Bank of Russia

Central Bank of the Russian Federation

BANKING SUPERVISION REPORT 2015

Moscow

2016

BANKING SUPERVISION REPORT
2015

Bank of Russia

The Central Bank of the Russian Federation

BANKING SUPERVISION REPORT 2015

Moscow
2016

CONTENTS

FOREWORD

Dear readers,

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

In 2015, the Russian banking sector developed in a challenging environment: gross domestic product contracted, inflation rate was high, and corporations and banks experienced on-going difficulties with external funding.

On the back of deterioration of the borrowers' financial standing, banks created additional loan loss provisions. Materialisation of interest rate risk during the first six months of the year decreased the interest margin of credit institutions, and as a result banking sector profits showed a considerable decline in 2015 when compared to the previous year.

This environment forced the Government of the Russian Federation and the Bank of Russia to implement a set of measures aimed at ensuring systemic stability of the banking sector and maintaining bank lending to key sectors of the economy. Tangible results were achieved through bank recapitalisation via the Deposit Insurance Agency. Measures were taken to develop and strengthen the financial infrastructure.

As the international sanctions against some Russian banks were preserved, the resource base of the banking sector in 2015 was mainly expanded at the expense of Russian enterprises and household savings.

In 2015, the Bank of Russia continued to develop risk-based bank supervision and carry out banking sector resolution, including sweeping financially unstable organisations incapable of ensuring the safekeeping of creditor and depositor funds. Resolution mechanisms were applied to troubled banks in cooperation with the state corporation Deposit Insurance Agency when economically feasible.

Given the specifics of the Russian market, the Bank of Russia continued to introduce international recommendations for banking regulation along with a set of measures to ensure better compliance of the banking regulation in the Russian Federation with recommendations of the Basel Committee on Banking Supervision (BCBS). As a result, the BCBS recognised that the Russian regulatory base in the sphere of banking regulation conforms to the international Basel II, Basel 2.5, and Basel III standards.

In 2015, a large-scale work was done so that the Russian Financial Sector Assessment Program (FSAP) conducted by the International Monetary Fund and the World Bank was carried out successfully.

The Report provides detailed information on the main areas for further improvement of banking regulations in line with the international best practices. As a megaregulator, the Bank of Russia took measures to eliminate regulatory arbitration and improved the competitive environment in financial markets.

The readership's traditional interest in the problems of sustainability of the banking sector resulted in this Report's focus on global risks and banking sector systemic stability assessment using, inter alia, stress-testing methods. Evaluations have provided evidence that the Russian banking sector has generally adjusted in 2015 to the challenging macroeconomic environment and retained the stability required to meet the demand of the corporate sector and households for banking services.

Elvira Nabiullina
Bank of Russia Governor

I. STATE OF THE RUSSIAN BANKING SECTOR

I.1. General economic conditions

I.1.1. Macroeconomics and external global risks

I.1.1.1. EXTERNAL GLOBAL RISKS

In 2015, the increased volatility in the global commodity and financial markets was followed by a decline in global GDP growth rates to 3.1%[1] from 3.4% in 2014. The fundamental factors of high market volatility included a more considerable deceleration of the economic growth in China and a lower than expected growth in the USA.

The US GDP growth rate amounted to 2.4% in 2015, same as in the previous year. At the same time, production indicators deteriorated: ISM Manufacturing PMI fell below 50 points in October–December 2015. Expectations of the US Fed's rate increase were repeatedly reconsidered throughout the year, and after the 0.25 pp hike in December 2015 the probability of a further upward revision as assessed by the market fell to a minimum.

In the Eurozone, the economic growth went slightly up amid persistently accommodative monetary policy: in 2015 Q4, GDP grew by 1.6% YoY, compared to 1% in 2014. Nevertheless, banking sector deleveraging continued in the Eurozone (in December 2015, annual growth of lending to non-financial companies equalled 0%, even taking into account the base effect), and high unemployment and low inflation rate persisted (0.2% at the end of 2015). In addition, concerns that low interest rates will have a negative impact on profits of European banks in the medium term were on the rise.

The economic growth in China continued to slow down: GDP growth in 2015 amounted to 6.9%, compared to 7.3% a year earlier. The structural transformation of the country's economy in 2015 was accompanied by a faster-than-expected reduction of imports and exports, negatively affecting commodity prices. On the back of an ongoing global oil glut and lifted sanctions against Iran, the historical volatility of oil prices (MoM) reached 70% in September 2015, the highest since 2009.

A number of periods of increased volatility in the Chinese stock market adversely affected the global investors' risk appetite. As a result, capital outflow from emerging market economies (EME) increased. According to the Institute of International Finance (IIF), net capital outflow from EMEs in 2015 amounted to $735 billion (China accounted for 92%). Under these circumstances as well as against the background of the expected US Fed's rate hike, many EMEs experienced a devaluation of the national currencies. The consolidated index of emerging market currencies against the US dollar (MSCI EM Currency Index) decreased in 2015 by 7%.

Lower oil and other commodity prices had a negative effect on the budget and debt sustainability of countries with a considerable share of commodity exports. As estimated by the IMF, in 2015 the budget deficit in a number of oil exporting countries (Saudi Arabia, Iraq, and Venezuela) accounted for 15–20% of GDP. The situation in other commodity exporting countries (Brazil, South Africa) also got worse.

The vulnerability of EMEs is also caused by a sufficient amount of debt in the corporate sector accumulated by many countries over the past years. As estimated by the IMF, the debts of non-financial companies and banks of EMEs rose to 74% of GDP in 2014. At the same time, a considerable share of debt in a number of EMEs is a foreign currency-denominated external debt (Turkey, Chile, and Peru).

In addition, a slower normalisation of the US Fed's monetary policy enables developing markets to better adjust to new conditions and reduce their debt burden.

[1] IMF estimate, April 2016.

I.1.1.2. MACROECONOMICS

The deterioration of foreign economic environment and the effect of bilateral trade and financial sanctions throughout 2015 had a negative influence on the Russian economy. However, this impact faded as businesses adjusted to the external shocks. Demand for foreign assets from Russian companies and banks decreased sufficiently, and households gave up saving foreign currency in cash. As a result, private capital outflow from Russia reduced considerably compared to 2014 despite the net repayment of foreign debts by the Russian private sector.

The international reserves of the Russian Federation fell in 2015 by \$17.1 billion to \$368.4 billion as of 1 January 2016 (in 2014, reserves shrank by \$124.1 billion). The international reserve adequacy, calculated in accordance with international standards in months of imports of goods and services that could be covered by the reserves, was 15.7 months (in the previous year, 10.8 months).

As of the beginning of 2016 the foreign debt of the Russian Federation stood at \$515.8 billion; the foreign debt fell by 14% in 2015 (in the previous year, by 18%).

The development of the Russian economy was constrained by internal structural factors: high depreciation of fixed assets and their low renewal, and institutional restrictions that lowered the potential of labour productivity growth.

Under these circumstances ***GDP*** shrank by 3.7% in 2015 as compared to the previous year. Most economic activities showed a decline in production of goods and services. Lower economic activity and exchange rate fluctuations led to instability of companies' financial performances.

In an effort to adjust to the new environment, organisations cut their expenses (including by switching to domestic suppliers) and optimised non-operating income and expenses. At the end of 2015, balanced financial result (profit less loss) of organisations[1] was 53.1% higher than in 2014.

Labour cost optimisation was one of the trends companies adhered to in order to save money. Real wages fell in 2015 by 9.3%, compared to 2014. The unemployment rate went up from 5.2% in January to 5.7% in December 2015 (seasonally adjusted).

In general, real disposable income of households fell by 4.3%. Income reduction, tight customer lending conditions, and households' shift towards savings resulted in a decrease in consumer demand. Households' final consumption expenditures contributed 5.1 pp to GDP reduction.

Stronger economic uncertainty, restricted access to global financial markets, high cost of borrowing, and more expensive imported investment goods stood behind the 8.4% reduction of fixed capital investment in 2015 compared to the previous year. The decline in inventories continued. As a result, in 2015 the negative contribution of gross savings in GDP growth increased more than twofold to 3.9 pp compared to the previous year.

Higher growth of physical exports of goods and services in 2015, compared to the previous year, along with a considerable reduction in imports, resulted in a growth of contribution of net exports to GDP dynamics from 1.8 to 6.4 pp.

Exchange rate dynamics was the key ***inflation*** driver in 2015. The food embargo imposed in August 2014 contributed somewhat to the acceleration of consumer price growth. In March 2015, inflation peaked to 16.9% YoY.

Starting April 2015, as prices adjusted to the weaker ruble and following the proactive actions of the Bank of Russia aimed at normalisation of inflation expectations, the consumer price growth showed a downward trend. Favourable conditions in the global and domestic food markets tempered the price dynamics. In addition, demand-side restrictions became more and more noticeable. As a result, in December 2015 inflation stood at 12.9% (compared to December 2014).

I.1.2. Financial markets

I.1.2.1. BANK OF RUSSIA OPERATIONS TO REGULATE BANKING SECTOR LIQUIDITY

In 2015, the effect of banking sector liquidity factors promoted the inflow of funds to banks during the reporting period, which resulted in reduction of credit institutions' debt under Bank of Russia refinancing operations.

Banks' demand for liquidity was down following the inflow of budget funds and other operations, the reduc-

[1] Excluding small businesses, banks, insurance companies, and budgetary institutions.

tion of cash in circulation, and the Bank of Russia's interventions in the domestic FX market.

One-week repo transactions with the Bank of Russia still dominated in managing banking sector liquidity in 2015. The average debt on these transactions fell by ₽1.2 trillion, compared to 2014, down to ₽1.4 trillion. The demand for standing repo transactions to provide liquidity was on average ₽0.1 trillion. In order to offset the considerable excess of liquidity demand over liquidity supply, the Bank of Russia conducted on certain days fine-tuning repo auctions for 1 to 6 days. The need to make such transactions arose in March, April, and June 2015.

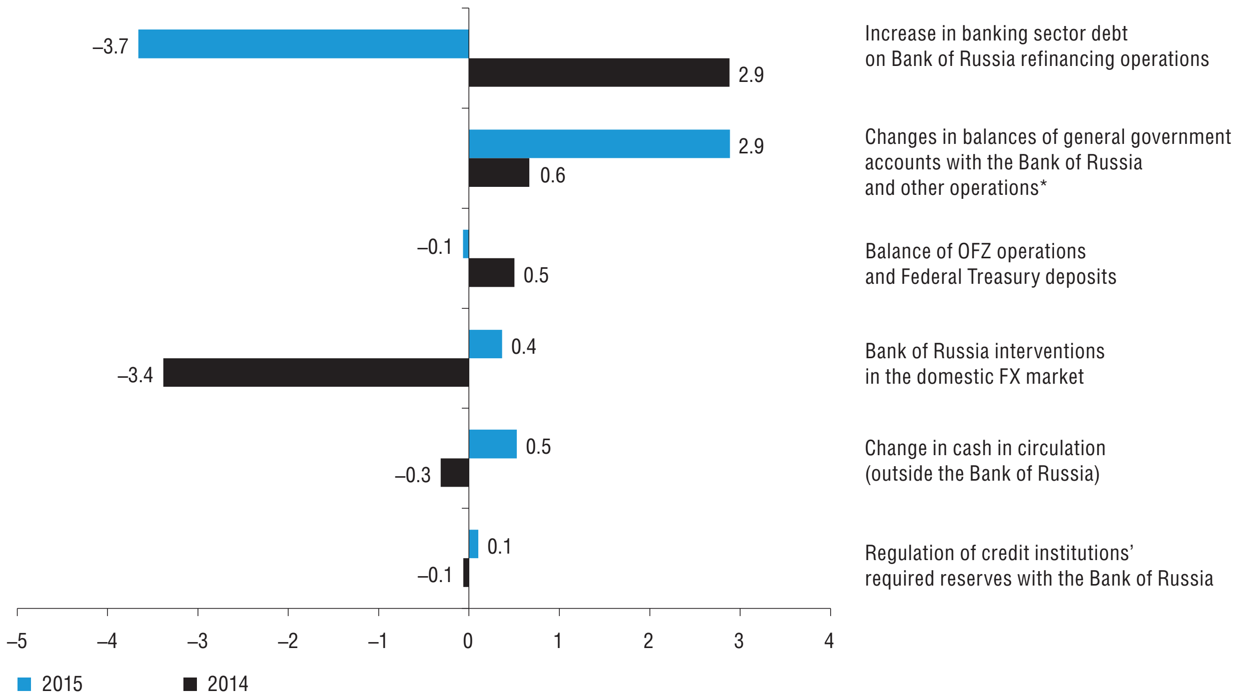
Loans secured by non-marketable assets and guarantees of credit institutions were also the main refinancing source in 2015. The Bank of Russia continued to conduct monthly auctions to provide loans secured by non-marketable assets at a floating interest rate for the period of 3 months.

In early 2015, the Bank of Russia gradually increased the maximum amount of funds provided through loan auctions to replace debts of the banking sector on similar standing facilities. The inflow of liquidity to the banking sector and the decrease of the burden on the marketable collateral of credit institutions promoted a substantial reduction of bank debt on such standing facilities after 2015 Q1. Starting April 2015, the Bank of Russia reduced the maximum amount of funds provided through loan auctions secured by non-marketable assets as the banking sector's demand for refinancing decreased. In July 2015, the Bank of Russia conducted an auction to provide 18-month loans, thus having refinanced the debt on 12-month loans secured by non-marketable assets. Banks' debt on loans secured by non-marketable collateral extended through auctions in 2015 fell by ₽0.8 trillion and as of 1 January 2016 totalled ₽1.6 trillion. Banks' debt on other secured loans, including standing loans secured by non-marketable assets and guarantees of credit institutions, reduced by ₽1.6 trillion to ₽0.4 trillion.

Credit institutions showed low demand for ruble liquidity-providing FX swaps in 2015. As of 1 January 2016, banks' debt on these transactions was ₽15 billion.

As of 1 January 2016, repo transactions accounted for about 46% of the total debt of credit institutions on the Bank of Russia's refinancing operations, while secured loans accounted for 53%.

Figure 1.1. Liquidity factors and changes in banking sector debt on Bank of Russia refinancing operations, trillions of rubles



** Excluding deposit transactions of the Federal Treasury and OFZ transactions of the Ministry of Finance of Russia, but including interest payments on Bank of Russia refinancing operations and absorbing and the inflow of funds from settlements under USD/RUB sell/buy FX swaps.*

Source: Bank of Russia.

The demand of credit institutions for the Bank of Russia's deposit operations during the most of 2015 remained low. In certain periods, when liquidity supply exceeded demand, the Bank of Russia conducted fine-tuning operations in the form of deposit auctions for the period of 1 to 6 days. The need for such transactions arose in January and February 2015. The average debt of the Bank of Russia on deposit operations in 2015 was ₽0.3 trillion, which is ₽0.2 trillion higher against the previous year.

The Bank of Russia mostly uses its key monetary policy instruments to support price stability. However, given the economic environment of 2015, the Bank of Russia also contributed to implementation of social and economic policies. For instance, in order to support the development of certain economic segments restrained by structural factors, the Bank of Russia provided funds to credit institutions through special-purpose refinancing mechanisms along with the use of monetary policy instruments.

Table 1.1. Changes in the system of monetary policy instruments and other measures taken by the Bank of Russia in 2015

The Bank of Russia developed a mechanisms to issue loans secured by guarantees of the JSC Russian Small and Medium Business Corporation for a period of up to 3 years at the rate of 6.5% p.a.	March
The Bank of Russia supplemented its monetary policy instruments with auction-based fine-tuning USD/RUB and EUR/RUB sell/buy FX swaps for the period of 1 to 2 days. These auctions are conducted in accordance with Bank of Russia decision along with fine-tuning repo auctions	June
The Bank of Russia increased the averaging ratio applied by banks to calculate the average value of required reserves from 0.7 to 0.8. For non-bank credit institutions which carry out deposit-taking and lending, the ratio was raised from 0.7 to 1.0	September
The Bank of Russia Board of Directors approved Bank of Russia Regulation No. 507-P, dated 1 December 2015, 'On Credit Institutions' Required Reserves', which implements previously adopted resolutions on changes to the approaches to the mechanism for averaging required reserves. The stated measures to change the schedule of periods for averaging required reserves and calculating the average value of balances on the correspondent accounts with the Bank of Russia during the averaging period became effective from January 2016	December
The Bank of Russia developed a mechanism for issuing loans secured by the pledge of receivables on loans to leasing companies for the period of up to 3 years at the rate of 9.00% p.a.	December

I.1.2.2. MONEY MARKET

Throughout 2015, overnight ruble-denominated money market rates were affected by the structural liquidity deficit that decreased during this same period (see Clause I.1.2.1). In this environment, the Bank of Russia reduced limits of one-week ruble repo auctions. Despite the decline in the banking sector's demand for refinancing, weekly Bank of Russia ruble repo auctions to raise liquidity remained highly demanded primarily by small banks whose borrowing possibilities in the money market were limited. As a result, cut-off rates at one-week Bank of Russia repo auctions went up. Against this background, credit institutions showed high demand for ruble liquidity in the money market, which in turn underpinned overnight ruble-denominated money market rates mainly in the upper range of the interest rate corridor.

Money market rates were also affected by the elevated demand for FX liquidity observed in certain periods in 2015. In this context, the supply of ruble liquidity in the FX swap market went up resulting in a drop in ruble-denominated rates in this segment of the money market and thus putting downward pressure on overnight ruble-denominated interbank and repo rates.

I.1.2.3. FOREIGN EXCHANGE MARKET

During 2015, economic agents were adapting to a floating exchange rate regime as well as an altered foreign economic environment. In February–May 2015, ruble appreciation was driven by the growth in world oil prices. In addition, the ruble was backed by the Bank of Russia's monetary policy, including a key rate hike to 17% p.a. at the end of 2014 and an introduction of instruments for providing credit institutions with foreign currency on a repayable basis.

Since summer 2015, the ruble was depreciating against most advanced economy currencies following the drop in oil prices and increasing uncertainty in global financial markets due to the slowdown in the Chinese economic growth. This made risky assets, including ruble-denominated ones, less attractive for foreign investors. The expected rate hike by the US Fed also acted against the ruble, as well as against many other world currencies.

The FX rate volatility was gradually declining throughout 2015. On average, during 2015 the realised volatility of USD/RUB exchange rate was about 26 pp, which is much lower than values observed in

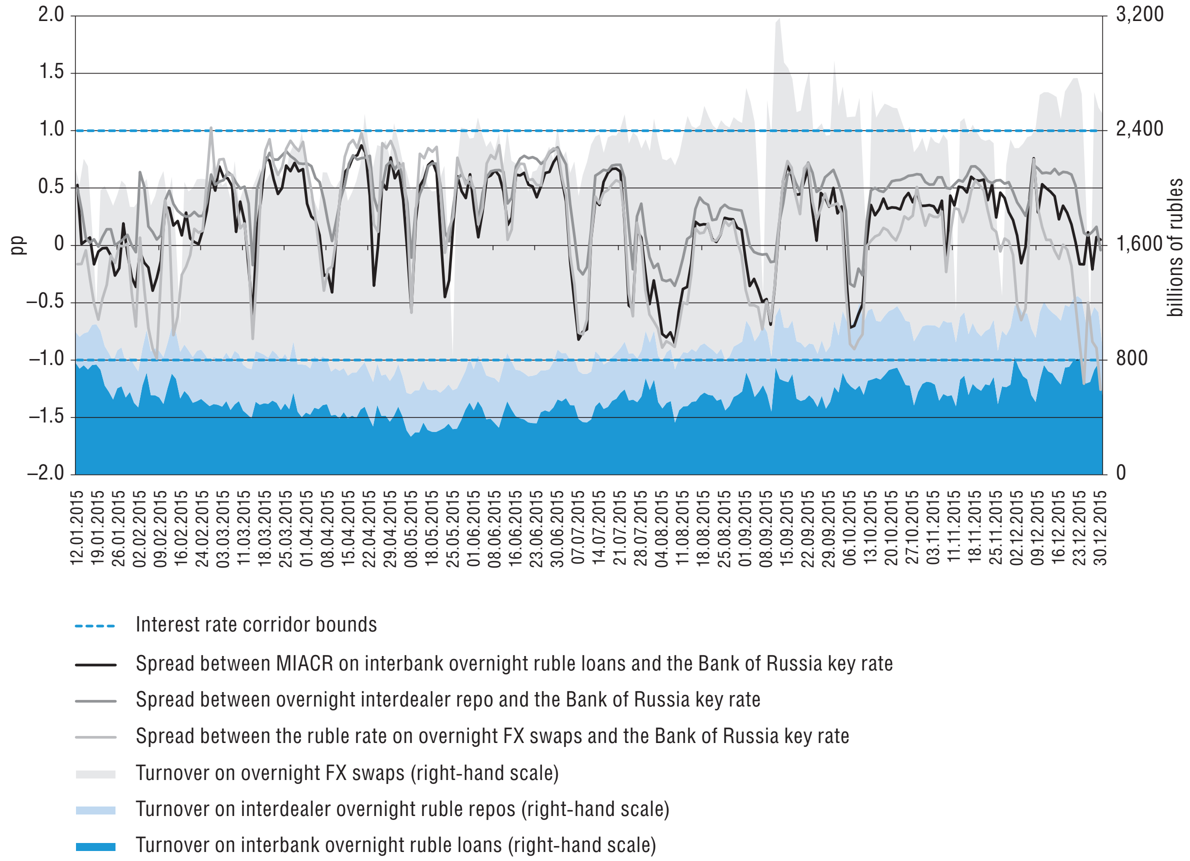
December 2014 when it was over 70 pp. At the same time, the volatility of the ruble exchange rate remained rather high compared to advanced economy currencies, which can be linked to a persistently high volatility of oil prices.

I.1.2.4. CORPORATE SECURITIES MARKET

In 2015, the situation in the corporate securities market improved compared to the end of 2014. In January–May 2015, debt securities and equity securities quotations rose following the implemented and expected monetary policy easing by the Bank of Russia. However, the recovery of volume and price values of the Russian corporate securities market was checked by an increased instability in global financial and commodity markets in the second half of 2015, ruble depreciation, and a slowdown in the domestic economic activity along with aggravations in geopolitical tension, expectations and launch of monetary policy normalisation by the US Fed. At the same time, comments from the Bank of Russia, published at the end of October and mid-December in press releases about its willingness to renew the key rate cuts at the upcoming meetings of the Board of Directors as inflation decelerates, restricted the effect of the said negative factors.

Volatility indicators of stock market indices fell in the domestic stock market compared to the end of 2014. The RTS index (calculated on the basis of share prices denominated in US dollars) followed the ruble exchange rate during 2015 and fell by 4.3% in the reporting period. The MICEX index (calculated on the basis of share prices denominated in rubles[1]) fluctuated within a broad horizontal band for most of the reporting period and in the end of 2015 went up by 26.1%. At the same time, in February and November 2015 the MICEX index reached its pre-recession maximum of 2008. Stock market capitalisation

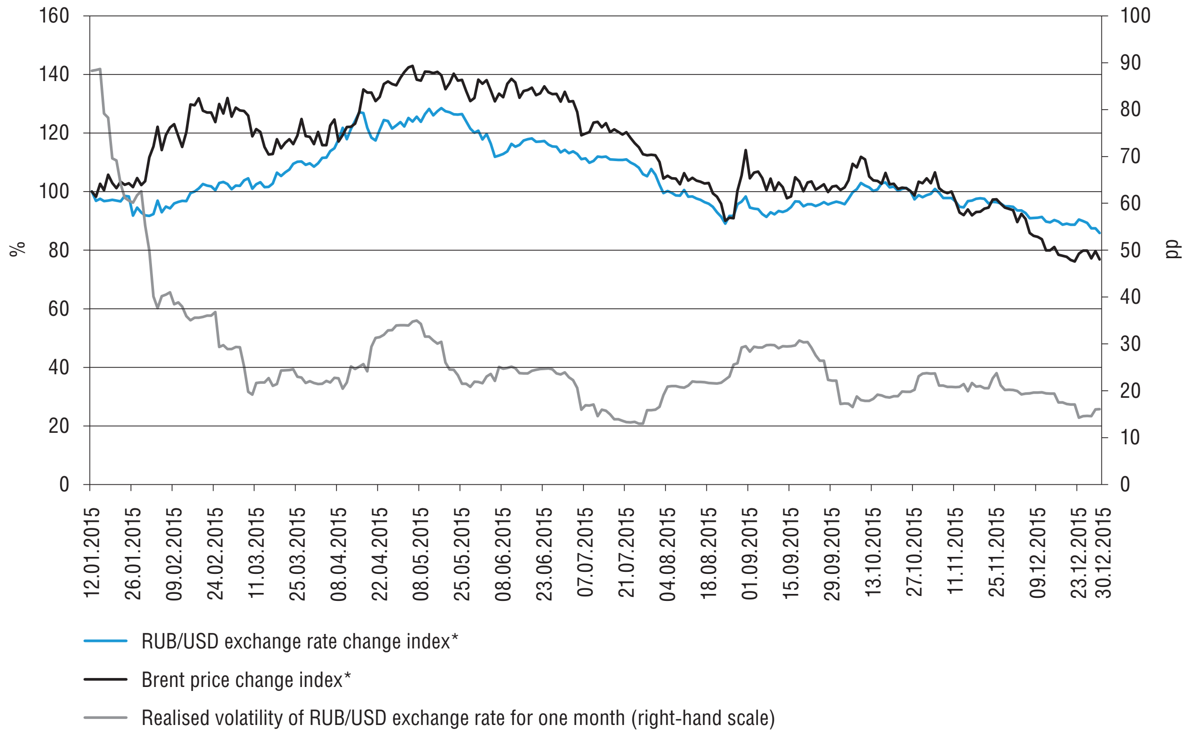
Figure 1.2. Spreads between interest rates and the Bank of Russia key rate and money market turnover



Source: Bank of Russia.

[1] Lists of securities included in the MICEX and RTS index calculation base are the same.

Figure 1.3. Ruble exchange rate dynamics and volatility



** Values of indicators as of 12 January 2015 are taken as 100%.*

Source: Thomson Reuters.

on the MICEX Stock Exchange increased by 24.2% to ₽28.8 trillion. The turnover of the secondary trading in shares and share depositary receipts on the MICEX Stock Exchange reduced in 2015 to ₽9.2 trillion against ₽10.1 trillion in 2014. Credit institutions' shares accounted for about 35% of the total secondary trading turnover on the MICEX Stock Exchange.

Issuing activity in the domestic corporate bond market increased compared to 2014. In general, corporate bond issues in the total of ₽1,830 billion at par value were placed during 2015, of which bonds of credit institutions accounted for 23% of the total offering.

The portfolio of corporate bonds traded in the domestic market expanded in the reporting period by 21.8% to ₽8.1 trillion at par value[1] compared to the end of 2014. Sectorwise, bank securities remained the largest segment of the portfolio, but its share reduced from 31% at the end of 2014 to 26% at the end of 2015.

In 2015, the secondary trading in corporate bonds on the MICEX Stock Exchange increased by 4.4% to ₽4.5 trillion compared to 2014. Bonds of credit institutions accounted for 33% in the structure of secondary trading.

Corporate bond yield in the secondary market reduced over the reporting period by 408 bp to 11.6% p.a. at the end of 2015, with the average yield exceeding in 2015 a similar 2014 indicator by 272 bp and amounting to 13.1% p.a.

Institutional aspects of securities market development. In 2015, the number of infrastructures in the Russian financial market increased from 12 to 13. At the same time, the number of credit and non-bank institutions licensed as professional securities market participants tended to go down: their number fell from 1,066 as of 1 January 2015 to 875 as of 31 December 2015. Among other things, the number of broker licences decreased by 171 to 632, dealer licences by 163 to 651, trustee licences by 169 to 541, and depository licences by 70 to 502 during the said period. The number of registrar licences decreased by 1 to 39 in this period, and the number of clearing organisations remained unchanged at 5. The number of trade organisers (exchanges) grew from 8 to 9. At the

[1] According to Cbonds.ru.

same time, more than half of professional securities market participants – dealers, brokers, and depositories, as well as more than one-third of trustees held a banking licence.

Throughout 2015, the Bank of Russia developed financial market regulation. In particular, licensing requirements and terms of professional activities in the securities market were improved, the approach to trustee activities regulation was changed (now trustee's actions shall be guided by the customer's risk profile), measures to regulate the forex market were taken, and requirements for the disclosure of information by professional securities market participants were defined. The Bank of Russia also reconsidered regulations on financial market accounting institutions (securities reconciliation procedure and securities account maintenance procedures were updated, conditions for supervising depositories' compliance with the account balance were created) and introduced a risk-based approach to determining the amount of trustee capital. Measures to develop the commodities market were adopted (grain exchange market was launched, gas exchange market was improved), and requirements aimed at the reduction of clearing risks were worked out. The project on upgrading the system of financial market specialist certification was launched.

I.1.3. Banking sector macroeconomic performance

In 2015, most key indicators characterising the role of the banking sector in the economy showed positive dynamics, but such changes are largely explained by the currency revaluation. Banking sector assets to GDP ratio increased over the year from 99.6% to 102.7%.

The banking sector capital to GDP ratio added 0.9 pp during the year and as of 1 January 2016 amounted to 11.1%. The banking sector capital was increased on the back of additional capitalisation of certain banks through state funding.

The role of household deposits, which showed a considerable growth in 2015, in the resource base of credit institutions gained in importance. As a result, household deposits to GDP ratio went up by 4.4 pp (from 23.8% as of 1 January 2015 to 28.7% as of 1 January 2016). Funds attracted from companies showed a moderate growth, and with regard to GDP they increased by 3.1 pp to 35.2%.

Loans to the economy (to non-financial organisations and households) also showed positive dynamics, but only due to the increase in the corporate loan portfolio. The aggregate loans to the economy to GDP ratio increased over the reporting year by 2.0 pp to 54.4%.

Thereby, at the end of 2015 two of the three target indicators set by the Banking Sector Development Strategy of the Russian Federation through 2015 were attained: assets to GDP ratio and loans to non-financial organisations and household loans to GDP ratio. At the same time, the target capital to GDP ratio (14–15%) has not yet been reached.

I.2. Institutional aspects of banking sector development

I.2.1. Quantitative characteristics of the banking sector

In 2015, the recent trend towards reduction in the number of operating credit institutions persisted. It went down by 101 to 733 during the reporting year (Figure 1.4).

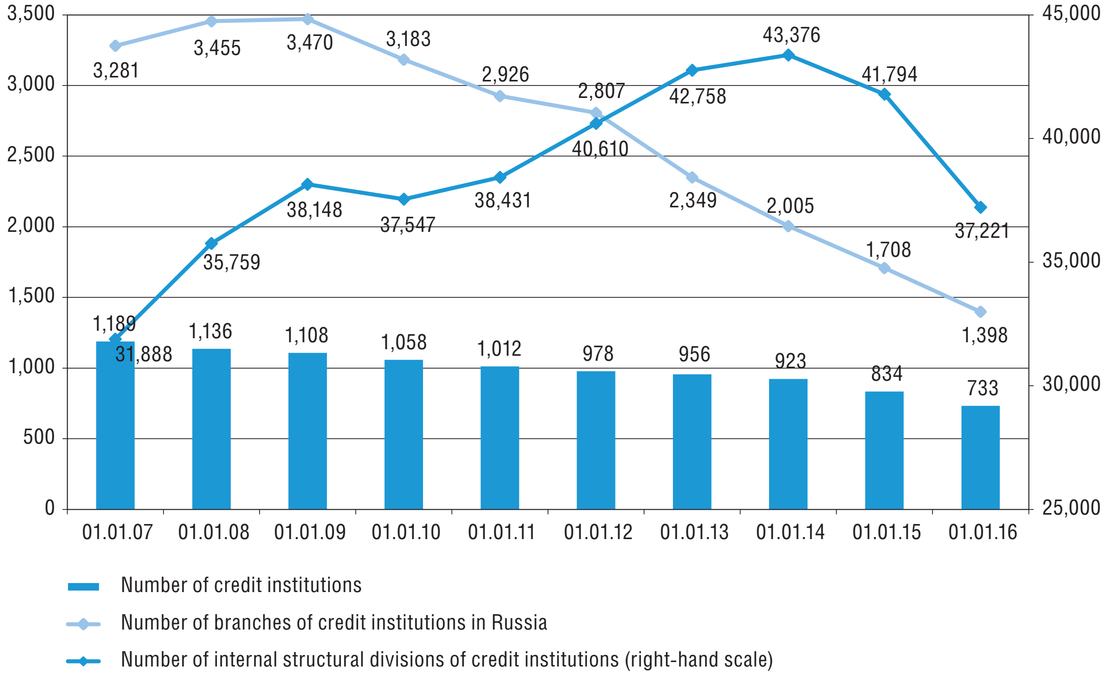
In 2015, credit institutions continued to optimise their internal structural divisions. Their total number shrank by 4,573 units (10.9%), and as of 1 January 2016 totalled 37,221 (41,794 as of 1 January 2015). At the same time, the number of additional offices fell from 23,301 to 21,836; cash and credit offices – from 2,289 to 1,853; external cash desks – from 6,735 to 5,696; and operation offices – from 9,273 to 7,609. At the same time, the number of mobile banking vehicles increased from 196 to 227.

The said changes resulted in a drop in the number of internal structural divisions per 100 thousand people from 28.6 as of the end of 2014 to 25.4 as of the end of 2015.

I.2.2. Development of regional banking

In 2015, most Russian regions observed a reduction in the number of operating credit institutions: the

Figure 1.4. Number of credit institutions and their branches



number of regional banks[1] reduced from 375 to 341. But regional banks saw higher asset growth (16.1%) than the banking sector as a whole (6.9%). As a result, the share of regional banks in the banking sector's aggregate assets increased from 8.6% to 9.3% at the end of the year. In contrast, capital growth of regional banks fell behind the corresponding indicator in the banking sector in 2015: 0.2% against 13.6%. The decline in regional banks' profits (67.4% and 77.8% respectively) was more substantive than in the banking sector as a whole.

As of the end of 2015, the aggregate index of the density of banking services[2] in most regions did not change substantially. Banking services are still most accessible in the Central Federal District (especially in Moscow), followed by the North-Western Federal District where banking services are highly accessible in Saint Petersburg. The Urals Federal District saw an increase in this indicator as of the end of 2015.

Other regions, except for the Siberian Federal District with a flat index value, saw a slight decrease in this value in 2015. The minimum value of the aggregate index of the density of banking services in the regions is observed in the North Caucasian Federal District, including the Chechen Republic, as well as the Republic of Dagestan and the Ingush Republic (see Table 6.2 in the Statistical Appendix).

The institutional density of banking services[3] in the Crimea Federal District amounted to 0.93, which is higher than the value of the index in a number of Russian regions.

I.2.3. Banking services concentration

In 2015, the growth of indicators characterising banking services concentration persisted. The share of the 200 credit institutions largest by assets in the aggregate assets of the banking sector for the reporting period increased, and at the end of the year was equal to 97.2% (at the end of 2014, 96.5%). The relative share of the top five banks grew during 2015 from 53.6% to 54.1%. This dynamics is generally explained by licence revocations from small banks.

Currently, all credit institutions comply with the requirements of Federal Law No. 391-FZ, dated 3 December 2011, 'On Amending the Federal Law 'On Banks and Banking Activities' on increasing the

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

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

[3] The methodology used to calculate the index is explained in Section IV of this Report. The calculation of the index takes into account the data on bank branches registered both in the Crimea Federal District and in other regions of the Russian Federation.

minimum capital to ₽300 million since 1 January 2012 for newly established credit institutions and since 1 January 2015 for all credit institutions bar credit institutions with negative capital and managed by the state corporation Deposit Insurance Agency (DIA).

The number of credit institutions with equity higher than ₽1 billion fell from 369 to 337 for the reporting period (these credit institutions account for 98.2% of the Russian banks' capital) (Figure 1.5).

Quantitative concentration measures that are commonly used internationally, in particular the Herfindahl–Hirschman Index (HHI), show that in 2015 concentration in the main groups of assets and liabilities was at a medium level (Figure 1.6). During 2015, the asset concentration index slid from 0.108 to 0.107, the concentration of loans to resident non-financial organisations also went down (from 0.144 to 0.137), and the capital concentration index increased from 0.103 to 0.114.

Concentration in the household deposit market remains historically high: as of 1 January 2016, it was 0.223% (see Table 1.2 and Figure 1.6).

If we compare the asset concentration indicator in Russia with similar indicators in euro area, Russia falls in the middle of this list.

I.2.4. Interaction between the banking sector and non-bank financial institutions

Insurance companies. In 2015 consolidation of the insurance market continued. The number of insurers registered in the unified state register of insurance

Figure 1.5. Number of credit institutions with capital in excess of ₽300 million and ₽1 billion

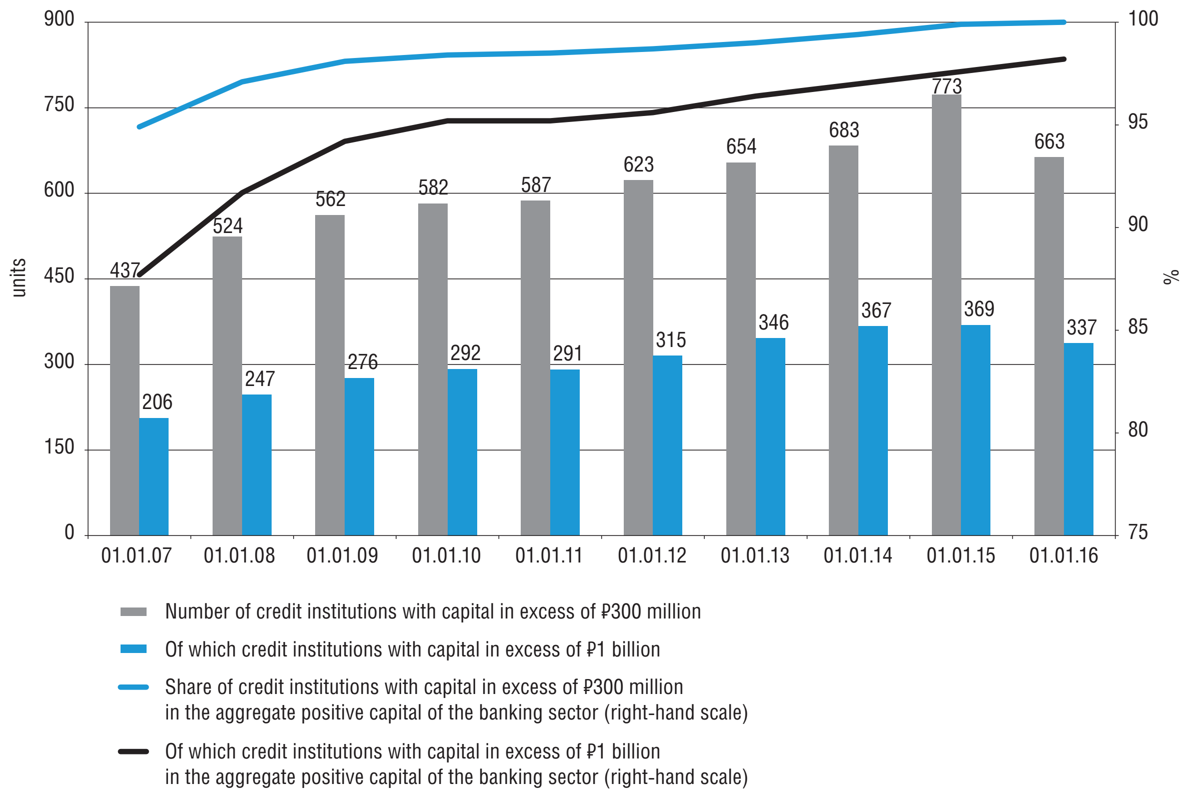


Table 1.2. Concentration in the household deposit market

	1 January 2012	1 January 2013	1 January 2014	1 January 2015	1 January 2016
HHI for deposits, %	0.225	0.216	0.227	0.213	0.223
Sberbank share in total deposits, %	46.6	45.7	46.7	45.0	46.0
Share of top five banks in terms of deposits in total deposits, %	59.4	58.3	60.5	59.9	62.0

agents decreased from 416 to 344 since the beginning of the year. The amount of insurance premiums increased compared to 2014 by 3.3% to ₽1,024 billion, while the market share of the top ten companies grew from 59.0% to 64.5%.

Insurance companies and credit institutions cooperate in several spheres. Insurance services tied to banks' credit products are now widespread enabling banks to limit the risks assumed. In 2015, following the retail lending shrinkage the related insurance lines demonstrated negative dynamics: in particular, accident insurance and health insurance premiums fell by 15.6%. Financial risk insurance amounts (including the borrower's job loss insurance) remained at 2014 levels.

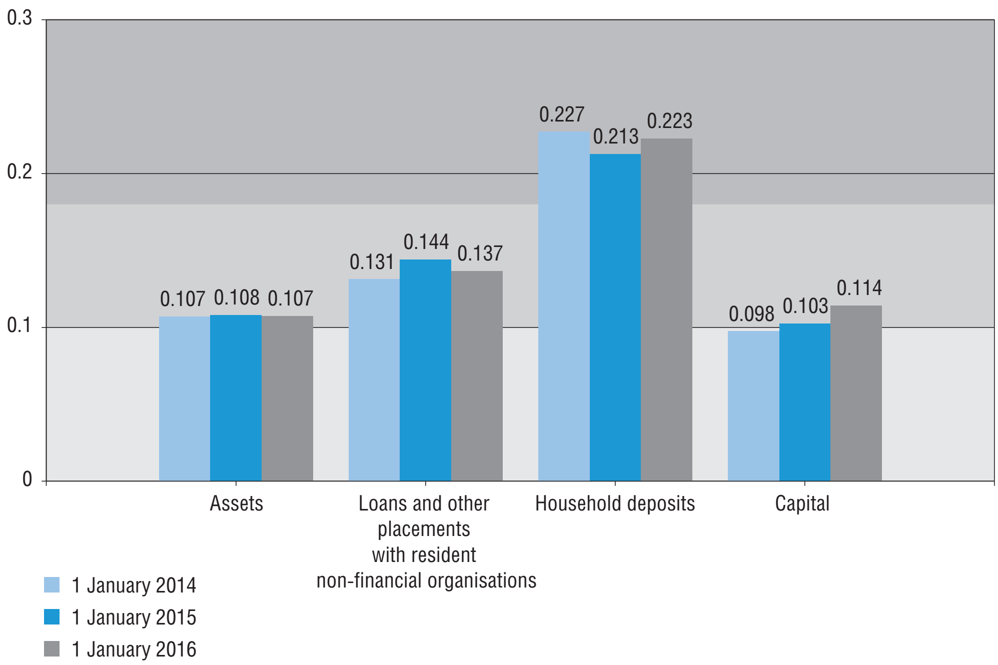
Credit institutions represent an efficient sales channel for other insurance products as well. In 2015, 76.6% of premiums from endowment and investment life insurance and 32.6% of premiums from insurance of other property of individuals were received through the intermediary of credit institutions.

The total premiums obtained by insurers through the intermediary of credit institutions in 2015 was up by 6.9% to ₽179 billion, or 17.4% of the aggregate insurance premiums. The total amount of benefit obtained by the credit institutions reduced by 15.0% to ₽52.5 billion.

The adoption of Bank of Russia Ordinance No. 3854-U, dated 20 November 2015, 'On the Minimum (Standard) Requirements for Conditions and Procedure to Provide Certain Types of Voluntary Insurance' was notable with respect to the protection of rights of insurance and credit institution customers. The Ordinance secured the policy holder's right to dissolve the insurance contract within five business days after its signing with refund by the insurer of the premium paid in full or, if the insurance contract entered into force, less the part of the premium proportional to the validity period of the insurance contract.

In 2015, the banking system remained a priority area for insurers' investments. As of 1 October 2015, insurers' investments to credit institutions stood at ₽439 billion, or 26.9% of their total assets, of which time deposits totalled ₽329 billion, or 20.2% of assets, investments in securities other than shares were ₽80.0 billion, or 4.9% of assets, investments in shares totalled ₽29.6 billion, or 1.8% of assets. Apart from deposits, insurers placed ₽163 billion in credit institution accounts, which accounted for 10.0% of their total assets. As compared to the same period in 2014, in-

Figure 1.6. Russian banking sector concentration indices (HHI values)



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

vestments of insurers in the banking sector went up by ₽105 billion in absolute terms, and the share of such investments in the total assets of insurers increased by 4.5 pp.

The recent trend was the establishment and acquisition of insurance companies by banking groups.

Non-governmental pension funds (NPF). The number of NPFs decreased from 120 to 102 during 2015. The main reason for cancelling NPF licences was low credit quality of their assets.

In 2015, the period of NPFs' submission of documents to be included in the rights assurance system of the insured persons expired. As of 1 January 2016, the assurance system included 32 NPFs holding 95% of pension savings.

The total pension assets of NPFs (pension savings and pension reserves) grew in 2015 by 35% and accounted for ₽2,750 billion as of 31 December 2015. Pension savings increased by 53% to ₽1,737 billion, pension reserves went up by 13%, to ₽1,013 billion[1]. The main increase is from the transfer of ₽527 billion of individual pension savings from the Pension Fund of the Russian Federation (PFRF) to NPFs[2].

In 2015, the vast majority of non-governmental pension funds demonstrated the increase of profitability. Throughout 2015, as many as 65 of 67 NPFs demonstrated a positive return on pension savings investments; and with regard to pension reserves, 87 of 90 NPFs. The return on pension savings was 10.8%, which is 3.7 pp lower than PFRF's profit (14.5%); the return on pension reserves was 7.7%. An above-inflation return on pension savings was achieved by 23 of 67 NGPFs; on pension reserves, 20 of 90 NPFs.

The total amount of NPFs' placements in the banking system (deposits, funds on settlement accounts, shares and bonds of credit institutions) reduced by 18% to ₽649 billion during 2015 (24% of the cost of pension savings and pension reserves)[3]. Investments into the banking sector reduced as the Bank of Russia Ordinance[4] became effective that established a drop in the maximum investment of pension savings of NPFs in deposits and bonds of credit institutions from 80% to 60%.

Unit investment funds (UIF). During the first nine months of 2015, the number of UIFs fell by 76 to 1,458 funds. Within the same period, the net asset value increased by 8% to ₽2,304 billion. Closed-end unit investment funds (CUIF) grew the most, with the net asset value growing by 9% and totalling ₽2,189 billion at the end of 2015 Q3. The largest contribution to the increase in the net asset value of CUIFs during the first nine months of 2015 was made by the long-term direct investment funds (₽70 billion) and real estate funds (₽61 billion).

During the first nine months of 2015, the total amount of UIF funds placed in the current accounts with banks went up by 10% to ₽134 billion. The amount of funds on deposit accounts fell by 12% to ₽64 billion.

Professional securities market participants (PSMP)[5]. In 2015, the number of PSMPs reduced by 101 to 540, their total assets decreased by 2% to ₽754 billion in the first nine months of 2015. PSMPs' capital was up by 10% to ₽198 billion. PSMPs' debt liabilities[6] fell by 7% and at the end of 2015 Q3 amounted to ₽127 billion.

As to interactions between broker and credit institutions, the repo market and currency swap market are of interest.

In 2015, the total amount of transactions in the inter-dealer repo market increased by 30% to ₽107 trillion. Transactions between banks and non-bank financial institutions account for 43% of the turnover from inter-dealer repos (₽46 trillion), which is 7 pp lower than in 2014.

The total amount of transactions in the FX swap market in 2015 surged by 41% to ₽208 trillion. Transactions between banks and non-financial organisations account for only 10% of the turnover (₽21 trillion), which is 10 pp less than in 2014.

Microfinance organisations (MFO). In 2015, the number of acting MFOs reduced to 3,688 (12%), and more than 1,700 entities were struck off the MFO re-

[1] According to specialised depositories' reports.

[2] According to the PFRF.

[3] According to specialised depositories' reports.

[4] Bank of Russia Ordinance No. 3692-U, dated 24 June 2015, 'On Amending Bank of Russia Regulation No. 451-P, Dated 25 December 2014, 'On Additional Restrictions on Investing Pension Savings of Non-governmental Pension Funds Providing Compulsory Pension Insurance, Additional Requirements for Credit Institutions with Which Servicemen Pension and Housing Savings are Placed, and Additional Requirements for Management Companies under Pension Savings Trust Management Agreement'.

[5] Hereinafter PSMP do not include credit institutions.

[6] Short-term and long-term loans.

gister. During 2015, the microloan portfolio was extended by 22.7% to ₽70.3 billion (1% of the consumer loan portfolio of banks, except for mortgage loans).

In 2015, the regulator's requirements regarding microloan loss provisions came into effect, which provided for a transitional period for their accrual until 2018. At the end of 2015, a Federal Law[1] was adopted that determined the division of market participants into microlending and microfinance companies. Accordingly, the minimum capital requirements (at least ₽70 million) and the obligation to comply with additional economic standards were introduced, and requirements for reporting were raised for microfinance companies that were granted the right to raise funds from individuals.

It is noteworthy that during 2015 the share of MFOs affiliated with banks increased from 7.2% to 13.8% of the microloan portfolio following mainly the entry into the market of organisations affiliated with large retail banks. As a whole during 2015 credit institutions provided the total of ₽13.7 billion borrowed funds or 35% of all the funds raised by MFOs from market investors.

Self-regulation in the financial market. Self-regulatory organisations operating in the financial market for a long period of time demonstrated high professionalism; they gained considerable experience with regard to establishing operation standards for the financial market and arranging a shared information space. Today self-regulatory organisations unite more than 2,700 legal entities and sole proprietors: brokers, dealers, managers, depositories, registrars, joint-stock investment funds and managing companies of investment funds, unit investment funds and non-governmental pension funds, specialised depositories, insurance companies, insurance brokers, mutual insurance companies, microfinance organisations, credit consumer cooperatives, housing savings cooperatives, agricultural credit consumer cooperatives, and banks holding professional securities market participant licences.

To shape a single approach to the functioning of self-regulatory institutions in the financial market and to determine the course of its development, Federal Law No. 223-FZ, dated 13 July 2015, 'On Self-Regulatory Organisations in the Financial Market and on Amending Articles 2 and 6 of the Federal Law 'On Amending Certain Laws of the Russian Federation' (Federal Law No. 223-FZ) was adopted and became effective on 11 January 2016.

Improvements to the self-regulation shall result in higher competitiveness of the Russian financial market, development of a comprehensive regulatory system meeting the interests of professional participants of different segments of the financial market and providing an appropriate level of control over their activities, as well as protection of rights of financial services consumers.

Thanks to Federal Law No. 223-FZ, the Bank of Russia can switch from regulating 'by rules' to regulating 'by principles', which may be implemented through self-regulation standards. Standards developed by self-regulatory organisations, along with the federal laws and Bank of Russia regulations, should become a part of regulation with respect to all the financial organisations subject to Federal Law No. 223-FZ, which will guarantee that in different market segments uniform rules of operation will be in force that is, transparent and clear for both financial organisations and consumers of their services. The participation of credit institutions licensed as professional securities market participants in the activities of self-regulatory organisations in the financial markets boosts effective communication between credit and non-bank institutions, as well as the regulator.

I.3. Banking operations

I.3.1. Dynamics and structure of borrowed funds

The resource base of banks in 2015 continued to expand thanks to the customers' funds, first of all household deposits and resources raised from resident institutions (Figure 1.7).

In 2015, access to foreign funding sources for Russian banks remained restricted. This stimulated banks to use internal sources more actively (Figure 1.8).

[1] Federal Law No. 407-FZ, 29 December 2015, 'On Amending Certain Laws of the Russian Federation and Invalidating Certain Provisions of Laws of the Russian Federation'.

Figure 1.7. Structure of banking sector liabilities, %

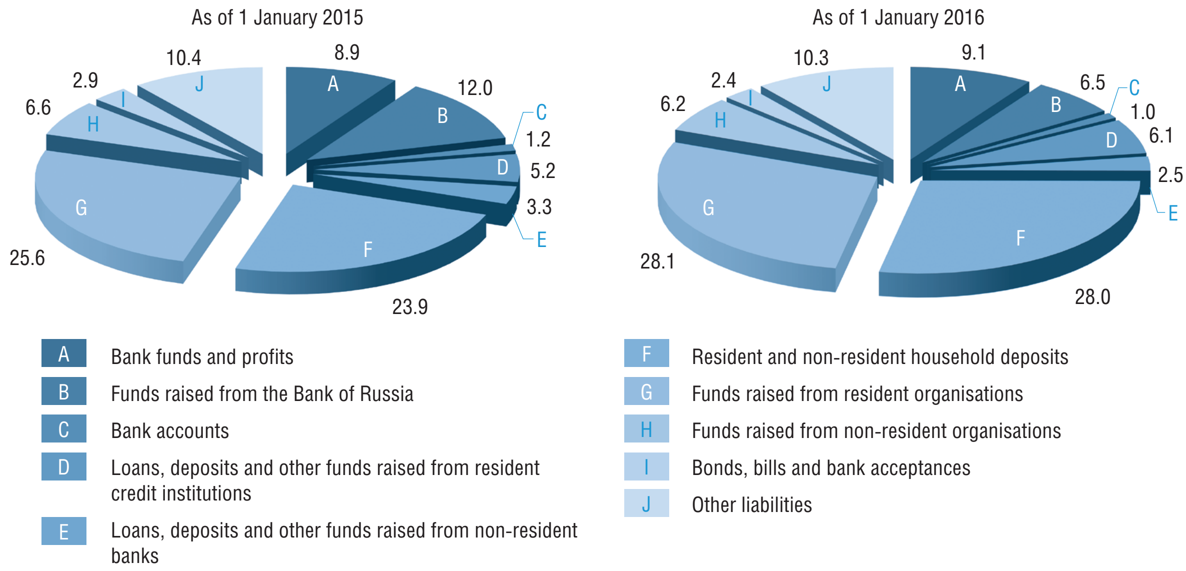
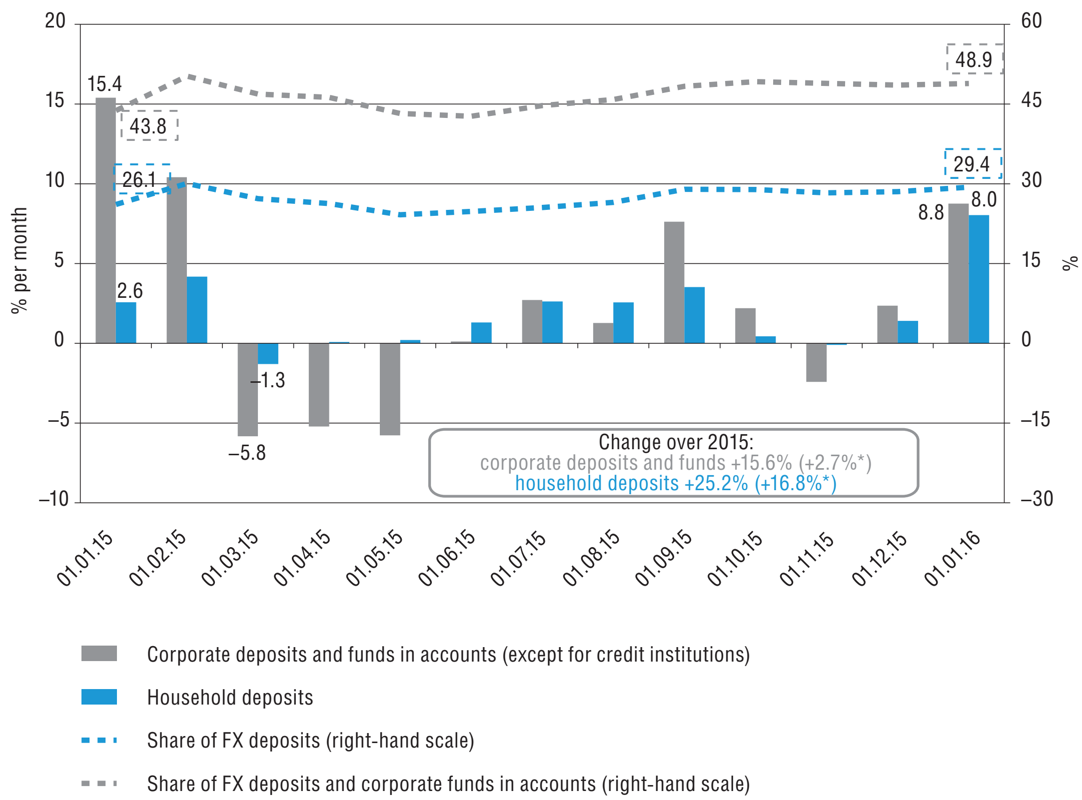


Figure 1.8. Resource base growth



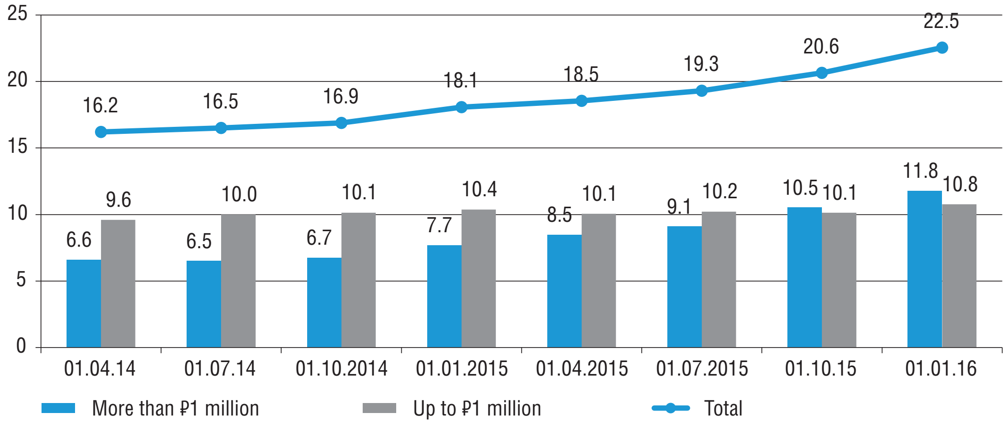
* *Indicators in brackets are adjusted for FX revaluation.*

Funds on customer accounts in the reporting period grew by 18.5% (in 2014, by 25.4%) to ₽51.9 trillion, and the share of such funds in the liabilities of the banking sector was up from 56.4% to 62.5%.

In 2015, household deposits[1] increased nominally by 25.2% (in 2014, by 9.4%) to ₽23.2 trillion; the FX-adjusted deposit growth was 16.8%. The share of FX deposits in their total volume during this year increased from 26.1% to 29.4%; FX-adjusted reduced

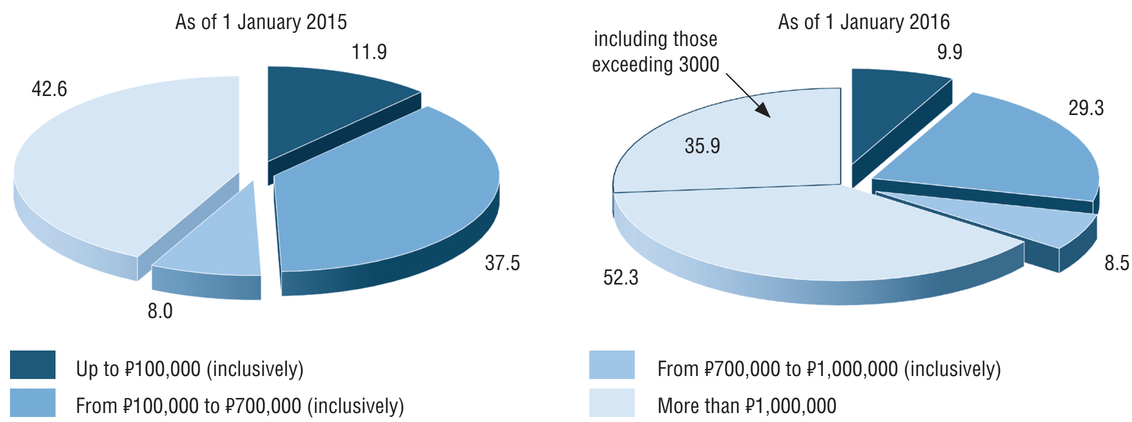
[1] Of residents and non-residents, including savings certificates.

Figure 1.9. Dynamics of household deposits*, ₽ trillion



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

Figure 1.10. Deposit share of total volume broken down by balance amount, %



to 24.3%. Deposits accounted for 28.0% of banking sector liabilities as of 1 January 2016 (at the beginning of 2015, 23.9%).

Large deposits showed the fastest growth: in 2015, deposits over ₽1 million increased by ₽4.1 trillion, or by 53.2%, with a total increase in deposits by ₽4.5 trillion. As a result, the share of such deposits increased by 9.7 pp to 52.3%, with deposits in excess of ₽3 million accounting for 35.9% of them. At the same time, the share of deposits from ₽100,000 to ₽700,000 decreased by 8.2 pp to 29.3% (Figures 1.9 and 1.10).

During 2015, the number of banks with deposits in excess of ₽10 billion fell from 134 to 132 (Figure 1.11).

From the perspective of deposit maturities, the main growth in 2015 was associated with deposits from six months to one year, which increased by 130.5%[1] (Figure 1.12). The share[2] of these deposits reached 40.9%. In addition, the amount of deposits for up to six months (other than call deposits) fell by 19.4%, and their share amounted to 7.1%.

In response to higher funding costs and interest rate risk credit institutions reduced deposit maturities, mostly of high interest rate deposits. The volume of deposits maturing in more than one year reduced by 1.1%, and as of 1 January 2016 their share was 52.0%.

Interest rates on household ruble deposits maturing in more than one year went down during the reporting period from 13.1% in January to 9.3% in December.

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

[2] Shares are calculated without account taken for call deposits for which there is no maturity information available.

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

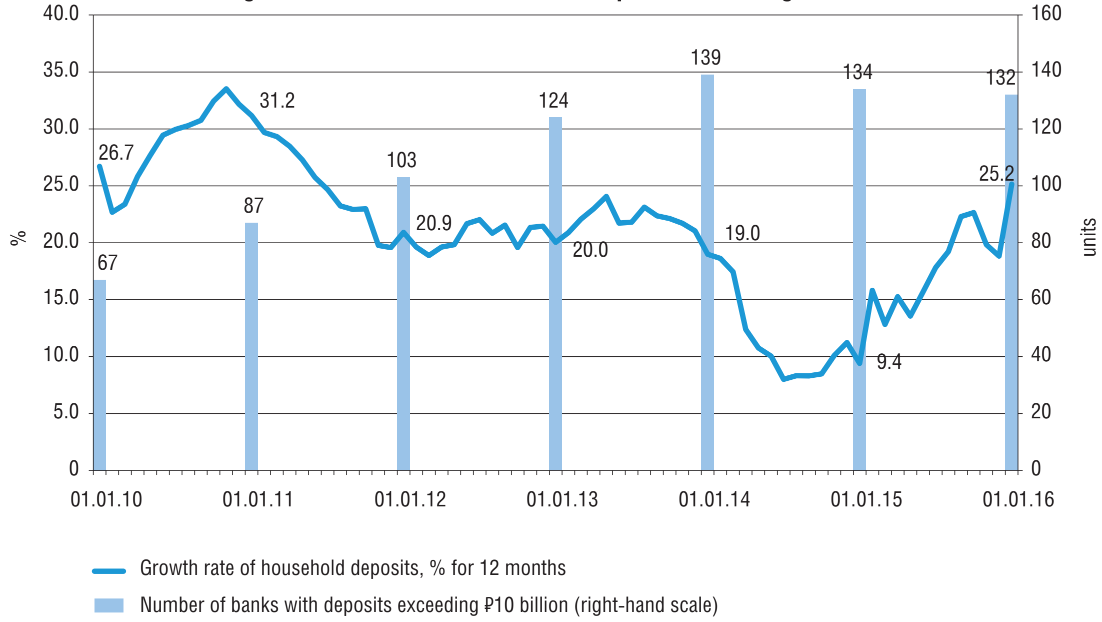
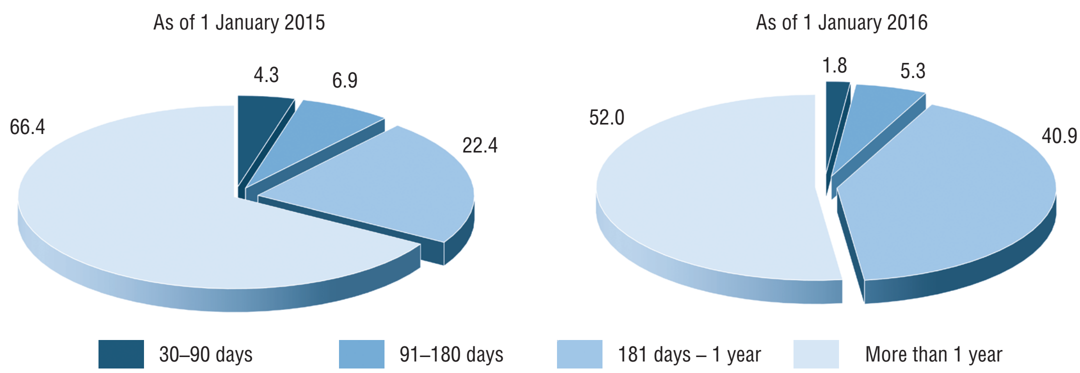


Figure 1.12. Deposit share of the total volume broken down by maturity, %



Household deposits are important funding sources, especially for regional banks[1] (Table 1.3). State-controlled banks retain the strongest position in the household deposit market.

In 2015, PJSC Sberbank's share in this market increased from 45.0% to 46.0%.

In 2015, the total amount of deposits and funds in the bank accounts of non-financial and financial organisations (other than credit institutions) increased by 15.6% (in 2014, by 38.6%) to ₽27.1 trillion, and their share in the banking sector's liabilities increased from 30.2% to 32.6%. The active growth of such funds results primarily from a 19.8% (in 2014, 14.1%) growth of corporate funds in settlement and other accounts with volume increased by up to ₽8.9 trillion. Corporate ruble deposits and funds in ruble accounts grew by 5.1%, and those in FX accounts slid by 0.5% (in US dollar terms).

Deposits and other funds raised from organisations (other than credit institutions) grew by 13.6% (in 2014, by 53.9%) to ₽18.2 trillion mainly due to FX deposits, and adjusted for foreign exchange revaluation this funding source shrank by 1.4%.

In 2015, corporate deposits maturing in more than one year continued to grow, but growth rates slowed significantly to 8.7% compared to 56.0%, and their

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

Table 1.3. Household deposits and deposits and funds of non-financial and financial organisations (other than credit institutions) in accounts by bank group

Bank group	Share of household deposits				Share of deposits and funds of non-financial and financial organisations (other than credit institutions) in accounts			
	in total banking sector deposits, %		in liabilities of respective bank group, %		in total banking sector deposits, %		in liabilities of respective bank group, %	
	1 January 2015	1 January 2016	1 January 2015	1 January 2016	1 January 2015	1 January 2016	1 January 2015	1 January 2016
State-controlled banks[1]	60.4	63.1	24.7	30.1	59.6	63.7	30.8	35.4
Foreign-controlled banks[2]	6.6	6.1	16.0	19.2	9.6	8.5	29.9	31.5
Large private banks[3]	28.2	27.2	23.8	25.5	28.1	25.9	29.7	28.4
Small and medium-sized banks based in Moscow and the Moscow Region[4]	2.3	1.4	33.3	34.3	1.5	0.9	26.2	24.6
Small and medium-sized regional banks	2.5	2.2	42.9	47.4	1.2	0.9	26.9	23.4

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

[2] *Banks directly or indirectly controlled by foreign legal entities and foreign citizens, and banks where the direct or indirect (via third parties) share held by foreign legal entities and foreign citizens who are the ultimate owners as shareholders (participants) of the bank exceeds 50% of the total number of voting shares (equities) in the bank.*

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

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

share in total corporate deposits fell from 55.9% to 53.5% over the year.

In 2015, interest rate dynamics of ruble deposits raised by credit institutions from non-financial organisations for more than one year was favourable as their level was reduced from 13.6% p.a. in January to 10.8% p.a. in December.

The amount of funds raised by credit institutions through bond issue decreased in 2015 by 6.7% to ₽1.3 trillion, and the share of this source in banking sector liabilities was reduced from 1.7% to 1.5%. The volume of promissory notes and bank acceptances issued by credit institutions also went down (by 19.8%), and their share in banking sector liabilities was reduced from 1.1% to 0.8%.

As traditional funding sources were used more actively in 2015, credit institutions reduced borrowings from the Bank of Russia considerably (by 42.3% to ₽5.4 trillion), and their share in bank liabilities dropped from 12.0% to 6.5% (Figure 1.13).

In 2015, the debt on deposits placed in banks by the Federal Treasury was reduced by 28.4% to ₽0.4 trillion (the maximum reduction of these funds occurred in December – 2.7-fold or ₽0.7 trillion), and the share of these sources in banking sector liabilities dropped from 0.7% to 0.5% during the year.

The amount of interbank loans[1] increased during the reporting year by 7.5% (in 2014, by 37.2%) to ₽7.1 trillion, while their share in banking sector liabilities remained unchanged (8.5%). Nevertheless, interbank loans raised from non-resident banks fell by 19.8%.

As of the end of 2015, the Russian banking sector remained a net lender in terms of transactions with non-resident banks: in 2015, the amount of net claims to non-residents in the interbank market grew from ₽0.5 to ₽1.5 trillion following primarily the reduced external debt of Russian banks.

The bulk of Russian credit institutions' borrowings from non-resident banks was made up of financial instruments maturing in more than one year; as for the resident banks, they were made up of instruments maturing in less than one year (Figure 1.14).

As of 1 January 2016, the largest share of loans from non-resident banks in the total liabilities was registered in foreign-controlled banks (11.7%); in state-controlled banks the share of these loans was 2.1%, and in large private banks it totalled 0.8%. Small and medium-sized banks do not have significant operations in international markets.

[1] Loans, deposits and other borrowings in the interbank market.

Figure 1.13. Bank of Russia loans

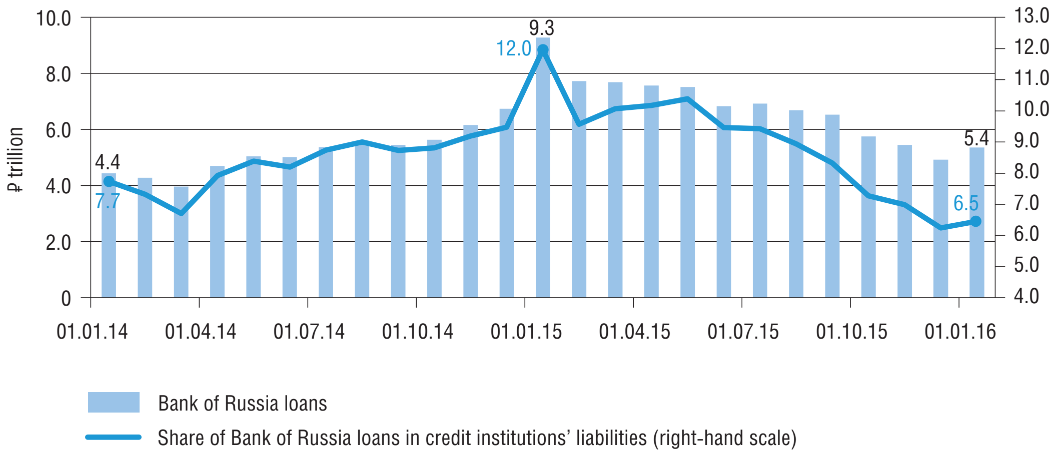
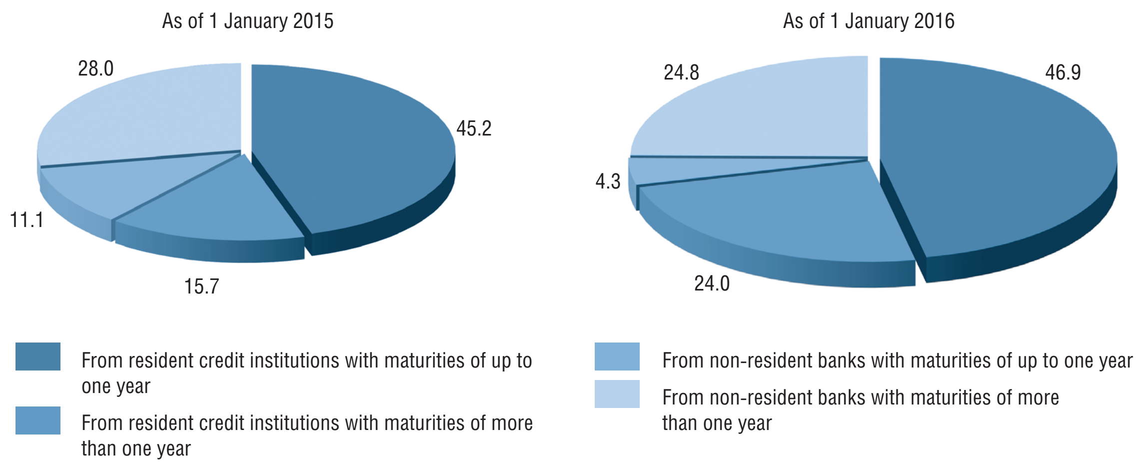


Figure 1.14. Loans, deposits and other funds raised in the interbank market by maturity (share in the total value), %



I.3.2. Asset dynamics and structure

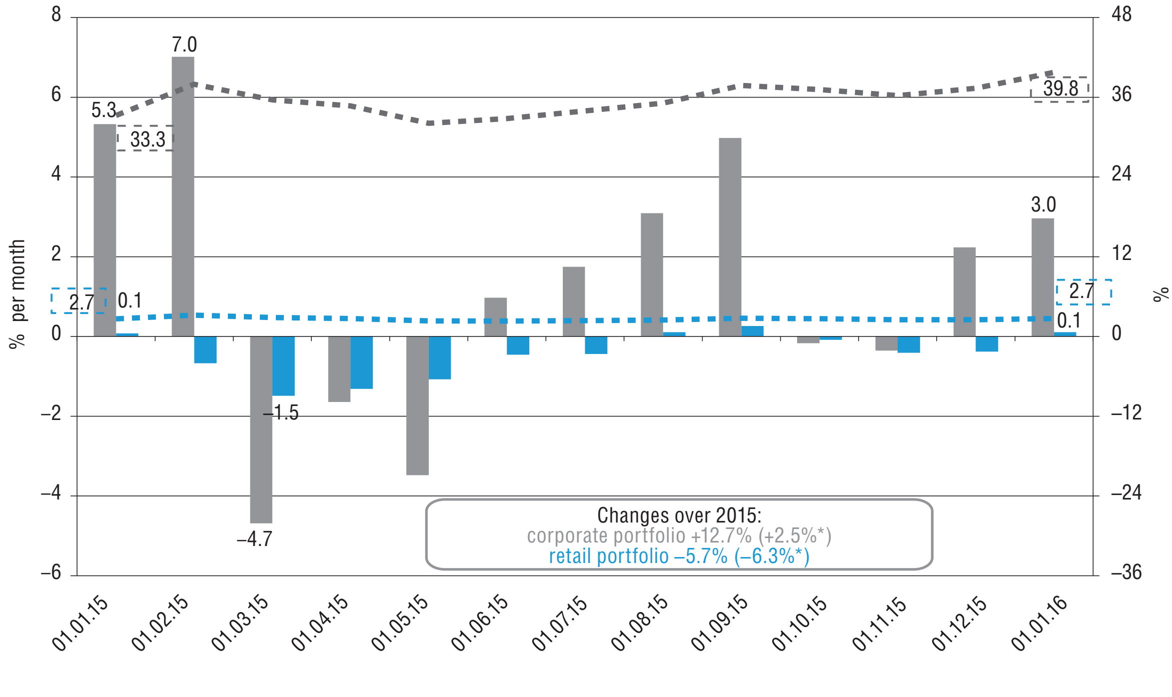
Despite the recession in the Russian economy, on the whole the banking sector retained its stability in 2015. Throughout the year credit institutions' assets grew by 6.9% (dropped by 1.6%, if adjusted for the exchange rate) to ₽83.0 trillion (in 2014, the nominal value of assets grew by 35.2%). Due to the faster growth of bank assets relative to GDP, their ratio rose from 99.6% to 102.7%.

In 2015, just like a year earlier, state-controlled banks accounted for the bulk of the total banking sector assets (58.6%) (as of 1 January 2015, the share thereof was 58.4%). The share of large private banks grew from 28.5% to 29.8% over the year. Meanwhile, the share of foreign-controlled banks went down from 9.6% to 8.8%. The share of small and medium-sized banks of Moscow and the Moscow Region, as well as other regions in the banking sector assets dropped from 3.1% to 2.5%.

For most of 2015, the annual lending growth was drifting down. In the second half of the year the general banking environment improved noticeably. Furthermore, the structure of the banks' total loan portfolio underwent changes in favour of the corporate sector (Figures 1.15 and 1.16).

The total value of loans to the economy (non-financial organisations and households) increased in 2015 by 7.6% (in 2014, by 25.9%) to ₽44.0 trillion; the growth rate throughout the year was 0.1%, if adjusted for foreign exchange revaluation. The share of these loans in banking sector assets was up from 52.6% to 53.0%.

Figure 1.15. Lending growth rates



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

The ratio of the total loan portfolio to GDP grew from 52.4% to 54.4%.

The value of loans and other funds provided by banks to non-financial organisations increased by 12.7% in the reporting period (in 2014, by 31.3%); the growth rate was 2.5%, if adjusted for foreign exchange revaluation. The corporate loan portfolio reached ₽33.3 trillion, and as of 1 January 2016 its share in banking sector assets was 40.1% (at the beginning of 2015, 38.0%).

Over half of the total value of corporate loans was provided by state-controlled banks (Table 1.4). At the same time, in 2015 the concentration in this lending segment slightly decreased: the share of state-controlled banks was down in favour of large private banks.

Loans maturing in more than three years were the growth driver of the corporate credit portfolio. As of 1 January 2016, long-term loans to non-financial organisations surged by 19.4% (by 6.9%, if adjusted for foreign exchange revaluation).

Table 1.4. Share of loans to non-financial organisations in the banking sector total loans, %

Bank group	1 January 2015	1 January 2016
State-controlled banks	64.2	63.5
Foreign-controlled banks	7.7	7.0
Large private banks	25.0	27.3
Small and medium-sized banks based in Moscow and the Moscow Region	1.7	1.1
Small and medium-sized regional banks	1.4	0.6

As regards the types of economic activities, the largest share of loans was issued to manufacturing enterprises (23.5% of the corporate loan portfolio as of 1 January 2016)[1]. The share of loans to wholesale and retail companies reduced from 18.2% as of 1 January 2015 to 14.7% as of 1 January 2016 (Figure 1.17).

In 2015, the dynamics of loans broken down by industry was different. Loans to construction companies and trading enterprises dropped considerably in the annual terms by 7.4% and 12.9%, respectively

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

Figure 1.16. Banking sector asset structure, %

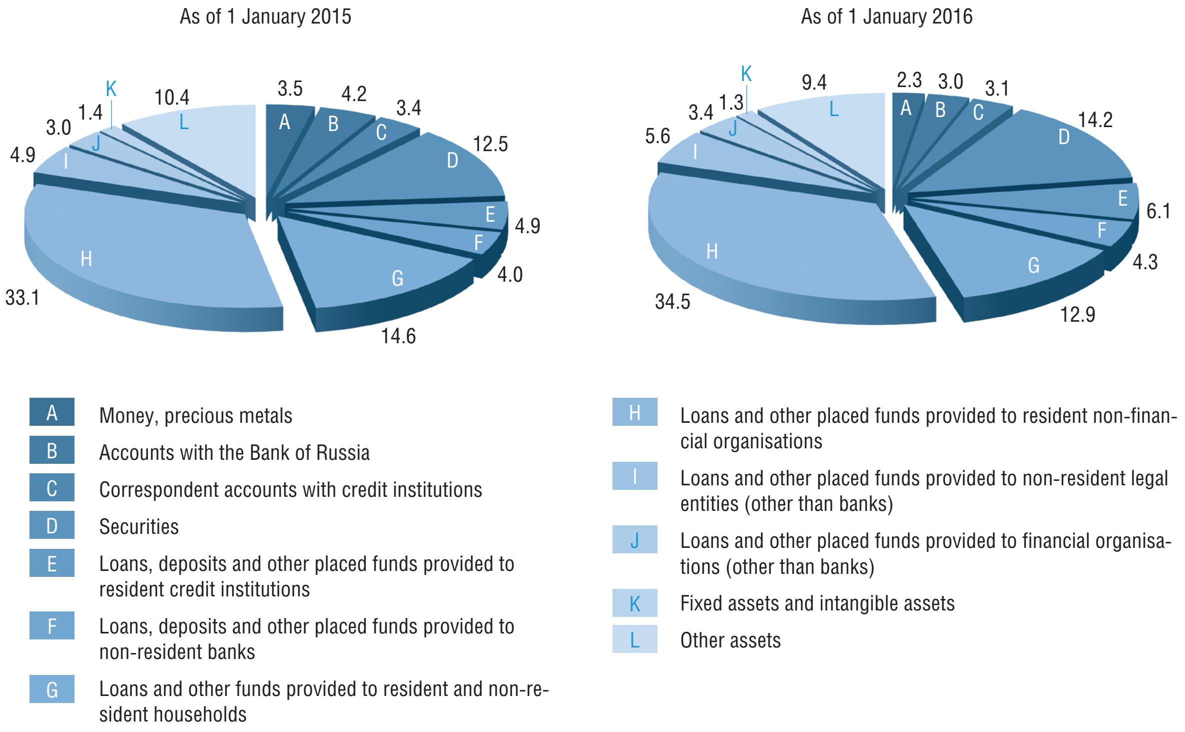
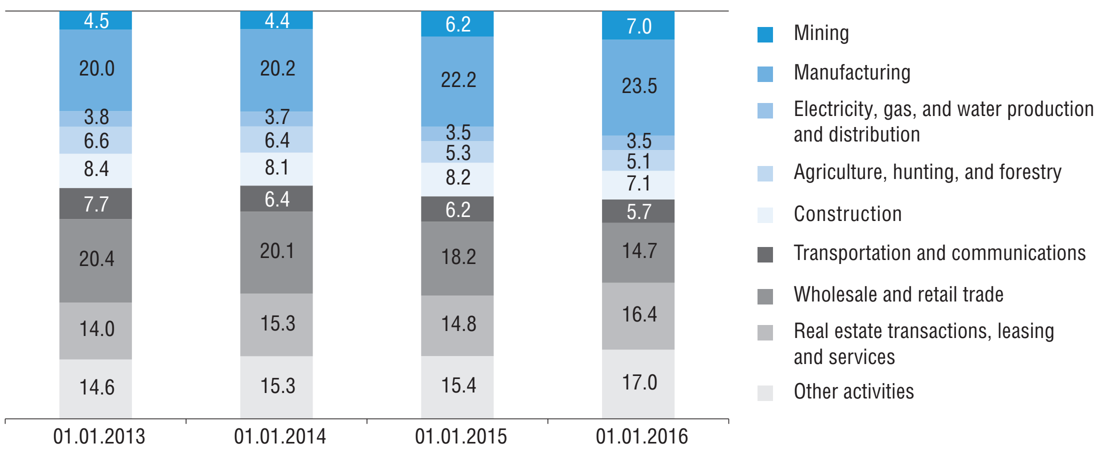


Figure 1.17. Sectoral structure of the banking sector's corporate loan portfolio, %



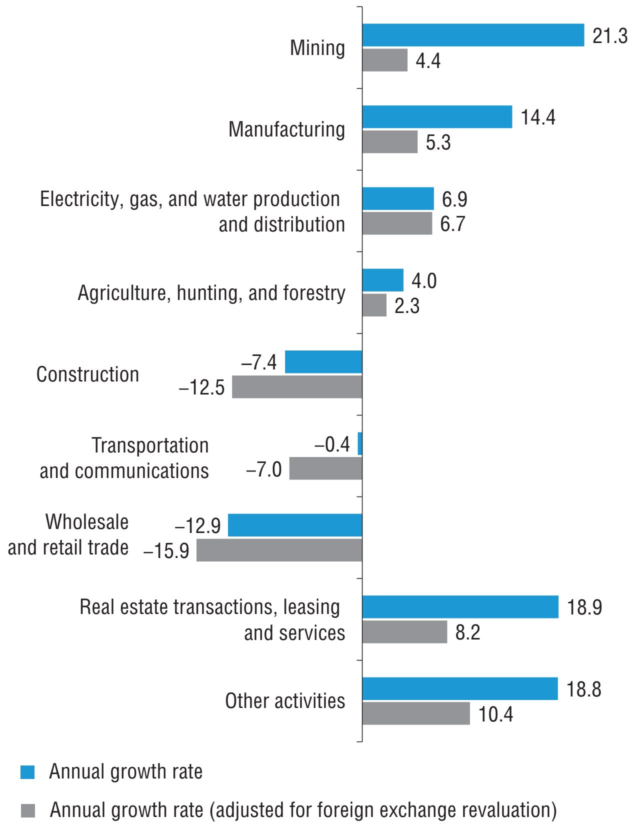
(adjusted for foreign exchange revaluation, by 12.5% and 15.9%, respectively). In 2015, loans to manufacturing companies were up by 14.4% (adjusted for the FX rate, by 5.3%), nevertheless, loans to mining companies showed the most significant growth (as was the case in 2014) by 21.3%; adjusted for FX dynamics, by 4.4% (Figure 1.18).

In 2015, the share of the FX component in loans to non-financial organisations increased from 33.3% to 39.8% following primarily the foreign exchange revaluation.

The share of FX loans grew in all the sectors bar agriculture, where it dropped from 7.8% to 6.9%. The largest share of foreign currency-denominated debt continued to be loans to mining enterprises, totalling 61.4% as of 1 January 2016 (Figure 1.19).

In 2015, the Bank of Russia monitored the banks' use of funds received under the additional capitalisation programme via the Deposit Insurance Agency (hereinafter referred to as the DIA or the Agency) in compliance with Federal Law No. 451-FZ, dated 29 December 2014, 'On Amending Article 11 of the

Figure 1.18. Growth of outstanding debt on loans by economic activity as of 1 January 2016, %



Federal Law 'On the Insurance of Household Deposits with Russian Banks' and Article 46 of the Federal Law 'On the Central Bank of the Russian Federation (Bank of Russia)'.

As of 1 January 2016, more than ₽802 billion were transferred under the additional capitalisation programme via the Agency: ₽507 billion through the acquisition of preference bank shares and ₽295 billion through the acquisition of subordinated liabilities.

These funds were transferred to 25 banks[1] (three parent companies of the banking groups received funds for additional capitalisation of their subsidiary banks as well)[2].

Banks additionally capitalised via the DIA[3] expectedly made a sizeable contribution to boost lending to the economy. As obtaining funds for capitalisation is a lengthy process, 21 banks had to comply with the requirement for expanded lending to high-priority sectors by at least 1% per month as of 1 January 2016.

Banks capitalised via the DIA submit progress reports to the Agency on their obligations, among other things, on increasing their capital independently and on limiting employee remuneration. The DIA oversees the compliance with these obligations under the monitoring agreements concluded with the banks.

To ensure cooperation in information exchange, on 21 July 2015, the Bank of Russia and the DIA signed an interdepartmental Information Exchange Agreement as part of measures to increase bank capitalisation.

As the Bank of Russia's monitoring shows, according to data from bank reports since their receipt of Federal Government Bonds (OFZ) from the Agency, loans were provided and funds were invested in bonds primarily of manufacturing companies (37% of the total growth of the claims portfolio), constituents of the Russian Federation (14%), housing (mortgage) loans and mortgage bonds (20%), and loans to transport and communications companies (12%)[4].

The general average monthly growth of the total portfolio for 21 banks was 2.5% (Figure 1.20). All banks meet the obligations to increase the total volume of loans and acquired bonds by at least 1% per month on average.

Interest rates on loans to non-financial organisations (Figure 1.21) declined progressively after having surged in the beginning of 2015: in December 2015, weighted average interest rates on ruble loans for up to one year stood at 13.8% p.a. (17.9% in March 2015) and on loans for more than one year at 13.0% p.a. (16.5% in March 2015).

In 2015, interest rates on loans to small and medium-sized enterprises (SME) exceeded those on loans

[1] PJSC Sovcombank, OJSC Petrocommerce Bank (merged with PJSC Bank Otkritie Financial Corporation since 15 June 2015), PJSC Bank Otkritie FC, PJSC CREDIT BANK OF MOSCOW, PJSC AK BARS BANK, JSCB NOVIKOMBANK, PJSC JSCB Absolut Bank, PJSC VTB Bank, JSC Bank GPB, PJSC Promsvyazbank, PJSC BINBANK, PJSC Bank ZENIT, PJSC Bank Saint Petersburg, PJSC JSCB Svyaz-Bank, PJSC MDM Bank, PJSC Vozrozhdenie Bank, PJSC ROSSIYSKY CAPITAL, JSC Rosselkhozbank, PJSC MTS Bank, PJSC MInBank, JSC ALFA-BANK, PJSC RNCB Bank, JSC Russian Standard Bank, JSC IBSP Bank, and JSC SMP Bank.

[2] PJSC VTB 24 and OJSC Bank of Moscow OJSC of the VTB banking group, and PJSC Khanty-Mansiysk Bank Otkritie of PJSC Bank Otkritie FC banking group.

[3] One of the main requirements to receive these funds was the banks' obligation to increase the total value of ruble loans within three years after additional capitalisation, including mortgage (housing) loans and (or) loans to SME, and (or) constituents of the Russian Federation, and (or) entities operating in one or more economic sectors. When calculating the growth indicator, bank investments in ruble-denominated mortgage bonds as well as ruble-denominated bonds issued by the above entities and acquired by the bank are taken into account along with loans.

[4] According to the state corporation Deposit Insurance Agency.

Figure 1.19. Share of FX debt on loans to organisations by economic activity, %

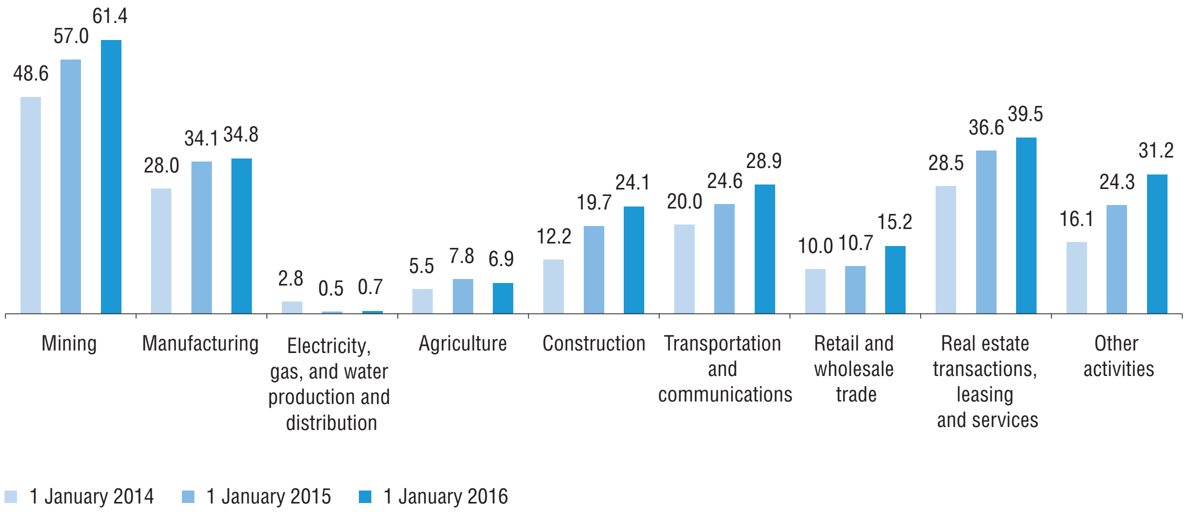
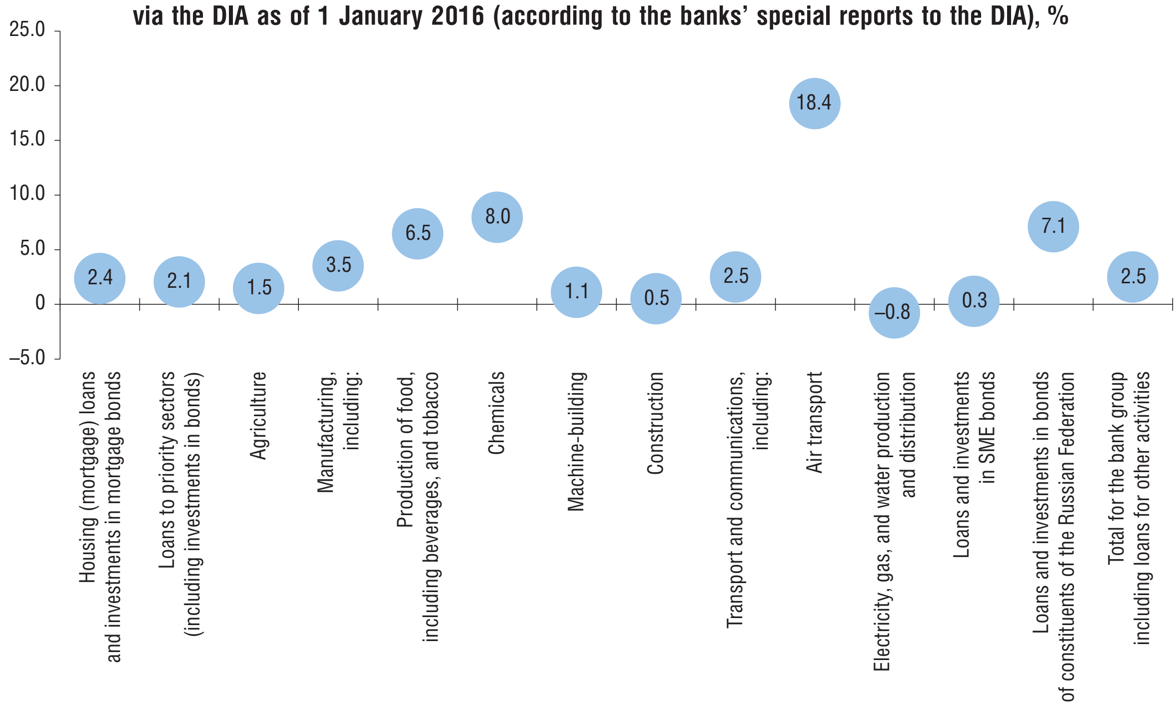


Figure 1.20. Average monthly growth of lending by the group of banks supported by the state via the DIA as of 1 January 2016 (according to the banks' special reports to the DIA), %



to non-financial organisations as a whole. For loans with maturities of up to one year, the excess of interest rates for SME over those for non-financial organisations on the whole decreased from 3.0 pp in September 2015 to 2.6 pp in December 2015; and for loans with maturities of more than one year the excess increased from 1.3 pp to 2.1 pp.

During the year household loans dropped by 5.7% (in 2014, grew by 13.8%), and as of 1 January 2016 its portfolio accounted for ₽10.7 trillion; the decrease was 6.3% if adjusted for foreign exchange dynamics. This downward trend was determined first and foremost by a reduction in the most risky segment of the retail loan market: unsecured consumer lending (in 2015 these loans dropped by 12.4% to ₽5.6 trillion).

The structural improvement of retail operations led to continuing growth in the share of mortgage loans: in 2015 the total debt on such loans increased by 12.9% (in 2014, by 33.2%) to ₽4.0 trillion. Nevertheless, the number of housing mortgage loans (HML) issued in 2015 declined by 30.9% year-on-year to reach 700,000 loans.

In 2015, the number of foreign-currency HML dropped by 87.9% to 91 loans. Throughout the year

Figure 1.21. Weighted average interest rates on ruble loans to non-financial organisations

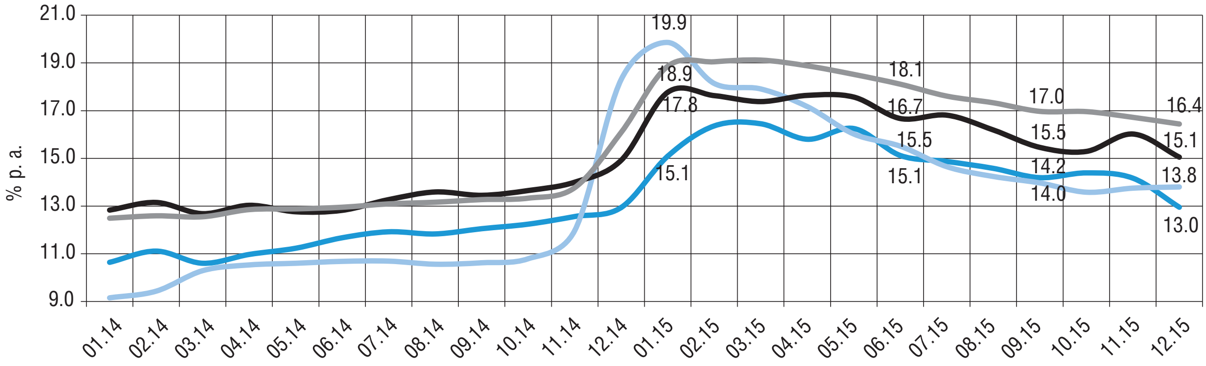
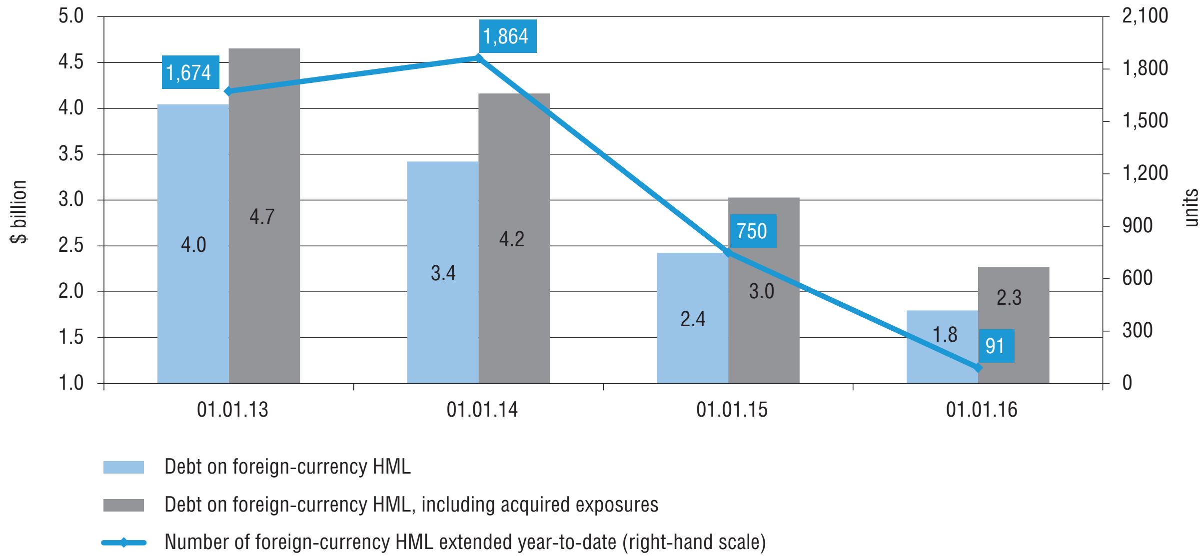


Figure 1.22. Debt on foreign-currency HML and the number of HML provided year-to-date



outstanding debt on foreign-currency HML in US dollar terms decreased by $628 million, or 25.9%, and by the beginning of 2016 amounted to $1.8 billion.

Given the acquired exposures, the outstanding debt on foreign-currency HML shrank from $3.0 billion as of 1 January 2015 to $2.3 billion as of 1 January 2016, or by 24.9% (Figure 1.22).

In 2015, the debt on car loans fell by 22.1% to ₽0.7 trillion, and as of 1 January 2016 these loans accounted for 6.7% of the retail loan portfolio.

In 2015, the bulk (62.0%) of consumer loans was provided by state-controlled banks, and during the year their share significantly increased, mostly due to the banks' active participation in mortgage support programmes (Table 1.5).

Table 1.5. Share of loans to households in total banking sector loans (by bank group), %

Bank group	1 January 2015	1 January 2016
State-controlled banks	57.4	62.0
Foreign-controlled banks	15.6	13.7
Large private banks	24.1	21.9
Small and medium-sized banks based in Moscow and the Moscow Region	1.4	0.9
Small and medium-sized regional banks	1.6	1.4

The share of household loans fell from 14.6% to 12.9% of banking sector total assets and from 21.9% to 18.7% of total loans.

Households still prefer ruble loans, therefore their share in total loans did not change over the reporting period (97.3%).

Foreign-controlled banks (20.0%), small and medium-sized regional banks (13.8%), and state-controlled banks (13.6%) stood out in terms of the share of household loans in their assets as of 1 January 2016. Such loans account for 10.5% of loans issued by small and medium-sized banks based in Moscow and the Moscow Region, and for 9.4% of loans issued by large private banks.

The interest rates on ruble household loans maturing in more than one year fell from 19.5% in January to 17.5% in December 2015. HML interest rates dropped from 14.2% p.a. in January to 12.9% p.a. in December 2015.

Following the gradual key rate cut in 2015 Q2, the effective interest rate (EIR) on consumer loans decreased somewhat. Thus, if in 2015 Q1 the average market EIR fell within the range of 21.8–48.6% depending on the loan type, in the second quarter it fell within the range of 17.2–42.3%. In 2015 Q3–Q4, average market EIR values continued to decline largely following the EIR limitations enactment. As a result, in 2015 Q3 average market EIR indicators fell within the range of 16.2–38.7% depending on the loan type, and in the fourth quarter within the range of 16.4–36.2%.

In 2015, the securities portfolio on credit institutions' balance sheets grew by 21.1% to ₽11.8 trillion (in 2014, by 24.3%), and its share in assets increased from 12.5% to 14.2%. If adjusted for the FX rate, the securities portfolio was up by 11.0% in 2015.

The structure of investments in securities (other than promissory notes) is dominated by available-for-sale securities: the amount of this portfolio grew by 19.3% (in 2014, by 9.2%) to ₽5.0 trillion over the year, although its share in the total investments reduced by 0.9 pp to 43.4%.

Investments in securities held to maturity grew by 43.4% to ₽3.2 trillion (in 2014 they were up 2.5-fold), and the share thereof rose from 23.4% to 27.6%.

Credit institutions' investments in securities at fair value through profit or loss amounted to ₽1.7 trillion after decreasing in 2015 by 0.5% (one year earlier by 23.2%), and the share thereof in the total investments in securities decreased from 17.9% to 14.6%.

The portfolio of participation in subsidiary and affiliated joint-stock companies grew by 21.7% to ₽1.7 trillion (in 2014 it shrank 2.3-fold), but its share in the investment structure remained unchanged (14.4%).

During the year credit institutions' investments in ruble-denominated securities (other than promissory notes) increased by 8.9% (in 2014, by 11.4%), foreign-currency investments (in US dollar terms) grew by 18.0% (one year earlier by 6.8%).

In 2015, credit institutions reported a reduction in the negative revaluation of securities on the balance sheet by ₽324 billion to ₽(–109) billion. For comparison: during the financial crisis in 2008–2009 the maximum net negative revaluation was registered on 1 March 2009 and stood at ₽(–191) billion, and importantly, the securities portfolio at that date was 4.4 times smaller than as of 1 January 2016.

Considering the liquidity situation in the banking sector, it is important for banks investing in securities to be able to use these securities as collateral in Bank of Russia refinancing operations. Like a year earlier, in 2015 it became the key reason behind the increase in banks' investments in debt liabilities: their amount grew in 2015 by 25.7% (in 2014, by 24.2%) to ₽9.6 trillion, and as of 1 January 2016 the bulk of these securities (27.8%) was transferred without derecognition. Investments in debt liabilities of the Russian Federation were up more than two-fold (to ₽2.5 trillion), and their share in the total investments in debt securities grew from 15.7% to 26.2%.

As of 1 January 2016, the key holders of debt liabilities were state-controlled banks and large private banks which held 52.4% and 39.9% of debt liabilities acquired by the banking sector, respectively (these two groups of banks account for the majority of funds raised through various refinancing operations of the Bank of Russia).

Investments in equities dropped by 39.6% to ₽295 billion in the reporting period, and their share as of the end of 2015 amounted to 2.5% of the securities portfolio (against 5.0% as of 1 January 2015).

In 2015, the trend towards reallocation of equities persisted[1]: the share of state-controlled banks in the total banks' investments in equities grew from 38.0% to 40.3%, whereas large private banks reduced their share in this portfolio from 57.9% to 53.2%.

During the reporting period, banks' investments in promissory notes continued to decline: in 2015 they dropped by 6.4% to ₽204 billion (in 2014, by 20.5%). In this connection the share of notes in the securities portfolio fell from 2.2% to 1.7%. Russian bank notes accounted for ₽127 billion, or 62.1% of the portfolio of discounted promissory notes.

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

The geopolitical situation affected interbank lending dynamics, and its growth was first and foremost determined by domestic operations. The volume of interbank loan claims rose by 24.9% over the reporting year (in 2014, by 34.4%) to ₽8.6 trillion and their share in banking sector assets reached 10.4% (as of 1 January 2015, it accounted for 8.9%).

Loans placed with resident banks rose by 33.2% in 2015, and the share of such loans in assets increased from 4.9% to 6.1%. The value of loans placed with non-resident banks grew by 14.8% (dropped by 9.6%, if adjusted for foreign exchange revaluation), whereas their share in the banking sector assets rose from 4.0% to 4.3%.

I.4. Financial performance of credit institutions

Financial performance of the banking sector

In 2015, the net profit of credit institutions totalled ₽192 billion (in 2014, ₽589 billion) (Figure 1.23).

In 2015, 553 credit institutions gained profit of ₽736 billion in total (in 2014, 707 credit institutions and ₽853 billion, respectively). In 2015, the share of profit-making credit institutions dropped from 84.9% to 75.4%. Losses of loss-making credit institutions amounted to ₽544 billion in the reporting year (in 2014, ₽264 billion). The number of loss-making credit institutions grew from 126 to 180, whereas their share in operating credit institutions increased from 15.1% to 24.6%. Meanwhile, almost 30% of losses were from banks to which bankruptcy prevention measures are being applied.

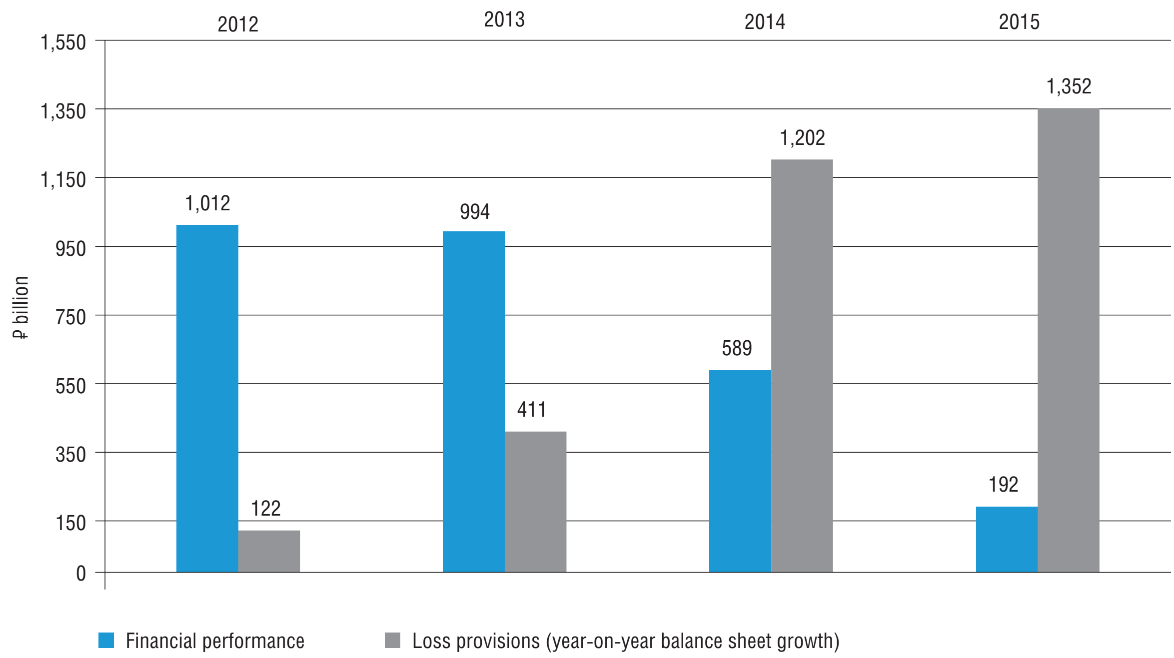
The major contribution to the financial performance of the banking sector (64.4%) was made by state-controlled banks and foreign-controlled banks (38.7%). Large private banks suffered losses of ₽29.6 billion following an increase in loss provisions (by 25.5%) and a sizeable (24.8%) reduction of net interest income.

In 2015, the return on assets amounted to 0.3%, and the return on equity was 2.3% (one year earlier 0.9% and 7.9%, respectively) (Figure 1.24). In 2015, profitability fell in all groups of banks, but most significantly in large private banks (Table 1.6).

Meanwhile, in 2015 Q4 the banking sector registered growth of profitability indices (Figure 1.24). On the whole, 265 banks, or 36.2% of the total credit institutions, improved their return on assets throughout the year, while, 252 banks, or 34.4%, respectively, improved their return on equity.

The analysis of drivers that determined the return on equity shows that its 2015 decrease was influenced by a substantial drop in profit margin and the return-on-assets ratio.

Figure 1.23. Financial performance of the banking sector



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

2014	8.4280	0.1469	0.0638	0.0790
2015	9.1910	0.0546	0.0460	0.0230

** Average for the period.*

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

Figure 1.24. Banking sector profitability

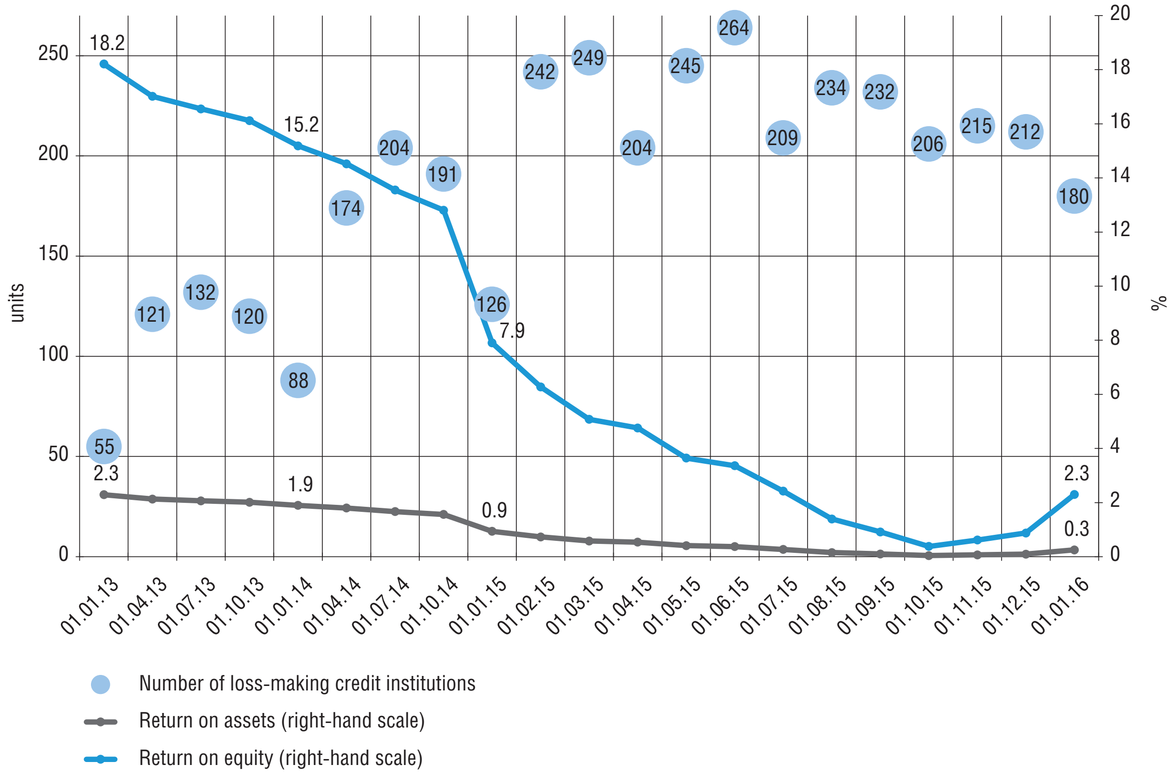


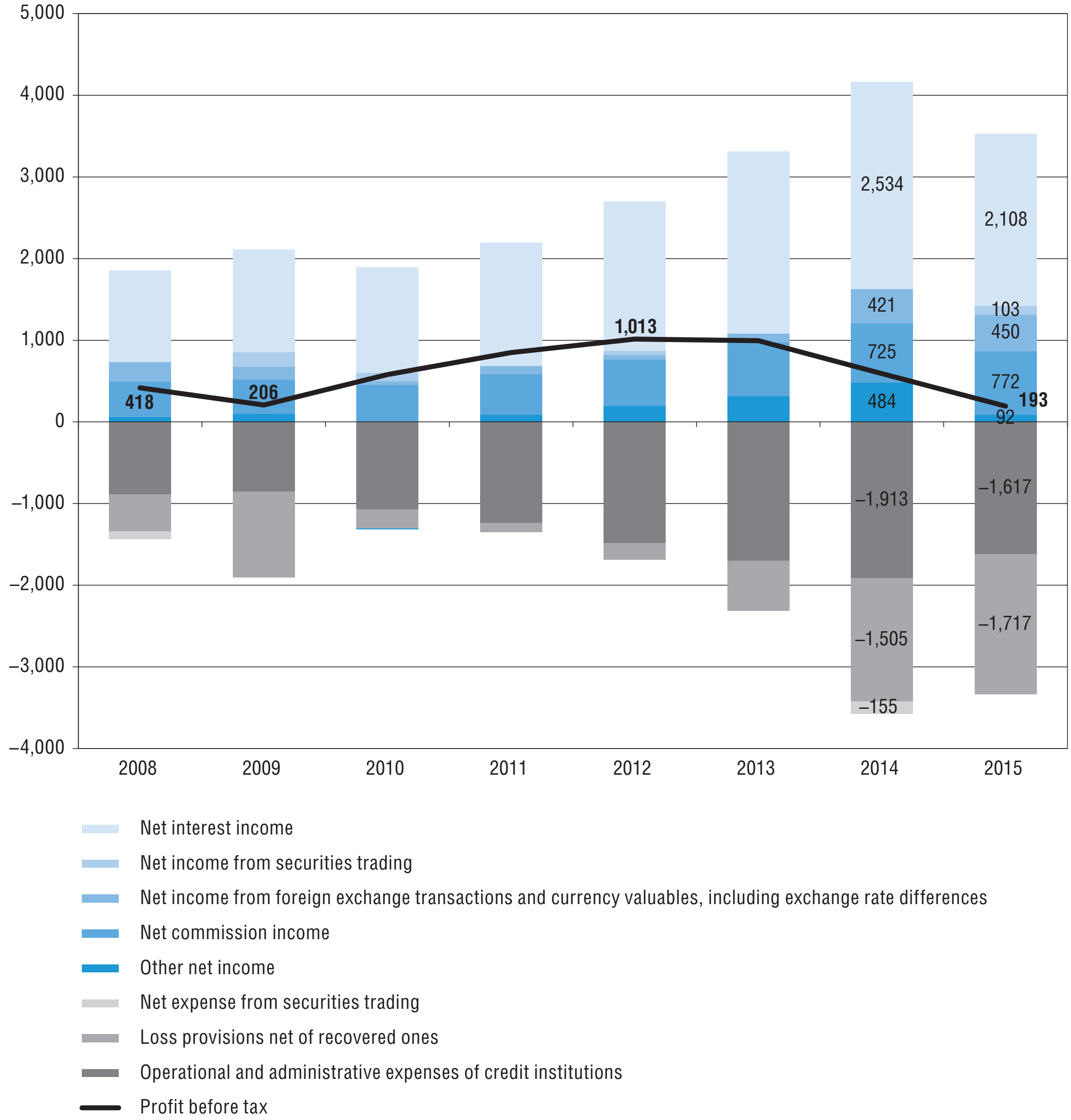
Table 1.6. Profitability ratios by bank group

	Return on assets, %		Return on equity, %	
	2014	2015	2014	2015
State-controlled banks	1.1	0.3	10.2	2.5
Foreign-controlled banks	1.4	1.0	10.4	7.4
Large private banks	0.2	–0.1	1.6	–1.5
Small and medium-sized banks based in Moscow and the Moscow Region	1.4	0.8	7.4	4.0
Small and medium-sized regional banks	1.6	0.6	9.6	3.5

Financial performance structure

In 2015, the decline in profits observed in the banking sector was mainly driven by lower net interest income, net expenses from operations with financial derivatives, and increased loss provisions created by banks due to considerably higher credit and interest

Figure 1.25. Banking sector profit drivers, ₽ billion



rate risk. Table 1.7 and Figure 1.25 show the structure of financial performance drivers[1] in 2015.

Profit drop was caused primarily by the reduction of net interest income by ₽425 billion, or 16.7%, to ₽2.1 trillion (in 2014, the latter grew by 13.8%). Net interest income remained the most important item of financial performance in all the bank groups: it accounted for 59.8% (in 2014, 60.8%) of profit growth factors. The ratio of bank net interest income to gross interest income fell from 48.0% as of 1 January 2015 to 32.4% as of 1 January 2016.

The reduction in net interest income was caused by a significant growth in the cost of funding coupled with a reduced demand for new loans in unfavourable macroeconomic environment as well as by a tightening of bank requirements for borrowers.

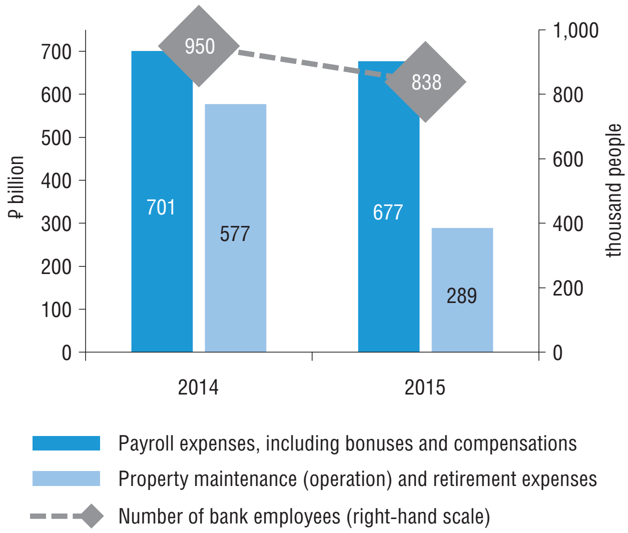
The dynamics of net interest income was largely determined by its reduction in terms of household operations (by ₽630 billion, or almost by 65%).

[1] Based on Reporting Form 0409102 'Credit Institution Performance Statement'. Financial performance based on Reporting Form 0409102 (₽192.6 billion as of 1 January 2016 and ₽591.0 billion as of 1 January 2015) exceeds indicators as per Reporting Form 0409101 'Trial Balance Sheet on the Accounting Records of a Credit Institution' (₽192.0 million as of 1 January 2016 and ₽589.1 million as of 1 January 2015), first of all, due to the difference in the number of reporting credit institutions. In certain cases discrepancies between the total and the sum of components are due to the rounding of data.

Table 1.7. Financial performance structure, ₽ billion

Profit drivers	1 January 2015	1 January 2016
Net interest income	2,534	2,108
Net income/expense from securities trading	–155	103
Net income from foreign exchange transactions	421	450
Net commission income	725	772
Other net income	484	92
Operational and administrative expenses of credit institutions	–1,913	–1,617
Loss provisions (net of recovered ones)	–1,505	–1,717
Profit before tax	591	193

Figure 1.26. Operational and administrative expenses of credit institutions



Interest income from household loans fell by 2.3%, and at the same time interest expenses grew by 68.2% caused by increased interest rates on household deposits aimed at preventing deposit outflow.

In 2015, net commission income grew by ₽47 billion, or 6.5%, to ₽773 billion (in 2014, by 10.8%). The share of net commission income in the structure of profit growth factors increased from 17.4% to 21.9%. In 2015, the majority of bank groups showed an increase in the value of this indicator to fall within the range of 20–24%. Foreign-controlled banks accounted for the lowest share of net commission income (15.5%) in the structure of profit drivers.

During the year, net income from foreign exchange transactions (primarily, from foreign exchange revaluation) grew by ₽29 billion, or 7.0%, to ₽450 billion (in 2014, 3.8-fold); the share thereof in the profit growth factors' structure of the banking sector increased from 10.1% to 12.8%.

The income dynamics of foreign exchange transactions was multidirectional. Its share in the financial performance showed the most significant growth in large private banks (from 10.5% to 23.6%) and foreign-controlled banks (from 17.8% to 24.1%). State-controlled banks significantly reduced their share of income from foreign exchange transactions (from 7.7% to 2.0%).

In 2015, net income from securities trading amounted to ₽103 billion, and it accounted for 2.9% of the structure of profit growth factors (in 2014 these transactions showed a net loss of ₽155 billion amounting to 4.3% in the structure of profit reducing factors).

The largest share of net income from securities trading in the structure of profit drivers was reported by large private banks.

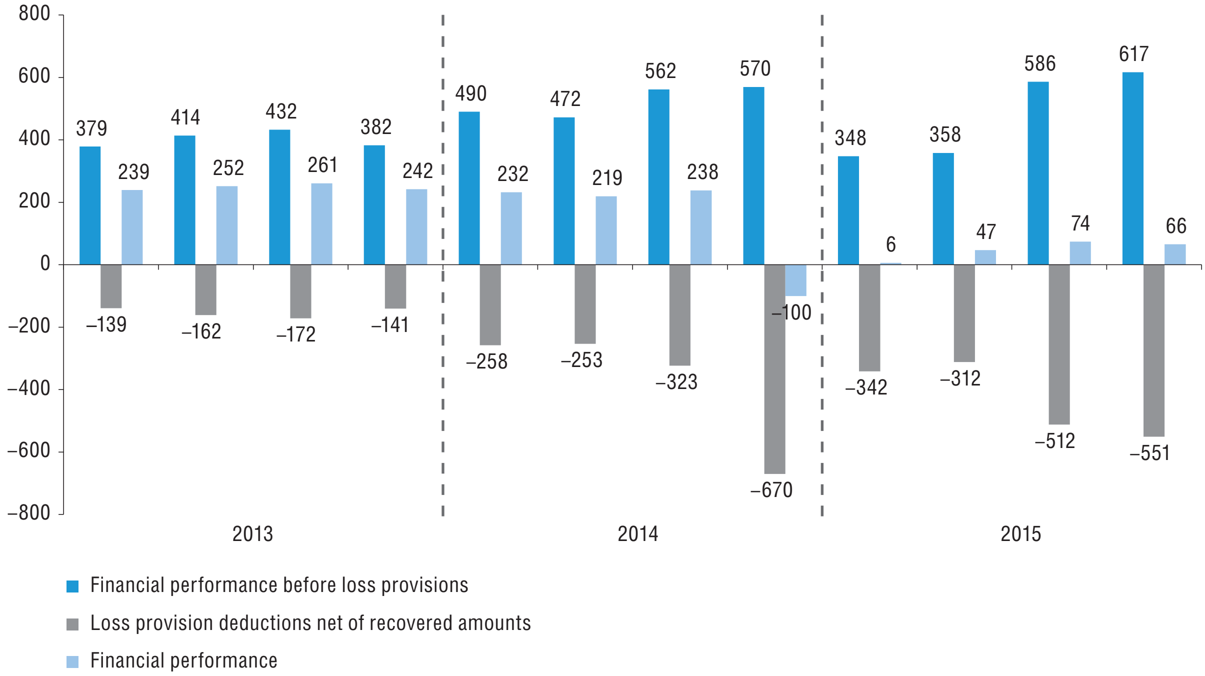
In 2015, the amount of other net income plummeted from ₽484 billion to ₽92 billion mostly due to derivative transactions, and their share in the structure of profit growth factors fell from 11.6% to 2.6%. Net expenses on derivative transactions (₽19 billion as of 1 January 2016) stipulated by the increased volatility of foreign exchange rates had a negative impact on 2015 financial performance, whereas in 2014 derivative transactions made a considerable contribution to profit growth.

The share of other net income dropped most significantly in large private banks, from 18.1% to 7.5% during the year. Small and medium-sized Moscow and regional banks increased the share of such an income in the structure of profit drivers.

In 2015, operational and administrative expenses of credit institutions (Figure 1.26) fell both in the banking sector and in most bank groups by the total of 15.5% to ₽1.6 trillion. Nevertheless, their ratio to gross net income did not change (45.9%). The cost-income ratio is one of the most widely accepted indicators of credit institution performance. Only state-controlled banks reported an increase in this indicator from 42.8% to 46.6% during the year, and the highest indicator (65.0%) among bank groups is observed in small and medium-sized regional banks.

Reduced financial performance is traditionally determined by the growth in provisions (net of recovered ones) that is related to the deterioration of household

Figure 1.27. Profits net of loss provisions*, ₽ billion



** The data reflect quarterly growth.*

loan quality and difficulties in debt servicing by certain companies (Figure 1.27). In 2015, net additional loss provisions grew by ₽211 billion to ₽1.7 trillion and amounted to 51.5% in the structure of profit reducing factors compared to 42.1% in 2014. In this case, the temporary easing of the Bank of Russia regulatory requirements for loss provisioning had a decisive influence on the value of net loss provisions in 2015.

Loss provisions increased in all bank groups, except for foreign-controlled banks. The share of provisions in the structure of profit reducing factors rose most significantly in large private banks (from 47.1% to 61.0%) and small and medium-sized regional banks (from 19.4% to 29.9%). Foreign-controlled banks reduced the share of provisions (net of recovered ones) in the structure of profit reducing factors from 35.2% to 29.2%.

In 2015, profit tax adjusted for deferred profit tax amounted to ₽78 billion (in 2014, ₽75 billion). According to the statement of financial performance, as of 1 January 2016, such an adjustment resulted in the overall reduction of the profit tax in the banking sector in the amount of ₽70 billion and a ₽38 billion increase in the profit tax. As a result, net effect of deferred tax assets and liabilities on net tax expenses of the banking sector equalled to ₽32 billion. If these adjustments were not applied, the aggregate profit tax in 2015 would have amounted to ₽110 billion.

II. RUSSIAN BANKING SECTOR RISKS

II.1. Credit risk

II.1.1. Loan portfolio quality

The quality of banks' loan portfolio in 2015 deteriorated for objective reasons owing to such factors as falling oil prices, sanctions, and closed capital markets. In this environment financial position of many borrowers worsened along with a decline in the quality of servicing their debt on bank loans.

In 2015, the share of overdue debt in the total loans to the economy (to non-financial organisations and households) increased from 4.7% to 6.7% following both the deterioration of loan quality and the slowdown of loan portfolio growth. While loans grew by 7.6%, overdue debt increased by 53.5% to ₽2.9 trillion as of 1 January 2016.

In 2015, the share of overdue debt in the total amount of loans to the economy increased in the loan portfolios of all the bank groups. The biggest share was observed among large private banks (9.4%); in other bank groups this indicator was below the banking sector average.

The number of banks where the share of overdue debt was below 4% of the loan portfolio decreased from 470 to 327 in 2015, and their share in banking sector assets grew from 59.6% to 64.3%. In 151 banks holding 17.9% of banking sector assets, overdue debt exceeded 10%, and their number increased by 39 over the year (Figure 2.1).

The credit risk level of Russian banks was largely determined by the quality of corporate loan portfolio, which accounted for 75.7% of total loans to the economy as of 1 January 2016. In the reporting year, overdue debt on corporate loans increased by 66.0% while loans issued grew by 12.7%; the share of overdue debt in loans to non-financial organisations increased from 4.2% to 6.2% over the year, which is below the maximum growth during the past recession (as of 1 June 2010, 6.5%) (Figure 2.2 and Table 2.1). For ruble loans, this figure increased from 5.5% as of 1 January 2015 to 8.2% as of 1 January 2016; and for FX loans – from 1.7% to 3.3%, respectively.

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

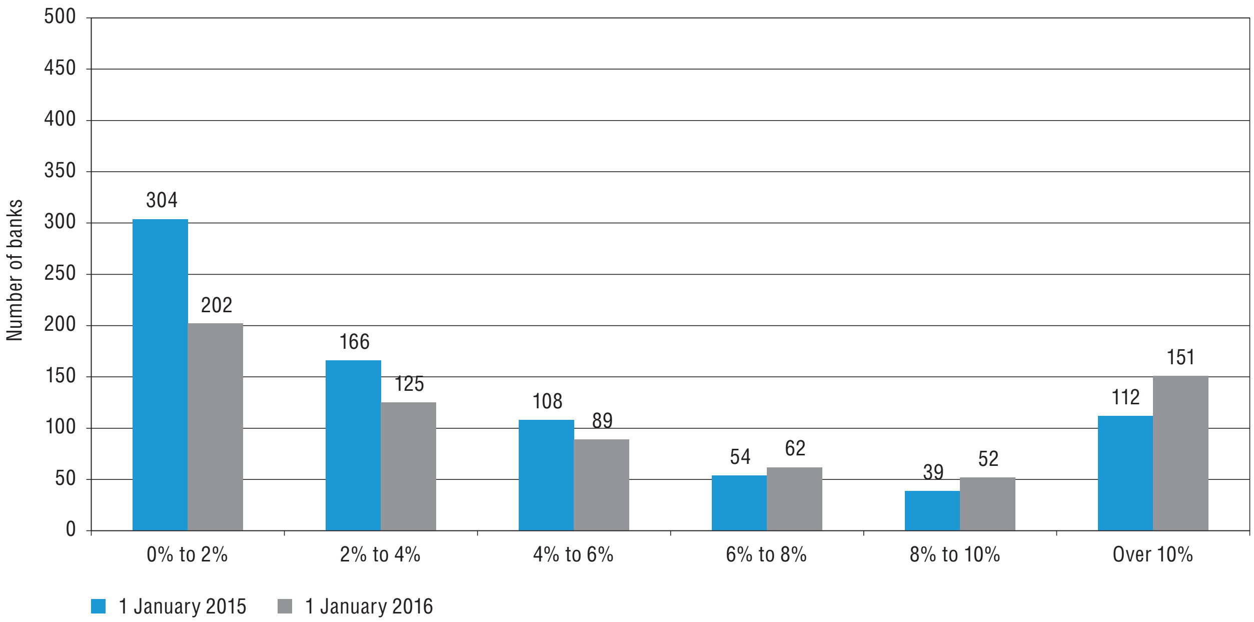


Figure 2.2. Overdue debt in loans to non-financial organisations, %

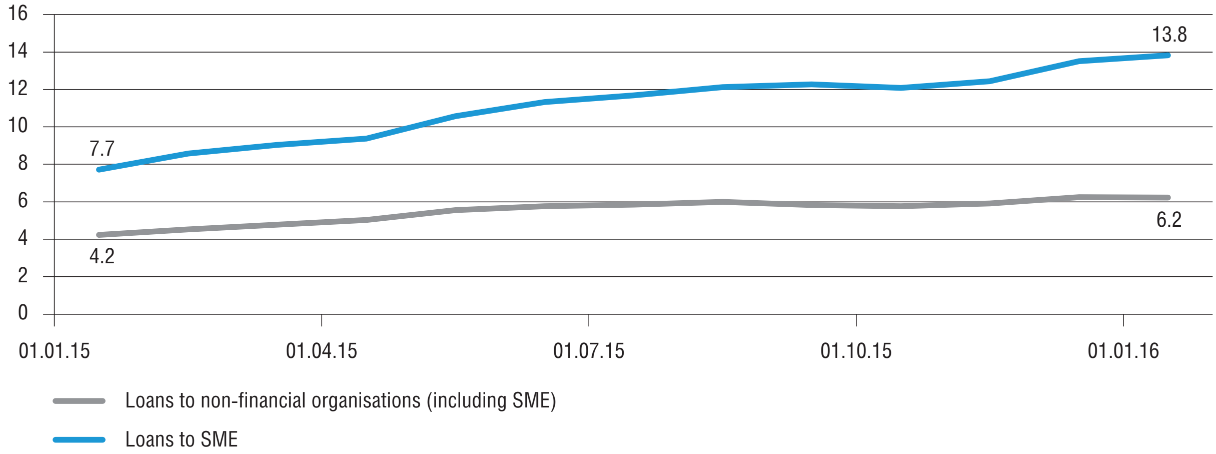
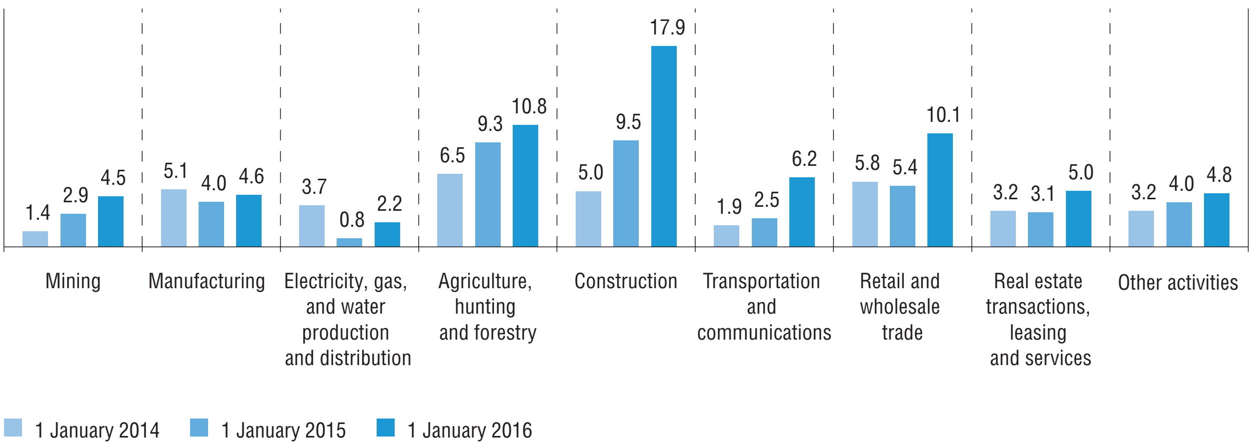


Figure 2.3. Overdue debt in corporate loans by economic activity*, %



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

The share of overdue debt on loans to small and medium-sized businesses remained considerably higher than for the total portfolio of corporate loans issued by Russian banks and reached 13.8% as of 1 January 2016 (7.7% a year earlier) largely due to the high risk associated with lending to small businesses and the poor transparency of borrowers in this category.

In 2015, the share of overdue debt on corporate loans went up in all sectors (Figure 2.3); the highest growth was observed in construction (from 9.5% to 17.9%) and trade (from 5.4% to 10.1%). At the same time, the level of overdue debt on loans to mining and manufacturing companies was lower than on corporate loans as a whole.

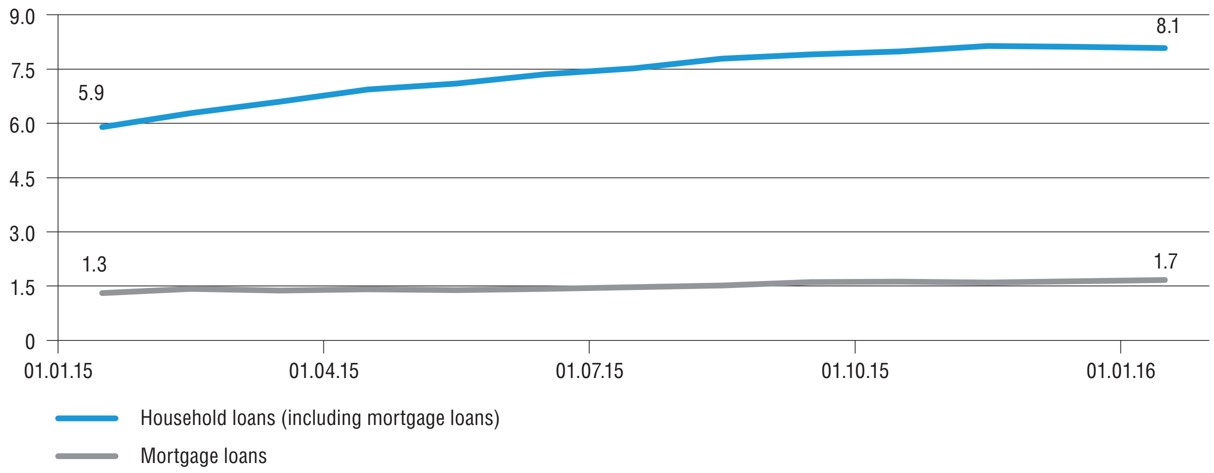
Table 2.1. Maximum share of overdue debt, %

	Maximum in 2008–2010	1 January 2015	1 January 2016
Legal entities	6.1 (as of 1 June 2010)	3.8	5.6
including non-financial institutions	6.5 (as of 1 June 2010)	4.2	6.2
Households	7.5 (as of 1 August 2010)	5.9	8.1

Restructured large loans[1] to legal entities increased over the year by 49.2% to ₽4.2 trillion (at the end of 2015 restructured loans accounted for 30.6% of the total portfolio of large loans). Loans restructured by ex-

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

Figure 2.4. Overdue debt in household loans, %



tending the principal repayment period (rollover loans) accounted for 43.2% of the total restructured loans as of 1 January 2016 (as of 1 January 2015, 60.4%). The share of restructured loans overdue for more than 90 days in the total amount of restructured large loans grew from 3.5% to 4.9% over the year.

The contraction of the retail portfolio (by 5.7%) and the high growth of overdue debt on household loans (by 29.4%) resulted in higher share of overdue loans in this portfolio in 2015 from 5.9% to 8.1%, which exceeds the past recession maximum of 7.5% as of 1 August 2010 (Figure 2.4 and Table 2.1). The share of overdue household ruble loans grew from 5.6% as of 1 January 2015 to 7.7% as of 1 January 2016, and the share of overdue FX loans were up from 15.4% to 21.0%, respectively.

The quality of mortgage loans remains high, and the share of overdue debt on these loans as of 1 January 2016 was 1.7%[1] (as of 1 January 2015, 1.3%). At the same time, amid the decline in new loan issuance and the disposal/redemption of high-quality loans, the servicing of FX mortgage loans deteriorated under the influence of the foreign exchange factor: as of 1 January 2016, the share of overdue debt reached 20.4% (as of 1 January 2015, 12.6%).

In absolute terms overdue debt on household loans as of 1 January 2016 amounted to ₽864 billion; and on the corporate loan portfolio, to ₽2,076 billion (Figures 2.5 and 2.6).

Risks on household loans grouped into homogeneous loan portfolios

Effective Bank of Russia regulations provide for creating portfolio-based provisions by credit institutions. As of 1 January 2016, 93.3% of household loans (borrowings) and other claims were grouped into homogeneous loan portfolios (94.0% as of 1 January 2015).

The share of loans overdue for more than 90 days in the total value of household loans grouped into homogeneous loan portfolios, increased from 7.9% to 10.5%, including unsecured consumer loans (from 11.9% to 16.9%), car loans (from 6.6% to 9.3%), and mortgage loans (from 1.2% to 1.9%)[2].

Banks specialising in consumer lending[3] typically have a larger share of loans overdue for more than 90 days in their portfolio of unsecured consumer loans: the average for that group totalled 27.5% as of 1 January 2016, along with a gradually decreasing growth of loans overdue for more than 90 days.

---

[1] According to Reporting Form 0409316.

[2] According to Reporting Form 0409115.

[3] The bank group specialising in unsecured consumer lending includes banks with debt on other consumer loans (according to Reporting Form 0409115 'Information on the Quality of Assets of the Credit Institution (Banking Group)') amounting to over ₽40 billion in the beginning of 2015, and the share of other consumer loans in assets exceeding 40%: HCF Bank LLC, PJSC SKB Bank, PJSC Sovcombank, JSC Svyaznoy Bank, JSC Tinkoff Bank, JSC OTP Bank, JSC Russian Standard Bank, PJSC CB Vostochny, CB Renaissance Credit LLC, PJSC Pochta Bank, and PJSC Asian-Pacific Bank. In November 2015, the licence of JSC Svyaznoy Bank was revoked.

Figure 2.5. Overdue debt in banks' corporate loan portfolio, ₽ trillion

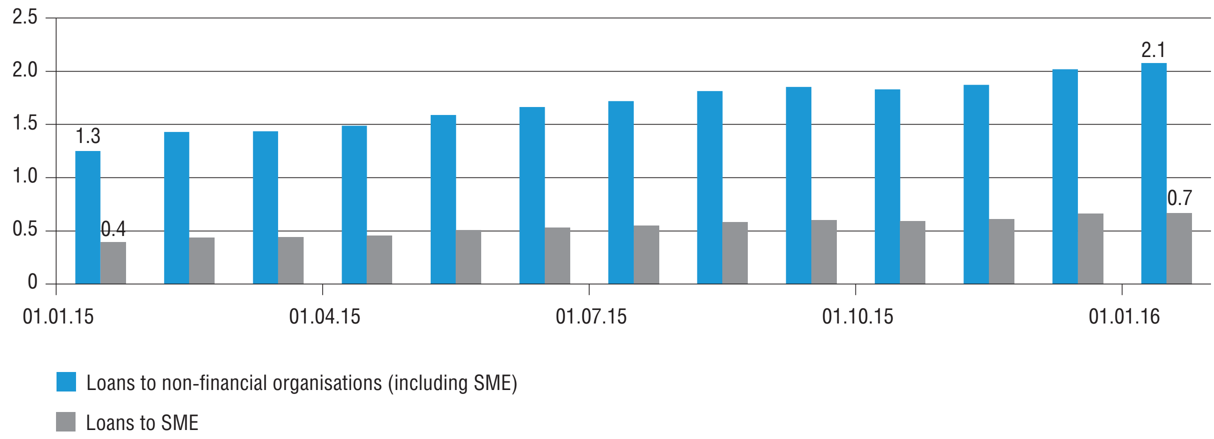
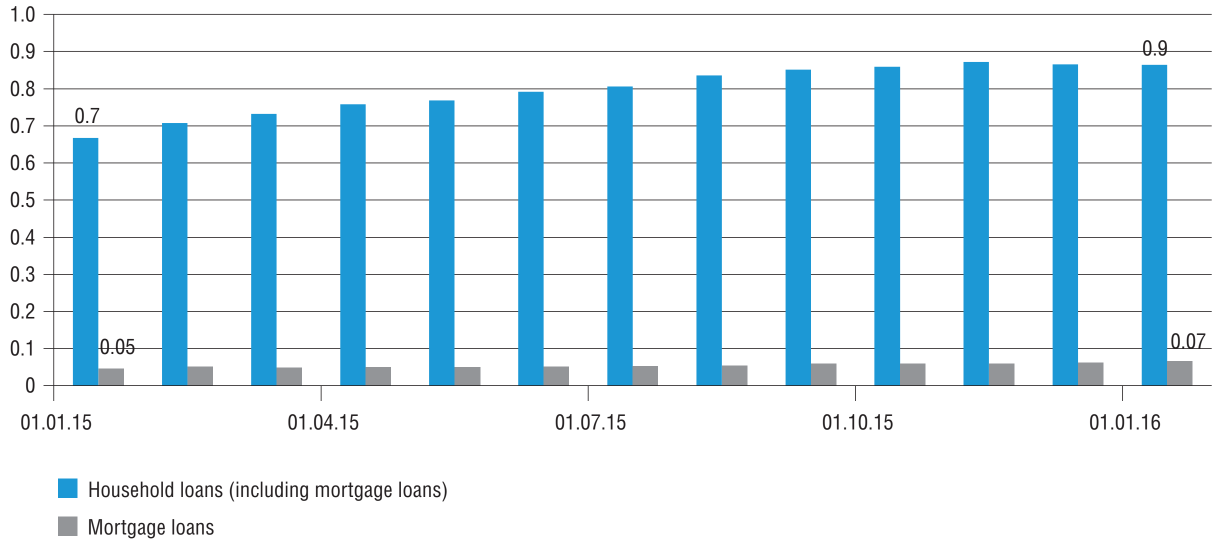


Figure 2.6. Overdue debt in household loans, ₽ trillion



As of 1 January 2016, the share of quality category I and II loans stood at 83.4% (at the beginning of 2015, 86.4%). The share of quality category IV and V loans (so-called 'bad' loans) grew from 6.7% to 8.3%[1] over the year (Figure 2.7).

As of the end of 2015, the number of banks where more than half of the loan portfolio consisted of standard loans (quality category I) was 103, and the share of such banks in the total assets of the banking sector was 23.7% (as of 1 January 2015, 118 banks and 53.1%, respectively).

The share of quality category IV and V loans in loans to legal entities (other than credit institutions) increased from 7.2% to 9.1% over 2015 (the maximum value during the recession in 2008–2010 was 11.9% as of 1 March 2010); in household loans there was an increase from 9.9% to 12.9%, exceeding the previous recession maximum of 12.1% as of 1 June 2010 (Figure 2.8 and Table 2.2).

As of 1 January 2016, the share of 'bad' loans in the total loan portfolio by bank group varied from 6.4% in state-controlled bank to 14.4% in small and medium-sized banks of Moscow and the Moscow Region.

Quality indicators of the loan portfolio of credit institutions, which were undergoing bankruptcy prevention measures as of 1 January 2016, differed significantly from the average indicators of the banking sector: as of 1 January 2016, the share of 'bad' loans in these banks reached 30.2%, the share of overdue debt on loans to non-financial organisations was 40.9%, and on household loans totalled 16.3%.

Without taking into account the banks which were undergoing bankruptcy prevention measures, as of

[1] Insignificant deviation from indicators in the figure is due to data rounding.

Figure 2.7. Quality of loan portfolio of the banking sector, %

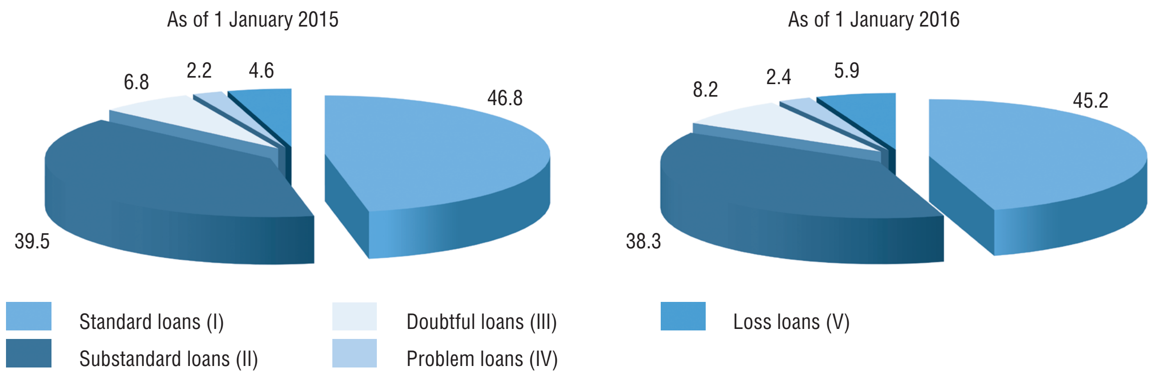
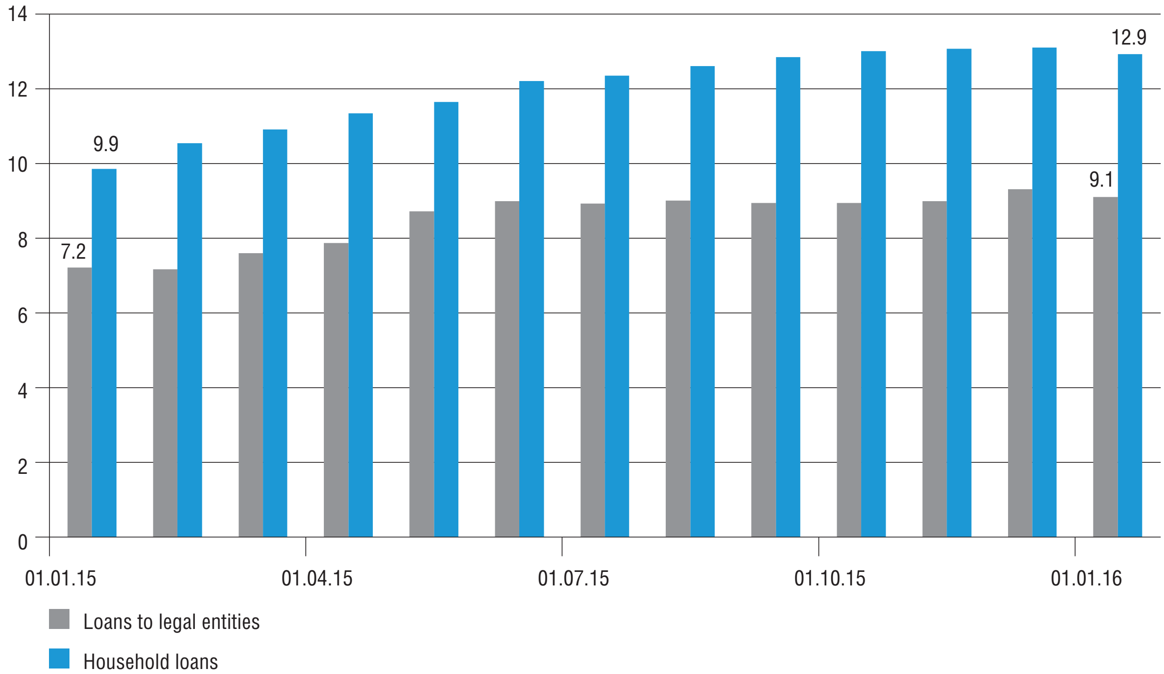


Table 2.2. Maximum share of quality category IV and V loans ('bad' loans), %

	Maximum share of 'bad' loans in 2008–2010	'Bad' loan loss provision as of the date of the maximum value of 'bad' loans	1 January 2015		1 January 2016	
			Share of 'bad' loans	'Bad' loan loss provision	Share of 'bad' loans	'Bad' loan loss provision
Legal entities	11.9 (as of 1 March 2010)	69.7	7.2	67.2	9.1	64.1
Households	12.1 (as of 1 June 2010)	77.6	9.9	80.8	12.9	83.1

Figure 2.8. Quality category IV and V loans ('bad' loans) in total loans, %



1 January 2016, the share of overdue debt on loans to non-financial organisations would be 4.4%; on household loans the number would be 7.6%, and the share of 'bad' loans in the total amount of loans would total 7.0%.

Throughout 2015, banks' maintenance of loan loss provisions at a rather high level was a positive fact[1].

As of 1 January 2016, the created loan loss provisions amounted to 7.8% of the debt on loans ('bad'

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

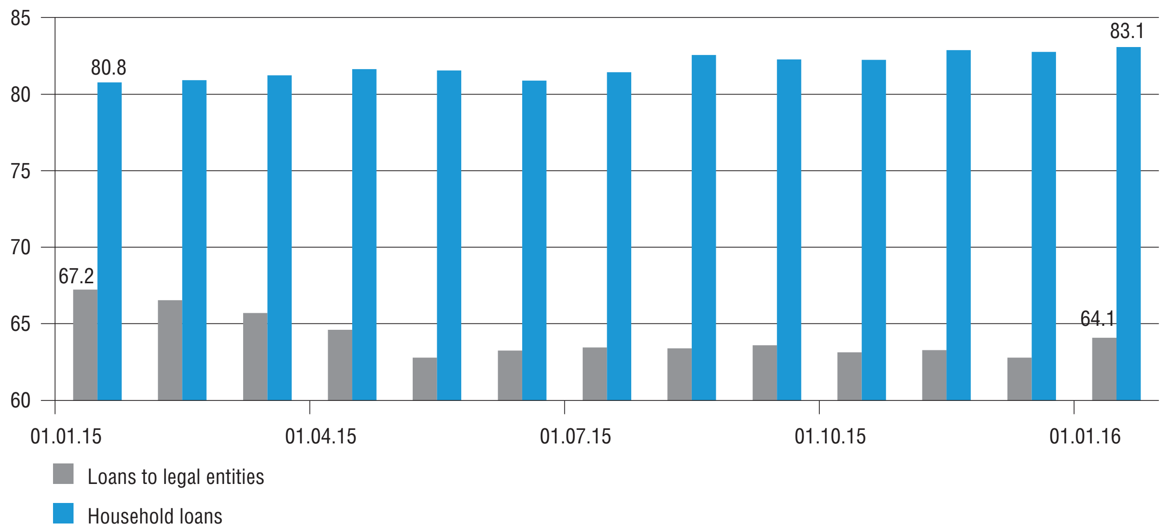
Table 2.3. Loan loss provisions, %

Loan quality category	Share of actually created loan loss provisions, %		Actually created loan loss provisions as % of loan debt of the respective quality category	
	1 January 2015	1 January 2016	1 January 2015	1 January 2016
Standard loans	0.0	0.0	0.0	0.0
Substandard loans	10.5	7.9	1.7	1.6
Doubtful loans	15.3	17.9	14.7	17.1
Problem loans	13.7	12.7	41.3	40.9
Loss loans	60.5	61.5	86.0	81.3
Total	100.0	100.0	6.5	7.8

Table 2.4. Maximum 'bad' loan loss provisions, %

	Maximum 'bad' loan loss provisions in 2008-2011	Share of 'bad' loans as of the date of maximum loan loss provision	1 January 2015		1 January 2016	
			'Bad' loan loss provision	Share of 'bad' loans	'Bad' loan loss provision	Share of 'bad' loans
Legal entities	75.0 (as of 1 November 2010)	10.4	67.2	7.2	64.1	9.1
Households	81.8 (as of 1 May 2011)	77.6	80.8	9.9	83.1	12.9

Figure 2.9. Bad loan loss provisions, % of total loans



loan loss provisions accounting for 74.2% of the total value). A year earlier these figures stood at 6.5% and 74.2%, respectively (Table 2.3).

The coverage of 'bad' corporate loans with provisions decreased from 67.2% to 64.1% (the maximum value during the previous recession was 75.0% as of 1 November 2010), and in respect of household loans this value increased from 80.8% to 83.1%, which is above the maximum previous recession value of 81.8% as of 1 May 2011 (Table 2.4 and Figure 2.9).

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

In 2015, large loan exposure[1] in the banking sector grew by 17.7% to ₽22.9 trillion. The share of large loans in banking sector assets increased from 25.1% to 27.6% throughout the year.

During the reporting year, 91 credit institutions violated the required maximum exposure per borrower or group of related borrowers (N6) ratio (in 2014,

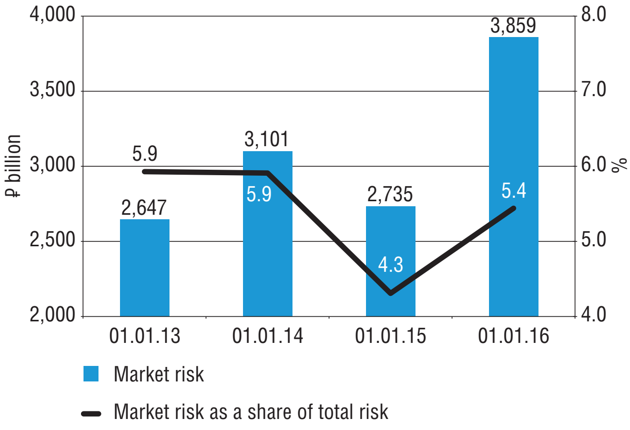
[1] In compliance with Article 65 of Federal Law No. 86-FZ, dated 10 July 2002, 'On the Central Bank of the Russian Federation (Bank of Russia)', the sum of loans, guarantees and sureties issued to one customer that exceeds 5% of the bank's capital considered to be a large credit risk.

122 credit institutions), and 19 credit institutions violated the required large credit exposure (N7) ratio (in 2014, 14 credit institutions).

As of 1 January 2016, the maximum value of loans, guarantees and sureties issued by a credit institution (banking group) to its members (shareholders) (N9.1) ratio was calculated by 271 credit institutions, or 37.0% of the total operating credit institutions (306 credit institutions, or 36.7%, as of 1 January 2015). The ratio was violated by one credit institution (in 2014, 6 credit institutions).

There were a total of 125 violations during the year, compared to 84 violations a year earlier. As many as 18 credit institutions failed to comply with the total insider risk (N10.1) ratio (16 credit institutions in 2014).

Figure 2.10. Market risk and its share in banking sector total risks



II.2. Market risk

II.2.1. General characteristics of market risk

The market risk of the banking sector[1] in 2015 grew by 41.1% to ₽3.9 trillion as of 1 January 2016, and its share in the total risks of the banking sector[2] increased from 4.3% as of 1 January 2015 to 5.4% as of 1 January 2016 (Figure 2.10). The ratio of market risk to the capital of banks[3] that calculated their market risk went up by 8.0 pp to 44.0% as of 1 January 2016.

Interest rate risk accounted for the bulk (78.2% as of 1 January 2016, compared to 79.5% as of 1 January 2015) of the market risk structure. The share of stock market risk in the market risk structure decreased from 10.3% to 7.5% in 2015, and the share of foreign exchange risk was up from 10.2% to 14.4%.

Following the ruble depreciation the share of the foreign currency component in the balance sheet assets and liabilities of the banking sector increased in 2015 from 30.0% to 34.7% for assets, and from 29.0% to 33.2% for liabilities of credit institutions (Figure 2.11). Foreign currency assets in US dollar terms fell by 4.6% over 2015 (liabilities – by 5.4%). As a result, the excess of balance sheet FX assets over FX liabilities of the banking sector grew from $14.0 billion to $16.2 billion in 2015 (Table 2.5). The difference between FX assets and liabilities in respect of off-balance sheet operations[4] decreased from $8.6 billion as of 1 January 2015 to $1.7 billion as of 1 January 2016.

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

As of the end of 2015, the potential losses of credit institutions associated with materialisation of interest rate risk on cumulative trading investments[5] in debt securities increased, and could have amounted to 7.4% of capital as of the beginning of 2016 compared to 6.3% as of 1 January 2015.

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

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

[3] Following the decline in the total credit institutions in 2015, the number of institutions that calculated market risk value decreased from 598 to 548, while their share in banking sector assets increased slightly from 97.8% to 98.2%.

[4] According to Section D 'Accounts of Asset and Liabilities on Financial Derivatives and Other Contracts (Transactions), under Which Settlements and Delivery are Performed not Earlier than on the Next Day after the Day of the Contract (Transaction)' in the Chart of Accounts for Credit Institutions.

[5] Hereinafter, trading investments are investments in securities assessed at fair value and available for sale.

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

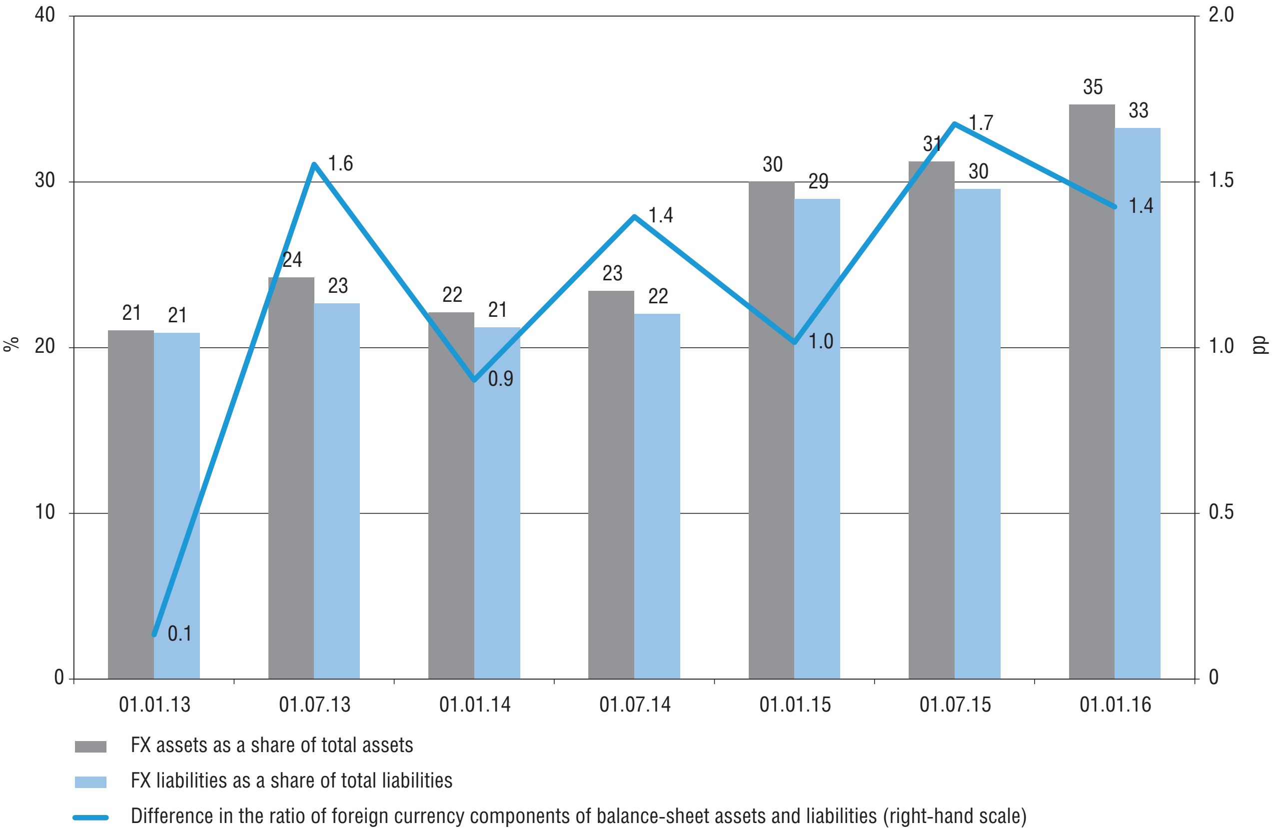


Table 2.5. FX assets and liabilities of the banking sector in balance sheet and off-balance sheet positions

	1 January 2015		1 January 2016		Growth in 2015	
	$ billion	₽ billion	$ billion	₽ billion	$ billion	₽ billion
Balance sheet positions						
Assets	414.0	23,292	394.8	28,775	–19.2	5,483
Liabilities	400.0	22,503	378.6	27,592	–21.4	5,089
Net balance sheet position	14.0	789	16.2	1,183	2.2	393
Off-balance sheet positions						
Assets	322.2	18,124	223.1	16,261	–99.1	–1,864
Liabilities	313.5	17,638	221.4	16,136	–92.1	–1,502
Net off-balance sheet position	8.6	486	1.7	124	–6.9	–362

Table 2.6. Net FX forward position

	Foreign currency	Net FX forward position, billions of currency units	Ruble equivalent of net FX forward position, ₽ billion
1 January 2015	US dollar	–19.0	–1,070
	Euro	5.1	348
1 January 2016	US dollar	–12	–876
	Euro	4.9	388

Table 2.7. Net FX option position

	Foreign currency	Net FX option position, billions of currency units	Ruble equivalent of net FX option position, ₽ billion
1 January 2015	US dollar	1.4	80.4
	Euro	0.2	12.4
1 January 2016	US dollar	–1.2	–99.9
	Euro	0.3	19.9

On the assessment of banking sector vulnerability to interest rate risk

For the purpose of determining banking sector vulnerability to interest rate risk on cumulative trading investments in debt securities, the ratio of the negative revaluation of the portfolio of banks' trading investments in debt liabilities under the influence of an upward stress shift of the yield curve for debt instruments and capital of credit institutions (by 350 bp for debt liabilities of the Russian Federation and by 1,000 bp for Russian corporate bonds) was assessed.

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

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

As of the beginning of 2016, potential losses of credit institutions investing in equities would generally have accounted for 1.8% of capital in the event of a 50% drop in stock market indices (as of 1 January 2015, 3.5%). The decline in potential losses in the event of stock market risk realisation in 2015 is associated with a drop in credit institutions' trading investments in equities (from ₽488 billion as of 1 January 2015 to ₽295 billion as of 1 January 2016).

On the assessment of banking sector vulnerability to stock market risk

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

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

The assessment of banking sector vulnerability to foreign exchange risk showed an increase in potential losses in the event of foreign exchange risk in 2015: losses as of 1 January 2016 could have accounted for 1.4% of banks' capital[1] (as of the beginning of 2015, 0.5%).

On the assessment of banking sector vulnerability to foreign exchange risk

A 20% reduction in the nominal exchange rate of the ruble against the US dollar and the euro was selected as the initial event for the analysis of banking sector vulnerability to foreign exchange risk. To determine the impact of foreign exchange risk on the financial standing of the banking sector by credit institution statements on their foreign exchange risk and short open positions in US dollars and euro were analysed. The number of banks with a short foreign currency position in at least one of the two currencies decreased from 214 to 169 in 2015, and the share of these banks in total assets fell from 67.7% to 40.0% (in capital, from 65% to 37.3%).

II.3. Liquidity risk

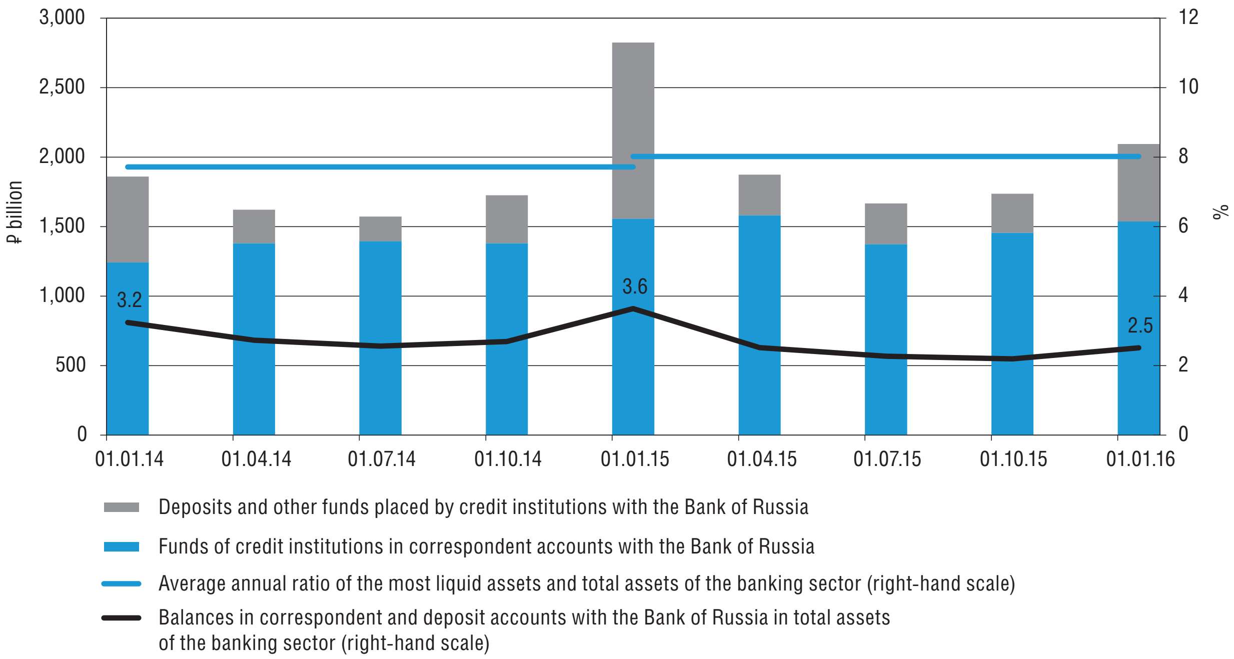
II.3.1. General characteristics of liquidity risk

The ratio of the average value of the most liquid assets to the average value of total assets of the banking sector[2] increased from 7.7% in 2014 to 8.0% in 2015. Funds in credit institutions' deposit and correspondent accounts with the Bank of Russia accounted for more than 30% of the most liquid assets. Seasonal factors

[1] In 2015, the number of banks with a short open foreign currency position in US dollars and (or) euro decreased, and the composition of analysed banks changed considerably. This resulted in a significant drop of their share in banking sector assets and capital. During the reporting period the assessment of potential losses in respect of analysed banks increased, and the value of capital went down following, among other things, the dropout of some large banks from the analysed group because they lacked short open foreign currency positions in US dollars or euro.

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

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



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

traditionally drive these funds up in the beginning of the year (Figure 2.12).

Important measures by the Government of the Russian Federation and the Bank of Russia (increase in the maximum compensation under the deposit insurance system, FX liquidity provision to banks) smoothed out the liquidity situation in 2015.

The gradual improvement of the liquidity situation throughout 2015 is also proven by the trend towards a decrease in the balance of funds raised by credit institutions from the Bank of Russia and in its share in banking sector liabilities from 12.0% as of 1 January 2015 to 6.5% as of 1 January 2016.

Meanwhile, the situation with liquidity of small and medium-sized banks, on the one hand, and large banks (primarily, systemically important banks), on the other hand, differs. For small and medium-sized banks the problem of liquidity deficit is still pressing, which is why the main task that requires attention is the need of banks to maintain liquid assets sufficient for using in Bank of Russia repos, and the unwillingness of major lenders in the interbank market to open limits for small credit institutions in tense environment. Besides, the share of the most liquid assets of small and medium-sized banks (ranked 201st or lower by assets) in total assets as of 1 January 2016 was 21.9% while funds raised from the Bank of Russia accounted for 2.6% of liabilities. It signals that these banks lack adequate liquidity management instruments.

As of 1 January 2016, the most liquid assets accounted for 5.4% of total assets of systemically important banks, and funds raised from the Bank of Russia accounted for 7.6% of liabilities.

Both systemically important banks and small and medium-sized banks have access to the interbank market as a source of funding. However, the significance of this source varies: systemically important banks have 1.6-fold higher share of funds raised from credit institutions in total liabilities than small and medium-sized banks (6.8% and 4.3%, respectively).

II.3.2. Compliance with required liquidity ratios

Following the outpacing growth of high-quality liquid assets compared to short-term liabilities of credit institutions, the average value of the instant liquidity ratio (N2) of the banking sector spiked from 58.3% to 92.4% in 2015 compared to 2014 (where the required ratio is 15%). The average annual actual current liquidity (N3) ratio jumped from 77.3% in 2014 to 128.4% in 2015 (Figure 2.13), which is also considerably above the standard level of 50%.

The long-term liquidity ratio fell in 2015 from 91.2% to 62.3% compared to 2014, thereby indicating an improvement in the backing of long-term assets with appropriate liabilities. The average annual value of long-term (over one year[1]) loans[2] in 2015 increased by 14.3% compared to 2014, while the average value of liabilities in the banking sector maturing in more than 1 year increased by 91.6%, and the average capital growth rate was 11.8%. This trend allows credit institutions to maintain a rather balanced structure of long-term assets and liabilities and, subject to the respective demand from the economy and with due regard to the maximum permissible value of long-term liquidity (120%), the possibility to step up long-term loans to enterprises.

The year 2015 saw only individual failures of some credit institutions to comply with required liquidity ratios. In 2015, 9 credit institutions out of those operating as of 1 January 2016 violated the instant liquidity ratio (N2) as of certain dates (in 2014, 10 credit institutions), and 15 credit institutions violated the current liquidity ratio (N3) (in 2014, 14 credit institutions).

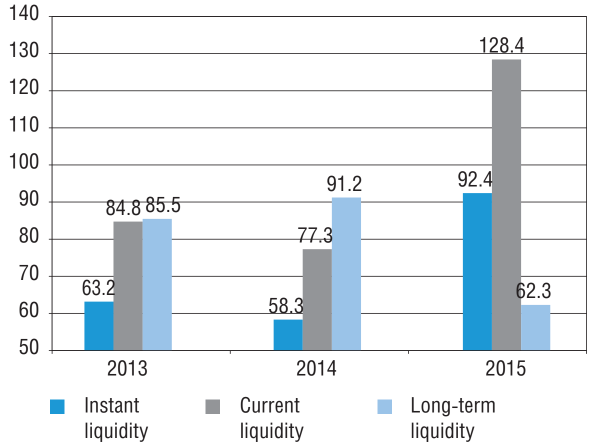
In 2015, there were 8 violations of the long-term liquidity ratio (N4) (in 2014, 7 cases).

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

The share of assets maturing in more than one year in the total assets (assigned to quality category I[3]) increased from 39.0% to 44.3% in 2015. The share of liabilities maturing in more than one year did not change and totalled 24.3%.

The deficit of liquidity coverage[4] was up from 10.7% as of 1 January 2015 to 16.5% as of 1 January 2016.

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



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

Amid the general trend towards higher cost of interbank borrowings, the year 2015 also saw a rather high volatility of this indicator as the MIACR on overnight ruble loans fluctuated between 7.8% and 17.5% p.a. The maximum value was recorded in January 2015, afterwards the interest rate declined progressively following the Bank of Russia key rate cut (Figure 2.14).

The group of credit institutions with a maximum IMDR value of 8%, which indicates a low dependence on the interbank market, stably accounts for over 90% of total assets of the banking sector (as of 1 January 2016, 94.5%). The group with a high dependence on the interbank market (IMDR > 27%) includes only 35 banks with a 2.4% share in banking sector assets (Figure 2.15). This situation indicates that the Russian banking market has a huge potential for growth in this banking segment.

[1] As regards contract terms.

[2] The analysis used the components of the long-term liquidity ratio (N4), including chronological averages (for a 12-month period) for long-term loans, banking sector liabilities maturing in more than one year, and capital in compliance with Bank of Russia Instruction No. 139-I, dated 3 January 2012, 'On Banks' Required Ratios'.

[3] Pursuant to Bank of Russia Regulation No. 254-P, dated 26 March 2004, 'On the Procedure for Making Loss Provisions by Credit Institutions for Loans, Loan and Similar Debts' and Bank of Russia Regulation No. 283-P, dated 20 March 2006, 'On the Procedure for Making Loss Provisions by Credit Institutions'.

[4] The liquidity coverage deficit is calculated as the ratio of the excess of demand liabilities and liabilities maturing in less than 30 days inclusive over the value of (liquid) assets with a similar maturity to the total value of these liabilities.

The interbank market dependence ratio (IMDR) of the credit institution is calculated as the percentage ratio of the difference between interbank loans (deposits) raised and placed to funds raised (net of accrued interest). The higher is the ratio, the more a credit institution is dependent on the interbank market. The methodology for calculating the IMDR generally complies with the methodology for calculating PL5 ratio established by Bank of Russia Ordinance No. 2005-U, dated 30 April 2008, 'On Assessing Banks' Economic Situation', which defines IMDR threshold values at 8%, 18%, and 27% corresponding to a low, medium, and high dependence on the interbank market.

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

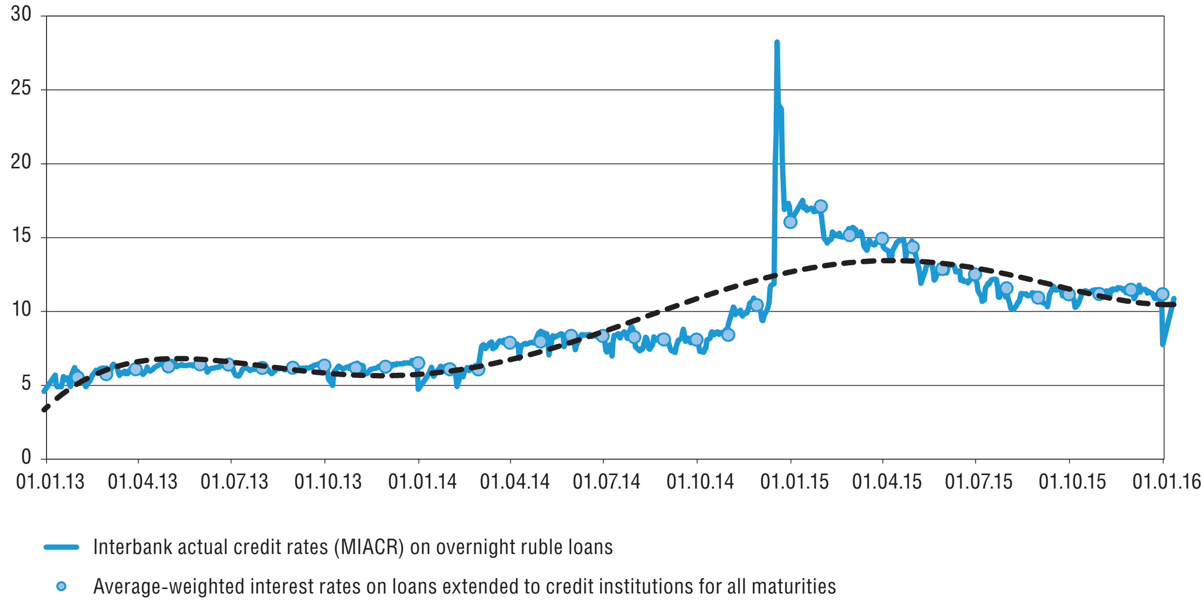
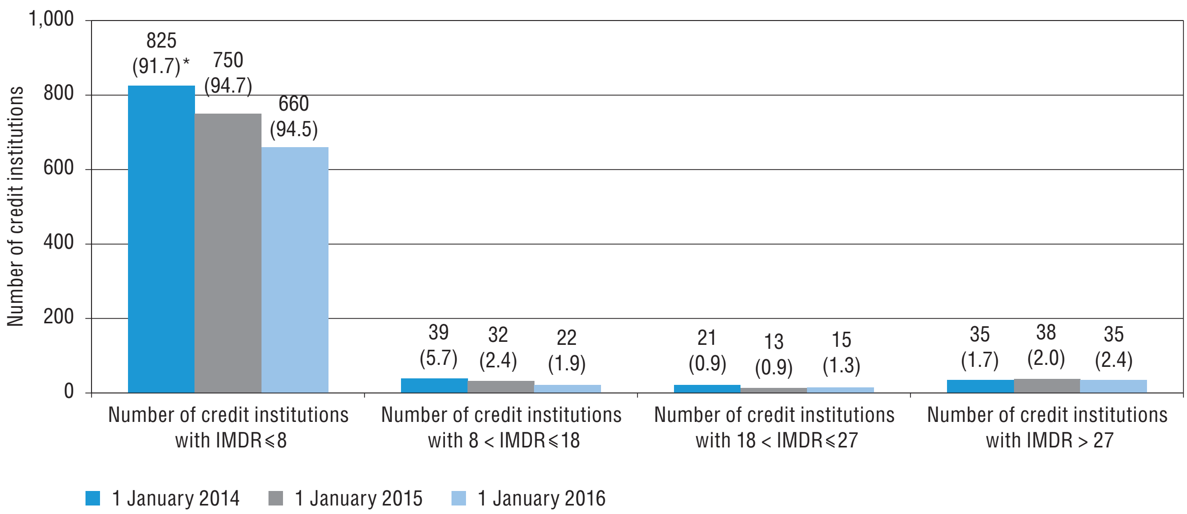


Figure 2.15. Credit institutions ranked by interbank market dependence ratio



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

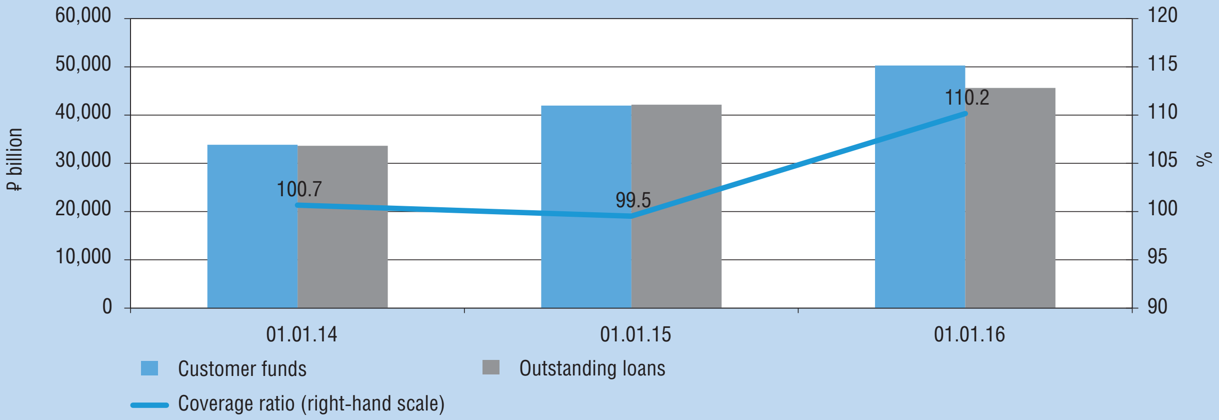
Customer funds to loans issued (coverage ratio)

The coverage ratio is calculated as the ratio of customer funds to customer loans. The growth of this ratio indicates an improved balance between loans to customers and their funding sources for a similar maturity.

As of 1 January 2016, customer funds[1] as the most stable source of the resource base of credit institutions used to cover loans to customers[2] by 110.2%, which is above the coverage ratio of 99.5% as of 1 January 2015 (Figure 2.16), as the growth of funds raised from customers (19.8%) outpaced that of loans issued to customers (8.2%).

The coverage ratio calculated by the medium- and long-term component (maturing in more than one year)[3] fell from 60.4% as of 1 January 2015 to 58.8% as of 1 January 2016. The growth of loans maturing in more than one year was higher than that of customer funds with a similar maturity (6.3% compared to 3.4%).

Figure 2.16. Banking sector debt to borrowing ratio



In 2015, the number of credit institutions with coverage ratios below the banking sector averages went down, which may result from a considerable decline in the number of operating credit institutions. As of 1 January 2016, 77 credit institutions had a coverage ratio that was half of the banking sector average. They accounted for 6.7% of the banking sector total assets. For comparison: as of 1 January 2015, 77 credit institutions had a coverage ratio that was half of the banking sector average, their share in total assets equalled to 2.5%. As of 1 January 2016, coverage ratios that were a quarter or less of the banking sector average were registered in 31 credit institutions, which accounted for 2.0% of total assets (32 credit institutions with a 1.4% share as of 1 January 2015).

II.3.5. Debt to non-residents

In 2015, the total debt of the Russian banking sector to non-residents[4] dropped by 4.6% (23.7%, adjusted for foreign exchange revaluation) to ₽7.8 trillion, of which 87.8% accounted for debt in foreign currency. Claims of Russian credit institutions to non-residents grew by 25.2% to ₽13.3 trillion (and remained almost unchanged if adjusted for foreign exchange revaluation, showing a 0.4% growth), of which 87% accounted for claims in foreign currency. As a result, net claims to non-residents[5] grew from ₽2.5 trillion as of 1 January

[1] Customer funds include household deposits, corporate deposits and funds kept on accounts (not including credit institutions).

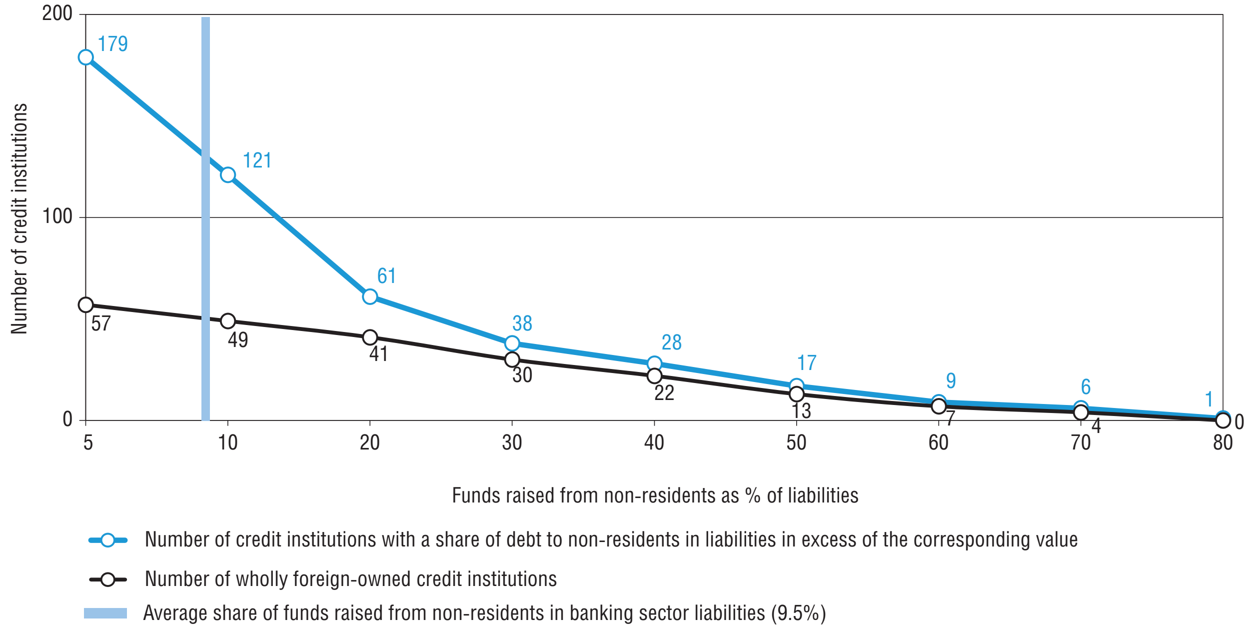
[2] Outstanding loans include loans to the economy (non-financial organisations and households) and loans to resident financial organisations (other than credit institutions).

[3] Calculated as the ratio of customer funds maturing in more than one year to loans extended with the same maturity. Higher ratio signals an improved balance between medium- and long-term loans and their funding sources with similar maturity.

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

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

Figure 2.17. Banking sector debt to non-residents as of 1 January 2016



2015 to ₽5.5 trillion as of 1 January 2016 (growth to ₽4.5 trillion net foreign exchange revaluation).

As of 1 January 2016, 629 out of 733 credit institutions had debt to non-residents. The analysis of bank distribution by debt to non-residents showed that the average debt-to-liability ratio across the banking sector stood at 9.4% as of 1 January 2016. As many as 125 credit institutions exceeded this level, including 49 foreign-controlled banks (Figure 2.17).

Furthermore, in 450 banks funds raised from non-residents accounted for less than 5% of total liabilities, which generally points to a moderate dependence of the banking sector on non-resident funds.

As of 1 January 2016, 128 credit institutions raised funds from non-resident banks. They accounted for 85.5% of total assets of the banking sector (compared to 162 credit institutions with a 90.2% share in the banking sector assets as of 1 January 2015). As of 1 January 2016, 162 credit institutions accounting for 89.4% of banking sector assets received loans from non-resident banks (as of 1 January 2015, 177 credit institutions accounting for 90.1% of banking sector assets).

Interbank transactions with non-residents are still concentrated in Russia's largest credit institutions. Half of the funds raised from abroad were raised by 4 Russian banks, 3 of which are ranked among the top 20 banks by assets. At the same time, half of all the funds provided to non-residents was provided by 2 banks ranked among the top 20 credit institutions.

II.4. Capital adequacy

II.4.1. Banking sector capital dynamics and structure

In 2015, credit institutions' capital grew by 13.6% to ₽9 trillion. As of the end of 2015, credit institutions' capital to GDP ratio was 11.1%, which is 1 pp higher than a year earlier[1].

The absolute capital growth in the banking sector totalled ₽1,080 billion (against ₽864 billion in 2014).

The structure of capital sources in 2015 changed somewhat year-on-year. The share of subordinated loans received in the sources of capital growth increased from 22% to 27% (by one third due to subordinated loans extended to banks via the DIA). The share of profit and profit-based funds suffered the largest reduction, from 40% to 37%. The structure of com-

[1] The values of the banking sector indicators in relation to GDP fell significantly, due to the considerable growth of GDP values following the amendments to the calculation methodology by the Russian Statistics Agency.

mon equity and Tier I capital sources did not change much during the year; thanks to funds provided via the DIA the share of authorised capital in the common equity and Tier I capital sources grew from 28% to 31% and from 27% to 30%, respectively, and the share of such sources as profit and share premium declined slightly.

In 2015, common equity increased by 3.9%, or by ₽220 billion, due to the growth of authorised capital by ₽502 billion along with the decline of profit, accounted for in the common equity sources, by ₽184 billion and the growth of deductions, associated with the investment in shares (stakes) of financial institutions, by ₽152 billion. As a result, the share of common equity in the total capital decreased in 2015 from 71% to 65%.

The amount of Tier I capital grew by 5%, or by ₽284 billion, in 2015. Apart from the authorised capital growth, this trend was also affected by an increase in subordinated debt, included in the source of additional capital, by ₽127 billion.

As a result, the share of Tier I capital in the total capital decreased less than the share of common equity, by 5 pp (from 72% to 67%).

In 2015, capital grew in three groups of credit institutions: state-controlled banks, foreign-controlled banks and large private banks. The decline in the total capital was observed in three other groups of banks: small and medium-sized banks based in Moscow and the Moscow region, small and medium-sized regional banks, non-bank credit institutions. Tables 2.8 and 2.9 show information on the total capital structure and trends by bank group.

The growth of the aggregate capital in the group of state-controlled banks results from an increase in three main capital sources: authorised capital, subordinated loans and profit. Capital growth in foreign-controlled banks was backed by the increase in subordinated loans and authorised capital. In the group of large private banks the aggregate capital growth resulted from higher subordinated borrowings.

The decline in authorised capital in the capital sources in the group of small and medium-sized banks based in Moscow and the Moscow Region and in the group of small and medium-sized regional banks reflects, among other things, consolidation processes in the banking sector[1] (regional banks with a total authorised capital of ₽17.6 billion and banks based in Moscow and the Moscow Region with a total authorised capital of ₽8 billion discontinued their operations).

On the additional capitalisation of the banking sector via the DIA

In 2015, banks received state support in the form of additional capitalisation via the DIA. The mechanism of additional capitalisation stipulated that the federal loan bonds (OFZ) contributed by the Government to the authorised capital of the DIA were provided to banks as payment for the issuance of preference shares (accounted for in the common equity) or as subordinated instruments (accounted for in additional capital) if they complied with certain requirements. In particular, this provided for the extension of loans by the said banks to enterprises of priority economic sectors and lending to small and medium-sized businesses and residential mortgages. In 2015, additional capitalisation through the DIA covered a total of 25 banks[2], ₽802 billion was provided: 21 banks received ₽295 billion in the form of subordinated loans, and 4 banks received ₽507 billion in the form of payment for preference shares. As of 1 January 2016, the assistance provided to banks in terms of capital adequacy is generally assessed for the group of banks that received such aid at +1.8 pp to the common equity ratio and Tier I capital adequacy ratio (N1.1 and N1.2) and +3.2 pp to the total capital adequacy ratio (N1.0). The range of the influence of additional capitalisation on N1.1 and N1.2 in different banks varies from +2.6 pp to +3.8 pp; and as regards N1.0, from +1.3 pp to +5.1 pp.

[1] Terminated their activity (licence revocation, reorganisation) in 2015: 1 bank from the group of state-controlled banks with authorised capital (hereinafter, as of the beginning of 2015) of ₽0.26 billion; 2 banks from the group of foreign-controlled banks with authorised capital of ₽0.9 billion; 15 banks from the group of large private banks with authorised capital of ₽27.5 billion; 49 banks from the group of small and medium-sized banks based in Moscow and the Moscow Region with authorised capital of ₽17.6 billion; 30 banks from the group of small and medium-sized regional banks with authorised capital of ₽8 billion; 7 non-bank credit institutions (including the Credit Guarantee Agency) with authorised capital of ₽50.3 billion.

[2] The assistance was provided to 24 banks out of all the banks operating as of 1 January 2016. Assistance was also provided earlier in the form of a subordinated loan to Petrocommerce Bank, which was merged with Bank Otkritie Financial Corporation. In addition, some parent banks of the banking group used the funds to provide subordinated loans to other group participants.

Table 2.8. Capital structure and movements by bank group (with growing capital), ₽ billion

	State-controlled banks			Foreign-controlled banks			Large private banks		
	1 January 2015	+/–	1 January 2016	1 January 2015	+/–	1 January 2016	1 January 2015	+/–	1 January 2016
Capital sources	5,467	1,447	6,914	990	166	1,156	2,353	395	2,748
Authorised capital	931	561	1,492	238	33	271	500	–12	488
Share premium	998	25	1,023	100	4	103	303	5	308
Profit and funds of credit institutions	2,235	238	2,474	477	21	498	865	116	981
Subordinated loans	1,193	625	1,818	157	101	258	616	286	902
Revaluation surplus	109	–1	108	18	7	25	70	0	70
Other	0	0	0	0	0	0	0	0	0
Capital deductions	949	506	1,454	56	37	93	381	268	650
Losses	105	207	312	11	28	39	218	232	450
Intangible assets	14	10	25	1	2	3	3	1	4
Own shares (stakes) bought out	0	1	1	0	1	1	1	0	1
Sources of capital formed from improper assets	0	1	1	2	3	5	5	–2	2
Subordinated loans to financial organisations (residents and non-residents)	148	145	293	0	2	2	6	5	11
Credit institution's investments in shares (stakes) of financial organisations (including non-residents), subsidiary and affiliated legal entities, and resident credit institutions	679	113	792	41	-3	38	78	–7	70
Other	2	29	31	0	4	4	71	41	111
Capital, total	4,518	942	5,460	934	129	1,062	1,972	127	2,099

Authorised capital of non-bank credit institutions dropped as a result of changes in the group composition[1].

Profit recorded in capital sources decreased in small and medium-sized banks based in Moscow and the Moscow Region and regional banks.

At the same time, losses included in capital deductions grew in all the bank groups bar small and medium-sized banks based in Moscow and the Moscow Region. As a result, the balanced profit and loss recorded in capital turned out to be positive only in state-controlled banks and non-bank credit institutions.

The amount of subordinated debt decreased in small and medium-sized banks based in Moscow and the Moscow Region along with the growth of subordinated loans accounted for in the capital of small and medium-sized regional banks and non-bank credit institutions.

Capital fell by ₽371 billion in 191 credit institutions as of the end of 2015; a year earlier capital dropped by ₽280 billion in 170 credit institutions. As of the end of 2015, capital growth by ₽1,682 billion was observed in 539 credit institutions (in 2014, by ₽1,206 billion in 658 credit institutions). Capital of credit institutions that terminated their activity as of the end of the reporting period amounted to ₽231 billion as of the beginning of 2015; the same figure for 2014 totalled ₽116 billion.

[1] The Bank of Russia cancelled the banking licence of the credit institution joint-stock company Non-Bank Deposit and Credit Institution Credit Guarantee Agency (JSC NDCI CGA) due to its reorganisation into the joint-stock company Russian Small and Medium Business Corporation (RSMB Corporation).

Table 2.9. Capital structure and movements by bank group (with shrinking capital), ₽ billion

	Small and medium-sized banks based in Moscow and the Moscow Region			Small and medium-sized regional banks			Non-bank credit institutions		
	1 January 2015	+/–	1 January 2016	1 January 2015	+/–	1 January 2016	1 January 2015	+/–	1 January 2016
Capital sources	259	–63	196	197	–2	195	72	–48	25
Authorised capital	111	–29	83	81	–2	79	53	–50	3
Share premium	13	-4	10	7	0	7	0	1	1
Profit and funds of credit institutions	95	–23	72	71	–3	68	20	0	20
Subordinated loans	31	–7	24	21	4	25	0	1	1
Revaluation surplus	9	–1	8	17	–1	16	0	0	0
Other	0	0	0	0	0	0	0	0	0
Capital deductions	16	–2	14	6	7	13	1	–1	1
Losses	13	–2	10	5	5	11	0	0	0
Intangible assets	0	0	0	0	0	0	0	0	0
Own shares (stakes) bought out	0	0	0	0	0	0	0	0	0
Sources of capital formed from improper assets	0	0	0	0	0	0	0	0	0
Subordinated loans to financial organisations (residents and non-residents)	0	0	0	0	0	0	0	0	0
Credit institutions' investments in shares (stakes) of financial organisations (including non-residents), subsidiary and affiliated legal entities, and resident credit institutions	2	0	2	0	0	0	1	–1	0
Other	1	0	2	0	2	2	0	0	0
Capital, total	243	–62	181	191	–9	182	71	–47	24

II.4.2. Risk-weighted assets

In 2015, risk-weighted assets increased by 11.8% (in 2014, by 20.9%). Credit risk-weighted assets[1] traditionally accounted for the largest share in risk-weighted assets though having decreased slightly (84% against 87% a year earlier). The share of operational risk grew from 8% to 9% over the year; and the share of market risk was up from 4% to 5%.

The ratio of credit risk-weighted assets to aggregate balance-sheet assets went up from 71% to 72% in 2015. In the structure of credit risk-weighted assets the biggest weight (67%) belongs to the credit risks on assets recorded on balance sheet accounts (five groups of assets with different risk ratios). A substantial share of the credit risk total value is also made by higher risk transactions (18%) and contingent exposures (7%).

In 2015, the number of higher risk positions increased by 15.2% to ₽10,701 billion as of 1 January 2016. In return, the credit risk on unsecured consumer loans decreased by over 60%, from ₽1,625 billion to ₽540 billion owing primarily to tougher regulatory requirements.

In 2015, the denominator of the total capital adequacy ratio N1.0 was supplemented with new risk components, in particular, credit risk on claims for interest accrued (accumulated) on residential mortgage loans to households, under which the fulfilment

[1] Pursuant to Bank of Russia Instruction No. 139-I, dated 3 December 2012, 'On Banks' Required Ratios', this risk category includes credit risks on assets recorded on balance sheet accounts (with a risk weight of 0% to 150%); claims to entities affiliated with the bank; credit risks on credit contingencies; credit risks on forward transactions; higher risk transactions; risks on unsecured household loans issued after 1 July 2013 at increased interest rates; higher requirements for the capital coverage of the corresponding level of individual assets of the bank in compliance with international approaches to improvement of banking sector stability, and the risk of change in the value of credit claims as a result of contractor credit quality deterioration.

Figure 2.18. Banking sector capital

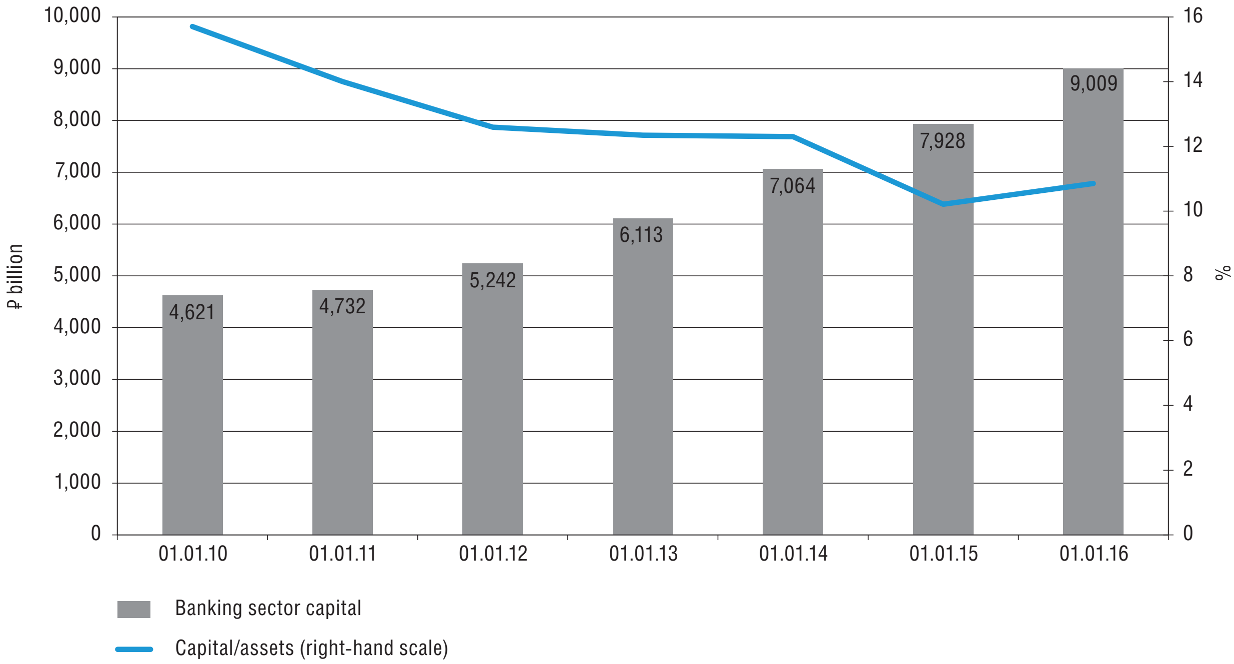


Figure 2.19. Banking sector total capital structure

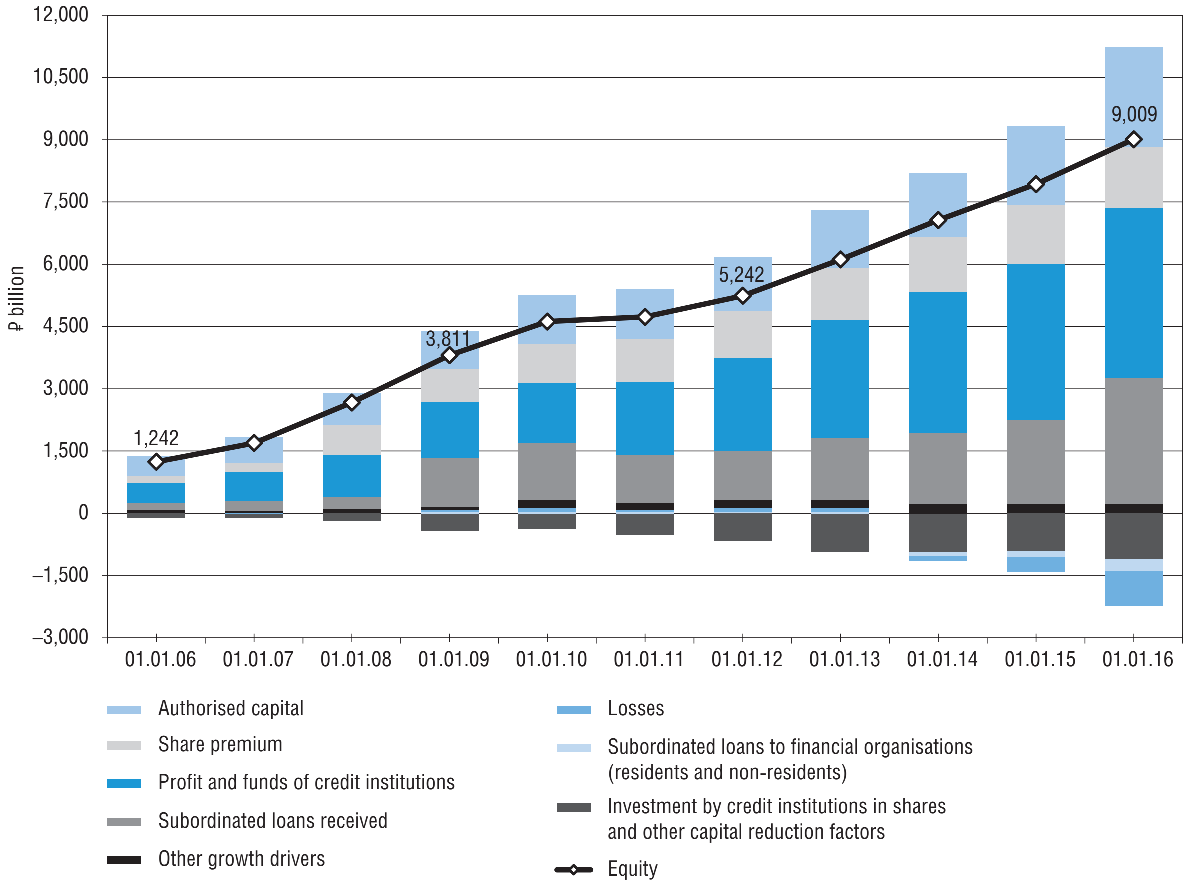
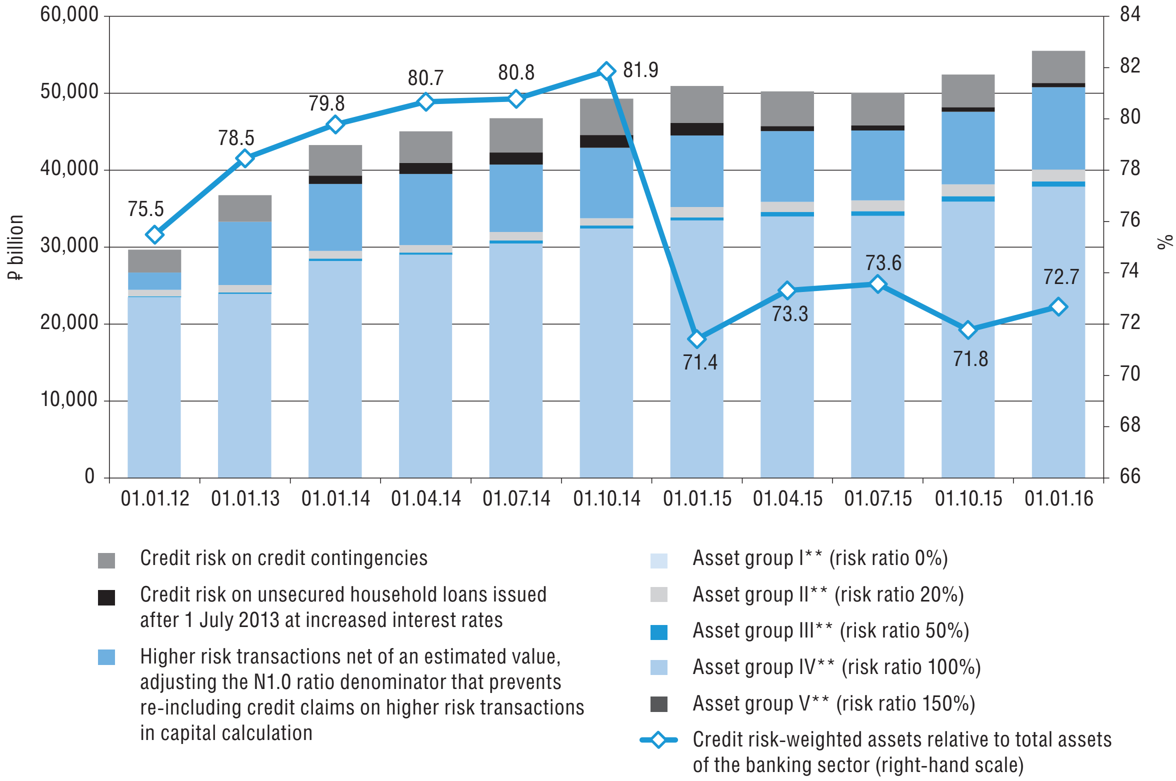


Figure 2.20. Credit risk-weighted balance sheet assets of credit institutions*



** Indices are calculated by credit institutions in accordance with Bank of Russia Instruction No. 139-I, dated 3 December 2012, 'On Banks' Required Ratios'.*
*** Assets, net of loan loss provisions.*

of borrower obligations is secured with a pledge of residential premises (risk ratio 0.5); the credit risk on claims for interest accrued (accumulated) on residential mortgage FX loans to households extended after 1 April 2015, under which the fulfilment of borrower obligations is secured with a pledge of residential premises (risk ratio 3); and the credit risk on claims for interest accrued (accumulated) on FX loans to households extended after 1 August 2015 (risk ratio 3) shall be indicated separately. The total amount of weighted positions for the said codes accounted for ₽122 billion as of 1 January 2016.

On changes to capital adequacy requirements in effect from 2016

Starting January 2016, the requirements for the calculation of capital and risk-weighted assets have been changed to align them with the BCBS requirements, including the establishment of minimum common equity adequacy N1.1 at 4.5% and minimum total capital adequacy N1.0 at 8.0%. At the same time, loss provisioning and credit risk-weighted FX asset accounting easing has been cancelled.

II.4.3. Bank capital adequacy

As of the end of 2015, capital adequacy of the banking sector N1.0 grew by 0.2 pp (from 12.5% to 12.7%) along with a decline of common equity adequacy N1.1 by 0.7 pp (from 8.9% to 8.2%) and Tier I capital adequacy N1.2 by 0.5 pp (from 9.0% to 8.5%).

The capital reserve of Russian banks calculated as banks' capital in excess of the level required to comply with capital adequacy ratios accounted for ₽1.8 trillion as of 1 January 2016 (required level in effect from 1 January 2016 is ₽0.5 trillion).

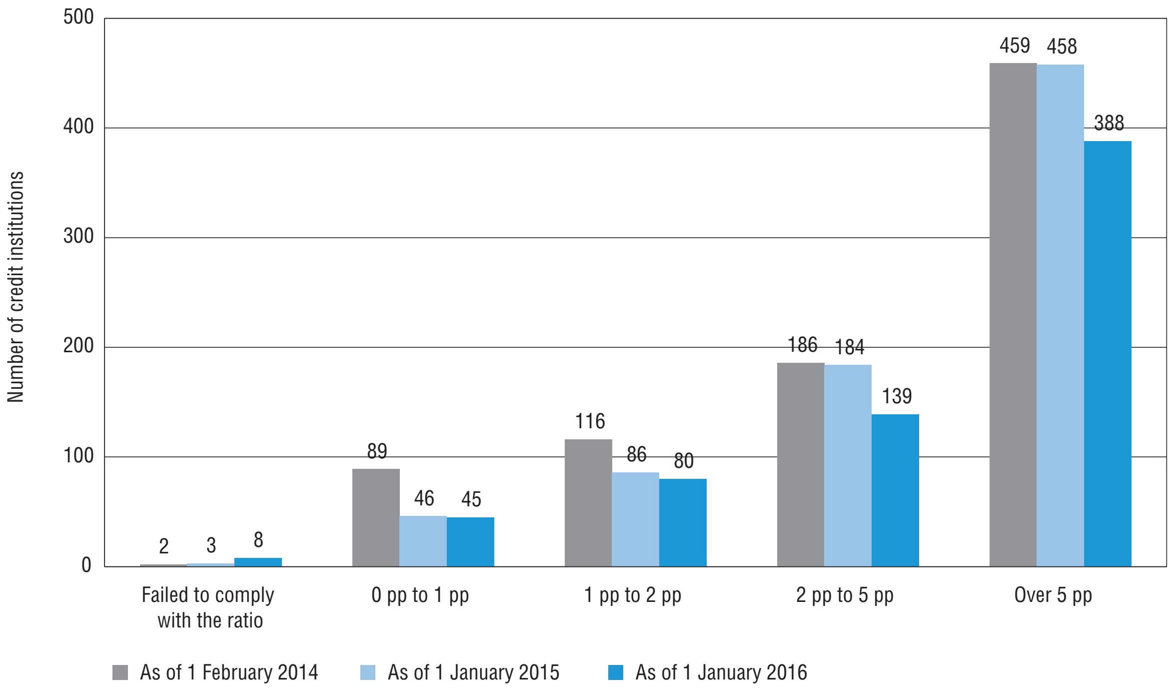
The main factors that caused the decline in common equity adequacy (N1.1) were the drop in the financial result and the increase of investments in shares (stakes) of financial organisations, subsidiaries, and affiliates; the growth of credit risks on assets recorded on balance sheet accounts, the growth of operational risks, and the increase in higher risk transactions.

Table 2.10. Total capital adequacy by groups of credit institutions ranked by assets, %

Credit institutions ranked by assets (in descending order)	Capital adequacy (N1.0), %		Tier I capital adequacy (N1.2), %		Common equity adequacy (N1.1), %	
	1 January 2015	1 January 2016	1 January 2015	1 January 2016	1 January 2015	1 January 2016
Top 5	11.9	12.3	8.7	8.7	8.6	8.6
6th to 20th	12.1	14.5	8.5	8.4	8.3	7.9
21st to 50th*	11.1	7.9	7.0	3.3*	6.7	3.0*
51st to 200th*	15.0	14.4	11.7	10.8	11.4	10.5
201st down*	19.6	20.5	15.1	15.9	14.9	15.7
Banking sector	**12.5**	**12.7**	**9.0**	**8.5**	**8.9**	**8.2**

Note: from 1 January 2015 to 1 January 2016, the minimum capital adequacy requirements were 8% for N1.0; 6% for N1.2; and 4.5% for N1.1.
** As of 1 January 2016, the group '21st to 50th' included five credit institutions with negative capital totalling ₽(–247) billion; the group '51st to 200th' – 11 credit institutions with capital of ₽(–65) billion; and the group '201st down' – 4 credit institutions with capital of ₽(–4) billion.*

Figure 2.21. Banks* by the minimum excess of one capital adequacy ratio over the permissible value (by number of banks)



** Excluding non-bank institutions (NBI) (while the sector's share in assets is calculated inclusive of NBI) and banks with negative capital (as of 1 January 2016, 20 banks had negative capital).*

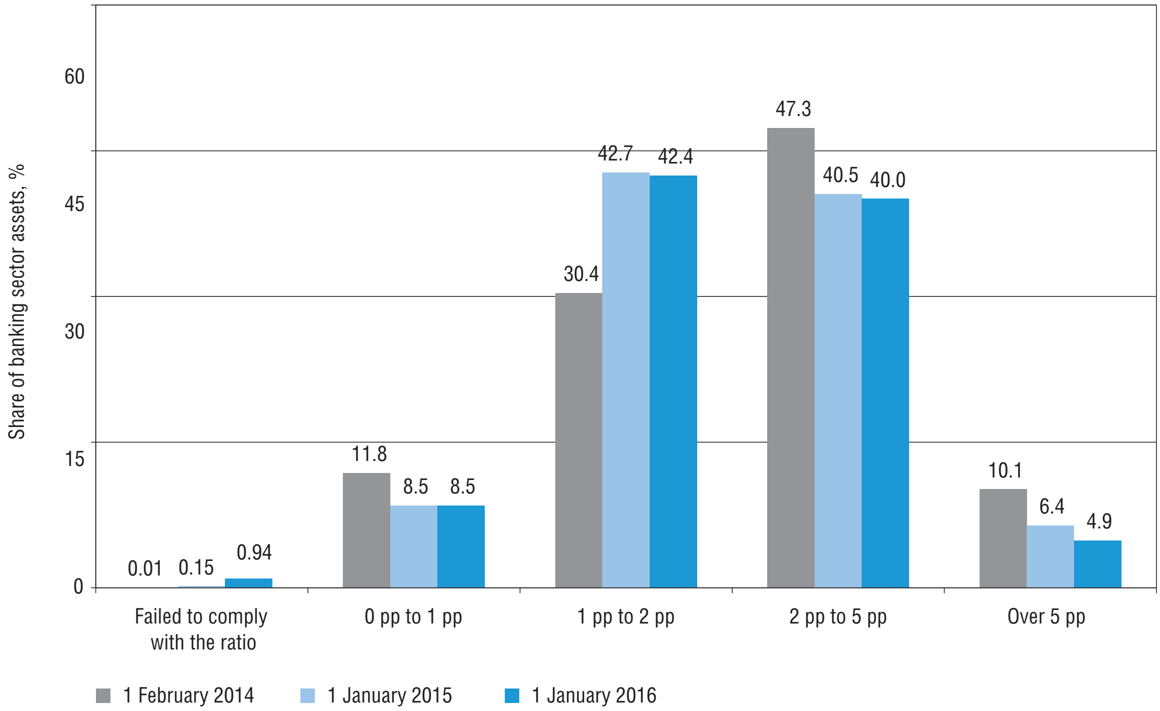
Furthermore, the sector's capital adequacy ratio was backed up by the increase in the authorised capital through additional capitalisation of banks through the DIA.

The decline in Tier I capital adequacy (N1.2) is associated with the same factors as the decline in N1.1. The growth of subordinated loans accounted for in additional Tier I capital provided additional support for Tier I capital adequacy.

The capital adequacy ratio N1.0 went up owing to an increase in capital following the additional capitalisation through the DIA (both authorised capital and subordinated debt), and as a result of mitigating risk on unsecured household loans issued at elevated rates and credit contingencies.

The breakdown of banks by minimum capital adequacy reserve (calculated in percentage points as the lowest reserve for N1.1, N1.2, and N1.0) shows that most credit institutions have a reserve of over 5 pp. However, the situation is quite different with the share in banking sector assets: banks with a reserve of 1 pp to 5 pp account for over 80% of assets in the sector. The breakdown of capital reserve by banks in 2015 did not undergo considerable changes compared to 2014.

Figure 2.22. Banks* by the minimum excess of one capital adequacy ratio over the permissible value (by share of the banking sector total assets)



** Excluding non-bank institutions (NBI) (while the sector's share in assets is calculated inclusive of NBI) and banks with negative capital (as of 1 January 2016, 20 banks had negative capital).*

II.5. Bank management quality

During 2015, the management quality in credit institutions was assessed in accordance with Bank of Russia Ordinance No. 2005-U, dated 30 April 2008, 'On Assessing the Banks' Economic Situation', in terms of the risk management system (PU4), internal controls (PU5), strategic risk management (PU6), and employee compensation risk management (PU7).

Figures 2.23–2.24 show that the quality of risk management and internal controls in 2015 generally remained satisfactory within the banking sector.

Strategic risk management in most banks was also assessed as satisfactory (Figure 2.25), although there were a considerable number of banks with a higher rate (over 40%).

As of the end of 2015, positive changes were observed in the employee compensation risk management (Figure 2.26). The share of credit institutions where the quality of employee compensation risk management was assessed as doubtful shrank considerably as Bank of Russia Instruction No. 154-I, dated 17 June 2014, 'On the Procedure for Assessing Credit Institution Remuneration System and Issuing Orders to the Credit Institution to Correct Deficiencies in the Remuneration System' became effective on 1 January 2015. In the course of implementing this Instruction in 2015, banks paid special attention to the organisation and functioning of remuneration systems. In particular, they implemented the provisions related to the deferral of remuneration and its possible adjustment to the bank performance.

The remuneration system assessment in Russian credit institutions performed by the Bank of Russia as of 1 October 2015 in the major banks, including systemically important credit institutions, showed an adequate level of compensation organisation and functioning, as well as a generally acceptable level of corporate governance quality.

Figure 2.23. Credit institutions by result of risk management system assessment (PU4)

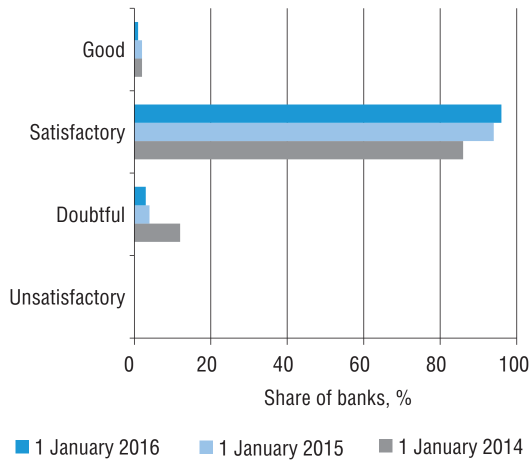


Figure 2.24. Credit institutions by result of internal control system assessment (PU5)

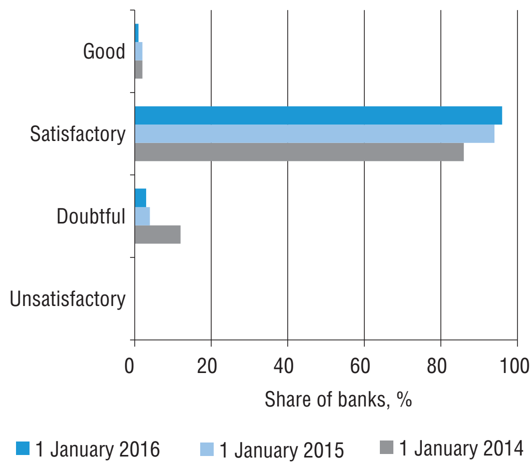


Figure 2.25. Credit institutions by result of strategic risk management assessment (PU6)

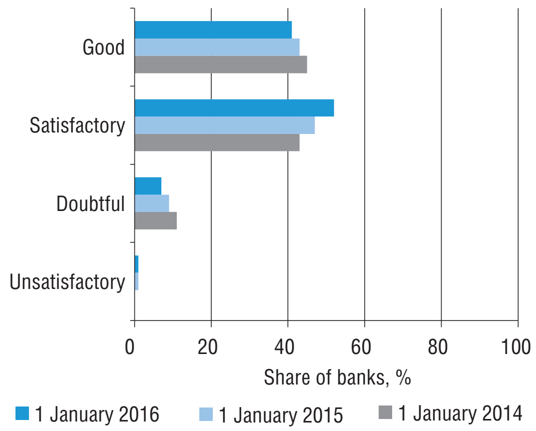
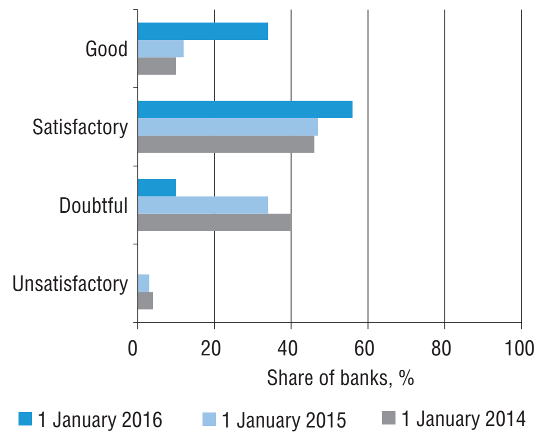


Figure 2.26. Credit institutions by result of employee compensation risk management assessment (PU7)



II.6. Banking sector stress testing

In 2015, the Bank of Russia continued assessing banking sector stability through stress tests. The use of this instrument helps evaluate changes in the banking risk structure, identify credit institutions most exposed to particular risks, and estimate the potentially necessary additional capitalisation.

Macromodel-based stress testing

The Bank of Russia applies key stress-testing methods developed in the international banking practices: sensitivity analysis and scenario analysis. The simultaneous use of both methods ensures the comprehensive analysis of potential risks for both individual credit institutions and the banking sector as a whole.

Methodology comments

When conducting stress testing based on the scenario analysis method the Bank of Russia uses a macroeconomic model, which is a system of regression equations describing the impact of the macroeconomic environment (macro-parameters), including such indicators as GDP, ruble exchange rate against foreign currencies, inflation, real disposable income of households and fixed capital investments, on the banking sector indicators (corporate account balances, household and corporate deposits, cost (revaluation) of securities, loans to households and corporates, movements in the share of 'bad' loans in total loans).

Given the impact of macro-factors on key banking indicators for each credit institution during the projected period (quarterly), calculations are based on a simulated balance model that reflects a possible behaviour of a bank during the assumed stress conditions and assesses its financial performance. The income generated over the forecast period partially offsets potential losses. The result of the simulation is an estimate of the credit institution's total loss due to all types of risks under stress, as well as possible capital and liquidity deficit. Capital deficit shall mean the amount of funds credit institutions may need to comply with all three capital adequacy ratios; liquidity deficit shall mean the amount of unsecured customer fund outflows.

To assess the systemic stability of the banking sector, the Bank of Russia performed a macromodel-based stress test as of 1 January 2016. The assessment of all operating banks was based on a macro-scenario with parameters determined by the estimates of the possible impact of deterioration in the global economic environment on the Russian economy. The scenario assumes an oil price fall to $25 per barrel and a 2.4% GDP drop. These events are accompanied with a growth in interest rates in Russian financial markets and a decline in stock indices. For key scenario parameters see Table 2.11.

Credit institutions' loss assessment was based on the four major risks: credit, market, liquidity, and interest rate risk on the banking book.

The conservative assessment of credit risk called for creation of additional loss provisions for a portfolio of renewed loans based on an estimate provision of 100% of the portfolio value and a 50% depreciation of collateral.

Table 2.11. Change in scenario options on one-year horizon (from 1 January 2016 to 1 January 2017)

Indicator	Stress scenario	Memo item: actual 2015 data
Oil price, $ per barrel	25	52
GDP growth rate, %	–2.4	–3.7
CPI, %	7.2	12.9
Growth of fixed capital investment, %	–9.4	–8.4
Average USD/RUB exchange rate	82	61

The stress test was calculated with due regard to the additional capitalisation of banks via the DIA performed in 2015. Its calculation also considered the obligation of banks that underwent additional capitalisation to ensure a minimum 1% monthly increase in loans extended to priority sectors during the period under consideration. The stress test also took into account additional provisioning on the Ukrainian assets of some major banks.

The analysed stress scenario assumed not only an outflow of customer funds from the system but also a redistribution of resources among banks in accordance with the following scheme (Table 2.12).

Under the stress scenario, the macromodel calculation results in a 9.6% growth of household deposits over the year in nominal terms, and a 6.3% growth in real terms.

In accordance with stress test outcomes, most losses (71%) are associated with credit risk (additional loan provisioning). The average share of 'bad' loans in the loan[1] portfolio on one-year horizon may grow from 10.0% to 17.8%. Losses from additional provisions for renewed loans account for 11.8% of total losses.

Losses from market risk materialisation are second in significance (about 15%) with interest rate risk accounting for the bulk of these losses (about 60%); stock market risk – for about 30%; and currency risk – for about 10%.

Balance sheet losses from realisation of interest rate risk account for about 12% of total losses.

Figure 2.27 shows loss distribution. Given the income banks received in stress environment, if the scenario under consideration materialises, the banking sector might come up with a ₽0.3 trillion loss.

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

Table 2.12. Resource flow among banks in crisis environment

Bank group	Household deposits	Deposits and other borrowed funds of legal entities (other than credit institutions)	Corporate funds in settlement and other accounts	Resources of domestic interbank market	Resources of foreign interbank market
State-controlled banks	⇧	⇧	⇧	⇧	⇩
Foreign-controlled banks	⇩	=	=	⇧	⇧
Large private banks	⇩	⇩	⇧	⇧	⇩
Small and medium-sized banks based in Moscow and the Moscow Region	⇩	⇩	=	=	⇩
Regional banks	=	⇩	⇧	⇩	⇩

As many as 63 banks may face a ₽0.2 trillion capital deficit following the violation of at least one of the three capital adequacy ratios[1]. As of 1 January 2016, these banks accounted for 19.2% of banking sector assets.

According to the stress test, 12 banks (1.1% of banking sector assets) may face a ₽0.2 trillion liquidity deficit.

According to the stress test results, the values of capital adequacy ratios within the banking sector may fall (common equity adequacy from 8.2% to 6.3%, Tier I capital adequacy from 8.5% to 6.8%, aggregate capital from 12.7% to 10.7%), yet will remain above the regulatory minimum.

Thereby, the banking sector retains a considerable capital buffer; keeping in mind the measures of state support, the banking sector can withstand serious shocks in the event of aggravated crisis phenomena.

The stress test also assesses the contagion risk in the interbank market (the domino effect).

Figure 2.27. Bank losses by risk type, %

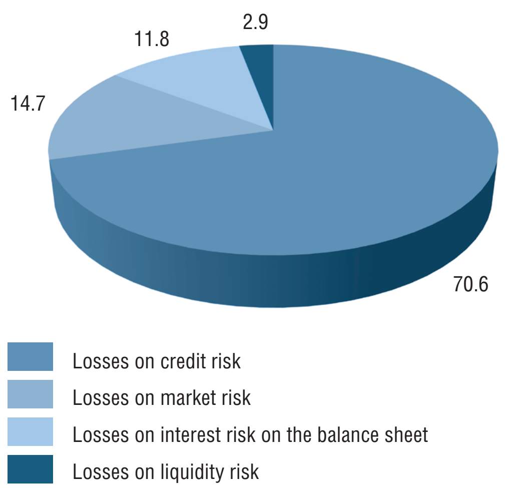
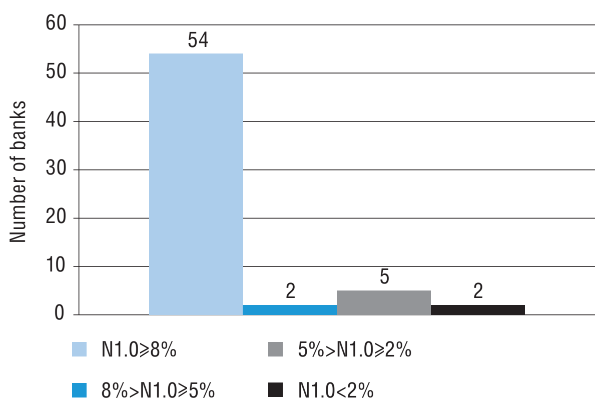


Figure 2.28. Banks that violate at least one of the capital adequacy ratios, by the N1.0 value



Analysis algorithm for the domino effect in the interbank market

The algorithm for modelling possible losses following the domino effect is as follows: the calculation of the balance model identifies a list of the so-called problem banks – potentially bankrupt banks (where the common equity adequacy ratio N1.1 may fall below zero) and banks in a state of technical default (experiencing liquidity

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

deficit). Then their lenders are identified; losses of these banks are registered by their exposure to the problem banks, and the same amount is deducted from their capital. Besides, the inflow/repayment of liquid funds is reduced by this amount in the current iteration.

After establishing losses and adjusting net liquidity flows, the capital adequacy ratio of lender banks and their ability to withstand the outflow of customer funds (based on the calculations of macroeconomic and balance models) are tested. Banks with negative common equity and banks experiencing technical default are also included in the list of problem banks that trigger a further contagion. The calculation continues until no additional problem bank is identified.

The algorithm assumes that to cover the outflow of funds (repay customer deposits), banks use their assets primarily as collateral for refinancing provided by the Bank of Russia. In case the bank has no assets eligible as collateral to borrow from the Bank of Russia, the credit institution sells securities at a discounts defined by the macromodel.

The model is calculated quarterly throughout the entire stress period.

In the event of the domino effect, a ₽0.2 trillion capital deficit may occur in 129 banks (accounting for 11.6% of banking sector assets). As many as 114 banks (11.5% of assets) may face a ₽0.4 trillion liquidity deficit.

Analysis of Russian bank sensitivity to liquidity risk

The liquidity risk assessment using stress-testing techniques based on the sensitivity analysis remained relevant in 2015. This analysis allows assessing banks' response to a shock set by experts (in the Bank of Russia's stress testing practice it is usually higher than the one underlying the macromodel[1]). Besides, the sensitivity analysis assesses possible losses without consideration of mitigating factors (in this particular case, without access to Bank of Russia refinancing or to the interbank market), which provides a more conservative estimate of various risks.

Stress-test method based on sensitivity analysis

The sensitivity analysis assesses the possible outflow of customer funds that can be triggered by growing instability during a crisis. Assumptions concerning the monthly outflows of customer/lender funds are based on actual outflows registered during the peak of the 2008 financial recession. The outflow level (%) determined this way is applied to each bank's balance sheet.

Outflows ranging from 10% to 30% are differentiated by types of funds (household deposits, corporate deposits, settlement accounts, and interbank loans from non-residents). The outflows are covered by available monetary funds and funds received from the sale of liquid assets with pre-set discounts varying from 5% to 30% (the discount depends on asset liquidity). Liquid assets used to cover the outflow include LAM, LAT[2], and securities outside the aforementioned groups of liquid assets. Losses sustained by banks due to liquidity risk are calculated as a sum of discounts in case of an asset fire-sale.

If liquid assets are not sufficient to cover outflows, the bank is considered to be in technical default, and the amount of uncovered outflow represents the liquidity deficit.

Following the analysis of liquidity risk sensitivity as of 1 January 2016, the realisation of a shock could bring about a ₽55 billion liquidity deficit in 36 banks. These banks accounted for 1.7% of the total assets of the banking sector. The influence of banks with liquidity deficit on the systemic stability of the banking sector as of 1 January 2016 is estimated to be insignificant.

[1] In this case, shocks assumed by experts were based on actual data from the 2008–2009 recession.

[2] LAM means highly liquid assets, i.e. financial assets to be received during the next calendar day and (or) immediately claimed by the bank and (or), if necessary, sold by the bank to immediately receive monetary funds. LAT means liquid assets, i.e., financial assets to be received by the bank and (or) claimed within the next 30 calendar days and (or), if necessary, sold by the bank within the next 30 calendar days to receive money within this period. These indicators are calculated in accordance with Bank of Russia Instruction No. 139-I, dated 3 December 2012, 'On Banks' Required Ratios'.

For comparison: according to the stress test results, as of the beginning of 2015 there were 56 banks with liquidity deficit amounting to ₽51 billion, and these banks accounted for 1.8% of banking sector assets.

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

Stress testing under the Russian Financial Sector Assessment Programme implemented by the IMF and the World Bank

In early 2016, the Bank of Russia took part in the Russian Financial Sector Assessment Programme carried out by the IMF and the World Bank. A stress-testing module was an important component of this programme under which the Bank of Russia performed a top-down stress test based on several scenarios agreed upon with the IMF (the Bank of Russia's calculations were based on banking statements as of 1 January 2016). Meanwhile, stress testing under this exercise was calculated on a five-year horizon (traditional stress testing performed by the Bank of Russia considers only a one-year horizon).

In addition, the bottom-up stress test was performed where calculations under the same scenarios were made by major Russian banks with the following result aggregation by the Bank of Russia.

Calculations made by the Bank of Russia by bank groups based on a number of indicators, which characterise banking activity during the stress period, were assessed by IMF experts who also calculated the stress test under similar scenarios using their own methodology.

Many years of efforts to adjust the stress testing methodology to the best international practice resulted in a successful completion of the IMF stress test quality assessment. FSAP outcomes revealed considerable progress in the Bank of Russia's stress testing methodology, which was highly appreciated by the experts of international organisations. The outcomes of stress tests performed by the Bank of Russia and the IMF for a five-year horizon were very close regarding the amount of losses and capital deficit.

III. BANKING REGULATION AND SUPERVISION IN RUSSIA

III.1. Updating legal and regulatory framework for bank activities in line with international standards

III.1.1. Updating legal framework for credit institutions

Federal laws drafted with the involvement of the Bank of Russia and adopted in 2015 are as follows:

1. Federal Law No. 98-FZ, dated 20 April 2015, 'On Amending Certain Laws of the Russian Federation' that introduced amendments to Federal Law No. 451-FZ, dated 29 December 2014, 'On Amending Article 11 of the Federal Law 'On the Insurance of Household Deposits with Russian Banks' and Article 46 of the Federal Law 'On the Central Bank of the Russian Federation (Bank of Russia)', which provided for the possibility to pay for preference shares and subordinated instruments of banks with federal loan bonds (OFZ) contributed by the Russian Federation to the DIA as property contribution.

2. Federal Law No. 159-FZ, dated 29 June 2015, 'On Amending the Federal Law 'On the State Defence Order' and Certain Laws of the Russian Federation' that supplements the procedure for banking support of the respective transactions by authorised banks. The Bank of Russia contributes to the regulatory support of the aforementioned procedure. In particular, it shall establish the specifics of settlement monitoring under state defence orders on the government's proposal.

3. Federal Law No. 372-FZ, dated 14 December 2015, 'On Amending Articles 16 and 18 of the Federal Law 'On Banks and Banking Activity', which established on the legislative level a 50% quota for foreign interest in the cumulative authorised capital of credit institutions holding a banking licence (hereinafter referred to as the 'licence') and the Bank of Russia's responsibility to disclose the amount of such participation as of 1 January of each year by publishing it in the Bank of Russia Bulletin, the Bank of Russia's official publication, and on the Bank of Russia website.

4. Federal Law No. 403-FZ, dated 29 December 2015, 'On Amending Certain Laws of the Russian Federation', which provides for establishing uniform requirements for all non-bank credit institutions (other than central counterparties) for the minimum authorised capital of newly established institutions and for the capital of operating non-bank credit institutions (other than central counterparties) in the amount of ₽90 million.

The minimum authorised capital and the minimum capital of central counterparties are set at ₽300 million.

On 1 October 2015, amendments to the Federal Law 'On Insolvency (Bankruptcy)' became effective, which defined the procedure for the financial resolution of citizen insolvency through debt restructuring or writing off bad debt (bankruptcy) taking into account borrowers' and lenders' interests. The procedure may be initiated by a citizen or by a lender. The claim is accepted from the lender if the condition of the citizen's liability (over ₽500,000) and its delay (by more than three months) is met.

III.1.2. State registration of credit institutions and banking licensing

In 2015, the Bank of Russia continued to improve its regulatory framework for the state registration of credit institutions and bank licensing.

1. It established the procedure for disclosure by the credit institution on its official website of information about the qualifications and work experience of members of the board of directors (supervisory board) as well as persons holding the offices of a sole executive body, its deputies, members of the collective executive body, chief accountant, deputy chief accountant of the credit institution, and the head and the chief accountant of the credit institution branch (Bank of Russia Ordinance No. 3639-U, dated 19 May 2015).

2. The Bank of Russia envisages rerouting opportunity for the signal from navigation monitoring systems

to the bank's in-house cash collection facilities using the technical equipment in mobile banking vehicles; in the event of an emergency, the signal is to be retransmitted to security companies (Bank of Russia Ordinance No. 3679-U, dated 15 June 2015).

3. The Bank of Russia updated its procedures (including the procedure for state registration of amendments to the charter of the credit institution) related to an increase in the authorised capital of the credit institution in the following cases:

– exchange (conversion) of creditors' claims on subordinated loans (deposits, loans, bonds), including claims on unpaid interest on such loans (deposits, loans, bonds), and claims on financial sanctions for default on subordinated loans (deposits, loans, bonds), for ordinary shares (stakes) of a credit institution;

– acquisition by the DIA of shares (stakes) of a credit institution including preference shares of a bank member of the deposit insurance system by way of their payment with federal loan bonds pursuant to regulations of the Government of the Russian Federation (Bank of Russia Ordinance No. 3647-U, dated 24 May 2015).

4. The Bank of Russia obliged all member-banks of the deposit insurance system to publish information on the persons exercising control or material influence on the bank on the Bank of Russia website (Bank of Russia Ordinance No. 3542-U, dated 23 January 2015).

5. The Bank of Russia amended the list of transactions requiring preliminary approval from the Bank of Russia for the acquisition of over 10% of shares (stakes) of a credit institution. This list was supplemented with the provision on the necessity to obtain the Bank of Russia's permission to acquire property rights for shares (stakes) of a credit institution by gift (Bank of Russia Ordinance No. 3847-U, dated 11 November 2015).

III.1.3. Credit institution regulation

III.1.3.1. BANKING REGULATION

In 2015, the Bank of Russia continued to introduce internationally recognised approaches to banking regulation, including recommendations of the Basel Committee on Banking Supervision, and to refine approaches to banking regulation.

The following measures were taken to implement the said approaches:

– requirements for the calculation of capital adequacy ratios of credit institutions were updated, i.e. risk ratios and collateral requirements were revised, and capital adequacy markups were established. The minimum requirements to the common equity adequacy ratio (N1.1) were revised down from 5.0% to 4.5%, and to the capital adequacy ratio (N1.0), from 10.0% to 8.0%; decreased risk ratios were introduced for credit exposures of small businesses (75%) and residential mortgage loans (35%) (Bank of Russia Ordinance No. 3855-U, dated 30 November 2015);

– in the course of a gradual transition from the standard to the advanced approach to risk assessment, the Bank of Russia defined the procedure for the application of internal rating-based (IRB) approach to credit risk calculation. Starting 2016, banks with assets exceeding ₽500 billion are entitled to apply IRB approach pursuant to the Bank of Russia's permission (Bank of Russia Regulation No. 483-P, dated 6 August 2015);

– requirements were established for the risk and capital management systems of credit institutions, compliance with which shall allow credit institutions to perform a comprehensive assessment of material and potential risks and to ensure capital adequacy to cover such risks on a permanent basis (Bank of Russia Ordinance No. 3624-U, dated 15 April 2015);

– the Bank of Russia updated the procedure for calculating the liquidity coverage ratio and established liquidity risk management principles for systemically important credit institutions starting 1 January 2016 along with a requirement for the minimum liquidity coverage ratio (LCR) of systemically important credit institutions at the level of 70% with a further annual increase by 10 pp until it reaches 100% starting 1 January 2019 (Bank of Russia Ordinance No. 3872-U, dated 1 December 2015; Bank of Russia Regulation No. 510-P, dated 3 December 2015);

– as part of market risk regulation the Bank of Russia established an individual approach to the assessment of a special interest rate risk under securitisation and re-securitisation, introduced a requirement to the interest rate risk calculation for credit derivatives, established a requirement for commodity risk coverage with capital, and amended the classification of securities for calculation of special and general interest rate risk (Bank of Russia Regulation No. 511-P, dated 3 December 2015);

– the Bank of Russia established standard forms of information disclosure on the capital structure and LCR calculation. In addition, the Bank of Russia established a requirement for additional information disclosure by credit institutions using IRB approach in credit risk assessment (Bank of Russia Ordinances No. 3602-U, dated 19 March 2015; No. 3876-U, 3879-U, dated 3 December 2015);

– starting 2016, the Bank of Russia has introduced a new procedure for information disclosure by bank holding companies, which allows obtaining additional information on their activity to be used in banking regulation and supervision (Bank of Russia Regulation No. 462-P, dated 11 March 2015; Bank of Russia Ordinances Nos. 3783-U, 3780-U, 3777-U, 3781-U, dated 9 September 2015);

– the Bank of Russia updated its approaches to the calculation of capital and required ratios on a consolidated basis (Bank of Russia Regulation No. 509-P, dated 3 December 2015);

– the Bank of Russia obliged credit institutions, which do not form a banking group, to draft their statements in compliance with the International Financial Reporting Standards (Bank of Russia Ordinance No. 3580-U, dated 2 March 2015).

Along with the development of the regulatory framework for financial rehabilitation of credit institutions, the Bank of Russia developed a methodology for verifying the accuracy of provision calculations and creation of provisions for loans classified on a portfolio basis in order to determine if assets of rehabilitated banks are adequate to settle their liabilities (Bank of Russia Ordinance No. 3707-U, dated 30 June 2015).

Starting 1 July 2015 (upon the expiry of the moratorium introduced by the Bank of Russia for 2015 H1), a legislative restriction on the effective interest rate on consumer loans (EIR) has been applied. At the moment consumer loan agreements are concluded, the EIR cannot exceed more than one-third of the average market value of EIR calculated by the Bank of Russia for this category of consumer loans in the respective calendar quarter. This mechanism promotes a decline in the interest rate on household loans.

The Bank of Russia took measures to protect banks from the excessive impact of negative external factors, such as high volatility in the FX market, restricted access to the international capital market, etc. by granting benefits to banks for quality assessment of restructured debt and financial position of the borrower in case of a delay caused by the effect of international sanctions, as well as the capability to use a special foreign exchange rate in the calculation of required ratios.

In addition, the Bank of Russia took other steps associated with a material change in the Russian banking environment, in particular, the risk ratio on FX household loans issued after 1 August 2015 was increased to 300%.

Article 189[47] of Federal Law No 127-FZ, dated 26 October 2002, 'On Insolvency (Bankruptcy)' (hereinafter referred to as 'Federal Law No. 127-FZ') established the procedure and methodology for the analysis of the financial position of member-banks of the system of insurance of household deposits with Russian banks in order to decide on the expediency of the DIA's participation in bankruptcy prevention measures or bank's liability settling (Bank of Russia Ordinance No. 3691-U, dated 24 June 2015) and defined the specifics of the issuance of shares of a credit institution in accordance with the plan approved by the Bank of Russia for DIA participation in credit institution bankruptcy prevention measures (Bank of Russia Ordinance No. 3681-U, dated 16 January 2015).

In addition, it established the procedure for the Bank of Russia's decision-making on decreasing banks' authorised capital to the amount of its capital or to one ruble (Bank of Russia Ordinance No. 3711-U, dated 5 July 2015).

In 2015, the Bank of Russia improved provisions of Bank of Russia Instruction No. 148-I, dated 27 December 2013, 'On the Procedure for Issuing Credit Institution Securities in the Russian Federation' following the amendments to the Civil Code of the Russian Federation as regards the identification of statuses of a joint-stock company, the introduction of the issuance specifics of preference shares of credit institutions that are placed under Federal Law No. 173-FZ, dated 13 October 2008, 'On Additional Measures to Support the Financial System of the Russian Federation', as well as the issuance of preference shares and bonds of a credit institution that are paid for by the DIA under Federal Law No. 177-FZ, dated 23 December 2003, 'On the Insurance of Household Deposits with Russian Banks' with federal loan bonds, as well as due to the necessity to establish under Federal Law No. 432-FZ, dated 22 December 2014, 'On Amending Certain Laws of the Russian Federation and Recognising Invalid Certain Laws (or Law Provisions) of the Russian Federation' the procedure for the registration of issues of ordinary shares placed by credit institutions through the exchange of claims of its creditors on subordinated loans (deposits, loans, bonds), including outstanding interest on such loans (deposits, loans, bonds), and financial sanctions for default on subordinated loans (deposits, loans, bonds) and issues of bonds of credit institutions paid for with federal loan bonds (Bank of Russia Ordinances Nos. 3563-U, dated 8 February 2015; No. 3635-U, dated 18 May 2015).

Following the adoption of Federal Law No. 432-FZ, amendments were introduced, among other things, to Article 27 of Federal Law No. 177-FZ, dated 23 December 2003, 'On the Insurance of Household Deposits with Russian Banks' (hereinafter referred to as 'Federal Law No. 177-FZ').

Bank of Russia Ordinance No. 3712-U, dated 5 July 2015, established the procedure and timeframe for the Bank of Russia to send information to the DIA on compliance by the deposit insurance system member-banks with the criteria of paying an additional and increased additional insurance fee rate as well as the form for sending such data to the DIA.

On 1 October 2015, the provision of Federal Law No. 154-FZ, dated 29 June 2015, 'On the Regulation of Specifics of Insolvency (Bankruptcy) in the Republic of Crimea and the Federal City of Sevastopol and on Amending Certain Laws of the Russian Federation' on the assignment of right for the receiver appointed in case of insolvency (bankruptcy) of an individual credit history maker (hereinafter referred to as the 'receiver') to receive in the Central Catalogue of Credit Histories (CCCH), in accordance with the procedure established by the Bank of Russia, information on the credit history bureaus (CHB) where the credit records of the credit history maker are archived and to receive credit reports of such a maker in the CHB.

In relation to the aforementioned regulation, the Bank of Russia established a procedure for the receiver to inquire the CCCH for information regarding the CHB, which archives the credit records of the credit history maker, and for receiving the information from the CCCH by contacting the CHB, credit institutions, microfinance organisations, and credit cooperatives via email (Bank of Russia Ordinance No. 3892-U, dated 11 December 2015; Bank of Russia Ordinance No. 3893-U, dated 11 December 2015).

In addition, it established the procedure for keeping the state register of the CHB and the requirements for the financial position and business reputation of CHB participants (Bank of Russia Regulation No. 452-P, dated 28 December 2014) and the procedure for CHB inspections (control and audit activities) by the Bank of Russia (Bank of Russia Instruction No. 158-I, dated 6 November 2014).

III.1.3.2. ON-SITE INSPECTION OF CREDIT INSTITUTIONS

In 2015, the Bank of Russia continued to improve the regulatory and methodological framework of its inspection activities.

To improve the procedure for organising and conducting inspections of credit institutions (their branches), the Bank of Russia issued Ordinance No. 3715-U, dated 7 July 2015, 'On Amending Bank of Russia Instruction No. 147-I, Dated 5 December 2013, 'On the Procedure for Inspecting Credit Institutions (Their Branches) by Authorised Representatives of the Central Bank of the Russian Federation (Bank of Russia)' and Ordinance No. 3900-U, dated 16 December 2015, 'On Amending Bank of Russia Instruction No. 149-I, Dated 25 February 2014, 'On Organising Inspections by the Central Bank of the Russian Federation (Bank of Russia)' that provide for updates[1] associated with changes in the Russian legislation and Bank of Russia regulations as well as changes in the organisational structure of the Bank of Russia, including the establishment of main branches of the Bank of Russia and their divisions, as well as divisions-national banks.

Pursuant to Article 73 of Federal Law No. 86-FZ, dated 10 July 2002, 'On the Central Bank of the Russian Federation (Bank of Russia)', the Bank of Russia issued Order No. OD-1246, dated 3 June 2015, 'On Organising and Conducting Selection of Audit Firms to Conduct Inspections of Credit Institutions (Their Branches) at the Instruction of the Bank of Russia Board of Directors', based on Clause 1.1 of Bank of Russia Regulation No. 442-P, dated 30 November 2014, 'On the Procedure for Selecting Audit Organisations to Conduct Inspections of Credit

[1] Federal Laws No. 40-FZ, dated 25 February 1999, 'On the Insolvency (Bankruptcy) of Credit Institutions' and No. 175-FZ, dated 27 October 2008, 'On Additional Measures to Strengthen the Stability of the Banking System until 31 December 2014' became null and void, and the provisions of these laws were carried over to Federal Law No. 127-FZ, dated 26 October 2002, 'On Insolvency (Bankruptcy)'. Federal Law No. 218-FZ, dated 21 July 2014, 'On Amending Certain Laws of the Russian Federation' has become effective.

Institutions (Their Branches) at the Instruction of the Bank of Russia Board of Directors'.

To improve the efficiency and effectiveness of inspections of credit institutions (their branches), the Bank of Russia issued Orders No. OD-2032, dated 7 August 2015, 'On Determining the Specifics for Considering Outcomes of Inspections of Systemically Important Credit Institutions (Their Branches)' and No. OD-2033, dated 7 August 2015, 'On Determining the Specifics for Considering Outcomes of Inspections of Credit Institutions (Their Branches)' which established the procedure for interaction between the structural divisions of the Bank of Russia in the event of material discrepancies in the assessment following inspection outcomes, which may create grounds for revocation of banking licence from a credit institution or grounds for bankruptcy prevention measures.

The year 2015 saw the following publications aimed at methodological support for inspection activity:

– the Bank of Russia's methodical guidelines No. 1-MR, dated 6 February 2015, on the specifics of using video surveillance records during inspections of credit institutions (their branches) and in the formation of work group findings, that clarify the specifics of using video materials requested as per Subclause 2.5.3 of Clause 2.5 of Bank of Russia Instruction No. 147-I, dated 5 December 2013, 'On the Procedure for Inspecting Credit Institutions (Their Branches) by Authorised Representatives of the Central Bank of the Russian Federation (Bank of Russia)' and on reflecting the findings of the work group in the inspection materials that are supported by video surveillance system records;

– the Bank of Russia's methodological recommendations No. 26-MR, dated 14 September 2015, on verification of accuracy of credit risk calculation by credit institutions, which have been prepared to adjust the approaches towards such verification to the Russian legislation (among other things, following the amendments to Bank of Russia regulations) and are aimed at improving the efficiency of inspections of credit institutions held in the course of inspections of securities and financial derivatives trading, the assessment of credit institutions' compliance with the values (limits) of open currency positions, and the assessment of the market risk management system and internal controls system quality in the credit institution.

III.1.4. Methodology of on-going supervision

In its efforts to enhance the efficiency of banking supervision in 2015, the Bank of Russia improved its approaches towards the assessment of the economic situation of banks in accordance with Bank of Russia Ordinance No. 2005-U, dated 30 April 2008, 'On Assessing Banks' Economic Situation'.

The list of criteria underlying the assessment of banks' economic situation has been supplemented as follows:

– new grounds for assigning the bank to the third classification group related to the existence of an effective sanction against the bank in the form of a restricted interest rate the Bank of Russia may apply under Article 74 of Federal Law No. 86-FZ. In addition, the Bank of Russia revised the round-up result calculation for a group of capital assessment indicators related to the exclusion of capital quality assessment indicator (PKZ) from this group (Bank of Russia Ordinance No. 3585-U, dated 11 March 2015);

– concentration risk indicator and interest rate risk indicator. The Bank of Russia established the procedure for measuring and scoring the said indicators, and updated the marginal scores of the bank capital adequacy ratio following the decision to establish the minimum numerical value of N1.0 at 8.0% starting 1 January 2016 of (Bank of Russia Ordinance No. 3873-U, dated 2 December 2015).

The interest rate risk indicator will be assessed starting 1 July 2016; the concentration risk indicator for banks holding at least ₽500 billion assets, starting 1 July 2016; and for other banks, starting 1 July 2017.

The Bank of Russia raised the value of the employee compensation risk management indicator (PU7) during the assessment of bank management quality (if PU7 is rated as 'unsatisfactory', the quality management cannot be rated better than 'doubtful') (Bank of Russia Ordinance No. 3603-U, dated 19 March 2015).

The Bank of Russia also revised the composition of capital adequacy and capital quality ratios that were included in the group of capital indicators, as well as the procedure for their calculation in accordance with the amendments introduced by Bank of Russia Ordinance No. 3585-U, dated 11 March 2015.

In 2015, the Bank of Russia completed the introduction of the mechanism of differentiated contributions to the deposit insurance fund. Currently, banks that offer deposit rates that are overstated against the reference level of deposit profitability (Bank of Russia Ordinance No. 3607-U, dated 23 March 2015) shall pay an additional and (or) increased additional rate along with the reference rate of contributions.

Moreover, starting 1 January 2016 the amount of deductions to the deposit insurance fund depends not only on deposit rates but also on the financial position of banks since an unstable financial position, low quality of assets, and poor risk management incur higher risks for depositors. The first assessment of banks' financial position for the purpose of paying an increased additional rate will be performed as of 1 April 2016 (Bank of Russia Ordinance No. 3801-U, dated 17 September 2015).

The Bank of Russia determined the methodology for the supervisory assessment of capital adequacy of credit institutions and banking groups with regard to material and potentially material risks as well as the quality of the internal capital adequacy assessment process (ICAAP) of the credit institution (group) (Bank of Russia Ordinance No. 3883-U, dated 7 December 2015).

The first assessment of the ICAAP quality and capital adequacy of credit institutions with assets exceeding ₽500 billion is to be performed in 2017 based on the results of 2016.

The Bank of Russia may decide on establishing individual marginal capital adequacy ratios for the credit institution (banking group) based on the results of bank (group) capital adequacy assessment.

III.2. State registration of credit institutions and banking licensing

In 2015, the number of operating licensed credit institutions dropped by 101, or 12.1%, compared to 2014 and stood at 733 as of 1 January 2016.

In the reporting year:

– two new non-bank credit institutions were registered compared to seven credit institutions in 2014 (including four banks, two of which are banks with participation of non-residents, and three non-bank credit institutions);

– eight banks discontinued their operations due to reorganisation through merger (compared to seven credit institutions, including one non-bank credit institution, in 2014);

– four banks changed their form of incorporation, of which one bank was transformed from a limited liability company into a joint-stock company, and three banks were transformed from closed joint-stock companies into limited liability companies (in 2014, two banks changed their form of incorporation);

– five credit institutions changed their bank status for that of a non-bank credit institution due to a failure to comply with minimum capital requirements, established by Article 11.2 of Federal Law No. 395-1, dated 2 December 1990, 'On Banks and Banking Activity' (hereinafter referred to as 'Federal Law No. 395-1') (compared to one bank in 2014).

In 2015, three credit institutions, or 0.4% of the total credit institutions (in 2014, 10 credit institutions) expanded their operations by obtaining new licences.

In 2015, 354 credit institutions had their licences replaced due to name changes in accordance with Federal Law No. 99-FZ, dated 5 May 2014, 'On Amending Chapter 4 of Part One of the Civil Code of the Russian Federation, and on Recognising Certain Provisions of Laws of the Russian Federation Invalid' (in 2014, 75 credit institutions had their licences replaced).

As of 1 January 2016, the Bank of Russia accredited 67 representative offices of foreign credit institutions (compared to 73 representative offices accredited as of 1 January 2015). In 2015, the Bank of Russia accredited one representative office of a foreign credit institution, extended the validity of accreditation of 17 representative offices of foreign credit institutions (compared to 20 in 2014), and cancelled the accreditation of seven representative offices of foreign credit institutions in the Russian Federation (compared to 11 representative offices in 2014).

The total investments of non-residents in the aggregate paid-in authorised capital of operating credit institutions increased from ₽405.6 billion to ₽408.5 billion in 2015. The non-resident shareholding in the Russian banking system declined from 21.68% as of 1 January 2015 to 16.9% as of 1 January 2016 (in 2014, it fell from 26.42% to 21.68%). The number of operating credit institutions with non-resident interest reduced from 225 to 199 (in 2014 it fell from 251 to

225). The number of operating credit institutions with more than 50% non-resident interest dropped from 113 to 106 (in 2014, from 122 to 113), while foreign investments in the authorised capital of these credit institutions rose by ₽5.9 billion (in 2014, by ₽5.5 billion).

Foreign interest in the aggregate authorised capital of operating credit institutions first calculated by the Bank of Russia (in compliance with WTO requirements) as of 1 January 2016, as described in Article 18 of Federal Law No. 395-1, accounted for 13.44%.

In 2015, the Bank of Russia registered 146 issues of securities of credit institutions. The par value of the issues of shares totalled ₽675.7 billion for 125 issues[1] (in 2014, the value of 162 issues totalled ₽603.4 billion), the par value of bond issues stood at ₽114.3 billion and $0.06 million for 21 issues (in 2014, 18 issues worth ₽48.7 billion).

The Bank of Russia registered reports and received notifications on the results of 153 securities issues (in 2014, 192 issues), according to which the par value of placed shares totalled ₽654.5 billion (in 2014, ₽431.6 billion), and bonds – ₽103.6 billion (in 2014, ₽70.6 billion).

In the reporting year, the Bank of Russia cancelled 31 securities issues worth ₽48.3 billion due to the issuer's failure to place any securities and to comply with the Russian securities legislation and under bank bankruptcy prevention measures implemented by the DIA (in 2014, 36 issues worth ₽40.5 billion).

In 2015, the Bank of Russia registered 72 terms of certificate issue and circulation: 22 terms of issue and circulation of registered certificates of deposit, 14 terms of issue and circulation of bearer certificates of deposit, 13 terms of issue and circulation of registered savings certificates, 23 terms of issue and circulation of bearer savings certificates.

III.3. Off-site supervision and supervisory response

In 2015, the Bank of Russia continued to implement its risk-based approaches based on the following key principles:

– priority of the substantive approach over the formal one;

– problem prevention and early identification, and adequate risk assessment;

– continuous improvement of communications with banks on the organisation of their activities and risk management;

– effectiveness of applied measures, their conformity with the situation in the credit institution with due regard to the application of equal measures to different banks for the same violations.

Given these approaches, the Bank of Russia continued the rehabilitation of the banking system in order to protect the interests of creditors and depositors of credit institutions.

In the course of the Bank of Russia's performance of its mega-regulator functions, banking supervision as a practice acquired new opportunities for receiving information on the activities of banks, banking groups, and financial conglomerates, concerning, among other things, operations between banks and other financial market participants.

As the macroeconomic situation deteriorated in 2015 and credit institutions accumulated considerable risks, off-site supervision had to significantly intensify its efforts in analysing activities of supervised organisations and enhancing a prompt response to the unfavourable developments in certain banks on the basis of conservative approaches towards the assessment of banking risks.

For the purpose of concentrating its efforts on solving priority issues, supervision singles out the following nominal groups of credit institutions:

– banks of regional or federal significance, including systemically important banks. These credit institutions underwent a more thorough elaboration of all aspects of their activity at the level of the regional divi-

[1] Including the par value of shares issued to increase credit institutions' authorised capital in the amount of ₽644.5 billion for 99 issues. Eighteen issues of shares worth ₽3.1 billion were registered to reduce the par value of shares. The par value of share issues not affecting credit institutions' authorised capital amounted to ₽28.1 billion for eight issues (in 2014, 146 issues worth ₽596.5 billion, six issues worth ₽0.8 billion, and ten issues worth ₽6.1 billion, respectively).

sion or the Systemically Important Banks Supervision Department and at the level of the head office of the Bank of Russia. The Bank of Russia used the components of consolidated supervision over banking groups (including informal ones), including those presuming a limit on the credit institutions' risk exposure to the owners' business;

– banks conducting dubious transactions (including overseas cash transfers and cash-out transactions). The Bank of Russia took steps to identify such credit institutions and their customers. In accordance with legislation, in 2015 the Bank of Russia applied the whole set of measures against such banks aimed at a complete termination of dubious transactions. These banks were subject to a wide scope of restrictions, and upon repeated violations of laws over one year their licences were revoked;

– banks that are not systemically important credit institutions with problems in their activity;

– banks with no prospects for recovery of their financial stability. The Bank of Russia actively supervised such banks and their owners;

– banks that aggressively attracted household deposits at, among other things, increased interest rates.

In 2015, the new territorial structure of the Bank of Russia supported the vertical system of supervision and management of supervisory activities at the main branch, division, and head office levels.

The Bank of Russia continued consolidated supervision over banking groups with due regard, among other things, to its opportunities as a mega-regulator, primarily risk assessment on the coordination basis and information exchange between structural divisions of the Bank of Russia that supervise banks and non-bank financial institutions.

The Bank of Russia continued to supervise systemically important banks and banking groups. Thereby, Bank of Russia supervisory groups were formed to supervise banking groups where systemically important credit institutions are parent companies. As of 1 January 2016, six supervisory groups were engaged in consolidated supervision.

As of 1 January 2016, the activity of the authorised representatives of the Bank of Russia appointed pursuant to Article 76 of Federal Law No. 86-FZ was conducted in 156 Russian credit institutions. In another two credit institutions the authorised representatives of the Bank of Russia were appointed in compliance with Article 7 of Federal Law No. 37-FZ, dated 2 April 2014, 'On the Specifics of the Functioning of the Republic of Crimea's and the Federal City of Sevastopol's Financial System in the Transition Period.'

In accordance with Article 76 of Federal Law No. 86-FZ, authorised representatives of the Bank of Russia were appointed to all systemically important credit institutions.

In 2015, the supervision focused on the credit risk. The following factors were considered to be priorities:

– the feasibility of a borrower's business that creates fund sources for servicing bank loans, quality, and sufficiency of pledge used to adjust the value of created provisions;

– the adequacy of pledge assessment. More attention was given to the price review of collateral, among other things, in cooperation with appraisal companies and self-regulatory organisations;

– risks of portfolio loans to households. In this area, the supervision focused in 2015 on preventing attempts to withdraw funds from banks by extending retail loans under forged documents and manipulations of the level of overdue debt for transferring loans to lower-risk portfolios;

– claims on import letters of credit to non-residents, lending to non-resident companies. These operations are non-transparent for the Bank of Russia with regard to, among other things, the conditions and nature of their execution, difficulty of obtaining an accurate confirmation of their feasibility, and contents because of the counterparty's jurisdiction. Such operations have the signs of asset diversion from credit institutions, among other things, for the purpose of lending to the owners' businesses and fictitiously increasing bank's capital;

– interbank funds (interbank loans, NOSTRO accounts), securities accounted by foreign depositories. During the reporting period the Bank of Russia revised the nature of such assets in order to discover their presence/absence and encumbrance, in certain cases, among other things, with the participation of the supervisory bodies of the foreign countries where Russian banks' counterparties were located;

– level of risk concentration for the owners' business.

Amid the abrupt change in the ruble exchange rate and the increasing cost of borrowing, the Bank of Russia monitored the influence of changes in the exchange rate and interest rates on income and capital of banks where items denominated in foreign currency accounted for a considerable share of the balance sheet. The quality assessment of currency risk management in banks was focused on.

Supervisory efforts were aimed at discouraging banks from accumulating FX assets and liabilities. Bank affiliated entities that used ruble borrowings to purchase foreign currency in the anticipation of the ruble depreciation were under scrutiny.

In 2015, attention was given to banks' securities trading (of indefinite quality, non-public issuers, low-liquid, including securities with value assessment based on appraisers' overestimates) and to operations with shares of closed-end unit investment funds, mortgage participation certificates, and securities with ownership certified by non-public depositories or non-residents. These efforts were made, among other things, to discover any hidden encumbrance on securities and other conditions preventing securities disposal.

Supervision efforts also considered the circumstances of capital source formation, including gratuitous financial assistance, income from one-time operations (including conversions and operations with closed-end unit investment funds), asset revaluation, and other non-transparent (non-market) sources, for example, funds of non-residents.

Furthermore, the purpose of supervision was to confirm the quality of capital sources and to prevent credit institution investment in their capital sources.

In 2015, Bank of Russia representatives participated in international supervisory colleges held by the supervisory authorities of Hungary and Kazakhstan to ensure transparency of international banking operations and determine a regime for supervising credit institutions participating in banking groups.

In order to prevent the development of negative trends in the activities of credit institutions, the supervisory response of the Bank of Russia in 2015 was primarily focused on preventive measures.

In the course of early response procedures, the management and (or) the board of directors (supervisory board) of 813 credit institutions received written information on deficiencies in the activity of their institutions and recommendations on their elimination.

Supervisory meetings were held with representatives of 494 credit institutions to discuss the revealed problems and the need for their elimination with their executives and owners.

Recommendations on the elaboration of an action plan to eliminate deficiencies, enhance control over reporting, adequately assess credit risk, etc. were sent out in 50 cases.

When necessary, the following corrective measures were applied to banks:

– fines: 212 credit institutions;

– restrictions on certain operations: 243 credit institutions, including restrictions on attracting household funds to deposits – 138 banks, and restrictions on opening corporate and household bank accounts – 143 banks;

– ban to carry out certain banking operations: 73 credit institutions;

– requests: 623 credit institutions, including requests for reclassification of loan debt – 376 credit institutions, and requests for additional loan loss provisioning – 409 credit institutions;

– ban to open new branches: 50 credit institutions.

If the owners failed to take effective measures to remove violations and restore financial stability, the Bank of Russia applied its last-resort sanction, revocation of the banking licence, subject to due grounds. In 2015, the Bank of Russia revoked licences from 93 credit institutions.

III.4. Bank inspections

In 2015, authorised representatives of the Bank of Russia inspected 647 credit institution (their branches)[1]. The Bank of Russia continued using risk-based approaches to inspections, therefore the inspections were mostly held in the head offices of credit institutions and were targeted. As many as 454 inspections (70.2% of the total number) were carried out in line with the Summary Plan, and 193 inspections (29.8%) were unscheduled, including 64 inspections performed at the behest of the Bank of Russia management, 53 inspections were held following the increase in the authorised capital of banks, 47 inspections were performed due to the reported violations related to cash circulation[2]. The Bank of Russia inspected 201 credit institutions within the 'second line of supervision' and 45 systemically important credit institutions (their branches).

[1] Inspections started in 2015.

[2] Only two inspections of that kind were held in 2014.

In accordance with Articles 27 and 32 of Federal Law No. 177-FZ, dated 23 December 2003, 'On the Insurance of Household Deposits with Russian Banks', DIA officers were involved in 69 inspections of member-banks of the deposit insurance system.

The assessment of credit institutions' asset quality revealed most violations. The inspections revealed inadequate assessment of the borrowers' financial position and debt servicing quality, allocation of loans for redemption of bad debts on loans issued earlier, and illegal use of collateral to minimise estimated loan provisions. The inspections revealed considerable risks resulting from banks' lending to legal entities that do not conduct any actual activities. Promissory note manipulation continues to be an issue: inspections revealed failures to register third-party promissory notes endorsed by the banks, found bogus promissory notes of legal entities in bank portfolios (i.e., promissory notes with the same details but acquired by different individuals).

The Bank of Russia also revealed instances of risk disguising by credit institutions through extending funds to non-resident non-public companies to finance their activities abroad, among other things, by settling letters of credit. Those transactions were characterised with non-transparency of settlements and flow of goods and with legal risks for Russian banks under foreign laws.

The inspections revealed problems with verification of feasibility of cash or securities balances in foreign banks (on correspondent accounts or in the form of interbank loans) and foreign depositories. Furthermore, the minimum required balance of these assets and the absence or insignificance of turnover were observed over a long period, which indicated the possible absence of economic expediency for the placement of assets and (or) the signs of fiduciary transactions.

The Bank of Russia identified an aggressive policy implemented by the banks to raise household funds using scheme operations.

Some schemes were designed to understate the real value of bank liabilities to depositors: some liabilities were carried to off-system accounting, among other things, by means of numerous transfers of depositor funds to the accounts of companies controlled by the bank, including non-bank financial institutions (NFI). The money received as a result thereof was used by the NFIs to issue microloans to individuals and, in some cases, was the only resource base for the NFIs, which exposed the bank's lenders and depositors to considerable risk. The Bank of Russia revealed fictitious operations to attract household deposits on the date preceding the imposition of the respective restrictions, among other things, by selling promissory notes of the bank.

There were cases of fictitious creation of an 'active market' of shares of closed-end unit investment funds and maintenance of their market quotations for the formation of the current value of these investments. The Bank of Russia also revealed non-transparent securities trading aimed at concealing their absence (by settling transactions on the repeated assignment of claims on the securities). The Bank of Russia revealed operations to replace loans of doubtful quality with mortgage participation certificates (MPC), moreover, the mortgage coverage included real estate with considerably overstated value.

Inspections of consumer lending institutions revealed instances of concealing the real period of overdue debt, invalid borrower passports, and unreliability of income data provided by the borrowers.

The Bank of Russia revealed inappropriate assets in credit institutions' capital in the form of interest income, various commission fees, and remunerations from affiliated insurance companies formed out of the bank's funds.

The Bank of Russia also revealed instances of liquidity loss and untimely fulfilment of customer orders by credit institutions.

As many as 268 inspections assessed compliance with anti-money laundering and counter-terrorism financing laws (hereinafter referred to as the 'AML/CTF'). The Bank of Russia revealed failures to submit (timely submit) information on the operations subject to mandatory control by the banks to the authorised body or the provision of unreliable information on these operations as well as failures to take legitimate and available measures to identify beneficiary owners.

Some credit institutions were engaged in customer operations bearing signs of dubious transactions.

To identify risks on a comprehensive basis, head offices of credit institutions were inspected simultaneously with their branches (46% of branches were inspected this way).

Besides, the Bank of Russia Chief Inspection, as the mega-regulator's inspection division, synchronised in time and by the scope the inspections of banks and NFIs, affiliated economically or controlled by one group persons. These inspections revealed high-risk operations that were non-transparent for the regulator and settled for the benefit of group beneficiaries, including transfers of toxic assets from credit institutions' balance sheet to that of NFIs in order to dilute the risk of the group.

The Bank of Russia also coordinated approaches of the on-site and off-site supervision divisions to the assessment of toxic assets before drafting inspection reports, which mitigated legal risk and enhanced the working group's opinion on the classification of the areas of increased risk for the credit institution.

Along with the inspections Bank of Russia and DIA representatives assessed adequacy of bank assets for liability settlement in 15 credit institutions, the Bank of Russia decided on the expediency of the bank's financial rehabilitation based on this assessment.

The inspections were combined with informational cooperation with supervisory, controlling, and law enforcement agencies.

III.5. Financial rehabilitation and liquidation of credit institutions

In 2015, the Bank of Russia and the DIA took joint measures to prevent the insolvency (bankruptcy) of credit institutions pursuant to Federal Law No. 127-FZ.

When deciding on the expediency of financial rehabilitation for a bank, the Bank of Russia considered its systemic importance for the banking sector as a whole or for a particular region and the economic reasonableness of its rehabilitation. Furthermore, the Bank of Russia took into account both the assessment of possible losses in the event of insurance indemnity payments and the willingness of investors, including major lenders, to participate in the financial rehabilitation of the bank.

In 2015, the Bank of Russia and the DIA went forward with measures to approve plans of DIA participation in bankruptcy prevention measures in 31 banks, one of which had its licence revoked.

In addition, the Bank of Russia approved plans for DIA participation in the resolution of two banks. As of 1 January 2016, these banks assigned their liabilities and a part of their assets to acquiring banks. Courts of arbitration adjudicated the said banks as bankrupt and initiated bankruptcy proceedings.

As of 1 January 2016, 30 banks were undergoing bankruptcy prevention measures. The remaining debt of the DIA to the Bank of Russia on loans issued in accordance with the plans of DIA participation in banks' bankruptcy prevention amounted to ₽1,047.9 billion as of 1 January 2016.

In 2015, the Bank of Russia controlled the activities of 92 credit institutions to prevent the insolvency (bankruptcy) of credit institutions subject to bankruptcy prevention measures in accordance with article 189[10] of Federal Law No. 127-FZ.

As of 1 January 2016, 32 credit institutions qualified for bankruptcy prevention measures.

As of 1 January 2016, participating in the deposit insurance system were 842 banks (as of 1 January 2015, 860 banks), including 616 operating banks and 226 banks undergoing liquidation.

In 2015, 18 banks dropped out from the deposit insurance system.

Insured events occurred in 77 banks in 2015.

As of 1 January 2016, the mandatory household deposit insurance fund totalled ₽56.6 billion.

In 2015, the Bank of Russia revoked banking licences from 93 credit institutions (in 2014, 86 credit institutions) in accordance with Article 74 of Federal Law No. 86-FZ and Article 20 of Federal Law No. 395-1.

In addition, in the reporting period the Bank of Russia cancelled licences of two credit institutions due to participants' (shareholders') decision on voluntary liquidation.

Most credit institutions (65 out of 93), which had their licences revoked during the reporting period, were registered in Moscow and the Moscow Region.

In 2015, the Bank of Russia continued removing credit institutions involved in laundering of criminally obtained incomes, illegal overseas money transfers and transit operations from the market of banking services (the number of such credit institutions was 34, which remained almost unchanged compared to 2014 with 36 credit institutions). At the same time, the number of credit institutions, which had their licences revoked due to a poor financial standing, increased. Thus, licence revocations due to a loss of capital became more frequent (29 cases (31%) compared to 14 cases (16%) in 2014). Meanwhile, the share of credit institutions with licences revoked due to sustainable insolvency halved, from 30% (26 credit institutions) in 2014 to 14% (13 credit institutions) in 2015.

In 2015, the Bank of Russia appointed 107 provisional administrations to manage credit institutions (hereinafter referred to as the 'provisional administration'), including 14 provisional administrations appointed to banks in line with the approved plans for DIA participation in bank bankruptcy prevention, and 93 provisional administrations were appointed following licence revocations.

Functions and terms of three provisional administrations appointed in accordance with Clause 4 of Part 2 of Article 74 of Federal Law No. 86-FZ changed following the licence revocations.

As of 1 January 2016, there were 42 active provisional administrations, with the DIA performing the functions of provisional administration in 11 operating banks.

As of 1 January 2016, 288 credit institutions which had their licences revoked (cancelled) were subject to liquidation, and the Bank of Russia failed to receive certificates of their state registration from the competent registration authorities due to liquidation. Liquidation procedures were implemented in 265 credit institutions, and in 23 credit institutions the corresponding court rulings were not passed after the revocation of their licences as of 1 January 2016.

Most liquidated credit institutions (213) were recognised insolvent (bankrupt), and bankruptcy proceedings were initiated against them. Courts of arbitration adjudicated on forced liquidation of 50 credit institutions. In addition, two credit institutions are being liquidated voluntarily in line with their participants' decision. The DIA acted as a receiver in 204 credit institutions and as a liquidator in 40 credit institutions.

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

In 2015, the Bank of Russia continued to exercise powers stipulated by Federal Law No. 115-FZ, dated 7 August 2001, 'On Countering the Legalisation (Laundering) of Criminally Obtained Incomes and the Financing of Terrorism' (hereinafter referred to as 'Federal Law No. 115-FZ').

One of the priority lines in improving AML/CTF legislation was the joint elaboration by the Bank of Russia and the Federal Financial Monitoring Service (Rosfinmonitoring) on the access for all liable to compliance with Federal Law No. 115-FZ to information on the entities denied the conclusion of bank account (deposit) agreement and execution of transaction request by credit institutions and non-bank financial institutions under the internal AML/CTF procedures, and whose bank account (deposit) agreement was abrogated[1].

The access of financial institutions to the aforementioned information will allow them to better assess risks associated with undertaking to service and servicing of unscrupulous business entities.

In 2015, the Bank of Russia took measures[2] to reduce the amount of illegal overseas money transfers through securities trading and operations implying overstating of the market value of goods imported to the Russian Federation.

One of the Bank of Russia's priorities was to focus credit institutions on identification of money transfers without apparent economic rationale – so called transit operations – in the bulk of their customers' financial transactions[3].

These measures of the Bank of Russia reduced the amount of dubious transactions in the banking sector. In 2015, overseas money diversion and cash-

[1] Federal Law No. 424-FZ, dated 30 December 2015, 'On Amending the Federal Law 'On Countering the Legalisation (Laundering) of Criminally Obtained Incomes and the Financing of Terrorism'.

[2] Bank of Russia Letters No. 12-MR, dated 5 May 2012, 'Methodological Recommendations on Increasing Credit Institutions' Focus on Certain Customer Transactions'; No. 16-MR, dated 15 July 2015, 'Methodological Recommendations on Increasing Depositories' Focus on Certain Customer Transactions'; No. 17-MR 'Methodological Recommendations on Increasing Credit Institutions' Focus on Certain Customer Transactions'; No. 18-MR 'Methodological Recommendations on Increasing Brokers' Focus on Certain Customer Transactions'.

[3] Bank of Russia Letters No. 9-MR, dated 2 April 2015, 'Methodological Recommendations on Increasing Credit Institutions' Focus on Certain Customer Transactions'; No. 10-MR, dated 2 April 2015, 'Methodological Recommendations on Increasing Credit Institutions' Focus on Certain Customer Transactions'; No. 35-MR, dated 4 December 2015 'Methodological Recommendations on Increasing Credit Institutions' Focus on Certain Customer Transactions'.

out transactions in the banking sector shrank by more than one-third compared to 2014.

The Bank of Russia mostly succeeded in resolving the problem of the shadow turnover of cash funds accumulated by payment systems, which recently amounted to ₽200 billion to ₽250 billion per quarter. Thus, in 2016 Q1 the shadow turnover of cash funds in the payment system sector amounted to only ₽7 billion.

In 2015, more attention was given to improving requirements for identification of customers, their representatives, beneficiaries, and beneficiary owners[1].

Another important activity in 2015 was the Bank of Russia's participation in drafting Federal Law No. 159-FZ, dated 29 June 2015, 'On Amending the Federal Law 'On the State Defence Order' and Certain Laws of the Russian Federation' (hereinafter referred to as 'Federal Law No. 159-FZ') designed to establish an interdepartmental system of control over the use of budget funds during the placement and execution of state defence orders.

In an exercise of its authorities under Federal Law No. 159-FZ, the Bank of Russia issued regulations on the activity of authorised banks that provide settlement services for state defence orders and banking support for public contracts and contracts entered into in pursuance of public contracts[2].

To improve interdepartmental information AML/CTF cooperation, in 2015 the Central Bank of the Russian Federation and the Federal Financial Monitoring Service concluded a master agreement[3] which provides for an exchange of data on credit institutions and non-bank financial institutions.

In 2015, the Bank of Russia's regional divisions initiated 365 administrative cases against officers of 202 credit institutions and 5 administrative cases against 5 credit institutions[4]. Proceedings on 373 administrative cases were completed with 64 adjudications on penalising executives of the credit institutions, 189 adjudications on issuing warnings (including 188 rulings with regards to executives of the credit institutions), and 120 adjudications to close administrative cases (including 116 rulings with regards to executives of the credit institutions).

III.7. Central Catalogue of Credit Histories

In 2015, the CCCH saw a further increase in credit history titles and inquiries from credit history makers and users.

Throughout 2015 the CCCH received 24.3 million credit history titles[5] (10.6% growth compared with early 2015); as of the end of the reporting year, their num-

[1] Bank of Russia Regulation No. 499-P, dated 15 October 2015, 'On the Identification by Credit Institutions of Customers, Customer Representatives, Beneficiaries and Beneficiary Owners in Order to Counter the Legalisation (Laundering) of Criminally Obtained Incomes and the Financing of Terrorism'.

[2] Bank of Russia Ordinance No. 3641-U, dated 19 May 2015, 'On Amending Clause 1.21.1 of Bank of Russia Regulation No. 383-P, Dated 19 June 2012, 'On Funds Transfer Rules'; Bank of Russia Ordinance No. 3659-U, dated 4 June 2015, 'On Amending Bank of Russia Regulation No. 385-P, Dated 16 July 2012, 'On Accounting Rules in Credit Institutions Located in the Russian Federation'; Bank of Russia Ordinance No. 3729-U, dated 15 July 2015, 'On the Criteria of Operations Suspended According to the Federal Law 'On the State Defence Order'; Bank of Russia Ordinance No. 3730-U, dated 15 July 2015, 'On the Procedure for Authorised Banks to Inform a Financial Monitoring Body about Refusal to Conduct an Operation, about Conducting an Earlier Suspended Operation Using a Separate Account Opened for the Principal Executor, and for the Executor in Charge of Settlements under the State Defence Order'; Bank of Russia Ordinance No. 3731-U, dated 15 July 2015, 'On Amending Annex 8 to Bank of Russia Regulation No. 321-P, Dated 29 August 2008, 'On the Procedure for Credit Institutions to Submit to the Authorised Body Information Stipulated by the Federal Law 'On Countering the Legalisation (Laundering) of Criminally Obtained Incomes and the Financing of Terrorism'; Bank of Russia Ordinance No. 3732-U, dated 15 July 2015, 'On Amending Bank of Russia Regulation No. 443-P, Dated 4 December 2014, 'On the Procedure for Organisations Carrying out Operations with Monetary Funds and Other Property to Notify the Authorised Body of the Opening of Accounts, Covered (Deposited) Letters of Credit, Conclusion of Bank Account and Bank Deposit Contracts, Purchase of Securities by Business Entities with Strategic Significance for the Defence Industry and Security of the Russian Federation and Companies Directly or Indirectly Controlled by Them'; and Bank of Russia Ordinance No. 3733-U, dated 15 July 2015, 'On the Procedure for Authorised Banks to Submit Data to the Single Information System of the State Defence Order'.

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

[4] Since 29 December 2014 (the effective date of Federal Law No. 484-FZ, dated 29 December 2014, 'On Amending Certain Laws of the Russian Federation') credit institutions shall be made administratively accountable for AML/CTF violations covered in Part 1.1 of Article 15.27 of the Code of Administrative Offences of the Russian Federation.

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

ber totalled 254 million. The number of credit history titles grew amid a drop in the lending growth in 2015.

In 2015, the number of credit history titles of individual borrowers increased by 24.2 million (10.6%) and stood at 253.2 million as of early 2016, while the number of credit history titles of corporate borrowers totalled 842.8 thousand as of 1 January 2016, having risen by 13.1% compared with early 2015.

The number of information inquiries addressed to the CCCH by credit history makers and users about the CHBs in which their credit histories were filed and the number of requests for creating, cancelling, or altering credit history maker code (additional code) grew by 3.4 million (by 20.7%) during the reporting year and reached 19.7 million since the CCCH launch.

The number of inquiries addressed to the CCCH by credit history makers on CHBs keeping their credit histories amounted in absolute terms to almost 2 million since the CCCH launch. Furthermore, 72% of the total number of such requests of credit history makers were addressed to the CCCH via credit institutions.

In 2015, the CCCH was able to provide information on 79% of all inquiries from credit history makers and users about the CHBs in which their credit histories were filed (in 2014, 76.7%). This confirms that most of the borrowers had had their credit histories put on file.

The year 2015 saw a consolidation of the CHB service market: four CHBs were struck off the state register of credit history bureaus, and as of 1 January 2016 the number of CHBs totalled 21.

In 2015, two CHBs were inspected in the course of supervision of CHB activity.

In addition, in 2015 the CCCH studied 36 applications for initiation of administrative proceedings associated with the violation of credit history laws and issued a resolution on imposing a fine in four of them.

III.8. Cooperation with Russia's banking community

The Bank of Russia actively cooperates with banking associations, which is particularly important for the elaboration of new approaches to the regulation of banking activities, discussions on the most pressing issues of the banking sector's operations, and the enhancement of the role of the banking system in the economy and the maintenance of its stability.

In 2015, the Bank of Russia arranged meetings with banks interested in implementation of an IRB approach to credit risk calculation. The meetings considered the plans and the current status of the banks' transition to the IRB approach to capital adequacy assessment and discussed draft regulations (Bank of Russia Regulation No. 483-P, dated 6 August 2015, and Bank of Russia Ordinance No. 3752-U, dated 6 August 2015).

In addition, in the course of implementing Basel III provisions for the elaboration of regulations on market and liquidity risks, the Bank of Russia made qualitative assessment of the impact of the newly introduced amendments on Russian banks and arranged meetings with banking community representatives to discuss various aspects of newly introduced regulatory amendments.

The section 'Frequently Asked Questions on Banking Regulation and Supervision from Credit Institutions and Bank of Russia Regional Divisions' on the Bank of Russia website was kept up to date. In the course of improving the banking sector's transparency, the Bank of Russia continued to publish the information disclosed by credit institutions under four reporting forms[1] on the Bank of Russia website.

The Bank of Russia also calculates and publishes the following data on its website:

– the average market value of the effective interest rate on consumer loans by categories of consumer loans in order to measure the maximum effective interest rate in accordance with Federal Law No. 353-FZ, dated 21 December 2013, 'On Consumer Loans' (quarterly);

– the basic return on ruble and FX deposits for the purpose of identifying banks that pay insurance contri-

[1] Credit institution Reporting Forms 0409101 'Trial Balance Sheet on the Accounting Records of a Credit Institution', 0409102 'Credit Institution Performance Statement', 040135 'Information on Required Ratios and Other Performance Indicators of Credit Institutions', 0409123 'Capital Calculation (Basel III)'.

butions to the deposit insurance fund at an additional rate or at an increased additional rate in accordance with Federal Law No. 177-FZ, dated 23 December 2003, 'On the Insurance of Household Deposits with Russian Banks' (monthly).

The Bank of Russia actively collaborated with credit institutions through regular banking congresses, meetings, and conferences (24th International Banking Congress 'Financial Industry: Challenges and Solutions', meeting of the Bank of Russia's and credit institutions' executives to discuss 'Regulation of Commercial Bank Activities by the Central Bank of the Russian Federation', All-Russian Banking Conference 'Russian Banking System 2015: New Challenges and Solutions').

III.9. Cooperation with international financial organisations, foreign central banks and supervisors

The Bank of Russia's representatives participated in the BCBS, its working groups and subgroups. In 2015, the BCBS assessed the Russian banking regulation (Regulatory Consistency Assessment Program) for compliance with Basel II, Basel 2.5 and Basel III standards.

The Bank of Russia issued regulations amending the Russian banking risk management with regard to implementation of approaches developed by the BCBS in the Russian Federation. The regulator prepared information and materials upon the requests of the Secretariat of the regional Group of Banking Supervisors from Central and Eastern Europe under the BCBS (hereinafter referred to as the 'Group'), in particular, for the annual banking sector and banking supervision review in the Group countries.

The Bank of Russia held meetings with IMF experts, among other things, for consultations on Article IV of the IMF Articles of Agreement. Preparations for the Financial Sector Assessment Program in the Russian Federation held the IMF and World Bank mission, included self-assessment of conformity of banking regulation and supervision with the BCBS Core Principles for Effective Banking Supervision.

Information on Russian laws and Bank of Russia regulations related to banking sector supervision was further updated in the IMF electronic database published on the Bank of Russia website on a quarterly basis.

In addition, the Bank of Russia is actively engaged in the IMF project Coordinated Compilation Exercise – CCE in which the Bank of Russia compiles 26 financial stability indicators for the banking sector, market liquidity, and real estate market.

Given the BCBS recommendations and in order to expand cooperation in banking supervision and the exchange of supervisory information (including the supervision of international banking groups and cross-border institutions of Russian and foreign banks), in 2015 the Bank of Russia continued to agree draft memoranda (agreements) with supervisory authorities of a number of countries guided by the approved amendments to Russian legislation. The Bank of Russia has entered into 38 cooperation agreements (memoranda of understanding) with foreign banking supervisors.

In 2015, the Bank of Russia held bilateral meetings on relevant issues of banking supervision with representatives of the National Bank of the Republic of Kazakhstan and Chinese supervisors.

To coordinate the activities of authorities responsible for the supervision of cross-border institutions of banking groups, the Bank of Russia cooperates with foreign supervisors in supervisory colleges. In the reporting period, the Bank of Russia's representatives participated in supervisory colleges organised by the Hungarian National Bank and the National Bank of the Republic of Kazakhstan.

Under the cooperation with the Eurasian Economic Union (EAEU) and member-states of the Common Economic Space, the Bank of Russia participated in harmonisation of EAEU member-states' laws and assessment of conformity of national banking laws with international approaches and standards. The Bank of Russia prepared materials on cooperation, development and improvement of banking sector regulation for the meetings of EAEU integration bodies and the Board of Heads of Central (National) Banks of EAEU member-states.

III.10. Outlook for banking regulation and supervision in Russia

III.10.1. State registration of credit institutions and banking licensing

In 2016, the Bank of Russia will continue to draft federal laws:

– ‘On Amending Certain Laws of the Russian Federation with Regard to Improvement of Mandatory Requirements for the Founders (Participants), Management Bodies and Executives of Financial Organisations’, which provides for stricter requirements for the business reputation of the board of directors (supervisory board) members of the credit institution, executives of the credit institution (and candidates for the said positions), for the acquisition (ownership) of large (over 10%) blocks of shares (stakes) of the credit institution, and for the establishment (exercise) of control over shareholders (participants) of the credit institution;

– ‘On Amending Article 5 of the Federal Law ‘On Banks and Banking Activity’ which excludes the issuance of bank guarantees from the list of banking operations;

– ‘On Amending Article 189^{50} of Federal Law No. 127-FZ, Dated 26 October 2002, ‘On Insolvency (Bankruptcy)’ which allows solving organisational issues faster – thanks to a reduction of time frames established by the current Russian legislation for holding an extraordinary general meeting of shareholders (participants) of the bank to consider changes in the composition of the bank’s management bodies – when the DIA or an investor acquires shares (stakes) of the bank in respect of which a decision on financial rehabilitation has been made.

III.10.2. Banking regulation

In 2016, the Bank of Russia will continue to improve the regulatory framework governing the supervision of credit institutions, among other things, on a consolidated basis. In particular, the Bank of Russia will pass a regulation on the application of measures by the Bank of Russia to credit institutions (parent credit institutions of banking groups).

The Bank of Russia will also continue to further develop the methodology for quality assessment of the internal capital adequacy assessment process (ICAAP). In particular, the Bank of Russia will draw up a reporting form on the organisation and the results of ICAAP in credit institutions (parent credit institutions of banking groups) and develop software for the ICAAP quality assessment.

In the course of improving procedures for the organisation and implementation of supervision over banking groups by the Bank of Russia, the supervisory functions of the Bank of Russia’s structural divisions, which supervise the banking group, will be supplemented with a new function – quality assessment of the ICAAP of the banking group. There are also plans to determine the procedure for collaboration between the Bank of Russia’s divisions supervising banking groups, including parent credit institutions of banking groups, and the credit institutions participating in banking groups in the process of ICAAP quality assessment in the banking groups as well as the procedure for decision-making on the establishment of individual values for the N20.1, N20.2 and N20.0 ratios based on the results of the ICAAP quality assessment of the banking group.

The Bank of Russia intends to implement new BCBS requirements in banking regulation for the disclosure by credit institutions of information on risks and risk management, as set forth in the Standards Revised Pillar III disclosure requirements, January 2015. This document introduces standard forms (tables) for the presentation of publicly disclosed information.

The new standard for the disclosure by credit institutions of information on risks and risk management is expected to make it clearer for the public and improve transparency of credit institutions’ activities.

As part of international obligations on the implementation of BCBS standards, among other things, under the G20, in 2016 the Bank of Russia intends to develop a calculation procedure for the net stable funding ratio (NSFR), which is an aspect of Basel III reforms of the regulation of liquidity risk and aimed at ensuring a balanced structure of bank assets and liabilities by maturity and types of raised and placed funds, primarily with regard to the limitation of long-term asset funding with short-term liabilities. According to the schedule established by BCBS, NSFR is to become a regulatory requirement starting 1 January 2018.

To improve supervision over banks that will be allowed to use the IRB approach, in 2016 the Bank of Russia plans to issue regulations to determine the following:

– the list, forms, and procedure for the execution and submission of credit institution reports on IRB approach implementation;

– the procedure for organising further supervision over IRB approach implementation by credit institutions.

In 2016, the Bank of Russia plans to adopt a draft federal law 'On Amending Federal Law No. 86-FZ and Article 33 of the Federal Law 'On Banks and Banking Activity', which provides for the right of the Bank of Russia to conduct expert reviews of the value of pledged items accepted by credit institutions as collateral on loans in order to assess the assets and liabilities of credit institutions and the adequacy of provisions created by credit institutions. Therefore, the creation of a regulatory and methodological framework for the Bank of Russia's legal and cost review of credit institutions' collateral will be an important aspect of its operations in 2016.

Considering the priority of countering various schemes used by banks to artificially increase their capital, the Bank of Russia is drafting amendments to Bank of Russia Regulation No. 395-P, dated 28 December 2012, 'On the Methodology for Measuring Bank Capital (Basel III)' which obliges credit institutions to submit at the Bank of Russia's request all necessary information to confirm the quality of capital sources and thus supplement the general definition of indirect investments of the credit institution in its own capital sources with a more detailed list of indirect investments and circumstances indicating their possibility (including the establishment of measures to be taken by the supervisor when the said circumstances are revealed), as well as with the approximate list of documents requested from the credit institution to confirm such investments.

The Bank of Russia intends to extend the scope of the application of the extrapolation method to verify the calculation accuracy of provisions and to create provisions not only for banks undergoing resolution but for all Russian banks. The extrapolation method will therefore be fine-tuned and included in Bank of Russia Regulation No. 254-P, dated 26 March 2004. This will allow the Bank of Russia and Russian banks to use statistical methods to control the provision accuracy along with other analytical methods.

III.10.3. Off-site supervision and supervisory response

The further development of consolidated supervision over banking groups with due regard to the Bank of Russia's abilities as a mega-regulator will be one of the Bank of Russia's priorities in 2016. This concerns risk assessment on a consolidated basis with regard to the coordination of the said operations and the exchange of information between the Bank of Russia's structural divisions which supervise banks and NFIs.

In accordance with Bank of Russia Ordinance No. 3752-U, dated 6 August 2015, 'On the Procedure of Obtaining Authorisation to Use Bank's Own Methods to Manage Credit Risks and to Use Models of the Quantitative Assessment of Credit Risks for Calculating Capital Adequacy Ratios and Also on Their Quality Evaluation Procedure', in 2016 the Bank of Russia will validate the quality of banks' risk management methods and quantitative risk assessment models used to measure credit risk on the basis of advanced approaches, based on requests for such authorisations.

To strengthen the stability of the banking sector, the Bank of Russia will continue its supervisory policy designed to remove from the market economically unsustainable banks and (or) banks that grossly violate the laws and provide inaccurate statements, thus threatening creditors' and depositors' interests.

The Bank of Russia will continue to enhance supervision, and priority will be given to increasing the efficiency of the system of early response to the first signs of trouble in credit institutions' operations. The development of this system is based on strengthening the proactive function of supervision and is supported by increased accountability and staff qualifications, along with improvements to supervision techniques and procedures. One of prerequisites for the early identification of problems in the banking sector is maximum transparency in credit institutions' operations. The implementation of risk-based approaches, including professional judgements on the level of risks assumed by banks, will enhance the effectiveness of supervisory response measures.

The Bank of Russia will improve approaches to the assessment of financial standing of major banks and banking groups guided by the risks and specifics of their activities. Meanwhile liquidity risk management system and formation of additional capital buffers to cope with excessive volatility in the financial market will be focused on.

The Bank of Russia supervision will prioritise high-risk assets of credit institutions, including those of a non-market nature, with implicit encumbrance, loans to businesses of bank owners and to borrowers with signs of an absence of any real activities.

Banking supervision efforts will be focused on preventing reporting manipulation and identifying transactions aimed at concealing information on the real level of the risk assumed from the regulator.

Key areas of supervision development are as follows:

– developing risk-based approaches to supervision, including consolidated supervision;

– enhancing stability of credit institutions, including resistance to macroeconomic shocks;

– ensuring transparency of financial reporting;

– limiting risks assumed by business affiliates;

– countering scheme operations and transactions designed to manipulate accounting/reporting data and (or) divert assets;

– creating conditions for fair competition;

– improving risk management;

– developing differentiated supervisory approaches, in particular, introducing additional supervisory requirements for systemically important banks and high-risk banks;

– ensuring the inevitability of punishment for revealed violations.

The Bank of Russia plans to reorganise its supervisory activity to enhance the efficiency of banking supervision. This reorganisation is based on separating the risk assessment centre from the centre of supervisory decision-making by creating the Risk Analysis Service in the head office, which will assess assets and transactions of credit institutions (loans, guarantees, securities, letters of credit, shares in closed-end unit investment funds, financial derivatives, etc.) and publish the assessment outcomes in the centralised IT system. These assessments will allow the credit institution's supervisor to conduct a system analysis of its activity, assess its financial position, and prepare proposals on the supervisory measures.

To assess assets and transactions, the Risk Analysis Service will promptly receive information from credit institutions about their assets and transactions through their personal account.

The receipt of system information on all types of risks broken down by separate assets and transactions will allow banking supervisors to conduct a comprehensive analysis of problems in credit institutions' activity and assess their financial stability.

III.10.4. On-site inspection

On the whole, the Bank of Russia will ensure continuity of risk-based approaches established in the reporting year to the organisation and conduct of inspections. The supervisory information obtained during inspections will ensure maximum transparency of credit institutions' operations for the Bank of Russia.

The coordination of inspections of banking groups and bank holding companies will be a priority. Therefore, the Chief Inspection will focus on the regulation, control, and supervision of financial markets by the Bank of Russia, particularly regarding the organisation and conduct of inspections of financial market agents included in banking groups and bank holding companies on a consolidated basis.

To achieve these goals, the regulatory framework of inspection activities will be developed as follows:

– improving the regulatory framework governing the organisation and conduct of inspections of credit institutions (their branches), including the use of simultaneous inspections of credit institutions and NFIs to ensure consolidated supervision, the organisation of inspections of credit institutions in case of changes in their address (location), and the inspection of credit institutions (their branches) by audit firms at the behest of the Bank of Russia Board of Directors;

– improving collaboration between on-site and off-site supervision divisions during inspection preparation, including simultaneous inspections of credit institutions and NFIs, and inspections of credit institutions with due regard to the optimisation of the Bank of Russia regional network;

– automating and unifying the Chief Inspection's operations; improving methodological, informational and analytical support; standardising inspection reports;

– improving methodological support for inspection activities, including inspections of individual activities of credit institutions.

III.10.5. Household deposit insurance

To eliminate conflicts of laws on bankruptcy and deposit insurance in the Russian Federation as regards the order of settling claims on subordinated deposits of individual entrepreneurs, the Bank of Russia will continue drafting the federal law 'On Amending Article 5 of the Federal Law 'On the Insurance of Household Deposits with Russian Banks' regarding the exclusion of subordinated deposits raised by banks from individual entrepreneurs from compulsory insurance.

III.10.6. Financial rehabilitation of credit institutions

The Bank of Russia contributes to fine-tuning the Russian laws on bankruptcy, particularly concerning the implementation of international approaches towards improving the protection of rights and lawful interests of creditors and depositors of credit institutions through the adjustment of the 'bail-in' procedure to Russian realities.

The 'bail-in' mechanism provides for financing bankruptcy prevention measures of a credit institution from shareholders'/participants' funds and funds of persons exercising considerable influence on the decision-making in the credit institution placed with it, and from funds of the major creditors, if the aforementioned sources are insufficient.

Furthermore, it provides for a write-off of bank shareholders' (participants') funds, subordinated loans, and liabilities in all forms (including liabilities on rewards, bonuses, and other payments) to the persons who influenced the bank's business (executives, owners, persons controlling the bank, and related creditors).

At the same time, assets of the credit institution's major creditors, exceeding the amount stipulated by law, will be converted into shares (stakes) or subordinated instruments.

The Bank of Russia in collaboration with the DIA is developing a draft federal law 'On Amending Certain Laws of the Russian Federation' to improve Russian laws on bankruptcy of credit institutions.

In particular, they suggest that Federal Law No. 127-FZ should set forth powers of Bank of Russia and DIA representatives, during the analysis of the bank's financial position for the purpose of deciding on the expediency of sending the DIA a proposal on its participation in bankruptcy prevention measures or a proposal on participation in the settlement of the bank's obligations, to analyse the financial position of financial organisations from the same banking group (bank holding company) as the bank, which is having its financial position analysed, and to determine the procedure for obtaining information on the financial position of the said organisations by the DIA.

The Bank of Russia prepares draft regulations that set requirements for investors (including credit institutions, individuals and legal entities) acquiring at least 75% of ordinary shares (stakes) of the credit institution and requirements for banks acquiring assets and liabilities of the credit institution.

III.10.7. Countering legalisation (laundering) of criminally obtained incomes and financing of terrorism

In 2016, the Bank of Russia will continue rehabilitating the financial sector and mitigating risks of supervised entities' involvement in dubious transactions of unscrupulous participants.

In 2016, one of the Bank of Russia's priorities in collaboration with the Federal Financial Monitoring Service will be the methodological consideration of issues related to communicating information on persons denied execution of transaction or conclusion of bank account (deposit) agreement, or whose bank account (deposit) agreement was abrogated, to credit institutions and non-bank financial institution.

III.11. Bank of Russia supervisors

The Bank of Russia supervisory divisions employ 5,253 executives and specialists, of whom 41.6% work in the head office, and 58.4% are employed in the regional divisions of the Bank of Russia. Most specialists (98.3%) hold a university degree, are aged

30–50 y.o. (62.9%), and have over three years of experience in the banking system (85.5%).

The Bank of Russia's personnel training priority is the development of hard and soft skills of executives and specialists of divisions in charge of banking supervision, financial rehabilitation, legal regulation, banking licensing and inspection, financial monitoring and currency control. In 2015, training programmes were focused on specialised and hands-on training.

As many as 1,956 employees attended 170 workshops, professional development courses and internships for this line of activity in the Bank of Russia. Specialists acting as inspectors, financial rehabilitation advisers and provisional administrators of credit institutions (61 employees) took conversion courses specially developed for the Bank of Russia. To develop management, social and other soft skills of executives and specialists of banking supervision divisions, the Bank of Russia held 95 workshops and trainings for 205 employees.

In 2015, the Bank of Russia continued networking in banking supervision with its major foreign partners: there were 4 training events held in Russia and 17 held abroad attended by 46 specialists; 114 persons completed online training based on the Financial Stability Institute programme of the Bank for International Settlements (Basel).

The Bank of Russia completed a two-year vocational adjustment of credit and finance specialists of the Crimea Federal District to working in the Russian legal system, 97 persons completed the training in 2015.

IV. APPENDICES

IV.1. Banking sector stability monitoring and its use in supervision

In 2015, the Bank of Russia continued to monitor liquidity, risks associated with lending to non-financial organisations and households, capital adequacy and market risks for the purpose of early identification of negative trends in the banking sector and banks whose transactions contribute considerably to negative developments. The monitoring was based of the monthly and quarterly statements of credit institutions submitted to the Bank of Russia.

At the same time, in order to enhance capabilities of prompt supervisory response, in 2015 the Bank of Russia more actively relied on real-time information delivered to the Bank of Russia for a five-day period (Form 0409301 'Individual Indicators Characterising Credit Institution Activity', which reflects changes in the main assets and liabilities of banks) and daily information for a limited number of banks (balance sheet and individual prudential ratios).

Currently, the list of risks (broken down by major components), assessed as a part of daily monitoring, includes over 30 items. Threshold values are set for each of them as reference values for the automatic testing of bank performance indicators. Such testing reveals banks exposed to risks.

The supervision is focused on banks with maximum risk exposures. The comprehensive assessment of a bank's financial position is correlated with the current supervisory regime for this bank, and such banks are checked for supervisory response applicability, if necessary.

The main purpose of these operations is to ensure a prompt notification (what is known as supervisory impulses) of supervisory units of the Bank of Russia head office and regional divisions. Banks exposed to risk are monitored on a weekly basis to assess their adequacy and, if necessary, to update the applicable supervisory response measures.

Furthermore, the comprehensive assessment covers a potential negative impact of major bank risks on banks' compliance with prudential ratios, mainly capital adequacy ratios. Asset quality and currency positions are analysed. The assessment also identifies significant deviations in borrowings, funding costs, and concentration in raised and placed funds. Negative trends in banking profitability are considered separately.

In 2015, the assessment of financial stability of the Russian banking sector was based on the stability indicator formulated with the help of the risk map of the Russian banking sector, and its results were reviewed on a quarterly basis by the Banking Supervision Committee.

Stress testing makes an important part of the banking sector stability assessment (see Section II.6).

IV.2. National payment system

In 2015, the Bank of Russia continued to develop the national payment system (NPS) with a focus on ensuring uninterrupted money transfers in the Russian Federation, extending non-cash settlements, and creating an up-to-date national payment system infrastructure.

Compared to 2014, the number and volume of non-cash payments made by the customers of credit institutions and the Bank of Russia (households and legal entities other than credit institutions) and by credit institutions in respect of their own operations increased by 23.3% and 14.2%, respectively. As of the end of 2015, 15.7 billion payments were made for a total of ₽756.4 trillion, including non-cash household payments, which grew by 28% in number and by 10% in the value of operations.

One of the Bank of Russia's priorities was to promote the creation and development of national payment instruments. In 2015, the Bank of Russia approved the brand of its own card for the national payment card system (NPCS) – the Mir payment card – chose its logo, and approved the rules and tariffs of the Mir payment system. In the reporting year, the Bank of Russia ran a pilot project joined by about 30 credit institutions; it resulted in the launch of Mir payment card issue in December 2015. By the beginning of 2016, about 40 credit institutions accepted the rules of the Mir payment system.

In order to provide intra-day settlements under operations using Mir payment cards, the Bank of Russia and JSC NPCS entered into settlement and collateral account agreements and determined the procedure for using warranty fund in the Bank of Russia to finalise settlements.

In the reporting year, the Bank of Russia started processing domestic transactions made with the use of international payment system cards in the NPCS operational payment clearing centre, with settlements performed through the Bank of Russia to ensure the independence and integrity of the payment environment of the Russian Federation.

The total number of payment cards issued by Russian credit institutions as of the beginning of 2016 was 243.9 million. In 2015, 13.1 billion transactions worth a total of ₽41.5 trillion were settled using payment cards (growth by 29.7% and 14.9%, respectively), of which cashless transactions totalled 75% by quantity and 40% by value. In this same year, the NPCS operational payment clearing centre settled 2.8 billion transactions for a total of ₽4.1 trillion.

The indicators, which characterised the functioning of the systemically and nationally important payment system of the Bank of Russia in 2015, constituted 1.4 billion money transfers for a total of ₽1,356.5 trillion (growth by 2.0% and 12.6%, respectively). Most of these were money transfers of customers that are credit institutions (85.2% by quantity and 75.9% by value).

To improve the straight through processing of funds transfer requests in credit institutions, in the reporting year the Bank of Russia enabled all credit institutions (their branches) to use bank orders, a special kind of request for urgent money transfers in the Bank of Russia payment system, the details of which are compatible with SWIFT financial messages.

In 2015, the Bank of Russia was given a legal right to deliver financial messages to organisations that were not its customers at that moment. For credit institutions and their corporate customers that use SWIFT, the Bank of Russia has established a procedure to deliver financial messages and approved a regulation on the functioning of the financial message delivery system (FMDS). The Bank of Russia created a special section on its website to communicate FMDS regulatory and technical documents to users.

As of 1 January 2016, 104 credit institutions acted as e-money (EM) operators in the Russian Federation. The list of EM operators was largely formed and underwent little changes over the year. The number of electronic payment tools the banks issued for EM transfers amounted to 318.0 million units, and 1.2 billion transactions for a total of ₽909.7 billion were settled using such electronic payment tools over the year.

To improve the regulation of money transfers with the use of electronic payment tools, the Bank of Russia supplemented Regulation No. 266-P, dated 24 December 2004, 'On the Issuance of Bank Cards and on Operations Using Them' with requirements for the use of pre-paid cards, including a ban on the distribution of pre-paid cards issued by foreign organisations in the Russian Federation, and established a procedure for credit institutions to process holder applications under the transactions settled with payment cards, including those settled without card holder consent.

As of 1 January 2016, there were 35 payment system operators[1] working in the Russian Federation (the Bank of Russia, 19 credit institutions, and 15 non-bank institutions, including JSC NPCS, the Mir payment system operator); 52 service operators of the payment infrastructure (35 operating centres, 35 payment clearing centres, 30 settlement centres)[2]. Two out of thirty five payment systems were systemically important, five were socially important, and 18 were nationally important.

In 2015, the operators of payment systems that were not nationally important transferred funds to form a security deposit that in accordance with Federal Law No. 86-FZ, dated 10 July 2002, 'On the Central Bank of the Russian Federation (Bank of Russia)' is intended to pay a fine charged from the payment system operator in the event of a unilateral suspension (termi-

[1] In 2015, information on including 4 payment system operators and on striking off 3 organisations was entered in the Register of Payment System Operators.

[2] The organisation may be an operational, payment clearing, and settlement centre for several payment systems at a time.

nation) of the payment infrastructure services by the latter. As of 1 January 2016, funds on security deposit accounts opened with the Bank of Russia totalled over ₽1 billion.

In the course of supervision and monitoring, the NPS underwent inspections and monitoring of the payment service market for EM transfer schemes incompliant with legislative requirements as well as organisations that illegally use the words 'payment system' in their official name.

In 2015, the Bank of Russia recognised 51 credit institutions as important in the payment services market[1].

During the reporting year, the Bank of Russia completed the assessment of two socially important payment systems – Sberbank and International Money Transfer System LEADER – for compliance with international standards as set forth in the document of the Committee on Payments and Market Infrastructures (CPMI) and the International Organization of Securities Commissions 'Principles for Financial Market Infrastructures (PFMI)'.

The assessment results indicate a high compliance of these payment systems with international standards.

The CPMI monitoring of PFMI implementation in the Russian jurisdiction awarded the maximum rating to the Russian Federation for PFMI implementation for payment systems.

IV.3. Development of Central Catalogue of Credit Histories

In 2016, the Bank of Russia plans the following measures to optimise the CCCH activity:

– holding an automated verification of title data with the passport database of the Ministry of Internal Affairs of the Russian Federation and the PIPN (personal insurance policy number) database of the Pension Fund of the Russian Federation in order to increase the measurement accuracy of the number of credit history makers;

– uploading information from credit histories received from liquidated (reorganised, struck off the state register) credit history bureaus in the CCCH database in order to keep such information in the CCCH automated system;

– enabling the provision of information to credit history makers from the CCCH about the CHB where the credit histories of credit history makers are filed through the Common Government Services Portal using the Common System of Interdepartmental Electronic Collaboration in order to make information from the CCCH more accessible for credit history makers.

[1] The Register of Credit Institutions Recognised as Important in the Payment Services Market by the Bank of Russia is available on the Bank of Russia website (http://cbr.ru/PSystem/?PrtId=reestr).

IV.4. Statistical Appendix

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

	2009	2010	2011	2012	2013	2014	2015
GDP[1], billions of rubles	38,807	46,309	59,698	66,927	71,017	77,945	80,804
GDP growth rate	92.2	104.5	104.3	103.5	101.3	100.7	96.3
Federal budget surplus (+) / deficit (–), as % of GDP	–6.0	–3.9	0.7	–0.1	–0.5	–0.4	–2.4
Industrial output index	89.3	107.3	105.0	103.4	100.4	101.7	96.6
Agricultural output	101.4	88.7	123.0	95.2	105.8	103.5	103.0
Retail trade turnover	94.9	106.5	107.1	106.3	103.9	102.7	90.0
Fixed capital investments	86.5	106.3	110.8	106.8	100.8	98.5	91.6
Household real disposable money income	103.0	105.9	100.5	104.6	104.0	99.3	95.7
Unemployment rate, as % of economically active population (period average)	8.2	7.3	6.5	5.5	5.5	5.2	5.6
Consumer price index (December as % of previous December)	108.8	108.8	106.1	106.6	106.5	111.4	112.9
Average nominal US dollar / ruble exchange rate over period, rubles per US dollar	31.7	30.4	29.4	31.1	31.8	38.0	60.7

[1] *In current prices.*

Table 2. Russian banking sector macroeconomic indicators

	1 January 2012	1 January 2013	1 January 2014	1 January 2015	1 January 2016
Banking sector assets (liabilities), billions of rubles	41,627.5	49,509.6	57,423.1	77,653.0	82,999.7
as % of GDP	69.7	74.0	80.9	99.6	102.7
Banking sector capital, billions of rubles	5,242.1	6,112.9	7,064.3	7,928.4	9,008.6
as % of GDP	8.8	9.1	9.9	10.2	11.1
as % of banking sector assets	12.6	12.3	12.3	10.2	10.9
Loans and other funds provided to non-financial organisations and households, including overdue debt, billions of rubles	23,266.2	27,708.5	32,456.3	40,865.5	43,985.2
as % of GDP	39.0	41.4	45.7	52.4	54.4
as % of banking sector assets	55.9	56.0	56.5	52.6	53.0
Securities acquired by banks, billions of rubles	6,211.7	7,034.9	7,822.3	9,724.0	11,777.4
as % of GDP	10.4	10.5	11.0	12.5	14.6
as % of banking sector assets	14.9	14.2	13.6	12.5	14.2
Household deposits, billions of rubles	11,871.4	14,251.0	16,957.5	18,552.7	23,219.1
as % of GDP	19.9	21.3	23.9	23.8	28.7
as % of banking sector liabilities	28.5	28.8	29.5	23.9	28.0
as % of household income	33.3	35.7	38.0	38.7	43.6
Funds raised from organisations[1], billions of rubles	13,995.7	15,648.2	17,787.0	25,008.1	28,442.1
as % of GDP	23.4	23.4	25.0	32.1	35.2
as % of banking sector liabilities	33.6	31.6	31.0	32.2	34.3

[1] *Including deposits, government and other extra-budgetary funds, funds of the Ministry of Finance, fiscal authorities, individual unincorporated entrepreneurs, customers in factoring and forfeiting operations, certificates of deposit, float, and funds written off from customer accounts but not passed through a credit institution's correspondent account (net of funds raised from credit institutions).*

Table 3. Registration and licensing of credit institutions as of 1 January 2016[1]

Registration of credit institutions

1. Credit institutions registered by the Bank of Russia or the registration authority, in line with Bank of Russia decisions, total[2]	1,021
including:	
– banks	947
– non-bank credit institutions	74
1.1. Registered wholly foreign-owned credit institutions	68
1.2. Credit institutions that have been registered by the Bank of Russia but have not yet paid the authorised capital and have not received a licence (within the time period established by law)	0

Operating credit institutions

2. Credit institutions licensed to conduct banking operations, total	733
including:	
– banks	681
– non-bank credit institutions	52
2.1. Credit institutions holding licences (permits):	
– to take household deposits	609
– to conduct operations in foreign currency	482
– general licences	232
– to conduct operations with precious metals	183
2.2. Credit institutions with a foreign stake in authorised capital, total	199
including:	
– wholly foreign-owned credit institutions	68
– credit institutions with a 50%-plus foreign stake	38
2.3. Credit institutions registered with the deposit insurance system, total[3]	616
3. Registered authorised capital of operating credit institutions (millions of rubles)	2,329,409
4. Branches of operating credit institutions in Russia, total	1,398
including:	
– Sberbank branches[4]	95
– branches of wholly foreign-owned credit institutions	64
5. Branches of operating credit institutions abroad, total[5]	6
6. Branches of non-resident banks in Russia	0
7. Representative offices of Russian operating credit institutions, total[6]	308
including:	
– in Russia	269
8. Additional offices of credit institutions (branches), total	21,836
including Sberbank additional offices	11,854
9. External cash desks of credit institutions (branches), total	5,696
including Sberbank cash desks	3,719
10. Cash and credit offices of credit institutions (branches), total	1,853
including Sberbank cash and credit offices	0
11. Operations offices of credit institutions (branches), total	7,609
including Sberbank operations offices	640
12. Mobile banking vehicles of credit institutions (branches), total	227
including Sberbank mobile banking vehicles	223

Licence revocation and liquidation of corporate entities

13. Credit institutions that had their banking licenses revoked (cancelled) but have not been struck off the state register[7]	288
14. Liquidated credit institutions struck off the state register, total[8]	2,147
including:	
– liquidated due to licence revocation (cancellation)	1,660
– liquidated due to reorganisation	486
including:	
– by merger	2
– by acquisition	484
including:	
– by being transformed into other banks' branches	387
– by being merged with other banks (without setting up a branch)	97
– liquidated due to an infraction of law in respect of payment of authorised capital	1

[1] Information is based on data received from the registration authority as of the reporting date.
[2] Credit institutions that have the status of a corporate entity as of the reporting date, including credit institutions that have lost the right to conduct banking operations but have not yet been liquidated as corporate entities.
[3] Based on data provided to the Bank of Russia by the state corporation Deposit Insurance Agency as of the reporting date.
[4] Sberbank branches put on the state register of credit institutions.
[5] Branches opened by Russian credit institutions abroad.
[6] The representative offices of Russian credit institutions abroad include the offices of whose opening abroad the Bank of Russia has been notified.
[7] Total credit institutions that had their banking licenses revoked (cancelled), including liquidated credit institutions struck off the state register – 1,948.
[8] After 1 July 2002, the liquidated credit institution is struck off the state register as a corporate entity only after its liquidation has been registered by the registration authority.

Table 4. Credit institutions by form of incorporation

Credit institution	As of 1 January 2015		As of 1 January 2016	
	number	% share	number	% share
Operating credit institutions licensed to conduct banking operations, total	834	100	733	100
including:				
– joint-stock companies	557	66.79	493	67.26
– limited liability companies	277	33.21	240	32.75

Table 5. Institutional characteristics of the banking sector

Item No.	Region	As of 1 January 2016		
		Number of credit institutions	Number of branches and internal structural divisions of credit institutions with head office in given region	Number of branches and internal structural divisions of credit institutions with head office in another region
1	2	3	4	5
	Russian Federation	733	–	–
1	CENTRAL FEDERAL DISTRICT	434	9,839	641
	Belgorod Region	3	8	437
	Bryansk Region	0	0	234
	Vladimir Region	2	15	383
	Voronezh Region	1	0	681
	Ivanovo Region	6	43	209
	Kaluga Region	3	40	211
	Kostroma Region	6	28	146
	Kursk Region	1	30	260
	Lipetsk Region	1	21	292
	Moscow Region	9	42	1,791
	Orel Region	1	0	192
	Ryazan Region	4	26	236
	Smolensk Region	1	17	171
	Tambov Region	1	14	280
	Tver Region	4	44	212
	Tula Region	3	4	339
	Yaroslavl Region	5	9	351
	Moscow	383	3,294	420
2	NORTH-WESTERN FEDERAL DISTRICT	60	581	3,158
	Republic of Karelia	1	4	168
	Republic of Komi	1	17	256
	Arkhangelsk Region	0	0	298
	including: Nenets Autonomous Area	0	0	16
	Arkhangelsk Region, excluding Nenets Autonomous Area	0	0	282
	Vologda Region	8	54	296
	Kaliningrad Region	1	21	226
	Leningrad Region	3	35	377
	Murmansk Region	3	17	210
	Novgorod Region	2	11	172
	Pskov Region	2	1	166
	Saint Petersburg	39	257	1,153
3	SOUTHERN FEDERAL DISTRICT	37	567	3,166
	Republic of Adygeya (Adygeya)	4	7	99
	Republic of Kalmykia	0	0	40
	Krasnodar Territory	13	298	1,292
	Astrakhan Region	3	20	215
	Volgograd Region	4	19	592
	Rostov Region	12	163	988

Continuation of the table 5

1	2	3	4	5
4	NORTH CAUCASIAN FEDERAL DISTRICT	22	109	971
	Republic of Daghestan	8	38	111
	Republic of Ingushetia	0	0	18
	Kabardino-Balkar Republic	4	15	118
	Karachay-Cherkess Republic	4	0	44
	Republic of North Ossetia — Alania	2	9	72
	Chechen Republic	0	0	46
	Stavropol Territory	4	29	580
5	VOLGA FEDERAL DISTRICT	85	1,802	6,918
	Republic of Bashkortostan	5	185	1067
	Mari El Republic	2	16	151
	Republic of Mordovia	3	74	182
	Republic of Tatarstan (Tatarstan)	22	563	819
	Udmurt Republic	2	39	344
	Chuvash Republic — Chuvashia	3	20	347
	Perm Territory	4	52	772
	Kirov Region	3	68	310
	Nizhny Novgorod Region	9	143	831
	Orenburg Region	6	81	554
	Penza Region	1	25	353
	Samara Region	14	129	684
	Saratov Region	9	94	530
	Ulyanovsk Region	2	13	274
6	URALS FEDERAL DISTRICT	32	754	2,740
	Kurgan Region	2	15	292
	Sverdlovsk Region	13	246	930
	Tyumen Region	10	114	996
	including: Khanty-Mansi Autonomous Area — Yugra	5	71	472
	Yamalo-Nenets Autonomous Area	0	0	187
	Tyumen Region, excluding Khanty-Mansi Autonomous Area — Yugra and Yamalo-Nenets Autonomous Area	5	43	337
	Chelyabinsk Region	7	195	706
7	SIBERIAN FEDERAL DISTRICT	41	471	4,342
	Altai Republic	1	5	45
	Republic of Buryatia	1	38	208
	Republic of Tuva	1	1	51
	Republic of Khakassia	2	34	110
	Altai Territory	5	30	706
	Trans-Baikal Territory	0	0	247
	Krasnoyarsk Territory	5	109	647
	Irkutsk Region	6	70	503
	Kemerovo Region	6	29	531
	Novosibirsk Region	6	71	644
	Omsk Region	6	11	487
	Tomsk Region	2	20	216

End of the table 5

1	2	3	4	5
8	FAR-EASTERN FEDERAL DISTRICT	17	467	1,287
	Republic of Sakha (Yakutia)	2	29	286
	Kamchatka Territory	3	26	88
	Primorye Territory	5	87	420
	Khabarovsk Territory	2	12	327
	Amur Region	2	43	173
	Magadan Region	0	0	57
	Sakhalin Region	3	9	128
	Jewish Autonomous Region	0	0	48
	Chukotka Autonomous Area	0	0	21
9	CRIMEA FEDERAL DISTRICT	5	458	121
	Republic of Crimea	3	331	101
	Sevastopol	2	8	139

Table 6.1. Density of banking services in Russian regions as of 1 January 2014

Region	Number of credit institutions branches, additional, operations, and cash and credit offices	Loans extended to resident organisations and households and other placements, millions of rubles[1]	Household deposits, millions of rubles[1]	Gross Regional Product (GRP) in 2014, billions of rubles	Population, thousands	Per capita income (monthly average in 2014, rubles)	Institutional density of banking services (by population)[2]	Financial density of banking services (by volume of loans)[3]	Savings index[4]	Composite banking services density index by region[5]
1	2	3	4	5	6	7	8	9	10	11
CENTRAL FEDERAL DISTRICT	10,053	16,773,269	9,484,516	20,821	38,952	34,970	1.01	1.26	1.51	1.24
CENTRAL FEDERAL DISTRICT without Moscow (for reference)	*6,207*	*5,347,988*	*2,495,782*	*8,012*	*26,754*	*26,064*	*0.91*	*1.04*	*0.78*	*0.90*
Belgorod Region	323	335,354	142,626	619	1,548	25,372	0.82	0.85	0.79	0.82
Bryansk Region	227	140,161	69,529	243	1,233	22,039	0.72	0.90	0.56	0.71
Vladimir Region	352	180,355	118,695	328	1,406	20,569	0.98	0.86	0.89	0.91
Voronezh Region	561	460,093	222,774	709	2,331	25,505	0.94	1.01	0.81	0.92
Ivanovo Region	286	97,787	83,826	151	1,037	20,409	1.08	1.01	0.86	0.98
Kaluga Region	261	177,545	92,990	325	1,011	24,984	1.01	0.85	0.80	0.88
Kostroma Region	196	82,420	46,557	146	654	19,320	1.17	0.88	0.80	0.94
Kursk Region	270	235,275	70,269	297	1,117	23,188	0.94	1.24	0.59	0.88
Lipetsk Region	280	166,217	90,799	396	1,158	25,263	0.95	0.66	0.67	0.75
Moscow Region	1,607	2,257,023	933,318	2,706	7,231	34,948	0.87	1.30	0.80	0.97
Orel Region	183	99,351	51,397	180	765	19,981	0.94	0.86	0.73	0.84
Ryazan Region	242	159,193	93,016	297	1,135	21,988	0.83	0.84	0.81	0.83
Smolensk Region	203	148,941	63,817	235	965	21,788	0.82	0.99	0.66	0.81
Tambov Region	217	144,025	59,551	276	1,062	22,377	0.80	0.82	0.54	0.71
Tver Region	255	150,213	101,207	307	1,315	20,602	0.76	0.76	0.81	0.78
Tula Region	326	299,355	116,628	408	1,514	23,040	0.84	1.15	0.73	0.89
Yaroslavl Region	418	214,680	138,784	388	1,272	23,876	1.29	0.87	0.99	1.03
Moscow	3,846	11,425,282	6,988,735	12,809	12,198	54,504	1.23	1.40	2.29	1.58

Continuation of the table 6.1

1	2	3	4	5	6	7	8	9	10	11
NORTH-WESTERN FEDERAL DISTRICT	4,010	4,100,555	2,136,355	5,915	13,844	28,572	1.13	1.08	1.17	1.13
Republic of Karelia	203	92,215	53,284	186	633	22,939	1.26	0.78	0.80	0.92
Republic of Komi	282	128,189	90,099	481	865	30,844	1.28	0.42	0.73	0.73
Arkhangelsk Region	322	234,183	112,929	540	1,183	29,432	1.06	0.68	0.70	0.80
Vologda Region	401	253,553	102,364	388	1,191	22,801	1.32	1.02	0.82	1.03
Kaliningrad Region	271	283,065	112,147	306	969	22,994	1.09	1.45	1.09	1.20
Leningrad Region	422	391,590	99,921	714	1,776	20,932	0.93	0.86	0.58	0.78
Murmansk Region	234	159,202	118,677	320	766	34,149	1.19	0.77	0.99	0.97
Novgorod Region	202	119,954	43,795	206	619	23,703	1.28	0.91	0.65	0.91
Pskov Region	179	74,221	40,273	121	651	19,500	1.08	0.96	0.69	0.89
Saint Petersburg	1,494	2,365,381	1,362,865	2,652	5,192	34,724	1.13	1.40	1.64	1.37
SOUTHERN FEDERAL DISTRICT	3,793	2,379,276	1,062,914	3,920	14,004	24,328	1.06	0.95	0.68	0.88
Republic of Adygeya (Adygeya)	112	43,462	15,027	78	449	22,054	0.97	0.87	0.33	0.65
Republic of Kalmykia	49	32,976	6,500	46	281	12,398	0.68	1.12	0.41	0.68
Krasnodar Territory	1,651	1,144,654	474,171	1,792	5,453	28,788	1.18	1.00	0.66	0.92
Astrakhan Region	203	111,659	60,415	289	1,021	22,169	0.78	0.60	0.58	0.65
Volgograd Region	538	292,915	174,977	715	2,557	19,056	0.82	0.64	0.78	0.74
Rostov Region	1,240	753,609	331,825	1,000	4,242	23,355	1.14	1.18	0.73	0.99
NORTH CAUCASIAN FEDERAL DISTRICT	1,155	621,132	280,400	1,587	9,659	20,692	0.47	0.61	0.30	0.44
Republic of Daghestan	198	65,022	40,041	538	2,990	23,423	0.26	0.19	0.12	0.18
Republic of Ingushetia	20	11,417	3,609	52	464	14,346	0.17	0.34	0.12	0.19
Kabardino-Balkar Republic	114	78,498	24,695	118	861	16,619	0.52	1.04	0.38	0.59
Karachay-Cherkess Republic	51	54,242	10,688	69	469	16,081	0.43	1.23	0.31	0.54
Republic of North Ossetia – Alania	77	49,996	26,062	127	705	19,820	0.43	0.62	0.41	0.47
Chechen Republic	55	34,956	7,816	141	1,370	19,788	0.16	0.39	0.06	0.16
Stavropol Territory	640	327,002	167,490	541	2,800	21,590	0.89	0.95	0.60	0.80
VOLGA FEDERAL DISTRICT	7,804	5,272,908	2,386,817	9,171	29,716	24,020	1.03	0.90	0.73	0.88
Republic of Bashkortostan	1,111	703,724	257,991	1,249	4,072	25,971	1,07	0.88	0.53	0.79
Mari El Republic	154	102,193	32,834	144	687	16,374	0.88	1.11	0.63	0.85
Republic of Mordovia	217	133,977	43,849	171	809	16,134	1.05	1.23	0.73	0.98
Republic of Tatarstan (Tatarstan)	1,121	824,066	379,437	1,671	3,855	29,830	1.14	0.77	0.72	0.86
Udmurt Republic	417	357,973	95,907	442	1,518	21,197	1.07	1.27	0.65	0.96
Chuvash Republic – Chuvashia	278	163,170	74,199	235	1,238	16,681	0.88	1.09	0.78	0.91
Perm Territory	876	677,876	235,541	968	2,637	28,315	1.30	1.10	0.69	0.99
Kirov Region	343	138,326	80,702	250	1,304	20,329	1.03	0.86	0.66	0.84
Nizhny Novgorod Region	864	617,716	318,526	1,018	3,270	27,930	1.03	0.95	0.76	0.91
Orenburg Region	514	295,128	120,970	731	2,001	20,724	1.00	0.63	0.63	0.74
Penza Region	285	144,307	79,852	298	1,356	19,601	0.82	0.76	0.65	0.74
Samara Region	825	586,707	401,845	1,152	3,213	26,062	1.00	0.80	1.04	0.94
Saratov Region	525	303,630	184,347	562	2,493	17,941	0.82	0.84	0.90	0.85
Ulyanovsk Region	274	224,115	80,815	279	1,263	21,541	0.85	1.26	0.65	0.88
URALS FEDERAL DISTRICT	3,482	3,416,524	1,320,078	8,002	12,276	30,494	1.11	0.67	0.77	0.83
Kurgan Region	188	88,613	36,825	169	870	18,850	0.85	0.82	0.49	0.70

End of the table 6.1

1	2	3	4	5	6	7	8	9	10	11
Sverdlovsk Region	1,156	1,234,757	481,182	1,661	4,327	32,157	1.04	1.16	0.75	0.97
Tyumen Region	1,193	1,330,971	536,932	5,178	3,581	38,523	1.30	0.40	0.85	0.76
Chelyabinsk Region	945	762,184	265,140	993	3,497	23,157	1.06	1.20	0.71	0.97
SIBERIAN FEDERAL DISTRICT	4,729	3,561,939	1,300,080	6,107	19,312	21,490	0.96	0.91	0.68	0.84
Altai Republic	52	28,575	6,613	39	214	17,134	0.95	1.14	0.39	0.75
Republic of Buryatia	296	155,914	38,454	185	979	22,326	1.18	1.32	0.38	0.84
Republic of Tuva	58	33,389	5,922	47	314	14,083	0.72	1.12	0.29	0.62
Republic of Khakassia	146	65,537	21,358	160	536	18,385	1.07	0.64	0.47	0.68
Altai Territory	476	290,135	116,572	448	2,385	18,434	0.78	1.01	0.58	0.77
Trans-Baikal Territory	267	120,018	46,656	228	1,088	20,520	0.96	0.82	0.45	0.71
Krasnoyarsk Territory	807	779,141	205,681	1,423	2,859	24,806	1.10	0.86	0.63	0.84
Irkutsk Region	602	450,875	167,016	907	2,415	20,224	0.97	0.78	0.74	0.83
Kemerovo Region	564	670,763	179,560	747	2,725	20,193	0.81	1.40	0.71	0.93
Novosibirsk Region	678	518,046	293,526	895	2,747	23,110	0.97	0.91	1.01	0.96
Omsk Region	505	281,337	130,693	599	1,978	24,060	1.00	0.73	0.60	0.76
Tomsk Region	278	168,211	88,028	428	1,074	21,549	1.01	0.61	0.83	0.80
FAR-EASTERN FEDERAL DISTRICT	1,860	1,426,499	681,872	3,223	6,211	31,974	1.17	0.69	0.75	0.85
Republic of Sakha (Yakutia)	321	366,986	72,265	660	957	34,205	1.31	0.87	0.48	0.82
Kamchatka Territory	121	75,417	49,518	145	317	37,030	1.49	0.81	0.92	1.04
Primorye Territory	538	374,778	208,172	643	1,933	28,340	1.09	0.91	0.83	0.94
Khabarovsk Territory	364	334,962	170,088	549	1,338	31,703	1.06	0.95	0.87	0.96
Amur Region	221	118,928	58,988	235	810	26,765	1.07	0.79	0.59	0.79
Magadan Region	59	39,418	28,525	97	148	45,846	1.56	0.64	0.91	0.97
Sakhalin Region	165	90,132	76,911	793	488	44,690	1.32	0.18	0.77	0.56
Jewish Autonomous Region	49	16,071	9,454	42	168	21,935	1.14	0.60	0.56	0.73
Chukotka Autonomous Area	22	9,807	7,951	57	51	57,310	1.70	0.27	0.60	0.65
CRIMEA FEDERAL DISTRICT	519	6,543	28,789	–	2,295	–	0.88	–	–	–
Republic of Crimea	395	5,080	19,771	–	1,896	–	0.81	–	–	–
Sevastopol	124	1,463	9,018	–	399	–	1.22	–	–	–
Total for Russian Federation	**37,405**	**37,558,647**	**18,681,821**	**58,745**	**146,267**	**27,766**	**1.00**	**1.00**	**1.00**	**1.00**

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

Table 6.2. Density of banking services in Russian regions as of 1 January 2016

Region	Number of credit institutions branches, additional, operations, and cash and credit offices	Loans extended to resident organisations and households and other placements, millions of rubles[1]	Household deposits, millions of rubles[1]	Gross Regional Product (GRP) in 2015, billions of rubles	Population, thousands	Per capita income (monthly average in 2015, rubles)	Institutional density of banking services (by population)[2]	Financial density of banking services (by volume of loans)[3]	Savings index[4]	Composite banking services density index by region[5]
1	2	3	4	5	6	7	8	9	10	11
CENTRAL FEDERAL DISTRICT	8,907	17,468,633	11,823,425	21,494	39,104	39,271	1.00	1.27	1.47	1.23
CENTRAL FEDERAL DISTRICT without Moscow (for reference)	*5,542*	*5,335,977*	*3,109,897*	*8,271*	*26,774*	*28,995*	*0.91*	*1.01*	*0.76*	*0.89*
Belgorod Region	282	372,069	182,848	639	1,550	27,687	0.80	0.91	0.81	0.84
Bryansk Region	198	141,390	87,014	251	1,226	25,124	0.71	0.88	0.54	0.70
Vladimir Region	315	164,460	150,966	338	1,397	22,686	0.99	0.76	0.91	0.88
Voronezh Region	497	461,402	277,323	732	2,333	30,220	0.93	0.99	0.75	0.88
Ivanovo Region	252	90,579	102,103	156	1,030	22,232	1.07	0.91	0.85	0.94
Kaluga Region	228	178,068	114,794	335	1,010	26,789	0.99	0.83	0.81	0.87
Kostroma Region	178	79,797	56,458	151	651	22,422	1.20	0.83	0.74	0.90
Kursk Region	236	226,441	86,765	307	1,120	25,861	0.92	1.16	0.57	0.85
Lipetsk Region	252	182,972	109,297	408	1,156	27,671	0.96	0.70	0.65	0.76
Moscow Region	1,474	2,270,201	1,168,631	2,793	7,319	38,366	0.88	1.27	0.79	0.96
Orel Region	162	100,555	63,023	186	760	22,542	0.93	0.85	0.70	0.82
Ryazan Region	228	149,567	114,596	307	1,130	24,049	0.88	0.76	0.80	0.82
Smolensk Region	163	133,695	80,458	242	959	24,036	0.75	0.86	0.67	0.75
Tambov Region	195	145,271	74,353	285	1,050	24,958	0.81	0.80	0.54	0.71
Tver Region	216	151,114	123,096	317	1,305	23,396	0.73	0.75	0.77	0.75
Tula Region	302	290,862	148,196	422	1,506	26,400	0.88	1.08	0.71	0.88
Yaroslavl Region	364	197,533	169,978	401	1,272	26,870	1.25	0.77	0.95	0.97
Moscow	3,365	12,132,657	8,713,528	13,223	12,330	61,586	1.20	1.44	2.19	1.56
NORTH-WESTERN FEDERAL DISTRICT	3,636	4,068,161	2,649,385	6,106	13,854	31,310	1.15	1.04	1.16	1.12
Republic of Karelia	168	87,187	61,840	192	630	25,924	1.17	0.71	0.72	0.84
Republic of Komi	258	124,647	105,553	496	857	33,227	1.32	0.39	0.71	0.72
Arkhangelsk Region	295	245,201	135,748	558	1,174	31,983	1.10	0.69	0.69	0.81
Vologda Region	356	199,899	121,069	401	1,188	25,882	1.31	0.78	0.75	0.92
Kaliningrad Region	239	277,174	144,501	316	976	25,387	1.07	1.37	1.11	1.18
Leningrad Region	396	359,639	131,033	737	1,779	24,374	0.98	0.76	0.58	0.75
Murmansk Region	224	167,697	138,706	331	762	35,860	1.29	0.79	0.97	1.00
Novgorod Region	184	89,982	52,715	213	616	25,593	1.31	0.66	0.64	0.82
Pskov Region	161	69,225	47,994	125	646	20,758	1.09	0.87	0.68	0.86
Saint Petersburg	1,355	2,447,510	1,710,229	2,738	5,226	37,549	1.14	1.40	1.66	1.38
SOUTHERN FEDERAL DISTRICT	3,454	2,348,365	1,313,352	4,047	14,045	27,042	1.08	0.91	0.66	0.86
Republic of Adygeya (Adygeya)	106	47,286	18,499	80	451	22,272	1.03	0.92	0.35	0.69
Republic of Kalmykia	39	28,384	8,150	48	279	13,261	0.61	0.94	0.42	0.62
Krasnodar Territory	1,490	1,139,044	583,230	1,850	5,514	31,569	1.18	0.96	0.64	0.90
Astrakhan Region	229	109,190	72,573	298	1,019	23,982	0.99	0.57	0.57	0.68
Volgograd Region	475	279,991	215,344	738	2,546	21,823	0.82	0.59	0.74	0.71
Rostov Region	1,115	744,471	415,556	1,033	4,236	26,521	1.15	1.13	0.71	0.97
NORTH CAUCASIAN FEDERAL DISTRICT	1,030	600,495	343,715	1,638	9,718	22,963	0.46	0.57	0.29	0.43
Republic of Daghestan	152	56,591	49,730	556	3,016	26,903	0.22	0.16	0.12	0.16
Republic of Ingushetia	17	10,717	4,694	54	473	13,727	0.16	0.31	0.14	0.19
Kabardino-Balkar Republic	98	66,868	28,913	122	862	18,811	0.50	0.86	0.34	0.53

Continuation of the table 6.2

1	2	3	4	5	6	7	8	9	10	11
Karachay-Cherkess Republic	47	49,871	12,966	71	468	17,955	0.44	1.09	0.29	0.52
Republic of North Ossetia — Alania	73	50,515	32,189	131	704	22,214	0.45	0.60	0.39	0.48
Chechen Republic	46	36,484	11,907	146	1,394	22,616	0.14	0.39	0.07	0.16
Stavropol Territory	597	329,449	203,315	559	2,802	22,758	0.93	0.92	0.61	0.81
VOLGA FEDERAL DISTRICT	6,972	5,232,812	2,979,484	9,468	29,674	26,096	1.03	0.87	0.73	0.87
Republic of Bashkortostan	980	664,365	306,349	1,289	4,071	27,957	1.06	0.81	0.51	0.76
Mari El Republic	139	102,874	41,778	149	686	17,465	0.89	1.08	0.66	0.86
Republic of Mordovia	193	123,288	52,291	176	807	17,615	1.05	1.09	0.70	0.93
Republic of Tatarstan (Tatarstan)	994	921,562	491,783	1,725	3,869	31,526	1.13	0.84	0.77	0.90
Udmurt Republic	377	389,075	115,913	456	1,517	24,112	1.09	1.34	0.60	0.96
Chuvash Republic — Chuvashia	248	132,331	95,231	243	1,237	18,298	0.88	0.85	0.80	0.84
Perm Territory	806	666,522	289,665	999	2,634	32,975	1.34	1.05	0.64	0.96
Kirov Region	313	128,853	97,929	258	1,297	22,328	1.06	0.78	0.64	0.81
Nizhny Novgorod Region	752	587,768	404,462	1,051	3,260	30,626	1.01	0.88	0.77	0.88
Orenburg Region	438	297,968	146,781	755	1,995	22,594	0.96	0.62	0.62	0.72
Penza Region	257	147,782	99,296	307	1,349	21,416	0.84	0.75	0.66	0.74
Samara Region	740	591,492	510,429	1,189	3,206	26,892	1.01	0.78	1.13	0.96
Saratov Region	470	285,631	226,263	580	2,488	19,832	0.83	0.77	0.87	0.82
Ulyanovsk Region	265	193,301	101,314	288	1,258	22,397	0.92	1.05	0.69	0.87
URALS FEDERAL DISTRICT	3,081	3,925,790	1,627,700	8,261	12,308	32,813	1.10	0.74	0.77	0.86
Kurgan Region	163	99,779	43,758	174	862	20,595	0.83	0.90	0.47	0.70
Sverdlovsk Region	1,043	1,318,785	591,780	1,715	4,330	34,916	1.06	1.20	0.75	0.98
Tyumen Region	1,070	1,743,152	656,964	5,346	3,615	41,248	1.30	0.51	0.84	0.82
Chelyabinsk Region	805	764,074	335,198	1,025	3,501	24,610	1.01	1.17	0.74	0.96
SIBERIAN FEDERAL DISTRICT	4,182	3,615,356	1,624,501	6,304	19,324	23,427	0.95	0.90	0.68	0.84
Altai Republic	48	26,851	7,420	40	215	18,165	0.98	1.04	0.36	0.72
Republic of Buryatia	245	133,078	46,374	191	982	26,014	1.09	1.09	0.35	0.74
Republic of Tuva	53	24,597	6,786	48	316	15,127	0.74	0.80	0.27	0.54
Republic of Khakassia	125	64,100	27,536	166	537	20,703	1.02	0.61	0.47	0.66
Altai Territory	426	259,004	147,692	462	2,377	20,826	0.79	0.88	0.57	0.73
Trans-Baikal Territory	247	119,382	55,704	235	1,083	22,954	1.00	0.80	0.43	0.70
Krasnoyarsk Territory	683	899,972	255,586	1,469	2,866	27,079	1.04	0.96	0.63	0.86
Irkutsk Region	536	450,956	210,368	937	2,413	22,607	0.97	0.75	0.74	0.81
Kemerovo Region	495	731,572	221,823	772	2,718	21,429	0.80	1.49	0.73	0.95
Novosibirsk Region	617	482,947	372,019	924	2,762	23,946	0.98	0.82	1.07	0.95
Omsk Region	473	262,678	163,217	618	1,978	25,426	1.05	0.67	0.62	0.76
Tomsk Region	234	160,218	109,975	442	1,077	24,345	0.95	0.57	0.80	0.76
FAR-EASTERN FEDERAL DISTRICT	1,676	1,428,234	833,276	3,327	6,195	36,420	1.19	0.67	0.70	0.83
Republic of Sakha (Yakutia)	293	420,629	85,427	682	960	38,110	1.34	0.97	0.45	0.83
Kamchatka Territory	113	72,127	60,737	150	316	39,692	1.57	0.75	0.92	1.03
Primorye Territory	495	354,672	261,160	664	1,929	32,984	1.12	0.84	0.78	0.90
Khabarovsk Territory	326	337,459	206,650	567	1,335	38,407	1.07	0.93	0.77	0.92
Amur Region	202	103,611	70,814	243	806	29,346	1.10	0.67	0.57	0.75
Magadan Region	50	36,149	34,295	100	146	48,503	1.50	0.57	0.92	0.92
Sakhalin Region	129	77,483	94,354	819	487	49,368	1.16	0.15	0.75	0.50
Jewish Autonomous Region	47	14,300	10,793	43	166	24,033	1.24	0.52	0.52	0.69

End of the table 6.2

1	2	3	4	5	6	7	8	9	10	11
Chukotka Autonomous Area	21	11,803	9,046	58	50	56,767	1.84	0.32	0.61	0.71
CRIMEA FEDERAL DISTRICT	491	19,634	28,789	–	2,323	14,860	0.93	–	0.16	–
Republic of Crimea	373	16,025	19,771	–	1,907	14,673	0.86	–	0.13	–
Sevastopol	118	3,609	9,018	–	416	15,747	1.24	–	0.26	–
Total for Russian Federation	**33,429**	**38,707,481**	**23,223,628**	**60,645**	**146,545**	**30,211**	**1.00**	**1.00**	**1.00**	**1.00**

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

Table 7. Banking sector key indicators

	1 January 2015	1 February 2015	1 March 2015	1 April 2015	1 May 2015	1 June 2015	1 July 2015	1 August 2015	1 September 2015	1 October 2015	1 November 2015	1 December 2015	1 January 2016
Assets													
Assets (liabilities), billions of rubles	77,653	80,753	76,378	74,447	72,328	72,289	73,513	74,841	78,413	79,211	78,123	79,028	83,000
growth for one month, %	9.1	4.0	–5.4	–2.5	–2.8	–0.1	1.7	1.8	4.8	1.0	–1.4	1.2	5.0
growth for twelve months, %	35.2	38.2	29.2	25.4	20.1	18.1	19.8	20.5	25.5	23.6	16.6	11.1	6.9
Loans to the economy (non-financial organisations and households), billions of rubles	40,866	42,861	41,213	40,572	39,425	39,653	40,111	41,031	42,568	42,505	42,349	43,016	43,985
growth for one month, %	3.8	4.9	–3.8	–1.6	–2.8	0.6	1.2	2.3	3.7	–0.1	–0.4	1.6	2.3
growth for twelve months, %	25.9	29.5	23.0	19.1	13.5	13.6	14.7	15.0	17.6	15.2	11.4	9.3	7.6
share of foreign currency loans, %	24.8	28.8	26.8	26.1	23.9	24.5	25.5	26.6	28.9	28.4	27.7	28.7	30.8
Loans to non-financial organisations, billions of rubles	29,536	31,608	30,127	29,632	28,601	28,879	29,384	30,293	31,801	31,748	31,635	32,343	33,301

Continuation of the table 7

	1 January 2015	1 February 2015	1 March 2015	1 April 2015	1 May 2015	1 June 2015	1 July 2015	1 August 2015	1 September 2015	1 October 2015	1 November 2015	1 December 2015	1 January 2016
growth for one month, %	5.3	7.0	–4.7	–1.6	–3.5	1.0	1.7	3.1	5.0	–0.2	–0.4	2.2	3.0
growth for twelve months, %	31.3	36.6	28.7	24.3	17.6	18.4	20.7	21.8	26.0	23.0	18.1	15.3	12.7
share of foreign currency loans, %	33.3	38.0	35.6	34.7	32.1	32.8	34.0	35.1	37.8	37.2	36.2	37.4	39.8
Household loans, billions of rubles	11,330	11,254	11,086	10,941	10,823	10,774	10,727	10,738	10,767	10,757	10,713	10,673	10,684
growth for one month, %	0.1	–0.7	–1.5	–1.3	–1.1	–0.5	–0.4	0.1	0.3	–0.1	–0.4	–0.4	0.1
growth for twelve months, %	13.8	12.8	9.8	7.0	3.9	2.4	0.8	–0.8	–1.8	–3.1	–4.4	–5.7	–5.7
share of foreign currency loans, %	2.7	3.2	2.9	2.7	2.3	2.3	2.4	2.5	2.7	2.7	2.5	2.5	2.7
Housing mortgage loans, billions of rubles	3,528	3,559	3,565	3,560	3,563	3,587	3,609	3,646	3,702	3,745	3,788	3,839	3,982
growth for one month, %	2.3	0.9	0.2	–0.2	0.1	0.7	0.6	1.0	1.5	1.2	1.2	1.3	3.7
growth for twelve months, %	33.2	32.7	29.8	26.7	22.7	20.5	18.8	16.4	15.7	14.2	12.9	11.3	12.9
Car loans, billions of rubles	915	865	857	833	815	802	782	775	769	752	737	721	712
growth for one month, %	–0.1	–5.4	–0.9	–2.8	–2.2	–1.5	–2.5	–1.0	–0.7	–2.3	–2.0	–2.2	–1.1
growth for twelve months, %	–2.1	–5.4	–6.5	–9.5	–11.3	–12.3	–14.4	–15.1	–15.4	–17.4	–20.5	–21.3	–22.1
Unsecured consumer loans[1], billions of rubles	6,393	6,263	6,163	6,059	5,975	5,918	5,876	5,862	5,827	5,785	5,730	5,663	5,600
growth for one month, %	–1.1	–2.0	–1.6	–1.7	–1.4	–1.0	–0.7	–0.2	–0.6	–0.7	–0.9	–1.2	–1.1
growth for twelve months, %	8.9	6.6	4.0	1.1	–1.8	–4.2	–5.8	–7.2	–8.8	–10.1	–11.0	–12.4	–12.4

Continuation of the table 7

	1 January 2015	1 February 2015	1 March 2015	1 April 2015	1 May 2015	1 June 2015	1 July 2015	1 August 2015	1 September 2015	1 October 2015	1 November 2015	1 December 2015	1 January 2016
Loans to resident financial institutions (other than credit institutions), billions of rubles	1,306	1,297	1,625	1,640	1,556	1,534	1,585	1,601	1,669	1,508	1,498	1,513	1,659
growth for one month, %	–5.0	–0.7	25.3	0.9	–5.1	–1.4	3.3	1.0	4.3	–9.6	–0.7	1.0	9.7
growth for twelve months, %	10.8	12.7	43.2	46.1	33.0	25.7	25.4	22.8	30.3	15.1	12.8	10.1	27.0
share of foreign currency loans, %	13.1	15.8	31.0	30.8	28.9	30.9	29.3	30.3	30.9	23.2	23.0	22.9	28.2
Capital and financial result													
Capital, billions of rubles	7,928	7,848	7,772	8,070	8,022	8,084	8,166	8,454	8,726	8,735	8,824	8,891	9,009
growth for one month, %	0.8	–1.0	–1.0	3.8	–0.6	0.8	1.0	3.5	3.2	0.1	1.0	0.8	1.3
growth for twelve months, %	12.2	10.9	7.2	10.5	9.2	9.2	10.8	13.3	15.8	14.5	14.0	13.1	13.6
N1.0 capital adequacy (N1), %	12.5	12.0	12.2	12.9	12.9	13.0	12.9	13.0	13.0	13.0	12.9	12.9	12.7
Credit institutions having N1.0 (N1) ratio below 11%	27	41	38	31	36	44	36	78	62	46	47	55	35
Loss provision balances[2], billions of rubles	4,054	4,338	4,323	4,362	4,382	4,524	4,625	4,808	4,993	5,017	5,072	5,175	5,406
year to date growth	1,202	284	269	308	328	469	571	754	939	963	1,018	1,121	1,352
Current-year profits	589	–24	–36	6	–17	9	51	34	76	127	193	264	192
Return on assets[3], %	0.9	0.7	0.6	0.5	0.4	0.4	0.3	0.2	0.1	0.04	0.1	0.1	0.3
Return on equity[3],%	7.9	6.3	5.1	4.8	3.6	3.4	2.4	1.4	0.9	0.4	0.6	0.9	2.3
Liabilities													
Household deposits, billions of rubles	18,553	19,329	19,077	19,093	19,133	19,383	19,892	20,403	21,122	21,215	21,193	21,419	23,219
growth for one month, %	2.6	4.2	–1.3	0.1	0.2	1.3	2.6	2.6	3.5	0.4	–0.1	1.4	8.0

End of the table 7

	1 January 2015	1 February 2015	1 March 2015	1 April 2015	1 May 2015	1 June 2015	1 July 2015	1 August 2015	1 September 2015	1 October 2015	1 November 2015	1 December 2015	1 January 2016
growth for twelve months, %	9.4	15.8	12.8	15.3	13.6	15.7	17.8	19.2	22.3	22.6	19.8	18.8	25.2
share of foreign currency loans, %	26.1	30.1	27.2	26.3	24.2	24.8	25.5	26.5	29.0	28.9	28.3	28.5	29.4
Deposits and funds on organisations' accounts (other than credit institutions), billions of rubles	23,419	25,857	24,350	23,081	21,748	21,773	22,364	22,650	24,377	24,914	24,311	24,884	27,064
growth for one month, %	15.4	10.4	–5.8	–5.2	–5.8	0.1	2.7	1.3	7.6	2.2	–2.4	2.4	8.8
growth for twelve months, %	38.6	48.4	35.4	29.3	23.3	22.1	28.2	29.3	38.1	36.7	27.6	22.6	15.6
share of foreign currency loans, %	43.8	50.2	46.9	46.2	43.2	42.7	44.7	45.9	48.3	49.2	48.9	48.6	48.9
Loans extended by the Bank of Russia, billions of rubles	9,287	7,728	7,690	7,573	7,516	6,839	6,931	6,693	6,527	5,758	5,457	4,931	5,363
Share of liabilities, %	12.0	9.6	10.1	10.2	10.4	9.5	9.4	8.9	8.3	7.3	7.0	6.2	6.5

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

Table 8. Bank assets grouped by investment

	Assets	1 January 2015	1 April 2015	1 July 2015	1 October 2015	1 January 2016
1	Money, precious metals and gemstones, total	2,754	1,742	1,597	1,602	1,898
1.1	Including: money	2,672	1,681	1,524	1,509	1,801
2	Accounts with the Bank of Russia and authorised bodies of other countries, total	3,298	2,389	2,136	2,104	2,464
	Including:					
2.1	Bank correspondent accounts with the Bank of Russia	1,557	1,582	1,374	1,456	1,537
2.2	Bank required reserves transferred to the Bank of Russia	470	504	463	360	365
2.3	Deposits and other funds placed with the Bank of Russia	1,268	292	293	281	558
3	Correspondent accounts with credit institutions, total	2,675	2,544	2,672	2,771	2,536
	Including:					
3.1	Correspondent accounts with correspondent credit institutions	760	597	576	668	611

End of the table 8

	Assets	1 January 2015	1 April 2015	1 July 2015	1 October 2015	1 January 2016
3.2	Correspondent accounts with non-resident banks	1,916	1,947	2,096	2,103	1,925
4	Securities acquired by credit institutions, total	9,724	9,544	9,696	10,952	11,777
	Including:					
4.1	Debt obligations	7,651	7,666	7,716	8,928	9,616
4.2	Equities	489	339	320	285	295
4.3	Discounted bills	218	168	173	178	204
4.4	Shares of subsidiaries and affiliated joint-stock companies	1,366	1,371	1,488	1,561	1,662
5	Other stakes in authorised capital	428	449	468	500	568
6	Financial derivatives	2,299	1,727	1,204	1,352	1,261
7	Loans, total	52,116	51,442	51,223	55,319	57,511
	Including:					
7.1	Loans, deposits and other placements	51,799	51,111	50,882	54,941	57,155
	including overdue debt	1,978	2,301	2,590	2,809	3,047
	Of which:					
7.1.1	Loans and other placements with non-financial organisations	29,536	29,632	29,384	31,748	33,301
	Including overdue debt	1,251	1,488	1,721	1,829	2,076
7.1.2	Loans and other funds extended to households	11,330	10,941	10,727	10,757	10,684
	including overdue debt	667	759	806	859	864
7.1.3	Loans, deposits and other placements with credit institutions	6,895	6,190	6,724	8,342	8,610
	including overdue debt	44	38	30	86	64
8	Fixed assets, other real estate, intangible assets and inventories	1,222	1,225	1,228	1,227	1,278
8.1	Including real estate temporarily unused in core activities	74	81	85	85	109
9	Disposition of profits	177	50	48	100	125
	including profit tax	158	48	47	97	110
10	Other assets, total	2,960	3,336	3,241	3,284	3,580
	Including:					
10.1	Float	1,611	1,695	1,626	1,622	1,826
10.2	Debtors	307	426	402	386	404
10.3	Deferred expenses	148	149	146	141	134
Total assets		**77,653**	**74,447**	**73,513**	**79,211**	**83,000**

Table 9. Bank liabilities grouped by source of funds

	Liabilities	1 January 2015	1 April 2015	1 July 2015	1 October 2015	1 January 2016
1	Bank funds and profits, total	6,922	6,884	6,974	7,393	7,552
	Including:					
1.1	Funds	3,357	3,550	3,675	4,054	4,181
1.2	Profits (losses), including previous-year financial results	3,479	3,319	3,292	3,304	3,338
	Including:					
1.2.1	Current-year profits (losses)	589	6	51	127	192
2	Loans, deposits and other funds received by credit institutions from the Bank of Russia	9,287	7,573	6,931	5,758	5,363
3	Bank accounts, total	965	742	719	878	801

End of the table 9

	Liabilities	1 January 2015	1 April 2015	1 July 2015	1 October 2015	1 January 2016
	Including:					
3.1	Correspondent banks' correspondent accounts	688	526	511	568	512
3.2	Non-resident banks' correspondent accounts	169	139	135	248	177
4	Loans, deposits and other funds received from other credit institutions, total	6,594	5,045	4,968	6,159	7,091
5	Customer funds, total[1]	43,814	44,332	44,376	49,018	51,907
	Including:					
5.1	Budget funds in settlement accounts	72	90	84	83	66
5.2	Government and extra-budgetary funds in settlement accounts	0	0	0	0	0
5.3	Organisations' funds in settlement and other accounts	7,435	8,272	7,927	8,742	8,905
5.4	Customer float	551	614	526	536	488
5.5	Deposits and other funds raised by legal entities (other than credit institutions)	17,008	16,091	15,793	18,260	19,018
5.6	Household deposits	18,553	19,093	19,892	21,215	23,219
5.7	Customer funds in factoring and forfeiting operations	26	16	14	17	22
6	Bonds	1,358	1,323	1,331	1,278	1,266
7	Bills and bank acceptances	868	752	658	660	696
8	Financial derivatives	1,953	1,333	872	938	881
9	Other liabilities, total	5,892	6,464	6,685	7,130	7,443
	Including:					
9.1	Loss provisions	4,054	4,362	4,625	5,017	5,406
9.2	Float	1,160	1,173	1,128	1,092	1,076
9.3	Creditors	78	124	122	116	80
9.4	Deferred income	13	11	10	11	15
9.5	Accrued interest and interest/coupon liabilities on securities	527	637	644	765	693
	Including:					
9.6	Overdue interest	0	0	0	0	0
Total liabilities		**77,653**	**74,447**	**73,513**	**79,211**	**83,000**

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

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

	1 January 2015	1 February 2015	1 March 2015	1 April 2015	1 May 2015	1 June 2015	1 July 2015	1 August 2015	1 September 2015	1 October 2015	1 November 2015	1 December 2015	1 January 2016
Legal entities													
Share of overdue loans in total value of loans to non-financial organisations, %	4.2	4.5	4.8	5.0	5.6	5.8	5.9	6.0	5.8	5.8	5.9	6.2	6.2
Share of overdue loans in total value of loans to resident financial institutions (other than credit institutions), %	1.2	1.3	1.0	1.1	1.4	1.9	2.1	2.0	2.1	2.3	2.3	2.6	2.6

End of the table 10

	1 January 2015	1 February 2015	1 March 2015	1 April 2015	1 May 2015	1 June 2015	1 July 2015	1 August 2015	1 September 2015	1 October 2015	1 November 2015	1 December 2015	1 January 2016
Share of Quality Category IV and Quality Category V loans in total value of loans to legal entities (other than credit institutions), %	7.2	7.2	7.6	7.9	8.7	9.0	8.9	9.0	8.9	8.9	9.0	9.3	9.1
Loss provisions for loans to legal entities (other than credit institutions), as % of total value of such loans	6.8	6.9	7.1	7.2	7.6	7.9	7.9	8.0	8.1	8.0	8.1	8.3	8.4
Individuals													
Share of overdue loans in total value of household loans, %	5.9	6.3	6.6	6.9	7.1	7.4	7.5	7.8	7.9	8.0	8.1	8.1	8.1
Share of loans not repaid on the due date in a month preceding the reporting date, %	15.4	16.6	15.3	18.5	18.3	17.6	19.6	18.0	17.5	16.2	16.4	16.3	15.1
Share of Quality Category IV and Quality Category V loans in total loan value, %	9.9	10.5	10.9	11.4	11.6	12.2	12.4	12.6	12.9	13.0	13.1	13.1	12.9
Loss provisions for loans, as % of total value of such loans	9.6	10.2	10.6	11.0	11.2	11.6	11.7	12.1	12.2	12.4	12.5	12.5	12.4
Loss provisions for loans with arrears exceeding 90 days, as % of total value of such loans	84.2	84.8	85.0	85.3	85.5	84.6	84.8	85.5	86.1	86.4	86.8	86.9	87.2

Table 11. Data on housing mortgage loans (HML)[1] in 2015

	1 January 2015	1 February 2015	1 March 2015	1 April 2015	1 May 2015	1 June 2015	1 July 2015	1 August 2015	1 September 2015	1 October 2015	1 November 2015	1 December 2015	1 January 2016
HMLs, total, billions of rubles	3,528	3,559	3,565	3,560	3,563	3,587	3,609	3,646	3,702	3,745	3,788	3,839	3,982
growth for one month, %	2.3	0.9	0.2	-0.2	0.1	0.7	0.6	1.0	1.5	1.2	1.2	1.3	3.7
growth for twelve months, %	33.2	32.7	29.8	26.7	22.7	20.5	18.8	16.4	15.7	14.2	12.9	11.3	12.9
including overdue HMLs, billions of rubles	46	51	49	50	49	51	53	55	60	61	60	63	66
growth for one month, %	-0.5	9.8	-2.9	2.0	-1.8	3.4	4.0	4.0	8.1	1.8	-0.3	3.7	5.6
growth for twelve months, %	16.3	25.1	19.5	23.5	20.4	25.2	31.4	32.5	42.5	43.9	38.1	35.4	43.6
share of overdue loans in total HMLs, %	1.3	1.4	1.4	1.4	1,4	1.4	1.5	1.5	1.6	1.6	1.6	1.6	1.7
Value of HMLs extended year-to-date, billions of rubles	1,764	71	150	218	299	373	461	558	653	762	873	986	1,162
as % on corresponding period of previous year	130.3	88.9	75.7	65.1	60.2	59.0	59.9	60.1	60.9	62.4	63.0	64.1	65.8

Continuation of the table 11

	1 January 2015	1 February 2015	1 March 2015	1 April 2015	1 May 2015	1 June 2015	1 July 2015	1 August 2015	1 September 2015	1 October 2015	1 November 2015	1 December 2015	1 January 2016
Volume of HMLs extended year-to-date, thousands	1,013	43	92	135	184	228	280	339	396	461	527	594	700
growth for one month, thousands	130	43	49	43	49	44	52	58	58	65	66	67	105
as % on corresponding period of previous year	122.8	90.2	78.1	68.2	63.2	61.7	62.5	62.9	63.8	65.5	66.1	67.3	69.1
Extra item: acquired HML receivables due	106	107	105	100	99	79	78	101	106	101	104	104	117
HMLs in foreign currency													
HMLs in foreign currency, billions of rubles	136	165	144	135	115	113	116	119	132	129	122	122	131
growth for one month, %	6.1	20.9	-12.8	-5.9	-15.4	-1.4	2.5	3.2	11.0	-2.5	-5.4	0.0	7.3
growth for twelve months, %	21.9	38.7	21.8	20.5	3.8	7.2	15.4	14.4	26.7	18.9	4.3	-5.0	-4.0
Value of foreign-currency HMLs extended year-to-date, billions of rubles	10.83	0.27	0.46	0.96	1.16	1.47	1.70	2.19	2.62	2.79	2.95	3.03	3.90
as % on corresponding period of previous year	71.3	84.4	46.5	56.2	42.7	46.2	46.3	50.0	48.8	43.8	41.1	35.4	36.0
share in total HMLs, %	0.6	0.4	0.3	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.3	0.3	0.3
Volume of HMLs in foreign currency extended year-to-date, pieces	750	9	14	24	28	41	54	66	72	78	85	86	91
growth for one month, pieces	42	9	5	10	4	13	13	12	6	6	7	1	5
as % on corresponding period of previous year	40.2	14.1	9.9	11.1	9.5	11.7	13.0	13.5	12.9	12.6	12.9	12.1	12.1
share in total HMLs, %	0.07	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.01	13.15
Acquired foreign currency HML receivables due, billions of rubles	34	39	35	34	29	27	28	32	36	31	33	33	35
growth for one month, %	10.7	16.8	-12.4	-2.8	-13.7	-7.7	3.0	17.3	10.7	-14.0	7.2	0.9	6.6
growth for twelve months, %	39.3	53.6	35.6	26.0	11.9	8.7	18.1	34.1	45.7	20.4	19.7	9.0	4.9
Acquired foreign currency HML receivables due, billions of US dollars	0.6	0.6	0.6	0.6	0.6	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
growth for one month, %	-2.9	-4.7	-1.5	1.8	-2.4	-9.9	-1.8	10.4	-1.8	-13.7	10.3	-1.9	-3.1

End of the table 11

	1 January 2015	1 February 2015	1 March 2015	1 April 2015	1 May 2015	1 June 2015	1 July 2015	1 August 2015	1 September 2015	1 October 2015	1 November 2015	1 December 2015	1 January 2016
growth for twelve months, %	-19.0	-21.5	-20.2	-23.1	-22.8	-28.7	-28.4	-18.8	-19.1	-28.4	-19.3	-18.9	-19.0
HMLs in foreign currency including acquired receivables due, billions of rubles	170	204	178	169	144	140	143	152	168	160	155	155	167
growth for one month, %	7.0	20.0	-12.8	-5.3	-15.0	-2.7	2.6	5.9	10.9	-4.9	-3.0	0.2	7.1
growth for twelve months, %	25.0	41.3	24.2	21.6	5.3	7.5	15.9	18.1	30.3	19.2	7.2	-2.3	-2.2
HMLs in foreign currency including acquired receivables due, billions of US dollars	3.0	3.0	2.9	2.9	2.8	2.6	2.6	2.6	2.5	2.4	2.4	2.3	2.3
growth for one month, %	-6.2	-2.0	-1.9	-0.7	-3.9	-5.0	-2.2	-0.3	-1.6	-4.6	-0.2	-2.6	-2.6
growth for twelve months, %	-27.3	-27.7	-26.9	-25.8	-27.3	-29.5	-29.8	-28.5	-27.6	-29.1	-27.7	-27.3	-24.5
Ruble HMLs													
Ruble HMLs, billions of rubles	3,392	3,394	3,421	3,424	3,449	3,474	3,493	3,527	3,569	3,615	3,665	3,716	3,851
growth for one month, %	2.1	0.1	0.8	0.1	0.7	0.7	0.6	1.0	1.2	1.3	1.4	1.4	3.6
growth for twelve months, %	33.7	32.4	30.2	26.9	23.4	21.0	19.0	16.5	15.3	14.1	13.2	11.9	13.5
Volume of ruble HMLs extended year-to-date, billions of rubles	1,753	70	150	217	298	371	459	555	651	759	870	983	1,158
as % on corresponding period of previous year	131.0	88.9	75.9	65.2	60.3	59.1	59.9	60.2	60.9	62.5	63.1	64.3	66.0

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

Table 12. Household deposits in 2015

	1 January 2015	1 February 2015	1 March 2015	1 April 2015	1 May 2015	1 June 2015	1 July 2015	1 August 2015	1 September 2015	1 October 2015	1 November 2015	1 December 2015	1 January 2016
Total, billions of rubles	18,553	19,329	19,077	19,093	19,133	19,383	19,892	20,403	21,122	21,215	21,193	21,491	23,219
growth for one month, %	2.6	4.2	-1.3	0.1	0.2	1.3	2.6	2.6	3.5	0.4	-0.1	1.4	8.0
Ruble deposits, billions of rubles	13,707	13,519	13,888	14,075	14,509	14,578	14,810	14,995	15,002	15,077	15,198	15,364	16,398
growth for one month, %	-0.6	-1.4	2.7	1.3	3.1	0.5	1.6	1.2	0.0	0.5	0.8	1.1	6.7

End of the table 12

	1 January 2015	1 February 2015	1 March 2015	1 April 2015	1 May 2015	1 June 2015	1 July 2015	1 August 2015	1 September 2015	1 October 2015	1 November 2015	1 December 2015	1 January 2016
Foreign-currency deposits, billions of rubles	4,846	5,809	5,189	5,018	4,624	4,805	5,082	5,408	6,120	6,138	5,995	6,128	6,821
Foreign-currency deposits, billions of dollars	86.1	84.3	84.7	85.8	89.4	90.7	91.5	91.7	92.1	92.7	93.1	92.5	93.6
growth for one month, %	-1.3	-2.2	0.5	1.3	4.2	1.4	0.9	0.1	0.4	0.7	0.5	-0.7	1.2
Share of foreign-currency deposits in total deposit value, %	26.1	30.1	27.2	26.3	24.2	24.8	25.5	26.5	29.0	28.9	28.3	28.5	29.4

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

	2015											
	January	February	March	April	May	June	July	August	September	October	November	December
Ruble funds												
Loans to non-financial organisations	15.09	16.36	16.45	15.80	16.25	15.12	14.87	14.58	14.19	14.39	14.17	12.95
including small and medium-sized businesses	17.77	17.63	17.38	17.64	17.57	16.67	16.81	16.19	15.46	15.29	16.02	15.05
Deposits of non-financial organisations	13.57	13.74	13.05	12.41	11.67	11.33	11.72	10.25	10.94	10.86	9.97	10.82
Household loans	19.46	20.51	21.83	20.74	20.48	19.53	19.29	18.90	18.45	18.27	18.02	17.45
housing mortgage loans	14.16	14.71	14.70	14.05	13.46	13.29	13.44	12.88	13.12	12.89	12.29	12.73
Household deposits	13.11	11.46	11.08	10.74	10.29	10.22	9.52	9.25	9.28	8.87	8.88	9.25
US dollar funds												
Loans to non-financial organisations	8.80	7.66	8.08	9.40	8.43	9.24	8.13	8.97	7.32	8.56	7.01	6.86
including small and medium-sized businesses	11.41	11.12	10.98	11.52	8.99	8.48	10.30	10.70	9.29	9.07	8.71	9.40
Deposits of non-financial organisations	7.03	6.51	6.81	5.80	5.54	4.89	4.06	5.28	3.16	4.45	3.91	4.83
Household loans	10.97	10.65	10.80	11.32	10.36	10.15	11.44	11.72	11.12	11.91	11.16	11.20
Household deposits	5.51	5.35	5.39	4.53	4.75	4.22	3.72	3.31	3.15	3.05	2.76	2.93
Euro funds												
Loans to non-financial organisations	6.71	7.42	8.24	7.39	6.46	8.64	6.63	6.35	6.88	5.69	7.04	6.90
including small and medium-sized businesses	10.91	7.92	7.43	8.82	7.88	10.24	7.73	7.30	9.46	10.18	10.92	10.30
Deposits of non-financial organisations	5.69	4.55	5.81	4.84	4.33	2.96	3.43	2.22	2.86	2.61	2.07	1.92
Household loans	12.86	12.21	8.90	11.31	10.10	11.80	11.71	10.71	9.82	9.71	10.17	7.79
Household deposits	4.96	4.31	4.55	4.37	4.12	3.35	2.98	2.52	2.39	2.33	1.94	1.86

Table 14. Indicators of individual groups of credit institutions[1]

Group of credit institutions	Number of credit institutions		Share of banking sector total assets, %		Share of banking sector total capital, %	
	1 January 2015	1 January 2016	1 January 2015	1 January 2016	1 January 2015	1 January 2016
State-controlled banks	25	24	58.4	58.6	57.0	60.6
Foreign-controlled banks	70	79	9.6	8.8	11.8	11.8
Large private banks	146	135	28.5	29.8	24.9	23.3
Small and medium-sized banks based in the Moscow Region	261	199	1.7	1.2	3.1	2.0
Small and medium-sized regional banks	281	244	1.4	1.3	2.4	2.0
Non-bank credit institutions	51	52	0.4	0.3	0.9	0.3
Total	**834**	**733**	**100.0**	**100.0**	**100.0**	**100.0**

[1] *Criteria for such grouping and indicators of the above groups of credit institutions are used solely for the purposes of analysis within this Report.*

Table 15. Accounting (financial) statements aggregates on non-financial organisations with assets exceeding 10 billion rubles

Indicator	Organisations with assets											
	exceeding 10 billion rubles, total			including								
				exceeding 100 billion rubles			from 50 to 100 billion rubles			from 10 to 50 billion rubles		
	30 September 2015	31 December 2014	Growth for the first 9 months of 2015, %	30 September 2015	31 December 2014	Growth for the first 9 months of 2015, %	30 September 2015	31 December 2014	Growth for the first 9 months of 2015, %	30 September 2015	31 December 2014	Growth for the first 9 months of 2015, %
ASSETS	67,153	62,847	6.9	59,200	55,432	6.8	3,286	3,026	8.6	4,668	4,390	6.3
Non-working assets, of which:	45,638	43,778	4.2	41,640	39,968	4.2	1,613	1,513	6.6	2,385	2,297	3.8
Fixed assets	23,114	23,007	0.5	20,592	20,523	0.3	1,026	1,015	1.1	1,495	1,470	1.7
Financial investments	19,370	17,829	8.6	18,336	16,907	8.5	423	341	23.8	611	580	5.4
Current assets, of which:	21,515	19,069	12.8	17,560	15,464	13.6	1,672	1,512	10.6	2,283	2,093	9.1
Inventories	3,157	2,721	16.0	2,040	1,809	12.8	482	377	27.7	636	535	18.8
Receivables	10,093	9,253	9.1	8,116	7,381	9.9	853	815	4.6	1,124	1,056	6.5
Financial investments (excluding cash equivalents)	4,588	3,840	19.5	4,200	3,490	20.3	133	125	6.3	254	224	13.5
Cash and cash equivalents	3,168	2,691	17.7	2,849	2,349	21.3	126	126	0.1	192	215	-10.8
LIABILITIES	67,153	62,847	6.9	59,200	55,432	6.8	3,286	3,026	8.6	4,668	4,390	6.3
CAPITAL AND PROVISIONS	34,244	32,932	4.0	31,470	30,363	3.6	1,090	986	10.5	1,684	1,583	6.4
Authorised capital	6,708	6,578	2.0	6,049	5,976	1.2	323	275	17.3	336	327	2.7
Retained earnings (retained loss)	16,030	14,945	7.3	14,821	13,888	6.7	415	353	17.7	793	704	12.6
LIABILITIES	32,909	29,915	10.0	27,730	25,069	10.6	2,195	2,039	7.7	2,983	2,807	6.3
Fixed liabilities, of which:	19,735	16,958	16.4	17,565	14,894	17.9	923	895	3.1	1,247	1,169	6.7
Borrowed funds	15,890	14,344	10.8	14,117	12,647	11.6	771	750	2.8	1,002	947	5.8
Current liabilities, of which:	13,174	12,957	1.7	10,166	10,174	-0.1	1,273	1,144	11.2	1,736	1,639	5.9
Borrowed funds	5,488	5,259	4.4	4,441	4,319	2.8	441	346	27.6	606	594	2.1
Payables	7,019	6,730	4.3	5,220	5,044	3.5	755	728	3.7	1,045	958	9.1

End of the table 15

Indicator	Organisations with assets											
	exceeding 10 billion rubles, total			including								
				exceeding 100 billion rubles			from 50 to 100 billion rubles			from 10 to 50 billion rubles		
	30 September 2015	31 December 2014	Growth for the first 9 months of 2015, %	30 September 2015	31 December 2014	Growth for the first 9 months of 2015, %	30 September 2015	31 December 2014	Growth for the first 9 months of 2015, %	30 September 2015	31 December 2014	Growth for the first 9 months of 2015, %
FINANCIAL RESULT												
	First 9 months of 2015	First 9 months of 2014	Growth as % of the first 9 months of 2014	First 9 months of 2015	First 9 months of 2014	Growth as % of the first 9 months of 2014	First 9 months of 2015	First 9 months of 2014	Growth as % of the first 9 months of 2014	First 9 months of 2015	First 9 months of 2014	Growth as % of the first 9 months of 2014
Proceeds	21,769	20,323	7.1	17,732	16,885	5.0	1,562	1,260	24.0	2,474	2,178	13.6
Cost of sales	14,390	13,136	9.5	11,515	10,518	9.5	1,133	1,009	12.2	1,742	1,609	8.3
Sales profit (loss)	3,262	2,934	11.2	2,720	2,643	2.9	258	122	112.5	284	170	67.5
Income from shareholding	858	495	73.4	832	463	79.5	8	3	135.9	18	28	-34.7
Interest receivables	625	367	70.0	560	330	69.8	19	12	65.8	45	26	75.4
Interest payable	1,057	622	69.9	875	503	74.1	69	44	56.1	113	75	50.0
Balance of other income and expenses	-735	-957	-23.1	-645	-889	-27.5	-46	-33	40.4	-45	-35	27.1
Other income	10,032	5,644	77.7	9,380	5,236	79.1	237	140	69.7	415	268	54.8
Other expenses	10,768	6,601	63.1	10,025	6,125	63.7	283	172	64.2	460	304	51.6
Profit (loss) before taxes	2,952	2,217	33.2	2,592	2,044	26.8	171	60	185.8	190	113	67.8
Current profit tax	523	412	27.0	446	369	20.8	35	16	111.5	42	26	61.3
Net profit (loss)	2,462	1,745	41.1	2,175	1,609	35.2	134	45	200.3	152	92	65.6

Table 16. Banking Sector Capital Structure, %[1]

Indicators	1 January 2015	1 April 2015	1 July 2015	1 October 2015	1 January 2016
1. Capital growth factors	**117.8**	**121.0**	**121.7**	**122.7**	**124.7**
1.1. Authorised capital	24.1	23.8	24.0	27.0	26.8
1.2. Share premium	17.9	17.7	17.5	16.6	16.1
1.3. Profit and funds of credit institutions	47.4	48.2	47.6	45.3	45.6
1.4. Subordinated loans received	25.5	28.5	29.6	31.1	33.6
1.5. Revaluation surplus	2.8	2.9	2.9	2.7	2.5
1.6. Other factors	0.0	0.0	0.0	0.0	0.0
2. Capital reducing factors	**17.8**	**21.0**	**21.7**	**22.7**	**24.7**
2.1. Losses	4.4	7.4	7.2	8.0	9.1
2.2. Intangible assets	0.2	0.3	0.3	0.3	0.4
2.3. Own shares (stakes) bought out	0.0	0.0	0.0	0.0	0.0
2.4. Sources of capital formed from improper assets	0.1	0.1	0.1	0.1	0.1
2.5. Subordinated loans issued	1.9	2.5	2.5	2.7	3.4
2.6. Bank share (stakes) portfolio	10.1	9.5	10.2	10.1	10.0
2.7. Other factors	0.9	1.4	1.4	1.5	1.7
Capital, total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

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

Table 17. Categorised indicators on credit institutions ranked by capital value

Credit institutions by capital value	Number of credit institutions		Return on equity[1], %		Return on assets[1], %	
	1 January 2015	1 January 2016	1 January 2015	1 January 2016	1 January 2015	1 January 2016
Up to 300 million rubles	61	70	-906.1	97.8	-39.1	-7.6
300 million rubles to 500 million rubles	271	199	11.8	2.9	2.4	0.7
500 million rubles to one billion rubles	133	127	3.6	4.7	0.5	0.8
One billion rubles to three billion rubles	185	164	3.1	4.6	0.4	0.7
Three billion rubles to five billion rubles	54	40	8.4	10.9	1.2	1.8
Five billion rubles to ten billion rubles	45	47	11.1	8.8	1.5	1.2
Ten billion rubles and over	85	86	10.5	3.8	1.2	0.4
Total for banking sector	**834**	**733**	**7.9**	**2.3**	**0.9**	**0.3**

[1] *For 12 months preceding the reporting date.*

Table 18. Quantitative and qualitative characteristics of supervisors of the Bank of Russia head office and regional branches (Form 1-k, as of 1 January 2016)

Name of unit	Approved payroll as of 1 January 2016	Total number of employees as of 1 January 2016 (excluding employed under fixed-term contract and part-timers)	of whom:							
			age			education		duration of work in banking system		women
			under 30 y.o. (born in or after 1986)	50+ y.o. (born in or before 1965)	of whom women aged 55+ y.o. and men aged 60+ y.o.	higher education	secondary vocational training	up to 3 years (inclusive)	15+ years	
	1	2	3	4	5	6	7	8	9	10
Head office										
Credit Institutions Licensing and Financial Rehabilitation Department	135	135	10	40	14	130	4	11	84	100
Banking Supervision Department	127	127	20	40	20	126	1	21	56	74
Banking Regulation Department	82	81	19	22	9	78	1	23	27	57
Systematically Important Banks Supervision Department	93	93	20	15	5	93		16	51	60
Bank of Russia Chief Inspection	1,648	1,648	288	314	92	1,628	10	292	747	949
Financial Monitoring and Foreign Exchange Control Department	101	102	15	30	9	99	1	17	53	63
Total	**2,186**	**2,186**	**372**	**461**	**149**	**2,154**	**17**	**380**	**1,018**	**1,303**
Regional branches										
Division (Section) for Licensing of Credit Institutions	139	141	34	26	8	139	1	22	75	116
Division (Section) for Licensing and Liquidation of Credit Institutions	109	109	17	20	10	107	2	10	55	96
Division for Supervision Arrangement and Monitoring	81	81	18	19	7	80	1	5	40	59
Division (Section, Sector) for Banking Supervision	1,669	1,660	276	320	84	1,629	27	187	913	1,340
Division (Section, Sector) for Major Banks Supervision	19	19	7	1		19		6	5	13
Division (Section) for Securities Market Analysis	55	55	8	18	9	54	1	5	36	42
Financial Monitoring and Foreign Exchange Control Division (Section, Sector)	942	942	153	169	35	928	12	138	501	666
Banking Supervision Section of the Main Brach of the Central Bank of the Russian Federation	60	60	17	13	6	54	4	8	30	52
Total	3,074	3,067	530	586	159	3,010	48	381	1,655	2,384
Total	**5,260**	**5,253**	**902**	**1,047**	**308**	**5,164**	**65**	**761**	**2,673**	**3,687**