RUSSIAN FINANCIAL SECTOR
INVESTOR PRESENTATION

January 2021
CONTENTS

Bank of Russia: Overview
- Evolution – 4
- Reforms – 7
- Compliance with international standards – 8
- International cooperation – 9
- Newsletter – 10

Russian Macro Update
- Key indicators – 14
- Macrofinance – 15
- Inflation – 16
- Inflation expectations – 17
- Economic forecasts – 18
- Monetary policy – 20
- International reserves – 22

Russian Financial Sector
- Financial market development strategy – 24
- Banking sector – 25
- Microfinance – 38
- Financial stability – 39
- Securities market – 40
- Corporate governance – 46
- Countering malpractice – 47
- Investment funds – 48
- Non-state pension funds – 49
- Insurance – 50
- Payment infrastructure – 51
- Fintech – 56
- Marketplace – 57
- Consumer protection – 58
- Financial inclusion – 59
- AML/CFT – 60
- Cybersecurity – 61
BANK OF RUSSIA: OVERVIEW
EVOLUTION (1)


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

Federal Financial Markets Service (FFMS): founded in 1993

- 2002 – Law on mortgage-backed securities

2001 – Law on AML/CFT
2003 – Russia becomes a FATF member
  - Start of the IFRS reporting project
  - Law on deposit insurance
2005 – Introduction of the corridor for USD&EUR basket within the exchange rate policy framework
2009 – CBR becomes a BCBS member
  - CBR becomes a CPMI member
2010 – Introduction of the floating exchange rate corridor
2011 – Law on the National Payment System

2013 – CBR becomes an IAIS member as well as IOSCO member
2014 – Inflation targeting regime with 4% medium-term target rate
  - Introduction of a floating exchange rate regime
  - Approval of a new corporate governance code
  - National Card Payment System Joint-Stock Company (AO NSPK) established
2015 – Signing of the IOSCO Multilateral Memorandum of Understanding
  - National payment system “Mir” established and “Mir” card issue started
2016 – Banking regulation in Russia assessed as compliant with Basel II, Basel 2.5 and Basel III (RCAP)
2017 – Introduction of proportional regulation in the banking sector
  - Introduction of a new financial rehabilitation mechanism
2018 – Bank of Russia joins MMOU IAIS

2001
2003
2009
2010
2011
2013
2015
2016
2017
2018

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

2002 – First edition of the Russian corporate conduct code
2003 – Law on AML/CFT
2009 – CBR becomes a BCBS member
  - CBR becomes a CPMI member
2010 – Introduction of the floating exchange rate corridor
2011 – Law on the National Payment System

2013 – CBR becomes the megaregulator of the Russian financial sector

Focus on Russian financial market development
Monetary policy framework development

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

- **2008**
  - Active inflation targeting communications

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

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

- **2013**
  - Key rate introduced

- **2014**
  - Floating exchange rate introduced

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

- Dec 2018
  - Inflation 4.3%

- Dec 2019
  - Inflation 3.0%

- Dec 2020
  - Inflation 4.9%

**Since Nov. 2014**
- Free floating ruble
Bank of Russia supervises the following key segments:

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

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

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

**Market infrastructure**
- Benefits from infrastructure put in place, tax and regulatory reforms (T+2, CSD and access for ICSDs, up-to-date CCP, Individual Investment Accounts)
- Marketplace project infrastructure – personal finance platform “Finuslugi” launched in October 2020

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

**Payment infrastructure**
- Russian payment system infrastructure developed and currently in use by all leading international payment systems
- Payment infrastructure monitoring and supervision
- Financial messaging system of the Bank of Russia (SPFS) has been developed
- The Faster Payments System launched in January 2019

**Pension system**
- Guarantee fund mechanism introduced
- Investment horizon for non-state pension funds extended to 5 years
- Introduction of a new voluntary personal pension plan (simple and standard) is being discussed
COMPLIANCE WITH INTERNATIONAL STANDARDS
Russia complies with or implements key international standards and best practices

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

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

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

- Upon monitoring the implementation of the PFMI, the CPMI gave Russia the highest-possible “4” rating

- The CBR payment system fully complies with the PFMI

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

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

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

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

- Insurance sector has started implementing Solvency II EU principles
INTERNATIONAL COOPERATION

Bank of Russia cooperates with international financial institutions, regulators and associations.
# NEWSLETTER (1)
Key news from the Russian financial market

<table>
<thead>
<tr>
<th>Date</th>
<th>Events</th>
</tr>
</thead>
</table>
| **January 2021** | **25 January 2021:** The Bank of Russia proposes that a court become empowered to assess whether the buyout terms and prices of minority shareholdings are fair when the majority shareholder obtains a controlling stake in a public company. The regulator’s initiatives are outlined in the consultation paper “Overhauling approaches to compulsory acquisition of minority shareholdings in public joint-stock companies”.  
**20 January 2021:** The Bank of Russia laid out key objectives in refining debt-to-income (DTI) ratio calculation for 2021-2022. There are plans to develop and propose legislation to make lenders legally obliged to calculate the DTI ratio. In addition, the roadmap provides for the potential introduction of a new macroprudential toolset to ensure quantitative restrictions are in place on the share of high-risk loans, in particular, unsecured consumer loans issued to high-DTI borrowers.  
**15 January 2021:** The Bank of Russia announced that it is committed to the principles of the FX Global Code. The FX Global Code was developed by a working group of the Bank for International Settlements comprising representatives of central banks and market participants from 16 countries.  
**13 January 2020:** The Ministry of Finance announced FX purchases in the amount of Rub 7.1 bn (USD 96.39 mln) per day between January 15 and February 4. Regular FX purchases on the market will total Rub 106.3 bn. |
| **December 2020** | **30 December 2020:** The Bank of Russia completed the FX sales associated with the Aeroflot stock transaction and acquisition of Sberbank shares by the NWF carried out in addition to regular fiscal rule-based operations.  
**21 December 2020:** Under Bank of Russia Regulation No. 730-P, effective from 2021, banks that have switched to the internal ratings-based approach (IRB approach) to calculating regulatory capital requirements are authorised to use their own credit risk assessment methodology and models in the creation of provisions.  
**1 December 2020:** According to the draft changes to the procedure for calculating liquidity ratios under Basel III (the liquidity coverage and stable funding ratios), which apply to SIFIs, the extended list of high quality liquid assets may now include mortgage-backed securities with a guarantee of the integrated housing development institution (DOM.RF). |
| **November 2020** | **20 November 2020:** As part of convergence of provisions calculation under RAS and IFRS 9 the Bank of Russia recommends that banks under Regulation No. 590-P should classify loans that are credit impaired as per IFRS 9 under quality category IV with provisions accrued on par with the expected credit loss (ECL) estimate but at least in the amount of 51%.  
**13 November 2020:** Starting 1 October 2021, under the changes to the Faster Payments System rules, all SIFIs are obliged to enable customers’ payments for goods and services via QR codes, for banks with a universal licence the respective deadline is 1 April 2022. By this time, credit institutions are also obliged to enable P2P transfers at the payee’s initiative and B2C transfers. |
### October 2020

**15 October 2020:** Effective from 1 April 2021, under Bank of Russia Regulation No. 729-P (a new version of Regulation No. 509-P) **banking groups** will be able to use **a new standardised approach to measuring credit risk for the calculation of capital adequacy ratios.** This will allow credit institutions that are parts of such groups to free capital, thus expanding their capabilities to lend to the real sector of the economy.

### August 2020

**10 August 2020:** The Bank of Russia **reduced risk weight add-ons** for unsecured consumer loans in rubles issued starting 1 September 2020. The changes will mostly apply to borrowers with lower levels of PTI.

The Bank of Russia **extended the following temporary regulatory forbearance measures until 31 December 2020:**

- (i) Banks are allowed not to accrue loan loss provisions and not to calculate the borrower’s PTI for retail borrowers whose financial situation has worsened following the pandemic, as well as for restructured loans (both under Federal Law No. 106-FZ and in-house programmes); (ii) Banks are allowed not to apply risk weight add-ons to retail loans if the borrowers have a confirmed COVID-19 case; (iii) Banks are allowed not to accrue loan loss provisions for SME loans restructured due to the coronavirus pandemic and to maintain the quality assessment as of 1 February 2020.
- Loan loss provisions should be created in full under restructured retail and SME loans until 1 July 2021.
- Banks are entitled to delay loan loss provisioning until 1 April 2021 for corporate loans restructured due to the coronavirus pandemic and to maintain the quality assessment as of 1 January 2020 if collateral is classified into I or II category.
- **Until 2022** banks are allowed not to apply risk weight add-ons to FX loans issued to manufacturers of pharmaceuticals, medical products and equipment. Risk weights for investments in FX debt securities of such organisations are also set free from the add-ons made during the above-mentioned period.

### July 2020

**24 July 2020:** The Bank of Russia approved **a fast-track implementation of credit risk assessment approach under Basel III standard for mortgage loans.** Risk weights are set in the range from 20% to 100% depending on the values of LTV and PTI ratios (earlier, risk ratios were set in the 35-100% range).

Temporary regulatory easing:

- To stimulate activity during the recovery period and afterwards **the risk weight for investments in subordinated debt of non-financial organizations** (including perpetual) will be reduced from 150% to 100% till mid-2025.
- To stimulate banks to settle problem loans of systemically important companies through a compensation or share pledge (a debt/equity swap) the Bank of Russia will lower **the risk weight for investments in equity of systemically important companies** received under the abovementioned arrangements from 150% to 100% till mid-2022.
**NEWSLETTER (3)**

Key news from the Russian financial market

<table>
<thead>
<tr>
<th>Date</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>May 2020</td>
<td><strong>14 May 2020</strong>: The Bank of Russia launched long-term 1-month and 1-year ruble repo auctions.</td>
</tr>
<tr>
<td></td>
<td><strong>12 May 2020</strong>: The State Duma adopted a bill in the second reading to increase the maximum amount of insurance compensation for individuals’ deposits in some cases to Rub 10 mln.</td>
</tr>
<tr>
<td>April 2020</td>
<td><strong>6 April 2020</strong>: Fine-tuning repo auction in the amount of Rub 500 bn.</td>
</tr>
<tr>
<td></td>
<td><strong>3 April 2020</strong>: The Bank of Russia cancelled add-ons to risk weights for mortgage loans and loans for construction co-funding granted in rubles before 1 April 2020.</td>
</tr>
<tr>
<td>March 2020</td>
<td><strong>20 March 2020</strong>: Temporary regulatory forbearance:</td>
</tr>
<tr>
<td></td>
<td>• The Bank of Russia eased N26 (N27) <strong>liquidity coverage ratio</strong> and conditions under irrevocable credit lines for SIFIs with total limit raised to Rub 5 tn for the period from 1 April 2020 through 31 March 2021.</td>
</tr>
<tr>
<td></td>
<td>• The Bank of Russia decided to postpone several amendments to the regulation of credit institutions, incl. the introduction of the large exposures concentration ratio (N30) until 1 January 2022.</td>
</tr>
<tr>
<td></td>
<td>• The Bank of Russia reduced risk-weight add-ons for mortgage loans and loans for construction co-funding with downpayment from 15 to 20% granted in rubles since 1 April 2020 from 100 to 20-80 p.p. depending on the PTI ratio.</td>
</tr>
<tr>
<td>1 January 2020</td>
<td><strong>New standardised approach to credit risk assessment</strong> in accordance with “Basel III: Finalising post-crisis reforms”:</td>
</tr>
<tr>
<td></td>
<td>• <strong>Corporate exposures</strong> received a 100% risk weight, except: (1) “investment class” corporates (65%); (2) 85% risk weight for claims to small and medium-sized enterprises (SMEs) assessed on an individual basis, with the current 75% risk weight remaining for SMEs assessed on a portfolio basis; and (3) “special-purpose lending class” with differentiated risk ratios (80-130%) depending on the lending type (project finance, object or commodity finance).</td>
</tr>
<tr>
<td></td>
<td>• Earlier, in June 2019, lower risk-weights for <strong>sovereign exposures in foreign currency</strong> and for <strong>lending with export guarantees</strong> were introduced (50% instead of 100%).</td>
</tr>
<tr>
<td></td>
<td>• Higher risk ratios (instead of the current 150% ratio) apply to <strong>investments in legal entities’ unlisted shares</strong> (stocks): 400% for short-term speculative investments and 250% for other investments (with a five-year transition period established).</td>
</tr>
<tr>
<td></td>
<td>• For <strong>loans invested by borrowers in other legal entities’ authorised capital</strong>, the risk ratio has been increased from the current 150% to 200%, effective 1 January 2020.</td>
</tr>
<tr>
<td></td>
<td>• Effective from 1 January 2021, 150% risk ratio set for the <strong>unsecured part of default loans</strong> (without collateral recognised to reduce credit risk) where estimated loan loss provision is below 20%.</td>
</tr>
<tr>
<td></td>
<td>• The total insider risk ratio (N10.1) has been cancelled.</td>
</tr>
</tbody>
</table>
KEY INDICATORS
Russian economy started to recover in 2016 and has moderated in 2019

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

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

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

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

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

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

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

Figure 7: Significant international reserves assuring financial stability

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

Sources: Bank of Russia, Bloomberg, Ministry of Finance, IMF
INFLATION

Medium-term inflation target is set at around 4%

Figure 9: Inflation (YoY, %)

Sources: Bank of Russia, Rosstat

*Inflation is 4.9% as of December, 2020
Inflation expectations of households and businesses continued to grow, driven mainly by the growth of prices for certain everyday goods and exchange rate volatility.

### Inflation expectations (absolute numbers), %

<table>
<thead>
<tr>
<th>Expect. horizon</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>I</td>
<td>II</td>
<td>III</td>
</tr>
<tr>
<td><strong>Households</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FOM (median, expected inflation)</td>
<td>Next 12 months</td>
<td>8.5</td>
<td>9.8</td>
</tr>
<tr>
<td>FOM (subgroup with savings)</td>
<td>Next 12 months</td>
<td>8.0</td>
<td>9.0</td>
</tr>
<tr>
<td>FOM (subgroup without savings)</td>
<td>Next 12 months</td>
<td>8.8</td>
<td>10.3</td>
</tr>
<tr>
<td>FOM (median, observed inflation)</td>
<td>Past 12 months</td>
<td>9.2</td>
<td>10.6</td>
</tr>
<tr>
<td>FOM (subgroup with savings)</td>
<td>Past 12 months</td>
<td>8.4</td>
<td>9.7</td>
</tr>
<tr>
<td>FOM (subgroup without savings)</td>
<td>Past 12 months</td>
<td>9.6</td>
<td>11.2</td>
</tr>
</tbody>
</table>

### Professional analysts

<table>
<thead>
<tr>
<th>Source</th>
<th>2020</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bloomberg</td>
<td>4.0</td>
<td>4.0</td>
</tr>
<tr>
<td>Bloomberg</td>
<td>4.0</td>
<td>4.0</td>
</tr>
<tr>
<td>Financial markets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>OFZ IN (option not subtracted)</td>
<td>3.9</td>
<td>4.7</td>
</tr>
<tr>
<td>OFZ IN (option not subtracted)</td>
<td>4.7</td>
<td>5.5</td>
</tr>
<tr>
<td>Inflation expectations (balanced index*)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Businesses

<table>
<thead>
<tr>
<th>Source</th>
<th>Next 3 months</th>
<th>Current month</th>
<th>Current month</th>
<th>Current month</th>
<th>Current month</th>
<th>Current month</th>
<th>Current month</th>
<th>Current month</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank of Russia monitoring</td>
<td>6.8</td>
<td>10.2</td>
<td>12.0</td>
<td>16.5</td>
<td>10.6</td>
<td>9.9</td>
<td>8.3</td>
<td>8.5</td>
</tr>
<tr>
<td>PMI M, input prices, diff. index</td>
<td>10.6</td>
<td>9.9</td>
<td>8.3</td>
<td>8.5</td>
<td>10.6</td>
<td>9.9</td>
<td>8.3</td>
<td>8.5</td>
</tr>
<tr>
<td>PMI S, input prices, diff. index</td>
<td>5.3</td>
<td>5.3</td>
<td>5.5</td>
<td>5.6</td>
<td>5.3</td>
<td>5.3</td>
<td>5.5</td>
<td>5.6</td>
</tr>
<tr>
<td>PMI S, prices charged, diff. index</td>
<td>5.4</td>
<td>5.4</td>
<td>5.5</td>
<td>5.6</td>
<td>5.4</td>
<td>5.4</td>
<td>5.5</td>
<td>5.6</td>
</tr>
</tbody>
</table>

*Balanced index is the difference between the shares of those who expect prices to rise and those who expect them to fall.
**Households' surveys in Apr-July were conducted by phone, their results are not comparable with those obtained later.

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

<table>
<thead>
<tr>
<th>Key parameters of the Bank of Russia’s forecast scenarios (growth as % of previous year, if not indicated otherwise)</th>
<th>2019 (actual)</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
<th>2023</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Inflation, as % in December year-on-year</strong></td>
<td>3.0</td>
<td>3.9-4.2</td>
<td>3.5-4.0</td>
<td>4.0</td>
<td>4.0</td>
</tr>
<tr>
<td><strong>Inflation, average for the year, as % year-on-year</strong></td>
<td>4.5</td>
<td>3.2-3.3</td>
<td>3.3-4.0</td>
<td>4.0</td>
<td>4.0</td>
</tr>
<tr>
<td><strong>Gross domestic product</strong></td>
<td><strong>1.3</strong></td>
<td><strong>(-4.0-5.0)</strong></td>
<td><strong>3.0-4.0</strong></td>
<td><strong>2.5-3.5</strong></td>
<td><strong>2.0-3.0</strong></td>
</tr>
<tr>
<td>Final consumption expenditure</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>– households</td>
<td>2.4</td>
<td><strong>(-6.2-7.2)</strong></td>
<td><strong>4.2-5.2</strong></td>
<td><strong>3.0-4.0</strong></td>
<td><strong>2.1-3.1</strong></td>
</tr>
<tr>
<td>Gross capital formation</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>– gross fixed capital formation</td>
<td>3.8</td>
<td><strong>(-7.8-10.8)</strong></td>
<td><strong>3.1-5.1</strong></td>
<td><strong>4.2-6.2</strong></td>
<td><strong>3.0-5.0</strong></td>
</tr>
<tr>
<td></td>
<td>3.6</td>
<td><strong>(-13.1)</strong></td>
<td><strong>1.6-3.1</strong></td>
<td><strong>6.0-8.0</strong></td>
<td><strong>4.0-6.0</strong></td>
</tr>
<tr>
<td>Exports</td>
<td>-2.3</td>
<td><strong>(-5.1-7.1)</strong></td>
<td><strong>(-0.8)-1.2</strong></td>
<td><strong>3.6-5.6</strong></td>
<td><strong>2.0-4.0</strong></td>
</tr>
<tr>
<td>Imports</td>
<td>3.4</td>
<td><strong>(-18.0-21.0)</strong></td>
<td><strong>3.9-5.9</strong></td>
<td><strong>8.4-10.4</strong></td>
<td><strong>4.9-6.9</strong></td>
</tr>
<tr>
<td>Money supply in national definition</td>
<td>9.7</td>
<td>14-17</td>
<td>8-12</td>
<td>7-11</td>
<td>7-11</td>
</tr>
<tr>
<td><strong>Claims on organisations and households in rubles and foreign currency</strong>*</td>
<td><strong>10.1</strong></td>
<td><strong>9-12</strong></td>
<td><strong>7-11</strong></td>
<td><strong>7-11</strong></td>
<td><strong>7-11</strong></td>
</tr>
<tr>
<td>– on organisations</td>
<td>7.1</td>
<td>8-11</td>
<td>6-10</td>
<td>6-10</td>
<td>6-10</td>
</tr>
<tr>
<td>– on households</td>
<td>19.0</td>
<td>13-16</td>
<td>12-16</td>
<td>10-14</td>
<td>10-14</td>
</tr>
</tbody>
</table>

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

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

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

<table>
<thead>
<tr>
<th>Russia’s balance of payments indicators* (billions of US dollars)</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
<th>2023</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current account</td>
<td>65</td>
<td>33</td>
<td>32</td>
<td>18</td>
<td>30</td>
</tr>
<tr>
<td>Balance of trade</td>
<td>165</td>
<td>88</td>
<td>99</td>
<td>100</td>
<td>126</td>
</tr>
<tr>
<td>Exports</td>
<td>420</td>
<td>316</td>
<td>331</td>
<td>353</td>
<td>400</td>
</tr>
<tr>
<td>Imports</td>
<td>255</td>
<td>228</td>
<td>232</td>
<td>253</td>
<td>274</td>
</tr>
<tr>
<td>Balance of services</td>
<td>-36</td>
<td>-14</td>
<td>-24</td>
<td>-38</td>
<td>-51</td>
</tr>
<tr>
<td>Exports</td>
<td>63</td>
<td>44</td>
<td>48</td>
<td>52</td>
<td>57</td>
</tr>
<tr>
<td>Imports</td>
<td>99</td>
<td>59</td>
<td>71</td>
<td>90</td>
<td>109</td>
</tr>
<tr>
<td>Balance of primary and secondary income</td>
<td>-64</td>
<td>-41</td>
<td>-43</td>
<td>-44</td>
<td>-45</td>
</tr>
<tr>
<td>Current and capital account balance</td>
<td>65</td>
<td>33</td>
<td>32</td>
<td>18</td>
<td>30</td>
</tr>
<tr>
<td>Financial account (excluding reserve assets)</td>
<td>-4</td>
<td>49</td>
<td>30</td>
<td>17</td>
<td>11</td>
</tr>
<tr>
<td>Government and the central bank</td>
<td>-23</td>
<td>-4</td>
<td>-5</td>
<td>-4</td>
<td>-4</td>
</tr>
<tr>
<td>Private sector</td>
<td>19</td>
<td>53</td>
<td>35</td>
<td>20</td>
<td>15</td>
</tr>
<tr>
<td>Net errors and omissions</td>
<td>-2</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Change in reserve assets (‘+’ – increase, ‘-’ – decrease)</td>
<td>66</td>
<td>-16</td>
<td>2</td>
<td>1</td>
<td>19</td>
</tr>
<tr>
<td>Urals price, average for the year, US dollars per barrel</td>
<td>64</td>
<td>41</td>
<td>45</td>
<td>45</td>
<td>50</td>
</tr>
</tbody>
</table>

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

Source: Bank of Russia
MONETARY POLICY (1)

- Inflation is developing above the Bank of Russia’s forecast and is expected to lie within the range of 4.6-4.9% at the end of 2020.
- One-off pro-inflationary factors are exerting more significant and prolonged upward influence on prices amid the growth in households’ and businesses’ inflation expectations and supply-side restrictions.
- Disinflationary risks do not prevail in 2021 as much as before, considering the strengthening of short-term pro-inflationary factors and risks of their influence being more prolonged.
- According to the Bank of Russia’s forecast, given the current monetary policy stance, annual inflation will reach 3.5-4.0% in 2021 and will stabilise close to 4% later on.

**Signal**

“Given the high heterogeneity of current economic and price movement trends, the Bank of Russia will assess the subsequent developments and the existence of a potential for additional key rate reduction. In its key rate decision-making, the Bank of Russia will take into account actual and expected inflation dynamics relative to the target and economic developments over the forecast horizon, as well as risks posed by domestic and external conditions and the reaction of financial markets.”
## MONETARY POLICY (2)

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

- The key point is the dynamics of potential and demand

### Demand

<table>
<thead>
<tr>
<th>Moderate decline of potential</th>
<th>Baseline</th>
<th>Long and unsustainable recovery</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Sustainable recovery</td>
<td>Disinflationary</td>
</tr>
<tr>
<td></td>
<td>• The weakening of epidemiological risks</td>
<td>• The dynamics of potential GDP corresponds to the baseline scenario</td>
</tr>
<tr>
<td></td>
<td>• Moderate decline in potential GDP trajectory</td>
<td>• Slower recovery of demand due to the prolonged nature of the pandemic</td>
</tr>
<tr>
<td></td>
<td>• Recovery in household consumer activity, comparable to other post-crisis episodes</td>
<td>• Sustainable deviation of inflation downwards from the target</td>
</tr>
<tr>
<td></td>
<td>• Gradual recovery of investment activity</td>
<td>• Longer and more pronounced accommodative monetary policy than in the baseline scenario</td>
</tr>
<tr>
<td></td>
<td>• Gradual fiscal consolidation in line with the planned return to the parameters of the fiscal rule in 2022</td>
<td></td>
</tr>
</tbody>
</table>

### Supply

<table>
<thead>
<tr>
<th>Deep decline of potential</th>
<th>Pro-inflationary</th>
<th>Risk</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>• The potential of the economy is falling significantly more than in the baseline scenario</td>
<td>• Possible escalation of geopolitical risks, credit crisis in countries with high debt levels</td>
</tr>
<tr>
<td></td>
<td>• Consumer demand is recovering steadily, and investment is recovering more slowly than in the baseline scenario</td>
<td>• Reduction of the potential is greater than in the baseline scenario</td>
</tr>
<tr>
<td></td>
<td>• The economy is returning to its potential (lower than before) in 2021 and even exceeds it somewhat, which creates pro-inflationary risks</td>
<td>• External shocks create significant pro-inflationary pressures in 2021, then inflation falls below target under the influence of weak demand. Inflation stabilises close to 4% after 2023</td>
</tr>
<tr>
<td></td>
<td>• Inflation returns to the target by Q3 and Q4 of 2022 and remains close to the target further on</td>
<td>• Temporary significant tightening of monetary policy with a return to accommodative policy in the second half of the forecast period</td>
</tr>
<tr>
<td></td>
<td>• A temporary shift to a moderately tight monetary policy with a return to neutral monetary policy by the end of the projection period is possible</td>
<td></td>
</tr>
</tbody>
</table>

Source: Bank of Russia
## INTERNATIONAL RESERVES

### Foreign exchange and gold assets by asset class

<table>
<thead>
<tr>
<th>Assets</th>
<th>As of 30 June 2019</th>
<th>As of 30 June 2020</th>
<th>Change in Jul 2019-June 2020, billions of US dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government securities of foreign issuers*</td>
<td>206.2</td>
<td>218.3</td>
<td>12.1</td>
</tr>
<tr>
<td>Deposits and account balances with foreign counterparties</td>
<td>147.5</td>
<td>138.8</td>
<td>-8.7</td>
</tr>
<tr>
<td>Non-government securities of foreign issuers</td>
<td>36.4</td>
<td>45.8</td>
<td>9.4</td>
</tr>
<tr>
<td>International organisations securities</td>
<td>15.8</td>
<td>23.5</td>
<td>7.7</td>
</tr>
<tr>
<td>Reverse repo operations with foreign counterparties</td>
<td>2.6</td>
<td>3.6</td>
<td>1.0</td>
</tr>
<tr>
<td>Claims in foreign currency on Russian counterparties and issuers**</td>
<td>2.7</td>
<td>1.4</td>
<td>-1.3</td>
</tr>
<tr>
<td>Net position with the IMF</td>
<td>7.2</td>
<td>1.0</td>
<td>-6.2</td>
</tr>
<tr>
<td>Claims on foreign counterparties on foreign currency supply</td>
<td>-0.1</td>
<td>0.2</td>
<td>0.3</td>
</tr>
<tr>
<td><strong>Total</strong>*</td>
<td><strong>516.8</strong></td>
<td><strong>561.1</strong></td>
<td><strong>44.3</strong></td>
</tr>
</tbody>
</table>

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

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

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

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

Source: Bank of Russia
FINANCIAL SECTOR OVERVIEW
FINANCIAL MARKET DEVELOPMENT STRATEGY

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

1. **Building reliable financial environment**
   - Involvement of financial consumer ombudsmen in dispute resolution
   - Increased personal responsibility of management
   - Limited employment opportunities in financial sector for malicious (unscrupulous) people
   - Development of the institution of a qualified investor
   - Increased responsibility for substandard sale of financial products
   - Unified financial transactions register

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

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

4. **Ensuring financial stability**
   - Monitoring of the population indebtedness and prevention of excessive risk accumulation in the segment
   - Risk-based approach to insurance market participants
   - Widening the list of financial non-credit institutions subject to stress testing
   - Improving the toolkit for macroprudential stress testing

Building reliable financial environment
Improving financial inclusion and availability of capital
Developing market competitiveness
Ensuring financial stability
<table>
<thead>
<tr>
<th><strong>BANKING SECTOR: CURRENT AGENDA</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Shaping a favourable operating environment and supporting market competition</td>
</tr>
</tbody>
</table>

| **Proportional banking regulation:** | differentiating regulatory burden for banks based on their size and simplifying requirements for smaller banks focused on retail and SME lending |
| **New resolution mechanism:** | reducing financial costs and execution period of the resolution procedure |
| **Introduction of PTI ratio** | in order to regulate the consumer lending market more efficiently |
| **Development of banking supervision:** | introduction of the Basel Committee on Banking Supervision (BCBS) standard on capital requirements for banks’ equity investment in funds (since December 16, 2017) |
| **Risk-oriented supervision:** | aiming to remedy problematic situations in banks at an early stage |
| **Development of macroprudential regulation:** | streamlining the regulation, introducing a countercyclical approach |
| **New regulations to the credit bureaus:** | authorising several strategic credit bureaus to aggregate information on debt payments |
| **Basel II and III in force:** | leverage ratio (except for banks with a basic licence), NSFR – for Domestic-SIBs |
BANKING SECTOR: PROPORTIONAL REGULATION
Differentiating regulatory burden for banks depending on their size

Regulatory burden depends on the licence type

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

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

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

On 1 June 2017, Federal Law No. 92-FZ dated 1 May 2017 came into force. It envisages the introduction of proportional regulation designed to set up a regulatory balance for banks differing in scale and in nature of operations. 123 banks hold a basic licence, as of 1 November 2020.
BANKING SECTOR: NEW RESOLUTION MECHANISM*

The bank resolution mechanism implemented in 2017 is designed to reduce both costs and time while enhancing control over resolution processes.

In 2017 the Bank of Russia adopted a new resolution mechanism, involving the CBR’s direct participation in the capital of the banks under resolution. Over 2017-2019, measures were taken to rehabilitate three major systemically important financial groups: Promsvyazbank, Otkritie, B&N Bank, and two regionally important banks: Moscow Industrial Bank and Asian-Pacific Bank.

Resolution measures have been applied to Promsvyazbank PJSC, Public Joint-Stock Company “Bank Otkritie Financial Corporation”, B&N Bank and PJSC Asian-Pacific Bank, which established permanent administration bodies, and now these banks are supervised by the Bank of Russia under the general mode.

- Deposit Insurance Agency acquired over 99.99% of Promsvyazbank PJSC’s shares, and then transferred them to the Russian government.
- Public Joint-Stock Company “Bank Otkritie Financial Corporation” and B&N Bank became a basis for a universal financial group.
- NB TRUST, Bank AVB and “Rost Bank” (JSC) provided a basis for the Non-Core Asset Bank, which received the non-core and bad assets of the banks under resolution.

Update on the current status

- **Bank FC Otkritie**
  Bank of Russia is developing a strategy for exiting the capital of the Otkritie Group with the help from investment consultants and is looking for investors who would buy the group’s shares.
  - Recapitalization: Rub 556 bn
  - Deposit Balance: Rub 0

- **Asian-Pacific Bank**
  Bank of Russia is looking for investors who would buy the Asian-Pacific Bank group’s shares.
  - Recapitalization: Rub 9 bn
  - Deposit Balance: Rub 0

- **NB Trust bank**
  Non-Core Asset Bank’s work with bad and non-core assets is planned to be completed in 2023. There are no plans to sell the bank afterwards.
  - Recapitalization: Rub 1 bn
  - Deposit Balance: Rub 1,668 bn

---

*A new bank resolution mechanism involving the Bank of Russia has been implemented since 2017. Besides, since 2008, the “credit” mechanism of bank resolution with DIA’s participation has also been in use. Under the latter mechanism, DIA engages an investor and afterwards may provide the bank with financial assistance at a preferential rate; such loans are funded by the Bank of Russia.*
BANKING SECTOR: KEY FIGURES

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

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

Figure 13: Banking sector profitability restored

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

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

*Since 1 November 2020 assets are shown net of created provisions. Data for retrospective periods restated.
*Since 1 January 2020 corporate loans include loans to financial and non-financial organizations (excl. credit organizations). Data for retrospective periods restated.
**YoY, ccy adj. by credit institutions operating as of the reporting date. Since 1 January 2020 annual growth rate is based on chain method. Data for retrospective periods restated.

Source: Bank of Russia
**BANKING SECTOR: FUNDING**

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

Figure 16: In November 2020 corporate deposits grew by 14.7% YoY to Rub 31.5 tn

- Corporate deposits, RUB tn, lhs
- YoY (ccy adj., by credit institutions operating as of the reporting date), rhs

*Since 1 January 2020 annual growth rate is based on chain method. Data for retrospective periods restated.

Figure 17: In November 2020 retail deposits demonstrated growth of 6.1% YoY, reaching Rub 32.5 tn

- Retail deposits, RUB tn, lhs
- YoY (ccy adj., by credit institutions operating as of the reporting date), rhs

*Since 1 January 2020 annual growth rate is based on chain method. Data for retrospective periods restated.

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

- Borrowings from the Bank of Russia (with minus sign)
- Claims to the Bank of Russia*
- Net claims to the Bank of Russia, rhs

*excluding Mandatory cash balances of credit institutions with the Bank of Russia

**Figure 19: Sources of funding, % of total liabilities**

- Retail deposits
- Central bank funding
- Corporate deposits
- Other sources

Source: Bank of Russia
BANKING SECTOR: LENDING
The growth pace of retail loans has started to moderate

Figure 20: Corporate lending increased 10.1% YoY in November 2020

Figure 21: Retail lending growth increased 13.9% YoY in November 2020

Figure 22: Share of bad corporate loans** slightly decreased to 10.1% in November 2020, while the bad loan loss reserves to bad loans ratio accounted for 73.7%

Figure 23: Due to COVID-19 pandemic retail loans quality demonstrates a slight decrease: the share of bad loans** reached 7.6% in November 2020

*Since 1 January 2020 corporate loans include loans to financial and non-financial organizations (excl. credit organizations). Data for retrospective periods restated.

**Since 1 January 2020 annual growth rate is based on chain method. Data for retrospective periods restated.

Source: Bank of Russia
BANKING SECTOR: MORTGAGE SEGMENT
Mortgage loans have been the key driver of credit expansion in 2020

Figure 24: Mortgage lending growth increased 20.4% YoY in November 2020

Figure 25: Share of NPLs remains at historically low levels

Figure 26: Distribution of mortgage loans by LTV

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

*Since 1 January 2020 annual growth rate is based on chain method. Data for retrospective periods restated.

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

2.0 for the whole term (excl. loans repaid with the use of maternity capital)

Source: Bank of Russia
BANKING SECTOR: UNSECURED CONSUMER LENDING

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

Figure 28: Unsecured consumer lending growth decreased to 9.2% YoY in November 2020

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

Figure 30: Share of NPLs amounted to 9.0% in November 2020

Source: Bank of Russia
## BANKING SECTOR: INTRODUCTION OF PTI

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

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

<table>
<thead>
<tr>
<th>EIR interval, %</th>
<th>0-10</th>
<th>10-15</th>
<th>15-20</th>
<th>20-25</th>
<th>25-30</th>
<th>30-35</th>
<th>35+</th>
</tr>
</thead>
<tbody>
<tr>
<td>0-30</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.1</td>
<td>0.3</td>
<td>0.5</td>
<td>0.8</td>
</tr>
<tr>
<td>30-40</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.2</td>
<td>0.4</td>
<td>0.6</td>
<td>0.9</td>
</tr>
<tr>
<td>40-50</td>
<td>0.2</td>
<td>0.2</td>
<td>0.2</td>
<td>0.6</td>
<td>0.9</td>
<td>1.0</td>
<td>1.3</td>
</tr>
<tr>
<td>50-60</td>
<td>0.5</td>
<td>0.5</td>
<td>0.5</td>
<td>1.0</td>
<td>1.3</td>
<td>1.4</td>
<td>1.7</td>
</tr>
<tr>
<td>60-70</td>
<td>0.9</td>
<td>0.9</td>
<td>0.9</td>
<td>1.4</td>
<td>1.6</td>
<td>1.8</td>
<td>2.0</td>
</tr>
<tr>
<td>70-80</td>
<td>2.0</td>
<td>2.0</td>
<td>2.0</td>
<td>2.1</td>
<td>2.2</td>
<td>2.3</td>
<td>2.5</td>
</tr>
<tr>
<td>80+</td>
<td>5.0</td>
<td>5.0</td>
<td>5.0</td>
<td>5.0</td>
<td>5.0</td>
<td>5.0</td>
<td>5.0</td>
</tr>
</tbody>
</table>

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

- Higher add-ons are applied to loans with PTI exceeding 50%.
- Banks calculate PTI in accordance with Appendix 1 to Bank of Russia Ordinance No. 4892-U when making a decision on granting a loan in the amount (total credit amount) of Rub 10,000 or more or an increase in the total credit amount on a bank card.

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

Risk-weight add-ons reduced since 1 September 2020
Banking Sector: Interest Rates

Interest rates trending down again after a temporary pickup over 2019

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

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

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

Source: Bank of Russia

*with maturities of over 1 year
BANKING SECTOR: DEDOLLARISATION

Dollarisation of the banking sector has notably reduced over the last years.

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

Figure 35: Retail FX loan portfolio is insignificant in size

Figure 36: Due to ruble depreciation the share of corporate and retail FX deposits in the total amount of deposits has risen vs. YE 2019

Figure 37: Risk weights applied to FX assets, %

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

Figure 38: Capital adequacy ratio for the banking sector remains stable (12.3% on 1 January 2020 and 12.4% 1 December 2020)

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

Source: Bank of Russia
BANKING SECTOR: SYSTEMICALLY IMPORTANT FINANCIAL INSTITUTIONS
The Bank of Russia has approved the list of SIFIs and buffers for capital adequacy ratios

List of systemically important financial institutions

<table>
<thead>
<tr>
<th>№</th>
<th>Company name</th>
<th>Assets, Rub tn</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Sberbank</td>
<td>35.0</td>
</tr>
<tr>
<td>2</td>
<td>VTB Bank</td>
<td>16.9</td>
</tr>
<tr>
<td>3</td>
<td>Gazprombank</td>
<td>7.6</td>
</tr>
<tr>
<td>4</td>
<td>Alfa-Bank</td>
<td>4.6</td>
</tr>
<tr>
<td>5</td>
<td>Russian Agricultural Bank</td>
<td>3.8</td>
</tr>
<tr>
<td>6</td>
<td>Credit Bank of Moscow</td>
<td>3.0</td>
</tr>
<tr>
<td>7</td>
<td>Bank FC Otkritie</td>
<td>2.8</td>
</tr>
<tr>
<td>8</td>
<td>Sovcombank</td>
<td>1.5</td>
</tr>
<tr>
<td>9</td>
<td>Promsvyazbank</td>
<td>n/a</td>
</tr>
<tr>
<td>10</td>
<td>Rosbank</td>
<td>1.5</td>
</tr>
<tr>
<td>11</td>
<td>Raiffeisenbank</td>
<td>1.4</td>
</tr>
<tr>
<td>12</td>
<td>UniCredit Bank</td>
<td>1.3</td>
</tr>
</tbody>
</table>

Assets as of December 2020

Systemically important financial institutions account for 75% of total assets of the Russian banking sector.

Capital adequacy requirements

Minimum Bank of Russia requirements for capital adequacy ratios

- Common equity Tier 1 capital ratio (N1.1) 4.50%
- Tier 1 capital (N1.2) 6.00%
- Total capital adequacy ratio (N1.0) 8.00%

Values of capital buffers

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

Minimum capital adequacy ratios for SIFI

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

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

MFIs

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

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

CBR keeps a state register of MFIs and supervises MFIs directly and via SROs. Currently there are about 7,300 MFIs.

24% of the entire MFO microloan portfolio are microloans to small to medium enterprises (bearing 5-10% interest rate thanks to state support via MFOs).

Payday Loans, i.e. small, short-term unsecured loans (up to Rub 30k for 30 days) at high rates, are not a development priority and account for 23% of the entire MFO microloan portfolio.

Starting from 1 October 2019, microfinance organisations have to calculate the PTI ratio when taking a decision on extending a loan of Rub 10,000 or more.
For loans with the borrower’s PTI in excess of 50%, the level of add-on to risk coefficients is set at 50% (65% starting from 1 January 2020).
FINANCIAL STABILITY
Macroprudential policy aimed at identifying and preventing potential systemic risks

**Lending activity and credit risks**
Growth in lending activity across sectors is varied. Against the backdrop of sustainable growth rates of lending to non-financial entities, accelerated growth paces of lending to individuals are reported.

Russian companies’ debt on external liabilities, debt securities and loans from Russian banks have increased from 57% to 67% of GDP\(^1\) since the start of the year. The rise in corporates’ debt burden is more than 50% as a result of revaluation of foreign currency liabilities.

The **unsecured consumer lending** market is recovering following negative trends in the first months of the pandemic. Annual growth rates of outstanding loans totalled 9.1%\(^2\) as of 1 November 2020. Banks uphold their lending standards.

Loan debt saw accelerated growth rates in the **mortgage sector**. Outstanding loans under ruble-denominated mortgage loans grew by 22.2%\(^3\) annually as of 1 November 2020. The quality of mortgage credit portfolio is also to a great extent determined by a balanced growth in property prices.

**Measures to support consumers and business amid the coronavirus outbreak**
Amid rising coronavirus infection rates in certain regions of the Russian Federation this autumn, anti-epidemic measures were tightened. In this context, the Bank of Russia decided to extend through 1 April 2021 its recommendation to financial organisations related to restructuring of loans to individuals and small and medium-sized entities confronted with an epidemic-induced deterioration in their financial position. Banks will be able to create these loan loss provisions through 1 July 2021.

**Capital adequacy**
The banking sector has a considerable stability margin in the form of the capital buffer of 5.5 tn rubles\(^4\), as well as the macroprudential capital buffer in the amount of 0.6 tn rubles, which can only be released based on a Bank of Russia decision. Both the capital stock and banks’ profits enable the sector to support consumers and business via loan restructuring and thereby continue lending to the economy. As of 2 December 2020, the amount of restructured household and corporate loans totalled over 6.5 tn rubles\(^5\).

---

\(^1\) According to Reporting Form 0409101, Rosstat, Cbonds.

\(^2\) According to Section 3 of Reporting Form 0409115. For credit institutions operating as of the last reporting date, including previously restructured banks.

\(^3\) According to Reporting Form 0409135. The calculated value as of 30 September 2020 is the minimum buffer to absorb losses estimated based on three capital adequacy ratios, as well as based on reclassified unaudited CET1 profits and the positive effect of loss on risk-weighted assets.

\(^4\) According to Reporting Form 0409135. The calculated value as of 30 September 2020 is the minimum buffer to absorb losses estimated based on three capital adequacy ratios, as well as based on reclassified unaudited CET1 profits and the positive effect of loss on risk-weighted assets.

\(^5\) According to a Bank of Russia survey.

---

**Decision**
**as of 18 December 2020**

“The Bank of Russia’s Board of Directors has decided to keep the countercyclical capital buffer (CCB) rate for Russian credit institutions at 0% of risk weighted assets...”

“...In the event of a further deterioration of credit standards and/or persistent accelerated growth in property prices, the Bank of Russia leaves open the option of a macroprudential policy tightening related to mortgage lending, aimed at maintaining the quality of banks’ mortgage loan portfolios.”
SECURITIES MARKET (1)
Russia’s financial market has been aligned with best international practices

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

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

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

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

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

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

- OFZ
- Corporate Bonds

CAGR +18%

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

- RUB bonds
- Eurobonds

CAGR +13%

Figure 42: “Bondisation” of the Russian financial market

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

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

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

*excl. overnight bonds

Sources: Moscow Exchange, Cbonds
SECURITIES MARKET (3)

Russian OFZ market provides relatively high yields amid investment grade reliability

Figure 44: Russian OFZ market volume keeps growing

Figure 45: Zero-coupon OFZ yield curve, %

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

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

Russia’s sovereign ratings
S&P: BBB- (stable), as of 15 Jan 2021
Moody’s: Baa3 (stable), as of 8 Feb 2019
Fitch: BBB (stable), as of 7 Aug 2020

Sources: Bank of Russia, Cbonds, Bloomberg
SECURITIES MARKET (4)
Demand for OFZs placements remains sustainably high

Figure 48: OFZ placement dynamics in 2018 - 2021 (Rub bn)

Sources: Bank of Russia, Ministry of Finance, National Settlement Depository
SECURITIES MARKET (5)

Russian equity market: key trends

Figure 49: Russian Equity market cap, Rub, bn & USD, bn

Figure 50: Market capitalization to GDP ratio, %

Figure 51: Russian equities market trading volumes proves stable

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

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

Figure 53: Russian MSCI index vs EM peers (1 January 2015 = 100%)

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

Source: Bloomberg
**CORPORATE GOVERNANCE**

New corporate governance standards reflect best international practices

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

<table>
<thead>
<tr>
<th>Corporate actions reform</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amendments to the JSC Law:</td>
</tr>
<tr>
<td>✓ Protection against dilution of stakes in the authorized capital of JSCs and violation of dividend rights</td>
</tr>
<tr>
<td>✓ Determination of the price at which the issuer repurchases – at the request of shareholders – shares admitted to trading, taking into account their weighted average cost</td>
</tr>
<tr>
<td>✓ Legal uncertainty with regard to the votes of parties controlled by a party with an interest in the transaction has been eliminated</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Securities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Securities issuance reform: the procedure of securities issuance was simplified, electronic registration of securities issues was launched</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Green, Social and Sustainable Finance</th>
</tr>
</thead>
<tbody>
<tr>
<td>✓ Stewardship Code</td>
</tr>
<tr>
<td>✓ Legal framework for Green, Social and Infrastructural Bond Issuance</td>
</tr>
<tr>
<td>✓ Special Disclosure rules for Green, Social and Infrastructural Bonds’ Issuers</td>
</tr>
<tr>
<td>✓ Mandatory right of redemption for green and social marked bond holders if capital allocated under issuance was used improperly</td>
</tr>
<tr>
<td>✓ Sustainable Development Sector for Bonds on the Moscow Exchange</td>
</tr>
<tr>
<td>✓ Two Sustainable Development Benchmarks (“Responsibility and Transparency”, “Sustainable Development Vector”)</td>
</tr>
</tbody>
</table>

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

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

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

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

☑ In 2015, the Bank of Russia became a signatory to the IOSCO MMoU.

☑ Intense cooperation with foreign financial market regulators in terms of exchanging information, including confidential information.

☑ Elaboration of international initiatives.

☑ The Bank of Russia improves continuous monitoring of on-exchange trading for the purposes of maintaining financial stability and preventing system shocks caused by misconduct.

☑ On-exchange trades are supervised by the Analysis Center to identify unusual activity online.
INVESTMENT FUNDS
Local institutional investor base: the potential of investment funds

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

<table>
<thead>
<tr>
<th>Country</th>
<th>Bank deposits</th>
<th>Cash</th>
<th>Insurance and pension assets</th>
<th>Securities</th>
<th>Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>USA</td>
<td>32%</td>
<td>51%</td>
<td>0%</td>
<td>6%</td>
<td>13%</td>
</tr>
<tr>
<td>UK</td>
<td>16%</td>
<td>56%</td>
<td>0%</td>
<td>6%</td>
<td>13%</td>
</tr>
<tr>
<td>Germany</td>
<td>22%</td>
<td>37%</td>
<td>0%</td>
<td>6%</td>
<td>13%</td>
</tr>
<tr>
<td>Italy</td>
<td>26%</td>
<td>41%</td>
<td>0%</td>
<td>6%</td>
<td>13%</td>
</tr>
<tr>
<td>Brazil</td>
<td>21%</td>
<td>53%</td>
<td>0%</td>
<td>6%</td>
<td>13%</td>
</tr>
<tr>
<td>Mexico</td>
<td>25%</td>
<td>0%</td>
<td>0%</td>
<td>6%</td>
<td>13%</td>
</tr>
<tr>
<td>China</td>
<td>60%</td>
<td>0%</td>
<td>0%</td>
<td>6%</td>
<td>13%</td>
</tr>
<tr>
<td>India</td>
<td>47%</td>
<td>0%</td>
<td>0%</td>
<td>6%</td>
<td>13%</td>
</tr>
<tr>
<td>Russia</td>
<td>13%</td>
<td>0%</td>
<td>0%</td>
<td>6%</td>
<td>13%</td>
</tr>
</tbody>
</table>

Figure 56: Assets of investment funds in Russia (Rub, tn)

Figure 57: Number of investment funds in Russia by type

<table>
<thead>
<tr>
<th>Type</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Closed-end</td>
<td>1,504</td>
<td>1,497</td>
<td>1,485</td>
<td>1,464</td>
<td>1,457</td>
<td>1,440</td>
</tr>
<tr>
<td>Open-end</td>
<td>1,457</td>
<td>1,440</td>
<td>1,428</td>
<td>1,411</td>
<td>1,400</td>
<td>1,395</td>
</tr>
<tr>
<td>Interval</td>
<td>1,456</td>
<td>1,445</td>
<td>1,434</td>
<td>1,427</td>
<td>1,416</td>
<td>1,411</td>
</tr>
<tr>
<td>ETF</td>
<td>1,508</td>
<td>1,501</td>
<td>1,494</td>
<td>1,488</td>
<td>1,482</td>
<td>1,477</td>
</tr>
<tr>
<td>Total</td>
<td>5,485</td>
<td>5,438</td>
<td>5,398</td>
<td>5,330</td>
<td>5,327</td>
<td>5,299</td>
</tr>
</tbody>
</table>

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

- Cash: 21%
- Equities: 23%
- Bonds: 17%
- Government bonds: 6%
- Foreign securities: 6%
- Real estate: 5%
- Real estate: 5%
- Authorized capital: 7%
- Other: 33%
NON-STATE PENSION FUNDS
Local institutional investor base: the potential of non-state pension funds

Figure 59: Pension assets in Russia (Rub, tn)

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

- The “one-year non-loss” rule was extended to “five-year non-loss” rule
- Stress-testing mechanism introduced
- Customers are now encouraged to stay with the same fund for no less than 5 years
- Since 2014 the Deposit Insurance Agency (DIA) guarantees the nominal value of mandatory savings
- Non-state pension funds are to bear fiduciary responsibility (since 18 March 2018)
- Non-state pension funds are to disclose their investment portfolios
- Corporatisation of non-governmental pension funds (NPFs) completed
- Work is in progress to improve financial stability of private pension funds (development of legislation, introducing mandatory state guarantee system for voluntary pension plans and mechanisms of private pension funds financial recovery under the Bank of Russia management)

Source: Bank of Russia
INSURANCE
Local institutional investor base: the potential of insurance market

Figure 61: Premium volume is gradually growing

Figure 62: Assets hit 3.4% of GDP

Figure 63: Premium structure in 3Q20 shows high level of market diversification

Figure 64: In 3Q20 market remained highly competitive with the Herfindahl-Hirschman Index equal to 757.5

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

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

National Card Payment System was created on 23 July 2014
As of 1 October 2020 more than 88.8 mln Mir payment cards were issued in Russia

- Mobile payments and contactless service Mir Pay are being developed
- Support of mobile payment service Samsung Pay
- Non-financial services are available on the basis of Mir payment cards
- Payment system Mir is developing a loyalty program that allows card holders to receive cashback (more than 15 mln Mir payment cards have already been connected)
- Co-badging projects with international payment systems: Maestro, JCB, AmEx and UnionPay
- Mir payment cards are accepted in 12 countries, including the Republic of Armenia, the Kyrgyz Republic, the Republic of Kazakhstan, the Republic of Belarus, Vietnam, Turkey and Cyprus
PAYMENT INFRASTRUCTURE (1/3)
Bank of Russia Payment System

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

Average daily figures (for 2020): **7.2 mln payments, Rub 7.4 tn**

83% of funds are transferred via real-time service

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

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

The **Faster Payments System** (FPS), launched on 28 January 2019, enables instant C2C interbank transfers 24/7/365 using a mobile phone number and C2B (customer–to-business) transfers. C2G (customer-to-government) and G2C (government-to-customer) transactions are currently in the pipeline. Starting April 2020, B2C (broker’s and MFIs’ operations) have been enabled, July 2020 – C2C pull-operations (transfer upon the recipient’s approval). As of December 2020 the FPS is offered by **210** Russian banks, including all systemically important banks.

Average monthly figures for 2020 – **29.4 mln transactions, Rub 202.8 bn.**
PAYMENT INFRASTRUCTURE (2/3)
Supervision and oversight in the national payment system (NPS)

Supervision in the NPS - The Bank of Russia's activity to monitor the compliance of NPS entities with the requirements of the law on the NPS and the regulations of the Bank of Russia aimed at ensuring stability and development of the NPS.

Market access:
• payment systems: registration of payment system operators (PSOs) and foreign payment system operators;
• money transfer operators - credit organizations (including electronic money operators): licensing.
CBR publishes lists of payment application providers, payment aggregators, foreign payment service providers, information exchange operators.

Subject to supervision:
• operations of an NPS entity (separately);
• its relationship with other market participants, disruption of such relationships and systemic risks.

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

<table>
<thead>
<tr>
<th>Number of NPS entities (as of October 2020)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Money transfer operators-credit organizations, including</td>
</tr>
<tr>
<td>electronic money operators</td>
</tr>
<tr>
<td>Payment system operators</td>
</tr>
</tbody>
</table>

1 Off-site supervision
Analyzing the activities of NPS entities and payment system participants as well as the organization and functioning of payment systems including payment infrastructure

2 On-site inspection
Conducting on-site inspections of NPS entities’ compliance with the requirements of the law on the NPS and the regulations of the Bank of Russia

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

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

1 Monitoring

Collection, systematization and analysis of information on the activities of the observed organizations, other NPS entities and related entities subject to oversight

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

2 Assessment

Assessment of the activities of the observed organizations (PSOs) and related entities subject to oversight in the context of best practices (in particular, the CPMI-IOSCO document "Principles for financial market infrastructures")

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

3 Initiation of changes

- Bank of Russia issues recommendations to the PSO based on the results of assessment.
- The PSO prepares an action plan for implementation of such recommendations.
- Bank of Russia monitors the implementation of recommendations by the PSO.

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

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

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

**Key areas of development**

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

FINTECH ASSOCIATION
Established on 28 December 2016 by the Bank of Russia with the participation of the largest financial institutions

Main goals
- Implementation of new technological solutions for the development of the Russian financial market
- Promotion of digitalization of the Russian economy

Main FinTech projects of the Bank of Russia and the FinTech Association:
- Digital identification
- Digital profile
- Faster Payments System
- Distributed ledger technology
- Open API
- Financial marketplace
MARKETPLACE
Shaping the future of financial services experience in Russia

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

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

KEY FINANCIAL CONSUMER PROTECTION WORKSTREAMS

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

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

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

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

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

Key initiatives in information security and cybersecurity

1. Exchanging information on computer attacks

2. Sharing regulations and best practices

3. Countering online misconduct in credit and finance

4. BRICS Best Practices Compilation as a topic for 2021

Key avenues of cooperation in information security

- Collecting, processing and exchanging information on computer attacks in credit and finance
- Analyzing the differences among jurisdictions, and sharing available internal practices with regard to how central banks protect themselves and financial institutions
- Holding consultations, seminars and conferences on best practices in countering computer attacks in credit and finance
- Providing assistance in returning funds stolen through fraud
- Developing a compilation of the BRICS countries’ Best Practices in information security
<table>
<thead>
<tr>
<th>Date Range</th>
<th>Event Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>February 5-12</td>
<td>Quiet period</td>
</tr>
<tr>
<td>February 12</td>
<td>Board of Directors pivotal meeting on monetary policy. Publication of an updated medium-term forecast.</td>
</tr>
<tr>
<td>February 17, 17:00</td>
<td>Conference call with institutional investors (Moscow time)</td>
</tr>
<tr>
<td>March 12-19</td>
<td>Quiet period</td>
</tr>
<tr>
<td>March 19</td>
<td>Board of Directors meeting on monetary policy</td>
</tr>
<tr>
<td>April 9-11*</td>
<td>Ad-hoc meetings with investors on the sidelines of the IMF/WB meetings</td>
</tr>
<tr>
<td>April 16-23</td>
<td>Quiet period</td>
</tr>
<tr>
<td>April 23</td>
<td>Board of Directors pivotal meeting on monetary policy. Publication of an updated medium-term forecast.</td>
</tr>
<tr>
<td>April 28, 17:00</td>
<td>Conference call with institutional investors (Moscow time)</td>
</tr>
<tr>
<td>June 4-11</td>
<td>Quiet period</td>
</tr>
<tr>
<td>June 11</td>
<td>Board of Directors meeting on monetary policy</td>
</tr>
<tr>
<td>July 16-23</td>
<td>Quiet period</td>
</tr>
<tr>
<td>July 23</td>
<td>Board of Directors pivotal meeting on monetary policy. Publication of an updated medium-term forecast.</td>
</tr>
<tr>
<td>July 28, 17:00</td>
<td>Conference call with institutional investors (Moscow time)</td>
</tr>
<tr>
<td>September 3-10</td>
<td>Quiet period</td>
</tr>
<tr>
<td>September 10</td>
<td>Board of Directors meeting on monetary policy</td>
</tr>
<tr>
<td>October 15-17*</td>
<td>Ad-hoc meetings with investors on the sidelines of the IMF/WB meetings</td>
</tr>
<tr>
<td>October 15-22</td>
<td>Quiet period</td>
</tr>
<tr>
<td>October 22</td>
<td>Board of Directors pivotal meeting on monetary policy. Publication of an updated medium-term forecast.</td>
</tr>
<tr>
<td>October 27, 17:00</td>
<td>Conference call with institutional investors (Moscow time)</td>
</tr>
<tr>
<td>December 10-17</td>
<td>Quiet period</td>
</tr>
<tr>
<td>December 17</td>
<td>Board of Directors meeting on monetary policy</td>
</tr>
</tbody>
</table>

International Cooperation Department  
Tel.: +7 (495) 771-90-68  
Email: investormeetings@mail.cbr.ru  
Website: cbr.ru/eng/about_br/irp/

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