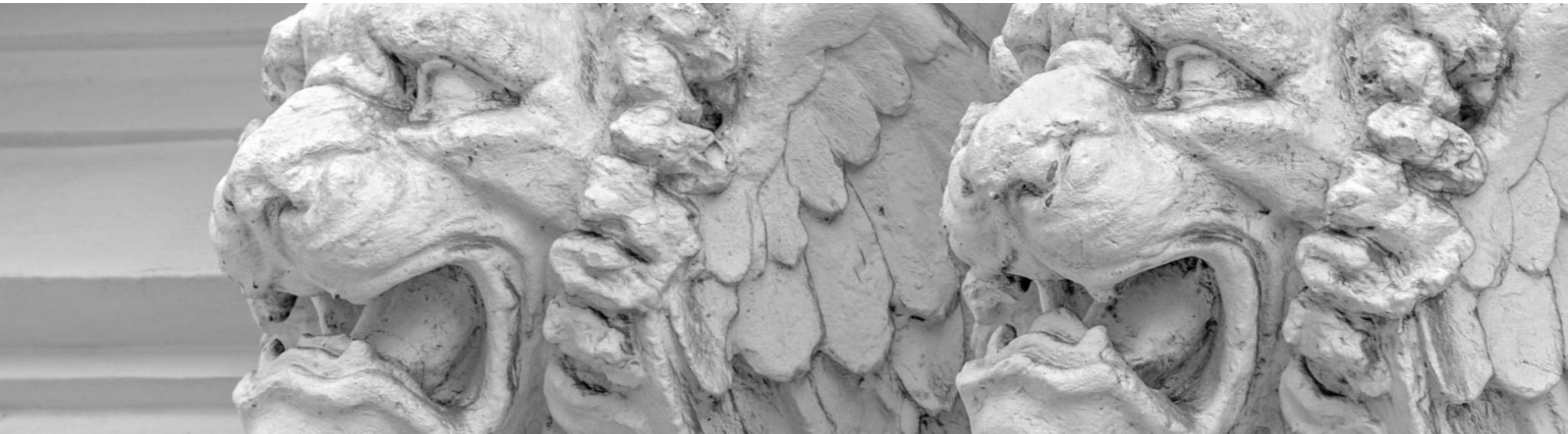




Bank of Russia

The Central Bank of the Russian Federation



Fund of Banking Sector Consolidation (FBSC):
Banks and FI
Private Equity & Distressed Assets Fund

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Alexander Zhdanov

Director

Financial Resolution Department

Bank of Russia



New mechanism of banks' resolution

01.05.2017 new law on banking bankruptcy passed => new mechanism of banks' resolution was created:

- Bank of Russia created a special-purpose FBSC. Funds of FBSC are separately allocated. FBSC AMC (established on 12.07.2017) acts on behalf of Bank of Russia
 - Banks' resolution through FBSC includes the following measures:
 - Bank of Russia recapitalizes banks by direct equity participation
 - Bank of Russia provides short-term funding to support banks' liquidity
 - FBSC AMC started its operations in August 2017:
 - acts as a banks' temporary administrator
 - realises measures aimed to prevent bankruptcy
 - AMC FBSC:
 - ensures banks operate in a general way without any disruptions. To prevent panic on the market no moratorium on bank's payments was imposed. No restrictions on cash withdrawal were placed
 - develops risk-management procedures in banks, assesses financial positions of bank's borrowers and restarts lending processes
 - writes-off subordinated liabilities
 - realises legal procedures to form new bank's management team
 - asset manager of banks under resolution after Bank of Russia becomes a new shareholder
 - Bank of Russia exits in a mid-term period through the sale of bank's shares to market investors
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Key advantages

- Faster financial recovery of the banks
- Decreased costs of resolution process. Low market interest rates will require longer period of resolution and higher costs under “lending” mechanism
- Ability to realize resolution of large D-SIBs banks
- More transparent and more efficient control over resolution processes
- Equal competitive terms for banks due to fast financial recovery of banks under resolution.

Current results

Mechanism application:

- ✓ 3 D-SIBs banking groups recovered
- ✓ 1 regionally important bank under resolution
- ✓ Total assets before provision for impairment ~ RUB 7 tln
- ✓ Total recap ~ RUB 0,76 tln

FBSC AMC achievements:

- ✓ Improvement of public trust in banks' resolution
- ✓ Client accounts ceased to decrease in 4 months after temporary administration was imposed in Bank Otkritie and in 1 month after temporary administration was imposed in B&N Bank and PSB
- ✓ Total client accounts of the three banks are stable at ~ RUB 2 tln in January-April 2018
- ✓ Net income of Bank Otkritie for 4 months of 2018 is positive

Efficiency:

- ✓ Resolution under “lending” mechanism would double the amount spent under “new” mechanism. 10-years lending period and 7,25% key rate were assumed for calculations.
- ✓ Possible negative effect on the RF economy would exceed RUB 2.6 tln in case of Bank Otkritie, B&N BANK and PSB bankruptcy



FBSC-Controlled Banks and Financial Institutions

29.08.2017 – 01.05.2018

Now

N8 in assets size (01.08.17)

D-SIB

ОТКРИТИЕ
BANK

РОСГОССТРАХ БАНК
РОСГОССТРАХ ПЕНСИЯ

ПЕНСИОННЫЙ ФОНД ЭЛЕКТРОЭНЕРГЕТИКИ
Лукойл-Гарант
Негосударственный пенсионный фонд

открытие
БРОКЕР

N19 in assets size (01.03.18)

ТРАСТ

N12 in assets size (01.09.17)

D-SIB

B&NBANK



Recapitalization
Legal defeasance
Asset restructuring

N16 in assets size (01.09.17)

N10 in assets size (01.12.17)

D-SIB

Promsvyazbank



N60 in assets size (01.04.18)

N64 in assets size (01.04.18)

АТБ

Assets: 7 tln RUB

- Banks: 6.3 tln RUB, > 5% of banking sector in Russia
- Non-State pension funds: 0.6 tln RUB, N1 in size pension savings
- Insurance comp.: 0.14 tln RUB, N2 in premium written
- More than 30 FI and 200 legal entities

ОТКРИТИЕ
BANK

РОСГОССТРАХ

B&NBANK

Assets: 3.4 tln RUB

Diversified D-SIB Financial Group

Promsvyazbank **Assets: 1.4 tln RUB**

Specialised bank
State-owned

АТБ **Assets: 0.1 tln RUB**

Regional bank

ТРАСТ

РОСГОССТРАХ БАНК

АВБ

Assets purchased from Otkritie, B&N BANK and Promsvyazbank

Assets: 2.1 tln RUB

Assets : 7 tln RUB

- DA&PE Fund: 2.1 tln RUB
- Other banks & FI: 5.0 tln RUB



1. Otkritie + B&N Bank merger



Banking business:

- Assets: 2.1 tln RUB
- Loans: 0.5 tln RUB
- Clients' funds: 1.4 tln RUB
- 61 regions of Russia
- >400 offices
- 2.7 mln private individuals in customer base
- ~200,000 corporate clients

Insurance business:

- Gross Written Premium: 79 bln RUB, 62% share of motor insurance in company's GWP
- > 17 mln clients
- > 2,000 offices
- 40,000 insurance clients

Non-State pension funds:

- Assets: 0.6 tln RUB
- 7.7 mln insured
- 0.5 tln RUB of pension savings



2. Asian-Pacific Bank (under resolution since 25.04.2018)

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- ✓ 19 regions
- ✓ 200 offices
- ✓ 108 cities and towns
- ✓ 3,900 employees
- ✓ > 800,000 private individuals in customer base
- ✓ > 20,000 SME and other corporate customers

Assets:

- 118.2 bln RUB
- 64th largest in Russia

Loans:

- 68.2 bln RUB
- Share of retail loans > 65%
- 37th largest in terms of retail loans, 2-9th largest in the Far Eastern Federal District regions

Customer accounts:

- 77 bln RUB
- Share of private individuals > 75%
- 41st largest in terms of customer accounts of individuals, 2-7th largest in the Far Eastern Federal District regions

- ✓ With involvement of FBSC memorandum of cooperation with Longjiang Bank was signed (18.05.2018)
- ✓ Signing a memorandum of cooperation with Heihe Rural Commercial Bank Co., Ltd is planned



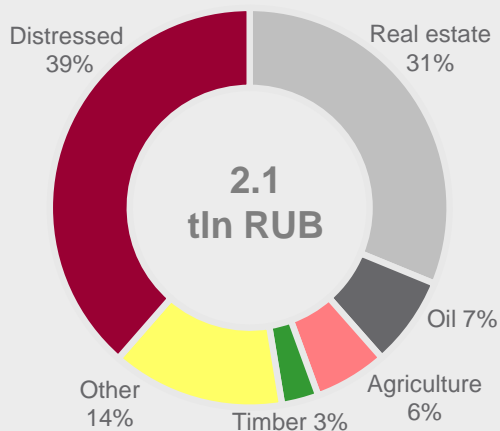
Distressed Assets and Private equity Fund

- Assets sale in 3-5 years
- Assets: 2.1 tln RUB
- Target recovery: 40-60%
- Investors/assets could be financed (in case required)
- Fund's assets growth by transfer of non-core assets of other banks under resolution
- Cooperation with:

Otkritie Bank loan portfolio management, preparing assets for sale

RDIF investor communications, Fund's corporate structure set up

Deposit Insurance Agency bankruptcy management and synergy with non-core assets managed by DIA





DA&PE Fund: Cooperation with RDIF and Otkritie

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- Application of RDIF experience in setting up:
 - Fund's corporate structure
 - decision-making process of transaction approval
- RDIF participation in Fund management, presence in:
 - Board of Directors
 - Board of Directors independence committee
- Support in investors search and communication:
 - RDIF works alongside the world's foremost investors and leading Russian companies, has long-term strategic partnerships
- Application of Otkritie experience in:
 - loan portfolio management
 - operation of large financial institution
- Presence in the Board of Directors
- Operational management
- Preparing assets for sale
- Search of investors



1. Bail-in

Realised initiatives

- Statutory bail-in. Liabilities that have to be written down in virtue of law:
 - Liabilities to previous shareholders
 - Subordinated debts (deposits, loans, bonded loans)
 - Liabilities to senior management and controlling parties
- List of parties liabilities to whom must be written down was clarified:
 - Heads and Chief Accountants of regional offices are excluded from the list
 - Definition of controlling parties in accordance with already existing legislation on obtaining Bank of Russia approval for bank's shares purchase

Initiatives under discussion: areas for further development

- Participation of wider range of large creditors in statutory bail-in
- Voluntary bail-in. Peresvet Bank example: more than 70 creditors of the bank voluntarily agreed to convert their deposits amounting to ~ RUB 70 bln into bank's subordinated bonds as part of financial resolution
- Prohibition of sale of subordinated debt instruments to non-qualified investors – private individuals

2. Recovery of losses caused by actions of the previous management and shareholders

Realised initiatives

- Specification of “losses” definition. “Losses” are defined as difference between factual income earned by Bank of Russia on funds provided to banks under resolution and possible income that Bank of Russia could earn were the funds provided at Bank of Russia key rate. Equity investments are treated as 20-years 0% interest rate loans
- Such “losses” on Bank Otkritie, B&N BANK and PSB resolution are preliminary estimated at RUB 1 tln

Initiatives under discussion: areas for further development

- Application of more efficient and fast-realising procedures of provisional measures of protection
 - Possibility of application of provisional measures by federal authorities
-



1. Banks

- P&A: reimbursement of negative difference between valuation of assets and liabilities, valuation of assets at fair value
- Regulation of the DA&PE Fund

2. Other financial institutions

- Implementation and application of insurance companies resolution mechanism.
- Development and implementation of a new resolution mechanism for:
 - other non-banking financial institutions (incl. NPF)
 - financial groups or holdings