THE CENTRAL BANK OF THE RUSSIAN FEDERATION

ANNUAL 2010 REPORT

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INTRODUCTION

The Bank of Russia Annual Report for 2010 has been compiled in accordance with the Federal Law 'On the Central Bank of the Russian Federation (Bank of Russia)' and reflects the results of the Bank of Russia's performance in 2010. It contains an analysis of the Russian economy, 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 2010, external conditions favoured the recovery of the Russian economy. High global oil prices and improved terms of trade provided an inflow of foreign currency to the country's balance of payments current account. The net outflow of private capital decreased considerably. These conditions, in turn, led to the appreciation of the rouble and the growth in Russia's international reserves.

Against the backdrop of a favourable foreign economic situation annual GDP growth turned out better than expected. However, output did not return to its pre-crisis level. The number of employed in the economy edged up only slightly. Meanwhile, growth in consumer and investment activity was slow. The demand for imported goods outstripped the demand for domestic goods.

According to estimates, demand in 2010 remained below the potential output, which limited the rate of consumer price growth. However, the impact of volatile factors, which sped up the growth in food prices in the second half of the year, prevented the annual inflation rate from declining, compared to the previous year.

The exchange rate policy of the Bank of Russia in 2010 was executed in line with its strategy to transition from the managed floating exchange rate regime to a freely floating rouble. In order to enhance the flexibility of the exchange rate, the Bank of Russia made changes to the mechanism of the floating operational band of the bi-currency basket's permissible values, and, consequently, scaled down its intervention in the exchange rate setting. At the same time, the situation in the foreign exchange market remained stable throughout the year.

Given the moderate rate of inflation, the Bank of Russia pursued a monetary policy that was primarily aimed at fostering conditions that would favour the expansion of banks' lending activities and the recovery of economic activity.

The annual rate of growth in the rouble supply remained quite high throughout the year under review. The sources of the combined money supply during most of the year included the Bank of Russia's interventions in the domestic foreign exchange market and increased net claims to general government. Meanwhile, starting from the second half of 2010, expanded bank lending to the real sector of the economy started to con-

tribute significantly to the growth in the money supply.

The money supply grew amid a rising money demand, which was precipitated by the economic recovery, the appreciation of the rouble and moderate inflation.

In 2010, the Bank of Russia scaled down its use of anti-crisis measures. The improved situation in the banking sector and its sufficiently high liquidity reduced the credit institutions' demand for refinancing instruments. It allowed the Bank of Russia to continue to reduce the timeframes of some of its operations to provide liquidity, as well as to restore the pre-crisis criteria for drawing up the list of assets eligible as collateral in refinancing operations. Instruments used to absorb free funds gained more significance in the monetary policy implementation.

The reduction of interest rates in the money market, which took place amid the improved financial standing of borrowers, allowed banks to pursue a policy that made loans cheaper for non-financial institutions and households. This brought about a revival in lending to the real sector.

The implementation of a more balanced lending policy by banks and the improved payment discipline of borrowers in 2010 helped raise the quality of outstanding debts and reduce the costs of provisions for bad loans. This, in turn, ensured that the net financial result grew considerably. The profitability of the banking business rose, although it remained below its pre-crisis level.

In 2010, the process of reorganising credit institutions picked up pace, contributing to the consolidation of the banking sector. The Bank of Russia, together with a state corporation, the Deposit Insurance Agency (DIA), went on implementing measures to prevent the insolvency (bankruptcy) of credit institutions. The number of banks that had their licenses revoked in 2010 was less than it had been in 2009.

In 2010, the Bank of Russia continued its work with credit and other institutions that operate payment systems and provide payment infrastructure services with a view to developing the national payment system, in line with international standards.

The work of the Bank of Russia to develop and improve its payment system was aimed at minimising associated risks while ensuring its efficient and smooth operation. In 2010, following the Action Plan for the creation of an international financial centre in the Russian Federation, the incorporation of all credit institutions (and their branches) that met the necessary requirements into the banking electronic speed payment (BESP) system was completed. The number of payments made via the system increased manifold.

THE ECONOMIC AND FINANCIAL SITUATION IN RUSSIA

I

I.1. THE GLOBAL ECONOMY AND INTERNATIONAL MARKETS

In 2010, Russia's external economic environment was taking shape under the influence of the global economic recovery after the financial and economic crisis. According to an International Monetary Fund (IMF) estimate, the global output of goods and services increased by 5.0% in the year under review after dropping by 0.5% in 2009. Recovery-related processes, which could already be observed in the second half of 2009, were boosted by measures that governments and central banks took in 2008 and 2009 to stabilise the financial markets. The mitigation of the consequences of the crisis in many countries was supported by the operation of automatic fiscal stabilisers, in combination with discretional decisions to change tax policy and control government expenditures. The low interest rates and (in some countries) substantial growth in assets and liabilities of monetary authorities stimulated economic activity.

In most countries, the stabilisation and the renewed accumulation of stocks and working assets played a significant role during the early post-crisis recovery, as did the reduction of the share of imports in domestic intermediate and end consumption. A gradual increase of investments in fixed capital and household consumption laid the basis for more stable economic growth. Increased consumer and investment demand, along with the steady expansion of use of commodity and food resources by big emerging economies, helped revive international trade. According to an IMF estimate, international trade in goods and services in 2010 grew by 12.4% as compared to a 10.9% drop in 2009. Increased exports were one of the leading factors that affected GDP growth for a number of countries.

In 2010, investment activity was recovering gradually in foreign economies, and was supported by stabilising financial markets and the gradual improvement of the financial standing of companies. Investments, primarily in the active part of fixed assets, began growing. However, the continuing decline in the construction of industrial, commercial and residential properties was an obstacle to the growth in total investments in fixed assets.

The growth of GDP in the United States in 2010 (2.9%) was mostly caused by the renewed accumulation of stocks and working assets, increased exports and household consumption. The contribution of consumption grew gradually whereas the accumulation of stocks and exports mostly influenced output dynamics in the first quarter.

In the eurozone, the growth in exports has been making a steady contribution to GDP growth since the third quarter of 2009. In the first half of 2010, the restoration of stocks of finished goods substantially influenced the economic growth rate. Household consumption of goods and services started growing in the fourth quarter of

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

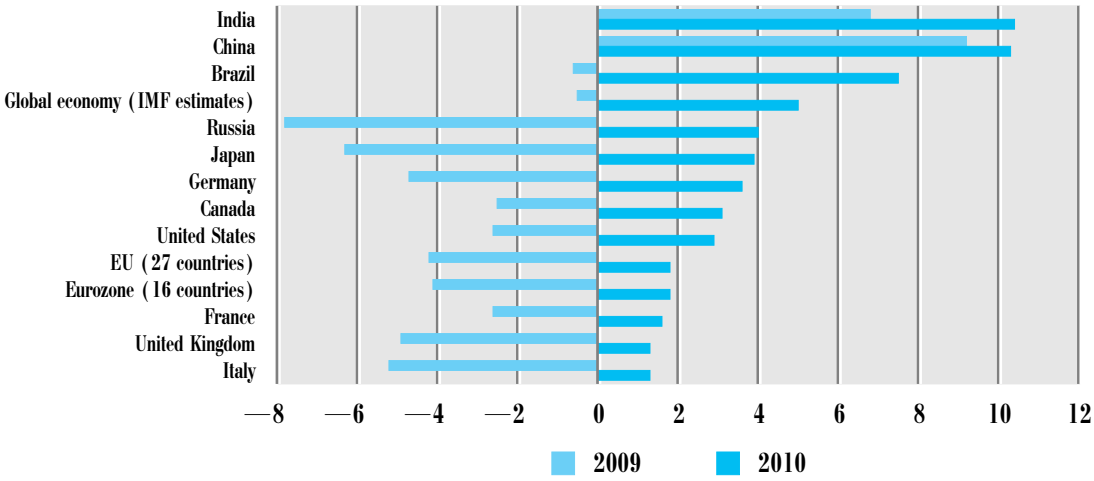


Chart 1

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

2009, but the influence of this factor on economic dynamics has been relatively weak.

In 2010, the German GDP rose by 3.6% after a drop of 4.7% in 2009. The German banking system was not heavily burdened by troubled assets. The German economy was ready for a quick recovery, which was supported by decreasing unemployment and rising external and domestic demand for investment goods. The eurozone GDP growth rate was lower than that of Germany, reaching only 1.8% (GDP contracted by 4.1% in 2009). It was partly caused by plunging GDP growth in financially troubled countries like Greece, Spain and Ireland.

China's GDP growth rate rose from 9.2% in 2009 to 10.3% in 2010. In contrast to the pre-crisis period, increased domestic demand was the defining factor of economic growth in China in 2010. It was fostered by the wide-scale anti-crisis measures that the country has implemented since 2009, including tax incentives, government investments in the infrastructure and increased social transfers. High GDP growth rates in 2010 were also seen in India, the countries of South-east Asia, the Republic of Korea, Turkey, Brazil and several other Latin American economies.

There was considerable GDP growth among Russia's biggest trading partners in the CIS. The influence of domestic demand on economic growth in Belarus, Kazakhstan and Ukraine gradually strengthened, in particular, due to the recovery of investments in fixed assets. The key economic development indicators of Russia's leading trading partners are listed in Section IV.3 'Statistical Tables', Table 39.

The recovery of employment following its contraction during the crisis was relatively weak in many foreign economies. Production growth required fewer new employees than before the crisis, and was driven to a substantial extent by increased productivity.

The crisis was not accompanied by a rapid contraction in bank lending, thanks to the measures aimed at providing liquidity to banks and supporting systemically important financial institutions that were taken by governments and monetary authorities in many countries during the acute phase of the crisis. This prevented worse-case scenarios that would have entailed more unfavourable social and economic consequences, such as deflation and a lengthy stagnation in production and employment, and contributed to a relatively quick recovery of the global economy.

At the same time, demand for loan capital was recovering slowly after the crisis due to a relatively low level of investment activity in the real sector, in addition to other reasons. Financial institutions, on their part, pursued a cautious credit policy avoiding high risks. The reasons for this include such crisis consequences for the banking sector as a large share of impaired and high-risk loans, banks' need to complete debt re-

structuring and to set up additional provisions to cover risks, and limited possibilities for securitisation.

The high unemployment rate and weakness of credit markets restrained the growth in demand, which moderated inflation. In 2010, many economies preserved considerable monetary stimuli, which were introduced during the crisis as part of programmes that were implemented to stabilise financial markets and minimise deflation risk, mostly consisting of low nominal and actual interest rates. In some cases, the stimuli were expanded.

By the end of the first quarter of 2010, the US Federal Reserve System (Fed) completed a programme, which it had initiated in the first quarter of 2009, to purchase government bonds and federal agencies' securities on a wide scale in the open market. The Fed was considering options involving a gradual return to using the overnight interbank rate as the benchmark for open-market transactions. However, the unemployment rise in the US, which resumed in June 2010 and continued up to September, made it necessary to adopt additional measures to encourage production and employment growth. In November 2010, the Fed decided to buy 600 billion dollars' worth of long-term US Treasury bonds until the second quarter of 2011.

In 2010, some economies began to gradually return to the monetary policy standards from which they had deviated in 2008 and 2009 when implementing anti-crisis measures. Thus, the Eurosystem[1] in 2010 scaled down the use of non-standard liquidity instruments provided to the eurozone banks, but retained some anti-crisis management tools and kept its interest rates low. The European Central Bank's (ECB) rate for main refinancing operations has been at 1.0% p.a. since May 2009.

The countries that were best prepared to phase out the monetary stimuli were those where the risk of runaway inflation was the highest due to dynamic economic growth (mostly emerging Asian and Latin American economies). For example, the People's Bank of China raised its required reserve ratio for banks by 3.0 percentage points from January to December 2010, and raised its benchmark interest rates for yuan deposits and loans by 0.5 percentage points in the fourth quarter. India and Brazil also adjusted their monetary policies, raising their interest rates in March 2010 and in April 2010, respectively. The Bank of Korea raised its interest rate in the second half of the year.

Inflation gained speed in August 2010 in many countries, mostly due to the increased growth in food prices caused by smaller-than-expected harvests in several key agricultural regions. This factor affected the inflation rate the most heavily in countries where food has a big weight in the consumer basket. Thus, the inflation rate in China was 4.6% in 2010 (December on previous December) as against 1.9% in 2009.

The influence of factors restraining demand growth materialised in low core inflation indicators. In a number of countries, including the US, core inflation decreased in 2010, and in the eurozone it remained unchanged compared to 2009. The growth in energy prices was a substantial inflationary factor in 2010. In the eurozone, the depreciation of the currency compounded the effect of high oil prices, which became one of the reasons for the acceleration of inflation from 0.9% in 2009 to 2.2% in 2010.

The global economic recovery created conditions for the rise of global stock market indices and commodity prices, including oil and other raw materials, in 2009 and 2010. At the same time, the market situation in 2010 was characterised by significant volatility. The debt crisis in Greece and the renewal of the accommodative monetary policy in the US had a strong impact on markets.

May 2010 was the most acute period of the debt crisis in Greece, and was characterised by plummeting stock indices and commodity prices. The stabilisation of financial markets was secured thanks to the loans Greece received from its European partners and the IMF, as well as some key decisions on securing financial stability in the European Union (EU). The measures taken by the Eurosystem (in particular, interventions in troubled capital market segments) and the re-

[1] *The Eurosystem includes the European Central Bank 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 AND EURO IN 2010
(December 2010 as a percentage of December 2009)*

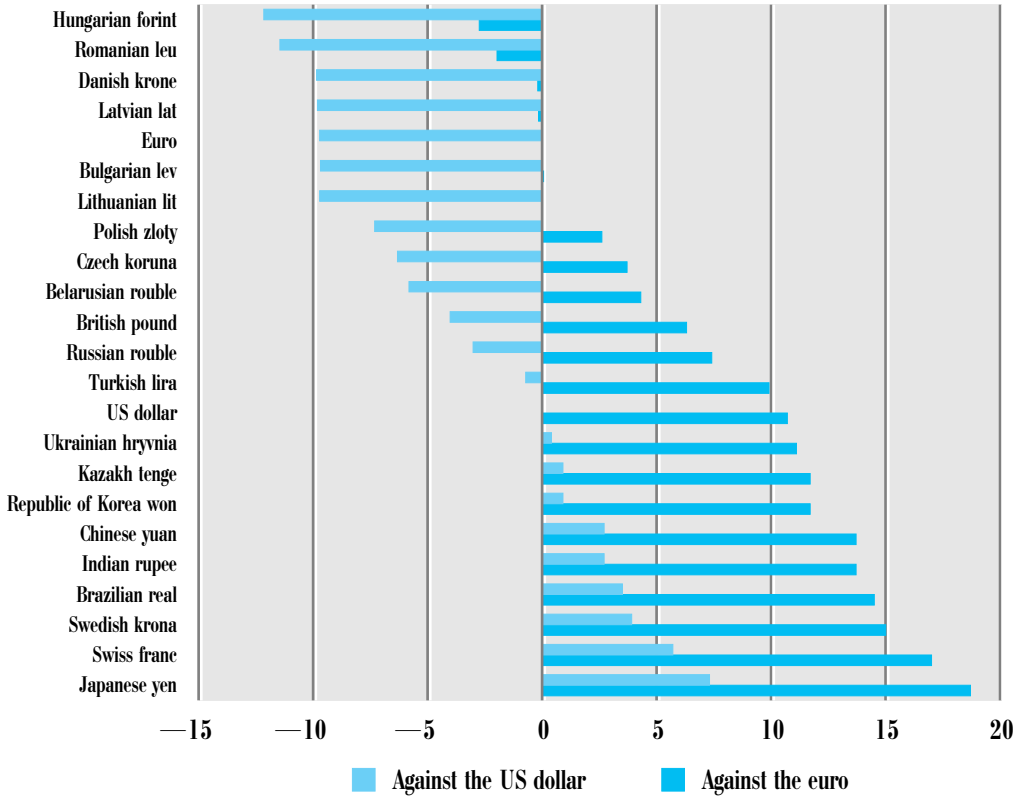


Chart 2

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

newal of agreements on currency swaps between the Fed and several other central banks (including the ECB) also helped.

Forecasts of a further softening of the US monetary policy had a strong impact on the market situation in September and October of 2010. During that period, the US dollar depreciated against most currencies, including those of countries where interest rates were low (the yen and the Swiss franc). A number of countries took measures including currency interventions to prevent the strengthening of their national currencies and excessive net capital inflow.

In 2010, the euro depreciated against the US dollar and most other currencies. The currencies of big emerging economies (such as China, India, Indonesia, Thailand, Brazil, Mexico and South Africa) strengthened against the US dollar and the euro, as did the yen, the Swiss franc and the Canadian, Australian and New Zealand dollars. In mid-2010, China resumed its policy of maintaining a more flexible yuan exchange rate. Most other currencies also appreciated against the euro. There were no substantial changes in the exchange rates of the currencies of Russia's main trading partners, the Kazakh tenge and the Ukrainian hryvnia, with respect to the US dollar. The pound sterling, zloty, Belarusian rouble and a number of other currencies depreciated against the US dollar.

I.2. THE ECONOMIC SITUATION IN RUSSIA

In 2010, the Russian economy was recovering in the wake of the global financial and economic crisis. Increased external and domestic demand led to growth in output in most types of economic activity. The number of employed resumed growing. The inflation rate remained at the previous year's level.

In 2010, **GDP** increased by 4.0% year on year (as compared to a 7.8% drop in 2009). Increased exports became one of the factors that drove growth in output of goods and services. Industrial production rose by 8.2% (as against a decline of 9.3% in 2009). The unfavourable weather conditions negatively affected agricultural production, pushing it down by 11.9%. Construction output also remained below its 2009 level.

Fixed capital investments increased by 6.0% (after having plunged by 15.7% in 2009). The increased investment activities were supported by the improved financial standing of companies and the growing accessibility of loan resources in the economy.

The size of the economically active population increased in 2010, although it failed to reach its pre-crisis level. The number of unemployed decreased by 10.9%, reaching 7.5% of the economically active population (8.4% in 2009).

Real disposable money income of households increased by 4.2% in 2010 (by 2.0% in 2009). Economic growth, the improved situation in the labour market and increased borrowing activity among households contributed to the growth of consumer spending (estimated at 4.4%). By the end of 2010, the trend towards organised household savings had become stronger.

According to estimates, the output gap[1] remained negative in 2010, restraining the growth in consumer prices. In the first half of the year, amid slow demand recovery and a strengthening rouble, **consumer price inflation** slowed down. In July, it reached its lowest point since 1992 in moving annualised terms, 5.5%.

Consumer price dynamics began to be negatively affected in August by the situation in agriculture, where the drought pushed the output down and sent producer prices up. In 2010, food prices in the consumer market rose by 12.9% as against 6.1% in 2009. Fruit and vegetable prices soared by 45.6%, the biggest price hike since 1999 (as compared to a 1.7% decline in 2009). The contribution of growth in fruit and vegetable prices to growth in headline inflation was estimated to be 1.7 percentage points in 2010 (minus 0.1% percentage points in 2009).

Non-food prices went up by 5.0% in 2010 (9.7% in 2009). Prices and tariffs for services to households increased by 8.1%, a drop of 3.5 percentage points from the previous year. Rent and

[1] *A negative output gap shows that actual output was lower than its potential (natural) level, i.e. that actual demand is insufficient relative to potential supply.*

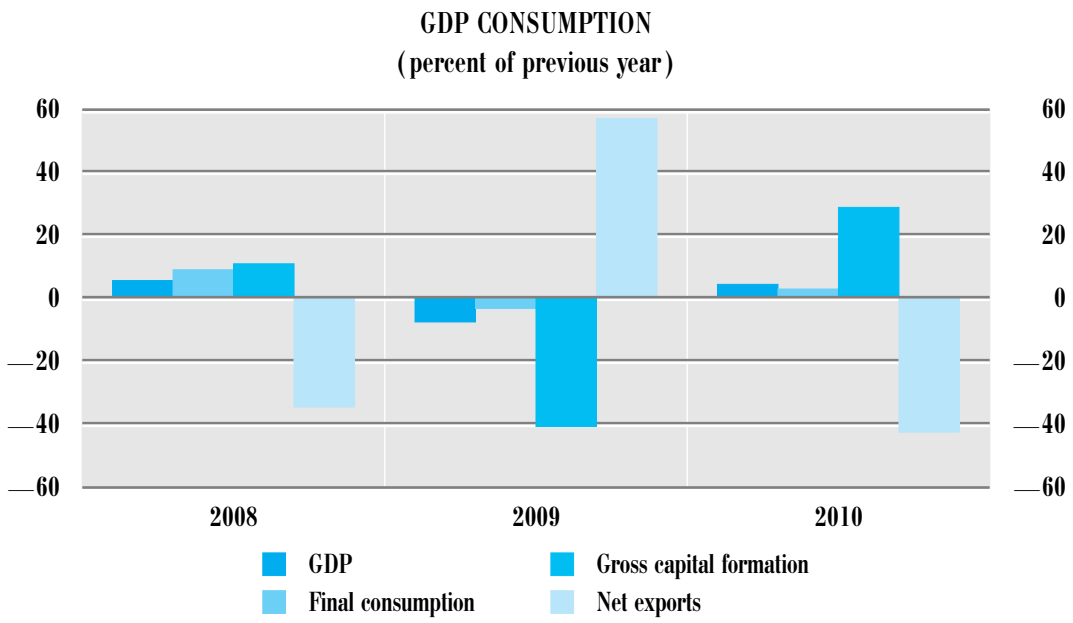


Chart 3

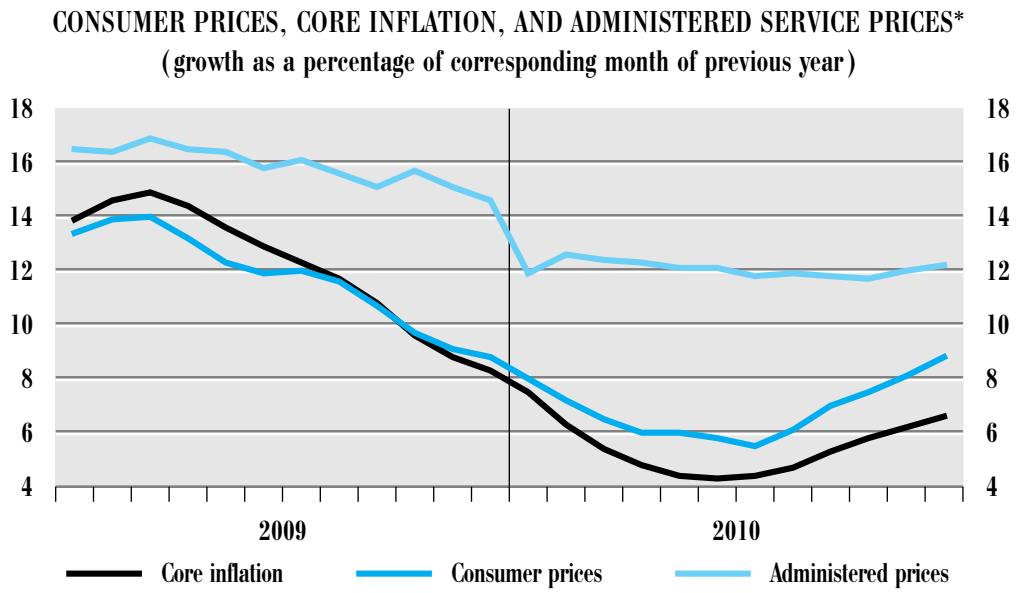


Chart 4

* Estimate.

utility charges grew by 13.0% (19.6% in 2009). The rate of growth in transport fares accelerated to 8.7% from 6.5% in 2009.

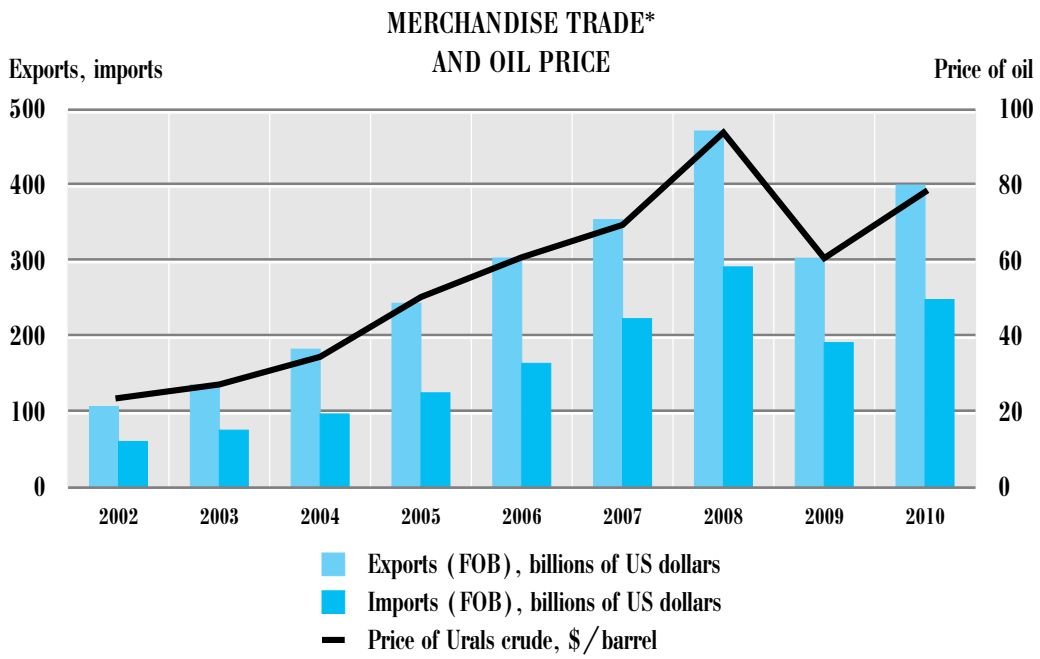
In 2010, as in the previous year, headline inflation was 8.8%. Core inflation stood at 6.6% as against 8.3% in 2009.

Industrial producer prices rose year on year by 16.7% in 2010 as compared to 13.9% in 2009 (December on December). The increased growth rate was due to the accelerated growth of prices in the manufacturing sector, to 16.9% from 5.9% in 2009. Coke prices grew the most, by 54.9%, and chemical production prices climbed by 30.6% (as compared to a 7.3% rise and a decline of 0.5%, respectively, in 2009). The growth in industrial producer prices for the consumer market accelerated as well.

In 2010, fuel and energy producer prices grew by 16.1% as compared to 61.0% in 2009. In 2010, price growth in the production and distribution of electricity, gas and water was 13.8%, 4.5 percentage points down from the previous year.

The price situation in global commodity markets improved for Russian exporters in 2010. Oil prices grew substantially. The price of Russian Urals crude went up by 28.9% in the global market, to $78.2 per barrel. At the same time, the prices of oil and other energy commodities

Chart 5



* According to balance of payments data.

stayed below the all-time high registered in 2008. The prices of non-ferrous and precious metals rose at a high rate; with the exception of aluminium, they surpassed their 2008 price levels. Virtually every commodity experienced price growth, including food. In 2010, the terms of Russia's trade with other countries improved.

Given the resumed growth in domestic demand, the import of goods in 2010 was largely recovering due to the expansion of import volumes. Average annual import prices were only slightly higher than they had been a year before. Growth in imports of raw materials and industrial goods of intermediate use, as well as investment goods and non-food consumer products, outstripped that of imported food and raw agricultural materials for food production. In the import structure, the share of machines, equipment and transport vehicles rose slightly, while that of foodstuffs and agricultural raw materials declined.

The export of goods in 2010 grew, mostly due to rising prices. At the same time, amid the recovery of external demand, there was growth in exports of oil, oil products, natural gas, ferrous metals and some other commodities. Exports of non-ferrous metals and wheat decreased in terms of volume. The rates of growth in the export value of fuel and energy products, especially oil, were above the general export growth rate. The share of energy resources increased again as a component of the export structure. Among non-energy goods, the highest growth in export value was registered in non-ferrous metals and potassium fertilizers, whereas the lowest was in nitrogen fertilisers, timber and pulp-and-paper products. Exports of foodstuffs and agricultural raw materials, especially grains, shrank.

In 2010, the **financial situation** of Russian non-financial organisations improved appreciably amid the foreign economic situation, which was favourable to Russian exports and the growth in domestic demand. In 2010, the positive net financial result in the economy[1] increased by 40.9% year on year (in 2009 by 9%). The share of loss-making companies was 27.8% of their total number, down by 2.3 percentage points from 2009.

The rate of return on goods, products, work and services sold[2] in 2010 remained at the level of 2009: 10.3%.

In 2010, the ratio of money settlements in the structure of payments for products shipped, work performed and services provided by the largest natural and industrial monopolies increased from 97.8% to 98.3% year on year.

[1] *Excluding small businesses, banks, insurance companies and budget-financed organisations.*
[2] *Profit (loss) from sales to proceeds from the sale of goods, products, work and services.*

I.3. GOVERNMENT FINANCE AND DOMESTIC GOVERNMENT DEBT

The federal budget policy in 2010 was focused on adjusting the budget system to the changes brought about by the global financial and economic crisis, and on laying the groundwork for the sustainable social and economic development of the country in the aftermath of the crisis. It did this by meeting the government's social obligations, forming a reliable and a balanced pension system, supporting the real sector of the economy and the financial system, creating incentives for the introduction and development of advanced technologies, and improving economic efficiency and labour productivity.

According to the Federal Treasury's report, Russia's federal budget revenue in 2010 amounted to 8,305.4 billion roubles, or 105.5% of the revenue approved by the Federal Law 'On the Federal Budget for 2010 and the Plan Period of 2011 and 2012', hereinafter referred to as the Federal Budget Law. At the same time, federal budget revenue relative to GDP declined by 0.4 percentage points year on year to 18.5%, mostly due to changes in the tax and budget legislation of the Russian Federation.

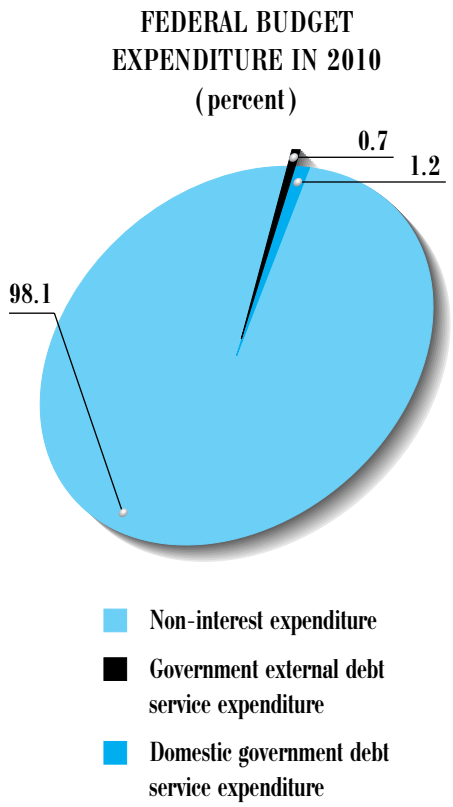
According to the Federal Treasury's report, federal budget expenditure totalled 10,117.4 billion roubles in 2010, or 98.6% of the expenditure approved by the Federal Budget Law, and 22.5% of GDP, which is down by 2.4 percentage points from 2009.

The growth in the federal budget revenue relative to GDP by 1.1 percentage points against the figure set forth by the Federal Budget Law helped reduce the federal budget deficit for 2010 to 1,812.0 billion roubles, or 4.0% of GDP. This figure is 1.2 percentage points below the level approved by the Federal Budget Law, and 2.0 percentage points below the actual level of 2009.

The financing of 53.5% (969.5 billion roubles) of the federal budget deficit was done on account of the Reserve Fund, and reduced the balances of funds of the federal budget on accounts with the Bank of Russia.

The balances of the rouble-denominated federal budget accounts with the Bank of Russia contracted by 283.6 billion roubles, or by 32.4%, in 2010, reaching 590.6 billion roubles as of 1 January 2011, including the balances of the accounts of the Reserve Fund, which totalled 150.0 billion roubles (there were no balances as of 1 January 2010). The balances of the foreign currency-denominated federal budget accounts contracted in rouble terms by 1,426.9 billion roubles, or by 34.8%, over the year, to 2,679.1 billion roubles, including the balances of the Reserve Fund accounts, which contracted by 1,204.5 billion roubles, or by 67.5%, to 578.9 billion roubles, and the balances of the National Wealth Fund accounts, which decreased by 206.6 billion roubles, or by 9.1%, to 2,067.9 billion roubles, as of 1 January 2011.

Chart 6



According to the Federal Treasury, the revenue of the consolidated federal budget and government extra-budgetary funds totalled 16,031.9 billion roubles in 2010, or 35.7% of GDP; expenditure totalled 17,616.6 billion roubles, or 39.2% of GDP, whereas the deficit was 1,584.7 billion roubles, or 3.5% of GDP, as against a deficit of 6.3% of GDP in 2009. The revenues and expenditures of the consolidated budgets of the constituent territories of the Russian Federation stood at 6,537.3 billion roubles and 6,636.9 billion roubles, respectively, and the deficit amounted to 99.6 billion roubles (the respective percentages stood at 14.5%, 14.8% and 0.2% of GDP).

According to the Federal Treasury, the revenue of government extra-budgetary funds amounted to 5,175.7 billion roubles, the expenditure totalled 4,849.6 billion roubles, and the surplus was 326.1 billion roubles in 2010 (the latter resulted from executing the Pension Fund budget with a surplus of 360.8 billion roubles).

The Social Insurance Fund posted a deficit of 27.4 billion roubles and the Federal Compulsory Medical Insurance Fund posted a deficit of 7.3 billion roubles.

Ministry of Finance data indicate that Russia's domestic government debt in 2010 increased by 845.7 billion roubles, or 40.4%. As of 1 January 2011, it stood at 2,940.4 billion roubles, while the ceiling set for it by the Federal Budget Law was 3,499.2 billion roubles. Russia's domestic government debt relative to GDP was estimated at 6.5% as of 1 January 2011, an increase of 1.1 percentage points compared to the same date a year earlier.

The value of outstanding government securities increased in the year under review by 624.4 billion roubles, or by 34.0% of Russia's domestic government debt, to 2,461.6 billion roubles, or 83.7% as of 1 January 2011. Government guarantees rose by a factor of 1.9 to 472.3 billion roubles, or 16.1%; Russia's other debt obligations (government commodity debt obligations) increased by 0.3 billion roubles to 6.5 billion roubles, or 0.2%.

Federal government bonds with a permanent coupon-income accounted for 54.4% (1,338.6 billion roubles) of government securities, while debt-depreciation federal government bonds made up 33.1% (815.6 billion roubles), and government savings bonds represented 12.5% (307.4 billion roubles).

The value of outstanding government securities on the organised securities market in 2010 increased by 39.8%, and reached 2,054.2 billion roubles as of 1 January 2011. During the same period, their share of Russia's domestic government debt declined from 70.2% as of 1 January 2010 to 69.9% as of 1 January 2011, due to the growth in the share of the non-marketable part of the domestic government debt (government savings bonds, guarantees and other) from 25.1% to 26.7%.

The Ministry of Finance's debt to the Bank of Russia declined by 7.9 percentage points to 9.1% of Russia's total domestic government debt.

The Ministry of Finance's rouble-denominated debt to the Bank of Russia, measured at the nominal value of government securities, decreased by 87.2 billion roubles over the year, or by 24.5% and stood at 269.0 billion roubles as of 1 January 2011, including government securities purchased by the Bank of Russia in repo transactions. Net of these operations, the debt contracted by 26.3 billion roubles, or 8.9%, as a result of the redemption of federal government bonds by the

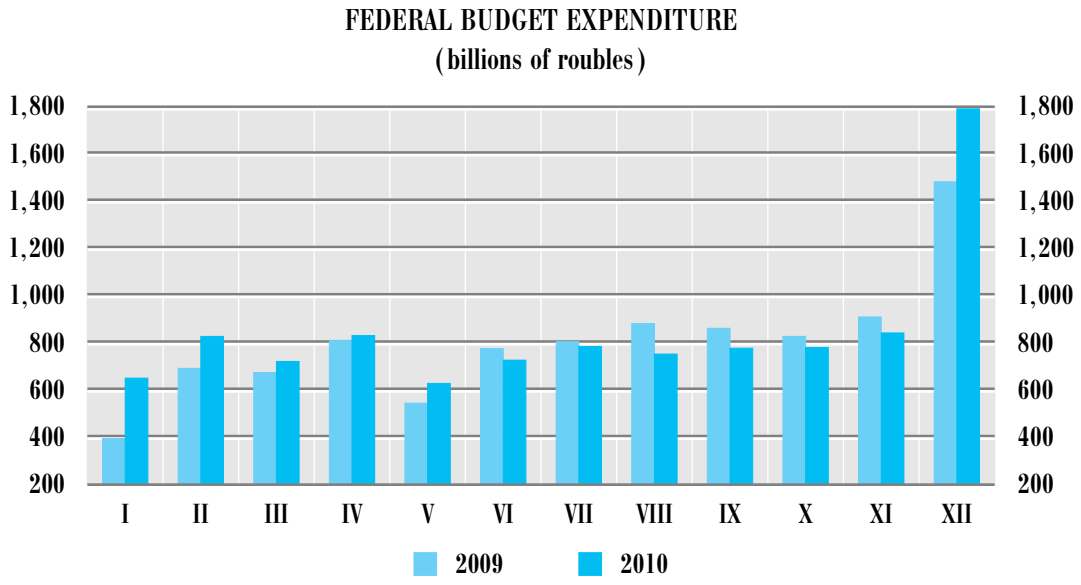


Chart 7

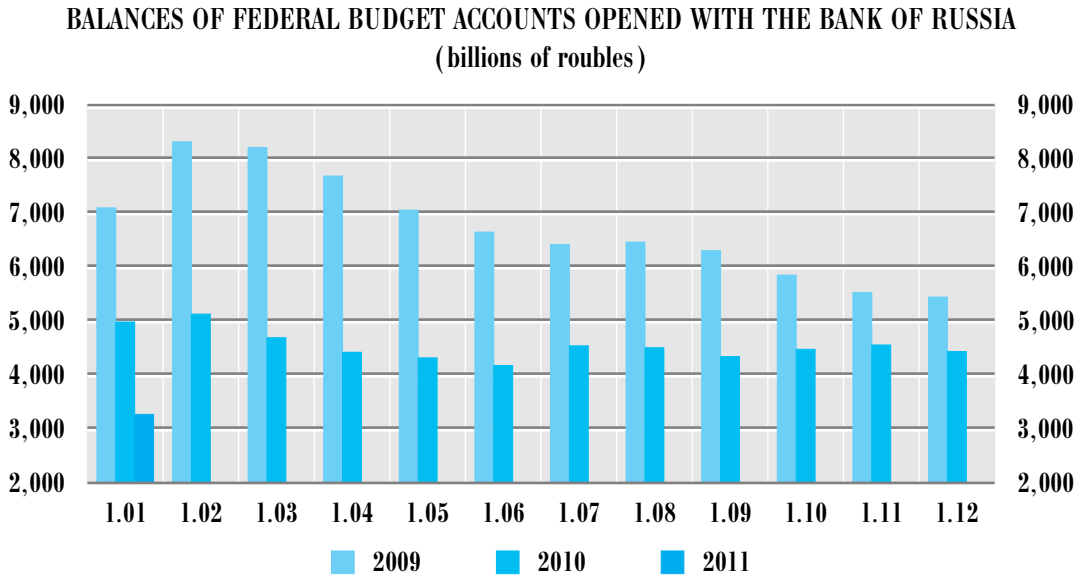


Chart 8

Ministry of Finance as well as the sale of government bonds by the Bank of Russia from its own portfolio.

Debt-depreciation federal government bonds accounted for 99.0% (266.4 billion roubles) of the Ministry of Finance's debt to the Bank of Russia (excluding Russia's government securities purchased in repo transactions), and permanent coupon-income federal government bonds accounted for the remaining 1.0% (2.6 billion roubles). Their maturity periods were 7.7 to 25 years (99.0%), and less than one year or between one and two years (1.0%), respectively. Federal government bonds with a coupon income from 0% to 2.9% p.a. accounted for 74.7% (201.0 billion roubles) whereas those with a coupon income of between 6.0% and 8.0% p.a. accounted for 25.3% (68.0 billion roubles).

The Ministry of Finance's foreign currency-denominated debt to the Bank of Russia (which is considered part of Russia's government external debt by law) accounted for 113.5 billion roubles at the nominal value of foreign currency-denominated federal government securities, as of 1 January 2011. This figure had slid by 4.3 billion roubles, or 3.8%, due to the redemption of Russian Federation's Eurobonds and the change in the Russian rouble/US dollar exchange rate.

I.4. THE FINANCIAL SECTOR

The financial sector of the Russian economy in 2010 was comprised of 1,012 operating credit institutions (including 955 banks and 57 non-bank credit institutions), 625 insurance companies, 1,444 unit investment funds and 157 non-governmental pension funds[1].

Due to the return of GDP growth in 2010 (after it had plummeted in 2009), the ratio of credit institutions' equity capital to GDP decreased by 1.4 percentage points to 10.5%, as of the beginning of 2011. The ratio of insurance companies' authorised capital to GDP decreased by 0.1% percentage points to 0.3%. The ratio of unit investment funds' net assets (excluding funds for qualified investors) to GDP remained unchanged at 1.0% while the ratio of the non-governmental pension funds' own property to GDP grew from 1.8% to 2.0%[2]. In 2010, the major sectors of the financial market continued to grow. The stock market capitalisation ratio of the Moscow Interbank Currency Exchange (MICEX) Stock Exchange to GDP increased from 57.5% in 2009 to 64.5% in 2010. The segments of the rouble bond market expanded. Bank loans to non-financial organisations in 2010 grew by 12.1% and to households, by 14.3%. However, the ratio of loans to non-financial customers (non-financial organisations and households) to GDP decreased from 41.5% as of 1 January 2010 to 40.4% as of 1 January 2011.

The rates and yields of rouble-denominated instruments in various segments of the financial market continued to sink in the first half of 2010, then went on to fluctuate within a horizontal band. Their average annual values were much lower than they had been in 2009. The average yield to redemption of rouble-denominated[3] federal government bonds stood at 7.5% p.a. in 2010 (it had been 10.1% p.a. in 2009). The average yield of subfederal and municipal bonds[4] declined from 15.4% p.a. in 2009 to 7.8% p.a. in 2010. The average annual yield of corporate bonds[5] in 2010 dropped by a factor of 2.3 year on year to 8.3% p.a. In the interbank money market, the

[1] *Number of non-governmental pension funds as of 1 October 2010.*
[2] *According to data as of 1 October 2009, and 1 October 2010, respectively.*
[3] *Yield to redemption of federal government bonds is the effective federal government bond market portfolio indicator calculated by the Bank of Russia.*
[4] *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.*
[5] *Corporate bond yield is an indicator of yields of liquid rouble corporate bonds in the secondary market and is calculated by the Bank of Moscow.*

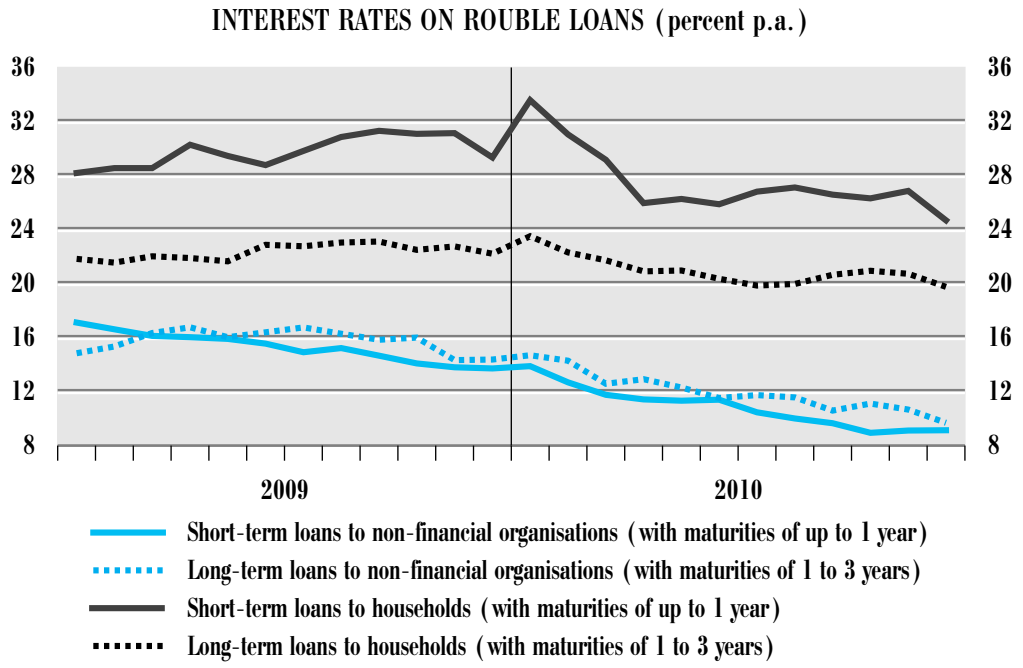


Chart 9

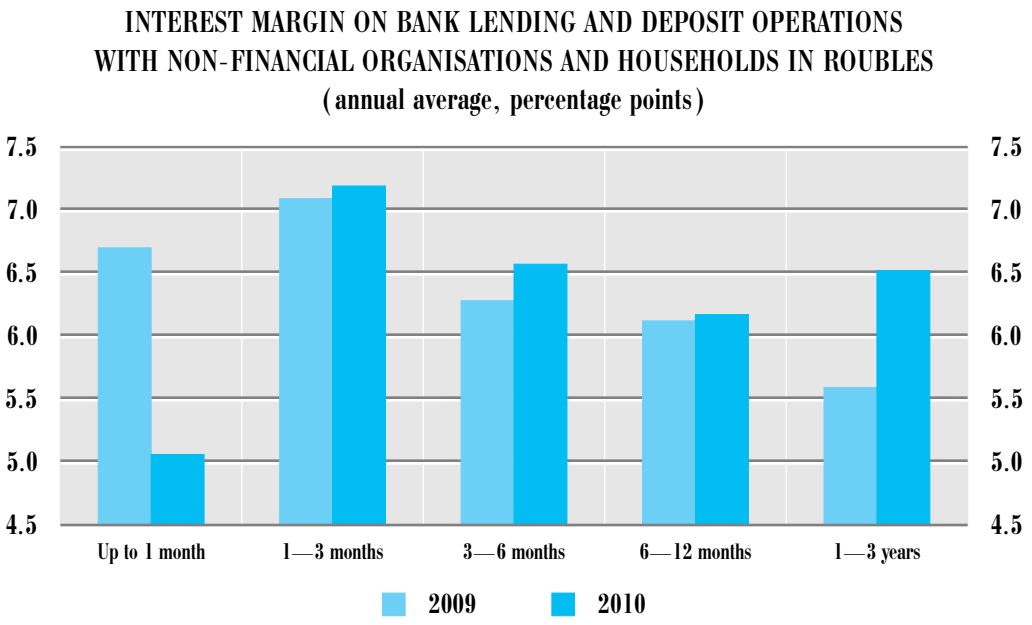


Chart 10

average MIACR[1] for overnight rouble loans decreased from 7.8% p.a. in 2009 to 3.1% p.a. in 2010.

In 2010, most credit institutions did not experience a funding deficit, which allowed them to attract resources from households and legal entities at a lower cost than in 2009. The average rate on term rouble-denominated household deposits with maturities of up to one year decreased from 10.4% p.a. in 2009 to 6.8% p.a. in 2010, while the rate on term legal entities' deposits fell from 6.6% p.a. to 3.1% p.a. The average rouble rate on household deposits with maturities of between 1 and 3 years declined by 4.0

[1] *MIACR (Moscow Interbank Actual Credit Rate) is the average weighted rate for interbank loans placed.*

percentage points in 2010 year on year, to 7.0% p.a. The rate on legal entities' deposits went down by 4.2 percentage points, to 7.7% p.a.

As the solvency of non-financial customers was recovering and the funding became less expensive, credit institutions began to cut their interest rates on loans to the real sector. The average rate on rouble-denominated loans to the non-financial sector with a maturity of up to one year fell from 15.3% p.a. in 2009 to 10.8% p.a. in 2010, and the rate on loans with a maturity of between 1 and 3 years was cut from 15.8% p.a. to 12.0% p.a. The average rate on rouble-denominated loans with a maturity of up to one year to households decreased by 2.3 percentage points year on year, to 27.5% p.a. while that on loans with a maturity of between 1 and 3 years went down by 1.4 percentage points to 21.0% p.a.

In 2010, credit institutions not only cut interest rates on loans, but also eased non-price lending terms, increasing the maximum terms and amounts, and relaxing requirements with respect to the financial standing of borrowers and to loan collateral. Non-price bank lending terms improved to a greater extent for households than for big corporate borrowers and small and medium-sized businesses in 2010.

Russian banks' interest margins on rouble-denominated lending and deposit operations with non-financial customers remained almost unchanged in 2010 as compared with 2009. Banks' margins on major operations in 2009 ranged between 5.6 and 7.1 percentage points, depending on their maturity, as compared to 5.1 to 7.2 percentage points registered in 2010. In 2010, the interest margin on lending and deposit operations with households exceeded the margin on similar operations with non-financial organisations by 5.7 percentage points (by 3.9 percentage points in 2009).

I.4.1. CREDIT INSTITUTIONS

The gradual macroeconomic stabilisation had a positive effect on the activities of the Russian banking sector in 2010. The favourable situation with respect to the current liquidity of credit institutions allowed the Bank of Russia to consistently phase out its anti-crisis refinancing facilities. Credit institutions built up their funding from various sources, mostly by attracting household deposits. The improvement in the financial standing of non-financial organisations in most types of economic activity allowed Russian banks to step up lending to the economy, helping to steadily improve the quality of their loan portfolios. In these conditions, credit institutions were able to increase their profits and boost the general profitability of the banking business.

In 2010, the banking sector's assets increased by 14.9% to 33,804.6 billion roubles (5.0% in 2009) while their ratio to GDP dipped from 75.9% as of 1 January 2010 to 75.2% as of 1 January 2011.

The equity capital of credit institutions grew by 2.4% in 2010 (21.2% in 2009) to 4,732.3 billion roubles. Repayment of subordinated loans obtained earlier under the government anti-crisis support programme became the main factor driving the slowdown of capital growth in the banking sector. As a result, the ratio of the total capital of credit institutions to GDP declined from 11.9% to 10.5%. As of 1 January 2011, 75.7% of Russia's credit institutions had capital worth over 180 million roubles each (71.8% as of 1 January 2010).

In 2010, the number of operating credit institutions decreased from 1,058 to 1,012.

BANKING SECTOR LIABILITY STRUCTURE. In 2010, credit institutions were gradually returning to their pre-crisis funding structure. Loans, deposits and other funds obtained by credit institutions from the Bank of Russia shrank by a factor of 4.4 to 325.7 billion roubles. As of 1 January 2011, this source accounted for 1.0% of the banking sector's liabilities (as of 1 January 2010, 1,423.1 billion roubles, or 4.8% of liabilities).

The traditional sources of funding of credit institutions grew steadily. The balances of customer[1] accounts increased by 23.1% in 2010

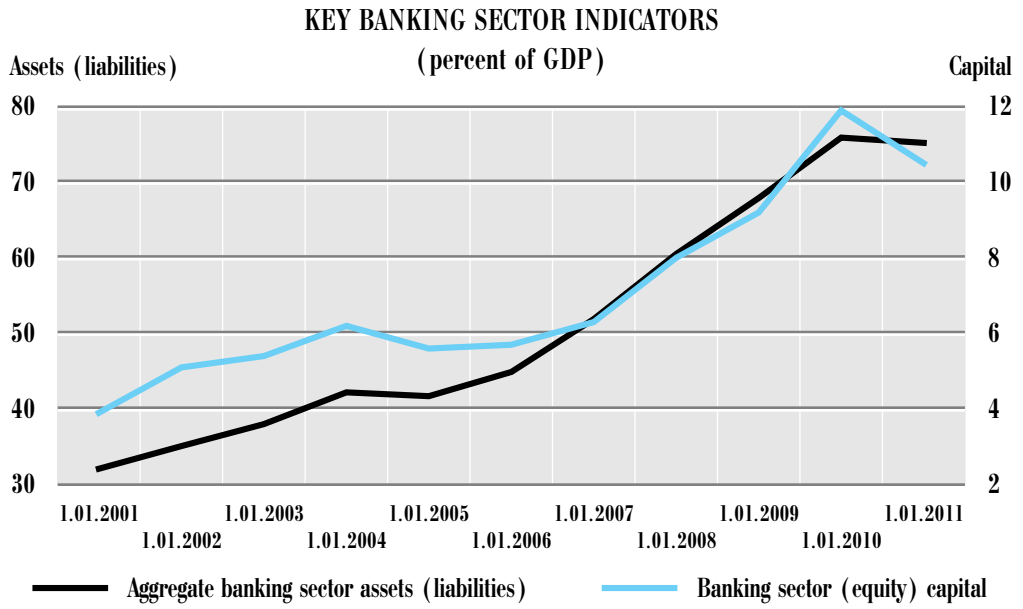
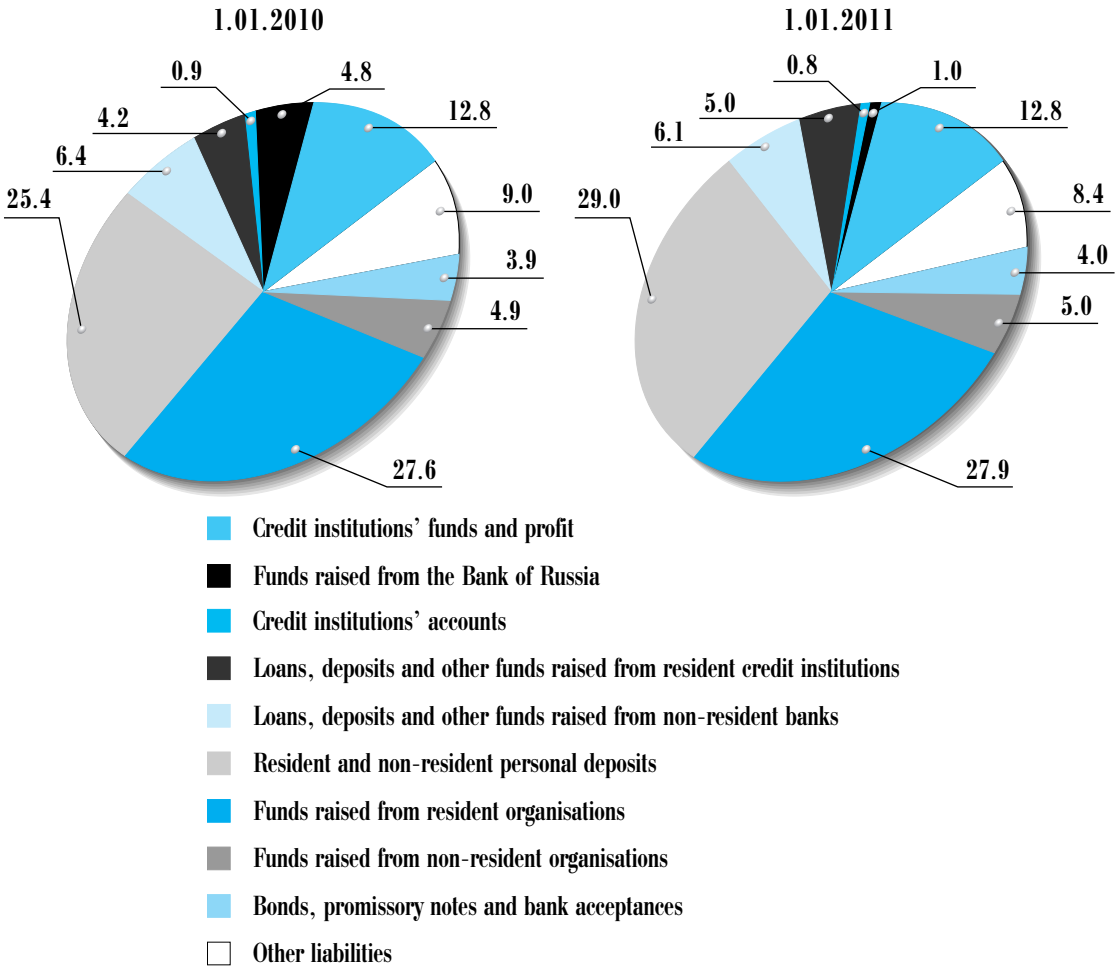


Chart 11

[1] *Balances of corporate accounts (including all-level budget funds 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.*

Chart 12

BANKING SECTOR LIABILITIES (percent)



and reached 21,080.9 billion roubles, and their share in banking sector liabilities expanded from 58.2% to 62.4%.

In 2010, household deposits increased by 31.2% (26.7% in 2009) to 9,818.0 billion roubles, with their share in the banking sector's liabilities growing from 25.4% as of 1 January 2010 to 29.0% as of 1 January 2011. The growth trend in rouble-denominated deposits remained strong, jumping by 43.7% in the year under review. Foreign-currency deposits decreased by 4.5% (in dollar terms). The share of foreign-currency deposits diminished from 26.4% of total deposits as of 1 January 2010 to 19.3% as of 1 January 2011. In 2010, competition in the household deposits market toughened. Sberbank's share of total household deposits fell from 49.4% to 47.9%.

Total funds raised from organisations other than credit institutions in 2010 increased by 16.4% (as against 8.9% in 2009) and reached 11,126.9 billion roubles; their share in banking sector liabilities expanded from 32.5% to 32.9%. Legal entities' deposits[1] rose by 10.4% in 2010 (10.5% in 2009). The rate of growth in balances of settlement and other accounts of companies accelerated considerably compared to 2009 (from 9.6% to 25.6%), while the share of this item in liabilities climbed from 13.1% as of 1 January 2010 to 14.3% as of 1 January 2011.

In 2010, the demand for the debt obligations (bonds and promissory notes) of credit institutions remained limited, with the share of outstanding bonds in banks' liabilities increasing

[1] *Including certificates of deposit as well as other funds raised from legal entities.*

BANKING SECTOR ASSETS (percent)

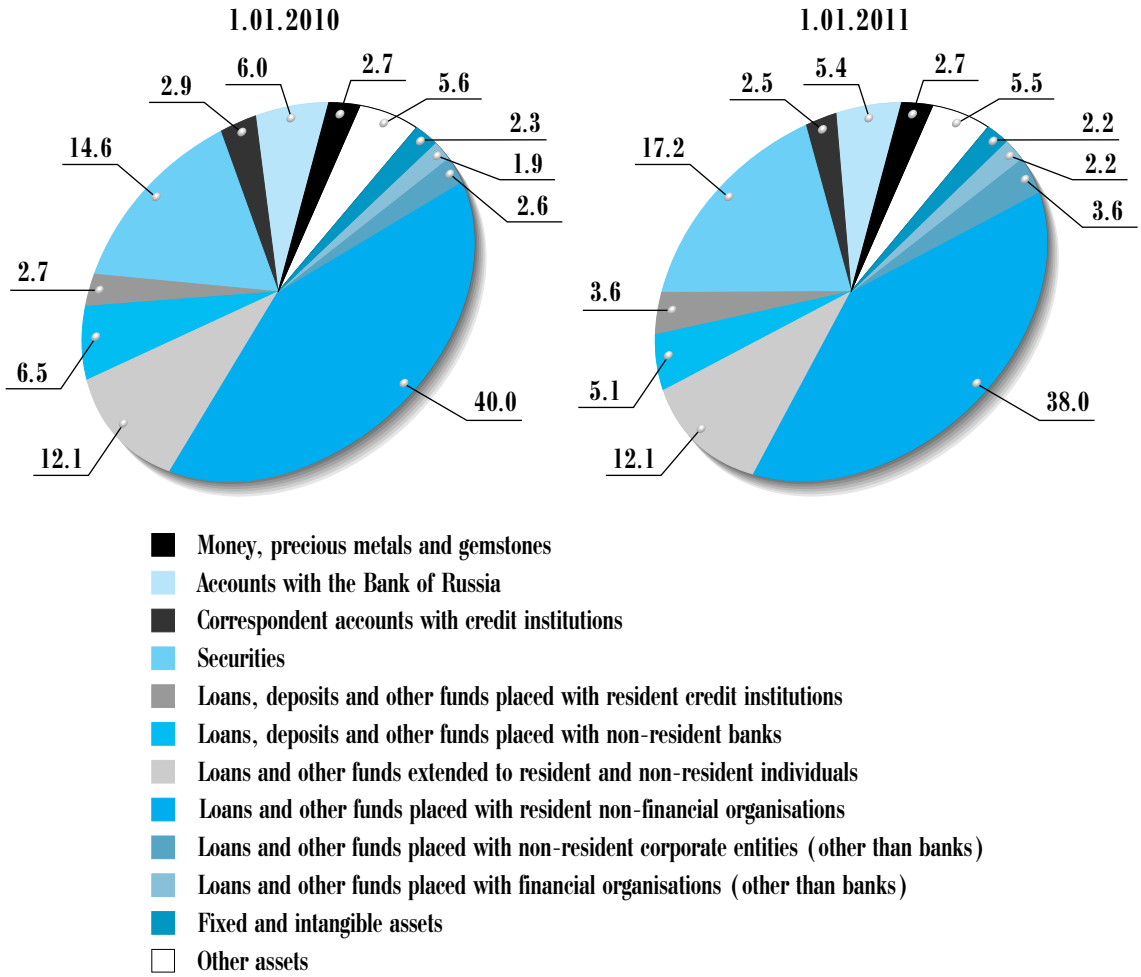


Chart 13

from 1.4% to 1.6% and that of outstanding promissory notes slipping from 2.5% to 2.4%.

BANKING SECTOR ASSET STRUCTURE. In 2010, as the general economic conditions and the financial situation of borrowers improved, the credit market was experiencing a revival, although lending growth rates remained moderate. Total loans to non-financial organisations and households grew by 12.6% in 2010 to 18,147.7 billion roubles. Their share in the banking sector's assets decreased from 54.8% to 53.7%. The ratio of total loans to the aforementioned categories of borrowers to GDP contracted from 41.5% to 40.4%.

Loans and other funds extended to non-financial organisations increased by 12.1% in 2010 (0.3% in 2009) to 14,062.9 billion roubles, but their share in the banking sector's assets decreased from 42.6% as of 1 January 2010 to 41.6% as of 1 January 2011. Most loans (74.0% as of 1 January 2011) were extended in roubles.

Growth in lending to households resumed during the period under review. Loans to households[1] grew by 14.3% in 2010 to 4,084.8 billion roubles (as against a drop of 11.0% in 2009). The share of loans to households in total loans extended by the banking sector grew from 18.0% as of 1 January 2010 to 18.4% as of 1 January 2011 and in total banking sector's assets remained virtually unchanged at 12.1% as of 1 January 2011. Most of these loans (91.2% as of 1 January 2011) were extended in roubles.

[1] *Exclusive of individual unincorporated entrepreneurs. Under the Civil Code of the Russian Federation (Part 1, Article 23) these loans are not included in loans provided to households.*

In 2010, the growth of investments in securities by credit institutions continued, although at a slower pace than in 2009, mostly due to the positive dynamics of Russian stock market indices. Besides, Russian banks preferred, especially in the first half of 2010, to place their funds into less risky instruments that provide more liquidity compared to lending. Overall in 2010, bank investments in securities increased by 35.3% (as against 82.2% in 2009) to reach 5,829.0 billion roubles; their share in banking sector assets expanded from 14.6% to 17.2%.

The bulk of the securities portfolio was made up of investments in debt obligations (75.8% as of 1 January 2011). Their volume increased in 2010 by 30.8% (92.0% in 2009) to 4,419.9 billion roubles. The share of discounted promissory notes in the securities portfolio rose from 5.4% to 5.7%.

2010 saw significant (over 70%) growth of investments in equities. Their share in the total securities portfolio rose from 9.6% as of 1 January 2010 to 12.2% as of 1 January 2011.

The stability in the domestic foreign exchange market enhanced the attractiveness of rouble-denominated investments. Credit institutions' foreign currency-denominated assets decreased by 0.6% in dollar terms in 2010 while their share in total banking assets declined from 27.6% to 24.1%.

CLAIMS AND OBLIGATIONS ON INTERBANK LOANS. The dynamics of the actual rates on outstanding interbank loans[1] were smooth and predictable in the money market. The MIACR on overnight rouble loans stayed between 2.1% and 5.4% p.a.

Interbank loans extended in 2010 increased by 7.2% (9.0% in 2009) while their share in the banking sector's assets decreased from 9.3% to 8.6%, mostly due to an 11.0% decline in lending to non-residents. Interbank loans extended to resident banks increased 1.5-fold in 2010 while their share in total assets went up from 2.7% to 3.6%.

The reassessment of the situation in the Russian financial market by lenders and investors contributed to the renewal of borrowing by Russian banks. Interbank loans taken out in 2010 rose by 20.5% (as against a drop of 14.3% in 2009) while their share in the banking sector's liabilities went up from 10.6% to 11.1%. At the same time, interbank loans taken out in the domestic market grew faster than foreign borrowing (growth by 37.5% and 9.3%, respectively).

Between January and April, Russian credit institutions remained net lenders in operations with non-residents in the interbank market, but the situation started changing in May. By the end of 2010, the Russian banking sector had become a net borrower with respect to foreign markets once again. Total net debt to non-residents as of 1 January 2011 stood at 346.9 billion roubles (as compared with net claims at 39.8 billion roubles as of 1 January 2010).

THE FINANCIAL SITUATION OF CREDIT INSTITUTIONS. The profit of operating credit institutions net of loss for 2010 increased 2.8-fold over 2009 (as compared to a twofold drop in 2009 against 2008) to 573.4 billion roubles.

The share of profit-making credit institutions in the total number of operating credit institutions in 2010 rose from 88.7% to 92.0%. The number of loss-making institutions decreased from 120 to 81 (from 11.3% to 8.0% of total active credit institutions). Their losses amounted to 21.7 billion roubles in 2010 (compared to 79.8 billion roubles in 2009).

The rate of return on credit institution assets in 2010 reached 1.9%, and the rate of return on equity was 12.5% (the respective percentages in 2009 were 0.7% and 4.9%)[2].

Due to a more positive assessment of borrowers' financial situation by banks, the profit growth in 2010 was to a large extent secured by a partial recovery of loss provisions. During the period under review, new net loss provisions (excluding those recovered) decreased by 817.0 billion roubles, or by a factor of almost 4.5. Loss provisions accounted for 17.8% of profit reduction factors (55.1% in 2009)[3].

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[1] *Loans, deposits and other funds placed in the interbank market (including precious metals).*

[2] *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.*

[3] *Banking sector financial result factors are analysed on the basis of the Credit Institution Income Statement (form 0409102).*

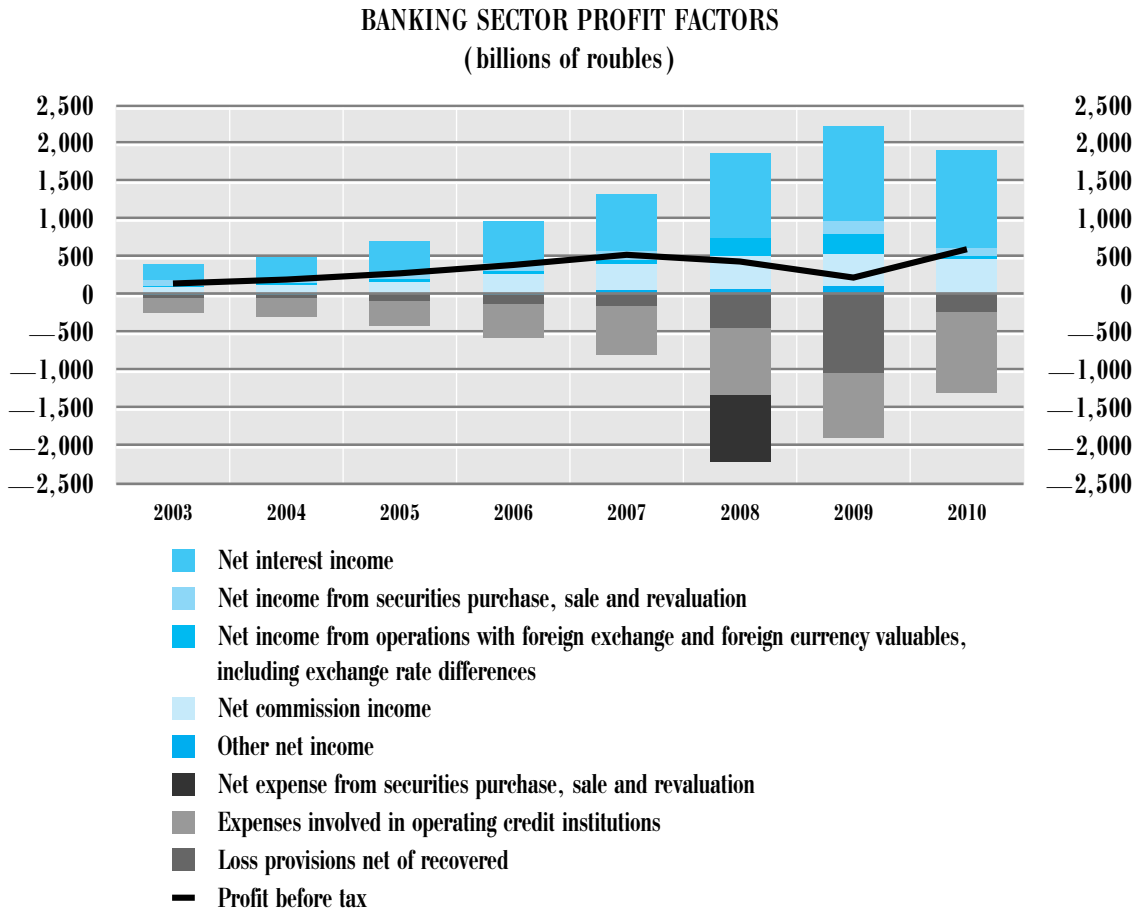

Chart 14

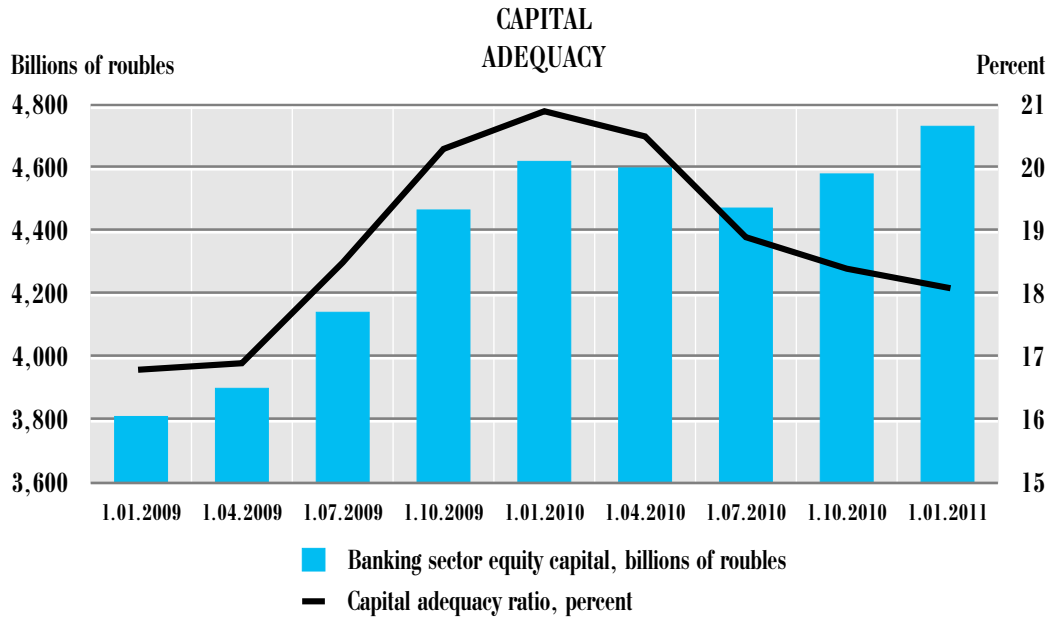

Chart 15

In 2010, net interest income rose by 35.6 billion roubles and remained the most significant profit growth driver. Its contribution to total growth factors was 68.2% (59.5% in 2009). The net interest income from debt obligations continued to grow in 2010, climbing by 68.5 billion roubles to 18.4% of the total net interest income of banks (13.5% in 2009), which made up for

the decrease in the net interest income from loans (by 29.2 billion roubles).

The share of net commission income accounted for 23.8% of total profit growth factors (as against 19.7% in 2009).

In 2010, the share of net income from the purchase, sale and revaluation of securities decreased in total profit growth factors to 5.6% (8.5% in 2009). It was caused by the slowdown in the growth of credit institutions' securities portfolios and by a considerable drop in the amount of positive revaluation of debt securities in the second half of 2010.

Net income from operations with foreign exchange and foreign currency valuables, including exchange rate differences, returned to its pre-crisis level. However, its share in the structure of the banking sector's profit growth factors fell from 7.5% to 2.4% in 2010.

Administrative expenses of credit institutions climbed by 25.2% in 2010, and their share in the profit reduction factors went up from 44.9% to 81.5%, which was in line with their pre-crisis level.

The equity capital of credit institutions grew by 2.4% over the period under review (21.2% in 2009) to 4,732.3 billion roubles as of 1 January 2011.

The structure of capital growth factors changed, with profit and profit-formed reserves taking the lead (growing by 301.7 billion roubles, or 62.9% of capital growth factors[1]). Authorised capital and share premiums grew by 115.0 billion roubles (24%).

In contrast to 2009, subordinated loans decreased in 2010, contributing to the slowdown of credit institutions' capital growth. As a result, total capital growth factors decreased by 220.8 billion roubles, or 46%. The growth in credit institutions' investments in shares (stakes) of affiliated resident legal entities and credit institutions also substantially restrained capital growth. This item accounted for a decrease of 143.9 billion roubles, or 30% of total growth factors.

In 2010, capital reduction by a total of 185.9 billion roubles was registered at 161 credit institutions (down by 63.7 billion roubles at 163 credit institutions in 2009).

The slowdown of the equity capital growth rate amid the substantial growth in risk-weighted assets sent the capital adequacy ratio of the banking sector down from 20.9% as of 1 January 2010 to 18.1% as of 1 January 2011.

FOREIGN-CONTROLLED BANKS. In 2010, credit institutions controlled by non-residents[2] retained their positions in the Russian banking services market. The number of credit institutions controlled by non-residents went up from 108 to 111, of which 19 rank among Russia's top 50 credit institutions in terms of assets.

The share of credit institutions controlled by non-residents decreased from 18.3% to 18.0% of total banking sector assets in 2010, but increased from 17.0% to 19.1% of total equity capital. Loans extended in 2010 by such banks to non-financial organisations expanded by 14.2%, and those extended to households expanded by 16.8%, whereas the shares of such loans in the banking sector's total outstanding loans as of 1 January 2011 stood at 15.1% and 25.7%, respectively (as of 1 January 2010, 14.8% and 25.1%). The share of overdue debts in the corporate loan portfolio of banks controlled by non-residents decreased from 8.3% to 6.0% in 2010, while the share of such debts in the household loan portfolio increased from 9.5% to 9.9%.

The share of banks controlled by non-residents in the household deposit market slightly declined: from 12.0% as of 1 January 2010 to 11.5% as of 1 January 2011.

In 2010, banks controlled by non-residents continued to play an important part in the interbank market. Operations with non-resident banks dominated in the structure of interbank loans taken out and extended by these banks: 75.7% and 64.5%, respectively, as of 1 January 2011 (82.6% and 80.9% as of 1 January 2010). At the same time, loans taken out in the international interbank market (mostly from parent companies) grew by 3.4%, while those placed with it shrank by 32.2%. Funds received from non-resident banks remained one of the

[1] *Hereinafter, total growth factors.*
[2] *Credit institutions with a 50%-plus stake in authorised capital.*

biggest sources of funding for banks controlled by non-residents, with their share in liabilities of non-resident-controlled banks as of 1 January 2011 standing at 16.1% (17.6% as of 1 January 2010). While interbank loans placed with non-resident banks declined and the growth in loans taken out from this category of banks was insignificant, the net borrowing of these banks from non-resident banks grew from 246.7 to 503.8 billion roubles in 2010. The ratio of net foreign borrowing to the liabilities of this group rose from 4.6% as of 1 January 2010 to 8.3% as of 1 January 2011.

BANKING SECTOR RISKS. In 2010, the quality of the banking sector's loan portfolio tended to stabilise. The annual growth rate of overdue debt of all categories of borrowers was 2.1% (in 2009, it grew by a factor of 2.4). As a result of the advanced loan portfolio growth, the share of overdue debt in the total loan portfolio in 2010 fell from 5.1% to 4.7%.

In the corporate portfolio, overdue debt declined by 2.5% in 2010 (after having grown by a factor of 2.9 in 2009), while its share fell to 5.3% by 1 January 2011 (6.1% as of 1 January 2010). In household loans, overdue debt rose by 16.2% in the period under review (63.6% in 2009), while its share in the corresponding loan portfolio only changed slightly, up from 6.8% to 6.9%.

The share of problem (IV category) and bad (V category) loans in total loans[1] in 2010 receded from 9.5% to 8.2%. The reversal of more liberal requirements for loan loss provisions in mid-2010 did not cause a spike in the ratio of loss provisions to outstanding debt, which stood at 8.5% as of 1 January 2011 (9.1% as of 1 January 2010).

At the same time, the **credit risks** of the Russian banking sector remain rather high. Non-core assets on the balance sheets of credit institutions and a large number of rollover loans remain a big problem.

In 2010, the **market risks** of the banking sector soared by 50.2% (69.0% in 2009). **The interest rate risk** accounted for the biggest share in the structure of market risks (75.6% as of 1 January 2011) due to the predomination of bonds in the credit institutions' trading portfolios[2].

Increased equity trading portfolios amid the generally positive dynamics of the Russian stock

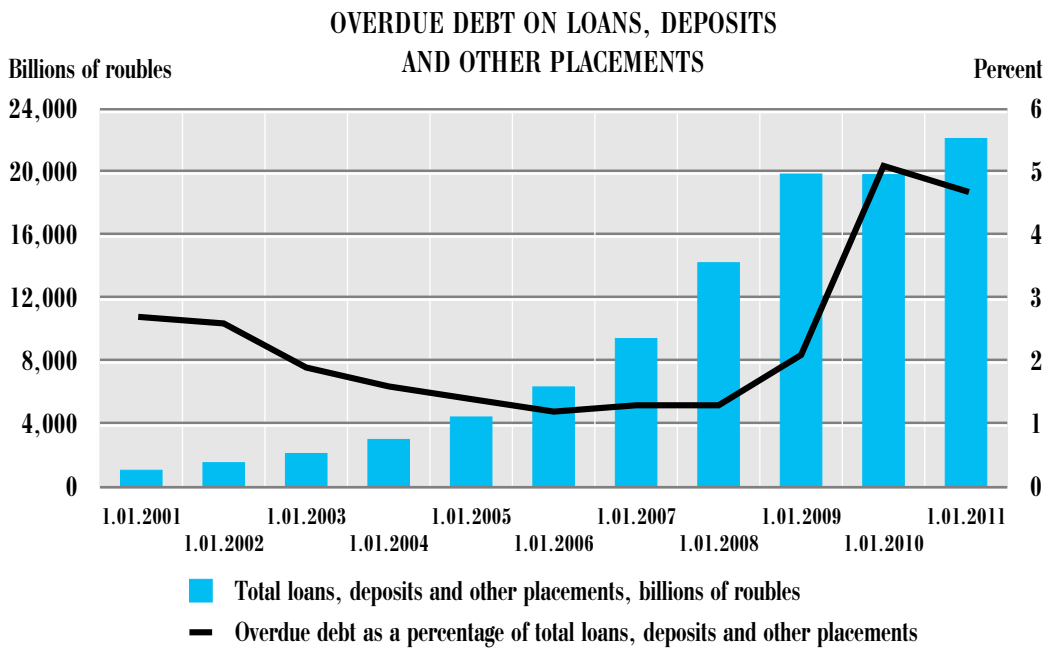

Chart 16

[1] *Hereinafter, according to data reported by credit institutions.*
[2] *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.*

market indices pushed the share of **the stock market risk** in 2010 to 17.8% of total risks of the banking sector as of 1 January 2011.

The importance of the **foreign exchange risk** during the period under review did not change much, with its share standing at 6.6% of the total market risks as of 1 January 2011 (7.0% as of 1 January 2010).

Despite some volatility, the Russian rouble's dynamics in 2010 were generally characterised by its appreciation against the euro and slight depreciation against the US dollar. Amid this, the excess of balance-sheet foreign currency claims over obligations (in rouble terms) decreased relative to total capital from 15.0% as of 1 January 2010 to 9.6% as of 1 January 2011. As for off-balance-sheet items[1], the excess was 1.9% as of 1 January 2011 (as of 1 January 2010, the rouble equivalent of foreign currency obligations was in excess of claims; the difference relative to total capital was 1.3%).

The liquidity of the banking sector remained high throughout 2010. However, the lack of a need for banks to keep a large liquidity cushion on their balance sheets pushed down the ratio of an average[2] of the most liquid assets[3] to the banking sector's average total assets from 10.9% in 2009 to 8.0% in 2010.

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[1] *In forward transactions (Section D of the Chart of Accounts).*

[2] *Liquid asset averages and total banking sector asset averages have been calculated as chronological averages for the corresponding period.*

[3] *Cash, precious metals and gemstones, balances of correspondent nostro accounts and balances of correspondent and deposit accounts with the Bank of Russia.*

I.4.2. OTHER FINANCIAL INSTITUTIONS

INSURANCE COMPANIES. In 2010, the number of insurance companies on the Single State Register of Insurers dropped by 77 to 625 as of 1 January 2011. The total authorised capital of insurance companies rose by 3.7% to 153.8 billion roubles (2.5% in 2009), mostly due to increases of the authorised capital by big insurance companies.

According to the Federal Insurance Supervision Service (FISS), 606 insurance companies that provided their financial statements in 2010 collected 1,041.1 billion roubles in insurance premiums, an increase of 6.5% over 2009. Insurance indemnities rose by 4.4% to 768.6 billion roubles. For the first time since 2006, the growth rate of insurance premiums exceeded that of insurance indemnities, which is partly due to the toughening of insurance risk assessment criteria by insurance companies. The ratio of insurance indemnities to insurance premiums declined by 1.3 percentage points to 73.8% in 2010.

Voluntary insurance contributions grew by 8.6% in 2010 year on year (compared to a drop of 10.5% in 2009 year on year), while their share in total insurance premiums edged up by 0.9 percentage points to 43.9% as of 1 January 2011. Life insurance accounted for the biggest share of contribution growth among voluntary insurance segments (37.3%), owing, in particular, to the reopening of the banking channel of insurance services sales, as well as to increased demand for corporate insurance programmes. However, property insurance still dominated in total voluntary insurance contributions, with 60.8% as of 1 January 2011.

The growth rate of compulsory insurance contributions was 3.4 times lower in 2010 than in 2009. It was largely due to the weak growth (4.6%) of contributions in compulsory medical insurance, which traditionally accounts for the bulk of compulsory insurance contributions (83.1% as of 1 January 2011). The biggest growth in contributions, by 10.9%, was registered in compulsory third party liability car insurance.

According to data insurance companies reported to the Bank of Russia[1], in the first nine months of 2010, insurers' assets grew by 9.3%. Deposits and debt securities held the biggest shares in total assets, 24.7% and 21.8%, respectively, as of 1 October 2010.

The rate of growth in insurance reserves in the first nine months of 2010 was 11.0% as against 4.0% in the same period a year earlier. The reinsurers' share in insurance reserves, which is the measure of risks passed on by insurance companies to reinsurers, decreased to 7.6%. The share of non-resident reinsurers expanded in the structure of these funds to 49.4% as of 1 October 2010.

Investments in the banking sector still predominated in the institutional structure of insurers' investments (54.2% as of 1 October 2010). In the first nine months of 2010, these investments declined by 2.1% due to decreased investments in certificates of deposit (by 35.7%) and debt securities of credit institutions (by 15.1%). The amount of insurance companies' funds on bank deposits rose by 2.3%.

The shares of investments in the non-financial sector and the sector of other financial institutions were 19.6% and 10.2%, respectively, as of 1 October 2010. The growth of investments in the non-financial sector in the first nine months of 2010 (12.9%) was mostly due to investments in debt securities (up by almost 20.0%). Investments in the sector of other financial institutions shrank by 9.2%, due to decreased debt and equity portfolios, by 6.8% and 7.9%, respectively.

UNIT INVESTMENT FUNDS (PIFs). The number of unit investment funds (PIFs) rose by 137 in 2010,

[1] *According to Rosstat Order No. 308, dated 10 December 2008, 'On the Approval of Statistical Tools for Organising Statistical Surveillance by the Bank of Russia of Borrowings and Placements Made by Insurance Companies and Financial Operations Conducted by Non-governmental Pension Funds'.*

to 1,444 as of 1 January 2011[1], due to new closed funds (which rose by 153 to 934). The number of open and interval funds declined by 3 and 13, to 432 and 78, respectively. The largest increase was in the number of real estate funds, which rose by 104, whereas the number of stock index funds decreased the most, by 4.

The total net asset value (NAV) of PIFs rose by 24.3% in 2010, to 457.2 billion roubles[2]. Despite the net outflow of unit holders' funds and worse investment performance amid a less favourable stock market situation than in 2009, the NAV of open and interval PIFs grew by 27.1% and 17.6%, respectively. The NAV of closed PIFs increased by 24.1%, while its share in the total NAV edged down from 74.5% as of 1 January 2010 to 73.5% as of 1 January 2011. Grouped by category, the rent and real estate PIFs made the biggest contribution to the growth of the total NAV of PIFs (about 80%).

The number of PIF management companies rose to 338 in 2010, to 74.3% of total registered asset management companies[3].

NON-GOVERNMENTAL PENSION FUNDS (NPFs). According to the Federal Financial Markets Service, as of 1 October 2010 there were 157 non-governmental pension funds registered, 8 less than as of 1 January 2010.

Total own property grew by 16.1% in the first nine months of 2010, to 862.0 billion roubles whereas the value of property for statutory activities slid by 1.5% to 93.5 billion roubles. The pension reserves of the NPFs expanded by 8.4% in the period under review and reached 612.0 billion roubles.

Over the first nine months of 2010, the number of NPF members remained almost unchanged, standing at 6.8 million people as of 1 October 2010 while the number of citizens receiving pensions grew by 5.4% to 1.34 million. The average monthly pension of NPFs rose by 11.7% to 1,618.0 roubles. Government pensions were 4.6 times higher than non-government ones.

Pension savings transferred to NPFs from the Pension Fund of Russia (PFR) increased by 90.4% in the first nine months of 2010, to 146.9 billion roubles (101.8% over the same period in 2009). The share of such funds in total pension savings transferred to management companies and NPFs from the PFR rose by 3.1 percentage points to 16.4% as of 1 October 2010[4].

According to the reports on the financial operations of NPFs submitted to the Bank of Russia[5], the rate of growth in NPF assets was 16.3% in the first nine months of 2010. Debt and equity portfolios accounted for the biggest share in total NPF assets, with 32.2% and 39.0%, respectively, as of 1 October 2010.

Investments in the sector of non-financial institutions began to dominate in the structure of investments (34.7% as of 1 October 2010), due to the 22.6% growth of investments in the equities of this sector. The share of NPF investments in the sector of other financial institutions shrank to 30.8% as of 1 October 2010.

In the first nine months of 2010, investments in the banking sector went up by 25.5%, while their share in the total investments of NPFs stood at about 30% as of 1 October 2010 (26.7% as of 1 October 2009). Deposits and other funds placed by NPFs with credit institutions grew by 20.7%, whereas their share in the total investments of NPFs in the banking sector was 75.7%. The rate of growth in NPFs' investments in credit institutions' securities in the first nine months of 2010 was 43.3% (21.2% over the same period in 2009). Debt securities of credit institutions grew the most in the portfolio structure, almost doubling.

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[1] *Unless indicated otherwise, PIF dynamics are assessed on the basis of statistical data compiled by the news agency Cbonds.ru.*

[2] *Hereinafter, exclusive of PIFs that held the status of funds for qualified investors as of 1 January 2011. In accordance with the 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.*

[3] *According to the National Managers' League.*

[4] *According to the news agency Cbonds.ru*

[5] *According to Rosstat Order No. 308, dated 10 December 2008, 'On the Approval of Statistical Tools for Organising Statistical Surveillance by the Bank of Russia of Borrowings and Placements Made by Insurance Companies and Financial Operations Conducted by Non-governmental Pension Funds'.*

I.4.3. FINANCIAL MARKETS

INTERBANK MONEY MARKET

In 2010, market participants became more active in the Russian interbank money market. As of late 2010, the total debt on interbank loans placed domestically by Russian banks amounted to 1.21 trillion roubles, or 51% more than as of early 2010. In December 2010, the average value of placement of rouble-denominated interbank loans by the largest banks operating in the Russian market exceeded 160 billion roubles a day.

In 2010, the structure of the interbank money market did not significantly change in terms of maturity. Transactions with maturities of up to one month continued to be more prevalent, accounting for more than 50% of all interbank loans placed throughout 2010.

As Russian banks continued to hold a considerable amount of liquid assets, the MIACR on overnight rouble-denominated interbank loans was slightly higher than the Bank of Russia's tom-next deposit rate during most of 2010. A reduction of rates on the Bank of Russia's transactions in the first half of 2010 contributed to a decline of rates in the interbank money market. In 2010, the average monthly MIACR on overnight rouble-denominated loans ranged from 2.6% to 4.0% p.a. (5.1%—16.3% p.a. in 2009).

Major market participants serviced their debts on interbank loans in a timely fashion due to their better financial position, with overdue debts accounting for a maximum of 0.15% of the total interbank loans issued by Russian banks during most of 2010. Due to the rather high quality of the portfolio of interbank loans placed by Russian banks, the average monthly spread between the MIACR on overnight rouble-denominated loans to all banks and the MIACR-IG[1] on loans to banks with an investment grade rating did not exceed 0.25 percentage points throughout 2010.

In 2010, interbank lending rates were less volatile, with an intramonth rate cycle being observed during most of the year. However, local rate peaks in periods of higher demand for rouble-denominated loans required for mandatory payments by banks and their customers declined, compared to 2009.

AVERAGE MONTHLY INTEREST RATES ON ROUBLE-DENOMINATED OVERNIGHT INTERBANK LOANS IN 2010 (percent p.a.)

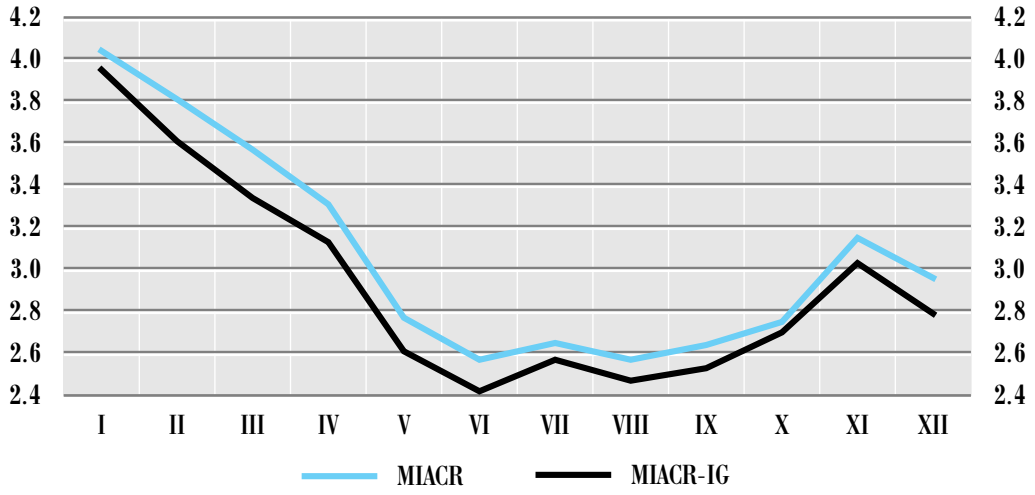


Chart 17

[1] *MIACR-IG is the average weighted rate on interbank loans to banks with an investment grade rating in the Russian market.*

FOREIGN EXCHANGE MARKET

In 2010, the overall situation in the domestic foreign exchange market was stable. In January—April 2010, the inflow of earnings from foreign trade transactions exceeded the net private capital outflow amidst a favourable foreign economic environment, determining a trend towards the appreciation of the rouble. In May 2010, due to a downturn in global oil prices and lower investor expectations (caused by the growing problems of sovereign debt servicing in certain eurozone countries), the appreciation of the rouble was replaced by its slight weakening, whereas the exchange rate became more volatile.

In June—August 2010, against the background of continued uncertainty in external markets, the rouble's exchange rate did not exhibit any explicit trend. In September—November 2010, the rouble tended to depreciate. As a result of reduced current account inflows explained by seasonal factors and import growth and net capital outflow owing to a build up of foreign assets and external debt service payments by the Russian corporate sector, the demand for foreign currency in the domestic foreign exchange market at that time exceeded its supply. In December 2010, the impact of these factors was partially mitigated by the accelerated growth in world oil prices, which contributed to the resumed appreciation of the rouble.

In 2010, the Bank of Russia took further efforts to improve the exchange rate policy mechanisms in order to increase the exchange rate flexibility. The scale of the Bank of Russia's presence in the domestic foreign exchange market was considerably smaller than in 2009.

Over 2010, the official US dollar/rouble exchange rate grew by 1.0% to 30.4769 roubles per US dollar and the official euro/rouble rate declined by 7.2% to 40.3331 roubles per euro (as of 31 December 2010).

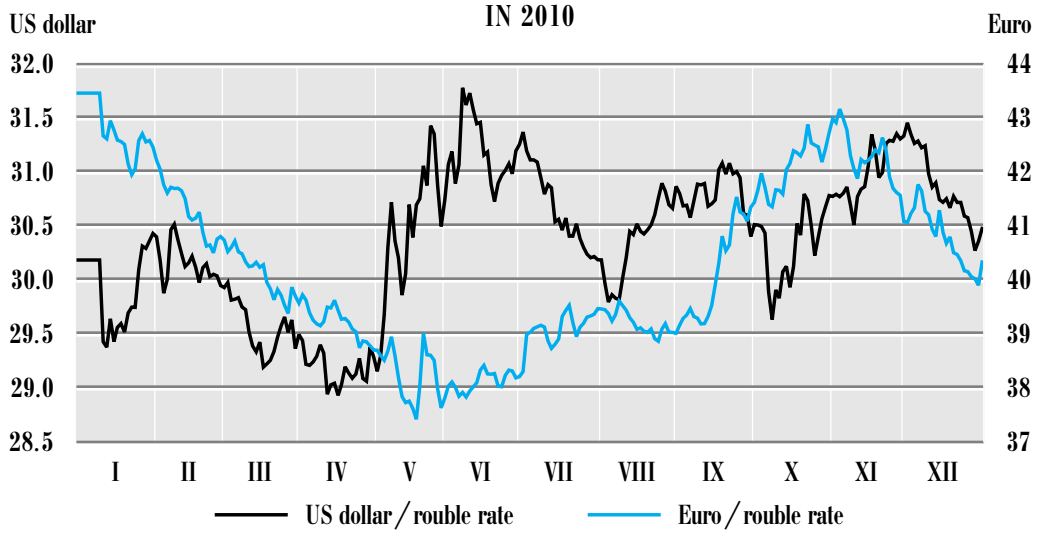
An increase of foreign trade transactions against a certain reduction of cross-border capital flows in 2010 (compared to 2009) explained the moderate growth of the domestic foreign exchange market turnover. In 2010, the overall average daily interbank exchange and over-the-counter spot market turnover grew by 8.0% year on year to $59.3 billion.

As in 2009, the rouble/US dollar was the most traded currency pair in the interbank spot market (63% of the total turnover). In 2010, the average daily turnover in this currency pair grew by 8.4% year on year to $37.4 billion.

In 2010, the share of the exchange transactions in the total interbank domestic foreign exchange market turnover declined. The rouble/US dollar turnover decreased by 7.7% to $2,252.1 billion and the rouble/euro turn-

Chart 18

OFFICIAL US DOLLAR / ROUBLE AND EURO / ROUBLE EXCHANGE RATES IN 2010



CURRENCY DISTRIBUTION OF INTERBANK SPOT FOREIGN EXCHANGE MARKET TURNOVER IN 2010
(percent)*

US dollar	94.7
Russian rouble	67.8
Euro	32.8
Pound sterling	2.4
Yen	0.8
Swiss franc	0.7
Other	0.8

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

over decreased by 36.5% to 249.7 billion euros. The lower turnover of the exchange-traded instruments was largely due to the decline in the volume of rouble/US dollar and rouble/euro FX swaps owing to a sustainable excess of the banking sector liquidity. In 2010 as compared to 2009, the turnover of rouble/US dollar FX swaps decreased by 18.2% to $1,114.0 billion, while rouble/euro FX swaps declined by 44.8% to 181.4 billion euros.

The turnover of forward FX instruments in the domestic foreign exchange market increased in 2010. The average daily turnover in the interbank forward FX market stood at $2.1 billion ($1.8 billion in 2009). The share of these transactions in the total interbank foreign exchange market turnover grew from 3.1% to 3.5%.

GOVERNMENT SECURITIES MARKET

FEDERAL GOVERNMENT BONDS (OFZ). In 2010 compared to 2009, the government securities market activity grew against the background of a normalisation of the domestic financial market conditions, an increased banking sector liquidity, and a rise in OFZ issuance in order to finance the federal budget deficit.

In 2010, 55 auctions for the initial and additional placement of OFZ issues were held. The total funds raised by the Ministry of Finance at the auctions amounted to 565.8 billion roubles. In addition, the Ministry of Finance raised 162.8 billion roubles in the secondary market.

OFZ bondholders were paid 245.4 billion roubles in coupon and principal redemption. In 2010, the total face value of outstanding OFZ grew by 584.4 billion roubles to 2,054.2 billion roubles. At the end of 2010, the duration of the OFZ portfolio was 3.7 years (4.3 years at the end of 2009).

In 2010, the secondary OFZ market turnover grew 2.4 times year on year to 1,657.1 billion roubles. Moreover, the market turnover in the main trading mode increased by 57.7% to 491.4 billion roubles, with negotiated deals growing 3.1 times to 1,165.7 billion roubles.

In January—April 2010, the yield on government bonds fell as the Bank of Russia cut the interest rates on its operations, and the banking sector liquidity increased. The effective OFZ market portfolio indicator reached 7.3—7.4% p.a. in April and stayed around this level until the end of 2010 (8.6—8.7% p.a. at the end of 2009). In 2010, zero-coupon yields fell by 120 basis points on average across the curve.

Despite the growing government securities market activity, its liquidity remained low. In 2010, the average secondary market daily turnover ratio in the main trading mode was 0.12% at face value (0.11% in 2009). In 2010, a considerable part of the OFZ portfolio was still held by passive investors who pursued a buy-and-hold strategy. Meanwhile, the share of non-residents in the OFZ market rose from 1.7% at the end of 2009 to 2.8% at the end of 2010.

Chart 19

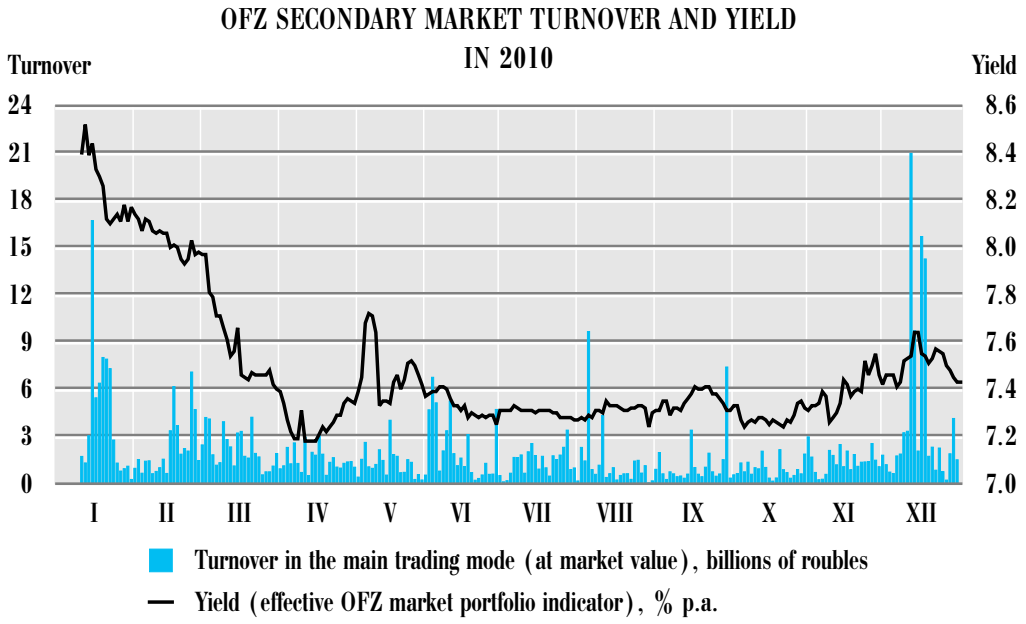
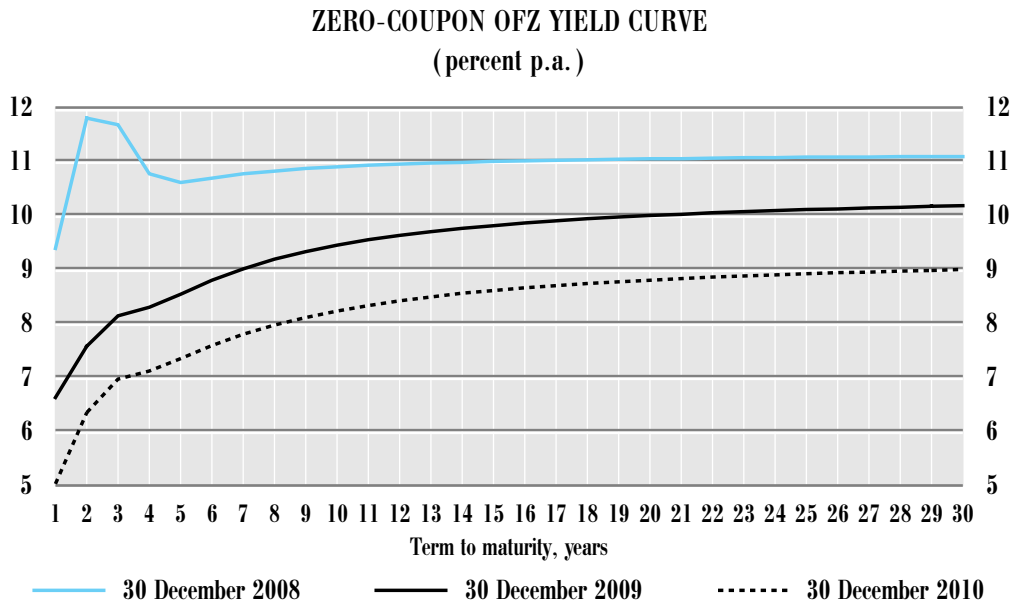


Chart 20



REGIONAL GOVERNMENT BONDS. Ministry of Finance data indicate that the nominal value of regional government bonds placed in the domestic market totalled 407.2 billion roubles as of 1 January 2011 (as against 377.8 billion roubles as of 1 January 2010). The value of municipal domestic bonded debt grew from 7.1 billion roubles as of 1 January 2010 to 8.3 billion roubles as of 1 January 2011.

The regional demand for market borrowing diminished as the Russian government provided financial support to the regions in 2009—2010, with the total regional (sub-federal and municipal) bonds placed at the MICEX Stock Exchange falling by 15% to 100.1 billion roubles at par in 2010 year on year. In 2010, regional issuers (primarily Moscow) were active in additional placements of bond issues that they had partially placed in 2006—2009. Thus, Moscow placed additional five bond issues totalling 66.4 billion roubles at par. The largest new regional bond issues were placed by the Nizhni Novgorod Region and the

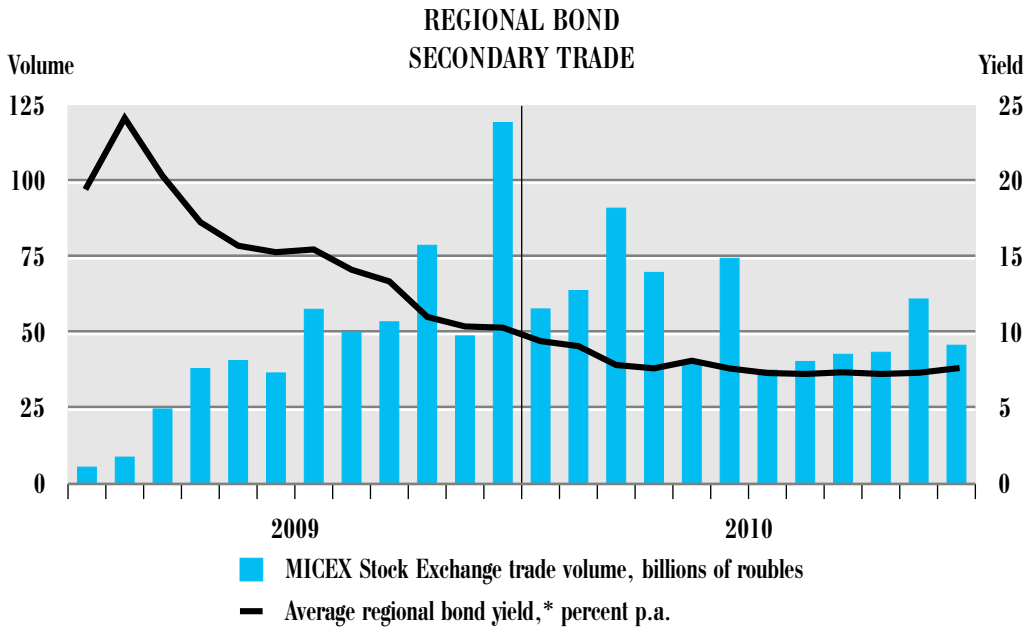


Chart 21

* According to the news agency Cbonds.ru.

Krasnodar Territory (5.0 billion roubles and 4.0 billion roubles at par, respectively).

Regional bond secondary trade turnover on the Moscow Interbank Currency Exchange (MICEX) and the MICEX Stock Exchange in 2010 expanded by 18.4% year on year and reached 668.5 billion roubles. The share of Moscow government bonds in the total turnover of regional bond secondary trades declined from 74% in 2009 to 62% in 2010 on these trading floors.

In the first half of 2010, the yield on sub-federal and municipal bonds continued to decline, while ranging within a narrow horizontal band in the second half of the year. The secondary market yield on the regional bonds of the major issuers ranged between 7.2% and 9.8% p.a. in 2010 (as against 9.9% and 25.6% p.a. in 2009).

RUSSIAN GOVERNMENT FOREIGN CURRENCY DEBT OBLIGATIONS. In 2010, the Russian Federation floated two Eurobond issues with nominal values of $2.0 billion and $3.5 billion in the international capital market and with maturities of 5 and 10 years, respectively.

In accordance with the 2010 repayment schedule, one Russian Federation Eurobond issue was redeemed in March, with the principal debt on the Russian Eurobond issue (maturing in 2030) partially repaid in March and September. The entire coupon income on all foreign currency-denominated bond issues was paid. As reported by the Ministry of Finance, in 2010 the repayment of principal debt totalled $1.3 billion, with coupon payments totalling $2.3 billion.

As reported by the Ministry of Finance, five Russian Federation Eurobond issues which were issued in 1998—2010 for a total of $30.5 billion at par and maturing in 2015—2030, and one internal government foreign currency bond issue (OVGVZ) with a par value of $1.8 billion, issued in 1996 and maturing in 2011, were traded in international markets as of 1 January 2011.

In 2010, Russian investors scaled down their commercial operations with Russian Eurobonds in the organised domestic market considerably. The actual value of Russian Eurobond trades on the MICEX and MICEX Stock Exchange contracted to 0.02 billion roubles from 0.67 billion roubles in 2009.

CORPORATE SECURITIES MARKET[1]

In 2010, the corporate securities market continued to recover. The equity market didn't reach its pre-crisis level with respect to a number of quantitative indicators; however, the corporate bond market not only surpassed this level, but also hit historical highs.

The reporting period witnessed a growing outflow of non-resident capital from the Russian corporate securities market. The balance of non-resident operations (total purchases net of total sales) in secondary trade on the MICEX Stock Exchange remained negative: trades in shares stood at 177.4 billion roubles and trades in corporate bonds stood at 97.2 billion roubles (this compares with 28.7 billion roubles and 87.8 billion roubles in 2009).

In 2010, the amount of public placements by Russian companies in major domestic and international stock exchanges declined compared to 2009, with investor demand for high-risk Russian financial assets still lower than in the pre-crisis period. Despite a high need for funds, Russian issuers postponed some public offerings in international stock exchanges that they had scheduled for 2010, with some increase being observed only in October—November against a background of positive price trends in the Russian equity market.

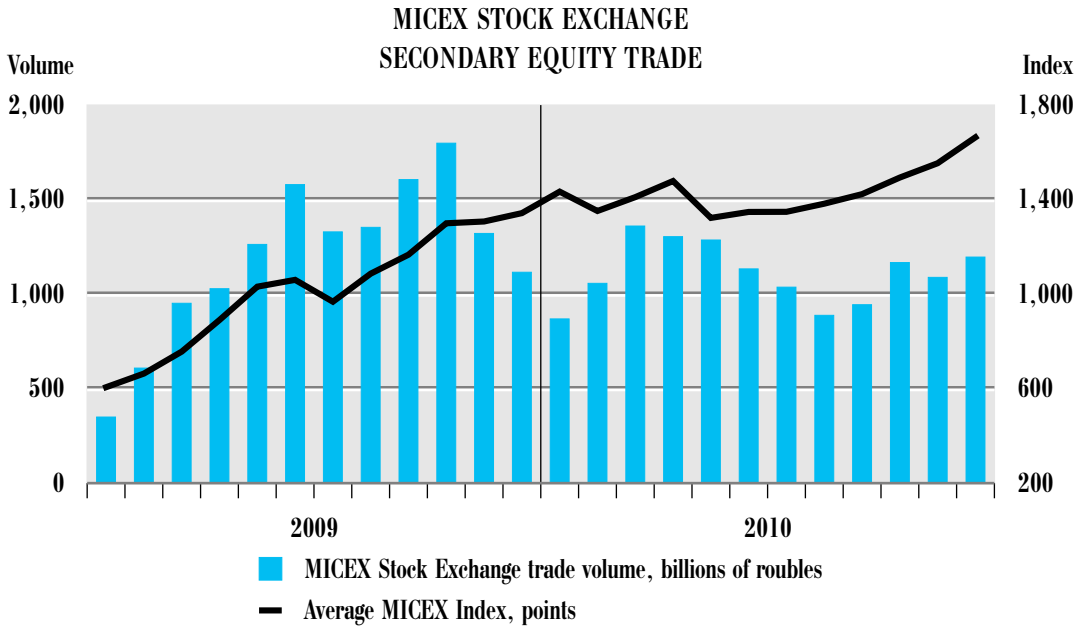
In 2010, the dynamics of Russian equity quotations were moderate compared to 2009. In January—August 2010, after repeated downward price adjustments, MICEX and the Russian Trading System (RTS) witnessed a rapid growth of their indices. Over 2010, MICEX and RTS indices grew by 23.2% and 22.5%, respectively.

By late 2010, the MICEX Stock Exchange equity market capitalisation grew by 29.8% (over 2009) to 29.0 trillion roubles (125.2% in 2009).

Exchange transactions in equities were performed primarily at the MICEX Stock Exchange and RTS, the two largest Russian exchanges. In 2010, the MICEX Stock Exchange accounted for nearly 80% of total exchange trading in equities, with secondary trades amounting to 13.3 trillion roubles, a decline of 6.8% compared to 2009. Exchange transactions largely involved the equities of credit institutions and oil and gas, metallurgical and electrical engineering companies.

In 2010, the outstanding bond portfolio continued to grow in the domestic **corporate**

Chart 22



[1] *Includes securities issued by non-financial organisations and financial institutions.*

bond market, with corporate bonds placed at the MICEX Stock Exchange declining by 6.3% year on year, down to 854.7 billion roubles at par, while the number of new issues was 191 (24.0% more than in 2009). No corporate bonds were placed on other exchange trading floors. A total of 16 rouble-denominated corporate bond issues totalling 20.7 billion roubles were placed in the domestic over-the-counter market. In 2010, issues with a high credit rating accounted for the majority of the placements.

In 2010, the number of defaults on corporate bonds remained significant, with the highest credit risk pertaining to those issuers that experienced problems servicing their debt in 2008—2009. Overall in 2010, total defaults and technical defaults on low-rated corporate bonds declined by 40% as compared to 2009[1].

In 2010, the corporate bond secondary trade turnover on the MICEX and the MICEX Stock Exchange grew by a factor of 1.8 year on year, to 4,472.0 billion roubles. Instruments issued by credit institutions and metallurgical, oil and gas, and railway companies accounted for the largest shares of the MICEX Stock Exchange corporate bond secondary trade turnover.

In 2010, the yield on corporate bonds in the secondary market tended to decline, only to reach 7.8% p.a. in late December.

In 2010, an upward price dynamics prevailed in the secondary market for the **promissory notes** of banks and non-bank organisations. As of the end of 2010, the portfolio of resident non-bank promissory notes discounted by Russian banks totalled 53.1 billion roubles, a 3% increase over early 2010. In 2010, the average interest rate on non-bank rouble-denominated promissory notes with maturities of six months to one year discounted by banks fell from 11.2% p.a. in the first quarter to 9.5% p.a. in the fourth quarter.

SECURITIES ISSUED BY CREDIT INSTITUTIONS. In 2010, the Bank of Russia registered 237 credit institution securities issues (this compares with 309 issues in 2009), with the nominal value contracting from 656.0 billion roubles in 2009 to 228.2 billion roubles in 2010.

In the reporting period, 202 share issues totalling 110.3 billion roubles were registered, down from 258 share issues worth 454.0 billion roubles in 2009. These included issues that were placed to increase the authorised capital of credit institutions (106.0 billion roubles), issues con-

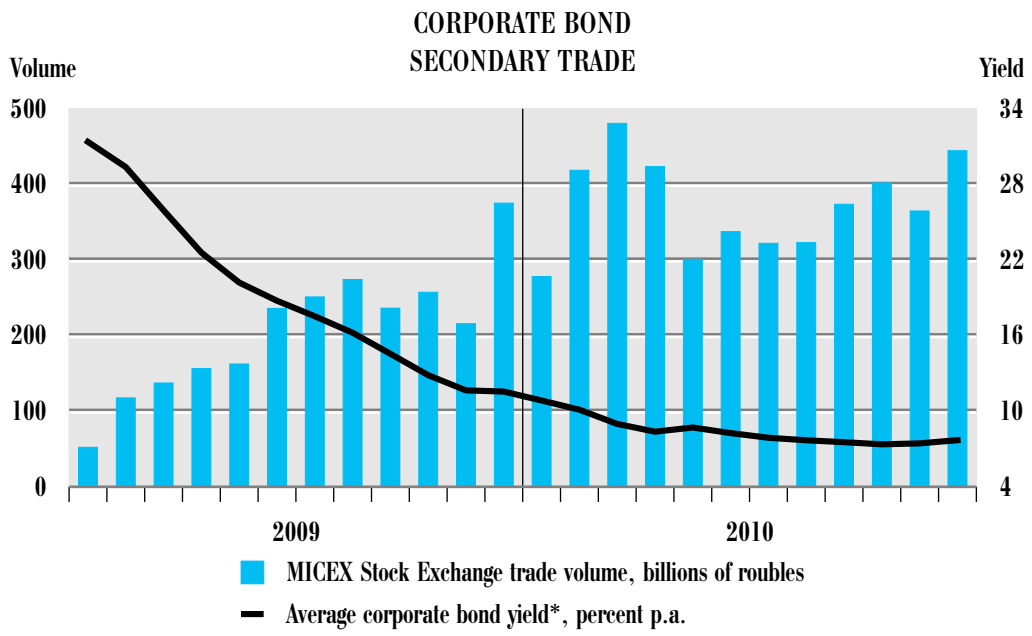


Chart 23

* According to Bank of Moscow data.

[1] *Source: the news agency Cbonds.ru.*

nected with the reorganisation of credit institutions (1.3 billion roubles), and those connected with shares' nominal value splitting and dilution (3.0 billion roubles). In 2009, the breakdown of these categories of share issues was 414.2 billion roubles, 6.7 billion roubles and 31.3 billion roubles, respectively.

In 2010, 177 share issue reports totalling 99.6 billion roubles were registered (in 2009, 235 reports totalling 380.9 billion roubles). These included 136 reports on share issues worth 85.3 billion roubles registered in the period under review (in 2009, there were 184 reports totalling 372.5 billion roubles).

The nominal value of bond issues registered in 2010 totalled 117.9 billion roubles, or 84.1 billion roubles less than in 2009. The number of registered bond issues fell from 51 in 2009 to 35 in 2010, while the nominal value of registered bond issue reports and notices increased from 86.1 billion roubles in 2009 to 93.3 billion roubles in 2010.

In 2010, 60 securities issues were cancelled, as not a single paper from these issues was floated and violations of federal law were committed in the course of the issue (these consisted of 36 share issues totalling 12.8 billion roubles and 24 bond issues totalling 104.0 billion roubles). These figures were considerably less than they were in 2009 (35 share issues worth 19.2 billion roubles and 49 bond issues worth 251.2 billion roubles).

The share of equities of credit institutions in the total volume of secondary equity trades on the MICEX Stock Exchange and RTS fell from 45% in 2009 to 42% in 2010. The prices of the most liquid instruments issued by credit institutions, ordinary shares floated by Sberbank and VTB Bank on the MICEX Stock Exchange, grew by 26% and 45%, respectively, by late 2010 as compared to late 2009 (in 2009, they grew by factors of 3.6 and 2.1, respectively). In 2010, the bonds of credit institutions accounted for 21% of total secondary trades in corporate bonds on the MICEX Stock Exchange (24% in 2009).

As of late 2010, the value of promissory notes and bank acceptances issued by Russian credit institutions totalled 0.8 trillion roubles, which is 7% more as compared to 1 January 2010. In the fourth quarter of 2010, the average rate on banks' own rouble-denominated promissory notes with maturities ranging from six months to one year was 7.3% p.a. (9.4% p.a. in the first quarter of 2010).

In 2010, the Bank of Russia registered 11 terms of issue and trade of certificates of deposit, and 7 terms of issue of savings certificates. As in 2009, most of the certificates of deposit and savings certificates (57.8 billion roubles) were issued by credit institutions based in Moscow and the Moscow Region.

FINANCIAL DERIVATIVES MARKET

In 2010, the activity of participants in the Russian derivatives market substantially increased, and significantly exceeded their pre-crisis level. Total futures and options trade turnover on the Russian exchanges[1] in 2010 amounted to 30.9 trillion roubles, a 2.1-fold increase over 2009. The average annual value of open positions on exchange derivatives (in contracts) on the principal trading floors (RTS, MICEX and MICEX Stock Exchange) declined by 10% year on year.

In 2010, as in 2009, the largest transactions in terms of amount were registered in the stock futures segment (contracts for stock indices and equities), which accounted for 79% of the total futures market turnover. In the currency futures segment (15% of the total futures and options turnover), the growth in trade turnover was ensured by US dollar/rouble and US dollar/euro contracts. As in 2009, the input of the commodity futures segment remained insignificant in the total exchange derivatives trade volume (2%),

[1] *RTS, MICEX, MICEX Stock Exchange, St Petersburg Currency Exchange and St Petersburg Exchange.*

FUTURES TRADE ON RUSSIAN EXCHANGES
(billions of roubles)

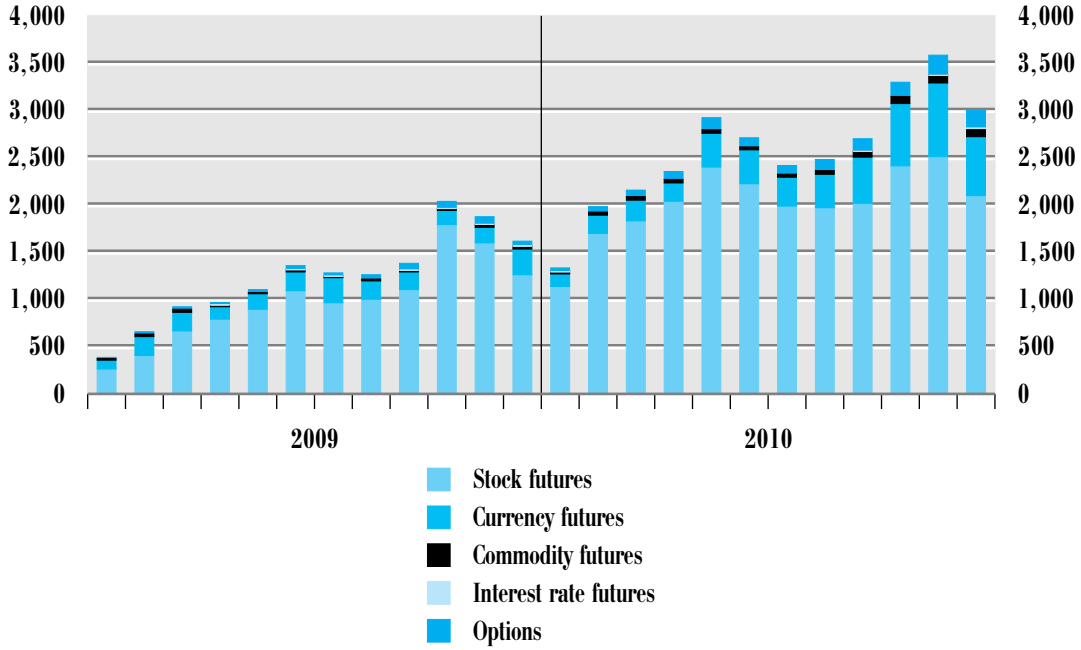


Chart 24

with demand being the highest for Brent crude and gold futures. Interest rate futures trades were sporadic. The options market turnover increased by a factor of 2.7 year on year but remained considerably lower as compared to that of the futures market.

I.5. BALANCE OF PAYMENTS AND FOREIGN DEBT

I.5.1. BALANCE OF PAYMENTS

The year 2010 witnessed a further recovery of Russia's involvement in international cross-border flows of goods and services. An improvement of the terms of trade contributed to an increase of the current account surplus and growth in reserves, with the net private capital outflow falling by one-third against the background of the resumed access of residents to the international capital market.

CURRENT ACCOUNT

In 2010, the **current account** surplus grew by 46.3% year on year, to $71.1 billion, with the decisive input of the **balance of trade** surplus, which rose to $151.4 billion from $111.6 billion.

Exports of goods grew by 31.9% to $400.1 billion. High growth rates of exports were observed across all aggregated commodity items, except for foodstuffs and raw materials used for their production.

A prevailing proportion of the increase in the value of exports was the result of higher contract prices, while deliveries grew only by 6.3% in physical terms.

Russian crude oil and petroleum products were supplied to external consumers at prices that were one-third higher than they were in 2009, with prices for natural gas being 7.7% higher. Considering the growth of deliveries in physical terms (1.3% for oil, 7.0% for petroleum products, and 5.6% for natural gas), the total export value of these goods reached $254.0 billion. Their contribution to total exports and their annual growth rates were approximately two-thirds.

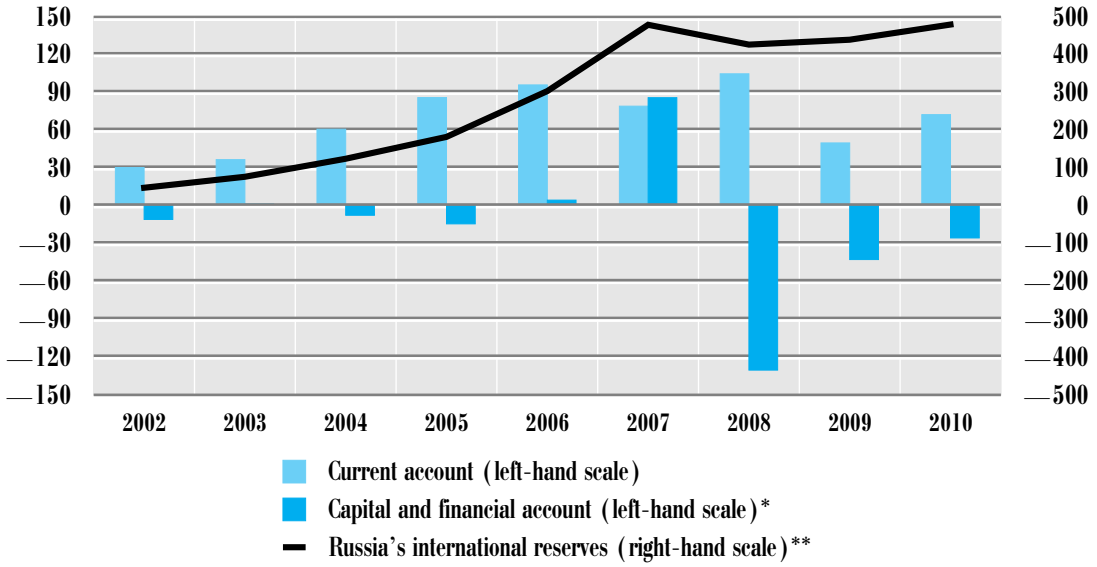
Exports of ferrous and non-ferrous metals and metal products increased to $42.7 billion, with the growth rate of ferrous metal exports noticeably behind the overall export dynamics. As a result, the share of ferrous and non-ferrous metals and metal products in exports shrank from 11.1% to 10.8%.

In terms of geographical structure of Russian exports, the share of EU countries did not change significantly (53.2%) while that of the Asia-Pacific Economic Cooperation (APEC) grew from 15.1% to 17.0%. The Netherlands, Italy and Germany accounted for the largest portion of deliveries (13.6%, 6.9% and 6.3%, respectively).

Imports of goods in the context of higher domestic demand and rouble appreciation grew by 29.7% to $248.7 billion. A dramatic inflow of imports of goods resulted mainly from the dynamic recovery of their physical volumes against a relatively moderate growth in their contract prices.

The rate of growth in engineering imports was higher than for imports in general (40.1%), with the share of machinery, equipment and transport

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



* Net of change in reserves.
** As of end of year.

Chart 25

vehicles in the total value of imports growing from 43.4% to 44.5%.

On the contrary, food imports demonstrated lower growth rates (21.5%) as their share declined by two percentage points to 15.9%.

In terms of geographical structure, the distribution of imports in 2010 was characterised by the declining share of EU countries (from 45.1% to 41.7%) and the stronger position of APEC countries (from 30.9% to 34.1%). China (the share of which grew to 17.0%), Germany (11.7%) and Ukraine (6.1%) remained Russia's leading import partners.

The deficit in the **balance of external trade in services** in 2010 hit a historic maximum for the period since 1991 ($27.8 billion or 40.1% higher than in 2009), the main reason being that imports of services grew faster than their exports.

Exports of services totalled $44.5 billion, demonstrating 6.9% growth, with different dynamics across the main types of services. The cost of transport companies' services for non-resident users grew by 20.5%, with business, professional and technical services growing 7.0% in physical terms. Meanwhile, exports of construction services contracted by 20.3% and non-residents' spending on travel in Russia fell by 4.1%.

Imports of services grew by 17.6% to $72.3 billion, with more than half of this growth resulting from the considerably higher expenses associated with Russian nationals' trips abroad, which exceeded $26.5 billion. While imports of transportation services were 26.8% higher than in 2009, residents purchased almost one-third more IT and data services.

The year 2010 witnessed a deficit in the **compensation of employees' balance** of $9.7 billion ($8.9 billion in 2009). Payouts grew by $1.2 billion as a result of an increase in the dollar equivalent of compensation to non-resident workers employed in the Russian economy, despite a decline in their number. Compensation paid to Russian nationals increased by $0.4 billion.

The deficit in the **balance of investment income** of $38.7 billion resulted from the accelerated growth in income payable (by 17.6%) which exceeded $72 billion, with income receivable growing by 11.7% to total $33.4 billion. Operations of other sectors[1] had a decisive impact, with their share of income payable reaching 83.1% in

[1] *Other sectors include non-financial corporations, finance corporations other than credit institutions, non-profit organisations providing services to households, and households.*

2010 or $59.9 billion. Income receivable of other sectors was in excess of $20.4 billion (61.2%).

The deficit in the **balance of current transfers** grew by 43.1% to $4.1 billion as a result of the resumed growth in household remittances abroad. Moreover, since September 2010 transfers came to include remittances of customs duties collected in the Russian territory and payable to Kazakhstan and Belarus as members of the Customs Union.

CAPITAL AND FINANCIAL ACCOUNT

CAPITAL ACCOUNT. The **capital account** demonstrated a surplus of $0.2 billion as there were no large debt forgiveness operations.

FINANCIAL ACCOUNT. The balance of the **financial account** (net of reserves) remained negative and continued to decrease, only to reach $26.6 billion in late 2010 ($31.6 billion in 2009). Unlike in 2009 when the financial account demonstrated a deficit as a result of the high growth rates of foreign assets, while the acquired foreign resources were insignificant. In 2010, exports of capital were compensated by a relatively high inflow of foreign funds into the Russian economy.

Foreign debt obligations grew (by $42.9 billion) at a rate that was 6.7-fold higher than in 2009 (when they grew by $6.4 billion). In 2010, all economic sectors had new borrowings, while the previous year was characterised by a growth in foreign liabilities, incurred largely by non-financial corporations in the context of foreign debt repayment by banks.

The general government's foreign liabilities increased by $4.3 billion, mainly as a result of a large amount of Eurobonds placed in the international market for the first time since 1998. In 2010, actual payments on the government foreign debt, including interest, amounted to $4.6 billion ($4.9 billion in 2009). Official debt ratios remained small in economic terms; the ratio of the government foreign debt service payments to exports of goods and services stood at 1.0% and to consolidated budget revenue at 0.9%.

The debt obligations of the monetary authorities declined by $2.4 billion as a result of the closure of repo transactions used to manage international reserves.

Total foreign capital raised by the private sector stood at $41.0 billion.

After a $42.1-billion reduction of liabilities in 2009, banks resumed large-scale international borrowing in 2010, which totalled $17.7 billion. These funds were raised in an approximately equal proportion: through increasing the current and deposit account balances of non-residents and through increased foreign borrowing. A large-scale external funding of the banking sector contributed to restoring the credit institutions' role as the main channel for Russian borrowers' access to the international capital market.

In 2010, foreign capital inflow into other sectors slowed down to $23.4 billion ($34.2 billion in 2009) largely as a result of a contraction in corporate debt refinancing, with non-financial corporations raising foreign capital mostly in the form of direct foreign investments, which grew by 18.9% to $35.7 billion. In terms of direct foreign investment allocation, the share of intercompany loans and foreign contributions to the capital of Russian corporations declined, whereas the share of reinvested income increased.

Resident **foreign assets** (net of reserves) grew by $69.5 billion ($38.0 billion in 2009). This growth was, nearly in its entirety, associated with private sector operations ($69.2 billion) while external claims by the general government and monetary authorities grew by only $0.3 billion in the absence of large intergovernment lending transactions in 2010.

The foreign assets of Russian banks grew by $1.8 billion (in 2009, they declined by $11.8 billion). In 2010, resident credit institutions continued to purchase foreign debt securities and stocks in the context of growing loan disbursements.

In 2010, other sectors' claims on non-residents grew by $67.5 billion ($60.0 billion in 2009); non-bank corporations exported capital largely in the form of direct investments, which showed a higher share of intercompany loans and reinvested income, as well as a lower share of contributions to the capital of foreign companies. In 2010, the de-dollarisation of the economy picked up, as the foreign cash savings of residents (except banks) shrank 3.5-fold, to result in a $14.8-billion reduction of foreign cash balances (a reduction of $4.3 billion in 2009).

A narrowed gap between the growth in foreign assets and liabilities of the private sector in 2010 led to a reduction in the net export of private capital from $56.1 billion in 2009 to $35.3 billion in 2010.

INTERNATIONAL RESERVES

Owing to operations recorded in the balance of payments, Russia's international reserves grew by $36.8 billion. The main foreign currency purchase transactions on the domestic market were executed by the Bank of Russia in January—August 2010, with international reserves partially sold in September—December to maintain a stable demand and supply balance in the market. Taking other changes into account, including an exchange rate and market revaluation, international reserves grew by $39.9 billion in 2010 to $479.4 billion as of 1 January 2011. In terms of the international reserve structure, the share of monetary gold grew at a faster rate, to 7.5%, while the share of foreign currency went down to 92.5%.

As of 1 January 2011, international reserves were sufficient to finance imports of goods and services for 18 months (21 months as of 1 January 2010).

I.5.2. EXTERNAL DEBT

As of 1 January 2011, Russia's external debt (to non-residents) grew by $21.4 billion to $488.7 billion, with $31.4 billion contributed by the balance of payment operations, only to decline by $10.0 billion as a result of the exchange rate and other changes.

The total debt obligations of banks and other sectors reached $442.1 billion (up to 90.5% of Russia's external debt), while those of the general government and monetary authorities reached $46.6 billion (down to 9.5%). Moreover, the extended government's[1] contribution to external debt grew to 40.8% over the year to $199.3 billion. The liabilities of the federal government grew to $32.2 billion. In terms of structure, a new sovereign debt made the largest contribution to the federal debt (91.0%). The share of debt that had been assumed by the Russian Federation as a successor to the former USSR declined to 9.0%. The major components of the federal debt included securities and loans issued by supranational financial institutions (77.8% and 9.8%, respectively).

As of 1 January 2011, the liabilities of the constituent territories of the Russian Federation reached $2.4 billion.

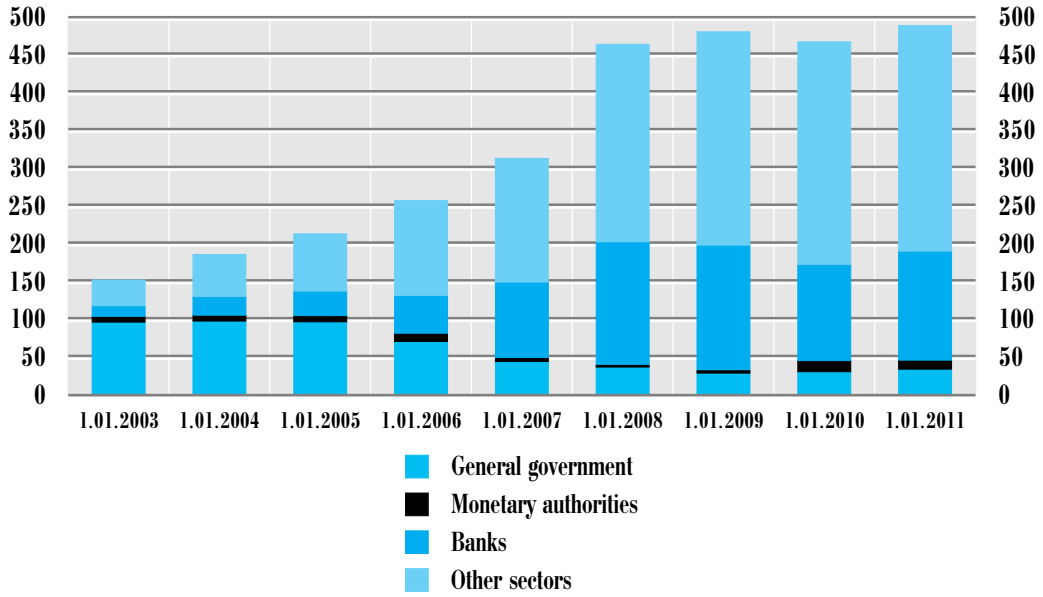
In 2010, the debt of monetary authorities declined by $2.6 billion to $12.0 billion.

After a considerable decline in 2009, the external liabilities of Russian credit institutions grew by $17.0 billion in 2010, reaching $144.2 billion. This is a quarter below the historical high registered in 2008, with external liabilities of banks growing to 29.5% of the total external debt.

The share of other sectors, while still a critical component of the total debt, declined by 2 percentage points to 61.0%. The external liabilities of non-bank corporations approached the pre-cri-

Chart 26

RUSSIA'S EXTERNAL DEBT
(billions of US dollars)



[1] *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.*

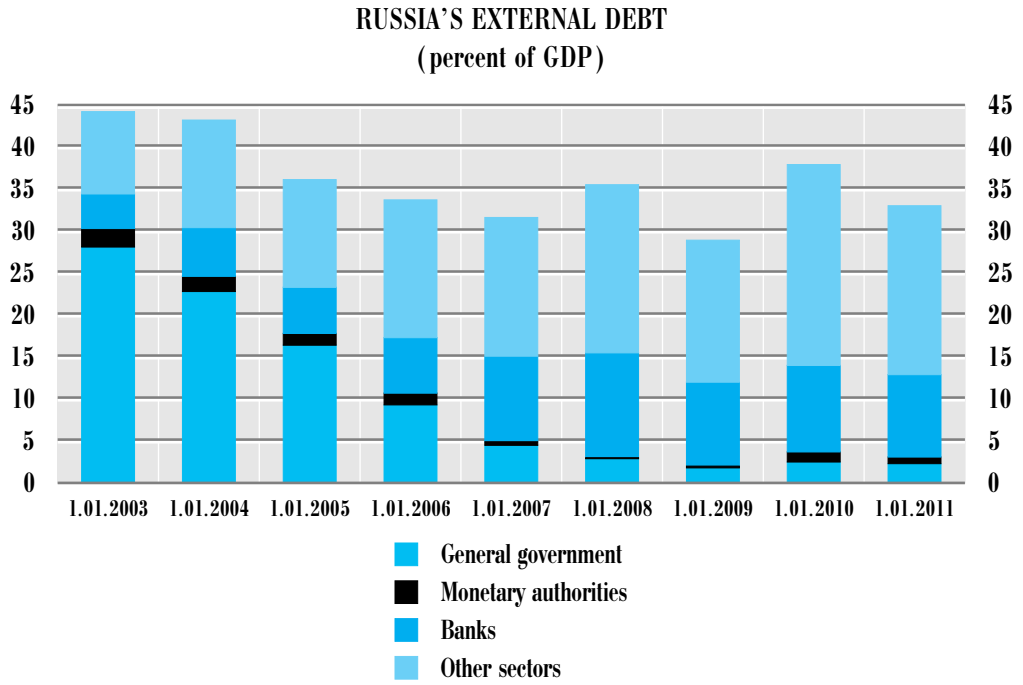


Chart 27

sis level, reaching $297.9 billion, as of 1 January 2011. Borrowing was accumulated primarily in the form of intercompany loans and issued debt securities.

In terms of structure, the share of long-term liabilities contracted to 87.6% of the total external debt with a corresponding growth in short-term liabilities. In terms of currency, rouble-denominated debt grew to 19.5% while foreign currency-denominated debt declined to 80.5%.

As of 1 January 2011, the Russian debt was not considered critical by international standards, with the ratio of external debt to GDP standing at 33.1% (37.9% as of early 2010), and the ratio of the external debt liabilities of general government to GDP standing at 2.3% (2.5%).

BANK OF RUSSIA ACTIVITIES

II

II.1. MONETARY POLICY

II.1.1. MONETARY POLICY OBJECTIVES AND RESULTS

As indicated in 'Guidelines for the Single State Monetary Policy in 2010 and for 2011 and 2012', the main objective of the monetary policy was the reduction of inflation. The government and the Bank of Russia planned to reduce inflation to 9—10% in 2010.

In 2010, monetary policy was implemented in a context where the negative outcome of the worst phase of the global financial and economic crisis had largely been overcome. The large-scale anti-crisis measures that were implemented by the government and the Bank of Russia in 2008—2009 contributed to the stabilisation of the financial market and the banking system's operation and economic recovery. As the financial system's main macroeconomic indicators started to improve, the Bank of Russia could gradually wrap up the measures it had implemented at the height of the crisis. At the same time, due to the unstable nature of the recovery processes in the real sector and the slow growth of bank lending, the Bank of Russia had to make decisions aimed at maintaining the accommodative monetary policy for most of 2010.

Over the year, the inflation target was achieved, although the inflation dynamics were uneven throughout the reporting year. During the first six months, in an economy characterised by a slow recovery in demand and the appreciation of the rouble, the trend towards lower inflation (which had emerged in 2009) was stable. However, starting in August, consumer price growth and inflation expectations picked up, boosted by unfavourable price shocks.

INTEREST RATE POLICY

Given slower inflation and lower inflation expectations, the Bank of Russia cut interest rates on its operations four times during the first six months of 2010. Its rate on overnight loans and refinancing rate fell from 8.75% to 7.75% p.a., the minimum overnight repo auction rate went down from 6.0% to 5.0% p.a., and the interest rate on overnight and demand deposits went down from 3.5% to 2.5% p.a. This contributed to increasing the real sector's access to borrowed funds, the growth of lending operations in the banking sector, the creation of an environment conducive to the recovery of domestic demand, and the limiting of the inflow of short-term speculative capital.

In June, money market interest rates reached a level which ensured an acceptable balance between the main macroeconomic risks. This allowed the Bank of Russia in June—November of 2010 to decide to maintain the refinancing rate and interest rates on its operations at the same level; that is, to complete the cycle of easy monetary policy.

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

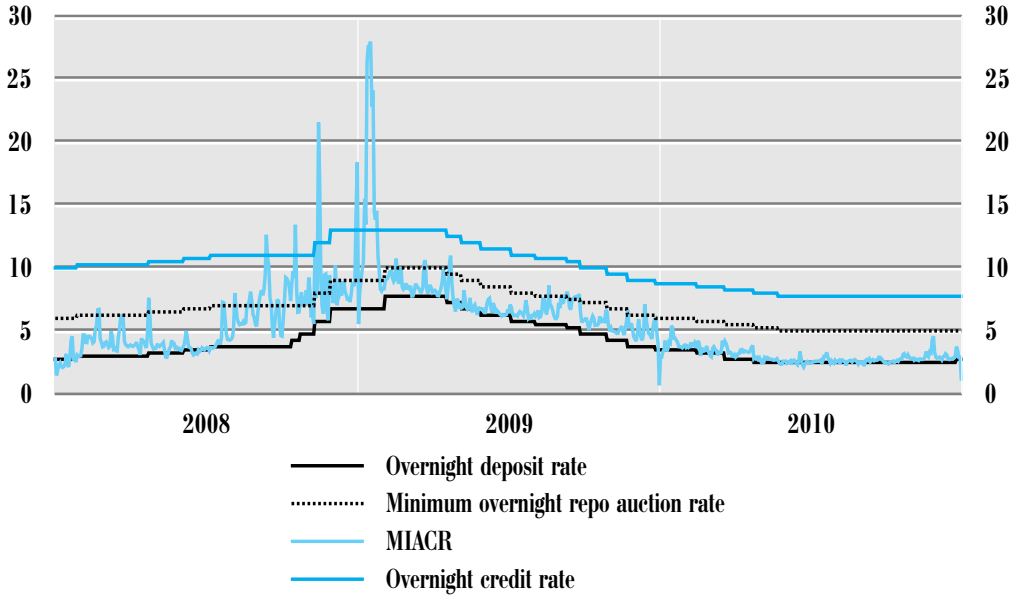


Chart 28

The Bank of Russia proceeded to maintain its interest rates without changing them, despite an acceleration in the growth of consumer prices that started in August 2010 due to the summer drought. This was caused by the need to continue pursuing the monetary policy, which supported domestic economic growth factors, in view of the risks to the policy's sustainability, while keeping the inflation risks that resulted from the monetary environment at an acceptable level.

Given the high liquidity maintained by the banking sector throughout 2010, the rates on Bank of Russia fixed-term deposit operations had a decisive impact on short-term interest rate movements in the interbank money market. To make its interest rate policy more efficient, the Bank of Russia decided to resume deposit transactions on standard overnight terms from 29 March 2010, and extended the date for the acceptance of related bank bids via Reuters Dealing system in September. Starting from 1 June 2010, once the interest rates on overnight, tom-next, spot-next and call deposits equalised, the single interest rate on these types of deposits started to determine the floor of the interest rate band for the Bank of Russia's operations, its width being reduced by 0.25 percentage points.

In December 2010, the Bank of Russia raised interest rates on deposit transactions by 0.25 percentage points while maintaining the refinancing rate and rates on liquidity provision transactions at the same level. The narrower interest rate band was designed to improve the efficiency of the interest rate policy and lead to a reduction in the volatility of the market interest rates.

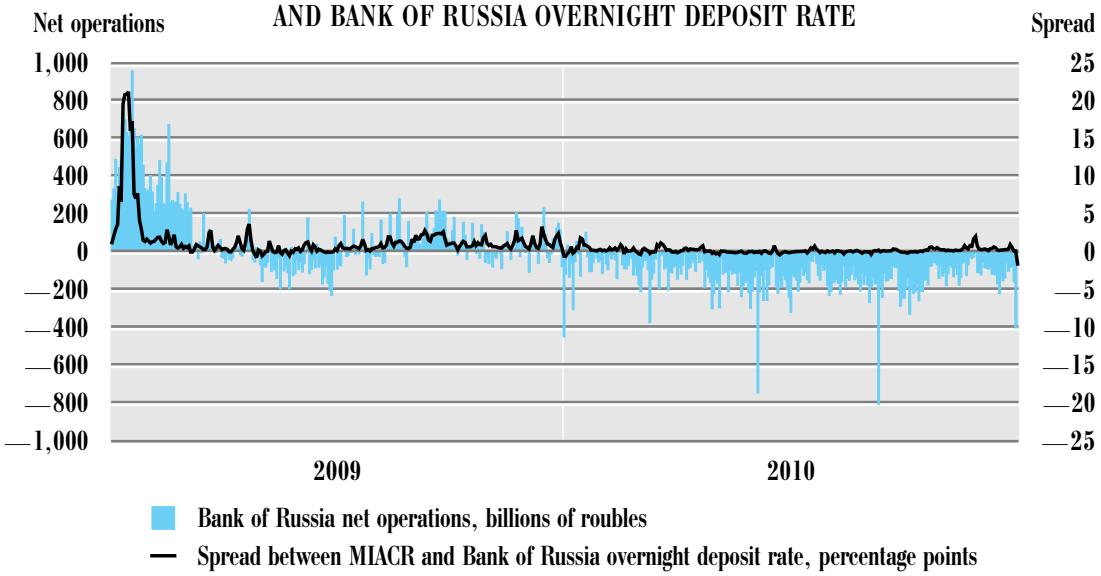
For changes in the refinancing rate and Bank of Russia interest rates in 2010, see Table 43 in section IV.3 'Statistical Tables'.

A change in the Bank of Russia's interest rates substantially impacted the interest rate dynamics in the interbank money market. In January—June 2010, downward dynamics prevailed in the market against a background of lowering rates on Bank of Russia operations. In the third quarter of 2010, the money market rates stabilised at their June 2010 level, and weak growth was observed in the fourth quarter of 2010. In December 2010, the average weighted MIACR on overnight rouble loans was 2.2 percentage points lower than in December 2009. Over 2010, the spread between the interbank market rate and the floor rate of the Bank of Russia's interest rate band did not exceed one percentage point, except for specific periods of higher demand for liquidity, when the spread increased to two percentage points.

In 2010, given gradual macroeconomic stabilisation and as a result of the downward dy-

Chart 29

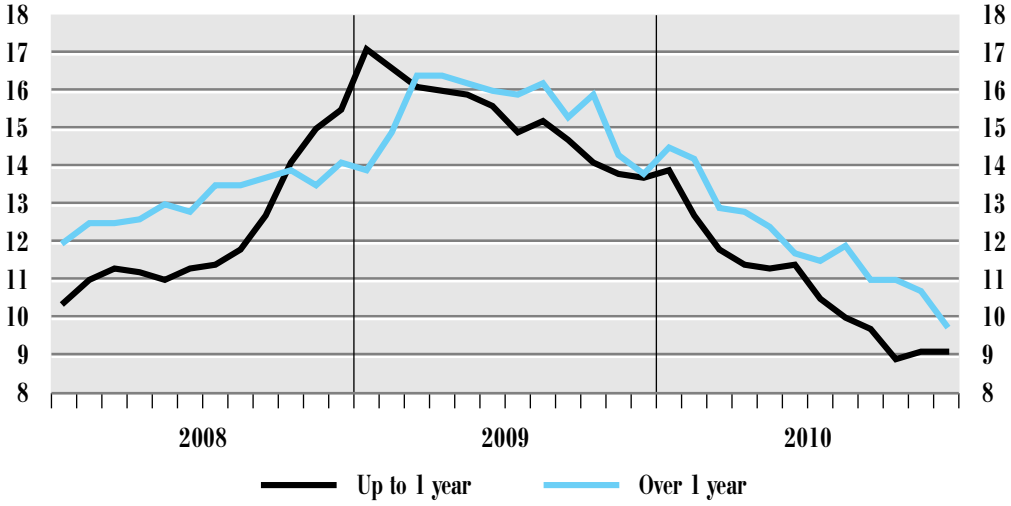
BANK OF RUSSIA NET OPERATIONS* AND SPREAD BETWEEN MIACR AND BANK OF RUSSIA OVERNIGHT DEPOSIT RATE



* Net operations is the difference between the Bank of Russia's operations to provide liquidity (net of operations in the domestic foreign exchange market) and operations to absorb the banking sector's liquidity.

Chart 30

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



namics of the refinancing rate and the rates on Bank of Russia operations, the interest rates on loans to non-financial borrowers hit historical lows, except for loans to households. The average weighted interest rate on rouble-denominated loans to non-financial organisations with maturities of up to one year contracted from 13.9% p.a. in January to 9.1% p.a. in December 2010 and with maturities of over one year from 14.5% to 9.8% p.a. The average weighted interest rate on rouble-denominated loans to households with maturities of up to one year declined considerably (by 8.9 percentage points, or down to 24.7% p.a.) while that on loans with maturities of over one year declined less (from 20.3% p.a. in January to 16.7% p.a. in December 2010).

Most Russian credit institutions were able to solve the funding problem, which contributed to the reduction of interest rates on household deposits to all-time lows over 2010. The average

MONETARY AGGREGATES
(growth as a percentage of corresponding date of previous year)

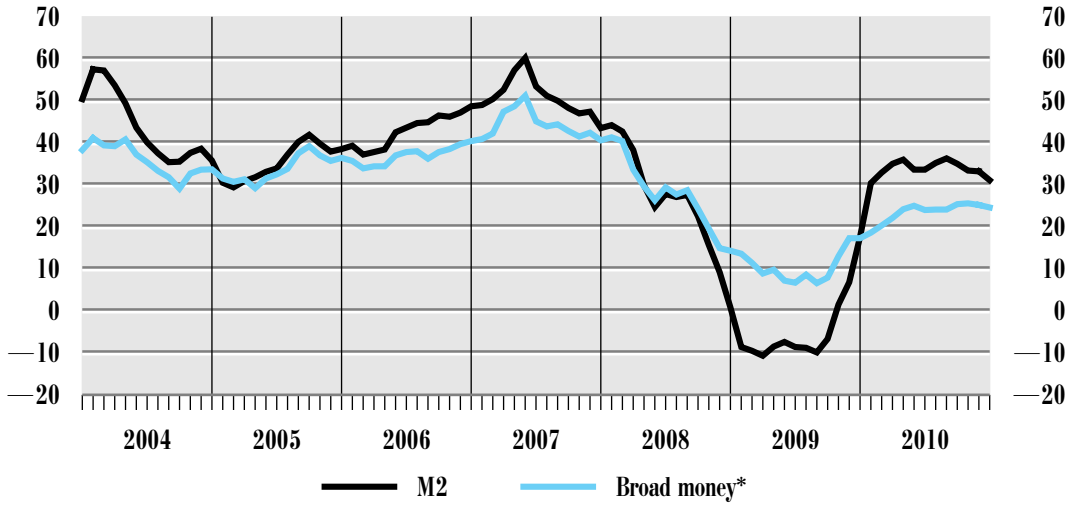


Chart 31

* Broad money includes foreign currency deposits.

weighted interest rate on household rouble deposits with maturities of up to one year (except for demand deposits) was 5.5% p.a. in December 2010, while that of those with maturities of one to three years was 5.3% p.a.

MONEY SUPPLY

The year 2010 witnessed a continued growth in money demand, which was to a large extent supported by the start of an economic recovery and the appreciation of the rouble (primarily in early 2010). At the same time, the money supply grew at a fairly fast rate.

Annual rates of growth in the rouble supply (M2 monetary aggregate) had been on the rise since September 2009. Over 2010, the annualised M2 growth rates increased from 17.7% as of 1 January 2010 to 31.1% as of 1 January 2011, this indicator being sustainably in excess of 30% over the whole reporting year. The M2 growth rate slowed down to some extent only in the fourth quarter of 2010.

Household deposits grew at the highest rate among all other M2 components during the reporting year. In 2010, their volume increased by 43.6% (27.1% over 2009). The maximum annual rates of growth in household rouble-denominated deposits (in excess of 48%) were observed in August—September 2010, with a gradual slowdown in the fourth quarter.

Annual rates of growth in rouble deposits of non-financial organisations were on the rise until May 2010 (38.0% as of 1 May 2010), with a noticeable slowdown in the months that followed. As a result, they grew by 22.7% over the year (17.9% over 2009).

In 2010, M0 grew by 25.4% (only 6.4% in 2009), with some slowdown of the annual growth rates observed only in the last months of the reporting year.

The foreign exchange rate dynamics determined a change in the demand of economic agents for foreign currency. The net sales of foreign currency to households via exchange outlets, which totalled nearly $15 billion in 2009, declined to $6.7 billion in 2010. According to the Russian balance of payments data, foreign cash outside the banking sector fell by $14.8 billion over 2010 ($4.3 billion over 2009). Meanwhile, the total foreign currency deposits declined by 1.3% in 2010 in rouble terms, with a somewhat deeper reduction in dollar terms. Moreover, the main reduction occurred in the first half of the year (4.5%), with foreign currency deposits growing by 3.4% in the second half (primarily in the fourth quarter). During 2010, the share of foreign currency deposits within the structure of broad money continued to fall down to 15.9% as of 1 January 2011 (20.0% as of 1 January 2010).

Annual rates of broad money growth, which had started in September 2009, were still on the

Chart 32

ROUBLE AND FOREIGN CURRENCY DEPOSITS
(growth as a percentage of corresponding date of previous year)

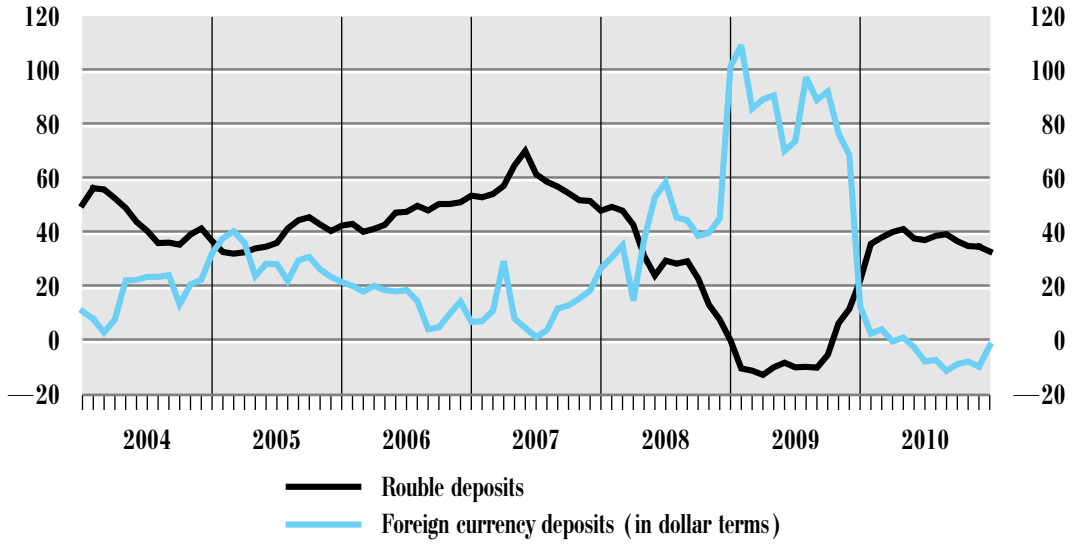
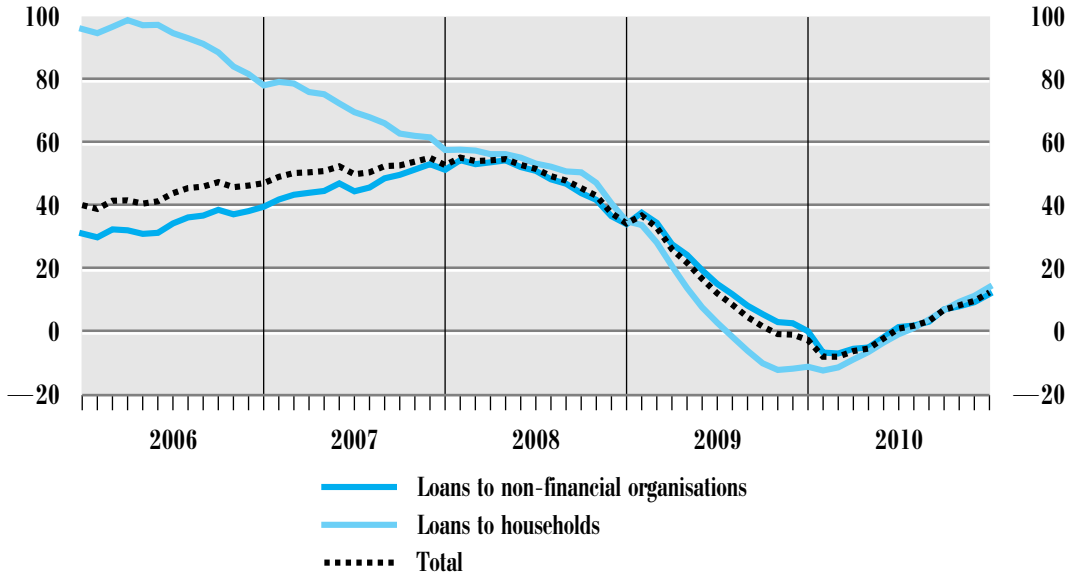


Chart 33

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



rise during the reporting year (from 17.3% to 24.6%) despite some stabilisation of the dynamics in the second half of 2010.

In 2010, the growth in the overall money supply resulted mainly from the growing net foreign assets of the banking system and higher claims on the general government. Overall, the net foreign assets of the banking system amounted to 1,094.6 billion roubles as a result of a 1,323.3 billion rouble increase of the Bank of Russia's net foreign assets (an increase of 495.9 billion roubles in 2009). On the contrary, in the reporting year, the net foreign assets of credit institutions declined by 228.7 billion roubles (an increase of 1,220.1 billion roubles in 2009).

In the reporting year, despite the decrease in the role played by the budget factor in the money supply, the banking system's net claims on the general government grew by 1,855.4 billion roubles (2,693.1 billion roubles in 2009).

The bulk of this growth, like in 2009, was associated with the Bank of Russia's higher net claims on the general government (an increase of 1,585.7 billion roubles). In 2010, credit institutions' claims on the general government grew by 269.7 billion roubles.

From the second half of 2010, higher bank lending to the real sector contributed more noticeably to the growth in the money supply. Over 2010, credit institutions' claims on non-financial organisations and households grew by 2,286.1 billion roubles (404.4 billion roubles in 2009).

The easy monetary policy in 2009—2010, which resulted in a lower cost of borrowing, and a recovery in the demand for credit among non-financial borrowers in the context of gradual economic revival, contributed to higher annual rates of growth in the real sector's debt, with that of non-financial organisations growing by 12.1% over 2010 (0.3% over 2009). Debt on loans to households grew by 14.3% (a decline of 11.0% in 2009). As a result, the total debt on loans to non-financial organisations and households grew by 12.6% over the reporting year.

Thus, positive trends in the real sector and the fairly stable operation of the banking system in the reporting year created an environment where more active lending supported economic growth.

II.1.2. MONETARY INDICATORS AND MONETARY POLICY INSTRUMENTS

In 2010, the monetary authorities regulated the money supply against the background of a gradual recovery in the banking sector's lending activity and the economic growth in the country amid lower economic risks, as supported by the Bank of Russia's accommodative monetary policy. Meanwhile, periods of instability in international financial and commodity markets, and the unstable and uncertain dynamics of a number of key macroeconomic indicators in Russia were among the factors which considerably affected the intrayear dynamics of the money supply. The considerable liquid rouble funds maintained by credit institutions over 2010 allowed the Bank of Russia to gradually reduce the use of anti-crisis instruments to support the banking sector.

DYNAMICS AND SOURCES OF BROAD MONETARY BASE

In 2010, the broad monetary base[1], which is a measure of the money supply provided by the monetary authorities, grew by 26.6% (15.9% in 2009). Given a stronger balance of payments (as compared to 2009) and the managed floating exchange rate regime, the growth in the international reserves of the Russian Federation was one of the main sources of the monetary base's growth in 2010, and the main reason for its faster growth rates compared to the previous year. In 2010, Russia's international reserves grew by $39.9 billion ($13.2 billion in 2009[2]). The net money emission through the Bank of Russia's interventions in the domestic foreign exchange market grew from 0.5 trillion roubles in 2009 to 1.0 trillion roubles in 2010.

Meanwhile, the external factors behind the unstable growth in international reserves considerably affected the intrayear dynamics of the monetary base. The Bank of Russia's largest net purchase of foreign currency in the domestic FX market occurred in the first two quarters of 2010, due to a favourable foreign economic environment and capital inflow into Russia, which resumed in March 2010. In the first quarter of 2010, the monetary base did not change significantly (−1.6%) since the money supply growth resulting from currency interventions was almost fully compensated for by a reduction of the Bank of Russia's gross lending to credit institutions (by 0.7 trillion roubles). In the second quarter, the Bank of Russia's operations in the domestic foreign exchange market became a key factor driving the increase in the monetary base (by 13.1% or 0.8 trillion roubles), with gross lending contracting by 0.2 trillion roubles.

In September 2010, as the situation in the foreign exchange market changed, the Bank of Russia started to sell foreign currency, which contributed to deceleration of the money supply growth. Over September—December, the outflow of funds from the banking sector as a result of these sale interventions was approximately 0.4 trillion roubles.

Over the reporting year, the fiscal policy was more restrictive than in 2009. Given the improved foreign economic environment and the federal government's more conservative spend-

[1] *The broad monetary base is comprised of cash issued by the Bank of Russia, including balances in credit institutions' tills, funds in credit institutions' required reserve accounts with the Bank of Russia, credit institutions' correspondent accounts in roubles (including the averaged balances of the required reserves) and deposit accounts with the Bank of Russia, and credit institutions' investments in Bank of Russia bonds.*

[2] *This amount was recalculated into US dollars on the basis of official exchange rates of foreign currencies against the rouble and gold quotes set by the Bank of Russia and effective as of the reporting date.*

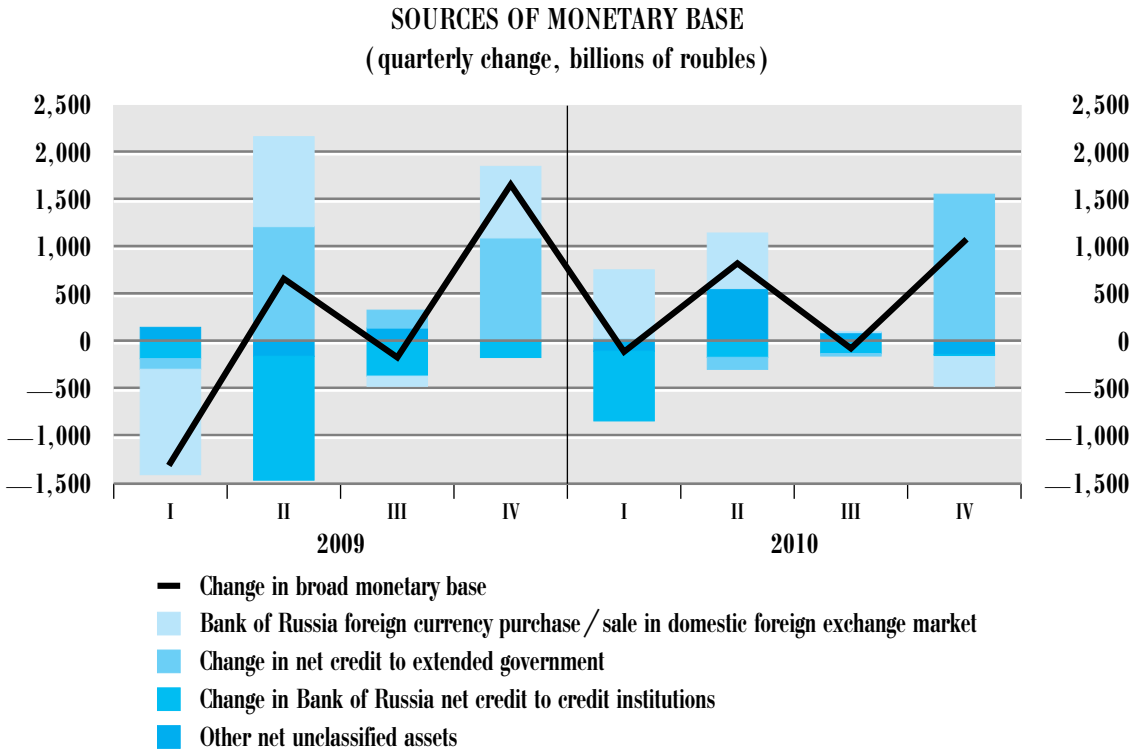


Chart 34

ing of budget funds (federal budget expenditure fell from 24.9% of GDP in 2009 to 22.5% of GDP in 2010), the federal budget deficit declined from 6.0% of GDP in 2009 to 4.0% of GDP in 2010. The growth in net lending to the extended government over 2010 was 1.4 trillion roubles (2.4 trillion roubles over 2009). Meanwhile, the influence of the state budget system on the growth in the monetary base over the reporting year was uneven. Thus, in January—October, the extended budget[1] was executed with a surplus, a factor which contained the dynamics of the money supply. But in the fourth quarter of 2010 (mainly in December), the money supply grew largely owing to increased net credit to the extended government (by 1.5 trillion roubles), with the monetary base growing by 14.9% over this period. In 2010, the federal budget deficit was financed largely at the expense of the Reserve Fund, which contracted from 1.8 to 0.8 trillion roubles over the year.

A combined inflow of liquidity via the foreign currency and budget channels helped further reduce credit institutions' demand for the Bank of Russia's refinancing instruments and the volume of their outstanding liabilities on loans provided by the Bank of Russia.

In 2010, the average daily volume of Bank of Russia liquidity provision operations was 11.1 billion roubles (187.5 billion roubles in 2009). In the first half of the year, the average daily volume of operations was larger than in the second half (20.5 billion roubles and 2.7 billion roubles, respectively) since credit institutions still needed funds to refinance previous borrowings (including unsecured loans).

The total liquidity provided by the Bank of Russia to the banking sector in 2010 (apart from interventions in the domestic foreign exchange market and intraday loans) amounted to 2.8 trillion roubles (46.7 trillion roubles in 2009), of which 2.4 trillion roubles were provided in the first half of the year.

The Bank of Russia's gross credit to the banking sector dropped by 1.1 trillion roubles over the reporting year. In terms of the structure of the Bank of Russia's gross credit, the most significant decline was observed in the volume of outstanding loans secured by non-market assets or

[1] *Consolidated budget of the Russian Federation and budgets of government extra-budgetary funds.*

guarantees, unsecured loans and subordinated loans[1].

The factors behind the dynamics of the banking sector's liquidity resulted in slower growth in the total reserves of credit institutions[2] in 2010, down to 28.7% (36.2% in 2009). The intrayear changes in total reserves corresponded to the monetary base dynamics: over the first and the third quarters of 2010, they fell by 2.1% and 8.0%, respectively, while demonstrating growth of 18.9% and 20.2%, respectively, in the second and fourth quarters. The highest growth in 2010 was demonstrated by credit institutions' deposits with the Bank of Russia and their investments in Bank of Russia bonds (OBRs), with aggregate annual growth of 54.2%.

BANK OF RUSSIA LIQUIDITY ABSORPTION OPERATIONS

High level of the rouble liquidity in the banking sector in 2010 underscored the role of the absorption of excess liquidity for monetary policy purposes, the main instruments used by the Bank of Russia being deposit transactions and operations with OBRs conducted with credit institutions. The total amount of funds absorbed through the use of these instruments grew from 0.8 trillion roubles as of 1 January 2010 to 1.2 trillion roubles as of 1 January 2011.

The Bank of Russia performed **deposit transactions** at fixed interest rates pursuant to overnight, tom-next, spot-next, call, 1 week, and spot-week standard terms, and also at interest rates determined through auctions for 4-week and 3-month deposits. Over 2010, the Bank of Russia's total deposit transactions doubled as compared with 2009, up to 35.3 trillion roubles, including 34.1 trillion roubles at fixed interest rates and 1.2 trillion roubles at auction-based rates. In 2010, the Bank of Russia's average debt on deposits grew by 97.5% as compared to 2009, reaching 566.1 billion roubles.

The decision of the Bank of Russia to resume overnight deposit transactions and extend the time for submitting the bids by credit institutions corresponded to the needs of the market participants. While overnight deposit transactions accounted for 29.3% of total deposit transactions, the share of call deposit transactions fell from 44.8% in 2009 to 10.6% in 2010, with 1-week deposit transactions being the most demanded in 2010 (53.1% as against 43.3% in 2009).

In order to improve the system of monetary policy instruments, the Bank of Russia decided to suspend auctions for 3-month deposits, effective from 1 January 2011.

During the reporting year, the Bank of Russia stepped up the use of **OBR operations** in view of the growing demand for this instrument. In 2010, the amount of outstanding OBRs doubled to reach 588.9 billion roubles and in September 2010 it reached its maximum of 996.1 billion roubles at market value. Over 2010, the Bank of Russia raised a total of 1.9 trillion roubles through OBR auctions (0.3 trillion roubles in 2009). Sales and purchases of OBRs by the Bank of Russia in the secondary market in 2010 amounted to 14.0 billion roubles and 100.0 billion roubles, respectively.

In November 2010, in order to increase the influence of its operations on the short-term money market interest rates, the Bank of Russia made a decision to switch to issuing 3-month OBRs, to be placed every two months (previously the primary placement of OBRs was for a 6-month period and held every three months) and to terminate, effective 15 December 2010, the market maker function in the secondary OBR market.

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[1] *In May 2010, Sberbank repaid ahead of schedule one of the subordinated loans (worth 200 billion roubles) extended by the Bank of Russia in late 2008.*

[2] *Total banking sector reserves are comprised of cash balances in credit institutions' tills, credit institutions' required reserve accounts with the Bank of Russia, credit institutions' correspondent accounts in roubles (including the averaged balances of the required reserves) and deposit accounts with the Bank of Russia, and credit institutions' investments in Bank of Russia bonds.*

BANK OF RUSSIA GROSS CREDIT AND LIABILITIES ON LIQUIDITY ABSORPTION TRANSACTIONS (billions of roubles)

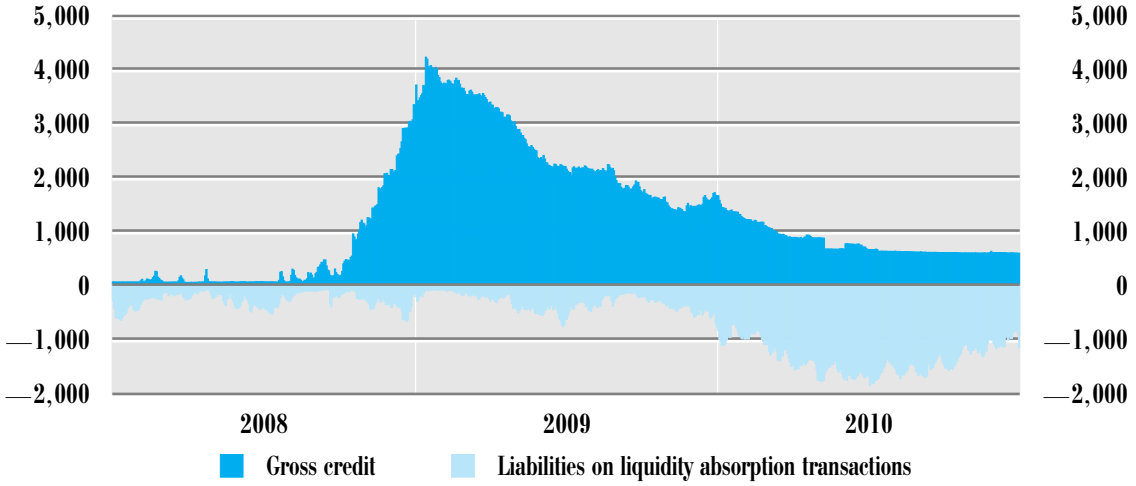


Chart 35

In 2010, the Bank of Russia also sold **government securities from its own portfolio** (without repurchase obligations) in the amount of 23.9 billion roubles.

USE OF REFINANCING INSTRUMENTS AND SCALING DOWN OF ANTI-CRISIS MEASURES

Given the improved situation in the banking sector and lower demand for refinancing instruments, in 2010 the Bank of Russia continued to gradually reduce the use of anti-crisis refinancing instruments to support credit institutions encouraging them to use standard monetary policy instruments. This affected the range of the instruments (including the terms of the refinancing operations) and also the range of the collateral for refinancing operations.

Thus, in 2010, the Bank of Russia continued to discourage banks from using unsecured loans, with minimum interest rates on these loans remaining unchanged in the first half of 2010, while interest rates on other monetary policy instruments were lowered. However, the Bank of Russia still allowed the banking sector to refinance unsecured loans through regularly held auctions with adequate limits. Under such circumstances, the demand for such loans gradually declined until it vanished completely in late October 2010.

During the reporting year, the Bank of Russia decided to suspend the use of anti-crisis refinancing instruments, while retaining them among its policy options.

In April 2010, the Bank of Russia suspended unsecured loan auctions with 6-month and longer maturities. In June 2010, the Bank of Russia Board of Directors decided to suspend auctions for providing unsecured loans for more than 5 weeks, effective from 1 October 2010, and all unsecured loans, effective from 1 January 2011. However, the Bank of Russia reserved the right to use this instrument when necessary.

In April 2010, the Bank of Russia decided to suspend 6 and 12-month repo auctions, 12-month Lombard loan auctions, and provision of 181 to 365-day loans secured by assets or guarantees. In September, the decision was made to suspend 6-month Lombard loan auctions, effective 1 October 2010.

In order to unify the maturities of various refinancing instruments, on 29 April 2010 the Bank of Russia decided to replace its 14-day auction-based loans with similar 7-day loans, which corresponds to the terms of repo transactions.

In 2010, the range of assets that credit institutions could use as **collateral in refinancing transactions with the Bank of Russia** remained considerably wider than before the crisis. In the fourth quarter of 2010, the Bank of Russia decided to phase out the anti-crisis measures applicable to collateral. On 15 October 2010, the Bank of Russia Board of Directors decided to amend the criteria for the Bank of Russia Lombard List and the Bank of Russia List[1], effective 1 January 2011. Under this decision, the bonds issued by systemically important banks, unless adequately rated by international rating agencies, could not be included in the Bank of Russia Lombard List, and these banks could not be included in the Bank of Russia List.

Moreover, systemically important institutions which lacked an adequate international rating[2] and were on the Bank of Russia List during the 2008—2009 economic crisis would be excluded, effective 1 January 2011. Meanwhile, the obligations of the excluded systemically important institutions, which as of 1 January 2011 were pledged as collateral in Bank of Russia refinancing operations, remained pledged until their redemption. Securities of systemically important institutions without an adequate international rating which had been previously included in the Lombard List were not excluded from it.

Despite the considerable risks assumed by the Bank of Russia during the global financial crisis by lowering collateral requirements and providing unsecured loans, overdue debt on all instruments amounted, as of 1 January 2011, to less than 1% of the Bank of Russia's maximum gross credit worth 4.2 trillion roubles in January 2009 (with more than 70% of this amount being provided through anti-crisis mechanisms).

In 2010, the Bank of Russia used repo transactions, overnight loans, Lombard loans, loans secured by non-marketable assets, unsecured loans, and also some other transactions to provide funds to credit institutions.

Given the high level of excess liquidity in the banking sector, the total amount of Bank of Russia **repo transactions** through auctions and at fixed interest rates fell from 30.1 trillion roubles in 2009 to 2.0 trillion roubles in 2010. The average volume of outstanding repo operations dropped to 21.0 billion roubles, which is more than 10 times less than in 2009.

In 2010, credit institutions could still obtain liquidity through the **unsecured loans** that were introduced by the Bank of Russia in October 2008. The amount of unsecured loans provided to credit institutions totalled 0.1 trillion roubles, as compared with 3.4 trillion roubles in 2009.

While the demand for the Bank of Russia's refinancing generally declined, banks continued to actively use **intraday loans,** which totalled 28.4 trillion roubles in 2010, up by 24.6% as compared to 2009.

The Bank of Russia also provided **overnight loans** to credit institutions to close daily operations, with overnight loans reducing in 2010 by 26.0% as compared to 2009, down to 229.9 billion roubles. In 2010, the average volume of outstanding overnight loans was 0.9 billion roubles, a drop by 27.1% year on year.

In 2010, the total amount of **Lombard loans** provided to credit institutions fell 4.1-fold as compared to 2009, or down to 75.0 billion roubles, with the average debt on these loans being 9.4 billion roubles, down by 76.7% year on year.

Over 2010, the Bank of Russia gradually restricted the provision of guarantee-secured loans to credit institutions by reducing the limits set for borrower and guarantor credit institutions. Throughout 2010, **loans secured by non-market assets (promissory notes, claims under loan agreements) or credit institution guarantees** amounted to 335.0 billion roubles (2.4 trillion roubles in 2009). The average debt on these loans fell by 82.9% year on year to 95.9 billion roubles.

In 2010, while the Bank of Russia provided an opportunity to get liquidity through **currency swaps,** there was no demand for this instrument

[1] *A list of credit institutions mentioned in sub-clause 3.6.1, clause 3.6 of Bank of Russia Regulation No. 312-P, dated 12 November 2007, 'On the Procedure for Extending Bank of Russia Loans Secured by Assets or Guarantees to Credit Institutions'.*

[2] *Entities included in a list of systemically important institutions approved by the Government Commission for the Sustainable Development of the Russian Economy, set up under Russian Government Resolution No. 957, dated 15 December 2008.*

due to the banks' high level of liquidity during this period.

In 2010, the **allotment of temporarily idle federal budget funds** on credit institutions' deposits via auctions was an additional refinancing option. In 2010, 14 such auctions were held for a total of 387.2 billion roubles. As of 1 January 2011, the total debt of credit institutions on the Ministry of Finance deposits placed with these institutions amounted to 158.4 billion roubles.

RESERVE REQUIREMENTS

Over 2010, the Bank of Russia continued to use reserve requirements as a direct instrument for bank liquidity regulation.

The required reserve ratios didn't change in 2010; they remained at 2.5% for each category of qualifying liabilities. These included rouble and foreign currency liabilities to non-resident legal entities, rouble and foreign currency liabilities to households, and other rouble and foreign currency liabilities of credit institutions.

Over 2010, the required reserve averaging factor did not change either; it was 0.6 for credit institutions other than non-bank clearing credit institutions or clearing centres of the organised securities market, and 1.0 for non-bank clearing credit institutions and clearing centres of the organised securities market.

The total required reserves deposited by credit institutions with the Bank of Russia in 2010 increased by 37.0 billion roubles and reached 188.4 billion roubles as of 1 January 2011.

In 2010, credit institutions continued to use the required reserve averaging procedure, with those using this right in the averaging period of 10 December 2010 to 10 January 2011 accounting for 68.1% of all operating credit institutions. Moreover, the number of credit institutions which used their right to averaging from January to December 2010 declined from 818 to 695. This resulted from both a reduction in the number of operating credit institutions and the termination of the averaging right of credit institutions below the 2nd classification group and unclassified credit institutions, effective 1 March 2010. Since the start of 2010, the average value of required reserves grew by 38.1 billion roubles or 19.5%, amounting to 233.1 billion roubles in the averaging period of 10 December 2010 to 10 January 2011.

THE LOSS COMPENSATION MECHANISM IN THE INTERBANK MARKET

In order to implement comprehensive measures to support the Russian financial system, particularly as required by Article 3 of Federal Law No. 173-FZ, dated 13 October 2008, 'On Additional Measures to Support the Financial System of the Russian Federation' (as amended by Federal Law No. 279-FZ, dated 25 November 2009), the mechanism for the partial compensation of losses (costs) incurred by banks in the interbank market continued to be applied in 2010.

In 2010, in addition to the 17 agreements that were in effect in 2009, the Bank of Russia entered into an agreement with one more counterparty bank for the partial compensation of losses (costs) incurred on transactions with other credit institutions which had had their banking licences revoked, while two agreements with banks were terminated early.

In 2010, there were a maximum 374 borrower credit institutions whose transactions were covered by agreements that were effective in 2010. Over 2010, credit institutions executed 19,460 compensation transactions for a total amount of 4.8 trillion roubles. During that period, 181 credit institutions received interbank loans under these agreements. The average daily debt on compensation deals reached about 36 billion roubles in 2010.

Starting in the second quarter of 2010, the demand for the compensation mechanism gradually declined as the interbank money market recovered. The average daily debt on compensation transactions fell from 41.6 billion roubles in the second quarter of 2010 to 29.5 billion roubles in the fourth quarter of 2010. Meanwhile the average daily turnover of overnight rouble-denominated loans placed in the domestic interbank market increased from 120.8 billion roubles in the second quarter of 2010 to 137.2 billion roubles in the fourth quarter of 2010.

Three 'insured' events were registered in 2010; such events occurred when a credit institution failed to repay an interbank loan to a creditor bank on time. Under the agreement in effect, the Bank of Russia placed compensation deposits with creditor banks. When the overdue debt was repaid by the borrower credit institution, the creditor bank reimbursed compensation deposits to the Bank of Russia in two instances. In one instance where the defaulting borrower bank had its licence revoked, the creditor bank booked the compensation deposit of 2.3 billion roubles in its favour, in accordance with the terms of the agreement.

The operation of the mechanism for the partial compensation of losses incurred by credit institutions in the interbank market was terminated as of 1 January 2011, in accordance with the law.

II.1.3. EXCHANGE RATE POLICY

In 2010, the situation on the domestic foreign exchange market was determined by developments in international and domestic financial and commodity markets, as well as the parameters of the Bank of Russia's exchange rate policy, which was aimed at ensuring the stability of the rouble and implemented in the context of the managed floating exchange rate regime.

Throughout 2010, the rouble's exchange rate dynamics were dominated by opposing forces. The rouble's appreciation witnessed in January—April 2010 against the background of the inflow of funds from foreign trade amid the favourable external environment changed to the rouble's depreciation, which prevailed in May—November given the lower current account surplus and a net outflow of private capital from the Russian economy. In December 2010, the appreciation of the rouble resumed, resulting in a relatively minor full-year change in the value of the bi-currency basket (the sum of 0.45 euros and 0.55 US dollars) which is the operational target of the Bank of Russia's exchange rate policy. Over 2010, the value of the bi-currency basket declined by 3.4% to 34.91 roubles as of 31 December 2010.

In 2010, while conducting operations in the domestic foreign exchange market, the Bank of Russia continued to use a mechanism of floating operational band of the bi-currency basket value with the band's limits adjusted depending on the volume of the interventions conducted.

In 2010, apart from interventions aimed at containing the volatility of the rouble, the Bank of Russia conducted target interventions to offset the effects of systematic imbalances between the demand and supply of foreign currency in the domestic market. The target purchases and sales amounts, set on a daily basis, were excluded from the total purchases and sales amount, which is taken into account when adjusting the limits of the floating operational band of bi-currency basket values. These interventions were primarily aimed at neutralising the persisting rouble exchange rate expectations of domestic foreign exchange market participants affected by foreign economic developments. The parameters of target interventions were determined on the basis of the principal factors affecting the balance of payments and the situation in the domestic financial market.

Starting in the second quarter of 2010, the Bank of Russia conducted foreign currency interventions within the floating operational band in excess of the target interventions, in order to prevent sharp fluctuations of the exchange rate.

On 13 October 2010, in order to further increase flexibility of the exchange rate regime, the Bank of Russia widened the floating operational band from 3 to 4 roubles, and increased its flexibility by reducing from $700 million to $650 million the cumulative amount of interventions, which results in a 5 kopeck shift of the operational band limits.

The exchange rate policy mechanisms that the Bank of Russia applied in 2010 allowed to smooth the rouble's exchange rate fluctuations and created acceptable conditions for Russian economic agents to adapt to ongoing foreign economic developments, while not impeding market exchange rate trends determined by fundamental factors. A more flexible exchange rate regime and the use of target interventions by the Bank of Russia contributed to the reduced attractiveness of speculative strategies in the domestic financial market, which could have exerted one-sided pressure on the exchange rate of the rouble.

In this context, the situation in the domestic foreign exchange market was balanced throughout the year, with the scale of the Bank of Russia's interventions reduced, as compared to the previous years. In 2010, the Bank of Russia intervened both to buy (in January—August) and sell (in September—December) foreign currencies, depending on changing domestic foreign exchange market conditions. Net purchases of foreign currency over the period totalled $34.1 billion[1], of which $9.1 billion were target interventions.

[1] *This indicator does not include the Bank of Russia's foreign exchange transactions at the instruction of the Ministry of Finance. The 2010 transactions were accounted for by the transaction date.*

Chart 36

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

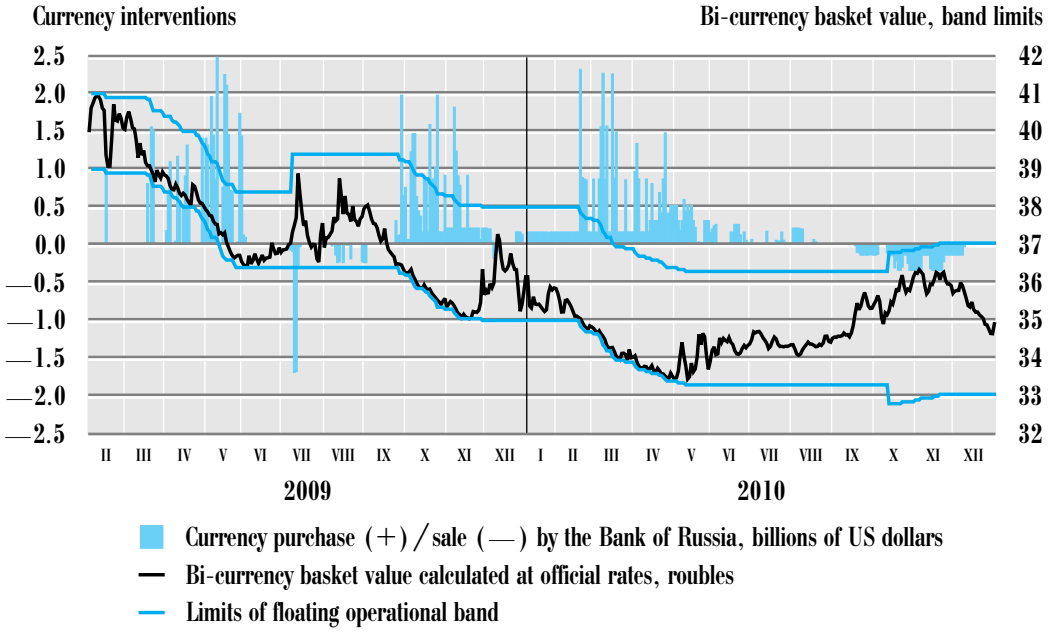
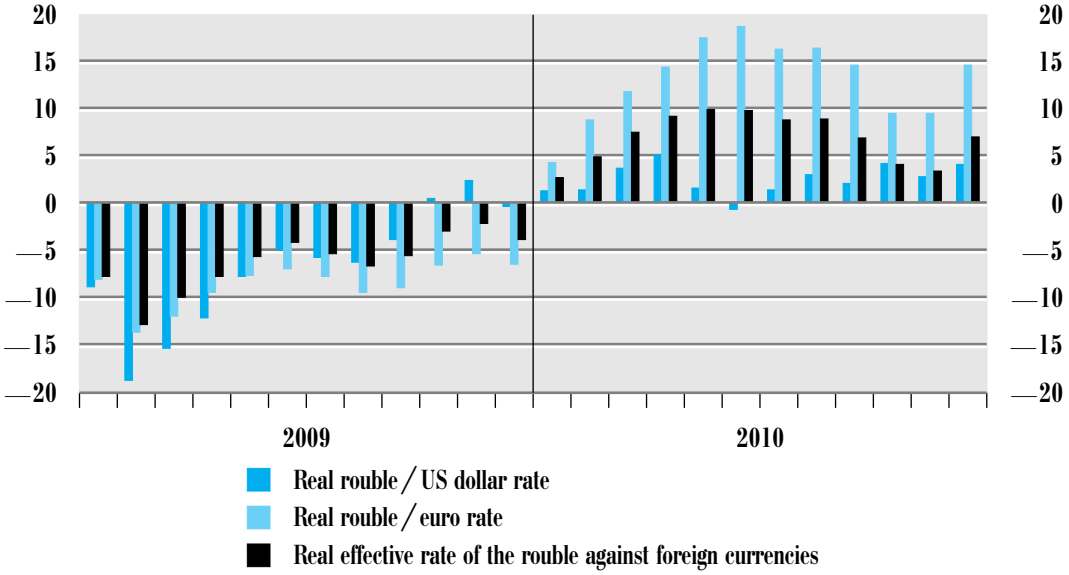


Chart 37

REAL ROUBLE EXCHANGE RATE
(growth as a percentage of December of previous year)



In 2010, the nominal effective exchange rate of the rouble against foreign currencies grew by 1.9% year on year, with the real effective rate growing by 6.9% (in 2009, these indicators declined by 9.2% and 3.9%, respectively). In 2010, the rouble appreciated by 14.5% against the euro and by 4.0% against the US dollar in real terms.

II.2. RESERVE MANAGEMENT[1]

Bank of Russia foreign exchange reserve assets are claims on foreign counterparties and investments in foreign issuers' securities[2], denominated in US dollars, euros, pounds sterling, yen, Canadian dollars and Swiss francs[3] (hereinafter referred to as the reserve currencies).

The reserve management objective is to ensure an optimal trade-off between safety, liquidity and return on foreign exchange reserve assets.

Bank of Russia foreign exchange assets[4] were grouped into portfolios by currency. The safety of Bank of Russia foreign exchange reserve assets was assured by the use of an integrated risk management approach based on high credit quality of financial instruments, stringent requirements for financial soundness of the Bank of Russia's counterparties, risk-based credit limits, and legal agreements governing transactions with foreign counterparties.

An optimal trade-off between liquidity and return was achieved through the use of short- and long-term instruments: money market deposits, repos, and investments in fixed income securities.

While maintaining the necessary levels of safety and liquidity, the Bank of Russia made investment decisions based on current and forecasted conditions of global financial markets with a view to maximise the return.

Reserve management involves a number of financial risks, the most important of which for the Bank of Russia are market (foreign exchange and interest rate) risk and credit risk. Risk management of foreign exchange assets includes identification of possible risks, risk assessment, setting risk limits, monitoring and control.

In 2010, the Bank of Russia also had liabilities in the reserve currencies (balances of customer accounts, including the Federal Treasury's accounts with the Bank of Russia and funds borrowed under repos with foreign counterparties). In addition to foreign exchange reserve assets the Bank of Russia had other assets denominated in the reserve currencies which were not classified as foreign reserves. The difference between the Bank of Russia's foreign exchange assets and liabilities in the reserve currencies represents the net foreign exchange assets, which are exposed to foreign exchange risk. The foreign exchange exposure of the Bank of Russia was restricted by permissible deviations from the foreign exchange benchmark (the foreign exchange benchmark is a mix of currency weights that reflects the target level of foreign

[1] *All figures in this section are based on internal data.*

[2] *Excluding foreign issuers' securities denominated in the reserve currencies purchased by the Bank of Russia with an obligation to sell them back (reverse repo).*

[3] *Data on Bank of Russia reserve assets in Swiss francs are not included due to their negligibility.*

[4] *Bank of Russia foreign exchange assets (for reference in this section) are Bank of Russia foreign exchange reserve assets and other assets denominated in the reserve currencies, such as Bank of Russia investments in Russian Eurobonds, foreign currency deposits with Russian banks, and other.*

BANK OF RUSSIA
FOREIGN EXCHANGE RESERVE ASSETS
BY RESERVE CURRENCY
AS OF 1 JANUARY 2011*
(as a percentage of their market value)

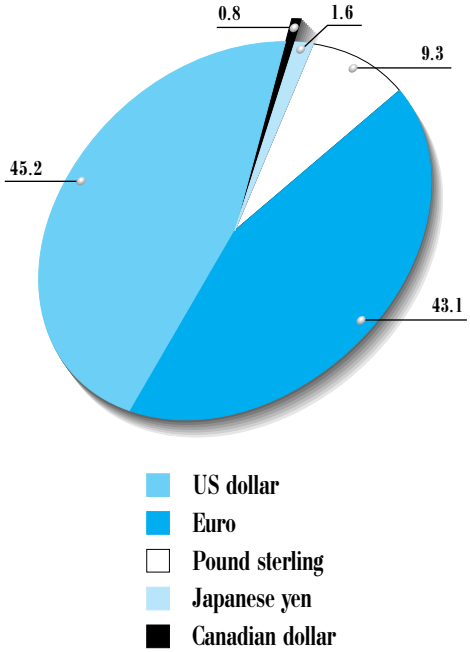


Chart 38

* The distribution does not include forward foreign exchange transactions.

exchange risk)[1]. By the end of 2010, the foreign exchange benchmark had been changed: the weight of the Canadian dollar in the benchmark currency portfolio had grown against the weight of the pound sterling, which had been reduced.

The Bank of Russia had to trade US dollars against other reserve currencies in the international foreign exchange market in order to adjust currency structure deviations from the foreign exchange benchmark since the US dollar was the major currency of the domestic market interventions in 2010.

The foreign exchange assets grew by $28.4 billion in 2010 as a result of foreign currency purchases in the domestic market and investment income. The US dollar's appreciation against other reserve currencies and also transfers from Bank of Russia customer accounts had a negative impact on the value of foreign exchange assets. The item 'Other transfers' includes proceeds from the repayment of deposits placed by the Bank of Russia with Vnesheconombank, Eurobond transactions, and other minor cash flows.

As of 1 January 2011, the Bank of Russia's foreign exchange assets were distributed among the following investment instruments: deposits

FACTORS BEHIND CHANGES IN BANK OF RUSSIA FOREIGN EXCHANGE RESERVE ASSETS
IN 2010 (billions of US dollars)

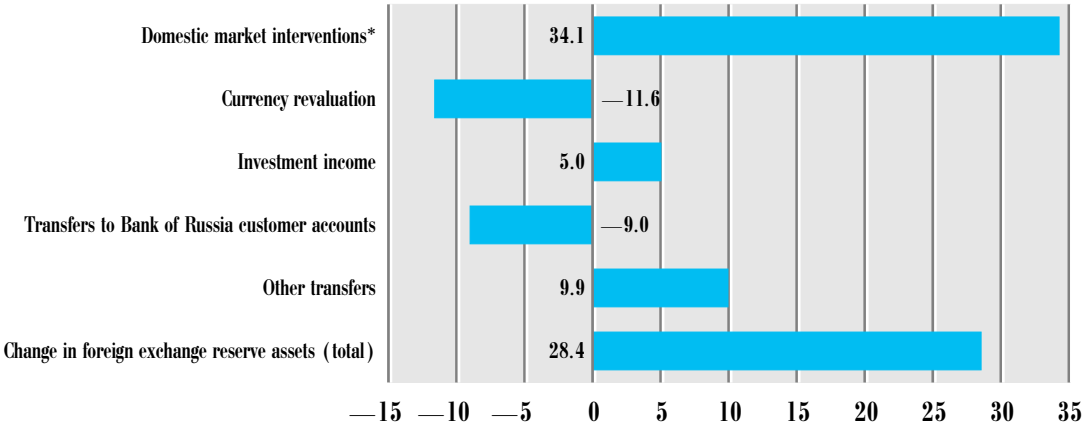
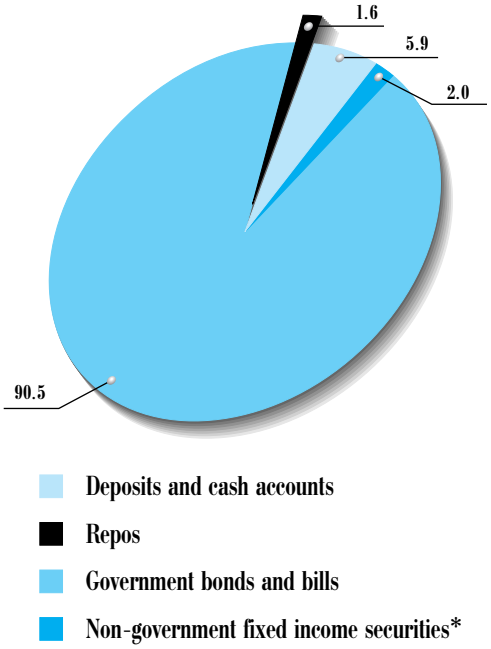


Chart 39

* The 2010 transactions were accounted for as of the value date. Bloomberg CMPL bid quotes as of the value date were used to convert transactions into US dollars.

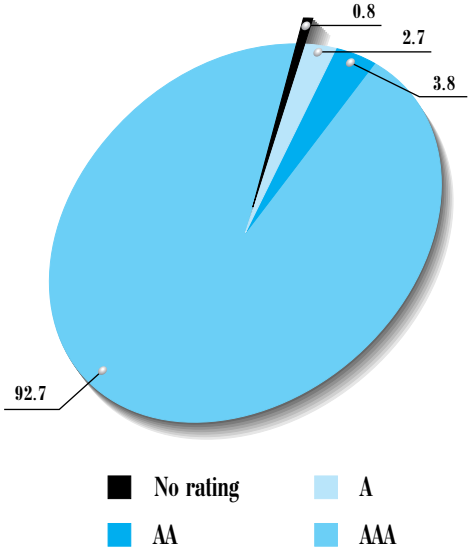
[1] *Since foreign exchange assets are measured in US dollars, foreign exchange risk is the probability of a reduction in the value of these assets due to deviations of the actual currency allocation from the benchmark one, as a result of unfavourable fluctuations in the exchange rates of foreign currencies against the US dollar.*

BANK OF RUSSIA
FOREIGN EXCHANGE RESERVE ASSETS
BY INSTRUMENT AS OF 1 JANUARY 2011
(percentage)



* Non-government debt securities guaranteed by the government have been categorised as government securities when calculating the allocation of the Bank of Russia's foreign exchange reserve assets by instrument.

BANK OF RUSSIA
FOREIGN EXCHANGE RESERVE ASSETS
BY CREDIT RATING AS OF 1 JANUARY 2011
(percentage)



Charts 40, 41

and cash accounts in foreign banks (5.9%); repos with foreign counterparties (1.6%); and foreign issuers' fixed income securities (92.5%). Fixed income securities comprised mostly US treasuries, the government bonds and bills of Germany, France, the UK, Japan, Finland and Canada, non-government bonds guaranteed by the aforementioned governments, bonds of supranational financial institutions, and covered bonds of German credit institutions.

Credit risk was constrained by the limits set on Bank of Russia counterparties and the requirements set for the credit quality of counterparties and securities issuers. The minimum requirements for the long-term credit rating of the Bank of Russia's counterparties were set at 'A' according to Fitch Ratings and Standard & Poor's rating scales, and 'A2' according to Moody's rating scale. The minimum requirements for the securities issue rating were set at 'AA−' according to Fitch Ratings and Standard & Poor's rating scales and 'Aa3' according to Moody's rating scale.

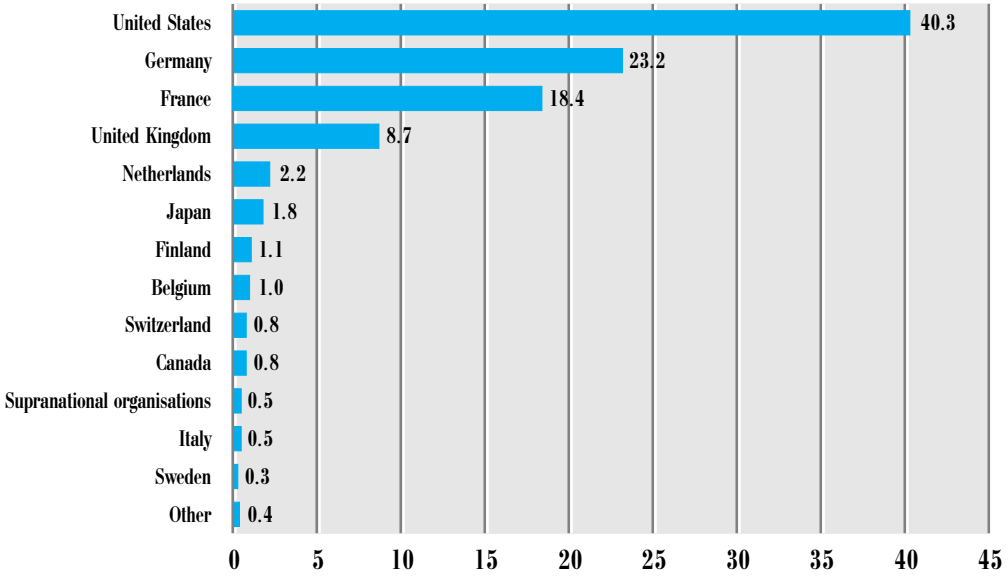
The rating distribution of the Bank of Russia's foreign exchange reserve assets as of 1 January 2011 was based on the long-term credit ratings of counterparties and securities issues assigned by Fitch Ratings, Standard & Poor's and Moody's. In case of splits in ratings, the lowest rating was applied. Ratings are shown in major rating categories 'AAA', 'AA' and 'A' without breaking down the rating scale within each category[1]. Unrated assets comprise Bank of Russia deposits with the Bank for International Settlements.

As of 1 January 2011, the Bank of Russia's foreign exchange reserve assets were distributed by country as follows: the United States accounted for 40.3%, Germany 23.2%, France 18.4%, the United Kingdom 8.7% and other countries 9.4%. This breakdown is based on the country of domicile of foreign counterparties and securities issuers.

[1] *To compare the long-term credit ratings within each rating category, Standard & Poor's and Fitch Ratings affix '+' or '−' to their ratings and Moody's uses the digits 1, 2 and 3.*

Chart 42

BANK OF RUSSIA FOREIGN EXCHANGE RESERVE ASSETS BY COUNTRY AS OF 1 JANUARY 2011 (percentage)



The Bank of Russia used benchmark portfolios for the purpose of assessing the interest rate risk and the rate of return on foreign currency reserve portfolios. A benchmark portfolio was a mix of financial instruments with fixed weights (shares). An instrument's weight in the portfolio was based on the outstanding amount of this instrument. The benchmark portfolios were reviewed on a weekly basis.

Effective duration was used to measure the sensitivity of the Bank of Russia's foreign exchange reserve assets to fluctuations of market interest rates. The interest rate exposure was controlled by setting the minimum and maximum limits on the effective duration of the Bank of Russia's foreign exchange reserve assets in each reserve currency.

The rate of return and effective duration of the Bank of Russia's foreign exchange reserve assets, as well as the corresponding benchmark portfolios, were assessed on a daily basis. Rates of return were measured as the total return: interest income and capital gains[1]. Rates of return on the Bank of Russia's foreign exchange assets in each currency were assessed separately.

Cumulative rates of return[2] on the Bank of Russia's foreign exchange reserve assets in 2010 are shown in Table 34 of section IV.3 'Statistical Tables'[3].

Precious metals were managed separately from the Bank of Russia's foreign exchange reserve assets. In 2010, the Bank of Russia purchased a total of 136.58 tons of gold in the domestic market and placed short-term gold deposits with foreign banks.

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[1] *Percentage change in the value of the portfolio during one business day. The daily portfolio rate of return is calculated according to this formula:*

$$R = \frac{MV_1 - MV_0 \pm CF}{MV_0}, \text{ where}$$

R is the daily rate of return;
MV_1 is the market value of the portfolio as of the end of the day;
MV_0 is the market value of the portfolio as of the end of the previous day;
CF is the cash flows (money transfers) into or out of the portfolio during the day.

[2] *Cumulative portfolio rate of return over period is calculated according to this formula:*

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

R_i is the portfolio rate of return over day i;

[3] *The rate of return on the portfolio denominated in Canadian dollars is not reported since it was created at the end of 2010 and its rate of return is neither representative nor comparable with that of other portfolios.*

II.3. BANKING REGULATION AND SUPERVISION

II.3.1. REGISTRATION AND LICENSING OF BANKING ACTIVITIES

In 2010, the banking sector continued to consolidate, with the number of operating credit institutions licensed to conduct banking operations falling by 46 or 4.3% (including the restructuring procedures), down to 1,012 banks as of 1 January 2011. Moreover, the total number of registered credit institutions declined by 2.7% (from 1,178 to 1,146), with 19 banks closing their businesses in connection with mergers with 13 banks, which is 1.6 times more than in 2009 (12 banks stopped operations in 2009 as a result of acquisitions).

Seven banks changed their status to that of a non-bank credit institution due to a failure to comply with the minimum capital requirements established by Article 11.2 of Federal Law No. 395-1, dated 2 December 1990, 'On Banks and Banking Activities'.

Apart from mergers, credit institutions also used transformation as a form of restructuring, with 7 credit institutions changing their form of incorporation from that of a limited liability company to that of a joint-stock company in 2010.

In 2010, the number of newly established credit institutions fell 3.5-fold; two newly-established entities were registered, of which one was a bank with foreign interest and the other was a non-bank credit institution. In 2009, there were seven newly-established credit institutions (of which five were banks and two were non-bank credit institutions).

The founders of two newly-established credit institutions were refused a state registration due to their failure to provide the Bank of Russia with documents for registration and obtaining banking licences and to comply with the requirements of federal laws and Bank of Russia regulations, and also due to the unsatisfactory financial position of the founders.

In order to expand their banking business into new areas, bank owners diversified their activities. In the reporting period, the number of credit institutions which were issued additional licences grew 1.4 times year on year to 32 (with one bank receiving several types of licences), of which:

— three banks received general licences, including two as a result of restructuring in the form of an acquisition;
— fourteen banks were licensed to take on deposit and place precious metals, including two cases where permits for transactions in precious metals were replaced. In 2010, the process of replacing permits to conduct operations with precious metals with relevant licences was completed;

Chart 43

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

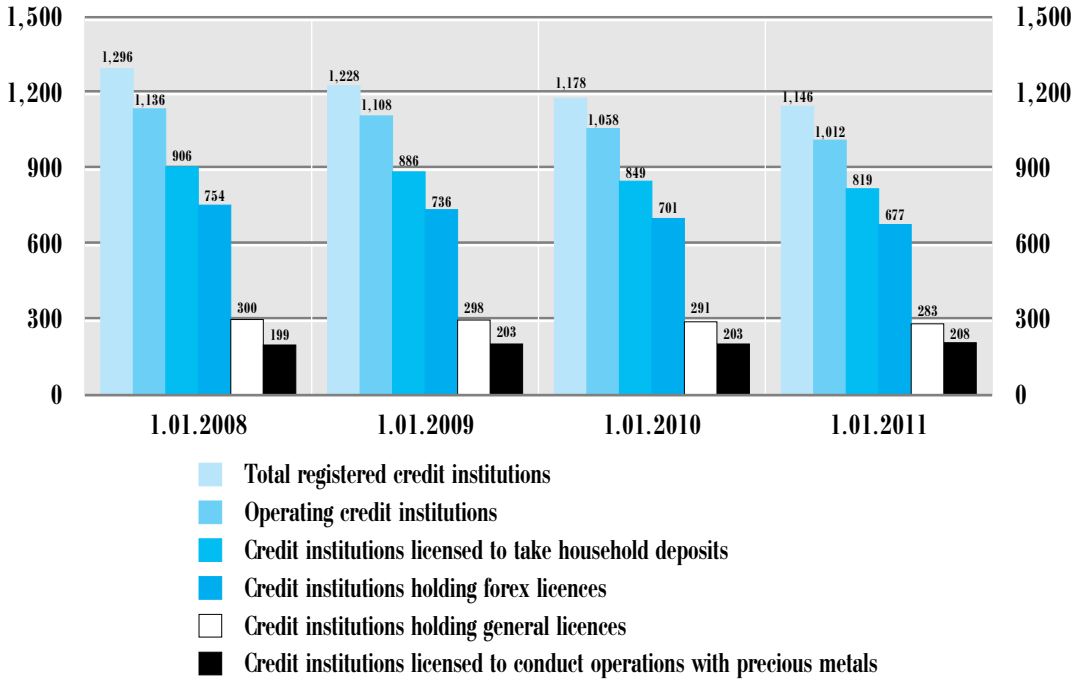
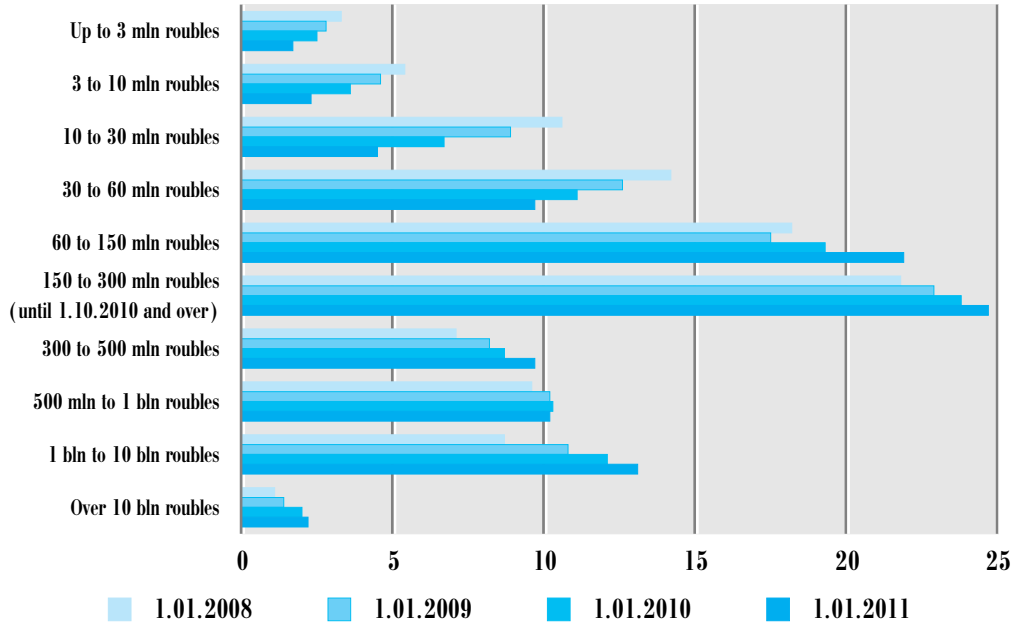


Chart 44

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



— six banks which were members of the deposit insurance system and were licensed to conduct banking operations in roubles (without the right to take household deposits) and to take household deposits in roubles were given licences to conduct such operations in foreign currencies;

— seven banks were licensed to take household deposits in roubles and foreign currency, in-

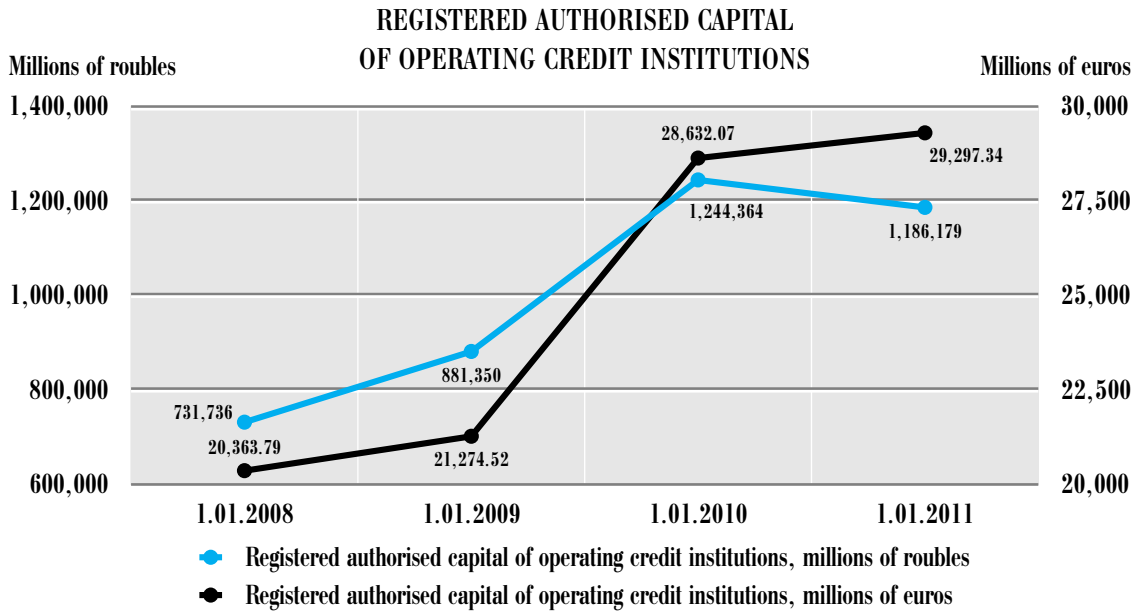


Chart 45

cluding one bank which was also licensed to conduct banking operations in roubles and foreign currency (without the right to take household deposits);

— two non-bank credit institutions were licensed to conduct a wider range of banking operations than had been envisaged by the previous licence.

In 2010, the Bank of Russia refused to issue licences to three banks (nine banks in 2009) for a broader range of operations, due to their failure to comply with the requirements of 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.

As of 1 January 2011, 819 out of 1,012 operating credit institutions (80.9%) were licensed to take household deposits and 677 (66.9%) were licensed to perform banking operations in roubles and foreign currency (without the right to take household deposits), while 283 banks (28%) had a general banking licence and 208 (20.6%) had a licence to take deposits and place precious metals.

As many as 606 banks (59.9% of operating credit institutions) had authorised capital in excess of 150 million roubles, of which 356 (35.2%) had authorised capital in excess of 300 million roubles (350 or 33.1% as of 1 January 2010).

As of 1 January 2011, the registered authorised capital of operating credit institutions totalled 1,186.2 billion roubles, which is 4.7% less than in early 2010, due to the revocation of licences from a number of banks which held a considerable amount of authorised capital.

Investment by non-residents in the authorised capital of operating credit institutions totalled 333.3 billion roubles as of 1 January 2011. In the reporting period, this indicator grew by 9.2%, mainly as a result of an authorised capital increase at operating credit institutions on the account of non-resident funds. Over 2010, the non-resident stake in the total registered authorised capital of Russian credit institutions grew by 3.6 percentage points to 28.1% (24.5% as of 1 January 2010). The total number of operating credit institutions with a foreign interest declined from 226 to 220, while that of credit institutions with a foreign majority interest grew from 108 to 111.

The total non-resident stake in the authorised capital of operating credit institutions stood at 292.1 billion roubles as of 1 January 2011 (not counting non-residents under material influence of Russian residents). As of 1 January 2011, non-residents accounted for 24.6% of the total registered authorised capital of credit institutions (21.3% as of 1 January 2010).

Credit institutions with foreign investments are located in 35 constituent territories of the

Chart 46

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

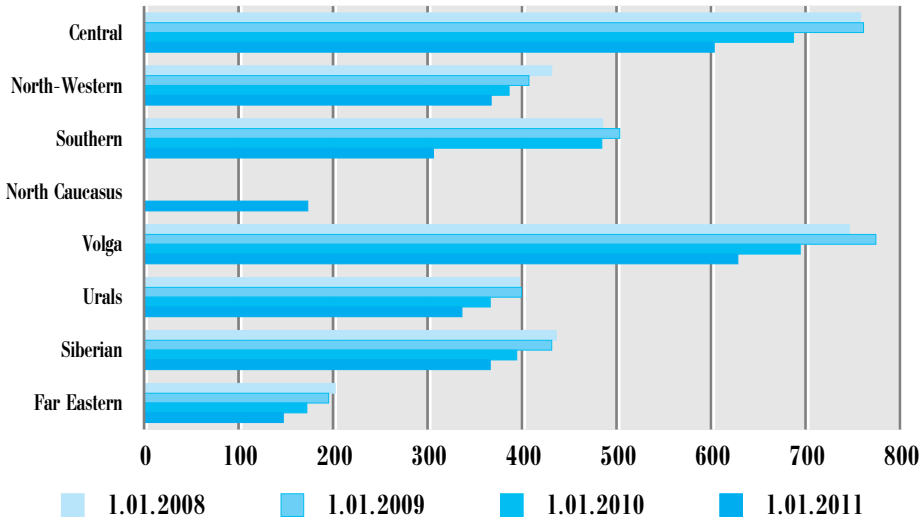
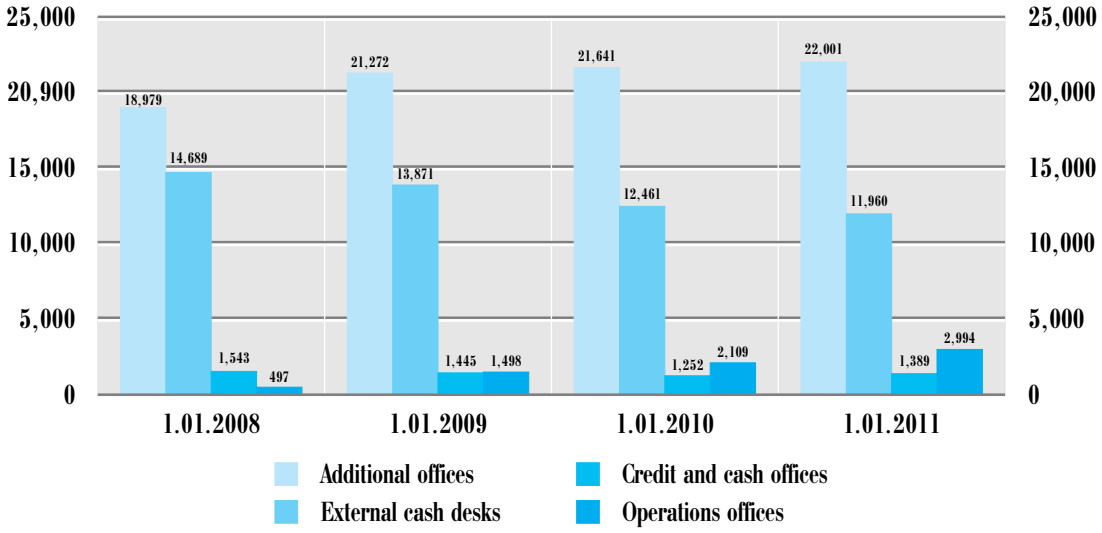


Chart 47

NUMBER OF INTERNAL DIVISIONS OF OPERATING CREDIT INSTITUTIONS



Russian Federation, with 143 (65% of the total) located in Moscow and 13 in St Petersburg.

As a result of efforts taken by operating credit institutions to optimise regional networks, the number of bank branches fell by 257 or 8.1% (including 71 Sberbank branches), to 2,926 as of 1 January 2011 (including 574 Sberbank branches). This was due to the transformation of stand-alone entities into internal divisions which can operate promptly, are easy to set up and close, and require minimum administrative costs. These processes were the most active in the Central and Far Eastern Federal Districts (where the number of branches fell by 12.2% and 14.5%, respectively). Elsewhere, this indicator varied from 5% in the North-Western Federal District to 9.5% in the Volga Federal District. A dramatic reduction in the number of branches in the Southern Federal District (a drop by 36.8%) resulted from changes in its composition (with a number of regions transferred to make up the North Caucasus Federal District). As of 1 January 2011, 173 branches of credit institutions were operating in the territory of the North Caucasus Federal District.

In 2010, the total number of internal divisions of credit institutions grew by 884 (2.4%) to 38,431 as of 1 January 2011 (down by 601 in 2009). In the reporting period, the number of operations offices grew by 42% to 2,994. A 10.9% growth in credit and cash offices (to 1,389) was due to a recovery of demand for credit among small businesses and households. In 2010, the number of additional offices reached 22,001, with the number of external cash desks declining by 4% to 11,960 as of 1 January 2011, which was due to a limited range of banking operations performed by this type of internal divisions. The number of internal divisions per 100,000 people grew from 26.5 in late 2009 to 27.1 in late 2010.

In 2010, the Bank of Russia decided to exclude exchange offices from the list of types of internal divisions due to the large number of violations observed in their operations. As a result, by 1 October 2010 all operating exchange offices were either closed or restructured into a different internal division.

II.3.2. OFF-SITE SUPERVISION

In 2010, the Bank of Russia developed risk-based approaches as the main area for the improvement of banking supervision. These included the early detection of negative changes in the operations of credit institutions and a timely supervisory response to problems which were identified, with a major focus on the transparency of credit institutions.

As part of these efforts, the Bank of Russia focused specifically on banks which constituted the so-called second line of supervision (systemically important credit institutions), and supervisory action was based on the whole set of tools envisaged by the effective law. With regard to banks operating in international markets, the Bank of Russia developed contacts with supervisory authorities of other countries. Supervisory procedures were intensified to enhance the Bank of Russia's awareness of the situation at banks, including those which were systemically important, as well as the effectiveness of supervisory decisions.

In the course of supervision, a special focus was placed on the analysis of the financial position of banks. Transactions with the credit institutions which were participants in banking groups and transactions with non-resident banks were studied on the basis of consolidated approaches to the assessment of their operations, with the economic rationale of these transactions being scrutinised when necessary.

Once transactions appearing to conceal the real level of risk exposure were identified, efforts were taken to specify the risk profile and level of risks assumed by banks. Preventive and (where necessary) enforced supervisory measures were applied with the purpose of adequately reflecting assets and liabilities in financial statements.

In 2010, a special focus was placed on the concentration of risks associated with bank owners' business[1]. The data available to Bank of Russia regional branches suggest a high concentration of these risks at some banks, including those which are systemically important. Following the analysis, efforts were taken as part of the supervisory process to force banks to reduce risk concentration associated with their owners' business within a reasonable timeframe, with these efforts generally yielding positive results.

The Bank of Russia also scrutinised the securities transactions of banks. Particular attention was paid to fraudulent securities and investments in securities which had an economically doubtful background (which were identified in balance sheet statements), with corrective supervisory action being applied to such banks. In some cases where fraudulent securities constituted a considerable part of a bank's assets, and adequate reserves would cause an actual loss of capital, the Bank of Russia took decisions on revocation of their banking licences.

In order to assess real foreign exchange risk and identify indications of 'manipulative schemes' in hedging transactions, the Bank of Russia made analyses of off-balance sheet claims and liabilities. Bank of Russia regional branches assessed the nature of transactions used by banks with a net balance sheet position that was considerably in excess of 10% of capital to manage inherent foreign exchange risks. The analysis of data obtained allowed the Bank of Russia to identify some situations where banks adjusted a net foreign exchange position on their books via term transactions conducted with companies directly or indirectly related to bank owners or managers, which also prompted an additional assessment of the forex risks of these banks. The results of these efforts were taken into account to improve the practical supervision of foreign exchange risks.

In order to protect the interests of depositors and creditors, additional supervision was performed with respect to banks with high deposit growth rates and interest rates that were largely above the market ones. For this purpose, maximum interest rates on rouble deposits offered by ten credit institutions which raise the maximum amount of household deposits were monitored on a regular basis (every ten days), and findings

[1] *Bank of Russia Letter No. 04-15-6/1550, dated 5 April 2010, 'On Assessing Bank Risks Associated with Owners'.*

were published on the Bank of Russia's official website.

For some banks, household deposits are the main source of funds, and the aggressive policy they adopt to build up a stock of such deposits is a consequence of their liquidity problems, including those due to poor quality assets. In such situations, attracting household deposits can allow them to hide the real state of things, and meet their current obligations while failing to address a strategic threat to their sustainability, which continues to grow. For this reason, the Bank of Russia established quantitative parameters of changes to household deposits attracted by banks which trigger an analysis (to be performed by Bank of Russia regional branches) of the economic feasibility of policies pursued by banks to raise funds through such deposits. Moreover, approaches to the analysis of interest rate policies, including assessment of asset quality, and to appropriate supervisory responses were determined. Supervisory action, including restrictions on the value of interest rates, was applied to those banks which extensively used this pyramid principle in building up their business. These efforts allowed the Bank of Russia to suspend or slow down the growth of deposits at these banks by insisting that they lower their interest rates and focus their owners' attention on asset quality.

In 2010, as in the previous years, the Bank of Russia largely took preventive measures to credit institutions, which for the most part included written notices to the banks' management. Bank of Russia regional branches held meetings on various issues with 510 banks. Corrective action in the form of prescriptions to eliminate violations was applied to 616 banks, penalties 280 banks, operational restrictions 76 banks, operational prohibitions 42 banks, and branch opening prohibitions 31 banks.

In order to introduce a statutory regulation of approaches to the application of corrective action to credit institutions with respect to their violations, the Bank of Russia published Ordinance No. 2387-U, dated 26 January 2010, 'On Cooperation between Bank of Russia Regional Branches in Applying Corrective Action to Credit Institutions whose Head Offices and Divisions are Located in Different Constituent Territories of the Russian Federation'.

In 2010, the banking regulation methodology was further improved, and altered to include international approaches.

The Bank of Russia took consistent steps to implement Basel II[1] provisions in the Russian banking sector as this is the internationally-recognised standard for the assessment of capital adequacy. These included adjustments made for the level of development of intrabank risk management systems, the organisation of supervisory processes, and information disclosure. This work is conducted in phases to ensure the consistent implementation of various options available for the regulatory assessment of capital adequacy, ranging from simple (based on regulatory values) to more complex (based on internal risk assessments). In 2010, the Bank of Russia drafted guidelines to identify possible areas, timeframes and stages for the implementation of Basel II in the Russian banking sector, and the details of policies (including regulatory amendments) that were needed to promote a more comprehensive implementation of Basel II. The documents were made available for discussion to the banking community and banking specialists at large. Amendments to the Bank of Russia's regulations related to the use of country assessments in prudential regulation as part of the simplified standardised Basel II approach became effective.

Amendments to the Bank of Russia's regulations on the procedure for the calculation of required ratios and operational risks became effective as of 1 July 2010. This allowed the Bank of Russia to use a simplified standardised approach to assess credit risk, and a basic indicator approach to calculate operational risk, in line with Basel II.

Recognising the increasing effect of operational risks related to the use of modern information technologies by banks, the Bank of Russia issued Letter No. 141-T, dated 26 October 2010, 'On Recommendations on Credit Institutions' Approaches to Selecting and Interacting with IT Providers in Remote Banking Services'.

[1] *International Convergence of Capital Measurement and Capital Standards. A Revised Framework. Comprehensive Version (Basel, June 2006).*

As part of efforts to increase the transparency of the banking sector, the Bank of Russia recommended banks to disclose the details of their capital and compliance with the required ratios on the Bank of Russia website[1]. As of 1 January 2011, a total of 930 banks (92% of all operating credit institutions) consented to disclose the information, in line with these recommendations.

Efforts were continued to make banks disclose information in Form 0409101 The Account Book of a Credit Institution and Form 0409102 Income Statement of a Credit Institution[2]. As of 1 January 2011, a total of 980 banks (almost 97% of all operating credit institutions) consented to disclose these details.

The Bank of Russia continued to publish its monthly Banking Sector Review on the Internet, including its most regularly published version (the express publication). In order to ensure that the information was available quickly, the findings of the short-term monitoring of a number of core indicators of the banking sector (Sberbank excluded) have been published on a regular basis on the Bank of Russia's website since November 2010.

In 2010, the Bank of Russia developed its cooperation with federal agencies, regulators and supervisors of financial markets under interagency agreements and arrangements reached (with the Ministry of Finance, Federal Financial Markets Service, Federal Insurance Supervision Service, Federal Anti-Monopoly Service, Federal Tax Service, Federal Customs Service, and other).

[1] *In accordance with Bank of Russia Letter No. 72-T, dated 25 May 2010, 'On Information Disclosure by Credit Institutions in Forms 0409134 and 0409135'.*

[2] *In accordance with Bank of Russia Letter No. 165-T, dated 21 December 2006, 'On Information Disclosure by Credit Institutions'.*

II.3.3. INSPECTION OF CREDIT INSTITUTIONS

In 2010, the Bank of Russia carried out 1,079 inspections, of which 753 were of banks and 326 were of bank branches (including 34 Sberbank branches). Of all the inspections 869 were performed according to the Consolidated Plan of Comprehensive and Thematic Inspections of Credit Institutions and their Branches for 2010 (81% of the total number of inspections), including 768 thematic inspections (88% of scheduled inspections). The Bank of Russia conducted 210 unscheduled inspections (19% of the total number of inspections), including 208 thematic inspections (99% of unscheduled inspections).

Following 286 applications by federal executive authorities (law enforcement and supervisory agencies), 23 inspections were performed, with experts from the Main Inspectorate of Credit Institutions providing consultations to the staff of the aforementioned agencies when necessary.

As part of supporting the operation of the deposit insurance system, ensuring the protection of rights and the legitimate interests of bank depositors in accordance with the provisions of Article 32 of Federal Law No. 177-FZ, 90 inspections of those mentioned above were performed with the involvement of employees of the Deposit Insurance Agency (DIA), a state corporation.

In 2010, the Bank of Russia performed primarily thematic inspections (90% of the total), with a special focus on inspections of systemically important banks, i.e. those that exert material influence on the systemic sustainability of the banking sector.

In the course of inspections, inspection subdivisions primarily focused on identifying the main types of risk assumed by banks, first of all credit risk, which was analysed by assessing the financial position of borrowers and guarantors, identifying the final beneficiaries of the disbursed funds, studying the sources of debt repayment, and revealing facts where banks transferred problem debts to third parties while actually maintaining the credit risk.

Considerable attention was paid to the assessment of bank exposures to their real owners and affiliated persons, including exposures to their business.

The practice of conducting simultaneous inspections of member banks of legally recognised banking groups and bank holdings, and those associated with a particular group on the basis of internationally recognised approaches (informal groups) was continued. Such inspections allowed the Bank of Russia to identify transactions between member banks and their customers that were designed to hide the real financial position of banks.

In order to obtain a more in-depth study of the risk profile of banks, inspections of their branches were performed simultaneously with those of head offices, which resulted in a further reduction of individual inspections of bank branches. A decision to conduct an inspection of a bank's branch was taken on the basis of the branch's share of the regional banking services market and in the total volume of transactions performed by the bank, their concentration of risks, major violations (shortcomings) identified in the course of off-site supervision over the branch, and information on transactions being performed by it to the detriment of the legitimate interests of creditors and depositors.

In the course of inspections conducted in 2010 inspectors uncovered 14,841 violations committed by credit institutions and their branches, with the bulk of violations associated with lending operations (4,385). A large number of violations were still associated with a failure to comply with federal law and the Bank of Russia regulations in the field of anti-money laundering and the financing of terrorism (2,935).

Some violations were associated with procedures for cash operations (909), non-compliance with the foreign exchange legislation of the Russian Federation and regulations adopted by foreign exchange regulation authorities (914), and accounting procedures (880). In 1,347 cases, violations identified by inspectors allowed the Bank of Russia to conclude that the accounting and reporting at these credit institutions were unreliable.

The Bank of Russia introduced the practice of prompt control of quality of any inspection performed, which allowed it to shift the focus from the identification of problems and violations to preventive response and prompt rectification of the situation at credit institutions.

The core element of prompt control was the monitoring of organisation and performance of inspections, which was done by analysing the findings of ongoing inspections that had been received from working groups, which allowed inspectors to promptly inform supervisory subdivisions on the identified negative aspects which materially affected the financial position of a bank, develop a consolidated and well-reasoned position on the level of risks assumed by the bank, and monitor the compliance of banks with corrective actions.

In 2010, the Main Inspectorate of Credit Institutions monitored inspections performed at systemically important banks and also those performed at credit institutions which received government support.

Due to the introduction of the internal control of quality of inspections an express analysis of the findings and reports of general inspectors on the results of inspections was prepared. Where necessary, an extended analysis of the quality of inspections, including as part of preparations for the hearing of reports compiled by Bank of Russia regional branches, was performed.

Interregional inspections of the Main Inspectorate of Credit Institutions analysed the materials of 532 inspections. Following their findings, 142 reports of general inspectors on the results of inspections were sent to the Bank of Russia's inspection divisions.

Due to the positive outcome of the experiment to centralise inspection activities[1] and the Board of Directors' decision to start a phased centralisation of inspection activities[2], the Bank of Russia made preparations for the first phase of centralisation at three out of eight interregional inspectorates (the North-Western, Siberian and Far Eastern Federal Districts)[3]. The centralisation was aimed at improving the quality of inspections (first of all, their results), including by way of more effective cooperation between the off-site and on-site supervisors.

[1] *The experiment was conducted in the North-Western Federal District in 2009—2010.*
[2] *Bank of Russia Board of Directors' decision of 8 April 2010.*
[3] *These interregional inspections include inspection divisions of the relevant regions.*

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

In 2010, the Bank of Russia took steps to help prevent the insolvency (bankruptcy) of credit institutions, within the framework of 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 2011' (hereinafter referred to as Federal Law No. 175-FZ).

As part of a package of measures that were launched in September 2008 to support the solvency of banks that had experienced financial difficulties during the financial and economic crisis, the Bank of Russia (jointly with the DIA) in 2010 implemented measures stipulated by Federal Law No. 175-FZ to prevent the bankruptcy of 14 banks. One of these banks merged with an investor, one more bank merged with another bank undergoing rehabilitation, and yet another bank completed a financial rehabilitation program and returned to its normal operations as part of planned measures in 2010. As of 1 January 2011, the approved measures (within the framework of bankruptcy prevention plans involving the DIA) continued to be implemented with regard to eleven banks.

In 2010, the Bank of Russia made no decisions on submitting proposals to the DIA requesting participation in efforts to prevent bank bankruptcies.

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 extended to the agency for a term of up to five years. In 2010, the Bank of Russia extended the said loans for a total amount of 2.7 billion roubles, while the DIA repaid 63.4 billion roubles. As of 1 January 2011, the DIA's debt to the Bank of Russia for loans extended pursuant to Federal Law No. 175-FZ totalled 106.2 billion roubles.

In the period under review, in line with the approved plans for the DIA's participation in preventing the bankruptcy of credit institutions, the Bank of Russia issued orders assigning to the DIA the functions of a provisional administration in two banks. These functions were discontinued ahead of schedule at the DIA's request.

In accordance with the Bank of Russia's approved plans for the DIA's participation in prevention of the bankruptcies of two banks, it was decided to reduce the authorised capital of these banks to one rouble each, due to their negative equity capital. Subsequently, the DIA made the additional capitalisation of these banks.

As of 1 January 2011, bankruptcy prevention measures that were funded by the government and other investors continued to be implemented at three banks. The decisions on their rehabilitation had been made before Federal Law No. 175-FZ came into force (in October 2010, one of the banks undergoing rehabilitation merged with an investor).

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 112 in 2009 to 83 in 2010. Of these, five credit institutions were operating under financial rehabilitation plans. Two institutions had improved their financial positions and successfully completed their financial rehabilitation procedures, two institutions continued to implement financial rehabilitation measures, and one institution had its banking licence (hereinafter, licence) revoked. Twelve banks implemented bankruptcy prevention measures with the DIA's participation, in accordance with Federal Law No. 175-FZ; one bank implemented measures in line with a plan approved by the Bank of Russia Banking Supervision Commit-

tee, pursuant to Article 11 of Federal Law No. 175-FZ; while 43 credit institutions eliminated the grounds that made them subject to bankruptcy prevention measures.

In 2010, the Bank of Russia issued orders to revoke the licences of 27 credit institutions (compared with 44 in 2009) in accordance with Article 74 of the Federal Law 'On the Central Bank of the Russian Federation (Bank of Russia)', and Articles 20 and 23 of the Federal Law 'On Banks and Banking Activities'.

The licences were revoked for the following reasons:

— twenty-two credit institutions had breached federal laws regulating banking activities and Bank of Russia regulations taking into account the measures stipulated by the Federal Law 'On the Central Bank of the Russian Federation (Bank of Russia)', compared with 34 institutions in 2009;
— nine credit institutions had been unable to comply with their creditors' claims for pecuniary obligations and (or) obligations to make mandatory payments (24 institutions in 2009);
— eight credit institutions had been found to have significantly misreported their data (17 institutions in 2009);
— seven credit institutions had lost their equity capital (13 institutions in 2009);
— six banks had failed to achieve the minimum level of equity capital set by the Federal Law 'On Banks and Banking Activities' (90 million roubles as of 1 January 2010); and
— three credit institutions had repeatedly failed, within one year, to meet the requirements set by Articles 6 and 7 (except clause 3 of Article 7) of Federal Law No. 115-FZ, dated 7 August 2001, 'On Countering the Legalisation (Laundering) of Criminally Obtained Incomes and the Financing of Terrorism' (10 institutions in 2009).

One credit institution (compared with three in 2009) had its licence revoked in connection with a voluntary liquidation decision which was taken by its shareholders (participants).

More than half of the credit institutions (16) that had their licences revoked (cancelled) in 2010 were registered in Moscow and the Moscow Region.

To protect the legitimate interests of credit institutions' creditors (depositors), in 2010 the Bank of Russia appointed 27 provisional administrations to manage the credit institutions after their licences had been revoked. The Bank of Russia supervised the activity of 49 provisional administrations which were operating pursuant to Federal Law No. 40-FZ. In the period under review, 21 provisional administrations were disbanded, including four provisional administrations which were dismissed by the ruling of an arbitration court to liquidate the provisional administration and appoint a liquidator and 17 provisional administrations were dismissed when the arbitration court ruled the credit institutions insolvent (bankrupt) and appointed a receiver. Pursuant to clause 2 of Article 19 of Federal Law No. 40-FZ, DIA representatives worked in 22 provisional administrations appointed by the Bank of Russia.

Eighteen provisional administrations, which had been appointed after the credit institutions had been stripped of their licences, continued to operate as of 1 January 2011.

As of 1 January 2011, the Bank of Russia had not received state registration certificates from the registration authority in connection with the liquidation of 132 credit institutions that had had their licences revoked (cancelled) and in 117 of them liquidation procedures were conducted. No respective court rulings had been received regarding the remaining 15 credit institutions, as of 1 January 2011, after the revocation of their licences. One of these credit institutions had the bankruptcy proceedings against it suspended until the coming into force of the Moscow City Arbitration Court's ruling on the appeal against the Bank of Russia's decision to revoke its licence. Most of the credit institutions facing liquidation (102) were declared insolvent (bankrupt) and bankruptcy proceedings were initiated against them (21 credit institutions were declared bankrupt in 2010, including three credit institutions that the arbitration courts had ruled to forcibly liquidate earlier). With regard to 12 credit institutions, the arbitration courts made the ruling on forcible liquidation (in five of them, this ruling was made in 2010, of which one credit institution had previously been slated by its members for voluntary liquidation). In addition, three credit institutions

were liquidated on a voluntary basis by their founders (members). No decisions on voluntary liquidation of credit institutions were taken by their founders (members) in 2010.

In most of the credit institutions (106) facing liquidation as of 1 January 2011, the liquidation proceedings were conducted by the corporate liquidator, the DIA, appointed pursuant to clause 2 of Article 50.11 of Federal Law No. 40-FZ and Article 23.2 of the Federal Law 'On Banks and Banking Activities'. In 96 of them, the DIA performed the functions of the receiver and in 10 it performed the functions of the liquidator.

In 2010, the Bank of Russia took the decisions on the state registration in connection with the liquidation of eleven credit institutions, of which the decisions on six credit institutions were taken on the basis of the arbitration court's ruling to complete bankruptcy proceedings, on two of these credit institutions in connection with the forcible liquidation, and in three of these credit institutions on the basis of decisions on voluntary liquidation taken by their founders (members).

Throughout 2010, the Bank of Russia carried out 18 inspections of credit institution receivers (liquidators), including 15 inspections of DIA activities and three inspections of individual receivers. Following one of these inspections, the receiver was sent a prescription to eliminate the shortcomings discovered; in two instances the inspection findings were reported to the arbitration courts dealing with the banks' bankruptcies, and in two other instances, the inspection findings were reported to the self-regulating organisations of receivers that had appointed individuals as receivers. In addition, on eleven occasions letters of recommendation were sent to the receivers based on the inspections' findings.

In 2010, 16 receivers were accredited with the Bank of Russia and 23 receivers had their accreditations extended. In addition, the Bank of Russia refused to grant accreditation to two receivers and refused to extend the accreditation of one receiver who had failed to qualify with the accreditation requirements. As of 1 January 2011, 39 receivers were accredited with the Bank of Russia.

In 2010, the Bank of Russia Board of Directors took no decisions for the Bank of Russia to make payments 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'. As of 1 January 2011, the Bank of Russia had decided to pay a total of 1,264.7 million roubles to 40,308 depositors. Bank of Russia payments totalling 1,231.2 million roubles (97.4% of the total funds allocated for the Bank of Russia's compensation payments) have been received by 36,172 depositors (or 89.7% of the total number of depositors entitled to these payments).

II.3.5. HOUSEHOLD DEPOSIT INSURANCE

In 2010, 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 accordance with the requirements of Federal Law No. 177-FZ and earlier agreements, the Bank of Russia in 2010 continued to cooperate, coordinate and exchange information with the DIA on certain issues. These included the functioning of the deposit insurance system, the participation of banks in this system, the payment of insurance premiums, the payment of deposit compensation, Bank of Russia inspections of banks participating in the deposit insurance system, as well as applying sanctions against them, and other issues relating to the functioning of the deposit insurance system.

Of the 909 banks (925 as of 1 January 2010) participating in the deposit insurance system as of 1 January 2011, 77 banks had had their banking licences revoked (cancelled) earlier.

In 2010, seven banks were admitted to the deposit insurance system and 23 banks were barred from it (17 banks in connection with their reorganisation, five banks in connection with their liquidation, and one bank because it had lost the right to raise household deposits due to the replacement of its licence).

Since the deposit insurance system was launched (as of 1 January 2011), insured events occurred at 99 member banks, with 16 member banks experiencing such events in 2010 (15 banks were stripped of their licences and one bank had its licence cancelled following a voluntary liquidation decision). All the banks began paying their depositors in the time established by the law, i.e. not later than 14 days following the date of the revocation of their licences.

In 2010, the Bank of Russia for the first time exercised its right to prohibit two banks from taking household deposits and open personal bank accounts pursuant to Article 48 of Federal Law No. 177-FZ, since the banks posed a threat to the interests of their creditors and depositors and for two consecutive months failed to meet the deposit insurance system's requirements pertaining to asset and capital levels or to the quality of bank operation and risk management. In addition, in the case of one of the banks, the Bank of Russia, guided by Article 48 of Federal Law No. 177-FZ, imposed a ban on household deposit-taking and personal account-opening because the bank had failed to meet the deposit insurance system's requirements relating to the quality of bank operation and risk management for three months in a row. Two of the three aforementioned banks later had their licences revoked.

In order to maintain the stability of the banking sector, the Bank of Russia contributed to the drafting of Federal Law No. 375-FZ, dated 23 December 2010, 'On Amending Article 1 of the Federal Law 'On the Suspension of Certain Provisions of Article 48 of the Federal Law 'On Insurance of Household Deposits in Russian Banks'''. This law granted a six-month extension of the moratorium on the Bank of Russia's right prohibiting deposit insurance system member banks from taking household deposits and opening personal bank accounts if these banks failed to comply with capital, asset, profitability or liquidity requirements or the required ratios (until 1 July 2011).

The moratorium allowed the Bank of Russia (as of 1 January 2011) to stop imposing bans on household deposit-taking and personal account-opening in 55 of the deposit insurance system member banks that had failed to meet the system's profitability requirements for two or more quarterly dates in a row.

II.3.6. CENTRAL CATALOGUE OF CREDIT HISTORIES

In 2010, the Central Catalogue of Credit Histories (hereinafter, the CCCH) operated in an environment where consumer lending was picking up. Credit extended to households by credit institutions increased by 14.3% in 2010 and offset the 2009 drop by a large margin.

Due to growth in household credit and close cooperation between credit institutions and credit bureaus, the CCCH put 45.7 million credit history titles on file in 2010, or four times the 2009 number (11 million records of credit history titles). By late 2010, credit history holders and users had access to 112.4 million credit history titles containing information on the credit bureaus holding these files, as envisaged by Federal Law No. 218-FZ, dated 30 December 2004, 'On Credit Histories' and Bank of Russia regulations. The number of individual borrowers with credit history titles at the CCCH increased by 45.6 million in 2010 and stood at 99.75% of total credit history holders as of 1 January 2011.

This number of credit history titles roughly corresponds to 53.7 million borrowers who have agreed to pass information to credit bureaus (an increase of 44% year on year), of which more than 230,000 are legal entities.

The number of inquiries made to the CCCH in 2010 increased by 77.8% to total 1.6 million (0.9 million in 2009). Specifically, there was a significant increase in the number of inquiries filed by credit history holders and credit history users through credit institutions (an increase of 121%). The number of inquiries made by credit history holders grew by 68% in 2010 year on year, to exceed 431,000 as of 1 January 2011.

In 2010, it became possible to file inquiries with the CCCH through public notaries with the assistance of the Federal Chamber of Notaries (838 inquiries in the second half of 2010).

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

In 2010, the key objective of the Bank of Russia activities conducted pursuant to 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) was to make the current mechanisms used to combat money laundering more effective.

Based on an analysis of supervisory information, the Bank of Russia prepared a set of recommendations for credit institutions, describing the characteristics of transactions that require closer scrutiny. These were intended to help banks identify such transactions and take action to control the risks related to their implementation[1].

As part of the supervision of compliance by credit institutions with the legislation on anti-money laundering and combating the financing of terrorism (hereinafter, AML/CFT), 907 credit institutions and/or their branches were inspected. Based on the findings of the inspections, various measures were taken against credit institutions for violations of Federal Law No. 115-FZ and Bank of Russia AML/CFT regulations. In 302 cases the Bank of Russia informed the management of credit institutions about the shortcomings discovered in their work; in 151 cases it took forced measures demanding that the credit institutions rectify the faults discovered in their work; in 104 cases it imposed fines; in 87 cases it imposed restrictions or bans on certain types of banking operations; and in three cases it revoked licences from credit institutions.

As it assessed what the Russian Federation had done to eliminate the deficiencies that had earlier been identified in the Russian AML/CFT system with respect to the banking sector, FATF[2] noted improved efficiency, the strengthening of appropriate customer scrutiny, and internal controls that had been put in place in credit institutions.

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[1] *Bank of Russia Letter No. 83-T, dated 11 June 2010, 'On the Specifics of Work of Authorised Banks Handling Waybills Compiled by Shippers in the Republic of Belarus', Bank of Russia Letter No. 129-T, dated 16 September 2010, 'On Tightening Control over Certain Transactions by Legal Entities'.*

[2] *Financial Action Task Force (FATF).*

II.4. THE RUSSIAN PAYMENT SYSTEM

II.4.1. THE STATE OF THE RUSSIAN PAYMENT SYSTEM

The Russian payment system was characterised in 2010 by the continued expansion of its functionality and the greater efficiency of money transfer operations; these resulted from infrastructural upgrades and better legal support. This contributed to the stable growth of the Russian payment services market.

The number of banking system institutions providing payment services[1] increased by 1.3% over the year to 42,900 as of 1 January 2011. There were 302 such institutions in the banking system per million residents as of 1 January 2011 (as against 299 on 1 January 2010).

As the Russian economy recovered after the global financial and economic crisis, the banking system fully met the payment needs of businesses and individuals. The Russian payment system handled 8.2% more payments in terms of number and 7.1% more in terms of value in 2010 as compared with 2009, i.e. a total of 2.9 billion payments[2], amounting to 940.1 trillion roubles. It processed 11.8 million payments totalling 3.8 trillion roubles per day on average. The average payment amount stood at 319,100 roubles (as against 322,200 roubles in 2009).

Private payment systems effected 1.9 billion payments totalling 286.8 trillion roubles in 2010 (1.8 billion payments totalling 267.7 trillion roubles in 2009). Payments within the same division of a credit institution represented 71.4% of the total number and 52.1% of the total value of these payments; settlements between branches accounted for 19.8% and 39.5%, and settlements effected through correspondent accounts of credit institutions opened in other credit institutions accounted for 8.8% and 8.4%. In the total number and value of the credit institutions' own payments and payments by their customers (individuals and legal entities other than credit institutions), credit transfers[3] accounted for 68.9%

[1] *Bank of Russia establishments, credit institutions and their branches, additional offices, operations offices, credit and cash offices, and external cash desks.*

[2] *Including payments from the accounts of customers of the Bank of Russia and credit institutions (individuals, credit institutions, and legal entities other than credit institutions), and own payments of the Bank of Russia and credit institutions.*

[3] *A credit transfer is a payment service involving one-off or periodic write-downs from the payer's account triggered by the payer.*

and 98.0%, direct debits[1] for 3.8% and 0.4%, and payments by bank order accounted for 27.3% and 1.6%, respectively. As in previous years, payments by check were virtually not used.

Payments by payment orders represent a significant share of credit transfers: 45.5% in terms of number and 98.9% in terms of value (55.1% and 99.2%, respectively, in 2009). Transfers made by individuals without opening a bank account increased in number from 44.9% to 54.5% and in value from 0.7% to 1.0%, driven by higher growth rates year on year (increasing 1.6 times and 1.4 times, respectively). Payments by letter of credit represented only a minor share: less than 0.01% in terms of both number and value. However, they grew appreciably year on year (4.4-fold in number and 3.1-fold in value).

In 2010, the vast majority of cash transfers made by individuals without opening a bank account were confined to the Russian Federation (97.0% and 94.6% of the total number and value, respectively). Rouble-denominated transfers outside the Russian Federation accounted for 3.0% and 5.4%, respectively. A large portion of cross-border transfers went through money transfer systems (48.3% in terms of number and 61.3% in terms of value), while domestic transfers were largely made outside such systems (95.5% and 84.0%).

The number of direct-debit payments remained unchanged from 2009 but their value decreased by 40.2%. In the meantime, the value of payments by collection orders dropped 2.5-fold and payments made by payment requests dropped 1.5-fold.

The positive dynamics of remote banking testify to improved accessibility and a wider range of payment services. In 2010, the customers of credit institutions[2] actively used the Internet to manage their funds. The number and value of electronic payments increased by 31.4% and 36.2%, respectively, to a total of 367.9 million transactions amounting to 116.0 trillion roubles. They represented 52.0% and 51.7% of all remote payments, respectively (compared with more than 45% in terms of both number and value in 2009).

The payment card market maintained its positive dynamics in 2010. There were 144.4 million payment cards issued by Russian credit institutions as of 1 January 2011, an increase of 14.6% year on year. Prepaid cards grew at a higher rate than payment cards and credit cards (more than three times the growth rate of the latter two, which rose by 10.7% and 16.8%, respectively). The number and value of payment card transactions executed both inside and outside the Russian Federation increased by 27.4% and 30.9%, respectively, year on year, to 3.2 billion transactions valued at 13.2 trillion roubles. Individuals continued to extensively use payment cards for cash withdrawal: these transactions accounted for 65.6% and 84.0% in terms of number and value, respectively (as against 70.9% and 87.2% in 2009). Still, 2010 saw continued growth, as in recent years, in the use of payment cards for cashless transactions. For example, their share increased from 29.1% in 2009 to 34.4% in terms of number, and from 12.8% to 16.0% in terms of value. A vast majority of card-based cashless transactions were payments for goods and services (including customs payments): 95.7% and 82.8% (as against 96.6% and 85.6% in 2009), with all other transactions accounting for 4.3% and 17.2% (as against 3.4% and 14.4% in 2009).

As in previous years, cashless transactions made with payment cards in 2010 grew at a faster rate (50.8% in terms of number and 63.7% in terms of value) than cash withdrawal transactions (17.8% and 26.1%, respectively). An important contributing factor was the dynamic development of the infrastructure for the acceptance of payment cards. During the year, the number of devices (ATMs, point-of-sale terminals and imprinters) used to pay for goods and services increased by 14.1% to 574,500 on 1 January 2011.

Cash flows handled by the cash desks of Bank of Russia divisions and credit institutions, including cash received and withdrawn from the ATMs and the payment terminals of credit institutions, increased by 20.0% year on year to 54.8 trillion

[1] *A direct debit is a payment service involving one-off or periodic write-downs from the payer's account, triggered by the recipient based on the payer's preliminary consent.*
[2] *Individuals and legal entities other than credit institutions.*

roubles. Cash continued to dominate retail payments. More than half of the cash received by the cash desks of Bank of Russia divisions and credit institutions was originated by the sale of consumer goods (35.3% or 9.1 trillion roubles), services (11.4% or 2.9 trillion roubles), foreign currency (4.6% or 1.2 trillion roubles), and real estate (1.3% or 0.3 trillion roubles). Payment agents and bank payment agents continued to receive more cash from individuals as payment for goods, work and services in 2010. Such receipts almost tripled as against 2009 figures to reach 298.9 billion roubles.

Cash settlements in the securities market were mainly effected by non-bank credit institutions, i.e. the National Settlement Depositary[1] and the RTS Clearing House. The turnover of funds across the accounts of settling participants in the National Settlement Depositary in exchange transactions in the stock market fell by 0.5% year on year to 62.1 trillion roubles; in the government securities market, it increased by 2.5% to 20.0 trillion roubles. The turnover of funds across the accounts of settling participants in the RTS Clearing House in transactions in the stock market increased 2.2-fold to 739 billion roubles.

[1] *The National Settlement Depositary was founded in November 2010 by merging the National Depositary Centre and the MICEX Clearing House.*

II.4.2. DEVELOPMENT AND UPGRADING OF THE BANK OF RUSSIA PAYMENT SYSTEM

The Bank of Russia payment system, which is systemically important to the payment system of the Russian Federation, remained a major bulwark of the country's financial stability.

The Bank of Russia payment system developed in line with the conceptual framework approved by the Bank of Russia Board of Directors, which provides for the establishment of an integral and universal settlement system that is capable of meeting modern requirements and centralised at the federal level to effect speed and non-speed payments. Additionally, the framework stipulates the continued improvement of the functionality of the Bank of Russia payment system and the expansion of its services.

The number and value of payments effected through the Bank of Russia payment system in 2010 increased by 12.3% and 7.1%, respectively, to 1,059.0 million payments totalling 653.4 trillion roubles. The average number of payments effected through the Bank of Russia payment system per day increased by 13.2% to 4.3 million payments (as against 3.8 million payments in 2009). The ratio of the value of payments effected through the Bank of Russia payment system to GDP measured 14.5.

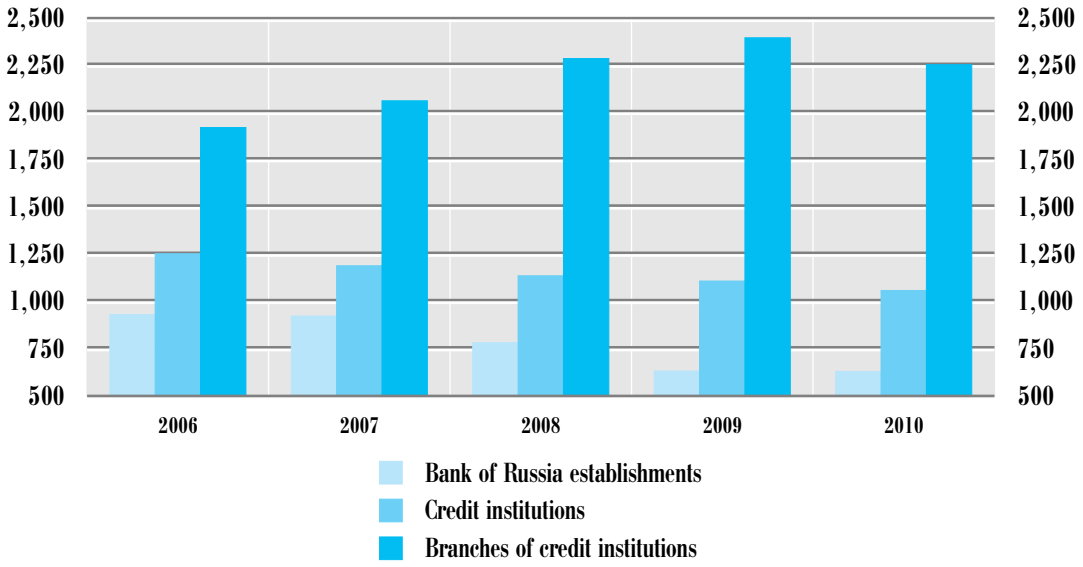
As in previous years, most payments effected through the Bank of Russia payment system, in terms of both number and value, were payments by credit institutions (branches): 83.2% and 78.7%, respectively (82.3% and 74.5% in 2009). There were 881.0 million such payments totalling 514.3 trillion roubles in 2010 (775.7 million payments totalling 454.5 trillion roubles in 2009).

Of all customers served by the Bank of Russia in accordance with Russian legislation, 3,123 credit institutions (branches) participated in the Bank of Russia payment system as of 1 January 2011 (3,311 institutions as of 1 January 2010).

The number of Bank of Russia customers other than credit institutions, which accounted in 2010 for 16.7% of the total number and 9.6% of the total value of payments made through the Bank of Russia payment system, dropped from 14,730

Chart 48

BANK OF RUSSIA PAYMENT SYSTEM PARTICIPANTS
(number)



to 12,115, or by 17.8%, from the beginning of the year. As in previous years, the fall resulted from the implementation of the provisions of Article 215.1 of the Budget Code of the Russian Federation, requiring that the cash execution of the federal, regional and municipal budgets should be transferred to the Federal Treasury. Another reason was the upgrading of the procedure for servicing all budget accounts.

Electronic technologies continued to be widely used in the Bank of Russia payment system in 2010. Credit institution payments transmitted to the Bank of Russia payment system by communications channels accounted for 98.7% of total payments made by credit institutions (branches), the same as in 2009. Payments by hardcopy payment request or collection order processed by the Bank of Russia, accounted for 1.3%. The share of Bank of Russia customer credit institutions (branches) involved in the electronic exchange of documents with the Bank of Russia stood at 98.6% of the total number of credit institutions (branches) participating in the Bank of Russia payment system as of 1 January 2011 (as against 96.9% as of 1 January 2010).

As part of the further expansion in the use of electronic settlements within the Bank of Russia payment system, a set of measures was completed to implement electronic settlements at the Bank of Russia Regional Branch in the Republic of Ingushetia and at the Bank of Russia field institutions located in the territory of the Chechen Republic.

The Bank of Russia monitored its payment system and assessed its accessibility for the execution of interregional and intraregional settlements to make sure it was operating in a sustainable and uninterrupted fashion. The average monthly accessibility ratios of the Bank of Russia payment system (the system's capability to accept settlement documents from Bank of Russia customers) ranged between 99.95% and 100% (as against 99.99% and 100% in 2009) with regard to the paper settlement documents and from 99.62% to 99.95% (99.49% to 99.94% in 2009) with regard to electronic documents.

The average time needed to implement settlement transactions, adjusted for the number of payments in all settlement systems used by the

PAYMENTS EFFECTED THROUGH THE BANK OF RUSSIA PAYMENT SYSTEM IN 2010 BY SETTLEMENT SYSTEM (percent)

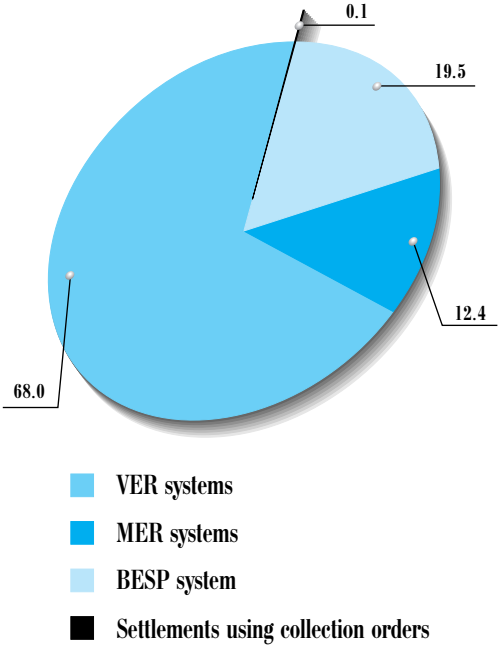


Chart 49

Bank of Russia, decreased in 2010 to 0.6 days at the intraregional level (as against 0.61 days in 2009) and to 0.93 days at the interregional level (as against 0.97 days in 2009).

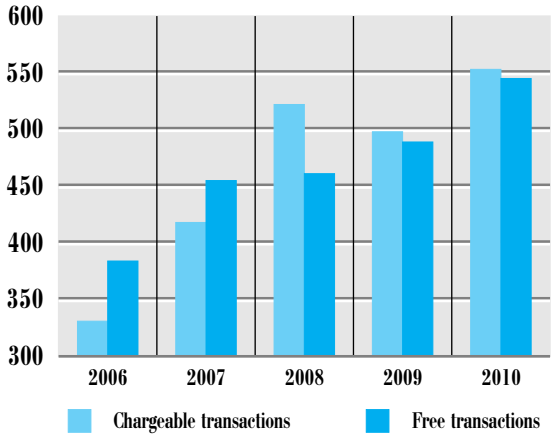
BESP, the system of banking electronic speed payments, continued to develop in 2010 toward becoming a full-scale platform allowing credit institutions to make large and speed payments in the interbank market, settle with the infrastructural organisations of financial markets, and make payments to the Federal Treasury and its regional branches, while allowing the Bank of Russia to effect its own payments.

The number of payments effected via the BESP system more than tripled to reach 205,100 payments. The value of these payments totalled 127.3 trillion roubles (106.6 trillion roubles in 2009).

A total of 819.3 million payments with a value of 445.0 trillion roubles were made through the intraregional electronic payment systems (VER) in the year under review (748.7 million payments with a total value of 432.7 trillion roubles in 2009). They accounted for 77.4% of the total number and 68.2% of the total value of payments

Chart 50

RATIO BETWEEN CHARGEABLE AND FREE TRANSACTIONS CONDUCTED IN THE BANK OF RUSSIA PAYMENT SYSTEM (millions of transactions)



effected through the Bank of Russia payment system (79.4% and 70.9% in 2009, respectively).

Interregional electronic payment systems (MER) effected 238.5 million payments with a total value of 81.3 trillion roubles (this compares with 192.5 million payments with a total value of 69.6 trillion roubles in 2009), or 22.5% of the total number and 12.4% of the total value of payments effected through the Bank of Russia payment system (20.4% and 11.4% in 2009, respectively).

The changed proportion between the VER and MER systems in 2010 resulted from the increased number of interregional payments made by credit institutions as a result of the optimisation of their structure, and from the increased value of payments effected through the BESP system.

Pursuant to the Plan of Action to create an international financial centre in the Russian Federation, which was approved by Government Resolution No. 911-r of 11 July 2009, all credit institutions (branches) that met the membership requirements set by the Bank of Russia were included in the BESP system in 2010, to which end BESP system regulations were improved. At the beginning of 2011, 2,970 credit institutions (branches) participated in the BESP system, or 96.5% of all credit institutions (branches) involved in the exchange of electronic documents with the Bank of Russia. Sixty-eight credit institutions (branches) remained outside the BESP system in connection with their restructuring or closing of branches. There were a total of 3,343 participants in the BESP system on 1 January 2011, of which 292 were special participants of settlements, 621 were direct participants, and 2,430 — associated participants, including the Federal Treasury and its regional branches.

In 2010, in the context of consumer price growth, the Bank of Russia introduced new tariffs for chargeable services that it provided via its payment system. The Bank of Russia implemented transactions involving funds from budgets of all levels free of charge, in accordance with Russian legislation. Free-of-charge payment transactions as a share of all such transactions made by the Bank of Russia in 2010 remained at their 2009 level, i.e. at 49.6%.

II.4.3. BANK OF RUSSIA PAYMENT SYSTEM INFRASTRUCTURE DEVELOPMENT

The technical infrastructure of the Bank of Russia payment system continued to develop, taking into account the changed requirements for processing payment information. The new requirements primarily resulted from an increase in the number of BESP system participants as well as from the ongoing unification of standard software systems used to process payment information.

As part of the ongoing effort to unify the software systems used in the Bank of Russia payment system and in order to process accounting and operational information, Bank of Russia regional branches began to shift payment processing from CDPC-2 (St Petersburg) to CDPC-MR (Moscow) and CDPC-1 (Nizhni Novgorod); the RABIS-2 standard software system was replaced with the RABIS-NP system. This will help concentrate payment information processing in two CDPCs, which share the same unified software system to process payment information.

Efforts to develop the Electronic Settlement Transportation System continued. The system will help ensure the interregional centralisation of electronic settlements and a subsequent transition to single-level interaction between electronic settlement participants and collective data processing centres.

As part of the effort to organise online interaction between the Bank of Russia's divisions and its customers, deliver electronic payment messages and reports between participants of settlements, and lay the groundwork for standardised formats of electronic banking messages, a single information exchange medium for electronic communications (SVK) was put into operation between the Bank of Russia's Interregional IT Centre and its customers in Moscow and the Moscow Region. Bank of Russia customers were migrated to use the SVK at all of the Bank of Russia regional branches and at the Interregional IT Centre.

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 systems.

A BESP-SWIFT Link Subsystem was put into place to secure access to the BESP system through the Society for Worldwide Interbank Financial Telecommunications (SWIFT).

II.5. FOREIGN EXCHANGE REGULATION AND FOREIGN EXCHANGE CONTROL

In 2010, the Bank of Russia exercised the authority it had received pursuant to Federal Law No. 173-FZ, dated 10 December 2003, 'On Foreign Exchange Regulation and Foreign Exchange Control' and continued to improve the legal and regulatory framework for foreign exchange regulation and foreign exchange control.

In accordance with the Plan of Action to Improve the Public Customs Administration of High Technology Exports and Improve the Export Controls of High Technology Products, which was approved by Government Resolution No. 1974-r, dated 12 November 2010, the Bank of Russia issued 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', which came into force on 18 May 2011. As a result, exporters and importers were no longer required to provide hardcopy passports of transactions to clear their goods through customs.

Furthermore, in order to relieve the residents engaged in foreign trade of excessive administrative barriers and to reduce the workloads and costs incurred by authorised banks as foreign exchange control agents, the maximum price of a foreign trade agreement (contract) that is exempt from the requirement of issuing an operation ID by the authorised bank was raised from $5,000 to $50,000 in dollar terms, and the deadline for residents to submit FX transaction documents to authorised banks was extended from seven to fifteen business days. The above provisions were enacted by Bank of Russia regulations[1].

With the demand for FX cash falling, authorised banks reduced foreign exchange imports in 2010. A total of $5.6 billion (in US dollar terms) was imported, or 2.6 times less than in 2009. The US dollar share in the FX cash imports by authorised banks increased to 63% from 53% in 2009. FX cash exports by authorised banks decreased by 17% to $15 billion in dollar terms. In the meantime, the structure of the foreign exchange exports made by authorised banks changed significantly: the share of the euro increased from 25% in 2009 to 55% in 2010.

As a result, authorised banks exported $9.3 billion (in dollar terms) in foreign exchange cash more than they imported in 2010 ($3.4 billion in dollar terms in 2009).

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[1] *Bank of Russia Ordinance No. 2556-U, dated 29 December 2010, 'On Amending Paragraph 1.2 of Bank of Russia Regulation No. 258-P, Dated 1 June 2004, 'On the Procedure for the Presentation of Documents and Disclosure of Information by Residents to Authorised Banks, Connected with Foreign Exchange Operations with Non-Residents under Foreign Trade Contracts, and the Exercising of Control by Authorised Banks over Foreign Exchange Operations"; and Bank of Russia Ordinance No. 2557-U, dated 29 December 2010, 'On Amending Bank of Russia Instruction No. 117-I, Dated 15 June 2004, 'On the Procedure for the Presentation of Documents and Disclosure of Information by Residents and Non-Residents to Authorised Banks in the Course of Conducting Foreign Exchange Operations, and the Procedure for the Recognition of Foreign Exchange Operations by Authorised Banks and Issuing of Operation IDs".*

II.6. BANK OF RUSSIA ACTIVITIES RELATING TO GOVERNMENT FINANCE

In 2010, in the public finance domain, the Bank of Russia, jointly with the Ministry of Finance and the Federal Treasury, implemented measures to reform the budgetary payment system in order to improve the efficiency of budget expenditures and the effectiveness of managing government and municipal finances, and to continue improving the servicing of budget accounts and the management of certain types of federal budget revenues.

In order to improve the management of federal budget funds, units of the Bank of Russia payment system on 1 July 2010 began to transfer unused balances of federal budget funds that remained at the end of the day from the accounts of Federal Treasury divisions in the constituent territories of the Russian Federation to the Federal Treasury budget account. As a result, the average daily unused balances of funds remaining in the accounts of Federal Treasury regional branches at the end of the day fell from 34.2—37.9 billion roubles in the second half of 2009 to 0.9—3.0 billion roubles in the second half of 2010.

In 2010, the Bank of Russia secured access to the BESP system for transactions conducted in the accounts of the Federal Treasury and its regional branches used to record funds received for temporary use by budget-financed organisations and funds received from income-generating activities. This helped implement Ministry of Finance Order No. 33n, dated 13 April 2010, 'On the Procedure for Transferring in 2010 Balances of Funds Received by Federal Budget-Financed Organisations from Income-Generating Activities, and of Funds Received for Temporary Use from the Respective Accounts of Federal Treasury Regional Branches to the Federal Budget, and for Returning Them to the Said Accounts', and Federal Treasury Order No. 133, dated 4 June 2010, 'On Approving the Procedure for Cooperation between the Federal Treasury and its Regional Branches in Implementing Such Transfers and Returns'.

To improve cash and settlement services for the budget accounts, Bank of Russia regional branches and the Federal Treasury worked to standardise the bank account contracts signed when opening accounts to manage federal budget funds, revenues allocated among the budgets of Russia's budget system, and funds earned from income-generating activities. The Bank of Russia, jointly with the Ministry of Finance, developed criteria for opening and managing the bank accounts of Federal Treasury branches in the constituent territories of the Russian Federation when authorising their employees to dispose of the funds held in these accounts.

In order to help improve the procedure whereby employees of the Bank of Russia's divisions receive paper payment documents and to ensure the safety of funds in its customer accounts, the Bank of Russia adopted additional measures to prevent funds from being stolen from its customer accounts.

In 2010, the Bank of Russia continued monitoring budget-financed organisations in order to ensure that they fully switched to the cash execution of budgets through the Federal Treasury's bodies. As part of measures designed to get budget-financed organisations to close the accounts they had opened with the Bank of Russia and

credit institutions, and in accordance with the Federal Law 'On the Federal Budget for 2010 and the Plan Period of 2011 and 2012', the Bank of Russia provided the Federal Treasury with information on a quarterly basis about the accounts of budget-financed organisations and financial authorities for the purpose of accounting the budget funds, funds received from income-generating activities, and funds received by federal budget-financed organisations for temporary use.

As a result of the work done, including ongoing support to complete the transition to the cash execution of regional and municipal budgets and budget-financed organisations through Federal Treasury accounts, the number of Bank of Russia customers other than credit institutions decreased by 2,800, or 17.6%, to a total of 13,100 in 2010.

The number of accounts opened with the Bank of Russia by non-credit institutions increased by 900 during the year to a total of 69,200, and the number of accounts opened by the Federal Treasury bodies increased by 5,200 to total 46,500.

The trend towards more accounts opened for Bank of Russia customers other than credit institutions at the main cash and settlement centres of the Bank of Russia continued. Such accounts (as a share of the total number of accounts) increased from 68.0% to 70.0%.

The number of transactions conducted by the Federal Treasury and its regional branches through the Bank of Russia payment system increased by 6.3 million (3.4%) during the year to total 191.6 million transactions. The value of such transactions decreased by 23.8 trillion roubles (35.8%) to 42.8 trillion roubles following changes made on 1 January 2010 to the procedure for forming and using the Reserve Fund and the National Wealth Fund. In 2010, the Federal Treasury and its regional branches implemented more than 43% of transactions in terms of value through the BESP system.

II.7. CASH CIRCULATION MANAGEMENT

During 2010, the Bank of Russia took steps to support stable cash circulation and ensure that payment turnover is unfailingly supplied with banknotes and coins of various denominations.

During the period under review, the amount of cash in circulation continued to grow. The relevant indicator's growth rate was 25.1% in 2010 (as against 5.7% in 2009).

According to balance-sheet data, 5,792.5 billion roubles in Bank of Russia banknotes and coins were in circulation, including coins made of precious metals, as of 1 January 2011. Of this amount, 5,756.4 billion roubles were in banknotes (6.3 billion pieces) and 36.1 billion roubles were in coins (47.8 billion pieces[1]). Banknotes accounted for 99.4% of the total value of cash in circulation and coins accounted for 0.6%. As for the total number of banknotes and coins, the former made up 11.7% and the latter 88.3%.

According to balance-sheet data, Bank of Russia banknotes and coins, including coins made of precious metals, increased by 1,162.6 billion roubles in 2010. The banknotes grew by 1,152.9 billion roubles and the coins grew by 9.7 billion roubles. The number of banknotes decreased by 0.01 billion pieces, while the number of coins increased by 4.0 billion pieces.

As for the note structure of cash in circulation, the share of 5,000-rouble banknotes expanded from 40.4% to 49.7% in the period under review. In the meantime, the share of 1,000-rouble banknotes contracted from 45.8% to 39.3%, 500-rouble banknotes from 10.6% to 8.5%, and 100-rouble banknotes from 2.3% to 1.9%. The shares of 50-rouble, 10-rouble and 5-rouble banknotes remained virtually unchanged at their 2009 level. The data on the number of banknotes and coins of Bank of Russia by denomination are presented in Tables 49 and 50 of Section IV.3 'Statistical Tables'.

In 2010, 10-rouble banknotes were actively replaced with coins with the same face value: the number of these banknotes in circulation contracted by 34.6%, whereas the number of coins increased 2.5-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 matches 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 paying out cash by Bank of Russia establishments through the fault of the Bank of Russia in the period under review.

[1] *Data on coins are cited net of coins made of precious metals.*

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

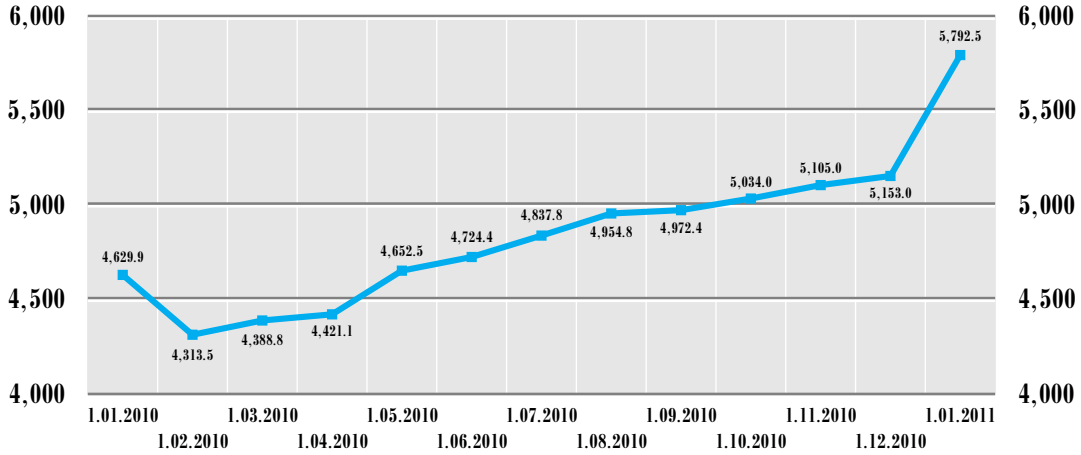


Chart 51

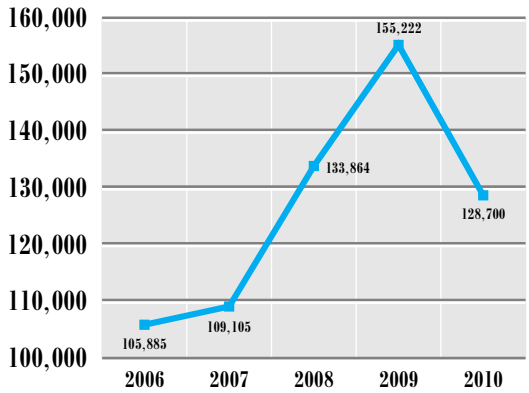
In 2010, the Bank of Russia made efforts to improve its regulations relating to the organisation of cash circulation, the issuance of cash and other cash operations, as well as the storage, collection and transportation of cash.

As of 1 January 2011, Bank of Russia establishments provided cash services to 8,230 credit institutions and their divisions, as well as to 112,126 non-credit institutions. In 2010, the number of credit institutions and their divisions using Bank of Russia cash services increased, as the credit institutions expanded their networks of internal structural divisions.

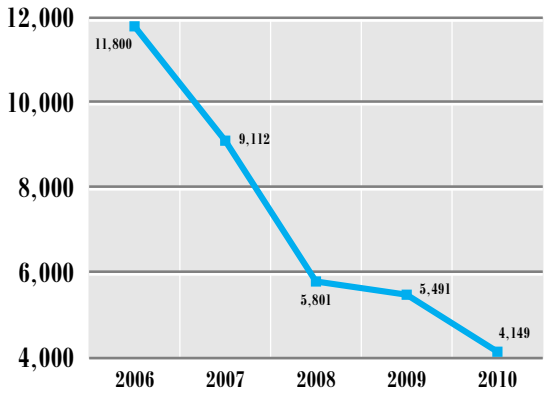
The Bank of Russia took steps to reduce the number of cash centres and enlarge them in order to cut the costs of cash processing, safekeeping and transportation, and to raise the labour productivity of cash clerks.

In 2010, Bank of Russia establishments carried out 1.45 million expert assessments of Bank of Russia notes and coins, including 0.77 million assessments of suspect notes and coins and 0.68 million control assessments of the correctness of the exchange of banknotes and coins. According to data reported by Bank of Russia regional branches, 128,700 counterfeit Bank of Russia notes and coins were detected, withdrawn from circulation and handed over to law enforcement authorities in the period under review, which is 17.1% less than in 2009.

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



DETECTION OF COUNTERFEIT FOREIGN BANKNOTES
(pieces)



Charts 52, 53

Counterfeit 1,000-rouble banknotes accounted for 95.3% of all forgeries.

In an effort to reduce the number of counterfeit 1,000-rouble banknotes, the Bank of Russia issued into circulation a modified and better-protected note with the same face value.

There were more counterfeit 5,000-rouble banknotes detected in 2010: 3,697 as compared with 965 in 2009.

The detection of counterfeit Bank of Russia coins dropped from 294 in 2009 to 173 in 2010.

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 increased by 2.4 percentage points year on year to constitute 41.9% of the total number of forgeries detected.

In 2010, Bank of Russia establishments and credit institutions identified 4,149 counterfeit banknotes of foreign countries (or a group of foreign countries) and delivered them to law enforcement authorities.

In 2010, 57 types of commemorative coins were issued into circulation, including 15 gold coins, 34 silver coins, and eight commemorative coins made of non-precious metals.

II.8. BANK OF RUSSIA ACTIVITIES AIMED AT UPGRADING ACCOUNTING AND REPORTING

The Bank of Russia improved its accounting rules and the procedures needed to compile accounting (financial) statements in the banking system by developing new and amending applicable Bank of Russia regulations to bring them closer to international standards.

The changes made to the accounting rules for credit institutions in 2010 covered:

— separate accounting for real estate that is not actively used in the core business;
— the recording of operations with individuals under the agreements of purchase/sale of securities with an obligation of their subsequent sale/repurchase;
— the accounting procedure by authorised banks and their structural divisions for certain banking transactions with individuals involving foreign currencies and checks (including travellers' checks) denominated in foreign currencies at par;
— the procedure for credit institutions to keep cash-in and cash-out ledgers and maintain them in hard copies and electronically;
— the development of accounting procedures to treat erroneous records of economic activity of credit institutions and requirements for materiality of such errors.

Regulations setting forth financial derivatives accounting procedures for credit institutions were drafted, to be released in 2011 and to come into effect on 1 January 2012. These documents were discussed with audit firms, professional associations, and major banks.

Federal Law No. 208-FZ, dated 27 July 2010, 'On Consolidated Financial Statements' imposed a requirement to compile, submit and publish consolidated financial statements in accordance with international financial reporting standards applying to credit institutions and insurance companies, and to other organisations whose securities are admitted for trading in the securities market. To help implement the law, the annual reporting procedure for credit institutions was substantially revised in 2010 with regard to the requirement that essential information about the credit institution be provided in the explanatory note to the annual report. This would include information about the credit institution's financial position, the compatibility of data for the period under review and for previous years, as well as its valuation methods and important accounting items, and the procedure it uses to record material and immaterial errors (which are identified during the preparation and approval of the annual report), to ensure full disclosure of information for the users of financial statements.

In 2010, the Bank of Russia also continued to improve the methodological framework used by credit institutions to compile financial statements according to international standards. This work resulted in the publication of:

— Methodological Recommendations on the Procedure for Calculating the Depreciated Costs of Financial Assets and Liabilities Using the Effective Interest Rate Method (Bank of Rus-

sia Letter No. 59-T, dated 27 April 2010) which set out a methodological basis and mechanism for the calculation of the depreciated costs of financial instruments using the effective interest rate method;

— Methodological Recommendations on the Procedure for Compiling and Submitting Financial Statements by Credit Institutions (Bank of Russia Letter No. 183-T, dated 30 December 2010) for credit institutions to prepare their financial statements for 2010.

A regulation was adopted to govern the Bank of Russia's operations and transactions with the IMF that it is empowered to implement on behalf of the Russian Federation, 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)''. The regulation defines a procedure for recording operations and transactions with the IMF and promissory notes issued to the IMF and for recording transactions made by the Russian Federation in supranational financial institutions, modifications of balance-sheet accounts and changes to the procedure for determining income, expenses and performance results, and reflecting them in the accounting.

The Bank of Russia's accounting rules were complemented with new accounts to record cash received from the divisions of credit institutions (branches) and from individuals not engaged in entrepreneurial activities, including military personnel whose accounts are opened with Bank of Russia field institutions, and to record deposits prolonged by the Bank of Russia in the context of the extension of Bank of Russia deposits, pursuant to Federal Law No. 173-FZ, dated 13 October 2008, 'On Additional Measures to Support the Financial System of the Russian Federation'.

The Bank of Russia enacted regulations governing the procedure for issuing cash and conducting other cash transactions as well as the procedure for writing-off destroyed banknotes and coins. Meanwhile, changes were made to the Bank of Russia's accounting rules to remove the accounts to record destroyed banknotes and coins of the reserve funds and to record issue permits.

Pursuant to the Regulation on the Required Reserves of Credit Institutions, a regulation was approved to define an accounting procedure for Bank of Russia settlements with credit institutions on the required reserves and remove the accounts to record excess funds transferred by credit institutions to the required reserves in the currency of the Russian Federation and in foreign currencies.

The National Banking Board developed and approved changes to the Bank of Russia's accounting rules regarding the organisation of the electronic document turnover at the Bank of Russia. The changes allow for the introduction of electronic accounting registers, electronic account storage and the issuance of electronic account statements, as well as the use of an analogue of the handwritten signature as a proof of the identity of people signing documents in electronic form.

The National Banking Board developed and approved changes to the Bank of Russia's accounting rules concerning the organisation and implementation of internal controls by the Bank of Russia's accounting divisions in the process of managing the accounting records and compiling accounting (financial) statements.

In order to streamline the compilation of Bank of Russia financial statements in compliance with international standards and in light of the changes and additions that had been made to the international standards, the Bank of Russia, in the reporting year, approved the Accounting Policy of the Bank of Russia Group to compile financial statements in compliance with International Financial Reporting Standards in 2010 and subsequent years, and Bank of Russia Ordinance No. 2543-U, dated 21 December 2010, 'On Amending 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''.

In 2010, the Bank of Russia participated in drafting the Federal Law 'On Accounting', which defines international standards as the basis for the development of national and sector-specific accounting standards. Ensuring the harmonisation of the accounting and reporting system of the Russian banking sector with international standards remains a priority for the Bank of Russia in the improvement of its accounting and financial reporting methodology.

II.9. INTERNATIONAL COOPERATION

II.9.1. COOPERATION BETWEEN THE BANK OF RUSSIA AND INTERNATIONAL FINANCIAL AND ECONOMIC ORGANISATIONS

In 2010, the Bank of Russia took part in the regular meetings of the IMF and World Bank, participated in IMF Article IV consultations, and met with IMF missions on issues relating to the G-20 Mutual Assessment Process and the Russian Federation's observance of the IMF's standards and codes in the area of macroeconomic statistics.

In accordance with the IMF's Special Data Dissemination Standard, the Bank of Russia provided data on the external and financial sectors to the Ministry of Finance, to be posted online on the National Summary Data Page. In 2010, the Bank of Russia began publishing more monetary statistics: data on the banking sector's claims and liabilities by institutional sector and financial instrument were additionally provided in Russian roubles as well as foreign currencies.

Starting from 2010, regular assessments of financial stability bound Russia as a country with a systemically important financial sector under the Financial Sector Assessment Program, which is part of the Article IV consultations.

In the reporting year, the Ministry of Finance entrusted the Bank of Russia with conducting transactions envisaged in the IMF Articles of Agreement at its own cost (Federal Law No. 291-FZ, dated 3 November 2010).

The Bank of Russia continued to participate in central bank governors' meetings at the Bank for International Settlements (BIS). These meetings, among other topics, discussed the impact of low global interest rates and excess liquidity on emerging economies, measures to manage capital inflows, interest rate risks and sovereign risks in the financial system, exit strategies, etc. They also considered the proposals of the Basel Committee on Banking Supervision (BCBS) with respect to regulatory reforms.

In 2010, the Bank of Russia took part in reviewing a report, following a study by the BIS and the Committee on the Global Financial System on the use of macro-prudential tools, and a BIS Survey of External Factors and Monetary Policies. The Bank of Russia continued to cooperate on information-related issues with the BIS Data Bank. Specifically, it expanded significantly the range of data provided to the BIS Data Bank pertaining to the Russian debt securities market by institutional sector.

The Bank of Russia continued to contribute to the work of the BCBS and its working groups

on the implementation of standards, the development of supervisory policies, macroprudential issues, and corporate governance.

In 2010, the Bank of Russia took part in international consultations on the Russian accession to the Asian Development Bank and Inter-American Development Bank, and in drafting proposals to promote banking cooperation with the member states of the Organisation of the Islamic Conference.

In the reporting year, the Bank of Russia participated in three meetings of the G-20 finance ministers and central bank governors (and attended concurrent meetings of BRIC countries), four meetings of their deputies, and in a number of workshops.

The Bank of Russia was included in a working group to implement the G-20 Framework for Strong, Sustainable and Balanced Growth; two expert groups for creating global financial security networks and for financial inclusion; and an Interdepartmental Commission for Russian Participation in the G-8 and G-20.

In 2010, the Bank of Russia continued to closely cooperate with the Financial Stability Board (FSB). It took part in 10 meetings and numerous telephone conferences which were held within the FSB's key bodies, i.e. the Plenary, the Steering Committee, the Standing Committee on Assessment of Vulnerabilities, and two working groups. The Bank of Russia, jointly with the Ministry of Finance and other agencies, participated in a FSB project to assess the Russian Federation's compliance with key international standards relating to cooperation and information sharing, and in preparing FSB reports for the G-20 on compensation, risk disclosure, underwriting and mortgage loan practices in the member countries. The FSB Secretariat was provided with comments on FSB reports dealing with the implementation of G-20 and FSB recommendations to improve financial stability. The reports also covered the impact of higher capital and liquidity requirements, the reduction of the risks associated with systemically important financial institutions, and the use of ratings by credit rating agencies.

In the context of the G-8, the Bank of Russia continued to contribute to quarterly reports on the fulfilment of the Russian President's instructions on the implementation of the decisions of the G-8 summit held in L'Aquila (Italy).

As it continued to develop cooperation with the Asia-Pacific Economic Cooperation (APEC) Forum in 2010, the Bank of Russia took part in all of the major events of the annual cycle of the APEC Finance Ministers' Process, i.e. the ministerial meeting, meetings of deputy finance ministers and central bank governors, meetings of senior financial officers, and thematic workshops. At the APEC's request, the Bank of Russia actively contributed to the preparation of inputs for a review of national policies in the financial sector: in particular, it provided information on actions taken to improve the stability of the national financial system, on the foreign exchange regime and policies, and on banking regulation. As part of preparations for the Russian chairmanship of APEC in 2012, the Bank of Russia, jointly with the Ministry of Finance, helped identify priority areas for the APEC Finance Ministers' Process for the year and to define topics for Russian financial initiatives for 2010—12.

In the reporting year, the Bank of Russia continued to participate in negotiations on the Russian accession to the Organisation for Economic Cooperation and Development (OECD). Its members were among the Russian negotiators involved in the talks on the investment regime, financial system, corporate governance in Russia, and direct investment statistics. The Bank of Russia regularly cooperated on issues relating to the protection of users of financial services and improving financial literacy, and joined the meetings of a number of OECD committees.

In the context of cooperation with the World Trade Organisation (WTO), the Bank of Russia participated in the WTO Doha Round of multilateral trade negotiations as an observer.

The Bank of Russia continued to participate in the preparation and holding of negotiations on a new basic agreement on the Russia-EU strategic partnership, and in the Russia-EU Dialogue summit on financial and macroeconomic policies. The Working Group on Banking Services and Securities of the Russia-EU Dialogue, chaired by a Bank of Russia representative, held its first meeting.

II.9.2. COOPERATION BETWEEN THE BANK OF RUSSIA AND FOREIGN COUNTRIES, AND THEIR CENTRAL (NATIONAL) BANKS

In 2010, the Bank of Russia was heavily involved in developing a legal and regulatory framework for the Common Economic Area (CEA) and Customs Union between the Republic of Belarus, Kazakhstan, and the Russian Federation. It contributed to the drafting and signing of the Agreement to Establish and Apply the Procedure for Recording and Distributing Import Customs Duties (Other Equivalent Duties, Taxes and Charges) in the Customs Union, an agreement on common principles of monetary policy in the CEA states, an agreement on trade in services, an investment agreement, an agreement on creating favourable conditions in the financial markets, and an agreement on common macroeconomic policies.

In 2010, the Bank of Russia continued to cooperate with foreign countries and their central (national) banks within the Commonwealth of Independent States (CIS), Eurasian Economic Community (EurAsEC), and the Russia-Belarus Union. Much effort was put into developing proposals to expand the use of national currencies for mutual settlements between CIS and EurAsEC residents and assessing the outlook for the Russian rouble as a regional reserve currency.

The Bank of Russia helped elaborate the EurAsEC's Plan of Action for 2011—13 and subsequent years to implement the organisation's development priorities, which was approved by the EurAsEC Interstate Council (by the heads of state of the member countries) on 9 December 2010.

The EurAsEC Council of Central (National) Bank Governors met twice in 2010 to discuss prospects for strengthening the banking sectors of the EurAsEC member states and harmonising their national banking laws.

As a follow-up to the Agreement on Cooperation in Organising an Integrated Currency Market in the EurAsEC Member States, the Bank of Russia in 2010 signed agreements with the national banks of Belarus, Kyrgyzstan and Tajikistan to secure IT support for the integration process.

Under the 12 March 2004 Agreement on Cooperation in Training the Staff of the Central (National) Banks of the EurAsEC Member States, the Bank of Russia helped to train and retrain professionals from CIS nations. The training involved the staff of central (national) banks from other CIS countries.

The Interbank Monetary Council of the Central Bank of the Russian Federation and the National Bank of the Republic of Belarus held two meetings in 2010 to review, inter alia, the implementation of the decisions to minimise the effects of the financial crisis, develop the banking legislation of Russia and Belarus, and unify the accounting (financial) reporting standards in the banking systems of the two countries.

In 2010, interbank consultations were held with the central banks of Brazil, Venezuela, the Republic of Korea, China, Mexico, and Switzerland. The Bank of Russia participated in meetings of the working bodies on interbank cooperation in intergovernmental commissions between Russia and China, Vietnam, India, Germany and Egypt.

In April 2010, Brasilia (Brazil) hosted consultations between BRIC central bank experts on the prospects for using national currencies in mutual trade settlements.

Paired rouble-yuan trading opened in Shanghai and Moscow in November and December of 2010, respectively.

The Bank of Russia attended meetings of intergovernmental commissions set up with Austria, Armenia, Argentina, Brazil, Vietnam, Egypt, India, Kazakhstan, Kyrgyzstan, China, Turkey, and South Africa.

The Bank of Russia, jointly with the Bank of India, organised a round-table meeting on bilateral interbank cooperation during the 4th Russian-Indian Forum on Trade and Investment, which was held in New Delhi (India) in December 2010.

Agreements (memoranda of understanding) on cooperation in banking supervision were signed

in 2010 with the National Bank of the Republic of Abkhazia and the supervisory authorities of Austria, Norway and Turkey. Additionally, an updated Memorandum of Understanding was signed with the Financial and Capital Market Commission of Latvia.

In 2010, the Bank of Russia held consultations on banking regulation and supervision with the banking supervisory authorities of Austria, Hungary and Germany and took part in the banking group supervisory colleges of Deutsche Bank (Germany), OTP Group (Hungary), VTB Bank (Austria), the Bank of China, the Bank of Cyprus, and the Banks and Financial Services sub-group operating under the auspices of the Russian-German high-level working group on strategic economic and financial cooperation.

II.10. UPGRADING THE BANK OF RUSSIA SYSTEM AND ENHANCING ITS EFFICIENCY

II.10.1. BANK OF RUSSIA ORGANISATIONAL STRUCTURE AND MEASURES TO IMPROVE IT

Further efforts were made in 2010 to optimise the organisational structure of the Bank of Russia and its structural divisions.

In the reporting year, 22 cash and settlement centres with a total staff of 322 employees were eliminated as part of the optimisation campaign that had started at the Bank of Russia settlement network in 2003. Since the process had been launched, the number of cash and settlement centres dropped by more than a half and amounted to 524 at the end of 2010.

Work continued to improve the structure and reduce the staff of the Bank of Russia's Central Depository. The Interregional Depository was liquidated in Orel and the staff size was cut at the Head Depository in Moscow, which resulted in the overall reduction of Central Depository staff by 922 full-time employees, or 18%.

The Bank of Russia shed eight of its field institutions in 2010.

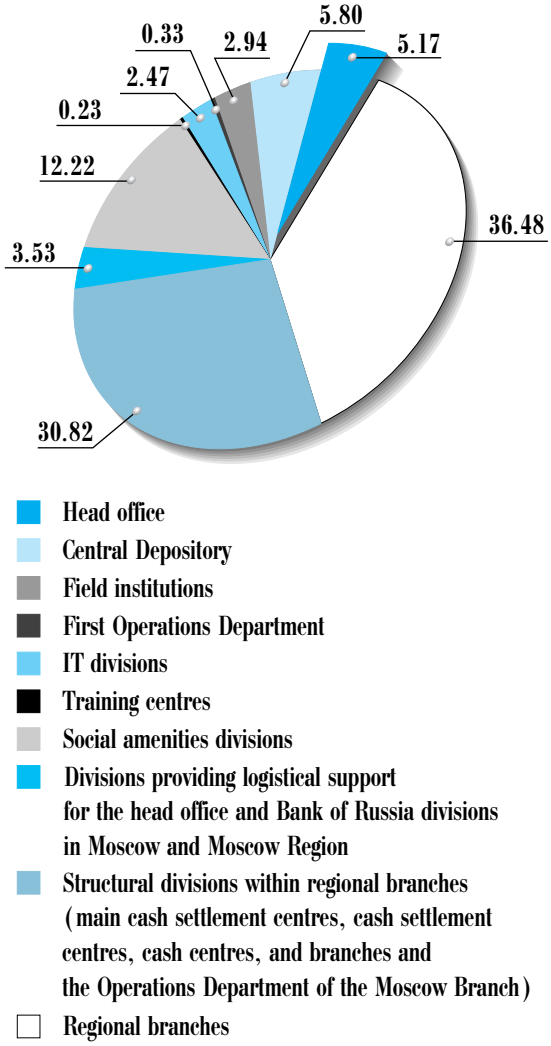
During the reporting period, the Bank of Russia continued to optimise its network of social amenities divisions and cut their staff in a campaign that had been launched in 2004. It liquidated four such divisions, and reduced the staff of its regional health care divisions by a total of 11.7%.

In all, the Bank of Russia liquidated 35 structural divisions in 2010. As a result of the organisational and staffing optimisation, the staff of the Bank of Russia decreased by 1,200 full-time employees, or by 1.6%, to total 70,400 in early 2011.

The Bank of Russia's structure comprises 1,002 divisions, including the head office, the First Operations Department, 79 regional branches, 601 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, 115 field institutions, four IT divisions, and other auxiliary divisions.

Chart 54

NUMBER OF BANK OF RUSSIA EMPLOYEES BY DIVISION AS OF 1 JANUARY 2011 (percent)



II.10.2. STAFFING AND PERSONNEL TRAINING

The Bank of Russia's personnel policy in 2010 was intended to ensure personnel efficiency and to build up staff capacity for high-quality work in the context of the Bank of Russia centralising its functions and optimising its structure.

By 1 January 2011, the number of executives and specialists positions in the Bank of Russia had dropped by 1.5%, whereas the occupancy rate for such posts had increased by 0.3 percentage points to 98.7%. The number of employees that were under 30 years old (10.1% of the staff) did not change. More than half of the Bank of Russia's employees were between 30 and 50 years old (55.2%) and the number of those with Bank of Russia work records from three to fifteen years dropped by 5.1 percentage points to 39.9%.

The number of employees with more than 15 years' experience working in the Bank of Russia rose by 6.0 percentage points, while the share of employees that were at their retirement age increased by 1.7 percentage points.

An upward trend in the number of executives and specialists with a higher professional education that has predominated in the last few years continued. In 2010, 704 employees graduated from institutions of higher learning and 3,279 employees continued their education.

Monitoring and the creation of a motivating environment are particularly important for effective personnel management. In the reporting period, the Bank of Russia's regional branches conducted staff assessments of 89% of executives and specialists, and used the results of these assessments to make more than 35,000 managerial decisions. Over 800 employees were subjected to a comprehensive assessment as a form of monitoring. The results showed that the professional qualifications of virtually all employees were sufficient. The respondents proved to have a high capacity for work, emotional equilibrium, diligence and loyalty, with more than 90% of employees saying they were satisfied with their terms of employment.

In 2010, there were sixty corporate and managerial social and psychological training courses in various disciplines, which were attended by 900 executives and specialists in order to build up the managerial competence of executives at all levels, optimise relationships within the organisation, and improve staff performance. Further psychological training courses were organised by activity: supervision and inspection, internal auditing, accounting and reporting, security and information protection, as well as cash circulation.

The Bank of Russia marked its 150th anniversary in the reporting year. Celebrations were held, and these included: meetings to learn about the history of the State Bank and its regional branches and how they had contributed to the national economy; updated museum exhibitions; festive publications; as well as functions involving representatives of international organisations, the central (national) banks of foreign countries, federal and regional authorities, banking and business communities, educators and scholars, and the media. A signature event of the year was the Sport Games that the Bank of Russia held to celebrate the anniversary.

2010 saw continued efforts to improve legal support for the Bank of Russia system in terms of personnel management.

The Bank of Russia enhanced its staff motivation system by adopting Regulation No. 358-P, dated 27 April 2010, 'On Bank of Russia Departmental Awards', which was registered with the

AGE STRUCTURE OF BANK OF RUSSIA EXECUTIVES AND SPECIALISTS (percent)

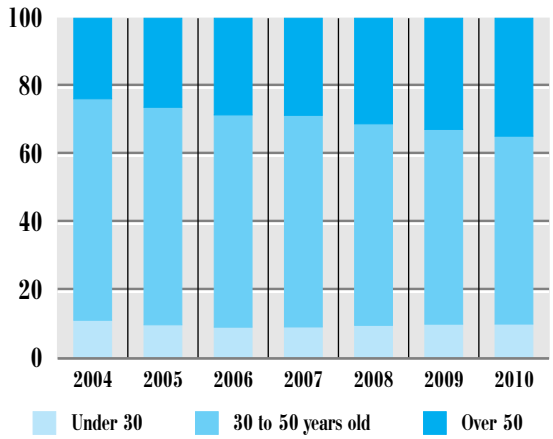
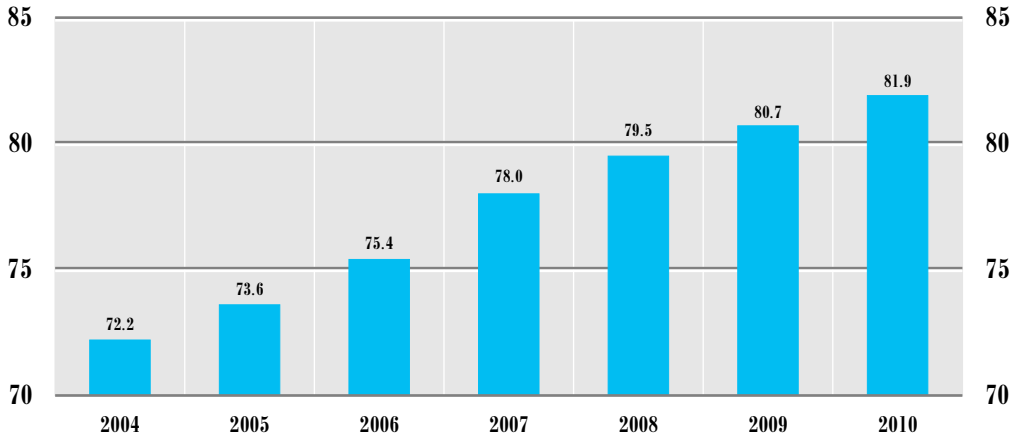


Chart 55

Chart 56

RATIO OF EXECUTIVES AND SPECIALISTS WITH HIGHER PROFESSIONAL EDUCATION
(as a percentage of total executives and specialists)



Ministry of Justice on 5 May 2010. It established three types of Bank of Russia awards: the Bank of Russia Diploma, the Bank of Russia Distinguished Service Sign, and the Bank of Russia Staff Member of Excellence title.

The Bank of Russia supports professional growth through an internal training system, which has provided 4,700 training courses and trained over 40,000 Bank of Russia employees.

The Bank of Russia has signed 106 centralised contracts with the leading Russian universities and other educational establishments, as well as certified training centres and all kinds of organisations to train its personnel. Under these contracts over 13,000 head office employees, as well as regional executives and specialists, including specialists in IT services, security and information protection, cash handling, and other functions, received training.

As in previous years, much attention was paid to implementing large-scale retraining projects (including MBA programmes) and projects to provide basic professional skills in the field of international financial reporting standards (IFRS), and a number of other projects.

In 2010, about 200 Bank of Russia executives and specialists completed their retraining as 'receivers in a credit institution and bank managers' for supervisors, 'finance and law officers' for lawyers, as well as 'monetary experts and bank managers' and 'financial analysts' for economists and MBA programmes for regional managers, supervisors and experts in banking law.

More retraining courses were provided for employees of Bank of Russia regional branches at the Bank of Russia's banking schools (colleges) in Moscow, St Petersburg and Orel. These were provided in the following areas: Monetary Regulation. Economics; Foreign Exchange Transactions. Foreign Exchange Regulation and Foreign Exchange Control. Countering the Legalisation (Laundering) of Criminally Obtained Incomes and the Financing of Terrorism; Accounting and Internal Audits at the Bank of Russia; Legal Regulation of Banking. For each of these programmes, trainees can enrol in an initial basic course in The Functioning of the Bank of Russia, which is taught in a remote learning mode.

Under a training contract with the PricewaterhouseCoopers Expert Corporate Training Centre, a two-year training project was launched for basic professional training in IFRS. The modular training programme provides for trainees sequentially taking in three modules, from initial to advanced. Nine training events were organised. In addition, under contracts with Ernst & Young and the PricewaterhouseCoopers Expert Corporate Training Centre, two specialised courses were launched: one on Determining Fair Asset Value under the Current Economic Conditions and the other on International Best Practice of Managing Financial Risk. In all, 259 Bank of Russia executives and specialists were trained.

In view of the instalment in the Bank of Russia of the IT Division Management System (SOFPI), training programmes continued for IT

personnel in the use of technology to manage the Bank of Russia's IT and communications systems. There were 32 training courses on the subject, which trained about 600 Bank of Russia employees.

The advanced training courses offered by the banking schools (colleges) of the Bank of Russia remained in great demand; they encompass a minimum of 72 hours and are certified with formally recognised certificates. A total of 87 training events were held within the context of these courses in 2010; about 2,000 Bank of Russia employees participated.

There were 13 internships in 2010, during which 100 Bank of Russia executives and specialists from regional branches were able to improve their professional knowledge and skills, practice them hands-on, and share experience at the Bank of Russia head office.

The Bank of Russia continued to actively cooperate with foreign central banks, international organisations, and personnel training centres. In the reporting year, Bank of Russia employees attended more than 220 international training events, of which 187 were held abroad. Altogether, about 900 Bank of Russia employees took part in these events in 2010.

The training sessions covered all aspects of banking. Much attention was paid to studying the operations of the regional branches of foreign banks (case studies included the Bundesbank, the Bank of Italy, and the Bank of France).

There were 23 international seminars organised in 2010, in keeping with the Management and Specialist Training Programme for the EurAsEC Central (National) Banks. They were attended by over 460 members of EurAsEC, CIS and EU banks.

The training component of the 2008—11 Bank of Russia-Eurosystem Programme on Cooperation in Banking Supervision and Audits continued in 2010. The Bank of Russia hosted five seminars under the programme, which brought together 125 participants, and there were four consulting visits to the Bank of France, the Bank of Italy, and the Bank of Greece.

As part of a pilot project of the Russian Ministry of Education and Science to establish applied BA programmes at secondary and higher vocational schools, the Moscow Banking School (College) of the Bank of Russia and the National Research University Higher School of Economics were included in the banking BA pilot project following a tender. The pilot project is aimed at implementing a higher-level vocational programme (which would last four years), which combines theoretical and hands-on training.

BANK OF RUSSIA PERSONNEL TRAINING IN 2010 (as a percentage of total trainees)

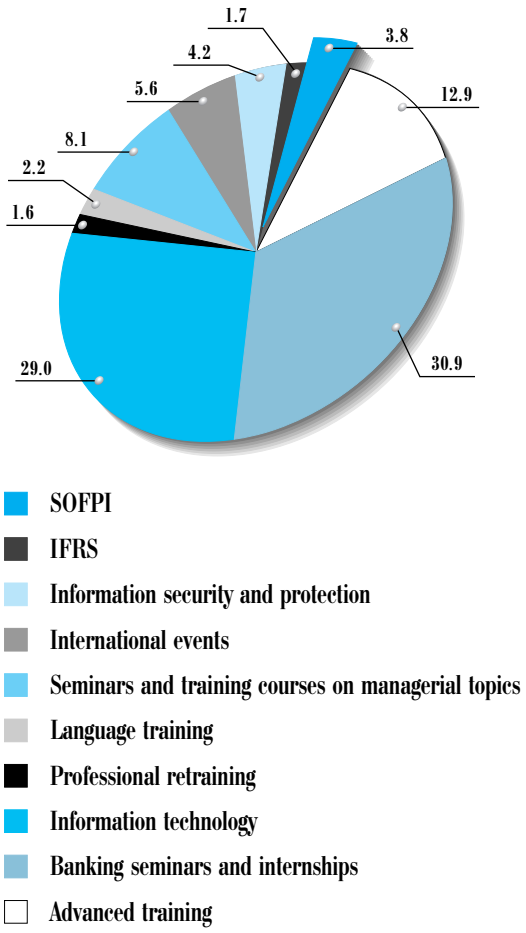


Chart 57

II.10.3. BANK OF RUSSIA INFORMATION AND TELECOMMUNICATIONS SYSTEM DEVELOPMENT

In the reporting period, the Bank of Russia information and telecommunications system (ITS) continued to develop as part of a process to transit from the decentralised model to a centralised model of IT support. This will enable the Bank of Russia to accomplish the tasks and functions it is charged with.

Further work was done under a programme for a Unified IT System for the Banking Sector's Regulation and Development (banking supervision). Automated systems Keeping the State Register of Credit Institutions and Analysis of Correspondent Accounts were put in place. The Publication System of the Banking Regulation and Supervision Department, which provides quick access to information for Bank of Russia supervision specialists, made further progress.

The Bank of Russia completed building the Corporate Data Warehouse, a software and hardware complex, as a single source of information for a variety of information and analysis systems. The Bank of Russia began to fill it with data to link current analytical systems to a single source of information. The Corporate Data Warehouse is a key element of the technical infrastructure of the Bank of Russia's Centralised Corporate Information Analysis System, which is being created at the Collective Data Processing Centre at the Bank of Russia's St Petersburg Branch.

The Message Delivery Transportation Environment was put into operation, allowing for the centralised collection and processing of reports filed by credit institutions.

The Bank of Russia centralised the collection of all accounting statements by using a unified set of standard software and hardware to collect and compile data.

Work was done to build up the electronic information exchange between the Bank of Russia and federal executive authorities.

To meet the growing requirements for higher quality services that are being applied to the Bank of Russia's payment system and information and analysis system, further progress was made in developing and improving the trunk line component of the Unified Banking Telecommunications Network (UBTN) and in upgrading the fibre-optic data transfer system, which is based on DWDM technology.

Further work was done to centralise and consolidate the computing resources of the Bank of Russia. As a result, the Consolidated Server and Data Storage System was made fully operational at 66 Bank of Russia regional branches and at the Nudol Technology Centre. The number of Bank of Russia regional branches at which the Terminal Access System was put into commercial operation increased to 77 in the year under review.

The Bank of Russia continued to upgrade its ITS operation and maintenance systems in the reporting period, in order to make the ITS more reliable and improve the management's efficiency and cooperation between the operating and engineering services of the Bank of Russia's IT divisions.

II.10.4. 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

Federal Law No. 173-FZ, dated 13 October 2008, 'On Additional Measures to Support the Financial System of the Russian Federation' was amended three times in 2010. The amendments introduced by Federal Law No. 12-FZ, dated 16 February 2010, Federal Law No. 101-FZ, dated 22 May 2010, and Federal Law No. 206-FZ, dated 27 July 2010, were intended to ease the lending terms envisaged in the aforementioned law.

Federal Law No. 375-FZ, dated 23 December 2010, 'On Amending Article 1 of the Federal Law 'On the Suspension of Certain Provisions of Article 48 of the Federal Law 'On Insurance of Household Deposits in Russian Banks''' extended until 1 July 2011 the moratorium on the Bank of Russia's right prohibiting deposit insurance system member banks from taking household deposits if these banks failed to comply with capital, asset, profitability or liquidity requirements, or if they breached any of the required ratios established by the Bank of Russia.

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', assigned the Bank of Russia the functions of a depository of IMF funds in the Russian currency and the authority to implement transactions envisaged in the IMF Articles of Agreement and agreements with the IMF. In the meantime, the Ministry of Finance retained the authority to represent the Russian Federation on the IMF's Board of Governors and vote on behalf of the Russian Federation on matters that require decisions on the part of the IMF's Board of Governors.

In order to implement transactions envisaged by the IMF Articles of Agreement, the list of organisations with which the Bank of Russia may implement appropriate banking transactions was updated. Article 46 of the Federal Law 'On the Central Bank of the Russian Federation (Bank of Russia)' was supplemented by a third part, which provides that the Bank of Russia may also conduct banking and other transactions with international organisations, foreign central (national) banks and other foreign legal entities that operate in international financial markets.

The Federal Law 'On Banks and Banking Activities' was updated in 2010.

In particular, Federal Law No. 11-FZ, dated 15 February 2010, 'On Amending Article 29 of the Federal Law 'On Banks and Banking Activities'' protected the interests of individual borrowers by banning the inclusion of provisions in credit agreements with individual borrowers that would enable credit institutions to unilaterally increase the interest rate and (or) modify the interest rate setting procedure, increase or fix transaction fees, or cut the duration of such contracts.

Federal Law No. 148-FZ, dated 1 July 2010, 'On Amending Articles 13.1 and 29 of the Federal Law 'On Banks and Banking Activities'' made amendments to secure the right of customers of credit institutions (payment card holders) to receive information about the fees charged by the banks that own ATMs on top of the remuneration fixed in the contract between the customer and the card-issuing bank when the customer pays with his or her payment card or gives the credit institution via ATMs instructions to make payments from his or her bank account. The law provides that the customer will be informed of the fees charged by the bank that owns the ATM before the transaction with a message on its screen and, following the transaction, on a printed receipt (amended Article 29).

Similar requirements to inform an individual payer about the fees and other costs of transact-

ing with a payment card through an ATM or payment terminal are established for bank payment agents (amended Article 13.1).

Federal Law No. 181-FZ, dated 23 July 2010, 'On Amending Article 11.1 of the Federal Law 'On Banks and Banking Activities'' allowed a one-man executive body of a subsidiary credit institution to hold office (except as a chairman) in a collegiate executive body of the parent credit institution.

Article 20 of the Federal Law 'On Banks and Banking Activities', which sets the grounds for revoking a credit institution's banking licence, was complemented with a new criterion: the Bank of Russia's right to withdraw a credit institution's banking licence if the latter is repeatedly found in breach, within one year, of the Federal Law 'On Countering the Misuse of Insider Information and Market Manipulation and Amending Certain Laws of the Russian Federation' and regulations adopted thereunder. The complement resulted from the adoption of Federal Law No. 224-FZ, dated 27 July 2010, 'On Countering the Misuse of Insider Information and Market Manipulation and Amending Certain Laws of the Russian Federation'. It should be noted that the new standard will come into force three years after the official publication of the law (which was published in Rossiiskaya Gazeta on 30 July 2010).

The same law amended Article 26 of the Federal Law 'On Banks and Banking Activities' by including the federal executive authority in charge of the financial markets into the list of organisations to which credit institutions on request provide information on transactions and accounts of legal entities and individual unincorporated entrepreneurs.

To bring national legislation in line with the FATF recommendations, 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 Code of Administrative Offenses' was adopted.

Furthermore, the aforementioned federal law provided that the Bank of Russia would deal with cases of administrative offenses (within its competence) as envisaged in pp. 1—4 of Article 15.27 of the Code of Administrative Offenses (failure to comply with legal requirements to counter the legalisation (laundering) of criminally obtained incomes and the financing of terrorism).

Requirements relating to the preparation, presentation and publication of IFRS-based consolidated financial statements were set out in Federal Law No. 208-FZ, dated 27 July 2010, 'On Consolidated Financial Statements'. This law defines consolidated financial statements as systematised information reflecting the financial situation, financial performance and changes in the financial situation of an organisation, organisations, and (or) foreign organisations that make up a group of organisations, as defined by the International Financial Reporting Standards (IFRS).

The law applies to credit institutions and insurance companies and to other organisations whose securities are admitted for trading on stock exchanges and (or) by other organisers of trading in the securities market.

Federal Law No. 151-FZ, dated 2 July 2010, 'On Microfinance Activity and Microfinance Organisations', introduced the institute of financial intermediaries, who although not being part of the banking system, are able to provide microloans (of up to 1.0 million roubles) and lawfully raise funds for these ends via loans, voluntary (charitable) contributions and donations, and other forms that are not prohibited by federal laws.

Just before 2011, Federal Law No. 395-FZ, dated 28 December 2010, 'On Amending Part II of the Tax Code of the Russian Federation and Certain Laws of the Russian Federation' was adopted, which, among other things, exempted from taxes the sale of precious metal coins that are the legal tender of the Russian Federation or a foreign state (or a group of states). The rule is designed to promote the growth of the domestic numismatic market.

In addition to contributing to the drafting of the aforementioned federal laws and discussing them, and considering the drafts and conceptual frameworks of other federal laws, the Bank of Russia issued 194 regulatory documents between 1 January 2010 and 31 December 2010, including two Bank of Russia instructions, eleven Bank of Russia regulations, and 181 Bank of Russia ordinances.

Of these, 71 Bank of Russia regulatory documents, including two instructions, four regulations and 65 ordinances were submitted to the Ministry of Justice and were formally registered.

The Bank of Russia prepared and sent out 184 letters to its regional branches for informative, methodological, organisational and instructive purposes.

MANAGING SUITS AND CLAIMS AT BANK OF RUSSIA ESTABLISHMENTS

In 2010, Bank of Russia regional branches had 249 property claims and suits totalling 70.83 million roubles initiated against them, of which 100 claims and suits totalling 946,200 roubles were resolved.

In 2010, nineteen 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 six of the 11 suits filed were satisfied.

Bank of Russia regional branches, for their part, initiated claims and suits in the course of supervising credit institutions: 705 claims and suits totalling 23.16 million roubles. At the end of the reporting period, 679 such claims and suits totalling 22.92 million roubles were satisfied.

II.10.5. BANK OF RUSSIA INTERNAL AUDITING

In 2010, the Bank of Russia chief auditor's service focused on audits of the Bank of Russia divisions' compliance with their roles and functions, IT audits, and internal control efficacy assessment.

The inspections covered all key areas of Bank of Russia activities. Special attention was paid to financial market operations, the supervision of credit institutions, the fulfilment of the Bank of Russia's administrative expense budget, compliance with the rules regarding the handling of cash and valuables, and the auditing of information systems, development and the implementation of project auditing.

Limits set on transactions conducted by the Bank of Russia were monitored as part of foreign exchange reserve management. Steps were taken to improve these controls.

The audit findings and the violations and shortcomings that were detected in divisions were reported to Bank of Russia's management, which took the corresponding managerial decisions.

The destruction of worn-out banknotes by test-run equipment was monitored.

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.

Work was under way within the Programme of Cooperation between the Bank of Russia and the Eurosystem. Eurosystem experts organised workshops for the chief auditor's service that dealt with risk-based audits, IT audits, and foreign exchange reserve audits. A guide entitled 'Internal Audits: The Experience and Practice of the Eurosystem' was prepared.

'A Conceptual Framework to Improve the Bank of Russia Chief Auditor's Service' was developed in 2010. The Bank of Russia Board of Directors took the decision to implement it.

The chief auditor's service continued to expand the functional and technical capabilities of the Automated Audit and Inspection Monitoring System as an information support tool and a tool to support and monitor the chief auditor's service divisions, which were identified as focal points for the improvement of the internal audits at the Bank of Russia.

The Bank of Russia's chief auditor submitted to the National Banking Board a report entitled 'The Activities of the Bank of Russia Chief Auditor's Service in 2010', in accordance with Articles 13 and 95 of the Federal Law 'On the Central Bank of the Russian Federation (Bank of Russia)'.

II.10.6. 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 2010 participated in the capital of the Savings Bank (Sberbank), an open joint-stock company, and in the capital of resident organisations that supported the operations of the Bank of Russia. These included the Moscow Interbank Currency Exchange (MICEX), a closed joint-stock company; the National Depository Centre (NDC), a closed joint-stock company; and the St Petersburg Currency Exchange (SPCEX), a closed joint-stock company. It was involved in these organisations through its representatives 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 2010 and stood at 57.58%. In 2010, it was paid dividends from Sberbank's 2009 profit that totalled more than 1.0 billion roubles, or 5.2 billion roubles less than the dividends it had received for 2008.

In 2010, Sberbank's Supervisory Board examined a new charter, which was approved at the annual general meeting of its shareholders. The new charter was amended to improve corporate governance and take into account the creation of representative offices, and to incorporate changes in legislation. The charter officially defined the new full and short name of the bank as Open Joint-Stock Company Savings Bank of Russia (OAO Sberbank of Russia).

Sberbank is the current leader among Russian credit institutions. As of 1 January 2011, its equity (capital) amounted to 1,251.5 billion roubles, or 26.4% of the equity (capital) of the entire banking sector. Sberbank represented 34.4% of the funds raised from customers other than credit institutions and 31.9% of the loans granted to non-financial organisations and individuals. The market price of its shares averaged 86.44 roubles per ordinary share in 2010, and reached 104.05 roubles per share by the end of 2010. According to Russian Government Resolution No. 2102-r, dated 27 November 2010 (and amended on 29 December 2010), the 7.58% minus one share of Sberbank's package of stocks owned by the Bank of Russia was slated for privatisation in the Plan (Programme) of the Federal Property Privatisation for 2011—13, taking into account Sberbank Development Strategy for the Period until 2014 aimed at strengthening its competitiveness, as well as the medium-term objectives of Russian social and economic development. To meet the above objective, the Bank of Russia, jointly with the Government, began to study a mechanism and terms for the privatisation of Sberbank stocks owned by the Bank of Russia.

In 2010, the Bank of Russia was actively involved in implementing the MICEX Group's transition to a 'single share' as part of its Development Strategy for 2009—11 aimed at making the stock exchange more effective by upgrading its corporate governance.

The decisions taken by the MICEX Board of Directors in 2010 were aimed at preparing the MICEX Group's transition to a 'single share' and expanding its operations; much attention was paid to optimisation and development strategy for the MICEX Group's regional network.

Pursuant to a decision taken by its Board of Directors, the Bank of Russia in July 2010 withdrew from the NDC by transferring its NDC shares as payment for additionally-issued MICEX shares. As a result, the Bank of Russia increased its stake in MICEX from 29.79% to 36.82%. Once the MICEX Group is converted to a vertically-integrated holding company

(2013—15), the Bank of Russia is expected to shrink its responsibility for the functioning of the MICEX Group and reduce its stake in the Group's capital.

In 2010, MICEX paid the Bank of Russia over 67.0 million roubles in dividends for 2009, or 7.0 million roubles more than the dividends that the Bank of Russia received for 2008.

The Bank of Russia's stake in the capital of SPCEX did not change in 2010 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.

Pursuant to Article 9 of Federal Law No. 86-FZ, the Bank of Russia in 2010 also participated in the capital and activities of such international organisations as the Basel-based Bank for International Settlements (0.59% 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).

BANK OF RUSSIA ANNUAL FINANCIAL STATEMENTS AS OF 1 JANUARY 2011

III

INTRODUCTION

The annual financial statements include operations that were 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 2011, 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 2010, during the gradual recovery from the global financial and economic crisis, the Bank of Russia focused its efforts on containing inflationary processes and creating favourable conditions for the restoration of lending and ensuring economic growth, while phasing out the anti-crisis measures that had been previously instituted by the Russian Government and the Bank of Russia. In the year under review, the Bank of Russia continued to use the managed floating exchange rate regime as the operational benchmark for the rouble value of the bi-currency basket, in order to prevent sharp fluctuations in the exchange rate of the national currency.

The Bank of Russia ensured the preservation of the country's reserve currency assets by employing a comprehensive risk management system. This was based on the exclusive use of highly secure financial market instruments, stringent requirements for foreign counterparties of the Bank of Russia and risk limits for each of them (depending on their credit rating).

In 2010, the Bank of Russia continued to make improvements to banking regulation and supervision. It increased the role of the substantive approach to the risk assessment of credit institutions, and the role of consolidated supervision. Additionally, it aligned the powers of the Bank of Russia against international requirements and supervisory standards.

Throughout 2010, the Bank of Russia ensured the effective and reliable operation and development of the payment system. In 2010, all credit institutions (and their subsidiaries) that met the relevant requirements of the Banking Electronic Speed Payment (BESP) system were fully included in this system. In order to further improve payment and settlement systems and to bring them in line with the best international practices, the Bank of Russia started to actively develop an oversight function for these systems.

ANNUAL BALANCE SHEET AS OF 1 JANUARY 2011

(millions of roubles)

	Notes	2010	2009
ASSETS			
1. Precious metals	3	**1,200,916**	**764,646**
2. Funds placed with non-residents and foreign securities	4	**13,271,928**	**12,383,329**
3. Loans and deposits	5	**514,303**	**1,705,755**
4. Securities, of which:	6	**440,512**	**465,936**
4.1. Federal government debt obligations		347,161	357,100
5. Other assets, of which:	7	**98,732**	**100,293**
5.1. Fixed assets		74,388	64,563
5.2. Profit tax advance payments		164	159
Total assets		**15,526,391**	**15,419,959**
LIABILITIES			
1. Cash in circulation	8	**5,792,464**	**4,629,863**
2. Funds in accounts with Bank of Russia, of which:	9	**6,430,681**	**7,979,724**
2.1. Federal government funds		3,269,720	4,980,193
2.2. Funds of resident credit institutions		1,817,134	1,731,339
3. Float	10	**6,708**	**8,396**
4. Securities isssued	11	**588,598**	**283,124**
5. Other liabilities	12	**144,797**	**168,319**
6. Capital, of which:		**2,358,878**	**2,099,113**
6.1. Authorised capital		3,000	3,000
6.2. Reserves and funds		2,355,878	2,096,113
7. Reporting year profit	13	**204,265**	**251,420**
Total liabilities		**15,526,391**	**15,419,959**

Bank of Russia Chairman **S.M. Ignatiev**

Bank of Russia Chief Accountant **L.I. Gudenko**

12 May 2011

PROFIT AND LOSS ACCOUNT

(millions of roubles)

	Notes	2010	2009
INCOME			
Interest income	14	228,075	521,992
Income from securities trading	15	77,708	244,766
Income from stakeholdings in credit institutions and other organisations		1,210	6,344
Net income from releasing provisions	16	153,992	0
Other income	17	8,497	34,243
Total income		**469,482**	**807,345**
EXPENSES			
Interest expenses	18	108,365	135,431
Expenses on securities trading	19	12,300	34,612
Cash turnover management expenses	20	10,732	11,564
Net expenses on provisions	16	0	251,890
Expenses on negative revaluation of securities available for sale	21	5,193	10,916
Other operating expenses	22	54,871	46,161
Personnel costs	23	73,756	65,351
Total expenses		**265,217**	**555,925**
Financial result: profit		**204,265**	**251,420**

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
Balance as of 1 January 2010, before taxation and allocation of profit for 2009	**3,000**	**146,752**	**3,788**	**660,374**	**1,184,582**	**92,652**	**7,965**	**2,099,113**	**251,420**
Taxes and duties paid from Bank of Russia profit for 2009	0	0	0	0	0	0	0	0	(161)
Allocation of profit for 2009	0	60,302	2,513	0	0	0	0	62,815	(62,815)
Transferred to federal budget	0	0	0	0	0	0	0	0	(188,444)
Balance as of 1 January 2010, after taxation and allocation of profit for 2009 in 2010	**3,000**	**207,054**	**6,301**	**660,374**	**1,184,582**	**92,652**	**7,965**	**2,161,928**	**0**
Profit for the year	0	0	0	0	0	0	0	0	204,265
Transferred to funds	0	0	1	341,724	0	28,555	0	370,280	0
Paid from funds	0	0	(889)	0	(119,091)	(53,350)	0	(173,330)	0
Balance as of 1 January 2011, before taxation and allocation of profit for 2010	**3,000**	**207,054**	**5,413**	**1,002,098**	**1,065,491**	**67,857**	**7,965**	**2,358,878**	**204,265**
Taxes and duties paid in advance in 2010 from Bank of Russia profit	0	0	0	0	0	0	0	0	(164)
Taxes and duties levied additionally in 2011 after final settlement from Bank of Russia profit for 2010	0	0	0	0	0	0	0	0	(8)
Profit for 2010 after tax and duty payments effected under the Tax Code of the Russian Federation	0	0	0	0	0	0	0	0	204,093
— to be transferred to federal budget	0	0	0	0	0	0	0	0	(153,070)
— to be allocated to funds	0	48,982	2,041	0	0	0	0	51,023	(51,023)
Total after taxation and allocation in 2011 of profit for 2010	**3,000**	**256,036**	**7,454**	**1,002,098**	**1,065,491**	**67,857**	**7,965**	**2,409,901**	**0**

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 341,724 million roubles, are recorded to the balance sheet account *Accrued revaluation of precious metals* as part of capital. As of 1 January 2011, they totalled 1,002,098 million roubles (as against 660,374 million roubles in 2009) (Note 1 (c) and Statement of Bank of Russia Reserves and Funds).

In 2010, there was an excess of negative unrealised foreign currency exchange rate differences over positive unrealised foreign currency exchange rate differences. This excess totalled 119,091 million roubles, which is written off due to the earlier accumulated revaluation, recorded to the balance sheet account *Accrued foreign currency exchange rate differences* as part of capital. As of 1 January 2011, accrued foreign currency exchange rate differences as part of capital totalled 1,065,491 million roubles (as against 1,184,582 million roubles in 2009) (Note 1 (d) and Statement of Bank of Russia Reserves and Funds).

There was a 24,795 million rouble decrease in the accrued revaluation of securities available for sale. This was 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 (accounted for as capital) of securities which were sold in 2010 for a total of 53,350 million roubles. This was also due to the crediting of the excess of the positive revaluation of securities available for sale of the corresponding issue over the negative revaluation of the issue, including the one recorded as expenses in previous years, for a total amount of 28,555 million roubles. As of 1 January 2011, the accrued revaluation of securities available for sale, accounted for as capital, was 67,857 million roubles (as against 92,652 million roubles in 2009) (Note 1 (e) and Statement of Bank of Russia Reserves and Funds).

The adjustment in total taxes and duties paid upon the final settlement for the reporting tax period in the amount of 8 million roubles, the transfer to the federal budget and allocation of actual profit for 2010 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', taking into account the amount of the profit tax settlement, are recognised in Bank of Russia accounting records in 2011 (Note 25 and Statement of Profit and its Allocation).

NOTES TO ANNUAL FINANCIAL STATEMENTS AS OF 1 JANUARY 2011

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 compiled 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 2009) 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 25, 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 accounted for 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.

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 entitled *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 the 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 operations with precious metals are conducted at a different price 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 accounted for as other income, while net negative realised differences are accounted for 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 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 book prices of precious metals are set.

Book prices used to recalculate assets and liabilities in precious metals as of 1 January 2011 were as follows: 1,383.0600 roubles per gram of gold (2009: 1,062.3200 roubles per gram of gold); 29.8300 roubles per gram of silver (2009: 16.9400 roubles per gram of silver); 1,724.5400 roubles per gram of platinum (2009: 1,423.5500 roubles per gram of platinum); 780.9400 roubles per gram of palladium (2009: 380.2000 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 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 2011, were as follows: 30.4769 roubles to the US dollar (2009: 30.2442 roubles to the US dollar); 40.3331 roubles to the euro (2009: 43.3883 roubles to the euro); and 47.2605 roubles to the pound sterling (2009: 48.0429 roubles to the pound sterling).

(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 until 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 until 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, or 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 in 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 reflecting 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 redemption price or retirement (purchase) price set by the contract.

Realised income and expenses from the sale of securities are accounted for as income and expenses relating 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 accounted for 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 accounted for 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.

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 (OBR), when placed and sold, are accounted for at par value net of the discount (the difference between 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 in which the bonds are bought back or redeemed.

When OBR 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 the securities repos. OBR 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 placement 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 the 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 the collateral (blocking) of securities and 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 as part of the package of measures aimed at providing assistance to the Russian financial system.

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 applicable laws of the Russian Federation, makes provisions for: probable losses on loans and other similar exposure; exposure 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 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, both on an individual basis and for homogeneous portfolios, based on the common level of depreciation of all exposures included in the specific portfolio.

Loss provisions for the portfolio of homogeneous loans 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 the similar characteristics of credit exposure, 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 contingent obligations, the return of funds unclaimed by the depositors of a bankrupt bank and 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 the Bank of Russia's assets (contingent obligations), the corresponding part of the provisions is recovered to the Bank of Russia's income.

Provisions are used to write off assets the Bank of Russia cannot recover, when it has undertaken the necessary and adequate legal and actual measures to recover them and realise the rights arising from the availability of collateral for the Bank of Russia's assets and to cover other losses and guarantee pension obligations and (or) expenses.

The risk of probable losses on Bank of Russia 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's 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 the agreement 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 repos. 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. Debt on loan 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, 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. 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 licences revoked are made when the credit institution writes

off the compensation deposit or part thereof, according to Federal Law No. 173-FZ, dated 13 October 2008, 'On Additional Measures to Support the Financial System of the Russian Federation' (hereinafter Federal Law No. 173-FZ).

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 the 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 2010, 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, from 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	1.0—14
Equipment (including computers, furniture, transport vehicles, etc.)	1—16

Fixed assets put into operation from 1 January 2002, are depreciated according to Bank of Russia Order No. OD-556, dated 7 August 2009, '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' (with changes), 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	1.0—20
Equipment (including computers, furniture, transport vehicles, etc.)	2—50

In 2010, the Bank of Russia continued to systemise the grouping of its fixed assets. It did so in accordance with the National Fixed Assets Classifier (OKOF) approved by Gosstandart (the Federal Agency on Technical Regulating and Metrology) Resolution No. 359, dated 26 December 1994, (as amended) and Russian Federation Government Resolution No. 1, dated 1 January 2002, 'On the Classification of Fixed Assets Included in Depreciation Groups' (as amended).

Fixed asset 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, 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, from 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—14

The following rates of depreciation are used for intangible assets put into operation from 1 January 2002:

	%
Intangible assets	9.1—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'.

If the service life is impossible to establish, a 10-year period is accepted.

Profit and losses arising from the retirement of intangible assets are calculated as the difference between their balance sheet value and retirement value, 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.

(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, and 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 par 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 2011.

(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 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', after the Annual Financial Statements of the Bank of Russia for 2010 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 25, Statement of Profit and its Allocation and Table *Capital, funds and profit allocation*).

(q) Recognition of Bank of Russia income and expenses

Income and expenses are recorded to the profit and loss account on the accrual basis, that is, as soon as they occur rather than after the funds (or their equivalents) have been received or paid.

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.

Income and expenses are accounted for in the period to which they relate.

(r) Financial result

Financial result: 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.

(s) 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 applicable 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.

(t) 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 to the federal budget 50% of the actual annual profit retained after the payment of taxes and duties under the Tax Code of the Russian Federation.

Pursuant to Articles 4 and 5 of Federal Law No. 218-FZ, dated 22 September 2009, 'On Amending Certain Laws of the Russian Federation and Invalidating Certain Provisions of Russian Federation Laws', Part 1 of Article 26 of the Federal Law 'On the Central Bank of the Russian Federation (Bank of Russia)' was suspended until 1 January 2013, and the percentage of the Bank of Russia's actual profit for the year, to be transferred to the federal budget after the payment of taxes and duties under the Tax Code of the Russian Federation, was set at 75%.

Pursuant to Article 7 of Federal Law No. 245-FZ, dated 30 September 2010, 'On Amending the Budget Code and Other Laws of the Russian Federation', Articles 4 and 5 of Federal Law No. 218-FZ, dated 22 September 2009, 'On Amending Certain Laws of the Russian Federation and Invalidating Certain Provisions of Russian Federation Laws' were invalidated.

Article 5 of Federal Law No. 245-FZ, dated 30 September 2010, 'On Amending the Budget Code and Other Laws of the Russian Federation', suspended until 1 January 2014 Part 1 of Article 26 of the Federal Law 'On the Central Bank of the Russian Federation (Bank of Russia)' relating to the percentage of actual profit received for the year, and remaining 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', stipulated that 75% of actual profit received by the Bank of Russia for 2010, 2011 and 2012 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 Bank of Russia Annual Financial Statements by the Bank of Russia Board of Directors (Note 25, Statement of Profit and its Allocation and Table *Capital, funds and profit allocation*).

2. IMPACT OF ECONOMIC CONDITIONS ON BANK OF RUSSIA FINANCIAL STATEMENTS

In the year under review, the internal and external economic conditions and the efforts of the Russian Government had a substantial impact on the annual balance sheet of the Bank of Russia and the Bank's financial performance. Amid the shaky recovery of economic activity, the Bank of Russia's monetary policy in 2010 was aimed at maintaining and expanding overall demand with a strategic focus on bringing down inflation. In order to encourage the banking sector to increase lending and to enhance accessibility of credit to the non-financial sector, the Bank of Russia cut its interest rates for monetary regulation operations on four occasions during the first six months in 2010. However, given a background of rising inflation, decisions were taken to tighten the monetary policy at the end of the year, mostly to keep the growth rate of the money supply 'in check'.

In 2010, the Russian economy continued to recover following the slump caused by the global financial and economic crisis. The revival of manufacturing, the renewal of consumer and investment activity, the growth of household incomes and the favourable external economic situation led to an improvement in the government finances, bringing down the annual federal budget deficit to 4.1% of GDP. In order to finance this deficit, the Russian Government used, alongside other sources, funds accumulated in the Reserve Fund, as it did in 2009. As a result, the balance of the Russian Government on its accounts with the Bank of Russia dropped appreciably by the end of the year, whereas the share of the said item in the annual balance sheet liabilities shrank by more than 11 percentage points.

At the same time, the state of the global commodity and money markets in 2010 had a strong influence on the situation in the domestic foreign exchange market and on the rouble exchange rate. In order to smoothen out and prevent sharp fluctuations in the rouble exchange rate, the Bank of

Russia maintained a strong presence in the domestic foreign exchange market, buying up foreign currency between January and August and selling it off between September and December. The official foreign exchange reserves of the Russian Federation grew by the end of the year, which led to an increase in the item *Funds placed with non-residents and foreign securities* in the annual balance sheet assets of the Bank of Russia. Amid the overall strengthening of the rouble in 2010, which increased demand for the national currency, the share of *Cash in circulation* in the annual balance sheet liabilities of the Bank of Russia increased by approximately seven percentage points.

The excessive bank liquidity created by the budgetary and foreign currency money supply channels had the effect of lowering the demand for refinancing instruments. The share of credit institutions' funds in the accounts with the Bank of Russia and of securities issued by them in the annual balance sheet liabilities increased by almost 2.5 percentage points, whereas the share of *Loans and Deposits* in the asset part decreased by approximately 8 percentage points.

The Bank of Russia's financial performance indicators were shaped by the low interest rates in the global financial markets and a considerable inflow of liquidity into the banking sector. This inflow led to a decrease of demand by credit institutions for refinancing instruments and to a gradual phasing-out of anti-crisis measures by the Bank of Russia. All the principal income items of the Bank of Russia, such as placement of reserve assets, operations with anti-crisis instruments for the support of banks and standard refinancing instruments declined in 2010 compared to the previous year, while the expenses on absorbing the free cash of credit institutions climbed. At the same time, there was a positive effect on the Bank of Russia's financial performance result, brought about by the recovery to the income of a large part of the provisions which had been made during the financial and economic crisis, as well as the decreased interest expenses on the assets of the Reserve Fund and the National Wealth Fund.

3. PRECIOUS METALS

(millions of roubles)

	2010	2009
Precious metals	1,200,916	764,646
Total	**1,200,916**	**764,646**

The increase in this item was largely due to the purchase of gold from Russian credit institutions under general agreements and the revaluation of precious metals at book prices.

4. FUNDS PLACED WITH NON-RESIDENTS AND FOREIGN SECURITIES

(millions of roubles)

	2010	2009
Foreign securities	12,095,808	11,349,067
Balances of correspondent accounts and deposits placed with non-resident banks	934,958	808,849
Funds placed with non-residents in repo transactions	241,162	225,413
Total	**13,271,928**	**12,383,329**

Foreign securities are categorised as securities available for sale. Foreign securities are mostly US Treasuries and the government debt obligations of Germany, France, Britain, the Netherlands, Japan, Finland, Canada, Belgium, Sweden and Denmark, along with the debt obligations of supranational financial organisations, non-government debt securities that are guaranteed by the governments of the aforementioned countries, as well as 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 215,344 million roubles (2009: 114,767 million roubles), including those passed in repos with a total current (fair) value of 30,357 million roubles (2009: 86,624 million roubles) (Note 9), those passed as additional collateral (margin) in repos with a total current (fair) value of 332 million roubles (2009: 435 million roubles) and those passed as a loan with a total current (fair) value of 184,655 million roubles (2009: 27,708 million roubles). The growth in this item was mostly due to increased investments by the Bank of Russia in foreign government securities. The current (fair) value of foreign securities in the Bank of Russia's portfolio as of 1 January 2011 was 12,095,808 million roubles (2009: 11,349,067 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 and a rise in balances of correspondent accounts opened with non-resident banks in precious metals (gold).

With respect to the Customs Union between Belarus, Kazakhstan and Russia and in accordance with the agreement to establish and apply a procedure for recording and allocating import customs duties in the Customs Union (other equivalent taxes and duties) dated 20 May 2010, the Bank of Russia has the obligation to sell US dollars for Russian roubles. According to the bilateral 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. The Bank of Russia is in charge of setting off mutual obligations denominated in US dollars, import duties denominated in Russian roubles allocated by Russia to Belarus and Kazakhstan, and import duties denominated in the national currencies of the member countries allocated by their respective competent authorities in favour of Russia. As of 1 January 2011, a total of 342 million roubles (2009: 0 million roubles) was 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, existing 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 that are covered by foreign securities, with an obligation to resell (reverse repos). These funds include 30,318 million roubles (2009: 15,119 million roubles) placed in reverse repos, which had been received in transactions to sell securities from the Bank of Russia portfolio with an obligation to repurchase (repos), concluded with the same counterparty (Note 9).

Securities received by the Bank of Russia as collateral in reverse repos with non-residents are recorded to off-balance sheet accounts at the current (fair) value, and total 243,145 million roubles (2009: 225,918 million roubles) (Note 24), of which securities received in reverse repos matched by repos have a current (fair) value of 30,425 million roubles (2009: 15,120 million roubles) (Notes 9 and 24).

The increase in *Funds placed with non-residents in repo transactions* is attributable to growth in the total amount of funds provided by the Bank of Russia in repos as of the year's end.

5. LOANS AND DEPOSITS

(millions of roubles)

	2010	2009
Loans to and deposits with resident banks (in roubles), of which:	573,631	1,389,215
— extended and placed under certain federal laws	302,559	692,991
Other funds placed with credit institutions (through repo transactions)	2,927	249,185
Loans to and deposits with resident banks (in foreign currency), of which:	0	234,591
— extended and placed under certain federal laws	0	234,591
Other, of which:	116,491	172,570
— extended and placed under certain federal laws	108,518	166,897
Provisions	(178,746)	(339,806)
Total	**514,303**	**1,705,755**

Loans to and deposits with resident banks (in roubles) reflect the debt on the Bank of Russia's operations, including loans to Sberbank, that are part of measures taken pursuant to the federal laws to support the Russian financial system following the decisions of the Bank of Russia Board of Directors; these also include the placement of deposits with Vnesheconombank. Additionally, the item includes restructured loans originally extended to credit institutions as unsecured loans 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 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)'').

Loans to and deposits with resident banks (in roubles) with a 50%-plus government stake in authorised capital amount to 518,310 million roubles (2009: 986,360 million roubles).

Loans to and deposits with resident banks (in roubles), of which extended and placed under certain federal laws reflect operations to provide 300,000 million roubles in subordinated loans to Sberbank (2009: 500,000 million roubles) and loans to certain credit institutions to a total amount of 2,559 million roubles (2009: 192,991 million roubles) as part of measures taken by the Bank of Russia, pursuant to the federal laws, to support the Russian financial system. Of these, loans extended to and deposits placed with resident banks (in roubles) with a 50%-plus government stake in authorised capital amount to 300,000 million roubles (2009: 500,000 million roubles).

The decrease in *Loans to and deposits with resident banks (in roubles)* is caused by the early repayment of a subordinated loan for 200,000 million roubles by Sberbank, the decline in unsecured lending and its suspension in late 2010 due to the phasing out of the anti-crisis measures in 2010, the lower demand of credit institutions for loans from the Bank of Russia secured with pledge of promissory notes, credit claims of organisations and sureties of credit institutions, pledge of securities from the Lombard List of the Bank of Russia as well as by the repayment of unsecured loans provided by the Bank of Russia under federal laws and deposits placed with certain credit institutions as per the decision of the Bank of Russia Board of Directors.

Other funds placed with credit institutions (through repo transactions) reflect the funds placed with credit institutions in transactions to purchase securities with an obligation to resell. The decrease in this item is attributable to the reduction 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 repos with credit institutions are accounted for in off-balance sheet accounts at their current (fair) value and total 4,864 million roubles (2009: 281,758 million roubles) (Note 24).

Loans to and deposits with resident banks (in foreign currency) as of 1 January 2010 reflected the funds placed with Vnesheconombank in US dollars, according to a decision made by the Bank of Russia Board of Directors under the provisions of Federal Law No. 173-FZ; these funds were repaid in 2010.

Item *Other* reflects the loans to the Deposit Insurance Agency (DIA), a state-owned corporation. It also reflects the compensation deposit of 2,301 million roubles, which was placed in 2010 by the Bank of Russia under Federal Law No. 173-FZ with a credit institution in order to make up for losses incurred by this institution due to the default of a borrower that had its banking licence revoked.

The decrease in *Other* was due to a partial repayment by the DIA of the debt on loans extended to it by the Bank of Russia.

Provisions totalling 178,746 million roubles were made for loans, deposits and other funds placed in roubles and foreign currency (2009: 339,806 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 totalling 106,999 million roubles (2009: 113,074 million roubles);
— provisions for the US dollar-denominated deposits placed with Vnesheconombank, with the objective of implementing Federal Law No. 173-FZ, and by the decision of the Bank of Russia Board of Directors totalling zero million roubles (2009: 117,296 million roubles);
— provisions for unsecured rouble-denominated loans extended to credit institutions under several federal laws and for loans restructured in 2010 that had been originally extended as unsecured loans, totalling 46,431 million roubles (2009: 85,195 million roubles), including provisions for unsecured loans totalling 2,559 million roubles (2009: 85,195 million roubles);
— provisions for funds provided by the Bank of Russia to finance bankruptcy prevention measures totalling 21,325 million roubles (2009: 23,606 million roubles);
— provisions for other loans and deposits totalling 3,991 million roubles (2009: 635 million roubles).

6. SECURITIES

(millions of roubles)

	2010	2009
Federal government debt obligations		
Federal government bonds (OFZ)	185,675	193,330
Russian government internal and external foreign currency-denominated loan bonds, of which:	161,486	163,770
— Russian government external foreign currency loan bonds (Russian Eurobonds)	143,693	146,194
— Russian government internal foreign currency loan bonds (OVGVZ)	17,793	17,576
Total	**347,161**	**357,100**
Shares issued by credit institutions and other organisations (Bank of Russia stakeholdings)	92,929	85,628
Other Russian issuers' debt obligations	422	23,208
Credit institutions' promissory notes acquired by the Bank of Russia	27	27
Provisions	(27)	(27)
Total	**440,512**	**465,936**

Debt obligations in the Bank of Russia portfolio are categorised as securities available for sale.

Federal government bonds (OFZ)

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 securities trading in the domestic market in 2007—2010. The characteristics of the securities received as a result of the restructuring comply with federal legal requirements and agreements between the Ministry of Finance and the Bank of Russia.

The table below shows the structure of the OFZ portfolio by maturity and coupon income rate as of 1 January 2011.

(millions of roubles)

OFZ type	2010		2009	
	Current coupon income rate, percent	Current (fair) value	Current coupon income rate, percent	Current (fair) value
Debt-depreciation OFZ due in 2019—2028	0	94,264	0	80,142
Debt-depreciation OFZ due in 2029	2.90	25,619	1.95	25,310
Debt-depreciation OFZ due in 2036	6.90	21,746	6.90	21,337
Debt-depreciation OFZ due in 2016—2023	7	5,874	7 to 7.5	13,581
— including those due in 2018—2023		5,874		6,046
Debt-depreciation OFZ due in 2021	8	14,350	8.5	16,872
Debt-depreciation OFZ due in 2012—2018	7	2,175	8	8,672
— including those due in 2018		2,175		5,023
Debt-depreciation OFZ due in 2010		0	10	397
Debt-depreciation OFZ due in 2018	7	19,037	13	18,814
Permanent coupon-income OFZ due in 2010—2013	6 to 6.1	2,610	5.80 to 6.1	7,421
— including those due in 2011—2012		2,610		7,036
Permanent coupon-income OFZ due in 2010		0	7.4	784
Total		**185,675**		**193,330**

The difference between the OFZ current coupon income rates as of 1 January 2011 and those as of 1 January 2010 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 2011 and as of 1 January 2010 are recorded in the statements at their current (fair) value.

To determine the current (fair) value of OFZ issues that are traded in the organised (exchange) securities market, the Bank of Russia used the latest market prices provided by the trade organiser (MICEX). As of 1 January 2011, the current (fair) value of these securities was 149,568 million roubles. As of 1 January 2010, the current (fair) value of these papers was 164,400 million roubles.

In order to determine the current (fair) value of OFZ issues not traded in the organised (exchange) securities market, the Bank of Russia used 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 Moscow Interbank Currency Exchange as of the last trading day. As of 1 January 2011, the current (fair) value of the securities not traded in the organised (exchange) securities market, including zero-coupon-income bonds due in 2021—2027, was 36,107 million roubles. As of 1 January 2010, the current (fair) value of these papers was 28,930 million roubles.

The change in the OFZ value is due to their sale, maturity and revaluation at current (fair) value.

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.

As of 1 January 2010, the Bank of Russia had in its portfolio OFZ bonds maturing from 2010 to 2036. Most of them (56% in terms of nominal value or 41% in terms of current (fair) value) were zero-coupon-income bonds due 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 and traded in the international market. They are due in 2018 to 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 2011 was 143,693 million roubles. The current (fair) value as of 1 January 2010 was 146,194 million roubles.

The change in the value of external foreign currency-denominated loan bonds is due to the sale of Russian Eurobonds, repayment of securities and their revaluation at current (fair) value, as well as the change in the US dollar exchange rate against the rouble.

Russian government internal foreign currency-denominated loan bonds (OVGVZ) are US dollar-denominated government securities issued by the Ministry of Finance and maturing in 2011, with a coupon income of 3% p.a. The current (fair) value of OVGVZ bonds as of 1 January 2011 was 17,793 million roubles. The current (fair) value of OVGVZ bonds as of 1 January 2010 was 17,576 million roubles.

The change in the value of the OVGVZ is due to their revaluation at current (fair) value and the change in the US dollar exchange rate against the rouble.

The current (fair) value of the Russian Eurobonds and OVGVZ bonds is determined using their latest representative quoted purchase prices 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 2010 were represented by rouble-denominated bonds issued by the regional governments of Russia and rouble and US dollar-denominated bonds issued by other Russian issuers.

As a result of the sale and repayment of such securities in 2010, other Russian issuers' debt obligations as of 1 January 2011 were limited to rouble-denominated bonds issued by Russian regional governments. These bonds mature from 2011 to 2015 and have a coupon income of 7.5% to 8% p.a.

The current (fair) value of other Russian issuers' debt obligations as of 1 January 2011 was 422 million roubles. The current (fair) value of other Russian issuers' debt obligations as of 1 January 2010 was 23,208 million roubles.

To determine the current (fair) value of securities traded in the organised (exchange) securities market, the Bank of Russia used the market prices quoted by the trade organiser (MICEX) on the results of the latest trades.

Provisions for promissory notes issued by credit institutions and acquired by the Bank of Russia

Under the item *Provisions* are shown provisions made for 27 million roubles (2009: 27 million roubles) of promissory notes issued by credit institutions and acquired by the Bank of Russia in 2001 under the terms and conditions of the Amicable Agreement.

7. OTHER ASSETS

(millions of roubles)

	2010	2009
Fixed assets (at residual value)		
Buildings and other facilities	41,729	34,486
Equipment (including computers, IT and data processing systems, furniture, transport vehicles, etc.)	32,659	30,077
Subtotal fixed assets	**74,388**	**64,563**
Till cash	7,326	6,986
Incomplete construction projects	5,921	12,469
Bank of Russia interest claims	3,550	10,301
Settlements with suppliers, contractors and buyers	1,683	1,275
Intangible assets (at residual value)	938	799
Funds transferred by the Bank of Russia to agent banks for payments to depositors of bankrupt banks	571	743
Profit tax advance payments	164	159
Bank of Russia correspondent accounts	7	4
Other	5,060	5,999
Provisions	(876)	(3,005)
Subtotal other assets	**24,344**	**35,730**
Total	**98,732**	**100,293**

This table shows the movement of fixed assets:

(millions of roubles)

	2010	2009
Fixed asset value net of accrued depreciation		
Balance as of 1 January	119,238	111,584
Receipt	19,948	10,284
Retirement	(3,232)	(2,630)
Balance as end of year	**135,954**	**119,238**
Accrued depreciation		
Balance as of 1 January	54,675	47,611
Depreciation allowances due to expenses	10,051	9,585
Depreciation allowances due to other sources	3	6
Accrued depreciation of retired fixed assets	(3,163)	(2,527)
Balance as end of year	**61,566**	**54,675**
Fixed asset residual value as of end of year	**74,388**	**64,563**

Fixed asset structure and value, net of accrued depreciation:

(millions of roubles)

	2010	2009
Buildings and other facilities	49,264	40,390
Equipment	38,795	19,046
Computers, office equipment and furniture	24,248	36,808
IT and data processing systems	19,467	18,317
Transport vehicles	3,368	2,932
Other	812	1,745
Total	**135,954**	**119,238**

In 2010, the Bank of Russia continued to systemise the grouping of its fixed assets in accordance with the National Fixed Assets Classifier (OKOF). This was approved by Gosstandart of Russia Resolution No. 359, dated 26 December 1994, (as amended) and Russian Federation Government Resolution No. 1, dated 1 January 2002, 'On the Classification of Fixed Assets Included in Depreciation Groups' (as amended), which led to a regrouping of fixed assets between the items.

The increase in *Buildings and other facilities* is largely due to the reconstruction and construction of the Bank of Russia's office buildings as well as by the regrouping of fixed assets totalling 2,130 million roubles from *IT and data processing systems* and *Equipment*.

The increase in *Equipment* is due to the purchase of technical equipment for the development and upgrading of the engineering equipment for the Bank of Russia's IT and telecommunications system. It was also due to the purchase of equipment for the automation of cash processing, cash machines and other equipment, and to the regrouping of fixed assets totalling 15,157 million roubles from items

Buildings and other facilities, IT and data processing systems, Computers, office equipment and furniture and *Other*.

The decrease in *Computers, office equipment and furniture* is due to the regrouping of fixed assets totalling 15,026 million roubles to items *IT and data processing systems* and *Equipment*. At the same time, there were purchases of computer equipment, hardware suites and devices of various modifications supporting operations of accounting systems, including equipment for scaling of the technical complex of Collective Data Processing Centres (CDPC-2 and CDPC-MR), 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 of the trunk line component of the Unified Banking Telecommunications Network (UBTN), 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. At the same time, due to the regrouping of fixed assets to the items *Buildings and other facilities* and *Computers, office equipment and furniture,* the value of *IT and data processing systems* fixed assets decreased by 1,212 million roubles.

The increase in *Transport vehicles* is mostly due to the purchase of special-purpose transport vehicles to carry cash, and other means of transport.

The decrease in *Other* is due to the regrouping of fixed assets totalling 1,058 million roubles to *Equipment* and *Computers, office equipment and furniture*.

The decrease in *Incomplete construction projects* is mainly due to the commissioning of fixed assets.

The decrease in *Bank of Russia interest claims* is largely due to the contraction of the debt on placements with credit institutions in roubles and foreign currency related to operations to provide Bank of Russia loans to credit institutions, in which the receipt of interest is recognised as definitive.

The increase in *Intangible assets* is connected with the purchase of software products which the Bank of Russia has the exclusive right to use.

Provisions reflect the amount of provisions which include:

— 571 million roubles (2009: 743 million roubles) for transfers to the agent banks, for payment of compensation to depositors of bankrupt banks;

— 305 million roubles (2009: 2,262 million roubles) for other assets, of which zero million roubles (2009: 1,957 million roubles) was provided for the Bank of Russia's interest exposures on loans extended to credit institutions.

8. CASH IN CIRCULATION

The increase in *Cash in circulation* is attributable to the expansion of cash turnover capacity.

9. FUNDS IN ACCOUNTS WITH THE BANK OF RUSSIA

(millions of roubles)

	2010	2009
Federal government funds, of which:	3,269,720	4,980,193
— Reserve Fund	728,863	1,783,426
— National Wealth Fund	2,067,892	2,274,507
Credit institutions' funds in correspondent accounts, of which:	995,544	1,070,927
— foreign currency funds in correspondent accounts	625	170,607
Deposits taken by the Bank of Russia from credit institutions	633,214	508,982
Government and other extra-budgetary funds	591,917	498,562
Regional and local budget funds	436,509	386,111
Required reserves deposited with the Bank of Russia	188,376	151,430
Non-resident banks' funds raised in repo transactions	30,318	86,791
Other	285,083	296,728
Total	**6,430,681**	**7,979,724**

The decrease in the balance of *Federal government funds* is due to the spending of federal budget funds (recorded in the Reserve Fund and National Wealth Fund accounts) to implement anti-crisis measures. 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* as of 1 January 2011, reflects the balances of resident banks' foreign currency correspondent accounts opened under bank account agreements. The decrease in the balance of foreign currency correspondent accounts is mostly due to the closing of the accounts of credit institutions that have been opened by the Bank of Russia since 1 December 2008. This was done in order to expand the possibilities by which credit institutions can manage short-term liquidity, as a result of changes in the financial markets and the expiration of the Bank of Russia's recommendation to limit the growth of foreign assets.

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 those credit institutions in which the government holds a 50%-plus stake in authorised capital, totalling 140,281 million roubles (2009: 287,167 million roubles). The increase in the value of deposits taken by the Bank of Russia is attributable to the growth of uncommitted cash balances of credit institutions due to the improved situation in financial markets.

Growth in *Government and other extra-budgetary funds* is due to the increase in the balances of the Federal Pension Fund accounts.

The increase in *Required reserves deposited with the Bank of Russia* is a result of the growth of the volume of liabilities requiring reserves.

Non-resident banks' funds raised in repo transactions are the funds raised from non-resident banks in deals to sell securities to foreign issuers with an obligation to repurchase (repos). These funds include the funds raised from non-resident banks under contracts whereby the counterparty receives securities from the Bank of Russia portfolio on a collectible basis by concluding repos. The funds raised in repos are placed by concluding reverse repos with the same counterparty for the same amount and for the same term as repo. The funds raised in repos concluded as of the end of the year and matched by the reverse repos totalled 30,318 million roubles (2009: 15,119 million roubles) (Note 4). The securities of foreign issuers provided in these deals had a total current (fair) value of 30,357 million roubles (2009: 15,121 million roubles).

The corresponding amount of funds placed pursuant to reverse repos concluded as of the end of the year, and matched by repos stood at 30,318 million roubles (2009: 15,119 million roubles). Foreign issuers' securities received in these deals as collateral have a total current (fair) value of 30,425 million roubles (2009: 15,120 million roubles) (Notes 4 and 24).

Interest expenses in these repos and reverse repos totalled 55 million roubles (2009: 32 million roubles) and were recorded to *Interest expenses on funds raised against the collateral of foreign currency securities* in Note 18 *Interest expenses;* interest income totalled 208 million roubles (2009: 299 million roubles), of which 172 million roubles (2009: 165 million roubles) were recorded to *Interest income on loans, deposits and other foreign currency placements* and 36 million roubles (2009: 134 million roubles) were recorded to *Other* (Note 14 *Interest income*).

The decrease in the balance of *Non-resident bank 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 30,357 million roubles (2009: 86,624 million roubles) are accounted for as foreign issuers' securities *in Foreign issuers' securities* in Note 4.

Other includes the balances of accounts of federal or public sector organisations, non-profit organisations, non-government organisations and other clients as well as deposits taken from the state-owned corporation DIA and the funds on the correspondent accounts of the National Bank of Belarus and the National Bank of Kazakhstan that were opened with the Bank of Russia for customs union-related purposes (2010: 241 million roubles, 2009: 0 million roubles). The decrease in this item is mostly due to the reduction in the DIA deposits taken by the Bank of Russia.

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.

10. FLOAT

The decrease in this item was caused by the decrease in the value of transaction payments between the establishments of the Bank of Russia related to the transfer of payments between the Bank of Russia establishments and their clients in the last days of the year.

11. SECURITIES ISSUED

(millions of roubles)

	2010	2009
Bank of Russia bonds	588,598	283,124
Total	**588,598**	**283,124**

Bank of Russia bonds reflect the nominal value of the OBRs placed as of the end of the reporting period, net of the discount (inclusive of accrued interest expenses). Growth under this item is due to the expansion of OBR trading volumes.

12. OTHER LIABILITIES

(millions of roubles)

	2010	2009
Supplementary pension provisions for Bank of Russia employees	90,081	82,952
Interest obligations	43,471	83,033
Other	2,178	2,334
Provisions	9,067	0
Total	**144,797**	**168,319**

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 an actuarial appraisal made by a certified actuary. As of 1 January 2011, the Bank of Russia added 7,853 million roubles to the supplementary pension fund, recording this sum to its expenses (Note 22).

The decrease in *Interest obligations* is mainly caused by the decrease in total interest obligations for the use of Reserve Fund and National Wealth Fund assets. This is due, in turn, to the decline of the balance of those funds as well as to the interest transfer of 82,803 million roubles on 21 January 2010 to the Federal Treasury account for the period of 16 January to 31 December 2009, with a simultaneous increase which was mostly due to the accrual of said interest for the current period. For the period of 1 to 15 January 2010, 9,587 million roubles were accrued (transferred to the account of the Federal Treasury on 21 January 2010). For the period of 16 January to 31 December 2010, 43,382 million roubles were accrued. 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 (Note 25).

Other mostly reflects funds at the temporary disposal of public sector institutions which are financed from the federal budget, the budgets of the Russian Federation's regional and local governments, as well as funds in the accounts of public sector institutions and the Federal Treasury bodies. These funds are subject, when certain events occur, to be repaid to the contributors or to be trans-

ferred as allocated. The item also includes the funds of non-profit organisations which are owned by the federal government.

According to the Federal Law 'On the Federal Budget for 2010 and the Plan Period of 2011 and 2012', the Bank of Russia does not charge for servicing the accounts opened for the regional and municipal financial bodies of the Russian Federation.

The item *Provisions* reflects provisions totalling 9,067 million roubles which were set up according to the Bank of Russia Board of Directors' decision to meet obligations to the participants in the Bank of Russia's Pension Programme. These were calculated on the basis of the indicative forecast of pension obligations as of 1 January 2012 which is included in the report on the IFRS-based actuarial appraisal of pension obligations of the Bank of Russia as of 1 January 2011, and the pension spending for 2010, and on the basis of the expected balance of the pension account for 1 January 2012, necessary for payments.

13. REPORTING YEAR PROFIT

Reporting year profit is a balance-sheet item recognising the Bank of Russia's financial result for the year 2010. It results from the recognition in 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', is recognised in the Bank of Russia accounting records in 2011 (Note 25, Statement of Profit and its Allocation and the Table *Capital, funds and profit allocation*).

The main factors that affected the Bank of Russia's financial result in 2010 are as follows:

— the increase in income from recovery of provisions (Note 16);
— the increase in interest expenses from operations with OBRs (Note 18);
— the decrease in interest expenses on Reserve Fund and National Wealth Fund assets, owing to the reduction of the balances of the Reserve Fund and National Wealth Fund's accounts with the Bank of Russia (Note 18);
— the decrease in income and expenses from securities trading (Notes 15 and 19);
— the decrease in interest income from loans, deposits and other placements with resident banks in roubles and foreign currency (Note 14);
— the decrease in interest income from trading with securities available for sale (Note 14).

14. INTEREST INCOME

(millions of roubles)

	2010	2009
Interest income from securities	153,982	231,542
Interest income from rouble loans, deposits and other placements with resident banks	57,236	262,941
of which:		
— extended and placed pursuant to certain federal laws	34,177	161,033
Interest income from foreign currency loans, deposits and other placements	9,426	19,454
of which:		
— extended and placed pursuant to certain federal laws	5,832	9,894
Other	7,431	8,055
of which:		
— extended and placed pursuant to certain federal laws	7,050	7,450
Total	**228,075**	**521,992**

Interest income from securities mostly consists of the 135,582 million roubles (2009: 210,687 million roubles) in interest income from foreign issuers' debt obligations purchased for the purpose of managing foreign exchange reserves, and 18,400 million roubles (2009: 20,855 million roubles) in Russian issuers' debt obligations.

Interest income from rouble loans, deposits and other placements with resident banks reflects interest income from funds provided to credit institutions in repos; Bank of Russia loans extended against the collateral of securities from the Lombard List and promissory notes, or claims under credit agreements with organisations, or claims guaranteed by credit institutions; unsecured loans; restructured loans originally extended as unsecured loans; subordinated loans extended to Sberbank under certain federal laws; as well as rouble deposits placed with Vnesheconombank and other credit institutions, according to the decisions of the Bank of Russia Board of Directors.

The decrease in *Interest income from rouble loans, deposits and other placements with resident banks* in the year under review is caused by credit institutions' reduced demand for refinancing instruments, the suspension of certain operations by the Bank of Russia due to the phasing out of anti-crisis measures in 2010 and, correspondingly, the decrease in loans extended by the Bank of Russia to credit institutions against the collateral of securities from the Lombard List and promissory notes, or claims under credit agreements with organisations, or claims guaranteed by credit institutions; by the repayment of the subordinated loan of 200,000 million roubles by Sberbank; and by the reduction of the interest rates according to Federal Law No. 206-FZ, dated 27 July 2010, 'On Amending the Federal Law 'On Additional Measures to Support the Financial System of the Russian Federation''.

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 repos with foreign securities and deposits placed with non-resident banks in foreign currency and precious metals, as well as deposits placed with Vnesheconombank, pursuant to Federal Law No. 173-FZ.

Other mostly includes the interest income from loans extended to the DIA under certain federal laws, from operations to provide securities to non-resident banks on a collective basis, and also interest income received on accounts opened with non-resident banks.

15. INCOME FROM SECURITIES TRADING

(millions of roubles)

	2010	2009
Income from operations with foreign securities, of which:	50,998	228,565
— income from compensation for previous years' expenses relating to securities revaluation	5,756	2,596
Income from operations with Russian securities, of which:	26,710	16,201
— income from compensation for previous years' expenses relating to securities revaluation	18,608	13,414
Total	**77,708**	**244,766**

Income from operations with foreign securities consists of income from the sale and revaluation, at current (fair) value, of retired (sold) foreign government securities, 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 year.

Income from operations with Russian securities mainly reflects income from the positive revaluation of Russian debt obligations at the current (fair) value, which was used to offset the negative revaluation at the current (fair) value of the corresponding issues recorded to expenses in previous years; income from the sale and revaluation of retired (sold) securities of Russian federal and regional government securities and other Russian debt obligations. It also includes income from the retired shares of the NDC, which the Bank of Russia used to pay for the additional issue of MICEX, due to the Bank of Russia Board of Directors' decision to withdraw from the capital of the NDC.

16. NET INCOME (EXPENSES) FROM THE RECOVERY (CREATION) OF PROVISIONS

(millions of roubles)

	2010	2009
Decrease/increase in provisions for foreign currency loans and deposits placed with resident banks	117,296	(81,232)
Decrease/increase in provisions for rouble loans extended to credit institutions under certain federal laws	38,764	(60,138)
Decrease/increase in provisions for rouble loans and deposits placed with resident banks	6,075	(85,068)
Decrease/increase in provisions for funds provided to state corporation	2,281	(23,606)
Decrease/increase in provisions for credit institutions' debt on other operations	902	(1,948)
Decrease/increase in provisions for Bank of Russia compensation payments to depositors of bankrupt banks	42	(47)
Decrease in provisions for other active operations	0	149
(Increase in) provisions for claims on compensation deposits placed by the Bank of Russia with a credit institution and used by this credit institution	(2,301)	0
(Increase in) provisions to secure obligations to participants in the Bank of Russia's Pension Programme	(9,067)	0
Total	**153,992**	**(251,890)**

The decrease in provisions for foreign currency loans and deposits placed with resident banks is caused by the repayment of deposits placed with Vnesheconombank.

The decrease in provisions for rouble loans extended to credit institutions under certain federal laws is connected with the repayment of the debt to the Bank of Russia on funds provided as part of the anti-crisis measures.

The decrease in provisions for rouble deposits placed with resident banks is caused by a decrease in the credit risk level, due to a gradual shift of focus to standard refinancing instruments.

The decrease in provisions for funds extended to the state corporation DIA under Federal Law No. 175-FZ, dated 27 October 2008, 'On Additional Measures to Strengthen Stability of the Banking System in the Period until 31 December 2011' for the implementation of bankruptcy prevention measures is connected with the partial repayment of obligations by a number of borrowers (investors).

The decrease in provisions for credit institutions' debt on other operations is caused by the repayment of the Bank of Russia's interest claims on loans extended to credit institutions.

Provisions for Bank of Russia compensation payments to depositors of bankrupt banks are made pursuant to the Federal Law '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 depositors of bankrupt banks.

Provisioning for claims on compensation deposits placed by the Bank of Russia with a credit institution and used by this credit institution was made on the basis of the decision of the Bank of Russia Board of Directors.

Provisioning for obligations to the participants in the Bank of Russia's Pension Programme was made on the basis of the decision of the Bank of Russia Board of Directors. This was calculated on the basis of the indicative forecast of pension obligations as of 1 January 2012 which is included in the report on the IFRS-based actuarial appraisal of pension obligations of the Bank of Russia as of 1 January 2011, and the pension spending for 2010, and on the basis of the expected balance of the pension accounts for 1 January 2012.

17. OTHER INCOME

(millions of roubles)

	2010	**2009**
Fees for Bank of Russia services provided to customers	5,507	4,310
Income from the sale of coins made of precious metals	1,248	857
Fines and penalties received	161	71
Income of previous years (net of interest income) identified in reporting year	113	160
Income from technological processing of precious metals and other income	12	1
Net realised exchange rate differences in foreign currency	0	27,429
Other	1,456	1,415
Total	**8,497**	**34,243**

Fees for Bank of Russia services provided to customers mostly consist of 5,479 million roubles (2009: 4,281 million roubles) received in fees for the settlement services provided by the Bank of Russia, 11 million roubles (2009: 14 million roubles) reimbursed by customers for telegraph expenses, and 17 million roubles paid for other services (2009: 15 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 prices of precious metals.

In 2009, *net realised exchange rate differences in foreign currency* mainly reflect income from foreign currency purchase and sale transactions executed by the Bank of Russia in the domestic market. In 2010, foreign currency purchase and sale transactions executed by the Bank of Russia in the international market resulted in expenses (Note 22).

18. INTEREST EXPENSES

(millions of roubles)

	2010	2009
Interest expenses on federal budget fund balances, including	52,969	109,736
— Reserve Fund balances	20,656	66,754
— National Wealth Fund balances	32,313	42,982
Interest expenses on Bank of Russia debt obligations	36,549	2,868
Interest expenses on deposits taken from credit institutions in the domestic market	18,197	17,688
Interest expenses on funds raised against the collateral of foreign currency-denominated securities in international markets	57	32
Other	593	5,107
Total	**108,365**	**135,431**

Pursuant to resolutions of the Russian Federation Government, the Bank of Russia in 2008 concluded bank account agreements with the Federal Treasury, whereby the Bank of Russia opened rouble and foreign currency accounts 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 2011 reflect interest paid on the balances of the Reserve Fund and National Wealth Fund foreign currency accounts, according to the bank account agreements in the period between 1 and 15 January 2010 to the amount of 9,587 million roubles, and interest accrued in the period between 16 January and 31 December 2010 totalled 43,382 million roubles.

Under the bank account agreements, the payment of interest to the federal budget for the period of 1 to 15 January 2010 was made on 21 January 2010, and for the period of 16 January to 31 December 2010, on 21 January 2011 with adjustments made in January 2011 (Note 25).

The decrease of expenses in this item is due to the reduction of the balances of the Reserve Fund and National Wealth Fund accounts with the Bank of Russia.

Interest expenses on Bank of Russia debt obligations include interest expenses on OBR. Growth in this item is due to the increase in the value of OBR trading.

The increase in *Interest expenses on deposits taken from credit institutions in the domestic market* is due to the growth in the value of deposit transactions conducted by the Bank of Russia in the domestic market, including the transactions on an auction basis.

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).

Other mostly includes interest expenses totalling 590 million roubles (2009: 5,070 million roubles) on deposits taken from the DIA.

19. EXPENSES ON SECURITIES TRADING

(millions of roubles)

	2010	2009
Expenses on operations with foreign securities	10,340	34,035
Expenses on operations with Russian government debt obligations	939	311
Other	1,021	266
Total	**12,300**	**34,612**

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 Russian government debt obligations include expenses from the sale and negative revaluation of retired (sold) Russian government debt obligations.

The item *Other* in this Note mostly includes expenses on commission payments in securities trading, payments for depository services and expenses associated with the early redemption of OBR.

20. 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 decrease of expenses in this item is due to reduced manufacturing of one and five kopeck coins as well as by the significant reduction in the production of commemorative ten-rouble coins made of non-ferrous metals.

21. EXPENSES ON NEGATIVE REVALUATION OF SECURITIES AVAILABLE FOR SALE

(millions of roubles)

	2010	2009
Expenses on negative revaluation of securities available for sale	5,193	10,916
Total	**5,193**	**10,916**

At the end of 2010, there was significant negative unrealised revaluation of securities available for sale for certain issues of federal government debt obligations totalling 288 million roubles (2009: 5,111 million roubles) and in foreign issuers' debt obligations totalling 4,905 million roubles (2009: 5,805 million roubles) that was recorded to the expenses of the Bank of Russia (Note 1(e)).

22. OTHER OPERATING EXPENSES

(millions of roubles)

	2010	2009
Depreciation allowances	10,389	9,880
Expenses on replenishment of supplementary pension funds	7,853	8,880
Net realised foreign currency exchange rate differences	5,906	0
Expenses on IT maintenance and logistics	5,875	4,802
Expenses on delivery of bank documents and valuables	4,077	2,750
Security expenses	4,024	3,820
Repair expenses	3,652	3,347
Expenses on maintenance of buildings	2,686	2,271
Taxes and duties paid	1,774	1,855
Expenses involved in the use of titles to intellectual property	1,707	874
Postage, telegraph and telephone expenses and expenses on renting communication lines and channels	1,584	1,322
Net negative realised differences for precious metals	568	1,645
Expenses on foreign currency operations	295	520
Expenses on operations with precious metals	193	102
Other	4,288	4,093
Total	**54,871**	**46,161**

As of 1 January 2011, the Bank of Russia added 7,853 million roubles to the supplementary pension fund for its employees. This was done on the basis of the IFRS-based actuarial appraisal of pension obligations of the Bank of Russia as of 1 January 2011, and the pension expenses for 2010, and recorded as Bank of Russia expenses (Note 12).

Net 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 by the Bank of Russia in the international market as a result of fluctuations of foreign currency exchange rates.

Net negative realised differences for precious metals are the realised differences that arose as a result of the purchase (sale) of precious metals in the domestic and international markets at higher (lower) prices than the Bank of Russia book prices (Note 1(c)).

Expenses on foreign currency operations are mainly comprised of expenses on commission 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, and expenses on the maintenance of Bank of Russia correspondent accounts in non-resident banks.

Other mainly refers to expenses on personnel training, expenses on the retirement (sale) of property, travel expenses, expenses on the printing, purchasing and mailing of blank forms and data media, and expenses on the purchase of appliances and accessories turned over for operation (use).

23. PERSONNEL COSTS

For an explanation, see the Statement of Bank of Russia Personnel Costs.

24. OFF-BALANCE SHEET CLAIMS AND OBLIGATIONS ACCOUNTS

Claims and obligations on forward operations recorded to off-balance sheet accounts are as follows:

(millions of roubles)

	2010	2009
Claims		
Claims for delivery of foreign currency from non-residents in spot transactions	24,133	85,019
Claims for delivery of foreign currency-denominated securities from non-residents in spot transactions	0	28,086
Claims for delivery of foreign currency in forward transactions	9,980	68,024
Claims for delivery of foreign currency from non-residents in forward transactions	41,367	98,876
Claims for delivery of precious metals in forward transactions	0	95,609
Claims for delivery of foreign currency-denominated securities from non-residents in forward transactions	17,575	18,985
Total claims	**93,055**	**394,599**
Obligations		
Obligations to deliver foreign currency from non-residents in spot transactions	23,938	31,306
Obligations to deliver foreign currency-denominated securities from non-residents in spot transactions	0	81,795
Obligations to deliver roubles in forward transactions	0	95,360
Obligations to deliver foreign currency in forward transactions	10,083	65,082
Obligations to deliver foreign currency from non-residents in forward transactions	58,771	120,368
Obligations to deliver precious metals from non-residents in forward transactions	0	211
Unrealised (positive) exchange rate differences from the revaluation of foreign currency	263	225
Unrealised (positive) exchange rate differences from the revaluation of precious metals	0	252
Total obligations	**93,055**	**394,599**

The decrease in *Claims for delivery of foreign currency from non-residents in spot transactions* and in *Obligations to deliver foreign currency from non-residents in spot transactions* is attributable to the reduction in the volume of FX transactions in international financial markets.

The decrease in *Claims for delivery of foreign currency-denominated securities from non-residents in spot transactions* and in *Obligations to deliver foreign currency-denominated securities from non-residents in spot transactions* is due to the lack of open spot deals to buy/sell securities by the Bank of Russia 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* is caused by the reduction in the volume of FX transactions in the domestic financial market.

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* and in *Obligations to deliver precious metals from non-residents in forward transactions* is due to the reduction in the volume of FX transactions and the lack of open deals to sell precious metals in international financial markets.

The decrease in *Claims for delivery of precious metals in forward transactions* and in *Obligations to deliver roubles in forward transactions* is the result of the lack of open deals to buy precious metals by the Bank of Russia as of the reporting date in the domestic market.

The decrease in *Claims for delivery of foreign currency-denominated securities from non-residents in forward transactions* is due to the contraction of the volume of forward transactions to buy securities in the international financial markets.

Other claims and obligations recorded to off-balance sheet accounts include:

(millions of roubles)

	2010	**2009**
Securities accepted as collateral for funds placed	2,654	44,197
Securities received on a repo basis	248,299	507,710
Guarantees and sureties received	28,661	297,940
Assets accepted as collateral for funds placed, except securities and precious metals	7,883	204,590

Securities accepted as collateral for funds placed are securities accepted by the Bank of Russia from credit institutions as collateral for loans extended to them.

Securities received by the Bank of Russia on a repo basis are mostly securities accepted as collateral in repos with credit institutions in the domestic exchange market, and also foreign securities received by the Bank of Russia as collateral in repos with non-residents in the international markets.

Securities received by the Bank of Russia as collateral in repos with resident credit institutions in the domestic exchange market are accounted for at their current (fair) value, totalling 4,864 million roubles (2009: 281,758 million roubles).

Securities received by the Bank of Russia as collateral in repos with non-residents and accounted for at their current (fair) value totalled 243,145 million roubles (2009: 225,918 million roubles), of which securities received in reverse repos that matched repos had a current (fair) value of 30,425 million roubles (2009: 15,120 million roubles).

In addition, as of the end of 2010, the Bank of Russia received additional collateral (margin) in the form of foreign issuers' securities in repos with non-residents in the international market with a total current (fair) value of 290 million roubles (2009: 34 million roubles).

The decrease in the item is caused by reduced volume of repos to provide funds against the collateral of securities in the domestic market.

Guarantees and sureties received by the Bank of Russia are the sureties accepted as collateral for the loans it 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 totalling 7,883 million roubles (2009: 204,590 million roubles).

25. 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 2010 (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', taking into account the profit tax settlement), are recognised in Bank of Russia accounting records in 2011 (Statement of Profit and its Allocation and Table *Capital, funds and profit allocation*).

Taxes and duties that were levied additionally on 23 March 2011 after the final settlement from the Bank of Russia's profit for 2010 totalled 8 million roubles (Statement of Profit and its Allocation and Table *Capital, funds and profit allocation*).

Pursuant to Federal Law No. 245-FZ, dated 30 September 2010, 'On Amending the Budget Code and Other Laws of the Russian Federation', which suspended until 1 January 2014 Part 1 of Article 26 of the Federal Law 'On the Central Bank of the Russian Federation (Bank of Russia)' concerning the relative amount of actual year profit remaining in the Bank of Russia after the payment of taxes and duties under the Tax Code of the Russian Federation and transferred to the federal budget; 153,070 million roubles are to be transferred to the federal budget (Statement of Profit and its Allocation and Table *Capital, funds and profit allocation*).

According to the decision made by the Bank of Russia Board of Directors, 48,982 million roubles were transferred from retained profit to the Bank of Russia Reserve Fund and 2,041 million roubles were transferred to the Bank of Russia Social Fund (Statement of Profit and its Allocation, Statement of Bank of Russia Reserves and Funds and Table *Capital, funds and profit allocation*).

Interest paid by the Bank of Russia to the federal budget on the Reserve Fund and National Wealth Fund assets for the period of 1 to 15 January 2010 totalled 9,587 million roubles. This amount was transferred by the Bank of Russia under the bank account agreements on 21 January 2010.

Interest on the assets of the Reserve Fund and the National Wealth Fund for the period of 16 January to 31 December 2010 totalled 43,382 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 2011 by 3,710 million roubles. The amount of adjustment was accounted for in 2011 as part of other income of the Bank of Russia.

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 received from the Ministry of Finance (in January 2011, on a fee basis), Russian obligations and rights of claim with respect to the International Monetary Fund (IMF) arising from the participation of the Russian Federation in the IMF.

Pursuant to the Federal Law 'On the Central Bank of the Russian Federation (Bank of Russia)', the National Banking Board decided in March 2011 to reduce the share of the Bank of Russia in the capital of Sberbank in 2011—2013 by 7.58% minus one share. This decision is subject to the approval by the Government of the Russian Federation. The privatisation of this number of shares will allow the Bank of Russia to keep its participation 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.

STATEMENT OF PROFIT AND ITS ALLOCATION

(millions of roubles)

	2010	2009
1. Actual profit for the year	204,265	251,420
2. Taxes and duties paid from Bank of Russia profit under the Tax Code of the Russian Federation, total:	172	161
of which:		
— advance payments in the reporting year	164	159
— after the final settlement for the reporting year*	8	2
3. Profit after payment of taxes and duties under the Tax Code of the Russian Federation	204,093	251,259
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)'*	153,070	188,444
5. Bank of Russia retained profit, total*	51,023	62,815
of which transferred to:		
— Bank of Russia Reserve Fund	48,982	60,302
— Bank of Russia Social Fund	2,041	2,513

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.

The financial performance of the Bank of Russia in the year under review was influenced by the low interest rates in the international financial markets and the significant inflow of liquidity into the banking sector, which sent down credit institutions' demand for refinancing instruments and led to the gradual phasing out of anti-crisis measures by the Bank of Russia. Compared to 2009, all the main income sources of the Bank of Russia decreased considerably in the year under review. These included placements of reserve assets, transactions involving anti-crisis instruments of bank support and standard refinancing instruments while expenses to absorb unallocated funds of credit institutions soared. At the same time, the recovery of a large part of the provisions made during the crisis as well as the reduction of the interest expenses on the assets of the Reserve Fund and the National Wealth Fund had a positive effect on the financial performance of the Bank of Russia. The above factors ensured a relatively high profit in 2010.

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 to the federal budget 50% of its actual year profit remaining after the payment of taxes and duties under the Tax Code of the Russian Federation. The Bank of Russia Board of Directors transfers retained profit to reserves and various funds.

** The payment of taxes and duties under the Tax Code of the Russian Federation according to the final calculation for the reporting tax period, out of the profit for the reporting year and 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 are accounted for in the Bank of Russia's balance sheet for the current year (Note 25).*

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', 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 2014, and the share of the actual year profit for 2010 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
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	**207,054**	**6,301**	**660,374**	**92,652**	**1,184,582**	**7,965**	**2,158,928**
Transferred to funds from other sources	0	1	341,724	28,555	0	0	370,280
Reserves and funds used	0	(889)	0	(53,350)	(119,091)	0	(173,330)
Balance as of beginning of year following reporting year	**207,054**	**5,413**	**1,002,098**	**67,857**	**1,065,491**	**7,965**	**2,355,878**
Ttransferred from reporting year profit*	48,982	2,041	0	0	0	0	51,023
Total inclusive of funds received as a result of allocation of reporting year profit	**256,036**	**7,454**	**1,002,098**	**67,857**	**1,065,491**	**7,965**	**2,406,901**

** 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 balance sheet in the current year (Note 25).*

Pursuant to Article 26 of the Federal Law 'On the Central Bank of the Russian Federation (Bank of Russia)', the Bank of Russia transfers to reserves and various funds profit that remains at its disposal after the payment of taxes and duties under the Tax Code of the Russian Federation (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', 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 creates 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 Bank of Russia profit. By 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, 48,982 million roubles (2009: 60,302 million roubles) were allocated to the Bank of Russia Reserve Fund from retained profit for 2010.

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's 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 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 the decision taken by the Bank of Russia Board of Directors, 2,041 million roubles, or 4% (2009: 2,513 million roubles, or 4%) of Bank of Russia retained profit for 2010, has been transferred to the Bank of Russia's 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, totalling 341,724 million roubles (2009: 211,616 million roubles), was recorded in 2010 to the balance sheet account *Accrued precious metal revaluation* as part of Bank of Russia capital.

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. The excess of negative unrealised exchange rate differences over positive ones totalled 119,091 million roubles (2009: excess of positive unrealised differences over negative ones totalled 151,392 million roubles) and in 2010 was compensated with the previously accumulated exchange rate differences recorded to the balance sheet account *Accrued foreign currency exchange rate differences* as part of Bank of Russia capital.

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 28,555 million roubles (2009: 29,079 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 securities of the corresponding issue (issuer) were retired (sold) in 2010, and also used to settle the negative unrealised revaluation of securities of the corresponding issue (issuer) accrued in 2010 and totalling 53,350 million roubles (2009: 242,976 million roubles).

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)

	2010	2009
Foreign issuers' debt obligations, of which:		
US and Canadian issuers' debt obligations	5,326,043	4,843,693
— denominated in US dollars	5,223,967	4,843,693
— denominated in Canadian dollars	102,076	0
EU issuers' debt obligations	6,503,210	6,308,483
— denominated in US dollars	124,309	197,202
— denominated in euros	5,343,568	5,029,741
— denominated in pounds sterling	1,035,333	1,081,540
Japanese issuers' debt obligations	201,633	153,097
— denominated in Japanese yen	201,633	153,097
Debt obligations of international organisations	64,922	43,794
— denominated in US dollars	42,177	7,799
— denominated in euros	22,745	35,250
— denominated in pounds sterling	0	745
Total	**12,095,808**	**11,349,067**
Russian and foreign issuers' debt obligations issued in Russia, of which:		
Russian federal government debt obligations	347,161	357,100
— denominated in roubles	185,675	193,330
— denominated in US dollars	161,486	163,770
Other Russian issuers' debt obligations	422	23,208
— denominated in roubles	422	1,942
— denominated in US dollars	0	21,266
Promissory notes issued by credit institutions	27	27
Subtotal	**347,610**	**380,335**
Total	**12,443,418**	**11,729,402**

Foreign securities are mostly US Treasuries and the government debt obligations of Germany, France, Britain, the Netherlands, Japan, Finland, Canada, Belgium, Sweden and Denmark as well as debt securities issued by supranational financial organisations, non-government debt securities guaranteed by the governments of the above countries, and the covered securities of German credit institutions.

The increase recorded under this item is due to growth in the Bank of Russia's portfolios of foreign government papers. As reserve foreign currency assets grew, the Bank of Russia was investing into the least risky instruments, foreign government securities.

In 2010, 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, namely:

— the sale by the Bank of Russia of government bonds and other Russian issuers' bonds from its own portfolio;
— the purchase of securities with an obligation of resale for terms of one and seven days, and three and six months (repo transactions);
— operations to place (sell) and buy out Bank of Russia bonds.

Russian government debt obligations denominated in roubles are OFZ bonds. The decrease of the balance in this item is caused by sale and redemption of these securities.

Russian government debt obligations denominated in US dollars consist of internal and external foreign currency bonds. The decrease of the balance in this item is attributable to the sale and redemption of these securities.

The debt obligations of other Russian issuers denominated in roubles are securities issued by regional governments of the Russian Federation. The decrease of the balance in this item is attributable to the sale of securities issued by regional governments and other Russian issuers, as well as by the redemption of these securities by the issuers.

The US dollar-denominated debt obligations of other Russian issuers (Vnesheconombank bonds) were repaid by the issuer in 2010.

BANK OF RUSSIA INVESTMENTS IN AUTHORISED CAPITAL OF BANKS AND OTHER ORGANISATIONS

(millions of roubles)

Title	2010 Balance sheet value	2010 Share in authorised capital, percent (at par)	2009 Balance sheet value	2009 Share in authorised capital, percent (at par)
Investments in resident shares, of which:	**91,582**		**84,307**	
Sberbank	84,004	57.58	84,004	57.58
Moscow Interbank Currency Exchange (MICEX)	7,575	36.82	300	29.79
St Petersburg Currency Exchange (SPCEX)	3	8.90	3	8.90
Investments in non-resident shares, of which:	**1,347**		**1,321**	
Bank for International Settlements, Basel	1,346	0.59	1,320	0.59
Society for Worldwide Interbank Financial Telecommunications (S.W.I.F.T.), Belgium	0.649	0.006	0.698	0.006
Other investments in capital of residents, of which:	**0**		**25**	
National Depository Centre (NDC), Moscow	0	0	25	42.30
Other investments, of which:	**10**		**10**	
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 2010, the Bank of Russia did not conduct any operations with shares of Sberbank or SPCEX (Note 25).

Pursuant to the decision of the Bank of Russia Board of Directors, the Bank of Russia divested from the capital of the NDC in July 2010 by paying with its NDC shares for an additional issue of MICEX shares. As a result, the Bank of Russia's stake in the authorised capital of MICEX went up from 29.79% to 36.82%.

Growth in *Shares of credit 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.

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	
	2010	**2009**	**2010**	**2009**	**2010**	**2009**
MICEX	4,609,144	51,409,750	885,430	448,343	96	476
MICEX Stock Exchange	1,865,388	4,662,631	0	0	0	0
	6,474,532	**56,072,381**	**885,430**	**448,343**	**96**	**476**

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, regional government securities and other Russian issuer 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 decline 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 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.

STATEMENT OF BANK OF RUSSIA PERSONNEL COSTS

(millions of roubles)

Items of expenditure	2010	2009
Compensation	61,647	52,696
Salary and other benefit charges	7,364	6,857
Other benefits	4,745	5,798
Total Bank of Russia personnel costs	**73,756**	**65,351**

The Bank of Russia's personnel costs grew by 8,405 million roubles, or 12.9% against 2009, with expenses on compensation up by 8,951 million roubles, or 17.0%, and salary charges up by 507 million roubles, or 7.4%. Other benefits decreased by 1,053 million roubles, or 18.2%.

Compensation expenses consist of salaries, seniority bonuses, hardship bonus payments to employees working in the Extreme North and similar regions under applicable legislation, other bonus payments established by Bank of Russia regulations, regular paid leaves and study leaves, monthly and year-end bonus payments, and other benefits.

Other benefits that Bank of Russia employees receive under applicable legislation and Bank of Russia regulations are as follows: one-off holiday and emergency allowances, compensation for holiday travel expenses to employees working in the Extreme North and similar regions and non-working members of their families, compensation of expenses to employees working in the Extreme North and similar regions and members of their families who have moved elsewhere to reside permanently upon the expiration of their labour contract or due to retirement, compensation of expenses to employees who have moved to work in other regions, benefits for employees living or working in regions affected by the Chernobyl nuclear power plant disaster, benefits for employees taking leave to care after a child under the age of three, and allowances for temporary disability due to disease or injury paid during the first two days of disability and other benefits.

The number of the Bank of Russia staff grew by 131 employees in 2010 (0.2%) to 69,642.

The average monthly income of a Bank of Russia employee in 2010 was 79,444 roubles (2009: 70,126 roubles).

Insurance contributions to government extra-budgetary funds were 10.9% of total expenses on compensation and other payments to employees (2009: the average rate of unified social tax was 12.8%). 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%.

STATEMENT OF CAPITAL INVESTMENT BUDGET PERFORMANCE

(millions of roubles)

Capital investment	Approved for 2010	Actual amount in 2010	Actual amount in 2009
Capital investment	**19,253**	**14,138**	**15,420**
Capital investmzent in fixed assets, of which:	17,385	13,506	14,910
— capital investment in information technology	8,334	7,053	5,818
— capital investment in construction (reconstruction) and logistics (except cash turnover management)	4,843	3,440	3,044
— capital investment relating to cash turnover management	2,478	1,347	4,778
— capital investment relating to security and protection of Bank of Russia facilities	1,730	1,666	1,270
Capital investment in intangible assets	1,061	632	510
Centralised capital investment reserve	807	0	0
Memo item:			
Other capital expenses	**2,522**	**1,806**	**362**
Total capital expenses	**21,775**	**15,944**	**15,782**

Capital investment in information technology made up the largest part of Bank of Russia capital investment (49.9%), followed by construction (reconstruction) and logistics (24.3%). The share of capital investment in the security and protection of Bank of Russia facilities made up 11.8%, cash turnover management represented 9.5% and capital investment in intangible assets was 4.5%.

Capital investment in information technology in 2010 grew by 1,235 million roubles, or by 21.2% against 2009 and were used to finance the maintenance and operation of accounting systems, the transfer of regional payment data processing systems to the Collective Data Processing Centres; the upgrading of the automated banking electronic speed payment (BESP) system, the transport system of electronic payments, the unified transport environment for electronic interaction between the Bank of Russia and its clients; the centralisation of information analysis systems; the development of the technical infrastructure of the bank's IT and telecom systems; information security and protection and the replacement of obsolete computer and office equipment.

Capital investment in the construction (reconstruction) and logistics of the Bank of Russia (except cash turnover management) increased by 396 million roubles, or 13%. This was used to finance the construction (reconstruction) of office buildings and other structures (a total of 137 projects including 11 carryover projects, 75 launched projects and 51 blueprinted projects); the purchase of new equipment, appliances and furniture to replace obsolete pieces and outfit repaired facilities; the purchase of transport vehicles, and the development of air conditioning and automatic fire-alarm systems for premises housing information and telecommunications systems.

Capital investment relating to cash turnover management decreased by 3,431 million roubles, or 3.5 times, due to the reduction of expenses on the construction of cash depositories and cash centres. In 2010, funds were used for the construction (reconstruction) of 9 projects (including 1 carryover

project, 4 launched projects and 4 blueprinted projects); the modernisation and upgrade of cash counting and sorting machines; the purchase of equipment for the automation and mechanisation of cash operations, the equipment of offices with video surveillance and registration systems for operations with valuables; the purchase of machines for the destruction of worn banknotes and systems to remove worn note edges; and the purchase of special vehicles to carry and protect valuables.

Capital investment relating to security and protection of Bank of Russia facilities increased by 396 million roubles, or 31.2%. The bulk of the funds was used to finance the replacements of expired-date and obsolete fire-alarm systems, video security and surveillance systems as well as control and access control systems.

Capital investment in intangible assets grew by 122 million roubles, or 23.9%, and was used to buy and develop new software products for the IT systems and for the security and protection of information constituting the intellectual property of the Bank of Russia.

Other capital expenses include expenses on 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. These expenses grew by 1,444 million roubles, or fivefold against 2009, due to the purchase of the rights to use a system-wide software platform for the operation of Collective Data Processing Centres, automated banking systems as well as to the change in the procedure for the determination of the term of use of software products and, consequently, recording expenses on the purchase thereof to capital expenses.

CJSC Ernst & Young Vneshaudit
Sadovnicheskaya Nab., 77, bld. 1
Moscow, 115035, Russia

Tel: +7 (495) 7059700
+7 (495) 7559700
Fax: +7 (495) 7559701
www.ey.com

AUDITOR'S REPORT
on the Bank of Russia Annual Financial Statements for 2010 by an Independent Audit Firm

To the management of the Central Bank of the Russian Federation

Information about the Audited Entity:

Full title: Central Bank of the Russian Federation, hereinafter referred to as 'Bank of Russia'

Abbreviated title: Bank of Russia

Domicile: 107016, Russian Federation, Moscow, ul. Neglinnaya, 12

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.

Information about the Auditor:

Title: Closed Joint-Stock Company Ernst & Young Vneshaudit

Domicile: 115035, Russia, Moscow, Sadovnicheskaya Nab. 77, bld. 1

Main state registration number: 1027739199333

Ernst and Young Vneshaudit, a closed joint-stock company (ZAO), is a member of a non-profit partnership, Russian Audit Chamber (NP APR). Ernst and Young Vneshaudit is registered in the NP APR register of auditors and audit organisations as No. 3027, and is also included in the specimen copy of the register of auditors and audit organisations, under the main registration entry number 10301017410.

ERNST & YOUNG

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 2010 until 31 December 2010. 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).

Responsibility of the Audited Entity for the Annual Financial Statements

The Bank of Russia's management is responsible 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) and 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 Accounting Rules in the Central Bank of the Russian Federation (Bank of Russia)' (as amended). The audited entity is also responsible for the system of internal control required to compile Annual Financial Statements that are free of material distortions which could result from malpractice and 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.

With the exception of the circumstance described in the Audit Scope section, we have conducted the audit in compliance with the Russian federal standards that govern auditing activities as well as international auditing standards. 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 the auditing procedures is subject to our judgement, which is based on our assessment of the risk of material distortions in the Annual Financial Statements, which may result from malpractice or errors. In assessing this risk, the auditor analyses the internal control system which 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 is sufficient to give us a reason to formulate a conclusive opinion, and that it is relevant enough to provide a basis on which to express it, given the limited scope of the audit.

ERNST & YOUNG

Audit Scope

Our audit was qualified with respect to operations, and the relevant annual balance sheet and profit and loss account indicators, 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 items of the annual balance sheet and of the profit and loss account provided below have been confirmed by the Audit Chamber of the Russian Federation in its opinion of 29 April 2001, based on a review of accounts and operations of the Central Bank of the Russian Federation and also information covered by Federal Law No. 5485-1, dated 21 July 1993, 'On State Secrecy' (as amended) as of 1 January 2011, and for the period from 1 January 2010 to 31 December 2010. These operations and items in the Bank of Russia Annual Financial Statements as of 1 January 2011, and for the period from 1 January 2010 to 31 December 2010, consist of:

- assets totalling 113,707 million roubles;
- liabilities totalling 1,321 million roubles;
- income totalling 13 million roubles;
- expenses totalling 13,942 million roubles;
- positive unrealised differences resulting from the revaluation of precious metals totalling 55,947 million roubles.

Opinion

In our opinion (except for the possible impact of the circumstance 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 2011 and the outcomes of its financial and economic activities for the period from 1 January to 31 December 2010. We believe they comply 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) and Federal Law No. 129-FZ, dated 21 November 1996, 'On Accounting', and 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)' (as amended).

Other Information

It is not the purpose of the attached Annual Financial Statements to present the financial situation and performance results in accordance with the accounting principles or methods accepted in countries and territories other than the Russian Federation. Consequently, the attached Annual Financial Statements are not intended for those who are not familiar with the accounting principles, procedures and methods accepted in the Russian Federation.

D.Y. Vainshtein
Partner
ZAO Ernst and Young Vneshaudit

12 May 2011

THE AUDIT CHAMBER OF THE RUSSIAN FEDERATION
119991, Moscow, ul. Zubovskaya, 2 **Tel: 986-05-09, fax: 986-09-52**

29 April 2011 No. 06-164/06-03

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 and Data Covered by the Federal Law 'On State Secrecy' for 2010
(approved by the decision of the Collegium of the Audit Chamber of the Russian Federation of 29 April 2011, protocol No. 27K (794)

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 2010 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 2011.

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 audit organisation CJSC Ernst & Young Vneshaudit, the auditor of the Bank of Russia Annual Financial Statements as of 1 January 2011.

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 covered by the Federal Law 'On State Secrecy' for 2010, and to express an opinion on credibility in all material aspects of the Bank of Russia Annual Financial Statements as of 1 January 2011, and on compliance of the accounting procedure with Russian Federation legislation and Bank of Russia regulations.

The Audit Chamber of the Russian Federation has conducted the examination of Bank of Russia accounts and operations and data for 2010, covered by the Federal Law 'On State Secrecy' in the structural divisions, regional branches and field institutions of the Central Bank of the Russian Fed-

eration (Bank of Russia) in such a way as to become sufficiently convinced that the Bank of Russia consolidated annual balance sheet (with respect to sub-accounts and off-balance sheet accounts) as of 1 January 2011, the consolidated income statement for 2010, and the statements included in the Bank of Russia Annual Financial Statements for 2010 fall within the competence of the Audit Chamber of the Russian Federation. Furthermore, these documents 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 2011, and income and expenses of the Central Bank of the Russian Federation (Bank of Russia) for 2010, in line with the Bank of Russia's accounting policy.

Having examined Bank of Russia accounts and operations and data covered by the Federal Law 'On State Secrecy' for 2010, 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 2011 (balance sheet assets totalling 113,707 million roubles and balance sheet liabilities totalling 1,321 million roubles), profit and loss account as of 1 January 2011 (income totalling 13 million roubles and expenses totalling 13,942 million roubles) and other statements included in the Bank of Russia Annual Financial Statements for 2010;

the revaluation of precious metals for the reporting year and as of 1 January 2011: positive unrealised differences from the revaluation of precious metals totalling 55,947 million roubles;

the consolidated annual balance sheet as of 1 January 2011 (with respect to sub-accounts and off-balance sheet accounts) and the consolidated income statement for 2010;

data on total Bank of Russia notes and coins of the 1997 issue (exclusive of commemorative coins containing precious metals), which should be in circulation as of 1 January 2011.

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 5,792,292.8 million roubles in Bank of Russia notes and coins of the 1997 issue should be in circulation as of 1 January 2011 (exclusive of commemorative coins containing precious metals).

Over the period from 1 January to 31 December 2010, the Bank of Russia put into circulation banknotes and coins of the 1997 issue (exclusive of commemorative coins containing precious metals) totalling 8,468,959.0 million roubles, and withdrew from circulation Bank of Russia banknotes and coins of the 1997 issue (exclusive of commemorative coins containing precious metals) totalling 7,306,382.1 million roubles.

Consequently, in the period under review, the amount of Bank of Russia notes and coins (exclusive of commemorative coins containing precious metals) in circulation increased by 1,162,576.9 million roubles.

Auditor M.I. Beskhmelnitsyn

ADDENDA

IV

IV.1. PRINCIPAL MEASURES TAKEN BY THE BANK OF RUSSIA TO IMPLEMENT THE SINGLE STATE MONETARY POLICY IN 2010

MONETARY POLICY INSTRUMENTS AND MEASURES

REQUIRED RESERVES. In 2010, the Bank of Russia implemented the following measures as part of its effort to improve the required reserve mechanism and gradually reduce the coverage of anti-crisis instruments for supporting credit institutions:

— Ordinance No. 2341-U, dated 25 November 2009, 'On Amending Bank of Russia Regulation No. 342-P, Dated 7 August 2009, 'On Credit Institutions' Required Reserves'' came into force to align the procedure for the calculation of required reserves to be deposited with the Bank of Russia by a large credit institution with a ramified network, and for the determination of the required reserve averaging period with that established for other credit institutions;

— Ordinance No. 2238-U, dated 22 May 2009, 'On the Specifics of Granting Credit Institutions the Right to Average the Required Reserves', which allowed credit institutions to average their required reserves, regardless of the classification group they were assigned to, as a result of the assessment of their economic situation, in compliance with the relevant provisions of Bank of Russia regulations, was cancelled from 1 March 2010.

INTEREST RATES. As of the beginning of 2010, the *Bank of Russia's refinancing rate and overnight credit rate* stood at 8.75% p.a. By the decision of the Bank of Russia Board of Directors, these rates were lowered to 8.5% from 24 February 2010, 8.25% from 29 March 2010, 8% from 30 April 2010, and 7.75% p.a. from 1 June 2010.

The Bank of Russia Board of Directors set the following minimum *Lombard credit auction rates:*

— Seven-day loans: 5.25% from 30 April 2010, and 5% p.a. from 1 June 2010;

— Fourteen-day loans: 6% as of the beginning of 2010, 5.75% from 24 February 2010, and 5.5% p.a. from 29 March 2010;

— Three-month loans: 7.5% as of the beginning of 2010, 7.25% from 24 February 2010, 7% from 29 March 2010, 6.75% from 30 April 2010, and 6.5% p.a. from 1 June 2010;

— Six-month loans: 8% as of the beginning of 2010, 7.75% from 24 February 2010, 7.5% from 29 March 2010, 7.25% from 30 April 2010, and 7% p.a. from 1 June 2010;

— Twelve-month loans: 8.5% as of the beginning of 2010, 8.25% from 24 February 2010, 8% from 29 March 2010, 7.75% from 30 April 2010, and 7.5% p.a. from 1 June 2010.

The Bank of Russia Board of Directors set the following minimum *repo auction interest rates:*

— Overnight and seven-day: 6% as of the beginning of 2010, 5.75% from 24 February 2010, 5.50% from 29 March 2010, 5.25% from 30 April 2010, and 5% p.a. from 1 June 2010;

— Three-month: 7.5% as of the beginning of 2010, 7.25% from 24 February 2010, 7% from 29 March 2010, 6.75% from 30 April 2010, and 6.5% p.a. from 1 June 2010;

— Six-month: 8% as of the beginning of 2010, 7.75% from 24 February 2010, 7.5% from 29 March 2010, 7.25% from 30 April 2010, and 7% p.a. from 1 June 2010;

— Twelve-month: 8.5% as of the beginning of 2010, 8.25% from 24 February 2010, 8% from 29 March 2010, 7.75% from 30 April 2010, and 7.5% p.a. from 1 June 2010.

The Bank of Russia Board of Directors set the following *US dollar and euro overnight currency swap* interest rates:

— 8.75% as of the beginning of 2010, 8.5% from 24 February 2010, 8.25% from 29 March 2010, 8% from 30 April 2010, and 7.75% p.a. from 1 June 2010.

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: 7.75% as of the beginning of 2010, 7.5% from 24 February 2010, 7.25% from 29 March 2010, 7% from 30 April 2010, and 6.75% p.a. from 1 June 2010.

The Bank of Russia Board of Directors set the following fixed interest rates on *repo operations:*

— Overnight and seven-day: 7.75% as of the beginning of 2010, 7.5% from 24 February 2010, 7.25% from 29 March 2010, 7% from 30 April 2010, and 6.75% p.a. from 1 June 2010;
— Twelve-month: 8.5% as of the beginning of 2010, 8.25% from 24 February 2010, 8% from 29 March 2010, 7.75% from 30 April 2010, and 7.5% p.a. from 1 June 2010.

The Bank of Russia Board of Directors set the following interest rates *on loans secured by assets or guarantees provided under Bank of Russia Regulation No. 312-P, dated 12 November 2007:*

— Ninety-day: 7.75% as of the beginning of 2010, 7.5% from 24 February 2010, 7.25% from 29 March 2010, 7% from 30 April 2010, and 6.75% p.a. from 1 June 2010;
— 91-day to 180-day: 8.25% as of the beginning of 2010, 8% from 24 February 2010, 7.75% from 29 March 2010, 7.5% from 30 April 2010, and 7.25% p.a. from 1 June 2010;
— 181-day to 365-day: 8.75% as of the beginning of 2010, 8.5% from 24 February 2010, 8.25% from 29 March 2010, 8% from 30 April 2010, and 7.75% p.a. from 1 June 2010.

The Bank of Russia Board of Directors set the following maximum *deposit auction* interest rates:

— Four-week: 5.75% as of the beginning of 2010, 5.5% from 24 February 2010, 5.25% from 29 March 2010, 5% from 30 April 2010, 4.75% from 1 June 2010, and 5% p.a. from 27 December 2010;
— Three-month: 6.75% as of the beginning of 2010, 6.5% from 24 February 2010, 6.25% from 29 March 2010, 6% from 30 April 2010, 5.75% from 1 June 2010, and 6% p.a. from 27 December 2010.

Based on the Bank of Russia Board of Directors' decision, fixed interest rates on *deposit operations* were set at the following levels:

— Standard 'overnight': 2.75% from 29 March 2010, 2.5% from 30 April 2010, and 2.75% p.a. from 27 December 2010;
— Standard 'tom-next', 'spot-next' and 'call': 3.5% as of the beginning of 2010, 3.25% from 24 February 2010, 3% from 29 March 2010, 2.75% from 30 April 2010, 2.5% from 1 June 2010, and 2.75% p.a. from 27 December 2010;
— Standard '1-week' and 'spot-week': 4% as of the beginning of 2010, 3.75% from 24 February 2010, 3.5% from 29 March 2010, 3.25% from 30 April 2010, 2.75% from 1 June 2010, and 3% p.a. from 27 December 2010.

In 2010, the Bank of Russia Board of Directors did not change minimum interest rates at unsecured loan auctions.

REFINANCING OF CREDIT INSTITUTIONS. 1. The following documents were issued to establish a list of assets that may be used as collateral for Bank of Russia refinancing operations:

— Ordinance No. 2455-U, dated 1 June 2010, 'On Amending Bank of Russia Ordinance No. 2134-U, Dated 27 November 2008, 'On the Securities Included in the Bank of Russia Lombard List'', which provides a possibility for bonds issued by the Agency for Restructuring of Housing Mortgage Loans (ARHML) to be included in the Bank of Russia Lombard List on condition that the issuer's obligations thereof are ensured by a joint guarantee of the Agency for Housing Mortgage Lending (AHML). The criteria for including the external bond issues of the Russian Federation in the Bank of Russia Lombard List were specified; and this document permitted the inclusion of securities tradable at Russian stock exchanges where the Bank of Russia participates, in the Bank of Russia Lombard List;
— Letters No. 14-T, dated 3 February 2010, No. 35-T, dated 23 March 2010, No. 63-T, dated 30 April 2010, No. 69-T, dated 19 May 2010, No. 87-T, dated 28 June 2010, No. 103-T, dated 23 July 2010, No. 122-T, dated 6 September 2010, No. 128-T, dated 14 September 2010, No. 148-T, dated 8 November 2010, No. 165-T, dated 17 December 2010, 'On the Inclusion of Securities in

the Bank of Russia Lombard List', and No. 104-T, dated 23 July 2010, 'On the Exclusion of Securities from the Bank of Russia Lombard List';

— Letters No. 7-T, dated 15 January 2010, No. 17-T, dated 8 February 2010, No. 30-T, dated 3 March 2010, No. 36-T, dated 23 March 2010, No. 71-T, dated 25 May 2010, No. 84-T, dated 17 June 2010, No. 88-T, dated 28 June 2010, No. 97-T, dated 7 July 2010, No. 107-T, dated 27 July 2010, No. 112-T, dated 10 August 2010, No. 138-T, dated 4 October 2010, No. 143-T, dated 29 October 2010, No. 144-T, dated 29 October 2010, and No. 172-T, dated 22 December 2010, 'On the List of Institutions';

— Orders No. OD-3, dated 12 January 2010, No. OD-177, dated 13 April 2010, No. OD-284, dated 9 June 2010, No. OD-305, dated 24 June 2010, No. OD-399, dated 13 August 2010, No. OD-470, dated 23 September 2010, and No. OD-693, dated 28 December 2010, 'On Bank of Russia Adjustment Ratios'.

2. In order to gradually phase out the anti-crisis measures adopted during the financial crisis to support the banking sector, the Bank of Russia implemented the following steps:

— on 1 February 2010, the Bank of Russia implemented a previously taken decision to reduce credit risk limits and increase the minimum requirements for credit ratings assigned by three national rating agencies and necessary for obtaining unsecured loans pursuant to Bank of Russia Regulation No. 323-P, dated 16 October 2009, 'On the Procedure for Extending Bank of Russia Unsecured Loans to Russian Credit Institutions';

— on 12 March 2010, the Bank of Russia Board of Directors decided to reduce the credit risk limits for the provision of unsecured loans to credit institutions, effective 1 May 2010;

— on 2 April 2010, the Bank of Russia Monetary Policy Committee decided to suspend 6- and 12-month repo auctions and the provision of unsecured loans with maturities of 6 months and more;

— on 29 April 2010, the Bank of Russia Monetary Policy Committee decided to suspend auctions for the extension of 12-month Lombard loans and also 181- to 365-day loans secured by assets or guarantees (effective 30 April 2010) to credit institutions;

— on 30 June 2010, the Bank of Russia Board of Directors decided to suspend auctions for the provision of Bank of Russia unsecured loans for a term of more than 5 weeks, effective 1 October 2010, and for all terms — effective 1 January 2011;

— on 9 September 2010, the Bank of Russia Monetary Policy Committee decided to suspend auctions for 6-month Lombard loans (effective 1 October 2010);

— on 15 October 2010, the Bank of Russia Board of Directors decided to restore (effective 1 January 2011) the approaches to the Bank of Russia List[1] which were applicable before February 2009 and which provided for the exclusion of systemically important institutions[2] without an international credit rating that complied with the Bank of Russia's requirements;

— the Bank of Russia drafted Ordinance No. 2509-U, dated 25 October 2010, 'On Amending Clause 2 of Bank of Russia Ordinance No. 2134-U, Dated 27 November 2008, 'On the Securities Included in the Bank of Russia Lombard List'', whereby bonds of systemically important institutions without an international credit rating that complied with the Bank of Russia's requirements could not be included in the Bank of Russia Lombard List, effective 1 January 2011.

3. In order to standardise the terms of auction-based refinancing operations in accordance with the Bank of Russia Monetary Policy Committee decision, dated 29 April 2010, 14-day (2-week) Lombard loans were replaced with seven-day operations (effective 30 April 2010).

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[1] *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'.*

[2] *Organisations included in the List of Systemically Important Institutions approved by the Government Commission for the Sustainable Development of the Russian Economy, which was set up by Russian Federation Government Resolution No. 957, dated 15 December 2008.*

4. In order to develop monetary policy instruments, the Bank of Russia prepared Ordinance No. 2414-U, dated 26 March 2010, 'On Amending Bank of Russia Regulation No. 323-P 'On the Procedure for Extending Bank of Russia Unsecured Loans to Russian Credit Institutions'', which sets a procedure to accept non-competitive bids in case of absence of competitive bids at auctions, and enables the Bank of Russia to provide unsecured loans at the Russian stock exchanges.

5. To support the banking sector and facilitate the development of financial markets, the Bank of Russia took part in the drafting of the following federal laws:

— Federal Law No. 224-FZ, dated 27 July 2010, 'On Countering the Misuse of Insider Information and Market Manipulation and Amending Certain Laws of the Russian Federation', which seeks to ensure that financial instruments, foreign currencies and commodities are fairly priced, ensure equal conditions for investors, and strengthen the market participants' confidence by means of establishing a legal mechanism for countering the misuse of insider information and market manipulation;
— Federal Law No. 7-FZ, dated 7 February 2011, 'On Clearing' which provides a legal framework for clearing activities, requirements for legal entities performing clearing operations and central counterparty functions, and also a legal framework for the government regulation and control over clearing activities;
— 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'', which amends bankruptcy regulations to enable the use of the liquidation netting procedure;
— draft Federal Law No. 434342-5 'On Amending the Federal Law 'On the Securities Market' and Articles 226 and 310 of the Tax Code of the Russian Federation to Simplify Income Acquisition Procedure for Issuable Securities Subject to Mandatory Centralised Custody and Other Payments Due to Owners of Such Securities', developed to unify the system of depository record-keeping of government and corporate securities and simplify the relevant payment procedure.

6. In line with the decisions of its Board of Directors on the change of interest rates on some of the Bank of Russia's operations, the Bank of Russia issued the following regulations:

— Ordinances No. 2399-U, dated 19 February 2010, No. 2415-U, dated 26 March 2010, No. 2439-U, dated 29 April 2010, and No. 2450-U, dated 31 May 2010, 'On the Bank of Russia Refinancing Rate';
— Ordinances No. 2400-U, dated 19 February 2010, No. 2416-U, dated 26 March 2010, No. 2440-U, dated 29 April 2010, and No. 2451-U, dated 31 May 2010, 'On the Bank of Russia Overnight Credit Interest Rate';
— Ordinances No. 2401-U, dated 19 February 2010, No. 2417-U, dated 26 March 2010, No. 2441-U, dated 29 April 2010, and No. 2452-U, dated 31 May 2010, 'On the Bank of Russia Lombard Credit Interest Rate';
— Ordinances No. 2402-U, dated 19 February 2010, No. 2418-U, dated 26 March 2010, No. 2442-U, dated 29 April 2010, and No. 2453-U, dated 31 May 2010, 'On Interest Rates on Loans Secured by Assets or Guarantees'.

DEPOSIT AND OBR OPERATIONS. 1. The following measures were taken to improve the interest rate policy of the Bank of Russia:

— on 17 February 2010, the Bank of Russia Monetary Policy Committee decided to resume overnight deposit operations (from 29 March 2010);
— on 9 September 2010, the Bank of Russia Monetary Policy Committee decided to extend the term for overnight deposit transactions until 15:00 Moscow time (from 13 September 2010).

2. On 26 October 2010, in order to optimise its system of monetary instruments, the Bank of Russia Monetary Policy Committee decided to suspend 3-month deposit auctions, effective 1 January 2011.

3. In line with the decisions of its Board of Directors on the change of interest rates on its deposit operations, the Bank of Russia issued Ordinances No. 2403-U, dated 19 February 2010, No. 2419-U, dated 26 March 2010, No. 2443-U, dated 29 April 2010, No. 2454-U, dated 31 May 2010, and No. 2546-U, dated 24 December 2010, 'On Bank of Russia Deposit Interest Rates'.

4. In order to improve the efficiency of monetary policy by enhancing the impact of the Bank of Russia's operations on short-term money market interest rates, the Bank of Russia Monetary Policy Committee decided on 26 October 2010 to switch to issuing three-month OBRs to be placed every two months (in November, the Bank of Russia placed the first 3-month OBR issue 4-16-21BR1-0, maturing on 18 February 2011), and suspend the regular posting of OBR bid/ask quotes in the secondary market, effective from 15 December 2010.

FOREIGN EXCHANGE REGULATION AND FOREIGN EXCHANGE CONTROL

In order to exercise the powers conferred to it by Federal Law No. 173-FZ, dated 10 December 2003, 'On Foreign Exchange Regulation and Foreign Exchange Control', the Bank of Russia in 2010 continued to upgrade foreign exchange control techniques.

In order to standardise the procedure for passing information to Rosfinnadzor on violations that have been identified by authorised banks and Bank of Russia regional branches (acting as foreign exchange control agents), the Bank of Russia issued Ordinance No. 2412-U, dated 17 March 2010, 'On the Bank of Russia's Procedure for Making Regional Branches Pass Information on Violations of the Federal Foreign Exchange Laws and Foreign Exchange Regulations by Entities Conducting Foreign Exchange Operations'.

Due to the termination of currency exchange outlets from 1 October 2010 as a type of structural division of authorised banks (branches thereof), pursuant to Bank of Russia Ordinance No. 2423-U, dated 2 April 2010, 'On Changing the Status of Currency Exchange Outlets into Other Internal Structural Divisions of Credit Institutions (Branches of Credit Institutions), Closing Currency Exchange Outlets and Streamlining the Operations of Internal Structural Divisions', the Bank of Russia issued Instruction No. 136-I, dated 16 September 2010, 'On the Procedure for Specific Operations by Authorised Banks (Branches) with Foreign Currencies and Foreign Currency Denominated Cheques (Including Traveller's Cheques) Involving Households'.

In the furtherance of Russian Federation Government Executive Order No. 1974-r, dated 12 November 2010, which approved an action plan for improving public governance in the area of customs administration of high technology exports and procedures for the export control of high technology products, the Bank of Russia issued regulations to simplify the foreign exchange control procedure under foreign economic agreements (contracts), which establish a procedure for the electronic transfer of operation IDs to the Federal Customs Service by authorised banks. The maximum value of a foreign economic agreement (contract) which does not require an operation ID is increased from the equivalent of 5,000 US dollars to 50,000 US dollars. Additionally, the term to deliver to the authorised banks the documents confirming foreign exchange operations and other related documents is extended from 7 to 15 business days after the date the currency is credited to the resident's account:

— 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';
— Bank of Russia Ordinance No. 2556-U, dated 29 December 2010, 'On Amending Clause 1.2 of Bank of Russia Regulation No. 258-P, Dated 1 June 2004, 'On the Procedure for the Presentation of Documents and Disclosure of Information by Residents to Authorised Banks, Connected with Foreign Exchange Operations with Non-Residents under Foreign Trade Contracts, and the Exercising of Control by Authorised Banks over Foreign Exchange Operations'';

— Bank of Russia Ordinance No. 2557-U, dated 29 December 2010, 'On Amending Bank of Russia Instruction No. 117-I, Dated 15 June 2004, 'On the Procedure for the Presentation of Documents and Disclosure of Information by Residents and Non-Residents to Authorised Banks in the Course of Conducting Foreign Exchange Operations, and the Procedure for the Recognition of Foreign Exchange Operations by Authorised Banks and Issuing of Operation IDs''.

Bank of Russia Letter No. 101-T, dated 14 July 2010, 'On Accounts for Residents of Kazakhstan Opened by Russian Credit Institutions' containing the information on the procedure applicable in Kazakhstan for opening accounts for Kazakhstan corporate entities with foreign banks was drafted and provided to Bank of Russia regional branches for the purpose of communicating with authorised banks.

IV.2. PRINCIPAL MEASURES TO UPGRADE BANKING REGULATION AND SUPERVISION IN 2010

LICENSING OF CREDIT INSTITUTIONS' ACTIVITIES

As part of its efforts to improve the regulatory framework, the Bank of Russia issued a new version of Bank of Russia Instruction No. 109-I, dated 14 January 2004: 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 new version includes additional provisions related to:

— the exclusion of currency exchange outlets from the list of internal structural divisions of credit institutions (branches);
— specific control of the legitimacy of payments for the stocks (shares) of a credit institution when inspecting the sources of relevant funds, the financial position of purchasers, and the sufficiency of funds (net assets) available to them for purchasing the credit institution's stocks (shares).

At the same time, the Bank of Russia adopted Ordinance No. 2423-U, dated 2 April 2010, 'On Converting the Status of Currency Exchange Outlets into that of Other Internal Structural Divisions of Credit Institutions (Branches of Credit Institutions), Closing Currency Exchange Outlets and Streamlining the Operations of Internal Structural Divisions'.

Since the publication of bank reorganisation notices in the Bank of Russia Bulletin became irrelevant, the Bank of Russia issued Ordinance No. 2389-U, dated 29 January 2010, 'On Invalidating Bank of Russia Ordinance No. 1487-U, Dated 11 August 2004, 'On the Publication of Bank Reorganisation or Authorised Capital Decrease Notices in the Bank of Russia Bulletin'' and Ordinance No. 2433-U, dated 27 April 2010, 'On Amending Clause 5 of Bank of Russia Ordinance No. 1260-U, Dated 24 March 2003, 'On the Procedure for Bringing Credit Institutions' Authorised Capital in Compliance with their Equity Capital''.

The Bank of Russia issued Ordinance No. 2466-U, dated 9 June 2010, 'On Amending Bank of Russia Regulation No. 230-P, Dated 4 June 2003, 'On the Reorganisation of Credit Institutions in the Form of Merger and Acquisition''. The amendment simplifies the procedure for the temporary maintenance of the correspondent account of the reorganised credit institution (correspondent subaccount of its branch) upon the completion of the reorganisation.

Due to the adoption of Federal Law No. 164-FZ, dated 17 July 2009, 'On Amending the Federal Law 'On the Protection of Competition' and Certain Laws of the Russian Federation', the Bank of Russia drafted Ordinance No. 2435-U, dated 27 April 2010, 'On Amending Bank of Russia Regulation No. 307-P, Dated 20 July 2007, 'On the Procedure for the Accounting and Disclosure of Information on Affiliated Persons of Credit Institutions''. The provisions of this ordinance specify the wording of the criteria for categorising individuals and legal entities as affiliated persons of a credit institution (as per their association with the group of entities of which the credit institution is a member), and make this wording compliant with Russian law.

In order to specify the list of reasons for reporting the details of managers of credit institutions to the relevant database (due to the adoption of Federal Law No. 28-FZ, dated 28 February 2009, 'On Amending the Federal Law 'On Banks and Banking Activities'' (hereinafter Federal Law No. 28-FZ)), the Bank of Russia issued Ordinance No. 2482-U, dated 20 July 2010, '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''. The new ordinance dictates that credit institutions are not required to report to the database the details of persons who held managerial positions for the past 12 months prior to the revocation of their licences, when the amount of equity capital does not comply with requirements of federal legislation due to the adoption of Federal Law No. 28-FZ, and when the

manager took all necessary steps envisaged by federal laws and Bank of Russia regulations to protect the interests of creditors and depositors.

In order to make the Bank of Russia's regulations comply with Federal Law No. 227-FZ, dated 27 July 2010, 'On Amending Certain Laws of the Russian Federation Due to the Adoption of the Federal Law 'On the Organisation of the Provision of Public and Municipal Services'', the Bank of Russia issued:

— Ordinance No. 2529-U, dated 3 December 2010, 'On Amending Bank of Russia Ordinance No. 1292-U, Dated 19 June 2003, 'On the Procedure for Submitting Documents by a Non-Bank Credit Institution to the Bank of Russia to Receive a Bank Status'';
— Ordinance No. 2530-U, dated 3 December 2010, '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'';
— Ordinance No. 2531-U, dated 3 December 2010, 'On Amending 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''.

The dates and procedure for the documents to be filed by credit institutions with the Bank of Russia (or its regional branch) for state registration (in electronic and paper form), and also the procedure for considering these documents were determined by Bank of Russia Letter No. 169-T, dated 20 December 2010, 'On Federal Law No. 227-FZ, Dated 27 July 2010'.

In order to make certain provisions of Bank of Russia Ordinance No. 1186-U, dated 14 August 2002, compliant with the provisions of applicable legislation of the Russian Federation, the Bank of Russia issued Ordinance No. 2540-U, dated 15 December 2010, 'On Amending Bank of Russia Ordinance No. 1186-U, Dated 14 August 2002, 'On Contributions to the Authorised Capital of Credit Institutions from Budgets of All Levels, Government Extra-Budgetary Funds, Uncommitted Funds, and Other Assets Administered by Public Authorities and Local Governments''.

MEASURES TO UPGRADE BANKING RISK ASSESSMENT, MANAGEMENT AND SUPERVISION METHODOLOGIES

In order to implement the international approaches to equity capital adequacy assessment described in the Basel Committee on Banking Supervision document entitled 'International Convergence of Capital Measurement and Capital Standards: a Revised Framework' (Basel II, Pillar I), the Bank of Russia issued, effective 1 July 2010, Ordinance No. 2324-U, dated 3 November 2009, 'On Amending Bank of Russia Instruction No. 110-I, Dated 16 January 2004, 'On Banks' Required Ratios''. This makes effective the standards of the simplified standardised approach to the assessment of credit risk for the purpose of calculating the required equity capital adequacy ratio of credit institutions (N1), and Regulation No. 346-P, dated 3 November 2009, 'On the Procedure for Calculating Operational Risk', which makes effective the standards of the basic indicator approach to operational risk measurement.

At the same time, due to the implementation of approaches envisaged by Pillar I of Basel II, the Bank of Russia issued Ordinance No. 2321-U, dated 3 November 2009, 'On Amending Bank of Russia Regulation No. 313-P, Dated 14 November 2007, 'On the Procedure for Calculating Market Risk by Credit Institutions'', Ordinance No. 2322-U, dated 3 November 2009, 'On Amending Bank of Russia Regulation No. 283-P, Dated 20 March 2006, 'On the Procedure for Making Loan Loss Provisions by Credit Institutions'', and Ordinance No. 2323-U, dated 3 November 2009, 'On Amending Bank of Russia Regulation No. 254-P, Dated 26 March 2004, 'On the Procedure for Making Loss Provisions by Credit Institutions for Loans, Loan and Similar Debts'' (hereinafter Regulation No. 254-P). These made and gave effect (starting 1 July 2010) to necessary changes due to the conversion of the capital adequacy measurement system to the use of country estimates instead of the applicable approach based on a country's affiliation to the group of developed countries.

In order to promote additional terms for bank lending to the real sector, the Bank of Russia issued Ordinance No. 2459-U, dated 3 June 2010, 'On the Specifics of the Assessment of Credit Risk on Loans, Loan and Similar Debts' (hereinafter Ordinance No. 2459-U), which provides for approaches to the assessment of debt service quality on loans which were recognised as not deteriorating in terms of debt service quality under Bank of Russia Ordinance No. 2156-U, dated 23 December 2008, 'On the Specifics of the Assessment of Credit Risk on Loans, Loan and Similar Debts' (hereinafter Ordinance No. 2156-U) following the expiration of this Bank of Russia regulation (from 1 July 2010). Ordinance No. 2459-U allows credit institutions to not assign a lower debt service quality rating to a loan than the one assigned under Ordinance No. 2156-U in the absence as of the assessment date of negative circumstances which would require changes to the debt service quality rating, in accordance with Regulation No. 254-P.

In order to specify the approaches to the procedure for the calculation of market risk on financial instruments secured by the guarantees of legal entities with a BBB long-term credit rating on liabilities denominated in foreign or national currencies (as per Standard & Poor's classification) assigned by at least one rating agency and/or a similar rating as per Fitch Rating's, Moody's Investors Service classification, the Bank of Russia issued Ordinance No. 2524-U, dated 17 November 2010, 'On Amending Bank of Russia Regulation No. 313-P, Dated 14 November 2007, 'On the Procedure for Calculating Market Risk by Credit Institutions'', which provides for the possibility to categorise these financial instruments as being in a low, medium or high risk group, depending on the term to maturity.

MEASURES TO ORGANISE OFF-SITE SUPERVISION OF CREDIT INSTITUTIONS

The Bank of Russia drafted Letter No. 116-T, dated 12 August 2010, addressed to regional branches 'On the Assessment of Risks at Banks Which Are Active Deposit Takers', where regional branches are advised to perform a substantive analysis of causes of high growth rates of deposits and higher offered interest rates. This letter defined quantitative parameters of changes to the amount of household deposits raised by banks, upon which regional branches must assess the economic feasibility of banks' policies to raise funds at the expense of household deposits, and also identified approaches to the analysis of the interest rate policies of credit institutions, including the assessment of asset quality and the enforcement of supervisory action.

In order to analyse the concentration of risks, the Bank of Russia circulated among its regional branches Letter No. 04-15-6/1550, dated 5 April 2010, 'On Assessing Bank Exposure to Owners'. The available data suggested a high concentration of exposure to the owners of banks, including those from the 'second line' of supervision. Based on the findings of the analysis of the documents received from regional branches and in light of shortcomings identified in their operations, the Bank of Russia drafter Letter No. 04-15-6/3821, dated 6 August 2010, 'On Assessing Bank Exposure to Owners', which provided recommendations to regional branches on the identification of bank exposure to owners, as well as a discussion and approval by credit institutions of plans of action to reduce the concentration of these risks.

As part of the implementation of approaches established in Russian banking supervision with respect to corrective action applicable to credit institutions with head offices and divisions located in different regions of the country, the Bank of Russia issued:

— Ordinance No. 2387-U, dated 26 January 2010, 'On Cooperation Between Regional Branches of the Bank of Russia for the Application of Corrective Action to Credit Institutions with Head Offices and Divisions Located in Different Constituent Territories of the Russian Federation', which established a procedure for cooperation between Bank of Russia regional branches with regard to the application of corrective action to credit institutions whose head offices and divisions are located in different regions of Russia. It also specified the rights and obligations of Bank of Russia regional branches which supervise credit institutions and those which monitor the operations of credit institutions' branches with regard to corrective action;

— Letter No. 9-T, dated 26 February 2010, 'On Cooperation Between Regional Branches of the Bank of Russia with Respect to Sberbank Operations', which established a specific procedure for cooperation between Bank of Russia regional branches with respect to corrective action applied to Sberbank.

As part of the efforts to increase the transparency of the banking sector, the Bank of Russia issued Letter No. 72-T, dated 25 May 2010, 'On the Disclosure of Information by Credit Institutions in Forms 0409134 and 0409135'.

Recognising the increasing effect of operational risks related to the use of modern information technology by banks, the Bank of Russia issued Letter No. 141-T, dated 26 October 2010, 'On Recommendations to Credit Institutions for the Approaches to Appoint and Cooperate with IT Providers in Remote Banking'.

MEASURES TO IMPROVE ON-SITE INSPECTIONS

In order to improve the procedure for organising and carrying out inspections of credit institutions and their branches, the Bank of Russia issued the following documents:

— Ordinance No. 2495-U, dated 3 September 2010, 'On Amending Bank of Russia Instruction No. 105-I, Dated 25 August 2003, 'On the Procedure for Conducting Inspections of Credit Institutions and their Branches by Authorised Representatives of the Central Bank of the Russian Federation'';
— Ordinance No. 2494-U, dated 3 September 2010, 'On Amending Bank of Russia Instruction No. 108-I, Dated 1 December 2003, 'On Organising Inspections by the Central Bank of the Russian Federation (Bank of Russia)'';
— Ordinance No. 2554-U, dated 29 December 2010, 'On Amending Bank of Russia Instruction No. 105-I, Dated 25 August 2003, 'On the Procedure for Conducting Inspections of Credit Institutions and their Branches by Authorised Representatives of the Central Bank of the Russian Federation'';
— Ordinance No. 2555-U, dated 29 December 2010, 'On Amending Bank of Russia Instruction No. 108-I, Dated 1 December 2003, 'On Organising Inspections by the Central Bank of the Russian Federation (Bank of Russia)'';

As part of an experiment to centralise the process of bank inspections in the North-Western Federal District, the Bank of Russia issued Ordinance No. 2393-U, dated 3 February 2010, 'On the Specifics of the Compilation and Presentation of the Annual Report by Bank of Russia Regional Branches Located in the North-Western Federal District, and Inspectorate No. 3 of the Bank of Russia's Main Inspectorate of Credit Institutions'.

In order to facilitate the centralisation of inspections, the Bank of Russia issued:

— Bank of Russia Ordinance No. 2493-U, dated 3 September 2010, 'On Organising the Phased Centralisation of Inspection Activities of the Bank of Russia';
— Bank of Russia Ordinance No. 2560-U, dated 30 December 2010, 'On the Specifics of the Compilation and Presentation of the Annual Report by Regional Branches of the Bank of Russia';
— Bank of Russia Ordinance No. 2561-U, dated 30 December 2010, 'On the Specifics of the Compilation and Presentation of Reports in Form 0409038 'Information about Inspections Conducted by a Bank of Russia's Regional Branch'';
— Bank of Russia Ordinance No. 2563-U, dated 30 December 2010, 'On the Specifics of the Compilation and Presentation of Reports in Form 0409037 'Report on Inspections of Credit Institutions and their Branches'';
— Bank of Russia Order No. R-1113, dated 8 September 2010, 'On Organising the Phased Centralisation of Inspection Activities of the Bank of Russia';
— Bank of Russia Order No. R-1289, dated 10 November 2010, 'On Integrating the Internal Divisions of Interregional Inspectorates of the Bank of Russia's Main Inspectorate of Credit Institutions into the Bank of Russia's Automatic Document and Business Flow System';

— Bank of Russia Order No. R-1450, dated 30 December 2010, 'On the Specifics of the Budgeting and Financing of Participant Interregional Inspectorates and their Inspectorates';
— Bank of Russia Letter No. 01-25-3/1676, dated 12 April 2010, 'On Inspection Divisions of Bank of Russia Regional Branches'.

FINANCIAL REHABILITATION AND LIQUIDATION OF CREDIT INSTITUTIONS

In order to implement 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', the Bank of Russia issued Ordinance No. 2505-U, dated 4 October 2010, 'On Amending Clause 2.10 of Bank of Russia Ordinance No. 2106-U, Dated 29 October 2008, 'On the Bank of Russia's Decision-Making Procedure for Inviting the Deposit Insurance Agency to Participate in Preventing a Bank's Bankruptcy, and Agreeing (Approving) a Plan for the Participation of the Deposit Insurance Agency in Preventing a Bank's Bankruptcy'' (hereinafter Ordinance No. 2505-U). This established the dates for the discussion of amendments to the approved plan for the participation of the Deposit Insurance Agency (DIA) in the prevention of a bank's bankruptcy. It also established the dates for the Bank of Russia's Banking Supervision Committee to accept or reject incoming amendments. Moreover, Ordinance No. 2505-U provides for the Bank of Russia Board of Directors' approval of amendments agreed by the Banking Supervision Committee where the Bank of Russia's funds are involved, and for the possibility to extend the approval dates, depending on the schedule of meetings of the Banking Supervision Committee and the Board of Directors of the Bank of Russia.

Ordinance No. 2522-U, dated 16 November 2010, 'On Amending Bank of Russia Regulation No. 279-P, Dated 9 November 2005, 'On Provisional Administration to Manage Credit Institutions'' (hereinafter Ordinance No. 2522-U) specifies the approach the provisional administration of a credit institution must use when identifying indications of insolvency (bankruptcy) and indications of fraudulent and/or fictitious bankruptcies. Considering the amendments made to Federal Law No. 127-FZ, dated 26 October 2002, 'On Insolvency (Bankruptcy)' (hereinafter Federal Law No. 127-FZ) by Federal Law No. 73-FZ, dated 28 April 2009, 'On Amending Certain Laws of the Russian Federation', Ordinance No. 2522-U establishes the maximum time period during which the provisional administration has to analyse transactions performed by a credit institution and decide whether it should appeal to an arbitration court to invalidate these transactions. It also specifies the procedure for registering creditor claims on transactions which were invalidated pursuant to Clause 2 of Article 61.2 and Clause 3 of Article 61.3 of Federal Law No. 127-FZ. In order to support the functions envisaged by Federal Law No. 40-FZ, dated 25 February 1999, 'On the Insolvency (Bankruptcy) of Credit Institutions', Ordinance No. 2522-U envisages the measures to be performed by the provisional administration to reduce the current liabilities of a credit institution when its licence has been revoked. It establishes the right of the provisional administration's head to take a decision to close an internal structural division of the credit institution when this is within the competence of the latter's executive bodies under the relevant founding documents.

Ordinance No. 2474-U, dated 2 July 2010, 'On Amending Bank of Russia Regulation No. 301-P, Dated 16 January 2007, 'On the Procedure for the Compilation and Presentation of the Intermediate Liquidation Balance Sheet and Liquidation Balance Sheet of Liquidated Credit Institutions and their Approval by a Bank of Russia's Regional Branch'' was issued for the purpose of bringing the document's current wording in compliance with new requirements of the Russian law, improving the approaches to the procedure for the compilation of the intermediate liquidation balance sheet and liquidation balance sheet of credit institutions, enhancing the efficiency of control over liquidation procedures, and reflecting the practical application of Bank of Russia Regulation No. 301-P, dated 16 January 2007.

Ordinance No. 2395-U, dated 8 February 2010, 'On the List of Details and Documents Required for the State Registration of a Credit Institution to Be Liquidated, and the Procedure for their Filing with the Bank of Russia' is a new version of Ordinance No. 1241-U, dated 21 January 2003. It

reflects the practical application and amendments to the federal law which require the provision of information on mandatory and voluntary pension contributions.

Ordinance No. 2408-U, dated 9 March 2010, 'On Amending Clause 3.2 of Bank of Russia Regulation No. 265-P, Dated 14 December 2004, 'On the Accreditation of Arbitration Managers with the Bank of Russia as the Receivers of Bankrupt Credit Institutions'' and Ordinance No. 2409-U, dated 9 March 2010, 'On Amending the Annex to Bank of Russia Ordinance No. 1528-U, Dated 14 December 2004, 'On the Rules of the Procedure of the Commission to Accredit Arbitration Managers with the Bank of Russia as the Receivers of Bankrupt Credit Institutions'' were issued as a result of the adoption of Federal Law No. 323-FZ, dated 17 December 2009, 'On Amending Articles 20.6 and 20.7 of the Federal Law 'On Insolvency (Bankruptcy)' and Article 4 of the Federal Law 'On Amending the Federal Law 'On Insolvency (Bankruptcy)'''. The law changed the dates for application of the provisions of Article 20 of Federal Law No. 127-FZ from 1 January 2010 to 1 January 2011 with regard to defining an arbitration manager as a privately practicing professional, and also with regard to the waiver of the arbitration manager's obligation to register as an individual entrepreneur.

HOUSEHOLD DEPOSIT INSURANCE IN RUSSIAN BANKS

Bank of Russia Regulation No. 353-P, dated 8 January 2010, 'On the Procedure for the Preparation and Consideration of Applications for the Non-Eligibility of Banks for the Participation in the Deposit Insurance System and/or Prohibition to Take Household Deposits and Open Personal Accounts' provides for:

— circumstances under which a Bank of Russia's regional branch must apply to the Chairman of the Banking Supervision Committee of the Bank of Russia to deny a bank's eligibility for participation in the deposit insurance system and impose a relevant prohibition;
— circumstances under which a Bank of Russia's regional branch must consider preparing a relevant application and apply to the Chairman of the Banking Supervision Committee of the Bank of Russia to impose a prohibition or send information in writing as to why the regional branch decided not to apply;
— requirements with respect to the contents of the regional branch application, and the procedure and dates for considering the application of the Bank of Russia's regional branch;
— the procedure and dates for communicating the outcome of the Banking Supervision Committee's consideration of the eligibility of a bank to participate in the deposit insurance system and/or the imposition of a relevant prohibition to the bank, regional branches of the Bank of Russia, certain structural divisions of the Bank of Russia's head office and the DIA.

MAINTAINING THE CENTRAL CATALOGUE OF CREDIT HISTORIES

In order to improve the regulatory framework applicable to relationships between the Central Catalogue of Credit Histories (CCCH), credit history bureaus, and credit history holders (users), the Bank of Russia issued:

— Ordinance No. 2407-U, dated 1 March 2010, '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'', which provides for an optimised automated inquiry process which makes it possible for credit history holders (users) to send not only single inquiries to the CCCH but also packages of several inquiries in one electronic message; a need to specify not only the address but also phone number of the credit history bureau in CCCH responses to the inquiries of credit history holders (users); a specified procedure for credit history titles and inquiries on the location of the credit histories of individual unincorporated entrepreneurs to be referred to the CCCH;

— Ordinance No. 2434-U, dated 27 April 2010, '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'', which provides for a broader range of information contained in CCCH responses to the inquiries of credit history holders by adding the phone number of the credit history bureau; a specified procedure for identifying the details in the telegram with those of the credit history title, with due regard for the international telegraph code specified in annex 8 to the 'Requirements to Telegraph Services with Regard to the Acceptance, Transmission, Processing, Storage and Delivery of Telegrams' approved by IT and Communications Ministry Order No. 108, dated 11 September 2007. It also provides for a specified procedure for credit history titles and inquiries on the location of the credit histories of individual unincorporated entrepreneurs to be referred to the CCCH.

In order to comply with the requirements of Federal Law No. 152-FZ, dated 27 July 2006, 'On Personal Data', the Bank of Russia issued Ordinance No. 2526-U, dated 23 November 2010, 'On Amending Bank of Russia Ordinance No. 1610-U, Dated 31 August 2005, '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 on the Bank of Russia's Website on the Internet'. These provisions make sure that no personal data will be disclosed in CCCH responses to inquiries sent by credit history holders (users) via the Bank of Russia's website, in compliance with Federal Law No. 218-FZ, dated 30 December 2004, 'On Credit Histories'.

COUNTERING THE LEGALISATION (LAUNDERING) OF CRIMINALLY OBTAINED INCOMES AND THE FINANCING OF TERRORISM

In 2010, the Bank of Russia continued to exercise the powers granted to it by Federal Law No. 115-FZ, dated 7 August 2001, 'On Countering the Legalisation (Laundering) of Criminally Obtained Incomes and the Financing of Terrorism'.

In 2010, the Bank of Russia issued the following documents as part of these efforts:

— Bank of Russia Letter No. 29-T, dated 1 March 2010, 'On Information Published on the FFMS's Official Website' which recommends that credit institutions do their own business with reference to the information on financial market players published on the website of the Federal Financial Markets Service;

— Bank of Russia Letter No. 39-T, dated 25 March 2010, 'On Information to Be Disclosed by Credit Institutions to the Authorised Body', which recommends a procedure for credit institutions to prepare and deliver hard copy messages to the Federal Financial Monitoring Service;

— Bank of Russia Letter No. 61-T, dated 28 April 2010, 'On Information Published on the Association of Russian Banks' Official Website', which contains information on the publication of the Standard Rules of Internal Controls at Credit Institutions on the official website of the Association of Russian Banks;

— Bank of Russia Letter No. 74-T, dated 26 May 2010, 'On the President of Russia's Decree No. 381, Dated 27 March 2010, 'On Measures for Compliance with UN Security Council Resolution No. 1874 of 12 June 2009'' on communicating the need to comply with the provisions of the decree to credit institutions;

— Bank of Russia Letter No. 83-T, dated 11 June 2010, 'On the Procedure for Authorised Banks Processing Bills of Lading Issued by Consigners in the Territory of the Republic of Belarus', which recommends a procedure credit institutions may use for the processing of doubtful bills of lading;

— Bank of Russia Letter No. 86-T, dated 22 June 2010, 'On the President of Russia's Decree No. 516, Dated 24 April 2010, 'On Measures for Compliance with UN Security Council Resolution No. 1844 of 20 November 2008'' on communicating the need to comply with the provisions of the decree to credit institutions;

— Bank of Russia Letter No. 117-T, dated 18 August 2010, 'On Measures for Compliance with the UN Security Council Resolution on North Korea', which contains a list of persons covered by the measures envisaged by Clause 8 (d) of UN Security Council Resolution No. 1718, dated 14 October 2006;
— Bank of Russia Order No. OD-413, dated 27 August 2010, 'On Approving the Internal Control Rules Adopted by Credit Institutions to Counter the Legalisation (Laundering) of Criminally Obtained Incomes and the Financing of Terrorism' on the Bank of Russia's procedure for the approval of internal control rules;
— Bank of Russia Letter No. 129-T, dated 16 September 2010, 'On Enhancing Control over Certain Transactions Conducted by Legal Entities' which recommends that credit institutions pay special attention to their customers' transactions, as specified in the letter;
— Bank of Russia Letter No. 146-T, dated 3 November 2010, 'On the President of Russia's Decree No. 933, Dated 22 July 2010, 'On Measures for Compliance with UN Security Council Resolution No. 1907 of 23 December 2009'' on communicating the need to comply with the provisions of the decree to credit institutions;
— Bank of Russia Letter No. 147-T, dated 3 November 2010, 'On the President of Russia's Decree No. 1154, Dated 22 September 2010, 'On Measures for Compliance with UN Security Council Resolution No. 1929 of 9 June 2010'' on communicating the need to comply with the provisions of the decree to credit institutions.

UPGRADING THE LEGISLATIVE FRAMEWORK OF OPERATION OF CREDIT INSTITUTIONS, AND BANKING REGULATION AND SUPERVISION

In 2010, the following federal laws were adopted with the involvement of the Bank of Russia:
— Federal Law No. 181-FZ, dated 23 July 2010, 'On Amending Article 11.1 of the Federal Law 'On Banks and Banking Activities'' (with respect to easing the restrictions on job combinations of managers of banks);
— Federal Law No. 375-FZ dated 23 December 2010, 'On Amending Article 1 of the Federal Law 'On the Suspension of Certain Provisions of Article 48 of the Federal Law 'On Insurance of Household Deposits in Russian Banks''' (with respect to extending until 1 July 2011 the moratorium on the Bank of Russia's right prohibiting deposit insurance system member banks from taking household deposits and opening personal accounts if these banks failed to comply with capital, asset, profitability or liquidity requirements, or if they breached any of the required ratios);
— Federal Law No. 65-FZ, dated 22 April 2010, 'On Amending the Federal Law 'On Organising Insurance Business in the Russian Federation' and Certain Laws of the Russian Federation' (with respect to the identification of specific features of the insolvency (bankruptcy) of financial organisations);
— Federal Law No. 224-FZ, dated 27 July 2010, 'On Countering the Misuse of Insider Information and Market Manipulation and Amending Certain Laws of the Russian Federation';
— Federal Law No. 151-FZ, dated 2 July 2010, 'On Microfinancing Activities and Microfinance Organisations';
— Federal Law No. 148-FZ, dated 1 July 2010, 'On Amending Articles 13.1 and 29 of the Federal Law 'On Banks and Banking Activities'' (with respect to credit institutions' obligation to inform customers of the fees charged for ATM cash withdrawals);
— Federal Law No. 11-FZ, dated 15 February 2010, 'On Amending Article 29 of the Federal Law 'On Banks and Banking Activities'' (with respect to banks' unilateral amendments to loan agreements entered into with individuals).

In 2010, the Bank of Russia participated in elaborating the following draft federal laws dealing with various aspects of the activities of credit institutions:

— 'On Amending the Federal Law 'On the Securities Market' and Certain Other Laws of the Russian Federation' (with respect to simplifying the issuance procedure for listed securities, changing the procedure for issuing preferred shares when the amount of the underlying rights changes, specifying disclosure requirements in securities prospectuses, and improving the regulation of the securities issue when reorganising legal entities);
— 'On Amending the Federal Law 'On Banks and Banking Activities'' (with respect to the regulation of employment relationships at credit institutions);
— 'On Amending Certain Laws of the Russian Federation' (with respect to bringing certain provisions of the Russian law in compliance with the Russian Labour Code);
— 'On Amending the Federal Law 'On Joint-Stock Companies'' (with respect to the acquisition of shares by a consolidated legal entity and the disclosure of consolidated financial statements);
— 'On Amending Certain Laws of the Russian Federation' (to simplify the procedure and reduce costs for commercial banks to issue securities);
— 'On Amending Certain Laws of the Russian Federation' (with respect to the liability of members of corporate management bodies);
— 'On Amending the Russian Civil Code, the Federal Law 'On Joint-Stock Companies' and Certain Other Laws of the Russian Federation' (to improve the regulation of affiliated persons, large transactions, and also related party transactions);
— 'On Amending Certain Laws of the Russian Federation' (to introduce the differentiated regulation of open and closed joint-stock companies, including with respect to the structure and procedure for setting up management bodies, and the possibility for redistributing competencies between the management bodies);
— 'On Amending the Federal Laws 'On Banks and Banking Activities' and 'On the Central Bank of the Russian Federation (Bank of Russia)'' (with respect to incorporating the main principles of consolidated supervision into the law);
— 'On the National Payment System', 'On Amending Certain Laws of the Russian Federation and Invalidating the Federal Law 'On the Activities Relating to the Receipt of Individual Payments by Payment Agents' and Certain Provisions of the Russian Law Due to the Adoption of the Federal Law 'On the National Payment System'' (with regard to the definition of e-money and arrangements for related settlements);
— 'On Clearing', 'On Amending Certain Laws of the Russian Federation Due to the Adoption of the Federal Law 'On Clearing'' (with regard to the definition of the regulation of clearing activities, enhanced protection of the rights and interests of clearing participants, and introducing liquidation-netting arrangements);
— 'On Amending the Russian Civil Code and Article 36 of the Federal Law 'On Banks and Banking Activities'' (with respect to introducing a new type of bank deposit (an irrevocable bank deposit) which cannot be withdrawn before the expiration of the term of the contract);
— 'On Amending Certain Laws of the Russian Federation' (to develop the instruments of the precious metals market; the definitions of a 'metal account' and 'precious metals deposit' were incorporated into the law for the first time);
— 'On Postal Service' (with respect to the definition of the legislative framework for the operation of federal postal service organisations, including the performance of specific licensed operations, including banking operations);
— 'On Amending the Federal Law 'On Banks and Banking Activities' and the Federal Law 'On the Central Bank of the Russian Federation (Bank of Russia)'' (to specify the requirements for credit institution executives and grant the Bank of Russia the right to determine criteria for their business reputations);
— 'On Amending Article 4 of the Federal Law 'On the Central Bank of the Russian Federation (Bank of Russia)'' (with respect to the Bank of Russia's right to regulate the procedure for registration and circulation of deposit (savings) certificates of credit institutions;

— 'On Amending the Federal Law 'On the Securities Market' and Article 38 of the Federal Law 'On Investment Funds'' (with respect to the minimum capital requirements for professional players in the securities market);
— 'On Amending Article 11.1 of the Federal Law 'On Banks and Banking Activities'' to improve the operations of the board of directors;
— 'On the Central Depository';
— 'On Amending the Federal Law 'On the Securities Market' and Other Laws of the Russian Federation' (with respect to the regulation of investments in shares (stakes) of the authorised capital of infrastructure entities, and other transactions resulting in control over such entities);
— 'On Amending Clause 3 of Article 35 of the Federal Law 'On Joint-Stock Companies' and Clause 3 of Article 20 of the Federal Law 'On Limited Liability Companies'';
— 'On Amending the Russian Civil Code and Other Laws of the Russian Federation' (with respect to developing project financing);
— 'On Consumer Lending';
— 'On Amending the Federal Law 'On the Procedure for Making Foreign Investment in Business Companies of Strategic Importance to the Defence and Security of the Country'';
— 'On the Registration of Notices of Pledges and Other Encumbrances Affecting Movable Property', 'On Amending Certain Laws of the Russian Federation Due to the Adoption of the Federal Law 'On the Registration of Notices of Pledges and Other Encumbrances Affecting Movable Property'';
— 'On Amending Articles 74 and 76 of the Federal Law 'On the Central Bank of the Russian Federation (Bank of Russia)'' (with respect to the Bank of Russia's ability to restrict bank deposit rates and the Bank of Russia's right to appoint authorised representatives to systemically important credit institutions);
— 'On Amending Articles 837 and 844 of the Russian Civil Code, Articles 2, 10 and 12 of the Federal Law 'On Insurance of Household Deposits in Russian Banks', Article 36 of the Federal Law 'On Banks and Banking Activities', and Article 3 of the Federal Law 'On Bank of Russia Payments on Household Deposits with Bankrupt Banks Uncovered by the Compulsory Deposit Insurance System'' (with respect to using registered savings (deposit) certificates which cannot be presented for payment before the expiration of an established term);
— 'On Amending Article 14 of the Federal Law 'On Insurance of Household Deposits in Russian Banks'' (with respect to the DIA's right to open bank accounts with credit institutions within and outside Russia);
— 'On Amending the Federal Law 'On Insurance of Household Deposits in Russian Banks' and Certain Other Laws of the Russian Federation" (with respect to increasing the maximum coverage of deposits at Russian banks);
— 'On Amending Article 5 of the Federal Law 'On Insurance of Household Deposits in Russian Banks' and Article 4 of the Federal Law 'On Bank of Russia Payments on Household Deposits with Bankrupt Banks Uncovered by the Compulsory Deposit Insurance System'' (to extend the coverage of the household deposit insurance system to the bank accounts (deposits) of unincorporated entrepreneurs, and the bank accounts (deposits) of public notaries, lawyers and others, when such accounts (deposits) are opened with the purpose of pursuing their professional activities);
— 'On Amending the Federal Law 'On Insurance of Household Deposits in Russian Banks'', which is designed to prevent the payment of insurance compensation from the compulsory deposit insurance fund for artificially created bank obligations to corporate depositors, individual unincorporated entrepreneurs and individuals whose funds in accounts (deposit accounts) exceed the maximum amount of funds that may be insured under 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'' (to change the mechanism of control over the DIA's activity);

— 'On the Specifics of Using Profits Generated by the Bank for Development and Foreign Economic Affairs (Vnesheconombank), a State Corporation, and the Deposit Insurance Agency, a State Corporation, in 2009, 2010 and 2011' which provides for the allocation of 75% of the profit actually generated by Vnesheconombank and the DIA to the federal budget;
— 'On Rehabilitation Procedures Applicable to Private Debtors', 'On Amending Certain Laws of the Russian Federation Due to the Entry into Force of the Federal Law 'On Rehabilitation Procedures Applicable to Private Debtors'';
— '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 Liabilities for Fraudulent Activity Performed in Expectation of Bankruptcy';
— 'On Amending the Federal Law 'On the Securities Market' and Certain Laws of the Russian Federation' (with respect to the regulation of activities of investment advisors, and the provision of services to non-qualified investors);
— 'On Amending the Federal Law 'On the Securities Market' and Certain Other Laws of the Russian Federation' (with respect to the prudential supervision of professional securities market players and payment of compensation to individuals in the securities market);
— 'On Amending Certain Laws of the Russian Federation' (with respect to the regulation of financial control and supervision and the application of professional judgement by regulators).

IV.3. STATISTICAL TABLES

Table 1

KEY MACROECONOMIC INDICATORS
(in constant prices, percent of previous year)

	2008	2009	2010
Gross domestic product	105.2	92.2	104.0
of which:			
— agriculture, hunting and forestry	106.4	101.3	89.3
— hydrocarbon production and mining	101.0	100.5	104.7
— manufacturing	97.9	85.1	112.3
— production and distribution of electricity, gas and water	100.7	95.0	105.5
— construction	111.1	85.4	99.3
— wholesale and retail trade, and other	109.9	93.8	105.0
— transport and communications	105.2	91.5	107.7
GDP deflator index	118.0	101.9	111.4
Consumer price index (December on previous December)	113.3	108.8	108.8
Fixed capital investment	109.9	84.3	106.0
Retail trade turnover	113.6	94.9	106.3
Unemployment rate according to ILO methodology (annual average), percent of economically active population	6.3	8.4	7.5

Table 2

CONSUMER PRICES BY GROUP OF GOODS AND SERVICES
(growth, December as a percentage of previous December)

	2008	2009	2010
Consumer prices, total	13.3	8.8	8.8
of which:			
— food prices	16.5	6.1	12.9
of which:			
— food prices exclusive of fruit and vegetables	17.5	6.9	9.4
— fruit and vegetable prices	7.7	−1.7	45.6
— non-food prices	8.0	9.7	5.0
— paid services provided to the public	15.9	11.6	8.1
Prices of goods and services included in calculation of core consumer price index (CCPI)	13.6	8.3	6.6

Note: Tables 1, 2 and 6 to 11 are based on Rosstat data as of 3 May 2011.
Tables 3, 4 and 5 are based on Rosstat data as of 3 May 2011 and Bank of Russia calculations.

Table 3

CONSUMER PRICE INFLATION STRUCTURE

	2009		2010	
	Growth in percentage points	Contribution to growth, percent	Growth in percentage points	Contribution to growth, percent
Headline inflation (December on December)	**8.8**	**100**	**8.8**	**100**
Inflation growth due to:				
— change in prices of goods and services included in CCPI calculation	6.7	76.4	5.3	60.4
— change in prices of goods and services not included in CCPI calculation	2.1	23.6	3.5	39.6
of which:				
— change in fruit and vegetable prices	–0.1	–0.7	1.7	18.8
— change in administered service and fuel prices	2.1	24.2	1.8	20.8

Table 4

GROSS VALUE ADDED STRUCTURE BY ECONOMIC ACTIVITY IN BASIC PRICES
(percent)

	2008	2009	2010
Gross value added	**100**	**100**	**100**
of which:			
— agriculture, hunting and forestry	4.2	4.4	3.8
— hydrocarbon production and mining	9.3	8.9	10.4
— manufacturing	17.5	14.6	16.4
— production and distribution of electricity, gas and water	2.9	4.0	4.2
— construction	6.3	6.2	5.7
— wholesale and retail trade, and other	20.3	18.2	18.2
— transport and communications	9.3	9.6	9.7
— other activities	30.2	34.1	31.6

Table 5

STRUCTURE OF GDP CALCULATED BY INCOME CONSUMPTION METHOD IN CURRENT MARKET PRICES (percent)

	2008	2009	2010
GDP calculated by income consumption method	**100**	**100**	**100**
Expenditure on final consumption	65.8	74.0	69.6
of which:			
— household sector	47.7	52.8	50.0
— government sector	17.6	20.6	19.0
— non-profit organisations providing services to households	0.5	0.6	0.6
Gross capital formation	25.1	18.6	22.3
of which:			
— gross fixed capital formation (including net acquisition of valuables)	22.0	21.6	21.4
Net exports of goods and services	9.1	7.4	8.1

Table 6

GDP CONSUMPTION ELEMENTS IN CONSTANT PRICES (percent of previous year)

	2008	2009	2010
Gross Domestic Product	**105.2**	**92.2**	**104.0**
of which:			
— expenditure on final consumption	108.6	96.5	102.5
— by household sector	110.6	95.2	103.0
— by government sector	103.4	100.2	101.4
— by non-profit organisations providing services to households	98.6	91.8	98.5
— gross capital formation (including net acquisition of valuables)	110.5	59.0	128.4
— net exports of goods and services	65.2	156.6	57.2

Table 7

GDP FORMATION STRUCTURE BY SOURCE OF INCOME IN CURRENT MARKET PRICES (percent)

	2008	2009	2010
Gross Domestic Product	**100**	**100**	**100**
of which:			
— compensation paid to hired workers (including unreported earnings)	47.4	52.8	50.4
— net taxes on production and imports	19.9	16.6	18.2
— gross profit of the economy and gross mixed income	32.7	30.6	31.4

Table 8

BALANCE OF HOUSEHOLD MONEY INCOME AND EXPENSES (millions of roubles)

	2009	2010	2010 as a percentage of 2009
Money income	**28,420,847.7**	**31,541,953.0**	**111.0**
Wages and salaries	19,020,691.3	20,939,363.8	110.1
Share, percent	66.9	66.4	
Social allowances	4,247,692.1	5,702,239.2	134.2
Share, percent	15.0	18.1	
Income from entrepreneurial activities	2,734,695.7	2,915,220.4	106.6
Share, percent	9.6	9.2	
Income from property	1,847,411.7	1,360,732.1	73.7
Share, percent	6.5	4.3	
Other income	570,356.9	624,397.5	109.5
Share, percent	2.0	2.0	
Money expenses	**22,748,275.9**	**25,223,070.4**	**110.9**
— consumer expenses	19,745,832.8	22,040,457.4	111.6
— compulsory payments and contributions	3,002,443.1	3,182,613.0	106.0
Growth in savings and cash on hand, purchase of foreign currency	**5,672,571.8**	**6,318,882.7**	**111.4**
— savings[1]	4,001,089.6	4,567,963.5	114.2
of which:			
— deposits and securities	1,269,439.1	2,452,534.4	193.2
— foreign currency purchase	1,561,562.1	1,173,237.5	75.1
— cash on hand	109,920.1	577,681.7	525.5
Memo item:			
Share of money income, percent			
— consumer expenses	69.5	69.9	
— compulsory payments and contributions	10.5	10.1	
— savings	14.1	14.5	
of which:			
— deposits and securities	4.5	7.8	
— foreign currency purchase	5.5	3.7	
— cash on hand	0.4	1.8	
Disposable money income	**25,614,084.5**	**28,515,833.5**	**111.3**
Share of, percent			
— consumer expenses	77.1	77.3	
— savings	15.6	16.0	
of which:			
— deposits and securities	5.0	8.6	
— foreign currency purchase	6.1	4.1	
— cash on hand	0.4	2.0	
— remittances	0.8	0.6	

[1] *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

	2008	2009	2010
Funds ratio, times[1]	16.8	16.7	16.8
Gini coefficient, units[2]	0.422	0.422	0.423

[1] 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.
[2] 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 2010 (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				
Total	**140.9**	**124.3**	**116.0**	**122.0**	**118.8**	**105.0**	**116.6**	**103.6**
Agriculture, hunting and forestry	119.4	117.0	130.5	126.8	103.2	84.3	114.9	97.5
Hydrocarbon production and mining	151.7	111.2	103.9	80.5	116.4	106.2	111.6	115.1
of which:								
— fuel and energy production	139.3	109.0	99.5	73.9	116.9	108.1	109.8	120.0
Manufacturing	165.8	126.8	108.0	127.8	121.0	96.5	116.2	91.3
Production and distribution of electricity, gas and water	2.5 times	129.0	107.6	142.6	124.0	103.5	113.5	114.1
Construction	91.6	127.4	102.2	120.6	122.6	88.5	116.6	83.8
Wholesale and retail trade, and other	96.4	132.6	149.3	154.7	119.0	159.0	121.4	119.9
Transport and communications	131.6	117.4	128.1	109.1	116.5	101.2	124.2	105.2

Table 11

PAYMENTS FOR PRODUCE SHIPPED (WORK PERFORMED AND SERVICES PROVIDED) BY MAJOR NATURAL AND INDUSTRIAL MONOPOLIES

	2010		As a percentage of 2009
	Billions of roubles	Structure of payments, percent	
Value of produce shipped	**20,428.1**		**122.4**
of which:			
— paid-for produce	18,775.0	100.0	122.7
of which produce paid for with:			
— money	18,451.4	98.3	123.3
— promissory notes	50.0	0.2	98.7
— transfer of claims on pecuniary obligations	15.0	0.1	2.2 times
— netting of claims	237.6	1.3	92.6
— barter arrangements	2.0	0.0	114.5
— other kinds of settlement	19.0	0.1	111.5

Table 12

MERCHANDISE TRADE OF THE RUSSIAN FEDERATION
(per balance of payments methodology)

	Billions of US dollars							Percent of previous year						
	2004	2005	2006	2007	2008	2009	2010	2004	2005	2006	2007	2008	2009	2010
All countries														
Turnover	280.6	369.2	467.8	577.9	763.5	495.2	648.9	132.4	131.6	126.7	123.5	132.1	64.9	131.0
Exports	183.2	243.8	303.6	354.4	471.6	303.4	400.1	134.8	133.1	124.5	116.8	133.1	64.3	131.9
Imports	97.4	125.4	164.3	223.5	291.9	191.8	248.7	128.0	128.8	131.0	136.0	130.6	65.7	129.7
Balance	85.8	118.4	139.3	130.9	179.7	111.6	151.4	143.4	137.9	117.7	94.0	137.3	62.1	135.7
Non-CIS countries														
Turnover	230.5	313.8	400.4	492.3	653.4	423.0	551.1	131.3	136.1	127.6	122.9	132.7	64.7	130.3
Exports	153.0	210.2	260.2	300.6	400.5	255.3	337.5	133.5	137.4	123.7	115.5	133.2	63.7	132.2
Imports	77.5	103.5	140.2	191.7	252.9	167.7	213.6	127.0	133.6	135.4	136.7	131.9	66.3	127.3
Balance	75.5	106.7	119.9	108.9	147.5	87.5	123.9	140.9	141.3	112.4	90.8	135.5	59.3	141.6
CIS countries														
Turnover	50.1	55.4	67.4	85.6	110.1	72.2	97.8	137.5	110.7	121.6	127.0	128.6	65.6	135.4
Exports	30.2	33.5	43.4	53.8	71.1	48.1	62.6	141.4	111.1	129.3	124.1	132.2	67.6	130.1
Imports	19.9	21.9	24.0	31.8	39.0	24.1	35.2	131.9	110.1	109.8	132.2	122.5	61.8	146.1
Balance	10.3	11.7	19.3	22.0	32.2	24.0	27.4	164.2	113.0	166.0	114.0	146.0	74.7	114.2

Note: In Tables 12, 15 to 17, 26, 27 and 32, the CIS data cover 12 member states prior to September 2009 and 11 member states since then.

Table 13

COMMODITY STRUCTURE OF RUSSIAN EXPORTS
(per methodology of customs statistics)

	Structure, percent							Growth rates, percent of previous year						
	2004	2005	2006	2007	2008	2009	2010	2004	2005	2006	2007	2008	2009	2010
Total	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**135**	**133**	**125**	**117**	**133**	**65**	**131**
Mineral products	57.8	64.8	65.9	64.9	69.8	67.4	68.8	136	149	127	115	143	62	134
of which:														
— fuel and energy products	57.2	64.0	65.4	64.2	68.8	66.7	67.9	135	149	127	115	142	63	134
of which:														
— oil	32.5	34.6	34.0	34.5	34.5	33.3	34.2	149	141	123	119	133	62	135
— natural gas	12.0	13.0	14.5	12.7	14.8	13.9	12.0	109	144	140	102	154	61	114
Metals, metal products	16.7	14.0	13.7	14.0	11.7	11.1	10.8	164	111	122	119	111	61	127
Chemicals, rubber	7.7	5.6	5.6	5.9	6.5	6.2	6.4	117	96	117	124	145	62	135
Machinery, equipment, transport vehicles	6.6	5.9	5.8	5.5	4.8	5.9	5.6	131	120	129	113	116	79	126
Timber and pulp-and-paper products	3.9	3.4	3.2	3.5	2.5	2.8	2.5	126	118	115	129	94	73	117
Foodstuffs and agricultural raw materials (except textiles)	1.8	1.9	1.8	2.6	2.0	3.3	2.4	96	137	122	165	102	107	94
Gemstones, precious metals and articles made from them	3.5	2.8	2.6	1.9	1.5	1.7	2.2	122	107	114	88	106	70	171
Textiles, textile products, footwear	0.6	0.4	0.3	0.3	0.2	0.2	0.2	118	86	100	98	92	82	114
Leather, furs and articles made from them	0.2	0.1	0.1	0.1	0.1	0.1	0.1	107	93	111	92	106	68	127
Other goods	1.2	1.1	1.0	1.3	0.9	1.3	1.0	113	117	125	141	100	85	117
Memo item:														
Total exports, billions of US dollars (Source: Federal Customs Service)	181.7	241.5	301.2	351.9	467.6	301.7	396.6							

Table 14

COMMODITY STRUCTURE OF RUSSIAN IMPORTS
(per methodology of customs statistics)

	Structure, percent							Growth rates, percent of previous year						
	2004	2005	2006	2007	2008	2009	2010	2004	2005	2006	2007	2008	2009	2010
Total	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**132**	**131**	**140**	**145**	**134**	**63**	**137**
Machinery, equipment, transport vehicles	41.1	44.0	47.7	50.9	52.7	43.4	44.5	145	140	151	155	138	52	140
Chemicals, rubber	15.8	16.5	15.8	13.8	13.2	16.7	16.3	124	136	134	126	128	79	134
Foodstuffs and agricultural raw materials (except textiles)	18.3	17.7	15.7	13.8	13.2	17.9	15.9	115	126	124	128	127	85	122
Metals, metal products	7.7	7.5	7.5	7.9	6.9	6.5	7.4	141	127	140	153	118	59	156
Textiles, textile products, footwear	4.3	3.7	4.0	4.3	4.4	5.7	6.2	118	111	152	157	135	82	149
Mineral products	4.0	3.1	2.4	2.3	3.1	2.4	2.6	142	99	109	142	177	49	145
of which:														
— fuel and energy products	2.2	1.6	1.4	1.2	1.5	1.4	1.6	126	97	115	134	166	58	155
Timber and pulp-and-paper products	3.8	3.3	2.9	2.7	2.4	3.0	2.6	119	114	121	134	122	78	116
Leather, fur and articles made from them	0.3	0.3	0.3	0.4	0.4	0.5	0.5	109	112	157	161	149	74	161
Gemstones, precious metals and articles made from them	0.2	0.3	0.2	0.3	0.3	0.3	0.2	252	150	119	173	134	58	117
Other goods	4.5	3.6	3.5	3.6	3.4	3.6	3.8	130	114	131	148	128	65	145
Memo item:														
Total imports, billions of US dollars (Source: Federal Customs Service)	75.6	98.7	137.8	199.8	267.1	167.3	229.0							

Table 15

RUSSIA'S EXPORTS TO MAJOR TRADING PARTNERS
(per methodology of customs statistics)

	Structure, percent							Growth rates, percent of previous year						
	2004	2005	2006	2007	2008	2009	2010	2004	2005	2006	2007	2008	2009	2010
Total	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**135**	**133**	**125**	**117**	**133**	**65**	**131**
of which:														
CIS countries	16.2	13.5	14.0	15.0	14.9	15.5	15.0	143	111	130	124	132	67	128
of which:														
EurAsEC countries	9.0	7.1	8.0	9.2	8.8	9.6	8.1	146	106	139	134	127	71	112
Other countries	7.2	6.4	6.0	5.8	6.1	5.9	6.9	140	117	119	112	141	62	154
Non-CIS countries	83.8	86.5	86.0	85.0	85.1	84.5	85.0	133	138	124	116	133	64	132
of which:														
EU countries	46.0	55.3	56.6	55.7	56.9	53.3	53.2	176	160	128	115	136	61	131
APEC countries	14.8	12.4	11.8	12.2	12.9	15.1	17.0	139	111	119	121	140	75	149
Other countries	23.0	18.8	17.6	17.1	15.3	16.1	14.8	88	110	116	115	119	68	121
Memo item:														
OECD countries	58.3	64.6	66.6	65.5	66.8	64.2	65.2	139	147	128	115	135	62	134

Note: In Tables 15 and 16, the EU data from May 2004 cover 25 member states and since January 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, and since October 2010, 33 member states.

End

	Structure, percent							Growth rates, percent of previous year						
	2004	2005	2006	2007	2008	2009	2010	2004	2005	2006	2007	2008	2009	2010
Major trading partners														
Netherlands	8.4	10.2	11.9	12.2	12.2	12.1	13.6	173	161	146	119	133	64	148
Italy	6.7	7.9	8.3	7.8	9.0	8.3	6.9	139	158	132	110	153	60	109
Germany	7.3	8.2	8.1	7.5	7.1	6.2	6.3	127	148	124	108	126	56	134
Ukraine	5.9	5.1	5.0	4.7	5.0	4.6	5.8	141	115	121	110	143	59	167
Turkey	4.1	4.5	4.7	5.3	5.9	5.4	5.1	153	146	132	130	149	59	124
China	5.6	5.4	5.2	4.5	4.5	5.5	5.1	122	129	121	101	133	79	122
Belarus	6.2	4.2	4.3	4.9	5.0	5.5	4.6	148	90	129	131	137	71	108
Poland	3.1	3.6	3.8	3.8	4.3	4.1	3.8	123	151	133	116	152	62	119
Japan	1.9	1.5	1.5	2.2	2.2	2.4	3.2	140	110	120	171	135	70	177
France	2.4	2.5	2.5	2.5	2.6	2.9	3.1	126	138	125	113	140	72	143
United States	3.6	2.6	2.9	2.4	2.9	3.0	3.1	157	96	137	96	161	68	136
Finland	3.2	3.2	3.1	3.1	3.4	3.0	3.1	134	131	120	117	146	58	133
United Kingdom	3.1	3.5	3.5	3.1	3.2	3.0	2.9	114	149	123	106	135	61	125
Kazakhstan	2.6	2.7	3.0	3.4	2.8	3.0	2.7	142	140	137	133	112	69	118
Korea, Republic of	1.1	1.0	0.9	1.8	1.7	1.9	2.6	148	120	116	226	126	73	184
Switzerland	4.2	4.5	4.0	3.8	2.1	2.1	2.2	132	140	113	111	71	65	140
Memo item:														
Total exports, billions of US dollars (Source: Federal Customs Service)	181.7	241.5	301.2	351.9	467.6	301.7	396.6							

Table 16

RUSSIA'S IMPORTS FROM MAJOR TRADING PARTNERS
(per methodology of customs statistics)

	Structure, percent							Growth rates, percent of previous year						
	2004	2005	2006	2007	2008	2009	2010	2004	2005	2006	2007	2008	2009	2010
Total	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**132**	**131**	**140**	**145**	**134**	**63**	**137**
of which:														
CIS countries	23.5	19.2	16.2	15.0	13.7	13.0	13.8	135	107	118	134	123	60	145
of which:														
EurAsEC countries	13.4	9.3	8.9	7.7	7.1	7.1	7.2	135	90	134	125	123	63	139
Other countries	10.1	9.9	7.3	7.3	6.6	5.9	6.6	135	130	103	143	122	56	152
Non-CIS countries	76.5	80.8	83.8	85.0	86.3	87.0	86.2	131	138	145	147	136	63	136
of which:														
EU countries	43.0	44.2	44.0	43.7	43.6	45.1	41.7	146	134	139	144	134	65	127
APEC countries	21.5	25.6	28.5	31.9	33.4	30.9	34.1	144	155	156	162	140	58	151
Other countries	12.0	11.0	11.3	9.4	9.3	11.0	10.4	85	118	144	123	131	74	129
Memo item:														
OECD countries	59.0	61.3	62.6	61.9	62.7	60.4	57.4	132	136	142	143	135	60	130

End

	Structure, percent							Growth rates, percent of previous year						
	2004	2005	2006	2007	2008	2009	2010	2004	2005	2006	2007	2008	2009	2010
Major trading partners														
China	6.3	7.4	9.4	12.2	13.0	13.6	17.0	143	153	178	189	142	66	171
Germany	14.0	13.4	13.4	13.3	12.8	12.7	11.7	130	126	139	144	129	62	126
Ukraine	8.1	7.9	6.7	6.7	6.1	5.5	6.1	137	128	118	144	122	56	154
United States	4.2	4.6	4.6	4.7	5.2	5.5	4.9	108	143	140	148	146	66	121
Japan	5.2	5.9	5.6	6.4	7.0	4.3	4.5	209	148	134	163	146	39	142
France	4.1	3.7	4.3	3.9	3.7	5.0	4.4	131	120	160	132	129	84	120
Italy	4.2	4.5	4.2	4.3	4.1	4.7	4.4	133	138	130	149	129	72	127
Belarus	8.6	5.8	5.0	4.4	4.0	4.0	4.3	133	88	120	130	119	64	146
Korea, Republic of	2.7	4.1	4.9	4.4	4.0	2.9	3.2	152	198	169	130	120	46	149
Poland	3.1	2.8	2.5	2.3	2.6	2.5	2.5	135	119	124	136	152	60	138
Turkey	1.6	1.8	2.0	2.1	2.3	1.9	2.1	133	141	159	152	147	52	152
Finland	3.1	3.1	2.9	2.5	2.5	2.4	2.0	126	133	129	126	132	60	116
United Kingdom	2.7	2.8	2.7	2.8	2.9	2.1	2.0	143	135	132	154	135	47	129
Kazakhstan	4.6	3.3	2.8	2.3	2.4	2.2	2.0	139	94	119	120	138	58	121
Netherlands	1.8	2.0	1.9	1.9	1.8	2.1	1.9	109	141	138	144	125	75	124
Switzerland	0.9	0.9	0.9	0.9	0.9	1.2	1.1	122	135	148	135	137	82	123
Memo item:														
Total imports, billions of US dollars (Source: Federal Customs Service)	75.6	98.7	137.8	199.8	267.1	167.3	229.0							

Table 17

RUSSIA'S EXTERNAL TRADE IN SERVICES BY GROUP OF COUNTRIES (millions of US dollars)

	Turnover			Exports			Imports			Balance		
	2009	2010	Growth rates, percent	2009	2010	Growth rates, percent	2009	2010	Growth rates, percent	2009	2010	Growth rates, percent
Total	**103,023**	**116,746**	**113**	**41,594**	**44,476**	**107**	**61,429**	**72,270**	**118**	**−19,836**	**−27,794**	**140**
of which:												
CIS countries	13,932	15,456	111	7,687	8,246	107	6,244	7,211	115	1,443	1,035	72
of which:												
EurAsEC countries	6,013	6,458	107	3,924	4,020	102	2,089	2,438	117	1,835	1,582	86
Other countries	6,453	7,063	109	3,286	3,603	110	3,167	3,460	109	119	144	121
Services not allocated by country	1,466	1,936	132	477	623	131	989	1,313	133	−512	−691	135
Non-CIS countries	89,091	101,290	114	33,906	36,230	107	55,185	65,060	118	−21,279	−28,829	135
of which:												
EU countries	42,552	47,794	112	16,005	16,843	105	26,547	30,950	117	−10,543	−14,107	134
APEC countries	13,349	15,028	113	6,557	6,773	103	6,792	8,255	122	−234	−1,482	632
Other countries	21,312	24,310	114	7,867	8,090	103	13,445	16,220	121	−5,578	−8,129	146
Services not allocated by country	11,878	14,159	119	3,477	4,524	130	8,401	9,635	115	−4,924	−5,111	104
Memo item:												
OECD countries	55,151	61,618	112	21,226	22,490	106	33,925	39,128	115	−12,699	−16,637	131

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 1.01.2010	as of 1.01.2011	change over 2010	as of 1.01.2010	as of 1.01.2011	change over 2010
Total	**15.9**	**13.1**	**−2.8**	**68.3**	**69.2**	**0.9**
Federal Treasury	0.9	0.8	−0.1	41.3	46.5	5.2
Regional and local budget management bodies	1.7	1.6	−0.1	5.7	5.3	−0.4
Organisations financed from budgets of all levels	8.6	6.4	−2.2	14.2	11.0	−3.2
Government and other extra-budgetary funds	1.8	2.2	0.4	3.2	3.2	0.0
Election commissions (referendum commissions)	0.6	0.4	−0.2	0.7	0.5	−0.2
Other organisations	2.3	1.7	−0.6	3.2	2.7	−0.5

Table 19

RUSSIA'S DOMESTIC GOVERNMENT DEBT AS OF 1 JANUARY 2011 (at face value, billions of roubles)

Debt instruments	Total within domestic government debt	Of these, traded on organised securities market
Permanent coupon-income federal government bonds (OFZ-PD)	1,338.6	1,338.6
Debt depreciation federal government bonds (OFZ-AD)	815.6	715.6
Government savings bonds (GSO)	307.4	—
Other debt recognised as part of domestic government debt	478.8	—
Total	**2,940.4**	**2,054.2**

Table 20

FINANCE MINISTRY DEBT TO THE BANK OF RUSSIA AS OF 1 JANUARY 2011 (millions of roubles)[1]

	At face value
Russian government debt obligations	382,523
of which:	
— Russian government debt obligations available for sale, in national currency	269,040
— other debt obligations	113,483

[1] *Exclusive of repo transactions.*

Table 21

RUSSIAN GOVERNMENT OUTSTANDING FOREIGN CURRENCY-DENOMINATED BONDS (as of 1 January 2011)

Date of issue	Date of redemption	Currency	Volume in circulation at par, millions of US dollars	Coupon rate, percent p.a.
Eurobonds due in 2015				
29.04.2010	29.04.2015	US dollar (USD)	2,000	3.625
Eurobonds due in 2018 (issued in the course of restructuring GKOs)				
24.07.1998	24.07.2018	US dollar (USD)	3,466	11
Eurobonds due in 2020				
29.04.2010	29.04.2020	US dollar (USD)	3,500	5
Eurobonds due in 2028				
24.06.1998	24.06.2028	US dollar (USD)	2,500	12.75
Eurobonds due in 2030 (issued in the course of restructuring debt to London Club of commercial bank creditors)				
31.03.2000	31.03.2030	US dollar (USD)	18,990	7.5
Domestic government foreign currency bonds, VII Series				
14.05.1996	14.05.2011	US dollar (USD)	1,750	3

Table 22

VOLUME (TURNOVER) OF RESIDENT OPERATIONS WITH NON-RESIDENTS TO BUY AND SELL RUSSIAN GOVERNMENT OUTSTANDING FOREIGN CURRENCY DEBT OBLIGATIONS ON SECONDARY MARKET (at market prices, billions of US dollars)

	Q1	Q2	Q3	Q4	2010
Eurobonds due in 2015, 2020 and 2028	0.35	2.87	1.89	1.11	6.22
Eurobonds due in 2018 (issued in the course of restructuring GKOs)	0.16	0.02	0.05	0.00	0.22
Eurobonds due in 2010 and 2030 (issued in the course of the second restructuring of debt to London Club of commercial bank creditors)	2.94	3.52	3.45	2.48	12.38
OVGVZ	0.02	0.37	0.03	0.00	0.42

Note: Minor discrepancies between the total and the sum of components are due to the rounding of data.

Table 23

INSTITUTIONALISED FINANCIAL INTERMEDIARIES

	1.01.2011	Memo item: 1.01.2010
Credit institutions		
Operating credit institutions, total	1,012	1,058
of which:		
— banks	955	1,007
— non-bank credit institutions	57	51
Operating credit institutions with foreign stakes in authorised capital	220	226
Branches of credit institutions operating in Russia	2,926	3,183
Representative offices of operating Russian credit institutions	460	517
Insurance companies[1]		
Registered insurance companies	625	702
Unit investment funds[2]		
Unit investment funds, total	1,444	1,307
of which:		
— open-end	432	435
— interval	78	91
— closed-end	934	781
Non-governmental pension funds[3]		
Operating non-governmental pension funds	157[4]	165

[1] *Source: Federal Insurance Supervision Service.*
[2] *Source: News agency Cbonds.ru.*
[3] *Source: Federal Financial Markets Service.*
[4] *As of 1 October 2010.*

Table 24

BALANCE OF PAYMENTS OF THE RUSSIAN FEDERATION (analytical presentation, millions of US dollars)

	Q1	Q2	Q3	Q4	2010	Memo item: 2009
Current account	**33,295**	**18,037**	**5,692**	**14,105**	**71,129**	**48,605**
Goods	46,530	39,234	29,207	36,422	151,393	111,585
Export	*92,239*	*97,400*	*97,615*	*112,877*	*400,131*	*303,388*
oil	31,394	34,064	33,473	36,869	135,799	100,593
oil products	16,979	17,910	16,243	19,339	70,471	48,145
natural gas	13,573	9,823	9,347	14,997	47,739	41,971
other	30,294	35,604	38,551	41,673	146,121	112,679
Import	*–45,709*	*–58,166*	*–68,408*	*–76,455*	*–248,738*	*–191,803*
Services	–4,673	–5,894	–9,304	–7,923	–27,794	–19,836
Export	*9,058*	*11,021*	*12,075*	*12,323*	*44,476*	*41,594*
transportation	2,963	3,777	4,009	4,162	14,911	12,369
travel	1,619	2,309	3,001	2,057	8,985	9,366
other services	4,476	4,935	5,065	6,104	20,580	19,858
Import	*–13,731*	*–16,914*	*–21,379*	*–20,246*	*–72,270*	*–61,429*
transportation	–2,124	–2,883	–3,296	–3,676	–11,979	–9,451
travel	–4,504	–6,352	–9,399	–6,261	–26,516	–20,905
other services	–7,103	–7,678	–8,685	–10,309	–33,775	–31,073
Compensation of employees	–1,779	–2,297	–3,052	–2,550	–9,677	–8,868
Investment income	–6,117	–12,905	–9,543	–10,131	–38,696	–31,416
Receivable	8,558	8,293	8,453	8,062	33,366	29,858
Payable	–14,675	–21,197	–17,996	–18,194	–72,062	–61,274
General government	*145*	*–311*	*–373*	*–365*	*–904*	*–451*
Receivable	617	159	128	103	1,008	1,273
Payable	–472	–470	–502	–468	–1,912	–1,725
Local government (payable)	*–14*	*–27*	*–28*	*–88*	*–158*	*–91*
Monetary authorities	*1,306*	*1,193*	*1,097*	*1,048*	*4,645*	*6,887*
Receivable	1,311	1,198	1,104	1,057	4,670	6,894
Payable	–5	–5	–7	–8	–25	–8

Cont.

	Q1	Q2	Q3	Q4	2010	Memo item: 2009
Banks	*–732*	*–582*	*–709*	*–803*	*–2,826*	*–5,683*
Receivable	1,887	1,922	1,830	1,634	7,273	7,438
Payable	–2,619	–2,504	–2,539	–2,436	–10,099	–13,121
Other sectors	*–6,822*	*–13,177*	*–9,530*	*–9,924*	*–39,453*	*–32,077*
Receivable	4,743	5,013	5,390	5,269	20,415	14,253
Payable	–11,564	–18,190	–14,920	–15,193	–59,868	–46,329
Current transfers	–667	–101	–1,616	–1,713	–4,097	–2,862
Capital and financial account	**–11,146**	**8,951**	**–6,079**	**–18,145**	**–26,419**	**–43,502**
Capital account	**177**	**46**	**–21**	**5**	**208**	**–11,869**
Financial account (excluding reserve assets)	**–11,323**	**8,905**	**–6,058**	**–18,150**	**–26,627**	**–31,633**
Liabilities ('+' — increase, '–' — decrease)	**2,547**	**12,360**	**14,451**	**13,554**	**42,912**	**6,376**
General government	*–853*	*4,477*	*139*	*14*	*3,776*	*1,992*
Portfolio investment	–555	4,749	479	270	4,941	3,842
issue	0	5,104	0	0	5,104	0
redemption	–1,294	–103	–1,270	–210	–2,878	–2,663
principal	–554	0	–502	0	–1,057	–1,014
coupons	–739	–103	–768	–210	–1,821	–1,649
reinvestment of earnings	433	430	461	430	1,754	1,503
secondary market	305	–682	1,288	50	961	5,002
Loans	–288	–669	–337	182	–1,112	–1,259
Arrears	–10	410	–2	–447	–50	–595
Other liabilities	0	–12	–1	10	–3	4
Local government	*600*	*226*	*–197*	*–101*	*529*	*446*
Monetary authorities	*–2,234*	*141*	*–211*	*–98*	*–2,402*	*11,905*
Banks	*1,863*	*–4,417*	*15,422*	*4,784*	*17,651*	*–42,120*
Direct investment	1,402	297	1,343	2,417	5,459	6,441
Loans and deposits	996	–1,848	14,567	5,558	19,273	–36,778
Other liabilities	–535	–2,867	–487	–3,191	–7,080	–11,783

End

	Q1	Q2	Q3	Q4	2010	Memo item: 2009
Other sectors	*3,171*	*11,932*	*−702*	*8,956*	*23,357*	*34,153*
Direct investment	6,689	10,984	5,729	12,332	35,735	30,059
Portfolio investment	532	−111	−1,906	−3,329	−4,814	2,076
Loans	−3,955	−2,113	−3,037	2,266	−6,839	1,370
Other liabilities	−95	3,172	−1,488	−2,313	−725	648
Assets, excluding reserve assets ('+' — decrease, '−' — increase)	**−13,870**	**−3,455**	**−20,509**	**−31,705**	**−69,538**	**−38,009**
General government	*−422*	*−527*	*406*	*272*	*−272*	*10,176*
Loans	164	314	−49	65	493	−2,092
Arrears	−615	−181	412	−104	−487	11,244
Other assets	28	−660	43	310	−279	1,024
Monetary authorities	*−100*	*−36*	*86*	*20*	*−30*	*57*
Banks	*−1,028*	*11,241*	*−5,443*	*−6,555*	*−1,785*	*11,765*
Direct investment	−203	−342	−93	−384	−1,022	−1,157
Loans and deposits	−2,071	8,250	−9,559	−3,187	−6,566	11,803
Other assets	1,246	3,332	4,209	−2,984	5,803	1,119
Other sectors	*−12,320*	*−14,133*	*−15,557*	*−25,441*	*−67,451*	*−60,006*
Direct and portfolio investment	−8,985	−12,502	−10,755	−18,537	−50,779	−44,085
Cash foreign currency	3,618	6,710	3,369	1,072	14,769	4,252
Trade credits and advances extended	−852	−252	888	1,034	818	4,701
Indebtedness on supplies according to intergovernmental agreements	839	−210	−112	−1,404	−887	−1,829
Non-repatriation of export proceeds, non-supply of goods and services against import contracts, remittances against fictitious transactions in securities	−7,336	−6,349	−7,589	−8,323	−29,597	−27,145
Other assets	397	−1,529	−1,360	717	−1,775	4,099
Net errors and omissions	**−5,550**	**−873**	**3,064**	**−4,600**	**−7,959**	**−1,726**
Change in reserve assets ('+' — decrease, '−' — increase)	**−16,599**	**−26,115**	**−2,677**	**8,640**	**−36,751**	**−3,377**

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[1]	foreign liabilities	balance of payments net errors and omissions[2]
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
Q1	−35.0	−6.9	12.4	−19.3	−28.1	−23.2	2.9	−7.8
Q2	3.6	−5.9	3.1	−9.0	9.5	−8.3	14.9	2.9
Q3	−33.5	−27.5	−20.1	−7.4	−6.0	−17.3	8.8	2.6
Q4	8.8	10.0	16.4	−6.4	−1.2	−9.4	7.6	0.6
2010	−35.3	15.9	−1.8	17.7	−51.2	−66.6	23.4	−8.0
Q1	−14.7	0.8	−1.0	1.9	−15.5	−13.2	3.2	−5.5
Q2	4.0	6.8	11.2	−4.4	−2.9	−13.9	11.9	−0.9
Q3	−3.1	10.0	−5.4	15.4	−13.1	−15.4	−0.7	3.1
Q4	−21.5	−1.8	−6.6	4.8	−19.7	−24.0	9.0	−4.6

[1] *Excluding debt for goods supplied under intergovernmental agreements.*

[2] *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)[1]

	Q1	Q2	Q3	Q4	2009	Q1	Q2	Q3	Q4	2010
Total, millions of US dollars										
Money transfers from the Russian Federation by individuals	**4,902**	**5,703**	**7,517**	**7,240**	**25,362**	**5,822**	**7,397**	**8,899**	**9,601**	**31,718**
to non-CIS countries	3,340	3,438	4,504	4,526	15,808	3,960	4,685	5,191	6,059	19,896
to CIS countries	1,562	2,265	3,013	2,714	9,555	1,861	2,712	3,708	3,541	11,823
Money transfers to the Russian Federation for the benefit of individuals	**1,900**	**2,355**	**2,475**	**2,496**	**9,226**	**2,190**	**2,409**	**2,260**	**2,940**	**9,799**
from non-CIS countries	1,520	1,931	1,965	2,030	7,446	1,817	1,965	1,762	2,377	7,921
from CIS countries	380	424	510	465	1,780	372	445	498	563	1,878
Balance[2]	**–3,002**	**–3,348**	**–5,042**	**–4,744**	**–16,136**	**–3,632**	**–4,988**	**–6,639**	**–6,660**	**–21,919**
with non-CIS countries	–1,820	–1,507	–2,540	–2,495	–8,362	–2,143	–2,720	–3,429	–3,682	–11,975
with CIS countries	–1,182	–1,842	–2,502	–2,249	–7,775	–1,489	–2,268	–3,210	–2,978	–9,945
Average amount of transaction, US dollars										
Money transfers from the Russian Federation by individuals	**1,209**	**1,093**	**1,222**	**1,194**	**1,180**	**1,161**	**1,113**	**1,142**	**1,254**	**1,170**
to non-CIS countries	6,513	6,794	7,425	4,906	6,204	5,086	5,146	5,308	5,629	5,315
to CIS countries	441	481	543	528	504	440	473	544	538	506
Money transfers to the Russian Federation for the benefit of individuals	**1,990**	**2,176**	**2,632**	**2,323**	**2,277**	**2,277**	**2,320**	**2,322**	**2,576**	**2,381**
from non-CIS countries	3,121	3,255	4,084	3,838	3,562	3,894	3,773	3,698	4,577	3,994
from CIS countries	813	867	1,111	853	907	753	859	1,002	905	881

[1] *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.*

[2] *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	2009	Q1	Q2	Q3	Q4	2010
Total, millions of US dollars										
Remittances from Russia	**1,609**	**2,307**	**3,085**	**2,966**	**9,967**	**2,078**	**2,945**	**4,013**	**3,799**	**12,835**
to non-CIS countries	162	192	252	442	1,048	352	405	482	516	1,755
to CIS countries	1,447	2,115	2,833	2,524	8,919	1,726	2,540	3,531	3,283	11,080
Remittances to Russia	**413**	**423**	**461**	**484**	**1,780**	**413**	**481**	**517**	**564**	**1,975**
from non-CIS countries	162	173	176	192	702	166	191	179	191	726
from CIS countries	250	250	285	292	1,077	247	290	338	373	1,248
Balance[1]	**–1,196**	**–1,884**	**–2,624**	**–2,483**	**–8,187**	**–1,665**	**–2,464**	**–3,496**	**–3,234**	**–10,860**
with non-CIS countries	0	–19	–76	–250	–345	–187	–215	–303	–324	–1,028
with CIS countries	–1,197	–1,865	–2,547	–2,232	–7,842	–1,478	–2,250	–3,193	–2,910	–9,832
Average amount of remittance, US dollars										
Remittances from Russia	**447**	**485**	**551**	**543**	**513**	**460**	**488**	**561**	**548**	**521**
to non-CIS countries	1,146	1,162	1,277	983	1,099	916	918	991	988	957
to CIS countries	418	460	524	503	483	418	454	530	512	486
Remittances to Russia	**560**	**557**	**650**	**586**	**588**	**553**	**607**	**703**	**637**	**625**
from non-CIS countries	560	592	647	629	607	606	637	681	656	645
from CIS countries	560	536	652	561	576	522	589	716	627	616

[1] *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, Coinstar Money Transfer, Contact, InterExpress, Migom, MoneyGram, PrivatMoney, UNIStream, 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)[1]

Type of investment	Q1	Q2	Q3	Q4	2010	Memo item: 2009
Direct	8.1	11.3	7.1	14.7	41.2	36.5
Portfolio	0.9	5.8	−0.6	−4.0	2.1	8.2
Financial derivatives	−2.4	−3.1	−2.0	−2.3	−9.8	−13.1
Other	−4.1	−1.7	10.1	5.2	9.4	−25.2
Total	**2.5**	**12.4**	**14.5**	**13.6**	**42.9**	**6.4**

[1] 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)[1]

Type of investment	Q1	Q2	Q3	Q4	2010	Memo item: 2009
Direct	10.3	13.3	10.3	17.8	51.7	43.7
Portfolio	−1.4	−0.9	−1.1	7.1	3.7	10.4
Financial derivatives	−1.6	−1.8	−2.7	−2.0	−8.0	−9.9
Other	6.6	−7.1	14.0	8.8	22.2	6.2
Total	**13.9**	**3.5**	**20.6**	**31.7**	**69.6**	**50.4**

[1] Net growth in residents' assets according to balance of payments data. Data exclude operations related to debt forgiveness by general government.

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 1.01.2010	Transactions	Revaluations	Other changes in volume	Total changes	Balance as of 1.01.2011
	1	2	3	4	5	6
Assets	165,965	1,785	2,759	−296	4,247	170,212
Direct investment abroad	**5,062**	**1,022**	**590**	**−9**	**1,603**	**6,665**
Equity capital and reinvested earnings	4,329	905	624	−9	1,520	5,849
Other capital	733	116	−33	0	83	816
Portfolio investment	**26,258**	**3,551**	**−33**	**−49**	**3,470**	**29,727**
Equity securities	1,561	815	296	64	1,176	2,737
Debt securities	24,696	2,736	−329	−113	2,294	26,990
long-term	24,559	2,440	−421	87	2,107	26,665
short-term	138	296	91	−200	187	325
Financial derivatives	**2,222**	**−7,510**	**6,897**	**0**	**−613**	**1,609**
Options	12	−15	90	0	75	87
Forward-type contracts	2,210	−7,495	6,807	0	−688	1,522
Other investment	**132,423**	**4,721**	**−4,695**	**−238**	**−212**	**132,211**
Currency and deposits	71,883	−10,369	−1,831	−160	−12,361	59,522
Cash foreign currency	5,399	−609	−152	−10	−771	4,628
Demand and term deposits	66,484	−9,761	−1,679	−151	−11,590	54,894
long-term	9,213	721	59	−49	731	9,944
short-term	57,271	−10,482	−1,737	−102	−12,321	44,950
Loans	54,743	16,327	−2,787	−47	13,493	68,236
long-term	32,759	10,021	265	−17	10,269	43,028
short-term	21,984	6,306	−3,052	−30	3,224	25,208
Arrears	1,530	−927	−30	−13	−971	559
Other assets	4,267	−309	−47	−17	−374	3,894
long-term	1,446	201	−7	50	244	1,690
short-term	2,822	−510	−40	−68	−618	2,204

End

	Balance as of 1.01.2010	Transactions	Revaluations	Other changes in volume	Total changes	Balance as of 1.01.2011
	1	2	3	4	5	6
Liabilities	**179,122**	**17,651**	**7,260**	**587**	**25,498**	**204,621**
Direct investment in Russia	**25,911**	**5,460**	**−2,506**	**−190**	**2,764**	**28,674**
Equity capital and reinvested earnings	24,414	5,373	−2,455	−184	2,735	27,148
Other capital	1,497	87	−51	−6	29	1,526
Portfolio investment	**26,516**	**1,415**	**5,185**	**1,625**	**8,225**	**34,740**
Equity securities	22,415	1,254	5,129	1,635	8,018	30,433
Debt securities	4,101	161	56	−10	207	4,308
long-term	3,063	447	71	0	518	3,581
short-term	1,038	−286	−15	−11	−311	726
Financial derivatives	**5,082**	**−9,260**	**6,992**	**0**	**−2,268**	**2,814**
Options	1,781	−652	−338	0	−991	790
Forward-type contracts	3,302	−8,608	7,331	0	−1,277	2,024
Other investment	**121,614**	**20,037**	**−2,411**	**−848**	**16,778**	**138,392**
Demand and term deposits	30,026	10,249	−428	−159	9,662	39,688
long-term	14,652	2,848	−96	−74	2,678	17,330
short-term	15,374	7,401	−332	−85	6,984	22,358
Loans	89,343	9,024	−1,249	−664	7,111	96,454
long-term	80,208	2,938	−844	−328	1,766	81,974
short-term	9,135	6,086	−405	−336	5,345	14,480
Arrears	9	6	6	−14	−2	7
Other liabilities	2,237	758	−740	−11	7	2,244
long-term	521	84	−54	69	99	621
short-term	1,715	673	−686	−81	−93	1,623
International investment position, net	**−13,158**	**−15,866**	**−4,502**	**−883**	**−21,251**	**−34,409**

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[1]				
	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] *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 2011
(millions of US dollars)

	Foreign assets			Foreign liabilities			Balance of foreign assets and liabilities
	short-term	long-term	total	short-term	long-term	total	
Total	**62,312.6**	**24,034.1**	**86,346.7**	**20,393.0**	**54,447.8**	**74,840.7**	**11,505.9**
of which:							
CIS countries	**2,905.5**	**4,480.5**	**7,386.0**	**1,361.9**	**534.5**	**1,896.4**	**5,489.7**
of which:							
EurAsEC countries	1,619.3	1,269.8	2,889.1	899.6	372.3	1,271.8	1,617.2
Other countries	1,286.2	3,210.8	4,496.9	462.3	162.2	624.5	3,872.4
Non-CIS countries	**59,393.9**	**19,553.6**	**78,947.4**	**18,956.5**	**53,900.1**	**72,856.5**	**6,090.9**
of which:							
EU countries	43,769.2	17,171.2	60,940.4	14,285.2	49,007.9	63,293.0	−2,352.7
APEC countries	12,458.0	1,106.7	13,564.7	1,732.9	3,107.8	4,840.8	8,723.9
Other countries	3,166.7	1,275.7	4,442.4	2,938.4	1,784.4	4,722.7	−280.3
International financial organisations	**13.2**	**0.0**	**13.2**	**74.6**	**13.2**	**87.9**	**−74.7**
Memo item:							
OECD countries	53,346.2	19,110.4	72,456.5	15,681.3	51,412.1	67,093.5	5,363.1

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)

	2010												2011
	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	439.5	436.3	436.8	447.4	461.2	456.4	461.2	475.3	476.3	490.1	497.1	483.1	479.4
Foreign currency assets	416.7	413.5	413.3	423.3	435.6	429.0	433.0	448.0	447.1	458.3	463.8	448.8	443.6
Monetary gold	22.8	22.8	23.4	24.1	25.6	27.4	28.2	27.3	29.2	31.8	33.3	34.3	35.8

Table 34

YIELD ON BANK OF RUSSIA FOREIGN EXCHANGE RESERVES IN 2010 (percent p.a.)

	Actual	Standard
US dollar	1.16	1.17
Euro	1.26	1.24
Pound sterling	1.29	1.31
Yen	0.15	0.16

Table 35

BANK OF RUSSIA CURRENCY INTERVENTIONS IN 2010

Reporting period	Bank of Russia US dollar operations, millions of US dollars				Bank of Russia euro operations, millions of euros			
	Purchase		Sale		Purchase		Sale	
	Total	Target	Total	Target	Total	Target	Total	Target
January	1,582.42	1,582.42	0	0	462.5	462.5	0	0
February	6,703.82	2,631.62	0	0	302.03	159.22	0	0
March	14,483.51	3,064.99	0	0	442.91	173.81	0	0
April	11,336.70	4,172.65	0	0	411.84	169.65	0	0
May	4,317.16	3,445.46	0	0	1,063.96	698.76	0	0
June	1,660.64	1,660.64	0	0	416.99	416.99	0	0
July	464.27	464.27	0	0	29.3	29.3	0	0
August	1,078.35	1,078.35	0	0	135.64	135.64	0	0
September	0	0	1,172.47	1,172.47	0	0	207.67	207.67
October	0	0	3,230.28	2,119.40	0	0	437.55	280.67
November	0	0	4,759.77	2,635.63	0	0	626.85	376.58
December	0	0	720.32	720.32	0	0	167.49	167.49

Table 36

BASIC INDICATORS OF ROUBLE'S EXCHANGE RATES IN 2010

	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	30.43	29.95	29.36	29.29	30.50	31.20	30.19	30.66	30.40	30.78	31.31	30.48
Nominal exchange rates of US dollar in terms of roubles, period averages	29.94	30.19	29.56	29.20	30.35	31.17	30.68	30.34	30.84	30.32	30.97	30.85
Nominal exchange rates of US dollar in terms of roubles, period averages from the start of the year	29.94	30.07	29.90	29.72	29.85	30.06	30.15	30.17	30.25	30.25	30.32	30.36
Nominal exchange rates of euro in terms of roubles, end of period	42.46	40.80	39.70	38.70	37.63	38.19	39.47	39.03	41.35	42.73	41.57	40.33
Nominal exchange rates of euro in terms of roubles, period averages	42.82	41.27	40.13	39.23	38.34	38.11	39.09	39.22	40.10	42.10	42.40	40.79
Nominal exchange rates of euro in terms of roubles, period averages from the start of the year	42.82	42.04	41.39	40.84	40.33	39.95	39.83	39.75	39.79	40.01	40.22	40.27
Percent change over December 2009[1]												
Index of nominal exchange rates of rouble in terms of US dollars	0.0	−0.8	1.3	2.5	−1.4	−4.0	−2.4	−1.3	−2.9	−1.3	−3.3	−3.0
Index of nominal exchange rates of rouble in terms of euros	2.3	6.2	9.2	11.7	14.3	14.9	12.1	11.7	9.3	4.1	3.3	7.4
Index of nominal effective exchange rates of rouble vis-a-vis foreign currencies	1.3	3.2	5.6	7.3	7.6	6.9	5.6	5.3	3.0	0.3	−0.9	1.9
Index of real exchange rates of rouble in terms of US dollars	1.2	1.3	3.6	5.0	1.5	−0.7	1.3	2.9	2.0	4.1	2.7	4.0
Index of real exchange rates of rouble in terms of euros	4.2	8.7	11.7	14.3	17.4	18.6	16.2	16.3	14.5	9.4	9.4	14.5
Index of real effective exchange rates of rouble vis-a-vis foreign currencies	2.6	4.8	7.4	9.1	9.8	9.7	8.7	8.8	6.8	4.0	3.3	6.9

End

	January	February	March	April	May	June	July	August	September	October	November	December
Percent change over previous period[1]												
Index of nominal exchange rates of rouble in terms of US dollars	0.0	−0.8	2.1	1.3	−3.8	−2.6	1.6	1.1	−1.6	1.7	−2.1	0.4
Index of nominal exchange rates of rouble in terms of euros	2.3	3.8	2.8	2.3	2.3	0.6	−2.5	−0.3	−2.2	−4.7	−0.7	4.0
Index of nominal effective exchange rates of rouble vis-a-vis foreign currencies	1.3	1.8	2.4	1.6	0.3	−0.6	−1.3	−0.3	−2.1	−2.6	−1.2	2.8
Index of real exchange rates of rouble in terms of US dollars	1.2	0.1	2.3	1.4	−3.4	−2.1	2.0	1.6	−0.9	2.1	−1.3	1.3
Index of real exchange rates of rouble in terms of euros	4.2	4.3	2.8	2.3	2.7	1.1	−2.1	0.1	−1.6	−4.4	0.0	4.7
Index of real effective exchange rates of rouble vis-a-vis foreign currencies	2.6	2.2	2.5	1.6	0.7	−0.1	−0.9	0.1	−1.9	−2.6	−0.6	3.4

[1] *'+' 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)

	1.01.2010	1.04.2010	1.07.2010	1.10.2010	1.01.2011
Total	**467,245**	**463,411**	**457,421**	**476,639**	**488,654**
General government	**31,309**	**31,320**	**35,451**	**34,821**	**34,525**
Federal government	**29,475**	**28,882**	**32,964**	**32,338**	**32,166**
New Russian debt	***26,286***	***25,732***	***29,893***	***29,355***	***29,266***
Multilateral creditors	3,788	3,575	3,430	3,264	3,137
IBRD	*3,210*	*3,009*	*2,883*	*2,725*	*2,617*
Other	*578*	*566*	*547*	*539*	*520*
Other credits	1,000	901	839	819	777
Foreign currency bonds	20,348	19,876	24,332	23,736	23,111
Eurobonds due in 2015, 2018, 2020 and 2028	*1,786*	*1,689*	*6,161*	*6,305*	*6,091*
Eurobonds due in 2010 and 2030 (issued in the course of the second restructuring of debt to London Club of commercial bank creditors)	*18,135*	*17,760*	*17,741*	*16,997*	*16,590*
MinFin Foreign Currency Bonds (Series VII)	*427*	*427*	*429*	*433*	*431*
OFZ	811	1,050	976	1,218	1,914
Other	340	330	315	319	328
Debt of the former USSR	***3,189***	***3,149***	***3,072***	***2,983***	***2,900***
Paris Club member countries	11	9	9	9	9
Debt owed to former socialist countries	1,316	1,280	1,250	1,167	1,125
Other official creditors	1,810	1,809	1,762	1,756	1,714
MinFin Foreign Currency Bonds (Series III and IV)	1	1	1	1	1
Other	50	50	50	50	50
Local government	**1,834**	**2,439**	**2,486**	**2,483**	**2,359**
Loans	1,120	1,056	956	1,062	1,034
Rouble-denominated bonds	714	1,383	1,530	1,421	1,325

End

	1.01.2010	1.04.2010	1.07.2010	1.10.2010	1.01.2011
Monetary authorities	**14,630**	**12,226**	**11,916**	**12,233**	**12,035**
Loans (repo)	2,370				
Currency and deposits	3,365	3,612	3,524	3,403	3,295
Other (cumulative SDR allocations)	8,895	8,615	8,392	8,831	8,740
Banks	**127,212**	**129,028**	**122,118**	**140,038**	**144,225**
Debt liabilities to direct investors and to direct investment enterprises	1,497	1,496	1,468	1,569	1,526
Loans	89,343	88,464	83,216	89,979	96,454
Demand and term deposits	30,026	31,326	31,410	41,598	39,688
Debt securities	4,101	4,196	3,502	3,834	4,308
Other	2,245	3,546	2,522	3,058	2,250
Other sectors	**294,094**	**290,836**	**287,936**	**289,546**	**297,868**
Debt liabilities to direct investors and to direct investment enterprises	45,718	49,598	52,737	54,040	63,196
Loans	232,096	223,398	214,156	216,640	217,834
Debt securities	9,406	11,013	10,378	10,345	10,650
Financial leases	2,816	2,738	3,245	2,229	2,250
Other	4,058	4,090	7,420	6,292	3,938

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)

	1.01.2010	1.04.2010	1.07.2010	1.10.2010	1.01.2011
External debt of the Russian Federation	**467,245**	**463,411**	**457,421**	**476,639**	**488,654**
Short-term	52,669	52,316	54,667	64,648	60,490
Long-term	414,575	411,095	402,754	411,991	428,163
Public sector external debt[1]	**181,311**	**178,916**	**181,854**	**191,121**	**199,310**
Short-term	13,214	12,786	15,094	20,702	16,516
Long-term	168,097	166,130	166,761	170,419	182,794
General government	**31,309**	**31,320**	**35,451**	**34,821**	**34,525**
Short-term	462	451	846	896	449
Long-term	30,847	30,869	34,605	33,926	34,076
Monetary authorities	**14,630**	**12,226**	**11,916**	**12,233**	**12,035**
Short-term	5,734	3,612	3,524	3,403	3,295
Long-term	8,895	8,615	8,392	8,831	8,740
Banks	**50,188**	**51,625**	**50,690**	**61,723**	**63,386**
Short-term	6,343	7,864	9,752	15,393	12,151
Long-term	43,845	43,761	40,939	46,330	51,235
Other sectors	**85,185**	**83,745**	**83,798**	**82,344**	**89,364**
Short-term	676	860	972	1,012	622
Long-term	84,509	82,885	82,826	81,333	88,742
Private sector external debt[1]	**285,934**	**284,495**	**275,566**	**285,517**	**289,344**
Short-term	39,455	39,530	39,573	43,945	43,974
Long-term	246,479	244,965	235,993	241,572	245,370
Banks	**77,024**	**77,403**	**71,428**	**78,315**	**80,839**
Short-term	20,927	21,561	20,555	25,293	27,043
Long-term	56,097	55,841	50,873	53,022	53,797
Other sectors	**208,910**	**207,092**	**204,138**	**207,202**	**208,504**
Short-term	18,528	17,968	19,018	18,652	16,931
Long-term	190,382	189,124	185,120	188,550	191,573

[1] *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[1]

	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[2]			Current account balance, percent of GDP[3]			International foreign currency-denominated reserves, billions of US dollars[4]		
	2008	2009	2010	2008	2009	2010	2008	2009	2010	2008	2009	2010
United States	0.0	−2.6	2.9	0.1	2.7	1.5	−4.7	−2.7	−3.2	66.6	119.7	121.4
European Union (27 countries)[5]	0.5	−4.2	1.8	2.2	1.5	2.7	−0.9	−0.2	−0.1	494.9	640.8	682.6
Eurozone (16 countries)[6]	0.4	−4.1	1.8	1.6	0.9	2.2	−0.6	−0.2	0.1	218.7	282.8	300.3
Belgium	1.0	−2.8	2.1	2.7	0.3	3.4	−1.9	0.8	1.2	9.3	15.9	16.5
Germany	1.0	−4.7	3.6	1.1	0.8	1.9	6.7	5.0	5.3	43.1	59.9	62.3
Italy	−1.3	−5.2	1.3	2.4	1.1	2.1	−2.9	−2.1	−3.5	37.1	45.8	47.7
Spain	0.9	−3.7	−0.1	1.5	0.9	2.9	−9.7	−5.5	−4.5	12.4	18.2	19.1
Netherlands	1.9	−3.9	1.8	1.7	0.7	1.8	4.3	4.6	7.1	11.5	17.9	18.5
Slovak Republic	5.8	−4.8	4.0	3.5	0.0	1.3	−6.6	−3.6	−3.4	17.9	0.7	0.7
Finland	0.9	−8.2	3.1	3.4	1.8	2.8	2.9	2.3	3.1	7.0	9.7	7.3
France	0.2	−2.6	1.6	1.2	1.0	2.0	−1.9	−1.9	−2.1	33.6	46.6	55.8
Bulgaria	6.2	−5.5	0.2	7.8	0.6	4.5	−23.3	−10.0	−0.8	16.8	17.1	15.4
Hungary	0.8	−6.7	1.2	3.5	5.6	4.7	−7.3	−0.5	1.6	33.8	44.1	44.8
Denmark	−1.1	−5.2	2.1	2.4	1.4	2.8	2.4	3.8	5.0	40.5	74.3	73.5
Latvia	−4.2	−18.0	−0.3	10.5	−1.2	2.5	−13.1	8.6	3.6	5.0	6.6	7.3
Lithuania	2.9	−14.7	1.3	8.5	1.3	3.8	−13.4	4.5	1.8	6.3	6.5	6.6
Poland	5.1	1.7	3.8	3.3	3.5	3.1	−4.8	−2.2	−3.3	59.3	75.9	88.8
Romania	7.3	−7.1	−1.3	6.3	4.8	8.0	−11.6	−4.2	−4.2	36.9	40.8	43.4
United Kingdom	−0.1	−4.9	1.3	3.1	2.9	3.7	−1.6	−1.7	−2.5	44.3	55.7	68.3
Czech Republic	2.5	−4.1	2.4	3.6	1.0	2.3	−0.6	−1.1	−2.4	36.7	41.2	42.2
Sweden	−0.6	−5.3	5.5	2.1	2.8	2.1	8.7	7.2	6.5	25.9	42.9	42.6

End

	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[2]			Current account balance, percent of GDP[3]			International foreign currency-denominated reserves, billions of US dollars[4]		
	2008	2009	2010	2008	2009	2010	2008	2009	2010	2008	2009	2010
Switzerland	1.9	−1.9	2.6	0.7	0.3	0.7	2.3	11.5	14.2	45.1	98.2	223.5
Turkey	0.7	−4.8	8.9	10.1	6.5	6.4	−5.7	−2.3	−6.5	70.4	70.9	80.7
Belarus	10.2	0.2	7.6	13.3	10.1	9.9	−8.6	−13.0	−15.5	2.7	4.8	3.4
Ukraine	1.9	−14.8	4.2	22.3	12.3	9.1	−7.1	−1.5	−1.9	30.8	25.6	33.3
Kazakhstan	3.2	1.2	7.0	9.5	6.2	7.8	4.6	−3.7	2.5	17.9	20.7	25.2
Japan	−1.2	−6.3	3.9	0.4	−1.7	0.0	3.2	2.8	3.6	1,009.4	1,022.2	1,061.5
China	9.6	9.2	10.3	1.2	1.9	4.6	9.6	6.0	5.2	1,949.3	2,416.0	2,866.1
Korea, Republic of	2.3	0.2	6.1	4.1	2.8	3.5	0.3	3.9	2.8	201.1	269.9	291.5
India	6.2	6.8	10.4	9.7	15.0	9.5	−2.0	−2.8	−3.2	247.4	265.2	275.3
Brazil	5.2	−0.6	7.5	5.9	4.3	5.9	−1.7	−1.5	−2.3	192.8	237.4	287.1

[1] According to official sources of statistical information of corresponding countries, the EUROSTAT agency, and the IMF as of 13 April 2011.
[2] 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.
[3] '+' denotes surplus, '−' denotes deficit.
[4] As of end of year; including monetary authorities' assets in foreign currency and SDRs, and reserve position in the IMF (each country's reserve share and credit position in the IMF). 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. International reserves of China as of October 2010 (based on IMF data).
[5] Austria, Belgium, Bulgaria, Hungary, Germany, Greece, Denmark, Ireland, Spain, Italy, Cyprus, Latvia, Lithuania, Luxembourg, Malta, the Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, the United Kingdom, Finland, France, the Czech Republic, Sweden, and Estonia.
[6] Austria, Belgium, Germany, Greece, Ireland, Spain, Italy, Cyprus, Luxembourg, Malta, the Netherlands, Portugal, Slovakia, Slovenia, Finland, and France.

Table 40

CIS BANKING STATISTICS INDICATORS[1]

	Azerbaijan	Armenia	Belarus	Kazakhstan	Kyrgyzstan	Moldova	Russia	Tajikistan	Ukraine
Official central (national) bank rate (refinancing rate), as of end of year, percent:									
2009	2	5	13.5	7	0.9	5	8.75	8	10.25
2010	3	7.25	10.5	7	5.5	7	7.75	8.25	7.75
Official central (national) bank exchange rate (units of national currency) as of end of year									
against Russian rouble:									
2009	0.0266	12.50	94.66	4.92	1.4984	0.4066	—	0.1430	0.2640
2010	0.0263	11.91	98.44	4.84	1.5375	0.3978	—	0.1465	0.2612
against US dollar:									
2009	0.8031	377.89	2,863	148.36	44.0917	12.3017	30.2442	4.3710	7.9850
2010	0.7979	363.44	3,000	147.40	47.0992	12.1539	30.4769	4.4031	7.9617
against euro:									
2009	1.1499	542.23	4,106.11	212.84	63.5229	17.6252	43.3883	6.2839	11.4489
2010	1.0560	481.16	3,972.60	195.23	61.7949	16.1045	40.3331	5.9105	10.5731
Number of registered commercial banks (as of end of year):									
2009	46	22	33	38[2]	22	15	1,124	17	197
2010	45	21	32	39[2]	22	15	1,084	18	194

[1] *According to data compiled by CIS national (central) banks.*
[2] *According to data provided by the Agency for Regulation and Supervision of the Financial Market and Financial Institutions of the Republic of Kazakhstan.*

Table 41

MONEY SUPPLY (NATIONAL DEFINITION) AND ITS STRUCTURE

	As of 1.01.2010[1]		As of 1.01.2011		1.01.2011 as a percentage of 1.01.2010
	billions of roubles	percent	billions of roubles	percent	
Money supply (M2), total	**15,267.6**	**100.0**	**20,011.9**	**100.0**	**131.1**
of which:					
— cash in circulation (M0)[2]	4,038.1	26.4	5,062.7	25.3	125.4
— cashless funds	11,229.5	73.6	14,949.1	74.7	133.1
of which:					
— non-financial organisation funds	5,622.5	36.8	6,896.1	34.5	122.7
— household deposits	5,607.0	36.7	8,053.1	40.2	143.6

[1] Data as 1 January 2010 have been specified according to the changes made to the methodology for calculating money supply components (see Bulletin of Banking Statistics, 2011, No. 2).
[2] Cash in circulation outside the banking system.

Table 42

MONETARY BASE AND ITS STRUCTURE

	As of 1.01.2010		As of 1.01.2011		1.01.2011 as a percentage of 1.01.2010
	billions of roubles	percent	billions of roubles	percent	
Monetary base (broad definition)	**6,467.3**	**100.0**	**8,190.3**	**100.0**	**126.6**
of which:					
— cash in circulation, including balances in credit institutions' cash vaults[1]	4,622.9	71.5	5,785.2	70.6	125.1
— credit institutions' correspondent accounts with the Bank of Russia[2]	900.3	13.9	994.7	12.1	110.5
— required reserves[3]	151.4	2.3	188.4	2.3	124.4
— credit institutions' deposits with the Bank of Russia	509.0	7.9	633.2	7.7	124.4
— Bank of Russia bonds held by credit institutions[4]	283.7	4.4	588.9	7.2	2.1 times

[1] Excluding cash in Bank of Russia establishments' cash vaults.
[2] Balances of rouble-denominated accounts, including the average amount of required reserves.
[3] Balances of required reserve accounts deposited by credit institutions with the Bank of Russia on funds attracted in roubles and foreign currency.
[4] At market value.

Table 43

BANK OF RUSSIA INTEREST RATES IN 2010 (percent p.a.)

Type of instrument	Purpose	Instrument	Maturity	As of 1.01.2010	From 24.02.2010	From 29.03.2010	From 30.04.2010	From 1.06.2010	From 27.12.2010
Open market operations (minimum/maximum interest rates)	Providing liquidity	Lombard auctions	7 days	—	—	—	5.25	5.00	5.00
			14 days	6.00	5.75	5.50	—	—	—
			3 months	7.50	7.25	7.00	6.75	6.50	6.50
			6 months[1]	8.00	7.75	7.50	7.25	7.00	7.00
			12 months[2]	8.50	8.25	8.00	7.75	7.50	7.50
		Auction-based (exchange and over-the-counter) repo	1 day	6.00	5.75	5.50	5.25	5.00	5.00
			7 days	6.00	5.75	5.50	5.25	5.00	5.00
			90 days	7.50	7.25	7.00	6.75	6.50	6.50
			6 months[2]	8.00	7.75	7.50	7.25	7.00	7.00
			12 months[2]	8.50	8.25	8.00	7.75	7.50	7.50
		Unsecured loans	1 week[3]	10.00	10.00	10.00	10.00	10.00	10.00
			5 weeks[3]	10.25	10.25	10.25	10.25	10.25	10.25
			3 months[1]	10.50	10.50	10.50	10.50	10.50	10.50
			6 months[2]	10.75	10.75	10.75	10.75	10.75	10.75
			12 months[2]	11.25	11.25	11.25	11.25	11.25	11.25
	Absorbing liquidity	Deposit auctions	4 weeks[4]	5.75	5.50	5.25	5.00	4.75	5.00
			3 months[3]	6.75	6.50	6.25	6.00	5.75	6.00

End

Type of instrument	Purpose	Instrument	Maturity	As of 1.01.2010	From 24.02.2010	From 29.03.2010	From 30.04.2010	From 1.06.2010	From 27.12.2010
Standing facilities (fixed interest rates)	Providing liquidity	Overnight loans	1 day	8.75	8.50	8.25	8.00	7.75	7.75
		Lombard loans	1 day	7.75	7.50	7.25	7.00	6.75	6.75
			7 days	7.75	7.50	7.25	7.00	6.75	6.75
			30 days	7.75	7.50	7.25	7.00	6.75	6.75
		Repo	1 day	7.75	7.50	7.25	7.00	6.75	6.75
			7 days	7.75	7.50	7.25	7.00	6.75	6.75
			12 months	8.50	8.25	8.00	7.75	7.50	7.50
		Currency swap	1 day	8.75	8.50	8.25	8.00	7.75	7.75
		Loans extended against the collateral of non-market assets or guarantees	Up to 90 days	7.75	7.50	7.25	7.00	6.75	6.75
			From 91 to 180 days	8.25	8.00	7.75	7.50	7.25	7.25
			From 181 to 365 days[2]	8.75	8.50	8.25	8.00	7.75	7.75
	Absorbing liquidity	Deposit operations	Overnight	—	—	2.75	2.50	2.50	2.75
			Tom-next, spot-next and call	3.50	3.25	3.00	2.75	2.50	2.75
			1 week, spot-week	4.00	3.75	3.50	3.25	2.75	3.00
Memo item:									
Refinancing rate				8.75	8.50	8.25	8.00	7.75	7.75

[1] *Operations were suspended from 1 October 2010.*
[2] *Operations were suspended in April 2010.*
[3] *Operations were suspended from 1 January 2011.*
[4] *4 weeks were replaced by 1 month.*

Table 44

BANKING SECTOR SURVEY (billions of roubles)

	1.01.2010	1.01.2011	1.01.2011 as a percentage of 1.01.2010
Net foreign assets	13,904.7	14,993.6	107.8
Claims on non-residents	18,215.7	19,774.8	108.6
Obligations to non-residents	4,311.1	4,781.2	110.9
Domestic claims	13,241.8	17,468.2	131.9
Net claims on government	–5,174.0	–3,318.7	—
Claims on federal government	1,235.7	1,722.7	139.4
Claims on regional government and local self-government bodies	503.2	584.2	116.1
Obligations to federal government	6,261.2	4,832.9	77.2
Obligations to regional government and local self-government bodies	651.6	792.7	121.7
Claims on other sectors	18,415.9	20,786.9	112.9
Other financial organisations	564.4	649.0	115.0
Non-financial government organisations	287.0	299.3	104.3
Other non-financial organisations	13,631.8	15,312.8	112.3
Households	3,932.6	4,525.8	115.1
Obligations included in broad money	19,095.8	23,791.2	124.6
Cash outside banking system	4,038.1	5,062.7	125.4
Transfer deposits	4,247.6	5,762.6	135.7
Other financial organisations	194.5	282.5	145.2
Non-financial government organisations	461.5	526.2	114.0
Other non-financial organisations	2,457.8	3,311.4	134.7
Households	1,133.8	1,642.4	144.9
Other deposits	10,810.1	12,965.8	119.9
Other financial organisations	621.4	603.3	97.1
Non-financial government organisations	180.2	202.9	112.6
Other non-financial organisations	3,600.2	3,893.5	108.1
Households	6,408.3	8,266.0	129.0
Deposits not included in broad money	336.4	289.0	85.9
Securities other than shares not included in broad money	617.9	643.1	104.1
Shares and other stakeholdings in capital	6,181.4	6,921.1	112.0
Other items (net)	915.0	817.5	89.3
Other liabilities	3,616.8	3,767.4	104.2
Other assets	2,351.6	2,591.5	110.2
Consolidating correction	–350.1	–358.4	—

Table 45

SURVEY OF CREDIT INSTITUTIONS (billions of roubles)

	1.01.2010	1.01.2011	1.01.2011 as a percentage of 1.01.2010
Net foreign assets	880.9	646.5	73.4
Claims on non-residents	4,850.2	5,160.6	106.4
Foreign currency	163.2	141.0	86.4
Deposits	2,036.3	1,694.0	83.2
Securities other than shares	739.0	821.2	111.1
Loans	1,723.5	2,123.0	123.2
Other	188.1	381.3	2 times
Obligations to non-residents	3,969.2	4,514.1	113.7
Deposits	932.6	1,239.1	132.9
Securities other than shares	124.0	131.3	105.9
Loans	2,775.3	3,011.6	108.5
Other	137.3	132.2	96.3
Claims on the Bank of Russia	2,599.1	3,127.5	120.3
Cash foreign currency	584.9	722.4	123.5
Deposits	1,730.6	1,816.2	104.9
Securities other than shares	283.7	588.9	2 times
Net claims on government	484.2	753.9	155.7
Claims on federal government	878.5	1,375.4	156.6
Securities	851.6	1,357.0	159.3
Other claims	26.8	18.3	68.3
Claims on regional government and local self-government bodies	501.8	583.8	116.3
Securities	269.0	318.2	118.3
Other claims	232.8	265.6	114.1
Obligations to federal government	666.2	881.6	132.3
Deposits	652.5	864.1	132.4
Other obligations	13.7	17.5	127.7
Obligations to regional government and local self-government bodies	229.8	323.6	140.8
Deposits	229.8	323.6	140.8
Other obligations	—	—	—
Claims on other sectors	18,246.9	20,671.4	113.3
Other financial organisations	396.8	535.2	134.9
Non-financial government organisations	287.0	299.3	104.3
Other non-financial organisations	13,630.5	15,311.1	112.3
Households	3,932.6	4,525.8	115.1
Obligations to the Bank of Russia	1,906.4	583.5	30.6
Deposits included in broad money	14,896.6	18,585.7	124.8
Transfer deposits	4,132.1	5,628.6	136.2
Other financial organisations	193.9	279.7	144.2
Non-financial government organisations	354.7	404.2	114.0
Other non-financial organisations	2,449.8	3,302.3	134.8
Households	1,133.8	1,642.4	144.9

End

	1.01.2010	1.01.2011	1.01.2011 as a percentage of 1.01.2010
Other deposits	10,764.4	12,957.1	120.4
Other financial organisations	575.7	594.6	103.3
Non-financial government organisations	180.2	202.9	112.6
Other non-financial organisations	3,600.2	3,893.5	108.1
Households	6,408.3	8,266.0	129.0
Deposits not included in broad money	336.4	289.0	85.9
Securities other than shares not included in broad money	617.9	643.1	104.1
Shares and other stakeholdings in capital	4,082.3	4,562.2	111.8
Other items (net)	371.6	535.9	144.2
Other liabilities	2,738.9	3,074.6	112.3
Other assets	2,100.3	2,262.8	107.7
Consolidating correction	−267.0	−275.8	—

Table 46

CORRECTIVE MEASURES TAKEN AGAINST CREDIT INSTITUTIONS IN 2010

No.	Description of measures	Number of banks
	Preventive measures	
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	994
2	Calling a meeting	510
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.)	172
	Punitive measures	
4	Fines[1]	280
	of which:	
4.1	for non-compliance with reserve requirements	26
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	261
5	Restrictions on individual banking operations conducted by credit institutions,	76
	such as:	
5.1	taking personal deposits	35
5.2	settlements on behalf of corporate entities relating to transfer of funds to budgets of all levels and government extra-budgetary funds	21
6	Prohibiting credit institutions from conducting individual banking operations[1]	42
	such as:	
6.1	taking personal deposits	15
6.2	opening personal bank accounts, including unallocated metal accounts (demand and time accounts)	15
6.3	other	41
	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	616
	of which:	
7.1	orders to comply with Bank of Russia required ratios	5
7.2	orders to replace managers	6
8	Prohibiting credit institutions from opening branches	31
9	Appointing provisional administrations to credit institutions without revoking their licences	2[2]
10	Banking licence revocation	27

[1] 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.
[2] The Deposit Insurance Agency was appointed as provisional administrator.
As of 1 January 2011, 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 with regard to one credit institution.
As of 1 January 2011, there were no credit institutions with a backlog of non-executed settlement documents on payments to budgets of all levels.

Table 47

RUSSIAN PAYMENT SYSTEM KEY INDICATORS

	2009	2010
Institutional structure of Russian payment system[1]		
Number of payment system participants:	4,871	4,546
— Bank of Russia establishments	630	608
— credit institutions	1,058	1,012
of which:		
— non-bank settlement credit institutions	47	53
— branches of credit institutions	3,183	2,926
Memo item:		
Number of additional offices of credit institutions (branches)	21,667	22,002
Number of other internal divisions of credit institutions (branches)[2]	15,822	16,356
of which:		
— operations offices	2,109	2,996
Number of accounts opened by payment system participants for customers other than credit institutions[3], million	505.1	539.3
of which:		
— personal accounts	498.7	532.7
— accounts of corporate entities other than credit institutions	6.4	6.6
Payments effected by Russian payment system[4]		
Number of payments, thousands		
Total	**2,723,796.7**	**2,945,865.0**
of which payments effected by individual payment systems:		
— Bank of Russia payment system	942,943.4	1,058,979.6
— interbank private payment systems	86,495.3	166,721.8
— intrabank payment systems between divisions of one bank	428,012.5	373,116.0
Volume of payments, billions of roubles		
Total	**877,514.7**	**940,135.4**
of which payments effected by individual payment systems:		
— Bank of Russia payment system	609,865.7	653,352.9
— interbank private payment systems	33,946.5	24,180.3
— intrabank payment systems between divisions of one bank	110,637.1	113,268.4

End

	2009	2010
Cashless payment instruments used by credit institutions and their customers other than credit institutions		
Number of payments, thousands		
Total	**2,836,372.3**	**3,561,079.5**
of which effected using:		
— credit transfers[5]	1,844,475.4	2,452,834.2
— direct debits[6]	136,071.0	136,668.2
— cheques	9.8	7.1
— other payment instruments[7]	855,816.2	971,570.0
Volume of payments, billions of roubles		
Total	**321,063.2**	**318,188.5**
of which effected using:		
— credit transfers[5]	314,045.4	311,928.9
— direct debits[6]	2,225.4	1,330.1
— cheques	3.5	2.2
— other payment instruments[7]	4,788.9	4,927.4
Payment card market key indicators		
Number of payment cards issued by Russian credit institutions, thousands[1]	126,032.8	144,418.8
of which:		
— credit cards	8,600.5	10,047.4
Total number of payment card operations in Russia and abroad, thousands[8]	2,492,143.7	3,174,455.5
of which:		
— operations conducted using credit cards	55,421.3	81,159.1
Total volume of payment card operations in Russia and abroad, billions of roubles[8]	10,068.5	13,176.6
of which:		
— operations conducted using credit cards	185.0	270.9

[1] As of end of year.
[2] Operations offices, cash and credit offices, and external cash desks.
[3] Accounts that can be used to effect payments.
[4] Including 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.
[5] Including payments effected using payment orders and letters of credit as well as personal remittances without opening a bank account to the remitter.
[6] Including payments effected using payment requests and collection orders.
[7] Data for 2009 include operations to pay fees and interests using memorial orders and data for 2010 include payments effected using banking orders.
[8] 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 2009.

Table 48

BANK OF RUSSIA PAYMENT SYSTEM

	2009	2010
Number of customers served[1]	18,042	15,238
of which:		
— credit institutions	1,058	1,012
— branches of credit institutions	2,253	2,111
— customers other than credit institutions	14,730	12,115
Number of payments effected, thousands	942,943.0	1,058,979.6
of which:		
— by credit institutions and their branches	775,747.0	881,006.1
— by customers other than credit institutions	166,414.0	177,181.2
— by Bank of Russia divisions	782.0	792.3
Volume of payments effected, billions of roubles	609,866.0	653,352.9
of which:		
— by credit institutions and their branches	454,544.0	514,292.1
— by customers other than credit institutions	58,285.0	62,765.6
— by Bank of Russia divisions	97,037.0	76,295.2
Number of electronic payments, thousands	941,280.0	1,058,066.7
Volume of electronic payments, billions of roubles	608,978.0	652,631.9
Number of Bank of Russia establishments participating in intraregional electronic settlements[1]	630	608
Number of Bank of Russia establishments participating in interregional electronic settlements[1]	628	608
Number of Bank of Russia establishments participating in the BESP system[1]	n.a.	292
Total number of customers exchanging electronic documents[1]	4,504	4,573
of which:		
— credit institutions and their branches	3,224	3,079
— Federal Treasury bodies	404	332
— customers other than credit institutions	876	1,162
Number of payments received through communication channels, thousands[2]	923,810.0	1,037,625.0
Number of payments effected on paper, thousands	1,663.0	912.9
Volume of payments effected on paper, billions of roubles	888.0	721.0

[1] *As of end of year.*
[2] *Based on reporting form compiled according to methodology that differs from methodology for calculating other Bank of Russia payment system indicators.*

Table 49

STRUCTURE OF BANK OF RUSSIA BANKNOTES IN CIRCULATION

Denomination, roubles	Total in circulation, millions of roubles		Percent of 1.01.2010	Share, percent	
	as of 1.01.2010	as of 1.01.2011		as of 1.01.2010	as of 1.01.2011
5,000	1,861,456.6	2,859,571.4	153.6	40.4	49.7
1,000	2,105,547.2	2,261,653.8	107.4	45.8	39.3
500	488,709.5	486,985.1	99.6	10.6	8.5
100	105,800.0	108,529.8	102.6	2.3	1.9
50	29,440.3	31,419.5	106.7	0.6	0.5
10	12,485.0	8,167.3	65.4	0.3	0.1
5	36.0	35.9	99.7	0.0	0.0
Total balance sheet number of banknotes of 1997 issue	**4,603,474.6**	**5,756,362.8**	**125.0**	**100.0**	**100.0**

Table 50

STRUCTURE OF BANK OF RUSSIA COINS IN CIRCULATION[1]

Denomination	Total in circulation, millions of roubles		Percent of 1.01.2010	Share, percent	
	as of 1.01.2010	as of 1.01.2011		as of 1.01.2010	as of 1.01.2011
1 kopeck	72.4	72.6	100.3	0.3	0.2
5 kopecks	286.4	288.0	100.6	1.1	0.8
10 kopecks	1,755.3	1,947.7	111.0	6.7	5.4
50 kopecks	2,101.5	2,355.3	112.1	8.0	6.6
1 rouble	4,943.8	5,364.3	108.5	18.8	14.9
2 roubles	3,940.3	4,369.2	110.9	15.0	12.2
5 roubles	8,227.1	9,091.4	110.5	31.4	25.3
10 roubles	4,914.4	12,441.4	253.2	18.7	34.6
Total balance sheet number of coins of 1997 issue	**26,241.2**	**35,929.9**	**136.9**	**100.0**	**100.0**

[1] *Excluding coins made from precious metals.*

Table 51

BANK OF RUSSIA STAKEHOLDINGS IN RUSSIAN AND FOREIGN CREDIT INSTITUTIONS AND OTHER ORGANISATIONS

Name of organisation, place of registration	Currency	Nominal value of Bank of Russia-owned shares		Bank of Russia share as of 1.01.2011, percent	
		as of 1.01.2010	as of 1.01.2011	in authorised capital	in voting capital
Sberbank, Moscow	thousand roubles	39,019,407	39,019,407	57.58	60.25
Moscow Interbank Currency Exchange (MICEX), Moscow[1]	thousand roubles	331,940	474,650	36.82	36.82
St Petersburg Currency Exchange (SPCEX), St Petersburg	thousand roubles	302	302	8.90	8.90
National Depository Centre (NDC), Moscow[2]	thousand roubles	24,500	—	—	—
Bank for International Settlements, Basel	SDR	16,055,000	16,055,000	0.59	0.55
Society for Worldwide Interbank Financial Telecommunications (S.W.I.F.T.), Belgium	euro	875	875	0.006	—
Interstate Bank, Moscow	thousand roubles	10,000	10,000	50.00	50.00

[1] In 2010, Bank of Russia share in the authorised capital of MICEX increased from 29.79% to 36.82% as a result of measures carried out in July 2010 in pursuance of the Bank of Russia Board of Directors' decision to acquire shares of MICEX additional issue through paying with NDC shares owned by the Bank of Russia.
[2] In July 2010, the Bank of Russia withdrew from the capital of NDC.

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