"CURRENT TRENDS
IN THE RUSSIAN FINANCIAL SYSTEM"

Edited by
Morten Balling

Chapters by:
Stephan Barisitz
Zeljko Bogetic
Zuzana Fungačova and Laura Solanko
Peter Havlik
Valery Invushin, Vladimir V. Osakovskiy
and Debora Revoltella
Alexander Lehmann
Ewald Nowotny
Cyril Pineau-Valencienne
Pekka Sutela

A joint publication with the Austrian Society for Bank Research

BWG

SUERF – The European Money and Finance Forum
Vienna 2009
## TABLE OF CONTENTS

Table of Contents 3

1. **Introduction** 7

2. **Opening Remarks** 13

3. **Russian Finance: Drag or Booster for Future Growth?** 23
   1. References 39

4. **Russian Banking in Recent Years: Gaining Depth in a Fragile Environment** 43
   1. Abstract 43
   2. Introduction 44
   3. Macroeconomic and structural background 45
   4. Banking development and reforms 48
   5. Assessment and conclusions 77
   6. References 83

5. **Banks and financial reform: their role in sustaining Russia’s growth** 89
   1. Abstract 89
   2. Introduction 90
   3. Russia’s growth spurt 92
   4. Financial reform and growth 94
   5. The political economy of further financial reform 102
   6. Conclusions 104
   7. References 106

6. **Russian financial institutions and the oil and gas sector: Funding and recycling** 109
   1. Introduction 109
   2. An environment conducive to external borrowing in an investment boom climate 111
   3. The capital needs are met by a double movement of external borrowing of banks and corporate companies 114
   4. A long history of cooperation between the foreign banking community and the Russian oil and gas industry 118
   5. The new catalysts in the financing of major projects are the oil and gas international “majors” or “sponsors” 119
   6. The so-called Raw Materials banks did not play a major role as “related parties” in the financing of their own groups. 122
   7. The challenges to overcome 122
8. Conclusions

7. Risk-taking by Russian banks: Do location, ownership and size matter?
   1. Abstract
   2. Introduction
   3. The banking industry in Russia
   4. Data and the key variables
   5. Measuring risk - bank insolvency_risk (z-score)
   6. Conclusion
   7. References

8. Russia’s Financial Crisis: Causes, Consequences and Prospects
   1. Resume
   2. Context and Causes
   3. Consequences
   4. Policy Response
   5. Policy challenges going forward
   6. Outlook for 2009

9. The Russian Economy in the Global Turmoil
   1. Introduction
   2. Russian economy and the ambivalent role of energy
   3. Return of double-digit inflation
   4. Diversification with Industrial Policy tools
   5. Effects of the global turmoil
   6. References:

10. The Russian banking sector: what to expect?
    1. The past: Russian economic renaissance
    2. The crisis: politics and economics join forces
    3. Longer term prospects are brighter

SUERF – Société Universitaire Européenne de Recherches Financières