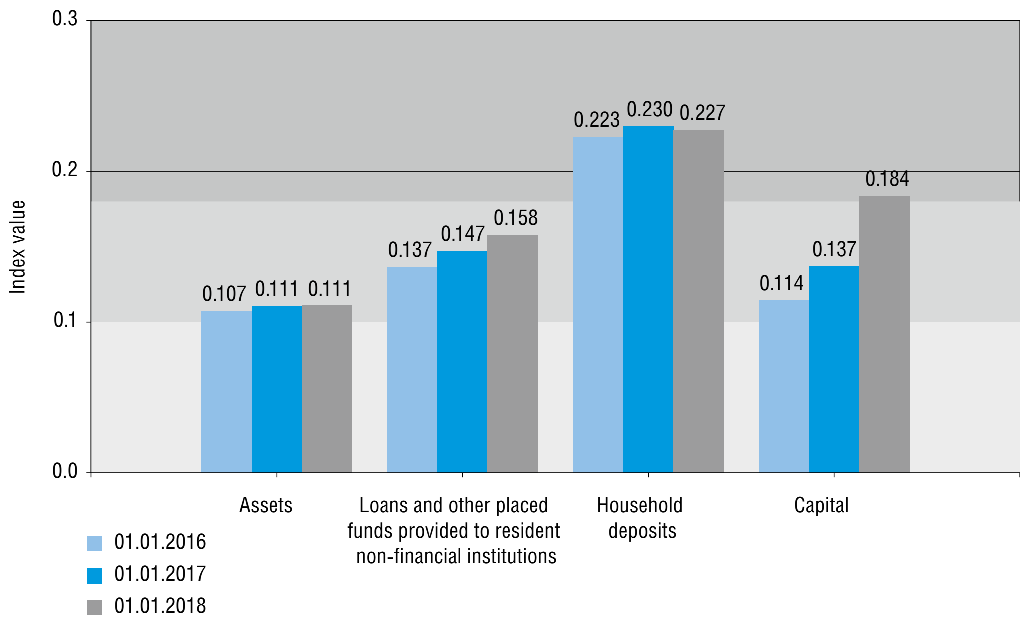
The Herfindahl-Hirschman Index (HHI)[4] of banks' key performance indicators is often used to describe the level of competition in the banking sector. The HHI shows that in 2017 concentration in main groups of assets and liabilities held at the medium level (Figure 2.22). During 2017, the asset concentration index held at the year-start level (0.111); the concentration of loans to resident non-financial organisations grew from 0.147 to 0.158, so did the concentration of capital, the index was up from 0.137 to 0.184.

[1] The methodology used to calculate the index is explained in Section IV of this Report.
[2] Data by the European Central Bank.
[3] BIS Report on Structural changes in banking after the crisis.
[4] The Herfindahl-Hirschman Index is calculated as the sum of the squared unit weights of a certain indicator (assets, equity, loans, etc.) of credit institutions in the total volume of the banking sector. It shows the degree of the indicator's concentration on a scale ranging from 0 to 1.

Table 2.8. Concentration in the household deposit market

	01.01.2014	01.01.2015	01.01.2016	01.01.2017	01.01.2018
HHI for deposits, %	0.227	0.213	0.223	0.230	0.227
Sberbank's share in total deposits, %	46.7	45.0	46.0	46.6	46.1
Share of the top five banks in terms of deposits in total deposits, %	60.5	59.9	62.0	63.2	65.2

Figure 2.22. Russian banking sector concentration indices (HHI values)



The Herfindahl-Hirschman Index is calculated as the sum of the squared unit weights of credit institutions in the total volume of the banking sector.
It shows the degree of the indicator's concentration on a scale ranging from 0 to 1.
The zero value corresponds to the minimum level of concentration; a value of less than 0.10 indicates a low level of concentration; a value between 0.10 and 0.18 represents a medium level of concentration, and a value of more than 0.18 corresponds to a high level of concentration.

Though having declined somewhat, concentration in the household deposit market remains at the all-time high of 0.227 as of 1 January 2018 (see Table 2.8 and Figure 2.22).

The Bank of Russia is focused on the adequacy of regulatory requirements to the scale of credit institutions' business.

In 2017, Federal Law No. 395-1, dated 2 December 1990, 'On Banks and Banking Activities' was amended[1] to divide banks by total capital into banks with a universal licence and banks with a basic licence. The minimum total capital is set at ₽1 billion for a bank with a universal licence and at ₽300 million for a bank with a basic licence. The new requirements for the minimum total capital of operating banks have been applied since 1 January 2018.

This provokes interest to the dynamics in the number of banks with capital of less than ₽1 billion rubles (most of them may apply for a basic licence). In 2017, the number of such institutions dropped from 247 to 205 (Table 2.9).

The total capital of a non-bank credit institution (NCI) in accordance with Federal Law No. 395-1, dated 2 December 1990, should be no less than ₽90 million. As of 1 January 2018, 22 out of 44 NCIs had total capital of more than ₽90 million[2]. Other NCIs account for an immaterial share of banking sector assets (0.01%).

[1] Federal Law No. 92-FZ, dated 1 May 2017, 'On Amending Certain Laws of the Russian Federation'.

[2] Federal Law No. 395-1, dated 2 December 1990, allows NCIs, which had total capital of less than ₽90 million as of 1 July 2016, to continue their operations if their total capital does not decrease against the level achieved as of 1 July 2016 and capital is increased to the required minimum by 1 July 2019.

Table 2.9. Credit institutions by total capital as of 01.01.2018

	Number of credit institutions
Banking sector	561
Banks with capital of at least ₽1 billion, total	517
capital of more than ₽250 billion	7
capital of ₽100 billion to ₽250 billion	4
capital of ₽50 billion to ₽100 billion	8
capital of ₽3 billion to ₽50 billion	129
capital of ₽1 billion to ₽3 billion	135
Banks with capital of less than ₽1 billion, total	205
capital of ₽700 million to ₽1 billion	25
capital of ₽500 million to ₽700 million	52
capital of ₽300 million to ₽500 million	127
capital of less than ₽300 million	1
Banks undergoing financial resolution	29
Non-bank credit institutions, total	44
capital of more than ₽300 million	7
capital of ₽90 million to ₽300 million	15
capital of less than ₽90 million	22

State-controlled banks' share in banking sector assets grew moderately in 2017: from 59.1% as of 1 January 2017 to 63.1% as of 1 January 2018. State-controlled banks overcome crises more effectively thanks in part to government support. Targeted fund allocation to state-controlled banks allows, on the one hand, supporting individual segments of the economy and financial sector, and, on the other hand, higher-quality control over the targeted use of public support funds.

The share of such banks traditionally increases in crisis and post-crisis periods and declines when the banking sector develops sustainably. Therefore, as the Russian economy stabilises, the share of state-controlled banks in the market may gradually decline.

II.4. Business models of credit institutions

II.4.1. Classification of bank business models and their specifics

Bank business models are classified based on core principles the most characteristic of the specifics of a bank's or a banking group's operations. The analysis of asset structure distinguishes a retail and universal business models of Russian banks. In addition, captive banks[1] can be found in the Russian market. Non-bank credit institutions make a separate group.

The most common in Russia and globally is a universal business model where neither business line (retail, corporate, investment) prevails.

Over the past 10–15 years, retail banks focused on operations with individuals have come into the spotlight. To analyse the current environment we consider that retail banks are those where loans and other funds provided to individuals account for more than 25% of assets.

Unlike other classes, captive banks are determined by the dependence of a bank's operations on the owner rather than by the structure of assets/liabilities. Here captivity means a bank's dependence on operations with the ultimate beneficiary and their decisions related to the bank's operations, which may strongly affect the bank's financial soundness. Such dependence may be indirectly evidenced by high concentration of claims on the beneficiary and affiliated legal entities and individuals in a bank's assets, or a considerable share of funds of the beneficiary or affiliated parties in a bank's liabilities.

Along with formal criteria that assigned banks to certain business models, the analysis also considered professional judgement of these banks' supervisors.

[1] A captive bank is a credit institution established by a financial industrial group or a private individual for their own benefit. Captive banks exclude banks where ultimate beneficiaries are Russian or foreign government agencies, state-controlled companies and financially sound international groups.

II.4.2. Specifics of business models

Credit institutions with a universal business model prevailed in the banking sector, accounting for 83.0% of assets as of 1 January 2018[1]. Universal credit institutions prevail in the banking sector relative to other banking business models as this class is numerous and includes major banks.

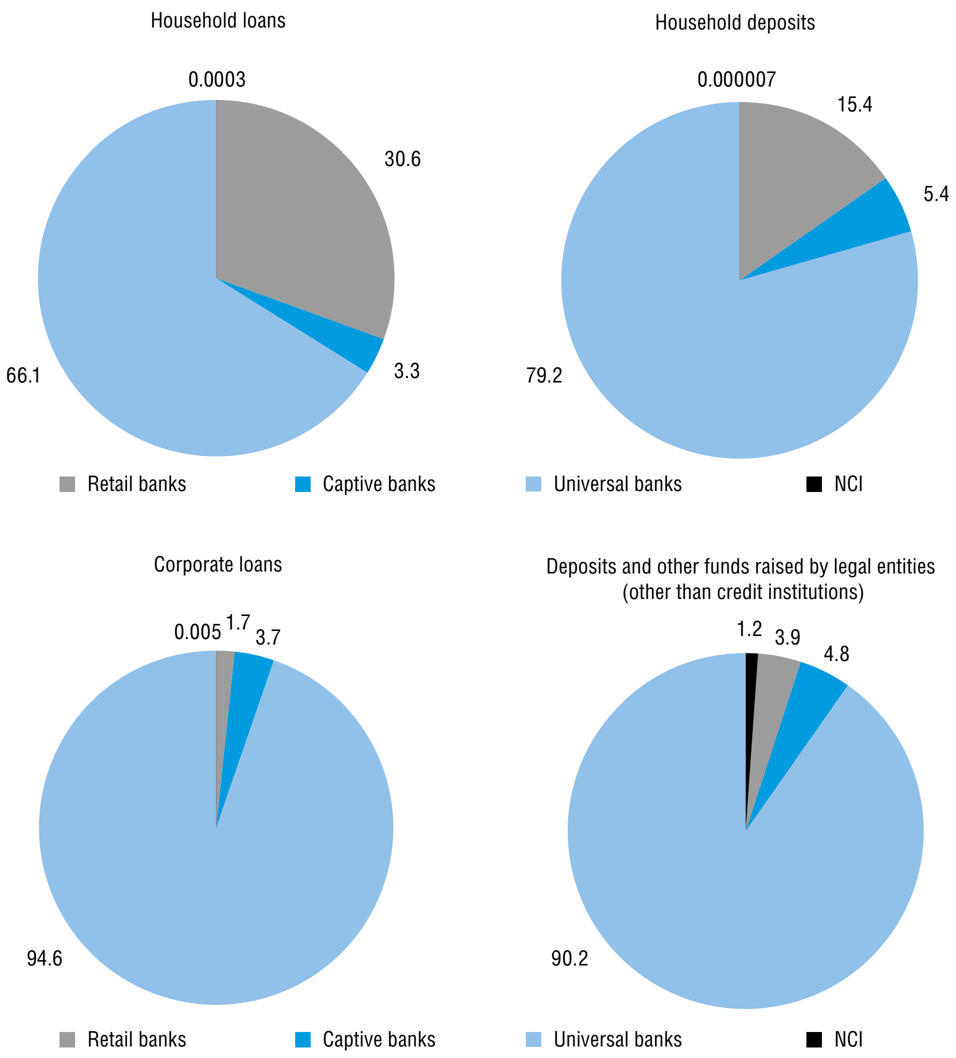
Retail banks come second by assets: average retail banks are larger than captive ones. Despite the lower number of retail banks compared to other business models, total assets of credit institutions of this type (8.7% of the sector's assets) exceeded captive banks' assets.

Captive credit institutions were third by assets (4.6% as of 1 January 2018). In 2017 they dropped in number because of small banks accounting for 1% of banking sector assets as of 1 January 2017. The shrinkage in the number of captive credit institutions was triggered by general economic/sectoral factors such as marginality reduction or tougher competition, and the factors that added to the decline in the number of captive banks: higher sector transparency, improving banking supervision and evolving legislation (including restrictions on lending to related parties).

Universal banks are leading by loans to non-financial organisations (94.6%), whereas accounting for a much lower share of the retail loan portfolio (66.1%). This is confirmed by the asset structure of such banks: loans to non-financial organisations account on average for 41.2% of assets and household loans – for 10.3%.

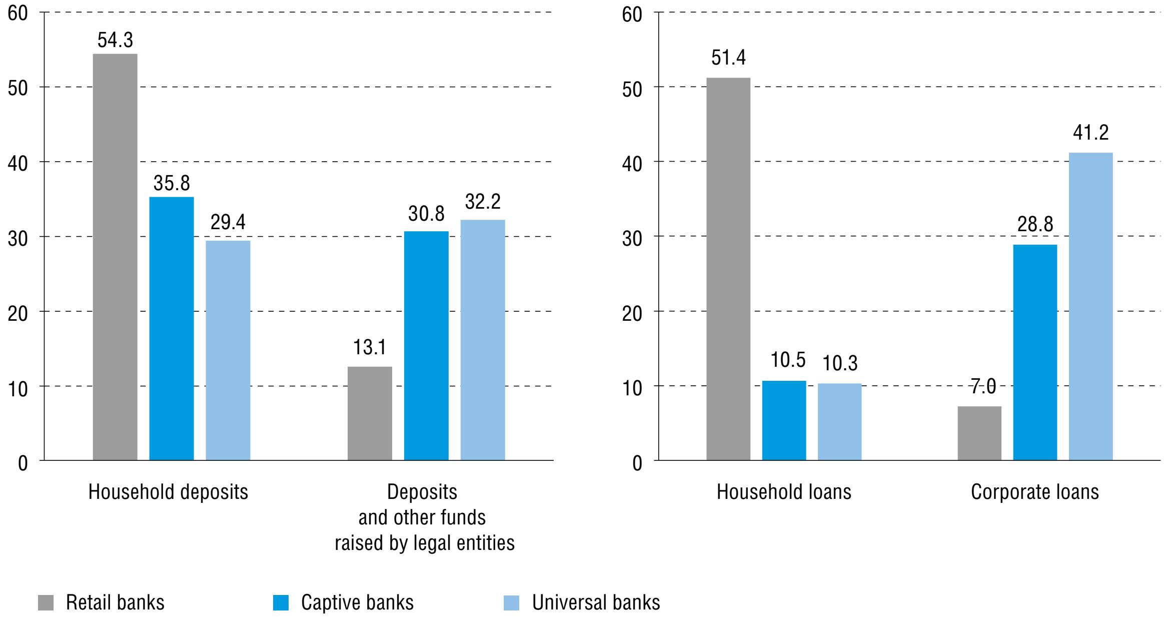
Retail banks predictably play an important role in retail lending, accounting for 30.6% of the sector's

Figure 2.23. Loan portfolio and funds raised by the banking sector as of 01.01.2018, %



[1] Here and elsewhere in this Section, banking sector indicators factor out banks under resolution.

Figure 2.24. Share of raised and placed funds in banks' total assets by business model, as of 01.01.2018, %



respective loan portfolio. This is primarily associated with specialisation of such banks on operations with individuals: retail loans account for 51.4% of these banks' assets. These banks are less concentrated on operations with legal entities, and, accordingly, their share in the sector's corporate loan portfolio (1.7%) is much lower than in other banks. In contrast, captive banks focus on lending to legal entities: corporate loans account for 28.8% of these banks' assets and loans to individuals account for 10.5%. The bulk of captive banks' corporate loans are issued to enterprises directly or indirectly affiliated with their owners. Such relation is often concealed through several levels of technically unaffiliated shell companies.

Captive banks account for a larger share of deposits and other funds raised from legal entities (other than credit institutions) than retail banks; the opposite is true for household deposits where retail banks account for considerably larger share (15.4%) than captive credit institutions (5.4%). The structure of borrowed funds of retail banks also confirms the importance of household deposits for funding of this type of credit institutions: as of 1 January 2018, deposits accounted for 54.3% of their liabilities.

Non-bank credit institutions account for 3.7% of banking sector assets, with NCI NCC (JSC) accounting for 3.4%.

II.5. Banking technologies: opportunities and challenges

The Russian banking sector follows the global trends in financial technologies, which include:

• building a clientele that mainly seeks remote banking services;

• rising competition for introduction of innovative digital solutions into banking products;

• investing in artificial intelligence to use it in banking;

• investing in cyber-risk mitigation technologies.

Given the risks and challenges associated with new technologies, in December 2017 the Bank of Russia Board of Directors approved the Financial Technology Guidelines for 2018–2020. They provide for the implementation of measures for the financial market and the Bank of Russia in the following fields:

1. Regulating financial technology usage, including consumer and personal data protection.

2. Developing digital technologies in the financial market, including research, analysis and development of proposals on the application of financial technologies, creation and development of financial infrastructure.

3. Shifting to electronic communication between the Bank of Russia, governmental agencies, financial market participants and their customers.

4. Creating the Bank of Russia regulatory framework to approve innovative financial technologies, products and services.

5. Cooperating within the EAEU to shape a joint payment area for EAEU member-states, among other things.

6. Promoting security and stability of financial technology usage.

7. Developing human resources in financial technologies.

Remote identification will enable remote banking services to individuals and boost financial inclusion for all people (including the inhabitants of remote regions and the handicapped), reduce cost of financial services and raise competition in the financial market. Certain credit institutions intend to use biometric customer identification not only for face and voice recognition but also for sociometry purposes that will allow banks to adjust communications to customers' psychological profile. Enabling remote identification is a key objective of financial service digitalisation.

The technological infrastructure that will enable this mechanism is now in development. Also, IT systems of credit institutions are fine-tuned and adjusted for collection of biometric personal data.

Artificial intelligence may transform banks. Robotisation and computerisation will allow banks to automate banking services and reduce human involvement.

In 2017, the Bank of Russia and FinTech Association, established by the Bank of Russia and major financial market participants (primarily credit institutions), launched efforts to develop the distributed ledger technology, retail payment area, open API[1], identification and digital identity management.

The Bank of Russia joined forces with participants of FinTech Association to draw up a concept of the faster payments system to be launched in early 2019.

The platform will enable real-time money transfers between individuals and payments for goods and services to legal entities within the set limits with the use of simple and handy payment identifiers (e.g., a mobile phone number or a QR-code). The platform will help develop the payment services market, lay grounds for the introduction of high tech financial services and promote non-cash settlements.

At the moment, FinTech Association is developing a Masterchain platform based on the distributed ledger technology and launching pilot projects to keep records of electronic mortgages, digital letters of credit and bank guarantees.

In order to expand the information available to credit institutions through the System of Interdepartmental Electronic Collaboration (SIEC) and the Unified Portal of Public and Municipal Services (UPPMS), the Bank of Russia is working to provide credit institutions with a technological capability to obtain the said information.

New provisions of Federal Law No. 86-FZ, dated 10 July 2002, 'On the Central Bank of the Russian Federation (Bank of Russia)' have been effective since 1 October 2017. They empower the Bank of Russia to cooperate with credit institutions through personal accounts on the Bank of Russia website.

The regulator will send its requests, orders and explanations regarding the application of various regulations through personal accounts. Credit institutions, in turn, will be able to use personal account functions to send responses or queries to the Bank of Russia.

These measures are aimed at an effective legally valid electronic document workflow between the Bank of Russia and information exchange participants, as well as the exchange of confidential and publicly available information.

The Bank of Russia elaborated a Concept of Electronic Document Storage and Usage that makes such documents legally valid for the financial market, and together with the interested agencies drafted a roadmap (plan of action) to guide its implementation.

II.6. Payment services fine-tuning as a tool to develop banking products

In 2017, the payment services market enjoyed the effective functioning of the national payment system (NPS) members, the rise of Mir Payment System,

[1] Open Application Programming Interfaces (API) are methods used in information exchange between information systems of different organisations with the use of standard data exchange protocols. In other words, open APIs are used for information exchange between applications of different market participants.

the leading national player, and the development of national payment instruments. The improvement of financial services through cutting-edge technologies helped expand financial inclusion and cashless transactions.

The banking sector, the core of the NPS, showed positive performance that defined its activity in the payment services market. Funds transfers by banks at their customers' request[1] and as part of their own operations rose by 32.3% in number and by 7.2% in value (to 26.8 billion payments totalling ₽667.7 trillion). Transactions of households expanded at an outpacing rate (by 36.5% in number and by 35.8% in value) as they increasingly resorted to non-cash payments. Most ATMs, which totalled 195.2 thousand units as of 1 January 2018, allowed non-cash transactions.

As the supply of technology-enabled financial products (online and mobile banking, contactless technologies and a broader functionality of payment acceptance devices) expanded and the network of bank branches shrank, it became clear that physical access to payment services tended to be ousted by remote channels. This was evidenced by the ongoing expansion of remote access accounts by 12.7% to ₽219.4 million. In 2017, their share in active customer accounts rose to 82.2%.

Compared with 2016, the number of technology-enabled customer transactions increased by more than a third (to 25.4 billion orders) and their value grew by 10.5% (to ₽592.6 trillion). This was largely enabled by retail transactions, which registered an annual increase of 38.3% by number and 45.8% by value. In addition, one in five electronic retail payments was made via the Internet and/or mobile devices.

As of year-end, the number of payment cards issued by Russian credit institutions rose by 6.4% (to 271.0 million pieces by end-2017) due to the issue of Mir cards.

By the end of 2017, 374 credit institutions were participating in the Mir payment system, 365 of which accepted national payment instruments in their infrastructure, and 157 of which issued them.

Russian payment card transactions at home and abroad followed a sustainable upward trend, having increased by 34.3% in number (to 24.0 billion transactions) and by 23.7% in volume (to ₽63.4 trillion).

Payment cards were used for non-cash transactions six times as often as for cash withdrawal. The share of non-cash transactions in total card transactions rose to 86.1%, while their value accounted for more than a half (57.0%) of transactions for the first time in payment card market history. That said, the number and value of cash withdrawals went down (by 3.8% and 0.4% respectively).

Concurrently, we saw a rise in card purchases, including those on Mir payment cards where 65% of all transactions were payments. These data are the sign of growing demand for the banking card as a payment method, with cards gaining an increasingly strong foothold among Russian consumers.

Issuing and merchant banks raised customer service rate and quality, offering new high tech products. In particular, banks engaged in contactless payments handy for small purchases. More than a half of Russian-issued cards (58.4% as of 1 January 2018) offered contactless payment functionality that was used in 11 of 100 payments for goods and services[2].

The e-money market saw further development. The number of electronic payment instruments (EPI) used to transfer electronic money issued by e-money operators increased by 16% to 366.1 million units in 2017. Over the year, they were used in 2.0 billion transactions for a total amount of ₽1.4 trillion[3] (growth of 42.4% in number and 35.4% in value), with anonymous EPIs accounting for most of them (86.3% and 58.9% respectively).

[1] Here and elsewhere in this Subsection, households and legal entities other than credit institutions.

[2] The use of both payment cards and mobile devices.

[3] Includes transfers of electronic money and electronic money balances, with the latter including cash withdrawal.

III. RUSSIAN BANKING SECTOR RISKS

III.1. Credit risk

III.1.1. Loan portfolio quality

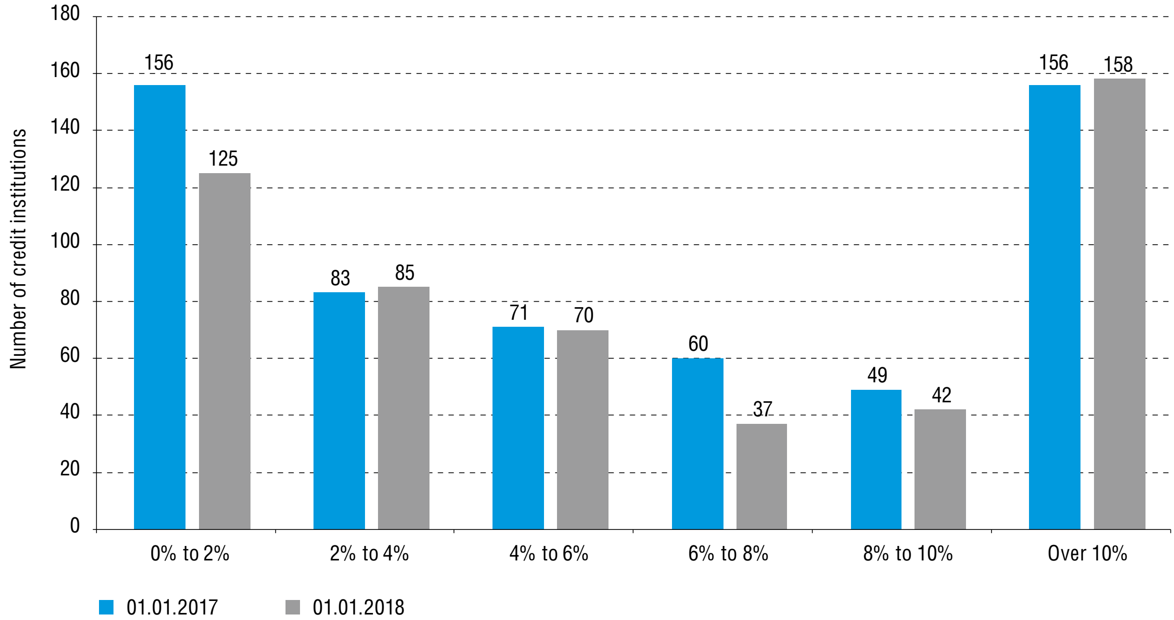
In 2017, the share of overdue loans in total loans to the economy (non-financial organisations and households) in the banking sector fell slightly from 6.7% to 6.6%. The drop came as a result of the outpacing growth of the loan portfolio compared with the increase in overdue loans – 6.2% vs 2.5%[1] (as of 1 January 2018, overdue loans totalled ₽2.8 trillion).

The quality of loans to resident financial organisations (other than credit institutions) also improved in 2018 – the share of overdue loans dropped from 1.7% to 1.5%.

Banks under resolution were the main contributors to growth in overdue loans to the economy; a fair value estimate increased their overdue loans by 20.1%. In contrast, state-controlled, foreign-controlled and large private banks (with capital of more than ₽1 billion) reduced their overdue loans. State-controlled banks had the lowest share of overdue loans among bank groups (3.3% as of 1 January 2018 vs 3.9% as of 1 January 2017).

The number of banks where the share of overdue loans to the economy was relatively high (more than 8% of the loan portfolio) decreased from 205 to 200 in 2017 (Figure 3.1), and their share in banking sector assets shrank from 26.1% to 21.0%. That said, in 210 banks accounting for roughly 60% of banking sector assets as of 1 January 2018, overdue loans held below 4%.

Figure 3.1. Credit institutions by overdue loans to the economy



[1] Here and elsewhere in this Subsection, growth is adjusted for exchange rate effects in credit institutions operating as of the last reporting date (including reorganised banks).

By end-2017, the quality of loans to non-financial organisations almost stabilised – as of 1 January 2018, overdue loans stood at 6.4% (as of year-start, 6.3%). As lending to non-financial organisations increased by 3.7%, overdue loans grew by 3.9% to ₽1.9 trillion in 2017 (Figures 3.2 and 3.4).

The first half of 2017 saw an improvement in the quality of SME loans – the share of overdue loans dropped from 14.2% as of year-start to 13.2% as of 1 July 2017. However, the share of overdue loans rose by 15.5% in August 2017 following a sizeable shrinkage of SME loan portfolio (by ₽701 billion in nominal terms) which resulted from excluding some borrowers from the SME category in compliance with law. Consequently, in September-December 2017, the share of overdue SME loans shrank to 14.9%.

Broken down by economic activity, the share of overdue loans declined in all major sectors bar construction (growth from 15.8% to 17.9%) and trade (growth from 11.8% to 12.2%) (Figure 3.3).

As of 1 January 2018, overdue loans accounted for 4.0% of loans to manufacturing companies and 7.7% of loans to agricultural businesses.

Loans to legal entities (other than credit institutions) restructured with extension of principal maturity (roll-over loans) increased in 2017 by 12.6% to ₽8.5 tril-

Figure 3.2. Loan portfolio quality (overdue debt and overdue loans), %

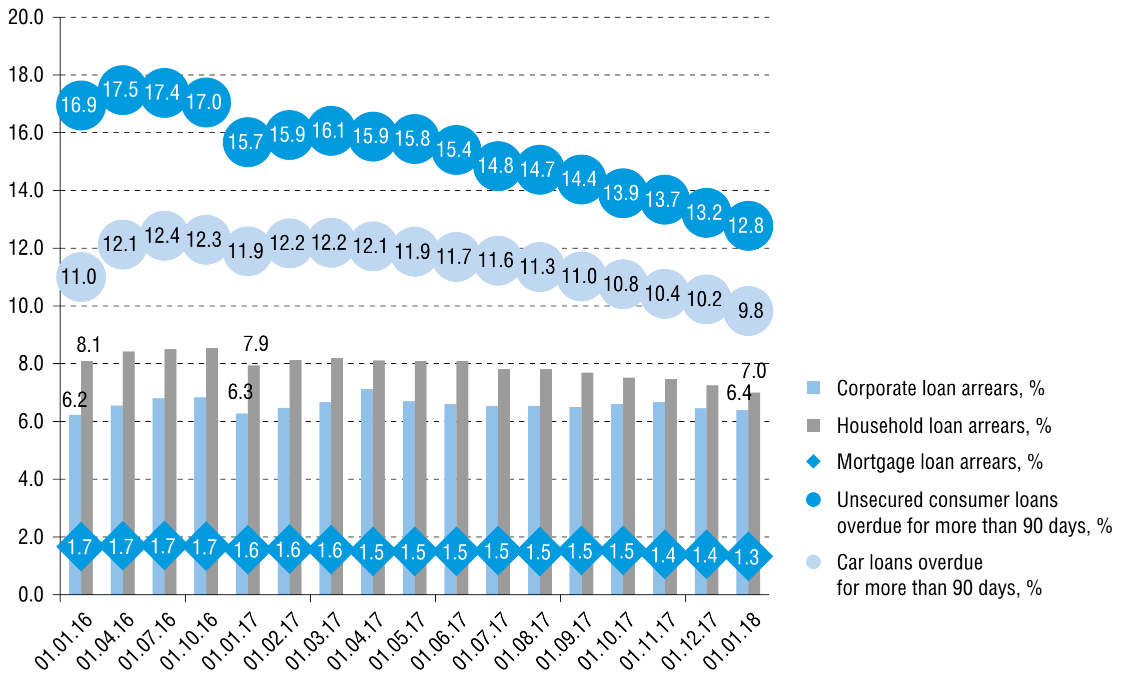
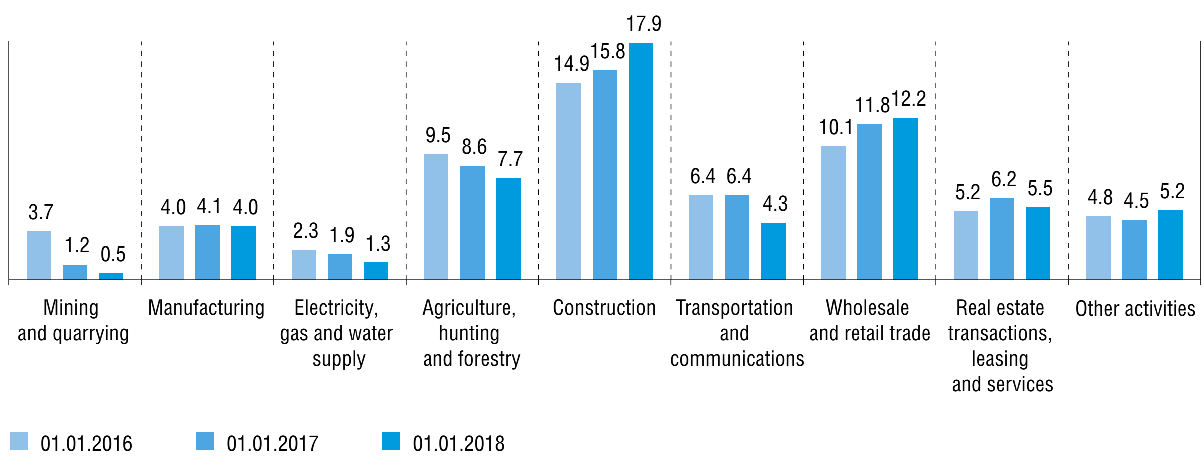


Figure 3.3. Corporate loan arrears by economic activity*, %



** For loans to resident legal entities and sole proprietors, except for loans to complete settlements.*

Figure 3.4. Overdue loans in corporate loan portfolio of banks, ₽ billion

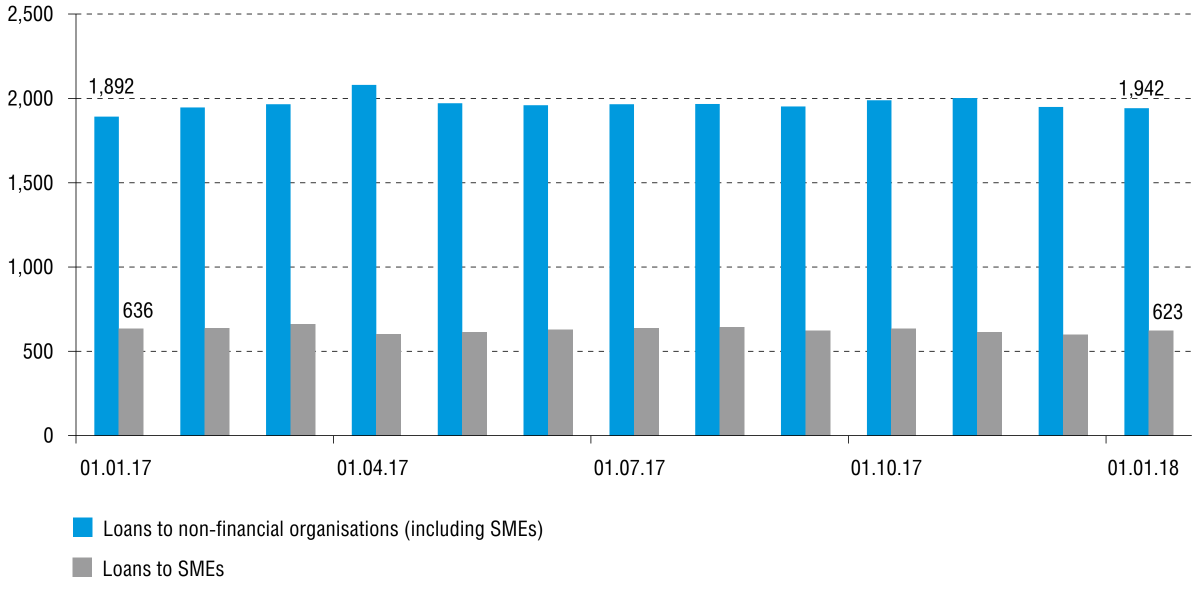
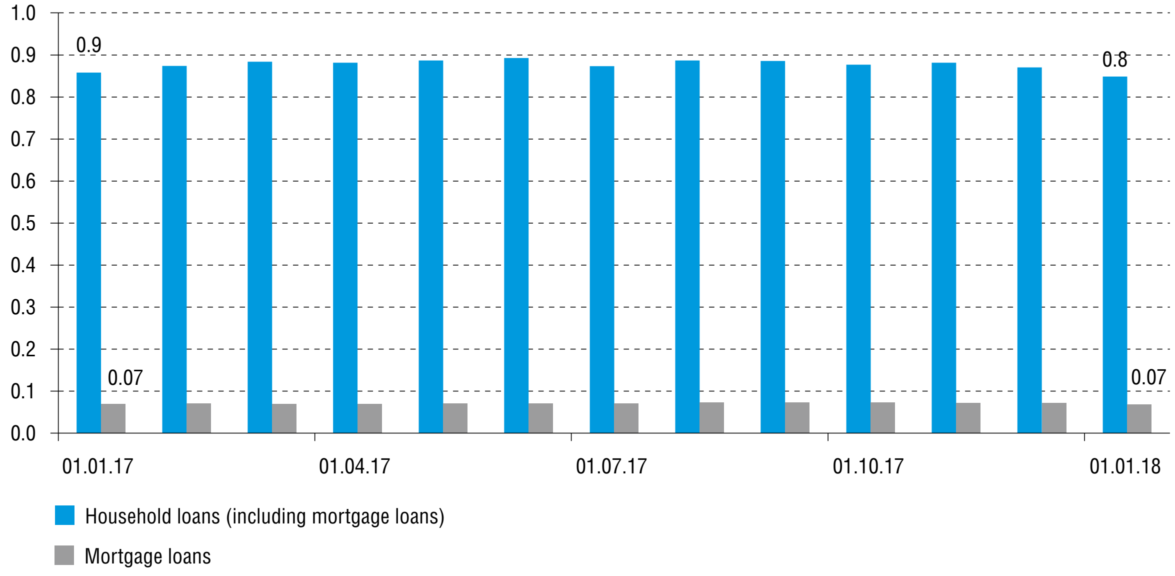


Figure 3.5. Household loan arrears, ₽ trillion



lion[1] (as of end-2017, such loans accounted for 23.5% loans to legal entities). The share of loans overdue for more than 90 days, the most problematic of rollover loans, rose from 8.3% to 9.4% of total rollover loans and from 1.7% to 2.2% of the total corporate loan portfolio.

In 2017, the quality of retail loans improved significantly; portfolio expansion (of 13.2%) coupled with overdue loan shrinkage (of 0.4%) to reduce the share of overdue loans from 7.9% to 7.0% over the year (Figure 3.2). In absolute terms, household loan arrears amounted to ₽849 billion as of 1 January 2018 (Figure 3.5).

2017 saw an increase (from 94.3% to 95.2%) in the share of household loans grouped into a homogeneous loan portfolio in total loans and other claims on households. The share of loans overdue for more than 90 days (90+ loans) in total household loans also shrank from 9.3% to 7.5% of the homogeneous loan portfolio.

Housing mortgage lending (HML) remains the best quality segment of retail lending. Overdue loans in the

[1] Based on Reporting Form 0409303 'Loans to Legal Entities'.

Figure 3.6. Quality of loan portfolio of the banking sector by loan quality category, %

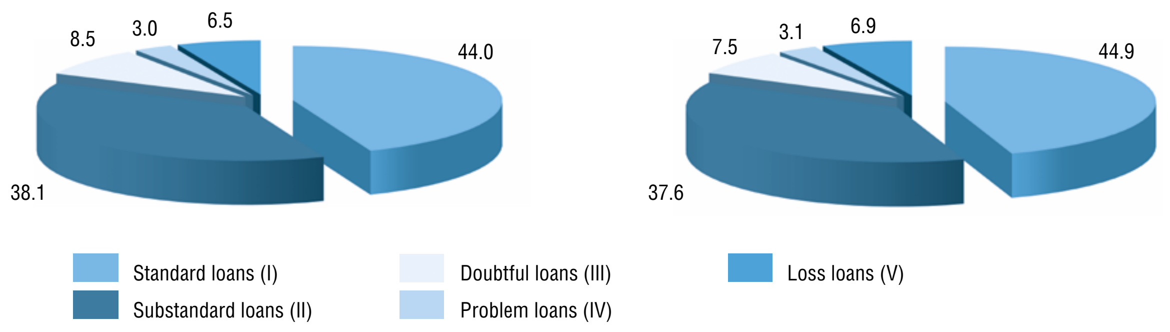
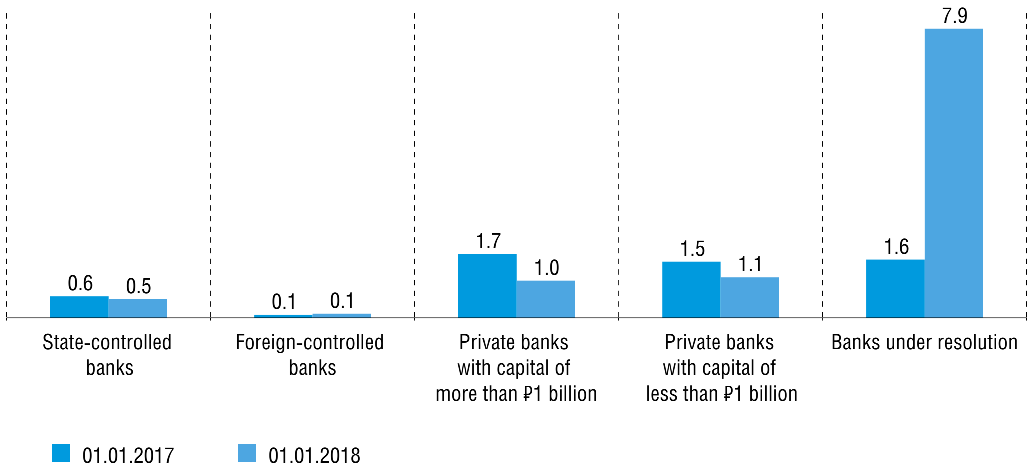


Figure 3.7. Value at risk by bank group, %



total HML portfolio dropped from 1.6% to 1.3% in 2017 (Figure 3.2). The share of 90+ HML loans remains immaterial, having shrunk from 2.6% to 2.2% (from 10.5% to 8.8% of the total retail loan portfolio) in 2017.

Car loans and unsecured consumer lending considerably improved their quality following, among other things, write-offs and sales of non-performing loan portfolios; the share of 90+ loans fell from 11.9% to 9.8% and from 15.7% to 12.8% respectively (Figure 3.2).

Overall, newly issued household loans expectedly demonstrate higher quality. This results from tighter regulatory requirements for high-risk lending segments, better risk management systems in banks and tighter requirements to borrowers (more conservative risk management).

As of end-2017, the share of quality category I and II loans in total loans (to households and legal entities, comprising financial organisations including credit institutions) remained virtually unchanged at 82.5% (as of start-2017, 82.1%), whereas the share of quality category IV and V loans (‘bad’ loans) increased from 9.4% to 10.0%[1] (Figure 3.6).

The share of ‘bad’ loans in total loans to legal entities (including financial organisations other than credit institutions) grew from 10.7% to 12.0% in 2017 (Figure 3.8). The deteriorating quality of corporate loan portfolio largely results from the performance of banks under resolution.

The share of ‘bad’ household loans shrank from 11.8% to 9.8% in 2017 (Figure 3.9). Broken down by bank group, the increase in ‘bad’ loans is registered in banks with capital of less than ₽1 billion (from 18.8% to 20.1%) and banks under resolution (from 36.3% to 37.5%). Other bank groups improved their performance.

2017 saw a tangible rise in the value at risk[2] from 0.9% to 1.4%. A considerable rise in provisioning is

[1] Deviations from the data in Figure 3.6 are due to data rounding.

[2] The value-at-risk ratio is calculated as the balance of expenses on additional provisioning and proceeds from provision recovery during 12 months to the average chronological amount of outstanding loans.

Figure 3.8. Quality category IV and V loans ('bad' loans) in total corporate loans (excluding credit institutions) and provisions for them, %

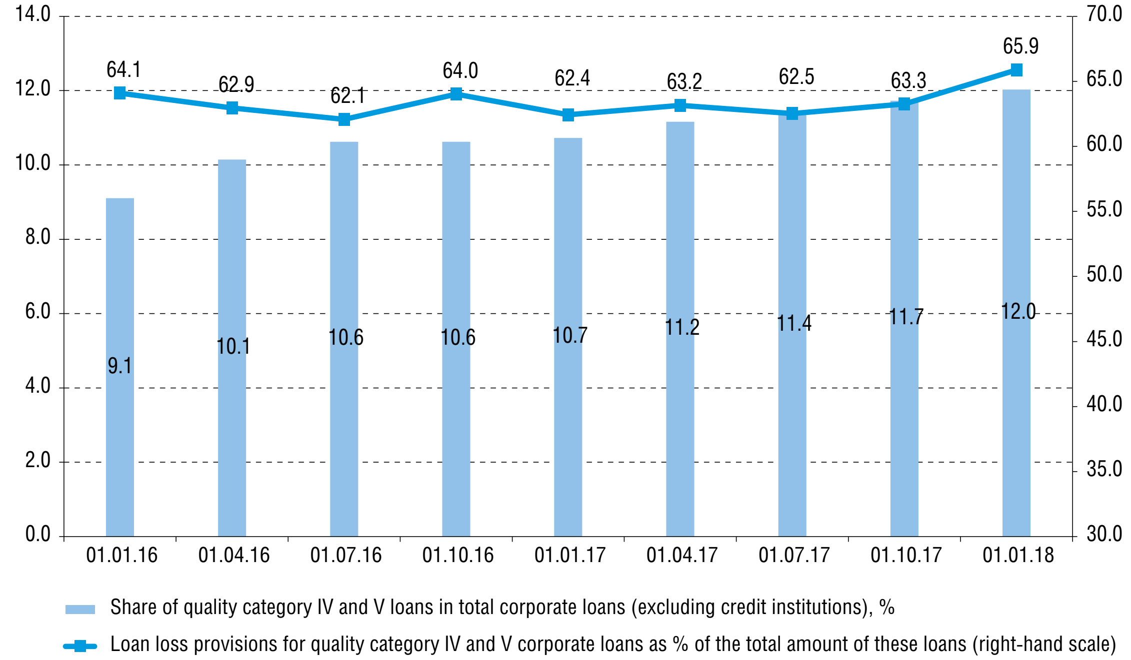
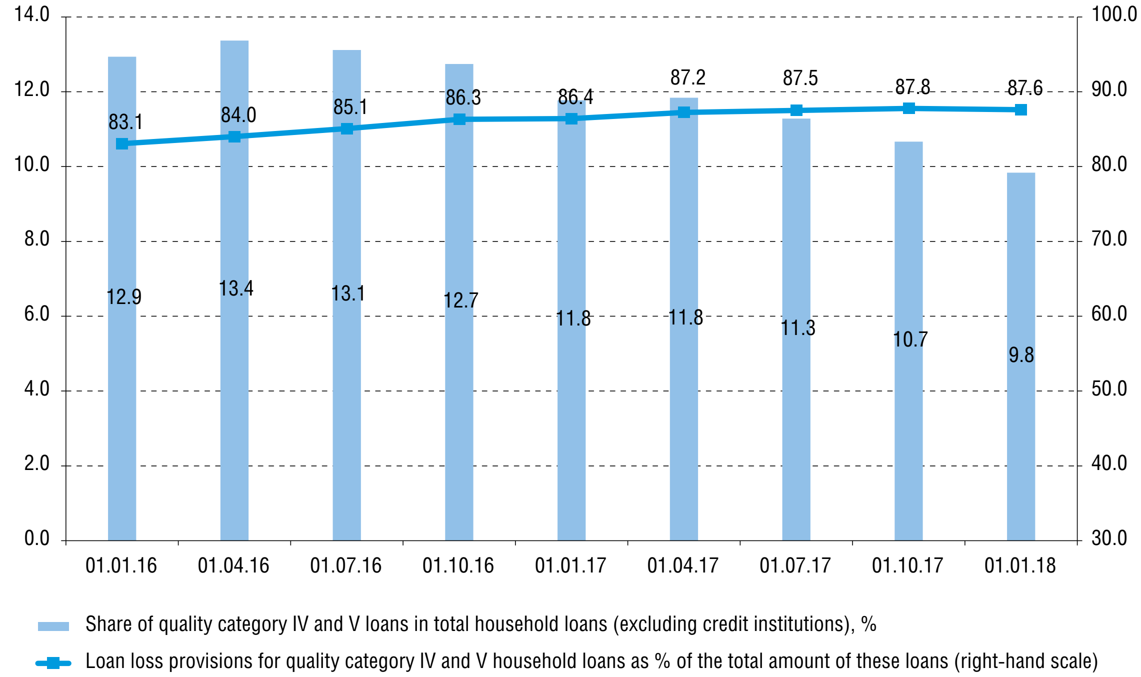


Figure 3.9. Quality category IV and V loans ('bad' loans) in total household loans and loan loss provisions for them, %



partially explained by additional loss provisions for toxic assets of banks undergoing financial resolution under the new mechanism using the resources of the Banking Sector Consolidation Fund. In banks under resolution, the value at risk surged from 1.6% to 7.9%. In contrast, other bank groups registered only immaterial increase or decline in the value at risk (Figure 3.7).

A more adequate risk assessment by credit institutions resulted in the increase in loan loss provisions (for all assets) of 26.9% to ₽6.9 trillion in 2017 (due to additional provisioning for toxic assets accumulated over past years).

Table 3.1. Loan loss provisions

Loan quality category	Actual loan loss provisions as % of outstanding debt of the respective quality category		Share of actual loan loss provisions, %	
	01.01.2017	01.01.2018	01.01.2017	01.012018
Total	8.5	9.3	100.0	100.0
Standard loans	0.0	0.0	0.0	0.0
Substandard loans	1.6	2.2	7.3	8.7
Doubtful loans	16.0	17.7	16.1	14.4
Problem loans	42.2	46.1	14.9	14.7
Loss loans	80.5	81.7	61.7	62.2

The ratio between loan loss provisions and total outstanding loans grew from 8.5% to 9.3% in 2017 (Table 3.1).[1]

Provisions for the corporate portfolio increased from 9.2% to 10.1% in 2017, whereas the retail portfolio reduced this indicator from 11.8% to 10.3%.

Provisions rose from 62.4% to 65.9% for 'bad' corporate loans, and from 86.4% to 87.6% for retail loans in 2017. State-controlled banks had the highest provisions for 'bad' loans – 68.2% for the corporate portfolio and 91.5% for the retail portfolio.

III.1.2. Credit risk concentration. Shareholder and insider risks

In 2017, large credit exposure[2] in the banking sector increased by 3.0% to ₽21.2 trillion. Meanwhile, the share of large loans in banking sector assets dropped from 25.7% to 24.9%.

During the reporting year, 44 credit institutions violated the maximum exposure per borrower or group of related borrowers (N6) (in 2016, 78 credit institutions), and 6 credit institutions violated the maximum exposure to large credit risks (N7) (in 2016, 22 credit institutions).

As of 1 January 2018, the maximum value of loans, guarantees and sureties issued by a credit institution (banking group) to its members (shareholders) (N9.1) was calculated by 206 credit institutions, or 36.7% of all operating credit institutions (236 credit institutions, or 37.9% of operating banks, as of 1 January 2017). In 2017, this ratio was violated by two credit institutions (in 2016, five credit institutions).

Two credit institutions failed to comply with the total insider risk ratio (N10.1) in 2017 (in 2016, 16 credit institutions).

Starting from 2017, credit institutions started calculating the ratio of maximum exposure per bank affiliate (group of bank affiliates) N25. As of 1 January 2018, 377 credit institutions (67% of operating banks) had the exposure per bank affiliate (group of bank affiliates) among top-30 borrowers (group of related borrowers) with maximum credit exposure. As many as 14 credit institutions violated this ratio in 2017.

At the same time, banking supervision regularly reveals that banks fail to correctly record maximum exposure per bank affiliate (group of bank affiliates) in their statements. Supervision keeps this issue in focus, cooperating with banks in adequate risk assessment, including based on the professional judgement on borrowers' affiliation if its formal signs are missing.

III.1.3. Use of the Central Catalogue of Credit Histories and credit history bureaus in bank risk assessment

In accordance with Federal Law No. 218-FZ, dated 30 December 2004, 'On Credit Histories' (hereinafter referred to as Federal Law No. 218-FZ), the Central Catalogue of Credit Histories (CCCH), a Bank of Russia division, shall provide information on credit history bureaus keeping the credit history of a credit history maker, which contains, among other things, the information on the credit history compilation source, liabilities under loan agreements, sureties, bank guarantees and other liabilities as envisaged by Federal

[1] Loan loss provisions are created with due regard to collateral and estimated provision, which is 0% of the principal for quality category I loans (standard loans); 1% to 20% for quality category II loans (substandard loans), depending on the degree of loan impairment; 21% to 50% for quality category III loans (doubtful loans), 51% to 100% for quality category IV loans (problem loans), and 100% for quality category V loans (loss loans).

[2] In compliance with Article 65 of Federal Law No. 86-FZ, dated 10 July 2002, 'On the Central Bank of the Russian Federation (Bank of Russia)', large credit risk is the sum of loans, guarantees and sureties issued to one customer in excess of 5% of the bank's capital.

Law No. 218-FZ, and on the refusal to enter into a loan agreement in the form and under the procedure established by the Bank of Russia.

Credit history bureaus keep credit histories for ten years from their last update.

As of 1 January 2017, the CCCH counted 289.6 million of credit history titles[1]. In 2017, the CCCH received 22.5 million credit history titles (growth of 7.8% against the beginning of 2017), and their total number reached 312.1 million as of the end of the reporting year. The number of credit history titles of individual borrowers increased by 22.4 million (7.8%) in 2017 and stood at 311 million as of early 2018, while the number of credit history titles of corporate borrowers totalled 1.1 million as of 1 January 2018, having increased by 14.4% compared with early 2017.

In 2017, the number of credit history bureaus included in the State Register of Credit History Bureaus (CHB) held unchanged at 17 units.

In accordance with Bank of Russia Ordinance No. 3599-U, dated 15 March 2015, 'On the Format and Procedure for Submitting Credit Statements of Credit History Makers from Credit History Bureaus on Bank of Russia Request', the Bank of Russia receives credit reports from credit history bureaus for supervisory purposes.

For the purposes of macroeconomic analysis, in 2017 the Bank of Russia supplemented the CCCH automated system with a new report that enables a quarterly counting of active borrowers (outstanding loan holders) based on the information provided by major credit history bureaus.

The Bank of Russia drafted amendments to Federal Law No. 218-FZ aimed at raising data quality in CHBs and the CCCH:

– introducing unique IDs for transactions associated with credit risk taking in order to avoid gaps in a credit history caused by a change of the passport or family name, first name or patronymic, an assignment of debt, an appointment of a provisional administration or securitisation;

– raising the accuracy of identification of credit history makers, improving procedures for verification of credit history titles with due account taken for the data from federal executive authorities (Pension Fund of the Russian Federation, Ministry of Internal Affairs of the Russian Federation, etc.).

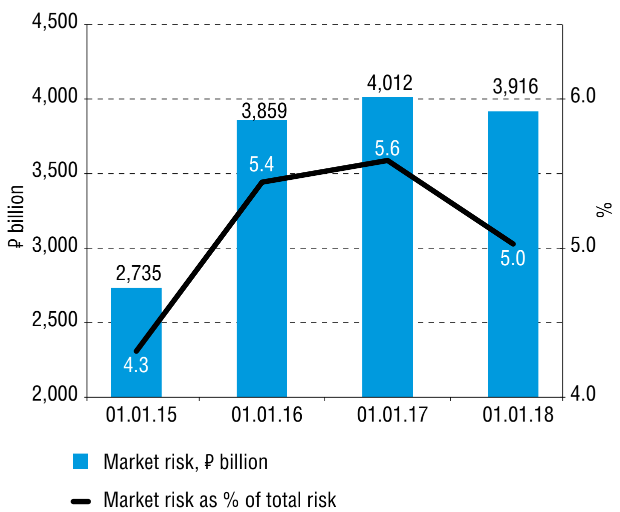
Also, the Bank of Russia has been creating a uniform information platform for calculating households' debt and payment burden in order to check households for liabilities under loan agreements. Credit institutions and microfinance organisations will use these data when deciding on loan approval.

III.2. Market risk

III.2.1. Market risk overview

The banking sector's market risk[2], accounted in the denominator of bank capital adequacy indicators, reduced by 2.4% in 2017 and stood at ₽3.9 trillion as of 1 January 2018, while its share in total banking sector risks[3] shrank from 5.6% as of 1 January 2017 to 5.0% as of 1 January 2018 (Figure 3.10). The number of institutions that calculated market risk went down from 452 to 401, while their share in banking sector assets

Figure 3.10. Market risk and its share in total banking sector risks



[1] The number of credit history titles is defined as the total of all credit history titles transferred to the CCCH by all credit history bureaus (information on the same borrower can be kept in several credit history bureaus), including credit history titles filed only upon the creditor's request.

[2] Market risk is calculated in accordance with Bank of Russia Regulation No. 511-P, dated 3 December 2015, 'On the Procedure for Calculating Market Risk by Credit Institutions'.

[3] The share in risk-weighted assets in the calculation of capital adequacy of the banking sector in accordance with Bank of Russia Instruction No. 139-I, dated 28 June 2017, 'On Banks' Required Ratios'.

Figure 3.11. FX assets and liabilities in banking sector total assets and liabilities

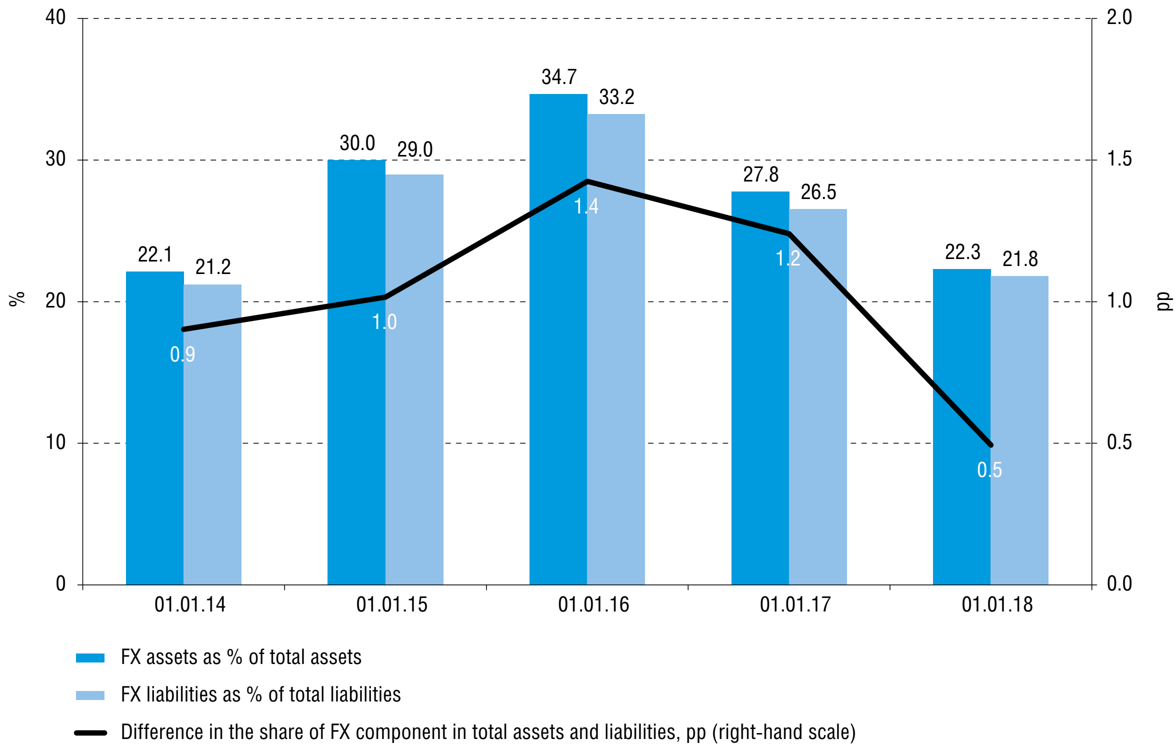


Table 3.2. Balance-sheet and off-balance-sheet FX assets and liabilities in the banking sector

	01.01.2017		01.01.2018		Growth in 2017	
	$ billion	₽ billion	$ billion	₽ billion	$ billion	₽ billion
Balance-sheet positions						
Assets	366.6	22,234	329.9	19,000	–36.7	–3,234
Liabilities	350.2	21,241	322.6	18,579	–27.6	–2,662
Net balance-sheet position	16.4	993	7.3	421	–9.1	–572
Off-balance-sheet positions						
Assets	238.9	14,493	317.7	18,299	78.8	3,806
Liabilities	238.9	14,492	299.2	17,232	60.3	2,740
Net off-balance-sheet position	0.02	1.3	18.5	1,067	18.5	1,066

remained at 98%. The ratio of market risk to the capital of banks which calculated market risk decreased by 1.1 pp over the year to 42.6% as of 1 January 2018 pointing to lower market risk exposure.

Despite interest rate risk accounted for the bulk of market risk (75% as of 1 January 2018), its share dropped by 9 pp over the year. The share of stock market risk in the market risk structure rose from 6.7% to 8.4% in 2017; the share of foreign exchange risk went up from 7.2% to 10.7%; and commodity risk more than doubled, rising from 2.0% to 5.9%. This resulted in changes both in the value of positions included in market risk, and their amount, as the debt securities yield went down. The increase in the share of stock market risk resulted from the reassessment of market risk of the trading portfolio of banks under resolution.

Following the strengthening of the ruble and the decline in FX assets and liabilities in nominal terms (FX assets dropped in 2017 by 10.0%, from $367 billion to $330 billion while liabilities shrank by 7.9%, from $350 billion to $323 billion), the share of the FX component in banking sector assets and liabilities decreased in 2017 from 27.8% to 22.3% for assets and from 26.5% to 21.8% for liabilities (Figure 3.11). The excess of balance-sheet FX assets over FX liabilities of the banking sector more than halved, falling from

$16.4 billion to $7.3 billion in 2017 (Table 3.2). In contrast, the difference between FX assets and liabilities on off-balance-sheet derivative transactions[1] rose from $0.02 billion to $18.5 billion.

Table 3.3. Net FX option and forward position, billions of currency units

	01.01.2017		01.01.2018	
	US dollar	euro	US dollar	euro
Net FX forward position	–2.0	0.2	15.0	–4.2
Net FX option position	–0.4	–0.04	–0.06	–0.2

III.2.2. Assessment of banking sector vulnerability to interest rate risk based on trading securities portfolio

Assessment of banking sector vulnerability to interest rate risk

To determine the banking sector's vulnerability to interest rate risk on trade investments in debt securities, losses of credit institutions are calculated, which result from the materialisation of a stress event – an upward shift of the yield curve for debt instruments (by 300 bp for debt instruments of the Russian Federation and by 1,000 bp for Russian corporate bonds).

Sensitivity to interest rate risk was analysed for banks holding more than 95% of banking sector assets.

As of the end of 2017, as duration of certain types of bonds expanded (ruble-denominated federal government bonds[2] and ruble-denominated corporate bonds[3] by 5.4 and 6.9 months respectively), the ratio of possible bank losses from materialisation of interest rate risk of the trading portfolio to capital[4] increased from 9.3% to 14.0%. Possible losses varied across credit institutions with positive capital from 0.0% to 177.2% of total capital.

III.2.3. Assessment of banking sector vulnerability to stock market risk

Assessment of banking sector vulnerability to stock market risk

The assessment of the Russian banking sector's vulnerability to stock market risk is determined by possible repercussions of a fall in stock indices. A 50% drop in stock indices was considered as the initial factor; banks' losses from revaluation were compared with credit institutions' capital.

Sensitivity to stock market risk was analysed for banks holding more than 90% of banking sector assets.

As of the end of 2017, possible losses of credit institutions making trade investments in equity securities would have amounted to 2.8% of capital in the event of a 50% drop in their value (2.1% as of 1 January 2017). For credit institutions with positive total capital, losses are estimated in the range between 0.0% and 38.8% of total capital. The increase in possible losses in the event of stock market risk realisation in 2017 is associated with growth of credit institutions' trade investments in equity securities (from ₽357 billion as of 1 January 2017 to ₽480 billion as of 1 January 2018).

[1] Chapter D 'Accounts for Accounting Assets and Liabilities on Derivatives and Other Agreements (Deals) Where Settlements and Delivery are Made no Earlier than the Day Following the Agreement (Deal) Conclusion' of the Chart of Accounts for Accounting Purposes in Credit Institutions.

[2] Included in the Moscow Exchange Index RGBITR.

[3] Included in the Moscow Exchange Index MICEXCBITR.

[4] Here and elsewhere, the trading portfolio means securities appraised at fair value through profit or loss and securities available for sale (for more conservative estimates).

III.2.4. Assessment of banking sector vulnerability to foreign exchange risk

Assessment of banking sector vulnerability to foreign exchange risk

A 20% reduction in the nominal exchange rate of the ruble against the US dollar and the euro was selected as the initial event for the analysis of banking sector vulnerability to foreign exchange risk. To determine the impact of foreign exchange risk on the financial standing of the banking sector, data of credit institutions which calculate market risk and have open short positions in US dollars and euros was analysed. The number of banks with a short FX position in at least one of the two foreign currencies remained unchanged in 2017 (110 credit institutions). The share of these banks in banking sector assets also remained unchanged, whereas their share in capital dropped from 28% to 20%.

The assessment of banking sector vulnerability to foreign exchange risk revealed an 18% decline in possible losses in case of realisation of foreign exchange risk. At the same time, the loss-to-bank capital ratio remained virtually unchanged at 0.9%. For credit institutions with positive total capital, losses ranged between 0.0% and 2.0% of total capital.

III.3. Liquidity risk

III.3.1. Liquidity risk overview

In 2017, the banking sector operated amid a structural liquidity surplus. The number of the Bank of Russia's net borrowers dropped: whereas they counted 31 credit institutions at the beginning of the year, there were only 12 of them left as of year-end.

Credit institutions mainly used funds raised from the Bank of Russia for the following purposes:

• regulating correspondent account balances (given the required reserve averaging), funding customer payments and shaping a portfolio of high-quality liquid securities;

• funding current operations, including the development of mortgage lending (before the next securiti-

Figure 3.12. Net position on operations with the Bank of Russia, ₽ billion

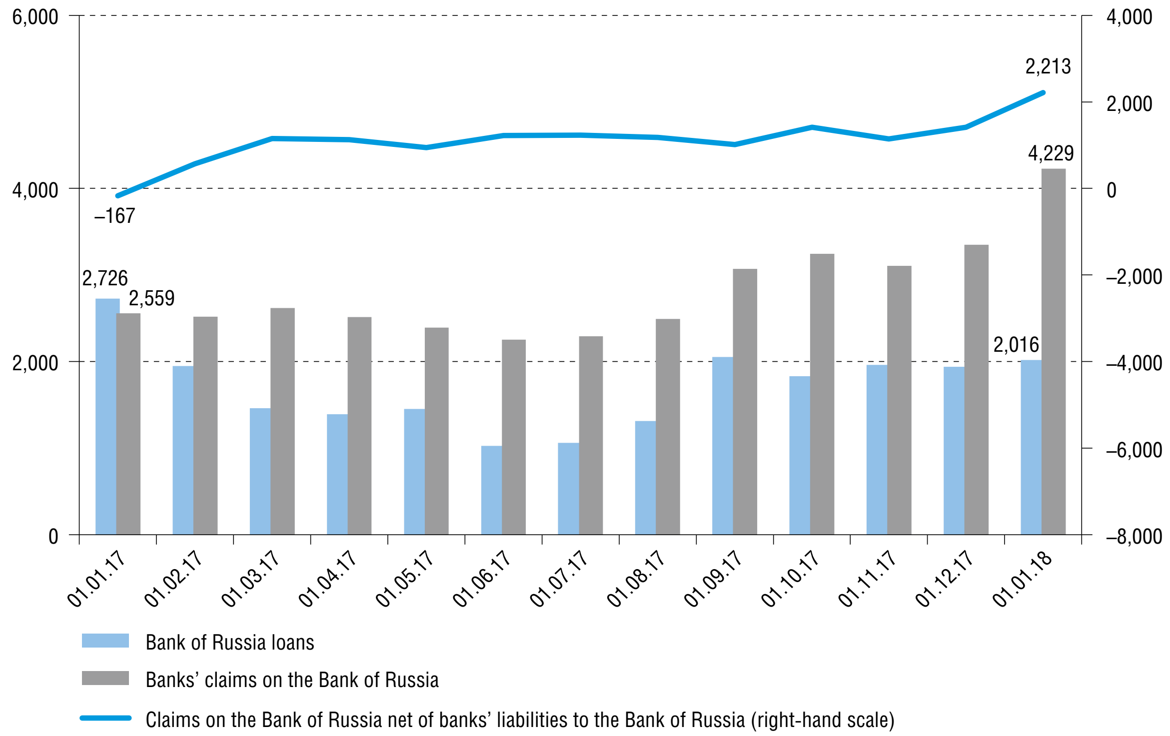
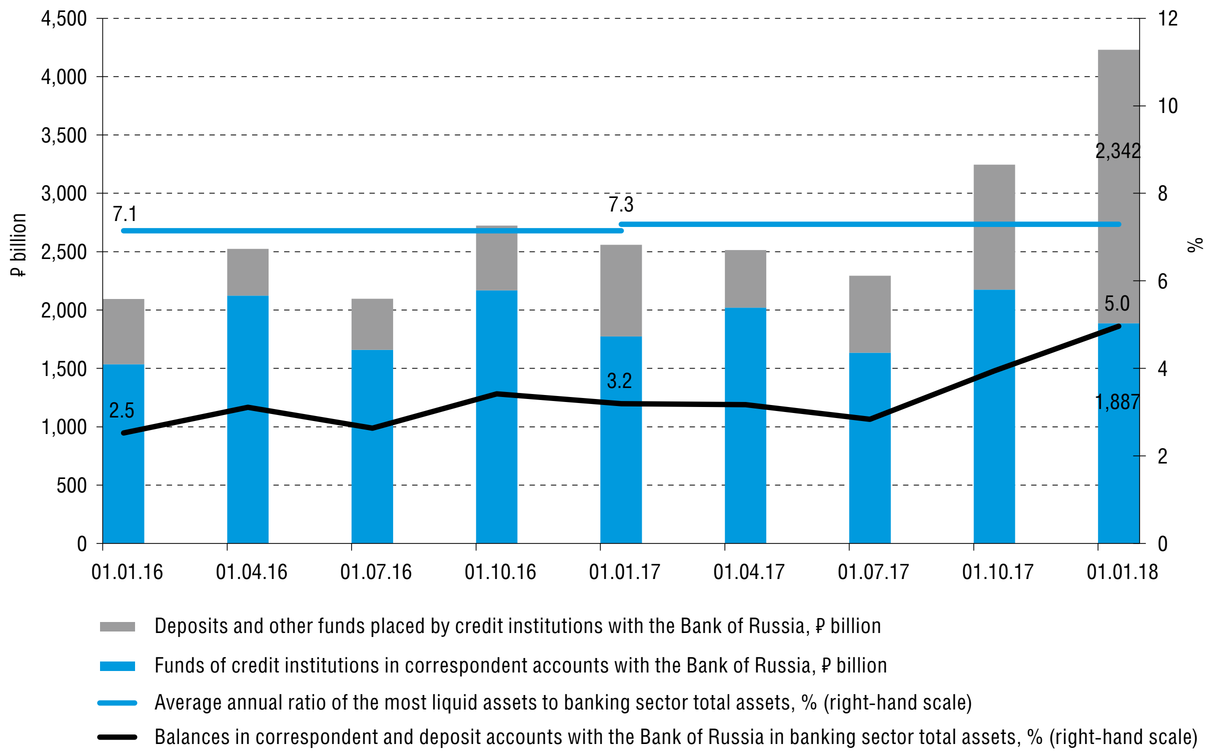


Figure 3.13. Balances in credit institutions' correspondent and deposit accounts with the Bank of Russia*



** Based on the balance-sheet data of credit institutions.*

sation, e.g. refinancing of mortgage loans under joint programmes with the AHML[1]);

• as the most stable and technologically advanced instrument to maintain instant and short-term liquidity.

The shift from liquidity deficit to surplus in early 2017 manifested itself in the regulator's rising payables to credit institutions (mostly deposits). In this context the ratio of the average values of the most liquid assets to total banking sector assets[2] increased from 7.1% in 2016 to 7.3% in 2017 (Figure 3.13). That said, funds in deposit and correspondent accounts of credit institutions with the Bank of Russia accounted for over 60% of the most liquid assets.

III.3.2. Compliance with liquidity ratios

The average instant liquidity ratio (N2) of the banking sector rose considerably in 2017 compared with previous year and stood at 111.1% (vs the standard level of 15%). The average annual value of the actual current liquidity ratio (N3) increased from 130% in 2016 to 163% in 2017 (Figure 3.14), which was also considerably above the standard level of 50%.

The long-term liquidity ratio (N4) fell in 2017 from 57% to 53% compared to 2016 (vs the maximum standard value of 120%).

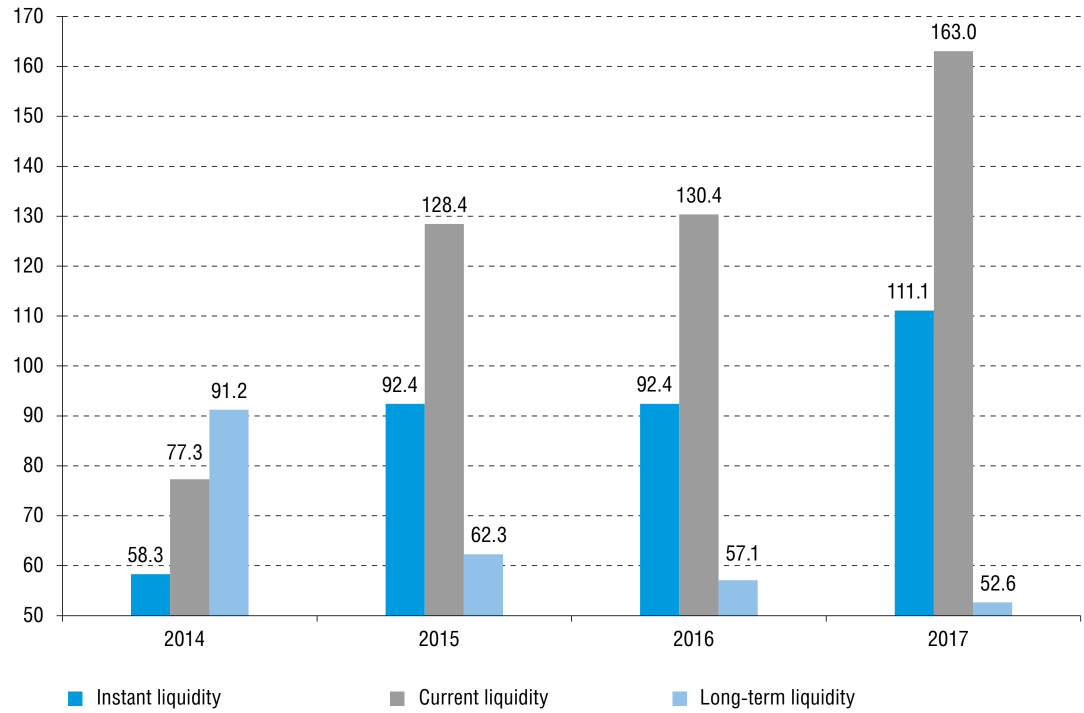
In 2017, individual credit institutions struggled to comply with required liquidity ratios but the number of such institutions decreased compared to 2016. Eight credit institutions of those operating as of the end of the reporting year violated the instant liquidity ratio (N2) as of certain dates (seven credit institutions as of 1 January 2017), and 11 credit institutions violated the current liquidity ratio (N3) (in 2016, 14 credit institutions).

Two banks out of the credit institutions operating as of 1 January 2018 violated the long-term liquidity ratio (N4) in the reporting year (for comparison, five credit institutions were in breach of this ratio in 2016 out of those operating as of 1 January 2017).

[1] Effective 2 March 2018, JSC AHML was rebranded into DOM.RF (ДОМ.РФ).

[2] Cash, precious metals, correspondent and deposit account balances with the Bank of Russia.

Figure 3.14. Banking sector liquidity ratios (annual chronological averages), %



Eight systemically important credit institutions complied with the liquidity coverage ratio (N26 and N27[1]) in 2017[2]. Due to the emerging liquidity surplus in the banking sector, the actual value of the liquidity coverage ratio (N26 and N27) of systemically important credit institutions increased on average from 94.2% as of 1 January 2017 to 148.6% as of 1 January 2018. As of end-2017, the actual values of the liquidity coverage ratio of systemically important credit institutions ranged between 81.8% and 256.3%; in many banks they exceeded the minimum value established for 2018.

The requirements for systemically important credit institutions' compliance with the structural liquidity ratio (net stable funding ratio) (Basel III) on a consolidated basis has been effective since 1 January 2018. The minimum value of the ratio is 100%.

III.3.3. Maturity structure of bank assets and liabilities

Banks continued to transform short-term liabilities into longer-term investments: the ratio between the excess of long-term (over one year) liquid assets over liabilities (maturing within more than one year) and short-term liabilities (less than one year) as of end-2017 stood at 32.5% (as of the beginning of the year, 31.9%). With small volumes such transformation results from the specifics of the banking business and poses no risks; however, a considerable increase in the transformation of short-term liabilities into longer-term investments poses a liquidity loss risk for a bank.

Long-term liquid assets (maturing within more than one year) increased by 8.0%[3] in 2017 (in 2016, they dropped by 4.9%) to ₽47.0 trillion, while short-term liquid assets (maturing within less than one year) increased by 10.1% (in 2016, by 3.6%) to ₽65.0 trillion. The share of long-term liquid assets in total liquid assets shrank from 42.4% to 42.0% in 2017.

[1] The liquidity coverage ratio of a banking group (N26) and the liquidity coverage ratio of a credit institution (N27) are only calculated for systemically important credit institutions. The ratio has been established at 80% since 1 January 2017 and at 90% since 1 January 2018, with a subsequent increase of 10 pp to reach the value of 100% on 1 January 2019.

[2] The requirements for compliance with the liquidity coverage ratio (N26 and N27) have been applied to PJSC CREDIT BANK OF MOSCOW since 1 January 2018.

[3] For credit institutions operating as of the latest reporting date (including banks that underwent restructuring).

In the reporting year, short-term liabilities (maturing within less than one year) showed faster growth than long-term liabilities compared to 2016 adding 10.0% over the year (in 2016, 2.6%) to reach ₽81.0 trillion. Long-term liabilities (maturing within more than one year) increased by 4.1% (in 2016, dropped by 14.1%) to ₽20.7 trillion whereas their share in total liabilities fell from 21.2% to 20.3%.

III.3.4. Dependence on the interbank market

The interbank market dependence ratio (IMDR) of a credit institution is calculated as the percentage ratio of the difference between interbank loans (deposits) raised and placed to funds raised (net of accrued interest). The higher is the ratio, the more a credit institution is dependent on the interbank market[1].

As many as 489 credit institutions with a low dependence on the interbank market (maximum IMDR value of no more than 8%) account for 74.2% of total assets of the banking sector as of 1 January 2018 (as of 1 January 2017, 539 banks or 80.9%). The group with a high dependence on the interbank market (IMDR of more than 27%) included only 37 banks with a 5.8% share in banking sector assets (Figure 3.15). This signals low dependence of the Russian banking market on relatively volatile sources of funding.

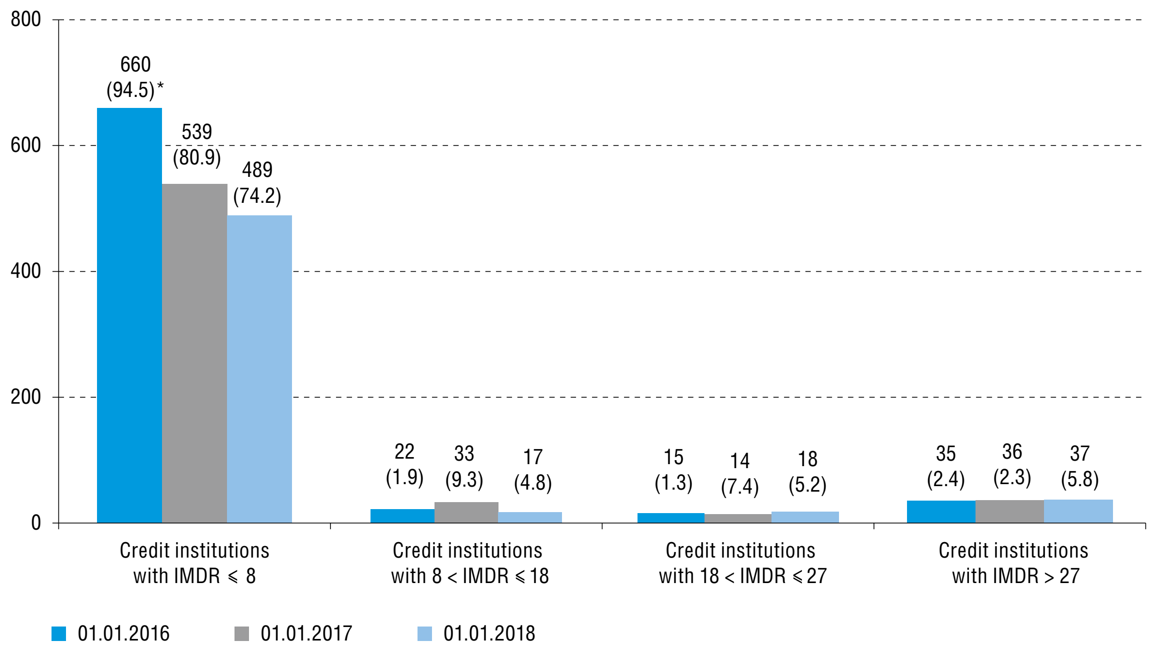
III.4. Operational risk. Cyber-security

Banks and financial organisations counter informational threats in order to:

– mitigate risks of financial stability breaches in banks and financial organisations resulting from cyber-attacks on their information resources;

– mitigate risks of direct financial damage to customers and counterparties of banks and financial organisations associated with unauthorised financial transactions, including unauthorised money transfers;

Figure 3.15. Credit institutions by dependence on the interbank market, units



** Figures in brackets denote the percentage of these credit institutions in banking sector assets, %.*

[1] The IMDR calculation is based on the PL5 calculation method in accordance with Bank of Russia Ordinance No. 4336-U, dated 3 April 2017, 'On Assessing Banks' Economic Situation' that determines IMDR threshold values of 8%,18% and 27% which correspond to the low, medium and high dependence on the interbank market. A PL5 ratio exceeding the threshold value of 27% may indicate current troubles in a bank's activity, which are taken into account when including the bank in a particular group.

Key measures for countering information threats and enhancing cyber-security in 2017:

– preparation of amendments to Bank of Russia Regulation No. 382-P, dated 9 June 2012, 'On the Requirements to Protect Information Related to Funds Transfers and on the Procedures for the Bank of Russia to Control the Compliance with the Requirements to Protect Information Related to Funds Transfers';

– optimisation and improvement of reliability of reports in Form 0403203 'Information on Revealing Incidents Associated with Violations of Requirements to Protect Information Related to Funds Transfers';

– improvement of prompt information exchange between the Bank of Russia, law enforcement agencies, and credit and financial organisations for the purpose of coordinating their activity and optimising interaction mechanisms in the field of countering hacking in the financial market;

– revision of technological requirements associated with fund transfers, introduction of secure technologies, including for the participants of the Bank of Russia payment system, to transfer the procedure of electronic signing of fund transfer orders from the automated Bank of Russia Customer Account to automated banking systems of credit institutions.

– earn their customers' and counterparties' trust in safety of the offered technologies and services.

The past three years have registered a sustainable decline in fallouts from unauthorised money transfers. Thereby, unauthorised transactions from corporate accounts totalled roughly ₽1.57 billion in 2017 (vs ₽1.9 billion in 2016 and ₽3.8 billion in 2015). Unauthorised payment card transactions totalled roughly ₽0.96 billion in 2017 (vs ₽1.08 billion in 2016 and ₽1.15 billion in 2015).

In 2017, the Bank of Russia revealed one attempt to steal money from correspondent accounts of credit institutions opened in the Bank of Russia's payment system, totalling roughly ₽27 million (in 2015–2016 there were 21 major attempts totalling more than ₽2.5 billion, in which money transfer was completed in the amount of about ₽1 billion).

Taking into account the estimated amount of unauthorised money transfers made in the Russian national payment system using Russian-issued payment cards, the share of unauthorised money transfers with the use of payment cards currently amounts to 0.0016% (1.6 kopecks per 1,000 rubles in transfers). The said reading is within the range recommended by international payment systems.

III.5. Capital adequacy

III.5.1. Banking sector capital dynamics and structure

As of end-2017, the banking sector's total capital remained virtually unchanged (+0.1%) at ₽9.4 trillion. Common equity Tier 1 capital totalled ₽6.4 trillion having increased by 0.15%; Tier 1 capital grew by 0.5% to ₽6.6 trillion; additional Tier 1 capital rose by 14.7% to ₽205 billion; and Tier 2 capital totalled ₽2.8 trillion (a 0.9% drop).

These capital growth rates in the banking sector are explained by the performance of banks under resolution: with banks under financial resolution as of 1 January 2018 factored out, banking sector capital added ₽863 billion (a 9.6% annual growth).

In 2017, capital in the sector overall was underpinned by expanding authorised capital, share premium and credit institutions' profits and funds. Profit and share premium expanded their shares in the structure of capital sources as of 1 January 2018 (from 41.0% to 44.3% and from 12.9% to 14.2% respectively), whereas the share of subordinated debt shrank from 22.9% to 18.6%.

Authorised capital and share premium increased in 2017 by ₽213 billion and ₽286 billion respectively. That said, the financial result in the sources of common equity Tier 1 capital (the audited balance of profit and loss) dropped by ₽373 billion. Deductions from capital sources associated with investment in intangible assets and shares (stakes) of financial institutions increased by ₽77 billion and ₽169 billion respectively. In 2017, the share of audited profit dropped slightly from 52.1% to 51.5% in the sources of common equity Tier 1 capital, and from 49.9% to 49.6%

Figure 3.16. Banking sector capital, ₽ billion

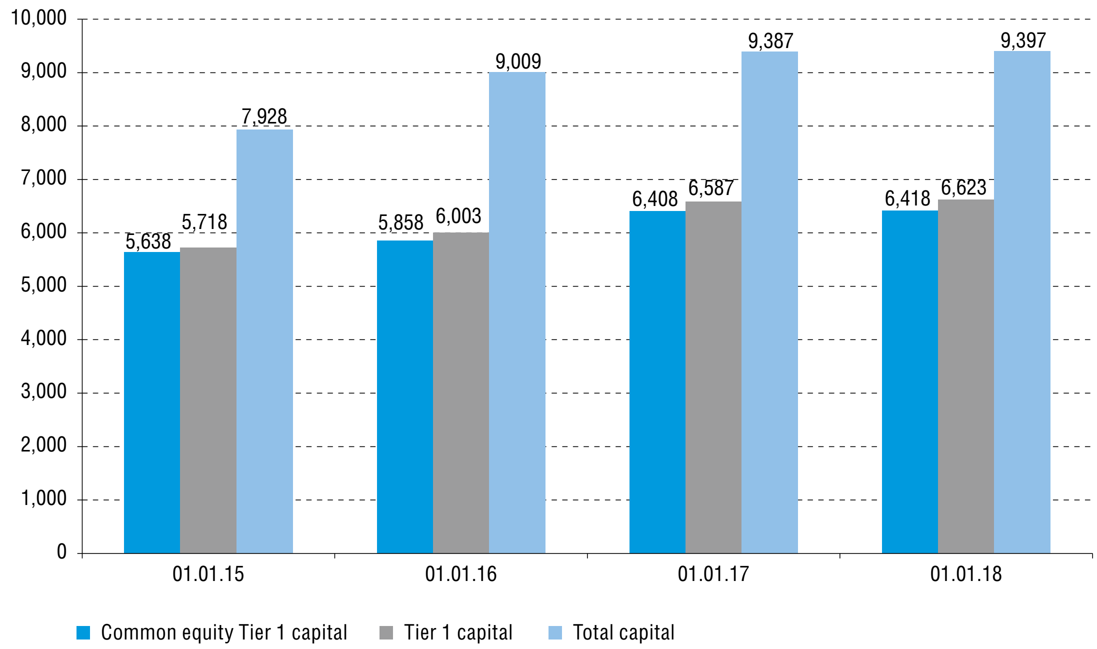
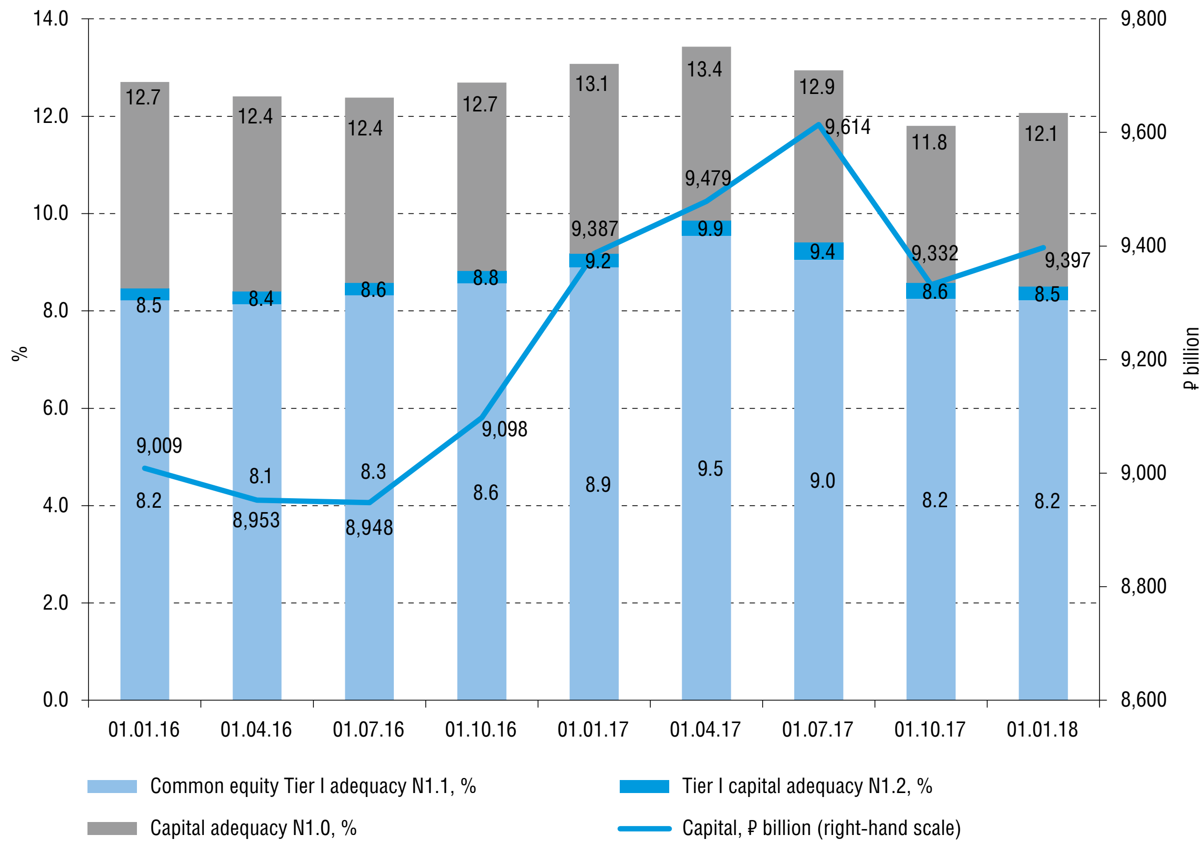


Figure 3.17. Banking sector capital adequacy in 2016–2017



in the sources of Tier 1 capital, whereas share premium increased both in common equity Tier 1 capital and Tier 1 capital from 18.3% to 19.6% and from 17.5% to 18.9% respectively.

The additional Tier 1 capital of credit institutions grew thanks to lower deductions associated with investment in intangible assets (by ₽49 billion) and shares (stakes) of subsidiary and affiliated financial

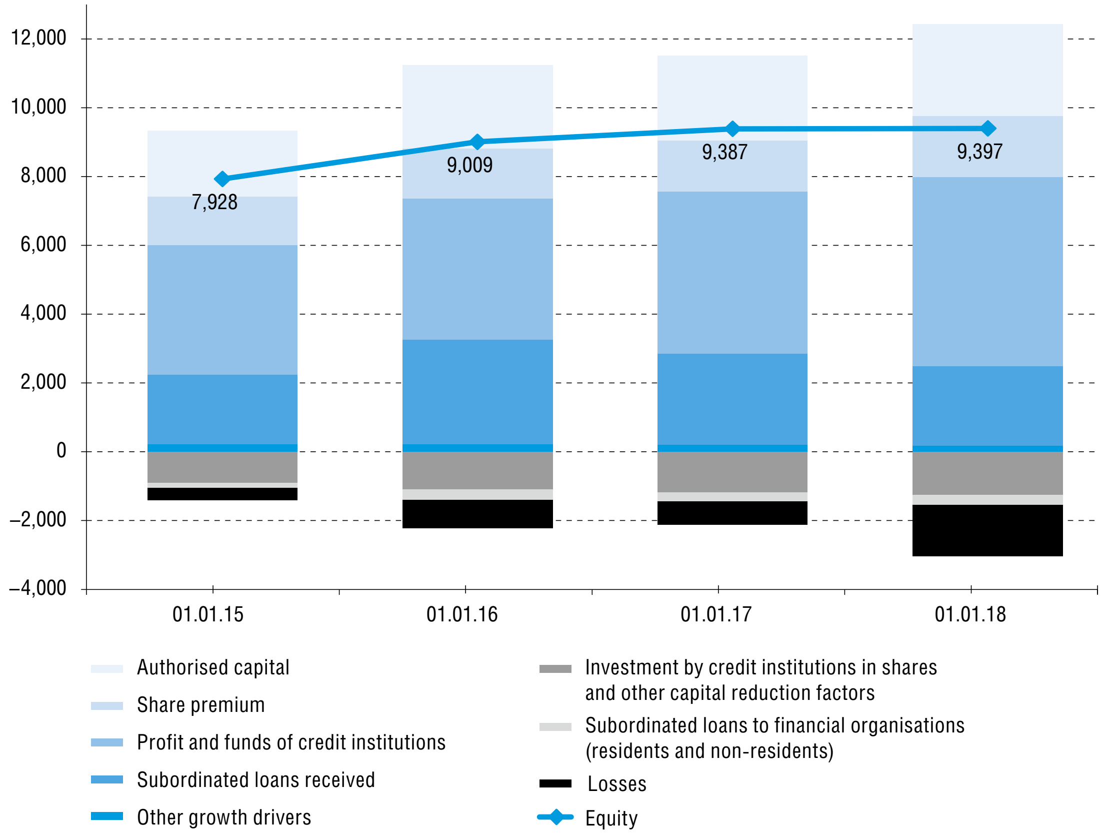
Table 3.4. Capital structure and dynamics by bank group, ₽ billion

	State-controlled banks			Foreign-controlled banks			Private banks with capital of more than ₽1 billion			Private banks with capital of less than ₽1 billion			Banks under resolution			NCI		
	01.01.17	+/–	01.01.18	01.01.17	+/–	01.01.18	01.01.17	+/–	01.01.18	01.01.17	+/–	01.01.18	01.01.17	+/–	01.01.18	01.01.17	+/–	01.01.18
Capital sources	**7,150**	**698**	**7,848**	**1,134**	**51**	**1,186**	**1,866**	**181**	**2,047**	**100**	**2**	**102**	**982**	**174**	**1,156**	**81**	**4**	**85**
Authorised capital	1,518	64	1,582	277	13	290	391	32	424	43	1	43	141	169	311	19	0	20
Share premium	965	79	1,044	102	5	107	176	–1	175	3	0	3	225	210	435	1	0	1
Profit and funds of credit institutions	3,036	660	3,696	540	52	592	772	144	915	37	1	38	226	–25	201	61	3	65
Subordinated loans	1,526	–68	1,458	196	–23	172	480	2	483	10	0	10	366	–183	183	0	0	0
Revaluation surplus	105	–36	69	19	5	24	47	3	50	7	1	8	24	3	27	0	0	0
Other	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Capital deductions	**1,250**	**-50**	**1,200**	**70**	**6**	**76**	**119**	**-26**	**93**	**6**	**2**	**8**	**610**	**1,027**	**1,637**	**13**	**0**	**13**
Losses	171	–42	129	12	–1	11	56	–33	23	4	2	6	408	913	1,320	0	0	0
Intangible assets	230	23	254	13	3	16	14	2	16	1	0	1	7	1	8	2	1	3
Treasury shares (stakes)	1	1	2	3	4	7	3	2	5	0	0	0	0	3	4	0	0	0
Sources of capital formed from improper assets	3	–1	2	5	1	5	1	–1	1	0	0	0	1	1	1	0	0	0
Subordinated loans to financial organisations (residents and non-residents)	218	3	221	4	0	4	1	0	1	0	0	0	24	26	51	0	0	0
Bank investment in shares (stakes) of financial organisations (including non-residents), subsidiaries and affiliates and resident credit institutions	612	–48	564	28	–1	27	31	–1	30	0	0	0	22	45	67	0	0	0
Other	15	13	29	4	2	6	13	5	18	1	0	1	148	38	186	10	0	10
Capital, total	**5,900**	**749**	**6,649**	**1,065**	**45**	**1,110**	**1,747**	**207**	**1,954**	**94**	**0**	**94**	**372**	**-853**	**-480**	**69**	**3**	**72**
Number of credit institutions**			**19**			**72**			**204**			**193**			**29**			**44**

As of 01.01.2017, bank groups are shown as clustered as of 01.01.2018.

*** For banks in operation as of 01.01.2018.*

Figure 3.18. Banking sector capital structure, ₽ billion



institutions and in the authorised capital of resident credit institutions (by ₽175 billion).

> The ₽169 billion increase in deductions from common equity Tier 1 capital associated with investment in shares (stakes) of financial institutions and a simultaneous ₽175 billion shrinkage of similar deductions from additional Tier 1 capital came as a result of the annual phased 20% transfer of the said deductions from additional Tier 1 capital to common equity Tier 1 capital until they are accounted in full in deductions from the sources of common equity Tier 1 capital effective 1 January 2018.

The main factor behind the drop in Tier 2 capital was a ₽320 billion shrinkage of subordinated debt, and a ₽36 billion decline in revaluation surplus. Thanks to growth of ₽349 billion in unaudited profit recorded in sources of banks' Tier 2 capital, the drop in overall Tier 2 capital was not dramatic (₽26 billion).

Capital position of most credit institutions, except for banks under resolution, was stable in 2017. Growth was registered in all bank groups, except for banks under resolution and private banks with capital of less than ₽1 billion. For details of the total capital structure and performance by bank group refer to Table 3.4.

The rise in total capital of state-controlled banks resulted from growing profit, authorised capital and share premium. The rising profit also increased capital of foreign-controlled banks and large private banks.

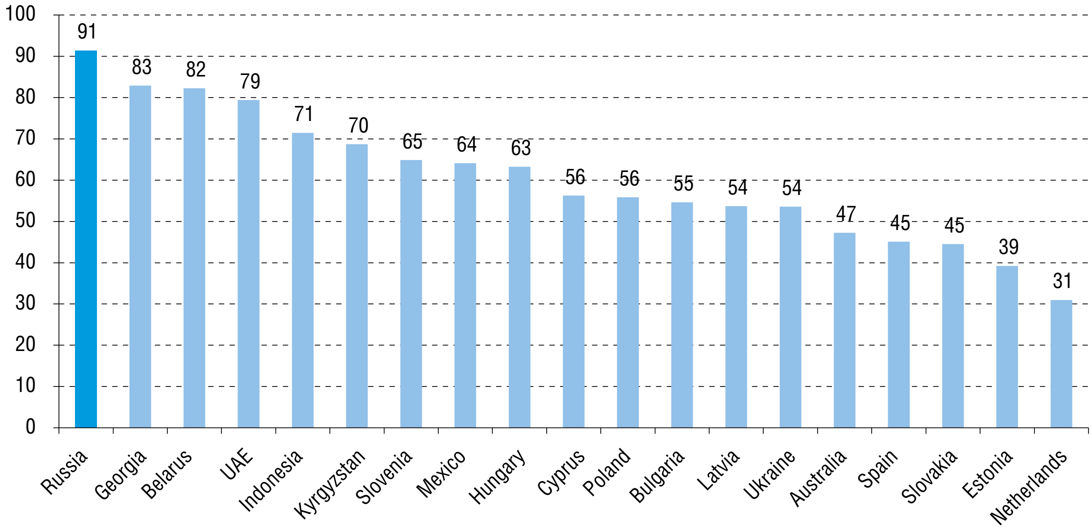
As many as 195 of credit institutions operating as of 1 January 2018 reduced their total capital in 2017; a year earlier the decline was registered in 218 banks. 366 credit institutions expanded their capital in 2017 (in 2016, 405 credit institutions).

As of the beginning of 2017, total capital of credit institutions which terminated their operations in 2017 totalled ₽141 billion (or 1.5% of capital as of the beginning of 2017); in early 2016 this indicator was ₽202 billion (2.2% of capital as of 1 January 2016).

III.5.2. Risk-weighted assets

The ratio of risk-weighted assets to total assets of Russian banks stood at 91% as of 1 January 2018. This ratio estimates risks in the banking sector as re-

Figure 3.19. The ratio of risk-weighted assets to aggregate balance-sheet assets in individual countries as of 01.01.2018, %*



** Cross-country comparisons are based on the IMF data (specifically, data on assets and risk-weighted assets are included in the measures used to calculate IMF Financial Soundness Indicators). Data are published as of 01.01.2018.*

quired by banking regulation – the higher is the ratio, the more capital banks need to comply with capital adequacy requirements. Cross-country comparison shows that conservative approach to risk assessment is more typical of the Russian banking sector compared with other countries (Figure 3.19).

Risk-weighted assets increased in 2017 by ₽6.1 trillion (or 8.5%; in 2016, by 1.3%) to ₽77.9 trillion.

Growth in risk-weighed assets was mainly driven by the increase in the risk ratio of elevated requirements for the coverage of certain bank assets with capital in accordance with international approaches to banking sector soundness (bank capital ratio) of ₽3.5 trillion (more than three-fold) and growth in credit risk-weighted assets[1] of ₽1.5 trillion (+2.7%) and operational risk of ₽0.9 trillion (+11.8%).

Higher requirements for the capital coverage of the corresponding level of individual assets of the bank in compliance with international approaches to improvement of banking sector stability (higher requirements for the capital coverage) are attributed to the increase of the following risks included in the higher requirements for the capital coverage:

– a more than six-fold increase in risks on banks' investment in ordinary shares (stakes) of legal entities other than financial organisations, which exceed the established limits;

– a 47% rise in risks on total deferred tax assets independent of the future profits of a credit institution unaccounted in the decline in the common equity Tier 1 capital.

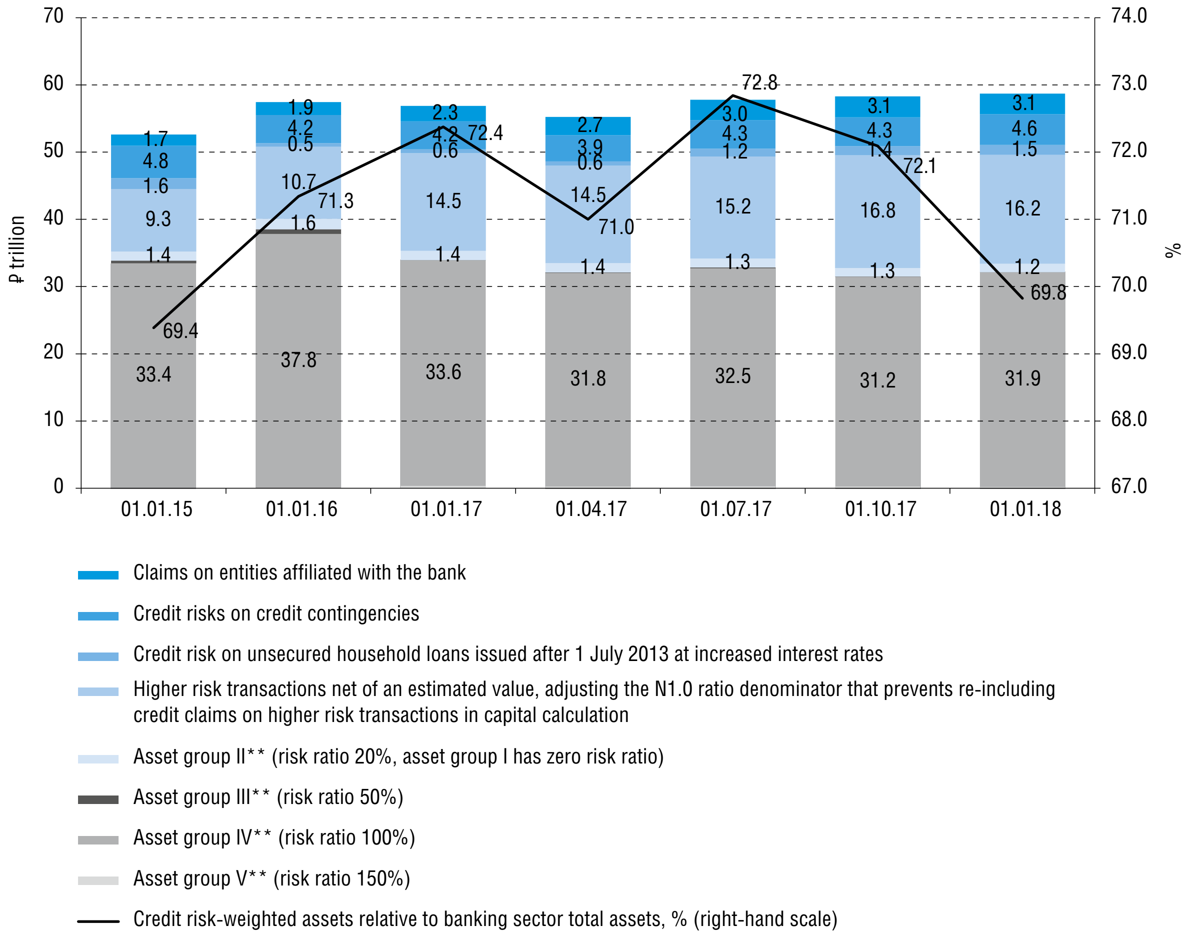
Despite growth in credit risk-weighted assets their ratio to total balance-sheet assets dropped from 72% to 70% in 2017. Credit risks on assets recorded on the balance sheet account for the bulk (56%) of credit risk weighted-assets. They dropped by 5.4% over the year.

2017 saw a considerable decline in the risk of changes in the value of credit claims following the deterioration of a counterparty's creditworthiness (35.3% to ₽315.1 billion) and credit risk on forward transactions (23.8% to ₽453 billion). Market risk decreased by ₽96 billion (2.4%) to ₽3.9 trillion. The share of market risk shrank from 5.6% to 5.0%.

In 2017, the denominator of capital adequacy requirements was supplemented with a new risk component – credit risk on investments in shares of unit investment funds. As of 1 January 2018, it stood at ₽334 billion. Starting from 2018, risk-weighted assets also include components associated with the application of internal ratings-based approach (IRB ap-

[1] In accordance with Bank of Russia Instruction No. 180-I, dated 28 June 2017, 'On Banks' Required Ratios', this risk category includes credit risk on assets recorded on balance-sheet accounts (with a risk weight of 0% to 150%); claims on entities affiliated with the bank; credit risks on credit contingencies; credit risks on forward transactions; higher risk transactions; risks on unsecured household loans issued after 1 July 2013 at increased interest rates; and the risk of changes in the value of credit claims following the deterioration of a counterparty's creditworthiness.

Figure 3.20. Credit risk-weighted assets of credit institutions*



** Indices are calculated by credit institutions in accordance with Bank of Russia Instruction No. 180-I, 'On Banks' Required Ratios'.*
*** Assets, net of loan loss provisions.*

proach)[1]. This resulted from the permission given to Sberbank in 2017 to apply this approach. As of 1 January 2018, the IRB approach components stood at zero as the IRB approach has been effective at Sberbank since 2018.

III.5.3. Bank capital adequacy

As of the end of 2017, capital adequacy of the banking sector held at a comfortable level: N1.0 dropped by 1.0 pp from 13.1% to 12.1%. Common equity Tier 1 capital adequacy (N1.1) also decreased by 0.7 pp from 8.9% to 8.2%, while Tier 1 capital adequacy (N1.2) declined by 0.7 pp from 9.2% to 8.5%.

The downward movement of capital adequacy is explained by the performance of banks under resolution in 2017. With banks under financial resolution factored out, banking sector capital increased by 9.6% in 2017, while the N1.0 capital adequacy added 0.5 pp rising to 14.7%.

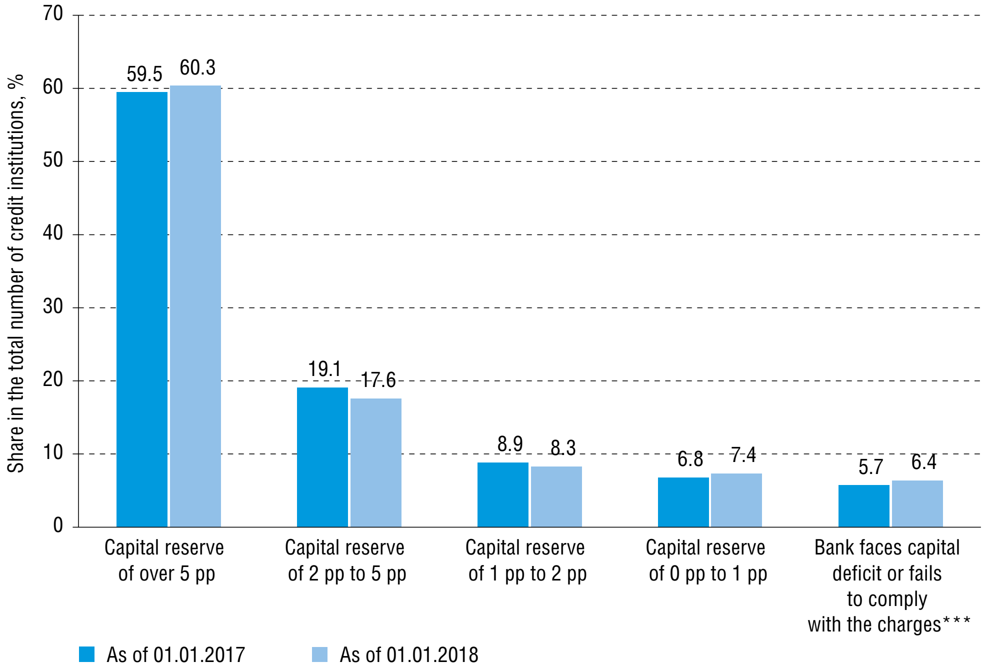
The capital reserve of Russian banks[2] remained virtually unchanged over the year totalling ₽2.2 trillion as of 1 January 2018. The unchanged capital reserve is largely attributed to the planned increase in charges in accordance with Basel III[3]. If these charges had

[1] Credit risk buffer calculated based on the internal ratings-based approach is established in accordance with Bank of Russia Ordinance No. 3752-U, dated 6 August 2015, 'On the Procedure for Obtaining Authorisation to Use Bank Credit Risk Management Methodologies and Quantitative Credit Risk Assessment Models to Calculate a Bank's Capital Adequacy Ratios and the Procedure for Assessing Their Quality'.

[2] The capital reserve is calculated as capital in excess of the level required to comply with the capital adequacy ratios and the capital conservation buffer and the systemic importance capital buffer effective as of the reporting dates.

[3] In 2016, the minimum capital conservation buffer stood at 0.625 pp, while the systemic importance capital buffer totalled 0.15 pp, whereas in 2017 these buffers were 1.25 pp and 0.35 pp respectively.

Figure 3.21. Banks* by capital reserve (by number of banks)**



** Excluding non-bank credit institutions (NCIs).*
*** Capital reserve is calculated as the actual difference between capital adequacy and minimum capital adequacy requirements including charges. The calculation is based on standalone data on compliance with the charges.*
**** Calculation factors in banks that violate capital adequacy ratios and banks with negative capital.*

Table 3.5. Capital adequacy by group of credit institutions ranked by assets*, %

Credit institutions ranked by assets (in descending order)	Adequacy of					
	Common equity Tier I capital (N1.1)		Tier I capital (N1.2)		Capital (N1.0)	
	01.01.2017	01.01.2018	01.01.2017	01.01.2018	01.01.2017	01.01.2018
Top 5	9.4	9.8	9.5	10.0	13.1	13.7
6th through 20th	9.2	9.4	9.5	10.4	14.5	14.6
21st through 50th	10.7	11.1	11.1	11.8	15.4	15.5
51st through 200th	14.4	15.2	14.6	15.5	18.9	19.6
201+	18.5	19.5	18.9	20.1	24.1	25.1
Banking sector (banks under financial resolution as of 1 January 2018 factored out)	10.1	10.5	10.3	10.8	14.2	14.7

** Credit institutions operating as of 01.01.2018, banks under financial resolution as of 01.01.2018 factored out.*

held at the 2016 level, the capital cushion would have totalled ₽2.8 trillion as of 1 January 2018.

In 2017, the share of banks (by number) with capital reserve in excess of 5 pp increased from 59.5% to 60.3%. Figures 3.21 and 3.22 show bank distribution by capital reserve.

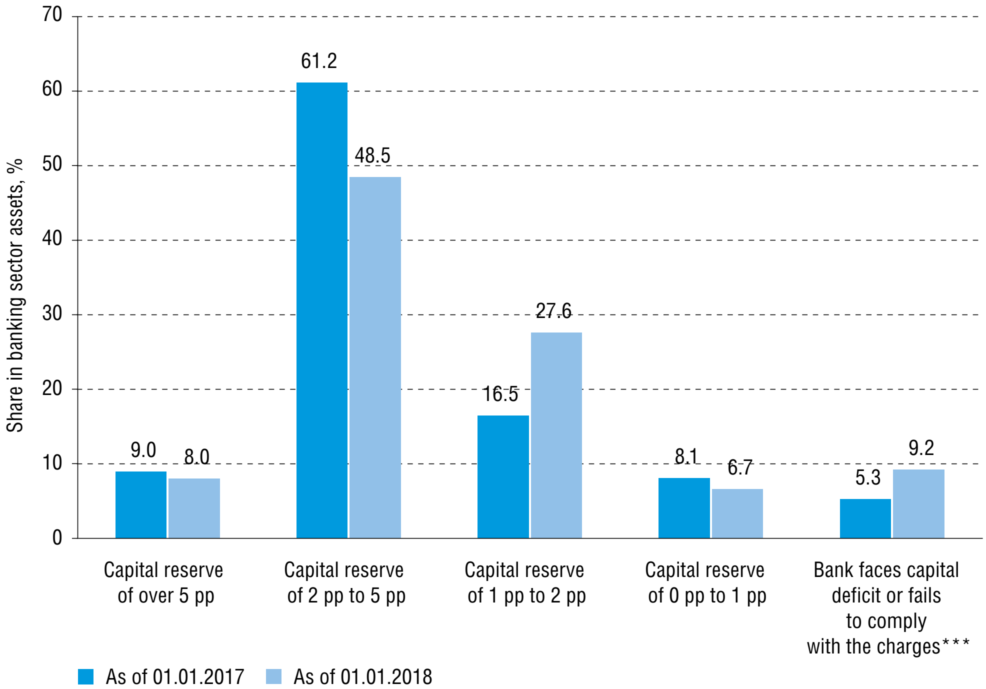
The year-end capital deficit[1] increased to ₽1.55 trillion (as of 1 January 2017, ₽0.64 trillion) due to the performance of banks under resolution. All but one credit institutions that recorded capital deficit as of end-2017 underwent financial resolution. Recapitalisation of a number of banks under resolution though the Banking Sector Consolidation Fund in 2018 should reduce capital deficit of the banking sector.

In 2017, most credit institutions complied with the requirements for capital conservation buffer. Moreover, all systemically important banks (except for banks under resolution) complied with the requirements for systemic capital buffer.

Credit institutions must comply with the buffers on a quarterly basis. That said, parent credit institutions of banking groups should only comply with the buff-

[1] Capital deficit is defined as the recapitalisation amount banks with capital deficit need to comply with capital requirements. Capital deficit factors out buffer charges.

Figure 3.22. Banks* by capital reserve (by share in banking sector total assets)**



** Excluding non-bank credit institutions (NCIs).*
*** Capital reserve is calculated as the actual difference between capital adequacy and minimum capital adequacy requirements including charges. The calculation is based on standalone data on compliance with the charges.*
**** Calculation factors in banks that violate capital adequacy ratios and banks with negative capital.*

ers on a consolidated basis. Non-compliance with the buffers limits credit institutions' capabilities to distribute profits between shareholders.

In 2017, 25 credit institutions failed to comply with the buffers on a standalone basis at certain dates whereas they complied with capital requirements. The failure to comply with the buffers on a standalone basis was registered in small banks; 25 banks which failed to comply with the buffers in 2017 accounted for 0.87% of banking sector assets. Five of them had their licences revoked.

Furthermore, 10 credit institutions failed to comply with buffer requirements on a consolidated basis in 2017 (whereas they complied with capital adequacy requirements as of the date of non-compliance with the buffer). Those credit institutions accounted for 3.6% of banking sector assets as of 1 January 2017.

Changes in credit institutions' capital had no strong effect on the sector's capital adequacy. On the one hand, an upward effect on the capital adequacy was exerted in 2017 by the increase in authorised capital and share premium; on the other hand, lower subordinated loan balances and falling profit recorded in capital sources had a negative impact.

Table 3.6. Capital buffers

	2015	2016	2017	2018*	From 2019
National countercyclical buffer, pp	–	0	0	Up to 2.5	
National countercyclical buffer ratio (multiplier)	–	0.25	0.50	0.75	1
Capital conservation buffer, pp	–	0.625	1.25	1.875	2.50
Systemic capital buffer, pp	–	0.15	0.35	0.65	1.00

** Until June 2018, the numerical value of the national countercyclical buffer to bank capital adequacy requirements had been set at 0% of risk-weighted assets.*

However, capital adequacy was largely boosted by the decline in credit risk on assets recorded in balance-sheet accounts. At the same time, the increase was registered in the higher requirements for the capital coverage and higher-risk operations.

III.6. Operations with non-residents

The amount of Russian credit institutions' claims to non-residents decreased in 2017 by 3.2%[1] to ₽9.4 trillion (11.0% of banking sector assets), of which 80.8% were FX-denominated. The total debt[2] of the Russian banking sector to non-residents dropped more considerably by 13.7% to ₽4.9 trillion (5.7% of banking sector liabilities), of which 83.4% were FX liabilities. As a result, the banking sector's net claims on non-residents[3] increased over the year by ₽316 billion to ₽4.6 trillion as of 1 January 2018.

As of 1 January 2018, 488 of 561 credit institutions held foreign debt. In 362 credit institutions with debt to non-residents, such debt accounted for less than 5% of liabilities (Figure 3.23), while in every second such bank it was below 0.4% (median value). This suggests that most banking sector participants are not dependent on this funding source.

In 2017, interbank transactions with non-residents shrank. As of 1 January 2018, funds from non-resident banks were raised by 93 credit institutions. They accounted for 80.8% of total banking sector assets (as of 1 January 2017, 102 credit institutions accounting for 83.6% of banking sector assets). As of 1 January 2018, 127 Russian credit institutions placed their funds in non-resident banks; they accounted for 87.6% of total banking sector assets (as of 1 January 2017, 158 credit institutions accounting for 89.4% of total assets).

Interbank transactions with non-residents are still concentrated in Russia's largest banks. Half of the funds raised from abroad were raised by five Russian banks, four of which were systemically important. The concentration is even higher in funds lent to non-resident banks: two systemically important banks accounted for the half of assets.

2017 registered a decline in correspondent account balances with non-resident banks (to ₽848 billion as of 1 January 2018); as a result, their share in banking sector assets dropped from 1.5% to 1.0%.

At the same time, non-resident banks' correspondent and other account balances with Russian credit institutions showed a slight increase (₽257 billion as of 1 January 2018) with the share of these funds in banking sector liabilities remaining immaterial (0.3%).

III.7. Bank management quality

In 2017, the Bank of Russia held the first Internal Capital Adequacy Assessment Process (ICAAP) for credit institutions with at least ₽500 billion in assets using the standardised method of ICAAP and capital adequacy assessment.

The ICAAP assessment of a credit institution allows assessing the quality of the bank's risk and capital management, including:

– risk and capital management arrangements, engagement of the bank's governing bodies and risk divisions in risk and capital management;

– detection of considerable risks, risk appetite ratios and their adequacy which characterise capital adequacy and considerable risks, and control over the compliance with these ratios.

Major banks prepared for the ICAAP and capital adequacy assessments in advance.

The Bank of Russia analysed the ICAAP quality self-assessment of credit institutions and subsequently adjusted its assessments for a number of banks.

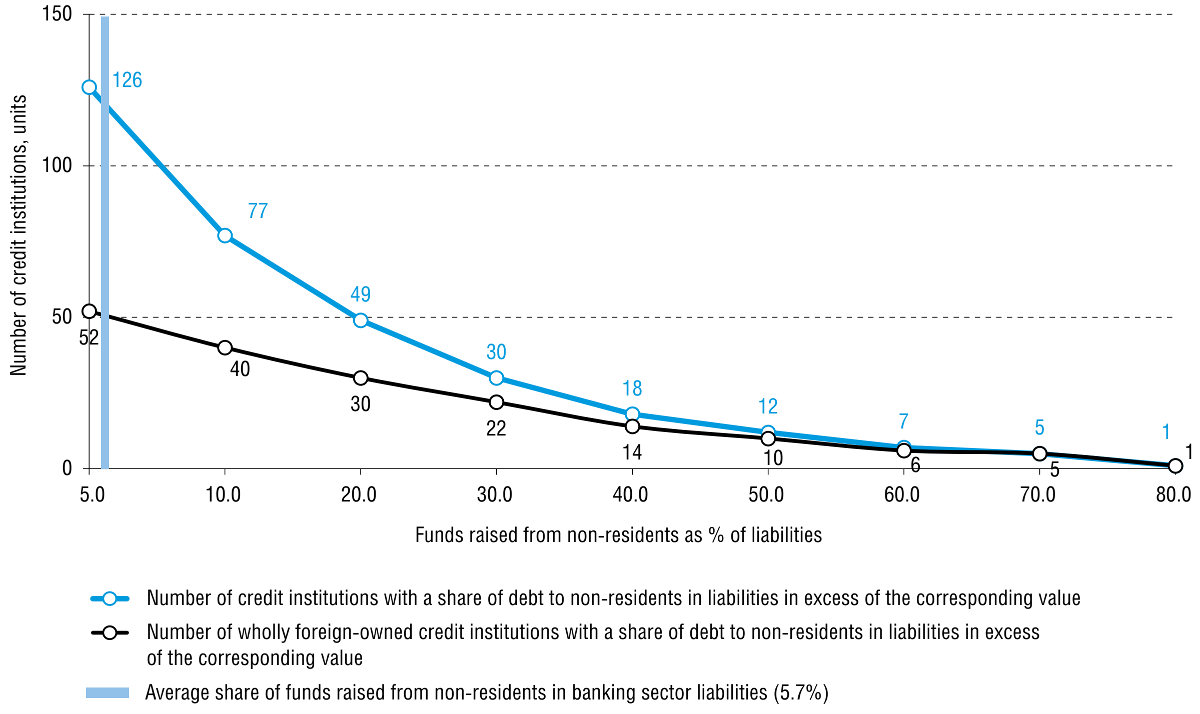
When assessing the ICAAP, the Bank of Russia not only considered banks' answers to the survey, but also analysed internal documents and additional information provided by banks. Furthermore, it took into account various aspects of the current supervision of credit institutions and inspection findings.

[1] Growth adjusted for currency effects in credit institutions operating as of the last reporting date (including previously reorganised banks).

[2] Including correspondent and other accounts of non-resident credit institutions, loans, deposits, and funds on accounts of other non-resident individuals and legal entities.

[3] Balance of claims on non-residents and debt to non-residents.

Figure 3.23. Banking sector debt to non-residents as of 1 January 2018



III.8. Banking sector stress testing

In 2017, the Bank of Russia performed regular stress tests based on the scenario analysis with the use of macromodels in order to identify credit institutions which were most exposed to individual types of risks and estimate recapitalisation relevance. Stress tests helped estimate banks' losses in the event of shocks, which took into account the influence of deteriorating external economic conditions on the Russian economy[1].

In addition, the Bank of Russia tested banks for sensitivity to various risks, including the liquidity risk. The results of stress tests were used in supervision.

III.8.1. Macromodel-based stress testing

The macroeconomic scenario of stress testing performed as of 1 January 2018 provided for an oil price drop to $25 per barrel and a 3.9% drop in GDP, along with a 39% weakening in the ruble over a year.

Table 3.7. Change in scenario options on one-year horizon (from 01.01.2018 to 01.01.2019).

Indicator	Stress scenario	Memo item: actual 2017 data
Oil price, $/barrel	25	54.7
GDP growth, %	–3.9	1.5
CPI, %	7.8	2.5
Gross fixed capital formation growth, %	–8.9	4.3

These came along with climbing interest rates in the Russian financial market and a drop in stock indices. For key scenario characteristics refer to Table 3.7. Significantly, the macroeconomic scenario of stress testing fails to reflect the Bank of Russia's expectations for the developments in the economy and the banking sector.

The assessment of credit institutions' losses was based on four major risks: credit risk (including the risk of rollover loan quality deterioration), market risk, liquidity risk and interest rate risk on the bank book.

Stress testing factored out banks under resolution with negative total capital as of 1 January 2018.

The results of stress testing showed that most losses (61.6%) are associated with credit risk (addition-

[1] For details of the macromodel-based stress testing refer to the Banking Supervision Report for 2015.

Methodological comments

When conducting stress testing based on the scenario analysis method, the Bank of Russia uses a macroeconomic model which is a system of regression equations describing the impact of the macroeconomic environment (macroparameters), including such indicators as GDP, the ruble exchange rate against foreign currencies, inflation, real disposable income of households, and fixed capital investments, on banking sector indicators (corporate account balances, household and corporate deposits, cost (revaluation) of securities, loans to households and corporations, and movements in the share of 'bad' loans in total loans). In 2017, the Bank of Russia continued to improve its approaches to credit risk assessment: it adopted models that take into account the specifics of quality changes in the loan portfolio of homogeneous bank groups. In addition, for the sake of more conservative calculations, the methodology of market risk assessment was revised.

The stress-test calculation employs 25 econometric models which reflect the effect of macrofactors on bank indicators. Models use 19 macroeconomic indicators as explanatory variables.

Along with macroparameters, the stress test considers additional conditions and shocks, such as supervisory adjustments of bank asset quality, including assets in troubled markets.

Given the impact of macrofactors on key banking indicators for each credit institution during the projected period (quarterly), calculations are based on a simulated balance model that reflects the possible behaviour of a bank during the assumed stress conditions and assesses its financial performance. Figure 3.24 shows a bank's balance model architecture.

The income generated over the forecast period partially offsets potential losses. The result of the simulation is an estimate of the credit institution's total loss due to all types of risks under stress, as well as the potential capital and liquidity deficit. Capital deficit shall mean the amount of funds credit institutions may need to comply with all three capital adequacy ratios; liquidity deficit shall mean the amount of unsecured customer fund outflows.

The results of stress testing are used to monitor changes in the structure of bank risks and for early prevention of systemic failures (when analysing the contamination effect). This instrument allows determining the necessary level of banking sector capitalisation if the set stress conditions materialise. On the microprudential level, stress testing allows identifying credit institutions which are most exposed to certain risks for a closer supervision.

al loan provisions). The average share of bad loans in the loan portfolio[1] may grow from 11.4% to 15.6% on the one-year horizon. Losses from additional provisions for rollover loans account for 18.3% of total losses. Figure 3.25 shows the distribution of losses.

Even with the income banks may receive in the stress conditions factored in, the banking sector could come up with a loss; in some banks this may result in capital deficit. As many as 117 banks, accounting for 30.6% of banking sector assets as of 1 January 2018, may face capital deficit and violate at least one of the three capital adequacy ratios. Capital shortfall is estimated at ₽0.5 trillion.

As a result of the shocks included in the macroeconomic scenario, capital adequacy ratios within the banking sector may fall (common equity Tier I adequacy from 8.2% to 5.2%, Tier I capital adequacy from 8.5% to 5.5%, and aggregate capital from 12.1% to 8.7%).

Along with banks which faced capital deficit as a result of stress, the stress testing revealed banks which were non-compliant with additional capital requirements (capital conservation buffer and systemic importance capital buffer). The calculation suggests that there were 51 banks (without capital deficit) that failed to comply with the charges (accounting for 19.4% of banking sector assets).

III.8.1.1. DOMINO EFFECT ASSESSMENT

The stress test also assesses contagion risk in the interbank market (the domino effect) in case of shocks

[1] The portfolio of loans to households and legal entities (other than credit institutions).

Figure 3.24. Architecture of bank balance model

Negative effects (stress)

1. Liquidity outflow
2. Change in quality of loan portfolio
3. Revaluation of marketable assets
4. Decline in interbank loans
5. Adjustment of bank assets in problem markets

Bank balance model

The obtained negative and compensatory parameters allow to simulate as follows:

1. Change in balance-sheet items following stress and compensatory actions
2. Actions taken by the bank to recover the fallouts from liquidity reduction (sale of liquid assets, raising interbank loans, refinancing from the Bank of Russia, etc.)
3. Calculation of loss from bank risks (credit, market and liquidity risk, interest rate risk on the balance sheet)
4. Assessment of the bank's financial performance
5. Recalculation of capital adequacy and liquidity ratios, evaluation of capital and liquidity deficit

Compensation of stress events

1. Liquidity growth due to scheduled payments from placed loans
2. Income from current banking activity
3. Receipt of additional financial aid

Figure 3.25. Bank losses by risk type in case of stress event, %

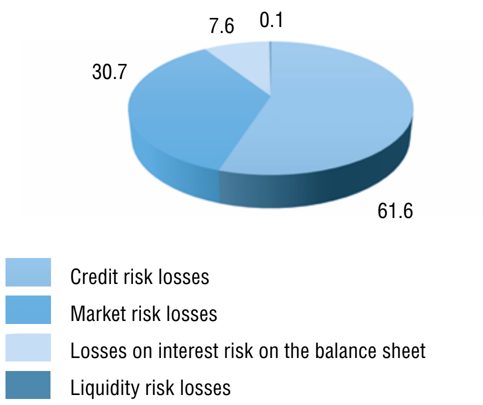
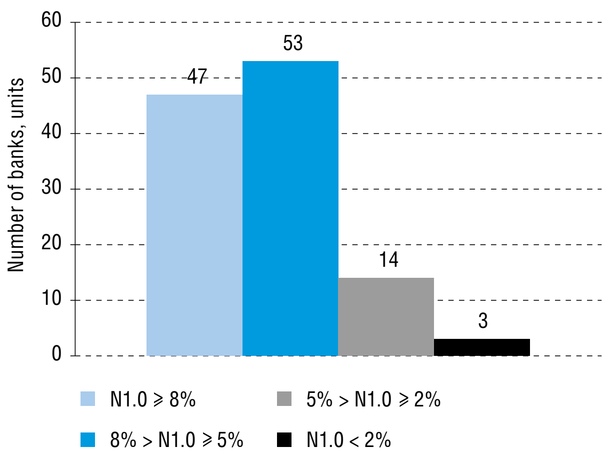


Figure 3.26. Banks that violate at least one of the capital adequacy ratios, by the N1.0 ratio



provided for in the macroeconomic scenario. This type of analysis allows evaluating the impact of bankruptcy of individual banks on the stability of their counterparties in the interbank market.

Macromodel-based stress testing suggests that 107 banks accounting for 9.8% of banking sector assets may have capital deficit of ₽0.2 trillion should a domino effect materialise, initiated by banks with capital deficit and banks in technical default. As many as 84 banks (9.1% of assets) may face a ₽0.3 trillion liquidity strain.

III.8.2. Analysis of Russian banks' sensitivity to liquidity risk

The emergence of a sustainable liquidity surplus in 2017 called for additional attention to the analysis of liquidity positions of certain credit institutions and bank groups, and improvements in the methodology for liquidity risk stress testing.

Sensitivity analysis-based liquidity risk stress testing suggests that a stress event occurs within 30 days; the respective shock parameters are applied to a bank's balance sheet as of the set reporting date.

Methodological aspects of the analysis of liquidity risk sensitivity

In 2017, the methodology of liquidity risk sensitivity analysis was improved in accordance with the recommendations of the Basel Committee on Banking Supervision. Thus, the methodology was supplemented with more detailed outflow types and balance sheet items that can be used to cover them.

Customer fund outflows are broken down by financing type (household deposits, corporate deposits, settlement accounts, interbank loans, etc.). Besides, outflows are broken down by counterparty type (financial/non-financial organisations, residents/non-residents, public funds). Taking this differentiation into account, household deposit outflows vary from 10% to 20% while the outflows of corporate deposits and funds in corporate accounts vary from 40% to 100%. Outflows are covered with monetary funds (cash, correspondent accounts, deposits with the Bank of Russia, etc.) and by disposing of liquid assets at pre-set discount rates (the discount value is determined depending on the asset liquidity). If the amount of liquid assets is not enough to cover the outflow, the bank is considered to be in a technical default and the uncovered outflow is called liquidity strain.

It should be noted that the stress scenario assumes that the stress event does not occur in all banks simultaneously and is not a systemic shock.

In this exercise the effect of a stress event on banks is calculated factoring out the possibility of raising additional funding from the Bank of Russia. Thereby, a more conservative estimate of risk exposure is provided. However, the set flows are supposed to be covered with funds the bank under consideration places with other banks.

Based on the analysis of liquidity risk sensitivity as of 1 January 2018, the realisation of a shock, consisting of the outflow of funds from creditors' and customers' accounts at the rate set by experts, could bring about deficit in 127 banks. These banks accounted for 40.9% of total banking sector assets. These banks' liquidity deficit ranges on average between 15% and 20% of their assets.

Given that the sensitivity analysis-based stress testing provides for a closed access to all kinds of liquidity support from the Bank of Russia, which could prevent liquidity deficit in some banks, the shock is more likely to have moderate consequences.

IV. BANK REGULATION AND SUPERVISION IN RUSSIA

IV.1. Improving approaches to banking regulation and supervision. Outlook

IV.1.1. Updating legal framework for credit institutions

In 2017, Federal Law No. 395-1, dated 2 December 1990, 'On Banks and Banking Activities' was amended to divide banks by total capital into banks with a universal licence and banks with a basic licence. The type of the banking licence determines a bank's regulatory burden. Banks with a basic licence enjoy a simplified regulation that provides for a restricted number of required ratios and the specifics of their calculation, as well as non-application of new and technically advanced international regulation standards, including those related to risk assessment for calculating required ratios.

In September 2017, amendments to Federal Law No. 86-FZ, dated 10 July 2002, 'On the Central Bank of the Russian Federation (Bank of Russia)' became effective. They empower the Bank of Russia to cooperate with credit institutions through personal accounts on the Bank of Russia website. The amendments allowed harmonising requirements for the Bank of Russia's cooperation with all participants of information exchange, including banks, through personal accounts.

In order to ensure transparency of operations of credit institutions and banking groups, amendments were introduced in 2017 to Article 57 of Federal Law No. 86-FZ, dated 10 July 2002, 'On the Central Bank of the Russian Federation (Bank of Russia)'. They are aimed at entitling the Bank of Russia to disclose on its website individual reporting forms of credit institutions and banking groups submitted to the Bank of Russia in accordance with Article 43 of the Federal Law 'On Banks and Banking Activities' and currently subject to voluntary disclosure by credit institutions on the Bank of Russia website, and statements of credit institutions and banking groups for publication purposes.

In 2017, the Bank of Russia drafted amendments to laws related to the improvement of regulation of banking groups and bank holding companies. The draft law suggests that regulation which is similar to the current regulation of banking groups should be applied to bank holding companies. In particular, bank holding companies will be obliged to observe required ratios, capital adequacy buffers, and requirements for risk and capital management and internal control. Head office top managers will be obliged to meet the same business reputation and qualification criteria as the management of credit institutions. The Bank of Russia will supervise bank holding companies. In addition, the technical term 'bank holding company' would be extended to informal associations of credit and non-bank financial institutions of the same owners. As the operations of these financial market players are interconnected, risks they assume may prove tangible, while financial challenges or the loss of business reputation of one credit institution may undermine financial stability of other banks.

In 2017, the following federal laws were adopted:

1. Federal Law No. 281-FZ, dated 29 July 2017, 'On Amending Certain Laws of the Russian Federation with Regard to Improvement of Mandatory Requirements for Founders (Participants), Governing Bodies and Officials of Financial Institutions'. The main amendments introduced into this law are as follows:

– introducing a cross-sectoral approach to the control over business reputation of the management and owners of a number of financial organisations (credit institutions, insurance companies, management companies, non-governmental pension funds and microfinance companies);

– tightening the criteria for assessment of business reputation of members of governing bodies, managers and owners of financial organisations;

– expanding the list of financial organisation officials to whom business reputation requirements are applied with an official responsible for the implementation of internal control rules for the purpose of countering the legalisation (laundering) of criminally obtained income and the financing of terrorism (AML/CFT);

– expanding the list of persons subject to assessment for compliance with requirements for financial standing and (or) business reputation, with a controller of the acquirer (owner) of more than 10% shares (stakes) of a financial organisation, and persons acquiring less than 10% within a group of persons acquiring (holding) more than 10% of shares (stakes) of a financial organisation, their controllers, and sole executive bodies of the said legal entities.

2. Federal Law No. 212-FZ, dated 26 July 2017, 'On Amending Parts One and Two of the Civil Code of the Russian Federation and Certain Laws of the Russian Federation' (hereinafter referred to as Law No. 212-FZ) effective since 1 June 2018:

– introduces new types of agreements (precious metals account agreement and precious metals deposit agreement);

– expands the list of bank operations with precious metals;

– removes the need for credit institutions to undergo Bank of Russia licensing for operations with precious metals other than bank operations; this equals the legal position of credit institutions and other legal entities as regards the procedure for conducting such operations.

In 2017, the Bank of Russia issued an ordinance that provided for a six-month planning horizon for bank inspections; revised the procedure and timeframes for the development, filling and agreeing a Consolidated Plan of Bank (Branch) Inspections, including in cases when they are carried out simultaneously with inspections of other credit institutions, non-bank financial institutions (NCIs) and national payment system agents; and clarified the reasons for mandatory unscheduled inspections of credit institutions.

Also, the Bank of Russia issued an ordinance that provided for a deadline for a comprehensive inspection of credit institutions and targeted inspections of systemically important banks.

The regulator amended regulations with regard to harmonisation of the procedure for including (excluding) audit firms in (from) the list of audit firms which may be appointed by the Bank of Russia Board of Directors to audit credit institutions (their branches).

For the list of regulations refer to Section V of this Report.

In addition, the Bank of Russia issued methodological recommendations for checking an authorised bank's compliance with the state defence order law; for inspecting credit institutions for the lawfulness of authorised capital formation and capital determination; for arranging and conducting inspections of credit institutions to assess banks' measures carried out in accordance with the plan for participation (of SC DIA) in bank bankruptcy prevention measures; for inspecting loans to legal entities; and for inspecting banks' internal controls.

IV.1.2. Banking regulation

In 2017, the Bank of Russia continued to implement internationally recognised approaches to banking regulation, including the recommendations of the Basel Committee on Banking Supervision, and to update approaches to banking regulation. In particular, the following measures were taken:

1. The Bank of Russia issued new versions of regulations which established the procedure for calculating required ratios and creating provisions. They provide for the updating of approaches to the application of credit ratings to foreign and national-rated entities; the introduction of concessional risk assessment for corporate borrowers registered in the Republic of Crimea or the federal city of Sevastopol; the determining of the procedure for factoring in clearing participation certificates received when placing assets into assets of a clearing institution which is a central counterparty in the calculation of required ratios.

The regulator continued to mitigate risks on mortgage loans; in particular, it decided to apply increased risk ratios (150–300%) to ruble mortgage loans with a small down payment to be provided after 1 January 2018.

In order to cap rates on consumer loans, the Bank of Russia changed the bounds of the effective interest rate on consumer loans (EIR) for the ranges where elevated risk ratios are applied to consumer loans when calculating banks' capital adequacy ratios. The newly introduced elevated ratios are applicable to consumer loans issued to households after 1 March 2017 where the EIR as of the issue date totalled more than 20%.

In order to make loans more affordable for small and medium-sized enterprises, the Bank of Russia extended the possibilities of using favourable approaches when calculating required ratios.

2. The Bank of Russia introduced a new procedure for calculating credit risk on investment in funds for

the purpose of compliance with capital adequacy requirements, and established a new required financial leverage ratio N1.4 (the minimum permissible value of the ratio is 3%). Only banks with a universal licence are obliged to calculate and comply with the financial leverage ratio effective from 1 February 2018.

3. The Bank of Russia established the procedure for systemically important credit institutions to calculate and comply with a structural liquidity ratio (Net Stable Funding Ratio, NSFR) in all currencies on a consolidated basis in accordance with Basel III. The minimum value of the NSFR is 100%. The NSFR has been a required ratio since 1 January 2018.

4. As part of the concept of proportional regulation, the Bank of Russia established five required ratios with certain calculation specifics:

– capital adequacy (N1.0) – minimum of 8%;

– Tier 1 capital adequacy (N1.2) – minimum of 6%;

– current liquidity (N3) – minimum of 50%;

– maximum risk per borrower or a group of related borrowers (N6) – maximum of 20%; a five-year transition period is established during which the coefficient of 0.8 should be used in the calculation of the N6 ratio;

– maximum exposure per bank affiliate (group of bank affiliates) (N25) – maximum of 20%.

5. The Bank of Russia introduced a new criteria to identify the affiliation of individuals and (or) legal entities with a credit institution that is based on the ownership of more than 5% of voting shares (stakes in the authorised capital) of the entity (entities) by the entities exercising control over the activity or exerting considerable direct or indirect (through third parties) influence on the credit institution.

6. The Bank of Russia updated the procedure for factoring in the reporting data of insurance companies that are members of a banking group in the calculation of prudential ratios on a consolidated basis, and the procedure for determining a banking group's stake in its member, in which a parent credit institution of the banking group or banking group members hold no investment in shares (stakes).

7. In the follow-up to the regulation on the disclosure to the a wide range of users of key information on the calculation of capital requirements with respect to the most significant risks and procedures for their management adopted by a credit institution and a banking group as stipulated in the document by the Basel Committee on Banking Supervision 'Revised Pillar 3 Disclosure Requirements' (January 2015), the Bank of Russia established for credit institutions (other than banks with a basic licence) and banking groups rules and timeframes for disclosing risk information on a standalone and consolidated basis, as well as information on financial instruments included in capital calculation, including all conditions and timeframes of their issue, redemption and conversion, and other operations with these instruments and their considerable changes.

In addition, the Bank of Russia adjusted the information credit institutions must disclose on the financial instrument-related risk management objectives and policy in the notes to the annual (interim) accounting (financial) statements to the International Financial Reporting Standards.

8. In order to make the information on credit institutions' risks more accessible for investors, customers and other stakeholders, the Bank of Russia extended the list of credit institutions obliged to disclose their consolidated financial statements to the general public, and established the list of parent institutions of bank holding companies obliged to disclose interim consolidated financial statements.

9. As the Bank of Russia improved the methodology for assessing banks' economic position in 2017, it updated the threshold values of major credit risk concentration used to assess concentration risk of credit institutions; adjusted the procedure for calculating interest rate risk to the requirements of the Basel Committee on Banking Supervision; and established specific requirements for the assessment of economic position of banks with a basic licence taking into account the abridged list of required ratios established for them.

10. The Bank of Russia amended the methodology for assessing banks' financial stability for the purpose of recognising their eligibility for the deposit insurance system, and in order to use the methodology in the assessment of financial stability of banks with a basic licence.

11. In order to save the banks undergoing bankruptcy prevention measures of the Bank of Russia or the DIA from the payment of elevated insurance premiums, the Bank of Russia simplified the assessment of financial position of such banks in the reporting period by removing the indicators of risk management and internal control systems from the methodology for assessment of capital, assets and liquidity.

12. Banks with a basic licence were entitled to charge the head of risk management with the functions of the head of internal controls.

13. The Bank of Russia established a methodology for determining the share of banking activity in the operations of a bank holding company and the procedure for confirming it on an annual basis, as well as the procedure for informing the Bank of Russia electronically of the reasons why a bank holding company becomes non-compliant with the Federal Law 'On Banks and Banking Activities'.

With regard to the financial market regulation covering credit institutions which combine their activity with the professional activity on the securities market, in 2017, the Bank of Russia updated the requirements for professional securities market participants engaged in brokerage, dealership and securities management[1].

In 2017, the Bank of Russia continued to reform the central counterparty institute, which plays a key role in seamless and stable operations of the financial market. The reform resulted in the establishment of the central counterparty as a separate non-bank credit institution type (NCI-CC) and in the implementation of a separate model of its prudential regulation.

NCI NCC (JSC) (hereinafter referred to as the NCC) was the first financial market infrastructure institution that applied to the Bank of Russia to change its status from bank to non-bank credit institution and to obtain a central counterparty status in accordance with new regulatory requirements. Starting from 28 November 2017 when the central counterparty status was granted to it by the Bank of Russia, the NCC undertook to comply with the permissible under the new regulatory regime combinations of banking operations, specific required ratios, requirements for the implementation of the risk management system, and requirements for the disclosure of information on central counterparty activity in line with global standards and practices.

Thanks to the NCC's status change from a bank to a non-bank credit institution and its newly assigned central counterparty status, the NCC has the right to continue servicing its customers to the full extent.

Under the newly introduced special regulatory regime for the central counterparty institute as a non-bank credit institution, the current supervisory regime applicable to such institutions and its intensity will remain unchanged.

IV.1.3. Banking licensing

As of 1 January 2018, there were 561 credit institutions operating under a banking licence (of which 44 non-bank credit institutions). In 2017, their number changed by 62 units, or 10%, due to:

– the licence revocation from 51 credit institutions;

– the cancellation of licences of three credit institutions following their shareholders' (participants') decision on a voluntarily liquidation;

– the termination of activity following the reorganisation through merger of nine credit institutions;

– the issuance to a non-bank credit institution of a banking licence for operations in rubles and in foreign currency for non-bank settlement credit institutions.

During the reporting period, two banks changed their legal status following the reorganisation through transformation (in 2016, one bank); one bank changed its status to that of a non-bank credit institution; one non-bank credit institution changed its status from that of a non-bank credit institution entitled to make cash transfers without opening bank accounts and other related bank operations to that of a non-bank settlement credit institution.

In 2017, four credit institutions expanded their operations by obtaining banking licences (in 2016, six credit institutions), of which:

– three banks received a licence for household deposit-taking in rubles and foreign currency (in 2016, one bank);

– one bank received a licence for raising precious metals in deposit accounts and placement of precious metals (in 2016, one bank).

In 2017, following the Bank of Russia's decisions, amendments were registered to the charter of 310 credit institutions, including amendments to the charters of 36 credit institutions which resulted in replacement of their banking licences.

As of 1 January 2018, the Bank of Russia accredited 48 representative offices of foreign credit institutions (as of 1 January 2017, 59 representative offices).

[1] Bank of Russia Regulation No. 577-P, dated 31 January 2017, 'On the Internal Accounting Rules of Professional Securities Market Participants Engaged in Broker, Dealer, and Securities Management Activities'.

IV.2. Improvement of banking supervision

In 2017, the Bank of Russia continued a large-scale reform of banking supervision based on its centralisation.

As of end-2017, the Bank of Russia celebrated dramatic achievements it had made in centralisation of banking supervision while ensuring its continuity:

– the Service for Ongoing Banking Supervision (SOBS), a new structural division in the Bank of Russia's head office, was established. It is gradually overtaking supervision over credit institutions (other than systemically important banks and their subsidiaries, and the central counterparty (CCP)) from all regional branches;

– the SOBS has engaged in cooperation with all Bank of Russia divisions involved in supervision and exchange of important information; the quality of supervision has been monitored based on uniform procedures;

– the Bank of Russia developed a recruitment procedure based on a comprehensive assessment of professional, analytical and managerial competencies.

The Bank of Russia is experimenting with participation of credit institutions' supervisors in inspections to accelerate their result consideration and decision-making on the application of supervisory measures to credit institutions.

In 2017, the SOBS took up supervision over credit institutions previously supervised by the Bank of Russia Main Branch for the Central Federal District, as well as the Far-Eastern and Southern Main Branches. As of 1 January 2018, the SOBS supervised 369 credit institutions (65.7% of operating credit institutions).

The Bank of Russia introduced a new model of regional banking supervision. Regional supervision personnel are employed at the SOBS and support supervision with real-time interaction with credit institutions, visual control and monitoring of their operations, and deliver on a bank supervisor's requests. Regional employees are also supposed to participate in inspections and provisional administrations, and analyse inspection records of credit institutions' internal controls and internal audit.

The Bank of Russia's Systemically Important Banks Supervision Department (SIBSD) supervises systemically important credit institutions and their subsidiaries, including on a consolidated basis. Given the expansion of the List of Systemically Important Credit Institutions[1], a systemically important credit institution and a number of credit institutions within banking groups where parent credit institutions are systemically important credit institutions have been under direct supervision of the SIBSD since 2017.

The centralisation of banking supervision has left the responsibilities of Bank of Russia authorised representatives unchanged. As of 1 January 2018, in accordance with Article 76 of Federal Law No. 86-FZ, dated 10 July 2002, 'On the Central Bank of the Russian Federation (Bank of Russia)', authorised representatives of the Bank of Russia has been appointed to 143 credit institutions (a year earlier, 149 credit institutions, including all systemically important credit institutions and their all but one subsidiaries.

IV.3. Improvement of banking supervision methodology

In order to enhance banking supervision the Bank of Russia standardised supervisory procedures, improved supervision methodology and techniques:

– drafting and approving the Core Banking Supervision Standard;

– adjusting the methodology of supervisory regimes as part of the introduction of the procedure for determining risk profiles of credit institutions and intensity of supervisory regimes (the Bank of Russia approved a technical solution and fine-tuned an online questionnaire covering risk factors revealed in credit institutions' operations).

In 2017, supervisors came up with requirements for the Supervised Institution Consolidated File that auto-

[1] Approved in 2017 Q3 in accordance with Bank of Russia Ordinance No. 3737-U, dated 22 July 2015, 'On the Methodology to Define Systemically Important Credit Institutions'; posted on the Bank of Russia website on 13 September 2017.

mates business processes of supervision through the use of sophisticated technologies.

IV.3.1. Re-engineering of interaction with credit institutions

2017 saw a number of significant measures aimed at improving the Bank of Russia's cooperation with credit institutions and cross-functional cooperation between Bank of Russia divisions.

The Federal Law 'On the Central Bank of the Russian Federation (Bank of Russia)' was amended. It empowers the Bank of Russia to cooperate with credit institutions through personal accounts on the Bank of Russia website. The cooperation with credit institutions through personal accounts ensures prompt information exchange and lower costs.

In 2017, the Bank of Russia implemented measures aimed at the centralisation of banking supervision. They came along with amended regulations and personnel changes which allowed continuity of supervision.

The main results of the completed stages of centralisation are as follows:

1. Continuity of supervision amid significantly revised internal processes in the Bank of Russia.

2. Introduction of uniform approaches to supervision. Credit institutions' supervisors work in compliance with general supervision standards with all credit institutions, including regional ones. Banking supervision personnel can compare business models of credit institutions operating in the Russian banking market rather than within a region.

3. Faster supervisory decision-making. The supervision management receives the information about negative or irregular aspects of credit institutions' operations almost in a real-time mode; this allows making prompt and effective decisions adequate to the financial standing of credit institutions and the owners' intentions to back up banks if it deteriorates.

4. Higher independence of supervisors in their functions.

5. Higher qualification and supervisory competence of banking supervision personnel.

6. Supervisors' better awareness of credit institutions' business, their borrowers and creditors, as well as banks' ties with other segments of the financial and real sectors of the economy.

7. Enhanced consolidated supervision over participants of banking groups.

IV.4. Quality assessment of credit institutions' assets

The development of a new model for assessing bank assets is a substantial change introduced by the banking supervision reform. The model suggests that the Risk Analysis Service (RAS), established in 2016, will gradually take up the assessment of credit institutions' assets previously made by supervisors. The creation of the SOBS was aligned with the shifting of asset assessment in regional banks to the RAS.

2017 saw the competencies of the RAS expand. Banks' credit and market risks were assessed on a regular basis. The respective information was submitted to the divisions responsible for banking supervision and used in the analysis of banks' compliance with regulatory requirements.

More than 8 thousand loans were analysed as part of the mass assessment of legal entities' credit risk in 2017 that revealed a significant number of loans losses on which had been understated by credit institutions.

Along with the mass assessment of credit risks of major systemically important borrowers, a comprehensive analysis is conducted that includes debt burden calculation for all related companies. In 2017, more than 150 such borrowers were analysed with their debt burden exceeding ₽7 trillion.

To make conclusions on market risk in 2017 the RAS analysed securities of more than 300 issuers for market risk/fair value.

The comprehensive assessment of possible loan losses was driven by the expert evaluation of pledged items accepted by credit institutions as collateral on loans. The RAS assessed the actual pledged item, its legal status, and provided judgement on the cost of the pledged item. In 2017, more than 20 thousand pledged items were evaluated. In addition, more than 15 thousand other assets of credit institutions were evaluated during the same period.

The Bank of Russia shaped approaches to assessment of operational risks of banks and risks on portfolios of homogeneous household loans. Its results will be used in advisory supervision.

IV.5. Off-site supervision and supervisory response

In 2017, supervision prioritised early problem recognition in banks' operations and effective supervisory response to ensure stability of the banking sector and protect creditors' and depositors' interests.

Supervision was focused on a number of problems in credit institutions' operations:

– understatement of credit risk and loan loss provisions; overstatement of the value of securities, pledged items (their unavailability at their location) and real estate;

– scheme formation of capital sources;

– financing owners' businesses;

– diverting assets from credit institutions and faking accounting statements.

Also, supervision was focused on credit institutions which aggressively expanded their internal structural divisions to carry out shadow foreign exchange transactions, among other thing. The Bank of Russia revealed individual credit institutions which raised household funds without recording them in accounting books.

One of supervision priorities was the analysis of non-transparent capital sources, including accrued commissions and interest income without their actual payment or payment from the funds with elevated value or provided by the credit institution.

A special attention was given to credit institutions with high concentration of non-core assets, such as real estate, land plots and collateral, in their balance sheet. Credit institutions usually recorded such property in their balance sheets at an elevated value; this allowed them to replace assets to comply with regulatory requirements and absorb risk undervaluation previously revealed by the supervisor.

Supervision examined operations of credit institutions with low share of conventional bank transactions. As a rule, such banks have poor quality of loan portfolio and large share of deposits with the Bank of Russia, which allowed demonstrating signs of a stable financial position in the financial statements. To gain additional income some banks carried out dubious transactions.

The Bank of Russia continued consolidated supervision over financial groups (including informal ones) which included non-bank financial institutions. Group members were assessed for their mutual influence on their financial standing. Proposals were made to align inspections of related credit institutions and insurance companies.

In 2017, as part of advisory supervision, the Bank of Russia took further measures aimed at improving the supervisory environment of systemically important credit institutions. In particular, the regulator discussed with senior management and beneficiaries of systemically important credit institutions their risk profiles and operating business model, deficiencies in the operations of their credit institutions and recommendations on their elimination.

Supervision over systemically important credit institutions focused on the following issues:

– liquidity and its main components, including those associated with compliance with the liquidity coverage ratio (LCR) and the analysis of usage of the Bank of Russia irrevocable credit line;

– assessment of capital management procedures[1], including the phased introduction and increase of capital adequacy charges, the analysis of risk appetite and risk management strategy;

– analysis as part of consolidated supervision, including the assessment of the impact of considerable events and operations of large participants of a banking group and (or) a bank holding company on their consolidated indicators;

– investigating possible ties between entities (groups of related entities) and systemically important credit institutions.

In 2017, the Bank of Russia's supervisory response to all credit institutions was primarily geared towards early identification of negative trends in the activities

[1] The first ICAAP assessment of major credit institutions and their capital adequacy to cover considerable risks in compliance with Bank of Russia Ordinance No. 3883-U, dated 7 December 2015, 'On the Procedure for the Bank of Russia to Assess the Quality of Risk and Capital Management Systems, and Capital Adequacy of a Credit Institution or a Banking Group' was held in 2017 after the first year of ICAAP application in 2016.

of credit institutions and adoption of adequate measures to prevent the development of those trends.

In the course of early response procedures, senior management and (or) the board of directors (supervisory board) of 601 credit institutions received written notifications of deficiencies in their operations and recommendations on their elimination.

Supervisory meetings were held with representatives of 443 credit institutions in order to communicate the problems revealed and the need for their independent elimination to the management and owners of the credit institutions.

Where required, the following enforcement measures were imposed on banks:

– fines: 247 credit institutions;

– restrictions on individual transactions: 135 credit institutions;

– bans on individual bank transactions: 28 credit institutions;

– requirements: 484 credit institutions;

– bans to open branches: on 41 credit institutions;

– appointment of provisional administration to manage a credit institution without licence revocation (including provisional administrations the functions of which are entrusted with the State Corporation Deposit Insurance Agency and LLC Fund of Banking Sector Consolidation Asset Management Company: 12 credit institutions.

In compliance with Article 74 of Federal Law No. 86-FZ, dated 10 July 2002, 'On the Central Bank of the Russian Federation (Bank of Russia)' (hereinafter referred to as Federal Law No. 86-FZ) and Article 20 of Federal Law No. 395-1, dated 2 December 1990, 'On Banks and Banking Activities' (hereinafter referred to as Federal Law No. 395-1), the Bank of Russia revoked licences from 51 credit institutions in 2017, half the 2015 and 2016 reading.

Banking licences were revoked on the following grounds:

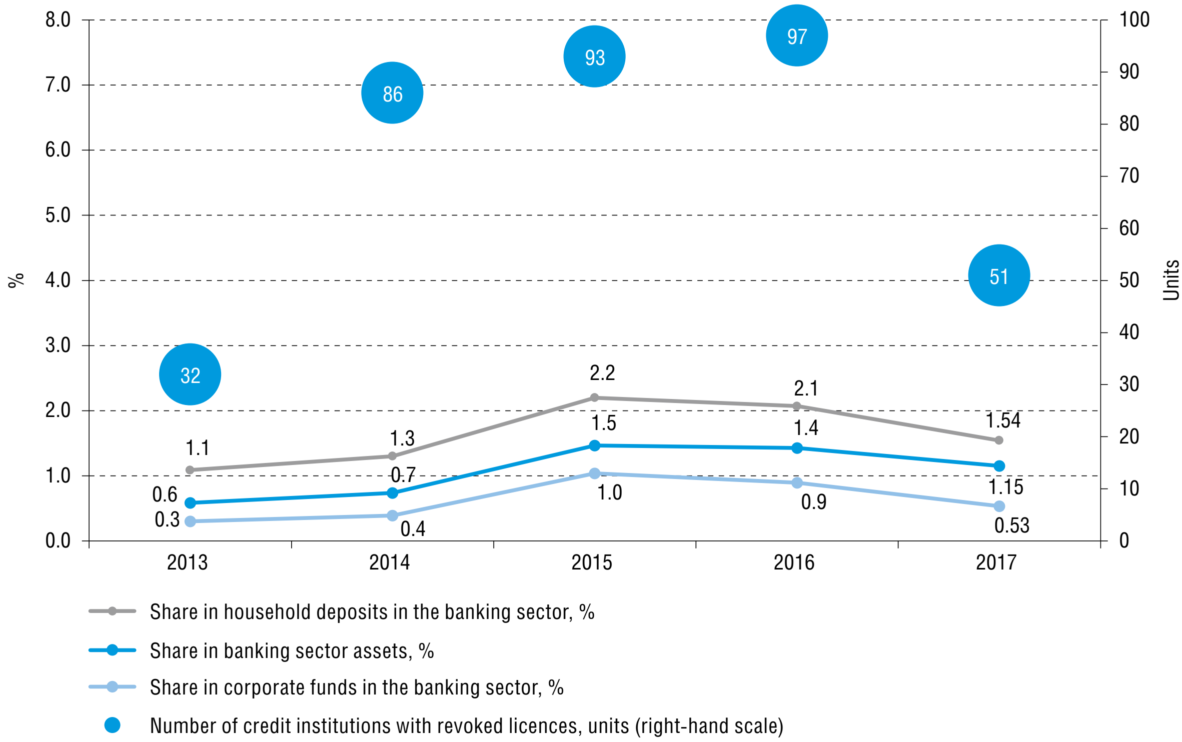
– failure to comply with federal banking laws and Bank of Russia regulations, if the measures provided for by Federal Law No. 86-FZ were repeatedly applied to the credit institution over the course of one year: 51 cases (96 in 2016);

– repeated violation of Federal Law No. 115-FZ, dated 7 August 2001, 'On Countering the Legalisation (Laundering) of Criminally Obtained Incomes and the Financing of Terrorism' and related Bank of Russia regulations over the course of one year: 24 cases (35 in 2016);

– revealed significant inaccuracy of reporting data: 5 cases (5 in 2016);

– decline in the capital adequacy below 2%: 14 cases (39 in 2016);

Figure 4.1. Share and number of credit institutions with revoked licences in different banking sector indicators



– decline in the capital of a credit institution below the minimum authorised capital established as of the date of its state registration: 14 cases (36 in 2016);

– failure comply with the Bank of Russia's requirement to align its authorised and total capital within the timeframe stipulated in paragraph 4.1 of Chapter IX of the Federal Law 'On Insolvency (Bankruptcy)': 2 cases (0 in 2016);

– inability to meet creditors' claims on monetary obligations within 14 days from the date of their maturity: 8 cases (15 in 2016).

In 2017, licences were mainly revoked from small banks (Figure 4.1).

The total value of assets of credit institutions of which banking licences were revoked in 2017 amounted to ₽927 billion, and total household funds raised amounted to ₽380 billion, or 1.2% and 1.5% respectively of the aggregate indicators of the banking sector[1].

Most credit institutions (31 of 51) of which licences were revoked in 2017 were registered in the Moscow region.

IV.5.1. Banking sector stability monitoring and its use in supervision

In 2017, the Bank of Russia's banking supervision units used early detection and prevention instruments. In order to promptly inform supervisory units about credit institutions which called for additional supervisory focus, an ongoing analysis was conducted to reveal negative trends and potential problems in credit institutions' operations. The analysis included a weekly summary of indicators which provided evidence of the formation of negative trends in the risk profiles of individual banks whose performance indicators for the evaluated positions exceeded the risk limits (triggers).

The list of risks (broken down by major components) assessed as part of weekly monitoring comprises 32 items that provide a comprehensive description of credit institutions' operations. The monitoring assessed the potential negative impact of main risks on banks' compliance with prudential ratios (primarily capital adequacy ratios), analysed the quality of assets and liquidity, revealed considerable deviations in the borrower funds dynamics, funding cost and concentration in borrowed and placed funds. Negative trends in banking sector profitability received an in-depth analysis.

The current indicators of credit institutions' activity were benchmarked against the criteria and threshold values. The benchmarking revealed elevated risks on certain positions in some credit institutions. Banks with the maximum number of such positions were additionally analysed for expediency of updating the applicable supervisory regime.

Stress testing is one of the most important parts of the banking sector stability assessment (see Section III.8).

In some cases financial stability of the Russian banking sector was also assessed on the risk map of the Russian banking sector.

IV.6. Countering the legalisation (laundering) of criminally obtained incomes and terrorism financing

In 2017, the Bank of Russia continued to exercise its powers stipulated by Federal Law No. 115-FZ, dated 7 August 2001, 'On Countering the Legalisation (Laundering) of Criminally Obtained Incomes and the Financing of Terrorism' (hereinafter referred to as Federal Law No. 115-FZ). Special attention was given to enhancing the effectiveness of the system of countering the legalisation (laundering) of criminally obtained incomes and the financing of terrorism (AML/CFT).

In 2017, a number of conceptual amendments were made to Federal Law No. 115-FZ:

– remote identification of retail bank customers with the use of their biometric personal data and information from the Unified System of Identification and Authentication was enshrined in law. It allows credit institutions to open household accounts (deposits) online;

[1] The shares were calculated using credit institutions' performance indicators recorded as of the last reporting date before licence revocation and aggregate indicators of the banking sector as of 1 January 2017.

– rehabilitation of customers denied services as part of powers stipulated in the AML/CFT was enshrined in law.

In 2017, the Bank of Russia continued to take measures aimed at curtailing illegal overseas funds transfers through different transactions, dubious cash transactions and dubious transit operations in the banking sector[1].

These efforts resulted in the sustainable decline in the said dubious transactions. Illegal overseas money transfers shrank by a factor of 2.4 in 2017 compared with 2016 (from ₽183 billion to ₽77 billion), cash-out transactions in the banking sector dropped by a factor of 1.6 (from ₽522 billion to ₽326 billion), and dubious transactions decreased by a factor of 1.6 (from ₽3.9 trillion to ₽2.5 trillion).

In 2017, preventive measures were imposed on 224 credit institutions for the violation of AML/CFT regulations and Federal Law No. 115-FZ[2]. 248 credit institutions faced enforcement measures, including fines (161 credit institutions), restrictions to carry out certain transactions (40 credit institutions), bans on certain transactions (one credit institution) and requirements to mitigate violations of AML/CFT regulations (126 credit institutions).

IV.7. Inspection of credit institutions

In 2017, the Bank of Russia inspected[3] 460 credit institutions (their branches), of which 123 credit institutions were inspected within the second line of supervision (including 29 systemically important credit institutions (their branches)) and 4 member banks of banking groups of systemically important credit institutions.

74% of inspections were scheduled (341 inspections).

Upon the occurrence of legal grounds, unscheduled inspections were organised (119 inspections, or 26%), the bulk of which (66%) were carried out at the decision of the Bank of Russia management due to the information on significant violations in credit institutions' activity, revealed signs of household deposit manipulation and unaccounted foreign exchange transactions.

Based on risk-based approaches, all inspections[4] were carried out by individual lines of business or by types of bank transactions.

A strong focus was made on simultaneous inspections of supervised entities controlled by the same beneficiary owner (or the same group of beneficiary owners). In particular, the 2017 inspections covered:

– 32 member credit institutions of 16 banking groups, including 20 banks under resolution and their investors;

– 11 credit institutions and 19 non-bank financial institutions participating in five banking groups and one bank holding company.

To simplify the organisation of cross-sectoral inspections of supervised entities, the re-engineering of business processes provided for a shift to a six-month planning, simplified and reduced the timeframes for inspection planning and initiation of unscheduled inspections.

Simultaneous inspections revealed high-risk operations carried out in the best interests of a group's beneficiary owners and, consequently, detected high concentration of investments in a group's assets; the actual unavailability of high-quality liquid assets recorded in the official statements of a supervised entity; signs of fiduciary transactions closed while lending to affiliated legal entities to regulate the owners' risks; and various scheme transactions aimed at concealing the real level of risks and formal compliance with law, regulations and Bank of Russia instructions.

The analysis of inspections' findings showed that credit institutions mostly violated credit risk assessment (77%) and AML/CFT requirements (11%).

Along with the violations of the procedure for assessing financial standing and the quality of debt servicing, the facts revealed in credit institutions' operations included relending, concealment of real duration of overdue loans, multiple violations of law in retail

[1] Methodological Recommendations of the Bank of Russia No. 4-MR, dated 2 February 2017; No. 5-MR, dated 9 February 2017; No. 18-MR, dated 21 July 2017; and No. 19-MR, dated 21 July 2017.

[2] Except for Clause 3 of Article 7 of Federal Law No. 115-FZ.

[3] Inspections started in 2017.

[4] Only one inspection was conducted on a consolidated basis.

loan agreements and document falsification in order to disguise real losses.

As many as 208 inspections assessed compliance with AML/CFT requirements. They revealed non-submission/untimely submission of information on operations subject to obligatory control or bearing signs of dubious transactions to the authorised agency, provision of unreliable (incomplete) information on these operations, violations of the procedures of identification of customers and their beneficiary owners and the reporting procedure.

316 inspections checked credit institutions for compliance with federal laws with regards to servicing business entities of strategic importance. They revealed violations of the procedure for credit institutions to inform the authorised agency about opening/closing accounts by such customers and their operations to buy and sell securities, as well as non-compliance of individual provisions of credit institutions' internal documents with federal laws.

In 2017, 77 inspections were aimed at the assessment of timeliness and completeness of payment of insurance premiums to the compulsory deposit insurance fund, the procedure for accounting liabilities to depositors and credit institutions' capability to prepare a register of such liabilities.

Inspections of banks which had received funds for recapitalisation from the DIA checked the delivery of these banks on the obligations taken under the Monitoring Agreement with the DIA (a total of 16 inspections in 2017).

The Bank of Russia cooperated with controlling and law enforcement agencies at all stages of inspections. In the reporting year, the Bank of Russia submitted 201 information notices on financial operations of credit institutions (their customers) bearing signs of illegal transactions to the Prosecutor General's Office of the Russian Federation and the Federal Financial Monitoring Service. Controlling and law enforcement agencies initiated inspections of five credit institutions.

IV.8. Banks' participation in the deposit insurance system

As of 1 January 2018, 781 banks were registered in the deposit insurance system (DIS) (compared to 808 banks as of 1 January 2017), including 472 operating banks and 309 banks undergoing liquidation.

In 2017, three banks joined the DIS, and 30 banks were excluded from it.

Insured events occurred in 41 banks in 2017; among these, a moratorium on meeting creditors' claims was imposed in four banks.

In the reporting year, the Bank of Russia gradually increased the higher additional rates for insurance premiums to the compulsory deposit insurance fund as part of the development of the system of differentiated premiums payable by banks to the compulsory deposit insurance fund.

In 2017, the banking sector registered a decline in the number of banks to which the additional or higher additional rate was assigned. The total number of such banks decreased from 100 in the first quarter of 2017 to 73 in the fourth quarter of 2017. This pointed to the equalisation of interest rates on deposits and better financial standing of banks.

Insurance premiums banks paid to the compulsory deposit insurance fund in 2017 totalled ₽127.7 billion, including ₽12.75 billion paid at the additional or higher additional rate.

IV.9. Bankruptcy prevention and financial resolution of credit institutions

In 2017, the Bank of Russia continued to prevent bankruptcies of credit institutions and pursue financial resolution of the Russian banking sector.

This involved the use of the instruments provided for by Federal Law No. 127-FZ, dated 26 October 2002, 'On Insolvency (Bankruptcy)' (hereinafter referred to as Federal Law No. 127-FZ).

In 2017, insolvency (bankruptcy) prevention measures were applied to one credit institution which underwent bankruptcy prevention measures without public bailout. The Banking Supervision Committee approved the plan of financial resolution measures elaborated by the credit institution. The Committee decided to approve this plan guided by the information about the investor's interest in acquiring a controlling interest in the credit institution.

In its decision-making on the reasonableness of bankruptcy prevention measures with the involvement of the Bank of Russia or the DIA, the regulator took into account the bank's systemic importance on both the banking system and regional level, and the risk of malfunctioning of the financial market or its individual segments, or the deterioration in the economic sectors of the Russian Federation or a region which might be caused by the Bank of Russia's decision to revoke the bank's licence.

In the reporting period, the Bank of Russia in collaboration with the DIA implemented bankruptcy prevention measures under the approved DIA participation plans as provided for by Article 189.49 of Federal Law No. 127-FZ with regard to 31 banks:

– 24 banks violated one or more required ratios in 2017;

– two banks complied with the required ratios;

– in five banks the functions of the provisional administration to manage the credit institution were assigned to the DIA and consequently their banking licences were revoked as further implementation of the participation plan proved impossible.

As part of the plan for DIA participation in bankruptcy prevention measures, one bank underwent a globally applied bail-in procedure (the bank's creditors and shareholders volunteered to participate in its financial resolution through conversion of funds placed with the banks to subordinated bonds).

As of year-end, bankruptcy prevention measures with the participation of the DIA continued to be implemented in 26 banks under the approved participation plans.

The DIA's outstanding loan with the Bank of Russia aimed at bankruptcy prevention measures amounted to ₽1,230 billion as of the end of the reporting period.

In 2017, the Bank of Russia participated in drafting Federal Law No. 84-FZ, dated 1 May 2017, 'On Amending Certain Laws of the Russian Federation'. It provides for the Bank of Russia's direct participation in capital of banks undergoing resolution at the expense of the Banking Sector Consolidation Fund.

The introduction of a new mechanism of financial resolution is aimed at cutting public costs and reducing timeframes of bank resolution, as well as higher effectiveness of control over the use of respective funds, more transparent process of resolution and equal competitive environment for credit institutions.

New powers allowed the Bank of Russia to take measures to enhance financial stability of major credit institutions, including systemically important banks.

The Bank of Russia started to apply the said measures using the funds of the Banking Sector Consolidation Fund to PJSC Bank FC Otkritie, PJSC B&N Bank and Promsvyazbank PJSC.

Financial resolution also applies to credit institutions and financial organisations, including member insurance companies and non-governmental pension funds, of the said three banks' groups.

In accordance with the approved plans for the Bank of Russia's participation in bankruptcy prevention measures, provisional administrations were appointed to the said credit institutions; their functions were assigned to Limited Liability Company Fund of Banking Sector Consolidation Asset Management Company (hereinafter referred to as the Management Company).

The legal powers of the provisional administration represented by the Management Company allow the Bank of Russia to implement the necessary recapitalisation of the banks and shape new governing bodies within short timeframes.

In order to comply with legal requirements for banks' recapitalisation, the Bank of Russia terminated their liabilities to subordinated creditors, controlling parties and the management.

In December 2017, the Bank of Russia and the provisional administration took the necessary corporate measures which allowed them to recapitalise PJSC Bank FC Otkritie and shape new governing bodies. As a result of the recapitalisation, the Bank of Russia became the owner of more than 99.9% of ordinary shares of PJSC Bank FC Otkritie worth ₽456.2 billion. The Bank of Russia transferred the acquired ordinary shares of PJSC Bank FC Otkritie for trust management to the Management Company acting as the owner of the bank. The priority objective of the Bank of Russia, the Management Company and the new management of PJSC Bank FC Otkritie was to elaborate the bank's development strategy.

Under the new mechanism, financial resolution of credit institutions is ultimately aimed at their sale to a new owner. The Bank of Russia is contemplating the restructuring of banks undergoing bankruptcy prevention measures, including their merger and bringing to market with the help of a strategic investor, or by means of their piecemeal sale or an IPO.

The total cost of assets of the banks for which plans of the DIA's or the Bank of Russia's participation in bankruptcy prevention measures were approved stood at ₽10.4 trillion or 12.2% of total banking sector assets as of 1 January 2018. Loans to non-financial organisations accounted for 8.6%, household loans – for 4.6% and funds raised from households – for 8.0% of loans issued by the said banks. Meanwhile, the three banks where bankruptcy prevention measures are implemented with the participation of the Bank of Russia account for 5.9% of banking sector assets, 4.1% of corporate loans, 2.0% of household loans and 4.8% of household deposits.

The operations of provisional administrations to manage credit institutions eligible for bankruptcy prevention make an important part of the Bank of Russia's activity.

In 2017, the Bank of Russia controlled 19 provisional administrations appointed before the revocation of banking licences, of which 16 provisional administrations were appointed in the reporting period:

– three provisional administrations were appointed to banks in accordance with the approved plans for the Bank of Russia's participation in bank bankruptcy prevention measures and their functions were assigned to the Management Company;

– eight provisional administrations were appointed to banks in accordance with the approved plans for the DIA's participation in bank bankruptcy prevention measures;

– five provisional administrations were appointed due to other reasons envisaged in Article 189.26 of Federal Law No. 127-FZ.

IV.10. Liquidation of credit institutions

In 2017, 51 provisional administrations to manage credit institutions were appointed due to revocation of the credit institutions' licences.

The main objectives of a provisional administration of a credit institution appointed after the revocation of its licence are to save the credit institution's property and documents, to inspect the credit institution, and to identify the credit institution's creditors and their claims on monetary obligations.

As of 1 January 2018, 12 provisional administrations of credit institutions appointed due to the revocation of their licences were operating.

As of 1 January 2018, 362 credit institutions with revoked (cancelled) licences were subject to liquidation, and the Bank of Russia had not received certificates of their state registration for the purpose of liquidation from the competent registration authorities. Liquidation procedures were being implemented in 351 credit institutions, and in 11 credit institutions the corresponding court rulings had not been passed after the revocation of their licences as of 1 January 2018.

320 of the said 351 credit institutions to be liquidated were recognised as insolvent (bankrupt), and bankruptcy proceedings were initiated. Arbitration courts ruled on the forced liquidation of 29 credit institutions. Furthermore, two credit institutions underwent voluntary liquidation following the decisions of their founders.

As of 1 January 2018, in 334 credit institutions liquidation was implemented by the DIA, of which in 311 credit institutions the DIA acted as a receiver and in 23 as a liquidator.

In 2017, the Bank of Russia inspected 77 receivers (liquidators) of credit institutions. Furthermore, seven unscheduled inspections were held. 83 inspections were focused on the activity of the DIA, and one inspection – on the activity of a receiver duly accredited by the Bank of Russia as a receiver in the bankruptcy of credit institutions.

IV.11. Banking consumer protection

In 2017, the Bank of Russia received 122.3 thousand complaints against credit institutions, 50.1% of total complaints.

Most complaints (37%) were associated with consumer lending where the main issue was loan repayment, as well as mortgages (14%) and the use of bank cards and ATMs (8%). Figure 4.2 illustrates the complaints by subject.

An important line of work is ensuring compliance with the federal law[1] that regulates creditors' relations with debtors in terms of overdue loan repayments. Additional focus on such complaints (requesting procedures for handling overdue loans, contracts with third parties acting on behalf (or in the interests) of a creditor, interactions and audio recordings of talks with borrowers, cooperation with the Federal Bailiffs Services), higher public awareness of their rights and obligations in interactions with creditors and banks' own measures (personnel training, introducing IT systems, debt recovery procedures and tighter controls) helped stabilise the number of complaints at a lower level after the end-2017 Q1 high.

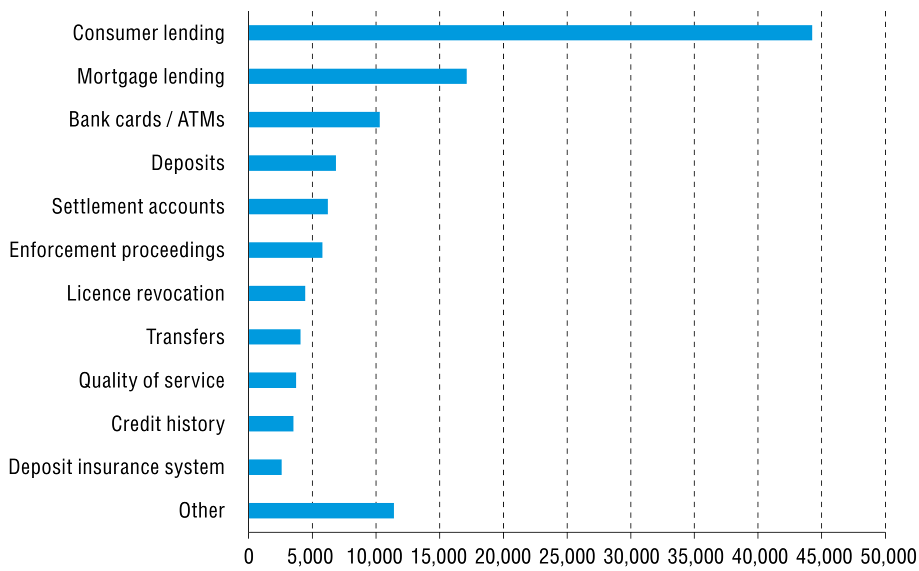
The Bank of Russia is also focused on compliance with Federal Law No. 353-FZ, dated 21 December 2013, 'On Consumer Loans', including the promotion of insurance services to borrowers by major retail banks. The Bank of Russia received an increasing number of such complaints during the year. The Bank of Russia regularly monitors problems in relations between borrowers and creditors with regard to the latter's compliance with law, explains borrowers their rights and obligations and helps them in considering the received applications. In particular, in 2017, the Bank of Russia helped settle 22% of borrowers' complaints on the imposition of additional services and 50% of complaints on non-repayment of the insurance premium paid upon conclusion of a loan agreement.

The Bank of Russia addressed a total of 29.5 thousand queries to credit institutions in the course of complaint handling. The analysis showed that settled issues (including the provision of information to the applicants and (or) problem solving) accounted for 49% of total complaints with regard to which the Bank of Russia requested explanations and (or) banks' position.

Thereby, the Bank of Russia received borrowers of FX housing mortgage loans in its Public Reception to look for ways to bring the payment burden of troubled citizens to a the reasonable level.

The regulator provided outreach and guidance to credit institutions in restructuring housing mortgage

Figure 4.2. Number of complaints against credit institutions by subject



[1] Federal Law No. 230-FZ, dated 3 July 2016, 'On Protecting Rights and Lawful Interests of Individuals When Collecting Overdue Debt and on Amending the Federal Law 'On Microfinance Activities and Microfinance Organisations'.

loans counting the most of borrowers' complaints, summarised best practices on restructuring housing mortgage loans, revealed and provided recommendations on the specifics of application of Russian Government resolution No. 961, dated 11 August 2017[1].

In order to provide additional regulation of the consumer lending market, in 2017, federal laws were amended and a new federal law was elaborated and approved. It prescribes that the effective interest rate should be calculated in percent per annum and in monetary terms. This procedure applies both to consumer loans and mortgage-backed loans to individuals for non-business purposes. In addition, updates were made to the specifics of provisions of a mortgage-backed loan agreement made with an individual for non-business purposes. Also, the public is supposed to be informed on the exposures associated with foreign currency-denominated loans and floating rate loans, including mortgage-backed loans.

The problem of off-balance-sheet loans is associated with unreliable reporting by credit institutions. The Bank of Russia worked out approaches to detecting off-balance-sheet loans.

The Bank of Russia will make a deposit register based on the accounting and operational information (transaction day information) to be provided by credit institutions.

The development of conduct supervision is among the Bank of Russia's strategic objectives closely associated with improving public trust in financial markets, financial services quality and financial inclusion, as well as overall development of the financial market. The conduct supervision is supposed to create an environment where financial market participants have to provide consumers with comprehensive information about the product they purchase and only offer customers products they really need. The conduct supervision is not only aimed at increasing financial consumer satisfaction but also at helping them choose the best option.

In particular, as part of the shift towards the conduct supervision model, the Bank of Russia released an information letter addressed to credit institutions with recommendations on advising customers on financial instruments and services.

IV.12. Cooperation with Russia's banking community

The Bank of Russia regularly cooperated with the banking community on a wide range of issues related to banking regulation and supervision. During the year, the Bank of Russia's management held multiple meetings with bank associations and their member credit institutions. The Bank of Russia posted its draft regulations on its website to discuss them with the banking community.

IV.13. Cooperation with international financial organisations, banking regulators and supervisors

Cooperation with the Bank for International Settlements (BIS) is important for the Bank of Russia. Along with its regular participation in BIS executive meetings, the Bank of Russia also continued cooperation within relevant committees. In banking regulation and supervision, cooperation with the Basel Committee on Banking Supervision (BCBS) and its working groups and subgroups is essential. In 2017, Bank of Russia representatives helped finalise Basel III post crisis reforms. The standards of 'Basel III: Finalising Post-crisis Reforms' make the central element of the BCBS's response to the 2008–2009 global financial crisis seeking to enhance the resilience of G20 banking systems.

Furthermore, in 2017, the Bank of Russia headed the BCBS inspection of liquidity risk regulation in terms of the calculation, compliance and disclosure of information on the liquidity coverage ratio in accordance with Basel III in Brazil under the Regulatory Consistency Assessment Programme (RCAP). The fi-

[1] Resolution of the Government of the Russian Federation No. 961, dated 11 August 2017, 'On Further Realisation of Targeted Support Programme for Distressed Housing Mortgage Loan Borrowers'.

nal report approved by the BCBS was published on the BCBS website in October 2017.

In 2017, a Bank of Russia representative became a member of the stress-testing working group of the Basel Committee on Banking Supervision. In late 2017, the group prepared and released an updated version of the 'Supervisory and Bank Stress Testing: Range of Practices' that summarises the international practices of recent years. Stress testing principles are supposed to be complied with by all supervisory agencies of BCBS member-states and large international banks they supervise. The principles cover stress testing in terms of procedural arrangement, resource provision, process formalisation, adequate methodology elaboration, etc.

The Bank of Russia continued its cooperation with foreign central (national) banks and other agencies responsible for banking supervision.

The Bank of Russia participated in the arrangement of the 'Analysis of Financial Laws and Law Enforcement Practices of Eurasian Economic Union Member-States for Compliance with International Practices and Standards', a scientific research scheduled for 2017–2018.

As part of cooperation with the Eurasian Economic Commission and national (central) banks of EAEU member-states, the Department's representatives contributed to the efforts to continue building a common EAEU financial market by means of harmonisation of financial laws and developed the Concept for Shaping the Common Financial Market of the Eurasian Economic Union together with EAEU partners.

Last year, the Bank of Russia and the National Bank of the Republic of Belarus signed a memorandum of understanding in the field of banking supervision. Compared with the memorandum signed in 2005, this document has expanded the fields of cooperation. In particular, it determined the issues of supervision over banking groups; updated the procedure for inspections of banking group member banks by the supervisory authority of the home country of the parent bank; supplemented the list of information subject to exchange with data constituting bank secrecy; expanded the list of persons the information of non-compliance of which with business reputation requirements and financial standing of legal entities owning cross-border establishments or controlling shareholders (stakeholders) of such institutions is subject to exchange; and introduced a new section 'Cooperation in Financial Resolution of Parent Companies of Organisations and Cross-border Establishments, and the Procedure of Insolvency (Bankruptcy) of Supervised Institutions'.

The Bank of Russia also agreed upon draft memorandums of understanding (cooperation agreements) with banking supervisors of a number of countries and updated effective memorandums (agreements).

Representatives of the National Bank of Kazakhstan paid a visit to the Bank of Russia to share best practices in banking supervision. Bank of Russia representatives participated in risk assessment of OTP Group (Hungary).

V. APPENDICES

V.1. Key Bank of Russia regulations adopted in 2017

No. 4265-U, dated 16 January 2017	Bank of Russia Ordinance 'On Amending Bank of Russia Ordinance No. 2923-U, Dated 3 December 2012, 'On Disclosing and Submitting Consolidated Financial Statements by Credit Institutions''
No. 4292-U, dated 13 February 2017	Bank of Russia Ordinance 'On Amending Bank of Russia Instruction No. 139-I, Dated 3 December 2012, 'On Banks' Required Ratios''
No. 4309-U, dated 9 March 2017	Bank of Russia Ordinance 'On Amending Bank of Russia Regulation No. 462-P, Dated 11 March 2015, 'On the Procedure for Compiling Statements Required for the Supervision of Credit Institutions on a Consolidated Basis and Other Information on the Activities of Banking Groups''
No. 4336-U, dated 3 April 2017	Bank of Russia Ordinance 'On Assessing Banks' Economic Situation'
No. 4359-U, dated 24 April 2017	Bank of Russia Ordinance 'On Amending Certain Bank of Russia Regulations Regarding Changes in the Authorities of Bank of Russia Divisions in Charge of the State Registration of Credit Institutions and the Issue of Banking Licences; Bank of Russia Permits Enabling Credit Institutions to Have Subsidiaries in Foreign States; Banks' Disclosure of Information about Entities Controlling or Exerting a Material Influence on Banks Participating in the Russian Compulsory Deposit Insurance System; Tender-based Selection of Agent Banks to Make Bank of Russia Payments on Household Deposits; Effecting Indicated Bank of Russia Payments, and the Interaction between Agent Banks and the Bank of Russia'
No. 4368-U, dated 2 May 2017	Bank of Russia Ordinance 'On Amending Clause 1.6 of Bank of Russia Instruction No. 149-I, Dated 25 February 2014, 'On Organising Inspections by the Central Bank of the Russian Federation (Bank of Russia)''
No. 4402-U, dated 6 June 2017	Bank of Russia Ordinance 'On the Requirements for Brokerage with Regard to the Calculation of the Liquidity Coverage Ratio Where Customers Entitle Brokers to Use Their Funds in the Brokers' Interest'
No. 180-I, dated 28 June 2017	Bank of Russia Instruction 'On Banks' Required Ratios'
No. 590-P, dated 28 June 2017	Bank of Russia Regulation 'On the Procedure for Making Loss Provisions by Credit Institutions for Loans, Loan and Similar Debts'
No. 4454-U, dated 10 July 2017	Bank of Russia Ordinance 'On Amending Bank of Russia Regulation No. 551-P, Dated 22 July 2016, 'On the Procedure for Notifying the Prosecutor General's Office of the Russian Federation and the Federal Financial Monitoring Services of the Financial Operations of Credit Institutions (Their Customers) Bearing Signs of Illegal Operations Revealed in the Course of the Bank of Russia's Performance of Banking Regulation and Supervision Functions''
No. 596-P, dated 26 July 2017	Bank of Russia Regulation 'On the Procedure for Systemically Important Credit Institutions to Calculate Structural Liquidity Ratio (Net Stable Funding Ratio) (Basel III)'
No. 4481-U, dated 7 August 2017	Bank of Russia Ordinance 'On the Rules and Timeframe for Parent Credit Institutions of Banking Groups to Disclose Information on Risks Assumed, Risk Assessment Procedures, Risk and Capital Management Procedures and on Financial Instruments Included in the Calculation of a Banking Group's Equity Capital'
No. 4482-U, dated 7 August 2017	Bank of Russia Ordinance 'On the Form and Procedure for a Credit Institution (Parent Credit Institution of a Banking Group) to Disclose Information on Risks Assumed, Risk Assessment Procedures and Risk and Capital Management Procedures'
No. 4487-U, dated 11 August 2017	Bank of Russia Ordinance 'On Amending Bank of Russia Instruction No. 135-I, Dated 2 April 2010, 'On the Procedure for the Bank of Russia to Make Decisions on the State Registration and Licensing of Credit Institutions''
No. 4501-U, dated 21 August 2017	Bank of Russia Ordinance 'On the Requirements for Professional Securities Market Participants to Organise a System to Manage Risks Related to Their Professional Activities in the Securities Market and Operations with Their Own Property Depending on the Type of Activities and the Nature of Operations Performed'
No. 4515-U, dated 31 August 2017	Bank of Russia Ordinance 'On the Composition of Information from the Statements of Credit Institutions (Banking Groups) and the Procedure for the Bank of Russia to Disclose it'

No. 4521-U, dated 8 September 2017	Bank of Russia Ordinance 'On Amending Bank of Russia Instruction No. 180-I, Dated 28 June 2017, 'On Banks' Required Ratios''
No. 4524-U, dated 13 September 2017	Bank of Russia Ordinance 'On Amending Bank of Russia Ordinance No. 3463-U, dated 30 November 2014, 'On the Specifics of Arranging and Conducting Inspections of Credit Institutions (Their Branches) by Audit Organisations at the Instruction of the Bank of Russia Board of Directors''
No. 4532-U, dated 18 September 2017	Bank of Russia Ordinance 'On Amending Clause 2.6 of Bank of Russia Ordinance No. 1542-U, Dated 13 January 2005, 'On the Specifics of Conducting Inspections of Banks with the Participation of Deposit Insurance Agency Employees'
No. 600-P, dated 20 September 2017	Bank of Russia Regulation 'On Submitting by Credit Institutions Information on Customer Operations, Beneficial Owners of Customers and Movement of Funds Across Customer Accounts (Deposits) at the Request of the Federal Financial Monitoring Service'
No. 4543-U, dated 27 September 2017	Bank of Russia Ordinance 'On Amending Bank of Russia Regulation No. 321-P, Dated 29 August 2008, 'On the Procedure for Credit Institutions to Submit to the Authorised Body Information Stipulated by the Federal Law 'On Countering the Legalisation (Laundering) of Criminally Obtained Incomes and the Financing of Terrorism''
No. 4539-U, dated 22 September 2017	Bank of Russia Ordinance 'On Amending Bank of Russia Instruction No. 149-I, Dated 25 February 2014, 'On Organising Inspections by the Central Bank of the Russian Federation (Bank of Russia)''
No. 4560-U, dated 3 October 2017	Bank of Russia Ordinance 'On Amending Bank of Russia Instruction No. 149-I, Dated 25 February 2014, 'On Organising Inspections by the Central Bank of the Russian Federation (Bank of Russia)''
No. 4564-U, dated 4 October 2017	Bank of Russia Ordinance 'On Amending Bank of Russia Regulation No. 242-P, Dated 16 December 2003, 'On Organising Internal Controls in Credit Institutions and Banking Groups''
No. 4567-U, dated 5 October 2017	Bank of Russia Ordinance 'On Amending Chapter 3 of Bank of Russia Regulation No. 375-P, Dated 2 March 2012, 'On the Requirements for a Credit Institution's Internal Control Rules Designed to Counter the Legalisation (Laundering) of Criminally Obtained Incomes and the Financing of Terrorism''
No. 4581-U, dated 17 October 2017	Bank of Russia Ordinance 'On Amending Clause 1 of Bank of Russia Ordinance No. 4203-U, Dated 17 November 2016, 'On the Signs of Potential Interconnectedness between an Entity (Entities) and a Credit Institution''
No. 4587-U, dated 27 October 2017	Bank of Russia Ordinance 'On Amending Bank of Russia Ordinance No. 3229-U, Dated 5 April 2014, 'On the Procedure to Inform Banks About Certain Facts Identified in Their Activities Which Deprive Them of the Right to Take Household Deposits and Open and Maintain Household Bank Accounts''
No. 4606-U, dated 16 November 2017	Bank of Russia Ordinance 'On Amending Clause 3.6 of Bank of Russia Ordinance No. 3624-U, Dated 15 April 2015, 'On the Requirements for the Risk and Capital Management System of a Credit Institution or a Banking Group''
No. 4609-U, dated 16 November 2017	Bank of Russia Ordinance 'On Amending Bank of Russia Instruction No. 176-I, Dated 20 December 2016, 'On the Procedure for, and Instances of, Bank of Russia Authorised Representatives (Employees) to Examine the Loan Collateral and/or Familiarise Themselves with the Activities of a Credit Institution's Borrower and/or Collateral Provider''
No. 4618-U, dated 27 November 2017	Bank of Russia Ordinance 'On the Methodology for Calculating the Share of Banking Activities in the Overall Operations of a Bank Holding Company'
No. 4619-U, dated 27 November 2017	Bank of Russia Ordinance 'On the Procedure and Timeframe for Bank Holding Companies to Disclose and Submit Consolidated Financial Statements'
No. 4620-U, dated 27 November 2017	Bank of Russia Ordinance 'On Amending Bank of Russia Ordinance No. 3780-U, Dated 9 September 2015, 'On the Procedure for Notifying the Bank of Russia of the Establishment of a Bank Holding Company, the Formation of a Management Company of a Bank Holding Company and its Powers Granted''
No. 4630-U, dated 30 November 2017	Bank of Russia Ordinance 'On the Requirements for Dealer, Broker, Securities Management and Forex Dealer Activities with Regard to the Calculation of Capital Adequacy Ratio'
No. 4635-U, dated 6 December 2017	Bank of Russia Ordinance 'On Amending Bank of Russia Instruction No. 180-I, Dated 28 June 2017, 'On Banks' Required Ratios''
No. 4638-U, dated 6 December 2017	Bank of Russia Ordinance 'On the Forms, Procedure and Timeframe for Disclosing Information on Activities by Credit Institutions'
No. 183-I, dated 6 December 2017	Bank of Russia Instruction 'On the Required Ratios of Banks with a Basic Licence'
No. 4642-U, dated 8 December 2017	Bank of Russia Ordinance 'On Amending Bank of Russia Ordinance No. 3801-U, Dated 17 September 2015, 'On Recognising Bank Financial Standing as Meeting the Criteria for the Payment of Insurance Premiums at Higher Additional Rates'
No. 4645-U, dated 14 December 2017	Bank of Russia Ordinance 'On the Procedure and Timeframe for Parent Credit Institutions of Banking Groups to Disclose Consolidated Financial Statements'

No. 185-I, dated 25 December 2017	Bank of Russia Instruction ‘On Obtaining the Bank of Russia’s Consent (Approval) to the Acquisition of the Shares (Stakes) of a Financial Institution and (or) to Setting Control over the Shareholders (Members) of a Financial Institution; and on Notifying the Bank of Russia about Instances as a Result of Which a Person Entitled to Directly or Indirectly Dispose of More Than 10 Per Cent of the Shares (Stakes) of a Non-bank Financial Institution Has Completely Lost Such Right or Retained the Right to Directly or Indirectly Dispose of Less Than 10 Per Cent of the Shares (Stakes) of a Non-bank Financial Institution’
No. 621-P, dated 25 December 2017	Bank of Russia Regulation ‘On the Procedure for the Bank of Russia to Send Orders Following the Failure to Comply with Qualification Requirements and (or) Business Reputation Requirements, Violation of the Procedure for the Purchase of Shares (Stakes), Establishment of Control over Shareholders (Members) of Financial Institutions, and the Revelation of Unsatisfactory Financial Position; on the List of Persons to Whom Copies of Orders are Sent; the Procedure for Informing Shareholders (Members) of Financial Institutions about Receiving Copies of Order and an Act of Order Repeal; the Procedure for Determining the Number of Voting Shares (Stakes) of Credit Institutions Following the Sending of Orders; the Procedure for Sending an Act of Order Repeal, a Notification of Order Execution; and on the Procedure for Posting Information on Sending an Order (Repealing an Order) on the Bank of Russia Website’
No. 4666-U, dated 26 December 2017	Bank of Russia Ordinance ‘On the Procedure for Appealing Against a Person’s Recognition as Non-compliant with Qualification and (or) Business Reputation Requirements’
No. 4667-U, dated 26 December 2017	Bank of Russia Ordinance ‘On Amending Bank of Russia Ordinance No. 4336-U, Dated 3 April 2017, ‘On Assessing Banks’ Economic Situation’’
No. 4668-U, dated 26 December 2017	Bank of Russia Ordinance ‘On Amending Bank of Russia Ordinance No. 3277-U, Dated 11 June 2014, ‘On Methodologies for Assessing Bank Financial Soundness for Qualifying it as Adequate for Participation in the Deposit Insurance System’’
No. 4669-U, dated 26 December 2017	Bank of Russia Ordinance ‘On Amending Bank of Russia Regulation No. 442-P, dated 30 November 2014, ‘On the Procedure for Selecting Audit Organisations to Conduct Inspections of Credit Institutions (Their Branches) at the Instruction of the Bank of Russia Board of Directors’’
No. 622-P, dated 26 December 2017	Bank of Russia Regulation ‘On the Procedure for Disclosing Information on Persons Controlling or Exerting Material Influence on Banks Participating in the Compulsory Household Deposit Insurance System of the Russian Federation, and on the Procedure for Disclosing and Submitting to the Bank of Russia Information on the Structure and Composition of the Shareholders (Members) of Non-governmental Pension Funds, Insurance Companies, Management Companies, Microfinance Companies, Including Persons Controlling or Exerting Material Influence Thereon’
No. 625-P, dated 27 December 2017	Bank of Russia Regulation ‘On the Procedure for Approving by the Bank of Russia of Candidates’ Appointment (Selection) to Positions in a Financial Institution; for Notifying the Bank of Russia about Selecting (Terminating Authorities), Appointing (Releasing from Office of) Top Managers, Other Officials in Financial Institutions; for Assessing Compliance with the Qualification Requirements and (or) Requirements for Business Reputation of the Top Managers, Other Officials and Founders (Shareholders, Members) of Financial Institutions; for Forwarding Information to the Bank of Russia by a Member of a Financial Institution’s Board of Directors (Supervisory Board) on Voting (Non-voting) against a Decision Made by the Board of Directors (Supervisory Board) of a Financial Institution; for Requesting Information from the Bank of Russia and the Latter’s Replying Regarding the Availability (Non-availability) of Information in Databases Stipulated by Articles 75 and 76 of Federal Law No. 86-FZ, Dated 10 July 2002, ‘On the Central Bank of the Russian Federation (Bank of Russia)’; and on the Procedure for Maintaining Such Databases’
No. 626-P, dated 28 December 2017	Bank of Russia Regulation ‘On the Assessment of, and Requirements for, Financial Standing, Grounds for Recognising Financial Standing as Unsatisfactory with Regard to the Founders (Participants in) of a Credit Institution and other Persons Specified by Federal Law No. 281-FZ, Dated 29 July 2017, ‘On Amending Certain Laws of the Russian Federation with Regard to Improving Mandatory Requirements for Financial Institutions’ Founders (Participants), Management Bodies and Officials’

V.2. Statistical appendix

Table 1. Key macroeconomic indicators (in comparable prices, as % of previous year)[1]

	2014	2015	2016	2017
GDP[2], billions of rubles	79,199.7	83,387.2	86,148.6	92,037.2
GDP growth rate	100.7	97.5	99.8	101.5
Federal budget surplus (+) / deficit (–), as % of GDP	–0.4	–2.4	–3.4	–1.4
Industrial output index	101.7	99.2	101.3	101.0
Agricultural output	103.5	102.6	104.8	102.4
Retail trade turnover	102.7	90.0	95.4	101.2
Fixed capital investment	98.5	89.9	99.8	104.4
Household real disposable money income	99.3	96.8	94.2	98.3
Unemployment rate, as % of economically active population (period average)	5.2	5.6	5.5	5.2
Consumer price index (December as % of previous December)	111.4	112.9	105.4	102.5
Average US dollar/ruble exchange rate over period, rubles per US dollar	38.0	60.7	66.9	58.3

[1] *Rosstat and Bank of Russia data.*
[2] *In current prices.*

Table 2. Russian banking sector macroeconomic indicators

	01.01.13	01.01.14	01.01.15	01.01.16	01.01.17	01.01.18
Banking sector assets (liabilities), billions of rubles	49,510	57,423	77,653	83,000	80,063	85,192
as % of GDP	72.6	78.5	98.0	99.5	92.9	92.6
Banking sector capital, billions of rubles	6,113	7,064	7,928	9,009	9,387	9,397
as % of GDP	9.0	9.7	10.0	10.8	10.9	10.2
as % of banking sector assets	12.3	12.3	10.2	10.9	11.7	11.0
Loans and other funds provided to non-financial organisations and households, including overdue debt, billions of rubles	27,708	32,456	40,866	43,985	40,939	42,366
as % of GDP	40.6	44.4	51.6	52.7	47.5	46.0
as % of banking sector assets	56.0	56.5	52.6	53.0	51.1	49.7
Securities acquired by banks, billions of rubles	7,035	7,822	9,724	11,777	11,450	12,311
as % of GDP	10.3	10.7	12.3	14.1	13.3	13.4
as % of banking sector assets	14.2	13.6	12.5	14.2	14.3	14.5
Household deposits, billions of rubles	14,251	16,958	18,553	23,219	24,200	25,987
as % of GDP	20.9	23.2	23.4	27.8	28.1	28.2
as % of banking sector liabilities	28.8	29.5	23.9	28.0	30.2	30.5
as % of household monetary income	35.7	38.0	38.7	43.4	44.7	47.7
Deposits and funds on accounts of non-financial and financial organisations (other than credit institutions), billions of rubles[1]	14,565	16,901	23,419	27,064	24,322	24,843
as % of GDP	21.4	23.1	29.6	32.5	28.2	27.0
as % of banking sector liabilities	29.4	29.4	30.2	32.6	30.4	29.2

[1] *Excluding deposits, government and other extra-budgetary funds, funds of the Ministry of Finance, financial authorities, customers in factoring and forfeiting operations, float, and funds written off from customer accounts but not passed through a credit institution's correspondent account.*

Table 3. Registration and licensing of credit institutions[1]

Operating credit institutions	As of 01.01.2017	As of 01.01.2018
1. Credit institutions licensed to conduct banking operations, total[2]	623	561
including:		
– banks	575	517
– non-bank credit institutions	48	44
1.1. Credit institutions holding licences (permits):		
– to take household deposits	515	468
– to conduct operations in foreign currency	404	358
– general licences	205	189
– to conduct operations with precious metals	157	149
1.2. Credit institutions with a foreign stake in authorised capital, total	174	160
including:		
– wholly foreign-owned credit institutions	67	65
– credit institutions with a 50%-plus foreign stake	25	19
1.3. Credit institutions registered with the deposit insurance system	519	472
2. Registered authorised capital of operating credit institutions (millions of rubles)	2,383,203	2,635,098
3. Branches of operating credit institutions in Russia, total	1,098	890
including:		
– Sberbank[3]	94	93
4. Branches of operating credit institutions abroad	6	6
5. Representative offices of Russian operating credit institutions, total[4]	285	224
including:		
– in Russia	255	196
– abroad	30	28
6. Additional offices of credit institutions (branches), total	19,776	20,263
Including Sberbank	10,929	11,813
7. External cash desks of credit institutions (branches), total	4,995	3,033
Including Sberbank	3,351	1,711
8. Cash and credit offices of credit institutions (branches), total	1,943	1,972
Including Sberbank	0	0
9. Operations offices of credit institutions (branches), total	7,230	7,743
Including Sberbank	631	600
10. Mobile banking vehicles of credit institutions (branches), total	256	275
Including Sberbank	251	272

Registration of credit institutions	As of 01.01.2017	As of 01.01.2018
11. Credit institutions registered by the Bank of Russia or a registration authority, in line with Bank of Russia decisions, total[5]	975	923
including:		
– banks	908	867
– non-bank credit institutions	67	56
11.1. Credit institutions that have been registered by the Bank of Russia but have not yet paid the authorised capital and have not received a licence (within the time period established by law)	1	0
including:		
– banks	0	0
– non-bank credit institutions	1	0

[1] *Information is based on data received from the registration authority as of the reporting date.*
[2] *Credit institutions registered with the Bank of Russia (until 1 July 2002) or a registration authority and entitled to conduct banking operations.*
[3] *Sberbank branches put on the state register of credit institutions and assigned with a serial number.*
[4] *Representative offices of Russian credit institutions abroad include the offices of whose opening abroad the Bank of Russia has been notified.*
[5] *Credit institutions that have the status of a corporate entity as of the reporting date, including credit institutions that have lost the right to conduct banking operations but have not yet been liquidated as corporate entities.*

Table 4. Institutional characteristics of the banking sector

No.	Region	As of 01.01.2018		
		Number of credit institutions	Number of branches and internal structural divisions of credit institutions with head office in given region	Number of branches and internal structural divisions of credit institutions with head office in another region
1	2	3	4	5
	Russian Federation	561	–	–
1	CENTRAL FEDERAL DISTRICT	319	8,056	915
	Belgorod Region	3	8	413
	Bryansk Region	0	0	194
	Vladimir Region	1	5	326
	Voronezh Region	1	0	645
	Ivanovo Region	5	44	176
	Kaluga Region	3	40	188
	Kostroma Region	7	25	119
	Kursk Region	1	29	222
	Lipetsk Region	1	21	269
	Moscow Region	7	27	1,498
	Orel Region	0	0	176
	Ryazan Region	3	23	213
	Smolensk Region	0	0	158
	Tambov Region	1	12	254
	Tver Region	2	7	194
	Tula Region	2	4	298
	Yaroslavl Region	5	2	290
	Moscow	277	2,551	540
2	NORTH-WESTERN FEDERAL DISTRICT	43	498	2,886
	Republic of Karelia	1	1	162
	Republic of Komi	1	17	222
	Arkhangelsk Region	0	0	258
	including: Nenets Autonomous Area	0	0	16
	Arkhangelsk Region, excluding Nenets Autonomous Area	0	0	242
	Vologda Region	3	32	286
	Kaliningrad Region	1	20	201
	Leningrad Region	1	0	343
	Murmansk Region	2	9	197
	Novgorod Region	2	10	159
	Pskov Region	2	1	154
	Saint Petersburg	30	245	1,067
3	SOUTHERN FEDERAL DISTRICT	35	868	2,803
	Republic of Adygeya (Adygeya)	2	3	83
	Republic of Kalmykia	0	0	36
	Republic of Crimea	3	242	68
	Krasnodar Territory	10	283	1,121

Table 4 (continued)

1	2	3	4	5
	Astrakhan Region	3	20	192
	Volgograd Region	4	18	534
	Rostov Region	11	119	857
	Sevastopol	2	19	76
4	NORTH CAUCASIAN FEDERAL DISTRICT	17	84	829
	Republic of Daghestan	6	28	96
	Republic of Ingushetia	0	0	11
	Kabardino-Balkar Republic	4	15	86
	Karachay-Cherkess Republic	3	0	39
	Republic of North Ossetia – Alania	1	4	64
	Chechen Republic	0	0	46
	Stavropol Territory	3	26	498
5	VOLGA FEDERAL DISTRICT	71	1,314	6,407
	Republic of Bashkortostan	4	94	920
	Mari El Republic	2	16	136
	Republic of Mordovia	3	74	173
	Republic of Tatarstan (Tatarstan)	15	374	771
	Udmurt Republic	3	36	323
	Chuvash Republic – Chuvashia	3	20	301
	Perm Territory	4	48	724
	Kirov Region	3	70	294
	Nizhny Novgorod Region	7	127	742
	Orenburg Region	5	61	529
	Penza Region	1	24	315
	Samara Region	12	90	625
	Saratov Region	8	68	496
	Ulyanovsk Region	1	10	260
6	URALS FEDERAL DISTRICT	26	651	2,500
	Kurgan Region	2	14	285
	Sverdlovsk Region	11	235	814
	Tyumen Region	7	87	900
	including: Khanty-Mansi Autonomous Area – Yugra	3	48	427
	Yamalo-Nenets Autonomous Area	0	0	162
	Tyumen Region, excluding Khanty-Mansi Autonomous Area – Yugra and Yamalo-Nenets Autonomous Area	4	39	311
	Chelyabinsk Region	6	189	627
7	SIBERIAN FEDERAL DISTRICT	32	336	4,077
	Altai Republic	1	5	39
	Republic of Buryatia	0	0	198
	Republic of Tuva	1	0	53
	Republic of Khakassia	2	29	100
	Altai Territory	3	25	661
	Trans-Baikal Territory	1	0	237
	Krasnoyarsk Territory	2	42	600

Table 4 (end)

1	2	3	4	5
	Irkutsk Region	6	74	476
	Kemerovo Region	6	31	485
	Novosibirsk Region	6	69	596
	Omsk Region	3	4	465
	Tomsk Region	1	10	214
8	FAR-EASTERN FEDERAL DISTRICT	18	469	1,208
	Republic of Sakha (Yakutia)	2	32	277
	Kamchatka Territory	2	17	95
	Primorye Territory	8	95	372
	Khabarovsk Territory	1	5	314
	Amur Region	2	48	165
	Magadan Region	0	0	59
	Sakhalin Region	3	5	124
	Jewish Autonomous Region	0	0	47
	Chukotka Autonomous Area	0	0	22

Table 5.1 Density of banking services in Russian regions as of 1 January 2017

Region	Number of credit institutions, branches, additional, operations, and cash and credit offices	Loans extended to resident organisations and households and other placements, millions of rubles[1]	Household deposits, millions of rubles[1]	Gross Regional Product (GRP) in 2016, billions of rubles	Population, thousands	Per capita income (monthly average in 2016, rubles)	Institutional density of banking services (by population)[2]	Financial density of banking services (by volume of loans)[3]	Savings index[4]	Composite banking services density index by region[5]
1	2	3	4	5	6	7	8	9	10	11
CENTRAL FEDERAL DISTRICT	8,223	16,597,216	12,039,611	24,135	39,217	39,365	1.0	1.3	1.4	1.2
Memo item: CENTRAL FEDERAL DISTRICT excluding Moscow	*5,225*	*5,397,967*	*3,395,198*	*9,835*	*26,839*	*30,217*	*0.93*	*1.03*	*0.78*	*0.91*
Belgorod Region	271	330,923	197,983	731	1,553	29,579	0.84	0.85	0.80	0.83
Bryansk Region	186	149,884	93,772	286	1,221	25,336	0.73	0.98	0.56	0.74
Vladimir Region	279	158,335	168,679	392	1,390	22,853	0.96	0.76	0.99	0.89
Voronezh Region	486	396,059	299,876	841	2,335	29,569	1.00	0.88	0.81	0.89
Ivanovo Region	228	89,585	111,668	180	1,023	23,679	1.07	0.93	0.86	0.95
Kaluga Region	221	178,473	129,898	373	1,016	28,592	1.04	0.89	0.83	0.92
Kostroma Region	162	72,808	65,665	161	648	23,970	1.20	0.85	0.78	0.93
Kursk Region	215	256,028	94,965	365	1,123	25,815	0.92	1.31	0.61	0.90
Lipetsk Region	237	174,530	119,012	470	1,156	28,455	0.98	0.69	0.67	0.77
Moscow Region	1,386	2,411,337	1,277,804	3,565	7,430	40,509	0.89	1.27	0.79	0.96
Orel Region	156	108,931	71,037	214	755	23,237	0.99	0.95	0.75	0.89
Ryazan Region	235	150,630	126,197	337	1,127	24,574	1.00	0.84	0.85	0.89
Smolensk Region	154	123,017	86,063	262	953	24,469	0.77	0.88	0.69	0.77
Tambov Region	176	141,766	80,909	311	1,040	26,169	0.81	0.85	0.55	0.73

Продолжение таблицы 5.1

1	2	3	4	5	6	7	8	9	10	11
Tver Region	209	148,437	130,840	359	1,297	23,883	0.77	0.77	0.78	0.78
Tula Region	308	290,054	163,518	518	1,499	27,417	0.98	1.05	0.74	0.91
Yaroslavl Region	316	217,169	177,312	470	1,271	27,819	1.19	0.86	0.93	0.99
Moscow	2,998	11,199,250	8,644,412	14,300	12,377	59,203	1.16	1.46	2.19	1.55
NORTH-WESTERN FEDERAL DISTRICT	3,361	3,749,467	2,804,043	7,804	13,901	33,212	1.2	0.9	1.1	1.1
Republic of Karelia	162	90,539	67,309	233	627	25,744	1.24	0.73	0.77	0.89
Republic of Komi	237	117,175	115,579	547	851	31,527	1.33	0.40	0.80	0.75
Arkhangelsk Region	268	156,983	147,252	683	1,166	32,503	1.10	0.43	0.72	0.70
Vologda Region	321	162,721	129,270	486	1,184	27,344	1.30	0.63	0.74	0.84
Kaliningrad Region	214	231,023	148,836	383	987	25,903	1.04	1.13	1.08	1.08
Leningrad Region	349	394,741	140,473	914	1,793	27,157	0.93	0.81	0.54	0.74
Murmansk Region	204	150,388	145,043	426	758	36,115	1.29	0.66	0.98	0.94
Novgorod Region	168	87,374	54,520	245	613	25,252	1.31	0.67	0.65	0.83
Pskov Region	155	64,893	51,333	144	642	22,095	1.16	0.84	0.67	0.87
Saint Petersburg	1,283	2,293,630	1,804,428	3,742	5,279	41,165	1.16	1.15	1.54	1.27
SOUTHERN FEDERAL DISTRICT	3,563	2,332,535	1,499,228	4,896	16,435	26,308	1.0	0.9	0.6	0.8
Republic of Adygeya (Adygeya)	99	47,370	20,423	91	454	23,600	1.04	0.97	0.35	0.71
Republic of Kalmykia	38	27,611	8,829	56	278	14,569	0.65	0.92	0.41	0.63
Republic of Crimea	316	32,195	64,112	316	1,912	18,071	0.79	0.19	0.34	0.37
Krasnodar Territory	1,345	1,163,152	648,865	2,016	5,575	32,785	1.16	1.08	0.66	0.94
Astrakhan Region	212	111,219	75,269	339	1,019	22,760	1.00	0.61	0.60	0.72
Volgograd Region	431	272,838	220,234	743	2,536	20,739	0.81	0.69	0.78	0.76
Rostov Region	1,025	671,875	440,902	1,271	4,233	27,104	1.16	0.99	0.71	0.94
Sevastopol	97	6,274	20,596	64	429	24,937	1.08	0.18	0.36	0.41
NORTH CAUCASIAN FEDERAL DISTRICT	916	597,405	371,242	1,798	9,776	23,431	0.4	0.6	0.3	0.4
Republic of Daghestan	136	58,990	53,782	597	3,042	28,287	0.21	0.18	0.12	0.17
Republic of Ingushetia	10	9,556	4,524	51	481	15,000	0.10	0.35	0.12	0.16
Kabardino-Balkar Republic	85	67,348	31,891	133	864	19,826	0.47	0.95	0.35	0.54
Karachay-Cherkess Republic	43	47,903	14,434	73	467	16,867	0.44	1.22	0.34	0.57
Republic of North Ossetia – Alania	62	47,945	35,264	125	703	22,231	0.42	0.71	0.42	0.50
Chechen Republic	50	38,182	10,352	167	1,413	22,817	0.17	0.43	0.06	0.16
Stavropol Territory	530	327,481	220,996	652	2,806	22,440	0.90	0.94	0.65	0.82
VOLGA FEDERAL DISTRICT	6,347	5,061,425	3,198,447	10,376	29,645	25,737	1.0	0.9	0.8	0.9
Republic of Bashkortostan	806	632,629	337,058	1,344	4,066	28,125	0.95	0.88	0.55	0.77
Mari El Republic	132	97,749	47,253	160	685	18,671	0.92	1.14	0.69	0.90
Republic of Mordovia	183	142,255	58,056	198	809	17,695	1.08	1.34	0.75	1.03
Republic of Tatarstan (Tatarstan)	930	924,271	542,012	1,938	3,886	32,609	1.15	0.89	0.79	0.93
Udmurt Republic	358	352,500	128,499	540	1,517	23,878	1.13	1.22	0.66	0.97
Chuvash Republic – Chuvashia	219	132,163	108,103	262	1,236	17,872	0.85	0.95	0.91	0.90
Perm Territory	758	623,530	304,358	1,091	2,633	28,400	1.38	1.07	0.76	1.04
Kirov Region	305	127,618	107,039	291	1,292	21,301	1.13	0.82	0.72	0.87

Table 5.1 (end)

1	2	3	4	5	6	7	8	9	10	11
Nizhny Novgorod Region	678	537,993	437,018	1,182	3,249	30,598	1.00	0.85	0.82	0.89
Orenburg Region	416	294,930	159,858	772	1,990	22,028	1.00	0.71	0.68	0.79
Penza Region	227	146,837	108,238	339	1,342	21,825	0.81	0.81	0.69	0.77
Samara Region	645	595,308	523,344	1,275	3,205	26,795	0.96	0.87	1.13	0.98
Saratov Region	423	277,839	227,751	655	2,480	19,406	0.82	0.79	0.88	0.83
Ulyanovsk Region	267	175,804	109,860	328	1,253	22,481	1.02	1.00	0.72	0.90
URALS FEDERAL DISTRICT	2,815	3,670,307	1,717,482	9,355	12,350	32,565	1.1	0.7	0.8	0.9
Kurgan Region	155	75,461	48,230	194	854	20,443	0.87	0.73	0.51	0.69
Sverdlovsk Region	939	1,203,516	621,797	1,978	4,331	35,159	1.04	1.14	0.76	0.96
Tyumen Region	983	1,703,256	688,609	5,922	3,662	41,094	1.29	0.54	0.85	0.84
Chelyabinsk Region	738	688,076	358,845	1,261	3,504	23,466	1.01	1.02	0.81	0.94
SIBERIAN FEDERAL DISTRICT	3,840	3,698,301	1,775,535	7,134	19,331	23,720	1.0	1.0	0.7	0.9
Altai Republic	41	26,517	7,768	46	217	17,827	0.90	1.08	0.37	0.71
Republic of Buryatia	196	99,181	47,883	199	984	25,165	0.95	0.93	0.36	0.68
Republic of Tuva	53	22,417	7,731	52	319	14,107	0.80	0.80	0.32	0.59
Republic of Khakassia	117	63,454	32,840	182	538	21,191	1.04	0.65	0.54	0.71
Altai Territory	384	254,392	159,400	499	2,366	21,485	0.78	0.95	0.58	0.76
Trans-Baikal Territory	232	125,816	61,222	263	1,079	22,846	1.03	0.90	0.46	0.75
Krasnoyarsk Territory	594	972,948	273,738	1,768	2,876	28,030	0.99	1.03	0.63	0.86
Irkutsk Region	499	504,452	234,412	1,069	2,409	22,268	0.99	0.88	0.81	0.89
Kemerovo Region	452	725,934	236,649	858	2,709	21,256	0.80	1.58	0.76	0.99
Novosibirsk Region	569	492,315	420,877	1,085	2,781	25,401	0.98	0.85	1.11	0.97
Omsk Region	482	241,054	176,044	626	1,973	25,245	1.17	0.72	0.66	0.82
Tomsk Region	221	169,821	116,972	487	1,079	24,325	0.98	0.65	0.83	0.81
FAR-EASTERN FEDERAL DISTRICT	1,605	1,320,427	896,453	3,757	6,185	36,414	1.2	0.7	0.7	0.8
Republic of Sakha (Yakutia)	287	373,443	92,977	869	963	38,933	1.43	0.80	0.46	0.81
Kamchatka Territory	109	64,648	66,607	198	315	41,054	1.66	0.61	0.96	0.99
Primorye Territory	456	307,952	279,022	737	1,925	32,446	1.13	0.78	0.83	0.90
Khabarovsk Territory	302	329,530	215,987	638	1,334	37,461	1.08	0.97	0.80	0.94
Amur Region	202	98,498	76,647	288	802	29,653	1.21	0.64	0.60	0.77
Magadan Region	49	39,107	36,887	147	146	50,753	1.61	0.50	0.93	0.91
Sakhalin Region	133	81,061	106,793	768	487	49,599	1.31	0.20	0.82	0.60
Jewish Autonomous Region	45	13,370	11,664	47	164	23,718	1.31	0.53	0.56	0.73
Chukotka Autonomous Area	22	12,818	9,869	66	50	63,909	2.12	0.36	0.58	0.76
Total for Russian Federation	**30,670**	**37,027,084**	**24,302,041**	**69,254**	**146,839**	**30,744**	**1.0**	**1.0**	**1.0**	**1.0**

[1] *Based on data reported in Form 0409302 (Placed and borrowed funds).*
[2] *The ratio of the number of bank units (column 2) to the number of population (column 6) is calculated for each region and divided by the value of the same indicator calculated for Russia as a whole.*
[3] *The ratio of total loans (column 3) to GRP (column 5) is calculated for each region and is divided by the value of the same indicator calculated for Russia as a whole.*
[4] *The ratio of per capita deposits (column 4 / column 6) to per capita money income (column 7) is calculated for each region and divided by the value of the same indicator calculated for Russia as a whole.*
[5] *Calculated as a geometric average of three special density indices (columns 8–10).*

Table 5.2. Density of banking services in Russian regions as of 01.01.2018

Region	Number of credit institutions branches, additional, operations, and cash and credit offices	Loans extended to resident organisations and households and other placements, millions of rubles[1]	Household deposits, millions of rubles[1]	Gross Regional Product (GRP) in 2017 (estimate), billions of rubles	Population, thousands	Per capita income (monthly average in 2017, estimate), rubles	Institutional density of banking services (by population)[2]	Financial density of banking services (by volume of loans)[3]	Savings index[4]	Composite banking services density index by region[5]
1	2	3	4	5	6	7	8	9	10	11
CENTRAL FEDERAL DISTRICT	8,547	17,673,321	12,891,541	25,867	39,311	40,597	1.0	1.3	1.4	1.2
Memo item: CENTRAL FEDERAL DISTRICT excluding Moscow	*5,656*	*5,941,130*	*3,717,731*	*10,541*	*26,805*	*30,942*	*0.99*	*1.07*	*0.80*	*0.94*
Belgorod Region	417	334,965	210,904	783	1,550	30,188	1.26	0.81	0.80	0.93
Bryansk Region	192	181,188	104,908	306	1,211	26,808	0.74	1.12	0.57	0.78
Vladimir Region	313	172,969	183,262	420	1,378	24,043	1.06	0.78	0.98	0.93
Voronezh Region	640	428,108	318,773	902	2,334	30,024	1.28	0.90	0.81	0.98
Ivanovo Region	219	92,899	120,886	193	1,015	24,462	1.01	0.91	0.87	0.93
Kaluga Region	224	199,435	139,883	400	1,012	28,735	1.03	0.94	0.86	0.94
Kostroma Region	151	72,352	77,407	172	643	24,900	1.10	0.79	0.86	0.91
Kursk Region	240	276,901	106,405	391	1,115	26,971	1.01	1.34	0.63	0.95
Lipetsk Region	289	203,091	130,244	504	1,150	28,704	1.17	0.76	0.70	0.86
Moscow Region	1,375	2,675,882	1,409,359	3,821	7,503	41,937	0.86	1.32	0.80	0.97
Orel Region	169	119,958	80,402	229	747	23,700	1.06	0.99	0.81	0.95
Ryazan Region	234	164,982	137,044	361	1,121	24,376	0.98	0.86	0.89	0.91
Smolensk Region	145	116,591	96,612	281	949	24,997	0.71	0.78	0.72	0.74
Tambov Region	253	144,521	89,293	334	1,034	25,851	1.14	0.82	0.59	0.82
Tver Region	199	160,420	142,636	385	1,284	25,544	0.72	0.79	0.77	0.76
Tula Region	300	360,236	178,998	555	1,492	27,435	0.94	1.23	0.78	0.96
Yaroslavl Region	296	236,633	190,716	504	1,266	27,072	1.09	0.89	0.99	0.99
Moscow	2,891	11,732,192	9,173,811	15,326	12,506	61,289	1.08	1.45	2.13	1.49
NORTH-WESTERN FEDERAL DISTRICT	3,302	4,066,675	3,042,468	8,364	13,952	33,456	1.1	0.9	1.2	1.1
Republic of Karelia	160	100,368	74,859	250	622	26,412	1.20	0.76	0.81	0.90
Republic of Komi	227	126,437	122,453	586	841	30,411	1.26	0.41	0.85	0.76
Arkhangelsk Region	258	175,817	161,360	732	1,155	32,799	1.04	0.45	0.76	0.71
Vologda Region	320	167,212	137,850	521	1,177	26,263	1.27	0.61	0.79	0.85
Kaliningrad Region	213	241,467	159,564	411	995	26,321	1.00	1.11	1.08	1.06
Leningrad Region	340	442,909	152,634	979	1,814	28,298	0.88	0.86	0.53	0.73
Murmansk Region	202	144,563	158,748	456	754	37,673	1.25	0.60	0.99	0.91
Novgorod Region	170	89,116	59,573	262	606	25,348	1.31	0.64	0.69	0.83
Pskov Region	149	68,532	56,419	155	637	22,931	1.09	0.84	0.69	0.86
Saint Petersburg	1,263	2,510,255	1,959,010	4,011	5,352	41,236	1.10	1.18	1.58	1.27
SOUTHERN FEDERAL DISTRICT	3,490	2,576,991	1,632,522	5,248	16,442	27,325	1.0	0.9	0.6	0.8
Republic of Adygeya (Adygeya)	86	49,913	21,452	98	453	25,176	0.89	0.96	0.33	0.66

Table 5.2 (continued)

1	2	3	4	5	6	7	8	9	10	11
Republic of Kalmykia	36	28,708	9,828	60	275	15,756	0.61	0.90	0.40	0.61
Republic of Crimea	302	53,866	78,856	339	1,914	21,358	0.74	0.30	0.34	0.42
Krasnodar Territory	1,307	1,293,202	706,047	2,161	5,603	33,512	1.09	1.13	0.67	0.94
Astrakhan Region	207	115,374	79,361	363	1,018	21,981	0.95	0.60	0.63	0.71
Volgograd Region	503	290,734	236,182	797	2,521	21,230	0.93	0.69	0.78	0.80
Rostov Region	956	736,191	475,404	1,362	4,220	27,859	1.06	1.02	0.72	0.92
Sevastopol	93	9,003	25,392	69	437	26,776	1.00	0.25	0.39	0.46
NORTH CAUCASIAN FEDERAL DISTRICT	876	643,007	406,968	1,927	9,823	24,348	0.4	0.6	0.3	0.4
Republic of Daghestan	127	65,776	58,659	640	3,064	29,805	0.19	0.19	0.11	0.16
Republic of Ingushetia	10	9,728	4,709	55	488	15,816	0.10	0.34	0.11	0.15
Kabardino-Balkar Republic	82	69,013	34,814	142	866	21,574	0.44	0.92	0.33	0.51
Karachay-Cherkess Republic	41	54,464	16,351	78	466	17,261	0.41	1.31	0.36	0.58
Republic of North Ossetia – Alania	60	51,145	39,296	135	702	22,553	0.40	0.72	0.44	0.50
Chechen Republic	46	40,036	11,657	179	1,437	22,793	0.15	0.42	0.06	0.16
Stavropol Territory	510	352,847	241,482	699	2,801	23,160	0.85	0.96	0.66	0.81
VOLGA FEDERAL DISTRICT	6,738	5,276,135	3,363,364	11,120	29,543	25,825	1.1	0.9	0.8	0.9
Republic of Bashkortostan	771	680,207	364,631	1,441	4,063	28,391	0.89	0.89	0.56	0.76
Mari El Republic	151	108,571	51,685	172	682	18,745	1.03	1.19	0.72	0.96
Republic of Mordovia	205	140,168	63,573	212	805	18,140	1.19	1.25	0.77	1.05
Republic of Tatarstan (Tatarstan)	926	903,223	524,602	2,077	3,894	32,041	1.11	0.82	0.75	0.88
Udmurt Republic	360	402,173	141,469	579	1,513	23,856	1.11	1.31	0.70	1.01
Chuvash Republic – Chuvashia	290	141,166	118,554	280	1,231	17,668	1.10	0.95	0.97	1.01
Perm Territory	757	609,092	318,049	1,170	2,623	28,485	1.35	0.98	0.76	1.00
Kirov Region	335	143,268	119,892	312	1,283	21,371	1.22	0.87	0.78	0.94
Nizhny Novgorod Region	769	600,013	475,629	1,267	3,235	30,658	1.11	0.90	0.85	0.95
Orenburg Region	477	308,172	173,682	828	1,978	23,164	1.13	0.70	0.67	0.81
Penza Region	255	169,830	121,297	363	1,332	22,179	0.89	0.89	0.73	0.83
Samara Region	682	589,287	529,653	1,367	3,194	26,644	1.00	0.82	1.11	0.97
Saratov Region	491	299,886	236,058	702	2,463	19,425	0.93	0.81	0.88	0.87
Ulyanovsk Region	269	181,079	124,590	352	1,247	22,653	1.01	0.97	0.78	0.92
URALS FEDERAL DISTRICT	2,775	3,951,855	1,838,653	10,026	12,356	32,258	1.0	0.7	0.8	0.9
Kurgan Region	157	83,589	54,759	208	846	21,068	0.87	0.76	0.55	0.71
Sverdlovsk Region	930	1,348,105	661,669	2,120	4,325	35,168	1.00	1.20	0.77	0.98
Tyumen Region	957	1,793,595	730,531	6,347	3,692	40,262	1.21	0.53	0.87	0.83
Chelyabinsk Region	731	726,566	391,694	1,351	3,493	23,026	0.98	1.02	0.87	0.95
SIBERIAN FEDERAL DISTRICT	4,094	3,640,171	1,949,568	7,646	19,287	23,747	1.0	0.9	0.8	0.9
Altai Republic	44	27,382	8,851	49	218	18,940	0.94	1.05	0.38	0.72
Republic of Buryatia	198	103,287	55,594	214	985	24,125	0.94	0.91	0.42	0.71
Republic of Tuva	54	28,123	8,673	56	322	13,717	0.78	0.95	0.35	0.64

Table 5.2 (end)

1	2	3	4	5	6	7	8	9	10	11
Republic of Khakassia	114	63,828	36,380	196	538	20,997	0.99	0.62	0.57	0.71
Altai Territory	487	261,938	173,147	535	2,350	22,059	0.97	0.93	0.59	0.81
Trans-Baikal Territory	238	156,208	70,586	282	1,073	23,148	1.04	1.05	0.51	0.82
Krasnoyarsk Territory	601	801,573	301,351	1,895	2,876	28,070	0.98	0.80	0.66	0.80
Irkutsk Region	505	521,241	260,515	1,145	2,404	22,160	0.98	0.86	0.87	0.90
Kemerovo Region	507	714,995	257,050	920	2,695	21,552	0.88	1.47	0.79	1.01
Novosibirsk Region	653	524,299	464,019	1,162	2,789	25,508	1.09	0.85	1.16	1.03
Omsk Region	471	254,646	188,378	671	1,960	25,080	1.12	0.72	0.68	0.82
Tomsk Region	222	182,651	125,025	522	1,078	23,554	0.96	0.66	0.88	0.82
FAR-EASTERN FEDERAL DISTRICT	1,607	1,419,234	966,401	4,026	6,165	37,053	1.2	0.7	0.8	0.8
Republic of Sakha (Yakutia)	291	340,958	104,739	931	964	40,110	1.41	0.69	0.48	0.78
Kamchatka Territory	110	74,735	74,639	212	316	41,066	1.63	0.67	1.02	1.04
Primorye Territory	460	417,465	300,853	790	1,913	33,543	1.12	1.00	0.83	0.98
Khabarovsk Territory	305	306,965	226,197	683	1,328	37,534	1.07	0.85	0.81	0.90
Amur Region	200	113,908	85,130	308	798	31,528	1.17	0.70	0.60	0.79
Magadan Region	52	40,013	40,588	157	144	47,429	1.69	0.48	1.06	0.95
Sakhalin Region	121	95,447	111,501	823	490	49,179	1.15	0.22	0.82	0.59
Jewish Autonomous Region	46	13,548	12,056	50	162	22,889	1.33	0.51	0.58	0.73
Chukotka Autonomous Area	22	16,194	10,699	71	49	61,899	2.08	0.43	0.62	0.82
Total for Russian Federation	**31,429**	**39,247,389**	**26,091,486**	**74,223**	**146,880**	**31,580**	**1.0**	**1.0**	**1.0**	**1.0**

[1] *Based on data reported in Form 0409302 (Placed and borrowed funds).*
[2] *The ratio of the number of bank units (column 2) to the number of population (column 6) is calculated for each region and divided by the value of the same indicator calculated for Russia as a whole.*
[3] *The ratio of total loans (column 3) to GRP (column 5) is calculated for each region and is divided by the value of the same indicator calculated for Russia as a whole.*
[4] *The ratio of per capita deposits (column 4 / column 6) to per capita money income (column 7) is calculated for each region and divided by the value of the same indicator calculated for Russia as a whole.*
[5] *Calculated as a geometric average of three special density indices (columns 8–10).*

Table 6. Banking sector key indicators

	01.01.2017 Growth in 2016, %	01.02.2017	01.03.2017	01.04.2017	01.05.2017	01.06.2017	01.07.2017	01.08.2017	01.09.2017	01.10.2017	01.11.2017	01.12.2017	01.01.2018	Growth in 2017, %
Assets														
Assets, billions of rubles	80,063	80,361	79,337	79,222	79,282	79,372	80,778	81,279	82,054	82,254	82,712	83,961	85,192	
growth for one month, %														
adjusted for foreign exchange rate	-3.5	0.4	-1.3	-0.1	0.1	0.1	1.8	0.6	1.0	0.2	0.6	1.5	1.5	6.4
excluding credit institutions with revoked licences	-2.1	0.4	-1.3	0.2	0.2	0.1	1.8	1.1	1.0	0.3	0.6	1.5	1.5	7.7
unadjusted for foreign exchange rate	1.9	0.6	-0.2	0.6	-0.2	0.3	0.6	0.4	1.3	0.5	0.6	1.3	1.8	7.7
excluding credit institutions with revoked licences	3.4	0.6	-0.2	1.0	-0.1	0.3	0.6	0.9	1.3	0.6	0.6	1.3	1.8	9.0
share of foreign currency funds, %	27.8	28.5	27.8	27.3	27.3	26.9	26.9	26.7	25.4	24.5	23.9	23.7	22.3	
Loans to the economy (non-financial organisations and households), billions of rubles	40,939	40,823	40,276	40,082	40,571	40,666	41,202	41,443	41,527	41,718	41,838	42,186	42,366	
growth for one month, %														
adjusted for foreign exchange rate	-6.9	-0.3	-1.3	-0.5	1.2	0.2	1.3	0.6	0.2	0.5	0.3	0.8	0.4	3.5
excluding credit institutions with revoked licences	-5.4	-0.3	-1.3	-0.1	1.4	0.2	1.3	1.3	0.2	0.5	0.3	0.8	0.5	5.0
unadjusted for foreign exchange rate	-2.4	-0.1	-0.5	0.1	1.0	0.4	0.3	0.4	0.5	0.7	0.3	0.7	0.7	4.7
excluding credit institutions with revoked licences	-0.8	-0.1	-0.5	0.5	1.1	0.4	0.3	1.2	0.5	0.8	0.4	0.7	0.8	6.2
share of foreign currency loans, %	24.1	23.9	22.5	21.7	22.1	21.9	22.5	22.3	22.0	21.3	21.0	21.1	21.4	
Loans to non-financial organisations, billions of rubles	30,135	30,058	29,485	29,212	29,593	29,608	30,017	30,115	30,016	30,054	30,031	30,180	30,193	
growth for one month, %														
adjusted for foreign exchange rate	-3.6	0.0	-0.8	-0.1	1.0	0.3	0.0	0.1	0.1	0.5	0.0	0.3	0.4	1.8
excluding credit institutions with revoked licences	-7.8	-0.2	-1.9	-0.5	1.5	0.1	1.4	1.3	-0.3	0.2	0.0	0.5	0.1	2.1
unadjusted for foreign exchange rate	-3.6	0.0	-0.8	-0.1	1.0	0.3	0.0	0.1	0.1	0.5	0.0	0.3	0.4	1.8
excluding credit institutions with revoked licences	-1.8	0.0	-0.8	0.3	1.2	0.3	0.0	1.1	0.1	0.5	0.0	0.3	0.5	3.7
share of foreign currency loans, %	32.2	31.9	30.2	29.3	29.9	29.6	30.4	30.3	30.0	29.1	28.9	29.1	29.7	
SME loans, billions of rubles	4,469	4,480	4,603	4,606	4,647	4,749	4,820	4,721	4,019	4,155	4,057	4,076	4,170	
growth for one month, %														
adjusted for foreign exchange rate	-8.5	0.2	2.8	0.1	0.9	2.2	1.5	-2.1	-14.9	3.4	-2.3	0.5	2.3	-6.7
excluding credit institutions with revoked licences	-1.9	0.3	2.8	0.1	1.6	2.2	1.5	1.1	-14.8	3.4	-2.3	0.5	2.6	1.1

Table 6 (continued)

	01.01.2017 Growth in 2016, %	01.02.2017	01.03.2017	01.04.2017	01.05.2017	01.06.2017	01.07.2017	01.08.2017	01.09.2017	01.10.2017	01.11.2017	01.12.2017	01.01.2018	Growth in 2017, %
unadjusted for foreign exchange rate	-7.2	0.3	3.0	0.2	0.8	2.3	1.2	-2.1	-14.8	3.4	-2.3	0.4	2.3	-6.5
excluding credit institutions with revoked licences	-0.5	0.4	3.0	0.2	1.5	2.3	1.2	1.1	-14.8	3.4	-2.3	0.5	2.6	1.3
share of foreign currency loans, %	7.1	6.5	6.8	6.0	5.9	7.1	7.1	6.1	4.6	4.2	4.2	4.1	3.8	
Household loans, billions of rubles	10,804	10,765	10,791	10,870	10,978	11,059	11,185	11,329	11,512	11,664	11,807	12,006	12,174	
growth for one month, %														
adjusted for foreign exchange rate	1.1	-0.4	0.2	0.7	1.0	0.7	1.1	1.3	1.6	1.3	1.2	1.7	1.4	12.7
excluding credit institutions with revoked licences	2.2	-0.3	0.2	0.9	1.0	0.7	1.1	1.3	1.6	1.3	1.2	1.7	1.4	13.2
unadjusted for foreign exchange rate	1.4	-0.3	0.3	0.8	1.0	0.7	1.1	1.3	1.6	1.3	1.2	1.7	1.4	12.7
excluding credit institutions with revoked licences	2.5	-0.3	0.3	1.0	1.0	0.7	1.1	1.3	1.6	1.3	1.2	1.7	1.5	13.2
share of foreign currency loans, %	1.5	1.4	1.3	1.2	1.2	1.2	1.2	1.2	1.1	1.0	1.0	1.0	0.9	
Housing mortgage loans, billions of rubles	4,493	4,476	4,496	4,545	4,608	4,609	4,671	4,732	4,810	4,899	4,948	5,062	5,187	
growth for one month, %														
adjusted for foreign exchange rate	12.8	-0.4	0.4	1.1	1.4	0.0	1.4	1.3	1.6	1.9	1.0	2.3	2.5	15.5
excluding credit institutions with revoked licences	13.1	-0.4	0.4	1.1	1.4	0.0	1.4	1.3	1.6	1.9	1.0	2.3	2.5	15.7
unadjusted for foreign exchange rate	13.2	-0.4	0.5	1.1	1.4	0.0	1.3	1.3	1.7	1.9	1.0	2.3	2.5	15.5
excluding credit institutions with revoked licences	13.5	-0.4	0.5	1.1	1.4	0.0	1.3	1.3	1.7	1.9	1.0	2.3	2.5	15.7
share of foreign currency loans, %	1.6	1.5	1.4	1.3	1.2	1.2	1.2	1.1	1.1	1.0	0.9	0.9	0.8	
Unsecured consumer loans (homogeneous loans), billions of rubles	5,425	5,412	5,401	5,445	5,486	5,570	5,612	5,687	5,781	5,832	5,910	5,979	6,021	
growth for one month, %	-3.1	-0.2	-0.2	0.8	0.8	1.5	0.8	1.3	1.6	0.9	1.3	1.2	0.7	11.0
excluding credit institutions with revoked licences	-2.7	-0.2	-0.2	0.8	0.8	1.5	0.8	1.4	1.6	0.9	1.3	1.2	0.7	11.3
Car loans, billions of rubles	623	614	611	617	623	628	640	654	666	678	690	698	713	
growth for one month, %	-12.5	-1.4	-0.5	1.0	0.9	0.8	1.9	2.3	1.8	1.8	1.7	1.2	2.2	14.5
excluding credit institutions with revoked licences	-10.0	-1.4	-0.5	1.0	0.9	0.8	1.9	2.3	1.8	1.8	1.7	1.2	2.2	15.0
Loans to resident financial organisations (other than credit institutions), billions of rubles	2,777	2,705	3,052	3,180	3,147	3,157	3,199	2,962	3,134	3,318	3,379	3,496	3,627	
growth for one month, %														
adjusted for foreign exchange rate	67.4	-2.6	12.8	4.2	-1.1	0.3	1.3	-7.4	5.8	5.9	1.8	3.5	3.8	30.6

Table 6 (continued)

	01.01.2017 Growth in 2016, %	01.02.2017	01.03.2017	01.04.2017	01.05.2017	01.06.2017	01.07.2017	01.08.2017	01.09.2017	01.10.2017	01.11.2017	01.12.2017	01.01.2018	Growth in 2017, %
excluding credit institutions with revoked licences	69.1	-2.6	12.8	4.5	-0.6	0.3	1.3	-7.3	5.8	5.9	1.8	3.5	3.8	31.8
unadjusted for foreign exchange rate	81.7	-2.3	14.9	5.6	-1.6	0.7	-0.7	-7.7	6.3	6.3	1.9	3.3	3.9	31.5
excluding credit institutions with revoked licences	83.6	-2.2	14.9	5.8	-1.2	0.7	-0.7	-7.6	6.3	6.3	1.9	3.3	3.9	32.7
share of foreign currency loans, %	42.6	41.7	47.4	47.3	48.4	47.3	45.5	43.0	34.5	31.0	26.7	24.9	12.8	
Interbank loans to residents, billions of rubles	7,124	6,727	6,508	6,839	6,761	6,795	7,268	7,228	7,277	7,549	7,788	8,105	8,070	
growth for one month, %														
adjusted for foreign exchange rate	41.5	-5.6	-3.3	5.1	-1.1	0.5	7.0	-0.6	0.7	3.7	3.2	4.1	-0.4	13.3
excluding credit institutions with revoked licences	41.9	-5.6	-3.2	5.1	-1.1	0.5	7.0	-0.5	0.7	3.7	3.2	4.1	-0.4	13.5
unadjusted for foreign exchange rate	50.3	-5.4	-2.2	5.9	-1.4	0.7	5.8	-0.7	1.0	4.1	3.2	3.9	-0.2	14.6
excluding credit institutions with revoked licences	50.7	-5.4	-2.1	6.0	-1.4	0.7	5.8	-0.7	1.0	4.1	3.2	3.9	-0.2	14.8
share of foreign currency loans, %	30.9	27.5	29.2	28.7	26.7	26.0	24.2	25.3	23.8	25.5	24.3	24.7	22.1	
Interbank loans to non-residents, billions of rubles	1,967	2,663	2,492	2,549	2,422	2,227	2,278	2,177	1,790	1,784	1,734	1,637	1,735	
growth for one month, %														
adjusted for foreign exchange rate	-45.0	35.4	-6.4	2.3	-5.0	-8.0	2.3	-4.4	-17.8	-0.4	-2.8	-5.6	6.0	-11.8
excluding credit institutions with revoked licences	-44.9	35.4	-6.4	2.3	-5.0	-8.0	2.3	-4.4	-17.8	-0.4	-2.8	-5.6	6.0	-11.8
unadjusted for foreign exchange rate	-35.0	36.4	-3.1	4.8	-5.9	-7.3	-1.7	-5.1	-16.8	0.7	-2.6	-6.3	7.2	-7.7
excluding credit institutions with revoked licences	-34.9	36.4	-3.1	4.8	-5.9	-7.3	-1.7	-5.1	-16.8	0.7	-2.6	-6.3	7.2	-7.7
share of foreign currency loans, %	89.9	93.0	91.8	89.2	89.7	89.6	90.2	91.3	89.5	89.7	91.9	91.6	88.7	
Liabilities														
Household deposits, billions of rubles	24,200	24,015	24,076	23,968	24,273	24,277	24,897	24,861	24,798	24,762	24,760	24,997	25,987	
growth for one month, %														
adjusted for foreign exchange rate	4.2	-0.8	0.3	-0.4	1.3	0.0	2.6	-0.1	-0.3	-0.1	0.0	1.0	4.0	7.4
excluding credit institutions with revoked licences	6.7	-0.7	0.3	-0.3	1.6	0.0	2.6	0.8	-0.2	-0.1	0.0	1.0	4.1	9.5
unadjusted for foreign exchange rate	9.2	-0.6	1.1	0.2	1.0	0.2	1.6	-0.3	0.1	0.1	0.0	0.8	4.2	8.6
excluding credit institutions with revoked licences	11.8	-0.6	1.1	0.3	1.3	0.2	1.6	0.6	0.1	0.2	0.0	0.8	4.3	10.7
share of foreign currency funds, %	23.7	23.7	22.8	22.2	22.5	22.1	22.5	22.5	22.2	21.9	21.6	21.5	20.6	

Table 6 (end)

	01.01.2017 Growth in 2016, %	01.02.2017	01.03.2017	01.04.2017	01.05.2017	01.06.2017	01.07.2017	01.08.2017	01.09.2017	01.10.2017	01.11.2017	01.12.2017	01.01.2018	Growth in 2017, %
Deposits and funds on organisations' accounts (other than credit institutions), billions of rubles	24,322	24,969	24,550	23,958	23,655	24,011	24,150	24,277	24,084	23,758	23,777	24,285	24,843	
growth for one month, %														
adjusted for foreign exchange rate	-10.1	2.7	-1.7	-2.4	-1.3	1.5	0.6	0.5	-0.8	-1.4	0.1	2.1	2.3	2.1
excluding credit institutions with revoked licences	-9.1	2.7	-1.7	-2.0	-1.2	1.5	0.6	0.6	-0.8	-1.4	0.1	2.1	2.3	2.8
unadjusted for foreign exchange rate	-2.8	3.0	-0.1	-1.3	-1.7	1.8	-1.2	0.2	-0.2	-0.9	0.2	1.8	2.8	4.1
excluding credit institutions with revoked licences	-1.7	3.0	-0.1	-0.9	-1.7	1.8	-1.2	0.3	-0.2	-0.9	0.2	1.8	2.8	4.8
share of foreign currency funds, %	40.5	42.1	40.8	40.4	40.2	39.4	40.1	40.6	39.9	38.8	38.8	38.8	36.7	
Bank of Russia loans	2,726	1,948	1,461	1,391	1,451	1,026	1,061	1,315	2,051	1,831	1,961	1,938	2,016	-26.0
share of liabilities, %	3.4	2.4	1.8	1.8	1.8	1.3	1.3	1.6	2.5	2.2	2.4	2.3	2.4	
Capital and financial result														
Capital	9,387	9,396	9,410	9,479	9,611	9,649	9,614	9,779	9,782	9,332	9,375	9,147	9,397	
growth for one month, %	4.2	0.1	0.1	0.7	1.4	0.4	-0.4	1.7	0.0	-4.6	0.5	-2.4	2.7	0.1
excluding credit institutions with revoked licences	5.1	0.1	0.2	0.4	1.5	0.4	-0.4	2.1	0.1	-4.5	0.5	-2.4	2.8	1.3
N1.0 capital adequacy, %	13.1	13.1	13.3	13.4	13.3	13.2	12.9	13.1	12.9	11.8	11.8	11.6	12.1	
Loss provisions[1]	5,594	5,687	5,701	5,750	5,710	5,782	5,807	5,783	5,829	6,199	6,352	6,663	6,916	
Current-year profit	930	114	212	339	553	653	770	920	997	675	693	870	790	
Return on assets[2], %	1.2	1.3	1.3	1.5	1.7	1.7	1.7	1.7	1.7	1.2	1.1	1.3	1.0	
Return on equity[2], %	10.3	11.1	11.6	12.7	14.3	14.6	14.4	14.8	14.8	10.3	9.6	10.6	8.3	
Assets and liabilities in foreign currency (in US dollar terms), billions of US dollars														
Assets	366.6	381.2	380.5	384.2	379.3	377.6	367.2	365.0	354.3	346.8	340.9	341.5	329.9	-10.0
Liabilities	350.2	358.1	356.8	356.7	346.2	343.5	335.3	338.1	333.9	331.5	326.3	331.1	322.5	-7.9
Foreign currency balance	16.4	23.1	23.7	27.5	33.1	34.0	31.9	26.9	20.5	15.3	14.6	10.4	7.3	

[1] *Balance sheet statement data (not corresponding with the income statement data as bad debt provision has been partially written off from the balance sheet).*
[2] *For 12 months preceding the reporting date.*

Table 7. Bank assets grouped by investment, billions of rubles

	Assets	01.01.17	01.04.17	01.07.17	01.10.17	01.01.18
1.	Money, precious metals and gemstones, total	1,592	1,183	1,267	1,457	1,904
1.1.	Including: money	1,404	1,065	1,114	1,285	1,735
2.	Accounts with the Bank of Russia and authorised bodies of other countries, total	3,046	3,028	2,807	3,783	4,735
	Including:					
2.1.	Bank correspondent accounts with the Bank of Russia	1,774	2,020	1,635	2,176	1,887
2.2.	Bank required reserves transferred to the Bank of Russia	482	508	506	533	503
2.3.	Deposits and other funds placed with the Bank of Russia	785	494	658	1,069	2,342
3.	Correspondent accounts with credit institutions, total	1,734	1,993	1,888	1,589	1,281
	Including:					
3.1.	Correspondent accounts with correspondent credit institutions	534	559	509	474	433
3.2.	Correspondent accounts with non-resident banks	1,201	1,434	1,379	1,115	848
4.	Securities acquired by credit institutions, total	11,450	11,100	11,704	12,007	12,311
	Including:					
4.1.	Debt	9,366	9,020	9,605	9,665	9,948
4.2.	Equities	357	368	379	415	480
4.3.	Discounted bills	178	157	155	139	137
4.4.	Shares of subsidiaries and affiliated joint-stock companies	1,549	1,555	1,565	1,788	1,747
5.	Other stakes in authorised capital	878	883	900	1,152	1,180
6.	Financial derivatives	704	653	626	588	505
7.	Loans, total	55,622	55,187	56,443	56,676	58,122
	Including:					
7.1.	Loans, deposits and other placements	55,479	55,059	56,305	56,553	58,006
	including: overdue debt	2,892	3,157	3,062	3,085	2,993
	Including:					
7.1.1.	Loans and other placements with non-financial organisations	30,135	29,212	30,017	30,054	30,193
	including: overdue debt	1,892	2,080	1,965	1,989	1,942
7.1.2.	Loans and other funds extended to households	10,804	10,870	11,185	11,664	12,174
	including: overdue debt	858	882	873	877	849
7.1.3.	Loans, deposits and other placements with credit institutions	9,091	9,388	9,546	9,333	9,805
	including: overdue debt	95	144	171	168	146
8.	Fixed assets, other real estate, intangible assets and inventories	1,487	1,486	1,469	1,493	1,513
8.1	including: real estate temporarily unused in core activities	198	223	220	225	208
9.	Disposition of profits	385	141	225	236	328
	including: profit tax	343	102	205	227	306
10.	Other assets, total	3,166	3,567	3,448	3,275	3,313
	Including:					
10.1.	Float	1,382	1,716	1,479	1,319	1,238
10.2.	Debtors	326	343	410	407	489
10.3.	Deferred expenses	42	51	50	46	45
Total assets		**80,063**	**79,222**	**80,778**	**82,254**	**85,192**

Table 8. Bank liabilities grouped by source of funds, billions of rubles

	Liabilities	01.01.17	01.04.17	01.07.17	01.10.17	01.01.18
1.	Bank funds and profits, total	8,611	8,533	8,796	8,687	8,963
	Including:					
1.1.	Funds	4,426	4,397	4,426	4,500	4,866
1.2.	Profits (losses), including previous-year financial results	4,078	4,141	4,337	4,176	4,041
	Including:					
1.2.1.	Current-year profits (losses)	930	339	770	675	790
2.	Loans, deposits and other funds received by credit institutions from the Bank of Russia	2,726	1,391	1,061	1,831	2,016
3.	Bank accounts, total	829	856	815	860	775
	Including:					
3.1.	Correspondent accounts of correspondent banks	503	535	455	486	396
3.2.	Correspondent accounts of non-resident banks	228	235	257	288	253
4.	Loans, deposits and other funds received from other credit institutions, total	8,559	8,110	8,483	8,905	9,265
5.	Customer funds, total[1]	50,003	50,554	51,844	52,118	53,703
	Including:					
5.1.	Budget funds in settlement accounts	8	27	45	40	10
5.2.	Government and extra-budgetary funds in settlement accounts	0	0	0	1	1
5.3.	Organisations' funds in settlement and other accounts	8,764	8,878	8,909	8,494	9,104
5.4.	Customer float	451	471	499	573	537
5.5.	Deposits and other funds raised by legal entities (other than credit institutions)	16,385	17,030	17,338	18,078	17,900
5.6.	Household deposits	24,200	23,968	24,897	24,762	25,987
5.7.	Customer funds in factoring and forfeiting operations	28	28	22	22	23
6.	Bonds	1,093	1,105	1,181	1,173	1,211
7.	Bills and bank acceptances	441	481	457	407	428
8.	Financial derivatives	483	431	392	346	337
9.	Other liabilities, total	7,318	7,761	7,749	7,927	8,493
	Including:					
9.1.	Loss provisions	5,594	5,750	5,807	6,199	6,916
9.2.	Float	821	1,077	963	724	666
9.3.	Creditors	165	212	277	235	209
9.4.	Deferred income	14	11	14	12	16
9.5.	Accrued interest and interest/coupon liabilities on securities	617	639	639	702	630
	Including:					
9.6.	Overdue interest	0	0	0	0	0
Total liabilities		**80,063**	**79,222**	**80,778**	**82,254**	**85,192**

[1] *Including certificates of deposit and savings certificates.*

Table 9. Quality of the banking sector's loan portfolio

	01.01.2017	01.02.2017	01.03.2017	01.04.2017	01.05.2017	01.06.2017	01.07.2017	01.08.2017	01.09.2017	01.10.2017	01.11.2017	01.12.2017	01.01.2018
Legal entities													
Share of overdue loans in total value of loans to non-financial organisations, %	6.3	6.5	6.7	7.1	6.7	6.6	6.6	6.5	6.5	6.6	6.7	6.5	6.4
Share of overdue loans in total value of loans to resident financial organisations (other than credit institutions), %	1.7	1.8	1.7	1.6	1.6	1.6	1.6	1.8	1.7	1.5	1.4	1.6	1.5
Share of Quality Category IV and Quality Category V loans in total value of loans to legal entities (other than credit institutions), %	10.7	10.9	11.2	11.2	11.3	11.4	11.4	11.0	11.2	11.7	11.8	11.6	12.0
Loss provisions for loans to legal entities (other than credit institutions), as % of total value of such loans	9.2	9.4	9.4	9.5	9.3	9.5	9.4	9.2	9.3	9.5	9.8	9.7	10.1
Individuals													
Share of overdue loans in total value of household loans, %	7.9	8.1	8.2	8.1	8.1	8.1	7.8	7.8	7.7	7.5	7.5	7.3	7.0
Share of loans not repaid on the due date in a month preceding the reporting date, %	12.2	12.9	13.6	13.7	12.5	12.2	11.8	12.3	12.1	10.9	10.7	10.0	9.9
Share of Quality Category IV and Quality Category V loans in total loan value, %	11.8	11.9	12.0	11.8	11.7	11.7	11.3	11.2	11.0	10.7	10.5	10.2	9.8
Loan loss provisions, as % of total value of such loans	11.8	12.0	12.1	12.0	11.9	11.9	11.6	11.6	11.4	11.1	10.9	10.7	10.4
Loss provisions for loans with arrears exceeding 90 days, as % of total value of such loans	90.6	90.9	91.1	91.5	91.7	91.5	91.2	91.4	91.5	91.4	91.5	91.4	91.3
mortgage loans	84.3	84.3	84.4	85.1	85.1	83.9	84.5	84.8	84.9	85.0	85.3	85.5	85.7
car loans	93.1	93.2	93.3	93.2	93.5	93.3	93.5	93.7	93.7	93.8	93.8	94.0	94.0
unsecured consumer loans	90.8	91.1	91.4	91.8	92.0	91.9	91.5	91.7	91.8	91.6	91.7	91.6	91.5

Table 10. Housing mortgage loans (HML)[1]

	01.01.2017	01.02.2017	01.03.2017	01.04.2017	01.05.2017	01.06.2017	01.07.2017	01.08.2017	01.09.2017	01.10.2017	01.11.2017	01.12.2017	01.01.2018
HMLs, total, billions of rubles	4,493	4,476	4,496	4,545	4,608	4,609	4,671	4,732	4,810	4,899	4,948	5,062	5,187
Including overdue HMLs, billions of rubles	70	71	70	70	71	71	72	73	73	73	72	72	69
share of overdue loans in total HMLs, %	1.6	1.6	1.6	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.4	1.4	1.3
Value of HMLs extended year-to-date, billions of rubles	1,473	71	174	321	471	616	773	928	1,102	1,286	1,499	1,731	2,022
HMLs extended year-to-date, thousands	857	40	98	178	260	339	423	508	602	701	813	936	1,087

Table 10 (end)

	01.01.2017	01.02.2017	01.03.2017	01.04.2017	01.05.2017	01.06.2017	01.07.2017	01.08.2017	01.09.2017	01.10.2017	01.11.2017	01.12.2017	01.01.2018
Extra item: Acquired HML receivables due, billions of rubles	121	133	130	133	135	131	150	135	156	150	151	163	157
HMLs in foreign currency													
HMLs in foreign currency, billions of rubles	71	65	61	57	56	54	55	54	52	50	46	46	43
Value of HMLs in foreign currency extended year-to-date, billions of rubles	1.09	0.00	0.00	0.24	0.25	0.27	0.29	0.42	0.42	0.50	0.52	0.52	0.54
Volume of HMLs in foreign currency extended year-to-date, pieces	34	0	0	3	3	4	4	7	7	9	10	10	11
growth for one month, pieces	5	0	0	3	0	1	0	3	0	2	1	0	1
as % on corresponding period of previous year	37.4	0.0	0.0	27.3	15.0	20.0	16.7	26.9	25.9	32.1	35.7	34.5	32.4
as % of total HMLs	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Acquired foreign currency HML receivables due, billions of rubles	21	23	22	20	19	19	23	22	22	22	21	23	22
Acquired foreign currency HML receivables due, billions of US dollars	0.3	0.4	0.4	0.4	0.3	0.3	0.4	0.4	0.4	0.4	0.4	0.4	0.4
HMLs in foreign currency including acquired receivables due, billions of rubles	92	88	83	77	75	73	78	76	74	72	67	68	65
HMLs in foreign currency including acquired receivables due, billions of US dollars	1.5	1.5	1.4	1.4	1.3	1.3	1.3	1.3	1.3	1.2	1.2	1.2	1.1
Ruble HMLs													
Outstanding ruble HMLs, billions of rubles	4,422	4,411	4,435	4,488	4,552	4,555	4,616	4,678	4,758	4,849	4,902	5,016	5,145
Value of ruble HMLs extended year-to-date, billions of rubles	1,472	71	174	321	471	615	773	927	1,101	1,285	1,498	1,731	2,021

[1] *Housing mortgage loans pledged with real estate extended to borrowers according to the procedure stipulated by Federal Law No. 102-FZ, dated 16 July 1998, 'On Mortgage (Mortgage Security)'.*

Table 11. Weighted average interest rates on funds raised and placed in reporting month with maturities of over one year

	2017 year											
	January	February	March	April	May	June	July	August	September	October	November	December
Ruble funds												
Loans to non-financial organisations	12.46	11.67	11.45	11.31	10.99	10.36	9.98	10.42	10.20	9.82	9.74	9.41
including small and medium-sized businesses	13.62	13.31	12.85	13.07	12.77	12.39	12.44	12.21	11.54	11.47	11.04	10.84
Deposits of non-financial organisations	8.97	8.53	8.95	8.71	10.51	7.98	8.05	9.08	8.35	7.32	7.13	7.52
Household loans	16.23	16.00	15.66	15.42	15.32	15.08	14.94	14.50	14.01	13.66	13.38	12.92
housing mortgage loans	11.84	11.94	11.68	11.44	11.33	11.10	10.94	10.58	10.05	9.95	9.80	9.79
Household deposits	7.84	7.30	7.16	7.13	6.98	6.73	6.87	6.89	6.78	6.28	6.94	6.39
US dollar funds												
Loans to non-financial organisations	6.82	6.01	6.93	6.34	5.65	5.64	5.16	4.67	6.84	4.84	4.73	5.36
including small and medium-sized businesses	8.79	9.32	8.86	6.70	6.39	7.56	6.63	8.28	8.05	7.31	7.10	7.90
Deposits of non-financial organisations	2.47	3.13	3.01	2.17	2.15	2.35	2.49	1.46	1.84	3.21	3.49	3.48
Household loans	8.34	7.42	7.55	9.62	9.43	6.63	8.76	8.35	9.18	8.03	9.17	9.09
Household deposits	1.64	1.51	1.47	1.49	1.30	1.24	1.17	1.31	1.26	1.46	1.59	1.80
Euro funds												
Loans to non-financial organisations	4.20	3.97	3.31	5.00	4.19	4.02	4.09	4.37	3.97	4.50	4.23	3.98
including small and medium-sized businesses	–	5.02	5.93	4.51	7.77	5.58	6.18	3.95	6.46	6.82	5.22	4.44
Deposits of non-financial organisations	0.82	0.55	1.80	1.86	0.44	2.43	0.61	0.46	0.65	–	0.27	0.48
Household loans	8.85	9.67	10.44	7.97	6.10	7.82	–	4.96	–	10.16	–	7.34
Household deposits	0.76	0.75	0.63	0.61	0.79	0.58	0.53	0.65	0.68	0.80	0.68	0.82

Table 12. Indicators of individual groups of credit institutions[1]

Group of credit institutions	Number of credit institutions	Share of banking sector total assets, %		Share of banking sector total capital, %	
		01.01.2017	01.01.2018	01.01.2017	01.01.2018
State-controlled banks	19	58.5	58.5	63.8	70.7
Foreign-controlled banks	72	7.7	7.7	11.5	11.8
Private banks with capital of more than 1 billion rubles	204	17.3	17.5	18.9	20.8
Private banks with capital of less than 1 billion rubles	193	0.8	0.6	1.0	1.0
Banks under resolution	29	12.7	12.2	4.0	-5.1
Non-bank credit institutions	44	3.0	3.5	0.7	0.8
TOTAL	**561**	**100**	**100**	**100**	**100**

[1] *Criteria for such grouping and indicators of the above groups of credit institutions are used solely for the purposes of analysis within this Report. Groups of credit institutions as of 1 January 2018.*

Table 13. Banking sector capital structure, %[1]

Indicators	01.01.17	01.04.17	01.07.17	01.10.17	01.01.18
1. Capital growth factors	**122.6**	**121.4**	**120.6**	**128.8**	**132.2**
1.1. Authorised capital	26.2	25.6	25.7	26.9	28.4
1.2. Share premium	15.8	15.6	15.3	16.4	18.8
1.3. Profits and funds of credit institutions	50.3	52.0	51.9	56.3	58.6
1.4. Subordinated loans received	28.0	26.1	25.8	27.1	24.5
1.5. Revaluation surplus	2.3	2.0	2.0	2.0	1.9
1.6. Other factors	0.0	0.0	0.0	0.0	0.0
2. Capital reducing factors	**22.6**	**21.4**	**20.6**	**28.8**	**32.2**
2.1. Losses	7.2	7.1	5.9	11.3	15.8
2.2. Intangible assets	2.9	2.9	2.8	2.9	3.2
2.3. Treasury shares (stakes)	0.1	0.1	0.1	0.2	0.2
2.4. Sources of capital formed from improper assets	0.1	0.1	0.1	0.1	0.1
2.5. Subordinated loans issued	2.6	2.7	2.9	3.1	2.9
2.6. Bank share (stakes) portfolio	7.4	6.1	6.3	7.5	7.3
2.7. Other factors	2.3	2.5	2.4	3.7	2.7
Capital, total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

[1] Calculated using bank reporting Form 0409123 'Capital Calculation (Basel III)'.

Table 14. Categorised indicators on credit institutions ranked by capital value

Credit institutions by capital value	Number of credit institutions		Return on equity[1], %		Return on assets[1], %	
	01.01.2017	01.01.2018	01.01.2017	01.01.2018	01.01.2017	01.01.2018
Up to 300 million rubles	64	56	–[2]	–[2]	-4.4	-8.4
300 million rubles to one billion rubles	247	206	1.3	0.7	0.2	0.1
1 billion rubles to 10 billion rubles	229	214	6.2	9.3	1.0	1.6
10 billion rubles to 25 billion rubles	40	43	-0.8	10.0	-0.1	1.6
25 billion rubles to 50 billion rubles	22	21	-5.0	3.8	-0.5	0.3
50 billion rubles to 100 billion rubles	8	9	3.3	32.0	0.4	3.9
100 billion rubles to 250 billion rubles	6	5	11.3	-19.0	1.4	-2.3
250 billion rubles and over	7	7	16.4	16.4	1.9	2.1
Total for banking sector	**623**	**561**	**10.4**	**8.4**	**1.2**	**1.0**

[1] For 12 months preceding the reporting date.
[2] Return is not calculated for groups with negative capital value.

Table 15. Banking sector information on banks' required ratios

Ratio	Acceptable numerical value of the ratio, %	Actual numerical value of the ratio,[1] %								
		01.01.16	01.04.16	01.07.16	01.10.16	01.01.17	01.04.17	01.07.17	01.10.17	01.01.18
N1.0	since 01.01.2016 no less than 8%	12.7	12.4	12.4	12.7	13.1	13.4	12.9	11.8	12.1
N1.2	since 01.01.2016 no less than 4.5%	8.2	8.1	8.3	8.6	8.9	9.5	9.0	8.2	8.2
N1.2	no less than 6%	8.5	8.4	8.6	8.8	9.2	9.9	9.4	8.6	8.5
N2	no less than 15%	97.5	86.5	87.4	100.4	106.6	114.9	109.7	125.5	118.5
N3	no less than 50%	139.3	121.8	125.0	141.8	144.9	169.2	170.7	180.7	167.4
N4	no more than 120%	59.0	59.4	57.2	54.9	52.3	50.9	52.0	54.0	55.4
N6[2]	no more than 25%									
N7	no more than 800%	254.4	248.1	242.3	238.6	219.6	213.5	220.9	224.4	226.1
N9.1	no more than 50%	2.8	2.8	3.8	3.8	3.6	3.7	4.4	4.8	3.2
N10.1	no more than 3%	0.6	0.5	0.5	0.5	0.4	0.4	0.4	0.4	0.4
N12	no more than 25%	8.6	9.7	11.0	11.3	12.0	12.8	13.0	15.8	13.3
N25[2]	no more than 20%									

[1] *Ratio in the sector overall as of the reporting date.*
[2] *The N6 and N25 ratios are calculated for each borrowers of each bank.*

Table 16. Banking sector information on the number of credit institutions violating required ratios during the reporting period

Ratio	2016				2017			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
N1.0	12	11	12	13	9	6	6	3
N1.1	14	14	10	12	5	6	7	3
N1.2	19	15	11	14	8	7	9	6
N2	9	6	2	7	7	7	1	3
N3	16	11	5	12	10	10	7	5
N4	2	2	1	1	4	2	3	0
N6	46	31	17	25	18	14	16	18
N7	10	8	7	8	5	2	3	2
N9.1	4	1	1	2	0	0	2	0
N10.1	6	5	6	6	0	1	1	0
N12	3	6	3	4	2	1	2	1
N25[1]	–	–	–	–	7	5	7	5

[1] *The N25 ratio has been effective since 01.01.2017.*

Table 17. Basic return on deposits under agreements with households, %[1]

Period	In Russian rubles					In US dollars					In euro				
	Call deposits[2]	Up to 90 days	From 91 to 180 days	From 181 days to one year	More than one year	Call deposits[2]	Up to 90 days	From 91 to 180 days	From 181 days to one year	More than one year	Call deposits[2]	Up to 90 days	From 91 to 180 days	From 181 days to one year	More than one year
January 2016	5.995	9.147	10.477	11.268	11.203	0.702	0.568	1.435	2.695	3.491	0.653	0.361	0.859	1.941	2.485
February 2016	6.196	9.442	10.797	11.510	11.756	0.848	0.930	1.549	2.868	3.332	0.724	0.740	0.959	1.839	2.683
March 2016	6.689	8.742	10.476	11.350	11.512	0.929	0.567	1.541	2.659	3.552	0.829	0.397	0.907	1.860	2.533
April 2016	6.803	9.464	10.364	10.824	11.141	1.009	0.535	1.416	2.496	3.375	0.820	0.340	0.864	1.660	2.322
May 2016	6.780	9.418	10.212	10.881	11.186	0.895	0.578	1.366	2.662	3.445	0.807	0.316	0.818	1.661	2.373
June 2016	6.810	9.054	9.886	10.799	11.194	0.944	0.552	1.326	2.271	3.295	0.855	0.345	0.763	1.397	2.212
July 2016	6.905	9.233	9.714	10.614	10.685	0.829	0.452	0.953	2.145	3.256	0.742	0.223	0.628	1.193	1.929
August 2016	6.857	9.041	9.457	10.407	10.537	0.893	0.459	1.266	2.035	3.141	0.806	0.252	0.479	0.915	1.821
September 2016	6.994	9.258	9.171	10.142	10.476	0.989	0.695	1.098	2.130	2.853	0.812	0.420	0.517	0.954	1.650
October 2016	6.993	9.439	9.262	10.008	10.191	0.807	0.630	1.054	2.082	3.006	0.722	0.392	0.415	0.544	1.490
November 2016	7.135	9.394	9.272	9.678	9.758	0.869	0.514	1.060	2.024	2.397	0.718	0.120	0.228	0.461	0.953
December 2016	6.835	9.231	9.283	9.355	9.722	0.521	0.601	1.028	1.944	2.435	0.429	0.133	0.134	0.303	0.560
January 2017	6.907	9.193	9.327	9.458	9.732	0.780	0.592	1.228	1.928	2.313	0.597	0.210	0.236	0.460	0.856
February 2017	7.012	9.262	9.339	9.712	9.790	0.831	0.796	1.311	2.076	2.606	0.600	0.222	0.183	0.333	0.824
March 2017	6.865	9.108	9.304	9.695	9.604	0.805	0.789	1.172	2.063	2.444	0.597	0.256	0.373	0.256	0.612
April 2017	6.794	9.046	9.123	9.591	9.340	0.779	0.834	1.110	2.104	2.282	0.587	0.256	0.174	0.260	0.568
May 2017	7.140	8.961	9.171	9.610	9.544	0.664	0.724	1.202	2.035	2.370	0.369	0.383	0.226	0.385	0.697
June 2017	7.249	8.797	8.865	9.256	9.035	0.708	0.860	1.311	2.130	2.367	0.429	0.270	0.251	0.408	0.547
July 2017	7.035	8.651	8.870	9.100	8.990	0.761	0.679	1.302	1.935	2.465	0.369	0.355	0.337	0.476	0.612
August 2017	6.987	8.061	8.320	8.793	8.510	0.757	0.803	1.467	1.958	2.632	0.458	0.342	0.279	0.480	0.897
September 2017	6.907	8.475	8.635	8.705	8.633	0.716	0.926	1.185	1.834	2.381	0.455	0.273	0.251	0.346	0.432
October 2017	6.449	8.127	8.275	8.161	8.404	0.397	0.961	1.332	1.840	2.285	0.096	0.073	0.053	0.116	0.335
November 2017	6.464	7.668	8.078	7.906	7.886	0.413	0.895	1.369	1.804	2.296	0.096	0.090	0.059	0.146	0.245
December 2017	6.378	7.305	7.929	7.804	7.794	0.380	1.019	1.221	1.911	2.467	0.062	0.167	0.105	0.182	0.245

[1] The calculation is based on maximum interest rates on deposits calculated by banks which cumulatively raised two thirds of total household deposits with Russian banks as of the reporting dates. Banks disclose maximum interest rates on deposits in compliance with Bank of Russia Ordinance No. 3606-U, dated 23 March 2015, 'On Amending Bank of Russia Ordinance No. 3194-U, Dated 27 February 2014, 'On the Procedure for Disclosing by Credit Institutions Information about Interest Rates on Household Bank Deposit Agreements'.
[2] Basic return on call deposits is based on bank account agreements.

Table 18. Average market value of the effective interest rate on consumer loans (EIR), % p.a.

		2016 Q3 (average EIR+1/3 value limit was applied in 2017 Q1)	Marginal value in 2017 Q1	2016 Q4 (average EIR+1/3 value limit was applied in 2016 Q2)	Marginal value in 2017 Q2	2017 Q1 (average EIR+1/3 value limit was applied in 2017 Q3)	Marginal value in 2017 Q3	2017 Q2 (average EIR+1/3 value limit was applied in 2017 Q4)	Marginal value in 2017 Q4	2017 Q3 (average EIR+1/3 value limit will be applied in 2018 Q1)	Marginal value in 2018 Q1	2017 Q4 (average EIR+1/3 value limit will be applied in 2018 Q2)	Marginal value in 2018 Q2
1	**Consumer car loans secured by cars**												
1.1	Used cars (from 0 to 1000 km)	16.2	21.6	15.8	21.0	15.4	20.6	14.7	19.6	13.7	18.3	13.9	18.5
1.2	Used cars (more than 1000 km)	23.7	31.7	23.0	30.7	22.3	29.7	21.7	29.0	20.8	27.7	19.6	26.2
2	**Consumer loans with lending limit (by lending limit as of the agreement date)**												
2.1	Up to 30 thousand rubles	27.5	36.7	27.7	36.9	27.5	36.7	23.7	31.6	22.5	30.0	22.7	30.3
2.2.	From 30 to 100 thousand rubles	28.9	38.5	29.4	39.2	29.6	39.4	26.8	35.8	25.1	33.5	24.4	32.5
2.3	From 100 to 300 thousand rubles	27.2	36.3	26.8	35.8	26.5	35.4	25.5	34.0	24.6	32.8	24.1	32.2
2.4	More than 300 thousand rubles	23.8	31.8	23.4	31.2	23.8	31.7	23.3	31.1	23.3	31.0	23.0	30.7
3	**Unsecured targeted consumer loans issued through transfer of funds to a point of sales as payment for goods (services) under the respective agreement with the point of sales (POS-loans)**												
3.1	Up to one year, including:												
3.1.1	Up to 30 thousand rubles	31.3	41.8	29.7	39.5	28.3	37.7	26.8	35.7	21.9	29.2	20.6	27.5
3.1.2	From 30 to 100 thousand rubles	27.5	36.6	25.4	33.8	24.1	32.2	23.5	31.4	22.3	29.8	19.9	26.5
3.1.3	More than 100 thousand rubles	23.4	31.2	23.8	31.7	21.5	28.7	22.1	29.5	21.1	28.1	19.3	25.8
3.2	More than one year, including:												
3.2.1	Up to 30 thousand rubles	27.9	37.2	26.4	35.3	24.4	32.5	20.8	27.8	18.6	24.9	16.8	22.4
3.2.2	From 30 to 100 thousand rubles	24.0	32.0	21.8	29.0	21.2	28.3	19.4	25.9	16.5	22.0	15.1	20.1
3.2.3	More than 100 thousand rubles	22.8	30.4	20.7	27.6	20.9	27.9	20.6	27.5	19.1	25.5	16.3	21.7

Table 18 (end)

		2016 Q3 (average EIR+1/3 value limit was applied in 2017 Q1)	Marginal value in 2017 Q1	2016 Q4 (average EIR+1/3 value limit was applied in 2016 Q2)	Marginal value in 2017 Q2	2017 Q1 (average EIR+1/3 value limit was applied in 2017 Q3)	Marginal value in 2017 Q3	2017 Q2 (average EIR+1/3 value limit was applied in 2017 Q4)	Marginal value in 2017 Q4	2017 Q3 (average EIR+1/3 value limit will be applied in 2018 Q1)	Marginal value in 2018 Q1	2017 Q4 (average EIR+1/3 value limit will be applied in 2018 Q2)	Marginal value in 2018 Q2
4	**General purpose loans, unsecured targeted consumer loans (other than POS-loans), consumer debt refinancing loans**												
4.1	Up to one year, including:												
4.1.1	Up to 30 thousand rubles	30.2	40.3	28.8	38.4	26.5	35.3	25.0	33.4	26.8	35.7	28.7	38.3
4.1.2	From 30 to 100 thousand rubles	20.7	27.5	19.9	26.6	19.4	25.8	17.9	23.9	17.3	23.1	16.2	21.6
4.1.3	From 100 to 300 thousand rubles	18.8	25.1	18.1	24.2	17.7	23.6	16.8	22.4	16.5	22.1	15.6	20.8
4.1.4	More than 300 thousand rubles	16.5	21.9	15.5	20.7	15.6	20.8	14.7	19.6	14.9	19.8	14.2	18.9
4.2	More than one year, including:												
4.2.1	Up to 30 thousand rubles	21.1	28.1	22.2	29.6	20.8	27.7	20.4	27.2	20.2	26.9	19.5	26.0
4.2.2	From 30 to 100 thousand rubles	21.3	28.4	21.1	28.1	20.7	27.7	19.8	26.3	19.3	25.7	18.6	24.8
4.2.3	From 100 to 300 thousand rubles	20.9	27.9	20.4	27.1	20.1	26.7	19.2	25.6	18.8	25.1	18.0	24.0
4.2.4	More than 300 thousand rubles	18.8	25.1	17.6	23.5	17.4	23.1	17.2	23.0	16.6	22.2	15.5	20.7

Note. Marginal values of EIR were violated by 10 credit institutions in 2017 Q1, eight credit institutions in 2017 Q2, four credit institutions in 2017 Q3 and 13 credit institutions in 2017 Q4.