Bank of Russia

The Central Bank of the Russian Federation

BANKING SUPERVISION REPORT 2016

Moscow

2017

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FOREWORD

Dear readers,

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

In 2016, Russian banks for the most part overcame the consequences of the crisis of 2014–2015, and, despite the complicated external conditions, stabilised their asset quality and restored core profitability. While the access of corporations and banks to external funding remained limited, banks enjoyed more favourable macroeconomic environment in 2016. Oil prices grew somewhat, business activity picked up, capital outflow decreased, and the ruble appreciated. Inflation plunged to its lowest in recent Russian history.

With sanctions against a number of Russian banks still in place, the funding base continued to broaden in 2016 mostly through household savings. The funds of the Russian corporate sector – the second in significance among banks' funding sources – were widely used to ensure growth in industrial production. As a result, their volume in banks decreased somewhat.

Overall, the situation with banking sector liquidity stabilised, thanks, among other things, to the inflow of funds to the financial system via the fiscal channel. This considerably reduced credit institutions' demand for the Bank of Russia's refinancing operations.

The improvement of borrowers' financial standing and internal banking standards for credit risk management in 2016 allowed creating more modest loan loss provisions. The balanced interest rate policy of credit institutions was translated into growth of net interest income. As a result, income earned by the banking sector in 2016 returned to a stable level (up to one trillion rubles) and increased almost fivefold compared to the previous year.

In 2016, the Bank of Russia continued to purge the banking sector of troubled institutions incapable of ensuring safety of their creditors' and depositors' funds. In cooperation with the Deposit Insurance Agency, we applied resolution mechanisms to troubled banks when economically expedient.

The Bank of Russia continued to adopt international recommendations on banking regulation with due regard for the specifics of the Russian market. As the repercussions of the crisis were overcome, the Bank of Russia implemented a strategy for exiting the regime of special antirecessionary banking regulation in 2016. The Russian Federation overall successfully passed the Financial Sector Assessment Program (FSAP) conducted by the mission of the International Monetary Fund and the World Bank.

The Report focuses separately on the Bank of Russia's activity as a mega-regulator, in the course of which the Bank of Russia took measures to eliminate regulatory arbitrage, improve the competitive environment, and regulate the interaction of different financial market segments.

The traditional interest of a wide circle of readers in banking sector stability motivated the considerable focus of this Report on global risks and assessment of the systemic stability of the banking sector, including through the use of stress testing methods. Overall the figures obtained indicate that the Russian banking sector has preserved the stability necessary to satisfy corporates' and households' demand for banking services, and is ready to support the emerging prerequisites for growth of the Russian economy.

Elvira Nabiullina

Bank of Russia Governor

I. STATE OF THE RUSSIAN BANKING SECTOR

I.1. General economic conditions

I.1.1. Macroeconomics and external global risks

I.1.1.1. EXTERNAL GLOBAL RISKS

According to the International Monetary Fund, the growth rate of the global GDP slowed down to 3.1%[1] in 2016, down from 3.2% in 2015. GDP growth in developed countries decreased from 2.1% to 1.6%; in emerging markets it remained at the level of 4.1%.

In advanced countries, despite a slowdown of economic growth as of year-end 2016, a number of positive trends were observed in the second half of the year.

The US registered a boost in domestic demand amid favourable labour market conditions and recovering business activity in manufacturing. According to Bloomberg, the ISM Manufacturing index increased from 49.4 pp in August to 54.5 pp in December. In this environment, annual consumer price growth in the country accelerated from 0.8% in July to 2.1% in December.

The economy of the eurozone was positively influenced by the new stimulus from the ECB, including the expanded asset purchase programme and the launch of a new series of the targeted long-term refinancing operations (TLTRO-II). The manufacturing PMI showed notable growth in the second half of the year, from 51.7 pp in August to 54.9 pp in December. The annual growth of consumer prices in the eurozone increased from 0.1% in June to 1.1% in December. Furthermore, lending to non-financial institutions resumed growth in the eurozone – the indicator left the negative territory (–0.3% in December 2015) to reach 1.9% in December 2016. At the same time, Europe is yet to tackle the the problem of a large share of non-performing bank loans (in Italy) and ongoing political risks.

The economic situation improved in the UK by the end of the year, despite its expected exit from the EU, thanks, among other things, to the reduction of the key rate by the Bank of England for the first time since March 2009 (to 0.25%). The manufacturing PMI rose from 48.2 pp in June to 55.9 pp in December. Annual consumer price growth increased from 0.5% in June to 1.6% in December.

Concerns over a possible abrupt slowdown of economic growth in China abated. The manufacturing PMI in China grew from 48.6 pp in June to 51.9 pp in December, driven by the state's economic stimulus. According to the National Bureau of Statistics of China, the country's GDP grew by 6.7% in 2016.

During the year, the expectation of a further rate hike by the US Fed (which occurred in December 2016) considerably affected global financial markets. The cost of borrowing grew significantly in the US with the 3-month LIBOR interbank lending rate increasing by 39 bp to reach 1%. The yield curve of the US Treasury bonds gained 18 bp over the year on average. At the same time, the yield on government bonds in the largest European countries (UK, Germany, France) and Japan decreased somewhat over the year as their monetary policy remained accomodative. In most emerging markets (excluding China), government bond yields went down as well, as investors improved their country risk perception during most of the year.

The US dollar cost of borrowing grew not only in the US, but also in offshore markets. Negative cross-currency spreads[2] (which persisted both in advanced economies and emerging markets) are one of the key indicators of the higher cost of borrowing in offshore markets. As rates are growing in global markets, emerging economies with a considerable FX debt ac-

[1] As of January 2017.

[2] Cross-currency spread is the difference between a dollar-denominated LIBOR interbank lending rate and the interest rate on the US dollar leg of a cross-currency swap for the corresponding period.

cumulated in the corporate sector may become particularly vulnerable to the risk of dollar liquidity deficit.

In these conditions, currency markets turned out to be more volatile than other markets in 2016. The US dollar strengthened against the currencies of developed countries as the US Fed normalised its policy (DXY went up by 3.6% over the year), but weakened against emerging market currencies (the MSCI Emerging Market Currency Index added 3.5%) due to the appreciating currencies of commodity exporting countries (including Russia). The currencies of exporting countries strengthened amid growing commodity prices. The Brent crude price rose 52% over the year to $56.8 per barrel. The agreement between OPEC countries and other large producers to limit oil supply boosted oil prices.

At the same time, the end of 2016 saw the national currencies significantly depreciating in Turkey (due to aggravated geopolitical risks), Mexico and China (in light of the expected protectionist policy by the US), which caused the resumption of capital outflow from those countries.

The prerequisites for overheating are intensifying in real estate markets. Prices for real estate in the US, UK and China are growing amid persistently low interest rates, rising demand for residential and commercial property, growth in cross-border investments in this segment, and softening of underwriting requirements.

I.1.1.2. MACRIECONOMICS

In 2016, the Russian economy continued to adjust to persistently relatively unfavourable external climate. The sentiments and expectations of economic agents stabilised, and sensitivity to external shocks decreased. Manufacturing activity indicators improved, and individual growth zones developed in industry, including manufacturing. Amid moderate growth of the global economy and relatively stable internal financial conditions, the decline of the Russian economy slowed down, and the second half of the year was characterised by a transition to recovery growth. In 2016, the decrease of the GDP slowed down to 0.2% from 2.8% in 2015. At the same time, structural factors and continued economic uncertainty restrained the economic development.

As in 2015, GDP growth was considerably driven by an increase in agricultural output thanks, among other things, to a good harvest. After having dporred in 2015, gross value added turned to growth in manufacturing, as well as financial activity and real estate transactions, considerably bolstering the economic performance. Mining saw further increase in output. The reduction of gross value added in trade and construction made the main negative contribution to GDP performance in 2016. Nevertheless, the decline in these sectors slowed down compared to 2015.

Growth in manufacturing output on the backdrop of slack domestic demand partially resulted from the substitution of imported products with domestic ones, as the share of imports on the domestic market went down after prices surged following the ruble's weakening in early 2015 and the introduction of sanctions against Russia and countersanctions. Domestic production was mostly expanded to restore market supply in consumer demand-oriented sectors. The output of non-food consumer goods was supported by the partial materialisation of deferred demand of households for durable goods, the consumption of which decreased considerably in 2015. Import substitution was also observed in production of some investment and intermediate goods (in metallurgy, machinery and chemical production). Livestock breeding also registered an increase in output to restore 'lost' import volumes, thanks, among other things, to government support.

Growth in industrial production was also facilitated by increasing external demand for certain commodities (gas, coal, heavy chemicals, and forestry products). Growth of exports coupled a decline in imports caused net exports to make a positive contribution to GDP.

The recovery in production activity resulted in renewed growth of real wages. However, real income of households shrank in 2016 as incomes other than remuneration of labour reduced. Alongside fairly high positive real interest rates, this sustained conservative consumption and high propencity of households to save: lending dynamics remained weak, and caution dictated further growth of household deposits in banks. In 2016, final consumption expenditure of households dropped by 5.0% against the 2015 level. However, that was almost half as much as in 2015.

In spite of the increased budget deficit, final consumption expenditures of general government made a slightly negative contribution to cumulative demand in 2016. Overall, final consumption decreased by 3.8% in 2016 against 2015 readings.

In 2016 investment activity remained weak. Growth in fixed capital investment was constrained by companies' conservative investment policy due to uncertainty over future demand, and comparatively high debt burden in a number of sectors. Furthermore, banks continued their cautious lending policy by gradually reducing loan rates and maintaining strict requirements for borrowers' financial position and loan collateral. Gross fixed capital formation shrank by 1.4%. At the same time, its negative contribution to economic performance decreased almost threefold compared to 2015.

Overall, slowing decline in demand points to positive shifts in the sentiments of consumers, investors, and producers. In particular, the growing optimism of producers is evidenced by a halt in inventory reduction cycle. As a result, gross capital formation made its first positive contribution to GDP since 2012 (growing by 3.3%).

A restrained demand, which created incentives for the competition of producers and suppliers of goods and services; large food supply; slower growth in producer prices; and low indexation of utility tariffs constrained consumer price growth. The inflation slowdown was also associated with exchange rate movements: as of year-end their contribution was close to zero, while in 2015 it was estimated at 4.5%–5%. Inflation in 2016 stood at 5.4% versus 12.9% in 2015.

Core inflation was 6.0% in 2016. Its higher level compared to the increase in prices for the entire set of goods and services included in the consumer basket for calculating inflation is associated with a lower increase in prices of consumer basket components with volatile or regulated prices compared to the bulk of goods and services. This suggests that temporary factors – mostly the ruble's strengthening and the large supply of fruit and vegetables – play a noticeable role in inflation slowdown. The fleeting nature of the restraining influence of such factors on inflation determined the persistence of proinflationary risks. Furthermore, prices could also be put under pressure by the increase in wages amid volatile growth in supply of consumer goods and labour productivity on the backdrop of slow overcoming of structural problems. Certain risks were also associated with inflation expectations, which remained high in 2016 despite the prevailing downward trend throughout the year. All of this required moderately tough monetary policy to be preserved to support the stable propensity to save among households, and to shape a sustainable downward trend in inflation expectations of economic agents to bring them down to the inflation target.

I.1.2. Financial markets

I.1.2.1. MONEY MARKET

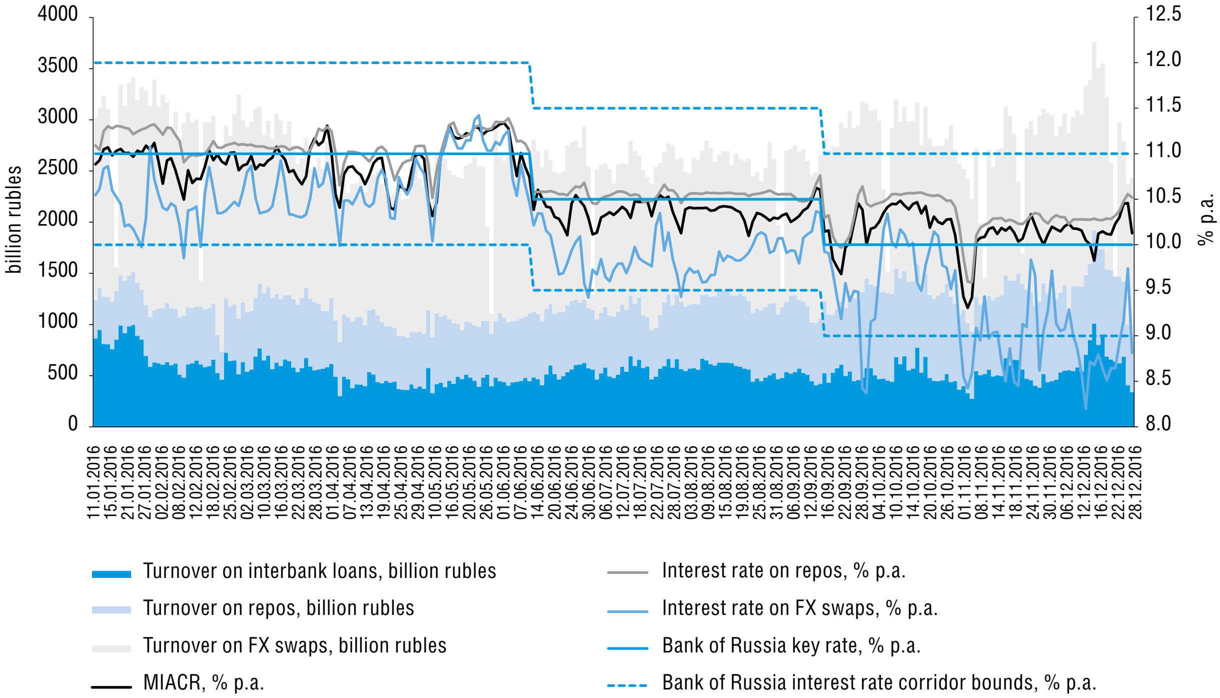
The overnight rates on ruble-denominated interbank loans were on average close to the Bank of Russia key rate in 2016. Their position within the Bank of Russia's interest rate corridor was mainly determined by the situation with ruble liquidity.

In 2016, the liquidity inflow via the fiscal channel was mostly directed to individual large banks, which considerably increased their lending in the money market. In these conditions, overnight rates on ruble-denominated interbank loans temporarily moved to the lower range of the Bank of Russia's interest rate corridor in summer 2016. However, regular deposit auctions held from autumn 2016 and an increase in required reserve ratios enabled the Bank of Russia to absorb excessive liquidity, thereby pushing overnight rates on ruble-denominated interbank loans up (see Sub-clause I.1.2.4). Furthermore, credit institutions that used to raise liquidity through the Bank of Russia's repo auctions started using the Bank of Russia's fixed rate repos as a source of funding, and subsequently stepped up borrowing in the money market, including the repo segment. As a result, the ruble repo market developed efficiently: the volumes of open positions for overnight and longer-term operations increased.

In light of gradual reduction in liabilities under the Bank of Russia's FX repos and comparatively high rates on those operations, some large banks regularly demonstrated significant demand for US dollar liquidity in the money market. Those credit institutions raised considerable amounts of US dollars through FX swaps. As a result, overnight ruble rates on FX swaps were mostly within the lower range of the Bank of Russia's interest rate corridor. Those banks also increased their borrowings through FX repos, thus contributing to significant growth in open positions in that segment.

During certain periods, the demand for FX liquidity went up in the Russian money market. As a rule, this happened under the influence of external factors, when the supply of US dollar liquidity decreased in the global markets. During those periods, the ruble-denominated rates on FX swaps exceeded the lower bound of the Bank of Russia interest rate corridor, thus reflecting the considerable increase in the cost of borrowing denominated in US dollars in the domestic money market. However, it failed to significantly affect over-

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



Source: Bank of Russia.

night rates on ruble-denominated interbank loans. At the same time, a local deficit in US dollar liquidity in late 2016 gave rise to concerns among market participants, as it threatened individual banks with significant financial losses because of the long New Year holidays. In these conditions, the Bank of Russia decided to increase the limits on FX repo auctions in the last week of December. This move calmed market participants and brought down internal US dollar-denominated rates.

I.1.2.2. FOREIGN EXCHANGE MARKET

In 2016, the ruble exchange rate strengthened due to growth in global oil prices, the continuation of a moderately tight monetary policy by the Bank of Russia, and the inflow of foreign portfolio investments in Russian securities. At the same time, the tightening of the US Fed's monetary policy contributed to the appreciation of the US dollar against most global currencies, which restrained the ruble's strengthening.

By end-2016, the official USD/RUB exchange rate had declined by 17% against the readings registered on 31 December 2015 to ₽60.6569 per US dollar as of 31 December 2016, and the EUR/RUB exchange rate had gone down 20% to ₽63.8111 per euro.

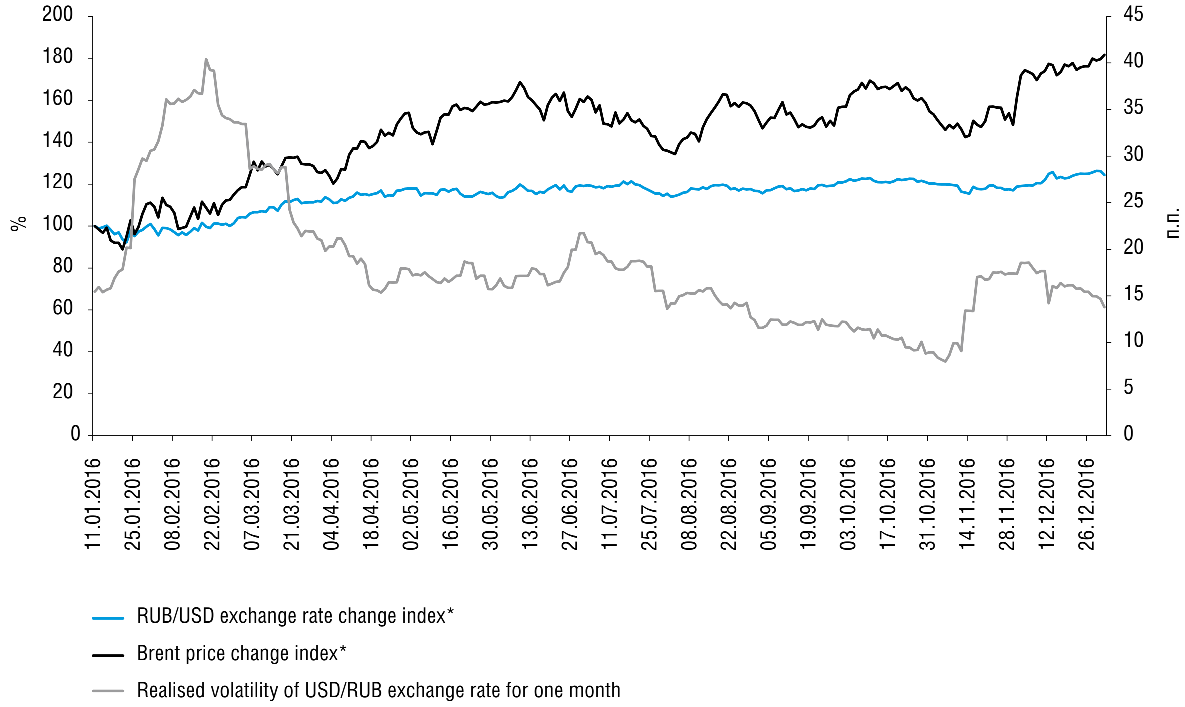
The volatility of the US dollar against the ruble continued to decrease and almost reached the average value of this indicator for peer currencies[1]; during certain periods it went down to the level observed before the floating exchange rate regime was adopted. This happened as the ruble became less dependent on oil prices, which remained fairly volatile.

I.1.2.3. CORPORATE SECURITIES MARKET

In 2016, the situation in the corporate securities market was relatively favourable. From January to the first half of September 2016, the quotations of debt and equity securities mostly went up on the back of the recovery of global oil prices, growing risk appetite of investors, falling volatility of the ruble exchange rate, slowing inflation and the double reduction of the Bank of Russia key rate. At the same time, the decline in inflation expectations remained unstable, their level exceeded the Bank of Russia's inflation target, and the future rates expected by bond market participants were below those predicted by the Bank of Russia.

[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.

Figure 1.2. Ruble exchange rate and volatility



** Values of indicators as of 11 January 2016 are taken as 100%.*

Source: Thomson Reuters.

In these conditions, the Bank of Russia sent market participants three signals (in September, October and December) that the key rate would not be reduced until the end of 2016. This move adjusted market rate expectations upwards and kept monetary conditions tight enough for a sustainable trend towards inflation reduction to entrench.

In the domestic stock market, the volatility of stock indices went down compared to the end of 2015. By end-2016, the RTS index (based on prices of US dollar-denominated shares) had grown by 52.2% on the back of the ruble's appreciation, and the MICEX index (based on prices of ruble-denominated shares[1]) had increased by 26.8%. Stock market capitalisation at the MICEX Stock Exchange increased by 31.5% to ₽37.8 trillion. The turnover of the secondary trading of shares and depositary receipts for the shares of Russian issuers on the MICEX Stock Exchange grew in 2016 by 0.2% against 2015 to ₽9.2 trillion. The share of credit institutions' stock in the cumulative turnover of secondary trading at the MICEX Stock Exchange was 33%.

Issuing activity on the primary market of corporate bonds increased against 2015 due to the falling cost of borrowing. Overall 288 new issues of corporate bonds were placed in 2016 for a total of ₽2,367.8 billion by face value[2]. These included credit institutions' bonds, which accounted for 25% of the aggregate placement volume. The main volume of issues placed on the primary market comprised the corporate bonds of issuers with high credit quality.

The portfolio of corporate bonds traded in the domestic market as of the end of the reporting year grew by 17.0% against the end of 2015 to ₽9.4 trillion by face value. Broken down by sectors, the segment of credit institutions' securities remained the largest segment in the portfolio structure, but its share decreased from 26% as of end-2015 to 22% as of end-2016.

The turnover of secondary trading of corporate bonds on the MICEX Stock Exchange in 2016 decreased by 6.9% against 2015, to ₽4.2 trillion. The share of credit institutions' bonds in the secondary trading structure decreased from 33% in 2015 to 27%.

The yield on corporate bonds in the secondary market during the reporting period decreased by 155 bp

[1] The lists of securities included in the calculation bases of the MICEX and RTS indices coincide.

[2] Source: Cbods.ru news agency.

to 10.0% p.a. as of end-2016. The average yield in 2016 was 255 bp below that in 2015 and amounted to 10.5% p.a.

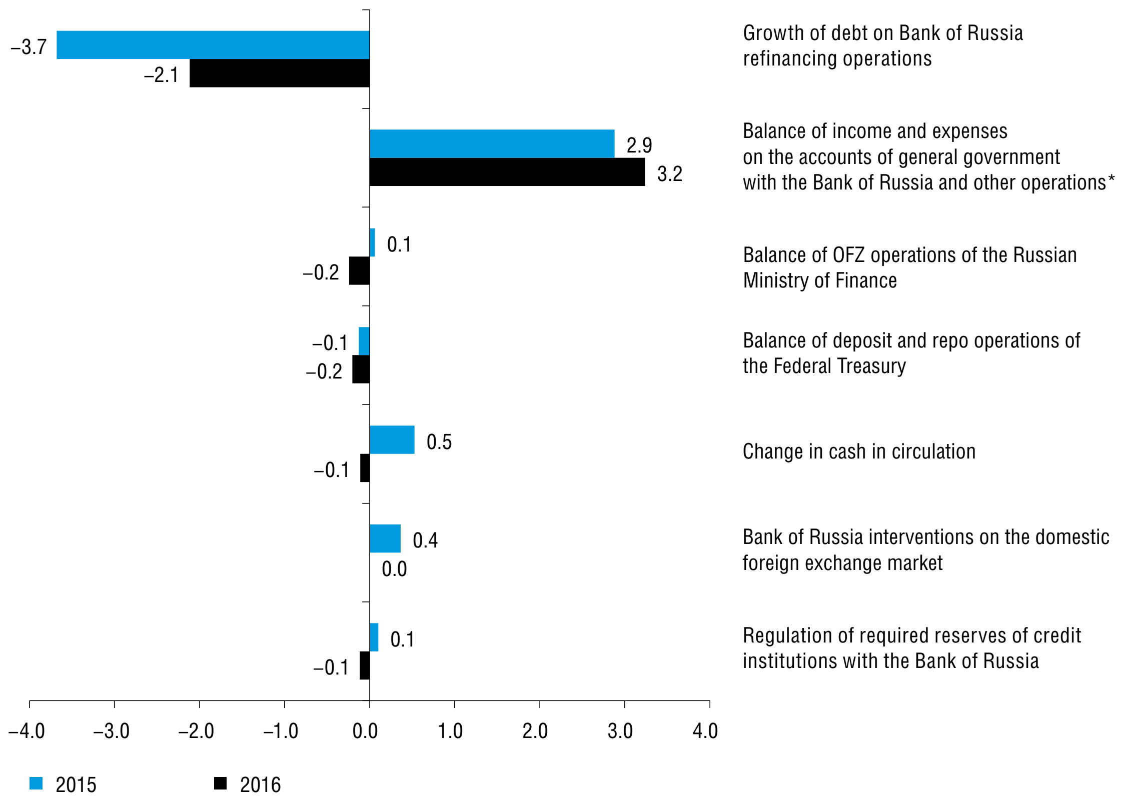
I.1.2.4. BANK OF RUSSIA OPERATIONS FOR REGULATING BANKING SECTOR LIQUIDITY

In 2016, the effect of liquidity factors contributed to the inflow of funds to the banking sector. As a result, banks' debt on the Bank of Russia's refinancing operations gradually decreased. But from the middle of the third quarter of 2016, a current liquidity surplus was formed in the banking sector due to the continued inflow of funds via the fiscal channel. 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 started holding one-week deposit auctions. As of the end of 2016, the debt of banks under refinancing operations amounted to ₽1.6 trillion (₽3.7 trillion as of end-2015), and claims under liquidity absorption operations amounted to ₽0.8 trillion (₽0.6 trillion as of end-2015).

The Bank of Russia's one-week auction-based facilities continued to play the main role in managing banking sector liquidity in 2016. Before the middle of the third quarter, the banking sector functioned in conditions where banks' demand for the balances available in correspondent accounts with the Bank of Russia exceeded the liquidity supply in the banking sector. In order to compensate for this deviation, the Bank of Russia held one-week repo auctions. The average debt under those operations during the period of their execution decreased by ₽1.0 trillion compared to 2015 to ₽0.4 trillion. However, starting from August 2016, as a result of the inflow of funds via the fiscal channel, a current liquidity surplus was formed in the banking sector. To eliminate it, the Bank of Russia held one-week deposit auctions. The average one-week bank deposits with the Bank of Russia in 2016 during the period of deposit auctions amounted to ₽0.3 trillion.

In 2016, the Bank of Russia's liquidity provision standing facilities (repo, secured loans, FX swap) con-

Figure 1.3. Liquidity factors and change in debt on Bank of Russia refinancing operations



** Net of operations on Federal Treasury deposits and OFZ operations of the Russian Ministry of Finance, including interest payments on refinancing and absorption operations of the Bank of Russia and cash inflow as a result of settlements under sell/buy USD/RUB FX swaps.*

Source: Bank of Russia.

tinued to be in demand with credit institutions. The average debt under standing repo facilities in 2016 amounted to ₽0.2 trillion. The average debt on standing loans secured by non-marketable assets and gold, lombard loans, overnight loans, and FX swaps amounted to ₽0.3 trillion in total. High demand for those operations in some periods was caused by the need for banks to increase their balance of funds on correspondent accounts with the Bank of Russia for the purpose of averaging required reserves and other regulatory ratios.

Auction-based loans secured by non-marketable assets remained an important part of the banking sector's debt on Bank of Russia operations. However, in 2016, as the banking sector's demand for refinancing declined, the Bank of Russia continued to reduce maximum allotment amounts under these operations. No funds were provided under these operations starting from April. Banks' debt on auction-based loans with non-marketable security decreased by ₽1.4 trillion in 2016, and amounted to ₽0.2 trillion as of 1 January 2017.

Table 1.1. Changes in the system of monetary policy instruments and other measures taken by the Bank of Russia in 2016

The Bank of Russia adopted a specialised mechanism for the refinancing of credit institutions secured with claims on loans provided to leasing companies for projects included in the register prepared by the federal state autonomous institution Russian Foundation for Technological Development	January
The Bank of Russia suspended provision of loans secured with guarantees to credit institutions 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'	March
The Bank of Russia increased the required reserves ratios on FX liabilities of credit institutions, other than liabilities to individuals, by 1 pp to 5.25%	April
The Bank of Russia started selling federal loan bonds from its own portfolio	April
The Bank of Russia increased the required reserves ratios on FX liabilities of credit institutions by 1 pp	July
The Bank of Russia suspended 36-month lombard credit auctions and auctions to provide loans secured by non-marketable assets for terms of 18 months and 1 to 3 weeks	July
The Bank of Russia increased the required reserves ratios on credit institutions' liabilities in the currency of the Russian Federation and in foreign currency by 0.75 pp	August
The Bank of Russia Board of Directors made a decision on the main parameters for offering coupon bonds of the Bank of Russia	September
The Bank of Russia updated the scope of reserved liabilities of credit institutions which are to be included in the calculation of required reserves. At the same time, the Bank of Russia updated the calculation methodology for required reserves and softened the sanctions applicable to credit institutions for a breach of required reserves requirements. The changes came into effect starting from the calculation of required reserves for January 2017	November

The demand of credit institutions for standing deposit facilities of the Bank of Russia during most of 2016 remained low. The average debt of the Bank of Russia under this type of operations in 2016 amounted to ₽0.3 trillion. However, in September, October and November 2016, at the end of the periods for averaging required reserves, the Bank of Russia held 'fine-tuning' deposit auctions to keep the money market rates close to the Bank of Russia key rate.

Starting from April 2016, the Bank of Russia started selling federal loan bonds (OFZs) from its own portfolio. This measure had a restraining effect on the transition of the banking sector to a structural liquidity surplus. In 2016, the Bank of Russia sold OFZs for ₽143 billion by face value.

In 2016, the Bank of Russia continued to provide funds to credit institutions under specialised refinancing mechanisms in order to support individual segments of the economy whose development was suppressed by structural factors.

I.1.3. Banking sector macroeconomic performance

By end-2016, the total assets of the banking sector had decreased from ₽83 trillion to ₽80 trillion due to the reduction of FX assets (from ₽28.8 trillion to ₽22.2 trillion), while ruble assets grew from ₽54 trillion to ₽58 trillion. The reduction of FX assets occurred both because of the nominal reduction of FX assets (from \$395 billion to \$367 billion) and as a result of the ruble's strengthening. As a result, the banking sector total assets decreased by 3.5% (net of currency revaluation they increased by 1.9%). The ratio of banking sector assets to GDP decreased from 99.7%[1] to 93.2%.

[1] Due to a change in the GDP value published by Rosstat, the assets-to-GDP ratio as of 1 January 2016 differs from the values published earlier.

The ratio of the banking sector's capital to GDP grew by 0.1 pp over the year and reached 10.9% as of 1 January 2017. The increase in the banking sector's capital by ₽379 billion to ₽9.4 trillion was mainly due to a ₽753 billion increase in the credit institutions' financial result accounted for in capital.

In the sources of credit institutions' resource base, the share of household deposits grew from 28% to 30% of the total liabilities, and the ratio of household deposits to GDP grew from 27.9% to 28.2% as of the year end. We should also point out growth in profits and funds of credit institutions in the structure of liabilities (from 9% to 11%), along with the reduction of funds raised by credit institutions from the Bank of Russia (from 6% to 3%). The share of deposits and funds of institutions on accounts (excluding credit institutions) in total liabilities decreased from 32.6% to 30.4%.

The loans to the economy (non-financial organisations and households) decreased by 6.9% in total over the year due to the reduction of the debt on FX loans (from ₽13.5 trillion to ₽9.9 trillion). Adjusted for FX revaluation, the decrease was much lower (2.4%). Over the year, the ratio of loans to the economy to GDP decreased from 52.8% to 47.7%.

I.2. Institutional aspects of banking sector development

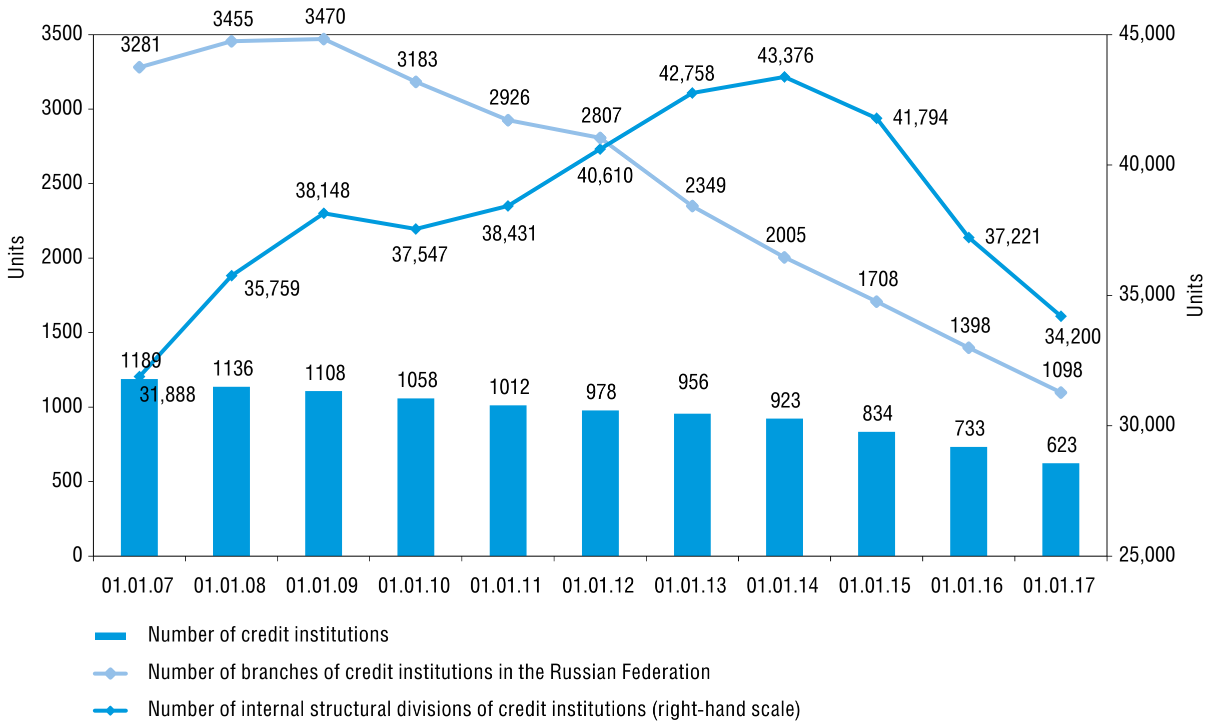
I.2.1. Quantitative characteristics of the banking sector

As a result of withdrawal of unstable institutions that violate laws and Bank of Russia regulations from the banking market, the number of operating credit institutions decreased by 110 to 623 in 2016 (Figure 1.4).

In 2016, large high-street banks continued to optimise their internal structural divisions. Their total number decreased by 3,021 units (8.1%) and as of 1 January 2017 totalled 34,200 (37,221 as of 1 January 2016). The number of additional offices decreased from 21,836 to 19,776; external cash desks – from 5,696 to 4,995; and operational offices – from 7,609 to 7,230. At the same time, the number of cash and credit offices grew from 1,853 to 1,943, and the number of mobile banking vehicles increased from 227 to 256.

The said changes resulted in a drop in the number of internal structural divisions per 100 thousand people from 25.4 as of the end of 2015 to 23.3 as of the end of 2016.

Figure 1.4. Number of credit institutions and their branches



I.2.2. Development of regional banking

In 2015, most Russian regions observed a reduction in the number of operating credit institutions: the number of regional banks[1] decreased from 341 to 302. However, the decline in their assets (–1.0%) was less pronounced than that in banking sector assets as a whole (–3.5%). As a result, the share of regional banks in the banking sector's aggregate assets increased from 9.3% to 9.5% at the end of the year.

The capital of regional banks fell by 8.7% in 2016, while the respective indicator for the banking sector grew by 4.2%. The increase in regional banks' profits was less substantive than in the banking sector as a whole; their 2016 profits grew twofold against the previous year (vs fivefold growth in the banking sector).

As of the end of 2016, the aggregate index of the density of banking services[2] 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. However, in 2016 those districts saw a slight decrease in the index, which was partially caused by the development of remote banking services.

Other regions saw a small increase in this index, except for the Urals Federal District where the indicator remained unchanged. The minimum value of the index was observed in the North Caucasian Federal District, including the Republic of Ingushetia and the Chechen Republic, as well as the Republic of Daghestan (see Table 6.2 in the Statistical Appendix).

I.2.3. Banking services concentration

In 2016, growth of indicators characterising banking industry concentration continued. The share of the largest 200 credit institutions by assets in the aggregate assets of the banking sector grew to 98.0% in the reporting period (at the end of 2015 it was 97.2%). The relative share of the top five banks also increased during the year from 54.1% to 55.3%.

At present, all banks comply with the requirements of Federal Law No. 395-1, dated 2 December 1990, 'On Banks and Banking Activity' (hereinafter referred to as 'Federal Law No. 395-1, dated 2 December 1990') on the minimum equity capital, which is ₽300 million (except for banks with negative equity capital which are undergoing bankruptcy prevention procedures[3]). The equity 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 2017, 23 out of 48 NCIs had equity capital higher than ₽90 million. Federal Law No. 395-1, dated 2 December 1990, allows NCIs with equity capital of less than ₽90 million as of 1 July 2016 to continue operations if their equity capital does not decrease against the level reached as of 1 July 2016 and will be increased to the necessary minimum by 1 July 2019.

In 2016, the number of credit institutions with equity capital over ₽1 billion decreased from 337 to 312 (accounting for 98.7% of Russian banks' capital) (Table 1.2). As of year-end 2016, like as of year-end 2015, 13 banks had capital of over ₽100 billion.

Quantitative concentration measures that are commonly used internationally, in particular the Herfindahl-Hirschman Index (HHI), show that in 2016 concentration in the main groups of assets and liabilities was at a medium level (Figure 1.5). During 2016, the asset concentration index increased somewhat from 0.107 to 0.111; the concentration of loans to resident non-financial organisations also grew from 0.137 to 0.147, so did the concentration of capital, the index was up from 0.114 to 0.137.

Concentration in the household deposit market remains at the historic high of 0.230 as of 1 January 2017 (see Table 1.3 and Figure 1.5).

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

[2] The methodology used to calculate the index is explained in Section IV of this Report.

[3] As of 1 January 2017, four banks failed to comply with the minimum equity requirement. Three of them subsequently had their licences revoked, and one bank restored the amount of equity to the necessary minimum.

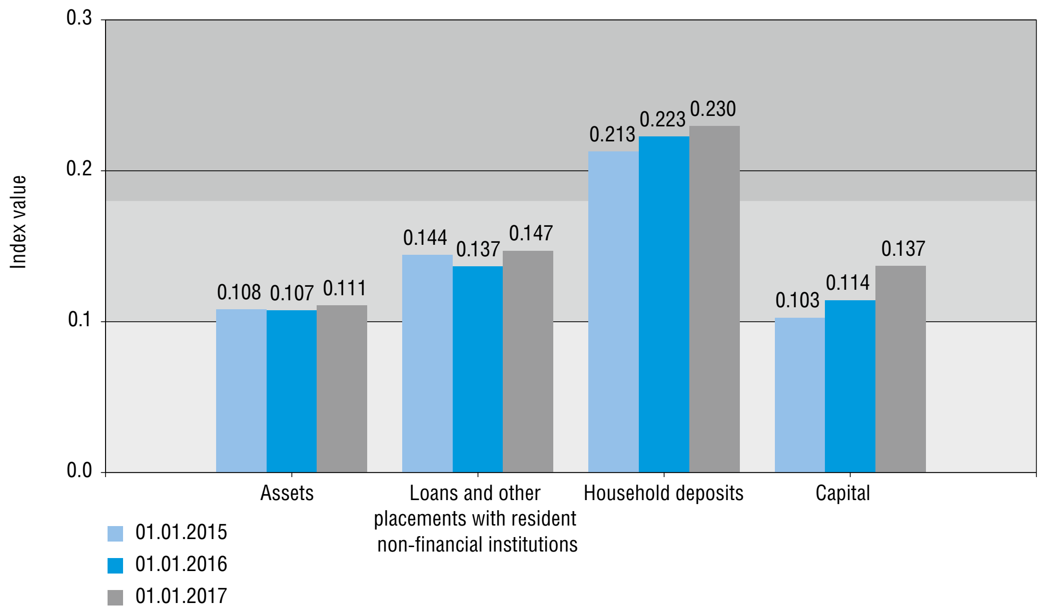
Table 1.2. Banks by equity capital

Credit institutions by equity capital	1 January 2007	1 January 2008	1 January 2009	1 January 2010	1 January 2011	1 January 2012	1 January 2013	1 January 2014	1 January 2015	1 January 2016	1 January 2017
with negative capital	0	0	3	2	2	1	0	2	4	20	18
₽0 to ₽300 million inclusive	750	611	541	474	423	354	301	237	56	50	46
₽300 million to ₽1 billion inclusive	231	277	286	290	296	308	308	316	404	326	247
₽1 to ₽10 billion	182	212	233	243	233	253	274	285	284	251	229
₽10 to ₽25 billion	14	18	24	25	31	33	42	48	44	40	40
₽25 to ₽50 billion	7	12	10	12	15	15	14	16	21	23	22
₽50 to ₽100 billion	2	3	5	6	5	7	8	9	8	10	8
₽100 to ₽250 billion	0	0	2	4	5	4	5	6	6	7	6
more than ₽250 billion	1	2	2	2	2	3	3	3	6	6	7
Total for the banking sector	**1,189**	**1,136**	**1,108**	**1,058**	**1,012**	**978**	**956**	**923**	**834**	**733**	**623**
No statements available	**2**	**1**	**2**	**0**	**0**	**0**	**1**	**1**	**1**	**0**	**0**

Table 1.3. Concentration in the household deposit market

	1 January 2013	1 January 2014	1 January 2015	1 January 2016	1 January 2017
HHI for deposits, %	0.216	0.227	0.213	0.223	0.230
Sberbank's share in total deposits, %	45.7	46.7	45.0	46.0	46.6
Share of the top five banks in terms of deposits in total deposits, %	58.3	60.5	59.9	62.0	63.2

Figure 1.5. 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.

In general, Russia's indicators of the concentration of banking sector assets are comparable with the indicators of the eurozone countries. In terms of the HHI and the share of the five largest banks in total assets, Russia is in the middle of the list of the eurozone countries, and compared to the markets of most eurozone countries the market in Russia is less concentrated in terms of domination of the largest banks.

I.3. Interaction between the banking sector and non-bank financial institutions

Insurance companies

In 2016, consolidation of the insurance market continued. The number of insurers (insurance companies and mutual insurance associations) decreased by 76 companies to 268 as of year-end. Such a considerable decline in the number of insurers resulted from the Bank of Russia's comprehensive measures adopted to monitor the asset existence using the mega-regulator's resource.

In general, the insurance market grew by 15.5% in 2016, and total insurance premium amounted to ₽1,178 billion. The growth of the insurance market in 2016 was driven by the sector of insurance for credit institutions' borrowers which, unlike past periods, grew not only due to imputed insurance upon receiving loans but mainly due to the development of investment life insurance.

The amount of life insurance premium accrued (including investment life insurance) in 2016 reached the record level of ₽214 billion, 66% higher than in 2015 (₽129 billion). High growth is also observed in the sector of accident and health insurance (including borrowers' accident insurance); premiums for this type of insurance in 2016 amounted to ₽108 billion, 35% above the same indicator for 2015. The volume of financial risk insurance (including insurance of borrowers against loss of employment) in 2016 also grew by 45% to ₽21.2 billion. At the same time, motor hull insurance decreased. As of year-end 2016, the amount of premium accrued totalled ₽170 billion, 10% below the previous year's indicator.

The total premiums obtained by insurers through the intermediary of credit institutions in 2016 were ₽292 billion (₽179 billion in 2015); the total amount of remuneration obtained by credit institutions was ₽77 billion (₽52.5 billion in 2015). It should be mentioned that the average level of banks' commission fees decreased in 2016 by 3 pp to 26%.

In 2016, the banking sector was the most attractive for insurers' investments. As of 31 December 2016, insurers' investments in credit institutions amounted to ₽600 billion, which was 37% more than in 2015. Placed in bank deposits was ₽486 billion of the said amount, making 26% of the total assets of insurers; ₽114 billion was placed in current accounts with credit institutions (6% of the total assets of insurers).

Non-governmental pension funds (NPFs)

The number of NPFs decreased from 102 to 74 during 2016. The main reason for the reduction in the number of NPFs was cancellation of their licences for violations (18 licences), voluntary withdrawal of an NPF from its licence (four licences), and merger of a number of NPFs.

According to the statements, the aggregate amount of NPF pension funds (pension savings and pension reserves) grew by 20% over 2016 to ₽3,285 billion as of year-end. Pension savings were up by 25% to ₽2,153 billion, and pension reserves increased by 12% to ₽1,132 billion.

The main increase in pension savings (₽259 billion) was observed in March and resulted from the transfer of individual pension savings from the Pension Fund of the Russian Federation to NPFs that joined the assurance system following the transition campaign in 2015.

As of the end of the four quarters of 2016, all NPFs dealing with compulsory pension insurance demonstrated a positive return. Only four NPFs engaged in non-governmental pension provision showed a negative return.

The average return on pension savings of NPFs as of year-end 2016 amounted to 9.6% p.a., and the average return on pension reserves of NPFs for the same period exceeded the inflation rate (10.0% p.a.).

The total amount of NPFs' placements in credit institutions (deposits, bonds, shares, funds on settlement accounts, and other assets of credit institutions) in 2016 grew by 6.7% to ₽1,087 billion (33% of the cost of pension savings and pension reserves).

At the same time, the share of the said placements in the NPFs' assets decreased by 4.1% to 33.1% as of year-end. This decrease is associated with the gradual tightening of the Bank of Russia's requirements for the permissible share of NPFs' placements in credit institutions liabilities. By 2019, it is planned to gradually decrease the share of banking instruments in the investment portfolio of NPFs' pension savings to 30% from the current 40%.

These requirements will force NPFs to improve their risk management system within the framework of screening non-banking assets for investment. At the same time, this will contribute to the development of the bond market and to the potential growth of NPFs' profitability.

Table 1.4. Number of licences issued and cancelled in 2016

Licence type	Number of licences as of 1 January 2016	Licences issued	Licenses cancelled	Number of licences as of 1 January 2017
Brokers	633	8	192	449
Dealers	651	6	178	479
Trustees	541	6	199	348
Depositories	502	4	109	397
Forex dealers	1	5	0	6
Registrars	39	0	4	35
TOTAL	**2,367**	**29**	**682**	**1,714**

Unit investment funds (UIFs)

The aggregate net asset value (NAV) of unit investment funds in 2016 grew by 8.3% to ₽2,580 billion. The main growth was observed in closed-end unit investment funds (CUIFs), whose NAV increased by 8.1% to ₽2,431 billion. Long-term direct investment funds showed the highest NAV growth among CUIFs, by ₽294 billion.

In 2016, the total amount of funds of UIFs placed on current accounts with banks decreased by 12.3% to ₽135 billion. Funds on deposit accounts shrank by 27.0% to ₽59 billion.

Professional securities market participants

In 2016, the number of infrastructure companies in the Russian financial market decreased from 13 to 12. The number of existing clearing companies remained unchanged at five, and the number of trade organisers (exchanges) decreased from nine to eight. The number of credit and non-bank financial institutions licensed as professional securities market participants continued to decline: in 2016 it went down from 875 to 681. Furthermore, over half of all dealers, brokers, and depositories among professional securities market participants and about a third of trustees had a banking licence as of 31 December 2016 (Table 1.4).

Microfinance organisations

In 2016, the microfinance market was characterised by the increased role of MFOs affiliated with large retail banks (bank MFOs). As a result, the share of bank MFOs in the microfinance market increased significantly (from 7% as of the beginning of the year to 22.1% as of the year-end), and their aggregate portfolio grew more than fourfold over the year, reaching ₽19.5 billion. However, the share of the microloan portfolio in the total retail lending portfolio of banks affiliated with MFOs was about 1.4%, which does not have a significant influence on the credit market as a whole.

In addition, credit institutions and microfinance organisations interact by means of bank lending. Thus, in 2016 MFOs raised ₽12.2 billion in loans from banks. As of year-end 2016, the debt of MFOs to credit institutions amounted to ₽18 billion (or 28% of the total debt of MFOs to their lenders).

Despite a considerable decline in the number of MFOs in 2016 (by 29.8%, to 2,588 organisations as of 1 January 2017), the total microloan portfolio of MFOs as of 31 December 2016 amounted to ₽88.1 billion, which was 25.3% above the value of the same indicator as of year-end 2015 (₽70.3 billion). The total number of MFO borrowers grew in 2016 by 54.9% to 5.1 million borrowers.

Self-regulation in the financial market

Today self-regulatory organisations unite more than 5,000 legal entities and individual entrepreneurs: brokers, dealers, managers, depositories, registrars, forex dealers, joint-stock investment funds and management companies of investment funds, unit investment funds and non-governmental pension funds, specialised depositories, non-governmental pension funds, insurance companies, microfinance organisations, credit consumer cooperatives, and banks licensed as professional securities market participants.

The basic standards developed by self-regulatory organisations in the financial market in accordance with the provisions of Federal Law No. 223-FZ, dated 13 July 2015, 'On Self-Regulatory Organisations in the

Financial Market' are intended to become, along with the federal laws and Bank of Russia regulations, a part of regulation with respect to all financial organisations.

The participation of credit institutions licensed as professional securities market participants in the activity of self-regulatory organisations in the financial market contributes to enhanced efficiency of interaction between credit and non-bank institutions and the Bank of Russia.

Financial market infrastructure

In 2016, the amount of securities that were in safekeeping in the National Settlement Depository (NSD) reached ₽36 trillion, 14.8% more than in 2015.

The issue of corporate and regional bonds accepted for service to NSD grew by almost 70% to ₽5 trillion. In August, NSD started servicing a new type of securities – commercial bonds. As of year-end 2016, six issues of commercial bonds for a total amount of ₽3.3 billion were registered, along with two bond programmes, for a total amount of more than ₽100 billion.

In September 2016, SWIFT assigned Premier certification status to the first service bureau in the Eastern Europe, NSD, which indicates the maximum level of security and reliability when using the NSD terminal to work in the SWIFT system.

During the past year the number of transactions registered in the NSD repository amounted to 2.4 million, and their total amount reached ₽404 trillion.

Since 29 February 2016, market participants have been able to settle repo operations with the central counterparty with a new type of instruments – clearing participation certificates (CPCs). Value of repo operations with CPCs in 2016 amounted to ₽324 billion.

In 2016, the participants of the market of standardised financial derivatives had an opportunity to settle new types of OTC transactions with the central counterparty, the National Clearing Centre – currency swap and currency forward – which allowed participants to mitigate their credit risks, to reduce capital costs significantly, and to use reduced risk ratios when calculating required ratios N1 and N6.

To increase the pricing transparency of financial instruments, the Bank of Russia starting in March 2016 offered quality assessment (accreditation) of functioning of price centres which decided to get such accreditation on a voluntary basis.

I.4. Banking operations

I.4.1. Dynamics and structure of borrowed funds

The funding of the banking sector in 2016 was fairly balanced: its two main components – deposits and funds on organisations' accounts and household deposits – accounted for approximately similar shares in credit institutions' liabilities. Household deposits were growing, which is indicative of confidence in the banking sector.

Currency revaluation had a significant influence on nominal indicators of banks' resource base in 2016.

The trend towards substitution of the Bank of Russia's funds with market sources (primarily household deposits) was observed in the structure of banking sector liabilities (Figure 1.6).

In 2016, the access to foreign funding sources continued to be complicated for Russian banks. This fact motivated banks to incentivise the use of internal sources. Adjusted for FX revaluation, funds on customers' accounts grew by 2.6%; however, because of the strengthening of the ruble, in nominal terms the volume of these funds decreased by 3.7% in the reporting period (in 2015 it increased by 18.5%) to ₽50 trillion. The cumulative share of customers' funds in banking sector liabilities did not change during the year (62.5%). As of 1 January 2017, deposits comprised 30.2% of banks' liabilities (28.0% as of the beginning of 2016).

In 2016, household deposits[1] nominally grew by only 4.2% (by 25.2% in 2015) to ₽24.2 trillion; FX-adjusted growth amounted to 9.2%.

Excluding banks whose banking licence was revoked in 2016, deposits grew by 6.7%, and FX-adjusted growth of deposits with banks operating as of 1 January 2017 was 11.8%.

As a result of the strengthening of the ruble exchange rate and moderately high interest rates on ruble-denominated deposits, the share of FX deposits decreased from 29.4% to 23.7% in 2016. Ruble-denominated deposits grew by 12.7%, and FX deposits – by 0.8% in US dollar terms.

In the reporting year large deposits (over ₽1 million) grew slower than deposits under ₽1 million. Nevertheless, out of ₽1.1 trillion in annual growth of

[1] Including savings certificates.

Figure 1.6. Structure of banking sector liabilities, %

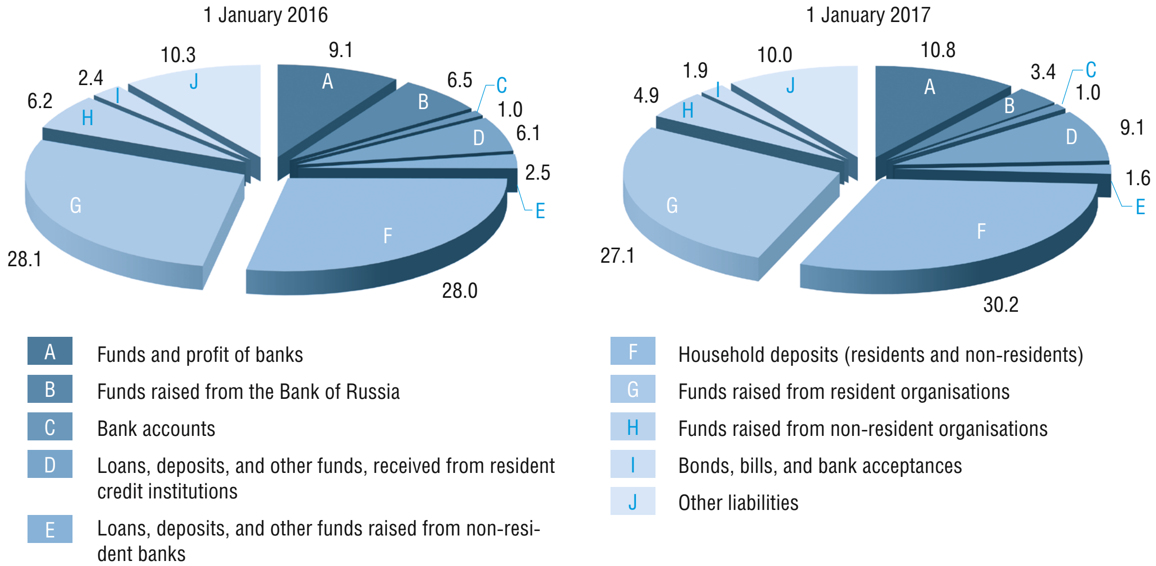
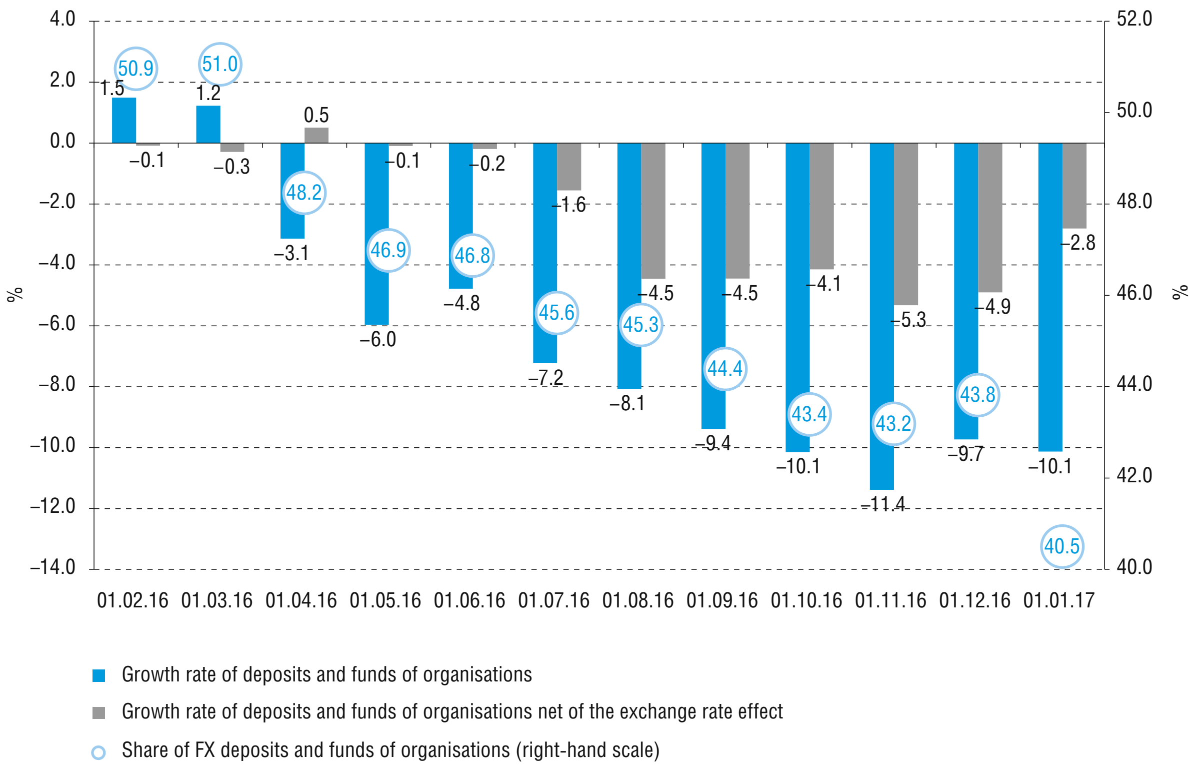


Figure 1.7. Increase in deposits and funds of organisations (other than credit institutions) since the beginning of 2016



deposits large deposits accounted for ₽513 billion, and their specific weight remained almost unchanged throughout the year (52.1%) (Figure 1.9). Deposits in an amount exceeding ₽3 million account for about 63% of large deposits.

The share of deposits in the amount of ₽100,000 to 700,000 grew by 0.3 pp to 29.6% (Figure 1.10).

In 2016, the number of banks with deposits exceeding ₽10 billion decreased somewhat from 132 to 127 (Figure 1.11).

The decline of interest rates in the economy gradually increased the disposition of banks towards long-term retail funding; deposit maturity in the reporting year went up. Deposits for more than one year grew by 11.6%, and their share as of 1 January 2017 reached

Figure 1.8. Growth of household deposits since the beginning of 2016, %

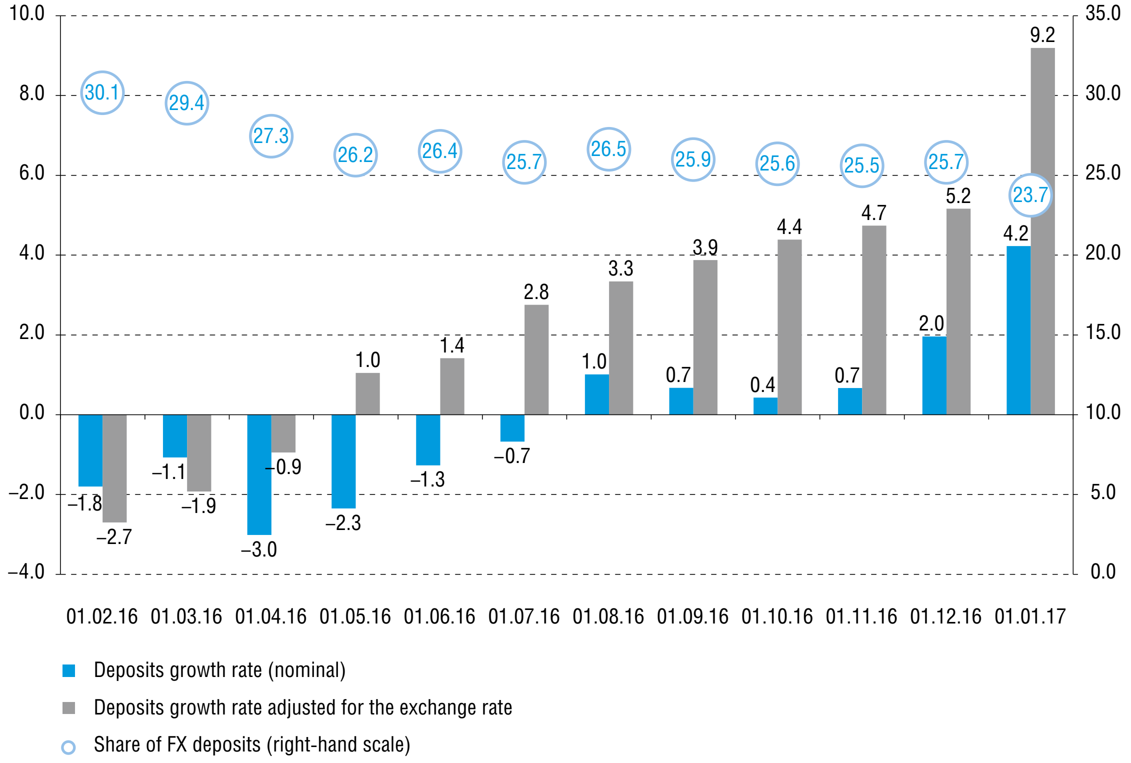
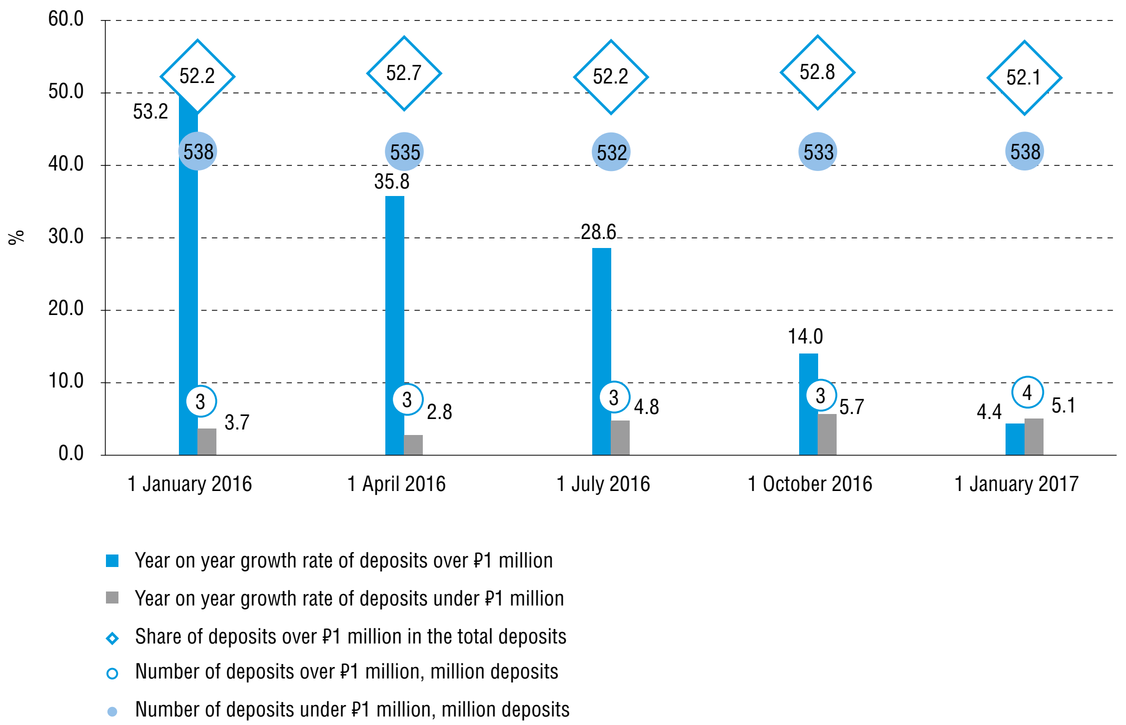


Figure 1.9. Household deposits (excluding individual entrepreneurs)[1]



[1] According to Reporting Form 0409345 'Data on Daily Balances of Insurable Household Funds Placed on Deposits'.

Figure 1.10. Structure of deposits by balance amount, %

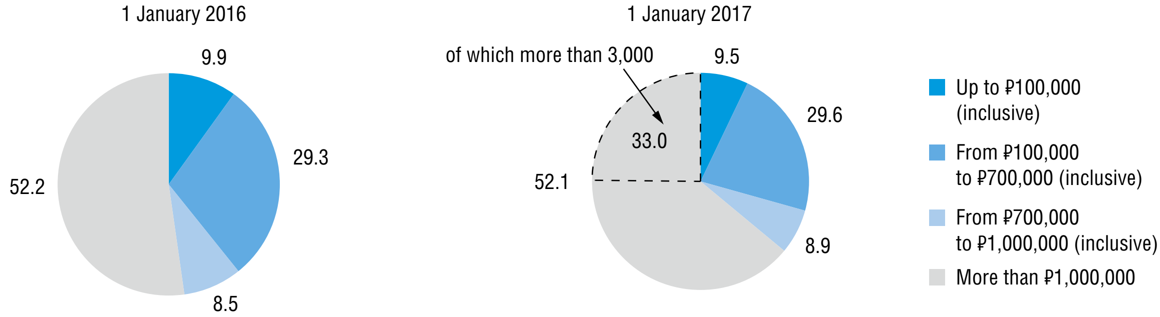
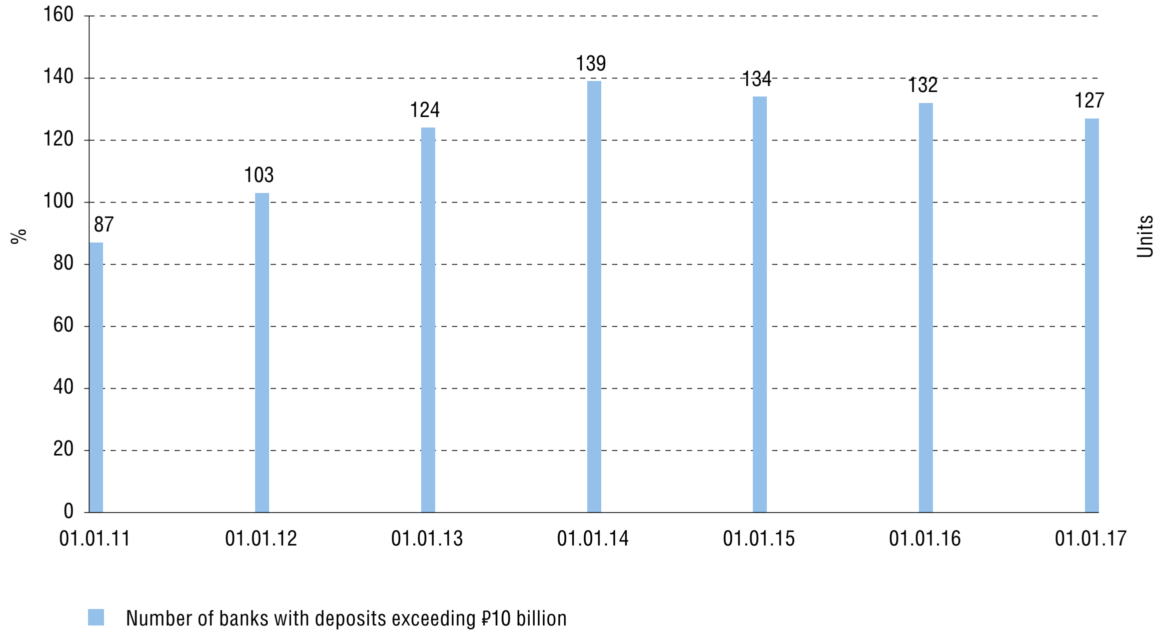


Figure 1.11. Number of banks with deposits exceeding ₽10 billion



56.8% (52.0% as of 1 January 2016). However, deposits for 91 to 180 days showed the highest growth rate in 2016: they increased by 80.6%[1], and their share[2] in total household deposits reached 9.4% (Figure 1.12). At the same time, the amount of deposits for six months to one year decreased by 21.9%, and their share shrank from 40.9% to 31.3%.

In the reporting year, interest rates on ruble-denominated household deposits for more than one year decreased from 9.4% p.a. in January to 7.6% p.a. in December 2016. Basic return on deposits[3] (BROD) for more than one year decreased in the reporting period in the breakdown by three major currencies (Figure 1.13). In particular, BROD for ruble deposits decreased from 11.2% in January to 9.7% in December. Interest rates on ruble-denominated household deposits for up to one year (including call deposits) also went down in 2016: from 8.2% p.a. in January to 6.5% p.a. in December. For deposits for less than one year, BROD also decreased in 2016 with respect to all currencies. The BROD dynamics for ruble-denominated call deposits and deposits maturing within less than 90 days were an exception. In particular, this indicator grew slightly from 6.0% in January

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

[2] Shares are calculated net of call deposits for which there is no maturity information available.

[3] Determined based on the values of maximum interest rates on deposits, as calculated by the banks that raised in total two-thirds of all household deposits in Russian banks as of the reporting date. The basic return on deposits for bank account agreements corresponds to the basic return on deposits for call deposit agreements.

Figure 1.12. Share of deposits out of the total volume broken down by maturity, %

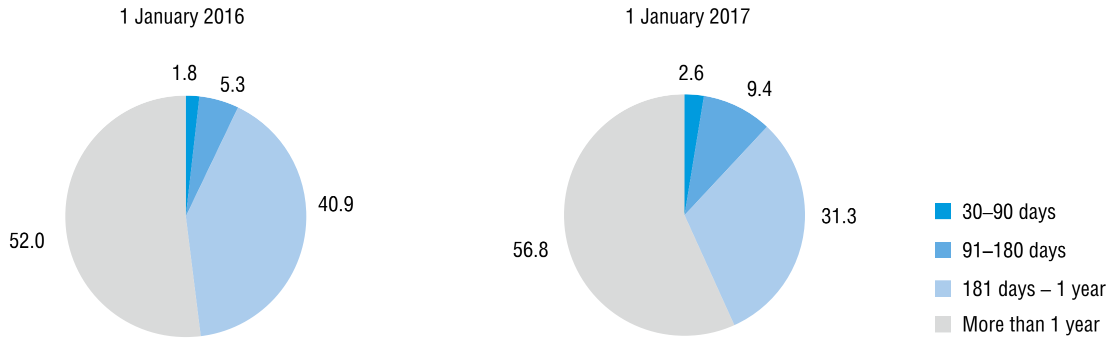
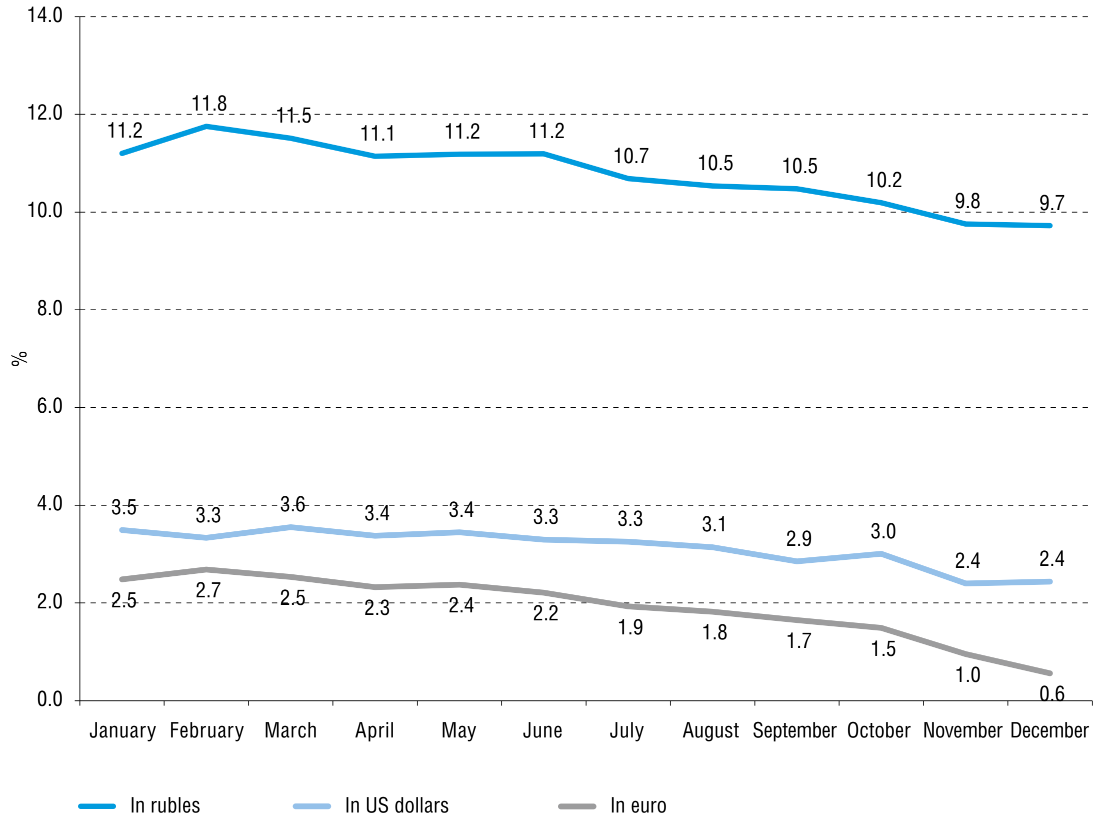


Figure 1.13. Basic return on deposits for more than one year in 2016



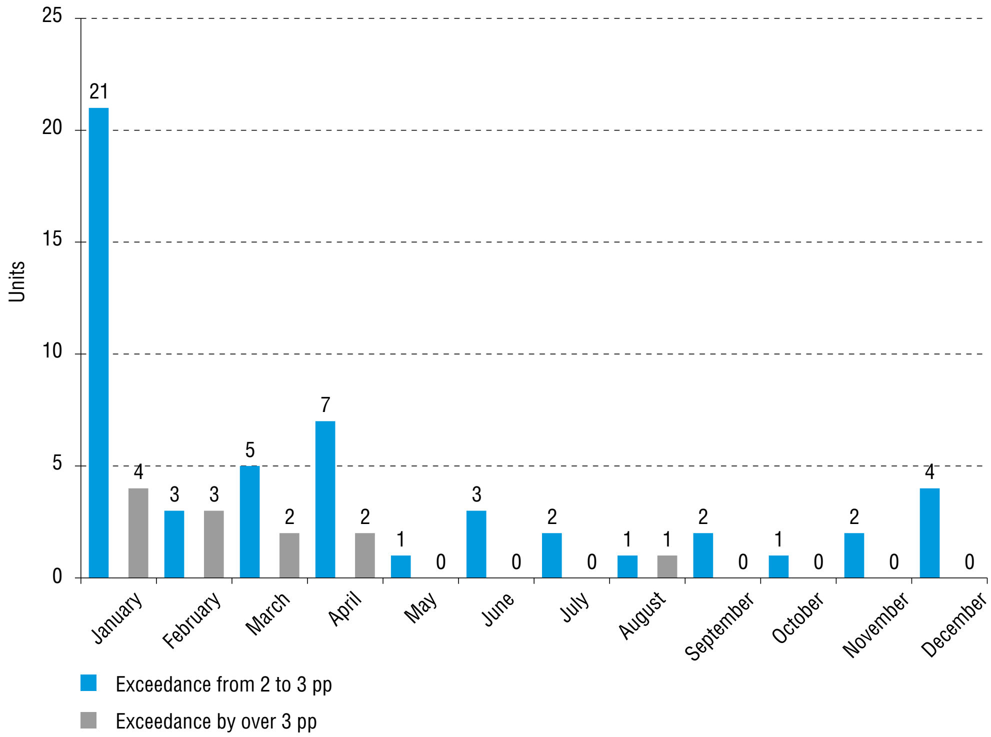
to 6.8% in December for ruble-denominated call deposits, and from 9.1% to 9.2% for ruble-denominated deposits maturing within less than 90 days.

The BROD indicator plays a significant role in banking regulation: banks with rates on deposits exceeding BROD by more than 2 pp in the reporting period must pay an additional or an increased additional (when BROD is exceeded by more than 3 pp) rate of insurance fees.

Another criterion which entails application of an increased additional rate on a bank, if it fails to comply with it, is instability of its financial position: an increased additional rate is paid by banks against which there is at least one measure imposed in the form of a limitation or prohibition and by banks whose integral estimate of financial position in accordance with Bank of Russia Ordinance No. 2005-U, which was in effect in 2016, is no less than 2.35 points.

In January 2016, as many as 25 banks exceeded the BROD rates on deposits by more than 2 pp (one of those banks had its licence revoked in 2016). In the reporting year the state corporation Deposit Insurance Agency took measures to discourage attraction of deposits at non-market rates. In particular, starting Q2 2016 the additional rate was increased (from 20% to 50% of the base rate), starting the third quarter

Figure 1.14. Number of banks that exceeded BROD by more than 2 pp in 2016



the base rate was increased (from 0.1% to 0.12%), and starting the fourth quarter the increased additional rate was revised upwards (from 200% to 300% of the base rate). In the light of the measures taken, the number of banks that exceeded BROD by more than 2 pp dropped to four, and no banks exceeded BROD by more than 3 pp in December 2016.

Throughout 2016, the banking sector saw a decline in the number of banks for which an additional and (or) an increased additional rate was established with regard to the following two criteria: exceedance of BROD or instability of the financial position. For example, in Q4 2016 (compared to Q1 2016) the total number of banks paying an additional rate decreased from 16 to 1, and the number of banks paying an increased additional rate decreased from 124 to 108.

Household deposits are an important source of funding, especially for regional banks[1] (Table 1.5), but state-controlled banks continue to hold the most stable positions in the market of household deposits: the aggregate share of PJSC Sberbank and VTB 24 (PJSC) grew from 57.0% to 57.2% over the year.

The total amount of deposits and funds on accounts of organisations (other than credit institutions) in 2016 decreased by 10.1%, or by 2.8%, adjusted for the exchange rate (in 2015 it increased by 15.6%), to ₽24.3 trillion, and their share in banks' liabilities went down from 32.6% to 30.4%. The decrease in the nominal amount of the said funds was affected by currency revaluation and by the absolute decline (by 10.6% in US dollar terms) of funds raised from organisations in foreign currency. Furthermore, their more active utilisation of funds to secure production growth also made its impact.

Deposits and other funds raised from legal entities (other than credit institutions) decreased by 13.8% (in 2015 they increased by 11.8%) to ₽16.4 trillion; adjusted for foreign exchange revaluation, this funding source shrank by 5.5%. The most significant drop (15.7%) was observed in deposits of legal entities maturing within more than 1 year (in 2015 they increased by 9.3%); the share of these funds in the total deposits of legal entities decreased over the year from 51.9% to 50.8%.

In 2016, the movement of interest rates on ruble deposits raised by banks from non-financial organisa-

[1] When analysing banking sector sustainability, credit institutions are grouped into six clusters. Clustering enables the evaluation of the structure of various segments of the banking service market and the probability of potential negative trends in these segments. Information on changes in the number of credit institutions assigned to different clusters depending on their market segments is provided in Table 16 of the Statistical Appendix.

Table 1.5. Household deposits and deposits and funds of non-financial and financial organisations (other than credit institutions) on accounts by bank group

Bank group	Share of household deposits				Share of deposits and funds of non-financial and financial organisations (other than credit institutions) on accounts			
	in total banking sector deposits, %		in liabilities of respective bank group, %		in total banking sector deposits, %		in liabilities of respective bank group, %	
	1 January 2016	1 January 2017	1 January 2016	1 January 2017	1 January 2016	1 January 2017	1 January 2016	1 January 2017
State-controlled banks[1]	63.1	64.5	30.1	33.0	63.7	63.5	35.4	32.7
Foreign-controlled banks[2]	6.1	5.7	19.2	22.4	8.5	7.8	31.5	30.6
Large private banks[3]	27.2	27.4	25.5	26.5	25.9	27.4	28.4	26.6
Small and medium-sized banks based in Moscow and the Moscow Region[4]	1.4	0.7	34.3	29.3	0.9	0.6	24.6	25.0
Small and medium-sized regional banks[4]	2.2	1.7	47.4	47.6	0.9	0.8	23.4	21.9
Non-bank credit institutions	0.0	0.0	0.0	0.0	0.0	0.0	4.6	6.1
Memo item: systemically important credit institutions	58.9	63.4	26.5	30.3	69.4	70.6	58.9	63.4

[1] Banks directly or indirectly controlled by the Bank of Russia or the Russian Federation.

[2] Banks directly or indirectly controlled by foreign legal entities and foreign citizens, and banks where the direct or indirect (via third parties) share held by 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 (equities) in the bank. Russian residents were not excluded from foreign citizens.

[3] Banks included in the top 200 banks by assets (other than those included in the above groups).

[4] All other banks grouped by geographic location: small and medium-sized banks based in Moscow and the Moscow Region and small and medium-sized banks of other regions. Non-bank credit institutions are included in a separate group.

Figure 1.15. Weighted average interest rates on ruble deposits raised by credit institutions from non-financial organisations in 2016

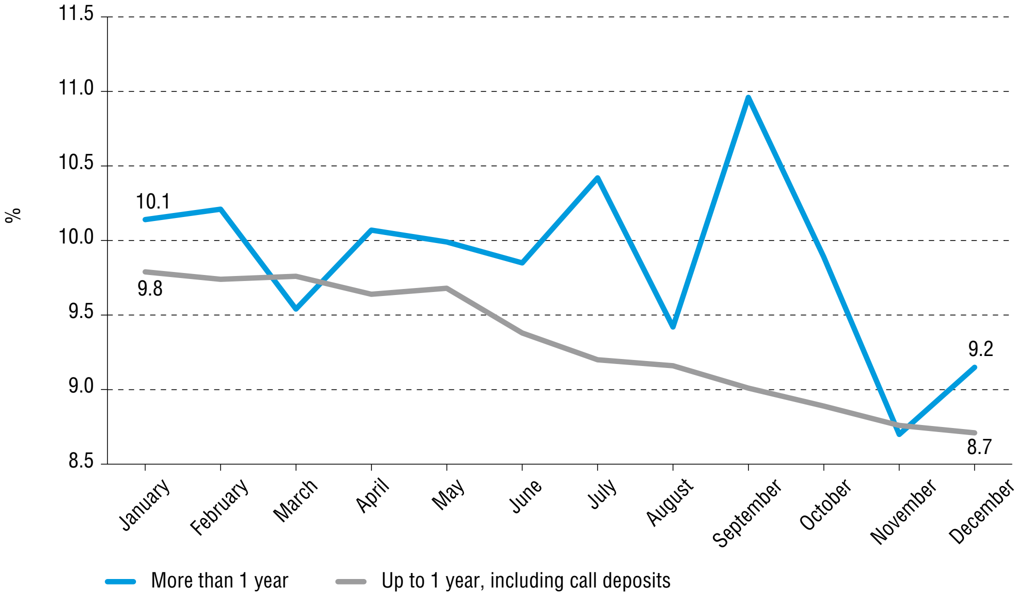
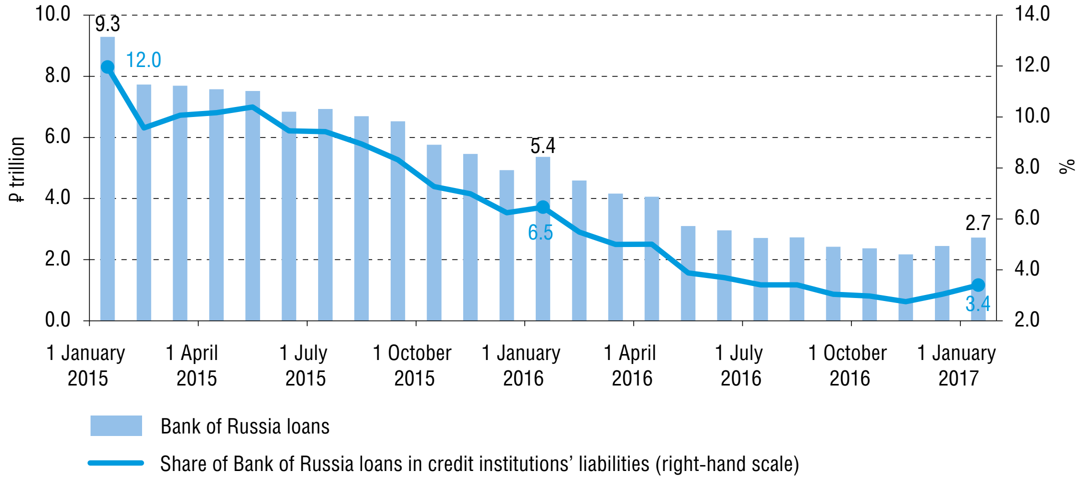


Figure 1.16 Bank of Russia loans



tions for more than one year was moderately downward: they slid from 10.1% p.a. in January to 9.2% p.a. in December (Figure 1.15). The rates on ruble deposits for less than one year showed a more stable decline: their level decreased from 9.8% p.a. in January to 8.7% p.a. in December.

The amount of funds raised by credit institutions through bond issue decreased in 2016 by 13.7% to ₽1.1 trillion, and the share of this source in banking sector liabilities went down slightly, from 1.5% to 1.4%. The volume of promissory notes and bank acceptances issued by credit institutions also went down (by 36.7%), and their share in banking sector liabilities remained insignificant (0.6% as of 1 January 2017).

The inflow of funds in the banking sector as a result of utilisation of the Reserve Fund in 2016 made credit institutions considerably reduce borrowings from the Bank of Russia (by 49.2%; adjusted for the exchange rate effect, by 46.6%), to ₽2.7 trillion: the share of funds of the Bank of Russia in banks' liabilities decreased over the year from 6.5% to 3.4% (Figure 1.16). This trend proves that banks have largely switched to market sources of funding. In 2016, the debt on deposits placed in banks by the Federal Treasury also decreased significantly (by 28.5% to ₽0.3 trillion), and the share of this source in banking sector liabilities dropped from 0.5% to 0.4%.

By the end of 2016, the Russian banking sector remained a net creditor in operations with non-resident banks. However, the amount of net claims to non-residents in the interbank market decreased more than twofold over the year, from ₽1.5 to ₽0.7 trillion, primarily due to the outpacing decline in external claims of Russian banks compared to their borrowings. Borrowings from non-resident banks also went down gradually and were replaced with interbank loans in the domestic market. Loans raised from non-resident banks decreased in the reporting year by 37.3%, and adjusted for the exchange rate effect, by 27.3%. As of the end of the reporting year such loans amounted to ₽1.3 trillion.

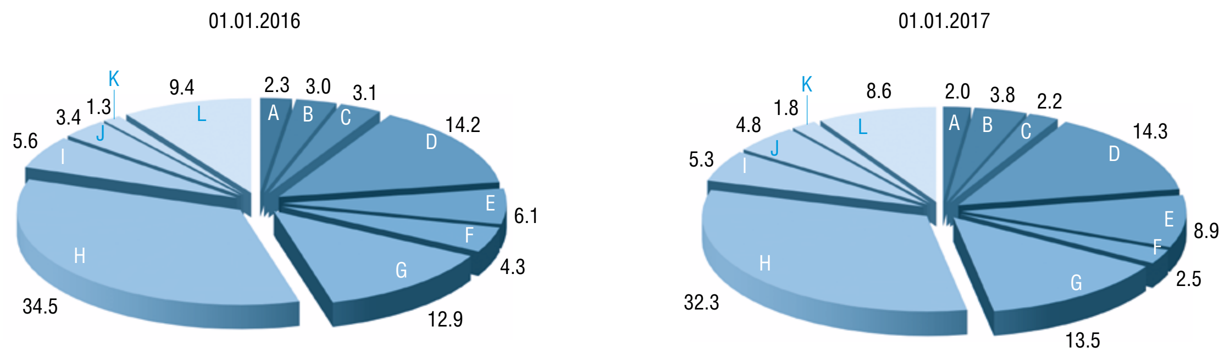
As of 1 January 2017, the largest share of loans from non-resident banks in total liabilities was registered in foreign-controlled banks (8.3%); in state-controlled banks the share of these borrowings was 1.4%, and in large private banks it totalled 0.5%. Small and medium-sized banks do not have significant operations in international markets.

I.4.2. Asset dynamics and structure

Key indicators of active operations in the banking sector in 2016 were also significantly influenced by the exchange rate movements. Over the year the banking sector's assets shrank by 3.5% (increased by 1.9%, adjusted for the exchange rate) to ₽80.1 trillion (in 2015, the nominal value of assets grew by 6.9%). Assets of credit institutions that were operating as of 1 January 2017 decreased by 2.1% in nominal terms over 2016 or grew by 3.4% if adjusted for the exchange rate. Due to the decline of assets and growth of GDP in nominal terms, their ratio went down from 99.7%[1] to 93.0%.

[1] In connection with the updating of GDP data, the value as of the beginning of 2016 differs from the value given in the Banking Supervision Report 2015.

Figure 1.17. 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 organisations
- 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

In 2016, as in the previous year, state-controlled banks accounted for the bulk of the total banking sector assets (58.8%) (as of 1 January 2016, 58.6%). The share of large private banks grew more noticeably, from 29.8% to 31.1%. Meanwhile, the share of foreign-controlled banks went down from 8.8% to 7.7%. The share of small and medium-sized banks based in Moscow and the Moscow Region as well as other regions dropped from 2.4% to 1.7% as well.

In 2016, multidirectional shifts were observed in the lending structure: the retail loan portfolio showed moderate growth, while the corporate loan portfolio went down.

Amid a weak demand for loans from the corporate sector the total amount of loans to the economy (non-financial organisations and individuals) decreased over 2016 by 6.9% (in 2015, it grew by 7.6%) and as of 1 January 2017 amounted to ₽40.9 trillion; adjusted for FX revaluation, the decline of these loans was less noticeable (2.4%). The share of loans to the economy in banking sector assets decreased from 53.0% to 51.1%, and the ratio of the total loan portfolio to GDP decreased from 52.8% to 47.6%.

Lending to the economy by the banks that were operating as of 1 January 2017 declined less pronouncedly (–0.8%, adjusted for the exchange rate).

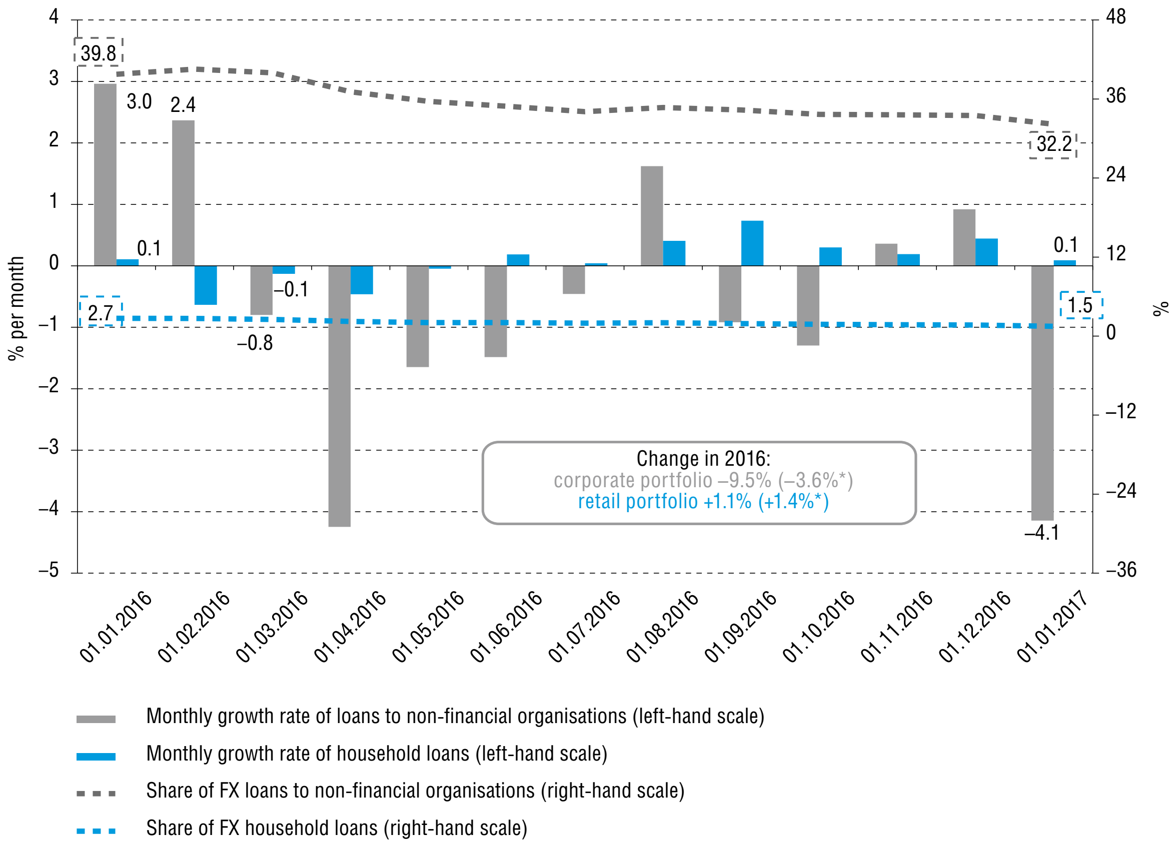
The reduction of the corporate portfolio was also affected by reclassification by one of the largest banks of the sectoral affiliation of counterparties in large repo transactions.

The outstanding loans and other invested funds provided to non-financial organisations decreased by 9.5% over the reporting period (12.7% growth in 2015) to ₽30.1 trillion (or decreased by 3.6%, adjusted for the FX factor). The share of corporate loans in banking sector assets decreased from 40.1% to 37.6% over the year. Over half of total corporate loans were accounted for by state-controlled banks (Table 1.6).

As regards the types of economic activities, the largest share of loans was issued to manufacturing enterprises (21.7% of the corporate loan portfolio as of 1 January 2017)[1]. Because of the complicated economic situation in trade and construction, the share of loans to wholesale and retail companies decreased from 14.7% to 14.4% over the year, and the share of loans in the construction industry decreased

[1] For loans to resident legal entities and sole proprietors, except for loans to complete settlements. Hereinafter, lending indicators broken down by economic activity are based on data from the state corporation Bank for Development and Foreign Economic Affairs (Vnesheconombank).

Figure 1.18. Lending growth rates



** Indicators in brackets are adjusted for FX revaluation.*

from 7.1% to 6.5% (Figure 1.19). Insofar as it concerns the construction sector, such dynamics may be regarded as a positive factor: the market is beginning to regain equilibrium after some 'overheating' in the construction industry.

At the same time, lending to industries with growing business activities expanded: this concerned electricity, gas and water production and distribution, and agricultural and forestry enterprises (Figure 1.20). Loans to agricultural and forestry enterprises grew by 7.0% over the year (or by 8.2%, if adjusted for the exchange rate), which is indicative of successful import substitution policy in these sectors.

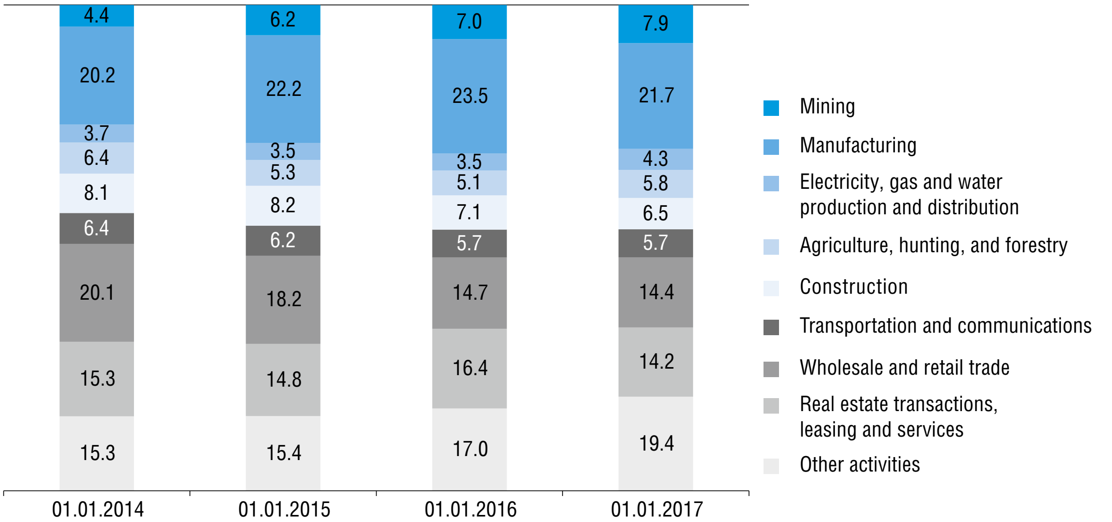
The share of the FX component in loans to non-financial organisations decreased noticeably (from 39.8% to 32.2% over the year). This is primarily explained by FX revaluation. Broken down by economic activity, the share of FX loans decreased in all sectors. But the biggest decline in the FX component of the portfolio was observed in the mining sector, where this indicator dropped from 61.4% to 49.1% over the year. Nevertheless, these enterprises retained the highest share of debt in foreign currency, which may be explained by their significant FX proceeds (Figure 1.21).

Table 1.6. Loans to non-financial organisations in banking sector total loans, %

Bank group	1 January 2016	1 January 2017
State-controlled banks	63.5%	67.4%
Foreign-controlled banks	7.0%	5.9%
Large private banks	27.3%	25.2%
Small and medium-sized banks based in Moscow and the Moscow Region	1.1%	0.6%
Small and medium-sized regional banks	1.1%	1.0%
Memo item: systemically important credit institutions	74.5%	77.0%

In 2016, moderately favourable dynamics of interest rates on loans was observed. In particular, the weighted average interest rates on loans to non-financial organisations went down: rates on ruble loans maturing in more than one year were 11.7% in December, 2.0 pp below the rates seen in January 2016 (Figure 1.22). Nevertheless, in the light of the leading decrease in the consumer price index interest rates on loans in real terms remained high (5–7%).

Figure 1.19. Sectoral structure of the banking sector's corporate loan portfolio, %



In 2016, interest rates on loans to 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 decreased from 2.1 pp to 1.3 pp.

In the second half of 2016, some growth in retail lending was observed. In the first half of 2016, household lending contracted (as it was in 2015, mostly due to the contraction in unsecured consumer lending), but household loans as a whole grew over the year by 1.1% (mostly due to the growth of mortgage lending), or by 1.4%, if adjusted for the exchange rate (in 2015, these loans decreased by 5.7%, or by 6.3%, if adjusted for the exchange rate); as of the end of the reporting year, the retail portfolio reached ₽10.8 trillion. Household loans issued by banks that were operating as of 1 January 2017 grew by 2.2% over the year, or by 2.5%, if adjusted for the exchange rate.

The structural improvement of retail operations led to continuing growth in the share of mortgage loans: in 2016, the total debt on such loans increased by 12.8% (12.9% in 2015), or by 13.1%, if adjusted for the exchange rate, to ₽4.5 trillion. The number of housing mortgage loans (HML) issued in 2016 also increased compared to 2015: from 700 to 856 thousand loans (by 22.4%).

Figure 1.20. Growth of outstanding debt on loans by economic activity as of 1 January 2017, %

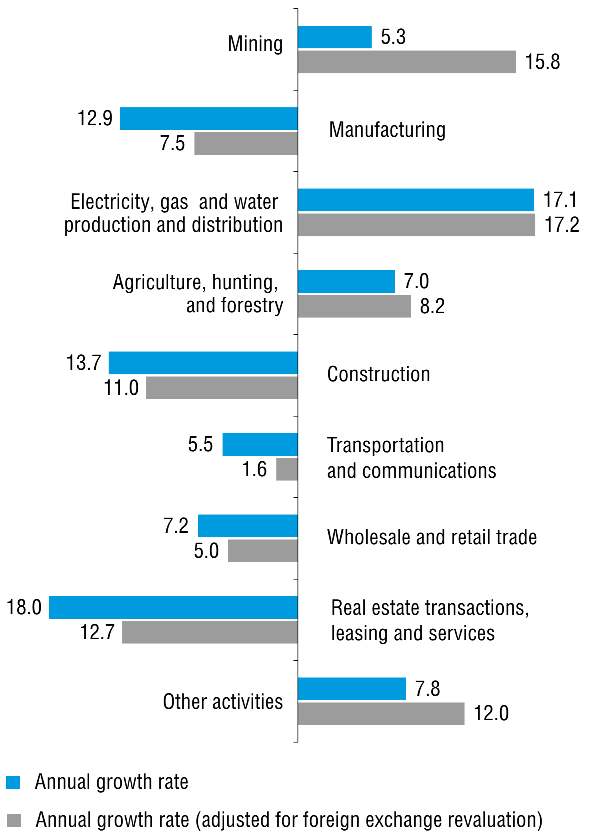


Figure 1.21. Share of FX debt on loans to organisations by economic activity, %

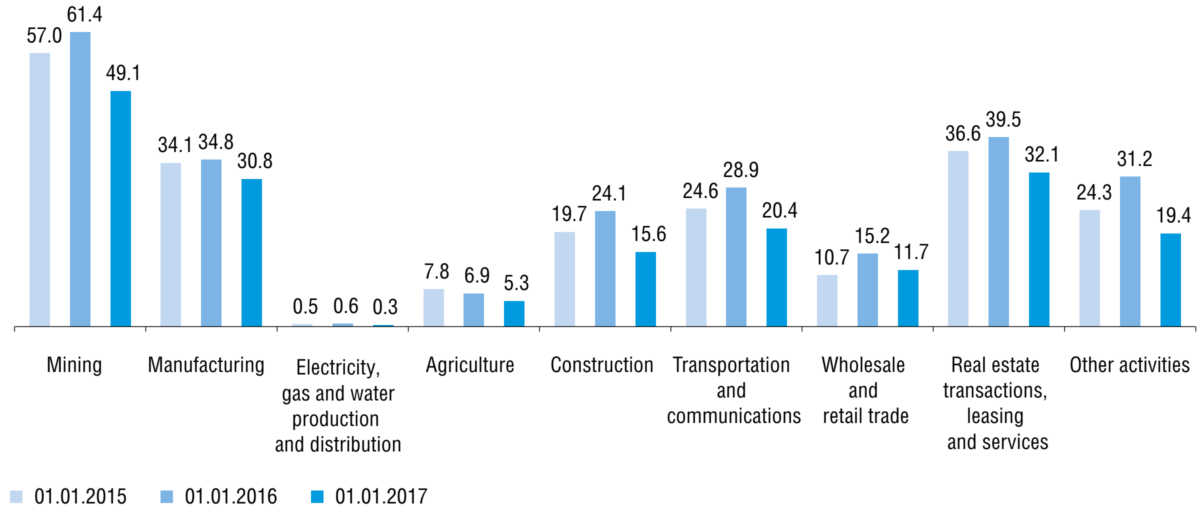


Figure 1.22. Weighted average interest rates on ruble loans to non-financial organisations

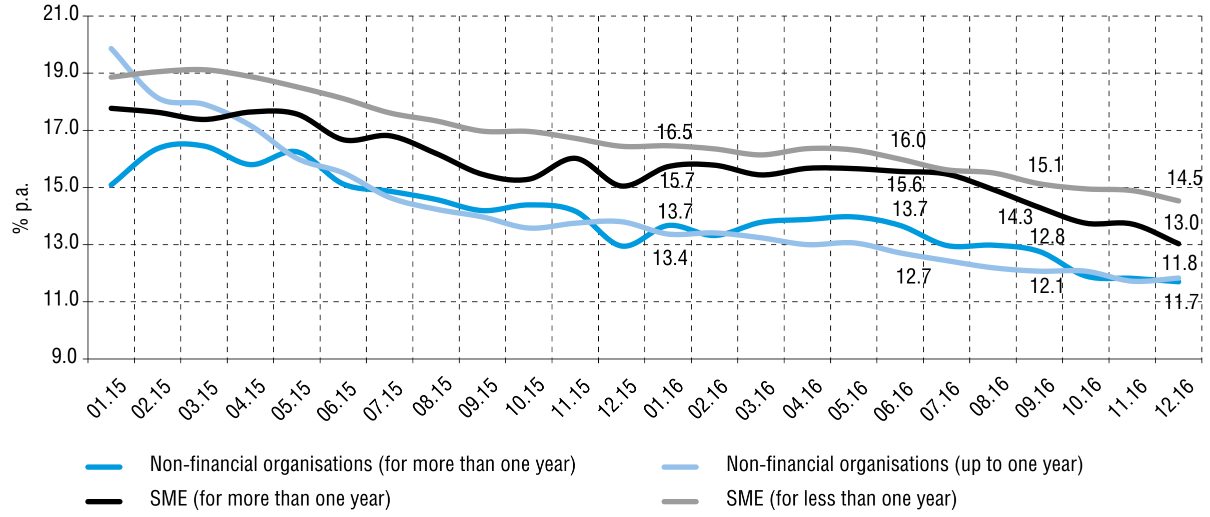
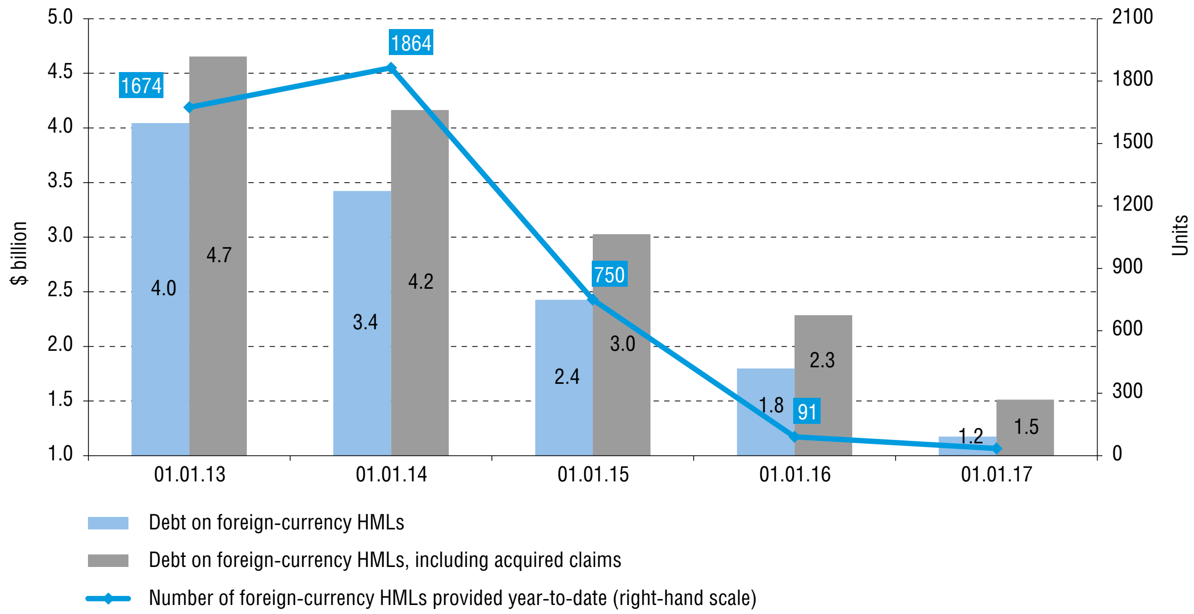


Figure 1.23. Outstanding foreign-currency HMLs (including acquired claims) and HMLs provided year-to-date



HML dynamics by currency

In the light of the extended government programme for subsidising interest rates on HMLs, ruble loans became the main driver of growth in mortgage lending. With the acquired claims factored in, the outstanding debt on ruble HMLs grew by 15.0% to ₽4.5 trillion in 2016, and the number of ruble loans issued grew by 22.4% to 856 thousand loans. The weighted average interest rate on ruble HMLs in the reporting year dropped to a level below the maximum acceptable interest rate for subsidised mortgage loan agreements (12%), from 12.5% in January to 11.5% in December.

The Bank of Russia is focused on the difficult situation in the FX segment of housing mortgage lending. An important role in the solution of this problem is played by the programme for supporting mortgage loan borrowers who have found themselves in a difficult financial situation (both for foreign currency and for ruble loans), approved by the Government of the Russian Federation and JSC Agency for Housing Mortgage Lending (AHML) (Resolution No. 373 of the Government of the Russian Federation, dated 20 April 2015).

Issuance of mortgage loans in foreign currency has almost stopped: in 2016, 34 loans in the total amount of $18 million were issued (91 loans in the total amount of $54 million in 2015). The amount of FX mortgage loans, with acquired claims factored in, decreased from $2.3 billion as of 1 January 2016 to $1.5 billion as of 1 January 2017, or by 33.7% (Figure 1.23). The share of foreign-currency HMLs, with acquired claims factored in, decreased from 4.1% as of 1 January 2016 to 2.0% as of 1 January 2017 (to 2.4%, if adjusted for the exchange rate).

Survey findings for leading banks in the market of foreign-currency HMLs

In 2016, the number of foreign-currency borrowers decreased by about 25% and as of 1 January 2017 stood at about 18,900 persons[1], 70% of them continue to service their liabilities.

The decrease in the amount of foreign-currency HMLs was largely affected by restructuring performed by banks, primarily conversion of FX debt into ruble debt. The total amount of foreign-currency mortgage loans restructured as of 1 January 2017 was about 6,500.

[1] Based on the selective survey of 24 banks which comprise about 88% of the mortgage lending portfolio in foreign currency as of 1 January 2017.

Banks' policy for the restructuring of foreign-currency mortgage loans based on survey data in 2016

1. Refinancing in rubles

Conversion of the loan currency into rubles at the effective ruble rates (after conversion – starting at 10.5%; a reduction to 7% is possible in individual cases; in some cases, to 6%).

2. Change in the terms of loan agreement with the loan currency remaining unchanged

Change in the terms under the effective agreement with respect to the maturity and rate:

- The maximum term of loan extension is up to 30 years (provided that the borrower's age at the moment of repayment will not exceed 65 years).
- Reduction of the interest rate to 4–8%.
- Provision of a preferential interest rate for the first 1–3 years.

3. Repayment holidays

The reduction of monthly payments for 3 to 12 months, in some cases, up to 24 months, with the following payments:

- Full payment of interest under the agreement, the principal debt is not paid
- Full payment of principal debt, interest is not paid
- Partial payment of interest under the agreement, the principal debt is not paid
- Partial payment of interest and principal debt

The debt accumulated over that period will be distributed equally over the term to maturity.

Repayment holidays may be provided along with loan extension.

In some cases an individual repayment schedule may be established with the selection of a monthly payment that would be comfortable for the customer's current financial situation.

4. Full or partial forgiveness of the remaining debt upon the sale of the object of pledge

5. Cancellation of penalty/forfeit

6. Combination of the aforesaid variants

In 2016, the amount of car loans continued to decrease (by 12.5%, to ₽0.6 trillion); as of 1 January 2017, they accounted for 5.8% of the retail loan portfolio.

About two-thirds of retail loans in 2016 were provided by state-controlled banks, and their share grew significantly mainly due to the active participation of those banks in mortgage support programmes (Table 1.7).

In the light of positive retail lending dynamics the share of these loans in banking sector assets grew over the year from 12.9% to 13.5%, and in total loans, from 18.7% to 19.5%. Households still inclined to ruble loans, their share in the loan portfolio grew from 97.3% to 98.5% over the reporting year.

Foreign-controlled banks (22.4%), state-controlled banks (15.1%), and small and medium-sized regional banks (13.1%) stood out in terms of the share of household loans in their assets as of 1 January 2017. Such loans account for 8.4% of loans issued by large private banks and for 8.1% of loans issued by small and medium-sized banks based in Moscow and the Moscow Region.

Following the gradual key rate cut in Q2–Q3 2016, interest rates on retail loans showed a positive trend, which facilitated further recovery of household lending. In particular, rates on retail ruble loans maturing in more than one year decreased in the reporting period from 18.1% p.a. in January to 15.5% p.a. in December 2016.

In the light of positive dynamics of weighted average interest rates on household loans the effective interest rate (EIR) on consumer loans decreased as well. While in Q1 2016 the average market EIRs ranged between 17.0% and 34.6%, depending on a type of loan, in the fourth quarter the range narrowed somewhat to 15.5–29.7%.

In 2016, the securities portfolio of credit institutions went down by 2.8% to ₽11.5 trillion (in 2015 it grew by 21.1%), and its share in assets increased from 14.2% to 14.3%. Adjusted for the exchange rate, the securities portfolio was up by 3.3% in 2016.

Table 1.7. Household loans by bank group

Bank group	Share of household loans, %			
	in total banking sector loans		in the assets of the respective group of banks	
	1 January 2016	1 January 2017	1 January 2016	1 January 2017
State-controlled banks	62.0	66.2	13.6	15.1
Foreign-controlled banks	13.7	12.8	20.0	22.4
Large private banks	21.9	19.5	9.4	8.4
Small and medium-sized banks based in Moscow and the Moscow Region	0.9	0.4	10.5	8.1
Small and medium-sized regional banks	1.4	1.0	13.8	13.1
Memo item: systemically important credit institutions	52.1	56.3	10.8	12.0

As the situation with banks' liquidity stabilised, banks' demand for securities used as collateral in Bank of Russia refinancing operations decreased. In addition, the nominal decline in investments in securities was also driven by their FX revaluation. For example, the amount of debt securities decreased by 2.6% in 2016 to ₽9.4 trillion, and if adjusted for the exchange rate, it grew by 4.5% (in 2015, the amount of these securities grew by 25.7%, and if adjusted for the exchange rate, by 13.3%). A considerable portion of debt securities (18.9%) was transferred without derecognition as of 1 January 2017. Investments in debt liabilities of the Russian Federation increased notably over the year by 32.0% to ₽3.4 trillion, and their share in total investments in debt securities grew from 26.2% to 36.1%.

As of 1 January 2017, the key holders of debt were state-controlled banks and large private banks which held 47.9% and 45.0% of debt acquired by the banking sector, respectively (these two groups of banks also account for the majority of funds raised through refinancing operations of the Bank of Russia). In the reporting year, like a year earlier, banks retained considerable concentration of their investments in eurobonds of the Russian Government: some banks held over a half of certain issues of bonds on their balance sheet, which reduced their ability to sell such securities without significant discount on the market value if the need to sell rather large block of bonds occurred.

The portfolio of banks' participation in subsidiary and affiliated joint-stock companies decreased by 6.8% to ₽1.5 trillion (in 2015 it grew by 21.7%), and its share in the securities investment structure shrank from 14.1% to 13.5%.

Investment in equity securities grew by 21.1% in the reporting period, and by 27.0% if adjusted for the exchange rate (in 2015 it decreased by 39.6%, and if adjusted for the exchange rate, the reduction was 44.6%). As of the end of 2016, investment in equity securities amounted to ₽357 billion, and its share in the securities portfolio was 3.1% (2.5% as of 1 January 2016).

In 2016, banks reallocated their aggregate investment in equities[1]: the share of large private banks and foreign-controlled banks increased (from 53.2% to 55.7% and from 1.9% to 2.3%, respectively) along with the shrinking share of state-controlled banks (from 40.3% to 40.0%), small and medium-sized banks based in Moscow and the Moscow Region (from 2.8% to 1.0%), and small and medium-sized regional banks (from 1.7% to 0.9%).

The difficult geopolitical situation affected interbank lending: its growth was mainly ensured by operations in the domestic market. In 2016, Russian banks generally felt more confident, which revived the interbank market[2]. As mutual trust between Russian interbank market participants was growing and limits on the respective loans were increasing, claims under interbank loans to resident banks rose by 41.5% in 2016 (by 50.3%, if adjusted for the exchange rate), and their share in banking sector assets grew from 6.1% to 8.9%. By contrast, loans to non-resident banks dropped by 45.0% (by 35.0%, if adjusted for the exchange rate), and their share in banking sector assets decreased from 4.3% to 2.5%. The total claims on interbank loans provided both to residents and non-residents grew by 5.6% in the reporting year, and by 14.9% if adjusted for the exchange rate (in 2015, growth by 24.9%, or by 8.1% if adjusted for the exchange rate). As of year-end 2016, the amount of such claims reached ₽9.1 trillion, while their share in banking sector assets was 11.4% (10.4% as of 1 January 2016).

I.5. Financial performance of credit institutions

Financial performance of the banking sector

In 2016, the net profit of credit institutions grew sharply against the previous year and totalled ₽930 billion (₽192 billion in 2015).

In 2016, 445 credit institutions gained profit of ₽1.3 trillion in total (in 2015, 553 credit institutions and ₽736 billion, respectively). At the same time, the share of profit-making credit institutions dropped from 75.4% to 71.4% in 2016. Losses of loss-making credit institutions amounted to ₽362 billion in the reporting year (₽544 billion in 2015). The number of loss-making

[1] Excluding shares of subsidiary and affiliated joint-stock companies.

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

Figure 1.24. Banking sector profitability

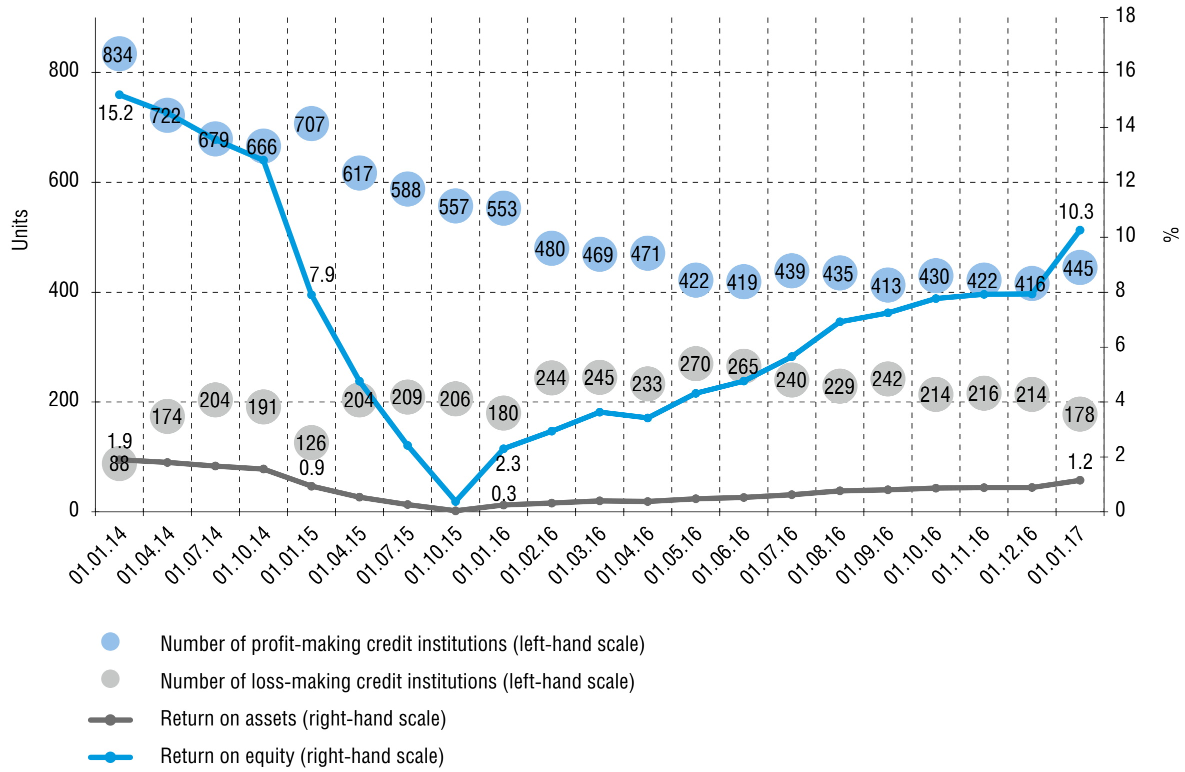


Table 1.8. Profitability ratios by bank group

	Return on assets, %		Return on equity, %	
	2015	2016	2015	2016
State-controlled banks	0.3	1.7	2.5	14.7
Foreign-controlled banks	1.0	1.8	7.4	11.4
Large private banks	-0.1	-0.1	-1.5	-1.2
Small and medium-sized banks based in Moscow and the Moscow Region	0.8	0.4	4.0	1.6
Small and medium-sized regional banks	0.6	0.3	3.5	1.9
Memo item: systemically important credit institutions	0.7	1.9	6.2	16.0

credit institutions decreased from 180 to 178, whereas their share in operating credit institutions increased from 24.6% to 28.6%. Over 20% of losses were from banks to which bankruptcy prevention measures are being applied.

The major contribution to the financial performance of the banking sector was made by state-controlled banks (₽819 billion) and foreign-controlled banks (₽121 billion). Large private banks suffered losses of ₽24.1 billion because of the losses on FX operations and net other expenses.

As of year-end 2016, the return on assets of credit institutions reached 1.2%, and the return on equity was 10.3% (a year earlier, 0.3% and 2.3%, respectively) (Figure 1.24). Systemically important credit institutions made a major contribution to the increased profitability of the banking sector. Improved performance was also observed in state-controlled banks and foreign-controlled banks (Table 1.8).

Overall, 284 banks, or 45.6% of operating credit institutions, improved their return on assets throughout the year, and 266 banks, or 42.7%, improved their return on equity.

The analysis of drivers of increase in the return on equity shows that its 2016 growth was influenced by a substantial increase in profit margin (Table 1.9).

Table 1.9. Return on equity structure

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

	Equity multiplier (financial leverage)	Profit margin	Return-on-assets ratio	Return on equity
2015	9,1910	0,0546	0,0460	0,0230
2016	8,9021	0,2795	0,0412	0,1025

* *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).*

Table 1.10. Financial performance structure of credit institutions, ₽ billion

No.	Profit drivers	2015	2016
1	Net interest income	2,108	2,653
2	Net income from securities trading	103	417
3	Net income from foreign exchange transactions	450	25
4	Net commission income	772	893
5	Other net income/loss	92	-664
6	Operational and administrative expenses of credit institutions	-1,617	-1,731
7	Loss provisions (net of recovered ones)	-1,717	-665
8	Profit before tax	193	929

Financial performance structure of credit institutions

In 2016, the main drivers of the growing profits in the banking sector were the growth of net interest income and a considerable decline in loss provisions created by banks due to the stabilisation of the level of risks assumed. Table 1.10 and Figure 1.25 show the drivers of financial performance[1] in 2016.

Overall, net interest income of the banking sector grew by ₽545 billion, or by 25.8%, to ₽2.7 trillion (in 2015 it decreased by 16.8%). This component remained the most important driver of financial performance for all groups of banks: the share of net interest income in the profit drivers was 66.5% (59.8% in 2015). The ratio of net interest income of banks to gross interest income rose from 32.4% as of 1 January 2016 to 40.9% as of 1 January 2017.

In 2016, net interest income of the banking sector grew due to systemically important credit institutions; in other credit institutions this indicator has not yet reached the level of 2014 (Figure 1.26).

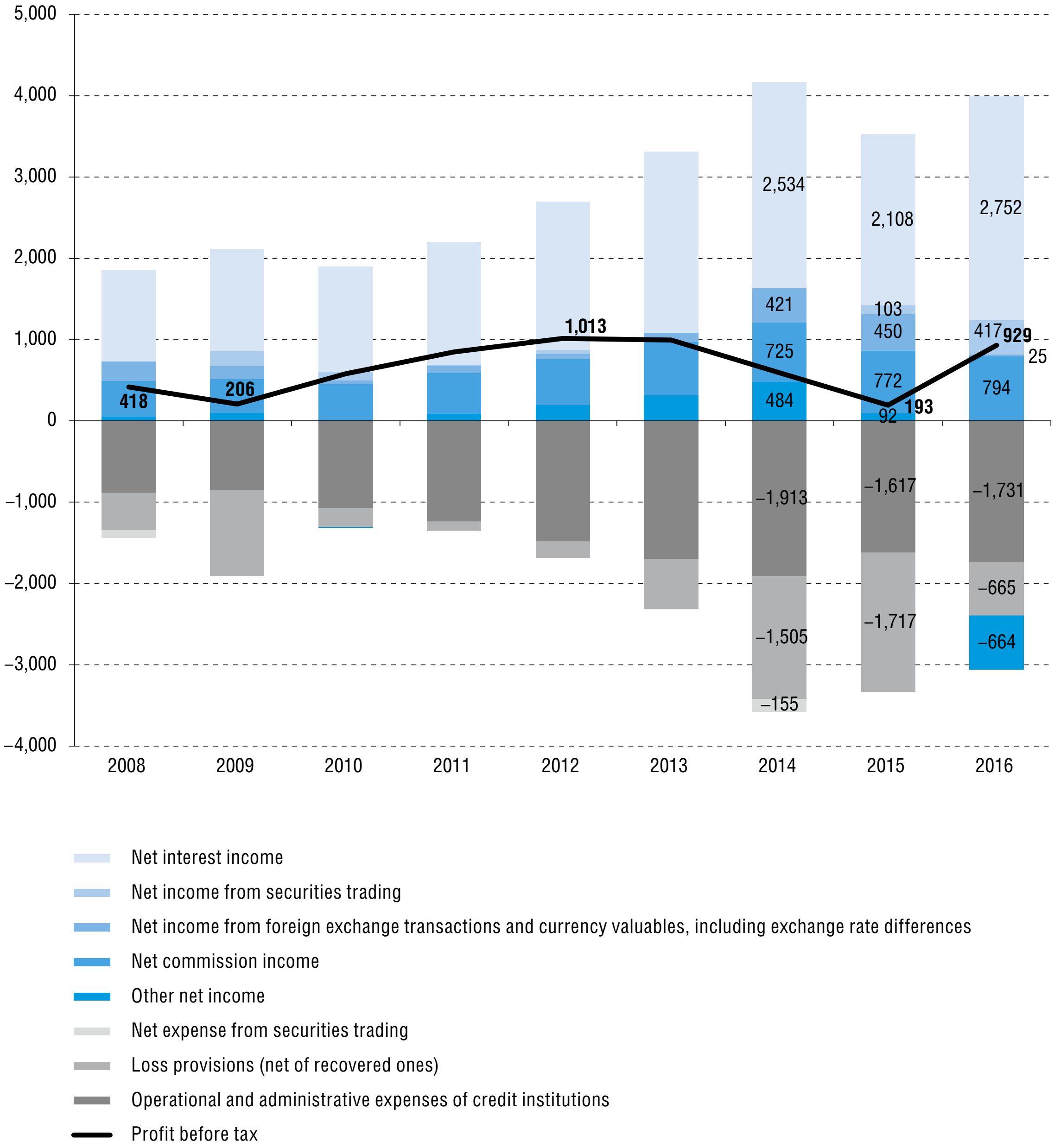
Net interest income on operations with individuals grew by ₽32 billion, or by 9.3%, over the year. That said, interest income from household loans decreased by 4.4%, whereas relevant interest expenses dropped even more (by 7.6%). Net interest income on operations with legal entities, excluding credit institutions, grew by ₽110 billion, or by 6.1%, over the year. Interest income from these operations decreased by 1.5%, and interest expenses fell by 9.8%.

In 2016, net interest margin showed sustainable growth[2] – at the end of Q4 2016 it reached 4.0%. However, its maximum level for the past years (5.2% in Q1 2014) is yet to be reached (Figure 1.27).

[1] Based on Reporting Form 0409102 'Credit Institution Performance Statement'. Financial performance based on Reporting Form 0409102 (₽929.1 billion as of 1 January 2017 and ₽192.6 billion as of 1 January 2016) differs from the indicators as per Reporting Form 0409101 'Trial Balance Sheet on the Accounting Records of a Credit Institution' (₽929.7 billion as of 1 January 2017 and ₽192.0 billion as of 1 January 2016) primarily due to the difference in the number of reporting credit institutions. In certain cases 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.

Figure 1.25. Banking sector profit drivers, ₽ billion



Net commission income[1] grew in 2016 by ₽121 billion, or by 15.7%, to ₽893 billion (by 6.5% in 2015). The share of net commission income in the structure of profit drivers grew from 21.9% to 22.4%. In most groups of banks the value of this indicator in 2016 was within the range of 22–29%. Foreign-controlled banks accounted for the lowest share of net commission income (14.6%) in the structure of profit drivers.

In 2016, net income from securities trading grew fourfold to ₽417 billion, accounting for 10.4% in the structure of profit drivers (in 2015 it grew by 2.9%). Net income from securities trading held the largest share (38.6%) in the structure 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.

Amid the strengthening of the ruble net income from foreign exchange transactions (primarily from foreign currency revaluation) dropped by ₽425 billion, or 18-fold, to ₽25 billion (in 2015 it grew by 7.0%); its share in the structure of profit drivers of the banking sector decreased from 12.8% to 0.6%.

All bank groups except for state-controlled banks had a significant decrease in income from FX trans-

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

Figure 1.26. Net interest income in 2014–2016, ₽ billion

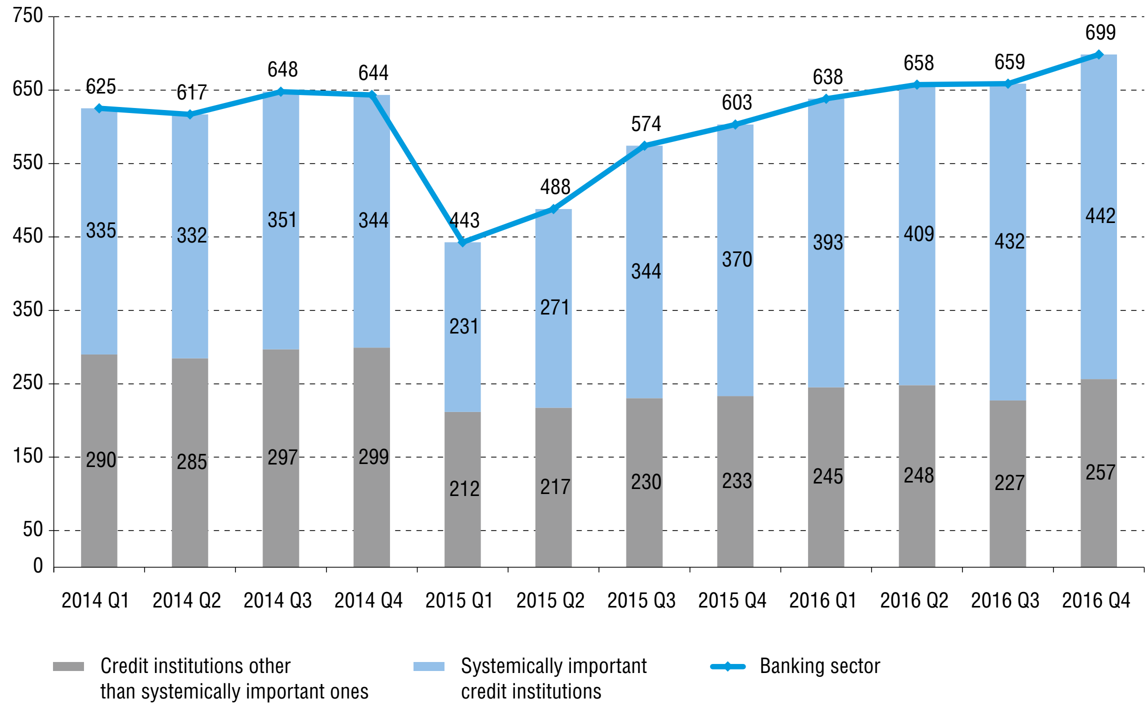
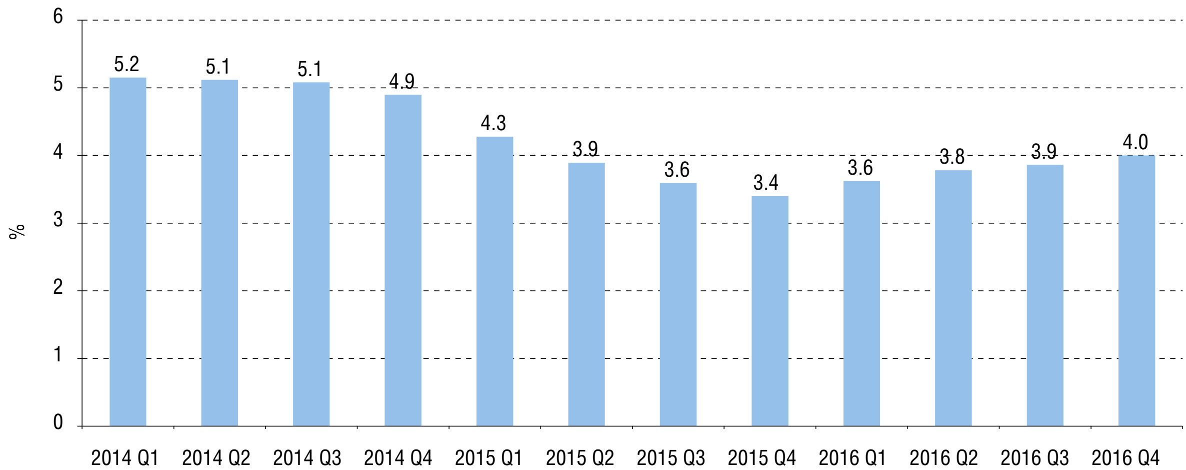


Figure 1.27. Interest margin in 2014–2016

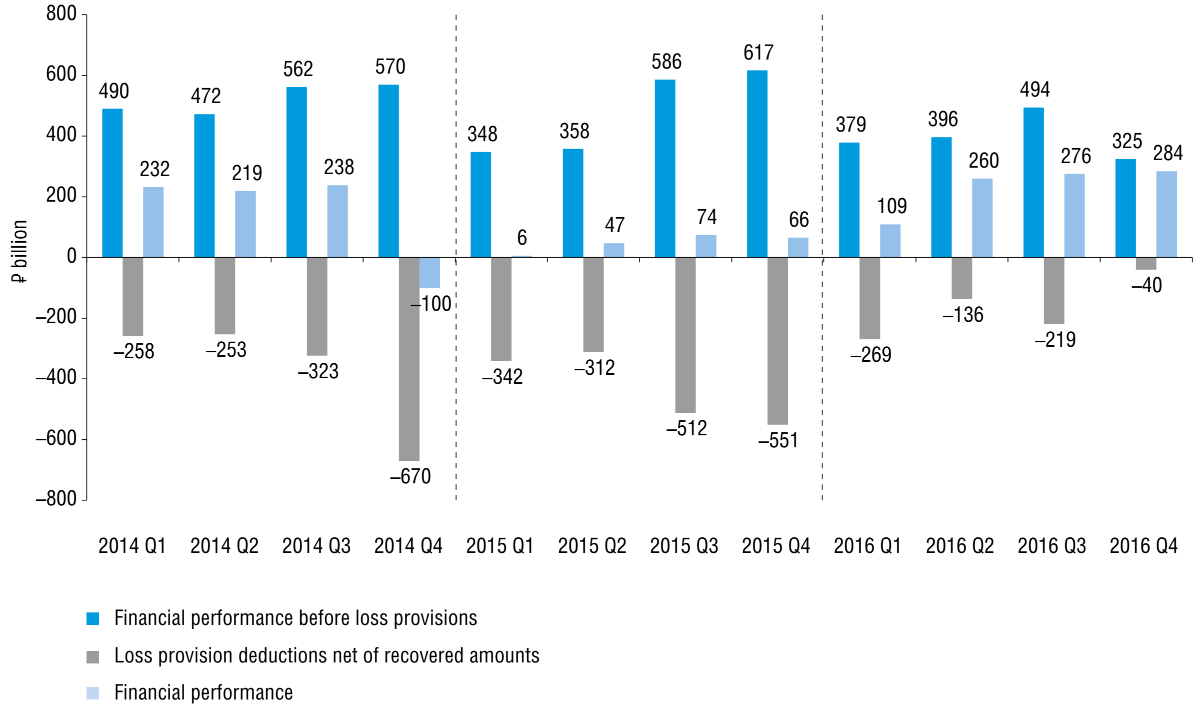


actions. Large private banks suffered loss on those operations; their share in the profit reducing factors was 6.8% (a year before the share of income from FX transactions of these banks in profit drivers was 23.6%). Foreign-controlled banks reduced their share of income from foreign exchange transactions the most (from 24.1% to 0.7%).

Net expenses on other operations of credit institutions had a strong downward effect on the financial performance in 2016. In 2016, these expenses amounted to ₽664 billion (in 2015, net income of ₽92 billion was reported) primarily due to the loss of ₽272 billion (net of interest income/expenses) from operations on household loans and loans extended to non-government commercial institutions (₽209 billion), inter alia, as a result of the sale of portfolios of loans with low debt quality by banks at prices much lower than their balance-sheet value. Net expenses from operations with financial derivatives amounted to another ₽90 billion.

Other net expenses were reported by all bank groups, except for small and medium-sized region-

Figure 1.28. Financial performance of the banking sector and loss provisions



Note: the data reflect quarterly growth.

al banks. The highest share of other net expenses in the structure of profit reducing factors is reported by foreign-controlled banks (50.8%) and state-controlled banks (23.9%).

In 2016, operational and administrative expenses of credit institutions grew both in the banking sector and in most groups of credit institutions by the total of 7.1% to ₽1.7 trillion. Their ratio to gross net income[1] grew from 45.9% to 52.1% over the year due to state-controlled banks and foreign-controlled banks. Other groups of banks also increased this indicator during the year. The highest indicator among bank groups was observed in small and medium-sized banks based in Moscow and the Moscow Region (79.4%).

Stabilisation of the risk level finds its natural reflection in the dynamics of provisioning (Figure 1.28): in 2016, the amount of net formation of loss provisions (net of recovered ones) decreased by ₽1.1 trillion to ₽665 billion and amounted to 21.7% in the structure of profit reducing factors against 42.1% in 2015.

Net additional formation of loss provisions decreased significantly in all bank groups. The share of provisions in the structure of profit reducing factors decreased the most in state-controlled banks (from 49.8% to 17.9%), foreign-controlled banks (from 29.2% to 3.9%), and large private banks (from 61.0% to 37.1%).

In 2016, profit tax adjusted for deferred tax liabilities and deferred tax assets amounted to ₽236 billion (₽78 billion in 2015). As of 1 January 2017, the overall decline of profit tax in the banking sector following such adjustment, as reported in the profit and loss statement, amounted to ₽133 billion, and the increase in the profit tax amounted to ₽25 billion. As a result, the net effect of deferred tax assets and liabilities on net tax expenses of the banking sector amounted to ₽107 billion.

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

II. RUSSIAN BANKING SECTOR RISKS

II.1. Credit risk

I.1.1. Loan portfolio quality

In 2016, the share of overdue loans in total loans to the economy (non-financial organisations and households) in the banking sector remained unchanged overall (6.7%). As the amount of those loans decreased by 6.9%, the related overdue debt dropped by 6.5% to ₽2.7 trillion as of 1 January 2017.

Nevertheless, growth in the share of overdue loans in total loans to the economy was observed in almost all bank groups, except for state-controlled banks; this indicator was the highest in large private banks as of year-end (11.6%).

The number of banks where the share of overdue loans was relatively low (less than 4% of the loan portfolio) decreased from 327 to 239 in 2016, and their share in banking sector assets shrank from 64.3% to 59.3%. On the other hand, overdue loans exceeded 10% in 156 banks holding 17.0% of banking sector assets; the number of such banks increased as well (Figure 2.1).

In 2016, the level of credit risk was largely determined by the quality of the corporate loan portfolio, which accounted for 73.6% of total loans to the economy as of 1 January 2017. In the reporting year overdue debt on corporate loans decreased by 8.9%, while the portfolio shrank by 9.5%; therefore, the share of overdue loans increased from 6.2% to 6.3% over the year, although staying below the maximum growth seen during the last recession (6.5% as of 1 June 2010) (Figure 2.2 and Table 2.1).

The share of overdue loans to small and medium-sized businesses is traditionally higher than for the total portfolio of corporate loans issued by banks. As SME loan portfolio shrank, the share of overdue debt on them grew from 13.6% to 14.2%. This reflects high risks of lending to small entities and poor transparency of their business. In absolute terms, SME loan arrears stopped growing in mid-2016 and decreased by 4.5% as of year-end.

Figure 2.1. Banks by overdue debt in loans to the economy

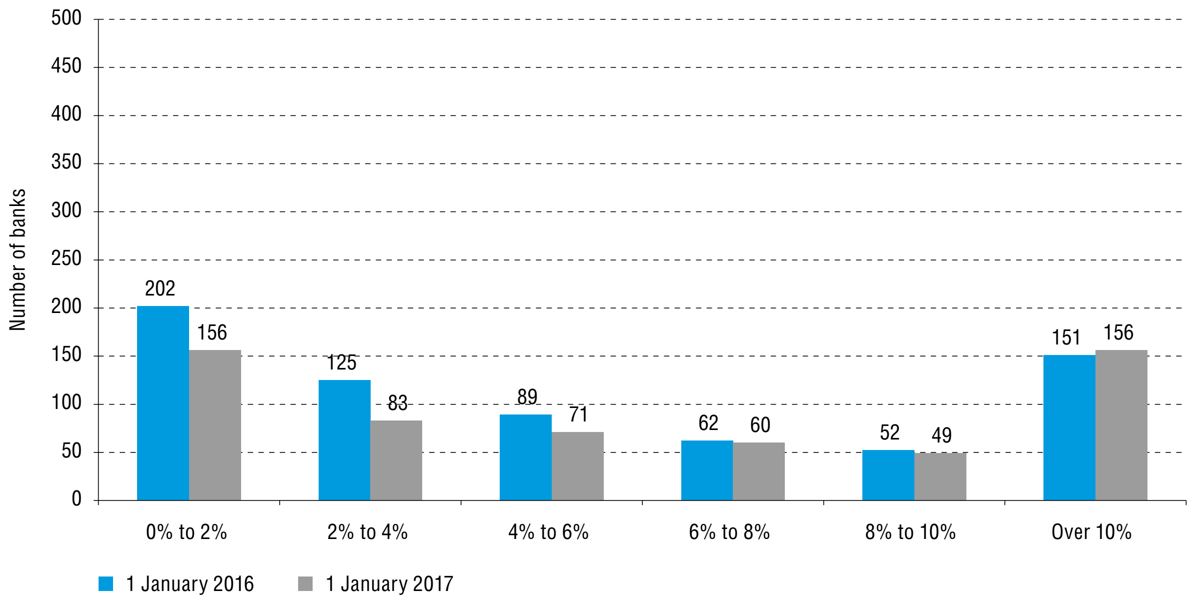


Figure 2.2. Loan portfolio quality

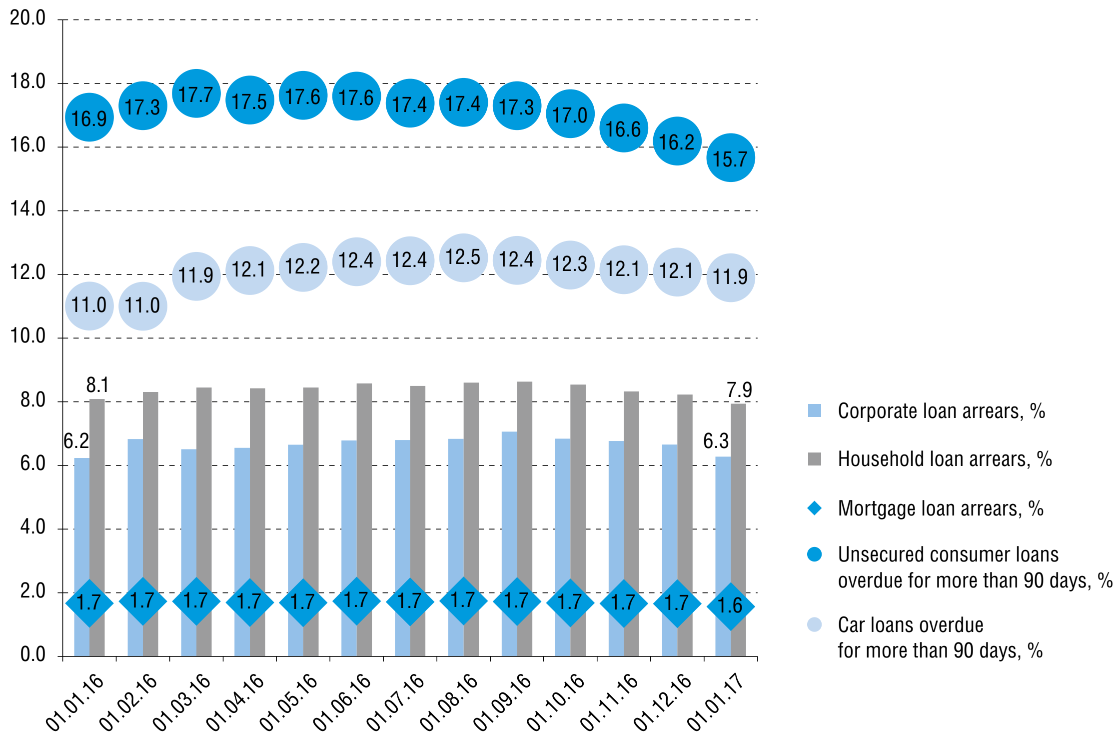


Table 2.1. Maximum share of overdue debt, %

	Maximum in 2008–2010	1 January 2016	1 January 2017
Legal entities	6.1% as of 1 June 2010	5.6%	5.4%
Including:			
non-financial organisations	6.5% as of 1 June 2010	6.2%	6.3%
Individuals	7.5% as of 1 August 2010	8.1%	7.9%

In 2016, loan arrears went up in such sectors as construction (from 17.9% to 19.8%), wholesale and retail trade (from 10.1% to 11.8%), and real estate transactions[1] (from 5.0% to 6.4%) (Figure 2.3).

At the same time, loan arrears decreased in mining companies (from 4.5% to 2.1%), electricity, gas and water production and distribution companies (from 2.2% to 1.8%), and agricultural companies[2] (from 10.8% to 10.1%).

The level of overdue debt on loans to mining and manufacturing companies and companies engaged in production and distribution of electricity, gas and water was lower than on corporate loans as a whole.

Restructured large loans[3] to legal entities increased over the year by 3.0% to ₽4.4 trillion (at the end of 2016, restructured loans accounted for 33.9% of total large loans). Loans restructured by extending the principal repayment period (rollover loans) accounted for 49.6% of the total restructured loans as of the beginning of 2017 (43.2% as of 1 January 2016). The share of the most troublesome segment of restructured loans (loans overdue for more than 90 days) in the total amount of restructured large loans went down from 4.9% to 4.0% over the year.

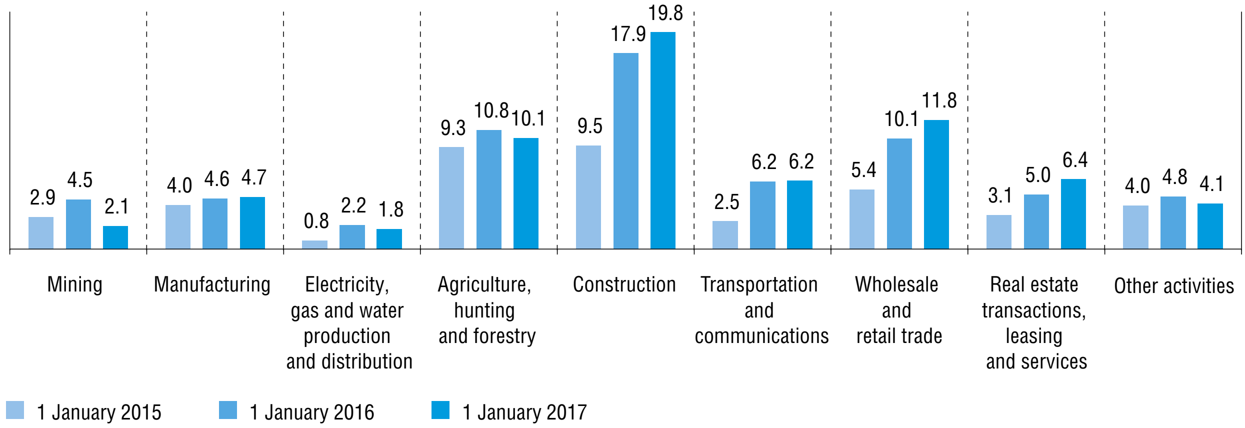
Growth in retail portfolio (by 1.1%) along with the decline of overdue debt in this portfolio (by 0.7%) resulted in a decrease in the share of overdue loans from 8.1% to 7.9% over the year. However, this level was still higher than the past crisis maximum (7.5% as of 1 August 2010) (Figure 2.2 and Table 2.1). The share of overdue household ruble loans decreased somewhat over the year as well, from 7.7% to 7.6%, whereas the share of overdue FX loans grew rather significantly, from 21.0% to 29.5%.

[1] Full title of activity is real estate transactions, leasing and services.

[2] Full title of activity is agriculture, hunting and forestry.

[3] According to credit institutions' Reporting Form 0409117 'Large Loan Data' covering data on the 30 largest loans the reporting credit institutions (parent credit institution and banking group participants) have issued to legal entities other than credit institutions, including sole proprietors.

Figure 2.3. Corporate loan arrears by economic activity*, %



** For loans to resident legal entities and sole proprietors, except for loans to complete settlements. Including data of the state corporation Bank for Development and Foreign Economic Affairs (Vnesheconombank).*

Figure 2.4. Overdue loans in corporate loan portfolio of banks, ₽ trillion

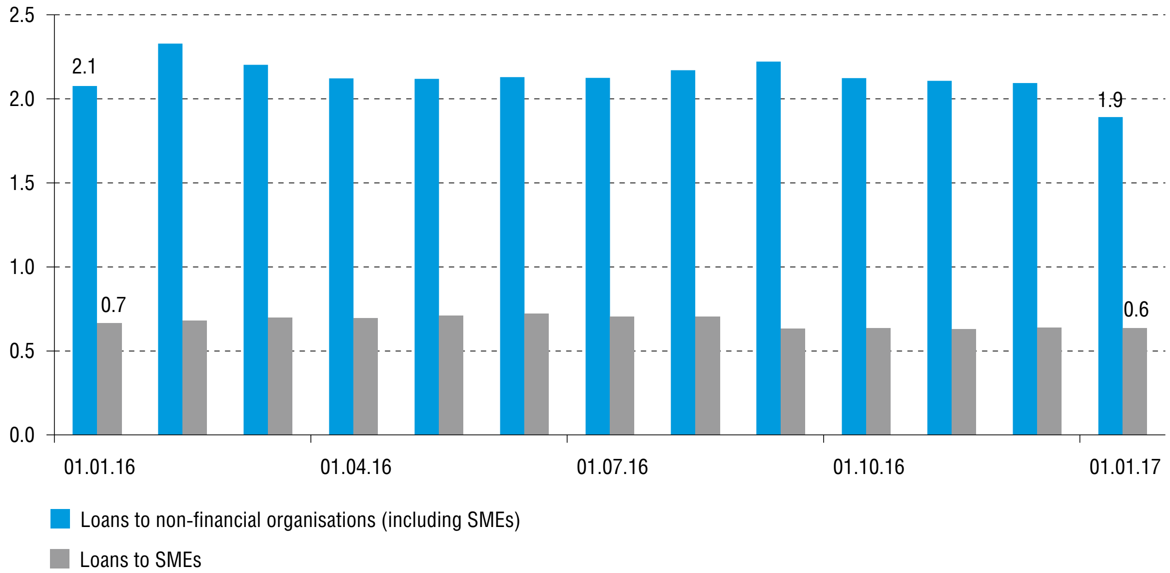


Figure 2.5. Household loan arrears, ₽ trillion

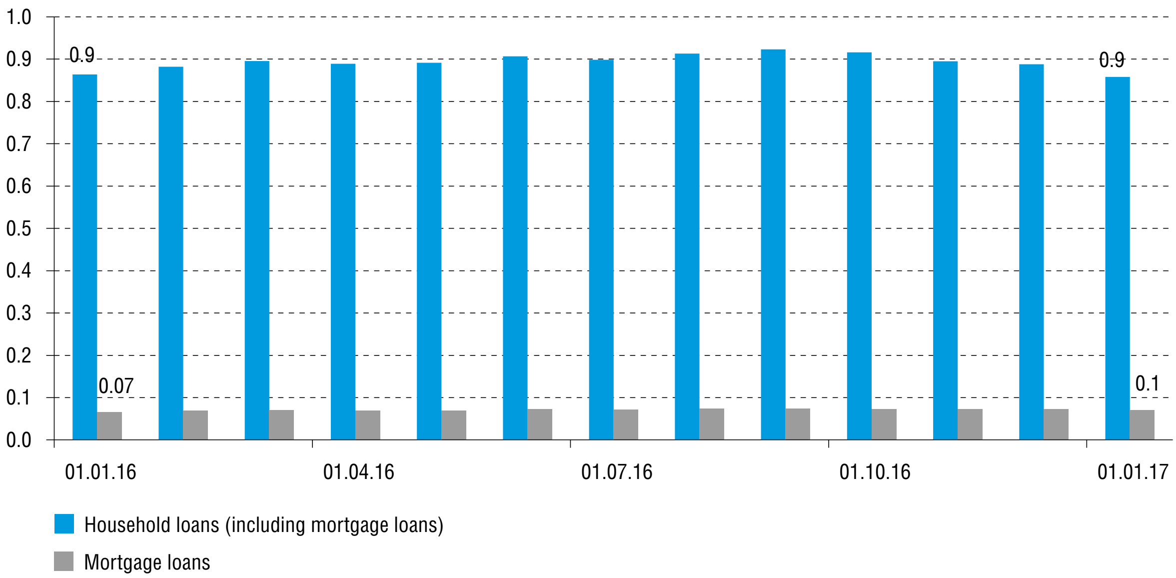
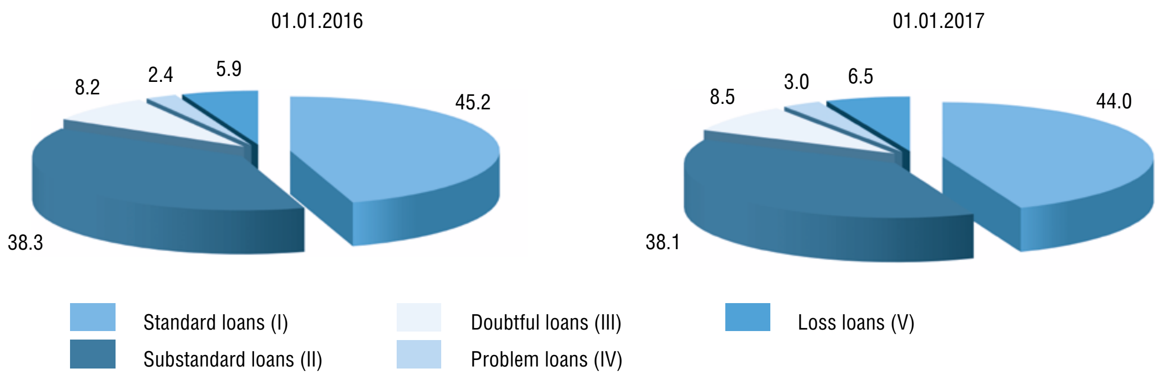


Figure 2.6. Quality of loan portfolio of the banking sector, %



Mortgage loans are the highest-quality component in bank assets with the share of overdue debt being generally stable throughout the year at 1.6% as of 1 January 2017 (a 0.1 pp drop against the indicator seen as of 1 January 2016). In the mortgage portfolio, FX loans remain problem ones – the share of overdue debt grew by 10.9 pp to 31.3% over the year. However, FX loans make up only 1.6% of the total HML portfolio.

In absolute terms, household loan arrears amounted to ₽858 billion, and corporate loan arrears stood at ₽1.9 trillion as of 1 January 2017 (Figures 2.4 and 2.5).

Credit risks by homogeneous loan portfolios

Effective Bank of Russia regulations allow credit institutions to create portfolio-based provisions. As of 1 January 2017, 94.3% of household loans (borrowings) and other claims to households were grouped into homogeneous loan portfolios (93.3% as of 1 January 2016).

The share of loans overdue for more than 90 days in total household loans grouped into homogeneous loan portfolios decreased from 10.5% to 9.3%, including unsecured consumer loans (from 16.9% to 15.7%) and mortgage loans (from 1.9% to 1.6%)[1]. With respect to car loans, on the contrary, this indicator grew from 9.3% to 10.0% (Figure 2.2).

As of 1 January 2017, the share of quality category I and II loans in total loans stood at 82.1% (at the beginning of 2016, 83.4%). The share of quality category IV and V loans (so-called 'bad' loans) grew from 8.3% to 9.4%[2] over the year (Figure 2.6).

In the reporting year, the number of banks where more than half of the loan portfolio consisted of standard loans (quality category I) was 100, and the share of such banks in the total assets of the banking sector was 29.1% (a year earlier, 103 banks and 23.7%, respectively).

The share of 'bad' loans in total loans to legal entities (other than credit institutions) grew from 9.1% to 10.7% over the year. At the same time, the maximum value observed during the crisis of 2008–2010 (11.9% as of 1 March 2010) was not exceeded. The share of 'bad' loans in total household loans decreased from 12.9% to 11.8% (the maximum value during the crisis was 12.1% as of 1 June 2010) (Table 2.2, Figures 2.7 and 2.8).

As of 1 January 2017, the share of 'bad' loans in the total loan portfolio by group of credit institutions varied from 6.9% in state-controlled banks to 17.1% in small and medium-sized banks based in Moscow and the Moscow Region.

The quality indicators of loan portfolio of credit institutions, which were undergoing bankruptcy prevention measures as of 1 January 2017, were significantly worse than the average indicators for the banking sector: as of 1 January 2017, their share of 'bad' loans reached 41.0%. These banks also have a high share of overdue loans to non-financial organisations (46.8%) and households (30.2%).

As of 1 January 2017, the share of overdue loans to non-financial organisations was 4.4%; overdue retail loans stood at 7.3%; and the share of 'bad' loans

[1] According to Reporting Form 0409115.

[2] Deviations from the data in Figure 2.7 are due to data rounding.

Figure 2.7. Quality category IV and V loans ('bad' loans) in total corporate loans (excluding credit institutions) and provisions for them

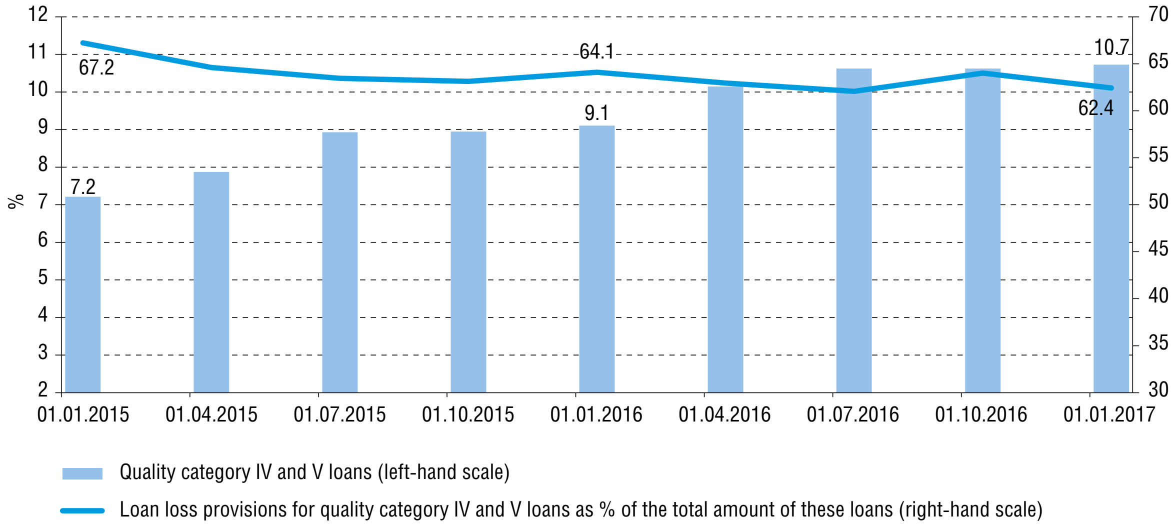


Figure 2.8. Quality category IV and V loans ('bad' loans) in total household loans and loan loss provisions

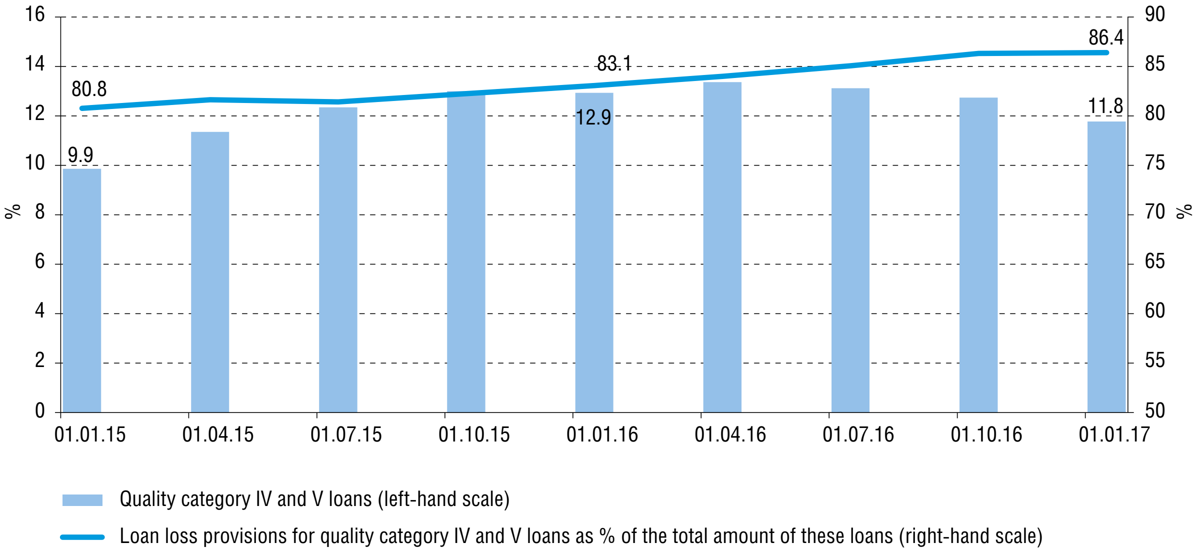


Table 2.2. Maximum share of quality category IV and V loans ('bad' loans) and 'bad' loan loss provisions, %

	Maximum in 2008–2010		Maximum in 2008–2011		1 January 2016		1 January 2017	
	Share of 'bad' loans	'Bad' loan loss provision	Share of 'bad' loans	'Bad' loan loss provision	Share of 'bad' loans	'Bad' loan loss provision	Share of 'bad' loans	'Bad' loan loss provision
Legal entities	11.9 (as of 1 March 2010)	69.7	10.4	75.0 (as of 1 November 2010)	9.1	64.1	10.7	62.4
Households	12.1 (as of 1 June 2010)	77.6	9.8	81.8 (as of 1 May 2011)	12.9	83.1	11.8	86.4

Table 2.3. Loan loss provisions

Loan quality category	Share of actual loan loss provisions, %		Actual loan loss provisions as % of outstanding debt of the respective quality category	
	1 January 2016	1 January 2017	1 January 2016	1 January 2017
Standard loans	0.0	0.0	0.0	0.0
Substandard loans	7.9	7.3	1.6	1.6
Doubtful loans	17.9	16.1	17.1	16.0
Problem loans	12.7	14.8	40.9	42.2
Loss loans	61.5	61.6	81.3	80.5
Total	**100.0**	**100.0**	**7.8**	**8.5**

in total loans was 7.9%, without taking into account banks undergoing bankruptcy prevention measures.

Throughout 2016, banks maintained their loan loss provisions at a fairly high level[1]. As of 1 January 2017, created loan loss provisions amounted to 8.5% of the total outstanding loans; 'bad' loan loss provisions accounted for 68.5%. A year earlier these figures stood at 7.8% and 69.5%, respectively (Table 2.3).

Provisions for 'bad' corporate loans decreased from 64.1% to 62.4% in 2016 (the maximum value seen during the past recession was 75.0% as of 1 November 2010). The coverage of 'bad' household loans, on the contrary, increased from 83.1% to 86.4%, which was above the maximum value of 81.8% seen during the past recession as of 1 May 2011 (Table 2.2, Figures 2.7 and 2.8).

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

In 2016, exposure to large credit risks[2] in the banking sector decreased by 10.0% to ₽20.6 trillion. At the same time, the share of large loans in banking sector assets shrank from 27.6% to 25.7% as well.

During the reporting year, 78 credit institutions violated the maximum exposure per borrower or group of related borrowers (N6) (91 credit institutions in 2015), and 22 credit institutions violated the maximum exposure to large credit risks (N7) (19 credit institutions in 2015).

As of 1 January 2017, the maximum value of loans, guarantees and sureties issued by a credit institution (banking group) to its members (shareholders) (N9.1) was calculated by 236 credit institutions, or 37.9% of all operating credit institutions (271 credit institutions, or 37.0%, as of 1 January 2016). This ratio was violated by five credit institutions (1 credit institution in 2015). The total number of violations during the year was 186 (125 a year earlier). As many as 16 credit institutions failed to comply with the total insider risk ratio (N10.1) in 2016 (18 credit institutions in 2015).

Starting from 1 January 2017, credit institutions are to calculate the maximum risk per entity (group of entities) affiliated with the bank (N25), which limits the ratio of the liabilities of an entity (entities in a group of entities) to the bank and liabilities to third parties as a result of which the bank incurs claims against the said entity (entities in a group of entities) with regard to the bank's equity. The maximum numerical value of the N25 ratio is set at 20%. The introduction of the N25 ratio is described in detail in Section III.1.2.

In 2016, the Bank of Russia continued to focus on the analysis of placed funds of the largest banks in order to evaluate risks on investments (direct or indirect, under the guise of loans) in equities of non-financial organisations (shares, stakes, equity units in funds). Banks were analysed with regard to whether the banking group participants (subsidiaries and affiliates) included any resident non-financial organi-

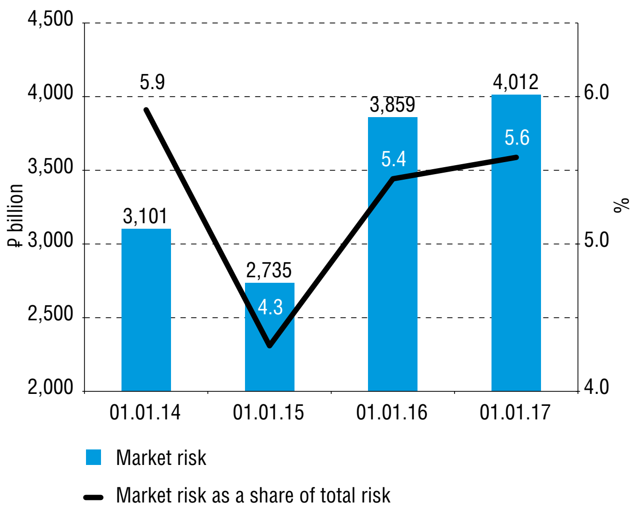
[1] Loan loss provisions are created with due regard to collateral and estimated provision, which is 0% of the principal for quality category I loans (standard loans); 1% to 20% for quality category II loans (substandard loans), depending on the degree of loan impairment; 21% to 50% for quality category 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)', the sum of loans, guarantees, and sureties issued to one customer in excess of 5% of the bank's capital is considered to be a large credit risk.

sations. The volume of loans and other placed funds provided by the selected banks to subsidiary and affiliated resident non-financial organisations and the volume of investments in closed-end unit investment funds were estimated.

The total amount of financing provided by the largest banks to subsidiary and affiliated resident non-financial organisations, including investments in closed-end unit investment funds (net of loss provisions), is quite significant, about ₽1 trillion, or 10.7% of banking sector capital. In half of the banks under consideration such investments exceeded 25% of capital.

Figure 2.9. Market risk and its share in total banking sector risks

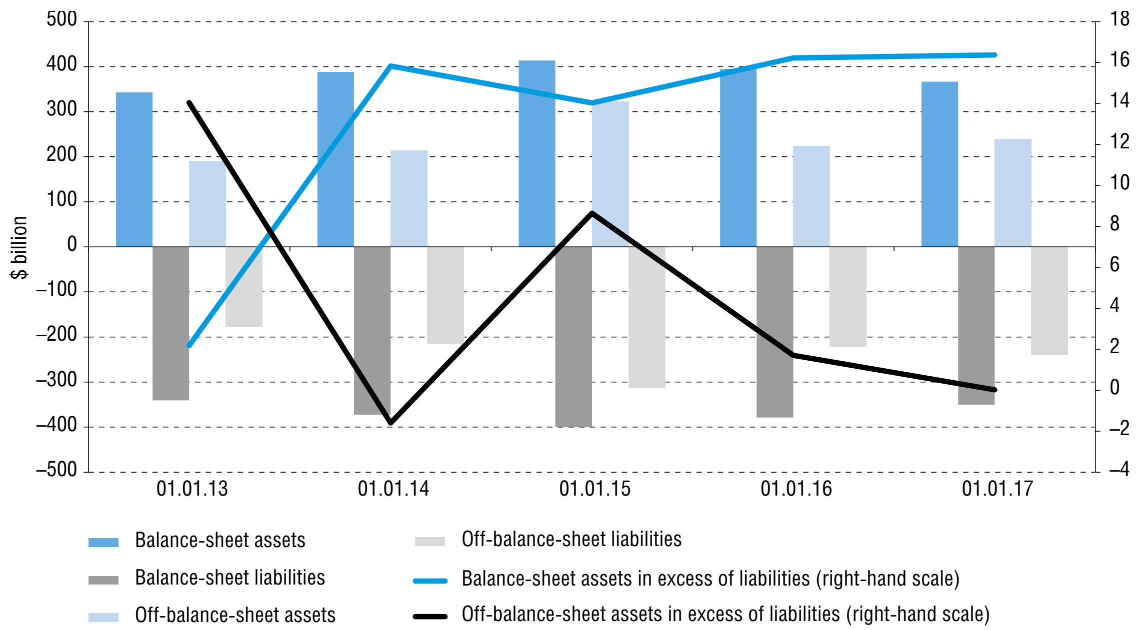


II.2. Market risk

II.2.1. General characteristics of market risk

In 2016, the market risk of the banking sector[1] grew by 4% to ₽4 trillion as of 1 January 2017, and its share in the total risks of the banking sector[2] increased from 5.4% to 5.6% (Figure 2.9). The ratio of market risk to the capital of banks[3] that calculated their market risk went down by 0.3 pp over the year to 43.7% as of 1 January 2017. Interest rate risk accounted for the bulk (84% as of 1 January 2017 compared to 78% a year earlier) of the market risk structure. The share of stock market risk in the market risk structure de-

Figure 2.10. Balance-sheet and off-balance-sheet FX assets and liabilities in US dollar terms



[1] Market risk is calculated in compliance with Bank of Russia Regulation No. 387-P, dated 28 September 2012, 'On the Procedure for Calculating Market Risk by Credit Institutions'.

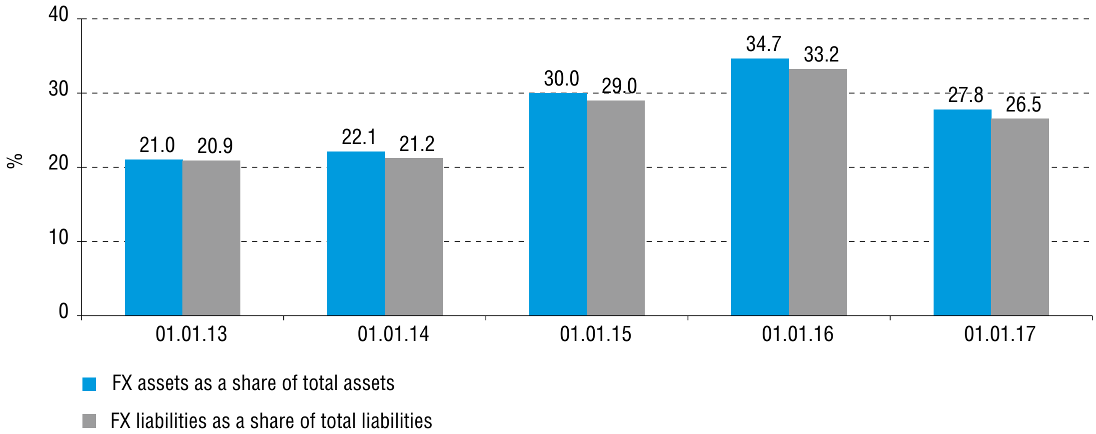
[2] Risk-weighted assets used to calculate the capital adequacy ratio of the banking sector in compliance with Bank of Russia Instruction No. 139-I, dated 3 December 2012, 'On Banks' Required Ratios'.

[3] Following the decline in the total credit institutions in 2016, the number of institutions that calculated market risk value decreased from 548 to 452, while their share in banking sector assets remained almost unchanged at 98%.

Table 2.5. FX assets and liabilities of the banking sector

	1 January 2016		1 January 2017		Growth in 2016	
	$ billion	₽ billion	$ billion	₽ billion	$ billion	₽ billion
Balance-sheet assets and liabilities						
Assets	394.8	28,775	366.6	22,234	-28.3	-6,540
Liabilities	378.6	27,592	350.2	21,241	-28.4	-6,351
Net balance-sheet position	16.2	1,183	16.4	993	0.2	-190
Off-balance-sheet assets and liabilities						
Asset	223.1	16,261	238.9	14,493	15.8	-1,767
Liabilities	221.4	16,136	238.9	14,492	17.5	-1,644
Net off-balance-sheet position	1.7	124	0.02	1.3	-1.7	-123

Figure 2.11. FX assets and liabilities in banking sector total assets and liabilities



creased from 7.5% to 6.9% in 2016, and the share of foreign exchange risk went down even more, from 14.4% to 7.3%. Starting in 2016, calculation of market risks also includes commodity risk that accounted for 2.1% of the market risk structure as of 1 January 2017.

Amid the Bank of Russia's increased regulatory requirements for FX transactions (additional coverage of FX claims with capital), banks are gradually bringing the FX structure of the balance sheet back to normal; after heaving peaked (to $434 billion and $407 billion in the middle of 2014) FX assets and liabilities currently amount to $367 billion and $350 billion (as of 1 January 2017). Essentially, it may be regarded as a return to the level of the 'pre-recessionary' year 2013. The excess of balance-sheet assets over liabilities of the banking sector in foreign currency increased from $16.2 billion to $16.4 billion in 2016 (Table 2.5). For off-balance-sheet operations the difference between FX assets and liabilities decreased from $1.7 billion as of 1 January 2016 to $0.02 billion as of 1 January 2017.

Table 2.6. Net FX forward position and net FX option position[1]

	Net FX forward position		Net FX option position	
	1 January 2016	1 January 2017	1 January 2016	1 January 2017
Net FX position				
US dollar	–12	–2.0	–1.2	–0.4
Euro	4.9	0.2	0.3	–0.04
Ruble equivalent of net FX position				
US dollar	–876	–120	–99.9	–24.9
Euro	388	10.4	19.9	–2.4

[1] According to Reporting Form 0409634 'Statement of Open FX Positions'.

II.2.2. Assessment of banking sector vulnerability to interest rate risk

As of the end of 2016, the potential losses of credit institutions associated with stress materialisation of interest rate risk on trading investments[1] in securities increased in connection with growing duration of the debt securities portfolio and could have amounted to 9.2% of capital as of the beginning of 2017 (7.4% a year earlier).

Assessment of banking sector vulnerability to interest rate risk

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

Vulnerability to interest rate risk was analysed for a bank sampling covering more than 95% of banking sector assets.

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

As of the beginning of 2017, potential losses of credit institutions making trading investments in equity securities would have amounted to 2.1% of capital overall in the event of a 50% drop in their value (1.8% as of 1 January 2016). The increase in potential losses in the event of stock market risk realisation in 2016 is associated with growth of credit institutions' trading investments in equity securities (from ₽295 billion as of 1 January 2016 to ₽357 billion as of 1 January 2017).

On the assessment of banking sector vulnerability to stock market risk

The assessment of Russian banking sector vulnerability to stock market risk is determined by the 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.

Vulnerability to stock market risk was analysed for a bank sampling covering more than 90% of banking sector assets.

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

The assessment of banking sector vulnerability to foreign exchange risk showed a decrease in potential losses in the event of materialisation of foreign exchange risk in 2016: losses as of 1 January 2017 could have amounted to 0.8% of banks' capital (1.4% as of the beginning of 2016).

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 short open positions in US dollars and euros was analysed. The number of banks with a short foreign currency position in at least one of the two currencies decreased from 169 to 110 in 2016, and the share of these banks in total assets fell from 40% to 34% (from 37% to 28% in capital).

[1] Hereinafter, trading investments shall mean investments in securities at fair value through profit or loss and securities available for sale.

II.3. Liquidity risk

II.3.1. General characteristics of liquidity risk

In 2016, the liquidity situation underwent qualitative changes: a shift from liquidity deficit to surplus has become apparent in the banking sector. The number of net borrowers under refinancing operations[1] with the Bank of Russia decreased sharply as well: while as of the beginning of the year there were 95 such organisations, as of year-end there were only 26.

The inflow of liquidity into the banking sector via the budget channel in connection with the Russian Government's spending of sovereign funds to finance budget deficit was a key prerequisite for the said change. Another prerequisite for liquidity surplus was structural changes in the balance sheets of credit institutions; the inflow of household funds to banks continued amid a slowdown in lending to the economy.

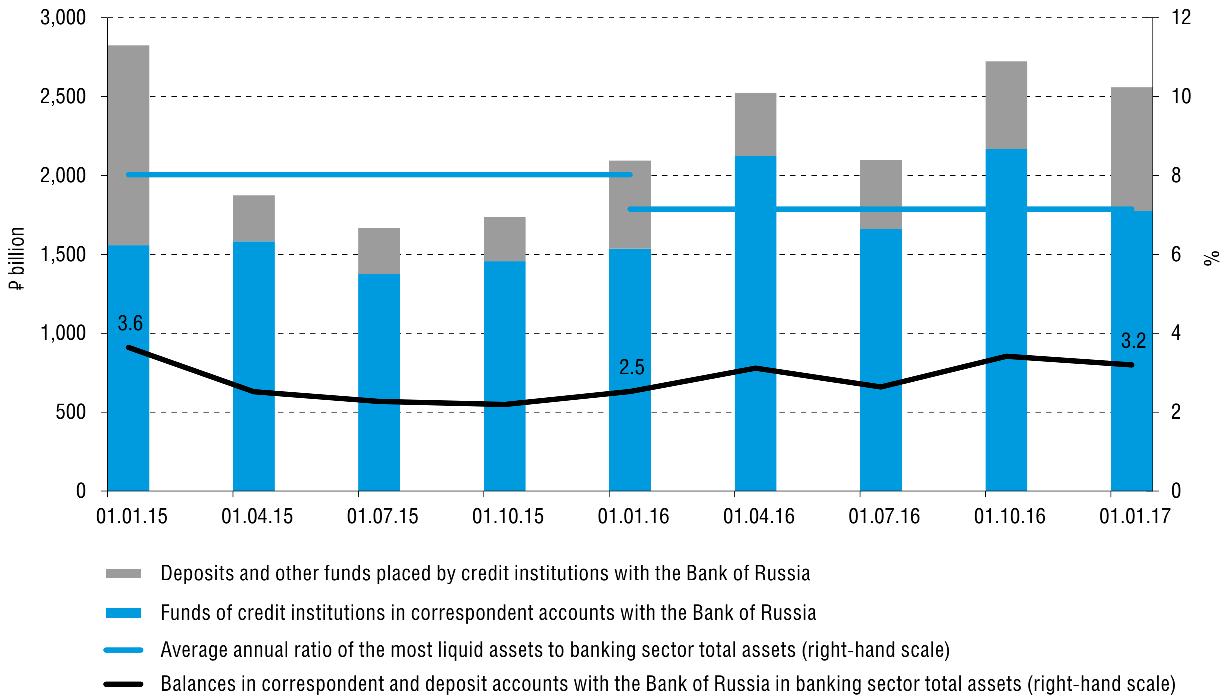
However, the banking sector liquidity situation is not uniform, and a great number of banks still face difficulties: in 2016, 13 banks accounting for 17.3% of banking sector assets were net borrowers (under operations for up to one year) from the Bank of Russia.

In most cases credit institutions used the Bank of Russia's funds as an additional instrument for maintaining liquidity; the expediency of raising these funds was determined by the current market situation, inter alia, in the interbank repo market, and by the rates established on that market. Credit institutions also used the Bank of Russia's funds for the following purposes:

• Regulation of balances on correspondent accounts as part of procedures for managing the averaging of required ratios, funding customer payments, and forming a highly liquid securities portfolio;

• Financing of current activity, including development of mortgage lending. As a bank issues new mortgage loans, i.e. accumulates new mortgage loans on its balance sheet for another securitisation transaction (e.g., mortgage loan refinancing under joint programmes with AHML), the need to borrow funds from external counterparties (including the Bank of Russia) arises;

Figure 2.12. Balances in credit institutions' correspondent and deposit accounts with the Bank of Russia*



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

[1] For operations under 1 year.

• Use of Bank of Russia repos as the most stable and technologically advanced instrument to maintain instant and short-term liquidity.

The shift from liquidity deficit to liquidity surplus took place in 2016 not so much due to growth in banks' claims to the Bank of Russia, as due to the decline in debt to the Bank of Russia under refinancing operations. In this context the ratio of the average values of the most liquid assets to total banking sector assets decreased from 8.0% in 2015 to 7.1% in 2016 (Figure 2.12). That said, funds on deposit and correspondent accounts of credit institutions with the Bank of Russia accounted for over 40% of the most liquid assets.

II.3.2. Compliance with required liquidity ratios

The average instant liquidity ratio (N2) of the banking sector remained unchanged in 2016 compared with previous years and stood at 92.4% (vs the standard level of 15%). The average annual actual current liquidity ratio (N3) increased from 128.4% in 2015 to 130.4% in 2016 (Figure 2.13), which was also considerably above the standard level of 50%. Such a significant exceedance of the standard level is associated with the decline in banks' net borrowings from the Bank of Russia, the formation of liquidity surplus in the banking sector, and a relatively excessive liquidity of individual banks.

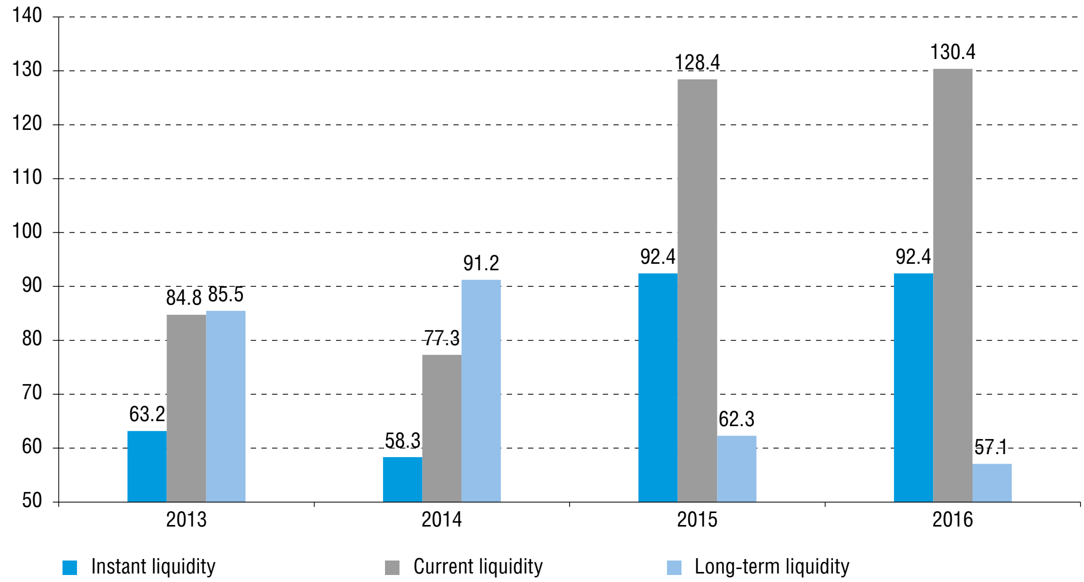
On the backdrop of an increase in credit institutions' capital, the long-term liquidity ratio (N4) fell in 2016 from 62.3% to 57.1% compared to 2015 (vs the maximum standard value of 120%), thereby indicating an improvement in the backing of long-term investment with corresponding liabilities.

In 2016, some credit institutions experienced difficulties in complying with the required liquidity ratios, but the number of such institutions decreased compared to 2015. Seven credit institutions out of those operating as of the end of the reporting year violated the instant liquidity ratio (N2) as of certain dates (nine credit institutions based on a similar sampling in 2015), and 14 credit institutions violated the current liquidity ratio (N3) (15 credit institutions based on a similar sampling in 2015).

Five banks out of the credit institutions operating as of 1 January 2017 violated the long-term liquidity ratio (N4) in the reporting year (for comparison, in 2015, eight violators out of the credit institutions operating as of 1 January 2016). In 2016, 12 credit institutions had their licences revoked because of the failure to comply with the instant liquidity ratio (N2); 16 credit institutions, because of the failure to comply with the current liquidity ratio (N3); and one credit institution, because of the failure to comply with the long-term liquidity ratio (N4).

Starting from 1 January 2016, mandatory requirements for compliance with the liquidity coverage ratio (N26, N27) came into force: these concern only systemically important credit institutions. This ratio was

Figure 2.13. Banking sector liquidity ratios (annual chronological averages), %



developed in accordance with a document of the Basel Committee on Banking Supervision (Basel III) and was established at the level of 70%, with a subsequent annual increase of 10 pp from 1 January 2019 until the value of 100% is reached.

In 2016, all systemically important credit institutions complied with the ratios. Individual systemically important credit institutions used irrevocable credit lines raised from the Bank of Russia in calculating the numerator of the ratio. Due to the formation of a liquidity surplus in the banking sector, the actual value of the liquidity coverage ratio (N26, N27) of systemically important credit institutions increased on average from 84.2% as of 1 February 2016 to 94.2% as of 1 January 2017, which already exceeded the minimum value established for 2017. The actual values of the liquidity coverage ratio (N26, N27) of systemically important credit institutions as of year-end 2016 ranged from 76.3% to 123.9%.

II.3.3. Structure of bank assets and liabilities by maturity

Compared to 2015, the structure of liquid assets was characterised by a variety of trends in the reporting year: long-term assets (maturing within more than one year) decreased by 5.2% in 2016 (in 2015, they increased by 21.5%) and amounted to ₽43.8 trillion, and short-term assets (maturing within less than one year) increased by 2.5% (in 2015, they decreased by 2.2%) to ₽59.5 trillion. The share of long-term liquid assets in total liquid assets shrank from 44.3% to 42.4% during the year.

In the reporting year, short-term liabilities (maturing within less than one year) continued to increase compared to 2015: their value grew by 1.6% over the year (in 2015, by 7.7%) and amounted to ₽74.5 trillion.

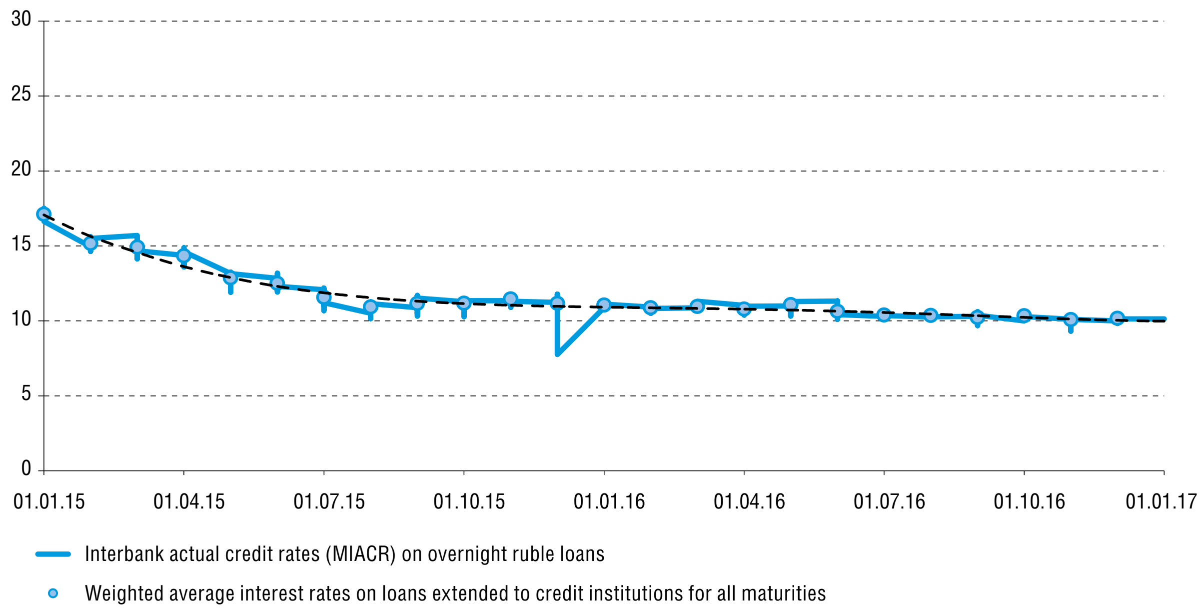
Long-term liabilities (maturing within more than one year) decreased by 14.7% (in 2015, they increased by 8.1%) to ₽20.1 trillion. The share of such liabilities in total liabilities dropped from 24.3% to 21.2%.

Amid the expected decline in funding costs and in the light of the current monetary policy, banks had already somewhat increased their use of short-term liabilities as a source of long-term liquid assets in early 2016: the respective indicator as of the end of 2016 was 31.9% (as of the beginning of the year, it was 30.9%).

II.3.4. Dependence on the interbank market and interest rate dynamics

Amid the general trend towards the decline in the cost of interbank borrowings, the year 2016 also saw insignificant deviations of this indicator from the key rate: MIACR on overnight ruble loans ranged between 9.3% and 11.3% p.a. The maximum value in the re-

Figure 2.14. Ruble interbank credit rate (MIACR), % p.a.



porting year was recorded in June, after that the interest rate declined progressively (Figure 2.14).

The interbank market dependence ratio (IMDR) of a credit institution is calculated as the percentage 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. The IMDR calculation generally complies with the methodology for calculating the PL5 ratio established by Bank of Russia Ordinance No. 2005-U, dated 30 April 2008, 'On Assessing Banks' Economic Situation', which defines IMDR threshold values at 8%, 18%, and 27% corresponding to a low, medium, and high dependence on the interbank market. A PL5 ratio exceeding the threshold value of 27% may indicate current troubles in the bank's activity, which are taken into account when including the bank in a particular classification group.

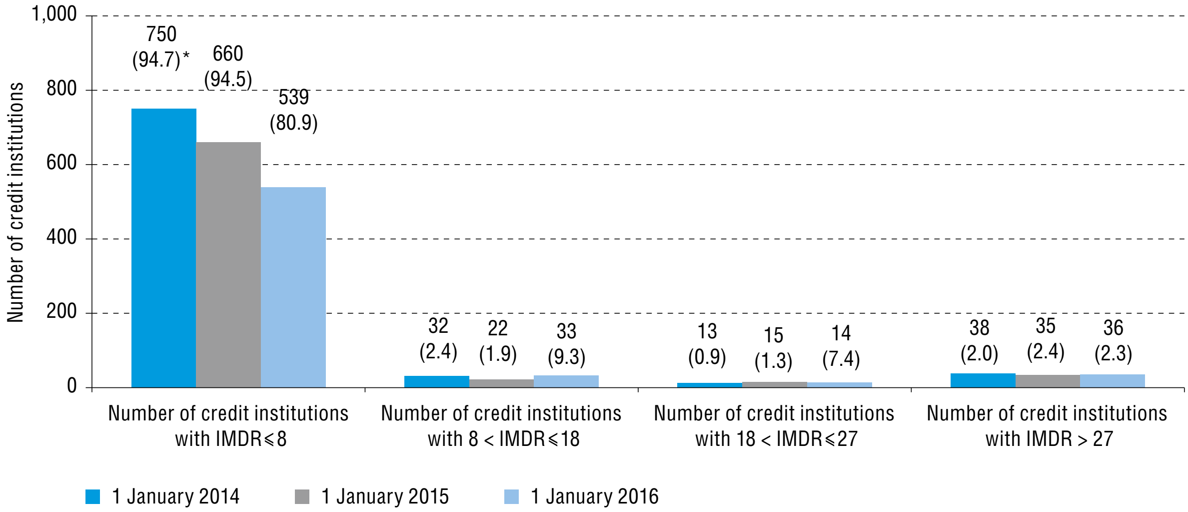
The group of credit institutions with a low dependence on the interbank market (with a maximum IMDR value of 8%) accounts for 80.9% of total assets of the banking sector (94.5% as of 1 January 2016). The group with a high dependence on the interbank market (IMDR > 27%) includes only 36 banks with a 2.3% share in banking sector assets (Figure 2.15). This situation indicates that the Russian banking market is generally independent on relatively volatile sources of funding.

II.4. Operational risk

Significant risks of Russian banks also include operational risk[1], which is defined in international practice as the risk of loss and potential loss due to unreliable and deficient internal governance procedures of a credit institution, actions of employees and other persons, failure of information and other systems, or the influence of external events on the credit institution's operations. Operational risk includes legal risk and information security risk.

The Bank of Russia collaborates with credit institutions to improve the quality of the operational risk management system, which is built on procedures that

Figure 2.15. Credit institutions by dependence on the interbank market



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

[1] The main document regulating operational risk management in credit institutions is 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 and a Banking Group', with all amendments effective as of 11 January 2016.

ensure timely identification, assessment, control and mitigation of risks.

Based on information security reports and information received under information exchange between the Bank of Russia and credit institutions, unauthorised operations on corporate accounts as of year-end 2016 accounted to ₽1.9 billion (in 2015, about ₽3.8 billion).

Unauthorised operations with payment cards in 2016 totalled about ₽1.08 billion (in 2015, about ₽1.15 billion).

In 2016, the Bank of Russia revealed nine attempts to steal money from the correspondent accounts of credit institutions opened in the Bank of Russia's payment system, totalling about ₽2.2 billion, in which money transfer was completed in the amount of about ₽1.5 billion.

Taking into account estimated data on the amount of unauthorised money transfers made in the Russian national payment system using payment cards issued in the Russian Federation, the share of unauthorised money transfers currently amounts to 0.002% (2 kopecks per 1,000 rubles in transfers). In the light of general growth in non-cash payments, the Bank of Russia's objective is to keep this indicator at the level not exceeding 0.005%.

The Bank of Russia's key measures for countering information threats in credit institutions

In 2016, the Bank of Russia improved its cyberresilience in the following areas:

• Improvement of Russian laws with respect to assignment of powers to the Bank of Russia in the field of regulation and monitoring of information protection in financial institutions, and formation of a legal framework for countering fraud in the financial market and enabling the creation of an automated system for countering embezzlement in the financial market;

• 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;

• Elaboration of draft national standards of the Russian Federation which establish technical requirements for information protection in financial institutions and define the methodology for evaluating the conformity of information protection in financial institutions with the technical requirements of the national standards;

• Elaboration and enactment of Bank of Russia Regulation No. 552-P, dated 24 August 2016, 'On the Requirements for Data Protection in the Bank of Russia Payment System', aimed at improving the Bank of Russia' oversight of compliance with information security requirements by the participants of the Bank of Russia payment system;

• Elaboration and enactment as of 1 January 2017 of the Bank of Russia industry standard which establishes rules for identification and investigation of information security incidents associated with functioning of automated banking systems and applications used in the national payment system in the course of interaction with law enforcement agencies on investigation of cybercrimes.

In 2017, the Bank of Russia plans to amend regulations to introduce additional requirements for the operational risk management in credit institutions and the Bank of Russia's approaches towards risk assessment and risk capital requirements. At the same time, the Bank of Russia is taking measures to counter cyberthreats in the Russian financial market, in particular, requirements for credit institutions' IT policy, including the information infrastructure, security and integrity of the payment and settlement system.

II.5. Capital adequacy

Additional capitalisation of the banking sector via the DIA

In accordance with the Procedure and Conditions for Investing an Asset Contribution of the Russian Federation to the Property of the Deposit Insurance Agency (DIA) in the Subordinated Liabilities and Preferred Shares of Banks (approved by the resolution of the DIA Board of Directors, dated 13 January 2015, minutes No. 1, section I), one of the main requirements for receiving those funds was the obligation of banks to increase their total lending in rubles within three years after additional capitalisation, including mortgage (housing) lending and (or) SME lending, and (or) lending to constituent entities of the Russian Federation, and (or) lending to entities conducting business in one or several economy sectors, by no less than 1% per month. When calculating the growth indicator, bank investments in mortgage bonds denominated in rubles as well as the amount of ruble-denominated bonds issued by the entities listed above and acquired by banks are taken into account in addition to loans.

As of 1 January 2017, 31 banks received funds for additional capitalisation through the DIA (not including three banks reorganised through merger after additional capitalisation through the DIA). As of 1 January 2017, the amount of funds provided for additional capitalisation through the DIA was ₽838 billion, including ₽311 billion in the form of subordinated loans provided to 30 banks and ₽527 billion in the form of preferred shares, to four banks[1].

In 2016, in the course of additional capitalisation via the DIA, 10 banks received ₽34 billion; one bank received funds in the form of payment for the issuance of preferred shares in the amount of ₽19 billion, and the other banks received funds in the form of subordinated loans in the amount of ₽15 billion.

As of 1 January 2017, the support provided to banks in terms of capital adequacy is generally assessed for the group of banks that received additional capitalisation at +1.6 pp to the common equity Tier I ratio and Tier I capital adequacy ratio (N1.1 and N1.2) and +2.5 pp to the total capital adequacy ratio (N1.0). The influence of additional capitalisation on N1.1 and N1.2 in different banks ranges between +2.5 pp and +8.9 pp, and as regards N1.0, from +0.03 pp to +8.9 pp.

II.5.1. Banking sector capital dynamics and structure

In 2016, credit institutions' capital grew by 4.2% to ₽9.4 trillion. Common equity Tier I grew even more significantly, by 9.4% to ₽6.4 trillion, and the amount of additional paid-in capital increased by 23.4% to ₽0.2 trillion. At the same time, Tier II capital decreased by 6.8% to ₽2.8 trillion; the main reduction factor was the decline in subordinated debt in the sources of Tier II capital by ₽394 billion.

Total capital of the banking sector increased by ₽379 billion (₽1,080 billion in 2015).

The structure of capital sources changed in 2016 towards an increase in profit (from 36.6% to 41.0%) along with a decrease in subordinated loans in capital sources (from 26.9% to 22.9%). Profit growth was also noted in the structure of common equity Tier I and Tier I capital sources in 2016: in sources of common equity Tier I, from 49.4% to 52.1%; and in sources of Tier I capital, from 47.2% to 49.9%.

Changes in the structure of capital sources are explained by a number of factors. The main factor was the growth of common equity Tier I in 2016 by ₽637 billion due to including the audited financial result (the balance of profit and loss); other capital sources (au-

[1] Since the beginning of the programme, aid has been provided to 31 banks out of banks operating as of 1 January 2017. Some banks that were parent organisations of a banking group used the funds to provide subordinated loans to other companies of the group.

thorised capital and share premium) grew less significantly, by ₽67 billion. At the same time, deductions from capital associated with investment in intangible assets grew by ₽151 billion, and deductions associated with credit institutions' investment in shares (stakes) of financial institutions grew by ₽37 billion. The increase in deductions from common equity Tier I associated with investment in shares (stakes) of financial institutions resulted from the annual gradual increase in those deductions by 20% until their application in full amount starting 1 January 2018.

The additional paid-in capital of credit institutions grew in 2016 thanks to the reduction of deductions associated with the credit institution's investment in the shares (stakes) of subsidiary and affiliated financial institutions and in the authorised capital of resident credit institutions by ₽245 billion. Deductions from the additional paid-in capital reduced the most significantly due to the annual decline in the amount of that deduction by 20% until its application is fully terminated starting 1 January 2018.

Reduction of deductions from common equity Tier I and additional Tiet I capital associated with investment in shares (stakes) of financial institutions

In 2016, deductions from common equity Tier I sources associated with credit institutions' investment in shares (stakes) of financial institutions grew by ₽37 billion. At the same time, deductions from additional Tiet I capital associated with investment in shares (stakes) of financial institutions decreased by ₽245 billion.

Deductions from common equity Tier I are calculated in accordance with the requirements of Basel III. A final amount of deductions from common equity Tier I is gradually increased on an annual basis by 20% of the calculated value of deductions until their application in full amount starting 1 January 2018. At the same time, deductions from additional Tiet I capital are gradually excluded in the amount of 20% of the calculated value annually until their application is fully terminated starting 1 January 2018. The smaller growth of deductions from common equity Tier I compared to the reduction of deductions from additional Tiet I capital is explained by the fact that deductions from common equity Tier I apply, not in full, but only in the amount exceeding 10% of common equity Tier I[1].

The amount of total capital increased in 2016 in two groups of credit institutions: state-controlled banks and foreign-controlled banks. The decline in the total capital was observed in four other groups of banks: large private banks, small and medium-sized banks based in Moscow and the Moscow Region, small and medium-sized regional banks, and non-bank credit institutions. Tables 2.8–2.9 list the information on the capital structure and dynamics broken down by group of banks.

Growth in total capital of state-controlled banks is mainly explained by the growth in financial result and the reduction of deductions associated with investment in shares (stakes) of financial institutions (including non-residents), subsidiary and affiliated financial companies. The increase in the financial result also contributed to growth of equity in the group of foreign-controlled banks and non-bank credit institutions.

The reduction of capital of large private banks was mostly caused by a decrease in the amount of subordinated debt accounted for in capital sources.

The reduction of capital of small and medium-sized banks based in Moscow and the Moscow Region and small and medium-sized regional banks resulted from a decrease in the number of banks in the said groups. For example, in 2016, 51 credit institutions (with capital of ₽39 billion as of the beginning of 2016) in the group of small and medium-sized banks based in Moscow and the Moscow Region terminated their activity[2], while other banks of that group increased their capital by ₽1 billion. In the group of small and medium-sized regional banks, 34 credit institutions (with capital of ₽22 billion) terminated their activity, while other banks of that group increased their capital by ₽9 billion.

Among the credit institutions operating as of 1 January 2017, 218 credit institutions decreased their capital by ₽449 billion in 2016; a year earlier capital was decreased in 191 credit institutions by ₽371 billion.

1 Inclusion of deductions in the amount exceeding 10% of common equity Tier I applies individually for immaterial investments (less than 10% of authorised capital) and material investments (10% and more) in shares (stakes) of financial institutions.

2 Revocation of licence, reorganisation, liquidation of a credit institution.

Table 2.8. Capital structure and movements by individual bank groups (major banks), ₽ billion

	State-controlled banks			Foreign-controlled banks			Large private banks		
	1 January 2016	+/(-)	1 January 2017	1 January 2016	+/(-)	1 January 2017	1 January 2016	+/(-)	1 January 2017
Capital sources	6,914	496	7,410	1,156	-11	1,145	2,748	-128	2,620
Authorised capital	1,492	70	1,562	271	3	274	488	8	496
Share premium	1,023	46	1,069	103	-1	103	308	-14	293
Profits and funds of credit institutions	2,474	574	3,047	498	53	551	981	5	986
Subordinated loans	1,818	-193	1,625	258	-61	197	902	-128	774
Revaluation surplus	108	-1	107	25	-5	20	70	2	72
Other	0	0	0	0	0	0	0	0	0
Capital deductions	1,454	-69	1,385	93	-21	72	650	-10	640
Losses	312	-64	248	39	-28	12	450	-45	405
Intangible assets	25	206	231	3	11	14	4	16	19
Treasury shares (stakes)	1	0	1	1	2	3	1	2	3
Sources of capital formed from improper assets	1	2	3	5	0	5	2	-1	2
Subordinated loans to financial organisations (residents and non-residents)	293	-51	242	2	2	4	11	-9	2
Credit institution's investments in shares (stakes) of financial organisations (including non-residents), subsidiary and affiliated legal entities, and resident credit institutions	792	-168	624	38	-8	30	70	-30	40
Other	31	7	37	4	0	5	111	57	168
Capital, total	5,460	565	6,025	1,062	10	1,073	2,099	-118	1,981
Number of credit institutions	24	0	24	79	-5	74	135	-1	134

Figure 2.16. Banking sector capital

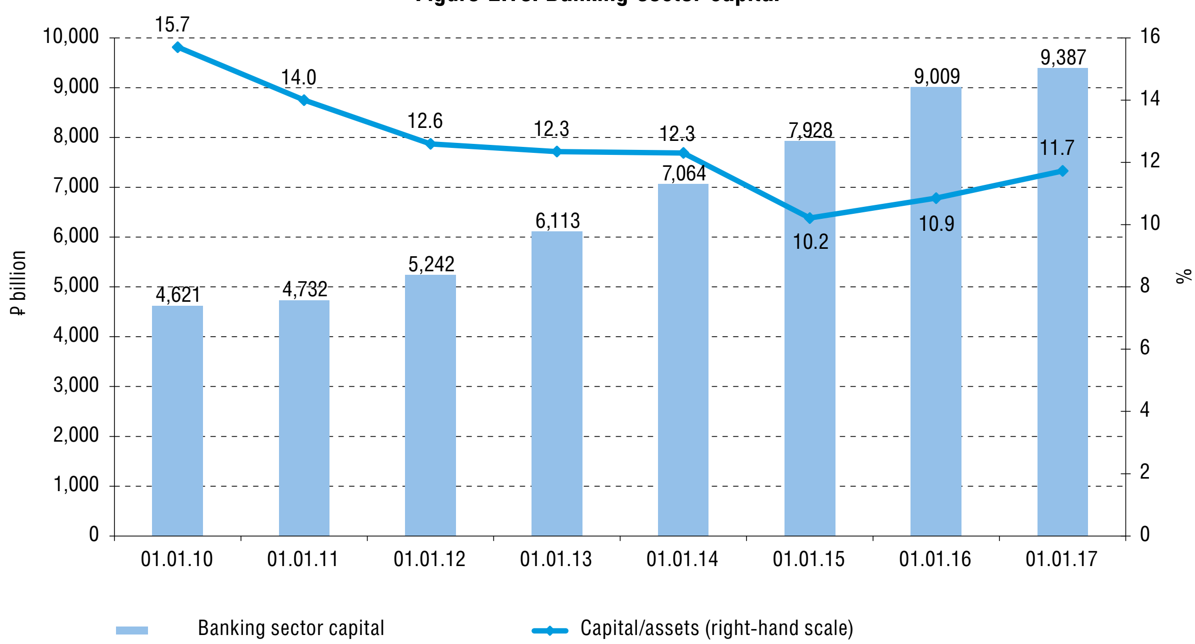


Table 2.9. Capital structure and movements by individual bank group (other credit institutions), ₽ billion

	Small and medium-sized banks based in Moscow and the Moscow Region			Small and medium-sized regional banks			Non-bank credit institutions		
	1 January 2016	+/(-)	1 January 2017	1 January 2016	+/(-)	1 January 2017	1 January 2016	+/ (-)	1 January 2017
Capital sources	196	-56	140	195	-30	165	25	2	26
Authorised capital	83	-23	59	79	-15	64	3	0	3
Share premium	10	-3	7	7	0	7	1	0	1
Profits and funds of credit institutions	72	-19	53	68	-5	63	20	2	22
Subordinated loans	24	-7	17	25	-4	21	1	-1	0
Revaluation surplus	8	-4	4	16	-5	10	0	0	0
Other	0	0	0	0	0	0	0	0	0
Capital deductions	14	-6	9	13	-2	11	1	2	2
Losses	10	-4	6	11	-3	8	0	0	0
Intangible assets	0	1	1	0	1	1	0	2	2
Treasury shares (stakes)	0	0	0	0	0	0	0	0	0
Sources of equity formed from improper assets	0	0	0	0	0	0	0	0	0
Subordinated loans to financial organisations (residents and non-residents)	0	0	0	0	0	0	0	0	0
Credit institutions' investments in shares (stakes) of financial organisations (including non-residents), subsidiary and affiliated legal entities, and resident credit institutions	2	-1	1	0	0	0	0	0	0
Other	2	-1	1	2	-1	1	0	0	0
Capital, total	181	-50	131	182	-28	154	24	-0.2	24
Number of credit institutions	199	-61	138	244	-39	205	52	-4	48

Figure 2.17. Banking sector capital adequacy in 2016

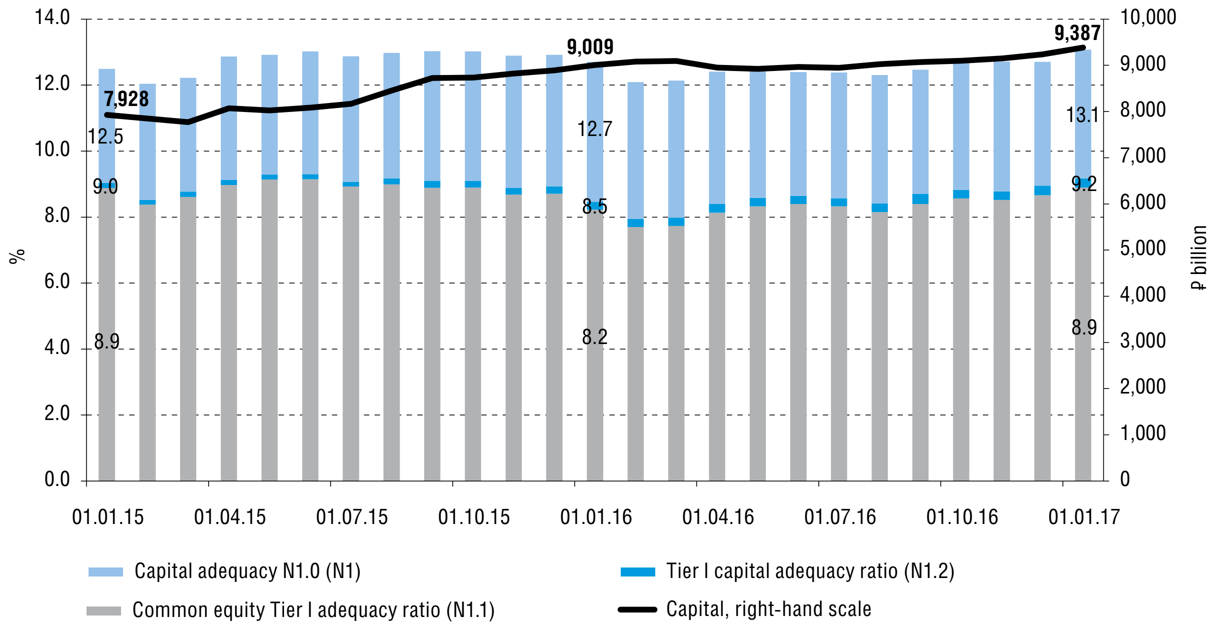
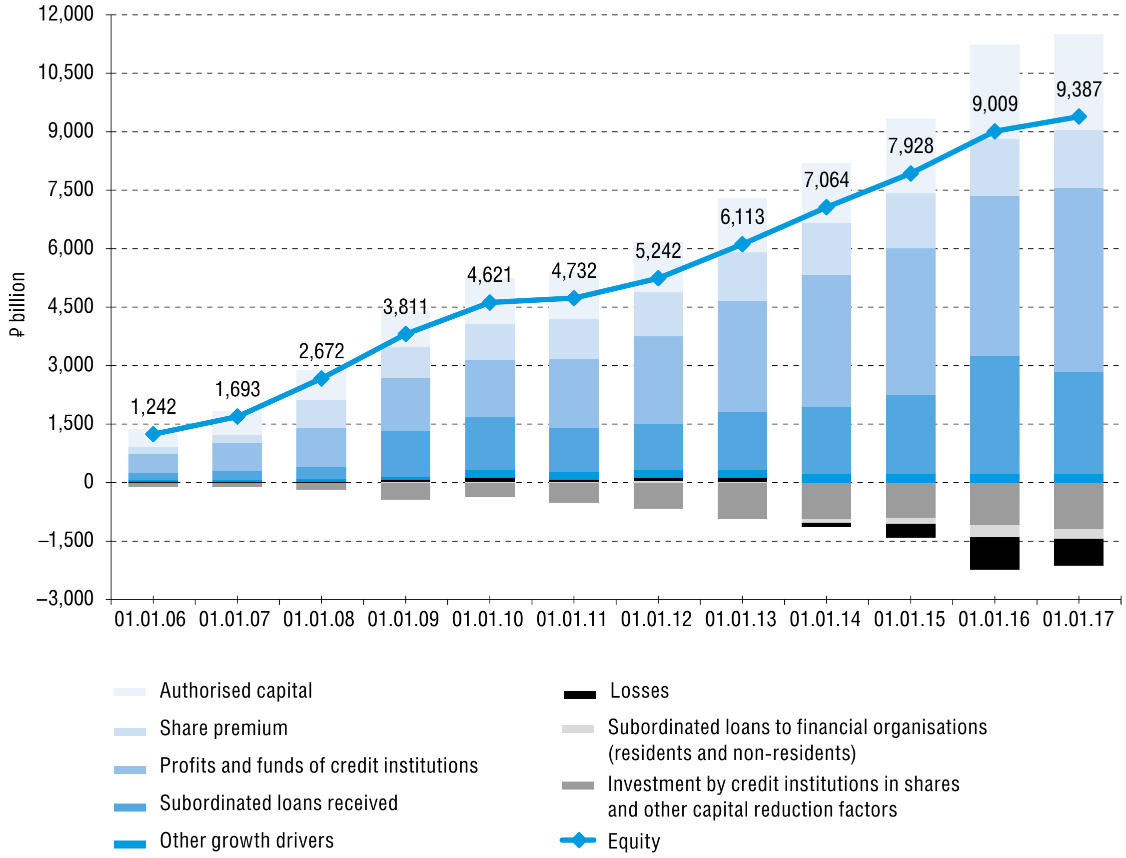


Figure 2.18. Banking sector capital structure



Capital growth by ₽1,030 billion was observed in 403 credit institutions as of year-end 2016 (in 2015, in 538 credit institutions by ₽1,678 billion).

As of the beginning of 2016, capital of credit institutions that terminated their activity during the year amounted to ₽202 billion; in 2015, this figure was ₽231 billion.

II.5.2. Risk-weighted assets

In 2016, risk-weighted assets grew by 1.3% (in 2015, by 11.8%). Credit risk-weighted assets traditionally account for the largest share in risk-weighted assets[1], though their share decreased somewhat to 83% (84% a year earlier).

The share of operational risk grew from 9% to 10% over the year; and the share of market risk went up from 5.4% to 5.6%.

The ratio of credit risk-weighted assets to aggregate balance-sheet assets increased somewhat from 72% to 74% in 2016. In the structure of credit risk-weighted assets the greatest weight (59%) belongs to credit risks on assets reflected on balance-sheet accounts (five groups of assets with different risk ratios). A substantial share of the total credit risk also comprises higher risk transactions (24%) and contingent exposures (7%).

In 2016, the number of higher risk transactions (including related adjustments) increased by 36% to ₽14.5 trillion as of 1 January 2017. In turn, the credit risk on assets reflected on balance-sheet accounts decreased significantly (by 12%), from ₽40 trillion to ₽35.3 trillion; the risk of change in credit claim value following the contractor credit quality deterioration also decreased by 46%, from ₽0.9 trillion to ₽0.5 trillion.

In 2016, the denominator of the N1.0 ratio was supplemented with a new component, PKv, which in-

[1] Pursuant to Bank of Russia Instruction No. 139-I, dated 3 December 2012, 'On Banks' Required Ratios', this risk category includes credit risks on assets reflected 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; 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; and the risk of change in the value of credit claims as a result of contractor credit quality deterioration.

cludes claims with an increased risk factor on some assets in foreign currency formed after 1 May 2016. In particular, on corporate loans (risk ratio 1.1), corporate loans for real estate purchase (risk ratio 1.3), as well as on investment in debt securities denominated in foreign currency (risk ratio 1.1) and securities of non-residents (risk ratio 1.5). The aggregate PKv risk as of 1 January 2017 amounted to ₽2.4 trillion.

In 2016, investment of credit institutions in bonds of the unified development institute for the housing sector (established on the basis of AHML) and investment in mortgage-backed bonds denominated and funded in rubles, particularly those secured with a ruble-denominated surety of the said development institute (risk ratio 0.2), were singled out. The amount of banks' investments in the said bonds as of 1 January 2017 was ₽46 billion.

II.5.3. Bank capital adequacy

As of the end of 2016, capital adequacy of the banking sector N1.0 grew by 0.4 pp (from 12.7% to 13.1%); common equity Tier I adequacy N1.1 also increased by 0.7 pp (from 8.2% to 8.9%), and Tier I capital adequacy N1.2 increased by 0.7 pp (from 8.5% to 9.2%).

The capital reserve[1] as of 1 January 2017 amounted to ₽2.2 trillion (₽1.8 trillion a year earlier). The deficit for banks failing to comply with capital adequacy ratios (mainly banks going through financial rehabilitation) grew insignificantly as of year-end and reached ₽0.63 trillion (₽0.58 trillion as of 1 January 2016). As many as 18 out of 27 banks with a capital deficit had negative capital.

All capital adequacy ratios as of year-end 2016 grew mainly due to the increase in the financial result of credit institutions and the decrease in credit risk on assets reflected on the balance-sheet accounts. The growth of capital adequacy N1.0 was also positively affected by the reduction of deductions from capital associated with investment in shares of financial institutions (including subsidiaries and affiliates). Downward pressure on capital adequacy ratios in 2016 was caused by growth of risks on higher risk transactions, deductions from capital associated with investment in intangible assets, and risks associated with increased requirements for the coverage of certain bank assets with capital of the respective tier in accordance with international approaches to increasing banking sector stability (BC). Capital adequacy N1.0 was also decreased by the reduction of the balances of subordinated debt in capital sources.

Table 2.11. Capital adequacy by groups of credit institutions ranked by assets, %

Credit institutions ranked by assets (in descending order)	Capital adequacy (N1.0)		Tier I capital adequacy (N1.2)		Common equity Tier I adequacy (N1.1)	
	1 January 2016	1 January 2017	1 January 2016	1 January 2017	1 January 2016	1 January 2017
Top 5	12.3	13.1	8.7	9.5	8.6	9.4
6th through 20th	14.5	12.6	8.4	8.0	7.9	7.3
21st through 50th	7.9	9.5	3.3*	5.9**	3.0*	5.4**
51st through 200th	14.4	15.7	10.8	11.2	10.5	11.0
201st +	20.5	23.3	15.9	18.3	15.7	17.9
Banking sector	**12.7**	**13.1**	**8.5**	**9.2**	**8.2**	**8.9**
Memo item: systemically important credit institutions	13.0	13.5	8.8	9.7	8.7	9.4

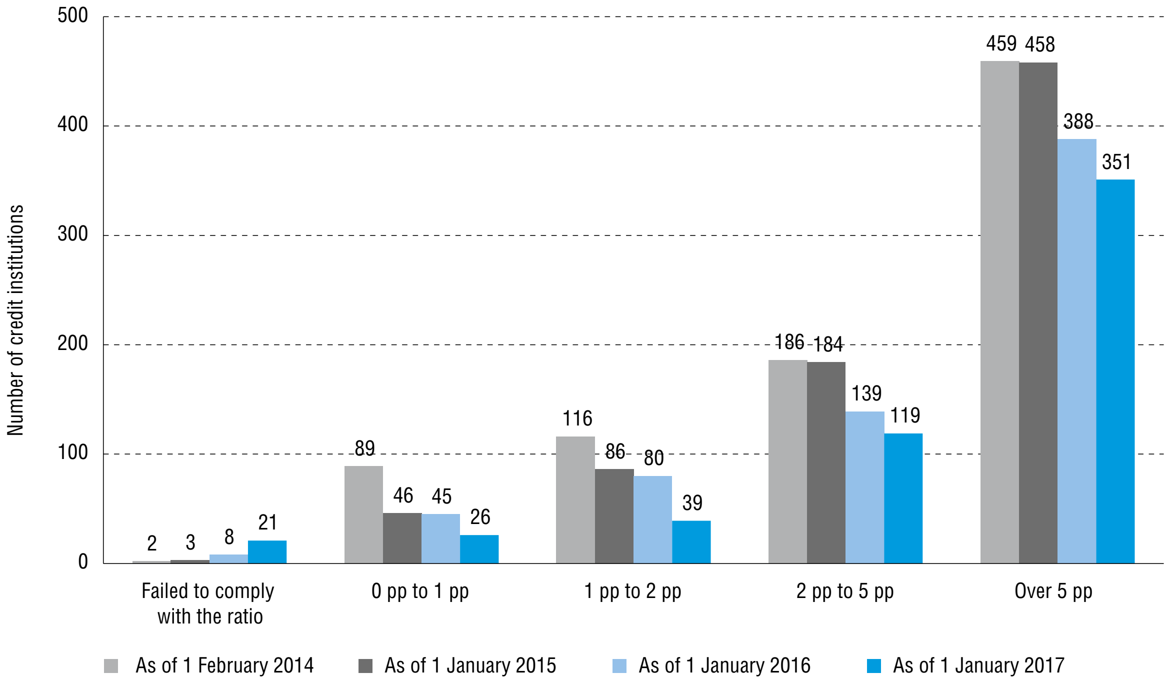
Note: before 1 January 2016 the minimum capital adequacy requirements were 10% for N1.0, 6% for N1.2, and 5% for N1.1; after 1 January 2016 the minimum capital adequacy ratios are 8% for N1.0, 6% for N1.2, and 4.5% for N1.1.

** As of 1 January 2016, the group '21st through 50th' included five credit institutions with negative capital totalling ₽–247 billion; the group '51st through 200th', 11 credit institutions with negative capital of ₽–65 billion; and the group '201st +', 4 credit institutions with negative capital of ₽–4 billion.*

*** As of 1 January 2017, the group '1st through 20th' included one credit institution with capital totalling ₽–72 billion; the group '21st through 50th' included five credit institutions with negative capital totalling ₽–224 billion; the group '51st through 200th', 11 credit institutions with negative capital of ₽–65 billion; and the group '201st +', 1 credit institution with negative capital of ₽–2.4 billion.*

[1] The capital reserve of Russian banks calculated as bank capital in excess of the level required to comply with the capital adequacy ratios and the capital adequacy charge and systemic capital charge effective as of the given date.

Figure 2.19. Banks* by the minimum excess of one capital adequacy ratio over the permissible value (by number of banks)



** Excluding non-bank credit institutions (NCIs) (while the sector's share in assets is calculated inclusive of NCIs) and banks with negative capital (as of 1 January 2017, 18 banks had negative capital).*

Additional capital adequacy requirements (capital buffers)

Starting 1 January 2016, charges were introduced in addition to requirements for mandatory capital adequacy ratios. The minimum numerical value of capital buffers is defined as the sum of the minimum numerical values of the conservation buffer, the countercyclical buffer, and, for systemically important banks, the systemic importance capital buffer. Compliance with the minimum numerical value of the buffers shall be ensured using sources of common equity Tier I capital in an amount exceeding the volume needed to comply with the capital adequacy ratios for the bank. The actual numerical value of the capital buffers is defined as the minimum excess of capital adequacy over the minimum required capital adeucy ratios (N1.1, N1.2, N1.0). Credit institutions must comply with the charges on a quarterly basis.

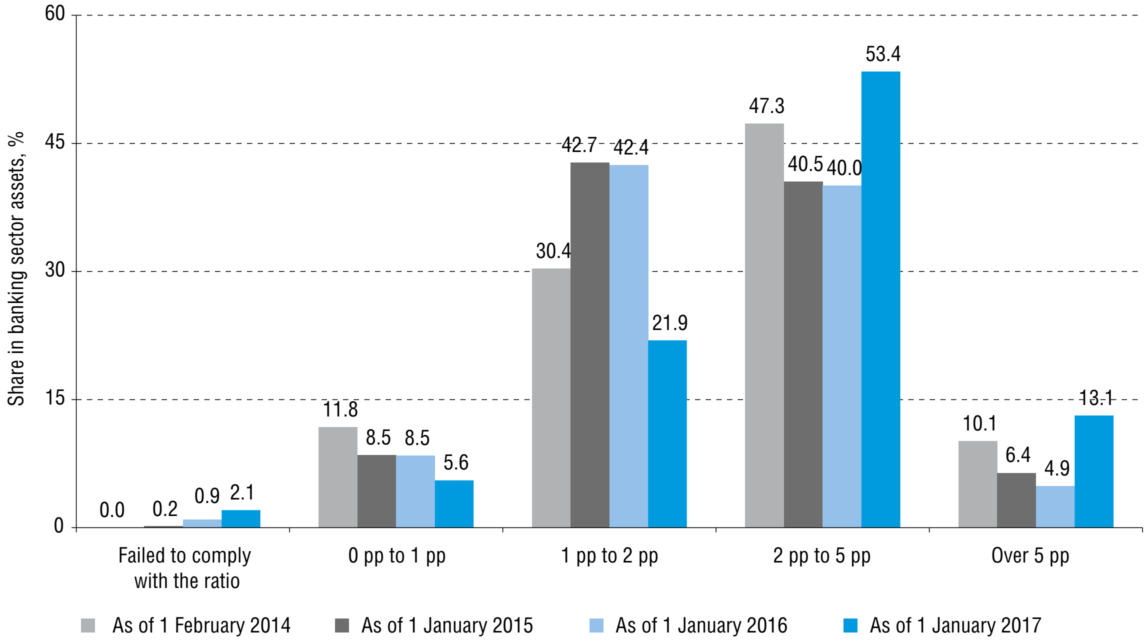
According to Instruction No. 139-I, 'On Banks' Required Ratios', a credit institution's ability to distribute profit depends on its compliance with the requirements for capital buffers. If the actual numerical value of charges is found to be below the minimum numerical value, the credit institution may distribute only a part of its profit, and the share of profit to be distributed depends on the extent to which the minimum established value of capital buffer is not complied with.

As of the beginning of 2017, six credit institutions (accounting for less than 1% of assets) did not fully comply with the established capital buffers. The cumulative capital deficit necessary for the full compliance of these credit institutions with the minimum charge requirements was ₽711 million.

The breakdown of banks by the actual excess of the calculated value over the capital adequacy ratio[1] (Figures 2.19 and 2.20) shows that credit institutions where such excess is no less than 5 pp are the most numerous. In terms of systemic importance (share in banking sector assets), the biggest share belongs to

[1] Calculated in percentage points as the least value out of the indicators of the excess of capital adequacy ratios N1.1, N1.2, and N1.0 over the minimum standard value.

Figure 2.20. Banks* by the minimum excess of one capital adequacy ratio over the permissible value (by share in banking sector total assets)



** Excluding non-bank credit institutions (NCIs) (while the sector's share in assets is calculated inclusive of NCIs) and banks with negative capital (as of 1 January 2017, 18 banks had negative capital).*

credit institutions with an excess of 2 pp to 5 pp, which account for 53.4% of Russian banks' assets (42.4% a year earlier).

II.6. Operations with non-residents

In 2016, the share of operations with non-residents declined overall, inter alia, under the influence of geopolitical factors.

The total debt of the Russian banking sector to non-residents[1] decreased in 2016 by 25.4% (12.4%, adjusted for FX revaluation) to ₽5.9 trillion, of which 86.5% was FX debt. The amount of Russian credit institutions' claims to non-residents decreased over the same period by 23.7% to ₽10.2 trillion (10.9%, adjusted for FX revaluation), of which 83.5% were FX claims. As a result, net claims to non-residents[2] decreased from ₽5.4 trillion as of 1 January 2016 to ₽4.2 trillion as of 1 January 2017.

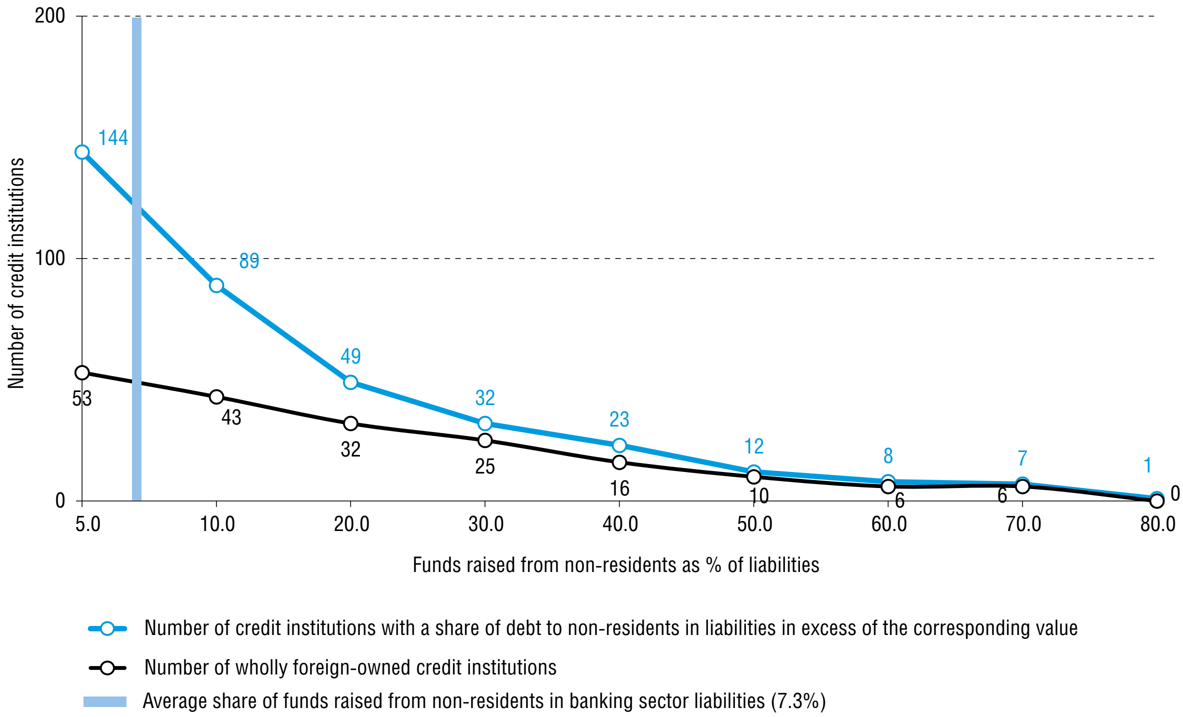
As of 1 January 2017, 535 out of 623 credit institutions had debt to non-residents. The analysis of the distribution of banks by debt to non-residents showed that the average ratio of this debt to liabilities across the banking sector stood at 7.3% as of 1 January 2017. This level was exceeded by 120 credit institutions, including 48 foreign-controlled banks (Figure 2.21). In 391 banks with outstanding debt to non-residents its share in liabilities was below 5%, which generally indicates moderate dependence of the banking sector on the said source of funding.

As of 1 January 2017, funds from non-resident banks had been raised by 102 credit institutions. They accounted for 83.6% of total assets in the banking sector (128 credit institutions with an 85.5% share in banking sector assets as of 1 January 2016). Funds had been placed in non-resident banks by 158 Russian credit institutions as of 1 January 2017; their share in total banking sector assets amounted to 89.4% (as of

[1] Including correspondent and other accounts held by non-resident credit institutions, loans, deposits, and funds in the accounts of other non-resident individuals and legal entities.

[2] The balance of debt to non-residents and funds deposited with them, including correspondent accounts with credit institutions, loans, deposits and other placed funds.

Figure 2.21. Banking sector debt to non-residents as of 1 January 2017



1 January 2016, 162 credit institutions with an 89.4% share in total assets).

Interbank transactions with non-residents are still concentrated in Russia's largest banks. Half of funds raised from abroad were raised by four Russian banks, three of which were systemically important. Two systemically important banks provided half of all funds granted to non-resident banks.

II.7. Bank management quality

In accordance with Bank of Russia Ordinance No. 2005-U, dated 30 April 2008, 'On Assessing Banks' Economic Situation', bank management quality is assessed in terms of the risk management system (PU4), internal controls (PU5), strategic risk management (PU6), and employee compensation risk management (PU7).

Figures 2.22–2.25 show that management quality remains at a high level, with a gradual increase in the share of banks whose indicators were found to be 'good' and 'satisfactory'.

The most significant decline in the share of 'doubtful' indicators with simultaneous growth in the share of 'good' ones was observed in PU5 and PU7, which reflects the results of credit institutions' consistent efforts to improve systems of internal controls and remuneration, and confirms the effectiveness of regulation by the Bank of Russia.

Furthermore, in order to make the first assessment of quality and results of internal capital adequacy assessment procedures (ICAAP) of credit institutions with assets exceeding ₽500 billion in 2017, in 2016 the Bank of Russia started the development of:

– A standardised methodology for assessing the quality of the ICAAP and capital adequacy of credit institutions (SREP);

– Reporting forms on ICAAP organisation and results in credit institutions;

– Software for ICAAP quality assessment.

Figure 2.22. Risk management system assessment (PU4)

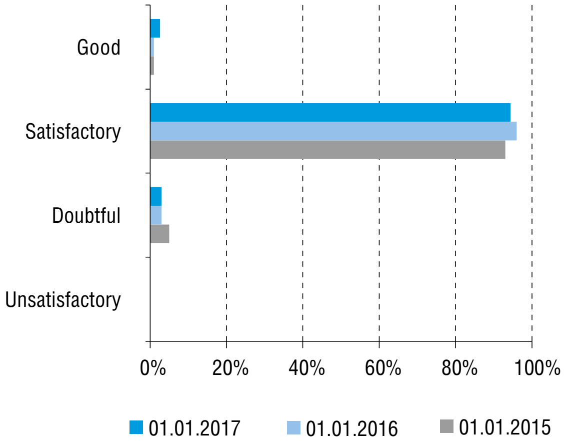


Figure 2.23. Internal control system assessment (PU5)

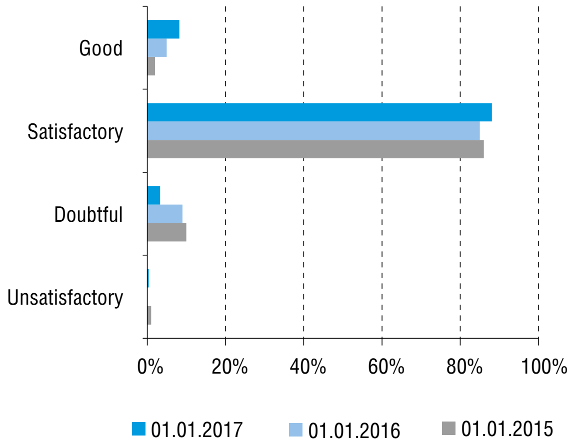


Figure 2.24. Strategic risk management assessment (PU6)

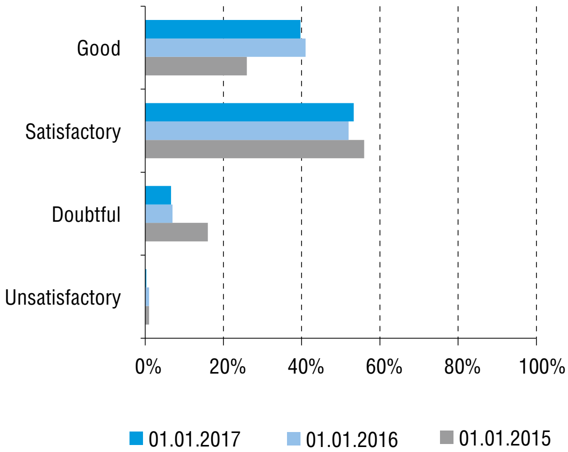
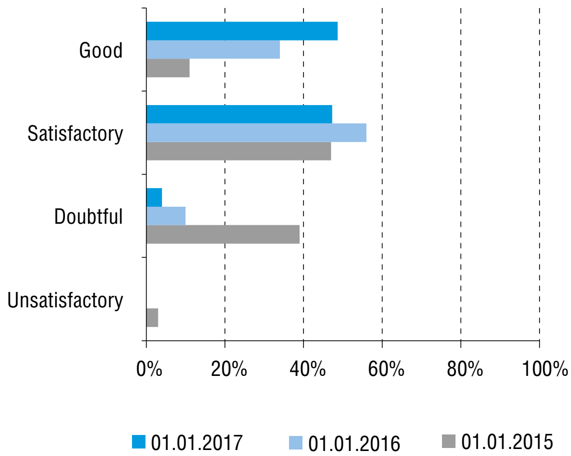


Figure 2.25. Employee compensation risk management assessment (PU7)



II.8. Banking sector stress testing

In 2016, the Bank of Russia performed regular stress tests based on scenario analysis with the use of macromodel in order to identify credit institutions that were most exposed to individual types of risks and estimate the potentially necessary additional capitalisation. Stress tests helped estimate damage to the Russian banking sector in the event of shocks, which took into account the influence of the deterioration of external economic conditions on the Russian economy[1].

Furthermore, the Bank of Russia tested the sensitivity of Russian banks to liquidity risk and concentration risk in individual sectors of the economy. The results of stress tests were widely used in supervision.

Macromodel-based stress testing

The macroeconomic scenario of stress testing performed as of 1 January 2017 provided for a drop in the oil price to $25 per barrel and a 1.4% drop in GDP, along with growth of interest rates on the Russian financial market and the decline of stock exchange in-

[1] The detailed methodology calculating macromodel-based stress tests, calculation of the 'domino' effect, and the analysis of sensitivity to liquidity risk are described in the Banking Supervision Report 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 2016, the Bank of Russia improved its approaches to credit risk assessment: risk division by portfolios became more granular.

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 2.26 shows the 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 possible 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.

dices. The main scenario characteristics are shown in Table 2.12.

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

The results of stress testing showed that most losses (85.4%) are associated with credit risk (additional loan provisioning). The average share of 'bad' loans in the loan[1] portfolio on the one-year horizon may grow from 11.0% to 17.8%.

Losses from additional provisions for extended loans account for 22.6% of total losses. Figure 2.27 shows the distribution of losses.

Given the income banks may receive in the stress conditions, the banking sector could come up with a ₽0.2 trillion loss if the scenario under consideration materialises.

As many as 34 banks (8.6% of banking sector assets as of 1 January 2017) may face capital deficit and violation of at least one of the three capital adequacy ratios[2]. Capital deficit is estimated at ₽0.1 trillion.

According to the stress test, 3 banks (0.6% of banking sector assets) may face a ₽15.2 billion liquidity deficit.

Table 2.12. Change in scenario options on one-year horizon (from 1 January 2017 to 1 January 2018)

Indicator	Stress scenario	Memo item: actual 2016 data
Oil price, $ barrel	25	42
GDP growth, %	-1,4	-0,2
CPI, %	6,5	5,4
Growth of fixed capital investment, %	-3,1	-0,9
Average USD/RUB exchange rate	75	67

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 8.9% to 7.5%, Tier I capital adequacy from 9.2% to 7.7%, and aggregate capital from 13.1% to 11.2%), yet will remain above the regulatory minimum. Thereby, the banking sector retains a considerable capital buffer, which enables the banking sector to withstand serious shocks in the event of aggravated crisis phenomena.

For reference: according to the stress test results as of 1 January 2016, 63 banks could face a ₽0.2 trillion capital deficit (accounting for 19.2% of banking sector assets). The expected financial result according

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

[2] The following values were considered as reference values for capital adequacy: for common equity Tier I – 4.5%; for Tier I capital – 5%; for total capital – 8%.

Figure 2.26. Architecture of bank balance model

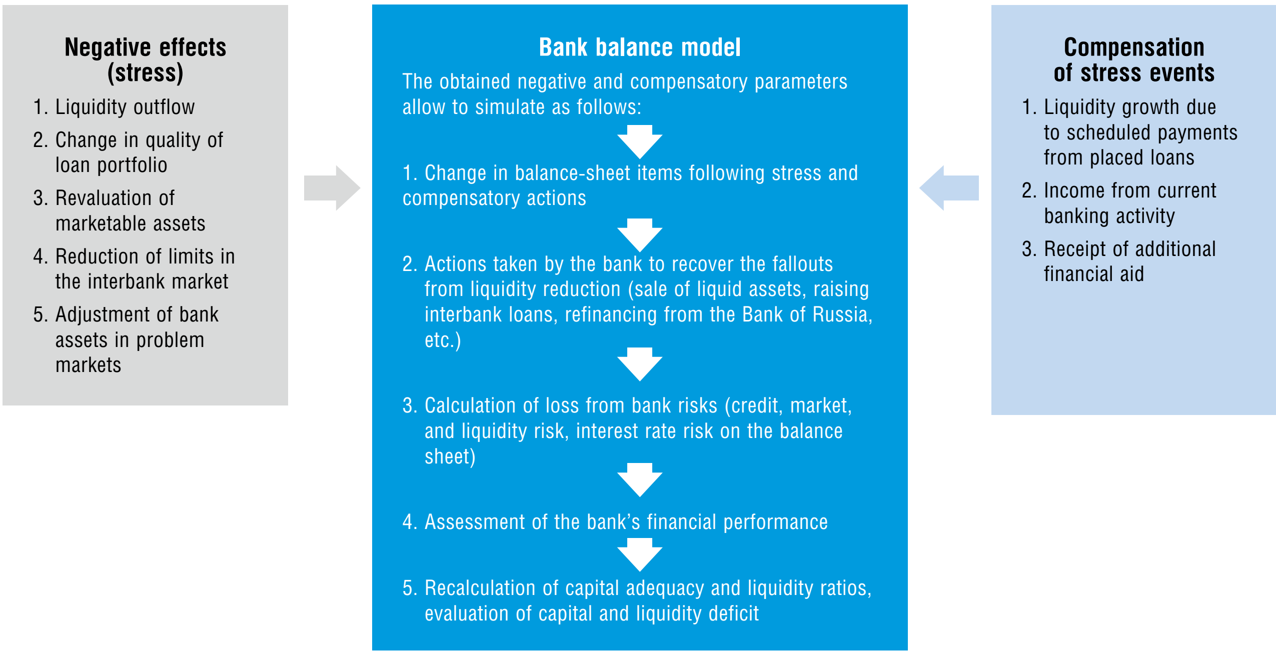


Figure 2.28. Banks that violate at least one of the capital adequacy ratios by the N1.0 value

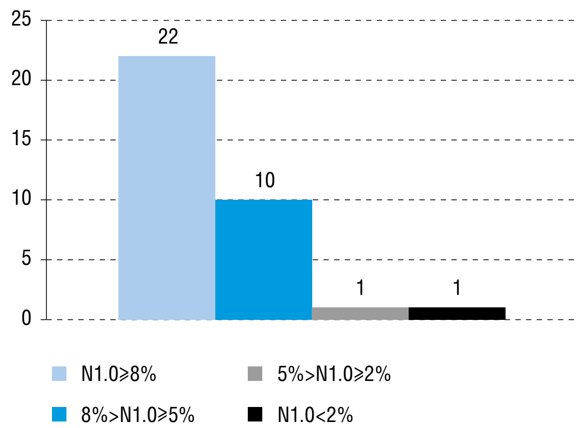
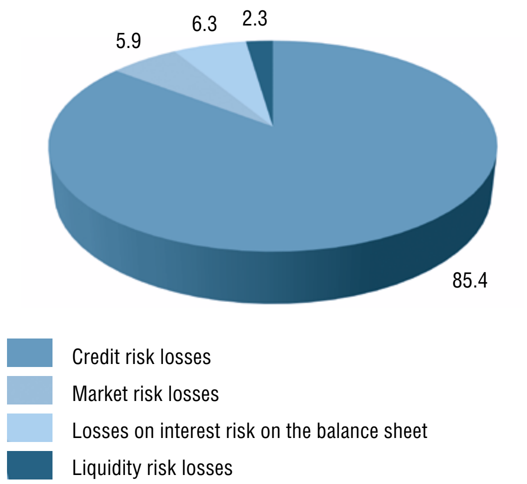


Figure 2.27. Bank losses by risk type, %



to the stress test was a loss of ₽0.3 trillion. Common equity Tier I adequacy could fall to 6.3%; Tier I capital adequacy, to 6.8%; and aggregate capital adequacy, to 10.7%. At the same time, it should be noted that direct comparison of stress test results as of 1 January 2016 and 1 January 2017 is not entirely correct because of the different source scenario parameters.

Due to an increase starting January 2017 in the additional capital adequacy requirements[1] within the stress tests, banks that did not comply with the additional capital adequacy requirements were identified in addition to banks that faced capital deficit after stress. Following the calculation results, there were 91 banks (without capital deficit) that failed to comply with the charges (accounting for 38.5% of banking sector assets).

Domino effect assessment

The stress test also assesses contagion risk in the interbank market (the domino effect) in case of shocks provided for in the macroeconomic scenario. This type of analysis allows evaluating the impact of bankrupt-

[1] Capital adequacy charge: from 0.625% to 1.25%; systemic capital charge: from 0.15% to 0.35% of risk-weighted assets.

Methodological approaches to the analysis of sensitivity to concentration risk

The analysis of banking sector sensitivity to the risks of concentration of lending to a particular sector assumes that a default in the given sector leads to the bankruptcy of all companies engaged in the corresponding activity, except for systemic enterprises[1]. The scenario provides for a 50% impairment of collateral on loans issued to the companies of the said sector. Simultaneous bankruptcy of companies and impairment of collateral will lead to reduction of capital, adjustment of banks' assets at risk, and a decline in capital adequacy ratios. Assessment of concentration risk is performed only for the 30 largest loans of banks.

[1] The list of systemic enterprises is based on the resolution of the Russian Government (minutes of the meeting of the Governmental Commission for Economic Development and Integration No. 1, dated 5 February 2015).

cy of individual banks on the stability of their counterparties in the interbank market.

In the event of a domino effect, a ₽0.2 trillion capital deficit may occur in 93 banks (accounting for 8.32% of banking sector assets). As many as 84 banks (8.27% of assets) may face a ₽0.3 trillion liquidity deficit.

Analysis of Russian banks' sensitivity to liquidity risk

The analysis of sensitivity to liquidity risk allows assessing banks' response to an instant shock set by experts with historical trends factored in. Furthermore, the sensitivity analysis assesses possible losses without consideration of mitigating factors (in this particular case, without access to Bank of Russia refinancing or to the interbank market), which provides a more conservative estimate of bank exposure to liquidity risk.

Based on the analysis of liquidity risk sensitivity as of 1 January 2017, 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 a ₽0.3 trillion liquidity deficit in 37 banks. These banks accounted for 13.9% of total assets of the banking sector. For comparison: the stress test as of the beginning of 2016 suggested that the number of banks operating with a liquidity deficit was 36 (1.7% of banking sector assets), and its estimated amount stood at ₽55 billion.

The tangible growth of liquidity deficit compared to the results as of the beginning of 2016 was caused by toughening of the input shock parameters of the stress, namely by the increased outflow of funds for some categories of customers.

Given that a stress test based on sensitivity analysis excludes banks' opportunities to use Bank of Russia refinancing and interbank loans, the actual negative impact of the shock will be rather moderate.

Analysis of sensitivity to concentration risk

The Bank of Russia tested sensitivity to the risks of lending concentration in individual sectors. The evaluation implied calculation of risks of lending to construction companies and enterprises engaged in wholesale and retail trade. These activities are traditionally the most vulnerable to negative changes in the macroeconomic environment. The stress test for each area of business was calculated separately. This analysis allows evaluating the impact of a negative scenario on banks' capital adequacy ratios and the potential capital deficit of banks that violated at least one capital adequacy ratio according to the stress test results.

The results of the analysis of sensitivity to the risk of concentration on lending to the construction sector suggest that as of 1 January 2017 a capital deficit of about ₽44 billion could emerge in 58 banks, accounting for 3.8% of banking sector assets as of 1 January 2017.

In the event of a default of wholesale and retail trade enterprises, 114 banks could face a capital deficit of about ₽86 billion. The share of those banks in banking sector assets was 6.3% as of 1 January 2017.

Therefore, the stress tests performed show a rather low concentration on lending to the said sectors and indicate the absence of systemic risks for the banking sector. Given the rather conservative parameters of the stress scenario, the real impact of such events on the capital adequacy of the banking sector will be less significant.

III. BANKING REGULATION AND SUPERVISION IN RUSSIA

III.1. Improving banking regulation and supervision approaches. Development prospects

III.1.1. Updating legal framework for credit institutions

The year 2016 saw the adoption of Federal Law No. 262-FZ, dated 3 July 2016, 'On Amending the Federal Law 'On Consolidated Financial Statements' and Article 5 of the Federal Law 'On Auditing' prepared with the participation of the Bank of Russia. This law establishes that starting from 1 January 2018 parent credit institutions of banking groups and parent institutions of bank holding companies whose securities have been admitted to organised trading by way of inclusion in the quotation list and credit institutions that are not part of a banking group shall have their interim financial statements prepared in compliance with the International Financial Reporting Standards audited and publicly disclose the auditor's report on the accuracy of the said statements.

Taking into account the complexity of the international standards to be implemented, the Bank of Russia developed the concept of proportional regulation of the banking sector[1], which divides banks into universal licence holders and basic licence holders based on the list of permissible operations. The minimum amount of bank capital constitutes the key criterion for determining the type of licence. It is proposed to be established at ₽1 billion for a newly registered universal licence holder bank and at ₽300 million for a basic licence holder bank. The type of banking licence determines the specifics of a bank's activity and the regulatory load: universal licence holder banks will be subject to all requirements in full, while basic licence holder banks will enjoy simplified regulation and, as a general rule, new technically complicated standards will not apply to them.

In 2016, the Bank of Russia also prepared amendments to the mechanism of financial rehabilitation of banks[2] which supplemented the procedure of bank resolution with a new instrument – additional capitalisation of a bank under resolution by the Bank of Russia. Bank resolution will be financed from the Banking Sector Consolidation Fund, which is formed with money of the Bank of Russia separated from other assets of the Bank of Russia. A management company established by the Bank of Russia will manage bank assets acquired in the course of resolution and implement bank resolution measures on its behalf. The management of banks that have undergone recapitalisation is ultimately aimed at selling them to a new owner at a Bank of Russia-held public auction. Implementation of the new mechanism will allow minimising expenditure of public funds allocated for financial rehabilitation measures.

Furthermore, in 2016 the Bank of Russia developed a procedure for interacting with credit institutions through a credit institution's personal account on the Bank of Russia website. This mechanism will speed up and simplify delivery of documents to credit institutions from the Bank of Russia, transmission of soft copy reports, documents (information), or requests for clarification of the application of Bank of Russia regulations by credit institutions to the Bank of Russia, inter alia, in the event of geographical remoteness of the credit institution from the Bank of Russia's supervisory divisions, as well as help establish the delivery time of Bank of Russia orders.

For the purpose of implementing Federal Law No. 362-FZ, dated 3 July 2016[3], an instruction was

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

[2] Federal Law No. 84-FZ, dated 1 May 2017, 'On Amending Certain Laws of the Russian Federation'.

[3] 'On Amending Articles 72 and 73 of the Federal Law 'On the Central Bank of the Russian Federation (Bank of Russia)' and Article 33 of the Federal Law 'On Banks and Banking Activity'.

issued to establish the procedure for authorised representatives (employees) of the Bank of Russia to inspect the pledged asset or review a borrower's activity. The provisions of this instruction were synchronised with regulations governing the inspection activity of the Bank of Russia. Furthermore, these regulations update the procedure for a credit institution to audit cash funds and other valuables to provide for the possibility of unscheduled inspections and the ability to record the process of inspecting with special technical tools.

An ordinance was issued to determine the unity of approaches to inspections of credit institutions and non-bank financial institutions (NFI) and the tools for verifying violations of laws and Bank of Russia regulations revealed by the inspection.

The procedure for Bank of Russia regional branches to notify the Bank of Russia Chief Inspection of unscheduled targeted inspections of credit institutions (their branches) was established at a regulatory level.

The list of regulations is given in Section IV hereof.

Furthermore, the Bank of Russia issued methodological recommendations for preparation to inspections; for inspecting a consumer lending organisation and evaluating household loans; operations with cash funds on correspondent accounts of credit institutions; for checking a credit institution's compliance with laws on entities of strategic importance for military-industrial complex and security of the Russian Federation; and for identifying transactions of credit institutions and their customers with signs of illegal transactions.

In order to improve the quality of governance in credit institutions and other financial market participants, in 2016 the Bank of Russia continued to draft Federal Law No. 779566-6 'On Amending Certain Laws of the Russian Federation to Improve Mandatory Requirements for Founders (Members), Management Bodies, and Officials of Financial Institutions'. In particular, it provides for the establishment of a life-long ban on holding the offices of the head of a credit institution (branch) or a member of the board of directors (supervisory board) in a credit institution, purchasing (owning) more than 10% of shares (stakes) of a credit institution, or establishing (exercising) control over shareholders (members) of a credit institution for the persons charged in accordance with a final and binding judicial act with illegal actions during the bankruptcy of a credit institution, purposeful and (or) fictitious bankruptcy, or in the event of repeated violation of business reputation requirements.

Furthermore, the list of officials covered by business reputation requirements, as set forth in Articles 111 and 111-2 of the Federal Law 'On Banks and Banking Activity', was supplemented with a special official in charge of the implementation of internal control regulations in a credit institution for the purposes of countering the legalisation (laundering) of criminally obtained incomes and the financing of terrorism.

In 2016, the Bank of Russia prepared the draft Federal Law 'On Amending Certain Laws of the Russian Federation', which provided for amendments to the Federal Law 'On Insolvency (Bankruptcy)' to establish additional requirements for the accreditation of a liquidator, an individual acting as a receiver of bankrupt credit institutions.

III.1.2. Banking regulation

In 2016, the Bank of Russia continued to implement internationally recognised approaches to banking regulation, including recommendations of the Basel Committee on Banking Supervision, and to update approaches to banking regulation; in particular, the following measures were taken:

1. Due to the entry into force as of 1 January 2017 of a legislative requirement to calculate and comply with the ratio of maximum exposure per bank affiliate (group of bank affiliates) N25, elaboration of the necessary regulations was completed.

The Bank of Russia established phased calculation of the N25 ratio in respect of bank affiliates whose activity is considered to be fully 'transparent' and supported with a credit rating, the amount of tax paid, etc. Taking into account the inspection of credit institutions conducted by the Bank of Russia, the debt of such entities to the bank will be included in the calculation of the N25 ratio with a coefficient of 20% during 2017, and with a coefficient of 50% during 2018.

The Bank of Russia determined the signs of possible affiliation of legal entities and (or) individuals with a credit institution for the Bank of Russia's Banking Supervision Committee (BSC) to make motivated decisions on recognising an entity as a bank affiliate (a part of a group of bank affiliates) (Bank of Russia Ordinance No. 4203-U, dated 17 November 2016).

Furthermore, the Bank of Russia established the procedure and timeframes for decision-making by the BSC on recognising an entity as a bank affiliate as well as the procedure and timeframes for communicating this decision to the credit institution and consideration by the Bank of Russia of credit institutions' appeals of such decisions (Bank of Russia Ordinance No. 4205-U, dated 17 November 2016).

2. In 2016, the Bank of Russia started introducing in Russia the document of the Basel Committee on Banking Supervision 'Revised Pillar 3 Disclosure Requirements', which provides for public disclosure of information on the calculation of capital requirements with respect to the most significant risks and procedures for their management in the form of tables of a standard format accompanied with text clarifications. These requirements will first apply to information disclosure for 2017.

3. In order to enhance the availability of information on risks of credit institutions for investors, customers and other stakeholders, starting in 2017 the list of information to be disclosed by credit institutions as part of the annual (interim) accounting (financial) statements was supplemented with:

– information on credit institutions' operations with non-resident counterparties and on encumbered and unencumbered assets of credit institutions (Bank of Russia Ordinance No. 4204-U, dated 17 November 2016);

– information on the scope of the most risky part of the loan portfolio, for which loss provisions were formed in an amount less than that which arises out of the formal criteria of the Bank of Russia, and on securities held with depositories which meet the Bank of Russia's criteria for the formation of increased loss provisions (Bank of Russia Ordinance No. 4212-U, dated 24 October 2016, in terms of disclosed statements).

4. In order to monitor concentration risk, which arises because of the exposure of a credit institution to major risks whose materialisation may incur significant losses which could threaten the solvency of the credit institution, a new reporting form 0409120 'Concentration Risk Details' was introduced. This reporting form, required for banks with assets amounting to ₽500 billion or more, came into force as of 1 January 2017; for banks with assets amounting to less than ₽500 billion it will come into force as of 1 July 2017.

5. For the purpose of additional coverage of the banking sector's foreign exchange risks with capital and mitigation of the dependence of its performance indicators on foreign currency volatility when calculating the capital adequacy ratios of banks, on 1 May 2016 requirements for the application of increased risk ratios on corporate loans and transactions with FX securities (110%, 130%, and 150%, depending on the type of transaction/object of the investment/quality of the depository certifying the rights to the securities) came into force.

6. In July 2016, Instruction No. 139-I, dated 3 December 2012, 'On Banks' Required Ratios' re-established an increased risk ratio of 110% for unsecured consumer loans issued after 1 August 2016 in Russian rubles with an effective interest rate from 25% to 35%.

7. For the purpose of calculating the limits of risk per borrower (N6 ratio), a decreased risk ratio of 50% was established, irrespective of the country rating of the Russian Federation for claims in foreign currency to individual categories of borrowers, and a risk ratio of 100% was established for investments in bonds of a junior tranche of securitisation.

8. Furthermore, starting from 1 October 2016 amendments to the procedure for loss provisioning came into force which provided for bringing the requirements of Bank of Russia Regulation No. 283-P, dated 20 March 2006, 'On the Procedure for Making Loan Loss Provisions by Credit Institutions' in line with the requirements of Bank of Russia Regulation No. 254-P, dated 26 March 2004, 'On the Procedure for Making Loss Provisions by Credit Institutions for Loans, Loan and Similar Debt' (hereinafter referred to as Regulation No. 254-P), including on determining the reality of activity of legal entities, providing the option of not increasing existing provisions in connection with the occurrence of emergency situations, establishing a requirement to classify the elements of the calculation base with due regard to the periods during which the credit institution has no information about the counterparty, etc.

9. On 9 December 2016, amendments to Regulation No. 254-P concerning the extension of the period for selling collateral and, accordingly, extension of the time during which the collateral may be taken into account for the purpose of forming provisions adjusted for discount from 180 to 270 calendar days came into force.

In 2016, the Bank of Russia continued to improve regulation of the activity of non-bank credit institutions which are central counterparties (CCs). In particular, the list of acceptable combinations of banking operations, numerical values, and calculation methods of CCs' required ratios were established for CCs, so was the procedure for the Bank of Russia's oversight of their observance (Bank of Russia Instruction No. 175-I, dated 14 November 2016, 'On Banking Operations of Non-Bank Credit Institutions, Central Counterparties, on the Required Ratios of Non-Bank Credit Institutions, Central Counterparties, and the Specifics of Exercising Supervision over Their Compliance by the Bank of Russia'). Furthermore, the Bank of Russia established requirements for the procedure for conducting operational audit by a CC (Bank of Russia Regulation No. 556-P, dated 11 November 2016, 'On the Procedure for Conducting Operational Audit by the Central Counterparty').

III.1.3. Re-engineering of interaction with credit institutions

Implementation of new methods for data analysis and processing and wide use of new electronic technologies have gained in importance for banks and financial institutions. Among the factors that determine the pace of implementation of digital technology in the financial area are the role and participation of the state in this process, including the role and participation of the Bank of Russia.

Under re-engineering of interaction with credit institutions (to increase the speed of interaction and reduce banks' costs), the Bank of Russia launched information exchange with credit institutions via the personal account. The introduction of electronic workflow between the Bank of Russia and credit institutions is among the priority objectives set by the management of the Bank of Russia for improving the system of banking supervision.

The concept of using personal accounts involves the creation of a single point for electronic exchange of legally significant documents of various types between the Bank of Russia and its counterparties, followed by automatic registration of electronic workflow in the Bank of Russia's Workflow and Records Management Automation System and using encryption and authentication tools. Electronic interaction will allows quick collection of both structured data and unstructured information and will significantly increase the efficiency of Bank of Russia divisions in the field of regulation, control and supervision of credit institutions by means of process automation within the framework of two-way electronic workflow.

III.1.4. Decision-making on bank registration and licensing

In the reporting year, the Bank of Russia registered three newly established non-bank credit institutions (one of which was with the participation of non-residents) and one bank incorporated through reorganisation by way of spin-off and simultaneous merger into another bank, compared to two newly established non-bank credit institutions in 2015.

In 2016:

– 13 banks terminated their activity as a result of reorganisation through merger (compared to eight banks in 2015);

– one bank was reorganised through transformation from a limited liability company into a joint-stock company (in 2015, four banks underwent reorganisation through transformation, including three banks that were reorganised from a closed joint-stock company into a limited liability company).

In 2016, one credit institution changed its status from that of a non-bank credit institution to that of a bank (in 2015, no entity changed its status from that of a non-bank credit institution to that of a bank); one bank changed its status to that of a non-bank credit institution (compared to five banks in 2015).

In 2016, six credit institutions, or 0.96% of the total number of operating credit institutions (compared to three credit institutions in 2015), expanded their activity by obtaining licences, of which:

– one bank was issued a licence for raising funds of individuals in rubles and in foreign currency to deposit accounts (in 2015, no licences for raising funds of individuals in rubles and in foreign currency by banks were issued);

– one bank was issued a licence for raising precious metals in deposit accounts and placement of precious metals (in 2015, no licences for raising precious metals in deposit accounts and placement of precious metals were issued to banks);

– two banks received licence for the collection of cash, bills, and payment and settlement documents and cash services for individuals and legal entities (compared to one non-bank credit institution in 2015);

– one non-bank credit institution received a licence for operations in rubles and in foreign currency for non-bank credit institutions entitled to make money transfers without opening bank accounts and other related banking operations (in 2015, no such licences were issued to non-bank credit institutions);

– one non-bank credit institution received a licence for operations in rubles and in foreign currency for non-bank settlement credit institutions due to the change in its type from a non-bank credit institution entitled to make money transfers without opening bank accounts and other related banking operations to a non-bank settlement credit institution (compared to one non-bank credit institution in 2015).

In 2016, based on the Bank of Russia's resolutions, amendments to the charters of 110 credit institutions were registered. These amendments entailed, among other things, reissuance of banking licences for 64 credit institutions due to bringing their names in line with Federal Law No. 99-FZ, dated 5 May 2014, 'On Amending Chapter 4 of Part One of the Civil Code of the Russian Federation, and on Invalidating Certain Provisions of Laws of the Russian Federation'.

As of 1 January 2017, the Bank of Russia accredited 59 representative offices of foreign credit institutions (as of 1 January 2016, 67 representative offices were accredited). In 2016, the Bank of Russia accredited four representative offices of foreign credit institutions for operation in the Russian Federation (compared to one representative office in 2015) and extended the accreditation of 24 representative offices of foreign credit institutions (compared to 17 representative offices in 2015).

In 2016, accreditation of 11 representative offices of foreign credit institutions in the Russian Federation was terminated (compared to 7 representative offices in 2015).

The aggregate investment of non-residents in the total paid-in authorised capital of operating credit institutions remained almost unchanged at ₽407.3 billion in 2016 against ₽408.5 billion as of year-end 2015. The rate of decline of the share of non-residents' participation in authorised capital slowed down; in 2016 it stood at 0.3 pp (as of 1 January 2017, the share was 16.6%; as of 1 January 2016, 16.9%; in 2015 this share decreased from 21.7% to 16.9%, or by 4.8 pp). The number of operating credit institutions with the participation of non-residents decreased from 199 to 174 (from 225 to 199 in 2015). The number of operating credit institutions with a share of participation of non-residents of more than 50% decreased from 106 to 92 (from 113 to 106 in 2015).

The share of foreign capital in the total authorised capital of operating credit institutions, as calculated by the Bank of Russia as of 1 January 2017 in accordance with the procedure established in Article 18 of the Federal Law 'On Banks and Banking Activities', was 13.5% (compared to 13.4% as of 1 January 2016).

III.1.5. Off-site supervision and supervisory response

In 2016, the Bank of Russia started a large-scale reform of banking supervision based on its centralisation. The reform is aimed at optimising business processes and enhancing the pro-active nature of supervision, early identification of risks of credit institutions, and adopting preventive measures for risk mitigation.

In 2016, the Risk Analysis Service was established. It develops competences for analysing credit and market risks of credit institutions on a regular and routine basis. This will make it possible to promptly identify emerging risks in future. Centralisation of the process and uniform standards for appraisal of assets, transactions and operations of credit institutions will allow speeding up and improving the quality of analysis and ensure uniform appraisal of borrowers' financial position on the balance sheets of various credit institutions through introduction of a modern uniform IT system and data storage accumulating information on all transactions and operations of banks.

On 16 December 2016, the Board of Directors decided to establish the Current Banking Supervision Service as of 1 March 2017 within the Bank of Russia head office and to gradually transfer supervision over credit institutions from Bank of Russia regional branches to the said unit in 2017–2018.

The Bank of Russia continued to apply consolidated supervision over banks and banking groups, which enabled, among other things, the identification and adoption of measures for the mitigation of a number of systemic risks. Improvement of information exchange between structural units of the Bank of Russia and between the Bank of Russia and other agencies and organisations (including the FTS of Russia, exchanges, and depositories) has expanded the range of tools for identifying schemes aimed at concealing individual banking risks. The Bank of Russia has initiated and is implementing a number of projects with an IT component for automation of analytical supervision and optimisation of interaction between Bank of Russia divisions.

In interaction with Bank of Russia divisions specialising in supervision on the financial markets, the practice of consolidated supervision of financial groups (including informal ones) which include non-bank financial institutions continued to be used. Information exchange was carried out to evaluate the overall influence of various participants of groups on the financial standing of other participants.

In order to assess the risks of the activities of credit institutions from international groups, the Bank of Russia's representatives took part in international supervisory boards.

In 2016, some banks accepted household funds in deposits without executing the necessary documents and reports (so-called 'off-balance-sheet deposits'). The Bank of Russia developed guidelines for identification and prevention of such criminal activities.

The Bank of Russia took measures to prevent schemes aimed at withdrawal of assets in the run-up to revocation of banking licences, including schemes associated with the issuance of overdrafts or bank guarantees and the removal of liquid real estate from the books.

Supervision was focused on transactions under import letters of credit and lending to non-resident companies from the point of view of real activity of counterparties and appropriate use of funds. It is difficult for the Bank of Russia to obtain this information due to the counterparty's jurisdiction. Signs of withdrawal of assets from credit institutions, inter alia, for the purpose of financing the owners' business and the fictitious increase of banks' capital, were also identified under operations with non-residents.

Major supervisory efforts were focused on reviewing non-transparent sources of capital, particularly including income gained through the use of schemes (including commission fee and interest accrued, but not actually paid or paid using funds allocated by the credit institution) and contribution of assets to the capital at an inflated value. As part of agreements between the Bank of Russia and foreign supervisors, sources of equity received from non-residents were scrutinised.

In 2016, the Bank of Russia, using the materials of the Risk Analysis Service, assessed the fair value of pledged items and assets on the books of credit institutions. The results of that work were used to evaluate the adequacy of provisions formed and the sources of capital formation of credit institutions.

In 2016, the Bank of Russia's supervisory response was primarily geared towards early identification of negative trends in the activities of credit institutions and adoption of adequate measures to prevent the development of those trends.

In the course of implementing early response procedures, senior management and (or) the board of directors (supervisory board) of 713 credit institutions received written information on deficiencies in the activity of their companies and recommendations on their elimination.

Supervisory meetings were held with representatives of 580 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.

Recommendations on the elaboration of an action plan for the elimination of deficiencies, enhanced monitoring of reporting submitted to the Bank of Russia, and adequate credit risk assessment were sent out in 57 different cases.

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

– fines: 302 credit institutions;

– restrictions to carry out out certain transactions by credit institutions: 213 credit institutions (restrictions on raising household deposits were imposed on 150 banks, and restrictions on opening corporate and household bank accounts were imposed on 134 banks);

– bans to carry out certain banking operations by credit institutions, introduced by 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): 61 credit institutions;

– bans to raise funds of individuals to deposits and open household bank accounts, introduced by Article 48 of Federal Law No. 177-FZ, dated 23 December 2003, 'On Insurance of Household Deposits with Russian Banks': one credit institution;

– requirements: 610 credit institutions, including requirements for reclassification of outstanding loans made on 432 credit institutions and requirements for additional loan loss provisioning made on 448 credit institutions;

– bans to open branches: on 65 credit institutions.

Based on Article 61 of Federal Law No. 86-FZ and Article 11.3 of Federal Law No. 395-1, dated 2 December 1990, 'On Banks and Banking Activity' (hereinafter referred to as Federal Law No. 395-1), Bank of Russia regional branches sent 70 instructions to beneficiaries, owners, controllers, and their sole executive bodies in 2016, as listed in Table 3.1.

Table 3.1. Number of instructions to eliminate violations in 2016

Instructions to eliminate violations	Quantity
committed during the acquisition of more than 10% of shares (stakes) of a credit institution by a legal entity or an individual (group of entities/individuals)	26
committed when establishing control over shareholders (members) of a credit institution holding more than 10% of shares (stakes) of the credit institution	9
related to the poor financial position of a legal entity holding more than 10% of shares (stakes) of a credit institution or exercising control over shareholders (members) of a credit institution holding more than 10% of shares (stakes) of the credit institution	25
related to the poor business reputation of entities/ individuals holding more than 10% of shares (stakes) of a credit institution or entities/individuals that have established control over shareholders (members) of a credit institution	9
related to the poor business reputation of a person acting as a chief executive officer of a legal entity which is a shareholder (member) of a credit institution and holds more than 10% of shares (stakes) in such credit institution	1

In 2016, credit institutions received orders to replace 42 heads of credit institutions (branches) and members of the board of directors (supervisory board) because they failed to meet business reputation requirements.

If the owners did not take effective measures to eliminate the identified violations and recover financial stability, the Bank of Russia revoked the banking licence as a measure of last resort when there were grounds.

In 2016, the Bank of Russia revoked the banking licences of 97 credit institutions (93 credit institutions in 2015) in accordance with Article 74 of Federal Law No. 86-FZ and Article 20 of Federal Law No. 395-1.

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: 96 cases (83 in 2015);

– 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: 35 cases (34 in 2015);

– revealed significant inaccuracy of reporting data: 5 cases (11 in 2015);

– capital adequacy below 2%: 39 cases (27 in 2015);

– decline in the capital of the credit institution below the required minimum authorised capital established as of the date of its state registration: 36 cases (26 in 2015);

– inability to meet creditors' claims on monetary obligations within 14 days from the date of their maturity: 15 cases (13 in 2015);

– reduction of the bank's capital below the minimum required level established in Part 7 of Article 11.2 of Federal Law No. 395-1 for three consecutive months subject to the absence of a request to change its status to that of a non-bank credit institution: 2 cases (no such cases in 2015).

The aggregate value of assets of credit institutions whose banking licences were revoked in 2016 amounted to ₽1.1 trillion, and total household funds raised amounted to ₽477 billion, which amounted to 1.3% and 2.1%, respectively, of the aggregate indicators of the banking sector[1].

During the reporting period the Bank of Russia revoked licences from three credit institutions following the resolution of their shareholders on voluntary liquidation.

Most of those credit institutions whose licences were revoked during the reporting period (67 out of 97) were registered in the Moscow Region.

III.1.6. Inspection of credit institutions

In 2016, authorised representatives of the Bank of Russia inspected 585 credit institutions and their branches[2], including 132 credit institutions inspected within the second line of supervision and 35 systemically important credit institutions and their branches. Based on risk-based approaches, all inspections were carried out by individual lines of business. About 70% of all inspections (408 inspections) were scheduled. Upon the occurrence of grounds stipulated by law, unscheduled inspections were organised (177 inspections, or 30%), half of which (89 inspections) were carried out by the decision of the Bank of Russia management due

[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 2016.

[2] Inspections started in 2016.

to the need to examine operations which could generate a high risk level, inter alia, due to the signs of 'manipulation' of household deposits. Those inspections confirmed that some credit institutions had performed fictitious operations with deposits, inter alia, by debiting household deposit accounts without customers' order, and revealed signs of creative accounting. The inspections also revealed cases of 'artificial increase' of household bank accounts and their balances in the days preceding the date when the regulator introduced limitations on operations with individuals' funds (in order to mitigate the effect of the measures applied).

The inspections were focused on the identification of consolidated risks typical both of credit institutions and related non-bank financial institutions. For these purposes, the Bank of Russia simultaneously performed and coordinated inspections of credit institutions' head offices and branches (17 inspections), credit institutions participating in banking groups and bank holding companies (11 groups comprising 28 credit institutions), and credit institutions and related non-bank financial institutions (12 groups comprising 25 credit institutions and 29 NCIs).

Application of a cross-sectoral approach enabled the identification of high-risk operations performed for the benefit of group beneficiaries, including those related to the transfer of toxic assets from the balance sheets of some group participants to that of others, which only 'diluted' the risk of the group without mitigating it, as well as operations with different schemes ultimately financed with the funds of households and pension savings of non-governmental pension funds. The Bank of Russia detected operations aimed at improving performance indicators of credit institutions of the group (e.g., by insurance companies providing them with financial assistance and acquiring troubled debts of banks and transferring them to mortgage participation certificates (MPCs) or CUIFs) or, on the contrary, insurance companies' borrowing from the banks of the group (when there was no need for loans) for the purposes of formal compliance with legislation and Bank of Russia regulations on the scope and structure of their assets. The Bank of Russia also discovered price manipulation in the securities market by performing transactions with securities issued by shell companies with the participation of a narrow circle of related entities in collusion.

The inspections proved that credit institutions violated credit risk assessment requirements (51.7%) and anti-money laundering and counter-terrorism financing laws (AML/CTF) (25.3%).

The existence of negative threatening phenomena in the activity of borrowers and counterparties was not taken into account when evaluating their financial position; subject to the absence of real activity and the allocation of loans to repay bad debt on previously issued loans unreasonable administrative decisions were made, or other material factors were improperly applied to improve loan quality; or the amount of provisions for the value of collateral that failed to meet the requirements of Bank of Russia regulations was minimised.

The inspections of consumer lending revealed instances of unreliability of income data provided by borrowers; concealing the real period of overdue debt by credit institutions; inclusion of unsecured loans in portfolios of secured loans; and absence of original loan agreements for consumer loans acquired under assignment agreements.

Banks understated their risk of loss under guarantees issued to principals undergoing bankruptcy procedures and under investments in securities of issuers with a poor financial position.

As many as 233 inspections assessed compliance with AML/CTF requirements. The inspections revealed banks' failures to submit (timely submit) information on the operations subject to mandatory control to the authorised body and failures to take legitimate and available measures to identify a beneficiary. Some credit institutions were involved in customer operations bearing signs of dubious ones, including those aimed at overseas money transfers or transit of various levels (accumulating import, high-risk transit operations).

The inspections recorded failures of individual credit institutions to fulfil their obligations to effect customer payments and revealed the shortage of cash on hand, which was further disguised by documentation of cash expenditure operations on the issuance of household loans.

Compliance with laws on state defence orders (SDOs) was reviewed during inspections of 27 credit institutions (their branches) authorised to provide banking support for settlements under SDOs. Inspections revealed violations of the procedure for opening an individual account and using it, and failures to comply with deadline for sending electronic messages to the unified information system. The inspections revealed individual operations performed on those accounts which made no apparent economic expediency, scheme operations aimed at cash withdrawal, or money transfers to counterparties that were in the process of liquidation or had signs of the absence of real business.

In order to increase the quality of inspections, mitigate legal risk, and improve the positions of working groups during the classification of risks of credit institutions, the Bank of Russia monitored inspections, coordinated the approaches adopted by inspection units and off-site supervision units, guided the actions of the working groups, and performed subsequent analysis of inspection findings. The Bank of Russia continued to optimise presentation of information in the inspection reports.

In 10 credit institutions, the Bank of Russia's and DIA's representatives evaluated the adequacy of credit institutions' assets for settling their liabilities, following which the Bank of Russia decided on the expediency of financial rehabilitation of the bank.

These inspection measures involved active information exchange with supervisory, oversight, and law enforcement agencies: 227 requests were reviewed, and 663 requests for information about customers of 50 credit institutions and 101 messages on dubious operations and transactions of credit institutions and their customers which might be associated with illegal activity and the legalisation (laundering) of criminally obtained income were sent.

III.1.7. Banking sector stability monitoring and its use in supervision

The Bank of Russia carried out continuous analytical work to identify negative trends and potential problems in credit institutions' activity at the early stage. As part of that work the Bank of Russia prepared a weekly summary of indicators which could provide 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 includes over 30 items that provide a comprehensive description of credit institutions' activity.

Monitoring included the assessment of the potential negative impact of major risks on banks' compliance with prudential standards, primarily capital adequacy ratios, and the analysis of asset quality and liquidity status. The Bank of Russia also identified significant deviations in the movements of funds raised, the cost of funding, and the degree of concentration in raised and placed funds. Negative trends in banking business profitability were reviewed individually.

The Bank of Russia made computer-assisted tests of credit institutions' current performance indicators against the values based on standard approaches of mathematical statistics, as well as criteria and benchmarks established by expert judgement. The selection revealed elevated risks on certain positions in some credit institutions. Banks found in conventional 'risk zones' with the maximum number of cases were additionally analysed for expediency of updating the applicable supervisory regime.

In some cases (in particular, as part of the FSAP mission) financial stability of the Russian banking sector was also assessed by the risk map of the Russian banking sector in 2016.

The map includes seven groups of indicators with a risk level of 0 to 10: industry-specific risk factors (liquidity and credit risk, profitability, capital, and market risk) and external risk factors (macroeconomic and external risks). The farther from the centre of the 'web', the higher is the risk level.

Each vector consists of a set of indicators (vectors) for which the risk level is determined based on the evaluation of trends in relative indicators. After building the data series the percentile within which the value of the indicator of the analysed period falls is determined. The higher is the percentile value, the higher is the risk on this indicator.

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

A 'risk map' in the form of a 'web' is drawn into a regular heptagon. To determine the general risk level of the banking sector, the area of the 'risk zone' delimited by an irregular polygon is calculated.

Furthermore, a final financial stability indicator (FSI) is calculated as the ratio (as a percentage) of the area outside the 'risk zone' (the large regular heptagon less the 'risk zone' area) to the total area of the regular heptagon. Maximum stability corresponds to the FSI equal to 100%, while minimum stability is 0%.

III.1.8. Household deposit insurance

As of 1 January 2017, 808 banks were participants of the deposit insurance system (DIS) (compared to 842 banks as of 1 January 2016), including 519 operational banks and 289 banks undergoing liquidation.

In 2016, two banks were included in the DIS, and 36 banks were excluded from it.

Insured events occurred in 88 banks in 2016; among these, a moratorium on meeting creditors' claims was imposed for five banks.

The outstanding debt of the DIA to the Bank of Russia under the loan granted to ensure the financial stability of the deposit insurance system and to finance payment of compensations on deposits amounted to ₽549 billion as of 1 January 2017.

III.1.9. Bank bankruptcy prevention measures

In 2016, the Bank of Russia took measures to prevent the insolvency (bankruptcy) of credit institutions in accordance with Federal Law No. 127-FZ, dated 26 October 2002, 'On Insolvency (Bankruptcy)' (hereinafter referred to as Federal Law No. 127-FZ).

The Bank of Russia's decision on financial rehabilitation of a bank was based on its systemic importance for the country's or a region's banking sector, the economic expediency of its resolution, including the evaluation of possible losses from insurance indemnity payments, and the willingness of investors (major creditors) to take part in the bank's financial rehabilitation.

In 2016, the Bank of Russia monitored the activity of 110 credit institutions which called for bankruptcy prevention measures in accordance with Article 189.10 of Federal Law No. 127-FZ, of which:

– 14 credit institutions eliminated the said grounds;

– one credit institution started eliminating the said grounds in 2016 and continued to do so in 2017;

– three credit institutions decided to implement financial rehabilitation measures;

– three credit institutions which had their capital dropped below the registered authorised capital at the end of the reporting month, were not required to bring their capital in line with the authorised capital because they had been operating for less than two years after their banking licence was issued;

– six credit institutions were sent requests to bring their capital in line with their authorised capital;

– 22 banks which violated one or more capital adequacy ratios or the current liquidity ratio in 2016 continue to undergo bankruptcy prevention measures (financial rehabilitation) under DIA Participation Plans involving investors and funds of the DIA;

– one bank which violated one or more capital adequacy ratios in 2016 completed bankruptcy prevention measures (financial rehabilitation) under a DIA Participation Plan involving an investor and funds of the DIA by merging with a bank within the investor's banking group;

– in four credit institutions the DIA was assigned the functions of the provisional administration to manage those credit institutions;

– 56 credit institutions had their banking licences revoked.

In 2016, the Bank of Russia in collaboration with the DIA, implemented bankruptcy prevention measures under approved DIA Participation Plans as provided for by Article 189.49 of Federal Law No. 127-FZ with regard to 37 banks, of which:

– 22 banks violated one or more capital adequacy ratios or the current liquidity ratio in 2016;

– two banks operated without violating one or more capital adequacy ratios or the current liquidity ratio;

– in two banks the functions of the provisional administration to manage the credit institution were assigned to the DIA;

– in six banks implementation of bankruptcy prevention measures was completed;

– five banks had their banking licences revoked.

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

– with regard to 24 banks, investors and funds of the DIA were involved (financial rehabilitation);

– in two banks the DIA was assigned the functions of the provisional administration to manage the credit institution.

The DIA's outstanding debt on Bank of Russia loans aimed at bankruptcy prevention measures amounted to ₽1,067.8 billion as of 1 January 2017.

In 2016, the Bank of Russia appointed ten provisional administrations to manage credit institutions before their banking licences were revoked, including seven provisional administrations appointed to banks according to approved plans of DIA participation in bank bankruptcy prevention measures, of which four provisional administrations had their functions and operating period changed later on due to the revocation of the banking licence.

In three credit institutions provisional administrations were appointed in accordance with Clause 4, Article 74 of Federal Law No. 86-FZ; two of these had their functions and operating period changed later on due to the revocation of the banking licence.

In 2016, the Bank of Russia monitored the activity of 21 provisional administrations appointed before the revocation of the banking licence, of which in 17 credit institutions the functions of provisional administration were exercised by the DIA according to approved plans of participation in bank bankruptcy prevention measures.

III.1.10. Liquidation of credit institutions

In 2016, the Bank of Russia appointed 96 provisional administrations to manage credit institutions following the revocation of their banking licences. One provisional administration, appointed in 2015 in the run-up to the bank's licence revocation, had its functions, powers and operating period changed in 2016 due to licence revocation. The activity of 100 provisional administrations appointed in connection with the revocation of credit institutions' licences was terminated.

As of 1 January 2017, 26 provisional administrations of credit institutions appointed due to revocation of credit institutions' licences were operating.

As of 1 January 2017, 351 credit institutions with revoked (cancelled) licences were subject to liquidation, and the Bank of Russia did not receive certificates of their state registration for the purpose of liquidation from the competent registration authorities. Liquidation procedures were implemented in 329 credit institutions, and in 22 credit institutions as of 1 January 2017 the corresponding court rulings had not been adopted after the revocation of their licences.

Most (288) of the said 329 credit institutions to be liquidated were recognised insolvent (bankrupt), and bankruptcy proceedings were initiated in them. Arbitration courts ruled on the forced liquidation of 37 credit institutions. Furthermore, four credit institutions were liquidated voluntarily based on the decisions of their founders. As of 1 January 2017, in 311 credit institutions liquidation was implemented by the DIA, of which in 277 credit institutions the DIA was performing the functions of a receiver, and in 34, the functions of a liquidator.

In 2016, the Bank of Russia held 56 inspections in accordance with the Consolidated Plan of Inspections of Receivers (Liquidators) of Credit Institutions in order to implement the powers to oversee the activities of receivers (liquidators) of credit institutions vested in the Bank of Russia by the laws of the Russian Federation on insolvency (bankruptcy). In 52 cases the object of inspection was the activity of the DIA, and in four cases the activity of court-appointed receivers duly accredited by the Bank of Russia as receivers in the bankruptcy of credit institutions.

III.1.11. Financial Sector Assessment Programme (FSAP)

In 2015–2016, the Bank of Russia took part in a number of events held by the International Monetary Fund and the World Bank under the Financial Sector Assessment Programme (FSAP). Participation in the FSAP is obligatory for the Russian Federation as a country with a systemically important financial sector.

In its final IMF report 'Russian Federation: Financial Sector Assessment Programme', published in July 2016 after the analysis of the financial sector's standing and quality of its regulation, the FSAP Mission noted the Bank of Russia's successful implementation of the recommendations from the previous assessment in 2011 as well as the efficiency of the Bank of Russia's measures aimed at stabilising the financial system.

They also noted significant progress in the expansion of the Bank of Russia's powers to supervise the activity of banks and banking groups and the successful implementation of a series of recommendations in this area based on the FSAP results from 2011. In particular, the experts of the Mission mentioned significant progress in toughening the requirements for business reputation of persons in the management bodies of credit institutions and lowering the threshold for acquisition of shares (stakes) of credit institutions requiring the prior consent of the Bank of Russia to 'more than 10% of shares (stakes)'.

Furthermore, the experts of the Mission emphasised the high level of development of the national payment system in the Russian Federation.

Russian regulation and supervision based on 25 out of 29 core principles of banking supervision[1] were evaluated by IMF experts as 'compliant' or 'largely compliant'. At the same time, implementation of the four principles 'Major acquisitions', 'Transactions with related parties', 'Country and transfer risks', and 'Financial reporting and external audit' is materially non-compliant with international approaches. The Bank of Russia has started working to eliminate the non-conformities revealed.

Evaluation of the Russian AML/CTF system has become one of the components of the FSAP Programme. AML/CTF issues were studied as part of a targeted IMF Mission whose objective was to analyse the effectiveness of individual elements of the functioning of the AML/CTF system in the banking sector.

Based on the FSAP Programme, the Bank of Russia's monitoring of the banking sector's compliance with AML/CTF laws was found to be successful overall. At the same time, the Bank of Russia was advised to apply a risk-focused approach more actively, to increase oversight of compliance with the requirements for banks' relations with specific groups of customers (public officials) and for identifying beneficiary owners of corporate customers, and to improve the mechanisms for imposing sanctions for AML/CTF violations.

The assessment of the targeted IMF Mission under the FSAP Programme is highly relevant as its findings will be taken into account in future during the full-scale evaluation of the Russian AML/CTF system by the Financial Action Task Force (FATF), which is scheduled for 2018–2019. At present the Bank of Russia is preparing for the evaluation by FATF, taking into account the recommendations provided by the IMF Mission.

The Mission also assessed in detail how macroprudential policy is implemented: the institutional mechanisms which exist in Russia for implementing macroprudential policy and ensuring overall financial stability have been evaluated by the experts of the Mission as effective overall, and they emphasised that the assessment of systemic risks covers the entire financial system. The results of work on the development of the financial market infrastructure were assessed positively as well.

The stress testing module was an important element of FSAP. Many years of hard work on the harmonisation of stress testing methodology with the best international practice resulted in the successful passage of the stress test quality assessment conducted by the IMF. The FSAP results revealed considerable progress in the Bank of Russia's stress testing methodology, which was highly rated by the experts of international organisations.

Within the framework of the said module, the Bank of Russia performed a stress test based on the top-down method, using several scenarios approved by the IMF. Similar calculations were performed independently by IMF specialists. The results of the stress tests performed by the Bank of Russia and the IMF for a five-year horizon were close with regard to the amount of losses and capital deficit.

Furthermore, a stress test based on the bottom-up method was performed with the participation of the largest Russian banks. The audit discovered that the stress testing procedures performed by banks are at a fairly high level.

The assessment of the Russian securities market's conformity to the goals and principles of the International Organisation of Securities Commissions showed that the number of fully implemented principles has grown significantly compared to the previous evaluation (from 2 to 10), and the total number of principles implemented to some extent in the Russian jurisdiction remained at the level of 28.

The first assessment of the Russian insurance sector for conformity to the principles of the International Association of Insurance Supervisors showed that 24 out of 26 principles were implemented to some extent; five of them were found to be complied with in full, eight were found to be practically implemented, and 11 were found to be partially implemented.

Within the framework of FSAP, the Mission also pointed out a positive trend in the development of financial inclusion in the Russian jurisdiction with regard to certain key indicators, particularly including the share of the population who have accounts with financial institutions (67.4%), which is comparable with the average regional level of Europe and Central Asia.

During the operation of the FSAP Mission, IMF specialists assessed the role of state-controlled banks in the Russian financial sector and analysed the structure of their assets and the quality of corporate governance therein.

[1] Core Principles for Effective Banking Supervision, Basel Committee on Banking Supervision, September 2012.

The main recommendations of the IMF and World Bank specialists for the Bank of Russia as regards state participation in the banking sector include the gradual privatisation of state-controlled banks in the medium term and the increased role of banks' supervisory boards as a decision-making body.

Furthermore, the FSAP Mission experts suggested a number of recommendations for state-controlled banks regarding risk management, internal audit procedures, operations with subsidiaries and affiliates, and information disclosure.

All recommendations and documents based on the FSAP Mission findings were published on the IMF official website, in the respective section dedicated to the Russian Federation[1].

III.1.12. Assessment of banking regulation for conformity to the Basel standards (Regulatory Capital Assessment Programme, RCAP)

In 2015–2016, the Basel Committee on Banking Supervision (BCBS) assessed banking regulation in the Russian Federation for conformity to BCBS standards (Regulatory Consistency Assessment Programme, RCAP).

Following the Bank of Russia's independent assessment of the implementation of Basel II, Basel 2.5, and Basel III standards in Bank of Russia regulations and laws of the Russian Federation and the analysis of information by BCBS experts, the latter visited Russia and held meetings with Bank of Russia employees and representatives of banks to discuss a list of open questions and planned amendments to effective regulation procedures in order to bring them in line with the requirements of BCBS standards.

In late 2015–early 2016, the final BCBS reports with a detailed assessment of Russian banking regulation and an analysis of implemented amendments were prepared and discussed with the Bank of Russia.

In March 2016, the BCBS published a final report[2] on Russia, according to which the BCBS found Bank of Russia regulations compliant with the Basel II, Basel 2.5, and Basel III standards as of 1 January 2016. Russian regulation of banking risks was highly rated for the first time in terms of its conformity to the BCBS standards.

The BCBS is continuing the RCAP with the assessment of applicability of alternative approaches towards calculating the liquidity coverage ratio (LCR) in accordance with Basel III in order to support the right of jurisdictions to apply these alternative approaches because of the lack of high-quality liquid assets that would meet Basel III criteria in the financial system, inter alia, in terms of the possibility of including committed credit lines opened by the Bank of Russia for systemically important credit institutions in the calculation of the LCR. In the middle of 2016, the BCBS started a corresponding assessment, as part of which the Bank of Russia performed an independent assessment of the implementation of alternative approaches. The findings of the BCBS assessment are to be published in the middle of 2017.

III.2. Countering the legalisation (laundering) of criminally obtained incomes and the financing of terrorism

In 2016, 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.

As part of the Bank of Russia's efforts to improve Russian AML/CTF laws, in order to reduce the regulatory load on credit institutions without compromising the effectiveness of their anti-money laundering controls, among other things, a number of conceptual amendments were introduced to Federal Law No. 115-FZ in 2016 with the direct participation of the Bank of Russia:

[1] Source: http://www.imf.org/external/np/fsap/fsap.aspx?CountryName=Russian%20Federation#Russian%20Federation.

[2] Source: http://www.bis.org/bcbs/publ/d357.pdf; http://www.bis.org/bcbs/publ/d358.pdf.

– the list of operations was expanded[1], and the threshold amounts were increased for certain operations[2] for which identification of the customer or the customer's representative and (or) beneficiary is not performed or is performed in a simplified manner;

– a requirement that a legal entity's representative be personally present to open a bank account was established, the conditions under which bank accounts may be opened remotely were stipulated, and the procedure for identification using electronic documents was regulated[3];

– the duty of legal entities to have information on their beneficiary owners and to provide such information upon request from authorised agencies was established[4].

In the light of these amendments, in 2016 the Bank of Russia focused on bringing the AML/CTF regulation in line with the new legislative requirements in that area[5].

In 2016, one of the Bank of Russia's key priorities was to take measures to reduce the volume of cash withdrawals via accounts and payment cards of individuals and to reduce illegal overseas cash transfers under various transactions.

In 2016, the Bank of Russia also continued to focus credit institutions on identifying customers' money transfers without apparent economic sense (so-called 'transit operations') out of the overall volume of financial operations and stopping them.

The implementation of the said measures by the Bank of Russia contributed to the reduction in the amount of dubious transactions in the banking sector. In 2016, compared to 2015, the total amounts of money transferred abroad and cash withdrawals in the banking sector decreased 1.6-fold, and the amounts of transit operations decreased 2.6-fold.

Pursuant to the master agreement on information collaboration between the Bank of Russia and the Federal Financial Monitoring Service, effective as of 1 January 2016[6], on 25 April 2016 the Bank of Russia and the Federal Financial Monitoring Service signed a joint Protocol on the Exchange of Formalised Electronic Data on Supervised Credit Institutions' Compliance with AML/CTF Laws.

In order to better counter economic and financial crimes and legal offences, in 2016 the Bank of Russia continued its interaction with the ministries and law enforcement and supervisory agencies and took an active part in the activity of the interdepartmental task force for countering illegal financial operations[7], inter alia, on an expert level.

In 2016, the Bank of Russia continued to implement its mandate with respect to initiating and examining cases that involved administrative offences related to the failure by credit institutions' officials to

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[1] Federal Law No. 423-FZ, dated 30 December 2015, 'On Amending Article 7 of the Federal Law 'On Countering the Legalisation (Laundering) of Criminally Obtained Incomes and the Financing of Terrorism' (in effect since 10 January 2016).

[2] Federal Law No. 263-FZ, dated 3 July 2016, 'On Amending Articles 7 and 7.3 of the Federal Law 'On Countering the Legalisation (Laundering) of Criminally Obtained Incomes and the Financing of Terrorism'.

[3] Federal Law No. 191-FZ, dated 23 June 2016, 'On Amending Article 5 of the Federal Law 'On Banks and Banking Activity' and Article 7 of Federal Law 'On Countering the Legalisation (Laundering) of Criminally Obtained Incomes and the Financing of Terrorism'.

[4] Federal Law No. 215-FZ, dated 23 June 2016, 'On Amending the Federal Law 'On Countering the Legalisation (Laundering) of Criminally Obtained Incomes and the Financing of Terrorism' and the Code of Administrative Offences of the Russian Federation'.

[5] Bank of Russia Regulation No. 550-P, dated 20 July 2016, 'On the Procedure for Communicating to Credit Institutions and Non-bank Financial Institutions Information on the Cases of Refusal to Fulfil a Customer's Instruction for a Transaction, Refusal to Conclude and (or) Terminate a Bank Account (Deposit) Agreement with a Customer'; Bank of Russia Ordinance No. 4077-U, dated 20 July 2016, 'On the Procedure for Submitting by Credit Institutions to the Authorised Body Data on Cases of Refusal to Conclude a Bank Account (Deposit) Agreement and (or) Cases of Termination a Bank Account (Deposit) Agreement with a Customer on the Initiative of a Credit Institution, and on Cases of Refusal to Fulfil a Customer's Instruction for a Transaction'; Bank of Russia Ordinance No. 4078-U, dated 20 July 2016, 'On the Requirements for Credit Institutions, Which May be Tasked with an Identification or a Simplified Identification, and Microfinance Companies, Which May Task Credit Institutions with an Identification or a Simplified Identification'; Bank of Russia Ordinance No. 4079-U, dated 20 July 2016, 'On Amending Bank of Russia Regulation No. 499-P, Dated 15 October 2015, 'On the Identification by Credit Institutions of Customers, Customer Representatives, Beneficiaries and Beneficiary Owners in Order to Counter the Legalisation (Laundering) of Criminally Obtained Incomes and the Financing of Terrorism'; Bank of Russia Ordinance No. 4087-U, dated 28 July 2016, 'On Amending 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'.

[6] Master Agreement No. BR-D-12-4/436, dated 27 August 2015, 'On Information Collaboration between the Central Bank of the Russian Federation and the Federal Financial Monitoring Service Conducted under the Federal Law 'On Countering the Legalisation (Laundering) of Criminally Obtained Incomes and the Financing of Terrorism'.

[7] Created in pursuance of Decree No. 344-rp, dated 28 July 2012, of the President of the Russian Federation.

comply with AML/CTF laws[1]. Thus, in 2016, 545 cases were initiated against the officials of 279 credit institutions[2]. One case of an administrative offence initiated against an official was closed at the stage of investigation. As a result, in 2016 the consideration of 550 cases of administrative offences (including cases initiated in 2015) was completed; under those cases 105 rulings for imposition of a fine, 252 rulings on the issuance of a warning, and 193 rulings on the termination of proceedings in cases of administrative offences were issued with regard to the officials of credit institutions.

III.3. The National Payment System

In 2016, the Bank of Russia continued to develop the National Payment System (NPS), paying special attention to ensuring uninterrupted money transfers in the Russian Federation, developing non-cash settlements and remote banking services, and forming the National Payment System (NPS) infrastructure to meet modern requirements.

The number and amount of non-cash payments[3] of credit institutions' customers[4] and payments of credit institutions grew by 31.0% and 0.7%, respectively, over 2016 and amounted to 20.3 billion operations worth ₽622.8 trillion. Payments of individuals grew in number by 35.5% and in amount by 25.9%, thus significantly outstripping the same indicators for corporate customers of credit institutions mainly due to operations with the use of payment cards.

The demand for payment cards as a non-cash payment instrument is evidenced by the high growth rates of non-cash operations with their use for the past several years[5], which exceed the same indicators for other payment instruments. This has resulted in a significant growth of their importance in the general structure of non-cash operations of credit institutions' customers and in the structure of operations with cards. While in 2009 only 21 out of 100 payments of individuals and legal entities were made with the use of payment cards, in 2016 this figure was 3.4 times greater, at 71 payments. In the total retail trade turnover, paid household services and catering services the share of payments for goods and services with the use of payment cards also grew from 3.5% in 2009 to 30.5% in 2016.

The number of payment cards issued by Russian credit institutions grew by 4.5% over the year and as of 1 January 2017 had reached 254.8 million cards, or 1.7 cards per one person. During 2016 there were 17.9 billion operations for an amount of ₽51.2 trillion settled in Russia and abroad using the cards (growth by 36.2% and 23.4%, respectively, compared to 2015).

The share of non-cash operations grew to 80.7% in the total amount of operations and to 46.6% in the total amount of operations with the use of payment cards. Their growth rate significantly exceeded similar indicators characterising cash withdrawal operations (47.0% vs 4.3% by number, and 45.6% vs 9.0% by volume). Most of non-cash operations with the use of payment cards were payments for goods and services (90.3% of the total number and 52.1% of the total volume).

Promotion of the national payment instruments – cards of the Mir payment system (Mir PS) – was one of the Bank of Russia's priorities in the development of the national payment card system (NPCS).

As of the end of 2016, 169 credit institutions were participating in the Mir PS, 120 of which accepted Mir payment cards in their infrastructure, and 65 of which issued them. By the beginning of 2017 over 1.8 million Mir cards had been issued.

As of 1 January 2017, 35 payment system operators were doing business in the Russian Federation[6] (the Bank of Russia, 18 credit institutions, and 16 non-bank institutions (including NPCS JSC, the operator

[1] As stipulated in Article 15.27 of the Code of Administrative Offences of the Russian Federation.

[2] Due to the entry into force of Federal Law No. 484-FZ, dated 29 December 2014, 'On Amending Certain Laws of the Russian Federation', credit institutions shall be made administratively accounted for AML/CTF violations covered in Part 11 of Article 15.27 of the Code of Administrative Offences only.

[3] Not including operations in the financial markets, operations for loan extension/repayment and other similar operations.

[4] Individuals and legal entities other than credit institutions.

[5] Including payments for goods and services, customs payments and other operations ('other operations' shall mean money transfers from one bank account to another, charitable contributions, and similar operations).

[6] In 2016, information on including two payment system operators and striking off two organisations was entered in the Register of Payment System Operators.

of Mir PS) and 47 operators of payment infrastructure services[1] (29 settlement centres, 31 payment clearing centres and 31 processing centres)). Two out of the 35 payment systems were systemically important, six were socially important, and 18 were nationally important.

In 2016, 1.4 billion money transfers for an amount of ₽1,340.0 trillion were made through the systemically and nationally important payment system of the Bank of Russia (Bank of Russia PS). About 42% of the total volume of money transfers made through the Bank of Russia PS was made in the Real Time Gross Settlement System (BESP system) (about 40% in 2015). Furthermore, the number of BESP system participants decreased 1.2-fold (to 1,741 participants) due to measures adopted by the Bank of Russia for the financial rehabilitation and winding up of credit institutions as well as measures adopted by credit institutions to optimise their own chain of branches.

In order to meet growing demand for real time payments within the Bank of Russia PS, its rules were amended to set an earlier starting time of the functioning of the BESP system and the regional components of the payment system as of 1 January 2017 as well as to allow the concentration of large-value payments in the BESP system. Credit institutions directly participating in the BESP system were offered an additional option for liquidity management. The first results of the said changes show an increase in the use of the BESP system in early 2017 (an almost twofold increase in the payment volume in January–February 2017 compared to the same period of 2016).

The procedure for interaction between credit institutions and the Bank of Russia was unified to ensure the functioning of an account in a limited mode for all cases of credit institutions' reorganisation and closing of their accounts. The Bank of Russia created the necessary conditions to support exchange of electronic messages with credit institutions after the appointment of a provisional administration of a credit institution and a receiver (liquidator, liquidation commission).

In 2016, The Bank of Russia successfully implemented the project for developing the financial message delivery system (FMDS). It enabled delivery of financial messages on operations within Russia via the Bank of Russia as an alternative channel. Over 300 FMDS participants can use this service for 23 hours a day five days a week at competitive rates.

In 2016, NPS agents were inspected for their compliance with the requirements of Federal Law No. 161-FZ, dated 27 June 2011, 'On the National Payment System' and related Bank of Russia regulations: 55 inspections of credit institutions (51 scheduled inspections, 4 unscheduled inspections) and five inspections of organisations other than credit institutions. Letters, instructions and recommendations of the Bank of Russia for eliminating violations within the established term were sent to the management of NPS agent that committed such violations.

The Bank of Russia carried out monitoring of payment systems, within the framework of which the first cycle of evaluation of systemically important payment systems and their conformity to the standard of the Committee on Payments and Market Infrastructures and the International Organization of Securities Commissions the 'Principles for Financial Market Infrastructures' was finished. Based on the evaluation results, the Bank of Russia gave recommendations to the operators of the assessed payment systems for improving their activity in the Russian Federation, which were included in the action plan for changes in activity developed by the payment system operators and approved by the Bank of Russia.

III.4. Central Catalogue of Credit Histories

In 2016, the Central Catalogue of Credit Histories (CCCH) saw a further increase in credit history titles and inquiries from credit history makers and users.

In 2016, the CCCH received 35.6 million credit history titles[2] (growth by 14.03% against the beginning of 2016), and the total number of credit history titles reached 289.6 million as of the end of the reporting year. The growth of credit history titles occurred

[1] An organisation may be a processing centre, a payment clearing centre, or a settlement centre for several payment systems at the same time.

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

in the light of the insignificant growth of the lending rate in 2016.

In 2016, the number of credit history titles of individual borrowers increased by 35.5 million (14%) and stood at 288.7 million as of early 2017, while the number of credit history titles of corporate borrowers totalled 976.6 thousand as of 1 January 2017, having increased by 15.9% compared with early 2016.

The number of information inquiries addressed to the CCCH by credit history makers and users about the credit history bureaus (CHB) in which their credit histories were filed and the number of requests for creating, cancelling, or altering a credit history subject code (additional code) grew by 7.9 million (by 40.1%) during the reporting year and reached 27.6 million since the CCCH launch.

The number of inquiries addressed to the CCCH by credit history makers on CHBs keeping their credit histories amounted in absolute terms to 2.1 million since the CCCH launch. Furthermore, 54% of the total number of such requests of credit history makers was delivered to the CCCH via credit institutions. In 2016, the CCCH had information available for 78.4% of requests (79% in 2015; 76.7% in 2014; 75% in 2013) received from credit history makers and users on the CHB where their credit histories were filed. This confirms that most borrowers have credit histories.

The year 2016 saw the consolidation of the CHB service market: six CHBs were struck off the State Register of Credit History Bureaus (hereinafter referred to as the Register), one CHB was included in the Register, and the total number of CHB totalled 16 as of 1 January 2017.

In 2016, three CHBs were inspected in the course of the supervision of CHB activity.

In addition, in 2016 the CCCH studied 18 applications for the initiation of administrative proceedings associated with the violation of credit history laws and issued a resolution on the imposition of a fine under ten of them. The CCCH also administered budget proceeds in this area on a regular basis.

In order to improve laws on regulation of the institute of credit histories in the Russian Federation, the Bank of Russia plans to start elaborating amendments to the Federal Law 'On Credit Histories' aimed at increasing the quality and availability of credit information, modernising the existing system of credit history formation, and improving the Bank of Russia's supervisory powers related to the activities of credit history bureaus in 2017.

In order to optimise the activity of the Central Catalogue of Credit Histories, in 2017 work will be continued in the following areas:

– organising automated verification of title data against the passport database of the Ministry of Interior Affairs of the Russian Federation and the personal insurance policy number database of the Russian Pension Fund in order to increase the accuracy of determining the number of credit history makers;

– enabling the provision of information from the CCCH to credit history makers on CHBs keeping their credit histories through the Unified Portal of Public Services using the Unified System of Interdepartmental Electronic Collaboration in order to enhance the accessibility of information from the CCCH for credit history makers.

III.5. Cooperation with Russia's banking community

In the efforts to enhance the transparency of the banking sector, the Bank of Russia continues to disclose information on its official website in accordance with Bank of Russia letters No. 165-T, dated 21 December 2006, 'On Disclosing Information by Credit Institutions'; No. 72-T, dated 25 May 2010, 'On Disclosing Information by Credit Institutions in Form 0409134 and Form 0409135'; and No. 17-T, dated 4 February 2014, 'On Disclosing Information by Credit Institutions in Form 0409123'. Table 3.2 summarises data on the number of credit institutions (as percentage of the total operating credit institutions) that had submitted their consent to information disclosure as of 1 January 2017.

Table 3.2. Number of credit institutions that had submitted their consent to information disclosure as of 1 January 2017

Reporting form	Disclosure (as % of the total operating credit institutions)
0409101 'Trial Balance Sheet on the Accounting Records of a Credit Institution'	97%
0409102 'Credit Institution Performance Statement'	97%
0409135 'Information on Required Ratios and Other Performance Indicators of Credit Institutions'	96%
0409123 'Capital Calculation (Basel III)'	95%
For all reporting forms (0409101, 0409102, 0409135, 0409123)	95%

The Bank of Russia website also publishes the following information in the sections 'Information on credit institutions' and 'Information and analytical materials/Banking sector':

Quarterly

• information on credit institutions that meet capital requirements established in Part 2 of Article 176 of the Housing Code of the Russian Federation and in Part 6.1 of Article 20 of the Federal Law 'On the Housing and Utility Reform Foundation';

• information on the average market value of the effective interest rate on consumer loans by categories of consumer loans for creditors' compliance with the requirement for the limitation of the effective interest rate on consumer loans, as established in Part 11 of Article 6 of Federal Law No. 353-FZ, dated 21 December 2013, 'On Consumer Loans';

Monthly

• information on the basic return on deposits broken down by deposits in the Russian currency and in foreign currency for the purpose of identifying banks which shall pay insurance contributions to the deposit insurance fund at an additional rate or at an increased additional rate in accordance with Federal Law No. 177-FZ, dated 23 December 2003, 'On the Insurance of Household Deposits with Russian Banks';

• the list of banks that meet the criteria of Article 8.1 of Federal Law No. 275-FZ, dated 29 December 2012, 'On the State Defence Order';

• the list of credit institutions that meet the requirements established in Part 1, Article 2 of Federal Law No. 213-FZ, dated 21 July 2014, 'On Opening Bank Accounts and Letters of Credit and on Concluding Bank Deposit Agreements by Business Entities Which Are of Strategic Importance for the Defence Industry Complex and the Security of the Russian Federation, and on Amending Certain Laws of the Russian Federation';

• information on credit institutions that meet the requirements of Part 1, Article 15.1 of Federal Law No. 214-FZ, dated 30 December 2004, 'On Participation in Shared-equity Construction of Apartment Blocks and Other Real Estate Objects and on Amending Certain Laws of the Russian Federation';

• the list of official websites of credit institutions;

• analytical and statistical materials 'Development Trends in the Russian Banking Sector';

• the information digest 'Review of the Banking Sector of the Russian Federation (Web Version)' which shows individual indicators of Russia's banking sector;

• tables featuring dynamic ranges of indicators of individual tables from the digest 'Review of the Banking Sector of the Russian Federation (Web Version)';

• information that characterises household credit risks;

Every ten days

• final results of monitoring of the maximum interest rates on ruble deposits for the 10 credit institutions that raised the greatest amount of household deposits.

The Bank of Russia updates the section 'FAQ for credit institutions and regional branches of the Bank of Russia on banking regulation and supervision' on a regular basis.

In 2016, along with the public discussion of draft Bank of Russia regulations during the mandatory evaluation of regulatory impact and the review of requests of credit institutions and banking associations, the Bank of Russia continued its consultations with the banking community on the development of banking regulation.

In particular, the inspection of credit institutions' capability to comply with new requirements resulted in the decision to apply reduced ratios for the calculation of the N25 ratio in 2017 and 2018.

The Bank of Russia published on its website a discussion paper 'Improving Regulation of Banking Groups, Bank Holding Companies and Other Associations of Legal Entities with the Participation of Financial Institutions' in order to discuss it with the banking community.

Furthermore, Bank of Russia executives and employees held meetings with the banking community to discuss banking regulation, including planned changes, particularly with respect to such pressing issues as the prospects for the development of long-term, investment and syndicated lending, access of banks to information of the federal executive bodies on borrowers' incomes, and depreciation of bank guarantees used in public procurement.

III.6. Cooperation with international financial organisations, banking regulators and supervisors

In 2016, Bank of Russia representatives worked in the Basel Committee on Banking Supervision (BCBS) and its working groups and subgroups. They also worked as part of the regional Group of Banking Supervisors from Central and Eastern Europe under the BCBS.

Information on the results of financial sector assessment programme (FSAP) and regulatory consistency assessment programme (RCAP) is given in Clauses III.1.11 and III.1.12 hereof.

Within the framework of cooperation with the OECD, the Bank of Russia submitted reports on the implementation of the 2016 Action Plan for the Cooperation between the Russian Federation and the OECD related to the improvement of Russian laws, and filled in the OECD/G20 corporate governance questionnaire (G20/OECD Principles of Corporate Governance). For the Russian Federation to access to the Code of Liberalisation of Capital Movements, the Bank of Russia sent the updated information on provisions of the Code on limitations for opening 'direct' branches of foreign banks in the Russian Federation and the quota of foreign capital in the Russian banking sector.

Within the framework of cooperation with the World Trade Organisation (WTO), the Bank of Russia sent proposals and remarks on the draft Overview of the Fulfilment of Russia's Obligations for Accession to the WTO regarding issues related to the quota of foreign capital in the Russian banking system. The Bank of Russia also analysed the discrepancies present in Russian laws in the approaches towards calculating the quota of foreign capital in the banking and insurance sectors.

Furthermore, the Bank of Russia prepared proposals on a quarterly basis on updating information for participation in the IMF database of laws and regulations on banking sector regulation in different countries and in the study of other documents related to international cooperation. The Bank of Russia submitted financial stability indicators (FSIs) to the IMF on a quarterly basis.

In the reporting year, the Bank of Russia continued its cooperation with foreign central (national) banks and other agencies responsible for banking supervision. In order to discuss relevant issues of banking supervision, the Bank of Russia held meetings with the representatives of the Czech National Bank and the National Bank of the Republic of Belarus; Bank of Russia representatives also took part in the work of supervisory boards organised by the Hungarian National Bank.

In 2016, reports on the following projects were prepared:

– an agreement with the People's Bank of China on countering money laundering and the financing of terrorism;

– letters of exchange with the Czech National Bank on cooperation and information exchange in banking supervision;

– a bilateral memorandum of cooperation and information exchange in banking supervision with the National Bank of the Republic of Kazakhstan.

III.7. Bank of Russia supervision personnel

Bank of Russia supervisory divisions employ 5,387 executives and specialists, of whom 43.1% work in the head office, and 56.9% are employed in Bank of Russia regional branches. Most specialists (98.2%) hold a university degree, are between 30 and 50 y.o. (63.4%), and have over three years of banking experience (81.9%).

In 2016, for the purposes of hard and soft skills development, 2,155 executives and specialists of the units engaged in regulation and supervision of credit institutions, inspection, licencing, financial rehabilitation of credit institutions, risk analysis, and financial control were trained.

Implementation of training projects under long-term (over 250 academic hours) programmes developed by leading universities of Moscow at the request of the Bank of Russia was continued. In 2016, training of a group of credit institution inspectors under the 'Banks' MBA programme (21 employees) was completed. 21 banking supervision employees completed the professional advanced training programme 'Commercial Bank Supervisor – Bank Manager', and another group (19 employees) has already started training and will complete it in 2017. In the current year, the Bank of Russia plans to implement new conversion courses 'Inspection Coordinator', 'Head of Bank Inspection', and 'Enterprise (Business) Valuation'.

Supervision employees were also very interested in short-term targeted workshops and trainings on FX control and countering the legalisation (laundering) of criminally obtained incomes and the financing of terrorism (565 employees), the functioning of provisional administrations of credit institutions (138 employees), current tasks of banking supervision and practical approaches towards their implementation (111 employees), the latest methods for evaluating the financial position of business entities (75 employees), and inspections of credit risk management systems (62 employees).

Apart from centralised training, the regional branches of the Bank of Russia offered on-site training which covered over 400 specialists of banking supervision, licencing, and financial control units.

In 2016, the Bank of Russia continued to cooperate with its main foreign partners on exchanging banking supervision practices. 64 Bank of Russia supervision specialists took part in 26 international trainings held in Russia and abroad; 99 employees completed remote training under the programme of the Financial Stability Institute of the Bank for International Settlements (Basel).

Bank of Russia employees attended trainings 'Credit Registers in Central Banks' of the Bank of Spain and 'Specific Aspects of the Supervision of Credit Institutions Authorised to Use the Internal Ratings Approach for Credit Risk Assessment for Prudential Purposes' of the Bank of England. Within the framework of the Programme for Professional Training of Central (National) Bank Personnel, banks shared their experience on Basel III, analysis of banking sector liquidity risks, assessment and functioning of credit risk, risk-based supervision and operational risk, regulation and supervision of insurance risk, and countering the legalisation (laundering) of criminally obtained incomes and the financing of terrorism. International seminars were held in Russia on the collection and processing of credit institutions' statements (in cooperation with the Bank of Italy), on risk management (with the Agency for Financial Technology Exchange), and on financial risk management (with the Bank 'National Clearing Centre').

IV. APPENDICES

IV.1. Key regulations adopted in 2016

FEDERAL LAWS	
No. 423-FZ, dated 30 December 2015	‘On Amending Article 7 of the Federal Law ‘On Countering the Legalisation (Laundering) of Criminally Obtained Incomes and the Financing of Terrorism’
No. 191-FZ, dated 23 June 2016	‘On Amending Article 5 of the Federal Law ‘On Banks and Banking Activities’ and Article 7 of the Federal Law ‘On Countering the Legalisation (Laundering) of Criminally Obtained Incomes and the Financing of Terrorism’
No. 215-FZ, dated 23 June 2016	‘On Amending the Federal Law ‘On Countering the Legalisation (Laundering) of Criminally Obtained Incomes and the Financing of Terrorism’ and the Code of Administrative Offences of the Russian Federation’
No. 263-FZ, dated 3 July 2016	‘On Amending Articles 7 and 7.3 of the Federal Law ‘On Countering the Legalisation (Laundering) of Criminally Obtained Incomes and the Financing of Terrorism’
BANK OF RUSSIA DOCUMENTS	
No. 3892-U, dated 11 December 2015	Bank of Russia Ordinance ‘On Amending Bank of Russia Ordinance No. 3572-U, Dated 19 February 2015, ‘On the Procedure for Submitting Inquiries to and Receiving Information from the Central Catalogue of Credit Histories on the Credit History Bureau in Charge of the Credit History of a Credit History Maker via a Credit History Bureau’
No. 3893-U, dated 11 December 2015	Bank of Russia Ordinance ‘On the Procedure for Submitting Inquiries to and Receiving Information from the Central Catalogue of Credit Histories via a Credit Institution’
No. 3913-U, dated 25 December 2015	Bank of Russia Ordinance ‘On Amending Bank of Russia Ordinance No. 3701-U, Dated 29 June 2015, ‘On the Procedure for Sending Inquiries to the Central Catalogue of Credit Histories and Receiving Information from it Via a Notary’
No. 3934-U, dated 18 January 2016	Bank of Russia Ordinance ‘On the Procedure for Submitting Inquiries to and Receiving Information from the Central Catalogue of Credit Histories via Post Offices’
No. 3944-U, dated 25 January 2016	Bank of Russia Ordinance ‘On Amending Bank of Russia Ordinance No. 3111-U, Dated 15 November 2013, ‘On the Procedure for the Bank of Russia to Send an Order and an Act of Order Repeal to a Shareholder (Participant) of a Credit Institution’
No. 3948-U, dated 28 January 2016	Bank of Russia Ordinance ‘On Calculating the Amount of Participation of Foreign Capital in the Total Authorised Capital of Credit Institutions Holding Banking Licences’
No. 3975-U, dated 9 March 2016	Bank of Russia Ordinance ‘On Amending Bank of Russia Regulation No. 275-P, Dated 11 August 2005, ‘On the Procedure for Issuing a Bank of Russia Banking Licence to a Credit Institution against which the Bankruptcy Proceedings are Closed Due to the Settlement of its Obligations by Founders (Members) or a Third Party (Third Parties)’
No. 3981-U, dated 17 March 2016	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. 3982-U, dated 21 March 2016	Bank of Russia Ordinance ‘On Amending Clauses 4.3 and 17.7 of Bank of Russia Instruction No. 135-I, Dated 2 April 2010, ‘On the Bank of Russia's Decision Making Procedure for the State Registration and Licensing of Credit Institutions’
No. 3990-U, dated 7 April 2016; No. 4055-U, dated 29 June 2016; No. 4166-U, dated 20 October 2016	Bank of Russia Ordinance ‘On Amending Bank of Russia Instruction No. 139-I, Dated 3 December 2012, ‘On Banks' Required Ratios’
No. 3997-U, dated 15 April 2016	Bank of Russia Ordinance ‘On Amending Bank of Russia Regulation No. 415-P, Dated 18 February 2014, ‘On the Procedure and Criteria for Assessing Financial Standing of Corporate Founders (Participants) of a Credit Institution and Legal Entities Performing Transactions to Purchase Shares (Stakes) in a Credit Institution and (or) to Control the Shareholders (Participants) of a Credit Institution’

No. 3998-U, dated 15 April 2016	Bank of Russia Ordinance ‘On Amending Bank of Russia Regulation No. 408-P, Dated 25 October 2013, ‘On the Procedure for Assessing the Compliance with Qualifying Requirements and Requirements to the Business Reputation of Entities Listed in Article 11[1] of the Federal Law ‘On Banks and Banking Activities’ and in Article 60 of the Federal Law ‘On the Central Bank of the Russian Federation (Bank of Russia)’, and on the Procedure for Maintaining the Database Stipulated by Article 75 of the Federal Law ‘On the Central Bank of the Russian Federation (Bank of Russia)’
No. 3999-U, dated 15 April 2016	Bank of Russia Ordinance ‘On Amending Bank of Russia Regulation No. 416-P, Dated 18 February 2014, ‘On the Procedure for and Criteria of Assessing Financial Standing of Individuals - Founders (Participants) of a Credit Institution and Individuals Performing Transactions to Purchase Shares (Stakes) of a Credit Institution and (or) to Control Shareholders (Participants) of a Credit Institution’
No. 4003-U, dated 25 April 2016	Bank of Russia Ordinance ‘On Amending Bank of Russia Ordinance No. 3222-U, Dated 1 April 2014, ‘On the Procedure for the Bank of Russia to Make a Decision on a Non-Bank Credit Institution Becoming a Bank’
No. 4009-U, dated 29 April 2016	Bank of Russia Ordinance ‘On the Requirements for a Person (Persons) Acquiring No Less Than 75% of Ordinary Shares in a Bank in the Form of a Joint-stock Company (Stakes in the Authorised Capital Granting No Less Than Three Fourths of All Votes of Participants in a Bank in the Form of a Limited Liability Company) under a Plan for Participation of the State Corporation Deposit Insurance Agency in Bank Bankruptcy Prevention Measures’
No. 4010-U, dated 29 April 2016	Bank of Russia Ordinance ‘On the Procedure and Conditions for Holding a Private Tender to Select the Acquirer (Acquirers) of a Banks' Assets and Liabilities’
No. 545-P, dated 27 May 2016	Bank of Russia Regulation ‘On the Procedure for Banks and Other Credit Institutions to Submit to Customs Agencies and for Customs Agencies to Submit to Banks and Other Credit Institutions Electronic Documents Signed with an Enhanced and Encrypted Digital Signature and Information in Electronic Form in Connection with the Issuance of Bank Guarantees for the Payment of Customs Duties and Taxes’
No. 4067-U, dated 12 July 2016	Bank of Russia Ordinance ‘On Amending Bank of Russia Ordinance No. 3223-U, Dated 1 April 2014, ‘On the Requirements for Heads of Risk Management, Internal Control and Internal Audit Services of a Credit Institution’
No. 4073-U, dated 18 July 2016	Bank of Russia Ordinance ‘On the Organisation in the Bank of Russia of Assessment of Banks’ Methods for Credit Risk Management and Models of Credit Risk Quantification and Issuance of Permits for Their Application for the Purpose of Calculating Banks’ Capital Adequacy Ratios’
No. 550-P, dated 20 July 2016	Bank of Russia Regulation ‘On the Procedure for Communicating to Credit Institutions and Non-bank Financial Institutions Information on the Cases of Refusal to Fulfil a Customer’s Instruction for a Transaction, Refusal to Conclude and (or) Terminate a Bank Account (Deposit) Agreement with a Customer’
No. 4077-U, dated 20 July 2016	Bank of Russia Ordinance ‘On the Procedure for Submitting by Credit Institutions to the Authorised Body Data on Cases of Refusal to Conclude a Bank Account (Deposit) Agreement and (or) Cases of Termination a Bank Account (Deposit) Agreement with a Customer on the Initiative of a Credit Institution, and on Cases of Refusal to Fulfil a Customer’s Instruction for a Transaction’
No. 4078-U, dated 20 July 2016	Bank of Russia Ordinance ‘On the Requirements for Credit Institutions, Which May be Tasked with an Identification or a Simplified Identification, and Microfinance Companies, Which May Task Credit Institutions with an Identification or a Simplified Identification’
No. 4079-U, dated 20 July 2016	Bank of Russia Ordinance ‘On Amending Bank of Russia Regulation No. 499-P, Dated 15 October 2015, ‘On the Identification by Credit Institutions of Customers, Customer Representatives, Beneficiaries and Beneficiary Owners in Order to Counter the Legalisation (Laundering) of Criminally Obtained Incomes and the Financing of Terrorism’
No. 551-P, dated 22 July 2016	Bank of Russia Regulation ‘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. 4087-U, dated 28 July 2016	Bank of Russia Ordinance ‘On Amending 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. 4099-U, dated 4 August 2016	Bank of Russia Ordinance ‘On Amending Bank of Russia Regulation No. 283-P, Dated 20 March 2006, ‘On the Procedure for Making Loan Loss Provisions by Credit Institutions’
No. 4106-U, dated 23 August 2016	Bank of Russia Ordinance ‘On the Procedure for the Free Transfer of Credit Histories to Credit History Bureaus on a Competitive Basis’
No. 4118-U, dated 30 August 2016	Bank of Russia Ordinance ‘On Amending Bank of Russia Ordinance No. 3219-U, Dated 31 March 2014, ‘On the Procedure for the Bank of Russia to Make a Decision on the State Registration of Amendments to a Credit Institution’s Charter and on Issuing a Banking Licence Due to a Change in a Credit Institution’s Status from a Bank to a Non-bank Credit Institution or Due to a Change in the Type of a Non-bank Credit Institution’
No. 4119-U, dated 30 August 2016	Bank of Russia Ordinance ‘On Amending Bank of Russia Instruction No. 147-I, Dated 5 December 2013, "On the Procedure for Inspecting Credit Institutions (Their Branches) by Authorised Representatives of the Central Bank of the Russian Federation (Bank of Russia)’

No. 4120-U, dated 30 August 2016	Bank of Russia Ordinance ‘On the Procedure for Keeping Records of Bank Liabilities to Depositors and Bank Counterclaims to Depositors, the Form of Register of Bank Liabilities to Depositors and the Procedure for Compiling Register of Bank Liabilities to Depositors’
No. 4150-U, dated 10 October 2016	Bank of Russia Ordinance ‘On the Procedure for Transferring Credit Histories to the Central Catalogue of Credit Histories for Safekeeping’
No. 4194-U, dated 14 November 2016	Bank of Russia Ordinance ‘On Amending Bank of Russia Regulation No. 254-P, Dated 26 March 2004, ‘On the Procedure for Making Loss Provisions by Credit Institutions for Loans, Loan and Similar Debts’
No. 4195-U, dated 15 November 2016	Bank of Russia Ordinance ‘On Amending Clause 1 of Bank of Russia Ordinance No. 3490-U, Dated 16 December 2014, ‘On Amending Bank of Russia Instruction No. 139-I, Dated 3 December 2012, ‘On Banks' Required Ratios’
No. 4203-U, dated 17 November 2016	Bank of Russia Ordinance ‘On Signs of Possible Affiliation of an Entity (Entities) with a Credit Institution’
No. 4204-U, dated 17 November 2016	Bank of Russia Ordinance ‘On Amending Bank of Russia Ordinance No. 3081-U, Dated 25 October 2013, ‘On Disclosing Information on Activities by Credit Institutions’
No. 4205-U, dated 17 November 2016	Bank of Russia Ordinance ‘On the Procedure for the Bank of Russia's Banking Supervision Committee to Decide on Recognising an Entity as an Affiliate of a Credit Institution (a Member of a Group of Affiliates of a Credit Institution) Based on a Reasonable Judgement, Send an Order to a Credit Institution, and Review the Requests Made by a Credit Institution’
No. 4206-U, dated 17 November 2016	Bank of Russia Ordinance ‘On Amending Bank of Russia Regulation No. 386-P, Dated 29 August 2012, ‘On the Reorganisation of Credit Institutions through Merger and Acquisition’
No. 4210-U, dated 22 November 2016	Bank of Russia Ordinance ‘On the Specifics of Monitoring Settlements under a State Defence Order’
No. 4231-U, dated 8 December 2016	Bank of Russia Ordinance ‘On the Procedure for Bank of Russia Regional Branches to Send Electronic Information Notices of Unscheduled Targeted Inspections of Credit Institutions (Their Branches)’
No. 176-I, dated 20 December 2016	Bank of Russia Instruction ‘On the Procedure and Cases of Examination by Bank of Russia Authorised Representatives (Employees) of Pledged Items Accepted by a Credit Institution as Collateral for a Loan and (or) Studying the Activity of a Credit Institution's Borrower and (or) Pledger’
No. 4240-U, dated 20 December 2016	Bank of Russia Ordinance ‘On Amending Bank of Russia Instruction No. 147-I, dated 5 December 2013, "On the Procedure for Inspecting Credit Institutions (Their Branches) by Authorised Representatives of the Central Bank of the Russian Federation (Bank of Russia)’
No. 4241-U, dated 20 December 2016	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)’

IV.2. Statistical appendix

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

	2010	2011	2012	2013	2014	2015	2016
GDP[1], billions of rubles	46,309	59,698	66,927	71,017	79,200	83,233	85,881
GDP growth rate	104.5	104.3	103.5	101.3	100.7	97.2	99.8
Federal budget surplus (+) / deficit (–), as % of GDP	-4	1	0	0	0	-2	-3
Industrial output index	107.3	105.0	103.4	100.4	101.7	99.2	101.3
Agricultural output	89	123	95	106	104	103	105
Retail trade turnover	106.5	107.1	106.3	103.9	102.7	90.0	94.8
Fixed capital investment	106	111	107	101	99	90	99
Household real disposable money income	105.9	100.5	104.6	104.0	99.3	96.8	94.1
Unemployment rate, as % of economically active population (period average)	7	7	6	6	5	6	6
Consumer price index (December as % of previous December)	108.8	106.1	106.6	106.5	111.4	112.9	105.4
Average nominal US dollar/ruble exchange rate over period, rubles per US dollar	30	29	31	32	38	61	67

[1] *In current prices.*

Table 2. Russian banking sector macroeconomic indicators

	01.01.12	01.01.13	01.01.14	01.01.15	01.01.16	01.01.17
Banking sector assets (liabilities), billions of rubles	41,628	49,510	57,423	77,653	83,000	80,063
as % of GDP	69.7	74.0	80.9	98.0	99.7	93.2
Banking sector capital, billions of rubles	5,242	6,113	7,064	7,928	9,009	9,387
as % of GDP	8.8	9.1	9.9	10.0	10.8	10.9
as % of banking sector assets	12.6	12.3	12.3	10.2	10.9	11.7
Loans and other funds provided to non-financial organisations and households, including overdue debt, billions of rubles	23,266	27,708	32,456	40,866	43,985	40,939
as % of GDP	39.0	41.4	45.7	51.6	52.8	47.7
as % of banking sector assets	55.9	56.0	56.5	52.6	53.0	51.1
Securities acquired by banks, billions of rubles	6,212	7,035	7,822	9,724	11,777	11,450
as % of GDP	10.4	10.5	11.0	12.3	14.2	13.3
as % of banking sector assets	14.9	14.2	13.6	12.5	14.2	14.3
Household deposits, billions of rubles	11,871	14,251	16,958	18,553	23,219	24,200
as % of GDP	19.9	21.3	23.9	23.4	27.9	28.2
as % of banking sector liabilities	28.5	28.8	29.5	23.9	28.0	30.2
as % of household monetary income	33.3	35.7	38.0	38.7	43.4	44.7
Deposits and funds on accounts of non-financial and financial organisations (other than credit institutions), billions of rubles[1]	12,778	14,565	16,901	23,419	27,064	24,322
as % of GDP	21.4	21.8	23.8	29.6	32.5	28.3
as % of banking sector liabilities	30.7	29.4	29.4	30.2	32.6	30.4

[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 as of 1 January 2017[1]

Operating credit institutions

1. Credit institutions[2] licensed to conduct banking operations, total[3]	623
including:	
– banks	575
– non-bank credit institutions	48
1.1. Credit institutions holding licences (permits):	
– to take household deposits	515
– to conduct operations in foreign currency	404
– general licences	205
– to conduct operations with precious metals	157
1.2. Credit institutions with a foreign stake in authorised capital, total	174
including:	
– wholly foreign-owned credit institutions	67
– credit institutions with a 50%-plus foreign stake	25
1.3. Credit institutions registered with the deposit insurance system, total[4]	519
2. Registered authorised capital of operating credit institutions, millions of rubles	2,383,203
3. Branches of operating credit institutions in Russia, total	1,098
including:	
– Sberbank branches[5]	94
– branches of wholly foreign-owned credit institutions	59
4. Branches of operating credit institutions abroad, total[6]	6
5. Branches of non-resident banks in Russia	0
6. Representative offices of Russian operating credit institutions, total[7]	285
including:	
– in Russia	255
– in non-CIS countries	21
– in CIS countries	9
7. Additional offices of credit institutions (branches), total	19,776
Including Sberbank additional offices	10,929
8. External cash desks of credit institutions (branches), total	4,995
Including Sberbank cash desks	3,351
9. Cash and credit offices of credit institutions (branches), total	1,943
Including Sberbank cash and credit offices	0
10. Operations offices of credit institutions (branches), total	7,230
Including Sberbank operations offices	631
11. Mobile banking vehicles of credit institutions (branches), total	256
Including Sberbank mobile banking vehicles	251

Table 3 (end)

Registration of credit institutions

12. Credit institutions registered by the Bank of Russia or the registration authority, in line with Bank of Russia decisions, total[8]	975
including:	
– banks	908
– non-bank credit institutions	67
12.1. Registered wholly foreign-owned credit institutions	67
12.2. 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)	
including:	
– banks	0
– non-bank credit institutions	1

[1] *Information is based on data received from the registration authority as of the reporting date.*
[2] *Credit institution in this publication means either:*
- *a legal entity registered with the Bank of Russia (until 1 July 2002) or a registration authority and entitled to conduct banking operations; or*
- *a legal entity registered with the Bank of Russia (until 1 July 2002) or a registration authority that was entitled to conduct banking operations but have lost this right.*

[3] *Credit institutions registered with the Bank of Russia (until 1 July 2002) or a registration authority and entitled to conduct banking operations.*
[4] *Based on data provided to the Bank of Russia by the state corporation Deposit Insurance Agency as of the reporting date.*
[5] *Sberbank branches put on the state register of credit institutions and assigned with a serial number. Until 1 January 1998, this item of the monthly information on credit institutions featured the total number of branches of PJSC Sberbank of Russia (since 4 August 2015 – PJSC Sberbank) – 34,426 branches.*
[6] *Branches opened by Russian credit institutions abroad.*
[7] *The representative offices of Russian credit institutions abroad include the offices of whose opening abroad the Bank of Russia has been notified.*
[8] *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

Item No.	Region	As of 1 January 2017		
		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	623	–	–
1	CENTRAL FEDERAL DISTRICT	358	8,892	681
	Belgorod Region	3	8	425
	Bryansk Region	0	0	203
	Vladimir Region	2	14	338
	Voronezh Region	1	0	667
	Ivanovo Region	5	44	184
	Kaluga Region	3	39	186
	Kostroma Region	7	26	129
	Kursk Region	1	30	236
	Lipetsk Region	1	21	276
	Moscow Region	7	40	1,614
	Orel Region	0	0	186
	Ryazan Region	3	22	216
	Smolensk Region	0	0	170
	Tambov Region	1	13	258
	Tver Region	2	7	221
	Tula Region	2	4	308
	Yaroslavl Region	6	2	308
	Moscow	314	2,959	419
2	NORTH-WESTERN FEDERAL DISTRICT	49	443	2,999
	Republic of Karelia	2	3	161
	Republic of Komi	1	17	233
	Arkhangelsk Region	0	0	268
	including: Nenets Autonomous Area	0	0	15
	Arkhangelsk Region, excluding Nenets Autonomous Area	0	0	253
	Vologda Region	5	40	277
	Kaliningrad Region	1	22	201
	Leningrad Region	1	0	353
	Murmansk Region	2	9	199
	Novgorod Region	2	10	157
	Pskov Region	2	1	160
	Saint Petersburg	33	216	1,115
3	SOUTHERN FEDERAL DISTRICT	38	908	2,923
	Republic of Adygeya (Adygeya)	4	7	90
	Republic of Kalmykia	0	0	38
	Republic of Crimea	3	254	72
	Krasnodar Territory	11	292	1,153
	Astrakhan Region	3	20	197
	Volgograd Region	4	19	540

Table 4 (continue)

1	2	3	4	5
	Rostov Region	11	129	921
	Sevastopol	2	14	85
4	NORTH CAUCASIAN FEDERAL DISTRICT	17	90	866
	Republic of Daghestan	6	32	103
	Republic of Ingushetia	0	0	11
	Kabardino-Balkar Republic	4	14	91
	Karachay-Cherkess Republic	3	0	41
	Republic of North Ossetia — Alania	1	4	66
	Chechen Republic	0	0	50
	Stavropol Territory	3	27	517
5	VOLGA FEDERAL DISTRICT	77	1,489	6,453
	Republic of Bashkortostan	5	112	940
	Mari El Republic	2	16	139
	Republic of Mordovia	3	74	172
	Republic of Tatarstan (Tatarstan)	20	499	771
	Udmurt Republic	3	38	321
	Chuvash Republic — Chuvashia	3	20	310
	Perm Territory	4	48	726
	Kirov Region	3	70	294
	Nizhny Novgorod Region	7	133	756
	Orenburg Region	5	65	539
	Penza Region	1	24	316
	Samara Region	12	90	628
	Saratov Region	8	65	507
	Ulyanovsk Region	1	9	260
6	URALS FEDERAL DISTRICT	29	663	2,531
	Kurgan Region	2	13	283
	Sverdlovsk Region	13	236	823
	Tyumen Region	7	89	926
	including: Khanty-Mansi Autonomous Area — Yugra	3	49	447
	Yamalo-Nenets Autonomous Area	0	0	164
	Tyumen Region, excluding Khanty-Mansi Autonomous Area — Yugra and Yamalo-Nenets Autonomous Area	4	40	315
	Chelyabinsk Region	7	192	632
7	SIBERIAN FEDERAL DISTRICT	37	364	4,062
	Altai Republic	1	5	38
	Republic of Buryatia	0	0	196
	Republic of Tuva	1	0	52
	Republic of Khakassia	2	30	103
	Altai Territory	5	29	665
	Trans-Baikal Territory	0	0	232
	Krasnoyarsk Territory	4	58	607
	Irkutsk Region	6	74	467
	Kemerovo Region	6	29	477
	Novosibirsk Region	6	69	595

Table 4 (end)

1	2	3	4	5
	Omsk Region	5	6	472
	Tomsk Region	1	9	213
8	FAR-EASTERN FEDERAL DISTRICT	18	489	1,189
	Republic of Sakha (Yakutia)	2	30	275
	Kamchatka Territory	3	25	85
	Primorye Territory	6	84	381
	Khabarovsk Territory	2	10	306
	Amur Region	2	53	164
	Magadan Region	0	0	56
	Sakhalin Region	3	8	133
	Jewish Autonomous Region	0	0	46
	Chukotka Autonomous Area	0	0	22

Table 5.1 Density of banking services in Russian regions as of 1 January 2016

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 2015, billions of rubles	Population, thousands	Per capita income (monthly average in 2015, 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	8,907	17,468,721	11,823,425	22,714	39,104	38,776	1.0	1.3	1.5	1.2
Memo item: CENTRAL FEDERAL DISTRICT excluding Moscow	*5,542*	*5,336,057*	*3,109,897*	*9,181*	*26,774*	*29,049*	*0.91*	*0.98*	*0.77*	*0.88*
Belgorod Region	282	372,069	182,848	686	1,550	28,327	0.80	0.91	0.80	0.83
Bryansk Region	198	141,390	87,014	270	1,226	25,375	0.71	0.88	0.54	0.69
Vladimir Region	315	164,460	150,966	358	1,397	23,732	0.99	0.77	0.87	0.87
Voronezh Region	497	461,402	277,323	823	2,333	30,109	0.93	0.94	0.76	0.87
Ivanovo Region	252	90,579	102,103	171	1,030	22,560	1.07	0.89	0.84	0.93
Kaluga Region	228	178,148	114,794	335	1,010	27,550	0.99	0.90	0.79	0.89
Kostroma Region	178	79,797	56,458	158	651	22,466	1.20	0.85	0.74	0.91
Kursk Region	236	226,441	86,765	335	1,120	25,814	0.92	1.14	0.58	0.85
Lipetsk Region	252	182,972	109,297	458	1,156	27,657	0.96	0.67	0.66	0.75
Moscow Region	1,474	2,270,201	1,168,631	3,214	7,319	37,622	0.88	1.19	0.81	0.95
Orel Region	162	100,555	63,023	206	760	22,840	0.93	0.82	0.70	0.81
Ryazan Region	228	149,567	114,596	316	1,130	24,219	0.88	0.80	0.80	0.83
Smolensk Region	163	133,695	80,458	257	959	24,763	0.75	0.88	0.65	0.75
Tambov Region	195	145,271	74,353	345	1,050	25,076	0.81	0.71	0.54	0.68
Tver Region	216	151,114	123,096	341	1,305	23,450	0.73	0.75	0.77	0.75
Tula Region	302	290,862	148,196	477	1,506	26,286	0.88	1.03	0.72	0.87
Yaroslavl Region	364	197,533	169,978	432	1,272	27,369	1.25	0.77	0.94	0.97
Moscow	3,365	12,132,664	8,713,528	13,533	12,330	59,898	1.20	1.51	2.27	1.60

Table 5.1 (continue)

1	2	3	4	5	6	7	8	9	10	11
NORTH-WESTERN FEDERAL DISTRICT	3,636	4,068,187	2,649,385	6,790	13,854	32,388	1.2	1.0	1.1	1.1
Republic of Karelia	168	87,187	61,840	211	630	25,734	1.17	0.70	0.73	0.84
Republic of Komi	258	124,647	105,553	523	857	33,328	1.32	0.40	0.71	0.72
Arkhangelsk Region	295	245,201	135,748	617	1,174	32,617	1.10	0.67	0.68	0.79
Vologda Region	356	199,899	121,069	469	1,188	25,602	1.31	0.72	0.76	0.90
Kaliningrad Region	239	277,174	144,501	329	976	25,897	1.07	1.42	1.10	1.19
Leningrad Region	396	359,639	131,033	854	1,779	24,719	0.98	0.71	0.57	0.73
Murmansk Region	224	167,697	138,706	390	762	36,875	1.29	0.72	0.95	0.96
Novgorod Region	184	89,982	52,715	240	616	25,780	1.31	0.63	0.64	0.81
Pskov Region	161	69,225	47,994	133	646	21,726	1.09	0.88	0.66	0.86
Saint Petersburg	1,355	2,447,535	1,710,229	3,024	5,226	39,948	1.14	1.36	1.57	1.35
SOUTHERN FEDERAL DISTRICT[6]	3,945	2,368,120	1,376,435	4,591	16,368	27,004	1.1	0.9	0.6	0.8
Republic of Adygeya (Adygeya)	106	47,286	18,499	83	451	22,639	1.03	0.96	0.35	0.70
Republic of Kalmykia	39	28,384	8,150	47	279	14,216	0.61	1.01	0.39	0.63
Republic of Crimea	373	16,025	47,664	248	1,907	15,672	0.86	0.11	0.31	0.31
Krasnodar Territory	1,490	1,139,044	583,230	1,947	5,514	31,373	1.18	0.99	0.65	0.91
Astrakhan Region	229	109,190	72,573	321	1,019	24,065	0.99	0.57	0.57	0.68
Volgograd Region	475	279,991	215,344	735	2,546	21,724	0.82	0.64	0.75	0.73
Rostov Region	1,115	744,592	415,556	1,172	4,236	26,546	1.15	1.07	0.71	0.96
Sevastopol	118	3,609	15,419	38	416	17,892	1.24	0.16	0.40	0.43
NORTH CAUCASIAN FEDERAL DISTRICT	1,030	600,543	343,715	1,704	9,718	23,023	0.5	0.6	0.3	0.4
Republic of Daghestan	152	56,591	49,730	560	3,016	26,739	0.22	0.17	0.12	0.16
Republic of Ingushetia	17	10,717	4,694	54	473	14,683	0.16	0.33	0.13	0.19
Kabardino-Balkar Republic	98	66,868	28,913	125	862	19,108	0.50	0.90	0.34	0.53
Karachay-Cherkess Republic	47	49,871	12,966	67	468	17,255	0.44	1.25	0.31	0.55
Republic of North Ossetia — Alania	73	50,557	32,189	128	704	22,007	0.45	0.67	0.40	0.49
Chechen Republic	46	36,484	11,907	161	1,394	22,914	0.14	0.38	0.07	0.16
Stavropol Territory	597	329,455	203,315	610	2,802	22,971	0.93	0.91	0.61	0.80
VOLGA FEDERAL DISTRICT	6,972	5,231,999	2,979,484	9,916	29,674	26,300	1.0	0.9	0.7	0.9
Republic of Bashkortostan	980	664,365	306,349	1,317	4,071	27,744	1.06	0.85	0.52	0.78
Mari El Republic	139	102,874	41,778	166	686	18,533	0.89	1.05	0.63	0.84
Republic of Mordovia	193	123,311	52,291	187	807	17,878	1.05	1.11	0.70	0.93
Republic of Tatarstan (Tatarstan)	994	921,562	491,783	1,833	3,869	32,163	1.13	0.85	0.76	0.90
Udmurt Republic	377	389,075	115,913	498	1,517	24,465	1.09	1.32	0.60	0.95
Chuvash Republic — Chuvashia	248	132,331	95,231	250	1,237	18,492	0.88	0.89	0.80	0.86
Perm Territory	806	666,522	289,665	1,048	2,634	32,053	1.34	1.07	0.66	0.98
Kirov Region	313	128,866	97,929	277	1,297	22,170	1.06	0.78	0.65	0.82
Nizhny Novgorod Region	752	587,768	404,462	1,069	3,260	30,837	1.01	0.93	0.77	0.90

Table 5.1 (end)

1	2	3	4	5	6	7	8	9	10	11
Orenburg Region	438	297,999	146,781	775	1,995	22,948	0.96	0.65	0.62	0.73
Penza Region	257	147,792	99,296	336	1,349	21,829	0.84	0.74	0.65	0.74
Samara Region	740	590,430	510,429	1,240	3,206	27,732	1.01	0.80	1.10	0.96
Saratov Region	470	285,631	226,263	617	2,488	20,070	0.83	0.78	0.87	0.82
Ulyanovsk Region	265	193,474	101,314	301	1,258	22,782	0.92	1.08	0.68	0.88
URALS FEDERAL DISTRICT	3,081	3,925,792	1,627,700	8,980	12,308	32,794	1.1	0.7	0.8	0.9
Kurgan Region	163	99,779	43,758	180	862	19,151	0.83	0.93	0.51	0.73
Sverdlovsk Region	1,043	1,318,785	591,780	1,779	4,330	34,820	1.06	1.25	0.75	1.00
Tyumen Region	1,070	1,743,154	656,964	5,851	3,615	41,625	1.30	0.50	0.84	0.82
Chelyabinsk Region	805	764,074	335,198	1,170	3,501	24,584	1.01	1.10	0.75	0.94
SIBERIAN FEDERAL DISTRICT	4,182	3,615,326	1,624,501	6,752	19,324	23,584	0.9	0.9	0.7	0.8
Altai Republic	48	26,843	7,420	42	215	18,267	0.98	1.08	0.36	0.73
Republic of Buryatia	245	133,078	46,374	204	982	25,486	1.09	1.10	0.36	0.75
Republic of Tuva	53	24,597	6,786	47	316	15,255	0.74	0.88	0.27	0.56
Republic of Khakassia	125	64,100	27,536	172	537	20,784	1.02	0.63	0.47	0.67
Altai Territory	426	259,012	147,692	492	2,377	20,989	0.79	0.89	0.57	0.73
Trans-Baikal Territory	247	119,382	55,704	249	1,083	23,023	1.00	0.81	0.43	0.70
Krasnoyarsk Territory	683	899,942	255,586	1,618	2,866	27,123	1.04	0.94	0.63	0.85
Irkutsk Region	536	450,956	210,368	1,014	2,413	22,458	0.97	0.75	0.75	0.82
Kemerovo Region	495	731,572	221,823	843	2,718	21,845	0.80	1.46	0.72	0.94
Novosibirsk Region	617	482,947	372,019	981	2,762	24,186	0.98	0.83	1.07	0.95
Omsk Region	473	262,678	163,217	617	1,978	25,858	1.05	0.72	0.61	0.77
Tomsk Region	234	160,218	109,975	474	1,077	24,860	0.95	0.57	0.79	0.75
FAR-EASTERN FEDERAL DISTRICT	1,676	1,428,794	833,276	3,719	6,195	36,320	1.2	0.6	0.7	0.8
Republic of Sakha (Yakutia)	293	420,854	85,427	750	960	37,847	1.34	0.94	0.45	0.83
Kamchatka Territory	113	72,127	60,737	172	316	41,102	1.57	0.71	0.90	1.00
Primorye Territory	495	354,672	261,160	717	1,929	33,018	1.12	0.83	0.79	0.90
Khabarovsk Territory	326	337,459	206,650	572	1,335	36,666	1.07	0.99	0.81	0.95
Amur Region	202	103,611	70,814	277	806	30,232	1.10	0.63	0.56	0.73
Magadan Region	50	36,484	34,295	125	146	50,262	1.50	0.49	0.90	0.87
Sakhalin Region	129	77,483	94,354	999	487	49,654	1.16	0.13	0.75	0.48
Jewish Autonomous Region	47	14,300	10,793	45	166	24,459	1.24	0.54	0.51	0.70
Chukotka Autonomous Area	21	11,803	9,046	64	50	61,704	1.84	0.31	0.56	0.68
Total for Russian Federation	**33,429**	**38,707,481**	**23,257,921**	**65,167**	**146,545**	**30,474**	**1.0**	**1.0**	**1.0**	**1.0**

[1] Based on data reported in Form 0409302.
[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).
[6] Including the Crimea Federal District.

Table 5.2. 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 (estimate)	Population, thousands	Per capita income (monthly average in 2016, rubles, estimate)	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	16,592,001	12,040,352	23,437	39,217	39,660	1.0	1.3	1.4	1.2
Memo item: CENTRAL FEDERAL DISTRICT excluding Moscow	*5,225*	*5,392,751*	*3,395,177*	*9,473*	*26,839*	*30,439*	*0.93*	*1.03*	*0.77*	*0.91*
Belgorod Region	271	330,923	197,983	708	1,553	29,879	0.84	0.85	0.79	0.83
Bryansk Region	186	149,884	93,772	279	1,221	25,287	0.73	0.98	0.56	0.74
Vladimir Region	279	158,335	168,665	369	1,390	23,056	0.96	0.78	0.98	0.90
Voronezh Region	486	396,059	299,869	849	2,335	29,769	1.00	0.85	0.80	0.88
Ivanovo Region	228	89,585	111,668	176	1,023	23,183	1.07	0.92	0.87	0.95
Kaluga Region	221	178,473	129,898	345	1,016	28,356	1.04	0.94	0.84	0.94
Kostroma Region	162	72,808	65,665	163	648	24,038	1.20	0.81	0.78	0.91
Kursk Region	215	256,028	94,965	346	1,123	26,546	0.92	1.34	0.59	0.90
Lipetsk Region	237	174,530	119,012	472	1,156	28,443	0.98	0.67	0.67	0.76
Moscow Region	1,386	2,406,121	1,277,804	3,316	7,430	41,282	0.89	1.32	0.77	0.97
Orel Region	156	108,931	71,037	212	755	23,096	0.99	0.93	0.76	0.89
Ryazan Region	235	150,630	126,197	326	1,127	24,326	1.00	0.84	0.86	0.89
Smolensk Region	154	123,017	86,063	265	953	23,956	0.77	0.84	0.70	0.77
Tambov Region	176	141,766	80,909	356	1,040	26,238	0.81	0.72	0.55	0.69
Tver Region	209	148,437	130,840	352	1,297	24,291	0.77	0.77	0.77	0.77
Tula Region	308	290,054	163,518	492	1,499	27,501	0.98	1.07	0.74	0.92
Yaroslavl Region	316	217,169	177,312	446	1,271	27,312	1.19	0.88	0.95	1.00
Moscow	2,998	11,199,250	8,645,175	13,963	12,377	59,655	1.16	1.46	2.18	1.54
NORTH-WESTERN FEDERAL DISTRICT	3,361	3,754,684	2,803,581	7,006	13,901	33,398	1.2	1.0	1.1	1.1
Republic of Karelia	162	90,539	67,309	218	627	25,581	1.24	0.75	0.78	0.90
Republic of Komi	237	117,175	115,579	540	851	32,015	1.33	0.39	0.79	0.75
Arkhangelsk Region	268	156,983	147,252	637	1,166	32,226	1.10	0.45	0.73	0.71
Vologda Region	321	162,721	129,270	484	1,184	26,815	1.30	0.61	0.76	0.84
Kaliningrad Region	214	231,023	148,836	339	987	24,978	1.04	1.24	1.12	1.13
Leningrad Region	349	394,741	140,011	881	1,793	28,016	0.93	0.81	0.52	0.73
Murmansk Region	204	155,605	145,043	403	758	36,127	1.29	0.70	0.98	0.96
Novgorod Region	168	87,374	54,520	248	613	26,280	1.31	0.64	0.63	0.81
Pskov Region	155	64,893	51,333	137	642	21,771	1.16	0.86	0.68	0.88
Saint Petersburg	1,283	2,293,630	1,804,428	3,120	5,279	41,612	1.16	1.33	1.53	1.33

Table 5.2 (continue)

1	2	3	4	5	6	7	8	9	10	11
SOUTHERN FEDERAL DISTRICT	3,563	2,332,535	1,499,222	4,737	16,435	26,865	1.0	0.9	0.6	0.8
Republic of Adygeya (Adygeya)	99	47,370	20,423	85	454	23,748	1.04	1.01	0.35	0.72
Republic of Kalmykia	38	27,611	8,829	49	278	14,825	0.65	1.03	0.40	0.64
Republic of Crimea	316	32,195	64,112	256	1,912	19,016	0.79	0.23	0.33	0.39
Krasnodar Territory	1,345	1,163,152	648,861	2,009	5,575	32,767	1.16	1.05	0.66	0.93
Astrakhan Region	212	111,219	75,269	331	1,019	22,714	1.00	0.61	0.60	0.72
Volgograd Region	431	272,838	220,234	759	2,536	21,693	0.81	0.65	0.74	0.73
Rostov Region	1,025	671,875	440,899	1,209	4,233	27,210	1.16	1.01	0.71	0.94
Sevastopol	97	6,274	20,596	39	429	18,917	1.08	0.29	0.47	0.53
NORTH CAUCASIAN FEDERAL DISTRICT	916	597,405	371,242	1,759	9,776	23,726	0.4	0.6	0.3	0.4
Republic of Daghestan	136	58,990	53,782	577	3,042	28,794	0.21	0.19	0.11	0.17
Republic of Ingushetia	10	9,556	4,524	56	481	15,051	0.10	0.31	0.12	0.15
Kabardino-Balkar Republic	85	67,348	31,891	129	864	20,288	0.47	0.95	0.34	0.53
Karachay-Cherkess Republic	43	47,903	14,434	69	467	17,098	0.44	1.25	0.34	0.57
Republic of North Ossetia – Alania	62	47,945	35,264	132	703	21,999	0.42	0.66	0.42	0.49
Chechen Republic	50	38,182	10,352	166	1,413	23,248	0.17	0.42	0.06	0.16
Stavropol Territory	530	327,481	220,996	629	2,806	22,570	0.90	0.95	0.65	0.82
VOLGA FEDERAL DISTRICT	6,347	5,061,425	3,198,304	10,232	29,645	25,749	1.0	0.9	0.8	0.9
Republic of Bashkortostan	806	632,629	337,031	1,359	4,066	28,299	0.95	0.85	0.54	0.76
Mari El Republic	132	97,748	47,253	171	685	18,006	0.92	1.04	0.71	0.88
Republic of Mordovia	183	142,255	58,056	193	809	17,472	1.08	1.34	0.76	1.03
Republic of Tatarstan (Tatarstan)	930	924,275	541,997	1,892	3,886	33,033	1.15	0.89	0.78	0.93
Udmurt Republic	358	352,500	128,499	514	1,517	23,220	1.13	1.25	0.68	0.98
Chuvash Republic – Chuvashia	219	132,161	108,103	258	1,236	17,868	0.85	0.93	0.91	0.89
Perm Territory	758	623,530	304,340	1,081	2,633	29,156	1.38	1.05	0.74	1.02
Kirov Region	305	127,618	107,039	285	1,292	21,434	1.13	0.81	0.72	0.87
Nizhny Novgorod Region	678	537,993	436,975	1,103	3,249	30,414	1.00	0.89	0.82	0.90
Orenburg Region	416	294,930	159,858	800	1,990	22,342	1.00	0.67	0.67	0.77
Penza Region	227	146,837	108,238	347	1,342	21,500	0.81	0.77	0.70	0.76
Samara Region	645	595,308	523,303	1,280	3,205	26,478	0.96	0.84	1.15	0.98
Saratov Region	423	277,839	227,751	637	2,480	19,129	0.82	0.79	0.89	0.83
Ulyanovsk Region	267	175,803	109,860	311	1,253	21,834	1.02	1.03	0.75	0.92
URALS FEDERAL DISTRICT	2,815	3,670,307	1,717,407	9,266	12,350	31,955	1.1	0.7	0.8	0.9
Kurgan Region	155	75,461	48,230	185	854	20,687	0.87	0.74	0.51	0.69
Sverdlovsk Region	939	1,203,516	621,767	1,836	4,331	35,086	1.04	1.19	0.76	0.98
Tyumen Region	983	1,703,256	688,597	6,037	3,662	39,497	1.29	0.51	0.88	0.84
Chelyabinsk Region	738	688,075	358,813	1,208	3,504	23,068	1.01	1.03	0.83	0.95
SIBERIAN FEDERAL DISTRICT	3,840	3,698,301	1,775,491	6,967	19,331	23,417	1.0	1.0	0.7	0.9

Table 5.2 (end)

1	2	3	4	5	6	7	8	9	10	11
Altai Republic	41	26,517	7,768	43	217	16,733	0.90	1.12	0.40	0.74
Republic of Buryatia	196	99,181	47,883	211	984	24,728	0.95	0.86	0.37	0.67
Republic of Tuva	53	22,417	7,731	49	319	14,267	0.80	0.83	0.32	0.59
Republic of Khakassia	117	63,454	32,840	177	538	21,148	1.04	0.65	0.54	0.71
Altai Territory	384	254,392	159,400	508	2,366	21,265	0.78	0.91	0.59	0.75
Trans-Baikal Territory	232	125,816	61,222	257	1,079	22,946	1.03	0.89	0.46	0.75
Krasnoyarsk Territory	594	972,948	273,728	1,670	2,876	27,703	0.99	1.06	0.64	0.87
Irkutsk Region	499	504,452	234,412	1,046	2,409	22,120	0.99	0.88	0.82	0.89
Kemerovo Region	452	725,934	236,648	869	2,709	21,190	0.80	1.52	0.77	0.98
Novosibirsk Region	569	492,315	420,861	1,012	2,781	25,067	0.98	0.88	1.12	0.99
Omsk Region	482	241,054	176,044	637	1,973	24,415	1.17	0.69	0.68	0.82
Tomsk Region	221	169,821	116,955	489	1,079	23,650	0.98	0.63	0.85	0.81
FAR-EASTERN FEDERAL DISTRICT	1,605	1,320,427	896,442	3,838	6,185	36,348	1.2	0.6	0.7	0.8
Republic of Sakha (Yakutia)	287	373,443	92,977	774	963	39,332	1.43	0.88	0.46	0.83
Kamchatka Territory	109	64,648	66,607	177	315	38,595	1.66	0.66	1.02	1.04
Primorye Territory	456	307,952	279,022	739	1,925	32,890	1.13	0.76	0.82	0.89
Khabarovsk Territory	302	329,530	215,975	590	1,334	37,641	1.08	1.01	0.80	0.96
Amur Region	202	98,498	76,647	286	802	29,589	1.21	0.63	0.60	0.77
Magadan Region	49	39,107	36,887	129	146	46,827	1.61	0.55	1.01	0.96
Sakhalin Region	133	81,061	106,793	1,031	487	49,378	1.31	0.14	0.83	0.54
Jewish Autonomous Region	45	13,370	11,664	46	164	23,679	1.31	0.52	0.56	0.73
Chukotka Autonomous Area	22	12,818	9,869	66	50	57,104	2.12	0.35	0.65	0.78
Total for Russian Federation	**30,670**	**37,027,084**	**24,302,041**	**67,240**	**146,839**	**30,758**	**1.0**	**1.0**	**1.0**	**1.0**

[1] Based on data reported in Form 0409302.
[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

	1 January 2016	1 February 2016	1 March 2016	1 April 2016	1 May 2016	1 June 2016	1 July 2016	1 August 2016	1 September 2016	1 October 2016	1 November 2016	1 December 2016	1 January 2017
Assets													
Assets (liabilities), billions of rubles	83,000	83,732	83,251	81,115	79,802	80,101	79,545	80,012	79,669	79,669	79,165	80,365	80,063
growth for twelve months, %	6.9	3.7	9.0	9.0	10.3	10.8	8.2	6.9	1.6	0.6	1.3	1.7	-3.5
Loans to the economy (non-financial organisations and households), billions of rubles	43,985	44,706	44,419	42,934	42,396	41,943	41,804	42,354	42,140	41,765	41,897	42,232	40,939
growth for twelve months, %	7.6	4.3	7.8	5.8	7.5	5.8	4.2	3.2	-1.0	-1.7	-1.1	-1.8	-6.9

Table 6 (continue)

	1 January 2016	1 February 2016	1 March 2016	1 April 2016	1 May 2016	1 June 2016	1 July 2016	1 August 2016	1 September 2016	1 October 2016	1 November 2016	1 December 2016	1 January 2017
share of foreign currency loans, %	30.8	31.5	31.0	28.5	27.3	26.6	26.0	26.5	26.1	25.5	25.4	25.4	24.1
Loans to non-financial organisations, billions of rubles	33,301	34,089	33,816	32,380	31,847	31,374	31,231	31,738	31,447	31,039	31,151	31,437	30,135
growth for twelve months, %	12.7	7.9	12.2	9.3	11.3	8.6	6.3	4.8	-1.1	-2.2	-1.5	-2.8	-9.5
share of foreign currency loans, %	39.8	40.5	40.0	37.1	35.6	34.9	34.1	34.7	34.3	33.7	33.6	33.5	32.2
Household loans, billions of rubles	10,684	10,617	10,603	10,554	10,549	10,568	10,573	10,616	10,694	10,726	10,746	10,794	10,804
growth for twelve months, %	-5.7	-5.7	-4.4	-3.5	-2.5	-1.9	-1.4	-1.1	-0.7	-0.3	0.3	1.1	1.1
share of foreign currency loans, %	2.7	2.7	2.5	2.2	2.0	2.0	2.0	2.0	1.9	1.8	1.7	1.7	1.5
Housing mortgage loans, billions of rubles	3,982	4,001	4,069	4,096	4,125	4,158	4,186	4,228	4,274	4,318	4,365	4,425	4,490
growth for twelve months, %	12.9	12.4	14.1	15.1	15.8	15.9	16.0	16.0	15.5	15.3	15.2	15.3	12.8
Car loans, billions of rubles	712	718	679	665	655	647	641	637	635	622	625	625	623
growth for twelve months, %	-22.1	-17.0	-20.8	-20.1	-19.6	-19.4	-18.0	-17.8	-17.4	-17.2	-15.2	-13.2	-12.5
Unsecured consumer loans[1], billions of rubles	5,600	5,544	5,510	5,509	5,451	5,446	5,437	5,446	5,478	5,478	5,456	5,453	5,425
growth for twelve months, %	-12.4	-11.5	-10.6	-9.1	-8.8	-8.0	-7.5	-7.1	-6.0	-5.3	-4.8	-3.7	-3.1
Loans to resident financial organisations (other than credit institutions), billions of rubles	1,659	1,710	1,740	1,710	1,703	2,615	2,565	2,616	2,669	2,639	2,543	2,466	2,777
growth for twelve months, %	27.0	31.8	7.0	4.2	9.4	70.4	61.8	63.5	59.9	75.0	69.7	63.0	67.4
share of foreign currency loans, %	28.2	32.5	34.3	33.5	32.0	53.5	52.5	54.1	51.2	49.9	51.3	49.8	42.6
Capital and financial result													
Capital, billions of rubles	9,009	9,079	9,093	8,953	8,922	8,965	8,948	9,025	9,073	9,098	9,148	9,235	9,387
growth for twelve months, %	13.6	15.7	17.0	10.9	11.2	10.9	9.6	6.7	4.0	4.1	3.7	3.9	4.2
N1.0 capital adequacy, %	13	12	12	12	12	12	12	12	12	13	13	13	13
Loss provision balances[2], billions of rubles	5,406	5,505	5,551	5,553	5,587	5,694	5,643	5,749	5,803	5,767	5,792	5,870	5,594
Year to date growth, billions of rubles	1,352	98	145	147	181	287	237	343	397	361	386	464	188
Current-year profits, billions of rubles	192	32	82	109	167	235	360	459	532	632	714	788	930
Return on assets[3], %	0.3	0.3	0.4	0.4	0.5	0.5	0.6	0.8	0.8	0.9	0.9	0.9	1.2
Return on equity[3], %	2.3	2.9	3.6	3.4	4.3	4.8	5.7	6.9	7.2	7.8	7.9	7.9	10.3
Liabilities													
Household deposits, billions of rubles	23,219	22,802	22,971	22,519	22,674	22,925	23,063	23,453	23,375	23,318	23,374	23,674	24,200
growth for twelve months, %	25.2	18.0	20.4	17.9	18.5	18.3	15.9	15.0	10.7	9.9	10.3	10.2	4.2
share of foreign currency deposits, %	29.4	30.1	29.4	27.3	26.2	26.4	25.7	26.5	25.9	25.6	25.5	25.7	23.7

Table 6 (end)

	1 January 2016	1 February 2016	1 March 2016	1 April 2016	1 May 2016	1 June 2016	1 July 2016	1 August 2016	1 September 2016	1 October 2016	1 November 2016	1 December 2016	1 January 2017
Deposits and funds on organisations' accounts (other than credit institutions), billions of rubles	27,064	27,467	27,396	26,215	25,449	25,770	25,108	24,878	24,523	24,318	23,982	24,430	24,322
growth for twelve months, %	15.6	6.2	12.5	13.6	17.0	18.4	12.3	9.8	0.6	-2.4	-1.4	-1.8	-10.1
share of foreign currency funds, %	48.9	50.9	51.0	48.2	46.9	46.8	45.6	45.3	44.4	43.4	43.2	43.8	40.5
Loans extended by the Bank of Russia, billions of rubles	5,363	4,590	4,161	4,060	3,099	2,964	2,712	2,729	2,424	2,373	2,177	2,450	2,726
Share of liabilities, %	6.5	5.5	5.0	5.0	3.9	3.7	3.4	3.4	3.0	3.0	2.8	3.0	3.4

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

Note.
Given the adjustments to the classification of individual counterparties in repo transactions in early 2016, indicators in 2016 grew as follows:
– loans to the economy (non-financial organisations and households) -4.1%;
– loans to non-financial organisations -5.8%;
– loans to resident financial organisations (other than credit institutions) -6.1%.

Table 7. Growth in key banking sector indicators, including unadjusted for foreign exchange rate

	1 January 2016	1 February 2016	1 March 2016	1 April 2016	1 May 2016	1 June 2016	1 July 2016	1 August 2016	1 September 2016	1 October 2016	1 November 2016	1 December 2016	1 January 2017	Year to date growth, %
Assets														
Assets, billions of rubles	83,000	83,733	83,251	81,115	79,802	80,101	79,545	80,012	79,669	79,669	79,165	80,365	80,063	
growth for one month, %														
adjusted for foreign exchange rate	5.0	0.9	-0.6	-2.6	-1.6	0.4	-0.7	0.6	-0.4	0.0	-0.6	1.5	-0.4	-3.5
unadjusted for foreign exchange rate	1.7	-0.2	-0.5	1.0	0.0	-0.5	0.2	-0.7	0.6	0.8	-0.5	0.6	1.6	1.9
Loans to the economy (non-financial organisations and households), billions of rubles	43,985	44,706	44,419	42,934	42,396	41,943	41,804	42,354	42,141	41,765	41,897	42,232	40,939	
growth for one month, %														
adjusted for foreign exchange rate	2.3	1.6	-0.6	-3.3	-1.3	-1.1	-0.3	1.3	-0.5	-0.9	0.3	0.8	-3.1	-6.9
unadjusted for foreign exchange rate	-0.6	0.7	-0.6	-0.3	0.1	-1.8	0.4	0.2	0.4	-0.2	0.4	0.0	-1.4	-2.4
Loans to non-financial organisations, billions of rubles	33,301	34,089	33,816	32,380	31,847	31,374	31,231	31,738	31,447	31,039	31,151	31,438	30,135	
growth for one month, %														
adjusted for foreign exchange rate	3.0	2.4	-0.8	-4.2	-1.6	-1.5	-0.5	1.6	-0.9	-1.3	0.4	0.9	-4.1	-9.5
unadjusted for foreign exchange rate	-0.8	1.1	-0.8	-0.3	0.1	-2.4	0.5	0.2	0.2	-0.4	0.5	-0.1	-2.0	-3.6
Household loans, billions of rubles	10,684	10,617	10,603	10,554	10,549	10,569	10,573	10,616	10,694	10,726	10,746	10,794	10,804	
growth for one month, %														
adjusted for foreign exchange rate	0.1	-0.6	-0.1	-0.5	0.0	0.2	0.0	0.4	0.7	0.3	0.2	0.4	0.1	1.1
unadjusted for foreign exchange rate	-0.1	-0.7	-0.1	-0.2	0.1	0.1	0.1	0.3	0.8	0.3	0.2	0.4	0.2	1.4
HMLs, total, billions of rubles	3,982	4,001	4,069	4,096	4,125	4,158	4,186	4,228	4,274	4,318	4,366	4,425	4,493	
growth for one month, %														
adjusted for foreign exchange rate	3.7	0.5	1.7	0.7	0.7	0.8	0.7	1.0	1.1	1.0	1.1	1.4	1.5	12.8
unadjusted for foreign exchange rate	3.4	0.4	1.7	1.0	0.9	0.7	0.7	0.9	1.2	1.1	1.1	1.3	1.7	13.2

Table 7 (continue)

	1 January 2016	1 February 2016	1 March 2016	1 April 2016	1 May 2016	1 June 2016	1 July 2016	1 August 2016	1 September 2016	1 October 2016	1 November 2016	1 December 2016	1 January 2017	Year to date growth, %
Loans to resident financial organisations (other than credit institutions), billions of rubles	1,659	1,710	1,740	1,710	1,703	2,615	2,565	2,616	2,669	2,639	2,543	2,466	2,777	
growth for one month, %														
adjusted for foreign exchange rate	9.7	3.1	1.7	-1.7	-0.4	53.6	-1.9	2.0	2.0	-1.1	-3.7	-3.0	12.6	67.4
unadjusted for foreign exchange rate	6.9	2.0	1.8	1.9	1.2	51.4	-0.5	-0.3	3.7	0.3	-3.4	-4.5	16.0	81.7
Interbank loans to residents, billions of rubles	5,035	5,428	5,615	5,781	5,858	5,596	5,894	6,079	6,114	6,223	6,081	6,376	7,124	
growth for one month, %														
adjusted for foreign exchange rate	16.4	7.8	3.4	3.0	1.3	-4.5	5.3	3.1	0.6	1.8	-2.3	4.8	11.7	41.5
unadjusted for foreign exchange rate	12.6	6.6	3.5	7.1	3.2	-5.4	6.4	1.6	1.8	2.8	-2.1	3.6	14.2	50.3
Interbank loans to non-residents, billions of rubles	3,575	3,162	3,251	2,915	2,775	2,621	2,334	2,257	2,119	1,934	1,970	2,028	1,967	
growth for one month, %														
adjusted for foreign exchange rate	-6.8	-11.5	2.8	-10.4	-4.8	-5.6	-10.9	-3.3	-6.1	-8.7	1.8	2.9	-3.0	-45.0
unadjusted for foreign exchange rate	-14.7	-14.0	2.9	-1.2	-0.3	-7.8	-8.7	-6.9	-3.4	-6.5	2.2	0.1	3.2	-35.0
Liabilities														
Liabilities, billions of rubles	83,000	83,733	83,251	81,115	79,802	80,101	79,545	80,012	79,669	79,669	79,165	80,365	80,063	
growth for one month, %														
adjusted for foreign exchange rate	5.0	0.9	-0.6	-2.6	-1.6	0.4	-0.7	0.6	-0.4	0.0	-0.6	1.5	-0.4	-3.5
unadjusted for foreign exchange rate	1.8	-0.2	-0.5	0.9	-0.1	-0.4	0.1	-0.7	0.5	0.8	-0.5	0.6	1.5	1.6
Household deposits, billions of rubles	23,219	22,802	22,971	22,519	22,674	22,925	23,063	23,453	23,375	23,318	23,374	23,674	24,200	
growth for one month, %														
adjusted for foreign exchange rate	8.0	-1.8	0.7	-2.0	0.7	1.1	0.6	1.7	-0.3	-0.2	0.2	1.3	2.2	4.2

Table 7 (end)

	1 January 2016	1 February 2016	1 March 2016	1 April 2016	1 May 2016	1 June 2016	1 July 2016	1 August 2016	1 September 2016	1 October 2016	1 November 2016	1 December 2016	1 January 2017	Year to date growth, %
unadjusted for foreign exchange rate	5.1	-2.7	0.8	1.0	2.0	0.4	1.3	0.6	0.5	0.5	0.3	0.5	3.9	9.2
Deposits and funds on organisations' accounts (other than credit institutions), billions of rubles	27,064	27,468	27,396	26,215	25,449	25,770	25,108	24,878	24,523	24,318	23,982	24,430	24,322	
growth for one month, %														
adjusted for foreign exchange rate	8.8	1.5	-0.3	-4.3	-2.9	1.3	-2.6	-0.9	-1.4	-0.8	-1.4	1.9	-0.4	-10.1
unadjusted for foreign exchange rate	3.9	-0.1	-0.2	0.8	-0.6	0.0	-1.3	-2.8	0.0	0.4	-1.2	0.5	2.4	-2.8
Assets and liabilities in foreign currency (in US dollar terms), billions of US dollars														
Assets	395	393	389	394	398	394	387	377	377	376	370	369	367	
Liabilities	378.6	381.6	378.0	381.7	384.9	376.0	367.9	354.6	355.2	356.6	350.1	348.9	349.7	
Foreign currency balance	16	12	11	12	13	18	19	22	22	20	20	20	17	
US dollar/ruble exchange rate, rubles per US dollar	72.883	75.172	75.090	67.608	64.333	66.083	64.258	67.051	64.907	63.158	62.904	64.945	60.657	-16.8

Note.
Given the adjustments to the classification of individual counterparties in repo transactions in early 2016, indicators in 2016 grew as follows:
– loans to the economy (non-financial organisations and households) -4.1% (adjusted for foreign exchange rate) and +0.6% (unadjusted for foreign exchange rate);
– loans to non-financial organisations -5.8% (adjusted for foreign exchange rate) and +0.3% (unadjusted for foreign exchange rate);
– loans to resident non-financial organisations (other than credit institutions) -6.3% (adjusted for foreign exchange rate) and +1.8% (unadjusted for foreign exchange rate).

Table 8. Bank assets grouped by investment, billions of rubles

	Assets	1 January 2016	1 April 2016	1 July 2016	1 October 2016	1 January 2017
1	Money, precious metals and gemstones, total	1,898	1,389	1,436	1,471	1,592
1.1.	Including money	1,801	1,298	1,288	1,201	1,404
2	Accounts with the Bank of Russia and authorised bodies of other countries, total	2,464	2,926	2,499	3,208	3,046
	Including:					
2.1.	Bank correspondent accounts with the Bank of Russia	1,537	2,124	1,660	2,168	1,774
2.2.	Bank required reserves transferred to the Bank of Russia	365	391	391	477	482
2.3.	Deposits and other funds placed with the Bank of Russia	558	401	437	555	785
3	Correspondent accounts with credit institutions, total	2,536	2,300	2,080	1,823	1,734
	Including:					
3.1.	Correspondent accounts with correspondent credit institutions	611	553	524	530	534
3.2.	Correspondent accounts with non-resident banks	1,925	1,747	1,556	1,293	1,201
4	Securities acquired by credit institutions, total	11,777	11,837	11,627	11,305	11,450
	Including:					
4.1.	Debt	9,616	9,579	9,614	9,271	9,366
4.2.	Equities	295	303	307	326	357
4.3.	Discounted bills	204	173	169	163	178
4.4.	Shares of subsidiaries and affiliated joint-stock companies	1,662	1,782	1,536	1,546	1,549
5	Other stakes in authorised capital	568	589	788	818	878
6	Financial derivatives	1,261	1,050	915	789	704
7	Loans, total	57,511	56,276	55,301	55,171	55,622
	Including:					
7.1.	Loans, deposits and other placements	57,155	55,992	55,101	55,010	55,479
	including overdue debt	3,047	3,123	3,154	3,167	2,892
	Of which:					
7.1.1.	Loans and other placements with non-financial organisations	33,301	32,380	31,231	31,039	30,135
	including overdue debt	2,076	2,121	2,124	2,123	1,892
7.1.2.	Loans and other funds extended to households	10,684	10,554	10,573	10,726	10,804
	including overdue debt	864	889	899	916	858
7.1.3.	Loans, deposits and other placements with credit institutions	8,610	8,696	8,228	8,158	9,091
	including overdue debt	64	70	87	83	95
8	Fixed assets, other real estate, intangible assets and inventories	1,278	1,248	1,452	1,441	1,487
8.1	Including real estate temporarily unused in core activities	109	170	192	196	198
9	Disposition of profits	125	40	189	263	385
	including profit tax	110	39	153	260	343
10	Other assets, total	3,580	3,462	3,258	3,379	3,166
	Including:					
10.1.	Float	1,826	1,603	1,531	1,591	1,382
10.2.	Debtors	404	449	337	344	326
10.3.	Deferred expenses	134	45	48	43	42
Total assets		**83,000**	**81,115**	**79,545**	**79,669**	**80,063**

Table 9. Bank liabilities grouped by source of funds, billions of rubles

Liabilities		1 January 2016	1 April 2016	1 July 2016	1 October 2016	1 January 2017
1	Bank funds and profits, total	7,552	7,642	7,882	8,129	8,611
	Including:					
1.1.	Funds	4,181	4,318	4,227	4,238	4,426
1.2.	Profits (losses), including previous-year financial results	3,338	3,317	3,601	3,804	4,078
	Including:					
1.2.1.	Current-year profits (losses)	192	109	360	632	930
2	Loans, deposits and other funds received by credit institutions from the Bank of Russia	5,363	4,060	2,712	2,373	2,726
3	Bank accounts, total	801	793	812	862	829
	Including:					
3.1.	Correspondent accounts of correspondent banks	512	546	503	494	503
3.2.	Correspondent accounts of non-resident banks	177	175	227	270	228
4	Loans, deposits and other funds received from other credit institutions, total	7,091	7,721	7,497	7,854	8,559
5	Customer funds, total[1]	51,907	50,904	50,725	50,747	50,003
	Including:					
5.1.	Budget funds in settlement accounts	66	76	71	28	8
5.2.	Government and extra-budgetary funds in settlement accounts	0	0	0	0	0
5.3.	Organisations' funds in settlement and other accounts	8,905	10,395	9,626	8,985	8,764
5.4.	Customer float	488	585	560	510	451
5.5.	Deposits and other funds raised by legal entities (other than credit institutions)	19,018	17,138	17,222	17,698	16,385
5.6.	Household deposits	23,219	22,519	23,063	23,318	24,200
5.7.	Customer funds in factoring and forfeiting operations	22	33	24	37	28
6	Bonds	1,266	1,140	1,176	1,128	1,093
7	Bills and bank acceptances	696	581	507	451	441
8	Financial derivatives	881	683	572	496	483
9	Other liabilities, total	7,443	7,591	7,662	7,629	7,318
	Including:					
9.1.	Loss provisions	5,406	5,553	5,643	5,767	5,594
9.2.	Float	1,076	937	977	846	821
9.3.	Creditors	80	175	243	191	165
9.4.	Deferred income	15	11	11	11	14
9.5.	Accrued interest and interest/coupon liabilities on securities	693	707	645	694	617
	Including:					
9.6.	Overdue interest	0	0	0	0	0
Total liabilities		**83,000**	**81,115**	**79,545**	**79,669**	**80,063**

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

Table 10. Quality of the banking sector's loan portfolio

	1 January 2016	1 February 2016	1 March 2016	1 April 2016	1 May 2016	1 June 2016	1 July 2016	1 August 2016	1 September 2016	1 October 2016	1 November 2016	1 December 2016	1 January 2017
Legal entities													
Share of overdue loans in total value of loans to non-financial organisations, %	6.2	6.8	6.5	6.6	6.7	6.8	6.8	6.8	7.1	6.8	6.8	6.7	6.3
Share of overdue loans in total value of loans to resident financial organisations (other than credit institutions), %	2.6	2.5	2.6	2.5	2.7	1.8	1.8	1.7	1.7	1.7	1.9	2.0	1.7
Share of Quality Category IV and Quality Category V loans in total value of loans to legal entities (other than credit institutions), %	9.1	9.3	9.7	10.2	10.4	10.5	10.6	10.6	10.8	10.6	10.9	11.0	10.7
Loss provisions for loans to legal entities (other than credit institutions), as % of total value of such loans	8.4	8.5	8.7	9.0	9.1	9.3	9.1	9.2	9.4	9.4	9.5	9.5	9.2
Individuals													
Share of overdue loans in total value of household loans, %	8.1	8.3	8.5	8.4	8.5	8.6	8.5	8.6	8.6	8.5	8.3	8.2	7.9
Share of loans not repaid on the due date in a month preceding the reporting date	15.1	15.8	14.9	15.0	13.2	15.2	14.7	15.4	14.5	13.3	13.0	14.0	12.2
Share of Quality Category IV and Quality Category V loans in total loan value, %	12.9	13.3	13.5	13.4	13.3	13.3	13.1	13.1	13.0	12.7	12.5	12.2	11.8
Loss provisions for loans, as % of total value of such loans	12.4	12.8	13.0	12.9	12.8	12.9	12.8	12.9	12.8	12.7	12.4	12.2	11.8
Loss provisions for loans with arrears exceeding 90 days, as % of total value of such loans	87.2	87.7	88.1	88.3	88.5	89.0	89.3	89.8	90.0	90.2	90.2	90.3	90.6
mortgage loans	79.7	80.5	80.4	80.3	80.5	79.8	80.6	82.0	82.6	83.0	83.0	83.5	84.3
car loans	88.2	88.6	88.9	89.1	89.6	89.8	90.9	91.4	91.8	92.2	92.4	92.6	93.1
unsecured consumer loans	87.5	88.1	88.5	88.7	88.9	89.5	89.7	90.1	90.3	90.5	90.4	90.6	90.8

Table 11. Data on housing mortgage loans (HML)[1]

	1 January 2016	1 February 2016	1 March 2016	1 April 2016	1 May 2016	1 June 2016	1 July 2016	1 August 2016	1 September 2016	1 October 2016	1 November 2016	1 December 2016	1 January 2017
HMLs, total, billions of rubles	3,982	4,001	4,069	4,096	4,125	4,158	4,186	4,228	4,274	4,318	4,366	4,425	4,493
growth for one month, %	3.7	0.5	1.7	0.7	0.7	0.8	0.7	1.0	1.1	1.0	1.1	1.4	1.5
growth for twelve months, %	12.9	12.4	14.1	15.1	15.8	15.9	16.0	16.0	15.5	15.3	15.2	15.3	12.8
Including overdue HMLs, billions of rubles	66	69	71	70	70	72	72	74	74	73	73	73	70
growth for one month, %	5.6	4.5	2.0	-1.5	0.2	3.9	-0.9	2.9	-0.3	-1.4	0.2	0.7	-3.9
growth for twelve months, %	43.6	36.8	43.6	38.6	41.5	42.0	35.3	34.0	23.6	19.6	20.1	16.7	6.2
share of overdue loans in total HMLs, %	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.6
Value of HMLs extended year-to-date, billions of rubles	1,162	62	205	324	447	551	665	776	900	1,027	1,152	1,289	1,473
as % on corresponding period of previous year	65.8	87.6	136.3	148.4	149.4	147.7	144.3	139.1	137.8	134.8	131.9	130.8	126.8
Volume of HMLs extended year-to-date, thousands	700	37	117	188	261	323	390	455	528	602	675	753	856
growth for one month, thousands	105	37	80	71	73	62	67	65	73	74	72	78	103
as % on corresponding period of previous year	69.1	86.3	127.5	139.4	141.6	141.4	139.1	134.4	133.3	130.6	128.1	126.7	122.4
Extra item: acquired HML receivables due, billions of rubles	117	117	116	115	114	112	111	114	109	110	109	118	116
HMLs in foreign currency													
HMLs in foreign currency, billions of rubles	131	133	128	112	100	100	94	95	89	84	80	79	71
growth for one month, %	7.3	1.8	-4.1	-12.6	-10.3	-0.4	-5.9	1.1	-6.5	-6.2	-4.0	-1.1	-10.3
growth for twelve months, %	-4.0	-19.1	-11.0	-17.3	-12.3	-11.4	-18.7	-20.3	-32.8	-35.3	-34.3	-35.1	-45.7
Value of foreign-currency HMLs extended year-to-date	3.90	0.03	0.18	0.28	0.42	0.56	0.65	0.74	0.73	0.72	0.71	0.76	1.09
as % on corresponding period of previous year	36.0	12.4	38.4	29.6	36.5	38.2	38.3	33.7	27.9	25.7	24.1	25.0	27.9
share in total HMLs, %	0.3	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Volume of HMLs in foreign currency extended year-to-date, pieces	91	2	6	11	20	20	24	26	27	28	28	29	34
growth for one month, pieces	5	2	4	5	9	0	4	2	1	1	0	1	5
as % on corresponding period of previous year	12.1	22.2	42.9	45.8	71.4	48.8	44.4	39.4	37.5	35.9	32.9	33.7	37.4
share in total HMLs, %	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.00	0.00	0.00	0.00
Acquired foreign currency HML receivables due, billions of rubles	35	35	34	30	28	28	26	27	25	24	23	23	21
growth for one month, %	6.6	-0.4	-2.9	-12.7	-6.8	-1.5	-4.2	1.3	-5.8	-6.0	-0.8	-0.5	-11.6
growth for twelve months, %	4.9	-10.5	-0.8	-10.9	-3.7	2.8	-4.3	-17.4	-29.6	-23.1	-28.9	-29.8	-41.9

Table 11 (end)

	1 January 2016	1 February 2016	1 March 2016	1 April 2016	1 May 2016	1 June 2016	1 July 2016	1 August 2016	1 September 2016	1 October 2016	1 November 2016	1 December 2016	1 January 2017
Acquired foreign currency HML receivables due, billions of US dollars	0.5	0.5	0.5	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.3
growth for one month, %	-3.1	-3.5	-2.8	-3.0	-2.0	-4.1	-1.4	-2.9	-2.6	-3.4	-0.4	-3.6	-5.4
growth for twelve months, %	-19.0	-18.0	-19.1	-22.9	-22.6	-17.6	-17.3	-27.3	-27.9	-19.4	-27.2	-28.4	-30.1
HMLs in foreign currency including acquired receivables due, billions of rubles	167	169	162	142	128	128	120	122	114	107	104	103	92
growth for one month, %	7.1	1.3	-3.8	-12.6	-9.5	-0.6	-5.5	1.2	-6.3	-6.1	-3.3	-0.9	-10.6
growth for twelve months, %	-2.2	-17.5	-9.0	-16.0	-10.6	-8.7	-15.9	-19.7	-32.1	-33.0	-33.2	-33.9	-44.9
HMLs in foreign currency including acquired receivables due, billions of US dollars	2.3	2.2	2.2	2.1	2.0	1.9	1.9	1.8	1.8	1.7	1.6	1.6	1.5
growth for one month, %	-2.6	-1.8	-3.7	-2.9	-4.9	-3.3	-2.9	-3.1	-3.2	-3.5	-2.9	-4.0	-4.3
growth for twelve months, %	-24.5	-24.3	-25.8	-27.4	-28.1	-26.8	-27.3	-29.3	-30.5	-29.7	-31.6	-32.6	-33.8
Ruble HMLs													
Ruble HMLs, billions of rubles	3,851	3,868	3,941	3,984	4,025	4,058	4,092	4,133	4,185	4,234	4,285	4,345	4,422
growth for one month, %	3.6	0.4	1.9	1.1	1.0	0.8	0.8	1.0	1.3	1.2	1.2	1.4	1.8
growth for twelve months, %	13.5	13.9	15.2	16.3	16.7	16.8	17.1	17.2	17.2	17.1	16.9	16.9	14.8
Volume of ruble HMLs extended year-to-date, billions of rubles	1,158	62	204	323	446	550	664	775	900	1,026	1,152	1,288	1,472
as % on corresponding period of previous year	66.0	87.9	136.6	148.9	149.8	148.1	144.7	139.5	138.2	135.2	132.3	131.1	127.2

[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 12. Household deposits in 2016

	1 January 2016	1 February 2016	1 March 2016	1 April 2016	1 May 2016	1 June 2016	1 July 2016	1 August 2016	1 September 2016	1 October 2016	1 November 2016	1 December 2016	1 January 2017
Total, billions of rubles	23,219	22,802	22,971	22,519	22,674	22,925	23,063	23,453	23,375	23,318	23,374	23,674	24,200
growth for one month, %	8.0	-1.8	0.7	-2.0	0.7	1.1	0.6	1.7	-0.3	-0.2	0.2	1.3	2.2
Ruble deposits, billions of rubles	16,398	15,943	16,213	16,361	16,740	16,872	17,132	17,231	17,323	17,343	17,415	17,588	18,477
growth for one month, %	6.7	-2.8	1.7	0.9	2.3	0.8	1.5	0.6	0.5	0.1	0.4	1.0	5.1
Foreign-currency deposits, billions of rubles	6,821	6,858	6,758	6,158	5,933	6,053	5,931	6,222	6,052	5,975	5,959	6,087	5,724
Foreign-currency deposits, billions of dollars	94	91	90	91	92	92	92	93	93	95	95	94	94
growth for one month, %	1.2	-2.5	-1.4	1.2	1.3	-0.7	0.8	0.6	0.5	1.5	0.1	-1.1	0.7
Share of foreign-currency deposits in total deposit value, %	29.4	30.1	29.4	27.3	26.2	26.4	25.7	26.5	25.9	25.6	25.5	25.7	23.7

Table 13. Weighted average interest rates on funds raised and placed in reporting month with maturities of over one year

	2016											
	January	February	March	April	May	June	July	August	September	October	November	December
Ruble funds												
Loans to non-financial organisations	13.67	13.32	13.78	13.88	13.97	13.67	12.97	12.98	12.76	11.90	11.82	11.70
including small and medium-sized businesses	15.73	15.78	15.44	15.67	15.66	15.56	15.47	14.93	14.30	13.75	13.72	13.03
Deposits of non-financial organisations	10.14	10.21	9.54	10.07	9.99	9.85	10.42	9.42	10.96	9.89	8.70	9.15
Household loans	18.11	16.81	17.54	17.49	17.62	17.41	17.31	16.87	16.61	16.45	15.98	15.48
housing mortgage loans	12.50	12.11	12.89	12.92	13.08	12.93	12.83	12.66	12.51	12.41	12.16	11.55
Household deposits	9.41	9.07	8.86	8.99	8.74	8.66	8.33	8.10	8.09	7.65	7.40	7.57
US dollar funds												
Loans to non-financial organisations	6.93	7.65	8.01	7.74	7.45	5.60	7.10	5.31	6.08	6.65	5.42	6.37
including small and medium-sized businesses	10.09	9.59	8.81	8.39	7.73	7.24	8.26	8.43	9.17	7.17	7.01	7.26
Deposits of non-financial organisations	3.52	3.46	4.11	3.31	3.37	3.40	2.35	1.58	2.11	1.92	1.93	2.63

Table 13 (end)

	2016											
	January	February	March	April	May	June	July	August	September	October	November	December
Household loans	11.73	7.71	9.96	9.06	8.95	9.88	9.36	9.03	8.61	7.72	9.05	8.43
Household deposits	2.52	2.33	2.28	2.35	2.26	2.09	1.94	1.81	1.56	1.46	1.40	1.58
Euro funds												
Loans to non-financial organisations	7.22	6.28	6.48	5.69	4.50	4.96	6.30	5.78	4.61	4.88	2.88	4.77
including small and medium-sized businesses	10.09	9.74	9.74	6.96	7.59	9.17	8.16	5.66	7.96	8.86	11.00	9.44
Deposits of non-financial organisations	1.44	3.46	4.06	2.98	3.67	2.72	3.19	0.38	2.92	1.03	2.18	1.65
Household loans	10.96	9.04	10.64	8.00	11.55	9.86	10.38	7.42	6.49	7.50	7.47	7.32
Household deposits	1.64	1.47	1.47	1.90	1.21	1.05	0.89	0.74	0.63	0.51	0.46	0.74

Table 14. 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, %	
	1 January 2016	1 January 2017	1 January 2016	1 January 2017	1 January 2016	1 January 2017
State-controlled banks	24	24	58.6	59.0	60.6	64.2
Foreign-controlled banks	79	74	9	8	12	11
Large private banks	135	134	29.8	31.2	23.3	21.1
Small and medium-sized banks based in the Moscow Region	199	138	1	1	2	1
Small and medium-sized regional banks	244	205	1.3	1.1	2.0	1.6
Non-bank credit institutions	52	48	0	0	0	0
Total	**733**	**623**	**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.*

Table 15. Banking Sector Capital Structure, %[1]

Indicators	1 January 2016	1 April 2016	1 July 2016	1 October 2016	1 January 2017
1. Capital growth factors	**124.7**	**125.4**	**122.6**	**122.4**	**122.6**
1.1. Authorised capital	26.8	26.9	27.0	26.4	26.2
1.2. Share premium	16.1	16.6	15.2	15.1	15.8
1.3. Profit and funds of credit institutions	45.6	47.4	47.2	48.7	50.3
1.4. Subordinated loans received	33.6	32.2	30.7	29.8	28.0
1.5. Revaluation surplus	2.5	2.4	2.4	2.4	2.3
1.6. Other factors	0.0	0.0	0.0	0.0	0.0
2. Capital reducing factors	**24.7**	**25.4**	**22.6**	**22.4**	**22.6**
2.1. Losses	9.1	8.6	6.1	6.3	7.2
2.2. Intangible assets	0.4	0.9	2.8	2.7	2.9
2.3. Own shares (stakes) bought out	0.0	0.0	0.1	0.1	0.1
2.4. Sources of capital formed from improper assets	0.1	0.1	0.1	0.1	0.1
2.5. Subordinated loans issued	3.4	3.5	2.9	3.0	2.6
2.6. Bank share (stakes) portfolio	10.0	10.3	8.5	8.1	7.4
2.7. Other factors	1.7	1.9	2.2	2.0	2.3
Capital, total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

[1] *Calculated using bank reporting Form 0409123.*

Table 16. 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], %	
	1 January 2016	1 January 2017	1 January 2016	1 January 2017	1 January 2016	1 January 2017
Up to 300 million rubles	70	64	–[2]	–[2]	-7.6	-4.4
300 million rubles to one billion rubles	326	247	3.9	1.3	0.7	0.2
One billion rubles to ten billion rubles	251	229	7.7	6.2	1.1	1.0
Ten billion rubles to 25 billion rubles	40	40	6.3	-0.8	0.9	-0.1
25 billion rubles to 50 billion rubles	23	22	-5.4	-5.0	-0.6	-0.5
50 billion rubles to 100 billion rubles	10	8	6.4	3.3	0.6	0.4
100 billion rubles to 250 billion rubles	7	6	-1.7	11.3	-0.2	1.4
250 billion rubles and over	6	7	5.8	16.4	0.6	1.9
Total for banking sector	**733**	**623**	**2.3**	**10.4**	**0.3**	**1.2**

[1] *For 12 months preceding the reporting date.*
[2] *Return is not calculated for groups with negative capital value.*

Table 17. Quantitative and qualitative characteristics of supervisors of the Bank of Russia head office and regional branches (based on Form 1-k as of 1 January 2017)

Name of unit	Approved payroll as of 1 January 2017	Total number of employees as of 1 January 2017 (excluding employed under fixed-term contract and part-timers)	of whom:							
			age			education		duration of work in banking system		women
			under 30 y.o. (born in or after 1987)	50+ y.o. (born in or before 1966)	women aged 55+ y.o. and men aged 60+ y.o.	higher education	secondary vocational training	up to 3 years (inclusive)	15+ years	
Head office										
Credit Institutions Licensing and Financial Rehabilitation Department	149	147	17	43	16	143	3	16	86	103
Banking Supervision Department	183	181	48	40	18	172	1	63	60	102
Risk Analysis Service	70	63	12	11	2	62		47	8	32
Banking Regulation Department	77	75	17	20	8	71	2	22	23	51
Systematically Important Banks Supervision Department	95	94	19	14	7	94		14	52	62
Bank of Russia Chief Inspection	1,666	1,658	273	313	100	1,630	11	307	730	947
Financial Monitoring and Foreign Exchange Control Department	104	103	12	29	10	100	1	16	55	66
Total	2,344	2,321	398	470	161	2,272	18	485	1,014	1,363
Regional branches										
Division (Section) for Licensing of Credit Institutions	156	152	32	25	7	149	2	24	81	121
Division (Section) for Licensing and Liquidation of Credit Institutions	129	127	20	27	12	126	1	13	66	109
Division for Supervision Arrangement and Monitoring	91	91	23	18	9	91		24	26	62
Division (Section, Sector) for Banking Supervision	1,668.5	1,661	272	346	99	1,626	34	268	875	1,330
Division (Section, Sector) for Major Banks Supervision	17	17	5	1		17		5	5	12
Division (Section) for Securities Market Analysis	59	59	10	18	9	59		7	35	43
Financial Monitoring, Financial Markets and Foreign Exchange Control Division (Section, Sector)	961	959	139	168	39	949	10	151	499	673
Total	3,082	3,066	501	603	175	3,017	47	492	1,587	2,350
Total	**5,426**	**5,387**	**899**	**1,073**	**336**	**5,289**	**65**	**977**	**2,601**	**3,713**

Table 18. Banking sector information on banks' required ratios (established under Instruction No. 139-I, as of 3 December 2012)

Ratio	Acceptable numerical value of the ratio, %	Actual numerical value of the ratio[1], %							
		1 April 2015	1 July 2015	1 October 2015	1 January 2016	1 April 2016	1 July 2016	1 October 2016	1 January 2017
N1.0	until 1 January 2016 no less than 10% since 1 January 2016 no less than 8%	12.9	12.9	13.0	12.7	12.4	12.4	12.7	13.1
N1.1	until 1 January 2016 no less than 5% since 1 January 2016 no less than 4.5%	9.0	8.9	8.9	8.2	8.1	8.3	8.6	8.9
N1.2	no less than 6%	9.1	9.1	9.1	8.5	8.4	8.6	8.8	9.2
N2	no less than 15%	89.9	86.1	91.4	97.5	86.5	87.4	100.4	106.6
N3	no less than 50%	127.1	132.3	136.6	139.3	121.8	125.0	141.8	144.9
N4	no more than 120%	62.8	60.5	60.5	59.0	59.4	57.2	54.9	52.3
N6[2]	no more than 25%								
N7	no more than 800%	235.6	226.6	236.7	254.4	248.1	242.3	238.6	219.6
N9.1	no more than 50%	3.1	2.1	2.6	2.8	2.8	3.8	3.8	3.6
N10.1	no more than 3%	0.7	0.6	0.6	0.6	0.5	0.5	0.5	0.4
N12	no more than 25%	7.8	8.3	8.2	8.6	9.7	11.0	11.3	12.0

[1] *Ratio in the sector overall as of the reporting date.*
[2] *N6 ratio is calculated for each borrowers of the bank with calculation for 40 borrowers only provided in reporting form 118.*

Table 19. Banking sector information on the number of credit institutions violating required ratios (established under Instruction No. 139-I, as of 3 December 2012) during the reporting period

Ratio	2015				2016			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
N1.0	12	8	15	18	12	11	12	13
N1.1	9	6	15	16	14	14	10	12
N1.2	12	7	15	18	19	15	11	14
N2	3	3	2	8	9	6	2	7
N3	8	5	8	12	16	11	5	12
N4	2	1	5	4	2	2	1	1
N6	25	23	38	35	46	31	17	25
N7	4	2	4	12	10	8	7	8
N9.1	1	1	0	0	4	1	1	2
N10.1	3	2	4	12	6	5	6	6
N12	1	1	3	5	3	6	3	4

Table 20. Basic return on deposits under agreements with households[1]

Period	Ruble deposits, %					US dollar deposits, %					Euro deposits, %				
	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
July 2015	7.194	11.827	13.000	13.750	13.664	1.479	1.479	3.535	5.177	5.476	1.299	0.968	3.060	4.533	4.760
August 2015	6.557	11.479	12.244	12.716	12.795	1.391	1.568	2.962	4.367	4.900	1.140	1.010	2.290	3.405	4.426
September 2015	6.275	11.354	11.911	12.609	12.575	1.071	1.120	2.891	4.055	5.038	1.063	0.988	1.763	3.146	3.901
October 2015	6.210	9.927	11.374	12.397	12.056	1.101	0.976	2.083	3.435	4.372	0.988	0.705	1.285	2.518	3.393
November 2015	6.063	9.657	10.812	11.699	11.789	0.752	0.996	1.876	3.199	4.059	0.651	0.753	1.213	2.332	2.812
December 2015	6.339	9.413	10.968	11.830	11.880	0.951	0.870	1.730	3.279	3.642	0.641	0.679	1.089	2.256	2.809
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

[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 21. Average market value of the effective interest rate on consumer loans (EIR), % p.a.

		2015 Q3 (average EIR+1/3 value limit was applied in 2016 Q1)	Marginal value in 2016 Q1	2015 Q4 (average EIR+1/3 value limit was applied in 2016 Q2)	Marginal value in 2016 Q2	2016 Q1 (average EIR+1/3 value limit was applied in 2016 Q3)	Marginal value in 2016 Q3	2016 Q2 (average EIR+1/3 value limit was applied in 2016 Q4)	Marginal value in 2016 Q4	2016 Q3 (average EIR+1/3 value limit will be applied in 2017 Q1)	Marginal value in 2017 Q1	2016 Q4 (average EIR+1/3 value limit will be applied in 2017 Q2)	Marginal value in 2017 Q2
1	**Consumer car loans secured by cars**												
1.1	Used cars (from 0 to 1000 km)	17.1	22.8	16.4	21.8	17.0	22.6	16.6	22.2	16.2	21.6	15.8	21.0
1.2	Used cars (more than 1000 km)	27.8	37.0	25.5	34.0	24.7	33.0	24.3	32.4	23.7	31.7	23.0	30.7
2	**Consumer loans with lending limit (by lending limit as of the agreement date)**												
2.1	Up to 30 thousand rubles	26.4	35.2	27.3	36.4	27.9	37.2	27.4	36.5	27.5	36.7	27.7	36.9
2.2	From 30 to 100 thousand rubles	27.9	37.2	29.0	38.6	30.2	40.3	28.8	38.4	28.9	38.5	29.4	39.2
2.3	From 100 to 300 thousand rubles	29.7	39.6	29.7	39.7	29.3	39.1	28.4	37.9	27.2	36.3	26.8	35.8
2.4	More than 300 thousand rubles	22.3	29.7	22.5	30.0	22.2	29.6	23.7	31.6	23.8	31.8	23.4	31.2
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	38.7	51.6	36.2	48.2	34.5	46.0	33.0	44.0	31.3	41.8	29.7	39.5
3.1.2	From 30 to 100 thousand rubles	33.2	44.2	31.8	42.5	31.1	41.5	28.8	38.4	27.5	36.6	25.4	33.8
3.1.3	More than 100 thousand rubles	29.6	39.4	29.5	39.3	27.7	36.9	24.3	32.4	23.4	31.2	23.8	31.7
3.2	More than one year, including:												
3.2.1	Up to 30 thousand rubles	35.1	46.8	33.4	44.5	32.0	42.7	30.1	40.2	27.9	37.2	26.4	35.3
3.2.2	From 30 to 100 thousand rubles	30.1	40.2	28.1	37.4	28.0	37.4	26.1	34.9	24.0	32.0	21.8	29.0
3.2.3	More than 100 thousand rubles	28.4	37.9	27.5	36.7	25.1	33.5	24.7	32.9	22.8	30.4	20.7	27.6
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	35.9	47.9	35.4	47.3	34.6	46.1	31.3	41.8	30.2	40.3	28.8	38.4
4.1.2	From 30 to 100 thousand rubles	26.1	34.8	26.0	34.6	24.4	32.5	22.4	29.8	20.7	27.5	19.9	26.6
4.1.3	From 100 to 300 thousand rubles	25.8	34.4	25.1	33.5	22.0	29.3	20.9	27.9	18.8	25.1	18.1	24.2
4.1.4	More than 300 thousand rubles	16.2	21.5	17.4	23.2	18.7	24.9	16.2	21.7	16.5	21.9	15.5	20.7

Table 21 (end)

		2015 Q3 (average EIR+1/3 value limit was applied in 2016 Q1)	Marginal value in 2016 Q1	2015 Q4 (average EIR+1/3 value limit was applied in 2016 Q2)	Marginal value in 2016 Q2	2016 Q1 (average EIR+1/3 value limit was applied in 2016 Q3)	Marginal value in 2016 Q3	2016 Q2 (average EIR+1/3 value limit was applied in 2016 Q4)	Marginal value in 2016 Q4	2016 Q3 (average EIR+1/3 value limit will be applied in 2017 Q1)	Marginal value in 2017 Q1	2016 Q4 (average EIR+1/3 value limit will be applied in 2017 Q2)	Marginal value in 2017 Q2
4.2	More than one year, including:												
4.2.1	Up to 30 thousand rubles	26.4	35.1	26.3	35.0	25.1	33.4	21.8	29.0	21.1	28.1	22.2	29.6
4.2.2	From 30 to 100 thousand rubles	24.6	32.8	23.8	31.8	23.4	31.2	22.0	29.3	21.3	28.4	21.1	28.1
4.2.3	From 100 to 300 thousand rubles	23.2	31.0	22.5	29.9	22.2	29.6	21.6	28.8	20.9	27.9	20.4	27.1
4.2.4	More than 300 thousand rubles	21.3	28.4	20.1	26.8	19.8	26.4	19.5	26.0	18.8	25.1	17.6	23.5

Note. Marginal values of EIR were violated by 37 credit institutions in 2016 Q1, 19 credit institutions in 2016 Q2, three credit institutions in 2016 Q3 and eight credit institutions in 2016 Q4.