THE CENTRAL BANK OF THE RUSSIAN FEDERATION

# BANKING SUPERVISION REPORT 2011

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# Foreword

Dear readers,

The economic development of the Russian Federation in 2011 was quite successful, despite a range of difficulties that affected the European financial market. Russia was one of the leaders among the G-20 in terms of its GDP growth rate (4.3%). This economic growth created an environment that was beneficial to the expansion of banking activities. According to the results of the banking sector for 2011, loans to non-financial organisations grew by 26% and loans to households rose by almost 36%. At the same time, the loan portfolio improved in terms of quality in some respects.

The reported year was characterised by the scale of banking business and accepted risks growing faster than the capital of credit institutions. Consequently, the capital adequacy ratio fell by 3.4 percentage points for the banking sector in 2011. However, due to previously accumulated reserves, the overall level across the sector is still substantially higher than the regulatory requirement (14.7%). This level of capital adequacy was maintained due to record profits posted by banks in 2011 (848.2 billion roubles).

Nevertheless, the importance of the capitalisation issue is growing, together with the expansion of banking business. The quality of risk management and efficiency of internal controls in credit institutions are also gaining priority.

The behaviour of foreign financial markets in 2011 triggered a substantial capital outflow from the Russian Federation. That led to liquidity-related tensions in the banking sector. The replenishment of funding was mainly provided through domestic sources, including household savings and the deposits of corporations and other legal entities. Limited liquidity led to an increase in the cost of borrowing. This pressure was eased due to measures taken by the Bank of Russia to expand the refinancing of banks.

Following the lessons that have been learned from the financial crisis, banking supervisors and regulators should attempt to tackle more and more serious issues. To further harmonise banking regulation with international standards, requirements were tightened in 2011 for the capital coverage of non-transparent banking transactions and operations with higher risks. This report provides a detailed examination of these and other issues related to improving banking regulation and developing risk-based banking supervision; it incorporates the evaluation of systemic risks which include, inter alia, methods of stress-testing.

On April 5, 2011, the Russian Government and the Bank of Russia adopted their new Russian Banking Sector Development Strategy until 2015 (hereinafter – the Strategy) – the third such strategic plan to have been adopted since 2001. This report offers information about the future development of banking activities, banking regulation and supervision, based on legal requirements and the objectives set forth in the Strategy.

I hope that the Report, which we could regard as traditional by now, will provide the professional community with materials that are useful for analysing the state and estimating the future development of the Russian banking sector.

**Sergey M. Ignatiev,**
Bank of Russia Chairman

# I

# The State of the Russian Banking Sector

# I.1. General Economic Conditions

## I.1.1. Macroeconomics and external global risks

### Macroeconomics

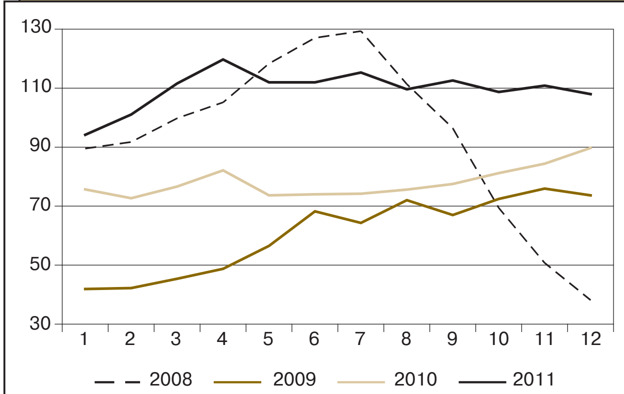
The Russian economy continued to grow in 2011 against a background of foreign trade conditions which proved to be favourable for Russian exporters and higher domestic demand. Goods and services production reached their 2008 level. The federal budget in 2011 was executed with a surplus, and the inflation was the lowest in Russia's modern history. However, the unstable situation with respect to government finances in a number of countries that are Russia's trade partners, and concerns about possible worst-case scenarios in the development of sovereign debt crises, limited the external demand for Russian export goods. A substantial net outflow of private capital slowed the development of positive trends in the Russian economy.

During the reporting period, the prices of most commodities grew on the world markets. The price situation continued to improve for Russian exporters throughout 2011. The average annual price of Urals crude increased by 40% on the world markets to $109.6 per barrel (*see Chart 1.1*). Energy prices climbed by 36% on average, while prices for non-energy related goods rose by 15%.

The terms of trade for the Russian Federation improved in 2011 as compared with the previous year.

The rate of growth in the value of imports in 2011 was practically in line with that of exports. The export of goods grew due to higher prices; the import of goods expanded mainly due to greater quantities. Russia's trade surplus in 2011 increased by 30%, while the current account surplus soared by 39%, to $98.8 billion.

**World prices of Urals oil (US$/barrel)** *CHART 1.1*




Source: Reuters.

As investors became more inclined to minimise their risks in the year under review, the private sector's net capital outflow from Russia grew 2.3-fold, to $80.5 billion. Of the total amount of private sector's net capital outflow in the whole of 2011, the banking sector was responsible for 30%. This trend reflected the general situation: a capital outflow from emerging markets took place against a backdrop of growing global instability.

Russia's international reserves as of January 1, 2012 amounted to $498.6 billion; they grew by $19.3 billion in 2011. Their value at the beginning of the year could support 14 months of goods and services imports in 2011 (compared to 18 months in the previous year).

The Bank of Russia exchange rate policy in 2011 remained in line with the managed floating exchange rate regime.

The appreciation of the nominal effective exchange rate of the rouble accelerated in 2011 at 5.4% (December on December) compared to 1.9% in 2010, while the growth of the real effective exchange rate slowed from 6.9% to 3.8%.

Russia's external debt grew by $56.2 billion in 2011, and was estimated at $545.2 billion at the beginning of 2012. During the reporting period, the debt burden on the country's economy[1] would not be considered critical when measured according to internationally-recognised criteria. The total external debt in 2011 amounted to 29.4% of GDP (in comparison with 32.9% of GDP in 2010).

Annual GDP growth in 2011 was the same as it had been in 2010 at 4.3%. In terms of production, GDP growth was provided first of all by higher output of manufacturing, retail and wholesale trade, and agriculture. Industrial output expanded by 4.7% in 2011. During the reporting period, the average monthly growth of industrial output, adjusted to exclude seasonal and calendar factors, slowed down compared to 2010. Industrial capacity utilisation reached its pre-crisis level.

Bolstered by economic growth, employment in 2011 was higher than in 2010, practically returning to its 2008 level. The overall number of unemployed people decreased substantially. At the end of December it was 6.1% of the economically active population, while at the end of December 2010 it was 7.2%.

[1] Foreign debt to GDP.

The economy grew mostly due to increased domestic demand, including the restoration of stocks. Investment and consumption activity accelerated in the second half of the year. Gross fixed capital formation grew by 6.0% in 2011. Investments in fixed capital in 2011, like in the previous year, were mainly financed using borrowed funds.

Growing real wages, the further improvement of the labour market situation, and increased values of lending to households contributed to an upturn in consumer demand. Final consumption by households expanded by 6.8%. Consumer spending as a share of household money income use rose in 2011 as compared with 2010 by 3.9 percentage points, to 73.8%.

Inflation in 2011 slowed to a record level of 6.1%, which was in line with the annual target of 6-7% set in the "Guidelines for the Single State Monetary Policy in 2011 and for 2012 and 2013". This was 2.7 percentage points lower than it had been in 2009 and 2010. Core inflation remained the same as it had been the year before, at 6.6%.

The main factor driving the slowdown of consumer price inflation was a noticeable deceleration of food price growth (from 12.9% to 3.9%), and in particular, a fall in fruit and vegetable prices by 24.7% (as against a 45.6% rise in 2010). Changes in food prices on the consumer market were driven by growing agricultural production, decreased agricultural producer prices, and stabilised or lower prices on global food and agricultural raw materials markets. Consumer price growth was also slowed by the decreased growth rates of producer prices in the manufacturing sector, as well as for the production and distribution of electricity, gas and water, and of freight transportation tariffs. The appreciation of the nominal effective exchange rate of the rouble was another factor that limited price inflation.

Prices for non-food goods and services in 2011 grew faster than in 2010 due to higher consumer demand. Non-food goods prices rose by 6.7% during the reporting period as against 5.0% in 2010, and the price of services went up 8.7% (as against 8.1% in 2010).

### External Global Risks

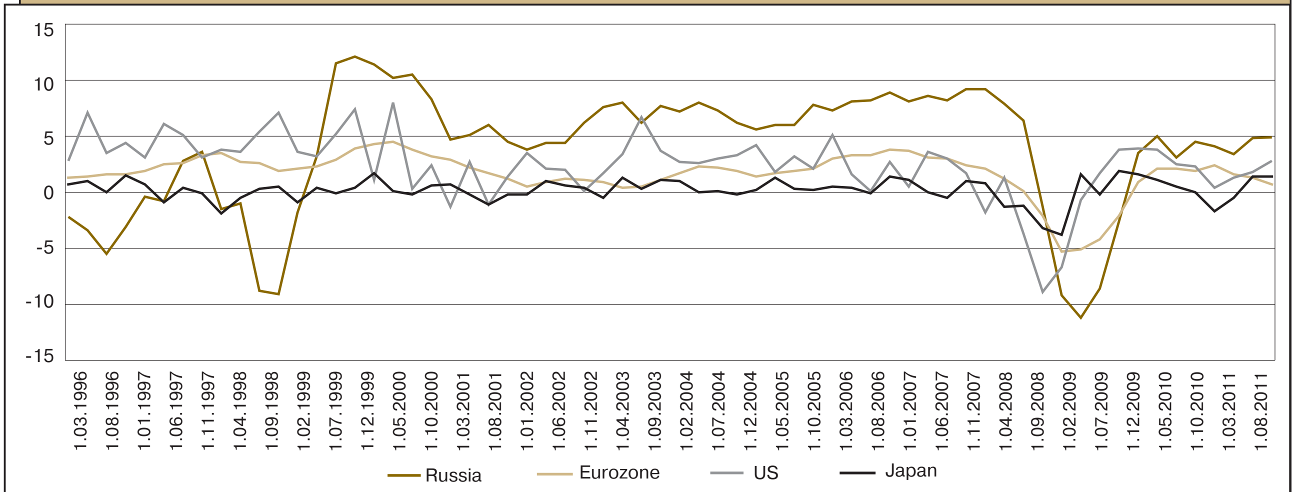
The biggest threats to the Russian economy and banking sector in terms of potential losses are the risk of a drop in oil prices and the risk of the further acceleration of capital outflow. Both strongly depend on global market conditions and assessments of Russia's investment climate.

In 2011, the revenue share of oil and gas in Russia's budget amounted to 10.4% of GDP, which is 1.9 percentage points higher than it had been in 2010. And the revenue share of oil and gas in the overall budget revenue grew from 46% in 2010 to 50% in 2011. This trend towards an increased share of oil and gas revenue in the state budget reflects the growing dependence of the Russian economy on the fluctuation of oil prices, as well as its higher vulnerability in the event that energy prices drop. In 2011, such risks did not materialise.

An increase in the global level of risk in 2011 was caused by two key reasons: a downturn in most of the major economies, and the growing tension in the budgetary and financial spheres of the eurozone (which was triggered by the debt crisis).

The development of the debt crisis in the eurozone took place on a large scale, spreading from Europe's five 'problem' countries[2] to the stable economies of the currency bloc. This substantially increased the risk that a regional recession would occur by the end of 2011 (*see Chart 1.2*). In the fourth quarter of 2011, the annual GDP growth rate in the eurozone amounted to 0.7% as against 2.0% in the fourth quarter of 2010. Additionally,

**GDP dynamics (quarterly changes year-on-year, %)** *CHART 1.2*




Sources: Bloomberg, Reuters.

[2] Portugal, Italy, Ireland, Greece, Spain.

upward dynamics in the government debt to GDP ratio in the eurozone countries were observed in 2011 (*see Chart 1.3*), and only insignificant improvements in this trend are expected to occur during 2012.

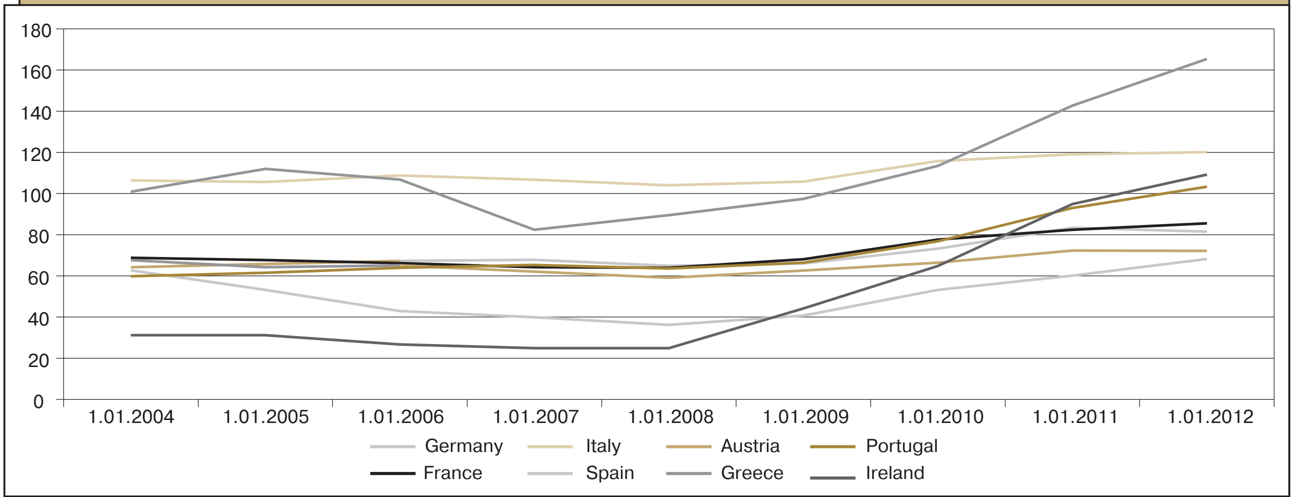
Given these conditions, the threat of the growth rate in emerging economies slowing due to a drop in demand on the part of developed economies became more and more significant. Thus, the annual growth rate of the GDP in major Asian economies in 2011 fell: from 7.8% in the first quarter to 6.9% in the third quarter in India, and from 9.7% in the first quarter to 8.9% in the fourth quarter in China. Additionally, in October 2011, a negative annual industrial production growth rate (-4.7%) was observed in India.

The debt crisis manifested itself first in the substantial rise in the yield on government bonds in the eurozone countries (*see Chart 1.4*). A revaluation of investment risks in the eurozone limited banks' access to market funding, putting some serious pressure on the European interbank loan market. An escalation of the liquidity squeeze (including the dollar liquidity shortage) was reflected in a dramatic increase of borrowing from the ECB and in the amounts of overnight deposits by banks with the regulator. The growing sums of overnight deposits reached a record level in December 2011; they were accompanied by an expanding Euribor-OIS spread[3], which reflected banks' concerns regarding regional risks (*see Chart 1.5*).

The crisis also resulted in the fall of European banks' stock prices (the MSCI Europe Index[4], the European banks' market capitalisation-weighted index, fell 34% in 2011), in the lowering of sovereign ratings and those of

**Sovereign debt of eurozone economies (as % of GDP, annual values)**

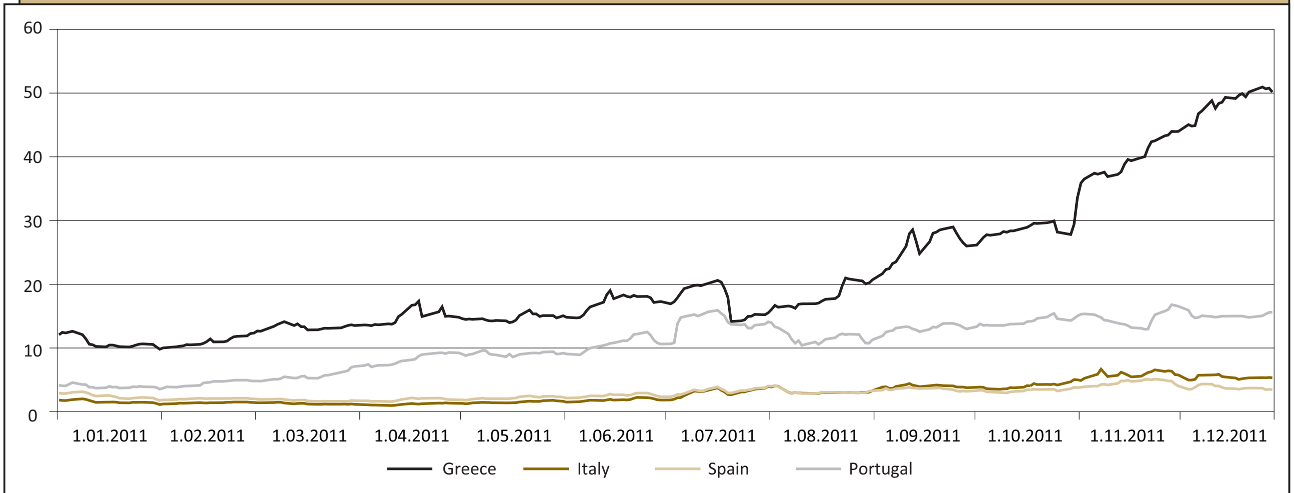
*CHART 1.3*




Source: Bloomberg.

**Spreads in the yield of the government five-year bonds of the eurozone's distressed economies and Germany (percentage points)**

*CHART 1.4*




Source: Bloomberg.

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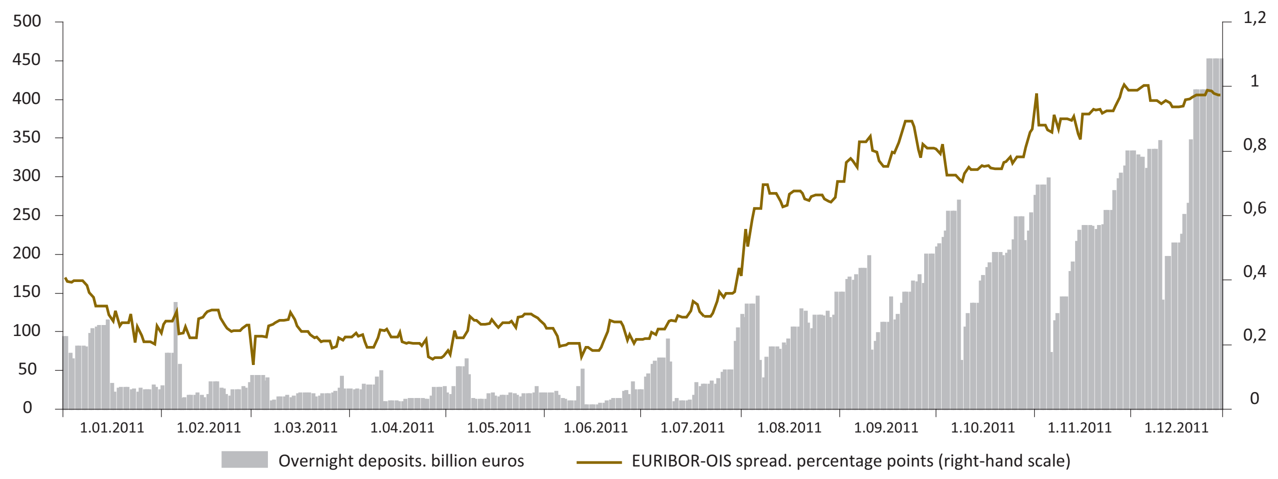
3 The difference between the euro interbank offered rate for three-month loans and overnight indexed swaps.

4 Morgan Stanley Capital International Europe/Banks.

**Daily value of bank funds on overnight deposits with the ECB and the EURIBOR-OIS spread**

*CHART 1.5*




Sources: The ECB. Bloomberg.

major banks, in decreased investments in the euro, and in the growing volatility of currency exchange rates. Additionally, European banks were forced to deleverage to meet new capital requirements[5], and started building up their capital (they also did so by selling their branches outside the eurozone. This emerging trend to sell assets may lead to a decline in their prices, which will increase capital market volatility.

In the last months of 2011, European authorities took a number of steps which were aimed at stabilising the situation in Europe: they issued a sixth tranche of financial aid to Greece, increased the value of resources available to the European Financial Stability Fund (EFSF), and extended additional resources to the IMF to provide 200 billion euros in support to distressed economies. To simplify access to the liquidity, the ECB together with the US Federal Reserve and the central banks of Canada, the United Kingdom, Switzerland and Japan entered into an agreement to resume swap-deals and cut interest rates on dollar swaps. In addition, the ECB reduced its base rate in November and December of 2011 (to 1%). In December, a required reserve ratio was decreased, and an auction was held to grant three-year refinancing to European banks for a record amount of 489 billion euros. The aforementioned measures have enlivened market activity to some extent (particularly on the interbank loan market) but have not led to radical changes in the market situation.

The expansion of global risks from the eurozone to the Russian economy resulted in the deterioration of the liquidity situation in the banking system in the second half of 2011. This was followed by difficulties in accessing external markets and by the growth of Russian banks' demand for Bank of Russia refinancing instruments (for details, *see Section II.3*).

The short-term effect of external risk growth was a downfall in asset prices on the Russian stock market, which is characterised by a high correlation between Russia's stock and bond price indices and the European indices. In the last four months of 2011, banks reported a negative revaluation of both shares and bonds. In 2011, the balance-sheet losses of Russian banks (which were due to the negative revaluation of the securities portfolio) totalled 33 billion roubles for the share portfolio (3.6% of total investment portfolio) and 165 billion roubles for the bond portfolio (3.5% of total investment portfolio). Therefore, the losses from the negative revaluation can be assessed as moderate, considering the share of total stock and bond portfolios in the banking sector assets (13.4% as of the end of December 2011).

In general, against the background of the debt problems of European countries and the slowdown of major economies, the situation in the budgetary and financial spheres, as well as the macroeconomic indicators of the Russian economy look more favourable. However, the growing capital outflow in 2011 and rising pressure on the interb-ank loan market indicate the continued impact of systemic risk factors.

### 1.1.2. National payment system

In 2011, the development of the national payment system met the growing needs of the economy via the stable and efficient operation of all its elements. The conceptual reform of legislation in this area, with the adoption of Federal Law No. 161-FZ, dated June 27, 2011, "On the National Payment System" and the Federal Law No. 162-FZ, dated June 27, 2011, "On Amending Some Russian Laws in Connection with Adopting the Federal Law on the National Payment System", gave a new im-

[5] At the EU summit in October, major European banks were required to attain a 9% base capital ratio by June 30, 2012. The EBA estimates that as of early December 2011, the aggregate capitalisation shortfall among 71 banks amounted to 114.7 billion euros.

petus to its modernisation on the basis of innovative approaches and technology.

Amid the rising demand for payment services, the banking system (which is the basis for the national payment system) fully satisfied the payment service needs of economic agents and households.

The number of payments executed in 2011 increased by 11.0% year on year to 3.3 billion payments[6], while the value grew by 38.1% to the total of 1,298.2 trillion roubles. On average, 13.2 million payments totalling 5.2 trillion roubles were made daily (in 2010, 11.8 million payments totalling 3.8 trillion roubles). The average payment stood at 397,100 roubles as against 319,100 roubles in 2010.

In 2011, the number and value of payments effected by credit institutions totalled 2.1 billion transactions and amounted to 382.1 trillion roubles (in 2010, 1.9 billion payments for a total amount of 286.8 trillion roubles). Of these, 70.8% of the total number and 49.8% of the total value were payments within one division of a credit institution, while 20.3% and 42.3% respectively were inter-branch settlements, and 8.9% and 7.9% respectively were settlements through correspondent accounts that were opened with other credit institutions.

Compared to 2010, the structure of own payments of credit institutions and the payments of their customers (individuals and legal entities other than credit institutions) remained practically unchanged. A significant proportion of the total number and value of payments (67.7% and 98.1%) were credit transfers[7]. At the same time, in the structure of payments, the transactions of legal entities dominated in terms of value (91.1%), and the payments of individuals dominated in terms of number (58.8%); mostly these had been made remittances without opening bank ccounts.

In 2011, individuals made 1.3 billion remittances without opening bank accounts for a total of 3.7 trillion roubles, including transfers to legal entities (mainly organisations providing public services in the housing and utilities sector and government agencies). These accounted for 89.8% of the total number and 71.6% of the total value of transfers; meanwhile remittances to individuals accounted for 10.2% and 28.4% respectively. Compared to 2010, their value increased by 15.7%, while their number decreased by 4.3%. An overwhelming majority of the remittances conducted by individuals without opening bank accounts were effected within the Russian Federation: 97.4% of the total number and 96.0% of the total value.

As opposed to credit transfers, direct debit payments[8] were used on a smaller scale within the banking system. In 2011, only three out of 100 payments were in the form of direct debiting, and accounted for less than 1% of all payments.

While the traditional forms of banking (through the branches of credit institutions) preserved their importance, in 2011 the banking infrastructure was developing via the expansion of remote channels of customer access to payment services.

Credit institutions actively developed various types of off-site customer services, primarily through the expansion of their software and hardware infrastructure: electronic terminals and imprinters were installed in commercial and service organisations. These included ATMs, payment terminals, and remote access electronic terminals. During 2011, the total number of such devices increased by more than 20% by year-end and totalled 757,400 units.

A high priority area in terms of credit institutions' activity improving the accessibility of payment services was the development of remote services. These involved the use of modern information and communication technologies, including the Internet, mobile phones, and "Customer-Bank" system. By January 1, 2012, more than 90% of operating credit institutions provided remote payment services to their customers. In one year, the number of customer accounts with remote access which were opened by credit institutions for individuals and legal entities other than credit institutions rose by more than one-third. The number of accounts that were accessible via the Internet increased 1.8-fold, and there were 2.2 times more accounts that were accessible via mobile phones. During 2011, the share of remote-access accounts in the total number of accounts used for transactions as of the beginning of the year went up by 7.1 percentage points, and reached 48.6% by January 1, 2012.

The number and value of non-cash payments made in 2011 on the basis of instructions that were remotely issued by credit institutions' customers, including the use of payment cards, increased by 44.2% (to 2.6 billion transactions) and 23.6% (to 279.7 trillion roubles) respectively. They included on-line and mobile phone payments, which accounted for 23.7% in number and 56.6% in value.

As individuals became more financially literate, the expanding range of banking products involving the use of payment cards (as well as the development of an infrastructure for servicing them in trade outlets) contributed to the dynamic growth of the national payment card market. Compared to the beginning of 2011, the number of payment cards issued by Russian credit institutions increased by 38.6% and by January 1, 2012 had totalled 200.2 million, of which 73.9% were settle-

[6] Includes payments in roubles from customers accounts of the Bank of Russia and credit institutions (individuals, credit institutions, legal entities other than credit institutions); own payments of the Bank of Russia and credit institutions; remittances made by individuals without opening bank accounts. Bank plastic card payments are not included.

[7] Credit transfer – a payment service for the one-off or periodic write-off of funds from the payer's account, initiated by the payer.

[8] Direct debit – a payment service for the one-time or periodic write-off of funds from the payer's account, initiated by the recipient and based on the payer's prior consent.

ment cards (147.9 million cards). Following the recovery of the retail loan market and with the increasing use of payment cards in the provision of consumer loans, a significant number of credit cards were issued. During 2011, their number rose 1.5-fold to 15.0 million cards, which accounted for 7.5% of the total number of payment cards.

Compared to 2010, the number and value of transactions that were conducted using payment cards in the Russian Federation and abroad increased by 33.3% and 36.1% respectively, and totalled 4.2 billion transactions and 17.7 trillion roubles. Non-cash payments using payment cards expanded rapidly and in one year their number and value grew 1.6-fold and 1.8-fold respectively. This led to an increase in their share of the total number of transactions with payment cards from 34.4% in 2010 to 41.8% in 2011; their share of the total value rose from 15.0% to 20.2%. As in 2010, they mainly consisted of payments for goods and services[9]: 94.5% by number and 76.7% by value (in 2010, 95.7% and 81.3%), while other transactions accounted for 5.5% and 23.3% (in 2010, 4.3% and 18.7%).

In 2011, retail payments displayed a high demand for cash as a means of payment. The value of cash arriving to the cash desks of Bank of Russia divisions and credit institutions from the sales of consumer goods totalled 10.8 trillion roubles, representing a 19.6% year-on-year increase; paid services amounted to 3.2 trillion roubles (10.1%); the sale of foreign currency to individuals stood at 1.5 trillion roubles (27.8%), and the sale of real estate totalled 0.4 trillion roubles (36.6%). These payments represented 50.6% of the total amount of cash received by the cash desks of Bank of Russia divisions and credit institutions (52.5% in 2010).

In 2011, the growth of the cash inflow via ATMs and the payment terminals of credit institutions handling payments for goods and services, in individual accounts, and so on was significant and continuous. During the year, the value of these transactions grew 1.7-fold to 2.2 trillion roubles. The amount of cash receipts via ATMs and payment terminals averaged 15,500 thousand roubles per capita (9,300 roubles in 2010).

Cash funds received by payment agents and bank payment agents from individuals as payment for goods (works, services)[10] totalled 499.7 billion roubles, representing a 1.7-fold increase compared to the 2010 result.

Over the reported period, the Bank of Russia payment system, as a systemically important payment system in the Russian Federation, also remained a major component in ensuring financial stability.

In 2011, the number of payments effected through the Bank of Russia payment system rose by 12.1% to 1,187.6 million payments, while the value of these payments increased by 40.2% to 916.2 trillion roubles. The ratio of the value of payments made through the Bank of Russia payment system to the GDP was 16.8 (14.5 in 2010).

Just as in previous years, in 2011 the share of payments of credit institutions (branches) dominated in the total number and value of payments conducted through the Bank of Russia payment system (84.6% in number and 77.1% in value). The number of payments of credit institutions (branches), conducted through the Bank of Russia payment system grew by 14.1% and totalled 1,005.0 million payments, while their value increased by 37.3%, to total 706.1 trillion roubles (in 2010, 881.0 million payments with an aggregate value of 514.3 trillion roubles). The average daily number of payments of credit institutions (branches) that were processed by the Bank of Russia payment system rose from 3.5 million in 2010 to 4.1 million in 2011.

During the reported period, the Banking Electronic Speed Payment System (BESP) continued to grow. It handled large and urgent payments by credit institutions used for settlements on the interbank market, settlements between the infrastructures of financial markets, payments by the Federal Treasury and its regional offices, Bank of Russia payments related to settlements on the domestic government securities market, and at the single trading session of interbank currency exchanges.

In 2011, the BESP processed 626,100 payments, or over three times more in number than in the previous year (in 2010, there were 205,100 payments). In 2011, the BESP handled payments totalling 222.8 trillion roubles, or almost two times more in value than in 2010 (127.3 trillion roubles). That growth occurred due to the increased value of BESP-processed payments made by credit institutions (branches). Their share of payments in the structure of BESP payments also remained the largest (92.1% in number and 61.8% in value). Payments in excess of one million roubles accounted for 90.0% of the total BESP payments.

As of January 1, 2012, the number of BESP participants (credit institutions and their branches) totalled 2,887, and accounted for 98.1% of the total number of credit institutions (branches) involved in the electronic document exchange with the Bank of Russia. Their correspondent accounts (subaccounts) are opened with Bank of Russia settlement network subdivisions that are BESP participants. The remaining 56 credit institutions (branches) (1.9%) were not part of the BESP system due to ongoing activities to include them in the BESP system, their restructuring or the closure of their branches.

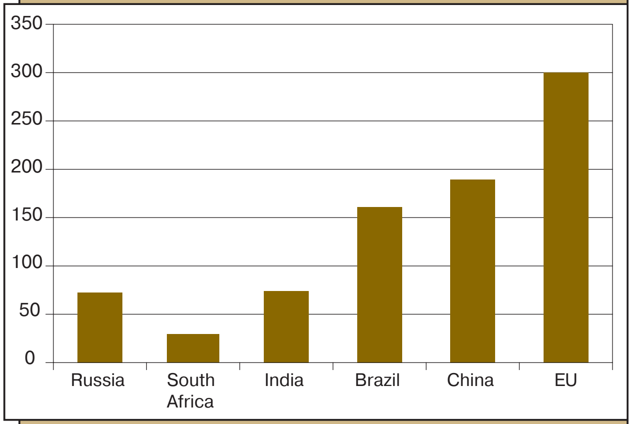
In 2011, the Bank of Russia payment system was upgraded in accordance with the Concept of the Bank of Russia Payment System Development until 2015, which envisages the further expansion of the functionality and services of the Bank of Russia payment system.

To improve the legislation on the national payment system, the Bank of Russia drafted regulations covering

9 Including customs duties.
10 Including charges for residential premises.

non-cash payments, the use of electronic money, as well as the development of the supervision and oversight of the national payment system. Within the framework of its efforts to develop a national standard of procedures and processes for non-cash payments based on the ISO 20022 methodology, the Bank of Russia participated in the Technical Committee for the Standardisation of Financial Transactions.[11]

**Banking Sector Assets/GDP Ratio (%) in 2011** *CHART 1.6*




Source: IMF.

### 1.1.3. Banking sector macroeconomic performance

In 2011, most of the key indicators that reflected the banking sector's role in the economy exhibited different dynamics. The ratio of banking sector assets to GDP increased from 74.8% to 76.3% during the year. In Russia, this indicator is substantially lower than the one in the EU, but it is comparable with the level of some BRICS countries[12] (*see Chart 1.6*).

The ratio of banking sector capital to GDP measured 9.6%, representing a decline of 0.9 percentage point during the year.

In 2011, as in previous years, the main source of funds for credit institutions was household deposits: their share of GDP did not change and totalled 21.7%. The ratio of non-financial organisations' deposits to GDP grew by two percentage points, to 15.3%.

Loans prevailed in the structure of banking sector assets in 2011, as in the previous year. The total loans[13] to GDP ratio rose by 3.6 percentage points to 52.6%, while their share in banking sector total assets increased by 3.4 percentage points to 68.9%. The ratio of loans to non-financial organisations and households to GDP grew by 2.4 percentage points to 42.6%.

[11] The Technical Committee for the Standardisation of Financial Transactions was set up at the Bank of Russia under Order of the Federal Agency for Technical Regulation and Metrology No. 5527, dated December 30, 2010.

[12] The BRICS countries are Brazil, Russia, India, China, and South Africa.

[13] Loans, deposits and other placed funds.

# I.2. Institutional Aspects of Banking Sector Development

## I.2.1. Quantitative characteristics

In 2011, the number of operating credit institutions decreased by 34 to 978 institutions (*see Chart 1.7*). During the year, twenty-two credit institutions had their licences revoked (cancelled), eighteen credit institutions were struck off the State Register following post-merger reorganisations, and five new credit institutions received a banking licence. Thus, in 2011 the trend of recent years toward reduction in the number of credit institutions continued.

Large multi-branch banks continued to optimise their regional units in 2011. In the reporting year, the number of branches of operating credit institutions in Russia decreased by 4.1% and on January 1, 2012, their number totalled 2,807 (2,926 on January 1, 2011).

In 2011, the total number of internal divisions of credit institutions grew by 2,179 to 40,610 as of January 1, 2012 (38,431 as of January 1, 2011). The number of additional offices increased from 22,001 to 22,565, along with the number of cash and credit offices (from 1,389 to 1,725), operations offices (from 2,994 to 5,360), and mobile banking vehicles (from 87 to 100). Meanwhile, the total number of external cash desks decreased from 11,960 to 10,860.

As a result, the number of internal divisions per 100 thousand residents rose from 27.1 at the end of 2010 to 28.4 at the end of 2011.

## I.2.2. Regional banking

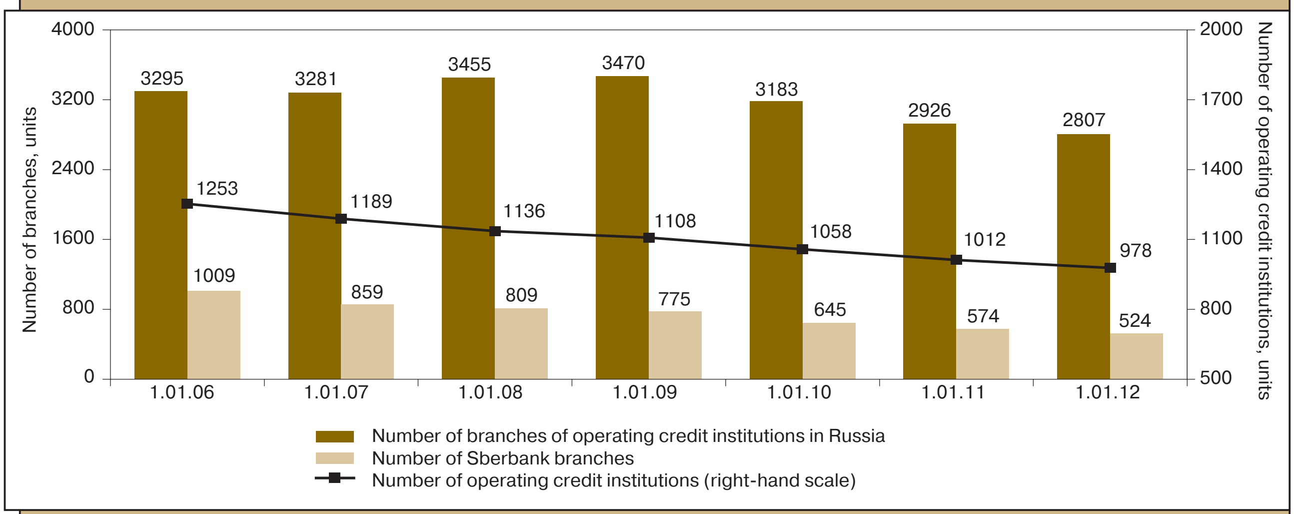
The number of operating credit institutions declined in most of the Russian regions in 2011; the number of regional banks[14] dwindled from 487 to 466[15]. In 2011, the asset growth rates of regional banks (7.8%) were lower than the asset growth rates of the banking sector as a whole (23.1%). As a result, the share of regional banks in the total assets of the banking sector decreased from 13.7% to 12.0% during the year.

Regional banks' capital increased by 5.5%, or 33.4 billion roubles in 2011 (banking sector capital grew by 10.8%, or 509.8 billion roubles). Accordingly, regional banks' capital as a share of banking sector total capital decreased from 12.8% as of January 1, 2011 to 12.2% as of January 1, 2012.

The development of banking business against the background of the improving financial standing of enterprises in most economic sectors and the growing solvency of households enabled the regional banks (compared to 2010) to increase their profits by 41.7% to 77.4 billion roubles in 2011 (banking sector profits went up by 47.9%).

As of January 1, 2012, the share of profit-making regional banks in the total number of operating regional banks rose to 95.1% (90.8% as of January 1, 2011). In the assets of regional banks, the share of profit-making regional banks increased to 98.2% as against 95.2%.

**Number of credit institutions and their branches** *CHART 1.7*




[14] Regional banks are banks that are registered outside the Moscow Region.

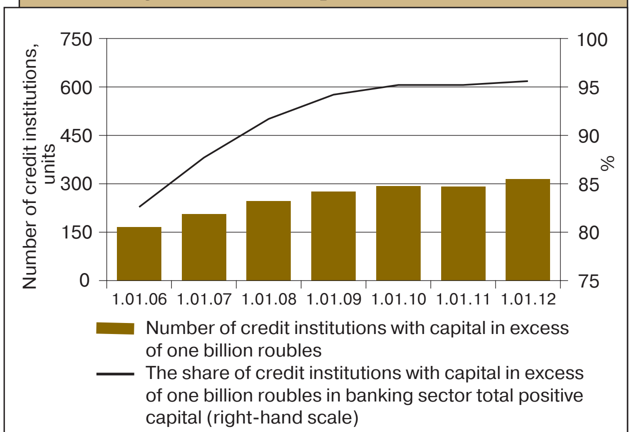
[15] To some extent, the reduction in the number of credit institutions and, consequently, volume indicators was due to the implementation of the requirements of Federal Law No. 28-FZ, dated February 28, 2009, "On Amending the Federal Law on Banks and Banking Activities".

The return on assets of regional banks expanded from 1.3% to 1.7%, and the return on equity grew from 9.4% to 12.8%. At the same time, these regional bank results were substantially below the average for the banking sector (2.4% and 17.6% respectively).

With regards the availability of banking services, in many regions the situation remained critical. The aggregate index of the density[16] of banking services in the regions had a minimum value in the North-Caucasian Federal District in 2011. The lowest levels of the density of banking services among the regions of the Russian Federation were recorded in the Republics of Daghestan, Ingushetia, and in the Sakhalin region[17].

The density of banking services was the highest in the Central Federal District (especially Moscow), followed by the North-Western Federal District (where Saint Petersburg ranks highly in terms of banking service density), and the Southern Federal District.

**Number of banks with capital in excess of one billion roubles and their share of banking sector total capital** *CHART 1.8*




## I.2.3. Banking services concentration

In 2011, along with the dynamic development of banks' active operations, the tendency of banking business to become more concentrated continued. The share of the top 200 credit institutions in terms of assets in banking sector total assets continued to grow in 2011 (from 93.9% to 94.1%), and over a five year period (2007-2011) it increased by 3.5 percentage points. In 2011, the share of the five largest banks in terms of assets rose from 47.7% to 50.0% and over a five year period, this share expanded by 7.5 percentage points.

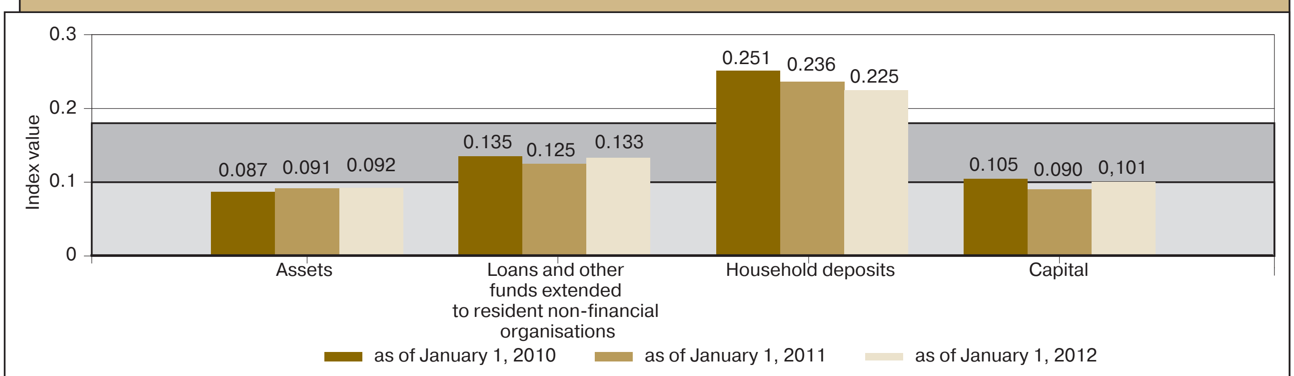
The top 200 credit institutions in terms of capital accounted for 92.5% of banking sector total capital as of January 1, 2012 (92.7% as of January 1, 2011), with the five largest banks accounting for 50.1% as against 48.8% in the previous year.

The number of credit institutions with capital in excess of one billion roubles increased from 291[18] to 315 (almost 95.6% of banking sector total positive capital, *see Chart 1.8*).

Quantitative estimates that are commonly used internationally (see the dynamics of the Herfindahl-Hirschman Index, hereinafter referred to as the HHI, in *Chart 1.9*) show that the concentration of assets in 2011 remained moderate. This was due, among other factors, to a large number of small credit institutions.

The asset concentration index equalled 0.092 as of January 1, 2012 (it varied between 0.080 and 0.091 in the preceding three years), which corresponds to a low level. The concentration of capital in 2011 expanded insignificantly, from 0.090 to 0.101. The concentration of loans to non-financial organisations remained moderate (despite the HHI rise in 2011 from 0.125 to 0.133 over the year).

**Russian banking sector concentration indices (HHI)** *CHART 1.9*




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

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16 Calculated by the Bank of Russia Banking Supervision Department.
17 For more details *see Table 7.1 of Statistical Appendix*.
18 Taking into account the credit institutions that implemented anti-bankrupt measures.

*TABLE 1.1*

| | 1.01.2008 | 1.01.2009 | 1.01.2010 | 1.01.2011 | 1.01.2012 |
|---|---|---|---|---|---|
| HHI by deposit, % | 0.270 | 0.274 | 0.251 | 0.236 | 0.225 |
| Sberbank share in total deposit volume, % | 51.6 | 51.9 | 49.4 | 47.9 | 46.6 |
| The share of the top five banks with the largest deposit volumes in the total deposit volume, % | 60.9 | 63.1 | 61.3 | 60.0 | 59.4 |

The largest concentration is on the household deposit market; although in 2011, a declining trend continued here (*see Table 1.1*).

In 2011, differences remained among the regions in terms of their banking services concentration levels (*see Chart 1.10*). At the same time, most federal districts[19] demonstrated a slight decrease in the average concentration of assets (HHI from 0.10 to 0.18). This may be explained by the development of regional networks by major credit institutions.

### 1.2.4. Interaction between the banking sector and other financial institutions and financial markets

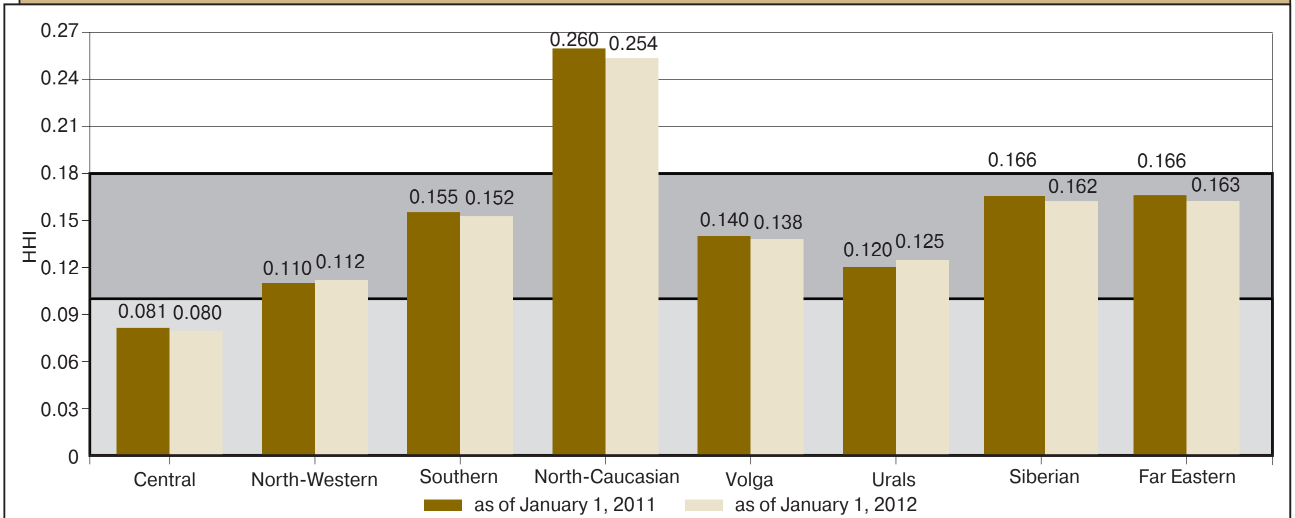
**The foreign exchange market**

During the reported year, the trends that affect the situation on the domestic foreign exchange market were multi-directional. In January-July 2011, the favourable situation on the international energy markets contributed to the continued, significant earnings from foreign trade. Despite faster growth of imports and the net outflow of capital from the private sector, these earnings provided for a supply of foreign currency that exceeded demand for it on the domestic market and contributed to the appreciation of the rouble. However, a significant reduction in investors' appetite for risk on global financial markets that occurred at the beginning of August 2011 led to a higher net outflow of the private capital from the Russian financial market. During the year, credit institutions were actively building up foreign assets, primarily through issuing loans and placing funds on deposit and in the correspondent accounts of non-resident institutions. At the same time, the foreign liabilities of Russian banks were not growing in a significant way. Along with that, in the second half of the year, due to negative trends on the global financial markets and growing credit risks, access to external funding for Russian borrowers was actually closed. As a result, the increased net capital outflow in the banking and other sectors in the second half of 2011 contributed to the growing demand for foreign currency, depreciating the rouble during that period. As of January 1, 2012, the rouble value of the bi-currency basket stood at 36.46 roubles, which represented a 4.4% increase as compared with the beginning of 2011.

In 2011, the Bank of Russia continued to reform the mechanisms of the exchange rate policy to increase the flexibility of exchange rate formation. It extended the operational band for its permissible values of the bi-currency basket from 4 to 6 roubles, and reduced the value of accumulated interventions, leading to a 5-kopeck shift in the operating band, from $650 million to $500 mil-

**Asset concentration (HHI) by federal district**

*CHART 1.10*




The Herfindahl-Hirschman Index is calculated as the sum of squared weights of total assets of divisions (the head office and/or branches located in the federal district) for each credit institution in the total assets of all divisions of the credit institutions located in the federal district.

[19] An exception is the North-Caucasian Federal District.

lion. The scope of Bank of Russia operations on the domestic foreign exchange market was more limited than in 2010.

The total average daily foreign exchange turnover on the interbank market and over-the counter spot transactions expanded by 28.4% in 2011 as compared with 2009, to $54.7 billion. 2011 also saw an increase in forward conversion transactions on the domestic foreign exchange market. For the year as a whole, the average daily foreign exchange turnover in interbank forward conversion operations rose by 32.1% to $2.0 billion. The share of the above-mentioned transactions in total transactions on the interbank foreign exchange market was virtually unchanged and, as in the previous year, accounted for 3.6%.

### The government securities market

The nominal volume of outstanding issues of federal bonds (OFZs) increased by 749.1 billion roubles and totalled 2,803.3 billion roubles. The total amount of funds raised by the Ministry of Finance at OFZ placement and additional placement auctions amounted to 760.8 billion roubles. In 2011, there were over 40 such auctions. The active placement of government securities contributed to some increase in the OFZ market turnover, but their market liquidity remained low: the turnover ratio in 2010-2011 was about 1%. Low liquidity can be explained by the fact that a large share of OFZs was in the portfolios of passive investors (including large state-owned credit institutions), which adhered to the “buy-and-hold” strategy.

Throughout this period, OFZs accounted for a significant portion of the total securities portfolio of credit institutions. They owned more than half of all federal loan bonds in circulation, and they accounted for a substantial part of secondary market transactions. At the same time, more than one-third of the OFZs in circulation were concentrated in the portfolios of the largest state-owned credit institutions, but the proportion of transactions with their participation in the total turnover of the secondary OFZ market was much lower.

As a highly reliable asset accepted as collateral in money market transactions, OFZs played a significant role in managing liquidity at credit institutions. In particular, they were used by credit institutions as collateral in inter-dealer repo transactions and repo deals with the Bank of Russia that were made in the government securities section of the MICEX; they were also used for obtaining Bank of Russia Lombard loans, intraday and overnight loans.

The situation on the money market was a key factor affecting changes in the OFZ market yield in 2011. In September 2011, there was a shift from a structural excess in liquidity to a liquidity deficit, which led to the growth of short-term interest rates on the money market and a gradual increase in the OFZ market yield. By the end of December, the effective indicator of the OFZ market portfolio, calculated by the Bank of Russia, rose from the 7.3%-7.6% p.a. (where it had remained for almost the entire period from the beginning of the year until August), to the 8.1%-8.2% p.a. by the end of the year.

The yield growth was most prominent for OFZ issues with maturities of less than one year (on average, by 136 basis points).

### The corporate securities market

In the first half of 2011, the situation on the Russian corporate securities market was relatively stable. Starting in August, however, it began to deteriorate under the influence of increased volatility on the global financial market and growing private capital outflow from Russia, along with the depreciation of the rouble against major world currencies. Under these circumstances, in the second half of the year, Russian credit institutions reduced their rouble-denominated debt and equity securities portfolios, which featured a high level of risk, minimising losses from their negative revaluation.

Starting in April 2011, there was a gradual growth of tension on the domestic **stock market**, accompanied by higher price volatility. In August-September, Russian stocks were declining rapidly. In the second half of the year, due to the worsening situation, the primary market saw a significant reduction in the number of IPOs.

At the end of 2011, the MICEX index and the RTS index dropped compared to the end of December 2010 by 16.9% and 21.9% respectively. The capitalisation of the MICEX stock market[20] dropped by 14.8%, to 24.7 trillion roubles. In 2011, the total turnover of secondary trade in Russian stocks on the leading Russian exchanges (MICEX, RTS and St Petersburg Stock Exchange) increased by 19% year on year and totalled 20.0 trillion roubles. The share of credit institutions’ stocks in the total secondary trading turnover of the above-specified stock exchanges dropped slightly (to 40%).

In 2011, the domestic **corporate bond market** saw the maximum yearly volume of corporate bonds ever issued. The MICEX placed 190 new corporate bond issues, with a total par value of 924.3 billion roubles. Of these, credit institutions accounted for 28% of the total par value of corporate bonds. As a result, the 2011 portfolio of corporate bonds[21] traded on the domestic market increased compared to late 2010 by 16% and totalled 3,436.6 billion roubles at par value.

During the reported year, the activity of participants in the secondary trade of corporate bonds surged. The secondary trade turnover of corporate bonds on the MICEX Stock Exchange grew by 15% year on year and stood at 5.1 trillion roubles. Credit institutions’ bonds accounted for 22% of the total MICEX secondary-trade turnover of corporate bonds in 2011.

In 2011, the quotation dynamics of corporate bonds was non-homogeneous. In the first six months of 2011,

[20] Here and below, starting in December 19, 2011, MICEX-RTS data have been used.
[21] According to data provided by Cbonds.ru news agency.

yields on the most liquid corporate bonds[21] were generally declining and reached a historic low of 6.86% p.a. on July 13, 2011. In August-December, however, they went up significantly. Average annual yields on the most liquid corporate bonds on the secondary market fell from 7.9% in 2010 to 7.7% in 2011. Average annual yields on credit institutions' bonds[22] decreased by 0.3 percentage points year on year, reaching 7.7% p.a.

### The money market

In 2011, the situation on the global financial market and its impact on the Russian banking sector were mainly explained by global macroeconomic processes that led to moderately unfavourable foreign trade terms and the appearance of signs of tension on the local markets. As a result of growing instability, financial markets reassessed their risks, which affected the value of financial instruments, including those of the banking sector.

During 2011, the market value of funding instruments displayed a downward trend. The RTS industry index for the financial sector, which includes the traded shares of some Russian banks, performed in tandem with the dynamics of the RTS index. The latter, in its turn, was heavily influenced by global financial conditions (see *Chart 1.11*). At the same time, the value of bank shares tended to fall relative to the composite stock index, which was one of the factors that led to the postponement of the privatisation of several large Russian banks which had been planned for 2011.

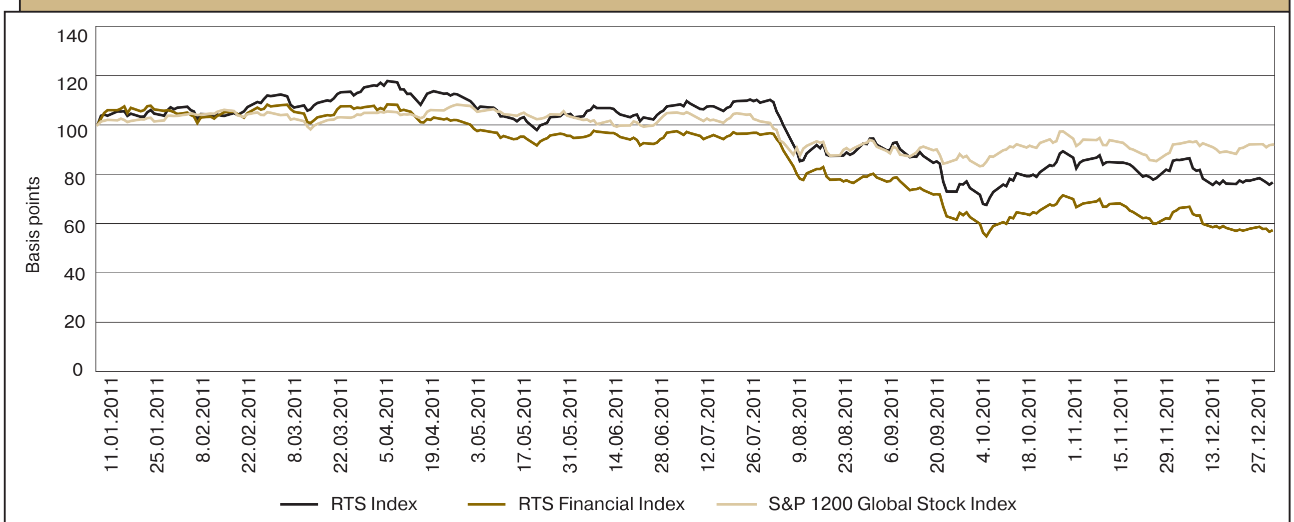
The unfavourable situation on financial markets was reflected in the value of Russian banks' debt instruments, and generally led market participants to revise credit risk premiums charged by Russian financial institutions. Given the deteriorating fiscal position of some developed countries and international ratings agencies' all-out revision of their ratings starting in mid-2011, a tendency emerged to revalue sovereign credit risks.

Following the growth of premiums on the European banking sector's credit default swaps (CDS), the cost to Russian banks of credit risk hedging grew (see *Chart 1.12*). Credit default swap spreads rose in 2011 by more than 100 basis points for Sberbank and by 200 basis points for VTB. The growth of credit premiums, along with higher levels of uncertainty regarding the further development of the situation, became a factor in the tightening of conditions on the Russian money market. In 2011, there was a steady upward trend in interest rates, after which the banks faced a significant rise in the cost of short-term funding.

In late 2011, despite some improvement on the European interbank market, the Russian market continued to see interest rates grow, due to a lack of liquidity. The growth of overnight rates on the Russian banking market led to a hike in medium-term interest rates. 3-month MosPrime Rate in the forth quarter exceeded 7% *(see Chart 1.13)*. With a stable level of OIS[23], the 2011 Q4 MosPrime Rate-OIS spread rose *(see Chart 1.14)*.

Taken together, these trends led to an increased demand for Bank of Russia refinancing (market interest rates in some periods were higher than the minimum Bank of Russia auction rate on providing liquidity) and the reduction of the interdealer repo market using bonds as collateral *(see Chart 1.15)*. The banks continued to act as net lenders on the interdealer repo market providing liquidity, primarily to their customers and non-bank organisations *(see Chart 1.16)*. In repo transactions, banks used bonds (73%), almost half of which were federal securities. Therefore, market risks associated with these transactions were at a relatively low level.

**Stock market indices and Russian bank share indices** *CHART 1.11*

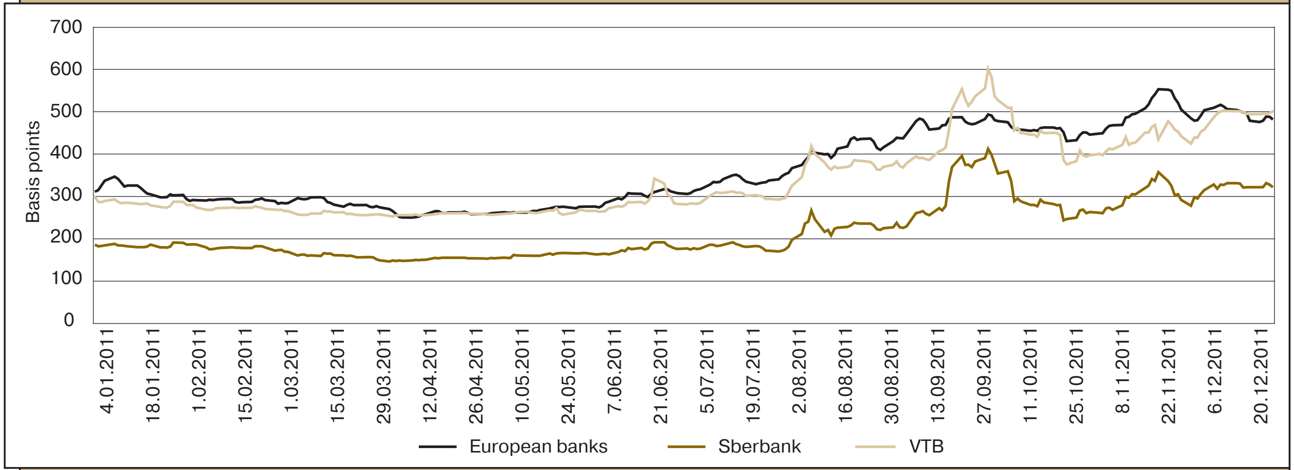



Source: Bloomberg.

[22] According to data provided by NB TRUST (OAO).
[23] Overnight index swap, expected level of US Federal Reserve benchmark.

## Value of credit default swaps (CDS) of major Russian banks [24] and Eurozone banks [25]

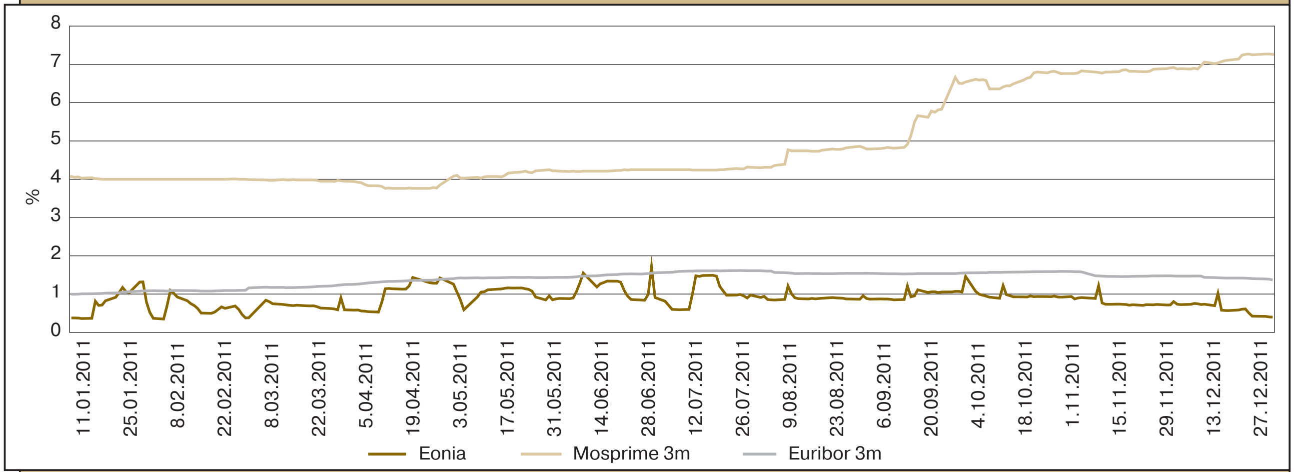
CHART 1.12




Source: Reuters.

## Interbank interest rates

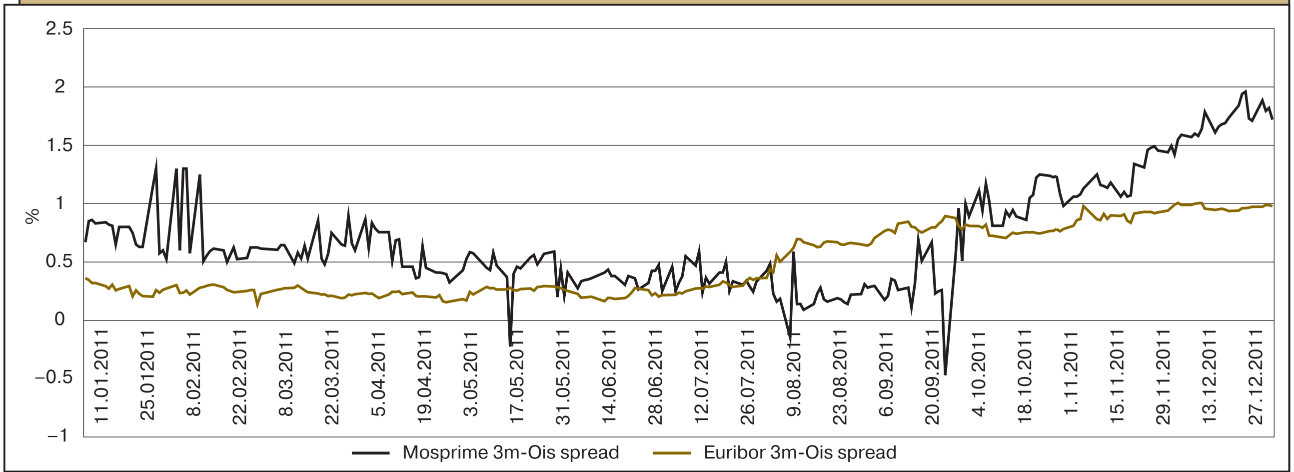
CHART 1.13




Source: Bloomberg.

## Interbank market tension indicator

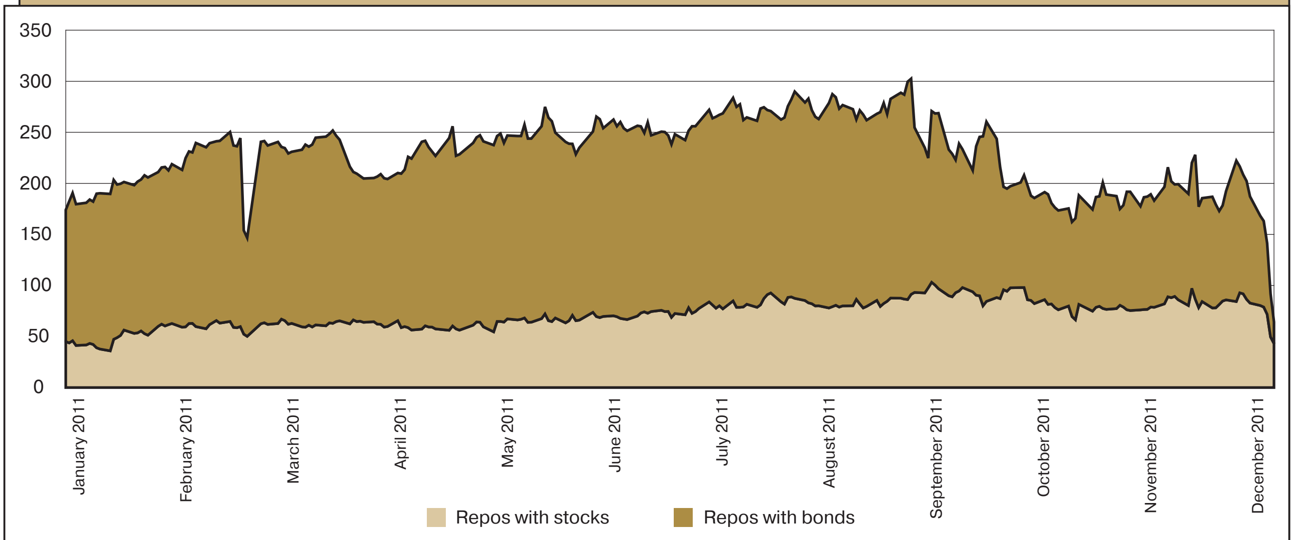
CHART 1.14




Source: Bloomberg.

[24] Average five-year CDS value for Alfa-Bank, Bank of Moscow, Gazprombank, Sberbank, and VTB.
[25] Composite CDS index for 60 large European banks.

**Interdealer repo market in terms of collateral (billion roubles)** CHART 1.15




Source: MICEX-RTS.

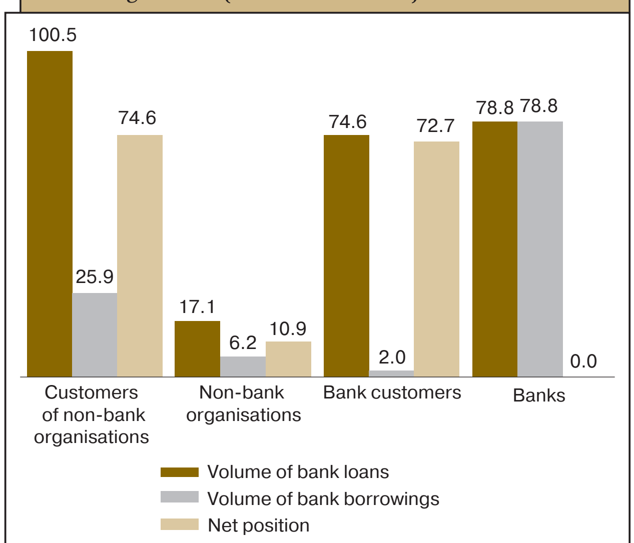
### Non-bank financial institutions

The total authorised capital of insurance companies increased in January-September 2011 by 9.8% to 168.9 billion roubles. Given the fact that their number decreased by 31 (to a total of 594), this capital rise was mainly due to the tightening of regulatory requirements (as of January 1, 2012) that dictate the minimum amount of authorised capital. According to the data reported by 564 insurers that have provided statements for January-September 2011, the volume of insurance premiums amounted to 936.3 billion roubles and indemnities totalled 643.2 billion roubles, representing respective 20.1% and 15.2% increases compared to the same period in 2010. Life insurance premiums grew by 60.6%, partly due to the expansion of life insurance with regard to bank loan borrowers.

During 2011, the number of unit investment funds (PIFs) rose by 26 and stood at 1,470. Their total net assets value (NAV) declined by 5.7% to 437.8 billion roubles[26], mainly due to losses from investment activities and to the lack of stability of fund inflows from most categories of shareholders. The total net inflow from retail PIF shareholders in 2011 (2.7 billion roubles) came from public bond funds. Almost 80% of retail PIFs decreased in share value, which was one of the reasons for the transfer of money from these funds to bank accounts and deposits.

According to data provided by 149 non-government pension funds (NPFs), in January-September 2011, there was a rapid growth of funds for mandatory pension insurance (pension accruals increased by 119.1% to 340.4 billion roubles), as compared to non-government pension insurance (pension accruals increased by 4.1% to 670.3 billion roubles). The number of NPF mandatory pension insurance participants rose by 46.4% and totalled 11.5 million. The number of NPF non-government insurance participants remained practically unchanged (6.6 million as of October 1, 2011). As of the same date, a significant share of the total NPF investment portfolio included the equities (7.1%) and debt (18.2%) securities of credit institutions[27].

**Structure of interdealer repo market involving banks (billions roubles)** CHART 1.16




Source: MICEX-RTS.

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[26] Here and below – excluding PIFs for qualified investors.

[27] According to federal statistical monitoring Form No. 1-PC (NPF) approved by Federal State Statistics Service Order No. 308, dated December 10, 2008.

# I.3. Banking Operations

## 1.3.1. Dynamics and structure of borrowed funds

In the first half of 2011, the banking sector was developing in an environment characterised by excess liquidity and under sufficiently favourable external conditions. In the second half of the year, however, due to the worsening debt crisis in the eurozone and higher capital outflow, banks' operations suffered from a shortage of liquidity. This increased their demand for Bank of Russia refinancing and their use of Ministry of Finance deposits. The bank resource base during 2011 was built under the influence of these factors.

Over the year, the volume of borrowing from the Bank of Russia rose 3.7-fold to 1.2 trillion roubles. In addition, the share of that source of funding in banking sector liabilities increased from 1.0% to 2.9%. The Ministry of Finance deposits expanded 3.5-fold to 561.0 billion roubles; their share in liabilities went up from 0.5% to 1.3% *(see Chart 1.17)*.

The risk associated with sovereign obligations increased in the second half of 2011 in some eurozone countries, leading to a high level of volatility on the global financial markets, which significantly complicated access to external sources of funding for the majority of Russian banks, including large ones. Given these circumstances, Russian credit institutions actively used domestic sources by offering attractive (and often very high) deposit interest rates.

In general, bank customer accounts[28] increased by 23.7% to 26,082.1 billion roubles (23.1% in 2010). As of January 1, 2012, the share of this source in banking sector liabilities totalled 62.7% (62.4% as of the beginning of the year).

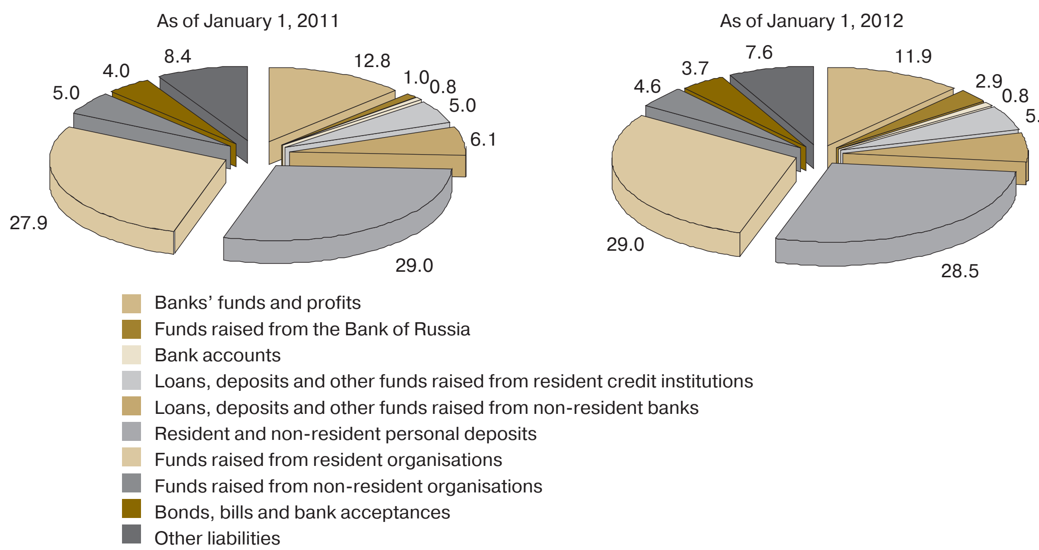
Household deposits[29] rose by 20.9% to 11,871.4 billion roubles (31.2% in 2010), while the share of this source of funding in total banking sector liabilities fell slightly (from 29.0% to 28.5%). Despite a slight decrease in the rate of growth of household rouble deposits, their share in total deposits increased from 80.7% to 81.7%.

During 2011, deposits with maturities exceeding one year rose by 13.5%, which was a slower growth rate than in 2010 (33.2%), and their share in household total deposits of the banking sector declined over the reported period from 64.7% to 60.8%.

The importance of household deposits as a source of funding increased for all credit institutions, with the exception of state-controlled banks.

The resource base of the banks, along with customer deposits, was augmented by funds borrowed from organ-

**Structure of banking sector liabilities (%)** *CHART 1.17*




[28] The account balances of companies and organisations (including budgets at all levels and government extra-budgetary funds), the funds of individuals and the funds of clients in settlements, factoring and forfeiting operations, and the funds debited from client accounts but not entered in the correspondent account of a credit institution.

[29] Including savings certificates, which were previously included in the Debt Securities indicator.

## Household deposits by group of banks

TABLE 1.2

| | Share of household deposits in banking sector total deposits (by group of banks), % | | Share of household deposits in the liabilities of a respective bank group, % | |
|---|---|---|---|---|
| | As of 1.01.2011 | As of 1.01.2012 | As of 1.01.2011 | As of 1.01.2012 |
| State-controlled banks | 57.4 | 58.0 | 36.4 | 33.0 |
| Foreign-controlled banks | 11.5 | 11.4 | 18.6 | 19.3 |
| Large private banks | 25.3 | 24.6 | 24.0 | 25.6 |
| Small and medium-sized banks based in Moscow and the Moscow Region | 2.1 | 2.4 | 23.8 | 26.8 |
| Small and medium-sized regional banks | 3.7 | 3.6 | 40.1 | 40.6 |

isations[30]. Their volume rose by 25.8% in 2011 (16.4% in 2010) and totalled 13,995.7 billion roubles, while the share of that item in banking sector liabilities expanded from 32.9% to 33.6% (*see Chart 1.18)*. In addition to a fierce competition on the household deposit market, credit institutions were strongly competing to win corporate clients. Banks significantly increased the volume of deposits and other funds borrowed from corporate entities[31] (other than credit institutions). In 2011, that volume grew by 38.6% (10.4% in 2010) and stood at 8,367.4 billion roubles, while their share of Russian banking sector liabilities went up from 17.9% to 20.1%.

Banks were interested in corporate deposits of varying maturities, including short-term deposits. The share of deposits with maturities of up to one year in the total deposits of legal entities increased from 50.0% to 54.6%.

With respect to groups of banks, the largest growth in deposits and other borrowed funds of legal entities (other than credit institutions) was observed among state-controlled banks (68.6%). The next-largest group included foreign-controlled banks (38.2%), followed by regional small and medium-sized banks (31.3%). The borrowed funds of large private banks grew by only 7.9%.

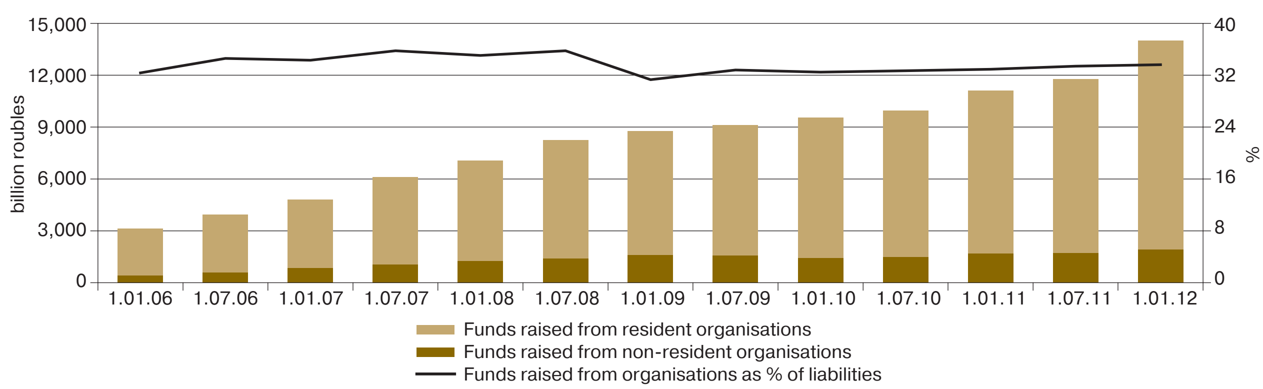
In 2011, the corporate funds in settlement and other accounts increased by 9.9% to 5,326.7 billion roubles (25.6% in 2010), while their share in the liabilities fell from 14.3% to 12.8%. The share of funds of non-resident organisations (excluding banks) in banking sector liabilities remained relatively small (it decreased from 5.0% to 4.6% during the year).

The volume of resources raised by credit institutions through issuing bonds in 2011 increased by 24.0% to 666.7 billion roubles; the share of this source in banking sector liabilities remained virtually unchanged (1.6% as of January 1, 2012). The volume of credit institutions' bills and bank acceptances rose by 7.8% during 2011 and their share in banking sector liabilities fell from 2.4% to 2.1%. Thus, the operations of banks to issue bonds and bills served as a limited source of funding.

During the year, the volume of interbank loans[32] grew by 21.4% (20.5% in 2010) to 4,560.2 billion roubles, with a slight decrease in their weighting in banking sector liabilities (from 11.1% to 11.0 %). The funds generated on the domestic interbank market in 2011 increased by

## Raising funds from organisations (other than credit institutions)

CHART 1.18




[30] Excluding banks.
[31] Including deposit certificates (previously included in the Debt Liabilities indicator, and other borrowed funds of legal entities.
[32] Loans, deposits and other borrowings on the interbank market (including precious metals).

**Deposits and other borrowed funds of legal entities by group of banks** TABLE 1.3

| | Share of deposits and other funds borrowed from legal entities in banking sector total funds (by group of banks), % | | Share of deposits and other funds borrowed from legal entities in the liabilities of a respective bank group, % | |
|---|---|---|---|---|
| | As of 1.01.2011 | As of 1.01.2012 | As of 1.01.2011 | As of 1.01.2012 |
| State-controlled banks | 40.1 | 48.8 | 15.6 | 19.5 |
| Foreign-controlled banks | 19.1 | 19.0 | 18.9 | 22.6 |
| Large private banks | 38.1 | 29.7 | 22.3 | 21.7 |
| Small and medium-sized regional banks (including ones based in Moscow and the Moscow Region) | 2.7 | 2.5 | 9.1 | 10.0 |

25.2% (37.5% in 2010), and their share in the liabilities remained at the 5% level.

Despite the unstable situation in the world economy in 2011, debt on loans borrowed from non-resident banks rose by 18.4% (9.3% in 2010). However, the significance of this source of funding decreased; as of January 1, 2012, it accounted for 5.9% of banking sector liabilities as against 6.1% in the previous year. It should be noted that most of the resources (more than 68.0%) were borrowed from non-resident banks by Russian credit institutions with maturities exceeding one year (*see Chart 1.19*).

Most significant is the share of non-resident bank funds in the liabilities of foreign-controlled credit institutions (13.5%). For comparison, that indicator was 4.3% for state-controlled banks, and 5.1% for large private banks. Small and medium-sized banks obtained virtually none of their resources from international markets.

In the total volume of interbank loans taken by the Russian banking sector from non-residents, the share of foreign-controlled banks totalled 39.1%, the share of state-controlled banks was 36.8%, and that of large private banks was 23.8%.

## I.3.2. Asset dynamics and structure

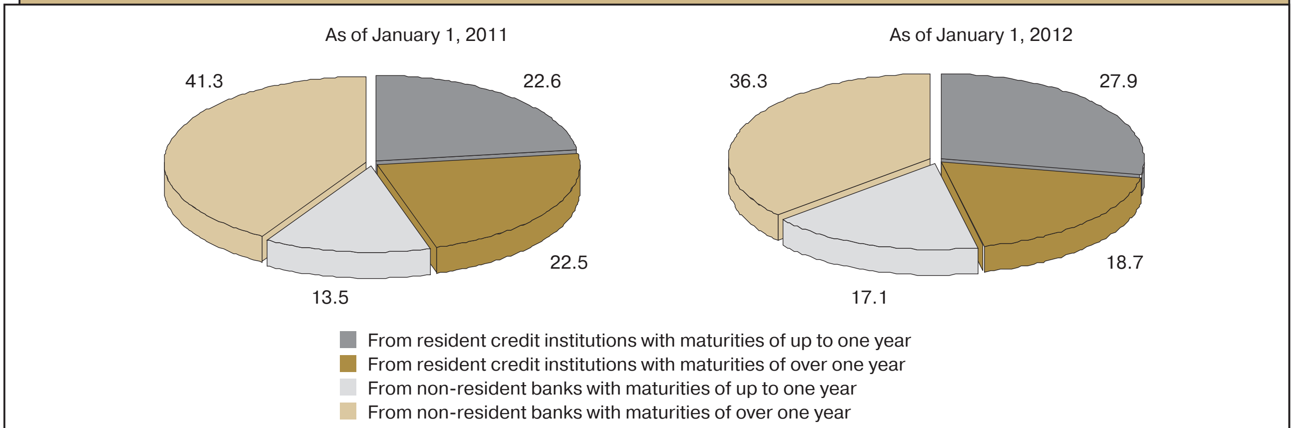
In 2011, banking business was rapidly growing in a fairly stable situation in the Russian economy. This predetermined the overall positive development of the banking sector: during the year, credit institutions' assets grew by 23.1% to 41,627.5 billion roubles (14.9% in 2010).

Taking into account the negative external background in the second half of 2011, Russian banks faced growing demand for loans from clients, and given the shortage of liquidity, had to become more flexible and efficient in the management of their funds.

In the Russian banking sector as of January 1, 2012, 50.2% of the total assets were owned by state-controlled banks and 27.5% by large private banks. Foreign-controlled banks accounted for 16.9% of banking sector assets. Small and medium-sized regional banks, as well as ones based in Moscow and the Moscow Region, accounted for only 2.5% of banking sector total assets.

The banking sector increased assets primarily by building up corporate and retail loan portfolios. The total volume of loans to non-financial organisations and individuals in 2011 grew by 28.2% to 23,266.2 billion

**Loans, deposits and other funds raised on interbank markets, by maturity (as % of total value)** CHART 1.19



roubles, while their share in banking sector assets rose from 53.7% to 55.9% (for changes in the structure of assets, *see Chart 1.21*).

Banks' credit portfolio consists, for the most part, of loans granted to non-financial organisations. In 2011, they increased by 26.0% to 17,715.3 billion roubles (12.1% in 2010), and their share in the assets grew from 41.6% to 42.6%. A majority of loans (74.9%) was denominated in roubles (74.0% as of January 1, 2011).

During 2011, the corporate loan market saw an increase in the share of state-controlled banks, with a decrease of the share of large private banks and foreign-controlled banks (*see Table 1.4*).

There continued a tendency toward higher corporate demand for long-term loans. Despite the fact that in the structure of loans granted to non-financial organisations, the share of loans with maturities of over one year slightly decreased (from 67.4% to 67.1% in 2011), the share of loans with maturities of over three years increased from 38.5% to 39.7%.

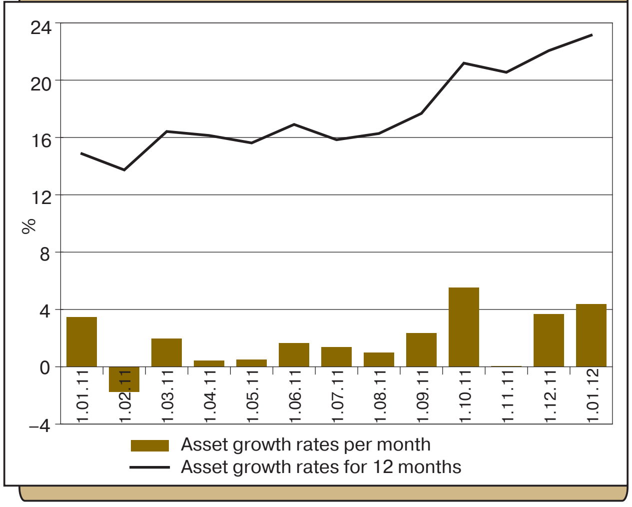
The most important roles in meeting the demand of non-financial organisations for long-term loans are those played by state-controlled banks and large private banks. The total share of these groups of banks in banking sector total loans grew in 2011, and as of January 1, 2012 totalled 84.0% (83.3% as of January 1, 2011)

Broken down by industry, the largest share of loans was still disbursed to wholesale and retail companies (20.9% as of January 1, 2012), and manufacturing companies (20.3%). In 2011, there was fast growth in lending to transportation and communication companies (a 80.5% increase as against 23.2% in 2010), as well as to companies that produced and distributed power, gas and water (39.4% as against 20.8%). Following the recovery of the real estate market, the volume of loans to support real estate and lease transactions rose by 38.7% (13.3% in 2010).

In 2011, lending to households continued to grow[33]: the total volume of these loans grew by 35.9% to 5,550.9 billion roubles (14.3% in 2010). Households still preferred to take out loans in roubles, the share of such loans in

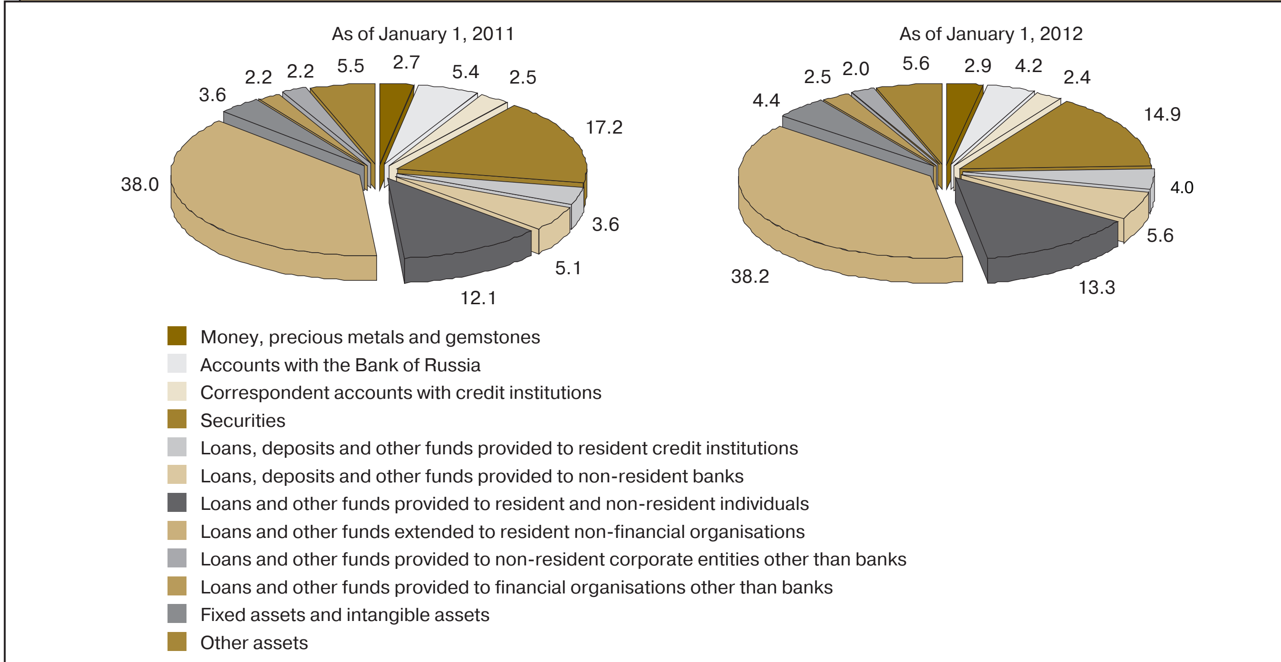
## Asset growth rates

*CHART 1.20*




## Banking sector asset structure (%)

*CHART 1.21*




[33] Excluding individual unincorporated entrepreneurs. Under Part 1 of Article 23 of the Civil Code of the Russian Federation, these loans are not included in household loans.

## Loans disbursed to non-financial organisations by group of banks

TABLE 1.4

| | Share of loans to non-financial organisations in banking sector total loans, % | |
|---|---|---|
| | As of January 1, 2011 | As of January 1, 2012 |
| State-controlled banks | 50.2 | 54.5 |
| Foreign-controlled banks | 15.1 | 14.0 |
| Large private banks | 30.4 | 27.2 |
| Small and medium-sized banks based in Moscow and the Moscow Region | 2,.2 | 2.2 |
| Small and medium-sized regional banks | 2.3 | 2.0 |

total loans in the period under review amounted to 94.2% (91.2% in 2010).

During 2011, the share of loans to households increased from 12.1% to 13.3% in banking sector assets and from 18.4% to 19.3% in total loans.

Retail lending is one of the most competitive segments of the banking market.

The largest share of loans to households in the loan portfolios of bank groups as of January 1, 2012 belonged to small and medium-sized regional banks (27.1%), as well as to foreign-controlled banks (23.8%). Among state-controlled banks, these loans accounted for 17.9% of assets, while among small and medium-sized banks based in Moscow and the Moscow Region, the share was 18.3%, and among the large private banks it was 18.7%.

Outstanding mortgage housing loans grew by 30.6% to 1,474.8 billion roubles (11.7% in 2010). These loans accounted for 26.6% of household outstanding loans as of January 1, 2012.

In 2011, retail lending was still dominated by state-controlled banks; their share increased significantly when the share of foreign-controlled banks went down (*see Table 1.5*).

The debt crisis in Europe led to higher volatility on the stock market, especially in the second half of 2011. Due to these circumstances, the securities portfolio in the balance sheets of credit institutions, which in 2010 increased by 35.3%, grew by only 6.6% to 6,211.7 billion roubles, while its share in assets decreased from 17.2% to 14.9%.

Despite a slight decrease (from 75.8% to 75.3% during the year), debt obligations continued to dominate the securities portfolio. Their volume increased by 5.8% in 2011 (30.8% in 2010) to 4,676.2 billion roubles. In the structure of credit institutions' debt portfolios, 31.7% consisted of government obligations; these had accounted for the largest share of the growth in the portfolio by the end of 2011. It should be noted that by the end of the year, Russian banks' portfolios of all foreign debt securities accounted for only 40.3 billion roubles, or 0.1% of banking sector assets, and could not adversely affect its stability.

The largest holders of debt obligations as of January 1, 2012 were state-controlled banks and large private banks, which accounted for 51.1% and 30.2% of the debt securities purchased by the banking sector.

The share of equity securities at the end of 2011 amounted to 14.7% of the securities portfolio (12.2% as of January 1, 2011), and during the year, their volume grew by 28.6% to 914.4 billion roubles (1.7-fold in 2010).

In 2011, the tendency continued towards the reallocation of equity securities in the portfolio. The share of state-controlled banks in the total equity

## Loans disbursed to households by group of banks

TABLE 1.5

| | Share of loans to households in banking sector total loans, % | |
|---|---|---|
| | As of January 1, 2011 | As of January 1, 2012 |
| State-controlled banks | 46.4 | 48.7 |
| Foreign-controlled banks | 25.7 | 22.0 |
| Large private banks | 23.0 | 24.5 |
| Small and medium-sized banks based in Moscow and the Moscow Region | 1.9 | 1.9 |
| Small and medium-sized regional banks | 3.1 | 3.0 |

securities increased from 24.4% to 42.6%, mainly because of the reduction of large private banks' share, from 63.7% to 44.6%.

The banks' portfolios of promissory notes declined by 29.1% (in 2010, they increased 1.4-fold), totalling 233.9 billion roubles. Their share of the securities portfolio decreased from 5.7% to 3.8%. This was due to stricter requirements introduced on October 10, 2011 to cover certain types of transactions, including operations with promissory notes[34], when calculating the capital adequacy ratio.

In the portfolio of discounted promissory notes, 85.2% (82.6% as of January 1, 2011) consisted of Russian banks' bills, the volume of which decreased by 27.0% over 2011 to 199.2 billion roubles. Portfolios of bills issued by other Russian companies dropped by 38.7% and their share of the discounted bill portfolio fell from 16.1% to 13.9%.

The volume of interbank loan claims rose by 35.5% (7.2% in 2010) to 3,958.0 billion roubles, while their share in banking sector assets grew from 8.6% to 9.5%. The volume of loans placed with resident banks increased 1.4-fold, mainly to growth in the second half of 2011, during which (due to liquidity squeeze) interbank loans provided to residents expanded by 38.8% (in the first half, there was a 1.9% decline). The share of these loans in the assets increased from 3.6% to 4.0%. The volume of loans to non-resident banks went up by 35.0%, and the share of these loans in banking sector assets rose from 5.1% to 5.6%.

[34] Bank of Russia Ordinance No. 2613-U of April 20, 2011, "On Amending Bank of Russia Instruction No. 110-I, Dated January 16, 2004, on Banks' Required Ratios" entered into force on October 1, 2011.

# I.4. The Financial Performance of Credit Institutions

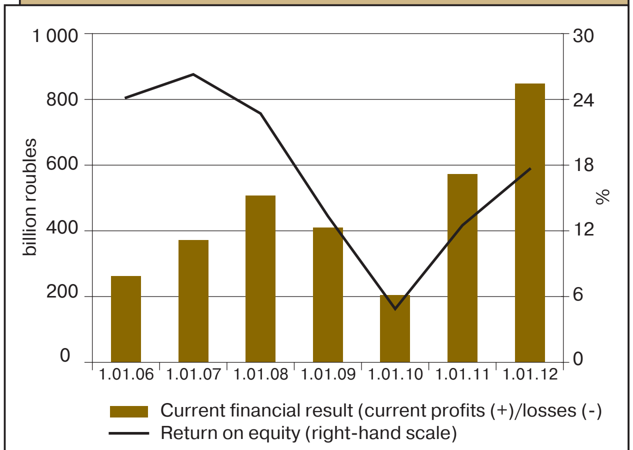
## I.4.1. Financial results

In 2011, the profits of credit institutions reached a record high in the recent history of banking business in Russia and totalled 848.2 billion roubles (*see Chart 1.22*), and total profits, when combined with the financial results of previous years, reached 2,243.1 billion roubles (in 2010, 573.4 billion roubles and 1,739.5 billion roubles respectively).

The share of profitable credit institutions increased from 92.0% to 94.9% in 2011, and the share of loss-making credit institutions decreased from 8.0% to 5.1%, while their number fell from 81 to 50. The losses of operating credit institutions reached 5.6 billion roubles in 2011 as against 21.7 billion roubles in 2008.

The contributions of individual groups of banks to the aggregate financial result are for the most part consistent with their share in banking sector assets. The largest impact on the financial result was made by state-controlled banks (58.4%), large private banks accounted for 20.2%, and foreign-controlled banks 17.4%. A positive influence on the financial bottom line of the banking sector came from banks that implemented bankruptcy-prevention measures: in 2011, they received profits of 11.3 billion (in 2010, these banks suffered losses amounting to 0.1 billion roubles).

**Banking sector financial results** *CHART 1.22*




During the reported period, the return on assets (2.4%) and equity (17.6%) of credit institutions[35] approached the pre-crisis levels (in 2007, 3.0% and 22.7%; in 2010, 1.9% and 12.5%). During the year, the return on assets increased in 505 banks, or 51.6% of the total number of credit institutions, and 568 banks, or 58.1%, improved their return on equity.

Analysis of drivers that determined the return on equity increase shows that in 2011, this happened due to the growth of bank financial leverage and profit margins. Bank return on assets remained almost unchanged as compared with 2010.

In 2011, profitability improved among all groups of banks, especially state-controlled banks.

*TABLE 1.6*

| | Return on assets, % | | Return on equity, % | |
|---|---|---|---|---|
| | 2010 | 2011 | 2010 | 2011 |
| State-controlled banks | 2.4 | 2.8 | 14.8 | 20.6 |
| Foreign-controlled banks | 2.1 | 2.4 | 14.5 | 17.4 |
| Large private banks | 1.1 | 1.7 | 8.4 | 14.2 |
| Small and medium-sized banks based in Moscow and the Moscow Region | 1.4 | 1.5 | 6.7 | 8.0 |
| Small and medium-sized regional banks | 1.5 | 1.7 | 9.8 | 10.4 |

| | *Capital multiplier (financial leverage)* | | *Profit margin* | | *Return-on-assets ratio* | | *Return on equity* |
|---|---|---|---|---|---|---|---|
| | Assets* / Capital* | x | Financial result / Gross net income | x | Gross net income** / Assets* | = | Financial result / Capital |
| 2010 | 6.6663 | | 0.3025 | | 0.0620 | | 0.1251 |
| 2011 | 7.4809 | | 0.3858 | | 0.0611 | | 0.1764 |

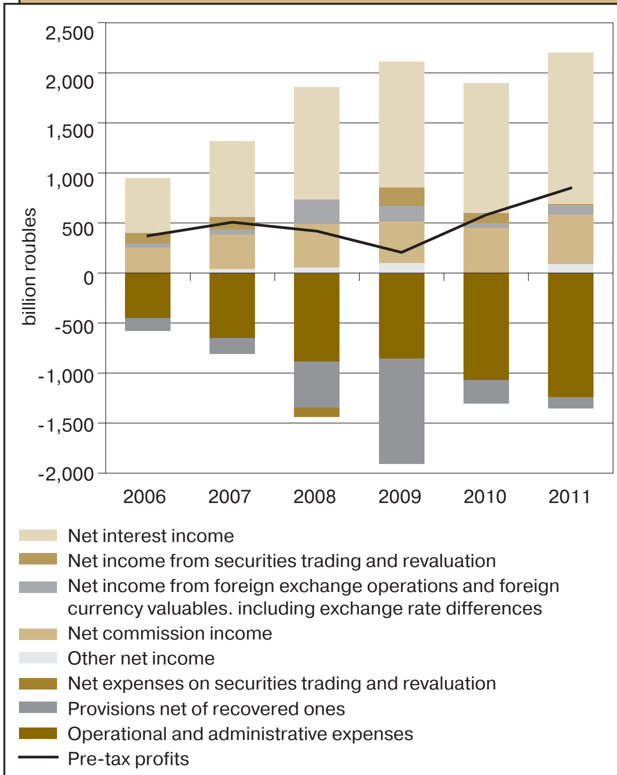
* Average for the period.

** Gross net income (financial result drivers) is a sum of net interest income, net income from securities trading and revaluation, net income from foreign exchange transactions and foreign currency valuables, including exchange rate differences, net commission income and net other income (before provisions net of recovered ones and maintenance costs of a credit institution). It is calculated on the basis of data reported by credit institutions (Form 0409102).

[35] Annualised - calculated as the ratio of financial result over 12 months preceding the reported date to the average chronological values of assets and equity over the same period.

### I.4.2. Financial result structure

**Banking sector profit drivers** *CHART 1.23*




In the structure of factors that generated financial results[36] (*see Chart 1.23*) in 2011, profit growth can primarily be accounted for by the build-up of investment in higher-yield instruments (bank loans) as well as by the slowed-down formation of provisions.

In 2011, the most important item in the formation of financial results was net interest income, with its share in profit drivers amounting to 68.6% (68.2% in 2010). In absolute terms, that income grew to 216.1 billion roubles, or 16.7% (2.8% in 2010). The increase in net interest income resulted from gross interest income growing while the value of gross interest costs remained stable. The ratio of net interest income to gross interest income rose from 50.2% as of January 1, 2011 to 54.2% as of January 1, 2012.

It should be noted that net interest income in 2011 was determined by the growth of household transactions, which accounted for 85.6% of the total growth in net interest income. Transactions with legal entities (excluding banks) yielded less net interest income; debt liabilities and interbank loans provided a moderate increase of this indicator.

Net interest income dominated the structure of profit drivers of all bank groups and contributed the most among state-controlled banks (74.0%), although it declined slightly compared to the previous year (74.2% on January 1, 2011). Other groups of banks were able to increase their share of net interest income in the structure of profit drivers.

Dynamic growth in 2011 was contributed to by another stable source of bank income: net commission income. This included growth that resulted from the revenues banks obtained from the services they provided (transfers, utility payments, the maintenance of bank cards). This indicator for the period amounted to 46.5 billion roubles, or 10.3% (8.5% in 2010). The share of net commission income in the structure of profit drivers declined slightly (22.6% in 2011 as against 23.6% in 2010).

The highest share of net commission income (35.3%) was that of small and medium-sized regional banks. Among other groups of banks, this value stayed within the 20%-25% range.

The volatile income sources of credit institutions developed in different directions in 2011.

The share of net income from securities trading and revaluation in the structure of profit drivers significantly decreased (from 5.6% as of January 1, 2011 to 0.4% as of January 1, 2012), which resulted from the slower growth of credit institutions' securities portfolios, as well as the negative revaluation of securities in the second half of 2011.

Proceeds from securities trading and revaluation decreased among all groups of banks in 2011. The largest weight of these operations in the structure of profit drivers did not exceed 1.5% (among large private banks). Foreign-controlled banks and small and medium-sized banks based in Moscow and the Moscow Region recorded respective losses in this type of operations of 1.3% and 0.6%.

The share of net income from foreign exchange transactions and foreign currency valuables, including exchange rate differences, in the structure of banking sector profit drivers increased from 2.4% as of January 1, 2011 to 4.3% as of January 1, 2012.

This source of income was primarily important for foreign-controlled banks, as well as small and medium-sized banks based in Moscow and the Moscow Region (7.2% and 8.0% in the structure of profit drivers). The role of income from foreign currency transactions in the formation of the financial result changed most significantly at large private banks, growing in 2011 from 1.2% to 5.1% in the structure of profit drivers.

With a generally positive dynamics of the loan portfolio quality (for details of overdue loans, *see II.1.1*), and banks' more favourable assessment of the level of systemic and individual risks, the volume of net formation of additional provisions in 2011 declined almost 2.1-fold, by 123.4 billion roubles, or 8.2% of the structure of profit-eroding factors (17.8% in 2010).

[36] Analysis of banking sector financial performance drivers is based on data reported by credit institutions in their Profit and Loss Statements (Form 0409102).

Provisions net of recovered ones decreased among foreign-controlled banks (from 13.6% to 2.3% in the structure of profit-eroding factors), state-controlled banks (from 19.1% to 8.7%), and large private banks (from 19.9% to 10.2%). The value of this indicator for small and medium-size regional banks and banks based in Moscow and the Moscow Region increased from 13.2% to 16.1% and from 10.1% to 10.6% respectively in the year under review.

Credit institutions' operational and administrative expenses rose by 15.7% in 2011 (from 81.5% to 91.8%) in the structure of profit-eroding factors. However, it should be noted that the ratio of operational and administrative expenses of credit institutions to gross net income for the year decreased in the banking sector (56.5% to 50.5%) and among groups of banks, except foreign-controlled and large private banks.

The share of operational and administrative expenses of credit institutions increased significantly in the structure of profit-eroding factors among state-controlled banks (from 77.1% to 91.3%), foreign-controlled banks (from 86.4% to 96.4%) and large private banks (from 77.6% to 89.8%). Small and medium-sized regional banks and banks based in Moscow and the Moscow Region slightly reduced this type of expenses in the structure of profit-eroding factors (from 86.8% to 83.9% and from 89.9% to 88.8%).

# II

# Banking Sector Risks

# II.1. Credit Risk

## II.1.1. Loan portfolio quality

In 2011, the quality of the banking sector loan portfolio gradually improved, although it still failed to reach the pre-crisis indicators of 2007. Overdue loans as a share of total loans dropped from 4.7% to 3.9% in 2011 (1.3% in 2007). Meanwhile, loans, deposits and other funds placed grew 29.6% in 2011, and overdue loans increased 9.4%, amounting to 1,133.0 billion roubles as of January 1, 2012.

Overdue loans as a share of total loans dropped in 2011 for all groups of banks. In the loan portfolio of state-controlled banks, the share of overdue loans constituted 4.5%, while in other groups of banks it was equal to or less than the banking sector average.

In the overwhelming majority of credit institutions which had overdue loans in their portfolios, this share did not exceed 4%. The number of such credit institutions grew in 2011 from 492 to 578, while their share of banking sector assets went up from 28.2% to 76.3%. At the same time, in 80 credit institutions, the share of overdue loans exceeded 8%. However, these banks' assets represented 6.3% of banking sector total assets (*see Chart 2.1*).

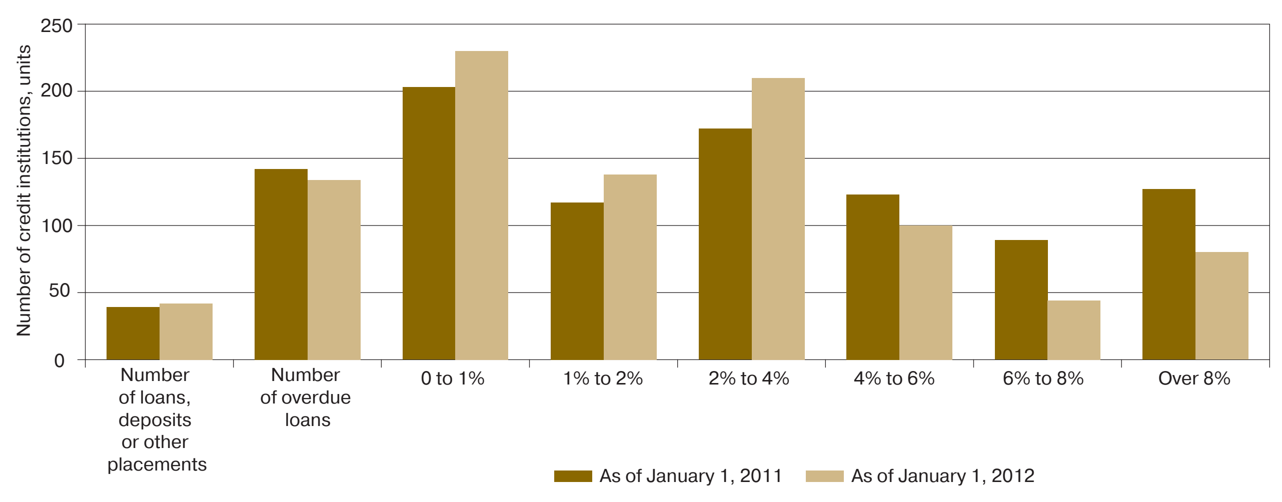
The credit risk exposure of Russian banks was still determined, above all, by the quality of loans extended to non-financial organisations, which accounted for 61.7% of total loans extended as of January 1, 2012. In 2011, overdue loans extended to this group of borrowers went up by 10.7%, while lending increased by 26.0%. That resulted in overdue loans to non-financial organisations decreasing from 5.3% to 4.6% during the reporting year. For rouble-denominated loans, this figure fell from 6.1% as of January 1, 2011 to 5.5% as of January 1, 2012, and for loans denominated in foreign currencies, it went down from 2.9% to 2.0%.

*Chart 2.2* shows respective shares of overdue loans by borrower business activity in 2011.

The amount of restructured large loans[37] to corporate entities went up by 13.5% during the year, reaching 1,774.3 billion roubles (restructured loans accounted for 28.6% of the total large loan portfolio at the end of 2011). Loans that were restructured by way of extending the principal repayment period (rollover loans) as of January 1, 2012 accounted for 55.4% of total restructured loans (56.4% as of January 1, 2011). At the same time, the share of restructured loans that were overdue by more than 90 days grew from 2.3% to 2.7% of the total restructured large loans during the reporting year.

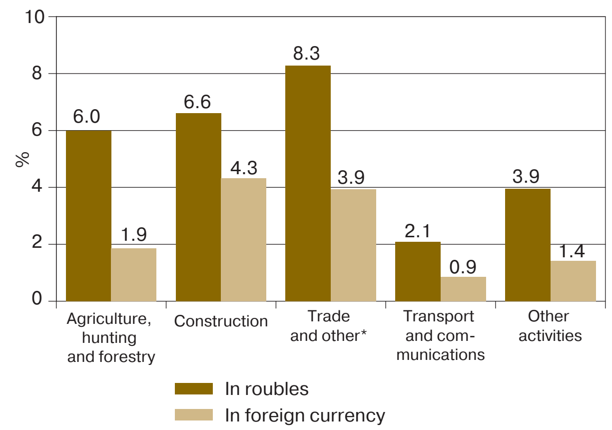
Overdue loans to households grew by 3.1% in 2011, while the volume of such loans rose by 35.9%. Accordingly, overdue loans fell from 6.9% to 5.2% during the year. The share of overdue rouble loans to households dropped from 6.4% as of January 1, 2011 to 4.7% as of January 1, 2012. At the same time, the share of overdue foreign currency loans increased in 2011 from 12.2% to 14.4%, as the total amount of loans of that type went down.

**Credit institutions by share of overdue loans in their portfolios** *CHART 2.1*



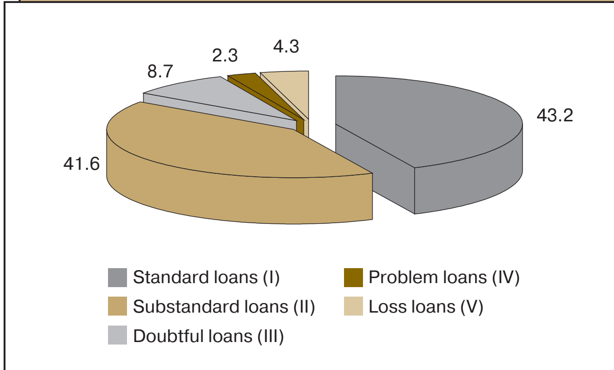

[37] According to Form 0409117 Large Loan Data reports filed by credit institutions with data on a reporter's 30 largest loans extended to corporate entities other than credit institutions, including individual unincorporated entrepreneurs.

**Overdue loans as % of loans by activity category as of January 1, 2012** *CHART 2.2*




* Wholesale and retail trade, and repairs of cars, motorcycles, household appliances and personal goods.

**Quality of banking sector loan portfolio as of January 1, 2012 (%)** *CHART 2.3*




As of January 1, 2012, 89.4% of loans extended to households, and other claims on households, were grouped in homogeneous loan portfolios (87.7% as of January 1, 2011). Meanwhile, the share of portfolios with loans that were overdue by more than 90 days as a share of household total loans grouped into homogeneous loan portfolios fell from 7.7% to 5.6%. These included car loans (from 9.3% to 6.5%); mortgage housing loans (from 3.9% to 2.9%), and other consumer loans (from 9.9% to 6.9%).

The improved quality of banks' loan portfolios in 2011 has not only been confirmed by accounting records, but also by prudential reporting[38]. Thus, as of January 1, 2012, the share of Quality Category I and Quality Category II loans stood at 84.7% as against 82.0% as of the beginning of 2011. The share of Quality Category IV and Quality Category V loans (so-called "bad" loans) fell during the year from 8.2% to 6.6% (*see Chart 2.3*).

By the end of 2011, portfolios with Quality Category I and Quality Category II loans accounting for over 50% were held by 873 banks, and these banks' share of banking sector total assets amounted to 98.6% (894 and 98.4% respectively as of January 1, 2011).

As of January 1, 2012, the proportion of Quality Category IV and Quality Category V loans in the loan portfolios ranged from 2.9% to 7.1%, depending on the credit institution groups.

In credit institutions undergoing bankruptcy-prevention procedures as of January 1, 2012, the ratios differed from the banking sector averages: as of January 1, 2012, the share of Quality Category IV and Quality Category V loans in these banks' assets stood at 14.5%; overdue loans to non-financial organisations accounted for 24.0%; and the share of overdue loans to households totalled 15.1%.

Excluding banks undergoing bankruptcy-prevention procedures, the share of overdue loans to non-financial organisations as of January 1, 2012 stood at 3.9%; the share of overdue loans to households totalled 5.0%; and problem and loss loans accounted for 6.3% of the total loans.

In 2011, credit institutions maintained their loan loss provisions (LLP) at a level that completely covered problem and loss loans (Quality Categories IV and V). As of January 1, 2012, total LLP reached 6.9% of the actual loans, including 44.1% of problem loans[39] and 90.2% of loss loans[40] (8.5%, 44.8% and 89.5% respectively as of January 1, 2011).

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

In 2011, the large credit exposure of the banking sector grew by 37.0%, to 11,971.6 billion roubles. During the reporting year, the share of large exposures in banking sector assets increased from 25.8% to 28.8%.

In 2011, the required 'maximum exposure per borrower or group of related borrowers' (N6) ratio was breached by 91 credit institutions (130 credit institutions in 2010), and the required "large credit exposure" (N7) ratio was breached by six credit institutions as against eleven credit institutions in 2010.

The ratio 'maximum value of loans, guarantees and sureties provided by a credit institution (banking group) to its members (shareholders)' (N9.1) as of January 1, 2012 was calculated by 385 credit institutions, or 39.4% of the total number of operating credit institutions (370 credit institutions, or 36.6% respectively as of January 1, 2011). The ratio was breached by one credit institution as against six credit institutions in 2010. There were a total of 252 violations in 2011 as compared with 454 violations a year earlier. Eight credit institutions (ten credit institutions in 2010) failed to meet the requirements set by N10.1 ratio, 'total insider risk'. However, the aforemen-

[38] According to Form 0409115 reports filed by credit institutions (Sections 1, 2, and 3).
[39] Taking collateral into account and an estimated provision for problem loans; the provision ranges from 51% to 100% of the principal, depending on the degree of loan impairment.
[40] Taking collateral into account.

tioned formal risk assessment could have been substantially more accurate, were the Bank of Russia authorised to pass motivated judgments.

In addition to evaluating prudent compliance based on credit institutions' reports as part of supervisory efforts, particular focus was placed on identifying instances where the concentration of risks was high, especially in relation to loans issued to the banks' real owners and affiliated persons. If it was established that a credit institution had exceeded the reasonable level of owner-related risk, the bank was guided to develop an action plan aimed at reducing the assumed exposure. If credit institutions were failing to cooperate on issues related to the dispersion of risk, the Bank of Russia would intensify its supervisory procedures concerning these institutions.

# II.2. Market Risk

## II.2.1. General characteristics of market risk

The number of credit institutions that calculated their exposure to market risk[41] fell from 641 to 621 in 2011. As in the previous year, in 2011 this change affected these banks' share of banking sector assets, which increased from 90.9% to 92.3%.

During the reporting year, the number of banks that included foreign exchange risk into their capital adequacy calculation and the share of these banks in banking sector assets[42] decreased substantially by January 1, 2012, to 390 and 45.0% respectively (437 banks and 75.5% of banking assets as of January 1, 2011). The equity position risk was taken into account by 248 banks with a 69.4% share of banking sector total assets (235 banks and a 71.1% share of assets as of January 1, 2011). The interest rate risk was calculated by 402 banks with an 87.0% share of assets (380 banks with a 84.1% share as of January 1, 2011).

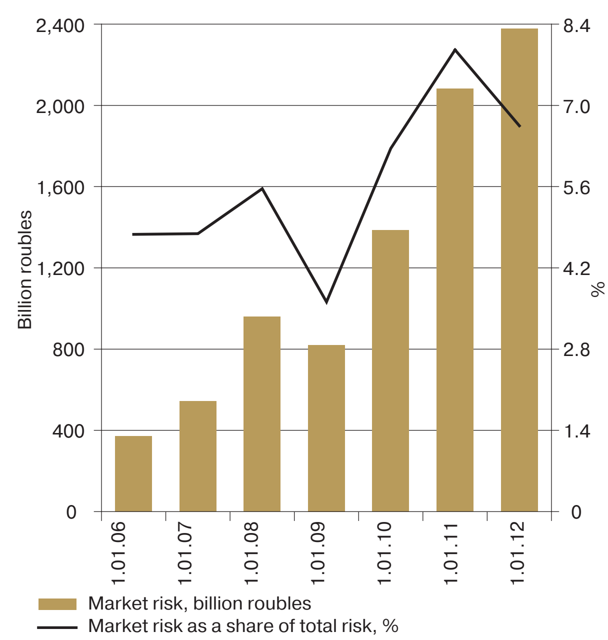
Assessed banking sector market risk (for calculating the capital adequacy ratio) totalled 2,377.7 billion roubles as of January 1, 2012, having grown by 14.2% in 2011. However, it had slowed in relation to 2010's 50.2% climb. Substantial capital market volatility, triggered (among other things) by the aggravating effects of the debt crisis in Europe, affected Russian banks' trading portfolios[43]. Their total growth rate in 2011 stood at a mere 1.6% (substantially lower than the 28.5% rate posted a year before). Banks' securities portfolios assessed at fair value through profit or loss[44] remained practically unchanged (gaining 0.5% during the year); securities available for sale increased by 2.3%.

Market risk as a share of banking sector total risk[45] fell even further during the reporting year. It stood at 6.6% as of January 1, 2012, 1.3 percentage points less than on January 1, 2011 (*see Chart 2.4*). The ratio of market risk to the capital of banks that calculated market risk gained 1.1 percentage points during the reporting year, reaching 49.7% as of January 1, 2012.

Since debt obligations dominated the trading portfolio structure (80.7% as of January 1, 2012), **interest rate risk** accounts for the largest share of total market risk (68.0% as of January 1, 2012). However, this share shed 7.6 percentage points in 2011, and debt obligations in the trading portfolios decreased by 3.2%. At the same time, the share of **equity position risk** went up[46]: the trading portfolio of equity holdings[47] grew by 28.6% *(see Table 2.1).*

Negative dynamics on the stock markets led to the reduction of banks' holdings of securities futures. According to bank statements, claims and obligations related to the forward delivery of securities[48] decreased by

**Market risk and its share of total banking sector risk** *CHART 2.4*




41 Market risk is calculated using the formula MR = 10*(IR + ER) + FR in accordance with Bank of Russia Regulation No. 313-P, dated November 14, 2007, "On the Procedure for Calculating Market Risk by Credit Institutions".

42 Due to the change in composition of such banks.

43 Trading portfolio, here and hereinafter, means investments (allowing for revaluation) in debt and equity securities assessed at fair value and available for sale. Market risk is not measured for all trading portfolios available for sale (accounts 502 and 507), but only for the financial instruments that have current (fair) value, which credit institutions determine on their own, under the applicable accounting rules established by Bank of Russia Regulation No. 302-P, dated March 26, 2007, "On the Accounting Rules at Credit Institutions Located in the Russian Federation".

44 Hereinafter: assessed at fair value.

45 Risk-weighted assets used to calculate the capital adequacy ratio of the banking sector, in accordance with Bank of Russia Instruction No. 110, dated January 16, 2004, "On Banks' Required Ratios".

46 By 8.2 percentage points.

47 Despite the drop of Russian stock indices.

48 Forward transactions in Section D of the Chart of Accounts.

## Banking sector market risk structure

TABLE 2.1

| | 1.01.11 | | 1.01.12 | | |
|---|---|---|---|---|---|
| | billion roubles | share of market risk, % | billion roubles | growth rate in 2011, % | share of market risk, % |
| Market risk (MR), total | 2,081.9 | 100.0 | 2,377.7 | 14.2 | 100.0 |
| Of which: | | | | | |
| interest rate risk (IR) | 1,574.6 | 75.6 | 1,616.7 | 2.7 | 68.0 |
| equity position risk (ER) | 370.5 | 17.8 | 617.6 | 66.7 | 26.0 |
| foreign exchange risk (FR) | 136.7 | 6.6 | 143.3 | 4.8 | 6.0 |

approximately two thirds during the reporting period (to 46.7 billion roubles and 99.9 billion roubles respectively as of January 1, 2012). In relation to bank capital, the net position for the forward delivery of securities in 2011 remained negative, and equalled –1.0% as of January 1, 2012 (as of January 1, 2011, this position was also negative, at -3.3%).

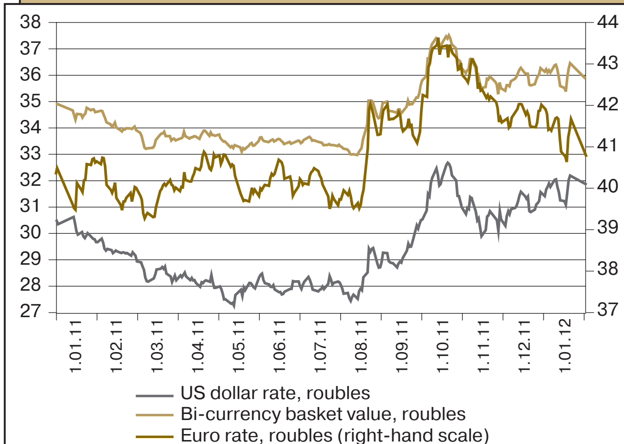
Domestic foreign exchange market volatility was higher in 2011 than in 2010[49] but overall, by the end of the year, the rouble depreciated against the US dollar and the euro (*see Chart 2.5*).

The importance of the foreign exchange risk decreased in 2011 (its share of market risk fell from 6.6% to 6.0%). The foreign currency component of balance sheet positions continued to lose its weight (*see Chart 2.6*). As a result, as of January 1, 2012, foreign currency assets accounted for 23.3% of banking sector assets (24.1% as of January 1, 2011), and foreign currency liabilities represented 21.5% of banking sector liabilities, as against 22.7% as of January 1, 2011. The positive difference between foreign currency assets and liabilities rose from 1.3 to 1.8 percentage points.

2011, like the previous year, saw an increase in absolute value of both the rouble equivalent of the net forward currency position[50] in US dollars and in euros overall (the aggregate short position[51], *see Table 2.2*), and the ag-

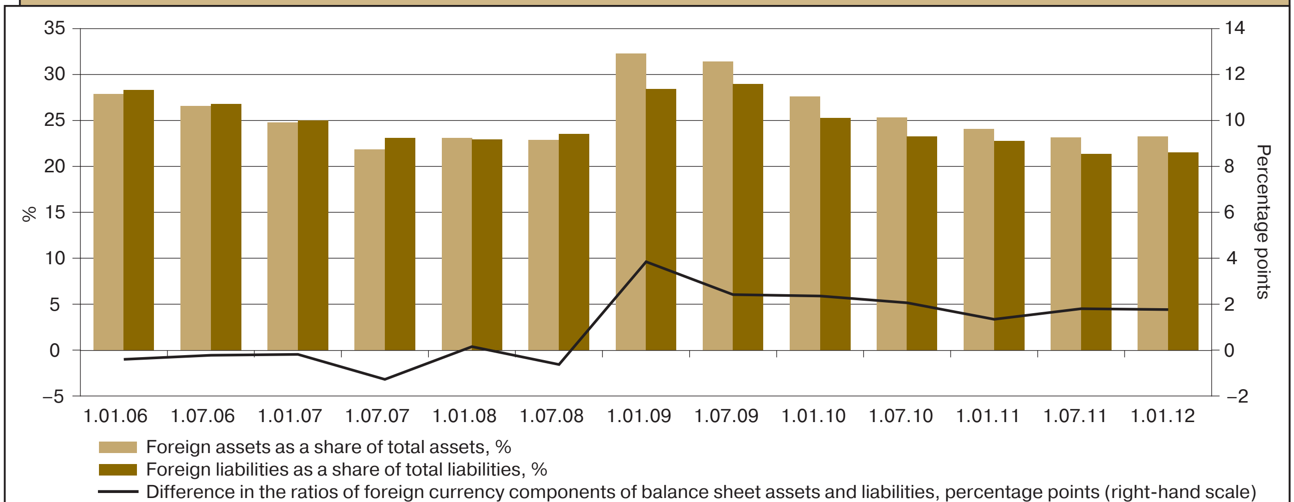
## Euro/rouble and US dollar/rouble exchange rate dynamics

CHART 2.5




## Foreign currency assets and liabilities in banking sector total assets and liabilities

CHART 2.6




[49] The standard deviation in the total bi-currency basket value in 2011 was higher than it had been in 2010: 1.2 roubles as against 0.8 roubles.

[50] Net forward and option positions in foreign currencies are calculated according to Form 0409634, “Statement of Open Currency Positions” for all credit institutions presenting this form, in rouble terms, at the Bank of Russia official rate, as of the corresponding dates.

[51] In 2011, the rouble equivalent of the net short forward currency position in US dollars grew in absolute terms, while the net long forward position in euros dropped.

gregate balance-sheet and off-balance-sheet[52] foreign currency positions (*see Table 2.3)*. The total net position (both balance-sheet and off-balance-sheet positions) remained practically unchanged in the period under review (563.6 billion roubles as of January 1, 2012 as against 543.2 billion roubles as of January 1, 2011).

In 2011, fifteen credit institutions operating as of January 1, 2012 exceeded the required limits set on open foreign currency positions (in any currency and precious metal) at least once (as compared with thirteen credit institutions operating as of January 1, 2011). The share of these banks in the assets of banks holding foreign currency or general licences grew from 2.5% as of January 1 , 2011 to 3.9% as of January 1, 2012.

## II.2.2. The assessment of banking sector vulnerability to interest rate risk

To estimate the banking sector vulnerability to interest rate risk involved in the aggregate debt securities *trading portfolio*, a sensitivity analysis was performed for banks' financial standing using a stress testing methodology. It was assumed that under the impact of a parallel upward shift of the yield curve of debt instruments in the banks' portfolios[53], the debt securities trading portfolio would depreciate in value. Since market rate movements impact the prices of government debt obligations and corporate bonds unevenly, the bank portfolio was split into two categories: federal government and Bank of Russia debt obligations[54], and other bonds. Portfolio duration, effective portfolio yields and historical interest rate movements were factored in the calculations[55]. The dependence of prices on interest rates was analysed separately for 2010 and 2011.

The interest rate risk was assessed based on the data reported by credit institutions that had the indicated securities in their portfolios. Analysis split the credit institutions into two groups (samples)[56], depending on whether they were required to calculate interest rate risk for inclusion in capital adequacy calculations and whether they held portfolios of such securities (the groups of banks' characteristics are described in *Table 2.4*). It should be noted that as of January 1, 2012, the assets and capital in the first sample of banks (which jointly hold 94.6% of the banking sector debt securities trading portfolio) represented 86.9% and 85.5% of banking sector totals,

### Net foreign currency forward position

*TABLE 2.2*

| | Foreign currency | Net foreign currency forward position, billion currency units | Rouble equivalent of net foreign currency forward position, billion roubles |
|---|---|---|---|
| 31.12.2010 | US dollar | –29.9 | –910.2 |
| | Euro | 13.0 | 523.0 |
| 31.12.2011 | US dollar | –28.4 | –913.1 |
| | Euro | 7.8 | 327.0 |

For reference: as of the beginning of 2012, 903 credit institutions reported their net forward positions in US dollars, and 897 did so in euros (930 and 925 banks respectively as of the beginning of 2011).

### Banking sector foreign currency claims and liabilities on and off balance sheet

*TABLE 2.3*

| | 1.01.2011 | 1.01.2012 | Growth in 2011 |
|---|---|---|---|
| **Balance-sheet positions** | | | |
| Claims, billion roubles | 8,143.6 | 9,688.9 | 1,545.4 |
| Liabilities, billion roubles | 7,690.0 | 8,955.6 | 1,265.6 |
| Net balance-sheet position, billion roubles | 453.6 | 733.4 | 279.8 |
| **Off-balance-sheet positions** | | | |
| Claims, billion roubles | 3,485.7 | 5,228.6 | 1,742.9 |
| Liabilities, billion roubles | 3,396.1 | 5,398.4 | 2,002.3 |
| Net off-balance-sheet position, billion roubles | 89.6 | –169.8 | –259.4 |

[52] Forward transactions in Section D of the Chart of Accounts.

[53] Potential (stress) increase in the yields of federal government and Bank of Russia debt obligations by 350 basis points, and of Russian corporate bonds by 1,000 basis points.

[54] Due to the Bank of Russia bond (OBRs) redemption in October 2011 (and, accordingly, their retirement from banks' balance-sheet portfolios as of January 1, 2012), banks' OBR portfolios are excluded from calculations of their sensitivity to interest rate risk as of January 1, 2012.

[55] The data are available on Cbonds.ru and the Bank of Russia website.

[56] The first group included banks that were required to calculate interest rate risk and, accordingly, factor market risk into capital adequacy calculations. Pursuant to Bank of Russia Regulation No. 313-P, dated November 14, 2007, "On the Procedure for Calculating Market Risk by Credit Institutions", interest rate risk and equity position risk are calculated if the total current (fair) value of financial instruments is equal to or exceeds 5% of the credit institution's balance-sheet assets as of the calculation date. The second group included banks that did not estimate interest rate risk but did hold such portfolios.

**Characteristics of banks sampled for analysis of sensitivity to interest rate risk** *TABLE 2.4*

| | Number of banks in the sample | | Share of analysed debt portfolios, % | | Share of banking sector assets, % | | Share of banking sector capital, % | |
|---|---|---|---|---|---|---|---|---|
| | 1.01.11 | 1.01.12 | 1.01.11 | 1.01.12 | 1.01.11 | 1.01.12 | 1.01.11 | 1.01.12 |
| Sample 1 | 372 | 396 | 94.2 | 94.6 | 84.0 | 86.9 | 83.9 | 85.5 |
| Sample 2 | 154 | 129 | 5.8 | 5.4 | 12.3 | 9.7 | 11.2 | 9.4 |

exceeding the respective values of these indicators as of January 1, 2011.

Sensitivity analyses of the credit institutions in each sample show that in both groups (those that calculate interest rate risk and those that do not), sensitivity to interest rate risk went up in 2011, despite the reduction of their debt portfolios. As of the beginning of 2012, potential losses in Sample 1 could be 14.2% of capital as against 11.1% as of January 1, 2011, and in Sample 2 it could be 7.7% of capital as against 6.0% as of January 1, 2011. The key reason was the increase in the duration of the OFZ and corporate bond portfolios. The vulnerability of the banking sector to potential interest rate movements in 2011 overall tended to grow, thus this risk factor's significance for domestic banks is on the rise.

### II.2.3. The assessment of banking sector vulnerability to equity position risk

To estimate the Russian banking sector vulnerability to equity position risk, stress tests were used to project the potential negative consequences of a fall in stock indices. It was assumed that stock indices would drop by 50%[57].

To determine the impact of equity position risk on the capitalisation of the Russian banking sector, the Bank of Russia analysed data reported by credit institutions that held equities in their trading portfolios. Credit institutions were broken in two groups[58] (the groups of banks' characteristics are described in *Table 2.5*). In 2011, both samples underwent certain changes in terms of their composition and share both in banking sector assets and capital, and in their equity trading portfolios.

Analysis revealed that the group of credit institutions that *calculated equity position risk* has, as a whole, become moderately more sensitive to this type of risk (part of the reason being the increase in such portfolios). Should stock indices fall by 50%, potential losses would have amounted to 11.4% of capital as of early 2012 (9.9% as of January 1, 2011).

As for the group of credit institutions that had portfolios of the equities under review but *did not calculate equity position risk*, their sensitivity to equity position risk also grew: should an adverse development occur, potential losses might amount to 4.3% of capital as of early 2012 (2.6% as of January 1, 2012).

In general, the sensitivity analysis shows that the banking sector vulnerability to equity position risk is quite significant in the first group of credit institutions and relatively small in the second group, but in both cases higher than in the previous year. The banking sector overall vulnerability to interest rate risk is substantially higher than its sensitivity to equity position risk, since its debt securities trading portfolio exceeds its equity trading portfolio by 4.2-fold.

### II.2.4. The assessment of banking sector vulnerability to foreign exchange risk

To assess the vulnerability of the Russian banking sector to foreign exchange risk, stress tests were conducted to analyse sensitivity, both to the appreciation and depreciation of the rouble against the US dollar and the euro.

In the event of **appreciation**, it was assumed that the nominal exchange rates of the rouble against the US dollar and the euro would increase by 20%. To estimate the impact of foreign exchange risk on the financial situation of the Russian banking sector, the Bank of Russia analysed data reported by credit institutions that were required to calculate foreign exchange risk[59] and that held net long open positions[60] in US dollars and euros (the characteristics of banks are described in *Table 2.6*). Banks with net long open positions in either US dollars or euros (with some banks having long positions in both currencies) were analysed.

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57 It was assumed that a 50% fall in stock indices would lead to a similar drop in the value of stocks in trading books.

58 The first group was comprised of banks that were required to calculate their equity position risk and, therefore, included it in capital adequacy calculations; the other group was comprised of credit institutions that did not calculate equity position risk but did hold such portfolios.

59 Foreign exchange risk is built into market risk if total open currency positions in individual foreign currencies and individual precious metals as a percentage of the credit institution's capital are equal to or exceed 2%, as of the date of market risk calculation.

60 When preparing the Form 0409364 Open Currency Positions Statement, the net positions include balance-sheet assets and liabilities and off-balance-sheet claims and obligations specified according to Bank of Russia Instruction No. 124-I, dated July 15, 2005, "On Setting Limits on Open Currency Positions, the Methods of Calculation and the Specifics of Supervising Their Compliance by Credit Institutions".

**Characteristics of banks sampled for analysis of sensitivity to equity position risk** *TABLE 2.5*

| | Number of banks in the sample | | Share of equities portfolios, % | | Share of banking sector assets, % | | Share of banking sector capital, % | |
|---|---|---|---|---|---|---|---|---|
| | 1.01.11 | 1.01.12 | 1.01.11 | 1.01.12 | 1.01.2011 | 1.01.12 | 1.01.11 | 1.01.22 |
| Sample 1 | 234 | 245 | 92.8 | 89.4 | 71.1 | 69.4 | 70.6 | 68.6 |
| Sample 2 | 268 | 242 | 7.2 | 10.6 | 22.2 | 23.2 | 20.6 | 21.8 |

**Characteristics of banks analysed for sensitivity to foreign exchange risk (a potential appreciation of the rouble)** *TABLE 2.6*

| | Number of banks | | Share of banking sector assets, % | | Share of banking sector capital, % | |
|---|---|---|---|---|---|---|
| | 31.12.10 | 31.12.11 | 31.12.10 | 31.12.11 | 31.12.10 | 31.12.11 |
| Credit institutions with long positions, either in US dollars or in euros (in at least one of the currencies) | 287 | 281 | 17.9 | 29.8 | 17.3 | 27.0 |

In 2011, somewhat fewer banks had long open currency positions in at least one of the stated currencies than in the previous year. However, due to significant changes in the composition of banks under review, their share of banking sector assets and capital increased substantially.

The share of long open US dollar/euro positions in the total long open positions in all currencies and precious metals[61] for this sample of banks fell from 66.3% as of December 31, 2010, to 34.6%[62] as of December 31, 2011. Analysis shows that an appreciation of the rouble against the US dollar and the euro by 20% would not lead to substantial losses. Should the scenario materialise, the potential losses of banks in the given sample would, just as the year before, reach 0.5% of their capital as of December 31, 2011.

For the second assessment of the Russian banking sector sensitivity to foreign exchange risk, it was assumed that the nominal exchange rate of the rouble against the US dollar and the euro **depreciated** by 20%. To determine the impact of foreign exchange risk on the financial state of the Russian banking sector, statements filed by credit institutions that were required to calculate foreign exchange risk and held net short open positions in US dollars and euros were analysed.

The number of banks with short currency positions in at least one of the aforementioned currencies went down by approximately 25% during 2011, while their share of banking sector assets and capital decreased by approximately half (the credit institutions with net short open positions in US dollars and euros are described in *Table 2.7*).

The share of short open positions in dollars and euros of the banks in this sample in their short open positions in all currencies and precious metals[63] contracted from 87.8% as of December 31, 2010, to 78.7% as of December 31, 2011. Analysis shows that the banking sector vulnerability to a 20% depreciation of the rouble against the US dollar and the euro remains insignificant, although it went up in comparison to the previous year. Should such a scenario materialise, potential losses for the appropriate group of banks might equal 1.0% of their capital as of December 31, 2011 (0.4% the year before).

**Characteristics of banks analysed for sensitivity to foreign exchange risk (a potential depreciation of the rouble)** *TABLE 2.7*

| | Number of banks | | Share of banking sector assets, % | | Share of banking sector capital, % | |
|---|---|---|---|---|---|---|
| | 31.12.10 | 31.12.11 | 31.12.10 | 31.12.11 | 31.12.10 | 31.12.11 |
| Credit institutions with short positions either in US dollars or in euros (in at least one of the currencies) | 310 | 236 | 68.5 | 34.6 | 68.2 | 31.5 |

61 In the rouble equivalent.
62 Note: in addition, approximately 34.7% of long open positions in the group of banks under analysis belong to one major Russian bank's long positions in hryvnia and in gold.
63 In the rouble equivalent.

# II.3. Liquidity Risk

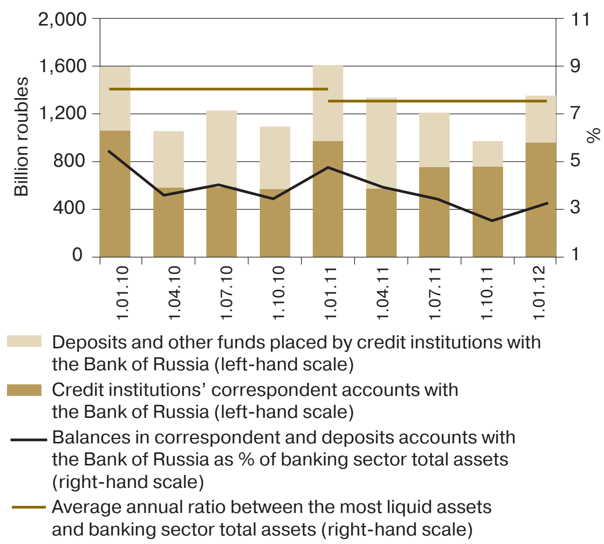
## II.3.1. General characteristics of liquidity risk

The most liquid assets in 2011 grew at a slower pace than that of total assets. The most liquid assets[64] as a share of banking sector total assets[65] fell from 8.0% in 2010 to 7.5% in 2011 (for changes in the key components of liquid assets, see *Chart 2.7*).

The highest share of the most liquid assets in total assets was still recorded among small and medium-sized banks based in Moscow and the Moscow Region (18.8% in 2011 as against 21.6% in 2010), and among regional banks (19.6% and 20.7% respectively). Large banks (both state-controlled and private) performed less efficiently in this respect; one reason is their capacity to raise the necessary liquidity by means of refinancing.

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

*CHART 2.7*




### Bank of Russia operations to regulate banking sector liquidity

In 2011, substantial changes took place on the Russian money market. As Russian banking sector liquidity remained at a relatively high level, for the most part of the year (from January to August 2011), there was virtually no demand for Bank of Russia refinancing instruments on the part of credit institutions. Meanwhile, rates on the interbank money market remained at the floor of the Bank of Russia interest rate band. During that period, an active role in maintaining banking sector liquidity was played by Bank of Russia operations to absorb liquidity: by deposit transactions with credit institutions and via the placement of Bank of Russia bonds.

In September 2011, however, the banking sector shifted from a structural surplus of liquidity to its deficit. The money supply squeeze was triggered primarily by the substantial absorption of funds through the budget channel, due to the general government's income exceeding its spending. The Bank of Russia sales of foreign currency, justified to a significant extent by the growing outflow of private capital from Russia, became an additional factor contributing to decreased liquidity.

The aforementioned developments led to an increase in credit institutions' demand for the Bank of Russia refinancing instruments. Gross credit extended by the Bank of Russia to the banking sector grew 2.6-fold in 2011; by January 1, 2012 it reached almost 1.5 trillion roubles, while net credit to the banking sector, starting in October 2011, became positive. As of January 1, 2012, it reached 0.1 trillion roubles as against –1.6 trillion roubles at the beginning of 2011. Total Bank of Russia operations to refinance credit institutions in 2011 reached 23.0 trillion roubles, more than eight-fold higher than the 2010 total. Refinancing operations were performed mainly as repo transactions, predominantly through auctions. The average daily debt on Bank of Russia repo operations went up from 21.0 billion roubles in 2010 to 153.8 billion roubles in the reporting period. Additionally, the debt on the Bank of Russia loans secured by non-market assets and sureties rose significantly in 2011 as well.

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[64] Cash, precious metals and gemstones, nostro correspondent account balances, and balances in correspondent and deposit accounts with the Bank of Russia. This indicator is calculated as a chronological average for 2011.

[65] Chronological average for the period under review.

Specifically, as of January 1, 2012, the debt on loans secured by the Bank of Russia amounted to 391.7 billion roubles. This sum included 2.4 billion roubles on overnight loans; 7.3 billion roubles on Lombard loans (excluding overnight loans); and 382.0 billion roubles on loans secured by non-market assets and sureties, or gold (excluding overnight loans).

Owing to the liquidity deficit, the balances of credit institutions' deposits with the Bank of Russia substantially declined, while the amount of outstanding OBR fell to zero by October 2011, and the Bank of Russia made no further decisions concerning the placement of OBR issues.

In light of the changed banking sector liquidity situation, the Bank of Russia undertook a number of efforts in the second half of 2011 to broaden opportunities for the refinancing of credit institutions:

- it introduced a new refinancing mechanism: providing credit institutions with loans secured by gold, with maturities of up to 180 calendar days;
- it reduced the minimal required issuer ratings applied when making decisions on the inclusion of securities in the Bank of Russia Lombard List and minimal corporate rating required to make it eligible for the Bank of Russia List[66];
- it renewed extending loans against credit institution guarantees, and loans secured with assets or sureties with maturities of from 91 to 180 calendar days;
- it increased from 0.98 to 1 a correction factor applied to adjust the value of federal government bonds (OFZs) accepted as collateral for Bank of Russia loans. It also raised from 0.2-0.5 to 0.5-0.8 the correction factors used to calculate the value of non-market assets accepted as collateral for its loans;
- it reduced from 1.25% to 0% the initial discount applied to calculate the value of collateral accepted by the Bank of Russia in repo transactions with OFZs and OBRs of up to 6 calendar days.

The transition to a structural liquidity deficit might prompt the banks to enhance the efficiency of managing their own resources; this already transpired in September-December 2011. It also creates conditions for the Bank of Russia to strengthen its interventions with regard to money market interest rates. The latter is of particular importance, if one takes into account that a rise in short-term money market rates amid banking sector liquidity deficit in September-December 2011 affected interest rates on banks' deposits and loans rather quickly. Rates on household deposits (excluding demand deposits) went up from 6.3% in September to 7.8% in December 2011; rates on loans to non-financial organisations increased from 8.1% to 9.6% respectively[67].

## II.3.2. Compliance with required liquidity ratios

Due to a substantial increase in credit institutions' short-term liabilities, the actual average annual ratio of instant liquidity (N2) across the banking sector declined from 70.1% in 2010 to 63.2% in 2011 (the regulatory minimum being 15%). The average annual ratio of current liquidity (N3) dropped from 100.1% in 2010 to 87.5% in 2011 (*see Chart 2.8*), which is also substantially higher than the minimum permissible ratio of 50%.

The average long-term liquidity ratio[68] grew from 76.2% in 2010 to 78.3% in 2011. The volume of long-term (over one year) lending rose by 25.2% in 2011 over its 2010 figure. Banking sector liabilities maturing in over one year increased by 32.5%, while the growth rate of the volume of average capital reached 4.9%[69]. These changes reflect the maintained balanced structure of credit institutions' long-term assets and liabilities.

During 2011 only few credit institutions failed to comply with the required liquidity ratios, and these companies did so occasionally. Of the credit institutions that were in operation as of January 1, 2012, five credit institutions breached instant liquidity (N2) ratio on certain dates (thirteen credit institutions in 2010); nineteen credit institutions failed to comply with the current liquidity (N3) ratio (seventeen credit institutions in 2010); and one credit institution violated long-term liquidity ratio (N4) (seven credit institutions in 2010).

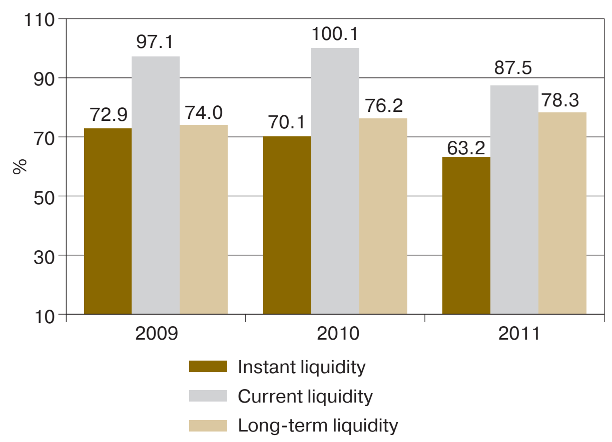
66 A list of credit institutions mentioned in Sub-point 3.6.1 of Point 3.6 of Bank of Russia Regulation No. 312-P, dated November 12, 2007, "On the Procedure for Extending to Credit Institutions Bank of Russia Loans Secured by Assets or Sureties".

67 Based on data covering Russian credit institutions' operations with maturities of up to one year as a whole, excluding Sberbank.

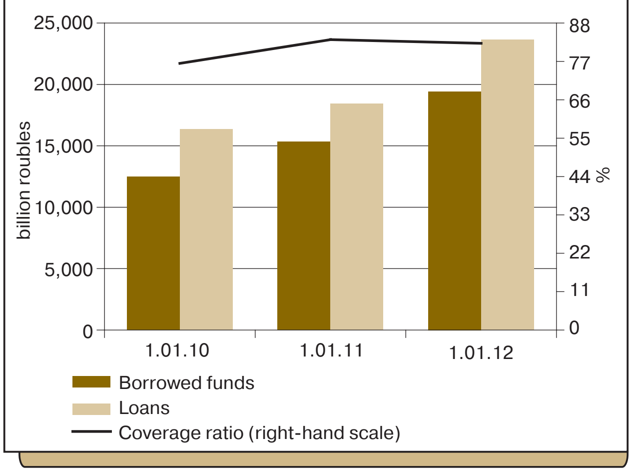
68 This indicator is calculated using chronological averages for long-term loans, banking sector liabilities with maturities over one year, and capital, in accordance with Bank of Russia Instruction No. 110-I, dated January 16, 2004, "On Banks' Required Ratios". The maximum permissible ratio is set at 120%.

69 Analysis is based on components of the long-term liquidity (N4) ratio.

**Banking sector liquidity ratios (annual chronological averages)** CHART 2.8




**Loans to banking sector borrowed funds** CHART 2.9




## II.3.3. The structure of credit institutions' assets and liabilities by maturity

In 2011, the share of assets maturing in excess of one year in the total assets assigned to Quality Category I[70] rose from 27.3% as of January 1, 2011 to 28.5% as of January 1, 2012. The share of liabilities with a residual maturity of more than one year in total liabilities remained at 24%.

The liquid coverage deficit (LCD)[71] remained stable throughout the year (standing at 19.9% as of January 1, 2012 as against 21.1% as of January 1, 2011).

### Customer deposits to loans (coverage ratio[72])

As of January 1, 2012, customer deposits[73] (the most stable source of credit institutions' funds), covered 82.2% of customer loans[74], which is somewhat lower than the coverage ratio of 83.3% as of January 1, 2011 (*see Chart 2.9.*). The growth rate of loans extended to customers (28.4%) virtually corresponded to the growth rate of deposits placed by customers (26.8%).

The coverage ratio calculated by the medium- and long-term component (one-year-plus maturity)[75] fell from 69.9% as of January 1, 2011 to 63.4% as of January 1, 2012. The growth rate of loans with maturities exceeding one year was higher than the growth rate of deposits with the same maturity (28.9% as against 16.8% respectively).

In 2011, the number of credit institutions with coverage ratios that were well below the banking sector average decreased. As of January 1, 2012, coverage ratios that were half as high as the average were registered in 207 credit institutions, which accounted for 3.3% of banking sector total assets (252 credit institutions with a 5.7% share as of January 1, 2011). Coverage ratios that were four times lower than the banking sector average were registered as of January 1, 2012 in 127 credit institutions with 1.8% share of banking sector total assets (162 credit institutions with a 2.6% share as of January 1, 2011).

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

In the first six months of 2011, the dynamics of interbank actual credit rates (MIACR) was sufficiently stable; the MIACR for overnight rouble loans remained between 2.6% and 4.7% p.a. (*see Chart 2.10*). In the last six months of 2011, due to the certain liquidity deficit on

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[70] Pursuant to Bank of Russia Regulation No. 254-P, dated March 26, 2004, "On the Procedure for Credit Institutions Making Provisions for Possible Losses on Loans, Loan and Similar Debts" and Bank of Russia Regulation No. 283-P, dated March 20, 2006, "On the Loss Provision Procedure for Credit Institutions".

[71] The liquid coverage deficit (LCD) is calculated as the ratio of the excess of demand liabilities and liabilities with maturities of up to 30 days over the value of (liquid) assets of the same maturities, to the total value of these liabilities.

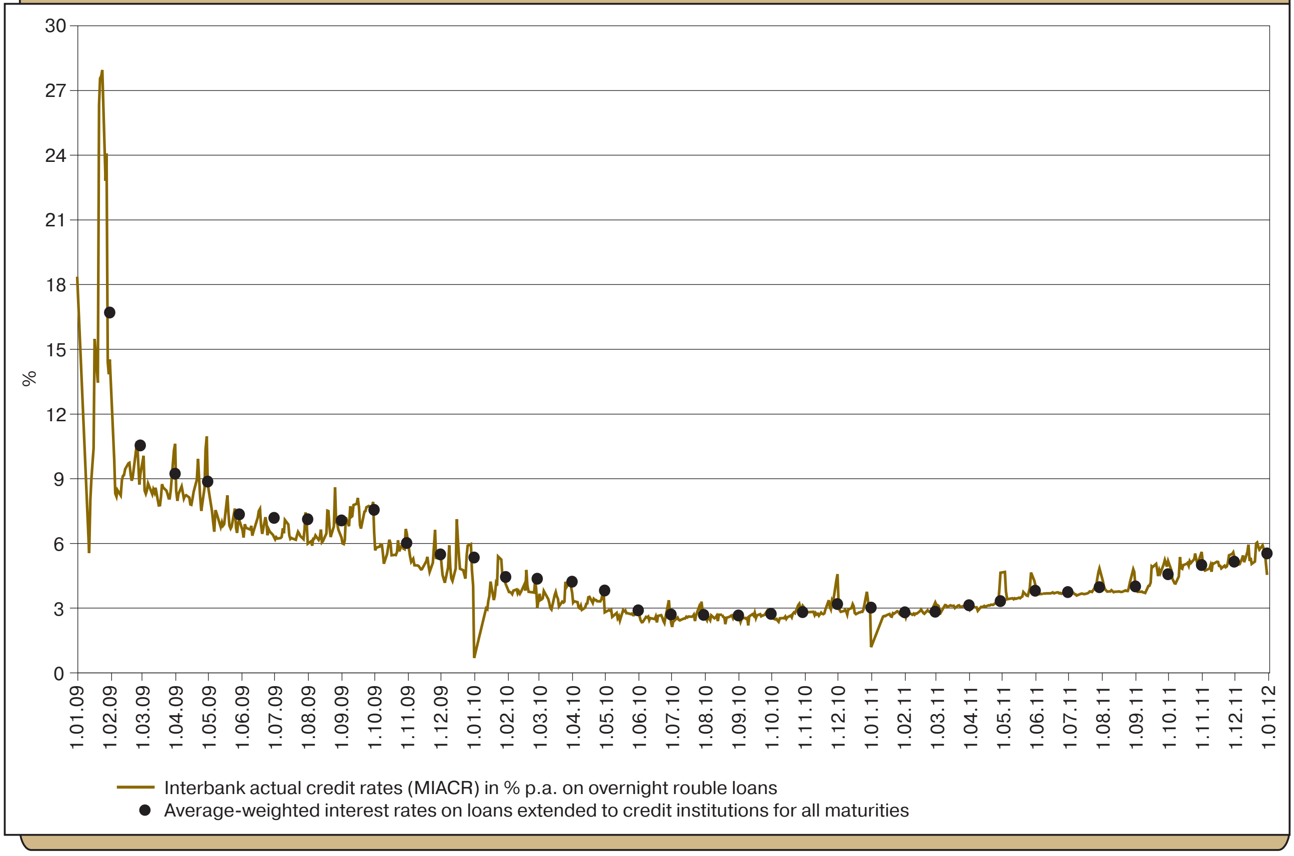
[72] The coverage ratio is calculated as the ratio of customer deposits to customer loans. The increase in the ratio indicates an improved balance between loans to customers and their sources of funding for the same maturity.

[73] Customer deposits include those accepted by credit institutions from corporate entities and individuals (except resident banks and financial institutions), as well as other funds raised from these categories of resident and non-resident creditors, excluding balances in the current and settlement accounts of these customers.

[74] Loans include credit extended by credit institutions to corporate entities and individuals (except resident banks and financial institutions), as well as other funds extended to these categories of resident and non-resident debtors.

[75] Calculated as the ratio of customer deposits with maturities in excess of one year to loans extended with the same maturity. An increase in the ratio can be interpreted as an improvement in the balance between medium- and long-term loans and their sources of funding that have the same maturity.

**Rouble interbank credit rate (MIACR)** *CHART 2.10*




the money market, the MIACR started to grow, reaching the range of 3.6% to 6.0% p.a.

The dependence of credit institutions on the interbank market (IMDR)[76] ebbed in 2011, from 3.1% as of January 1, 2011 to 1.8% as of January 1, 2012, mainly due to the reduced dependence of Russian banks on loans extended by non-resident banks.

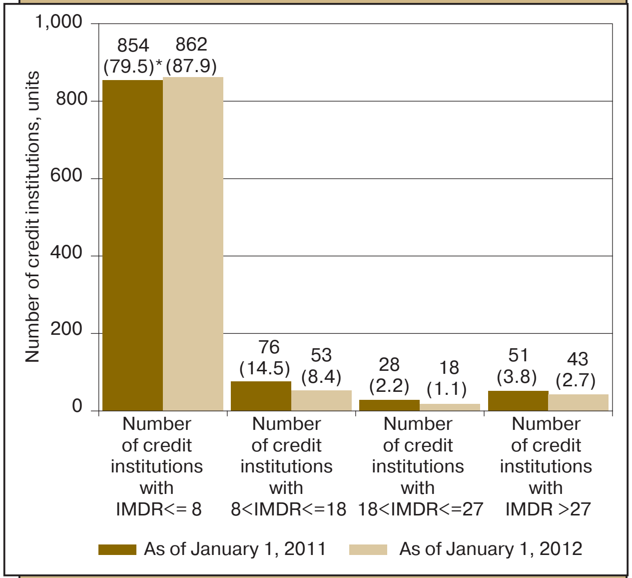
The largest share of banking sector total assets (87.9% as of January 1, 2012) belonged to the group of credit institutions with an IMDR that was no higher than 8%. Compared to January 1, 2011, this group's share increased by 8.4 percentage points. The shares of credit institutions in other ranges under review (with higher IMDRs) went down slightly (*see Chart 2.11*).

The highest level of dependence on the interbank market is seen in the group of large private banks (3.6% as of January 1, 2012). This level increased twofold in 2011 (it amounted to 1.8% as of January 1, 2011).

Small and medium-sized regional banks remained net lenders on the interbank market in 2011.

For information on interbank market dynamics, see also I.3.1: Dynamics and structure of borrowed funds.

**Credit institutions in terms of interbank market dependence ratio (IMDR)** *CHART 2.11*

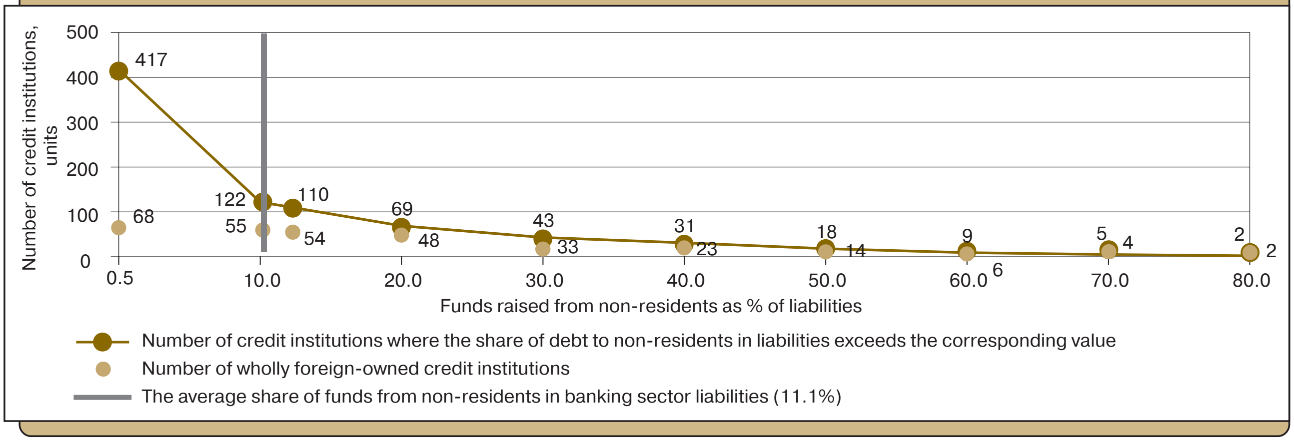



* Figures in brackets denote % share of credit institutions in banking sector assets.

[76] The interbank market dependence ratio (IMDR) is calculated as the percentage ratio of the difference between the interbank loans taken and interbank loans (deposits) placed to the funds raised (net of accrued interest). The higher the ratio, the more the credit institution is dependent on the interbank market. The methodology of calculating the IMDR approximates the one used for calculating the PL5 ratio. The latter is described in Bank of Russia Ordinance No. 2005-U of April 30, 2008, "On the Assessment of the Economic Situation of Banks", which defines its threshold values at 8%, 18% and 27%.

**Banking sector debt to non-residents as of January 1, 2012**

*Chart 2.12*




## II.3.5. Debt to non-residents

By the end of 2011, the total debt of the Russian banking sector to non-residents[77] amounted to 4,616.0 billion roubles, up 16.3% over the year. At the same time, the net debt of non-residents[78] to the Russian banking sector increased from 561.4 billion roubles as of January 1, 2011, to 1,349.6 billion roubles as of January 1, 2012.

Foreign-controlled banks remain the only credit institutions that are significantly dependent on external borrowing. Nevertheless, their level of dependence on non-residents, i.e. net debt to liabilities, fell from 7.8% as of January 1, 2011, to 2.8% as of January 1, 2012.

Analysis of the distribution of banks by the level of debt to non-residents showed that the average ratio of this debt to liabilities stood at 11.1% as of January 1, 2011. This level was surpassed by 110 credit institutions, 54 of which were controlled by non-residents (*see Chart 2.12*).

By the end of 2011, the total net debt to non-residents on the interbank market went down from 346.9 billion roubles as of January 1, 2011, to 125.4 billion roubles (from 1.0% to 0.3% of liabilities). During certain periods of 2011 (May and June), the banking sector also became a net lender to non-residents (in small amounts), with respect to the aforementioned operations.

As of January 1, 2012, 172 credit institutions, which accounted for 87.2% of banking sector total assets, had loans received from non-resident banks (as of January 1, 2011, there were 167 such credit institutions with 86.4% of banking sector total assets respectively). The high concentration of loans persists, with six credit institutions (of which five are in the top 20 in terms of assets), accounting for half of the interbank loans received from abroad.

As of January 1, 2012, 242 credit institutions, accounting for 90.0% of banking sector assets, had loans extended to non-resident banks (compared to 227 credit institutions accounting for 89.4% of banking sector assets as of January 1, 2011).The placement of funds on the international market was characterised by a high degree of concentration, with three credit institutions from the top 20 (in terms of assets) accounting for half of all interbank loans. Thus, interbank transactions with non-residents were concentrated in Russia's largest credit institutions as usual.

[77] Correspondent accounts and other accounts held by non-resident credit institutions, loans received, deposits, funds in the accounts of other non-resident individuals and corporate entities.

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

# II.4. Capital Adequacy

## II.4.1. Banking sector capital dynamics and structure

In 2011, the capital of operating credit institutions grew by 10.8% (2.4% in 2010), reaching 5,242.1 billion roubles by January 1, 2012. In an environment characterised by economic growth and expanding banking activities, part of the risks accepted by credit institutions had to be covered by capital accumulated in previous years. Since the nominal GDP growth exceeded the growth of banks' capital, the ratio of banking sector capital to GDP decreased during the year, from 10.5% to 9.6%, as did the ratio of capital to banking sector assets (from 14.0% to 12.6%, *see Chart 2.13).*

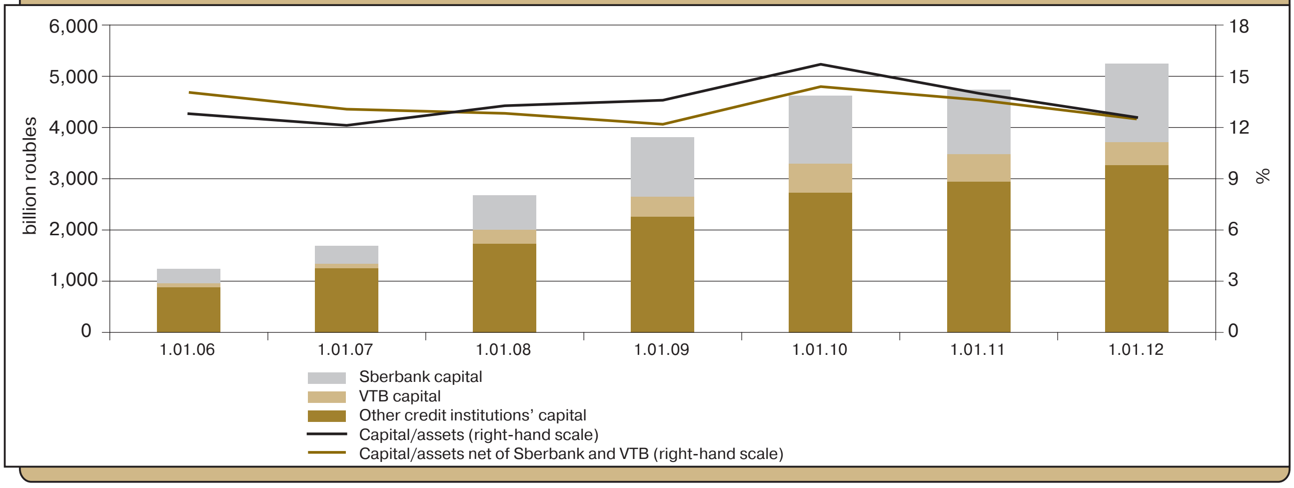
In 2011, the total growth of banking sector capital in absolute terms equalled 509.8 billion roubles, which is 4.6 times higher than in the previous year (111.7 billion roubles).

The structure of capital growth drivers changed in 2011. Profits and funds created from them became the main drivers of capital growth (by 494.9 billion roubles, or 67.1% of the total value of sources of capital growth[79]). Growth in authorised capital and share premiums totalled 184.5 billion roubles (25.0% of total drivers). In 2010, these drivers increased by 115.0 billion roubles.

A key factor that brought about the decrease in capital drivers in 2011 was the credit institutions' portfolio of shares of subsidiaries and affiliated corporate entities and investment in resident credit institutions' authorised capital (accounting for 78.0% of the total decrease in capital drivers).

These factors resulted in the structure of banking sector capital changing in 2011, as shown in *Table 12 of the Statistical Appendix*.

**Banking sector capital** *CHART 2.13*




Capital growth factors differed somewhat among groups of credit institutions.

State-controlled banks increased their capital mainly due to profits and funds created from them (55.6% of the value of total drivers), and also authorised capital and share premium growth (by a total of 32.9%).

The capitalisation of foreign-controlled banks rose, mainly due to profit capitalisation (82.5%) and share premiums (12.0%).

The capitalisation of large private banks expanded, mainly due to profits and funds created from them (69.9%), loss reduction[80] (8.7%) and authorised capital growth (7.8%).

Among small and medium-sized banks based in Moscow and the Moscow Region, capital grew due to authorised capital (36.5%), subordinated loans (33.4%), and profits and funds created from them (17.9%).

The capitalisation of small and medium-sized regional banks went up mainly due to an increase in authorised capital (34.9%), loss reduction (18.1%), and growing profits and funds created from them (11.8%).

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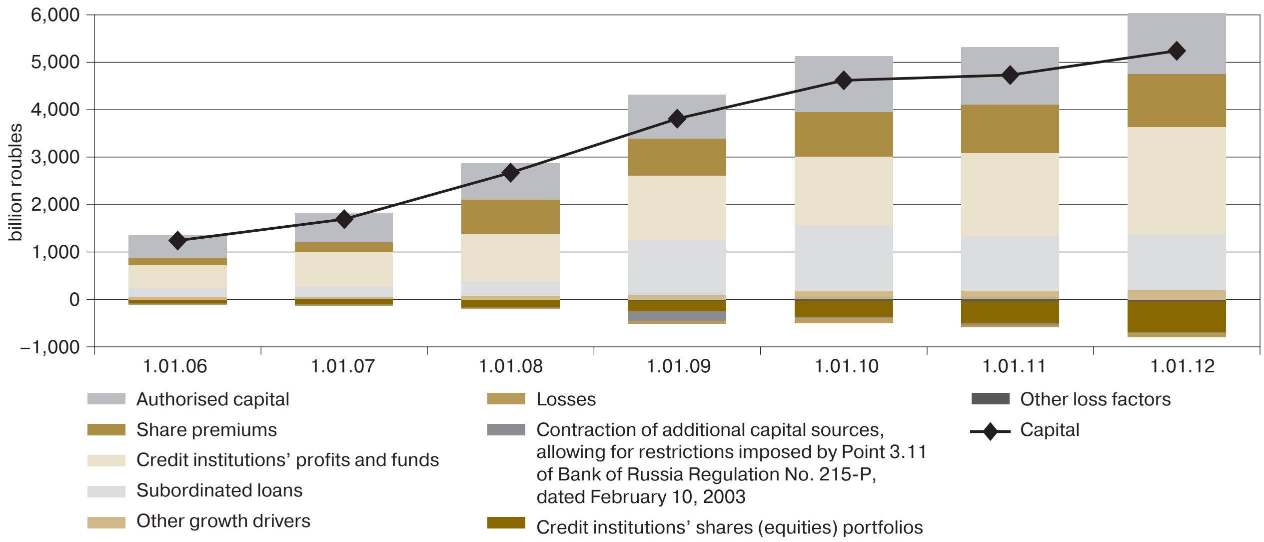
79 Hereinafter referred to as total growth drivers.
80 In the current and previous years.

## Banking sector total capital structure

CHART 2.14




Although banking sector capital grew overall, its reduction was registered at some credit institutions. In 2011, the decrease in capital by a total of 155.8 billion roubles (or 15.4%) was registered at 126 credit institutions (161 banks for a total of 185.9 billion roubles, or 6.4%, respectively in 2010). The scale of reduction in relation to these banks' capital was higher in 2011 than the year before.

The largest capital decrease was registered at some state-controlled and foreign-controlled banks. Their capital fell by 89.0 billion roubles and 44.0 billion roubles respectively; as of January 1, 2012, these banks held 8.7% and 4.0% of total banking sector capital (*see Table 2.8*). Capital reduction is registered mainly among small and medium-sized banks; however the amount of this reduction is insignificant in absolute terms.

### II.4.2. Risk-weighted assets

The ratio of risk-weighted balance-sheet assets of credit institutions to total balance-sheet assets in 2011 went up from 59.6% to 64.2% (*see Chart 2.15*).

The structure of risk-weighted balance-sheet assets in 2011 underwent some changes (*see Table 2.9*).

Pursuant to Bank of Russia Ordinance No. 2613-U of April 20, 2011, "On Amending Bank of Russia Instruction No. 110-I, Dated January 16, 2004, on Banks' Required Ratios", a group of higher-risk transactions is segregated from risk-weighted assets from October 1, 2011. The share of higher-risk transactions amounted to 8.4% of risk-weighted balance-sheet assets as of January 1, 2012. This was the main reason why the share of Group IV assets fell.

## Capital reduction by bank groups

TABLE 2.8

| | Number of credit institutions with capital reduction | Capital reduction | | Capital of banks which had a capital reduction, as of 1.01.12 | |
|---|---|---|---|---|---|
| | | billion roubles | % of capital of respective bank group with a capital reduction | % of group | % of banking sector |
| State-controlled banks | 3 | 89.0 | 16.3 | 17.2 | 8.7 |
| Foreign-controlled banks | 20 | 44.0 | 17.2 | 22.9 | 4.0 |
| Large private banks | 17 | 15.9 | 10.5 | 10.4 | 2.6 |
| Small and medium-sized banks based in Moscow and the Moscow Region | 37 | 1.7 | 6.9 | 12.5 | 0.4 |
| Small and medium-sized regional banks | 37 | 2.5 | 11.2 | 12.4 | 0.4 |
| Non-bank credit institutions | 12 | 2.8 | 28.1 | 57.9 | 0.1 |
| Total | 126 | 155.8 | 15.4 | | 16.3 |

During the fourth quarter of 2011, the amount of higher-risk factor transactions increased 2.5-fold, reaching 2,247.5 billion roubles as of January 1, 2012.

In 2011, the volume of risk-weighted assets that were used to calculate the capital adequacy ratio (N1) rose by 36.7% (18.1% in 2010). In the structure of risk-weighted assets, the share of credit risk of assets recorded in the balance-sheet accounts decreased from 77.1% to 74.7% during the year (of which 6.3% represented higher-risk transactions as of January 1, 2012); the share of market risk decreased from 8.0% to 6.6%. The share of credit risk of contingent credit liabilities grew from 6.7% to 8.3%. The share of related parties risk remained unchanged at 3.8%.

Credit risk dominated the structure of risk-weighted assets in all groups of banks. The largest share of credit risk of assets recorded in the balance-sheet accounts was registered among small and medium-sized regional banks (72.8%), as well as among state-controlled banks (70.4%); the smallest share was registered among small and medium-sized banks based in Moscow and the Moscow Region (63.2%). As of January 1, 2012, the largest (7.9%) share of market risk was registered among small and medium-sized banks based in Moscow and the Moscow Region, while the smallest share was observed among small and medium-sized regional banks (5.2%). The largest growth of market risk was registered among state-controlled banks.

**Structure of risk-weighted balance-sheet assets (%)**

*TABLE 2.9*

| | 1.01.11 | 1.01.12 |
|---|---|---|
| Asset Group I | 0.00 | 0.00 |
| Asset Group II | 3.04 | 3.11 |
| Asset Group III | 0.43 | 0.55 |
| Asset Group IV | 96.47 | 87.93 |
| Asset Group V | 0.07 | 0.00 |
| Higher-risk transactions (introduced on October 1, 2011) | – | 8.42 |

### II.4.3. Credit institutions' capital adequacy

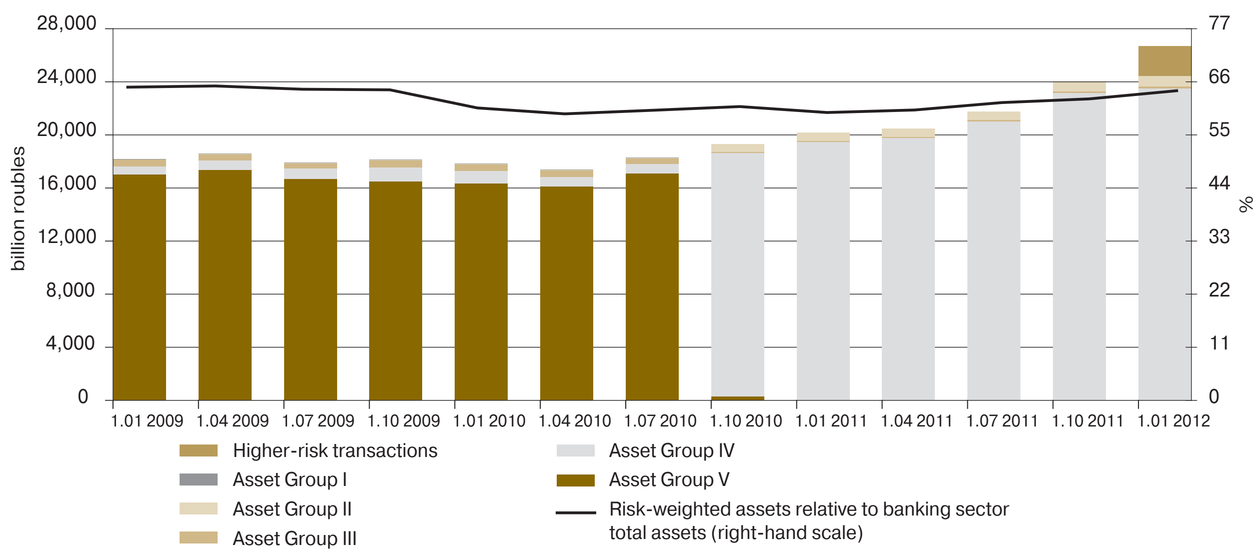
The capital adequacy ratio across the banking sector decreased from 18.1% as of January 1, 2011, to 14.7% as of January 1, 2012 (*see Chart 2.16*). This reduction was caused by the growth of risk-weighted assets outpacing other components, among other things due to regulatory changes against a backdrop of slower capital growth. The regulatory changes included the introduction of higher weight for some groups of assets for calculating the credit institutions' capital adequacy ratio denominator, and an increase from 40% to 70% of the share of operational risk covered by capital.

The capital adequacy ratio declined during the year in all groups of credit institutions (*see Table 2.10*). The biggest decline of the capital adequacy ratio was registered among small and medium-sized banks based in Moscow and the Moscow Region (by 4.8 percentage points), in state-controlled banks (by 4.1 percentage points), and among foreign-controlled banks (by 4.0 percentage points).

The five banks with the most assets saw their capital adequacy ratio decrease from 18.4% to 14.3% in 2011 (*see Table 2.11*). The lowest capital adequacy level was registered among banks that ranked between 6 and 20 in terms of assets (12.3% as of January 1, 2012 as against 15.1% as of January 1, 2011).

**Risk-weighted balance-sheet assets of credit institutions***

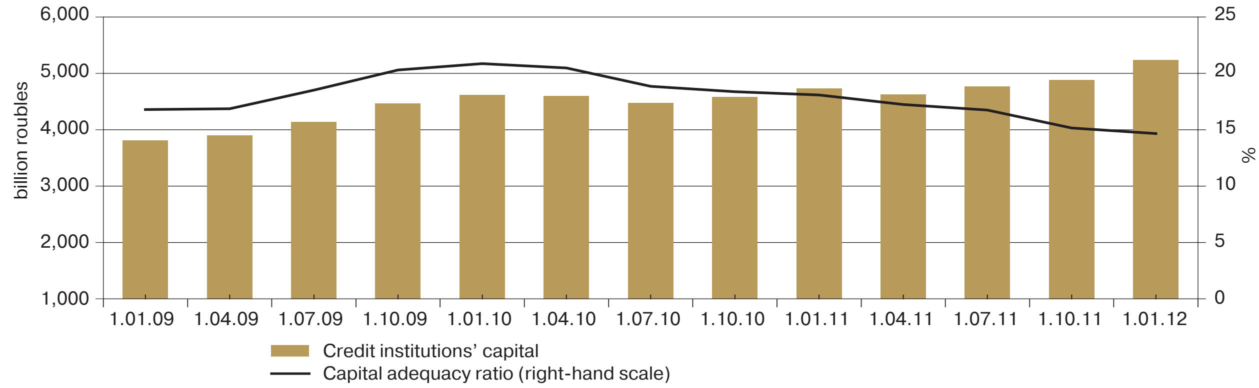
*Chart 2.15*




* The calculation methodology was changed starting with the data as of August 1, 2010, due to the entry into force of Bank of Russia Ordinance No. 2334-U of November 3, 2009, "On Amending Bank of Russia Instruction No. 110-I, Dated January 16, 2004, on Banks' Required Ratios".

## Capital adequacy ratio

CHART 2.16




## Capital adequacy (N1) ratio by group of credit institutions

TABLE 2.10

| | 1.01.11 | 1.01.12 |
|---|---|---|
| State-controlled banks | 18.6 | 14.6 |
| Foreign-controlled banks | 19.5 | 15.6 |
| Large private banks | 15.5 | 13.2 |
| Small and medium-sized banks based in Moscow and the Moscow Region | 26.8 | 22.0 |
| Small and medium-sized regional banks | 20.7 | 19.5 |
| Non-bank credit institutions | 67.8 | 38.2 |

## Capital adequacy (N1) ratio by group of credit institutions arranged by assets

TABLE 2.11

| Credit institutions arranged by assets (in descending order) | 1.01.11 | 1.01.12 |
|---|---|---|
| Top 5 | 18.4 | 14.3 |
| 6th to 20th | 15.1 | 12.3 |
| 21st to 50th | 17.1 | 14.4 |
| 51st to 200th | 19.7 | 16.8 |
| 201st down | 25.6 | 22.9 |
| Banking sector | 18.1 | 14.7 |

In 2011, the number of banks with a capital adequacy ratio of less than 12% increased two-fold: from 52 as of January 1, 2011 to 107 as of January 1, 2012. The share of these banks in banking sector total assets rose 5.4-fold (from 6.4% to 34.3%).

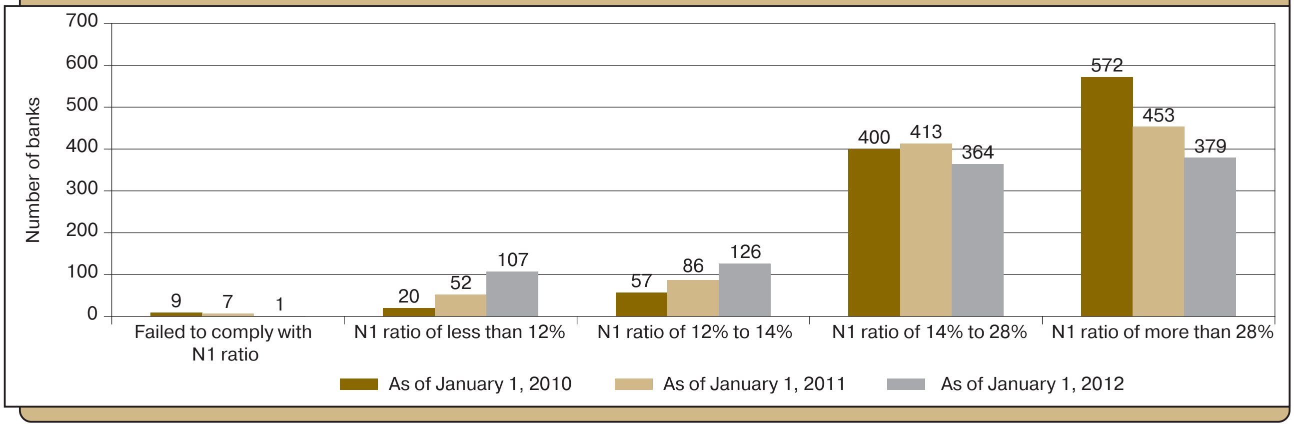
As of January 1, 2012, 126 credit institutions (86 as of January 1, 2011) had capital adequacy ratios that ranged between 12% and 14%. Their share of banking sector total assets declined in 2010 by 3.8 percentage points to 16.6% as of January 1, 2012.

About 76% of operating credit institutions maintained their capital adequacy ratios at more than 14% (85.6% of operating credit institutions as of January 1, 2011). The share of credit institutions with capital adequacy ratios of between 14% and 28% in banking sector total assets fell from 68.3% to 46.2% during the year (*see Charts 2.17 and 2.18*).

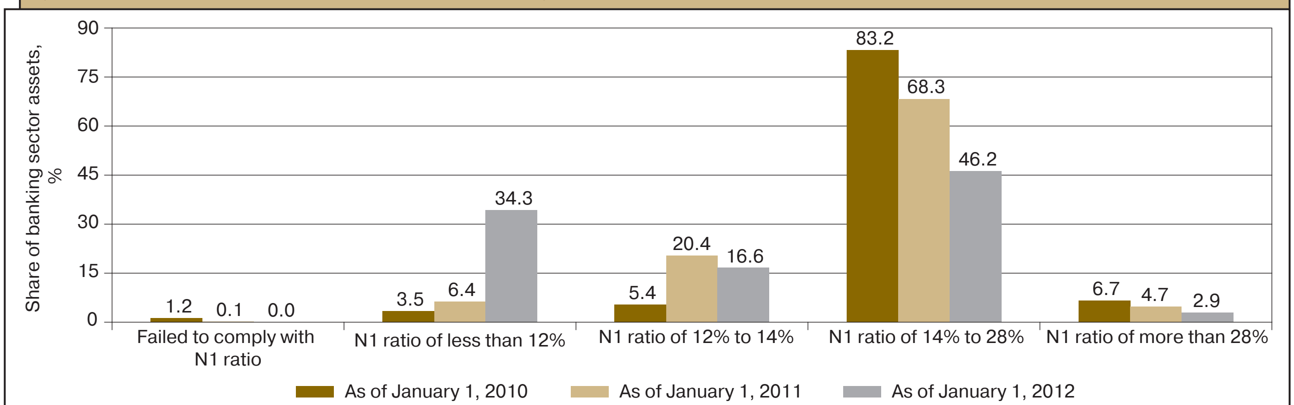
The capital adequacy ratio (N1) during the reporting period was breached by twelve credit institutions[81] (23 in 2010). Four out of these twelve credit institutions had their licences revoked. The number of current breaches of the N1 ratio (during the year) decreased from 1,182 in 2010 to 80 in 2011, while the number of non-compliant banks fell from 17 to eight[82].

[81] Among credit institutions active in 2011.
[82] Among credit institutions active as of January 1, 2012.

**Credit institutions grouped by capital adequacy ratio (by number)** *CHART 2.17*




**Credit institutions grouped by capital adequacy ratio (by their share of banking sector total assets)** *CHART 2.18*



# II.5. Bank Management Quality

Continued economic revival and the improvement of the market situation in 2011 enabled the shift of most banks towards development strategies that were aimed at extending the range of banking products being offered, or expanding to new markets. At the same time, despite a clear trend towards general improvement, strategic planning still remained the less developed management tool of choice for banks in 2011, as opposed to risk management and key internal controls. Supporting evidence for this can be found in the substantial share of credit institutions that earned doubtful or unsatisfactory grades for their respective management quality indicators (*see Chart 2.19).*

A more dynamic expansion of banking business required the further development of risk management systems. Many credit institutions still needed to improve the mechanisms they used for detecting, evaluating, and informing their management and owners about the actual levels of risks being accepted. There is also a growing need to accelerate the data processing required for managerial decision-making; one which incorporates comprehensive scenario analysis at the level of the entire bank, as well as the findings of stress testing.

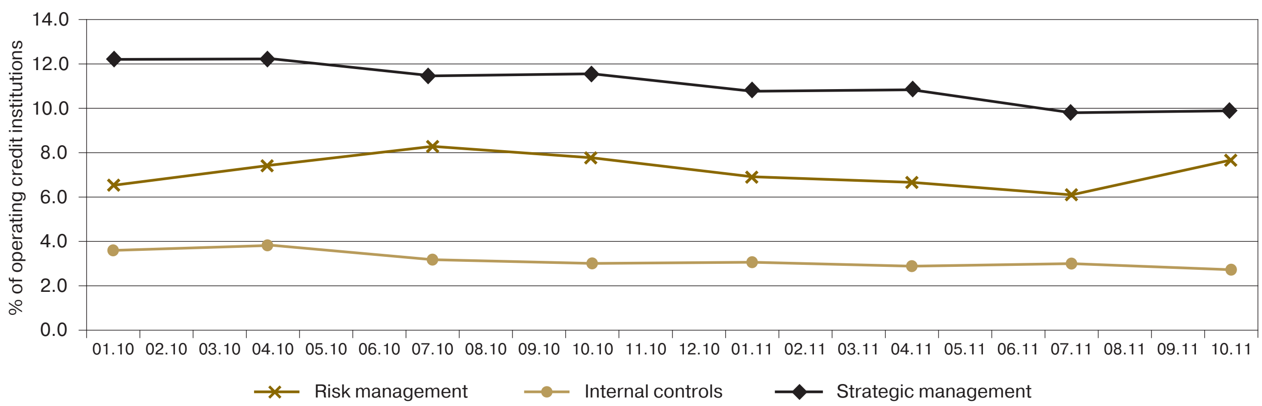
Overall, banks that invested substantial resources in developing new products, services, and technological solutions were able to significantly strengthen their competitive position on the banking services market.

Parallel to that, credit institutions continued to improve their operations by implementing best international corporate governance practices. A survey of credit institutions regarding their implementation of the Financial Stability Board's Principles for Sound Compensation Practices revealed that a significant number of credit institutions had a compensation policy that allowed them to decrease bonuses and other payments to their employees if the company's financial results were negative, and correlated payment schedules with the actual dates when profits or losses were recorded as a result of the risks that were accepted by the bank.

In the case of certain credit institutions, doubtful/unsatisfactory grades may be assigned simultaneously to several management quality categories.

*CHART 2.19*

**The share of credit institutions assigned with doubtful or unsatisfactory grades on respective management quality indicators in 2010–2011**




In the case of certain credit institutions, doubtful/unsatisfactory grades may be assigned simultaneously to several management quality categories.

# II.6. Macroprudential Analysis of the Banking Sector

The Bank of Russia uses financial soundness indicators (FSIs)[83] as its tool for macroprudential analysis. They represent a system of indicators that are calculated for assessing the current situation in various sectors of the national financial system (including the banking sector and non-bank financial institutions), as well as their corporate counterparties, the household sector, the real estate market, and financial market liquidity indicators. The Bank of Russia has published FSIs on the IMF web-site every six months since 2008, and for every quarter since 2010. Thus, FSIs may be used for the evaluation of the financial sector's soundness, based on a comparison with indicators for countries with financial sectors which are at various levels of development.

The Bank of Russia widely uses stress testing for analysing and assessing the soundness of the banking sector. Its use helps the Bank of Russia evaluate changes in the structure of banking risks, reveals the credit institutions that are the most exposed to certain risks, and determines the potentially necessary capitalisation of the banking sector, if the assumed stress scenarios materialise.

The Bank of Russia applies key stress-testing methods that have been developed in international banking practices, such as sensitivity analysis and scenario analysis. Sensitivity analysis is applied for assessing the impact of a single-risk-factor variable (such as changes in the national currency's exchange rate, or a shift in interest rates) on the financial situation of a bank/the banking sector. In a scenario, several interlinked risk factors are assumed as a stress event.

The end results of stress tests are assessments of possible (potential) losses to the banking sector (should the assumed stress scenarios materialise), the capital adequacy level, and capital deficit (additional funds that would be needed by credit institutions to comply with the minimum capital adequacy ratio after a possible stress).

### Stress-testing based on a macro-model

When performing a scenario analysis, the Bank of Russia adheres to international practices in applying a developed macroeconomic model.

To assess the systemic soundness of the banking sector, the Bank of Russia has performed a stress test, applying the macro-model as of January 1, 2012. A stress horizon of one year was assumed. The calculation was performed for all operating credit institutions; two macro-scenarios were applied, with parameters that were calculated to evaluate the possible impact of the European debt crisis on the Russian economy.

*The worst-case scenario* assumes a slowing down of the Russian economy due to a decrease in the EU's growth rate and a 15% to 20% drop in the price of oil and other Russian exports, accompanied by the moderate growth of interest rates on the Russian financial market and a drop in stock indices. *The extreme scenario* (the worst possible development of the Russian economy) includes a 1.4% drop in Russia's GDP. For key parameters, see *Table 2.12*.

Due to the positive development of the Russian economy and the sufficiently favourable state of Russia's export markets, the probability of the proposed extreme

### Macro-model description

The macro-model represents a system of regression equations describing the impact of macroeconomic environmental factors (macro-variables), such as GDP, the US dollar exchange rate, inflation, household real income, etc., on banking sector indicators. Such indicators include funds in corporate accounts; individual and corporate deposits, interbank loans taken and placed with resident and non-resident banks, the value (revaluation) of securities, loans extended to households and legal entities, and changes in the ratio of "bad" loans to total loans.

When taking into account the impact of macro-variables on key banking sector indicators for each credit institution during the projected period (quarterly for a year horizon), a simulated balance model is calculated. The model reflects the possible behaviour of a bank during the assumed stress conditions and assesses its profits, which helps to adjust possible losses. Such modelling leads to the assessment of a credit institution's total losses due to all types of risk (in stress conditions), and its possible capital deficit.

[83] In 2011, FSIs were calculated for more than 70 countries and published by the IMF, allowing for a cross-country comparison.

**Stress-test scenario terms** — TABLE 2.12

| | Worst-case scenario | Extreme scenario |
|---|---|---|
| GDP growth rate, % | 2.0 | –1.4 |
| CPI, % | 6.0 | 5.7 |
| Investment growth rate, % | 0.0 | –1.3 |
| Household real income growth rate, % | –1.0 | –2.4 |
| Growth of interest rates on government securities (a parallel shift of the yield curve) | 200 basis points | 350 basis points |
| Growth of interest rates on corporate securities (a parallel shift of the yield curve) | 500 basis points | 1,000 basis points |
| Bi-currency basket growth rate, % | 10 | 20 |

scenario occurring within the coming year appears to be very low.

Credit institution losses were assessed in relation to three main types of risks: credit risk, market risk, and liquidity risks. Additionally, a conservative estimate of credit risk on prolonged loans assumed additional loan loss provisions (LLPs) for these loans' portfolio that was based on calculated provision amounts comprising 50% or 100% of the portfolio value, depending on the scenario.

Calculations indicate that if the worst-case scenario materialised, the banking sector losses at the end of 2012 would total 1.4 trillion roubles (27% of banking sector capital); if the extreme scenario materialised, these losses would total 2.0 trillion roubles (37% of capital).

Most losses can be attributable to credit risk (1.1 trillion roubles and 1.6 trillion roubles for the respective scenarios). The average share of "bad" loans in the loan portfolio would grow from 7.7% to 11.5% in the worst-case scenario and to 13.6% in the extreme scenario. Losses after additional LLP provisions for prolonged loans would comprise 125 billion roubles under the worst-case scenario or 372 billion roubles under the extreme scenario (2% or 7% of capital respectively).

Losses due to market risks materialising would total from 280 billion roubles to 360 billion roubles, depending on the scenario (losses due to interest rate risk amounting to 65%-81% of the total; losses due to equity position risk amounting to 15%-32%; and losses due to foreign exchange risk amounting to 3%-4%, depending on the scenario).

A scenario analysis (unlike a sensitivity analysis) takes into consideration both possible outflows of customer funds and possible inflows (repayment of loans, redemption of securities, etc.), which makes potential losses due to liquidity risk insignificant when compared with other types of risks.

Overall, if we are to assume that a conservatively estimated banking income would be retained even under stress conditions, capital deficit given the worst-case scenario might total 56 billion roubles for 120 credit institutions. Under the extreme scenario, it would total 405 billion roubles for 223 credit institutions. The share of these institutions in banking sector total assets constituted 21.0% under the worst-case scenario and 49.8% under the extreme scenario, as of January 1, 2012.

The capital adequacy level for the banking sector, according to the results of the stress test, drops to 13.1% under the worst-case scenario, and to 10.8% under the extreme scenario.

Overall, stress-testing shows that the Russian banking sector is sufficiently sound and able to withstand a stress of medium severity in terms of capital reserves.

### Stress test based on analysis of Russian banks' sensitivity to liquidity risk

The unstable situation on financial markets that had been caused by capital outflow created a few problems with the liquidity of Russian banks in 2011. Thus, the Bank of Russia performed a separate stress test of liquidity risk using the sensitivity analysis method.

Within the framework of that stress test, the possibility that growing financial market instability might cause an outflow of customer funds was examined. Assumptions concerning monthly amounts of customer/lender fund outflows (with respect to each credit institution) were based on actual outflows recorded during the acute phase of the 2008 crisis.

The liquidity stress test revealed that as of January 1, 2012, 37 banks (this group does not include the 30 largest banks in terms of assets) might experience a liquidity deficit totalling 37 billion roubles. However, the condition of these banks has virtually no impact on systemic soundness: their share of total banking sector assets stands at 2.7%. As of January 1, 2011, 38 such banks had been identified (with a share of the sector totalling approximately 10%); they had a higher liquidity deficit: 112 billion roubles.

Considering that the stress test did not factor in the credit institutions' opportunities to use the Bank of Russia refinancing and interbank loans, the actual liquidity risk appears to be quite moderate.

### Calculation of liquidity stress test

Outflows in the range of 10% to 30% are differentiated according to the sources of funds: personal deposits, corporate deposits, settlement accounts and interbank loans from non-residents. The outflows are covered by monetary funds (cash in vaults and in a correspondent account with the Bank of Russia), as well as from the sale of liquid assets with preset discounts of 5% to 30% (the lower the asset liquidity, the higher the discount). Assets used to cover the outflows include highly liquid assets[84], liquid assets[85] and securities not included in the above groups of liquid assets.

If liquid assets are not sufficient to cover outflows, the bank is considered to be in a technical default, and the amount of uncovered outflow represents the liquidity deficit. Additionally, it is assumed that under stress conditions, banks have no access to the interbank loan market or Bank of Russia refinancing.

A sensitivity analysis assumes a one-time shock; that is, the stress horizon is not factored in. Therefore, this approach excludes the possible repayment of funds under active banking transactions, which makes it highly conservative.

[84] Financial assets that must be received within the next calendar day and/or can be requested by the bank immediately and/or if need be can be sold by the bank in order to receive monetary funds immediately.

[85] Financial assets that must be received by the bank and/or can be requested within the next 30 calendar days and/or if need be can be sold by the bank within the next 30 calendar days in order to receive money within the above specified period.

# III

# Banking Regulation and Supervision in Russia

# III.1. Upgrading the Legal and Regulatory Framework for Credit Institutions

In 2011, the Bank of Russia continued its efforts to improve the legal framework for banking activities.

## III.1.1. Upgrading the legal framework for credit institutions

The year 2011 saw the adoption of the following federal laws, which were drafted with the involvement of the Bank of Russia:

- Federal Law No. 7-FZ, dated February 7, 2011, "On Clearing and Clearing Activities" (changes were made to the defining of clearing procedures, leading to the effective legal regulation of clearing activities, improvements in the protection of the rights and interests of clearing participants, and to defining the legal framework for the state regulation of clearing activities);
- Federal Law No. 8-FZ, dated February 7, 2011, "On Amending Some Russian Laws Following the Adoption of the Federal Law on Clearing and Clearing Activities";
- Federal Law No. 161-FZ, dated June 27, 2011, "On the National Payment System";
- Federal Law No. 162-FZ, dated June 27, 2011, "On Amending Some Russian Laws Following the Adoption of the Federal Law on the National Payment System";
- Federal Law No. 322-FZ, dated November 16, 2011, "On Amending Article 6 of the Federal Law on Foreign Investments in the Russian Federation and the Federal Law on the Procedure Governing Foreign Investments in the Business Entities of Strategic Importance to the National Defence and Security of the State". This law clarified activities of strategic importance to the national defence and security of the state, the procedure for examining an application for the preliminary approval of a transaction and the signing of an agreement to ensure that the applicant meets his obligations;
- Federal Law No. 171-FZ, dated July 11, 2011, "On Repealing Certain Provisions of Russian Laws". This law excluded bank profitability from the required criteria that the Bank of Russia uses to recognise the financial sustainability of a bank participating in the deposit insurance system as adequate;
- Federal Law No. 381-FZ, dated December 3, 2011, "On Amending the Federal Law on Additional Measures to Strengthen the Stability of the Banking System up to December 31, 2011 and Article 4 of the Federal Law on Amending the Federal Law on Non-Profit Organisations and Some Russian Laws". This law extended Federal Law No. 175-FZ, dated October 27, 2008, "On Additional Measures to Strengthen the Stability of the Banking System up to December 31, 2011", up to December 31, 2014;
- Federal Law No. 391-FZ, dated December 3, 2011, "On Amending the Federal Law on Banks and Banking Activities". This law increased the minimum authorised capital of newly established banks (since January 1, 2012) and the capital of existing banks (since January 1, 2015) to 300 million roubles);
- Federal Law No. 401-FZ, dated December 6, 2011, "On Amending the Federal Law on the Protection of Competition and Some Russian Laws". This law changed the criteria defining a group of persons used to approve the acquisition of stocks (shares) of credit institutions and control their ownership structure.

## III.1.2. The state registration of credit institutions and the licensing of banking operations

In 2011, the Bank of Russia continued to improve its regulatory framework for the state registration of credit institutions and the issuance of banking licences.

With its Ordinance No. 2638-U of May 17, 2011, the Bank of Russia amended its Instruction No. 135-I, dated April 2, 2010, "On the Bank of Russia's Decision-Making Regarding the State Registration of Credit institutions and the Licensing of Banking Operations". This law made it possible to grant banking licences to newly established banks that leveraged the funds of legal entities yet lacked the right to provide cash services, and set out a procedure for expanding the operations of banks by granting them licences that provide for such a right.

To help implement Federal Law No. 161-FZ, dated June 27, 2011, "On the National Payment System" and Federal Law No. 162-FZ, dated June 27, 2011, "On Amending Some Russian Laws Following the Adoption of the Federal Law on the National Payment System":

- the Bank of Russia amended its regulations to spell out the procedure for state registration and the licensing of a new type of a non-bank credit institution (NCI), which may transfer funds without opening bank accounts and conduct other related banking transactions; it functions as an electronic money operator. The Bank of Russia approved Ordinances No. 2697-U, No. 2698-U and No. 2700-U of September 15, 2011. Simultaneously, with its Ordinance No. 2698-U of September 15, 2011, "On Amending Bank of Russia Instruction No. 135-I, Dated April 2, 2010, on the Bank of Russia's Decision-Making

Regarding the State Registration of Credit institutions and the Licensing of Banking Operations," the Bank of Russia extended a list of banking transactions that settlement NCIs may now conduct (such as the sale/purchase of foreign cash and provision of cash services to households), and spelled out the procedure for how a bank must obtain permission from the Bank of Russia to set up a branch in a foreign country;

- given the changed names of two banking operations, on September 15, 2011 the Bank of Russia adopted Ordinance No. 2699-U, "On the Bank of Russia Replacing the Banking Licence of a Credit Institution Due to Changes Made to the Names of Certain Banking Operations in Accordance with Federal Law No. 162-FZ, Dated June 27, 2011, on Amending Some Russian Laws Following the Adoption of the Federal Law on the National Payment System". The Ordinance simplifies the procedure (and reduces the time involved by half) by which the Bank of Russia may replace the licences of existing credit institutions. Inasmuch as the aforementioned federal law does not specify the time when a credit institution is expected to file an application to have its licence replaced, it may submit the documents needed to have its licence replaced at its convenience during the normal course of business. No restrictions on banking activities are set under the Bank of Russia licence, which contains the former names of the banking operations.

The Bank of Russia issued Ordinance No. 2702-U of September 15, 2011, "On Amending Bank of Russia Ordinance No. 1807-U of March 27, 2007 on the Bank of Russia's Decision-Making Procedure Regarding the State Registration of Changes Made to the Founding Documents of a Bank and Issuance of a Banking Licence Following the Bank's Request to have its Status Changed to that of a Non-bank Credit Institution". It provides that the procedure for submitting and examining documents with the intention of changing the status of a credit institution from that of a bank to that of a NCI should also apply to a change to the type of NCI. In the meantime, it clarifies that a NCI seeking to have its status changed to be able to make money transfers without opening bank accounts and to conduct other related banking transactions, will need, additionally, to provide its rules governing electronic money transfers to the Bank of Russia.

The Bank of Russia published new regulations following the adoption of Federal Law No. 381-FZ, dated December 3, 2011, "On Amending the Federal Law on Additional Measures to Strengthen the Stability of the Banking System up to December 31, 2011 and Article 4 of the Federal Law on Amending the Federal Law on Non-profit Organisations and Some Russian Laws". These provide for extending Federal Law No. 175-FZ, dated October 27, 2008, "On Additional Measures to Strengthen the Stability of the Banking System up to December 31, 2011" (hereinafter, Federal Law No. 175-FZ) up to December 31, 2014, as well as Federal Law No. 391-FZ, dated December 3, 2011, "On Amending the Federal Law on Banks and Banking Activities". The latter calls for raising the minimum authorised capital of newly established banks (since January 1, 2012) and the capital of existing banks (since January 1, 2015) to 300 million roubles. Such new regulations include the following:

- Ordinance No. 2743-U of December 9, 2011, "On Amending Bank of Russia Instruction No. 135-I, Dated April 2, 2010 on the Bank of Russia's Decision-Making Procedure Regarding the State Registration of Credit institutions and Licensing Banking Operations";

- Bank of Russia Ordinance No. 2744-U of December 9, 2011, "On Amending Bank of Russia Regulation No. 275-P, Dated August 11, 2005 on the Procedure for Issuing a Bank of Russia Banking Licence to a Credit Institution against which the Bankruptcy Proceedings are Closed Due to its Settlement of its Obligations by Founders (Members) or a Third Party (Third Parties)".

The changes made to the said regulations:

- are aimed at supporting the implementation of the aforementioned federal laws;

- clarify the procedure to be used by Bank of Russia regional branches and the head office when a credit institution makes a series of changes to its Charter in one document (including a new Charter);

- specify the procedure and deadlines for a credit institution to file documents with a Bank of Russia regional branch, asking to register changes made to its Charter in the event that its shares are converted, without any changes entailed for the amount of its authorised capital.

The Bank of Russia is making efforts to improve its monitoring of the acquisition of credit institutions' stocks (shares). Changes were made by Bank of Russia Ordinance No. 2710-U of September 29, 2011, to Bank of Russia Instruction No. 130-I, dated February 21, 2007, "On the Procedure for Obtaining Bank of Russia Preliminary Consent to Purchase Credit Institution's Stocks (Shares) and (or) to Place them in a Trust". These changes:

- regulate how to obtain Bank of Russia prior consent to purchase a credit institution's stocks (shares) and (or) to place them in a trust where the shares of the credit institution are traded outside the Russian Federation, including through the issuance and circulation of foreign securities; and

- refine a list of cases where the acquisition of a credit institution's stocks(shares) is based on the Bank of Russia's prior consent to the purchase of such stocks (shares) and (or) the placement thereof in a trust.

### III.1.3. Credit institution regulation

#### *Banking regulation*

To implement measures aimed at improving banking regulation in a way that takes into account the lessons of the international financial crisis, the Bank of Russia has adopted a series of decisions based on more conservative approaches to risk assessment. These decisions tighten the capital and transparency requirements that are applied to Russian banks.

Since October 1, 2011, higher requirements regarding capital coverage of risk have been applied to banks that make non-transparent transactions, engage in transactions with non-transparent counterparties or conduct transactions with non-transparent economic outcomes. This was accomplished via Bank of Russia Ordinance No. 2613-U of April 20, 2011, "On Amending Bank of Russia Instruction No. 110-I, Dated January 16, 2004 on Banks' Required Ratios" for the purpose of calculating required ratios, and Bank of Russia Ordinance No. 2611-U of April 20, 2011, "On Amending Point 1.3 of Bank of Russia Regulation No. 313-P, Dated November 14, 2007 on the Procedure for Calculating Market Risk by Credit Institutions" for the purpose of estimating exposure to market risk.

In 2011, the Bank of Russia issued Ordinance No. 2612-U of April 20, 2011, "On Amending Bank of Russia Regulation No. 283-P, Dated March 20, 2006 on the Loan Loss Provision Procedure for Credit Institutions". It did so to support adequate assessments of the value of non-core assets and investments in mutual funds which assets (property) are formed with non-core assets, as well as monetary claims and claims that result from transactions involving financial instruments that are recognised as loans; the aforesaid Ordinance entered into force on January 1, 2012.

On November 17, 2011, the Bank of Russia published its Ordinance No. 2732-U, "On the Specifics of Provisioning by Credit institutions for Potential Losses on Transactions Involving Securities, the Title to Which is Certified by Organisations (Depositaries)". This Ordinance calls for provisions to be set at 50% of the value of credit institutions' securities titles to which are certified by organisations (depositaries) that fail to meet certain criteria.

Following the adoption of Federal Law No. 161-FZ, dated June 27, 2011, "On the National Payment System", and Federal Law No. 162-FZ, dated June 27, 2011, "On Amending Some Russian Laws Following the Adoption of the Federal Law on the National Payment System", the Bank of Russia issued Instruction No. 137-I, dated September 15, 2011, "On Required Ratios of Non-bank Credit Institutions Authorised to Transfer Money without Opening Bank Accounts and Implement Other Related Banking Operations, and on the Peculiarities of Bank of Russia Supervision of the Aforementioned Requirements' Compliance". It did so to regulate (mitigate) risk exposures taken by payment NCIs. The Bank of Russia laid down requirements that are applied to them, numerical values, calculation methods, and the procedure for supervising payment NCIs.

### *Financial rehabilitation and the liquidation of credit institutions*

To implement Federal Law No. 381-FZ, dated December 3, 2011, "On Amending the Federal Law on Additional Measures to Strengthen the Stability of the Banking System up to December 31, 2011" and Article 4 of the Federal Law on Amending the Federal Law on Non-profit Organisations and Some Russian Laws", the Bank of Russia on December 9, 2011, adopted Ordinance No. 2745-U, "On Extending Certain Regulations of the Bank of Russia" to renew the regulations that the Bank of Russia had approved earlier to support the implementation of Federal Law No. 175-FZ up to December 31, 2014 (Regulation No. 325-P, dated October 29, 2008, and Ordinances No. 2106-U, No. 2107-U, No. 2108-U, No. 2109-U, No. 2111-U and No. 2112-U of October 29, 2008, as well as No. 2505-U of October 4, 2010).

To coordinate the activities of its regional branches, the Bank of Russia issued Letter No. 72-T, dated May 18, 2011, "On Additional Measures to Assess the Quality of Bank Assets", recommending ways for regional branches to improve their control of banks that had raised their capital to 180 million roubles to meet the requirements of Article 11.2 of Federal Law No. 395-1, dated December 2, 1990, "On Banks and Banking Activities".

On June 24, 2011, the Bank of Russia issued Ordinance No. 2652-U, "On the Procedure for Submitting and Examining an Application from a Credit Institution Requesting for its Banking Licence to be Cancelled because It is Going out of Business through Liquidation, Based on the Decision of its Founders (Members)" (an updated version of Bank of the Russia Ordinance No. 749-U of March 1, 2000). The Ordinance clarified the procedure by which a credit institution must submit an application asking for the cancellation of its banking licence due to its going out of business through liquidation at the behest of its founders (members), and the Bank of Russia's procedure for examining such an application. Among other things, it defined a clear list of reasons for a Bank of Russia regional branch to turn down an application seeking the cancellation of the banking licence, and for the Bank of Russia to refuse to grant it.

The Bank of Russia sought to ensure alignment with legislative acts concerning the priority of creditors' claims on invalid transactions, and improve the reporting of cash flows and the bankruptcy assets of liquidated credit institutions, taking into account the experience of Bank of Russia regional branches and the Deposit Insurance Agency (a state corporation). To do so, it published Ordinance No. 2609-U of April 19, 2011, "On Amending Bank of Russia Ordinance No. 1594-U of July 14, 2005, on the List, Forms and Procedures for Reporting by Credit Institutions to Be Liquidated to the Central Bank of the Russian Federation".

### *The Central Catalogue of Credit Histories*

To ensure compliance with Federal Law No. 152-FZ, dated July 27, 2006, "On Personal Data" and improve the activities of the Central Catalogue of Credit Histories (CCCH), in 2011 the Bank of Russia adopted Ordinance No. 2567-U and Ordinance No. 2568-U.

Ordinance No. 2567-U of January 17, 2011, "On Amending Ordinance No. 2214-U of April 14, 2009, on the Procedure for Sending Inquiries by Credit History Makers and Credit History Users to the Central Catalogue of Credit Histories and Receiving Information from it via a Notary", provides for the following changes:

- it ensures the protection of personal data by having the CCCH co-operate with the Federal Chamber of Notaries through the use of cryptographic data protection;

- it specifies a procedure for using cryptographic data protection in the exchange of electronic messages between the Bank of Russia and the Federal Chamber of Notaries.

The Bank of Russia issued Ordinance No. 2568-U of January 17, 2011, "On Amending Bank of Russia Ordinance No. 1821-U of April 25, 2007, on the Procedure for Inquiries Being Sent by Credit History Makers to the Central Catalogue of Credit Histories and Information Being Received from it via Post Offices". This Ordinance provides that when the CCCH replies to the request of a credit history maker that is addressed to the CCCH by post, it must prevent the disclosure of personal details by partly removing such data, but still allow the credit history maker to make sure that the reply has been sent to him or her;

The Bank of Russia issued Ordinance No. 2625-U of May 3, 2011, "On Amending Bank of Russia Ordinance No. 1612-U of August 31, 2005, on the Procedure for Credit History Makers and Credit History Users Sending Inquiries and Receiving Information from the Central Catalogue of Credit Histories via a Request Sent to a Credit Institution". This ordinance provides that:

- the CCCH, in cooperation with credit institutions, should ensure the protection of personal data through the use of cryptographic data protection; and,

- a procedure is to be established that uses cryptographic data protection in its electronic messages exchange between the Bank of Russia and credit institutions when requesting and receiving information from the CCCH.

#### *Information Disclosure*

Further efforts were made to improve the transparency of the banking sector by getting credit institutions to report information in Form 0409134, "Calculation of Capital" and Form 0409135, "Information on Required Ratios". As of January 1, 2012, 920 credit institutions, or 94% of the total number, had agreed to disclose information pursuant to Bank of Russia Letter No. 72-T, dated May 25, 2005, "On the Disclosure of Information by Credit Institutions in Forms 0409134 and 0409135".

Credit institutions also disclose information in Form 0409101, "The Credit Institution's Chart of Accounts" and Form 0409102, "The Credit Institution's Profit and Loss Statement". As of January 1, 2012, 949 credit institutions, or almost 97% of the total number, had agreed to disclose information pursuant to Bank of Russia Letter No. 165-T, dated December 21, 2006, "On the Disclosure of Information by Credit Institutions".

#### *The on-site inspection of credit institutions*

In 2011, the Bank of Russia continued its efforts to improve the regulatory and methodological framework for its inspection activities.

As part of its mainstream (current) activities, it issued:

Bank of Russia Letter No. 198-T, dated December 28, 2011, "On the Presentation of Information Following Inspections of Credit Institutions", with clarifications of how to assess the impact of higher-risk transactions on the way credit institutions comply with prudential regulations (especially required ratios) and how to report such information (assessments) in inspection reports;

A number of recommendations dealing with:

- drafting an inspection assignment for checking sources of funds contributed as paid-in capital, and implementing on-site inspections;

- improving the quality of supervisory information recorded in inspection findings;

- organising and conducting on-site inspections of credit institutions to verify their compliance with Bank of Russia cash regulations, also with the intention of reducing the administrative burden on credit institutions.

In the context of the phasing-in of inspection centralisation, the Bank of Russia issued:

Order No. OD-533, dated July 20, 2011, "On Approving the Action Plan to Develop or Amend Bank of Russia Regulations and Other Documents". This Order dealt with scheduled changes that will be made to the Bank of Russia regulations and other documents in the context of the on-going centralisation of inspection activities;

a number of regulations governing separate aspects of cooperation between interregional inspectorates and Bank of Russia regional branches, and the preparation and implementation of centralised inspections in the Central Federal District (except for Moscow and the Moscow Region) and the Urals Federal District.

### III.1.4. Methodology of on-going supervision

To refine its approaches to assessing the financial soundness of banks exiting the financial crisis, on April 29, 2011, the Bank of Russia issued Ordinance No. 2617-U, "On the Specific Features of Evaluating Banks' Economic Situation", which calls for freezing (up to December 31, 2012) the use of profitability estimates to classify banks pursuant to Bank of Russia Ordinance No. 2005-U of April 30, 2008, "On Evaluating Banks' Economic Situation" and Bank of Russia Letter No. 65-T, dated April 29, 2011, "On Specific Features of the Evaluation of Banks' Economic Situation," which specifies work arrangements for Bank of Russia regional branches in the period of the indicated moratorium.

In 2011, the Bank of Russia worked to implement Basel II in the Russian banking sector. As part of the process, it began to develop guidelines to implement a supervisory approach to assessing borrowers' credit exposures, based on internal bank ratings (the IRB-approach under Pillar 1 Minimum Capital Requirements of Basel II.

As it worked to implement Pillar 2 Supervisory Review Process of Basel II, it prepared and distributed a document explaining how credit institutions should develop and apply internal procedures to assess capital adequacy (Bank of Russia Letter No. 96-T, dated June 29, 2011). This document contains recommendations on how to manage certain types of risk, including liquidity risk, and how the management bodies of credit institutions need to put control procedures into place to make sure that capital is adequate and that risk exposure is sustainable. The Bank of Russia proposed that credit institutions (especially the largest organisations, which are the prime addressees of Basel II), should start developing and applying internal procedures to assess capital adequacy on a voluntary basis without delay.

Following the publication in June 2011 of the Principles for the Sound Management of Operational Risk by the Basel Committee on Banking Supervision, an unofficial translation of the document was prepared for publication.

# III.2. The State Registration of Credit Institutions and the Licensing of Banking Operations

In 2011, the total number of registered credit institutions fell from 1,146 to 1,112. Year-on-year, the number of operating credit institutions with banking licences also dropped from 1,012 (955 banks and 57 non-bank credit institutions) to 978 (922 banks and 56 non-bank credit institutions).

In the reporting year:

- three newly-founded credit institutions were registered, including one non-bank credit institution (compared with two credit institutions, including one non-bank credit institution, registered in 2010);
- eighteen credit institutions dropped out after being reorganised through mergers (compared with nineteen banks in 2010);
- four credit institutions changed their form of incorporation from that of limited liability companies to joint-stock companies (compared with seven credit institutions in 2010).

In 2011, eighteen credit institutions, or 1.84% of the total number (32 credit institutions in 2010) expanded their business by obtaining additional licences (with two banks receiving several types of licences):

- four banks were issued general banking licences; one bank was reorganised through a merger and simultaneously got a licence to take on deposit and place precious metals;
- six banks were granted licences to take on deposit and place precious metals, of which: one bank was reorganised through a merger and received a general banking licence, and another bank was simultaneously granted a licence to take household deposits in roubles and foreign currency;
- three banks participating in the deposit insurance system, which had been licensed to conduct banking operations in roubles (without the right to receive household funds on deposit) and to take rouble-denominated household deposits, were issued licences to conduct the corresponding transactions in foreign currency;
- five banks were licensed to take household deposits in roubles and foreign currency, including one bank that was simultaneously granted a licence to take on deposit and place precious metals;
- one bank was issued a licence to conduct banking operations in roubles and foreign currencies (without the right to take household deposits);
- one non-bank credit institution was licensed to perform a broader range of banking transactions in roubles and foreign currencies than the previous licence had provided for.

In 2011, banks raised their capital levels in line with new legal requirements.

Of the 185 banks that were to increase their capital to 180 million roubles as of January 1, 2011, 169 banks raised their capital to the required level, with total recapitalisation amounting to 16.7 billion roubles, and 10 banks went out of business (three having merged with other banks, and the other seven having had their banking licences revoked). As of January 1, 2012, six banks had failed to raise their capital to 180 million roubles; four of these banks deciding to change their status to that of non-bank credit institutions and the remaining two banks still tried to increase their authorised capital.

Federal Law No. 391-FZ, dated December 3, 2011, “On Amending the Federal Law on Banks and Banking Activities” set new targets: newly established banks are to have their minimum authorised capital in the amount of 300 million roubles from January 1, 2012, while operating banks are to raise their capital to this level by January 1, 2015.

On January 1, 2012, 304 banks had capital levels of less than 300 million roubles each, with about 25 billion roubles required to recapitalise them, which represented more than 38% of their current capital.

Total investments by non-residents in the aggregate authorised capital of operating credit institutions rose from 333.3 billion to 336.4 billion roubles, or by 0.9%, in 2011 (28.1 billion roubles, or 9.2%, in 2010). Non-resident shareholding in the Russian banking system dropped from 28.1% to 27.7% (compared with an increase from 24.5% to 28.1% in 2010). The number of credit institutions with foreign shareholding grew from 220 to 230 (as against a drop from 226 to 220 in 2010). The number of credit institutions with non-resident stakes of more than 50% increased from 111 to 113 (from 108 to 111 in 2010), while foreign investments in the authorised capital of these credit institutions fell by 6.4 billion roubles (as against a rise of 19.6 billion roubles in 2010).

Credit institutions with foreign investments are located in 37 Russian regions. These include 148 credit institutions (64.3% of the total number) in Moscow and the Moscow Region, and 12 credit institutions (5.2% of the total number) in St Petersburg.

In 2011, the Bank of Russia registered 301 issues of securities by credit institutions with a par value of 335.7 billion roubles (in 2010, it registered 237 securities issues with a par value of 228.2 billion roubles).

In the reporting period, a total of 250 share issues worth 132.0 billion roubles were registered, as compared with 202 share issues worth 110.3 billion roubles in 2010. The 2011 issues included authorised capital increases of 125.8 billion roubles; the foundation or transformation of credit institutions, worth 4.9 billion roubles; and conversions of earlier securities issues (dilutions, consolidations, reduced par values, or preferred shares conversions), worth 1.3 billion roubles (respective 106.0 billion, 1.3 billion, and 3.0 billion roubles in 2010).

In 2011, 234 share issue reports were registered for a total of 112.3 billion roubles (177 share issue reports for 99.6 billion roubles in 2010). These included 173 reports on the issues registered in the reporting period for 104.3 billion roubles (136 reports for 85.3 billion roubles in 2010).

The par value of the 2011 registered bond issues amounted to 203.7 billion roubles, or 85.8 billion roubles more than in 2010. The number of registered bond issues increased from 35 in 2010 to 51 in 2011, while the number of registered reports on bond issues and received placement notices of bond issues dropped from 41 in 2010 to 24 in 2011, and the par values of the bond issues floated down from 93.3 billion roubles in 2010 to 87.8 billion roubles in 2011.

In 2011, 33 issues of securities were cancelled as a result of the issuers' failure to sell a single security per issue or as a result of infractions of the law during the issue (24 share issues worth 5.8 billion roubles and nine bond issues worth 40.0 billion roubles). This was significantly less than in 2010 (36 share issues worth 12.8 billion roubles and 24 bond issues worth 104.0 billion roubles).

# III.3. Off-site Supervision and Supervisory Response

In 2011, as banking operations and lending grew, most of the efforts to improve banking supervision focused on developing risk-based approaches, including principles of substantiveness in the evaluation of credit institutions. These principles were applied both to identify and assess risks, and to determine the adequacy of a supervisory response to emerging threats to the interests of creditors and depositors of credit institutions, in order to maintain the stability of the banking sector.

Risk-based approaches underpinned analysis of all material aspects of credit institutions' operations, including the nature of such operations, risk profile, liquidity, and the quality of risk management and internal controls. Primary focus was on identifying the actual state of credit institutions' assets, liabilities and capital, as well as on evaluating the real business of credit institutions' counterparties and customers.

Efforts were made to intensify the supervision of major federal and regional banks, which fall within the "second line" of supervision, and all aspects of their activities were studied in more detail. Considerable attention was paid in the reporting period to the enhanced transparency of credit institutions and adequate reporting of their exposures. When bank reports were analysed, the focus was on the economic feasibility of their investments, long-idle assets, and significant turnovers in accounts that did not generate adequate income.

The key tasks of off-site supervision were to identify problems in credit institutions early on and evaluate the feasibility of their being resolved by the owners and management of the credit institution. This was done, inter alia, by monitoring liquidity risk, the risk of lending to non-financial organisations and households, capital adequacy, and market risk *(see also Annex IV.1)*.

The Bank of Russia continued to pay close attention to evaluating credit portfolios that constituted the bulk of bank assets. To mitigate the risk of borrowers presenting inaccurate reports, the Bank of Russia and the Federal Tax Service issued a joint Letter No. 119-T, dated August 25, 2011, "On the Procedure for Submitting Information under Point 5 of Schedule 1 to the Agreement on Information Interaction between the Bank of Russia and the Federal Tax Service". The prescribed procedure allows the Bank of Russia to verify reports provided by borrowers and founders (members) of credit institutions to the Bank of Russia against the tax reports filed with the tax authorities. In 2011, the Bank of Russia also implemented a mechanism to verify the qualified electronic signature of a tax officer affixed to an electronic report generated with the help of software that had been developed jointly with the Federal Tax Service, which allows banks to check borrowers' reports.

A separate area of supervision is analysis of securities transactions by credit institutions.

When the stock market became more volatile in 2011, the Bank of Russia focused on assessing the quality of market risk management in banks, including stress testing procedures, and on examining the effects of actual and potential impairment of investments in financial instruments. Given the fact that a number of unscrupulous credit institutions use sham securities to hide their actual risk exposures, efforts were made to verify the accuracy of information concerning the right to issue securities and their actual availability, to uncover securities prices that had been doctored by credit institutions, and ascertain the business's reality and the asset base of securities issuers (including closed-end mutual funds) to prevent troubled bank assets from being replaced with bogus investments. In assessing the aforementioned risks associated with credit institutions, the Bank of Russia worked successfully with the Federal Financial Markets Service and with foreign banking and financial supervisors.

In 2011, credit institutions assumed credit risks associated with funds placed in investment funds that were managed by all kinds of trust companies and risks associated with the acquisition of shares of closed-end mutual funds, which are managed by bank-affiliated management companies. These risks were also subject to assessment and a supervisory follow-up.

Close attention was paid in 2011 to identifying and analysing transactions between credit institutions and non-residents, including those registered offshore, regarding flows of cash and other financial assets that were used as sources of banks' capital. To secure the fullest possible disclosure of the actual parties to transactions, sources of cash flows, and end recipients of funds, information was requested from foreign banking and financial supervisors, where appropriate.

Consolidated bank supervision principles were further improved. Efforts were made to identify relationships between credit institutions based on underlying economics to better understand the business processes of such banks, and, in some instances, to identify transaction schemes where the involved parties appeared to meet prudential standards on the surface while camouflaging troubled assets. The findings indicate that there are a significant number of informal banking groups operating on the Russian banking market[86].

An important area of Bank of Russia supervision remained keeping tabs on the foreign exchange risks of credit institutions, including the identification of schemes credit institutions employed to give them the appearance of formal compliance with the limits set on open currency positions, including “regulating” these positions by making trades with friendly firms.

To protect the interests of a bank’s creditors and depositors, a due diligence analysis would take into account the bank’s policy for attracting household deposits. Such an analysis would look more deeply into the quality of assets and the reasons for higher-than-average interest rates, if a credit institution pursuing an aggressive policy on the deposit market fixed its interest rates above those of the market[87]. Such credit institutions would be given recommendations and proposals and, where necessary, restrictions and (or) bans on certain banking transactions would be imposed.

In 2011, credit institutions were mostly subjected to interventions in the form of warnings (typically written warnings), which were addressed to the managers and owners of the banks. Coercive measures were applied to 519 credit institutions as demands to redress the breaches, to 215 credit institutions as penalties, to 68 credit institutions as restrictions on individual transactions, to 25 credit institutions as bans on conducting individual banking transactions, and to 35 credit institutions as bans on opening new branches.

[86] In all, according to officially disclosed data, 74 banking groups were identified, covering 205 credit organisations, including 48 informal groups (126 credit organisations).

[87] Maximum interest rates on rouble-denominated deposits would be monitored regularly (every ten days) based on a sample of ten credit organisations that took in the largest amounts of retail deposits, with the findings posted on the Bank of Russia website.

## III.4. The On-site Inspections of Credit Institutions

In 2011, the Bank of Russia continued its policy to improve the quality of on-site inspections, including the setting up of the necessary institutional and legal conditions. Steps were taken to prepare for the second phase of the Bank of Russia's programme to centralise its inspection activities. On January 1, 2012, a single centralised inspection entity was formed from the unification of the interregional inspectorates of the Central Federal District (excluding Moscow and the Moscow Region), the Urals Federal District, the North-Western Federal District, the Siberian Federal District and the Far Eastern Federal District. The regional inspectorates of 43 constituent members of the Russian Federation will thus operate on a centralised basis (the centralisation rate among the regional branches of the Bank of Russia has reached 64%)[88].

In the year under review, authorised representatives of the Bank of Russia conducted 1,143 inspections of credit institutions and their branches. The Deposit Insurance Agency took part in 96 of these inspections.

Bank of Russia inspection units focused primarily on defining risk profiles and its concentrations (including concentrations per real owners of credit institutions and related persons), assessing the quality of assets and capital, identifying the end users of borrowed funds and sources of funds to repay outstanding loans, and monitoring payment discipline and regulatory compliance. Special care was given to inspecting credit institutions that exercised a significant impact on the systemic sustainability of the banking sector (banks falling within the "second line" of supervision). The units focused on thematic inspections, of which there were 1,072 (93.8% of the total).

Most inspections (76.6%) were carried out under the Summary Plan (875 inspections). There were 268 unscheduled inspections, including 185 to examine the documents of credit institutions that decided to increase their authorised capital following the entry into force of Part 6 of Article 11.2 of Federal Law No. 395-1, dated December 2, 1990, "On Banks and Banking Activities", whereby an operating bank must have a minimum capital level of no less than 180 million roubles as of January 1, 2012[89].

To improve the quality of inspections and ensure uninterrupted supervision, immediate checks were implemented at the pre-inspection stage, in the course of inspections, and in the reporting of findings, including the inspections of 136 banks falling within the "second line" of supervision. On-going analysis of interim inspection findings revealed that some of the "second line" banks greatly underestimated their risk exposure. In a number of cases, an immediate supervisory response helped to bring the situation back to normal quite swiftly.

For consolidated risk assessments, 150 interregional inspections were undertaken to study the operations of both head offices and branches with high concentrations of business.

Efforts were continued to shape up the internal control system.

Interregional inspectorates working on a centralised basis implement internal control procedures, based on an approved list of controls, when inspections are prepared, when they are carried out and when their findings are reviewed. The quality of inspection reports is evaluated as the reports were prepared for review by the regional branches of the Bank of Russia and as post-inspection findings, including a rapid analysis of inspection results and the opinions of inspectors-general on the inspection findings.

The inspections undertaken mostly reported breaches relating to underestimated credit risk (30.7% of all breaches) and violation of law and Bank of Russia regulations to counter the legalisation (laundering) of criminally obtained incomes and terrorism financing (24.3%). Some breaches related to accounting practices (7.0%), non-compliance with foreign exchange legislation and regulations of foreign exchange regulation and control agencies (5.3%), and cash management (4.0%).

Information on trades and transactions by credit institutions and their customers that showed signs of potential infractions of economic legislation was reported to prosecutors' offices, pursuant to Presidential Decree No. 224, dated March 3, 1998, "On Interaction between State Bodies Fighting Economic Crimes". Supervisory personnel provided advice to law enforcers, where necessary.

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[88] Regional inspectorates were liquidated in some regions of the Russian Federation, with their functions taken over by interregional inspectorates.

[89] For banks with capital of no less than 90 million roubles as of January 1, 2010.

# III.5. The Financial Rehabilitation and Liquidation of Credit Institutions

As part of the efforts to implement Federal Law No. 175-FZ, dated October 27, 2008, “On Additional Measures to Strengthen the Stability of the Banking System up to December 31, 2014” (hereinafter referred to as Federal Law No. 175-FZ), the Bank of Russia, jointly with the Deposit Insurance Agency (hereinafter referred to as the Agency) took measures in 2011 to prevent the bankruptcy of twelve banks.

In the year under review, the Agency’s intervention plans were completed at five banks: three banks were reorganised by being merged with other banks or investors, and two banks implemented financial recovery plans in full and now function in a regular way.

As of January 1, 2012, seven banks continued to take scheduled actions as part of the Agency’s intervention plans to prevent them from going bankrupt.

Financial recovery programmes are funded under Federal Law No. 175-FZ with assets contributed to the Agency by the Russian Federation or with Bank of Russia loans that have been extended to the Agency. As of January 1, 2012, the Agency owed 346.4 billion roubles to the Bank of Russia for loans it granted under Federal Law No. 175-FZ.

All the key aspects of the Agency’s intervention plans to prevent bank failures, which are approved by the Bank of Russia, are made public by the Bank of Russia and the Agency through the publishing of relevant information.

The Agency regularly reports on its progress to the Bank of Russia from the date of approval of the Agency Intervention Plan to the date of its fulfilment (the completion of the course of action to prevent bank failure).

Furthermore, as of January 1, 2012, a bankruptcy prevention programme involving other investors continued to be implemented at one bank, in respect of which the rehabilitation decision had been adopted before the entry into force of Federal Law No. 175-FZ.

In 2011, 56 credit institutions qualified for insolvency (bankruptcy) interventions under Article 4 of Federal Law No. 40-FZ, dated February 25,1999, “On the Bankruptcy (Insolvency) of Credit institutions” (hereinafter referred to as Federal Law No. 40-FZ).

Of these: three credit institutions were operating under financial rehabilitation plans (two had improved their financial situation and successfully completed the financial rehabilitation programmes; one bank had its banking licence (hereinafter referred to as a licence) revoked). Thirty credit institutions had eliminated the reasons for insolvency (bankruptcy) interventions (with twenty-four doing so on their own without relevant requirements from the Bank of Russia). Two credit institutions qualified for insolvency (bankruptcy) interventions, pursuant to Paragraph 7 of Article 4 of Federal Law No. 40-FZ, but since they had been in business for less than two years after having been issued their licences, the federal law did not apply bankruptcy remedies to them. Two credit institutions had been reorganised by being merged with other credit institutions. Fifteen credit institutions had their licences revoked by the Bank of Russia. One credit institution had its licence cancelled following a decision by its shareholders (members) to file for a voluntary liquidation.

As of January 1, 2012, five credit institutions qualified for insolvency (bankruptcy) interventions under Article 4 of Federal Law No. 40-FZ.

In 2011, eighteen provisional administrations were appointed to manage credit institutions in accordance with Federal Law No. 40-FZ.

In the year under review, Agency personnel were included as members of sixteen provisional administrations appointed by the Bank of Russia in accordance with Point 2 of Article 19 of Federal Law No. 40-FZ.

As of January 1, 2012, there were five provisional administrations in place which had been appointed after the banks had been stripped of their licences.

In 2011, the Bank of Russia monitored the banks for compliance with the requirements to participate in the deposit insurance system, pursuant to Federal Law No. 177-FZ, dated December 23, 2003, “On the Insurance of Household Deposits with Russian Banks” (hereinafter referred to as Federal Law No. 177-FZ).

As of January 1, 2012, there were 896 banks participating in the deposit insurance system (909 banks as of January 1, 2011), including 90 banks which had had their licences previously revoked (cancelled), and 10 operating banks which formally remained in the deposit insurance system, but had lost the right to open new personal accounts and take cash on deposit after the Bank of Russia banned them from being able to raise funds from households and from opening bank accounts for households. It did so in accordance with Article 48 of Federal Law No. 177-FZ (nine banks), or on account of a voluntary refusal to serve individuals (one bank).

In 2011, five banks joined the deposit insurance system and eighteen dropped out (thirteen because of their reorganisation, four because of liquidation, and one because a licence replacement terminated its right to raise household funds).

In 2011, seventeen banks participating in the deposit insurance system experienced insured events (fifteen of these banks had their licences revoked and the other two banks had their licences cancelled following their decisions to file for voluntary liquidation). The provisional administrations appointed by the Bank of Russia provided the Agency with lists of obligations to depositors arising from all insured events relating to the revocation of licences within seven days, as envisaged in Federal Law No. 177-FZ. That allowed the Agency to initiate insurance payments to depositors in a timely manner (within three business days from the date of submission of the required papers to the Agency, but not earlier than 14 days from the date of the insured event).

In 2011, three banks participating in the deposit insurance system were prohibited from taking funds from households and opening individual bank accounts, pursuant to Article 48 of Federal Law No. 177-FZ. Of these three, one bank had the ban imposed because it had failed to comply with the indicators for participation in the deposit insurance system measuring the quality of bank corporate governance, operations and risk management for three months on end. The other two banks had failed to comply with the requirements to capital and the quality of bank corporate governance, operations and risk management; they also had repeatedly failed some Bank of Russia requirements while their operations threatened the interests of their creditors and depositors. Subsequently, the three banks had their licences revoked.

The Bank of Russia and the Agency cooperated, coordinated their activities and exchanged information on functioning the deposit insurance system, banks' participation and premiums, the payment of deposit compensation, the Bank of the Russia inspections of banks participating in the deposit insurance system, penalising banks, and other issues related to the operation of the deposit insurance system, in accordance with Federal Law No. 177-FZ and agreements signed in 2011.

In 2011, the Bank of Russia recalled the licences of eighteen credit institutions (as against 27 in 2010) in accordance with Article 74 of Federal Law No. 86-FZ, dated July 10, 2002, "On the Central Bank of the Russian Federation (Bank of Russia)" (hereinafter, Federal Law No. 86-FZ), and Article 20 of Federal Law No. 395-1, dated December 2, 1990, "On Banks and Banking Activities". In addition, four credit institutions had their licences cancelled following decisions by their shareholders (members) to file for voluntary liquidation (compared with one such credit institution in 2010). More than half of the credit institutions which had their licences revoked (cancelled) last year were registered in Moscow and the Moscow Region: thirteen banks and one non-bank credit institution.

The Bank of Russia considers the revocation of a banking licence to be an extreme measure, and in 2011 18 credit institutions had their licences revoked. The reasons for this decision included failure to observe federal banking laws and Bank of Russia regulations, given the measures envisaged by Federal Law No. 86-FZ (twenty-two out of twenty-seven licences revoked in 2010). Eight credit institutions had their licences withdrawn (nine in 2010) for their failure to meet the monetary claims of creditors, and (or) to make mandatory payments. Six credit institutions had their licences revoked (eight in 2010) for submitting patently inaccurate reports to the Bank of Russia. Three credit institutions were weeded out of the banking market for repeated violations, within one year, of Articles 6 and 7 (excluding Point 3 of Article 7) of the Federal Law "On Countering the Legalisation (Laundering) of Criminally Obtained Incomes and Terrorism Financing".

As of January 1, 2012, 134 credit institutions were pending liquidation; their licences had been recalled (cancelled) and the Bank of Russia had not yet received news of their removing from the state register. Liquidation procedures were under way at 130 of these credit institutions (no court decisions had been taken by the reporting date to recall the licences of the remaining four credit institutions).

Most of the liquidated credit institutions (117) had been recognised as insolvent (bankrupt) and subjected to receivership (in 2011, 28 credit institutions were declared bankrupt; an arbitration court had ruled in favour of the compulsory liquidation of one of them). Arbitration courts mandated compulsory liquidation with respect to eight credit institutions (including two credit institutions in 2011). In addition, five credit institutions had filed for voluntary liquidation, based on decisions taken by their founders (members) (in 2010, the founders (members) of three credit institutions decided to file for voluntary liquidation).

Liquidation procedures were implemented in most of the liquidated credit institutions (118) as of January 1, 2012, by a corporate liquidator, the Agency, which was appointed under Point 2 of Article 50.11 of Federal Law No. 40-FZ and Article 23.2 of the Federal Law "On Banks and Banking Activities". The Agency acted as a receiver at 112 credit institutions and as liquidator at the remaining six credit institutions.

As of January 1, 2012, the Agency had been appointed as receiver (liquidator) in 275 credit institutions. Of these, 157 credit institutions that were liquidated by the Agency were taken off the state register of legal entities[90].

In 2011, the Bank of Russia conducted 16 inspections to check on the performance of receivers (liquidators) of credit institutions. Fifteen inspections dealt with the Agency's receivership, and one inspection was focused on operations of an individual receiver.

The findings of the 2011 inspections were not prejudicial to the legitimate rights and interests of the creditors of credit institutions. Consequently, none of the injunctions or other remedies envisaged by Federal Law No. 40-FZ or by Bank of Russia Regulation No. 306-P, dated July 3, 2007, "On Bank of Russia Inspections of Receiv-

[90] This information was prepared based on the information reported by the registrar to the Bank of Russia as of January 1, 2012.

ers and Liquidators of Credit institutions", were applied to the receivers.

Following the inspections, the Agency was addressed eight letters of recommendation and in one instance, information was provided to a self-regulating organisation of receivers, which an individual receiver was a member of.

Furthermore, following the inspection of an individual accredited as a receiver at the Bank of Russia in late 2010, the Bank of Russia Accreditation Commission refused to extend his accreditation in 2011. The Bank of Russia filed a petition with the Moscow Arbitration Court, which relieved the receiver of his duties and empowered the Agency to act as a receiver.

In 2011, the Bank of Russia accredited thirteen receivers of credit institutions, and extended the accreditations of twenty receivers.

In addition, two receivers were denied accreditation, and one receiver did not have his accreditation extended for failing to comply with accreditation requirements. Furthermore, the accreditation of one receiver was cancelled because he failed to comply with the accreditation requirements.

As of January 1, 2012, the Bank of Russia had accredited 33 receivers.

In 2011, the Bank of Russia's Board of Directors did not pass resolutions to make Bank of Russia payments, pursuant to Federal Law No. 96-FZ, dated July 29, 2004, "On Bank of Russia Compensation Payments for Household Deposits with Bankrupt Banks Uncovered by the Deposit Insurance System".

As of January 1, 2012, the Bank of Russia had passed resolutions to pay 40,308 depositors a total of 1,264.7 million roubles; the Bank of Russia payments were received by 36,172 depositors (89.7% of those eligible) and totalled 1,231.2 million roubles (97.4% of the total funds allocated for the Bank of Russia payments).

As of January 1, 2012, receivers had satisfied the Bank of Russia claims to credit institutions whose depositors had received payments from the Bank of Russia in the amount of 429.7 million roubles, or 34.9% of the total claims of the Bank of Russia it had gained as a result of its payments (in 2011, the Bank of Russia received 5.1 million roubles in claims payable to the Bank Russia that resulted from the payments it had made).

The authorised registrar made entries registering liquidation in the single state register of legal entities with respect to 27 of all credit institutions where depositors had received payments from the Bank of Russia.

# III.6. Countering the Legalisation (Laundering) of Criminally Obtained Incomes and Terrorism Financing

In 2011, the Bank of Russia continued to exercise the powers granted by Federal Law No. 115-FZ, dated August 7, 2001, "On Countering the Legalisation (Laundering) of Criminally Obtained Incomes and Terrorism Financing" (hereinafter referred to as Federal Law No. 115-FZ).

A significant change that occurred at the Bank of Russia in 2011 was that, as a banking supervisor, it was made responsible for dealing with the administrative offences envisaged by Article 15.27 of the Code of Administrative Offences (hereinafter referred to as the CAO), i.e. the failure of credit institutions and their officers to comply with legal rules on anti-money laundering and counter-terrorism financing (hereinafter, AML/CTF)[91].

To be able to implement these duties, the Bank of Russia worked to create an institutional framework to initiate and examine cases involving administrative offences as envisaged by Article 15.27 of the CAO. As part of this work, it defined a list of Bank of Russia executives (head office and regional branches) that were authorised to report administrative offences[92], appointed officers that were authorised to examine cases dealing with administrative offences[93], and issued the necessary guidelines[94].

A special report[95] introduced in April 2011 allowed the Bank of Russia to receive current information about the proceedings launched by its regional branches to initiate and examine cases dealing with administrative offences and involving failure to comply with AML/CTF laws.

As of January 1, 2012, Bank of Russia regional branches had initiated 1,400 administrative cases with respect to 424 credit institutions and (or) their executives. Of these, 165 administrative cases were dropped during the investigation. As a result, 1,103 administrative cases were examined in 2011, with 260 rulings imposing fines, 373 ending in warnings, and 470 where the administration's charges were dropped. In about 10% of the punitive decisions passed with respect to administrative cases, appeals were filed with arbitration courts or with Bank of Russia higher-placed executives. In most cases, the decisions taken by regional Bank of Russia executives to apply administrative remedies were confirmed as well-founded.

Approximately 45% of the administrative charges that were brought by Bank of Russia regional branches were dropped. The key reason for administrative charges being dropped was that no administrative offence was established in the absence of any fault on the part of the credit institution and (or) its officer, who were found to have been unable to comply with AML/CTF laws for objective reasons.

An important event in 2011 was a successful review at plenary sessions of FATF[96] (June 2011) and MONEYVAL[97] (September 2011) of the Second Progress Report on Russia, which addressed the deficiencies in its AML/CTF system that had been identified by international experts during the third round of mutual assessments[98]. The Bank of Russia was included in the inter-agency Russian delegation that defended the reports. During the defence of the Second Progress Report, experts made no criticisms on the activities of credit institutions or the Bank of Russia.

The Bank of Russia played an active role in making a series of important amendments to Federal Law No. 115-FZ that improve the legal and methodological framework to make the Russian AML/CTF system func-

[91] Federal Law No. 176-FZ, dated July 23, 2010, "On Amending the Federal Law on Countering the Legalisation (Laundering) of Criminally Obtained Incomes and Terrorism Financing and the Code of Administrative Offences", which came into force on January 24, 2011.

[92] Bank of Russia Ordinance No. 2542-U of December 17, 2010, "On the List of Bank of Russia Officers that are Authorised to Report Administrative Offences"; Bank of Russia Direction No. R-7, dated January 19, 2011, "On Officers of Bank of Russia Regional Branches that are Authorised to Report Administrative Offences".

[93] Bank of Russia Direction No. R-1281, dated November 2, 2010, "On the List of Bank of Russia Officers Authorised to Examine Cases Dealing with Administrative Offences".

[94] Bank of Russia Letter No. 7-T, dated January 19, 2011, "On Methodological Recommendations for the Bank of Russia to Initiate and Examine Cases Dealing with Administrative Offences Envisaged in Parts 1-4 of Article 15.27 of the Code of Administrative Offences", Bank of Russia Letter No. 77-T, dated May 31, 2011, "On the Organisation of Work to Manage Cases of Administrative Offences upon the Receipt of Information from Rosfinmonitoring" and Bank of Russia Letter No. 105-T, dated July 13, 2011, "On Recommendations for Addressing a Request to a Credit Institution, Pursuant to Point 2 of Bank of Russia Letter No. 77-T, Dated May 31, 2011".

[95] Bank of Russia Ordinance No. 2604-U of March 28, 2011, "On Amending Bank of Russia Ordinance No. 2483-U of July 30, 2010, "On the List, Forms, Rules and Procedures for Bank of Russia Units to Prepare and Submit Reports to the Central Bank of the Russian Federation".

[96] Financial Action Task Force.

[97] Council of Europe Committee of Experts on the Evaluation of Anti-Money Laundering Measures.

[98] The Mutual Assessment Report on Russia was approved at the FATF plenary meeting in June 2008.

tion more coherently and to concentrate its efforts on the system's key elements.

For example, to improve the impact of efforts to establish "anti-money laundering" mechanisms at credit institutions and keep them up to date, the Bank of Russia was empowered to set requirements for credit institutions (by agreeing with the competent authority) to develop internal control rules (ICRs) instead of relying on its earlier powers, which were limited to developing guidelines.

With own-account transactions by credit institutions excluded from the list of obligatory controls, and with real estate transactions redefined solely as transactions involving the transfer of the ownership of real estate, the burden should be eased for credit institutions as they implement their AML/CTF activities.

With the time increase (from one to three business days) for reporting transactions that are subject to mandatory controls to the competent authority, credit institutions would run less risk of defaulting on the legal deadline for submitting reports. They would also have more time to prepare better information.

Administrative charges were dropped from the list of reasons for establishing that an employee (an executive of a credit institution responsible for ICRs) had failed to qualify, in order to minimise the outflow of highly skilled employees from credit institutions[99].

In implementing the principle of uniform enforcement, the Bank of Russia continued to generalise and systematise the concerns faced by regional branches and credit institutions related to AML/CTF laws. It also continued to publish newsletters with explanations about the most pressing issues on applying Bank of Russia regulations and other documents relating to AML/CTF.

In 2011, the Bank of Russia continued to train and retrain the executives and specialists of its regional branches in AML/CTF issues, in accordance with its Catalogue of Professional Training. More than 450 employees attended 10 training sessions organised by the head office of the Bank of Russia, the Ministry of the Interior, Rosfinmonitoring, and Rosfinnadsor.

[99] Bank of Russia Ordinance No. 2726-U of October 31, 2011, "On Recognising as Null and Void Paragraph 3 of Point 4 of Bank of Russia Ordinance No. 1486-U of August 9, 2004 on the Qualification Requirements Applied to Special Officers Responsible for Internal Controls to Prevent the Legalisation (Laundering) of Criminally Obtained Incomes and Terrorism Financing".

# III.7. The Central Catalogue of Credit Histories

For the system of credit histories, the reporting year can be said to have been a year of moderate growth in the number of credit history titles accumulated at the Central Catalogue of Credit Histories (CCCH), compared with previous years. The year was also characterised by a growing number of inquiries from credit history makers and users.

Thus, during 2011, the number of credit history titles at the CCCH, which is governed in its operations by Federal Law No. 218-FZ, dated December 30, 2004, “On Credit Histories” (hereinafter referred to as the Federal Law), increased by 29.7 million (26.4%) to 142.1 million at the end of the reporting year.

Since the credit history system was launched in 2006, credit histories have been created for most individual borrowers. This explains the fact that with consumer lending growing substantially in 2011 and with credit institutions actively collaborating with credit bureaus, the CCCH received one-third fewer credit history titles in the reporting year than in 2010.

There were 64.3 million borrowers who had consented to have their credit information transferred to credit bureaus at the end of the reporting year, compared with 53.7 million at the end of 2010 (an increase of 19.7% year on year).

As of January 1, 2012, there were 64 million individual borrowers whose credit history titles were on file with the CCCH, an increase of 19.7% over the reporting year, and there were 271,000 corporate borrowers, or 16.2% more than in 2010.

The number of information inquiries addressed to the CCCH by credit history makers and users about the credit bureaus in which their credit histories were filed grew 33.3% as compared with 2010 to reach 2.0 million at the end of 2011. This growth indicates that credit history makers and users have shown more interest in receiving information about credit bureaus from the CCCH.

In the reporting year, the CCCH was able to provide information for 71% of the information inquiries received by credit bureaus from credit history makers and users, which confirms the fact that the majority of borrowers had had their credit histories put on file.

In 2011, the CCCH completed an upgrade of the automated “Central Catalogue of Credit Histories” system and related systems following the entry into force of Federal Law No. 152-FZ, dated July 27, 2006, “On Personal Data”.

The reporting year saw the further consolidation of the credit bureau services market.

In 2011, OOO Patron and OOO BKI GenInform voluntarily ceased their operations as credit bureaus, and handed their credit histories to OOO “North-Western Credit History Bureau” and the CCCH, as required under Federal Law.

# III.8. Cooperation with Russia's Banking Community

In 2011, the Bank of Russia and the Government of St Petersburg, jointly with the St Petersburg Foundation for the Support of International Banking Congresses, organised the 20th International Banking Congress "Banks: Modernisation, Innovation and Investment", which was held in St Petersburg from May 25 to May 28. During its plenary meetings and debates, the Congress reviewed the current situation and prospects of the Russian banking system; ways of enhancing the role of the banking sector in the modernisation of the economy; priorities for the further improvement of the quality and range of banking services; risk monitoring in the post-crisis period; urgent problems of banking legislation; innovation and investment in banking business; objectives and ways to reform international banking regulation; and the development of national payment systems.

The Consultative Council for Monetary Policy, Banking Regulation and Supervision under the Bank of Russia Chairman met three times in the reporting period.

In December 2011, the Bank of Russia Chairman held a traditional meeting with members of the All-Russia Banking Council.

In the period under review, Bank of Russia representatives participated in a number of banking conferences and forums organised by the Association of Russian Banks (ARB) and Association of Regional Banks of Russia (Association Russia), such as the 9th International Banking Forum "Russian Banks: the 21st Century" (Sochi, September 1-3, 2011) and the 7th Scientific and Practical ARB Conference "Banks. Processes. Standards. Quality" (Ufa, March, 2011). They participated in the conference on "Implementing a Project to Improve Financial Literacy in Regions of the Russian Federation", which was held under the auspices of the Government of the Republic of Bashkortostan with the support of the Bank of Russia (Ufa, October 2011), and the traditional annual meeting between the heads of commercial banks and top executives of the Bank of Russia (Moscow, February 10-11, 2011).

# III.9. Cooperation with International Financial Organisations and Foreign Central Banks

In 2011, the Bank of Russia continued to participate in the Basel Committee on Banking Supervision (BCBS) and its working groups and sub-groups. Bank of Russia representatives attended the BCBS sessions in March, June, September and December of 2011. They were also involved in the following BCBS Working Groups: the Core Principles for Effective Banking Supervision Group, the High-level Macroprudential Supervision Working Group, the Standards Implementation Group (on operational risk and validation issues), the Policy Development Group (on capital definition and capital monitoring, securitisation and external ratings, management risk and modelling risk, liquidity risk and trading portfolio risk), and the Accounting Task Force.

Starting from the second quarter of 2011, the Bank of Russia contributed to the calculation of capital adequacy, liquidity and leverage ratios under the so-called Quantitative Impact Study (QIS), which was carried out by the BCBS working group (on a semi-annual basis), mostly by cooperating with Russian credit institutions which made such calculations. In 2011, building on its experience, the Bank of Russia was engaged in defining performance indicators, reporting forms and completion procedures to be able to monitor a wider range of credit institutions.

In 2011, it also worked to prepare information and other material at the request of the Secretariat of the BCBS Group of Bank Supervisors from Central and Eastern Europe.

Jointly with the Financial Stability Institute of the Bank for International Settlements (Switzerland), the Bank of Russia arranged a high-level meeting to discuss current issues affecting enhanced banking regulation and financial stability. It was attended by the heads of central banks and bank supervisors of the Group of Bank Supervisors from Central and Eastern Europe and the Regional Group on Banking Supervision of Transcaucasia, Central Asia and Russia (St Petersburg, May 2011).

The Bank of Russia participated in a conference organised by the Financial Stability Institute of the Bank for International Settlements jointly with the BCBS (Basel, Switzerland, April 2011) to discuss modified approaches to banking regulation, taking into account the lessons of the global financial crisis.

In the framework of its cooperation with the International Monetary Fund (IMF), the Bank of Russia met with IMF experts for Article IV consultations (in June and December of 2011) and with an IMF Mission under the Financial Sector Assessment Program for the Russian Federation (FSAP). They reviewed the stability module, the current information for the self-evaluation of compliance with Principles 2, 3, 4, 5, 23, 25 of the Core Principles for Effective Banking Supervision, as well as information needed to analyse the deposit insurance system and interventions to manage troubled banks, as part of the financial stability module.

Efforts were continued to update information on banking laws and regulations for the IMF electronic database on a regular basis, which is published quarterly on the Bank of Russia website.

There was a meeting at the Bank of Russia with World Bank representatives, as part of a World Bank study of the impact of banking regulation on mitigating/exacerbating the effects of the global financial crisis (June 2011). In addition, the Bank of Russia contributed to the preparation of analyses for the World Bank's Bank Regulation and Supervision Survey.

As it cooperated with the Organisation for Economic Cooperation and Development (OECD), the Bank of Russia drafted information for consultations with the OECD Investment Committee concerning Russia's commitment to join the OECD. It included information on the foreign capital quota in the Russian banking system, access to the Russian banking market for foreign banks' branches, the right of a bank's founders to quit during the first few years following the bank's registration, and the procedure for opening representative offices of foreign banks in the Russian Federation. It also presented information for the OECD Secretariat on corporate governance in Russian credit institutions with state shareholding; proposals and comments on a draft OECD overview of investments in Russia, as well as proposals for a draft legislative plan to bring Russian legislation in line with its future obligations in the OECD.

As part of its cooperation with the G20 and the Financial Stability Board (FSB), the Bank of Russia contributed to quarterly reports on the implementation of Russia's commitments under the Framework for Strong, Sustainable and Balanced Growth and the Seoul Plan of Action. These quarterly reports included information on building additional capacity and enhancing transparency of the financial market; improving legal regulation of the financial market; the creation of an international financial centre in Russia; information on the Bank of Russia plans to realise key attributes of effective financial recovery and resolution of systemically important financial institutions; comments and suggestions on the implementation of the FSB Principles and Standards for Sound Compensation Practices at financial institutions; analyses of financial market developments; banking reforms, and implementation of the G20 and FSB guidelines.

In March 2011, the Bank of Russia, jointly with the Eurosystem (which is comprised of the European Central Bank and national (central) banks of European countries), completed their implementation of a Programme of Cooperation on Banking Supervision and Internal Audits for 2008-11, which had been financed by the European Union. As part of the Programme's module on banking supervision (Basel II), the Bank of Russia hosted three Eurosystem expert missions in the first quarter of 2011 and a wrap-up workshop involving Bank of Russia top executives and the representatives of ministries and agencies, the banking community, the European Commission, the European Central Bank, and the Eurosystem (Moscow, March 2011).

As a follow-up to the Memorandum of Understanding between the Bank for International Settlements (BIS) and the Bank of Russia to have FSI Connect (a computer-based training programme on banking regulation and supervision developed by the BIS Financial Stability Institute) translated into Russian and integrated in training programmes, annual subscriptions were purchased in November 2011 for 53 FSI Connect distance learning courses for the Bank of Russia staff.

In the preparation of the Russian Federation's progress report on preventing the legalisation (laundering) of criminally obtained incomes, an information sheet was prepared on implementing the 23rd FATF Recommendation (criminals shall not be allowed to hold a controlling interest or management function in a financial institution).

### *Cooperation between the Bank of Russia and central (national) banks and foreign supervisors*

The Bank of Russia attaches great importance to cooperating and exchanging information with the banking supervisory authorities of foreign countries. It has signed 34 cooperation agreements (memorandums of understanding) with foreign bank supervisors. In 2011, Memorandums of Understanding were signed with the Financial Supervisory Commission of Luxembourg and the Financial Market Supervisory Authority of Liechtenstein.

Cooperation agreements (memorandums of understanding) were drafted with the banking supervisory authorities of five foreign countries.

In 2011, the Bank of Russia met to review key topics related to banking supervision and regulation with the supervisory authorities of Austria, the United Kingdom, Germany, Italy, and China.

There were high-level visits between the Bank of Russia and the Federal Financial Supervisory Authority of Germany (BaFin) in April 2011 (Dresden, Germany), July 2011 (Kazan), and October 2011 (Frankfurt-on-Main, Germany). The visits reviewed trends in banking regulation and supervision; confidence-building measures on the capital markets; bilateral cooperation in banking regulation and supervision (including supervisory colleges); the reorganisation of the European supervisory authorities; clarification of Basel's Core Principles for Effective Banking Supervision (including the optimal distribution of functions with more focus on systemic risk and stability); the role of banking regulation and supervision in macroprudential approaches; and the definition of systemically important financial institutions with an emphasis on the issues of regulation and supervision.

The Bank of Russia arranged the fourth joint workshop with the National Bank and Financial Market Authority of Austria on "Banking Supervision and Financial Stability" (Moscow, April 2011). The workshop assessed and studied the stability of the Russian and Austrian banking systems; evaluated the performance of banking groups with subsidiary credit institutions in Austria and Russia; reviewed the new structure of the European supervisory authorities, and the contribution of the Bank of Russia to the BCBS and multilateral colleges that supervise banking groups; and evaluated the cooperation between the countries' supervisors within the framework of the Memorandum of Understanding.

To coordinate the activities of authorities supervising banking groups' cross-border establishments, the Bank of Russia has been cooperating with foreign supervisors in multilateral colleges. In 2011, the Bank of Russia was involved in the banking group colleges that are governed by the supervisory authorities of Hungary and the United Kingdom.

In 2011, the Bank of Russia, the European Banking Authority and bank supervisors from the European Union (EU) discussed the fit between Russian legislation and European confidentiality standards relating to information received from foreign supervisors, to see if the Bank of Russia had a role to play in the supervisory colleges organised by the supervisory authorities of EU countries.

The Banks/Financial Services Sub-group of the Russian-German Inter-governmental Working Group on Strategic Cooperation in Economics and Finance continued to operate in 2011. It met to discuss the financing of energy-efficiency and energy-saving projects, the implementation of Basel III, the development of payment systems (Nizhny Novgorod, June 2011), as well as a draft law on the central depositary, legislation regarding insider information in Russia and Germany, and the development of national payment systems and the National Payment Council (Bonn, Germany, November 2011).

In the reporting period, the Bank of Russia took an active part in preparing analytic materials and background information for meetings of the Board of Governors of EurAsEC Central (National) Banks. This included information on the performance of the banking systems in 2010, the outlook for the banking sector in the EurAsEC, the harmonisation of the legislation of the EurAsEC member states (in keeping with the Basel Core Principles for Effective Banking Supervision), as well as national strategies and plans, and ways to improve banking regulation and supervision.

In 2011, the Bank of Russia provided in-house training for the National Bank of the Republic of Belarus and

National Bank of the Republic of Kazakhstan on "Financial Stability Indicators" (October 2011) and for the National Bank of the Republic of Belarus on "Off-site Supervisory Practices: Analysing a Bank's Financial Standing" (December 2011), in accordance with the Professional Training Programme for the EurAsEC Central (National) Banks.

In the framework of cooperation with the member-states of the Common Economic Space (CES) and the Commonwealth of Independent States (CIS), an Agreement on Cooperation in Organising an Integrated Foreign Exchange Market among the CIS Member States and an Agreement on Core Policy Principles in Foreign Exchange Regulation and Control in the CIS Member States were negotiated, and a set of international agreements were developed to provide a contractual and legal framework for the CES, and help implement the Agreement on the Agreed Principles of Foreign Exchange Policy. In addition, comments were prepared on the draft Agreement on the Legal Policy of Mutual Access between Resident Banks of the CIS Member States to their National Foreign Exchange Markets.

Work continued (with comments and proposals developed) to draft a Cooperation Agreement between the Russian Federation and the Republic of Turkey to Organise an Integrated Foreign Exchange Market, and to prepare a set of documents to sign a Free Trade Agreement between New Zealand and the Customs Union (the Russian Federation, the Republic of Kazakhstan, and the Republic of Belarus).

# III.10. Outlook for Banking Regulation and Supervision in Russia

## III.10.1. The state registration of credit institutions and the licensing of banking operations

In 2012, the Bank of Russia will continue to work on drafting federal laws to:

- upgrade Russian legislation by simplifying the procedure by which credit institutions issue securities. Legislation regarding the monitoring of large purchasers of credit institutions' stock (shares) would be simplified, and requirements to the executives and founders (members) of a credit institution would be specified. They would authorise the Bank of Russia to control the compliance of these persons with the requirements, collect information about their business reputations, maintain appropriate databases, and process and manage personal data. They would reduce the number of managers of credit institutions' branches who need to be approved by the Bank of Russia;

- improve reorganisation procedures for credit institutions to eliminate obstacles to potential mergers and the acquisition of credit institutions with different legal forms;

- to obligate credit institutions to disclose information on the skills and business experience of their managers to an unlimited group of persons;

- forbid foreign banks to open branches;

- repeal the ban on bank founders leaving the bank during the first three years following the date of registration;

- obligate nominee holders to provide information to the credit institution about the real owners of the credit institution's shares and owners of the stocks of joint-stock companies that indirectly (through third parties) exercise a substantial influence on the management decisions of the credit institution, including third parties through which a substantial influence is indirectly exercised on the management decisions of the credit institution. The new law would allow the Bank of Russia and stock-issuing credit institutions to receive timely information about parties that hold shares in the credit institution.

In addition, in 2012, the Bank of Russia is to finish drafting regulations to amend Bank of Russia Regulation No. 337-P, dated June 19, 2009, "On the Procedure and Criteria for Assessing the Financial Situation of Legal Entities Which are Founders (Members) of a Credit institution", and Bank of Russia Regulation No. 338-P, dated June 19, 2009, "On the Procedure and Criteria for Assessing the Financial Position of Individual Founders (Members) of a Credit institution", to clarify certain provisions of these regulations in light of the lessons that have been learned about their application and the changes that have been made to Russian legislation and Bank of Russia regulations.

Among other things, the amendments will:

- identify cases where the financial position of legal entities and individuals is not to be assessed;

- specify the requirements regarding assessments of the financial situation in individual cases;

- reduce a list of documents necessary for submission to have the financial position of legal entities and individuals assessed;

- specify the requirements applied to the analysis of the financial position of the legal entity, including the method of calculation and analysis of the financial standing indicators of legal entities;

- supplement assessments of the financial (economic) position of legal entities acquiring the stock (shares) of a credit institution where such entities are credit institutions (including non-resident banks); and,

- clarify the criteria used to assess the financial position of an individual, including such income which may be treated as a source of funds to purchase the stock (shares) of the credit institution, and expenses that reduce income, etc.

In 2012, the Bank of Russia expects to finish drafting the following regulations:

- a new version of Bank of Russia Regulation No. 230-P, dated June 4, 2003, "On the Reorganisation of Credit institutions in the Form of a Merger or Acquisition";

- the Bank of Russia Ordinance "On Amending Bank of Russia Regulation No. 437, Dated April 23, 1997, on the Specific Features of Registration of Credit institutions with Foreign Investments", to exclude requirements whereby subsidiaries of foreign banks need to secure permission from the Bank of Russia to open branches in the Russian Federation.

Control of enhancing quality, accuracy and completeness of the information disclosed by banks participating in the deposit insurance system about persons that exercise a significant influence still remains a major focus of activity for the Bank of Russia.

In this respect, the Bank of Russia will continue working in 2012 to prepare the following regulations:

- the draft Ordinance "On Amending Point $6^1$.1 of Bank of Russia Ordinance No. 1379-U of January 16, 2004, on Assessing a Bank's Financial Soundness as Being Eligible for Participation in the Deposit Insurance

System" and the draft Ordinance "On Amending Bank of Russia Regulation No. 345-P, Dated October 27, 2009, on the Procedure for Disclosing on the Bank of Russia Website Information about Persons that Exercise a Significant (Direct or Indirect) Influence on the Management Decisions of Banks Participating in the Deposit Insurance System in the Russian Federation". This will be done to improve the procedure for banks that participate in the deposit insurance system, so that they may disclose information about persons who exercise a significant (direct or indirect) influence on the management decisions of the bank to an unlimited number of persons, and to tighten control over the implementation of the new procedures in the banks;

- the draft Ordinance "On Amending Chapter 1 of Bank of Russia Regulation No. 307-P, Dated July 20, 2007, on the Procedure for Accounting and Reporting Information about the Related Persons of Credit Institutions", following changes made to Part 1 of Article 9 of the Federal Law on the Protection of Competition to exclude overlapping criteria that define businesses, legal entities and individuals as a group of persons.

### III.10.2. Banking regulation

In 2012, the Bank of Russia will continue to improve banking regulation, taking into account the lessons of the international financial crisis. A special focus will be placed on efforts to implement internationally recognised approaches to financial risk assessment.

As new international requirements concerning the quality and adequacy of capital and liquidity become part of the Russian bank regulation practices in keeping with Basel III[100], further efforts will be made in 2012 to develop a new procedure for calculating capital, amend Bank of Russia regulations on the calculation of capital adequacy (base capital and core capital), and develop approaches to define leverage and liquidity indicators. The monitoring of these indicators will commence in connection with this.

In 2012, the Bank of Russia will continue to participate in the calculation of capital adequacy, leverage and liquidity ratios as part of the semi-annual Quantitative Impact Study (QIS), conducted by a working group of the Basel Committee on Banking Supervision.

Further efforts will be made to improve risk assessments for credit institutions, including the quality of regulatory capital. Regarding derivatives transactions, the plan is to finish drafting amendments to Regulation No. 215-P[101], which started in 2011, to define a procedure for including the income (expenses) that result from derivatives fair value assessment in capital calculation[102] and to clarify estimation procedures for required ratios[103], and for interest rate risk, equity position risk[104] and foreign exchange risk[105].

In 2012, the Bank of Russia expects to finish drafting an Ordinance[106] to implement approaches to estimating market risk, as defined in the documents of the Basel Committee on Banking Supervision (Basel 2.5)[107]. Furthermore, a new form of supervisory report, "Information on Interest Rate Risk", is to be implemented to improve the set of supervisory reports and secure the monitoring of interest rate risk assumed by credit institutions.

In 2012, the following initiatives are set to be implemented to introduce Basel II in banking regulatory and supervisory practices in Russia.

To implement an approach to the assessment of borrowers' credit risk which is based on internal bank ratings (the IRB-approach under Basel II Pillar 1 (Minimum Capital Requirements), the Bank of Russia intends to prepare guidelines to calculate capital adequacy to cover credit risk, based on the Basel II IRB-approach and minimum requirements for banks using the same Basel II approach. It will cooperate with banks that decide to implement the Basel II IRB-approach. It expects to interact off-site (by studying documents and conducting polls and surveys) and arrange thematic meetings to monitor preparations for the implementation of the Basel II IRB-approach and current evaluation of the feasibility of projects to transfer to the Basel II IRB-approach. To support the implementation of Basel II Pillar 2 (Supervisory Review Process) and Pillar 3 (Market Discipline), further efforts will be made to prepare the regulatory framework for a supervision of credit institutions' capital adequacy. It will include a methodology to evaluate the internal procedures credit institutions use to monitor capital adequacy. This methodology will be used to evaluate the economic position of banks, including the quality of their management. The disclosure procedure for credit institutions under the Pillar 3 (Market Discipline) will be based on their use of

[100] Basel III: An International Framework for Liquidity Risk Measurement, Standards and Monitoring, and Basel III: A Global Regulatory Framework for More Resilient Banks and Banking Systems, issued by the Basel Committee on Banking Supervision.

[101] Bank of Russia Regulation No. 215-P, dated February 10, 2003, "On the Methodology of Defining Credit Institutions' Capital".

[102] This needs to be drafted because of the entry into force on January 1, 2012 of Bank of Russia Ordinance No. 2654-U of July 4, 2011, and Bank of Russia Regulation No. 372-P, dated July 4, 2011, which lay down derivatives accounting procedures.

[103] Bank of Russia Instruction No. 110-I, dated January 16, 2004, "On Banks' Required Ratios".

[104] Bank of Russia Regulation No. 313-P, dated November 14, 2007, "On the Procedure for Calculating Market Risk by Credit Institutions".

[105] Bank of Russia Instruction No. 124-I, dated July 15, 2005, "On Setting Open Currency Position Limits, Methods of their Calculation and Monitoring their Observance by Credit Institutions".

[106] Bank of Russia Draft Ordinance "On Amending Bank of Russia Regulation No. 313-P, Dated November 14, 2007, on the Procedure for Calculating Market Risk by Credit Institutions".

[107] This approach, as spelled out in the BCBS document, «Revisions to the Basel II market risk framework, updated as of 31 December 2010» aims to clarify the approaches outlined in the BCBS document, «The international convergence of capital measurement and capital standards», June 2006.

standardised approaches to assess credit risk, market risk and operational risk (the current procedure is governed by Bank of Russia regulations). International best practice is to be employed to design approaches to regulate central counterparties, along with a risk evaluation procedure for the so-called qualified central counterparties[108].

Joint work will continue with the Ministry of Finance to draft the following federal laws:

- the Federal Law "On Amending Articles 74 and 76 of the Federal Law on the Central Bank of the Russian Federation (Bank of Russia)", empowering the Bank of Russia to appoint authorised representatives to the largest credit institutions. The amendment would allow the Bank of Russia to identify early problems related to the quality of governance, risk management and other drawbacks that affect the economic position of a credit institution. The Bank of Russia could then implement timely remedies to prevent situations that threaten the stability of the Russian banking system and the legitimate interests of depositors and creditors of credit institutions;

- the Federal Law "On Amending the Federal Law on Banks and Banking Activities and the Federal Law on the Central Bank of the Russian Federation (Bank of Russia)", which is aimed at clarifying key provisions of consolidated supervision and disclosure requirements that are applied to credit institutions, banking groups and bank holding companies. The proposed legislation provides for the Bank of Russia to be able to define requirements for risk management systems in credit institutions and banking groups. It also provides for the Bank of Russia to be able to expand the amount of information that may be exchanged between the parent organisations of banking groups (bank holding companies) and members of such groups of legal entities, as well as between authorised authorities supervising members, including cross-border groups and holding companies. In addition, the legislative innovations would deal with the management of credit institutions' risk exposures, including risks associated with related parties, and would empower the Bank of Russia Banking Supervision Committee to apply professional judgement when deciding to classify a person as a related party of a credit institution;

- the Federal Law "On Amending Some Russian Laws", which provides the legal framework for information exchanges between the external auditors of financial organisations and supervisors (including the Bank of Russia). It is aimed at strengthening confidence of Russian financial system participants to credit institutions, improving the efficiency of banking supervision (including timely remedies to stabilise the financial market), bringing legal rules pertaining to bank audit in line with international recommendations (including those of the International Auditing Practices Committee, International Federation of Accountants, and Basel Committee on Banking Supervision), and enhancing the quality of audits and auditor reports for the annual reports of credit institutions, banking groups and bank holding companies and (or) their members.

To align Russian consolidated supervision practices more closely with internationally recognised best practices in this area, further efforts will be made to improve the regulatory framework for consolidated supervision by developing Bank of Russia regulations governing consolidated supervision issues. These will include:

- establishing prudential rules to limit the risks taken by the parent organisations of banking groups on a consolidated basis (draft Bank of Russia Ordinance "On Mandatory Requirements for Banking Groups");

- clarifying disclosure procedures used by credit institutions to report their activities, including consolidated financial statements, following the entry into force of the Federal Law "On Consolidated Financial Statements" (draft Bank of Russia Ordinance "On Amending Bank of Russia Ordinance No. 2172-U of January 20, 2009, on the Publication and Presentation of Information on the Activities of Credit institutions and Banking (Consolidated) Groups");

- updating the architecture of consolidated supervisory reports, including the introduction of new forms of prudential consolidated reports (proposed amendments to Bank of Russia Ordinance No. 2332-U of November 12, 2009, "On the List, Forms and Procedure for the Preparation and Submission of Reports by Credit Institutions to the Central Bank of the Russian Federation").

Work will continue to amend legislation aimed at authorising the Bank of Russia to establish mandatory requirements for credit institutions and banking groups relating to risk and capital management systems. These will including powers to issue permits for credit institutions to use internal risk management procedures and risk assessment models to calculate capital adequacy, as well as the competence and organisation of the board of directors (supervisory board) of the credit institution. They will also let the Bank of Russia improve the system of coercive actions it applies to credit institutions, and resolve issues related to making credit institutions and their executives responsible in their administration.

In 2012, the Bank of Russia will continue to implement the Principles and Standards for Sound Compensation Practices in financial institutions that were developed by the Financial Stability Board. Among other things, it is expected to finalise its regulation that defines approaches to evaluating the implementation of the aforementioned principles and standards by credit institutions. These efforts are aimed at meeting by the Russian Federation of G20 commitments and implementing Basel II Pillar 2 (Supervisory Review Process) more fully with these principles and standards constituting an integral part thereof.

[108] Conforming to the requirements developed by the Bank of Russia. This correspondence will grant a certain status to the credit institution, enabling it to evaluate the risks of central counterparties as reduced.

### III.10.3. Off-site supervision

In 2012, the banking supervision system will be developed in the following key areas:

- improving the risk monitoring system to develop additional indicators that are the most sensitive to early negative trends in credit institutions' activities;
- designing a substantive approach to assess the situation at credit institutions and their risk exposures;
- making sure that credit institutions have put modern systems of corporate governance and risk management into place, which adequately suit the scope and scale of their operations and enable them to identify, assess, control and limit all existing risks in good time;
- working with bank owners to reduce high concentrations of bank owner business risks;
- enhancing the quality of information support provided by the supervisory function;
- focusing more on credit institutions that pursue aggressive policies in various segments of the banking services market (including taking household deposits), as being most susceptible to higher exposure;
- further building the institution of Bank of Russia curators and authorised representatives;
- promoting the consolidated supervision of banking groups;
- concentrating on transactions between credit institutions and non-residents, including those registered in offshore zones;
- expanding information exchanges between the Bank of Russia and the Federal Tax Service and Federal Financial Markets Service, and
- improving the skills and professional knowledge of off-site supervisory staff, including the organisation of training activities and hands-on education of Bank of Russia regional personnel at the head office, and sharing the experiences and knowledge that are gained during supervisory practice.

The Bank of Russia is set to promote collaboration with foreign supervisors to define the nature and economic justification of the cross-border business of Russian credit institutions, and to evaluate the activities of subsidiary banks of foreign credit institutions and the foreign branches of Russian banks. The Bank of Russia is to continue its engagement with the supervisory colleges with participation of foreign supervisors to organise oversight over international banking groups that include Russian banks.

Further efforts will be made to improve macroprudential analysis, based on the calculation and publication (jointly with the IMF) of financial stability indicators, and to assess systemic risks through stress testing. To improve stress testing methods for the Russian banking sector, the Bank of Russia will make active use of the approaches recommended by international organisations. For example, it will continue to develop the model describing the relationship between the macroeconomic indicators of the national economy and the key performance indicators of the banking sector. The Bank of Russia will refine its stress testing scenarios by studying foreign best practices and the current situation in the Russian economy.

### III.10.4. On-site inspection

The Bank of Russia will continue its policy of enhancing the quality of inspections, including the arrangement of the necessary institutional and legal conditions.

In 2012, it will begin to prepare for the third phase of its inspection centralisation programme, which will involve inspection units in the Southern, North-Caucasian and Volga Federal Districts.

With the inspection units that have launched centralised inspections chalking up good performance (especially in terms of the quality and supervisory relevance of the inspections and reduced response times to adverse developments in credit institutions), the Bank of Russia has decided to prepare for the fourth stage. As part of the programme for 2012, a team has been set up to manage activity to centralise the inspection activities of the Bank of Russia Moscow branch, which consists of the heads of the supervisory function at the Bank of Russia head office and the Moscow branch.

Inspections will focus on assessing the asset quality of credit institutions and how they comply with capital adequacy requirements. Working groups will focus on uncovering transactions aimed at concealing ***the real level and concentration of risks,*** including investments in the business of the owners of credit institutions and related parties.

To ensure the ***timely identification of problems*** and prevent adverse effects from appearing in credit institutions, on-going supervision procedures are to be adjusted as follows:

- approaches to determining the size of a sample for verification purposes will be refined (including the complete control of the highest-risk loans: investment loans, loans granted to non-residents, etc.); and,
- the mechanism of interaction between the supervisory units of Bank of Russia regional branches and working groups, regional and inter-regional inspectorates, and Bank of Russia head office units will be regulated when circumstances are uncovered that might have a material adverse effect on the financial soundness of credit institutions.

Credit institutions will be identified whose operations may affect the financial stability of the Russian economy and its systemic risks (systemically important banks). A set of additional measures of prudential supervision will be designed for this group of credit institutions.

To ensure the continuity of the supervisory process, there will be continuous monitoring and inspection of organisations, including analysis of current results received from working groups.

***The internal control service*** will continue to be built as a vertically integrated entity to achieve the required quality of interaction between regional inspectorates and interregional inspectorates, the head office and regional branches of the Bank of Russia, and to ensure the management of remote inspection units. The Main Inspectorate of Credit Institutions, with the support of the internal control unit that is set up at its head office, will appoint staff in the interregional and regional inspectorates that are responsible for implementing internal controls locally and for directly interacting with the head office unit.

A Model Inspection Report will be designed, and include criteria to evaluate the quality of corporate governance and compliance with required ratios, as ***part of the effort to standardise*** the work of inspection units and improve the information content of inspection reports by adding material information needed for the supervisory function. Requirements will be defined regarding the structure of information provided in the course of inspections from automated banking systems; pilot testing has been completed on how such information is to be downloaded, processed and analysed during inspections.

### III.10.5. Household deposit insurance

In 2011, the maximum insurance compensation (700,000 roubles) remained unchanged as the deposit insurance system had been able to retain an optimum balance of its key business and financial indicators. As of January 1, 2012, the insurance fund adequacy ratio (the ratio of the fund to the total insurance liabilities of the Deposit Insurance Agency, excluding Sberbank), was 4.9%. The deposit insurance fund (which equalled 151.1 billion roubles as of January 1, 2012) supports the timely payment of insurance compensation to depositors.

To prevent unfounded receipt of compensation from the deposit insurance fund by unscrupulous bank customers, the Bank of Russia, jointly with the Agency, will continue to prepare amendments to the Federal Law "On the Insurance of Household Deposits with Russian Banks" to include a provision preventing legal entities, individual entrepreneurs and households from receiving insurance payments from the deposit insurance fund under fraudently filed bank liabilities where account (deposit) balances are greater than the amount insured, in accordance with Federal Law "On the Insurance of Household Deposits with Russian Banks".

As it implements the Banking Sector Development Strategy up to 2015, the Bank of Russia will continue to contribute to the drafting of the Federal Law "On Amending the Federal Law on the Insurance of Household Deposits with Russian Banks" to unify supervisory requirements to assess the soundness of credit institutions and eligibility requirements for the deposit insurance system, based on the application of international supervisory principles and remedies.

### III.10.6. The financial rehabilitation of credit institutions

In 2012, the Bank of Russia, as part of the G-20 initiatives, will continue to implement the recommendations of the Financial Stability Board in the Russian financial system regarding the effective rehabilitation/liquidation of financial institutions, pursuant to the Key Attributes of Effective Resolution Regimes for Financial Institutions.

In 2012, the Bank of Russia is expected to identify opportunities for the phased implementation of the recovery and resolution plans. It intends to define the approximate content of such plans and discuss them with leading banks. Meanwhile it will focus on introducing the developed principles, in coordination with practical steps to implement national approaches to defining systemically important banks in light of international best practices.

### III.10.7. Control over the liquidation of credit institutions

In 2012, the Bank of Russia will continue to draft the Federal Law "On Amending the Federal Law on the Insolvency (Bankruptcy) of Credit institutions" and Some Russian Laws to Improve Bankruptcy Procedures for Credit and Other Financial Institutions, and Tighten Liability for Unlawful Actions Committed on the Eve of Bankruptcy". The proposed draft is aimed at giving the Agency more precise tools to pursue the financial rehabilitation of banks, at improving liquidation procedures for credit institutions (including a wider range of activity to meet creditor claims), and at establishing the liability of bank managers in the form of the compensation of damages caused to the credit institution by the unlawful activity (or inactivity) of the aforementioned persons. It has passed the first reading at the State Duma of the Federal Assembly of the Russian Federation.

To protect the interests of credit institutions' customers and to help maintain the stability of the financial and banking system as a whole, the Bank of Russia will continue to draft a federal law to amend the Criminal Code to establish criminal liability for doctoring the accounting reports and other statements of a credit institution to conceal material information about its actual financial standing.

# III.11. Bank of Russia Supervisors

The Bank of Russia supervisory divisions employ 4,186 executives and specialists, of whom 20.3% work at the head office, and 79.7% are engaged in the regional branches. The vast majority of specialists (97.6%) have a higher education, are aged between 30 and 50 years (63.6%), and have worked in the banking system for more than three years (93.6%).

As in previous years, the Bank of Russia paid close attention to upgrading the skills of its bank supervisors. In 2011, more than 2,400 Bank of Russia employees attended 188 training courses dealing with the supervision of credit institutions, licensing and inspections of banks, financial recovery of credit institutions, financial monitoring, and foreign exchange control.

There were additional retraining projects for supervisory staff (more than 500 hours) that were developed by Moscow's leading institutions of higher education commissioned by the Bank of Russia. In 2011, 25 specialists completed a course titled "Bank Inspector - Bank Manager" and 42 joined it (they are due to complete it in 2012); of the new trainees, 21 are taking the course "Provisional Administration Head - Bank Manager" and the other 21 are being trained under a new programme called "Financial Recovery Advisor for Credit Institutions".

A two-year training project for Bank of Russia staff, dealing with basic IFRS training, has been completed under a contract signed with PriceWaterhouseCoopers' Centre for Corporate Learning. The basic training in IFRS (totalling 280 hours) included initial-level training (120 hours) and two further courses (80 hours each). In all, there were 39 training sessions under the project, which were attended by 416 executives and specialists with a supervisory role; in 2011, there were 30 sessions for 295 trainees.

After taking basic-level training, supervisory staff attended specialised IFRS courses to study selected international standards and their practical application in more detail. There were nine special courses in 2011 at which 44 supervisors were trained.

In 2011, short-term skills improvement programmes for supervisory staff were carried out in accordance with the Bank of Russia Vocational Training Plan. There were 33 thematic seminars (up to 40 hours each) for head office and regional staff dealing with the supervision of credit institutions. These were attended by 1,165 trainees; another 126 Bank of Russia regional employees attended skills improvement courses (72 hours or more each).

Most applications from bank supervisors requested training in foreign exchange control, the prevention of the legalisation (laundering) of criminally obtained incomes and terrorism financing (273 trainees), the practical implementation of banking supervision (137 trainees), inspection activities at the Bank of Russia (41 trainees), inspections dealing with credit risk management systems (87 trainees), and the legality of the authorised capital of credit institutions (63 trainees). In addition, 112 employees were trained to work with the "Analysis of a Bank's Financial Standing" and "Analysis of Aggregate Performance of Credit Institutions and Level of Banking Services in the Region" IT systems.

To improve staff performance and promote communications that contribute to a shared management culture, the Bank of Russia continued to provide centralised training in management and social competence and personality development, which contributed to the achievement of positive professional results. Sixty executives and specialists from banking supervision units took training classes in this area.

In the year under review, regional executives and specialists continued to be seconded to the Bank of Russia Banking Regulation and Supervision Department and the Main Inspectorate for Credit Institutions (76 in all) to learn and practice knowledge and professional skills and share professional experiences.

In addition to centralised courses, the Bank of Russia banking schools (colleges) organised 16 training sessions at the request of regional branches and based on programmes agreed upon with them (313 employees were trained).

In the framework of international cooperation, there were five training events in Russia and 51 abroad, which were attended by 192 supervisors. During study visits to the German Bundesbank and the Bank of France, the trainees learned about the criteria used to evaluate the business reputations of the founders of credit institutions and the transparency of ownership. The Netherlands Bank and the German Bundesbank were used as training grounds to study analysis of the financial soundness and risk profiles of banks. The Bank of France provided learning insights into the organisation and conduct of on-site inspections of credit institutions and their branches. The Central Bank of Armenia shared its work in the field of preventing the legalisation (laundering) of criminally obtained incomes and terrorism financing, and the National Bank of Ukraine was used for training in the sphere of financial monitoring. In cooperation with the Agency for the Exchange of Financial Technology (Luxembourg), training sessions were organised in "Derivatives and Structured Products" and "The Prevention of Money Laundering and Implementation of Internal Audits."

# Annexes

# IV

# IV.1. Monitoring Banking Sector Stability

The monitoring of liquidity risk, lending to non-financial organisations and households, capital adequacy and market risk was performed in 2011 to identify at an early stage negative trends in the banking sector, including individual banks (whose transactions make decisive contribution to these trends). Besides key financial risks monitored, analysis for possible systemic risks was performed of the following:

- dynamics of total assets and loan portfolio, including those of banks, which accounted for the largest asset growth and decline, and all banks with a monthly asset change of more than 20%;
- the structure of assets and liabilities of Russia's top credit institutions;
- the structure of assets and liabilities of the banks with the largest value of household deposits;
- the effect of stock market turbulence on the financial standing of credit institutions;
- the operations of the banks offering high interest rates on interbank loans and deposits;
- large-value loans provided to companies in technical default on tradable debt obligations;
- operations of banks supported by Bank of Russia's loans; and
- restructured and prolonged loans.

Findings of this analysis were used in supervision of credit institutions, whose activities were characterised by higher risks.

The Bank of Russia also continued its publication of online Russian Banking Sector Review and its more frequently published version with information on the banking sector changes and indicators, as well as its risks.

# IV.2. Banking Sector Clustering

Bank clustering is used to analyse banking sector stability as it allows scrutinising the transactions and risks of various groups of banks and assessing the structure of different segments of the banking services market and potential for negative developments in these segments.

In this report, the following clustering methodology of the banking sector was used (with 2010 data being recalculated as necessary).

At the first stage, the following credit institutions were put into separate groups:

- non-bank credit institutions;

- banks, in which more than 50% of authorised capital is owned by the state (including by the Bank of Russia, Vnesheconombank and Deposit Insurance Agency), and also member banks of the banking groups formed by these banks;

- banks, in which over 50% of authorised capital is owned by non-residents (including the banks whose non-resident owners are controlled by residents of the Russian Federation).

At the second stage, the Bank of Russia considered banks from among the top 200 banks in terms of assets, excluding those included into the three groups indicated above. This group was defined as large private banks.

The third stage covered all other banks not included into the four groups indicated above. These are small and medium-sized banks, which, for their part, were divided into two geographical groups, small and medium-sized banks based in Moscow and the Moscow Region and small and medium-sized banks registered in other regions.

As a result, the six groups of credit institutions were formed:

1. State-controlled banks;
2. Foreign-controlled banks;
3. Large private banks;
4. Small and medium-sized banks based in Moscow and the Moscow Region;
5. Small and medium-sized regional banks;
6. Non-bank credit institutions.

The results of the banking sector clustering exercise (*see Table 4.1*) suggest that, based on performance in 2011, state-controlled banks improved their position at the expense of the weakening of large private banks and foreign-controlled banks.

## Indicators of credit institutions' groups*

*TABLE 4.1*

| | No. of credit institutions | | % share of total banking sector assets | | % share of total banking sector capital | |
|---|---|---|---|---|---|---|
| | 1.01.11 | 1.01.12 | 1.01.11 | 1.01.12 | 1.01.11 | 1.01.12 |
| State-controlled banks | 27 | 26 | 45.8 | 50.2 | 47.3 | 50.8 |
| Foreign-controlled banks | 108 | 108 | 18.0 | 16.9 | 19.1 | 17.6 |
| Large private banks | 131 | 132 | 30.5 | 27.5 | 26.9 | 24.9 |
| Small and medium-sized banks based in Moscow and the Moscow Region | 317 | 301 | 2.6 | 2.5 | 3.5 | 3.4 |
| Small and medium-sized regional banks | 372 | 355 | 2.7 | 2.5 | 2.9 | 3.1 |
| Non-bank credit institutions | 57 | 56 | 0.4 | 0.4 | 0.3 | 0.2 |
| TOTAL | 1,012 | 978 | 100.0 | 100.0 | 100.0 | 100.0 |

* The criteria for clustering credit institutions and the relevant indicators are used in this Report for analysis only.

# IV.3. Improving the Central Catalogue of Credit Histories

In 2012, the Bank of Russia plans to continue its efforts to improve the activities of the Central Catalogue of Credit Histories (CCCH) and of credit history bureaus. Priority will be given to improving legislation that regulates credit history bureaus and CCCH activities in accordance with the Russian Banking Sector Development Strategy until 2015. For that purpose, the Bank of Russia intends to continue its work on legislative amendments concerning the system that provides access to credit histories.

Thus, the Bank of Russia plans to continue working on its draft Law on amendments to Federal Law No. 218-FZ, Dated December 30, 2004, “On Credit Histories” (hereinafter referred to as the Federal Law), submitted to the Ministry of Finance, concerning such aspects as: search for credit history makers in the CCCH database; granting the right to cancel credit history titles erroneously submitted to CCCH; procedures for accessing databases of liquidated credit history bureaus that are stored at the CCCH; and procedures allowing the CCCH to request from governmental bodies information included in credit history titles.

In addition, in 2012, the Bank of Russia is planning to draft several amendments to the Federal Law aimed at:

- more comprehensive, in terms of quantity and quality, compilation of corporate credit histories (namely, complementing the core corporate credit histories with information that helps evaluate specific assets serving as collateral and the financial standing of a borrower);

- unified approach to submitting information to a credit history bureau both for credit institutions and for lending organisations.

Simultaneously, in order to collect information for evaluating credit institutions' assets serving as collateral for Bank of Russia loans and to perform banking regulation and supervision, amendments will be proposed in 2012 to banking legislation that would allow the Bank of Russia receiving credit reports of credit institutions' borrowers from credit history bureaus.

Besides, the Bank of Russia plans to continue its participation in drafting Federal Law «On the Registration of Notices Concerning Lien on Movable Property». Registration of lien on movable property will enable optimisation of credit history systems by granting all stakeholders access to information concerning not only household or corporate loans, but also encumbrances on property that secures such loans.

In 2012, to set up a system for the exchange of credit histories between EurAsEC member countries, the CCCH is planning to continue cooperation with representatives of the EurAsEC banking community, financial supervisors and central banks.

In 2012, the Bank of Russia plans also to continue improving functionality of the CCCH automated system that will provide:

- new opportunities for improving the quality of data stored at the CCCH and credit history bureaus;

- defining priorities and enabling prompt processing of inquiries from of credit history makers.

# IV.4. Statistical Appendix

## Key macroeconomic indicators (in comparable prices, as % of previous year)

*TABLE 1*

| | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 |
|---|---|---|---|---|---|---|---|
| GDP*, billion roubles | 21,609.8 | 26,917.2 | 33,247.5 | 41,276.8 | 38,807.2 | 45,172.7 | 54,585.6 |
| GDP growth rate | 106.4 | 108.2 | 108.5 | 105.2 | 92.2 | 104.3 | 104.3 |
| Federal budget surplus (+)/deficit (–), as % of GDP | 7.5 | 7.4 | 5.4 | 4.1 | -6.0 | -4.0 | 0.8 |
| Industrial output index | 105.1 | 106.3 | 106.8 | 100.6 | 90.7 | 108.2 | 104.7 |
| Agricultural output | 101.6 | 103.0 | 103.3 | 110.8 | 101.4 | 88.7 | 122.1 |
| Retail trade turnover | 112.8 | 114.1 | 116.1 | 113.6 | 94.9 | 106.3 | 107.2 |
| Fixed capital investment | 110.9 | 116.7 | 122.7 | 109.9 | 84.3 | 106.0 | 108.3 |
| Household real disposable money income | 112.4 | 113.5 | 112.1 | 102.4 | 103.1 | 105.1 | 100.8 |
| Unemployment rate, as % of economically active population (average for period) | 7.6 | 7.2 | 6.1 | 6.3 | 8.4 | 7.5 | 6.6 |
| Consumer price index (December as % of previous December) | 110.9 | 109.0 | 111.9 | 113.3 | 108.8 | 108.8 | 106.1 |
| Average nominal US dollar/rouble rate over period | 28.28 | 27.18 | 25.57 | 24.81 | 31.68 | 30.36 | 29.35 |

* In current prices.

## Russian banking sector macroeconomic indicators

TABLE 2

| | 1.01.08 | 1.01.09 | 1.01.10 | 1.01.11 | 1.01.12 |
|---|---|---|---|---|---|
| Banking sector assets (liabilities), billion roubles | 20,125.1 | 28,022.3 | 29,430.0 | 33,804.6 | 41,627.5 |
| as % of GDP | 60.5 | 67.9 | 75.9 | 75.2 | 76.6 |
| Banking sector capital, billion roubles | 2,671.5 | 3,811.1 | 4,620.6 | 4,732.3 | 5,242.1 |
| as % of GDP | 8.0 | 9.2 | 11.9 | 10.5 | 9.6 |
| as % of banking sector assets | 13.3 | 13.6 | 15.7 | 14.0 | 12.6 |
| Loans and other funds provided to non-financial organisations and households, including overdue debt, billion roubles | 12,287.1 | 16,526.9 | 16,115.5 | 18,147.7 | 23,266.2 |
| as % of GDP | 37.0 | 40.0 | 41.5 | 40.4 | 42.8 |
| as % of banking sector assets | 61.1 | 59.0 | 54.8 | 53.7 | 55.9 |
| Securities acquired by banks, billion roubles | 2,250.6 | 2,365.2 | 4,309.4 | 5,829.0 | 6,211.7 |
| as % of GDP | 6.8 | 5.7 | 11.1 | 13.0 | 11.4 |
| as % of banking sector assets | 11.2 | 8.4 | 14.6 | 17.2 | 14.9 |
| Household deposits, billion roubles | 5,159.2 | 5,907.0 | 7,485.0 | 9,818.0 | 11,871.4 |
| as % of GDP | 15.5 | 14.3 | 19.3 | 21.8 | 21.8 |
| as % of banking sector liabilities | 25.6 | 21.1 | 25.4 | 29.0 | 28.5 |
| as % of household income | 24.2 | 23.4 | 26.3 | | |
| Funds raised from organisations*, billion roubles | 7,053.1 | 8,774.6 | 9,557.2 | 11,126.9 | 13,995.7 |
| as % of GDP | 21.2 | 21.3 | 24.6 | 24.8 | 25.7 |
| as % of banking sector liabilities | 35.0 | 31.3 | 32.5 | 32.9 | 33.6 |

* 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).

## The registration and licensing of credit institutions*

TABLE 3

| | 1.01.11 | 1.01.12 |
|---|---|---|
| **Registration of credit institutions** | | |
| 1. Credit institutions[1] registered by the Bank of Russia or the registration authority, in line with decisions made by the Bank of Russia, total[2] | 1,146 | 1,112 |
| of which: | | |
| – banks | 1,084 | 1,051 |
| – non-bank credit institutions | 62 | 61 |
| 1.1. Registered wholly foreign-owned credit institutions | 80 | 77 |
| 1.2. Credit institutions that have been registered by the Bank of Russia but have not yet paid authorised capital and have not received a licence (within the time period established by law) | 2 | 0 |
| of which: | | |
| – banks | 1 | 0 |
| – non-bank credit institutions | 1 | 0 |
| **Operating credit institutions** | | |
| 2. Credit institutions licensed to conduct banking operations, total[3] | 1,012 | 978 |
| of which: | | |
| – banks | 955 | 922 |
| – non-bank credit institutions | 57 | 56 |
| 2.1. Credit institutions holding licences (permits): | | |
| – to take household deposits | 819 | 797 |
| – to conduct operations in foreign currencies | 677 | 661 |
| – general licences | 283 | 273 |
| – to conduct operations with precious metals | 208 | 207 |
| 2.2. Credit institutions with a foreign stake in authorised capital, total | 220 | 230 |
| of which: | | |
| – wholly foreign-owned credit institutions | 80 | 77 |
| – credit institutions with a 50%-plus foreign stake | 31 | 36 |
| 2.3. Credit institutions registered with the deposit insurance system[4] | 832 | 806 |
| 3. Registered authorised capital of operating credit institutions, million roubles | 1,186,179 | 1,214,343 |
| 4. Branches of operating credit institutions in Russia, total | 2,926 | 2,807 |
| of which: | | |
| – Sberbank branches[5] | 574 | 524 |
| – branches of wholly foreign-owned credit institutions | 203 | 155 |
| 5. Branches of operating credit institutions abroad, total[6] | 6 | 6 |
| 6. Branches of non-resident banks in Russia | 0 | 0 |
| 7. Representative offices of Russian operating credit institutions, total[7] | 460 | 378 |
| of which: | | |
| – in Russia | 416 | 335 |
| – in non-CIS countries | 32 | 31 |
| – in CIS countries | 12 | 12 |
| 8. Additional offices of credit institutions, total | 22,001 | 22,565 |
| of which: | | |
| – Sberbank additional offices | 10,251 | 10,518 |
| 9. External cash desks of credit institutions, total | 11,960 | 10,860 |
| of which: | | |
| – Sberbank cash desks | 8,521 | 7,655 |

*This information includes data received from the registration authority as of the reporting date.*

*END 3*

| | 1.01.11 | 1.01.12 |
|---|---|---|
| 10. Cash and credit offices of credit institutions, total | 1,389 | 1,725 |
| of which: | | |
| – Sberbank cash and credit offices | 0 | 0 |
| 11. Operations offices of credit institutions (branches of credit institutions), total | 2,994 | 5,360 |
| of which: | | |
| – Sberbank cash and credit offices | 9 | 545 |
| 12. Mobile banking vehicles of credit institutions (branches of credit institutions), total | 87 | 100 |
| of which: | | |
| – Sberbank mobile banking vehicles | 83 | 96 |
| **Licence revocation and liquidation of corporate entities** | | |
| 13. Credit institutions that had their banking licences revoked (cancelled) but have not been struck off the state register[8] | 132 | 134 |
| 14. Liquidated credit institutions struck off the state register, total[9] | 1,991 | 2,028 |
| of which: | | |
| – liquidated due to licence revocation (cancellation) | 1,555 | 1,574 |
| – liquidated due to reorganisation | 435 | 453 |
| of which: | | |
| – by merger | 2 | 2 |
| – by acquisition | 433 | 451 |
| of which: | | |
| – by being transformed into other banks' branches | 362 | 372 |
| – by being merged with other banks (without setting up a branch) | 71 | 79 |
| – liquidated due to an infraction of law in respect of payment of authorised capital | 1 | 1 |

*[1] The term 'credit institution' in this Table denotes one of the following:*
*- a legal entity registered by the Bank of Russia (prior to July 1, 2002) or registration authority and having the right to conduct banking operations;*
*- a legal entity registered by the Bank of Russia (prior to July 1, 2002) or registration authority, which had but lost the right to conduct banking operations.*

*[2] Credit institutions that have the status of a legal 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 legal entities.*

*[3] Credit institutions registered by the Bank of Russia (prior to July 1, 2002) or registration authority and holding the right to conduct banking operations, and also non-bank credit institutions registered by other authorities and licensed by the Bank of Russia to conduct banking operations.*

*[4] Based on data provided to the Bank of Russia by the Deposit Insurance Agency as of the reporting date.*

*[5] Sberbank branches put on the state register of credit institutions and assigned a serial number. Before January 1, 1998, monthly data on credit institutions in this line indicated the total number of Sberbank establishments (34,426).*

*[6] Branches opened by Russian credit institutions abroad.*

*[7] Representative offices of Russian credit institutions abroad include the offices of whose opening abroad the Bank of Russia has been notified.*

*[8] Total credit institutions that had their banking licences revoked (cancelled) by the Bank of Russia, including liquidated credit institutions struck off the state register: 1,668 as of January 1, 2010, and 1,697 as of January 1, 2011.*

*[9] After July 1, 2002, the liquidated credit institution is struck off the state register as a legal entity only after its liquidation has been registered by the registration authority.*

## Credit institutions by form of incorporation

*TABLE 4*

| | 1.01.11 | | 1.01.12 | |
|---|---|---|---|---|
| | number | share % | number | share % |
| **Operating credit institutions licensed to conduct banking operations, total** | **1012** | **100.00** | **978** | **100.00** |
| of which | | | | |
| – joint-stock companies | 671 | 66.30 | 645 | 65.95 |
| – closed joint-stock companies | 272 | 26.88 | 261 | 26.69 |
| – open joint-stock companies | 399 | 39.42 | 384 | 39.26 |
| – additional liability companies | – | – | – | – |
| – limited liability companies | 341 | 33.70 | 333 | 34.05 |

## Number of credit institutions and their branches by region as of January 1, 2012

TABLE 5

| | Number of credit institutions in region | Number of branches in region | | |
|---|---|---|---|---|
| | | total | credit institutions with head office in given region | credit institutions with head office in another region |
| 1 | 2 | 3 | 4 | 5 |
| **Total for the Russian Federation** | **978** | **2,807** | **464** | **2,343** |
| **CENTRAL FEDERAL DISTRICT** | **572** | **583** | **120** | **463** |
| Belgorod Region | 5 | 23 | 1 | 22 |
| Bryansk Region | 1 | 21 | 0 | 21 |
| Vladimir Region | 3 | 23 | 0 | 23 |
| Voronezh Region | 3 | 49 | 0 | 49 |
| Ivanovo Region | 6 | 13 | 0 | 13 |
| Kaluga Region | 4 | 22 | 0 | 22 |
| Kostroma Region | 5 | 12 | 0 | 12 |
| Kursk Region | 2 | 17 | 0 | 17 |
| Lipetsk Region | 2 | 21 | 1 | 20 |
| Moscow Region | 10 | 81 | 3 | 78 |
| Orel Region | 2 | 18 | 2 | 16 |
| Ryazan Region | 4 | 18 | 0 | 18 |
| Smolensk Region | 4 | 20 | 6 | 14 |
| Tambov Region | 1 | 11 | 0 | 11 |
| Tver Region | 6 | 26 | 3 | 23 |
| Tula Region | 5 | 23 | 1 | 22 |
| Yaroslavl Region | 7 | 31 | 2 | 29 |
| Moscow | 502 | 154 | 24 | 130 |
| *Moscow and the Moscow Region (for reference)* | *512* | *235* | *104* | *131* |
| **NORTH-WESTERN FEDERAL DISTRICT** | **69** | **318** | **12** | **306** |
| Republic of Karelia | 1 | 14 | 2 | 12 |
| Komi Republic | 2 | 27 | 4 | 23 |
| Arkhangelsk Region | 2 | 31 | 0 | 31 |
| of which: Nenets Autonomous Area | 0 | 1 | 0 | 1 |
| Vologda Region | 9 | 15 | 4 | 11 |
| Kaliningrad Region | 3 | 30 | 1 | 29 |
| Leningrad Region | 4 | 15 | 0 | 15 |
| Murmansk Region | 4 | 15 | 0 | 15 |
| Novgorod Region | 2 | 11 | 1 | 10 |
| Pskov Region | 3 | 6 | 0 | 6 |
| Saint Petersburg | 39 | 154 | 0 | 154 |
| **SOUTHERN FEDERAL DISTRICT** | **45** | **302** | **20** | **282** |
| Republic of Adygeya (Adygeya) | 4 | 6 | 1 | 5 |
| Republic of Kalmykia | 2 | 3 | 0 | 3 |
| Krasnodar Territory | 14 | 98 | 2 | 96 |
| Astrakhan Region | 5 | 24 | 5 | 19 |
| Volgograd Region | 4 | 56 | 0 | 56 |
| Rostov Region | 16 | 115 | 12 | 103 |
| **NORTH-CAUCASIAN FEDERAL DISTRICT** | **56** | **177** | **81** | **96** |
| Republic of Daghestan | 31 | 82 | 67 | 15 |
| Republic of Ingushetia | 2 | 6 | 1 | 5 |
| Kabardino-Balkaria Republic | 5 | 13 | 3 | 10 |
| Karachai-Cherkess Republic | 5 | 4 | 0 | 4 |
| Republic of North Ossetia - Alaniya | 5 | 11 | 4 | 7 |
| Chechen Republic | 0 | 4 | 0 | 4 |
| Stavropol Territory | 8 | 57 | 6 | 51 |

*END 5*

| | Number of credit institutions in region | Number of branches in region | | |
|---|---|---|---|---|
| | | total | credit institutions with head office in given region | credit institutions with head office in another region |
| 1 | 2 | 3 | 4 | 5 |
| **VOLGA FEDERAL DISTRICT** | **111** | **619** | **99** | **520** |
| Republic of Bashkortostan | 11 | 54 | 0 | 54 |
| Republic of Mari El | 1 | 17 | 4 | 13 |
| Republic of Mordovia | 4 | 9 | 1 | 8 |
| Republic of Tatarstan (Tatarstan) | 25 | 96 | 55 | 41 |
| Udmurt Republic | 4 | 23 | 0 | 23 |
| Chuvash Republic — Chuvashia | 4 | 18 | 0 | 18 |
| Perm Territory | 5 | 63 | 0 | 63 |
| Kirov Region | 3 | 18 | 0 | 18 |
| Nizhny Novgorod Region | 12 | 97 | 8 | 89 |
| Orenburg Region | 8 | 37 | 3 | 34 |
| Penza Region | 1 | 24 | 0 | 24 |
| Samara Region | 20 | 78 | 9 | 69 |
| Saratov Region | 9 | 64 | 17 | 47 |
| Ulyanovsk Region | 4 | 21 | 2 | 19 |
| **URALS FEDERAL DISTRICT** | **45** | **325** | **98** | **227** |
| Kurgan Region | 4 | 14 | 0 | 14 |
| Sverdlovsk Region | 16 | 93 | 9 | 84 |
| Tyumen Region | 16 | 124 | 51 | 73 |
| of which: Khanty-Mansi Autonomous Area — Yugra | 9 | 34 | 8 | 26 |
| Yamalo-Nenets Autonomous Area | 0 | 23 | 0 | 23 |
| Chelyabinsk Region | 9 | 94 | 38 | 56 |
| **SIBERIAN FEDERAL DISTRICT** | **54** | **347** | **26** | **321** |
| Republic of Altai | 4 | 5 | 1 | 4 |
| Republic of Buryatiya | 1 | 14 | 2 | 12 |
| Republic of Tyva | 1 | 4 | 0 | 4 |
| Republic of Khakassia | 2 | 5 | 0 | 5 |
| Altai Territory | 7 | 43 | 8 | 35 |
| Trans-Baikal Territory | 0 | 15 | 0 | 15 |
| Krasnoyarsk Territory | 5 | 57 | 2 | 55 |
| Irkutsk Region | 8 | 39 | 4 | 35 |
| Kemerovo Region | 9 | 29 | 0 | 29 |
| Novosibirsk Region | 9 | 72 | 1 | 71 |
| Omsk Region | 6 | 40 | 0 | 40 |
| Tomsk Region | 2 | 24 | 8 | 16 |
| **FAR EASTERN FEDERAL DISTRICT** | **26** | **136** | **8** | **128** |
| Republic of Sakha (Yakutia) | 4 | 28 | 0 | 28 |
| Kamchatka Territory | 4 | 11 | 3 | 8 |
| Primorsky Territory | 7 | 28 | 2 | 26 |
| Khabarovsk Territory | 4 | 30 | 1 | 29 |
| Amur Region | 2 | 13 | 0 | 13 |
| Magadan Region | 0 | 9 | 0 | 9 |
| Sakhalin Region | 5 | 9 | 2 | 7 |
| Jewish Autonomous Region | 0 | 4 | 0 | 4 |
| Chukchee Autonomous Area | 0 | 4 | 0 | 4 |

**Notes.**

*1. The number of credit institutions indicated for Saint Petersburg and the Leningrad Region (column 2) and their branches (column 3) pertains to credit institutions and their branches registered by the Bank of Russia regional branch for Saint Petersburg and the Bank of Russia regional branch for the Leningrad Region respectively.*

*2. In line Moscow and the Moscow Region, figures in column 4 and 5 indicate the number of branches whose parent credit institution is located in the given region (Moscow and the Moscow Region) and in other regions.*

## Credit institutions grouped by registered authorised capital as of January 1, 2012

TABLE 6

| | Up to 3m roubles | 3m to 10m roubles | 10m to 30m roubles | 30m to 60m roubles | 60m to 150m roubles | 150m to 300m roubles | 300m to 500m roubles | 500m to 1bn roubles | 1bn to 10bn roubles | 10bn roubles and over | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 |
| **The Russian Federation** | **15** | **18** | **41** | **62** | **199** | **263** | **101** | **114** | **143** | **22** | **978** |
| **CENTRAL FEDERAL DISTRICT** | **4** | **8** | **25** | **30** | **93** | **156** | **56** | **75** | **106** | **19** | **572** |
| Belgorod Region | 0 | 0 | 0 | 0 | 1 | 2 | 1 | 1 | 0 | 0 | 5 |
| Bryansk Region | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 | 0 | 1 |
| Vladimir Region | 0 | 0 | 0 | 0 | 2 | 1 | 0 | 0 | 0 | 0 | 3 |
| Voronezh Region | 0 | 0 | 0 | 0 | 2 | 1 | 0 | 0 | 0 | 0 | 3 |
| Ivanovo Region | 0 | 0 | 0 | 1 | 3 | 2 | 0 | 0 | 0 | 0 | 6 |
| Kaluga Region | 0 | 0 | 0 | 1 | 1 | 2 | 0 | 0 | 0 | 0 | 4 |
| Kostroma Region | 0 | 0 | 0 | 0 | 1 | 2 | 1 | 0 | 1 | 0 | 5 |
| Kursk Region | 0 | 0 | 1 | 0 | 1 | 0 | 0 | 0 | 0 | 0 | 2 |
| Lipetsk Region | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 1 | 0 | 0 | 2 |
| Moscow Region | 0 | 1 | 0 | 0 | 1 | 3 | 1 | 2 | 2 | 0 | 10 |
| Orel Region | 0 | 0 | 0 | 0 | 0 | 0 | 2 | 0 | 0 | 0 | 2 |
| Ryazan Region | 0 | 0 | 0 | 3 | 0 | 1 | 0 | 0 | 0 | 0 | 4 |
| Smolensk Region | 0 | 0 | 0 | 0 | 2 | 0 | 1 | 0 | 1 | 0 | 4 |
| Tambov Region | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| Tver Region | 0 | 0 | 0 | 2 | 2 | 2 | 0 | 0 | 0 | 0 | 6 |
| Tula Region | 0 | 0 | 1 | 0 | 1 | 3 | 0 | 0 | 0 | 0 | 5 |
| Yaroslavl Region | 0 | 0 | 1 | 2 | 2 | 1 | 0 | 1 | 0 | 0 | 7 |
| Moscow | 4 | 7 | 22 | 21 | 73 | 134 | 50 | 70 | 102 | 19 | 502 |
| *Moscow and the Moscow Region (for reference)* | *4* | *8* | *22* | *21* | *74* | *137* | *51* | *72* | *104* | *19* | *512* |
| **NORTH-WESTERN FEDERAL DISTRICT** | **3** | **3** | **4** | **10** | **17** | **13** | **3** | **10** | **6** | **0** | **69** |
| Republic of Karelia | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| Komi Republic | 0 | 0 | 0 | 2 | 0 | 0 | 0 | 0 | 0 | 0 | 2 |
| Arkhangelsk Region | 0 | 0 | 1 | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 2 |
| of which: Nenets Autonomous Area | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Vologda Region | 0 | 0 | 1 | 0 | 4 | 2 | 0 | 2 | 0 | 0 | 9 |
| Kaliningrad Region | 0 | 0 | 0 | 0 | 1 | 1 | 0 | 0 | 1 | 0 | 3 |
| Leningrad Region | 0 | 0 | 1 | 0 | 1 | 1 | 0 | 1 | 0 | 0 | 4 |
| Murmansk Region | 1 | 0 | 0 | 0 | 1 | 1 | 0 | 1 | 0 | 0 | 4 |
| Novgorod Region | 0 | 1 | 0 | 0 | 0 | 1 | 0 | 0 | 0 | 0 | 2 |
| Pskov Region | 0 | 0 | 0 | 1 | 1 | 1 | 0 | 0 | 0 | 0 | 3 |
| Saint Petersburg | 2 | 2 | 1 | 6 | 8 | 6 | 3 | 6 | 5 | 0 | 39 |

*CONT 6*

| | Up to 3m roubles | 3m to 10m roubles | 10m to 30m roubles | 30m to 60m roubles | 60m to 150m roubles | 150m to 300m roubles | 300m to 500m roubles | 500m to 1bn roubles | 1bn to 10bn roubles | 10bn roubles and over | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 |
| **SOUTHERN FEDERAL DISTRICT** | **1** | **2** | **3** | **2** | **12** | **18** | **3** | **3** | **1** | **0** | **45** |
| Republic of Adygeya (Adygeya) | 0 | 0 | 2 | 0 | 0 | 2 | 0 | 0 | 0 | 0 | 4 |
| Republic of Kalmykia | 0 | 0 | 0 | 0 | 2 | 0 | 0 | 0 | 0 | 0 | 2 |
| Krasnodar Territory | 0 | 0 | 1 | 0 | 5 | 4 | 2 | 1 | 1 | 0 | 14 |
| Astrakhan Region | 1 | 2 | 0 | 0 | 1 | 1 | 0 | 0 | 0 | 0 | 5 |
| Volgograd Region | 0 | 0 | 0 | 1 | 0 | 3 | 0 | 0 | 0 | 0 | 4 |
| Rostov Region | 0 | 0 | 0 | 1 | 4 | 8 | 1 | 2 | 0 | 0 | 16 |
| **NORTH-CAUCASIAN FEDERAL DISTRICT** | **3** | **1** | **2** | **2** | **21** | **19** | **6** | **2** | **0** | **0** | **56** |
| Republic of Daghestan | 2 | 1 | 1 | 0 | 14 | 10 | 2 | 1 | 0 | 0 | 31 |
| Republic of Ingushetia | 0 | 0 | 0 | 0 | 0 | 2 | 0 | 0 | 0 | 0 | 2 |
| Kabardino-Balkaria Republic | 0 | 0 | 0 | 1 | 2 | 2 | 0 | 0 | 0 | 0 | 5 |
| Karachai-Cherkess Republic | 0 | 0 | 1 | 1 | 1 | 0 | 2 | 0 | 0 | 0 | 5 |
| Republic of North Ossetia — Alaniya | 0 | 0 | 0 | 0 | 1 | 2 | 2 | 0 | 0 | 0 | 5 |
| Chechen Republic | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Stavropol Territory | 1 | 0 | 0 | 0 | 3 | 3 | 0 | 1 | 0 | 0 | 8 |
| **VOLGA FEDERAL DISTRICT** | **1** | **1** | **1** | **6** | **19** | **31** | **21** | **10** | **19** | **2** | **111** |
| Republic of Bashkortostan | 0 | 0 | 0 | 1 | 1 | 2 | 4 | 2 | 1 | 0 | 11 |
| Republic of Mari El | 0 | 0 | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1 |
| Republic of Mordovia | 0 | 0 | 0 | 0 | 0 | 1 | 3 | 0 | 0 | 0 | 4 |
| Republic of Tatarstan (Tatarstan) | 0 | 1 | 0 | 1 | 3 | 8 | 0 | 4 | 7 | 1 | 25 |
| Udmurt Republic | 0 | 0 | 0 | 0 | 0 | 2 | 2 | 0 | 0 | 0 | 4 |
| Chuvash Republic — Chuvashia | 0 | 0 | 0 | 1 | 1 | 1 | 1 | 0 | 0 | 0 | 4 |
| Perm Territory | 1 | 0 | 0 | 1 | 0 | 1 | 0 | 0 | 2 | 0 | 5 |
| Kirov Region | 0 | 0 | 0 | 1 | 0 | 0 | 0 | 1 | 1 | 0 | 3 |
| Nizhny Novgorod Region | 0 | 0 | 0 | 0 | 5 | 2 | 3 | 1 | 1 | 0 | 12 |
| Orenburg Region | 0 | 0 | 0 | 0 | 4 | 0 | 1 | 1 | 2 | 0 | 8 |
| Penza Region | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 | 0 | 1 |
| Samara Region | 0 | 0 | 0 | 0 | 2 | 7 | 5 | 0 | 5 | 1 | 20 |
| Saratov Region | 0 | 0 | 0 | 1 | 2 | 4 | 2 | 0 | 0 | 0 | 9 |
| Ulyanovsk Region | 0 | 0 | 0 | 0 | 1 | 2 | 0 | 1 | 0 | 0 | 4 |

*END 6*

| | Up to 3m roubles | 3m to 10m roubles | 10m to 30m roubles | 30m to 60m roubles | 60m to 150m roubles | 150m to 300m roubles | 300m to 500m roubles | 500m to 1bn roubles | 1bn to 10bn roubles | 10bn roubles and over | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 |
| **URALS FEDERAL DISTRICT** | **1** | **1** | **2** | **5** | **10** | **10** | **3** | **4** | **8** | **1** | **45** |
| Kurgan Region | 0 | 1 | 0 | 1 | 2 | 0 | 0 | 0 | 0 | 0 | 4 |
| Sverdlovsk Region | 0 | 0 | 0 | 2 | 4 | 5 | 0 | 1 | 4 | 0 | 16 |
| Tyumen Region | 1 | 0 | 1 | 1 | 3 | 4 | 1 | 0 | 4 | 1 | 16 |
| of which: Khanty-Mansi Autonomous Area — Yugra | 0 | 0 | 1 | 1 | 2 | 1 | 1 | 0 | 2 | 1 | 9 |
| Yamalo-Nenets Autonomous Area | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Chelyabinsk Region | 0 | 0 | 1 | 1 | 1 | 1 | 2 | 3 | 0 | 0 | 9 |
| **SIBERIAN FEDERAL DISTRICT** | **2** | **1** | **3** | **4** | **19** | **9** | **7** | **6** | **3** | **0** | **54** |
| Republic of Altai | 0 | 0 | 1 | 0 | 1 | 1 | 0 | 1 | 0 | 0 | 4 |
| Republic of Buryatiya | 0 | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 | 1 |
| Republic of Tyva | 0 | 0 | 0 | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 1 |
| Republic of Khakassia | 0 | 0 | 0 | 0 | 1 | 1 | 0 | 0 | 0 | 0 | 2 |
| Altai Territory | 0 | 0 | 0 | 1 | 4 | 1 | 0 | 0 | 1 | 0 | 7 |
| Trans-Baikal Territory | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Krasnoyarsk Territory | 0 | 0 | 1 | 0 | 1 | 1 | 2 | 0 | 0 | 0 | 5 |
| Irkutsk Region | 0 | 0 | 0 | 1 | 3 | 4 | 0 | 0 | 0 | 0 | 8 |
| Kemerovo Region | 0 | 0 | 1 | 1 | 4 | 0 | 2 | 1 | 0 | 0 | 9 |
| Novosibirsk Region | 2 | 0 | 0 | 0 | 2 | 0 | 1 | 2 | 2 | 0 | 9 |
| Omsk Region | 0 | 1 | 0 | 0 | 2 | 0 | 1 | 2 | 0 | 0 | 6 |
| Tomsk Region | 0 | 0 | 0 | 0 | 1 | 1 | 0 | 0 | 0 | 0 | 2 |
| **FAR EASTERN FEDERAL DISTRICT** | **0** | **1** | **1** | **3** | **8** | **7** | **2** | **4** | **0** | **0** | **26** |
| Republic of Sakha (Yakutia) | 0 | 0 | 0 | 0 | 1 | 2 | 0 | 1 | 0 | 0 | 4 |
| Kamchatka Territory | 0 | 0 | 1 | 2 | 0 | 0 | 1 | 0 | 0 | 0 | 4 |
| Primorsky Territory | 0 | 1 | 0 | 0 | 3 | 3 | 0 | 0 | 0 | 0 | 7 |
| Khabarovsk Territory | 0 | 0 | 0 | 0 | 3 | 0 | 0 | 1 | 0 | 0 | 4 |
| Amur Region | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 2 | 0 | 0 | 2 |
| Magadan Region | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Sakhalin Region | 0 | 0 | 0 | 1 | 1 | 2 | 1 | 0 | 0 | 0 | 5 |
| Jewish Autonomous Region | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Chukchee Autonomous Area | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

** Calculation is based on consolidated balance sheets of head offices and branches located in corresponding regions.*
*** Based on data reported in Form 0409302.*

## Density of banking services in Russian regions as of January 1, 2011

*TABLE 7.1*

| | Number of credit institutions, branches, additional and operations offices | Assets, million roubles* | Loans and other funds extended to resident organisations and households, million roubles** | Household deposits, million roubles** | Gross Regional Product (GRP) in 2011, billion roubles | Population, thousands | Average monthly per capita income in 2010, roubles | Institutional density of banking services (by population) | Financial density of banking services (by asset) | Financial density of banking services (by volume of loans) | Savings index (per capita deposits to incomes) | Composite banking services density index by region |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 |
| **CENTRAL FEDERAL DISTRICT** | **8,361** | **23,601,898** | **7,884,036** | **4,889,073** | **13,364** | **38,446** | **24,525** | **1.07** | **1.90** | **1.29** | **1.43** | **1.39** |
| *For reference: CENTRAL FEDERAL DISTRICT without Moscow* | *4,623* | *2,267,919* | *2,462,663* | *1,270,052* | *4,962* | *26,905* | *16,225* | *0.85* | *0.49* | *1.08* | *0.80* | *0.77* |
| Belgorod Region | 233 | 172,587 | 258,462 | 68,009 | 397 | 1,532 | 16,839 | 0.75 | 0.47 | 1.42 | 0.73 | 0.77 |
| Bryansk Region | 156 | 50,039 | 48,189 | 36,360 | 144 | 1,275 | 13,298 | 0.60 | 0.37 | 0.73 | 0.59 | 0.56 |
| Vladimir Region | 252 | 95,065 | 85,533 | 69,773 | 219 | 1,441 | 12,424 | 0.86 | 0.47 | 0.85 | 1.07 | 0.78 |
| Voronezh Region | 351 | 276,811 | 172,908 | 123,149 | 329 | 2,335 | 13,580 | 0.74 | 0.90 | 1.15 | 1.07 | 0.95 |
| Ivanovo Region | 203 | 55,763 | 53,971 | 42,283 | 98 | 1,060 | 10,980 | 0.95 | 0.61 | 1.20 | 1.00 | 0.91 |
| Kaluga Region | 227 | 79,669 | 78,981 | 49,237 | 185 | 1,009 | 15,342 | 1.11 | 0.46 | 0.93 | 0.87 | 0.80 |
| Kostroma Region | 142 | 57,339 | 37,055 | 27,192 | 92 | 666 | 12,656 | 1.05 | 0.67 | 0.87 | 0.89 | 0.86 |
| Kursk Region | 198 | 84,273 | 104,850 | 39,813 | 192 | 1,126 | 14,694 | 0.87 | 0.47 | 1.19 | 0.66 | 0.75 |
| Lipetsk Region | 200 | 99,984 | 107,815 | 57,796 | 255 | 1,172 | 15,804 | 0.84 | 0.42 | 0.92 | 0.86 | 0.73 |
| Moscow Region | 1,204 | 754,084 | 901,983 | 420,246 | 1,797 | 7,106 | 22,325 | 0.84 | 0.45 | 1.09 | 0.73 | 0.74 |
| Orel Region | 133 | 39,042 | 67,243 | 29,186 | 102 | 786 | 13,017 | 0.84 | 0.41 | 1.43 | 0.79 | 0.79 |
| Ryazan Region | 183 | 78,879 | 82,055 | 49,353 | 174 | 1,152 | 13,663 | 0.78 | 0.49 | 1.03 | 0.86 | 0.76 |
| Smolensk Region | 168 | 64,210 | 73,011 | 38,136 | 149 | 983 | 14,770 | 0.84 | 0.46 | 1.07 | 0.72 | 0.74 |
| Tambov Region | 156 | 47,272 | 60,589 | 32,390 | 139 | 1,090 | 13,592 | 0.71 | 0.37 | 0.95 | 0.60 | 0.62 |
| Tver Region | 204 | 79,261 | 74,227 | 52,101 | 219 | 1,350 | 13,925 | 0.75 | 0.39 | 0.74 | 0.76 | 0.64 |
| Tula Region | 267 | 114,986 | 131,153 | 66,408 | 237 | 1,550 | 15,358 | 0.85 | 0.52 | 1.20 | 0.77 | 0.80 |
| Yaroslavl Region | 346 | 118,655 | 124,638 | 68,620 | 234 | 1,271 | 14,548 | 1.34 | 0.54 | 1.16 | 1.02 | 0.96 |
| Moscow | 3,738 | 21,333,979 | 5,421,373 | 3,619,021 | 8,402 | 11,541 | 43,876 | 1.60 | 2.73 | 1.41 | 1.97 | 1.86 |
| **NORTH-WESTERN FEDERAL DISTRICT** | **3,282** | **2,639,040** | **1,906,644** | **1,103,957** | **3,905** | **13,626** | **19,741** | **1.19** | **0.73** | **1.06** | **1.13** | **1.01** |
| Republic of Karelia | 153 | 46,283 | 47,761 | 25,442 | 128 | 643 | 15,851 | 1.18 | 0.39 | 0.81 | 0.69 | 0.71 |
| Komi Republic | 188 | 82,141 | 53,412 | 54,863 | 352 | 899 | 23,220 | 1.03 | 0.25 | 0.33 | 0.72 | 0.50 |
| Arkhangelsk Region | 228 | 101,865 | 82,588 | 62,488 | 356 | 1,225 | 19,310 | 0.92 | 0.31 | 0.51 | 0.73 | 0.57 |
| Vologda Region | 359 | 122,670 | 109,806 | 58,168 | 252 | 1,201 | 13,999 | 1.48 | 0.52 | 0.95 | 0.95 | 0.91 |
| Kaliningrad Region | 236 | 108,385 | 127,464 | 55,402 | 195 | 942 | 15,808 | 1.24 | 0.60 | 1.42 | 1.02 | 1.02 |
| Leningrad Region | 346 | 79,510 | 152,587 | 56,747 | 502 | 1,719 | 14,674 | 0.99 | 0.17 | 0.66 | 0.62 | 0.51 |
| Murmansk Region | 214 | 77,606 | 58,130 | 55,678 | 235 | 794 | 24,274 | 1.33 | 0.36 | 0.54 | 0.79 | 0.67 |
| Novgorod Region | 162 | 44,433 | 51,106 | 20,966 | 127 | 633 | 15,582 | 1.26 | 0.37 | 0.87 | 0.59 | 0.70 |
| Pskov Region | 155 | 33,352 | 33,895 | 18,666 | 84 | 671 | 12,698 | 1.14 | 0.42 | 0.88 | 0.60 | 0.71 |
| Saint Petersburg | 1,241 | 1,942,796 | 1,189,894 | 695,537 | 1,674 | 4,899 | 24,594 | 1.25 | 1.25 | 1.55 | 1.59 | 1.40 |

CONT 7.1

| | Number of credit institutions, branches, additional and operations offices | Assets, million roubles* | Loans and other funds extended to resident organisations and households, million roubles** | Household deposits, million roubles** | Gross Regional Product (GRP) in 2011, billion roubles | Population, thousands | Average monthly per capita income in 2010, roubles | Institutional density of banking services (by population) | Financial density of banking services (by asset) | Financial density of banking services (by volume of loans) | Savings index (per capita deposits to incomes) | Composite banking services density index by region |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 |
| **SOUTHERN FEDERAL DISTRICT** | **3,097** | **1,089,602** | **1,069,294** | **541,020** | **2,294** | **13,851** | **15,032** | **1.10** | **0.51** | **1.02** | **0.71** | **0.80** |
| Republic of Adygeya (Adygeya) | 90 | 17,062 | 18,689 | 7,907 | 46 | 440 | 12,236 | 1.01 | 0.40 | 0.88 | 0.40 | 0.61 |
| Republic of Kalmykia | 46 | 6,600 | 11,085 | 3,772 | 24 | 289 | 7,540 | 0.79 | 0.29 | 0.99 | 0.48 | 0.57 |
| Krasnodar Territory | 1,345 | 502,109 | 485,603 | 235,466 | 1,008 | 5,230 | 16,648 | 1.27 | 0.53 | 1.05 | 0.74 | 0.85 |
| Astrakhan Region | 173 | 57,543 | 48,526 | 34,007 | 145 | 1,010 | 14,641 | 0.85 | 0.42 | 0.73 | 0.63 | 0.64 |
| Volgograd Region | 378 | 143,197 | 150,714 | 93,547 | 437 | 2,608 | 14,122 | 0.72 | 0.35 | 0.75 | 0.70 | 0.60 |
| Rostov Region | 1,065 | 363,090 | 354,678 | 166,322 | 632 | 4,275 | 14,503 | 1.23 | 0.62 | 1.22 | 0.74 | 0.91 |
| **NORTH-CAUCASIAN FEDERAL DISTRICT** | **1,097** | **318,217** | **282,098** | **149,632** | **888** | **9,439** | **13,249** | **0.57** | **0.38** | **0.69** | **0.33** | **0.47** |
| Republic of Daghestan | 266 | 49,518 | 34,436 | 18,800 | 285 | 2,914 | 15,213 | 0.45 | 0.19 | 0.26 | 0.12 | 0.23 |
| Republic of Ingushetia | 21 | 7,318 | 6,318 | 2,085 | 22 | 415 | 9,596 | 0.25 | 0.36 | 0.64 | 0.14 | 0.30 |
| Kabardino-Balkaria Republic | 98 | 33,188 | 33,321 | 13,939 | 76 | 860 | 11,216 | 0.56 | 0.47 | 0.95 | 0.40 | 0.56 |
| Karachai-Cherkess Republic | 45 | 18,009 | 23,260 | 6,158 | 43 | 477 | 10,431 | 0.47 | 0.45 | 1.17 | 0.34 | 0.54 |
| Republic of North Ossetia — Alaniya | 76 | 26,949 | 23,207 | 15,891 | 75 | 712 | 13,228 | 0.53 | 0.39 | 0.68 | 0.46 | 0.50 |
| Chechen Republic | 54 | 19,025 | 15,023 | 3,044 | 70 | 1,275 | - | 0.21 | 0.29 | 0.47 | - | - |
| Stavropol Territory | 537 | 164,211 | 146,533 | 89,715 | 317 | 2,786 | 12,913 | 0.95 | 0.56 | 1.01 | 0.69 | 0.78 |
| **VOLGA FEDERAL DISTRICT** | **5,409** | **3,036,580** | **2,505,194** | **1,304,856** | **5,660** | **29,880** | **15,697** | **0.89** | **0.58** | **0.96** | **0.77** | **0.79** |
| Republic of Bashkortostan | 771 | 354,103 | 296,228 | 137,147 | 758 | 4,072 | 17,677 | 0.93 | 0.50 | 0.85 | 0.52 | 0.68 |
| Republic of Mari El | 83 | 35,309 | 39,797 | 17,234 | 82 | 695 | 10,195 | 0.59 | 0.46 | 1.05 | 0.67 | 0.66 |
| Republic of Mordovia | 165 | 65,704 | 62,840 | 24,748 | 104 | 833 | 11,055 | 0.98 | 0.68 | 1.31 | 0.74 | 0.89 |
| Republic of Tatarstan (Tatarstan) | 752 | 611,623 | 476,154 | 197,087 | 1,005 | 3,787 | 18,158 | 0.98 | 0.65 | 1.03 | 0.79 | 0.85 |
| Udmurt Republic | 264 | 102,546 | 110,143 | 50,912 | 264 | 1,520 | 12,423 | 0.86 | 0.42 | 0.91 | 0.74 | 0.70 |
| Chuvash Republic — Chuvashia | 167 | 72,887 | 91,568 | 38,430 | 152 | 1,251 | 10,885 | 0.66 | 0.51 | 1.31 | 0.78 | 0.77 |
| Perm Territory | 535 | 262,519 | 292,148 | 126,035 | 631 | 2,634 | 19,422 | 1.00 | 0.45 | 1.01 | 0.68 | 0.74 |
| Kirov Region | 233 | 86,250 | 74,513 | 49,413 | 166 | 1,339 | 13,385 | 0.86 | 0.56 | 0.98 | 0.76 | 0.77 |
| Nizhny Novgorod Region | 613 | 400,845 | 339,668 | 181,783 | 647 | 3,308 | 16,358 | 0.92 | 0.67 | 1.14 | 0.92 | 0.90 |
| Orenburg Region | 362 | 113,495 | 126,180 | 68,007 | 455 | 2,031 | 13,398 | 0.88 | 0.27 | 0.60 | 0.69 | 0.56 |
| Penza Region | 216 | 67,314 | 68,414 | 44,512 | 158 | 1,384 | 12,700 | 0.77 | 0.46 | 0.94 | 0.70 | 0.69 |
| Samara Region | 620 | 630,990 | 315,091 | 222,209 | 693 | 3,215 | 20,279 | 0.95 | 0.98 | 0.99 | 0.94 | 0.96 |
| Saratov Region | 370 | 159,126 | 125,680 | 98,432 | 370 | 2,519 | 11,961 | 0.73 | 0.46 | 0.74 | 0.90 | 0.69 |
| Ulyanovsk Region | 258 | 73,867 | 86,768 | 48,907 | 175 | 1,290 | 12,905 | 0.99 | 0.45 | 1.08 | 0.81 | 0.79 |

*END 7.1*

| | Number of credit institutions, branches, additional and operations offices | Assets, million roubles* | Loans and other funds extended to resident organisations and households, million roubles** | Household deposits, million roubles** | Gross Regional Product (GRP) in 2011, billion roubles | Population, thousands | Average monthly per capita income in 2010, roubles | Institutional density of banking services (by population) | Financial density of banking services (by asset) | Financial density of banking services (by volume of loans) | Savings index (per capita deposits to incomes) | Composite banking services density index by region |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 |
| **URALS FEDERAL DISTRICT** | **2,488** | **1,802,759** | **1,430,525** | **730,745** | **5,088** | **12,087** | **21,586** | **1.02** | **0.38** | **0.61** | **0.77** | **0.65** |
| Kurgan Region | 126 | 32,108 | 39,525 | 19,195 | 115 | 909 | 13,601 | 0.68 | 0.30 | 0.75 | 0.43 | 0.51 |
| Sverdlovsk Region | 906 | 824,789 | 605,458 | 271,746 | 1,034 | 4,297 | 22,128 | 1.04 | 0.86 | 1.28 | 0.79 | 0.97 |
| Tyumen Region | 811 | 643,979 | 455,810 | 293,779 | 3,293 | 3,405 | 28,049 | 1.18 | 0.21 | 0.30 | 0.85 | 0.50 |
| Chelyabinsk Region | 645 | 301,883 | 329,732 | 146,025 | 646 | 3,476 | 16,714 | 0.92 | 0.50 | 1.11 | 0.69 | 0.77 |
| **SIBERIAN FEDERAL DISTRICT** | **3,773** | **1,638,183** | **1,557,363** | **707,385** | **4,094** | **19,252** | **14,892** | **0.97** | **0.43** | **0.83** | **0.68** | **0.70** |
| Republic of Altai | 47 | 9,423 | 21,204 | 3,724 | 22 | 207 | 13,399 | 1.12 | 0.47 | 2.14 | 0.37 | 0.80 |
| Republic of Buryatiya | 240 | 51,513 | 51,490 | 22,102 | 136 | 972 | 13,998 | 1.22 | 0.41 | 0.82 | 0.45 | 0.65 |
| Republic of Tyva | 45 | 8,881 | 9,786 | 3,103 | 31 | 308 | 10,050 | 0.72 | 0.31 | 0.70 | 0.28 | 0.46 |
| Republic of Khakassia | 145 | 20,961 | 28,467 | 12,266 | 94 | 532 | 12,776 | 1.35 | 0.24 | 0.66 | 0.50 | 0.57 |
| Altai Territory | 397 | 162,634 | 171,703 | 70,301 | 300 | 2,417 | 10,926 | 0.81 | 0.58 | 1.25 | 0.73 | 0.81 |
| Trans-Baikal Territory | 262 | 42,899 | 46,289 | 25,122 | 162 | 1,106 | 14,070 | 1.17 | 0.28 | 0.62 | 0.44 | 0.55 |
| Krasnoyarsk Territory | 678 | 236,272 | 247,046 | 113,367 | 1,050 | 2,829 | 18,047 | 1.18 | 0.24 | 0.51 | 0.61 | 0.55 |
| Irkutsk Region | 501 | 194,549 | 213,558 | 92,559 | 539 | 2,428 | 14,965 | 1.02 | 0.39 | 0.86 | 0.70 | 0.70 |
| Kemerovo Region | 416 | 189,085 | 286,589 | 111,042 | 623 | 2,761 | 15,416 | 0.74 | 0.33 | 1.00 | 0.72 | 0.65 |
| Novosibirsk Region | 525 | 517,801 | 277,186 | 136,422 | 482 | 2,666 | 16,090 | 0.97 | 1.15 | 1.25 | 0.87 | 1.05 |
| Omsk Region | 295 | 129,070 | 123,591 | 70,881 | 371 | 1,977 | 15,070 | 0.74 | 0.37 | 0.73 | 0.65 | 0.60 |
| Tomsk Region | 222 | 75,096 | 80,455 | 46,496 | 284 | 1,049 | 15,098 | 1.05 | 0.28 | 0.62 | 0.81 | 0.62 |
| **FAR EASTERN FEDERAL DISTRICT** | **1,424** | **707,529** | **529,110** | **377,209** | **2,103** | **6,285** | **20,809** | **1.12** | **0.36** | **0.55** | **0.79** | **0.65** |
| Republic of Sakha (Yakutia) | 193 | 71,215 | 139,827 | 40,157 | 385 | 958 | 23,024 | 0.99 | 0.20 | 0.79 | 0.50 | 0.53 |
| Kamchatka Territory | 103 | 39,653 | 28,502 | 26,563 | 98 | 322 | 26,841 | 1.58 | 0.43 | 0.63 | 0.85 | 0.78 |
| Primorsky Territory | 414 | 194,830 | 129,516 | 109,483 | 464 | 1,954 | 17,347 | 1.05 | 0.45 | 0.61 | 0.89 | 0.71 |
| Khabarovsk Territory | 296 | 202,801 | 124,843 | 103,758 | 351 | 1,343 | 22,607 | 1.09 | 0.62 | 0.77 | 0.94 | 0.84 |
| Amur Region | 189 | 74,893 | 48,012 | 33,395 | 180 | 829 | 14,064 | 1.13 | 0.45 | 0.58 | 0.79 | 0.69 |
| Magadan Region | 50 | 54,298 | 19,414 | 15,502 | 58 | 157 | 27,489 | 1.58 | 1.00 | 0.73 | 0.99 | 1.03 |
| Sakhalin Region | 126 | 59,929 | 29,376 | 40,182 | 493 | 497 | 31,078 | 1.25 | 0.13 | 0.13 | 0.72 | 0.35 |
| Jewish Autonomous Region | 34 | 5,217 | 5,989 | 4,177 | 33 | 176 | 15,249 | 0.95 | 0.17 | 0.40 | 0.43 | 0.41 |
| Chukchee Autonomous Area | 19 | 4,694 | 3,631 | 3,992 | 42 | 50 | 37,422 | 1.86 | 0.12 | 0.19 | 0.58 | 0.40 |
| **Total for the Russian Federation** | **28,931** | **34,833,808** | **17,164,263** | **9,803,877** | **37,395** | **142,865** | **18,881** | **1.00** | **1.00** | **1.00** | **1.00** | **1.00** |

* *Calculation is based on consolidated balance sheets of head offices and branches located in corresponding regions.*
** *Based on data reported in Form 0409302.*

## Density of banking services in Russian regions as of January 1, 2012

*TABLE 7.2*

| | Number of credit institutions, branches, additional and operations offices | Assets, million roubles* | Loans and other funds extended to resident organisations and households, million roubles** | Household deposits, million roubles** | Gross Regional Product (GRP) in 2011, billion roubles | Population, thousands | Average monthly per capita income in 2010, roubles | Institutional density of banking services (by population) | Financial density of banking services (by asset) | Financial density of banking services (by volume of loans) | Savings index (per capita deposits to incomes) | Composite banking services density index by region |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 |
| **CENTRAL FEDERAL DISTRICT** | **9,277** | **29,590,565** | **10,034,758** | **5,946,471** | **16,168** | **38,540** | **25,814** | **1.09** | **1.91** | **1.28** | **1.48** | **1.41** |
| *For reference: CENTRAL FEDERAL DISTRICT without Moscow* | *5,452* | *2,844,253* | *3,137,006* | *1,498,412* | *6,003* | *26,910* | *17,950* | *0.91* | *0.49* | *1.08* | *0.77* | *0.78* |
| Belgorod Region | 278 | 144,189 | 285,799 | 84,029 | 480 | 1,536 | 19,066 | 0.82 | 0.31 | 1.23 | 0.71 | 0.69 |
| Bryansk Region | 192 | 57,959 | 65,885 | 45,469 | 175 | 1,264 | 15,132 | 0.68 | 0.35 | 0.78 | 0.59 | 0.57 |
| Vladimir Region | 321 | 117,531 | 110,397 | 91,801 | 265 | 1,431 | 13,581 | 1.01 | 0.46 | 0.86 | 1.17 | 0.83 |
| Voronezh Region | 466 | 609,046 | 227,336 | 146,655 | 398 | 2,331 | 14,548 | 0.90 | 1.60 | 1.18 | 1.07 | 1.16 |
| Ivanovo Region | 225 | 65,408 | 68,137 | 51,641 | 119 | 1,054 | 12,808 | 0.96 | 0.57 | 1.18 | 0.95 | 0.89 |
| Kaluga Region | 264 | 92,578 | 100,619 | 57,943 | 223 | 1,007 | 17,659 | 1.18 | 0.43 | 0.93 | 0.81 | 0.79 |
| Kostroma Region | 152 | 67,405 | 45,649 | 32,303 | 112 | 662 | 13,784 | 1.04 | 0.63 | 0.84 | 0.88 | 0.83 |
| Kursk Region | 225 | 71,994 | 123,972 | 46,247 | 233 | 1,122 | 16,444 | 0.90 | 0.32 | 1.10 | 0.62 | 0.67 |
| Lipetsk Region | 241 | 91,936 | 131,396 | 59,614 | 308 | 1,166 | 17,068 | 0.93 | 0.31 | 0.88 | 0.74 | 0.66 |
| Moscow Region | 1,426 | 870,050 | 1,200,057 | 480,785 | 2,174 | 7,192 | 24,957 | 0.89 | 0.42 | 1.14 | 0.66 | 0.73 |
| Orel Region | 159 | 43,600 | 87,580 | 34,122 | 124 | 781 | 14,764 | 0.92 | 0.37 | 1.46 | 0.73 | 0.77 |
| Ryazan Region | 212 | 91,543 | 100,142 | 57,950 | 210 | 1,148 | 14,403 | 0.83 | 0.46 | 0.99 | 0.87 | 0.75 |
| Smolensk Region | 191 | 81,178 | 93,293 | 45,100 | 180 | 980 | 16,326 | 0.88 | 0.47 | 1.07 | 0.70 | 0.74 |
| Tambov Region | 194 | 50,269 | 89,448 | 39,067 | 168 | 1,082 | 15,053 | 0.81 | 0.31 | 1.10 | 0.59 | 0.64 |
| Tver Region | 238 | 90,617 | 97,012 | 63,044 | 265 | 1,342 | 14,742 | 0.80 | 0.36 | 0.76 | 0.79 | 0.64 |
| Tula Region | 292 | 133,870 | 163,675 | 80,092 | 287 | 1,543 | 17,013 | 0.85 | 0.49 | 1.18 | 0.75 | 0.78 |
| Yaroslavl Region | 376 | 165,078 | 146,610 | 82,548 | 283 | 1,271 | 14,920 | 1.33 | 0.61 | 1.07 | 1.08 | 0.98 |
| Moscow | 3,825 | 26,746,312 | 6,897,752 | 4,448,060 | 10,165 | 11,629 | 44,011 | 1.48 | 2.75 | 1.40 | 2.15 | 1.87 |
| **NORTH-WESTERN FEDERAL DISTRICT** | **3,472** | **3,002,555** | **2,496,606** | **1,313,116** | **4,725** | **13,653** | **21,625** | **1.15** | **0.66** | **1.09** | **1.10** | **0.98** |
| Republic of Karelia | 165 | 53,575 | 62,856 | 30,155 | 155 | 640 | 17,437 | 1.16 | 0.36 | 0.84 | 0.67 | 0.70 |
| Komi Republic | 202 | 86,436 | 71,326 | 63,831 | 426 | 890 | 24,616 | 1.02 | 0.21 | 0.35 | 0.72 | 0.48 |
| Arkhangelsk Region | 256 | 109,266 | 113,562 | 74,583 | 431 | 1,213 | 20,990 | 0.95 | 0.27 | 0.54 | 0.72 | 0.56 |
| Vologda Region | 369 | 154,592 | 173,619 | 67,389 | 305 | 1,198 | 15,353 | 1.39 | 0.53 | 1.18 | 0.91 | 0.94 |
| Kaliningrad Region | 250 | 126,247 | 162,772 | 66,284 | 236 | 946 | 16,569 | 1.19 | 0.56 | 1.42 | 1.05 | 1.00 |
| Leningrad Region | 372 | 42,542 | 228,335 | 65,312 | 607 | 1,730 | 16,804 | 0.97 | 0.07 | 0.78 | 0.56 | 0.42 |
| Murmansk Region | 228 | 84,921 | 82,694 | 63,011 | 284 | 788 | 25,574 | 1.31 | 0.31 | 0.60 | 0.77 | 0.66 |
| Novgorod Region | 174 | 45,590 | 60,564 | 24,590 | 154 | 630 | 16,890 | 1.25 | 0.31 | 0.81 | 0.57 | 0.65 |
| Pskov Region | 169 | 44,175 | 47,204 | 22,090 | 102 | 667 | 14,101 | 1.14 | 0.45 | 0.96 | 0.58 | 0.73 |
| Saint Petersburg | 1,287 | 2,255,212 | 1,493,672 | 835,871 | 2,025 | 4,952 | 27,011 | 1.17 | 1.16 | 1.52 | 1.54 | 1.34 |

*CONT 7.2*

| | Number of credit institutions, branches, additional and operations offices | Assets, million roubles* | Loans and other funds extended to resident organisations and households, million roubles** | Household deposits, million roubles** | Gross Regional Product (GRP) in 2011, billion roubles | Population, thousands | Average monthly per capita income in 2010, roubles | Institutional density of banking services (by population) | Financial density of banking services (by asset) | Financial density of banking services (by volume of loans) | Savings index (per capita deposits to incomes) | Composite banking services density index by region |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 |
| **SOUTHERN FEDERAL DISTRICT** | **3,325** | **1,331,936** | **1,450,070** | **657,537** | **2,775** | **13,881** | **16,395** | **1.08** | **0.50** | **1.08** | **0.71** | **0.80** |
| Republic of Adygeya (Adygeya) | 95 | 20,636 | 25,114 | 9,866 | 56 | 442 | 14,594 | 0.97 | 0.39 | 0.93 | 0.38 | 0.60 |
| Republic of Kalmykia | 48 | 8,049 | 17,194 | 4,706 | 29 | 287 | 8,240 | 0.75 | 0.29 | 1.21 | 0.49 | 0.60 |
| Krasnodar Territory | 1,431 | 616,111 | 705,811 | 284,378 | 1,220 | 5,281 | 18,197 | 1.22 | 0.53 | 1.20 | 0.73 | 0.87 |
| Astrakhan Region | 185 | 65,369 | 62,145 | 38,431 | 176 | 1,015 | 15,624 | 0.82 | 0.39 | 0.73 | 0.60 | 0.61 |
| Volgograd Region | 439 | 159,927 | 184,259 | 110,202 | 529 | 2,595 | 15,531 | 0.76 | 0.32 | 0.72 | 0.68 | 0.58 |
| Rostov Region | 1,127 | 461,843 | 455,548 | 209,954 | 765 | 4,261 | 15,637 | 1.19 | 0.63 | 1.23 | 0.78 | 0.92 |
| **NORTH-CAUCASIAN FEDERAL DISTRICT** | **1,126** | **405,978** | **366,862** | **185,789** | **1,074** | **9,494** | **15,273** | **0.53** | **0.39** | **0.71** | **0.32** | **0.47** |
| Republic of Daghestan | 293 | 64,996 | 45,421 | 25,050 | 345 | 2,931 | 18,448 | 0.45 | 0.20 | 0.27 | 0.11 | 0.23 |
| Republic of Ingushetia | 23 | 11,339 | 11,247 | 2,793 | 26 | 429 | 11,463 | 0.24 | 0.45 | 0.89 | 0.14 | 0.34 |
| Kabardino-Balkaria Republic | 98 | 33,639 | 50,053 | 17,349 | 92 | 859 | 12,517 | 0.51 | 0.38 | 1.12 | 0.40 | 0.54 |
| Karachai-Cherkess Republic | 45 | 18,457 | 33,192 | 9,463 | 52 | 475 | 11,330 | 0.43 | 0.37 | 1.31 | 0.43 | 0.55 |
| Republic of North Ossetia — Alaniya | 76 | 29,221 | 31,066 | 19,601 | 91 | 709 | 16,222 | 0.48 | 0.34 | 0.71 | 0.42 | 0.47 |
| Chechen Republic | 48 | 18,091 | 18,929 | 4,283 | 84 | 1,303 | - | 0.17 | 0.22 | 0.46 | - | - |
| Stavropol Territory | 543 | 230,235 | 176,953 | 107,250 | 383 | 2,787 | 13,768 | 0.88 | 0.63 | 0.95 | 0.69 | 0.78 |
| **VOLGA FEDERAL DISTRICT** | **6,148** | **3,781,385** | **3,037,738** | **1,556,352** | **6,848** | **29,809** | **16,917** | **0.93** | **0.58** | **0.92** | **0.76** | **0.78** |
| Republic of Bashkortostan | 846 | 388,715 | 359,995 | 164,954 | 917 | 4,065 | 19,302 | 0.94 | 0.44 | 0.81 | 0.52 | 0.65 |
| Republic of Mari El | 100 | 50,344 | 56,407 | 20,482 | 100 | 692 | 11,205 | 0.65 | 0.53 | 1.17 | 0.65 | 0.72 |
| Republic of Mordovia | 178 | 82,320 | 91,558 | 28,749 | 126 | 826 | 11,297 | 0.97 | 0.68 | 1.50 | 0.76 | 0.93 |
| Republic of Tatarstan (Tatarstan) | 888 | 739,422 | 560,300 | 241,363 | 1,216 | 3,802 | 19,763 | 1.05 | 0.64 | 0.95 | 0.79 | 0.84 |
| Udmurt Republic | 296 | 119,786 | 122,240 | 59,730 | 320 | 1,518 | 13,943 | 0.88 | 0.39 | 0.79 | 0.70 | 0.66 |
| Chuvash Republic — Chuvashia | 194 | 82,845 | 118,405 | 45,648 | 184 | 1,247 | 11,889 | 0.70 | 0.47 | 1.33 | 0.76 | 0.76 |
| Perm Territory | 574 | 318,942 | 392,175 | 153,072 | 763 | 2,630 | 20,584 | 0.98 | 0.44 | 1.06 | 0.70 | 0.75 |
| Kirov Region | 275 | 103,481 | 88,133 | 54,693 | 201 | 1,328 | 14,680 | 0.93 | 0.54 | 0.91 | 0.69 | 0.75 |
| Nizhny Novgorod Region | 708 | 483,717 | 366,759 | 208,858 | 782 | 3,297 | 17,810 | 0.97 | 0.65 | 0.97 | 0.88 | 0.85 |
| Orenburg Region | 424 | 125,396 | 156,188 | 82,999 | 550 | 2,024 | 14,947 | 0.94 | 0.24 | 0.59 | 0.68 | 0.55 |
| Penza Region | 247 | 77,260 | 87,263 | 52,728 | 191 | 1,376 | 14,117 | 0.81 | 0.42 | 0.94 | 0.67 | 0.68 |
| Samara Region | 707 | 954,355 | 367,583 | 268,481 | 838 | 3,213 | 21,161 | 0.99 | 1.19 | 0.91 | 0.98 | 1.01 |
| Saratov Region | 437 | 172,921 | 160,413 | 116,101 | 447 | 2,509 | 12,189 | 0.79 | 0.40 | 0.74 | 0.94 | 0.69 |
| Ulyanovsk Region | 274 | 81,880 | 110,319 | 58,494 | 211 | 1,282 | 13,432 | 0.96 | 0.40 | 1.08 | 0.84 | 0.77 |

*END 7.2*

| | Number of credit institutions, branches, additional and operations offices | Assets, million roubles* | Loans and other funds extended to resident organisations and households, million roubles** | Household deposits, million roubles** | Gross Regional Product (GRP) in 2011, billion roubles | Population, thousands | Average monthly per capita income in 2010, roubles | Institutional density of banking services (by population) | Financial density of banking services (by asset) | Financial density of banking services (by volume of loans) | Savings index (per capita deposits to incomes) | Composite banking services density index by region |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 |
| **URALS FEDERAL DISTRICT** | **2,724** | **2,204,185** | **1,810,437** | **870,076** | **6,155** | **12,137** | **22,839** | **1.01** | **0.37** | **0.61** | **0.78** | **0.65** |
| Kurgan Region | 148 | 36,421 | 50,912 | 22,213 | 139 | 897 | 14,601 | 0.74 | 0.27 | 0.75 | 0.42 | 0.50 |
| Sverdlovsk Region | 996 | 1,012,072 | 716,707 | 319,201 | 1,251 | 4,307 | 24,391 | 1.04 | 0.85 | 1.18 | 0.75 | 0.94 |
| Tyumen Region | 868 | 779,854 | 586,545 | 353,624 | 3,984 | 3,454 | 28,117 | 1.13 | 0.20 | 0.30 | 0.90 | 0.50 |
| Chelyabinsk Region | 712 | 375,837 | 456,273 | 175,038 | 781 | 3,480 | 17,906 | 0.92 | 0.50 | 1.21 | 0.69 | 0.79 |
| **SIBERIAN FEDERAL DISTRICT** | **4,094** | **2,063,857** | **2,005,241** | **863,471** | **4,953** | **19,254** | **16,353** | **0.96** | **0.44** | **0.84** | **0.68** | **0.70** |
| Republic of Altai | 48 | 8,831 | 25,119 | 4,114 | 26 | 208 | 14,156 | 1.04 | 0.35 | 1.98 | 0.34 | 0.71 |
| Republic of Buryatiya | 266 | 49,088 | 79,719 | 26,718 | 165 | 971 | 15,406 | 1.24 | 0.31 | 1.00 | 0.44 | 0.64 |
| Republic of Tyva | 45 | 11,779 | 13,171 | 3,820 | 37 | 309 | 11,421 | 0.66 | 0.33 | 0.73 | 0.27 | 0.45 |
| Republic of Khakassia | 136 | 27,066 | 34,135 | 15,137 | 113 | 532 | 13,783 | 1.15 | 0.25 | 0.62 | 0.51 | 0.55 |
| Altai Territory | 424 | 179,397 | 195,723 | 81,355 | 363 | 2,407 | 12,454 | 0.79 | 0.52 | 1.11 | 0.67 | 0.74 |
| Trans-Baikal Territory | 269 | 43,469 | 66,114 | 30,807 | 196 | 1,099 | 16,167 | 1.10 | 0.23 | 0.70 | 0.43 | 0.53 |
| Krasnoyarsk Territory | 750 | 302,191 | 375,705 | 138,497 | 1,271 | 2,837 | 19,870 | 1.19 | 0.25 | 0.61 | 0.61 | 0.58 |
| Irkutsk Region | 535 | 280,562 | 258,138 | 111,498 | 652 | 2,424 | 15,743 | 1.00 | 0.45 | 0.82 | 0.72 | 0.72 |
| Kemerovo Region | 479 | 228,132 | 360,672 | 134,569 | 753 | 2,750 | 16,996 | 0.79 | 0.32 | 0.99 | 0.71 | 0.65 |
| Novosibirsk Region | 574 | 679,751 | 328,192 | 173,448 | 583 | 2,684 | 17,429 | 0.96 | 1.22 | 1.16 | 0.92 | 1.06 |
| Omsk Region | 329 | 162,267 | 160,255 | 86,141 | 449 | 1,975 | 16,911 | 0.75 | 0.38 | 0.74 | 0.64 | 0.60 |
| Tomsk Region | 239 | 91,324 | 108,299 | 57,366 | 344 | 1,058 | 16,045 | 1.02 | 0.28 | 0.65 | 0.84 | 0.63 |
| **FAR EASTERN FEDERAL DISTRICT** | **1,544** | **939,398** | **700,126** | **458,224** | **2,545** | **6,263** | **23,207** | **1.11** | **0.39** | **0.57** | **0.78** | **0.66** |
| Republic of Sakha (Yakutia) | 226 | 78,078 | 167,532 | 49,806 | 465 | 955 | 25,483 | 1.07 | 0.18 | 0.74 | 0.51 | 0.51 |
| Kamchatka Territory | 117 | 43,890 | 45,922 | 33,418 | 119 | 320 | 30,632 | 1.65 | 0.39 | 0.80 | 0.84 | 0.81 |
| Primorsky Territory | 432 | 214,665 | 179,034 | 135,608 | 562 | 1,950 | 19,176 | 1.00 | 0.40 | 0.66 | 0.90 | 0.70 |
| Khabarovsk Territory | 318 | 367,291 | 151,182 | 122,328 | 425 | 1,342 | 24,911 | 1.07 | 0.90 | 0.73 | 0.90 | 0.89 |
| Amur Region | 204 | 87,710 | 74,945 | 40,222 | 217 | 822 | 18,595 | 1.12 | 0.42 | 0.71 | 0.65 | 0.68 |
| Magadan Region | 52 | 72,150 | 22,892 | 18,854 | 70 | 154 | 30,322 | 1.52 | 1.07 | 0.67 | 0.99 | 1.02 |
| Sakhalin Region | 137 | 64,018 | 43,963 | 47,418 | 596 | 495 | 31,665 | 1.25 | 0.11 | 0.15 | 0.75 | 0.36 |
| Jewish Autonomous Region | 42 | 5,359 | 8,105 | 5,480 | 39 | 175 | 16,828 | 1.09 | 0.14 | 0.43 | 0.46 | 0.42 |
| Chukchee Autonomous Area | 16 | 6,237 | 6,551 | 5,091 | 51 | 51 | 36,016 | 1.42 | 0.13 | 0.27 | 0.69 | 0.43 |
| **Total for the Russian Federation** | **31,710** | **43,319,859** | **21,901,838** | **11,851,038** | **45,242** | **143,030** | **20,475** | **1.00** | **1.00** | **1.00** | **1.00** | **1.00** |

** Calculation is based on consolidated balance sheets of head offices and branches located in corresponding regions.*
*** Based on data reported in Form 0409302.*

**Categorised performance indicators on credit institutions with foreign interest relative to indicators on operating credit institutions (%)**

*TABLE 8*

| | 1.01.08 | 1.01.09 | 1.01.10 | 1.01.11 | 1.01.12 |
|---|---|---|---|---|---|
| **Credit institutions with a 50%-plus foreign stake in authorised capital** | | | | | |
| Assets | 17.2 | 18.7 | 18.3 | 18.0 | 16.9 |
| Capital | 15.7 | 17.3 | 17.0 | 19.1 | 17.6 |
| Correspondent accounts with non-resident banks | 23.5 | 17.0 | 15.6 | 20.3 | 14.3 |
| Loans and other placements with non-financial organisations | 15.5 | 16.6 | 14.8 | 15.1 | 14.0 |
| Loans and other funds provided to households | 19.4 | 23.3 | 25.1 | 25.7 | 22.0 |
| Loans, deposits and other funds provided to credit institutions | 22.2 | 25.0 | 31.7 | 25.1 | 30.0 |
| Household deposits | 8.9 | 10.3 | 12.0 | 11.5 | 11.4 |
| Funds raised from organisations* | 17.9 | 18.8 | 18.5 | 17.6 | 17.4 |
| Current-year profits (losses) | 16.4 | 19.7 | 29.8 | 20.7 | 17.4 |
| **For reference:** | | | | | |
| Number of credit institutions, units | 86 | 102 | 108 | 111 | 113 |
| of which: wholly foreign-owned credit institutions | | | | | |
| Assets | 11.6 | 13.0 | 11.3 | 11.0 | 10.0 |
| Capital | 11.1 | 12.2 | 11.0 | 12.1 | 11.1 |
| Correspondent accounts with non-resident banks | 15.8 | 12.1 | 9.0 | 9.2 | 6.9 |
| Loans and other placements with non-financial organisations | 10.7 | 11.6 | 9.1 | 9.2 | 8.3 |
| Loans and other funds provided to households | 12.4 | 15.4 | 15.6 | 14.9 | 10.7 |
| Loans, deposits and other funds provided to credit institutions | 18.6 | 21.6 | 23.8 | 20.0 | 24.2 |
| Household deposits | 5.0 | 5.4 | 6.2 | 5.3 | 5.4 |
| Funds raised from organisations* | 11.0 | 12.6 | 11.1 | 11.0 | 10.7 |
| Current-year profits (losses) | 10.7 | 14.8 | 27.4 | 15.1 | 12.0 |
| **For reference:** | | | | | |
| Number of credit institutions, units | 63 | 76 | 82 | 80 | 77 |

* These include deposits, government and other extra-budgetary funds, funds of the Ministry of Finance, fiscal authorities, individual unincorporated entrepreneurs, and 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).

## Credit institutions' assets grouped by investment (billion roubles)

TABLE 9

| | | 1.01.11 | 1.04.11 | 1.07.11 | 1.10.11 | 1.01.12 |
|---|---|---|---|---|---|---|
| 1 | Money, precious metals and gemstones, total | 912.6 | 747.2 | 788.2 | 890.9 | 1,225.6 |
| 1.1 | of which: money | 862.4 | 707.8 | 740.6 | 799.8 | 1,125.0 |
| 2 | Accounts with the Bank of Russia and authorised bodies of other countries, total | 1,809.0 | 1,599.1 | 1,559.0 | 1,333.1 | 1,747.4 |
| | of which: | | | | | |
| 2.1 | Credit institutions' correspondent accounts with the Bank of Russia | 974.8 | 575.5 | 755.1 | 760.3 | 961.0 |
| 2.2 | Credit institutions' required reserves transferred to the Bank of Russia | 187.8 | 244.0 | 329.5 | 346.1 | 378.3 |
| 2.3 | Deposits and other funds deposited with the Bank of Russia | 633.2 | 761.0 | 453.9 | 210.2 | 392.1 |
| 3 | Correspondent accounts with credit institutions, total | 853.6 | 824.6 | 773.4 | 885.6 | 1,000.6 |
| | of which: | | | | | |
| 3.1 | Correspondent accounts with correspondent credit institutions | 164.3 | 135.0 | 139.2 | 185.1 | 227.4 |
| 3.2 | Correspondent accounts with non-resident banks | 689.3 | 689.7 | 634.2 | 700.6 | 773.1 |
| 4 | Securities acquired by credit institutions, total | 5,829.0 | 5,983.7 | 5,810.7 | 6,160.8 | 6,211.7 |
| | of which: | | | | | |
| 4.1 | Debt obligations | 4,419.9 | 4,483.8 | 4,269.5 | 4,684.0 | 4,676.2 |
| 4.2 | Equities | 710.9 | 692.2 | 770.3 | 815.9 | 914.4 |
| 4.3 | Discounted bills | 330.0 | 349.6 | 331.0 | 265.5 | 233.9 |
| 4.4 | Shares of subsidiaries and affiliated joint-stock companies | 368.2 | 458.0 | 439.9 | 395.4 | 387.3 |
| 5 | Other stakes in authorised capital | 132.1 | 155.5 | 177.0 | 290.1 | 291.9 |
| 6 | Loans, total | 22,166.7 | 22,696.5 | 24,045.9 | 26,635.3 | 28,737.0 |
| | of which: | | | | | |
| 6.1 | Loans, deposits and other placements, | 22,140.2 | 22,666.3 | 24,008.0 | 26,593.7 | 28,699.2 |
| | including: overdue debt | 1,035.9 | 1,040.2 | 1,081.9 | 1,161.8 | 1,133.0 |
| | of which: | | | | | |
| 6.1.1 | Loans and other placements with non-financial organisations | 14,062.9 | 14,368.6 | 15,120.5 | 16,682.7 | 17,715.3 |
| | of which: overdue debt | 743.4 | 733.2 | 773.5 | 838.2 | 822.6 |
| 6.1.2 | Loans and other funds extended to individuals | 4,084.8 | 4,192.8 | 4,552.9 | 5,065.1 | 5,550.9 |
| | of which: overdue debt | 282.3 | 288.4 | 289.9 | 301.2 | 291.1 |
| 6.1.3 | Loans, deposits and other placements with credit institutions | 2,921.1 | 2,983.1 | 3,212.8 | 3,633.5 | 3,958.0 |
| | of which: overdue debt | 4.6 | 13.0 | 4.5 | 5.0 | 5.1 |
| 7 | Fixed and intangible assets and inventories | 864.6 | 871.2 | 881.0 | 914.7 | 973.8 |
| 8 | Disposition of profits | 132.1 | 53.6 | 89.1 | 138.7 | 173.2 |
| 8.1 | of which: profits tax | 122.7 | 48.6 | 88.8 | 125.8 | 20.4 |
| 9 | Other assets, total | 1,105.0 | 1,077.9 | 1,112.3 | 1,193.6 | 1,266.4 |
| | of which: | | | | | |
| 9.1 | Float | 524.6 | 462.0 | 474.5 | 524.2 | 589.8 |
| 9.2 | Debtors | 154.5 | 162.7 | 169.4 | 179.8 | 181.0 |
| 9.3 | Deferred expenses | 77.9 | 79.5 | 80.5 | 79.1 | 94.3 |
| **Total assets** | | **33,804.6** | **34,009.4** | **35,236.6** | **38,442.8** | **41,627.5** |

## Credit institutions' liabilities grouped by source of funds (billion roubles)

TABLE 10

| | | 1.01.11 | 1.04.11 | 1.07.11 | 1.10.11 | 1.01.12 |
|---|---|---|---|---|---|---|
| 1 | Credit institutions' funds and profits, total | 4,339.1 | 4,351.5 | 4,441.6 | 4,553.7 | 4,963.0 |
| | of which: | | | | | |
| 1.1 | Funds | 2,599.6 | 2,603.3 | 2,606.3 | 2,534.3 | 2,719.9 |
| 1.2 | Profits (losses), including previous-year financial results | 1,739.5 | 1,748.2 | 1,835.2 | 2,019.4 | 2,243.1 |
| | of which: | | | | | |
| 1.2.1 | Current-year profits (losses) | 573.4 | 214.3 | 444.2 | 624.2 | 848.2 |
| 2 | Loans, deposits and other funds received by credit institutions from the Bank of Russia | 325.7 | 312.3 | 312.2 | 506.8 | 1,212.1 |
| 3 | Credit Institutions' accounts, total | 255.7 | 195.6 | 252.7 | 274.9 | 336.4 |
| | of which: | | | | | |
| 3.1 | Correspondent credit institutions' correspondent accounts | 154.4 | 122.9 | 136.9 | 183.8 | 216.6 |
| 3.2 | Non-resident banks' correspondent accounts | 93.9 | 67.8 | 108.8 | 85.1 | 105.5 |
| 4 | Loans, deposits and other funds received from other credit institutions, total | 3,754.9 | 3,613.2 | 3,537.4 | 4,170.3 | 4,560.2 |
| 5 | Customer funds, total* | 21,080.9 | 21,344.6 | 22,422.4 | 24,485.0 | 26,082.1 |
| | of which: | | | | | |
| 5.1 | Budget funds in settlement accounts | 32.7 | 37.7 | 36.3 | 47.2 | 37.8 |
| 5.2 | Government and extra-budgetary funds in settlement accounts | 12.0 | 16.8 | 17.5 | 20.1 | 7.1 |
| 5.3 | Organisations' funds in settlement and other accounts | 4,845.1 | 4,897.8 | 4,926.3 | 5,070.1 | 5,326.7 |
| 5.4 | Customer float | 220.6 | 269.2 | 274.6 | 297.2 | 288.1 |
| 5.5 | Deposits and other funds raised by corporate entities other than credit institutions | 6,035.6 | 5,994.0 | 6,535.7 | 7,963.6 | 8,367.4 |
| 5.6 | Household deposits | 9,818.0 | 10,018.0 | 10,516.5 | 10,920.2 | 11,871.4 |
| 5.7 | Customer funds in factoring and forfeiting operations | 15.7 | 14.4 | 14.1 | 15.1 | 21.9 |
| 6 | Bonds | 537.9 | 547.7 | 574.8 | 631.5 | 666.7 |
| 7 | Bills and bank acceptances | 797.3 | 807.6 | 811.9 | 809.4 | 859.5 |
| 8 | Other liabilities, total | 2,713.0 | 2,836.9 | 2,883.6 | 3,011.2 | 2,947.5 |
| | of which: | | | | | |
| 8.1 | Provisions | 2,192.0 | 2,217.5 | 2,255.6 | 2,327.8 | 2,318.8 |
| 8.2 | Float | 255.1 | 303.6 | 288.4 | 328.3 | 325.0 |
| 8.3 | Creditors | 44.7 | 64.3 | 80.5 | 76.5 | 46.4 |
| 8.4 | Deferred income | 5.5 | 4.7 | 5.1 | 5.0 | 5.5 |
| 8.5 | Accrued interest and interest/coupon liabilities on securities | 215.7 | 246.8 | 253.9 | 273.6 | 251.7 |
| | of which: | | | | | |
| | Overdue interest | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| **Total liabilities** | | **33,804.6** | **34,009.4** | **35,236.6** | **38,442.8** | **41,627.5** |

* Including certificates of deposit and savings certificates.

TABLE 11

## Major characteristics of banking sector lending operations (billion roubles)

| | Roubles | | | | | Foreign currency | | | | | Total | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1.01.11 | 1.04.11 | 1.07.11 | 1.10.11 | 1.01.12 | 1.01.11 | 1.04.11 | 1.07.11 | 1.10.11 | 1.01.12 | 1.01.11 | 1.04.11 | 1.07.11 | 1.10.11 | 1.01.12 |
| **1. Loans, deposits and other placements, total** | **16,099.2** | **16,759.0** | **17,837.0** | **19,509.7** | **21,378.5** | **6,041.0** | **5,907.2** | **6,171.1** | **7,084.0** | **7,320.7** | **22,140.2** | **22,666.3** | **24,008.0** | **26,593.7** | **28,699.2** |
| of which: | | | | | | | | | | | | | | | |
| – overdue debt | 886.2 | 891.5 | 950.2 | 1,005.6 | 994.1 | 149.7 | 148.8 | 131.6 | 156.3 | 138.9 | 1,035.9 | 1,040.2 | 1,081.9 | 1,161.8 | 1,133.0 |
| **1.1. Loans and other placements with resident non-financial organisations** | **10,085.6** | **10,542.6** | **11,156.1** | **11,996.3** | **12,799.6** | **2,758.2** | **2,579.7** | **2,641.8** | **3,059.6** | **3,088.3** | **12,843.8** | **13,122.3** | **13,797.9** | **15,056.0** | **15,887.9** |
| including | | | | | | | | | | | | | | | |
| – overdue debt of which: | 635.5 | 634.7 | 680.2 | 724.3 | 721.9 | 98.6 | 89.3 | 76.6 | 86.6 | 67.9 | 734.1 | 724.0 | 756.8 | 810.9 | 789.8 |
| 1.1.1. Loans and other funds to individual unincorporated entrepreneurs | 315.2 | 330.8 | 366.7 | 398.63 | 430.8 | 6.3 | 6.0 | 6.0 | 7.0 | 7.0 | 321.4 | 336.9 | 372.7 | 405.3 | 437.9 |
| of which: | | | | | | | | | | | | | | | |
| – overdue debt | 28.1 | 28.6 | 29.1 | 28.6 | 27.3 | 0.5 | 0.4 | 0.4 | 0.5 | 0.5 | 28.6 | 29.0 | 29.6 | 29.2 | 27.9 |
| **1.2. Loans and other placements with non-resident corporate entities, other than banks** | **319.1** | **370.6** | **328.3** | **365.0** | **469.4** | **900.0** | **875.7** | **994.2** | **1,261.6** | **1,357.9** | **1,219.1** | **1,246.3** | **1,322.5** | **1,626.7** | **1,827.4** |
| of which: | | | | | | | | | | | | | | | |
| – overdue debt | 2.8 | 1.5 | 3.6 | 6.8 | 9.7 | 6.5 | 7.6 | 13.1 | 20.5 | 23.0 | 9.3 | 9.2 | 16.7 | 27.3 | 32.8 |
| **1.3. Loans, deposits and other placements with financial sector** | **1,280.7** | **1,242.1** | **1,348.1** | **1,596.2** | **1,836.6** | **395.9** | **424.9** | **391.6** | **436.6** | **495.8** | **1,676,7** | **1,667.0** | **1,739.7** | **2,032.7** | **2,332.4** |
| including: | | | | | | | | | | | | | | | |
| – overdue debt of which: | 9.5 | 9.2 | 17.6 | 21.2 | 17.9 | 0.6 | 0.9 | 0.7 | 1.1 | 1.3 | 10.0 | 10.1 | 18.2 | 22.4 | 19.2 |

*CONT 11*

| | Roubles | | | | | Foreign currency | | | | | Total | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1.01.11 | 1.04.11 | 1.07.11 | 1.10.11 | 1.01.12 | 1.01.11 | 1.04.11 | 1.07.11 | 1.10.11 | 1.01.12 | 1.01.11 | 1.04.11 | 1.07.11 | 1.10.11 | 1.01.12 |
| 1.3.1. Loans, deposits and other placements with resident credit institutions | 911.6 | 811.7 | 872.8 | 1,038.9 | 1,227.1 | 298.1 | 329.6 | 314.1 | 359.4 | 419.7 | 1,209.7 | 1,141.3 | 1,186.8 | 1,398.3 | 1,646.8 |
| of which: | | | | | | | | | | | | | | | |
| – overdue debt | 4.4 | 4.4 | 4.2 | 4.9 | 4.8 | 0.0 | 0.0 | 0.0 | 0.1 | 0.1 | 4.4 | 4.5 | 4.3 | 4.9 | 4.9 |
| 1.3.2. Loans, deposits and other placements with resident financial organisations of different forms of ownership | 369.2 | 430.3 | 475.3 | 557.3 | 609.5 | 97.8 | 95.3 | 77.6 | 77.2 | 76.1 | 467.0 | 525.7 | 552.9 | 634.5 | 685.6 |
| of which: | | | | | | | | | | | | | | | |
| – overdue debt | 5.1 | 4.8 | 13.3 | 16.4 | 13.0 | 0.6 | 0.8 | 0.6 | 1.1 | 1.2 | 5.6 | 5.6 | 14.0 | 17.4 | 14.3 |
| **1.4. Loans, deposits and other placements with non-resident banks** | **190.2** | **258.1** | **304.6** | **386.0** | **398.4** | **1,521.2** | **1,583.7** | **1,721.4** | **1,849.2** | **1,912.8** | **1,711.4** | **1,841.8** | **2,026.0** | **2,235.2** | **2,311.2** |
| of which: | | | | | | | | | | | | | | | |
| – overdue debt | 0.1 | 0.1 | 0.1 | 0.0 | 0.0 | 0.0 | 8.4 | 0.1 | 0.0 | 0.2 | 0.1 | 8.6 | 0.2 | 0.1 | 0.2 |
| **1.5. Loans and other funds placed with government fiscal authorities and extra-budgetary funds** | **261.7** | **240.3** | **214.3** | **209.1** | **367.7** | **0.4** | **0.4** | **0.4** | **0.4** | **0.0** | **262.1** | **240.7** | **214.7** | **209.5** | **367.7** |
| of which: | | | | | | | | | | | | | | | |
| – overdue debt | 0.0 | 0.0 | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.1 | 0.0 | 0.0 |

*END 11*

| | Roubles | | | | | Foreign currency | | | | | Total | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1.01.11 | 1.04.11 | 1.07.11 | 1.10.11 | 1.01.12 | 1.01.11 | 1.04.11 | 1.07.11 | 1.10.11 | 1.01.12 | 1.01.11 | 1.04.11 | 1.07.11 | 1.10.11 | 1.01.12 |
| **1.6. Loans and other funds extended to resident individuals** | **3,722.7** | **3,867.8** | **4,245.6** | **4,718.4** | **5,223.0** | **348.8** | **316.0** | **298.2** | **336.3** | **316.7** | **4,071.4** | **4,183.7** | **4,543.8** | **5,054.7** | **5,539.7** |
| of which: | | | | | | | | | | | | | | | |
| – overdue debt | 238.2 | 245.7 | 248.5 | 253.0 | 244.5 | 43.6 | 42.1 | 40.8 | 47.3 | 45.9 | 281.7 | 287.8 | 289.3 | 300.3 | 290.4 |
| **1.7. Loans and other funds extended to non-resident individuals** | **2.5** | **3.0** | **3.1** | **3.5** | **4.3** | **10.8** | **6.2** | **6.0** | **6.9** | **6.9** | **13.4** | **9.1** | **9.1** | **10.4** | **11.2** |
| of which: | | | | | | | | | | | | | | | |
| – overdue debt | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.4 | 0.5 | 0.4 | 0.7 | 0.5 | 0.6 | 0.6 | 0.6 | 0.9 | 0.7 |
| **For reference:** | | | | | | | | | | | | | | | |
| Provisions for loans, deposits and other placements | 1,904.2 | 1,919.2 | 1,951.8 | 2,000.2 | 1,987.9 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 1,904.2 | 1,919.2 | 1,951.8 | 2,000.2 | 1,987.9 |
| Overdue interest on loans, deposits and other placements recorded in balance-sheet accounts | 39.7 | 41.3 | 42.7 | 43.5 | 42.2 | 6.3 | 5.8 | 5.3 | 5.4 | 4.7 | 46.0 | 47.1 | 47.9 | 48.9 | 46.9 |
| Bank portfolios of resident bills | 308.7 | 327.0 | 304.3 | 238.4 | 213.9 | 17.1 | 18.9 | 23.1 | 23.8 | 17.8 | 325.8 | 346.0 | 327.4 | 262.2 | 231.7 |
| Bank portfolios of non-resident bills | 2.4 | 1.8 | 1.8 | 1.2 | 0.0 | 1.8 | 1.8 | 1.9 | 2.2 | 2.1 | 4.2 | 3.7 | 3.6 | 3.4 | 2.1 |

## Banking Sector Capital Structure (%)*

TABLE 12

| | 1.01.11 | 1.04.11 | 1.07.11 | 1.10.11 | 1.01.12 |
|---|---|---|---|---|---|
| **1. Capital growth drivers** | **112.4** | **116.3** | **115.6** | **116.5** | **115.2** |
| 1.1. Authorised capital | 25.4 | 26.0 | 25.2 | 24.8 | 24.5 |
| 1.2. Share premiums | 21.7 | 22.0 | 21.4 | 20.9 | 21.5 |
| 1.3. Credit institutions' profits and funds | 37.1 | 40.0 | 40.6 | 42.5 | 42.9 |
| 1.4. Subordinated loans | 24.3 | 24.1 | 24.4 | 24.4 | 22.7 |
| 1.5. Property value growth due to revaluation | 3.9 | 4.1 | 4.1 | 3.9 | 3.7 |
| 1.6. Other factors | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| **2. Capital reducing factors** | **12.4** | **16.3** | **15.6** | **16.5** | **15.2** |
| 2.1. Losses | 1.1 | 1.4 | 1.8 | 1.8 | 1.7 |
| 2.2. Intangible assets | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 |
| 2.3. Own shares (equities) bought out | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| 2.4. Sources of capital formed on account of improper assets | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 |
| 2.5. Reduction of additional sources of capital due to restrictions imposed by Point 3.11 of Bank of Russia Regulation No. 215-P, dated February 10, 2003 | 0.5 | 1.3 | 0.1 | 0.4 | 0.2 |
| 2.6. Credit institutions' shareholding | 10.0 | 12.8 | 12.8 | 13.5 | 12.4 |
| 2.7. Other factors | 0.6 | 0.6 | 0.6 | 0.7 | 0.7 |
| Capital – total | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |

* Calculated based on credit institutions' reporting Form 0409134.

TABLE 13

## Quantitative and qualitative characteristics of supervisors of the Bank of Russia head office and regional branches (based on Form 1-K data as of January 1, 2012)

| | Total number of job titles as of January 1, 2012 | Total number of employees as of January 1, 2012 (excluding employed under fixed-term contract and part-timers) | of whom | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | age | | | educational status | | duration of work in banking system | | women |
| | | | under 30 years (born in 1982 and later) | 50 years and more (born in 1962 and earlier) | of whom women aged 55 years and more and men aged 60 years and more | higher education | secondary vocational training | up to 3 years | 15 years and more | |
| **Head office** | | | | | | | | | | |
| Credit Institution Licensing and Financial Rehabilitation Department | 139 | 137 | 17 | 33 | 14 | 134 | 3 | 3 | 76 | 103 |
| Banking Regulation and Supervision Department | 182 | 169 | 31 | 53 | 24 | 165 | 3 | 25 | 81 | 108 |
| Main Inspectorate of Credit Institutions | 465 | 447 | 45 | 113 | 42 | 441 | 6 | 27 | 246 | 276 |
| Financial Monitoring and Foreign Exchange Control Department | 105 | 98 | 11 | 28 | 12 | 95 | 1 | 4 | 48 | 59 |
| **Head office total** | 891 | 851 | 104 | 227 | 92 | 835 | 13 | 59 | 451 | 546 |
| **Regional branches** | | | | | | | | | | |
| Financial Monitoring and Foreign Exchange Control Division (Department, Section) | 578 | 572 | 70 | 107 | 32 | 564 | 8 | 29 | 360 | 398 |
| Division (Department) for Supervision of Credit Institutions | 1,238 | 1,217 | 129 | 270 | 90 | 1,195 | 16 | 53 | 792 | 997 |
| Division (Department, Section) for Inspection of Credit Institutions | 792 | 781 | 156 | 146 | 44 | 757 | 18 | 53 | 374 | 459 |
| Division (Department) for Licensing of Credit Institutions | 351 | 345 | 39 | 82 | 23 | 342 | 3 | 13 | 221 | 294 |
| Moscow branch divisions | 422 | 420 | 130 | 63 | 40 | 393 | 23 | 60 | 164 | 338 |
| **Regional branches total** | **3,381** | **3,335** | **524** | **668** | **229** | **3,251** | **68** | **208** | **1,911** | **2,486** |
| **Bank of Russia total** | **4,272** | **4,186** | **628** | **895** | **321** | **4,086** | **81** | **267** | **2,362** | **3,032** |