

THE CENTRAL BANK OF THE RUSSIAN FEDERATION



A N N U A L 2 0 1 1 R E P O R T



Approved by the Bank of Russia Board of Directors on 10 May 2012

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## INTRODUCTION

The Bank of Russia Annual Report for 2011 has been compiled in accordance with the Federal Law ‘On the Central Bank of the Russian Federation (Bank of Russia)’. The report reflects the results of the Bank of Russia’s performance in 2011. It contains an analysis of the external and internal conditions of its operations, the Bank of Russia’s annual financial statements and the auditor’s report on them, as well as a statement by the Audit Chamber of the Russian Federation.

In 2011, improved terms of trade and high global oil prices ensured favourable conditions for the development of the Russian economy. However, the volatile global economic situation, which deteriorated in the second half of the year, limited the effect of positive trends.

Due to investors’ enhanced risk aversion, the net outflow of private capital from emerging markets (including Russia) increased noticeably. At the same time, the inflow of foreign currency to the country’s balance of payments current account exceeded the net outflow of private capital.

The exchange rate policy of the Bank of Russia in 2011 was executed in line with its strategy of transition from a managed floating exchange rate regime to a freely floating rouble. In order to increase the flexibility of the exchange rate, the Bank of Russia widened the floating operational

band of the dual-currency basket’s permissible values throughout the year. Within the framework of the applicable exchange rate policy regime and taking into account changes in the domestic foreign exchange market, the Bank of Russia conducted interventions throughout the year, buying and selling foreign currencies, seeking not to interfere with the fundamental factors that shaped the exchange rate. Overall, by the end of the year, the international reserves of the Russian Federation increased.

In the first half of the year, as a response to the threat of growing inflation, the Bank of Russia pursued a restrictive monetary policy, increasing interest rates on its operations and required reserves. In the second half of the year, when it became necessary to ensure a balance between mitigating inflation and securing economic growth, the Bank of Russia adhered to the same monetary policy.

According to the year’s outcomes, the inflation target was achieved. Growing investment and consumer demand ensured the increased production of goods and services. The GDP growth rate remained at its 2010 level. The number of unemployed decreased significantly.

The dynamics of monetary aggregates testified to a gradual decrease in the inflationary pressure on the money supply side. Annual rouble supply growth rates fell in 2011 in comparison with the

previous year. The main source of broad money growth in 2011 was the expansion of banks' lending activities. At the same time, the role played by the budget factor in the formation of the money supply changed. The accumulation of money in the general government accounts with the Bank of Russia during the larger part of the year substantially restrained money supply dynamics.

The growth in the volume of lending to non-financial organisations and households in 2011 was mainly triggered by the increased solvency of borrowers, against the backdrop of positive trends in the Russian economy, and by relatively low interest rates on loans. The housing mortgage loan market was developing at a fast pace.

However, the growing instability of the global financial market, starting in August 2011, had a negative impact on the Russian financial market. Russian banks' limited possibilities for external funding made them turn to domestic resources, which resulted in growing interest rates on household deposits and increased demand for the Bank of Russia's operations to provide liquidity. Amidst these circumstances, the Bank of Russia took measures to expand the credit institutions' access to refinancing instruments and to increase the volume of the provided liquidity. At the same time, banking supervision intensified with respect to systemically important credit institutions, and additional attention was paid

to the banks that pursued an aggressive policy in the lending and deposit markets.

A timely increase in the liquidity provision and the overall stable social and economic situation in Russia ensured favourable conditions for the sustainable development of the Russian banking sector in 2011.

A faster growth of lending, in comparison with loan loss provisioning dynamics, became one of the factors that ensured the increased profitability of the banking business. The financial results of credit institutions in 2011 were the highest in the last two decades. The rate of return on assets and capital exceeded its 2010 indicators.

In 2011, the Bank of Russia worked to further develop the national payment system in line with international standards, and improved its infrastructure in order to increase the accessibility of payment services on the basis of modern information and communications technologies.

The improvement of the Bank of Russia's payment system was intended to expand the country's capacity for electronic settlements. The number of payments made via the banking electronic speedy payment (BESP) system increased dramatically, and the Bank of Russia's efforts to organise the electronic exchange of payment documents were in great demand among the parties involved in settlements.



**THE ECONOMIC AND  
FINANCIAL SITUATION  
IN RUSSIA**

I

## I.1. THE GLOBAL ECONOMY AND INTERNATIONAL MARKETS

Global economic conditions were favourable in the first months of 2011, but substantially deteriorated in the second half of the year. Growing risks, triggered by unstable national finances in some eurozone countries, led to the development of destabilising processes in financial markets. The volatility of asset prices and exchange rates increased; funding conditions toughened for banks, private non-financial companies, and the public sector. Business activity in Russia's trading partners slowed down.

According to an International Monetary Fund (IMF) estimate, the global output of goods and services increased by 3.9% in 2011 as against 5.3% in 2010. GDP growth fell in the United States (from 3.0% in 2010 to 1.7% in 2011), in the eurozone (from 1.9% to 1.5%), in China (from 10.4% to 9.2%), in India (from 10.6% to 7.2%), and in Brazil (from 7.5% to 2.7%). Meanwhile, the volume of international trade in goods and services in 2011 grew by 5.8% (as against 12.9% in 2010).

The economic growth of Russia's trading partners in 2011, as in the previous year, was based on increased household consumption and investments in fixed capital. That was facilitated by retained incentives related to monetary and fiscal policy instruments that had been used in 2008—2009 to overcome the recession, as well as improved corporate finances and the stabilisation of employment. Effective interest rates

were still low in many countries; real short-term interest rates in the developed economies remained negative.

In January—July 2011, the national monetary authorities in many countries were tightening their monetary policies in order to contain inflation and avoid growing risks related to the gap between increased financial asset prices and fundamental economic factors. During that period, the European Central Bank (ECB) increased its refinancing rate by 0.25 percentage points twice, from 1.0% p.a. to 1.5% p.a. in total. Monetary policies were also tightened in large emerging economies (including China, India, and Brazil).

In recent years the impact of the recession and funding of anti-crisis programmes (combined with the effects of structural factors), have led to a significant increase of budget deficits and government debt. In the US, the government debt in 2011 reached 100% of GDP. By the end of 2011, in nine out of the 17 eurozone countries, including France, the budget deficit exceeded 3% of GDP by at least one percentage point. In ten countries, including Germany and France, the government debt exceeded 60% of GDP by at least 10 percentage points, while the sovereign debt of Greece, Portugal, Ireland, and Italy amounted to more than 100% of GDP.

The stabilisation of government finance became the most important task for many countries.

### GROWTH IN OUTPUT OF GOODS AND SERVICES GLOBALLY AND IN INDIVIDUAL COUNTRIES (percent)\*

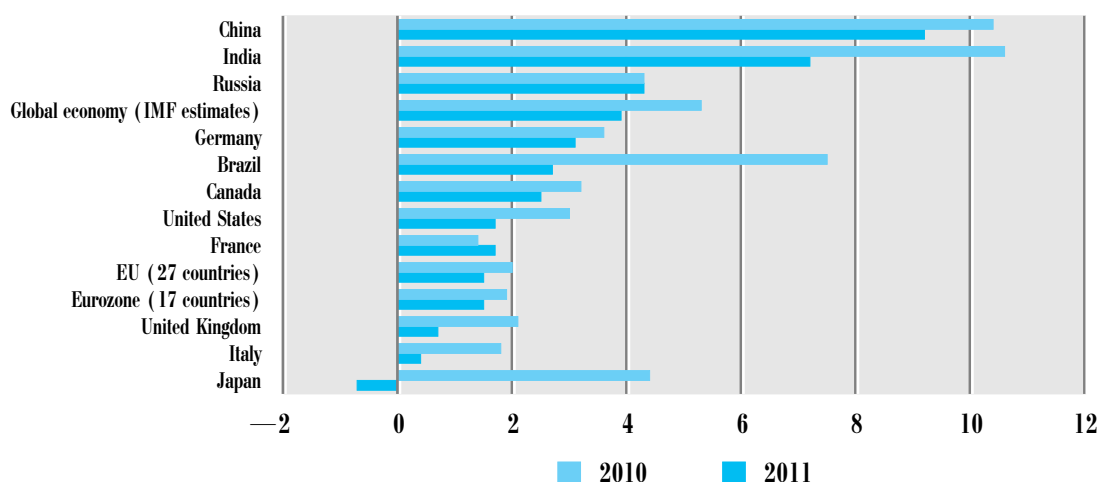


Chart 1

\* Based on official statistics published by the corresponding countries, Eurostat and the IMF.

Eurozone countries implemented the appropriate adjustments to their fiscal policies. Tough austerity measures were implemented in 2011 by the countries where the servicing of the government debt was unstable (Greece, Portugal, and Italy). Other European Union (EU) countries were also tightening their respective fiscal policies. In 2011, the US passed a law that linked the allowable increase in public debt to measures that reduced the budget deficit.

Tighter fiscal policies made it difficult for foreign countries to settle back onto a sustainable growth path in terms of economic activity. The situation with the government debt in Greece, Portugal, and Italy generated tension in financial markets, the participants in which viewed that situation as a threat to the stability of financial systems in these and other countries. The tension increased after Portugal requested the financial assistance of the EU and the IMF in April 2011, and especially after the summit of the EU leaders in July admitted that it would be expedient to turn to the private sector in order to restructure the Greek government debt. Under those conditions, the Standard & Poor's lowering of the US long-term sovereign credit rating from the highest AAA level to AA+ resulted in a dramatic change of the situation in global financial markets.

In August and September 2011, the volatility of currency exchange rates significantly in-

creased, and global stock markets' indices dropped sharply. The market situation remained tense until the end of the year, due to complications that arose in the process of ratifying the EU's stabilisation policy; to the lowering of the credit ratings of a number of countries; and due to other reasons. Investors' increased risk aversion resulted in a mass-scale outflow of short-term capital from emerging markets, which led to the depreciation of their national currencies.

At the time when the investors' risk aversion was having an especially strong impact on the market situation (in August and September 2011), stock market indices in all global, and particularly European, markets dropped sharply. Fluctuations in the yield on government bonds issued by the eurozone countries increased. Overall, due to the unfavourable changes in market conditions, European and Asian stock market indices substantially decreased during the year. A sharp decline in European banks' stock prices was explained by potential banking sector risks related to the sovereign debt crisis. The cost of public sector borrowing in the capital market appreciated in Greece, Portugal, and Italy.

In the second half of 2011, the unstable situation in the financial markets led to a decrease in the availability of financing for both the private and public sectors, in comparison with the first half of the year. The placement of debt securities and equities ebbed. The banking sector started

experiencing difficulties with funding in national and foreign currencies. Monetary authorities in a number of countries, starting in August 2011, implemented operations to provide the necessary liquidity. Thus, the Eurosystem<sup>1</sup> has resumed its operations to provide euro-denominated liquidity for terms of more than three months. Since August 2011, the Eurosystem increased its purchase of government securities issued by certain eurozone countries that lost some investor confidence due to their unstable financial situation (the Eurosystem was performing operations aimed at sterilising the monetary effect of interventions in the capital market). The European Central Bank and the monetary authorities of the United Kingdom, Switzerland, Japan and Canada conducted operations to provide US dollar-denominated liquidity, based on currency swap agreements with the US Federal Reserve.

Reduced economic activity, in combination with weakened inflation in the second half of 2011 affected the monetary policies of foreign countries. In many economies where these policies had previously been tightened, this tightening ceased starting in August, and in some countries the monetary policy began to soften again. In a number of countries (including Brazil), interest rates were lowered; in China in December, the required reserve ratio was reduced. In November, the ECB lowered the refinancing rate to 1.25% p.a., and in December it was lowered again — to 1% p.a. In August and September 2011, the Federal Reserve made certain decisions to guarantee the preservation of substantial monetary stimuli in the medium term. In October, the Bank of England resumed operations that were aimed at increasing the money supply by means of acquiring securities. The Bank of Japan in 2011 repeatedly expanded its accommodative monetary policy programmes.

In the US, the growth of GDP in 2011 was based on increased household consumption and investments. Employment was growing, although its growth rate was relatively low and unstable. The activity in housing construction and bank lending remained low. Growth in the real disposable household income fell in 2011. Public sector

consumption and investments in the public sector declined.

The eurozone GDP was growing, primarily due to the renewal of positive fixed-capital investment dynamics. The growth rate of private and public sector consumption slowed down. Economic activity was relatively high in Germany and in a number of other countries; however, its condition on the scale of the entire monetary union was adversely affected by a reduced demand among the countries that were compelled to make substantial adjustments to their fiscal policies. The sharp drop in economic activity in the 4<sup>th</sup> quarter of 2011 was reflected in a reduction in the GDP, when compared to the previous quarter. Credit markets in the eurozone remained weak, due to the increased risks and deteriorating funding terms experienced by the banking sector. The unemployment rate, after a certain decrease in the 1<sup>st</sup> quarter, increased again by the end of 2011 (the annual average rate was higher than 10% of the economically active population).

In China, a gradual reduction in measures that had been set up to encourage economic growth and a slower increase in external demand resulted in a lower GDP growth rate in 2011. The growth of consumer goods sales and investments in fixed capital slowed down. In particular, the growth rate of investments in housing construction and infrastructural development experienced a downturn. Inflation accelerated until July, but after that the growth in prices slowed down for the rest of the year.

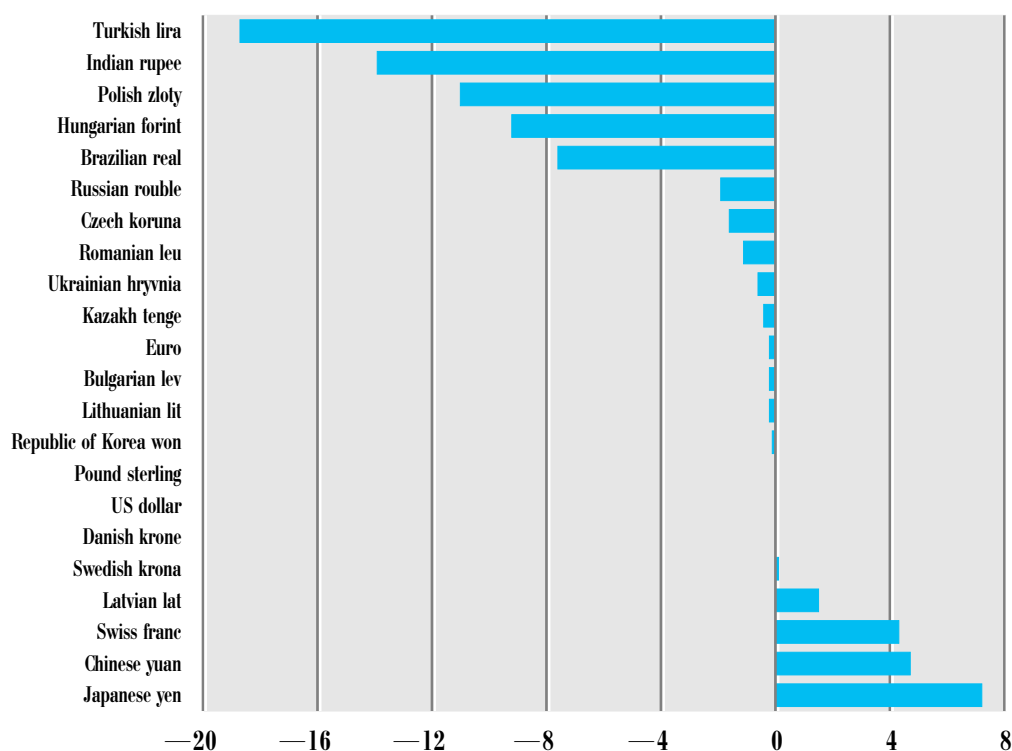
The aftermath of the natural disaster in Japan in March 2011 led to the contraction of Japan's GDP in the first half of the year. However, in the 3<sup>rd</sup> quarter, Japanese exports of goods increased again. In particular, the supply of intermediary products was normalised. Therefore, and as a result of increased consumer demand, recovery efforts that came at the expense of private and public resources, and renewed investments in fixed capital, Japan's GDP expanded in the 3<sup>rd</sup> quarter.

The economic development of Russia's leading trading partners in the Commonwealth of Independent States (CIS) in 2011 was facilitated

<sup>1</sup> The Eurosystem includes the European Central Bank (ECB) and national monetary authorities of states which are participants in the European Economic and Monetary Union (eurozone).



**GROWTH IN EXCHANGE RATES OF SOME CURRENCIES AGAINST THE US DOLLAR IN 2011**  
**(December 2011 as a percentage of December 2010)\***



*Chart 2*

\* A '—' denotes the appreciation of the US dollar, while '+' denotes the depreciation of the US dollar.

by increased domestic demand in combination with generally favourable (for them) external conditions. The growth rate of the GDP in Kazakhstan and Ukraine accelerated, but the

economy of Belarus slowed down. In Belarus, the deteriorating balance of payments led to the development of devaluation processes and a sharp surge in inflation, starting in May.

## I.2. THE ECONOMIC SITUATION IN RUSSIA

*In* 2011, the Russian economy continued to recover from the recession of 2008—2009. Output of goods and services reached the 2008 level. The inflation rate declined noticeably in comparison with the previous year.

In 2011, Russia's **GDP** increased by 4.3% (similar to the previous year). Industrial production rose by 4.7% (as against 8.2% in 2010). Agricultural production grew at a high rate.

Economic growth was mainly supported by increased domestic demand. The increased investment activity in 2011 was supported by the improved financial standing of companies and the growing accessibility of loan resources in the economy. Fixed capital investments increased by 8.3% (by 6.0% in 2010).

Given the economic growth, **the size of the economically active population** increased in 2011 in comparison to the previous year. By the end of December, the number of unemployed stood at 6.1% of the economically active population (as against 7.2% a year earlier).

**Real disposable money income of households** increased by 0.8% in 2011 (by 5.1% in 2010). Growing salaries, an improved situation in the labour market, and increased borrowing activity among households contributed to the growth of consumer spending (estimated at 6.8%). Organised household savings decreased, due to low interest rates on deposits.

The actual output of goods and services was growing and remained close to its potential level, which slowed down consumer price inflation.

During the first half of 2011, **consumer price inflation** remained rather high (9.4% to 9.6% month on month), due, first of all, to a significant rise in food prices that had resulted from the 2010 crop failure, and a rise in the prices of non-food goods and paid services, which were driven by consumer demand.

Inflation in the second half of the year decreased noticeably in comparison with the same period of 2010, mainly due to the fall of food prices in the 3<sup>rd</sup> quarter and their slow growth rate in the 4<sup>th</sup> quarter. Overall, inflation in 2011 amounted to 6.1%, which is within the target range (6% to 7%) that had been set for the year in the 'Guidelines for the Single State Monetary Policy in 2011 and for 2012 and 2013' (as against 8.8% in 2010). Core inflation remained at 6.6%, unchanged from a year earlier.

In 2011, food prices in the consumer market rose by 3.9% as against 12.9% in 2010. Fruit and vegetable prices fell by 24.7% (as against a 45.6% price surge in 2010). Due to reduced fruit and vegetable prices, inflation in 2011 fell by 1.0 percentage points (as against a 1.6 percentage point increase in 2010).

Non-food prices went up by 6.7% as against 5.0% in 2010. Prices of tobacco products and



**CONSUMER PRICES, CORE INFLATION, AND ADMINISTERED SERVICE PRICES\***  
(growth as a percentage of corresponding month of previous year)

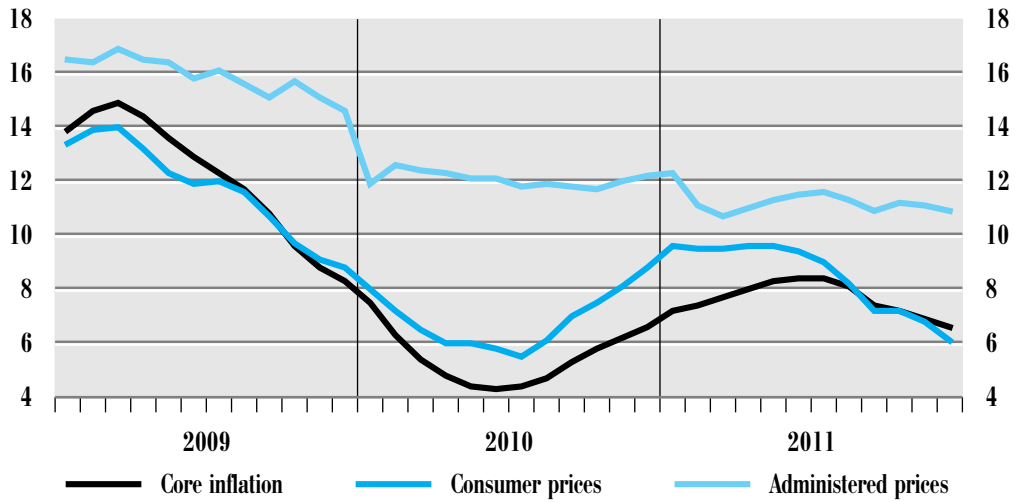


Chart 4

\* Estimate.

**MERCHANDISE TRADE\***  
**AND OIL PRICE**

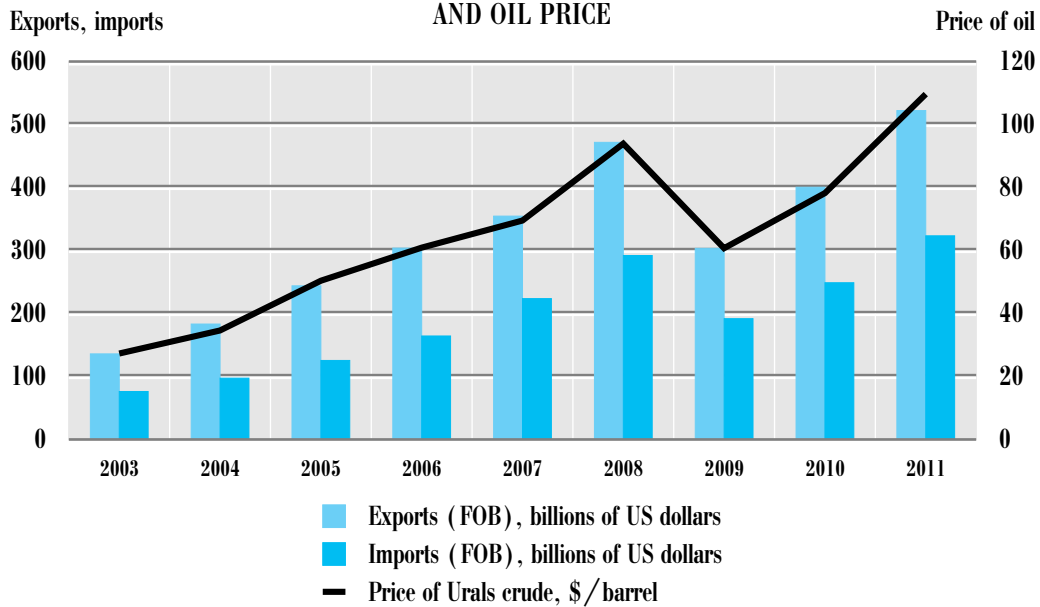


Chart 5

\* According to balance of payments data.

ergy products). In terms of quantity, exports of Russian goods fell. In comparison to 2010, export quantities of oil, petroleum products, ferrous metals, nickel, and especially copper decreased. However, export quantities of natural gas and wheat increased in comparison to 2010, although they were still lower than in previous years. The

share of energy resources increased again as a component of the export structure. The rates of growth in the export value of fuel and energy products were, as a year earlier, above the general export growth rate, while the rates of growth in the export value of metals and metal products, as well as that of other commodities (except food-

stuffs and agricultural raw materials) fell below this rate.

In 2011, the positive net **financial result** in the economy<sup>1</sup> increased by 19.8% year on year (by 40.9% in 2010). The share of loss-making

organisations expanded by 0.3 percentage points year on year, to 28.1% of their total number.

The rate of return on goods, products, work and services<sup>2</sup> sold in 2011 remained at its 2010 level (10.3%).

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<sup>1</sup> Excluding small businesses, banks, insurance companies and budget-financed organisations.

<sup>2</sup> Profit (loss) from sales to proceeds from the sale of goods, products, work and services.

## 1.3. GOVERNMENT FINANCE AND DOMESTIC GOVERNMENT DEBT

The federal budget policy in 2011 was geared at creating conditions for the modernising of the economy and increasing its efficiency and competitiveness, for long-term sustainable development, for the improvement of the investment climate, and for the restoration of macroeconomic balance.

According to the Federal Treasury's report, Russia's federal budget revenue in 2011 amounted to 11,367.7 billion roubles, or 102.2% of the revenue approved by the Federal Law 'On the Federal Budget for 2011 and the Plan Period of 2012 and 2013' (hereinafter referred to as the Federal Budget Law). Federal budget revenue, relative to GDP, increased by 2.4 percentage points year on year to 20.8%, mainly due to the growing share of oil and gas revenues in GDP. This is related to the average price of Urals crude increasing from \$78.2 per barrel in 2010 to \$109.6 per barrel in 2011.

According to the Federal Treasury's report, federal budget expenditure totalled 10,925.6 billion roubles in 2011, or 98.2% of the expenditure approved by the Federal Budget Law, and 20.0% of GDP (down 2.4 percentage points from 2010).

The growth in the federal budget revenue and the reduction of budget expenditure (in comparison to the level approved by the Federal Budget Law), created a budget surplus of 442.0 billion roubles or 0.8% of GDP as against a deficit of

4.0% of GDP in 2010, with revenue and expenditure balanced as stipulated in the Federal Budget Law.

The balances of the rouble-denominated federal budget accounts with the Bank of Russia increased in 2011 by 753.8 billion roubles or by a factor of 2.3, and as of 1 January 2012 totalled 1,344.4 billion roubles. The balances of the foreign currency-denominated federal budget accounts increased in 2011 in rouble terms by 420.0 billion roubles (or by 15.7%), and totalled 3,099.1 billion roubles. These included the balances of the Reserve Fund accounts, which totalled 811.5 billion roubles, increasing by 232.7 billion roubles (or by 40.2%), and the balances of the National Wealth Fund accounts, which totalled 2,119.1 billion roubles, increasing by 51.2 billion roubles (or by 2.5%).

According to the Federal Treasury, the revenue of the consolidated federal budget and government extra-budgetary funds totalled 20,855.4 billion roubles in 2011 (or 38.2% of GDP) and expenditure totalled 19,994.6 billion roubles (or 36.6% of GDP), whereas the surplus was 860.7 billion roubles (or 1.6% of GDP), as against a deficit of 3.5% of GDP in 2010. The revenues and expenditures of the consolidated budgets of the constituent territories of the Russian Federation stood at 7,644.2 billion roubles and 7,679.1 billion roubles, respectively, and the deficit amounted

**FEDERAL BUDGET EXPENDITURE**  
(billions of roubles)

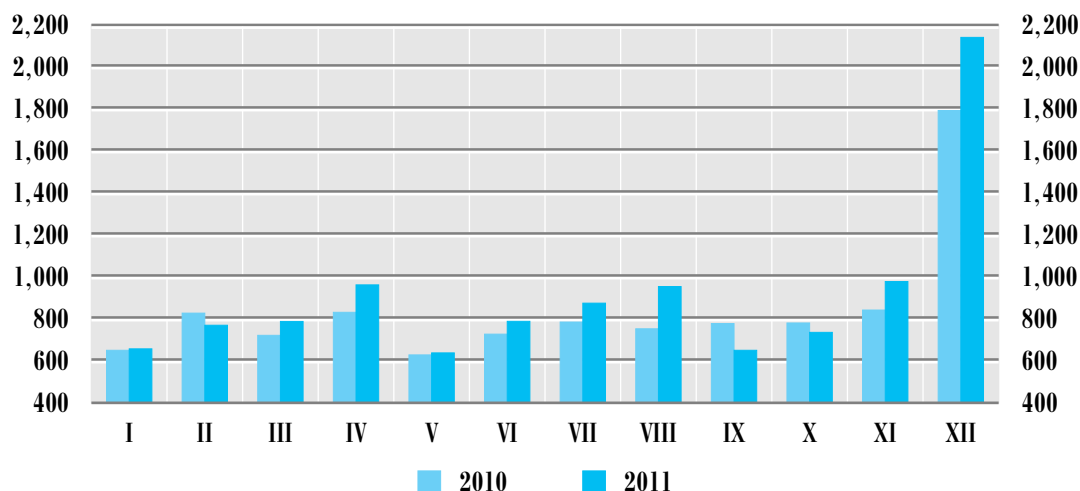


Chart 6

**BALANCES OF FEDERAL BUDGET ACCOUNTS OPENED WITH THE BANK OF RUSSIA**  
(billions of roubles)

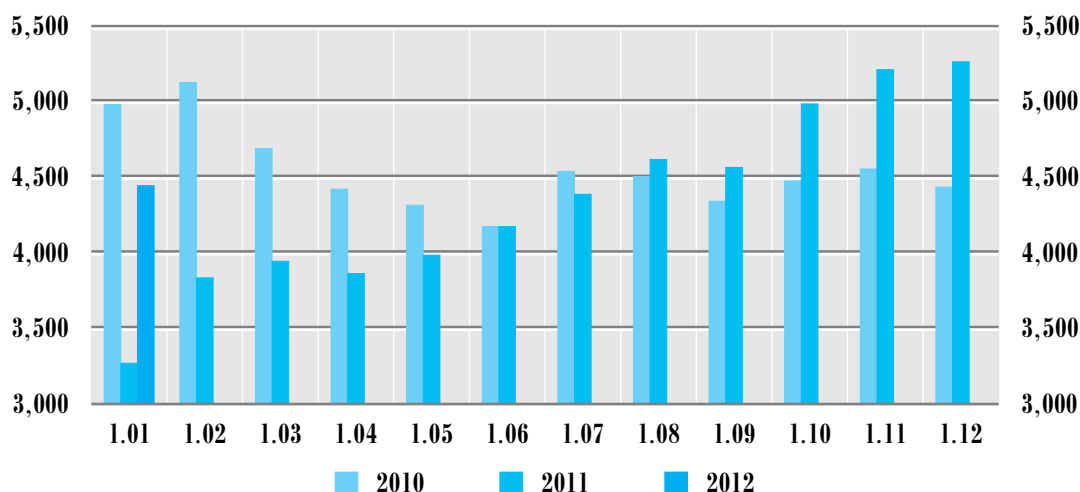


Chart 7

to 34.9 billion roubles (14.0%, 14.1% and 0.1% of GDP, respectively).

According to the Federal Treasury, the revenue of the Russian Federation Pension Fund budget totalled 5,255.6 billion roubles in 2011, expenditure totalled 4,922.1 billion roubles, and the surplus stood at 333.5 billion roubles. The Federal Compulsory Medical Insurance Fund posted 348.4 billion roubles in revenue, 310.4 billion roubles in expenditure, and a surplus of 38.0 billion roubles. The revenue of the Social Insurance Fund (according to the data of the Social Insurance Fund of the Russian Federa-

tion) totalled 558.6 billion roubles and expenditure totalled 497.6 billion roubles, while the surplus amounted to 61.0 billion roubles.

According to Russia's Ministry of Finance, Russia's domestic government debt as of 1 January 2012 amounted to 4,190.6 billion roubles, which is 364.4 billion roubles or 8.0% less than the ceiling set for it by the Federal Budget Law, and 1,250.2 billion roubles or 42.5% higher than its level as of 1 January 2011. Russia's domestic government debt relative to GDP was estimated at 7.7%, an increase of 1.2 percentage points compared to the same indicator as of 1 January 2011.

The value of outstanding government securities increased in the year under review by 1,084.8 billion roubles, or by 44.1% of Russia's domestic government debt, to 3,546.4 billion roubles, or 84.6%. Government guarantees rose by 165.1 billion roubles (by 35.0%), to 637.3 billion roubles or 15.2% of the debt. Russia's other debt obligations grew by 0.2 billion roubles (by 3.7%), to 6.8 billion roubles or 0.2% of the debt.

Federal government bonds with a permanent coupon income accounted for 51.4% (1,823.7 billion roubles) of government securities, while debt depreciation federal government bonds made up 30.4% (1,079.6 billion roubles), government savings bonds represented 15.6% (553.1 billion roubles), and MinFin bonds stood at 2.6% (90.0 billion roubles).

The value of outstanding government securities in the domestic market increased by 36.5% to 2,803.3 billion roubles as of 1 January 2012, or 79.0% of government securities. However, the share of these securities in Russia's domestic government debt declined from 69.9% as of 1 January 2011 to 66.9% as of 1 January 2012. Their share in the domestic government debt denominated in government securities went down from 83.4% as of 1 January 2011 to 79.0% as of 1 January 2012.

The share of the Ministry of Finance's debt to the Bank of Russia in Russia's total domestic government debt, including government securities purchased by the Bank of Russia in repo transactions, increased in 2011 by 7.5 percentage points and reached 16.6%; excluding repo transactions, it contracted by 2.9 percentage points to 6.2%.

The Ministry of Finance's rouble-denominated debt to the Bank of Russia, measured at the nominal value of government securities (including government securities purchased by the Bank of Russia in repo transactions), increased by 426.2 billion roubles over the year, or by a factor of 2.6, and stood at 695.2 billion roubles; excluding repo transactions, it contracted by 9.9 billion roubles or 3.7% to 259.2 billion roubles.

The Ministry of Finance's foreign currency-denominated debt to the Bank of Russia in rouble terms, including repo transactions, accounted for 114.0 billion roubles as of 1 January 2012 at the nominal value of foreign currency-denominated federal government securities (and increased by 0.5 billion roubles or 0.4% year-on-year). Excluding repo transactions, this debt stood at 101.5 billion roubles, contracting by 12.0 billion roubles or 10.6%.



## I.4. THE FINANCIAL SECTOR

The financial sector of the Russian economy in 2011 was comprised of 978 operating credit institutions (including 922 banks and 56 non-bank credit institutions), 579 insurance companies, 1,470 unit investment funds and 149 non-governmental pension funds<sup>1</sup>.

In 2011, with continued GDP growth, the ratio of credit institutions' equity capital to GDP decreased by 0.9 percentage points to 9.6% as of 1 January 2012. The ratio of insurance companies' authorised capital to GDP remained practically the same (at 0.3%). The ratio of unit investment funds' net assets to GDP decreased by 0.2 percentage points to 0.8%; whereas the ratio of the non-governmental pension funds' own property to GDP grew by 0.1 percentage points to 2.1%<sup>2</sup>. In 2011, the main segments of the rouble bond market continued to expand, but the capitalisation of the stock market decreased substantially. The stock market capitalisation ratio of the Moscow Interbank Currency Exchange (MICEX) Stock Exchange to GDP decreased from 64.1% in 2010 to 45.2% in 2011. Bank

loans to non-financial organisations in 2011 grew by 26.0% and bank loans to households grew by 35.9%. The ratio of loans to non-financial organisations and households to GDP increased from 40.2% as of 1 January 2011 to 42.6% as of 1 January 2012.

The rates and yields of rouble-denominated instruments in most segments of the financial market continued to decrease smoothly or fluctuated within a horizontal band in January—July 2011. However, in subsequent months, as market conditions deteriorated, the rates in all financial market segments increased substantially. Their average annual values in various segments were subject to mixed changes in comparison to 2010. The average yield to redemption of rouble-denominated<sup>3</sup> federal government bonds grew from 7.5% p.a. in 2010 to 7.6% p.a. in 2011. The average yield of subfederal and municipal bonds<sup>4</sup> declined from 7.8% p.a. in 2010 to 7.7% p.a. in 2011. The average annual yield of corporate bonds<sup>5</sup> in the secondary market in 2011 fell by 0.2 percentage points in comparison with

<sup>1</sup> Number of non-governmental pension funds, as of 1 October 2011.

<sup>2</sup> According to data as of 1 October 2010 and 1 October 2011, respectively.

<sup>3</sup> Yield to redemption of federal government bonds is the effective federal government bond market portfolio indicator calculated by the Bank of Russia.

<sup>4</sup> The yield of subfederal and municipal bonds is an effective indicator of yields of the most liquid rouble bonds of Russia's constituent territories and municipalities in the secondary market and is calculated by the news agency Cbonds.ru.

<sup>5</sup> Corporate bond yield is an effective indicator of yields of the most liquid rouble-denominated corporate bonds in the domestic secondary market, and is calculated by the news agency Cbonds.ru.

INTEREST RATES ON ROUBLE LOANS (percent p.a.)

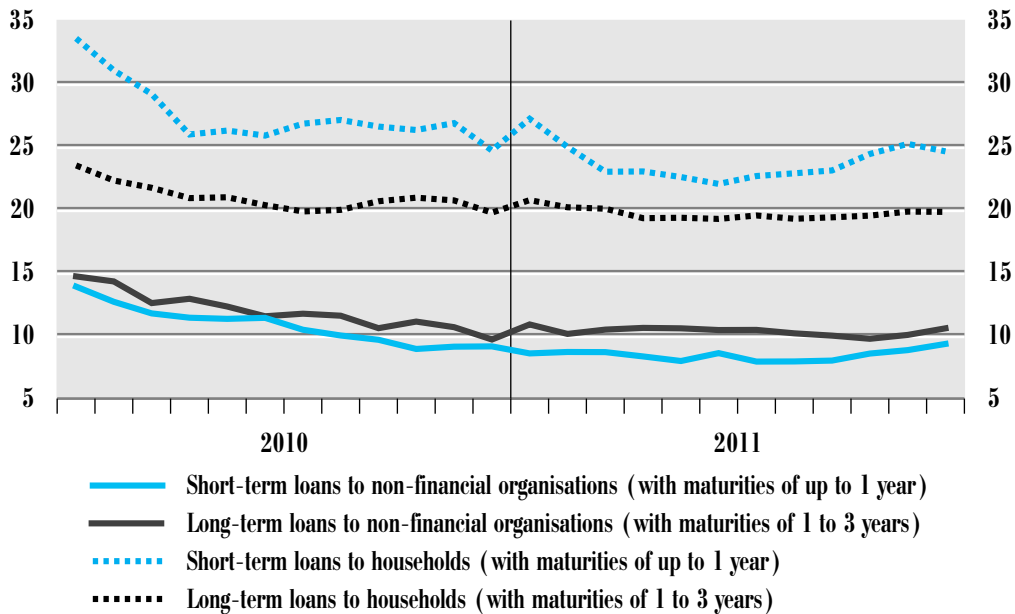


Chart 8

2010, to 7.7% p.a. In the interbank money market, the average MIACR<sup>1</sup> for overnight rouble loans increased from 3.1% p.a. in 2010 to 4.0% p.a. in 2011.

For most of 2011, Russian credit institutions did not experience a funding deficit and kept rates on resources attracted from households and legal entities at a relatively low level. In the last months of 2011, limited access to funds from external financial markets led to some growth of deposit rates in the domestic market. However, the average annual rouble rate on household deposits with maturities of up to one year fell from 6.8% p.a. in 2010 to 5.4% p.a. in 2011. The average annual rouble rate on household and legal entities' deposits (with maturities of one to three years) declined by 0.8 percentage points in 2011 year on year, to 6.2% p.a. and 6.8% p.a., respectively. The rouble rate on legal entities' deposits with maturities of up to one year increased from 3.1% p.a. in 2010 to 3.6% p.a. in 2011.

The relatively low cost of Russian banks' sources of funding, and the gradual improvement of the financial status of borrowers (thanks to positive trends in Russia's economy and social sphere) were the main reasons for decreased interest rates on loans to non-financial organisa-

tions and households. At the end of 2011, due to worsening conditions with respect to external and domestic financing, interest rates on loans to non-financial organisations and households went up slightly. However, the average annual rouble rate on loans to non-financial organisations with maturities of up to one year decreased 1.3 times in 2011 year on year; those with maturities of one to three years decreased 1.2 times. As a result, these rates reached the record lows of 8.5% p.a. and 10.3% p.a., respectively. The average annual rouble rate on loans to households with maturities of up to one year decreased by 3.7 percentage points during the same period, to 23.8% p.a.. The rate on loans with maturities of one to three years decreased by 1.3 percentage points, to 19.7% p.a.

In the first half of 2011, credit institutions, in addition to lowering interest rates on loans, continued to ease non-price lending terms; in particular, increasing the maximum terms and amounts of loans. In the second half of 2011, banks began to gradually tighten lending terms, beginning with requirements related to the financial standing of borrowers and to loan collaterals. The insignificant relaxing of non-price lending terms remained only in the consumer lending segment.

<sup>1</sup> MIACR (Moscow Interbank Actual Credit Rate) is the average weighted rate on interbank loans placed.

**INTEREST MARGIN ON BANK LENDING AND DEPOSIT OPERATIONS  
WITH NON-FINANCIAL ORGANISATIONS AND HOUSEHOLDS IN ROUBLES**  
(annual average, percentage points)

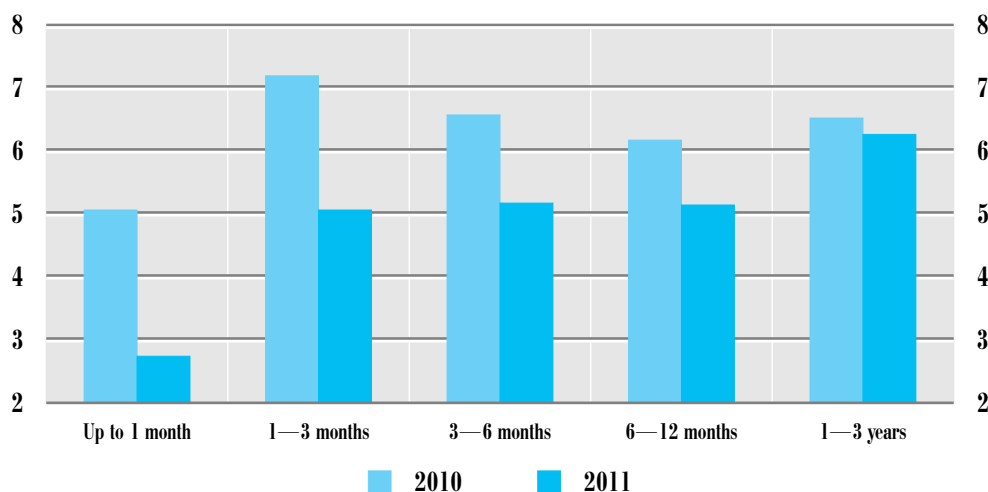


Chart 9

In 2011, Russian banks' interest rate margins<sup>1</sup> on rouble-denominated lending and deposit operations of any maturity with non-financial organisations and households stood at 6.4 percentage points, which is 2.3 percentage points less than in 2010. However, the financial results of credit institutions continued to grow in 2011. The interest margin on the lending and deposit opera-

tions of any maturity with households stood at 12.6 percentage points in 2011, exceeding the margin on similar operations with non-financial organisations by 7.3 percentage points (by 5.7 percentage points in 2010). This testifies to the fact that household lending is more attractive for the banking sector than lending to non-financial organisations.

<sup>1</sup> Calculated as the difference between banks' average weighted lending and deposit rates, according to the data in reporting forms 0409128 and 0409129.

### I.4.1. CREDIT INSTITUTIONS

The complicated series of events that took place in foreign financial markets in 2011 led to a significant capital outflow from the Russian Federation. This resulted in banks having to rely on domestic sources to replenish their funds; these included household savings and deposits of organisations. The share of funds received from the Bank of Russia and of the Ministry of Finance's deposits in the banks' net debt went up.

Russia's economic growth created favourable conditions for the expansion of banking activities, especially lending. At the same time, one could observe a general improvement in the quality of the sector's loan portfolio. Under these conditions, by the end of 2011 credit institutions received record high profits and improved banking capital and asset performance, which helped maintain capital adequacy at a level that was significantly higher than the one set by regulatory requirements, even without noticeably increasing the banks' total equity capital.

In 2011, the banking sector's aggregate assets increased by 23.1% (as against 14.9% in 2010), to 41,627.5 billion roubles, while their ratio to GDP rose from 74.8% as of 1 January 2011 to

76.3% as of 1 January 2012. The equity capital of credit institutions grew by 10.8% in 2011 (2.4% in 2010) to 5,242.1 billion roubles. With higher-than-anticipated GDP growth, the ratio of the banking sector's total capital to GDP declined from 10.5% as of 1 January 2011 to 9.6% as of 1 January 2012. Due to the dynamic expansion of lending operations, the ratio of capital to assets fell in 2011 from 14.0% to 12.6%.

**BANKING SECTOR LIABILITY STRUCTURE.** The funding structure of credit institutions underwent certain changes in 2011. Starting from the second half of 2011, due to the aggravation caused by the debt crisis in the eurozone, Russian banks were confronted with shrinking opportunities for acquiring funds in external financial markets, which increased their demand for domestic sources of funding.

Loans, deposits and other funds obtained by credit institutions from the Bank of Russia increased by a factor of 3.7 to 1,212.1 billion roubles in 2011. By the end of 2011, this source accounted for 2.9% of the banking sector's liabilities (as against 325.7 billion roubles or 1.0% of

KEY BANKING SECTOR INDICATORS  
(percent of GDP)

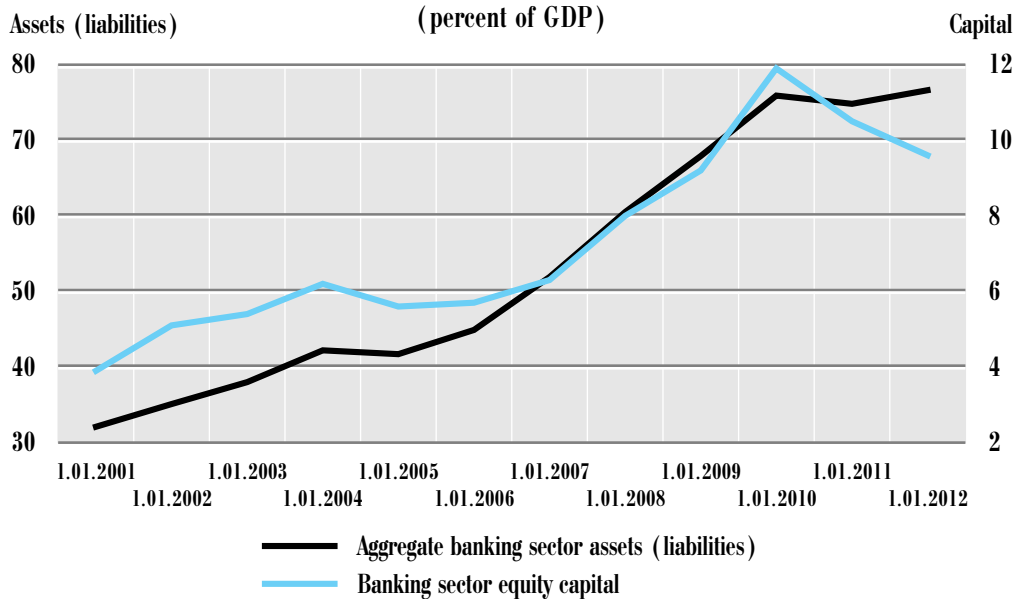


Chart 10

## BANKING SECTOR LIABILITIES (percent)

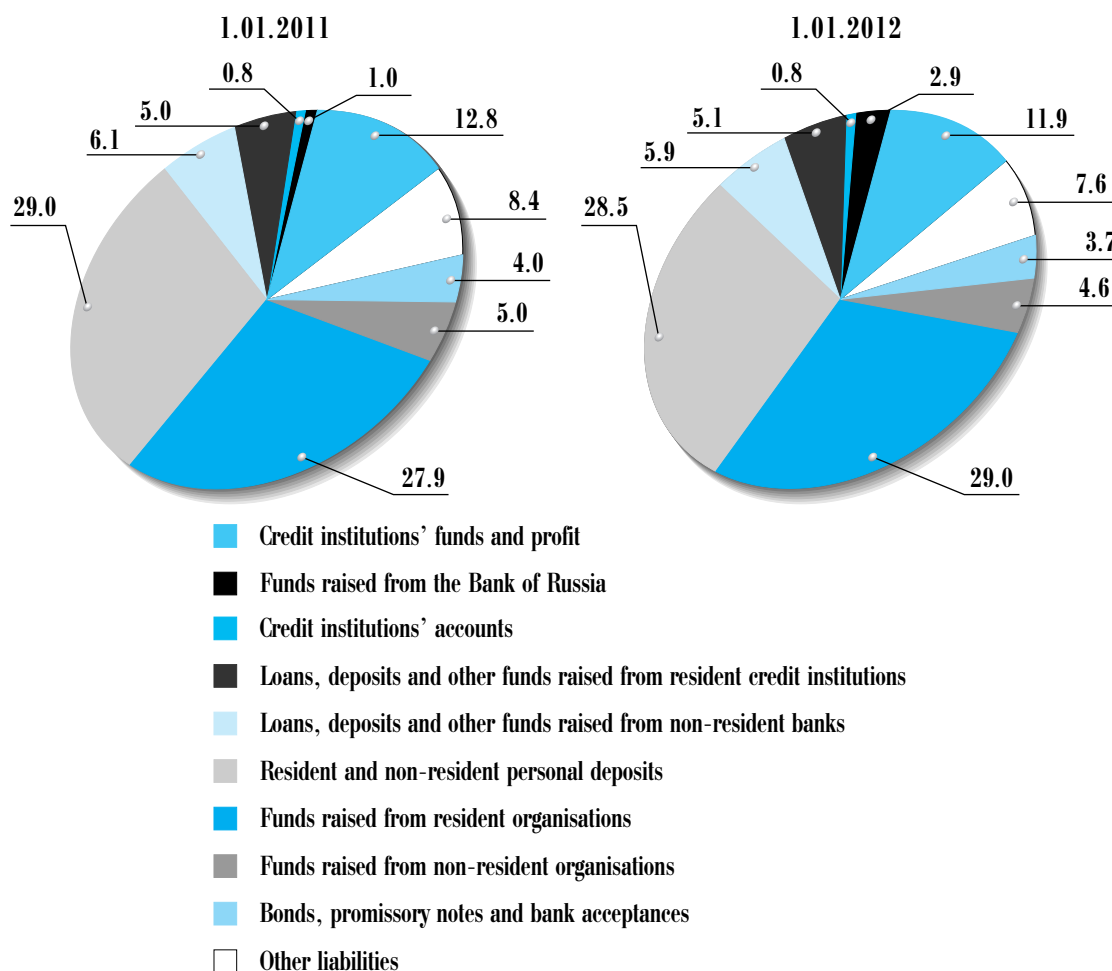


Chart 11

liabilities as of 1 January 2011). Ministry of Finance deposits grew 3.5-fold, to 561.0 billion roubles, while their share in liabilities increased from 0.5% as of 1 January 2011 to 1.3% as of 1 January 2012.

The traditional sources of funding of credit institutions grew steadily. The balances of customer<sup>1</sup> accounts increased by 23.7% in 2011, reaching 26,082.1 billion roubles, and their share in the banking sector's liabilities expanded from 62.4% as of 1 January 2011 to 62.7% as of 1 January 2012.

In 2011, household deposits increased by 20.9% (as against 31.2% in 2010) to

11,871.4 billion roubles; their share in the banking sector's liabilities stood at 28.5% as of 1 January 2012 (29.0% as of 1 January 2011). The continuing growth trend in rouble-denominated deposits remained strong: in 2011 they went up by 22.5%. Meanwhile, foreign-currency deposits increased by 8.1% (in US dollar terms). The share of foreign-currency deposits diminished from 19.3% as of 1 January 2011 to 18.3% as of 1 January 2012. In 2011, the concentration of household deposits went down. OAO Sberbank's share in total household deposits fell from 47.9% as of 1 January 2011 to 46.6% as of 1 January 2012. However, the number of banks with a to-

<sup>1</sup> Balances of corporate accounts (including funds of all budget levels and government extra-budgetary funds), household funds, deposits of legal entities as well as float relating to factoring and forfeiting operations and funds written off from customer accounts but not passed through a credit institution's correspondent account.

tal deposits portfolio exceeding 1 billion roubles went up in 2011, from 373 to 415.

Total funds raised from organisations other than credit institutions<sup>1</sup> in 2011 increased by 22.5% (as against 15.4% in 2010), to 13,434.7 billion roubles. Their share in the banking sector's liabilities stood at 32.3% as of 1 January 2012 (as against 32.4% as of 1 January 2011). As for corporate deposits<sup>2</sup>, their value increased by 32.8% in 2011 (as against 8.6% in 2010). The rate of growth in balances of settlement and other accounts of companies fell substantially compared to 2010 (from 25.6% to 9.9%), while the share of this item in liabilities decreased from 14.3% as of 1 January 2011 to 12.8% as of 1 January 2012.

In 2011, as in previous years, the share of credit institutions' debt obligations in total liabilities remained insignificant: as of 1 January 2012, the share of outstanding bonds stood at 1.6% and the share of outstanding promissory notes stood at 2.1%.

**BANKING SECTOR ASSET STRUCTURE.** In 2011, given the limited access of final borrowers to the foreign market, demand for domestic borrowing on the part of the real sector of the economy went up, which resulted in a substantial increase in bank lending volumes. Total loans extended to non-financial organisations and households grew by 28.2% in 2011, to 23,266.2 billion roubles, whereas their share in the banking sector's assets went up from 53.7% as of 1 January 2011 to 55.9% as of 1 January 2012. The ratio of total loans (to the aforementioned categories of borrowers) to GDP increased from 40.2% to 42.6%.

Loans and other funds extended to non-financial organisations increased by 26.0% in 2011 (12.1% in 2010) to 17,715.3 billion roubles and their share in the banking sector's assets increased from 41.6% to 42.6%. Most loans (74.9% as of 1 January 2012) were extended in roubles.

The growth in lending to households accelerated significantly in the year under review. The volume of lending to households<sup>3</sup> grew by 35.9% in 2011 (as against 14.3% in 2010), to 5,550.9 billion roubles. The share of loans to households in total loans extended by the banking sector grew from 18.4% as of 1 January 2011 to 19.3% as of 1 January 2012, and in the total banking sector's assets this share grew from 12.1% to 13.3%, respectively. Most of these loans (94.2% as of 1 January 2012) were extended in roubles.

The year under review was characterised by a high volatility in the global and Russian stock markets. Under these conditions, banks' securities portfolio increased in 2011 by 6.6% (as against 35.3% in 2010), to 6,211.7 billion roubles. Meanwhile, its share in the banking sector's aggregate assets went down from 17.2% to 14.9%.

The bulk of the securities portfolio was made up of investments in debt obligations (75.3% as of 1 January 2012). Their volume increased in 2011 by 5.8% (30.8% in 2010) to 4,676.2 billion roubles. The share of discounted promissory notes in the securities portfolio went down from 5.7% to 3.8%. This was due, among other factors, to the introduction in October 2011 of higher requirements with respect to the banks' capital coverage of risk when calculating the capital adequacy ratio for certain operations and transactions, including investments in promissory notes<sup>4</sup>. Investments in equities went up by 28.6% in 2011 (as against 72.6% in 2010), and their share in the total securities portfolio rose from 12.2% to 14.7%.

Despite significant fluctuations of the Russian rouble exchange rate in relation to major foreign currencies, especially in the second half of 2011, credit institutions' foreign-currency-denominated assets increased by 12.6% in dollar terms in 2011, while their share in aggregate banking assets went down from 24.1% to 23.3%.

<sup>1</sup> Including certificates of deposit as well as other funds raised from legal entities but excluding Ministry of Finance deposits.

<sup>2</sup> Excluding Ministry of Finance deposits.

<sup>3</sup> Exclusive of individual unincorporated entrepreneurs. Under the Civil Code of the Russian Federation (Part I, Article 23) these loans are not included in loans provided to households.

<sup>4</sup> Bank of Russia Ordinance No. 2613-U, dated 20 April 2011, 'On Amending Bank of Russia Instruction No. 110-I, Dated 16 January 2004, 'On Banks' Required Ratios', enacted on 1 October 2011.

## BANKING SECTOR ASSETS (percent)

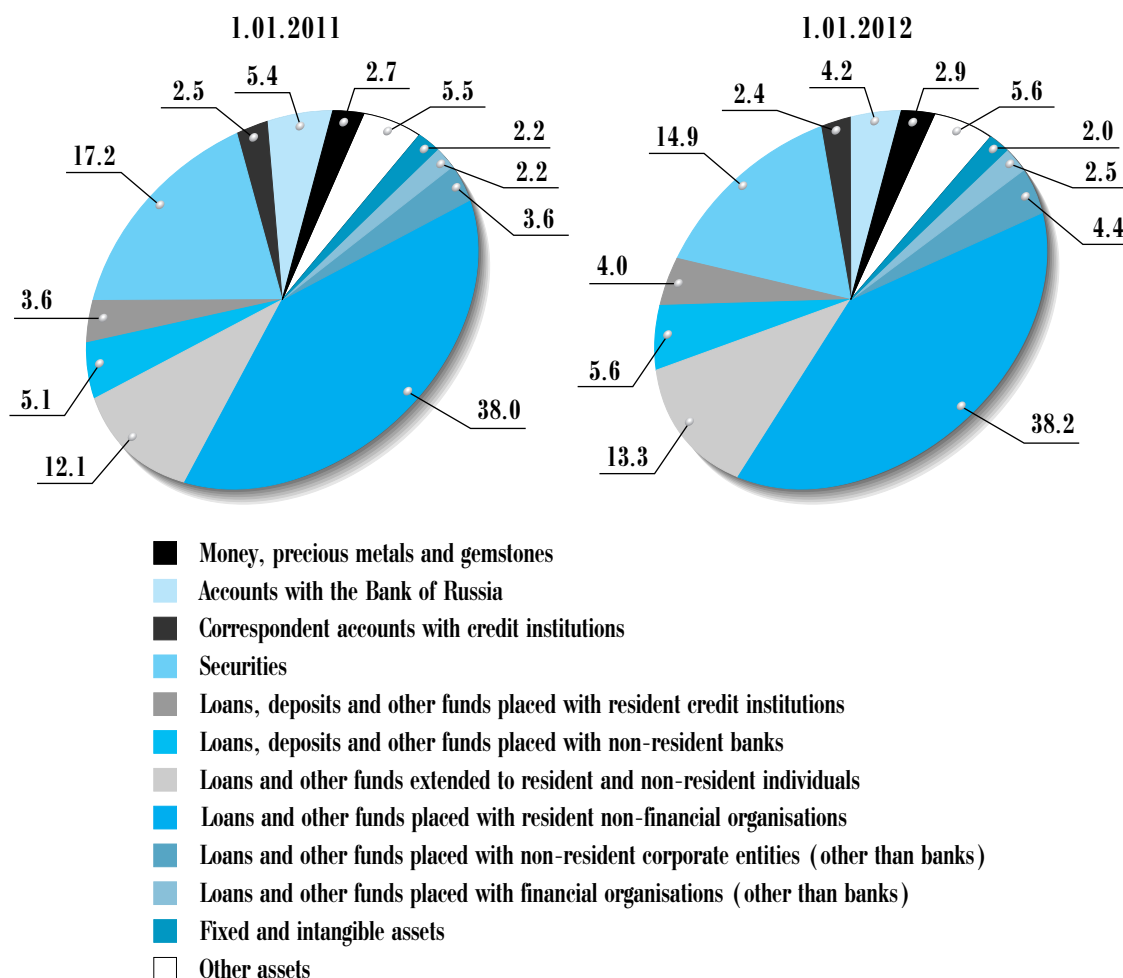


Chart 12

**CLAIMS AND OBLIGATIONS ON INTERBANK LOANS.**

The volume of interbank loans<sup>1</sup> extended in 2011 increased by 35.5% (as against 7.2% in 2010), while their share in the banking sector's assets went up from 8.6% to 9.5%. This was partially due to a 35.0% growth in lending to non-resident banks. Interbank loans extended to resident credit institutions increased by 36.1% in 2011, and their share in the sector's total assets went up from 3.6% to 4.0%.

The volume of interbank loans attracted in 2011 increased by 21.4% (as against 20.5% in 2010), while their share in the banking sector's

liabilities remained practically the same, at 11.0% as of 1 January 2012. Interbank loans attracted in the domestic market grew faster than foreign borrowing (growth by 25.2% and 18.4%, respectively).

By the end of 2011, the Russian banking sector's total net liabilities to non-resident banks in the interbank market had fallen from 346.9 billion roubles to 125.4 billion roubles or from 1.0% to 0.3% of total liabilities. During certain periods of 2011 (May and June) the banking sector acted as a net lender in operations with non-resident banks.

<sup>1</sup> Loans, deposits and other funds placed (raised) in the interbank market (including precious metals).

**THE FINANCIAL SITUATION OF CREDIT INSTITUTIONS.** The net profit of operating credit institutions for 2011 was the highest in the entire history of the Russian banking sector, reaching 848.2 billion roubles (as against 573.4 billion roubles in 2010).

The share of profit-making credit institutions in the total number of operating credit institutions in 2011 increased from 92.0% to 94.9%. The number of loss-making institutions decreased from 81 to 50 or from 8.0% to 5.1% of all operating credit institutions. Their losses amounted to 5.6 billion roubles in 2011 (compared to 21.7 billion roubles in 2010).

The rate of return on credit institution assets in 2011 reached 2.4%, and the rate of return on equity was 17.6% (the respective percentages in 2010 were 1.9% and 12.5%)<sup>1</sup>. Profit growth in 2011 was mainly triggered by increased investment in more profitable instruments (bank lending) and by a slower loan loss provisioning.

In 2011, net interest income remained the most significant item to affect the banking sector's financial results<sup>2</sup> (its contribution to the profit growth factors was 68.6%). In 2011, this income rose by 216.1 billion roubles or by 16.7% (as against 2.8% in 2010).

The growth in net interest income was a consequence of banks' growing gross interest income, accompanied by stable gross interest expenses. The ratio of net interest income to gross interest income among credit institutions increased from 50.2% as of 1 January 2011 to 54.2% as of 1 January 2012.

The share of net commission income in the total profit growth factors remained basically the same in 2011 and stood at 22.7% (as against 23.8% in 2010).

The share of net income from the purchase, sale and revaluation of securities decreased in the total profit growth factors from 5.6% as of 1 January 2011 to 0.4% as of 1 January 2012. This was caused by a slowdown in the growth of credit institutions' securities portfolios and by

their negative revaluation in the second half of 2011.

The share of net income from foreign exchange operations and operations with foreign-currency valuables, including exchange rate differences, in the structure of the banking sector's profit growth factors increased from 2.4% in 2010 to 4.3% in 2011.

The positive dynamics of loan portfolio quality changes and more favourable assessment by banks of systemic and individual risks led to a decrease in net additional loan loss provisions (excluding those recovered) of 123.4 billion roubles or by a factor of 2.1 in 2011. The loan loss provisions accounted for just 8.2% of the profit reduction factors (as against 17.8% in 2010).

The administrative expenses of credit institutions climbed by 15.7% in 2011, and their share in the profit reduction factors went up from 81.5% to 91.8%.

Profit and profit-formed reserves were the leading sources of capital growth in 2011 (growing by 494.9 billion roubles or 67.1% of capital growth factors). Authorised capital and share premiums grew by 184.5 billion roubles or 25.0% of capital growth factors. Credit institutions' investments in the shares (stakes) of subsidiary and affiliated legal entities and in the authorised capital of resident credit institutions became the main factor that was responsible for the decrease in capital growth (78.0% of the factors that led to the decrease).

In 2011, 126 credit institutions registered an aggregate capital reduction totalling 155.8 billion roubles (as against 185.9 billion roubles at 161 institutions in 2010).

The capital adequacy ratio across the banking sector decreased from 18.1% as of 1 January 2011 to 14.7% as of 1 January 2012 due to the outpacing growth of risk-weighted assets in comparison with equity capital. This, in turn, was partially due to regulatory changes (the mandate that some groups of assets should have higher weightings

<sup>1</sup> The rate of return on assets is calculated as the ratio of the full-year financial result before taxation to credit institution assets, while the rate of return on equity is calculated as the ratio of the full-year financial result before taxation to credit institution capital. Assets and capital are calculated as the annual (chronological) averages for the period under review.

<sup>2</sup> Banking sector financial result factors are analysed on the basis of the Credit Institution Income Statement (form 0409102).



**BANKING SECTOR PROFIT FACTORS**  
(billions of roubles)

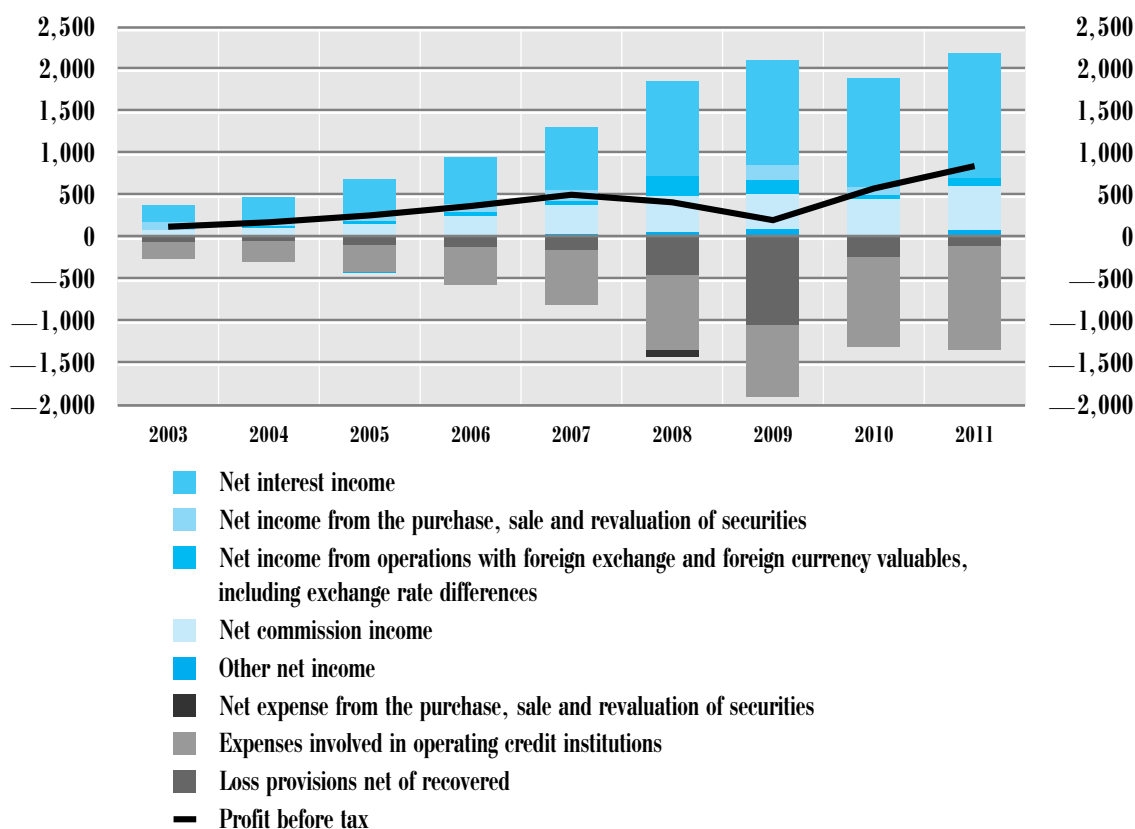


Chart 13

**CAPITAL ADEQUACY**

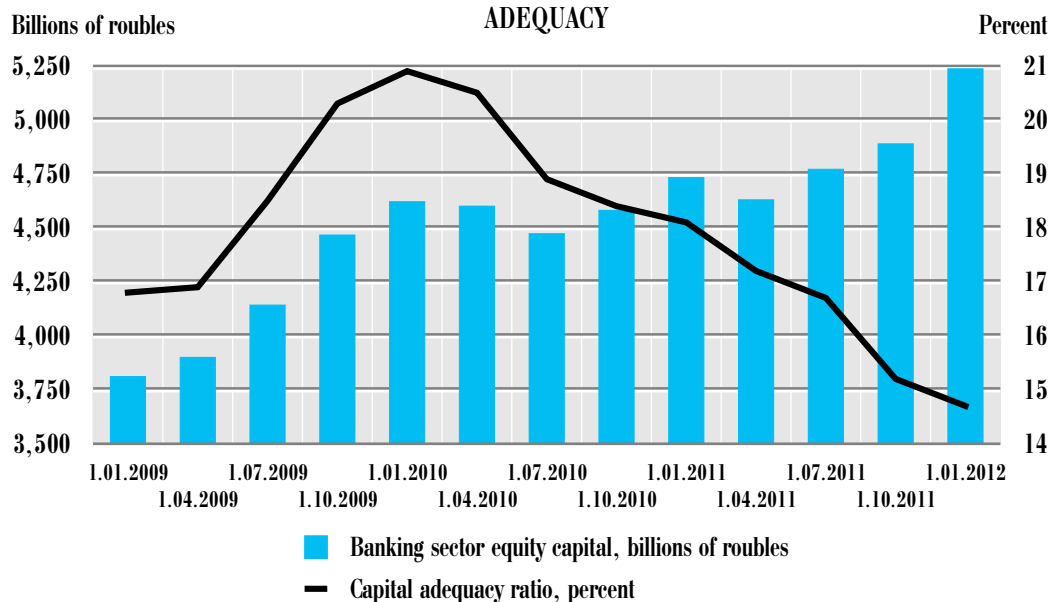


Chart 14

when the credit institutions' capital adequacy ratio denominator is calculated, and an increase from 40% to 70% of the share of operational risk covered by capital).

**FOREIGN-CONTROLLED BANKS.** Despite the number of banks controlled by non-residents<sup>1</sup> rising from 111 to 113 in 2011 (17 of them rank among Russia's top 50 credit institutions in terms of assets), their presence in the banking services market dropped off somewhat. The share of these banks decreased in 2011 from 18.0% to 16.9% of the total banking sector's assets, and from 19.1% to 17.6% of the total equity capital.

Loans extended in 2011 by such banks to non-financial organisations expanded by 17.0%, and those extended to households expanded by 16.4%, whereas the shares of such loans in the banking sector's total outstanding loans as of 1 January 2012 stood at 14.0% and 22.0%, respectively (as of 1 January 2011, 15.1% and 25.7%). The share of overdue debt in the corporate loan portfolio of banks controlled by non-residents decreased in 2011 from 6.0% to 4.2%, and in the retail loan portfolio this share decreased from 9.9% to 7.7%.

The share of banks controlled by foreign capital in the household deposit market remained virtually the same, totalling 11.4% as of 1 January 2012.

In 2011, banks controlled by non-residents continued to play an important role in the interbank market. At the same time, loans taken out by these banks in the international interbank market decreased by 2.5%, whereas those placed with it grew 1.7 times. These processes were mostly related to placing liquidity with parent companies amidst unstable conditions in foreign financial markets. With the reduced amounts of interbank loans taken out from non-resident banks and growing amounts of funds placed with them, the net borrowing of these banks from non-resident banks dropped from 503.8 billion roubles in 2010 to 147.0 billion roubles in 2011, and the ratio of net foreign borrowing to liabilities in this group declined from 8.3% to 2.1%. However, funds received from non-resident banks remained one of the main sources of funding for banks controlled by non-residents, with their share in the liabilities of non-resident-controlled banks stand-

ing at 13.5% as of 1 January 2012 (as against 16.1% as of 1 January 2011).

**BANKING SECTOR RISKS.** In 2011, the quality of the loan portfolio improved gradually, although it did not yet reach its pre-crisis level. The annual growth rate of overdue debt of all categories of borrowers was 9.4% in 2011 (as against 2.1% in 2010). Due to the advanced loan portfolio growth, the share of overdue debt in the total loan portfolio fell from 4.7% as of 1 January 2011 to 3.9% as of 1 January 2012.

In the corporate portfolio, overdue debt increased by 10.7% in 2011 (as against a 2.5% reduction in 2010), and its share in the total loans to non-financial organisations fell from 5.3% to 4.6%. Among household loans, the overdue debt rose by 3.1% in 2011 (as against 16.2% in 2010), while its share in the corresponding loan portfolio fell from 6.9% to 5.2%.

The share of problem (IV category) and loss (V category) loans in total loans<sup>2</sup> in 2011 receded from 8.2% to 6.6%. The total of actual loan loss provisions as of 1 January 2012 stood at 6.9% of the loan portfolio (as against 8.5% as of 1 January 2011), and covered (with some excess) the outstanding debt on bad (IV and V category) loans.

At the same time, credit institutions still have non-core assets on their balance sheets, as well as a significant amount of rollover loans: 982.2 billion roubles or 15.8% of the large loans portfolio, as of 1 January 2012.

*Market risks* were assessed for the purpose of calculating the capital adequacy ratio; in 2011 their assessment grew by 14.2% (as against 50.2% in 2010). *Interest rate risk* accounted for the biggest share in the structure of market risks (68.0% as of 1 January 2012) due to the predominance of bonds in the credit institutions' trading portfolios<sup>3</sup>.

In 2011, the enlarged equity trading portfolio brought about some growth in the weighting of *stock market risk* (up to 26.0% as of 1 January 2012).

<sup>1</sup> Credit institutions with a 50%-plus stake in the authorised capital.

<sup>2</sup> Hereinafter, according to data reported by credit institutions in reporting form 0409115 (sections 1, 2, and 3).

<sup>3</sup> The interest rate and stock market risks are calculated for securities assessed at fair value, as well as for those financial instruments held for trading that have a current (fair) value.

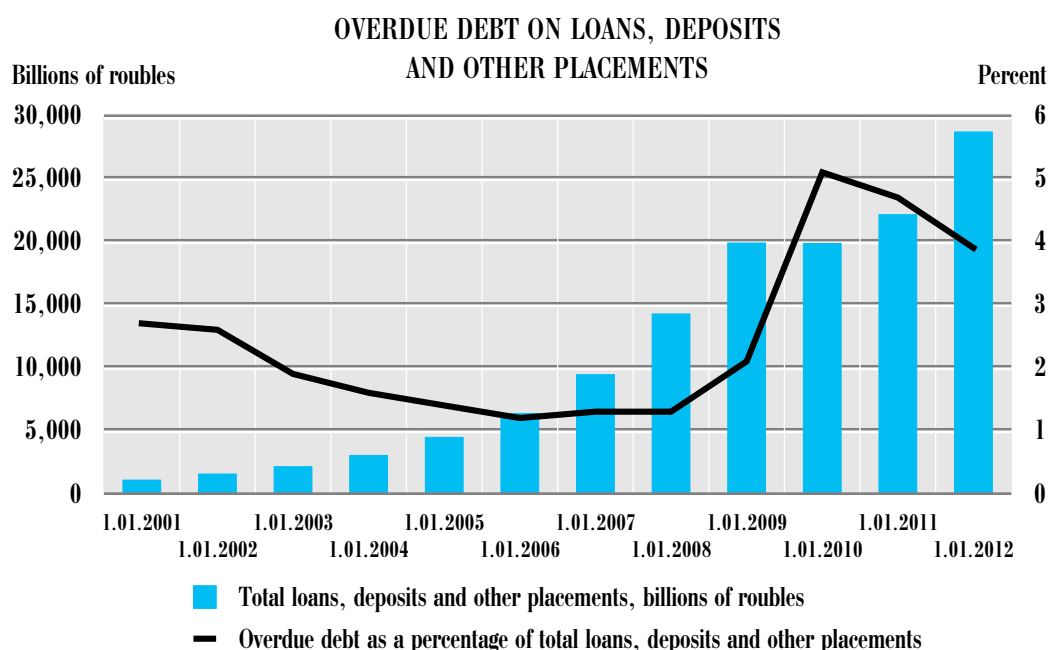


Chart 15

The *foreign exchange risk* level did not change substantially; as of 1 January 2012 it accounted for 6.0% of the total market risks.

The domestic foreign exchange market in 2011 was more volatile. Amid this, the excess of balance-sheet foreign-currency claims over obligations (in rouble terms) increased relative to total capital from 9.6% as of 1 January 2011 to 14.0% as of 1 January 2012. The excess of off-balance-sheet items<sup>1</sup> as of 1 January 2012 stood at -3.2% (as of 1 January 2011, the rouble equivalent of

foreign-currency obligations was in excess of claims; the difference relative to total capital was 1.9%).

Stress-testing of the systemic soundness of the Russian banking sector revealed that the overall banking sector capital adequacy ratio would not drop below 10% under any of the examined scenarios<sup>2</sup>. This result testifies to the sufficient soundness of the Russian banking sector and to its ability to withstand negative developments in the global financial market.

<sup>1</sup> In forward transactions (Section D of the Chart of Accounts).

<sup>2</sup> As of 1 January 2012, stress-testing was performed on the basis of two stress macroscenarios. The pessimistic scenario assumes a substantial slowing down of the Russian economy due to a recession in Europe and a drop in the price of Russia's main exports, accompanied by some interest rate growth and a moderate drop in stock indices. The worst case scenario includes a drop in GDP (down to negative values), coupled with a more substantial drop in stock indices and rising market interest rates. Stress-testing findings show that the capital deficit (the capital volume necessary to comply with minimum capital adequacy requirements after the stress shock) could affect from 12% to 23% of operating credit institutions, depending on the scenario.

## I.4.2. OTHER FINANCIAL INSTITUTIONS

**INSURANCE COMPANIES.** According to Russia's Federal Financial Markets Service (FFMS), the number of insurance companies listed in the Single State Register of Insurers dropped by 46 to 579 in 2011. The total authorised capital of insurers rose by 20.6% to 185.4 billion roubles (3.7% in 2010), mostly due to increased legislative requirements for insurance companies regarding their capitalisation, as of 1 January 2012.

According to 527 insurance companies that provided their financial statements to the FFMS, total collected insurance premiums in 2011 grew by 21.5% over 2010, to 1,270.9 billion roubles, and insurance indemnities rose by 15.1%, to 890.4 billion roubles. The ratio of insurance indemnities to insurance premiums declined by 3.8 percentage points (to 70.1%), as of 1 January 2012.

Voluntary insurance contributions grew by 20.2% in 2011 year on year. This is the highest growth rate since 2007. Nevertheless, their share in the total insurance premiums fell in 2011 to 43.6% as of 1 January 2012 due to the faster growth of compulsory insurance contributions. Total voluntary insurance contributions were still dominated by property insurance: 60.2% as of 1 January 2012 (as against 60.8% as of 1 January 2011). Life insurance contributions demonstrated the highest growth rate (53.6%), mainly due to its classical subtype: death insurance, insurance of living till certain age or other term or other event insurance. The share of life insurance contributions in total voluntary insurance contributions rose from 4.9% as of 1 January 2011 to 6.3% as of 1 January 2012.

Compulsory insurance contributions grew by 22.5% in 2011 year on year, mainly due to contributions to compulsory medical insurance. Compulsory third party liability car insurance contributions rose by 12.6% due to the fact that some regions of the Russian Federation raised their regional multipliers for this type of insurance, and

due to changes in motor vehicle inspection procedures as of 1 January 2012.

According to the data that insurance companies reported to the Bank of Russia<sup>1</sup>, in the first nine months of 2011, their assets grew at a rate of 6.6%. Deposits and debt securities accounted for the largest shares in total assets: 27.1% and 21.5%, respectively, as of 1 October 2011. The rate of growth of insurance reserves in the first nine months of 2011 stood at 13.4%, which is 2.4 percentage points higher than in the first nine months of the previous year.

The reinsurers' share in insurance reserves, which is a measure of risks passed on by insurance companies to reinsurers, totalled 7.5% as of 1 October 2011 (as against 7.6% as of 1 October 2010). The share of non-resident reinsurers expanded in the structure of these funds between 1 October 2010 and 1 October 2011 by 12.0 percentage points, reaching 61.4%.

Investments in the banking sector continued to predominate in the institutional structure of insurers' investments: 56.6% as of 1 October 2011 (as against 54.2% as of 1 October 2010). In the first nine months of 2011, their volume grew by 9.8%. In the structure of investments in the banking system, the share of funds in deposits grew by 11.6%, investments in debt securities grew by 4.4%, and investments in equity securities grew by 6.0%. Non-resident assets grew by 35.0% in the first nine months of 2011, and their share in the total insurers' investments as of 1 October 2011 stood at 12.5%.

Investments in the non-financial sector comprised 15.5% of insurance companies' assets, while investments in other financial institutions accounted for 8.1% as of 1 October 2011 (as against 19.6% and 10.2% as of 1 October 2010). In the first nine months of 2011, the insurers' investments in the non-financial sector declined by 13.0% due to lower investments in debt securities (down by 14.2%) and the equity securities of non-financial organisations (down by 11.0%).

<sup>1</sup> According to Rosstat Order No. 42, dated 15 February 2011, 'On the Approval of Statistical Tools for Organising Statistical Surveillance by the Bank of Russia of Borrowings and Placements Made by Insurers'.

Insurers' investments in other financial institutions decreased by 6.0% due to an 18.1% decline in investments in equity securities, while investments in debt securities grew by 11.7%.

**UNIT INVESTMENT FUNDS (PIFs).** Growing price uncertainty in the Russian stock market and lower returns from PIFs' investment activities resulted in deteriorated collective investment dynamics in 2011 as compared with 2010.

The number of PIFs rose by 26 in 2011 (as against 137 in 2010), and stood at 1,470 as of 1 January 2012<sup>1</sup>. The highest growth (by 22) was demonstrated in the number of closed PIFs, mainly due to rent funds and hedge funds. The number of retail funds went up by 4. The number of open PIFs increased by 11 and the number of interval funds dropped by 7.

The total net asset value (NAV) of PIFs decreased by 5.7%, to 437.8 billion roubles in 2011 (they grew by almost 25% in 2010)<sup>2</sup>. The NAV of retail (open and interval) PIFs decreased by 15.7%, mainly due to a negative investment performance. Almost 80% of open and interval PIFs fell in terms of unit value in 2011. The share of retail funds in the total NAV of PIFs decreased to 23.3% as of 1 January 2012.

Closed PIFs performed moderately better than the retail ones: their NAV fell by 2.2%, mainly due to a substantial (32.3%) growth in the NAV of rent funds and art funds. At the same time, the NAV of real estate PIFs (that provided over half of closed funds' NAV growth in 2010) fell by 17.9%. The share of real estate PIFs in the total NAV of funds fell from 45.3% as of 1 January 2011 to 38.1% as of 1 January 2012. This was partially caused by limited possibilities to use funds of this type as a tax optimisation instrument.

The number of PIF management companies decreased by 3.5% in 2011, to 335 as of 1 January

2012, or 76.8% of the total number of registered asset management companies as of 1 January 2012<sup>3</sup>.

#### **NON-GOVERNMENTAL PENSION FUNDS (NPFs).**

The number of registered non-governmental pension funds, according to the FFMS data, didn't change in the first nine months of 2011 and remained at 149 as of 1 October 2011.

According to 148 NPFs that provided their financial statements to the FFMS, the funds' total own property grew by 22.7% to 1,114.0 billion roubles in the first nine months of 2011 (mainly due to a twofold increase in pension savings reaching 340.4 billion roubles). Meanwhile, the value of property for statutory activities slid by 3.4% to 97.7 billion roubles as of 1 October 2011.

The pension reserves of NPFs expanded by 4.1% to 670.3 billion roubles in the first nine months of 2011. The growth rate of these reserves in the period under review lagged that of previous years. This slowing down of pension reserves growth can be explained, in particular, by the 0.2% reduction in the number of NPF members to 6.6 million and by the 17.3% increase in pension payments in the first nine months of 2011, year on year. The average monthly pension of NPFs rose by 9.6% to 1,788.1 roubles in the first nine months of 2011, but it remained 4.6 times lower than government pensions.

According to the reports on the financial operations of NPFs that were submitted to the Bank of Russia<sup>4</sup>, the rate of growth in NPF assets was 22.5% in the first nine months of 2011. Investments in securities accounted for the biggest share in total NPF assets (75.3% as of 1 October 2011).

As of 1 October 2011, investments in the non-financial organisations sector were dominant in the structure of NPF investments, constituting

<sup>1</sup> Unless indicated otherwise, PIF dynamics are assessed on the basis of statistical data compiled by the news agency *Cbonds.ru*.

<sup>2</sup> Hereinafter, exclusive of PIFs that held the status of funds for qualified investors as of 1 January 2012. In accordance with Federal Law No. 334-FZ, dated 6 December 2007, 'On Amending the Federal Law 'On Investment Funds' and Certain Laws of the Russian Federation', PIFs for qualified investors are not bound to publicly disclose information about their activities.

<sup>3</sup> According to the National Managers' League.

<sup>4</sup> According to Rosstat Order No. 308, dated 10 December 2008, 'On the Approval of Statistical Tools for the Organisation of the Bank of Russia's Statistical Surveillance of Borrowings and Placements Made by Insurance Companies and Financial Operations Conducted by Non-Governmental Pension Funds' with respect to operations conducted by non-governmental pension funds.

38.2% (as against 34.7% as of 1 October 2010). In the first nine months of 2011, these investments grew by 26.3%, due to increased investments in the debt securities of non-financial organisations (by 48.4%). The share of NPF investments in other financial institution sectors continued to decrease, and as of 1 October 2011 amounted to 28.7% (as against 30.8% as of 1 October 2010).

In the first nine months of 2011, NPF investments in the banking sector grew by 10.7%, mainly due to increased investments in debt se-

curities (by 66.5%) and equity securities (by 32.5%). Nevertheless, the share of investments in the banking sector in the total NPF portfolio dropped to 26.8% as of 1 October 2011 (as against 29.9% as of 1 October 2010) mainly due to a decrease in the level of funds placed with credit institutions (by 4.1%).

In the first nine months of 2011, NPF investments in non-resident securities went up 8.2-fold, however their share in the total NPF securities investment portfolio remained insignificant, at 0.8% as of 1 October 2011.

### I.4.3. FINANCIAL MARKETS

#### INTERBANK MONEY MARKET

In 2011, the activity of the Russian participants in the interbank money market continued to grow. As of late 2011, the total debt on interbank loans placed by Russian banks in the domestic market amounted to 1.65 trillion roubles as against 1.21 trillion roubles as of early 2011. The average value of rouble-denominated overnight interbank loans, placed by the largest banks operating in the Russian market, amounted to 219 billion roubles per day as of December 2011. This exceeded the same figure for December 2010 by 44%.

In 2011, the maturities of interbank loans grew gradually. The share of loans with maturities of up to one month in the total amount of interbank loans to resident credit institutions fell from 50% as of early 2011 to 42% as of late 2011.

During most of the January—July 2011 period, the MIACR on overnight rouble-denominated interbank loans was slightly higher than the Bank of Russia rate on overnight deposits, and was increasing as rates on Bank of Russia deposits grew. In August—December, as a result of changes in the market with respect to bank liquid-

ity, the interbank rates grew noticeably. The average monthly MIACR on rouble-denominated overnight interbank loans was 2.7%—3.9% p.a. in January—July 2011, while in August—December 2011 it stood at 4.0%—5.4% p.a. (as against 2.6%—4.0% p.a. in January—December 2010). Rates on interbank loans with longer maturities grew more slowly. According to the 2011 results, the spread between the MIACR on rouble loans with maturities of 6—12 months and overnight loans fell. This may serve as proof that the market participants did not expect a further growth in such rates in a short-term perspective.

In 2011, major market participants serviced their debts on interbank loans in a timely fashion. During most of 2011, overdue loans accounted for not more than 0.15% of the total amount of interbank loans issued by Russian banks. As the quality of the interbank loans placed by Russian banks remained rather high, the average monthly spread between the MIACR on rouble-denominated overnight loans to all banks and the MIACR-IG<sup>1</sup> on loans to banks with an investment credit rating with the same maturity did not exceed 0.25 per-

AVERAGE MONTHLY INTEREST RATES ON ROUBLE-DENOMINATED OVERNIGHT INTERBANK LOANS IN 2011 (percent p.a.)

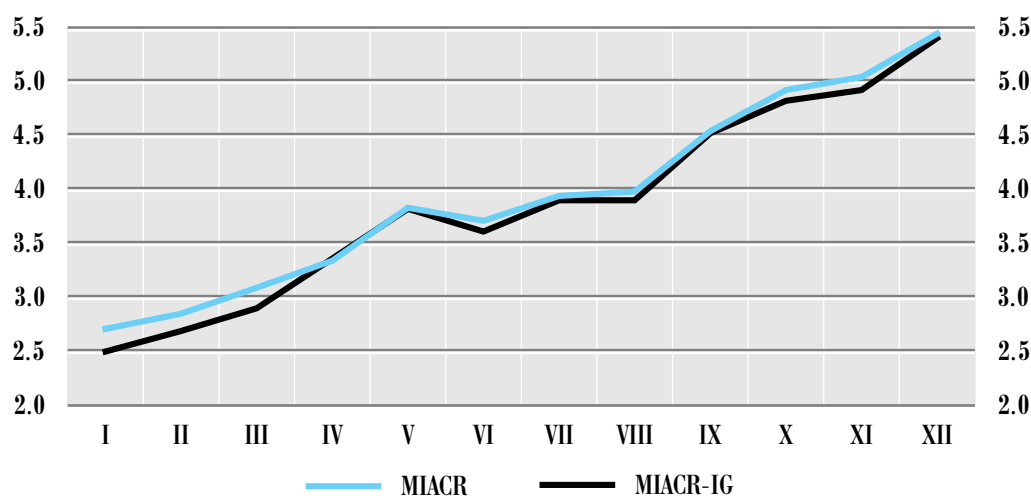


Chart 16

<sup>1</sup> The MIACR-IG is an average weighted rate on interbank loans to banks with an investment grade rating in the Russian market.

INTEREST RATES ON ROUBLE-DENOMINATED INTERBANK LOANS (MIACR)  
IN 2011 BY TERM (percent p.a.)

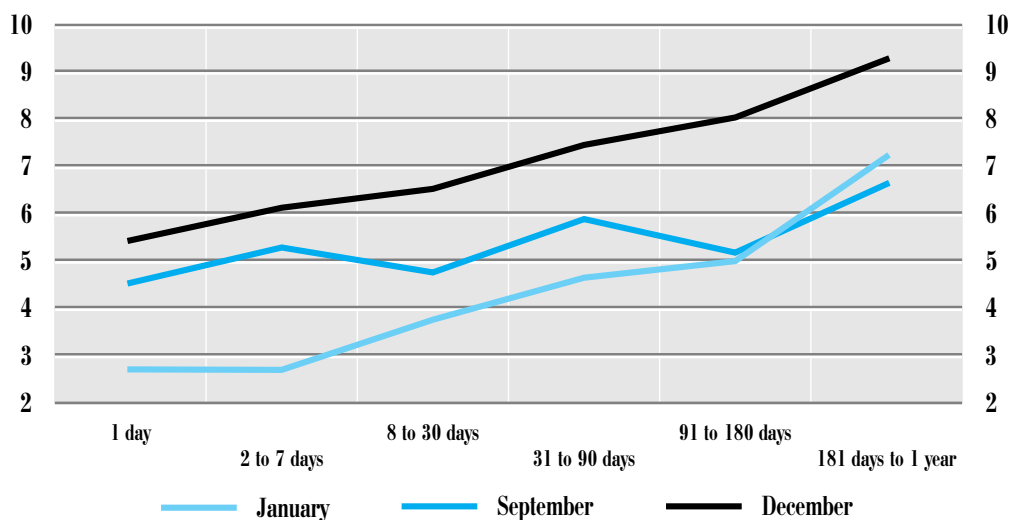


Chart 17

centage points throughout 2011. In the segment of longer maturities, the spread also remained low, thus proving that the financial situation of the market participants was not expected to deteriorate in a short-term perspective.

The volatility of interbank rates in the first half of 2011 was at a low level. In the second half of 2011 it rose slightly but remained moderate, which was reflected in the remaining low bid-of-

fer spread of interbank rates (MIBID and MIBOR correspondingly). Intramonth rate dynamics during most of 2011 remained cyclic. The turnovers of the interbank lending market in 2011 were fairly volatile. The volume of rouble-denominated overnight interbank loans placed by the largest banks operating in the Russian interbank market reached 51—340 billion roubles on certain days of 2011.

## REPO MARKET

The interdealer repo market plays an essential role in terms of distributing liquidity in the banking sector. In 2011, it was dominated by short-term transactions — overnight transactions and transactions with maturities of 2—7 days. The share of transactions with maturities of more than a week was insignificant.

Banks were the key market participants, as is indicated by the high share of interbank repo transactions made by banks, both on their own behalf and on behalf of their customers. Non-residents accounted for the most significant share of customer transactions. The market was characterised by a high concentration of creditors, whereas the concentration of borrowers remained moderate.

Interdealer repo transactions were mostly secured with high-quality assets. Transactions secured with government bonds and the securities of companies with government participation, i.e. the bonds of the Russian Ministry of Finance and Moscow Government, and the shares and bonds of the largest corporate issuers accounted for more than half of all market turnover.

The dynamics of turnovers and interest rates in the interdealer repo market depended on the liquidity situation in the banking sector. The rates in the market increased during the periods of higher demand for liquidity and were, as a rule, higher than those in the interbank money market.



## FOREIGN EXCHANGE MARKET

In 2011, the domestic foreign exchange market was influenced by favourable conditions in the global energy markets that contributed to maintaining a high level of current account receipts, and, on the other hand, an uneven net capital outflow.

In January—July 2011, the inflow of funds from foreign trade activity offset the net private capital outflow, which resulted in excess foreign currency supply in the domestic foreign exchange market and a prevailing trend towards rouble appreciation. However, in August 2011, investors' lower risk appetite in the global financial markets led to an intensified net capital outflow from the Russian economy, a growing demand for foreign currency and the rouble's depreciation.

Later, when global financial market strains eased slightly and the capital outflow decreased, supply and demand in the domestic foreign exchange market were broadly balanced; therefore, there were no stable trends in the dynamics of the rouble's exchange rate.

Over 2011, the official US dollar / rouble rate increased by 5.6% to 32.1961 roubles per US dollar, and the official euro/rouble rate rose by 3.3% to 41.6714 roubles per euro (as of 31 December 2011).

An increase in both foreign trade and cross-border capital flows in 2011 as compared with 2010 led to a substantial increase of the domestic foreign exchange market turnover. The total average daily turnover in the interbank spot FX

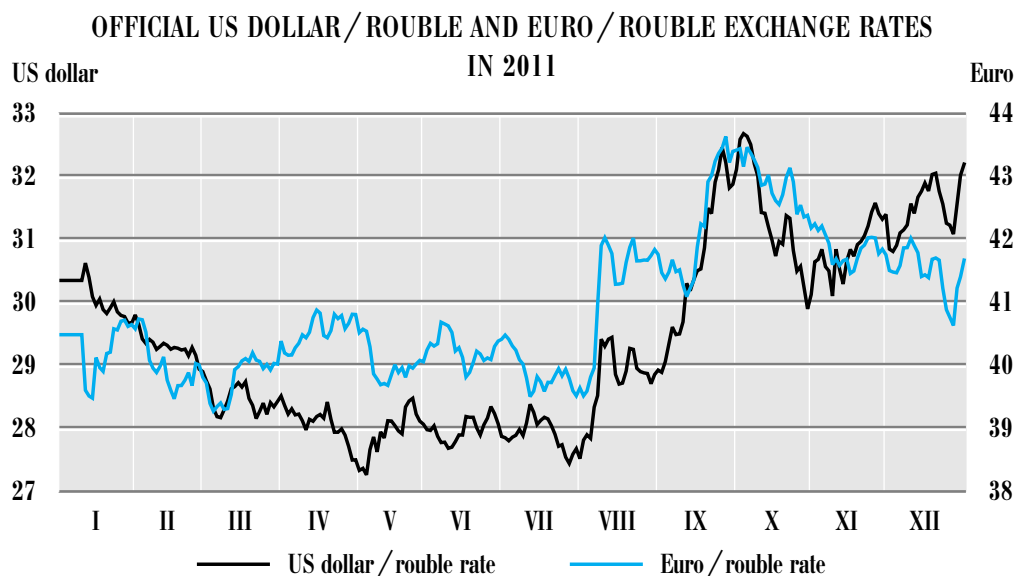


Chart 18

**INTERBANK FOREIGN EXCHANGE MARKET TURNOVER IN 2011  
(percent)\***

	Spot operations	Forward operations
US dollar	93.2	94.1
Russian rouble	70.6	59.8
Euro	30.3	33.2
Pound sterling	2.2	4.0
Swiss franc	1.1	3.5
Other	2.5	5.3

\* As each transaction involves two currencies, the sum of the percentage shares of all currencies equals 200%.

market grew by 28.4% year on year and amounted to \$54.7 billion. The same indicator for interbank forward transactions increased by 32.1% to \$2.0 billion<sup>1</sup>. The share of forward transactions in the total turnover of the domestic foreign exchange market remained almost unchanged in 2011 as compared with 2010 and amounted to 3.6%.

As in previous years, rouble / US dollar was the most traded currency pair in the interbank foreign exchange market (64.8% of spot market turnover and 56.3% of forward market turnover). The share of the exchange transactions in the total turnover of the interbank foreign exchange market remained almost unchanged, amounting to about 20%.

## GOVERNMENT SECURITIES MARKET

**FEDERAL GOVERNMENT BONDS (OFZ).** In 2011 as compared with 2010, the OFZ market activity grew against the backdrop of excess liquidity in the money market that persisted throughout most of 2011 and the increase in the volume of securities placed by the Russian Ministry of Finance at auctions.

In 2011, the Russian Ministry of Finance raised 760.8 billion roubles at OFZ placement auctions (565.8 billion roubles in 2010) and the nominal value of outstanding OFZs increased by 749.1 billion roubles to 2,803.3 billion roubles. At the end of 2011, the OFZ portfolio duration

was 3.8 years (3.7 years at the end of 2010). In 2011, the secondary OFZ market average daily turnover grew 1.8 times year on year, to 12.2 billion roubles.

Despite the growth of turnover, the OFZ market liquidity remained low due to a considerable share of passive investors who pursued a buy-and-hold strategy as well as a significant proportion of virtually non-traded issues. In 2011, the secondary OFZ market average daily turnover ratio at market value amounted to 0.49% (0.38% in 2010).

The OFZ weighted average yield (effective market portfolio indicator) in January—July

OFZ SECONDARY MARKET  
TURNOVER AND YIELD

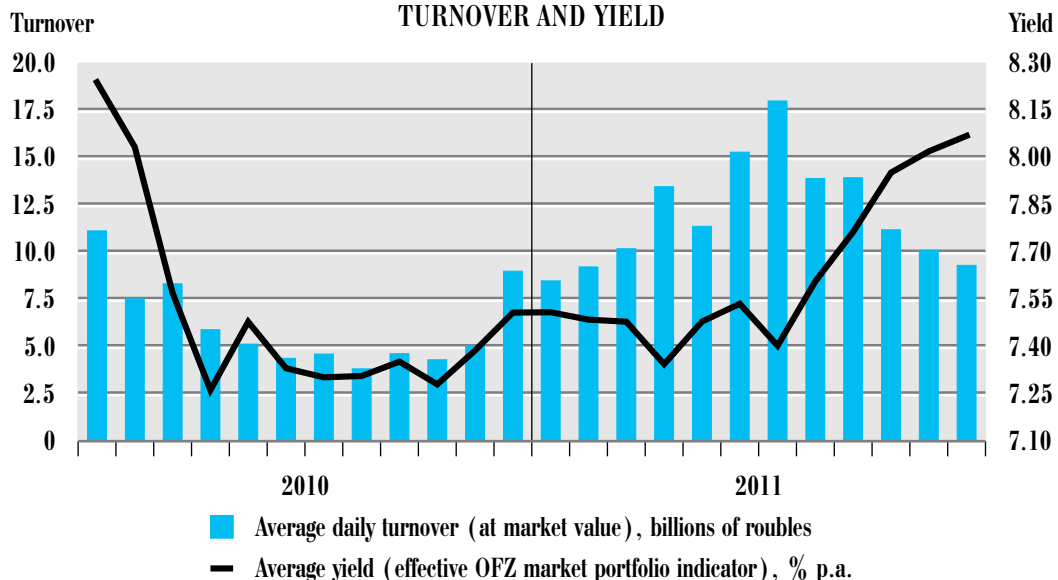


Chart 19

<sup>1</sup> Average daily turnover in the interbank spot and forward FX market also includes the corresponding legs of FX swaps. If both legs of the FX swap are spot or forward transactions, only the first leg is taken into account. Annual reports for previous years contain indicators that include both legs of the FX swap.

**OFZ ZERO-COUPON CURVE**  
(percent p.a.)

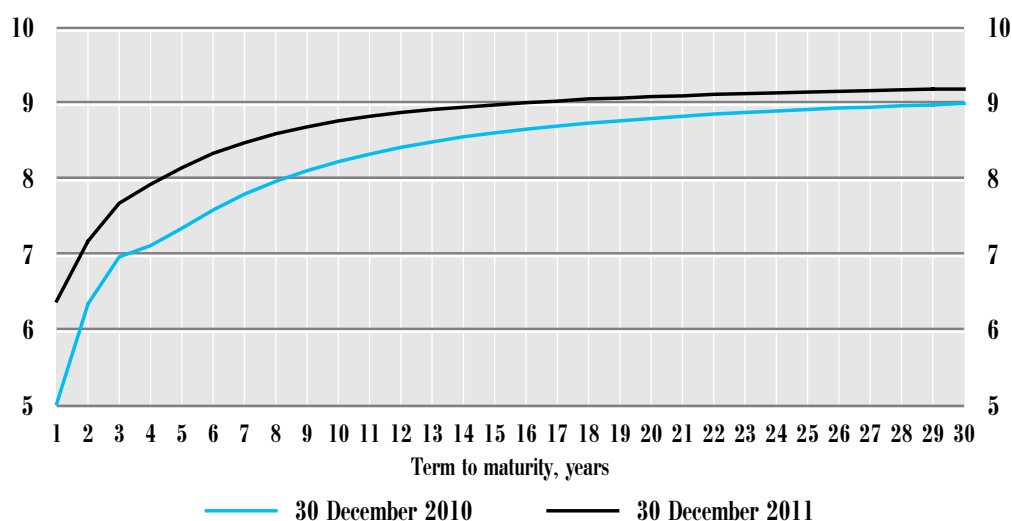


Chart 20

2011 fluctuated between 7.3% and 7.6% p.a. In August—December 2011, the OFZ yields increased following the growth in the money market rates due to a reduction of excess banking sector liquidity, and stood at 8.1% p.a. as of the end of 2011. The volatility of the OFZ weighted average yield indicator grew considerably from August 2011. Over 2011, the zero-coupon curve shifted upwards by 46 basis points on average as compared to the end of 2010.

In 2011, a number of amendments were made to the laws regulating the OFZ depository accounting and circulation that were aimed at the liberalisation of the government securities market. As of 1 January 2012, OFZs were admitted to trading on the stock exchanges of the Russian Federation and in the over-the-counter market. In addition, depository accounting and the procedure for investors to receive payments on government and non-government securities were unified. As of 1 July 2012, the central depository will be allowed to open foreign nominee depo accounts for foreign organisations directly, which will simplify foreign investors' access to the OFZ market. These changes should increase the number of potential OFZ market participants, also due to the rising attractiveness of the OFZ

market for foreign investors, and increase the market liquidity.

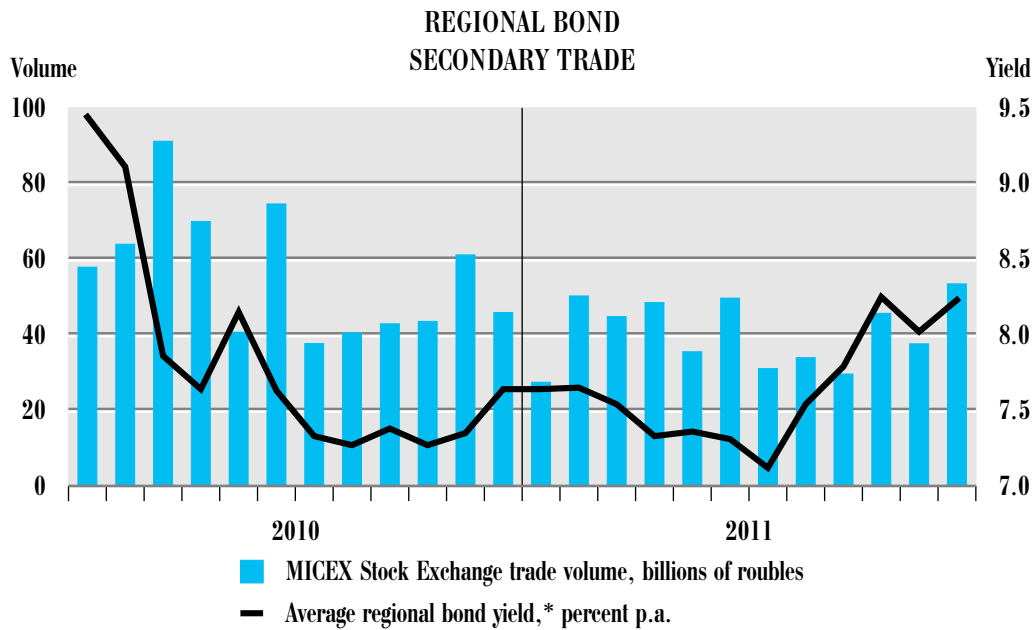
**REGIONAL GOVERNMENT BONDS.** Ministry of Finance data indicate that the nominal value of regional government bonds placed in the domestic market totalled 343.9 billion roubles as of 1 January 2012 (as against 407.2 billion roubles as of 1 January 2011). The value of municipal domestic bonded debt declined from 8.3 billion roubles as of 1 January 2011 to 7.2 billion roubles as of 1 January 2012.

With the financial standing of Russia's regions improving, their demand for market borrowing fell. The nominal value of regional (sub-federal and municipal) bonds placed on the MICEX Stock Exchange in 2011 decreased by 46.3% year on year, to 53.8 billion roubles<sup>1</sup>. In 2011, the major issuer (Moscow) did not place any bonds. The largest bond issues were placed by the Samara Region, Krasnoyarsk Territory and Nizhni Novgorod Region (12.2, 9.0 and 8.0 billion roubles at face value, correspondingly).

The secondary trade turnover for regional bonds on the MICEX Stock Exchange in 2011 fell by 27.1% year on year, accounting for 487.4 billion roubles. The structure of trade in regional bonds in the secondary market by issuer on the

<sup>1</sup> Hereinafter the data of the integrated MICEX-RTS exchange are used from 19 December 2011.

Chart 21



\* According to the news agency Chonds.ru.

MICEX Stock Exchange changed significantly: due to the reduced share of Moscow bonds in the total turnover of trade, which dropped to 44% (62% in 2010), the total share of bonds of three other large issuers (the Moscow Region, the Samara Region and the Nizhni Novgorod Region) increased twofold.

The yield on sub-federal and municipal bonds in 2011 changed only slightly. In January—July it ranged within a narrow horizontal band, but in August—December the periods of increase and decline in the yield interchanged as Russia's financial market situation deteriorated. During 2011, the yield on the regional bonds of the major issuers in the secondary market ranged between 7.1% and 8.7% p.a. (7.2%—9.8% p.a. in 2010).

**RUSSIAN GOVERNMENT DEBT OBLIGATIONS CIRCULATING IN INTERNATIONAL MARKET.** For the first time in 2011, the Russian Federation placed a rouble-denominated issue of bonds in the international capital market: MinFin bonds (OVOZ)

with a nominal amount of 90.0 billion roubles and a maturity of 7 years.

According to the repayment schedule for 2011, the last issue of the domestic government foreign currency bonds issued in 1996 was repaid in May; in March and September, part of the principal debt on Russian Federation Eurobonds with a final maturity in 2030 was repaid. The coupon payments on all government securities circulating in the international capital market were made in full. According to the Ministry of Finance, in 2011 payments on the principal foreign currency debt on bonds amounted to \$2.3 billion, the volume of coupon payments on foreign currency bonds totalled \$2.4 billion, and on OVOZ bonds 3.5 billion roubles.

According to the Russian Ministry of Finance, five issues of Russian Federation Eurobonds for a total of \$29.2 billion at par value issued in 1998—2010 and maturing in 2015—2030 and one issue of OVOZ bonds were circulating in the international market as of 1 January 2012.

CORPORATE SECURITIES MARKET<sup>1</sup>

The situation in the main segments of the Russian corporate securities market in the first half of 2011 was relatively stable, but in August, it started deteriorating due to external shock factors, which affected the market's quality indicators for 2011.

In 2011, the outflow of capital of non-residents from the Russian corporate securities market intensified significantly. This was due to their withdrawal of funds from the equity market that is considered the most risky and vulnerable to external shocks segment of the corporate securities market. The balance of non-resident operations (total purchases net of total sales) in the secondary trade on the MICEX Stock Exchange remained negative in 2011: transactions with shares and corporate bonds accounted for 446.7 billion roubles and 75.8 billion roubles, respectively (in 2010 — 177.4 billion roubles and 97.2 billion roubles).

In 2011, the volume of public placement of **shares** by Russian companies on major Russian and international stock exchanges grew year on year. However, investors' demand for Russian shares was selective, fluctuating substantially throughout 2011. A considerable number of placements that had been scheduled by issuers for 2011 were postponed. In the second half of 2011, the issuing activity of Russian companies fell dramatically because of the deteriorated situation in the international capital market.

The year under review witnessed several periods, with different dynamics in equity quotations. From January through the first ten days of April, the MICEX and RTS indices were mostly on the rise and by the end of the period drew closer to their before-the-crisis maximums (registered in May 2008). In May through the first ten days of October, the indices slumped after the tension intensified and the risk aversion by investors in the external capital markets increased. Then, until the end of 2011, they fluctuated within a wide horizontal band. In 2011, the MICEX and RTS indices fell as compared with late 2010 by 16.9% and 21.9%, respectively. The MICEX

Stock Exchange's equity market capitalisation declined by the end of 2011 as against the end of 2010 (by 14.8%) to 24.7 trillion roubles (in 2010, it grew by 29.8%).

During 2011, exchange transactions with equities were performed primarily on the MICEX Stock Exchange and RTS. The MICEX Stock Exchange accounted for over 80% of all exchange trading in equities in 2011. The secondary trades in equities on the MICEX Stock Exchange increased in 2011 by 22.3% compared to 2010, reaching 16.3 trillion roubles. Most exchange transactions were performed with the equities of credit institutions as well as with equities of oil and gas, metallurgical, electrical engineering and telecommunications companies.

In 2011, an unprecedented large annual amount of securities was issued in the domestic **corporate bond** market. In 2011, 190 new issues of corporate bonds totalling 924.3 billion roubles at par were placed on the MICEX Stock Exchange. One issue of corporate bonds for 1.4 billion roubles at par was placed on the RTS. Sixteen issues of corporate bonds totalling 27.5 billion roubles were placed in the domestic over-the-counter market. Most placements of 2011 involved the securities of issuers with high credit ratings.

The number of defaults of corporate issuers fell considerably in 2011 as compared to 2010, with the highest credit risk pertaining to those bond issuers that faced difficulties in servicing their 2008—2010 debt. On the whole, the number of defaults and technical defaults on low-rated corporate bonds reduced almost threefold in 2011 year on year<sup>2</sup>.

The secondary trade turnover of corporate bonds on the MICEX Stock Exchange grew in 2011 by 15.1% as compared to 2010, amounting to 5,147.0 billion roubles. Instruments issued by credit institutions, as well as metallurgical, oil and gas, and financial companies accounted for the majority of the secondary trade turnover of corporate bonds on the MICEX Stock Exchange.

<sup>1</sup> Includes securities issued by non-financial organisations and financial institutions.

<sup>2</sup> Source: the news agency *Cbonds.ru*.

Chart 22

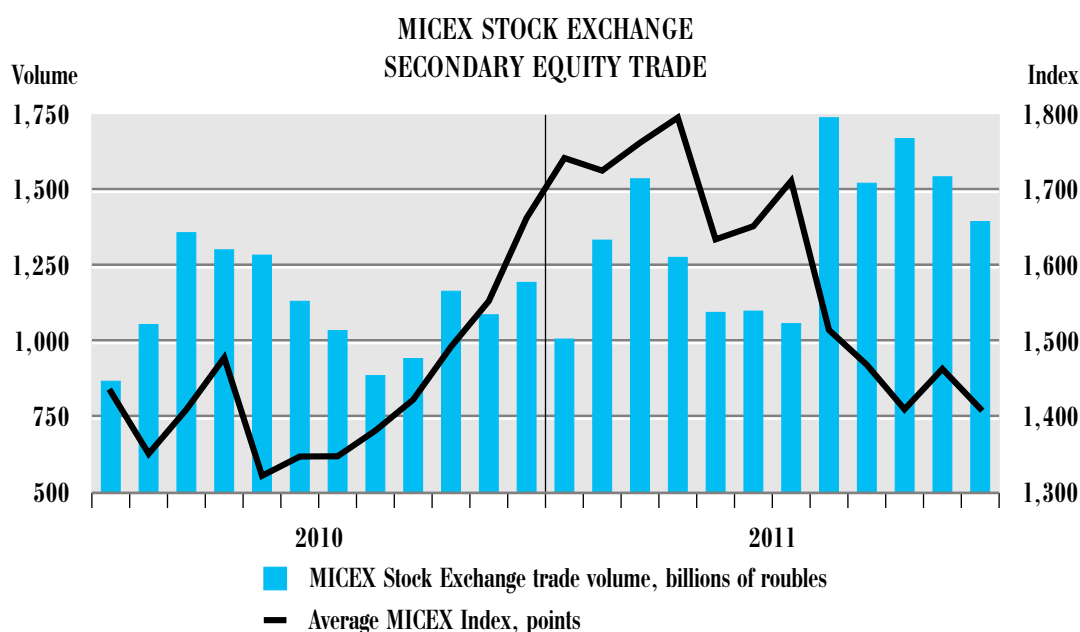
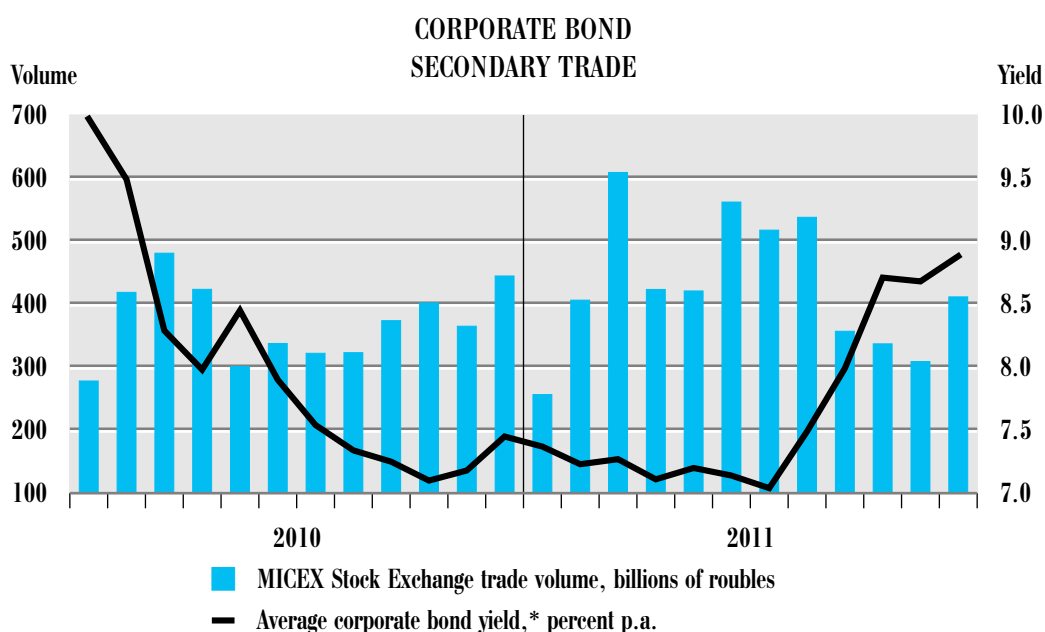


Chart 23



\* According to the news agency Chonds.ru.

The yield dynamics on corporate bonds in the secondary market was uneven throughout 2011. In January—July 2011, the yield on the most liquid corporate bonds was mostly declining and hit a historical minimum of 6.86% p.a. on 13 July 2011. Then, however, it surged during the following months and stood at 8.8% p.a. at the end of December.

In the secondary market for the **promissory notes** of banks and non-bank organisations, the yield in 2011 fluctuated near the level it had witnessed in late 2010. In the second half of 2011, the yield grew as the market started to experience a decline in quotations. The average weighted yield on promissory notes (according to the quoted bids of leading operators) rose by the

end of 2011 as compared with the beginning of 2011 by more than 1 percentage point<sup>1</sup>.

As of the end of 2011, the portfolio of promissory notes of resident non-bank organisations discounted by Russian banks accounted for 32.5 billion roubles, a 39% decrease on the same figure for early 2011. The average interest rate on bank-discounted, rouble-denominated, non-bank promissory notes with a maturity of up to one year increased from 11.2% p.a. in the fourth quarter of 2010 to 12.5% p.a. in the fourth quarter of 2011.

#### SECURITIES ISSUED BY CREDIT INSTITUTIONS.

In 2011, the Bank of Russia registered 301 credit institution securities issues with a nominal value of 335.7 billion roubles (in 2010: 237 securities issues with a nominal value of 228.2 billion roubles).

In the reporting period, 250 share issues totalling 132.0 billion roubles were registered (in 2010: 202 issues totalling 110.3 billion roubles). These included issues that were placed to increase the authorised capital of credit institutions — totalling 125.8 billion roubles, issues connected with the foundation or reorganisation of credit institutions — totalling 4.9 billion roubles, issues connected with the conversion of securities that had been issued earlier (splitting or dilution, consolidation, reduction of par value or conversion of preferred shares) — totalling 1.3 billion roubles (in 2010 — totalling 106.0, 1.3 and 3.0 billion roubles, respectively).

In 2011, 234 share issue reports totalling 112.3 billion roubles were registered (in 2010, 177 reports totalling 99.6 billion roubles). These included 173 reports on share issues worth 104.3 billion roubles that were registered in the period under review (in 2010, there were 136 reports totalling 85.3 billion roubles).

The nominal value of bond issues registered in 2011 totalled 203.7 billion roubles, or 85.8 billion roubles more than in 2010. The number of registered bond issues grew from 35 in 2010 to

51 in 2011, while the number of registered bond issue reports and notices of placement declined from 41 in 2010 to 24 in 2011. The nominal value of placed bonds decreased from 93.3 to 87.8 billion roubles, respectively.

In 2011, 33 securities issues were cancelled, as not a single paper from these issues was floated and federal laws were violated during the course of the issue (these consisted of 24 share issues totalling 5.8 billion roubles and nine bond issues totalling 40.0 billion roubles). These figures were considerably lower than they had been in 2010 (36 share issues worth 12.8 billion roubles and 24 bond issues worth 104.0 billion roubles).

The share of equities of credit institutions in the total volume of secondary equity trades on the MICEX Stock Exchange and the RTS fell from 42% in 2010 to 40% in 2011. The prices of the most liquid instruments issued by credit institutions, ordinary shares of OAO Sberbank and OAO Bank VTB, fell by 24% and 42%, respectively as of late 2011 year on year (in 2010, they grew by 26% and 45%, respectively). In 2011, the bonds of credit institutions accounted for 22% of all secondary trades in corporate bonds on the MICEX Stock Exchange (21% in 2010).

The volume of bank promissory notes market rose slightly in 2011. As of the end of 2011, the volume of promissory notes and bank acceptances placed by Russian credit institutions totalled 0.86 trillion roubles, an 8% increase over the same figure as of 1 January 2011. The average rate on bank's own rouble-denominated promissory notes with maturities of up to one year accounted for 6.9% p.a. in the fourth quarter of 2011 as against 5.2% p.a. in the fourth quarter of 2010.

In 2011, the Bank of Russia registered six terms of issue and trade of certificates of deposit, and seven terms of issue of savings certificates. As in 2010, most of the certificates of deposit and savings certificates (51.1 billion roubles) were issued by credit institutions based in Moscow and the Moscow Region.

<sup>1</sup> Source: the Region Group of Companies.

## FINANCIAL DERIVATIVES MARKET

Total futures and options trade turnover on the Russian exchanges<sup>1</sup> in 2011 amounted to 57.1 trillion roubles, a 1.8-fold increase over 2010. The average annual value of open positions on exchange derivatives (in contracts) on the main trading floors (RTS, MICEX and MICEX Stock Exchange)<sup>2</sup> increased in 2011 by 22% year on year, but failed to reach its pre-crisis level. Short-term futures transactions on the RTS index, which retained the dominant position in the Russian forward exchange market, still accounted for the largest increase in the trades turnover in 2011 (the trades turnover in 2011 was 37.6 trillion roubles).

In 2011, as in 2010, the largest transactions in terms of amount were registered in the stock futures segment (contracts for stock indices and equities), which accounted for 75% of the total

forward exchange market turnover. In the currency futures segment (15% of the total futures and options turnover) the most liquid contracts were US dollar / rouble contracts. The share of commodity futures in the total turnover of trade in exchange derivatives amounted to 3%. The most demanded commodity contracts were Brent crude, gold and silver futures. The segment of interest rate futures remained low liquid (0.2% of the total futures and options turnover), but when futures for long-term interest rates (the OFZ baskets) were put in circulation, operations with interest rate contracts became more active. The options market turnover increased 2.8 times as compared with 2010, remaining essentially lower than the futures market turnover. The most liquid option contracts were options for futures contracts on the RTS index.

FUTURES TRADE ON RUSSIAN EXCHANGES  
(billions of roubles)

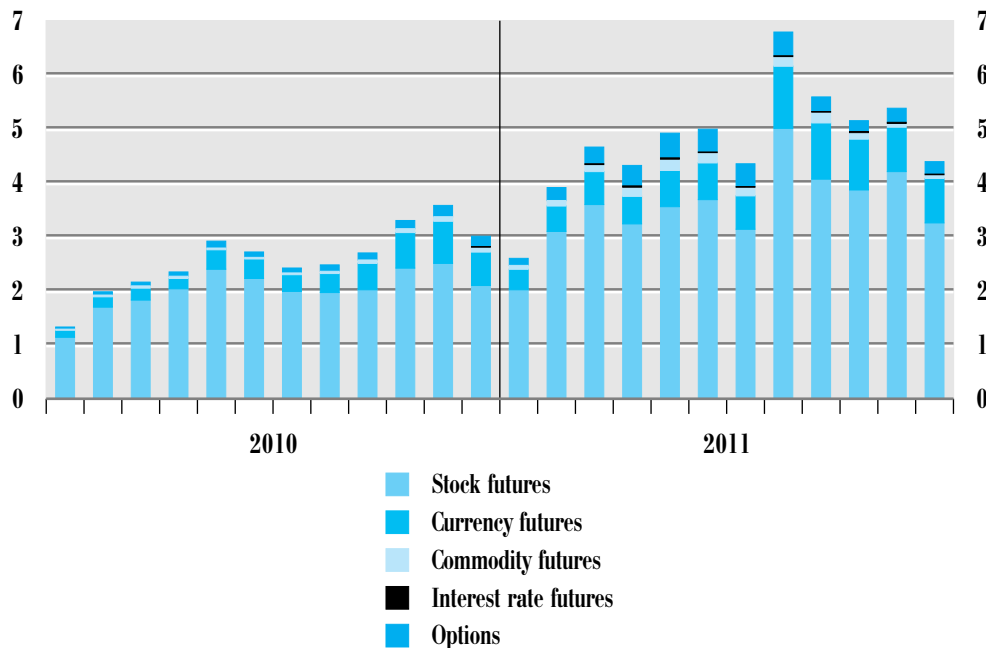


Chart 24

<sup>1</sup> RTS, MICEX, MICEX Stock Exchange, St Petersburg Currency Exchange and St Petersburg Exchange.

<sup>2</sup> Since 19 December 2011, trading with derivatives has been performed in the derivatives market of the integrated MICEX-RTS stock exchange that includes the MICEX derivatives market (currency and interest rate futures) and the FORTS derivatives market (stock, currency, interest rate and commodity derivatives).



## I.5. THE NATIONAL PAYMENT SYSTEM

### I.5.1. THE STATE OF THE NATIONAL PAYMENT SYSTEM

*In* 2011, the national payment system was developing to meet the growing need for the economy to function stably and efficiently in every respect. The conceptual reformation of laws related to this sphere, such as the adoption of Federal Law No. 161-FZ, dated 27 June 2011, ‘On the National Payment System’ and Federal Law No. 162-FZ, dated 27 June 2011, ‘On Amending Certain Laws of the Russian Federation in Connection with the Adoption of the Federal Law ‘On the National Payment System’’, that form the legal and organisational basis of the national payment system, gave a new impetus to its modernisation via innovative approaches and techniques. In this regard, the necessary legal conditions have been created for the development of the activities of both credit institutions and other entities that are involved in the national payment system, including bank paying agents (sub-agents), paying agents, federal postal agencies, payment system operators and payment infrastructure service operators.

As an institutional basis for the national payment system, the banking system met all the pay-

ment needs of economic entities and individuals, while the demand for payment services grew.

The number of banking system institutions providing payment services<sup>1</sup> increased by 4.5% over 2011 and amounted to 44,800 as of 1 January 2012. As of 1 January 2012, there were 314 banking system institutions per 1 million residents (302 as of 1 January 2011).

Compared to 2010, the number and volume of payments grew by 11.0% and 38.1%, respectively, standing at 3.3 billion payments<sup>2</sup> and 1,298.2 trillion roubles. The national payment system processed 13.2 million payments totalling 5.2 trillion roubles per day on average (in 2010, 11.8 million payments totalling 3.8 trillion roubles). The average payment amount was 397,100 roubles (in 2010, 319,100 roubles).

In 2011, the number and volume of payments effected through credit institutions amounted to 2.1 billion transactions and 382.1 trillion roubles, respectively (in 2010, 1.9 billion transactions and 286.8 trillion roubles). Payments within the same division of a credit institution accounted for 70.8% of the total number and 49.8% of the to-

<sup>1</sup> Bank of Russia establishments, credit institutions and their branches, additional offices, operations offices, credit and cash offices and external cash desks.

<sup>2</sup> Including rouble-denominated payments from the accounts of Bank of Russia customers and credit institutions (individuals, credit institutions, and legal entities other than credit institutions); own payments of the Bank of Russia and credit institutions; transfers made by individuals without opening a bank account. Payments with the use of bank cards are not included.

tal volume of these payments, settlements between branches accounted for 20.3% and 42.3%, and settlements through correspondent accounts opened with other credit institutions accounted for 8.9% and 7.9%. Year on year, the structure of own payments of credit institutions and their customers (individuals and legal entities other than credit institutions) remained almost the same. Credit transfers<sup>1</sup> had an essential share in the total number and volume of payments (67.7% and 98.1%, respectively). The transactions of legal entities prevailed in credit transfers in terms of volume (91.1%), while in terms of number, the transactions of individuals prevailed (58.8%); these were mostly transfers that were made without the opening a bank account.

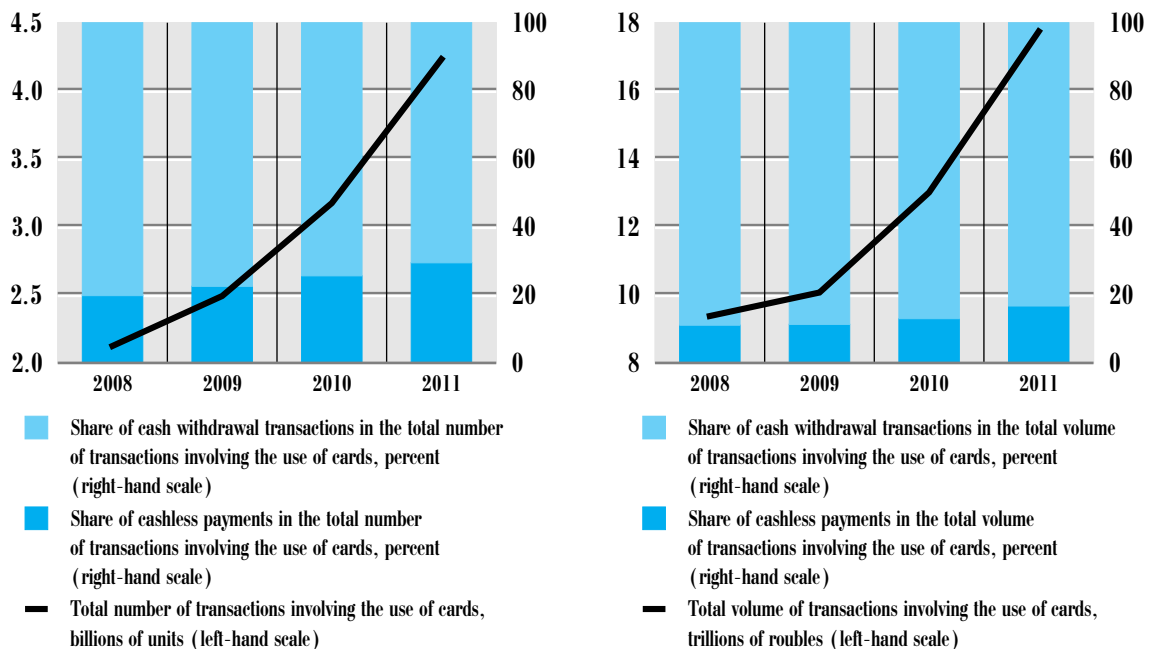
As compared with credit transfers, payments in the form of direct debits<sup>2</sup> were underused in the banking system. Only three payments out of every 100 were performed as direct debiting in 2011. Their share in the total volume of payments was below 1%.

One of the major aspects of credit institutions' activities to raise the availability of payment services was the development of a remote servicing based on up-to-date ICT technologies, including the use of the Internet, mobile phones and 'Customer — Bank' systems. As of 1 January 2012, over 90% of the operating credit institutions were giving their customers the opportunity to access their accounts remotely in order to make payments. The number of customer accounts with a remote access opened with credit institutions for individuals and legal entities other than credit institutions grew by almost one-third over the year. Moreover, the number of accounts accessible through the Internet increased 1.8 times, and through mobile phones — 2.2 times. In 2011, the share of accounts with a possibility of remote access in the total number of accounts, on which transactions were performed from the start of the year increased by 7.1 percentage points, reaching 48.6%.

The number and volume of cashless transactions performed by orders sent by customers of

#### TRANSACTIONS INVOLVING PAYMENT CARDS (by number and volume of transactions)

Chart 25



<sup>1</sup> A credit transfer is a payment service involving one-off or periodic write-downs from the payer's account triggered by the payer.

<sup>2</sup> A direct debit is a payment service involving one-off or periodic write-downs from the payer's account, triggered by the recipient and based on the payer's preliminary consent.

credit institutions remotely (including the use of payment cards) increased by 44.2% and 23.6%, respectively, and stood at 2.6 billion transactions and 279.7 trillion roubles. These included payments through the Internet and mobile phones: 23.7% in terms of number and 56.6% in terms of volume.

Against the background of growing financial literacy among the general populace, an expanded range of bank products connected with the use of payment cards as well as the development of infrastructure for their servicing at trade enterprises contributed to the active growth of the national payment card market. Year on year, the number of payment cards issued by Russian credit institutions increased by 38.6% to 200.2 million, 73.9% of which were charge cards (147.9 million). The total number of ATMs, point-of-sale terminals and imprinters increased by more than 22% over the year and as of 1 January 2012, there were 5,004 devices per 1 million residents (as of 1 January 2011 — 4,105).

The number and volume of payment card transactions executed both inside and outside the Russian Federation increased by 33.3% and 36.1%, respectively, year on year, to 4.2 billion transactions valued at 17.7 trillion roubles. Cashless transactions with the use of payment cards were growing fast: over the year their number and volume grew 1.6 and 1.8 times, respectively. This contributed to the increase of their share in the total number of payment card transactions from 34.4% in 2010 to 41.8% in 2011, and from 15.0% to 20.2% in the total volume. As in 2010, they were mostly payments for goods and services<sup>1</sup> — 94.5% and 76.7% of the number and volume of transactions, respectively (in 2010 — 95.7% and 81.3%).

In 2011, cash as a means of payment enjoyed a high level of demand among people making retail payments. The amount of cash received by the cash desks of the Bank of Russia's divisions and credit institutions from the sale of consumer goods was 10.8 trillion roubles, representing a 19.6% growth as compared to 2010. These include cash from paid services, 3.2 trillion roubles (10.1% growth); from foreign currency sales to

**CASH RECEIVED VIA PAYMENT AGENTS  
AND BANK PAYMENT AGENTS**  
(billions of roubles)

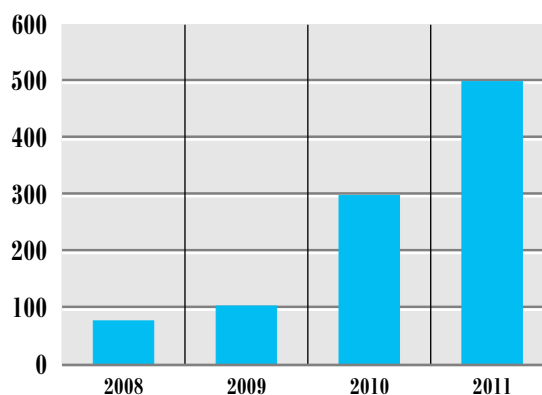


Chart 26

individuals 1.5 trillion roubles (27.8% growth) and from real estate, 0.4 trillion roubles (36.6% growth).

Cash received through ATMs and the payment terminals of credit institutions, including cash received as payment for goods and services and cash for crediting individual accounts, kept growing at a fast rate. Over a year its volume increased 1.7 times to 2.2 trillion roubles. Cash received through ATMs and payment terminals amounted to 15,500 roubles per Russian resident on average (in 2010, 9,300 roubles).

Payment agent and bank payment agent infrastructure is actively developing in the Russian Federation, along with the development of the payment infrastructure of credit institutions. The high growth rate in the amount of cash received from individuals through payment agents and bank payment agents for goods (work, services) that has been remaining unchanged for a number of years is proof of the high demand in this retail payment services market sector<sup>2</sup>. As compared to 2010, its volume went up 1.7-fold to 499.7 billion roubles or 3.4% of the total volume of cash received by the cash desks of credit institutions for the sale of goods or services (work) as taxes, duties or insurance payments (in 2010, 2.4%).

Cash settlements in the securities market, which have grown in value, were mostly effected by non-bank credit institutions. The turnover of

<sup>1</sup> Including customs payments.

<sup>2</sup> Including payment for living premises.

funds through the accounts of settlement participants in the National Settlement Depository on exchange transactions in the stock market stood at 81.3 trillion roubles (31.0% growth), with 29.9 trillion roubles in the government se-

curities market (49.7% growth). The turnover of funds through the accounts of settlement participants in the RTS Clearing House for stock market transactions increased by 49.3% to 1.1 trillion roubles.

## I.5.2. THE BANK OF RUSSIA PAYMENT SYSTEM

*In* 2011, 1,187.6 million payments totalling 916.2 trillion roubles were processed by the Bank of Russia payment system, having grown by 12.1% and 40.2% year on year, respectively. The ratio of the volume of payments effected through the Bank of Russia payment system to GDP rose from 14.5 to 16.8. The average number of payments effected through the Bank of Russia payment system per day increased from 4.3 million in 2010 to 4.8 million.

The number of Bank of Russia customers — credit institutions (branches) fell over the course of the year by 2.4% and stood at 3,047 (as of 1 January 2011 — 3,123).

The number and volume of payments of credit institutions (branches) effected through the payment system of the Bank of Russia grew by 14.1% and 37.3%, respectively, as compared with 2010, to 1,005.0 million payments totalling 706.1 trillion roubles (in 2010, 881.0 million payments totalling 514.3 trillion roubles). As in 2010, the payments of credit institutions (branches) prevailed in the total number and volume of payments effected through the payment system of the Bank of Russia: their share was 84.6% in terms of number and 77.1% in terms of volume. The average number of payments of credit institutions (branches) effected through the payment system of the Bank of Russia per day grew from 3.5 million payments in 2010 to 4.1 million in 2011.

As in the previous year, in 2011, 99.9% of all payments made through the Bank of Russia payment system were electronic payments. The share of payments of credit institutions (branches) made through the Bank of Russia payment system via communications channels amounted to 98.2% of their total payments. The payments of customers other than credit institutions that were made via the system accounted for 96.1% of such payments. As of 1 January 2012, the share of the Bank of Russia customers — credit institutions (branches) participating in the electronic document exchange with the Bank of Russia was 98.4% of the total num-

ber of credit institutions (branches); the share of the Bank of Russia customers other than credit institutions (branches) that use the electronic system accounted for 17.2% of the total number of such customers. The Federal Treasury and all its territorial subdivisions participate in the electronic document exchange with the Bank of Russia.

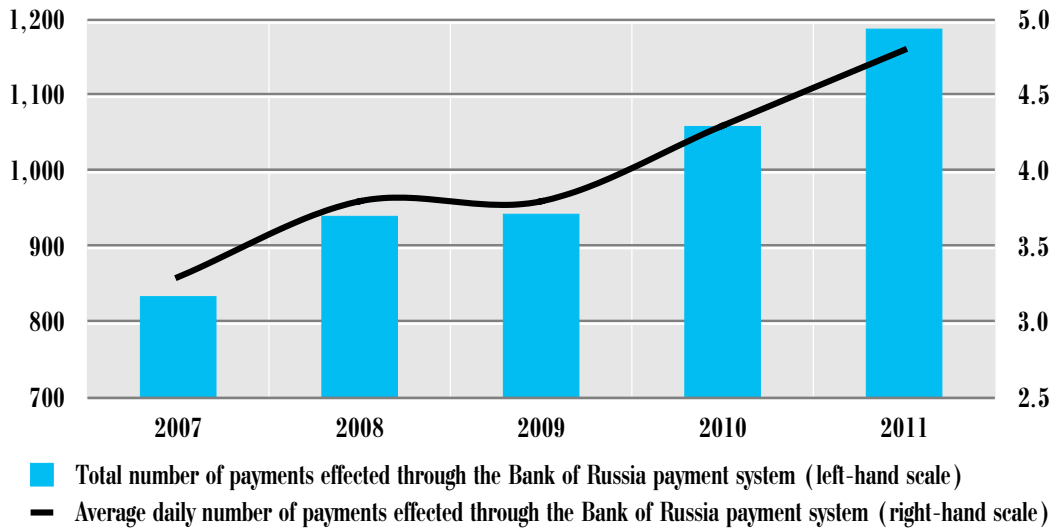
The average monthly accessibility ratios of the Bank of Russia payment system (the system's capability to accept settlement documents from customers of the Bank of Russia) ranged between 99.98% and 100% with respect to paper settlement documents in 2011 (in 2010 — from 99.95% to 100%), and from 97.98% to 99.98% with respect to electronic settlement documents (in 2010 — from 99.62% to 99.95%).

The average time needed to implement settlement transactions, considering the number of payments in all settlement systems used by the Bank of Russia, remained practically at its 2010 level — 0.6 days at the intraregional level and 0.92 days — at the interregional level.

In 2011, more payments were processed by the system of bank electronic speedy payments (BESP), which helped increase the share of such payments in the total volume of payments effected through the Bank of Russia payment system to 24.3% (19.5% in 2010). In 2011, 626,100 payments were effected through the BESP system, a 3-fold increase when compared to 205,100 in 2010. Payments made through the BESP system reached 222.8 trillion roubles in 2011, having grown almost two-fold (in 2010, 127.3 trillion roubles) primarily due to the payments of credit institutions (branches), while their share in the structure of payments through the BESP system remained the largest, as in 2010: 92.1% by number and 61.8% by volume.

As of 1 January 2012, the number of BESP participants — credit institutions (branches) totalled 2,887 or 98.1% of the total number of credit institutions (branches) participating in the electronic document exchange with the Bank of Russia, whose correspondent accounts (sub-ac-

**TOTAL NUMBER AND AVERAGE DAILY NUMBER OF PAYMENTS  
EFFECTED THROUGH THE BANK OF RUSSIA PAYMENT SYSTEM (millions of units)**



**VOLUME OF PAYMENTS AND AVERAGE AMOUNT OF PAYMENT EFFECTED THROUGH  
THE BANK OF RUSSIA PAYMENT SYSTEM**



counts) are opened with Bank of Russia settlement network outlets (BESP participants). The remaining 56 credit institutions (branches) (1.9%) did not participate in the BESP system because the procedure of their inclusion in the BESP system was under way, or because of the reorganisation or closure of credit institutions' branches.

As of 1 January 2012, there were a total of 3,248 participants in the BESP system, of which 279 were special participants in settlements, 557 were direct participants, and 2,412 were associated participants, including the Federal Treasury and its regional branches.

In 2011, payments through the intraregional electronic settlement system (VER) accounted for

75.7% and 65.6% of the total number and volume of payments performed through the Bank of Russia payment system (in 2010, 77.4% and 68.0%, respectively), while the interregional electronic settlement system (MER) accounted for 24.2% and 10.1% (in 2010, 22.5% and 12.4%, respectively). As many as 898.7 million payments for an amount totalling 600.6 trillion roubles was effected through the VER (in 2010, 819.3 million payments totalling 445.0 trillion roubles), whereas the MER processed 287.6 million payments totalling 92.4 trillion roubles (in 2010, 238.5 million payments totalling 81.3 trillion roubles). The share of payments made through the settlement system with the use of bank advice remained low (below 0.1% in terms of both number and volume).

NUMBER AND VOLUME OF PAYMENTS MADE THROUGH THE BESP SYSTEM

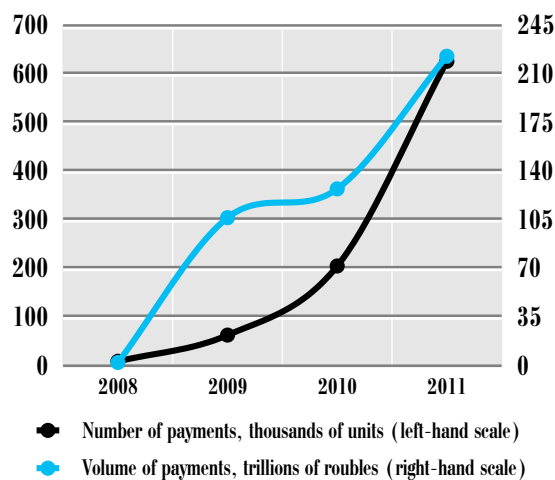


Chart 29

## I.6. BALANCE OF PAYMENTS AND EXTERNAL DEBT

### I.6.1. BALANCE OF PAYMENTS

*In* 2011, the balance of payments of the Russian Federation formed against the background of a favourable price situation in the world commodity markets, which was responsible for the high values of the main current account parameters. At the same time, the growing balance of external trade transactions failed to encourage investors. Amidst growing foreign exchange and financial risks, the additional savings in the economy transformed mostly into the outflow of private capital abroad.

#### CURRENT ACCOUNT

In 2011, the **current account surplus** increased by 39.0% year on year to \$98.8 billion. The main contributing factor was that the increased **balance of trade surplus** reached \$198.2 billion; it had formed when import and export growth rates had been practically equal.

**Exports of goods** grew by 30.3%, exceeding \$522.0 billion, with the export growth seen across all aggregated commodity items. The cost of exported goods rose only due to the price factor (by 31.8%), whereas the physical volume fell by 1.2%.

Russian crude oil and petroleum products were exported to external customers at prices that were over one-third higher than they had been

in the previous year, natural gas prices were 26.2% higher. At the same time, the physical volume of oil exported fell slightly (by 2.5%), as well as petroleum products (by 0.8%). The supply of natural gas in natural terms, on the contrary, grew (by 6.7%). As a result, the total cost of exporting the three commodities reached \$341.8 billion. In total exports they accounted for about two-thirds, and in total yearly export growth, they exceeded 72%.

Exports of ferrous and non-ferrous metals and metal products increased from \$42.7 billion to \$47.8 billion. As the growth rate of this commodity group was relatively behind that of total export growth, its share reduced from 10.7% in 2010 to 9.3% in 2011.

Exports of engineering products grew from \$22.4 billion to \$25.8 billion. The increased exports of transport vehicles, aircrafts and their spare parts accounted for almost two-thirds of the growth. With that, exports of vessels and floating structures fell dramatically with exports of equipment and mechanical devices having increased by a mere 7%. The share of engineering products in total exports declined from 5.6% to 5.0%.

An increase in the export of foodstuffs and raw materials for their production (from \$9.3 billion to \$13.3 billion) was primarily a result of the re-



### RUSSIA'S MAJOR BALANCE OF PAYMENTS COMPONENTS AND INTERNATIONAL RESERVES (billions of US dollars)

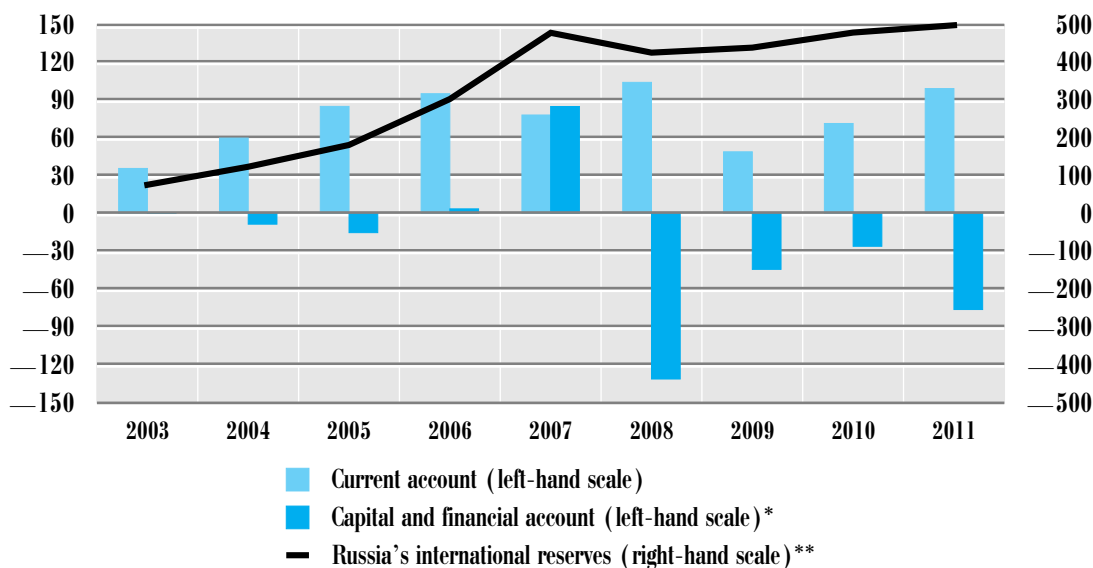


Chart 30

\* Net of change in reserves.

\*\* As of end of year.

sumed export of grain. The share of these goods reached 2.6%.

Geographically, the export share of the EU countries fell by 1.7 percentage points to 51.6%, whereas the share of APEC countries went up from 16.9% to 18.0%. The highest amounts were exported to the Netherlands (12.1%), China (6.8%) and Germany (6.6%).

**Imports of goods** amounted to \$323.8 billion, exceeding the 2010 figure by 30.2%. Almost two thirds of its value growth is due to increased import volumes and over one-third — to an increase in contract prices.

As in 2010, the import of machinery, equipment and transport vehicles was growing at a quick rate (44.6% growth). The share of this group in total imports grew by 3.7 percentage points to 48.2%. The highest growth rate was seen in the import of ground transportation vehicles.

The growth rate of imports of other important groups was slower than the general growth rate: the import of chemicals and related industries' products increased by 24.0%, foodstuffs and raw materials for their production increased by 16.7%. As a result, their shares declined to 15.1% and 13.9%, respectively.

In terms of geographical distribution, in 2011, the EU countries' share remained at its 2010 level

(41.7%) with that of APEC countries slightly falling (to 33.9%). The most important partners were still China (15.8%), Germany (12.3%) and Ukraine (6.6%).

The deficit in the **balance of external trade in services** increased year on year by one-fourth to \$35.9 billion.

**Exports of services** stood at \$54.0 billion, having grown by 20.1%. The cost of transportation services to non-residents grew by 14.0%. The spending of non-residents on travelling to Russia, after a consistent decline in 2009—2010, went up by 29.1% in 2011. This was a result of two equal factors: the increased number of foreign citizens that entered Russia and the increased average cost of one trip. Growth in exports of other services amounted to 20.7%, including 25.6% in business, professional and technical services; and 18.9% in construction work.

**Imports of services** saw a 22.1% increase to \$90.0 billion. The faster rate of growth in transportation services (by 26.9%) that was primarily seen in air and water cargo transportation, was related to the increased volume of imported goods. Passenger transportation services rendered by foreign air carriers grew by almost one-third. Residents' spending on trips abroad grew by 22.1% to \$32.5 billion. Imports of business,

professional and technical services were 20.5% higher, while construction service imports increased by 29.1%.

The year under review saw a deficit in the **compensation of employees' balance**: \$9.5 billion as against \$8.5 billion in 2010. The amount of payments increased by \$1.3 billion due to a rise in the nominal compensation in US dollar terms and growth in the number of non-residents employed in Russia. Compensations to residents grew by \$0.3 billion.

The deficit in the **balance of investment income** grew to \$50.7 billion because of higher dividend payouts made by Russian companies to non-residents and the reduced profitability of Russian assets placed abroad. Amounts credited to non-residents reached \$89.2 billion, while residents received \$38.4 billion.

The deficit in the **balance of current transfers** fell to \$3.2 billion; this was firstly due to the government sector transactions in the form of remittances of funds as export and import duties within the Customs Union. Remittances of employees — the most important part of current transfers paid out — increased from \$5.9 billion to \$8.4 billion.

## CAPITAL AND FINANCIAL ACCOUNT

**CAPITAL ACCOUNT.** The **capital account** demonstrated a minimal negative balance of \$0.1 billion, as there were no large debt forgiveness operations.

**FINANCIAL ACCOUNT.** The **financial account balance** (net of reserves), while remaining negative, increased in 2011 to \$76.1 billion in absolute terms (in 2010, \$26.1 billion) because the foreign economic assets were increasing at a faster rate than they did in 2010, and this was not compensated with the mobilisation of additional foreign resources.

The growth of **foreign debt obligations** (\$68.7 billion), exceeded the same figure for 2010 (\$44.4 billion), but had slowed down considerably. Large amounts of foreign resources were acquired only by non-financial corpora-

tions, whereas other sectors reduced foreign borrowing.

The general government's foreign liabilities fell by \$0.7 billion. The placement of rouble-denominated Russian Eurobonds and purchase of secondary market government securities by non-residents were balanced by higher current payments on the external debt. In 2011, actual payments on the government external debt, including interest, amounted to \$6.0 billion (\$4.6 billion in 2010). Official debt ratios remained low in economic terms: the ratio of government external debt service payments to the export of goods and services was 1.0%, and to consolidated budget revenue — 0.9%.

The debt obligations of monetary authorities fell by \$0.7 billion.

The total volume of foreign capital raised by the private sector stood at \$70.1 billion.

As the situation in the international borrowing market deteriorated, in 2011 the growth of foreign liabilities of credit institutions declined to \$7.9 billion (in 2010, \$17.7 billion). Given stagnation in the Eurobond market, banks mostly focused on syndicated borrowings.

In 2011, the foreign capital inflow into other sectors<sup>1</sup> surged: \$62.2 billion was acquired (\$24.9 billion in 2010). Direct investments prevailed in the structure of foreign capital import by other sectors: their volume amounted to \$47.3 billion (\$37.8 billion in 2010). The share of foreign contributions to the Russian companies' capital fell (primarily as a result of large amounts of stock redemption from non-residents), with the share of intercompany loans growing. Corporate accounts payable grew by \$21.4 billion due to the new borrowings in the international loan market (in 2010, credit liabilities were repaid with \$6.3 billion on a net basis).

Resident **foreign assets** (net of reserves) grew by \$144.7 billion in 2011 (\$70.5 billion in 2010).

The growth in external general government claims (to \$2.5 billion) was caused by larger amounts of government lending as Russian participation in regional integration unions (EurAsEC) expanded.

<sup>1</sup> Other sectors include non-financial corporations, finance corporations other than credit institutions, non-profit organisations providing services to households, and households.

The foreign assets of the private sector grew by \$142.2 billion.

The foreign assets of Russian banks grew by \$32.0 billion (by \$1.8 billion in 2010). The external claims of credit institutions were growing at higher rates as export earnings increased, and foreign currency was purchased from the Bank of Russia in the course of foreign exchange interventions. Banks exported capital largely by placing loans and deposits in foreign credit institutions and companies, including rendering financial support to related non-resident institutions. Against the background of a higher volatility of the rouble exchange rate, the volume of transactions with financial derivatives grew dramatically.

Other sectors increased their claims on non-residents by \$110.2 billion in 2011 (by \$67.8 billion in 2010). The direct investments totalled \$66.3 billion and showed a higher share of contributions made by individuals and legal entities in foreign real estate, and the essentially higher share of loans issued to the related foreign companies. The loans were used by non-resident companies, inter alia, for redemption in the secondary market of shares issued by Russian creditor corporations. The de-dollarisation of the economy continued in 2011, but slowed down substantially: the foreign cash balances (outside banks) declined by \$4.0 billion (by \$14.2 billion in 2010).

The growth in foreign assets, not balanced by the corresponding increase in foreign liabilities, led to a higher net export of private capital (up to \$80.5 billion as against \$34.4 billion in 2010).

### INTERNATIONAL RESERVES

Owing to the operations recorded in the balance of payments, the international reserves grew by \$12.6 billion. The Bank of Russia was purchasing foreign currency in the domestic market in January—August 2011, whereas in September—December it was mostly focusing on satisfying the higher demand for foreign currency, when private capital exports increased. With the market revaluation and other changes, international reserves grew by \$19.3 billion in 2011, reaching \$498.6 billion.

As the Bank of Russia continued to purchase gold for its reserves, its value rose to \$44.7 billion in 2011 and its share in the international reserves rose to 9.0%. The share of foreign currency in reserves fell correspondingly, to 91.0% as of 1 January 2012. As the Bank of Russia increased its participation in IMF funding, claims in SDR rose by \$2.1 billion, and their share in the reserves expanded to 2.6%.

As of 1 January 2012, the international reserves were sufficient to finance the import of goods and services for 14 months (18 months as of 1 January 2011).

## I.6.2. EXTERNAL DEBT

As of 1 January 2012, the external debt of the Russian Federation (to non-residents) stood at \$545.1 billion, having grown by \$56.2 billion. Due to the transactions recorded in the balance of payments, the debt grew by \$66.5 billion. However, due to other changes that included exchange rate and monetary revaluations, it fell by \$10.2 billion.

The total external debt obligations of banks and other sectors reached \$500.7 billion (with their share growing to 91.9% of the Russian Federation's foreign debt). The debt of the general government and monetary authorities decreased to \$44.4 billion (8.1%). The extended government's<sup>1</sup> contribution to the external debt reached \$220.4 billion, with its share declining over the year to 40.4%.

The liabilities of the federal government decreased to \$32.1 billion. In their structure, the Russian Federation's new borrowings accounted

for 92.2%, and debt assumed by the Russian Federation as a successor to the former USSR fell to 7.8%. The major components of the new federal debt were securities (88.4%) with the share of rouble-denominated instruments increasing to 15.1% (by 8.6 percentage points), and foreign currency-denominated instruments declining to 73.3% (by 5.6 percentage points).

The debt liabilities of the Russian Federation's constituent territories fell to \$1.1 billion as of 1 January 2012, mostly because of the scheduled repayment of debt and transactions with securities between residents and non-residents in the secondary market.

The debt of the monetary authorities fell by \$0.8 billion to \$11.2 billion, as a result of a decline in the amount of rouble-denominated cash accumulated by non-residents.

Liabilities of Russian credit institutions to non-residents grew in 2011 by \$18.7 billion, and ac-

RUSSIA'S EXTERNAL DEBT  
(billions of US dollars)

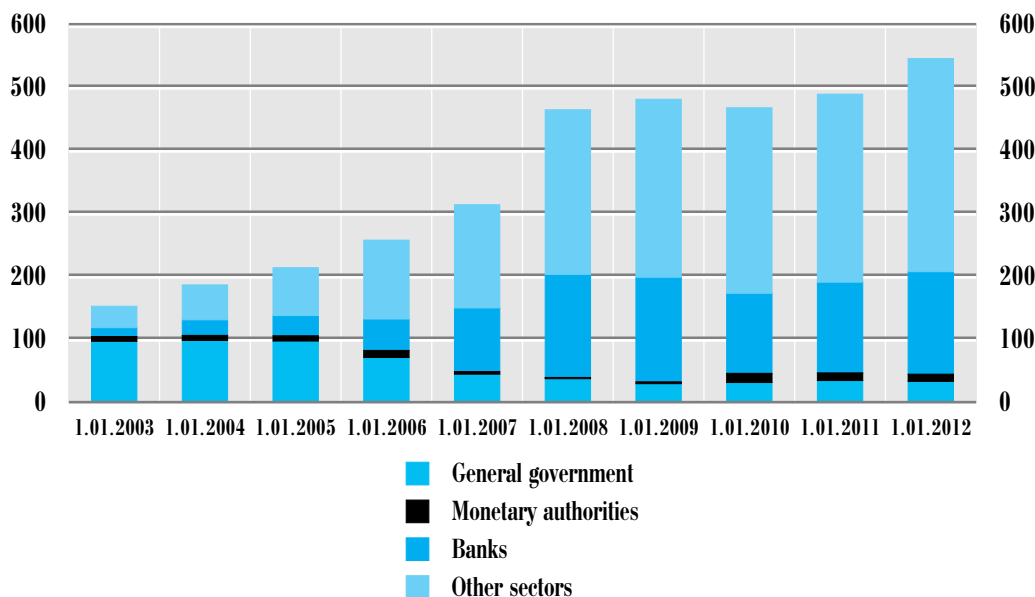


Chart 31

<sup>1</sup> The extended government, apart from the general government and monetary authorities, includes banks and non-bank corporations where the general government and monetary authorities hold, directly or indirectly, more than 50% of capital or control them otherwise.

**RUSSIA'S EXTERNAL DEBT**  
(percent of GDP)

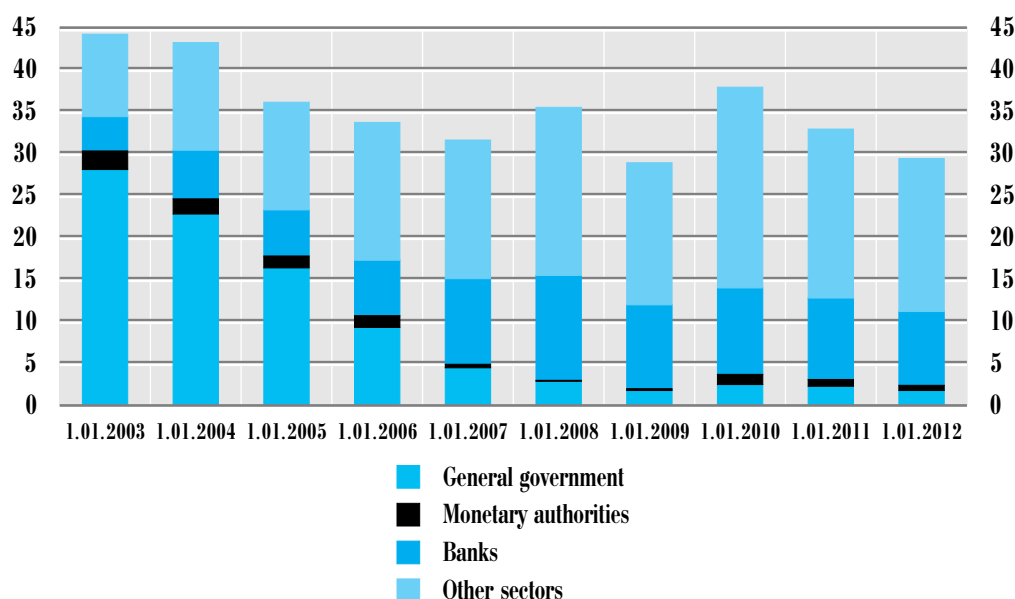


Chart 32

counted for \$162.9 billion as of 1 January 2012. While the external debt of other sectors was growing, the proportion of banks' debt in the structure of foreign borrowings changed considerably — from 29.5% to 29.9%.

The external debt of other sectors increased by \$39.7 billion to \$337.9 billion (62.0% of the total amount). In 2011, corporations borrowed foreign capital more actively than in 2010. The most intense growth was seen in intercompany loans that reached \$85.2 billion.

In terms of structure, long-term liabilities were prevailing — 86.7% (\$472.8 billion), with

short-term liabilities accounting for 13.3% (\$72.3 billion). The rouble-denominated external debt constituted 23.8% of the total debt (\$129.9 billion), while the foreign currency-denominated debt accounted for 76.2% (\$415.3 billion).

As of 1 January 2012, the Russian Federation's debt was considered low, according to international standards: the ratio of external debt to GDP fell to 29.4% (as against 32.9%, as of early 2011), and that of external debt liabilities of the general government to the GDP fell to 1.8% (2.3%).



**BANK OF RUSSIA  
ACTIVITIES**

**II**

## II.1. MONETARY POLICY

### II.1.1. MONETARY POLICY OBJECTIVES AND RESULTS

According to the principles of the Bank of Russia's medium-term monetary policy, as defined in 'Guidelines for the Single State Monetary Policy in 2011 and for 2012 and 2013', the main objective for these three years was keeping annual inflation within a 5—7% range.

The accommodative monetary policy pursued by the Bank of Russia throughout most of 2009—2010 created favourable conditions for the banking sector and for the real sector of the economy. As a result, monetary policy was implemented in 2011 amidst a continuing economic revival, an improving situation in the banking sector and rising credit activity among banks.

In 2011, the rate of growth in consumer prices declined to 6.1%; i.e., stayed within the range set for the medium-term period. However, the inflation dynamics and inflation risks fluctuated over the reporting year, thus making it necessary to change the monetary policy vector.

In light of the high level of inflation, the high inflation expectations that had arisen and the unstable situation in the world commodity and financial markets, the Bank of Russia introduced a staged increase of its interest rates on all operations and increased required reserve ratios in the first half of 2011.

In the second quarter of 2011, the growth rate of prices for some types of consumer goods started to slow down, as did inflation growth. There also

appeared prerequisites for the gradual lessening of inflationary pressure on the part of the money supply. In the second half of 2011, the Bank of Russia did not change the vector of its monetary policy.

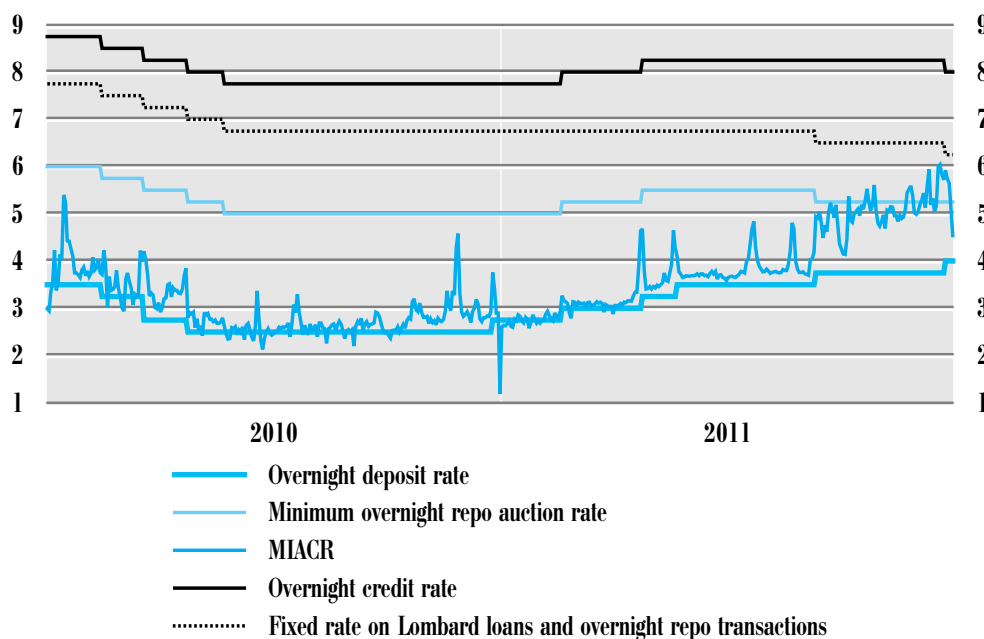
#### KEY DECISIONS RELATED TO MONETARY POLICY

In January—May 2011, the Bank of Russia increased interest rates on its operations on three occasions. Additionally, in order to decrease the potential volatility of interbank money market rates, the band of the Bank of Russia's interest rates between the provision of liquidity and its absorption was narrowed, and the rates on overnight and one-week depository transactions concluded under standard terms were equalised. As a result, the refinancing rate and interest rates on the Bank of Russia's transactions (except repo and Lombard lending at a fixed rate) increased by 0.5 percentage points as of 31 May 2011 compared to early 2011, and rates on deposit transactions increased by 0.5—0.75 percentage points.

The Bank of Russia decided on three occasions to raise the required reserve ratios for all categories of reservable liabilities of credit institutions: on 1 February, 1 March and 1 April 2011. In total, the required reserve ratios for credit institutions' liabilities to non-resident legal entities de-



**BANK OF RUSSIA KEY INTEREST RATES AND OVERNIGHT MIACR**  
(percent p.a.)



*Chart 33*

nominated in roubles and foreign currency were increased from 2.5% to 5.5%, and for liabilities to individuals and other liabilities of credit institutions denominated in roubles and foreign currency, the required reserve ratios were raised from 2.5% to 4.0%.

Taking into account the factors that caused a deceleration of inflation in the second half of 2011, and the tightening of monetary conditions, the Bank of Russia considered the level of interest rates that formed in the monetary market in that period to be acceptable for securing the balance between inflation risks and the risk of the country’s economic growth decelerating.

In September and December, the Bank of Russia decided to narrow the interest rate bands on certain liquidity provision and absorption operations. The decisions were aimed at limiting the volatility of interest rates in the money market and boosting the efficiency of the interest rate channel of the transmission mechanism of monetary policy, in order to reach the ultimate inflation target. The narrowing of interest rate bands was neutral from the viewpoint of the monetary policy vector. The decisions resulted in a reduction of the spread between the rates on liquidity provision and absorption transactions at fixed rates for terms of up to one month (except over-

night loans) by 1 percentage point (to 2.25%), and the spread between the rates on transactions to provide liquidity through auctions and transactions to absorb liquidity at fixed rates by 0.75 percentage points (to 1.25%).

Overall, the Bank of Russia increased the refinancing rate, rates on overnight loans and currency swap transactions, as well as the minimum rates on transactions to provide liquidity through auctions by 0.25 percentage points in 2011. The maximum rates on deposit auctions were increased by 0.5 percentage points, on fixed-rate deposit transactions by 1.0—1.25 percentage points, and interest rates on other standing facilities for terms of up to one month (Lombard loans and repos) were decreased by 0.5 percentage points. For changes in the refinancing rate and Bank of Russia interest rates in 2011, see Table 43 in Section IV.3 ‘Statistical Tables’.

The parameters that the Bank of Russia changed as part of its monetary policy in 2011 influenced the interest rates of the interbank money market. With the excess liquidity in January—August 2011, interbank market interest rate dynamics were defined by the lower limit of the interest rate band for overnight deposit transactions. The rates grew rather slowly against the background of the staged increase of interest rates

**BANK OF RUSSIA NET OPERATIONS AND SPREAD BETWEEN MIACR  
AND BANK OF RUSSIA OVERNIGHT DEPOSIT RATE**

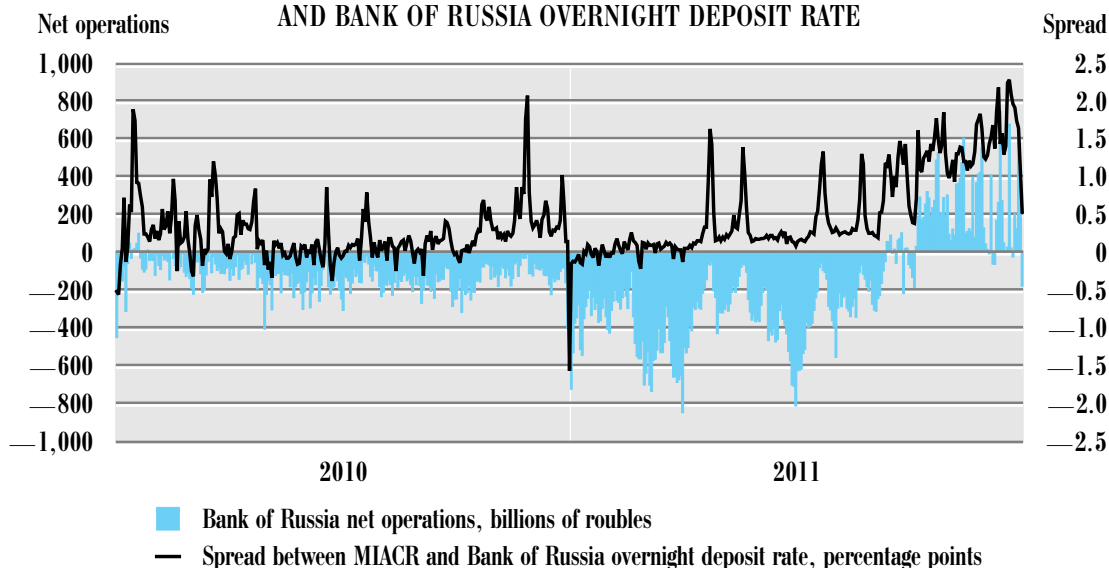


Chart 34

**NOMINAL INTEREST RATES ON ROUBLE-DENOMINATED LOANS  
TO NON-FINANCIAL ORGANISATIONS (percent p.a.)**

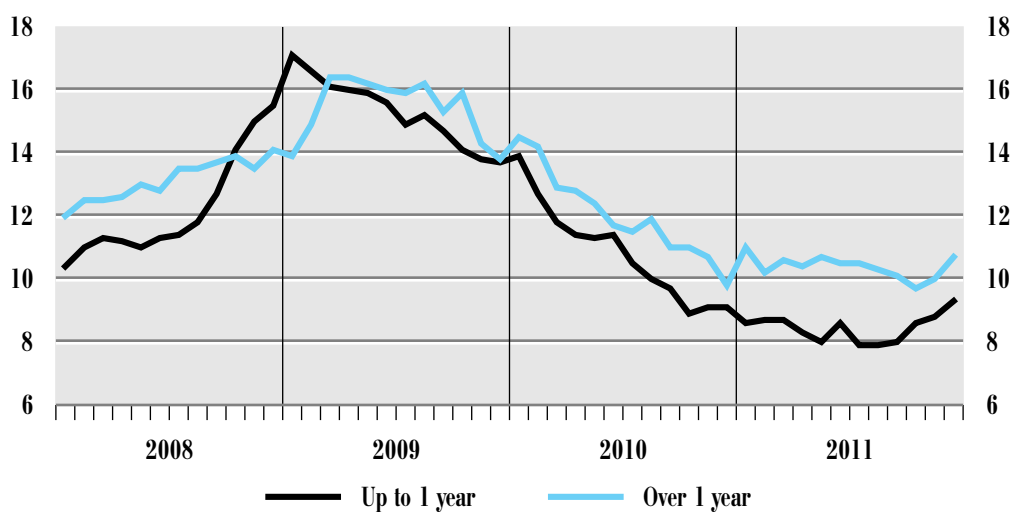


Chart 35

on the Bank of Russia's deposit transactions. From September onward, as the demand of credit institutions for liquidity rose, the rates on the short-term refinancing transactions of the Bank of Russia became the key factor influencing interbank market interest rate dynamics. In August—December, interbank loan rates approached the rates on short-term repo transactions concluded with the Bank of Russia. The average weighted MIACR on rouble-denominated overnight loans in December 2011 was 5.4% p.a.,

or 2.5 percentage points higher than the same figure in December 2010. As a result, the spread between the interbank market rate and the floor rate of the Bank of Russia interest rate band rose by 1.5 percentage points over 2011.

During most of 2011, banks were reducing interest rates on the loans they issued to the real sector of the economy. The average weighted interest rates on rouble-denominated loans to non-financial organisations for terms of up to one year and over one year hit their historical mini-

mums in certain months. At the end of 2011, it became more difficult for Russian banks to raise funds and, therefore, credit resources for non-financial organisations and households largely appreciated. As a result, the average weighted interest rate on rouble-denominated loans to non-financial organisations with terms of up to one year grew from 9.1% p.a. in December 2010 to 9.3% p.a. in December 2011; on loans with terms of over one year the rate grew from 9.8% p.a. to 10.7% p.a., respectively. The average weighted interest rate on short-term rouble-denominated loans to households declined in December 2011 as compared with December 2010 by 0.1 percentage points to 24.6% p.a., and on long-term loans, the rate went up by 0.4 percentage points to 17.1% p.a.

Interest rates on household bank deposits remained low almost throughout 2011. By the end of the year, the banks' need for domestic financing grew, and they started increasing deposit rates to bolster the inflow of funds. The average weighted interest rate on rouble-denominated household deposits with terms of up to one year (except demand deposits) increased from 5.5% p.a. in December 2010 to 6.9% p.a. in December 2011, on deposits with terms of one to three years this rate rose from 5.3% p.a. to 7.6% p.a., respectively.

## MONEY SUPPLY

The increased money supply in late 2009 and in 2010 led to higher inflation risks in the first half of 2011. However, from September 2010, the annual money supply growth rate started gradually slowing down, and the trend continued into 2011. Over much of 2011, the monetary aggregates' dynamics reflected the gradual decline in monetary-based inflation risks. On the whole, the annual growth of monetary aggregate M2 fell during 2011, from 31.1% to 22.6%.

The annual rate of growth in household deposits and in monetary aggregate M0 decreased the most profoundly among the components of monetary aggregate M2 in 2011 (from 43.6% as of 1 January 2011 to 22.4% as of 1 January 2012, and from 25.4% to 17.3%, respectively). The rates of growth in rouble-denominated deposits of non-financial organisations and other financial organisations were decreasing until June 2011, but in June—December they started growing and reached 26.9% (up from 22.7%) in 2011.

In 2011, as in 2010, the annual growth rates of foreign currency deposits (in rouble terms) were substantially lower than those of rouble deposits. However, in August—November 2011, as the rouble was apparently depreciating, the growth rate of foreign currency deposits started

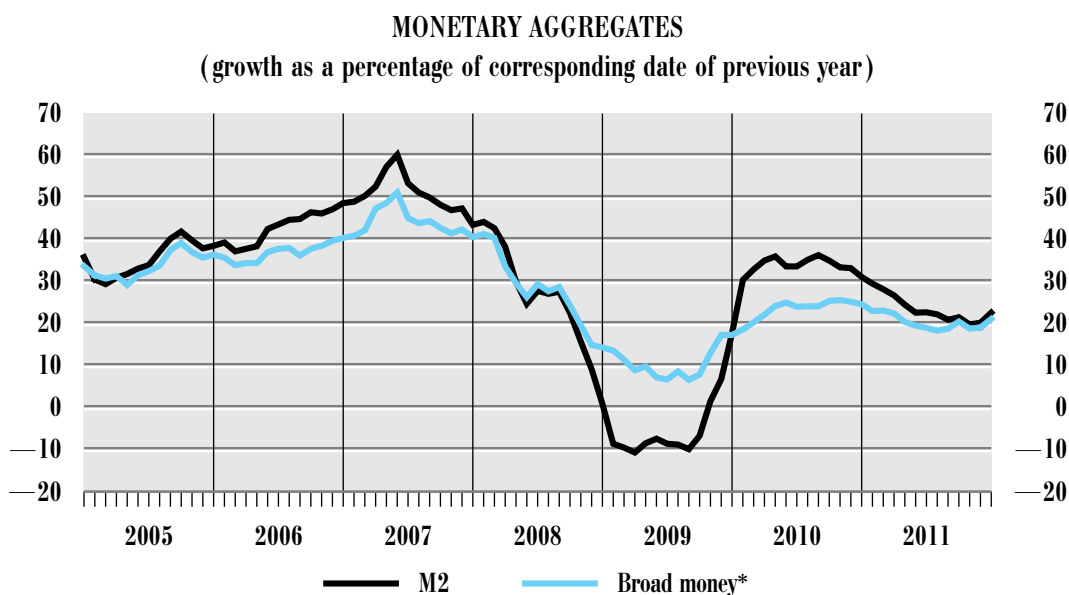
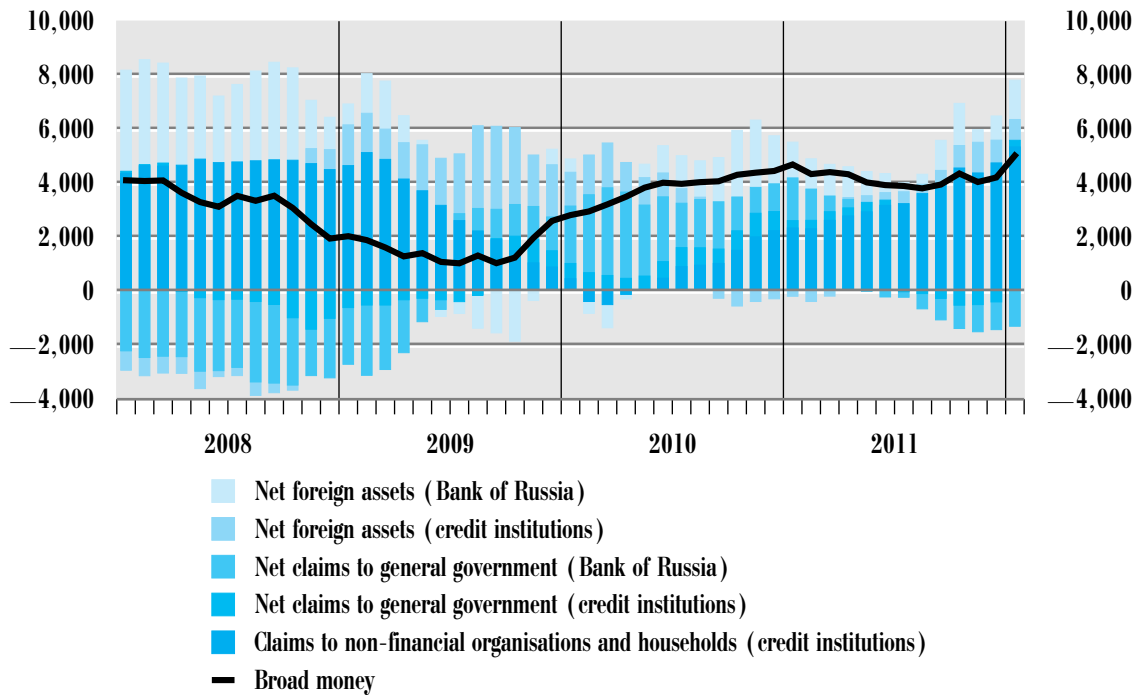


Chart 36

\* Broad money includes all the components of the M2 monetary aggregate and foreign currency deposits.

**BANKING SYSTEM MAIN ASSETS AND BROAD MONEY**  
(annual growth, billions of roubles)



going up. As a result, their annual growth rate was 13.0% as of 1 January 2012 (over 2010 their volume fell by 1.3%).

Despite a temporary increase in August—November, the share of foreign currency deposits in the total volume of banking sector deposits fell from 20.2% to 18.7% over 2011. Its dynamics were less dramatic in reflecting a decline in the rouble exchange rate than in previous years. In general, the volume of net sales of foreign currency (in cash) through authorised banks to individuals was higher than it had been in 2010. In September—October 2011, the volume of net sales grew, to some extent, when compared to August. However, the growth was not as profound as it had been during the weakening of the exchange rate in 2008—2009. According to the estimates of the Russian Federation balance of payments, the volume of foreign currency in cash outside the banks fell over 2011 by almost \$4 billion (in 2010 the fall was more dramatic, at \$14.2 billion).

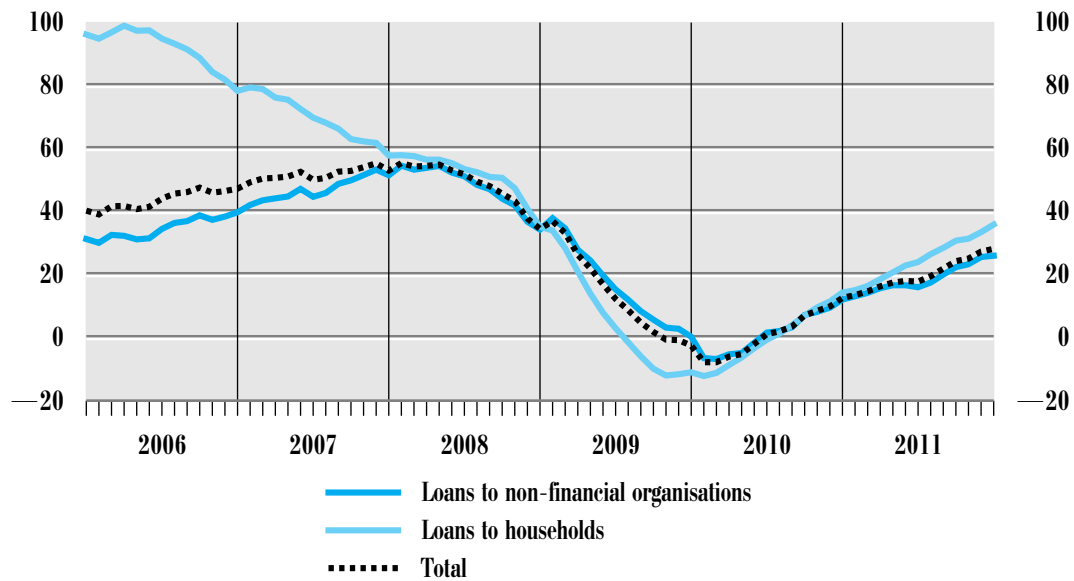
The annual growth rate of broad money decreased in 2011 (from 24.6% as of 1 January 2011 to 21.1% as of 1 January 2012), albeit less intensely than that of monetary aggregate M2. The higher credit activity of banks became the

main factor contributing to broad money growth in 2011. The growth of banking system claims to non-financial organisations and households in 2011 (by 5.3 trillion roubles) was almost two times higher than the same indicator of 2010.

The relatively low lending rates, stable resource base of banks and higher solvency of borrowers (against a background of positive economic trends) helped accelerate the growth of loans issued to non-financial organisations and households. The annual growth rate of the total debt on loans to non-financial organisations and households grew 2.2-fold in 2011 when compared with 2010 (to 28.2%). Moreover, the debt on loans to households grew faster (by 35.9%) than the debt on loans to non-financial organisations (by 26.0%). At the same time, over 70% of the annual growth of total debt on bank loans to the real sector of the economy was still generated by non-financial organisations.

The increase in the net foreign assets of the banking system made its contribution to the growth of the money supply. Over 2011, they grew by 2.2 trillion roubles (by 1.1 trillion roubles in 2010), primarily due to the growth in the Bank of Russia's foreign assets. The growth

**LOANS TO NON-FINANCIAL ORGANISATIONS AND HOUSEHOLDS IN ROUBLES AND FOREIGN CURRENCY (growth as a percentage of corresponding date of previous year)**



*Chart 38*

of net foreign assets of credit institutions increased over the reporting period to 0.8 trillion roubles.

In 2011, the budget factor changed the role it played in the money supply. The net claims of the banking system to general government reduced by 1.1 trillion roubles in 2011 (in 2010, they grew

by 1.9 trillion roubles). A substantial decline in the Bank of Russia's net claims to general government (primarily due to the accumulation of funds in accounts with the Bank of Russia) significantly restrained the dynamics of the money supply during most of the reporting year.

## II.1.2. MONETARY INDICATORS AND MONETARY POLICY INSTRUMENTS

In 2011, narrow money supply was predominantly influenced by the factors that caused the banking sector's transition from liquidity surplus to liquidity shortage. The tightening of monetary conditions for credit institutions led to an increase in their demand for the

Bank of Russia's liquidity providing operations. Under such circumstances, the Bank of Russia took measures to broaden credit institutions' access to refinancing instruments, to maintain the level of the banking sector liquidity and to contain the growth of money market interest rates.

### DYNAMICS AND SOURCES OF BROAD MONETARY BASE

The growth of the broad monetary base<sup>1</sup>, a measure of money supply provided by the monetary authorities, decelerated dramatically in 2011. Over the reporting year, it grew by 5.5% (26.6% in 2010). The money supply growth decelerated as compared with the previous year, mostly because of a substantial liquidity absorption via the budget channel, which in 2011 became the main channel of liquidity withdrawal. Net credit to the extended government fell in 2011 by 1.1 trillion roubles, whereas in 2010 it grew by 1.4 trillion roubles. The favourable external economic situation was conducive to the higher growth of budget revenue as compared with expenditure, which together with larger volumes of government borrowings in the domestic market, caused an accumulation of sizeable cash balances in the extended government accounts with the Bank of Russia. The Russian Ministry of Finance, however, placed temporary idle federal budget funds in deposit accounts with commercial banks, which allowed to partially mitigate the effect of the budget flows on the banking sector liquidity and the money market conditions. The Russian Ministry of Finance balances on deposits with commercial banks increased from 0.2 trillion roubles at the beginning of the year

to 1.1 trillion roubles as of the end of October. From November, as the budget expenditure was rising (which is typical for the end of a year), the volume of these operations went down and as of the end of 2011 the Ministry of Finance balances in deposit accounts stood at 0.6 trillion roubles.

The higher exchange rate flexibility became another significant factor contributing to money supply growth deceleration in the reporting year. In previous years (except certain periods), the main source of monetary base growth was the Bank of Russia foreign exchange interventions aimed at restraining the rouble's appreciation. In 2011, the Bank of Russia step by step widened the operational band that limited the rouble value of the dual-currency basket in order to increase monetary policy efficiency and to switch to an inflation targeting regime. This together with a larger private sector capital outflow (compared to 2010) resulted in the diminished role of the foreign currency channel in banking sector liquidity formation. The volume of funds injected through this channel in 2011 was 3 times lower than a year ago (0.3 trillion roubles as compared with 1 trillion roubles in 2010).

Under such circumstances, the Bank of Russia substantially increased the volume of the refi-

<sup>1</sup> The broad monetary base is comprised of cash in circulation (including balances in credit institutions' tills), required reserve accounts with the Bank of Russia, credit institutions' correspondent accounts in roubles (including the averaged value of the required reserves) and deposit accounts with the Bank of Russia, as well as credit institutions' holdings of Bank of Russia bonds.

**MAIN SOURCES OF MONETARY BASE GROWTH**  
(annual growth, billions of roubles)

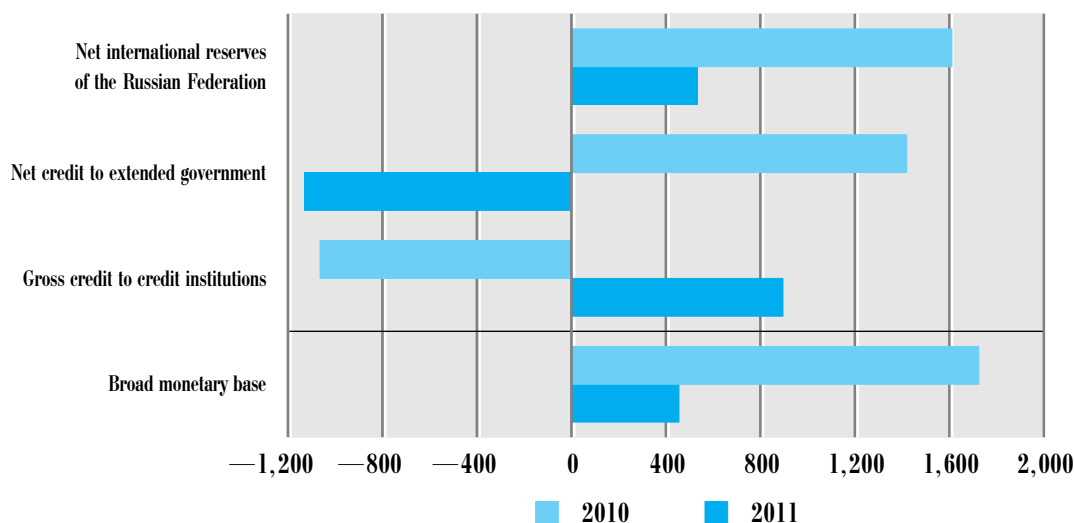


Chart 39

nancing operations. Gross credit to banks, which became the main source of the monetary base growth, increased in 2011 by 0.9 trillion roubles (in 2010, it fell by 1.1 trillion roubles).

The aforementioned factors also determined the intrayear dynamics of the monetary base. In January—August 2011, the Bank of Russia was a net buyer of foreign currency in the domestic market. The net international reserves of the monetary authorities<sup>1</sup> grew by \$32.1 billion or 1.0 trillion roubles during the period under review. However, there was a substantial decline in the net credit to the general government (by 2.2 trillion roubles). As a result, the broad monetary base shrunk by 12.5% over January—August; mostly through the reduction of the outstanding amounts of the Bank of Russia’s liquidity absorbing operations.

Starting from September 2011, as the capital outflow from Russia intensified, the Bank of Russia started to act as a net seller of foreign currency. In September—December 2011, the net international reserves decreased by \$14.7 billion or 0.4 trillion roubles, which led to a further re-

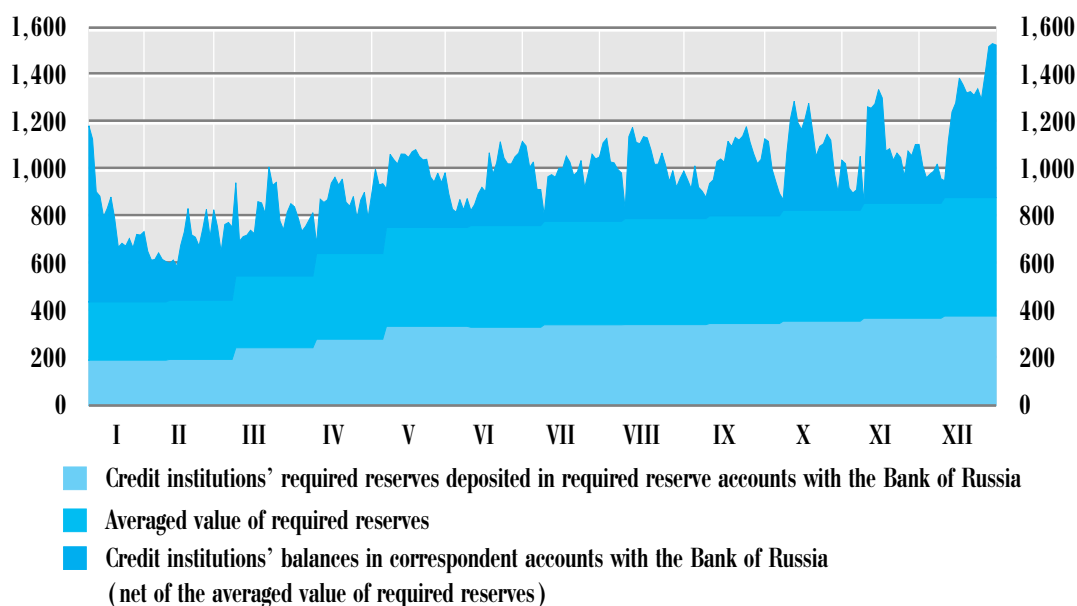
duction in excess banking sector liquidity and higher demand for refinancing operations from credit institutions. In September, the volume of the Russian Ministry of Finance temporarily idle balances on deposits with credit institutions increased by 0.4 trillion roubles, and the volume of gross credit to banks rose by 0.2 trillion roubles. Overall growth in gross credit to banks over September—December stood at 0.9 trillion roubles. A substantial increase in the federal budget expenditure at the end of the year also contributed to the short-term increase in the money supply. The growth of the broad monetary base over the last four months of the year stood at 20.7% (15.8% of it falling upon December), but overall growth in 2011 was much slower than a year ago.

Liquidity absorption via the budget channel (during most of the year) as well as via the foreign exchange channel (starting from September) led to a reduction of the total banking sector reserves<sup>2</sup> by 13.5% in 2011 (in 2010, they rose by 28.7%) and to higher demand for the Bank of Russia’s refinancing instruments.

<sup>1</sup> The net international reserves were calculated based on the official exchange rates of foreign currencies against the rouble and the reference price of gold set by the Bank of Russia as of the end of 2010.

<sup>2</sup> Total banking sector reserves are comprised of cash balances in credit institutions’ tills, required reserve accounts with the Bank of Russia, credit institutions’ correspondent accounts in roubles (including the average value of the required reserves) and deposit accounts with the Bank of Russia, and credit institutions’ holdings of Bank of Russia bonds.

**CREDIT INSTITUTIONS' REQUIRED RESERVES AND BALANCES  
IN CORRESPONDENT ACCOUNTS WITH THE BANK OF RUSSIA IN 2011**  
(billions of roubles)



The share of credit institutions' correspondent and required reserve account balances in total reserves increased in 2011 from 37.8% to 50.3%, while the proportion of balances in their deposit accounts with the Bank of Russia and holdings of Bank of Russia bonds (OBRs) decreased from 39.1% to 14.4%.

As the required reserve ratios were raised in the first half of 2011, and the reservable liabili-

ties of credit institutions increased over the year, the required reserves averaged by credit institutions in correspondent accounts (sub-accounts) and deposited in required reserve accounts with the Bank of Russia more than doubled. The average daily balances of the credit institutions' correspondent accounts with the Bank of Russia went up by 25.7% in the reporting year, as compared to 2010.

### USE OF MONETARY POLICY INSTRUMENTS

In 2011, the credit institutions' demand for the monetary policy instruments of the Bank of Russia was determined by the banking sector liquidity conditions. As a result of a substantial increase in the banking sector's debt on refinancing operations, coupled with a decline in the volume of liquidity absorbing operations, the Bank of Russia's net credit to the banking sector turned positive from the second half of October.

**BANK OF RUSSIA LIQUIDITY ABSORBING OPERATIONS.** Given the high level of banking sector li-

quidity built up in 2010, Bank of Russia liquidity absorbing operations prevailed in the first half of 2011. The main instruments used were deposit operations and operations with OBRs. The data on the volume of Bank of Russia liquidity providing and absorbing operations and on the changes in the respective debt are presented in Table 44, Section IV.3 'Statistical Tables'.

Deposit operations were performed at fixed interest rates under standard terms: overnight, tom-next, spot-next, call, 1 week, spot-week, as well as at interest rates defined by auctions for 1-month deposits. Transactions at fixed rates



were performed using Reuters-Dealing and ETS MICEX systems, while the Bank of Russia performed auctions using both of the systems mentioned above and by drawing up contract applications (via the territorial departments of the Bank of Russia). With the banking sector liquidity conditions changing, the outstanding amount of the Bank of Russia's deposit operations decreased by more than 0.2 trillion roubles though the volume of these operations doubled in 2011 as compared to 2010.

Given the money market conditions and the forecast of the factors affecting banking sector liquidity in 2011, the Bank of Russia was gradually scaling down the use of OBR operations, reducing their issuance. In September, the Bank of Russia suspended the placement of OBR issue maturing on 16 December 2011 and took no further decisions to place new issues. The OBRs' outstanding amount declined from 0.6 trillion roubles at the beginning of the year to zero as of October 2011.

In 2011, the Bank of Russia also performed outright sales of government securities from its portfolio; the volume of these transactions totalled 8.0 billion roubles.

**BANK OF RUSSIA LIQUIDITY PROVIDING OPERATIONS.** Starting from September 2011, the volume of refinancing operations increased substantially. While in January—August the average daily claims on credit institutions on the refinancing operations totalled 2 billion roubles, in September—December they reached 263.5 billion roubles.

Liquidity was mostly provided at auctions and primarily through repo transactions, whereas the demand for standing facilities was occasional. During this period the credit institutions' demand shifted towards longer-term liquidity providing operations.

In 2011, the Bank of Russia introduced a new refinancing facility — loans secured with gold, through which credit institutions could get intraday, overnight and fixed-rate loans.

In order to manage the money market rates, the Bank of Russia set limits for the amount of

liquidity provided through 1-day and 7-day repo auctions. The parameters of these operations were determined by comparing the banking sector's demand for reserves with the supply which was estimated using the forecast of the factors affecting banking sector liquidity<sup>1</sup> (including the balance of the Bank of Russia's liquidity providing and absorbing operations, performed in the previous days and settled on the current date).

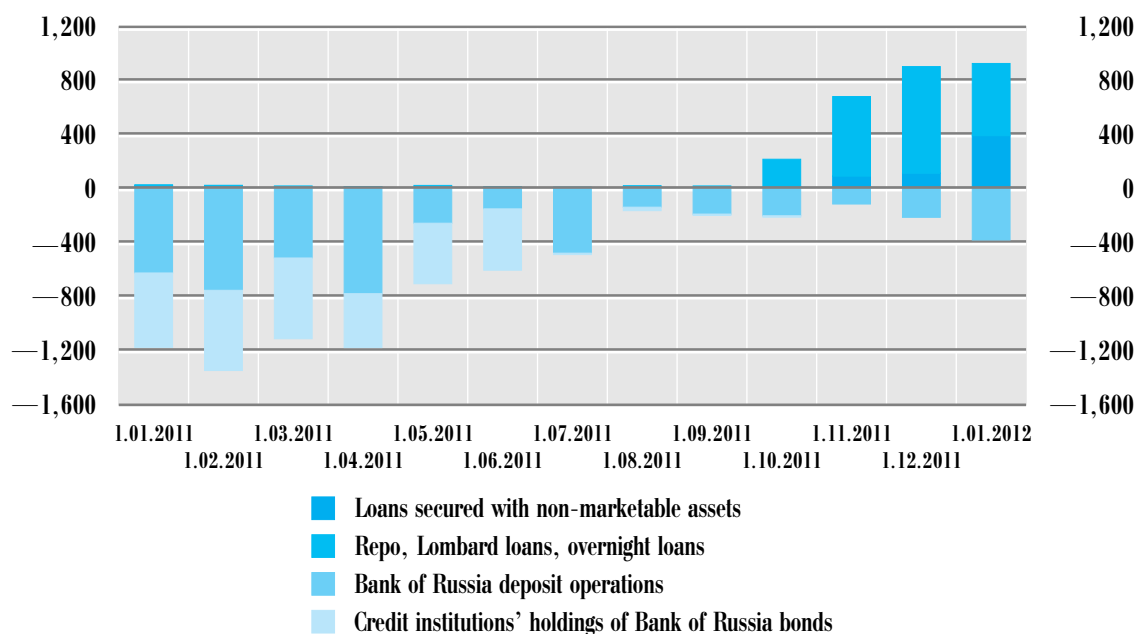
In the first half of 2011, given the stable situation in the money market, the Bank of Russia almost completed the unwinding of its anti-crisis measures and reverted to conventional monetary operations. Specifically, it decided to suspend certain operations introduced during the crisis, as well as the conclusion of master agreements with credit institutions on the provision of Bank of Russia's unsecured loans. It decided to return to pre-crisis methods of forming the Lombard List of the Bank of Russia, to reduce the operations' maturities and to tighten the approaches used in calculating the collateral value for the Bank of Russia's operations.

Along with that, taking into account the growing demand of credit institutions for refinancing operations in the fourth quarter of 2011, some measures were taken to give banks broader access to refinancing facilities and to maintain banking sector liquidity:

- Minimum rating requirements for an issuer (issue) of securities for their inclusion in the Lombard List of the Bank of Russia were reduced; as well as the minimum rating requirements for institutions which are applied when forming the Bank of Russia List of Guarantor Entities;
- The adjustment ratio which is applied in order to correct the value of federal bonds (OFZs) that are taken as collateral on Bank of Russia loans was increased from 0.98 to 1;
- The initial haircut for the Bank of Russia's repo of OFZs and OBRs (for a repo maturity of up to six calendar days) was reduced from 1.25% to zero;
- The provision of loans secured with the credit institutions' guarantees was resumed;

<sup>1</sup> Factors affecting banking sector liquidity include the change in the amount of cash in circulation (outside the Bank of Russia), balances of the extended government accounts with the Bank of Russia, and other factors.

**BANK OF RUSSIA MAIN LIQUIDITY PROVIDING AND ABSORBING OPERATIONS**  
(billions of roubles)



- The tenor of loans secured with gold was extended from 90 to 180 days;
- The provision of Bank of Russia loans secured with non-marketable assets and credit institutions' guarantees with maturities of 91—180 days was resumed. The adjustment ratios applied for the calculation of the value of non-market assets accepted as collateral on Bank

of Russia loans were increased from 0.2—0.5 to 0.5—0.8;

- A decision was taken to launch repo transactions against a basket of securities on the St Petersburg Currency Exchange.

The aforementioned measures substantially increased the Bank of Russia's refinancing capacity.

## II.1.3. EXCHANGE RATE POLICY

*In* 2011, the exchange rate policy of the Bank of Russia was aimed at smoothing rouble exchange rate fluctuations and was implemented under the managed floating exchange rate regime. The Bank of Russia continued to use the rouble value of the dual-currency basket (0.55 US dollars and 0.45 euros) as an operational indicator. The range of its fluctuations was determined by the floating operational band.

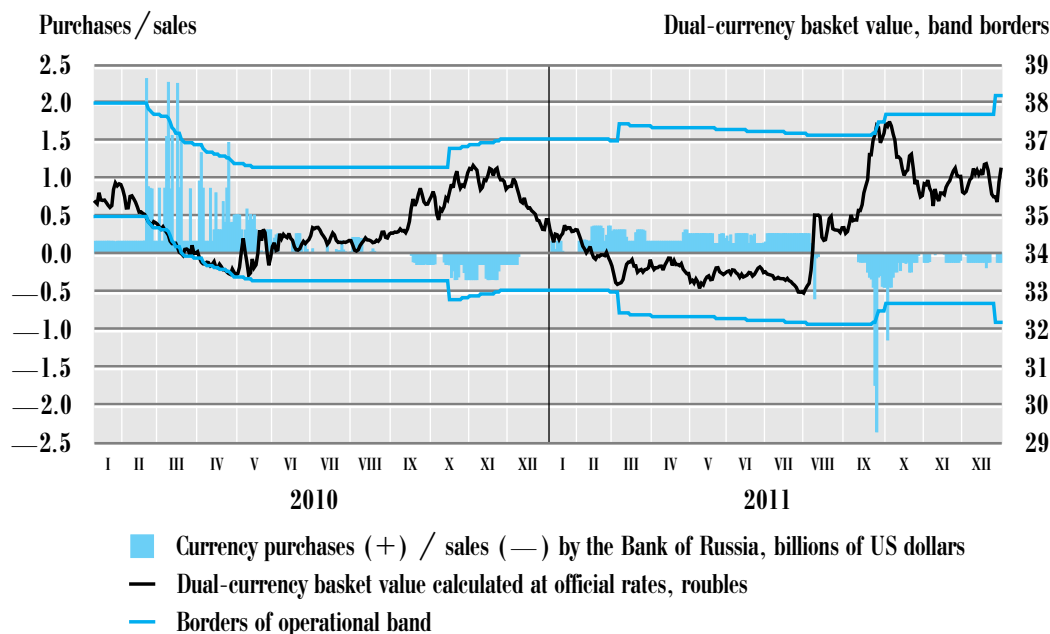
The exchange rate policy mechanism, which remained unchanged in 2011, permitted foreign exchange interventions both within the operational band and at its borders. The operational band included a 'neutral' range where no interventions were performed. When the dual-currency basket value went beyond the 'neutral' range, the Bank of Russia started buying or selling foreign currency. The operational band's borders were adjusted automatically as soon as the cumulative volume of foreign exchange interventions reached a certain amount. In order to neutralise the systematic imbalance between de-

mand and supply in the domestic foreign exchange market, only the excess of the total volume of transactions over a certain amount (target interventions) was taken into account when calculating the above-mentioned cumulative volume.

In 2011, in order to create conditions that would contribute to higher interest rate policy efficiency, the Bank of Russia continued to take measures aimed at increasing the flexibility of the rouble's exchange rate. The floating operational band was expanded twice in 2011: from 4 to 5 roubles on 1 March and to 6 roubles on 27 December. Additionally, the cumulative volume of interventions triggering a 5 kopeck shift in the operational band was reduced from \$650 million to \$600 million on 1 March, and to \$500 million on 27 December.

The rouble exchange rate dynamics in 2011 was influenced by opposing factors. The current account surplus remained fairly high during the entire year (against the background of the favourable situation in the global commodity markets). This created fundamental conditions for the

**BANK OF RUSSIA INTERVENTIONS IN DOMESTIC FOREIGN EXCHANGE MARKET  
AND DUAL-CURRENCY BASKET VALUE**



*Chart 42*

rouble's appreciation, which, however, was restrained by capital outflow. Changes in the direction and volume of capital flows became key factors determining the intrayear dynamics of the exchange rate.

In January—July 2011, the capital outflow was moderate and only partially compensated for the inflow of funds from external trade operations, which resulted in excess foreign currency supply in the domestic market and the rouble's appreciation. However, in August the situation changed. Lower risk appetite among investors due to growing concerns over the state of public finances in the developed economies, particularly in some eurozone countries, along with the signs of global economic recovery slowdown resulted in the intensified capital outflow from Russia and the depreciation of the national currency in August—September (similar developments were observed in most emerging markets). In October, global market conditions stabilised to some ex-

tent, and the rouble's exchange rate experienced a partial correction. Until the end of 2011, there were no apparent trends in the dynamics of the rouble's exchange rate. As of 31 December 2011, the value of the dual-currency basket stood at 36.46 roubles, 4.4% higher than at the end of 2010.

As the foreign currency supply exceeded demand in the domestic foreign exchange market in January—July 2011, the Bank of Russia purchased foreign currency. In August, the balance of sales and purchases was practically zero. From September until the year-end, the Bank of Russia conducted only foreign currency sales. The Bank of Russia's net foreign currency purchases in the domestic market amounted to \$12.4 billion<sup>1</sup> in US dollar terms in 2011 (\$34.1 billion in 2010). The gross volume of purchases over 2011 stood at \$29.3 billion (\$45.9 billion in 2010), and the gross volume of sales totalled \$16.9 billion (\$11.8 billion in 2010)<sup>2</sup>.

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<sup>1</sup> The transactions in 2011 were accounted for by the transaction date.

<sup>2</sup> The data on the volume of foreign exchange interventions conducted by the Bank of Russia in 2011 are presented in Table 35 of Section IV.3 'Statistical Tables'.

## II.2. RESERVES MANAGEMENT<sup>1</sup>

The Bank of Russia's reserves consist of foreign exchange reserve assets and gold reserves. The foreign exchange reserve assets are claims on foreign counterparties and the securities of foreign issuers<sup>2</sup>, denominated in US dollars, euros, pounds sterling, yen, Swiss francs, Canadian dollars, Australian dollars<sup>3</sup>, and special drawing rights (SDR) (hereinafter — reserve currencies).

The objective of reserves management is to ensure an optimal trade-off between safety, liquidity and return.

While managing foreign exchange reserve assets the Bank of Russia takes into account other assets, denominated in reserve currencies but not belonging to the reserve category<sup>4</sup> (non-reserve assets), as well as the foreign currency liabilities<sup>5</sup>. Reserve and non-reserve foreign exchange assets are grouped in single-currency portfolios, depending on the currency denomination. The gold assets of the Bank of Russia are managed separately.

In 2011, the safety of the Bank of Russia's foreign exchange reserve assets was assured by

using an integrated risk management framework, which assumes investing in high quality financial instruments, limited exposure on the Bank of Russia's counterparties, their high credit quality, and legal agreements governing transactions with foreign counterparties that protect the Bank of Russia's interests.

An optimal trade-off between liquidity and return was achieved by combining the short-term instruments (deposits, repo transactions, short-term securities) and the long-term securities of foreign issuers. Investment decisions were based on the current conditions in the global foreign exchange and financial markets and their forecasts.

Over 2011, the foreign exchange reserve assets of the Bank of Russia grew by \$10.6 billion. The main growth drivers during that period were Bank of Russia operations in the domestic foreign exchange market (purchases of foreign currency) and investment income (capital gain on securities and interest income). In early 2011, the Russian Federation's net position with the

<sup>1</sup> All the distributions and indicators provided in this section are based on managerial accounting.

<sup>2</sup> Excluding foreign issuers' securities denominated in the reserve currencies obtained through reverse repo transactions.

<sup>3</sup> In 2011, the foreign exchange reserve assets of the Bank of Russia did not contain any instruments that were denominated in Australian dollars.

<sup>4</sup> Mostly Eurobonds issued by the Russian Federation.

<sup>5</sup> Balances in customers' accounts, including accounts of the Federal Treasury with the Bank of Russia.



**FACTORS BEHIND CHANGES IN BANK OF RUSSIA FOREIGN EXCHANGE RESERVE ASSETS  
IN 2011 (billions of US dollars)**

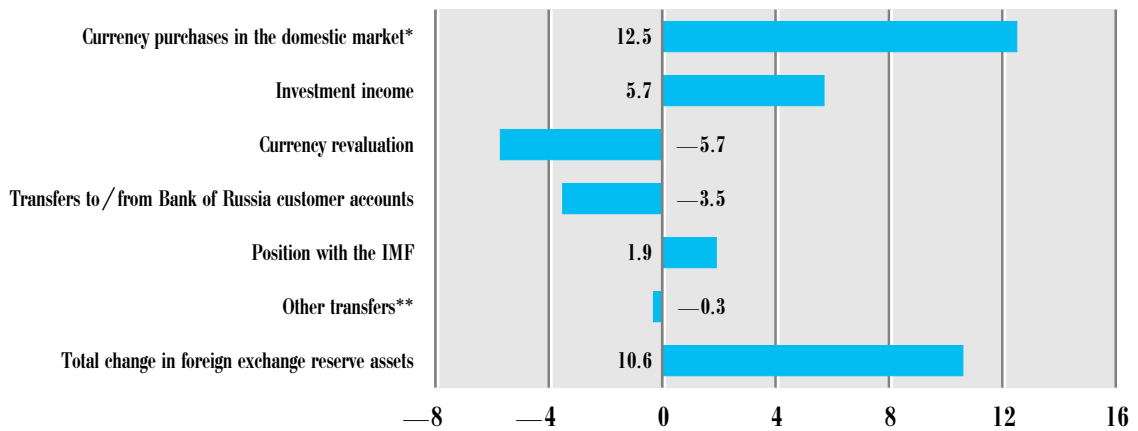


Chart 43

\* The figure includes transactions settled over the reporting period; the amounts in currencies other than the US dollar were converted in the US dollars at the exchange rate, as of the settlement date.

\*\* 'Other transfers' include operations with Eurobonds, precious metals, and other operations.

IMF became part of the foreign exchange reserve assets<sup>1</sup> and thus contributed to their growth. Meanwhile, the appreciation of the US dollar against other reserve currencies and transfers from the customers' accounts had a negative impact on the amount of the foreign exchange reserve assets during the reporting period.

### RISK MANAGEMENT FOR BANK OF RUSSIA FOREIGN EXCHANGE RESERVE ASSETS

The integral part of the reserve asset management is risk taking. The main risks for the Bank of Russia are foreign exchange, credit and interest rate risks. The risk management of foreign exchange reserve assets includes the identification of risks, risk assessment, setting risk limits, monitoring and control.

Since the US dollar is the base currency for the calculation of the total amount and composition of the Bank of Russia's foreign exchange assets and liabilities, **the foreign exchange risk** is the probability of a decrease in the value of foreign exchange assets resulting from changes in foreign currencies' exchange rates against the US dollar. The exposure to foreign exchange risk is

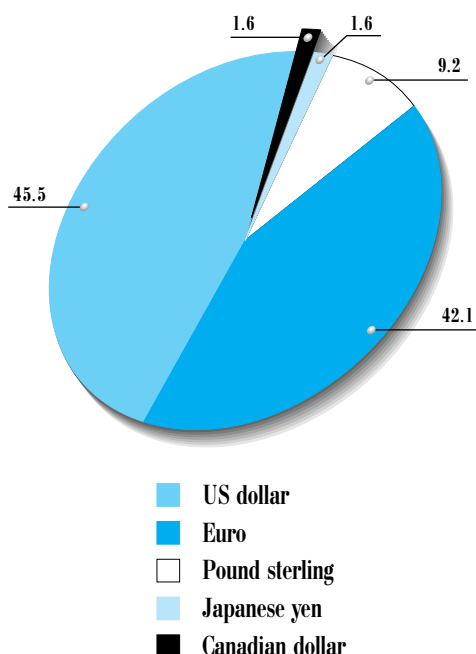
equal to net foreign exchange assets, which is a sum of the foreign exchange reserve and non-reserve assets of the Bank of Russia, net of its liabilities in reserve foreign currencies. The Bank of Russia limits the level of foreign exchange risk by setting a benchmark currency structure of net foreign exchange assets with target shares of reserve currencies and the limits of their deviations. In December 2011, the share of the Canadian dollar in the benchmark currency structure was increased against a reduction in the shares of the euro and US dollar.

As of 1 January 2012, 45.5% of the foreign exchange reserve assets of the Bank of Russia were denominated in US dollars (45.2% as of 1 January 2011), 42.1% — in euros (43.1%), 9.2% — in pounds sterling (9.3%), 1.6% — in yen (1.6%) and 1.6% — in Canadian dollars (0.8%). As in 2010, the reserve assets in Swiss francs remained negligible.

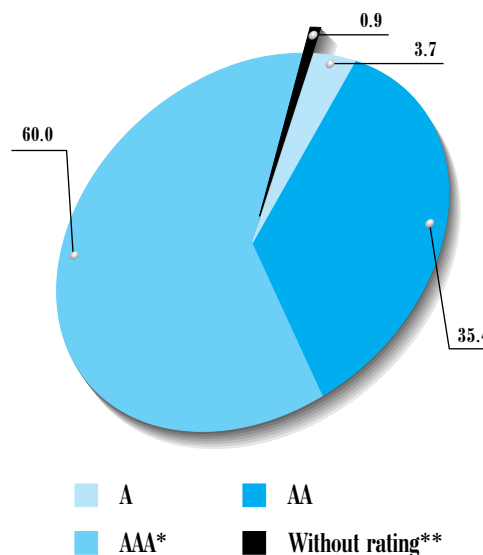
To manage **credit risk** during the reporting period the Bank of Russia limited exposure on counterparties and set requirements for the credit quality of issuers and securities included in Bank of Russia foreign exchange reserve assets. The minimum required long-term credit rating of the

<sup>1</sup> According to the agreement between Russia's Ministry of Finance and the Bank of Russia dated 18 January 2011, the Ministry of Finance transferred its IMF claims and liabilities denominated in roubles and SDR to the Bank of Russia for consideration.

**BANK OF RUSSIA  
FOREIGN EXCHANGE RESERVE ASSETS  
BY RESERVE CURRENCY\*  
AS OF 1 JANUARY 2012\*\*  
(as a percentage of their market value)**



**BANK OF RUSSIA  
FOREIGN EXCHANGE RESERVE ASSETS  
BY CREDIT RATING AS OF 1 JANUARY 2012  
(percentage)**



Charts 44, 45

\* The Russian Federation's position with the IMF in SDR is considered here as a basket of currencies in the proportions defined by the IMF (0.66 US dollars; 0.423 euros; 0.111 pounds sterling; 12.1 Japanese yen).  
\*\* The distribution of Bank of Russia foreign exchange reserve assets by reserve currency does not include foreign exchange transactions not settled as of 1 January 2012.

\* The Bank for International Settlements is considered to have an 'AAA' credit rating.  
\*\* Assets without rating are mostly the Russian Federation's position with the IMF.

Bank of Russia's counterparties<sup>1</sup> was 'A' by Fitch Ratings and Standard & Poor's, and 'A2' by Moody's. The minimum rating of securities and other debt instruments, or the long-term credit rating of the issuer (if a security or other debt instrument has no rating) was 'AA-' by Fitch Ratings and Standard & Poor's, and 'Aa3' — by Moody's.

As of 1 January 2012, 'AAA' rated assets accounted for 60.0% of all foreign exchange reserve assets of the Bank of Russia, followed by 'AA'

rated assets (35.4%), 'A' rated assets (3.7%)<sup>2</sup> and assets without any rating (0.9%). A reduction in the share of 'AAA' rated assets in 2011 (92.7% as of 1 January 2011) and a growth in the share of 'AA' rated assets (3.8% as of 1 January 2011) resulted from a cut of the USA's long-term credit rating by Standard & Poor's from 'AAA' to 'AA+' on 5 August 2011.

**Interest rate risk** is the probability of a decrease in the value of foreign exchange assets due to the unfavourable change of interest rates (and, correspondingly, the prices of financial assets). Target distribution of the assets in each of the single currency portfolios is reflected in the fixed income benchmarks which are used for assessing the interest rate risk and the rate of return.

<sup>1</sup> The long-term credit ratings of corresponding countries were used as the credit ratings of counterparties that are central banks without any assigned credit ratings.

<sup>2</sup> The distribution of the Bank of Russia's foreign exchange reserve assets by credit risk is based on the long-term credit ratings by Fitch Ratings, Standard & Poor's and Moody's of foreign counterparties and foreign issuers' securities. The ratings are used in the main rating categories, 'AAA', 'AA' and 'A' without further specification. If the ratings of a counterparty or an issuer by the above-mentioned rating agencies differed, the lowest rating was applied.

**BANK OF RUSSIA  
FOREIGN EXCHANGE RESERVE ASSETS  
BY INSTRUMENT  
AS OF 1 JANUARY 2012 (percentage)**

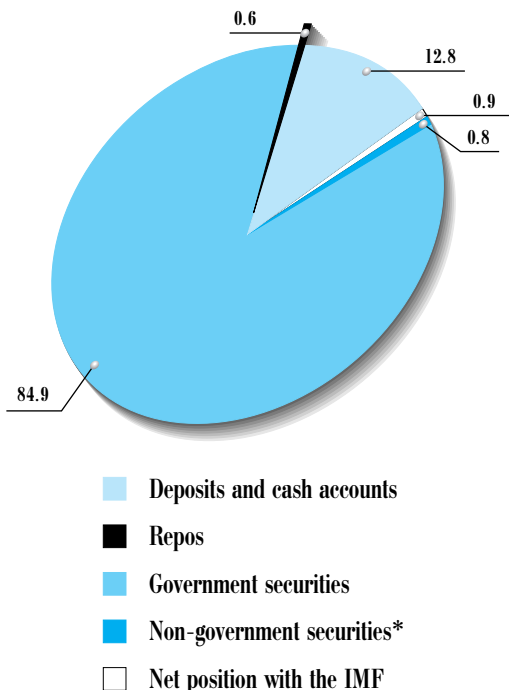


Chart 46

\* Non-government debt securities guaranteed by the government have been categorised as government securities.

The level of interest rate risk for the actual and benchmark portfolios was measured by duration<sup>1</sup>. The interest rate risk exposure was limited by setting the minimum and maximum durations allowed in each of the single currency portfolios.

The rate of return on the Bank of Russia's foreign exchange assets<sup>2</sup> was calculated as total

(realised and unrealised) return on investment in percentage p.a. in each of the reserve currencies. Cumulative rates of return<sup>3</sup> on the Bank of Russia's foreign exchange assets over 2011 are given in Chapter IV 'Addenda', Section IV.3 'Statistical Tables'.

As of 1 January 2012, the Bank of Russia's foreign exchange reserve assets were invested in the following instruments: government securities of foreign issuers (84.9%); non-government securities of foreign issuers (0.8%); deposits and cash balances in foreign banks (12.8%); repo deals with Bank of Russia's foreign counterparties (0.6%) and net position with the IMF (0.9%).

Foreign issuers' securities comprised mostly US treasuries, the government bonds and bills of France, Germany, the UK, Japan, Canada, Netherlands, Finland, Denmark, Sweden and Austria, non-government bonds guaranteed by the aforementioned governments, the bonds of supranational financial institutions, and the covered bonds of German credit institutions.

As of 1 January 2012, the United States accounted for 34.2% of the Bank of Russia's foreign exchange reserve assets<sup>4</sup>, followed by France (26.7%), Germany (19.7%), and the United Kingdom (9.3%); other countries accounted for 10.1%.

In 2011, the Bank of Russia's gold reserves grew by 93.7 tons and amounted to 944.1 tons as of 1 January 2012. Moreover, the volume of monetary gold increased in 2011 by 99.5 tons, reflecting the purchase of 81.3 tons of gold in the domestic market, and totalled 866.0 tons as of 1 January 2012.

<sup>1</sup> Duration is a measure of relative sensitivity of value of an instrument or a class of instruments to changes in the corresponding interest rates by 1 percentage point.

<sup>2</sup> Percentage change in value of single-currency portfolio over one business day. The daily rate of return is calculated using the following formula:

$$R = (MV_1 - MV_0 \pm CF) / MV_0, \text{ where}$$

$R$  is the daily rate of return;

$MV_0$  is the market value of the portfolio as of the end of the previous day;

$MV_1$  is the market value of the portfolio as of the end of the current day;

$CF$  is the cash flows (money transfers) into or out of the portfolio during the day.

<sup>3</sup> Cumulative rate of return is calculated using the chain index method.

Over the period it is calculated using the following formula:

$$R = (1 + R_1) * (1 + R_2) * \dots * (1 + R_n) - 1, \text{ where}$$

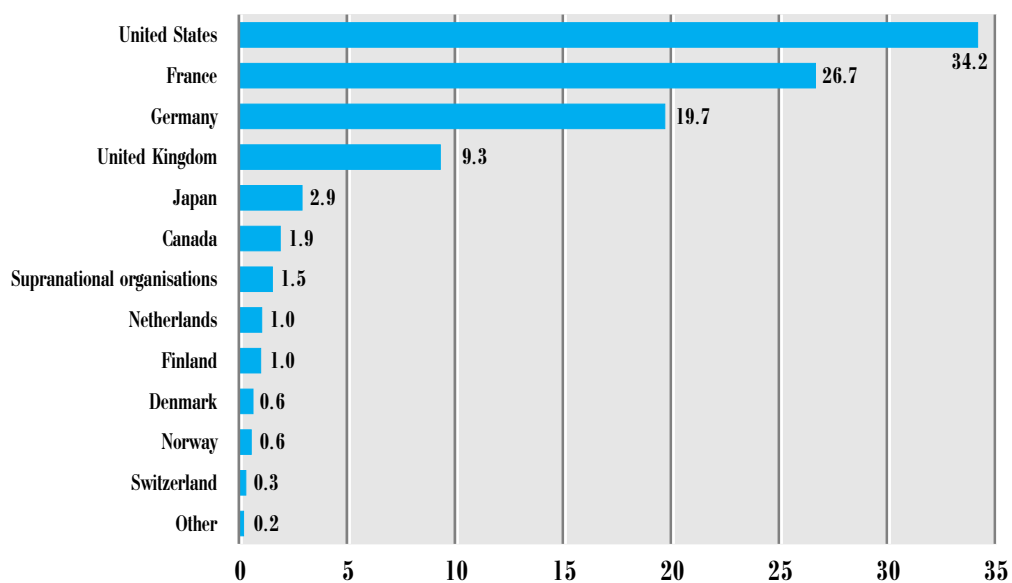
$R_i$  is the rate of return in day  $i$ .

<sup>4</sup> The distribution is based on the country of domicile of Bank of Russia counterparties and issuers of securities included in the foreign exchange reserve assets of the Bank of Russia.





**BANK OF RUSSIA FOREIGN EXCHANGE RESERVE ASSETS BY COUNTRY  
AS OF 1 JANUARY 2012 (percentage)**



*Chart 47*

## II.3. BANKING REGULATION AND SUPERVISION

### II.3.1. REGISTRATION AND LICENSING OF BANKING ACTIVITIES

*In* 2011, the banking sector continued to consolidate. The number of operating credit institutions that had banking licences shrunk (including the reorganisation procedures) by 34 or 3.4% and totalled 978 as of 1 January 2012. Moreover, the total number of registered credit institutions declined by 3% to 1,112 as of 1 January 2012. After merging with 18 banks, 18 credit institutions (including 17 banks) closed their businesses (in 2010, there were 19 banks).

In 2011, three newly established credit institutions were registered (two were registered in 2010), and 18 credit institutions or 1.8% of the total number of operating credit institutions (in 2010 — 32 or 3.2%) expanded their businesses by obtaining licences (with two banks having obtained several types of licences), of which:

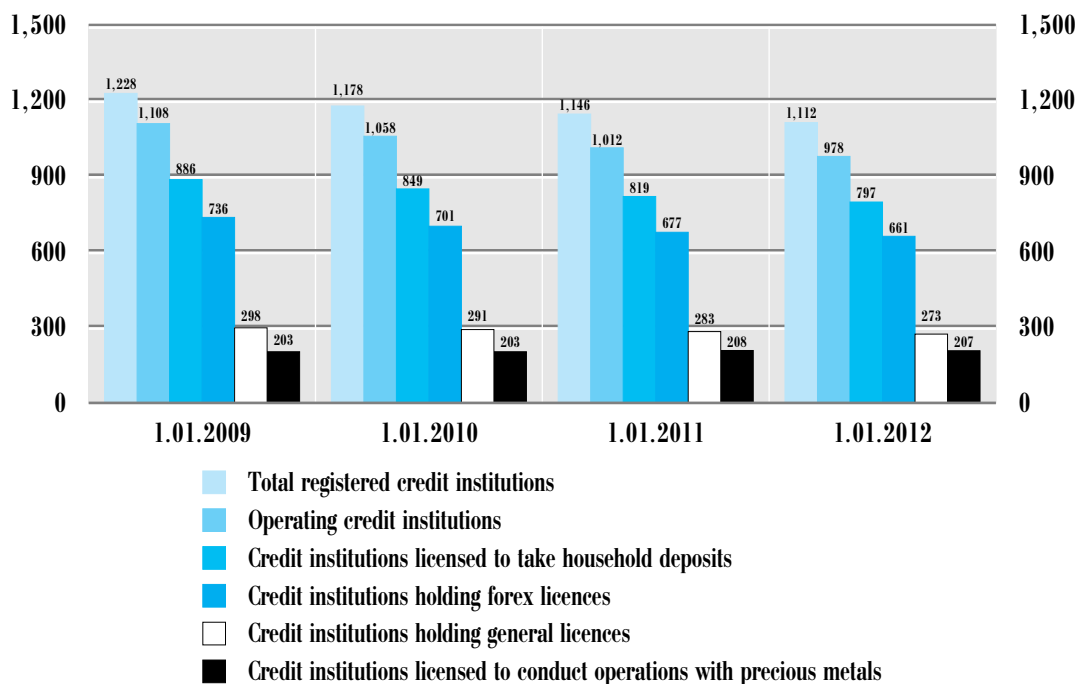
- Four banks were issued general licences to perform banking operations, including one which was licensed after its reorganisation in the form of acquisition that simultaneously obtained a licence to take on deposit and place precious metals;
- Six banks were licensed to take on deposit and place precious metals, including one which was licensed after a reorganisation in the form of acquisition that simultaneously obtained a general licence for banking operations, and one bank that simultaneously obtained a li-

cence to take household deposits in roubles and foreign currencies;

- Three banks which were participants in the deposit insurance system that had had licences to perform rouble banking operations (without the right to take deposits from individuals) and take household deposits in roubles, were licensed to perform the corresponding operations in foreign currencies;
- Five banks were licensed to take household deposits in roubles and foreign currencies, including one bank that simultaneously obtained a licence to take on deposit and place precious metals;
- One bank was licensed to conduct banking operations in roubles and foreign currencies (without the right to take household deposits);
- One non-bank credit institution was licensed to perform a broader range of banking transactions in roubles and foreign currencies than envisaged by the previous licence.

In 2011, the Bank of Russia rejected the requests of nine credit institutions to expand their activity (in 2010 — of three credit institutions) because of non-compliance with Federal Law No. 177-FZ, dated 23 December 2003, 'On Insurance of Household Deposits in Russian Banks' (hereinafter, Federal Law No. 177-FZ), and Bank of Russia regulations. In addition, one non-

**NUMBER OF REGISTERED OPERATING CREDIT INSTITUTIONS,  
AND BANKING LICENCES GRANTED TO THEM**



bank credit institution was refused its request for the status of a bank and a licence to conduct banking operations in roubles and foreign currencies (without the right to take household deposits) for non-compliance with the requirements of Bank of Russia regulations.

In 2011, four credit institutions changed their form of incorporation from that of a limited liability company to that of a joint-stock company.

As of 1 January 2012, 797 out of 978 operating credit institutions (81.5%) were licensed to take household deposits and 661 (67.6%) were licensed to perform banking operations in roubles and foreign currencies, while 273 banks (27.9%) had a general banking licence and 207 (21.2%) had a licence to take on deposit and place precious metals.

In 2011, most banks with equity capital of less than 180 million roubles brought this figure in line with the regulatory requirements. Out of 185 banks that, as of 1 January 2011, faced the task of increasing their equity capital to 180 million roubles, 169 have succeeded in doing this; the total amount of recapitalisation was 16.7 billion roubles. Ten banks closed their businesses (three due to their acquisition by other banks and

seven due to the revocation of their licences to perform banking operations). As of 1 January 2012, six banks failed to increase the amount of their equity capital to 180 million roubles; four of them having decided on changing their status for that of non-bank credit institution, and two were at different stages of their authorised capital increase.

Federal Law No. 391-FZ, dated 3 December 2011, 'On Amending the Federal Law 'On Banks and Banking Activities'' sets new benchmarks; namely, it provides for an increase of the authorised capital minimum for newly established banks (from 1 January 2012) and equity capital of operating banks (from 1 January 2015) to 300 million roubles.

As of 1 January 2012, 304 banks had equity capital levels of less than 300 million roubles. For the recapitalisation of so many banks, about 25 billion roubles (or over 38%) of the actual amount of the equity capital of the banks was required.

In 2011, the share of credit institutions with authorised capital levels of more than 300 million roubles in the total number of credit institutions increased from 35.2% (356 credit institu-

### OPERATING CREDIT INSTITUTIONS BY AUTHORISED CAPITAL (share of total operating credit institutions, percent)

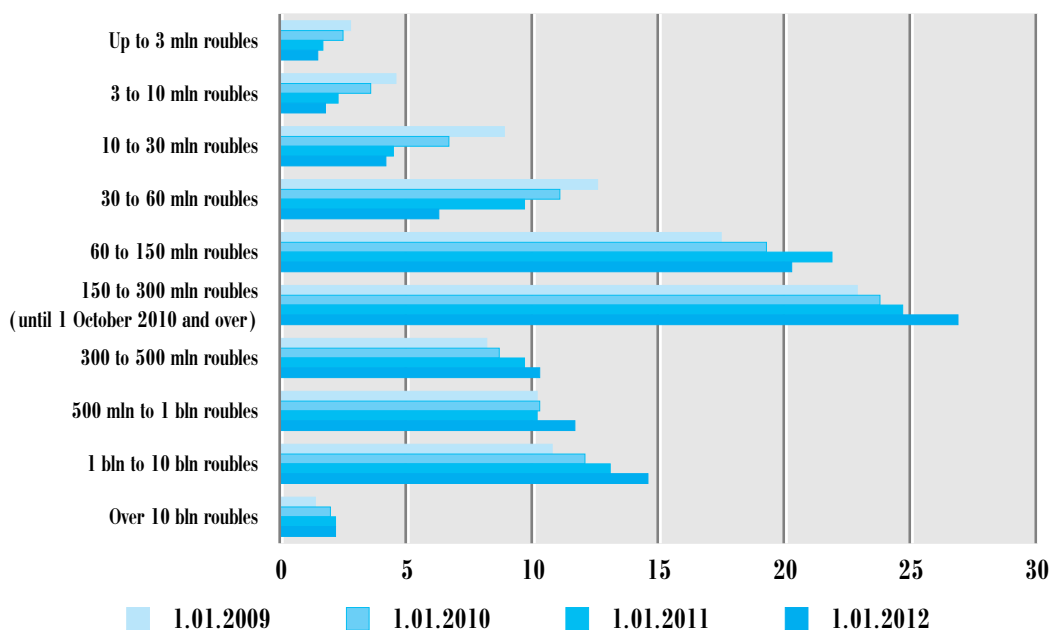


Chart 49

### REGISTERED AUTHORISED CAPITAL OF OPERATING CREDIT INSTITUTIONS (billions of roubles)

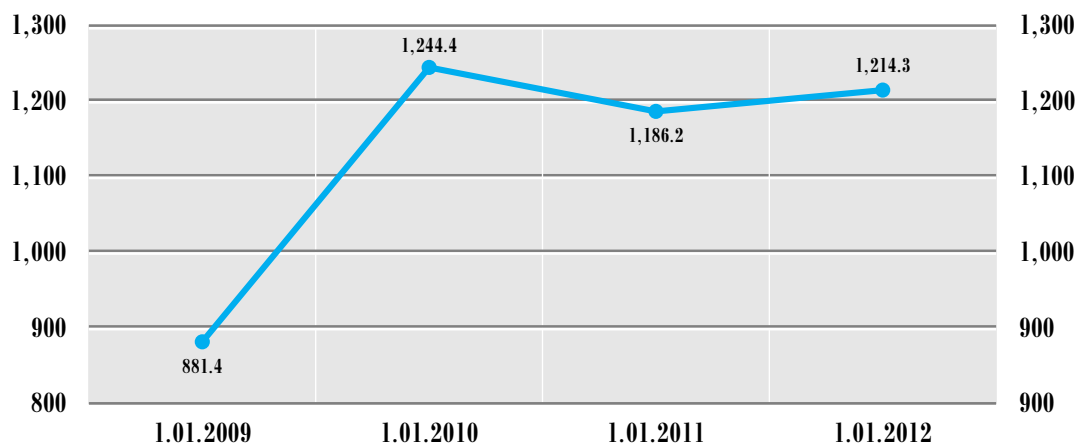


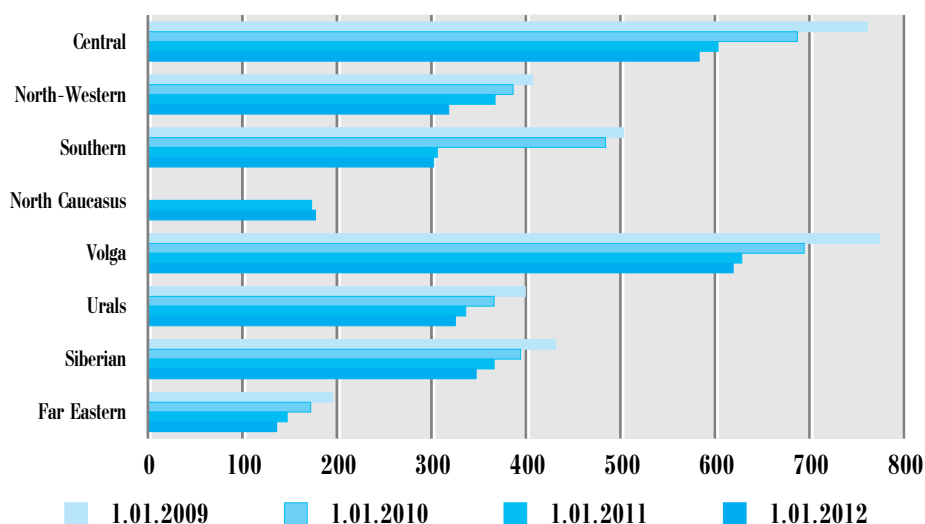
Chart 50

tions) as of 1 January 2011 to 38.9% (380 credit institutions) as of 1 January 2012. As of 1 January 2012, the number of credit institutions with authorised capital levels ranging between 60 and 300 million roubles was 462, or 47.2% of the total number of operating credit institutions.

The total amount of registered authorised capital of operating credit institutions was 1,214.3 billion roubles as of 1 January 2012, 2.4% higher than the same indicator a year earlier.

Investment by non-residents in the authorised capital of operating credit institutions in 2011 grew insignificantly, by 0.9% to 336.4 billion roubles as of 1 January 2012 (in 2010, it grew by 9.2% to 333.3 billion roubles as of 1 January 2011). Thus, the growth in the total registered authorised capital of operating credit institutions in 2011 outpaced that of the non-residents' investment. As a result, the stake of non-residents in the total registered authorised capi-

**NUMBER OF BRANCHES OF OPERATING CREDIT INSTITUTIONS  
(by federal district)**



*Chart 51*

tal of Russian credit institutions fell to 27.7% as of 1 January 2012 from 28.1% as of 1 January 2011.

The total number of operating credit institutions with a foreign interest increased over 2011 from 220 to 230, and the number of credit institutions where a foreign majority interest exceeded 50% grew from 111 to 113.

The total stake of non-residents in the authorised capital of operating credit institutions as of 1 January 2012 (excluding non-residents under the material influence of Russian Federation residents) was 291.4 billion roubles (292.1 billion roubles as of 1 January 2011). Net of the share of non-residents under the material influence of Russian residents, the non-residents' stake in the total registered authorised capital of credit institutions stood at 24.0% as of 1 January 2012 (as against 24.6% as of 1 January 2011).

Credit institutions with foreign investments are located in 37 constituent territories of the Russian Federation; 148 of them, or 64.3% of the total, are in Moscow and the Moscow Region and 12 are in St Petersburg.

As a result of the ongoing work of operating credit institutions to optimise regional networks, the number of operating credit institutions' branches declined by 119 or 4.1% (including 50 Sberbank branches) and totalled 2,807 as of

1 January 2012 (including 524 Sberbank branches). The process was the most active in the North-Western, Far Eastern and Siberian Federal Districts, where the number of branches shrunk by 13.4%, 7.5% and 5.2%, respectively. In other federal districts the figure ranged from 1.4% in the Volga Federal District to 3.3% in the Central Federal District.

The decline in the number of branches was due to their transformation into internal divisions that can operate promptly, are easy to set up and close, and require minimum administrative costs. The total number of internal divisions of credit institutions rose over the reporting period by 2,179 or 5.7% to 40,610 as of 1 January 2012 (in 2010, the number rose by 884 or 2.4% to 38,431 as of 1 January 2011). The number of operations offices grew over the reporting year by 79% to 5,360 (in 2010, it grew by 42% to 2,994). The growth is due to the fact that such structural divisions are universal in terms of banking operations, and can be located within the federal district where the credit institution is registered.

The growth in the number of credit and cash offices (by 24.2% year on year to 1,725 as of 1 January 2012) was due to the demand for credit among small businesses and households. The number of additional offices rose in 2011 by 2.6% and as of 1 January 2012 stood at 22,565. The

## NUMBER OF INTERNAL DIVISIONS OF OPERATING CREDIT INSTITUTIONS

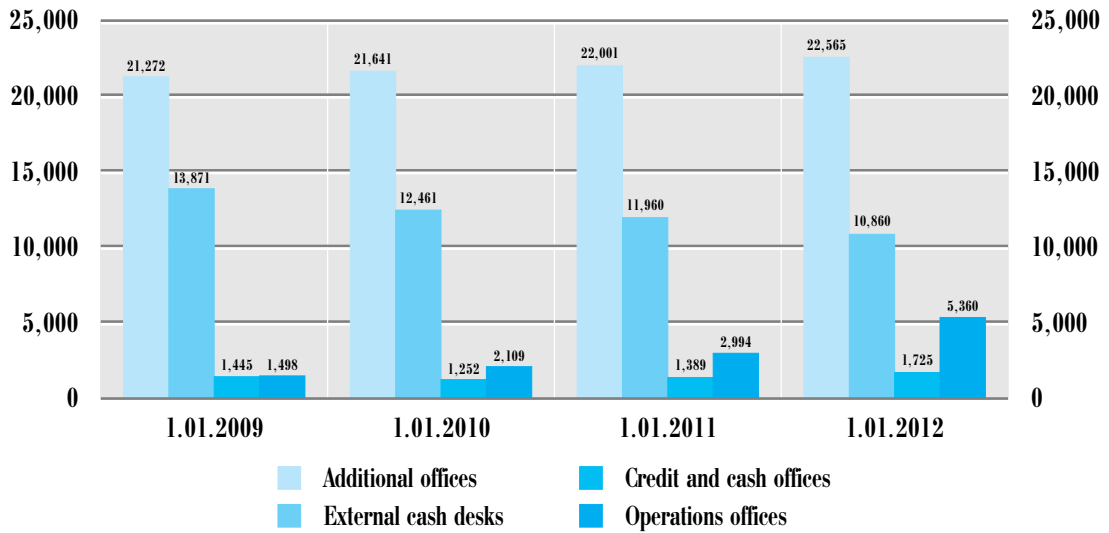


Chart 52

number of external cash desks fell by 9.2% to 10,860 as of 1 January 2012 because such internal divisions can only perform a limited range of banking operations.

The coverage of households with banking services went up. The number of internal divisions per 100,000 people grew from 27.1 as of late 2010 to 28.4 as of late 2011.

### II.3.2. OFF-SITE SUPERVISION

*In* 2011, as banks' lending activity grew, the main efforts to improve banking supervision were aimed at the development of comprehensive risk-based approaches to assessing the stability of credit institutions and supervisory activities focused on protecting the interests of credit institutions' creditors and depositors and supporting the stability of the banking sector.

In 2011, off-site supervision was focused on revealing problems in the credit institutions' activity at the early stages of their appearance, estimating the possibility of their elimination by the owners or management of a credit institution, and outlining the nature of the supervisory measures that may be taken in response to the situation.

The Bank of Russia worked on intensifying its supervision over the largest federal and regional banks forming the 'second line' of supervision, which included a more detailed analysis of all the aspects of their activities.

In implementing risk-based approaches to its supervision, the Bank of Russia analysed the main aspects of credit institutions' activities. Additionally, the economic nature of the operations, level of risks taken, liquidity, quality of risk management and internal controls were assessed. Focus was placed on identifying the actual quality of credit institutions' assets, the amounts of their liabilities, and their equity capital, and assessing whether the business of their customers, including borrowers, was real.

An important aspect of Bank of Russia off-site supervision was increasing the transparency of credit institutions' operations and the adequate reflection in the reporting of the risks taken. Special attention was paid to the economic feasibility of the banks' fund placement operations. In addition, facts about the existence of assets which did not move for a long time, assets with large turnovers that didn't bring in a corresponding income and operations with non-residents were investigated.

The Bank of Russia also investigated the consequences of the possible impairment of banks' investments in securities, as well as the quality of

market risk management in banks and stress tests conducted there. Considerable attention was also paid to the reliability of information such as the existence of rights to securities, the actual existence of securities, the revealing of manipulation with respect to the quotations of credit institutions and the plausibility of the securities issuers' business activities.

In 2011, the Bank of Russia further developed its cooperation with the Federal Financial Markets Service of Russia, as well as foreign banking and financial supervisory authorities on the assessment of credit institutions' risks.

In 2011, attention was paid to revealing and analysing operations that credit institutions performed with non-resident counterparties, comprising those registered in offshore zones, including the inspection of cash and other financial asset flows utilised by banks when forming sources of equity capital.

The Bank of Russia developed its supervision of banks on a consolidated basis. It performed a comprehensive analysis of the reliability of recognising certain operations in the balance sheets of subsidiary banks. It also worked on establishing relations between banks as informal group members, to mutually assess the risks they took more adequately. Based on the results of the work, supervisory response measures were taken where necessary.

During the reporting period, the Bank of Russia continued to reveal high concentrations of risk among credit institutions, especially risks related to providing financial services to the businesses of the banks' owners and other people affiliated with the banks.

To protect the interests of bank creditors and depositors, the Bank of Russia, in the course of conducting complex analyses of credit institutions' activities during the off-site supervision, studied the banks' policies of raising deposits from individuals.

The Bank of Russia worked with credit institutions that were pursuing an aggressive policy in the deposit market, including a studying of the quality and rate of return on assets with further

recommendations related to correction of the policy. In some cases, restrictions were applied to banking operations.

In 2011, the measures that the Bank of Russia took regarding credit institutions were predominantly preventive. Corrective actions in the form of prescriptions to eliminate violations were applied to 519 credit institutions. Penalties were applied to 296 credit institutions, operational restrictions were applied to 68 credit institutions, operational prohibitions were applied to 25 credit institutions and branch opening prohibitions were applied to 35 credit institutions.

Within the framework of its efforts to increase the transparency of the banking sector, the Bank of Russia continued to work with banks on information disclosure via the reporting forms, 'Calculation of Equity Capital' and 'Information on Required Ratios'. As of 1 January 2012, 920 credit institutions or 94.1% of total operating credit institutions consented to disclose information in these reporting forms.

Information was also disclosed in the forms 'The Account Book of a Credit Institution' and 'Income Statement of a Credit Institution'. As of 1 January 2012, 949 credit institutions or almost 97% of total operating credit institutions gave their consent to disclose information in these reporting forms.

The Bank of Russia continued to publish its monthly Banking Sector Review on the Internet. In addition, to ensure that the information on the Bank of Russia's official website is up to date, the main banking sector indicators (except Sberbank data) were published on the Internet on a regular basis, as well as the information on risks related to lending to households.

To assess the soundness of the financial system (the so-called macroprudential analysis), the Bank of Russia calculates financial soundness indicators (hereinafter, FSI). Since 2008, the Bank of Russia has published FSI on the IMF website bi-annually; since 2010, it has done so every quarter (in 2011, FSI were calculated by more than 70 countries and published by the IMF).



### II.3.3. INSPECTION OF CREDIT INSTITUTIONS

*In* 2011, the Bank of Russia continued its efforts to increase the quality of supervision, including the creation of necessary organisational and legal conditions. Measures were taken to prepare for the second stage of the centralisation of the Bank of Russia's supervisory activity. On 1 January 2012, interregional inspectorates for the Central (except Moscow and the Moscow Region) and Urals Federal Districts were added to the single centralised supervisory structure that already embraces the interregional inspectorates for the North-Western, Siberian and Far Eastern Federal Districts. Thus, regional inspectorates will be operating in a centralised way in 43 Russian Federation constituent territories (64% of Bank of Russia regional branches are covered by centralisation)<sup>1</sup>.

Authorised representatives of the Bank of Russia conducted 1,143 inspections of credit institutions and their branches in 2011; in 96 of them officers from the Deposit Insurance Agency (hereinafter, the DIA), a state corporation, participated.

The efforts of the Bank of Russia's inspection divisions were first of all focused on defining the profile and concentration of risks (including concentration on the real owners of credit institutions and their affiliated persons), on the assessment of quality of assets and capital, and revealing the ultimate beneficiaries of the borrowed funds and sources of debt repayment, on the settlement discipline and compliance with regulatory requirements. Particular attention was paid to the inspection of credit institutions which have material influence on the systemic stability of the banking sector — banks forming the so-called 'second line' of supervision. The focus there was placed on thematic inspections, the number of which reached 1,072 or 93.8% of all the inspections.

Most of the inspections (76.6%) were conducted in accordance with the Consolidated Plan of Comprehensive and Thematic Inspections of Credit Institutions and Their Branches for 2011 (875 inspections). Another 268 inspections were unscheduled, and 185 of them were conducted in response to credit institutions' applications related to decisions to increase their authorised capital<sup>2</sup>.

The setting up of the inspection internal control system continued. To increase the quality of inspections and secure the continuity of the supervision process, the Bank of Russia controlled in real time the quality of the activities at the preparatory stages, the carrying out of the inspections and the implementation of their results, including the monitoring of inspections in 136 banks that formed the 'second line' of supervision.

The complex array of control measures allowed the Bank of Russia to increase the quality of inspections, the level of cooperation between the on-site and off-site supervisory bodies and, in general, improved the efficiency of its supervisory response to drawbacks in the credit institutions' activities.

To assess the risks on a consolidated basis, 150 interregional inspections were carried out which employed a simultaneous check of the activities of head offices and branches where a substantial volume of operations and risks of credit institutions were concentrated.

In the course of the inspections, violations were identified that were mostly related to the underestimation of credit risks (30.7% of all violations); others were violations of laws and Bank of Russia regulations in the sphere of anti-money laundering and the financing of terrorism (24.3%). Some violations were related to the organisation of accounting (7.0%), to non-com-

<sup>1</sup> *In some constituent territories of the Russian Federation, regional inspectorates no longer exist; their functions are performed by interregional inspectorates.*

<sup>2</sup> *Caused by entry into force of Part 6, Article 11.2 of Federal Law No. 395-1, dated 2 December 1990, 'On Banks and Banking Activities', that sets the minimum equity capital of an operating bank at 180 million roubles as of 1 January 2012 (for banks that had no less than 90 million roubles of equity capital as of 1 January 2010).*

pliance with the foreign exchange legislation of the Russian Federation and the regulations of the foreign exchange regulation authorities (5.3%) and to cash operations procedures (4.0%).

Information on the operations and transactions of credit institutions showing signs of economic offences was forwarded to the Russian Federation's prosecution authorities<sup>1</sup>.

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<sup>1</sup> According to Decree of the President of the Russian Federation No. 224, dated 3 March 1998, 'On Ensuring Cooperation Between Government Authorities in Combating Violations in the Economic Sphere'.

## II.3.4. BANK INSOLVENCY (BANKRUPTCY) PREVENTION AND THE WITHDRAWAL OF INSOLVENT CREDIT INSTITUTIONS FROM THE BANKING SERVICES MARKET

*In* 2011, the Bank of Russia took steps to prevent the insolvency (bankruptcy) of credit institutions under Federal Law No. 40-FZ, dated 25 February 1999, ‘On the Insolvency (Bankruptcy) of Credit Institutions’ (hereinafter referred to as Federal Law No. 40-FZ) and Federal Law No. 175-FZ, dated 27 October 2008, ‘On Additional Measures to Strengthen the Stability of the Banking System in the Period until 31 December 2014’ (hereinafter referred to as Federal Law No. 175-FZ).

As part of the set of measures that have been taken since September 2008 under Federal Law No. 175-FZ to ensure the solvency of banks that had experienced financial difficulties during the world financial and economic crisis, the Bank of Russia, jointly with the DIA, took measures to prevent the bankruptcy of 12 banks. During the course of the planned measures in the reporting period, three of these 12 were reorganised through mergers with other banks or investors, and two completed a full set of financial recovery measures and resumed their operations. As of 1 January 2012, bankruptcy prevention measures were taken in accordance with the approved DIA participation plans with regards to seven banks.

Financial rehabilitation initiatives implemented pursuant to Federal Law No. 175-FZ were funded with the Russian Federation’s property contribution to the DIA or with Bank of Russia loans that were extended to the agency. In 2011, the Bank of Russia extended the said loans for a total amount of 294.8 billion roubles, while the DIA repaid 54.6 billion roubles. As of 1 January 2012, the DIA’s debt to the Bank of Russia for loans extended pursuant to Federal Law No. 175-FZ totalled 346.4 billion roubles.

Under Federal Law No. 175-FZ, on 30 June 2011, the Bank of Russia Board of Directors approved the Plan of Participation of the Deposit Insurance Agency State Corporation in the Pre-

vention of the Bankruptcy of the Bank of Moscow OJSC for the period until the end of 2015. To eliminate the circumstances that caused the financial instability of the Bank of Moscow OJSC, the Bank of Russia granted the DIA a long-term loan under the aforementioned plan for 294.8 billion roubles. In its turn, the DIA rendered the bank financial assistance in the form of a loan for the said amount. As a result of the planned measures, taken in particular by investors, the VTB Group companies, the financial stability of that credit institution was soon restored. Measures are taken to recover bad loans granted by the former management of the Bank of Moscow OJSC.

In addition, as of 1 January 2012 bankruptcy prevention measures involving other investors continued in one bank, with respect to which the rehabilitation decision had been taken before Federal Law No. 175-FZ entered into force.

The number of credit institutions that provided grounds for insolvency (bankruptcy) prevention measures pursuant to Article 4 of Federal Law No. 40-FZ decreased from 83 in 2010 to 56 in 2011. Of which:

- Three credit institutions continued to operate while conducting planned financial rehabilitation measures (two improved their financial position and successfully implemented the financial rehabilitation measures, and one bank had its banking operations licence (hereinafter referred to as licence) revoked;
- 30 credit institutions eliminated the causes of their problems (of which 24 did it on their own, without any requirements from the Bank of Russia);
- Two credit institutions had grounds to take insolvency (bankruptcy) prevention measures, as provided for by Paragraph 7 of Article 4 of Federal Law No. 40-FZ, but have operated for less than two years since having been granted a banking licence, so under specific provisions of the above federal law, no

measures were taken to prevent their bankruptcy;

- Two credit institutions were re-organised as they merged with other credit institutions;
- 15 credit institutions had their licences revoked by the Bank of Russia;
- One credit institution's licence was cancelled as its shareholders (participants) decided to voluntarily liquidate it.

In 2011, under Article 74 of Federal Law No. 86-FZ, dated 10 July 2002, 'On the Central Bank of the Russian Federation (Bank of Russia)' (hereinafter referred to as Federal Law No. 86-FZ), and Article 20 of Federal Law No. 395-1, dated 2 December 1990, 'On Banks and Banking Activities' (hereinafter referred to as Federal Law No. 395-1), the Bank of Russia revoked the licences of 18 credit institutions (27 in 2010).

Its grounds for revoking licences were:

- Non-compliance with federal banking laws and Bank of Russia regulations, in light of the measures stipulated by Federal Law No. 86-FZ, with respect to 18 credit institutions (22 in 2010);
- Inability to comply with creditors' claims regarding pecuniary obligations and/or obligations to make mandatory payments — with respect to 8 credit institutions (9 in 2010);
- Evidence of significant misreporting of data with respect to 6 credit institutions (8 in 2010);
- Loss of equity capital with respect to 6 credit institutions (7 in 2010);
- Repeated violations, within one year, of the requirements set by Articles 6 and 7 (except Clause 3 of Article 7) of the Federal Law No. 115-FZ, dated 7 August 2001, 'On Countering the Legalisation (Laundering) of Criminally Obtained Incomes and the Financing of Terrorism' with respect to 3 credit institutions (3 in 2010).

Four credit institutions (compared with one in 2010) had their licences revoked in connection with a voluntary liquidation decision, which was taken by their shareholders (participants).

More than half of the credit institutions (14) that had their licences revoked (cancelled) in 2011 were registered in Moscow and the Moscow Region.

In order to protect the legitimate interests of credit institutions' creditors (depositors), in 2011 the Bank of Russia appointed 18 provisional administrations to manage the credit institutions after their licences had been revoked. Under Clause 2 of Article 19 of Federal Law No. 40-FZ, the 16 provisional administrations appointed by the Bank of Russia included DIA representatives. As of 1 January 2012, five provisional administrations were appointed in connection with the revocation of bank licences.

As of 1 January 2012, the Bank of Russia did not receive state registration certificates from the registration authority in connection with the liquidation of 134 credit institutions that had had their licences revoked (cancelled). In 130 of them, liquidation procedures were conducted. With respect to the remaining four credit institutions, as of 1 January 2012, no court rulings were taken after their licences had been revoked.

Most of the liquidated credit institutions (117) were declared insolvent (bankrupt) and bankruptcy proceeding were initiated against them. Of these, 28 credit institutions were declared bankrupt in 2011. With regard to one of them, the arbitration court pronounced its ruling to liquidate it. With respect to eight credit institutions, arbitration courts ruled that they be liquidated (including two in 2011). Additionally, five credit institutions are being liquidated voluntarily, as decided by their founders (participants). In 2011, three credit institutions' founders (participants) decided to voluntarily liquidate them.

In most of the credit institutions (118) facing liquidation as of 1 January 2012, the liquidation proceedings were conducted by the corporate liquidator, the DIA, which was appointed pursuant to Clause 2 of Article 50.11 of Federal Law No. 40-FZ and Article 23.2 of Federal Law No. 395-1. In 112 of them, the DIA performed the functions of the receiver and in six it performed the functions of the liquidator.

In 2011, the Bank of Russia took the decisions on the state registration in connection with the liquidation of 19 credit institutions, of which 12 were liquidated on the basis of the arbitration court ruling for the completion of receivership, six as a result of a court-enforced liquidation without a basis for bankruptcy, and one was liquidated

on the basis of a voluntary liquidation decision passed by their founders (participants).

Throughout 2011, the Bank of Russia carried out 16 inspections of credit institution receivers (liquidators), including 15 inspections of DIA activities and one inspection of an individual receiver. As the irregularities detected did not affect the lawful rights and interests of any creditor of the credit institutions, the Bank of Russia made no prescriptions to the receivers and took no other action provided for by Federal Law No. 40-FZ and by Bank of Russia Regulation No. 306-P, dated 3 July 2007, 'On Inspections by the Bank of Russia of Receivers and Liquidators of Credit Institutions'.

The inspections resulted in 8 letters of recommendation sent to the DIA and, in one case, the findings on a receiver, a private individual, were reported to the self-regulating organisation of receivers of which he was a member.

In 2011, 13 receivers were accredited with the Bank of Russia and 20 receivers had their accreditations extended. In addition, two receivers were

denied accreditation and one had it cancelled, as the receivers failed to meet the accreditation criteria. One more receiver was denied the extension of his accreditation in connection with irregularities in his activities, which were found during a 2010 inspection. Upon a request by the Bank of Russia, the arbitration court ruled to dismiss that receiver from his office. As of 1 January 2012, 33 receivers were accredited with the Bank of Russia.

In 2011, the Bank of Russia Board of Directors took no decisions on any payments to be made by the Bank of Russia pursuant to Federal Law No. 96-FZ, dated 29 July 2004, 'On Bank of Russia Compensation Payments on Household Deposits with Bankrupt Banks Uncovered by the Deposit Insurance System'. As of 1 January 2012, the Bank of Russia decided to make payments to depositors amounting to 1,264.7 million roubles, and 36,172 depositors (89.7% of those entitled) received payments from the Bank of Russia, totalling 1,231.2 million roubles (97.4% of all the funds allocated).

### II.3.5. HOUSEHOLD DEPOSIT INSURANCE

*In* 2011, the Bank of Russia supervised banks to make sure they complied with the deposit insurance system's requirements, pursuant to Federal Law No. 177-FZ, and took measures envisaged by Federal Law No. 177-FZ for non-compliance with these requirements.

In the reporting period, the Bank of Russia exercised its right to prohibit two banks from taking household deposits and opening household accounts, pursuant to Article 48 of Federal Law No. 177-FZ, since the banks' activities endangered the interests of their creditors and depositors and they had failed, for more than two consecutive months, to meet the criteria for participation in the deposit insurance system. This was either related to the capital level or to the quality of the banks' management, their operations and risks, or to their failure to comply with the same required ratios as established by the Bank of Russia. In addition, with respect to one bank, pursuant to Article 48 of Federal Law No. 177-FZ, the Bank of Russia exercised its right to prohibit it from taking household deposits and opening household accounts, as the bank had failed, for three consecutive months, to meet the criteria for participation in the deposit insurance system regarding the quality of the bank's management, its operations and risks. All the three banks eventually had their banking operations licences revoked.

As required by Federal Law No. 177-FZ and previous agreements, in 2011 the Bank of Russia interacted, co-ordinated and exchanged information with the DIA. It did so on matters related to the operation of the deposit insurance system, banks' participation therein, and also the payment of insurance premiums and deposit compensations, and inspections of banks participating in the deposit insurance system and application of sanctions against them by the Bank of Russia, and

on other matters related to the operation of the deposit insurance system.

Of the 896 banks (909 as of 1 January 2011) participating in the deposit insurance system as of 1 January 2012, 90 banks had had their banking operations licences revoked (cancelled) previously.

Five banks were admitted to the deposit insurance system in 2011, and 18 banks were excluded (13 due to re-organisation, four due to liquidation, and one as it had its licence replaced and was no longer authorised to take household deposits).

Throughout the period after the launch of the deposit insurance system (as of 1 January 2012), insured events occurred at 116 banks which participated in the deposit insurance system, including 17 banks experiencing such events in 2011 (15 banks had their banking operations licences revoked, and two banks had their licences cancelled following a voluntary liquidation decision). All the banks began paying their depositors in the time established by the law, i.e. no later than 14 days following the date of the revocation of their licences.

The Bank of Russia sought to maintain the stability of the banking system and to address the potential problem of its forced introduction of a prohibition against certain banks taking household deposits and opening household accounts. The banks in question were those that are viable albeit not financially stable enough, according to a group of profitability indicators. To meet these objectives, the Bank of Russia co-authored Federal Law No. 171-FZ, dated 11 July 2011, 'On Declaring Null and Void Certain Provisions of Laws of the Russian Federation', which excludes the profitability test from the set of mandatory criteria that may for the purpose of Article 48 of Federal Law No. 177-FZ lead the Bank of Russia to declare a bank participating in the deposit insurance system to not be financially stable enough.

### II.3.6. CENTRAL CATALOGUE OF CREDIT HISTORIES

*In* 2011, in the sixth year of implementation of Federal Law No. 218-FZ, dated 30 December 2004, 'On Credit Histories', the number of individual borrowers first consenting to the formation of a credit history file decreased considerably. In connection with this, despite the growth of consumer lending in the reporting period, credit bureaus transmitted to the Central Catalogue of Credit Histories (hereinafter referred to as the CCCH) 29.7 million credit history titles, which was 1.5 times less than in 2010. Thus, by the end of 2011, 142.1 million credit history titles became available to credit history holders and users at the CCCH.

The stated number of credit history titles corresponds to 64.3 million credit history holders — borrowers who/that have agreed to pass information to a credit bureau (19.7% growth over 2010). Most of the credit histories were formed for credit history holders who are individual borrowers, with their number growing in the report-

ing period by 19.7%, to reach 64 million by the end of the period. The number of legal entities that had credit histories stood at 271,000 at the end of the reporting period.

The number of inquiries from credit history holders and users to the CCCH for information on the credit bureaus where credit histories are stored grew by 33.3% compared to 2010 to reach two million in absolute terms by the end of 2011. The number of credit history holders' queries sent via credit institutions more than doubled as compared to 2010, to reach 282,000.

During the reporting period, the proportion of credit history holders on whom information was found with the CCCH in the total number of inquiries for information (received from credit history holders and users) on the credit bureaus where credit histories are stored was 71%. This ratio shows that most potential borrowers have already had their credit histories established.

## II.3.7. BANK OF RUSSIA ACTIVITIES AIMED AT PREVENTING MONEY LAUNDERING AND TERRORIST FINANCING

In 2011, the Bank of Russia took further steps to implement the functions envisaged by Federal Law No. 115-FZ, dated 7 August 2001, 'On Countering the Legalisation (Laundering) of Criminally Obtained Incomes and the Financing of Terrorism' (hereinafter referred to as Federal Law No. 115-FZ).

A major event occurred in the Bank of Russia's activities in 2011: it was entrusted, as the banking supervision authority, with the function of examining administrative offences provided for by Article 15.27 of the Russian Federation Code of Administrative Offences (hereinafter referred to as CoAO). This related to non-compliance by credit institutions and their officers with legislative requirements concerning anti-money laundering and countering the financing of terrorism (hereinafter referred to as AML/CFT)<sup>1</sup>.

With the aim of implementing the assigned responsibilities, the Bank of Russia worked to create the institutional framework required for incorporating into its supervisory activities the procedures for its officers to initiate and consider cases involving the administrative offences mentioned in CoAO Article 15.27. Within the framework of this work, a list of Bank of Russia officers (both in the head office and regional branches) has been determined to be authorised

to prepare administrative offence charge sheets<sup>2</sup>. Officials have been appointed to be authorised to examine administrative offence cases<sup>3</sup>, and the required methodological recommendations<sup>4</sup> have been issued.

The introduction of special reporting since April 2011<sup>5</sup> has enabled the Bank of Russia to promptly receive information on the procedural actions of its regional branches that are related to the initiation and consideration of administrative offence cases. These are related to non-compliance with the requirements of the AML/CFT legislation.

As of 1 January 2012, Bank of Russia regional branches have initiated 1,400 administrative offence cases with respect to 424 credit institutions and/or their officials. 165 administrative offence cases were closed at the stage of investigation. As a result, during 2011, the consideration of 1,103 administrative offence cases was completed, with regard to which 260 resolutions were passed imposing fines, including 67 resolutions (approximately 26%) with respect to officials. Additionally, 373 resolutions contained warnings, including 117 (31%) with respect to officials; 470 resolutions terminated the proceedings on the administrative cases, including 176 (37%) on cases with respect to officials.

<sup>1</sup> Federal Law No. 176-FZ, dated 23 July 2010, 'On Amending the Federal Law 'On Countering the Legalisation (Laundering) of Criminally Obtained Incomes and the Financing of Terrorism' and the Russian Federation Code of Administrative Offences' (effective since 24 January 2011).

<sup>2</sup> Bank of Russia Ordinance No. 2542-U, dated 17 December 2010, 'On the List of Bank of Russia Officers Authorised to Prepare Administrative Offence Charge Sheets'; Bank of Russia Order No. R-7, dated 19 January 2011, 'On Officers of Bank of Russia Regional Branches Authorised to Prepare Administrative Offence Charge Sheets'.

<sup>3</sup> Bank of Russia Order No. R-1281, dated 2 November 2010, 'On the List of Bank of Russia Officers Authorised to Examine Administrative Offence Cases'.

<sup>4</sup> Bank of Russia Letters No. 7-T, dated 19 January 2011, 'On Methodological Recommendations on the Organisation of Work Related to the Initiation and Examination by the Bank of Russia of Cases Concerning Administrative Offences Mentioned in Parts 1 to 4 of Article 15.27 of the Russian Federation Code of Administrative Offences'; No. 77-T, dated 31 May 2011, 'On the Organisation of Work Related to the Proceedings on Administrative Offence Cases if Information is Obtained from Rosfinmonitoring'; and No. 105-T, dated 13 July 2011, 'On Recommendations for Sending an Inquiry to a Credit Institution, Envisaged by Clause 2 of Bank of Russia Letter No. 77-T, Dated 31 May 2011'.

<sup>5</sup> Bank of Russia Ordinance No. 2604-U, dated 28 March 2011, 'On Amending Bank of Russia Ordinance No. 2483-U, Dated 30 July 2010, 'On the List, Forms, Rules of and Procedure for the Preparation and Presentation of Reporting by Structural Divisions of the Bank of Russia to the Central Bank of the Russian Federation'.



An important event of the previous year was the successful defence at the plenary meetings of the FATF<sup>1</sup> in June 2011 and MONEYVAL<sup>2</sup> in September 2011 of the Second Progress Report of the Russian Federation on the elimination of the shortcomings in the AML/CFT system detected by international experts during the third round of mutual evaluations. Representatives of the Bank of Russia took part in defending the reports in the parts where the banking sector was concerned as members of the Russian interdepartmental delegation. After the defence of the Second Progress Report, international experts had no remarks on the AML/CFT activities of credit institutions or the Bank of Russia.

To improve the legal and methodological framework ensuring the concerted operation of the Russian AML/CFT system and to concentrate effort on its key elements, a number of amendments and additions were made to Federal Law No. 115-FZ in 2011, with the active participation of the Bank of Russia<sup>3</sup>.

In particular, instead of its previous mandate to develop methodological recommendations, the Bank of Russia is now authorised to establish (in coordination with the authorised body) requirements regarding credit institutions' development of internal control rules, hereinafter referred to as ICR. These should enhance the efficiency of credit institutions creating 'anti-legalisation' mechanisms as well as their ability to keep them up to date.

Credit institutions' own transactions were excluded from the list of those subject to mandatory control, and real estate transactions were qualified so that they exclusively referred to those

involving the passage of titles — both measures were aimed to reduce the burden on credit institutions as they perform anti-money laundering activities.

The term for submitting the information on transactions subject to mandatory control to the authorised body and information on transactions that raised credit institutions' suspicions (as they follow their ICR) that they are being performed for the purpose of legalising (laundering) criminally obtained incomes or funding terrorism, was extended from one to three days. This was mainly done to reduce the risk of credit institutions breaching legally established deadlines, and to give them more time so that they can prepare better quality information.

Given the entry into force on 24 January 2011 of CoAO Article 15.27, in order to minimise the outflow of highly skilled personnel from credit institutions, the charging of responsible employees with administrative sanctions was excluded from the list of grounds for which a responsible employee (a credit institution officer responsible for the implementation of ICR) could be disqualified.

In 2011, the Bank of Russia, based on the analysis of information obtained in the course of its supervisory activities, and in cooperation with the authorised body, continued the practice of issuing recommendations for credit institutions. These contained descriptions of characteristics of transactions that call for special attention in the course of implementing ICR, and are designed to help detect such transactions and take steps towards the mitigation of risk as they are carried out<sup>4</sup>.

<sup>1</sup> *Financial Action Task Force (FATF)*.

<sup>2</sup> *Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism*.

<sup>3</sup> *Federal Law No. 162-FZ, dated 27 June 2011, 'On Amending Certain Laws of the Russian Federation in Connection with the Adoption of the Federal Law 'On the National Payment System' and Federal Law No. 308-FZ, dated 8 November 2011, 'On Amending the Federal Law 'On Countering the Legalisation (Laundering) of Criminally Obtained Incomes and the Financing of Terrorism' and the Russian Federation Code of Administrative Offences'*.

<sup>4</sup> *Bank of Russia Letters No. 19-T, dated 17 February 2011, 'On Information Posted on the Rosfinmonitoring Website' and No. 70-T, dated 12 May 2011, 'On Bills of Lading Executed by Consignors in the Territory of the Republic of Belarus'*.

## II.4. ENSURING FINANCIAL STABILITY

### II.4.1. ASSESSMENT OF THE FINANCIAL SYSTEM'S STABILITY

*In* 2011, the Russian financial system functioned amidst the deteriorating situation in foreign financial markets; and in the second half of the year, it operated in an environment where potential systemic risks were higher.

The development of the global economy in 2011 was beset by acute state budget problems among a number of advanced economies. This led international investors to revise their risk appetites, and also led them to rebalance their portfolio risk structures, which resulted in the acceleration of capital withdrawal from the developing markets. A large-scale capital outflow from Russia considerably narrowed the foreign exchange channel of money supply, and created objective reasons for the banking sector to utilise the refinancing instruments of the Bank of Russia. Demand for these instruments increased because the state budget was in surplus and the budget funds were accumulating in accounts with the Bank of Russia.

The Russian banking sector, as a key segment of the financial system, was determining its stability and capacity to resist adverse shocks caused by the foreign economic situation. Among such shocks, one could note tightened conditions in the international debt and capital markets, which made banks' access to market funding more difficult.

The above-described set of factors was the reason for the closer monitoring of the liquidity risks and market risks inherent in the Russian financial system, and also for the regular assessment of its stability. In this area, the Bank of Russia mainly focused on the quantification of credit institutions' potential need for refinancing, on stress tests of the value of securities portfolios being accepted as collateral for the liquidity provision operations of the Bank of Russia, and on finding out whether the capital of the banking sector and individual key participants in financial markets would be sufficient, should adverse external shocks materialise.

The results of the banking sector's stability assessment in the context of systemic liquidity risks indicate that the refinancing potential of the Bank of Russia is well above the stress level of bank liquidity deficit and that no additional liquidity provision mechanisms will be necessary if a shock is moderate. Nevertheless, in the event of a large-scale external shock, the Bank of Russia is able to additionally increase its banking sector refinancing capability within the framework of the existing instruments.

In the recent years, the stability of the financial systems in developed economies has been dependent not only on the stability of credit institutions but also on that of the so-called shadow

banking sector<sup>1</sup>. The influence of the shadow banking sector on systemic risks became a topical issue during the 2008—2009 world financial crisis, which revealed the existence of a close relationship between the traditional banking sector and institutions that carry out operations substantially similar to banking operations but are not formally banks and are thus free of banking regulation or supervision.

In 2011, the relative volumes and risks of the shadow banking sector in Russia remained rather low, posing no significant threat to the financial system. Still, the existence of such a sector and its possible faster development in the future (particularly as the supervisory burden on credit institutions increases) may become a potential threat to individual sectors of the financial system, as agents of the shadow banking sector may:

- Foster the inflation of ‘bubbles’ in asset markets;
- Accumulate ‘hidden’ risks and allocate them to unprofessional investors (e.g. construction companies attracting funds from the public while construction is still in progress);
- Be used by the banks to ‘embellish’ their reporting (e.g. unit investment funds that are sometimes used to withdraw ‘bad’ assets from banking institutions’ balance sheets).

In this connection, in 2011, the efforts of the Bank of Russia to contain the systemic financial risks were aimed at broadening the monitoring coverage of financial system participants by intensifying information exchanges with the FFMS of Russia, ZAO MICEX (currently OAO MICEX-RTS) and also with self-regulated organisations of professional market participants (the National Securities Market Association (NSMA), the Russian National Association of Securities Market Participants (NAUFOR)).

The group of agents of the shadow banking sector of particular importance for the stability of the financial system now comprises professional

participants in the securities market who have no banking licences but are largely interconnected with banks either directly (as members of the same group or holding company, or as a result of having mutual open positions with banks), or indirectly (by influencing the market risk and the banks’ counterparty risk).

Direct interaction between banks and agents of the shadow banking sector also occurs in the money market with respect to the redistribution of liquidity — which usually takes the form of repo transactions. For this reason, in assessing the stability of the financial system, the Bank of Russia focused on the stress testing of the interdealer repo market and on creating conditions for its continuous operation.

The Bank of Russia performed its stress testing of the interdealer repo market as it assessed the liquidity risks and capital deficit risks resulting from the depreciation of collateral securing interdealer repo transactions. Systemic risks in 2011 were exacerbated by the high and persistent concentration of the market, by the existence in the market of deals secured by collateral that fluctuates in value, and by the maintenance of excessive leverage<sup>2</sup> by certain mainly non-bank participants.

At the same time, the ample use in repo transactions of securities accepted as collateral in the liquidity provision operations of the Bank of Russia, and the ongoing development of the contractual basis for the deals can be noted as beneficial factors that keep the interdealer repo market stable enough.

On the whole, in 2011 risks associated with the interdealer repo market stayed at a fairly low level and posed no threat to the stability of the financial system. The results of the stress testing done by the Bank of Russia confirmed that the financial institutions were strong enough and capable of weathering potentially adverse shocks to the economic situation.

<sup>1</sup> As defined by the Financial Stability Board, the shadow banking sector comprises financial intermediaries whose activities are not regulated by banking legislation.

<sup>2</sup> In this subsection, leverage is understood to mean the ratio between the funds attracted in the interdealer repo market (also by the institution’s customers) and the institution’s equity capital.

## II.4.2. PARTICIPATION IN THE FINANCIAL MARKETS' DEVELOPMENT

The Russian financial market is currently undergoing one of the most dramatic transformations since the early 1990s. At the government level, an ambitious goal was set to turn Moscow into an international financial centre, and the Bank of Russia is taking part in this work. This goal requires considerable legislative and infrastructural changes, many of which were implemented in 2011.

### INFRASTRUCTURAL TRANSFORMATIONS

In December 2011, with the support of the Bank of Russia, global infrastructural changes occurred in the Russian financial market. The biggest Russian securities exchange groups, MICEX and RTS, merged to become OAO MICEX-RTS, a vertically integrated holding company.

The integration of the MICEX and RTS exchange groups' platforms and technology will create, in the short run, one of the world's leading trading floors in Moscow, which will work with all types of financial assets and provide the required set of services.

### LEGISLATIVE CHANGES

For the participants in the Russian financial market, the year 2011 was marked by the adoption of a number of fundamental federal laws, which were developed with the direct participation of the Bank of Russia.

The main achievement was the completion of many years' work on Federal Law No. 414-FZ, 'On the Central Depository', which envisages some specific features of the legal status and activities of the central depository. The creation of this institution solves the key problems of the Russian system of recording title to securities. Specifically, it makes it more transparent and introduces more reliable protection of titles to securities, makes settlements on securities trans-

actions quicker, makes the procedure for disclosing information on the owners of securities and corporate activities shorter and simpler, and minimises transaction costs for the participants in the securities market.

Also, the absence of a central depository in Russia was a key hindrance for foreign institutional investors' work with Russian financial assets. In this connection, the concept of recognising foreign depositories as nominal holders was implemented in Russian law. For foreign investors, this actually means the removal of regulatory barriers to their access to the Russian financial market.

Another key event in the development of the infrastructure of the Russian financial market was the codification, at the federal legislation level, of the legal framework for the operation of a key element of the infrastructure of the Russian financial market: the central counterparty<sup>1</sup>.

Worldwide experience of creating and operating a central counterparty reveals this institution to be highly reliable and efficient. As the buyer for each seller and the seller for each buyer in its respective market, the central counterparty absorbs the risk of default on the deals that the participants enter into. At the same time, the use of clearing involving the central counterparty reduces systemic risks through the netting of obligations on the deals made. Also, the central counterparty mechanism increases the information and legal transparency of the transactions being made.

Also at the level of federal legislation, the legal framework of clearing was established and the relationships arising from clearing activities came to be more comprehensively regulated.

In addition, at the proposal of the Bank of Russia, bankruptcy legislation was amended to enable financial market participants to use, since 2011, the 'liquidation netting' mechanism<sup>2</sup>, which helps considerably reduce the risks on

<sup>1</sup> Federal Law No. 7-FZ, dated 7 February 2011, 'On Clearing and Clearing Activities'.

<sup>2</sup> Federal Law No. 8-FZ, dated 7 February 2011, 'On Amending Certain Federal Laws in Connection with the Adoption of the Federal Law 'On Clearing and Clearing Activities''.

the deals made, as a net obligation on financial deals can be calculated if one of the parties goes bankrupt.

A mandatory condition for the use of the ‘liquidation netting’ mechanism is the obligatory sending of the information on the deals made by financial market participants to special databases. The creation of a trade repository, an infrastructural entity well known in international practice, that supports a centralised database on transactions in financial instruments, was thus prepared at the legislative level. The information to be submitted to the trade repository will be used by regulators (the FFMS of Russia and the Bank of Russia) to assess the systemic risks, analyse the financial market situation and supervise its participants’ activities.

In 2011, Federal Law No. 325-FZ, dated 21 November 2011, ‘On Organised Trading’ was adopted; it was also actively co-authored by the Bank of Russia, as the Bank of Russia makes most of its monetary policy operations in the exchange market. This federal law established uniform regulation of the organised trading procedure in all the segments of the Russian financial market and the requirements applicable to trading

organisers and participants, and also the framework for state regulation and monitoring of the said activities.

Moreover, in 2011, at the proposal of the Bank of Russia, Federal Law No. 122-FZ, dated 3 June 2011, ‘On Amending the Federal Law ‘On the Securities Market’ and Articles 214.1 and 310 of Part Two of the Tax Code of the Russian Federation’ was adopted. This law, in connection with the liberalisation of the government securities market, created legal conditions for establishing a unified procedure for the depository accounting of federal debt and other state securities in order to preserve the current conditions of the payment of income to the holders of federal government securities and to speed up the payments being made by the issuer and reduce the operational load associated with them.

All of the above-listed actions were intended to make the national financial system more stable and competitive. Significant steps were made to reduce the segmentation and to further integrate the system into the global markets, to attract long-term investments, including foreign ones, by creating a financial market infrastructure that is transparent and efficient for foreign investors.

## II.5. STABILITY AND DEVELOPMENT OF THE NATIONAL PAYMENT SYSTEM

### II.5.1. BANK OF RUSSIA ACTIVITIES TO ENSURE THE STABILITY AND DEVELOPMENT OF THE NATIONAL PAYMENT SYSTEM

Keeping the national payment system stable and developing it at a level consistent with the current and future needs of the Russian economy calls for a set of measures, including, as a priority measure, its better legal regulation.

In order to form a modern and comprehensive legal framework for the national payment system, Federal Law No. 161-FZ, dated 27 June 2011, 'On the National Payment System' and Federal Law No. 162-FZ, dated 27 June 2011, 'On Amending Certain Laws of the Russian Federation in Connection with the Adoption of the Federal Law 'On the National Payment System'', both co-authored by the Bank of Russia, were adopted in 2011.

In order to implement these laws, the Bank of Russia approved the following regulations:

- on regulating the activities of electronic money operators;
- on establishing a procedure for money remittance operators to monitor the activities

of the bank payment agents attracted by them;

- on amending the existing regulation of the Bank of Russia with regard to the issuance and servicing of prepaid bank cards by credit institutions, and also the interaction between credit institutions and bank payment agents attracted for payment card distribution;
- on amending the existing regulations of the Bank of Russia that establish the rules regarding cashless settlements between legal entities and/or private individuals, where the funds remittance procedure is concerned, including remittance on the recipient's demand (direct debiting).

The Bank of Russia worked to develop the national payment system. In 2011, it approved the organisational structure and activity guidelines of the Technical Committee for Standardisation, 'Financial Transaction Standards' (hereinafter referred to as 'TC122')<sup>1</sup>. In addition to the Bank of Russia, TC122 includes more

<sup>1</sup> The Technical Committee for Standardisation, 'Financial Transaction Standards' was formed on the basis of the Bank of Russia pursuant to Order No. 5527 of the Federal Agency for Technical Regulation and Metrology, dated 30 December 2010 and registered by Order No. 5481 of the Federal Agency for Technical Regulation and Metrology, dated 19 October 2011.

than 50 organisations representing state authorities, credit institutions and their associations, financial market infrastructure organisations and other stakeholders. The main TC122 activities are to organise the development of a national cashless settlement standard based on the ISO 20022<sup>1</sup> methodology, to support and develop the banking system information security standards, and to standardise operations using bank cards and a number of issuers' operations in the financial markets.

In 2011, the Bank of Russia, as a member of the Committee on Payment and Settlement Systems of the Bank for International Settlements (hereinafter referred to as BIS CPSS) took an active part in its work.

In the framework of the Standards Revision Steering Group under the auspices of the BIS CPSS and the International Organisation of Securities Commissions, the Bank of Russia participated in preparing a report entitled *Principles for Financial Market Infrastructures* that contains international principles for systemically important payment systems, central securities depositories,

securities settlement systems, central counterparties and trade repositories. The provisions of the report will supersede the existing principles and recommendations.

Bank of Russia representatives are included in a number of BIS CPSS working groups on various issues concerning the operation of payment systems and retail payment innovations.

Under a project to update the descriptions of the BIS CPSS member countries' payment, settlement and clearing systems, the Bank of Russia, jointly with the BIS CPSS, prepared a paper entitled *Payment, Clearing and Settlement Systems in Russia*, which was published as a part of its official publications and described the national payment system in detail, in addition to the infrastructures operating in the Russian financial market.

The Bank of Russia co-organised activities sponsored by the BIS CPSS, including workshops on payment system monitoring indicators, cyber security and its significance for financial market infrastructures, and new principles for financial market infrastructures.

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<sup>1</sup> ISO 20022 is a standard containing a methodology for the formalised description of business processes involving the exchange of electronic financial messages and for designing the schemes and formats of such messages.

## II.5.2. DEVELOPMENT AND UPGRADING OF THE BANK OF RUSSIA PAYMENT SYSTEM

The Bank of Russia payment system was developed in line with the Concept of the Bank of Russia Payment System Development until 2015, which provides for the further improvement of the functionality of the Bank of Russia payment system and the expansion of the range of services it offers.

In 2011, the Bank of Russia prepared ordinances which made it possible for the Bank of Russia to make settlements on government monetary policy operations via collection orders through the BESP system in real time. The ordinances also made it possible for the organisations which constitute the infrastructure of the financial markets to develop settlement finalisation patterns involving the funds in accounts with the Bank of Russia using 'delivery versus payment' and 'payment versus payment' mechanisms.

In order to specify and verify the correctness of settlement documents' details in the course of effecting electronic settlements via the Bank of Russia settlement network, an electronic request and reply exchange service was implemented for use among the Bank of Russia's customers (participants in the electronic message exchange system). This service immediately became very popular among users: from August through December 2011 it was used 474,400 times.

The Bank of Russia implemented a new system for the exchange of electronic messages via the subunits of its settlement network throughout all of the constituent territories of the Russian Federation. The system is used by credit institutions when electronic payments are made for the total amount of documents accepted from in-

dividuals who wish to transfer funds without opening a bank account to the territorial offices of the Federal Treasury in Russia's constituent territories. Credit institutions provide information obtained from the accepted documents on individual payers and money transfers made on their orders to budget revenue administrators.

This organisation of the electronic document turnover between banks and tax authorities through the Bank of Russia envisaged by the Tax Code of the Russian Federation was completed in 2011.

The exchange of electronic messages with the Bank of Russia was centralised for multi-branch credit institutions. The system of identifying the participants in the Bank of Russia's payment system was improved, specifically with respect to ensuring the correspondence of the identification codes of credit institutions (branches) that make payments via the settlement network of the Bank of Russia to their SWIFT international bank identification codes.

The Bank of Russia optimised its structure and, as a result, 66 cash settlement centres (12.5% of those operating as of the year's beginning) were closed.

In 2011, the Bank of Russia started procedures to include Russia's currency in the settlement currencies of the Continuous Linked Settlement System, a centralised multi-currency settlement infrastructure which is connected to the real-time gross settlement systems of the central banks of participating countries. The system provides for making settlements through a 'payment versus payment' mechanism.



### II.5.3. BANK OF RUSSIA PAYMENT SYSTEM TECHNICAL INFRASTRUCTURE DEVELOPMENT

The technical infrastructure of the Bank of Russia payment system continued to develop as the collective information processing (CIP) system was improved in order to secure the effective and reliable functioning of the payment system.

To ensure the migration of the payment system to a single unified standard software package for the processing of accounting and operational information (RABIS-NP), the processing of the accounting and operational information of Bank of Russia regional branches continued to be shifted from the CDPC-2 (St Petersburg) collective data processing centre to CDPC-MR (Moscow) and CDPC-1 (Nizhni Novgorod). As of 1 January 2012, CDPC-MR was processing the payment information of Moscow and the Moscow Region and 16 Bank of Russia regional branches, while CDPC-1 was processing the payment information of 40 Bank of Russia regional branches. The completion of the work will make it possible in the future to establish a single Bank of Russia accounting and operational system.

To organise the interaction between direct settlement participants and the BESP system on the basis of the Society for Worldwide Interbank Financial Telecommunications (SWIFT), a BESP subsystem for interacting with the SWIFT system was put into regular operation.

The electronic settlement participants were transferred to direct (single-level) communications with the CDPC, thus making it possible to exclude information processing at the regional level and increase the payment system's stability. In order to secure the management of the authentication code key certificates after the BESP and CIP systems were shifted to direct (single-level) communications between settlement participants, the automated BESP and CIP authentication code key certificates management system was put into operation.

An optimised system of interregional electronic payments was introduced, and measures were taken to implement the logical routing of electronic messages in the Bank of Russia Electronic Settlement Transportation System.

Further work was carried out to develop integrated technologies and instruments within the IT security subsystems to ensure IT security for the Bank of Russia payment system. To automate the information security processes in the collective data processing centres (thus increasing the level of control of security divisions over the activity of IT service employees), the CDPC information security systems were upgraded.

To provide for the secure transmission of payment messages, the Bank of Russia payment system put its Single Cryptographic Network of applied transportation systems into operation.

## II.6. FOREIGN EXCHANGE REGULATION AND FOREIGN EXCHANGE CONTROL

*In* 2011, the Bank of Russia participated in the improvement of foreign exchange regulations and worked on ensuring that authorised banks transfer to foreign exchange control bodies and agencies the information that is necessary for them to perform their foreign exchange control functions.

In order to increase the efficiency and optimise the foreign exchange control system's functioning in the course of foreign economic activity, the Bank of Russia actively participated in developing and approving Federal Law No. 406-FZ, dated 6 December 2011, 'On Amending the Federal Law 'On Foreign Exchange Regulation and Foreign Exchange Control' in Respect to Simplifying the Foreign Exchange Control Procedures' (hereinafter referred to as Federal Law No. 406-FZ), which is to come into force on 5 June 2012.

Additionally, in order to ensure control over the repatriation of funds by residents, Federal Law No. 406-FZ has established several requirements for residents. They must provide information to the authorised banks on the maximum periods in which they expect to receive foreign currency earnings according to the terms of their respective contracts, and on the maximum periods of fulfilment of obligations by non-residents against advance payments made by residents (which is to be further reflected by authorised banks in the bank control records). The Bank of Russia is responsible for the development of the

procedure, by which residents are to provide this information and authorised banks are to reflect it in the bank control records.

Moreover, Federal Law No. 406-FZ has reduced the list of information that shall be specified in the operation-related documents that residents must submit with regard to a foreign trade contract. In order to make the information support more comprehensive and enhance the promptness of work of foreign exchange control bodies and agents, the authorised banks are obliged to send an electronic copy of an operation's identifying document to foreign exchange control bodies and agents no later than within three business days of its being filled out. If there is information that a resident legal entity has failed to meet the requirements of Article 19 of Federal Law No. 173-FZ, dated 10 December 2003, 'On Foreign Exchange Regulation and Foreign Exchange Control' (hereinafter, Federal Law No. 173-FZ), the authorised banks are obliged to transfer the bank control records to a foreign exchange control body entitled to apply sanctions to the entity as of the date the breach is revealed. The Bank of Russia is also responsible for the development of a procedure for the delivery of the aforementioned information in electronic format by authorised banks, according to Federal Law No. 406-FZ.

Currently, in line with Bank of Russia Regulation No. 308-P, dated 20 July 2007, 'On the Pro-

cedure for Passing Information by the Authorised Banks about the Violations by Individuals Conducting Foreign Exchange Operations of the Federal Foreign Exchange Laws and the Regulations of the Foreign Exchange Control Authorities', only the information on identified breaches of foreign exchange legislation is presented by authorised banks through the Bank of Russia to a foreign exchange control body: the Federal Financial and Budget Supervision Service. Over 2011, the authorised banks presented information on 750,000 breaches, of which 38,000 were breaches of Article 19 of Federal Law No. 173-FZ.

In 2011, the system of transferring the corresponding information to the Federal Customs Service of Russia was put into operation, in line with Bank of Russia Regulation No. 364-P, dated 29 December 2010, 'On the Procedure for Transferring Electronic Information on Operation IDs under Foreign Trade Agreements (Contracts) by Authorised Banks and Bank of Russia Regional Branches to the Customs Authorities to Perform Their Functions as Foreign Exchange Control

Agents' that came into force on 18 May 2011. About 0.4 million operation IDs had been transferred as of the end of 2011.

In 2011, households' activity in the FX cash market increased. The volume of FX cash purchased by households from authorised banks grew by more than 30% as compared to 2010, with the volume of foreign currency sold by households to the authorised banks almost remaining at its 2010 level.

To satisfy the demand, authorised banks increased the volume of FX cash imports. In total, FX cash imported in 2011 amounted to an equivalent of \$10.8 billion, which is almost two times higher than the year before. The share of US dollars in the import structure declined to 50% (63% in 2010), and the share of euros grew to 45% (35% in 2010). The volume of FX cash exported by authorised banks decreased more than two-fold, to an equivalent of \$7.0 billion. In 2011, cash US dollars exported accounted for 68%, while cash euros accounted for 31% (in 2010, 45% and 55%, respectively).

## II.7. BANK OF RUSSIA ACTIVITIES RELATING TO GOVERNMENT FINANCE

The Bank of Russia's public finance activity in 2011 was aimed at supporting the Federal Treasury in its efforts to raise the efficiency of the management of federal budget funds. It was also aimed at transitioning the budget institutions of the Russian Federation's constituent territories and municipal budget institutions and organisations that are not participants in the budget process to servicing through accounts opened for the Federal Treasury bodies and financial authorities of the Russian Federation's constituent territories (municipalities). Its activity was also directed at further improving the procedure for servicing the budget accounts of the Russian budget system and administering certain types of federal budget revenue.

Effective budget fund management resulted from an improved procedure by which divisions of the Bank of Russia settlement network transferred the unused balances of federal budget funds that remained at the end of each operating day from the accounts of the Federal Treasury's divisions in the constituent territories of the Russian Federation to the single federal budget account for their further redistribution, depending on daily needs. The operational functioning of the single federal budget account became possible due to the increased number of operations performed by the Federal Treasury and its regional branches through the BESP system. In 2011, about 50% of operations were performed by the Federal

Treasury and its regional branches through the BESP system.

As a result, the number of operations performed by the Federal Treasury and its regional branches through the Bank of Russia payment system grew by 4.5 million (2.3%) and reached 196.1 million. The volume of operations grew by 4.7 trillion roubles (10.9%), to 47.4 trillion roubles. The average daily balance in the accounts of regional branches of the Federal Treasury stabilised as of the end of each day.

The Bank of Russia, together with the Federal Treasury, worked on the unification of bank account agreements that had been concluded between divisions of the Bank of Russia settlement network, the Federal Treasury bodies and the financial authorities of the Russian Federation's constituent territories (municipalities), when opening accounts to record funds received for temporary use by organisations and funds intended for cash payments. This was done in order to improve the cash and settlement services of the budget accounts of the Russian Federation's budget system.

Upon agreement with the Bank of Russia, rules for providing cash to budget funds recipients that are not budget process participants, using settlement (debit) cards, started to be applied in the Russian Federation in 2011. These formed prerequisites for a reduction in the share of cash circulating in the government sector.

In connection with the amendments made to Russian Federal legislation, the fiscal year closure procedure was improved with respect to operations in federal budget accounts opened with subdivisions of the Bank of Russia's settlement network and credit institutions (branches).

Amendments and additions were made in 2011 to Bank of Russia Regulation No. 320-P, dated 27 August 2008, 'On the Procedure for Administering Certain Types of Budget Revenues by the Central Bank of the Russian Federation'. This was done as part of the continued efforts of the Bank of Russia to improve the administration of the receipt of certain types of federal budget revenue. These revenues included those caused by amendments made to the Russian Federal Code of Administrative Offences, and detailing the procedure for accounting for the receipt of penalties (fines) and payment of stamp duty for the purpose of preparing annual budget statements.

During the election campaign to choose deputies for the State Duma of the Federal Assembly of the Russian Federation of the sixth convocation and during the presidential election campaign, the Bank of Russia, jointly with the Central Election Commission of the Russian Federation, provided regulatory control and the timely opening of election commissions' accounts for making transactions with federal budget funds.

The Bank of Russia continued to monitor the completeness of the public and budgetary institutions' transfer to cash servicing through nominal accounts opened with the Federal Treasury bodies and the financial authorities of the Russian Federation's constituent territories (municipalities).

In order to compel public and budgetary institutions to close accounts they had opened with Bank of Russia establishments and credit institutions, in accordance with the Federal Law 'On the Federal Budget for 2011 and the Plan Period of 2012 and 2013', the information on opened accounts was sent to the Federal Treasury and its regional branches on a quarterly basis. Measures were taken as well to close the accounts medical institutions had opened for government extra-budgetary funds and accounts for extra-budgetary funds that had been created by the executive bodies of the Russian Federation's constituent territories and local authorities.

As a result of the completed work, in 2011 the total number of Bank of Russia customers that are not credit institutions fell by 3,500 or 27.0% and stood at 9,600. However, pursuant to federal law, in 2011 accounts were opened with Bank of Russia establishments for the Federal Treasury bodies and the financial authorities of the Russian Federation's constituent territories (municipalities), to record the funds of organisations that are not participants in the budget process. After that, the total number of accounts opened with Bank of Russia establishments for organisations that are not credit institutions grew over the year by 6,000 to reach 75,200, including accounts for Federal Treasury bodies, which grew by 11,200 to 57,700. The number of accounts opened with the main cash and settlement centres of the Bank of Russia continued to increase. Such accounts (as a share of the total number of accounts) increased from 70% to 75.6%.

## II.8. CASH CIRCULATION MANAGEMENT

During 2011, the Bank of Russia worked on developing the cash circulation management system and ensuring that payment turnover is unfailingly supplied with banknotes and coins of various denominations.

During the reporting period, the amount of cash in circulation continued to grow. The relevant indicator's growth rate was 19.2% in 2011 (as against 25.1% in 2010).

According to balance-sheet data, as of 1 January 2012, 6,903.0 billion roubles in Bank of Russia banknotes and coins were in circulation, including cash in the cash offices of Bank of Russia establishments and coins made of precious metals. Of this amount, 6,854.3 billion roubles were in banknotes (6.3 billion pieces) and 48.5 billion roubles were in coins (51.1 billion pieces)<sup>1</sup>. Banknotes accounted for 99.3% of the total value of cash in circulation and coins accounted for 0.7%. As for the total number of banknotes and coins, the former made up 11.0% and the latter 89.0%.

According to balance-sheet data, Bank of Russia banknotes and coins, including coins made of precious metals, increased by 1,110.6 billion roubles in 2011. The aggregate value of banknotes grew by 1,098.0 billion roubles, while that of coins grew by 12.5 billion roubles<sup>1</sup>. The number of banknotes decreased by 0.03 billion pieces,

while the number of coins increased by 3.3 billion pieces.

As for the note structure of cash in circulation, the share of 5,000-rouble banknotes expanded from 49.7% to 57.0% in the period under review. In the meantime, the share of 1,000-rouble banknotes contracted from 39.3% to 34.1%, the share of 500-rouble banknotes contracted from 8.5% to 6.7%, and the share of 100-rouble banknotes contracted from 1.9% to 1.6%. The shares of 50-rouble, 10-rouble and 5-rouble banknotes remained virtually unchanged at their 2010 level.

In 2011, 10-rouble banknotes were actively replaced with coins with the same face value: the number of these banknotes in circulation contracted by 37.6%, whereas the number of coins increased 1.9-fold.

The Bank of Russia monitored cash turnover and examined its structure, analysing the note structure of cash in circulation and in the reserves of the Bank of Russia's establishments to make sure that it matched the needs of payment turnover.

Cash was issued in the amounts required to ensure the timely and complete satisfaction of the needs of the population and economic entities. There were no shortfalls in the paying out of cash by Bank of Russia establishments through the

<sup>1</sup> Data on coins are given excluding coins made of precious metals.

**CASH IN CIRCULATION ACCORDING TO BALANCE-SHEET DATA**  
(billions of roubles)

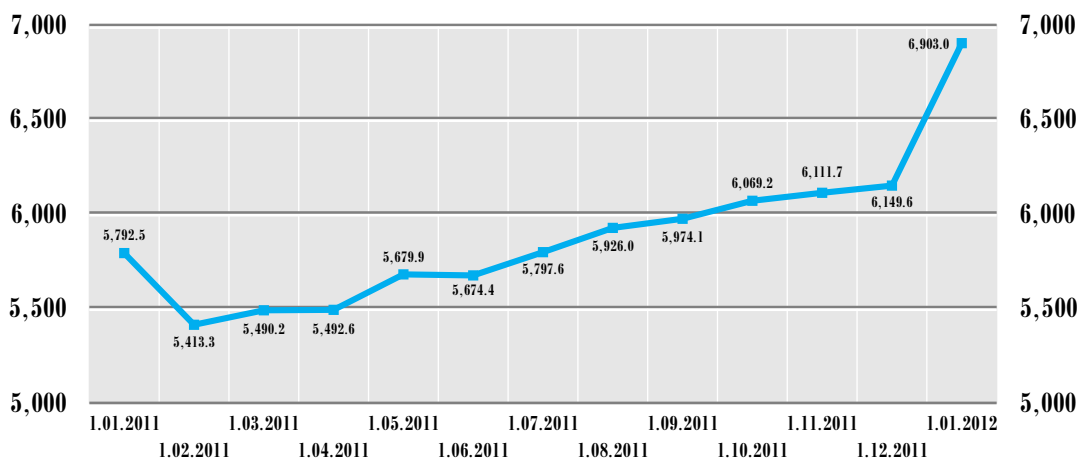


Chart 53

fault of the Bank of Russia in the period under review.

In 2011, the Bank of Russia improved its regulations related to the organisation of cash circulation, cash issuance and other cash operations, as well as to the storage, collection and transportation of cash, considering the changes in the economic situation and in federal legislation.

As of 1 January 2012, Bank of Russia establishments provided cash services to 8,502 credit institutions and their divisions, as well as to 110,371 non-credit institutions. In 2011, the number of credit institutions and their divisions that used the cash services of Bank of Russia establishments increased by 272. The closing of bank accounts of budget organisations in Bank of Russia establishments led to a reduction in the number of non-credit institutions using the Bank of Russia's cash services by 1,755.

The Bank of Russia continued its efforts to optimise the number of cash centres to reduce the cost of cash processing, storage and transportation, as well as to increase the labour productivity of cash clerks.

In 2011, Bank of Russia establishments carried out 1.24 million expert assessments of Bank of Russia notes and coins, including 0.62 million assessments of suspect notes and coins and 0.62 million control assessments of the correctness of the exchange of banknotes and coins. According to data reported by Bank of Russia regional branches, 94,567 counterfeit Bank of Rus-

sia notes and coins were detected, withdrawn from circulation and handed over to law enforcement authorities in the period under review, which is 26.5% less than in 2010.

The share of counterfeit 1,000-rouble banknotes in the total number of forged banknotes reached 82.9% in 2011 (in 2010, this figure was 95.3%).

In 2011, the number of counterfeit 5,000-rouble banknotes totalled 12,478, which is 3.4 times more year on year. In order to reduce the number of counterfeit 5,000-rouble banknotes, the Bank of Russia issued 2010-modification banknotes into circulation which featured better protection. Also, in order to modernise banknotes, a 2010-modification

**DETECTION OF COUNTERFEIT BANK OF RUSSIA NOTES AND COINS**  
(pieces)

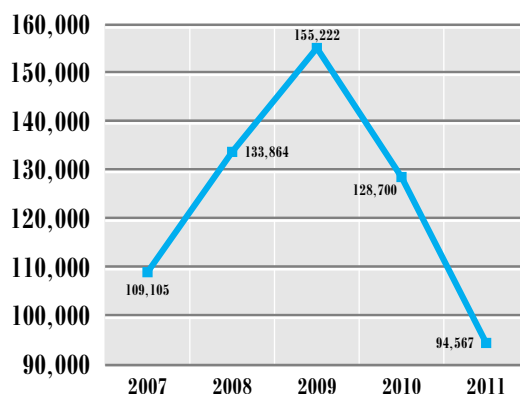


Chart 54

**DETECTION OF COUNTERFEIT  
FOREIGN BANKNOTES  
(pieces)**

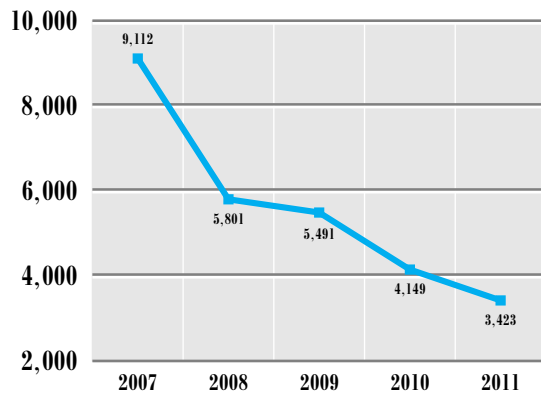


Chart 55

500-ruble banknote with enhanced protection and minor changes in its design was issued into circulation.

As in previous years, the largest number of counterfeit banknotes was detected in the Central, North-Western and Volga Federal Districts.

The share of counterfeit Bank of Russia banknotes and coins detected by credit institutions remained almost at its 2010 level and stood at 41.6% of the total number of forgeries identified.

In 2011, Bank of Russia establishments and credit institutions identified 3,423 counterfeit banknotes of foreign countries (or a group of foreign countries) and delivered them to law enforcement authorities.

During the reporting period, the Bank of Russia issued 54 types of precious metal coins into circulation, including 14 gold and 40 silver coins, as well as 14 types of commemorative coins that were made of non-precious metals.

In 2011, the implementation of the 'Sochi 2014' coin programme started.



## II.9. BANK OF RUSSIA ACTIVITIES AIMED AT UPGRADING ACCOUNTING AND REPORTING

The main directions of improving and developing the accounting and financial reporting in the banking sector were determined by the ongoing reforms of the national accounting system of the Russian Federation and by efforts to bring it in line with the International Financial Reporting Standards (hereinafter, the IFRS).

The Bank of Russia took an active part in preparing Federal Law No. 402-FZ, dated 6 December 2011, ‘On Accounting’, which provides for the application of international standards as the basis for working out federal and industry-specific accounting standards and drawing up accounting (financial) statements. The law stipulates that the Bank of Russia, together with the Ministry of Finance of the Russian Federation, is a government body which regulates accounting in the Russian Federation and is responsible for approving of industry-specific accounting standards within the banking sector.

During 2011, the Bank of Russia participated in the activities of the Ministry of Finance of the Russian Federation that were aimed at creating conditions and defining the procedure for recognising the IFRS and IFRS Clarifications for their use in the Russian Federation (Resolution of the Russian Federation Government No. 107,

dated 25 February 2011), at carrying out an expert evaluation of the applicability of the IFRS, as well as at working out and coordinating the Plan for the Development of Accounting and Accounting (Financial) Statements in the Russian Federation, based on the IFRS for 2012—2015.

The aforementioned plan envisages the Bank of Russia’s participation in a number of measures that are aimed at improving the system of regulating accounting and financial reporting, ensuring the enhancement of control over the quality of accounting and international cooperation in the sphere of accounting.

The further implementation of the IFRS in the banking sector requires the development of new Bank of Russia regulations and the amending of existing ones that regulate the procedure for accounting and compiling accounting (financial) statements.

To bring the procedure for accounting for financial derivatives (hereinafter, FD) in line with the IFRS, several regulations were made obligatory for execution by credit institutions as of 1 January 2012: Bank of Russia Regulation No. 372-P, dated 4 July 2011, ‘On the Procedure for Accounting for Financial Derivatives’, which set the procedure for recognising, at a fair value, a FD that is an asset or a liability on the balance-

sheet accounts; the procedure for recognising and derecognising the FD under agreements both providing for and not providing for the delivery of basic assets; the frequency with which the FD's fair value must be assessed; and the procedure for accounting for settlements on collateral, variable margins and other intermediate payments following the procedure for FD; Bank of Russia Ordinance No. 2654-U, dated 4 July 2011, which amended the rules governing accounting in credit institutions with respect to opening new accounts for the accounting of FD's fair value, for the accounting of FD dropping out and of settlements under intermediate payments, as well as with respect to the changing of names of accounts when recording FD delivery claims and obligations.

Methodological recommendations 'On Financial Derivatives Accounting' (Bank of Russia Letter No. 191-T, dated 23 December 2011) were published, that clarify the procedure for FD accounting and contain examples of accounting for forward, futures, option and swap agreements. Additionally, Bank of Russia Letter No. 175-T, dated 2 December 2011, 'On the Recognition of Financial Derivatives' Fair Value in Accounting and on the Procedure for Transferring Balances of Accounts to be Closed Within Chapter G, 'Fixed-Term Transactions', under Agreements Concluded Before 1 January 2012' was published and concentrated on the procedure for the recognition of FD on the first business day of 2012.

In the reporting year, the Bank of Russia amended the accounting rules for credit institutions as follows:

- The procedure for accounting for property, including acceptance of real estate for accounting as a fixed asset item (regardless of the filing of documents for the state registration of the title for such an item); and provisions for possible losses related to fixed assets, capital investment in fixed assets and non-current reserves;
- Specifications of accounts used for budget funds accounting;
- Organisation of accounting when performing spot operations;
- Defining the accounting procedure for funds of payment agents, bank payment agents (sub-agents) and funds for settlements with checks

and pre-paid cards, and the transfer of electronic funds using electronic payment instruments.

As a part of its efforts to improve the methodological basis used by credit institutions in the course of drawing up IFRS financial statements and increasing their quality, the Bank of Russia issued the following methodological recommendations:

- On providing and disclosing information on long-term assets (or dropping out groups) intended for sale or distribution, when credit institutions draw up IFRS financial statements (Bank of Russia Letter No. 87-T, dated 14 June 2011);
- On the acknowledgement, assessment, provision and disclosure of information on business reputations in the course of the drawing up of IFRS financial statements by credit institutions (Bank of Russia Letter No. 110-T, dated 21 July 2011);
- On the procedure for the compiling and provision of financial statements by credit institutions (Bank of Russia Letter No. 169-T, dated 24 November 2011).

In order to improve the organisation and maintenance of accounting in the Bank of Russia, its regional branches continued to centralise internal bank operation accounting at the level of the accounting services of the regional branches (national banks) of the Bank of Russia in 2011.

As of 1 January 2012, the functions of accounting for internal bank operations are being fully performed by the accounting and reporting divisions of 73 Bank of Russia regional branches.

Bank of Russia Regulation No. 278-P, dated 27 October 2005, 'On the Compilation by the Bank of Russia of Financial Statements According to International Financial Reporting Standards' (Bank of Russia Ordinance No. 2768-U, dated 29 December 2011) and the Accounting Policy of the Bank of Russia Group to compile IFRS financial statements (Bank of Russia Order No. OD-937, dated 29 December 2011) were amended. This was done in connection with the new operations and deals envisaged by the Articles of the Agreement of the International Monetary Fund and by agreements with the International Monetary Fund, in line with Federal Law No. 291-FZ, dated 3 November 2010, 'On

Amending the Federal Law ‘On the Central Bank of the Russian Federation (Bank of Russia)’ and Certain Laws of the Russian Federation’, as well as in connection with the amendments made to the IFRS and taking into account the common practice of IFRS application and of compiling the consolidated IFRS financial statements of the Bank of Russia Group and the IFRS financial statements of the Bank of Russia for 2010.

The accounting rules of the Bank of Russia were amended to allow it to keep its accounting registers and store accounting documents in an electronic form. This was completed due to the

introduction of advanced technologies for the processing of accounting and operational information, the organisation of electronic document turnover and the establishment of storage facilities for settlement, cash and accounting documents in electronic form in the Bank of Russia’s branches.

In order to increase the quality of oversight when performing its accounting and compiling accounting (financial) statements, the Bank of Russia amended its requirements for the organisation, methods and procedures of internal controls, including the use of automated systems.

## II.10. INTERNATIONAL COOPERATION

### II.10.1. COOPERATION BETWEEN THE BANK OF RUSSIA AND INTERNATIONAL FINANCIAL AND ECONOMIC ORGANISATIONS

*In* 2011, the Bank of Russia participated in the regular meetings of the IMF (hereinafter, the Fund) and the World Bank, participated in IMF Article IV consultations and met with IMF missions to discuss monetary policy issues.

Under the Financial Sector Assessment Programme, in 2011 the IMF reviewed its assessment of Russia's compliance with the provisions of the code of good practice in ensuring transparency of monetary and financial policy. The IMF mission that was working within the framework of the programme in Moscow noted the Bank of Russia's remarkable progress in the area of increasing the transparency of monetary policy and its complete compliance with international transparency standards.

Implementing the decisions taken earlier by the Russian Federation, the Bank of Russia confirmed in the reporting year its consent to replenish the IMF capital within the framework of the 14<sup>th</sup> General Review of Quotas with an almost 2.2-fold increase of Russia's quota in absolute terms. The share of Russia's quota will also increase (to 2.7%) and, together with the other BRICS countries (Brazil, Russia, India, China and South Africa), will exceed 14.6%; for a blocking package of votes, 15% plus 1 vote are required.

According to the agreement concluded with the Ministry of Finance of the Russian Federation, the Bank of Russia assumed the functions of financial cooperation with the IMF. In March 2011, the Bank of Russia joined the IMF funding operations as a creditor, and in May 2011 also started additional IMF lending under new borrowing agreements. As a result, the amount of additional funds that the Bank of Russia provided to the IMF in 2011 reached 1.4 billion SDR. Most of this money was used by the Fund to help eurozone countries (including Greece, Ireland and Portugal) that were facing difficulties in accessing the capital market.

In the reporting year, the Bank of Russia hosted the XXIV plenary meeting of the IMF Committee on Balance of Payments Statistics, where the leading world experts in external sector statistics participated; this was the first time the meeting was conducted in the territory of the Russian Federation. The Bank of Russia's experts also participated in the 58<sup>th</sup> World Congress of the International Statistical Institute, where the methodical and methodological issues of compiling external sector statistics, the improvement of information collection systems and the optimisation of information flows in the context of globalisation were discussed.

In 2011, the Bank of Russia held a number of meetings with World Bank representatives to study the influence of banking regulation on global processes in the world financial markets.

Jointly with the Ministry of Finance of the Russian Federation and the International Finance Corporation, the Bank of Russia took part in creating a Russian bank capitalisation fund; the funds totalled about \$1.5 billion. A corresponding agreement was concluded between the Government of the Russian Federation and the International Finance Corporation in the reporting year. The purpose of the fund is to support the expansion of the Russian banking system's capital base.

The meeting of the Group of central bank governors and supervisory bodies' heads discussed and approved proposals made by the Basel Committee on Banking Supervision (BCBS), which were related to improving approaches to banking regulation and banking supervision, including with respect to systematically important banks. Representatives of the Bank of Russia participated on a continuous basis in the work of the BCBS and in the specialised working groups that prepared proposals regarding corresponding directions of BCBS activity. Taking into account decisions that were made at the international level, the Bank of Russia started working out national approaches to calculating capital adequacy and liquidity ratios, as provided for in the BCBS documents (Basel III)<sup>1</sup>. As a part of the assessment of the quantitative impact study (QIS) of Basel III requirements on national credit institutions that was performed by the BCBS, the Bank of Russia collected and monitored the data requested by the BCBS.

In the context of the Bank of Russia's work with the Group of 20, the principal focus of the

implementation of the G20 Framework for Strong, Sustainable and Balanced Growth<sup>2</sup>. In this regard, the most important result of the four meetings that were held in 2011 between finance ministers and central bank governors was the coordination of a set of indicative guidelines for the assessment of global imbalances. These guidelines are based on economic indicators<sup>3</sup> that must be under control, first of all, in the world's largest economies. The guidelines became a foundation for research carried out by the G20 in member countries under the so-called Mutual Assessment Process<sup>4</sup>. This process was implemented in order to reveal problems in the respective countries' economies and financial systems that could cause global imbalances. The assessment was held in Russia, but no such imbalances were revealed.

In the course of implementing the Framework and the G20 Seoul Action Plan<sup>5</sup>, the Bank of Russia fulfilled the obligations that Russia had agreed to under these documents, including lowering inflation to 5—7%, limiting direct interference in the dynamics of the foreign exchange rate, increasing the flexibility of the rouble's exchange rate and improving regulation and supervision over the banking sector in line with international standards, and the G20, Financial Stability Board and BCBS initiatives.

In 2011, the G20 adopted a new plan, the Cannes Action Plan<sup>6</sup>, which is a further development of the Seoul Plan. It extends the validity of Russia's obligations as specified above (including those of the Bank of Russia) until 2013. The Cannes Action Plan gives a positive assessment of 'changes to Russia's foreign exchange regime to allow the rouble to move more in line with market forces'.

<sup>1</sup> Documents of the BCBS 'Basel III: International framework for liquidity risk measurement, standards and monitoring' and 'Basel III: A global regulatory framework for more resilient banks and banking systems'.

<sup>2</sup> The Framework is a multilateral mechanism for reaching global economic goals at their current stage, an instrument for the coordination of the economic policy measures of G20 member countries (approved in 2009 at the G20 Summit in Pittsburgh).

<sup>3</sup> The indicators are: (i) public debt and budget deficit, as well as personal savings rate and private sector debt; (ii) external imbalance, calculated on the basis of the trade balance and dynamics of net return on investment and transfers, in light of the budget, as well as monetary and foreign exchange rate policy.

<sup>4</sup> The mutual assessment process is one of the main mechanisms of the Framework's implementation and is a new feature of international economic cooperation.

<sup>5</sup> Approved at the G20 summit in Seoul in 2010.

<sup>6</sup> Approved at the summit in Cannes in November 2011. At the summit it was also decided that Russia will chair the G20 in 2013.

In 2011, the Bank of Russia jointly with the Ministry of Finance of the Russian Federation and the Russian Federal Financial Markets Service, continued working within the Financial Stability Board (FSB)<sup>1</sup> and constantly cooperated with the FSB Secretariat.

In the reporting year, the Bank of Russia participated in all of the major events of the annual cycle of the 'finance ministers' process' of the Asia-Pacific Economic Cooperation (APEC) Forum. One important outcome of this work was that it resulted in ministerial agreements on the necessity to coordinate efforts to increase the financial sector's stability and ensure the fulfilment of new BCBS requirements.

During the year, the Bank of Russia's representatives participated in negotiations on Russia's accession to the Organisation for Economic Cooperation and Development (OECD) and in sessions of its Investment Committee and Committee on Financial Markets. Its main efforts were

concentrated on the preparation of a draft of Russia's obligations within the organisation, including those in the banking sphere, and on the corresponding national plan for bringing Russian legislation in line with the country's future obligations, as they relate to OECD membership.

The Bank of Russia continued to participate in the work of the Russia-EU Dialogue, discussing financial and macroeconomic policy issues, as well as in meetings of the Russia-EU Working Group on Banking Services and Securities. In the context of developing integration between Russia and the EU, the Dialogue contributes to finding harmonised methods of financial sector regulation. This includes, inter alia, working out coordinated measures for ensuring financial stability, harmonising approaches to regulatory measures in the sphere of monetary and foreign exchange policy, and increasing the efficiency of supervision over credit institutions.

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<sup>1</sup> The decision to establish the FSB was made in 2009 at the G20 summit in London. In essence, the board is the main working body of the G20 for working out proposals and recommendations related to a wide range of financial stability issues and the improvement of the architecture of the world financial system.

## II.10.2. COOPERATION BETWEEN THE BANK OF RUSSIA AND FOREIGN COUNTRIES, AND THEIR CENTRAL ( NATIONAL ) BANKS

*In* 2011, the Bank of Russia, together with the Russian Ministry of Finance, was heavily involved in forming a legal and regulatory framework for the Common Economic Area (CEA) that is comprised of the Republic of Belarus, the Republic of Kazakhstan and the Russian Federation. This work focused on the tasks arising from the Participating Countries' Agreement on a Harmonised Foreign Exchange Policy, which was signed on 9 December 2010 (hereinafter referred to as the Agreement). To this end, the Bank of Russia co-authored a Treaty on a Harmonised Foreign Exchange Policy of the States, Parties to the Agreement (signed on 12 December 2011), a Treaty on Cooperation between Authorised Bodies of the States, Parties to the Agreement, Exercising Foreign Exchange Control (signed on 15 December 2011)<sup>1</sup>, and a Treaty on Harmonised Approaches to the Regulation of Monetary Legal Relations and on Liberalisation Measures to be Taken by the States, Parties to the Agreement (which was still being prepared for signing at the end of the period under review). The aforementioned documents will largely determine the further development of the CEA integration processes in the field of currency and finance, including the formation of an integrated foreign exchange market, a certain level of foreign exchange policy coordination, the broadening of the use of the national currencies in mutual settlements, the removal of foreign exchange restrictions, and enhancing the efficiency of cooperation in counteracting violations of foreign exchange legislation.

The EurAsEC Council of Central (National) Bank Governors (hereinafter referred to as the Council) met twice in 2011. The Council's activities cover essentially all the banking related issues of the Community's member states. In the reporting year, it focused mainly on maintaining the member countries' financial stability in the current conditions and during possible future cri-

ses and on harmonising their legal and regulatory frameworks. In particular, the Council drafted an agreement on harmonising the principles and mechanisms of the monetary and foreign exchange policies pursued by the parties, which was submitted to the EurAsEC Integration Committee for the required coordination procedures.

The work of the Interbank Monetary Council of the Central Bank of the Russian Federation and the National Bank of the Republic of Belarus (which held two meetings) focused on matters related to the implementation of the guidelines of the two countries' monetary policy. It also focused on measures to stabilise the economy of Belarus in the wake of a sharp devaluation which affected its national currency in 2011.

In 2011, the 13<sup>th</sup> regular meeting of the Subcommittee on Interbank and Investment Cooperation between the Russian Federation and the Republic of Kazakhstan was held. The Subcommittee helps resolve the practical issues of developing cooperation between the banking systems of the Russian Federation and the Republic of Kazakhstan, the improvement of their financial and banking infrastructure, and creating conditions for the formation of a common financial and exchange area and an integrated foreign exchange market in the EurAsEC/CEA region.

In 2011, the Bank of Russia intensified its relations with the National Bank of Ukraine, which decided to grant the Russian rouble a status similar to that of a fully convertible currency. This eliminated the restrictions on cross-border settlement transactions in Russian roubles within Ukraine.

Regular sessions of working bodies on interbank cooperation that were established by bilateral intergovernmental commissions on trade and economic cooperation (TEC) with China, Vietnam, India, Brazil, and Turkey were also held in 2011. At those sessions, the Russian delegations were headed by Bank of Russia representatives.

<sup>1</sup> <http://www.evrazes.com/docs/base>.

In the reporting year, they focused on issues related to the broader use of national currencies in mutual settlements. The decrease of confidence in the main reserve currencies caused by the 2008—2009 world crisis boosted interest in this topic. Most of the progress in this direction was made between Russia and China. In June 2011, an agreement between the Bank of Russia and the People's Bank of China on settlements and payments<sup>1</sup> was signed that set the scene for the greater use of the two countries' national currencies in their settlements on foreign trade transactions.

The results of these efforts made by the central banks of Russia and China were of great interest to Russian and Chinese credit institutions, which enabled MICEX to open regular rouble-yuan trading in 2011. This instrument turned out to be in great demand, and the number of participating banks on both sides almost quadrupled within a year (to reach 77). The volume of forex transactions in the interbank market also increased considerably.

The Russian-Vietnamese working group on interbank cooperation in the reporting year also actively worked on issues related to settlements in the countries' national currencies. In particular, the Joint Russian-Vietnamese Bank acted as an intermediary in implementing a pilot project of using the national currencies, as KamAZ trucks were supplied to Vietnam.

In 2011, the Bank of Russia continued to cooperate and exchange information with foreign states' banking supervision authorities. The improvement of supervision remained a key issue on the 2011 global financial agenda. The Bank of

Russia has concluded a total of 34 cooperation agreements (memoranda of understanding) with foreign states' banking supervision authorities. In 2011, memoranda of understanding were signed with the Luxembourg Commission for the Supervision of the Financial Sector and the Liechtenstein Financial Market Authority. Meetings on topical issues of banking regulation and supervision were held with the supervisory authorities of Austria, Germany, Italy, China, and the United Kingdom.

During 2011, the possibility of the Bank of Russia participating more broadly in the supervisory colleges established by the supervisory authorities of the European Union member countries was discussed. To this end, consultations were held to assess the compatibility of Russian legislation with European rules with respect to the confidentiality of information received from foreign banking supervision authorities. In 2011, the Bank of Russia's representatives participated in the activities of supervisory colleges on the OTP and HSBC banking groups of Hungary and the United Kingdom, respectively.

In 2011, the *Banks and Financial Services* Subgroup, under the auspices of the Russian-German High-Level Working Group on Strategic Economic and Financial Cooperation, continued its operation. Its regular meetings discussed, inter alia, the implementation of Basel III, the development of payment systems, the Russian draft law on the central depository and both Russian and German legislation on insider information. The Bank of Russia analyses its partners' experience with a view to using it to improve Russian banking legislation.

<sup>1</sup> [http://www.cbr.ru/today/ms/fo/Agreement\\_China.pdf](http://www.cbr.ru/today/ms/fo/Agreement_China.pdf).



## II.11. UPGRADING THE BANK OF RUSSIA SYSTEM AND ENHANCING ITS EFFICIENCY

### II.11.1. BANK OF RUSSIA ORGANISATIONAL STRUCTURE AND MEASURES TO IMPROVE IT

*In* 2011, work continued to streamline the organisational structure and reduce the staff of the Bank of Russia.

According to the Tentative Schedule of the Cash Settlement Centres' Liquidation in 2011—2015, which has been approved by the Bank of Russia Board of Directors, 66 units with a total of 894 employees were liquidated in the reporting period. The settlement network optimisation programme began in 2003; the total number of cash settlement centres fell by almost 58%, to 458 as of the end of 2011. Additionally, 16 field institutions of the Bank of Russia were eliminated in 2011.

On the other hand, the main cash settlement centre was established within the National Bank of the Chechen Republic to ensure its full-scale operation.

Changes in the Bank of Russia's organisational structure also occurred in its head office.

The Financial Stability Department was established to improve work in the areas of financial stability assessment, the coordination and analytical support of the macroprudential policy of the Bank of Russia, in the area of monitoring the financial infrastructure facilities that are of systemic importance, and that of cooperating on the said matters with international organisations and the central banks of other countries.

During 2011, the Bank of Russia chief auditor's service implemented organisational measures within the framework of the Internal Audit Improvement Concept, to optimise the internal audit units. In the structure of the Bank of Russia head office, the Internal Auditing Depart-

NUMBER OF BANK OF RUSSIA EMPLOYEES BY DIVISION AS OF 1 JANUARY 2012 (percent)

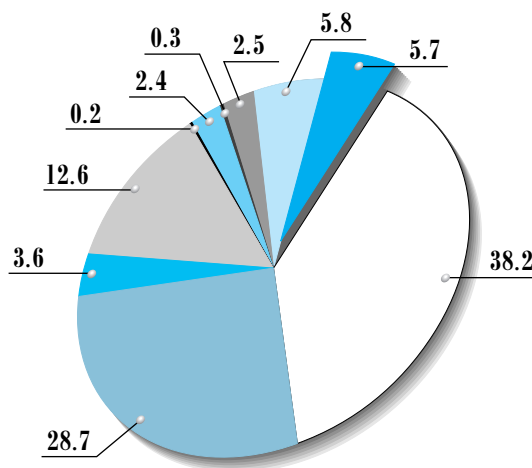


Chart 56

- Head office
- Central Depository
- Field institutions
- First Operations Department
- IT divisions
- Training centres
- Social amenities divisions
- Divisions providing logistical support for the head office and Bank of Russia divisions in Moscow and Moscow Region
- Structural divisions within regional branches (main cash settlement centres, cash settlement centres, cash centres, and branches and the Operations Department of the Moscow Branch)
- Regional branches

ment was organised, and materials were prepared for the establishment of internal audit centres at the regional branches of the Bank of Russia.

As of 1 January 2012, the Bank of Russia's structure is comprised of 921 divisions, including: the head office, the First Operations Department, 79 regional branches, 536 settlement network units, the five branches and the Operations Department of the Moscow Branch, the Interregional Security Centre, the three divisions of the

Central Depository, 99 field institutions, four IT divisions, and other auxiliary divisions.

In addition to the elimination of the settlement network's units, in 2011 the total number of employees at all the divisions of the Bank of Russia was reduced by 5% on average.

As a result of the organisational and staffing optimisation, the staff of the Bank of Russia decreased by 4,200 full-time employees, or by 5.9%, to total 66,300 in early 2012.

## II.11.2. STAFFING AND PERSONNEL TRAINING

*In* 2011, human resources efforts were aimed at improving the performance of the Bank of Russia's structural units by forming a highly skilled staff, developing the managerial competencies of the heads of units, developing the employees' personal and professional capabilities, and strengthening intra-corporate relations and values.

In the reporting period, the number of executive and specialist positions at the Bank of Russia decreased by 5.3%, and the staffing level at those positions remained the same: 98.7% as of 1 January 2012. The number of employees under 30 years of age grew by 0.1 percentage points to reach 10.2%. More than half of the Bank of Russia's personnel (56.2%) are between 30 and 50 years old; the share of executives and specialists who have reached retirement age has decreased by 1.9 percentage points, to 11.2%.

In 2011, the share of employees with 3 to 15 years' experience working at the Bank of Russia decreased by 3.8 percentage points, to 36.1%, while the share of executives and specialists with more than 15 years' experience with the Bank of Russia grew by 4.6 percentage points, to reach 55.8%.

In the last few years, the total number of Bank of Russia executives and specialists has tended to include more personnel with a university-level professional education.

In 2011, monitoring and the creation of a motivating environment were particularly important for effective personnel management. In the reporting period, Bank of Russia regional branches conducted staff assessments of 94% of specialists and executives. The assessment results were taken into account in more than 43,000 managerial decisions, including those involving appointments to new positions, selecting candidates for promotions, sending personnel for training, paying out bonuses, etc.

An important component of the Bank of Russia's personnel maintenance is its corporate system of additional professional education, which provides training in the current issues

of banking activities. In 2011, more than 4,500 training events were held at the Bank of Russia, involving more than 37,000 executives and specialists.

The work done in 2011 with leading Russian and foreign institutions of higher education, certified training centres, and various institutes and organisations resulted in more than 200 contracts for centralised personnel training. Also, the Bank of Russia conducted decentralised training on topics related to individual units' functional activities and courses required by federal rules and regulations (regarding labour protection and safety, and the licensing of medical activities). Under contracts concluded by Bank of Russia regional branches and establishments independently, more than 8,700 people were trained in 2011.

Special importance in the additional training system is assigned to the retraining of Bank of Russia personnel according to specialised curricula, including MBA (Master of Business Administration) training, which is ordered by the Bank of Russia and developed by leading institutions of higher learning in Moscow. The curricula combine the professional and business education required for organising modern banking activities.

AGE STRUCTURE OF BANK OF RUSSIA  
EXECUTIVES AND SPECIALISTS  
(percent)

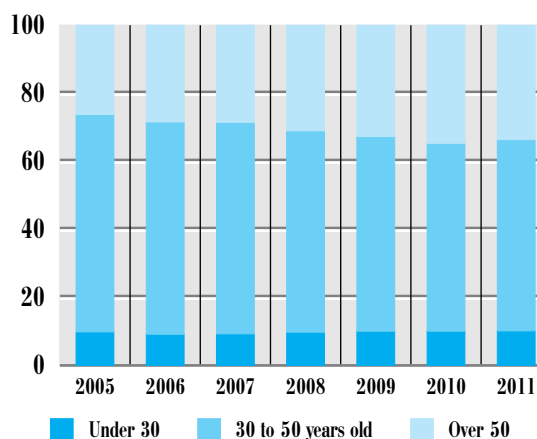


Chart 57

**RATIO OF EXECUTIVES AND SPECIALISTS WITH HIGHER PROFESSIONAL EDUCATION**  
(as a percentage of total executives and specialists)

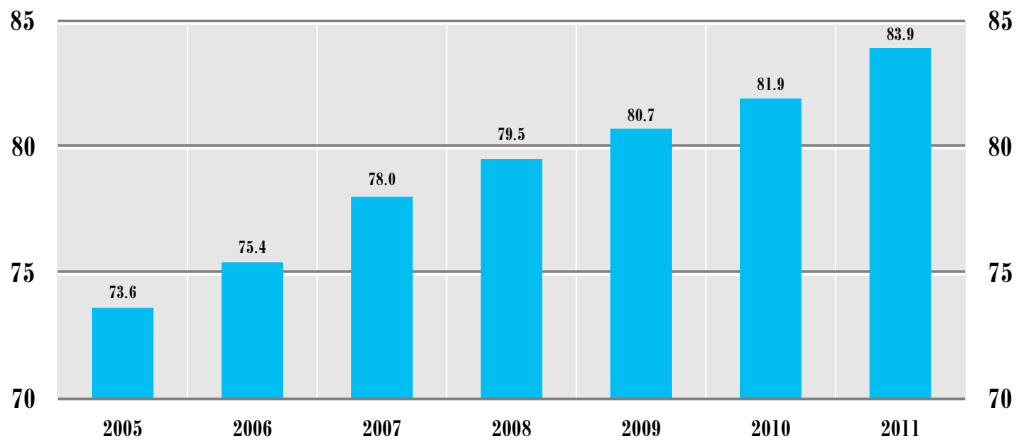


Chart 58

In accordance with the Russian Banking Sector Development Strategy for the Period until 2015, the topics of the Bank of Russia personnel's professional training included such spheres as payment systems, monetary policy, banking supervision, and inspections. Special training programmes were organised for the executive staff of the Bank of Russia, experts in financial markets, experts in information security and protection, and for the legal and HR departments.

Approximately 1,200 people have been trained under the basic retraining programmes since the project was launched in 2003; 30% of those trained under the basic retraining programmes obtained Master of Business Administration degrees.

The Bank of Russia paid much attention to the training of its personnel in the International Financial Reporting Standards (IFRS). In 2011, a two-year training project involving basic IFRS professional training programmes was completed. In 2010—2011, a total of 39 training events were held and attended by more than 800 people, of whom 75% were trained in 2011.

More than 200 executives and specialists of the Bank of Russia head office and regional branches trained in IFRS attended nine specialised courses in 2011. There they obtained more in-depth knowledge of certain international financial reporting standards and their practical applications.

The continued implementation of training programmes regarding the operation of the Bank

of Russia's information and telecommunications system (ICT) continued into 2011 and were intended for the personnel of the Bank of Russia's ICT units and the regional branches' executives in charge of ICT implementation. The Bank of Russia's ICT employees were centrally trained to implement and use modern information technology in order to provide documentary support to management, automate managerial document turnover, and provide better forwarding and archiving for the Bank of Russia's documents. The Bank of Russia's specialists were trained to utilise its software systems.

More than 1,000 Bank of Russia employees had the opportunity to study the international practices of the organisation and operation of central banks, and to get acquainted with the experience of central banks' regional branches during international training events. These were held in cooperation with the Bundesbank, Bank of France, Bank of England, National Bank of Poland, Netherlands Bank, Czech National Bank, Bank of Italy, Bank for International Settlements, the U.S. Federal Reserve System, the International Monetary Fund, the Financial Technology Transfer Agency (Luxembourg) and the central banks of EurAsEC member countries.

In the reporting period, under the Agreement on Cooperation in the Training of the Personnel of the Central (National) Banks of the EurAsEC Member States, the Bank of Russia hosted 12 international seminars for more than 300 employees of EurAsEC and CIS member states' banks.

Fifteen internships were organised for their employees to consolidate their knowledge and to exchange experience.

The Bank of Russia’s educational institutions, with their highly skilled trainers, make a weighty contribution to the training of its personnel. In addition to big training projects based on the Bank of Russia’s training centres and banking schools (colleges), seminars and training, computer and foreign language classes, and short-term refresher courses were held.

In 2011, 56 corporate and managerial socio-psychological trainings were held, involving more than 800 of the Bank of Russia’s executives and specialists. Psychological training for banking supervision, internal auditing, accounting and reporting, security and information protection, and cash issuance operations was further developed.

A seminar for students of the Moscow Banking School (College) of the Bank of Russia was organised at the Applied Sciences University of the Bundesbank, and a summer school was organised with practical sessions and held at the Bank of Russia St Petersburg Branch. This was done to practise the principles of practically-oriented training consistent with federal standards for secondary vocational education and the experimental applied B.A. education programme specialising in banking.

**BANK OF RUSSIA PERSONNEL TRAINING  
IN 2011**

(as a percentage of total trainees)

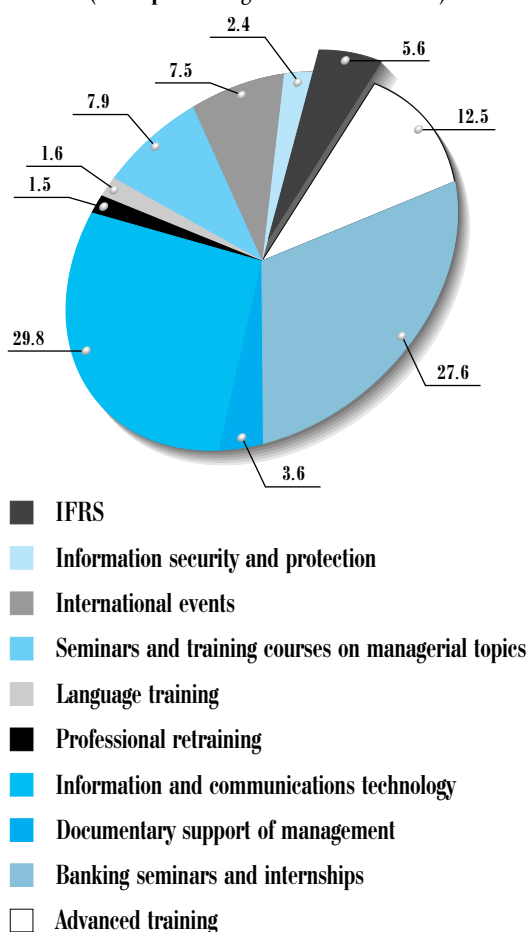


Chart 59

## II.11.3. BANK OF RUSSIA INFORMATION AND TELECOMMUNICATIONS SYSTEM DEVELOPMENT

*In* the reporting period, the information and telecommunications system (ITS) of the Bank of Russia continued to develop as part of the process to transit from the decentralised model to a centralised model of the Bank of Russia's IT support.

A transition to a single centralised infrastructure for the information and analytical support of the Bank of Russia's system has started. The set of technical facilities and software at the Collective Data Processing Centre (CDPC-2) at the Bank of Russia's St Petersburg branch were upgraded for this purpose.

A centralised and automated budgeting and financing system for the Bank of Russia Financial Department was put into pilot operation. Its implementation will make it possible to ensure the comprehensive automation of the budgeting and financing process, the electronic exchange of financial information, as well as the application of modern financial modelling, projecting, and statistical analysis methods.

As part of the Bank of Russia's efforts to create a Unified IT System for the Banking Sector's Regulation and Development (the banking supervision unit), two automated systems: *Keeping the State Register of Credit Institutions* and *Analysis of Correspondent Accounts* were put into operation.

The collection of reporting from the Bank of Russia's branches has been implemented using a single standard software and technology suite for data preparation and collection. This has made it possible to discontinue use of more than 70 different software systems for collection of reporting.

Work continued to provide electronic information exchange between the Bank of Russia and the federal executive authorities. At the moment, the information exchange has been organised with 14 ministries and departments.

To ensure the quality of services provided in support of the payment system and the information and analytical system, work continued to develop a multiservice banking telecommunications network for Moscow and the Moscow region, and to modernise the satellite communications system, as well as the local computer networks of the Bank of Russia's head office and regional branches.

A programme for the consolidation and virtualisation of the computing resources of Bank of Russia regional branches was fully implemented. This resulted in a considerable (up to ten-fold) decrease in the number of servers and an eight-fold increase in their utilisation ratio.

Work continued to improve the protection of the Bank of Russia's electronic information systems. The centralised system for managing the Bank of Russia's user access rights to the resources of the Bank of Russia information and analytical systems, and a regional system for managing user access rights to the information systems of Bank of Russia regional branches (76 regional branches) were completed. A software package for the guaranteed and protected delivery of key information for use in the automated systems of the Bank of Russia was put into operation.

To ensure the reliability of its ITS operation, the management, operation and software and technical support systems of the Bank of Russia's ITS were upgraded.

## II.11.4. BANK OF RUSSIA ACTIVITIES AIMED AT UPGRADING BANKING LEGISLATION. MANAGING SUITS AND CLAIMS AT BANK OF RUSSIA ESTABLISHMENTS

### BANK OF RUSSIA ACTIVITIES AIMED AT UPGRADING BANKING LEGISLATION

*In* 2011, the legal and organisational framework of the national payment system was codified by legislation. A number of laws were passed in order to improve the financial market's infrastructure, and a number of amendments were made to the basic laws which regulate banking activities.

The adoption of Federal Law No. 161-FZ, dated 27 June 2011, 'On the National Payment System' and a related law: Federal Law No. 162-FZ, dated 27 June 2011, 'On Amending Certain Laws of the Russian Federation in Connection with the Adoption of the Federal Law 'On the National Payment System'', raised the legislative regulation of the national payment system to an entirely new level.

In addition to the establishment of a legal and organisational framework for the national payment system, the Law on the National Payment System regulated the procedure for rendering payment services, including money transfers, using electronic payment instruments and the activities of entities within the national payment system. It also defined the requirements for the organisation and operation of payment systems, as well as the procedure for conducting supervision and monitoring within the national payment system.

Relations involving the use of electronic money have been legislatively regulated. Only credit institutions can be e-money operators, including a new type of non-bank credit institutions with a simplified incorporation and regulation regime.

Pursuant to the Law on the National Payment System, the Bank of Russia acquired new supervisory and monitoring powers within the national payment system. The national payment system's supervision was extended to cover

credit institutions that are payment system operators, operating and clearing centres, and non-credit institutions.

In order to improve the financial market's infrastructure, a number of fundamental laws were passed, in particular: Federal Law No. 7-FZ, dated 7 February 2011, 'On Clearing and Clearing Activities'; Federal Law No. 325-FZ, dated 21 November 2011, 'On Organised Trading'; Federal Law No. 414-FZ, dated 7 December 2011, 'On the Central Depository', as well as laws that amended certain legislation in connection with the adoption of the aforementioned laws. The main purpose of adopting the infrastructure laws was to enhance the efficiency and competitiveness of the Russian stock market's infrastructure, particularly to speed up and simplify settlements, reduce settlement risks, create a highly efficient system for managing the risks run by participants in the civil law relations and thus reduce the costs incurred by financial market participants.

Federal Law No. 391-FZ, adopted on 3 December 2011, 'On Amending the Federal Law 'On Banks and Banking Activities'', will contribute to the greater financial stability of the banking system and the implementation of the Russian Banking Sector Development Strategy for the Period until 2015. It stipulates that, if a bank hasn't increased the size of its equity capital to 90 million roubles by 2010, to 180 million roubles by 2012 and 300 million roubles by 2015 and hasn't applied to the Bank of Russia to change its status to that of a non-bank credit institution, then the Bank of Russia is obliged to revoke the banking licence from that bank.

In connection with the adoption of Federal Law No. 169-FZ, dated 1 July 2011, 'On Amending Certain Laws of the Russian Federation', the Federal Law 'On Banks and Banking Activities' was supplemented with a new rule. The new rule states that in addition to the documents credit

institutions are obliged to submit to the Bank of Russia for state registration and for obtaining a licence to perform banking operations, the Bank of Russia shall request on its own, from the federal executive authority in charge of the state registration of legal entities, private persons as individual entrepreneurs, and farms information on the state registration of the legal entities that are founders of the credit institution, and shall request from the tax authority information on the fulfilment by the founders of their obligations to the federal budget, the budgets of the Russian Federation's constituent territories and the local budgets over the last three years. The law also entitles the credit institution to provide the documents containing the aforementioned information on its own initiative.

The amendments to Article 26 of the Federal Law 'On Banks and Banking Activities' made by Federal Law No. 329-FZ, dated 21 November 2011, 'On Amending Certain Laws of the Russian Federation in Connection with the Improvement of Public Governance in Countering Corruption'; are designed to raise the efficiency of checking the correctness and completeness of information on the income, property and property liabilities of citizens claiming to hold positions indicated in Article 26. Upon receiving a request sent in accordance with the procedure established by the President of the Russian Federation, a credit institution shall disclose information on private persons' transactions, accounts and deposits to the heads (officers) of federal authorities, as listed in the manner specified by the President of the Russian Federation, and to the top officials of the constituent territories of the Russian Federation (heads of the executive authorities of the constituent territories of the Russian Federation).

In connection with the adoption of Federal Law No. 409-FZ, dated 6 December 2011, 'On Amending Certain Laws of the Russian Federation', Article 26 of the Federal Law 'On Banks and Banking Activities' was amended to include a new provision. The provision states that credit institutions shall provide documents and information containing the confidential banking information of legal entities and individual unincorporated entrepreneurs to the customs authorities of the Russian Federation, in the cases

and volumes stipulated by the procedure established by the Customs Code of the Customs Union and by Federal Law No. 311-FZ, dated 27 November 2010, 'On Customs Regulation in the Russian Federation'.

In 2011, the Bank of Russia, in compliance with Federal Law No. 176-FZ, dated 23 July 2010, 'On Amending the Federal Law 'On Countering the Legalisation (Laundering) of Criminally Obtained Incomes and the Financing of Terrorism' and the Russian Federation's Code of Administrative Offences' began applying to credit institutions and their officers the provisions of the Russian Federation's Code of Administrative Offences for breaches of legislated requirements related to countering the legalisation (laundering) of criminally obtained incomes and the financing of terrorism.

Federal Law No. 308-FZ, dated 8 November 2011, 'On Amending the Federal Law 'On Countering the Legalisation (Laundering) of Criminally Obtained Incomes and the Financing of Terrorism' and the Russian Federation Code of Administrative Offences' solved some of the problems that arose during the application of Federal Law No. 176-FZ, particularly:

- The term for providing information on transactions subject to mandatory control to the authority was extended to three working days after the execution or the detection of the transaction;
- The procedure for providing information on real estate transactions was clarified;
- It was established that special officials' qualification requirements shall include no restrictions on the filling of such vacancies with persons that have been held administratively liable for non-compliance with AML/FT legislation who were not expressly disqualified.

In addition, Article 15.27 of the Russian Federation Code of Administrative Offences was amended to determine whether non-compliance with the legislation concerning the organisation and/or application of internal controls was the fault of credit institutions or their officers, depending on whether transaction information was provided to the authorities at all.

Federal Law No. 285-FZ, dated 19 October 2011, 'On Amending Articles 4 and 57 of the Federal Law 'On the Central Bank of the Russian



Federation (Bank of Russia)' and Article 2 of the Federal Law 'On the Official Statistical Records and the State Statistics System in the Russian Federation' is aimed at further improving the Russian system of national accounts. It authorises the Bank of Russia to participate in the development of a methodology for compiling the financial account of the Russian Federation in the national account system and in organising the compiling of the financial account of the Russian Federation. The compiling of the financial account will make it possible to monitor financial transactions between institutional sectors and to assess the structure of various categories of financial instruments in the respective transactions.

Moreover, this Federal Law included the Bank of Russia in the list of entities of official statistical accounting established by the Federal Law 'On the Official Statistical Records and the State Statistics System in the Russian Federation'.

Federal Law No. 406-FZ, dated 6 December 2011, 'On Amending the Federal Law 'On Foreign Exchange Regulation and Foreign Exchange Control' to Simplify Foreign Exchange Control Procedures' established an exhaustive list of details to be indicated in the documents identifying the transaction. Now the Bank of Russia can only establish uniform rules with respect to residents' filing of the transaction's identifying documents with authorised banks when foreign exchange transactions are carried out between residents and non-residents. Before the law was passed, the volume of information reflected in the ID of the transaction was established by Bank of Russia Instruction No. 117-I, dated 15 June 2004, 'On the Procedure for the Provision by Residents and Non-residents of Documents and Information to Authorised Banks as They Carry out Foreign Exchange Transactions, and on the Procedure for the Accounting of Foreign Exchange Transactions and Executing Transaction IDs by Authorised Banks'.

In addition to contributing to the drafting of the aforementioned federal laws and discussing them, and considering the drafts and conceptual framework of other federal laws, the Bank of Russia issued 214 regulatory documents between 1 January 2011 and 31 December 2011, including one Bank of Russia instruction, nine Bank of Russia regulations, and 204 Bank of Russia ordinances.

Of those issued, 75 Bank of Russia regulatory documents, including one instruction, two regulations and 72 ordinances, were submitted to the Ministry of Justice of the Russian Federation and formally registered.

The Bank of Russia prepared and sent out 205 letters to its regional branches for informative, methodological, organisational and instructive purposes.

#### MANAGING SUITS AND CLAIMS AT BANK OF RUSSIA ESTABLISHMENTS

In 2011, Bank of Russia regional branches had 291 property-related claims and suits, which demanded an amount totalling 119.36 million roubles, of which 98 claims and suits (for a total of 6.79 million roubles) were satisfied, indicating that most of the claims and suits were unfounded.

In 2011, 14 labour relations suits were initiated against the Bank of Russia.

Some credit institutions disputed the sanctions used against them by the Bank of Russia in court and eight of the 112 suits filed were decided in favour of the banks.

Bank of Russia regional branches made claims and brought suits as part of their supervision of credit institutions: 897 claims and 47 suits (944 in total) were initiated against credit institutions, for an amount totalling 25 million roubles, of which 855 claims and suits, for an amount totalling 21.16 million roubles, were satisfied.

## II.11.5. BANK OF RUSSIA INTERNAL AUDITING

In 2011, the main tasks of the Bank of Russia chief auditor's service were audits of the compliance of the Bank of Russia's divisions with their roles and functions, the assessment of the state of internal controls and risk management, and the improvement of internal auditing at the Bank of Russia.

In the reporting period, the chief auditor's service of the Bank of Russia audited all the main activities of the Bank of Russia, including operations executed within the framework of implementing monetary policy, cash circulation, settlements, the supervision of credit institutions, ICT support of the Bank of Russia's operations, the spending of budget allocations, and others.

In order to provide the management of the Bank of Russia with independent information, the Internal Auditing Department conducted daily monitoring of transactions in foreign currency assets and precious metals, including with respect to the sufficiency of internal control procedures.

The chief auditor's service of the Bank of Russia coordinated the cooperation between the Bank of Russia and the Audit Chamber in conducting inspections.

As part of cooperation with the external auditor, the chief auditor's service of the Bank of Russia prepared an action plan for implementing the external auditor's recommendations and controlled the execution of this plan.

In 2011, the Bank of Russia Board of Directors approved of a Conceptual Framework to Improve the Bank of Russia Chief Auditor's Service, which provided for the introduction of a risk-based approach and the optimisation of the internal audit units.

During 2011, the chief auditor's service took steps to implement the Conceptual Framework. The Internal Auditing Department of the Bank of Russia was established in the structure of its head office, and measures were taken to create internal auditing centres at the regional branches of the Bank of Russia. The statutory framework was revised, and efforts were made to develop the technical capabilities of the internal audit.

All of the main changes in the activities of the chief auditor's service of the Bank of Russia are made in light of its experience and international internal audit practices.

In 2011, the Programme of Cooperation between the Bank of the Russia and the Eurosystem in the area of internal auditing, which had started in 2008, was completed. A guide entitled '*Internal Audits: The Experience and Practice of the Eurosystem*' was prepared by European Central Bank experts, co-authored by employees of the chief auditor's service of the Bank of Russia and published.

As a result of audits carried out by the chief auditor's service of the Bank of Russia in 2011, the management of the Bank of Russia was provided with information on the irregularities and shortcomings detected in the activities of its structural units. Managerial decisions were taken to prevent them, and recommendations were made concerning improvements in the Bank of Russia activities.

Pursuant to Articles 13 and 95 of the Federal Law 'On the Central Bank of the Russian Federation (Bank of Russia)', the chief auditor of the Bank of Russia submitted a report entitled 'The Activities of the Bank of Russia Chief Auditor's Service in 2011' to the National Banking Board.

## II.12. BANK OF RUSSIA STAKEHOLDINGS IN THE CAPITAL OF RUSSIAN AND FOREIGN CREDIT INSTITUTIONS, AND OTHER ORGANISATIONS

Pursuant to Article 8 of Federal Law No. 86-FZ, dated 10 July 2002, 'On the Central Bank of the Russian Federation (Bank of Russia)' (hereinafter, Federal Law No. 86-FZ), the Bank of Russia in 2011 participated in the capital of Sberbank (Savings Bank), an open joint-stock company, and in the capital of resident organisations that supported the operations of the Bank of Russia. These included: MICEX-RTS, an open joint-stock company (OAO MICEX-RTS; before 19 December 2011, Moscow Interbank Currency Exchange, a closed joint-stock company (ZAO MICEX)) and St Petersburg Currency Exchange, a closed joint-stock company (ZAO SPCEX). It was involved in these organisations through representatives it had in their management and controlling bodies for the purpose of implementing the strategic objectives of the economic policy of the state, and consistently upgrading the financial market's infrastructure.

The Bank of Russia's stake in Sberbank's capital did not change in 2011 and remained at 57.58%. Sberbank remained the Russian Federation's leading credit institution. As of 1 January 2012, the equity capital of Sberbank amounted to 1,527.2 billion roubles (excluding events after the reporting date), or 29.1% of the whole

banking sector's equity capital. The share of Sberbank in the total volume of the funds attracted from clients other than credit institutions was 29.7%, and 23.5% in the total volume of loans granted to non-financial organisations and individuals. The 2011 market price of its shares averaged 92.37 roubles per ordinary share. The conditions that favoured its growth in the first half of 2011 were replaced with a downward market trend that reduced the price of Sberbank shares to 79.13 roubles per ordinary share by the end of 2011. This prevented the Bank of Russia from selling part of its stake to retain 50% plus one voting share.

In 2011, Sberbank's Supervisory Board considered and approved the new dividend policy of Sberbank, which was designed to increase the bank's capitalisation and investment appeal. In implementing its plans to optimise the capital structure and to build long-term cooperation with the company's shareholders, Sberbank increased its 2010 dividend payments to 12% of its net profit. That decision and the growth in Sberbank net profit brought the amount of the dividends paid to the Bank of Russia to more than 11.9 billion roubles, or 10.9 billion roubles more than the dividends received in 2009.

During 2011, the Bank of Russia took an active part in preparing the MICEX Group's transition to a single share and in preparing and implementing the measures to reorganise ZAO MICEX by merging it with the RTS (Open Joint-Stock Company RTS Stock Exchange or OAO RTS). The creation of the consolidated exchange on 19 December 2011 reduced the Bank of Russia's interest in the authorised capital of OAO MICEX-RTS from 36.8% to 21.6% as the united exchange has more shareholders. The creation of the consolidated exchange in 2011 involved the conversion (split-up) of ordinary inscribed shares of ZAO MICEX. The extraordinary general meeting of ZAO MICEX shareholders that was held on 8 December 2011 approved the charter of the consolidated OAO MICEX-RTS exchange.

In 2011, ZAO MICEX paid the Bank of Russia over 3.9 billion roubles in dividends for 2010, or 3.8 billion roubles more than the dividends that the Bank of Russia received for 2009. Part of the dividends announced was payable in OAO RTS shares. In the course of the reorganisation of ZAO MICEX, the Bank of Russia concluded a share exchange agreement with a MICEX shareholder, whereby the OAO RTS shares payable as dividends to the Bank of Russia were transferred to that shareholder in exchange for shares of OAO MICEX-RTS that the shareholder transferred to the Bank of Russia after the reorganisation was completed after 1 January 2012.

The Bank of Russia's stake in the capital of SPCEX did not change in 2011 and stood at 8.9%. The Bank of Russia holds a stake in SPCEX because St Petersburg is the country's second largest financial centre and SPCEX may be used as a reserve trading floor. To support the banking sec-

tor of the Russian Federation and to increase the Bank of Russia's ability to refinance credit institutions, in late 2011 ZAO SPCEX, jointly with the Bank of Russia, began to conduct repo transactions, which were secured with a basket of securities.

Pursuant to Article 9 of Federal Law No. 86-FZ, the Bank of Russia in 2011 participated in the capital and activities of international organisations such as the Basel-based Bank for International Settlements (0.57% of authorised capital), the Moscow-based Interstate Bank (50.0% of authorised capital), and the Belgium-based Society for Worldwide Interbank Financial Telecommunications, or S.W.I.F.T. (0.006% of authorised capital). The year under review saw a decrease of the Bank of Russia's stake in the authorised capital of the Bank for International Settlements (Basel) by 0.02% and in the voting capital by 0.01% year on year. This resulted from the issuance of shares in favour of new shareholders.

On 18 January 2011, the Bank of Russia concluded an agreement with the Ministry of Finance of the Russian Federation and accepted the Russian Federation's claims on the IMF onto its reporting year's balance sheet, including the Russian Federation's quota with the Fund, which amounts to 5.95 billion SDR. It did so in accordance with Federal Law No. 291-FZ, dated 3 November 2010, 'On Amending the Federal Law 'On the Central Bank of the Russian Federation (Bank of Russia)' and Certain Laws of the Russian Federation'. As of 1 January 2012, the Bank of Russia's interest in the IMF's aggregate quotas (capital) was 2.5%, representing 2.39% of the total number of its member countries' votes.

**BANK OF RUSSIA ANNUAL  
FINANCIAL STATEMENTS  
AS OF 1 JANUARY 2012**



## INTRODUCTION

The annual financial statements include operations conducted by the Bank of Russia to fulfil its principal purposes and functions, as stipulated by Federal Law No. 86-FZ, dated 10 July 2002, ‘On the Central Bank of the Russian Federation (Bank of Russia)’.

The annual financial statements presented below (hereinafter referred to as the financial statements) as of 1 January 2012, are comprised of:

- Annual Balance Sheet;
- Profit and Loss Account;
- Statement of Profit and its Allocation;
- Statement of Bank of Russia Reserves and Funds;
- Statement of Bank of Russia Management of Securities and Stakeholdings in the Capital of Organisations Constituting Bank of Russia Property;
- Statement of Volume of Bank of Russia Transactions on Stock Exchanges and (or) Other Trade Organisers in the Securities Market;
- Statement of Bank of Russia Personnel Costs;
- Statement of Capital Investment Budget Performance;

The principal objectives of the Bank of Russia are:

- to protect the rouble and ensure its stability;
- to upgrade and strengthen the Russian banking system;
- to ensure the effective and uninterrupted functioning of the payment system.

In 2011, against the background of a highly unstable situation in the global financial markets, the Bank of Russia’s activities were aimed at creating favourable conditions for containing the possible spread of external shocks to the Russian financial sector. Due to increasing tension in domestic markets and the Russian bank-

ing sector’s shift towards structural liquidity deficit, the Bank of Russia implemented measures aimed at containing the systemic liquidity and interest rate risks. As a result, it ensured the necessary conditions for the slowing of inflation and the maintenance of a sustainable rate of economic growth.

During the reporting year, against the backdrop of increased volatility in the global currency market, the Bank of Russia continued to use its managed floating exchange rate regime, with the rouble value of the dual-currency basket serving as an operational benchmark. The Bank of Russia ensured the preservation of the country’s foreign exchange reserve assets by employing a comprehensive risk management system. This was based on the exclusive use of highly secure financial market instruments, stringent requirements for the foreign counterparties of the Bank of Russia and risk limits for each of them (depending on their credit rating).

The Russian banking sector developed sufficiently well in 2011; credit institutions’ assets grew 1.5 times faster than they had in 2010. In the second half of 2011, as banks experienced a shortage of liquidity, their active operations were financed with household deposits, and also with loans from the Bank of Russia (which provided extended refinancing to credit institutions) and with deposits acquired from the Ministry of Finance of the Russian Federation.

Throughout 2011, the Bank of Russia ensured the effective and reliable operation and development of the payment system. In accordance with the Concept of the Development of the Bank of Russia Payment System until 2015, the Bank of Russia expanded the functionality and services of its payment system further.

## ANNUAL BALANCE SHEET AS OF 1 JANUARY 2012



*(millions of roubles)*

	Note	2011	2010
<b>ASSETS</b>			
1. Precious metals	3	1,527,545	1,200,916
2. Funds placed with non-residents and foreign securities	4	14,245,276	13,271,928
3. Loans and deposits	5	1,663,280	514,303
4. Securities, of which:	6	426,150	440,512
4.1. Federal government debt obligations		332,738	347,161
5. Claims on IMF	7	602,627	0
6. Other assets, of which:	8	97,857	91,590
6.1. Fixed assets		75,429	74,388
6.2. Profit tax advance payments		167	164
<b>Total assets</b>		<b>18,562,735</b>	<b>15,519,249</b>
<b>LIABILITIES</b>			
1. Cash in circulation	9	6,896,064	5,785,322
2. Funds in accounts with the Bank of Russia, of which:	10	7,742,221	6,429,961
2.1. Federal government funds		4,443,546	3,222,298
2.2. Funds of resident credit institutions		1,748,402	1,817,134
3. Float	11	36,217	6,708
4. Securities issued	12	0	588,598
5. Liabilities to the IMF	13	472,335	720
6. Other liabilities	14	158,612	144,797
7. Capital, of which:		3,235,383	2,358,878
7.1. Authorised capital		3,000	3,000
7.2. Reserves and funds		3,232,383	2,355,878
8. Reporting year profit	15	21,903	204,265
<b>Total liabilities</b>		<b>18,562,735</b>	<b>15,519,249</b>

Bank of Russia Chairman

Bank of Russia Chief Accountant

10 May 2012

  
 S.M. Ignatiev  
  
 L.I. Gudenko

## PROFIT AND LOSS ACCOUNT

		<i>(millions of roubles)</i>	
	Note	2011	2010
<b>INCOME</b>			
Interest income	16	182,748	228,075
Income from securities trading	17	31,144	77,708
Income from stockholdings in credit institutions and other organisations	18	15,929	1,210
Net income from releasing provisions	19	12,323	153,992
Other income	20	14,361	8,497
<b>Total income</b>		<b>256,505</b>	<b>469,482</b>
<b>EXPENSES</b>			
Interest expenses	21	78,245	108,365
Expenses on securities trading	22	8,837	12,300
Cash turnover management expenses	23	15,906	10,732
Expenses on negative revaluation of securities available for sale	24	4,070	5,193
Other operating expenses	25	47,997	54,871
Personnel costs	26	79,547	73,756
<b>Total expenses</b>		<b>234,602</b>	<b>265,217</b>
<b>Financial result: profit</b>		<b>21,903</b>	<b>204,265</b>



## CAPITAL, FUNDS AND PROFIT ALLOCATION

*(millions of roubles)*

	Authorised capital	Reserves	Social fund	Accrued revaluation of precious metals	Accrued foreign currency exchange rate differences	Positive revaluation of securities available for sale	Growth in property value due to revaluation	Total capital	Profit for the year
<b>Balance as of 1 January 2011, before taxation and allocation of profit for 2010</b>	<b>3,000</b>	<b>207,054</b>	<b>5,413</b>	<b>1,002,098</b>	<b>1,065,491</b>	<b>67,857</b>	<b>7,965</b>	<b>2,358,878</b>	<b>204,265</b>
Taxes and duties paid from Bank of Russia profit for 2010	0	0	0	0	0	0	0	0	(172)
Allocation of profit for 2010	0	48,982	2,041	0	0	0	0	51,023	(51,023)
Transferred to federal budget	0	0	0	0	0	0	0	0	(153,070)
<b>Balance as of 1 January 2011, after taxation and allocation of profit for 2010 in 2011</b>	<b>3,000</b>	<b>256,036</b>	<b>7,454</b>	<b>1,002,098</b>	<b>1,065,491</b>	<b>67,857</b>	<b>7,965</b>	<b>2,409,901</b>	<b>0</b>
Profit for the year	0	0	0	0	0	0	0	0	21,903
Transferred to funds	0	0	2	197,709	593,010	69,555	1	860,277	0
Paid from funds	0	0	(2,719)	0	0	(32,076)	0	(34,795)	0
<b>Balance as of 1 January 2012, before taxation and allocation of profit for 2011</b>	<b>3,000</b>	<b>256,036</b>	<b>4,737</b>	<b>1,199,807</b>	<b>1,658,501</b>	<b>105,336</b>	<b>7,966</b>	<b>3,235,383</b>	<b>21,903</b>
Taxes and duties paid in advance in 2011 from Bank of Russia profit	0	0	0	0	0	0	0	0	(167)
Taxes and duties levied additionally in 2012 after final settlement from Bank of Russia profit for 2011	0	0	0	0	0	0	0	0	(1)
Profit for 2011 after tax and duty payments effected under the Tax Code of the Russian Federation	0	0	0	0	0	0	0	0	21,735
— to be transferred to federal budget	0	0	0	0	0	0	0	0	(16,301)
— to be allocated to funds	0	5,217	217	0	0	0	0	5,434	(5,434)
<b>Total after taxation and allocation in 2012 of profit for 2011</b>	<b>3,000</b>	<b>261,253</b>	<b>4,954</b>	<b>1,199,807</b>	<b>1,658,501</b>	<b>105,336</b>	<b>7,966</b>	<b>3,240,817</b>	<b>0</b>



Precious metals in their physical form and funds in precious metals in unallocated metal accounts and deposits are accounted for at book price and revalued in compliance with Bank of Russia regulations. The surplus unrealised differences that arose from the revaluation of precious metal balances, due to the change in the book price of precious metals, totalling 197,709 million roubles, are recorded to the balance sheet account *Accrued revaluation of precious metals* as part of capital. As of 1 January 2012, they totalled 1,199,807 million roubles (as against 1,002,098 million roubles in 2010) (Note 1 (c) and Statement of Bank of Russia Reserves and Funds).

In 2011, there was an excess of positive unrealised foreign currency exchange rate differences over negative unrealised foreign currency exchange rate differences. This excess totalling 593,010 million roubles is recorded to the balance sheet account *Accrued foreign currency exchange rate differences* as part of capital. As of 1 January 2012, accrued foreign currency exchange rate differences as part of capital totalled 1,658,501 million roubles (as against 1,065,491 million roubles in 2010) (Note 1 (d) and Statement of Bank of Russia Reserves and Funds).

In 2011, there was a 37,479 million rouble increase in the accrued revaluation of securities available for sale (due to the recording of the excess of the positive revaluation of available for sale securities of the corresponding issue) over the negative revaluation of the issue, including the one recorded as expenses in previous years, for a total of 69,555 million roubles. It was also due to the writing off of the excess of the negative revaluation of available for sale securities of the corresponding issue over the positive revaluation as part of the previously accrued revaluation, recorded as capital, for securities of the corresponding issue and of the previously accrued revaluation, recorded as capital, for securities sold in 2011, to a total amount of 32,076 million roubles. As of 1 January 2012, the accrued revaluation of securities available for sale and accounted for as capital totalled 105,336 million roubles (as against 67,857 million roubles in 2010) (Note 1 (e) and Statement of Bank of Russia Reserves and Funds).

In 2011, the Bank of Russia paid 167 million roubles in profit taxes, including 165 million roubles in advance payments for 2011, and 2 million roubles in additionally levied profit taxes for 2008 and 2009, according to revised profit tax returns (Note 8 and Statement of Profit and its Allocation).

The adjustment in total taxes and duties paid upon the final settlement for the reporting tax period in the amount of 1 million roubles, the transfer to the federal budget and allocation of actual profit for 2011 remaining after the transfer to the federal budget under Article 26 of the Federal Law 'On the Central Bank of the Russian Federation (Bank of Russia)' and Articles 5 and 6 of Federal Law No. 245-FZ, dated 30 September 2010, 'On Amending the Budget Code and Other Laws of the Russian Federation' (as amended), taking into account the amount of the profit tax settlement, are recognised in Bank of Russia accounting records in 2012 (Note 28 and Statement of Profit and its Allocation).

## NOTES TO ANNUAL FINANCIAL STATEMENTS AS OF 1 JANUARY 2012

### 1. ACCOUNTING AND FINANCIAL REPORTING PRINCIPLES

The Bank of Russia's accounting and financial reporting practices conform to the Federal Law 'On the Central Bank of the Russian Federation (Bank of Russia)', the Federal Law 'On Accounting', Bank of Russia Regulation No. 66-P, dated 1 January 2006, 'On Accounting Rules in the Central Bank of the Russian Federation (Bank of Russia)' (hereinafter referred to as Regulation No. 66-P) and other Bank of Russia regulations issued pursuant to these federal laws.

#### *(a) Accounting principles*

Accounting is based on the principle of recording balance sheet items at their initial value at the time assets are acquired, and when obligations arise, under the terms and conditions stipulated by the agreement. The principles used for revaluing individual asset and liability items are described below.

#### *(b) Financial reporting principles*

These financial statements have been compiled on the basis of the balance sheet data provided by the Bank of Russia, its regional branches, and other divisions incorporated in the Bank of Russia as a legal entity.

These financial statements have been compiled exclusive of the financial statements of credit institutions and other organisations within and outside Russia in which the Bank of Russia holds a stake, and/or which the Bank of Russia controls. Under Russian law, the Bank of Russia is not required to compile a consolidated financial statement that includes the financial statements of credit institutions and other organisations in which it holds a stake and/or which it controls.

These financial statements have been compiled in the currency of the Russian Federation, the Russian rouble (hereinafter referred to as the rouble), in millions of roubles.

Data in the Table *Capital, funds and profit allocation* and the Statement of Bank of Russia Reserves and Funds have been adjusted for the purpose of compiling Bank of Russia annual financial statements, taking into account events that occurred after the reporting date. These include the adjustment in total taxes and duties paid upon the final settlement for the reporting tax period, the transfer to the federal budget of 75% (75% in 2010) of actual annual profit remaining after the payment of taxes and duties pursuant to the Tax Code of the Russian Federation, and the allocation to the Bank of Russia's reserves and funds of profits retained by the Bank of Russia (Note 28, Statement of Profit and its Allocation and Table *Capital, funds and profit allocation*).

Figures shown in Tables in brackets denote negative values.

For the purposes of these financial statements, Bank of Russia operations with credit institutions and the Bank for Development and Foreign Economic Affairs (Vnesheconombank), a state corporation, are referred to as operations with resident banks.

#### *(c) Precious metals*

Precious metals are recorded at their book price and revalued, as the book prices of precious metals are set in accordance with Bank of Russia standards and regulations.

The Bank of Russia calculates the book prices on the basis of the current fixed prices of precious metals on the London Metal Exchange. The fixed prices of precious metals, denominated in US dollars, are recalculated into roubles at the official US dollar / rouble exchange rate, effective as of the day following the day the book prices are fixed, which in their turn also become effective as of the following day.

The excess of the positive unrealised differences that arise from the revaluation of the precious metal balances, due to the change in the book prices of precious metals, over the negative unrealised

differences is recorded to the balance sheet account *Accrued revaluation of precious metals* as part of capital and not included in the profit and loss account.

In cases where the negative unrealised difference exceeds the positive unrealised difference in the results of the full-year performance, the excess is compensated for from previously accrued unrealised differences recorded in the balance sheet account *Accrued revaluation of precious metals* as part of capital by the decision of the Bank of Russia Board of Directors. If the balance sheet account *Accrued revaluation of precious metals* is empty or insufficient, the negative unrealised differences are entirely (or in the amount of the excess of the credit balance of the balance sheet account *Accrued revaluation of precious metals*) recorded to Bank of Russia operating expenses for the corresponding reporting year, by the decision of the Bank of Russia Board of Directors.

The realised differences (income or expenses) that arise when trade operations with precious metals are conducted at a price different from the book price of the precious metal are calculated individually for each operation. The realised difference is the difference between the actual value of the transaction and the value based on the book price of the corresponding precious metal. The realised differences in operations with precious metals are determined as of the date when the title for the precious metal in the transaction is transferred. Net positive realised differences are recorded as other income, while net negative realised differences are recorded as other operating expenses.

Precious metals placed on deposits or unallocated metal accounts in non-resident credit institutions are accounted for at their book price, revalued under Bank of Russia regulations, and recorded to *Funds placed with non-residents and foreign securities*.

Precious metals in commemorative and investment coins are not revalued.

Bank of Russia claims and obligations with respect to the delivery of precious metals in forward transactions under signed contracts are recorded to off-balance sheet accounts from the transaction date to the settlement date, and revalued as the book prices of precious metals are set.

Book prices used to recalculate assets and liabilities in precious metals as of 1 January 2012, were as follows: 1,629.8100 roubles per gram of gold (2010: 1,383.0600 roubles per gram of gold); 27.0800 roubles per gram of silver (2010: 29.8300 roubles per gram of silver); 1,429.5100 roubles per gram of platinum (2010: 1,724.5400 roubles per gram of platinum); 658.3400 roubles per gram of palladium (2010: 780.9400 roubles per gram of palladium).

#### *(d) Foreign currency assets and liabilities*

Foreign currency assets and liabilities are accounted for in roubles at the official rates of exchange of the rouble against foreign currencies set by the Bank of Russia (hereinafter referred to as the official exchange rates) as of the balance sheet date. Foreign currency assets and liabilities are revalued daily at the official exchange rates. Income and expenses relating to Bank of Russia foreign currency operations are accounted for in the balance sheet in roubles at the official exchange rates, as of the day income is received or expenses are incurred.

The excess of the positive unrealised exchange rate differences that arise in the course of revaluing the balances in debit and credit balance sheet accounts, where funds in foreign currency are reflected, over the negative unrealised exchange rate differences due to changes in the official exchange rates, is recorded to the balance sheet account *Accrued foreign currency exchange rate differences* as part of capital and is not included in the profit and loss account.

Should the negative unrealised exchange rate differences exceed the positive unrealised exchange rate differences accrued over the year, the excess is offset by the previously accrued exchange rate differences accounted for as *Accrued foreign currency exchange rate differences* as part of capital by the decision of the Bank of Russia Board of Directors. If the balance sheet account *Accrued foreign currency exchange rate differences* is empty or insufficient, the negative unrealised exchange rate differences are entirely (or in the amount that exceeds the credit balance of the balance sheet account *Accrued foreign currency exchange rate differences*) recorded to Bank of Russia expenses for the corresponding reporting year by the decision of the Bank of Russia Board of Directors.

Realised exchange rate differences that arise in foreign exchange transactions conducted at a rate that differs from the official exchange rates are calculated individually for each transaction, and are recorded to Bank of Russia income or expenses. The total excess of the positive realised exchange rate differences from foreign exchange operations over the negative realised exchange rate differences is recorded as part of other income to *Net realised foreign currency exchange rate differences*, whereas the total excess of the negative realised exchange rate differences from foreign exchange operations over the positive realised exchange rate differences is recorded as part of other operating expenses to *Net negative realised foreign currency exchange rate differences*.

Bank of Russia claims and obligations under foreign currency purchase and sale forward contracts are recorded to off-balance sheet accounts from the transaction date to the settlement date and revalued at the official exchange rates.

The official exchange rates used in recalculating foreign currency assets and liabilities as of 1 January 2012, were as follows: 32.1961 roubles to the US dollar (2010: 30.4769 roubles to the US dollar); 41.6714 roubles to the euro (2010: 40.3331 roubles to the euro); 49.6335 roubles to the pound sterling (2010: 47.2605 roubles to the pound sterling); 31.5679 roubles to the Canadian dollar (2010: 30.4921 roubles to the Canadian dollar); 41.4978 roubles to 100 Japanese yen (2010: 37.3789 roubles to 100 Japanese yen); and 49.2729 roubles to the SDR (special drawing rights) (2010: 46.7269 roubles to the SDR).

#### *(e) Securities*

Securities are accounted for at the purchase price, taking into account coupon income paid, increased by material additional expenses (costs) directly related to their purchase. Expenses exceeding 5% of the transaction value are recognised as material.

Securities are accounted for in the currency in which they are issued.

The price of securities purchased in a currency other than that in which they were issued is determined at the Bank of Russia's official rate of exchange as of the purchase date, or at the cross rate set for the corresponding currencies.

Investments in securities other than promissory notes are categorised as follows, depending on the purpose of the purchase:

Debt obligations appraised at fair value through profit or loss. These securities are purchased for short-term sale (up to one year) and their current (fair) value can be determined;

Debt obligations held until redemption. These are securities that the Bank of Russia intends to hold to redemption, regardless of the period between the purchase date and the redemption date;

Debt obligations available for sale. These are securities that are not categorised when purchased as 'appraised at fair value through profit or loss' or 'held to redemption'.

The balance sheet value of securities after their initial recognition is altered by the amount of the discount (premium) and coupon (interest) income accrued and received from initial recognition until retirement.

The amount of the discount (premium) and coupon (interest) income on securities is recognised as interest income accrued in the period to maturity.

Interest income on securities is recognised as income on the last working day of the month in which the securities are retired (sold) or when interest income is paid by the issuer.

Securities categorised as securities appraised at fair value through profit or loss and securities categorised as available for sale are revalued at current (fair) value.

Market prices from the latest trades are used to evaluate securities at current (fair) value (if the securities are listed on the exchange). Alternately, the latest available representative purchase prices quoted by the financial news and data service Bloomberg are used if the securities are traded in the over-the-counter market. Appraisals based on market data are used if it is impossible to determine the market price of securities from external independent sources.

The securities revaluation sum is the difference between the fair price of the securities and their balance sheet price, inclusive of accrued interest income. Revaluation amounts that arose during the year due to the change in the current (fair) value are recorded in the accounts, reflecting a positive or negative revaluation of securities.

The revaluation of securities categorised as securities appraised at fair value through profit or loss is recorded for the year on the accounts reflecting the income from securities trading (positive differences) or the accounts recording expenses incurred in securities trading (negative differences).

For the year's total, the excess of the positive revaluation over the negative revaluation of securities available for sale is written down to the account recording income on securities within the limits of the negative revaluation of the corresponding issue (issuer), related to the account recording the expenses involved in securities trading in previous years, and in the absence of the negative revaluation of the corresponding issue (issuer), related to the expenses incurred in previous years or in the amount exceeding it to the account *Positive revaluation of securities available for sale* as part of capital. As for securities available for sale that are acquired in the reporting year, the sum of the positive revaluation of the securities available for sale of the corresponding issue (issuer) is recorded to the balance sheet account *Positive revaluation of securities available for sale* as part of capital.

For the year's total, the excess of the negative revaluation over the positive revaluation of securities available for sale of the corresponding issue (issuer) is written down at the expense of the positive revaluation of securities available for sale, and accounted for as capital within the limits of the previously accrued positive revaluations of this issue (issuer). In the absence (or shortage) of the previously accrued positive revaluations of this issue (issuer) accounted for as capital, it is recorded to the account recording the expenses involved in securities trading. As for securities available for sale and acquired in the reporting year, the sum of the negative revaluation of the securities available for sale of the corresponding issue (issuer) is written down to the account reflecting expenses related to the negative revaluation of securities available for sale in the profit and loss account.

The financial result of the retirement of securities available for sale is determined as the difference between the balance sheet price of the security as of the retirement date (inclusive of accrued interest income and accrued revaluation as of the retirement date) and the retirement (purchase) price set by the contract.

Realised income and expenses from the sale of securities are recorded as income and expenses related to securities trading in the profit and loss account.

Securities received by the Bank of Russia in repo transactions with resident or non-resident credit institutions are recorded in off-balance sheet accounts as securities received as collateral in repos and revalued at their current (fair) value. The funds provided through repos with resident or non-resident credit institutions are recorded on the Bank of Russia balance sheet as operations to provide funds against the collateral of securities. Income from these placements is recorded as interest income.

Securities passed by the Bank of Russia in operations conducted on a revocable basis, including securities passed as collateral in repo transactions with resident or non-resident credit institutions, continue to be accounted for on the Bank of Russia balance sheet in the same category of securities as they were accounted for prior to the repos in separate balance sheet accounts. The raising of funds through repos with resident or non-resident credit institutions is accounted for on the Bank of Russia balance sheet as fund-raising operations conducted against the collateral of securities. Expenses involved in raising funds through repos are recorded as interest expenses.

Securities received by the Bank of Russia as dividends paid with property (in a non-cash form) are recorded as of the date when the title for the respective securities is transferred.

Promissory notes issued by credit institutions are accounted for at their purchase price net of the provisions made for them.

*(f) Bank of Russia bonds*

Bank of Russia bonds (OBRs), when placed and sold, are accounted for at par value net of the discount (the difference between their par value and the actual placement or selling price).

The amount of the discount is recognised as interest expenses accrued during the OBR's period to maturity and recorded on the expense accounts on the last working day of the month when the bonds are bought back or redeemed.

When OBRs are bought back by the Bank of Russia, securities that were placed first are written off the Bank of Russia balance sheet, while the difference between the balance sheet price of the securities (inclusive of accrued interest expenses) and the amount paid is recorded to the profit and loss account as expenses (income) relating to securities trading.

OBR repos are accounted for in the same way as securities repos. OBRs received by the Bank of Russia in repos with resident credit institutions are recorded on off-balance sheet accounts as securities received as collateral in repos. The provision of funds in repos with resident credit institutions is recorded on the Bank of Russia balance sheet as placements made against the collateral of securities. Income from the placements of funds in repos is accounted for as interest income.

*(g) Investments*

Bank of Russia investments in the authorised capital of credit institutions and other organisations inside and outside Russia are accounted for at their purchase price.

*(h) Loans and deposits*

Loans and deposits extended to credit institutions and state corporations, including those extended pursuant to federal laws and decisions made by the Bank of Russia Board of Directors, are recorded to the principal debt, net of depreciation provisions.

The Bank of Russia extends loans against gold, the collateral (blocking) of securities, and the assets or guarantees of credit institutions.

The Bank of Russia places deposits and extends subordinated and unsecured loans in roubles and foreign currency in accordance with certain federal laws and decisions of the Bank of Russia Board of Directors.

Foreign currency-denominated deposits placed with non-resident banks are recorded to the principal debt, net of depreciation provisions.

*(i) Bank of Russia loss provisions*

To cover the risks (probable losses) to which it may be exposed when conducting its operations or fulfilling its duties, the Bank of Russia, pursuant to the applicable laws of the Russian Federation, makes provisions for: probable losses on credit and other similar exposure; claims to interest income on loans and other similar exposure; securities kept until redemption; the Ministry of Finance's debt to the Bank of Russia (except debt in the form of government securities); Bank of Russia compensation payments to the depositors of bankrupt banks uncovered by the deposit insurance system; other Bank of Russia operations in roubles and foreign currency; deferred expenses involved in guaranteeing obligations to the participants in the Bank of Russia's pension scheme; deferred expenses related to the optimisation of the Bank of Russia's structure and the need to cover losses due to the shortage of Bank of Russia reserves and funds; and for the contingent credit obligations of the Bank of Russia. The Bank of Russia may make provisions for other assets and probable losses if there is any reason to believe that losses may occur.

Provisions are made according to the single scale for measuring credit risk for credit and other similar exposures of the Bank of Russia in roubles and foreign currency, on an individual basis and/or for homogenous credit portfolios with similar credit exposure characteristics.

Loss provisions for the homogeneous credit portfolio are made for the portfolio as a whole and reflect the amount of probable losses that may result from the overall depreciation of homogenous

loans pooled (grouped) in the portfolio. When determining which credit exposure characteristics are similar, the Bank of Russia may take into account the type of asset, the type of collateral, the implementation of transactions under one agreement, the net settlement of debt obligations in several transactions and other transaction characteristics.

Provisions are made in roubles. Bank of Russia provisions are made by the decision of the Bank of Russia Board of Directors and recorded as Bank of Russia expenses. When the amount of the provisions made decreases as a result of: the full or partial redemption of loans and the repayment of deposits, the settlement of interest claims, the repayment of promissory notes and other debts, the retirement of other assets, the reduction of obligations and/or expenses, the termination of contingency obligations, the return of the funds that remain unclaimed by the depositors of a bankrupt bank and are transferred to the Bank of Russia by the agent bank after the completion of Bank of Russia payments, or the settlement by the receiver of the bankrupt bank of the Bank of Russia's claims, the change of the official rate of exchange of foreign currencies against the rouble, the improvement of the quality of assets and the reduction of the risk of probable losses for Bank of Russia assets (contingency obligations), the corresponding part of the provisions is recovered to Bank of Russia income.

Provisions are used to write off assets the Bank of Russia cannot recover after it has undertaken the necessary and adequate legal and actual measures to recover them and to realise the rights arising from the availability of collateral for the Bank of Russia assets and to cover other losses and guarantee pension obligations and/or expenses.

The risk of probable losses on the Bank of Russia's assets (for which provisions are made) is assessed by determining the probability of losing funds placed by the Bank of Russia, and the amount of Bank of Russia probable losses according to the Bank of Russia provisioning procedure approved by the National Banking Board.

Provisions for credit and similar exposure, and exposure to interest income from credit and similar exposure, are made by the Bank of Russia when the risk of probable losses (credit risk) arises in rouble- and foreign currency-denominated operations with credit institutions and other borrowers. Such risks are due to the non-fulfilment or inappropriate fulfilment (if there is a threat of such non-fulfilment or inappropriate fulfilment) by borrowers of their obligations with respect to Bank of Russia loans (deposits) and other placements, under the terms and conditions of agreements or other relevant documents that confirm the extension of loans (placement of deposits) and the placement of other funds by the Bank of Russia, other Bank of Russia claims, and non-payment of promissory notes.

The Bank of Russia assesses credit risk associated with the following credit and similar exposures: loans extended (deposits placed) by the Bank of Russia; promissory notes; and other placements, including funds placed in repo transactions. When assessing credit risk, the Bank of Russia evaluates the financial situation of the borrower and the quality of its debt servicing. The amount of provisions is determined, taking into account the value (amount) of collateral provided under the agreements, and calculated using adjustment ratios (discounts), unless the Bank of Russia Board of Directors decides otherwise. The debt on credit exposure is not adjusted for the value of collateral provided for the loan, if the Bank of Russia has lost the possibility of recourse or the right to recover the corresponding collateral.

Provisions for Bank of Russia compensation payments for household deposits in bankrupt banks, uncovered by the compulsory deposit insurance system (hereinafter referred to as Bank of Russia compensation payments), are made in the amount of the funds the Bank of Russia actually transferred to the agent bank to effect Bank of Russia compensation payments, and also in the amount of debt the bankrupt bank owes to the Bank of Russia on obligations that arose in connection with the transfer of funds to the bankrupt bank's depositors by the Bank of Russia.

Provisions to guarantee Bank of Russia obligations to participants in the Bank of Russia's pension scheme are made for the purpose of ensuring the fulfilment of the complementary pension obligations



to Bank of Russia employees, under the terms and conditions of the pension plan, according to the forecasted value of pension obligations as of the end of the year following the reporting year, based on the actuarial appraisal of pension obligations of the Bank of Russia. The amount of provisions to be made is determined by the excess of the forecasted value of pension obligations over the forecasted balance of funds on the pension account as of the end of the year following the reporting one.

Loss provisions for the funds deposited by the Bank of Russia with a credit institution to compensate for part of the losses (expenses) sustained by the credit institution in transactions with other credit institutions that had their banking licenses revoked (pursuant to Federal Law No. 173-FZ, dated 13 October 2008, 'On Additional Measures to Support the Financial System of the Russian Federation') are made when the credit institution writes off the compensation deposit.

Bank of Russia assets for which provisions are made are accounted for in the balance sheet net of the amount of the provisions made.

#### *(j) Fixed assets*

The Bank of Russia's fixed assets are part of its property with a service life in excess of 12 months and a value in excess of the limit set by the Bank of Russia for the recognition of property as fixed assets. In 2011, this limit (set on 1 January 2008) was 20,000 roubles.

Fixed assets are accounted for at their residual value, i.e. at the purchase price inclusive of revaluation and exclusive of accrued depreciation.

Bank of Russia fixed assets have been revalued in compliance with Russian Federation Government resolutions. The latest revaluation was made as of 1 January 1997.

Depreciation allowances are made each month, on the first day of the month following the month the fixed assets were put into operation, at the rate of one-twelfth of the annual sum, and are continued throughout its entire service life (except in cases in which the asset is in the process of reconstruction or modernisation for more than 12 months or has been deactivated for more than three months following the decision of the Bank of Russia), and discontinued from the first day of the month following the month during which the cost of the asset was completely repaid or written off the books.

The maximum amount of accrued depreciation should equal the balance sheet value of the fixed asset.

Fixed assets acquired and put into operation prior to 1 January 2002, are depreciated at the official rates of depreciation set by USSR Council of Ministers Resolution No. 1072, dated 22 October 1990, 'On Standard Rates of Depreciation Allowances for the Complete Restoration of Fixed Assets of the National Economy of the USSR':

	%
Buildings and other facilities	1—10
Equipment (including computers, furniture, transport vehicles, etc.)	1—10

The annual depreciation rate decreases as the fixed assets put in operation prior to 1 January 2002 are depreciated by 100%.

Fixed assets put into operation from 1 January 2002, are depreciated according to Bank of Russia Order No. OD-715, dated 23 September 2011, 'On the Approval of the List of Bank of Russia Depreciated Fixed Assets, Categorised by Depreciation Group and Having Their Service Life Indicated and the Procedure for Using the List of Bank of Russia Depreciated Fixed Assets Categorised by Depreciation Group and Having Their Service Life Indicated', issued pursuant to Russian Federation Government Resolution No. 1, dated 1 January 2002, 'On the Classification of Fixed Assets Included in Depreciation Groups' (revised by Russian Federation Government Resolutions No. 415 of 9 July 2003, No. 476 of 8 August 2003, No. 697 of 18 November 2006, No. 676 of 12 September 2008, No. 165 of 24 February 2009 and No. 1011 of 10 December 2010):

	%
Buildings and other facilities	1—20
Equipment (including computers, furniture, transport vehicles, etc.)	2—50

Fixed assets' repair and maintenance expenses are recorded to the profit and loss account as other operating expenses.

Profit and losses arising from the retirement of fixed assets are calculated as the difference between their balance sheet value and retirement value, including accrued depreciation, and recorded to the profit and loss account as other income or other operating expenses.

#### *(k) Intangible assets*

Intangible assets are identifiable objects which have no real material form, are intended for long-term use, and which the Bank of Russia has the exclusive right to use.

Intangible assets are accounted for at their residual value, that is, at the purchase price net of accrued depreciation.

A change in the value of an intangible asset is possible if it is revalued. Intangible assets are revalued by recalculating their residual value.

Intangible assets have not been revalued before.

Depreciation allowances are made each month, on the first day of the month following the month the intangible assets were put into operation, at the rate of one-twelfth of the annual sum, and are continued throughout its entire service life. They are discontinued from the first day of the month following the month during which the cost of the asset was completely repaid or written off the books.

The maximum amount of accrued depreciation should equal the balance sheet value of the intangible asset.

The following rates of depreciation are used for intangible assets acquired prior to 1 January 2002:

	%
Intangible assets	9—10

The annual depreciation rate decreases as the intangible assets put in operation prior to 1 January 2002 are depreciated by 100%.

The following rates of depreciation are used for intangible assets put into operation from 1 January 2002:

	%
Intangible assets	9—67

The Bank of Russia establishes the service life of its intangible assets in compliance with Bank of Russia Ordinance No. 1580-U, dated 26 May 2005, 'On the Service Life of Software Products and/or Databases Used by the Bank of Russia's IT Departments', which was applicable until 22 February 2011. As of 22 February 2011, the Bank of Russia establishes the service life of its intangible assets in compliance with Bank of Russia Ordinance No. 2581-U, dated 22 February 2011, 'On the Service Life of Software Products and/or Databases Used by the Bank of Russia, and on Procedures for Recording the Acquisition of Software Licenses to Bank of Russia Expenses'.

Profit and losses arising from the retirement of intangible assets are calculated as the difference between their balance sheet value and retirement value, inclusive of accrued depreciation, and recorded to the profit and loss account as other income or other operating expenses.

*(l) Cash in circulation*

The Bank of Russia is the sole issuer of cash and organiser of cash circulation. The banknotes and coins put into circulation are accounted for in the balance sheet at their nominal value, exclusive of rouble cash at Bank of Russia cash desks and cash in transit.

*(m) Funds in accounts with the Bank of Russia*

Funds in accounts with the Bank of Russia are comprised of federal government funds, credit institutions' correspondent accounts and required reserves deposited with the Bank of Russia, credit institutions' and other organisations' deposits taken by the Bank of Russia, as well as regional and local government budget funds and government extra-budgetary funds. Funds in accounts with the Bank of Russia are accounted for in the balance sheet at their nominal value.

*(n) Float*

As of the end of the year, float includes the balances of funds connected with the completion of settlement operations across electronic and letter of advice settlement accounts, and the balances of funds resulting from operations between Bank of Russia establishments connected with the transfer of payments of Bank of Russia establishments and their customers. Float is accounted for in the balance sheet at its nominal value.

*(o) Capital*

Bank of Russia capital consists of:

- Authorised capital. Under Article 10 of the Federal Law 'On the Central Bank of the Russian Federation (Bank of Russia)', the Bank of Russia has authorised capital of 3 billion roubles;
- Various reserves and funds created to enable the Bank of Russia to fulfil the functions assigned to it by the Federal Law 'On the Central Bank of the Russian Federation (Bank of Russia)'. Information about the sources and use of Bank of Russia reserves and funds is contained in the Statement of Bank of Russia Reserves and Funds, which is part of these Annual Financial Statements as of 1 January 2012.

*(p) Reporting year profit*

Bank of Russia profit is recognised as the difference between total income from the transactions stipulated by Article 46 of the Federal Law 'On the Central Bank of the Russian Federation (Bank of Russia)' and income from participation in the capital of credit institutions and expenses involved in the Bank of Russia's fulfilment of the functions assigned to it by Article 4 of this Federal Law.

Reporting year profit, accounted for in the Bank of Russia's balance sheet, is the financial result of the Bank of Russia during the reporting year.

Pursuant to Articles 5 and 6 of Federal Law No. 245-FZ, dated 30 September 2010, 'On Amending the Budget Code and Other Laws of the Russian Federation' (as amended), after the Annual Financial Statements of the Bank of Russia for 2011 have been approved by the Board of Directors, the Bank of Russia shall transfer to the federal budget 75% of the actual full-year profit remaining after the payment of taxes and duties under the Tax Code of the Russian Federation. The remaining profit of the Bank of Russia is transferred by its Board of Directors to various reserves and funds (Note 28, Statement of Profit and its Allocation and Table *Capital, funds and profit allocation*).

Financial result, i.e., profit or loss, is the difference between total income and total expenses relating to the core and non-core activities of the Bank of Russia, which are recorded in the books for the reporting year.

*(q) Recognition of Bank of Russia income and expenses*

Income and expenses are recorded to the profit and loss account on an accrual basis, if the amounts of income or expenses can be established, and there is no uncertainty concerning their receipt or

payment; that is, they are recorded as soon as they occur rather than after the funds (or their equivalents) have been actually received or paid.

Income from participation in credit institutions or other organisations' capital is recorded to the profit and loss account after the funds have been actually received.

Expenses on the replenishment of supplementary pension funds for the Bank of Russia's employees are recorded to the profit and loss account, after they have been actually made based on the actuarial appraisal of pension obligations of the Bank of Russia.

Income (expenses) received (incurred) and accrued in previous reporting periods is recorded to the corresponding items of the profit and loss account for the reporting period.

The receipt of interest income on credit and other similar claims, which depending on the risk and according to the provisioning procedure are assigned to substandard loan groups, or the receipt of interest income on operations that are pooled to homogenous credit portfolios, is recognised as uncertain from the date of assignment. Interest on such loans is recorded to off-balance sheet accounts.

Income and expenses are recorded in the period to which they relate.

#### *(r) Taxation of the Bank of Russia*

The Bank of Russia pays taxes and duties in compliance with the Tax Code of the Russian Federation. It has drawn up and approved its accounting policy for the purposes of taxation, which sets out the tax accounting principles, and methods and rules on and the procedure for creating the tax base for the calculation of taxes and duties paid by the Bank of Russia.

#### *(s) Transfer of profit to the federal budget*

Pursuant to Article 26 of the Federal Law 'On the Central Bank of the Russian Federation (Bank of Russia)', once the Annual Financial Statements have been approved by the Board of Directors, the Bank of Russia transfers 50% of the actual annual profit retained after the payment of taxes and duties under the Tax Code of the Russian Federation to the federal budget.

Article 5 of Federal Law No. 245-FZ, dated 30 September 2010, 'On Amending the Budget Code and Other Laws of the Russian Federation' (as amended), and suspended Part 1 of Article 26 of the Federal Law 'On the Central Bank of the Russian Federation (Bank of Russia) until 1 January 2015. The suspended portion relates to the percentage of actual profit received for the year which remains after the payment of taxes and duties under the Tax Code of the Russian Federation, which the Bank of Russia must transfer to the federal budget.

Article 6 of Federal Law No. 245-FZ, dated 30 September 2010, 'On Amending the Budget Code and Other Laws of the Russian Federation' (as amended), stipulated that 75% of actual profit received by the Bank of Russia for 2010, 2011, 2012 and 2013 and remaining after the payment of taxes and duties under the Tax Code of the Russian Federation should be transferred to the federal budget, after the approval of the Bank of Russia Annual Financial Statements by the Bank of Russia Board of Directors.

#### *(t) Claims on the IMF and liabilities to the IMF*

Pursuant to Federal Law No. 291-FZ, dated 3 November 2010, 'On Amending the Federal Law 'On the Central Bank of the Russian Federation (Bank of Russia)' and Certain Laws of the Russian Federation', the Bank of Russia serves as a depository for the Russian rouble funds of the International Monetary Fund (IMF), and performs the operations and transactions envisioned by the IMF's Articles of Agreement and in line with its agreements with the IMF. In January 2011, the Bank of Russia received the Russian Federation's rights of claim on the IMF (including the Russian Federation's IMF quota) from the Ministry of Finance on a fee basis, as well as the Russian Federation's obligations to the IMF.

Claims on the IMF include: the Russian Federation's IMF quota, denominated in SDR and paid in roubles and foreign currency (a proportion of the quota paid in foreign currency is specified as Russia's

reserve tranche); the balance of funds on the Russian Federation account with the IMF's SDR Department; and loans extended by the Bank of Russia to the IMF according to the New Arrangements to Borrow (NAB). The NAB is a mechanism for making resources available to the IMF by a group of countries with the steady balance of payments and sufficient international reserves, which the Russian Federation (represented by the Bank of Russia) joined in March 2011.

Obligations to the IMF are represented by the rouble balances on IMF accounts No. 1 and No. 2 with the Bank of Russia; by the promissory note issued by the Bank of Russia in roubles to the IMF; by the amount of obligations on SDRs received by the Russian Federation during previous issues of SDRs by the IMF.

The recording of claims on the IMF and obligations to the IMF, as well as interest accrual, is performed in compliance with the IMF procedures. In order to maintain the total of the Russian Federation rouble-denominated obligations to the IMF in SDR terms at the rouble exchange rate set by the IMF, the promissory note and the balance of IMF rouble accounts No. 1 and No. 2 are revalued. Total exchange rate differences accrued on the promissory note and on IMF account No. 1, are reflected in correspondence with the account for the part of the quota paid in roubles. Total exchange rate differences accrued to IMF account No. 2 are recorded to the Bank of Russia's income or expenses. Revaluation at the rate of exchange of the SDR versus the rouble is set by the IMF and is accrued by the Bank of Russia monthly on the first working day of the month following the reporting month. At the end of the IMF fiscal year (30 April), at the request of the IMF or the Bank of Russia, the amount of the accrued revaluation rate differences is recorded to the increase (decrease) of obligations on the promissory note and/or IMF account No. 1 balance; the revaluation of IMF account No. 2 is recorded to the increase (decrease) of this account balance.

SDR-denominated claims on the IMF and obligations to the IMF are revalued at the official rate of exchange of the SDR to the rouble set by the Bank of Russia.

#### *(u) Changes to comparative data*

Due to issuing unsecured loans to credit institutions as part of the measures taken pursuant to the federal laws to support the Russian financial system, according to the Federal Law 'On the Central Bank of the Russian Federation (Bank of Russia)' (Article 46), this debt in the *Loans and Deposits* Note Table, item *Loans to and deposits with resident banks (in roubles)*, is excluded from the amount of rouble-denominated loans issued to credit institutions under certain federal laws, and recorded as a separate item, *unsecured loans*. In the *Interest Income* Note Table the interest income on these loans is recorded as a separate item: *interest income from unsecured loans*.

Due to the Bank of Russia Board of Directors' decision to restructure the debt of certain credit institutions on unsecured loans extended by the Bank of Russia as part of the measures taken pursuant to the federal laws to support the Russian financial system, unsecured loans in the *Loans and Deposits* Note Table were moved from the amount of rouble-denominated loans issued to credit institutions under certain federal laws, to a separate item. In the *Net income/(expenses) from the recovery (creation) of provisions* Note, the item on the change in provisions for rouble loans extended to credit institutions under certain federal laws is broken into two items: changes in provisions for restructured rouble loans initially extended as unsecured rouble loans, and changes in provisions for unsecured rouble loans.

Due to the Bank of Russia Board of Directors' decision to include balance sheet accounts for till cash (related to the banknotes and coins of the Russian Federation) and for cash in transit (related to the banknotes and coins of the Russian Federation) in the *Cash in Circulation* Note, rouble-denominated balances of till cash and cash in transit are moved from the *Other Assets* Note to the *Cash in Circulation* Note.

As the Ministry of Finance explains, there are cases where, according to established procedures, the Ministry of Finance decides to transfer funds from accounts that have been opened for recording operations with budget-financed or autonomous institutions to the respective budgets. These are later

returned to the accounts from which they were transferred initially, which must be completed before 31 December of the current fiscal year. According to the clarification provided by the Ministry of Finance, in these cases, the federal budget balance should not reflect balances of accounts opened for the Federal Treasury regional branches on the balance account for funds of financial institutions owned by the federal government. Funds of the budget-financed and autonomous institutions placed on the balance account for funds of financial institutions owned by the federal government, are moved from the *Federal government funds* item to the *Other* item in the *Funds in accounts with the Bank of Russia* Note.

The Ministry of Finance transferred Russian obligations and rights of claim with respect to the International Monetary Fund to the Bank of Russia in January 2011, on a fee basis, in line with the Russian Federation's participation in the IMF pursuant to Federal Law No. 291-FZ, dated 3 November 2010, 'On Amending the Federal Law 'On the Central Bank of the Russian Federation (Bank of Russia)' and Certain Laws of the Russian Federation'. Due to this move, new Notes have been opened on the Bank of Russia balance sheet: *Claims on the IMF* and *Obligations to the IMF*; and the IMF fund's balance with the Bank of Russia as of 1 January 2011 is transferred from the *Funds in accounts with the Bank of Russia* Note to the item *Funds on IMF accounts No. 1 and No. 2 with the Bank of Russia* of the *Obligations to the IMF* Note.

To disclose information on Bank of Russia expenses related to operations with the Deposit Insurance Agency (DIA), a state-owned corporation, in the Interest Expenses Note Table the interest expenses for the DIA's deposits are moved from the *Other* item to a separate item *Deposits received from the state-owned corporation*.

Due to changes in the items (sub-items) of the Bank of Russia's administrative expense budget, changes have been introduced to the Statement of Bank of Russia personnel costs.

The changes to comparative data are shown below:

		<i>(millions of roubles)</i>		
<b>Balance sheet items</b>		<b>2010 (previously recorded amounts)</b>	<b>Changes</b>	<b>2010 (recalculated amounts)</b>
<b>Assets</b>				
<b>Loans and deposits</b>		<b>514,303</b>	<b>0</b>	<b>514,303</b>
Loans to and deposits with resident banks (in roubles), of which:		573,631	0	573,631
— extended and placed under certain federal laws	A	302,559	-2,559	300,000
— unsecured loans	A	0	+2,559	2,559
<b>Other assets, of which</b>	<b>B</b>	<b>98,732</b>	<b>-7,142</b>	<b>91,590</b>
Till cash	B	7,326	-7,139	187
Other	B	5,060	-3	5,057
<b>Total assets</b>		<b>15,526,391</b>	<b>-7,142</b>	<b>15,519,249</b>
<b>Liabilities</b>				
<b>Cash in circulation</b>	<b>B</b>	<b>5,792,464</b>	<b>-7,142</b>	<b>5,785,322</b>
<b>Funds in accounts with the Bank of Russia, of which:</b>		<b>6,430,681</b>	<b>-720</b>	<b>6,429,961</b>
Federal government funds	C	3,269,720	-47,422	3,222,298
Other	C, D	285,083	+46,702	331,785
<b>Liabilities to the IMF</b>		<b>0</b>	<b>+720</b>	<b>720</b>
Balances of funds in IMF accounts No. 1 and No. 2 with the Bank of Russia	D	0	+720	720
<b>Total liabilities</b>		<b>15,526,391</b>	<b>-7,142</b>	<b>15,519,249</b>

(A) The total amount of overdue debt on unsecured loans extended to credit institutions was moved from the item *Extended and placed under certain federal laws* under a separate item *Unsecured loans*.

(B) Till cash in banknotes and coins of the Russian Federation and cash in transit in banknotes and coins of the Russian Federation were moved from the *Other Assets* Note to the *Cash in Circulation* Note.

(C) Funds of the budget-financed and autonomous institutions were moved from the *Federal government funds* item to the item *Other*.

(D) Balances of funds in IMF accounts No. 1 and No. 2 with the Bank of Russia as of 1 January 2011 were transferred from the item *Other* in the *Funds in accounts with the Bank of Russia, of which*: Note to the item *Balances of funds in IMF accounts No. 1 and No. 2 with the Bank of Russia* in the *Liabilities to the IMF* Note.

*(millions of roubles)*

<b>Profit and loss account items</b>		<b>2010 (previously recorded amounts)</b>	<b>Changes</b>	<b>2010 (recalculated amounts)</b>
<b>Interest income</b>				
Interest income from loans to, deposits and other placements with resident banks (in roubles) of which:				
— extended and placed under certain				
federal laws	E	34,177	–5,995	28,182
— unsecured loans	E	0	+5,995	5,995
<b>Net income/ (expenses) from the recovery (creation) of provisions</b>		<b>153,992</b>	<b>0</b>	<b>153,992</b>
Decrease in provisions for rouble loans extended to credit institutions under certain federal laws				
	F	38,764	–38,764	0
Decrease in provisions for unsecured loans (in roubles)				
	F	0	+26,367	26,367
Decrease in provisions for restructured loans initially extended as unsecured loans (in roubles)				
	F	0	+12,397	12,397
<b>Interest expenses</b>				
Interest expenses on deposits taken from the state-owned corporation				
	G	0	+590	590
Other	G	593	–590	3

(E) Interest income on unsecured loans extended to credit institutions was moved from the item *Interest income from loans to, deposits and other placements with resident banks (in roubles), of which: — extended and placed under certain federal laws* to a separate item *Interest income from loans to, deposits and other placements with resident banks (in roubles), of which: — unsecured loans*.

(F) The item *Decrease in provisions for rouble loans extended to credit institutions under certain federal laws* was broken into two items: *Decrease in provisions for unsecured loans (in roubles)* and *Decrease in provisions for restructured loans initially extended as unsecured rouble loans (in roubles)*.

(G) Interest expenses on deposits taken from the DIA, a state-owned corporation, were moved from the *Other* item in the *Interest expenses* Note to a separate item *Interest expenses on deposits taken from the state-owned corporation*.



*(millions of roubles)*

<b>Items in the Statement of Bank of Russia Personnel Costs</b>		<b>2010 (previously recorded amounts)</b>	<b>Changes</b>	<b>2010 (recalculated amounts)</b>
Compensation	H	61,647	+4,745	66,392
Other benefits	H	4,745	-4,745	0

(H) The amount of other benefits was moved from the separate item *Other benefits* to the item *Compensation*, pursuant to the Bank of Russia Board of Directors' decision to amend the structure of the *Statement of the Bank of Russia Personnel Costs*.

## 2. IMPACT OF ECONOMIC CONDITIONS ON BANK OF RUSSIA FINANCIAL STATEMENTS

In the year under review, internal and external economic conditions, as well as the actions and decisions of the Bank of Russia, had a substantial impact on the annual balance sheet of the Bank of Russia and the Bank's financial performance. The Bank of Russia's monetary policy in 2011 was aimed at balancing inflation risks versus the risk of a slowdown in economic growth.

Favourable global market conditions for Russian producers of commodities throughout the year provided for an excess of exports over imports, and for a corresponding inflow of foreign currency into the country. However, in September the growing tension in global financial markets caused a capital outflow from emerging markets. In order to prevent sharp exchange rate fluctuations, the Bank of Russia maintained its presence in the domestic foreign exchange market, buying up foreign currency between January and August and selling it off between September and December. The international reserves of the Russian Federation, with changes in the rouble exchange rate factored in, grew by the end of the year, which led to a 7.3% increase in the item *Funds placed with non-residents and foreign securities*, while its share dropped to 76.7% in the annual balance sheet assets of the Bank of Russia. Against the backdrop of an intensifying debt crisis in the eurozone and growing global gold prices, the Bank of Russia increased its investments in precious metals, the share of which reached 8.2% of the assets, inclusive of revaluation.

In 2011, production growth, supported by growing domestic consumer and investment demand and by high global commodity prices, contributed to the growth of the Russian Federation's budget revenue. Overall, the extended budget\* was executed with a surplus of 1.6% of GDP. As a result, the balance of the Russian Government on its accounts with the Bank of Russia increased by 37.9%, whereas its share in annual balance sheet liabilities went up to 23.9%.

In the fourth quarter of 2011, credit institutions demonstrated a high demand for Bank of Russia refinancing. Under these conditions, the Bank of Russia suspended issuing its own bonds, which led to a balance of zero in the *Securities Issued* item as of 1 January 2012. As a result, the share of credit institutions' funds in accounts with the Bank of Russia in the annual balance sheet liabilities decreased to 9.4%, whereas the *Loans and Deposits* item more than tripled, and its share in the annual balance sheet assets went up to 9.0%.

The Bank of Russia's financial performance indicators in 2011 were shaped mainly by uncertainty regarding global economic trends and by the Bank of Russia's operations to regulate banking sector liquidity. Under these conditions, amid the mixed dynamics of international reserves throughout the year and given low interest rates in global financial markets, the Bank of Russia's income from the placement of reserve assets was lower than it had been in 2010. Income from liquidity provision operations decreased in comparison to 2010 due to the lack of credit institutions' demand for refi-

\* Consolidated budget of the Russian Federation and the budgets of government extra-budgetary funds.

nancing instruments in the first nine months of 2011 (credit institutions' need for additional liquidity emerged only in the fourth quarter of 2011). These factors were the reason for the Bank of Russia's substantially lower level of profit by the end of 2011.

### 3. PRECIOUS METALS

	<i>(millions of roubles)</i>	
	<b>2011</b>	<b>2010</b>
Precious metals	1,527,545	1,200,916
<b>Total</b>	<b>1,527,545</b>	<b>1,200,916</b>

The increase in this item was largely due to the purchase of gold from Russian credit institutions under master agreements and the revaluation of precious metals at book prices.

### 4. FUNDS PLACED WITH NON-RESIDENTS AND FOREIGN SECURITIES

	<i>(millions of roubles)</i>	
	<b>2011</b>	<b>2010</b>
Foreign securities	12,309,665	12,095,808
Balances of correspondent accounts and deposits placed with non-resident banks	1,841,269	934,958
Funds placed with non-residents in repo transactions	94,342	241,162
<b>Total</b>	<b>14,245,276</b>	<b>13,271,928</b>

Foreign securities are categorised as securities available for sale. Foreign securities are mostly US Treasuries and the government debt obligations of France, Germany, the United Kingdom, Canada, Japan, the Netherlands, Finland, Denmark, Sweden and Austria as well as debt obligations issued by supranational financial organisations, non-government debt securities guaranteed by the governments of the aforementioned countries, and also the covered securities of German credit institutions.

This item includes securities passed by the Bank of Russia in transactions in international markets to sell securities with an obligation to repurchase, with a total current (fair) value of 208,240 million roubles (2010: 215,344 million roubles), including those passed in repos, with a total current (fair) value of 16,118 million roubles (2010: 30,357 million roubles) (Note 10); those passed as additional collateral (margin) in repos with a total current (fair) value of 324 million roubles (2010: 332 million roubles); and those passed as a loan, with a total current (fair) value of 191,798 million roubles (2010: 184,655 million roubles).

The growth in this item was mostly due to increased foreign currency exchange rates against the Russian rouble at the end of 2011 versus the end of 2010.

The current (fair) value of foreign securities in the Bank of Russia's portfolio as of 1 January 2012, was 12,309,665 million roubles (2010: 12,095,808 million roubles) (Statement of Bank of Russia Management of Securities and Stakeholdings in the Capital of Organisations Constituting Bank of Russia Property).

The latest representative quoted purchase prices of securities cited by Bloomberg were used to determine the current (fair) value of foreign securities.

The increase in *Balances of correspondent accounts and deposits placed with non-resident banks* is mostly due to growth in the placements of funds in foreign currencies.

Within the framework of the Customs Union between Belarus, Kazakhstan and Russia and in accordance with a number of agreements signed by the Republic of Belarus, the Republic of Kazakhstan and the Russian Federation, the Bank of Russia has the obligation to sell US dollars for Russian roubles at the official exchange rate. This obligation is pursuant to several agreements: the Agreement to establish and apply a procedure for recording and allocating import customs duties (other equivalent taxes and duties) in the Customs Union, dated 20 May 2010; the Agreement on the application of special protective, anti-dumping, and compensatory measures during the transition period, dated 19 November 2010; the Agreement on the application of special protective, anti-dumping, and compensatory measures in relation to third parties, dated January 25, 2008; the Agreement on certain aspects of securing the payment of customs duties and taxes in relation to goods transported according to the customs procedure for customs transit, procedures for collecting customs duties and taxes, and procedures for transferring collected amounts in relation to such goods, dated May 21, 2010.

According to the trilateral agreements of the Bank of Russia with the National Bank of the Republic of Belarus and the National Bank of the Republic of Kazakhstan, correspondent accounts were opened in the national currencies of the member countries of the Customs Union.

Pursuant to the agreements listed above, the Bank of Russia is in charge of setting off mutual obligations which are denominated in US dollars; import duties allocated by the Federal Treasury in favour of Belarus and Kazakhstan and other equivalent duties, taxes and fees denominated in Russian roubles, and other import and equivalent duties; taxes and fees denominated in the national currencies of the member countries and allocated by their respective competent authorities in favour of the Russian Federation.

As of 1 January 2012, a total of 417 million roubles (2010: 342 million roubles) were accounted for in the correspondent accounts of the Bank of Russia with the National Bank of the Republic of Belarus and the National Bank of the Republic of Kazakhstan which were established within the framework of the Customs Union.

The item *Funds placed with non-residents in repo transactions* shows the funds placed with non-resident banks in transactions to purchase foreign securities with an obligation to resell (reverse repo transactions). These funds include 16,100 million roubles (2010: 30,318 million roubles) received in transactions to sell securities with an obligation to repurchase (repo transactions), concluded with the same counterparty (Note 10).

Securities received by the Bank of Russia as collateral in reverse repo transactions with non-residents are recorded to off-balance sheet accounts at the current (fair) value and total 95,357 million roubles (2010: 243,145 million roubles) (Note 27). Of these, securities received in reverse repo transactions concluded for the purpose of placing funds received in repo transactions have a current (fair) value of 16,117 million roubles (2010: 30,425 million roubles) (Notes 10 and 27).

The decrease in the item *Funds placed with non-residents in repo transactions* is due to a contraction of the total amount of funds provided by the Bank of Russia in repo transactions as of the year's end.

## 5. LOANS AND DEPOSITS

	<i>(millions of roubles)</i>	
	<b>2011</b>	<b>2010</b>
Loans to and deposits with resident banks (in roubles), of which:	949,904	573,631
— extended and placed under certain federal laws	300,000	300,000
— unsecured loans	2,559	2,559
Other funds placed with credit institutions (through repo transactions)	520,369	2,927
Other, of which:	357,517	116,491
— extended and placed under certain federal laws	348,705	108,518
Provisions	(164,510)	(178,746)
<b>Total</b>	<b>1,663,280</b>	<b>514,303</b>

*Loans to and deposits with resident banks (in roubles)* reflects the debt on the Bank of Russia's operations to extend loans to credit institutions; these are secured with pledges of promissory notes, the credit claims under credit agreements of organisations and guarantees of credit institutions, as well as the pledges of securities from the Lombard List of the Bank of Russia. It also reflects the subordinated loans to Sberbank issued in 2008 that were part of measures taken pursuant to the federal laws of the Russian Federation to support the Russian financial system; the debt on unsecured loans extended to credit institutions, and the placement of deposits with Vnesheconombank following the decisions of the Bank of Russia Board of Directors in 2008—2009.

Additionally, the item *Loans to and deposits with resident banks (in roubles)* includes restructured loans originally extended to credit institutions as unsecured loans as part of the measures taken pursuant to the federal laws of the Russian Federation to support the Russian financial system pursuant to Article 46 of the Federal Law 'On the Central Bank of the Russian Federation (Bank of Russia)', which was amended by Federal Law No. 171-FZ, dated 13 October 2008, 'On Amending Article 46 of the Federal Law 'On the Central Bank of the Russian Federation (Bank of Russia)''', and by Federal Law No. 317-FZ, dated 30 December 2008, 'On Amending Articles 46 and 76 of the Federal Law 'On the Central Bank of the Russian Federation (Bank of Russia)''.

The debt on restructured loans amounts to 42,972 million roubles (2010: 43,872 million roubles). The Bank of Russia has accepted the controlling blocks of shares of industrial enterprises, shares of closed Unit Investment Funds (PIFs), and the guarantee of an individual as collateral to secure the obligations on restructured loans. Currently the Bank of Russia studies the possibility of judicial foreclosure of the received collateral for its subsequent sale.

Additionally, in order to guarantee the safety of the collateral securing the debt to the Bank of Russia (a total of 31,777 million roubles; this figure was also 31,777 million roubles in 2010), the controlling blocks shares of industrial enterprises were placed by court order in trust management with the Bank of Russia without the right of alienation. The administration of the aforementioned property was in its turn transferred by the Bank of Russia to United Shipbuilding Corporation, an open joint-stock company, in line with appointment agreements.

Loans to and deposits with resident banks (in roubles) with a 50%-plus government stake in their authorised capital amount to 604,890 million roubles (2010: 518,310 million roubles).

The item *Loans to and deposits with resident banks (in roubles), of which: extended and placed under certain federal laws* lists operations to provide 300,000 million roubles in subordinated loans

to Sberbank (2010: 300,000 million roubles), where the Bank of Russia owns a 50%-plus stake in the authorised capital. The item *Loans to and deposits with resident banks (in roubles)*, of which: *unsecured loans* reflects the debt on unsecured loans to credit institutions, totalling 2,559 million roubles (2010: 2,559 million roubles), which were extended as part of the measures taken (pursuant to federal law) to support the Russian financial system.

The increase in *Loans to and deposits with resident banks (in roubles)* was caused by the increased demand among credit institutions for Bank of Russia loans that are secured with pledges of promissory notes, the credit claims of organisations and the guarantees of credit institutions, as well as pledges of securities from the Lombard List of the Bank of Russia, at the end of 2011.

The item *Other funds placed with credit institutions (through repo transactions)* reflects the funds placed with credit institutions in transactions to purchase securities with an obligation to resell. The increase in this item is attributable to the growth of the overall amount of funds provided by the Bank of Russia in the domestic market in transactions to buy securities with an obligation to resell.

Securities received by the Bank of Russia as collateral in repo transactions with credit institutions are accounted for in off-balance sheet accounts at their current (fair) value and total 561,035 million roubles (2010: 4,864 million roubles) (Note 27).

The amount of *Other funds placed with credit institutions (through repo transactions)* in which the government holds a 50% plus stake in the authorised capital, totals 176,376 million roubles (2010: 0 million roubles).

The item *Other* reflects the debt on loans extended to the Deposit Insurance Agency (DIA), a state-owned corporation, and the compensation deposit of 2,301 million roubles. This was placed by the Bank of Russia with the credit institution under Federal Law No. 173-FZ, dated 13 November 2008, 'On Additional Measures to Support the Financial System of the Russian Federation', in order to partially compensate for this credit institution's losses (expenses), which had been caused by the default of a borrower whose banking license was revoked.

The increase in *Other* was caused by the growing debt on the loans the Bank of Russia extended to the DIA as part of measures to prevent the bankruptcy of credit institutions.

Provisions totalling 164,510 million roubles were made for loans, deposits and other funds placed in roubles and foreign currency (2010: 178,746 million roubles). Of these:

- provisions for the collateralised rouble-denominated loans extended by the Bank of Russia to resident banks and deposits placed by the Bank of Russia with Vnesheconombank in roubles, totalled 44,910 million roubles (2010: 106,999 million roubles);
- provisions for debt on restructured loans, initially extended to credit institutions as unsecured loans, totalled 42,972 million roubles (2010: 43,872 million roubles);
- provisions for the debt on the unsecured rouble-denominated loan extended to a credit institution totalled 2,559 million roubles (2010: 2,559 million roubles);
- provisions for funds provided by the Bank of Russia to finance bankruptcy prevention measures totalled 69,281 million roubles (2010: 21,325 million roubles);
- provisions for other loans and deposits, as well as repo transactions, totalled 4,788 million roubles (2010: 3,991 million roubles).

## 6. SECURITIES

	<i>(millions of roubles)</i>	
	<b>2011</b>	<b>2010</b>
<b>Russian federal government debt obligations</b>		
Federal government bonds (OFZ)	183,926	185,675
Russian government internal and external foreign currency-denominated loan bonds, of which:	148,812	161,486
— Russian government external foreign currency loan bonds (Russian Eurobonds)	148,812	143,693
— Russian government internal foreign currency loan bonds (OVLGVZ)	0	17,793
<b>Total</b>	<b>332,738</b>	<b>347,161</b>
Shares issued by credit institutions and other organisations (Bank of Russia stakeholdings)	93,005	92,929
Other Russian issuers' debt obligations	407	422
Credit institutions' promissory notes acquired by the Bank of Russia	23	27
Provisions	(23)	(27)
<b>Total</b>	<b>426,150</b>	<b>440,512</b>

Debt obligations in the Bank of Russia's portfolio are categorised as securities available for sale.

*Federal government bonds (OFZs)*

The OFZ portfolio of the Bank of Russia is a result of the 2003—2005 restructuring of government securities, pursuant to federal budget laws for the respective financial years, as well as a result of the purchase and subsequent sale of securities in the domestic market in 2007—2009. The characteristics of the securities received as a result of the restructuring comply with federal legal requirements and agreements between the Ministry of Finance of the Russian Federation and the Bank of Russia.

The table below shows the structure of the OFZ portfolio as of 1 January 2012.

*(millions of roubles)*

OFZ type	2011		2010	
	Current coupon income rate, percent	Current (fair) value	Current coupon income rate, percent	Current (fair) value
Debt-depreciation OFZ due in 2019—2028	0	102,319	0	94,264
Debt-depreciation OFZ due in 2029	3.74	29,270	2.90	25,619
Debt-depreciation OFZ due in 2036	6.90	20,870	6.90	21,746
Debt-depreciation OFZ due in 2018—2023	6 to 6.5	2,046	7	5,874
Debt-depreciation OFZ due in 2021	8	12,547	8	14,350
Debt-depreciation OFZ due in 2018	—	0	7	2,175
Debt-depreciation varying coupon-income OFZ due in 2018	6.5	16,874	7	19,037
Permanent coupon-income OFZ due in 2011—2012	—	0	6 to 6.1	2,610
<b>Total</b>		<b>183,926</b>		<b>185,675</b>

The difference between the OFZ current coupon income rates as of 1 January 2012 and those as of 1 January 2011 is due to the change in the coupon income rates under the terms and conditions of the securities issue.

The OFZ as of 1 January 2012 and as of 1 January 2011 are recorded in the statements at their current (fair) value.

The current (fair) value of OFZ issues was determined on the basis of market prices provided by the trade organiser (MICEX-RTS) or using a model for the assessment of the future cash flows which were discounted using the coupon-free interest rates on government securities, calculated by the trade organiser as of the last trading day.

As of 1 January 2012, the current (fair) value of OFZs assessed at market prices totalled 118,631 million roubles. As of 1 January 2011, the current (fair) value of these securities was 149,568 million roubles.

As of 1 January 2012, the current (fair) value of OFZs, as assessed according to the model for the assessment of the future cash flows, totals 65,295 million roubles. These securities are represented by bonds with zero-coupon income p.a. and maturities in 2021—2028. As of 1 January 2011, the current (fair) value of these securities was 36,107 million roubles.

The reduction in the OFZs current (fair) value, assessed at market prices, as of the reporting date versus the previous reporting date is due to the application of the future cash flows assessment model to OFZ, the market prices of which as of 1 January 2012 remained undetermined by the trade organiser.

The change in the OFZ value is due to their sale, maturity and revaluation at fair value.

As of 1 January 2012, the Bank of Russia had in its portfolio OFZ bonds maturing from 2018 to 2036. Most of them (64% in terms of nominal value or 56% in terms of current (fair) value) were zero-coupon-income bonds maturing in 2019—2028.

As of 1 January 2011, the Bank of Russia had in its portfolio OFZ bonds maturing from 2011 to 2036. Most of them (61% in terms of nominal value or 51% in terms of current (fair) value) were zero-coupon-income bonds maturing in 2019—2028.

*Russian government internal and external foreign currency-denominated loan bonds*

Russian government external foreign currency-denominated loan bonds (Russian eurobonds) are US dollar-denominated government securities issued by the Ministry of Finance. They are due between 2018 and 2030, and have a coupon income of 7.5% to 12.75% p.a. The current (fair) value of Russian eurobonds as of 1 January 2012 was 148,812 million roubles. The current (fair) value of Russian eurobonds as of 1 January 2011 was 143,693 million roubles.

The change in the value of Russian government external foreign currency-denominated loan bonds is due to the revaluation of Russian Eurobonds at current (fair) value and the change in the US dollar exchange rate against the rouble.

The change in the value of Russian government internal foreign currency-denominated loan bonds (OVGVZ) is due to their redemption in 2011.

The current (fair) value of the Russian eurobonds is determined using their latest representative quoted purchase prices, as cited by the financial news and data service Bloomberg.

*Shares issued by credit institutions and other organisations  
(Bank of Russia stakeholdings)*

The structure of Bank of Russia investments in the shares of credit institutions and other organisations is shown in the Statement of Bank of Russia Management of Securities and Stakeholdings in the Capital of Organisations Constituting Bank of Russia Property.

*Other Russian issuers' debt obligations*

Other Russian issuers' debt obligations as of 1 January 2012 and 1 January 2011 were represented by rouble-denominated bonds issued by the regional governments of the Russian Federation.

Russian regional government bonds will mature in 2014 or 2015 and have a coupon income of 7% to 8% p.a.

The current (fair) value of other Russian issuers' debt obligations as of 1 January 2012 was 407 million roubles. The current (fair) value of other Russian issuers' debt obligations as of 1 January 2011 was 422 million roubles.

To determine the current (fair) value of other Russian issuers' debt obligations, the Bank of Russia used the latest market prices quoted by the trade organiser (MICEX Stock Exchange).

*Credit institutions' promissory notes acquired by the Bank of Russia*

This item includes debt on a promissory note acquired by the Bank of Russia in 2001 under the terms and conditions of the Amicable Agreement.

The reduced balance on the item *Credit institutions' promissory notes acquired by the Bank of Russia* is due to the repayment of the promissory note.

The item *Provisions* shows provisions made for the promissory note issued by a credit institution in the amount of 23 million roubles (2010: 27 million roubles).



## 7. CLAIMS ON THE IMF

	<i>(millions of roubles)</i>	
	<b>2011</b>	<b>2010</b>
The Russian Federation's quota with the IMF	292,947	0
— quota with the IMF paid in roubles	192,868	0
— position on the IMF reserve tranche	100,690	0
— revaluation of the Russian Federation's quota with the IMF paid in roubles (negative differences)	(611)	0
Funds on the Russian Federation account with the IMF SDR Department	280,057	0
Loans to the IMF extended by the Bank of Russia according to the New Arrangements to Borrow (NAB)	29,623	0
<b>Total</b>	<b>602,627</b>	<b>0</b>

As a result of the transfer of obligations and rights of claim with respect to the International Monetary Fund (IMF) to the Bank of Russia in January 2011, the Bank of Russia received several claims on the IMF from the Ministry of Finance on a fee basis:

- the Russian Federation's quota with the IMF amounted to 5,945.4 million SDRs (275,943 million roubles). The foreign currency-denominated part of the quota (the Russian Federation's position on the IMF reserve tranche) totalled 1,229.5 million SDRs (57,064 million roubles) and was received on a fee basis. The part of the quota paid in roubles amounted to 4,715.9 million SDRs (218,879 million roubles);
- funds in the Russian Federation's accounts with the IMF SDR Department amount to 5,677.8 million SDRs (263,522 million roubles), including 6.0 million SDRs (277 million roubles) received on a fee basis. These funds constitute the Russian Federation's account balance with the SDR Department, which exceeds the amount of the Russian Federation's accumulated obligations to the IMF in SDRs received from the IMF under general and special SDRs allocations, and total 5,671.8 million SDRs (263,245 million roubles) (Note 13).

Claims were accepted without taking into account accrued interest and fees that were settled as they were posted by the IMF to the account with the SDR Department in February 2011, in accordance with the Supplementary Agreement with the Ministry of Finance of the Russian Federation, dated 15 February 2011.

The following changes took place from the date claims on the IMF were received through 31 December 2011.

The balance of the Russian Federation's account with the IMF SDR Department increased by 6.0 million SDRs due to the posting of interest and fees on claims on the IMF. As of 1 January 2012, the balance amounted to 5,683.8 million SDRs (280,057 million roubles, including the 16.535 million rouble increase that resulted from the revaluation of the SDR against the rouble at the official exchange rate).

The weights of the components of the Russian Federation's quota with the IMF have changed. Its position on the IMF reserve tranche went up, and the part paid in roubles went down accordingly, due to the Bank of Russia's providing 813.8 million SDRs to the IMF under the Financial Transactions Plan. Overall, the Russian Federation's quota with the IMF has not changed (292,947 million roubles, including the 17,004 million rouble increase that resulted from the revaluation of SDR against the rouble at the official exchange rate).

Due to the Russian Federation's participation in the IMF credit facility under the New Arrangements to Borrow, the Bank of Russia opened a line of credit for the IMF and issued loans to the total amount of 601.2 million SDRs (29.623 million roubles as of 1 January 2012). As of 1 January 2012, the undrawn part of the credit line amounted to 8,139.6 million SDRs (401,063 million roubles) (Note 27).

## 8. OTHER ASSETS

	<i>(millions of roubles)</i>	
	<b>2011</b>	<b>2010</b>
<b>Fixed assets (at residual value)</b>		
Buildings and other facilities	42,456	41,729
Equipment (including computers, IT and data processing systems, furniture, transport vehicles, etc.)	32,973	32,659
<b>Subtotal fixed assets</b>	<b>75,429</b>	<b>74,388</b>
Incomplete construction projects	7,598	5,921
Bank of Russia interest claims	5,337	3,550
Claims on securities trading	3,845	0
Settlements with suppliers, contractors and buyers	1,658	1,683
Intangible assets (at residual value)	1,007	938
Funds transferred by the Bank of Russia to agent banks for payments to depositors of bankrupt banks	279	571
Till cash	205	187
Profit tax advance payments	167	164
Bank of Russia correspondent accounts	4	7
Other	4,834	5,057
Provisions	(2,506)	(876)
<b>Subtotal other assets</b>	<b>22,428</b>	<b>17,202</b>
<b>Total</b>	<b>97,857</b>	<b>91,590</b>

This table shows the movement of fixed assets:

	<i>(millions of roubles)</i>	
	<b>2011</b>	<b>2010</b>
<b>Fixed asset value net of accrued depreciation</b>		
Balance as of 1 January	135,954	119,238
Receipt	11,748	19,948
Retirement	(3,621)	(3,232)
<b>Balance as of end of year</b>	<b>144,081</b>	<b>135,954</b>
<b>Accrued depreciation</b>		
Balance as of 1 January	61,566	54,675
Depreciation allowances due to expenses	10,546	10,051
Depreciation allowances due to other sources	2	3
Accrued depreciation of retired fixed assets	(3,462)	(3,163)
<b>Balance as of end of year</b>	<b>68,652</b>	<b>61,566</b>
<b>Fixed asset residual value as of end of year</b>	<b>75,429</b>	<b>74,388</b>

Fixed asset structure and value, net of accrued depreciation:

	<i>(millions of roubles)</i>	
	<b>2011</b>	<b>2010</b>
Buildings and other facilities	50,934	49,264
Equipment	41,957	38,795
Computers, office equipment and furniture	25,979	24,248
IT and data processing systems	21,028	19,467
Transport vehicles	3,346	3,368
Other	837	812
<b>Total</b>	<b>144,081</b>	<b>135,954</b>

The increase in *Buildings and other facilities* is largely due to the construction and reconstruction of Bank of Russia office buildings.

The increase in *Equipment* is due to the purchase of equipment for the automation of cash processing, cash machines and other technical equipment and technology for the development and upgrading of the engineering equipment for the Bank of Russia's IT and telecommunications system.

The increase in *Computers, office equipment and furniture* is due to the purchases of computer equipment, hardware systems and devices of various modifications supporting the operation of accounting systems, including equipment for the scaling-up of the technical framework of Collective Data Processing Centres, the development of Bank of Russia information analysis and data storage systems, as well as additional computer equipment, copiers and printers.

The increase in *IT and data processing systems* is mostly due to the purchase of telecommunications equipment, including equipment for the trunk line component of the Unified Banking Telecom-

munications Network, communication facilities, as well as the creation and upgrading of local computer networks aimed at developing and modernisation of Bank of Russia IT and communications systems.

The increase in *Incomplete construction projects* is mainly due to the expanded construction and renovation of Bank of Russia office buildings, the development and extension of Bank of Russia information analysis and data storage systems, as well as banking information protection tools and security equipment.

The increase in *Bank of Russia interest claims* is largely due to the increase of the debt on rouble placements with credit institutions, related to operations to provide Bank of Russia loans to credit institutions and also to repo operations, in which the receipt of interest is recognised as definitive.

The increase in *Claims on securities trading* is due to the recording in 2011 of the Bank of Russia's claims on the share exchange agreement which arose in connection with the reorganisation of the Moscow Interbank Currency Exchange that transpired during its merger with the Russian Trading System Stock Exchange. During the reorganisations, a general meeting of the MICEX shareholders made a decision to pay to all shareholders, including the Bank of Russia, additional dividends on their MICEX shares for 2010 by the RTS shares. Pursuant to Article 8 of Federal Law No. 86-FZ, which established that the Bank of Russia may only participate in the capital of those organisations that enable its activities, the Bank of Russia Board of Directors decided to exchange the RTS shares payable to it as dividends on the merged MICEX-RTS stock exchange shares by means of signing a share exchange agreement with one of the stock exchange shareholders. Pursuant to this agreement, the RTS shares payable to the Bank of Russia were transferred during the reporting year to this shareholder on condition that the shareholder in question would transfer an equivalent amount in shares of the merged stock exchange after the reorganisation is completed and the RTS shares are converted into MICEX-RTS shares. A provision of 1,923 million roubles has been created for this claim. The settlement of Bank of Russia claim on the share exchange agreement and the provision recovery are recorded in the Bank of Russia balance sheet for 2012 (Note 28, Statement of Bank of Russia Management of Securities and Stakeholdings in the Capital of Organisations Constituting Bank of Russia Property).

The increase in *Intangible assets* is related to the purchase of software products which the Bank of Russia has the exclusive right to use.

The item *Profit tax advance payments* as of 1 January 2012 reflects 165 million roubles in profit tax advance payments for 2011, and 2 million roubles in additionally levied corporate profit taxes for 2008 and 2009, according to revised corporate profit tax returns (Table *Capital, Funds and Profit Allocation* and Statement of Profit and its Allocation).

The item *Till cash* reflects monetary funds in foreign currencies.

The item *Other* mostly reflects expenses related to the purchase and acquisition of software products, licenses, and certificates.

*Provisions* reflect the following amounts of created provisions:

- 279 million roubles (2010: 571 million roubles) for transfers to the agent banks, for the payment of compensation to depositors of bankrupt banks;
- 2,227 million roubles (2010: 305 million roubles) for other assets, of which 1,923 million roubles (2010: zero roubles) were allocated for the Bank of Russia's claims on the share exchange agreement.

## 9. CASH IN CIRCULATION

The increase in *Cash in circulation* is attributable to the expansion of cash turnover capacity.

## 10. FUNDS IN ACCOUNTS WITH THE BANK OF RUSSIA

	<i>(millions of roubles)</i>	
	<b>2011</b>	<b>2010</b>
Federal government funds, of which:	4,443,546	3,222,298
— Reserve Fund	811,517	728,863
— National Wealth Fund	2,119,050	2,067,892
Credit institutions' funds in correspondent accounts, of which:	981,773	995,544
— foreign currency funds in correspondent accounts	87	625
Government and other extra-budgetary funds	633,990	591,917
Regional and local budget funds	490,114	436,509
Deposits taken by the Bank of Russia from credit institutions	388,259	633,214
Required reserves deposited with the Bank of Russia	378,370	188,376
Non-resident banks' funds raised in repo transactions	16,100	30,318
Other	410,069	331,785
<b>Total</b>	<b>7,742,221</b>	<b>6,429,961</b>

The increase in the balance of the *Federal government funds* results from the growth of federal budget funds and funds in foreign currencies on the Reserve Fund accounts, and from the revaluation of foreign currency funds caused by the growth of their official exchange rates to the rouble. In order to comply with the federal government's resolutions, the Bank of Russia concluded bank account agreements with the Federal Treasury, whereby the Bank of Russia opened foreign currency accounts to record Reserve Fund and National Wealth Fund assets.

The item *Credit institutions' funds in correspondent accounts, of which: — foreign currency funds in correspondent accounts* reflects the balances of resident banks' foreign currency correspondent accounts opened under bank account agreements.

The growth in *Government and other extra-budgetary funds* is due to an increase in the account balances of the Social Insurance Fund of the Russian Federation and the Federal Compulsory Medical Insurance Fund.

*Deposits taken by the Bank of Russia from credit institutions* are comprised of the balances of funds raised from resident credit institutions in Russian roubles, including deposits from credit institutions in which the government holds a 50%-plus stake in authorised capital, totalling 41,136 million roubles (2010: 140,281 million roubles).

The decrease in the value of deposits taken by the Bank of Russia is attributable to the reduction of uncommitted cash balances of credit institutions due to the change in the financial market situation.

The increase in the *Required reserves deposited with the Bank of Russia* is a result of an increase in the Bank of Russia's required reserve ratios and the growth of the volume of reservable liabilities.

*Non-resident banks' funds raised in repo transactions* are the funds raised from non-resident banks in deals to sell the securities of foreign issuers with an obligation to repurchase them (repo transactions). The Bank of Russia concludes repos to bridge cash gaps and to lend securities to a foreign counterparty.

The lending takes the form of repos and reverse repos that are simultaneously concluded with a counterparty. Under a repo transaction the counterparty is provided with securities of interest to the latter, with an obligation of the counterparty to return the securities to the Bank of Russia. Under a reverse repo transaction, the Bank of Russia places the funds received in a repo transaction at a higher interest and receives other securities as collateral. The reverse repos and repos are concluded for the same tenor. The Bank of Russia benefits from the difference between the repo and reverse repo interest rates. The amount of the funds raised in repos and placed in reverse repos opened by the end of the year totalled 16,100 million roubles (2010: 30,318 million roubles). Foreign issuers' securities provided in these deals have a current (fair) value of 16,118 million roubles (2010: 30,357 million roubles) (Note 4). Foreign issuers' securities received in these deals as collateral have a total current (fair) value of 16,117 million roubles (2010: 30,425 million roubles) (Note 27).

The interest income received from these repos amounted to 98 million roubles (2010: 208 million roubles); it is recorded to *Interest income from foreign currency loans, deposits and other placements* for an amount totalling 67 million roubles (2010: 172 million roubles), and *Others* for an amount totalling 31 million roubles (2010: 36 million roubles) in Note 16 *Interest income*. The interest expenses amounted to 30 million roubles (2010: 55 million roubles); they are recorded to *Interest expenses on funds raised against the collateral of foreign currency-denominated securities in international markets* in Note 21 *Interest expenses*.

The decrease in the balance of *Non-resident banks' funds raised in repo transactions* is due to the decline in the value of funds raised by the Bank of Russia in deals to sell securities with an obligation to repurchase as of the end of the year.

Foreign issuers' securities provided in repos with a total current (fair) value of 16,118 million roubles (2010: 30,357 million roubles) are accounted for as foreign issuers' securities in *Foreign issuers' securities* in Note 4.

*Other* includes balances of accounts of government, non-profit and non-government organisations and other clients, as well as deposits taken from the DIA, a state-owned corporation, and funds on correspondent accounts of the National Bank of the Republic of Belarus and the National Bank of Kazakhstan which were opened with the Bank of Russia in the context of the Customs Union, for the amount totalling 215 million roubles (2010: 241 million roubles).

The increase in this item is mainly caused by the growth of the DIA's deposits taken by the Bank of Russia, and by the growth of the funds of non-government financial organisations.

Pursuant to the Budget Code of the Russian Federation and Article 23 of the Federal Law 'On the Central Bank of the Russian Federation (Bank of Russia)', the Bank of Russia conducts operations with federal budget funds, government extra-budgetary funds, and regional and local government budget funds without charging a commission.

## 11. FLOAT

This item's balance grew as the value of transactions payments between the establishments of the Bank of Russia grew in the last days of the year as a result of payments made by the Bank of Russia's establishments and their customers.

## 12. SECURITIES ISSUED

	<i>(millions of roubles)</i>	
	<b>2011</b>	<b>2010</b>
Bank of Russia bonds	0	588,598
<b>Total</b>	<b>0</b>	<b>588,598</b>

*Bank of Russia Bonds* reflect the nominal value of the Bank of Russia bonds (OBRs) placed as of 1 January 2011 net of the discount (inclusive of the accrued interest expenses). The decrease in this item results from the repayment of OBRs in the reporting year. Given the money market situation and the banking system's liquidity situation in the fourth quarter of 2011, the Bank of Russia did not conduct any OBR placement operations, thus, no OBRs were in circulation as of 1 January 2012.

## 13. OBLIGATIONS TO THE IMF

	<i>(millions of roubles)</i>	
	<b>2011</b>	<b>2010</b>
Liabilities on the funds provided to the Russian Federation as the IMF distributed its SDR issues	279,466	0
Bank of Russia rouble promissory note in favour of the IMF	129,736	0
Balances in IMF Accounts Nos. 1 and 2 with the Bank of Russia	63,133	720
<b>Total</b>	<b>472,335</b>	<b>720</b>

As the Russian Federation acceded to the IMF in 1992, IMF Accounts No. 1 and No. 2 were opened with the Bank of Russia. IMF Account No. 1 is mainly replenished by crediting funds that the Russian Federation provides in executing its obligations under the promissory note issued to the IMF. The IMF uses the funds in Account No. 1 to conduct financial operations and transactions and to replenish Account No. 2 in order to pay the administrative expenses of the IMF's office in the Russian Federation.

Under the Agreement of 18 January 2011 between the Ministry of Finance of the Russian Federation and the Bank of Russia on the transfer of the Russian Federation's debt obligations to the IMF and the Russian Federation's claims on the IMF, the Ministry of Finance transferred to the Bank of Russia and the latter accepted for accounting the Russian Federation's debt obligations on the SDRs received from the IMF, as 5,671.8 million SDRs (263,245 million roubles) in SDR issues were allocated. The agreement was concluded pursuant to Article 4 of Federal Law No. 291-FZ, dated 3 November 2010, 'On Amending the Federal Law 'On the Central Bank of the Russian Federation (Bank of Russia)' and Certain Laws of the Russian Federation'. After the promissory note of the Ministry of Finance in favour of the IMF was cancelled (on 20 January 2011), the Bank of Russia issued to the IMF a promissory note for 217,396 million roubles.

The obligations under the Bank of Russia's promissory note issued to the IMF decreased as funds were transferred to IMF Account No. 1, and totalled 129,736 million roubles as of 1 January 2012.

The obligations under the promissory note are to be repaid on the first request of the IMF by crediting funds to IMF Account No. 1.

To maintain IMF Account No. 1's balances and the amount of the promissory note issued to the IMF in SDR equivalents, as established by the IMF, part of the Russian Federation's quota with the IMF, paid in roubles, is revalued at the IMF's exchange rate on the first business day of each month.

In the reporting period, the accrued revaluation of the promissory note and of Account No. 1, for an amount totalling 11,779 million roubles, was credited to IMF Account No. 1.

As the IMF made a general quota review, and pursuant to the Bank of Russia Board of Directors' decision to consent to an increase in the Russian Federation's quota with the IMF (that will actually occur in 2012), the Bank of Russia recorded its contingent liabilities to pay the 6,958.3 million SDRs (342,856 million rouble) increase in the Russian Federation's quota with the IMF (Note 27).

#### 14. OTHER LIABILITIES

	<i>(millions of roubles)</i>	
	<b>2011</b>	<b>2010</b>
Supplementary pension provisions for Bank of Russia employees	91,663	90,081
Interest obligations	56,893	43,471
Other	989	2,178
Provisions	9,067	9,067
<b>Total</b>	<b>158,612</b>	<b>144,797</b>

Under the Federal Law 'On the Central Bank of the Russian Federation (Bank of Russia)', the Bank of Russia has the right to set up a supplementary pension fund for its employees. The Bank of Russia is implementing a pension plan with payments regulated by its own instructions. These take into account the fact that Bank of Russia employees are not covered by guarantees to which civil servants are entitled, and that similar pension arrangements are widely used by other central banks. The volume of funds allocated for supplementary pension payments to Bank of Russia employees is determined on the basis of the actuarial appraisal, which is made by a certified actuary. As of 1 January 2012, the Bank of Russia added 2,487 million roubles (2010: 7,853 million roubles) to the supplementary pension fund, recording this sum to its expenses (Note 25).

The increase in *Interest Obligations* is mainly caused by the increase in the total interest obligations for the use of the funds in the Reserve Fund and National Wealth Fund due to the increase of the funds in the Reserve Fund accounts, and by the revaluation of funds in foreign currencies that resulted from the growth of their rouble exchange rates, and of the Russian Federation's obligations to the IMF on the allocated SDRs accrued between May and December 2011 (according to the IMF Articles of Agreement, interest is paid on a quarterly basis for the IMF fiscal year, which lasts from 1 May to 30 April). Under the bank account agreement, interest accrued on the funds placed in the Reserve Fund and National Wealth Fund accounts is paid on the 15th of January of the year following the reporting year (Notes 21 and 28). In the period of 16 January to 31 December 2011, 56,723 million roubles were accrued (2010: in the period of 16 January to 31 December 2010 43,382 million roubles were accrued). Under the agreement, the calculated amount of the interest income was verified, resulting in a 3,710 million rouble downward adjustment of the accrued interest for the period of 1 January to 15 January 2011.

*Other* mostly reflects funds withdrawn by pre-trial inquiry and investigation authorities, the funds of educational institutions (banking schools/colleges and secondary educational institutions founded by the Bank of Russia), and the amounts of taxes and duties accrued, payable to the federal budget and extra-budgetary funds.

The item *Provisions* reflects provisions set up to meet the obligations to the participants in the Bank of Russia's Pension Programme, which were created out of 2010 expenses as per the decision of the Bank of Russia Board of Directors. This was in accordance with the forecasted amount of the appreciation of the pension obligations as of the end of the year following the reporting year, based on the actuarial calculations of the Bank of Russia pension obligations (Note 28).



## 15. REPORTING YEAR PROFIT

*Reporting year profit* is a balance-sheet item recognising the Bank of Russia's financial result for the year 2011. It results from the recognition in the accounts of the income received and accrued as definitive, as well as the expenses paid and accrued (where there is no uncertainty with respect to the performance of contractual obligations).

The allocation of the actual profit for the reporting year remaining after the payment of taxes and duties under the Tax Code of the Russian Federation and the transfer to the federal budget of 75% of actual profit remaining after the payment of taxes and duties (under Article 26 of the Federal Law 'On the Central Bank of the Russian Federation (Bank of Russia)' and Articles 5 and 6 of Federal Law No. 245-FZ, dated 30 September 2010, 'On Amending the Budget Code and Other Laws of the Russian Federation' (as amended)), is recognised in the Bank of Russia's accounting records in 2012 (Note 28, Statement of Profit and its Allocation and the Table *Capital, funds and profit allocation*).

The Bank of Russia's 2011 financial result changed, as compared to that of 2010, mainly on account of:

- the increase in the income from stakeholdings in credit institutions and other organisations (Note 18);
- the increase in other income, including the income from the sale of coins made of precious metals (Note 20);
- the decrease in income from securities trading (Note 17);
- the decrease in interest income (Note 16);
- the decrease in interest expenses with regards to expenses on Bank of Russia debt obligations (Note 21); and
- the decrease in the net income from the recovery of provisions (Note 19).

## 16. INTEREST INCOME

	<i>(millions of roubles)</i>	
	<b>2011</b>	<b>2010</b>
Interest income from securities	131,140	153,982
Interest income from rouble loans, deposits and other placements with resident banks of which:	38,134	57,236
— extended and placed pursuant to certain federal laws	19,500	28,182
— interest income from unsecured loans	0	5,995
Interest income from foreign currency loans, deposits and other placements of which:	6,385	9,426
— extended and placed under certain federal laws	0	5,832
Interest income from Bank of Russia claims on the IMF	1,290	0
Other, of which:	5,799	7,431
— extended and placed under certain federal laws	5,388	7,050
<b>Total</b>	<b>182,748</b>	<b>228,075</b>

*Interest income from securities* consists of 116,105 million roubles (2010: 135,582 million roubles) in interest income from foreign issuers' debt obligations acquired for the purpose of managing foreign

exchange reserves, and 15,035 million roubles (2010: 18,400 million roubles) in Russian issuers' debt obligations.

*Interest income from rouble loans, deposits and other placements with resident banks* reflects interest income from Bank of Russia loans extended against the collateral of securities from the Bank of Russia Lombard List, gold, promissory notes, rights of claim under credit institutions' loan agreements, or credit institutions' guarantees; subordinated loans extended in 2008 to Sberbank in the context of measures designed to support the financial system of the Russian Federation, as prescribed by Russian federal legislation; rouble deposits placed with Vnesheconombank pursuant to the decisions the Bank of Russia Board of Directors made in 2008 and 2009; and interest income from repo transactions.

*Interest income from rouble loans, deposits and other placements with resident Banks, of which: extended and placed pursuant to certain federal laws* reflects interest income from subordinated loans extended to Sberbank, totalling 19,500 million roubles (2010: 28,182 million roubles).

The decrease in *Interest income from rouble loans, deposits and other placements with resident banks* in the reporting year is caused by the transition to the use of mostly standard monetary regulation tools and by the fairly low demand among credit institutions for liquidity from the Central Bank of the Russian Federation in the first three quarters of 2011. It is also caused by the decrease in interest income from Sberbank's subordinated loans, as a part of the funds provided were repaid in 2010 and the interest rate was decreased.

*Interest income from foreign currency loans, deposits and other placements* mostly recognises interest accrued and received from Bank of Russia placements with non-resident banks, and interest on funds provided in repo transactions with foreign securities and on deposits which were placed with non-resident banks in foreign currency and precious metals.

*Interest income from Bank of Russia claims on the IMF* reflects interest accrued and received on the funds in the account with the IMF SDR Department, on loans extended by the Bank of Russia to the IMF under the New Arrangements to Borrow, and the amounts of remuneration on the reserve tranche position.

*Other* mostly includes interest income from loans extended to the DIA pursuant to Federal Law No. 175-FZ, dated 27 October 2008, from operations to provide securities to non-resident banks on a collectible basis, and also interest income received on accounts opened with non-resident banks.

## 17. INCOME FROM SECURITIES TRADING

	<i>(millions of roubles)</i>	
	<b>2011</b>	<b>2010</b>
Income from operations with foreign securities, of which:	28,284	50,998
income from compensation for previous years' expenses relating to securities revaluation	4,960	5,756
Income from operations with Russian securities, of which:	2,860	26,710
income from compensation for previous years' expenses relating to securities revaluation	2,812	18,608
<b>Total</b>	<b>31,144</b>	<b>77,708</b>

*Income from operations with foreign securities* consists of income from the sale and revaluation, at current (fair) value, of retired (sold) foreign government securities, as well as securities issued by non-resident banks and other non-resident debt obligations. It also includes income from the positive revaluation of foreign issuers' securities, which went to compensate for the negative revaluation of the corresponding issues recorded to expenses in the previous years.

*Income from operations with Russian securities* mainly reflects income from the positive revaluation, at current (fair) value, of Russian issuers' debt obligations, which was used to offset the negative revaluation, at current (fair) value, of the respective issues recorded to expenses in previous years. It also includes income from the sale and revaluation of the retired (sold) debt obligations of Russian issuers. In 2010, the same item reflected the income from the retirement of NDC shares belonging to the Bank of Russia, which it used to pay for additionally issued shares of the MICEX, pursuant to the Bank of Russia Board of Directors' decision to withdraw from the capital of the NDC.

## 18. INCOME FROM STAKEHOLDINGS IN CREDIT INSTITUTIONS AND OTHER ORGANISATIONS

	<i>(millions of roubles)</i>	
	<b>2011</b>	<b>2010</b>
Income from investments in shares of subsidiary and affiliated credit institutions	11,966	1,041
Income from investments in shares of subsidiary and affiliated organisations	3,920	67
Income from investments in shares of non-resident banks (excluding subsidiary and affiliated banks)	43	102
<b>Total</b>	<b>15,929</b>	<b>1,210</b>

*Income from investments in shares of subsidiary and affiliated credit institutions* reflects income from the Bank of Russia's stakeholdings in Sberbank.

*Income from investments in shares of subsidiary and affiliated organisations* includes income from stakeholdings in the capital of MICEX (since December 2011 — MICEX-RTS).

In 2011, the income from stakeholdings in credit institutions and other organisations increased due to dividends received from stakeholdings in the authorised capital of Sberbank and the MICEX (since December 2011 — MICEX-RTS).

After it was decided to re-organise the MICEX to reflect its merger with the RTS, pursuant to a decision made by the Annual General Meeting of the Shareholders of the MICEX, part of the additional dividends was paid in the form of property (namely shares of the RTS), that the Bank of Russia transferred to one of the stock exchange's shareholders in exchange for shares of the MICEX (since December 2011 — MICEX-RTS) (Notes 8 and 28, Statement of Bank of Russia Management of Securities and Stakeholdings in the Capital of Organisations Constituting Bank of Russia Property).

## 19. NET INCOME / (EXPENSES) FROM THE RECOVERY (CREATION) OF PROVISIONS

	<i>(millions of roubles)</i>	
	<b>2011</b>	<b>2010</b>
Decrease in provisions for rouble loans and deposits placed with resident banks	62,068	6,075
Decrease in provisions for restructured loans initially provided as unsecured loans, in roubles	900	12,397
Decrease in provisions for Bank of Russia compensation payments to depositors of bankrupt banks	5	42
Decrease in provisions for promissory notes acquired from credit institutions	4	0
(Increase)/decrease in provisions for credit institutions' debt on other operations	(2,699)	902
(Increase)/decrease in provisions for funds provided to the state-owned corporation	(47,955)	2,281
Decrease in provisions for foreign currency loans and deposits placed with resident banks	0	117,296
Decrease in provisions for unsecured loans, in roubles	0	26,367
(Increase) in provisions for claims on compensation deposits placed by the Bank of Russia with a credit institution and used by this credit institution	0	(2,301)
(Increase) in provisions to secure obligations to participants in the Bank of Russia's Pension Programme	0	(9,067)
<b>Total</b>	<b>12,323</b>	<b>153,992</b>

The decrease in provisions for rouble loans and deposits placed with resident banks results from the mitigation of the credit risk of the deposits placed.

The decrease in provisions for restructured loans initially provided as unsecured loans, results from a partial debt repayment by the credit institution.

Provisions for Bank of Russia payments to depositors of bankrupt banks are made pursuant to Federal Law No. 96-FZ, dated 29 July 2004, 'On Bank of Russia Payments on Household Deposits with Bankrupt Banks Uncovered by the Compulsory Deposit Insurance System', and Bank of Russia regulations. The decrease in provisions is connected with the decrease in funds transferred by the Bank of Russia to the agent banks for compensation payments to the depositors of bankrupt banks.

The decrease in provisions for promissory notes acquired from credit institutions results from the repayment of promissory notes at maturity.

The increase in provisions for credit institutions' debt on other operations results from asset re-classification and from a Bank of Russia claim arising in connection with the share exchange agreement (Notes 8 and 28; Statement of Bank of Russia Management of Securities and Stakeholdings in the Capital of Organisations Constituting Bank of Russia Property).

The increase in provisions for the funds provided to the DIA, a state-owned corporation, results from a greater volume of funds provided by the Bank of Russia as part of measures to prevent the bankruptcy of credit institutions.

## 20. OTHER INCOME

	<i>(millions of roubles)</i>	
	<b>2011</b>	<b>2010</b>
Fees for Bank of Russia services provided to customers	6,896	5,507
Income from the sale of coins made of precious metals	5,537	1,248
Net realised differences for precious metals	347	0
Income of previous years (net of interest income) identified in reporting year	156	113
Fines and penalties received	58	161
Income from technological processing of precious metals and other income	3	12
Other	1,364	1,456
<b>Total</b>	<b>14,361</b>	<b>8,497</b>

*Fees for Bank of Russia services provided to customers* mostly consist of: 6,864 million roubles (2010: 5,479 million roubles) received in fees for the settlement services provided by the Bank of Russia, 7 million roubles (2010: 11 million roubles) reimbursed by customers for telegraph expenses, and other fees totalling 25 million roubles (2010: 17 million roubles)

*Income from the sale of coins made of precious metals* is income from the sale of Russian coins made of precious metals in the domestic and international financial markets. The increase in this item was attributable to higher sales of coins and the rising price of precious metals.

*Net realised differences for precious metals* reflect the net positive realised differences for precious metals purchase and sale transactions in the domestic and foreign financial markets.

## 21. INTEREST EXPENSES

	<i>(millions of roubles)</i>	
	<b>2011</b>	<b>2010</b>
Interest expenses on federal budget fund balances, including	53,013	52,969
— Reserve Fund balances	14,737	20,656
— National Wealth Fund balances	38,276	32,313
Interest expenses on deposits taken from credit institutions in the domestic market	14,678	18,197
Interest expenses on Bank of Russia debt obligations	8,890	36,549
Interest expenses on Bank of Russia obligations to the IMF	1,010	0
Interest expenses on deposits attracted from the state-owned corporation	607	590
Interest expenses on funds raised against the collateral of foreign currency-denominated securities in international markets	44	57
Other	3	3
<b>Total</b>	<b>78,245</b>	<b>108,365</b>

Pursuant to resolutions of the Government of the Russian Federation, in 2008, the Bank of Russia concluded bank account agreements with the Federal Treasury, whereby the Bank of Russia opened accounts in roubles and foreign currencies for the Reserve Fund and National Wealth Fund, to which the balances of the Stabilisation Fund accounts were transferred on 30 January 2008.

*Interest expenses on federal budget fund balances* as of 1 January 2012 reflect the interest accrued on the balances of the Reserve Fund and National Wealth Fund foreign currency accounts, in accordance with the bank account agreements, for the period of 16 January to 31 December 2011.

Under the bank account agreements, the Bank of Russia pays an interest based on the yields of indices, each of which is a set of foreign governments' securities that have specific shares in the given aggregate. According to the bank account agreements concluded between the Bank of Russia and the Federal Treasury, the set of foreign governments' securities, that are included in these indices, is established and regularly revised by the Federal Treasury.

Under the bank account agreements, interest was paid to federal budget revenue for the period of 16 January 2010 to 15 January 2011 on 21 January 2011, and for the period of 16 January to 31 December 2011 on 20 January 2012 (Notes 14 and 28).

The decrease of the expenses in the item *Interest expenses on deposits taken from credit institutions in the domestic market* results from a change in the structure of the funds attracted (a greater share of standard 'overnight' deposits with a simultaneous decrease of standard 'one week' deposits).

*Interest expenses on Bank of Russia debt obligations* include interest expenses on OBRs. The decrease in this item results from a decrease in the OBR trading turnover.

*Interest expenses on Bank of Russia obligations to the IMF* include interest accrued on the balance of the Russian Federation's obligations to the IMF with regard to the allocated SDR.

*Interest expenses on deposits attracted from state-owned corporation* include interest expenses on deposits attracted from the DIA.

*Interest expenses on funds raised against the collateral of foreign currency-denominated securities in international markets* include interest expenses on other funds raised from non-resident banks (repo).

## 22. EXPENSES ON SECURITIES TRADING

	<i>(millions of roubles)</i>	
	<b>2011</b>	<b>2010</b>
Expenses on operations with foreign securities	7,831	10,340
Expenses on operations with debt obligations of Russian issuers	782	939
Other	224	1,021
<b>Total</b>	<b>8,837</b>	<b>12,300</b>

*Expenses on operations with foreign securities* are comprised of expenses from the sale and negative revaluation, at current (fair) value, of retired (sold) foreign government securities, securities issued by non-resident banks and other non-resident debt obligations.

*Expenses on operations with debt obligations of Russian issuers* include expenses from the sale and negative revaluation of retired (sold) Russian government debt obligations.

*Other* includes mainly the expenses on payments for the depository services of the National Settlement Depository (NSD) and on fee payments to organisations supporting the securities trading in the domestic market.

**23. CASH TURNOVER MANAGEMENT EXPENSES**

This balance sheet item includes expenses involved in the manufacture, destruction and anti-counterfeit protection of banknotes and coins, as well as the purchase and delivery of packaging materials and accessories necessary for the processing of cash.

The increase in expenses in this item is due to the increased volumes of manufacturing of 10-ruble coins and the beginning of manufacturing of 500- and 5000-ruble banknotes of 2010 modification, with a stronger set of security features.

**24. EXPENSES ON NEGATIVE REVALUATION OF SECURITIES AVAILABLE FOR SALE**

	<i>(millions of roubles)</i>	
	<b>2011</b>	<b>2010</b>
Expenses on negative revaluation of securities available for sale	4,070	5,193
<b>Total</b>	<b>4,070</b>	<b>5,193</b>

At the end of 2011, there was significant negative unrealised revaluation of securities available for sale for certain issues of federal government debt obligations totalling 3,675 million roubles (2010: 288 million roubles) and in foreign issuers' debt obligations, totalling 395 million roubles (2010: 4,905 million roubles), that was recorded to the expenses of the Bank of Russia (Note 1(e)).

## 25. OTHER OPERATING EXPENSES

	<i>(millions of roubles)</i>	
	<b>2011</b>	<b>2010</b>
Depreciation allowances	10,935	10,389
Expenses on IT maintenance and logistics	6,622	5,875
Expenses on delivery of bank documents and valuables	4,552	4,077
Security expenses	4,154	4,024
Repair expenses	3,687	3,652
Expenses on maintenance of buildings	2,965	2,686
Expenses on replenishment of supplementary pension funds	2,487	7,853
Taxes and duties paid	1,955	1,774
Expenses involved in the use of titles to intellectual property	1,955	1,707
Net negative realised foreign currency exchange rate differences	1,725	5,906
Postage, telegraph and telephone expenses and expenses on renting communications lines and channels	1,620	1,584
Expenses on operations with precious metals	127	193
Expenses on foreign currency operations	14	295
Net negative realised differences for precious metals	0	568
Other	5,199	4,288
<b>Total</b>	<b>47,997</b>	<b>54,871</b>

As of 1 January 2012, the Bank of Russia added 2,487 million roubles to the supplementary pension fund for its employees. This was done on the basis of the IFRS-based actuarial appraisal of the pension obligations of the Bank of Russia as of 1 January 2012 (along with the pension expenses for 2011), and recorded as Bank of Russia expenses (Note 14).

*Net negative realised foreign currency exchange rate differences* reflect those arising from the purchase (sale) of foreign currency in the domestic and international markets at exchange rates that differ from the official rates established by the Bank of Russia. The net realised exchange rate differences were negative due to the expenses on the purchase (sale) of foreign currency incurred by the Bank of Russia in the international market as a result of fluctuations of foreign currency exchange rates.

*Expenses on foreign currency operations* are mainly comprised of expenses on commissions paid under the relevant agreements to the administrator of the unified trading session of interbank currency exchanges and to the credit institution authorised to buy and sell foreign currency on the exchange, as well as expenses related to the maintenance of Bank of Russia correspondent accounts with non-resident banks.

*Other* mainly reflects personnel training expenses; property retirement/sale expenses; business travel expenses; printing and other expenses for the production, purchase and mailing of blank forms and data media; expenses related to the purchase of equipment and accessories put into operation/use, and the annual fee to compensate the administrative expenses of the IMF SDR Department.



## 26. PERSONNEL COSTS

For explanation, see the Statement of Bank of Russia Personnel Costs.

## 27. OFF-BALANCE SHEET CLAIMS AND OBLIGATIONS ACCOUNTS

Claims and obligations on forward operations recorded to off-balance sheet accounts are as follows:

	<i>(millions of roubles)</i>	
	<b>2011</b>	<b>2010</b>
<b>Claims</b>		
Claims for delivery of roubles in spot transactions	3,863	0
Claims for delivery of foreign currency from non-residents in spot transactions	45,618	24,133
Claims for delivery of foreign currency-denominated securities from non-residents in spot transactions	6,418	0
Claims for delivery of foreign currency in forward transactions	0	9,980
Claims for delivery of foreign currency from non-residents in forward transactions	32,371	41,367
Claims for delivery of foreign currency-denominated securities from non-residents in forward transactions	0	17,575
Unrealised (negative) exchange rate differences from the revaluation of foreign currency	22	0
<b>Total claims</b>	<b>88,292</b>	<b>93,055</b>
<b>Obligations</b>		
Obligations to deliver foreign currency in spot transactions	3,864	0
Obligations to deliver foreign currency from non-residents in spot transactions	25,189	23,938
Obligations to deliver foreign currency-denominated securities from non-residents in spot transactions	26,797	0
Obligations to deliver foreign currency in forward transactions	0	10,083
Obligations to deliver foreign currency from non-residents in forward transactions	32,442	58,771
Unrealised (positive) exchange rate differences from the revaluation of foreign currency	0	263
<b>Total obligations</b>	<b>88,292</b>	<b>93,055</b>

The increase in *Claims for delivery of roubles in spot transactions* and in *Obligations to deliver foreign currency in spot transactions* results from the existence of spot conversion deals in the domestic market as of the reporting date.

The increase in *Claims for delivery of foreign currency from non-residents in spot transactions* is mainly attributable to the existence of spot deals to sell securities in international financial markets as of the reporting date.

The increase in *Claims for delivery of foreign currency-denominated securities from non-residents in spot transactions* is due to the existence of spot deals to buy securities in international financial markets as of the reporting date.

The decrease in *Claims for delivery of foreign currency in forward transactions* and in *Obligations to deliver foreign currency in forward transactions* results from the lack of forward conversion deals in the domestic market as of the reporting date.

The decrease in *Claims for delivery of foreign currency from non-residents in forward transactions* and in *Obligations to deliver foreign currency from non-residents in forward transactions* results from the reduction in the volume of forward conversion deals in international financial markets in the period between the previous and current reporting dates.

The decrease in *Claims for delivery of foreign currency-denominated securities from non-residents in forward transactions* is caused by the lack of forward deals to buy securities in international financial markets as of the reporting date.

The increase in *Obligations to deliver foreign currency from non-residents in spot transactions* mainly results from the existence of spot deals to buy securities in international financial markets as of the reporting date.

The increase in *Obligations to deliver foreign currency-denominated securities from non-residents in spot transactions* is due to the existence of spot deals to sell securities in international financial markets as of the reporting date.

Other claims and obligations recorded to the off-balance sheet accounts include:

	<i>(millions of roubles)</i>	
	<b>2011</b>	<b>2010</b>
Securities accepted as collateral for funds placed	18,812	2,654
Securities received on a repo basis	656,392	248,299
Guarantees and sureties received	297,020	28,661
Assets accepted as collateral for funds placed, except securities and precious metals	133,008	7,883
Unused lines of credit facilities	408,683	0
Guarantees and sureties issued	342,856	0
Arrears in interest payments on the principal debt not written off the balance sheet	2,107	1,434

Securities accepted as collateral for funds placed are securities accepted by the Bank of Russia from credit institutions as collateral for loans it extended to them.

Securities received by the Bank of Russia on a repo basis are mainly securities accepted as collateral in repos with credit institutions in the domestic securities market, and foreign issuers' securities received by the Bank of Russia as collateral in repos with non-residents in international markets.

Securities received by the Bank of Russia as collateral in repos with resident credit institutions in the domestic securities market are accounted for at their current (fair) value, totalling 561,035 million roubles (2010: 4,864 million roubles).

Securities received by the Bank of Russia as collateral in reverse repos with non-residents are accounted for at their current (fair) value, totalling 95,357 million roubles (2010: 243,145 million

roubles). Of these, securities received in reverse repos that match repos have a current (fair) value of 16,117 million roubles (2010: 30,425 million roubles).

The increase in this item results from the growth of the volume of repos conducted to provide funds against the pledge of securities, concluded in the domestic market.

The guarantees and sureties received by the Bank of Russia are credit institutions' guarantees accepted as collateral on the loans extended.

Assets accepted as collateral for funds placed, except securities and precious metals, are claims under loan agreements accepted by the Bank of Russia as collateral for loans extended to credit institutions; these assets total 133,008 million roubles (2010: 7,883 million roubles).

Unused lines of credit facilities amounting to 408,683 million roubles (2010: 0 million roubles) consist mainly of the unused credit line of the IMF loans under the New Arrangements to Borrow, in the amount of 8,139.6 million SDRs (or 401,063 million roubles) (2010: 0 million SDRs or 0 million roubles).

The guarantees and sureties issued are the Bank of Russia's contingent liabilities to the IMF to pay for the increase in the Russian Federation's quota with the IMF as the IMF is set to revise the quotas in 2012. The Bank of Russia records its contingent liabilities to the IMF to pay for the increase in the Russian Federation's quota with the IMF in the amount of 6,958.3 million SDRs (342,856 million roubles) (Note 13).

Arrears in interest payments on the principal debt not written off the balance sheet are mainly comprised of interest unassigned for receipt, which accrued on loans provided by the Bank of Russia to credit institutions.

## 28. POST-ACCOUNTING DATE EVENTS

The adjustment of the amount of taxes and duties after the final settlement for the reporting tax period, and the transfer to the federal budget and distribution of actual profit for 2011 (remaining after the transfer to the federal budget pursuant to Article 26 of the Federal Law 'On the Central Bank of the Russian Federation (Bank of Russia)' and Federal Law No. 245-FZ, dated 30 September 2010, 'On Amending the Budget Code and Other Laws of the Russian Federation' (as amended), taking into account the profit tax settlement), are recognised in Bank of Russia accounting records in 2012 (Statement of Profit and its Allocation and Table *Capital, funds and profit allocation*).

Taxes and duties paid on 28 March 2012, after the final settlement from the Bank of Russia's profit for 2011, amounted to 1 million roubles (Statement of Profit and its Allocation and Table *Capital, funds and profit allocation*).

With respect to the relative amount of actual profit for the year remaining in the Bank of Russia after the payment of taxes and duties pursuant to the Tax Code of the Russian Federation, 16,301 million roubles are to be transferred to the federal budget (Statement of Profit and its Allocation and Table *Capital, funds and profit allocation*). This is done pursuant to Federal Law No. 245-FZ, dated 30 September 2010, 'On Amending the Budget Code and Other Laws of the Russian Federation' (as amended), which suspends until 1 January 2015 Part One of Article 26 of the Federal Law 'On the Central Bank of the Russian Federation (Bank of Russia)'.

The profit retained by the Bank of Russia was allocated at its Board of Directors' decision as follows: 5,217 million roubles were transferred to the Bank of Russia Reserve Fund, whereas 217 million roubles went to the Bank of Russia Social Fund (Statement on Profit and its Allocation, Statement of the Bank of Russia Reserves and Funds, and Table *Capital, funds and profit allocation*).

In January 2012, the obligations to transfer to the Bank of Russia's ownership the MICEX-RTS shares it is entitled to under the share exchange agreement were fulfilled (Notes 8 and 18, Statement of Bank of Russia Management of Securities and Stakeholdings in the Capital of Organisations Constituting Bank of Russia Property). The Bank of Russia's claim under the share exchange agreement

has been satisfied, and the provisions have been recovered to the Bank of Russia's income. The Bank of Russia's stake in the authorised capital of MICEX-RTS is 24.3%.

Interest on the assets of the Reserve Fund and the National Wealth Fund for the period of 16 January to 31 December 2011 totalled 56,723 million roubles. Under the agreement, the calculated amount of the interest income was verified, resulting in a downward adjustment of the accrued interest for the period of 1 January to 15 January 2012 by 438 million roubles. The amount of adjustment was accounted for in 2012 as part of other income of the Bank of Russia.

In connection with a decision taken by the National Banking Board in March 2011 and co-ordinated with the Government of the Russian Federation, to reduce (in 2011—2013) the Bank of Russia's stake in the capital of Sberbank by 7.58% minus one share, the Bank of Russia organised work to sell its Sberbank shares. The privatisation of this number of shares will allow the Bank of Russia to maintain its stake in the authorised capital of Sberbank at 50% plus one voting share and is sufficient for exercising majority control over the country's biggest bank.

Starting from 1 January 2012, the Bank of Russia established a 40,000-rouble threshold for recording property as fixed assets.

Pursuant to a decision by the Bank of Russia Board of Directors, in March 2012, the previously created provisions for the execution of the obligations with regard to the participants of the Bank of Russia's Pension Programme were increased by 2,348 million roubles on account of the 2012 expenses of the Bank of Russia (Note 14).

## STATEMENT OF PROFIT AND ITS ALLOCATION

	<i>(millions of roubles)</i>	
	<b>2011</b>	<b>2010</b>
1. Actual profit for the year	21,903	204,265
2. Taxes and duties paid from Bank of Russia profit under the Tax Code of the Russian Federation, total:	168	172
of which:		
— advance payments in the reporting year	167	164
— after the final settlement for the reporting year*	1	8
3. Profit after payment of taxes and duties under the Tax Code of the Russian Federation	21,735	204,093
4. To be transferred to federal budget under Article 26 of the Federal Law ‘On the Central Bank of the Russian Federation (Bank of Russia)’*	16,301	153,070
5. Bank of Russia retained profit, total*	5,434	51,023
of which transferred to:		
Bank of Russia Reserve Fund	5,217	48,982
Bank of Russia Social Fund	217	2 041

Under Article 11 of the Federal Law ‘On the Central Bank of the Russian Federation (Bank of Russia)’, Bank of Russia profit for the year is determined as the difference between total income from banking operations and transactions stipulated by Article 46 of this Federal Law, and income from the stakeholdings in the capital of credit institutions; and expenses involved in the fulfilment by the Bank of Russia of the functions assigned to it by Article 4 of the same law.

In 2011, the Bank of Russia’s financial performance was largely shaped by the uncertain movement of the global economy and by the Bank of Russia’s own operations managing the liquidity of the banking sector. Against this background, which was characterised by the volatility of international reserves amid the low interest rates in the world’s financial markets, the Bank of Russia’s income from the placement of its reserve assets turned out to be lower than it had been in 2010. The income from banking liquidity provision operations decreased from its 2010 level, which was a result of the lack of credit institutions’ demand for refinancing instruments in the first nine months of 2011 (credit institutions needed no additional liquidity until the 4<sup>th</sup> quarter of 2011). The stated factors substantially decreased the Bank of Russia’s profit for 2011.

In 2011, an additional corporate profit tax was accrued according to the adjusted 2008 and 2009 profit tax returns, in the amount of 2 million roubles (recorded under ‘Taxes and duties paid from Bank of Russia profit under the Tax Code of the Russian Federation’ as ‘advanced payments in the reporting year’).

The Bank of Russia’s profit for the year is allocated according to the procedure established by Article 26 of the Federal Law ‘On the Central Bank of the Russian Federation (Bank of Russia)’. This law stipulates that after the Bank of Russia’s annual financial statements have been approved by its Board of Directors, the Bank of Russia must transfer 50% of its actual year profit remaining after the payment of taxes and duties under the Tax Code of the Russian Federation to the federal budget. The Bank of Russia Board of Directors transfers retained profit to reserves and various funds.

\* The payment of taxes and duties from the reporting year’s profit pursuant to the Tax Code of the Russian Federation after the final calculation of profit for the reporting tax period, and the distribution of the reporting years’ actual profit retained after the payment of taxes and duties are recognised in the Bank of Russia’s balance sheet for the current year (Note 28).

Pursuant to Articles 5 and 6 of Federal Law No. 245-FZ, dated 30 September 2010, 'On Amending the Budget Code and Other Laws of the Russian Federation' (as amended), Part 1 of Article 26 of the Federal Law 'On the Central Bank of the Russian Federation (Bank of Russia)' has been suspended until 1 January 2015. The share of the actual year profit for 2011 remaining after the payment of taxes and duties under the Tax Code of the Russian Federation and to be transferred by the Bank of Russia to the federal budget has been set at 75%.

## STATEMENT OF BANK OF RUSSIA RESERVES AND FUNDS

*(millions of roubles)*

	Reserve Fund	Social Fund	Accrued precious metal revaluation	Positive revaluation of securities available for sale	Accrued foreign currency exchange rate differences	Growth in value of property after revaluation	Total
<b>Balance as of beginning of reporting year inclusive of funds received as a result of allocation of profit for the year preceding the reporting year</b>	<b>256,036</b>	<b>7,454</b>	<b>1,002,098</b>	<b>67,857</b>	<b>1,065,491</b>	<b>7,965</b>	<b>2,406,901</b>
Transferred to funds from other sources	0	2	197,709	69,555	593,010	1	860,277
Reserves and funds used	0	(2,719)	0	(32,076)	0	0	(34,795)
<b>Balance as of beginning of the year following the reporting year</b>	<b>256,036</b>	<b>4,737</b>	<b>1,199,807</b>	<b>105,336</b>	<b>1,658,501</b>	<b>7,966</b>	<b>3,232,383</b>
Transferred from reporting year profit*	5,217	217	0	0	0	0	5,434
<b>Total, inclusive of funds received as a result of allocation of reporting year profit</b>	<b>261,253</b>	<b>4,954</b>	<b>1,199,807</b>	<b>105,336</b>	<b>1,658,501</b>	<b>7,966</b>	<b>3,237,817</b>

\* The allocation of actual profit for the reporting year retained after the payment of taxes and duties under the Tax Code of the Russian Federation and the transfers made to the federal budget under Article 26 of the Federal Law 'On the Central Bank of the Russian Federation (Bank of Russia)' is recognised in the Bank of Russia's balance sheet for the current year (Note 28).



Pursuant to Article 26 of the Federal Law ‘On the Central Bank of the Russian Federation (Bank of Russia)’, the Bank of Russia transfers profit that remains at its disposal after the payment of taxes and duties under the Tax Code of the Russian Federation to reserves and various funds (after the approval of its annual financial statements by the Board of Directors). The procedure for allocating Bank of Russia retained profit is established by the Bank of Russia Regulation ‘On the Procedure for Allocating Profit Retained by the Bank of Russia’, which was approved by the National Banking Board on 9 April 2003.

Pursuant to the Bank of Russia Regulation ‘On the Bank of Russia Reserve Fund’, the Bank of Russia created the Reserve Fund for the purpose of ensuring stability for the fulfilment by the Bank of Russia of the functions assigned to it by law. The Bank of Russia Reserve Fund is formed from its profits. According to the decision of the Bank of Russia Board of Directors, the Bank of Russia may also transfer money from other funds and reserves that are part of Bank of Russia equity capital to the Reserve Fund.

According to the procedure for allocating profit retained by the Bank of Russia, and in line with the decision taken by the Bank of Russia Board of Directors, 5,217 million roubles (2010: 48,982 million roubles) were allocated to the Bank of Russia Reserve Fund from retained profit for 2011.

The Bank of Russia Social Fund was set up to provide for the social needs of Bank of Russia employees and, in some cases, pensioners registered with the Bank of Russia.

Money from the Bank of Russia Social Fund is mainly used to provide one-off social benefits to Bank of Russia employees. The Bank of Russia Social Fund is formed with the Bank of Russia’s retained profit.

The procedure for creating and using the Social Fund is governed by the Bank of Russia’s Regulation ‘On the Social Fund of the Central Bank of the Russian Federation’.

According to the procedure for allocating Bank of Russia retained profit and a decision made by the Bank of Russia Board of Directors, 217 million roubles, or 4% (2010: 2,041 million roubles, or 4%) of Bank of Russia retained profit for 2011, have been transferred to the Bank of Russia Social Fund.

According to the decision of the Bank of Russia Board of Directors, beginning from 1 January 2007, precious metals are recognised in the accounting records at their book price and revalued daily. The accrued revaluation of precious metals (which represents the excess of positive unrealised differences over negative unrealised differences) totals 197,709 million roubles (2010: 341,724 million roubles). It was recorded in 2010 to the balance sheet account *Accrued precious metal revaluation* as part of Bank of Russia capital (Note 1 (c) and Table *Capital, funds, and profit allocation*).

The accrued foreign currency exchange rate differences result from the revaluation of foreign currency funds, caused by changes in the official rate of foreign currencies against the rouble. In 2011, the positive unrealised exchange rate differences exceeded the negative ones by 593,010 million roubles; this excess was recorded to the balance sheet account *Accrued foreign currency exchange rate differences* as part of Bank of Russia capital (in 2010, the negative unrealised foreign currency exchange rate differences exceeded the positive ones by 119,091 million roubles) (Note 1 (d) and Table *Capital, funds, and profit allocation*).

In compliance with the Bank of Russia’s accounting rules, beginning from 1 January 2008, securities available for sale have been evaluated (revalued) at their current (fair) value. The accrued positive revaluation of securities available for sale, totalling 69,555 million roubles (2010: 28,555 million roubles), was recorded in 2010 to the balance sheet account *Positive revaluation of securities available for sale* as part of Bank of Russia capital. The positive revaluation accrued in previous years was written off as the securities of the corresponding issue (issuer) were retired (sold) in 2011, and also used to settle the negative unrealised revaluation of the securities of the corresponding issue (issuer) accrued in 2011 and totalling 32,076 million roubles (2010: 53,350 million roubles) (Note 1 (e) and Table *Capital, funds, and profit allocation*).

The fixed asset revaluation fund is the increase in the value of property due to the revaluation of fixed assets, made in compliance with a Russian Federation Government Resolution in 1992, 1994, 1995, 1996 and 1998.



**STATEMENT OF BANK OF RUSSIA MANAGEMENT OF SECURITIES  
AND STAKEHOLDINGS IN THE CAPITAL OF ORGANISATIONS  
CONSTITUTING BANK OF RUSSIA PROPERTY**

**BANK OF RUSSIA INVESTMENTS IN DEBT OBLIGATIONS**

*(millions of roubles)*

	<b>2011</b>	<b>2010</b>
<b>Foreign issuers' debt obligations, of which:</b>		
US and Canadian issuers' debt obligations	5,082,950	5,326,043
— denominated in US dollars	4,860,551	5,223,967
— denominated in euros	0	0
— denominated in Canadian dollars	222,399	102,076
EU issuers' debt obligations	6,925,705	6,503,210
— denominated in US dollars	140,232	124,309
— denominated in euros	5,710,820	5,343,568
— denominated in pounds sterling	1,074,653	1,035,333
Japanese issuers' debt obligations	214,616	201,633
— denominated in Japanese yen	214,616	201,633
Debt obligations of international organisations	86,394	64,922
— denominated in US dollars	50,873	42,177
— denominated in euros	32,932	22,745
— denominated in pounds sterling	2,589	0
<b>Subtotal</b>	<b>12,309,665</b>	<b>12,095,808</b>
<b>Russian and foreign issuers' debt obligations issued in Russia, of which:</b>		
Russian federal government debt obligations	332,738	347,161
— denominated in roubles	183,926	185,675
— denominated in US dollars	148,812	161,486
Other Russian issuers' debt obligations	407	422
— denominated in roubles	407	422
Foreign issuers' debt obligations issued in Russia	0	0
— denominated in roubles	0	0
Promissory notes issued by credit institutions	23	27
<b>Subtotal</b>	<b>333,168</b>	<b>347,610</b>
<b>Total</b>	<b>12,642,833</b>	<b>12,443,418</b>

Foreign securities are mostly US Treasuries and the government debt obligations of France, Germany, the United Kingdom, Canada, Japan, the Netherlands, Finland, Denmark, Sweden and Austria as well as debt obligations issued by supranational financial organisations, non-government debt securities guaranteed by the governments of the above countries, and the covered bonds of German credit institutions.

This item grew mainly on account of the increase in foreign currencies' exchange rates against the Russian rouble at the end of 2011 as compared to the end of 2010.

In 2011, the Bank of Russia continued to actively use the market instruments of monetary regulation. Depending on the monetary situation, the Bank of Russia performed operations both to absorb free liquidity and to provide loans to credit institutions using government securities, Bank of Russia bonds and the debt obligations of other Russian issuers in the domestic securities market. These were, namely:

- the sale of government bonds by the Bank of Russia from its own portfolio;
- the purchase of securities with an obligation to resell for terms of one and seven days, and three months (repo transactions);
- operations to place (sell) Bank of Russia bonds.

Rouble-denominated Russian government debt obligations are known as OFZ bonds (federal government bonds). The decrease in the balance in this item is attributable to the sale and redemption of these securities.

US dollar-denominated Russian government debt obligations are known as external foreign currency bonds. The decrease in the balance in this item is attributable to the redemption of these securities.

The debt obligations of other Russian issuers denominated in roubles are securities issued by the regional governments of the Russian Federation. The decrease in the balance in this item is attributable to the redemption of these securities.

**BANK OF RUSSIA INVESTMENTS IN AUTHORISED CAPITAL  
OF BANKS AND OTHER ORGANISATIONS**

*(millions of roubles)*

Title	2011		2010	
	Balance sheet value	Share in authorised capital, percent (at par)	Balance sheet value	Share in authorised capital, percent (at par)
<b>Investments in resident shares, of which:</b>	<b>91,582</b>		<b>91,582</b>	
Sberbank, Moscow	84,004	57.58	84,004	57.58
MICEX-RTS, Moscow	7,575	21.60	7,575	36.82
St. Petersburg Currency Exchange (SPCEX)	3	8.90	3	8.90
<b>Investments in non-resident shares, of which:</b>	<b>1,423</b>		<b>1,347</b>	
Bank for International Settlements, Basel	1,422	0.57	1,346	0.59
Society for Worldwide Interbank Financial Telecommunications (S.W.I.F.T.), Belgium	0.671	0.006	0.649	0.006
<b>Other investments, of which:</b>	<b>10</b>		<b>10</b>	
Interstate Bank, Moscow	10	50.00	10	50.00

The Bank of Russia participates in the capital of credit institutions and other resident organisations, pursuant to Article 8 of the Federal Law ‘On the Central Bank of the Russian Federation (Bank of Russia)’.

In 2011, the Bank of Russia did not conduct any operations with shares of Sberbank or the SPCEX.

In 2011, the MICEX was reorganised due to its merger with the RTS (since 19 December 2011 — MICEX-RTS, an open joint-stock company (MICEX-RTS)). The Bank of Russia’s stake in the capital of MICEX-RTS is smaller than the stake it had in the MICEX, as the united exchange has more shareholders. In the course of the re-organisation of MICEX, the Bank of Russia concluded a share exchange agreement with a MICEX shareholder, whereby the RTS shares payable as dividends to the Bank of Russia were transferred to that shareholder in exchange for shares in the MICEX-RTS that the shareholder transferred to the Bank of Russia after the re-organisation was completed, following the reporting date (Notes 8, 18, and 28).

Change in *Shares of credit institutions and other organisations* (investments in non-resident shares) was caused by the revaluation of the Bank of Russia’s investments in the authorised capital of the Basel-based Bank for International Settlements and Society for Worldwide Interbank Financial Telecommunications (S.W.I.F.T.), Belgium, as a result of the change in the exchange rate of foreign currencies against the rouble. The change in the Bank of Russia’s stake in the authorised capital of the Bank for International Settlements, Basel, was caused by the issuance of shares in favour of new shareholders.

**STATEMENT OF VOLUME OF BANK OF RUSSIA TRANSACTIONS  
ON STOCK EXCHANGES AND / OR OTHER TRADE ORGANISERS  
IN THE SECURITIES MARKET**

*(millions of roubles)*

Trade organiser	Volume of Bank of Russia own securities trading, including repos		Volume of Bank of Russia securities trading at the instruction of its customers		Volume of Bank of Russia sales of collateral for Lombard loans and repos	
	2011	2010	2011	2010	2011	2010
MICEX-RTS*	28,269,566	4,609,144	826,528	885,430	0	96
MICEX Stock Exchange	15,781,069	1,865,388	0	0	0	0
St. Petersburg Currency Exchange (SPCEX)	2,152	0	0	0	0	0
	<b>44,052,787</b>	<b>6,474,532</b>	<b>826,528</b>	<b>885,430</b>	<b>0</b>	<b>96</b>

The column *Volume of Bank of Russia own securities trading, including repos* shows summary volumes of the following Bank of Russia operations with securities:

- the sale of Russian government securities from the Bank of Russia's portfolio;
- the placement (sale) and repurchase of securities issued by the Bank of Russia (Bank of Russia bonds);
- the purchase of securities in the first part of repos and the sale of securities in their second part.

The change in the volume of transactions was mostly caused by the significant increase in repo transactions.

The column *Volume of Bank of Russia securities trading at the instruction of its customers* shows summary data for the corresponding year on the purchase and sale of Russian government securities by the Bank of Russia at the instruction of the Pension Fund and Ministry of Finance under agency agreements.

The column *Volume of Bank of Russia sales of collateral for Lombard loans and repos* shows the summary volumes of sales of collateral in the form of securities received by the Bank of Russia in repo transactions and Lombard loans as a result of credit institutions' default on their obligations to repay loans to the Bank of Russia.

\* On 19 December 2011, the MICEX was reorganised into the MICEX-RTS.

## STATEMENT OF BANK OF RUSSIA PERSONNEL COSTS

Items of expenditure	<i>(millions of roubles)</i>	
	2011	2010
Compensation	69,032	66,392
Compensation charges	10,515	7,364
<b>Total Bank of Russia personnel costs</b>	<b>79,547</b>	<b>73,756</b>

The Bank of Russia's personnel costs grew by 5,791 million roubles, or 7.9%, against 2010, with compensation-related expenses up by 2,640 million roubles, or 4.0%, and compensation charges up by 3,151 million roubles, or 42.8%.

Compensation expenses include: salary payments; seniority bonuses for length of service with the Bank of Russia; additional payments for participation in audits and inspections; other increments and benefits established by Bank of Russia regulations; monthly and year-end bonuses; regular paid leaves and study leaves; a one-off allowance for annual paid leaves; emergency allowances; benefits for employees living or working in regions affected by the Chernobyl nuclear power plant disaster; benefits for employees taking leave to care after children under the age of three; allowances for temporary disability due to disease or injury paid in the first three days of disability; and other benefits.

Bank of Russia employees receive other benefits under applicable legislation of the Russian Federation and Bank of Russia regulations. These are as follows: hardship bonus payments (regional premiums and percentage increments) to employees working in the Extreme North and similar regions, compensation for holiday travel expenses to these employees and their non-working family members for the payment of their round-trip tickets, and for the expenses incurred in moving to a new place of residence in a different region upon the expiration of their labour contracts or due to retirement.

The number of Bank of Russia employees decreased by 3,190 people in 2011 (4.6%) to 66,452. The decrease resulted from measures to optimise the Bank of Russia's structure and staff size.

The average monthly income of a Bank of Russia employee in 2011 was 86,568 roubles (2010: 79,444 roubles).

Insurance contributions to government extra-budgetary funds constituted 15.0% of total compensation-related expenses (2010: 10.9%). Charges to the Social Insurance Fund for compulsory social insurance against employment injury and occupational disease were made at the fixed rate of 0.2%.

The expenses for the remuneration of key management personnel (members of the Bank of Russia Board of Directors, the Deputy Chairpersons of the Bank of Russia, and the Chief Auditor of the Bank of Russia — 17 persons) amounted to 233.7 million roubles, or 0.3% of the total Bank of Russia personnel costs, including 46.6 million roubles in year-end bonuses for 2010 (2010: 210.0 million roubles or 0.3%, including 40.4 million roubles in year-end bonuses for 2009).

## STATEMENT OF CAPITAL INVESTMENT BUDGET PERFORMANCE

*(millions of roubles)*

<b>Capital investment</b>	<b>Approved for 2011</b>	<b>Actual amount in 2011</b>	<b>Actual amount in 2010</b>
<b>Capital investment</b>	<b>16,872</b>	<b>14,173</b>	<b>14,138</b>
Capital investment in fixed assets, of which:	15,090	13,656	13,506
— capital investment in information technology	7,047	6,359	7,053
— capital investment in construction (reconstruction) and logistics (except cash turnover management)	4,329	3,852	3,440
— capital investment relating to cash turnover management	2,115	1,918	1,347
— capital investment relating to security and protection of Bank of Russia facilities	1,599	1,527	1,666
Capital investment in intangible assets	735	517	632
Centralised capital investment reserve	1,047	0	0
Memo item:			
<b>Other capital expenses</b>	<b>1,859</b>	<b>1,578</b>	<b>1,806</b>
<b>Total capital expenses</b>	<b>18,731</b>	<b>15,751</b>	<b>15,944</b>

Capital investment in information technology made up the largest part of Bank of Russia capital investment (44.9%), followed by construction (reconstruction) and logistics (27.2%). The share of capital investment in cash turnover management was 13.5%, capital investment in the security and protection of Bank of Russia facilities made up 10.8%, and capital investment in intangible assets were 3.6%.

Capital investment in information technology decreased by 694 million roubles in 2011, or by 9.8%, year-over-year. The funds were used for a number of purposes, namely: to develop and maintain the existing operation of accounting systems, to transfer regional payment data processing systems to the Collective Data Processing Centres, and to develop and centralise the information analysis systems of the Bank of Russia. They were used to develop the functionality of the transport system of electronic settlements and the unified transport environment for electronic interaction between Bank of Russia regional establishments and their clients, and of applied transport systems, Intranet, and the information security subsystems of information analysis systems. They were also used to develop and maintain the operation of the technical infrastructure supporting the operation of the Bank of Russia's information and telecommunications system, to ensure information security and protection, and to replace obsolete computer and office equipment, as well as technical communications equipment.

The Bank of Russia's capital investment in construction (reconstruction) and logistics (except for cash turnover management) increased by 412 million roubles, or by 12%, and were used to build (reconstruct) 115 office buildings and other structures. They were also used to purchase replacement equipment, tools and furniture, as well as to additionally equip operating facilities, refurbish facilities, purchase vehicles, install air conditioning and automatic fire extinguishing systems in its

offices, housing information and telecommunications systems and to install guaranteed uninterrupted power supplies.

Capital investment in cash turnover management grew by 571 million roubles, or by 42.4%. In 2011, the funds were used to build (reconstruct) 14 cash depositories and cash centres, to modernise cash processing equipment and re-equip the Bank of Russia's establishments with modern and highly efficient equipment for the automation and mechanisation of cash operations, and to purchase specialised vehicles to carry and protect valuables.

Capital investment relating to the security and protection of Bank of Russia facilities decreased by 139 million roubles, or 8.3%. The funds were used to finance the replacement of expired and obsolete fire-alarm systems, video security and surveillance systems, as well as control and access control systems.

Capital investment in intangible assets decreased by 115 million roubles, or 18.2% in the year under review. It was used to purchase and develop new software products (constituting the intellectual property of the Bank of Russia) for information technology support and to ensure the security and protection of information.

Other capital expenses include expenses for the purchase of the right to use certain software products (not categorised as intangible assets) as well as licences, certificates and permits that are valid for over one year. Compared to 2010, these expenses decreased by 228 million roubles, or by 12.6%.



## ***Auditor's Report*** ***on the Bank of Russia Annual Financial Statements as of 1 January 2012***

### **To the management of the Central Bank of the Russian Federation:**

#### **Audited Entity**

Full title of the Bank: The Central Bank of the Russian Federation (Bank of Russia).

Domicile: 12 Neglinnaya Street, Moscow 107016, Russian Federation.

State registration certificate: 77 No. 006996300, issued on 10 January 2003.

The Bank of Russia performs its functions pursuant to the Constitution of the Russian Federation, Federal Law No. 86-FZ, dated 10 July 2002, 'On the Central Bank of the Russian Federation (Bank of Russia)' (as amended) and other federal laws.

#### **Auditor**

PricewaterhouseCoopers Audit, a closed joint-stock company (PwC Audit), located at: 10 Butyrsky Val Street, Moscow 125047, Russian Federation.

The joint-stock company's state registration certificate No. 008.890 was issued by the Moscow Registration Chamber on 28 February 1992.

The certificate of registration of a legal entity registered before 1 July 2002, in the Single State Register of Legal Entities No. 1027700148431, dated 22 August 2002, was issued by Moscow Inter-District Inspectorate No. 39 of the Russian Federation Ministry of Taxes and Duties.

PwC Audit is a member of the Russian Audit Chamber (NP APR), a non-profit partnership and self-regulated organisation of auditors; it has registration number 870 in the NP APR members' register.

PwC Audit is included in the register of auditors and audit organisations under main registration entry number (MREN) 10201003683.

#### **Subcontractor**

Financial and Accounting Consultants, a limited liability company (FBK), located at: Bldg. 2AB, 44/1 Myasnitskaya Street, Moscow 101990, Russian Federation.

Certificate of state registration YuZ 3 No. 484.583 was issued by the Moscow Registration Chamber on 15 November 1993.

The certificate of registration in the Single State Register of Legal Entities was issued on 24 July 2002 under main state number 1027700058286.

FBK is a member of the Russian Audit Chamber, a non-profit partnership (NP APR); and it has registration number 5353 in the NP APR members' register.

The main registration entry number (MREN) in the register of auditors and audit organisations is 10201039470.

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*PricewaterhouseCoopers Audit, a closed joint-stock company (PwC Audit)*  
*White Square Business Centre, 10 Butyrsky Val Street, Moscow 125047, Russia*  
*Phone: +7(495) 967-6000, fax: +7 (495) 967-6001, www.pwc.ru*





### *Auditor's Report*

We have conducted an audit of the attached Annual Financial Statements of the Central Bank of the Russian Federation (hereinafter referred to as the Bank of Russia) for the period from 1 January 2011 to 31 December 2011. Pursuant to Article 25 of Federal Law No. 86-FZ, dated 10 July 2002, 'On the Central Bank of the Russian Federation (Bank of Russia)' (as amended), the Bank of Russia Annual Financial Statements consist of: the annual balance sheet, the profit and loss account (including the statement of profit and its allocation), the statement of Bank of Russia reserves and funds, the statement of Bank of Russia management of securities and stakeholdings in the capital of organisations constituting Bank of Russia property, the statement of Bank of Russia personnel costs, the statement of capital investment budget performance, and the statement of volume of Bank of Russia transactions on stock exchanges and (or) other trade organisers in the securities market (hereinafter all these statements are collectively referred to as the Annual Financial Statements). The Annual Financial Statements were prepared based on the financial reporting that was compiled according to the requirements of the legislation of the Russian Federation and regulations of the Bank of Russia. The Annual Financial Statements prepared on that basis differ from financial reporting prepared according to the International Financial Reporting Standards.

#### **Responsibility of the Audited Entity for the Annual Financial Statements**

The management of the Bank of Russia bears responsibility for the compilation and credibility of the Annual Financial Statements, in accordance with the requirements of Federal Law No. 86-FZ, dated 10 July 2002, 'On the Central Bank of the Russian Federation (Bank of Russia)' (as amended); Federal Law No. 129-FZ, dated 21 November 1996, 'On Accounting'; and also according to Bank of Russia Regulation No. 66-P, dated 1 January 2006, 'On the Accounting Rules in the Central Bank of the Russian Federation (Bank of Russia)' (as amended) and bears responsibility for the internal control system required for preparing Annual Financial Statements that are free of material distortions which could result from malpractice or errors.

#### **Responsibility of the Auditor**

Our duty is to express our opinion, based on the audit we have conducted, with regards to the credibility of these Annual Financial Statements in every material respect. We have conducted the audit in compliance with the Russian federal standards that govern auditing activities. These standards mandate that we comply with all applicable ethical norms, and the audit was planned and conducted in such a way as to allow us to become reasonably convinced that the Annual Financial Statements contain no material distortions.

The audit includes auditing procedures which are aimed at obtaining audit evidence confirming the numerical indicators of the Annual Financial Statements and disclosure of information. The choice of auditing procedures is subject to our judgement, which is based on our assessment of the risk of material distortions, which may result from malpractice or errors. In the process of assessing this risk, we examined the internal control system that ensures the compilation and credibility of the Annual Financial Statements in order to select the relevant auditing procedures and not for the purpose of expressing an opinion on the efficiency of the internal control system. The audit also includes an assessment of the Bank of Russia's compliance with accounting principles, rules used and the validity of reference indicators obtained by the management, as well as an assessment of the general presentation of the Annual Financial Statements. We believe that the evidence we have obtained in the course of the audit gives us sufficient grounds to formulate a conclusive opinion on the credibility of the Annual Financial Statements, given the limited scope of the audit.



### Audit Scope

The scope of our work and the audit report were qualified with respect to certain accounts and operations of the balance sheet and profit and loss account, to which access was restricted by the provisions of Federal Law No. 5485-1, dated 21 July 1993, 'On State Secrecy' (as amended). Pursuant to Article 25 of Federal Law No. 86-FZ, dated 10 July 2002, 'On the Central Bank of the Russian Federation (Bank of Russia)' (as amended), the credibility of the following data included in the items of the balance sheet and profit and loss account that make up the Annual Financial Statements of the Bank of Russia has been confirmed by the Audit Chamber of the Russian Federation. It did so in its Opinion of 28 April 2012, as a result of an audit of the accounts and operations of the Central Bank of the Russian Federation and also information that is covered by Federal Law No. 5485-1, dated 21 July 1993, 'On State Secrecy' (as amended), as of 1 January 2012, and for the period from 1 January 2011 to 31 December 2011, inclusive. These operations and items in the Bank of Russia Annual Financial Statements as of 1 January 2012, and for the period from 1 January 2011 to 31 December 2011, consist of:

- Assets totalling 81,263 million roubles;
- Liabilities totalling 839 million roubles;
- Income totalling 159 million roubles;
- Expenses totalling 18,963 million roubles;
- Negative unrealised differences resulting from the revaluation of precious metals totalling –16,640 million roubles.

### Opinion

In our opinion, except for the possible impact of the circumstances outlined in the Audit Scope section, the Annual Financial Statements present a reliable reflection, in all material respects, of the Bank of Russia's financial situation as of 1 January 2012 and the outcomes of its financial and economic activity for the period from 1 January 2011 to 31 December 2011, inclusive, as required by Federal Law No. 86-FZ, dated 10 July 2002, 'On the Central Bank of the Russian Federation (Bank of Russia)' (as amended), Federal Law No. 129-FZ, dated 21 November 1996, 'On Accounting' and Bank of Russia Regulation No. 66 P, dated 1 January 2006, 'On the Accounting Rules in the Central Bank of the Russian Federation (Bank of Russia)' (as amended).

General Director  
PricewaterhouseCoopers Audit, CJSC

Ye.V. Filippova

10 May 2012

**THE AUDIT CHAMBER OF THE RUSSIAN FEDERATION****2 Zubovskaya St., Moscow 119991****Tel.: 986-05-09, fax: 986-09-52**

28 April 2012

No. 06-209/06-03

To the Chairman of the Central Bank  
of the Russian Federation

S.M. IGNATIEV

**STATEMENT**

**on the Results of the Examination of the Accounts and Operations  
of the Central Bank of the Russian Federation (Bank of Russia)  
and Data for 2011 Covered by the Federal Law 'On State Secrecy'  
(approved by the decision of the Collegium of the Audit Chamber of the Russian Federation  
of 28 April 2012, protocol No. 19K (852))**

The Audit Chamber of the Russian Federation has examined the accounts and operations of the Central Bank of the Russian Federation (Bank of Russia) and data for 2011 covered by the Federal Law 'On State Secrecy' at the Bank of Russia's structural divisions, regional branches and field institutions, pursuant to the provisions of Article 25 of the Federal Law 'On the Central Bank of the Russian Federation (Bank of Russia)' and in accordance with the Work Plan of the Audit Chamber of the Russian Federation for 2012.

The management of the Bank of Russia is responsible for relating information to the category of data covered by the Federal Law 'On State Secrecy', and for delineating the competences of the Audit Chamber of the Russian Federation and the auditing organisation PricewaterhouseCoopers Audit, CJSC, the auditor of the Bank of Russia Annual Financial Statements as of 1 January 2012.

Under the applicable legislation, the Audit Chamber's duty is to present to the Bank of Russia a statement, compiled as a result of the examination of the accounts and operations of the Central Bank of the Russian Federation (Bank of Russia) and data for 2011, covered by the Federal Law 'On State Secrecy', and to express an opinion on the credibility in all material aspects of the Bank of Russia Annual Financial Statements as of 1 January 2012, and on the compliance of the accounting procedure with Russian federal legislation and Bank of Russia regulations.

The Audit Chamber of the Russian Federation has conducted an examination of Bank of Russia accounts and operations and data for 2011, covered by the Federal Law 'On State Secrecy', in the structural divisions, regional branches and field institutions of the Central Bank of the Russian Federation (Bank of Russia) in such a way as to become sufficiently convinced that the Bank of Russia's consolidated annual balance sheet (with respect to sub-accounts and off-balance sheet accounts) as of 1 January 2012, its consolidated income statement for 2011, and the statements included in the Bank of Russia Annual Financial Statements for 2011, falling within the scope of competence of the Audit Chamber of the Russian Federation, do not contain any material errors and adequately recognise in all material aspects the assets and liabilities of the Central Bank of the Russian Federation (Bank of Russia) as of 1 January 2012, and the income and expenses of the Central Bank of the Russian Federation (Bank of Russia) for 2011, in line with the Bank of Russia's accounting policy.

Having examined the Bank of Russia's accounts and operations and data for 2011, covered by the Federal Law 'On State Secrecy', the Audit Chamber of the Russian Federation confirms, within the scope of its competence, the following data:

the Bank of Russia annual balance sheet as of 1 January 2012 (balance sheet assets totalling 81,263 million roubles and balance sheet liabilities totalling 839 million roubles), profit and loss account as of 1 January 2012 (income totalling 159 million roubles and expenses totalling 18,963 million roubles) and other statements included in the Bank of Russia Annual Financial Statements for 2011;

the revaluation of precious metals for the reporting year and as of 1 January 2012: negative unrealised differences from the revaluation of precious metals totalling 16,640 million roubles;

the consolidated annual balance sheet as of 1 January 2012 (with respect to sub-accounts and off-balance sheet accounts) and the consolidated income statement for 2011;

data on the total number of Bank of Russia notes and coins of 1997 (exclusive of commemorative coins containing precious metals), which should be in circulation as of 1 January 2012.

According to the accounting data of the Central Bank of the Russian Federation relating to the accounts and operations covered by the Federal Law 'On State Secrecy', a total of 6,902,790.1 million roubles in Bank of Russia notes and coins of 1997 should be in circulation as of 1 January 2012 (exclusive of commemorative coins containing precious metals).

Over the period from 1 January 2011 to 31 December 2011, the Bank of Russia put into circulation banknotes and coins of 1997 (exclusive of commemorative coins containing precious metals) totalling 9,499,622.5 million roubles, and withdrew from circulation Bank of Russia banknotes and coins of 1997 (exclusive of commemorative coins containing precious metals) totalling 8,389,125.1 million roubles.

Consequently, in the period under review, the amount of Bank of Russia notes and coins of 1997 (exclusive of commemorative coins containing precious metals) in circulation increased by 1,110,497.4 million roubles.

Auditor

M.I. Beskhmel'nitsyn

**ADDENDA**

**IV**

## IV.1. PRINCIPAL MEASURES TAKEN BY THE BANK OF RUSSIA TO IMPLEMENT THE SINGLE STATE MONETARY POLICY IN 2011

### MONETARY POLICY INSTRUMENTS AND MEASURES

**REQUIRED RESERVES.** 1. In the first six months of 2011, Bank of Russia Ordinances No. 2573-U, dated 31 January 2011; No. 2582-U, dated 25 February 2011; and No. 2601-U, dated 25 March 2011, ‘On Establishing the Required Reserve Ratios (Reserve Requirements) of the Bank of Russia’ were approved. These provided for a phased increase of the required reserve ratios:

- For liabilities owed to non-resident legal entities in Russian roubles and foreign currency, from 2.5% to 3.5% starting from 1 February 2011, to 4.5% from 1 March 2011, and to 5.5% from 1 April 2011; and
- For liabilities owed to individuals and other liabilities of credit institutions in Russian roubles and foreign currency, from 2.5% to 3.0% starting from 1 February 2011, to 3.5% from 1 March 2011, and to 4.0% from 1 April 2011.

2. As part of the improvements to the reserve requirements system, the following ordinances were adopted:

- Ordinance No. 2691-U, dated 14 September 2011, ‘On Amending Bank of Russia Regulation No. 342-P, dated 7 August 2009, ‘On Credit Institutions’ Required Reserves’’. This ordinance specifies the composition of credit institutions’ liabilities to be provisioned, the Bank of Russia’s procedure for taking a decision on unscheduled inspections of credit institutions’ compliance with the required reserve ratios, and also the procedure for the re-registration of the required reserves if credit institutions change their location;
- Ordinance No. 2722-U, dated 28 October 2011, ‘On Establishing the Averaging Ratio for Non-Bank Credit Institutions Entitled to Transfer Money Funds Without Opening Bank Accounts or Performing Other Related Banking Operations’. This was prepared in connection with the adoption of Federal Law No. 161-FZ ‘On the National Payment System’ and No. 162-FZ ‘On Amending Individual Legislative Acts of the Russian Federation in Connection with the Adoption of the Federal Law ‘On the National Payment System’’, both dated 27 June 2011. It established, as of 1 January 2012, a 1.0 averaging factor for non-bank credit institutions entitled to transfer money funds without opening a bank account or performing other related banking operations.

**INTEREST RATES.** As of the beginning of 2011, the Bank of Russia’s refinancing rate and overnight credit rate stood at 7.75% p.a. By the decision of the Bank of Russia Board of Directors these rates were increased to 8% p.a. starting from 28 February 2011, and to 8.25% from 3 May 2011, and then lowered to 8% p.a. from 26 December 2011.

The Bank of Russia Board of Directors set the following minimum Lombard credit auction rates:

- Seven-day loans: 5% as of the beginning of 2011, 5.25% starting from 28 February 2011, 5.5% starting from 3 May 2011, and 5.25% p.a. from 15 September 2011;
- Three-month loans: 6.5% as of the beginning of 2011, 6.75% starting from 28 February 2011, 7% from 3 May 2011, and 6.75% p.a. from 15 September 2011;
- Six-month loans: 7% as of the beginning of 2011, 7.25% starting from 28 February 2011, 7.5% from 3 May 2011, and 7.25% p.a. from 15 September 2011;
- Twelve-month loans: 7.5% as of the beginning of 2011, 7.75% starting from 28 February 2011, 8% from 3 May 2011, and 7.75% p.a. from 15 September 2011.

The Bank of Russia Board of Directors set the following fixed interest rates on Lombard loans extended pursuant to Bank of Russia Regulation No. 236-P, dated 4 August 2003:

- Overnight, seven-day and 30-day: 6.75% as of the beginning of 2011, 6.5% starting from 15 September 2011 and 6.25% p.a. from 26 December 2011.

The Bank of Russia Board of Directors set the following interest rates on loans secured by assets or guarantees that were provided under Bank of Russia Regulation No. 312-P, dated 12 November 2007:

- Ninety-day: 6.75% as of the beginning of 2011, 7% starting from 28 February 2011, 7.25% from 3 May 2011, and 7% p.a. from 15 September 2011;
- 91-day to 180-day: 7.25% as of the beginning of 2011, 7.5% starting from 28 February 2011, 7.75% from 3 May 2011, and 7.5% p.a. from 15 September 2011;
- 181-day to 365-day: 7.75% as of the beginning of 2011, 8% starting from 28 February 2011, 8.25% from 3 May 2011, and 8% p.a. from 26 December 2011.

The Bank of Russia Board of Directors set the following interest rates on loans secured by gold provided under Bank of Russia Regulation No. 362-P, dated 30 November 2007:

- Ninety-day: 7% p.a. starting from 29 August 2011, and 6.75% p.a. from 15 September 2011;
- 91-day to 180-day: 7.25% p.a. starting from 1 November 2011.

The Bank of Russia Board of Directors set the following maximum deposit auction interest rates:

- One-month loans: 5% as of the beginning of 2011, 5.25% starting from 3 May 2011, and 5.5% p.a. from 31 May 2011;
- Three-month loans: 6% as of the beginning of 2011, 6.25% starting from 3 May 2011, and 6.5% p.a. from 31 May 2011.

Based on the Bank of Russia Board of Directors' decision, fixed interest rates on deposit operations were set at the following levels:

- Standard 'overnight', 'tom-next', 'spot-next' and 'call': 2.75% as of the beginning of 2011, 3% starting from 28 February 2011, 3.25% from 3 May 2011, 3.5% from 31 May 2011, 3.75% from 15 September 2011, and 4% p.a. from 26 December 2011;
- Standard '1-week' and 'spot-week': 3% as of the beginning of 2011, 3.25% starting from 3 May 2011, 3.5% from 31 May 2011, 3.75% from 15 September 2011, and 4% p.a. from 26 December 2011.

In 2011, the Bank of Russia Board of Directors set the following minimum repo auction interest rates:

- Overnight and seven-day: 5% as of the beginning of 2011, 5.25% starting from 28 February 2011, 5.5% from 3 May 2011, and 5.25% p.a. from 15 September 2011;
- Three-month: 6.5% as of the beginning of 2011, 6.75% starting from 28 February 2011, 7% from 3 May 2011, and 6.75% p.a. from 15 September 2011;
- Six-month: 7% as of the beginning of 2011, 7.25% starting from 28 February 2011, 7.5% from 3 May 2011, and 7.25% p.a. from 15 September 2011;
- Twelve-month: 7.5% as of the beginning of 2011, 7.75% starting from 28 February 2011, 8% from 3 May 2011, and 7.75% p.a. from 15 September 2011.

In 2011, the Bank of Russia Board of Directors set the following fixed interest rates on repo operations:

- Overnight and seven-day: 6.75% as of the beginning of 2011, 6.5% starting from 15 September 2011, and 6.25% p.a. from 26 December 2011;
- Twelve-month: 7.5% as of the beginning of 2011, 7.75% starting from 28 February 2011, 8% from 3 May 2011, and 7.75% p.a. from 15 September 2011.

In 2011, the Bank of Russia Board of Directors set the following US dollar and euro overnight foreign exchange swap interest rates:

- 7.75% as of the beginning of 2011, 8% starting from 28 February 2011, 8.25% from 3 May 2011, and 8% p.a. from 26 December 2011.

**REFINANCING OF CREDIT INSTITUTIONS.** 1. In the first six months of 2011, in order to phase out the anti-crisis measures taken during the global financial crisis to support the banking sector, the Bank of Russia took the following decisions:

- On 9 February 2011, the Bank of Russia Monetary Policy Committee decided to suspend the provision to credit institutions of 91- to 180-day loans secured by assets or guarantees and 30-day

Lombard loans at a fixed interest rate (starting from 10 February 2011) and the provision of Bank of Russia loans secured by credit institutions' guarantees, by reducing to zero the coefficient used to calculate the maximum total liabilities that a credit institution, as a borrower and as a guarantor, may have with regard to Bank of Russia loans (from 1 March 2011);

- The Bank of Russia Board of Directors decided to raise its requirements regarding the minimum international rating of the issuer/issue of securities that may be put on the Bank of Russia Lombard List (decision dated 31 January 2011), and to raise its requirements regarding the minimum ratings of institutions used to form the Bank of Russia List of Guarantor Entities<sup>1</sup> (decision dated 25 February 2011), from B-/B3<sup>2</sup> to B/B2, effective 1 April 2011, and from B/B2 to B+/B1, effective 1 July 2011;
- Bank of Russia Order No. OD-223, dated 25 March 2011, 'On Amending Clause 3 of Bank of Russia Order No. OD-101, dated 14 February 2008, 'On Extending Bank of Russia Loans Covered by Assets or Guarantees to Credit Institutions'', providing for the reduction of the adjustment ratios used to calculate the value of non-market assets accepted as collateral for Bank of Russia loans from 0.5—0.8 to 0.2—0.5;
- On 9 February 2011, the Bank of Russia Monetary Policy Committee decided to increase the initial haircut for Bank of Russia repo of federal government bonds and Bank of Russia bonds (for a repo maturity of up to 6 days) from 0% to 1.25%;
- On 11 March 2011, the Bank of Russia Monetary Policy Committee decided to change the schedule of 3-month repo auctions: starting from 1 April 2011 auctions are held monthly instead of weekly;
- On 11 March 2011, the Bank of Russia Monetary Policy Committee decided to suspend equity repo transactions from 1 July 2011 and set a 100% haircut for them;
- On 25 March 2011, the Bank of Russia Board of Directors (according to Bank of Russia Ordinance No. 2606-U, dated 1 April 2011, 'On Amending Bank of Russia Regulation No. 323-P, dated 16 October 2008, 'On the Procedure for Extending Bank of Russia Unsecured Loans to Russian Credit Institutions'') decided to suspend, starting from 3 May 2011, the conclusion of master agreements with credit institutions on extending Bank of Russia unsecured loans to credit institutions.

2. In the second half of 2011, given credit institutions' increased demand for refinancing, the Bank of Russia took a number of steps to broaden credit institutions' access to the Bank of Russia's refinancing facilities and to maintain the banking sector liquidity:

- On 28 September 2011, the Bank of Russia Monetary Policy Committee decided to resume extending Bank of Russia loans secured by credit institutions' guarantees (starting from 1 October 2011);
- On 12 October 2011, the Bank of Russia Monetary Policy Committee decided to resume extending 91- to 180-day loans secured by assets or guarantees to credit institutions (starting from 1 November 2011);
- On 25 November 2011, the Bank of Russia Board of Directors decided to relax its requirements regarding the minimum international rating of the issuer/issue of securities that can be included on the Bank of Russia Lombard List (starting from 5 December 2011), and to reduce its requirements regarding the minimum ratings of institutions used to form the Bank of Russia List of Guarantor Entities from B+/B1 to B-/B3;
- The Bank of Russia drafted Order No. OD-862, dated 28 November 2011, 'On Bank of Russia Adjustment Ratios', which increased the adjustment ratio used to adjust the value of federal government bonds accepted as collateral for Bank of Russia loans from 0.98 to 1;

<sup>1</sup> A list of organisations mentioned in sub-clause 3.6.1 of clause 3.6 of Bank of Russia Regulation No. 312-P, dated 12 November 2007, 'On the Procedure for Extending Bank of Russia Loans Covered by Assets or Guarantees to Credit Institutions'.

<sup>2</sup> Hereinafter as rated by Standard & Poor's, Fitch Ratings and Moody's Investors Service.



- The Bank of Russia drafted Order No. OD-742, dated 13 October 2011, ‘On Amending Clause 3 of Bank of Russia Order No. OD-101, dated 14 February 2008, ‘On Extending Bank of Russia Loans Covered by Assets or Guarantees to Credit Institutions’’, providing for the increase of the adjustment ratios used to calculate the value of non-market assets accepted as collateral for Bank of Russia loans from 0.2—0.5 to 0.5—0.8;
- The Bank of Russia completed the introduction of gold-secured Bank of Russia loans into its system of monetary policy instruments. These loans are extended under Bank of Russia Regulation No. 362-P, dated 30 November 2010, ‘On the Procedure for Extending Bank of Russia Loans Secured by Gold to Credit Institutions’, which established the interest rates on them. To start such operations and improve their procedure, several Bank of Russia orders were prepared. These included Order No. OD-355, dated 13 May 2011, ‘On Extending Bank of Russia Loans Secured by Gold to Credit Institutions’; and the following orders containing amendments to the above document: Order No. OD-593, dated 25 August 2011; Order No. OD-664, dated 6 September 2011; Order No. OD-707, dated 27 September 2011; Order No. OD-793, dated 3 November 2011; and Order No. OD-871, dated 2 December 2011;
- On 18 November 2011, the Bank of Russia Monetary Policy Committee decided to reduce, starting from 1 December 2011, the initial haircut for Bank of Russia repos of federal government bonds and Bank of Russia bonds (for a repo maturity of up to 6 days) from 1.25% to 0%;
- On 2 November 2011, the Bank of Russia Monetary Policy Committee decided to launch, starting from 15 November 2011, repo operations against a basket of securities on the St. Petersburg Currency Exchange.

3. The following documents were prepared to establish a list of assets that may be used as collateral for Bank of Russia refinancing operations:

- Bank of Russia Ordinance No. 2580-U, dated 15 February 2011, and No. 2629-U, dated 12 May 2011, ‘On Amending Clause 2 of Bank of Russia Ordinance No. 2134-U, dated 27 November 2008, ‘On the Securities Included on the Bank of Russia Lombard List’’, prepared in the execution of the Bank of Russia Board of Directors’ decision to change the minimum international rating required of the issuer/issue of securities that may be included on the Bank of Russia Lombard List;
- Letter No. 15-T, dated 7 February 2011; No. 30-T, dated 4 March 2011; No. 56-T, dated 21 April 2011; No. 91-T, dated 21 June 2011; No. 116-T, dated 10 August 2011; No. 142-T, dated 28 September 2011; No. 147-T, dated 14 October 2011; No. 172-T, dated 1 December 2011; No. 187-T, dated 16 December 2011; No. 193-T, dated 23 December 2011, ‘On the Inclusion of Securities on the Bank of Russia Lombard List’; and No. 92-T, dated 21 June 2011, ‘On the Exclusion of Securities from the Bank of Russia Lombard List’;
- Bank of Russia Letter No. 16-T, dated 8 February 2011; No. 31-T, dated 4 March 2011; No. 42-T, dated 1 April 2011; No. 48-T, dated 11 April 2011; No. 66-T, dated 29 April 2011; No. 68-T, dated 12 May 2011; No. 98-T, dated 4 July 2011; No. 107-T, dated 15 July 2011; No. 162-T, dated 11 November 2011; No. 177-T, dated 9 December 2011; and No. 192-T, dated 23 December 2011, ‘On the List of Institutions’;
- Bank of Russia Order No. OD-140, dated 25 February 2011; and No. OD-228, dated 28 March 2011, ‘On Bank of Russia Adjustment Ratios’.

4. Bank of Russia Ordinance No. 2717-U, dated 18 October 2011, ‘On Amending Clause 2 of Bank of Russia Ordinance No. 2134-U, dated 27 November 2008, ‘On the Securities Included on the Bank of Russia Lombard List’ was prepared to enable the Bank of Russia to promptly change the requirements applied to the assets to be included on the Lombard List without adopting Bank of Russia ordinances to this effect. This ordinance stipulates that the information about the minimum ratings of the issuers/issues of securities that may be included in the Bank of Russia Lombard List shall be posted on the Bank of Russia official website and published in the Bank of Russia Bulletin, rather than set out directly in Bank of Russia Ordinance No. 2134-U, dated 27 November 2008.

5. In line with the decisions of the Bank of Russia Board of Directors to change the interest rate level on some of its operations, the Bank of Russia in 2011 issued the following regulatory documents:
- Ordinance No. 2583-U, dated 25 February 2011; No. 2618-U, dated 29 April 2011 and No. 2758-U, dated 23 December 2011, ‘On the Bank of Russia Refinancing Rate’;
  - Ordinance No. 2584-U, dated 25 February 2011; No. 2621-U, dated 29 April 2011, and No. 2759-U, dated 23 December 2011, ‘On the Bank of Russia Overnight Credit Interest Rate’;
  - Ordinance No. 2689-U, dated 14 September 2011; and No. 2760-U, dated 23 December 2011, ‘On the Bank of Russia Lombard Credit Interest Rate’;
  - Ordinance No. 2586-U, dated 25 February 2011; No. 2620-U, dated 29 April 2011; No. 2687-U, dated 14 September 2011; and No. 2761-U, dated 23 December 2011, ‘On Interest Rates on Loans Secured by Assets or Guarantees’;
  - Ordinance No. 2678-U, dated 26 August 2011; No. 2690-U, dated 14 September 2011; and No. 2721-U, dated 28 October 2011, ‘On Interest Rates on Loans Secured by Gold’;
  - Ordinance No. 2677-U, dated 26 August 2011, ‘On the Amount of the Charge for Using Bank of Russia Intraday Loans’.

**DEPOSIT OPERATIONS.** 1. To enable credit institutions to manage their liquidity more efficiently and to optimise the parameters of deposit operations, the Bank of Russia took the following measures:

- On 9 February 2011, the Bank of Russia Monetary Policy Committee decided to extend the overnight deposit dealing deadline from 1 p.m. to 5 p.m. Moscow Time if made over the Reuters Dealing System and extended this procedure and the term of deposit dealing, using the MICEX Electronic Trading System, to the second trading session. The timeframe for negotiating deposit transactions on other standard terms, at a fixed interest rate and on an auction basis, and for accepting credit institutions’ applications for withdrawing demand deposits made using the Reuters Dealing System was changed from 5 p.m. to 3 p.m. Moscow time (starting from 1 March 2011);
- On 26 April 2011, the Bank of Russia Monetary Policy Committee decided to increase the minimum deposit amount the Bank of Russia could accept from credit institutions in carrying out deposit transactions at fixed interest rates using the Reuters Dealing System from 20 to 100 million roubles (starting from 27 April 2011);
- In connection with the liquidation of the branch network of the non-bank credit institution National Settlement Depository, a closed joint-stock company (NCI NSD) (one of the formal securities market settlement centres authorised to make settlements on deposit deals made using the MICEX Electronic Trading System), the scheme of settlements on these deposit deals was changed. According to Bank of Russia Letter No. 37-T, dated 23 March 2011, ‘On the Work to Optimise the NCI NSD Branch Network’, the settlements were transferred from the liquidated branches to the NCI NSD head office, and the accounting of all the deposits attracted from credit institutions using the MICEX Electronic Trading System was centralised in the First Operations Department of the Bank of Russia;
- Ordinance No. 2767-U, dated 28 December 2011, ‘On Amending Bank of Russia Regulation No. 203-P, dated 5 November 2002, ‘On the Procedure for Conducting Deposit Operations by the Bank of Russia with Credit Institutions in the Currency of the Russian Federation’ was prepared, which allowed non-bank credit institutions authorised to remit funds without opening bank accounts or performing related banking operations to place funds in Bank of Russia deposits, and codified the changes in the timing of Bank of Russia deposit operations established by the Bank of Russia on 1 March 2011 (effective since 19 February 2012).

2. In the execution of decisions taken by the Bank of Russia Board of Directors that changed the interest rates on Bank of Russia deposit operations, Bank of Russia Ordinance No. 2585-U, dated 25 February 2011; No. 2619-U, dated 29 April 2011; No. 2641-U, dated 30 May 2011; No. 2688-U, dated 14 September 2011; and No. 2762-U, dated 23 December 2011, ‘On Bank of Russia Deposit Interest Rates’ were prepared.

**OPERATIONS WITH BANK OF RUSSIA BONDS.** Given the money market conditions and the forecast of the factors affecting the banking sector liquidity, on 22 September 2011, the Bank of Russia Monetary Policy Committee decided to suspend the auctions for the placement of Bank of Russia bond issue No. 4-21-21BR1-1. After issue No. 4-20-21BR1-1 matured on 14 October 2011, the Bank of Russia took no further decisions to place new OBR issues.

### EXCHANGE RATE POLICY MEASURES

In 2011, in compliance with its course towards higher flexibility of the rouble exchange rate, the Bank of Russia made the following changes to the parameters of its exchange rate policy mechanism:

- On 1 March 2011, the operational band which limits the fluctuations of the rouble value of the dual-currency basket (0.45 euros and 0.55 US dollars) was symmetrically widened from 4 to 5 roubles, and the cumulative volume of interventions triggering a 5-kopek shift of the operational band was reduced from \$650 million to \$600 million.
- On 27 December 2011, the operational band which limits the fluctuations of the rouble value of the dual-currency basket (0.45 euros and 0.55 US dollars) was symmetrically widened from 5 to 6 roubles, and the cumulative volume of interventions triggering a 5-kopek shift of the operational band was reduced from \$600 million to \$500 million.

## IV.2. PRINCIPAL MEASURES TO UPGRADE BANKING REGULATION AND SUPERVISION IN 2011

### LICENSING OF CREDIT INSTITUTIONS' ACTIVITIES

In 2011, the Bank of Russia continued its efforts to improve the regulatory framework for the state registration of credit institutions and the issuing of licences to conduct banking operations.

Ordinance No. 2638-U, dated 17 May 2011, amended Bank of Russia Instruction No. 135-I, dated 2 April 2010, 'On the Bank of Russia's Decision-Making Procedure for the State Registration and Licensing of Credit Institutions', that makes it possible to issue licences to newly created banks for performing banking operations with legal entities' funds (but not licences for offering cash services to their clients). The newly adopted ordinance provides for the extension of operations of such banks by issuing licences permitting cash services to clients. Besides, the ordinance requires the Bank of Russia's regional branches to forward their positive or negative opinions (with respect to the credit institutions being founded), to the head office of the Bank of Russia for decision.

To implement Federal Law No. 161-FZ, dated 27 June 2011, 'On the National Payment System' (hereinafter referred to as Federal Law No. 161-FZ) and Federal Law No. 162-FZ, dated 27 June 2011, 'On Amending Individual Legislative Acts of the Russian Federation in Connection with the Adoption of the Federal Law 'On the National Payment System'' (hereinafter referred to as Federal Law No. 162-FZ), some Bank of Russia regulations were amended to establish the procedure for the state registration and licensing of a new type of non-bank credit institutions (hereinafter referred to as NCIs), an NCI is entitled to remit funds without opening bank accounts or performing other related banking operations (functioning as an electronic money operator). The Bank of Russia issued the following regulations:

- Ordinance No. 2698-U, dated 15 September 2011, 'On Amending Instruction No. 135-I, dated 2 April 2010, 'On the Bank of Russia's Decision-Making Procedure for the State Registration and Licensing of Credit Institutions''. The ordinance also enlarged the list of banking operations to which settlement NCIs may be entitled. They now include foreign currency cash purchases and sales, the rendering of cash and settlement services to individuals, and also establish a procedure for a bank to obtain a Bank of Russia permit to open a branch in a foreign state;
- Ordinance No. 2697-U, dated 15 September 2011, 'On Amending Bank of Russia Regulation No. 271-P, dated 9 June 2005, 'On Considering Documents Filed with Bank of Russia Regional Branches for State Registration, Licensing and Maintenance of Databases of Credit Institutions and their Branches'';
- Ordinance No. 2700-U, dated 15 September 2011, 'On Amending Bank of Russia Ordinance No. 1606-U, dated 11 August 2005, 'On the Procedure for Handling Documents Which Served as the Basis On Which Credit Institutions Operated Before the State Registration of Changes Made in Their Founding Documents, State Registration of Credit Institutions Created through Re-Organisation, and/or before the Replacement of their Licences for Banking Operations''.

As Federal Law No. 162-FZ renamed two banking operations, the Bank of Russia issued Ordinance No. 2699-U, dated 15 September 2011, 'On the Replacement by the Bank of Russia of Credit Institutions' Banking Licences in Connection with the Change of Names of Certain Banking Operations Made Pursuant to Federal Law No. 162-FZ, dated 27 June 2011, 'On Amending Individual Legislative Acts of the Russian Federation in Connection with the Adoption of the Federal Law 'On the National Payment System''. The ordinance simplified the procedure (particularly by cutting the time allocated in half) for the Bank of Russia's replacement of existing credit institutions' licences. The federal law established no deadline for credit institutions to apply to replace their licences, so a credit institution can file its licence replacement documents

at any convenient time in the course of its current operations. No restrictions are imposed on the banking activity under a Bank of Russia licence containing the previous wording of the names of banking operations.

Additionally, the Bank of Russia issued Ordinance No. 2702-U, dated 15 September 2011, ‘On Amending Bank of Russia Ordinance No. 1807-U, dated 27 March 2007, ‘On the Bank of Russia’s Decision-Making Procedure for the State Registration of Amendments to the Founding Documents and Licensing of Banks, Following an Application for a Change of Status to That of a Non-Bank Credit Institution’’. The ordinance extends the document filing and consideration procedure used as a credit institution switches from the bank status to NCI status to cover the changes of NCI types as well. It also determines that in order to obtain the status of an NCI which is entitled to remit funds without opening bank accounts or to perform related banking operations, an NCI shall also submit to the Bank of Russia their electronic money remittance rules.

The adoption of Federal Law No. 381-FZ, dated 3 December 2011, ‘On Amending the Federal Law ‘On Additional Measures to Strengthen the Stability of the Banking System in the Period until 31 December 2011’ and Article 4 of the Federal Law ‘On Amending the Federal Law ‘On Non-Profit Organisations’ and Certain Federal Laws’’, extends the term of operation of Federal Law No. 175-FZ, dated 27 October 2008, ‘On Additional Measures to Strengthen the Stability of the Banking System in the Period until 31 December 2011’ (hereinafter referred to as Federal Law No. 175-FZ) until 31 December 2014. The adoption of Federal Law No. 391-FZ, dated 3 December 2011, ‘On Amending the Federal Law ‘On Banks and Banking Activities’ increases the minimum size of newly established banks’ authorised capital (starting from 1 January 2012) and existing banks’ equity (capital) (starting from 1 January 2015) to 300 million roubles. In connection with these acts, the Bank of Russia issued:

- Ordinance No. 2743-U, dated 9 December 2011, ‘On Amending Instruction No. 135-I, dated 2 April 2010, ‘On the Bank of Russia’s Decision-Making Procedure for the State Registration and Licensing of Credit Institutions’;
- Ordinance No. 2744-U, dated 9 December 2011, ‘On Amending Bank of Russia Regulation 275-P, dated 11 August 2005, ‘On the Procedure for Issuing by the Bank of Russia of Banking Licences to Credit Institutions Which Had Bankruptcy Proceedings against Them Terminated, Owing to the Settlement of Their Obligations by Their Founders (Members) or by a Third Party (Third Parties)’.

The changes in the said by-laws:

- are designed to implement the provisions of the aforementioned federal laws;
- specify the working procedure of Bank of Russia regional branches and its head office, if a credit institution makes a number of changes in its charter with one document (e.g., a new version of the charter);
- specify the procedure and deadline for a credit organisation to file documents for the state registration of changes made in its charter with a Bank of Russia regional branch if the credit institution’s shares are converted with the size of its authorised capital remaining unchanged.

As part of the Bank of Russia’s work to strengthen its control over the purchases of shares (stakes) in credit institutions, Ordinance No. 2710-U, dated 29 September 2011 amended Instruction No. 130-I, dated 21 February 2007, ‘On the Procedure for Obtaining Bank of Russia Preliminary Consent to the Acquisition and/or Receipt in Trust of Shares (Stakes) in a Credit Institution’. The amended ordinance:

- regulates the issue of how to obtain the Bank of Russia’s preliminary consent to the acquisition and/or receipt in trust of shares in a credit institution that circulate outside the Russian Federation, particularly through the placement or circulation of foreign securities;
- specifies the list of cases where deals with respect to the acquisition of shares (stakes) in a credit institutions require no new permit and may be based on Bank of Russia preliminary consent to the acquisition and/or receipt in trust of shares (stakes) in a credit institution.

## MEASURES TO UPGRADE BANKING RISK ASSESSMENT, MANAGEMENT AND SUPERVISION METHODOLOGIES

In order to implement measures for the improvement of banking regulation based on the lessons learned from the international financial crisis, the Bank of Russia took a number of decisions based on more conservative approaches to risk assessment, that tighten the requirements applicable to Russian banks' capital and transparency.

On 1 October 2011, more stringent requirements for calculating the required ratios entered into force. They oblige banks to cover with equity capital their risks related to non-transparent transactions, transactions with non-transparent counterparties and transactions with non-transparent economic outcomes (Ordinance No. 2613-U, dated 20 April 2011, 'On Amending Bank of Russia Instruction No. 110-I, dated 16 January 2004, 'On Banks' Required Ratios') and to define the market risk (Ordinance No. 2611-U, dated 20 April 2011, 'On Amending Clause 1.3 of Bank of Russia Regulation No. 313-P, dated 14 November 2007, 'On the Procedure for Calculating Market Risk by Credit Institutions').

In 2011, the Bank of Russia issued Ordinance No. 2612-U, dated 20 April 2011 (effective 1 January 2012), 'On Amending Bank of Russia Regulation No. 283-P, dated 20 March 2006, 'On the Procedure for Making Loan Loss Provisions by Credit Institutions''. The ordinance is aimed at the adequate assessment of the value of non-core assets and investments in the stakes of unit investment funds, whose assets (property) are composed of non-core assets and monetary claims as well as claims arising from transactions with financial instruments, recognised by courts.

Bank of Russia Ordinance No. 2732-U, dated 17 November 2011, 'On the Specifics of Making Provisions for Possible Losses by Credit Institutions for Operations with Securities, the Rights to Which Are Certified by Organisations (Depositories)' was published. It envisages the forming of possible loss provisions totalling 50% of the investments of credit institutions in securities, the rights to which are certified by organisations (depositories) that do not meet certain criteria.

Due to the adoption of Federal Law No. 161-FZ and No. 162-FZ the Bank of Russia issued a new document for the purpose of regulating (limiting) the risks taken by payment NCIs. This was Bank of Russia Instruction No. 137-I, dated 15 September 2011, 'On the Required Ratios for Non-Bank Credit Institutions Having the Right to Transfer Monetary Funds Without Opening Bank Accounts, and to Conduct Other Related Bank Operations, and on the Specifics of Bank of Russia Supervision Thereof'. It sets obligatory ratios for payment NCIs, their numerical values, methods of calculation and procedure for Bank of Russia supervision over payment NCIs.

To specify the approaches to the assessment of banks' financial stability, the Bank of Russia issued Ordinance No. 2617-U, dated 29 April 2011, 'On the Specific Features of Assessing the Economic Situation of Banks'. It provides for the introduction of a moratorium until 31 December 2012 on the use of profitability estimates during the course of classifying banks, as set by Bank of Russia Ordinance No. 2005-U, dated 30 April 2008, 'On the Assessment of the Economic Situation of Banks', and Letter No. 65-T, dated 29 April 2011, 'On the Specifics of Assessing the Economic Situation of Banks'. It clarifies how the work of the Bank of Russia's regional branches should be organised during the moratorium.

According to the Russian Banking Sector Development Strategy until 2015, one of the Bank of Russia's targets is the adoption by the Russian banking regulation and supervision of a document issued by the Basel Committee on Banking Supervision: 'International Convergence of Capital Measurement and Capital Standards: a Revised Framework' (hereinafter — Basel II). As part of the process, the Bank of Russia started working out methodological recommendations for implementing advanced methods of borrower credit risk assessment for the purposes of supervision that is based on using internal bank ratings (IBR — approach under Pillar 1 'Minimum Capital Requirements' of Basel II).

As a part of the work on the introduction of Pillar 2, the 'Supervisory Review' of Basel II, a document on the development and application of internal procedures for equity capital adequacy assessment

(Bank of Russia Letter No. 96-T, dated 29 June 2011) was prepared and brought to the attention of credit institutions. The document contains recommendations on the management of certain types of risk, including liquidity risk, as well as recommendations on the organisation of controlling procedures to be effected by credit institutions' management bodies over capital adequacy and the level of risks taken. The Bank of Russia proposed to credit institutions, especially large ones that are the primary focus of Basel II, to start developing internal procedures of capital adequacy assessment voluntarily.

In order to bring the Russian practice of consolidated supervision more in line with advanced, internationally recognised approaches, and in connection with a change in Russian legislation (the entering into force of Federal Law No. 208-FZ, dated 27 July 2010, 'On Consolidated Financial Statements'), the bank improved the regulatory base for consolidated supervision by preparing the corresponding regulations.

In order to make the use of the credit institutions and banking groups' IFRS statements more comprehensive and to enhance supervision, the Bank of Russia amended Ordinance No. 2332-U, dated 12 November 2009, 'On the List, Forms and Procedure for the Preparation and Submission of Reports by Credit Institutions to the Central Bank of Russian Federation'. It envisages the submission of consolidated and non-consolidated IFRS financial statements to the Bank of Russia by credit institutions in electronic form starting from 2011 financial statements.

### MEASURES TO IMPROVE ON-SITE INSPECTIONS

In 2011, the Bank of Russia continued to make efforts to improve the regulation and methodology of its on-site inspection activities.

The following regulations were issued as part of the core (current) activities:

- Bank of Russia Letter No. 198-T, dated 28 December 2011, 'On Providing the Information on the Results of Inspections of Credit Institutions'. This letter clarifies how to assess the influence of high-risk operations on compliance with prudential standards (required ratios, first of all) by credit institutions and how the information (assessment) should be presented in the inspection materials;
- A number of recommendations on:
  - a) Setting the task of checking sources of funds contributed as paid-in capital for shares (stakes) and for carrying out on-site inspections;
  - b) Improving the quality of supervisory information contained in inspection findings;
  - c) The organisation and carrying out of inspections of credit institutions to verify their compliance with the Bank of Russia's regulations, as related to organisation of cash circulation, including those with the purpose of reducing the administrative burden on credit institutions.

The following documents were issued during the course of the gradual centralisation of supervision:

- Bank of Russia Order No. OD-533, dated 20 July 2011, 'On Approving the Action Plan to Develop or Amend Bank of Russia Regulations and Other Documents', which contains a schedule for making amendments to Bank of Russia regulations and other documents required in connection with the on-going centralisation of inspection activities;
- A number of executive documents regulating certain aspects of the interaction between interregional inspectorates and Bank of Russia regional branches, as well as the preparation and implementation of centralised inspections in the Central Federal District (except for Moscow and the Moscow Region) and the Urals Federal District.

### FINANCIAL REHABILITATION AND LIQUIDATION OF CREDIT INSTITUTIONS

In order to execute Federal Law No. 381-FZ, dated 3 December 2011, 'On Amending the Federal Law 'On Additional Measures to Strengthen the Stability of the Banking System in the Period until 31 December 2011', Article 4 of the Federal Law 'On Amending the Federal Law 'On Non-Profit

Organisations’, as well as some Russian Laws’, Bank of Russia Ordinance No. 2745-U, dated 9 December 2011, ‘On Extending the Validity of Certain Bank of Russia Regulations’ was adopted. It extends the validity of Bank of Russia regulations that had been adopted earlier in order to execute Federal Law No. 175-FZ up to 31 December 2014 (namely, Regulation No. 325-P, dated 29 October 2008, Ordinances Nos. 2106-U, 2107-U, 2108-U, 2109-U, 2111-U and 2112-U, dated 29 October 2008, and No. 2505-U dated 4 October 2010).

Pursuant to Federal Law No. 395-1, dated 2 December 1990, ‘On Banks and Banking Activities’ and in order to improve the procedure for revoking the licences for banking operations, the Bank of Russia issued Ordinance No. 2652-U, dated 24 June 2011, ‘On the Procedure for Submitting and Examining an Application from a Credit Institution Requesting for its Banking Licence to be Cancelled due to its Going out of Business, through Liquidation, Based on the Decision of its Founders (Members)’ (hereinafter — Ordinance No. 2652-U). It is an updated version of Bank of Russia Ordinance No. 749-U, dated 1 March 2000, which was valid earlier: ‘On the Procedure for Submitting to the Bank of Russia of an Application from a Credit Institution Requesting for its Banking Licence to be Cancelled due to its Going out of Business, through Liquidation, Based on the Decision of its Founders (Members)’.

Ordinance No. 2652-U clarifies the procedure that should be applied when a credit institution submits an application (and the Bank of Russia considers such application) asking for the cancellation of its banking licence due to its going out of business through liquidation by the decision of its founders (members). The procedure is supplemented with clauses containing a clear list of reasons for a Bank of Russia regional branch to turn down an application for the cancellation of the banking licence, and for the Bank of Russia to refuse to satisfy it.

Ordinance of the Bank of Russia No. 2609-U, dated 19 April 2011, ‘On Amending Bank of Russia Ordinance No. 1594-U, dated 14 July 2005, ‘On the List, Forms and Procedures for Drawing up and Providing Reporting by Credit Institutions to be Liquidated to the Central Bank of the Russian Federation’’ was issued in order to ensure alignment with the regulations related to the priority of creditors’ claims on invalid transactions, and improve the reporting of cash flows and bankruptcy assets of credit institutions to be liquidated, taking into account the experience of Bank of Russia regional branches and the Deposit Insurance Agency.

### MAINTAINING THE CENTRAL CATALOGUE OF CREDIT HISTORIES

To ensure compliance with Federal Law No. 152-FZ, dated 27 July 2006, ‘On Personal Data’ and in order to improve the work of the Central Catalogue of Credit Histories (hereinafter the CCCH), the following documents were adopted in 2011:

- Ordinance No. 2567-U, dated 17 January 2011, ‘On Amending Bank of Russia Ordinance No. 2214-U, dated 14 April 2009, ‘On the Procedure for Sending Inquiries to and Receiving Information from the Central Catalogue of Credit Histories by Credit History Holders and Credit History Users by Filing a Request through a Notary’’, that ensures the protection of personal data by having the CCCH cooperate with the Federal Chamber of Notaries through the use of cryptographic data protection;
- Ordinance No. 2568-U, dated 17 January 2011, ‘On Amending Bank of Russia Ordinance No. 1821-U, dated 25 April 2007, ‘On the Procedure for Sending Inquiries to and Receiving Information from the Central Catalogue of Credit Histories by Credit History Holders and Credit History Users by Filing a Request through a Post Office’’, that sets a procedure of executing a CCCH response to a credit history holder inquiry considering the necessity of impersonation of some personal data in the course of making such CCCH responses;
- Ordinance No. 2625-U, dated 3 May 2011, ‘On Amending Bank of Russia Ordinance No. 1612-U, dated 31 August 2005, ‘On the Procedure for Credit History Holders and Credit History Users Sending Inquiries to and Receiving Information from the Central Catalogue of Credit Histories by Filing a



Request to a Credit Institution’’, that ensures the protection of personal data in the course of the CCCH’s interaction with credit institutions through the use of cryptographic data protection.

### COUNTERING THE LEGALISATION (LAUNDERING) OF CRIMINALLY OBTAINED INCOMES AND THE FINANCING OF TERRORISM

As part of the effort to give Bank of Russia officers the authority to compile records and consider the cases of administrative offences, as envisaged by Article 15.27 of the Code of Administrative Offences of the Russian Federation for breach of legislation on countering the legalisation (laundering) of criminally obtained incomes and the financing of terrorism, and to render methodological help to Bank of Russia regional branches, the following documents were issued:

- Bank of Russia Letter, No. 7-T, dated 19 January 2011, ‘On Methodological Recommendations for Organising the Work Related to the Initiation and Consideration by the Bank of Russia of the Administrative Offence Cases Provided for in Parts 1—4 of Article 15.27 of the Code of Administrative Offences of the Russian Federation’;
- Bank of Russia Letter No. 77-T, dated 31 May 2011, ‘On the Organisation of Work Related to Proceedings on Administrative Offence Cases in the Course of Obtaining Information from the Russian Financial Monitoring Service’;
- Bank of Russia Letter No. 105-T, dated 13 July 2011, ‘On Recommendations for Sending Inquiries to a Credit Organisation, as Provided for by Clause 2 of Bank of Russia Letter No. 77-T, dated 31 May 2011’.

In 2011, as part of executing the authority specified by Federal Law No. 115-FZ, dated 7 August 2001, ‘On Countering the Legalisation (Laundering) of Criminally Obtained Incomes and the Financing of Terrorism’, the Bank of Russia issued the following documents:

- Ordinance No. 2696-U, dated 14 September 2011, ‘On Establishing the Timeframe for Reporting Information Received during Identification’, that sets a timeframe, within which a credit institution, a federal postal service agency or a bank payment agent may report information received in the course of customer identification carried out at the instruction of another credit institution, in order to transfer funds (including electronic funds) without opening a bank account;
- Ordinance No. 2726-U, dated 31 October 2011, ‘On Invalidating Paragraph 3, Clause 4 of Bank of Russia Ordinance No. 1486-U, dated 9 August 2004, ‘On the Qualification Requirements to Special Executives Responsible for the Observance of Internal Control Rules for the Purpose of Countering the Legalisation (Laundering) of Criminally Obtained Incomes and the Financing of Terrorism; and on the Implementation of Internal Controls in Credit Institutions’. The ordinance excludes such grounds as bringing a responsible executive to administrative liability, from the list of grounds for acknowledging him not meeting the qualification requirements;
- Ordinance No. 2742-U, dated 9 December 2011, ‘On Amending Bank of Russia Ordinance No. 2332-U, dated 12 November 2009, ‘On the List, Forms and Procedure for the Preparation and Submission of Reports by Credit Institutions to the Central Bank of Russian Federation’’, that introduces a new reporting form 0409602, ‘Information on Persons Charged with Carrying out Identification’, and sets a procedure for its preparing by a credit institution and further providing it to a Bank of Russia regional branch supervising this credit institution;
- Bank of Russia Letter No. 70-T, dated 12 May 2011, ‘On Waybills Compiled by Shippers in the Republic of Belarus’, that recommends credit institutions to use information on economic insolvency (bankruptcy) uploaded on the official website of the Supreme Economic Court of the Republic of Belarus, in the course of checking the reliability of waybills compiled by shippers in Belarus and provided by residents to authorised banks as confirmation documents.

## UPGRADING THE LEGISLATIVE FRAMEWORK OF OPERATION OF CREDIT INSTITUTIONS, AND BANKING REGULATION AND SUPERVISION

In 2011, the following federal laws were adopted with the involvement of the Bank of Russia:

- Federal Law No. 391-FZ, dated 3 December 2011, ‘On Amending the Federal Law ‘On Banks and Banking Activities’’ (with respect to increasing the minimum amount of authorised capital of newly established banks (starting from 1 January 2012) and the amount of equity capital of existing banks (starting from 1 January 2015) to 300 million roubles;
- Federal Law No. 381-FZ, dated 3 December 2011, ‘On Amending the Federal Law ‘On Additional Measures to Strengthen the Stability of the Banking System until 31 December 2011’, Article 4 of the Federal Law ‘Amending the Federal Law ‘On Non-Profit Organisations’’ and Certain Laws of the Russian Federation’ (with respect to the extension of Federal Law No. 175-FZ up to 31 December 2014);
- Federal Law No. 171-FZ, dated 11 July 2011, ‘On Invalidating Certain Provisions of Russian Laws’ (with respect to the exclusion of bank profitability criterion from the list of required criteria that are a ground for recognising financial stability of a bank — participant of the deposit insurance system as insufficient pursuant to Article 48 of Federal Law No. 177-FZ, dated 23 December 2003, ‘On Insurance of Household Deposits in Russian Banks’);
- Federal Law No. 401-FZ, dated 6 December 2011, ‘On Amending the Federal Law ‘On the Protection of Competition’ and Certain Laws of the Russian Federation’ (with respect to the changes in the features of a group of persons used to approve the acquisition of shares (stakes) of credit institutions and control their ownership structure);
- Federal Law No. 322-FZ, dated 16 November 2011, ‘On Amending Article 6 of the Federal Law ‘On Foreign Investments in the Russian Federation’ and the Federal Law ‘On the Procedure Governing Foreign Investment in the Business Entities of Strategic Importance to the National Defence and Security’’ (with respect to the specification of activity types of strategic importance to the national defence and security, and the procedure for considering applications for the preliminary approval of a transaction and signing of an agreement to ensure that the applicant meets his obligations).

In 2011, the Bank of Russia took part in the work on the following drafts of federal laws that concern different areas of credit institution activity:

- ‘On Amending the Federal Laws ‘On Banks and Banking Activities’ and ‘On the Central Bank of the Russian Federation (Bank of Russia)’ specifies the main provisions of consolidated supervision and requirements for credit groups and bank holdings disclosing information on their activity; it sets forth the Bank of Russia’s authority to define requirements for the risk management systems of credit institutions and banking groups and expands the scope of information to be exchanged between parent institutions of banking groups (banking holdings) and their members, as well as between the authorised bodies supervising the members, including cross-border groups and holdings. Additionally, the legislative innovations concern the regulation of risks assumed by credit institutions, including those related to operations and transactions with related persons. They also give the Banking Supervision Committee of the Bank of Russia the right to decide whether an entity can be referred to related persons;
- ‘On Amending Certain Laws of the Russian Federation’ sets a regulatory basis for an information exchange between external auditors of financial organisations and supervisory bodies, including the Bank of Russia;
- ‘On Amending Certain Laws of the Russian Federation’ introduces into the legislation the notion of a ‘metal account’, for individuals as well;
- ‘On amending Part 2 of the Civil Code of the Russian Federation, Article 36 of the Federal Law ‘On Banks and Banking Activities’ and Articles 10 and 12 of the Federal Law ‘On Insurance of Household Deposits in Russian Banks’’ (with respect to giving a bank the right to conclude a bank

- deposit agreement with a depositor on conditions that do not include the right of the depositor to an early withdrawal of the deposit, even if the deposit is executed with a certificate);
- ‘On amending the Federal Law ‘On Banks and Banking Activities’ and Other Laws of the Russian Federation due to the Improved Regulation of Credit Institutions’ Operations with Deposit and Savings Certificates’;
  - ‘On Amending the Federal Laws ‘On Banks and Banking Activities’, ‘On the Central Bank of the Russian Federation (Bank of Russia)’ and ‘On Foreign Exchange Regulation and Foreign Exchange Control’’ (with respect to a prohibition against opening new branches of foreign banks);
  - ‘On Amending Article 11 of the Federal Law ‘On Banks and Banking Activities’’ (with respect to cancelling the prohibition against bank founders’ leaving their positions within first 3 years starting from the state registration of the bank);
  - ‘On Amending Certain Laws of the Russian Federation’ (with respect to simplifying the procedure for credit institutions’ issuing securities, ensuring control over large buyers of shares (stakes) from the credit institutions and specifying requirements to executives and founders of credit institutions);
  - ‘On Amending the Federal Law ‘On Credit Histories’’ (with respect to specifying the procedure of interaction of credit bureaus, credit history holders and credit history users with the CCCH);
  - ‘On Registering Notifications of Pledges or Other Encumbrance of Moveable Property’, ‘On Amending Certain Laws of the Russian Federation in Relation to Adopting the Federal Law ‘On Registering Notifications of Pledges or Other Encumbrance of Moveable Property’’;
  - ‘On the Protection of Rights and Legitimate Interests of Individuals in the Process of Debt Collection’;
  - ‘On Measures for Collecting Overdue Debt’ and ‘On Amending Certain Laws of the Russian Federation Due to the Adoption of the Federal Law ‘On Measures for Collecting Overdue Debt’’;
  - ‘On Amending the Federal Law ‘On Insurance of Household Deposits in Russian Banks’’ provides for the inclusion of a provision preventing depositors from receiving insurance payments from the obligatory deposit insurance fund under fraudulent obligations of banks to their depositors (legal entities, individual entrepreneurs and households having funds on their accounts (deposits) exceeding the amount covered by the insurance), according to Federal Law No. 177-FZ, dated 23 December 2003, ‘On Insurance of Household Deposits in Russian Banks’;
  - ‘On Amending the Federal Law ‘On Insurance of Household Deposits in Russian Banks’’ (with respect to the unification of supervisory requirements to assess the stability of credit institutions and requirements for participation in the deposit insurance system according to international principles of supervision, and applying enforcement activity);
  - ‘On Amending the Federal Law ‘On the Insolvency (Bankruptcy) of Credit Institutions’ and Other Laws of the Russian Federation to Improve the Bankruptcy Procedures Applicable to Credit Institutions and Other Financial Organisations, Enhancing their Responsibility for Fraudulent Activity Performed on Expectation of Bankruptcy’;
  - ‘On Amending the Federal Law ‘On the Securities Market’ and Other Laws of the Russian Federation’ (with respect to regulating relations arising in the course of investment in the form of buying shares (stakes) in authorised capital of infrastructure organisations and in the course of other transactions resulting in setting control over such organisations);
  - ‘On Amending Parts 1, 2, 3 and 4 of the Russian Civil Code and Certain Laws of the Russian Federation’ (with respect to the introduction of a new classification of legal entities and reduction in the number of existing forms of incorporation);
  - ‘On Amending Clause 3, Article 35 of the Federal Law ‘On Joint-Stock Companies’ and Clause 3, Article 20 of the Federal Law ‘On Limited Liability Companies’’ (with respect to specifying the procedure for net asset value calculation);
  - ‘On Amending Certain Laws of the Russian Federation’ (with respect to introducing a differentiated regulation for open and closed joint-stock companies, including the structure and the forming

- of management bodies, and also the possibility of redistributing competence among the management bodies);
- ‘On Amending the Federal Law ‘On Advertisement’ as Related to the Introduction of Additional Restrictions for Advertisement of Certain Types of Services and Activities’;
  - ‘On Amending Certain Laws of the Russian Federation in Connection with the Improvement of State Management in the Sphere of Anti-Corruption Measures’;
  - ‘On Amending the Russian Civil Code and Other Laws of the Russian Federation’ (with respect to the development of project financing);
  - ‘On Amending the Federal Law ‘On the Securities Market’ and Other Laws of the Russian Federation’ (with respect to creating a system of prudential supervision over risks taken by professional securities market players);
  - ‘On Amending the Federal Law ‘On the Securities Market’ and Certain Laws of the Russian Federation’ (with respect to bringing the Russian legislation in line with the requirements of the International Organisation of Securities Commissions (IOSCO), to join the Multilateral Memorandum of IOSCO);
  - ‘On Mortgage Securities’ (with respect to the improvement of certain legal norms for the issue and circulation of mortgage securities);
  - ‘On Amending Certain Laws of the Russian Federation’ (with respect to setting minimum standards for financial services);
  - ‘On Amending the Federal Law ‘On Joint-Stock Companies’ and Some Other Laws of the Russian Federation’ (with respect to improving legal regulation covering the purchase of blocks of open joint-stock companies’ shares);
  - ‘On Amending Certain Laws of the Russian Federation’ (with respect to the competence of bailiffs);
  - ‘On Amending Certain Laws of the Russian Federation to Improve Mechanisms for Establishing and Liquidating Commercial Organisations’;
  - ‘On Amending the Federal Law ‘On Insolvency (Bankruptcy)’ and Certain Laws of the Russian Federation (as Related to Improving Mechanisms that Help Reveal Signs of Deliberate Bankruptcy, and Expand the Power of a Receiver to Recover the Assets of a Debtor that Have Been Alienated on the Eve of Bankruptcy)’.

## IV.3. STATISTICAL TABLES

Table 1

**KEY MACROECONOMIC INDICATORS**  
(in constant prices, percent of previous year)

	2009	2010	2011
Gross domestic product	92.2	104.3	104.3
of which:			
— agriculture, hunting and forestry	101.5	90.2	115.8
— hydrocarbon production and mining	97.6	107.0	101.6
— manufacturing	85.4	108.1	105.9
— production and distribution of electricity, gas and water	95.3	103.4	100.2
— construction	85.3	103.1	104.7
— wholesale and retail trade, and other	94.2	106.8	104.9
— transport and communications	91.4	104.7	102.8
GDP deflator index	102.0	111.6	115.8
Consumer price index (December on previous December)	108.8	108.8	106.1
Fixed capital investment	84.3	106.0	108.3
Retail trade turnover	94.9	106.4	107.0
Unemployment rate according to ILO methodology (annual average), percent of economically active population	8.4	7.5	6.6

Table 2

**CONSUMER PRICES BY GROUP OF GOODS AND SERVICES**  
(growth, December as a percentage of previous December)

	2009	2010	2011
Consumer prices, total	8.8	8.8	6.1
of which:			
— food prices	6.1	12.9	3.9
of which:			
— food prices exclusive of fruit and vegetables	6.9	9.4	7.4
— fruit and vegetable prices	-1.7	45.6	-24.7
— non-food prices	9.7	5.0	6.7
— paid services provided to the public	11.6	8.1	8.7
Prices of goods and services included in calculation of core consumer price index (CCPI)	8.3	6.6	6.6

Note: Tables 1, 2 and 6 to 11 are based on Rosstat data as of 3 May 2012.

Tables 3, 4 and 5 are based on Rosstat data as of 3 May 2012 and Bank of Russia calculations.

Table 3

## CONSUMER PRICE INFLATION STRUCTURE

	2010		2011	
	Growth in percentage points	Contribution to growth, percent	Growth in percentage points	Contribution to growth, percent
<b>Headline inflation (December on December)</b>	<b>8.8</b>	<b>100</b>	<b>6.1</b>	<b>100</b>
Inflation growth due to:				
— change in prices of goods and services included in CCPI calculation	5.3	60.3	5.3	86.5
— change in prices of goods and services not included in CCPI calculation	3.5	39.7	0.8	13.5
of which:				
— change in fruit and vegetable prices	1.6	18.7	-1.0	-16.9
— change in administered service and fuel prices	1.8	20.9	1.9	30.3

Table 4

GROSS VALUE ADDED STRUCTURE BY ECONOMIC ACTIVITY IN BASIC PRICES  
(percent)

	2009	2010	2011
<b>Gross value added</b>	<b>100</b>	<b>100</b>	<b>100</b>
of which:			
— agriculture, hunting and forestry	4.4	3.8	4.0
— hydrocarbon production and mining	8.5	9.9	10.7
— manufacturing	14.8	14.9	16.0
— production and distribution of electricity, gas and water	4.1	3.9	3.8
— construction	6.2	6.7	6.5
— wholesale and retail trade, and other	17.9	19.0	19.0
— transport and communications	9.6	9.6	8.9
— other activities	34.5	32.2	31.1

Table 5

**STRUCTURE OF GDP CALCULATED BY INCOME CONSUMPTION METHOD IN CURRENT MARKET PRICES  
(percent)**

	2009	2010	2011
<b>GDP calculated by income consumption method</b>	<b>100</b>	<b>100</b>	<b>100</b>
Expenditure on final consumption	74.1	69.6	66.8
of which:			
— household sector	53.1	50.9	48.9
— government sector	20.4	18.2	17.5
— non-profit organisations providing services to households	0.5	0.5	0.4
Gross capital formation	18.6	22.3	24.6
of which:			
— gross fixed capital formation (including net acquisition of valuables)	21.6	21.3	21.0
Net exports of goods and services	7.3	8.1	8.6

Table 6

**GDP CONSUMPTION ELEMENTS IN CONSTANT PRICES (percent of previous year)**

	2009	2010	2011
<b>Gross Domestic Product</b>	<b>92.2</b>	<b>104.3</b>	<b>104.3</b>
of which:			
— expenditure on final consumption	96.1	103.3	105.3
— by household sector	94.9	105.2	106.8
— by government sector	99.4	98.6	101.5
— by non-profit organisations providing services to households	92.0	99.5	97.1
— gross capital formation (including net acquisition of valuables)	59.0	128.8	120.8
— exports of goods and services	95.3	107.0	100.4
— imports of goods and services	69.6	125.8	120.3

Table 7

**GDP FORMATION STRUCTURE BY SOURCE OF INCOME IN CURRENT MARKET PRICES (percent)**

	2009	2010	2011
<b>Gross Domestic Product</b>	<b>100</b>	<b>100</b>	<b>100</b>
of which:			
— compensation paid to hired workers (including unreported earnings)	52.6	49.9	49.8
— net taxes on production and imports	16.6	18.2	20.0
— gross profit of the economy and gross mixed income	30.8	31.9	30.2

Table 8

**BALANCE OF HOUSEHOLD MONEY INCOME AND EXPENSES (millions of roubles)**

	2010	2011	2011 as a percentage of 2010
<b>Money income</b>	<b>32,099,669.8</b>	<b>35,192,581.2</b>	<b>109.6</b>
Wages and salaries	20,744,710.9	23,605,087.7	113.8
Share, percent	64.6	67.1	
Social allowances	5,711,334.8	6,395,848.9	112.0
Share, percent	17.8	18.2	
Income from entrepreneurial activities	2,981,563.5	3,196,959.7	107.2
Share, percent	9.3	9.1	
Income from property	2,026,879.7	1,298,328.5	64.1
Share, percent	6.3	3.6	
Other income	635,180.9	696,356.4	109.6
Share, percent	2.0	2.0	
<b>Money expenses</b>	<b>25,598,102.5</b>	<b>29,524,524.9</b>	<b>115.3</b>
— consumer expenses	22,440,010.6	25,973,793.6	115.7
— compulsory payments and contributions	3,158,091.9	3,550,731.3	112.4
<b>Growth in savings and cash on hand, purchase of foreign currency</b>	<b>6,501,567.3</b>	<b>5,668,056.2</b>	<b>87.2</b>
— savings <sup>1</sup>	4,694,483.9	3,621,476.3	77.1
of which:			
— deposits and securities	2,472,539.0	1,857,485.8	75.1
— foreign currency purchase	1,172,333.4	1,498,796.1	127.8
— cash on hand	634,750.0	547,783.9	86.3
Memo item:			
<b>Share of money income, percent</b>			
— consumer expenses	69.9	73.8	
— compulsory payments and contributions	9.8	10.1	
— savings	14.6	10.3	
of which:			
— deposits and securities	7.7	5.3	
— foreign currency purchase	3.7	4.2	
— cash on hand	2.0	1.6	
<b>Disposable money income</b>	<b>29,080,126.7</b>	<b>31,783,703.1</b>	<b>109.3</b>
Share of, percent			
— consumer expenses	77.2	81.7	
— savings	16.1	11.4	
of which:			
— deposits and securities	8.5	5.8	
— foreign currency purchase	4.0	4.7	
— cash on hand	2.2	1.7	
— remittances	0.5	0.5	

<sup>1</sup> Savings include increase (decrease) in deposits, purchase of securities, change in accounts of individual entrepreneurs, change in debt on loans and purchase of real estate.



Table 9

**DIFFERENTIATION OF POPULATION BY INCOME**

	2009	2010	2011
Funds ratio, times <sup>1</sup>	16.7	16.5	16.3
Gini coefficient, units <sup>2</sup>	0.422	0.421	0.418

<sup>1</sup> The funds ratio is the ratio between the average income of the highest-income 10% of the population and the lowest-income 10% of the population.

<sup>2</sup> The Gini coefficient (income concentration index) shows the extent to which the actual distribution of household income deviates from the even distribution line. When income is distributed evenly, the Gini coefficient tends towards zero; the greater the income differentiation of the population, the closer the Gini coefficient is to 1.

Table 10

**MAJOR FINANCIAL PERFORMANCE INDICATORS OF ORGANISATIONS  
(EXCLUSIVE OF SMALL BUSINESSES, BANKS, INSURANCE COMPANIES AND BUDGET-FINANCED INSTITUTIONS) IN 2011 (percent of previous year)**

	Net financial result	Working assets			Payables		Receivables	
		total	of which:		total	of which overdue	total	of which overdue
			short-term financial investments	cash				
<b>Total</b>	<b>119.8</b>	<b>122.2</b>	<b>110.7</b>	<b>118.9</b>	<b>118.5</b>	<b>120.1</b>	<b>121.1</b>	<b>111.4</b>
Agriculture, hunting and forestry	144.7	126.1	127.6	100.5	108.7	95.6	114.0	91.9
Hydrocarbon production and mining	148.7	121.9	115.8	182.2	120.0	110.0	119.6	118.3
of which:								
— fuel and energy production	146.3	119.3	110.8	195.2	119.8	111.5	119.8	114.7
Manufacturing	120.4	112.1	97.1	118.2	119.7	118.8	117.1	102.7
Production and distribution of electricity, gas and water	33.3	121.2	72.8	120.0	117.9	135.5	123.0	116.8
Construction	105.4	136.7	114.8	131.3	115.8	101.3	119.7	91.9
Wholesale and retail trade, and other	177.7	131.2	127.1	112.0	116.7	141.3	127.3	115.5
Transport and communications	107.7	122.0	111.2	111.1	110.1	101.1	118.6	170.1

Table 11

**PAYMENTS FOR PRODUCE SHIPPED (WORK PERFORMED AND SERVICES PROVIDED)  
BY MAJOR NATURAL AND INDUSTRIAL MONOPOLIES**

	2011		As a percentage of 2010
	Billions of roubles	Structure of payments, percent	
<b>Value of produce shipped</b>	<b>25,562.5</b>		<b>120.8</b>
of which:			
— paid-for produce	23,871.0	100.0	123.1
of which produce paid for with:			
— money	23,446.9	98.2	123.0
— promissory notes	35.9	0.2	71.5
— transfer of claims on pecuniary obligations	54.3	0.2	3.4 times
— netting of claims	307.2	1.3	124.9
— barter arrangements	2.3	0.0	116.8
— other kinds of settlement	24.4	0.1	121.7

Table 12

**MERCHANDISE TRADE OF THE RUSSIAN FEDERATION**  
(per balance of payments methodology)

	Billions of US dollars							Percent of previous year						
	2005	2006	2007	2008	2009	2010	2011	2005	2006	2007	2008	2009	2010	2011
<b>All countries</b>														
Turnover	369.2	467.8	577.9	763.5	495.2	649.3	845.8	131.6	126.7	123.5	132.1	64.9	131.1	130.3
Exports	243.8	303.6	354.4	471.6	303.4	400.6	522.0	133.1	124.5	116.8	133.1	64.3	132.1	130.3
Imports	125.4	164.3	223.5	291.9	191.8	248.6	323.8	128.8	131.0	136.0	130.6	65.7	129.6	130.2
Balance	118.4	139.3	130.9	179.7	111.6	152.0	198.2	137.9	117.7	94.0	137.3	62.1	136.2	130.4
<b>Non-CIS countries</b>														
Turnover	313.8	400.4	492.3	653.4	423.0	551.3	713.5	136.1	127.6	122.9	132.7	64.7	130.3	129.4
Exports	210.2	260.2	300.6	400.5	255.3	338.0	438.2	137.4	123.7	115.5	133.2	63.7	132.4	129.7
Imports	103.5	140.2	191.7	252.9	167.7	213.3	275.3	133.6	135.4	136.7	131.9	66.3	127.2	129.0
Balance	106.7	119.9	108.9	147.5	87.5	124.7	162.9	141.3	112.4	90.8	135.5	59.3	142.4	130.7
<b>CIS countries</b>														
Turnover	55.4	67.4	85.6	110.1	72.2	98.0	132.4	110.7	121.6	127.0	128.6	65.6	135.7	135.1
Exports	33.5	43.4	53.8	71.1	48.1	62.7	83.8	111.1	129.3	124.1	132.2	67.6	130.2	133.8
Imports	21.9	24.0	31.8	39.0	24.1	35.3	48.6	110.1	109.8	132.2	122.5	61.8	146.7	137.5
Balance	11.7	19.3	22.0	32.2	24.0	27.3	35.3	113.0	166.0	114.0	146.0	74.7	113.7	129.0

Note: In Tables 12, 15 and 16, the CIS data cover 12 member states in 2005—2008 and 11 member states since September 2009.

Table 13

**COMMODITY STRUCTURE OF RUSSIAN EXPORTS**  
(per methodology of customs statistics)

	Structure, percent							Growth rates, percent of previous year						
	2005	2006	2007	2008	2009	2010	2011	2005	2006	2007	2008	2009	2010	2011
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>133</b>	<b>125</b>	<b>117</b>	<b>133</b>	<b>65</b>	<b>132</b>	<b>130</b>
Mineral products	64.8	65.9	64.9	69.8	67.4	68.8	71.1	149	127	115	143	62	134	134
of which:														
— fuel and energy products	64.0	65.4	64.2	68.8	66.7	68.0	69.9	149	127	115	142	63	134	134
of which:														
— oil	34.6	34.0	34.5	34.5	33.3	34.2	35.2	141	123	119	133	62	135	134
— natural gas	13.0	14.5	12.7	14.8	13.9	12.0	12.4	144	140	102	154	61	114	135
Metals, metal products	14.0	13.7	14.0	11.7	11.1	10.7	9.3	111	122	119	111	61	127	112
Chemicals, rubber	5.6	5.6	5.9	6.5	6.2	6.4	6.3	96	117	124	145	62	135	129
Machinery, equipment, transport vehicles	5.9	5.8	5.5	4.8	5.9	5.6	5.0	120	129	113	116	79	126	115
Foodstuffs and agricultural raw materials (except textiles)	1.9	1.8	2.6	2.0	3.3	2.4	2.6	137	122	165	102	107	94	143
Timber and pulp-and-paper products	3.4	3.2	3.5	2.5	2.8	2.5	2.2	118	115	129	94	73	117	117
Gemstones, precious metals and articles made of them	2.8	2.6	1.9	1.5	1.7	2.2	2.2	107	114	88	106	70	171	130
Textiles, textile products, footwear	0.4	0.3	0.3	0.2	0.2	0.2	0.2	86	100	98	92	82	113	111
Leather, furs and articles made of them	0.1	0.1	0.1	0.1	0.1	0.1	0.1	93	111	92	106	68	127	128
Other goods	1.1	1.0	1.3	0.9	1.3	1.1	1.0	117	125	141	100	85	117	130
	Memo item:													
Total exports, billions of US dollars (Source: Federal Customs Service)	241.5	301.2	351.9	467.6	301.7	397.1	516.5							

Table 14

**COMMODITY STRUCTURE OF RUSSIAN IMPORTS**  
(per methodology of customs statistics)

	Structure, percent							Growth rates, percent of previous year						
	2005	2006	2007	2008	2009	2010	2011	2005	2006	2007	2008	2009	2010	2011
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>131</b>	<b>140</b>	<b>145</b>	<b>134</b>	<b>63</b>	<b>137</b>	<b>134</b>
Machinery, equipment, transport vehicles	44.0	47.7	50.9	52.7	43.4	44.5	48.2	140	151	155	138	52	140	145
Chemicals, rubber	16.5	15.8	13.8	13.2	16.7	16.3	15.1	136	134	126	128	79	134	124
Foodstuffs and agricultural raw materials (except textiles)	17.7	15.7	13.8	13.2	17.9	15.9	13.9	126	124	128	127	85	121	117
Metals, metal products	7.5	7.5	7.9	6.9	6.5	7.4	7.3	127	140	153	118	59	156	132
Textiles, textile products, footwear	3.7	4.0	4.3	4.4	5.7	6.2	5.5	111	152	157	135	82	148	118
Mineral products	3.1	2.4	2.3	3.1	2.4	2.6	3.4	99	109	142	177	49	145	177
of which:														
— fuel and energy products	1.6	1.4	1.2	1.5	1.4	1.6	2.2	97	115	134	166	58	155	177
Timber and pulp-and-paper products	3.3	2.9	2.7	2.4	3.0	2.6	2.2	114	121	134	122	78	115	115
Leather, fur and articles made of them	0.3	0.3	0.4	0.4	0.5	0.5	0.5	112	157	161	149	74	161	127
Gemstones, precious metals and articles made of them	0.3	0.2	0.3	0.3	0.3	0.2	0.2	150	119	173	134	58	117	131
Other goods	3.6	3.5	3.6	3.4	3.6	3.8	3.7	114	131	148	128	65	145	128
Memo item:														
Total imports, billions of US dollars (Source: Federal Customs Service)	98.7	137.8	199.8	267.1	167.3	228.9	305.6							

Table 15

**RUSSIA'S EXPORTS TO MAJOR TRADING PARTNERS**  
(per methodology of customs statistics)

	Structure, percent							Growth rates, percent of previous year						
	2005	2006	2007	2008	2009	2010	2011	2005	2006	2007	2008	2009	2010	2011
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>133</b>	<b>125</b>	<b>117</b>	<b>133</b>	<b>65</b>	<b>132</b>	<b>130</b>
of which:														
CIS countries	13.5	14.0	15.0	14.9	15.5	15.0	15.2	111	130	124	132	67	127	132
of which:														
EurAsEC countries	7.1	8.0	9.2	8.8	9.6	8.1	8.2	106	139	134	127	71	111	131
of which:														
Customs Union countries						7.2	7.4							133
Other countries	6.4	6.0	5.8	6.1	5.9	6.9	7.0	117	119	112	141	62	154	134
Non-CIS countries	86.5	86.0	85.0	85.1	84.5	85.0	84.8	138	124	116	133	64	132	130
of which:														
EU countries	55.3	56.6	55.7	56.9	53.3	53.3	51.6	160	128	115	136	61	131	126
APEC countries	12.4	11.8	12.2	12.9	15.1	16.9	18.0	111	119	121	140	75	148	138
Other countries	18.8	17.6	17.1	15.3	16.1	14.8	15.2	110	116	115	119	68	121	133
Memo item:														
OECD countries	64.6	66.6	65.5	66.8	64.2	65.3	63.8	147	128	115	135	62	134	127

Note: In Tables 15 and 16, the EU data in 2005—2006 cover 25 member states and since 2007, 27 member states; EurAsEC includes the Republic of Uzbekistan since 2006. In Tables 15 to 17, the OECD data from June 2010 cover 31 member states, from August 2010, 32 member states, from October 2010, 33 member states, and since 2011, 34 member states.

End

	Structure, percent							Growth rates, percent of previous year						
	2005	2006	2007	2008	2009	2010	2011	2005	2006	2007	2008	2009	2010	2011
<b>Major trading partners</b>														
Netherlands	10.2	11.9	12.2	12.2	12.1	13.6	12.1	161	146	119	133	64	148	116
China	5.4	5.2	4.5	4.5	5.5	5.1	6.8	129	121	101	133	79	122	173
Germany	8.2	8.1	7.5	7.1	6.2	6.5	6.6	148	124	108	126	56	137	133
Italy	7.9	8.3	7.8	9.0	8.3	6.9	6.3	158	132	110	153	60	109	119
Ukraine	5.1	5.0	4.7	5.0	4.6	5.8	5.9	115	121	110	143	59	167	132
Turkey	4.5	4.7	5.3	5.9	5.4	5.1	4.9	146	132	130	149	59	124	125
Belarus	4.2	4.3	4.9	5.0	5.5	4.6	4.8	90	129	131	137	71	108	138
Poland	3.6	3.8	3.8	4.3	4.1	3.8	4.1	151	133	116	152	62	119	143
United States	2.6	2.9	2.4	2.9	3.0	3.1	3.2	96	137	96	161	68	135	135
France	2.5	2.5	2.5	2.6	2.9	3.1	2.9	138	125	113	140	72	142	120
Japan	1.5	1.5	2.2	2.2	2.4	3.2	2.8	110	120	171	135	70	177	115
United Kingdom	3.5	3.5	3.1	3.2	3.0	2.8	2.7	149	123	106	135	61	125	124
Korea, Republic of	1.0	0.9	1.8	1.7	1.9	2.6	2.6	120	116	226	126	73	184	128
Kazakhstan	2.7	3.0	3.4	2.8	3.0	2.7	2.6	140	137	133	112	69	117	125
Finland	3.2	3.1	3.1	3.4	3.0	3.1	2.6	131	120	117	146	58	133	108
Switzerland	4.5	4.0	3.8	2.1	2.1	2.2	2.3	140	113	111	71	65	140	133
Memo item:														
Total exports, billions of US dollars (Source: Federal Customs Service)	241.5	301.2	351.9	467.6	301.7	397.1	516.5							



Table 16

**RUSSIA'S IMPORTS FROM MAJOR TRADING PARTNERS**  
(per methodology of customs statistics)

	Structure, percent							Growth rates, percent of previous year						
	2005	2006	2007	2008	2009	2010	2011	2005	2006	2007	2008	2009	2010	2011
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>131</b>	<b>140</b>	<b>145</b>	<b>134</b>	<b>63</b>	<b>137</b>	<b>134</b>
of which:														
CIS countries	19.2	16.2	15.0	13.7	13.0	13.9	14.6	107	118	134	123	60	145	141
of which:														
EurAsEC countries	9.3	8.9	7.7	7.1	7.1	7.3	7.6	90	134	125	123	63	140	139
of which:														
Customs Union countries						6.3	6.8							145
Other countries	9.9	7.3	7.3	6.6	5.9	6.6	7.0	130	103	143	122	56	152	142
Non-CIS countries	80.8	83.8	85.0	86.3	87.0	86.1	85.4	138	145	147	136	63	135	132
of which:														
EU countries	44.2	44.0	43.7	43.6	45.1	41.7	41.7	134	139	144	134	65	127	134
APEC countries	25.6	28.5	31.9	33.4	30.9	34.1	33.9	155	156	162	140	58	151	133
Other countries	11.0	11.3	9.4	9.3	11.0	10.3	9.8	118	144	123	131	74	129	127
	Memo item:													
OECD countries	61.3	62.6	61.9	62.7	60.4	57.3	59.2	136	142	143	135	60	130	138

End

	Structure, percent							Growth rates, percent of previous year						
	2005	2006	2007	2008	2009	2010	2011	2005	2006	2007	2008	2009	2010	2011
<b>Major trading partners</b>														
China	7.4	9.4	12.2	13.0	13.6	17.0	15.8	153	178	189	142	66	171	124
Germany	13.4	13.4	13.3	12.8	12.7	11.7	12.3	126	139	144	129	62	126	141
Ukraine	7.9	6.7	6.7	6.1	5.5	6.1	6.6	128	118	144	122	56	154	143
Japan	5.9	5.6	6.4	7.0	4.3	4.5	4.9	148	134	163	146	39	141	146
United States	4.6	4.6	4.7	5.2	5.5	4.8	4.8	143	140	148	146	66	121	132
Belarus	5.8	5.0	4.4	4.0	4.0	4.3	4.5	88	120	130	119	64	148	137
Italy	4.5	4.2	4.3	4.1	4.7	4.4	4.4	138	130	149	129	72	127	133
France	3.7	4.3	3.9	3.7	5.0	4.4	4.3	120	160	132	129	84	119	132
Korea, Republic of	4.1	4.9	4.4	4.0	2.9	3.2	3.8	198	169	130	120	46	150	159
United Kingdom	2.8	2.7	2.8	2.9	2.1	2.0	2.3	135	132	154	135	47	129	157
Kazakhstan	3.3	2.8	2.3	2.4	2.2	1.9	2.3	94	119	120	138	58	120	161
Poland	2.8	2.5	2.3	2.6	2.5	2.5	2.2	119	124	136	152	60	138	114
Turkey	1.8	2.0	2.1	2.3	1.9	2.1	2.1	141	159	152	147	52	151	131
Netherlands	2.0	1.9	1.9	1.8	2.1	1.9	1.9	141	138	144	125	75	124	133
Finland	3.1	2.9	2.5	2.5	2.4	2.0	1.9	133	129	126	132	60	116	124
Switzerland	0.9	0.9	0.9	0.9	1.2	1.1	1.0	135	148	135	137	82	123	123
Memo item:														
Total imports, billions of US dollars (Source: Federal Customs Service)	98.7	137.8	199.8	267.1	167.3	228.9	305.6							

Table 17

## RUSSIA'S EXTERNAL TRADE IN SERVICES BY GROUP OF COUNTRIES (millions of US dollars)

	Turnover			Exports			Imports			Balance		
	2010	2011	Growth rates, percent	2010	2011	Growth rates, percent	2010	2011	Growth rates, percent	2010	2011	Growth rates, percent
<b>Total</b>	<b>118,663</b>	<b>143,997</b>	<b>121</b>	<b>44,981</b>	<b>54,025</b>	<b>120</b>	<b>73,682</b>	<b>89,972</b>	<b>122</b>	<b>-28,702</b>	<b>-35,947</b>	<b>125</b>
of which:												
CIS countries	15,892	19,058	120	8,111	10,227	126	7,782	8,831	113	329	1,395	424
of which:												
EurAsEC countries	5,260	5,864	111	3,113	3,610	116	2,146	2,253	105	967	1,357	140
of which:												
Customs Union countries	3,887	4,159	107	2,108	2,360	112	1,779	1,799	101	330	561	170
Other countries	8,938	10,884	122	4,423	5,815	131	4,515	5,069	112	-92	746	x
Services not allocated by country	1,695	2,311	136	575	802	139	1,120	1,509	135	-545	-707	130
Non-CIS countries	102,770	124,939	122	36,870	43,798	119	65,901	81,141	123	-29,031	-37,343	129
of which:												
EU countries	48,625	61,430	126	17,213	20,886	121	31,412	40,544	129	-14,200	-19,658	138
APEC countries	15,306	18,942	124	6,897	7,820	113	8,410	11,122	132	-1,513	-3,301	218
Other countries	24,552	26,397	108	8,194	9,372	114	16,358	17,025	104	-8,164	-7,653	94
Services not allocated by country	14,287	18,170	127	4,566	5,720	125	9,720	12,451	128	-5,154	-6,731	131
Memo item:												
OECD countries	62,731	78,336	125	22,988	27,933	122	39,743	50,403	127	-16,755	-22,470	134

Table 18

## STRUCTURE OF BANK OF RUSSIA CUSTOMERS OTHER THAN CREDIT INSTITUTIONS AND NUMBER OF ACCOUNTS OPENED FOR THEM (thousands)

	Number of customers			Number of accounts		
	as of 1.01.2011	as of 1.01.2012	change over 2011	as of 1.01.2011	as of 1.01.2012	change over 2011
<b>Total</b>	<b>13.1</b>	<b>9.6</b>	<b>-3.5</b>	<b>69.2</b>	<b>75.2</b>	<b>6.0</b>
Federal Treasury	0.8	0.7	-0.1	46.5	57.7	11.2
Regional and local budget management bodies	1.6	1.4	-0.2	5.3	6.2	0.9
Organisations financed from budgets of all levels	6.4	2.5	-3.9	11.0	3.5	-7.5
Government and other extra-budgetary funds	2.2	2.4	0.2	3.2	4.2	1.0
Election commissions (referendum commissions)	0.4	1.4	1.0	0.5	1.7	1.2
Other organisations	1.7	1.2	-0.5	2.7	1.9	-0.8

Table 19

## RUSSIA'S DOMESTIC GOVERNMENT DEBT AS OF 1 JANUARY 2012 (at face value, billions of roubles)

Debt instruments	Total within domestic government debt	Of these, traded on domestic securities market
Permanent coupon-income federal loan bonds (OFZ-PD)	1,823.7	1,823.7
Debt depreciation federal loan bonds (OFZ-AD)	1,079.6	979.6
Government savings bonds (GSO)	553.2	—
MinFin bonds (OVOZ)	90.0	—
Other debt recognised as part of domestic government debt	644.1	—
<b>Total</b>	<b>4,190.6</b>	<b>2,803.3</b>

Table 20

**FINANCE MINISTRY DEBT TO THE BANK OF RUSSIA AS OF 1 JANUARY 2012 (millions of roubles)<sup>1</sup>**

	At face value
Russian government debt obligations	360,659
of which:	
— Russian government debt obligations available for sale, in national currency	259,160
Russian government debt obligations available for sale, in foreign currency	101,499

<sup>1</sup> Exclusive of repo transactions.

Table 21

**RUSSIAN GOVERNMENT OUTSTANDING FOREIGN CURRENCY-DENOMINATED BONDS  
(as of 1 January 2012)**

Date of placement	Date of redemption	Currency	Volume in circulation at par, millions of US dollars	Coupon rate, percent p.a.
<b>Eurobonds due in 2015</b>				
29.04.2010	29.04.2015	US dollar	2,000	3.625
<b>Eurobonds due in 2018 (issued in the course of restructuring GKO)</b>				
24.07.1998	24.07.2018	US dollar	3,466	11
<b>Eurobonds due in 2020</b>				
29.04.2010	29.04.2020	US dollar	3,500	5
<b>Eurobonds due in 2028</b>				
24.06.1998	24.06.2028	US dollar	2,500	12.75
<b>Eurobonds due in 2030 (issued in the course of restructuring debt to London Club of commercial bank creditors)</b>				
31.03.2000	31.03.2030	US dollar	17,717	7.5

Table 22

**VOLUME (TURNOVER) OF RESIDENT OPERATIONS WITH NON-RESIDENTS TO BUY AND SELL  
RUSSIAN GOVERNMENT OUTSTANDING FOREIGN CURRENCY DEBT OBLIGATIONS IN SECONDARY MARKET  
(at market prices, billions of US dollars)**

	Q1	Q2	Q3	Q4	2011
Eurobonds due in 2015, 2020 and 2028	0.81	0.80	1.02	0.70	3.33
Eurobonds due in 2018 (issued in the course of restructuring GKO)	0.00	0.01	0.01	0.01	0.03
Eurobonds due in 2030 (issued in the course of the second restructuring of debt to London Club of commercial bank creditors)	3.02	2.79	2.95	2.48	11.23

Note: Minor discrepancies between the total and the sum of components are due to the rounding of data.

Table 23

**INSTITUTIONALISED FINANCIAL INTERMEDIARIES**

	1.01.2012	Memo item: 1.01.2011
<b>Credit institutions</b>		
Operating credit institutions, total	978	1,012
of which:		
— banks	922	955
— non-bank credit institutions	56	57
Operating credit institutions with foreign stakes in authorised capital	230	220
Branches of credit institutions operating in Russia	2,807	2,926
Representative offices of operating Russian credit institutions	378	460
<b>Insurance companies<sup>1</sup></b>		
Registered insurance companies	579	625
<b>Unit investment funds<sup>2</sup></b>		
Unit investment funds, total	1,470	1,444
of which:		
— open-end	443	432
— interval	71	78
— closed-end	956	934
<b>Non-governmental pension funds<sup>1</sup></b>		
Operating non-governmental pension funds	149 <sup>3</sup>	149

<sup>1</sup> Source: Federal Financial Markets Service.

<sup>2</sup> Source: News agency Cbonds.ru.

<sup>3</sup> As of 1 October 2011.

Table 24

## BALANCE OF PAYMENTS OF THE RUSSIAN FEDERATION (analytical presentation, millions of US dollars)

	Q1	Q2	Q3	Q4	2011	Memo item: 2010
<b>Current account</b>	<b>30,800</b>	<b>21,891</b>	<b>17,836</b>	<b>28,307</b>	<b>98,834</b>	<b>71,080</b>
Goods	48,160	50,666	45,153	54,202	198,181	151,996
<i>Export</i>	<i>113,236</i>	<i>133,705</i>	<i>130,367</i>	<i>144,703</i>	<i>522,011</i>	<i>400,630</i>
oil	39,924	48,601	43,875	49,413	181,812	135,799
oil products	20,400	23,595	26,264	25,451	95,710	70,471
natural gas	16,553	15,839	12,408	19,490	64,290	47,739
other	36,359	45,669	47,821	50,350	180,199	146,620
<i>Import</i>	<i>-65,076</i>	<i>-83,039</i>	<i>-85,215</i>	<i>-90,501</i>	<i>-323,831</i>	<i>-248,634</i>
Services	-6,377	-8,321	-11,490	-9,760	-35,947	-28,702
<i>Export</i>	<i>10,579</i>	<i>13,910</i>	<i>15,231</i>	<i>14,304</i>	<i>54,025</i>	<i>44,981</i>
transportation	3,401	4,531	4,635	4,425	16,992	14,911
travel	2,021	2,976	3,634	2,767	11,398	8,830
other services	5,157	6,403	6,962	7,112	25,635	21,239
<i>Import</i>	<i>-16,956</i>	<i>-22,232</i>	<i>-26,721</i>	<i>-24,064</i>	<i>-89,972</i>	<i>-73,682</i>
transportation	-2,867	-4,025	-4,261	-4,150	-15,303	-12,058
travel	-5,480	-7,945	-11,471	-7,570	-32,466	-26,587
other services	-8,609	-10,261	-10,989	-12,344	-42,203	-35,038
Compensation of employees	-1,860	-2,514	-2,636	-2,452	-9,461	-8,512
Investment income	-8,076	-18,081	-11,729	-12,861	-50,747	-40,103
Receivable	11,742	8,989	9,261	8,458	38,449	33,742
Payable	-19,817	-27,071	-20,989	-21,318	-89,196	-73,845
<i>General government</i>	<i>203</i>	<i>-297</i>	<i>-352</i>	<i>-377</i>	<i>-822</i>	<i>-904</i>
Receivable	657	180	135	95	1,067	1,008
Payable	-454	-477	-486	-472	-1,889	-1,912
<i>Local government (payable)</i>	<i>-25</i>	<i>-27</i>	<i>-25</i>	<i>-80</i>	<i>-157</i>	<i>-158</i>
<i>Monetary authorities</i>	<i>1,017</i>	<i>1,108</i>	<i>1,108</i>	<i>952</i>	<i>4,185</i>	<i>4,645</i>
Receivable	1,026	1,120	1,118	957	4,222	4,670
Payable	-9	-12	-10	-5	-36	-25

Cont.

	Q1	Q2	Q3	Q4	2011	Memo item: 2010
<i>Banks</i>	-882	-836	-522	-38	-2,277	-2,826
Receivable	1,912	2,308	2,585	2,663	9,467	7,273
Payable	-2,793	-3,144	-3,106	-2,700	-11,744	-10,099
<i>Other sectors</i>	-8,389	-18,029	-11,939	-13,318	-51,676	-40,860
Receivable	8,147	5,381	5,423	4,743	23,694	20,791
Payable	-16,535	-23,411	-17,362	-18,062	-75,369	-61,651
Current transfers	-1,048	141	-1,462	-823	-3,191	-3,600
<b>Capital and financial account</b>	<b>-16,035</b>	<b>-8,895</b>	<b>-20,246</b>	<b>-31,037</b>	<b>-76,214</b>	<b>-26,044</b>
<b>Capital account</b>	<b>3</b>	<b>-22</b>	<b>-61</b>	<b>-39</b>	<b>-120</b>	<b>73</b>
<b>Financial account (excluding reserve assets)</b>	<b>-16,038</b>	<b>-8,873</b>	<b>-20,185</b>	<b>-30,998</b>	<b>-76,094</b>	<b>-26,117</b>
<b>Liabilities ('+' — increase, '-' — decrease)</b>	<b>17,854</b>	<b>26,019</b>	<b>4,017</b>	<b>20,765</b>	<b>68,655</b>	<b>44,428</b>
<i>General government</i>	311	12	-1,279	1,369	414	3,776
Portfolio investment	692	366	-990	1,530	1,598	4,941
issue	1,343	0	0	0	1,343	5,104
redemption	-1,256	-881	-1,395	-223	-3,755	-2,878
principal	-556	-672	-625	-6	-1,860	-1,057
coupons	-700	-209	-770	-217	-1,896	-1,821
reinvestment of earnings	427	444	460	449	1,780	1,754
secondary market	178	803	-55	1,303	2,230	961
Loans	-380	-787	-271	-198	-1,636	-1,112
Arrears	0	439	-18	0	422	-50
Other liabilities	-1	-6	0	37	30	-3
<i>Local government</i>	2	-77	-34	-1,010	-1,119	529
<i>Monetary authorities</i>	-86	157	-268	-507	-705	-2,402
<i>Banks</i>	2,775.5	6,238	-2,900	1,774	7,887	17,651
Direct investment	408	1,110	2,485	1,610	5,612	5,459
Loans and deposits	798	7,730	3,261	8,126	19,915	19,273
Other liabilities	1,569	-2,602	-8,646	-7,962	-17,640	-7,080



End

	Q1	Q2	Q3	Q4	2011	Memo item: 2010
<i>Other sectors</i>	14,852	19,689	8,498	19,139	62,178	24,873
Direct investment	15,263	10,046	9,612	12,345	47,266	37,829
Portfolio investment	1,550	-1,015	-4,129	-2,789	-6,383	-5,076
Loans	-2,477	6,318	7,239	10,368	21,448	-6,298
Other liabilities	516	4,340	-4,225	-785	-153	-1,582
<b>Assets, excluding reserve assets ('+' — decrease, '-' — increase)</b>	<b>-33,892</b>	<b>-34,892</b>	<b>-24,202</b>	<b>-51,763</b>	<b>-144,749</b>	<b>-70,545</b>
<i>General government</i>	-523	-1,819	727	-896	-2,511	-947
Loans	88	309	74	-635	-164	493
Arrears	-561	-93	76	-8	-586	-487
Other assets	-49	-2,035	576	-252	-1,761	-954
<i>Monetary authorities</i>	-7	2	-2	0	-7	-30
<i>Banks</i>	-10,028	-7,943	-5,548	-8,519	-32,038	-1,785
Direct investment	-756	293	-97	-372	-932	-1,022
Loans and deposits	-11,624	-8,958	-4,917	-12,042	-37,541	-6,566
Other assets	2,352	723	-535	3,895	6,435	5,803
<i>Other sectors</i>	-23,334	-25,132	-19,378	-42,348	-110,192	-67,782
Direct and portfolio investment	-15,570	-20,005	-12,103	-23,705	-71,383	-50,784
Cash foreign currency	328	1,800	1,494	356	3,978	14,169
Trade credits and advances extended	-147	1,476	944	-6,022	-3,749	-63
Indebtedness on supplies according to intergovernmental agreements	-666	39	-255	-769	-1,652	-887
Dubious transactions <sup>1</sup>	-6,782	-7,780	-8,407	-9,298	-32,268	-30,588
Other assets	-496	-662	-1,051	-2,909	-5,119	370
<b>Net errors and omissions</b>	<b>-4,687</b>	<b>-114</b>	<b>649</b>	<b>-5,839</b>	<b>-9,990</b>	<b>-8,285</b>
<b>Change in reserve assets ('+' — decrease, '-' — increase)</b>	<b>-10,078</b>	<b>-12,882</b>	<b>1,761</b>	<b>8,569</b>	<b>-12,630</b>	<b>-36,751</b>

<sup>1</sup> These include non-repatriation of export proceeds, non-supply of goods and services against import contracts, remittances against dubious transactions in securities, extended loans, resident accounts abroad, etc.

Note: Other sectors are non-financial corporations, financial corporations except credit institutions, non-profit institutions serving households, and households.

Table 25

## PRIVATE SECTOR NET CAPITAL INFLOW (OUTFLOW) (according to balance of payments data, billions of US dollars)

	Private sector net capital inflow (outflow), total	Banking sector net capital inflow (outflow)	of which:		Other sectors' net capital inflow (outflow)	of which:		
			foreign assets	foreign liabilities		foreign assets <sup>1</sup>	foreign liabilities	balance of payments net errors and omissions <sup>2</sup>
2002	-8.1	2.5	-1.1	3.6	-10.6	-18.9	14.3	-6.1
2003	-1.9	10.3	-1.0	11.3	-12.2	-25.1	22.1	-9.2
2004	-8.9	3.5	-3.6	7.1	-12.4	-38.3	31.8	-5.9
2005	-0.1	5.9	-13.4	19.2	-6.0	-50.6	52.5	-7.9
2006	41.4	27.5	-23.6	51.2	13.9	-47.8	52.2	9.5
2007	81.7	45.8	-25.1	70.9	35.9	-94.6	143.8	-13.3
2008	-133.7	-56.9	-65.1	8.2	-76.8	-164.2	98.6	-11.3
2009	-56.1	-30.4	11.8	-42.1	-25.8	-58.2	34.2	-1.7
2010	-34.4	15.9	-1.8	17.7	-50.3	-66.9	24.9	-8.3
Q1	-15.1	0.8	-1.0	1.9	-15.9	-13.5	3.0	-5.5
Q2	3.7	6.8	11.2	-4.4	-3.2	-13.9	12.1	-1.4
Q3	-3.0	10.0	-5.4	15.4	-13.0	-16.4	-0.4	3.9
Q4	-20.1	-1.8	-6.6	4.8	-18.3	-23.1	10.2	-5.3
2011	-80.5	-24.2	-32.0	7.9	-56.4	-108.5	62.2	-10.0
Q1	-19.8	-7.3	-10.0	2.8	-12.5	-22.7	14.9	-4.7
Q2	-7.3	-1.7	-7.9	6.2	-5.6	-25.2	19.7	-0.1
Q3	-18.4	-8.4	-5.5	-2.9	-10.0	-19.1	8.5	0.6
Q4	-35.0	-6.7	-8.5	1.8	-28.3	-41.6	19.1	-5.8

<sup>1</sup> Excluding debt for goods supplied under intergovernmental agreements.

<sup>2</sup> Net errors and omissions item fully relates to other sectors' operations. It is assumed that accounting for financial operations of these sectors is most complicated for balance of payments compilation.

Note: '-' signifies capital outflow, '+' signifies capital inflow.

Table 26

CROSS-BORDER TRANSACTIONS OF INDIVIDUALS (RESIDENTS AND NON-RESIDENTS)<sup>1</sup>

	Q1	Q2	Q3	Q4	2010	Q1	Q2	Q3	Q4	2011
<b>Total, millions of US dollars</b>										
<b>Money transfers from the Russian Federation by individuals</b>	<b>5,822</b>	<b>7,397</b>	<b>8,899</b>	<b>9,601</b>	<b>31,718</b>	<b>8,658</b>	<b>10,899</b>	<b>12,321</b>	<b>11,940</b>	<b>43,819</b>
to non-CIS countries	3,960	4,685	5,191	6,059	19,896	6,092	6,860	7,187	7,678	27,816
to CIS countries	1,861	2,712	3,708	3,541	11,823	2,566	4,040	5,134	4,262	16,002
<b>Money transfers to the Russian Federation for the benefit of individuals</b>	<b>2,190</b>	<b>2,409</b>	<b>2,260</b>	<b>2,940</b>	<b>9,799</b>	<b>2,718</b>	<b>3,312</b>	<b>3,097</b>	<b>3,307</b>	<b>12,434</b>
from non-CIS countries	1,817	1,965	1,762	2,377	7,921	2,237	2,642	2,360	2,580	9,820
from CIS countries	372	445	498	563	1,878	482	670	737	727	2,614
<b>Balance<sup>2</sup></b>	<b>-3,632</b>	<b>-4,988</b>	<b>-6,639</b>	<b>-6,660</b>	<b>-21,919</b>	<b>-5,940</b>	<b>-7,588</b>	<b>-9,224</b>	<b>-8,633</b>	<b>-31,385</b>
with non-CIS countries	-2,143	-2,720	-3,429	-3,682	-11,975	-3,855	-4,218	-4,827	-5,097	-17,997
with CIS countries	-1,489	-2,268	-3,210	-2,978	-9,945	-2,085	-3,370	-4,398	-3,536	-13,388
<b>Average amount of transaction, US dollars</b>										
<b>Money transfers from the Russian Federation by individuals</b>	<b>1,161</b>	<b>1,113</b>	<b>1,142</b>	<b>1,254</b>	<b>1,170</b>	<b>1,165</b>	<b>990</b>	<b>937</b>	<b>959</b>	<b>995</b>
to non-CIS countries	5,086	5,146	5,308	5,629	5,315	5,426	4,420	4,437	4,036	4,489
to CIS countries	440	473	544	538	506	407	427	445	404	423
<b>Money transfers to the Russian Federation for the benefit of individuals</b>	<b>2,277</b>	<b>2,320</b>	<b>2,322</b>	<b>2,576</b>	<b>2,381</b>	<b>2,319</b>	<b>2,568</b>	<b>2,659</b>	<b>2,573</b>	<b>2,533</b>
from non-CIS countries	3,894	3,773	3,698	4,577	3,994	3,844	4,222	3,981	4,081	4,036
from CIS countries	753	859	1,002	905	881	816	1,009	1,288	1,113	1,055

<sup>1</sup> Money transfers to Russia for the benefit of resident and non-resident individuals and money transfers from Russia of resident and non-resident individuals made via credit institutions (with or without opening an account) including remittances via money transfer systems and Russia's Post Service.

<sup>2</sup> Negative balance reflects the excess of the amount of remittances from the Russian Federation over the amount of remittances to the Russian Federation.

Table 27

## CROSS-BORDER REMITTANCES VIA MONEY TRANSFER SYSTEMS

	Q1	Q2	Q3	Q4	2010	Q1	Q2	Q3	Q4	2011
<b>Total, millions of US dollars</b>										
<b>Remittances from Russia</b>	<b>2,078</b>	<b>2,945</b>	<b>4,013</b>	<b>3,799</b>	<b>12,835</b>	<b>2,873</b>	<b>4,378</b>	<b>5,595</b>	<b>4,687</b>	<b>17,533</b>
to non-CIS countries	352	405	482	516	1,755	476	584	679	651	2,390
to CIS countries	1,726	2,540	3,531	3,283	11,080	2,398	3,793	4,916	4,036	15,143
<b>Remittances to Russia</b>	<b>413</b>	<b>481</b>	<b>517</b>	<b>564</b>	<b>1,975</b>	<b>557</b>	<b>716</b>	<b>770</b>	<b>724</b>	<b>2,767</b>
from non-CIS countries	166	191	179	191	726	219	259	258	245	981
from CIS countries	247	290	338	373	1,248	339	457	512	479	1,786
<b>Balance<sup>1</sup></b>	<b>-1,665</b>	<b>-2,464</b>	<b>-3,496</b>	<b>-3,234</b>	<b>-10,860</b>	<b>-2,316</b>	<b>-3,662</b>	<b>-4,825</b>	<b>-3,963</b>	<b>-14,766</b>
with non-CIS countries	-187	-215	-303	-324	-1,028	-257	-325	-421	-406	-1,410
with CIS countries	-1,478	-2,250	-3,193	-2,910	-9,832	-2,059	-3,337	-4,404	-3,557	-13,357
<b>Average amount of remittance, US dollars</b>										
<b>Remittances from Russia</b>	<b>460</b>	<b>488</b>	<b>561</b>	<b>548</b>	<b>521</b>	<b>475</b>	<b>515</b>	<b>574</b>	<b>531</b>	<b>530</b>
to non-CIS countries	916	918	991	988	957	904	932	1,009	969	956
to CIS countries	418	454	530	512	486	435	482	542	495	495
<b>Remittances to Russia</b>	<b>553</b>	<b>607</b>	<b>703</b>	<b>637</b>	<b>625</b>	<b>598</b>	<b>698</b>	<b>850</b>	<b>721</b>	<b>715</b>
from non-CIS countries	606	637	681	656	645	596	662	708	637	651
from CIS countries	522	589	716	627	616	598	719	946	774	757

<sup>1</sup> Negative balance reflects the excess of the amount of remittances from the Russian Federation over the amount of remittances to the Russian Federation.

Note: Money transfer systems include Anelik, BLIZKO, Caspian Money Transfer, Coinstar Money Transfer, Contact, Faster, InterExpress, Migom, MoneyGram, PrivatMoney, UNISStream, Western Union, AsiaExpress, ALLUR, Blitz, Bystraya Pochta, Zolotaya Korona, LIDER and Russia's Post Service.

Table 28

**FUNCTIONAL STRUCTURE OF FOREIGN INVESTMENT IN RUSSIA**  
(billions of US dollars)<sup>1</sup>

Type of investment	Q1	Q2	Q3	Q4	2011	Memo item: 2010
Direct	15.7	11.2	12.1	14.0	52.9	43.3
Portfolio	5.0	-0.9	-8.4	-2.9	-7.3	1.8
Financial derivatives	-2.4	-3.3	-5.5	-6.7	-17.8	-10.7
Other	-0.3	19.1	5.8	16.3	40.9	10.0
<b>Total</b>	<b>17.9</b>	<b>26.0</b>	<b>4.0</b>	<b>20.8</b>	<b>68.7</b>	<b>44.4</b>

<sup>1</sup> Net growth in liabilities to non-residents according to balance of payments data.

Note: '–' signifies decrease in residents' foreign liabilities. Minor discrepancies between the total and the sum of components are due to the rounding of data.

Table 29

**FUNCTIONAL STRUCTURE OF RESIDENTS' INVESTMENT IN FOREIGN ASSETS (EXCEPT RESERVES)**  
(billions of US dollars)<sup>1</sup>

Type of investment	Q1	Q2	Q3	Q4	2011	Memo item: 2010
Direct	16.3	17.2	11.2	22.6	67.3	52.5
Portfolio	-0.6	5.3	3.6	2.3	10.6	3.5
Financial derivatives	-3.2	-3.5	-4.0	-5.6	-16.4	-8.8
Other	21.5	15.9	13.4	32.5	83.3	23.4
<b>Total</b>	<b>33.9</b>	<b>34.9</b>	<b>24.2</b>	<b>51.8</b>	<b>144.7</b>	<b>70.5</b>

<sup>1</sup> Net growth in residents' assets according to balance of payments data.

Note: '–' signifies decrease in residents' foreign assets. Minor discrepancies between the total and the sum of components are due to the rounding of data.

Table 30

**RUSSIAN BANKING SECTOR INTERNATIONAL INVESTMENT POSITION STATEMENT**  
(millions of US dollars)

	Balance as of 1.01.2011	Transactions	Revaluations	Other changes in volume	Total changes	Balance as of 1.01.2012
	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>
<b>Assets</b>	<b>170,212</b>	<b>32,038</b>	<b>13,203</b>	<b>-95</b>	<b>45,147</b>	<b>215,359</b>
<b>Direct investment abroad</b>	<b>6,665</b>	<b>932</b>	<b>-796</b>	<b>69</b>	<b>205</b>	<b>6,870</b>
Equity capital and reinvested earnings	5,849	541	-752	69	-142	5,707
Other capital	816	391	-44	0	347	1,164
<b>Portfolio investment</b>	<b>29,727</b>	<b>5,481</b>	<b>-1,427</b>	<b>-109</b>	<b>3,946</b>	<b>33,673</b>
Equity securities	2,737	1,344	-90	-180	1,074	3,812
Debt securities	26,990	4,138	-1,337	71	2,871	29,861
long-term	26,665	3,989	-1,187	-795	2,006	28,672
short-term	325	149	-150	866	865	1,189
<b>Financial derivatives</b>	<b>1,609</b>	<b>-14,840</b>	<b>18,350</b>	<b>0</b>	<b>3,510</b>	<b>5,119</b>
Options	87	469	348	0	817	904
Forward-type contracts	1,522	-15,308	18,003	0	2,694	4,215
<b>Other investment</b>	<b>132,211</b>	<b>40,465</b>	<b>-2,924</b>	<b>-55</b>	<b>37,486</b>	<b>169,697</b>
Currency and deposits	59,522	12,455	-1,680	-47	10,729	70,251
Cash foreign currency	4,628	581	-38	-9	534	5,162
Demand and term deposits	54,894	11,874	-1,642	-37	10,195	65,089
long-term	9,944	3,995	-405	0	3,590	13,535
short-term	44,950	7,879	-1,237	-38	6,605	51,555
Loans	68,236	25,667	-1,277	-7	24,384	92,620
long-term	43,028	15,517	-712	-1	14,804	57,832
short-term	25,208	10,151	-565	-6	9,579	34,787
Arrears	559	785	14	3	802	1,361
Other assets	3,894	1,557	19	-5	1,571	5,465
long-term	1,690	165	-2	9	172	1,862
short-term	2,204	1,392	21	-14	1,399	3,603

	Balance as of 1.01.2011	Transactions	Revaluations	Other changes in volume	Total changes	Balance as of 1.01.2012
	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>
<b>Liabilities</b>	<b>204,621</b>	<b>7,887</b>	<b>1,925</b>	<b>1,584</b>	<b>11,370</b>	<b>216,017</b>
<b>Direct investment in Russia</b>	<b>28,674</b>	<b>5,612</b>	<b>-3,716</b>	<b>-1,480</b>	<b>415</b>	<b>29,091</b>
Equity capital and reinvested earnings	27,148	4,875	-3,648	-1,496	-268	26,880
Other capital	1,526	737	-69	16	683	2,210
<b>Portfolio investment</b>	<b>34,740</b>	<b>-1,879</b>	<b>-10,936</b>	<b>3,223</b>	<b>-9,616</b>	<b>25,149</b>
Equity securities	30,433	-2,688	-10,282	3,214	-9,780	20,677
Debt securities	4,308	809	-654	9	165	4,472
long-term	3,581	610	-624	23	9	3,590
short-term	726	199	-29	-14	156	883
<b>Financial derivatives</b>	<b>2,814</b>	<b>-16,136</b>	<b>18,901</b>	<b>0</b>	<b>2,765</b>	<b>5,579</b>
Options	790	-228	-199	0	-427	363
Forward-type contracts	2,024	-15,908	19,100	0	3,192	5,216
<b>Other investment</b>	<b>138,392</b>	<b>20,290</b>	<b>-2,324</b>	<b>-160</b>	<b>17,806</b>	<b>156,198</b>
Demand and term deposits	39,688	13,878	-1,427	-54	12,396	52,084
long-term	17,330	5,315	-455	-5	4,855	22,185
short-term	22,358	8,563	-972	-50	7,541	29,899
Loans	96,454	6,038	-750	-84	5,204	101,657
long-term	81,974	3,366	-244	-77	3,044	85,018
short-term	14,480	2,672	-506	-7	2,159	16,639
Arrears	7	11	0	-15	-4	3
Other liabilities	2,244	364	-147	-7	211	2,454
long-term	621	-84	8	-2	-78	543
short-term	1,623	448	-155	-4	288	1,911
<b>International investment position, net</b>	<b>-34,409</b>	<b>24,151</b>	<b>11,278</b>	<b>-1,679</b>	<b>33,776</b>	<b>-658</b>

Notes.

1. This table presents data compiled by credit institutions and Vnesheconombank.

2. Forward-type contracts include forwards, swaps and futures.

3. '+' in columns 2, 3, 4 and 5 denotes net growth in assets and liabilities, '-' denotes their net decrease. This conditional use of the sign differs from its use in balance of payments statistics.

4. Column 4 shows, inter alia, assets and liabilities of credit institutions that had their banking licences revoked in the period under review.

Table 31

## CURRENCY STRUCTURE OF RUSSIAN BANKING SECTOR FOREIGN ASSETS AND LIABILITIES (percent)

	Foreign assets					Foreign liabilities <sup>1</sup>				
	US dollar	euro	rouble	other currencies	total	US dollar	euro	rouble	other currencies	total
1.01.2002	80.6	6.6	4.5	8.3	100.0	75.5	5.1	17.7	1.7	100.0
1.01.2003	78.2	10.3	4.9	6.6	100.0	79.7	8.2	11.0	1.1	100.0
1.01.2004	76.0	11.4	6.0	6.6	100.0	80.5	5.5	12.7	1.3	100.0
1.01.2005	70.8	15.7	5.2	8.3	100.0	80.9	7.0	11.0	1.1	100.0
1.01.2006	76.2	14.1	3.9	5.8	100.0	85.0	7.0	7.0	1.0	100.0
1.01.2007	69.2	15.6	10.5	4.7	100.0	72.9	9.2	17.0	0.9	100.0
1.01.2008	66.5	17.2	11.7	4.6	100.0	67.5	10.2	20.9	1.4	100.0
1.04.2008	64.0	18.9	12.5	4.6	100.0	66.3	10.3	21.9	1.5	100.0
1.07.2008	63.0	19.1	13.1	4.8	100.0	64.3	11.5	22.6	1.6	100.0
1.10.2008	63.9	18.8	12.9	4.4	100.0	64.3	11.2	22.7	1.8	100.0
1.01.2009	62.6	20.1	13.7	3.6	100.0	67.0	13.5	17.4	2.1	100.0
1.04.2009	56.6	22.6	16.8	4.0	100.0	69.5	13.0	15.5	2.0	100.0
1.07.2009	55.2	22.6	17.6	4.6	100.0	66.9	13.6	17.5	2.0	100.0
1.10.2009	54.0	26.1	15.8	4.1	100.0	64.1	14.6	18.9	2.4	100.0
1.01.2010	56.2	23.3	16.4	4.1	100.0	62.3	15.1	20.0	2.6	100.0
1.04.2010	53.6	24.7	17.2	4.5	100.0	61.4	13.8	22.9	1.9	100.0
1.07.2010	60.9	18.1	15.9	5.1	100.0	62.5	12.5	22.8	2.2	100.0
1.10.2010	65.1	17.4	13.0	4.5	100.0	64.4	12.1	20.7	2.8	100.0
1.01.2011	63.8	16.4	15.0	4.8	100.0	65.5	10.6	20.9	3.0	100.0
1.04.2011	60.0	18.0	17.0	5.0	100.0	65.0	9.9	21.9	3.2	100.0
1.07.2011	60.1	18.6	16.6	4.7	100.0	64.5	9.4	22.8	3.3	100.0
1.10.2011	60.4	17.9	17.0	4.7	100.0	67.9	9.6	19.8	2.7	100.0
1.01.2012	59.9	16.9	18.7	4.5	100.0	66.1	11.0	20.1	2.8	100.0

<sup>1</sup> Foreign liabilities exclude equities.

Note: Financial derivatives are not included.



Table 32

**RUSSIAN BANKING SECTOR FOREIGN ASSETS AND LIABILITIES ON INTERBANK OPERATIONS BY GROUP OF COUNTRIES AS OF 1 JANUARY 2012**  
(millions of US dollars)

	Foreign assets			Foreign liabilities			Balance of foreign assets and liabilities
	short-term	long-term	total	short-term	long-term	total	
<b>Total</b>	<b>70,792.3</b>	<b>33,828.4</b>	<b>104,620.6</b>	<b>28,518.5</b>	<b>58,534.6</b>	<b>87,053.1</b>	<b>17,567.6</b>
of which:							
<b>CIS countries</b>	<b>3,168.3</b>	<b>4,427.4</b>	<b>7,595.7</b>	<b>2,489.5</b>	<b>341.4</b>	<b>2,830.9</b>	<b>4,764.8</b>
of which:							
EurAsEC countries	1,203.3	1,260.8	2,464.1	1,916.6	109.8	2,026.4	437.8
of which:							
Customs Union countries	<b>1,183.7</b>	<b>1,260.3</b>	<b>2,444.0</b>	<b>1,805.2</b>	<b>109.8</b>	<b>1,914.9</b>	<b>529.1</b>
Other countries	1,965.0	3,166.6	5,131.6	572.9	231.6	804.5	4,327.1
<b>Non-CIS countries</b>	<b>67,623.8</b>	<b>29,401.0</b>	<b>97,024.8</b>	<b>25,976.9</b>	<b>58,189.1</b>	<b>84,166.0</b>	<b>12,858.8</b>
of which:							
EU countries	50,078.2	27,830.2	77,908.4	16,044.6	53,322.1	69,366.7	8,541.7
APEC countries	13,702.8	1,103.6	14,806.3	2,165.2	3,290.0	5,455.1	9,351.2
Other countries	3,842.8	467.2	4,310.1	7,767.1	1,577.1	9,344.1	-5,034.0
<b>International financial organisations</b>	<b>0.1</b>	<b>0.0</b>	<b>0.1</b>	<b>52.1</b>	<b>4.1</b>	<b>56.2</b>	<b>-56.1</b>
	Memo item:						
OECD countries	57,591.1	28,189.9	85,780.9	17,565.8	55,413.2	72,979.0	12,801.9

*Note: Data in this table only include balances on interbank operations in the form of loans, deposits and correspondent accounts, and foreign currency in credit institutions' cash vaults.*

Table 33

## RUSSIA'S INTERNATIONAL RESERVES (billions of US dollars)

	2011												2012
	1.01	1.02	1.03	1.04	1.05	1.06	1.07	1.08	1.09	1.10	1.11	1.12	1.01
Reserve assets	479.4	484.2	493.8	502.5	523.9	521.1	524.5	533.9	545.0	516.8	525.6	510.9	498.6
Foreign currency assets	443.6	450.8	458.0	465.5	483.2	480.1	484.0	490.3	496.4	472.5	477.0	462.7	454.0
Monetary gold	35.8	33.4	35.8	37.0	40.7	41.0	40.5	43.6	48.6	44.4	48.6	48.2	44.7

Table 34

## RETURN ON BANK OF RUSSIA FOREIGN EXCHANGE RESERVES IN 2011 (percent p.a.)

	Actual	Standard
US dollar	0.78	0.77
Euro	1.71	1.69
Pound sterling	1.48	1.51
Yen	0.24	0.22
Canadian dollar	2.09	2.09

Table 35

## BANK OF RUSSIA FOREIGN EXCHANGE INTERVENTIONS IN 2011

Reporting period	Bank of Russia US dollar operations, millions of US dollars				Bank of Russia euro operations, millions of euros			
	Purchases		Sales		Purchases		Sales	
	Total	Target	Total	Target	Total	Target	Total	Target
January	645.67	645.67	0.00	0.00	124.20	124.20	0.00	0.00
February	3,481.82	2,146.00	0.00	0.00	796.42	405.73	0.00	0.00
March	4,491.48	3,434.62	0.00	0.00	636.36	439.38	0.00	0.00
April	3,284.71	3,002.67	0.00	0.00	260.86	239.90	0.00	0.00
May	3,915.98	3,267.58	0.00	0.00	433.95	334.94	0.00	0.00
June	3,230.70	2,799.78	0.00	0.00	541.49	497.21	0.00	0.00
July	3,706.60	2,855.52	0.00	0.00	1,003.80	899.52	0.00	0.00
August	961.64	767.39	700.88	297.01	167.32	163.31	7.55	7.55
September	0.00	0.00	6,765.68	2,017.40	0.00	0.00	590.91	275.34
October	0.00	0.00	4,372.64	2,550.50	0.00	0.00	500.48	331.89
November	0.00	0.00	1,386.70	1,386.70	0.00	0.00	130.64	130.64
December	0.00	0.00	1,773.14	1,773.14	0.00	0.00	191.70	191.70

Table 36

## BASIC INDICATORS OF ROUBLE'S EXCHANGE RATES IN 2011

	January	February	March	April	May	June	July	August	September	October	November	December
Nominal exchange rates of US dollar in terms of roubles, end of period	29.67	28.94	28.43	27.50	28.07	28.08	27.68	28.86	31.88	29.90	31.32	32.20
Nominal exchange rates of US dollar in terms of roubles, period averages	30.08	29.29	28.43	28.10	27.87	27.98	27.90	28.77	30.49	31.35	30.86	31.45
Nominal exchange rates of US dollar in terms of roubles, period averages from the start of the year	30.08	29.69	29.26	28.97	28.74	28.62	28.51	28.54	28.75	29.00	29.17	29.35
Nominal exchange rates of euro in terms of roubles, end of period	40.65	40.01	40.02	40.81	40.06	40.39	39.52	41.84	43.40	42.38	41.85	41.67
Nominal exchange rates of euro in terms of roubles, period averages	40.35	39.97	39.77	40.56	40.10	40.23	39.93	41.18	42.15	42.94	41.88	41.48
Nominal exchange rates of euro in terms of roubles, period averages from the start of the year	40.35	40.16	40.03	40.16	40.15	40.16	40.13	40.26	40.46	40.71	40.81	40.87
<b>Percent change over December 2010<sup>1</sup></b>												
Index of nominal exchange rates of rouble in terms of US dollars	2.6	5.3	8.5	9.8	10.7	10.2	10.6	7.2	1.2	-1.6	0.0	-1.9
Index of nominal exchange rates of rouble in terms of euros	1.1	2.0	2.5	0.6	1.7	1.4	2.1	-1.0	-3.2	-5.0	-2.6	-1.7
Index of nominal effective exchange rates of rouble vis-a-vis foreign currencies	1.4	3.2	4.8	3.8	5.5	7.4	8.0	5.0	2.2	1.5	5.5	5.4
Index of real exchange rates of rouble in terms of US dollars	4.5	7.7	10.5	11.5	12.5	12.4	12.6	8.7	2.4	0.3	2.4	1.1
Index of real exchange rates of rouble in terms of euros	3.5	4.8	5.2	3.1	4.7	4.6	5.4	1.8	-0.9	-2.4	0.4	1.6
Index of real effective exchange rates of rouble vis-a-vis foreign currencies	3.4	5.3	6.9	5.6	6.7	8.4	8.8	4.9	1.0	0.1	3.8	3.8
<b>Percent change over previous period<sup>1</sup></b>												
Index of nominal exchange rates of rouble in terms of US dollars	2.6	2.7	3.0	1.2	0.8	-0.4	0.3	-3.0	-5.7	-2.7	1.6	-1.9
Index of nominal exchange rates of rouble in terms of euros	1.1	1.0	0.5	-1.9	1.1	-0.3	0.8	-3.0	-2.3	-1.8	2.5	1.0
Index of nominal effective exchange rates of rouble vis-a-vis foreign currencies	1.4	1.7	1.6	-0.9	1.6	1.8	0.6	-2.8	-2.7	-0.6	3.9	-0.1
Index of real exchange rates of rouble in terms of US dollars	4.5	3.0	2.7	0.9	0.9	-0.1	0.2	-3.5	-5.8	-2.1	2.1	-1.2
Index of real exchange rates of rouble in terms of euros	3.5	1.3	0.3	-1.9	1.5	-0.1	0.7	-3.4	-2.6	-1.5	2.9	1.2
Index of real effective exchange rates of rouble vis-a-vis foreign currencies	3.4	1.8	1.5	-1.2	1.1	1.6	0.4	-3.6	-3.7	-0.9	3.7	-0.1

<sup>1</sup> '+' denotes appreciation of the Russian rouble vis-a-vis foreign currencies, '-' denotes depreciation of the Russian rouble vis-a-vis foreign currencies.

Table 37

## EXTERNAL DEBT OF THE RUSSIAN FEDERATION (millions of US dollars)

	1.01.2011	1.04.2011	1.07.2011	1.10.2011	1.01.2012
<b>Total</b>	<b>488,940</b>	<b>509,632</b>	<b>538,859</b>	<b>527,785</b>	<b>545,150</b>
<b>General government</b>	<b>34,525</b>	<b>35,366</b>	<b>35,120</b>	<b>33,335</b>	<b>33,208</b>
<b>Federal government</b>	<b>32,166</b>	<b>32,857</b>	<b>32,640</b>	<b>31,124</b>	<b>32,092</b>
<i>New Russian debt</i>	<i>29,266</i>	<i>30,071</i>	<i>29,943</i>	<i>28,547</i>	<i>29,581</i>
Multilateral creditors	3,137	2,952	2,797	2,638	2,519
<i>IBRD</i>	<i>2,617</i>	<i>2,446</i>	<i>2,310</i>	<i>2,164</i>	<i>2,059</i>
<i>Other</i>	<i>520</i>	<i>506</i>	<i>487</i>	<i>474</i>	<i>460</i>
Other credits	777	688	641	606	545
Foreign currency bonds	23,111	22,495	22,234	21,654	21,693
<i>Eurobonds due in 2015, 2018, 2020 and 2028</i>	<i>6,091</i>	<i>6,090</i>	<i>6,175</i>	<i>6,229</i>	<i>6,200</i>
<i>Eurobonds due in 2030 (issued in the course of the second restructuring of debt to London Club of commercial bank creditors)</i>	<i>16,590</i>	<i>15,974</i>	<i>16,059</i>	<i>15,425</i>	<i>15,492</i>
<i>MinFin Foreign Currency Bonds (Series VII)</i>	<i>431</i>	<i>431</i>	—	—	—
Rouble-denominated bonds	1,914	3,607	3,947	3,327	4,466
<i>OFZ</i>	<i>1,914</i>	<i>2,342</i>	<i>2,739</i>	<i>2,267</i>	<i>3,325</i>
<i>Eurobonds due in 2018</i>	—	<i>1,265</i>	<i>1,208</i>	<i>1,060</i>	<i>1,141</i>
Other	328	329	324	322	358
<i>Debt of the former USSR</i>	<i>2,900</i>	<i>2,786</i>	<i>2,697</i>	<i>2,577</i>	<i>2,511</i>
Paris Club member countries	9	9	8	8	7
Debt owed to former socialist countries	1,125	1,123	1,157	1,042	1,013
Other official creditors	1,714	1,603	1,486	1,481	1,444
MinFin Foreign Currency Bonds (Series III and IV)	1	1	1	1	1
Other	50	50	46	46	46
<b>Local government</b>	<b>2,359</b>	<b>2,509</b>	<b>2,480</b>	<b>2,211</b>	<b>1,116</b>
Loans	1,034	1,099	1,123	1,063	527
Rouble-denominated bonds	1,325	1,409	1,356	1,148	589

End

	1.01.2011	1.04.2011	1.07.2011	1.10.2011	1.01.2012
<b>Monetary authorities</b>	<b>12,035</b>	<b>12,467</b>	<b>12,761</b>	<b>11,859</b>	<b>11,210</b>
Currency and deposits	3,295	3,468	3,676	2,996	2,499
Other (cumulative SDR allocations)	8,740	8,999	9,086	8,863	8,710
<b>Banks</b>	<b>144,225</b>	<b>149,107</b>	<b>159,011</b>	<b>157,301</b>	<b>162,881</b>
Debt liabilities to direct investors and to direct investment enterprises	1,526	1,581	1,528	2,186	2,210
Loans	96,454	98,228	102,746	102,917	101,657
Demand and term deposits	39,688	41,679	45,967	44,659	52,084
Debt securities	4,308	4,391	4,937	4,189	4,472
Other	2,250	3,227	3,832	3,351	2,457
<b>Other sectors</b>	<b>298,155</b>	<b>312,693</b>	<b>331,967</b>	<b>325,290</b>	<b>337,852</b>
Debt liabilities to direct investors and to direct investment enterprises	63,216	73,271	79,010	80,716	85,206
Loans	218,611	220,850	227,851	225,866	233,770
Debt securities	10,609	11,935	13,685	11,627	12,062
Commercial loans	2,155	2,706	2,704	2,418	2,418
Financial leases	2,283	2,242	2,444	2,425	2,357
Other	1,280	1,689	6,272	2,239	2,038

Note: Included is the external debt both in domestic and foreign currencies. Government securities are accounted for the part of the debt owed to non-residents at face value.

Table 38

## EXTERNAL DEBT OF THE RUSSIAN FEDERATION (analytical presentation, millions of US dollars)

	1.01.2011	1.04.2011	1.07.2011	1.10.2011	1.01.2012
<b>External debt of the Russian Federation</b>	<b>488,940</b>	<b>509,632</b>	<b>538,859</b>	<b>527,785</b>	<b>545,150</b>
Short-term	60,207	61,839	73,772	67,326	72,335
Long-term	428,733	447,793	465,087	460,460	472,815
<b>Public sector external debt<sup>1</sup></b>	<b>199,792</b>	<b>203,993</b>	<b>213,454</b>	<b>212,095</b>	<b>220,448</b>
Short-term	16,513	16,359	19,335	17,495	18,810
Long-term	183,279	187,634	194,119	194,600	201,638
<b>General government</b>	<b>34,525</b>	<b>35,366</b>	<b>35,120</b>	<b>33,335</b>	<b>33,208</b>
Short-term	449	451	882	861	896
Long-term	34,076	34,915	34,238	32,474	32,311
<b>Monetary authorities</b>	<b>12,035</b>	<b>12,467</b>	<b>12,761</b>	<b>11,859</b>	<b>11,210</b>
Short-term	3,295	3,468	3,676	2,996	2,499
Long-term	8,740	8,999	9,086	8,863	8,710
<b>Banks</b>	<b>63,386</b>	<b>65,516</b>	<b>69,902</b>	<b>70,512</b>	<b>73,232</b>
Short-term	12,151	11,703	12,800	12,382	14,200
Long-term	51,235	53,813	57,102	58,131	59,033
<b>Other sectors</b>	<b>89,846</b>	<b>90,644</b>	<b>95,671</b>	<b>96,389</b>	<b>102,799</b>
Short-term	619	737	1,977	1,256	1,215
Long-term	89,227	89,907	93,694	95,133	101,584
<b>Private sector external debt<sup>1</sup></b>	<b>289,148</b>	<b>305,639</b>	<b>325,405</b>	<b>315,690</b>	<b>324,702</b>
Short-term	43,694	45,480	54,437	49,830	53,525
Long-term	245,455	260,159	270,968	265,860	271,177
<b>Banks</b>	<b>80,839</b>	<b>83,591</b>	<b>89,109</b>	<b>86,789</b>	<b>89,648</b>
Short-term	27,043	27,293	32,239	30,993	35,134
Long-term	53,797	56,298	56,870	55,795	54,514
<b>Other sectors</b>	<b>208,309</b>	<b>222,048</b>	<b>236,296</b>	<b>228,901</b>	<b>235,053</b>
Short-term	16,651	18,188	22,198	18,837	18,390
Long-term	191,658	203,861	214,097	210,064	216,663

<sup>1</sup> Public sector external debt covers liabilities of the general government, monetary authorities, and banks and non-bank corporations in which the government and monetary authorities hold, directly or indirectly, 50% or more of shares or control them through other means. Liabilities owed by other residents to non-residents which do not fall under this definition are classified as private sector external debt.

Note: Included is the external debt both in domestic and foreign currencies.

Table 39

KEY ECONOMIC DEVELOPMENT INDICATORS OF RUSSIA'S LEADING TRADING PARTNERS<sup>1</sup>

	Real GDP, growth as a percentage of previous year			Consumer prices, growth in December of reporting year as a percentage of December of previous year <sup>2</sup>			Current account balance, percent of GDP <sup>3</sup>			International foreign currency- denominated reserves, billions of US dollars <sup>4</sup>		
	2009	2010	2011	2009	2010	2011	2009	2010	2011	2009	2010	2011
United States	-3.5	3.0	1.7	2.7	1.5	3.0	-2.7	-3.2	-3.1	119.7	121.4	136.9
European Union (27 countries) <sup>5</sup>	-4.3	2.0	1.5	1.5	2.7	3.0	-0.1	-0.2	0.1	640.7	682.0	721.1
Eurozone (17 countries) <sup>6</sup>	-4.3	1.9	1.5	0.9	2.2	2.7	0.1	0.3	0.3	282.8	300.2	316.7
Germany	-5.1	3.6	3.1	0.8	1.9	2.3	5.9	6.1	5.7	59.9	62.3	66.9
France	-2.6	1.4	1.7	1.0	2.0	2.7	-1.5	-1.7	-2.2	46.6	55.8	48.6
Italy	-5.5	1.8	0.4	1.1	2.1	3.7	-2.1	-3.5	-3.2	45.8	47.7	49.2
Spain	-3.7	-0.1	0.7	0.9	2.9	2.4	-5.2	-4.6	-3.7	18.2	19.1	32.8
Netherlands	-3.5	1.6	1.3	0.7	1.8	2.5	4.2	6.6	7.5	17.9	18.5	20.3
Belgium	-2.8	2.3	1.9	0.3	3.4	3.2	-1.7	1.5	-0.1	15.9	16.5	17.9
Finland	-8.4	3.7	2.9	1.8	2.8	2.6	1.8	1.4	-0.7	9.7	7.3	7.9
Slovak Republic	-4.9	4.2	3.3	0.0	1.3	4.6	-3.2	-3.5	0.1	0.7	0.7	0.9
United Kingdom	-4.4	2.1	0.7	2.9	3.7	4.2	-1.5	-3.3	-1.9	55.7	68.3	79.3
Sweden	-5.0	6.1	3.9	0.9	2.3	2.0	7.0	6.3	6.7	42.9	42.6	44.0
Denmark	-5.8	1.3	1.0	1.4	2.8	2.5	3.5	5.5	6.2	74.3	73.5	81.7
Poland	1.6	3.9	4.4	3.5	3.1	4.6	-4.0	-4.7	-4.3	75.9	88.8	92.6
Czech Republic	-4.7	2.7	1.7	1.0	2.3	2.4	-2.5	-3.0	-2.9	41.2	41.9	39.7
Hungary	-6.8	1.3	1.7	5.6	4.7	4.1	-0.2	1.1	1.6	44.1	44.8	48.7
Latvia	-17.7	-0.3	5.5	-1.2	2.5	4.0	8.7	3.0	-1.2	6.6	7.3	6.0
Lithuania	-14.8	1.4	5.9	1.3	3.8	3.4	4.7	1.5	-1.7	6.4	6.3	7.9
Bulgaria	-5.5	0.4	1.7	0.6	4.5	2.8	-8.9	-1.3	1.9	17.1	15.4	15.3
Romania	-6.6	-1.6	2.5	4.7	8.0	3.1	-4.2	-4.5	-4.2	40.8	43.4	42.9



	Real GDP, growth as a percentage of previous year			Consumer prices, growth in December of reporting year as a percentage of December of previous year <sup>2</sup>			Current account balance, percent of GDP <sup>3</sup>			International foreign currency- denominated reserves, billions of US dollars <sup>4</sup>		
	2009	2010	2011	2009	2010	2011	2009	2010	2011	2009	2010	2011
Switzerland	-1.9	2.7	1.9	0.3	0.5	-0.7	11.0	15.6	14.0	98.2	223.5	279.4
Turkey	-4.8	9.2	8.5	6.5	6.4	10.4	-2.2	-6.4	-9.9	70.9	80.7	78.3
Belarus	0.2	7.7	5.3	10.1	9.9	108.7	-12.6	-15.0	-10.4	4.8	3.4	6.0
Ukraine	-14.8	4.1	5.2	12.3	9.1	4.6	-1.5	-2.2	-5.6	25.6	33.3	30.4
Kazakhstan	1.2	7.3	7.5	6.2	7.8	7.4	-3.5	2.0	7.6	20.7	25.2	25.2
Japan	-5.5	4.4	-0.7	-1.7	-0.4	-0.2	2.8	3.6	2.0	1,022.2	1,061.5	1,258.2
China	9.2	10.4	9.2	1.9	4.6	4.1	5.2	5.1	2.8	2,416.0	2,866.1	3,202.8
Korea, Republic of	0.3	6.3	3.6	2.8	3.0	4.2	3.9	2.9	2.4	269.9	291.5	304.3
India	6.6	10.6	7.2	15.0	9.5	6.5	-2.1	-3.3	-2.8	265.2	275.3	271.3
Brazil	-0.3	7.5	2.7	4.3	5.9	6.5	-1.5	-2.2	-2.1	237.4	287.1	350.4

<sup>1</sup> According to official sources of statistical information of corresponding countries, the EUROSTAT agency, and the IMF.

<sup>2</sup> For EU, the United Kingdom, eurozone, and certain eurozone member states: harmonised consumer price indices calculated in accordance with the EU Commission's general recommendations with respect to the consumer goods basket and the methods of determining unit weights of goods and services and calculating averages.

<sup>3</sup> '+' denotes surplus, '-' denotes deficit.

<sup>4</sup> As of end of year; including monetary authorities' assets in foreign currency and SDRs, and reserve position in the IMF (reserve tranche position and IMF quotas). For the EU: estimates based on IMF data (sum total of international reserves of EU member states). For the eurozone: as determined by the European system of central banks.

<sup>5</sup> Austria, Belgium, Bulgaria, the United Kingdom, Hungary, Germany, Greece, Denmark, Ireland, Spain, Italy, Cyprus, Latvia, Lithuania, Luxembourg, Malta, the Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Finland, France, the Czech Republic, Sweden, and Estonia.

<sup>6</sup> Austria, Belgium, Germany, Greece, Ireland, Spain, Italy, Cyprus, Luxembourg, Malta, the Netherlands, Portugal, Slovakia, Slovenia, Finland, France and Estonia.

Table 40

CIS BANKING STATISTICS INDICATORS<sup>1</sup>

	Azerbaijan	Armenia	Belarus	Kazakhstan	Kyrgyzstan	Moldova	Russia	Tajikistan	Ukraine
<b>Official central (national) bank rate (refinancing rate) as of end of year, percent</b>									
2010	3	7.25	10.5	7	5.5	7	7.75	8.25	7.75
2011	5.25	8	45	7.5	13.61	9.5	8	9.8	7.75
<b>Official central (national) bank exchange rate (units of national currency) as of end of year</b>									
against Russian rouble:									
2010	0.0263	11.91	98.44	4.84	1.5375	0.3978	—	0.1465	0.2612
2011	0.0245	11.98	261.00	4.61	1.4438	0.3635	—	0.1474	0.2495
against US dollar:									
2010	0.7979	363.44	3,000	147.40	47.0992	12.1539	30.4769	4.4031	7.9617
2011	0.7865	385.77	8,350	148.40	46.4847	11.7154	32.1961	4.7585	7.9898
against euro:									
2010	1.0560	481.16	3,972.60	195.23	61.7949	16.1045	40.3331	5.9105	10.5731
2011	1.0178	498.72	10,800.00	191.72	60.0652	15.0737	41.6714	6.1565	10.2981
<b>Number of registered commercial banks (as of end of year)</b>									
2010	45	21	32	39	22	15	1,084	14	194
2011	44	22	31	38	22	15	1,051	15	198

<sup>1</sup> According to data compiled by CIS national (central) banks.

Table 41

**MONEY SUPPLY (NATIONAL DEFINITION) AND ITS STRUCTURE**

	As of 1.01.2011		As of 1.01.2012		1.01.2012 as a percentage of 1.01.2011
	billions of roubles	percent	billions of roubles	percent	
<b>Money supply (M2), total</b>	<b>20,011.9</b>	<b>100.0</b>	<b>24,543.4</b>	<b>100.0</b>	<b>122.6</b>
of which:					
— cash in circulation (M0) <sup>1</sup>	5,062.7	25.3	5,938.6	24.2	117.3
— cashless funds	14,949.1	74.7	18,604.8	75.8	124.5
of which:					
— funds of non-financial and financial organisations <sup>2</sup>	6,896.1	34.5	8,750.2	35.7	126.9
— household deposits	8,053.1	40.2	9,854.7	40.2	122.4

<sup>1</sup> Cash in circulation outside the banking system.

<sup>2</sup> Except credit institutions.

Table 42

**MONETARY BASE AND ITS STRUCTURE**

	As of 1.01.2011		As of 1.01.2012		1.01.2012 as a percentage of 1.01.2011
	billions of roubles	percent	billions of roubles	percent	
<b>Monetary base (broad definition)</b>	<b>8,190.3</b>	<b>100.0</b>	<b>8,644.1</b>	<b>100.0</b>	<b>105.5</b>
of which:					
— cash in circulation, including balances in credit institutions' cash vaults <sup>1</sup>	5,785.2	70.6	6,895.8	79.8	119.2
— credit institutions' correspondent accounts with the Bank of Russia <sup>2</sup>	994.7	12.1	981.6	11.4	98.7
— required reserves <sup>3</sup>	188.4	2.3	378.4	4.4	2 times
— credit institutions' deposits with the Bank of Russia	633.2	7.7	388.3	4.5	61.3
— Bank of Russia bonds held by credit institutions <sup>4</sup>	588.9	7.2	0.0	0.0	—

<sup>1</sup> Excluding cash in Bank of Russia establishments' cash vaults as well as coins made of precious stones in circulation.

<sup>2</sup> Balances of rouble-denominated accounts, including the average amount of required reserves.

<sup>3</sup> Balances of required reserve accounts deposited by credit institutions with the Bank of Russia on funds attracted in roubles and foreign currency.

<sup>4</sup> At market value.

Table 43

BANK OF RUSSIA INTEREST RATES IN 2011 (percent p.a.)<sup>1</sup>

Purpose	Type of instrument	Instrument	Maturity	As of 1.01	Rate from:					
					28.02	3.05	31.05	15.09	26.12	
Liquidity provision	Standing facilities (fixed rates)	Overnight loans	1 day	7.75	8.00	8.25	8.25	8.25	8.00	
		FX swap (rouble rate)	1 day	7.75	8.00	8.25	8.25	8.25	8.00	
		Lombard loans, REPO	1 day, 1 week <sup>2</sup>	6.75	6.75	6.75	6.75	6.50	6.25	
		Lombard loans	30 days <sup>3</sup>	6.75	6.75	6.75	6.75	6.50	6.25	
		Loans secured by gold	Up to 90 days	—	—	—	—	6.75 <sup>4</sup>	6.75	
			From 91 to 180 days	—	—	—	—	—	7.25 <sup>5</sup>	
	Loans secured by non-marketable assets and guarantees	Up to 90 days	6.75	7.00	7.25	7.25	7.00	7.00		
		From 91 to 180 days <sup>6</sup>	7.25	7.50	7.75	7.75	7.50	7.50		
	Open market operations (minimum interest rates)	REPO auctions	1 day	5.00	5.25	5.50	5.50	5.25	5.25	
		Lombard and REPO auctions	1 week	5.00	5.25	5.50	5.50	5.25	5.25	
3 months			6.50	6.75	7.00	7.00	6.75	6.75		
Liquidity absorption	Open market operations (maximum interest rates)	Deposit auctions	1 month	5.00	5.00	5.25	5.50	5.50	5.50	
	Standing facilities (fixed rates)	Deposit operations	1 day and call	2.75	3.00	3.25	3.50	3.75	4.00	
			1 week	3.00						
Memo item:										
Refinancing rate				7.75	8.00	8.25	8.25	8.25	8.00	

<sup>1</sup> Except operations suspended as of 1 January 2011.<sup>2</sup> Fixed-rate one-week REPO operations were suspended.<sup>3</sup> Operations were suspended from 10 February 2011.<sup>4</sup> The interest rate was set at 7.00% p.a. from 29 August 2011.<sup>5</sup> The interest rate was set from 1 November 2011.<sup>6</sup> Operations were suspended from 10 February 2011 and resumed from 1 November 2011.

Table 44

## BANK OF RUSSIA OPERATIONS TO PROVIDE AND ABSORB LIQUIDITY AND CHANGE IN DEBT ON THEM (billions of roubles)

Purpose	Type of instrument	Instrument	Operations in:		Change in debt in:	
			2010	2011	2010	2011
Liquidity provision	Standing facilities (fixed rates)	Intraday loans	28,359.6	38,189.2	—	—
		Overnight loans	229.9	209.0	0.0	2.4
		REPO	35.8	209.4	-0.03	0.0
		Lombard loans	43.0	76.8	-4.0	0.03
		FX swap	0.0	0.0	0.0	0.0
		Loans secured by non-marketable assets and guarantees	334.6	431.3	-426.9	369.9
		Loans secured by gold <sup>1</sup>	—	0.02	—	0.0
	Open market operations	REPO auctions	1,982.5	22,025.3	-247.6	521.2
		Lombard auctions	32.0	36.0	-34.4	4.9
Liquidity absorption	Standing facilities (fixed rates)	Fixed-rate deposits	34,117.3	69,470.9	152.1	-223.9
	Open market operations	Deposit auctions	1,158.6	651.8	-27.9	-21.0
		Operations to sell government securities from Bank of Russia portfolio	22.6	8.0	—	—
		Operations with Bank of Russia bonds	1,874.1 <sup>2</sup>	527.7 <sup>2</sup>	305.2	-588.9

<sup>1</sup> The Bank of Russia has been extending loans secured by gold since 29 August 2011.

<sup>2</sup> Placement at market value.

Table 45

**BANKING SECTOR SURVEY (billions of roubles)**

	1.01.2011	1.01.2012	1.01.2012 as a percentage of 1.01.2011
Net foreign assets	15,041.2	17,281.9	114.9
Claims on non-residents	19,774.8	22,883.1	115.7
Obligations to non-residents	4,733.6	5,601.1	118.3
Domestic claims	17,468.2	22,194.6	127.1
Net claims on government	-3,318.7	-4,404.9	—
Claims on government	2,306.9	3,022.0	131.0
Obligations to government	5,625.6	7,426.9	132.0
Claims on other sectors	20,786.9	26,599.5	128.0
Other financial organisations	649.0	1,177.5	181.4
Non-financial government organisations	299.3	376.6	125.8
Other non-financial organisations	15,312.8	18,989.9	124.0
Households	4,525.8	6,055.4	133.8
Obligations included in broad money	23,791.2	28,814.9	121.1
Cash outside banking system	5,062.7	5,938.6	117.3
Transfer deposits	5,762.6	6,882.4	119.4
Other financial organisations	282.5	357.1	126.4
Non-financial government organisations	526.2	573.5	109.0
Other non-financial organisations	3,311.4	3,782.1	114.2
Households	1,642.4	2,169.7	132.1
Other deposits	12,965.8	15,994.0	123.4
Other financial organisations	603.3	986.4	163.5
Non-financial government organisations	202.9	203.6	100.3
Other non-financial organisations	3,893.5	5,013.1	128.8
Households	8,266.0	9,790.8	118.4
Deposits not included in broad money	289.0	533.3	184.5
Securities other than shares not included in broad money	643.1	806.5	125.4
Shares and other stakeholdings in capital	6,968.7	8,421.7	120.9
Other items (net)	817.5	900.1	110.1
Other liabilities	3,767.4	4,225.4	112.2
Other assets	2,591.5	2,915.8	112.5
Consolidating correction	-358.4	-409.5	—

Table 46

## SURVEY OF CREDIT INSTITUTIONS (billions of roubles)

	1.01.2011	1.01.2012	1.01.2012 as a percentage of 1.01.2011
Net foreign assets	694.1	1,478.5	213.0
Claims on non-residents	5,160.6	6,798.4	131.7
Foreign currency	141.0	166.2	117.9
Deposits	1,694.0	2,138.8	126.3
Securities other than shares	821.2	984.3	119.9
Loans	2,123.0	3,088.1	145.5
Other	381.3	421.1	110.4
Obligations to non-residents	4,466.4	5,319.9	119.1
Deposits	1,239.1	1,711.0	138.1
Securities other than shares	83.6	110.8	132.5
Loans	3,011.6	3,339.5	110.9
Other	132.2	158.6	120.0
Claims on the central bank	3,127.5	2,705.6	86.5
Cash foreign currency	722.4	957.3	132.5
Deposits	1,816.2	1,748.3	96.3
Securities other than shares	588.9	0.0	—
Net claims on government	753.9	1,001.4	132.8
Claims on government	1,959.1	2,688.7	137.2
Securities	1,675.3	2,296.5	137.1
Other claims	283.9	392.3	138.2
Obligations to government	1,205.2	1,687.3	140.0
Deposits	1,187.7	1,668.8	140.5
Other obligations	17.5	18.5	105.7
Claims on other sectors	20,671.4	26,244.0	127.0
Other financial organisations	535.2	823.5	153.9
Non-financial government organisations	299.3	376.6	125.8
Other non-financial organisations	15,311.1	18,988.4	124.0
Households	4,525.8	6,055.4	133.8
Obligations to the central bank	583.5	1,477.7	253.2
Deposits included in broad money	18,585.7	22,735.1	122.3
Transfer deposits	5,628.6	6,762.8	120.2
Other financial organisations	279.7	356.2	127.4
Non-financial government organisations	404.2	464.4	114.9
Other non-financial organisations	3,302.3	3,772.4	114.2
Households	1,642.4	2,169.7	132.1
Other deposits	12,957.1	15,972.3	123.3
Other financial organisations	594.6	964.7	162.2
Non-financial government organisations	202.9	203.6	100.3
Other non-financial organisations	3,893.5	5,013.1	128.8
Households	8,266.0	9,790.8	118.4

*End*

	1.01.2011	1.01.2012	1.01.2012 as a percentage of 1.01.2011
Deposits not included in broad money	289.0	533.3	184.5
Securities other than shares not included in broad money	643.1	806.5	125.4
Shares and other stakeholdings in capital	4,609.8	5,186.3	112.5
Other items (net)	535.9	690.6	128.9
Other liabilities	3,074.6	3,624.3	117.9
Other assets	2,262.8	2,608.0	115.3
Consolidating correction	-275.8	-325.6	—



Table 47

## CORRECTIVE MEASURES TAKEN AGAINST CREDIT INSTITUTIONS IN 2011

No.	Description of measures	Number of credit institutions
<b>Preventive measures</b>		
1	Notifying in writing the management and/or board of directors (supervisory board) of a credit institution on shortcomings in its work, and recommending remedial action	930
2	Calling a meeting	463
3	Other (recommendations to draw up a plan of remedial action, tighten control over reporting, make a realistic assessment of credit risk, avoid misstatements in reports, etc.)	204
<b>Punitive measures</b>		
4	Fines <sup>1</sup>	215
	of which:	
4.1	for non-compliance with reserve requirements	45
4.2	for breaches of federal laws and Bank of Russia rules and regulations issued in pursuance of these laws and for non-reporting, under-reporting, or false reporting	181
5	Restrictions on individual banking operations conducted by credit institutions, such as:	68
5.1	taking personal deposits	47
5.2	settlements on behalf of corporate entities relating to transfer of funds to budgets of all levels and government extra-budgetary funds	8
6	Prohibiting credit institutions from conducting certain banking operations <sup>1</sup> , such as:	25
6.1	taking personal deposits	15
6.2	opening personal bank accounts, including unallocated metal accounts (demand and time accounts)	13
6.3	other	24
	Memo item:	
	Bans on taking personal deposits and opening personal bank accounts imposed on credit institutions pursuant to Article 48 of Federal Law No. 177-FZ, dated 23 December 2003	3
7	Prescriptive orders	519
	of which:	
7.1	orders to comply with Bank of Russia required ratios	2
7.2	orders to replace managers	4
8	Prohibiting credit institutions from opening branches	35
9	Appointing provisional administrations to credit institutions without revoking their licences	—
10	Banking licence revocation	18

<sup>1</sup> The number of credit institutions indicated under points 4 and 6 differs from the sub-points total, as in some cases banks have been subjected to several corrective actions and placed under several sub-points.

As of 1 January 2012, there were no credit institutions with regard to which the ban on carrying out settlements on behalf of corporate entities, such as transferring funds to budgets of all levels and government extra-budgetary funds, was in effect.

As of 1 January 2012, there were no credit institutions with a backlog of non-executed settlement documents on payments to budgets of all levels.

Table 48

## NATIONAL PAYMENT SYSTEM KEY INDICATORS

	2010	2011
<b>Institutional structure of national payment system<sup>1</sup></b>		
Bank of Russia establishments, credit institutions (branches)	4,546	4,328
— Bank of Russia establishments	608	543
— credit institutions	1,012	978
of which:		
— non-bank settlement credit institutions	53	53
— branches of credit institutions	2,926	2,807
Memo item:		
Number of additional offices of credit institutions (branches)	22,002	22,565
Number of other internal divisions of credit institutions (branches) <sup>2</sup>	16,356	17,945
of which:		
— operations offices	2,996	5,360
Number of accounts <sup>3</sup> opened with Bank of Russia establishments and credit institutions for customers other than credit institutions, million	539.4	601.5
of which:		
— personal accounts	532.8	594.5
— accounts of corporate entities other than credit institutions	6.6	7.0
<b>Payments effected by national payment system<sup>4</sup></b>		
Number of payments <sup>5</sup> , thousand		
<b>Total</b>	<b>2,945,865.0</b>	<b>3,269,378.5</b>
of which payments effected by individual payment systems:		
— Bank of Russia payment system	1,058,979.6	1,187,607.6
— interbank payment systems <sup>6</sup>	166,721.8	185,889.2
— intrabank payment systems between divisions of one bank	373,116.0	422,744.9
Volume of payments, billions of roubles		
<b>Total</b>	<b>940,135.4</b>	<b>1,298,240.6</b>
of which payments effected by individual payment systems:		
— Bank of Russia payment system	653,352.9	916,153.6
— interbank payment systems <sup>6</sup>	24,180.3	30,174.2
— intrabank payment systems between divisions of one bank	113,268.4	161,580.8
<b>Cashless payment instruments used by credit institutions and their customers other than credit institutions</b>		
Number of payments, thousand		
<b>Total</b>	<b>3,561,079.2</b>	<b>3,695,928.7</b>
of which effected using:		
— credit transfers <sup>7</sup>	2,452,833.9	2,501,852.0
— direct debits <sup>8</sup>	136,668.2	117,981.4
— cheques	7.1	3.2
— other payment instruments <sup>9</sup>	971,570.0	1,076,092.1
Volume of payments, billions of roubles		
<b>Total</b>	<b>318,188.5</b>	<b>364,387.2</b>
of which effected using:		
— credit transfers <sup>7</sup>	311,928.8	357,373.4
— direct debits <sup>8</sup>	1,330.1	1,439.3
— cheques	2.2	0.5
— other payment instruments <sup>9</sup>	4,927.4	5,574.0

End

	2010	2011
<b>Payment card market key indicators</b>		
Number of payment cards issued by Russian credit institutions <sup>1</sup> , thousand	144,418.8	200,169.8
of which:		
— credit cards	10,047.4	15,025.8
Total number of payment card operations in Russia and abroad <sup>10</sup> , thousand	3,174,455.5	4,232,195.7
of which:		
— operations conducted using credit cards	81,159.1	155,798.0
Total volume of payment card operations in Russia and abroad <sup>10</sup> , billions of roubles	13,012.8	17,743.3
of which:		
— operations conducted using credit cards	270.9	482.7

<sup>1</sup> As of end of year.

<sup>2</sup> Operations offices, cash and credit offices, and external cash desks.

<sup>3</sup> Accounts that can be used to effect payments.

<sup>4</sup> Including rouble payments from accounts of customers of the Bank of Russia and credit institutions (individuals, credit institutions and corporate entities other than credit institutions) and own payments of the Bank of Russia and credit institutions.

<sup>5</sup> Orders of customers of credit institutions are accounted for in cumulative orders of credit institutions.

<sup>6</sup> Including payments effected via correspondent accounts of credit institutions and non-resident banks opened with credit institutions.

<sup>7</sup> Including payments effected using payment orders and letters of credit as well as remittances without opening a bank account.

<sup>8</sup> Including payments effected using payment requests and collection orders.

<sup>9</sup> Including payments effected using bank orders.

<sup>10</sup> Including operations to withdraw cash, pay for goods and services and other operations (for example, payments from one bank account to another) using payment cards issued by Russian credit institutions.

Note: Certain indicators have been specified as compared with those published in the Annual Report of the Bank of Russia for 2010.

Table 49

## BANK OF RUSSIA PAYMENT SYSTEM

	2010	2011
Number of customers served <sup>1</sup>	15,238	12,637
of which:		
— credit institutions	1,012	978
— branches of credit institutions	2,111	2,069
— customers other than credit institutions	12,115]	9,590
Number of payments effected, thousand	1,058,979.6	1,187,607.6
of which:		
— by credit institutions and their branches	881,006.1	1,005,049.1
— by customers other than credit institutions	177,181.2	181,745.5
— by Bank of Russia divisions	792.3	813.0
Volume of payments effected, billions of roubles	653,352.9	916,153.6
of which:		
— by credit institutions and their branches	514,292.1	706,130.3
— by customers other than credit institutions	62,765.6	76,207.1
— by Bank of Russia divisions	76,295.2	133,816.2
Number of electronic payments, thousand	1,058,066.7	1,186,895.4
Volume of electronic payments, billions of roubles	652,631.9	915,813.2
Number of Bank of Russia establishments participating in intraregional electronic settlements <sup>1</sup>	608.0	542.0
Number of Bank of Russia establishments participating in interregional electronic settlements <sup>1</sup>	608.0	543.0
Number of Bank of Russia establishments participating in the BESP system <sup>1</sup>	292.0	279.0
Total number of customers exchanging electronic documents <sup>1</sup>	4,573.0	4,647.0
of which:		
— credit institutions and their branches	3,079.0	2,998.0
— Federal Treasury bodies	332.0	199.0
— customers other than credit institutions	1,162.0	1,450.0
Number of payments received through communication channels, thousand	1,037,625.0	1,161,343.4
Number of payments effected on paper, thousand	912.9	712.2
Volume of payments effected on paper, billions of roubles	721.0	340.4

<sup>1</sup> As of end of year.

Table 50

## STRUCTURE OF BANK OF RUSSIA BANKNOTES IN CIRCULATION

Denomination, roubles	Total in circulation, millions of roubles		Percent of 1.01.2011	Share, percent	
	as of 1.01.2011	as of 1.01.2012		as of 1.01.2011	as of 1.01.2012
5,000	2,859,571.4	3,904,441.2	136.5	49.7	57.0
1,000	2,261,653.8	2,338,646.0	103.4	39.3	34.1
500	486,985.1	462,991.8	95.1	8.5	6.7
100	108,529.8	110,897.9	102.2	1.9	1.6
50	31,419.5	32,213.8	102.5	0.5	0.5
10	8,167.3	5,095.9	62.4	0.1	0.1
5	35.9	35.7	99.4	0.0	0.0
<b>Total balance sheet number of banknotes of 1997</b>	<b>5,756,362.8</b>	<b>6,854,322.3</b>	<b>119.1</b>	<b>100.0</b>	<b>100.0</b>

Table 51

STRUCTURE OF BANK OF RUSSIA COINS IN CIRCULATION<sup>1</sup>

Denomination	Total in circulation, millions of roubles		Percent of 1.01.2011	Share, percent	
	as of 1.01.2011	as of 1.01.2012		as of 1.01.2011	as of 1.01.2012
1 kopeck	72.6	72.7	100.1	0.2	0.1
5 kopecks	288.0	288.2	100.1	0.8	0.6
10 kopecks	1,947.7	2,072.1	106.4	5.4	4.3
50 kopecks	2,355.3	2,579.5	109.5	6.6	5.3
1 rouble	5,364.3	5,593.0	104.3	14.9	11.5
2 roubles	4,369.2	4,664.0	106.7	12.2	9.6
5 roubles	9,091.4	9,577.0	105.3	25.3	19.8
10 roubles	12,441.4	23,587.4	189.6	34.6	48.7
25 roubles	0.0	33.9	—	0.0	0.1
<b>Total balance sheet number of coins of 1997</b>	<b>35,929.9</b>	<b>48,467.8</b>	<b>134.9</b>	<b>100.0</b>	<b>100.0</b>

<sup>1</sup> Excluding coins made of precious metals.

Table 52

## BANK OF RUSSIA STAKEHOLDINGS IN RUSSIAN AND FOREIGN ORGANISATIONS

Name of organisation, place of registration	Currency	Nominal value of Bank of Russia-owned shares and stakes		Bank of Russia share as of 1.01.2012, percent	
		as of 1.01.2011	as of 1.01.2012	in authorised capital	in voting capital
Sberbank, Moscow	thousands of roubles	39,019,407	39,019,407	57.58	60.25
Moscow Interbank Currency Exchange-Russian Trading System (MICEX-RTS), Moscow <sup>1</sup>	thousands of roubles	474,650	474,650	21.60	21.60
St Petersburg Currency Exchange (SPCEX), St Petersburg	thousands of roubles	302	302	8.90	8.90
Bank for International Settlements, Basel <sup>2</sup>	millions of SDR	16.055	16.055	0.57	0.54
Society for Worldwide Interbank Financial Telecommunications (S.W.I.F.T.), Belgium	euro	875	875	0.006	—
Interstate Bank, Moscow	thousands of roubles	10,000	10,000	50.00	50.00

Note. Besides, in accordance with Federal Law No. 291-FZ, dated 3 November 2010, and the Agreement with the Russian Ministry of Finance of 18 January 2011, in 2011 the Bank of Russia recorded on its balance sheet Russia's quota in the IMF in the amount of SDR 5,945.4 million.

<sup>1</sup> In 2011, MICEX was reorganised by merging with RTS (from 19 December 2011 — Open Joint-Stock Company MICEX-RTS).

<sup>2</sup> The year-on-year decrease in Bank of Russia stake in the authorised capital of the Bank for International Settlements by 0.02% and in the voting capital by 0.01% was due to the issue of shares in favour of new shareholders.

# MEMO

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