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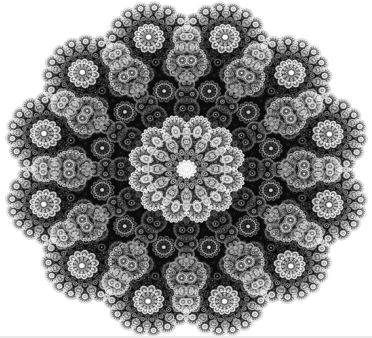


MONTHLY REVIEW OF RUSSIAN BANKING SYSTEM AS OF 01.08.2018

**MARKET REVIEW, TENDENCIES,
BALANCE SHEET STRUCTURE,
CHANGES FOR THE MONTH**

This report is prepared basing on the results of July 2018 (incoming figures for 01.08.2018) as compared to the incoming figures for 01.04.2018. The tendencies in Russian banking system can be summarised as follows.

1. Balance value grew by RUB 3tn трлн рублей, exceeding RUB 84tn (according to BSC methodology). The share of balance value denominated in Russian Roubles in total growth is RUB 2,4tn (growth by 4%); foreign currency balances decreased by USD 15bn (–5%), it's growth in RUB equivalent is a result of RUB devaluation by 8,88% (from 57,2649 to 62,3497 for the reporting period). **See pages 3—4.**

2. Growth in individual and corporate deposits and current accounts nominated n Russian Roubles reflected in increase in corporate loans (mainly, Sberbank, + 0,8%) and consumer loans. As a result, the term structure of the balance sheet did not change (**see pages 3—5**).

3. Shrinking in foreign currency deposit base (corporate deposits fell by 6,9%, individual deposits fell by 3,5%) transferred to corporate lending decrease (mainly, short-term lending). **See pages 3—4, 6, 7, 12.**

4. Individual deposits grew uniformly in the market. Banks from 6—20 grouping increased their market share at the account of Otkrytie group. **See pages 9—11.**

5. We still do not see any signals of retail lending deceleration. However, to prevent the situation of 2015 freeze in the market, we recommend to model expected losses for the time horizon of at least 3 years. The modelling should cover loan risk maturation, credit allowance maturation, macroeconomic stress tests and stress tests of credit quality decrease. Despite macroeconomic conditions remain positive for the retail lending, the situation may change. **See pages 15—18.**

Note. Unique analysis results available only for BSC clients are highlighted by the stamp ¡Unique Analysis¡.

Legend

This reports shows market shares, product shares in balance sheets, changes in banking sector. Product shares to total balance sheet figures are shown in percents unless another notation explicitly is applied. Numerical changes in values are corresponded by +/– signs.

Diagrams in the headings show shares of product nominated in **Russian Roubles** and **foreign currencies** in the **total belence sheet**.

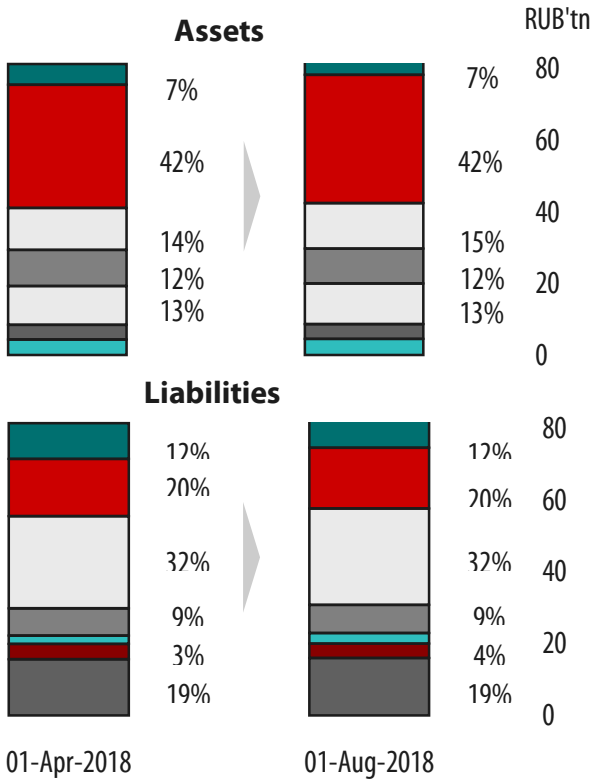
Group of banks denoted as 6—20 consists of Alfa Bank, National Clearing Centre (since October 2018 it is not a bank), Unicreditbank (Russian subsidiary), Promsvyazbank, Reiffeisenbank (Russian subsidiary), Moscow Credit Bank, Rosbank (member of Societe General), Binbank (under sanation), Bank "Saint Petersburg", Bank "Russia", Ak Bars, Russian Standard Bank, SMP-Bank, Citibank (Russian subsidiary), SvyazBank.

BALANCE SHEET FOR THE WHOLE BANKING SYSTEM 3

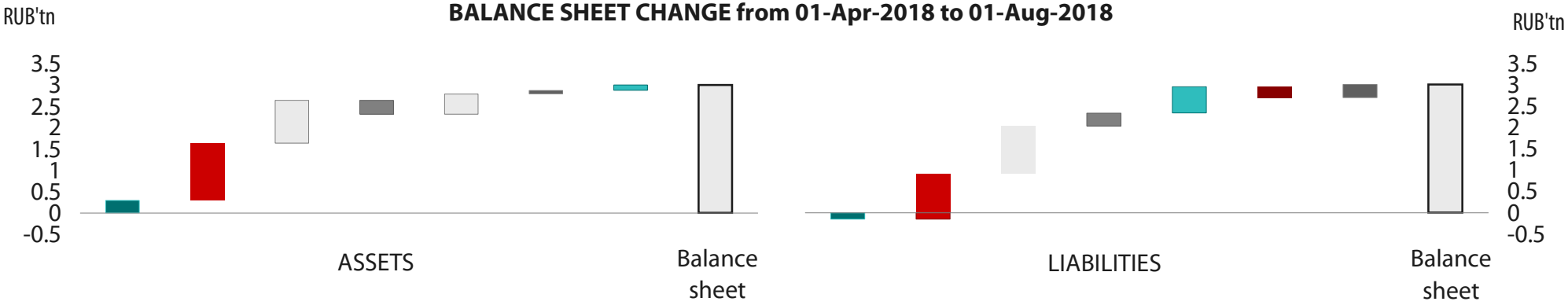
RUB'tn	01-Aug-2018		01-Apr-2018		Change	
Cash + Nostro + Settlements	6.12	7.3%	5.82	7.2%	+0.30	+5%
Corporate Loans	35.80	42.5%	34.46	42.4%	+1.34	+4%
Individual Loans	12.74	15.1%	11.73	14.4%	+1.01	+9%
Central Bank Accounts	9.73	11.5%	10.06	12.4%	–0.33	–3%
Securities	11.28	13.4%	10.81	13.3%	+0.48	+4%
Investments	4.17	4.9%	4.09	5.0%	+0.08	+2%
Other Assets and Liabilities	4.46	5.3%	4.33	5.3%	+0.13	+3%
Assets Total	84.30	100%	81.29	100%	+3.00	+4%
Corporate Current Accounts	9.81	11.6%	9.96	11.8%	–0.15	–2%
Corporate Term Deposits	16.98	20.1%	15.91	18.9%	+1.07	+7%
Individual Clients' Accounts	26.76	31.7%	25.64	30.4%	+1.11	+4%
Interbank Deposits + Loro	7.87	9.3%	7.57	9.0%	+0.30	+4%
Central Baknk Deposits	2.96	3.5%	2.33	2.8%	+0.62	+27%
Securities Issued	4.00	4.7%	4.26	5.1%	–0.26	–6%
Equity + PL + Provisions	15.93	18.9%	15.62	18.5%	+0.31	+2%
Liabilities Total	84.30	100%	81.29	100%	+3.00	+4%

*Corporate non-residents' accounts are classified as Securities Issued as the major share of such accounts are combined of scurities and structured notes.

BALANCE SHEET COMPOSITION AND PRODUCT SHARES



BALANCE SHEET CHANGE from 01-Apr-2018 to 01-Aug-2018



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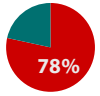
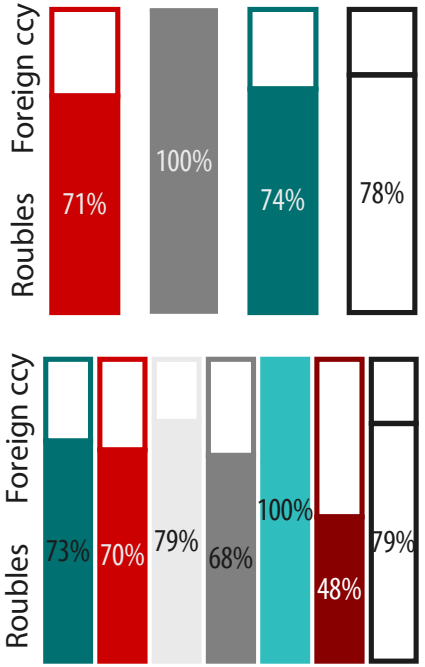


BALANCE SHEET CURRENCY COMPOSITION 4

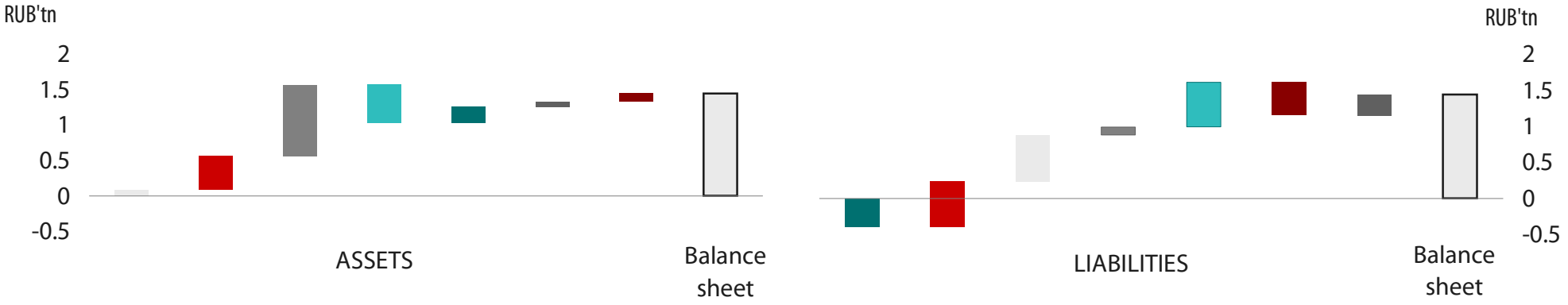
01-Apr-2018	RUB				FOREIGN CURRENCY				TOTAL*			
	RUB'tn		Ch.	Ch, %	USD'bn		Ch.	Ch, %	RUB'tn		M/M	WoCE
Cash + Nostro + Settlements	3.6	5%	+0.16	+5%	40	14%	–1.11	–3%	6.1	+0.09	+5%	+1%
Corporate Loans	25.6	39%	+0.84	+3%	164	56%	–5.82	–3%	35.8	+0.48	+4%	+1%
Individual Loans	12.7	19%	+1.02	+9%	1	0%	–0.23	–18%	12.7	+1.00	+9%	+9%
Central Bank Accounts	7.5	11%	–0.20	–3%	36	12%	–5.37	–13%	9.7	–0.54	–3%	–5%
Securities	8.3	13%	+0.39	+5%	47	16%	–2.69	–5%	11.3	+0.22	+4%	+2%
Investments	4.1	6%	+0.08	+2%	0	0%	–0.03	–7%	4.2	+0.08	+2%	+2%
Other Assets and Liabilities	4.2	6%	+0.08	+2%	4	1%	+0.52	+17%	4.5	+0.11	+3%	+3%
Assets Total	66.1	100%	+2.36	+4%	292	100%	–14.71	–5%	84.3	+1.44	+4%	+2%
Corporate Current Accounts	7.1	11%	–0.11	–1%	43	15%	–4.61	–10%	9.8	–0.40	–2%	–4%
Corporate Term Deposits	11.9	18%	+0.88	+8%	82	29%	–4.03	–5%	17.0	+0.63	+7%	+4%
Individual Clients' Accounts	21.2	32%	+0.85	+4%	89	31%	–3.27	–4%	26.8	+0.64	+4%	+2%
Interbank Deposits + Loro	5.4	8%	–0.03	–	40	14%	+2.29	+6%	7.9	+0.11	+4%	+1%
Central Baknk Deposits	3.0	4%	+0.62	+27%	0	0%	–	–	3.0	+0.62	+27%	+27%
Выпущенные ценные бумаги	1.9	3%	–0.09	–5%	34	12%	–5.88	–15%	4.0	–0.46	–6%	–10%
Equity + PL + Provisions	15.9	24%	+0.29	+2%	–	–	–	–	15.9	+0.29	+2%	+2%
Liabilities Total	66.4	100%	+2.41	+4%	288	100%	–15.50	–5%	84.3	+1.44	+4%	+2%

*M/M — changes measured in RUB equivalent, WoCE — changes measured after exchange rate effects.

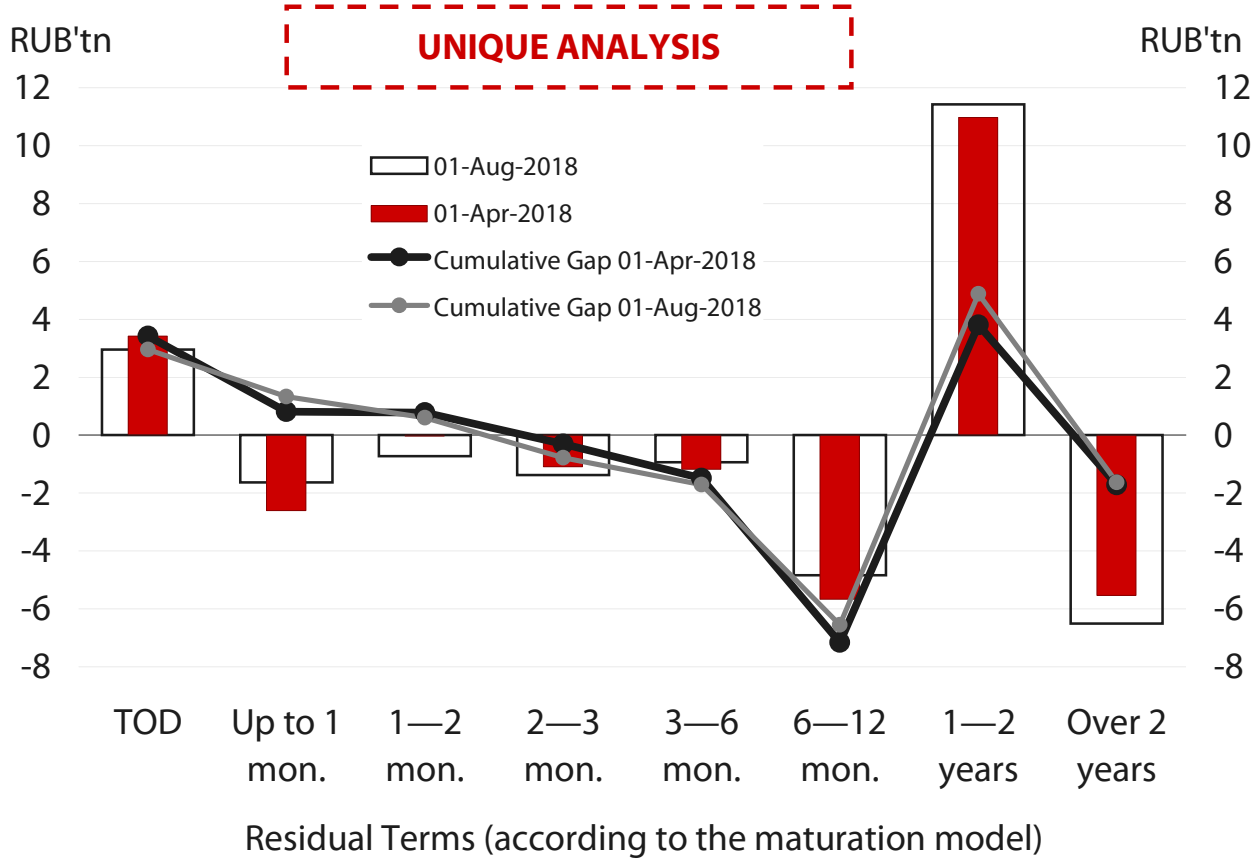
CURRENCY COMPOSITION

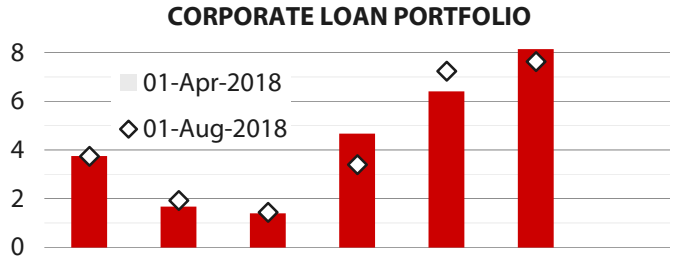


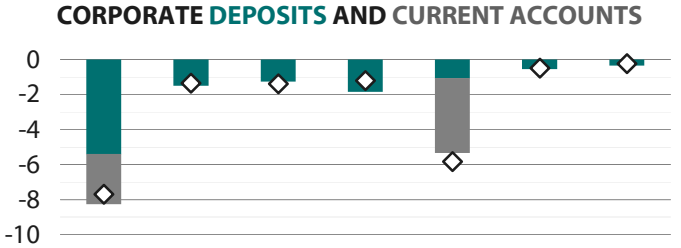
BALANCE SHEET CHANGE from 01-Apr-2018 to 01-Aug-2018

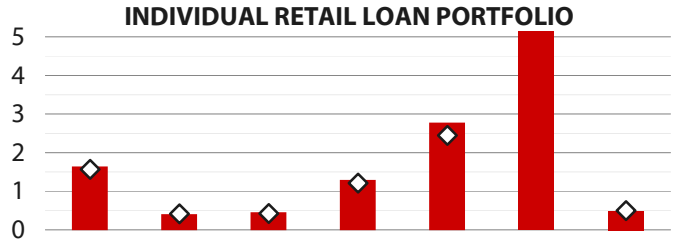


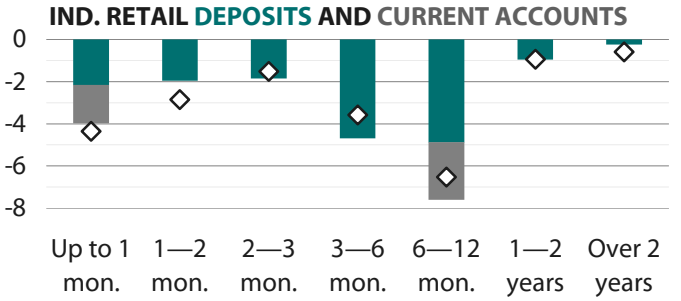
TERM GAP (ROUBLE PART OF BALANCE SHEET)











Balance sheet figures are distributed on their residual terms as follows.

1. Corporate and individual loan portflios, interbank loans and deposits, corporate and individual deposit portfolios are distributed in accordance with BSC behavioural model. Obligatory reserves are distributed like their calculation base.
2. Corporate current accounts are distributed as 40% for the 1 month term and 60% for the 1 year term. This approach roughly corresponds to LCR model, however it requires further clarification.
3. Nostro and loro accounts are considered as today.
4. Security investments are distributed according to expert liquidation term: 50% for the 1 month term, 20% for the term of 1—2 months, 30% for 2 years.
5. All bonds issued are considered as of 1 year residual term.

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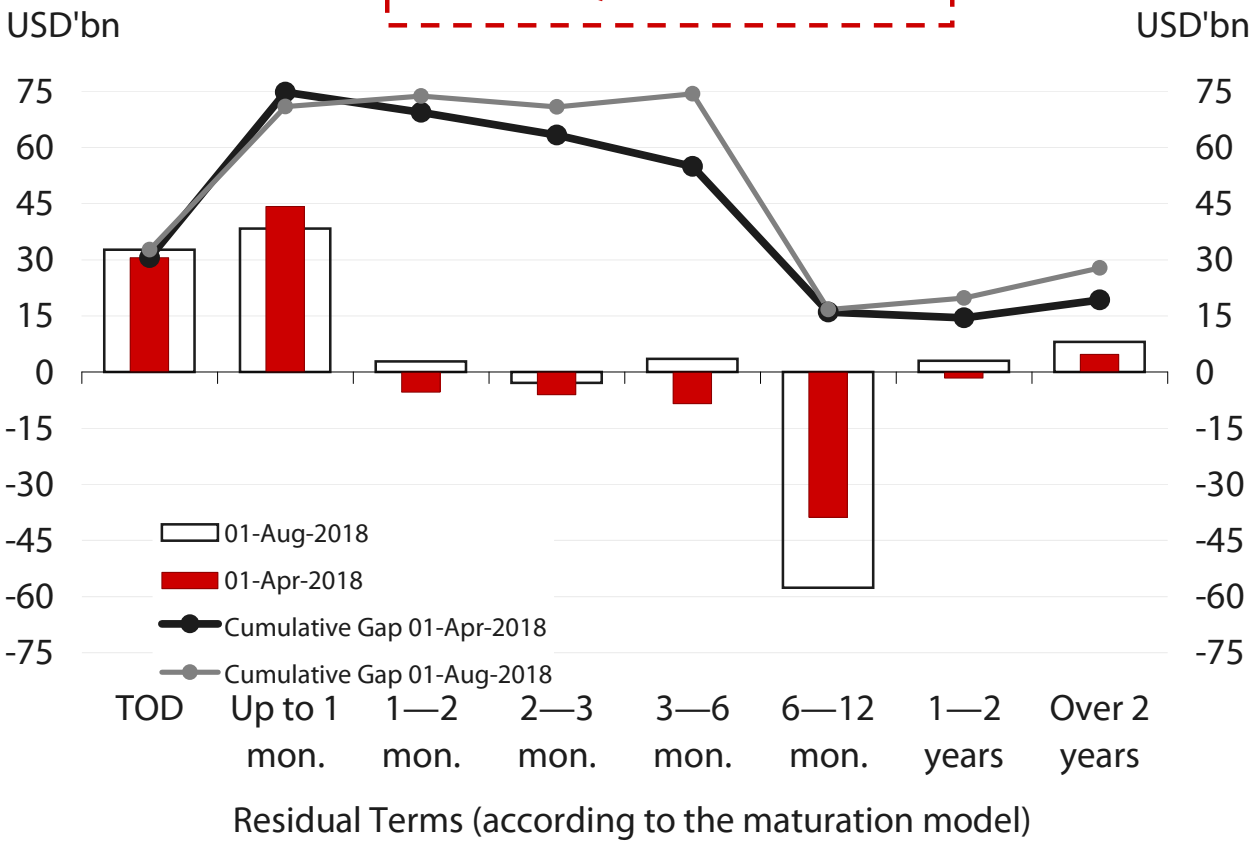
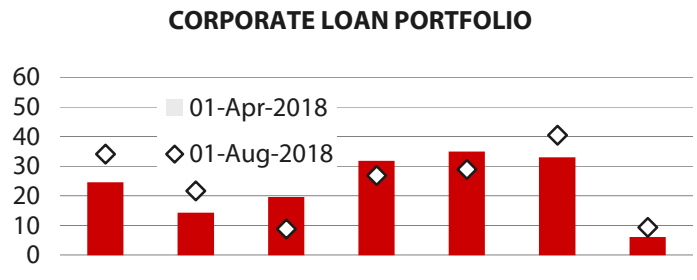
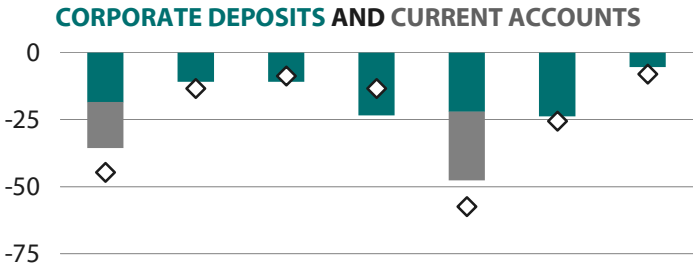
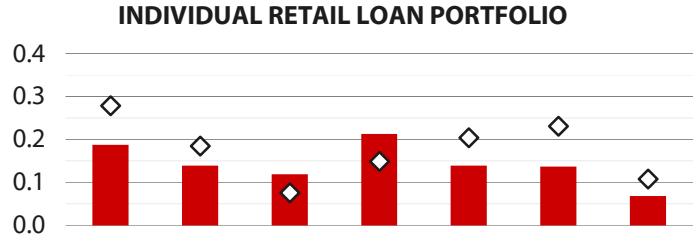
TERM GAP (FOREIGN CURRENCIES PART OF BALANCE SHEET)

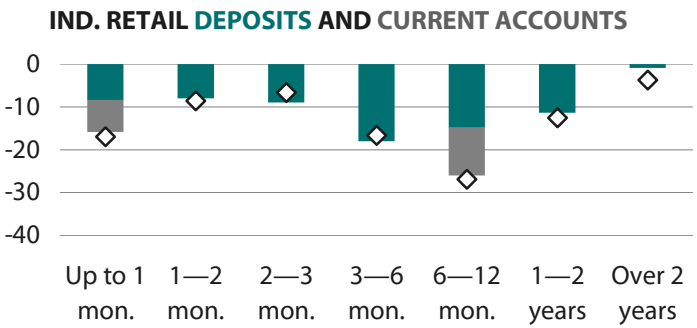
UNIQUE ANALYSIS











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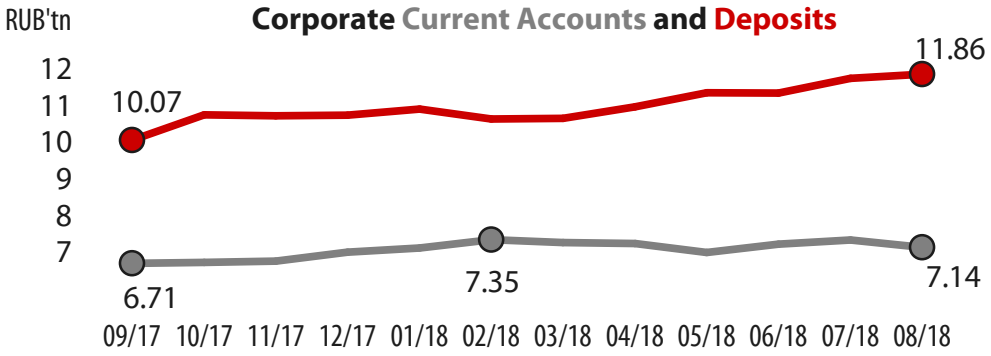
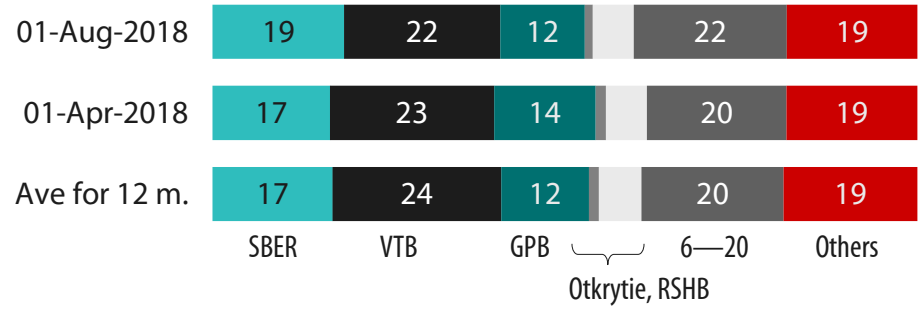
2. Corporate current accounts are distributed as 40% for the 1 month term and 60% for the 1 year term. This approach roughly corresponds to LCR model, however it requires further clarification. Moreover, this approach significantly overestimates foreign currency liquidity, that is reflected in gap figures.
3. Nostro and loro accounts are considered as today.
4. Security investments are distributed according to expert liquidation term: 50% for the 1 month term, 20% for the term of 1—2 months, 30% for 2 years.
5. All bonds issued are considered as of 1 year residual term.

RUSSIAN ROUBLES

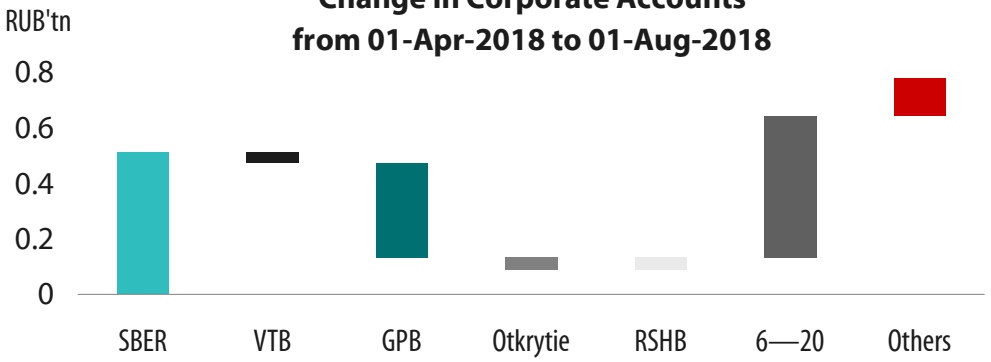
Corporate Current Accounts and Deposits



Market Shares, %

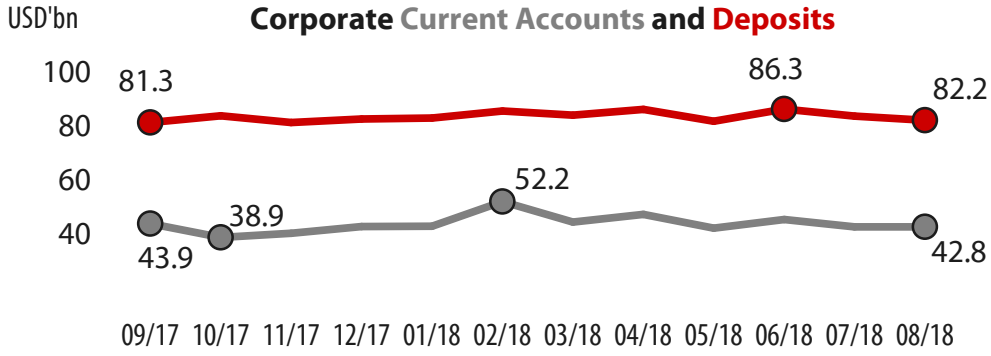


Change in Corporate Accounts from 01-Apr-2018 to 01-Aug-2018

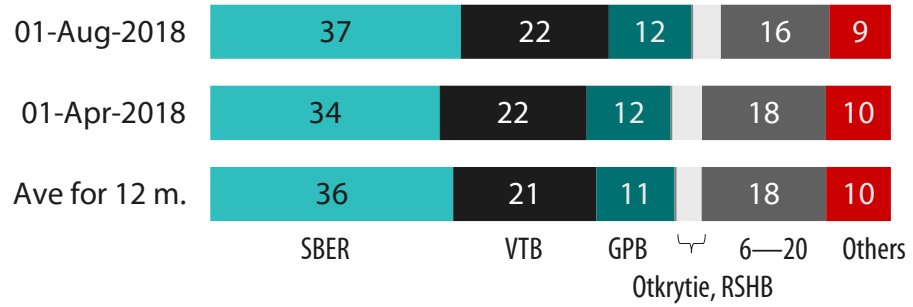


FOREIGN CURRENCY

Corporate Current Accounts and Deposits



Market Shares, %



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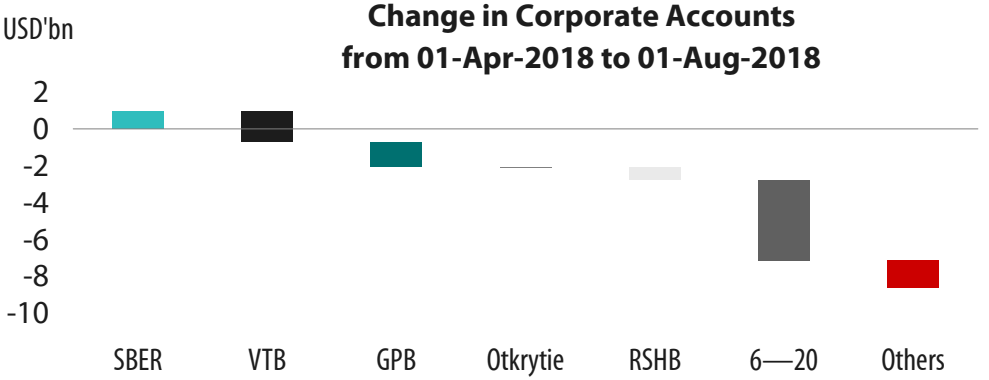

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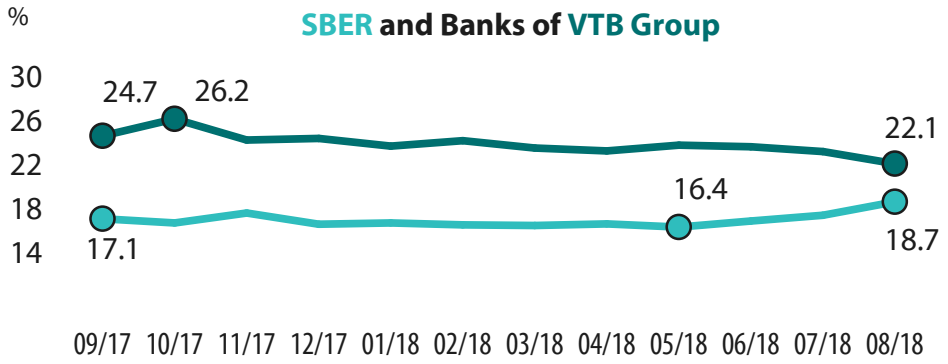
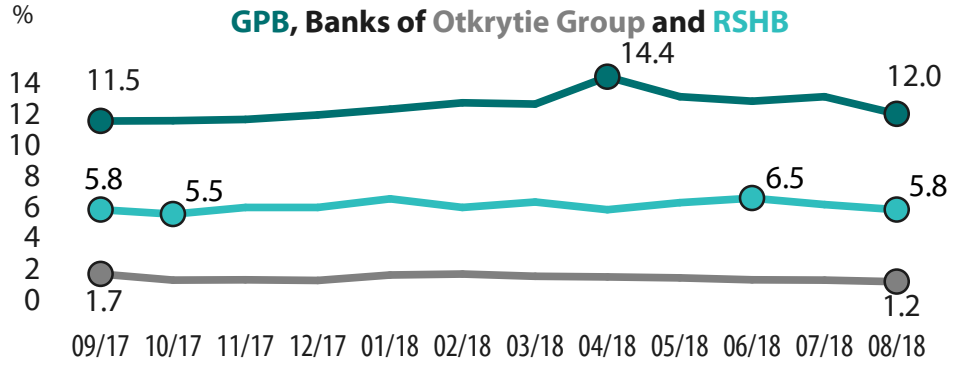
CORPORATE ACCOUNTS: MARKET SHARES

RUSSIAN ROUBLES

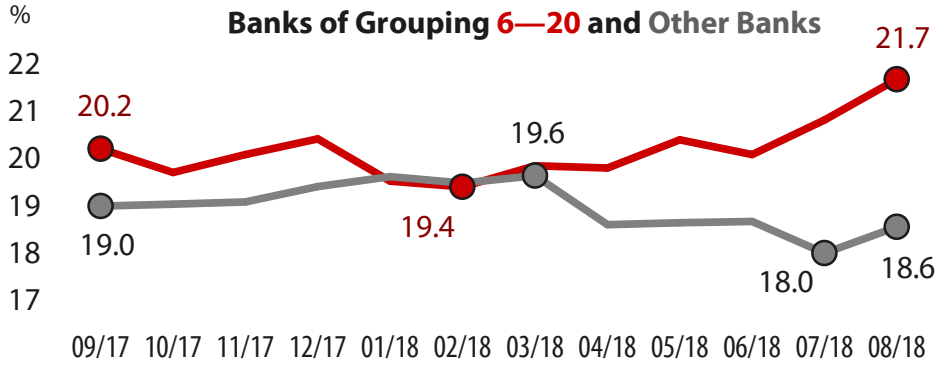
SBER and Banks of VTB Group



GPB, Banks of Otkrytie Group and RSHB

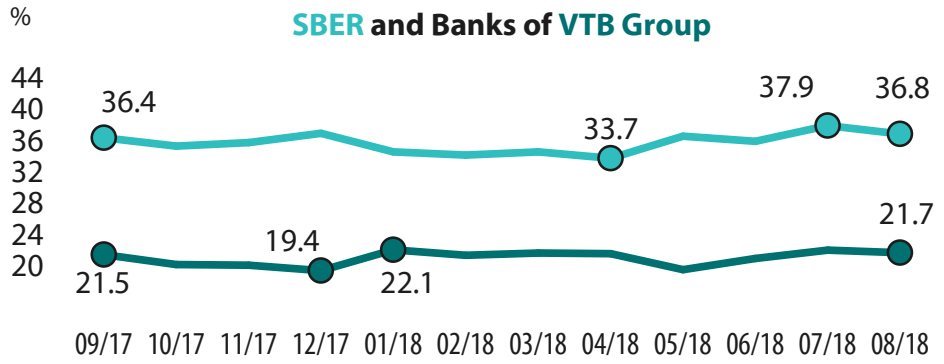


Banks of Grouping 6—20 and Other Banks

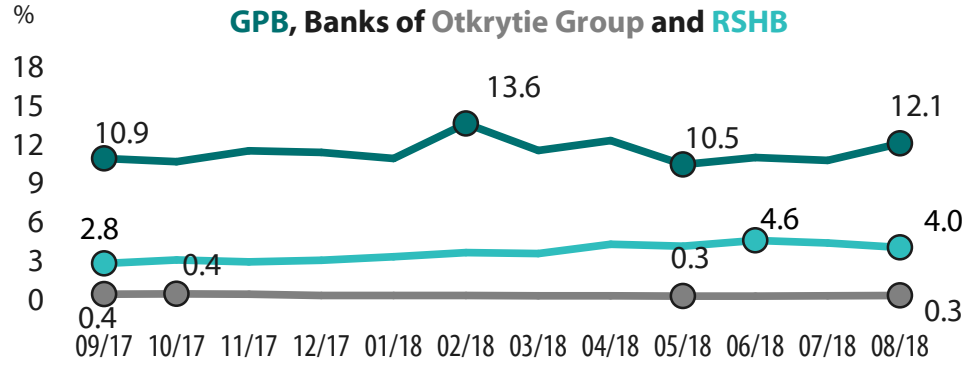


FOREIGN CURRENCY

SBER and Banks of VTB Group



GPB, Banks of Otkrytie Group and RSHB



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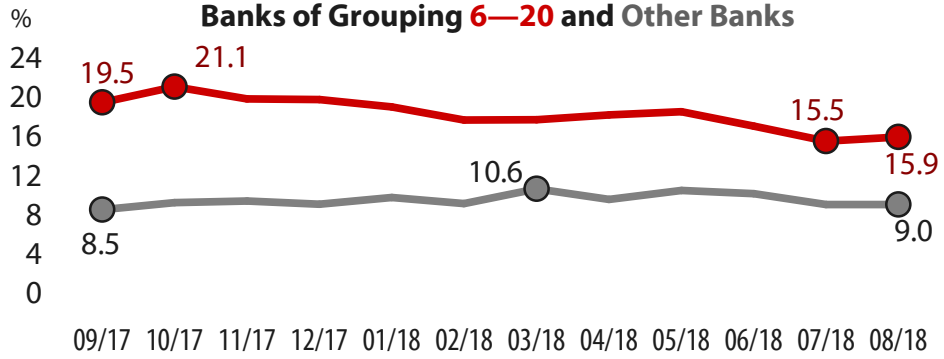
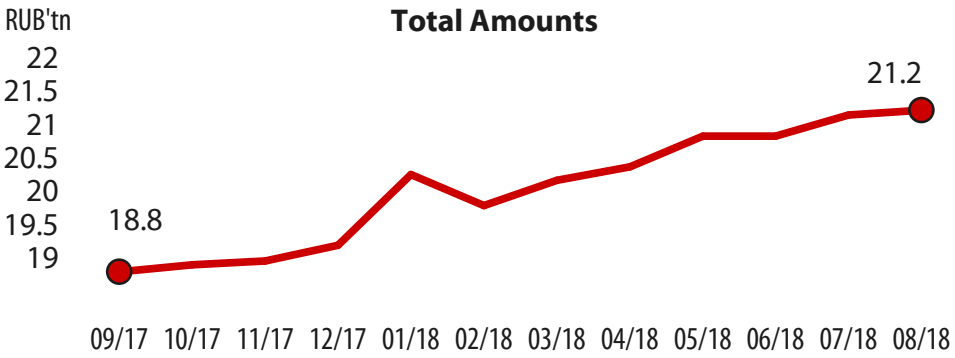
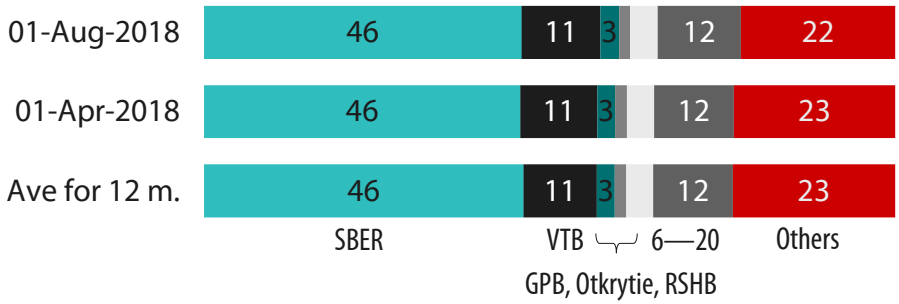


RUSSIAN ROUBLES

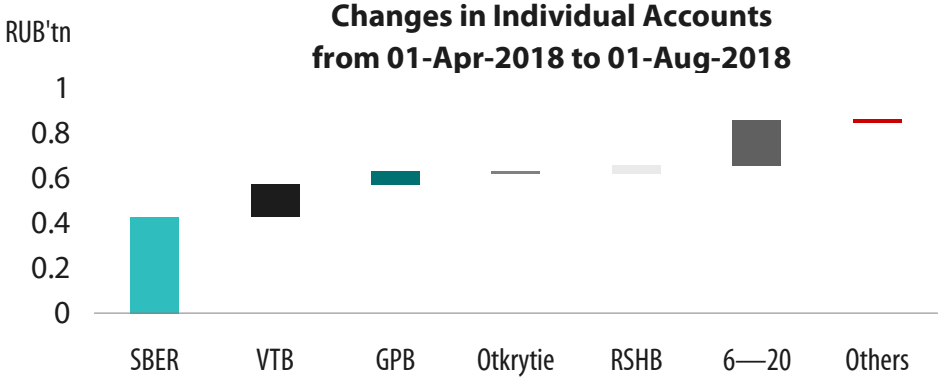
Total Amounts



Market Shares, %

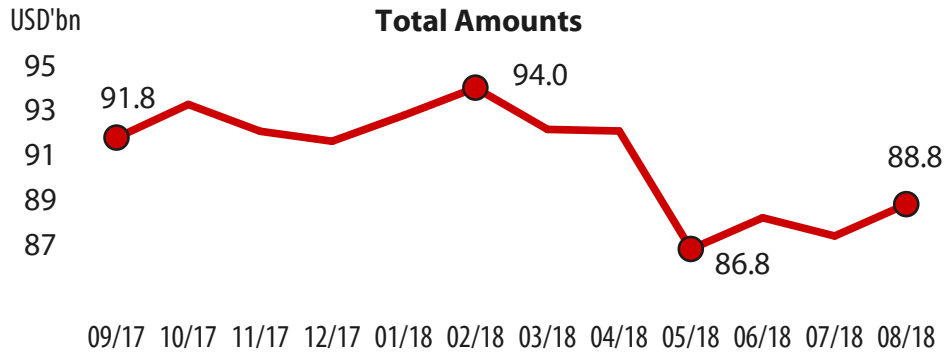


Changes in Individual Accounts from 01-Apr-2018 to 01-Aug-2018

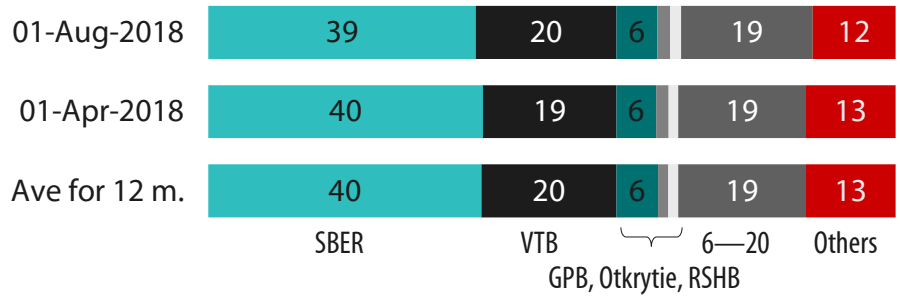


FOREIGN CURRENCY

Total Amounts



Market Shares, %



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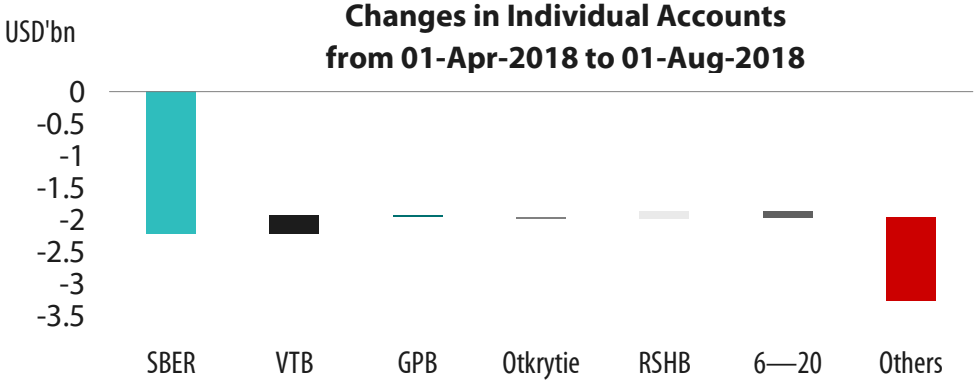

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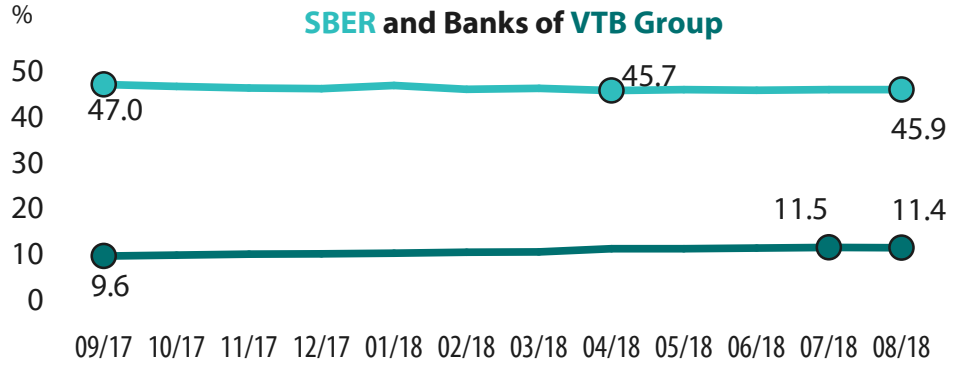
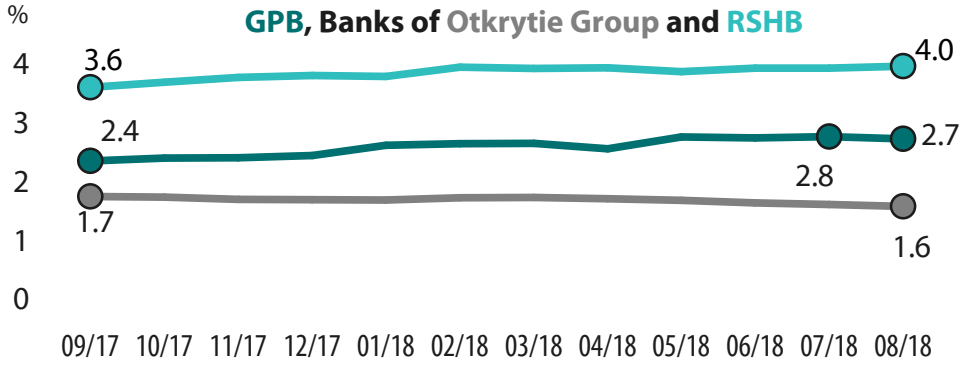
INDIVIDUAL RETAIL ACCOUNTS: MARKET SHARES

RUSSIAN ROUBLES

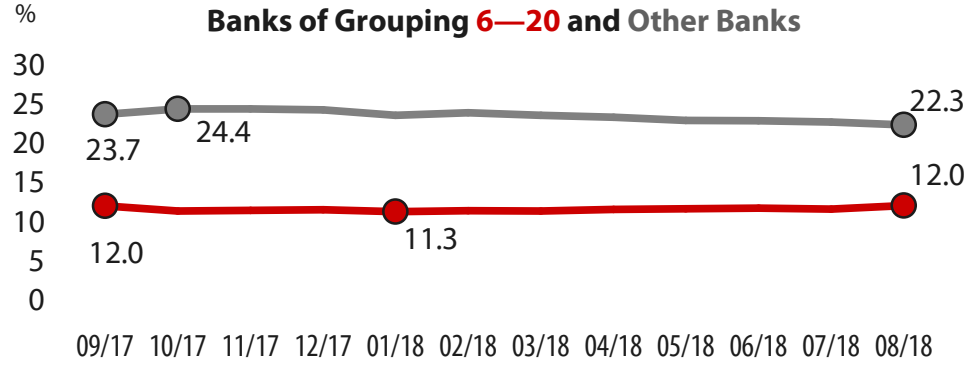
SBER and Banks of VTB Group



GPB, Banks of Otkrytie Group and RSHB

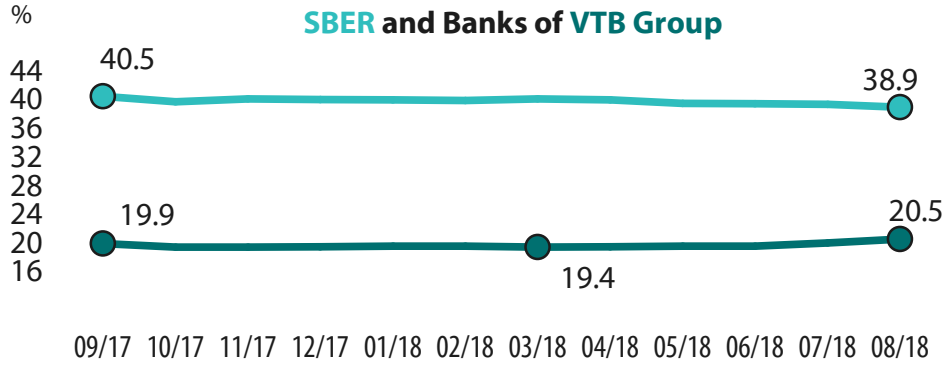


Banks of Grouping 6—20 and Other Banks

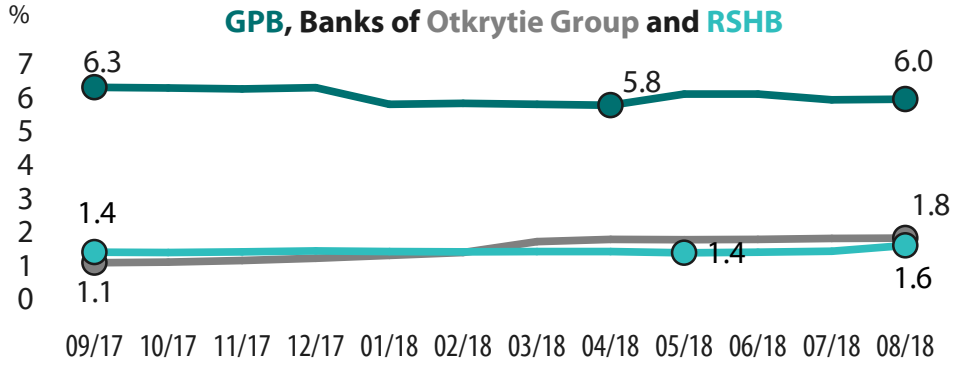


FOREIGN CURRENCY

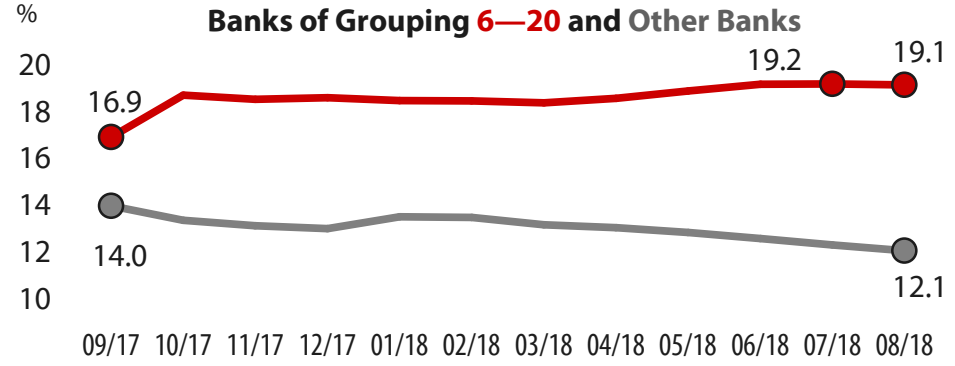
SBER and Banks of VTB Group



GPB, Banks of Otkrytie Group and RSHB



Banks of Grouping 6—20 and Other Banks



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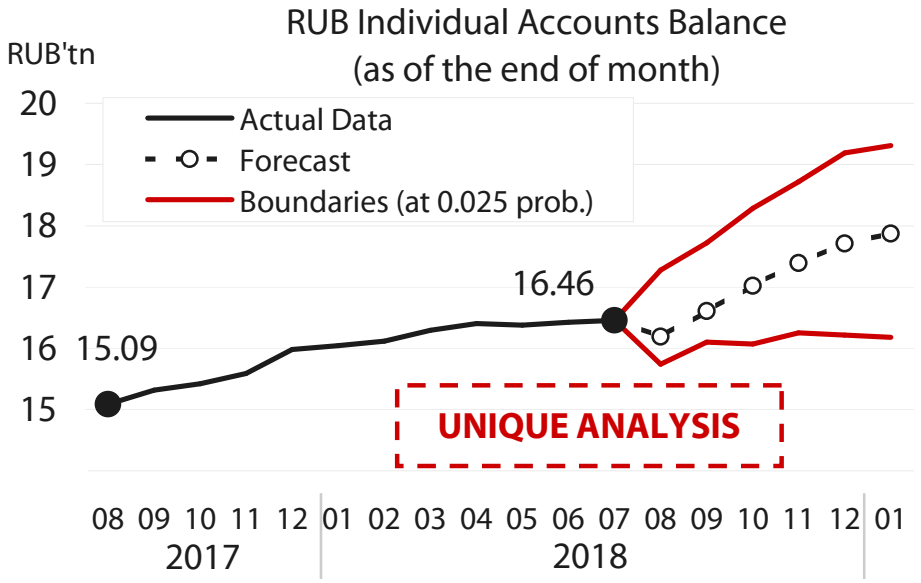
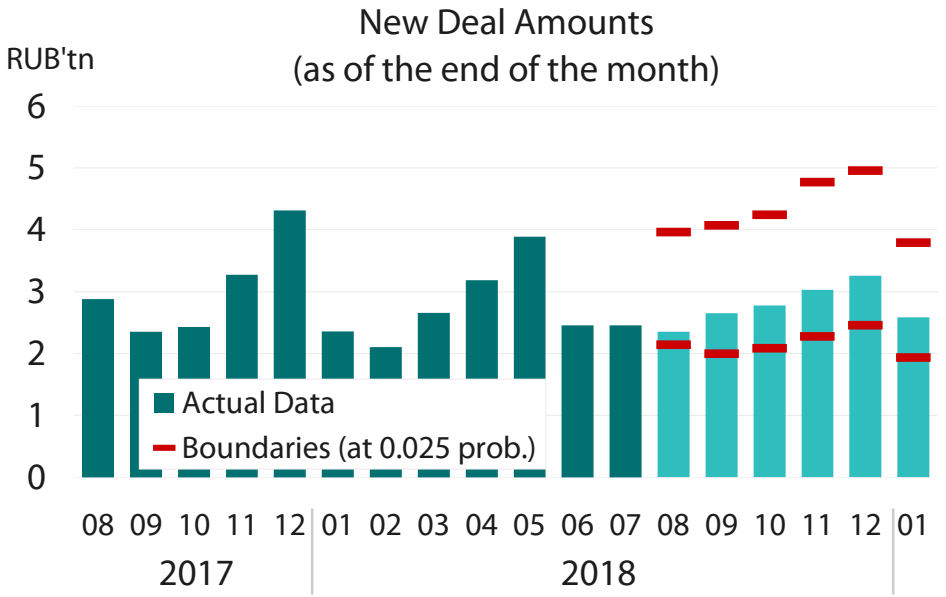
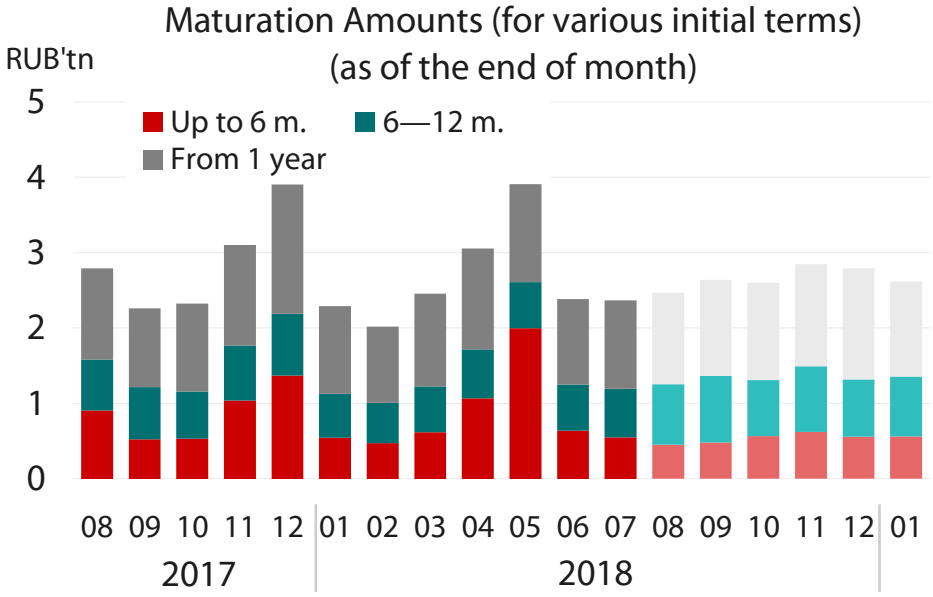
INDIVIDUAL ACCOUNTS BALANCE FORECAST 11







Forecasts are based on the BSC model. This model links macroeconomic figures and forecasts and market of individual accounts. Roll Rate Analytic System (developed by BSC) allows to model client behaviour and in cooperation with market forecasts realises dynamic balance sheet technology. This is a crucial part of prudent asset-liability management, liquidity management, pricing, stress-testing.

BSC provides services to its clients directed on the organisation of asset-liability and risk management fit for the specific needs of the client.

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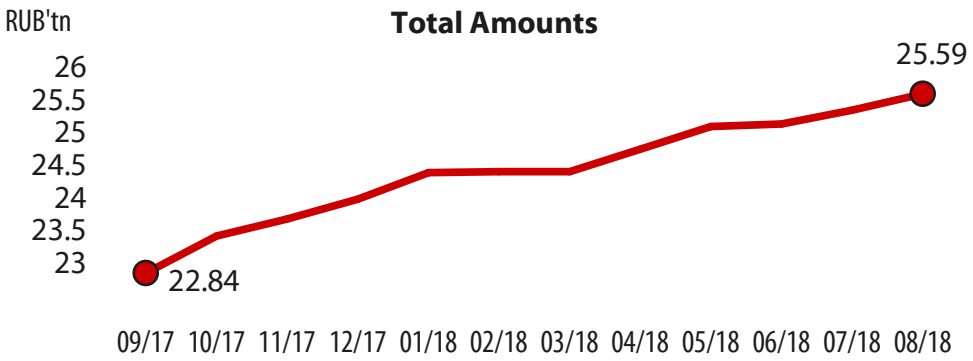
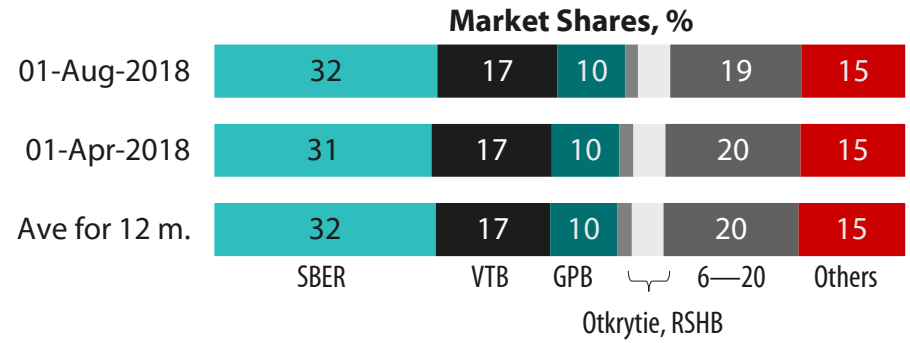
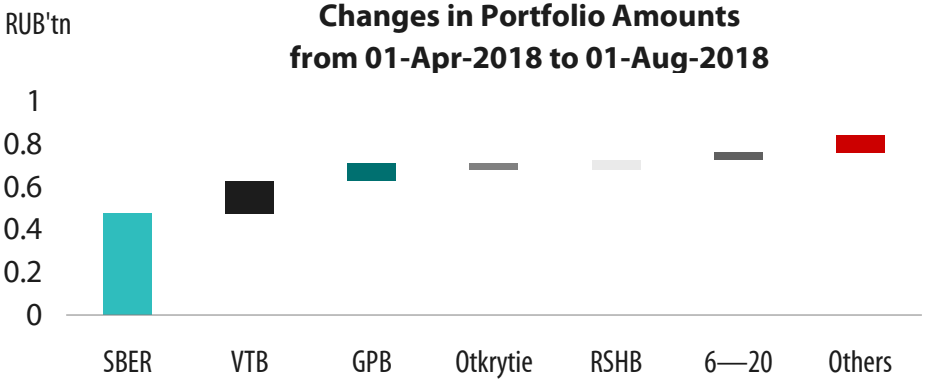
CORPORATE LOAN PORTFOLIO 12

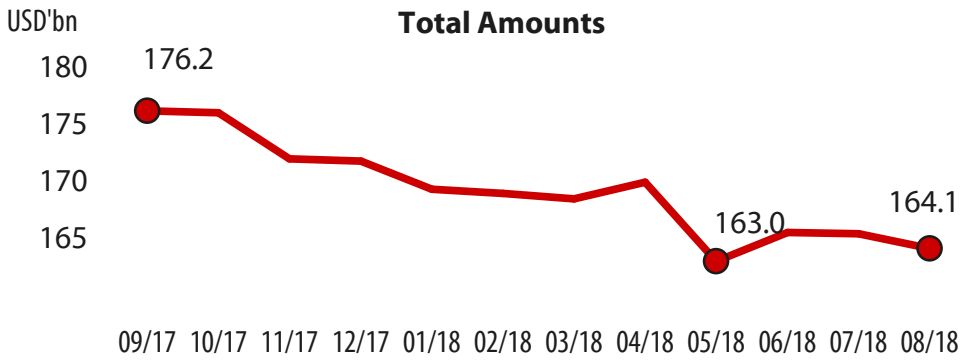
RUSSIAN ROUBLES

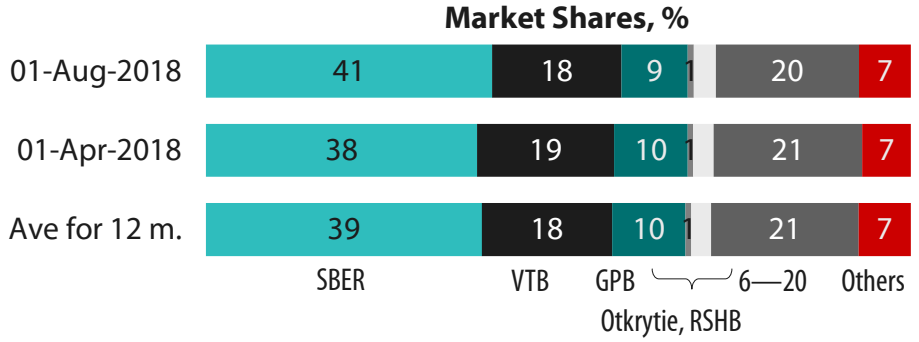


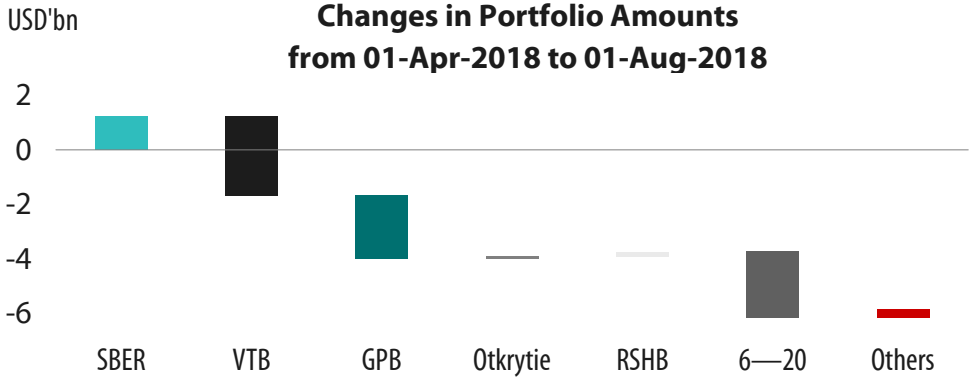




FOREIGN CURRENCY







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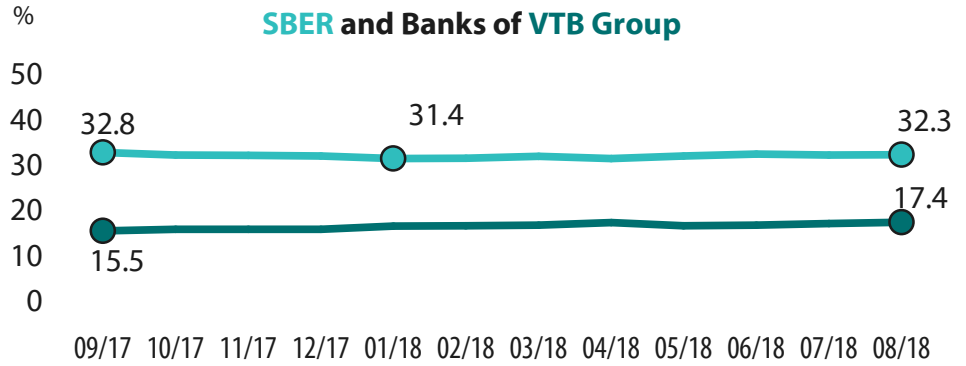
CORPORATE LOAN PORTFOLIO: MARKET SHARES

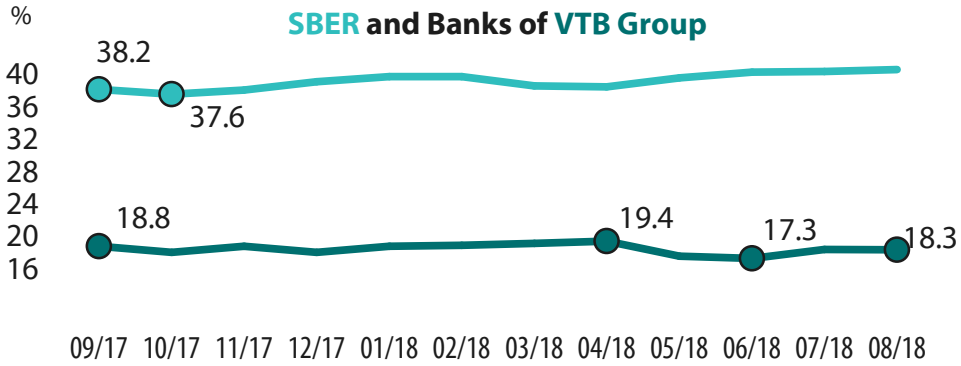
RUSSIAN ROUBLES

SBER and Banks of VTB Group

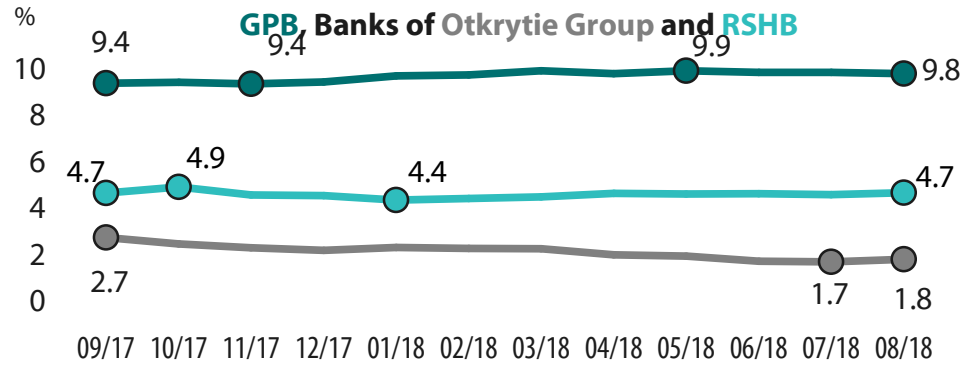


FOREIGN CURRENCY

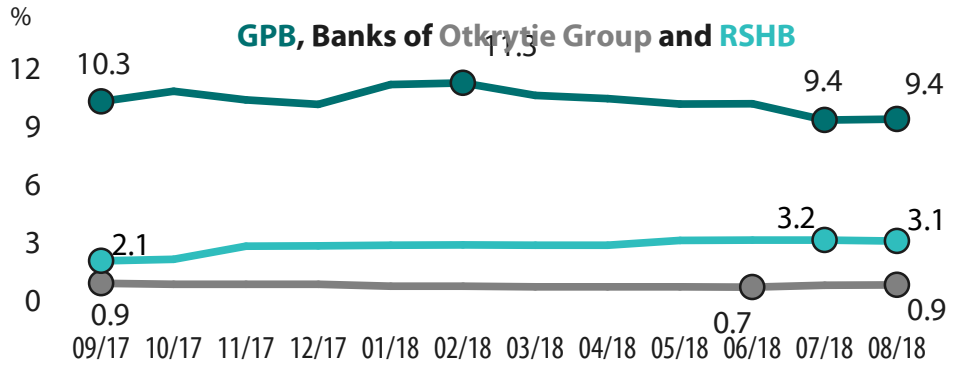
SBER and Banks of VTB Group



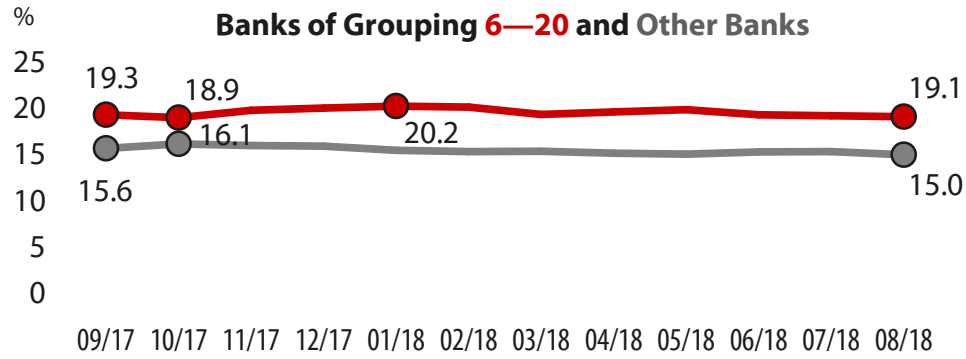
GPB, Banks of Otkrytie Group and RSHB



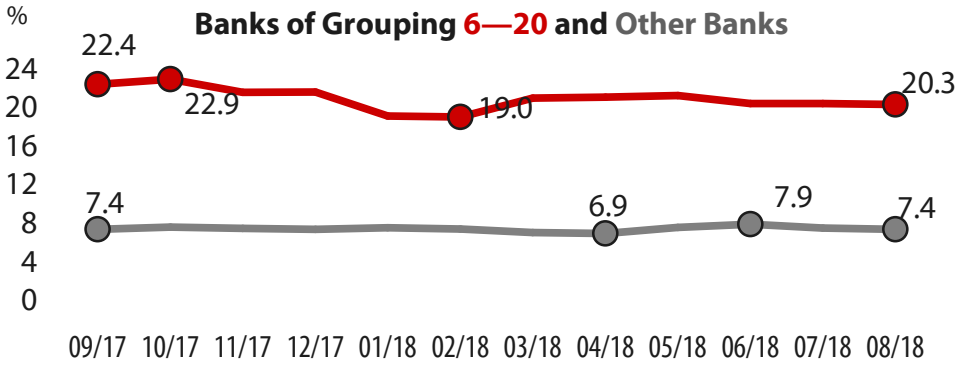
GPB, Banks of Otkrytie Group and RSHB



Banks of Grouping 6—20 and Other Banks



Banks of Grouping 6—20 and Other Banks



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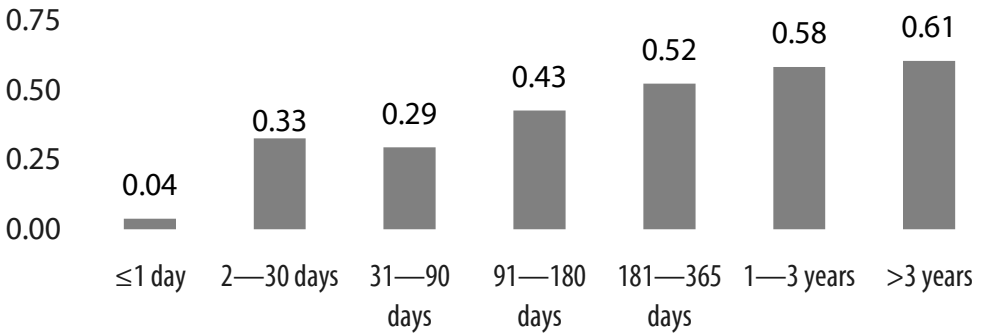
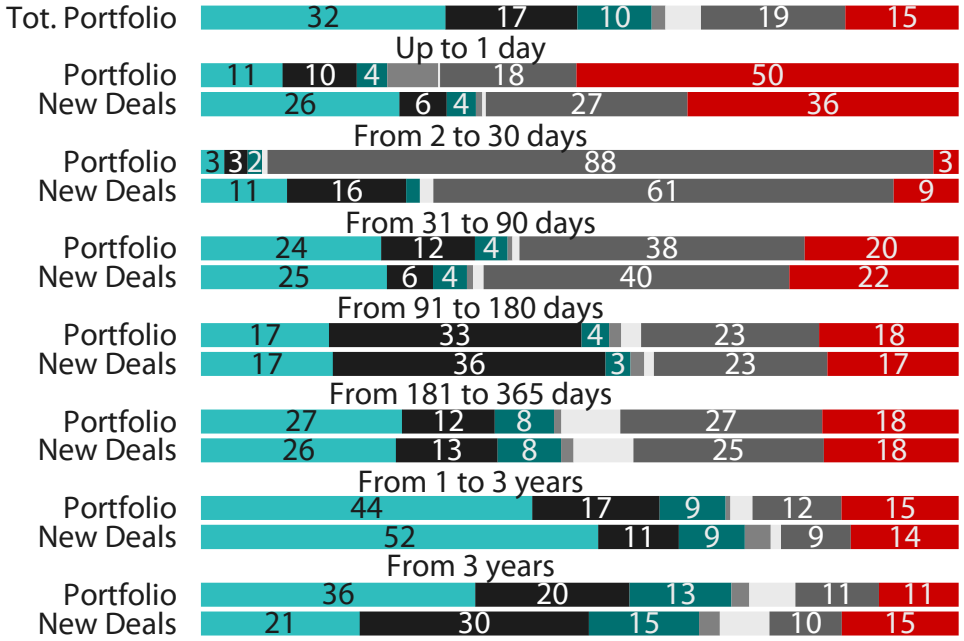
NEW CORPORATE LOANS 14

RUSSIAN ROUBLES

New Loans Amount

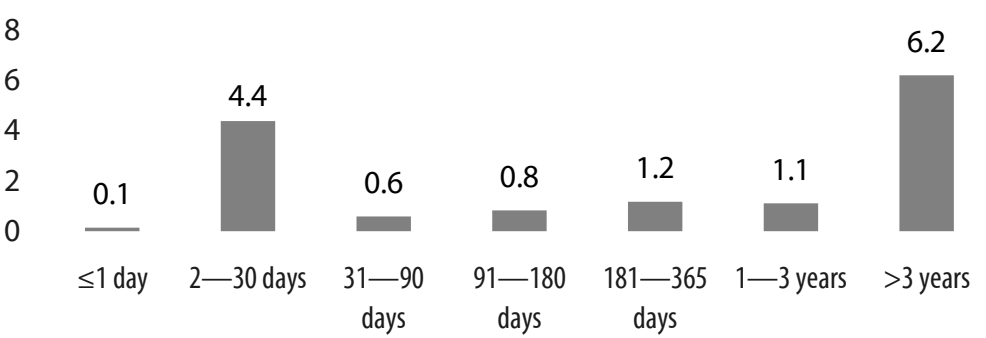


Market Shares, %

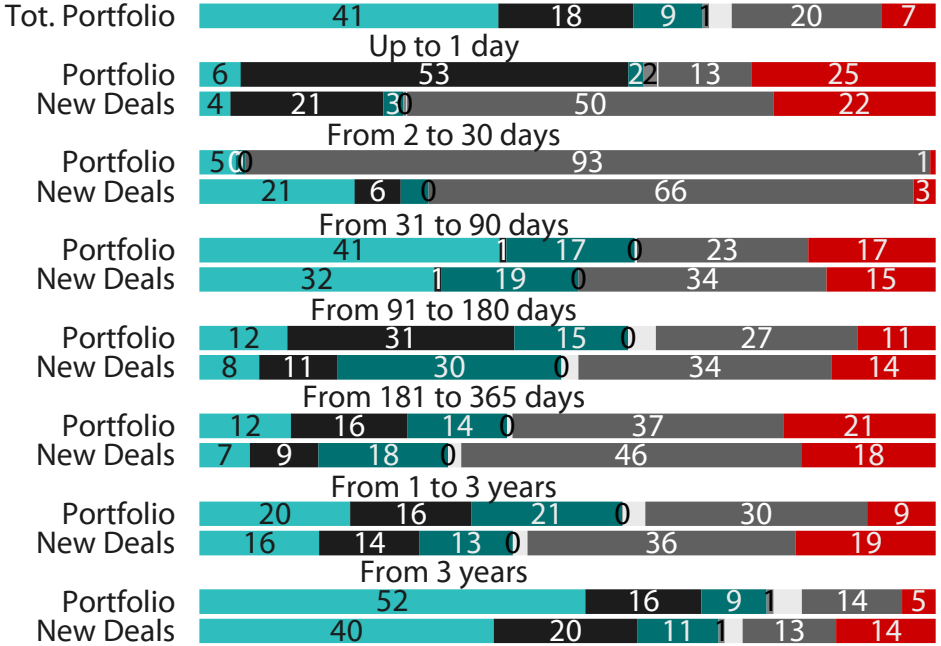


FOREIGN CURRENCY

New Loans Amount



Market Shares, %

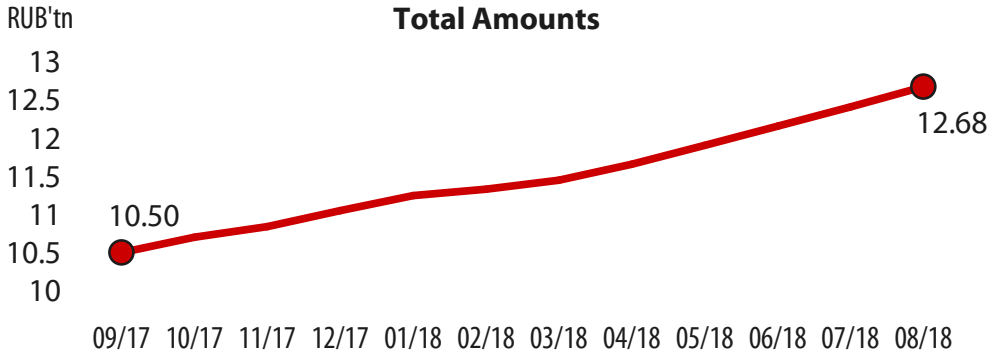


SBER VTB GPB Otkrytie RSHB 6—20 Others

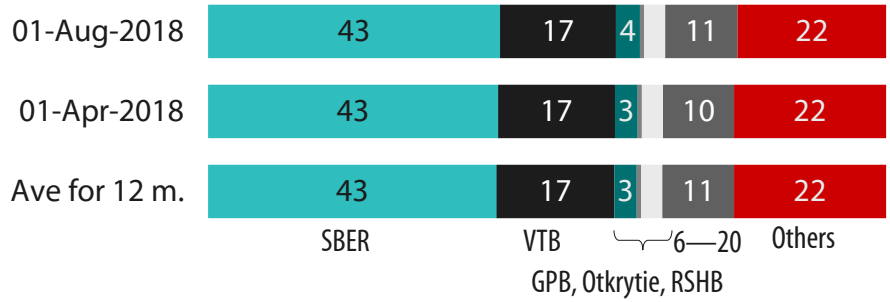
New deal volumes are shown as scaled figures. For example, new deal volume for the term up to 1 day is a total turnover for the month divided by the number of working days in a month.

RUSSIAN ROUBLES

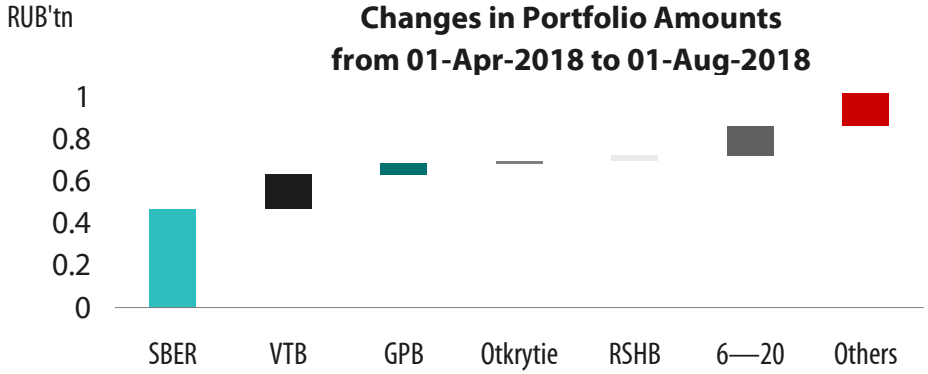
Total Amounts



Market Shares, %

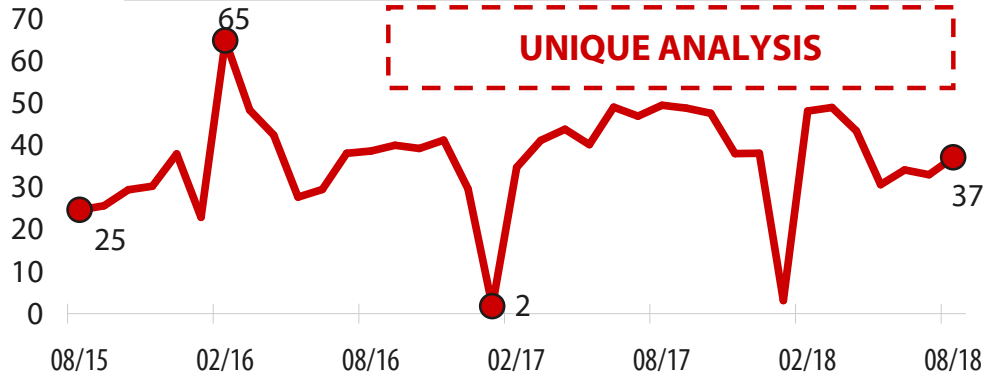


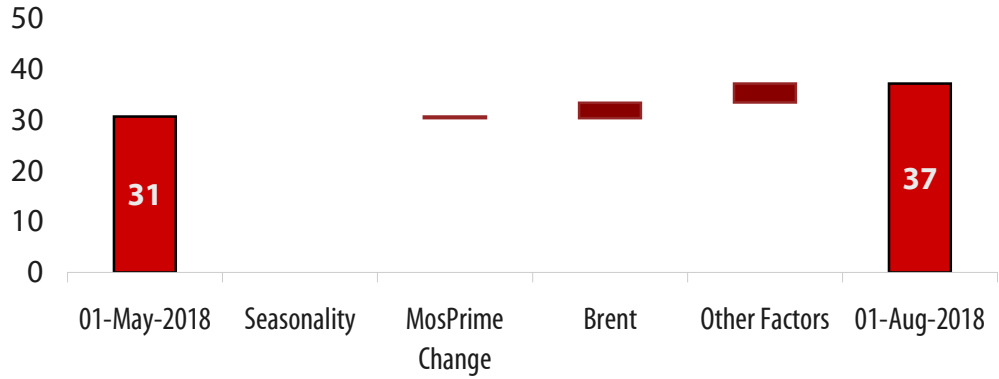
Changes in Portfolio Amounts from 01-Apr-2018 to 01-Aug-2018



INDEX OF PROPENSITY TO FALL INTO ARREARS

	01-Aug-2018	01-Apr-2018	3 m. ago	1 year ago
Value	37	33	31	50
Change	–	+4.08	+6.46	–12.42
MosPrime 3M	7.44	7.44	7.37	9.21
Brent	73.84	75.23	77.04	51.89





Index shows the rate of falling into arrears under the current macroeconomic conditions. The lower values correspond to the higher propensity to falling into arrears.

Technologies of macroeconomic modelling in loan portfolio management are discussed here: *http://www.bsc-consult.com/eng/statyi.html*.

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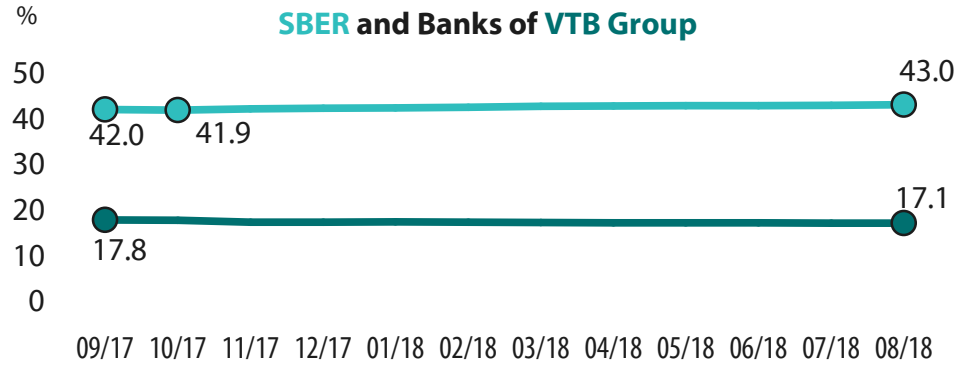
INDIVIDUUAL LOAN PORTFOLIOS: MARKET SHARES

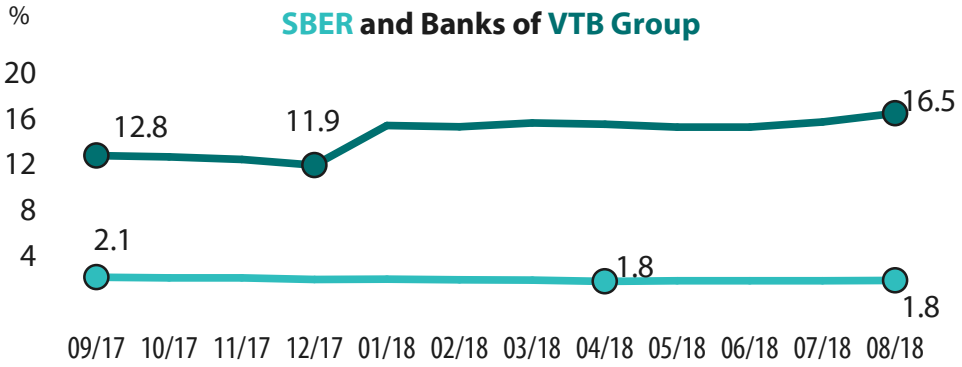
RUSSIAN ROUBLES

SBER and Banks of VTB Group

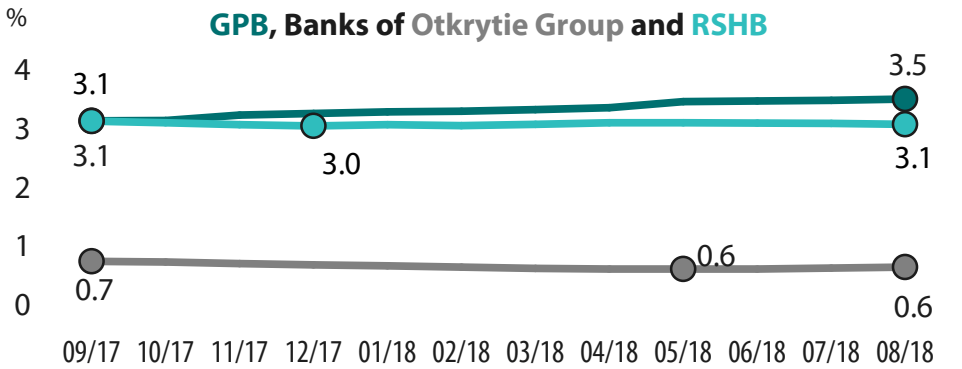


FOREIGN CURRENCY

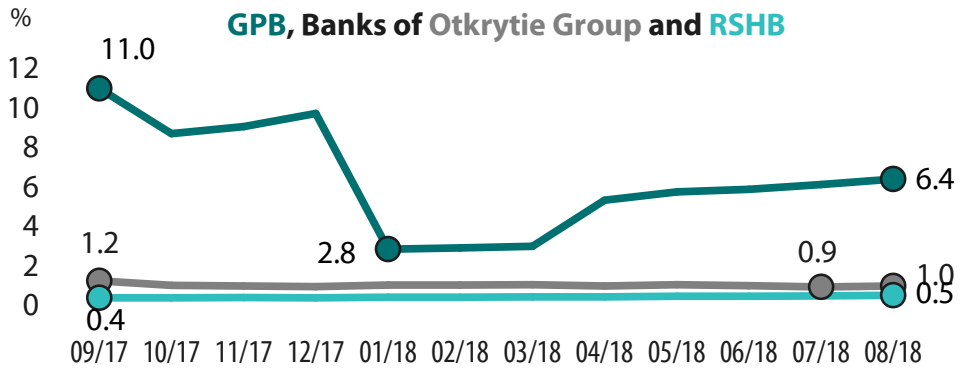
SBER and Banks of VTB Group



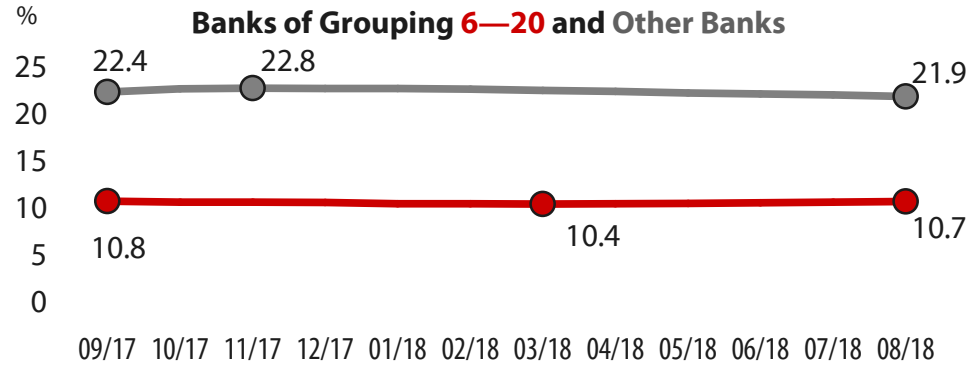
GPB, Banks of Otkrytie Group and RSHB



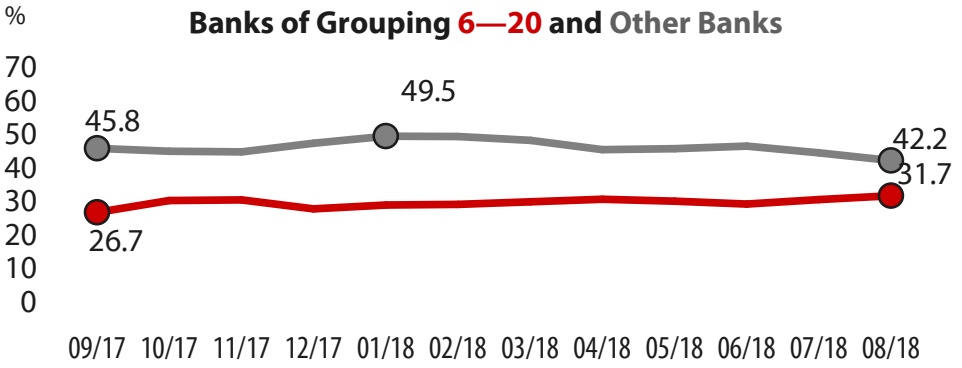
GPB, Banks of Otkrytie Group and RSHB



Banks of Grouping 6—20 and Other Banks



Banks of Grouping 6—20 and Other Banks



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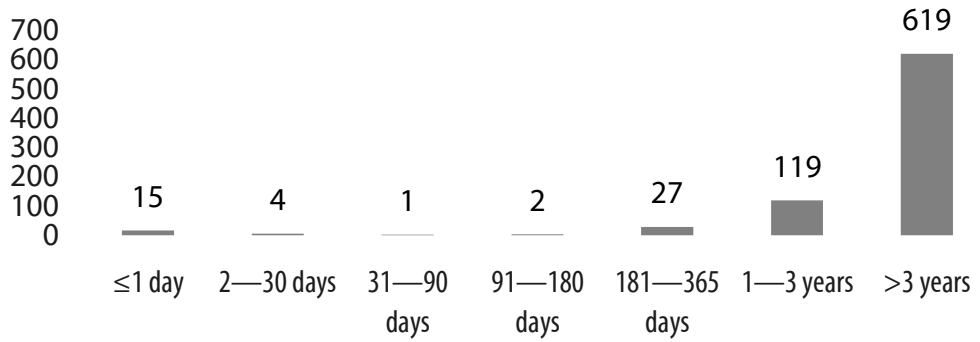
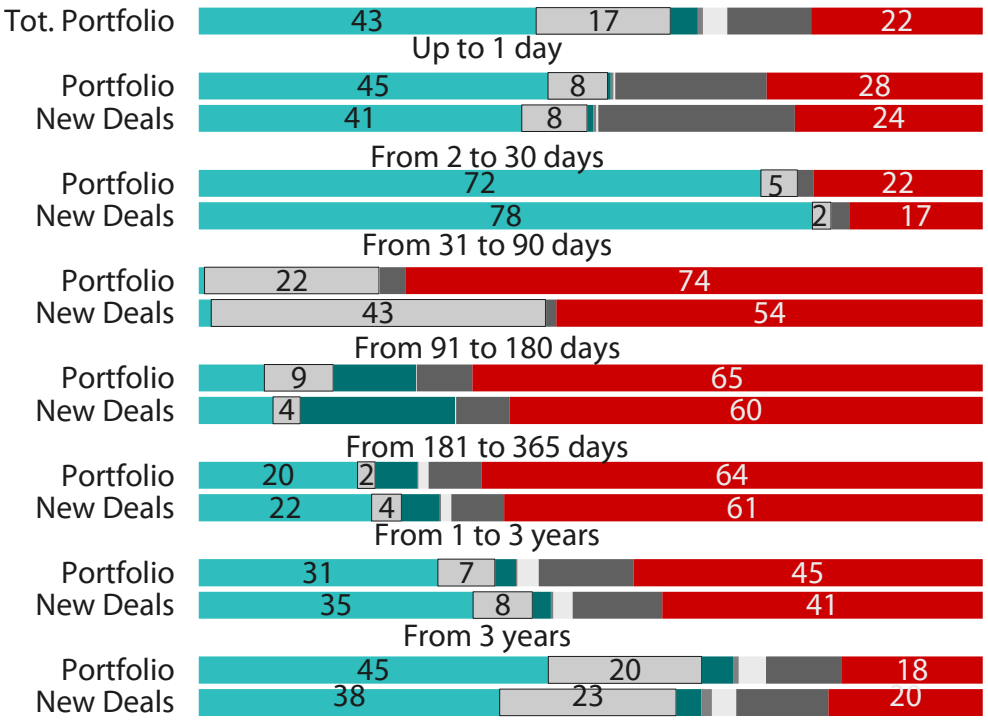
NEW INDIVIDUAL LOANS 17

RUSSIAN ROUBLES

New Loans Amount

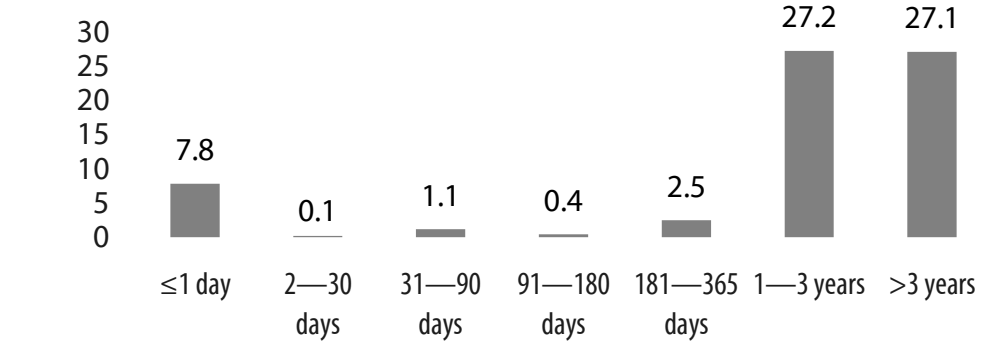


Market Shares, %

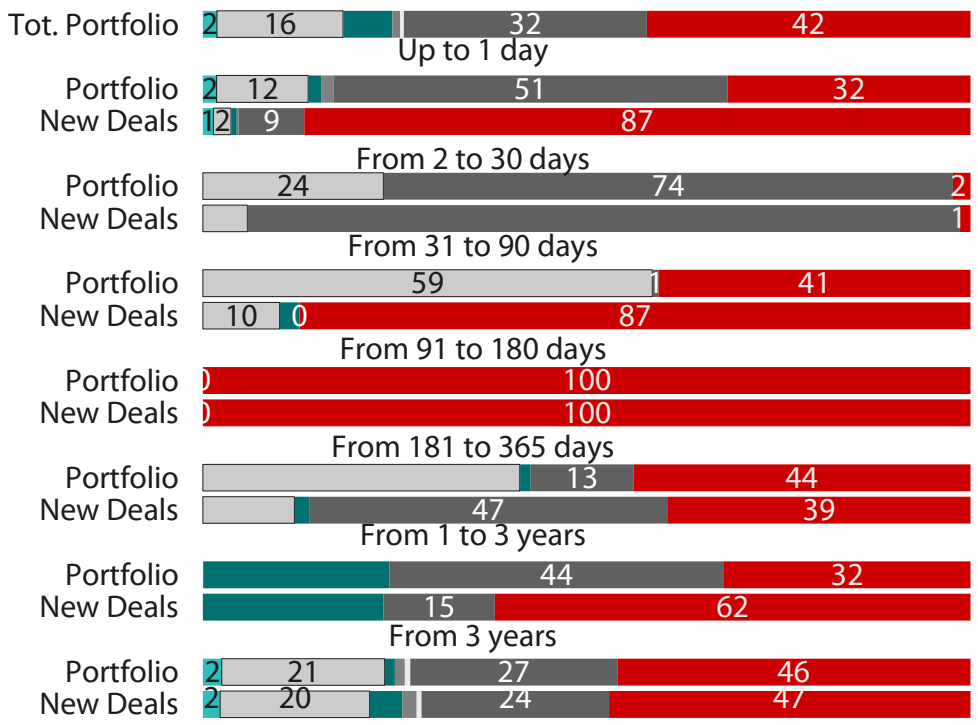


FOREIGN CURRENCY

New Loans Amount



Market Shares, %



New deal volumes are shown as scaled figures. For example, new deal volume for the term up to 1 day is a total turnover for the month divided by the number of working days in a month.

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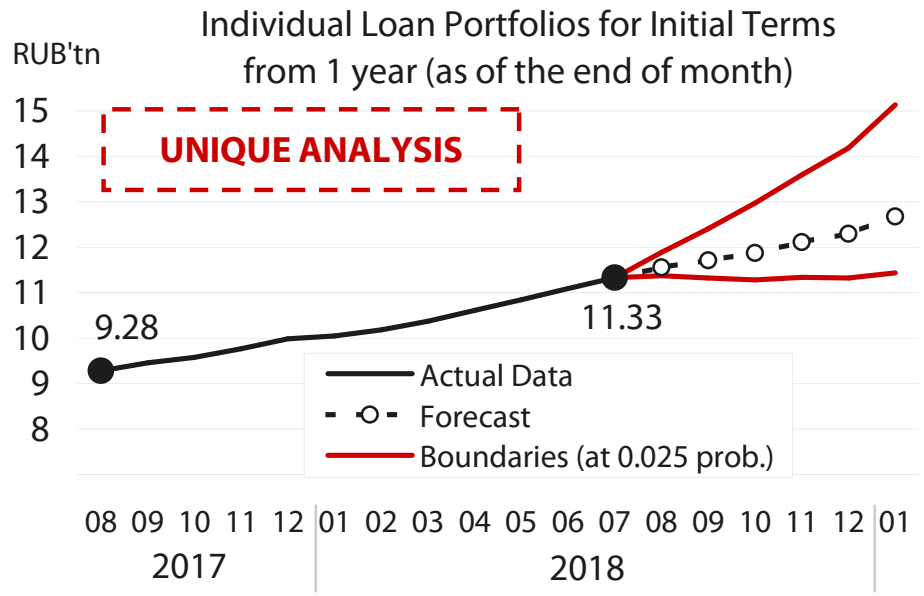
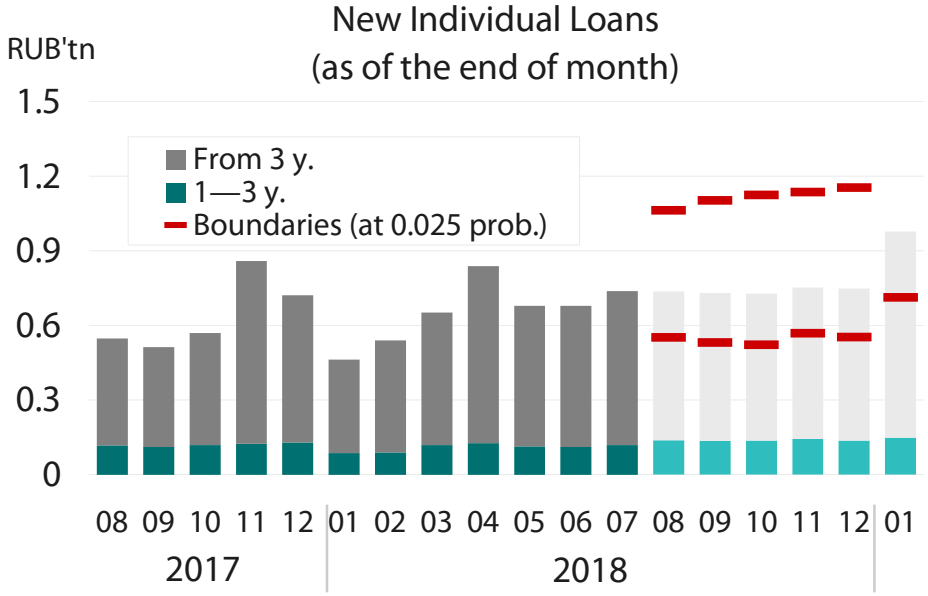
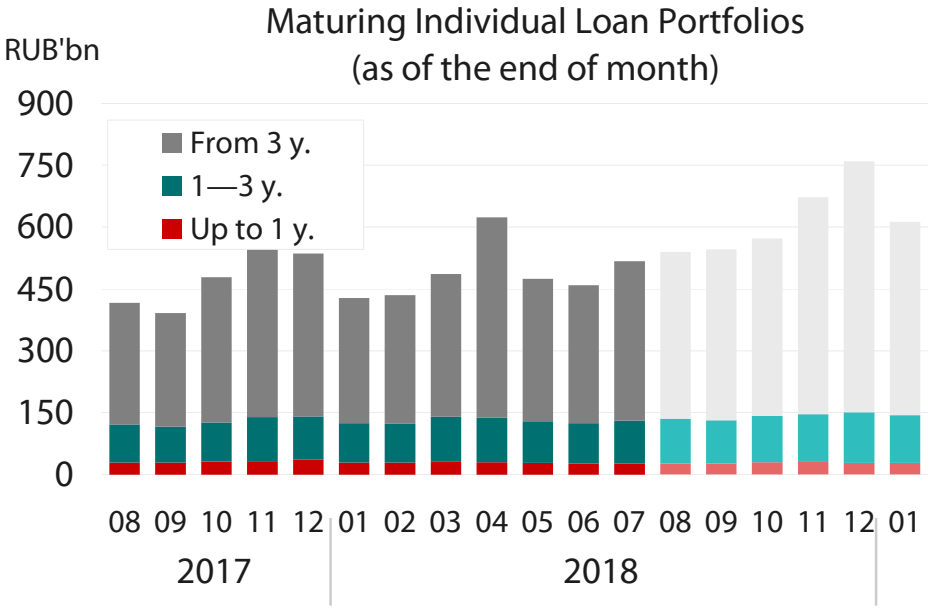
VOLUME FORECAST FOR INDIVIDUAL LOAN PORTFOLIOS







Volume forecasts for individual loan portfolios are based on BSC proprietary model. This model links macroeconomic factors (eg, GDP, inflation, unemployment etc) and their forecasts with market characteristics.

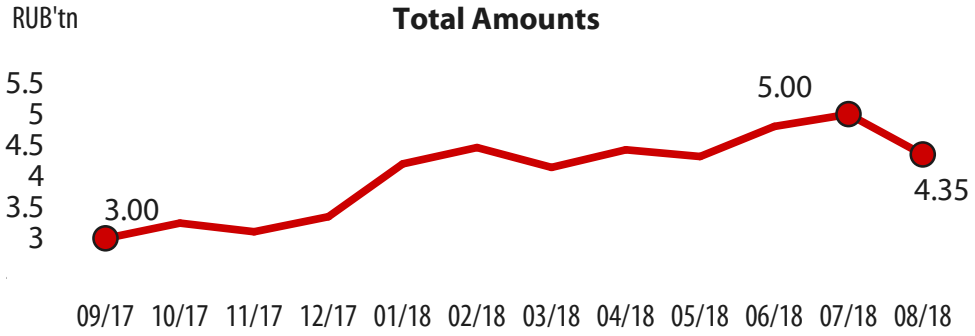
This model is a core component of planning facilities in an effective Bank. It allows to clarify market strategies basing on scenario analysis. In addition, it may be applied to stress testing, liquidity management and asset-liability management.

BSC can provide consulting services on incorporation of deep learning modelling processes into portfolio and asset-liability management processes of the Bank.

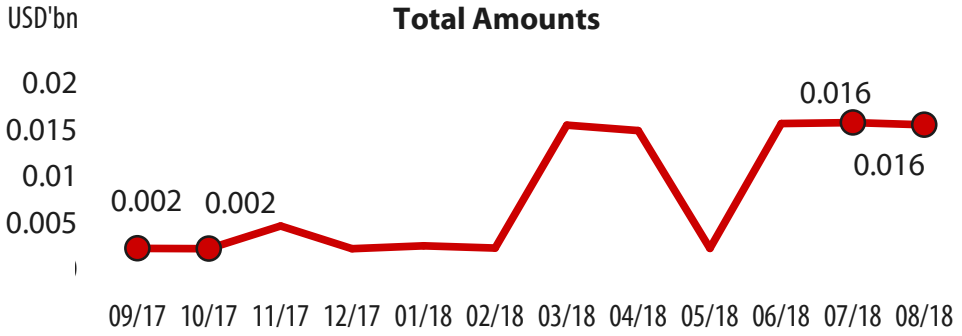
Model validation reports are available upon request.

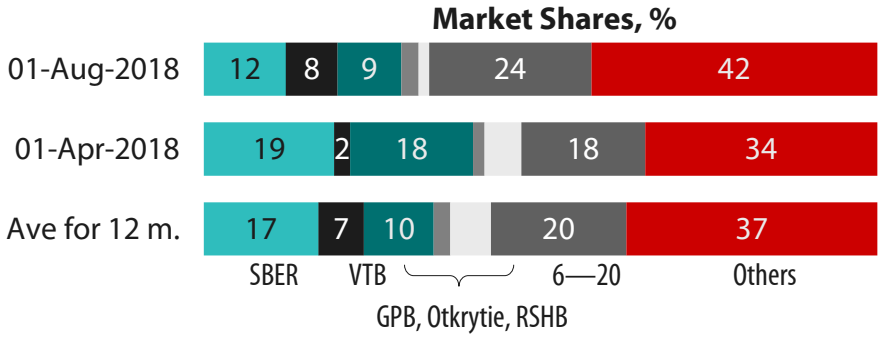
AMOUNTS DEPOSITED IN CENTRAL BANK 19

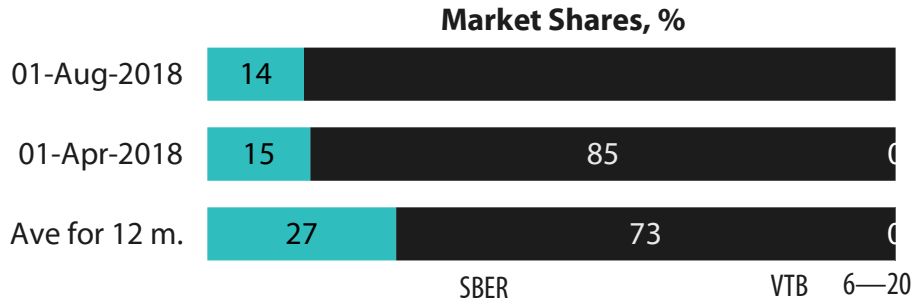
RUSSIAN ROUBLES

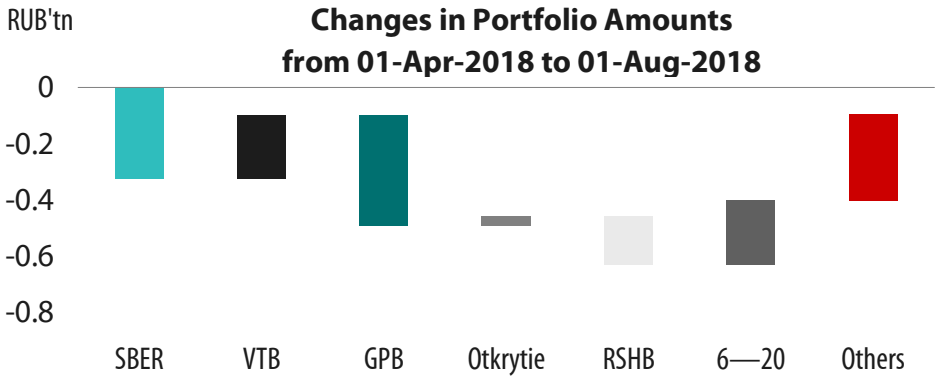


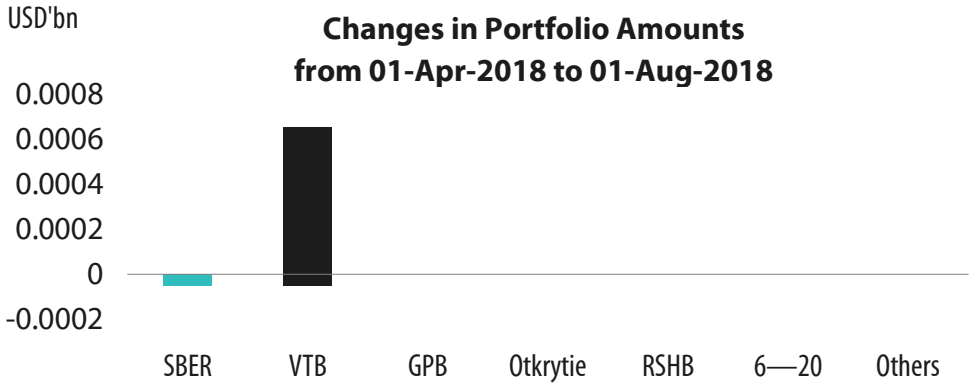
FOREIGN CURRENCY





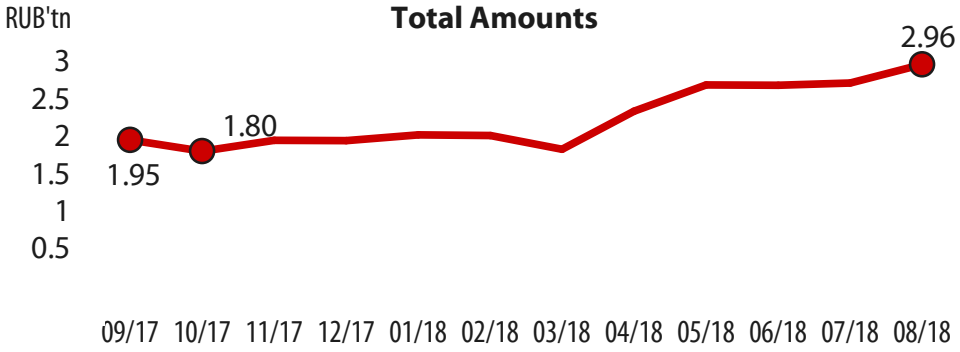




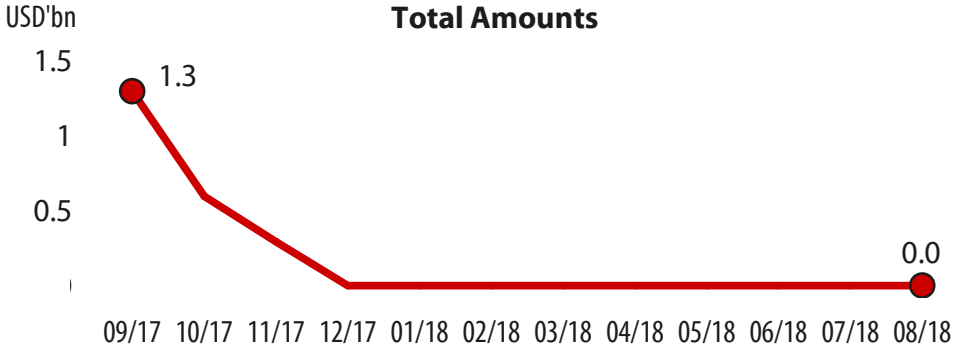


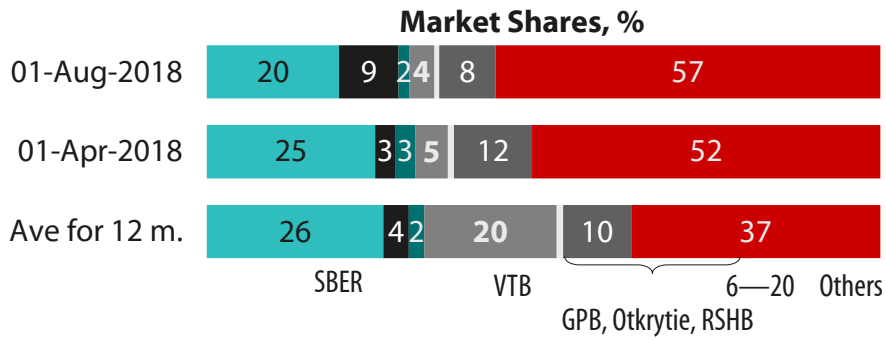
AMOUNTS BORROWED FROM CENTRAL BANK 20

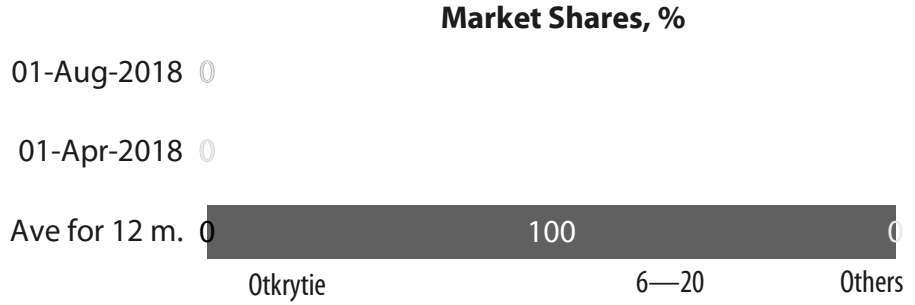
RUSSIAN ROUBLES

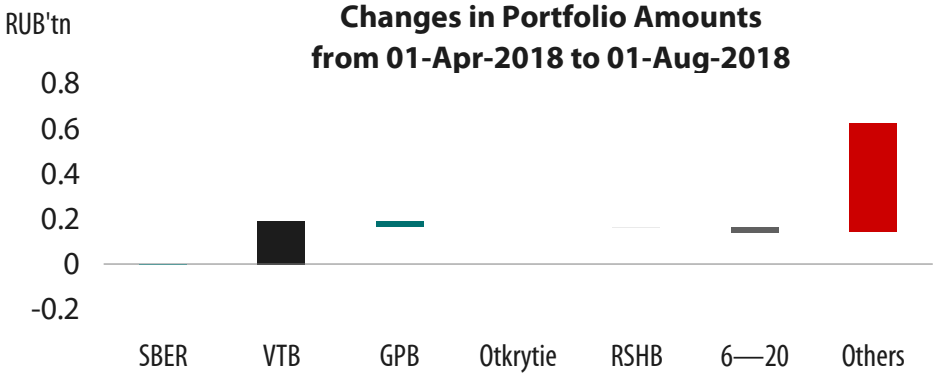


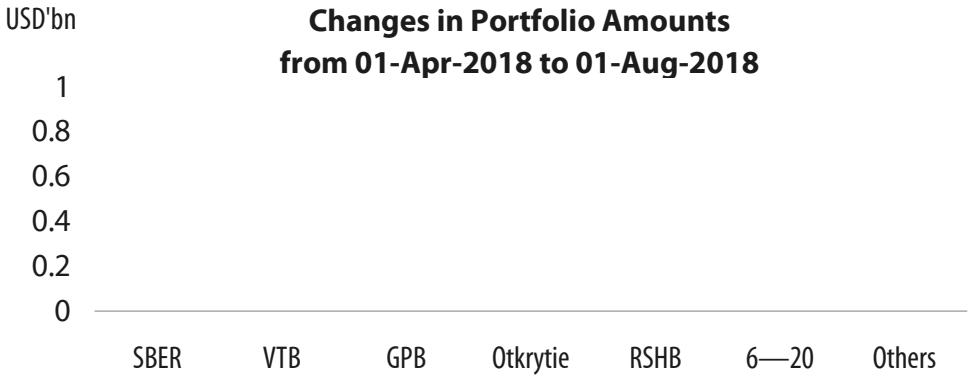
FOREIGN CURRENCY





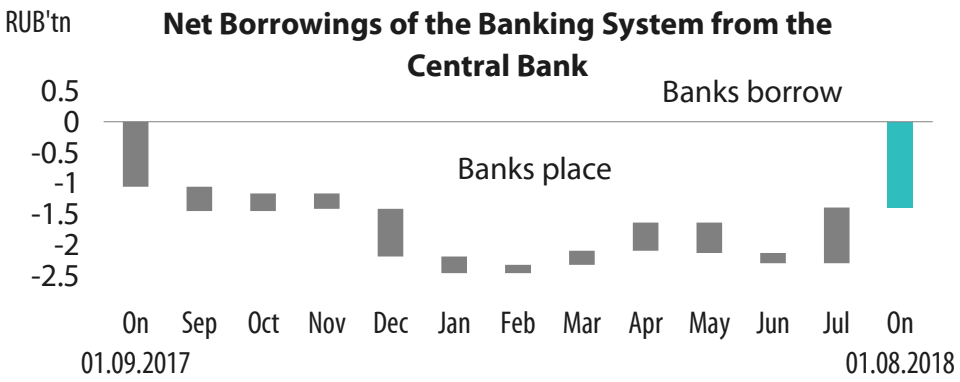


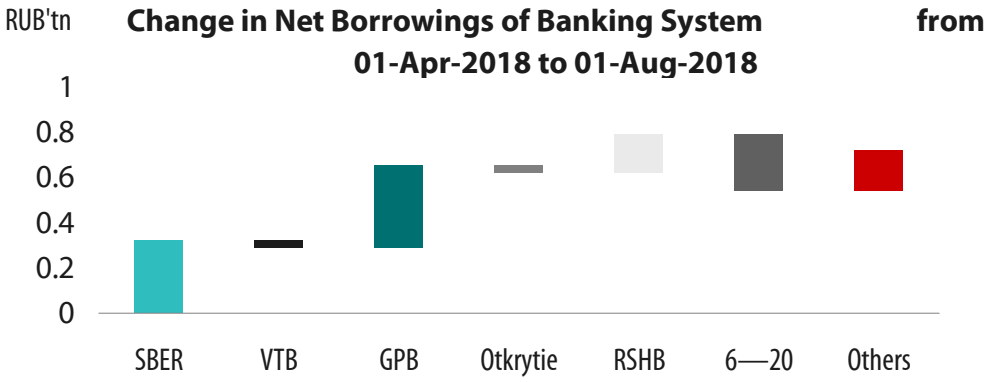




SALDO OF OPERATIONS OF CENTRAL BANK WITH BANKING SYSTEM

RUSSIAN ROUBLES





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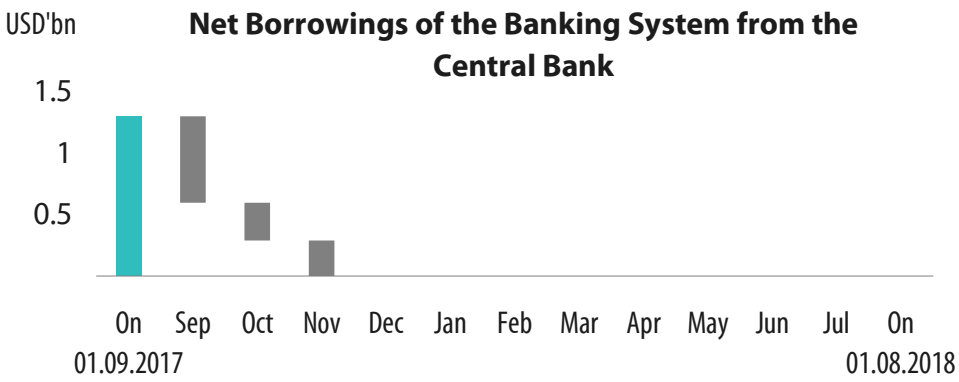
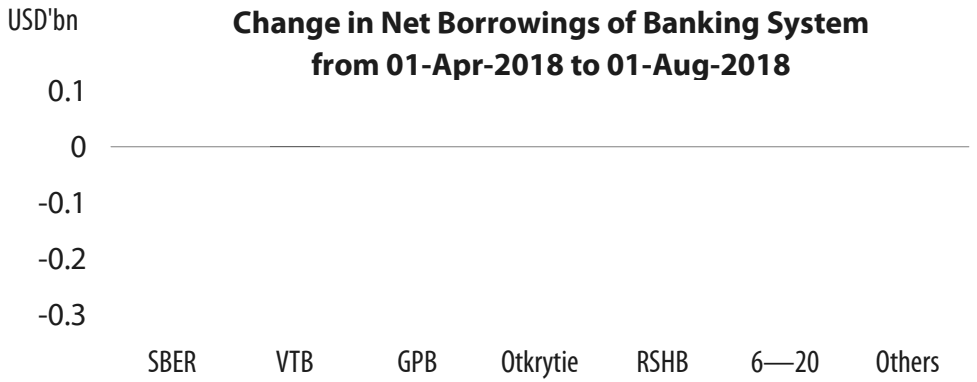
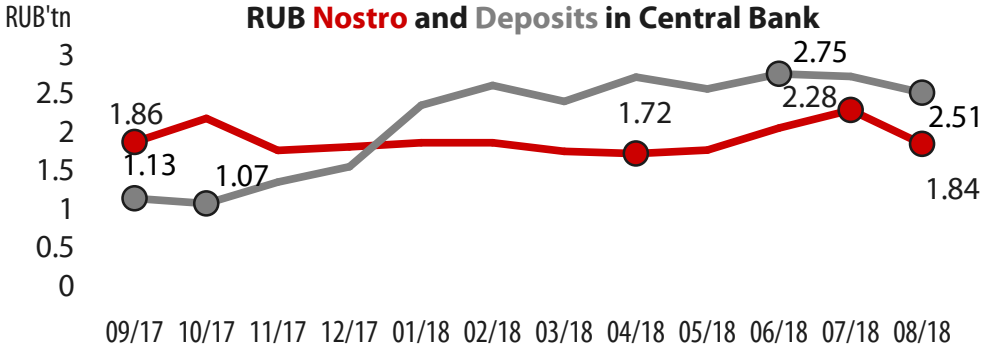
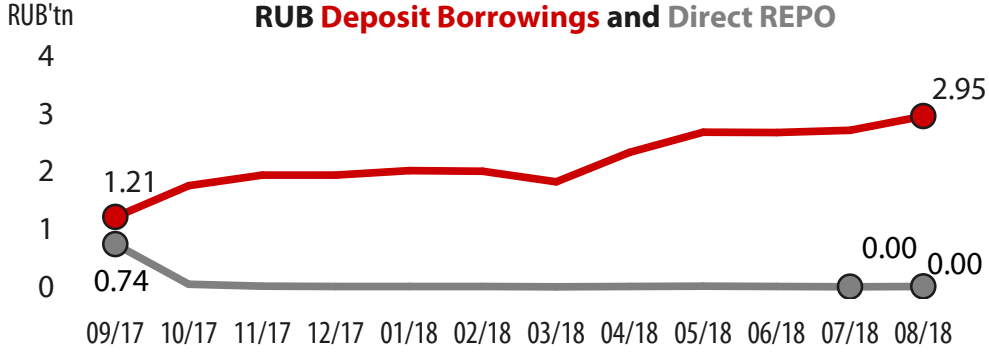






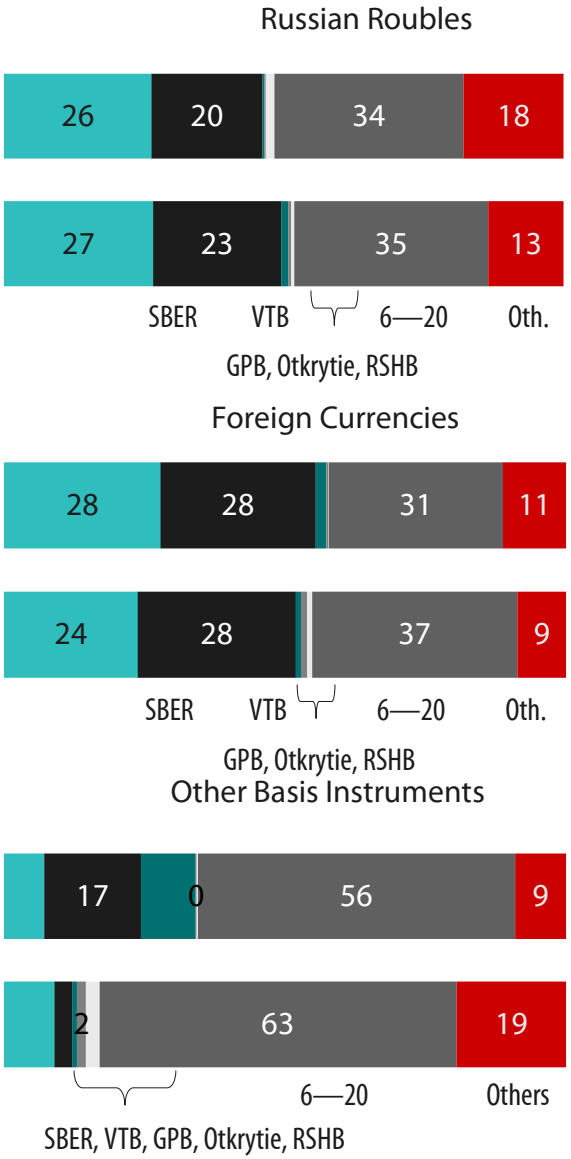


URL: *www.bsc-consult.com* , e-mail: *info@bsc-consult.com* , tel.: +7 (499) 375–35–54

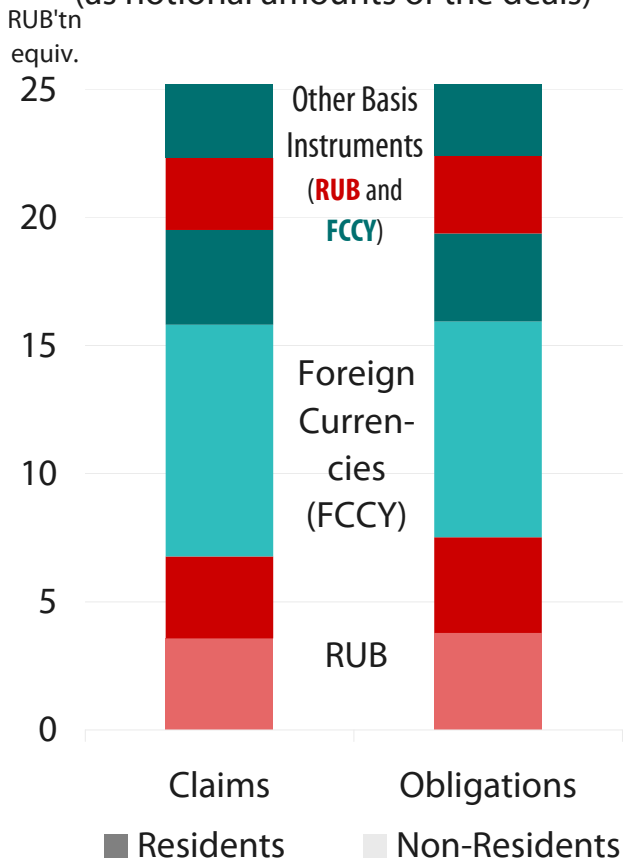
Business Systems Consult

DERIVATIVE OPERATIONS OF BANKING SYSTEM 22

Derivative Claim Concentration, %

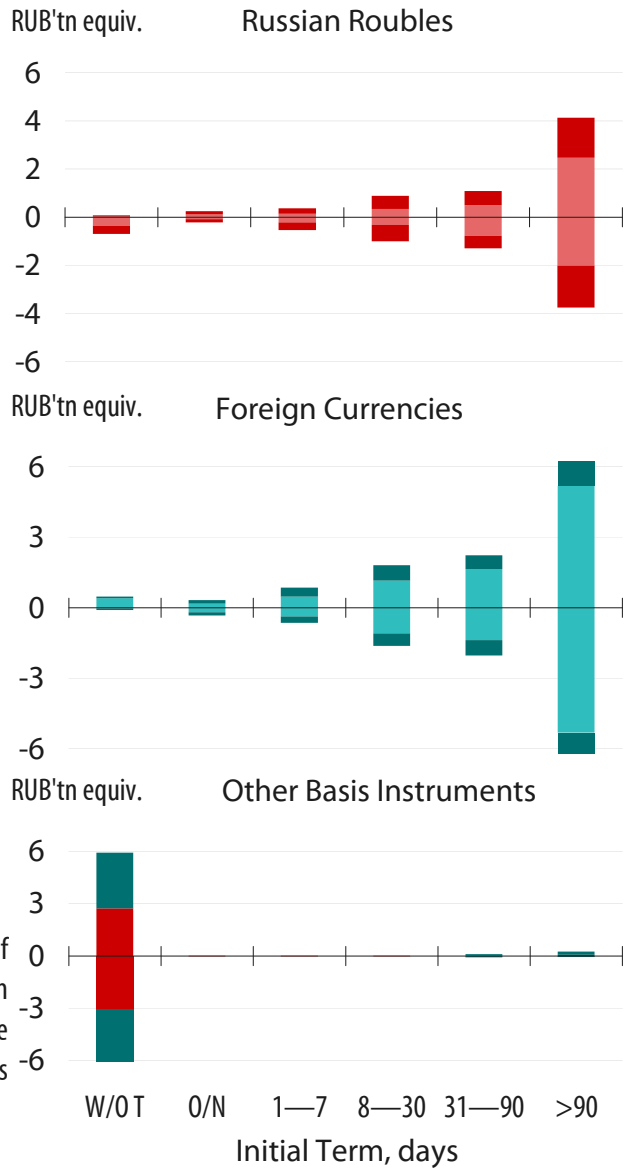


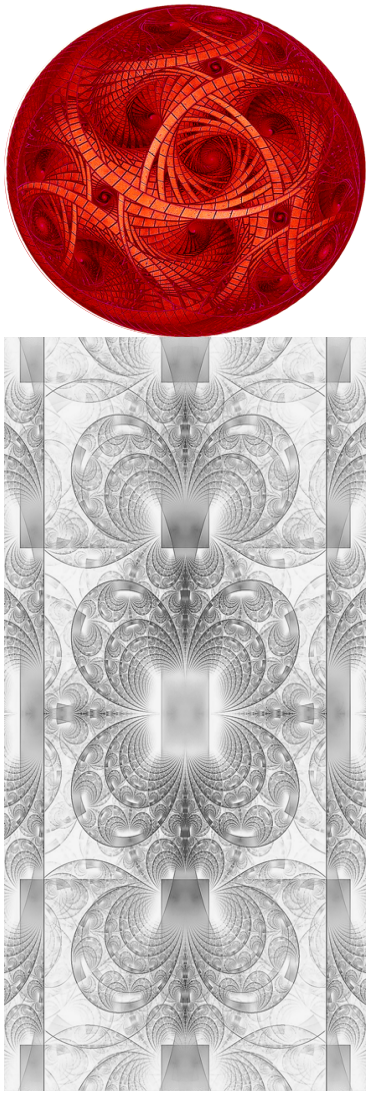
Общий объём рынка и распределение по продуктам
(as notional amounts of the deals)



The major part of derivatives includes FXMM operations (term legs of currency swaps, interest rate swaps etc) and derivative operations with residents with other basis instruments. The total amount of derivative operations with precious metals and securities is insignificant (it is shown in grey).

Distribution of Derivative Claims (+) and Obligtions (–) According to Initial Terms





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ABOUT THE COMPANY

A consulting company BSC provides informational and professional consulting services in the following areas:

- deep predictive analysis for retail portfolio management based on proprietary soft Roll Rate Analytic System®;
- corporate borrower assessment and scoring card development;
- methodology, automation, realisation and support for IFRS 9;
- risk management;
- Basel implementation;
- asset-liability management (ALM);
- statistical analysis for the wide range of clients' needs.

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