

RUSSIAN FEDERATION CROSS-BORDER INVESTMENTS AND BANK EXPANSION

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Abstract

The paper looks into the specifics of cross-border investments related to changes in the direction of capital flow. The growth factors regarding the export of capital have been identified from the point of view of the Neo-Keynesian theory of investment, which describes a situation when the economy of a country demonstrates a stable excess of the gross saving rate (gross saving to GDP ratio) over the gross accumulation rate (gross accumulation to GDP ratio), which can be the result of forcing exports and/or rapidly growing prices for the main export commodities. The paper presents the results of the evaluated international investment activity of the Russian Federation in 2018–2019, formed with standard components. The main indicators, characterizing financial stability and positions of the Russian banking system given the sectoral limitations, have been reported.

The key trade and investment positions of the Russian Federation and the EU countries have been analyzed. Calculations have been made to demonstrate the volume of direct Russian investments in the EU countries within 2010–2017. Some peculiarities have been identified and the presence of asymmetry in the investment cooperation between the EU and the RF has been confirmed. Specific features of the Russian export of capital have been revealed. A range of factors, preconditioning a growth of flow of Russian bank capital to the countries of the EU, has been formed. The main parameters of the international investment activity of Russian banking institutions have been presented and some data have been given on the geographical distribution of foreign assets and liabilities of the Russian bank sector by groups of countries and individual (most attractive for Russian investment) countries of the world. It has been concluded that supporting European expansion of the national banking institutions could be one of the prioritized directions of the state policy of the Russian Federation in the banking sector.

Keywords: Neo-Keynesian theory of investment, sanction limitations, international investment position, bank capital flow, macro-prudential indicators, investment positions, export of bank capital, investment cooperation.

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Global processes in the world's financial system triggered the process of transnationalization of bank capital. The flow of national bank capital within international investment initiatives has been the effect of financial globalization. At the same time, investment activity in economically developed countries has reduced over recent years, which has caused radical changes in the movement of cross-border flows of capital. Herein, the issues related to the sustainability of national economies are becoming very important, because the latter are affected by a turn in cross-border flows of capital and shocks related to it.

The paper is aimed at evaluating the investment prospects of the Russian Federation and identifying a range of factors which contribute to more active and intense exports of Russian bank capital at a time when the regime of economic and financial sanctions continues to operate.

Factors affecting cross-border flows of capital in the world economy

The problems of various aspects of cross-border flows of capital and related risks and shocks, caused by instability of capital flow have been actively studied and analyzed by such authors as Aghion P., Howitt P. (2009), Aizenman J., Pasricha G.K. (2012), Chinn M.D., Ito H. (2008), Alberola E., Erne A., Serena J.M. (2012), Calvo G., Reinhart C. (2000), Glick R., Hutchison M. (2008), Kamin S.B. (2010), Ocampo J.A., Stiglitz J.E. (2008), Lankes H.P., Venables A.J. (2006), Ohanian L.E., Restrepo-Echarria P., Wright M.L.J. (2016), Pelto E., Peeter V., Liuhto K. (2004).

According to the experts, the main factor of the growing export of capital is a stable excess of the gross savings rate (gross savings to GDP ratio) over the gross accumulation rate (gross accumulation to GDP ratio), which occurs both due to a high gross savings rate and, primarily due to a positive current account balance (being the result of forced export and/or rapidly growing prices for the main products of this export), and due to a lack of a quite high accumulation rate in the country (Calvo, 1998; Lankes & Venables, 2006).

Since 2014, countries with emerging markets have been playing an increasingly important role in these processes, mainly due to higher rates of economic growth and their bigger share in the structure of the world economy (Ohanian, Restrepo-Echarria & Wright, 2016, p. 25). However, it has to be said that Asian countries have a significant position in the international flow of capital. Their share in the import of direct investments grew a lot within the period of 2014–2018 (from 53% to 76%).

As for the export of direct investments, this indicator demonstrated a growth from 24% to 47%. A leading position in the group of Asian countries is taken, without a doubt, by China. Thus, the flow of investment import and export in 2017 comprised

a third of the investment activity of this group of countries (*Global Financial Stability Reports*, p. 18). The Russian Federation is no exception; among the countries with an emerging market (for example, its BRICS partners), it gives way only to China.

The BRICS countries take an active part in the international flow of capital, both as net exporters of capital (China, Russia and the Republic of South Africa) and as net importers (Brazil and India). In 2017 the import of direct investments into the BRICS countries comprised \$266 bln (Pelto, Peeter & Liuhto, 2004, p. 5), while the share of the BRICS in the world flow dropped to 15%, falling four positions since 2016. This caused a subsequent reduction in the volume of accumulated direct foreign investment in the BRICS countries. The picture is different in terms of direct investments the BRICS countries accumulated abroad, which increased in 2017 to 8.5% higher than the rest of the world, despite a sharp fall in the flows of direct investments from China due to legal restrictions on the export of capital from the country (Ocampo & Stiglitz, 2008, p. 79).

By and large, within 2000–2018, the share of the RF in the world export of capital was 1.7%, while this indicator in China was equal to 2.6%, in Brazil – 0.5%, in India – 0.2%, and in the Republic of South Africa – 0.1%. In the current (2019) year, the net export of capital by the private sector from Russia increased by 2.1 times in January-February in comparison to the indicator for the same period last year and comprises \$18.6 bln.

In accordance with the Neo-Keynesian theory of investments, this situation is characterized by the equation $S - I = B$, where S is savings, I is investments in real capital (investments in non-financial assets, gross accumulation), and B is a positive account balance of current transactions of the balance of payments (Ito, 2010, p. 15).

According to the equation, the positive account balance of current transactions is defined by the difference between saving and gross accumulation. Neo-Keynesian theory explains this situation in the following way: If a country systematically generates more savings in comparison with investments in real capital inside the country, the surplus of savings leaves the country – in the capital transactions and financial instruments account. It takes a form of the export of capital exceeding its import, and forex reserves increase (Pelto, Peeter & Liuhto, 2004, p. 8).

These conclusions are supported by the position of the Central Bank of the Russian Federation, according to which the balance of financial transactions (capital flight) of the private sector within the reporting period was formed mainly at the expense of growing net financial assets. This trend can be accounted by a considerable strengthening of the trade balance affected by an increase in the volume of export operations, which grows faster than the recovery rates of import.

According to the evaluation of the Bank of Russia, the positive account balance of current transactions of the trade balance of the Russian Federation in the first six months of 2019 was \$45.8 bln facing \$47.7 bln in January-June 2018, which was the result of an insignificant reduction in the surplus of foreign trade of commodities due to a more considerable decrease in the value indicator of the export of goods in comparison with their import. Moreover, the noted reduction in the surplus of the trade balance was partially compensated by a reduced negative balance of the balance of services, which was caused not only by falling imports, but also by a slight growth in the volume of exports in the external trade of services.

The balance of financial operations of the private sector in January-June 2019, according to the Bank of Russia, increased to \$27.3 bln (this indicator for the same period – January-June 2018 – was \$110 bln). This indicator was affected by an increase in the volume of bank transactions related to depositing money abroad and covering liabilities to non-residents. The operations of other sectors had a neutral effect on the dynamics of the indicator. The international reserves of Russia, as a result, grew by \$35.2 bln, mainly due to purchasing foreign currencies on the domestic market according to the budgetary rules and receiving money from placement of sovereign securities.

Evaluating the International Investment Position of the Russian Federation

The importance of analyzing the Net International Investment Position (NIIP) is defined by the fact that this indicator together with the value of non-financial assets makes it possible to assess the net cost of capital in the economy of the country (balancing item of the national balance of assets and liabilities) (*Balance of Payments and International...*, p. 3). The NIIP can be used as a “barometer” of the financial position and credibility of the country. The results of evaluating the NIIP of the Russian Federation by standard components are presented in Table 1.

Table 1

International Investment Position (NIIP) of the Russian Federation in 2018 (*standard components*)*

\$ mil.

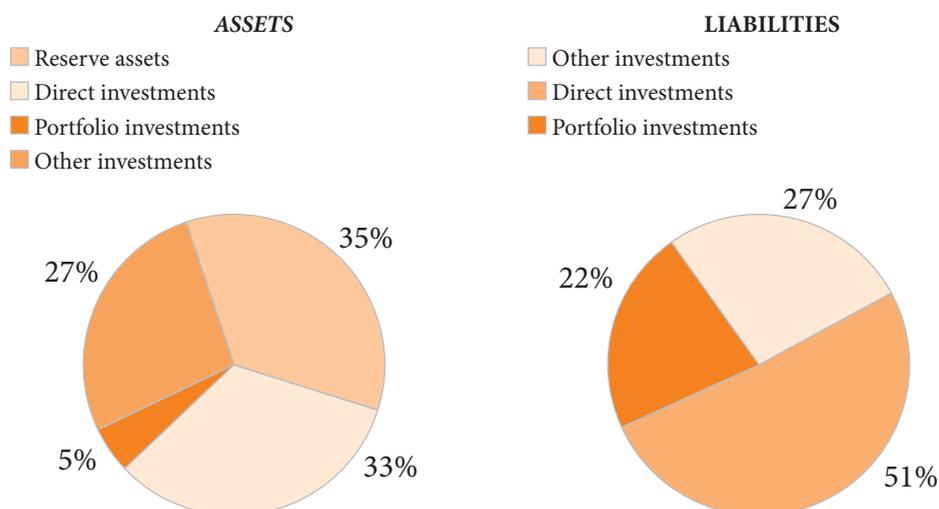
	Balance as of 1.01.2018	Change as a result of transactions	Change as a result of reevaluation	Other changes	Balance as of 01.01.2019
Net International Investment Position (NIIP)	272 632	115 261	- 26 885	9 932	370 940
ASSETS	1 339 011	78 843	- 79 067	1 428	1 340 216
Direct investments	468 567	31 929	- 62 621	- 4 535	433 341
Portfolio investments	73 946	- 1 827	- 2 575	- 992	68 551
Derivatives	4 853	- 11 708	14 677	- 1 415	6 407
Other investments	358 903	22 249	- 12 691	- 5 038	363 422
LIABILITIES	1 066 379	- 36 418	- 52 182	- 8 504	969 276
Direct investments	529 644	8 816	- 39 957	- 1890	496 613
Portfolio investments	230 155	- 9 421	-11 743	- 762	208 229
Derivatives	4 505	- 10 975	11 761	- 358	4 933
Other investments	302 076	- 24 839	- 12 242	- 5 495	259 501

* Compiled on the basis of materials of the Central Bank of the Russian Federation.

Available at: <https://www.cbr.ru>

The structure of the International Investment Position of the RF as of 01.01.2019 is presented in Fig. 1.

Figure 1: Structure of the International Investment Position of the Russian Federation as of 01.01.2019*

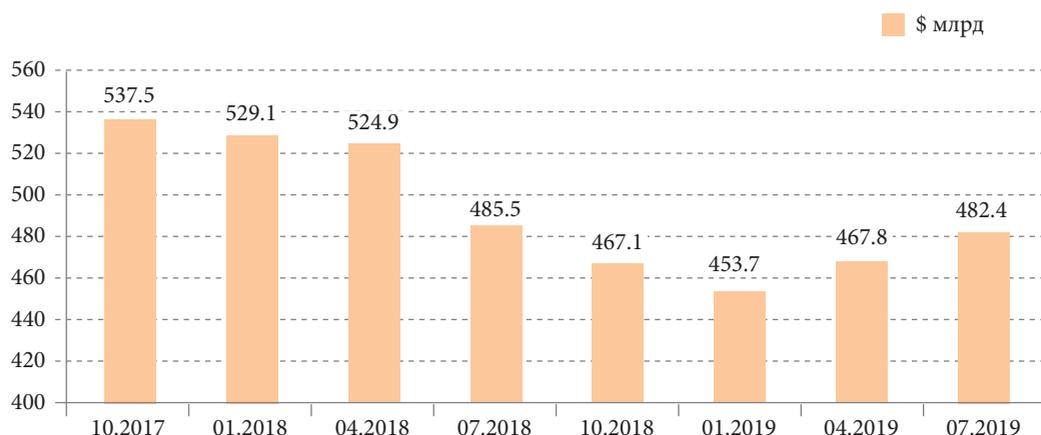


* Compiled on the basis of materials of the Central Bank of the Russian Federation.

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According to the data as of mid-July 2019, the International Investment Position of the Russian Federation was \$482.4 bln. The time history of this indicator within the period of October 2017 – July 2019 is presented in Fig. 2.

Figure 2: Time history of the indicator of the International Investment Position of the Russian Federation (October 2017 – July 2019)*



* Compiled on the basis of materials of the Central Bank of the Russian Federation.

Available at: <https://www.cbr.ru>

Despite the general downward trend, the positive values of the indicator of the International Investment Position of the RF within the analyzed period show the status of the country as a “net lender”, which demonstrates stability of export capabilities of the domestic bank capital.

Positions of the banking sector of the Russian Federation considering sectoral limitations

Russia belongs to a group of countries (Germany, France, Japan) whose financial industry is developing based on a bank-centric model (Astrauskaite & Paskevicius, 2014, p. 114), when the financial system is oriented on bank financing. Furthermore, over the past decade the macroeconomic significance of the banking sector has increased considerably. In the total volume of assets of the financial sector, the specific weight of banks exceeds 80%. Thus, the banking sector plays a key role in the trend data of financial flows in the economy of the country.

Despite the sanction regime and some slowing down of economic growth, the financial result of the Russian banking sector within 2016–2018 demonstrates a stable positive trend. At the end of 2018, the profit of credit organizations exceeded \$20 bln, which is 1.7 times bigger than the value of this indicator in 2017.

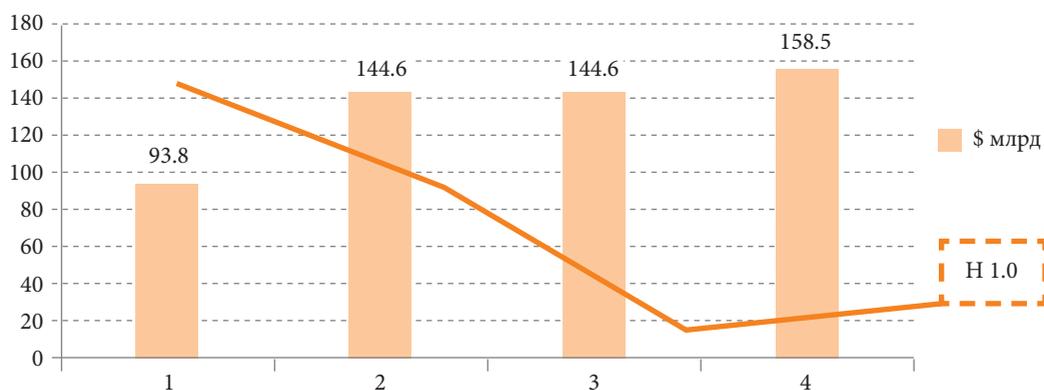
A growing credit cycle has been one of the main development factors of the Russian banking business, while crediting has been the main source generating financial flows, which accounts for 69% of total assets of the banking system of the country.

Almost all operational indicators have improved. Profit growth rates have exceeded the dynamics of capital and assets, which led to a substantial increase of their profitability in the banking sector as a whole. The profitability of bank assets increased (from 0.97% to 1.54%), the same as that of bank capital (from 8.3% to 13.8%).

Moreover, according to expert evaluations, in 2019 banking organizations are expected to get a profit in the amount of \$27.7–29.2 bln, while the growth of assets will amount to 6–8%, and the level of profitability will reach the pre-crisis level. However, the projected rise in competitive pressure in the banking sector, most probably, will not make it possible to increase the growth rates of last year (2018).

The total capital of the Russian banking system in 2018 grew by 9.3% and as of 1 January 2019 reached the value of \$158.5 bln (Fig. 3). This indicator is noticeably higher than the values of 2017, when its growth rates were identified as zero. At the same time the growth rates were registered lower than the average annual rates in 2013–2016, when they reached 11.4%. It should be noted that this increment, to a certain point, was provided by the monetary authorities within the programs of financial recovery and capitalization support of some Russian banks with public ownership. In addition, the trends of the analyzed indicators are noticeably different within various groups of banking organizations.

Figure 3: Trends of the RF banking sector's own funds and capital adequacy ratio (H 1.0)*



* The values of H 1.0 (indicator of one's own bank capital adequacy ratio) by years are presented for the entire banking system based on the data of the Bank of Russia. Available at: <https://www.cbr.ru>

As can be seen from Figure 3, since 2017 the indicators of the Russian banking sector's capital adequacy ratio (Basel III) for the banking system as a whole have been met with a certain "margin of safety". This helped the Russian banking system to reach a level close to the average world values by these important coefficients.

However, since 2016 the values of macroprudential indicators, characterizing the sustainability of the banking system, have demonstrated a certain downward trend (Table 2).

Table 2

Trends of macroprudential indicators, characterizing the sustainability of the banking sector of the Russian Federation over a seven year period (%)

Indicator name	1.01.2013	1.01.2014	1.01.2015	1.01.2016	01.01.17	01.01.18	01.01.19
Capital / GDP	40.6	44.4	51.6	52.7	47.5	46.0	46.6
Assets / GDP	72.6	78.5	98.0	99.5	92.9	92.6	90.8
Credits to the economy / GDP	20.9	23.2	23.4	27.8	28.1	28.2	27.5
Deposits of private customers / GDP	9.0	9.7	10.0	10.8	10.9	10.2	9.9

Source: Based on data of the Bank of Russia. Available at: <https://www.cbr.ru>

Given the role of the banking sector in the financial system and the economy of the country as a whole, it seems reasonable to analyze the trends of the indicator of the Net International Investment Position of the Russian banking sector by standard components (Table 3).

Table 3

**International Investment Position of the banking sector
of the Russian Federation as of the period January-April 2019***

\$ mil.

	Balance as of 01.01.2019	Change as a result of transactions	Reevaluation as a result of change in the exchange rate and market prices	Other changes	Total changes	Balance as of 01.04.2019
ASSETS	193 409	9 149	2 764	-3 536	8 377	201 786
Direct investments	12 388	635	-105	-15	516	12 904
Portfolio investments	33 553	-422	696	-358	-84	33 469
Derivatives	6 387	-2 267	1 432	-61	-897	5 490
Other investments	141 081	11 203	741	-3 102	8 842	149 923
LIABILITIES	124 605	-3 159	8 767	-51	5 557	130 162
Direct investments	20 744	587	1 067	-15	1 639	22 383
Portfolio investments	23 141	- 16	4 366	-24	4 326	27 467
Derivatives	4 931	-2 804	2 607	-7	-204	4 727
Other investments	75 790	-926	727	-6	-205	75 585
NET INTERNATIONAL INVESTMENT POSITION (NIIP)	68 804	12 308	-6 003	-3 484	2 820	71 624

* The International Investment Position of the RF has been calculated according to the data of credit organizations, including the state development corporation VEB.RF without considering non-banking credit organizations according to the guidelines suggested by the IMF (sixth edition of the IMF manual).

Available at: <https://www.imf.org>

Developing financial technologies and the need to apply promising approaches to regulating cross-border financial services provide new opportunities and form a set of limitations in the financial sector.

Specifics and asymmetry of investment cooperation between the EU and the Russian Federation

The basis for the development of trade and investment cooperation between the EU and Russia is the Partnership and Cooperation Agreement (PCA) concluded in 1997 and suspended by the EU in 2014 due to the events in Ukraine. However, despite the previously introduced sanctions regime, the EU is the biggest partner for the Russian Federation, while Russia is the fourth largest trade partner for the EU (Gros & Di Salvo, 2017, p. 134).

In terms of the structure of foreign trade of Russia, the EU holds the leading position as the largest economic partner of the country. The EU's share of Rus-

sian commodity circulation fell to 43.1% in January-October 2018 (from 42.7% in January-October 2017), while the share of the CIS countries amounted to 11.8% (12.5%), that of the EAEU countries was 8.2% (8.9%), and that of the APEC countries was 31.0% (30.4%).

In addition, according to the statistics, commodity circulation between the EU and the RF demonstrates a gradual fall. Thus, the volume of trade operations reduced from 339 bln euros in 2012 down to 191 bln euros in 2018, i.e. the fall amounted to 44%. The EU primarily exports tools and equipment (industrial, transport, medical etc.) to Russia, whereas Russia supplies mostly mineral raw materials (oil, gas) to Europe.

In analyzing the investment positions, it can be concluded that the EU is the largest investor into the Russian economy (industrial and banking sectors). Thus, for example, $\frac{3}{4}$ of direct investment into Russia fell for the EU. In addition, we should not ignore the fact that 30% of this value is (re)investment from the Republic of Cyprus. The RF invested only about 1% of the total volume of direct investments into EU countries.

Moreover, if we track the investment flows between the EU and the Russian Federation, we can see that the volume of European investments exceeds the investment activity of Russia in the EU countries almost by two times (Fig.4).

Figure 4: Investment flows between EU countries and Russian Federation in 2018



Source: <http://economy.gov.ru>

Investment cooperation has traditionally been important for international economic relationships despite the widespread practice of introducing sanction limitations. In order to find out about the main regularities and problems in investment cooperation between the EU and the Russian Federation, the structure of financial investments should be analyzed (Nelson, 2017, p. 311).

The average structure of investments from the EU to Russia over 10 years:

- direct investments – about 40%;
- portfolio investments – about 3%;
- miscellaneous (bank loans, trade financing) – about 57%.

The average structure of investments from Russia to EU countries over 10 years:

- direct investments – about 75%;
- portfolio investments – about 3%;
- miscellaneous (bank loans, trade financing) – about 22%.

In terms of individual EU countries, the volume of direct investments in the economies of the EU member countries over the period of 2010–2017 is presented in Table 4.

Table 4

Direct investments from the Russian Federation to the economies of the EU member countries in 2010–2017, million Euros

	2010	2011	2012	2013	2014	2015	2016	2017
Austria	253	847	512	1035	5265	1135	746	258
Belgium	49	36	61	536	- 450	302	32	- 44
Bulgaria	441	319	522	716	554	308	48	41
Hungary	542	48	- 2724	67	155	67	12	13
Germany	1860	1880	971	1118	1334	1016	738	393
Greece	58	318	88	63	98	185	12	15
Denmark	16	- 4	389	215	752	-	401	307
Ireland	299	1185	527	512	264	91	479	1139
Spain	458	490	812	980	1356	1879	152	125
Italy	295	315	387	403	538	587	117	165
Cyprus	15524	18309	22930	20930	7671	23546	4249	9827
Latvia	166	147	328	348	568	513	- 22	- 62
Lithuania	57	49	66	28	46	- 66	3	8
Luxembourg	2633	2483	2005	-504	1314	639	786	- 1633
Malta	32	8	-1	- 10	2	40	4	- 14
Netherlands	4684	7035	9901	2599	-3022	2132	461	841
Poland	- 50	- 2	30	- 2	73	31	67	55
Portugal	25	25	24	30	45	103	3	9
Romania	25	196	- 96	- 1	- 101	- 1	1	-
Slovakia	29	11	19	49	32	28	12	5
Slovenia	9	3	10	18	29	101	7	30
UK	3886	1232	1474	632	1294	1936	- 439	755
Finland	154	236	63	271	91	146	1454	104
France	217	334	656	1430	449	523	74	121
Croatia	75	23	103	31	71	111	19	23
Czech Republic	319	360	337	265	340	277	24	43
Sweden	177	203	489	390	-720	57	- 1	34
Estonia	29	21	30	85	120	149	63	- 5

Source: based on data of the Bank of Russia. Available: <https://www.cbr.ru>

As can be seen from the data in Table 4, in general there is a slow, but stable reduction in the shares of Cyprus, the Netherlands and Luxembourg in the incoming and outgoing foreign investments in the capital turnover of Russia and the EU. At the same time in 2017 the volume of direct investments into Ireland grew considerably. By and large, as can be seen from Table 4, these dynamics are unstable and inconsistent.

Parameters of investment activity of Russian banking institutions

In the early 2000s, the investment activity of the Russian banking sector was rather low (Christen, Fritz & Streicher, 2015, p. 42). There were individual (though sometimes quite big) deals. Thus in 2001, Alfa-Bank purchased 100% of the shares in the Amsterdam Trade Bank (Netherlands) and thus became the first Russian bank institution to own a subsidiary bank in the EU.

However, in 2004–2005 the export of Russian capital in the EU countries grew significantly because at that time Russian banks began more and more actively to increase their presence in the banking sectors of the EU countries either through acquiring existing banking institutions or through setting up bank subsidiaries and branches (Dreger, Fidrmuc, Kholodilin, & Ulbricht, 2016, p. 298).

Thus, in early 2014, a majority of the large Russian banks already had subsidiaries in the EU countries. Currently the most active exporters of banking capital are Sberbank, Alfa-Bank, VTB, and Gazprombank¹. All these banking institutions are presented in a different way in countries around the world, both through representative offices and branches, and through subsidiary banks (Fig.5).

Figure 5: Expansion of the Russian banking sector in the countries of the EU

PRESENCE OF RUSSIAN BANKING INSTITUTIONS IN EU COUNTRIES				
				
Sberbank	VEB	VTB Bank	Gazprombank	Alfa-Bank
<ul style="list-style-type: none"> - Austria - Germany - Switzerland - Hungary - Slovenia - Croatia - Czech Republic 	<ul style="list-style-type: none"> - UK - Switzerland - France - Italy - Germany 	<ul style="list-style-type: none"> - Austria - Germany - France - UK 	<ul style="list-style-type: none"> - Switzerland - Luxembourg 	<ul style="list-style-type: none"> - UK - Netherlands - Cyprus

The analysis shows that virtually all banking organizations acquired by Russian owners are part of a chain of branches of Russian banks. The growth of long-term investments is, to a large extent, preconditioned by fast develop-

¹ Alfa-Bank today is the largest private Russian bank.

ment of the chain of foreign structural divisions of Russian banking institutions, whose operations are usually financed by parent organizations through making deposits and loans.

These institutions have the maximum possible freedom in terms of taking investment decisions. It is obvious that implementing these strategies in the banking sector is traditionally oriented on the active growth of business. It should also be noted that the operations of subsidiaries and branches of Russian banking organizations are complicated due to the high level of costs related to setting up and maintaining banking business (Harrell, Keatinge, Lain & Rosenberg, 2017, p. 24).

Even under the conditions of sanction limitations, the banks continue to export capital in the EU countries. According to the report of the Central Bank of the Russian Federation, the export of capital grew significantly (up to \$27.3 bln) in the private sector, primarily in the banking system. This trend is explained by the existing instability on the markets of financial assets in a number of countries, such as, for example, Russia. Moreover, a certain role is played by the consequences of the sanction limitations, also sectoral ones.

Table 5–7 shows the data on the geographical distribution of foreign assets and liabilities of the Russian banking sector by groups of countries and individual (most attractive for Russian investments) countries of the world.

Table 5

**Geographical distribution of foreign assets and liabilities
of the banking sector of the Russian Federation in individual
countries of the EU as of 1 April 2019***

\$ mil.

COUNTRIES	Foreign assets	Foreign liabilities	Balance of foreign assets and liabilities
TOTAL	121 383	66 082	55 301
AUSTRIA	7 450	3 679	3 771
BELGIUM	1 179	274	905
GERMANY	11 224	3 127	8 097
GREECE	178	126	52
IRELAND	16 519	15 621	898
SPAIN	1 796	56	1 740
CYPRUS	37 602	8 841	28 761
LUXEMBOURG	10 385	15 461	-5 077
NETHERLANDS	14 224	7 675	6 549
UK	18 498	6 984	11 514
FRANCE	2 328	4 236	-1 909

Source: Compiled on the basis of materials of the Central Bank of the Russian Federation.

Available at: <https://www.cbr.ru>

Table 6

**Geographical distribution of foreign assets and liabilities
of the banking sector of the Russian Federation in some
countries of the world, including international organizations
and institutions as of 1 April 2019**

\$ mil.

COUNTRIES	Foreign assets	Foreign liabilities	Balance of foreign assets and liabilities
TOTAL	36 850	29 045	7 805
VIRGIN ISLANDS, BRITISH	108	1 871	-1 763
HONGKONG	415	119	297
JERSEY	6 345	45	6 299
INDIA	189	163	26
CANADA	407	214	193
CHINA	379	4 599	-4 220
CUBA	358	52	305
SINGAPORE	684	816	-132
USA	17 227	13 576	3 651
SWITZERLAND	10 027	2 545	7 482
JAPAN	147	3 745	-3 598
International organizations and institutions	564	1 299	-735

Source: Compiled on the basis of materials of the Central Bank of the Russian Federation.

Available at: <https://www.cbr.ru>

Table 7

**Geographical distribution of foreign assets and liabilities
of the banking sector of the Russian Federation by individual
groups of countries as of 1 April 2019**

\$ mil.

	FOREIGN ASSETS			FOREIGN LIABILITIES			BALANCE
	Short-term	Long-term	TOTAL	Short-term	Long-term	TOTAL	
BRICS COUNTRIES	322	249	571	770	4 006	4 776	-4 205
OECD COUNTRIES	55 914	67 374	123 288	15 811	72 402	88 212	35 076
APEC COUNTRIES	17 399	1 972	19 371	4 180	19 821	24 001	-4 630

Source: Compiled on the basis of materials of the Central Bank of the Russian Federation.

Available at: <https://www.cbr.ru>

The comparison of data presented in Tables 5 and 6 shows that the European Union is one of the most attractive directions for the flow of the Russian bank capital. In this respect, the different sanction limitations have not changed the vector of its flow (Crozet & Hinz, 2016, p. 27).

In addition, it is necessary to point out the factors which help Russian banking institutions to stimulate and maintain interest in the European direction:

1. history of Soviet foreign banks of the State Bank of the USSR;
2. change of the goals and objectives of the banking business in the European Union;
3. presence of excessive liquidity in the banking sector of the Russian Federation;
4. presence / prevalence of banks with state ownership in the Russian banking system;
5. specifics of sanction regimes in relation to parent companies and subsidiaries of Russian banks in the EU.

The largest proportion of the export of capital occurs through opposite active operations of Russian banking institutions, related to placing financial resources in those countries where investments seem attractive for banking capital. To a point, this can be explained by the lack of reliable investment opportunities inside the country. Thus, the growing flight of the Russian banking capital, which is now more than 2.5 times bigger than in the same period last year (2018) is directly caused by a threat of increasing sanction risks towards the financial sector and the rising activity of Russian banking organizations and investment institutions on the world financial markets, and, in addition, by the increasing volumes of foreign currency purchased by the Ministry of Finance of the Russian Federation and the Bank of Russia to comply with the budgetary rules. A certain role is played by the operations of Russian business structures in terms of the foreign currency liabilities they have. That being said, despite the rapid growth of foreign investment projects of Russian banking institutions, the scale of their presence in the EU countries still falls behind the needs of Russian business in financial support of foreign trade operations.

Finally, a number of conclusions can be made.

1. The changing vector of movement of cross border capital flows has opened additional investment opportunities to the countries with emerging markets (including the Russian Federation), which has led to a significant increase of their share in the world flight of capital.
2. The main factor contributing to stimulating and intensifying the process of export of Russian bank capital is the positive balance of financial operations due to an increase in net financial assets as a result of a stronger trade balance.
3. The dynamics of the indicator of the International Investment Position of the Russian Federation and analysis of the financial results of the banking sector show its capability to successfully adapt to the sanction regime.
4. The evaluation of investment activity of Russian banking institutions shows that supporting European expansion of the national banking institutions could be one of the prioritized directions of the state policy of the Russian Federation in the banking sector.

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