

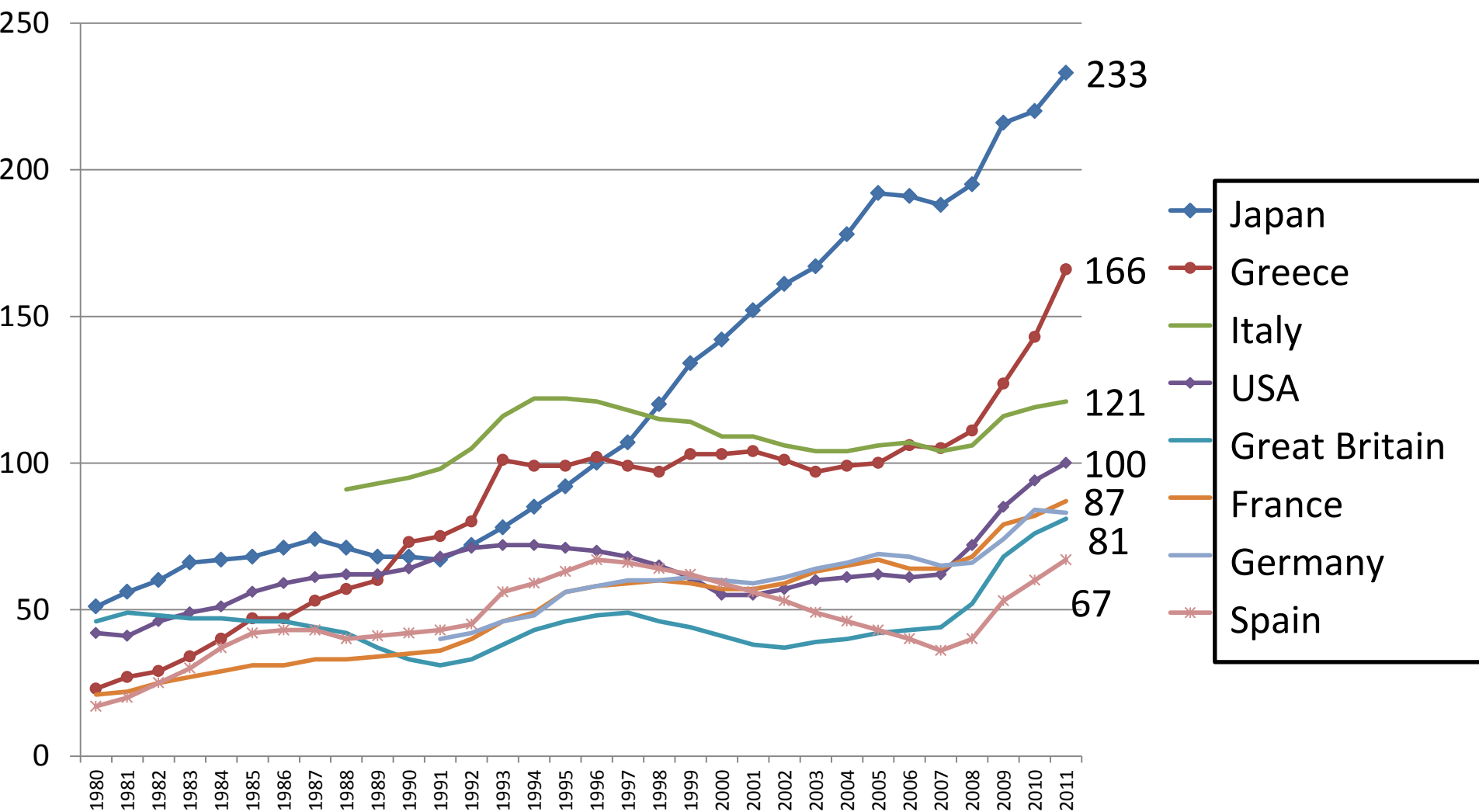
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Russian banking system: problems and challenges

Russian delegation visit to South America

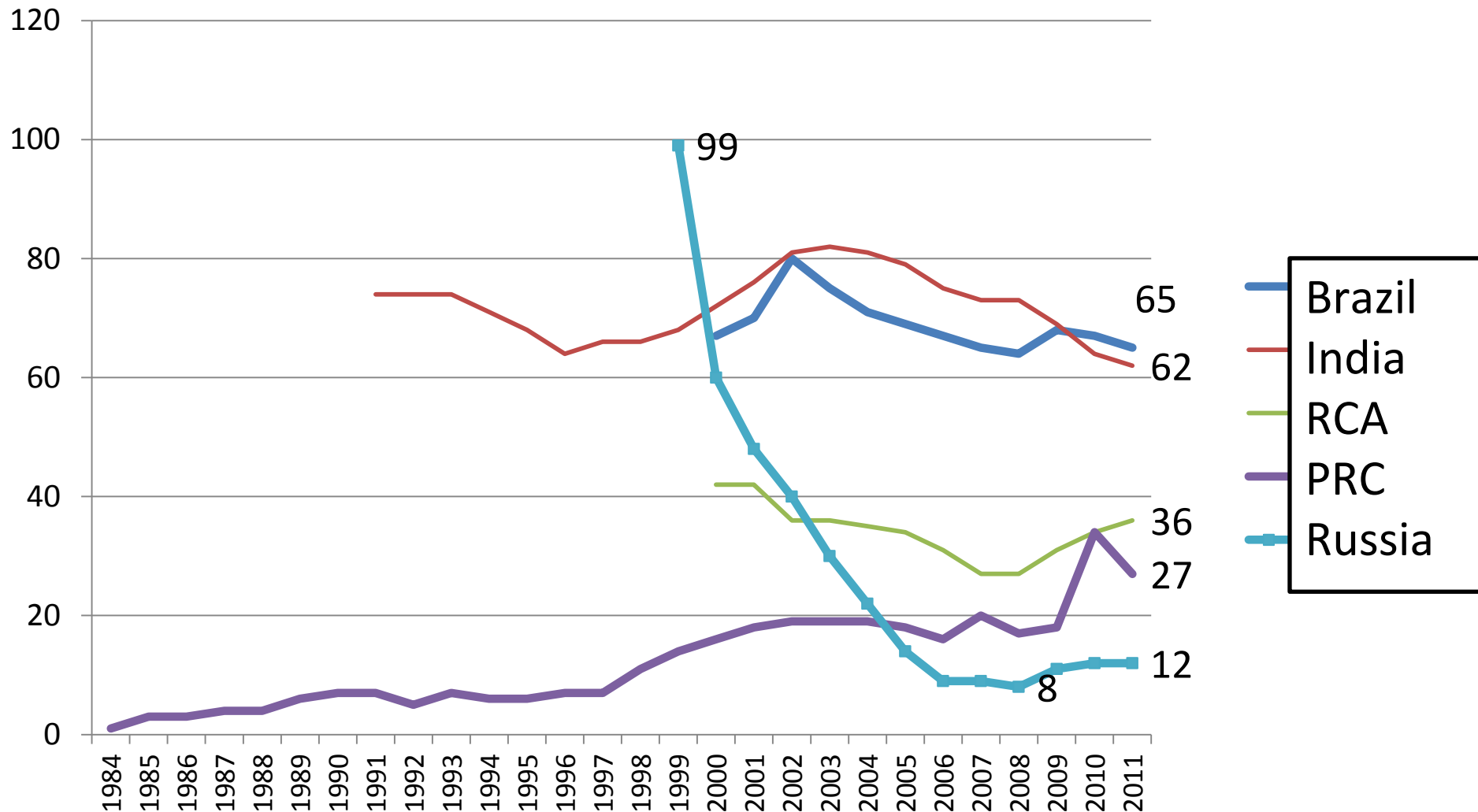
February, 24 – March, 1 2012

RATIO OF GROSS PUBLIC DEBT OF DEVELOPED ECONOMIES TO GDP, %



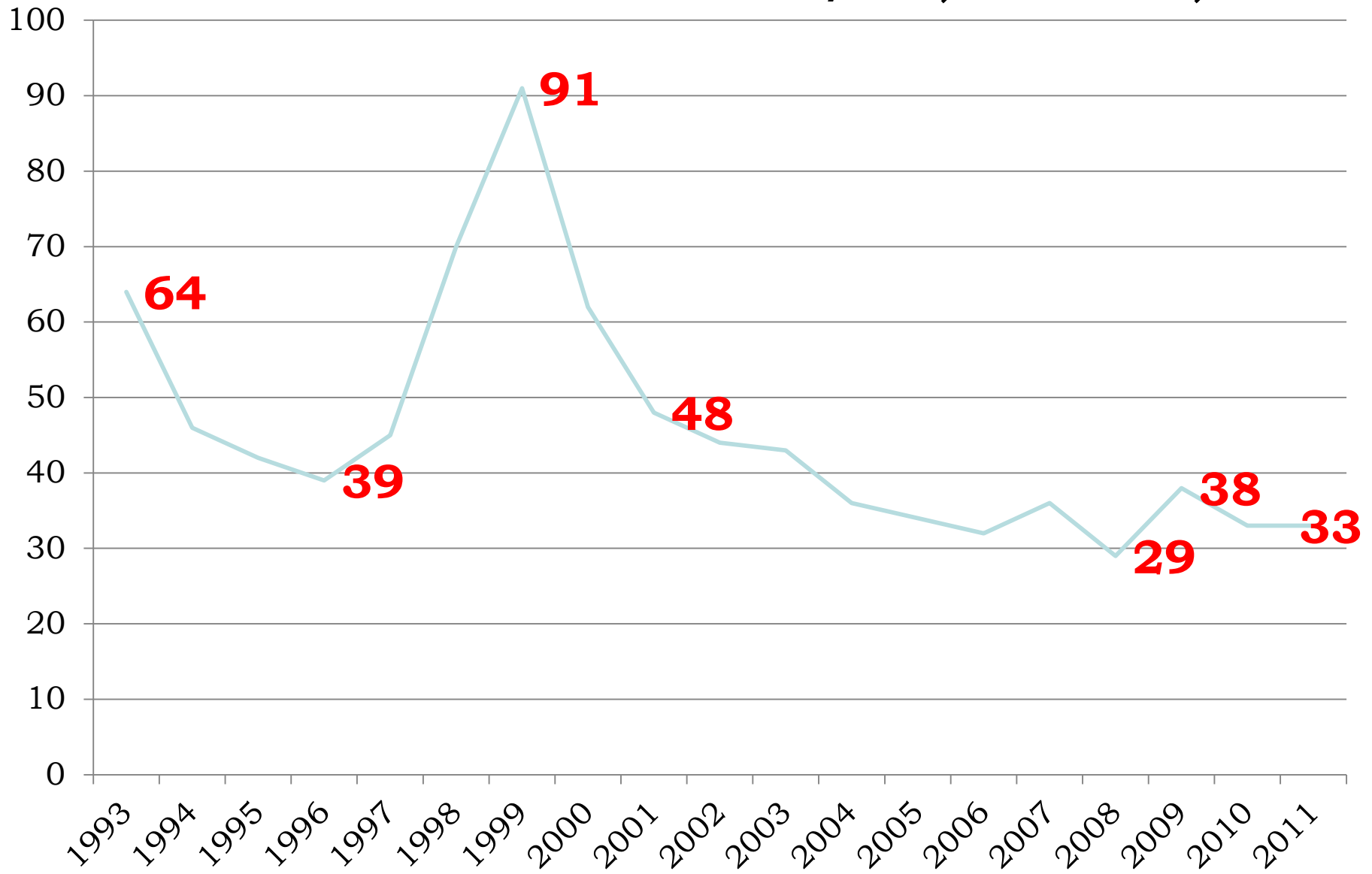
Source : IMF WEO Database, Sept.2011

RATIO OF GROSS PUBLIC DEBT TO BRICS GDP, %



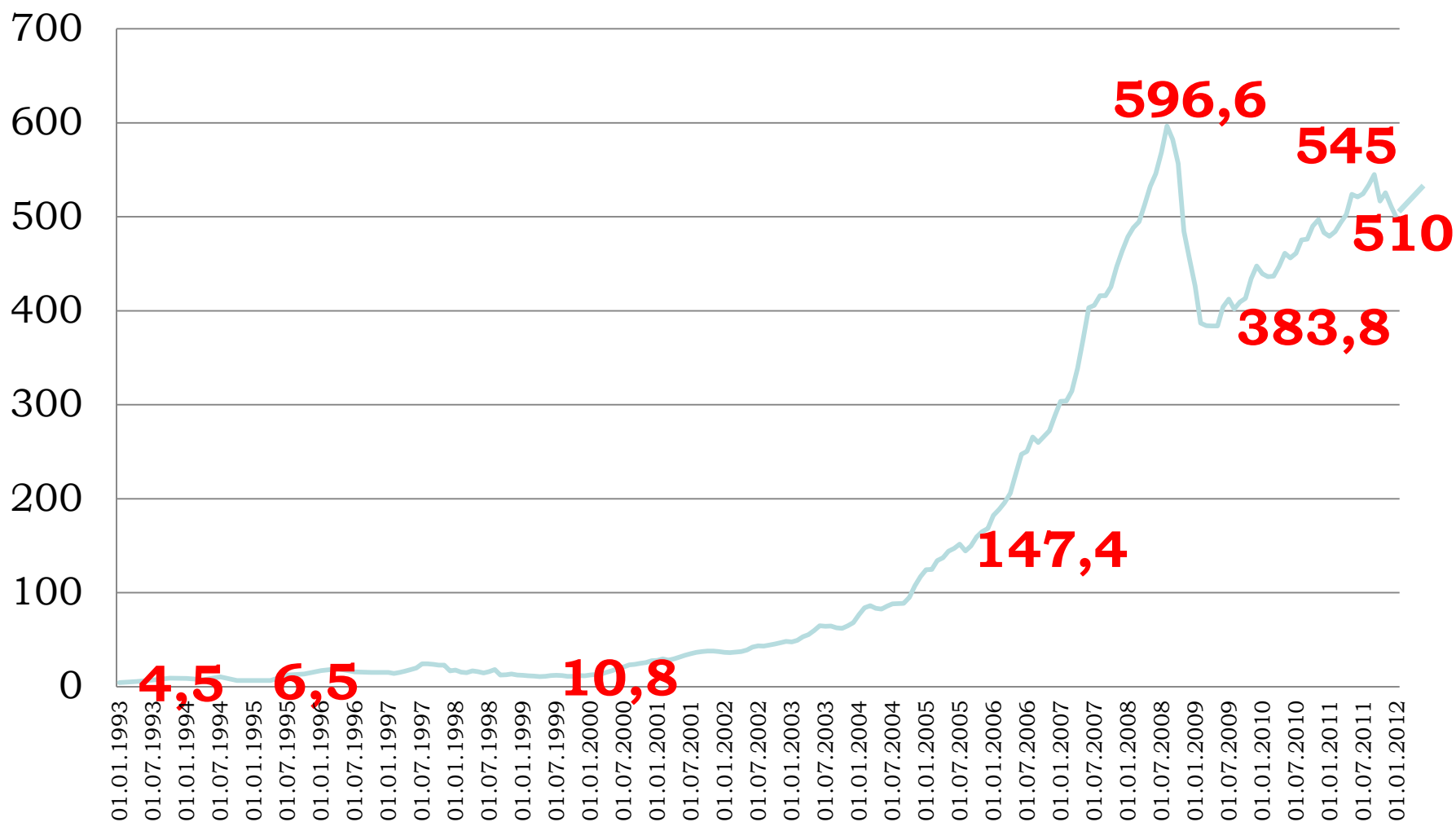
Source: IMF WEO Database, Sept.2011

EXTERNAL DEBT OF RUSSIA/GDP, 1993-2011, %



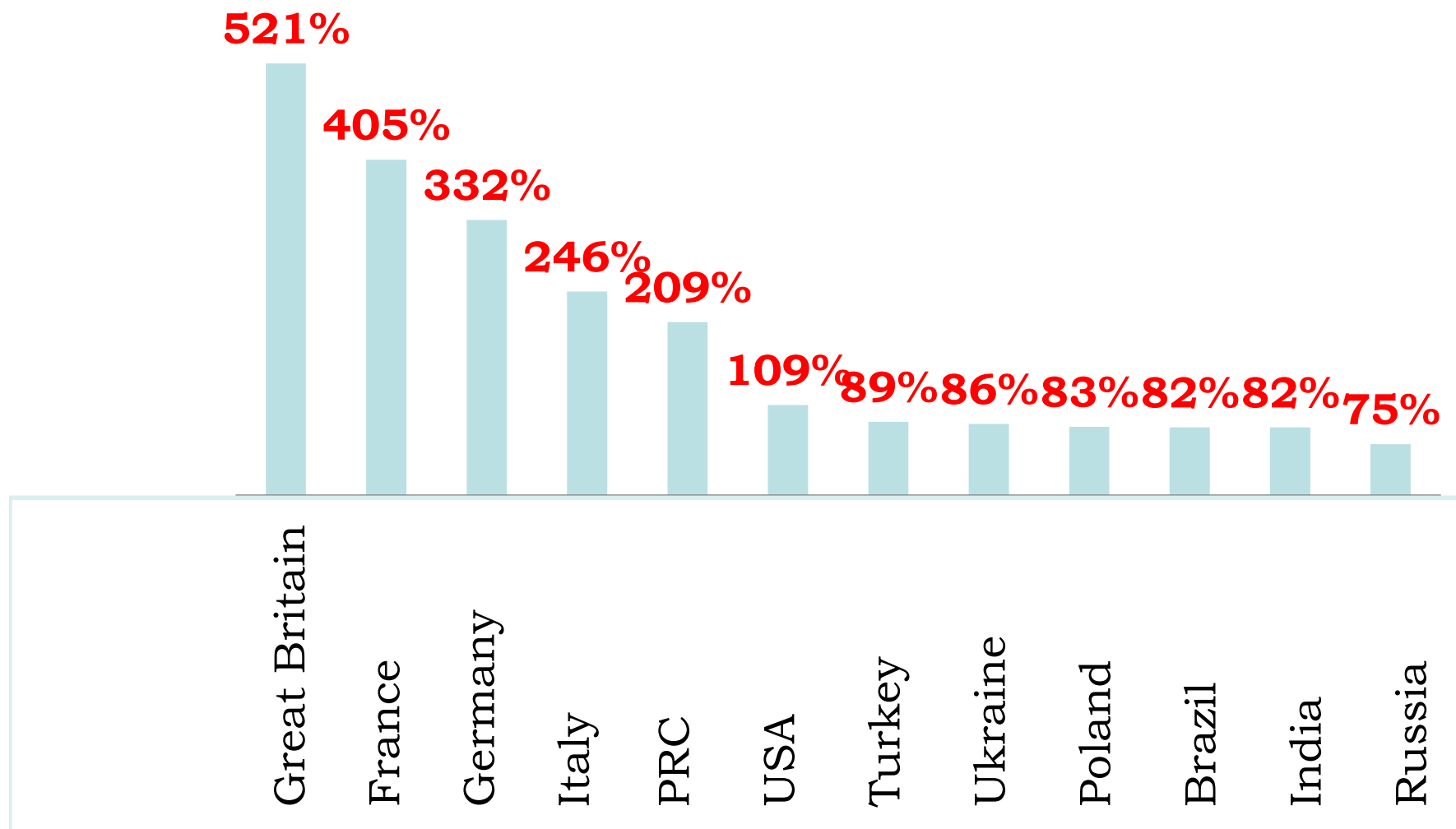
Source: the Central Bank of Russia, IMF

INTERNATIONAL RESERVES OF THE RUSSIAN FEDERATION billion. \$, 1993-2011



Source: the Central Bank of Russia

RATIO OF BANK ASSETS TO GDP IN SELECTED COUNTRIES



Source: International Financial Statistics. Nov., 2011; European Banking Federation (European Banking Statistics 2010)

BRICS FINANCIAL MARKETS FIGURES				
	Bank assets, billion \$, 2010	NAV of open investment funds, billion \$, 2010	Assets of pension funds, billion \$, 2009	The volume of collected insurance premiums billion \$, 2010
PRS	12313	365	-	215
Brazil	2427	980	288	64
India	1346	111	62	78
Russia	927	4	15	42
RSA	390	142	150	53
Ratio in the world	17,4%	6,50%	1,80%	10,40%

Source: IMF (International Financial Statistics. Nov.2011), ICI, Swiss Re, OECD

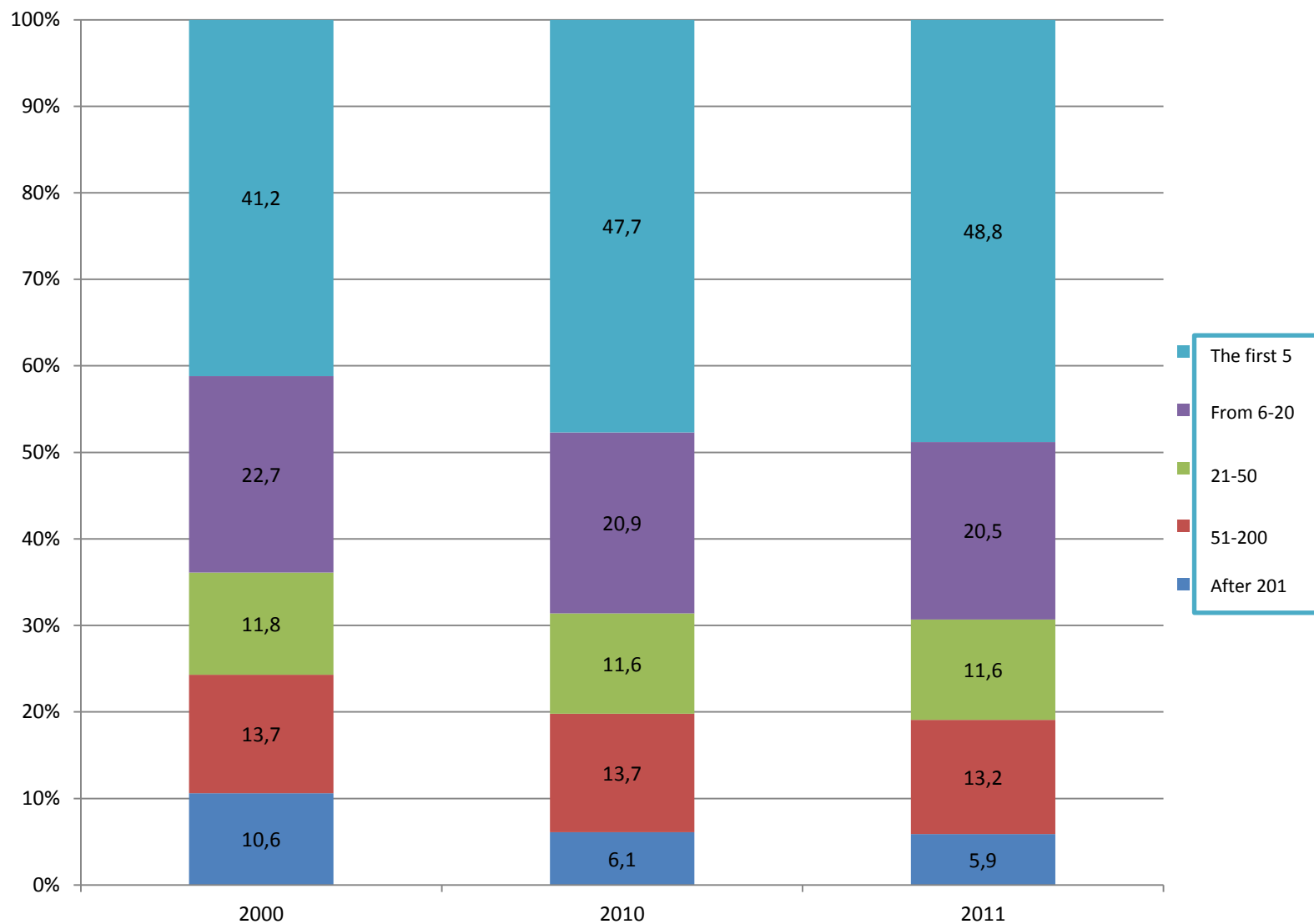
FACTORS INFLUENCING ON RUSSIAN BANKING SYSTEM IN 2010-2011:

- The end of the recession in Russian economy. Economic growth in 2011 - 4.3% , growth forecast for 2012 - 3.8%.
- Growing demand for credit from the corporate sector. Especially considerable demand for "long money".
- Growing demand for credit from the population of Russia. Changing of the propensity to save on consumption preferences.
- The second wave of financial crisis in the EU and the outflow of foreign investors from the financial market of Russia. Limitation of crediting from the EU banking institutions.
- The aggravation of the liquidity problems in late 2011 - early 2012 in Russian banking system. The growth in demand from banks for loans of the Central Bank of Russia secured by financial obligations of customers (repos with securities).

BASIC FIGURES OF RUSSIAN BANKING SYSTEM, % GDP

RATIO TO GDP	2006	2007	2008	2009	2010	2011
Assets	51,88	60,53	67,89	75,88	75,22	77,11
Credits	35,17	42,98	48,31	51,25	49,33	51,10
Corporate loans	22,17	28,02	30,31	32,34	31,29	32,21
Consumer loans	6,99	8,94	9,73	9,21	9,09	11,05
Interbank lending	3,85	4,27	6,06	7,03	6,50	7,87
Purchased Securities	6,48	6,77	5,73	11,11	12,97	12,34
Own funds (equity)	6,29	8,04	9,23	11,91	10,53	10,70
Borrowed funds	42,00	49,33	56,29	59,57	59,53	66,47
Deposits	14,15	15,52	14,31	19,30	21,85	22,35
Corporate deposits	5,73	10,59	11,98	14,09	13,43	13,76
Borrowings from the Central Bank of Russia	0,05	0,10	8,17	3,67	0,72	0,45
Borrowings from credit institutions	7,01	9,03	9,66	8,74	8,92	8,85
Income	1,38	1,53	0,99	0,53	1,28	1,32

CONCENTRATION IN BANKING SYSTEM



CHALLENGES FOR THE BANKING SYSTEM

- Essential dependence of Russian economy on foreign economic conditions - the price for oil and raw materials, the crisis of Eurozone,
- High proportion of state participation in banking system, dominant position of banks with state participation, dependence on budget funding,
- The need to keep inflation at the reached level (6%), while maintaining the stability of the ruble,
- The absolute amount of overdue debt on loans extended by banks in 2011 amounted to 1,000 billion rubles. excluding Sberbank and VTB Group, i.e. it was 4-5 times higher than pre-crisis rate. However, due to the growth of lending the share of "bad debt" is reduced,
- The share of overdue loans in the amount of the consumer loans in 2011 was about 7.0%. The share of overdue loans to businesses - about 5.0%.

CHANGING OF PRIORITY OF THE CENTRAL BANK MONETARY POLICY

- Objective: to reduce inflation to 4-5% per year in 2014
- In the coming three-year period, the Central Bank of Russia will complete the transition to inflation targeting on the basis of the establishment of the target interval of consumer price index (CPI)
- Transition to a floating exchange rate of ruble. Intervention of the Central Bank of Russia in order to smooth volatility of the exchange rate.
- The Central Bank of Russia interest rate policy is focused on short-term interbank lending rate during the swap transactions with banks.

STRENGTHENING OF BANKING SUPERVISION

- Monitoring of the financial stability in Russian banking sector:
 - Supervision regime differentiated by category of commercial banks according to their systemic importance;
 - The task of supervision - assess the risks taken by individual banks;
 - Increased requirements for transparency, principles of internal control, following the principles (compliance);
- Increasing requirements to obedience of regulations and covenants established by the Central Bank of Russia
- Preservation of the basic tools of additional liquidity providing to banks by the Central Bank in the event of crisis