Evolution (1)

Central Bank of Russia (CBR): founded in 1990

1990 – Law on banks and banking activities
   – Law on Central bank of RSFSR
1992 – Russia becomes an IMF member
1995 – Law on Central bank of RSFSR: amendments
1996 – CBR becomes a BIS member

Federal Financial Markets Service (FFMS): founded in 1993

1990 – MICEX established
   – Law on insurance business
1995 – RTS exchange established
1996 – Law on securities market
1996 – Law on joint-stock companies
1999 – Law on protection of rights of securities market investors

2001 – Law on AML/CFT
2003 – Russia becomes a FATF member
   – Start of the IFRS reporting project
   – Law on deposit insurance
2005 – Introduction of corridor for USD&EUR basket within the exchange rate policy framework
2009 – CBR becomes a BCBS member
   – CBR becomes a CPMI member
2010 – Introduction of floating exchange rate corridor
2011 – Law on National Payment System
2013 – CBR becomes an IAIS member as well as IOSCO member
2014 – Inflation targeting regime with 4% medium-term target rate
   – Introduction of a floating exchange rate regime
   – Approval of a new corporate governance code
   – National Card Payment System Joint-Stock Company (AO NSPK) established
2015 – Signing of the IOSCO Multilateral Memorandum of Understanding
   – National payment system “Mir” established and “Mir” card issue started
2016 – Banking regulation in Russia assessed as compliant with Basel II, Basel 2.5 and Basel III (RCAP)
2017 – Introduction of proportional regulation in banking sector
   – Introduction of new financial rehabilitation mechanism
2018 – Bank of Russia joins MMOU IAIS

2002 – First edition of the Russian corporate conduct code
2003 – Law on mortgage-backed securities
2011 – Law on insider trading
   – MICEX and RTS merge into the Moscow Exchange
   – FISS joins FFMS and the latter becomes insurance market regulator
2012 – National Settlement Depository obtains status of the Central Securities Depository (CSD) of Russia
2013 – National Clearing Center obtains status of the first qualified Central Counterparty (CCP) in Russia
2013 CBR becomes the megaregulator of the Russian financial sector

Focus on Russian financial market development
Monetary policy framework development

2006
Inflation targeting announced
Inflation targeting is represented as a midterm goal in the “Monetary Policy Guidelines”

2008
Active inflation targeting communications

2009
Liquidity management
Instruments are developed, the interest rate corridor is narrowed

2012
Transition deadline set
“Floating rate and inflation targeting by 2015”

2013
Key rate introduced

2014
Floating exchange rate introduced

2015
Transition to the inflation targeting regime is completed
Medium-term inflation target is around 4%

Since Nov. 2014
Free floating Ruble

1998 - 2008
Narrow band

2008 - 2014
Flexible band

Dec 2018
Inflation 4.3%

Dec 2019
Inflation 3.0%

Sep 2020
Inflation 3.7%
Evolution (3)
Bank of Russia supervises the following key segments

- Banking sector
- Payment infrastructure
- Non-state pension funds
- Market infrastructure, including fair pricing
- Asset managers
- Securities market, including securities market professionals
- Microfinance
- Credit rating agencies
- Insurance sector
REFORMS
Promoting price and financial stability, fair competition, newest technologies and best practices

Monetary policy
Inflation targeting regime adopted with a 4% medium-term target rate pursued using conventional monetary policy instruments

Banking regulation and supervision
- Banking sector rehabilitation in progress, new bank resolution mechanism introduced
- Proportional regulation introduced and an advanced IRB approach for the largest banks gradually phased in
- Banking regulation compliant with the Basel II, Basel 2.5 and Basel III standards, maintaining AML/CFT supervision of credit and non-credit financial institutions (according to the Regulatory Consistency Assessment Program (RCAP) 2016)
- New macroprudential regulation mechanism in force – add-ons to risk ratios are introduced and set by the Bank of Russia Board of Directors
- Introduction of PTI ratio for macroprudential regulation purposes starting October 1, 2019
- Setting up a national rating industry - only credit ratings of Russian national agencies may be used for regulatory purposes

Market infrastructure
- Benefits from infrastructure put in place, tax and regulatory reforms (T+2, CSD and access of ICSDs, up-to-date CCP, Individual Investment Accounts)
- Marketplace project infrastructure is developed – launch of the platform is planned for 2020

Corporate governance
JS companies segregation into public and non-public, corporate actions reform, new corporate governance code adopted in 2014, listing rules based on the new corporate governance code, listing committees established

Payment infrastructure
- Russian payment system infrastructure developed and currently in use by all leading international payment systems
- Payment infrastructure monitoring and supervision
- System for transfer of financial messages (SPFS) has been developed
- The Faster Payments System launched in January 2019

Pension system
- Guarantee fund mechanism introduced
- Investment horizon for non-state pension funds extended to 5 years
- Introduction of new voluntary personal pension plan (simple and standard) is being discussed
COMPLIANCE WITH INTERNATIONAL STANDARDS

Russia complies with or implements key international standards and best practices

Russia’s Anti-Money Laundering system is compliant with FATF Recommendations

Banking regulation is compliant with Basel II, 2.5 and Basel III (RCAP 2016)

High FSAP grades in all surveyed segments, including securities market, insurance and payment infrastructure

Bank for International Settlements, IAIS and IOSCO Principles for financial market infrastructures (PFMI) are being implemented

Upon monitoring the implementation of the PFMI, the CPMI gave Russia the highest-possible ‘4’ rating

The BoR payment system fully complies with the PFMI.

Russia advanced to #28 in global DOING BUSINESS-2020 rankings from 31st in the 2019 report (#35 in 2018, #40 in 2017)

The BoR payment system fully complies with the PFMI.

Russia is a party to the Articles of Agreement of the IMF and upholds free movement of capital

National Settlement Depository is eligible for custody arrangements under Rule 17f-7 of the US Investment Company Act of 1940

Insurance sector has started implementing Solvency II European principles
INTERNATIONAL COOPERATION
Bank of Russia cooperates with international financial institutions, regulators and associations
# NEWSLETTER (1)

## Key news from the Russian financial market

<table>
<thead>
<tr>
<th>Date</th>
<th>News</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>October 2020</strong></td>
<td></td>
</tr>
<tr>
<td>29 October 2020:</td>
<td>the Bank of Russia has included Sovcombank in the list of systemically important financial institutions which now comprises 12 banks.</td>
</tr>
<tr>
<td>29 October 2020:</td>
<td>the Bank of Russia issued proposals on the introduction of the third type of individual investment accounts (IIAs) designed for investments with a horizon of more than 10 years.</td>
</tr>
<tr>
<td>23 October 2020:</td>
<td>As part of the Aeroflot stock transaction, starting 26 October 2020, in addition to regular fiscal rule-based operations, the Bank of Russia will sell foreign currency in the equivalent of Rub 4.0 bln per day. This amount also includes the FX sales associated with the acquisition of the Sberbank stock by the NWF.</td>
</tr>
<tr>
<td>16 October 2020:</td>
<td>Effective from 2021 the Bank of Russia amends requirements for pension reserves investment tightening the restrictions for investment in perpetual bonds since, depending on issue terms, the risk of investing in perpetual bonds may be higher compared to conventional bonds of the same issuer. The enactment of certain requirements for pension funds is postponed for one year, so as to mitigate the consequences of the pandemic and avoid asset fire sales.</td>
</tr>
<tr>
<td>15 October 2020:</td>
<td>Effective from 1 April 2021, under the Bank of Russia Regulation No. 729-P (a new version of Regulation No. 509-P) banking groups will be able to use a new standardised approach to measuring credit risk for the calculation of capital adequacy ratios. This will allow credit institutions that are parts of such groups to free capital, expanding their capabilities to lend to the real sector of the economy.</td>
</tr>
<tr>
<td>14 October 2020:</td>
<td>the Bank of Russia Payment System fully complies with international risk management standard as set forth by the Principles for Financial Market Infrastructures (PFMI) (jointly developed by the BIS and IOSCO).</td>
</tr>
<tr>
<td>13 October 2020:</td>
<td>the Bank of Russia issued a consultation paper on digital ruble to discuss the key aspects, potential benefits and risks, timeframes for the implementation of the digital ruble project with financial market participants.</td>
</tr>
<tr>
<td><strong>September 2020</strong></td>
<td></td>
</tr>
<tr>
<td>30 September 2020:</td>
<td>the Bank of Russia issued information letters whereby it recommends that banks continue restructuring loans under in-house programmes (in view of expiry of measures stipulated by Federal law No. 106-FZ).</td>
</tr>
<tr>
<td>29 September 2020:</td>
<td>under Sberbank’s shares sale mechanism the Bank of Russia will sell an equivalent of Rub 185.4 bln in the domestic FX market from October 1 until December 30 (split into the equivalent of Rub 2.9 bln per day).</td>
</tr>
<tr>
<td>25 September 2020:</td>
<td>as part of regular foreign currency sales in the domestic market under the fiscal rule the Bank of Russia sold an equivalent of Rub 2.5 bln. According to the Ministry of Finance, the amount of planned FX sales from September 7 through October 6 is Rub 54 bln (split into the equivalent of Rub 2.5 bln per day).</td>
</tr>
<tr>
<td>10 September 2020:</td>
<td>the Bank of Russia published draft Monetary Policy Guidelines for 2021-2023 incorporating the baseline and three alternative scenarios: the disinflationary, the pro-inflationary and the risk scenario.</td>
</tr>
</tbody>
</table>
| August 2020 | Measures taken by the Bank of Russia to stabilise the situation and mitigate the negative impact on the Russian financial system and the economy from the increased volatility in global financial markets in the context of the coronavirus infection outbreak
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>10 August 2020</strong>: The Bank of Russia <strong>reduced risk weight add-ons</strong> for unsecured consumer loans in rubles issued starting 1 September 2020. The changes will mostly apply to borrowers with lower levels of PTI. The Bank of Russia <strong>extended the following temporary regulatory forbearance measures until 31 December 2020</strong>:</td>
<td></td>
</tr>
<tr>
<td><strong>•</strong> (i) Banks are allowed not to accrue loan loss provisions and not to calculate the borrower’s PTI for retail borrowers whose financial situation has worsened following the pandemic, as well as for restructured loans (both under Federal Law No. 106-FZ and in-house programmes); (ii) Banks are allowed not to apply risk weight add-ons to retail loans if the borrowers have a confirmed COVID-19 case; (iii) Banks are allowed not to accrue loan loss provisions for SME loans restructured due to the coronavirus pandemic and to maintain the quality assessment as of 1 February 2020.</td>
<td></td>
</tr>
<tr>
<td><strong>•</strong> Loan loss provisions should be created in full under restructured retail and SME loans until 1 July 2021.</td>
<td></td>
</tr>
<tr>
<td><strong>•</strong> Banks are entitled to delay loan loss provisioning until 1 April 2021 for corporate loans restructured due to the coronavirus pandemic and to maintain the quality assessment as of 1 January 2020 if collateral is classified into I or II category.</td>
<td></td>
</tr>
<tr>
<td><strong>•</strong> Until <strong>2022</strong> banks are allowed not to apply risk weight add-ons to FX loans issued to manufacturers of pharmaceuticals, medical products and equipment. Risk weights for investments in FX debt securities of such organisations are also set free from the add-ons made during the above-mentioned period.</td>
<td></td>
</tr>
<tr>
<td>July 2020</td>
<td><strong>24 July 2020</strong>: The Bank of Russia approved <strong>a fast-track implementation of credit risk assessment approach under Basel III standard for mortgage loans</strong>. Risk weights are set in the range from 20% to 100% depending on the values of LTV and PTI ratios (earlier, risk ratios were set in the 35-100% range). Temporary regulatory easing:</td>
</tr>
<tr>
<td><strong>•</strong> To stimulate the activity during the recovery period and afterwards <strong>the risk weight for investments in subordinated debt of non-financial organizations</strong> (including perpetual) will be reduced from 150% to 100% till mid-2025.</td>
<td></td>
</tr>
<tr>
<td><strong>•</strong> To stimulate banks to settle problem loans of systemically important companies through a compensation or share pledge (a debt/equity swap) the Bank of Russia will lower <strong>the risk weight for investments in equity of systemically important companies</strong> received under the abovementioned arrangements from 150% to 100% till mid-2022.</td>
<td></td>
</tr>
<tr>
<td>May 2020</td>
<td><strong>14 May 2020</strong>: The Bank of Russia launched long-term 1-month and 1-year ruble repo auctions. <strong>12 May 2020</strong>: The State Duma adopted a bill in the second reading to increase the maximum amount of insurance compensation for individuals’ deposits in some cases to Rub 10 mln.</td>
</tr>
</tbody>
</table>
NEWSLETTER (3)
Key news from the Russian financial market

<table>
<thead>
<tr>
<th>Date</th>
<th>News</th>
</tr>
</thead>
<tbody>
<tr>
<td>April 2020</td>
<td><strong>6 April 2020:</strong> Fine-tuning repo auction in the amount of Rub 500 bln.</td>
</tr>
<tr>
<td></td>
<td><strong>3 April 2020:</strong> The Bank of Russia cancelled add-ons to risk weights for mortgage loans and loans for construction co-funding granted in rubles before 1 April 2020.</td>
</tr>
<tr>
<td>March 2020</td>
<td><strong>20 March 2020:</strong> Temporary regulatory forbearance:</td>
</tr>
<tr>
<td></td>
<td>• The Bank of Russia eased N26 (N27) liquidity coverage ratio and conditions under irrevocable credit lines for SIFIs with total limit raised to Rub 5 tn for the period from 1 April 2020 through 31 March 2021.</td>
</tr>
<tr>
<td></td>
<td>• Banks are entitled to recognise securities purchased before 1 March 2020 at fair value as of 1 March 2020; and to recognise debt securities, purchased from 1 March 2020 through 30 September 2020, at fair value as of the acquisition date. These measures will be effective until 1 January 2021.</td>
</tr>
<tr>
<td></td>
<td>• The Bank of Russia decided to postpone several amendments to the regulation of credit institutions, incl. the introduction of the large exposures concentration ratio (N30) until 1 January 2022.</td>
</tr>
<tr>
<td></td>
<td>• The Bank of Russia reduced risk-weight add-ons for mortgage loans and loans for construction co-funding with downpayment from 15 to 20% granted in rubles from 1 April 2020 from 100 to 20-80 p.p. depending on the PTI ratio.</td>
</tr>
<tr>
<td>1 January 2020</td>
<td><strong>New standardised approach to credit risk assessment</strong> in accordance with “Basel III: Finalising post-crisis reforms“:</td>
</tr>
<tr>
<td></td>
<td>• Corporate exposures received a 100% risk weight, except: (1) “investment class” corporates (65%); (2) 85% risk weight for claims to small and medium-sized enterprises (SMEs) assessed on an individual basis, with the current 75% risk weight remaining for SMEs assessed on a portfolio basis; and (3) ‘special-purpose lending’ class with differentiated risk ratios (80-130%) depending on a lending type (project finance, object or commodity finance).</td>
</tr>
<tr>
<td></td>
<td>• Earlier, in June 2019, lower risk-weights for sovereign exposures in foreign currency and for lending with export guarantees were introduced (50% instead of 100%).</td>
</tr>
<tr>
<td></td>
<td>• Higher risk ratios (instead of the current 150% ratio) applies to investments in legal entities’ unlisted shares (stocks): 400% for short-term speculative investments and 250% for other investments (with a five-year transition period established).</td>
</tr>
<tr>
<td></td>
<td>• For loans invested by borrowers in other legal entities’ authorised capital, the risk ratio has been increased from the current 150% to 200%, effective 1 January 2020.</td>
</tr>
<tr>
<td></td>
<td>• Effective from 1 January 2021, 150% risk ratio set for the unsecured part of default loans (without collateral recognised to reduce credit risk) where estimated loan loss provision is below 20%.</td>
</tr>
<tr>
<td></td>
<td>• The total insider risk ratio (N10.1) has been cancelled.</td>
</tr>
</tbody>
</table>
KEY INDICATORS

Russian economy started to recover in 2016 and has moderated in 2019

Figure 1: Real GDP growth dynamics (YoY, %)

Figure 2: Private consumption and investment dynamics (YoY, %)

Figure 3: Russian Ruble volatility remains low while in free-floating

Figure 4: Retail sales and real wages dynamics (YoY, %)

Source: Bank of Russia, Rosstat
MACROFINANCE
Solid fiscal and external positions

Figure 5: Current account surplus amounted to USD 65 bn in 2019

Figure 6: Strong fiscal position: budget consolidation and fiscal rule

Figure 7: Significant international reserves assuring financial stability

Figure 8: Sovereign debt to GDP lowest in both EM and DM spaces

Source: Bank of Russia, Bloomberg, Ministry of Finance, IMF
INFLATION
Medium-term inflation target is set at around 4%

Figure 9: Inflation (YoY, %)

Source: Bank of Russia, Rosstat

*Inflation is 3.7% as of September, 2020
# INFLATION EXPECTATIONS

Inflation expectations of households and businesses have increased which is largely related to exchange rate fluctuations.

<table>
<thead>
<tr>
<th>Expect. horizon</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>I</td>
<td>II</td>
<td>III</td>
</tr>
<tr>
<td><strong>Inflation expectations (absolute numbers), %</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Households</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FOM (median, expected inflation) Next 12 months</td>
<td>8.5</td>
<td>9.8</td>
<td>10.1</td>
</tr>
<tr>
<td>FOM (subgroup with savings) Next 12 months</td>
<td>8.0</td>
<td>9.0</td>
<td>9.2</td>
</tr>
<tr>
<td>FOM (subgroup without savings) Next 12 months</td>
<td>8.8</td>
<td>10.3</td>
<td>10.5</td>
</tr>
<tr>
<td>FOM (median, observed inflation) Past 12 months</td>
<td>9.2</td>
<td>10.6</td>
<td>10.2</td>
</tr>
<tr>
<td>FOM (subgroup with savings) Past 12 months</td>
<td>8.4</td>
<td>9.7</td>
<td>10.0</td>
</tr>
<tr>
<td>FOM (subgroup without savings) Past 12 months</td>
<td>9.6</td>
<td>11.2</td>
<td>10.4</td>
</tr>
<tr>
<td><strong>Professional analysts</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bloomberg 2020</td>
<td>4.0</td>
<td>4.0</td>
<td>4.0</td>
</tr>
<tr>
<td>Bloomberg 2021</td>
<td>4.0</td>
<td>4.0</td>
<td>4.0</td>
</tr>
<tr>
<td><strong>Financial markets</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>OFZ IN (option not subtracted) 2023</td>
<td>3.9</td>
<td>4.7</td>
<td>5.5</td>
</tr>
<tr>
<td>OFZ IN (option not subtracted) 2028</td>
<td>4.7</td>
<td>5.5</td>
<td>5.2</td>
</tr>
<tr>
<td><em><em>Inflation expectations (balanced index</em>)</em>*</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Businesses</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bank of Russia monitoring Next 3 months</td>
<td>6.8</td>
<td>10.2</td>
<td>12.6</td>
</tr>
<tr>
<td>PMI M, input prices, diff. index Current month</td>
<td>70.3</td>
<td>69.1</td>
<td>62.5</td>
</tr>
<tr>
<td>PMI M, output prices, diff. index Current month</td>
<td>56.6</td>
<td>56.8</td>
<td>52.5</td>
</tr>
<tr>
<td>PMI S, input prices, diff. index Current month</td>
<td>61.8</td>
<td>59.4</td>
<td>60.4</td>
</tr>
<tr>
<td>PMI S, prices charged, diff. index Current month</td>
<td>52.1</td>
<td>51.3</td>
<td>53.0</td>
</tr>
</tbody>
</table>

*Balanced index is the difference between the shares of those who expect prices to rise and to fall.

**Households surveys in Apr-July were conducted by phone, their results are not comparable with those obtained later.

Source: FOM, Rosstat, Bloomberg, IHS Markit, Bank of Russia
**ECONOMIC FORECASTS (1)**
Medium-term outlook for the Russian economy

### Key parameters of the Bank of Russia’s forecast scenarios (growth as % of previous year, if not indicated otherwise)

<table>
<thead>
<tr>
<th>Parameter</th>
<th>2019 (actual)</th>
<th>BASELINE</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Inflation, as % in December year-on-year</td>
<td>3.0</td>
<td>3.9-4.2</td>
<td>3.5-4.0</td>
<td>4.0</td>
<td>4.0</td>
</tr>
<tr>
<td>Inflation, average for the year, as % year-on-year</td>
<td>4.5</td>
<td>3.2-3.3</td>
<td>3.3-4.0</td>
<td>4.0</td>
<td>4.0</td>
</tr>
<tr>
<td><strong>Gross domestic product</strong></td>
<td>1.3</td>
<td>-(4.0-5.0)</td>
<td>3.0-4.0</td>
<td>2.5-3.5</td>
<td>2.0-3.0</td>
</tr>
<tr>
<td>Final consumption expenditure</td>
<td>2.4</td>
<td>-(6.2-7.2)</td>
<td>4.2-5.2</td>
<td>3.0-4.0</td>
<td>2.1-3.1</td>
</tr>
<tr>
<td>– households</td>
<td>2.5</td>
<td>-(9.5-10.5)</td>
<td>5.3-6.3</td>
<td>3.7-4.7</td>
<td>2.5-3.5</td>
</tr>
<tr>
<td>Gross capital formation</td>
<td>3.8</td>
<td>-(7.8-10.8)</td>
<td>3.1-5.1</td>
<td>4.2-6.2</td>
<td>3.0-5.0</td>
</tr>
<tr>
<td>– gross fixed capital formation</td>
<td>1.5</td>
<td>-(7.8-9.8)</td>
<td>3.3-5.3</td>
<td>4.5-6.5</td>
<td>3.2-5.2</td>
</tr>
<tr>
<td>Exports</td>
<td>-2.3</td>
<td>-(5.1-7.1)</td>
<td>-(0.8)-1.2</td>
<td>3.6-5.6</td>
<td>2.0-4.0</td>
</tr>
<tr>
<td>Imports</td>
<td>3.4</td>
<td>-(18.0-21.0)</td>
<td>3.9-5.9</td>
<td>8.4-10.4</td>
<td>4.9-6.9</td>
</tr>
<tr>
<td>Money supply in national definition</td>
<td>9.7</td>
<td>14-17</td>
<td>8-12</td>
<td>7-11</td>
<td>7-11</td>
</tr>
<tr>
<td>Claims on organisations and households in rubles and foreign currency*</td>
<td>10.1</td>
<td>9-12</td>
<td>7-11</td>
<td>7-11</td>
<td>7-11</td>
</tr>
<tr>
<td>– on organisations</td>
<td>7.1</td>
<td>8-11</td>
<td>6-10</td>
<td>6-10</td>
<td>6-10</td>
</tr>
<tr>
<td>– on households</td>
<td>19.0</td>
<td>13-16</td>
<td>12-16</td>
<td>10-14</td>
<td>10-14</td>
</tr>
</tbody>
</table>

*Banking sector claims on organisations and households means all of the banking sector’s claims on non-financial and financial institutions and households in rubles, foreign currency and precious metals, including loans issued (including overdue loans), overdue interest on loans, credit institutions’ investment in debt and equity securities and promissory notes, as well as other forms of equity interest in non-financial and financial institutions, and other accounts receivable from settlement operations involving non-financial and financial institutions and households.

Claims’ growth rates are given with the exclusion of foreign currency revaluation. In order to exclude the effect of foreign currency revaluation the growth of claims in foreign currency and precious metals is converted to rubles using the period average USDRUB exchange rate.

Source: Bank of Russia
# ECONOMIC FORECASTS (2)
Medium-term outlook for the Russian economy

## Russia’s balance of payments indicators*

<table>
<thead>
<tr>
<th>(billions of US dollars)</th>
<th>2019</th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current account</strong></td>
<td>65</td>
<td>33</td>
<td>32</td>
<td>18</td>
<td>30</td>
</tr>
<tr>
<td><strong>Balance of trade</strong></td>
<td>165</td>
<td>88</td>
<td>99</td>
<td>100</td>
<td>126</td>
</tr>
<tr>
<td>Exports</td>
<td>420</td>
<td>316</td>
<td>331</td>
<td>353</td>
<td>400</td>
</tr>
<tr>
<td>Imports</td>
<td>255</td>
<td>228</td>
<td>232</td>
<td>253</td>
<td>274</td>
</tr>
<tr>
<td><strong>Balance of services</strong></td>
<td>-36</td>
<td>-14</td>
<td>-24</td>
<td>-38</td>
<td>-51</td>
</tr>
<tr>
<td>Exports</td>
<td>63</td>
<td>44</td>
<td>48</td>
<td>52</td>
<td>57</td>
</tr>
<tr>
<td>Imports</td>
<td>99</td>
<td>59</td>
<td>71</td>
<td>90</td>
<td>109</td>
</tr>
<tr>
<td><strong>Balance of primary and secondary income</strong></td>
<td>-64</td>
<td>-41</td>
<td>-43</td>
<td>-44</td>
<td>-45</td>
</tr>
<tr>
<td><strong>Current and capital account balance</strong></td>
<td>65</td>
<td>33</td>
<td>32</td>
<td>18</td>
<td>30</td>
</tr>
<tr>
<td><strong>Financial account (excluding reserve assets)</strong></td>
<td>-4</td>
<td>49</td>
<td>30</td>
<td>17</td>
<td>11</td>
</tr>
<tr>
<td>Government and the central bank</td>
<td>-23</td>
<td>-4</td>
<td>-5</td>
<td>-4</td>
<td>-4</td>
</tr>
<tr>
<td>Private sector</td>
<td>19</td>
<td>53</td>
<td>35</td>
<td>20</td>
<td>15</td>
</tr>
<tr>
<td><strong>Net errors and omissions</strong></td>
<td>-2</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td><strong>Change in reserve assets (+ – increase, - – decrease)</strong></td>
<td>66</td>
<td>-16</td>
<td>2</td>
<td>1</td>
<td>19</td>
</tr>
<tr>
<td><strong>Urals price, average for the year, US dollars per barrel</strong></td>
<td>64</td>
<td>41</td>
<td>45</td>
<td>45</td>
<td>50</td>
</tr>
</tbody>
</table>

*Using the methodology of the 6th edition of “Balance of Payments and International Investment Position Manual” (BPM6). In the Financial account “+” stands for net lending, “-” – for net borrowing. Due to rounding total results may differ from the sum of respective values.

Source: Bank of Russia
The situation in external financial and commodity markets remains vulnerable; increased volatility can be expected to persist in the near future, including in view of geopolitical factors.

Inflation expectations of households and businesses have increased which is largely related to exchange rate fluctuations.

Although disinflationary risks still prevail over the medium-term horizon, the effect of short-term proinflationary factors has somewhat increased.

According to the Bank of Russia’s forecast, given the current monetary policy stance, annual inflation will reach 3.5-4.0% in 2021 and will stabilise close to 4% later on.

Decision as of October 23, 2020

The Bank of Russia keeps the key rate at 4.25% p.a.

Signal

“...In its key rate decision-making, the Bank of Russia will take into account actual and expected inflation dynamics relative to the target and economic developments over the forecast horizon, as well as risks posed by domestic and external conditions and the reaction of financial markets. ...”
**MONETARY POLICY (2)**

Monetary Policy Guidelines 2021-2023: matrix of macroeconomic forecast scenarios

✓ The key point is the dynamics of potential and demand

<table>
<thead>
<tr>
<th>Supply</th>
<th>Demand</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Sustainable recovery</td>
</tr>
<tr>
<td>Moderate decline of potential</td>
<td>Baseline</td>
</tr>
<tr>
<td></td>
<td>• The weakening of epidemiological risks</td>
</tr>
<tr>
<td></td>
<td>• Moderate decline in potential GDP trajectory</td>
</tr>
<tr>
<td></td>
<td>• Recovery in household consumer activity, comparable to other post-crisis episodes</td>
</tr>
<tr>
<td></td>
<td>• Gradual recovery of investment activity</td>
</tr>
<tr>
<td></td>
<td>• Gradual fiscal consolidation in line with the planned return to the parameters of the fiscal rule in 2022</td>
</tr>
<tr>
<td>Deep decline of potential</td>
<td>Pro-inflationary</td>
</tr>
<tr>
<td></td>
<td>• The potential of the economy is falling significantly more than in the baseline scenario</td>
</tr>
<tr>
<td></td>
<td>• Consumer demand is recovering steadily, and investment is recovering more slowly than in the baseline scenario</td>
</tr>
<tr>
<td></td>
<td>• The economy is returning to its potential (lower than before) in 2021 and even exceeds it somewhat, which creates pro-inflationary risks</td>
</tr>
<tr>
<td></td>
<td>• Inflation returns to the target by Q3 and Q4 of 2022 and remains close to the target further on</td>
</tr>
<tr>
<td></td>
<td>• A temporary shift to a moderately tight monetary policy with a return to neutral monetary policy by the end of the projection period is possible</td>
</tr>
</tbody>
</table>

Source: Bank of Russia
INTERNATIONAL RESERVES

Foreign exchange and gold assets by asset class

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>billions of US dollars</td>
<td>share of assets, %</td>
<td>billions of US dollars</td>
</tr>
<tr>
<td>Government securities of foreign issuers*</td>
<td>193.7</td>
<td>39.7</td>
<td>186.6</td>
</tr>
<tr>
<td>Deposits and account balances with foreign counterparties</td>
<td>140.3</td>
<td>28.8</td>
<td>167.6</td>
</tr>
<tr>
<td>Gold</td>
<td>88.6</td>
<td>18.2</td>
<td>116.5</td>
</tr>
<tr>
<td>Non-government securities of foreign issuers</td>
<td>42.1</td>
<td>8.6</td>
<td>57.5</td>
</tr>
<tr>
<td>International organisations securities</td>
<td>12.0</td>
<td>2.5</td>
<td>22.0</td>
</tr>
<tr>
<td>Reverse repo operations with foreign counterparties</td>
<td>5.9</td>
<td>1.2</td>
<td>5.4</td>
</tr>
<tr>
<td>Claims in foreign currency on Russian counterparties and issuers**</td>
<td>2.2</td>
<td>0.5</td>
<td>2.8</td>
</tr>
<tr>
<td>Net position with the IMF</td>
<td>2.4</td>
<td>0.5</td>
<td>1.3</td>
</tr>
<tr>
<td>Claims on foreign counterparties on foreign currency supply</td>
<td>0.0</td>
<td>0.0</td>
<td>-0.1</td>
</tr>
<tr>
<td><strong>Total</strong>*</td>
<td>487.4</td>
<td>100</td>
<td>559.7</td>
</tr>
</tbody>
</table>

* Securities issued by a foreign government or foreign issuers with explicit government guarantee.
** Claims on Russian credit institutions, Eurobonds of the Russian Federation and other Russian issuers.
*** The total value may differ from the sum of asset classes values due to rounding.

Figure 10: Bank of Russia foreign exchange and gold assets by currency* (% of market value)

<table>
<thead>
<tr>
<th>Currency</th>
<th>As of 31 March 2019</th>
<th>As of 31 March 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Euro</td>
<td>7.1</td>
<td>6.9</td>
</tr>
<tr>
<td>US dollar</td>
<td>14.2</td>
<td>12.2</td>
</tr>
<tr>
<td>Gold</td>
<td>18.2</td>
<td>20.8</td>
</tr>
<tr>
<td>Yuan</td>
<td>23.6</td>
<td>23.7</td>
</tr>
<tr>
<td>Pounds sterling</td>
<td>30.3</td>
<td>30.3</td>
</tr>
<tr>
<td>Others</td>
<td>7.5</td>
<td>6.9</td>
</tr>
</tbody>
</table>

Figure 11: Bank of Russia foreign exchange and gold assets by credit rating, %

<table>
<thead>
<tr>
<th>Credit Rating</th>
<th>As of 31 March 2019</th>
<th>As of 31 March 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>AAA</td>
<td>18.2</td>
<td>20.8</td>
</tr>
<tr>
<td>AA</td>
<td>31.6</td>
<td>36.2</td>
</tr>
<tr>
<td>A</td>
<td>24.2</td>
<td>19.7</td>
</tr>
<tr>
<td>Gold</td>
<td>18.5</td>
<td>16.4</td>
</tr>
<tr>
<td>Other*</td>
<td>7.5</td>
<td>6.9</td>
</tr>
</tbody>
</table>

* The distribution takes into account unsettled conversion transactions as of 31 December 2018 and 31 December 2019. * Mainly claims on Russian counterparties and issuers and Russia’s net position with the IMF.

Source: Bank of Russia
FINANCIAL MARKET DEVELOPMENT STRATEGY

The Bank of Russia Guidelines for the Development of the Russian Financial Market in 2019 – 2021 cover the following key areas and activities:

**Building reliable financial environment**
- Involvement of financial consumer ombudsmen in disputes resolution
- Increase of personal responsibility of management
- Limited employment opportunities in financial sector for malicious (unscrupulous) people
- Development of qualified investor institute
- Increase of responsibility for substandard sale of financial products
- Unified financial transactions register

**Improving financial inclusion and availability of capital**
- Introduction of individual pension capital accounts
- Introduction of “green” bonds
- Crowdfunding
- Introduction of new rules for crediting private-public partnerships
- Development of concession projects
- Marketplace project launch
- Introduction of financial services access points map
- Development of remote identification and unified biometric system
- Development of electronic insurance services distribution channels
- Improving insurance services inclusion in Russian regions

**Developing market competitiveness**
- Implementation of integrated road map for developing competition in various sectors of Russian economy approved by the Government
- Building biometric database
- Credit history bureau reform
- Marketplace project launch
- Faster payment system in force
- Testing of digital identification platform
- “Regulatory sandbox” project development
- Bank of Russia’s withdrawal from the capital of banks undergoing resolution after their financial rehabilitation

**Ensuring financial stability**
- Control for the population indebtedness and prevention excessive risk accumulation in the segment
- Risk-based approach to insurance market participants
- Widening the list of financial non-credit institutions subject to stress testing
- Improving the toolkit for macroprudential stress testing
BANKING SECTOR: CURRENT AGENDA
Shaping a favourable operating environment and supporting market competition

**Proportional banking regulation:** differentiating regulatory burden for banks based on their size and simplifying requirements for smaller banks focused on retail and SME lending

**New resolution mechanism:** reducing financial costs and execution period of the resolution procedure

**Introduction of PTI ratio** in order to regulate the consumer lending market more efficiently

**Development of banking supervision:** introduction of the Basel Committee on Banking Supervision (BCBS) standard on capital requirements for banks’ equity investment in funds (since December 16, 2017)

**Risk-oriented supervision:** aiming to remedy problematic situations in banks at an early stage

**Development of macroprudential regulation:** streamlining the regulation, introducing countercyclical approach

**New regulations to the credit bureaus:** authorising several strategic credit bureaus with the function of aggregating information on debt payments

**Basel II and III in force:** Leverage ratio (except for banks with basic license), NSFR – for Domestic-SIBs
BANKING SECTOR: PROPORTIONAL REGULATION
Differentiating regulatory burden for banks depending on their size

Regulatory burden depends on license type

**BASIC LICENSE**
- Minimum size of capital (own funds) – RUB 300 mln
- Only 5 mandatory requirements, including H1.0, H1.2, H3, H6, H25 ratios
- Limitations on international operations
- Simplified disclosure rules - not required to disclose information on accepted risks, their assessment or management procedures, or any information on financial instruments included in the calculation of their own funds (capital)
- Technically complicated international standards are non applicable

**UNIVERSAL LICENSE**
- Minimum size of capital (own funds) – RUB 1 bln
- May carry out all banking operations set forth by the law
- All mandatory requirements set by the Bank of Russia must be met
- Must be compliant with all international standards
- Financial reporting fully compliant with RAS and IFRS

Systemically important financial institutions (SIFI) are subject to:
- Higher capital adequacy requirements
- Advanced risk management approach

On 1 June 2017, Federal Law No. 92-FZ dated 1 May 2017 came into force. It envisages the introduction of proportional regulation designed to set up a regulatory balance for banks differing in scale and in the nature of operations. 126 banks hold basic license, as of 1 August 2020.
BANKING SECTOR: NEW RESOLUTION MECHANISM
Under new mechanism both costs of resolution and time required have been reduced significantly

RUB 758.3 bn for additional capitalization
RUB 1.86 tn for liquidity (deposits)*
RUB 156.1 bn for the establishment of BNA**
RUB 42.7 bn for additional capitalization of Otkritie Bank
RUB 9.0 bn for additional capitalization of APB
RUB 128.7 bn for additional capitalization for MIB and RUB 39.9 bn for liquidity (deposits)
RUB 2.7 bn for additional capitalization for VOCBANK
RUB 379.1 bn Additional
RUB 2.6 tn have been provided to three banking groups (Otkritie, B&N, Promsvyazbank)

List of banks under financial rehabilitation procedure

<table>
<thead>
<tr>
<th>No.</th>
<th>Bank Name</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Promsvyazbank</td>
</tr>
<tr>
<td>2</td>
<td>National Bank TRUST (with ROST Bank and AVB Bank)</td>
</tr>
<tr>
<td>3</td>
<td>Asian-Pacific Bank (APB)</td>
</tr>
<tr>
<td>4</td>
<td>Moscow Industrial Bank (merged with Volga-Oka Bank, VOCBANK in November 2019)</td>
</tr>
</tbody>
</table>

On July 2, 2019, the Bank of Russia’s Board of Directors has decided to complete the implementation of bankruptcy prevention measures for Bank FC Otkritie. Currently, the Bank complies with all Bank of Russia’s statutory requirements for financial resilience and creditworthiness.

Promsvyazbank complies with all capital adequacy and liquidity requirements and operates its business in its usual way. The bank fully repaid CBR deposits placed in the bank during resolution process.

As a result of the financial resolution measures and implementation of a new business model in the Asian-Pacific Bank, its financial standing has been stabilised, new capital has been formed, outflow of its clients’ funds has been stopped, its solvency has been restored and the Bank’s profitability has become stable. The Bank is supposed to be sold in 2020 after it discloses information about its 2019 performance to the public, including potential investors.

On 12 July 2019, the Bank of Russia approved amendments to the plan of its participation in bankruptcy prevention measures for the Moscow Industrial bank (MIB). These amendments provide for the Bank of Russia to allocate 128.7 billion rubles for recapitalisation purposes.

* Have been fully repaid by the end of 2018
**BNA – Bank of non-core assets based on NB TRUST, ROST BANK and Bank AVB
BANKING SECTOR: KEY FIGURES

Active supervision and tighter regulation allowed to strengthen the health of the banking sector

Figure 12: In 2013-2020 more than 450 licenses were revoked causing almost no impact on the banking sector’s total assets

Figure 13: Banking sector profitability restored

Figure 14: Loans and deposits volume (RUB tn) and growth rates

Figure 15: Banks hold an acceptable level of capital under Basel III

*Since 01.01.2020 corporate loans include loans to financial and non-financial organizations (excl. credit organizations). Data for retrospective periods restated

**YoY, ccy adj. by credit institutions operating as of the reporting date. Since 01.01.2020 annual growth rate is based on chain method. Data for retrospective periods restated

Source: Bank of Russia
BANKING SECTOR: FUNDING

The funding of the banking sector mostly comes from corporate and retail deposits

Figure 16: In August 2020 corporate deposits grew by 11.7% YoY to RUB 31.5 tn

*Since 01.01.2020 annual growth rate is based on chain method. Data for retrospective periods restated.

Figure 17: In August 2020 retail deposits demonstrated growth of 7.4% YoY, reaching RUB 32.1 tn

*Since 01.01.2020 annual growth rate is based on chain method. Data for retrospective periods restated.

Figure 18: Operations with the Bank of Russia, tn RUB

*Borrowings from the Bank of Russia (with minus sign)
Corporate deposits, RUB tn, lhs
Claims to the Bank of Russia*
Net claims to the Bank of Russia, rhs

Figure 19: Sources of funding, % of total liabilities

*excluding Mandatory cash balances by credit organizations with the Bank of Russia

Source: Bank of Russia
BANKING SECTOR: LENDING

The growth pace of retail loans has started to moderate

Figure 20: Corporate lending growth increased 9.4% YoY in August 2020

Figure 21: Retail lending growth increased 13.3% YoY in August 2020

Figure 22: Share of bad corporate loans** remained stable at 10.9% in August 2020, while the bad loan loss reserves to bad loans ratio accounted for 72.9%

Figure 23: Due to COVID-19 pandemic retail loans quality demonstrates slight decrease: the share of bad loans** reached 7.9% in August 2020

***Source: Bank of Russia

** Loans classified into quality category of IV and V according to the requirements of Regulation No.590-P.

Quality category IV – high credit risk (probability of financial losses due to non-performance or improper performance of obligations by the borrower requires its depreciation by 51 to 100 per cent);

Quality category V – no possibility of loan repayment due to the borrower’s inability or refusal to meet loan commitments, which requires complete (100 per cent) depreciation of the loan.
**BANKING SECTOR: MORTGAGE SEGMENT**

Mortgage loans are the key driver of credit expansion in 2020

---

**Figure 24:** Mortgage lending growth increased 16.3% YoY in August 2020

---

**Figure 25:** Share of NPLs remains at historically low levels

---

**Figure 26:** Distribution of mortgage borrowers by LTV

---

**Figure 27:** Risk weight add-ons applied to RUB mortgage loans depending on the LTV and the PTI (applied from 1 April 2020)

---

*Since 01.01.2020 annual growth rate is based on chain method. Data for retrospective periods restated.*

---

*Risk weight add-ons applied from 1 April 2020 to mortgage loans issued from 1 April 2020*

---

*Source: Bank of Russia*
**BANKING SECTOR: UNSECURED CONSUMER LENDING**

Unsecured lending market growth rate has somewhat moderated following new macroprudential regulations.

Figure 28: Unsecured consumer lending growth decreased to 9.5% YoY in August 2020

- Unsecured consumer loans, RUB tn, lhs
- YoY (by credit institutions operating as of the reporting date), rhs

Figure 29: Distribution of unsecured consumer loan issuance by payment to income ratio (under CBR Ordinance No. 4892-U), %

*Since 01.01.2020 annual growth rate is based on chain method. Data for retrospective periods restated.

Figure 30: Share of NPLs increased to 9.3% in August 2020

- NPL ratio, lhs
- NPLs loss reserves to NPLs ratio, rhs

Source: Bank of Russia
The Bank of Russia introduces a payment to income ratio for regulatory purposes.

Effective from 1 September 2020, the Bank of Russia reduced add-ons to the risk coefficients depending on the payment to income ratio (PTI) and the effective interest rate (EIR).

<table>
<thead>
<tr>
<th>EIR interval, %</th>
<th>0-10</th>
<th>10-15</th>
<th>15-20</th>
<th>20-25</th>
<th>25-30</th>
<th>30-35</th>
<th>35+</th>
</tr>
</thead>
<tbody>
<tr>
<td>0-30</td>
<td>0</td>
<td>0</td>
<td>0.2</td>
<td>0.5</td>
<td>0.9</td>
<td>1.4</td>
<td>1.8</td>
</tr>
<tr>
<td>30-40</td>
<td>0.1</td>
<td>0.2</td>
<td>0.6</td>
<td>1.0</td>
<td>1.6</td>
<td>2.3</td>
<td>2.5</td>
</tr>
<tr>
<td>40-50</td>
<td>0.3</td>
<td>0.4</td>
<td>0.9</td>
<td>1.3</td>
<td>1.8</td>
<td>2.3</td>
<td>2.5</td>
</tr>
<tr>
<td>50-60</td>
<td>0.5</td>
<td>0.6</td>
<td>1.0</td>
<td>1.4</td>
<td>1.8</td>
<td>2.3</td>
<td>2.5</td>
</tr>
<tr>
<td>60-70</td>
<td>0.8</td>
<td>1.0</td>
<td>1.3</td>
<td>1.6</td>
<td>2.0</td>
<td>2.5</td>
<td>3.0</td>
</tr>
<tr>
<td>70-80</td>
<td>1.0</td>
<td>1.4</td>
<td>1.7</td>
<td>2.0</td>
<td>2.5</td>
<td>3.0</td>
<td>3.5</td>
</tr>
<tr>
<td>80+</td>
<td>1.3</td>
<td>1.7</td>
<td>2.0</td>
<td>2.5</td>
<td>3.0</td>
<td>3.5</td>
<td>4.0</td>
</tr>
</tbody>
</table>

Values of add-ons to the risk coefficients applied to unsecured consumer loans subject to calculation of PTI

Higher level of add-ons are applied to loans with PTI exceeding 50%.

Banks calculate PTI in accordance with Appendix 1 to Bank of Russia Ordinance No. 4892-U when making a decision on granting a loan in the amount (total credit amount) of ₽10,000 or more or an increase in the total credit amount on a bank card.

Values of add-ons to the risk coefficients applied to unsecured consumer loans for which PTI calculation is not obligatory

<table>
<thead>
<tr>
<th>EIR interval, %</th>
<th>0-10</th>
<th>10-15</th>
<th>15-20</th>
<th>20-25</th>
<th>25-30</th>
<th>30-35</th>
<th>35+</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value of add-ons</td>
<td>0.1</td>
<td>0.2</td>
<td>0.6</td>
<td>1.0</td>
<td>1.4</td>
<td>2.1</td>
<td>5.0</td>
</tr>
</tbody>
</table>

Source: Bank of Russia
BANKING SECTOR: INTEREST RATES
Interest rates trending down again after a temporary pickup over 2019

Figure 31: Weighted average long-term interest rates on loans in rubles, %*

Figure 32: Weighted average long-term interest rates on deposits in rubles, %*

Figure 33: Max interest rate on retail deposits in rubles of top-10 banks and Bank of Russia’s policy rate, %

*with maturities of over 1 year

Source: Bank of Russia
BANKING SECTOR: DEDOLLARISATION

Dollarization of the banking sector has notably reduced over the last years

Figure 34: Corporate FX lending declined significantly over the past few years

Figure 35: Retail FX loan portfolio is insignificant in size

Figure 36: Due to rouble depreciation the share of corporate and retail FX deposits in total amount of deposits has slightly risen since June 2020

Figure 37: Risk weights applied to FX assets, %

*Since 01.01.2020 corporate loans include loans to financial and non-financial organizations (excl. credit organizations).

Data for retrospective periods restated.

Source: Bank of Russia
BANKING SECTOR: CAPITAL ADEQUACY
High quality capital base and solid capital adequacy levels under Basel III standards

Figure 38: Capital adequacy ratio for the banking sector remains stable (12.7% on 1.01.16 and 1.09.20)

Figure 39: Credit organizations with capital exceeding RUB 25 bln have lower buffer vs N1.0 minimum requirement due to the economies of scale

Source: Bank of Russia
BANKING SECTOR: SYSTEMICALLY IMPORTANT FINANCIAL INSTITUTIONS

The Bank of Russia has approved the list of SIFI and buffers for capital adequacy ratios

List of systemically important financial institutions

<table>
<thead>
<tr>
<th>№</th>
<th>Company name</th>
<th>Assets, RUB tn</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Sberbank</td>
<td>33.9</td>
</tr>
<tr>
<td>2</td>
<td>VTB Bank</td>
<td>16.3</td>
</tr>
<tr>
<td>3</td>
<td>Gazprombank</td>
<td>7.5</td>
</tr>
<tr>
<td>4</td>
<td>Alfa-Bank</td>
<td>4.4</td>
</tr>
<tr>
<td>5</td>
<td>Russian Agricultural Bank</td>
<td>3.8</td>
</tr>
<tr>
<td>6</td>
<td>Credit Bank of Moscow</td>
<td>3.0</td>
</tr>
<tr>
<td>7</td>
<td>Bank FC Otkritie</td>
<td>2.8</td>
</tr>
<tr>
<td>8</td>
<td>Sovcombank</td>
<td>1.6</td>
</tr>
<tr>
<td>9</td>
<td>Promsvyazbank</td>
<td>n/a</td>
</tr>
<tr>
<td>10</td>
<td>Raiffeisenbank</td>
<td>1.5</td>
</tr>
<tr>
<td>11</td>
<td>Rosbank</td>
<td>1.4</td>
</tr>
<tr>
<td>12</td>
<td>UniCredit Bank</td>
<td>1.3</td>
</tr>
</tbody>
</table>

Assets as of October 2020

Systemically important financial institutions account for 74% of total assets of the Russian banking sector

Capital adequacy requirements

Minimum Bank of Russia requirements for capital adequacy ratios

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Common equity Tier 1 capital ratio (N1.1)</td>
<td></td>
<td></td>
<td>4.50%</td>
<td></td>
</tr>
<tr>
<td>Tier 1 capital (N1.2)</td>
<td></td>
<td></td>
<td>6.00%</td>
<td></td>
</tr>
<tr>
<td>Total capital adequacy ratio (N1.0)</td>
<td></td>
<td></td>
<td>8.00%</td>
<td></td>
</tr>
</tbody>
</table>

Values of capital buffers

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital conservation buffer</td>
<td>1.25%</td>
<td>1.875%</td>
<td>2.25%</td>
<td>2.50%*</td>
</tr>
<tr>
<td>SIFI buffer</td>
<td>0.35%</td>
<td>0.65%</td>
<td>0.65%</td>
<td>1.0%</td>
</tr>
<tr>
<td>Countercyclical buffer</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
</tr>
</tbody>
</table>

Minimum capital adequacy ratios for SIFI

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>N1.1</td>
<td>6.1%</td>
<td>7.0%</td>
<td>7.65%</td>
<td>8.0%</td>
</tr>
<tr>
<td>N1.2</td>
<td>7.6%</td>
<td>8.5%</td>
<td>9.15%</td>
<td>9.5%</td>
</tr>
<tr>
<td>N1.0</td>
<td>9.6%</td>
<td>10.5%</td>
<td>11.15%</td>
<td>11.5%</td>
</tr>
</tbody>
</table>

*Capital conservation buffer was raised in accordance with the schedule approved by the Bank of Russia throughout 2019 – it was set at 1.875% from 1 January 2019, 2.0% from 1 April 2019, 2.125% from 1 July 2019, 2.25% from 1 October 2019, and 2.5% from 1 January 2020.
Microfinance is a vital part of financial system complementing banks to provide better financial inclusion

**MFIs**

- **Microfinance organizations (MFOs)**
- **Consumer credit cooperatives**
- **Credit Housing communities**
- **Pawnbrokers**
- **Agricultural credit cooperatives**

Microfinance institutions (MFIs) provide financial services for customers with no access to banking products, service regions with an insufficient bank presence, offer financial products missing from bank product lines, boost financial literacy and help clients build their credit histories.

CBR keeps a state register of MFIs and supervises MFIs directly and via SROs. Currently there are about 7,600 MFI companies.

19% of the entire MFO microloan portfolio are microloans to small to medium enterprises (bearing 5-10% interest rate thanks to state support via MFOs).

Payday Loans, i.e. small, short-term unsecured loans (up to RUB 30k for 30 days) at high rates, are not a development priority and account for 24% of the entire MFO microloan portfolio.

Starting from 1 October 2019, microfinance organisations have to calculate the **PTI ratio** when taking a decision on extending loan of ₽10,000 or more.

For the loans with PTI of the borrower in excess of 50%, the level of add-on to the risk coefficients is set at 50% (65% starting from 1 January 2020).
**FINANCIAL STABILITY**

**Macroprudential policy aimed at identifying and preventing potential systemic risks**

**Credit activity**

In April-May 2020, while the counter-pandemic measures were in place, the pace of growth in outstanding amounts on household and corporate loans was mixed. In April-May, outstanding amounts on household loans decreased by 0.5%.\(^1\) Outstanding amounts on corporate loans posted an 1.4% increase over the same period. These exceed the readings in April-May 2019 (0.1%) and in the first months of the stress period in 2015 (-0.1% in January-February 2015). Moreover, April and May 2020 saw an increase in outstanding amounts on the corporate bonds of non-financial organisations (by 1.2% over the two months). However, following the slack in economic activity, future growth rates of outstanding amounts on corporate loans may slow down.

**Effect of coronavirus outbreak on the asset quality of the banking sector**

The measures of regulatory easing by the Bank of Russia and the restructuring of household and corporate loans by banks help the financial sector to gradually adapt to economic changes and support borrowers. No material impairment of the credit quality has been observed following the restructuring of loans and the deferred realisation of credit risk. The proportion of unsecured consumer loans overdue more than 90 days is 8.2% as of 1 May 2020 (7.5% as of 1 January 2020), and that of mortgage loans is 1.4% (1.3% as of 1 January 2020). The proportion of corporate loans referred to quality categories IV and V is 10.9% as of 1 May 2020 (11% as of 1 January 2020).

**Capital adequacy**

Banks will be able to cover the potential increase in losses on loans out of accumulated capital buffers, including macroprudential capital buffers. Banks’\(^2\) capital buffers, including capital conservation buffer and systemic importance capital buffer, total 5.6 trillion rubles.\(^2\) Additionally, the macroprudential capital buffer for consumer loans totalled 574 billion rubles as of 1 May 2020, whereas for foreign currency claims on companies — 161 billion rubles.\(^3\)

---

\(^1\) Adjusted for FX revaluation (exchange rate as of 1 June 2020).

\(^2\) The calculation was made as of 1 May 2020, inclusive of the reclassification of non-audited profit in the core capital as well as the positive effect of the loss on the risk-weighted assets.

\(^3\) If add-ons to risk weights for consumer loans decrease to zero, banks will be able to absorb losses either totalling 574 billion rubles and to preserve the current value of the capital adequacy ratio, or totalling 456 billion rubles and to preserve the current values of three capital adequacy ratios. For foreign currency claims on companies, these readings stand at 161 and 123 billion rubles respectively.
SECURITIES MARKET (1)
Russia’s financial market has been aligned with best international practices

Crisis-proven market infrastructure
- The Moscow Exchange has built a secure and reliable infrastructure ensuring uninterrupted trading
- Trading rules do not stipulate any trading suspensions, reduction in trading hours, short sell bans or other restrictions
- T+2 settlement on equities, T+1 on OFZs, T+0 on corporate bonds

Upgraded corporate governance
- Updates to the Listing Rules have created a Sustainability Sector for financing ESS projects
- Creation of a two-tier Quotation List within the stock exchange listing
- Strong criteria for inclusion in the top-tier Quotation list
- Streamlined dividend rules for SOEs
- Corporate standards aligned with best international practices

Regulatory changes to promote investments
- Capital gains on securities held for more than 3 years are tax-exempt
- Tax deductions for Individual Investment Accounts (IIA) type A – max RUB 52 000; for IIA type B – at the rate of investment income;
- Corporate bonds with yield of under the key rate + 5pp became tax-exempt on January 1, 2018

Simplified market access
- Euroclear and Clearstream settlement for equities and bonds
- Unified collateral pool for equities, bonds and FX markets
- International clearing system membership; Direct access to FX trading for large corporates
- Local investor base development (individual investment account system, tax incentives, etc.)
- High level of competition in the Russian financial market helps keep the cost of brokerage and depository services low
- Financial intermediaries are allowed to make both brokerage and depository operations

Increased transparency
- Moscow Exchange instruments comply with the post-trade transparency requirements under MiFID II/MiFIR
- Mandatory audited IFRS for all public companies
- Strengthened regulation to prevent market manipulation and insider trading
- Improved disclosure practices
- Requirement to have a written description of dividend policy for the top-tier Quotation list
- Development of basic standards for professional market participants activities
SECURITIES MARKET (2)
Growing a deeper Russian bond market with strong potential

Figure 40: Volume of the Russian local bond market, RUB tn

OFZ  Corporate Bonds

<table>
<thead>
<tr>
<th>Year</th>
<th>OFZ</th>
<th>Corporate Bonds</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>4.7</td>
<td>2.5</td>
</tr>
<tr>
<td>2010</td>
<td>5.9</td>
<td>3.0</td>
</tr>
<tr>
<td>2011</td>
<td>6.7</td>
<td>3.6</td>
</tr>
<tr>
<td>2012</td>
<td>7.8</td>
<td>4.3</td>
</tr>
<tr>
<td>2013</td>
<td>9.2</td>
<td>5.3</td>
</tr>
<tr>
<td>2014</td>
<td>11.3</td>
<td>6.6</td>
</tr>
<tr>
<td>2015</td>
<td>13.1</td>
<td>8.1</td>
</tr>
<tr>
<td>2016</td>
<td>14.7</td>
<td>9.2</td>
</tr>
<tr>
<td>2017</td>
<td>18.3</td>
<td>11.1</td>
</tr>
<tr>
<td>2018</td>
<td>19.8</td>
<td>11.9</td>
</tr>
<tr>
<td>2019</td>
<td>22.9</td>
<td>13.6</td>
</tr>
</tbody>
</table>

CAGR +17%

Figure 41: Volume of the Russian corporate bond market, RUB tn

RUB bonds  Eurobonds

<table>
<thead>
<tr>
<th>Year</th>
<th>RUB bonds</th>
<th>Eurobonds</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>5.4</td>
<td>2.9</td>
</tr>
<tr>
<td>2010</td>
<td>6.2</td>
<td>3.2</td>
</tr>
<tr>
<td>2011</td>
<td>7.1</td>
<td>3.6</td>
</tr>
<tr>
<td>2012</td>
<td>8.7</td>
<td>4.5</td>
</tr>
<tr>
<td>2013</td>
<td>11.1</td>
<td>5.9</td>
</tr>
<tr>
<td>2014</td>
<td>16.0</td>
<td>9.3</td>
</tr>
<tr>
<td>2015</td>
<td>18.2</td>
<td>10.2</td>
</tr>
<tr>
<td>2016</td>
<td>17.7</td>
<td>9.7</td>
</tr>
<tr>
<td>2017</td>
<td>19.1</td>
<td>11.5</td>
</tr>
<tr>
<td>2018</td>
<td>19.5</td>
<td>11.9</td>
</tr>
<tr>
<td>2019</td>
<td>20.0</td>
<td>13.6</td>
</tr>
</tbody>
</table>

CAGR +14%

Figure 42: “Bondization” of the Russian financial market

Equity market trading volume, RUB tn  Bond market trading volume*, RUB tn

<table>
<thead>
<tr>
<th>Year</th>
<th>Equity market trading volume</th>
<th>Bond market trading volume*</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>8.7</td>
<td>15.3</td>
</tr>
<tr>
<td>2014</td>
<td>10.6</td>
<td>10.6</td>
</tr>
<tr>
<td>2015</td>
<td>9.4</td>
<td>11.2</td>
</tr>
<tr>
<td>2016</td>
<td>9.3</td>
<td>13.2</td>
</tr>
<tr>
<td>2017</td>
<td>9.2</td>
<td>16.5</td>
</tr>
<tr>
<td>2018</td>
<td>10.8</td>
<td>21.2</td>
</tr>
<tr>
<td>2019</td>
<td>12.4</td>
<td>22.4</td>
</tr>
<tr>
<td>1H2020</td>
<td>11.8</td>
<td>12.6</td>
</tr>
</tbody>
</table>

Figure 43: Corporate loans vs corporate bonds in Russia, RUB tn

Loans (incl. foreign debt)  Corporate bonds (incl.eurobonds)

<table>
<thead>
<tr>
<th>Year</th>
<th>Loans (incl. foreign debt)</th>
<th>Corporate bonds (incl.eurobonds)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>29.2</td>
<td>21%</td>
</tr>
<tr>
<td>2012</td>
<td>41.3</td>
<td>79%</td>
</tr>
<tr>
<td>2015</td>
<td>67.6</td>
<td>73%</td>
</tr>
<tr>
<td>2018</td>
<td>68.0</td>
<td>71%</td>
</tr>
<tr>
<td>2019</td>
<td>67.5</td>
<td>71%</td>
</tr>
<tr>
<td>Jul-20</td>
<td>60.3</td>
<td>70%</td>
</tr>
</tbody>
</table>

*excl. overnight bonds

Source: Moscow Exchange, Cbonds
SECURITIES MARKET (3)

Russian OFZ market provides relatively high yields amid investment grade reliability

Figure 44: Russian OFZ market volume keeps growing

Figure 45: Zero-coupon OFZ yield curve, %

Figure 46: Bond market yields, key rate and RUONIA (% RUB)

Figure 47: EM 10Y bond yields (% USD) on the background of credit ratings

Source: Bank of Russia, Cbonds, Bloomberg
Demand for OFZs placements remains sustainably high

Figure 48: OFZ placement dynamics in 2018, 2019 and 2020 (RUB bn)

Source: Bank of Russia, Ministry of Finance, National Settlement Depository
SECURITIES MARKET (5)
Russian equity market: key trends

Figure 49: Russian Equity market cap, bln RUB & bln USD

Figure 50: Market capitalization to GDP ratio, %

Figure 51: Russian equities market trading volumes proves stable

Figure 52: Dividend yield (12M): Russia vs. EM, %

Source: Bloomberg, Moscow Exchange, International Monetary Fund and World Federation of Exchanges
SECURITIES MARKET (6)
Russian equity market performance vs EM peers

Figure 53: Russian MSCI index vs EM peers (01.01.15 = 100%)

Figure 54: Forward P/E ratio (12m), MSCI Russia vs MSCI EM

Source: Bloomberg
CORPORATE GOVERNANCE

New corporate governance standards reflect best international practices

Corporate governance

- Guidance for members of financial institutions’ Boards of Directors
- Recommendations on organizing and conducting self-assessment of the Boards of Directors’ performance in public JSCs
- Recommendations on participation of the Board of Directors in development and management processes related to IT and information security risk management in public JSCs
- Russian public JSCs are implementing mandatory risk management and internal controls
- Implementation of an internal audit system will be mandatory for public JSCs since January 2021
- Information disclosure reform: reduction of administrative burden on issuers, elimination of excessive requirements for information disclosure (to be put in force since 1 October 2021)

Corporate actions reform

- Amendments to the JSC Law:
  - Protection against dilution of stakes in the authorized capital of JSCs and violation of dividend rights
  - Determination of the price at which the issuer repurchases - at the request of shareholders - shares admitted to trading, taking into account their weighted average cost
  - Legal uncertainty with regard to the votes of parties controlled by a party with an interest in the transaction has been eliminated

Securities

- Securities issuance reform: the procedure of securities issuance was simplified, electronic registration of securities’ issues was launched

Green, Social and Sustainable Finance

- Stewardship Code
- Legal framework for Green, Social and Infrastructural Bond Issuance
- Special Disclosure rules for Green, Social and Infrastructural Bonds’ Issuers
- Mandatory right of redemption for green and social marked bond holders if capital allocated under Issuance was used improperly
- Sustainable Development Sector for Bonds on Moscow Exchange
- Two Sustainable Development Benchmarks (“Responsibility and Transparency”, “Sustainable Development Vector”)

Next stage

Providing the possibility to hold general meetings of shareholders online

CBR corporate governance report: annual monitoring of corporate governance practices and publication of the report on the CBR official site (only in Russian)

Source: Moscow Exchange
COUNTERING MALPRACTICE
Bank of Russia supervises conduct of financial market participants to promote fair competition

- Bank of Russia has implemented an effective system for countering malpractice such as market manipulation and insider trading, which is aimed at ensuring investors’ equality and fair pricing.

- In 2015, Bank of Russia became a signatory to the IOSCO MMoU
- Intense cooperation with foreign financial market regulators in terms of exchanging information, including confidential information
- Elaboration of international initiatives.

- Bank of Russia identifies companies operating on the financial market without proper authorization (license) and running pyramid schemes, with a view to initiate responsive measures by the public authorities. The number of instances of such measures being taken by public authorities has increased almost 4x times in 2019 compared to 2018. The number of illegal lenders tends to decrease.

- Bank of Russia improves continuous monitoring of on-exchange trading for the purpose of maintaining financial stability and preventing system shocks caused by misconduct.
- On-exchange trades are supervised by the Analysis Center to identify unusual activity online.
INVESTMENT FUNDS
Local institutional investor base: the potential of investment funds

Figure 55: Majority of savings in Russia is held on bank deposits and in cash*

Figure 56: Assets of investments funds in Russia (RUB tn)

Figure 57: Number of investments funds in Russia by the type

Figure 58: Breakdown of investment funds’ assets by type (as of 30 June 2020)

* As of the end of 2018, Russia - 2019
Source: World Bank, IMF, Bank of Russia, Moscow Exchange
NON-STATE PENSION FUNDS
Local institutional investor base: the potential of non-state pension funds

The Bank of Russia became a regulator of the pension system in 2013. Since then a number of changes has been adopted to strengthen the non-state pension system:

- ‘one-year non-loss’ rule was extended to ‘five-year non-loss’ rule
- stress-testing mechanism introduced
- customers are now encouraged to stay with the same fund for not less than 5 years
- since 2014 the Deposit Insurance Agency (DIA) guarantees the nominal value of mandatory savings
- non-state pension funds are to bear fiduciary responsibility (since March 18, 2018)
- non-state pension funds are to disclose their investment portfolios
- corporatisation of non-governmental pension funds (NPFs) completed
- work is in progress to improve financial stability of private pension funds (development of legislation, introducing mandatory state guarantee system for voluntary pension plans and mechanisms of private pension funds financial recovery under the Bank of Russia management)
INSURANCE

Local institutional investor base: the potential of insurance market

Figure 61: Premium volume is gradually growing

Figure 62: Assets hit 3.2% of GDP

Figure 63: Premium structure in 2Q20 shows high level of market diversification

Figure 64: In 2Q20 market remained highly competitive with the Herfindahl-Hirschman Index equal to 839.3

Source: Bank of Russia
NATIONAL PAYMENT CARDS SYSTEM
Setting the standards for the payment industry to provide convenient and stable services

Operator of Mir Card Payment System is National Card Payment System Joint Stock Company, 100% of its shares are held by the Bank of Russia

National Card Payment System was created on 23 July 2014
As of 1 October 2020 more than 89.4 mln “Mir” payment cards were issued in Russia

✓ Mobile payments and contactless service Mir Pay are developing
✓ Support of mobile payment service Samsung Pay
✓ Non-financial services are available on the basis of “Mir” payment cards

✓ Payment system “Mir” developing a loyalty program which allows card holders to receive cashback (more than 15 mln “Mir” payment cards have already been connected)

✓ Co-badging projects with international payment systems: Maestro, JCB, AmEx and UnionPay
✓ “Mir” payment cards are accepted in 12 countries, including the Republic of Armenia, Kyrgyz Republic, the Republic of Kazakhstan, the Republic of Belarus, Vietnam, Turkey, Cyprus
PAYMENT INFRASTRUCTURE (1/3)

Bank of Russia Payment System

Money transfer services are provided to:
- all credit institutions (financial market infrastructure included)
- Russia’s Federal Treasury and its agencies
- other Bank of Russia clients

Average daily figures (October 2020): **6.9 mln payments, RUB 7.2 tn**

**83% of funds** are transferred via the real-time service

New **liquidity management tools**, future value date settlement functionality, cash-pooling services for Federal Treasury and multibranch banks introduced

Transfer timeframe is adapted to Russia’s **11 time zones** - system operates from 1 a.m. to 9 p.m., Moscow time.

The **Faster Payments System** (FPS), launched on 28 January 2019, enables instant C2C interbank transfers 24/7/365 using mobile phone number and C2B (customer–to-business). C2G (customer-to-government) and G2C (government-to-customer) transactions are currently in the pipeline. Starting April 2020, B2C (broker’s and MFIs’ operations) have been enabled, July 2020 – C2C pull-operations (transfer on recipient’s approval). As of September 2020 the FPS is offered by **156** Russian banks, including all systemically important. Average daily figures: **144 K payments, RUB 1.2 bn**
The Bank of Russia's activity to monitor the compliance of NPS entities with the requirements of the law on the NPS and the regulations of the Bank of Russia in order to ensure stability and development of the NPS.

**Market access:**

- **payment systems:** registration of payment system operators (PSO) and foreign payment system operators
- **money transfer operators - credit organizations (including electronic money operators):** licensing.

The BoR publishes lists of payment application providers, payment aggregators, foreign payment service providers, information exchange operators.

**Number of NPS entities (as of the beginning of 2020):**

<table>
<thead>
<tr>
<th>Category</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Money transfer operators-credit organizations, including</td>
<td>433</td>
</tr>
<tr>
<td>electronic money operators</td>
<td>84</td>
</tr>
<tr>
<td>Payment system operators</td>
<td>29</td>
</tr>
</tbody>
</table>

**The subjects of supervision:**

- functioning of the NPS entity separately;
- its relationship with other market participants, disruption of such relationships and systemic risks.

Set of measures in respect of the supervised subjects is determined taking into account the established supervision mode

1. **Off-site supervision**

Analyze the activities of NPS entities and payment system participants as well as the organization and functioning of payment systems including payment infrastructure

2. **On-site inspection**

Conduct on-site inspections of NPS entities’ compliance with the requirements of the law on the NPS and the regulations of the Bank of Russia

3. **Actions and Measures**

Take actions and enforcement measures with regard to NPS entities in case of violations of the requirements of the law on the NPS
PAYMENT INFRASTRUCTURE (3/3)
Supervision and oversight in the national payment system (NPS)

Oversight in the NPS - The Bank of Russia's activity to encourage the improvement of the NPS entities' activities and services and to promote the development of objects of oversight in line with the recommendations of the Bank of Russia.

1 Monitoring
Collection, systematization and analysis of information on the activities of the observed organizations, other NPS entities and related oversight objects

Main areas of monitoring
• Defining criteria for the importance of payment systems and credit institutions significant in the payment services market;
• Identifying payment systems that meet the criteria of significance, and credit institutions that meet the criteria of significance in the payment services market;
• Identifying trends and development prospects for the Russian payment market.

2 Assessment
Assessment of the activities of the observed organizations (PSO*) and related objects of oversight in the context of best practices (in particular, the document CPMI-IOSCO “Principles for financial market infrastructures”)

* Operators of systemically and socially important payment systems (as of the beginning of 2020 there are 2 systemically important payment systems and 4 socially important payment systems).

3 Initiation of changes
• Bank of Russia issues recommendations to the PSO on the results of assessment.
• The PSO prepares an action plan for implementation of such recommendations.
• Bank of Russia monitors the implementation of recommendations by the PSO.

A report on the national payment system oversight results is published every two years.

International cooperation in the field of oversight in the NPS:
✓ agreements (memorandums) on cooperation with foreign (national) banks;
✓ interaction with international organizations, including the Committee on Payments and Market infrastructures (CPMI), World Bank.
FINTECH (1)
Russia provides a favorable environment for FinTech development

Goals of the Bank of Russia as a high-tech regulator

- Facilitate the competition in the financial market
- Enhance accessibility, quality and range of financial services
- Lower risks and costs in the financial market
- Advance the level of competitiveness of Russian technologies

Key areas of development

1. Legal regulation of FinTech, including protection of consumer rights and security of personal data
2. Development of digital technologies in the financial market and development of digital infrastructure
3. Transition to electronic interaction between the Bank of Russia, government, market participants and their clients
4. “Regulatory Sandbox” for experimentation with innovative financial technologies, products and services
5. Cooperation within the Eurasian Economic Union and development of single payment area for member states
6. Ensuring technological safety and sustainability in FinTech implementation
7. Development of human resources in the financial market
FINTECH (2)
Russia provides a favorable environment for FinTech development

Main goals

☑️ **Implementation** of new technological solutions for the development of the Russian financial market

☑️ **Promotion** of digitalization of the Russian economy

Main FinTech projects of the Bank of Russia and FinTech Association

☑️ Digital identification

☑️ Digital profile

☑️ Faster payment system

☑️ Distributed ledger technology

☑️ Open API

☑️ Financial marketplace
MARKETPLACE
Shaping the future of financial services experience in Russia

- New system for online sales of financial products
- Aimed to complement traditional sales channels with websites and smartphone apps which will enable customers to compare multiple financial product offers
- In July 2020 the State Duma adopted the law on financial transactions through a financial platform that enabled launching the Marketplace system

For more details, see http://cbr.ru/eng/fintech/market_place/
CONSUMER PROTECTION
Financial consumer and investor protection as one of priorities for further financial market development

KEY FINANCIAL CONSUMER PROTECTION WORKSTREAMS

- Consumer and investor complaints handling
- Conduct supervision
- Setting requirements for financial organizations in order to improve consumer and investor protection
- Dispute resolution (ombudsman)
- Differentiation of consumer protection requirements
- Financial literacy improvement
- Disclosure requirements for consumers and investors
- Disclosure requirements for information on risks
FINANCIAL INCLUSION
Strong international background helps to promote financial inclusion

G20 GLOBAL PARTNERSHIP FOR FINANCIAL INCLUSION (GPFI)

- Acts as an inclusive platform for G20 countries, non-members and other parties for knowledge and experience sharing, policy advocacy and coordination in promoting financial inclusion
- Russia is an original GPFI member since November 2010
- Endorsed the ‘original’ FIAP in 2010 and the ‘updated’ FIAP in 2014, 2017 and 2020
- G20 – World Bank – OECD conference on empowering consumers of financial products and services was hosted in Moscow in June 2013
- The third annual GPFI Forum was held in St. Petersburg in 2013

ALLIANCE FOR FINANCIAL INCLUSION (AFI)

- The global knowledge exchange network empowering policymakers to increase access to quality financial services for the less well-off communities and households
- In February 2014, the Bank of Russia became a member of AFI
- In September 2014, the Bank of Russia joined the Maya Declaration setting up the priorities for AFI members on financial inclusion
- In September 2015, the Bank of Russia joined the Maputo Accord to improve funding accessibility for SMEs
- In November 2015, the Bank of Russia and AFI co-hosted the ‘Financial inclusion and shadow banking: innovation and proportional regulation for balanced growth’ conference
- In June 2016, the Bank of Russia hosted the AFI GSPWG meeting.
- The Bank of Russia hosted the 2018 AFI Global Policy Forum

Financial Inclusion Promotion by the Bank of Russia

- Improving financial inclusion for people and SMEs was one of financial market development priorities for 2016-2018, the importance of the issues was further affirmed for the period of 2019-2021
- The Bank of Russia annually publishes financial inclusion indicators and the Report on Financial Inclusion in Russia (with supply-side and demand-side data starting from 2015)
- The technical note on financial inclusion was prepared in the context of a joint WB / IMF FSAP mission in Russia during February-March 2016; the note was published in May 2016
- Early in 2018, the Bank of Russia launched the Financial Inclusion Strategy in Russia for the period of 2018-2020
- Since April 2020, the Bank of Russia has been empowered by law to exercise functions aimed at increasing financial literacy of individuals and SMEs and at ensuring financial inclusion
AML/CFT
Bank of Russia maintains AML/CFT regulation and supervision of credit institutions and non-credit financial institutions

Russian AML/CFT law is based on International Standards on Combating Money Laundering and the Financing of Terrorism and Proliferation (FATF Recommendations)

2008
The FATF placed Russian Federation in the regular follow-up process

2013
The FATF recognized that Russia could be removed from the regular follow-up process

2018 – 2019
4th round of mutual evaluations, joint FATF/MONEYVAL/EAG evaluation of Russia; Russia has been placed in the regular follow-up process

The findings of the FATF on the Bank of Russia's actions and financial institutions’ performance in the AML/CFT area:

✓ The Bank of Russia's deep understanding of ML/TF risks in the supervised sectors
✓ Improvement of the Bank of Russia’s risk assessment methodology and risk-based AML/CFT supervision
✓ Implementation of an intense bank supervisory programme informed by ML/TF risks
✓ Substantial improvement of the framework for preventing criminals from owning and controlling financial institutions
✓ Adequate level of cooperation between the Bank of Russia and other Russian competent authorities in the AML/CFT area
✓ Good understanding of ML/TF risks by credit institutions
✓ Growth of the overall AML/CFT compliance by financial institutions, including due to the Bank of Russia's supervisory measures
Key initiatives in information security and cybersecurity

Countering international and cross-border crime

Addressing the rise in money withdrawals via illegal cross-border transactions

Compiling a general register of most typical cyber threats and computer attack methods

Combatting fraud in financial e-services provided via websites registered in foreign DNS zones

Key avenues of cooperation in the sphere of information security

- Establishing institutional and technical framework for dynamic cooperation between the common financial market regulators and participants, building upon the Financial Sector Computer Emergency Response Team (FinCERT) of the Bank of Russia
- Enabling trusted electronic operations in the increasingly digitalised common financial market
- Formulating unified standardised approaches to information security, cyber resilience and supervising related risks
- Policy coordination and unifying the mechanisms of strong customer authentication for financial transactions and money transfers
**INVESTOR CONTACTS AND REGULAR MEETINGS SCHEDULE FOR 2021**

<table>
<thead>
<tr>
<th>Month</th>
<th>Date</th>
<th>Event Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>February</td>
<td>5-12</td>
<td>Quiet period</td>
</tr>
<tr>
<td>February</td>
<td>12</td>
<td>Board of Directors pivotal meeting on monetary policy. Publication of an updated medium-term forecast.</td>
</tr>
<tr>
<td>February</td>
<td>17, 17:00</td>
<td>Conference call with institutional investors (Moscow time)</td>
</tr>
<tr>
<td>March</td>
<td>12-19</td>
<td>Quiet period</td>
</tr>
<tr>
<td>March</td>
<td>19</td>
<td>Board of Directors meeting on monetary policy</td>
</tr>
<tr>
<td>April</td>
<td>9-11*</td>
<td>Ad-hoc meetings with investors on the sidelines of the IMF/WB meetings</td>
</tr>
<tr>
<td>April</td>
<td>16-23</td>
<td>Quiet period</td>
</tr>
<tr>
<td>April</td>
<td>23</td>
<td>Board of Directors pivotal meeting on monetary policy. Publication of an updated medium-term forecast.</td>
</tr>
<tr>
<td>April</td>
<td>28, 17:00</td>
<td>Conference call with institutional investors (Moscow time)</td>
</tr>
<tr>
<td>June</td>
<td>4-11</td>
<td>Quiet period</td>
</tr>
<tr>
<td>June</td>
<td>11</td>
<td>Board of Directors meeting on monetary policy</td>
</tr>
<tr>
<td>July</td>
<td>16-23</td>
<td>Quiet period</td>
</tr>
<tr>
<td>July</td>
<td>23</td>
<td>Board of Directors pivotal meeting on monetary policy. Publication of an updated medium-term forecast.</td>
</tr>
<tr>
<td>July</td>
<td>28, 17:00</td>
<td>Conference call with institutional investors (Moscow time)</td>
</tr>
<tr>
<td>September</td>
<td>3-10</td>
<td>Quiet period</td>
</tr>
<tr>
<td>September</td>
<td>10</td>
<td>Board of Directors meeting on monetary policy</td>
</tr>
<tr>
<td>October</td>
<td>15-17*</td>
<td>Ad-hoc meetings with investors on the sidelines of the IMF/WB meetings</td>
</tr>
<tr>
<td>October</td>
<td>15-22</td>
<td>Quiet period</td>
</tr>
<tr>
<td>October</td>
<td>22</td>
<td>Board of Directors pivotal meeting on monetary policy. Publication of an updated medium-term forecast.</td>
</tr>
<tr>
<td>October</td>
<td>27, 17:00</td>
<td>Conference call with institutional investors (Moscow time)</td>
</tr>
<tr>
<td>December</td>
<td>10-17</td>
<td>Quiet period</td>
</tr>
<tr>
<td>December</td>
<td>17</td>
<td>Board of Directors meeting on monetary policy</td>
</tr>
</tbody>
</table>

* tbc.

** Additional ad-hoc conference calls for institutional investors may be held in the periods between the Bank of Russia Board of Directors pivotal meetings.