Bank of Russia

2024 Q4–2025 Q1

FINANCIAL STABILITY REVIEW

Information and analytical review

Moscow
2025

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The electronic version of the review in Russian and English is available on the Bank of Russia website.

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SUMMARY

Over the period under review the Russian economy expanded although the GDP growth decreased from 4.5% in 2024 Q4 to 1.4% in 2025 Q1. Tight monetary policy pursued by the Bank of Russia helped slow down the growth of lending to a balanced pace, while the economy showed some signs of disinflation. External conditions remained challenging, with unfriendly countries enacting additional packages of sanctions. The extensive tariffs announced by the USA in early April provoked volatility in global markets, which spilled over into the Russian stock market as well. Trade wars may have a negative impact on the Russian economy, primarily through lower prices for crude oil and other commodities.

The corporate sector's profits go down, but remain high by historical standards. The sanctions, rising costs pushed up by high inflation, and increasing interest expenses due to tight monetary policy are affecting companies' financial standing, and therefore, the Bank of Russia is closely monitoring changes in the quality of the corporate loan portfolio. An upward trend in the number of companies facing debt servicing problems was mostly typical of small and micro businesses, the increase in the number of restructured loans among large and medium-sized enterprises at the end of March was temporary. This trend involves no risk to financial stability. Loans restructured were both at variable and fixed rates to a similar extent, while the quality of variable rate loans was notably better. Nevertheless, it is crucial for banks to conduct regular stress testing of the corporate portfolio to evaluate its resilience in the scenario of an extended period of elevated interest rates and, when issuing new loans, it is necessary to carry out assessment of a borrower's creditworthiness in the event of an interest rate increase or higher for longer rates.

As for retail lending, credit risks are materialising in this segment due to a deterioration of borrowers' risk profiles and a slower expansion of the portfolio. Nonetheless, the ratio of problem loans is considerably lower than in 2014–2016. Over the past few months, the Bank of Russia was increasing the risk sensitivity of its macroprudential regulation, specifically by reducing the risk weight add-ons for mortgages and for credit cards during a grace period. That said, the macroprudential buffer continues to accumulate and has already reached ₽1.3 trillion. If the growth of households' incomes slows down, the quality of the retail loan portfolio might worsen further – hence, the Bank of Russia may partly release the buffer in order to support banks' capacity to lend to the economy.

The combined effect of the Bank of Russia's monetary and macroprudential measures will enable the regulator to maintain macroeconomic stability and the financial system's resilience. Macroeconomic stability also depend on fiscal sustainability. The fiscal rule and coordination of its parameters with predominant average level of future oil prices are key components of this resilience.

1. Global risks

In early 2025, the world economy's growth prospects notably deteriorated amid an escalation of trade wars. Higher trade tariffs and a reduction in imports might disrupt supply chains and push up manufacturing costs and prices. Major central banks are facing a dilemma over the future monetary policy path: on the one hand, there is a more acute threat of a recession, while on the other hand, there are higher inflationary risks.

In such a situation, stock indices in many countries just as commodity prices notably declined in early April. The CBOE Volatility Index, commonly known as the 'fear index', was hitting the maximum level recorded in March 2020 at the outbreak of the coronavirus pandemic. By the middle of May 2025, the situation in stock markets normalised as the USA suspended heightened tariffs for 90 days for the countries deciding not to enact retaliatory measures and agreed with China to cut reciprocal tariffs for 90 days. However, there are still risks of an escalation of trade wars.

Moreover, the financial systems of many countries are exposed to vulnerabilities accumulated long before, such as significant debt of the non-financial sector, overvaluation of assets, and non-bank financial intermediaries' liquidity problems, which could exacerbate market volatility. Many jurisdictions are facing the risk of a decline in their fiscal and debt sustainability due to the persistence of significant sovereign debt and higher government expenditures. Emerging market economies (EMEs) might experience capital outflows. Due to the sanctions and the capital controls in place, Russia is isolated from this transmission channel. However, if the world economy's growth drops more considerably, declining prices for exports, primarily crude oil, might become the key risk to Russia.

2. Vulnerabilities and resilience of the Russian non-financial sector

In 2024 Q4–2025 Q1, the West continued to enact sanctions against various industries of the Russian economy as well as a number of individuals and legal entities, including from friendly countries. The new restrictions targeted the oil and gas sector, coal production, the defence industrial complex, the shipping industry, and oilfield service companies.

As of the end of 2024, companies' balanced financial results dropped by 6.9% year on year (YoY) to ₽30.4 trillion, with the number of profitable companies declining in the majority of the industries.[1] Increased input costs, including due to the sanctions, higher interest expenses on debt amid tight monetary policy, as well as deceleration of economic activity after its rapid growth weigh on businesses' financial standing. However, compared to historical levels, the amount of profits is rather high both in the economy as a whole and in the majority of sectors, except for the coal industry being in the red due to an unfavourable market environment.

The aggregate net debt/EBITDA ratio for the largest Russian companies[2] increased by 0.1 over the 12 months of 2024 to equal 1.6 as of the beginning of 2025 (in 2020, during the pandemic, this ratio reached 2.0). As of the end of 2024, companies with elevated interest burden[3] accounted for 32% of the total debt of enterprises in the sample, compared to 7% as the end of 2023. Nevertheless, it is worth noting that the applied approach to classifying companies is rather conservative (the upper bound of the interest coverage ratio (ICR) is 3) so as to identify businesses with potential risks of an interest burden at an early stage. Most of these companies have no difficulties servicing their debts. Companies which really involve problems[4] account for approximately 8% of the total debt (vs 5% as of the end of 2023). Generally, the corporate sector remains financially resilient and capable to service the debt liabilities properly. Nevertheless, a number of highly leveraged companies might still become bankrupt.

1 In January–February 2025 companies' balanced financial results increase by 23.1% YoY and amounted to ₽5.4 trillion. At the same time, the ratio of financial results of unprofitable companies to profitable ones increased by 8.2 pp YoY to 31.4% over two first months of 2025.

2 According to IFRS statements, the 78 largest companies as of the end of 2024. The outstanding debt of the companies in the sample totals ₽43 trillion, or 44% of the aggregate measure of the non-financial sector's debt.

3 These companies' ICR ranges from 1.0 to 3.0.

4 These companies' ICR is below 1.0.

3. Vulnerabilities of the Russian financial sector

3.1. Credit risk and concentration risk in corporate lending

The expansion of corporate lending started to slow down from December 2024, with its growth rate turning negative in January–February 2025, which was attributed to transitory factors, namely higher public spending and loan repayments. In March–April 2025, the monthly growth rate of lending equalled 0.9%. These dynamics suggest not a credit crunch but rather its return to a balanced growth rate.

In 2024 Q4–2025 Q1, the increase in debt liabilities to the banking sector was for the most part (nearly 64%) accounted for by large non-financial companies, part of which were highly leveraged. To limit the rise in the corporate sector's debt burden and reduce systemic risks in lending, beginning on 1 April 2025, the Bank of Russia introduced 20% macroprudential risk-weight add-on for loans and exposure to bonds of large highly leveraged companies (applied to the amount of debt increase).

Although the proportion of problem loans to legal entities recognised by banks remains at the level of about 4% since 1 October 2024, the corporate sector's creditworthiness has slightly declined: the amount of restructured loans was up in March 2025 (₽2.3 trillion).[5] The debt service capacity declined most notably among small and micro businesses, with the number of companies with serious delinquencies significantly increasing in this segment. According to near real-time data of the largest banks' risk management units, the proportion of loans to medium-sized and large businesses included by banks in the green zone[6] has edged down from 78% to 75% since the beginning of the year.

Variable rate loans accounted for a significant proportion in the corporate portfolio, specifically 65% as of 1 April 2025, which is 20 pp more compared to early 2023. Normally, variable rate loans have been issued to borrowers with a sufficiently high level of solvency, and their quality is still better. Nevertheless, when granting variable rate loans, banks need to carefully assess a borrower's creditworthiness in the event of higher for longer rates.

3.2. Households' debt burden

Amid a slowdown in retail lending and an outrunning increase in household incomes, households' debt service-to-income ratio (DSTI) at the macrolevel (the percentage of households' income used to service their loans) edged down from 11.3% as of 1 April 2024 to 10.1% as of 1 April 2025. The decrease was predominantly caused by a decline in expenses on servicing cash loans (-1.3 pp over the year) and mortgages (-0.2 pp over the year).[7]

At the end of 2024, the reduction in unsecured consumer lending sped up, with the loan portfolio contracting by 2.0% over 2024 Q4 and by another 1.4% over 2025 Q1. This was associated with a decline in the demand for and supply of loans following a decrease in banks' risk appetite against the backdrop of a lower quality of loan servicing and the macroprudential measures implemented. As of 1 April 2025, unsecured consumer loans overdue for more than 90 days accounted for 10.5% of the portfolio, which is 2.8 pp more YoY. The analysis of the generations of loans also proves that the quality of servicing of unsecured consumer loans worsened, with the proportion of non-performing loans overdue for more than 30 days during the first three months on book reaching 2.8% as of the

5 According to the recent survey of the largest banks, loans were mostly restructured in late March–early April 2025 (₽1.2 trillion a week), after which this amount declined by a factor of 3 later on in April. The demand for loan restructuring was changing in a similar way.

6 Companies facing no problems in the course of doing business.

7 For details about the calculation of households' DSTI at the macrolevel, refer to the information and analytical commentary (in Russian only).

end of 2025 Q1, which is 1.1 pp more YoY. Higher demand for loan restructuring is also evidence of difficulties in debt servicing. Loans restructured over the past six months accounted for more than 2.7% of the portfolio as of 1 April 2025, as compared to 1.1% in 2023 H1.[8] The deterioration of the loan servicing quality is associated with the fact that loans at higher rates are more often taken out by borrowers with high credit risk.

Nevertheless, during earlier periods of a contraction of the loan portfolio, the percentage of unsecured loans overdue for more than 90 days was higher, e.g. over 16% in 2016. In recent years, the Bank of Russia has been taking consistent measures to reduce the share of loans issued to households with high DSTI ratio who fail to timely repay their debts more frequently. The proportion of loans granted to individuals with DSTI above 50% decreased to 24% as of the end of 2025 Q1. Furthermore, the accumulation of macroprudential capital buffer continues. If needed, the Bank of Russia may release this buffer to support the banking sector. As of 1 April 2025, the macroprudential capital buffer amounted to ₽0.83 trillion, which fully covers 7.1% of the unsecured consumer loan portfolio.

Over 2024 Q4–2025 Q1, the Bank of Russia increased the risk sensitivity of its regulation. In particular, from 1 February 2025, the Bank of Russia reduced the macroprudential risk-weight add-ons for credit cards during a grace period as they involve lower risks.

The consumer portfolio of microfinance organisations (MFOs) expanded by 47% over the period from 31 March 2024 to 31 March 2025, reaching 3.9% of the overall portfolio of unsecured loans and microloans. This trend is mostly attributed to higher demand for buy-now-pay-later services and a certain flow of borrowers to the segment of bank-affiliated MFOs amid a decrease in the ratio of loan application approvals by banks. In 2025 Q1, the growth of microloans slowed down sharply. The Bank of Russia applies the same macroprudential limits (MPLs) to MFOs as to banks and is reforming the market so as to reduce households' indebtedness.

3.3. Imbalances in the housing market and project finance risks

The mortgage market cooled down in 2024 H2–2025 Q1, driven by the tightening of the Bank of Russia's monetary policy and the termination of the large-scale Subsidised Mortgage programme. The macroprudential policy measures helped improve the lending standards. However, just as in unsecured lending, the quality of mortgage debt servicing started to deteriorate, with the proportion of debt overdue for more than 90 days reached 0.9% as of 1 April 2025 (vs 0.5% a year before). The increase in overdue debt was caused by the maturing of loans issued in 2023 H2–2024 H1 amid surging demand for the large-scale Subsidised Mortgage programme. During that period, the requirements for borrowers in terms of both the amount of a down payment and DSTI were at a record-low level.

In 2024 Q4–2025 Q1, the rise in new housing prices slowed down (1.6–2.0% QoQ vs 2.3% in 2024 Q3, according to Rosstat). However, the gap between primary and secondary housing market prices is still large (52% according to SberIndex and 60% according to Rosstat as of 1 April 2025), which carries risks for both borrowers and banks since the money in the event of sale of an apartment might turn out to be insufficient for the borrower to repay the loan.

Given the enhanced mortgage lending standards and the Standard for Protecting the Rights and Legitimate Interests of Mortgage Borrowers, which became effective on 1 January 2025 to prevent unfair practices of overpricing in the housing market, from 1 March 2025, the Bank of Russia cut the risk-weight add-ons for mortgages with a down payment of over 20% and a borrower's DSTI of less than 70%. In April 2025, the Bank of Russia established MPLs in mortgage lending for the first time (from 1 July 2025) and reduced the add-ons in the segments subject to the MPLs.

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[8] According to the Bank of Russia's survey and Reporting Form 0409115.

The macroprudential capital buffer, which amounted to ₽0.36 trillion as of 1 April 2025 (1.8% of outstanding mortgages net of loan loss provisions), will continue to accumulate, although more slowly than before.

Over 2025 Q1, the average monthly sales of new housing (in square metres) decreased by 8% YoY. The financial safety buffer accumulated over the past few years will enable most developers to remain resilient amid high market rates and declining demand for housing. As of the end of 2024, the construction industry's balanced financial result totalled ₽0.87 trillion, which is 23.1% more YoY. Developers use various schemes to prop up the level of sales, with instalments from developers being the most widely spread scheme recently. Such schemes might carry elevated risks for both buyers and construction companies. As for developers, this way of boosting sales does not increase escrow account balances. Borrowers who purchase housing in instalments, with expectations of taking out a mortgage later, might lose the housing if the bank refuses to issue the loan. The borrowers will receive the funds paid under the shared construction participation agreements, however, these agreements often include fines. Furthermore, the cost of these funds might decline relative to the housing price. The Bank of Russia does not support the expansion of such instalment schemes and recommends that banks more thoroughly assess the risks inherent in projects with a considerable proportion of instalments in sales. Concurrently, the share of housing purchased by individuals using only their own funds has also increased in total sales.

Most housing construction projects are sufficiently resilient to a decline in sales revenues and extension of the period of sales. The mechanism of escrow accounts and a high involvement in housing projects on the part of banks interested in the completion of construction will help ensure the industry's resilience. As inflation slows down, a decrease in market rates will push up the demand for housing and help developers remain resilient.

3.4. Structural imbalances in the domestic FX market

At the end of November 2024, as the USA expanded the sanctions against the Russian financial sector, the ruble weakened for a short period, while volatility in the foreign exchange market increased. Nevertheless, the market adapted to the sanctions quite quickly: the ruble started to appreciate as early as the beginning of December 2024, and this trend strengthened in 2025 Q1.

Since the beginning of 2025, the exchange rates of the US dollar and the Chinese yuan dropped[9] against the ruble by 21.6% and 17.4%, respectively. The appreciation of the ruble was driven by the dynamics of the current account and investors' elevated demand for ruble assets encouraged by high interest rates on ruble-denominated instruments. Given that the open currency position is quite balanced, banks' loss from foreign currency revaluation amid the ruble strengthening over the period under review was minor, specifically about 1% of the banking sector's capital.

The situation with yuan liquidity remains sufficiently stable. As the Bank of Russia raised interest rates on CNY/RUB FX swaps, this made some market participants close positions and contributed to a further reduction in the proportion of foreign currency in the banking sector (the share of foreign currency loans in corporate loan portfolio declined from 14% to 12%, while the share of foreign currency liabilities to corporate clients and individuals decreased from 17% to 16% and from 7% to 6%, respectively). From December 2024, implied interest rates on FX swaps were close to zero. As credit institutions demonstrated weak demand, in February 2025, the Bank of Russia decreased the daily limit on yuan liquidity provision from ¥10 billion to ¥5 billion.

[9] As of 22 May 2025.

3.5. Banks' interest rate risk

Despite an outstripping growth in the cost of funding at the end of 2024, the banking sector margin remains high overall. The net interest margin (NIM) across all banks[10] declined only slightly from 4.4% in 2024 Q3 to 4.2% in 2025 Q1. As Russian banks are structurally exposed to interest rate risk, it may be reduced across the banking portfolio owing to a high proportion of variable rate loans in the corporate loan portfolio, compensations paid by the Russian Ministry of Finance under government subsidised mortgage programmes, as well as clients' current and demand deposit accounts characterised by low sensitivity to interest rate changes (as of 1 April 2025, no interest accrued on 30% of households' funds in current and demand deposit accounts, and another 20% of such funds were deposited at an interest rate below 5%). However, the situation is uneven across the sector. Approximately 18% of banks (accounting for 42% of the sector's assets) operate with narrower margin, their NIM[11] declined over the said period from 2.0% to 1.1%. Furthermore, the NIM might be affected by an increase in credit risk in the conditions of a long period of high interest rates. It is critical for banks to enhance the quality of their interest rate risk assessment, factor in the results of stress testing in scenarios with different interest rate paths when developing credit products, and prevent the transformation of interest rate risk into credit risk.

A decline in bond yields that began in December 2024 (over the period from December 2024 to March 2025, yields on federal government bonds and corporate bonds dropped by 317 bp and 479 bp, respectively) led to the positive revaluation of the banking sector's ruble bond portfolio in 2024 Q4–2025 Q1 amounted to ₽71 billion. In addition, the unrecognised negative revaluation of the portfolio of held-to-maturity securities was down by ₽101 billion. Further dynamics will depend on the inflation trend, fiscal policy, and the impact of the geopolitical environment on the Russian market.

4. Assessment of the financial sector's resilience

4.1. Assessment of the banking sector's resilience

The banking sector remains resilient overall. Despite a slight decline in the interest margin, returns on banks' assets stayed close to 1.9% owing to the positive revaluation of securities, increased operating earnings, and the reserves remaining at the previous year's level. Banks' capital adequacy ratio recovered to the historical averages (13.0% as of 1 April 2025 vs the average of 12.7% recorded since 2014) as a result of stable returns and a slower expansion of the loan portfolio. The capital buffer increased from 4.5 pp to 4.7 pp of the capital adequacy ratio N1.0, including the requirements to comply with the add-ons, and from 5.2 pp to 5.6 pp taking into account the accumulated macroprudential buffer. Dividend payments by banks will put pressure on capital adequacy (the simultaneous effect of the largest dividend payments from 2020 to 2024 approximated -0.5 pp of the banking sector's N1.0). The scheduled increase in the rate of the countercyclical capital buffer to 0.5% from 1 July 2025 will contribute to supporting banks' resilience and will not have a considerable effect on banks' lending potential.

The situation with banks' regulatory liquidity has improved since the beginning of the year. After the Bank of Russia loosened the schedule for phasing out the easing measures related to the liquidity coverage ratio (LCR) and increased flexibility for systemically important banks (SIBs) to comply with the LCR, the influence of the LCR requirements on banking product pricing weakened: the spread between banks' deposit rates and the Bank of Russia key rate narrowed in the retail segment as well

[10] All banks, except for the bank of non-core assets (National Bank TRUST).

[11] Banks with the NIM below 4.2% in 2025 Q1.

and, from February 2025, became negative again (-1.4 pp in the first ten days of May).[12] Beginning on 1 July 2025, SIBs are to maintain the LCR calculated without an irrevocable credit line (ICL) at a level of at least 60% (currently, it is 50%). This scheduled increase will have a limited impact on monetary conditions, taking into account the growth in the largest banks' actual LCRs over the period under review and the opportunity to flexibly use an ICL. Furthermore, the national LCR is to become effective from 1 October 2025 – the new ratio will take into account the national specific conditions, thus regulating SIBs' short-term liquidity risk more accurately.

4.2. Assessment of non-bank financial institutions' resilience

The sector of non-bank financial institutions adapted to the current market environment quite well overall. As a result of changes in the structure and durations of assets in the trading book upon reinvestment of the gains from redemptions, insurers and non-governmental pension funds managed to reduce their exposure to interest rate risk while maintaining a high credit quality of their investment portfolios.

Leasing companies recorded an increase in toxic assets, seizable leased assets, and discounts in the event of their future sale. The leasing market faced higher credit risks, due to which lessors were forced to create additional provisions. Consequently, the sector's profitability declined in 2024.

[12] The difference between the maximum interest rate on household deposits (the average across the Top 10 banks) and the Bank of Russia key rate.

MAIN VULNERABILITIES

Vulnerabilities

Vulnerabilities of the Russian non-financial sector

Persistent sanctions pressure, high interest rates and rising input costs have been negatively affecting Russian companies.

Credit risk and concentration risk in corporate lending

Growth in banks and NBFIs' exposure to the largest Russian companies.

Growth in the cost of risk and demand for loan restructuring.

Households' debt burden

Consumer loans issued to borrowers with excessive debt burden (DSTI 50+) accounted for 45% of the portfolio.

The vintage analysis shows that the debt servicing quality worsened in terms of the share of NPL 90+ during the first six months on book.

Imbalances in the housing market and project finance risk

High sensitivity of the housing and project finance markets to tight monetary policy.

The price gap between primary and secondary housing markets still exists.

Risky practices (instalment plans offered by developers).

Structural imbalances in the FX market

A decline in crude prices might drag down export earnings and amplify volatility in the FX market.

The expansion of the sanctions has complicated international settlements for Russian companies.

Banks' interest rate risk

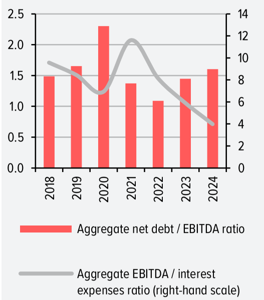
A persistently high share of banks' short-term liabilities and fast revaluation of funding costs.

The cost of funding continued to decline at certain banks with a low margin.

Stability factors and measures

Vulnerabilities of the Russian non-financial sector

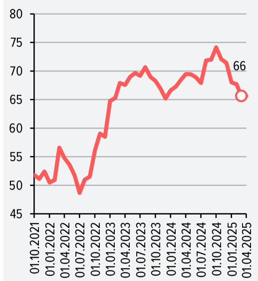
Companies' debt burden



Despite an increase in their debt and interest burden, most enterprises remain financially resilient.

Credit risk and concentration risk in corporate lending

Ratio of seven largest companies' overall debt to banks' capital, %

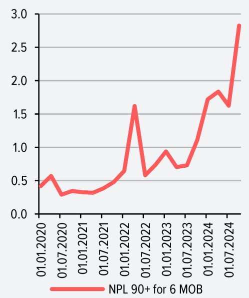


Macroprudential add-ons in relation to large highly leveraged companies.

Development of syndicated lending.

Households' debt burden

Credit quality of issued cash loans, %

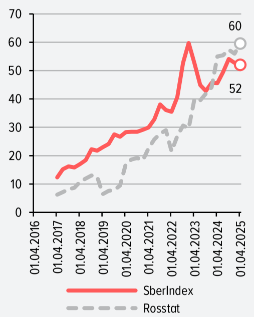


Banks were accumulating the macroprudential capital buffer: as of 1 April 2025, it covered 7.1% of the unsecured loan portfolio and 1.8% of the mortgage loan portfolio.

The MPLs set for unsecured loans contribute to a decline in new loans issued to borrowers with high DSTI: in 2024 Q3, borrowers with DSTI 50+ accounted for 24% of the disbursements.

Imbalances in the housing market and project finance risk

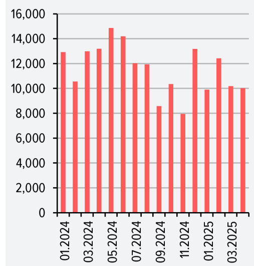
Gap between new and existing housing prices



Most housing construction projects are sufficiently resilient to a decline sales revenues and extension of the sales period.

Structural imbalances in the FX market

Net foreign currency sales by 29 largest exporters, USD billion

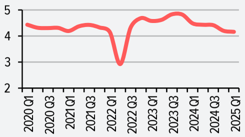


The fiscal rule helped smooth out the fluctuations of crude oil prices.

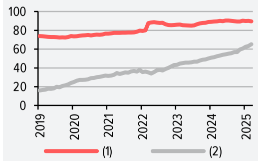
Banks reached a balanced OCP ($1.2 billion, or 0.6% of capital) and continued dedollarisation of the sector (the share of foreign currency loans in the corporate portfolio contracted to 12%).

Banks' interest rate risk

NIM (quarterly), %



Share of individuals' and corporate clients' ruble funds for up to one year (1) and legal entities' ruble-denominated variable rate loans (2)



Banks' NIM remained quite high overall (4.2%).

It is critical for banks to test borrowers of variable rate loans for resilience to possible risk scenarios.

1. GLOBAL RISKS

The uncertainty about global economic policy, primarily in trade, provoked volatility in global financial and commodity markets, especially in early April 2025. In these conditions, the world economic outlook has worsened, while a global recession has become more likely. Increases in trade tariffs by major economies might also disrupt supply chains and push up inflation and interest rates. Moreover, vulnerabilities accumulated long before still exist, such as large debts in a number of sectors, which might aggravate instability in case of various shocks. The geopolitical situation is still a factor of uncertainty for Russia, with foreign trade flows being the main transition channel of global risks.

According to the IMF's estimate as of April 2025, global GDP growth will slow down from 3.3% in 2024 to 2.8% in 2025 (Table 1). The IMF downgraded its global growth forecast by 0.5 pp, as compared with the January 2025 projections.

The deterioration of the global growth outlook is associated with the escalation of trade wars (Table 2). The USA imposed 25% trade tariffs on steel, aluminium, and car imports and announced large-scale 10% baseline tariffs as well as heightened tariffs for a whole range of countries. In these

GDP GROWTH, IMF FORECAST
(%)

Table 1

	2024	Forecast as of April 2025		Difference vs forecast as of 2025 (pp)	
		2025	2026	2025	2026
Global GDP growth	**3.3**	**2.8**	**3**	**-0.5**	**-0.3**
Advanced economies	**1.8**	**1.4**	**1.5**	**-0.5**	**-0.3**
USA	2.8	1.8	1.7	-0.9	-0.4
Canada	1.5	1.4	1.6	-0.6	-0.4
UK	1.1	1.1	1.4	-0.5	-0.1
Euro area	0.9	0.8	1.2	-0.2	-0.2
Germany	-0.2	0	0.9	-0.3	-0.2
France	1.1	0.6	1	-0.2	-0.1
Italy	0.7	0.4	0.8	-0.3	-0.1
Spain	3.2	2.5	1.8	0.2	0
Japan	0.1	0.6	0.6	-0.5	-0.2
EMEs and developing economies	**4.3**	**3.7**	**3.9**	**-0.5**	**-0.4**
China	5	4	4	-0.6	-0.5
India	6.5	6.2	6.3	-0.3	-0.2
Russia	**4.1**	**1.5**	**0.9**	**0.1**	**-0.3**
Brazil	3.4	2	2	-0.2	-0.2
South Africa	0.6	1	1.3	-0.5	-0.3
Mexico	1.5	-0.3	1.4	-1.7	-0.6

Source: IMF.

TIMELINE OF TRADE POLICY MEASURES IN EARLY 2025 *Table 2*

<table>
<tr><td colspan="4">US trade tariffs</td></tr>
<tr><td>Canada</td><td>4 February (postponed twice)</td><td>25% except for energy commodities (10%)</td><td>All imports</td></tr>
<tr><td>Mexico</td><td>4 February (postponed twice)</td><td>25%</td><td>All imports</td></tr>
<tr><td>World</td><td>12 March</td><td>25%</td><td>Aluminium and steel</td></tr>
<tr><td>World</td><td>3 April</td><td>25%</td><td>Car imports</td></tr>
<tr><td>185 countries, territories, and supranational formations</td><td>5 April</td><td>10% (baseline tariff)</td><td rowspan="4">All imports</td></tr>
<tr><td>Higher individual tariffs for certain countries</td><td>9 April (suspended for 90 days for countries deciding not to enact retaliatory measures; for them – 10% baseline tarif)</td><td>Up to 50%</td></tr>
<tr><td rowspan="2">China</td><td>February–April</td><td>145% (10% from 4 February, 10% from 4 March, 105% from 9 April, 20% fentanyl tariff from 10 April)</td></tr>
<tr><td>14 May – tariff reduction for 90 days</td><td>Reduction to 30%</td></tr>
<tr><td colspan="4">Measures taken by other countries in response to US tariffs</td></tr>
<tr><td>Canada</td><td>13 March</td><td>25%</td><td>Goods from USA worth CAD 29.8 billion, including steel and aluminium products</td></tr>
<tr><td rowspan="3">China</td><td>10 March</td><td>10–15%</td><td>US agricultural products</td></tr>
<tr><td>10 and 11 April</td><td>At first 84%, then 125%</td><td>All imports from USA</td></tr>
<tr><td>14 May – tariff reduction for 90 days</td><td>Reduction to 10%</td><td></td></tr>
<tr><td>EU</td><td>15 April (postponed for 90 days)</td><td>10–25%</td><td>Goods from USA worth €21 billion, including agricultural products, steel, and aluminium</td></tr>
</table>

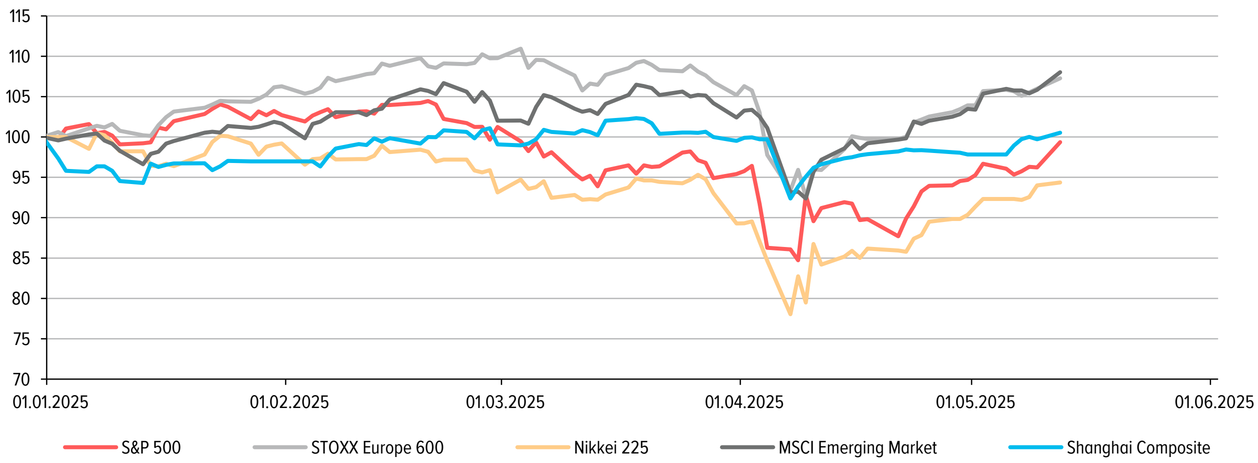
conditions, in April 2025, J.P. Morgan increased the probability of a US recession occurring in 2025 to 60% (in May, it was reduced to less than 50%). A number of easing measures in trade policy gradually reduced the tensions. The USA suspended heightened tariffs for 90 days, until 9 July 2025, for the countries deciding not to enact retaliatory measures and agreed with China to cut for 90 days, from 14 May 2025, the reciprocal tariffs from 145% and 125% to 30% and 10%, respectively.

However, there are still risks of an escalation of trade wars. Higher trade tariffs and restrictions on imports might push up domestic prices, especially for import-sensitive goods, while disruptions in supply chains might increase manufacturing costs, thus also amplifying inflation risks. A number of the major economies revised upwards inflation expectations in early 2025. In particular, according to the University of Michigan's data as of April 2025, US inflation is likely to accelerate to up to 6.5% over a one-year horizon.

Global stock indices plunged at the beginning of April 2025. Nevertheless, as the USA suspended the tariffs and agreed with China to decrease the reciprocal tariffs, the situation in stock markets almost normalised by mid-May. From 2 to 7 April 2025, the US index S&P 500 dropped by 10.7% (by 18% from the record level of 19 February), Japan's Nikkei 225 – by 12.8%, Europe's STOXX 600 – by 11.7%, the MSCI Emerging Markets Index tracking EME shares – by 9.9%, and China's Shanghai Composite – by 7.6% (Chart 1). Taiwan and Thailand imposed temporary curbs on the short selling of shares. The CBOE Volatility Index, commonly known as the 'fear index' (implied volatility of S&P 500 shares), reached 52 points on 8 April, which is the highest level since March 2020, at the outbreak of the coronavirus pandemic (Chart 2). Moreover, share prices in a whole range of countries have a significant potential to decline further.

STOCK PRICES IN MAJOR ECONOMIES
(31.12.2024 = 100)

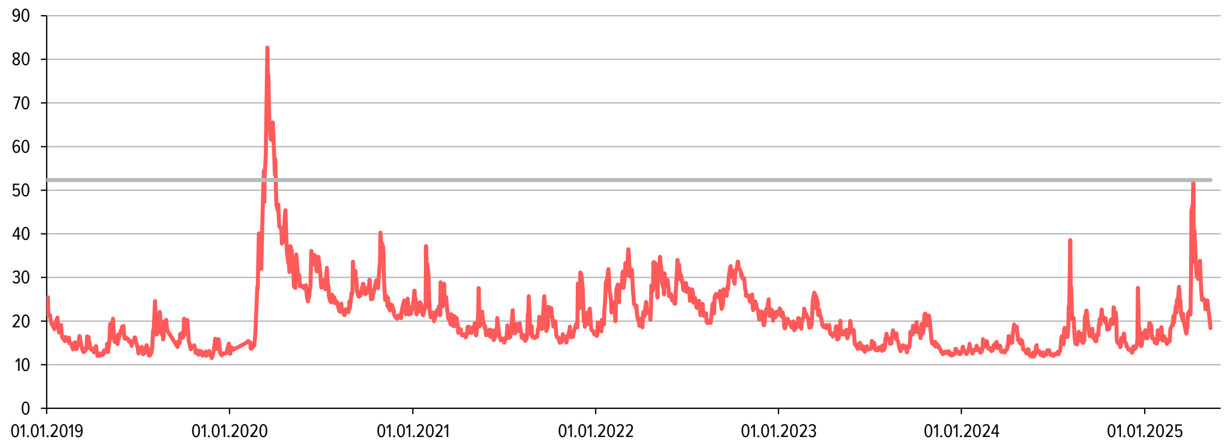
Chart 1



Source: Cbonds.

IMPLIED VOLATILITY OF S&P 500 SHARES (VIX)
(P)

Chart 2



Source: Cbonds.

Amid high uncertainty and elevated market volatility, leading central banks are facing a dilemma over the future monetary policy stance. On the one hand, the risks of a recession might necessitate support measures and lower policy rates, while on the other hand, persistently high inflation and/or its acceleration might require monetary policy tightening, which in turn might aggravate the economic situation. Market participants began to revise their expectations regarding major central banks' policy rates towards earlier and more significant cuts despite inflation risks. As a result, government bond yields in the leading economies were predominantly declining in April 2025, except for several days in the first half of the month when the escalation of trade disputes and rising inflation expectations caused a considerable increase in yields in the USA and a number of other countries (Table 3). However, in May 2025, the growth of government bond yields in the leading economies resumed, including because of persisting inflation risks. From January 2025, the US Fed stopped decreasing the range of the effective federal funds rate, maintaining it at 4.25–4.5% as of May 2025. The ECB continued to cut its policy rates in 2025, specifically by 0.25 pp at each meeting: in April, the deposit facility rate was 2.25%, the main refinancing operations rate – 2.4%, and the marginal lending facility rate – 2.65%.

GOVERNMENT BOND YIELDS IN ADVANCED ECONOMIES

Table 3

	10-year government bond yields					
	12 May 2025, %	Change from early May to 12 May 2025, bp	Change over 11–20 April 2025, bp	Change over 7–11 April 2025, bp	Change over 1–4 April 2025, bp	Change from early April 2025, bp
USA	4.45	28	-31	47	-22	-13
Canada	3.24	14	-20	40	-9	1
UK	4.64	20	-31	31	-23	8
Germany	2.64	20	-13	-1	-16	28
France	3.32	16	-18	2	-12	13
Italy	3.67	11	-25	6	-10	15
Australia	4.47	33	-36	31	-26	6
Japan	1.45	13	1	13	-30	36

Source: Cbonds.

Due to concerns about economic instability and unpredictable US trade policy, global investors began to avoid US dollar assets, whereas the demand for gold was up (from early 2025 to 12 May 2025, the gold price soared by 23.3%). A certain rise in the demand for assets in such currencies as the euro, the Japanese yen, and the Swiss franc intensified the pressure on the US dollar. Consequently, it significantly weakened against other global currencies: the US Dollar Index (DXY) lost 6.1% from early 2025 to 12 May 2025. Another reason for the US dollar depreciation was higher market expectations of an earlier interest rate reduction by the US Fed. On the other hand, a weaker US dollar might also exacerbate inflation expectations and contribute further to the US Fed's hawkish tone.

A possibly longer period of high policy rates in the USA and other economies will augment their exposure to the risks associated with the accumulated vulnerabilities. High interest rates increase debt servicing costs, which involves risks to highly leveraged companies. In these conditions, banks in many countries, especially small and medium-sized banks, might face rising credit risks and liquidity risks in case of deposit outflows. The collapse of a few US regional banks in March–April 2023 proves that the risks caused by the build-up of vulnerabilities might materialise in tight financial conditions. Deposit outflows from regional banks burdened by high levels of unrealised losses stemming from inadequate interest rate risk management raised concerns about the soundness of the rest of the US banking sector. This episode also shows that financial institutions in other countries might face spillover effects (Credit Suisse became insolvent and merged into UBS). Moreover, many economies, which have persistently large sovereign debts and incur higher debt servicing costs, might experience a decline in their budget systems' debt sustainability.

In the situation of uncertainty about global growth prospects, the Urals price dropped to $52 per barrel on 9 April and 4 May ($58.8 per barrel as of 12 May). If trade tensions escalate again and the slowdown of the world economy turns out to be more substantial, including a decline in China's demand, this might weigh on crude prices. An important supply-side factor might be an increase in US oil production. Furthermore, the OPEC+ countries that had earlier introduced oil production cuts decided to start expanding oil output from April 2025.

Prices for other Russian exports, including natural gas, coal, metals, and fertilisers, declined as well (Table 4). A further reduction in commodity prices in case of materialisation of more significant risks to the world economy might drag down exporters' earnings and budget revenues. In a negative scenario of oil price dynamics, the fiscal rule will support the budget.

In early April 2025, EME financial markets faced higher volatility as well: stock markets experienced a decline, national currencies weakened, while government bond yields in a number of economies

COMMODITY PRICES *Table 4*

	12.05.2025	Change			
		From early April 2025, %	From early 2025, %	Compared to 2024 average, %	Compared to 2021–2023 average, %
Urals, USD / barrel	58.8	-14.1	-14.2	-18.9	-17.2
Natural gas (TTF), EUR / MWh	35.1	-13.2	-30.3	0.5	-52.6
Coal (Australia), USD / tonne	99	-4.1	-21.2	-27.5	-55.6
Iron ore 62% Fe (CFR China), USD / tonne	99	-3.7	-4.7	-10.5	-26.1
Steel (China HRC futures), CNY / tonne	3,091	-2.2	-6.6	-9.1	-29.1
Aluminium (LME), USD / tonne	2,471	-2.6	-3.3	0.5	-1.1
Nickel (LME), USD / tonne	15,555	-2.6	1.7	-8.4	-29.4
Fertilisers (DAP), USD / tonne	635 (as of 30 April 2025)	3.2	11.7	12.7	-0.9
Gold (CME), USD / troy ounce	3,237	3.7	23.3	35.4	75.2

Source: Cbonds.

went up. Nevertheless, by the middle of May 2025, the situation normalised overall, just as in the leading economies (Table 5). Amid heightened volatility, emerging market economies (EMEs) central banks tend to be more cautious about monetary easing. Thus, in April 2025, the Central Bank of the Republic of Türkiye began to raise its policy rate, while the Central Bank of Brazil continued the cycle of policy rate increases started in autumn 2024. Central banks in some EMEs (Brazil, Türkiye, India, and Indonesia) conduct regular FX interventions to dampen exchange rate volatility. If the leading central banks continue to pursue tighter monetary policies, investment in EMEs might start to contract, which might cause sharper volatility spikes in FX markets. Moreover, capital outflows might increase proinflationary pressures and financial stability risks in EMEs in general. Current vulnerabilities in certain EMEs, which are Russia's key trading partners, are described in Box 1.

As compared to other EMEs, in the first half of April 2025, Russia faced a more considerable decline in the stock market, which was provoked by a decrease in crude prices and geopolitical uncertainty. Nevertheless, over the period from 1 October 2024 to 31 March 2025, the main indicators of Russia's financial market demonstrated the best dynamics across the EMEs.

As for other global problems, it is worth noting an increase in operational vulnerabilities, including potential risks of cyberattacks on financial institutions, government agencies, and infrastructures. In addition, the rapid evolution of AI technologies may not only enhance performance worldwide but can also drive extensive automation of jobs.[1] According to an IMF study, the proportion of jobs with substantial exposure (whether complemented or replaced) to AI automation reaches 60% in advanced economies, 42% in EMEs, and 26% in low-income countries. As to Russia, a wider use of AI will most likely help address the problem of staff shortages.

[1] Examples of automation abroad:
- Tesla. In 2024–2025, the company integrated general-purpose Tesla Optimus humanoid robots into its operations.
- Amazon. From 2012 to 2019, the company was integrating robotics into its warehouse operations (transportation, packing, goods labelling, and parcel sorting). In 2023–2024, Amazon started to integrate generative AI and computer vision to monitor product movements, forecast demand, and optimise delivery routes.
- Foxconn. From 2011 to 2024, the company partially automated its production facilities replacing dozens of thousands of workers at routine stages with robots and AI. Foxconn is actively developing smart factories.
- JPMorgan Chase. In 2017, the company launched its AI-driven COIN system for legal document analysis. In 2024, JPMorgan Chase integrated generative AI and its own language models to generate investment memorandums and analyse market trends. The company continues to automate legal, investment and compliance functions.

CHANGES IN EMES' MARKET INDICATORS

Table 5

Country	Change from 1 April to 12 May 2025			
	Exchange rates against USD	Stock index	10-year government bond yields	General ranking*
	%	%	bp	
Türkiye	-2.1	0.9	326	**1**
Russia	3.5	-2.8	39	**2**
Colombia	-1.0	3.3	47	**3**
China	0.8	1.0	-25	**4**
South Africa	0.3	4.0	-10	**5**
Indonesia	-0.3	4.9	-14	**6**
Philippines	2.4	5.1	4	**7**
Malaysia	3.2	2.2	-27	**8**
Thailand	1.6	6.7	0	**9**
Chile	-0.1	8.3	-9	**10**
India	0.6	6.5	-21	**11**
Hungary	2.0	5.7	-29	**12**
Poland	1.2	7.9	-34	**13**
Mexico	4.3	8.2	-33	**14**
Brazil	0.6	4.8	-115	**15**
14 EMEs excluding Russia	**1.0**	**5.0**	**4**	

Country	Change from 1 October 2024 to 31 March 2025			
	Exchange rates against USD	Stock index	10-year government bond yields	General ranking*
	%	%	bp	
Türkiye	-9.9	-0.1	272	**1**
Brazil	-4.5	-1.2	267	**2**
Indonesia	-8.7	-13.5	50	**3**
Philippines	-2.0	-15.5	40	**4**
South Africa	-5.8	2.4	176	**5**
Thailand	-4.5	-19.1	-40	**6**
Malaysia	-7.1	-8.2	5	**7**
Mexico	-3.8	0.0	35	**8**
India	-1.9	-8.2	-29	**9**
China	-3.3	0.0	-28	**10**
Colombia	0.0	22.6	213	**11**
Hungary	-4.2	20.0	100	**12**
Chile	-4.9	17.7	42	**13**
Poland	-0.6	15.2	48	**14**
Russia	10.8	5.5	-52	**15**
14 EMEs excluding Russia	**-4.4**	**0.9**	**82**	

Thresholds	Changes in indicators		
	Exchange rates against USD	Stock index (%)	Yields on 10-year government bonds (bp)
Minimum	-10.0	-10.0	-100
	0.0	0.0	0
Maximum	10.0	10.0	100

** 1 – the worst, 15 – the best.*
Source: Cbonds.

Box 1. Estimates of macroeconomic resilience of selected Russian trading partners

The macroeconomic situation in the countries that are Russia's main trading partners generally remains stable despite persisting vulnerabilities and occasional volatility spikes in the markets.

China is still experiencing deflationary pressures amid declining domestic demand. In April 2025, consumer prices decreased by 0.1% YoY, producer prices – by 2.7% YoY, and imports decline by 0.2% YoY, whereas exports expanded by 8.1% YoY. In the future, a rise in the US trade tariffs might adversely affect China's economic growth. The Chinese government announced its plans to issue ¥1.3 trillion in ultra-long special treasury bonds in 2025 (to support the implementation of industrial equipment upgrades and consumer goods trade-in programmes), while local governments will be allowed to issue ¥4.4 trillion in special bonds (including to cover so-called hidden debts). China also plans to raise ¥500 billion to recapitalised its biggest state-owned banks. The People's Bank of China lowered its benchmark rates in May 2025: 7-day reverse repo rate was cut by 0.1 pp to 1.4%, the 1-year and 5-year loan prime rates – by 0.1 pp to 3.0% and 3.5%, respectively, and the reserve requirement ratio – by 0.5 pp.

India's GDP continues to grow at a fast pace. Annual inflation slowed from 6.2% in October 2024 to 3.2% in April 2025. According to market participants, the Reserve Bank of India conducted FX interventions (worth $10–11 billion in several days, as estimated by Reuters) in February 2025 to support the rupee exchange rate. In April 2025, amid volatility in global markets, the Reserve Bank of India announced purchases of government bonds worth INR 800 billion ($9.4 billion), which reduced government bond yields.

Inflation in **Türkiye** is gradually decelerating: in April 2025, it declined to 37.9% YoY and 3% MoM. However, the exchange rate of the Turkish lira against the US dollar weakened more significantly, specifically by 5.5% in February–March 2025. In these conditions, the Central Bank of the Republic of Turkey spent around $25 billion on 19–21 March to support the lira and raised its policy rate in April 2025 from 42.5% to 46%.

Kazakhstan's economy, just as Russia, might be negatively affected if the situation in the export market worsens. Furthermore, inflation in Kazakhstan started to accelerate from late 2024, with the annual inflation rate reaching 10.7% in April 2025. In these conditions, the National Bank of Kazakhstan began to raise its policy rate from December 2024 (by a total of 2.25 pp to 16.5% as of April 2025).

2. RESILIENCE OF THE RUSSIAN NON-FINANCIAL SECTOR

In 2024 Q4–2025 Q1, the new sanctions affected primarily the transport, oil and gas, and coal industries of the Russian economy, as well companies from third countries. Russian enterprises are implementing optimisation measures and enhancing their operating performance to mitigate the negative consequences of the sanctions.

According to Rosstat, companies' balanced financial result as of the end of 2024 totalled ₽30.4 trillion (-6.9% YoY), with the ratio of financial performance of loss-making companies to that of profitable businesses rising by 5.3 pp to 19.1%. As of the end of 2024, the corporate sector's overdue receivables went up by 16.7% YoY to ₽6.1 trillion, but stay at the level of 5% of overall receivables without posing elevated risks so far.

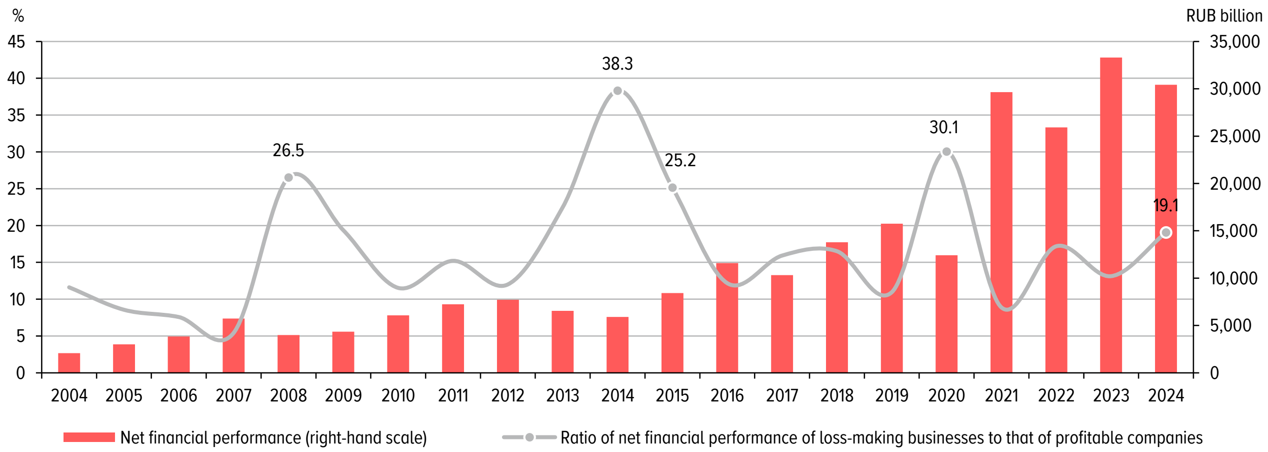
The debt burden increased in the majority of industries. As of the end of 2024, nearly 40% of the debt of the 78 largest enterprises in the sample was accounted for by highly leveraged companies (ICR < 3.0). Rising input costs and high interest rates continue to negatively affect businesses. Tight monetary policy is a temporary factor needed to ensure sustainable disinflation and, accordingly, contain the growth of input costs. Most companies can smoothly go through this period. As estimated, with the key rate averaging 20.5% in 2025, the number of large enterprises among troubled businesses (ICR < 1.0) might increase from 13 to 15.

2.1. Companies' financial performance and the situation in certain industries

As of the end of 2024, non-financial organisations' balanced financial result totalled ₽30.4 trillion, which is 6.9% less vs 2023, while the ratio of financial performance of loss-making businesses to that of profitable companies increased by 5.3 pp to 19.1%.

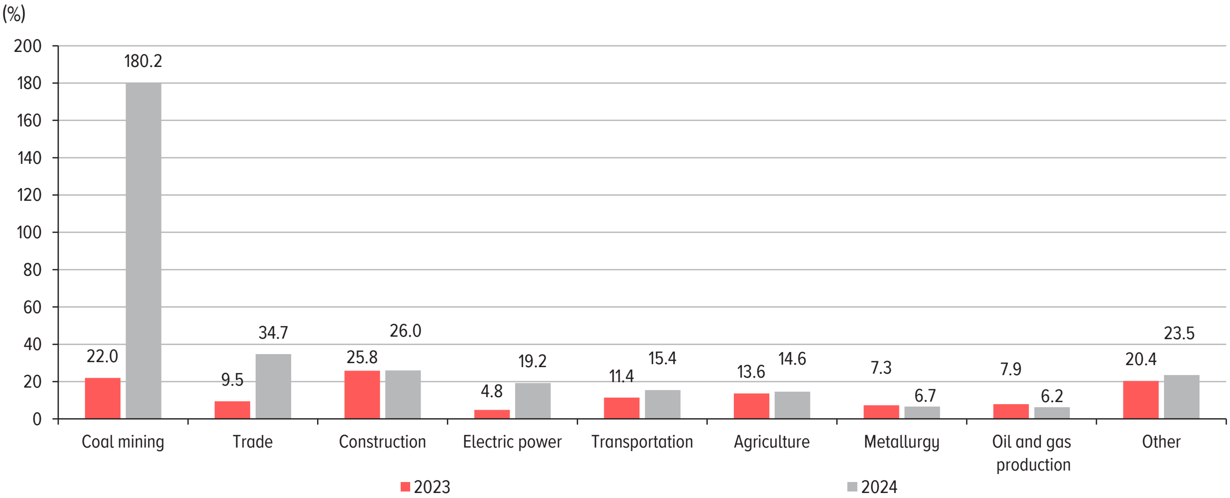
These dynamics were mostly attributed to higher losses incurred by coal producers (lower export earnings, high logistics costs, rising interest expenses), trade companies (higher costs on hiring and

RATIO OF NET FINANCIAL PERFORMANCE OF LOSS-MAKING BUSINESSES TO THAT OF PROFITABLE COMPANIES, ACCORDING TO ROSSTAT, AS OF THE END OF 2024* *Chart 3*



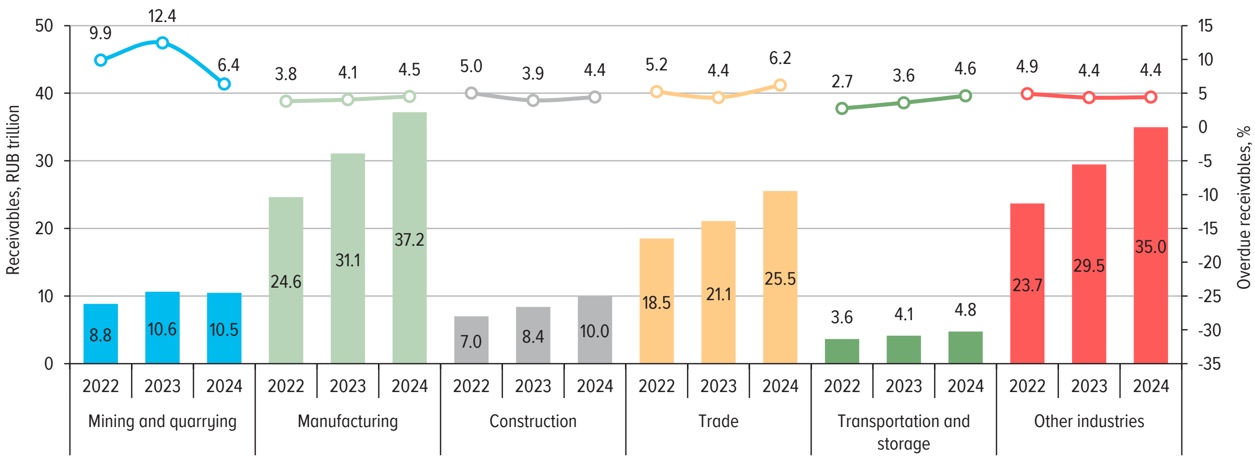
** The figures are based on Rosstat data without taking into account the annual update of the sample.*
Sources: Rosstat, Bank of Russia analysis.

RATIO OF NET FINANCIAL PERFORMANCE OF LOSS-MAKING BUSINESSES TO THAT OF PROFITABLE COMPANIES, ACCORDING TO ROSSTAT, AS OF THE END OF 2024 *Chart 4*



Sources: Rosstat, Bank of Russia analysis.

SHARE OF OVERDUE RECEIVABLES BY INDUSTRY, OVER 2022–2024 *Chart 5*



Sources: Rosstat, Bank of Russia calculations.

retaining personnel, rising input prices for goods), and electric power enterprises (growing operating expenses with limited opportunities to pass through costs to tariffs, rising interest expenses).

In January–February 2025, companies' balanced financial result increased by 23.1% YoY to reach ₽5.4 trillion. However, over the first two months of 2025, the ratio of financial performance of loss-making companies to that of profitable businesses rose by 8.2 pp YoY to equal 31.4%.

According to Rosstat, the corporate sector's overdue receivables (Chart 5) increased by 16.7% YoY to ₽6.1 trillion as of the end of 2024 and by 19.3% YoY to ₽6.9 trillion in February 2025. Manufacturing and trade account for the largest amount of overdue debt, specifically ₽1.7 trillion (+33.6% YoY) and ₽1.6 trillion (+72.5% YoY), respectively. On average, the amount of delinquent payments across industries remains at the level of 5% of the overall receivables (Chart 5).

Oil and gas production. Pursuant to the effective OPEC+ agreement, Russia's oil output totalled 9.19 million barrels per day as of the end of 2024 (-4.2% YoY), while in January–April 2025, it declined to 8.98 million barrels per day.[1] Although Russian crude is still sold at a discount to the global price, which amounted to 13%[2] in 2024 H2, in 2024 the value of exports was up owing to higher prices for hydrocarbons. In particular, the average annual price of Urals crude in 2024 rose by 8% YoY to $67.85 per barrel.[3] Amid uncertainty in the world economy and rising volatility in global financial and commodity markets, oil prices were declining in February–April 2025. Thus, the Urals price dropped from $67.7 per barrel in January 2025 to $52 per barrel in April 2025.

According to Rosstat, natural gas output totalled 684.8 billion cubic metres in 2024 (+7.4% YoY) and 154.7 billion cubic metres in January–March 2025 (-5.9% YoY) due to the abnormally warm weather. As forecast by the Russian Ministry of Economic Development, natural gas output in 2025 may reach 695.4 billion cubic metres.[4] However, Russian gas transit through Ukraine stopped from 1 January 2025.

As of the end of 2024, LNG production expanded by 5.4% YoY to 34.7 million tonnes, with LNG exports growing by 4% YoY to 33.6 million tonnes.[5] Over January–March 2025, LNG output shrank by 3.3% YoY to 8.7 million tonnes.

Coal production. In 2024, Russia's coal output contracted by 2.8% YoY to 427 million tonnes.[6] Dragged down by the sanctions pressure and persistently low demand in Asian markets, Russia's coal exports declined by 5.9% YoY to 199 million tonnes as of the end of 2024.[7] In January–February 2025, coal exports on the Russian Railways network expanded by 3.8% YoY to 30.5 million tonnes. However, a number of coal producers discontinued exports from April 2025 due to a low sales margin. In January 2025, thermal and metallurgical coal prices dropped on average by 63.7% and 68.1%, respectively, from the record-high levels of 2022.[8] In order to support the industry, the Russian Ministry of Energy is considering the possibility of renewing the agreements with coal mining regions on priority shipments of coal to eastern destinations from 2025 Q2, as well as other anti-crisis measures. As forecast by the Russian Ministry of Energy, coal production in 2025 will remain at the level of 2024.

Diamond mining. Weaker demand[9] and lower global prices for diamonds worsened the situation in the industry. In 2024, Russia's diamond output decreased by 4.6% YoY to 33 million carats. Moreover, the development of several deposits was suspended. As of the end of 2024, the IDEX (Diamond Index), measuring global prices for diamonds, dropped by 13.6 pp to 96.2 points, which is 62.13 pp less compared to the maximum recorded in 2022.[10] In January–April 2025, the index stabilised at the level of 95 points. To support the industry, Gokhran of Russia may purchase diamonds in 2025 Q2.[11]

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1 OPEC Monthly Oil Market Report, May 2025.

2 Bank of Russia calculations, JSC FINAM, Ministry of Economic Development of the Russian Federation.

3 Ministry of Economic Development of the Russian Federation, Bank of Russia calculations.

4 The baseline forecast of the Ministry of Economic Development of the Russian Federation as of 30 September 2024.

5 Rosstat and Kpler.

6 International Energy Agency.

7 International Energy Agency.

8 Institute for Transport Economics and Development (on average for thermal coal with the delivery basis CFR South China, CFR East Coast India, FOB Baltic Ports, Russia, FOB Vostochny, Russia, FOB Taman; and for metallurgical coal with the delivery basis LV PCI FOB, Australia, Premium LV HCC FOB, Australia, SSCC CFR Qingdao, China, Lw Vol HCC FOB, US).

9 The decline in the demand for diamonds was associated with stocks of rough diamonds accumulated in India (approximately 90% of the global diamond cutting and polishing market).

10 IDEX (Diamond Index).

11 The federal budget for 2025–2027 provides for ₽154.5 billion to be spent on precious metal purchases by Gokhran of Russia.

Automobile industry. As of the end of 2024, new cars sold numbered 1,571,000, which is 48.4% more YoY.[12] However, the proportion of the domestic manufacturer LADA declined by 2 pp to 28%. Overall, the growth of the market was driven by an increase in households' real incomes and in car lending (+77% YoY to ₽1,098.6 billion), as well as elevated demand prior to the rise in prices due to the recycling fee introduced from 1 October 2024. Contrastingly, in January–April 2025, new car sales dropped by 25.4% YoY to 349,000 cars, which was caused by lower demand and higher interest rates.

Freight traffic. Over 2024, total freight traffic increased by 5.6% YoY to 9.43 billion tonnes,[13] driven primarily by growth in road freight traffic, which was up by 8.5% YoY to 7.04 billion tonnes. Conversely, rail freight traffic continued to decrease, dropping by 4.2% YoY to 1.18 billion tonnes, which was associated with a slower pace of construction in Russia and China and persistent problems in railway logistics. In January–April 2025, rail freight traffic declined by 6.8% YoY to 370.6 million tonnes.

Wood processing. The sanctions and the loss of the European market are weighing on the industry's performance. Furthermore, a slower pace of construction and lower demand from China caused a decrease in forest product shipments. In 2024, timber shipments on the Russian Railways network decreased by 2.2% YoY to 26.3 million tonnes (which is 37.1% less than in 2021). In January–April 2025, timber shipments remained unchanged YoY, namely 9.4 million tonnes.

Commercial real estate. In 2024, the commercial real estate market remained resilient, but weaker demand might cause certain difficulties. Due to a decline in lessees' activity and an increase in available areas in the secondary market, the warehouse vacancy rate was up, although from record lows, in particular by 1.8 pp YoY to 2.2% in the Russian regions and by 0.7 pp YoY to 0.7% in the Moscow metropolitan area. Over 2024, the proportion of vacant areas in Moscow shopping malls declined by 2.0 pp YoY to 6.4%.[14] The area of new office facilities commissioned in Moscow over 2024 doubled YoY to reach 569,000 sq m, while the vacancy rate dropped in both classes, specifically by 4.6 pp YoY to 7.8% in the A class and by 1.8 pp YoY to 5.1% in the B class.

In 2025, the situation in the commercial real estate market has been worsening, which is attributed to a high debt burden and rising interest expenses among companies. Another drag on the industry's performance is an increase in tax payments[15] and a reduction in shopping mall traffic.

2.2. Factors of growth in large companies' debt burden

The aggregate net debt / EBITDA ratio for the largest companies[16] increased by 0.1 YoY to 1.6, which was associated with such factors as rising input costs, a lower sales margin, and higher debt servicing costs. That said, over the past 10 years, the aggregate net debt / EBITDA ratio was higher (2.0) only during the pandemic in 2020. All industries are facing a reduction in the ICR (Chart 6). Given such a situation, Russian enterprises are implementing optimisation measures and enhancing their operating performance.

According to 2024 statements, nearly one-third of the debt in the sample of the largest enterprises is accounted for by businesses whose debt burden is not critical but is still elevated (1.0 < ICR < 3.0).

[12] Autostat.

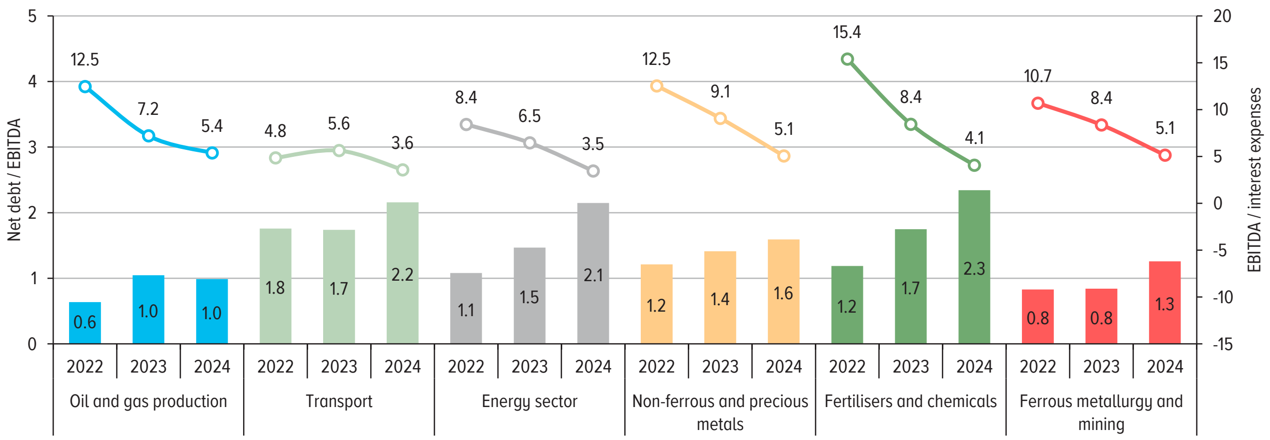
[13] Rosstat's statistics, including data on pipeline transportation. Net of pipeline transportation, freight traffic was up by 6.3% YoY to 8.36 billion tonnes.

[14] NF Group (previously, Knight Frank).

[15] The rise in property tax from 1 January 2025 from 2% to 2.5% affected the capital construction projects whose cadastral value exceeds ₽300 million. As for the land plots whose cadastral value is over ₽300 million, the maximum land tax rate was raised from 0.3% to 1.5%.

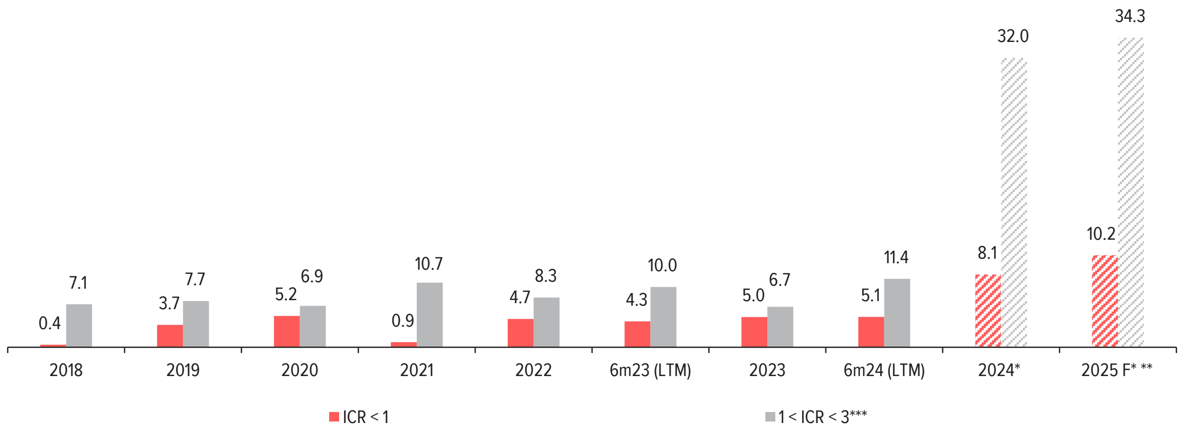
[16] The 78 largest companies as of the end of 2024 according to IFRS consolidated statements.

AGGREGATE DEBT INDICATORS FOR CERTAIN INDUSTRIES IN 2022–2024* *Chart 6*



** EBITDA was adjusted for non-cash items as well as non-operating income and expenses, which are not regular and not directly related to a company's operations. The calculations were made for companies that disclosed their IFRS statements.*
Sources: companies' IFRS statements, Bank of Russia calculations.

SHARE OF LARGEST NON-FINANCIAL COMPANIES' DEBT IN OVERALL DEBT OF COMPANIES IN SAMPLE, BY ICR VALUE *Chart 7*
(%)



** For companies that did not disclose their IFRS statements for 2024, the calculations are based on the latest available IFRS statements.*
*** The forecast is based on the middle of the forecast range of the average annual key rate for 2025, according to the results of the key rate meeting held by the Bank of Russia Board of Directors on 25 April 2025.*
**** Using this range of values of this ratio constitutes a conservative approach to assessing debt burden risks.*
Sources: largest non-financial companies' IFRS statements, Bank of Russia calculations.

Nevertheless, it is worth noting that the applied approach to classifying companies is rather conservative (the upper bound of the ICR is 3.0) so as to identify businesses with potential risks of an interest burden at an early stage. Most of these companies have no difficulties servicing their debts.

The number of distressed companies whose ICR is below 1.0 increased to 13 (vs six as of 30 June 2024). As of the end of 2024, the consolidated debt of these additional seven companies totalled ₽1.3 trillion, which is 3.0% of the debt of the enterprises in the sample. A number of large corporate borrowers in mining and quarrying, trade, machine building, and consumer goods manufacturing are experiencing difficulties servicing their debt (ICR < 1.0). Nevertheless, these enterprises' consolidated debt does not exceed 4% of the corporate sector's total debt.[17] However, a number of highly leveraged companies might become bankrupt.

[17] Data on the aggregate measure of the non-financial sector's debt as of 1 January 2025.

Companies' financial standing worsened due to the following factors:

1. The new packages of sanctions enacted by foreign states (Box 2) forced Russian companies to adapt to the changed environment.

Box 2. Sanctions pressure on the Russian economy

In 2024 Q4–2025 Q1, unfriendly countries enacted new packages of sanctions as well as expanded the existing restrictions and the lists of sanctioned persons.

On 16 December 2024, the European Council adopted the 15th package of sanctions against Russia. The new restrictions targeted defence, shipping and chemical plants and enterprises, as well as 52 third countries' tankers.

On 10 January 2025 and 27 February 2025, the USA enacted new sanctions against Russia, putting large state-owned organisations on the Specially Designated Nationals and Blocked Persons List. The restrictions were imposed on oilfield services provided to Russian oil and gas producers. The USA sanctioned 182 oil tankers, Russian oil and gas producers, and companies from friendly states. The restrictions were also imposed on coal enterprises accounting for nearly 15% of Russia's total coal output.

On 14 March 2025, the European Council adopted the 16th package of sanctions against Russian energy, trade, software, transportation and financial companies, as well as disconnected 13 Russian regional banks from the SWIFT.

On 1 April 2025, the USA proposed a draft of the Sanctioning Russia Act of 2025 providing for new sanctions if Russia refuses to negotiate with Ukraine. The act calls for imposing 500% tariffs on countries buying Russian crude and restrictions against Russian financial institutions, including the Bank of Russia.

On 9 April 2025, the USA prepared a draft of the Global Hunt for Offshore Smuggling and Trafficking Act of 2025 which proposes the establishment of a fund to pay expenses relating to seizures and forfeitures of goods (primarily, oil) subject to US sanctions and merchant ships transporting goods on behalf of Russia or Russia-affiliated parties.

On 14 April 2025, the US House of Representatives and dedicated committees received a new draft bill that would tighten the US sanctions against Russia (an alternative to the Sanctioning Russia Act of 2025 that seeks to impose sanctions against a wide range of Russian exporters instead of tariffs).

On 20 May 2025, the European Union adopted the 17th package of sanctions against Russia. The restrictions were imposed on 200 shadow fleet tankers, 75 Russian legal entities and individuals (including oil and gas producers), and several companies from China, the United Arab Emirates, Turkey, and the Republic of Belarus.

2. Higher input and operating costs (on transportation, personnel, etc.) had a negative impact on companies' profitability. Consequently, many of them are facing a decline in their sales margin and net profit, despite the measures taken to enhance performance and search for new sales markets.

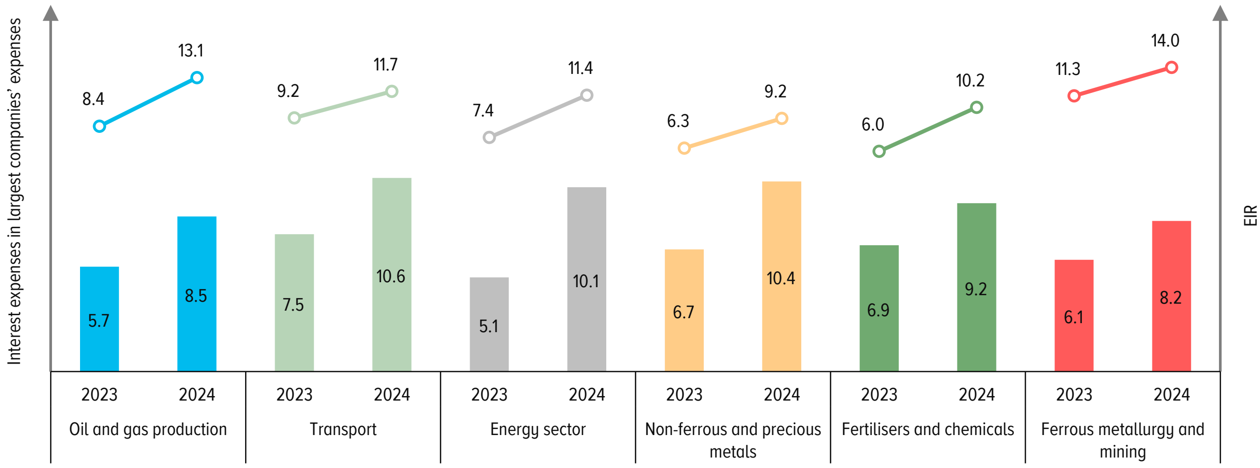
3. High interest rates. A fast increase in prices observed in recent years necessitated monetary tightening. Over the course of 2024, the Bank of Russia raised the key rate three times from 16% to 21%. As high inflationary pressures in the economy persisted in 2025 Q1, the Bank of Russia decided to maintain tight monetary policy.

Some companies continue to increase their debt burden, raising loans from Russian banks, as well as refinance their old debts at high interest rates. Consequently, as of the end of 2024, the EIR[18] on the largest companies' liabilities rose by 1.2–4.3 pp on average across industries.

[18] The EIR means the ratio of a company's average interest expenses to its average annual debt (including variable and fixed rate debt, ruble and foreign currency debt, interest payable on bonds, and financial lease); the analysis is based on IFRS statements.

FINANCIAL EXPENSES IN LARGEST COMPANIES' EXPENSES
(%)

Chart 8



Sources: companies' IFRS statements, Bank of Russia calculations.

In 2023, the largest oil and gas companies' interest expenses accounted for 5.7%[19] of their operating expenses, while in 2024, financial expenses increased to 8.5%. The share of interest expenses in the structure of expenses in transportation was up from 7.5% to 10.6%, in the power sector – from 5.1% to 10.1%, in the non-ferrous metal industry – from 6.7% to 10.4%, in fertiliser and chemical manufacturing – from 6.9% to 9.2%, and in ferrous metallurgy and mining – from 6.1% to 8.2%. Nevertheless, the Bank of Russia's analysis shows that most companies remain resilient in a scenario of tight monetary policy over 2025–2026 (Box 3).

Box 3. Analysis of companies' resilience to high interest rates in 2025–2026

The Bank of Russia conducts regular assessments of the corporate sector's sensitivity to changes in monetary conditions. To assess the corporate sector's sensitivity, the Bank of Russia uses the ICR characterising how well a company can pay the interest due on outstanding debt. The ICR below 1.0 is critical, meaning that a company is unable to service its liabilities. The ICR from 1.0 to 3.0 means that a company has an elevated interest burden and might face difficulties servicing its debt in case of an increase in interest expenses or a decline in operating earnings. The assessment perimeter embraces the 78 largest non-financial companies (from 13 industries) whose consolidated earnings over the past 12 months totalled ₽76 trillion (38% of GDP over 2024) and consolidated debt as of 31 December 2024 – ₽43 trillion (44% of the non-financial sector's debt).[1]

Companies' sensitivity to changes in monetary conditions was analysed taking into account the updated forecast of the average key rate for 2025 and 2026 (19.5–21.5% and 13.0–14.0%, respectively) revised at the Bank of Russia Board of Directors' key rate meeting on 25 April 2025.

With the key rate in the middle of the forecast range in 2025 (20.5%), the number of borrowers with the ICR < 3.0 will increase by seven (with these companies' debt accounting for 4.4% of the total debt of the enterprises in the sample), while the number of distressed enterprises with the ICR < 1.0 will rise only by two (with these two companies' debt accounting for 2.1% of the total debt of the enterprises in the sample).

[1] According to the data on the aggregate measure of the non-financial sector's debt as of 1 January 2025.

[19] An earlier study (analytical note Russian companies' interest expenses, November 2024 (in Russian only), which is based on data of over 300,000 Russian companies from 2019 through 2023, shows that the average ratio of Russian non-financial companies' interest expenses to the cost of goods sold did not exceed 5%.

With the key rate at the highest level of the forecast range in 2025 (21.5%), the number of companies with the ICR < 3.0 will increase by three more (with these three companies' debt accounting for 2.6% of the total debt of the enterprises in the sample).

As price conditions ease in 2026 and interest rates in the economy go down, companies will improve their financial performance, becoming less sensitive to interest rate risk. With the key rate staying in the middle or at the highest level of the forecast range in 2026, the number of distressed companies will decline to eight, while the number of businesses with the ICR < 3.0 will decrease to a quarter of the sample.

Hence, according to the results of 2024, companies became more sensitive to interest rate risk, but most borrowers have sufficient operating earnings to pay interest on their loans in 2025 and 2026.

4. If not accompanied by a rise in export prices, the strengthening of the ruble might become an additional drag on exporters' financial performance. With the exchange rate of 80 rubles per US dollar, the five largest export-oriented enterprises' EBITDA might decline by 4–12% depending on the structure of their sales. The 40 largest exporters' EBITDA might decrease by 6% on average, while the companies will remain financially resilient.

3. VULNERABILITIES OF THE RUSSIAN FINANCIAL SECTOR

3.1. Credit risk and concentration risk in corporate lending

The expansion of bank lending to the corporate sector decelerated, as a result of which the average monthly growth rate of lending to legal entities dropped from 1.3% in 2024 to close to zero in 2025 Q1. Nevertheless, corporate lending will continue to increase in 2025 at a pace needed to ensure sustainable economic growth, and no credit crunch is expected.

In 2024 Q4–2025 Q1, the increase in debt liabilities to the banking sector was for the most part accounted for by large non-financial companies, a significant share of which are highly leveraged. To limit the corporate sector's debt burden and reduce systemic risks in lending, beginning on 1 April 2025, the Bank of Russia applies 20% risk-weight add-ons for loans and bonds of highly leveraged large companies.

The corporate sector's creditworthiness declined somewhat. The proportion of non-performing corporate loans remained nearly the same over the past year, equalling 4% as of 1 April 2025. However, companies significantly increased the amount of restructured loans in late March–early April. In the second half of April 2025, the amount of loan restructuring returned to normal levels, as reported by major banks. The credit quality worsened mostly among micro and small businesses facing problems servicing the loans issued a year before and earlier. These loans are not large on average, while the ratio of loss provisions for them is sufficiently high. Generally, banks approve borrowers' loan restructuring applications. The overdue debt on variable rate loans is still smaller than that on fixed rate loans.

3.1.1. Corporate debt

Since December 2024, the expansion of corporate lending has been decelerating notably, which is associated with high budget expenditures, among other factors: borrowers have been repaying loans using compensations and advance payments under government contracts. In 2023–2024, the growth rate in lending considerably surpassed the level needed to achieve the inflation target, while its current pace is more in line with the dynamics that would ensure sustainable and balanced economic growth. Furthermore, a number of companies borrowed funds in the corporate bond market in 2024 Q4–2025 Q1 (the average monthly growth of bond debt reached 1.4%) – the new issues were purchased not only by banks, but also by NBFIs, companies engaged in trust management, and individuals. In March–April 2025, the role of the corporate bond market strengthened even more.

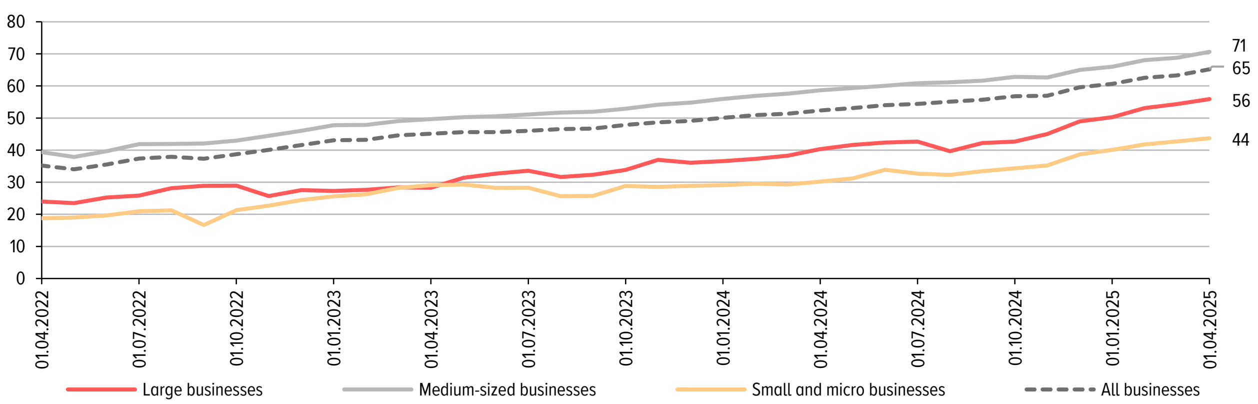
The trend towards a significant increase in leasing and factoring companies' debt stopped: over 2024 Q4–2025 Q1, the amount of their liabilities remained nearly unchanged. The portfolio of project finance in housing construction, which had previously been a major driver of the loan portfolio growth, also expanded only marginally, and the rise in credit limits under effective agreements decelerated. Developers apply for new bank loans less frequently as many projects are now constructed more slowly due to declining demand for housing, in contrast to its surge in 2024 H1 (for details, see Subsection 3.3).

LEGAL ENTITIES' OUTSTANDING DEBT TO BANKS, BY BORROWER TYPE, FROM 1 OCTOBER 2024 TO 1 APRIL 2025, ADJUSTED FOR FOREIGN CURRENCY REVALUATION AS OF 1 APRIL 2025 *Table 6*
(RUB TRILLION)

Borrower type	Growth in loans	Growth in bonds[1]
Large non-financial companies	1.3	0.3
Financial companies	0.2	-0.1
SMEs	0.1	0
Developers	0.6	0
Non-residents	-0.1	0
Total[2]	**2.2**	**0.3**

[1] Except for bonds transferred under repo agreements.
[2] The total value may differ from the sum of the components due to rounding.
Sources: Reporting Forms 0409303 and 0409711, loans and acquired claims, bonds and structured debt securities.

SHARE OF RUBLE-DENOMINATED VARIABLE* RATE LOANS IN THE LOAN PORTFOLIO *Chart 9*
(%)



** Variable rate loans do not include loans issued at a combined rate, which herein implies a loan rate specified in Reporting Form 0409303 as an adjustable rate (depending on changes in a certain component) and a combined rate, in particular if the level of the interest rate was set for the entire loan maturity but the loan agreement allows interest rate changes without stipulating any procedure for such a change.*
Source: Reporting Form 0409303.

The amount of outstanding foreign currency loans decreased by 11%[1] from October 2024 to April 2025 to less than 12% of the portfolio as of 1 April 2025. The portfolio of loans denominated in unfriendly states' currencies remains at a stable level.

Borrowers expect monetary policy easing in 2026.[2] Accordingly, assuming that interest payments will decrease following the key rate path, companies take out variable rate loans more frequently. Their proportion increased in all lending segments, specifically by 8 pp to 65% across the entire portfolio[3] from 1 October 2024 to 1 April 2025.

[1] Reporting Form 0409101.

[2] The key rate will average 13–14% per annum in 2026, according to the Bank of Russia's medium-term forecast as of 25 April 2025.

[3] Variable rate loans and acquired claims in rubles on resident and non-resident legal entities issued by banks, except for VEB.RF and the BNA.

3.1.2. Macroprudential add-ons to reduce risks of bank lending to highly leveraged large companies

Due to the sanctions and the lack of opportunities to refinance external debts, large Russian companies have notably increased their liabilities to Russian banks in recent years. The ratio of the outstanding debt of the seven largest companies[4] to the banking sector's capital has grown from 49% to 66% over the period since 2022. Taking this into account, the Bank of Russia continues to enhance its approaches to regulating the concentration risk, in particular by introducing regulatory incentives to encourage syndicated lending.[5] From 1 February 2025, the Bank of Russia started to receive data on syndicated loans in banks' regular reports: as of 1 April 2025, nearly 4 trillion loans were provided by syndicates, predominantly to finance large infrastructure projects.

For the financial system to be stable, it is crucial for the largest borrowers to maintain a sound financial position and for banks to accumulate a capital buffer, which would protect them if their borrowers face debt servicing problems. For these purposes, from 1 April 2025, the Bank of Russia introduced a 20% macroprudential add-on applicable to the increase in claims on such companies, which is effective when three conditions are met simultaneously:

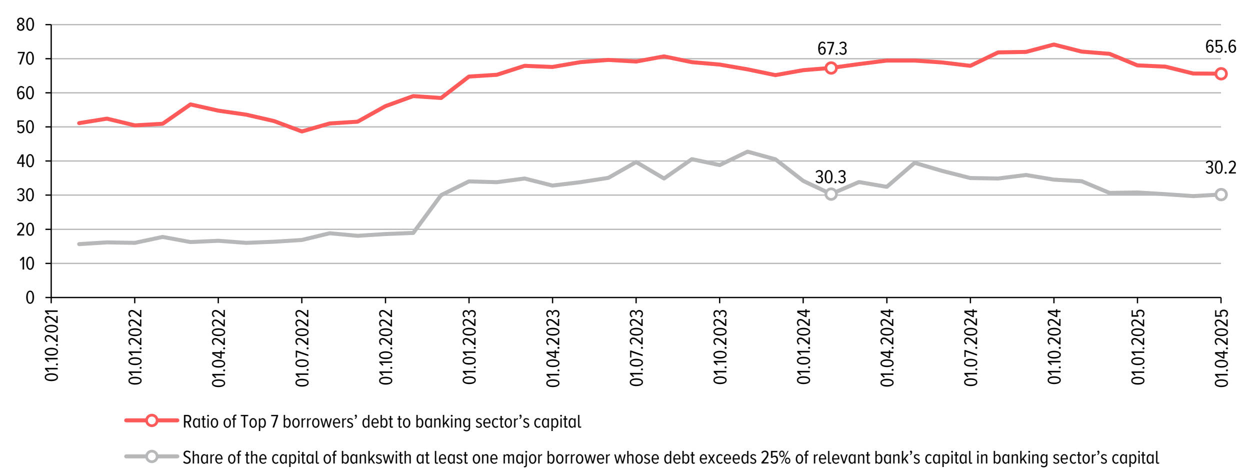
1. The overall debt of a borrower and its related entities to a bank exceeds ₽50 billion, or 2% of the bank's capital.

2. The ratio of the borrower's debt on a consolidated basis to the banking sector's capital exceeds 2% (if there are IFRS consolidated financial statements) or the amount of the borrower's debt liabilities on a solo basis to the bank exceeds ₽50 billion, or no less than 2% of the bank's capital (if there are no IFRS statements).

3. The company's debt burden is elevated, that is, its ICR (after depreciation and amortisation) is below 3.0.

Since October 2024, the share of borrowers who might be subject to the add-on in 2025 has reached nearly 15% of the debt on corporate loans and bonds to the banking sector. From 1 October 2024 to

RATIO OF SEVEN LARGEST COMPANIES' OUTSTANDING DEBT TO BANKING SECTOR'S CAPITAL *Chart 10*
(%)



Sources: Reporting Forms 0409135, 0409303, 0409711, 0409501, 0409603 and 0409118, National Clearing Centre, Cbonds.

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4 Companies meeting two conditions simultaneously: revenues above ₽1 trillion and overall debt exceeding ₽1 trillion.

5 For details about the measures, refer to the report following the discussion of the consultation paper Regulation of Credit Concentration Risks (in Russian only).

1 April 2025, the increase in these companies' debt accounted for 28% of the overall growth rate of legal entities' debt liabilities to the banking sector. Nevertheless, the proportion of the portfolio subject to the add-ons might turn out to be significantly smaller for the following reasons. Firstly, the add-ons will only be applicable to the increases in outstanding debt. Secondly, the add-ons will only be formed by those banks that already have a considerable amount of claims on the relevant borrower. The size of the add-on is rather of a warning nature so far – in the future, the Bank of Russia will explore the reasonableness of its increase depending on further dynamics of the largest borrowers' debt and economic developments.

3.1.3. Quality of the corporate loan portfolio

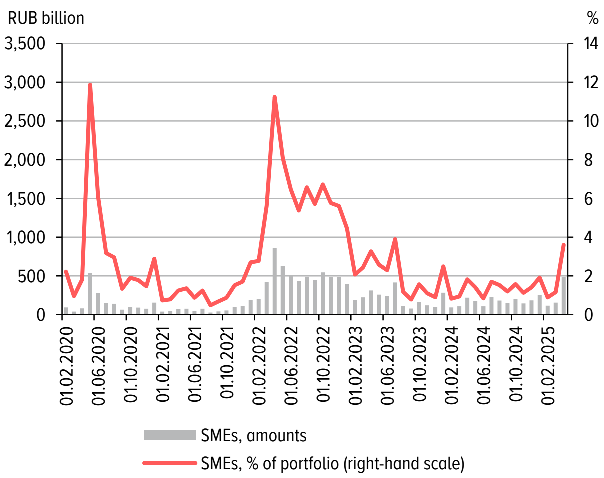
The corporate sector's debt service capacity has deteriorated somewhat, which is evident from the increase in restructured loans observed since March 2025 (the proportion of non-performing loans[6] remains unchanged at 4%, but this is a lagging indicator). In March 2025, the amount of loans restructured by large companies and SMEs totalled ₽1.7 trillion and ₽0.6 trillion, respectively. According to the Bank of Russia's near real-time data, the number of restructured loans among large and medium-sized enterprises increased during the last week of March and the first week of April, but later on dropped over the second half of April.

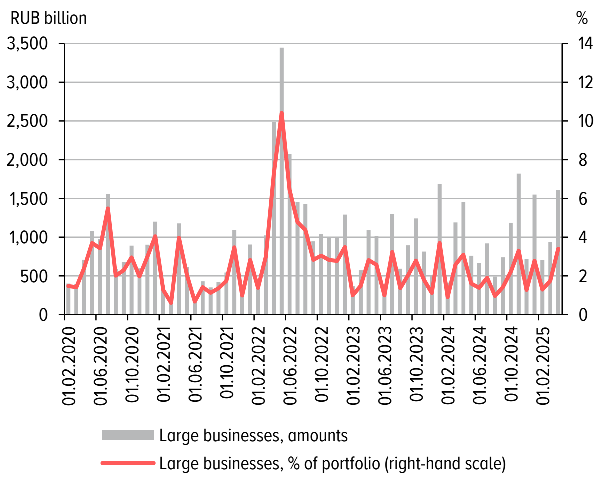
The largest loans restructured in 2024 Q4–2025 Q1 were in oil and gas production, mining and quarrying, as well as construction and infrastructure engineering.

The quality of servicing of the loans granted to small and micro businesses a year before has declined across all industries. Since 1 April 2024, the proportion of non-performing debt has been growing in all SME segments, especially among micro businesses, but the average amount of loans with signs of impairment has been decreasing. However, because of newly issued large loans, the share of IV–V quality category loans remained unchanged among both SMEs and large enterprises over the period from October 2024 to April 2025. Non-performing loans are reliably covered by loss provisions.

The quality of servicing of variable rate loans is better compared to fixed rate loans, since the former are more frequently issued to financially stable companies.

AMOUNT OF RESTRUCTURED LOANS AND THEIR SHARE IN PORTFOLIO OF LOANS ISSUED TO NON-FINANCIAL COMPANIES, FOR SMES AND LARGE BUSINESSES *Chart 11*



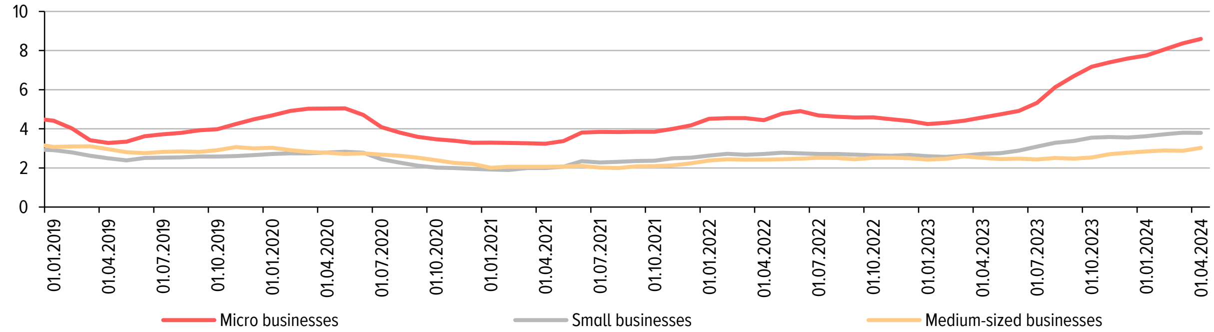


Source: Reporting Form 0409303.

[6] IV–V quality category loans.

FREQUENCY OF SMES' DEFAULTS DURING 12 MONTHS FOLLOWING REPORTING DATE* *Chart 12*

(%)

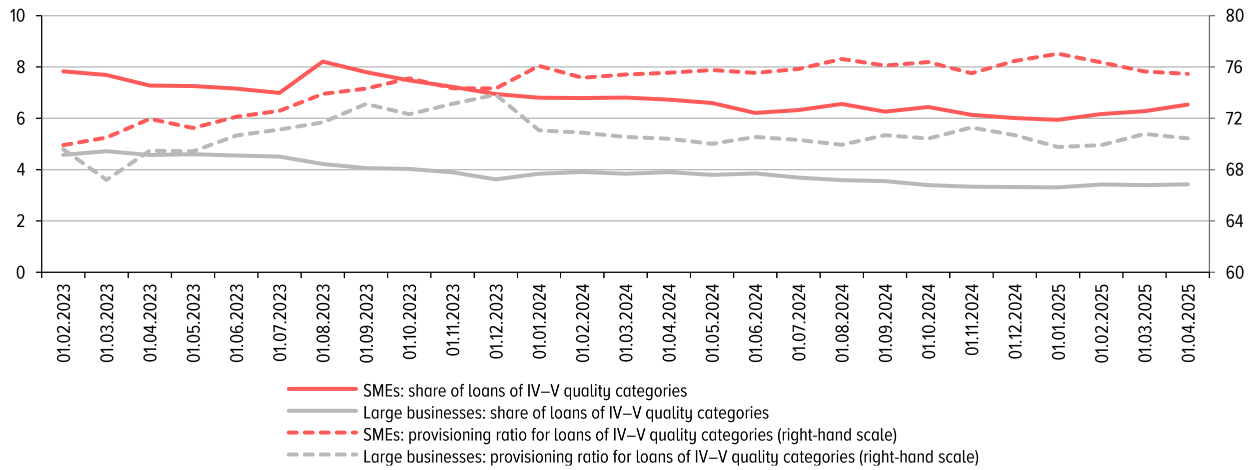


** It is calculated as the ratio of the total number of borrowers who had no debt servicing problems, based on the list of borrowers (as of the reporting date) who faced such problems within the next 12 months from the reporting date, to the total number of 'good' borrowers as of the reporting date. The criteria indicating problems with debt servicing are as follows: bankruptcy, default on bonds, a significant part of the debt overdue for 90+ days, the transition of a considerable part of the debt to IV–V quality categories, writing off a significant part of the debt using provisions, assignment of a significant part of the debt with a notable discount, and a considerable additional increase in loan-loss provisions. A borrower is no longer considered 'problem' six months after all of the above criteria cease to apply. To stabilise the indicator, the SME status is fixed as of the latest available date.*

Sources: Reporting Form 0409303, Cbonds, Unified Federal Register of Bankruptcy Information, Unified Register of Small and Medium-sized Enterprises.

SHARE OF LOANS OF IV–V QUALITY CATEGORIES AND PROVISIONING RATIO ACROSS BANKS, EXCEPT BNA *Chart 13*

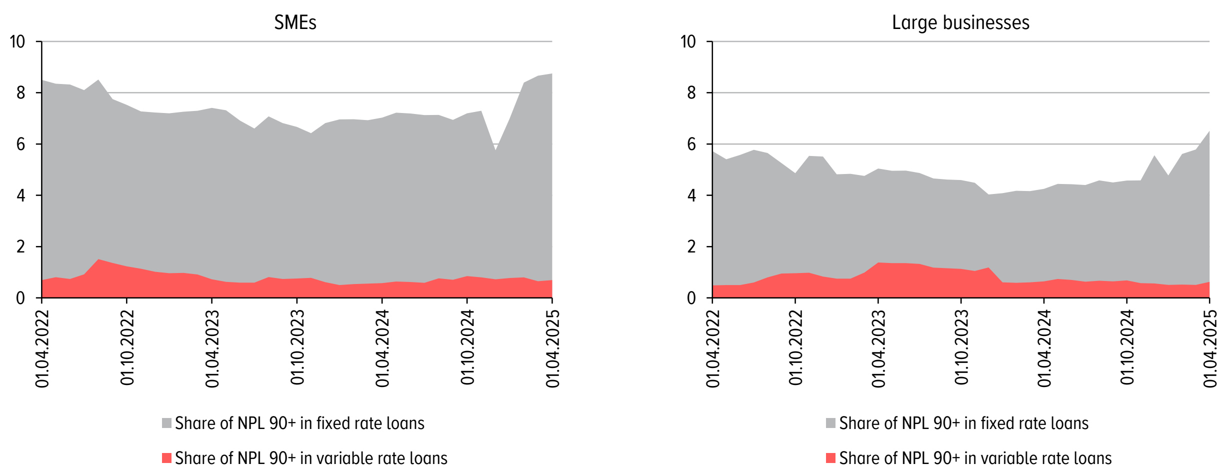
(%)



Source: Reporting Form 0409115.

SHARE OF VARIABLE AND FIXED RATE LOANS OVERDUE FOR 90+ DAYS *Chart 14*

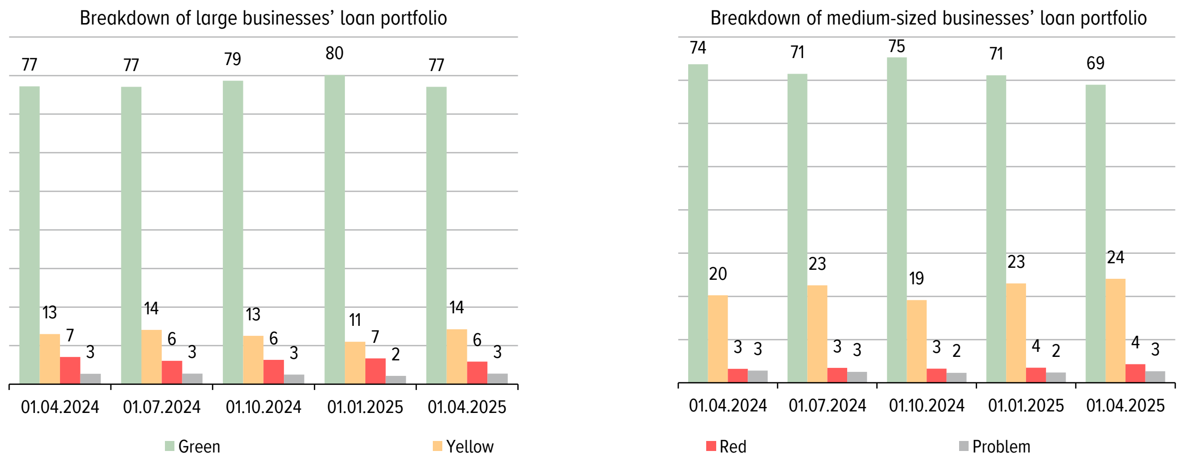
(%)



Source: Reporting Form 0409303.

SHARE OF CORPORATE LOANS BY RISK ZONE
(%)

Chart 15



Source: banks' surveys.

According to near real-time data received in the course of the survey of the largest SIBs' risk management units, after the restoration in 2024 H2, the quality in the segment of loans to large borrowers had been worsening since early 2025: in particular, the proportion of loans without any signs of impairment ('green zone') declined by 3.0 pp to 77.1% as of 1 April 2025, and the breakdown across the risk zones became similar to that observed in July 2024. As for loans to medium-sized businesses, the share of 'green zone' loans had been decreasing for two consecutive quarters, namely to 69% of the relevant portfolio, whereas the proportion of troubled ('red zone' and 'problem zone') loans was up by 1.4 pp from 1 October 2024 to 1 April 2025, reaching 7.0%. Negative changes were mostly recorded in real estate (including commercial real estate), transportation, and trade.

The quality of legal entities' loan portfolio has been deteriorating gradually, but the situation remains manageable. In order to support borrowers, including legal entities and individual entrepreneurs, facing temporary difficulties in servicing their debts, the Bank of Russia recommends that banks should approve these borrowers' loan restructuring applications and should not decrease the quality category of their loans[7] restructured after 1 January 2025.

3.2. Households' debt burden

Consumer lending was down over 2024 Q4–2025 Q1, with the portfolio of unsecured consumer loans declining by 2.0% over 2024 Q4 and by another 1.4% over January–March 2025. This contributed to the reduction in households' debt burden at the macrolevel. As of 1 April 2025, the proportion of households' incomes spent on loan servicing equalled 10.1%, which is 1.2 pp less than as of 1 April 2024. The measures implemented by the Bank of Russia (the MPLs in unsecured consumer lending and prohibitive macroprudential add-ons in mortgage lending) have made the structure of issued loans in terms of DSTI levels much sounder. In 2025 Q1, the share of loans granted to borrowers with DSTI above 50% dropped to 24% and 34% of the overall amount of unsecured consumer loans and mortgages, respectively.

However, a number of credit risks materialised over the period under review, in the first place in unsecured consumer lending where the share of NPL 90+ was up from 7.9% as of 1 October 2024 to 10.5% as of 1 April 2025. Indicators across the generations of loans also suggest a decrease in the

7 Pursuant to Bank of Russia Regulation No. 590-P, dated 28 June 2017, 'On the Procedure for Credit Institutions to Make Loss Provisions for Loans, Loan and Similar Debts'.

quality of debt servicing. Thus, the share of cash loans that became 30-day delinquent after the first three months on book reached 1.6% as of the end of 2025 Q1 (+0.4 pp over the year), and the proportion of delinquent credit cards increased to 3.1% (+1.1 pp over the year). The reason for the worsened debt servicing quality is that banks were actively expanding lending at high interest rates over 2023–2024 H1, while expensive loans are raised more frequently by higher-risk borrowers. The largest proportion of non-performing loans is typical of borrowers with high DSTI. Therefore, if not for the preventive macroprudential measures, the quality of the portfolio could have decreased much more seriously.

Furthermore, because of the macroprudential add-ons, banks managed to accumulate a significant capital buffer for consumer loans. As of 1 April 2025, this buffer totalled 7.1% of the portfolio of unsecured consumer loans (₽834 billion). The Bank of Russia can release the macroprudential capital buffer to support banks in case of a stress scenario.

The Bank of Russia was fine-tuning the macroprudential regulation, easing the regulatory measures in the segments involving the lowest risks. From 1 February 2025, the Bank of Russia cut the add-ons for credit cards during a grace period (the risk profiles of the customers repaying their debt over the course of the grace period are generally more reliable).

The share of the MFO segment increased to 3.9% of the total amount of unsecured consumer lending, primarily driven by higher demand for buy-now-pay-later services and a certain flow of borrowers to the segment of bank-affiliated MFOs. The Bank of Russia limits MFO lending to borrowers with high DSTI using the MPLs, which are set for MFOs at the same level as for banks, and is reforming the MFO segment so as to protect citizens from over-indebtedness.

3.2.1. Households’ debt burden at the macrolevel and lending dynamics

Over the period under review, banks tightened their requirements for borrowers. The ratio of cash loan applications approved dropped from 23% in 2024 Q3 to 17% in 2024 Q4. The number of loan applications submitted by households declined as well following the rise in interest rates, specifically from 70 million in 2024 Q3 to 60 million in 2024 Q4. As a result, the portfolio of unsecured consumer loans contracted by 2.0% over 2024 Q4 and by another 1.4% over January–March 2025.

The main factor behind this reduction was a decline in issued cash loans: outstanding cash loans decreased by 7% over 2024 Q4. The growth rate of debt in the credit card segment dropped, while staying positive, namely from 12% in 2024 Q3 to 5% in 2024 Q4. Due to a disproportionate reduction in issued cash loans, the share of credit cards in the structure of disbursement increased to 81%. Thus, the proportion of credit card funds remained high, which was because individuals were seeking to use borrowings to make purchases during the grace period, while simultaneously depositing available funds with banks. In addition, borrowers actively use earlier issued cards providing for lower interest rates.

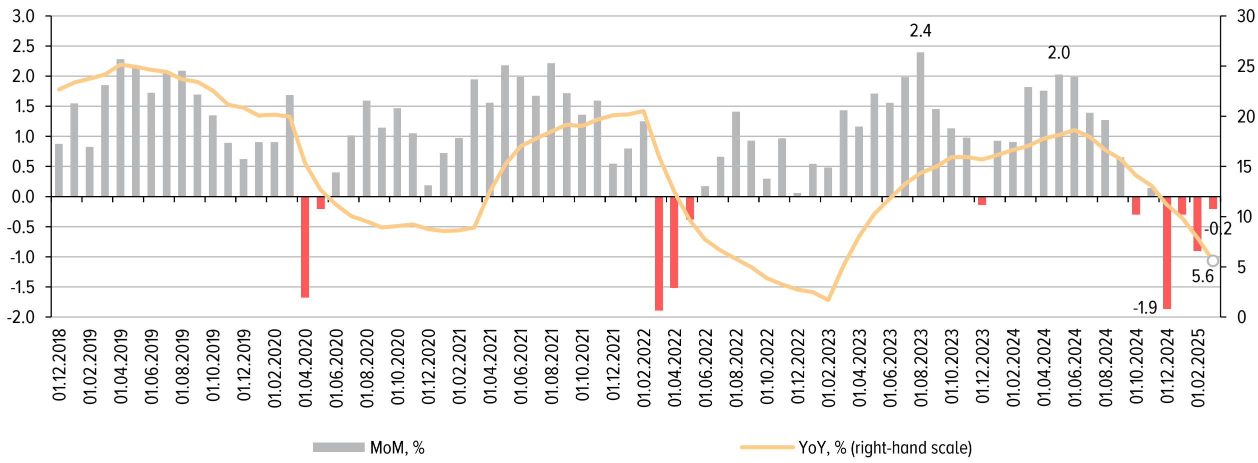
The cooldown in retail lending amid a rise in households’ incomes resulted in a decrease in people’s debt burden at the macrolevel. As of 1 April 2025, households used approximately 10.1% of their disposable income to repay loans. The debt burden dropped across almost all lending segments, most significantly in cash lending[8] (-1.3 pp vs April 2024). Spending on mortgage servicing edged down by 0.2 pp. Contrastingly, the debt burden in the credit card and car loan segments edged up, specifically by 0.2 pp vs April 2024.

[8] The calculations include securitised loans.

CONSUMER LOAN PORTFOLIO

Chart 16

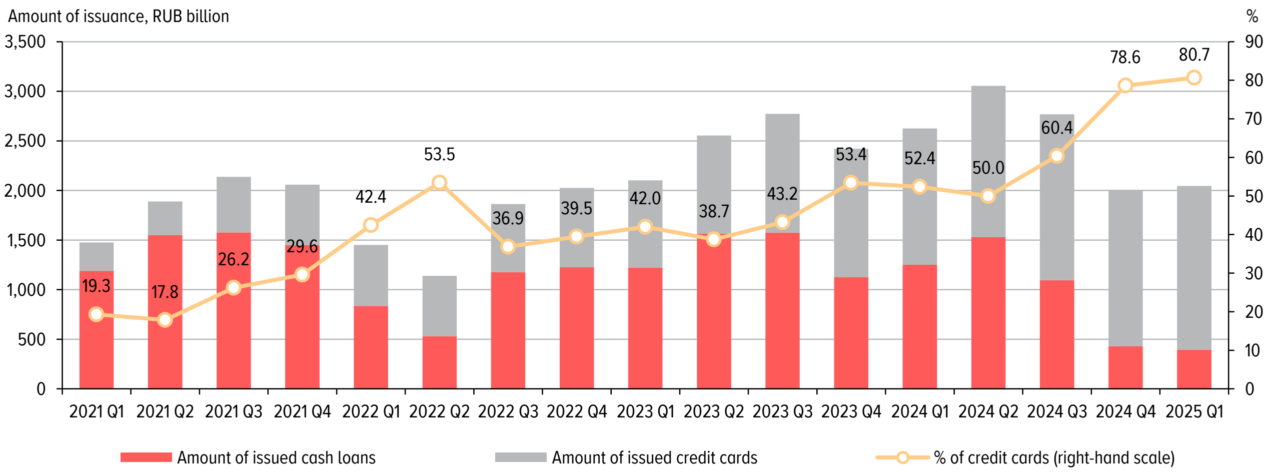
(%)



Source: Reporting Form 0409115.

AMOUNT OF ISSUED UNSECURED CONSUMER LOANS

Chart 17

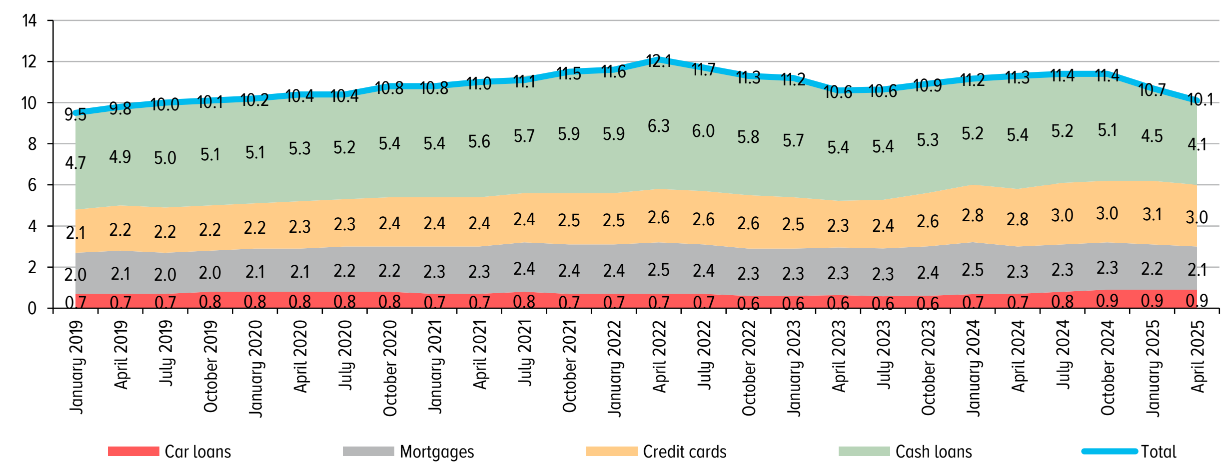


Source: Reporting Form 0409704.

DEBT SERVICE RATIO IN RETAIL LENDING

Chart 18

(%)



Sources: credit history bureaus' data, Reporting Forms 0409316, 0409126, 0409128 and 0409102, Rosstat.

3.2.2. Lending standards and the effect of macroprudential limits

The Bank of Russia has continued to pursue tight macroprudential policy so as to reduce the systemic risks of people's over-indebtedness. Using the MPLs, the Bank of Russia has restricted lending to borrowers with high DSTI, which has improved the structure of lending. The total share of loans issued to borrowers with DSTI above 50% declined by 10 pp over the year, specifically from 34% in 2024 Q1 to 24% in 2025 Q1.

The proportion of cash loans issued in 2025 Q1 to borrowers with DSTI above 50% dropped by 11 pp from 25% to 14%. The percentage of risky loans in the credit card segment exceeds the established MPLs since they are only applicable to newly issued cards. Nevertheless, the share of risky loans has been steadily decreasing. In particular, disbursements to borrowers with DSTI above 50% dropped by 17 pp over the year to 27%.

As to the segment of general-purpose consumer loans secured by motor vehicles, which banks have started to grant more actively amid the tightening of the MPLs (previously, they were not included in the calculations for the MPLs), the lending standards have improved as well after the Bank of Russia established the macroprudential add-ons for these loans beginning from 1 July 2024. The share of loans issued to borrowers with DSTI above 50% was down from 76% in 2024 Q1 to 43% in 2025 Q1.

Taking into account the existing structure of lending, for 2025 Q3, the Bank of Russia established the MPLs for car loans and for general-purpose consumer loans secured by motor vehicles at 20% of the overall amount of loans issued over the period to borrowers with DSTI 50–80% and at 5% of the overall amount of loans issued to borrowers with DSTI above 80%. The Bank of Russia is authorised to establish MPLs in these segments from 1 April 2025. The established levels of the MPLs will not affect the opportunity for an individual to take out a car loan and will restrict the issue of general consumer loans secured by motor vehicles, which will reduce the possibility of regulatory arbitrage.

QUARTERLY DISBURSEMENTS IN CASH LOAN AND CREDIT CARD SEGMENTS BY DSTI *Table 7*
(%)

Segment	DSTI range, %	2022 Q4	2023 Q1	2023 Q2	2023 Q3	2023 Q4	2024 Q1	2024 Q2	2024 Q3	2024 Q4	2025 Q1
Cash loans	(50; 80]	31	42	40	42	27	21	22	18	11	11
	[80+)	36	21	22	17	4	4	4	4	2	2
Credit cards	(50; 80]	21	22	24	25	25	21	19	17	17	15
	[80+)	38	37	33	31	26	22	20	16	14	12

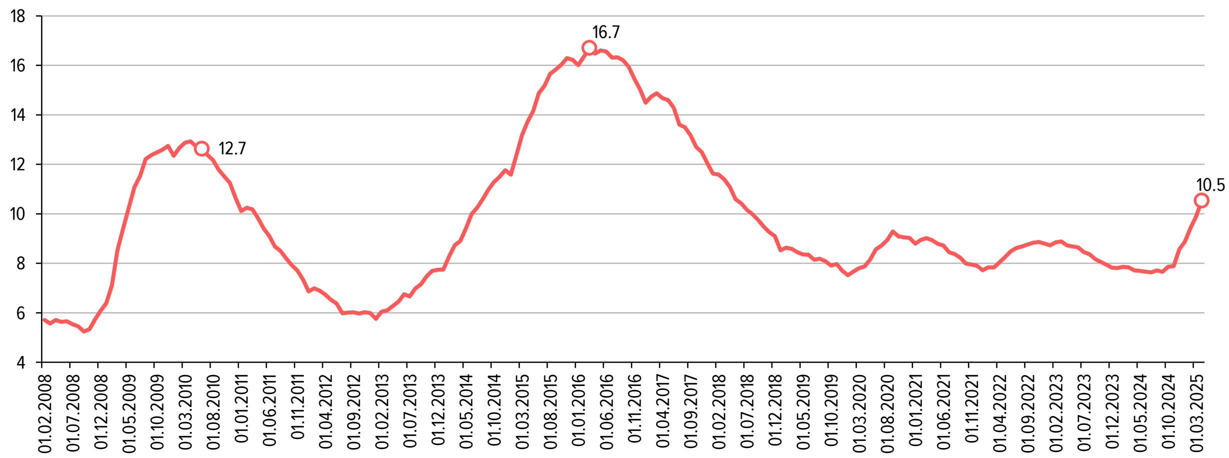
Sources: Reporting Forms 0409135 and 0409704.

3.2.3. Loan servicing quality and demand for loan restructuring

As of 1 April 2025, unsecured consumer loans overdue for more than 90 days accounted for 10.5% of the portfolio. Over the past six months, the share of NPLs increased by 2.7 pp, which was associated with the reduction in disbursements and the maturing of loans issued during the period of the portfolio expansion, as well as the securitisation of performing consumer loans worth about ₽1 trillion in November–December 2024.

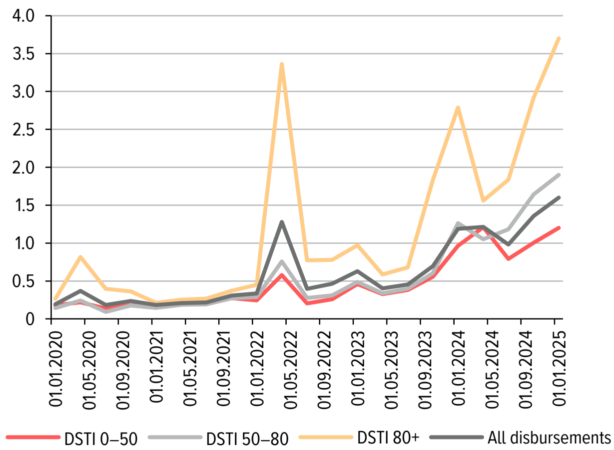
Indicators across the generations of loans also suggest a decrease in the quality of servicing of loans issued beginning from 2023 H2 when consumer lending was soaring despite the rise in interest rates in the economy. As of 1 April 2025, the proportion of cash loans that became 30-day delinquent after the first three months on book was up by 0.6 pp over the six months to reach 1.6%, while the

SHARE OF 90-DAY+ DELINQUENT UNSECURED CONSUMER LOANS *Chart 19*
(%)



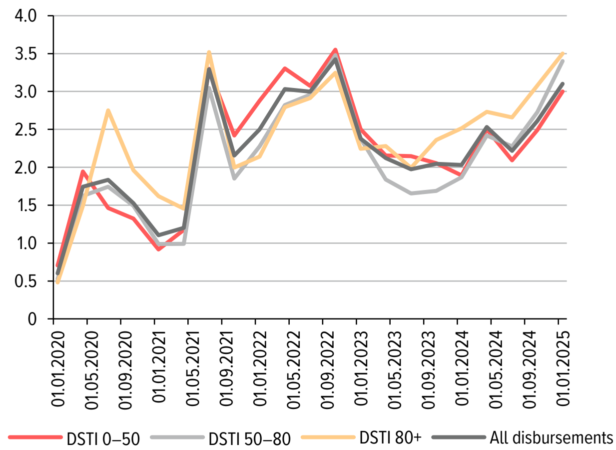
Source: Reporting Form 0409115.

NPL 30+ AFTER 3 MOB FOR ISSUED CASH LOANS BY DSTI GROUP *Chart 20*
(%)



Source: Reporting Form 0409704.

NPL 30+ AFTER 3 MOB FOR ISSUED CREDIT CARDS BY DSTI GROUP *Chart 21*
(%)



Source: Reporting Form 0409704.

share of 30-day credit card delinquencies was up by 0.9 pp over the six months to reach 3.1%. In both 2020 and 2022, the percentage of overdue cash loans increased most significantly in disbursements to borrowers with DSTI above 80% (to 2.9% in 2024 Q4).

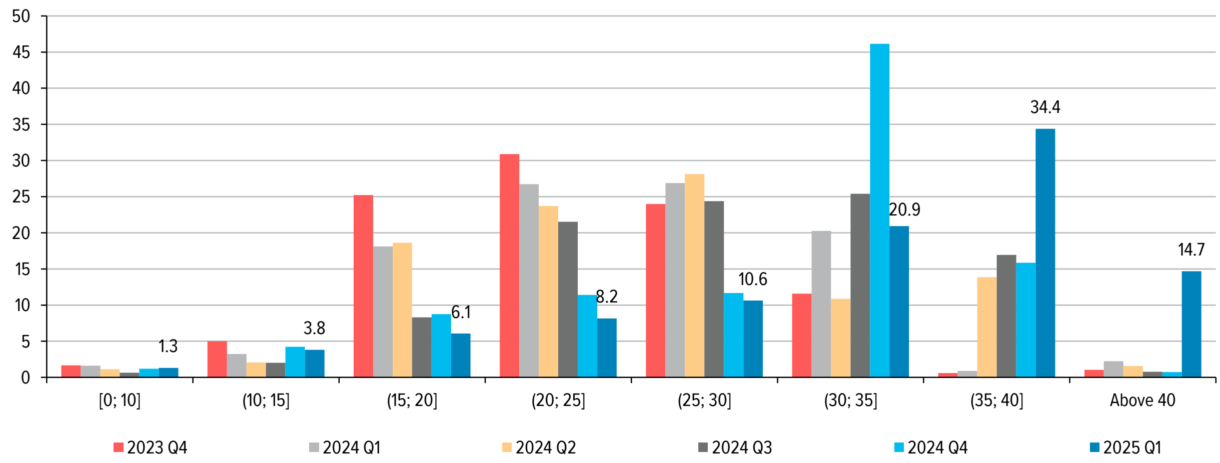
In the conditions of a rise in the EIR[9] (Chart 22), loans are more frequently taken out by borrowers with higher credit risk whose elasticity of demand for credit is less sensitive to higher interest rates. Another factor is the maturing of loans granted during the surge in consumer lending, as well as banks' refusals to provide new loans to borrowers with high DSTI who, prior to the macroprudential policy tightening, managed to take out new loans before having repaid the earlier borrowings. The considerable increase in loans issued at an EIR above 35% per annum is associated with, among other things, changes in the EIR calculation procedure and the suspension of the EIR limit.[10]

[9] The proportion of cash loans issued at an EIR above 30% increased from 43% in 2024 Q3 to 70% in 2025 Q1.

[10] The limit on the EIR was suspended for all consumer loan (microloan) categories from 1 January through 31 March 2025 according to the Bank of Russia Board of Directors' decisions, dated 15 November 2024 and 24 December 2024.

ISSUED CASH LOANS BY EIR
(%)

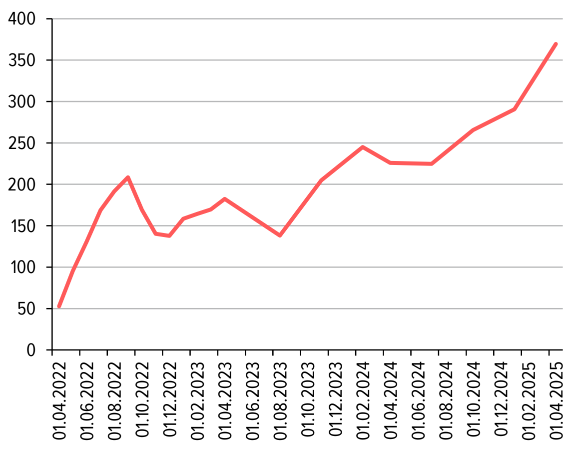
Chart 22



Source: Reporting Form 0409704.

LOANS RESTRUCTURED OVER PAST SIX MONTHS
(RUB BILLION)

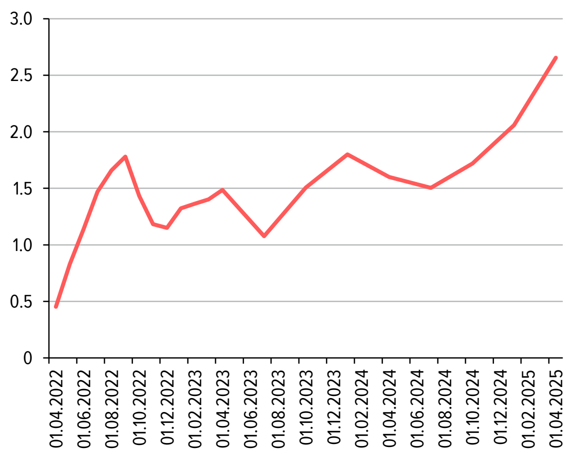
Chart 23



Source: banks' survey.

LOANS RESTRUCTURED OVER PAST SIX MONTHS
(% OF PORTFOLIO)

Chart 24



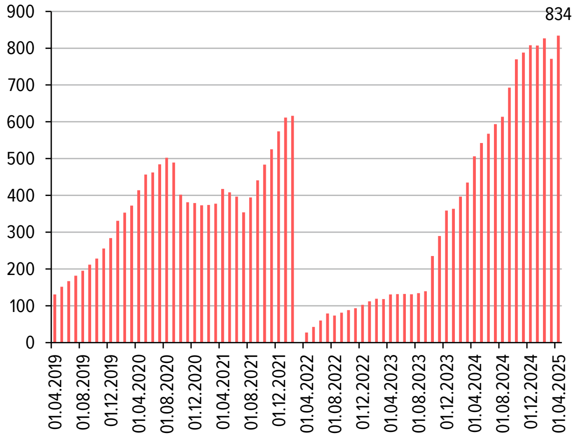
Sources: banks' survey, Reporting Form 0409115.

Unable to service their loans properly, borrowers began to apply for loan restructuring more frequently. In 2025 Q1, the proportion of the debt restructured over the past six months increased to 2.7% of the portfolio of unsecured consumer loans. The amount of loans restructured over the past six months soared by 63.5% compared to 2024 Q1, reaching ₽369 billion. As a percentage of the portfolio, the figure is still notably below the level of 2020 when such loans accounted for 5%.

3.2.4. Accumulation of the macroprudential capital buffer

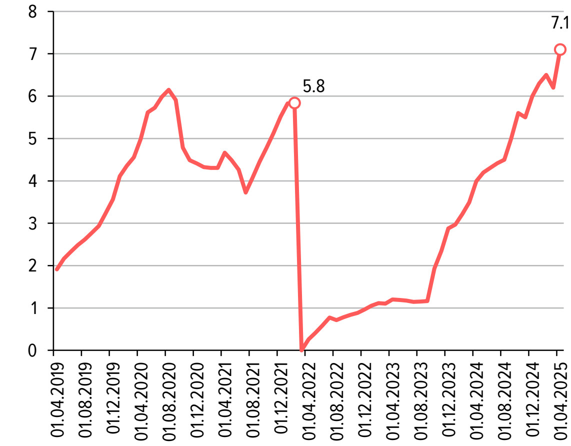
From 1 September 2023, the Bank of Russia established the MPLs for risky consumer loans (issued at high interest rates or to borrowers with high DSTI) in order to enhance banks' resilience. As the first signs of a worsening of the loan servicing quality were identified in 2024 Q1, the Bank of Russia additionally raised the MPLs in the riskiest segments from 1 July 2024 and 1 September 2024. The add-ons not only discourage risky disbursements but also help form a macroprudential capital buffer that the Bank of Russia may release to support banks in case of a stress scenario. As of 1 April

MACROPRUDENTIAL CAPITAL BUFFER FOR UNSECURED LOANS* *Chart 25*
(RUB BILLION)



** Only ruble loans.*
Sources: Reporting Forms 0409114 and 0409135 (Section 8).

MACROPRUDENTIAL CAPITAL BUFFER FOR UNSECURED LOANS* *Chart 26*
(% OF PORTFOLIO)



** Net of loan loss provisions.*
Sources: Reporting Forms 0409114, 0409115 and 0409135 (Section 8).

2025, the macroprudential capital buffer for consumer loans totalled ₽834 billion, or 7.1% of the consumer loan portfolio net of loan loss provisions, which is more than 5.8% in early 2022.

The decrease in the macroprudential capital buffer in February 2025 (by ₽56 billion, or 0.3% of the unsecured consumer loan portfolio) was associated with changes[11] in the Bank of Russia's procedure for calculating the add-ons for credit card debt during a grace period,[12] while from 1 February 2025, the add-ons for this debt were cut. The reason for the reduction in these add-ons is that borrowers delay repayments on credit cards less frequently than on consumer loans, that is, this decision will increase the risk sensitivity of the regulation. A considerable share of borrowers use credit cards to purchase goods and services and pay no interest on the debt during the grace period. However, this debt is renewed more quickly, and the macroprudential capital buffer for it accumulates faster as well, which increases the burden on banks' capital.

3.2.5. Consumer microfinance

Over 2025 Q1, the portfolio of consumer microloans issued by MFOs expanded by 9.0% (+47.2% over the 12 months), driven primarily by a significant increase in lending by the largest MFOs.

Considering that the MPLs remained unchanged in 2025 Q1, the proportion of microloans issued to borrowers with DSTI above 50% and above 80% stayed at the same levels, specifically 13% and 2.6%, respectively.[13] Despite the improved structure of disbursements, the credit quality of the MFOs' microloan portfolio has worsened, with the cost of risk[14] rising to 30.2%. Over the past six months alone, the proportion of issued microloans secured by a motor vehicle increased from 3.1% to 14.0% in 2025 Q1, including because MFOs circumvented the established MPLs. Moreover, a substantial share of microloans secured by a motor vehicle were granted to over-indebted individuals, in particular 34.6% of such microloans were issued to borrowers with DSTI above 80%. In order to restrict these practices,

11 Bank of Russia Ordinance No. 6960-U, dated 16 December 2024.

12 A grace period is the time during which a credit institution charges no payments on a loan, other than payments on the principal provided for by the credit card agreement.

13 The figures were calculated based on a comparable sample of the 53 largest MFOs accounting for 81% of the consumer microfinance market as of 31 March 2025. The figures are given excluding microloan agreements with a credit limit and microloans secured by a motor vehicle.

14 The ratio of changes in the amount of created provisions, principal assignments and write-offs over a year to the average portfolio over a year.

for 2025 Q3, the Bank of Russia established the MPLs on car loans for MFOs at the same level as for banks with a universal licence, specifically at 20% for borrowers with DSTI 50–80% and 5% for borrowers with DSTI above 80%.

In the conditions of higher macroprudential add-ons for loans and the tightening of banks' requirements for borrowers from 2024 H2, the proportion of disbursements through bank-affiliated MFOs was up. In particular, the share of issued microloans in the total amount of consumer lending of such MFOs and the affiliated banks increased from 4.0% to 7.7% over the year. Overall, the amount of debt in the MFO market is significantly smaller than that in the banking sector, accounting for 3.9% of the aggregate portfolio of consumer loans and microloans. However, a number of MFOs continue to actively expand the practice of instalment services, including owing to rising demand for marketplaces, with the estimated proportion of such disbursements in the MFO market reaching at least 25%.

In order to enhance the protection of consumers of MFO services and reduce households' debt burden, the Bank of Russia has developed a reform of the MFO market which will restrict the number of simultaneously existing consumer microloans per borrower, introduce a cooling-off period before the disbursement of a microloan, decrease the ratio of total interest and fees charged on a microloan from 130% to 100%, and prohibit MFOs from concluding novation agreements.[15] Furthermore, the Bank of Russia has prepared amendments to the relevant regulations that will oblige creditors to use up-to-date official information confirming an individual's incomes when making a decision on issuing a consumer loan (microloan) to such a borrower.[16]

3.3. Imbalances in the housing market and project finance risks

In the conditions of the termination of the large-scale Subsidised Mortgage programme from 1 July 2024 and the increase in market rates, the expansion of mortgage lending significantly slowed down in 2024 Q4–2025 Q1. The monthly growth of the mortgage portfolio including securitised loans decelerated from 0.7% in October 2024 to 0.3% in March 2025 (loans transferred to securitised pools amounted to ₽1.7 trillion as of 1 April 2025).

However, the quality of mortgage debt servicing started to worsen. The share of outstanding mortgages overdue for more than 90 days increased by 0.9% as of 1 April 2025 (vs 0.5% a year before), which was caused by the maturing of loans issued in 2023 H2–2024 H1 amid surging demand for the Subsidised Mortgage programme. Owing to the macroprudential add-ons, banks have accumulated a macroprudential capital buffer to cover the losses from mortgages in case of a risk scenario (1.8% of the portfolio as of 1 April 2025).

The average monthly sales (in square metres) of new housing declined less significantly than new mortgages issues: over 2025 Q1, sales decreased by 8% YoY in physical terms but were up by 9% YoY in value terms. The share of mortgages in the structure of sales dropped, whereas sales using instalments from developers and households' own funds increased. However, sales through instalment schemes might involve risks to both buyers and developers. Developers might face problems due to low balances of escrow accounts as compared to amounts when housing is sold using mortgages or lump sum payments. Taking out a mortgage further on, buyers might face high monthly payments exceeding their initial expectations or a bank's refusal to issue a mortgage loan.

Amid the decline in housing sales and growth in project finance amounts, the loan coverage with the funds in escrow accounts has been decreasing. Over the period from early 2024 to 1 April 2025, the

[15] Consultation paper Microfinance Market Development Prospects for 2025–2027.

[16] In furtherance of Subclause 'd' of Clause 3 of the List of Instructions of the President of the Russian Federation No. Pr-1999, dated 29 September 2024, following the meetings on economic issues held on 22 August 2024.

project finance portfolio expanded by 41% to ₽8.7 trillion, while escrow account balances were up by 13% to ₽6.5 trillion. The ratio of debt coverage with the funds in escrow accounts dropped from 90% as of 1 January 2024 to 72% as of 1 April 2025. The average interest rate in project finance increased to 10.4% as of 1 April 2025.

As of the end of 2024, the largest developers generally remained resilient and accumulated a safety buffer. The construction industry's balanced financial result totalled ₽865 billion as of the end of 2024, which is 23.1% more YoY. Furthermore, banks are interested in the completion of the projects they lend to. In case of any problems, they will help developers settle these problems, which contributes to the resilience of the housing market. Hence, the situation in the housing market does not require any systemic anti-crisis measures. A reduction in the Bank of Russia's key rate when disinflation becomes sustained will support an organic increase in the demand for housing.

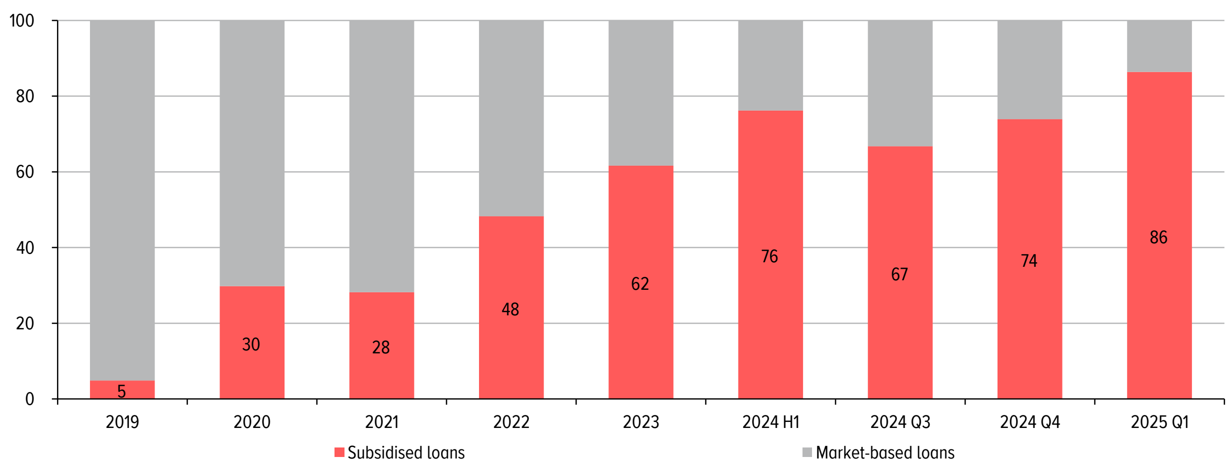
3.3.1. Mortgage lending

In 2024 Q4–2025 Q1, mortgage lending slowed down amid the termination of the non-targeted Subsidised Mortgage programme and the overall rise in interest rates. Mortgage loans issued in 2025 Q1 totalled ₽0.6 trillion, which is 42% less YoY, with the mortgage portfolio on banks' balance sheets increasing by 0.4% over the quarter (while households' debt on mortgages remained unchanged). Due to a considerable reduction in market-based mortgages issued in 2025 Q1, the proportion of subsidised programmes in overall disbursements was up to 86%.

After the termination of the large-scale Subsidised Mortgage programme, the growth of the mortgage portfolio has been driven by the Family Mortgage programme, which accounted for ₽560 billion of the mortgage loans issued in 2024 Q4 (approximately 80% of all government subsidised mortgages) and ₽461 billion in 2025 Q1 (nearly 87% of all government subsidised mortgages).

In late 2024–early 2025, banks' loan margins under subsidised mortgage programmes declined due to higher funding costs. Therefore, a number of banks began using combined schemes with a fee from developers, which involves overpricing of housing. In order to ensure the continuity of subsidised mortgage lending, the Russian Government raised the compensation for an apartment mortgage to the level of the key rate plus 3.0 pp and for a single-family home (individual housing construction) mortgage – to the level of the key rate plus 3.5 pp. In turn, the Bank of Russia, jointly with the Banking Standards Committee, is exploring the possibility of introducing additional restrictions into the

STRUCTURE OF ISSUED SUBSIDISED AND MARKET-BASED LOANS IN MONEY TERMS *Chart 27*
(%)



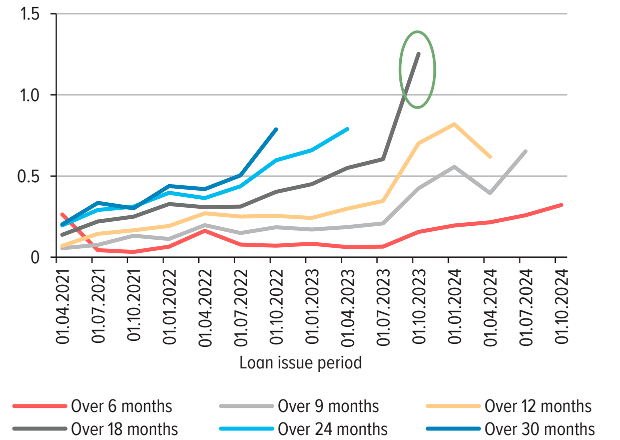
Sources: DOM.RF's analytics, Reporting Form 0409316.

Standard for Protecting the Rights and Legitimate Interests of Mortgage Borrowers and, jointly with the Russian Ministry of Finance – a possible disconnection from the government programmes of those banks that charge fees from developers.

3.3.2. Credit quality of mortgage loans

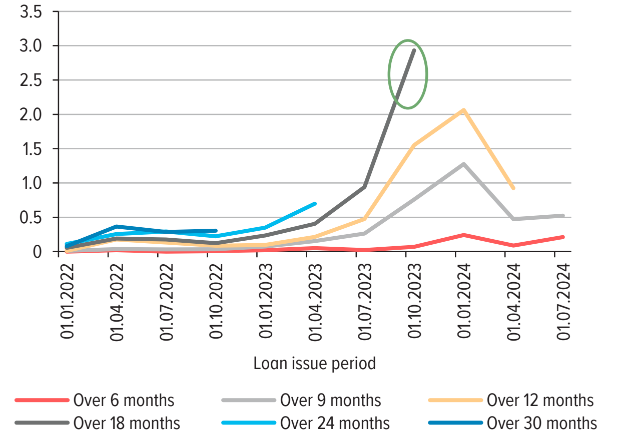
In 2024 H2–2025 Q1, the proportion of mortgages overdue for more than 90 days was persistently growing, having increased from 0.6% to 0.9% over the period from 1 July 2024 to 1 April 2025. The worsening of the credit quality in mortgage lending was associated with the maturing of loans issued in 2023 H2 under the large-scale Subsidised Mortgage programme amid surging demand.[17] In 2025 Q1, the share of debt overdue for more than 90 days during the first 18 months on book reached 2.9% in subsidised lending (Chart 29) and 1.2% in market-based lending (Chart 31). The growth of NPLs was accompanied by a slight increase in the amount of restructured loans, namely from 0.2% of the portfolio as of the end of 2024 Q1 to 0.5% as of the end of 2025 Q1.

NPL 90+ FOR ALL MORTGAGE LOANS IN VINTAGES BY CLAIM START DATE *Chart 28*
(%)



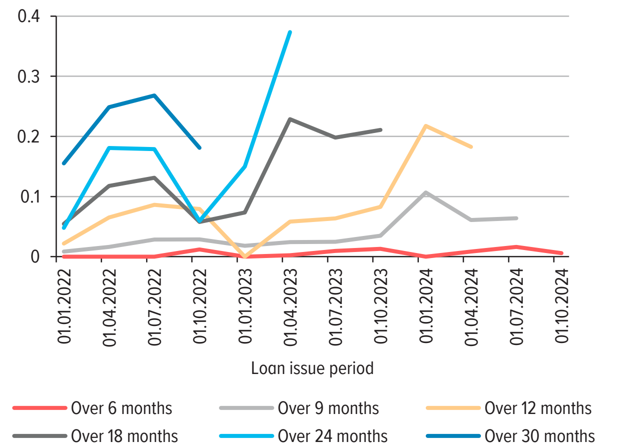
Source: Reporting Form 0409704.

NPL 90+ FOR SUBSIDISED MORTGAGES UNDER SUBSIDISED MORTGAGE PROGRAMME IN VINTAGES BY CLAIM START DATE *Chart 29*
(%)



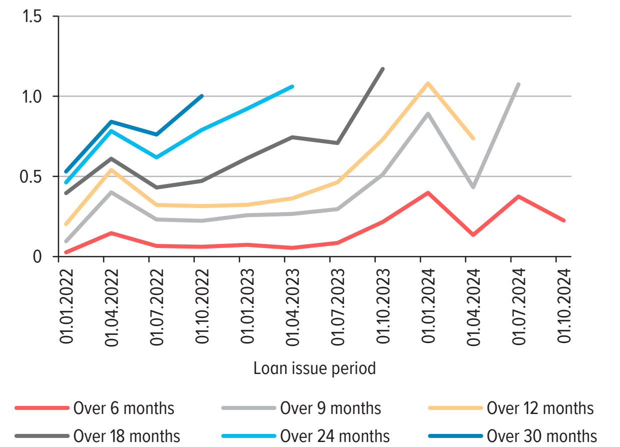
Sources: credit history bureaus' data, survey by the Bank of Russia.

NPL 90+ FOR SUBSIDISED MORTGAGES UNDER FAMILY MORTGAGE PROGRAMME IN VINTAGES BY CLAIM START DATE *Chart 30*
(%)



Sources: credit history bureaus' data, survey by the Bank of Russia.

NPL 90+ FOR MARKET-BASED MORTGAGES IN VINTAGES BY CLAIM START DATE *Chart 31*
(%)



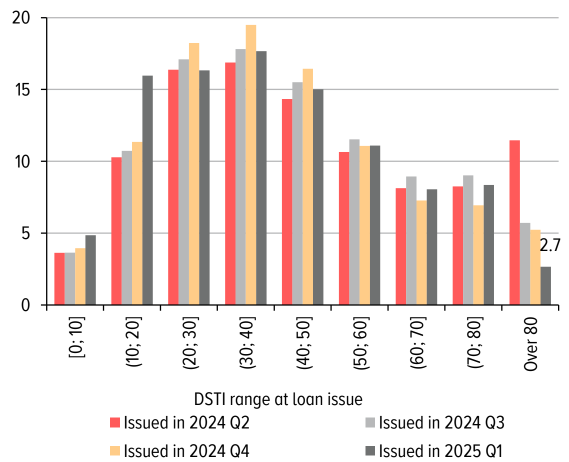
Sources: credit history bureaus' data, survey by the Bank of Russia.

[17] Bank of Russia calculations, credit history bureaus' data, banks' survey.

In addition, the rise in the percentage of delinquent payments is associated with the loans issued in 2024 Q2 prior to the termination of the large-scale Subsidised Mortgage programme. For the most part, the credit quality worsened in the segment of loans granted for single-family home construction, including under the large-scale Subsidised Mortgage programme. Contrastingly, the credit quality of the portfolio of loans provided under the Family Mortgage programme remains high: the share of NPL 90+ during the first 18 months on book is below 0.3% across all generations of issued loans (Chart 30).

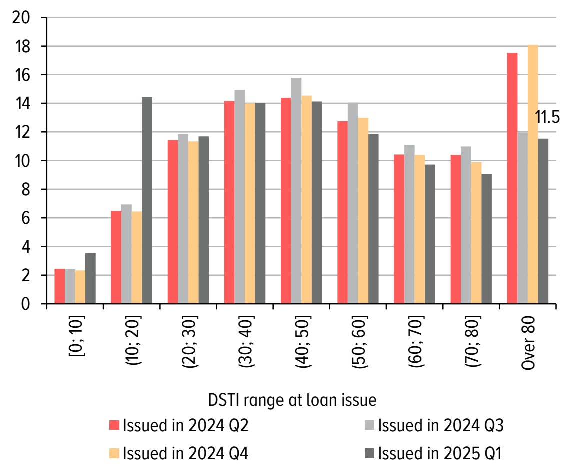
Over the course of 2023–2024, the Bank of Russia raised the macroprudential add-ons in mortgage lending on three occasions (most recently – on 1 March 2024), as a result of which banks quickly accumulated the macroprudential capital buffer that reached ₽358 billion, or 1.8% of the loan portfolio as of 1 April 2025, as compared with 1.3% as of 1 July 2024. Alongside the tightening of the terms under government subsidised mortgage programmes, the increased add-ons in the segments of high-risk loans have helped improve the structure of issued mortgages. Thus, the proportion of loans to borrowers with DSTI above 80% in the new housing segment (SCPAs) declined to 3% in 2025 Q1 from 27% a year before. The share of such loans in the existing housing segment was 12%, which is three times lower than in 2024 Q1. Over 2024 H2–2025 Q1, mortgages with a small down

LOANS BY DSTI (SCPA) *Chart 32*
(%)



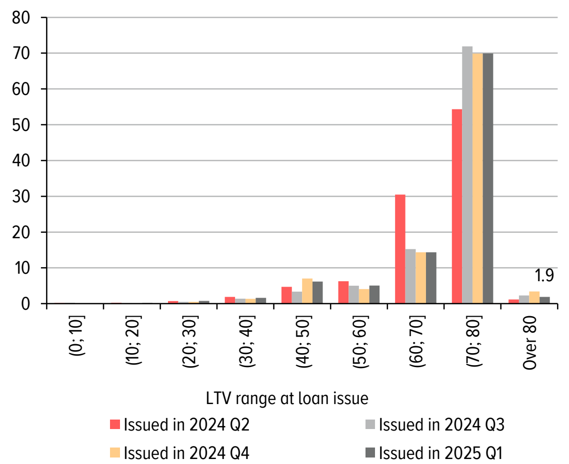
Source: Reporting Form 0409704.

LOANS BY DSTI (NON-SCPA) *Chart 33*
(%)



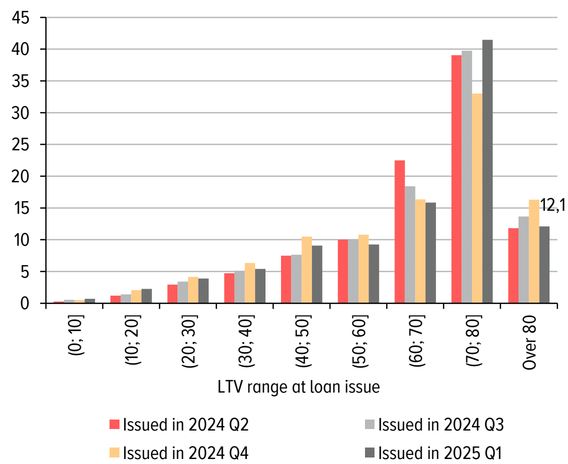
Source: Reporting Form 0409704.

LOANS BY LTV (SCPA) *Chart 34*
(%)



Source: Reporting Form 0409704.

LOANS BY LTV (NON-SCPA) *Chart 35*
(%)



Source: Reporting Form 0409704.

payment (below 20%) accounted for less than 3% in the new housing segment (vs more than 60% in 2023) and less than 16% in the existing housing segment (vs over 45% in 2023).

The Standard for Protecting the Rights and Legitimate Interests of Mortgage Borrowers (hereinafter, the Standard) became effective from 1 January 2025 to prevent unfair practices in mortgage lending, including overpricing of housing. Taking into account the improved standards of mortgage lending and the new Standard, from 1 March 2025, the Bank of Russia cut the risk-weight add-ons for mortgages with a down payment of 20–30% issued to borrowers with DSTI of less than 70%.

From 1 July 2025, the Bank of Russia established for the first time the MPLs for risky mortgages, while reducing the macroprudential add-ons in the relevant segments from the prohibitive level. The Bank of Russia set the MPLs for 2025 Q3 at a level that will not worsen the existing structure of loans involving the highest risk (to borrowers with DSTI above 80% or with a low down payment of less than 20%). Given the uneven structure of loans issued by certain banks, the MPLs established provide for a small margin. Therefore, their introduction will have no impact on the availability of mortgages.

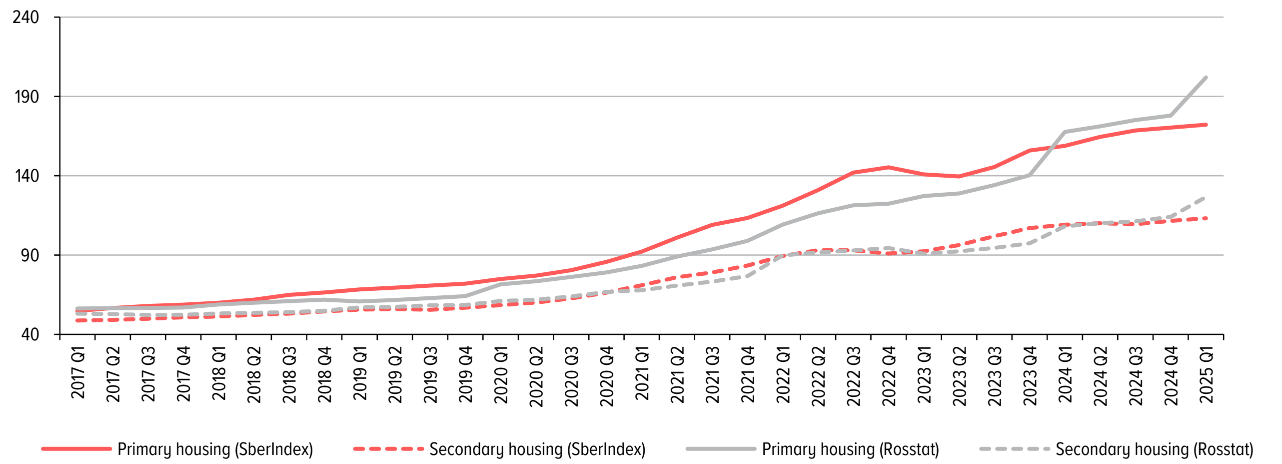
3.3.3. Housing prices

Over 2024 Q1–Q3, due to high demand under the large-scale Subsidised Mortgage programme, the growth rate of new housing prices remained at the level of 10% in annualised terms. Beginning from 2024 Q4 when lending under this programme terminated and its effect was exhausted, the increase in prices slowed down by 1.5 times. In 2025 Q1, the growth rate of primary housing prices stabilised at the level of 2% QoQ, while that of secondary housing prices declined to 0.8% QoQ. As of 1 April 2025, the gap between primary and secondary housing prices reached 60% according to Rosstat and 52% according to SberIndex (Chart 37).

The statistical indices of price overheating also suggest a gradual stabilisation in the housing market. As of 1 April 2025, the cyclical deviation of actual prices from the long-term trend, measured based on the HP filter,[18] decreased to 11% in the primary housing market and to 1% in the secondary housing market. However, the long-term trend towards a rise in primary housing market prices exceeding the inflation rate persists (Chart 39).

NOMINAL HOUSING PRICES
(RUB THOUSAND / SQ M)

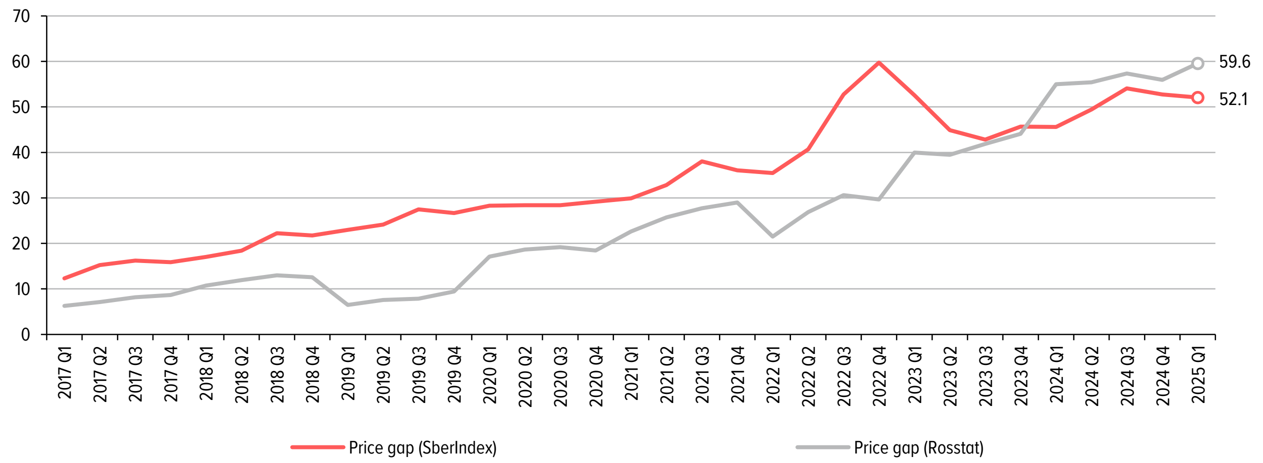
Chart 36



Sources: Rosstat, SberIndex, Bank of Russia calculations.

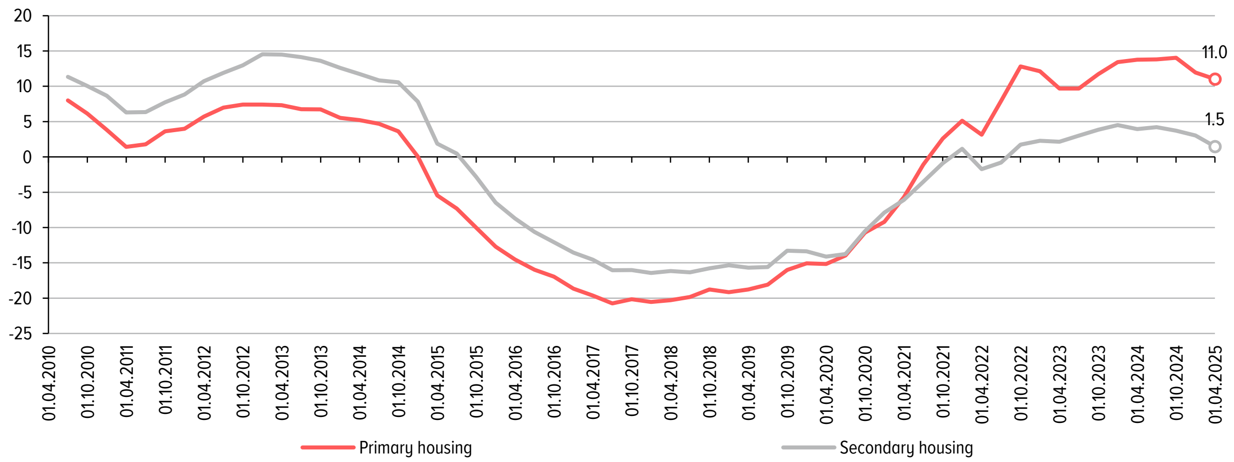
[18] The method of calculating the indicator is described in the Financial Stability Review for 2023 Q2–Q3.

GAP BETWEEN NOMINAL HOUSING PRICES *Chart 37*
(%)



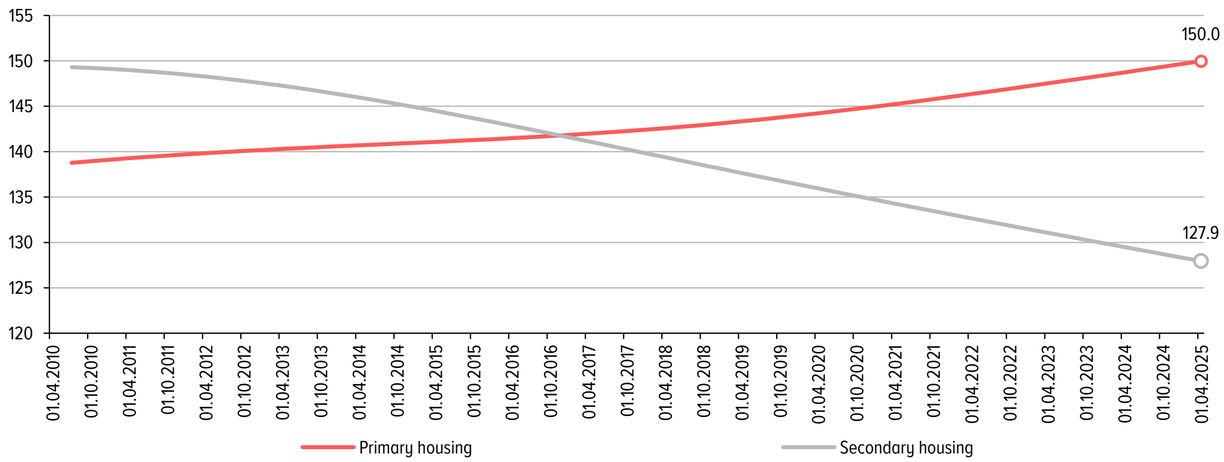
Sources: Rosstat, SberIndex, Bank of Russia calculations.

CYCLICAL COMPONENT OF REAL HOUSING PRICE INDEX BASED ON HP-400000 FILTER *Chart 38*
(%)



Sources: Rosstat, Bank of Russia calculations.

TREND COMPONENT OF REAL HOUSING PRICE INDEX BASED ON HP-400000 FILTER *Chart 39*
(%)



Sources: Rosstat, Bank of Russia calculations.

Box 4. Real estate bubble index

One approach to measuring price overheating in the housing market is the real estate bubble index (hereinafter, the bubble index).[1] In contrast to the HP filter-based price overheating index measuring only deviations of actual prices from the long-term trend, the bubble index also takes into account other factors behind the overheating in the real estate market, such as mortgage loans issued, rents, household incomes, and changes in construction. Therefore, the expanded range of the indicators makes it possible to timely evaluate the period of overheating and elevated risks of a potential bubble.

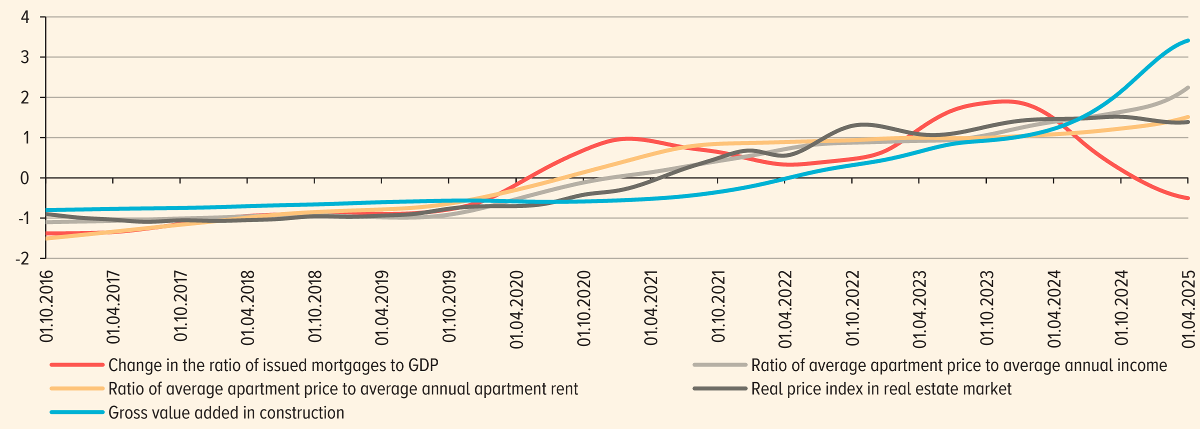
The bubble index is a composite measure comprising the following subindices:

- the ratio of the average apartment price to the average annual income;
- the ratio of the average apartment price to the average annual apartment rent;
- the change in the ratio of issued mortgages to GDP;
- the index of actual real estate prices; and
- the change in the construction industry's gross value added (only for the primary housing market).

The index is quantified as the weighted average of the subindices given as a standard normal distribution, in accordance with the OECD[2] Handbook on Constructing Composite Indicators.[3]

Until 2024 H2, all indicators in the primary housing market were growing, thus increasing the risks of a bubble in this segment (Chart 40). Amid the termination of the large-scale Subsidised Mortgage programme and high interest rates on mortgage loans, the expansion of mortgage lending slowed down, reducing the risks of a bubble that could have emerged in 2024 H4. However, in 2025 Q1, due to higher growth rates of real estate prices as compared to household incomes and apartment rents, the risk of a bubble in the primary housing market rose again, with the bubble index reaching 1.6 points in April 2025 (Chart 41). Contrastingly, there is no such risk in the secondary housing market because of high mortgage rates and the lack of large-scale subsidised lending programmes.

DYNAMICS OF INDICATORS OF BUBBLE INDEX IN PRIMARY HOUSING MARKET *Chart 40*



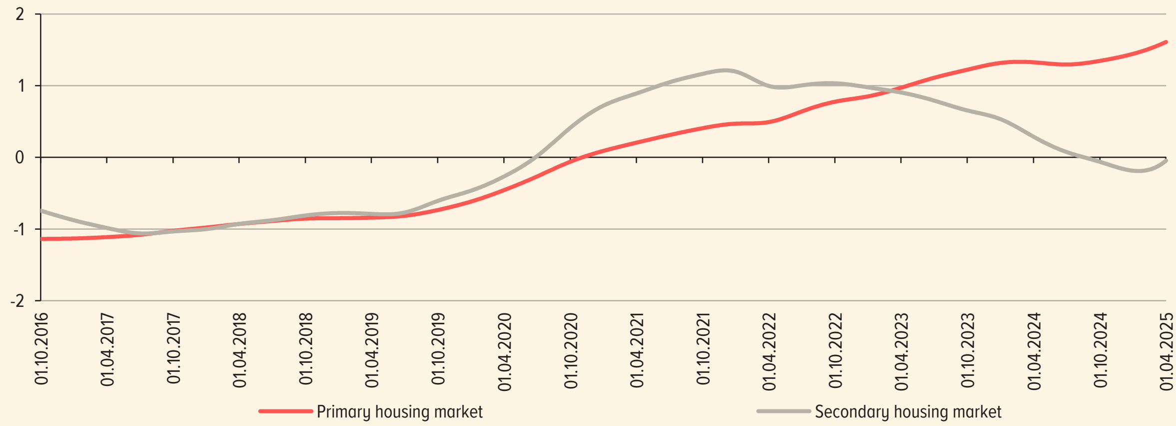
Sources: Reporting Forms 0409101 and 0409102.

[1] The real estate bubble index is calculated based on the UBS Global Real Estate Bubble Index.

[2] Organisation for Economic Co-operation and Development.

[3] Handbook on Constructing Composite Indicators: Methodology and User Guide (2008).

BUBBLE INDEX DYNAMICS Chart 41

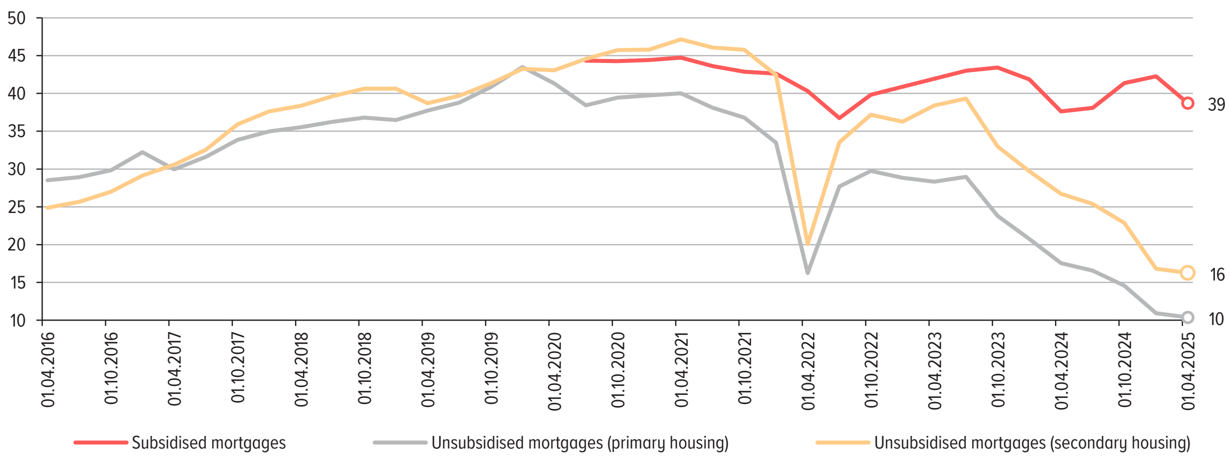


Sources: Rosstat, Reporting Form 0409316, Bank of Russia calculations.

Although housing prices have stabilised and households' nominal incomes have been quickly rising (+18.6% in 2024 Q4 vs a year before), mortgage affordability remains low. Subsidised programmes have not improved housing affordability either, with its level in 2025 staying unchanged compared to early 2024. The primary factor affecting the affordability of housing has been price growth: primary and secondary housing prices have been rising faster than households' per capita money income. In 2025 Q1, a subsidised mortgage allowed a median-income borrower to purchase 39 sq m of primary housing (vs 38 sq m a year before), while a market-based mortgage – as little as 10 sq m (vs 18 sq m a year before). The affordability of secondary housing has continued to worsen as well, declining to 16 sq m (vs 27 sq m a year before).

That said, amid an increase in households' savings driven by high real deposit rates, in 2025 Q1, potential mortgagors' financial assets to make a down payment on a mortgage loan[19] were up by 14% YoY. However, due to a faster rise in prices, the affordability of housing stays the same as in early 2024: households' own funds allowed them to purchase as little as 7 sq m of primary housing and 11 sq m of secondary housing.

HOUSING AFFORDABILITY INDEX FOR MORTGAGE Chart 42
(SQ M)

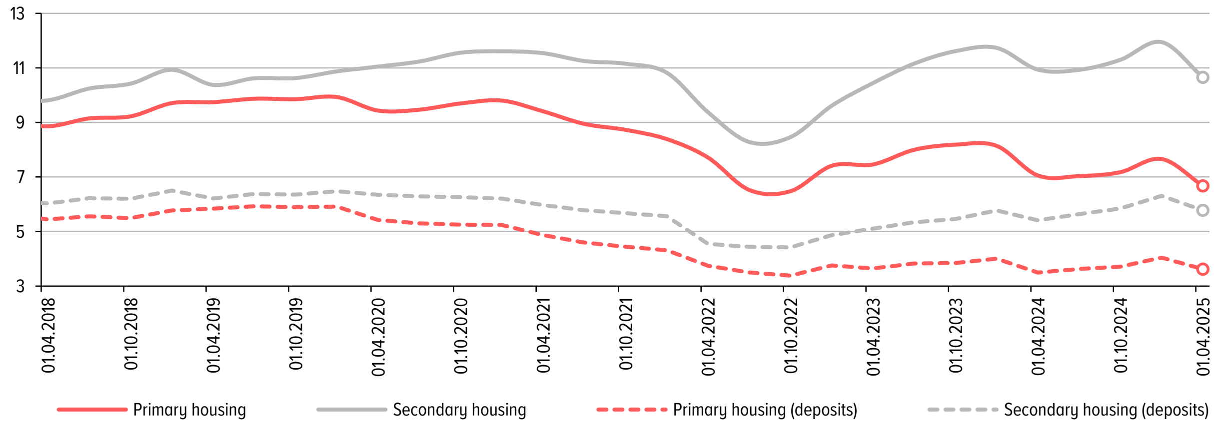


Sources: Reporting Form 0409316, Rosstat, DOM.RF, Bank of Russia calculations.

[19] The indicator is calculated taking into account the following assets of households: foreign cash, deposits, debt securities, equity securities except for unlisted shares, and funds in brokerage accounts.

LIVING SPACE (DOWN PAYMENT) THAT CAN BE FINANCED BY HOUSEHOLDS SAVINGS
(SQ M)

Chart 43



Sources: Rosstat, households' saving rate, Bank of Russia calculations.

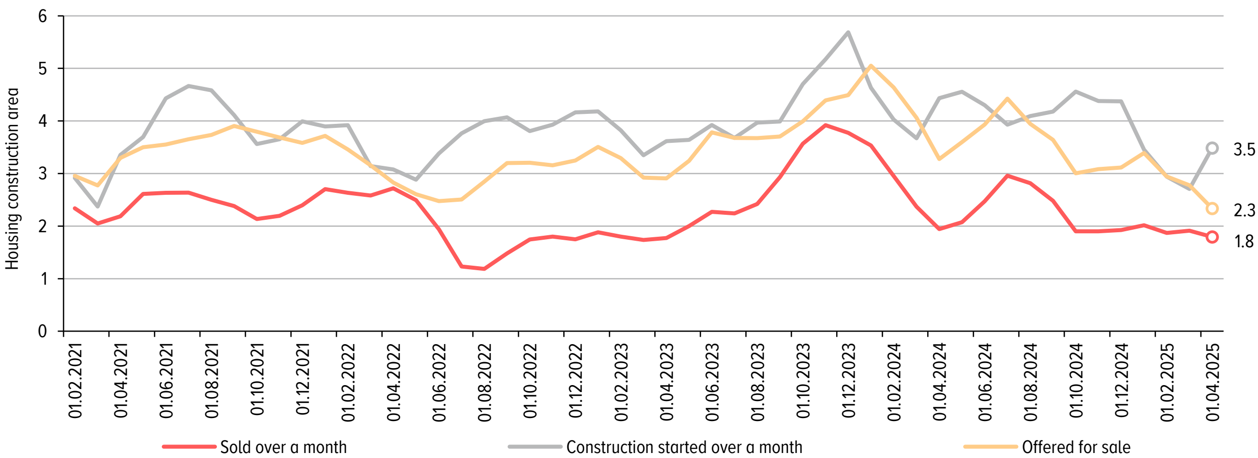
3.3.4. Demand and supply in the housing market

In 2025 Q1, new housing sales stabilised at an average level of 1.8 million sq m per month, which is 8% less YoY. As to the structure of sales, the proportion of mortgages decreased, whereas sales through instalments from developers and outright sales were up: in 2023, the share of developers' instalment schemes and outright purchases approximated 20%, increased to 40% in 2024, and reached 50% in March 2025.[20] Hence, the sales and the area of sold housing have declined not as significantly as mortgage lending, even having increased in money terms since price growth has continued.

There has been no significant decrease in the percentage of new apartments sold either. As of 1 May 2025, the percentage of sold apartments under construction averaged about 31%, including those to be commissioned this year – nearly 55% (vs 34% and 60%, respectively, a year before). However, due to weaker demand, developers reduced the volume of new construction projects: in March 2025, the area of new projects totalled 4.3 million sq m vs 4.7 million sq m a year before.

HOUSING UNDER CONSTRUCTION, NEW PROJECTS FOR SALE, AND ACTUAL SALES OF NEW HOUSING IN RUSSIA
(MILLION SQ M, THREE-MONTH MOVING AVERAGE)

Chart 44



Sources: Unified Housing Construction Information System, Bank of Russia calculations.

[20] Bank of Russia estimates.

Box 5. Risks of mortgage programmes and developers' instalment schemes

During the period of high market rates and the rollback of the large-scale Subsidised Mortgage programme, developers were creating alternative schemes for housing purchases to prop up demand. By early 2025, instalments accounted for the highest percentage in the structure of sales of a number of large developers. Sales through instalment schemes might involve risks to both buyers and developers.

In case of a payment delay, a buyer will have to pay a penalty to the developer or might even lose both the future apartment and the money. Moreover, taking out a mortgage further on, buyers might face high monthly payments exceeding their initial expectations or even a bank's refusal to issue a mortgage loan. If such refusals become a trend, the market might face an oversupply of apartments. If a buyer decides to cancel the agreement, the refund will be lower due to the penalty, while the cost of the money might decline relative to the housing price. Overall, the lack of professional creditors in instalment schemes makes it impossible to accurately assess households' actual DSTI since the information about the liabilities related to instalments is not submitted to credit history bureaus and such transactions are almost beyond control.

Developers might face credit risks and problems due to low balances of escrow accounts as compared to the amounts when housing is sold using mortgages. When an apartment is purchased using instalments, in many cases, as little as 5–15% of the total cost is credited to an escrow account.

Projects with a high percentage of sales through instalments and a low ratio of loan coverage with the funds in escrow accounts might face difficulties raising funds to continue the construction, which might delay the completion of the construction projects and their commissioning.

Taking into account the risks inherent in instalment schemes, the Bank of Russia does not support the expansion of permitted instalment practices (not only instalments from developers for the period of construction, but also instalments after the commissioning of a house). Banks providing project financing need to closely monitor how extensively developers use instalment schemes and assess the risks they involve.

3.3.5. Quality of project finance and assessment of developers' financial resilience

From 1 October 2024, escrow account balances declined by 6%, amounting to ₽6.5 trillion as of 1 April 2025. Amid weaker demand for housing under construction, escrow account balances have decreased beginning from 2024 H2 but are still at an acceptable level: as of 1 April 2025, the coverage ratio of project finance debt with the funds in escrow accounts equalled 72% (Chart 45). The loan rate averaged 10.4% as of 1 April 2025, which is 2.5 pp higher than in October 2024.

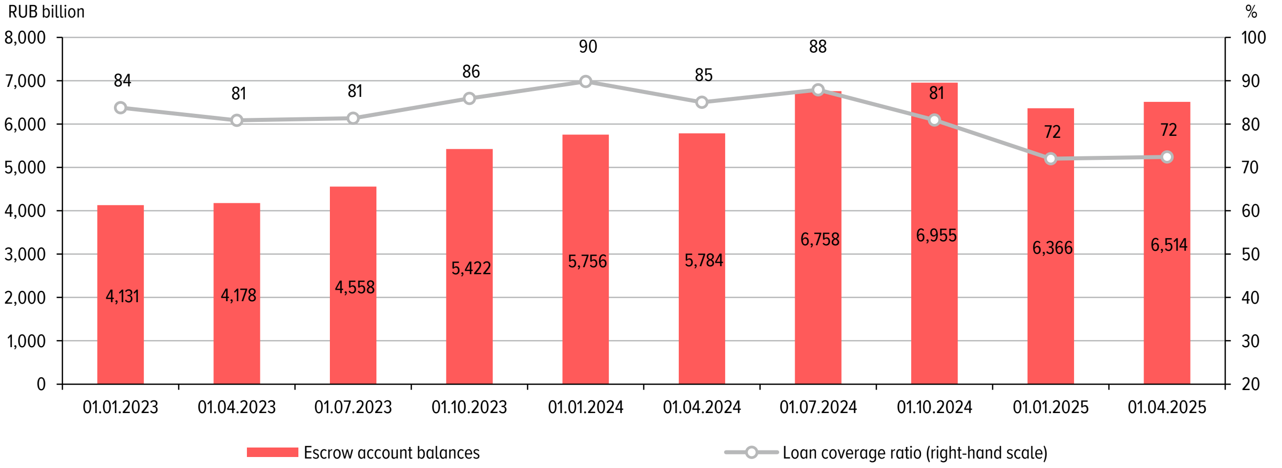
The financial safety buffer accumulated over the past few years enabled developers to remain resilient in 2024 despite high market rates and the termination of the large-scale Subsidised Mortgage programme. Thus, the construction industry's balanced financial result totalled ₽865 billion as of the end of 2024, which is 23.1% more YoY (Chart 46).

As of the end of 2024, the largest developers' revenues increased by 18.9% on average, as compared to 2023. Furthermore, developers' EBITDA margin in 2024 stayed at the level of 2022–2023. However, if the market conditions remain the same as now, this will entail a reduction in sales in 2025.

In early 2025, the Bank of Russia conducted a stress test of the project finance portfolio jointly with banks that are the largest creditors accounting for nearly 90% of the market. In the course of the study, the Bank of Russia analysed the LLCR-based[21] distribution of projects according to the banks' up-to-date models as of 31 December 2024 and the stress testing scenarios assuming various levels of a decline in cash flows from sales and changes in the key rate as provided for by different scenarios described in the Monetary Policy Guidelines.

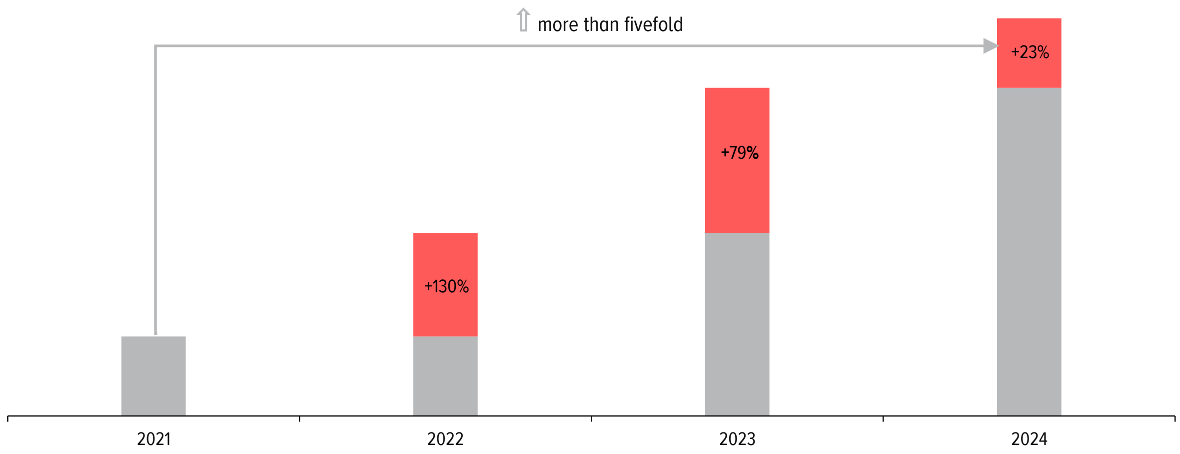
[21] Loan Life Coverage Ratio , which is a measure of the project's ability to repay an outstanding loan using free cash flows from housing sales over the life of the loan.

COVERAGE RATIO FOR DEVELOPERS' LOANS WITH FUNDS IN ESCROW ACCOUNTS AND ESCROW ACCOUNT BALANCES *Chart 45*



Source: survey by the Bank of Russia.

CONSTRUCTION INDUSTRY'S NET FINANCIAL PERFORMANCE IN 2021–2024 *Chart 46*
(%)



Sources: Rosstat, Bank of Russia analysis.

The stress test showed that developers were more sensitive to a decline in cash flows, whereas the Bank of Russia key rate had a limited effect on the resilience of projects owing to the funds accumulated in escrow accounts. In addition, banks' and developers' financial models do not assume a reduction in housing prices, although a number of developers lowered prices in late 2024 to boost sales.

As estimated by the Bank of Russia, most developers will remain financially resilient in 2025 and complete the construction of current projects. The resilience of the market is largely ensured by the mechanism of escrow accounts. Firstly, buyers' funds are protected. Secondly, banks financing construction projects are interested in their completion. If needed, banks are ready to help developers, and the suspension of a project would be the least profitable choice. If a construction company becomes bankrupt, banks will be able to hand over its projects to other developers and accept the losses.

3.4. Structural imbalances in the domestic FX market

The Russian FX market has quite quickly adapted to the US sanctions against the Russian financial market expanded in November 2024. The ruble started to strengthen as early as December 2024 and this trend continued into 2025. The ruble exchange rate was rising amid a decline in the DXY index measuring the US dollar against other currencies. The appreciation of the ruble was driven by exports exceeding imports as well as strong demand for ruble assets encouraged by high interest rates. As banks' currency positions are balanced, the banking sector's loss from the ruble strengthening has been minor, specifically about 1% of banks' capital.

After the Bank of Russia raised the yuan rate on FX swaps to the level of the key rate in October 2024, some FX swap market participants closed their positions. This was one of the factors behind the resumption of the trend towards a decrease in the share of foreign currency on banks' balance sheets: over the period under review, the proportion of foreign currency loans in the corporate portfolio declined from 14% to 12% and the share of foreign currency liabilities to corporate clients and individuals dropped from 17% to 16% and from 7% to 6%, respectively.[22] Overall, the situation with foreign currency liquidity was favourable, enabling the Bank of Russia to reduce the limit on RUB/CNY FX swaps to ¥5 billion in 2025 Q1.

3.4.1. Adaptation of the Russian FX market to expanded sanctions

After the USA expanded the sanctions against the Russian financial sector at the end of November 2024, the FX market saw higher volatility and a weakening of the ruble.[23] This effect was temporary: the ruble started to appreciate as early as the beginning of December 2024, and this trend in the FX market strengthened further in 2025 Q1. The ruble exchange rate continued to rise despite a decline in crude prices, while the US Dollar Index (DXY) dropped, namely by 8.2% over the period from 31 December 2024 to 21 May 2025. From early 2025, the exchange rates of the US dollar and the Chinese yuan decreased[24] against the ruble by 21.6% (to ₽79.75) and 17.4% (to ₽11.09), respectively.

The dynamics of the exchange rate were driven by the total amount of transactions of all FX market participants, including the ratio between export earnings and payments for imports, as well as elevated demand for ruble assets from legal entities and individuals.

Banks' exposure to FX risk is limited as the sector's open currency position is small, having decreased from $1.6 billion to $1.2 billion over the period from 1 October 2024 to 1 April 2025. As of 1 October 2024, banks' loss from foreign currency revaluation over the said period amounted to about ₽0.2 trillion, or 1.1% of capital. The median value of the financial performance from foreign currency revaluation was -0.2% of capital.

In 2024 Q4, net foreign currency sales by the 29 largest exporters declined by 3% QoQ to total $31.5 billion. Conversely, in 2025 Q1, net sales were up by 3% QoQ to reach $32.5 billion, driven by higher crude prices[25] and an increase in ruble liquidity accumulated by a number of companies to make bond coupon payments. In April 2025, net sales remained nearly the same as in the previous month, totalling $10.0 billion (-2% MoM).

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22 The change in the share of foreign currency at a fixed exchange rate as of 31 March 2025.

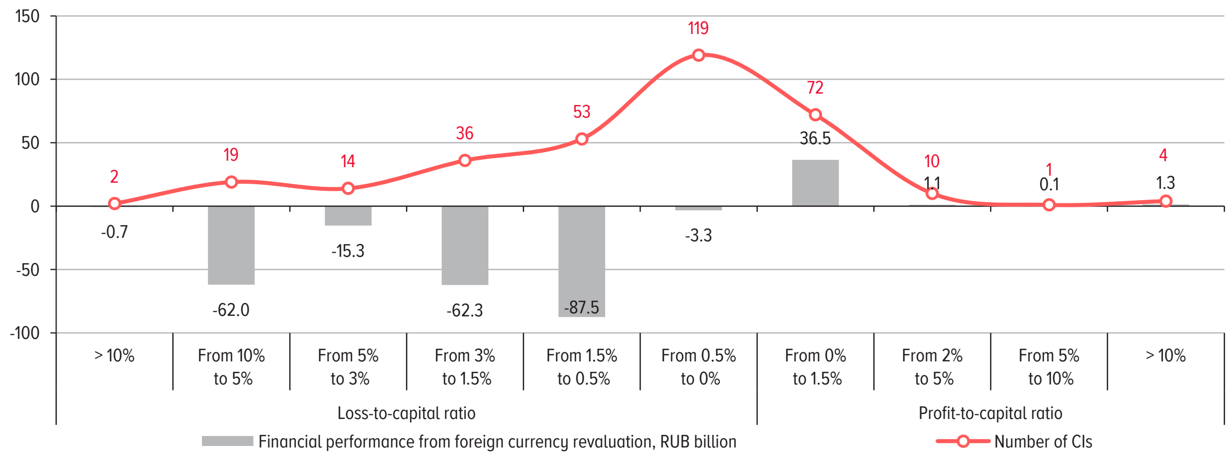
23 From 22 to 29 November 2024, the US dollar strengthened against the ruble by 8.8% (from ₽100.68 to ₽109.58); and from 22 to 28 November 2024, the yuan appreciated against the ruble by 6.9% (from ₽13.88 to ₽14.84).

24 As of 22 May 2025.

25 According to the Ministry of Economic Development of the Russian Federation, the average price of Urals crude as of the end of January 2025 equalled $67.7 per barrel, which is 7% higher vs December 2024. Crude export earnings are credited to exporters' accounts with an average time lag of one to two months.

BREAKDOWN OF FINANCIAL PERFORMANCE FROM FOREIGN CURRENCY REVALUATION ACROSS BANKS WITH POSITIVE CAPITAL
(% OF CAPITAL)

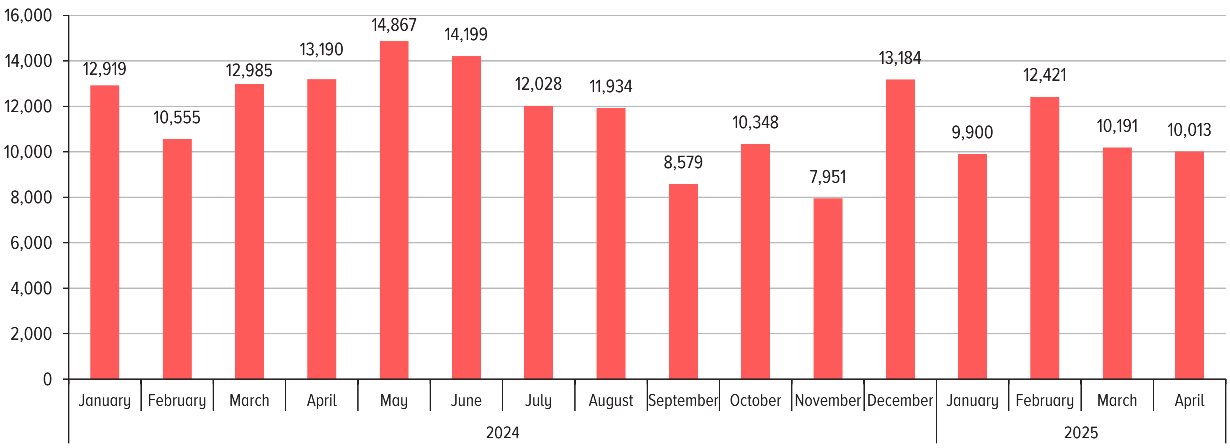
Chart 47



Sources: Reporting Forms 0409101, 0409123 and 0409135, by banks.

NET FOREIGN CURRENCY SALES PER MONTH BY 29 LARGEST EXPORTERS IN 2024–2025
(USD MILLION)

Chart 48



Sources: credit institutions' survey about the amounts of foreign currency purchases / sales by the largest exporters, Moscow Exchange.

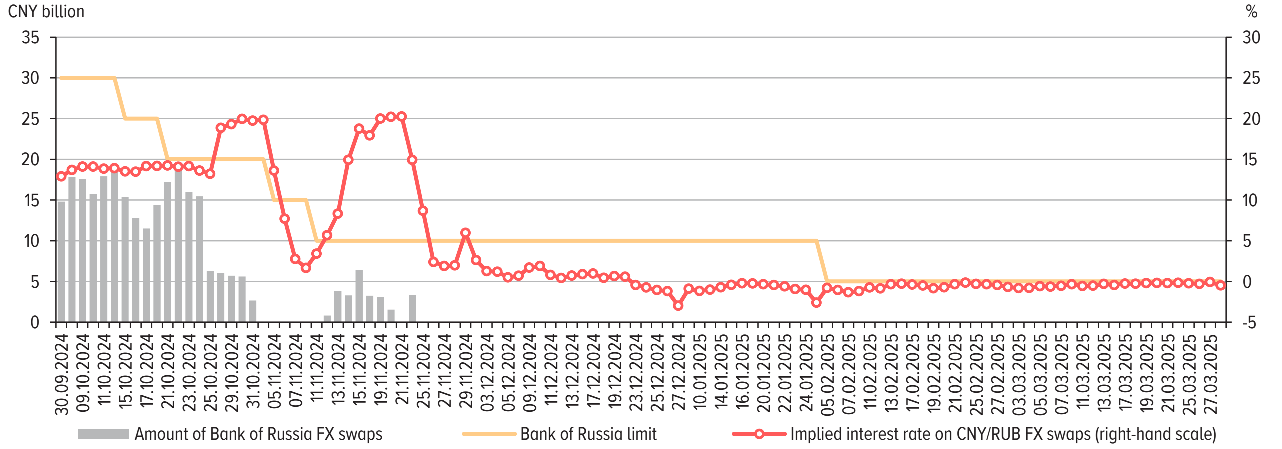
Over 2024 Q4–2025 Q1, the ratio of net foreign currency sales to foreign currency earnings of the largest exporters equalled 89%, which is slightly above the average of 84% recorded in 2023–2024.

3.4.2. Foreign currency liquidity

In 2024 Q4, the Bank of Russia continued to pursue measures aimed at reducing banks' demand for FX swaps with the Bank of Russia. From 28 October 2024, the Bank of Russia raised interest rates on FX swaps to sell Chinese yuan for rubles with their subsequent purchase to the level of the key rate.

As FX swaps with the Bank of Russia became more expensive, some market participants closed their positions in the FX swap market. Nevertheless, the situation with yuan liquidity remained stable: there were some short-term spikes in implied FX swap rates to 20% in November, but without posing any systemic risks. In November 2024, the amount of funds provided by the Bank of Russia through FX swaps declined and did not exceed ¥7 billion a day. From December 2024, market participants conducted almost no FX swaps with the Bank of Russia, and implied FX swap rates were close to zero, dropping occasionally to negative territory (Chart 49). As credit institutions demonstrated weak

IMPLIED INTEREST RATE* FOR YUAN ON CNY/RUB FX SWAPS (%) AND AMOUNT OF BANK OF RUSSIA FX SWAPS *Chart 49*



** The implied interest rate is calculated based on Moscow Exchange data.*
Source: Bank of Russia calculations.

demand, in February 2025, the Bank of Russia decreased the daily limit on yuan liquidity provision from ¥10 billion to ¥5 billion.

Concurrently, banks continued the trend towards a reduction in foreign currency assets: as of 1 April 2025, foreign currency loans accounted for 11.84% of the portfolio, which is 1.83 pp less than as of 1 October 2024 (adjusted for foreign currency revaluation as of 1 April 2025). Over the said period, banks' portfolio of corporate foreign currency loans contracted by $14.5 billion to $121.0 billion. The decrease in the share of the banking sector's foreign currency assets was accompanied by a reduction in foreign currency liabilities: the share of foreign currency liabilities to corporate clients and individuals declined from 17% to 16% and from 7% to 6%, respectively. Banks' OCP remained balanced.

3.5. Banks' interest rate risk

Over the period under review, the cost of funding rose, which was driven by the increase in the Bank of Russia key rate in October 2024 and growing competition for clients' funds among banks. As a result, banks' NIM declined from 4.4% in 2024 Q3 to 4.2% in 2025 Q1.[26] This is a rather high level of profitability across the sector as a whole. Given the structural exposure of Russian banks to interest rate risk (a high percentage of short-term liabilities, the lack of irrevocable deposits, no penalty for early repayment of retail loans, and limited opportunities of hedging through derivatives), a high proportion of variable rate loans in the corporate portfolio (65% as of 1 April 2025), compensations paid by the Ministry of Finance of the Russian Federation under government subsidised mortgage programmes, as well as clients' current and demand deposit accounts characterised by low sensitivity to interest rate changes (as of 1 April 2025, no interest accrued on 30% of households' funds in current and demand deposit accounts, and another 20% of the funds in such accounts were deposited at an interest rate below 5%) allow limiting interest rate risk in the banking book . However, the situation is uneven across the banking sector: the NIM of approximately 18% of banks (accounting for 42% of the sector's assets) is below the average[27] and declined over the said period from 2.0% to 1.1%. Furthermore, the NIM might be negatively affected by an increase in credit risk in the conditions of a long period of high interest rates. It is critical for banks to enhance the quality of their interest rate risk assessment to maintain their margin and to

[26] All banks, except for the BNA.

[27] Banks with the NIM below 4.2% in 2025 Q1.

prevent interest rate risk from translating into credit risk. When developing credit products, banks should take into account the results of stress testing in scenarios with different interest rate paths and the dynamics of debt servicing quality for variable rate loans.

The upward trend in bond yields observed for the most part of 2024 reversed in late 2024–early 2025. As a result, the positive revaluation of the banking sector's ruble bond portfolio in 2024 Q4–2025 Q1 amounted to ₽71.0 billion. In addition, the unrecognised negative revaluation of the portfolio of held-to-maturity securities decreased commensurately by ₽101.1 billion to ₽705.5 billion (0.42 pp of the N1.0 ratio). Further dynamics will depend on the influence of the geopolitical environment, inflation trends, and fiscal policy on the Russian market.

Over the period of January–April 2025, the budget deficit totalled ₽3.2 trillion, which is significantly higher than in 2024. The increase in the deficit was due to faster spending. As of the end of 2025, the planned budget deficit is forecast at ₽3.8 trillion, or 1.7% of GDP, and the amount of federal government bond offerings is expected to total ₽4.8 trillion gross. If crude prices decline further while the ruble remains strong, the budget deficit might expand. Risks to budget stability are limited owing to Russia's historically low sovereign debt and the reserves accumulated over the years of high oil prices.

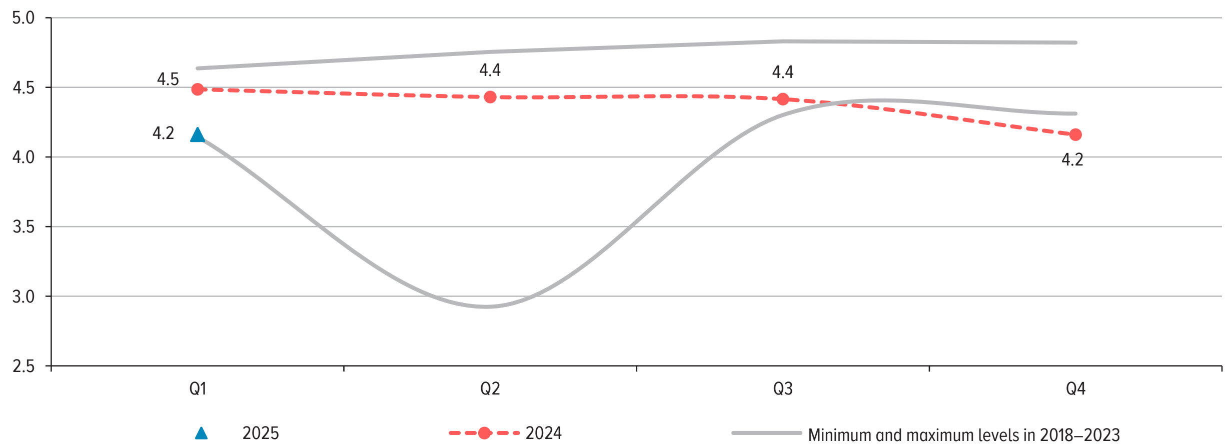
3.5.1. Net interest margin

Amid an increase in banks' interest expenses, their quarterly NIM edged down from 4.4% as of 1 October 2024 to 4.2% as of 1 April 2025 (Chart 50). The considerable rise in deposit rates over 2024 Q4 (+3.9 pp to 21.3% on retail deposits and +3.2 pp to 20.9% on corporate deposits;[28] Chart 51) was driven by both the increase in the Bank of Russia key rate in October 2024 from 19% to 21% per annum and growing competition among banks for clients' funds (for details, see Subsection 4.1).

Since deposits for up to one year accounted for about half of the ruble funds of banks' corporate and retail clients (56% as of 1 April 2025) and balances in accounts – for another 33%, the rise in interest rates quickly translated into the cost of funding, which was up by 3.2 pp from 10.9% in 2024 Q3 to 14.1% in 2025 Q1. The profitability of the loan portfolio was increasing more slowly because of subdued growth in income from retail loans. As a result, over the period under review, the change in NII

QUARTERLY NIM
(%)

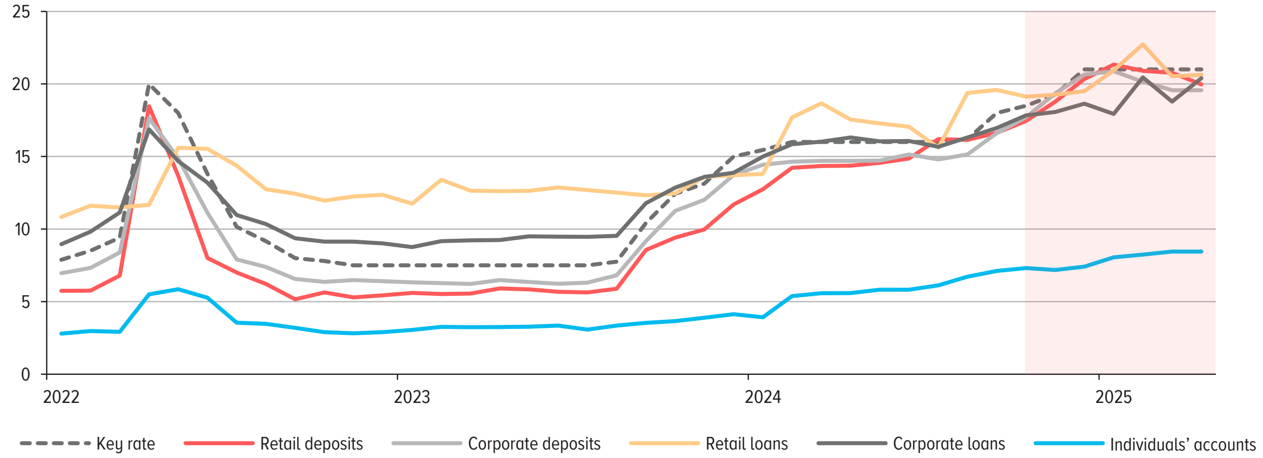
Chart 50



Note. All banks, except for the BNA.
Sources: Reporting Forms 0409102 and 0409101.

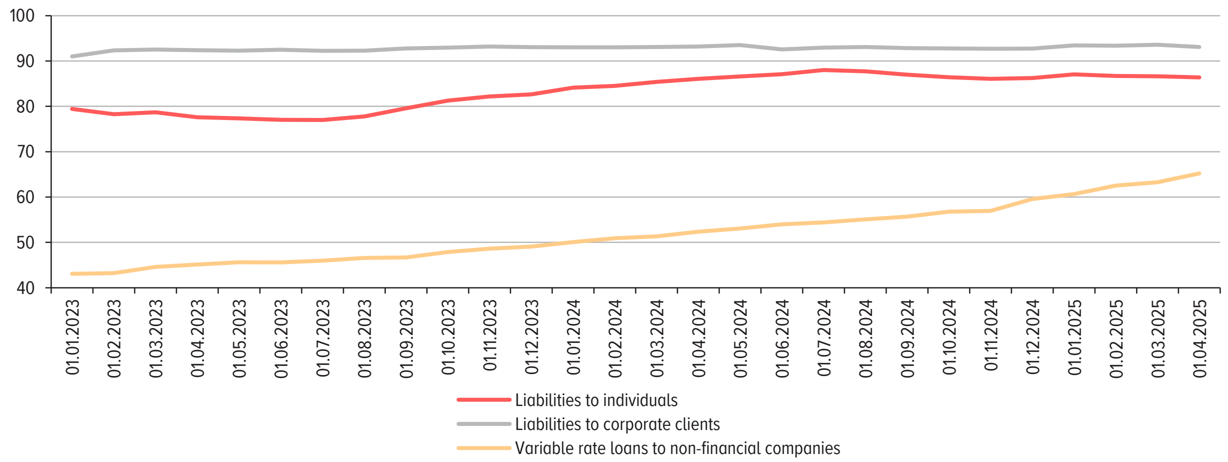
[28] The calculation is based on weighted average interest rates on ruble deposits raised over a month from individuals and non-financial organisations, according to Reporting Form 0409129.

CREDIT AND DEPOSIT RATES *Chart 51*
(%)



Sources: Bank of Russia survey, Reporting Form 0409129.

SHARE OF RUBLE-DENOMINATED VARIABLE RATE LOANS TO LEGAL ENTITIES AND CLIENTS' SHORT-TERM RUBLE FUNDS (DEPOSITS FOR UP TO ONE YEAR AND ACCOUNT BALANCES) *Chart 52*
(%)



Sources: Reporting Forms 0409303 and 0409101.

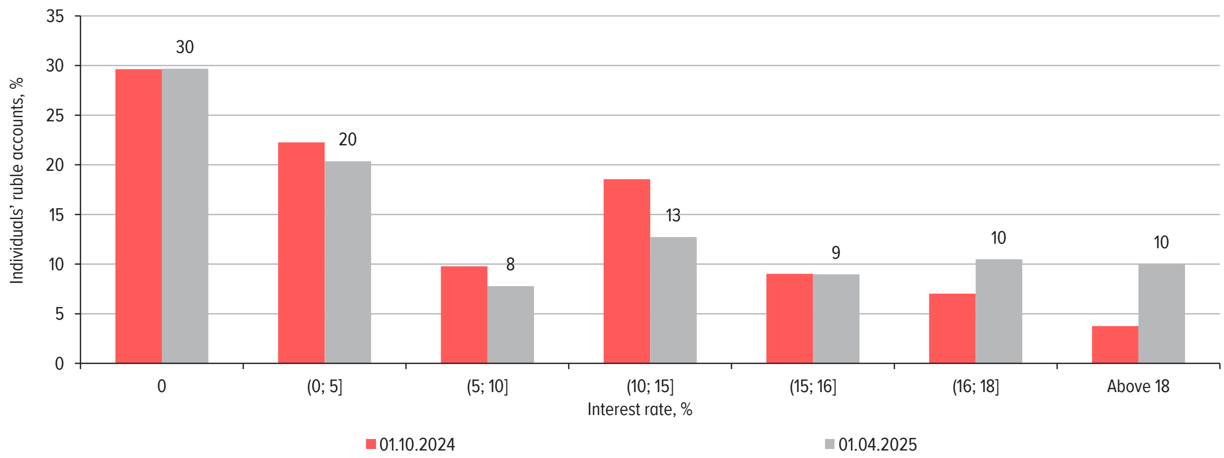
accounted for -0.06 pp in the NIM dynamics, while the change in performing assets (the denominator of the NIM) accounted for -0.20 pp in the NIM dynamics.

Banks' margin in 2025 Q1 was 4.2%, which is still a sufficiently high level. The margin level is supported by income from ruble-denominated corporate loans at variable interest rates (over 2024, these loans accounted for approximately 1.3 pp of banks' annual NIM), compensations paid by the Ministry of Finance of the Russian Federation under government subsidised mortgage programmes, and interest income from securities transactions, among other things.

The rise in banks' cost of funding is limited owing to a high share of funds characterised by low sensitivity to interest rate changes: no interest accrues on 30% of households' funds in current and demand deposit accounts, and another 20% of the money in such accounts is deposited at an interest rate below 5% (Chart 53). Furthermore, the pressure of the cost of funding on banks' NIM slightly weakened after the adjustment of the schedule for ensuring compliance with the LCR and the subsequent reduction in the spread between maximum deposit rates and the key rate.

BREAKDOWN OF INDIVIDUALS' ACCOUNTS BALANCES IN RUBLES BY INTEREST RATE

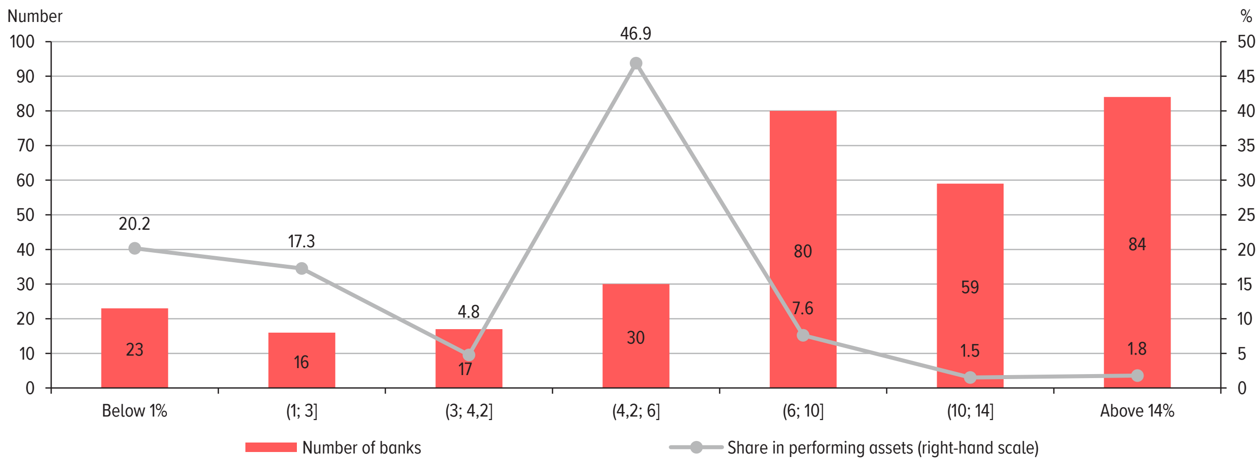
Chart 53



Source: Reporting Form 0409129.

QUARTERLY NIM (NUMBER OF BANKS AND THEIR SHARE IN PERFORMING ASSETS) AS OF 1 APRIL 2025

Chart 54



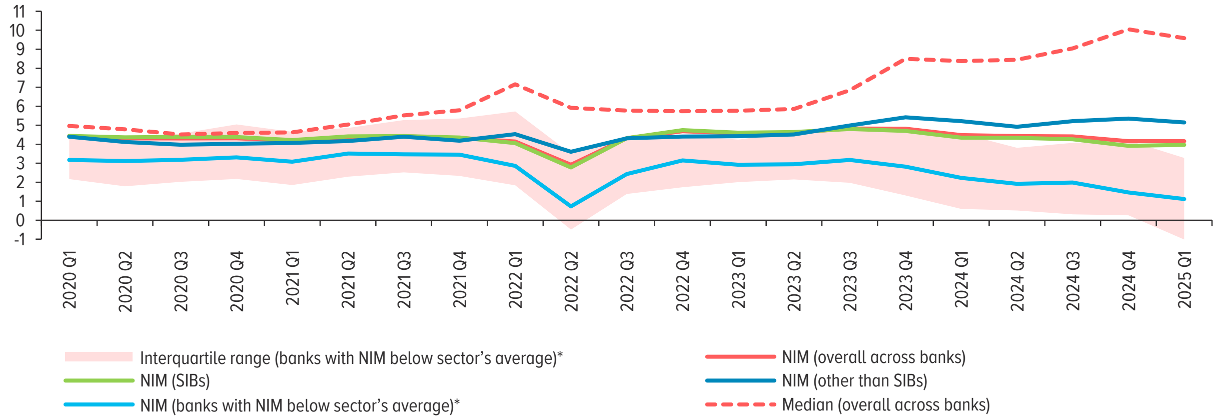
Note. All banks, except for the BNA.
Sources: Reporting Forms 0409102 and 0409101.

However, the inflow of clients' short-term funds over the period under review increased the mismatch in the maturity structure of assets and liabilities. Consequently, as of 1 April 2025, the banking sector's interest rate gap risk in the banking book (a change in NII) over a one-year horizon in case of a 4 pp rise in interest rates was assessed at about 1.0–3.7% of the banking sector's annual NII (the estimated decline in NII in the group of banks with negative gap risk was approximately 5.2–6.8% of the banking sector's annual NII), ~0.3–1.3% of capital, ~0.04–0.2 pp of the NIM (the basic assessment and the assessment considering behavioural assumptions,[29] respectively). For reference, according to the data as of 1 October 2024, this basic assessment was two times lower.

Moreover, the situation is uneven across banks (Box 6). In particular, 18% of banks (accounting for 42% of the sector's assets) receive a lower NIM and are more exposed to interest rate risk (Chart 54). Over the period under review, the weighted average value of the quarterly NIM in this group of banks (whose NIM was below 4.2% in 2025 Q1) declined from 2.0% to 1.1% (Chart 55).

[29] The assessment varies depending on the chosen assumptions regarding changes in the maturity structure of raised funds due to an interest rate shock and current accounts' exposure to interest rate risk.

QUARTERLY NIM BY GROUP OF BANKS *Chart 55*
(%)



** For banks with the quarterly NIM below 4.2% in 2025 Q1.*
Note. All banks, except for the BNA.
Sources: Reporting Forms 0409102 and 0409101.

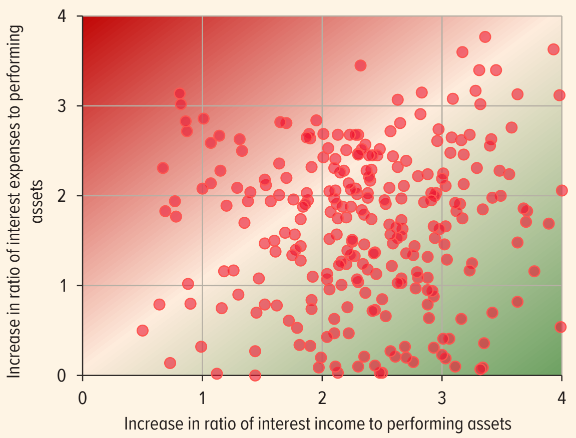
Box 6. Interest rate risk heterogeneity across banks in 2023–2025

The Russian banking sector's sensitivity to interest rate risk in the banking book has been limited in recent years. Despite the key rate increase by 13.5 pp from 7.5% to 21% per annum from August 2023, the banking sector's NIM remains above 4%: over the period from 1 July 2023 to 1 April 2025, the quarterly NIM declined by 0.5 pp to 4.2% and the annual NIM – by 0.2 pp to 4.4%.

The level of a particular bank's interest rate risk depends on the relative sensitivity of ROA and the cost of funding to key rate changes as well as the balance between assets and liabilities in terms of maturities. Over the period from 1 July 2023 to 1 April 2025, many banks recorded a more significant rise in income from depositing funds compared to the cost of funding (Chart 56).

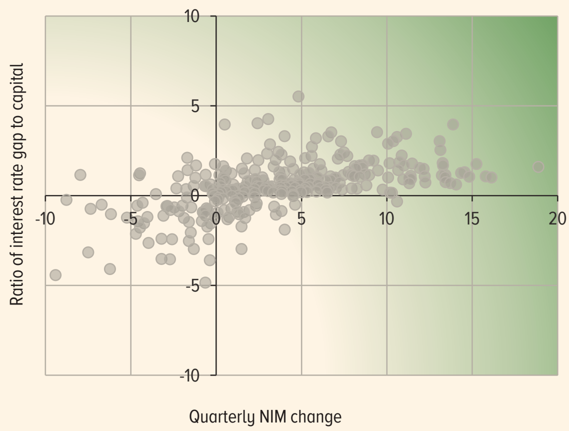
As a result, interest rate risk had a minor effect on the financial performance of not only the sector as a whole, but also of most banks. Over the said period, 76% of banks (accounting for 41.7% of the banking sector's assets as of 1 April 2025) recorded a rise in their quarterly NIM. The growth of their NII was driven primarily by interest on interbank claims and deposits with the Bank of Russia. In addition, the majority (86%) of them

INCREASES IN LOAN PORTFOLIO PROFITABILITY AND COST OF FUNDING AMID KEY RATE RISE FROM 1 JULY 2023 TO 1 APRIL 2025 *Chart 56*
(PP)



Sources: Reporting Forms 0409101 and 0409102.

BREAKDOWN OF QUARTERLY NIM CHANGE (AXIS X, PP) RELATIVE TO AVERAGE INTEREST RATE GAP OVER ONE-YEAR HORIZON IN RUBLES (AXIS Y, GAP / CAPITAL) FROM 1 JULY 2023 TO 1 APRIL 2025 *Chart 57*



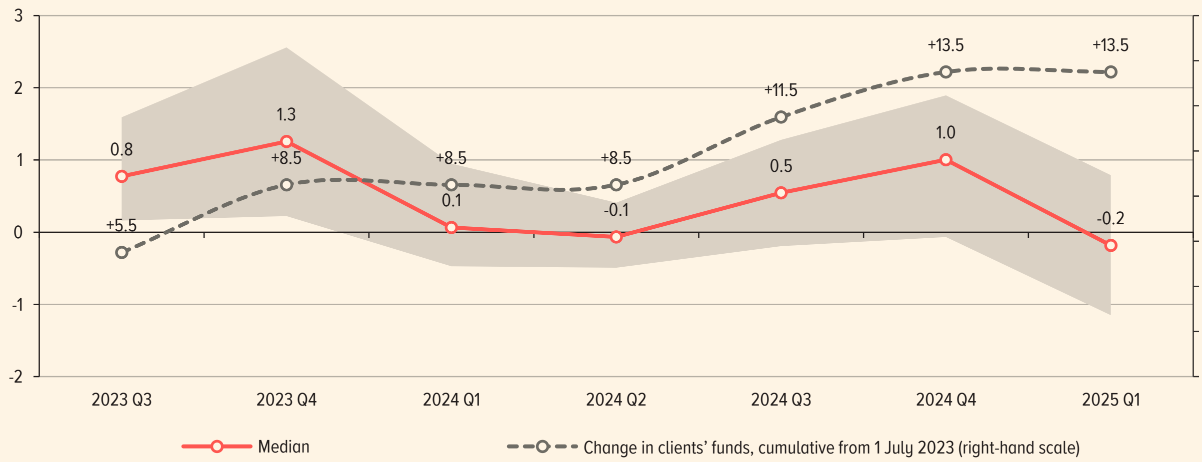
Sources: Reporting Forms 0409101, 0409102 and 0409127.

had a positive interest gap over the period under review, that is, their interest rate-sensitive assets were greater than interest rate-sensitive liabilities over the year (Chart 57).

Contrastingly, 17% of banks (accounting for 40.7% of the sector's assets) faced a decline in the NIM, which was caused by a decrease in their NII as their expenses on individuals' funds were growing faster than income from corporate loans. These banks' cost of funding with clients' money was up by 10.6 pp to 16.0% (the median change), while income from clients' loan portfolio – by 7.3 pp to 18.4%. The reduction in the NIM at the remaining 7% of banks (accounting for 17.6% of the sector's assets) was mostly associated with a considerable increase in performing assets as compared to NII.

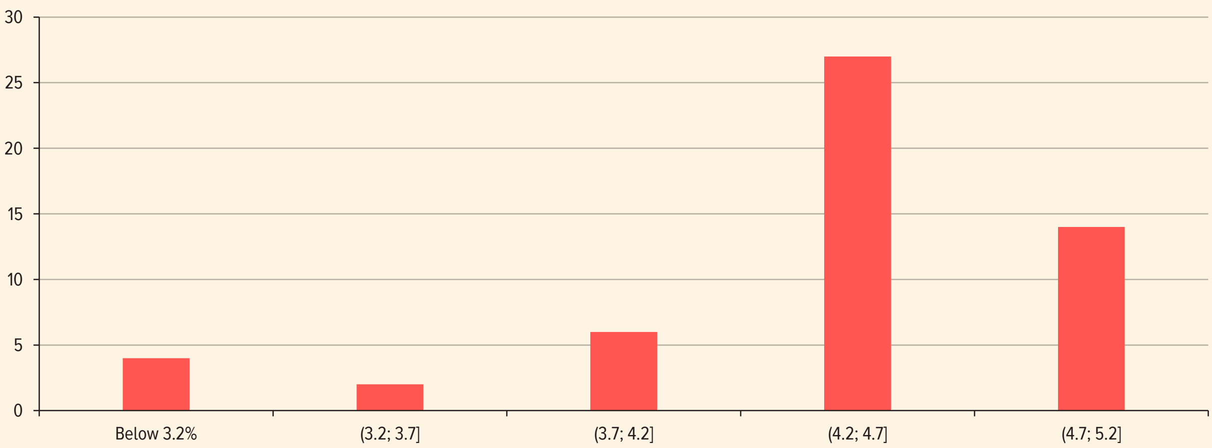
Since 2012, the banking sector's NIM has frequently stayed above 4% (Chart 59) – banks have been thus forming a safety cushion to be protected in case of risk materialisation. In 2023–2025, the median change in the quarterly NIM has been positive for the most part as long as interest expenses at the majority of banks are characterised by relatively low sensitivity to interest rate changes (Chart 58). However, amid strengthening competition for clients' funds, the cost of funding might become more sensitive to interest rate changes. It is critical for banks to enhance the quality of their interest rate risk management to be able to maintain their margin.

MEDIAN CHANGE IN BANKS' QUARTERLY NIM FROM 1 JULY 2023 TO 1 APRIL 2025 (PP) *Chart 58*



Note. All banks, except for the BNA.
Sources: Reporting Forms 0409101 and 0409102.

DISTRIBUTION OF QUARTERLY NIM ACROSS BANKS FROM 2012 TO DATE (NUMBER OF QUARTERS) *Chart 59*



Sources: Reporting Forms 0409101 and 0409102.

For the banking sector to remain resilient, it is essential for banks to ensure a high quality of interest rate risk assessments and improve the ratio between assets and liabilities in terms of maturities. It is also crucial for banks to prevent interest rate risk from translating into credit risk with regard to borrowers accounting for a high share of variable rate loans (Box 7).

Box 7. Variable rate loans in the corporate portfolio

Russian banks' exposure to interest rate risk is explained by both the nature of the banking business (a high proportion of short-term liabilities and long-term assets) and structural factors, such as the lack of irrevocable deposits, no penalty for early repayment of retail loans, and limited opportunities of hedging through derivatives, especially after non-residents' exit from the market of ruble-denominated interest rate swaps. In such conditions, banks frequently accept this risk, covering it by a high margin.

An increase in variable rate lending has become an essential factor improving banks' resilience to interest rate risk in recent years. This trend has enabled banks to expand the share of assets whose returns have been promptly revaluated amid growing interest rates and has supported the margin on credit and deposit transactions. Thus, the proportion of variable rate loans in banks' corporate portfolio increased by 22 pp from early 2023, reaching 65% as of 1 April 2025.

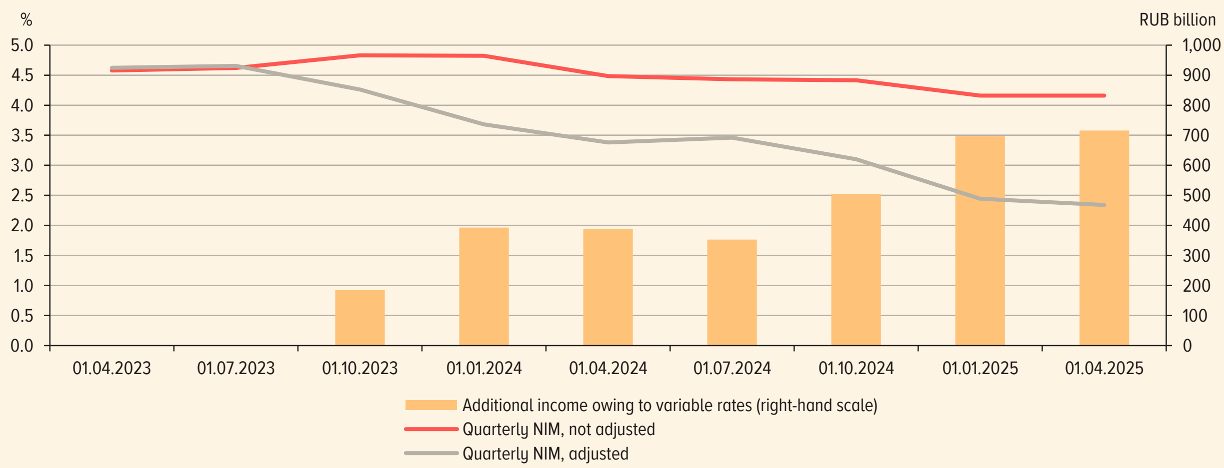
Variable interest rates in lending make monetary policy more efficient (part of the interest rate channel: the transmission of variable interest rates into borrowers' interest expenses on outstanding loans), but may influence financial stability. This impact is translated through two opposite effects:

1. *Positive*. By providing variable rate loans, banks are able to naturally hedge their interest rate risk related to changes in the cost of funding. When interest rates go up, the pressure on banks' margin decreases, which contributes to the banking sector's resilience during the period of monetary policy tightening. Over 2024, lending at variable rather than fixed interest rates accounted for nearly 1.3 pp of Russian banks' annual NIM. Otherwise, low-margin banks would have faced the risk of a reduction in the margin to the minimum.

2. *Negative*. An increase in borrowers' debt burden might cause materialisation of credit risk and banks' losses from provisioning. Therefore, it is critical for banks to monitor borrowers' financial standing and the quality of respective loans. Currently, the quality of variable rate loans remains high compared to fixed rate loans. The ratios of restructured variable and fixed rate loans are also comparable.

Hence, income from variable rate loans helps the banking sector remain resilient during the period of tight monetary policy. If not for the opportunity of issuing variable rate loans, banks would have most likely decided not to expand lending and would have considerably reduced loan maturities. However, given an increasing

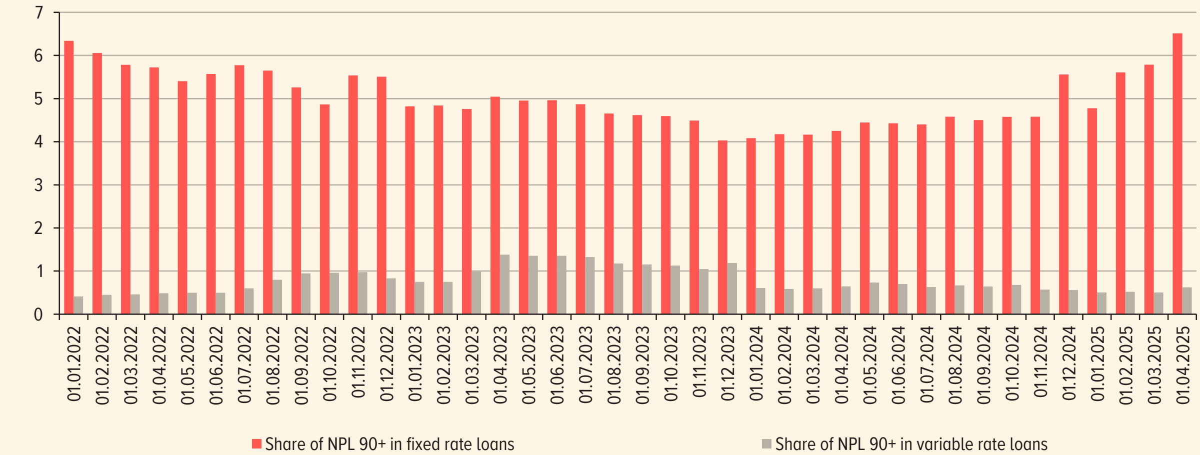
NIM DYNAMICS SUBJECT TO REPLACEMENT OF VARIABLE RATE WITH FIXED RATE FOR EARLIER ISSUED LOANS *Chart 60*



Sources: Reporting Forms 0409101, 0409102 and 0409303.

proportion of variable rate loans, it is essential for banks to meticulously assess the quality of servicing of variable rate loans and take this into account when analysing interest rate risk.

QUALITY OF LOANS TO LARGE CORPORATES BY INTEREST RATE TYPE (EXCLUDING BANKS UNDERGOING RESOLUTION) *Chart 61*
(%)



Source: Reporting Form 0409303.

3.5.2. Revaluation of credit institutions' bond portfolio[30]

The general upward trend in bond yields observed for the most part of 2024 reversed in December 2024 as market participants revised their expectations about future monetary policy and the Bank of Russia kept the key rate at 21% per annum. From December 2024 through March 2025, government and corporate bond yields predominantly declined, specifically by 317 bp and 479 bp, respectively. That said, over 2024 Q4–2025 Q1, on average, OFZ yields dropped by 157 bp along the curve, whereas corporate bond yields (RUCBTRNS) remained nearly unchanged, rising by as little as 6 bp.

Lower yields had a positive effect on the value of banks' bond portfolios. As of the end of 2024 Q4–2025 Q1, the positive revaluation of banks' bond portfolio amounted to ₽71.0 billion[31] (Chart 62), which is 0.4% of the banking sector's capital. The positive revaluation increased most significantly in December 2024 (₽218 billion).

Over the past two quarters, the proportion of securities recognised in accounts at amortised cost (not subject to revaluation and normally held to maturity) in the banking sector's portfolios was up in terms of higher investment in OFZ and corporate bonds from 25.3% and 43.4% as of 1 October 2024 to 27.3% and 55.6% as of 1 April 2025, respectively. The accumulated but unrecognised negative revaluation of the banking sector's ruble bond portfolio (HTM portfolio)[32] declined by ₽101.1 billion to ₽705.5 billion (0.42 pp of banks' N1.0)[33] (Chart 63).

Over the past two quarters, the banking sector increased its investment in bonds by ₽3.86 trillion to ₽23.91 trillion in nominal terms (12.5% of the banking sector's assets). This growth was mostly

30 The banking sector's ruble bond portfolio was evaluated based on nominal bond prices (net of accrued interest); substitute bonds denominated in currencies other than the ruble were not taken into account. The calculations are given including VEB.RF.

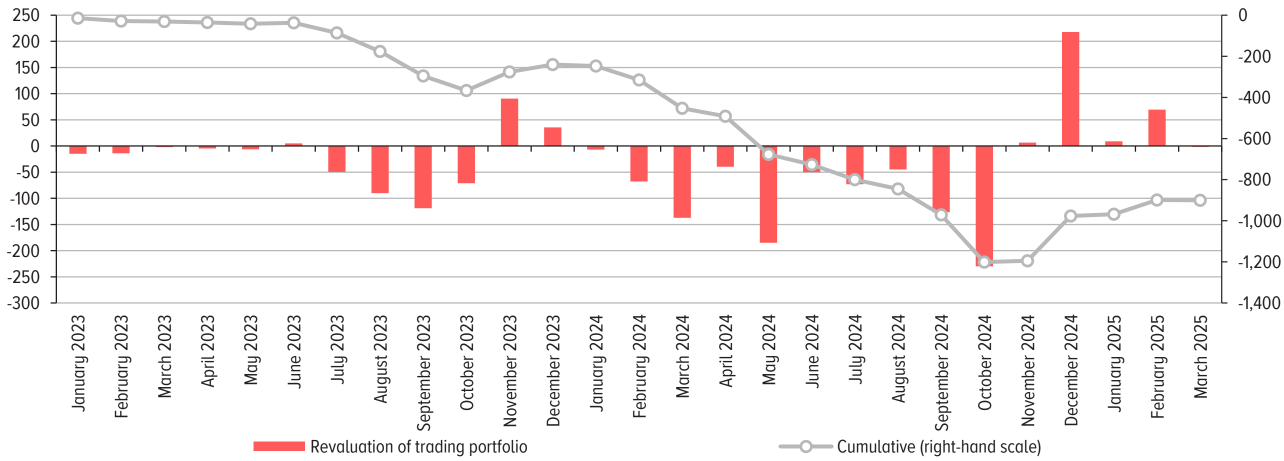
31 The actual amount of the revaluation of the banking sector's ruble bond portfolio was calculated including balance sheet subaccounts (securities recognised at amortised cost were not revaluated).

32 The revaluation of the portfolio of held-to-maturity securities.

33 As of 1 April 2024, the banking sector's N1.0 was 13.0%.

MONTHLY CHANGES IN NEGATIVE REVALUATION OF BOND TRADING PORTFOLIO
(RUB BILLION)

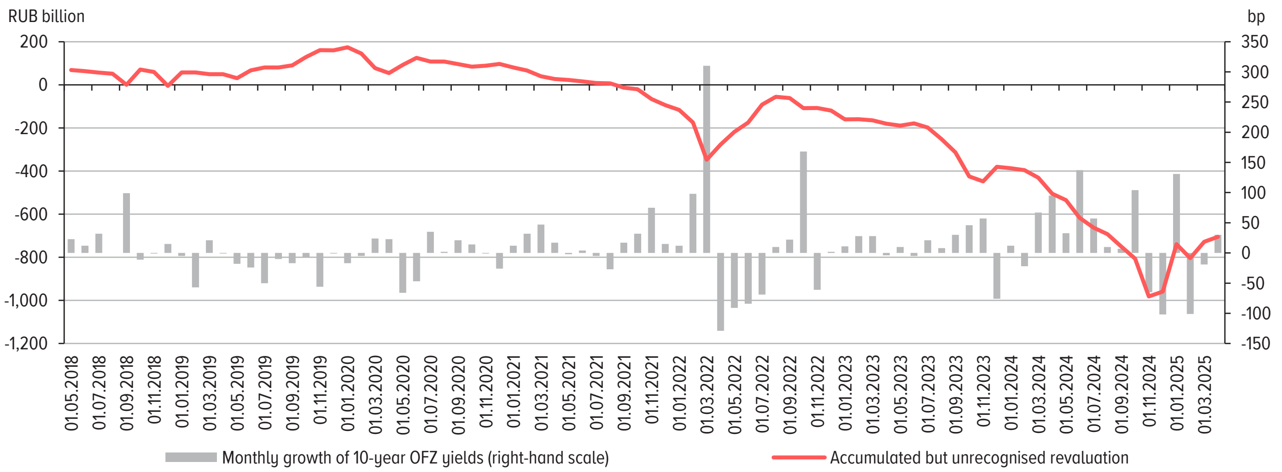
Chart 62



Source: Reporting Form 0409711.

ACCUMULATED BUT UNRECOGNISED REVALUATION (FOR HTM PORTFOLIO) AND OFZ YIELDS GROWTH

Chart 63



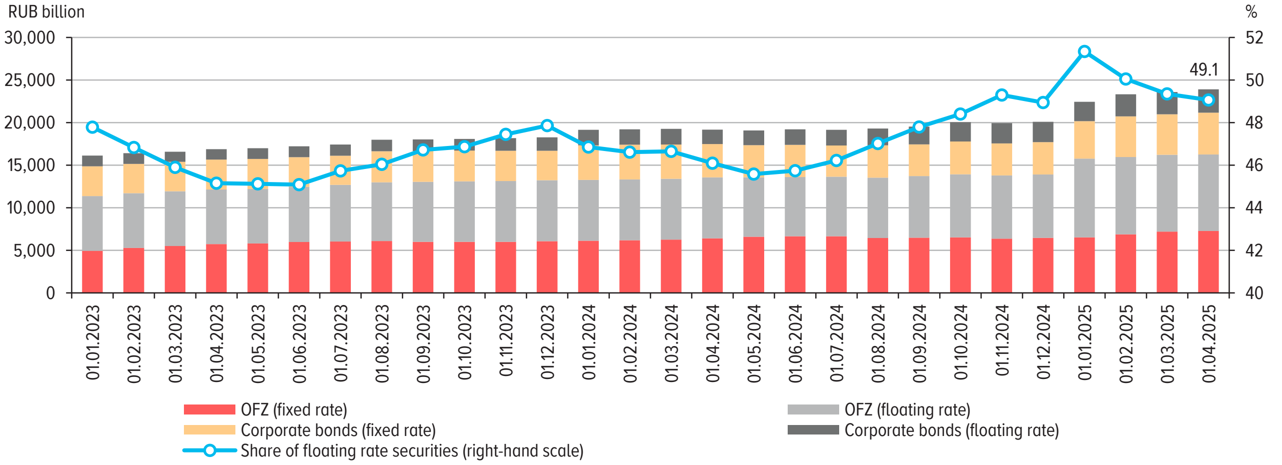
Sources: Reporting Form 0409711, Moscow Exchange.

accounted for by OFZ, with the value of OFZ held by the banking sector rising by ₽2,321 billion, while the value of corporate bonds held by banks was up by ₽1,536 billion.

In 2024 Q4, banks primarily invested in variable coupon securities, whereas in 2025 Q1, they started to extensively purchase fixed coupon bonds. The change in the strategy was due to market participants' revised expectations about future monetary policy, among other things. Over the past two quarters in general, banks' portfolios of variable and fixed coupon bonds expanded by ₽2,025 billion and ₽1,832 billion, respectively. Accordingly, the proportion of variable coupon securities in banks' portfolios was up to 51.3%, while declining to 49.1% by the end of the period under review (vs 48.4% as of the beginning of 2024 Q4) (Chart 64).

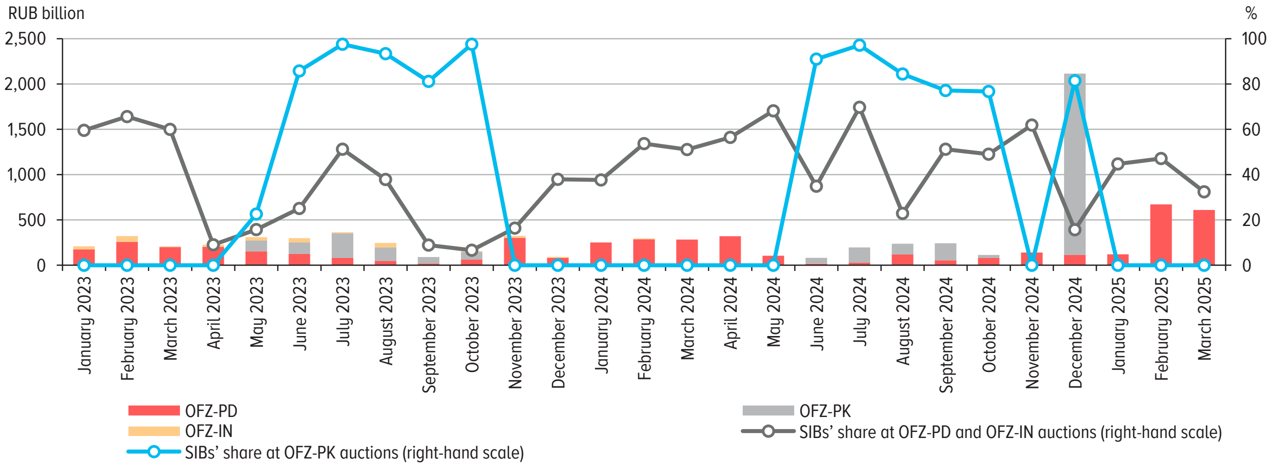
As before, banks were the main buyers of government bonds. Banks' demand for variable coupon bonds in 2024 Q4 enabled the Ministry of Finance of the Russian Federation to sell OFZ-PK worth ₽2 trillion at two auctions in December 2024, mostly to SIBs (81.5%). Amid a rise in investors' demand for fixed coupon securities from early 2025, the Ministry of Finance of the Russian Federation began to offer OFZ-PD. The amount of the issue sold in 2025 Q1 was record-high for OFZ-PD auctions

BONDS (FACE VALUE) HELD BY THE BANKING SECTOR (RUB BILLION) AND SHARE OF FLOATING RATE SECURITIES *Chart 64*



Sources: Reporting Form 0409711, Cbonds.

OFZ AUCTIONS BY BOND TYPE AND SIBS' SHARE AT AUCTIONS *Chart 65*



Sources: Ministry of Finance of the Russian Federation, Moscow Exchange.

over the past few years. In 2025 Q1, SIBs' average monthly share in the primary offerings of OFZ-PD equalled 41.4% (Chart 65). NBFIs (as part of trust management) also demonstrated high demand for OFZ-PD: over January–March 2025, NBFIs accounted on average for 29.0% of the primary offerings.

Further dynamics of the banking sector's securities portfolios will depend on the influence of the geopolitical environment, inflation trends, and the balance of the budget on the Russian market.

3.5.3. Budget deficit and increasing OFZ borrowings

Over January–April 2025, the budget deficit expanded to ₽3.2 trillion, or 1.5% of GDP, which is significantly more YoY (in January–April 2024, the budget deficit was ₽1.1 trillion). In 2025 Q1, the budget deficit increase was associated with a rise in government spending by 20.8% YoY, specifically from ₽12.8 trillion in January–April 2024 to ₽15.5 trillion in January–April 2025 (Table 8). The growth in spending over the said period was caused by earlier financing under quickly concluded government contracts.

Originally, the budget deficit as of the end of 2025 was forecast at ₽1.2 trillion, or 0.5% of Russia's GDP. However, due to lower crude prices, the budget deficit forecast was revised upwards to ₽3.8 trillion, or 1.7% of the country's GDP. Nevertheless, it is expected to decrease over the planning period of 2026–2027 to 0.9% and 1.1% of GDP, respectively (Chart 66). In order to finance the deficit, the Ministry of Finance of the Russian Federation plans to borrow ₽4.8 trillion gross through internal government borrowings (net borrowings will amount to ₽3.4 trillion, or 1.5% of GDP).

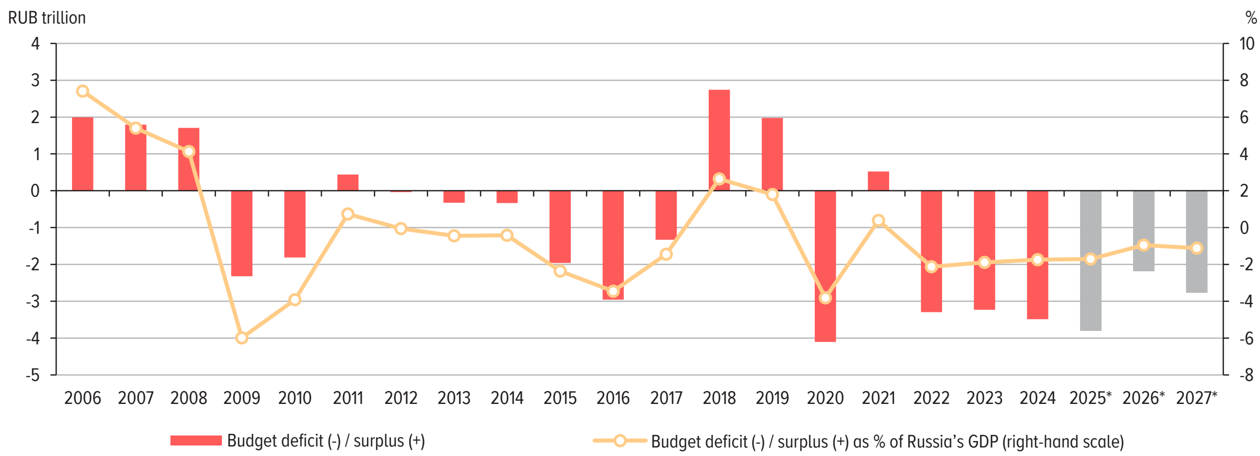
The current parameters of the budget deficit for 2025 are based on the exchange rate of 94.3 rubles per US dollar and the export price of Russian crude equalling $56 per barrel. However, the exchange rate and the Russian crude price are lower so far. These deviations from the forecast might cause a reduction in oil and gas revenues and an increase in the budget deficit in 2025, although its growth will not be considerable. Overall, risks to budget stability are limited owing to Russia's historically low sovereign debt, the effect of the fiscal rule, and the reserves accumulated over the years of high oil prices. Furthermore, to maintain the stability of the bond market, it is essential to return inflation to the target, which will be facilitated by the Bank of Russia's monetary policy.

BUDGET REVENUES / EXPENDITURES AND SURPLUS / DEFICIT IN JANUARY–APRIL 2025 *Table 8*
(RUB BILLION)

	January–April 2025	January–April 2024	YoY	Approved by Federal Law No. 419-FZ, dated 30 November 2024
Revenues	**12,274**	**11,689**	**5.00**	**38,506**
Oil and gas revenues, including	3,727	4,157	-10.30	8,317
basic oil and gas revenues	*3,424*	*3,676*	*-6.90*	*8,765*
Non-oil and gas revenues, including	8,546	7,532	13.50	30,189
VAT (production and imports)	*4,419*	*4,362*	*1.30*	*15,706*
Expenditures	**15,499**	**12,830**	**20.80**	**42,299**
government purchases	*4,045*	*3,360*	*20.40*	*8,541*
Deficit	**-3,225**	**-1,140**	**-2,085**	**-3,792**
% of GDP	*-1.50*	*-0.60*		*-1.70*

Sources: Ministry of Finance of the Russian Federation.

BUDGET DEFICIT / SURPLUS IN ABSOLUTE TERMS AND RELATIVE TO RUSSIA'S GDP *Chart 66*



** Forecast values according to Federal Law No. 419-FZ, dated 30 November 2024, 'On the Federal Budget for 2024 and the 2025–2026 Planning Period'.*
Sources: Ministry of Finance of the Russian Federation, Rosstat.

4. ASSESSMENT OF THE FINANCIAL SECTOR'S RESILIENCE

4.1. Assessment of the banking sector's resilience

The banking sector remains resilient overall. Despite a slight decline in the interest margin, annual returns on banks' assets stayed close to 1.9% owing to the positive revaluation of securities over the period under review, increased operating earnings, and the reserves remaining at the previous year's level. Capital adequacy recovered to the historical averages (13.0% as of 1 April 2025 vs the average of 12.7% recorded since 2014) as a result of stable returns and a slower expansion of the loan portfolio. Banks' capital cushion increased from 4.5 pp to 4.7 pp of the N1.0, taking into account the requirements to comply with the add-ons, and from 5.2 pp to 5.6 pp, including the macroprudential capital buffer accumulated by banks. Dividend payments by banks will put pressure on capital adequacy (the simultaneous effect of the largest dividend payments from 2020 to 2024 approximated -0.5 pp of the banking sector's N1.0). However, the scheduled increase in the CCyB rate by 0.25 pp to 0.5% from 1 July 2025 will support banks' resilience.

The influence of the LCR on banking product pricing weakened in early 2025 after the Bank of Russia loosened the schedule for phasing out the easing measures related to the LCR and allowed more flexibility for SIBs in complying with the LCR. The spread between banks' deposit rates and the Bank of Russia key rate[1] narrowed and, from February 2025, became negative again in the retail segment (-1.4 pp in the first ten days of May). Beginning on 1 July 2025, SIBs are to maintain the LCR calculated without an ICL at a level of at least 60% using their own assets (currently, it is 50%). This scheduled increase will have a limited impact on monetary conditions, taking into account the growth in the largest banks' actual LCRs over the period under review and the opportunity to flexibly use an ICL. Furthermore, the national LCR is to become effective earlier, from 1 October 2025. The new ratio will take into account the national specificity, thus regulating SIBs' short-term liquidity risk more accurately.

4.1.1. Banks' profit margin and capital cushion

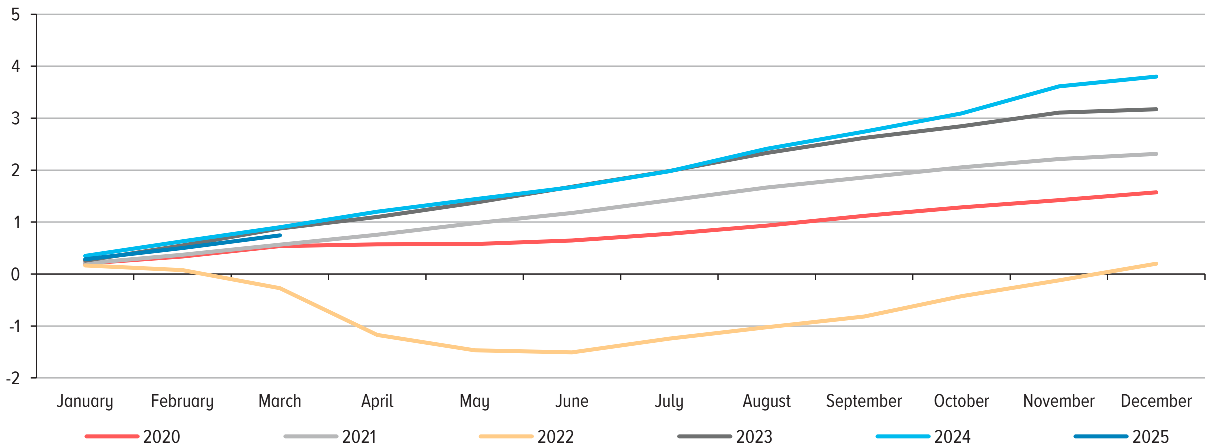
As before, net interest and fee income remains the major source of banks' profit (Chart 68), which totalled approximately ₽0.7 trillion as of the end of 2025 Q1. However, as long as the growth rate of NII dropped due to higher interest expenses, its contribution to the profit margin dynamics declined, specifically from 0.2 pp in annual returns on assets over the previous reporting period to as little as 0.04 pp over the period under review (Chart 69). Currently, the NIM is at a quite comfortable level (4.2%), but is still below its historical average. The decrease in the ratio of NII to interest income (Chart 72) suggests a worsening of the conditions of banks' interest-based business – since 2012, this ratio has been at the minimum level. Moreover, the NIM might decline in 2025 due a rise in credit risk in the conditions of a long period of high interest rates.

Over the period under review, banks were able to maintain annual returns on assets at a stable level of close to 1.9% primarily owing to the positive revaluation of securities, higher operating earnings, and the reserves remaining at the previous year's level (Chart 69). The distribution of annual returns on assets across banks remained nearly unchanged (Chart 70).

[1] The difference between the maximum interest rate on household deposits (the average across the Top 10 banks) and the Bank of Russia key rate.

BANKING SECTOR'S PROFIT, CUMULATIVE, YEAR-TO-DATE
(RUB TRILLION)

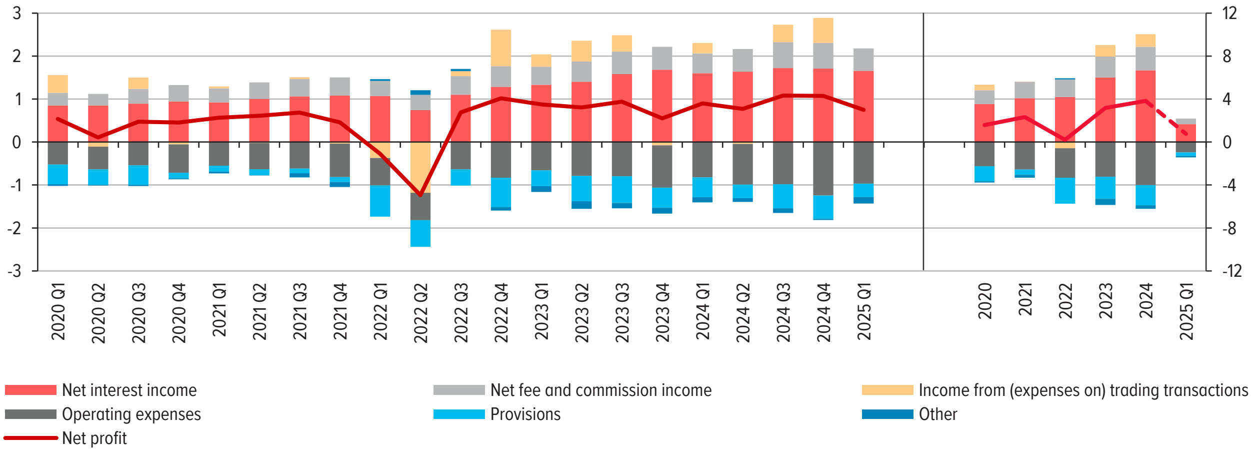
Chart 67



Note. For all credit institutions, except the BNA, adjusted for Russian banks' dividends.
Source: Reporting Form 0409101.

STRUCTURE OF BANKING SECTOR'S PROFIT
(RUB TRILLION)

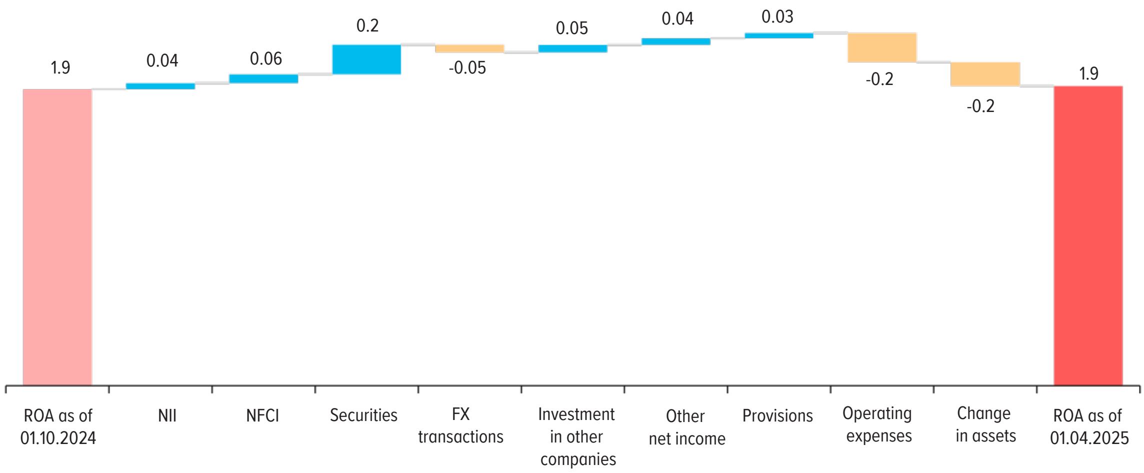
Chart 68



Note. For all credit institutions, except the BNA, adjusted for Russian banks' dividends.
Source: Reporting Form 0409102.

FACTORS OF CHANGES IN RETURNS ON BANKING SECTOR'S ASSETS FROM 1 OCTOBER 2024 TO 1 APRIL 2025
(PP)

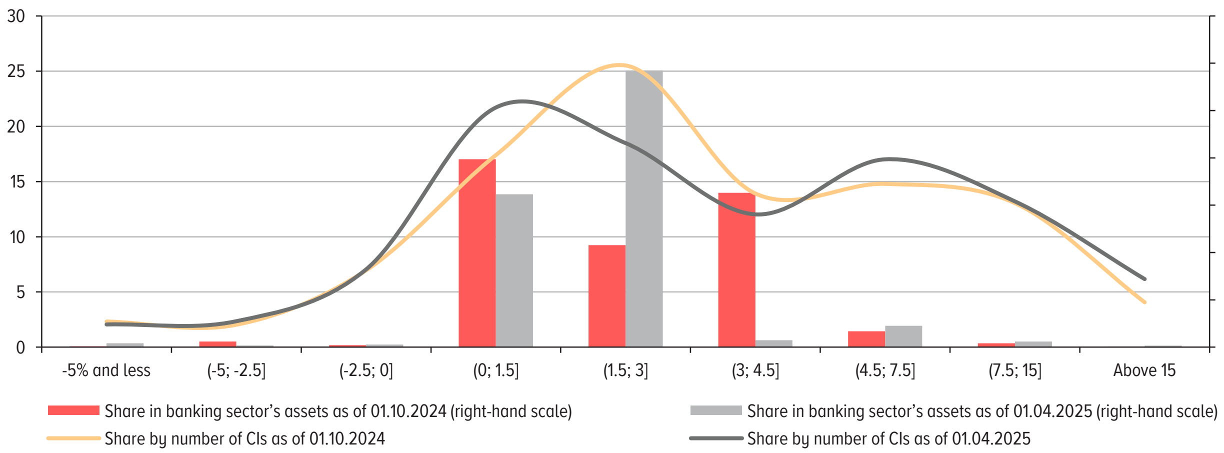
Chart 69



Note. For all credit institutions, except the BNA.
Sources: Reporting Forms 0409101 and 0409102.

BREAKDOWN OF ANNUAL RETURNS ON BANKING SECTOR'S ASSETS
(%)

Chart 70



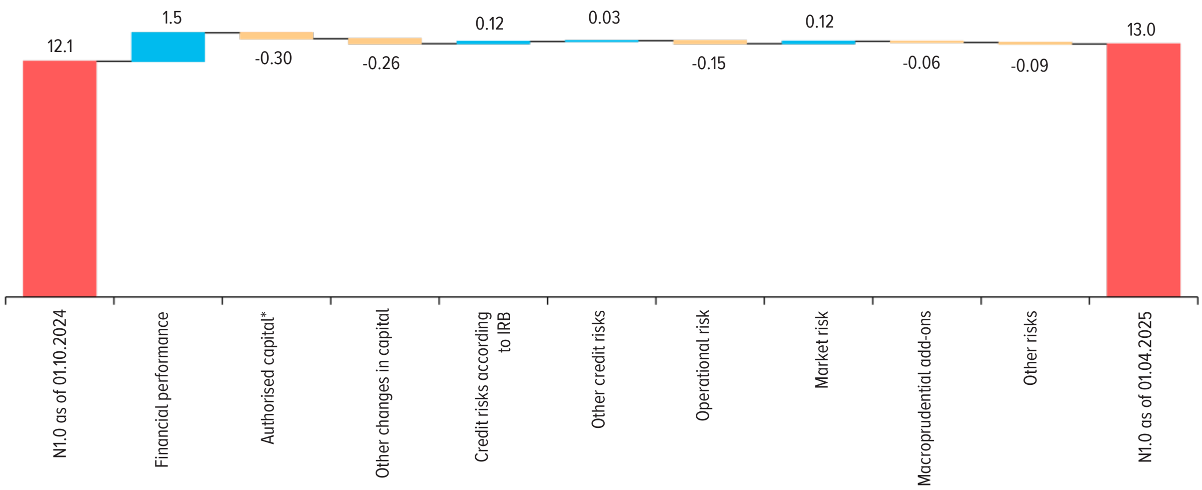
Note. For all credit institutions, except the BNA.
Source: Reporting Form 0409101.

Over the period from 1 October 2024 to 1 April 2025, banks' capital adequacy was up by 0.9 pp from 12.1% to 13.0%, driven by the growth of financial performance in the capital sources (+1.5 pp). Another important factor behind the increase was a reduction in credit and market risks (+0.15 pp and +0.12 pp, respectively). The decline in the magnitude of market risk in the denominator of the N1.0 ratio was associated with the ruble strengthening over the period under review (the reduction in FX risk and the revaluation of debt securities accounted for +0.09 pp and +0.03 pp in the N1.0 growth rate, respectively).

From 1 January 2025, banks with a universal licence continued to restore the add-ons to their CARs in accordance with the established schedule. The capital conservation buffer and the systemic importance buffer were up by 0.25 pp. In addition, the CCyB rate was set at 0.25% from 1 February 2025 and will increase to 0.5% from 1 July 2025. Thus, over the period from 1 October 2024 to 1 April 2025, the add-ons to CARs were raised by 0.75 pp from 0.25% to 1% for SIBs and by 0.5 pp from 0.25% to 0.75% for banks with a universal licence.

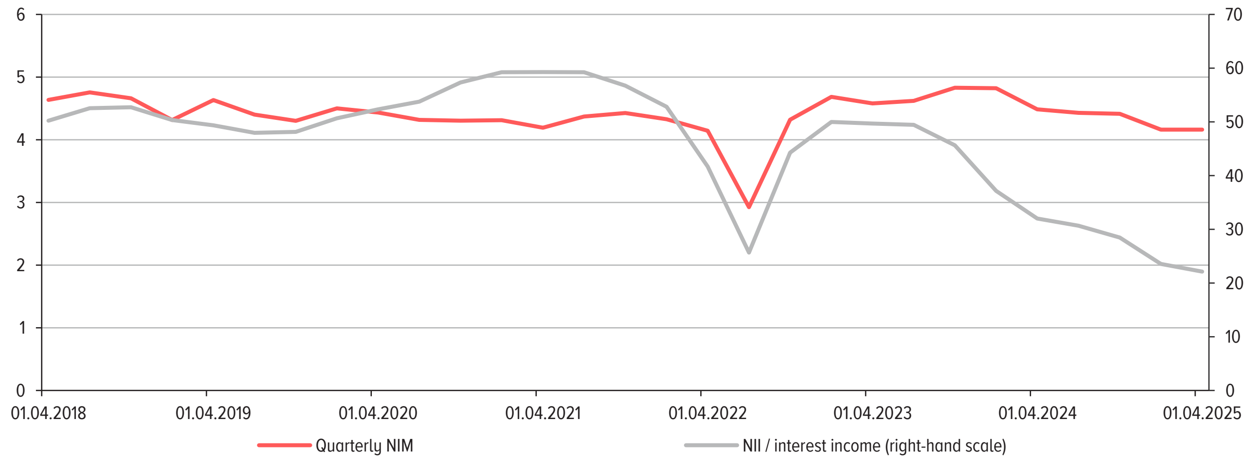
CHANGE IN BANKS' CAPITAL ADEQUACY FROM 1 OCTOBER 2024 TO 1 APRIL 2025
(PP)

Chart 71



** Including the share premium. Consolidation in the banking sector through mergers of SIBs caused a significant decrease in total authorised capital in the sector's capital sources.*
Sources: Reporting Forms 0409123 and 0409135.

RATIO OF NII TO INTEREST INCOME IN 2018–2025 *Chart 72*
(%)



Sources: Reporting Forms 0409101 and 0409102.

Despite the increased add-ons, as of the end of the period under review, the capital cushion calculated as the difference between the actual and required ratios, including the add-ons, was up from 4.5 pp to 4.7 pp of the N1.0 and, taking into account the accumulated macroprudential buffer, from 5.2 pp to 5.6 pp of the N1.0. Large dividend payments over the course of 2025 might reduce banks' capital cushion (the simultaneous effect of the largest dividend payments from 2020 to 2024 approximated -0.5 pp of the banking sector's N1.0).

4.1.2. Liquidity situation in the banking sector

Banks increased the LCR over the period under review, with SIBs' LCR (including the ICL limit in the LCR numerator) rising from 108% to 111% (Chart 73). The rise in the LCR was primarily driven by growth in HLAs (+9 pp in the LCR increase). Thus, the LCR excluding the ICL was up from 89% to 94% amid SIBs' higher investment in OFZ. Furthermore, SIBs reduced their demand for the Bank of Russia's refinancing operations (from ₽5 trillion to ₽1.7 trillion secured by non-marketable assets), which a number of SIBs had previously used in order to raise their LCR without changing their balance sheet structure through market methods.

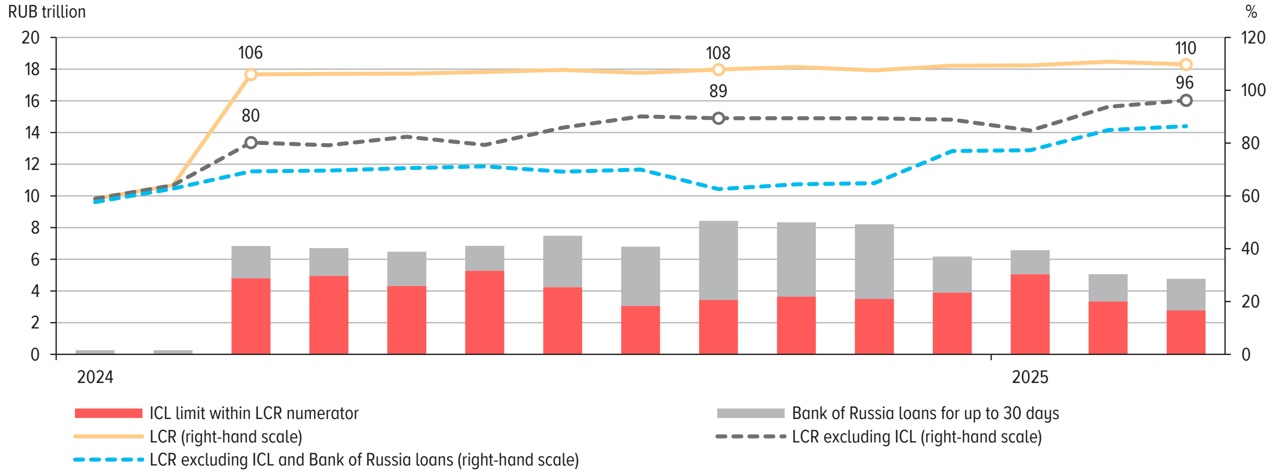
Another evidence of the stabilisation of the situation is a narrower spread between banks' deposit rates and the Bank of Russia key rate. At the end of 2024, amid growing competition among banks for clients' funds to raise the LCR in anticipation of the scheduled restoration of the requirements for the LCR, the spread widened, which caused an increase in banks' cost of funding and a decline in their NIM. So as to limit the impact of this factor on banking product pricing, in 2024 Q4, the Bank of Russia expanded the opportunities for banks to use ICLs in order to comply with the LCR and postponed the increase from 50% to 60% in the required level of the LCR without using an ICL for six months from 1 January 2025 to 1 July 2025. As a result, the spread between banks' deposit rates and the Bank of Russia key rate[2] narrowed and, from February 2025, became negative again in the retail segment (-1.4 pp in the first ten days of May) (Chart 74).

Amid the easing, SIBs increased the limit of the ICL from ₽5.2 trillion to ₽6.5 trillion, yet the scale of its usage for maintaining the LCR remained moderate. As of the end of the period under review, the ICL

2 The difference between the maximum interest rate on household deposits (the average across the Top 10 banks) and the Bank of Russia key rate.

SIBS' LCR

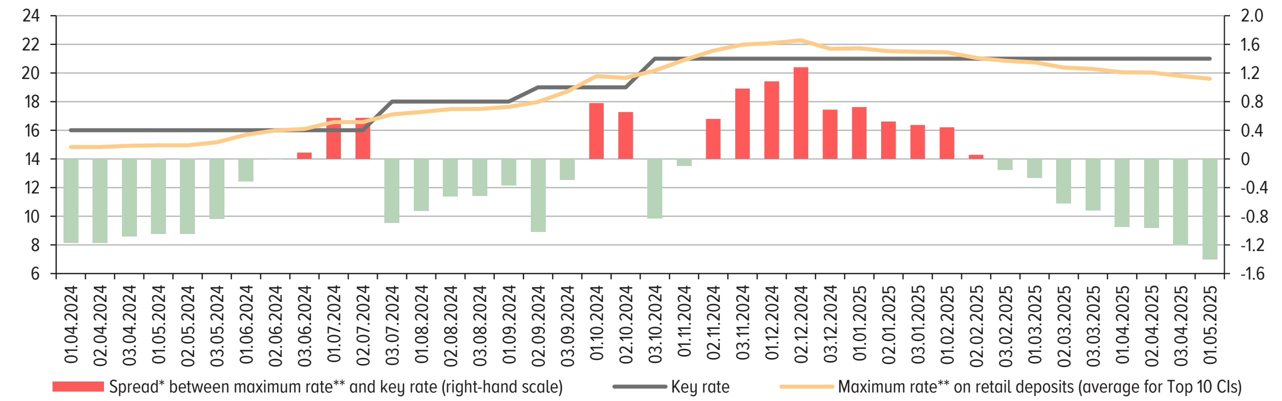
Chart 73



Sources: Reporting Forms 0409135 and 0409805.

AVERAGE MAXIMUM INTEREST RATE ON RETAIL DEPOSITS AMONG LARGEST CREDIT INSTITUTIONS
(%)

Chart 74



** Red – spread over 0, green – spread below 0.*
*** The average maximum interest rate is calculated as an arithmetic mean of the maximum interest rates (on ruble deposits) of the Top 10 credit institutions attracting the largest amount of retail deposits.*
Source: Results of monitoring of credit institutions' maximum interest rates for the first tend days of May 2025.

limit in the LCR numerator declined from ₽3.4 trillion to ₽3.3 trillion (17% of the LCR denominator). The usage ratio of the opened limit dropped from 66% to 51%.

Beginning on 1 July 2025, SIBs are to maintain the LCR calculated without an ICL at a level of at least 60%. This increase will have a limited impact on monetary conditions, taking into account the growth of the largest banks' actual LCRs and the opportunity to flexibly use an ICL. Furthermore, the national LCR is to become effective earlier, from 1 October 2025. The new ratio will take into account the national specificity, thus regulating SIBs' short-term liquidity risk more accurately.

4.2. Assessment of non-bank financial institutions' resilience

In 2024, the NBFI segment demonstrated high growth rates, which in many sectors exceeded that of the banking sector (19%).[3] The highest growth rates of assets were recorded among UIFs, MFOs,[4] and brokers. Closed-end and money market UIFs recorded the most considerable increase in the NAV. Insurers and NPFs showed the highest growth rates of assets over the past five years owing to the development of endowment life insurance and the LSP. The increase in the brokerage industry's assets was mostly accounted for by several brokers with a small number of clients (up to 3,000). Contrastingly, the growth of leasing companies' assets decelerated amid weaker demand for leasing and materialisation of credit risks.

As the NBFI market adapted to interest rate risk (by increasing investment in deposits and reducing the value and maturities of assets in the trading book), its participants managed to restore ROA as of the end of 2024. Despite the overall rise in credit risks in the economy, the impact on insurers and NPFs will be minor owing to the high quality of their investments. Conversely, the leasing market is facing a gradual increase in non-performing debt (to 7.3% of the lease portfolio as of 1 April 2025)[5] and seized assets on leasing companies' balance sheets.

NBFI ASSETS *Table 9*

	Assets, RUB trillion		Growth, %
	2023	2024	
UIFs*	12.4	16.8	36
Insurers	5.3	6.3	20
NPFs	5.4	5.9	8
Brokers – NBFIs	1.4	1.8	28
MFOs**	0.36	0.52	45
Leasing companies***	5.4	5.9	9

** Net asset value.*
*** MFOs' consumer microloan portfolio.*
**** According to RAS statements of 43 leasing companies surveyed by the Bank of Russia. The surveyed companies' total lease portfolio as of 1 January 2025 is estimated at ₽10.6 trillion, which is 80% of the market. The lease portfolio is recognised in leasing companies' assets at a discount rate within the value of net investment in lease (leasing).*
Source: Bank of Russia.

4.2.1. Insurers

Insurers have maintained their capital cushion at a high level. Despite the scheduled tightening of the capital calculation requirements (the increase in the risk ratios), the growth of liabilities to cover insured risk amid a considerable expansion of the portfolio of investment life insurance and endowment life insurance contracts, and rising interest rate risk related to fixed rate investment amid high interest rates, as of the end of 2024, insurers' regulatory equity-to-liabilities ratio equalled 212.3% (-100.6 pp) even after dividend payments. This is notably above the threshold and the 2022 level. Non-life insurers' equity-to-liabilities ratio was up by 10.8 pp to 178%.

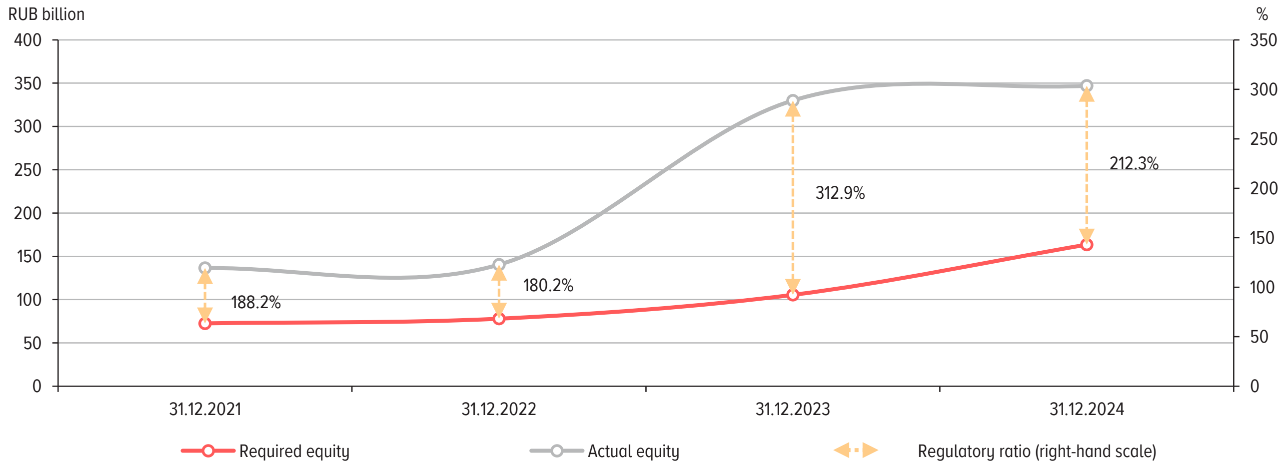
3 Not adjusted for foreign currency revaluation.

4 For details, see the section 'Consumer microfinance'.

5 Hereinafter, the data on troubled assets are given for a comparable sample of 12 companies accounting for 70% of the total lease portfolio as of 1 January 2025.

REGULATORY EQUITY-TO-LIABILITIES RATIO (LIFE INSURERS)

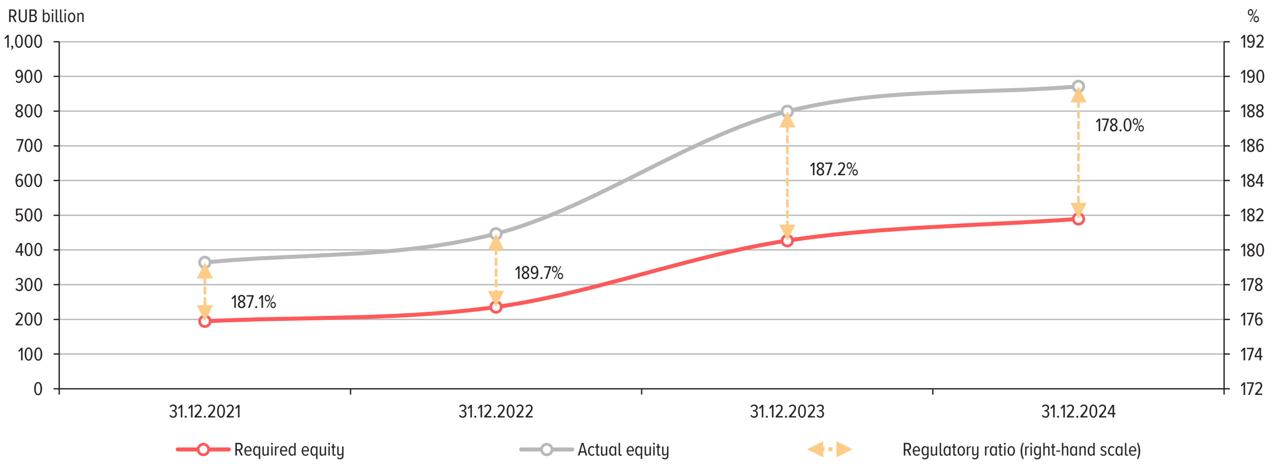
Chart 75



Source: Reporting Form 0420156.

REGULATORY EQUITY-TO-LIABILITIES RATIO (NON-LIFE INSURERS)

Chart 76



Source: Reporting Form 0420156.

The trend continued into 2025 Q1: life insurers recorded a reduction in their equity-to-liabilities ratio by 4.7 pp to 207.6%, whereas non-life insurers – its increase by 8 pp to 186%.

Insurers' credit risks remain low: the average credit rating of assets in insurers' investment portfolio is 'AA' according to the national rating scale.

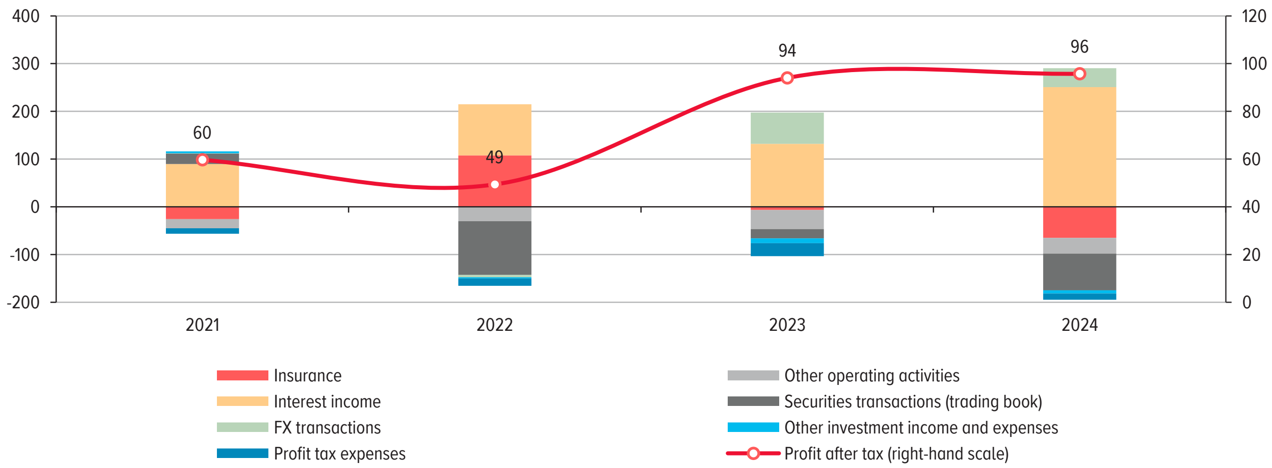
The insurance sector's net profit totalled ₽462.8 billion in 2024, which is 44% more than in 2023. This surge was mostly driven by higher interest income amid the expansion of investment in deposits that accounted for 28% of assets as of the end of 2024 (+6.4 pp YoY). Interest income is expected to be the main driver of insurers' financial performance throughout 2025. In particular, despite the negative effect of foreign currency revaluation (-₽81.9 billion), insurers' net profit over 2025 Q1[6] totalled ₽153 billion, which is 33.7% more YoY,[7] primarily driven by interest income received.

[6] As of 5 May 2025.

[7] Net profit for 2025 Q1 and 2024 Q1 was calculated based on IFRS 17.

LIFE INSURERS' FINANCIAL PERFORMANCE
(RUB BILLION)

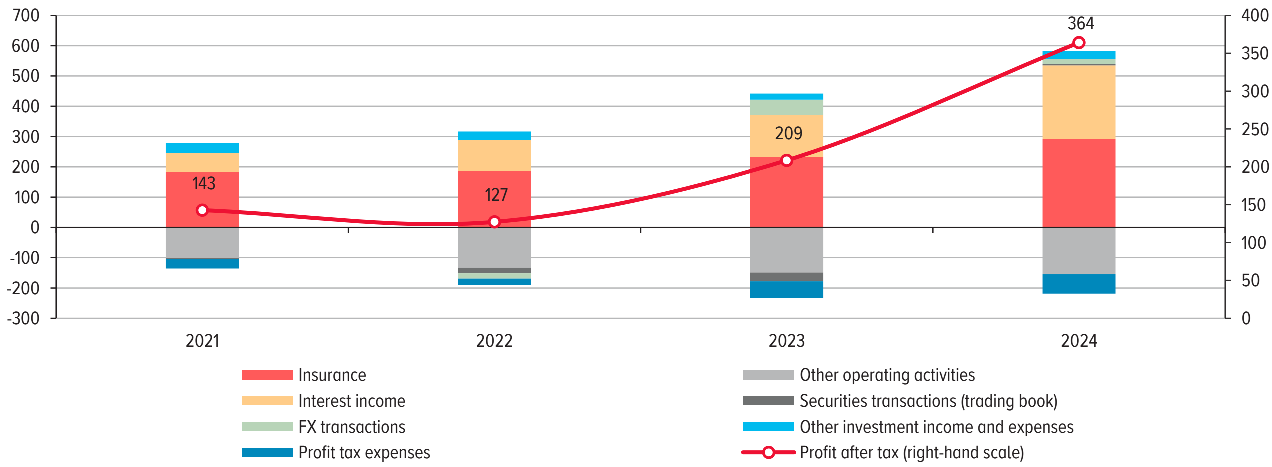
Chart 77



Source: Reporting Form 0420126.

NON-LIFE INSURERS' FINANCIAL PERFORMANCE
(RUB BILLION)

Chart 78



Source: Reporting Form 0420126.

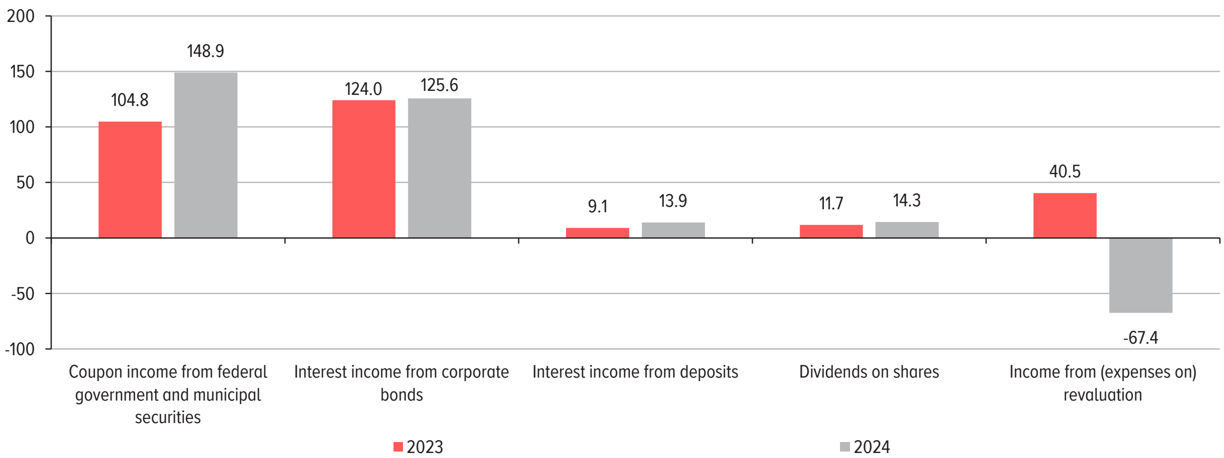
It should be noted that life insurers' net profit in 2024 remained at the level of 2023. Their investment income was negatively affected by the revaluation of the trading book. In response, insurers were decreasing their exposure to interest rate risk by reducing the maturities of assets in the trading book. Thus, assets with maturities of over one year in the trading book declined by 3.9 pp to 22%. Non-life insurers' net profit notably increased, driven by high performance in insurance business, among other factors.

4.2.2. Non-governmental pension funds

As of the end of 2024, changes in the structure of NPFs' assets helped mitigate interest rate risk and credit risk. Over 2024, assets with maturities of over one year in NPFs' trading book declined by 7.9 pp to 11%. Furthermore, NPFs were actively investing available liquidity in reverse repos – receivables on reverse repos doubled over the course of 2024. NPFs' credit risk lowered over the year as a result of a one-grade increase in the average credit rating of assets to 'AA' according to the national rating scale.

STRUCTURE OF RETURNS ON NPFS' PENSION SAVINGS
(RUB BILLION)

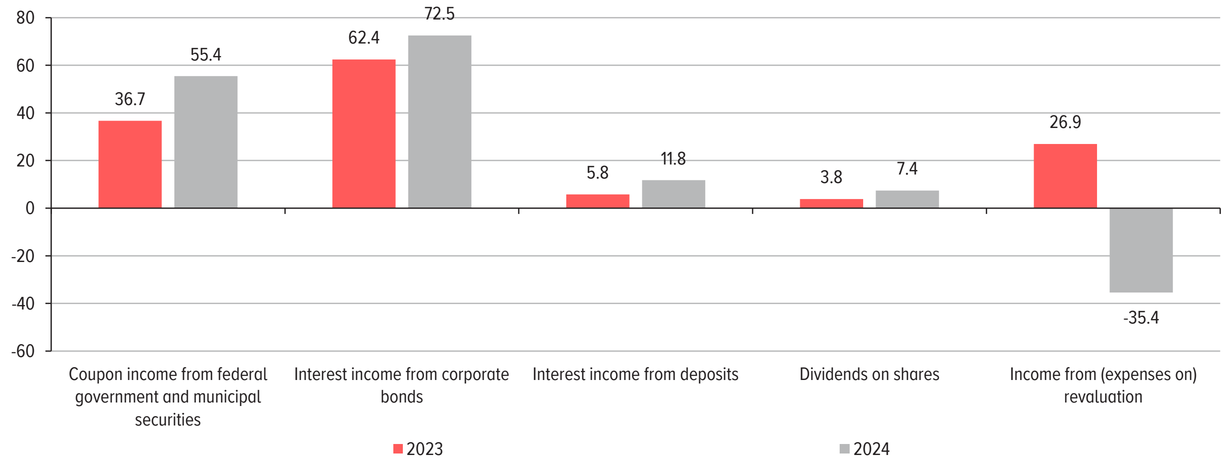
Chart 79



Source: Reporting Form 0420255.

STRUCTURE OF RETURNS ON NPFS' PENSION RESERVES
(RUB BILLION)

Chart 80



Source: Reporting Form 0420254.

As of the end of 2024, the rise in NPFs' interest income (by ₽85.5 billion YoY) did not offset the loss from the revaluation of NPFs' assets (₽102.8 billion). Consequently, NPFs' returns edged down over the year, specifically returns on pension savings and pension reserves dropped by 0.9 pp to 9.0% and by 0.6 pp to 8.2%, respectively.

4.2.3. Brokers

Despite the sanctions in place, the brokerage industry has remained resilient, including in terms of compliance with the required ratios. In 2024 Q4, CARs and LCRs exceeded the regulatory thresholds among all brokers – NBFIs. Moreover, the ratios were two times higher than the required levels among more than 80% of brokers.

Amid higher volatility in the securities market, brokers' market risk is limited: the ratio of investment in securities to the value of brokers' assets is about 15%, with the largest percentage accounting for debt and equity securities (over 70% and over 25%, respectively) issued by companies with high credit ratings.

Brokers continued to reduce the amount of their own assets and clients' funds in unfriendly states' currencies. As of the end of 2024, this amount in the ruble equivalent decreased by ₽12.5 billion to ₽26.6 billion, which is 15.3% of the total balances. Brokers – NBFIs' investments in foreign shares and bonds as well in foreign investment funds' units (shares) are minor, accounting for less than 1% of brokers' total assets as of the end of 2024.

Moscow Exchange and PJSC SPB Exchange started additional trading sessions on weekends. In particular, price ranges on Moscow Exchange were narrowed to 3% of the closing price of the previous trading day, while liquidity for instruments is supplied by market makers.

The brokerage industry remains highly concentrated, being influenced by several leading organisations, which reduces risk diversification. Specifically, over the course of 2024, the three largest brokerage market participants[8] accounted on average for nearly 69% of the total number of clients and the three largest brokers – NBFIs accounted for 13%.[9]

4.2.4. Unit investment funds

The UIF market continued to grow actively over the course of 2024: the overall net inflow into UIFs reached ₽2.1 trillion, primarily driven by the inflow into closed-end UIFs (+₽1.4 trillion). The largest part of the net inflow into closed-end UIFs (+₽722 billion) was accounted for by UIFs focusing on corporate clients. Affluent individuals increased the demand for asset structuring using closed-end UIFs: as of the end of 2024, the net inflow into individual closed-end UIFs totalled ₽454 billion. Amid high interest rates, the growth of retail UIFs was largely driven by money market exchange-traded UIFs, with their NAV soaring by a factor of 4.5, or ₽791 billion, over the course of 2024.

Since early 2025, the growth rates of money market UIFs have notably declined. Thus, over 2025 Q1, the net inflow into these UIFs amounted to as little as ₽23.7 billion. In addition, there is a trend towards an increase in flows across securities market segments: retail investors tend to transfer part of their funds from money market UIFs to shares. In the future, as monetary policy is eased, these flows might become more significant. Nevertheless, this trend has a limited effect so far since short-term repos with the central counterparty on Moscow Exchange make up the largest proportion of money market UIFs' investment (if needed, liquidity will be supplied to the market by other participants).

Box 8. Individuals' investment preferences

Higher macroeconomic and geopolitical uncertainty has considerably amplified the volatility in the Russian and global securities markets. Nevertheless, individuals' investment preferences have barely changed. As before, individuals opt for ruble deposits as the main savings instrument: balances of deposit accounts increased by ₽13.5 trillion over 2024 (which is 48% more than the growth rate in 2023) and by another ₽1.3 trillion over 2025 Q1 (Table 10). As a result, over the period[1] under review, the proportion of ruble deposits in individuals' total savings was up by 3.8 pp to 52.2%. The amounts of money transfers to foreign brokers and to deposits with non-resident banks were relatively small over the period under review (₽149 billion and ₽11 billion, respectively), and their share in households' savings decreased.

Various financial instruments (deposits, shares, debt securities, funds with foreign brokers and banks, cryptoassets, digital financial assets) are becoming increasingly interconnected. Potential flows of funds between them might increase volatility and, therefore, should be monitored, yet their amounts are limited so far (Chart 81).

As monetary conditions and geopolitical tensions ease, individuals will be able to start investing part of their savings in the securities market rather than deposits, seeking higher returns. Despite IPOs conducted in

[1] 2024 Q4–2025 Q1.

[8] Including CIs licensed to operate as a broker.

[9] The analysis does not take into account the group of clients whose account balance is ₽10,000 or less.

INDIVIDUALS' TOTAL SAVINGS AND INFLOWS BY INSTRUMENT

(RUB BILLION)

Table 10

Type	Instrument	01.04.2025	Period under review (2024 Q4–2025 Q1)	Inflow in 2024	Inflow in 2023	Inflow in 2022	Inflow in 2021
Residents' instruments	Ruble deposits	58,420	7,205	13,495	9,142	5,243	2,005
	Foreign currency deposits	3,292	-242	-642	-1,088	-2,637	180
	Residents' shares	8,521	-97	359	359	1,076	418
	Residents' bonds	4,024	229	347	347	178	436
	Residents' units: residents' assets	2,222	603	726	484	94	205
	Cash rubles	15,569	-370	262	1,514	1,965	676
	Funds in brokerage accounts	406	-29	-138	-99	-415	92
	Insurance reserves	2,908	-211	582	107	16	270
	Amount	**95,362**	**7,087**	**14,990**	**10,766**	**5,519**	**4,282**
Non-residents' instruments	Foreign cash	7,695	-151	-360	-97	1,231	184
	Funds with foreign brokers	678	149	226	143	183	30
	Foreign currency deposits with non-resident banks	6,651	11	625	870	2,039	398
	Non-residents' shares	800	-15	-34	-34	-208	523
	Non-residents' bonds	405	-29	-92	-92	-189	249
	Non-residents' units	279	2	-2	2	-74	109
	Residents' units: non-residents' assets	144	-55	-64	14	-95	148
	Amount	**16,651**	**-88**	**298**	**806**	**2,888**	**1,640**
Total		**112,013**	**6,155**	**15,288**	**11,571**	**8,407**	**5,922**
Share of non-residents' instruments, %		**14.9**	**–**	**2.0**	**7.0**	**34.4**	**27.7**

Sources: Reporting Forms 0409711, 0420415 and 0409405 and households' saving rate.

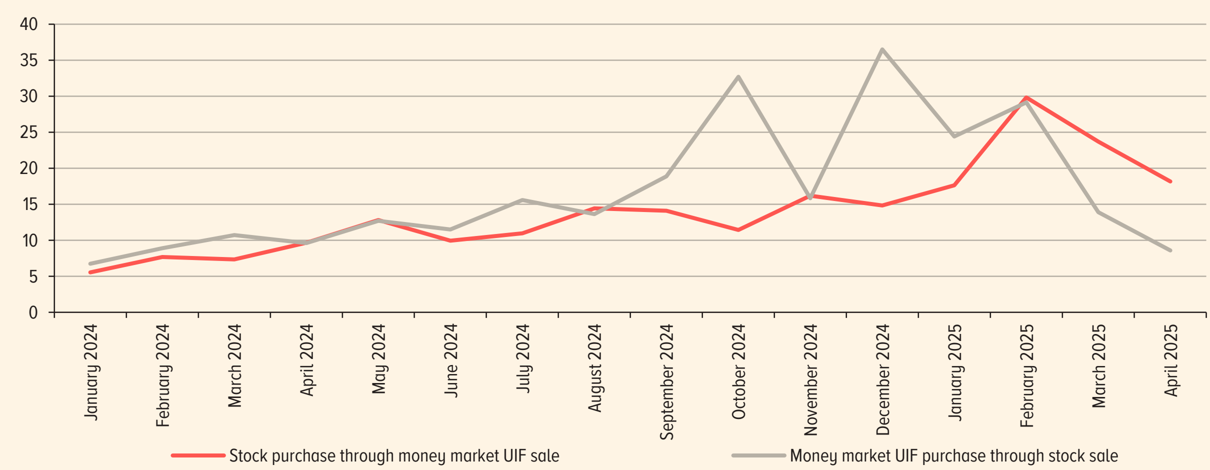
the market, the amount of traded instruments is limited, and a considerable inflow of funds into the market might result in price growth. In particular, increases in brokerage account balances and the index are normally correlated (Chart 82).

The equity market remained highly volatile over the period under review (Chart 84). In early April 2025, the Russian Volatility Index (RVI) was rising to the levels of late 2022 (60 points). In the conditions of a highly uncertain external environment, the market's response to particular events can be rather strong, provoking considerable fluctuations in prices.

FLOWS OF INDIVIDUALS' INVESTMENTS ACROSS EQUITY MARKETS AND MONEY MARKET UIFS

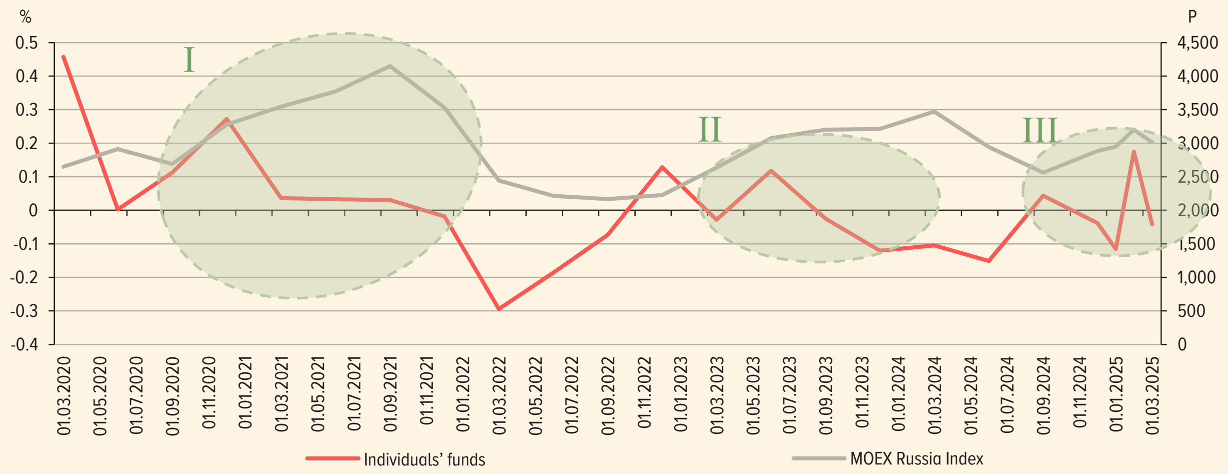
(RUB BILLION)

Chart 81



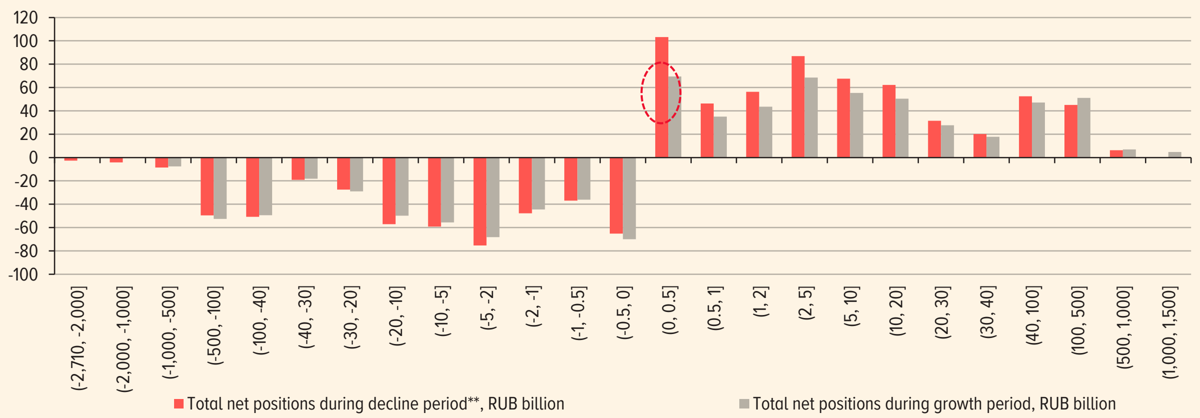
Source: Moscow Exchange.

CHANGE IN INDIVIDUALS' FUNDS IN BROKERAGE ACCOUNTS,MOEX RUSSIA INDEX *Chart 82*



Sources: Moscow Exchange, Bank of Russia statistics.

TOTAL NET STOCK PURCHASES / SALES ON MOSCOW EXCHANGE BY RETAIL INVESTORS, BY AMOUNT OF THESE NET PURCHASES / SALES *Chart 83*



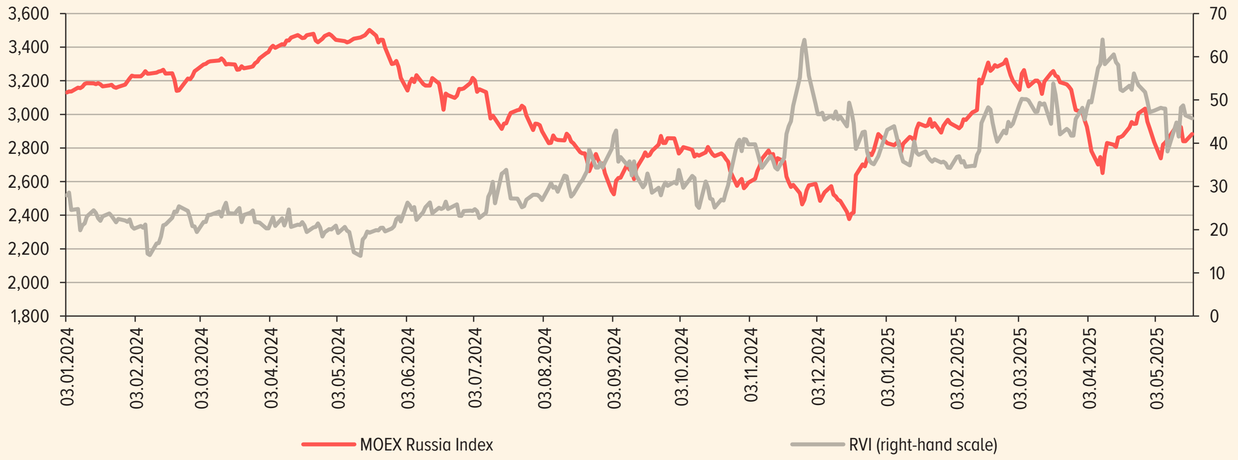
** The X axis shows the group of investors influencing the amount of net purchases / sales (RUB million), and the Y axis – total net purchases / sales by investors in this group (RUB billion).*
*** The growth period: from 12 February 2025 to 25 February 2025, and the decline period: from 18 March 2025 to 9 April 2025.*
Source: Moscow Exchange.

For the most part, the proportion of market participants' investment in Russian shares is not large.[2] Thus, the averaged percentage of individuals' investment is 8%. It should be noted that at the moment of the decline (mid-March–April 2025), a large number of investors made net purchases in the market, while the total amount of these purchases was small (up to ₽500,000) (Chart 83). A quite common practice in the market is margin transactions (Chart 85) that multiply the losses of investors, especially those making emotional trading decisions. Despite the reduction in prices in late March and April 2025, this did not make brokers close a large number of clients' margin positions – when needed, clients were mostly closing these positions themselves.

As compared to the two previous quarters, Russians' web traffic on the websites of cryptocurrency platforms decreased by 0.9% over the period under review to 165.4 million visits, while the share of Russians in total web traffic of the platforms analysed was down by 3 pp to 4.5%, according to the blockchain analytics service

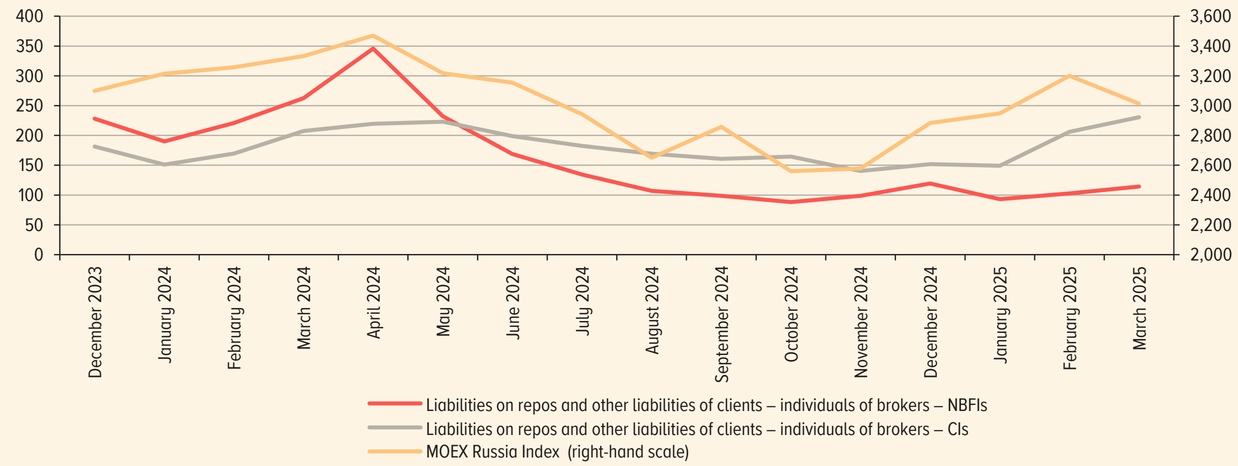
[2] The proportion of shares was relatively small in the portfolios of banks (below 1%), brokers and insurers (below 5%), and pension funds (below 10%).

MOEX RUSSIA INDEX AND RVI *Chart 84*



Source: Moscow Exchange.

LIABILITIES ON REPOS AND OTHER LIABILITIES OF CLIENTS – INDIVIDUALS (PROXY FOR MARGIN LENDING AMOUNT) *Chart 85*



Sources: Moscow Exchange, Reporting Forms 0420431 and 0409724.

Transparent Blockchain.[3] Nevertheless, the estimated amount of cryptoasset flows[4] accounted for by Russians increased by 51.1%[5] over the period under review to total ₽7.3 trillion, which was driven by growth in the total amount of flows. This might be associated with the policy of the US president administration aimed at easing the regulation of the cryptoasset market, which inspired the demand for cryptoassets. As of the end of March 2025, Russians' estimated balances in crypto exchange wallets totalled ₽827 billion,[6] with Bitcoin, Ethereum (ETH), and stablecoins (USDT and USDC) accounting for 62.1%, 22%, and 15.9% of this amount, respectively.

A key event in the cryptoasset market over the period under review was an attack on one of the largest crypto exchanges. The stolen funds amounted to $1.4 billion in Ethereum, or 8% of the crypto exchange's

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[3] A system monitoring cryptocurrency transactions developed with the support of the Federal Financial Monitoring Service and the Bank of Russia.

[4] The amount of cryptoasset inflows and outflows (flows) on a crypto exchange is calculated as the product of (i) the total amount of cryptoassets (BTC, ETH, USDT, USDC) deposited in or withdrawn from crypto exchange accounts; (ii) the percentage of Russians in web traffic of crypto exchanges' websites; and (iii) the bounce rate.

[5] Taking into account changes in the structure of the crypto exchanges analysed.

[6] The ruble equivalent at the exchange rate of the US dollar and Bitcoin as of the end of March 2025.

total reserves (70% of the reserves in ETH) as of the moment of the attack. The exchange's CEO assured that user funds were safe.

The new US administration supports the cryptoasset market, which may further boost global investors' demand for cryptoassets:

1. The US president signed an executive order to establish a Strategic Bitcoin Reserve and a U.S. Digital Asset Stockpile that will be capitalised with cryptoassets obtained through forfeiture proceedings.

2. The US Securities and Exchange Commission received for consideration the proposal to permit staking[7] of the ether for Ethereum ETFs and started to accept applications for other cryptocurrency ETFs.

3. In recent months, the USA has intensified efforts aimed at regulating stablecoins. The draft STABLE Act introduced in the House of Representatives on 26 March 2025 is intended to establish tight requirements for the reserves of payment stablecoin issuers. The draft STABLE Act was reported by the House Financial Services Committee on 2 April 2025. The draft GENIUS Act introduced in the Senate on 4 February 2025 proposes federal regulation of payment stablecoin issuers with a market capitalisation of more than $10 billion.

Clear rules are expected to enhance the transparency and safety of stablecoins, which might increase stablecoin adoption worldwide. Concurrently, the tightening of the stablecoin regulation in the USA will involve higher sanctions risks to Russian companies, including due to potential blocking of tokens by their issuers obliged to comply with the restrictions.

In its Global Financial Stability Report for April 2025, the IMF indicates that interconnectedness between cryptoassets and mainstream financial markets may increase, requiring close monitoring of emerging financial stability risks.

The Bank of Russia has submitted to the Government of the Russian Federation a proposal to permit a limited range of Russian investors (highly qualified investors) to purchase and sell cryptoassets within a specialised experimental legal regime. The use of cryptoassets as a means of payment is beyond the scope. It is proposed to ban settlements between residents on cryptoasset transactions outside the experimental legal regime and establish liability for breaching the ban. In addition, it is proposed to permit qualified investors to invest in cash-settled derivatives, securities, and digital financial assets that do not provide for a transfer of cryptoassets to investors but whose returns are linked to their value. These proposals are currently discussed with the Ministry of Finance of the Russian Federation.

[7] Staking is a way to earn rewards by locking up cryptocurrency in a blockchain network to help secure and validate transactions.

4.2.5. Leasing

The leasing market has shifted from rapid growth to a reduction in new business, specifically by 8.1% to ₽2.5 billion in 2024. The growth rate of the lease portfolio has been decelerating amid a decrease in bank financing: over 2025 Q1, leasing companies' debt to banks declined by 3.8%.

The reduction in the demand for leasing services was accompanied by an increase in the number of cancelled lease agreements and in the amount of leasing companies' toxic assets, which was associated with a decline in lessees' payment capacity. Non-performing debt[10] increased from 5.5% of the lease portfolio as of 1 October 2024 to 7.3% as of 1 April 2025. The growth of non-performing debt was mostly due to clients from the transport and construction industries.

A growing number of cancelled lease agreements causes an increase in seized machinery and equipment accumulating on lessors' balance sheets. Thus, since the beginning of the year, lessors have managed to sell less than half of the assets seized over that period and have re-leased another 22% of the seized assets. Seized assets are being sold at a discount reaching 27% as of 1 April 2025, whereas in early 2024, seized assets were sold at a price exceeding the residual value by 28%.

[10] Agreements overdue for more than 90 days, unsettled debts under cancelled agreements, and restructured agreements.

Due to rising credit risk, leasing companies started to create larger provisions. Specifically, their total provisions according to IFRS[11] under finance lease agreements increased by about 25% over the year, predominantly in 2024 H2. As a result, the coverage ratio of non-performing debt with provisions under IFRS was up by 4.9 pp over the year to reach 31.4%.

As lease companies' costs of storing seized assets and their loss provisions increased, lessors' business profitability declined while staying high: return on equity according to IFRS dropped by 8.2 pp to 22.9%.

[11] The data according to IFRS are given for a comparable sample of 15 companies accounting for 71% of the total lease portfolio as of 1 January 2025.

ANNEX

Recent global trends in the area of macroprudential regulation and financial stability measures

Over the period under review, international organisations and foreign financial stability authorities primarily focused on creating capital buffers in the banking sector, enhancing climate risks analysis and regulation, and developing the regulation of innovations, including cryptoassets, in the financial sector.

Positive neutral rate of the countercyclical buffer

In 2024 Q4–2025 Q1, another four countries, including Spain, Greece, the United Arab Emirates and Portugal, announced their plans to introduce the CCyB, while the Republic of Cyprus and Armenia decided to raise the CCyB rate (Table 11). In addition, from 1 April 2026 Kazakhstan will establish the sectoral CCyB only in consumer lending at the level of 2%. Belgium, Hong Kong, Latvia, Slovenia, and Azerbaijan introduced new CCyB rates during that period. Of these countries, only Hong Kong reduced its CCyB rate. The other states are raising their CCyB rates by 0.25–0.5 pp. Moreover, Latvia and Azerbaijan set CCyB rates for the first time.

In November 2024, the BCBS released the report analysing the observed range of practices in implementing positive neutral CCyB by BCBS jurisdictions and non-BCBS EU jurisdictions. The BCBS notes an increasing number of jurisdictions that have chosen to introduce a positive neutral CCyB: at the time of writing, there were at least 17 BCBS jurisdictions and EU states that had a framework in place for the implementation of a positive neutral CCyB or that are in the process of implementing one. When introducing a positive neutral CCyB rate, countries aim to accumulate buffers that may be

INTRODUCTION OF CCYB FROM OCTOBER 2024 THROUGH MARCH 2025 *Table 11*

Country	Effective date	CCyB rate, %		Notes
		Previous	New	
Effective date of new CCyB rate				
Belgium	1 October 2024	0.50%	1%	
Hong Kong	18 October 2024	1%	0.50%	
Latvia	18 December 2024	0%	0.50%	from 18 June 2025 – 1%
Slovenia	31 December 2025	0.50%	1%	
Azerbaijan	1 March 2025	0%	0.50%	
Scheduled change in CCyB rate				
Armenia	1 May 2025	1.50%	1.75%	Announced in October 2024
Spain	1 October 2025	0%	0.50%	Announced in October 2024
Greece	1 October 2025	0%	0.25%	Announced in October 2024
United Arab Emirates	1 January 2026	0%	0.50%	Announced in December 2024
Portugal	1 January 2026	0%	0.75%	Announced in December 2024
Republic of Cyprus	14 January 2026	1%	1.50%	Announced in January 2025
Kazakhstan	1 April 2026	None	2% (consumer loans)	Announced in March 2025, sectoral CCyB only in consumer lending

released during downturns as well as to take into account uncertainty in the identification of systemic risks, which may lead to a potential under-calibration or untimely build-up of the CCyB.

Analysing climate risks and factoring them into the regulation

Despite the new US administration's policy decreasing the priority of climate targets for the country as well as the withdrawal of a number of large financial institutes from the NZBA,[1] the climate agenda around the globe has generally continued gaining momentum:

- Over the period under review, foreign national regulators of the financial market and international organisations continued the work to bridge data gaps. Thus, India proposed the creation of RB-CRIS, a climate risk data repository, the NGFS will relaunch the platform NGFS Data Directory 2.0 that will expand the range of analysis tools, and the EU proposed the development of an awareness tool to help citizens better understand how exposed their property is to natural hazards.

- Hong Kong summed up the results of the second round of the banking sector-wide bottom-up stress test. European regulators released the results of the top-down stress test of the financial market (banks, insurers, pension and investment funds) over the horizon until 2030 to assess the impact of the Fit for 55 package.[2] Furthermore, the EU drafted guidelines on ESG scenario analysis for financial institutions. Australia developed an initiative to assess the insurance sector's vulnerability to physical and transition climate risks until 2050 (the document is to be released in 2025 H2). ISDA published the results of the third phase of climate risk scenario analysis for banks' trading books.[3] FSB approved an analytical framework to assess climate-related vulnerabilities.

- Western countries and international organisations have continued to develop approaches to *regulating climate risks* in financial institutions. From 1 January 2026, Switzerland enacts supervisory requirements for large systemically important banks and insurers with regard to the management of climate- and other nature-related financial risks (all other banks and insurers are to comply with the requirements from 1 January 2027). From 11 January 2026, the European banking sector is to comply with the Guidelines on the Management of ESG Risks (applicable to small and non-complex banks from 11 January 2027). Furthermore, the EU suggested a prudential treatment for insurers' assets: for stocks exposed to transition risks, it is proposed to raise capital requirements to 17% in additive terms on top of the current capital charge, while for bonds, it is recommended to set a capital charge of up to 40% in multiplicative terms in addition to existing capital requirements. Moreover, as part of the regulation of European insurers, the EU drafted proposals to enhance the Solvency II[4] framework with regard to the management of insurers' biodiversity and sustainability risks, including sustainability risk plans. Canada enacted the Climate Risk Management guidance for banks, insurance companies, trust and loan companies covering such areas as corporate governance and risk management as well as climate-related disclosures.

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1 With the advent of the new US administration, all six largest US financial institutions, including founding members, exited the NZBA within one month: Goldman Sachs, Wells Fargo, J.P. Morgan Chase, Bank of America, Citigroup, Morgan Stanley. Currently, only three US banks remain NZBA members. A number of other countries, including Canada, Australia, and Japan, decided to follow this path. In these conditions, in mid-April 2025, the other 129 NZBA member banks voted to loosen requirements, including the obligation to align their portfolios with the central Paris climate goal of limiting global temperature rise to a maximum of 1.50C by the end of the century. Instead, the NZBA member banks seek the initiative to 'deepen client relationships and address constraints on green growth by working with their clients to advance policies that stimulate markets and unlock opportunities for investment'. Due to this vote, the Dutch Triodos Bank NV, a NZBA founding member, decided to leave the NZBA.

2 Fit for 55 is a package of measures presented in 2021 which aims to reduce EU net greenhouse gas emissions by at least 55% by 2030.

3 International Swaps and Derivatives Association: Climate Risk Scenario Analysis for the Trading Book: Phase 3.

4 Solvency II sets out requirements, which rely on a risk-based approach to calculating insurers' financial stability and solvency, for the assessment and management of the cost of risk of assets and liabilities and risks inherent in insurance business, for corporate governance, and for information disclosure.

- The development of the regulation of the *ESG rating* market has continued. India proposed amendments to the Credit Rating Agencies Regulations with regard to ESG rating providers. Hong Kong finalised the Code of Conduct for ESG Ratings and Data Products Providers. From June 2026, the EU enacts a new regulation on ESG rating activities.

- Foreign regulators and international organisations help companies develop *low carbon transition plans*. The G20 approved recommendations on the development of transition plans for financial and non-financial organisations that would ensure social justice, fairness and inclusivity. FSB released a report on the relevance of net zero transition plans for financial stability. Hong Kong issued a circular setting out some principles on transition planning for financial institutions to achieve net zero in their operations.

Cryptoasset market regulation

In October 2024, FSB noted that almost all FSB member jurisdictions share the opinion on the need to regulate the market of cryptoassets (including stablecoins). The regulators focus on the following:

1. Development of capital requirements for investment in cryptoassets: the EU drafted prudential technical standards on the prudential treatment of banks' cryptoasset exposures, taking into account the BCBS standards. To calculate (re)insurers' capital requirements, all cryptoasset exposures, whether direct or indirect, are proposed to be stressed at 100% without diversification, irrespective of balance sheet treatment; Hong Kong and Canada released documents to incorporate the BCBS standards in relation to capital adequacy requirements and disclosures of banks' cryptoasset exposures.

2. Development of requirements for cryptoasset service providers: Brazil, the Philippines, Türkiye, Argentina, and Taiwan introduce a classification of cryptoasset service providers and requirements for their licensing, capital adequacy, executives' qualifications, and mitigation of market manipulation risks and ML/FT risks. The European Securities and Markets Authority released recommendations for the EU's supervisory authorities regarding licensing cryptoasset service providers; guidelines explaining requirements for cryptoasset service providers that act as providers of transfer services for cryptoassets on behalf of clients; and draft guidelines for the criteria to be used for assessing knowledge and competence of staff providing advice and information on cryptoassets or cryptoasset services.

3. Development of requirements for disclosing and exchanging information on cryptoassets pursuant to the OECD's Crypto-Asset Reporting Framework (CARF) (the Netherlands, the UK, and Australia). In addition, the UK published proposals on disclosures related to, among other things, the obligation of (1) cryptoasset issuers to provide information about cyber resilience risks, the total number of tokens in circulation, characteristics of backing assets, etc.; (2) cryptoasset trading platforms to conduct due diligence to establish that issuers' disclosures are accurate; and (3) cryptoasset trading platforms and issuers to maintain records on transactions and clients' data for five years.

4. Development of requirements for monitoring cryptoasset transactions: Kazakhstan proposed obliging banks to identify and block payments and money transfers to digital asset platforms not registered by the Astana International Financial Centre. China plans to enhance the monitoring of information about illegal cross-border operations related to cryptoassets.

Artificial intelligence: assessing the risks of use and developing regulation

National regulators and international organisations continue exploring the issues related to the use and regulation of AI in the financial market.

In particular, regulators publish consultation papers, recommendations, and supervisory expectations regarding the use of AI by financial institutions. The main objectives are to encourage market participants to comply with ethical principles when using AI, ensure consumer protection, and mitigate AI-related risks (Hong Kong, India, the USA,[5, 6] Switzerland, the EU, and Canada).

The issues of AI risk analysis and AI regulation are part of the work programmes of international organisations (including FSB and BCBS). FSB notes that while the use of AI by the financial sector offers benefits like improved operational efficiency and advanced data analytics, it may also pose risks since its use can increase AI-related third-party dependencies of financial institutions and the number of financial fraud and disinformation cases. IAIS lists further digitalisation and IA adoption among the key risks to the insurance sector and, in November 2024, it released for public consultation its draft recommendations on the supervision of AI use by insurers. IOSCO published a consultation paper that considers AI use cases in capital markets, challenges relating to investor protection and financial stability, and risk management measures.

In addition to AI use by supervised organisations, the issue of AI implementation by the regulators themselves is coming up globally. AI adoption in central banks (benefits, risks, and risk management approaches) is actively explored by BIS. As to the regulators using AI in their operations, it is worth mentioning the experience of Australia, Portugal, Finland, the USA, Canada, India, and Brazil.

Other work areas

Issues related to non-bank financial intermediation remain a focus of attention. FSB proposed policy recommendations addressing financial stability risks arising from leverage in non-bank financial intermediation and presented its global monitoring report on non-bank financial intermediation. The European regulators, including the ECB and the European Systemic Risk Board, are also actively addressing the issues of the non-bank financial intermediation sector. As part of the annual stress test of the banking sector in 2025, the US Fed will assess the resilience of the banking system to risks posed to banks by non-bank financial institutions.

[5] Use of Artificial Intelligence in CFTC-Regulated Markets. CFTC Staff Advisory (December 2024).

[6] Artificial Intelligence in Financial Services. US Department of the Treasury (December 2024).

ABBREVIATIONS

AI – artificial intelligence

BCBS – Basel Committee on Banking Supervision

BIS – Bank for International Settlements

BNA – bank of non-core assets (National Bank TRUST)

CAR – capital adequacy ratio

CCyB – countercyclical buffer

CFTC – US Commodity Futures Trading Commission

CI – credit institution

DSTI – debt service-to-income ratio calculated as the ratio of a borrower's average monthly payments on all loans and microloans, including on a newly issued loan (microloan), to the borrower's average monthly income

EBA – European Banking Authority

EBITDA – earnings before interest, taxes, depreciation, and amortisation

ECB – European Central Bank

EIR – effective interest rate

EME – emerging market economy

ESG – environmental, social and corporate governance

EU – European Union

FSB – Financial Stability Board

FX – foreign exchange

GDP – gross domestic product

HLA – highly liquid assets

IAIS – International Association of Insurance Supervisors

ICL – irrevocable credit line

ICR – interest coverage ratio

IFRS – International Financial Reporting Standards

IMF – International Monetary Fund

IOSCO – International Organization of Securities Commissions

IPO – initial public offering

IRB approach – internal ratings-based approach

ISDA – International Swaps and Derivatives Association

LCR – liquidity coverage ratio

LLCR – loan life coverage ratio, which is a measure of the project's ability to repay an outstanding loan using free cash flows from housing sales over the life of the loan

LNG – liquefied natural gas

LSP – Long-term Savings Programme

LTI – Loan-to-Income – the ratio of the loan to a borrower's annual income

LTV – Loan-to-Value – the ratio of the amount of the principal debt on the loan to the fair value of a collateral

MFO – microfinance organisation

ML/FT risks – risks of money laundering and financing of terrorism

MPL – macroprudential limit

NAV – net asset value

NBFI – non-bank financial institution

NGFS – Network of Central Banks and Supervisors for Greening the Financial System

NII – net interest income

NIM – net interest margin

NPF – non-governmental pension fund

NPL – non-performing loan

NZBA – Net-Zero Banking Alliance

OCP – open currency position

OECD – Organisation for Economic Cooperation and Development

OFZ – federal government bonds

OFZ-IN – inflation-indexed federal government bonds

OFZ-PD – fixed coupon federal government bonds

OFZ-PK – variable coupon federal government bonds

OPEC – Organization of the Petroleum Exporting Countries

RAS – Russian Accounting Standards

ROA – returns on assets

SCPA – shared construction participation agreement

SIB – systemically important bank

SMEs – small and medium-sized enterprises

UIF – unit investment fund

US Fed – US Federal Reserve System

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