

THE CENTRAL BANK OF THE RUSSIAN FEDERATION



A N N U A L **2 0 0 9** R E P O R T



Approved by the Bank of Russia Board of Directors on May 13, 2010

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INTRODUCTION

The Bank of Russia Annual Report for 2009, compiled in accordance with the Federal Law on the Central Bank of the Russian Federation (Bank of Russia), reflects the results of the Bank of Russia's performance in 2009 and 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 the beginning of 2009, the Russian economy had passed through an acute phase of the global economic crisis, which was characterised by high devaluation pressure and expectations of a further depreciation of the rouble, as well as capital outflow, a shortage of liquidity, a sharp fall in the banking sector's lending activity, rapid inflation and a dramatic GDP contraction. The principal objective of the Bank of Russia in that period was to overcome these adversities and create conditions conducive to economic and financial recovery. Realising the importance and significant influence of the exchange rate on all sectors of the economy, the Bank of Russia, first of all, had to stabilise the exchange rate of the rouble at a level that would match the changed fundamental conditions. To this end, in January 2009 it continued to bring about the gradual and managed devaluation of the rouble

which had been completed by the end of the month. The gradual depreciation of the national currency allowed economic agents, overburdened with foreign debt, to adjust to the new conditions and avoid mass private defaults.

By March, the stabilisation of the rouble's exchange rate and improved terms of trade had stabilised the situation on the foreign exchange market and enhanced the effectiveness of the measures taken by the government and the Bank of Russia to support the banking system, financial markets, real economy and population.

In the subsequent months, the economic situation began to change for the better. The resumed growth in global oil prices and the inflow of foreign exchange to the balance of payments current account created conditions for the rouble's appreciation and for the gradual expansion of international reserves. A rise in output was registered at the end of the year.

However, the overall results of the year were worse than expected in the official forecast established as the basis for budget projections. GDP contracted after a decade of growth. The significant increase in unemployment affected the economic behaviour of households, which reduced consumption and increased savings. There was no expected transformation of savings into investments,

mostly because of persistent risk, an uncertain outlook and the difficult financial situation of organisations. Fixed capital investment declined.

In the early months of 2009, the significant fall in output, rapid inflation, heightened demand for foreign currency and the decline in asset prices adversely impacted the dynamics of money demand. As the foreign exchange market situation steadied, devaluation expectations subsided and the rouble gained strength, demand for the national currency as a store of value gradually increased. The annual rates of growth in all monetary aggregates began to quicken in the second half of 2009, with rouble deposits growing particularly fast.

The role of budget expenditure increased significantly in 2009 as a source of aggregate money supply, while the importance of bank lending noticeably declined because of high credit risk.

The government's anti-crisis programme allowed credit institutions to expand their assets, preserve the confidence of private customers and ensure higher growth in household deposits as compared with 2008.

The financial problems of banks' borrowers led to the deterioration of the quality of the credit portfolio, forcing credit institutions to boost loan loss provisions. That was the main reason for

the contraction of their positive net financial result and the rise in the number of loss-making credit institutions. The rates of return on assets and equity declined to their lowest levels in the past few years.

The consistent reduction (beginning in April 2009) of interest rates on Bank of Russia operations and the measures taken by the Bank of Russia and the government in support of the banking sector stabilised the liquidity situation, and caused interest rates on loans to non-financial organisations to start falling in the second half of 2009.

By the end of the year, as the economic situation stabilised, favourable changes were registered in the dynamics of overdue debt to non-financial organisations and the mortgage market gradually began to recover. However, there remained factors that prevented growth in bank lending, such as the low level of economic activity and the consequent decline in the real sector's demand for credit.

The functioning of the Bank of Russia payment system in 2009 confirmed its high fidelity and efficacy. The technological and organisational development of the banking electronic speed payment system led to the expansion of its capabilities, improved the quality of the services it provides and stimulated demand for it.



**THE ECONOMIC AND
FINANCIAL SITUATION
IN RUSSIA**

I

I.1. GLOBAL ECONOMY AND INTERNATIONAL MARKETS

The external economic conditions for the Russian economy in 2009 were affected by the global economic recession and the aftermath of the large-scale financial crisis, of which the most acute phase started in September 2008 and lasted through the beginning of the year under review. In that period the financial institutions of the leading industrialised nations faced highly increased risks caused by problems in the mortgage sector of the credit market, and on the securitised asset markets. In the beginning of the year, the situation was characterised by investors' preference for the most secure financial assets, low liquidity in most segments of the world financial markets, highly increased interest rate differentiation in various market segments and the outflow of private capital from the emerging markets.

The financial turmoil led to a significant decline in economic activity around the world. The International Monetary Fund (IMF) and World Bank have estimated that total global output of goods and services fell by 0.6—1.0% in 2009, amid the contraction of international trade by 10.7—14.4%. GDP contracted by 2.4% in the United States, 4.1% in the eurozone (5.0% in Germany, 2.2% in France and 5.0% in Italy), 4.9% in the UK and 5.2% in Japan. In December 2009, the unemployment rate reached 10% of the economically active population in the United States and was close to 10% in the

eurozone. China's GDP continued to expand, owing to growth in domestic demand, but its rates of increase slowed to 8.7% from 9.6% in 2008.

The economic recession slowed inflation in the countries that are Russia's leading trading partners. The general levels of consumer prices in the United States in March—October 2009 and in the eurozone in June—October 2009 were lower than in the same periods of 2008. However, in November—December 2009, inflation returned to positive ground. Price growth in 2009 (December on December of the previous year) was 2.7% in the United States and 0.9% in the eurozone (in 2008 these figures were 0.1% and 1.6%, respectively).

The leading industrialised nations continued to register persistently positive rates of core inflation, which precluded the most volatile components (such as a change in fluctuating energy and food prices). In 2009, core inflation ran at a rate of 1.4—1.9% in the United States (month on month of the previous year) and 1.0—1.8% in the eurozone (in 2008, the respective percentages were 1.8—2.5% and 1.6—2.0%).

In the fourth quarter of 2008 and the beginning of 2009, the governments and central banks of many countries took urgent steps to fight the crisis in the financial sector. They increased guarantees for bank deposits, introduced guarantees for different types of bank obligations, helped banks to increase their capitalisation, gave support to

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

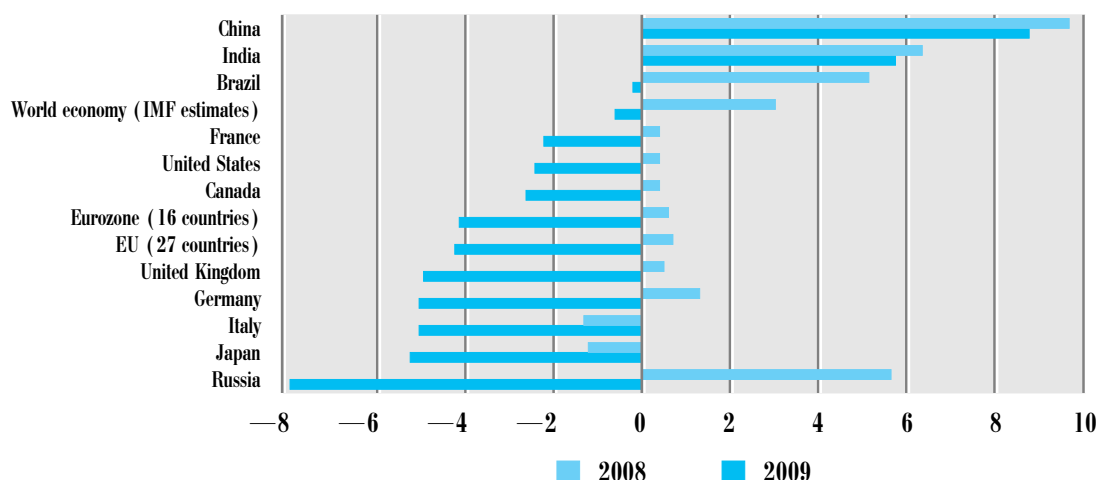


Chart 1

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

individual systemically important financial institutions and lowered the required reserve ratios. The change in the terms of the refinancing operations conducted by central banks (provisional use of additional refinancing instruments) helped provide liquidity to banks on flexible conditions in terms of maturity, collateral and, in some cases, wider range of counterparties. Central banks concluded interim currency swap agreements for the purpose of conducting foreign currency interventions on the domestic money markets.

Interest rates on central bank monetary policy instruments were cut. In the fourth quarter of 2008, some countries reduced interest rates to a minimum, and left them unchanged in 2009 owing to the large-scale operations conducted by their central banks to provide liquidity to banks and the low level of interest rates before the financial crisis.

The US Federal Reserve in December 2008 set the benchmark federal funds rate within a range of 0% to 0.25% p.a. The Bank of Japan in the fourth quarter of 2008 cut its analogous benchmark rate from 0.5% to 0.1% p.a.

The People's Bank of China did not change its monetary policy in 2009; in September–December 2008 it had cut the benchmark interest rates on yuan-denominated deposits and loans and lowered the required reserve ratios for banks.

Many countries continued or began to cut their monetary policy interest rates in 2009. In the

period from January to May 2009, the European Central Bank (ECB) reduced its refinancing rate from 2.5% to 1% p.a. after it had cut it by 1.75 percentage points in the fourth quarter of 2008. Interest rates on monetary policy instruments were cut in non-eurozone countries, such as the UK, as well as in economic giants such as Canada, Australia, Brazil, Mexico, India, Indonesia, Republic of Korea and Turkey and many other countries, including Ukraine and Kazakhstan.

Central banks also actively sought to create conditions that would make funding easier for economic agents. To influence interest rates on the futures segments of the money market, they provided liquidity to banks for longer periods.

In 2009, some central banks switched to a monetary policy that was based on setting quantitative benchmarks for the purchase of securities in order to maintain a high level of liquidity in the banking systems. In March 2009, the US Federal Reserve purchased, as planned, a total of more than \$1.7 trillion in government bonds and federal mortgage agencies' securities. After cutting the official interest rate to 0.5% p.a., the Bank of England, in March 2009, began to buy government bonds, corporate bonds and commercial paper. Initially set at 75 billion pounds, the total amount of these purchases was later increased to 200 billion pounds.

The Bank of Japan in December 2008 expanded the purchase of government securities, and in 2009 it was buying corporate bonds and commercial paper. In addition to conducting the main short-term refinancing operations, the ECB provided liquidity to banks for longer periods (three months and more), including 12 months. In July 2009, the European System of Central Banks (ESCB) began to implement a 12-month programme to purchase 60 billion euros of asset-backed corporate bonds.

The anti-crisis measures taken by governments and central banks helped gradually stabilise the situation on the financial markets. Differences narrowed between interest rates in segments of the market with different levels of credit risk. One sign of the lessening of tension was the narrowing in the first quarter of 2009 of the spreads between interbank interest rates and yields on short-term assets with the lowest level of credit risk, which had increased sharply in the fourth quarter of 2008.

Risk premiums decreased on corporate bonds and eurobonds placed by residents with different sovereign credit ratings, whereas the value of debt securities placed by corporations increased. According to the Bank for International Settlements (BIS), the net issue of eurobonds by borrowers registered in the emerging markets resumed in the second quarter of 2009 after a six-month break.

At the same time, things went wrong on foreign credit markets. The economic recession increased the proportion of non-performing loans in the banks' loan portfolios (in the United States, for example, it grew from 4.9% to 7.4%). In a bid to avoid an additional increase in credit risk, banks pursued a conservative policy on the credit markets, despite growth in banking sector liquidity. The tightening of the credit terms and conditions by the banks, along with the fall in demand for bank loans, affected lending volumes in the real sector.

Interest rates in foreign countries fell in 2009 under the impact of the economic recession and the easing of monetary policy. Interest rates in the leading economies (the United States and eurozone) moved closer together and the yield of low-risk US dollar-denominated medium- and long-term assets was mostly slightly higher than the yield of similar assets denominated in euros.

The interest rate differentials between these economies and other countries where interest rates were also falling decreased. However, there remained a significant difference between interest rates and yields on assets denominated in major world currencies and assets denominated in the currencies of the leading emerging market economies.

As the financial markets stabilised, short-term capital began to return from the more secure segments to riskier segments, including the stock and commodity exchange markets. This process was stimulated by the low level of interest rates in the leading industrial economies and low prices of financial assets. Growth on the world's stock markets resumed in March 2009. Over the year, the Dow Jones Industrial Average gained 21% (December on December 2008) and Standard & Poor's 500 rose by 27%. The DJ STOXX 600 index for the European market gained 25%. China's stock indices rose by more than 60% on the Shanghai and Hong Kong markets.

Financial market developments were affected by the movement of capital from countries with low interest rates, including the United States, to countries with relatively high interest rates. The US dollar in 2009 was mostly losing its value against the euro and some other currencies.

Since the middle of 2008, the People's Bank of China had maintained the yuan at a stable rate of 6.82—6.85 yuan to the US dollar. In the second quarter of 2009, China's international reserves exceeded \$2 trillion, and at the end of the year they stood at more than \$2.3 trillion. As for the currencies of the countries that are Russia's leading trading partners, the Ukrainian hryvnia, Kazakh tenge and Belarusian rouble became devalued against the US dollar and the euro in 2009. Belarus devalued its currency by 20% in January 2009, and Kazakhstan devalued its currency by the same percentage in February.

The easing of the monetary policy and changes in the fiscal policy mitigated the negative processes in the economy and financial sector, and in 2009 the terms of world trade began to gradually improve. The second quarter of the year saw the resumption of quarter-on-quarter GDP growth in the largest European economies (Germany and France) as well as in Japan, and in the third quarter GDP growth resumed in the eurozone as a

**GROWTH IN EXCHANGE RATES OF INDIVIDUAL CURRENCIES
AGAINST THE US DOLLAR AND THE EURO IN 2009
(December 2009 as a percentage of December 2008)***

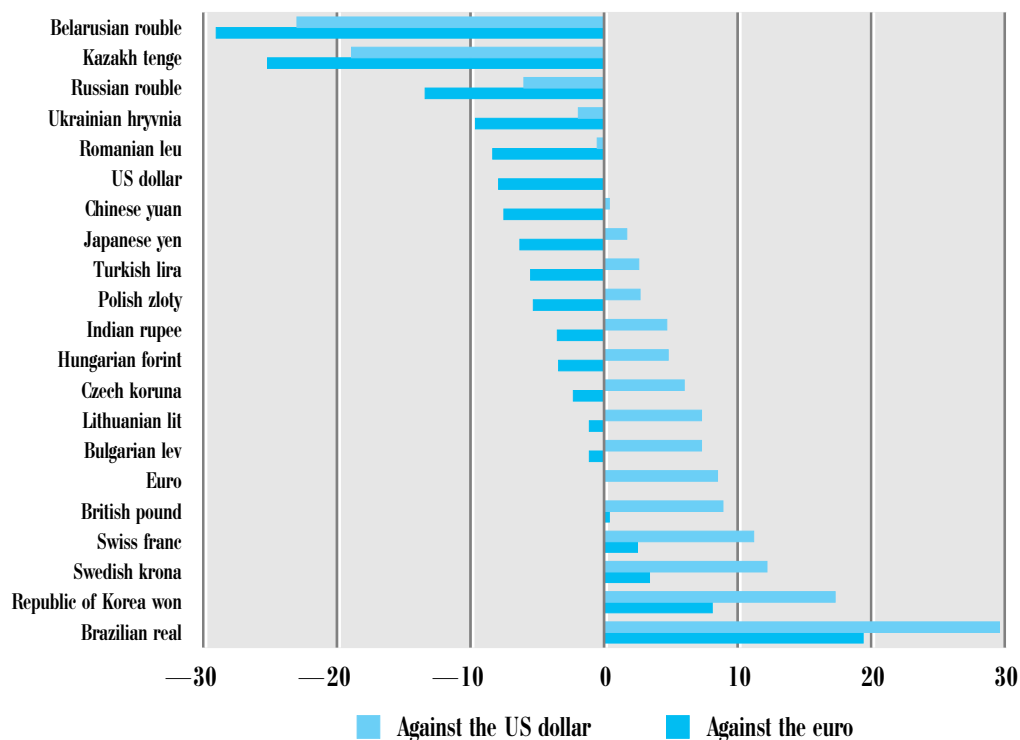


Chart 2

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

whole and in the United States. In the third and fourth quarters, most of Russia's leading trading partners registered quarter-on-quarter growth in GDP. In the second quarter the raw material exporting countries registered more favourable terms of trade. In the second half of the year fewer

countries resorted to monetary policy easing than in the first, and some countries began to tighten their monetary policies.

Thus, conditions emerged in 2009 that were conducive to improvements in the world economy in the near future.

I.2. THE ECONOMIC SITUATION IN RUSSIA

Owing to the global economic and financial crisis, the situation in the Russian economy remained difficult in 2009, especially in the first half of the year. The contraction of external and internal demand led to a fall in output in most types of economic activity. Unemployment grew rapidly. However, as the economic situation in the world stabilised, growth in global oil prices resumed and a series of anti-crisis government measures were implemented, production began to pick up at the end of the year.

GDP contracted by 7.9% in 2009 year on year (in 2008 it grew by 5.6%). The most significant decline in output was registered in the construction and manufacturing sectors. Industrial production declined by 10.8% (in 2008 it increased by 2.1%). Fixed capital investment fell by 16.2% (in 2008 it rose by 9.9%).

The number of jobs in the economy decreased in 2009 for the first time in six years. Although by the end of the year growth in the number of unemployed had slowed down significantly, the jobless rate in 2009 increased by 31.7%. The total number of unemployed in 2009 stood at 8.4% of the economically active population (6.4% in 2008).

Real disposable money income increased by 2.3% in 2009, as in 2008. The economic recession, growth in jobless numbers and the reduction of real wages affected consumer spending. Household spending on final consumption fell by 7.7% in 2009 (in 2008 it rose by 10.8%). The

public propensity for organised savings increased over the year.

The fall in consumer demand was the main factor containing **consumer price inflation**. At the same time, in the beginning of the year prices continued to rise at rapid rates as a result of the devaluation of the rouble. As the devaluation effect petered out, the rates of growth in the prices of goods and services slowed down significantly in the second half of the year.

In 2009, consumer price inflation declined by 4.5 percentage points to 8.8% (December on December), the lowest level since 1991. Core inflation stood at 8.3% as against 13.6% in 2008.

Food prices rose by 6.1%, a decrease of 10.4 percentage points from 2008. Non-food prices went up by 9.7% as against 8.0% in 2008. Service prices increased by 11.6%, a drop of 4.3 percentage points from the previous year. Rent and utility charges grew by 19.6% as against 16.4% a year earlier. At the same time, growth in passenger transport fares slowed significantly (to 6.5% from 22.5% in 2008).

Industrial producer prices rose by 13.9% in December 2009 relative to December 2008 (in December 2008 they fell by 7.0%). This growth was largely due to the resumption of producer price growth in the fuel and energy sector in February, which matched, by and large, the dynamics of world oil prices. Producer prices in the fuel and energy sector increased by 61.0% in 2009, whereas in 2008 they fell by 42.2%.

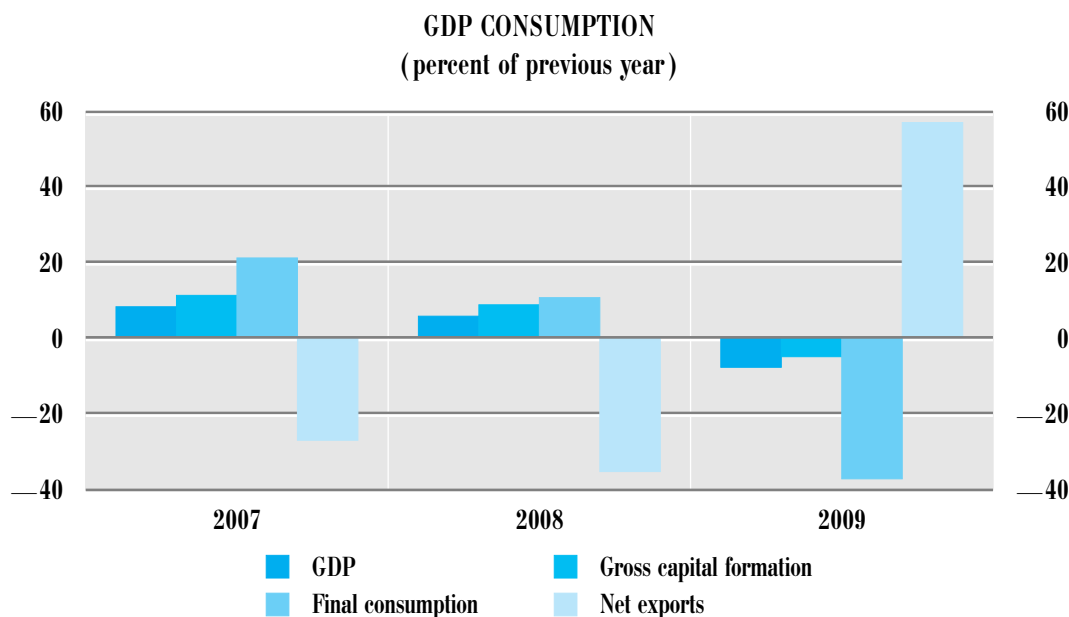


Chart 3

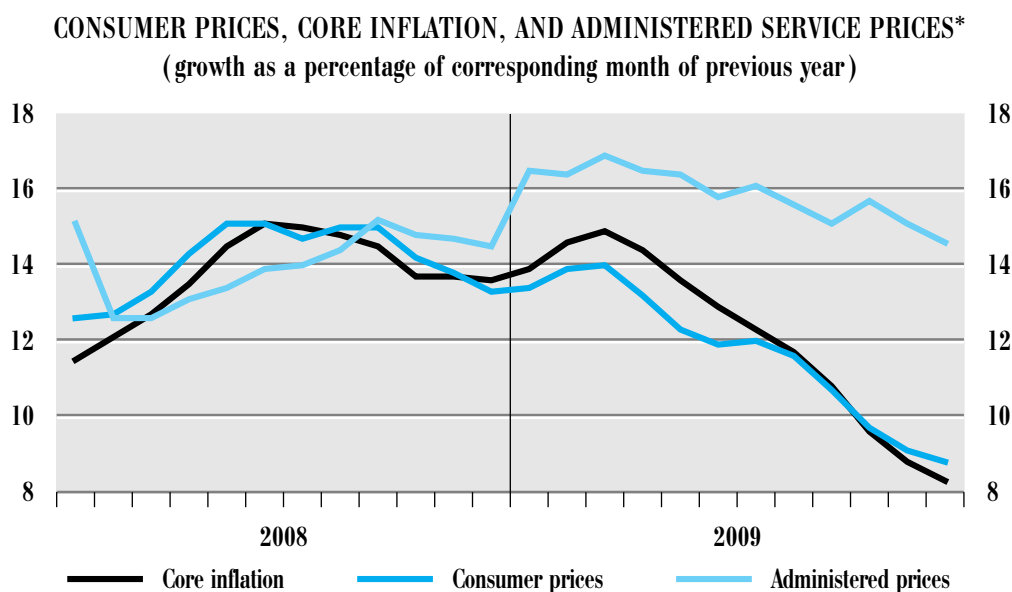


Chart 4

* Bank of Russia estimate.

Over the year, producer prices in the manufacturing sector gained 5.9%, an increase of 4.0 percentage points on the previous year. The most significant growth was registered in the production of petroleum products: 28.9% as against a fall of 27.7% in 2008.

Producer price growth in the production and distribution of electricity, gas and water stood at 18.3% in 2009 as against 18.0% in 2008; of this, producer prices in the production, transmission

and distribution of electricity grew by 17.6% as against 16.6% a year earlier.

The price situation on world commodity markets in 2009 was worse for Russian exporters than in the previous year. The world market price of oil fell to its 2006 level. The terms of Russia's trade with other countries deteriorated for the first time since 2002. The terms of trade index in 2009 slipped to 0.67 from 1.16 in 2008.

MERCHANDISE TRADE* AND OIL PRICE

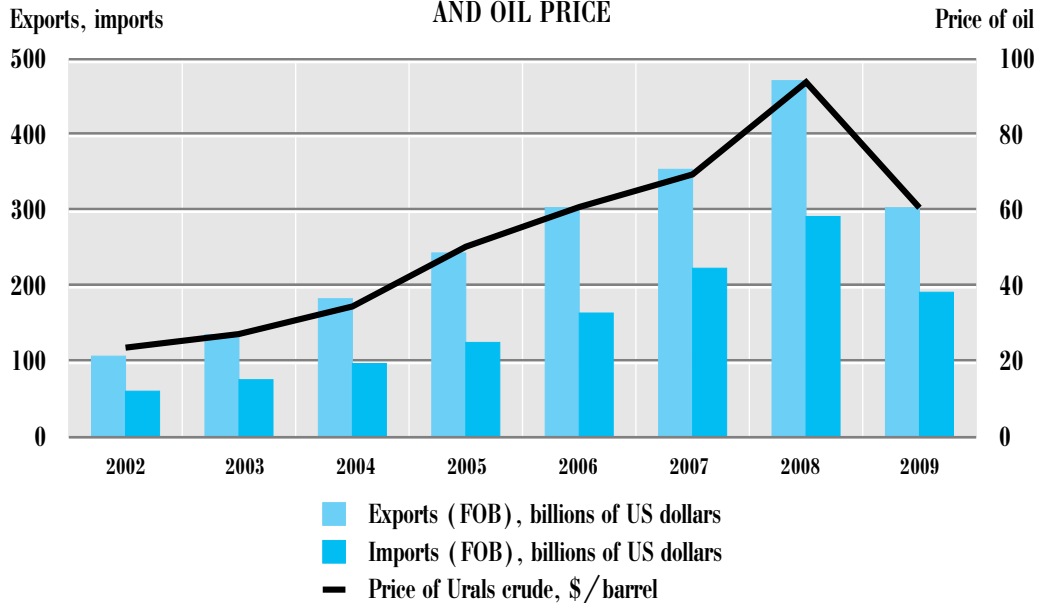


Chart 5

* According to balance of payments data.

Imports of goods declined as domestic demand contracted, largely owing to a significant fall in import volumes. Import prices were slightly lower than a year earlier. The value of imports of investment goods declined more than the value of imports of consumer goods, especially foodstuffs. There was a marked contraction in the share of machinery, equipment and transport vehicles in the commodity structure of imports.

Exports in 2009 fell to their 2006 level, mostly owing to the decline in export prices. Russian export volumes also contracted slightly amid a fall in external demand. The most significant decline was registered in the export volumes of natural gas and ferrous metals, as well as ferrous metal products, whereas export volumes of oil, petroleum products, copper and aluminium expanded. The rates of decline in the value of fuel and energy exports were higher than the rates of decline in exports in general, and their share in the commodity structure of exports contracted. As for other products, exports of ferrous metals and

mineral fertiliser declined the most, while exports of engineering products decreased the least. Exports of foodstuffs and agricultural raw materials continued to grow.

The **financial situation** of Russian organisations remained difficult in 2009. In January 2009, as in December 2008, they showed a negative net financial result. In February, profits began to exceed losses, while the monthly positive net financial result started to increase. Overall, in 2009 the positive net financial result in the economy¹ increased by 9% year on year (in 2008 it declined by 30.8%). The share of loss-making organisations expanded by 4.9 percentage points year on year, to 30.1% of all organisations. The rate of return on goods, produce and services sold² fell from 12.3% to 10.3%.

The ratio of money settlements in the structure of payments for products shipped, work performed and services provided by the largest Russian taxpayers and industrial monopolies remained high, at 97.8% (in 2008 it was 99%).

¹ Exclusive of 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

According to the Federal Treasury's report, Russia's federal budget revenue in 2009 amounted to 7,337.8 billion roubles, or 109.3% of the revenue approved by the Federal Law on the Federal Budget for 2009 and the Plan Period of 2010 and 2011, hereinafter referred to as the Federal Budget Law. At the same time, federal budget revenue relative to GDP decreased by 3.6 percentage points year on year, to 18.8%, mostly as a result of changes to the federal tax laws and the fall in the price of oil.

The Federal Treasury's report states that federal budget expenditure amounted to 9,660.1 billion roubles, or 98.1% of the expenditure approved by the Federal Budget Law, and 24.7% of GDP, an increase of 6.4 percentage points on 2008.

As a result, the federal budget surplus that Russia had experienced for several years gave way to a deficit of 2,322.3 billion roubles, or 74.2% of the deficit approved by the Federal Budget Law, and 5.9% of GDP.

Growth in federal budget expenditure relative to GDP was the result of a government policy aimed at stimulating domestic demand and the implementation of additional measures in support of the national financial system. The total amount of these expenditures reached nearly 700.0 billion roubles.

As a result of the execution of the 2009 federal budget, the balances of the rouble-denomi-

nated federal budget accounts with the Bank of Russia and the balances of the Reserve Fund accounts decreased, and growth in the balances of the foreign currency-denominated National Wealth Fund accounts slowed down.

The balances of the rouble-denominated federal budget accounts opened with the Bank of Russia, net of the Reserve Fund and National Wealth Fund accounts, decreased over the year by 18.9 billion roubles, or 2.1%, and as of 1 January 2010, they stood at 874.2 billion roubles.

The balances of the foreign currency-denominated Reserve Fund accounts decreased in rouble terms by 2,223.8 billion roubles, or 55.5%, over the year, and stood at 1,783.4 billion roubles, while the balances of the foreign currency-denominated National Wealth Fund accounts increased in rouble terms by 90.0 billion roubles, or 4.0%. As of 1 January 2010, they totalled 2,274.5 billion roubles.

According to the Federal Treasury's data for 2009, the aggregate consolidated federal budget revenue totalled 13,599.7 billion roubles, or 34.8% of GDP, and aggregate expenditure totalled 16,048.3 billion roubles, or 41.1% of GDP. The deficit amounted to 2,448.6 billion roubles, or 6.3% of GDP, whereas in 2008 there was a surplus equal to 4.9% of GDP. The revenues and expenditures of the consolidated budgets of the constituent territories of the Russian Federation stood at 5,926.6 billion roubles and 6,255.7 bil-

**FEDERAL BUDGET
EXPENDITURE IN 2009
(percent)**

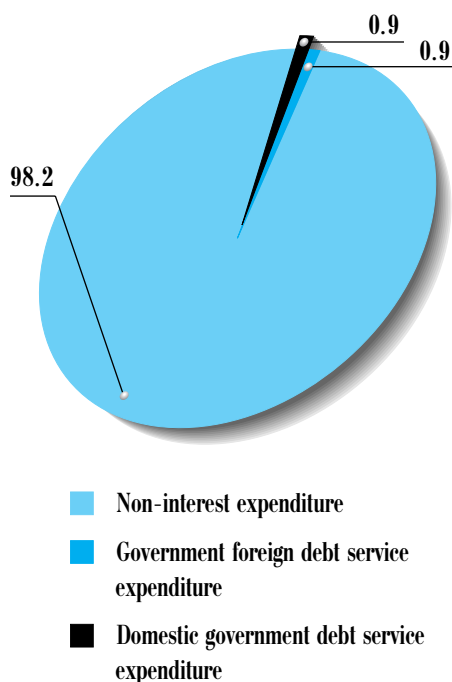


Chart 6

lion roubles, respectively, and the deficit amounted to 329.1 billion roubles (the respective percentages stood at 15.2%, 16.0% and 0.8% of GDP).

According to the Federal Treasury's preliminary data, the government extra-budgetary funds' revenues in 2009 totalled 3,789.3 billion roubles and expenditures totalled 3,587.2 billion roubles. The surplus, which is due to the Pension Fund's budget surplus of 214.0 billion roubles, amounted to 202.1 billion roubles. The Social Insurance Fund posted a deficit of 8.5 billion roubles and the Federal Compulsory Medical Insurance Fund posted a deficit of 3.5 billion roubles.

Finance Ministry data indicate that Russia's domestic government debt in 2009 increased by 594.9 billion roubles, or 39.7%. As of 1 January 2010, it stood at 2,094.7 billion roubles, while the ceiling set for it by the Federal Budget Law was 2,515.3 billion roubles. Russia's domestic government debt relative to GDP was estimated at 5.4% as of 1 January 2010, an increase of 1.8 percentage points compared to this ratio at the same date a year earlier.

Government securities accounted for 1,837.2 billion roubles, or 87.7% of Russia's domestic government debt as of 1 January 2010; over the year, they increased by 415.7 billion roubles, or 29.2%. Government guarantees accounted for 251.3 billion roubles, or 12.0% of domestic government debt; over the year they increased by a factor of 3.5. Other government debt obligations accounted for 6.2 billion roubles, or 0.3%; over the year, they increased by 0.3 billion roubles.

Debt-depreciation federal loan bonds accounted for 47.0% (863.4 billion roubles) of government securities, while permanent coupon-income federal loan bonds accounted for 38.4% (706.4 billion roubles), and government savings bonds accounted for 14.6% (267.4 billion roubles).

The value of outstanding government securities on the organised securities market in 2009 increased by 325.7 billion roubles, or 28.5%, and as of 1 January 2010, it reached 1,469.7 billion roubles, or 70.2% of Russia's domestic government debt as against 76.3% as of the same date a year earlier.

The Finance Ministry's debt to the Bank of Russia contracted by 19.8 percentage points in 2009 and accounted for 17.0% of domestic government debt.

The Finance Ministry's rouble-denominated debt to the Bank of Russia, measured at the nominal value of government securities, decreased by 195.3 billion roubles, or 35.4%, to 356.3 billion roubles, including the government securities acquired by the Bank of Russia in repo transactions. Net of these operations, the debt contracted by 0.4 billion roubles, or 0.1%, to 295.3 billion roubles.

Federal loan bonds with a coupon income of 0% to 1.95% p.a. made up the largest part of the Finance Ministry's debt to the Bank of Russia (net of the federal government securities acquired in repo transactions). Valued at 201.0 billion roubles, they accounted for 68.1% of this debt. Federal loan bonds with a coupon income of 5.8% to 13.0% p.a. accounted for 31.9% (94.3 billion roubles). The maturity periods of these federal loan bonds at their nominal value of 283.1 billion roubles range from 6.5 to 26 years (95.9%) and 12.2 billion roubles of federal loan bonds have

FEDERAL BUDGET EXPENDITURE (billions of roubles)

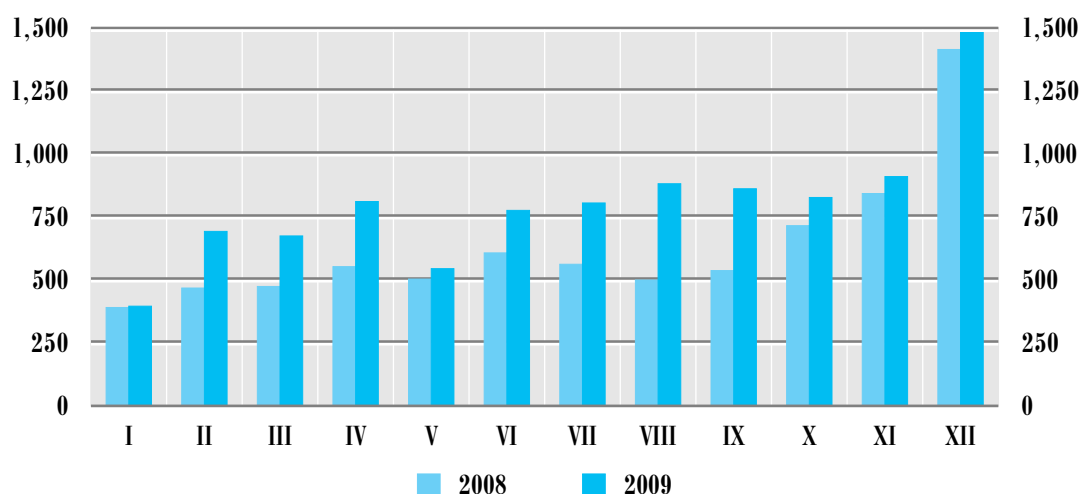


Chart 7

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

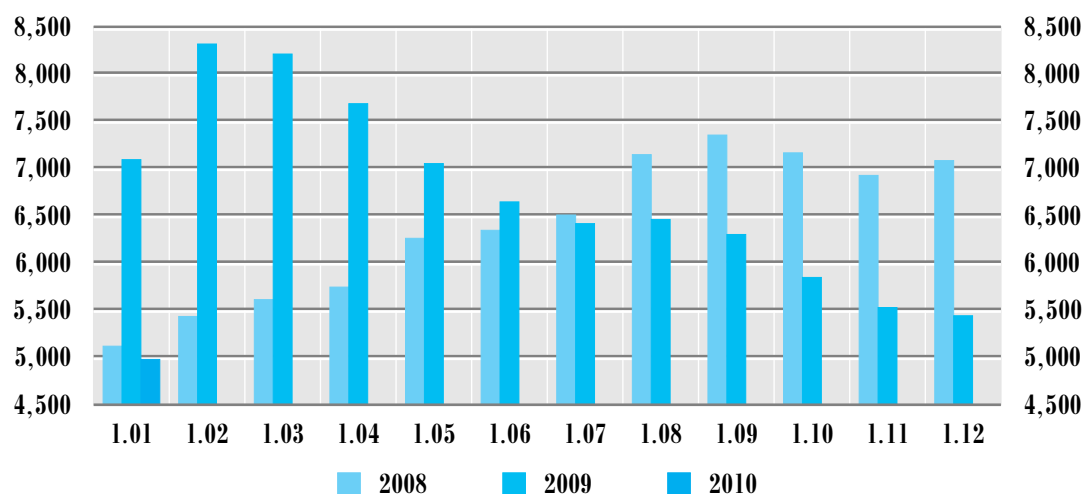


Chart 8

a maturity period of less than one year and from one to three years (4.1%).

The Finance Ministry's foreign currency-denominated debt to the Bank of Russia (included pursuant to federal law in the Russian government's foreign debt) amounted to 118.0 billion roubles at the nominal value of foreign currency-denominated federal government securities, as of

1 January 2010. It decreased by 111.5 billion roubles, or 48.6%; this figure includes federal government securities acquired by the Bank of Russia in repo transactions. Net of these transactions, this debt contracted by 20.2 billion roubles, or 14.6%, due to the partial redemption and sale of this paper, and totalled 117.8 billion roubles.

I.4. THE FINANCIAL SECTOR

The financial sector of the Russian economy in 2009 was comprised of 1,058 operating credit institutions (1,007 banks and 51 non-bank credit institutions), 702 insurance companies, 1,307 unit investment funds (including 409 unit investment funds for qualified investors) and 172 non-governmental pension funds.¹ The ratio of the credit institutions' equity capital to GDP increased to 11.8% in 2009 from 9.2% in 2008. The ratio of the authorised capital of the insurance companies to GDP remained unchanged at 0.4%. The ratio of the net assets of the unit investment funds, except the funds for qualified investors, to GDP expanded from 0.8% in 2008 to 1.0% in 2009 and the ratio of the non-governmental pension funds' own property to GDP grew from 1.6% to 1.7%.²

In 2009, the Russian financial sector gradually recovered, overcoming the consequences of the global economic and financial crisis. In the beginning of the year, the situation in the financial sector remained difficult. In the period lasting from late January to the middle of February, the rouble fell to its lowest levels against the bi-currency basket (comprised of the US dollar and the euro), while money market rates reached their highest levels and corporate securities prices and trading volumes in the primary

and secondary segments of the stock market hit their lows. Credit institutions and other financial organisations continued to have liquidity problems. In the subsequent months, the improvement of the situation on the world commodity markets, the rise of the major foreign stock indices and the stabilisation of the situation on the domestic foreign exchange and money markets had a favourable effect on the Russian financial sector. The relatively high but declining level of internal interest rates and the nominal appreciation of the rouble against the world's major currencies led to the resumption of capital inflow to the Russian stock market, growth in securities prices and a rise in operations with rouble instruments. The effect of the crisis was mitigated by the timely and large-scale anti-crisis measures taken by the Russian Government and the Bank of Russia in late 2008 and early 2009. Designed to bolster the Russian financial system, these measures had a stabilising effect on the financial institutions and the domestic financial market as a whole.

The stock market, a major segment of the financial market, sharply contracted in 2008, but grew rapidly in 2009. The stock market capitalisation ratio of the Moscow Interbank Currency Exchange (MICEX) Stock Exchange to

¹Number of non-governmental pension funds as of 1 October 2009.

²According to data as of 1 October 2008, and 1 October 2009, respectively.

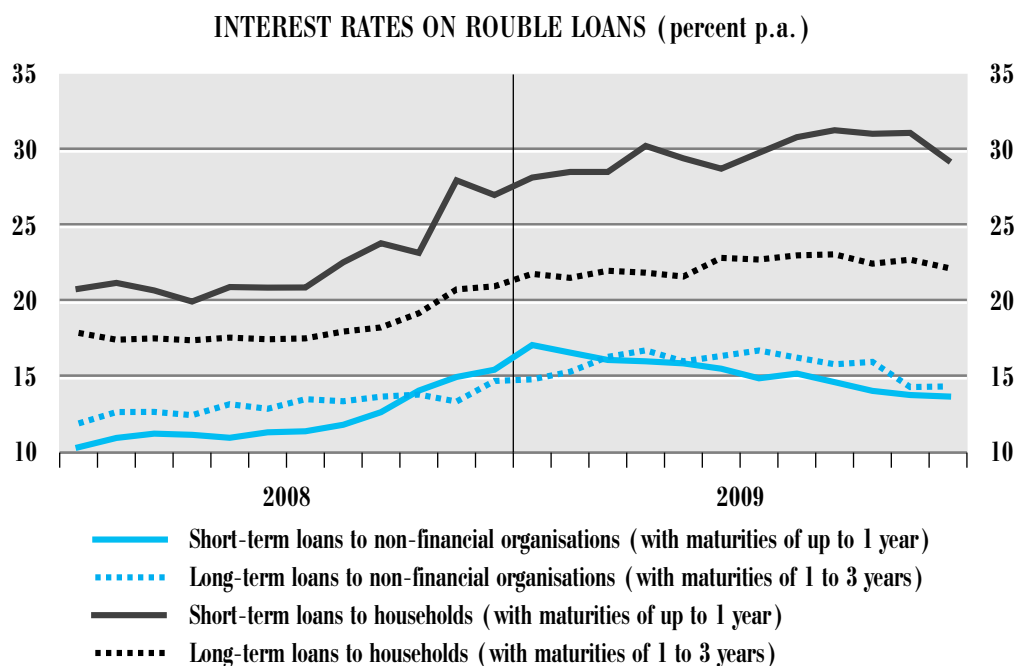


Chart 9

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

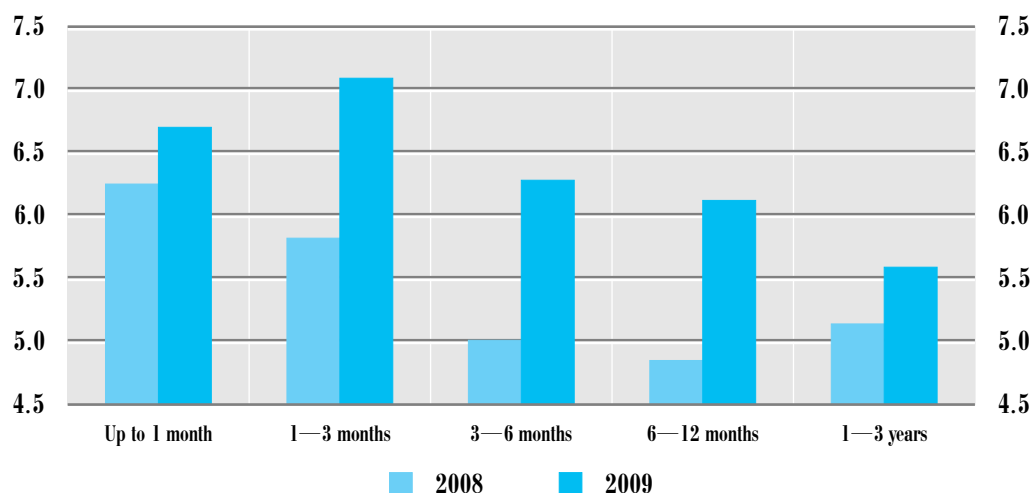


Chart 10

GDP increased from 24% in 2008 to 57% in 2009. There was a marked expansion of the rouble bond market. Bank credit to non-financial organisations expanded by 0.3% in 2009, whereas bank credit to households contracted by 11.0%. Nevertheless, the ratio of credit to non-financial organisations and households to GDP increased from 39.9% to 41.3%.

Throughout 2009, the major sectors of the financial market demonstrated similar price dy-

namics. Interest rates and yields of rouble instruments continued to grow in the first month and a half of the year. Interest rates and yields on the money and stock markets mostly declined in the period lasting from the second half of February to the end of the year, but their average annual levels were higher than in 2008. The average rate on overnight interbank rouble loans rose from 5.6% p.a. in 2008 to 8.0% p.a. in 2009. The average yield to redemption of rouble-denominated

federal government bonds¹ stood at 10.1% p.a. in 2009 as against 7.4% p.a. in 2008. The average corporate bond yield² went up from 11.9% p.a. in 2008 to 15.4% p.a. in 2009.

As the banking sector's demand for internal funding remained high, the average annual cost of resources raised from non-financial organisations and households increased significantly in 2009, as compared with 2008. The average rate on household rouble-denominated time deposits with terms of up to one year rose from 7.6% p.a. in 2008 to 10.4% p.a. in 2009 and the rate on corporate deposits grew from 5.0% p.a. to 6.6% p.a. The average rate on household deposits with terms of one to three years stood at 11.0% p.a., while the rate on corporate deposits with the same maturities remained higher, at 11.9% p.a.

The cost of bank loans to non-financial organisations and especially to households continued to rise in 2009, due to high credit risk.

The average rate on rouble loans to non-financial organisations with terms of up to one year increased from 12.2% p.a. in 2008 to 15.3% p.a. in 2009, and the average rate on such loans with terms of one to three years increased from 13.2% to 15.8% p.a. The average rate on rouble loans to households with terms of up to one year rose by 7 percentage points, year on year, and the average rate on such loans with terms of one to three years rose by 4 percentage points.

The interest margin on banks' rouble lending and deposit operations with non-financial organisations and households continued to increase in 2009. In 2008, the banks' average margin on major operations was 5—6 percentage points, depending on maturity, whereas in 2009 it was 6—7 percentage points. The gap between interest margins on operations with households and operations with non-financial organisations almost doubled in 2009 and stood at about 4 percentage points.

¹ Yield to redemption of federal government bonds is the effective federal loan bond market portfolio indicator calculated by the Bank of Russia.

² Corporate bond yield is the effective yield indicator for the most liquid rouble-denominated corporate bonds on the domestic secondary market, and is calculated by the news agency Cbonds.ru.

1.4.1. CREDIT INSTITUTIONS

In 2009, the Russian banking sector continued to function during the global crisis. Although the crisis adversely impacted all credit institutions, most of them managed to adapt to the new external adversities. The deterioration of the financial situation of organisations in most types of economic activity, growth in unemployment and harsh external borrowing conditions led to credit stagnation and the worsening of most of the qualitative bank performance indicators, including the quality of assets and profit. Banks responded to these adversities by taking an increasingly conservative approach to the implementation of their commercial policies.

As a result, growth in banking sector assets slowed significantly in 2009: over the year, assets increased by just 5.0% to 29,430.0 billion roubles (as against 39.2% in 2008). At the same time, as nominal GDP contracted sharply, the ratio of banking sector assets to GDP increased in 2009 from 67.6% to 75.3%.

Throughout 2009, banking sector liquidity was maintained at a fairly high level, thanks to the government's purposeful anti-crisis efforts and banks' conservatism.

The equity capital of credit institutions increased by 21.2% (as against 42.7% in 2008) and reached 4,620.6 billion roubles as of 1 January 2010. As a result, the ratio of total banking sector capital to GDP expanded from 9.2% to 11.8%. The measures taken by the government to capitalise large, systemically important banks were a major factor of support for banking sector capital. As of 1 January 2010, 71.8% of operating credit institutions had capital totalling more than 180 million roubles (67.4% as of 1 January 2009).

In 2009, the number of operating credit institutions decreased from 1,108 to 1,058.

BANKING SECTOR LIABILITY STRUCTURE. The anti-crisis sources of funds created by the Bank of Russia and the Russian Government were gradually replaced by traditional sources of funds in 2009. The rise in production in the second half of the year and significant increase in household deposits reduced the banking sector's demand for anti-crisis liquidity-boosting instruments, especially Bank of Russia unsecured loans, which played a key role in tackling the liquidity crisis at the end of 2008 and in the beginning of 2009.

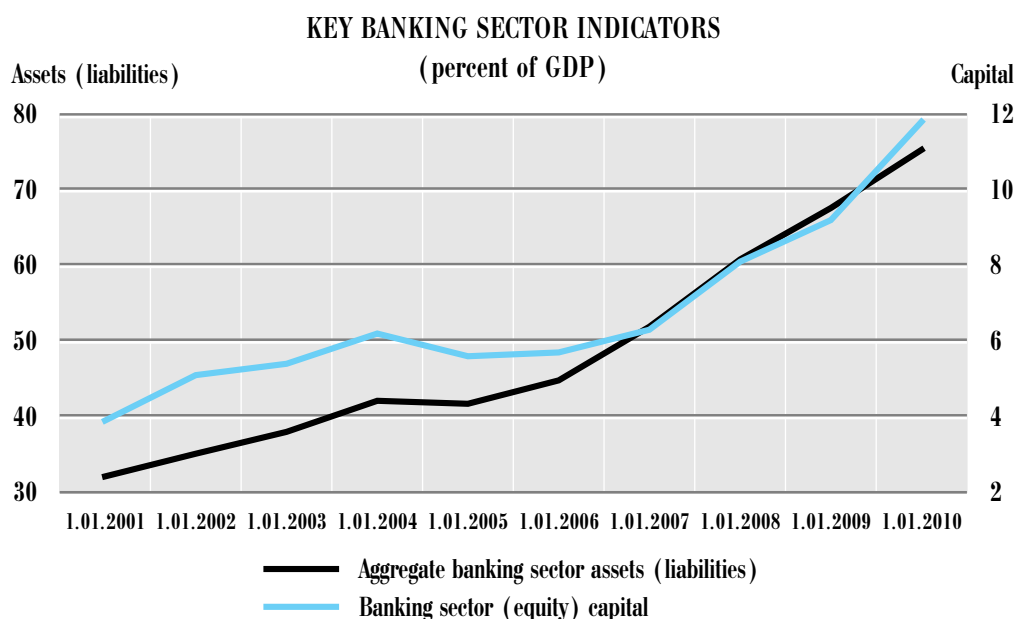
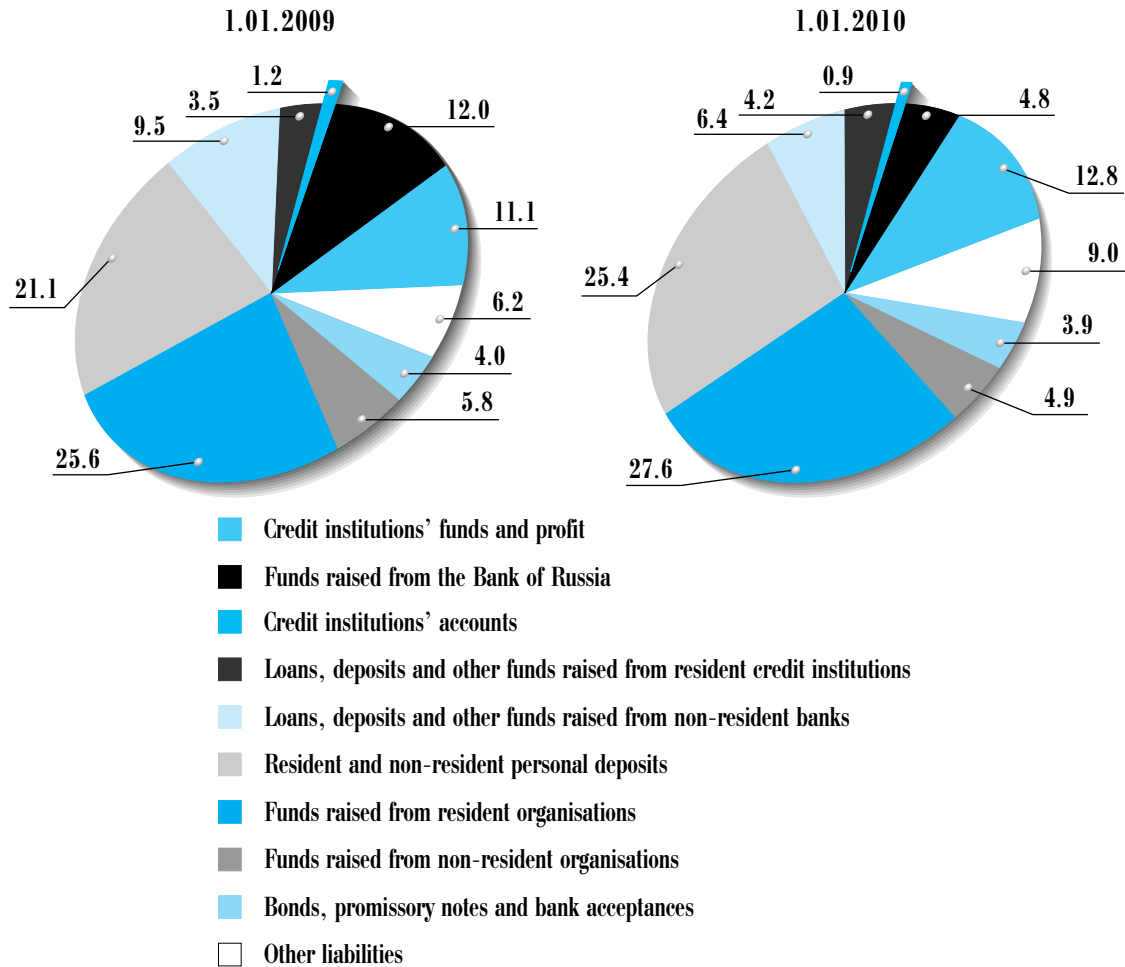


Chart 11

BANKING SECTOR LIABILITIES (percent)



In 2009, the value of loans, deposits and other funds raised by credit institutions from the Bank of Russia declined by a factor of 2.4 to 1,423.1 billion roubles and as of 1 January 2010, this source accounted for 4.8% of banking sector liabilities (as of 1 January 2009, it accounted for 3,370.4 billion roubles, or 12.0% of liabilities).

The balances of customer accounts¹ increased by 16.2% in 2009 and reached 17,131.4 billion roubles, and their share in banking sector liabilities expanded from 52.6% to 58.2%.

Household deposits were a permanent source of funds for credit institutions. In 2009, total household deposits increased by 26.7% (as

against 14.5% in 2008) and reached 7,485.0 billion roubles; their share in banking sector liabilities expanded from 21.1% as of 1 January 2009, to 25.4% as of 1 January 2010.

The accelerated increase in rouble deposits recovered to its pre-crisis level in 2009: the value of these deposits rose by 27.2%, while foreign currency deposits increased by 21.8% in dollar terms. However, the share of foreign currency deposits in total deposits remained above its pre-crisis level: 26.4% as of 1 January 2010, as against 13.5% as of 1 September 2008.

As the situation in the banking sector somewhat stabilised, some credit institutions contin-

¹ Balances of corporate accounts, including all-level budget funds and government extra-budgetary funds, household funds and float, relating to factoring and forfeiting operations, and funds written off from customer accounts but not passed through a credit institution's correspondent account.

ued to pursue the aggressive interest rate policy they had embarked upon in autumn of 2008, when a run on deposits was in the offing. As a result, in 2009 a portion of deposits were transferred from some banks with government interest to private banks. For example, Sberbank's share in household deposits contracted from 51.9% to 49.4% in 2009 (as of 1 September 2008, before the crisis came to a head, it was 49.8%).

Total funds raised from organisations other than credit institutions in 2009 increased by 8.9% (as against 24.4% in 2008) and reached 9,557.2 billion roubles; their share in banking sector liabilities expanded from 31.3% to 32.5%. As for corporate deposits,¹ their value increased by 10.5% in 2009 (as against 40.5% in 2008). Over the year, growth in the balances of corporate settlement and other accounts accelerated from 8.9% to 9.6%, and their share in banking sector liabilities expanded from 12.6% to 13.1%.

In 2009, the capacity of credit institutions to issue debt obligations, such as bonds and promissory notes, was limited by relatively low demand. The share of bonds in banking sector liabilities expanded from 1.3% to 1.4%, while the share of bank promissory notes contracted from 2.7% to 2.5%.

BANKING SECTOR ASSET STRUCTURE. The active operations conducted by credit institutions in 2009 were characterised, above all, by the stagnation of credit to non-financial organisations, and the contraction of household credit as a result of the deterioration of the general economic situation and the financial situation of borrowers. In addition, banks responded to external adversity by taking a more conservative approach to credit risk assessment. The total value of loans to these categories of borrowers in 2009 declined by 2.5% to 16,115.5 billion roubles and their share in banking sector assets contracted from 59.0% to 54.8%. Relative to GDP, bank loans to non-financial organisations and households grew from 39.9% to 41.3%, as GDP contracted significantly in nominal terms.

Loans and other funds provided to non-financial organisations in 2009 increased by 0.3% (as against 34.3% in 2008) and totalled 12,541.7 billion roubles. Their share in banking sector assets contracted from 44.6% to 42.6%. Most of these loans (72.7% as of 1 January 2010) were provided in roubles.

Loans extended to households² in 2009 decreased by 11.0% to 3,573.8 billion roubles (in 2008 they increased by 35.2%) and their share in total banking sector credit contracted from 20.2% to 18.0% and in total banking sector assets from 14.3% to 12.1%. Most of these loans (88.7% as of 1 January 2010) were extended in roubles.

Against the background of credit stagnation, banks increasingly turned to investing in securities, as the Russian stock indices demonstrated positive dynamics and securities were more liquid than loans. In addition, banks could quickly use securities as collateral for Bank of Russia loans. In 2009, bank financial investments increased by 82.2% (as against 5.1% in 2008) to reach 4,309.4 billion roubles; their share in banking sector assets expanded from 8.4% to 14.6%.

As before, investments in debt obligations made up the largest part of the securities portfolio: 74.4% as of 1 January 2009, and 78.4% as of 1 January 2010. Their value increased by 92.0% in 2009 (as against 14.2% in 2008) and reached 3,379.1 billion roubles. Meanwhile, the share of discounted promissory notes in the securities portfolio contracted over the year from 8.4% to 5.4%.

Investments in equities accounted for 9.6% of the securities portfolio as of 1 January 2010 (8.2% as of 1 January 2009). Over the year, they doubled in value and reached 411.8 billion roubles (2008 saw a 38.8% fall in investments in equities).

The stabilisation of the foreign exchange market and the rouble's appreciation against the US dollar in the latter half of 2009 caused the foreign currency component of banking sector assets to contract. Foreign currency-denominated assets in 2009 decreased by 12.7% in dollar terms and

¹Inclusive of certificates of deposit, which were previously accounted for as Debt obligations issued, and other funds raised from corporate entities.

²Exclusive of individual unincorporated entrepreneurs. Under the Civil Code of the Russian Federation (Part I, Article 23) these loans are not included in loans provided to households.

BANKING SECTOR ASSETS (percent)

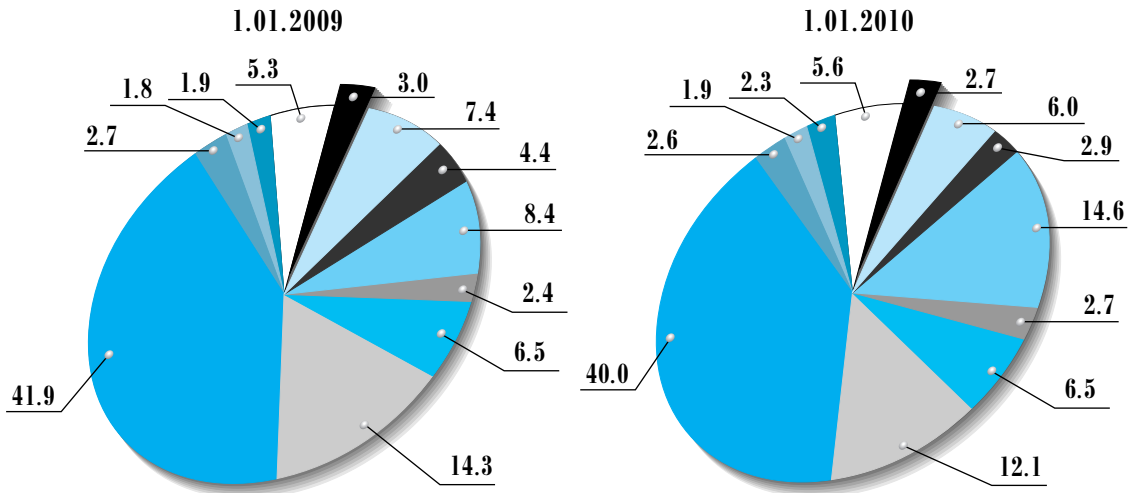


Chart 13

- Money, precious metals and gemstones
- Accounts with the Bank of Russia
- Correspondent accounts with credit institutions
- Securities
- Loans, deposits and other funds placed with resident credit institutions
- Loans, deposits and other funds placed with non-resident banks
- Loans extended to resident and non-resident individuals
- Loans and other funds placed with resident non-financial organisations
- Loans and other funds placed with non-resident corporate entities other than banks
- Loans and other funds placed with financial organisations other than banks
- Fixed and intangible assets
- Other assets

their share contracted from 32.3% to 27.6% of total assets.

CLAIMS AND OBLIGATIONS ON INTERBANK LOANS.

The crisis on international financial markets continued to significantly affect Russian interbank market dynamics in 2009. However, problems on the interbank market, such as growing mistrust among market participants and the narrowing of the market, were only registered in January when Moscow Interbank Actual Credit Rates (MIACR) on overnight rouble loans peaked at 28% p.a. on some days. The Bank of Russia's massive refinancing operations boosted rouble liquidity and caused interbank rates to fall and become less volatile. Repeated cuts in interest rates on Bank

of Russia operations were an additional factor that prompted a decline in interbank credit market interest rates. In addition, the interbank market survived, thanks to measures taken by the Bank of Russia pursuant to Federal Law No. 173-FZ, dated 13 October 2008, 'On Additional Measures in Support of the Financial System of the Russian Federation.' In February 2009, the situation stabilised, and in May—September the overnight rouble MIACR mostly remained in a range between 6% and 8% p.a. In the fourth quarter, it ranged from 4% to 7% p.a. The value of interbank loans¹ taken on the domestic market rose by 27.0% in 2009.

The total value of banking sector interbank loans in 2009 declined by 14.3% to 3,117.3 bil-

¹Loans, deposits, and other funds raised (placed) on the interbank market, precious metals included.

lion roubles and their share in banking sector liabilities contracted from 13.0% to 10.6%. As for the interbank loans raised from non-residents in 2009, their value declined by 29.4% to 1,883.1 billion roubles.

In relation to the outside world, the Russian banking sector in 2009 turned from a net borrower into a net creditor in interbank operations. The net debt on interbank loans to non-resident banks, which stood at 843.1 billion roubles as of 1 January 2009, had by the end of the year given way to 39.8 billion roubles in net claims.

FINANCIAL SITUATION OF CREDIT INSTITUTIONS. Profit net of loss of operating credit institutions decreased by 49.9% in 2009 year on year (in 2008, it fell by 19.4% year on year) and stood at

205.1 billion roubles (as against 409.2 billion roubles in 2008).

The share of profit-making credit institutions contracted from 94.8% to 88.7% of all operating credit institutions. The number of loss-making credit institutions in 2009 rose from 56 to 120, or from 5.1% to 11.3% of total operating credit institutions. Their losses amounted to 79.8 billion roubles in 2009 (compared to 37.8 billion roubles in 2008).

The rate of return on credit institution assets in 2009 stood at 0.7%, and the rate of return on equity was 4.9% (the respective percentages in 2008 were 1.8% and 13.3%).¹

The fall in profit in 2009 was largely the result of a significant increase in loan loss provisions. In 2009, loss provisions made by credit in-

BANKING SECTOR PROFIT FACTORS
(billions of roubles)

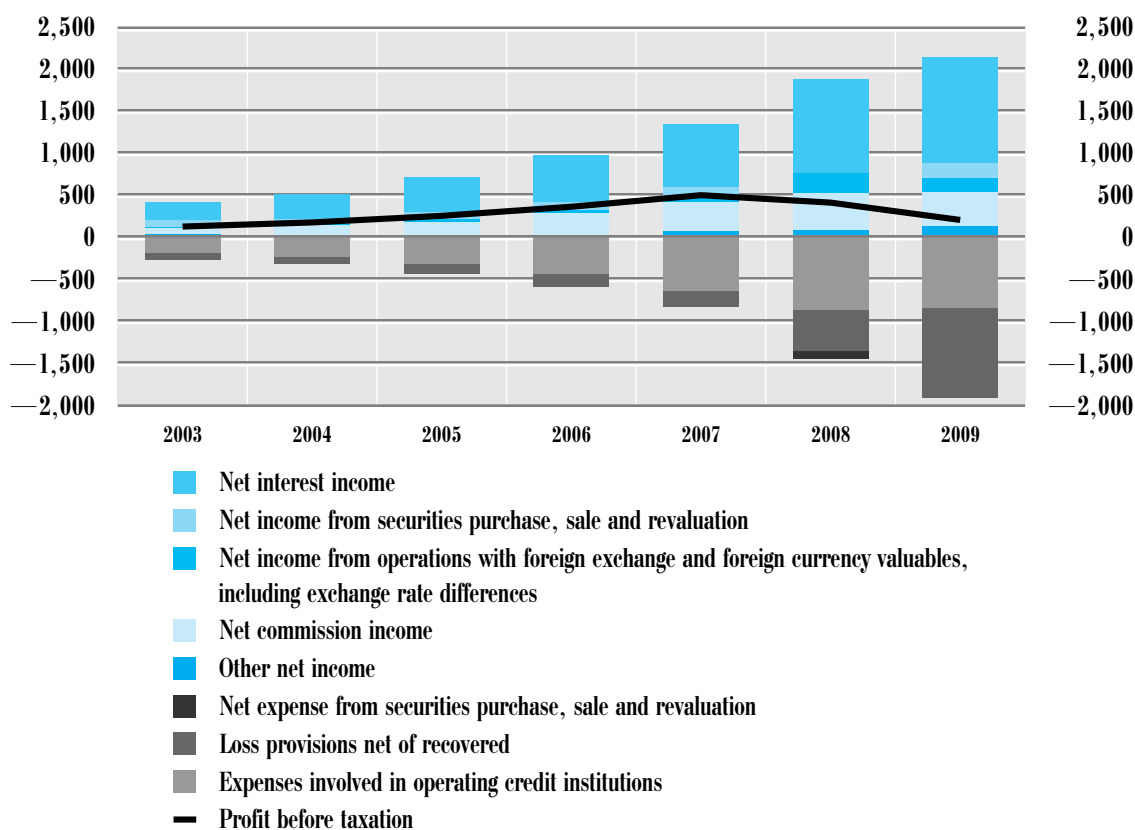
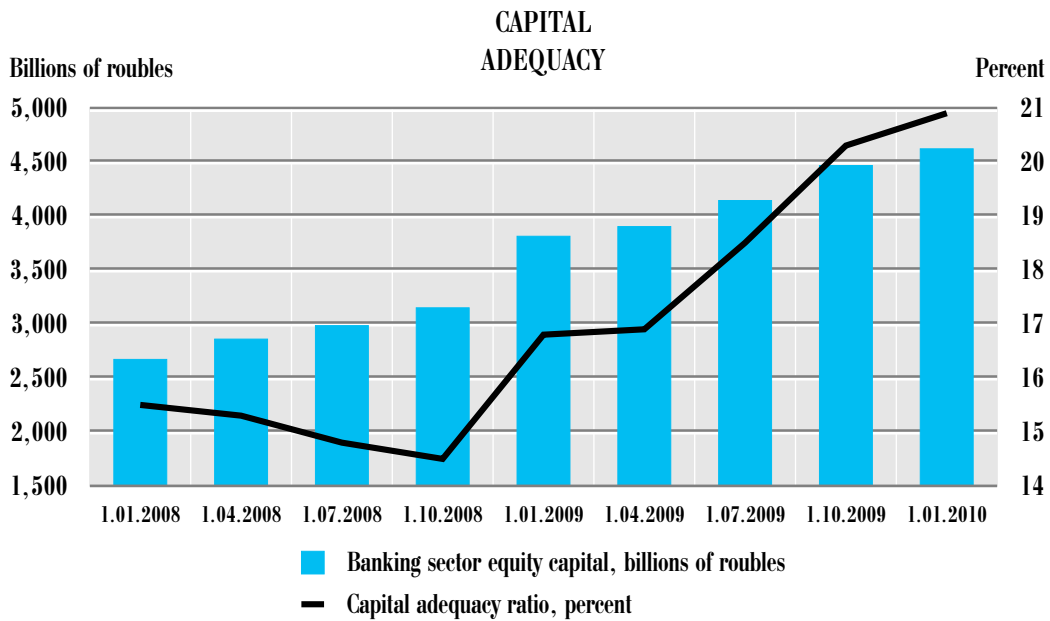


Chart 14

¹The 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.

Chart 15



stitutions net of recovered provisions more than doubled, to reach 1,050.6 billion roubles, or 55.1% of all profit reduction factors (456.1 billion roubles and 31.8% in 2008).¹

Net interest income remained the most significant factor driving growth in profit. In 2009, it accounted for 59.5% of total profit growth factors (as against 60.4% in 2008). The structure of net interest income changed in 2009: the share of net interest income from debt obligations increased significantly (by a factor of 2.4 to 13.5% of total banking sector net interest income, as against 6.3% in 2008).

The share of net commission income accounted for 19.7% of total profit growth factors (as against 23.5% in 2008).

Net income from the purchase and sale and revaluation of securities made a substantial contribution to the positive financial result in 2009. It amounted to 180.1 billion roubles, or 8.5% of the sum total of the profit growth factors. In 2008, a net loss of 92.6 billion roubles was recorded to this item of the balance sheet, and it accounted for 6.4% of the profit reduction factors. Net income from such operations in 2009 was the result of an increase in credit institution financial investments and the positive revaluation

of securities that coincided with the rise in the stock indices.

Net income from operations with foreign exchange and foreign currency valuables, including exchange rate differences, remained a major component of the credit institutions' financial result in 2009, although its share in banking sector profit growth factors contracted to 7.5% from 13.1% in 2008. Investment in foreign exchange and, consequently, income from foreign exchange trading declined significantly year on year, as the Bank of Russia, in the first half of 2009, recommended that credit institutions limit their open currency positions and net foreign assets, and the exchange rate of the rouble became more volatile.

In addition, administrative expenses of credit institutions in 2009 contracted by 3.6% to 855.7 billion roubles and their share in the profit reduction factors decreased from 61.8% to 44.9%.

Key indices for the economic situation of banks in 2009 show that the banking sector has retained its stability. Although the number of banks assigned to classification group 1 and 2 in compliance with Bank of Russia Ordinance No. 2005-U, dated 30 April 2008, 'On the As-

¹ Banking sector financial result factors are analysed on the basis of the Credit Institution Income Statement (form 0409102).

assessment of the Economic Situation of Banks,' declined from 916 to 878, their share in total operating banks expanded from 86.6% in 2008 to 87.2% in 2009. The number of banks in group 3, 4, and 5 fell from 138 to 127 and their share contracted from 13.0% to 12.6% of total banks in operation. At the same time, the share of group 1 and 2 banks in the total banking sector assets remained high in 2009 (93.6% as of 1 January 2010).

The equity capital of operating credit institutions increased by 21.2% in 2009 and reached 4,620.6 billion roubles as of 1 January 2010 (as against 3,811.1 billion roubles as of 1 January 2009).

The principal sources of banking sector capitalisation in 2009 were authorised capital and share premiums, which grew by a total of 403.6 billion roubles over the year (more than half of the total growth in equity capital).

A major source of banking sector capitalisation was growth in subordinated loans, which stood at 203.7 billion roubles (25.3% of total growth in equity capital). This increase was largely due to government relief funds provided to the large systemically important banks under Federal Law No. 173-FZ, dated 13 October 2008, 'On Additional Measures in Support of the Financial System of the Russian Federation.' Growth in the value of property due to revaluation stood at 100.9 billion roubles (12.5% of total growth in equity capital).

Capital growth led to a rise in the capital adequacy ratio for the banking sector as a whole, which increased from 16.8% as of 1 January 2009, to 20.9% as of 1 January 2010. Another growth factor in the capital adequacy ratio was the reduction of risk-weighted assets, mostly as a result of the credit crunch.

FOREIGN-CONTROLLED BANKS. Banks controlled by foreign capital have retained their positions on the Russian banking services market. The number of credit institutions controlled by non-residents¹ reached 108 as of 1 January 2010 (as against 102 a year earlier), of which 18 were

among the top 50 credit institutions in terms of assets. In 2009, the share of this group of banks in banking sector equity capital expanded from 17.3% to 23.8%.

The positions held by this group of banks on the Russian banking services market remained virtually unchanged in 2009. Their share in banking sector assets fell from 18.7% to 18.3%. The value of the loans they extended to non-financial organisations in 2009 declined by 10.7% and the value of loans to households declined by 4.0%. The share of these loans in total banking sector credit stood at 14.8% and 25.1%, respectively, as of 1 January 2010 (as against 16.6% and 23.3% as of 1 January 2009). The share of overdue debt in the non-resident-controlled banks' corporate credit portfolio in 2009 expanded from 2.1% to 8.3%, and in the household credit portfolio this proportion expanded from 4.7% to 9.5%.

Foreign-controlled banks increased the raising of funds on the retail market. The value of household deposits in this group of banks rose by 47.7% in 2009 and accounted for 12.0% of total banking sector deposits as of 1 January 2010 (as against 10.3% as of 1 January 2009).

Non-resident-controlled banks continued to hold strong positions in interbank lending. Operations with non-resident banks predominated in the structure of interbank loans taken and extended by these banks (as of 1 January 2010, they accounted for 82.6% and 80.9%, respectively). At the same time, loans taken on the international interbank market declined by 20.9% and loans placed on this market increased by 44.8%. These dynamics are particularly obvious against the background of the decline in lending activity of non-resident-controlled banks in the non-financial sector of the Russian economy.

BANKING SECTOR RISKS. Measures to provide liquidity to the banking sector, taken with the active participation of the Bank of Russia, caused banking sector liquidity ratios to rise in 2009. On average² in 2009 these ratios were higher than in 2008. The ratio of the most liquid as-

¹ Credit institutions with a 50%-plus stake in authorised capital.

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

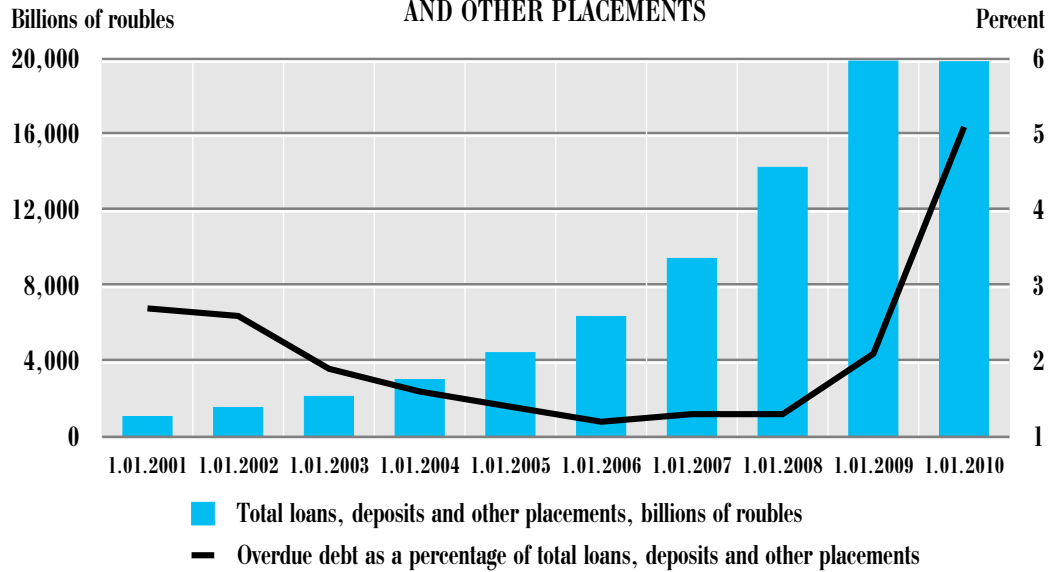
OVERDUE DEBT ON LOANS, DEPOSITS
AND OTHER PLACEMENTS

Chart 16

sets¹ to total banking sector assets stood at 10.9% in 2009 (as against 7.9% in 2008). On the whole, banking sector **liquidity risk** was moderate for most of 2009, especially taking into consideration the fact that the Bank of Russia had given credit institutions considerably broader opportunities for refinancing.

One of the gravest consequences of the crisis was the realisation of some of the risks accumulated in the period of rapid economic growth and credit expansion. For this reason, banking sector **credit risk** remained high in 2009.

This was manifest, above all, in the deterioration of the quality of assets and the expansion of the share of overdue debt and the ratio of problem and bad loans² in the total credit portfolio. In 2009, the share of overdue debt in total credit to all categories of borrowers increased from 2.1% to 5.1%. At the same time, the rates of growth in overdue debt slowed continually during the year: 52.3% in Q1, 29.2% in Q2, 15.8% in Q3 and 5.5% in Q4.

Overdue debt in the portfolio of loans to non-financial organisations, which remained virtually unchanged in value, almost trebled in 2009 and its share of total debt expanded from 2.1% to 6.1%. Overdue debt on loans to households increased by a factor of 1.6, while the value of these loans declined by 11.0%. As a result of these contrasting dynamics, the share of overdue debt grew from 3.7% to 6.8%.

During the crisis some banks registered an extremely high level of credit risk concentration, especially end owner business credit risk, and this was one of the main reasons for the sharp deterioration of the financial situation of these banks.

In 2009, banks became increasingly exposed to **market risk**, owing to growth in trading securities portfolios. The level of market risk,³ included in total risk for the purpose of calculating the capital adequacy ratio, rose by 69.0% in 2009.

Owing to significant growth in debt obligation portfolios, **interest rate risk** predominated in the

¹ Cash, precious metals and gemstones, balances of correspondent nostro accounts and balances of correspondent and deposit accounts with the Bank of Russia.

² According to Bank of Russia Regulation No. 254-P, dated 26 March 2004, 'On the Procedure for Making Provisions by Credit Institutions for Possible Losses on Loans, Loan and Similar Debts,' loan loss provisions for quality category IV (problem) loans (not counting collateral) should be in the range of 51% to 100% and provisions for quality category V (bad) loans should be 100%.

³ Pursuant to Bank of Russia Regulation No. 313-P, dated 14 November 2007, 'On the Procedure for Calculating Market Risk by Credit Institutions.'

structure of banking sector market risks as of 1 January 2010, as was the case as of 1 January 2009: 75.5% and 70.7%, respectively.

The assessments of bank profit and capital sensitivity to decline in interest rates, made by the Bank of Russia in 2009 in a survey of several banks, showed that interest rate risk was moderate. However, for some banks, this type of risk may be critical because of their aggressive interest rate policy. This situation called for a corresponding regulatory and supervisory response from the Bank of Russia aimed at controlling this type of risk.

The share of **equity position risk** in the structure of banking sector market risks also increased in 2009 (from 14.7% to 17.5%). The securities portfolio concentrations in a number of systemically important banks create systemic risk: a sharp price downturn on the stock market may cause losses from a large-scale negative revaluation of the securities portfolios to spread to the banking sector.

The importance of **foreign exchange risk** decreased in 2009 as the rouble appreciated against the bi-currency basket for most of 2009, and the Bank of Russia issued in the first half of the year recommendations for banks with regard to net foreign assets and open currency positions. The excess of balance-sheet foreign currency claims over obligations (in rouble terms) decreased relative to total capital from 28.3% to 15.0% in 2009. As for off-balance-sheet positions,¹ foreign currency obligations (in rouble terms) exceeded claims; the difference relative to total capital was 1.3% as of 1 January 2010 (4.0% as of 1 January 2009).

The assessments of the Russian banking sector's stability made by stress testing in 2009 showed that a number of 'shock' conditions taken into account in stress testing as part of the conservative and worst-case scenarios materialised during the crisis, but government support measures allowed the banking sector to continue to perform its key functions and on the whole retain financial stability.

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

1.4.2. OTHER FINANCIAL INSTITUTIONS

INSURANCE COMPANIES. As of 1 January 2010, there were 702 insurance companies on the Single State Register of Insurers, 84 companies fewer than as of 1 January 2009. Insurers' total authorised capital in 2009 decreased by 2.5% to 148.3 billion roubles (in 2008 it declined by 3.7%). The negative dynamics of the number of insurance companies and their authorised capital was partly the result of the measures taken by the Federal Insurance Supervision Service (FISS) to rehabilitate the insurance market and the increased unprofitability of the insurance business in some regions of Russia.

According to the FISS, 693 insurance companies that submitted statements in 2009 collected a total of 977.5 billion roubles in insurance premiums, an increase of 2.4% over 2008. The value of insurance indemnities rose by 17.0% to 734.5 billion roubles. Compared to 2008, the rates of growth in insurance premiums and indemnities slowed by factors of 9.5 and 1.8, respectively, as demand for insurance services slumped and insurance risks increased. The ratio of insurance indemnities to premiums increased by 9.3 percentage points to 75.1% in 2009.

The value of voluntary insurance contributions decreased by 10.5% year on year, and their share in total insurance premiums contracted from 49.1% to 43.0%. Property insurance predominated in the structure of voluntary insurance contributions (64.1% as of 1 January 2010), but the value of contributions in this segment of the insurance business contracted by 15.7% year on year. Liability insurance was the only segment of voluntary insurance where a rise in contributions (by 15.8%) was registered. One reason for this was growth in the demand for third party liability car insurance and the insurance of liability for non-fulfilment or improper fulfilment of contract obligations.

Compulsory insurance ensured that the dynamics of total insurance premiums remained positive in 2009. However, the rate of growth in compulsory insurance premiums (14.8%) was 2.1 times slower than in 2008. The value of compulsory medical insurance premiums increased the most (by 16.9%). Unlike the situation in 2008, last year saw a fall in individual passenger (tourist, traveller) insurance premiums and premiums to the state insurance of servicemen and other individuals entitled to state insurance (by 7.3% and 9.6%, respectively).

According to data insurance companies reported to the Bank of Russia,¹ in the first nine months of 2009, insurers' assets grew by 6.0%. Investments in debt securities and deposits made up the largest part of insurers' assets (26.1% and 23.9%, respectively, as of 1 October 2009).

Over the first nine months of 2009, insurance reserves increased by 4.0% (as against 18.6% in the same period of 2008). The reinsurers' share of insurance reserves, which is the measure of risks passed by insurance companies to reinsurers, remained unchanged at about 8.0%. However, the share of non-resident reinsurers expanded in the structure of these funds by 14.5 percentage points to 45.6%.

Investments in the banking sector predominated in the institutional structure of insurers' investments (60.6% as of 1 October 2009). Over the first nine months of 2009, they increased by 1.5%. Insurers' deposits grew by 4.7%, whereas certificates of deposit declined by 7.2%.

Investments in the non-financial sector and other financial institutions accounted for 14.2% and 11.8%, respectively, as of 1 October 2009. Growth in investments in the non-financial sector (by 9.7%) in the first nine months of 2009 was chiefly ensured by investments in debt securities. Investments in other financial institutions grew by 19.2%, mostly due to investments in debt securities and equities.

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.'

UNIT INVESTMENT FUNDS (PIFs). The gradual recovery of the stock market and rapid expansion of PIFs for qualified investors in 2009 contributed to the improvement of the situation on the collective investment market, as compared with 2008.

The number of PIFs increased by 173 in 2009, an increase of almost 60% on 2008, and reached 1,307 as of 1 January 2010.¹ The number of closed PIFs rose by 234 (to 781), of which 159 were PIFs for qualified investors.² The number of open PIFs fell by 53 to 435 and interval PIFs declined by eight to 91. Grouped by category, the biggest increase was registered in the number of property funds (91) and credit funds (67).

Under the new PIF regulation enforced in 2009, the funds for qualified investors are not required to make their net asset value (NAV) public. According to the National Managers' League, the NAV of the funds for qualified investors increased by 319 billion roubles in 2009 and its share in PIFs' total NAV expanded from 50% to 70%.

The NAV of other PIFs in 2009 increased by 68.6 billion roubles, or 22.0%, and reached 384.6 billion roubles. The NAV of the open and interval retail PIFs grew by almost 60%, but its share in PIFs' total NAV, net of funds for qualified investors, remained small (25.5% as of 1 January 2010). The relatively low rate of growth in the NAV of closed PIFs (by 12.9%) is partly attributable to the transfer of shareholder funds to the funds for qualified investors. PIFs specialising in investments in stocks and shares demonstrated the most rapid growth. The NAV of the open and interval stock funds and stock index funds almost doubled. The most significant contraction in NAV (by 49.5%) was registered by the money market PIFs, as shareholders transferred funds from them.

The number of PIF management companies rose by 17.1% and reached 328 as of 1 January 2010, and they accounted for 71.6% of the total number of registered management companies.

NON-GOVERNMENTAL PENSION FUNDS (NPFs).

According to the Federal Financial Markets Service (FFMS), over the first nine months of 2009 the number of registered NPFs had declined by 63 to 172, mostly as a result of the measures taken by the FFMS to rehabilitate the non-governmental pension market and tighten legislative requirements for the size of property needed to ensure the statutory activities of NPFs.

According to data reported to the FFMS by 167 NPFs, in the first nine months of 2009, the total value of their own property increased by 17.1% to 678.6 billion roubles, while the value of property for statutory activities rose by 7.9% to 84.5 billion roubles. The NPFs' pension reserves expanded by 11.9% in the period under review and reached 518.0 billion roubles.

Over the first nine months of 2009, the number of NPF members declined by 6.6% to 6.4 million people, the lowest level in the past few years. The NPF average monthly pension increased by 12.7% to 1,448.5 roubles, but this was 3.6 times smaller than government pension.

The value of pension accruals passed to NPFs from the compulsory pension insurance system more than doubled in the first nine months of 2009 and reached 71.7 billion roubles. As of 1 October 2009, they accounted for 13.3% of total pension accruals.

According to data on financial operations for the first nine months of 2009, reported by NPFs to the Bank of Russia,³ investments in other financial institutions began to predominate in the structure of investments. These accounted for 37.4% as of 1 October 2009, as investments in PIF shares rose by 19.9%. Meanwhile, the share of NPF investments in the non-financial sector continued to contract in 2009 and as of 1 October 2009, it stood at 29.9%. This is partly attributable to the 8.9% fall in investments in the shares of non-financial organisations in the first nine months of the year.

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

²According to the National Managers' League.

³According 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.'

Investments in the banking sector increased by 29.6% in the first nine months of 2009 and their share in total NPF investments stood at 26.7% as of 1 October 2009. Deposits and other funds in credit institutions grew by 32.5% and their share in total NPF investments

in the banking sector reached 75.9%. NPFs' investments in credit institutions' securities increased by 21.2% in the first nine months of 2009 and investments in debt securities increased the most (by 59.1%) in the portfolio structure.

1.4.3. FINANCIAL MARKETS

INTERBANK MONEY MARKET

The situation on the Russian interbank money market kept changing throughout 2009. In the beginning of the year, some Russian banks experienced financial problems and failed to meet their obligations fully and on time, including obligations on interbank loans. At the end of January, the share of overdue debt in total interbank loans placed in Russian credit institutions reached 0.23%, its highest ratio since October 2005. In January, interbank credit rates continued to rise, as market participants grew increasingly distrustful of one another, the world financial market was in turmoil and rouble devaluation expectations increased. The average monthly overnight rouble credit rate rose to a seven-year high of 15.7% p.a. that month.

The urgent measures taken by the Bank of Russia to support the Russian banking system helped Russian banks to improve their financial situation. The share of overdue debt in total interbank loans placed in Russian credit institutions declined for most of the year, and by the end of December stood at 0.12%. The regaining of mutual confidence by market participants, the fall in interest rates on the Bank of Russia's money

market operations and the rouble's nominal appreciation against major world currencies contributed to the gradual reduction of interbank credit rates. In December 2009, the average monthly overnight rouble interbank credit rate fell to 5.2% p.a. The decline in interest rates was accompanied by a significant reduction in their volatility.

The stabilisation of the situation on the interbank money market led to a rise in the market participants' activity. In 2009, interbank credit transaction volumes mostly expanded. By the end of the year, the total value of interbank loans and deposits placed by Russian banks on the domestic market reached 0.8 trillion roubles.

The foreign exchange segment of the Russian interbank money market in 2009, as in previous years, was linked to the world money market. Interest rates on the dollar- and euro-denominated interbank loans placed by Russian banks for most of 2009 were close to world money market rates on instruments with comparable maturities that were denominated in the same currency.

In 2009, Russian banks changed the structure of their operations on the world money market

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

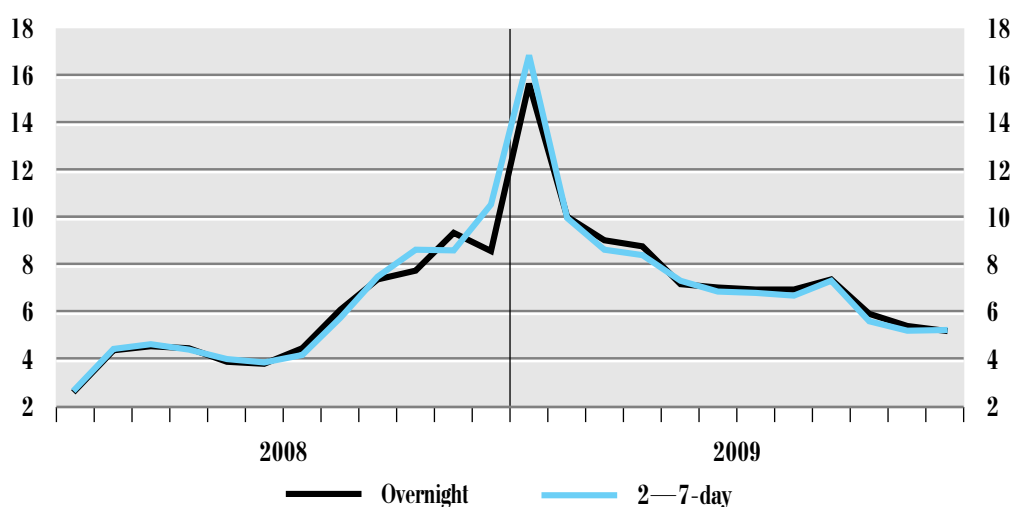


Chart 17

significantly. For most of the year, they cut the value of interbank loans and deposits taken from non-resident banks. The value of funds placed by Russian banks with non-resident banks fluctuated in 2009, demonstrating a minor upward trend.

Therefore, Russian banks' net borrowings from non-resident banks continually declined. At the end of 2009, for the first time in six years, Russian banks became net creditors in interbank transactions with non-resident banks.

FOREIGN EXCHANGE MARKET

In early 2009, exchange rate dynamics continued to be affected by the turbulence on world financial markets. Persistent rouble devaluation expectations, set against the bleak foreign economic background in that period, caused demand for foreign currencies to rise significantly on the domestic foreign exchange market. In January, the Bank of Russia continued the gradual expansion of the permissible range of fluctuations of the bi-currency basket. This expansion had begun in November 2008, to contain the rouble's devaluation, and this allowed economic agents to gradually alter the structure of their assets and liabilities.

On 23 January, the Bank of Russia completed the readjustment of the parameters of its exchange rate policy. In the second half of February, the balance of the exchange rate-setting factors changed on the domestic market. The stabilisation of the world's financial markets, the resumption of growth in raw materials prices and the preservation of the positive difference be-

tween internal and external market interest rates made investments in Russian assets more attractive and strengthened the national currency.

There was a slowing of growth in the price of oil and a price downturn on the Russian stock market in June. In that situation the rouble's appreciation had come to a halt. In July and August, rouble exchange rate dynamics became somewhat more volatile: net private capital outflow in that period was partly offset by the inflow of earnings from foreign trade operations. In September, as the external economic situation changed for the better, the rouble resumed its appreciation. Although the domestic foreign exchange market became more volatile in the second half of November and in December, by the end of the year the exchange rates of the major world currencies remained far below the maximums they had reached against the rouble in February.

In the period under review, the official US dollar/rouble rate gained 2.9% to end the year

OFFICIAL US DOLLAR/ROUBLE AND EURO/ROUBLE EXCHANGE RATES IN 2009

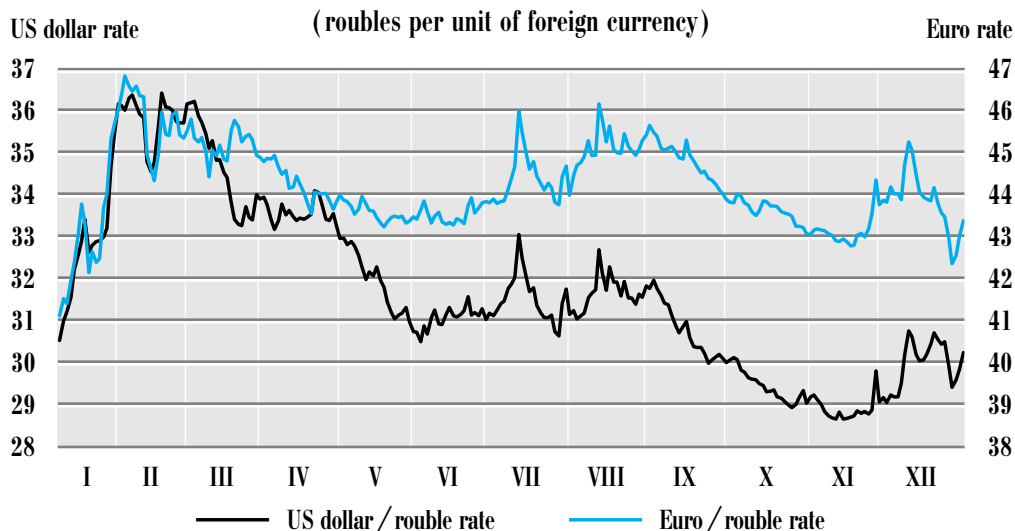


Chart 18

CURRENCY STRUCTURE OF INTERBANK SPOT CONVERSION OPERATIONS IN 2009
(percent)*

US dollar	93.0
Russian rouble	69.1
Euro	33.1
Pound sterling	2.5
Yen	1.0
Swiss franc	0.8
Other	0.5

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

at 30.2442 roubles to the dollar, and the euro rose by 4.7% to 43.3883 roubles.

The contraction of foreign trade operation volumes and cross-border capital flow, and the scaling down of Bank of Russia currency interventions in 2009 (as compared with 2008) led to a shrinkage in domestic foreign exchange market turnover. Overall average daily interbank exchange and over-the-counter spot trade turnover in 2009 contracted by 42% year on year, to \$54.9 billion.

Rouble/US dollar trades predominated in the currency structure of the interbank spot market, accounting for 63% of its overall turnover. However, the average daily value of trades in this pair of currencies in 2009 decreased by 38% year on year, to \$34.5 billion.

The share of exchange trade in total interbank domestic foreign exchange market turnover expanded in 2009. The total value of rouble/US

dollar exchange trade turnover increased by 1.3% to \$2,440.3 billion, and the value of rouble/euro trade turnover grew by 105.0% to 393.1 billion euros.

At the same time, 2009 saw growth in the value of exchange currency swap transactions, the demand for which surged when capital ebbed away and liquidity contracted. Overall, in 2009 the value of rouble/US dollar exchange currency swap transactions increased by 29.2% year on year, to \$1,361.6 billion, while rouble/euro transactions grew by 164.9% to 329.5 billion euros.

The volume of forward conversion operations contracted on the domestic foreign exchange market in 2009. The average daily value of forward interbank conversion operations stood at \$1.8 billion, as against \$3.8 billion in 2008. The share of these operations in total interbank currency market turnover contracted from 4.0% to 3.2%.

GOVERNMENT SECURITIES MARKET

FEDERAL LOAN BONDS (OFZ). In the first half of 2009, as volatility persisted on the Russian financial market, the activity of OFZ market participants remained quite low. In the second half of the year, when the banking sector had accumulated enough spare funds and the internal and external interest rate differential remained positive, investors' interest in rouble-denominated government securities increased.

Over the year, OFZ secondary trade turnover contracted by 26.2%, to 687.9 billion roubles at market value. Meanwhile, trade volume on the main exchange trading floor increased by 4.5%,

to 311.7 billion roubles, while off-board trade volume contracted by 40.7%, to 376.2 billion roubles.

Overall, OFZ market liquidity remained low. The average daily secondary market turnover ratio on the main exchange trading floor in 2009 remained unchanged in nominal terms from 2008 at 0.1%.

As the banking sector liquidity stabilised and Bank of Russia interest rates fell, the market yield of government bonds declined in 2009. The effective OFZ market portfolio indicator dropped by 47 basis points, to 8.64% p.a. The zero-cou-

OFZ SECONDARY MARKET TURNOVER AND YIELD

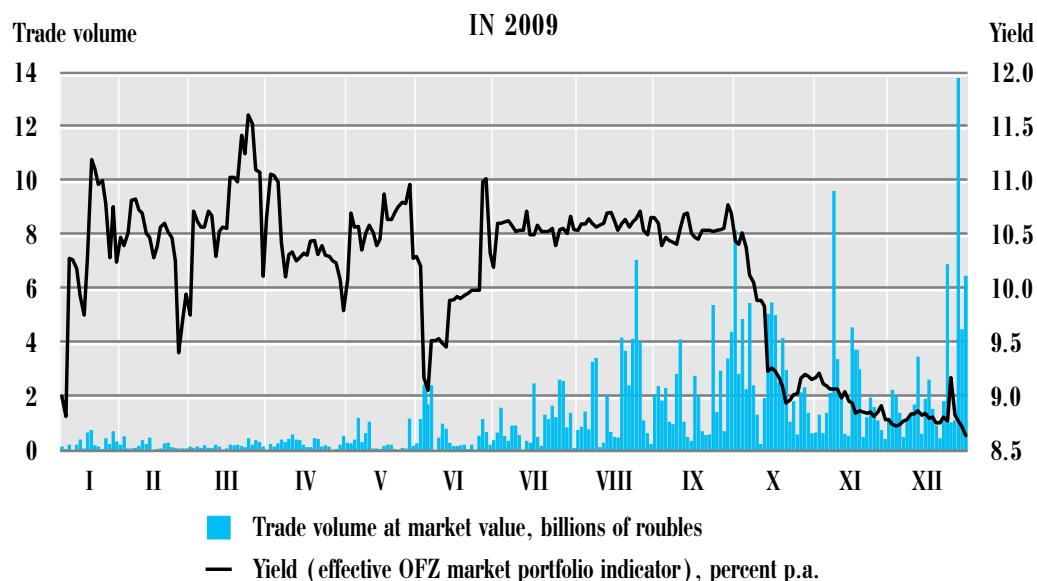


Chart 19

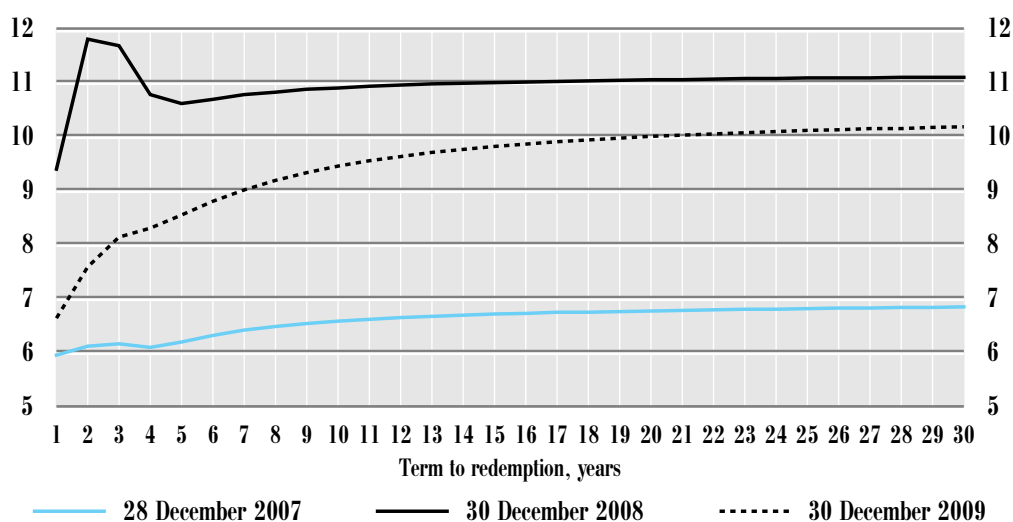
ZERO-COUPON OFZ YIELD CURVE
(percent p.a.)

Chart 20

pon yield curve moved down in all maturity segments in 2009. The most significant fall in zero-coupon yield (by more than 3.5 percentage points) was registered in the 2- to 3-year OFZ segment, where most trading was concentrated.

Forty-two OFZ auctions were held in 2009, but most of the bonds were placed in the second half of the year. The Finance Ministry floated nine new permanent coupon-income federal loan bond issues, and total funds raised at the auctions amounted to 305.3 billion roubles. In 2009, the

Finance Ministry continued to make additional government securities placements in the form of direct sales, and their total value reached 121.6 billion roubles.

Bondholders were paid 174.4 billion roubles in coupon income and principal redemption. As a result, in 2009 the nominal value of outstanding OFZ issues on the market increased by 325.7 billion roubles to 1,469.7 billion roubles, while the portfolio duration decreased by 1.1 years to 4.3 years.

REGIONAL GOVERNMENT BONDS. Finance Ministry data indicate that the nominal value of regional government loan bonds placed on the domestic market totalled 377.8 billion roubles as of 1 January 2010 (as against 268.9 billion roubles as of 1 January 2009). The value of the municipal domestic bonded debt declined from 9.5 billion roubles to 7.1 billion roubles.

In 2009, certain Russian regions had bonded debt service problems but managed to avoid default as a result of timely federal government aid.

The nominal value of regional (sub-federal and municipal) bonds placed on the MICEX Stock Exchange in 2009 increased by 23% year on year, to 118.3 billion roubles. The largest amounts of bonds were placed by Moscow and the Krasnoyarsk Territory (84.2 billion roubles and 10.2 billion roubles, respectively). The auction yield of regional bonds in 2009 ranged between 9.9% and 20.0% p.a. as against 4.6% and 18.9% p.a. in 2008.

Regional bond secondary trade turnover on the Moscow Interbank Currency Exchange (MICEX) and the MICEX Stock Exchange in 2009 expanded by 36.0% year on year and reached 564.7 billion roubles. Moscow government bonds prevailed in trade turnover. Their share in secondary regional bond trade turnover stood at 74%. Bonds issued by the governments

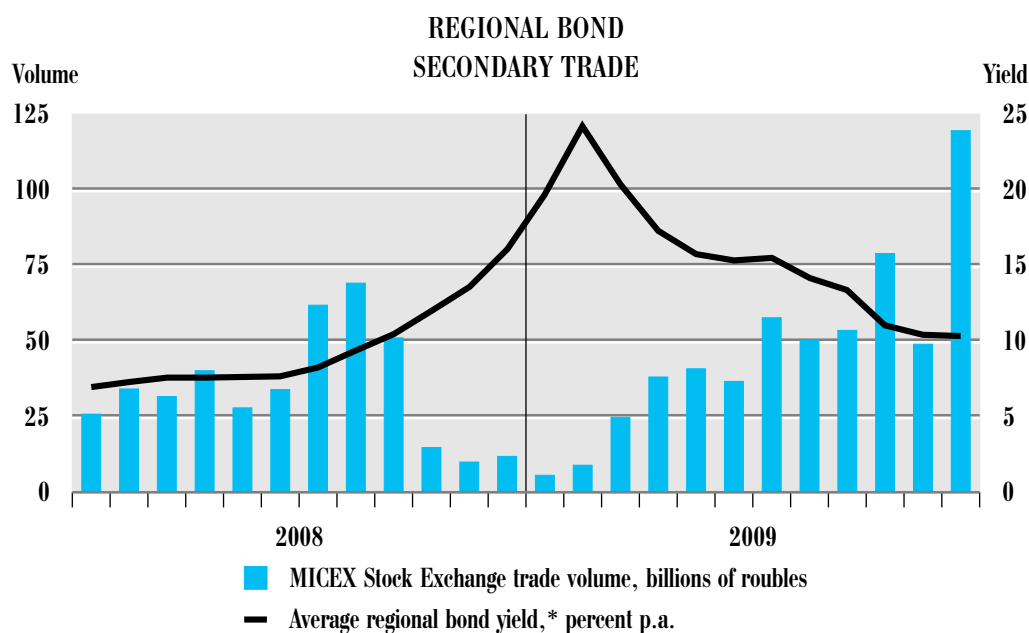
of the Moscow and Samara Regions and the Krasnoyarsk Territory traded in large amounts.

The secondary market yield of the regional bonds of the major issuers ranged between 9.9% and 25.6% p.a. in 2009 (as against 6.8% and 19.4% p.a. in 2008). In early February 2009, regional government bond yields hit an historical high and topped corporate bond yields. In March—December 2009, regional bond yields gradually declined, and their annualised average rose to 15.4% p.a. from 9.6% p.a. in 2008.

RUSSIAN GOVERNMENT FOREIGN CURRENCY DEBT OBLIGATIONS.

In 2009, the Russian government's foreign currency-denominated bonded debt was represented by four eurobond issues floated in 1998—2000 (with final redemption dates in 2010—2030) and one internal government foreign currency loan bond issue (OVGVZ), which was floated in 1996 and is to be redeemed in 2011. According to the Finance Ministry, the Russian government's total foreign currency-denominated bonded debt stood at \$29.5 billion as of 1 January 2009, and \$28.0 billion as of 1 January 2010.

According to the schedule, in March and September of 2009 the Russian government redeemed a part of the principal Russian eurobond debt with final redemption dates in 2010 and 2030. In 2009, it paid the entire coupon income



* According to the news agency Chonds.ru.

Chart 21

on all foreign currency bond issues. According to a Bank of Russia estimate, these payments totalled \$3.9 billion.

Russian investors in 2009 scaled down their commercial operations with Russian eurobonds

on the organised domestic market. The actual value of Russian eurobond trades on the MICEX and MICEX Stock Exchange contracted to 0.7 billion roubles, as against 65.0 billion roubles in 2008.

CORPORATE SECURITIES MARKET¹

In the middle of February, when the most acute phase of market turmoil was over, the corporate securities market gradually began to recover. However, despite an improvement in the major quantitative indicators by the end of 2009, the situation in the main segments of the market remained volatile.

In 2009, foreign participants in the corporate securities market scaled down their exchange trade activity. The balance of non-resident operations (total purchases less total sales) in secondary trade on the MICEX Stock Exchange remained negative: trades in shares stood at 28.7 billion roubles and trades in corporate bonds stood at 87.8 billion roubles (this compares with 421.5 billion roubles and 153.3 billion roubles in 2008).

Russian companies' IPOs on the major Russian and international exchanges in 2009 in-

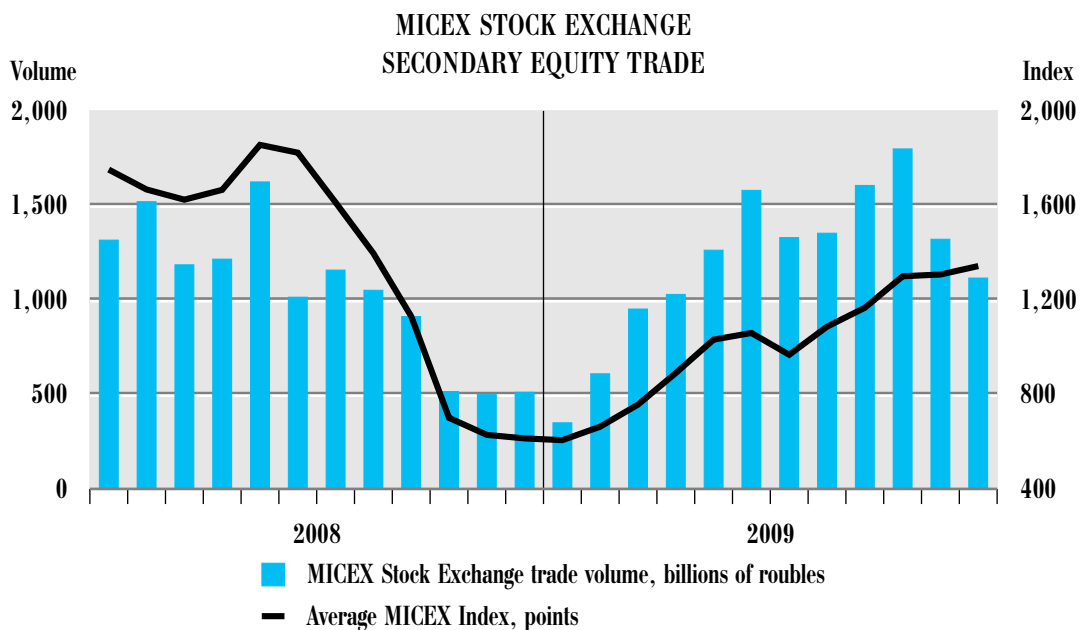
creased compared to the previous year, but they were nowhere near their 2006 and 2007 levels. Growth in investors' interest in Russian **stocks** on the primary market gave Russian companies wider opportunities for the restructuring and re-financing of their domestic and foreign debt.

The end of February 2009 saw the resumption of growth in share prices, which by December reached their annual highs, compensating by about one half the price downfall witnessed during the period of stock market instability. Overall, in 2009 the MICEX Index gained 121.1% and the RTS Index gained 128.6% year on year.

By the end of 2009, the stock market capitalisation on the MICEX Stock Exchange had increased by a factor of 2.3 compared to the end of 2008, and reached 22.3 trillion roubles.

The bulk of exchange stock trades were conducted on the two leading Russian exchanges, the

Chart 22



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

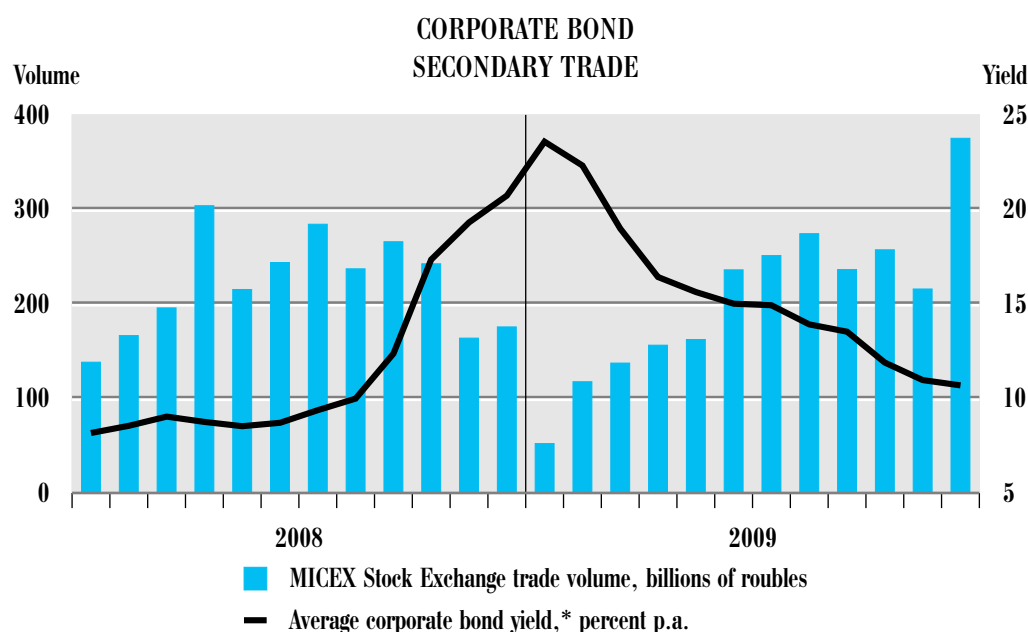


Chart 23

* According to the news agency Cbonds.ru.

MICEX Stock Exchange and the Russian Trading System (RTS), with the former topping the list. The MICEX Stock Exchange accounted for nearly 90% of total exchange stock trade volume. The volume of secondary share trade on the MICEX Stock Exchange grew by 14.2% year on year and reached 14.3 trillion roubles. The most traded instruments were stocks issued by credit institutions and oil, gas and metallurgy sector companies.

The domestic **corporate bond** market in 2009 witnessed the expansion of the portfolio of outstanding bonds, which was mostly due to the large issues floated by issuers with high credit ratings. The nominal value of corporate bonds placed on the MICEX Stock Exchange in 2009 increased by 70% year on year and reached 908.3 billion roubles, and the number of new issues rose by 5.5% to 154. No corporate bonds were placed on other exchange trading floors. Twenty-seven issues of rouble-denominated corporate bonds with a total value of 134.2 billion roubles were placed on the domestic over-the-counter market.

The number of corporate issuer defaults continued to increase in 2009. As a result of the fall in demand for corporate bonds issued by borrowers outside the group of prime borrowers, and the increased difficulties faced by these borrowers in

attracting alternative funding, the number of defaults on corporate bonds increased more than sevenfold when compared with 2008.¹

Corporate bond secondary trade turnover on the leading trading floors (the MICEX and MICEX Stock Exchange) contracted by 6.3% year on year, to 2,483.3 billion roubles. Instruments issued by credit institutions and financial, railway and oil and gas companies accounted for most of the MICEX Stock Exchange corporate bond secondary trade turnover.

The yield of the most liquid corporate bonds continued to rise in January 2009; on 20 January it reached 24.8% p.a., the highest level registered since this indicator began to be calculated in July 2003. In February—December 2009, corporate bond yields declined and at the end of December they stood at 11.4% p.a.

Prices mostly rose on the secondary **promissory note** market in 2009. According to data released by the Promissory Note Market Participants Association (AUVER), for most of 2009 the average weighted yield on promissory notes (based on prices offered by leading operators) declined.

In 2009, Russian banks scaled down their operations to discount promissory notes of non-

¹ Source: the news agency Cbonds.ru.

financial organisations. As of the end of 2009, the portfolio of resident non-bank organisations' promissory notes discounted by Russian banks was worth 52 billion roubles, representing a 45% decrease since the beginning of the year. The contraction in discounted promissory note volumes was accompanied by a gradual decline in rates. The average rate on rouble-denominated promissory notes discounted by banks fell from 15.7% p.a. in the first quarter of 2009 to 11.8% p.a. in the fourth. At the same time, the average rate on rouble promissory notes discounted by banks in 2009 rose to 14.0% p.a. from 12.0% p.a. in 2008.

SECURITIES ISSUED BY CREDIT INSTITUTIONS.

In 2009, the Bank of Russia registered 309 credit institution securities issues: 258 share issues and 51 bond issues (this compares with 274 share issues and 75 bond issues in 2008).

The nominal value of the share issues registered in 2009 increased by a factor of 2.6 when compared to 2008 and reached 454.0 billion roubles. This growth is largely due to the registration of share issues placed to increase the authorised capital of credit institutions. The nominal value of these share issues increased from 168.9 billion roubles in 2008 to 414.2 billion roubles in 2009. The nominal value of the share issues connected with the founding of credit institutions stood at 1.8 billion roubles, and that of those connected with the reorganisation of credit institutions stood at 6.7 billion roubles (in 2008 these figures were 1.3 billion roubles and 4.2 billion roubles, respectively). The value of the share issues registered in connection with the dilution (splitting), consolidation, conversion and devaluation of shares in nominal terms increased to 31.3 billion roubles in 2009 from 0.1 billion roubles in 2008.

Of the share issues registered in 2009, 184 share issue reports were registered in connection with the completion of the placement of these shares. The nominal value of the floated issues stood at 372.5 billion roubles, or 82% of the nominal value of all share issues registered in 2009. This compares with 131.6 billion roubles, or 75%, in 2008, although the same number of share issue reports was registered that year. In addition, 51 share issue reports from among the

share issues registered in 2008 (with a value of 8.4 billion roubles) were registered in 2009.

The nominal value of registered bond issues decreased from 344.4 billion roubles in 2008 to 202.0 billion roubles in 2009. A total of 45.1 billion roubles of bonds were placed, which represents 22.3% of the nominal value of the bond issues registered in 2009 (this compares with 61.7 billion roubles and 17.9% in 2008). Bond issue reports were registered and bond issue notices were received in 2009 for 11 bond issues that were registered in 2008 and valued at 41.0 billion roubles.

Eighty-four securities issues were cancelled in 2009, as not a single security from these issues was floated and violations of federal law were committed in the course of issuing securities (these include 35 share issues with a total value of 19.2 billion roubles, and 49 bond issues with a total value of 251.2 billion roubles). This represents a significant increase over the number of securities issues cancelled in 2008 (21 share issues and 28 bond issues). It should be noted, however, that 29 share issues with a total value of 17.1 billion roubles and 45 bond issues with a value of 234.5 billion roubles that were cancelled in 2009 were registered in 2008.

Bank share prices grew rapidly for most of 2009. The quoted prices of the most liquid instruments issued by credit institutions (ordinary shares floated by VTB Bank and Sberbank on the MICEX Stock Exchange) in 2009 increased by 107% and 266% year on year, respectively. In this respect, Sberbank shares topped the list of the most liquid shares issued by companies in the key sectors of the economy.

The share of bank stocks in the total volume of secondary exchange trade in shares on the MICEX Stock Exchange and in the RTS expanded from 19% in 2008 to 45% in 2009, taking the lead away from the oil and gas sector, which had been at the top throughout the history of the domestic stock market. Bank bonds in 2009 accounted for 24% of total corporate bond secondary trade volume on the MICEX Stock Exchange (about 30% in 2008).

As of the end of 2009, the value of promissory notes and bank acceptances issued by Russian credit institutions amounted to 0.74 trillion roubles, almost as much as a year earlier. The

FUTURES TRADE ON RUSSIAN EXCHANGES (billions of roubles)

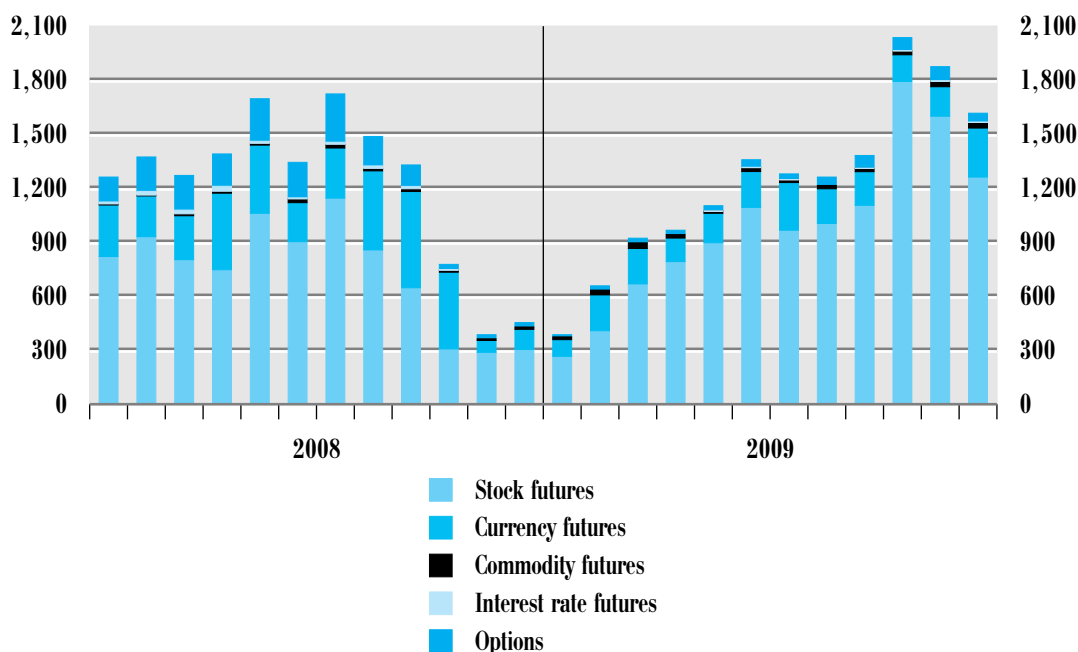


Chart 24

average rate on banks' own rouble-denominated promissory notes placed with legal entities in 2009 rose to 11.7% p.a. from 9.2% p.a. in 2008.

In 2009, the Bank of Russia registered 11 terms of issue and trade of certificates of de-

posit, and four terms of savings certificates. As in 2008, most of the certificates of deposit and savings certificates (90.5 billion roubles) were issued by credit institutions based in Moscow and the Moscow Region.

FINANCIAL DERIVATIVES MARKET

Trading activity gradually rose on the Russian financial derivatives market in 2009 after the sharp fall that occurred in the second half of 2008. Total futures and options trade turnover on the Russian exchanges¹ in 2009 increased by 2% year on year, and reached 14.8 trillion roubles. In October 2009, the monthly volume of trade in exchange derivatives hit an historical high.

In 2009, the derivatives market was characterised by the decreased liquidity of most instruments and the predominance of short-term contracts. Despite trade turnover growth, the average annual value of open positions on exchange derivatives (in contracts) on the principal trading

floors (RTS, MICEX and MICEX Stock Exchange) decreased by a factor of 1.9 compared to 2008. In 2009, a vast majority of the deals (92%) for futures contracts were made with terms of up to three months (82% in 2008). The recovery of trade turnovers on the exchange derivative market in 2009 was largely the result of an increase in operations in the stock market derivatives segments, which accounted for 80% of total futures exchange market volume in 2009, as against 61% in 2008.

There was a major fall in operators' activity in the currency futures segment, and the share of currency futures in total futures exchange contract volume contracted to 15% in 2009 from 25% in 2008. The commodity futures segment registered

¹ RTS, MICEX, MICEX Stock Exchange, St Petersburg Currency Exchange and St Petersburg Exchange.

an increase in transaction volumes, but its share of total exchange derivatives trade volume remained small (2%). Interest rate futures trades were sporadic, while traders' activity on the options market began to pick up at the end of 2009.

The most liquid exchange derivatives in 2009 were, as before, futures contracts for the RTS Index and the US dollar's rate against the rouble, as well as options for RTS Index futures contracts.

I.5. BALANCE OF PAYMENTS AND FOREIGN DEBT

I.5.1. BALANCE OF PAYMENTS

Russia's balance of payments in 2009 was affected by the deteriorated external economic situation and the loss of investor confidence in emerging markets, which led to the contraction of both current and financial account operations. At the same time, the balance of payments was backed up by the economic and exchange rate policy measures taken by the Russian government nationwide. The Russian economy managed to stand by its current foreign debt obligations, private capital outflow declined significantly, and the accumulation of international reserves resumed.

CURRENT ACCOUNT

The current account surplus contracted by a factor of 2.1 in 2009 to \$49.0 billion, as the balance of trade shrank by 37.9% to \$111.6 billion.

Exports of goods declined to \$303.4 billion, which represents a 35.7% decrease from the historical high registered in 2008. The highest rates of decline were registered in the first quarter of 2009 (they fell almost by half, compared with the same period of 2008), as the price situation on world commodity markets changed for the worse for Russian exporters. Later, export indicators began to gradually look up: the third quarter saw the recovery of ex-

port volumes of the major energy products, and their prices rose on the international market. In the fourth quarter, the value of exports was comparable with the level registered in the same period of 2008.

The overall contraction in exports had no significant effect on their structure: fuel and energy products accounted for about two-thirds of total exports. Export volumes of crude oil and petroleum products were slightly higher than in 2008, but the massive fall in their contract prices, along with the contraction in natural gas sales, caused the value of exports of major energy products to decrease by 38.5% to \$190.7 billion.

Exports of metallurgy products fell by 38.4% to \$33.6 billion. The period under review saw a decline in exports of both ferrous and non-ferrous metals, including ferrous and non-ferrous metal products (by 44.6% and 27.9%, respectively). The fall is the result of a simultaneous downturn in both export prices and volumes. The fall in the prices of this group of products was faster than the fall in the prices of other groups of products, and as a result, its share in total exports of goods contracted to 11.1%.

Exports of chemicals and related products declined by 38.2% year on year, to \$18.7 billion. The main factor of the fall was the 33—50% decrease in the contract prices of fertiliser and poly-

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

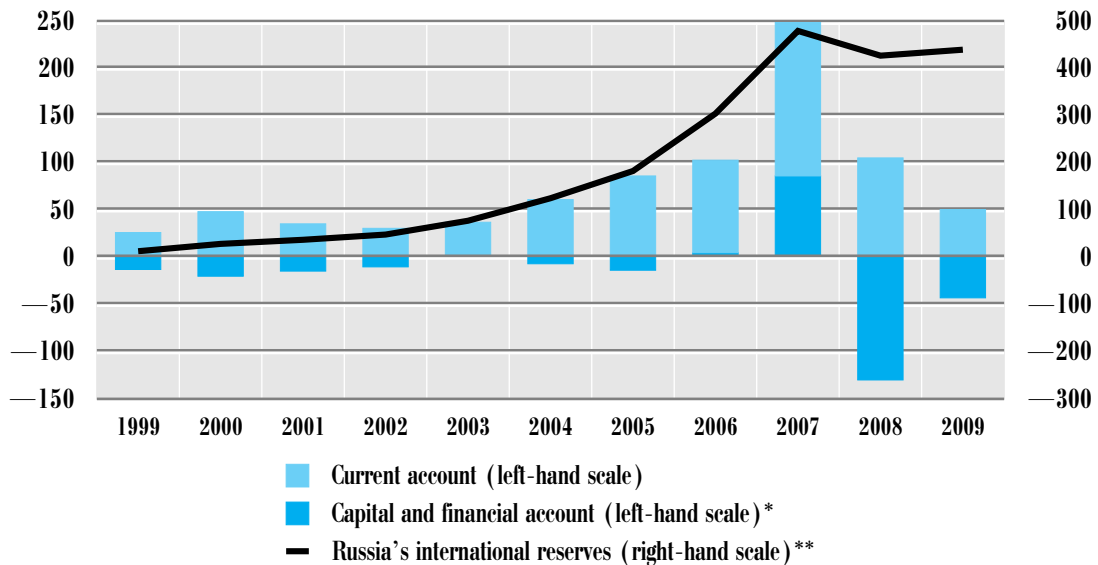


Chart 25

* Net of change in reserves.

** As of end of year.

mers. The share of this group of products in total exports narrowed to 6.2%.

The fall in export prices of hydrocarbon raw materials, which are mostly consumed by the member countries of the European Union (EU), led to the contraction of these countries' share in the geographical structure of Russian exports to 53.3%. Meanwhile, the share of the member countries of the CIS and Asia-Pacific Economic Cooperation (APEC) expanded to 15.5% and 15.1%, respectively. The Netherlands, Italy and Germany remained Russia's leading trading partners, accounting for 12.0%, 8.3% and 6.2% of Russian exports, respectively.

Imports of goods in 2009 are estimated at \$191.8 billion, a decrease of 34.3% from 2008. While prices fell slightly (by 0.3%), import volumes contracted significantly in all the major groups of products. The most significant decline in imports was registered in the first half of the year (by 39.2% compared to the same period in 2008). However, this gap narrowed in the second half of the year.

The fall in imports affected the most important group of imported products: machinery, equipment and transport vehicles. Their import value decreased from \$140.8 billion to \$72.6 bil-

lion and their share in total imports contracted from 52.7% to 43.4%. The main reason for the downturn was the contraction of demand for investment goods and consumer durables. Specifically, car imports fell by a factor of 3.8.

As the decline in imports to Russia of the second most important group of products: foodstuffs and raw materials for their production — was considerably smaller (their value decreased from \$35.2 billion to \$30.1 billion), their share in total imports expanded from 13.2% to 18.0%.

Slower rates of decline in imports of chemicals and related products also led to the expansion of the share of this group of products, to 16.6%.

The sharp fall in engineering imports led to the significant contraction of the APEC countries' share in the geographical structure of imports (to 31.0%), whereas the EU's share expanded to 45.0%. The CIS accounted for 13.0% of imports. The two countries that exported the most goods to Russia were China (13.6%) and Germany (12.7%).

The deficit in the **balance of external trade in services** contracted from \$24.3 billion to \$19.9 billion, or by 18.3%, as exports and imports declined at the same rate of 18.4%.

Exports of services fell to \$41.7 billion, mostly as a result of the contraction of cross-border trade turnover and the general decline in business activity. The fall in transport services provided to non-residents (by 28.1%), the decrease in revenue from the provision of services to foreigners travelling to Russia (by 25.7%) and in the value of business, professional and technical services (by 18.9%) were the main contributing factors.

Imports of services decreased from \$75.5 billion to \$61.6 billion. The most significant decline was registered in imports of transport services, which fell by \$3.5 billion in value. Expenses involved in Russian nationals' trips abroad decreased from \$23.8 billion to \$20.8 billion. Imports of business, professional and technical services contracted by \$2.1 billion, year on year.

The deficit in the **compensation of employees balance** declined by 38.6% to \$8.7 billion. Its dynamics were affected by the reduction in use of foreign labour in the Russian economy and by the fall in the dollar equivalent of their compensation. In 2009, non-resident temporary workers were paid \$12.0 billion, a third less than in 2008. Revenue from compensation paid to Russian nationals working abroad fell by 12.3% to \$3.3 billion.

The deficit in the **balance of investment income** fell by 9.3%, from \$34.8 billion in 2008 to \$31.5 billion in 2009. Income payable amounted to \$64.0 billion and income receivable totalled \$32.4 billion.

The contraction of the favourable balance of investment income of the general government and monetary authorities (by 2.7-fold to \$6.3 billion) was due to the decrease in returns from the placement of international reserves by the Bank of Russia, which resulted from the sharp fall in interest rates on international financial markets.

The negative balance of investment income of the banking and other sectors contracted by 27.3% to \$37.9 billion, mostly as a result of the fall in income payable to foreign investors participating in capital. Private sector expenses on servicing foreign debt exceeded (by 2.6-fold) the corresponding income from foreign assets.

The deficit in the **balance of current transfers** contracted from \$2.8 billion to \$2.5 billion. The transfers received are estimated at \$8.8 bil-

lion, the principal sources of income being taxes levied on non-residents. Payments to the tune of \$11.3 billion principally consisted of individual money remittances abroad.

CAPITAL AND FINANCIAL ACCOUNT

CAPITAL ACCOUNT. A deficit of \$11.6 billion was registered in the **balance of the capital account**, mostly due to the forgiveness by the Russian government of \$12.4 billion in debt owed by foreign countries to the former USSR.

FINANCIAL ACCOUNT. The **balance of the financial account** (net of reserves) remained negative but decreased four-fold, from \$131.8 billion in 2008 to \$32.7 billion in 2009. Growth in the Russian economy's **foreign debt obligations** slowed significantly, from \$100.5 billion in 2008 to \$6.9 billion in 2009, as scheduled and early foreign debt payments were made while residents had restricted access to international financial markets.

The general government's foreign liabilities increased by \$2.4 billion, mainly due to the purchase of Russian federal government securities on the secondary market by non-residents. Actual payments on the government's foreign debt, including interest, amounted to \$4.9 billion in 2009 as against \$6.8 billion in 2008. The debt ratio remained small: the ratio of government foreign debt service payments to exports of goods and services stood at 1.4% and to consolidated budget revenue at 1.3%.

The debt obligations of the monetary authorities increased by \$11.9 billion, largely as a result of the distribution (in Russia's favour) of the equivalent of \$8.9 billion in new special drawing rights (SDR), issued by the International Monetary Fund in the third quarter of 2009. The SDR received by Russia are, in effect, the perpetual resources of the monetary authorities, accounted for as international reserves, which should only be repaid if Russia withdraws from the IMF.

The banking sector's foreign liabilities declined by \$43.3 billion, mostly due to the repayment of short-term loans and deposits in the absence of massive new borrowings abroad. Direct foreign investment in the Russian banking sector increased by \$6.4 billion, largely owing to income

reinvestment, and portfolio investment grew by \$1.0 billion. Banks' debt on financial derivatives declined by \$13.1 billion and claims fell by \$9.9 billion.

The raising of foreign capital by other sectors¹ of the economy decreased 2.8-fold year on year, to \$35.8 billion. Unlike the banking sector, other sectors refinanced the scheduled loan debt repayments by taking new, large-value loans from foreign banks (such as China Development Bank) and international financial organisations (such as the European Bank for Reconstruction and Development). The structure of direct investments, which aggregated \$32.3 billion, was also dominated by intercompany loans, which exceeded in value the inflow of financial resources in the form of contributions to capital. After the reduction of non-resident investments in Russian financial market instruments in 2008, portfolio investments increased by \$2.9 billion in the period under review.

Growth in resident **foreign assets** (net of reserves) slowed down by almost six times compared to 2008 and stood at \$39.6 billion. Claims on non-residents decreased in all sectors of the economy, except non-financial corporations.

External claims by the general government and monetary authorities contracted by \$10.4 billion in 2009, mostly as a result of the aforementioned forgiveness of debt to the former USSR. The value of new loans provided by the general government equalled \$1.7 billion.

Foreign investments by banks and other sectors aggregated \$50.0 billion in 2009 (as against \$229.7 billion in 2008). The Russian banking sector's foreign assets decreased by \$11.9 billion amid the reduction of foreign liabilities, whereas in 2008 they increased by \$65.1 billion. The contraction was largely due to the fall in the value of loans and deposits provided to non-residents.

The growth in foreign assets of other sectors slowed to \$61.9 billion in 2009 (from \$164.6 billion in 2008). Capital outflow mostly occurred in the form of support for affiliated and subsidiary foreign organisations, provided by increasing stakeholdings in capital, and by extending loans and reinvesting accrued income. Direct investments grew by \$44.9 billion and portfolio investments grew by \$2.1 billion. As confidence in the rouble was restored, the public propensity for hoarding foreign currency ended in the second quarter of 2009, and by the end of the year the value of foreign cash on hand had decreased by \$4.0 billion (in 2008 there was an increase of \$25.3 billion).

Net private sector capital outflow decreased by more than half in 2009, to \$56.9 billion from \$133.9 billion in 2008.

INTERNATIONAL RESERVES

Owing to operations recorded in the balance of payments, Russia's international reserves grew by \$3.4 billion in 2009. The operations that led to growth in international reserves included the distribution (in Russia's favour) by the IMF of the equivalent of \$8.9 billion in new SDR issues. Taking the other changes into consideration (which include the exchange rate revaluation), Russia's international reserves increased by \$12.8 billion in 2009 and as of 1 January 2010, they reached \$439.0 billion. Foreign currency, SDR and the reserve position in the IMF accounted for 94.9% of international reserves. The share of monetary gold expanded to 5.1% as a result of purchases made by the monetary authorities on the domestic market and positive revaluation.

At the end of 2009, Russia had enough international reserves to finance imports for 21 months.

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

1.5.2. FOREIGN DEBT

In 2009, after several years of continuous growth, Russia's foreign debt (to non-residents) contracted by \$7.8 billion and as of 1 January 2010 it stood at \$471.6 billion.¹

The largest portion of Russia's foreign debt (90.3%) is represented by the debt obligations of the banking and other sectors, which declined by \$21.5 billion to \$425.7 billion.

Total growth in the foreign debt obligations of the general government and monetary authorities was estimated at \$13.7 billion. As of 1 January 2010, they aggregated \$45.9 billion, and their share in the economy's total debt expanded to 9.7%.

Federal government debt obligations increased by \$1.3 billion to \$29.5 billion. As Russia settled, almost in its entirety, the 'legacy' debt it owed to the former USSR's creditors, including commercial debt, new Russian debt accounted for 89.2% of sovereign debt. As of 1 January 2010, Russia's new debt of \$26.3 billion consisted of foreign currency-denominated

securities (\$20.3 billion, or 77.4% of total debt) and loans from international financial organisations (\$3.8 billion, or 14.4%). Debt obligations assumed by Russia as the successor to the former USSR contracted to \$3.2 billion, or 0.7% of the country's total debt.

In 2009, Russia's foreign debt obligations rose to \$1.8 billion, as non-residents made massive purchases of regional government securities.

The increase, by many times over, in the monetary authorities' debt (to \$14.6 billion) was due to the SDR distribution in Russia's favour. As of 1 January 2010, the monetary authorities' debt included \$2.4 billion in short-term foreign loans, in the form of repo.

For the first time since 1999, the foreign debt obligations of Russian banks declined, from \$166.3 billion to \$127.2 billion. This came mostly as a result of the banks settling loans that they'd taken earlier. The share of banking sector debt in the economy's foreign debt contracted from 34.7% to 27.0%.

RUSSIA'S FOREIGN DEBT
(billions of US dollars)

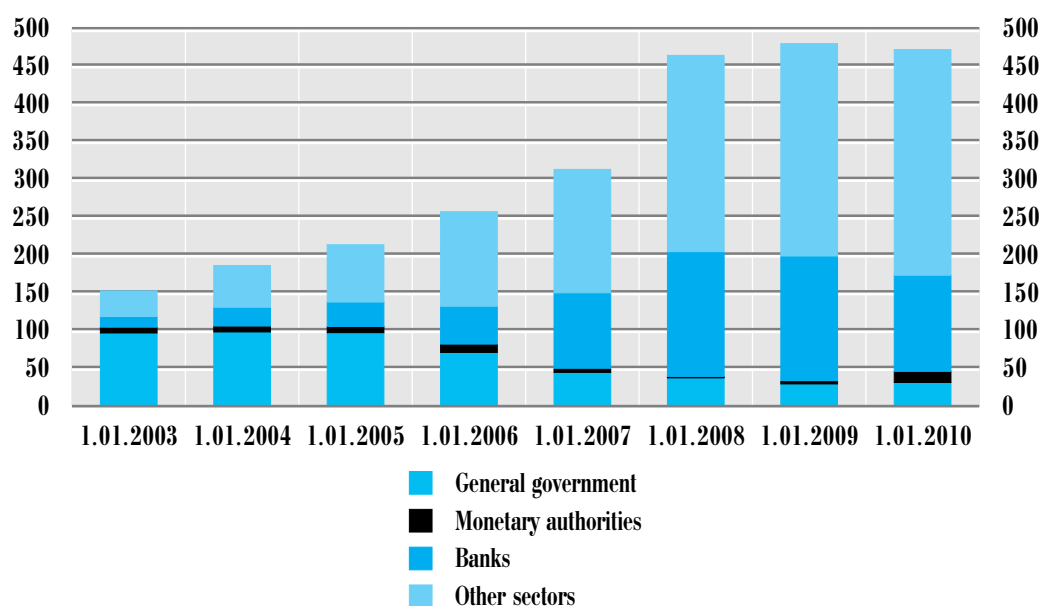
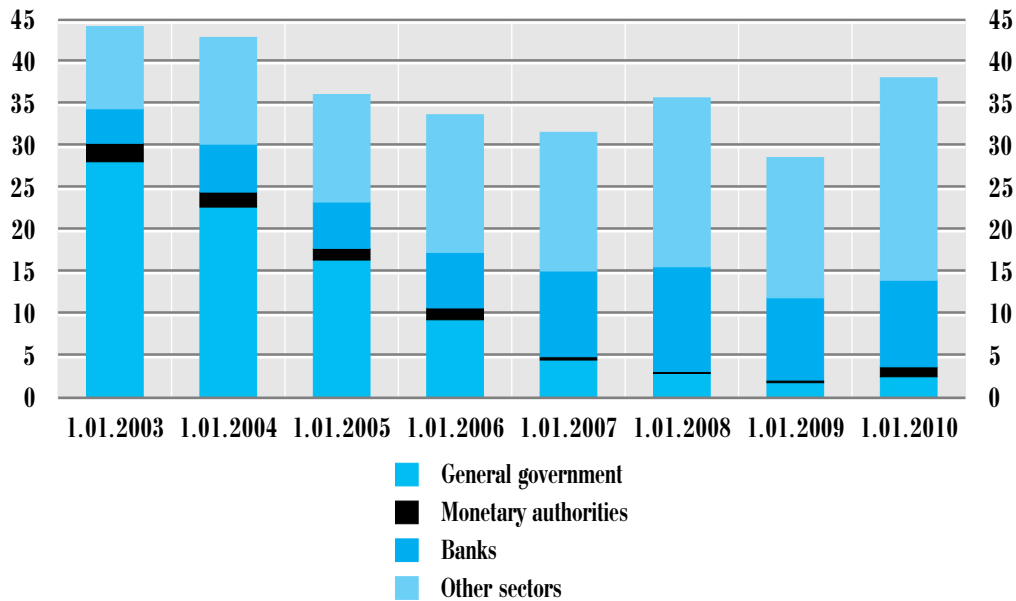


Chart 26

¹ Data cited allowing for exchange rate and market revaluation.

RUSSIA'S FOREIGN DEBT
(percent of GDP)

Chart 27



Like the banking sector, other sectors serviced their debt on schedule, but large-value payments were rather effectively refinanced by new loans. As a result, the value of the largest category of corporate debt, loans taken abroad, remained virtually unchanged and as of 1 January 2010 stood at \$234.7 billion.

Throughout 2009, the portion of foreign loan debt of other sectors connected with direct investments (including investments in the form of intercompany loans provided by non-resident enterprises specially set up by Russian parent companies to raise foreign funds) grew rapidly.

Valued at \$421.6 billion, long-term debt obligations accounted for the largest portion

of foreign borrowings (89.4%) and their 2009 growth amounted to \$14.7 billion. The share of short-term debt contracted to 10.6%, and its value decreased to \$50.0 billion. Valued at \$381.5 billion, the foreign currency-denominated portion of the debt contracted to 80.9%. The share of the rouble-denominated debt, valued at \$90.1 billion, expanded to 19.1%.

Russia's debt as of 1 January 2010 was not critical by international standards. The ratio of foreign debt to GDP was 38.0% (as against 28.7% as of the beginning of 2009), while the ratio of general government debt to GDP stood at 2.5% (as against 1.8% a year earlier).

**BANK OF RUSSIA
ACTIVITIES**

II

II.1. MONETARY POLICY

II.1.1. MONETARY POLICY OBJECTIVES AND RESULTS

The Bank of Russia's *Guidelines for the Single State Monetary Policy in 2009 and for 2010 and 2011* predicted that inflation in 2009 would slow to 7.0—8.5%. The achievement of this goal depended, to a great extent, on the macroeconomic conditions created at the end of 2008 by the world financial and economic turmoil. As capital fled the country in vast amounts and Russia's state policy of facilitating the gradual devaluation of the rouble continued, devaluation expectations were running high at the beginning of the year. The acute shortage of liquidity in the banking sector and the fall in lending activity had a negative effect on the dynamics of the economy. Therefore, while tackling the problem of reducing inflation, the Bank of Russia had to take steps to maintain banking sector stability and create conditions for the economy's gradual recovery from the crisis.

The fall in aggregate demand, which began in autumn of 2008, contained price growth. However, the rise in consumer import prices, caused by the devaluation of the rouble, accelerated inflation in the early months of 2009. To stem capital outflow, stabilise the situation on the domestic foreign exchange market and contain inflation, the Bank of Russia in February 2009 raised the interest rates on its operations twice. As a result, the lower limit of the Bank of Russia's interest rate band, set by the tom-next deposit interest

rates, reached 7.75% p.a. Meanwhile, the overnight credit rate, which set the upper limit of the band, remained unchanged at 13% p.a.

At the same time, the liquidity problems faced by credit institutions in early 2009 required the Bank of Russia to take action in support of the banking sector. Therefore, the Bank of Russia continued to increase the terms and expand the volumes of the liquidity it provided to credit institutions and extend the list of assets it accepted as collateral for its loans.

As the gradual devaluation of the rouble and the raising of interest rates were completed and global oil prices resumed their growth, the Russian foreign exchange market stabilised. The continued improvement of the external economic situation created conditions conducive to the rouble's appreciation, which began in March 2009. The effect of the devaluation on price growth began to gradually weaken and inflation slowed as domestic investor and consumer demand fell.

The slowing of economic growth was largely the result of the persistently high risks involved in lending to the real sector. Despite the efforts made by the Bank of Russia to inject roubles into credit institutions, the price of credit for end borrowers remained high and requirements for borrowers were getting tougher. The significant reduction of credit offered by the banking sector and

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

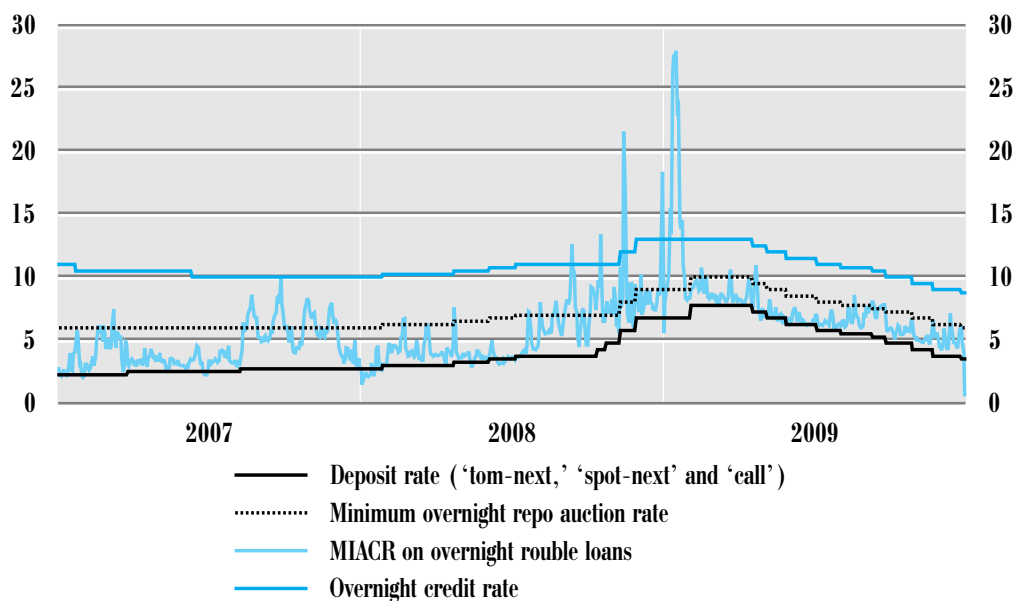


Chart 28

* MIACR is the average weighted interest rate on overnight interbank rouble-denominated loans on the Moscow market.

the fall in demand for expensive loans by economic agents led to the contraction of the debt on loans extended to non-financial organisations and households.

In this situation, given the downward trend in inflation, falling inflationary expectations and the stabilisation of the foreign exchange market, the Bank of Russia in April 2009 began to consistently cut the refinancing rate and interest rates on its operations, in order to stimulate lending and restore economic growth. In April—December 2009, interest rates were altered 10 times and the overall reduction amounted to 1.5—4.5 percentage points, depending on the monetary policy instrument. Over that period, the minimum overnight repo auction rate was cut from 10.0% p.a., the overnight credit rate to 8.75% p.a. and the tom-next, spot-next and call deposit rate dropped to 3.50% p.a.

For changes in the refinancing rate and Bank of Russia interest rates in 2009, see Table 42 in section IV.3 *Statistical Tables*.

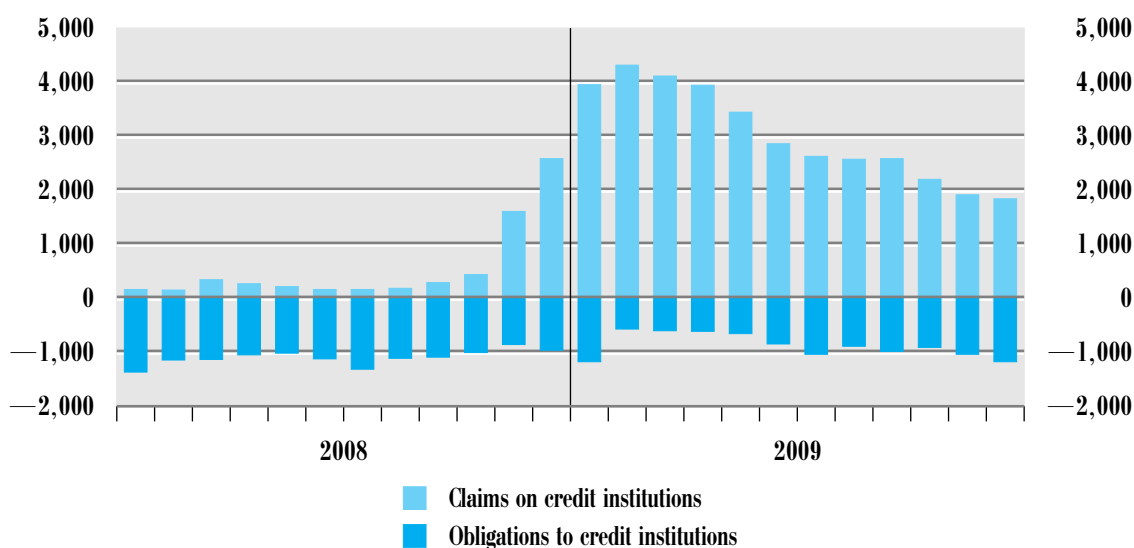
The changes in the Bank of Russia's interest rates had some effect on interest rate dynamics on the interbank credit market. In the early months of 2009, the Russian interbank market demonstrated a high level of interest rates. These were maintained mostly by the fluctuations of the

world financial market and by market participants changing their financial tactics.

The vigorous efforts made by the Bank of Russia to shore up the interbank market amid the gradual macroeconomic stabilisation caused interbank interest rates to begin to decline in the middle of February 2009. In April—December 2009, the Bank of Russia refinancing rate fell by 4.25 percentage points. The average weighted MIACR on overnight rouble loans decreased by 3.6 percentage points over that period. Due to the structural excess of liquidity, money market interest rates remained mostly near the lower limit of the Bank of Russia's interest rate band, approaching the minimum short-term repo rate during the periods of growth in the demand for Bank of Russia loans.

As the Russian financial market recovered, the macroeconomic situation improved and the refinancing and interest rates of the Bank of Russia declined, the cost of credit for non-financial organisations gradually began to fall in the second half of 2009. The average weighted interest rate on rouble loans to non-financial organisations with terms of up to one year dropped from 17.1% p.a. in January to 13.7% p.a. in December. The average weighted interest rate on similar loans with terms longer than one year reached its high

BANK OF RUSSIA OPERATIONS TO PROVIDE AND ABSORB LIQUIDITY
(billions of roubles)



of 16.4% p.a. in March and April, but at the end of the year it began to decline and in December stood at 13.8% p.a., the level registered in January 2009.

Until the middle of 2009, credit institutions had been raising interest rates on bank deposits because of a shortage of funds. When the problem became less acute and the Bank of Russia recommended banks to set a limit on household rouble deposit interest rates, the rates began to fall: this happened in the second half of 2009. The average weighted interest rate on household rouble deposits with terms of up to one year (except call deposits), which had hit its high of 10.8% p.a. in May, in December fell to its January 2009 level of 9.7% p.a. The average weighted interest rate on rouble deposits with terms of longer than one year reached its high of 10.7% p.a. in April, but in December it was 8.9% p.a., a drop of 0.1 percentage points from January 2009.

The consequences of the global financial and economic crisis caused a significant slowing of the annualised rates of growth in the monetary aggregates in 2008 and early 2009. Beginning from the second half of 2009, the seasonally-adjusted monthly rates of growth in the monetary aggregate M2 increased, and in the fourth quarter they virtually reached their pre-crisis level. The annualised rates of growth in the rouble supply began to accelerate rapidly in October 2009. As

a result, in 2009 as a whole, the monetary aggregate M2 increased by 16.3% (as against 1.7% in 2008).

With regard to the individual components of the monetary aggregate M2, household rouble time deposits grew the fastest: in 2009 they increased by 27.6%, whereas in 2008 they contracted by 3.7%.

Cash dynamics in 2009 were largely affected by changing public preferences with regard to foreign exchange. The monetary aggregate M0 contracted the most in absolute terms in the first quarter of 2009, which was characterised by massive net sales of foreign currency to households through the exchange outlets. However, as devaluation expectations gradually abated and net foreign exchange sales declined, the monthly rates of growth in cash increased. In 2009 as a whole, the monetary aggregate M0 grew by 6.4% (as against 2.5% in 2008).

The annualised rates of growth in rouble call deposits, which are mostly represented by funds in the settlement and current accounts of non-financial organisations, were negative for most of 2009, due to the significant contraction of GDP. In the fourth quarter of the year they started to increase, and over the year the value of call deposits rose by 11.4%.

The exchange rate dynamics had a marked effect on the dynamics of foreign currency depos-

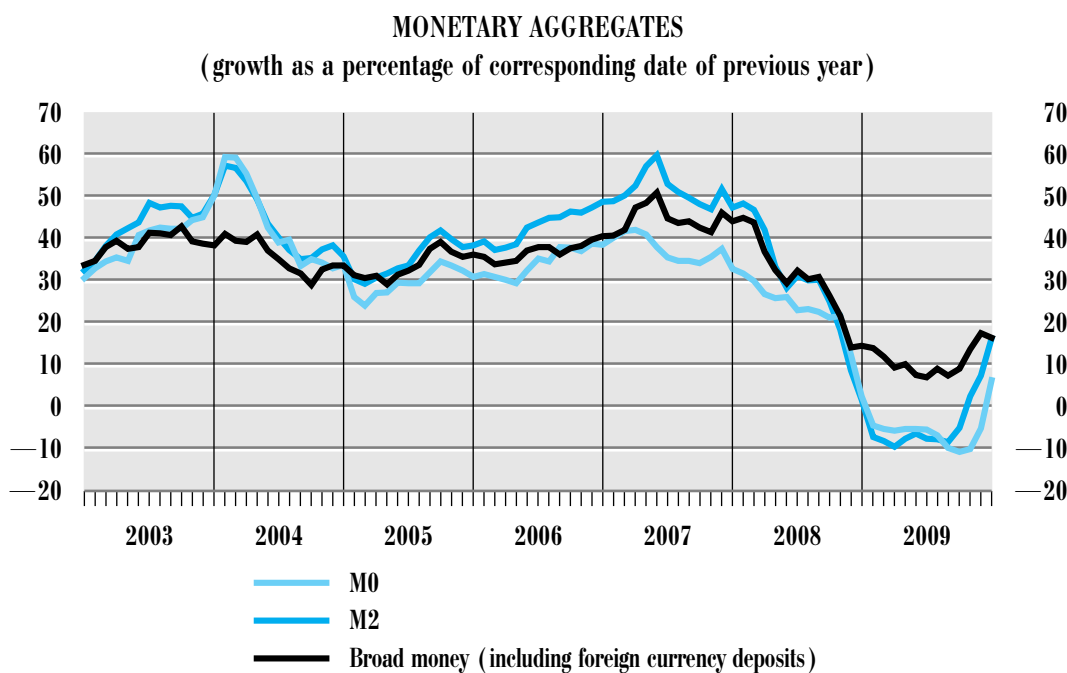


Chart 30

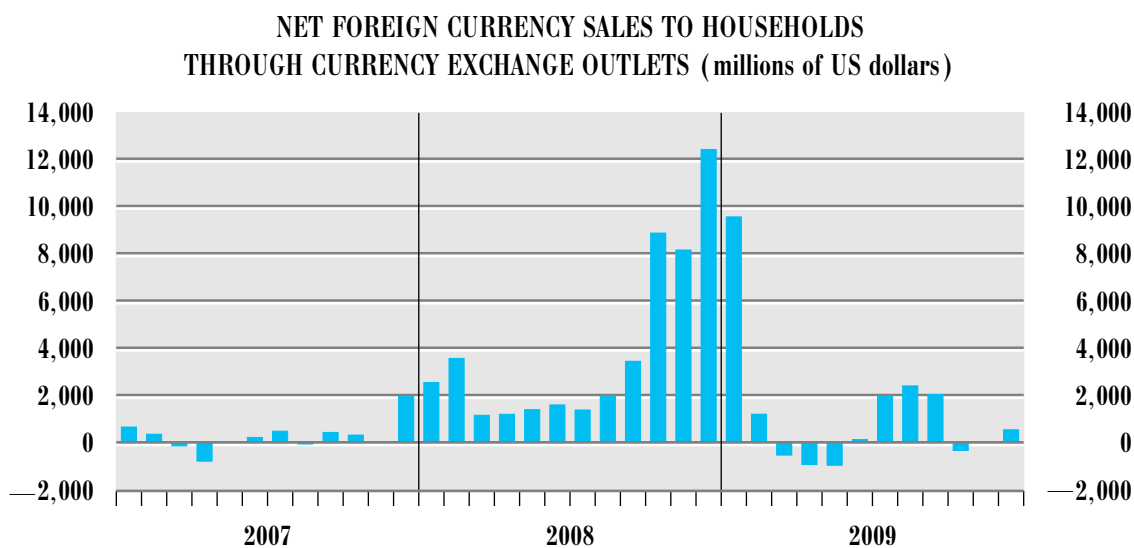


Chart 31

its. Their monthly rates of growth declined in 2009, except in July and August. As a result, in 2009 foreign currency deposits increased by 16.5% in rouble terms, whereas in 2008 they grew by 140.2%.

Broad money, which includes foreign currency deposits, expanded by 16.4% in 2009 (as against 14.6% in 2008). Its annual rates of growth began to accelerate in the fourth quarter of the year. The share of foreign currency deposits in broad money contracted from the maximum of 26.8% registered on 1 February 2009, to 19.6% as of

1 January 2010. Meanwhile, the share of these deposits in total banking sector deposits decreased in that period from 33.6% to 24.7%.

So, even though money supply growth had resumed by the end of 2009, the prolonged slowing (for almost two years) of the annual rates of growth in all monetary aggregates contributed to the reduction of pressure exerted by monetary factors on inflation dynamics during the year under review.

The role of the budget factor as a source of growth in the money supply increased signifi-

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

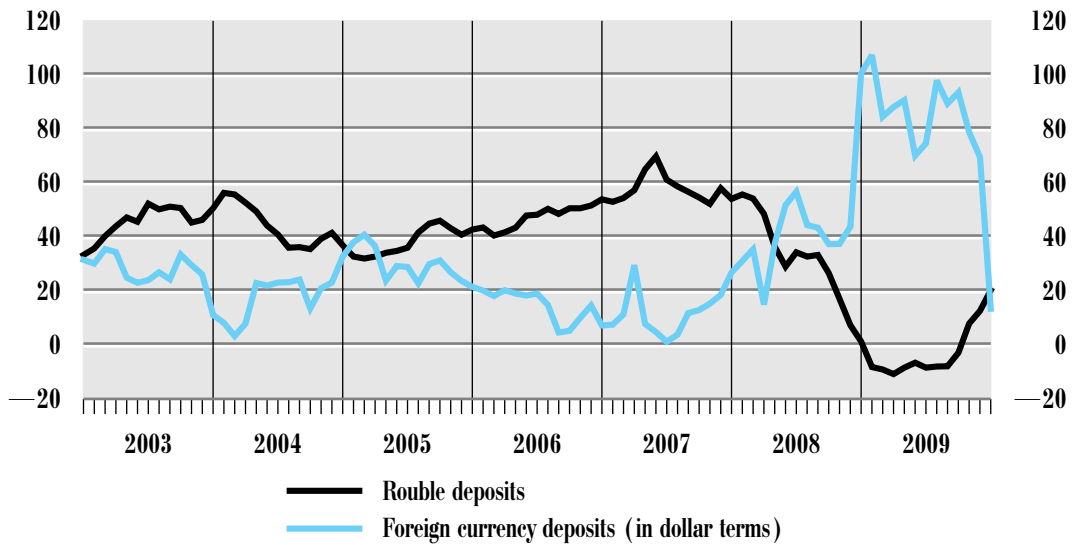


Chart 32

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

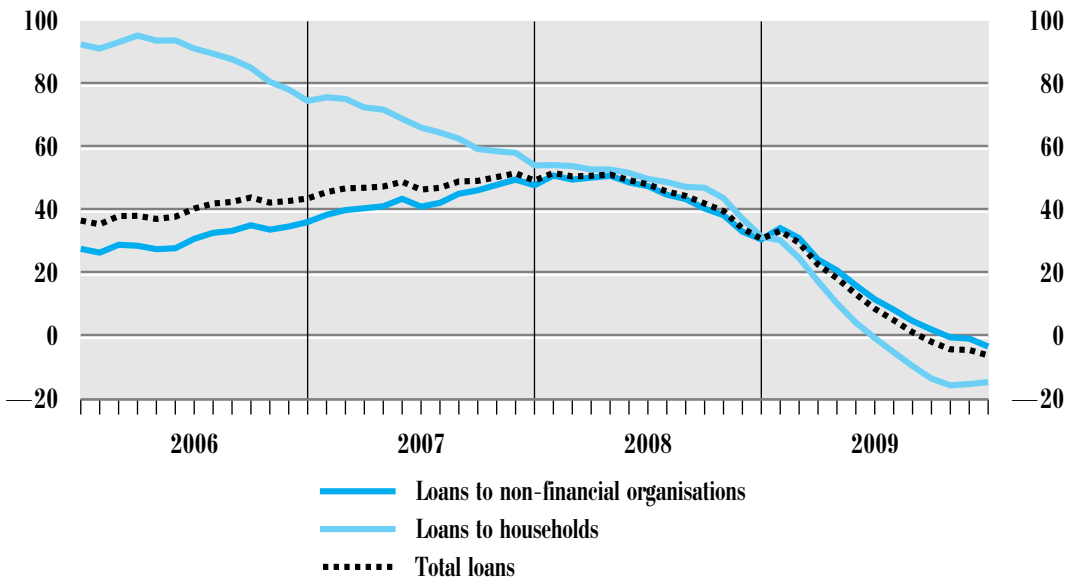


Chart 33

cantly in 2009. Net claims on the general government increased by 2,354.4 billion roubles in 2009, whereas the net foreign assets of the monetary authorities grew by just 483.2 billion roubles in that period. In 2008, on the contrary, net foreign assets increased by 774.5 billion roubles, whereas net claims on the general government decreased by 2,590.1 billion roubles. At

the same time, the role of the banks' lending activity as a source of aggregate money supply declined in 2009. Banking sector claims on non-financial organisations and households grew by 318.5 billion roubles as against 4,499.7 billion roubles in 2008.

The value of loans extended by banks continued to fall in 2009, and this led to the reduction

of both monthly and annual rates of growth in debt on loans to the real sector. Debt on loans to non-financial organisations increased by 0.3% in 2009 (as against 34.3% in 2008), whereas debt on loans to households contracted by 11% (in 2008 it grew by 35.2%). As a result, total debt on loans to non-financial organisations and households declined by 2.5% in the period under review.

Credit aggregate dynamics were seriously affected, not only by high borrowing costs on the domestic market and the fall in demand for credit, but also by the significant slowing of growth in funds raised by banks from non-financial organisations and households (especially in late 2008 and early 2009), and the reduction in funds raised on international financial markets. Growth in overdue debt and increased credit risk restricted the supply of bank credit.

In this situation, the large-scale and urgent anti-crisis measures taken by the Bank of Russia and the Russian Government in 2008 and 2009, including: the measures taken to stabilise the foreign exchange market, expand the refinancing of banks in the Bank of Russia, cut Bank of Russia interest rates and increase the capitalisation of the banking sector, as well as the guarantees provided by the government for bank loans to non-financial organisations, helped maintain the stability of the banking sector.

Beginning from the second quarter of 2009, interest rates on rouble loans to non-financial organisations started to fall, the rates of growth in overdue debt on loans to non-financial organisations began to decline and banks gradually eased the terms and conditions of lending. This facilitated the recovery of the banking sector credit supply.

II.1.2. MONETARY INDICATORS AND MONETARY POLICY INSTRUMENTS

In 2009, the money supply was affected by the gradual improvement of the external economic conditions and the easing of monetary policy from the second quarter of the year. This easing was aimed at creating conditions conducive to the reduction of borrowing costs, stimulating banking sector lending activity and facilitating the resumption of economic growth. Meanwhile, in the first quarter of the year, as the Bank of Russia continued to take steps to curb inflation and stop capital outflow, it raised interest rates on its operations.

The broad monetary base,¹ which characterises the money supply by the monetary authorities, expanded by 15.9% in 2009 (as against 1.2% in 2008).

In 2009, unlike previous years, the principal source of growth in the monetary base was the extension of net credit to the general government, which amounted to 2.4 trillion roubles. Significant growth in budget expenditure, including expenditure involved in the implementation of anti-crisis measures, and the fall in revenue that resulted from the decline in world fuel and energy prices created a federal budget deficit. This was largely financed from the Reserve Fund, which in 2009 contracted from 4.0 trillion roubles to 1.8 trillion roubles.

Yet another factor of growth in the money supply was the increase in Russia's international reserves, which had declined in 2008. At the same time, the significant fluctuations in the value of international reserves during 2009, caused by the balance of payments situation as well as the changing exchange rate and exchange rate expect-

tations, affected the intrayear dynamics of the monetary base.

As economic agents' demand for foreign exchange remained high and international reserves contracted in early 2009, the monetary base shrank by 22.9% in the first quarter of the year. In January—March 2009, international reserves decreased by \$42.5 billion, or 10.0%.

In the second quarter, the monetary base increased by 15.6% and in the fourth it increased by 34.6%, as foreign capital began to return to the domestic foreign exchange market, international reserves grew (by \$28.7 billion and \$25.7 billion, respectively) and net credit to the general government expanded.

The flow of funds to the banking sector via the budget and foreign currency channels was accompanied by the contraction of credit institutions' debt on loans they had received earlier. Bank of Russia gross credit to the banking sector decreased by 2.1 trillion roubles in 2009. Throughout the year, banking sector demand for Bank of Russia credit declined as the situation on the financial market improved. In the structure of gross credit, the most significant reduction was registered in the debt on unsecured loans and loans secured by non-market assets or guarantees. As a result, while at the beginning of the year the funds raised from the Bank of Russia accounted for 12.0% of banking sector liabilities, by the end their share had contracted to 4.8%.

Banking sector total reserves² grew by 36.2% in 2009, whereas in 2008 they decreased by 1.5%. The intrayear changes in total reserves followed the monetary base dynamics, but with a

¹The 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 (OBR).

²Total 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.

ROUBLE EXCHANGE RATE AND SOURCES OF MONEY SUPPLY
(change by quarter, billions of roubles)

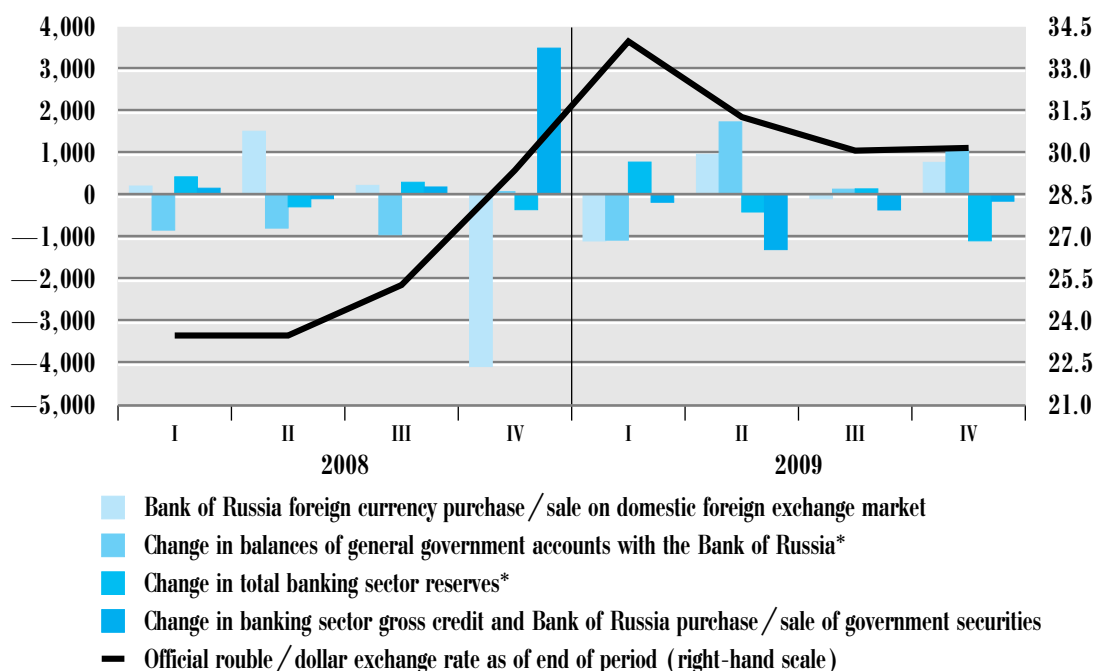


Chart 34

* (—) denotes increase, (+) denotes decrease.

wider fluctuation range: in the first quarter of 2009, they decreased by 42.8%, whereas in the second and fourth quarters they grew sharply, by 41.6% and 84.3%, respectively. In that situation, the funds absorbed by the Bank of Russia through deposit and Bank of Russia bond operations were the most rapidly growing components of banking sector total reserves in the period under review, especially in the fourth quarter. The share of these absorbed funds in total reserves expanded from 8.4% to 32.6% in 2009.

To eliminate the shortage of banking sector liquidity in January and February 2009, the Bank of Russia made wide use of refinancing instruments and took decisions that allowed it to broaden and simplify access to them by credit institutions.

The improvement of external economic conditions, the provision of liquidity to the banking sector (owing to the Bank of Russia operations on the domestic foreign exchange market) and the financing of the federal budget deficit from the Reserve Fund created the preconditions for a significant drop in the refinancing of the banking sector. The average daily value of Bank of Russia

liquidity provision operations decreased from 700.6 billion roubles in January—February 2009 to 103.3 billion roubles in the subsequent months.

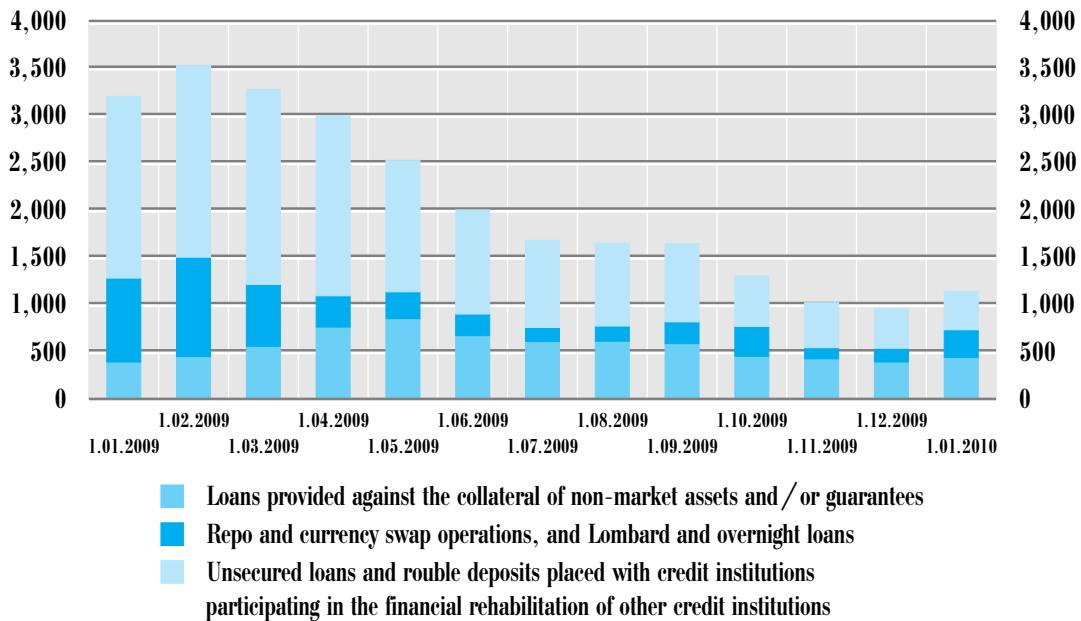
Taking monetary conditions into consideration, the Bank of Russia in 2009 gradually scaled down its anti-crisis support for the banking sector and prepared to switch to the mostly standard bank refinancing instruments. Specifically, from September 2009 it has kept unchanged interest rates on unsecured loans, thus increasing the spread between them and other refinancing instruments. By that time, credit institutions had already demonstrated their readiness to reduce debt on this type of loan.

To supply credit institutions' demand for roubles, the Bank of Russia conducted repo operations, provided overnight, Lombard, and unsecured loans and carried out currency swap and some other transactions. At the same time, it took decisions to upgrade the refinancing instruments and give credit institutions wider opportunities to use them for the purpose of regulating liquidity.

The demand for Bank of Russia repos was particularly high in the first quarter of 2009.

BANK OF RUSSIA GROSS CREDIT TO CREDIT INSTITUTIONS
(by type of debt, billions of roubles) *

Chart 35



* Net of subordinated loans to Sberbank.

Total funds provided in repos in 2009 reached 30.1 trillion roubles, an increase of 39.8% on 2008, and this led to growth in debt on repos in 2009 (on average) compared to 2008. However, on 1 January 2010, this debt stood at 250.6 billion roubles, which represents a decrease of 366.1 billion roubles from 1 January 2009.

To enhance the effectiveness of this instrument, the Bank of Russia in 2009 conducted repo operations on the MICEX Stock Exchange. In addition, in the period under review the Bank of Russia resumed 90-day repos and began to conduct 6- and 12-month operations on a regular basis.

In 2009, credit institutions used the opportunity to raise liquidity by taking Bank of Russia unsecured loans, introduced in October 2008. Total funds provided using this instrument in 2009 amounted to 3.4 trillion roubles, an increase of 13.1% on 2008. Banking sector debt on Bank of Russia unsecured loans reached a high of 1.92 trillion roubles in February 2009, but by the end of the year, as the liquidity situation returned to normal, this figure had decreased by more than tenfold and stood at 190.4 billion roubles.

Bank of Russia recommendations that urged credit institutions to set limits on their foreign assets and average total balance-sheet net currency positions in order to stem growth in capital outflow were still in force in the first half of 2009. The Bank of Russia constantly monitored credit institutions' compliance with these recommendations and took the monitoring results into account on a monthly basis when setting limits on the participation of credit institutions in the auctions of unsecured loans. As the situation on the domestic foreign exchange market stabilised, the Bank of Russia, in early July 2009, decided not to extend the term of these recommendations. However, it continued to monitor the corresponding indicators for credit institutions.

In 2009, the Bank of Russia actively used, as refinancing instruments, loans secured by non-market assets, such as promissory notes and claims under credit agreements and credit institution guarantees. The value of these loans in 2009 increased by a factor of 5.4 compared to 2008 and reached 2.4 trillion roubles, while the debt on them fell from its high of 921.8 billion roubles, registered in the middle of April, to 439.1 billion roubles as of 1 January 2010.

BANK OF RUSSIA GROSS CREDIT TO CREDIT INSTITUTIONS
(by term, billions of roubles)*

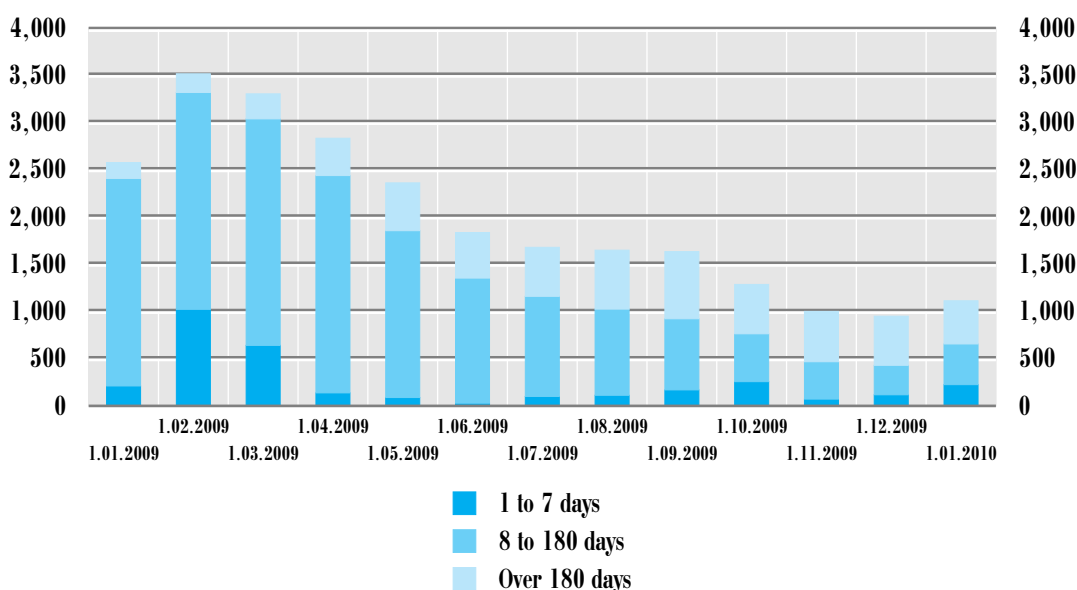


Chart 36

* Net of subordinated loans to Sberbank.

In 2009, the Bank of Russia changed the procedure for extending loans secured by non-market assets or credit institution guarantees. Specifically, it expanded the range of assets that can be used as collateral, including in them the organisations on the list of systemically important organisations approved by the government commission on sustainable economic development, and their subsidiaries. In addition, the Bank of Russia stipulated that promissory notes and claims under loan agreements (in which the liable entity is the federal or municipal government) and promissory notes and claims under credit agreements of both quality 1 and quality 2 categories (in which the liable entity is a limited liability company or agricultural organisation) could be accepted as collateral for the loans. The guarantees of financially sound credit institutions with an international grade rating could also be used as collateral for Bank of Russia loans.

The maximum term of these loans, provided against the collateral of ‘rated’ and ‘unrated’ assets, was extended from 180 to 365 calendar days. Credit institutions that met the Bank of Russia’s requirements could receive these loans via correspondent sub-accounts opened with the Bank of Russia.

In 2009, the Bank of Russia staged an experiment to extend loans secured by the collateral of claims under interbank loan agreements on the condition that these loans are targeted for use by small and medium-sized businesses.

The rise in demand for liquidity in various periods of time in 2009 led to an increase in the value of the Bank of Russia’s overnight loans to credit institutions, which grew by 35.3% to 311.4 billion roubles. Demand for these loans peaked in January 2009, when their value reached 101.9 billion roubles.

Credit institutions’ debt on Bank of Russia Lombard loans contracted by 20.1% in 2009, to 40.8 billion roubles. In the period under review, the banking sector received the opportunity to take Lombard loans at auctions for a term of 6 or 12 months. The value of Lombard loans the Bank of Russia provided to credit institutions in 2009 reached 308.8 billion roubles, an increase of 45.2% on 2008.

In 2009, the Bank of Russia extended its Lombard List by including in it shares and bonds floated by issuers on the list of systemically important organisations whose securities are listed at least on one stock exchange in Russia (these include securities issued by subsidiaries of systemi-

cally important organisations). In addition, the Lombard List included mortgage-backed bonds issued under the Federal Law on Mortgage Securities, including bonds whose issuers' obligations are ensured by the joint guarantee of the Agency for Housing Mortgage Lending (AHML), an open joint-stock company.

When the demand for roubles was high, the Bank of Russia also used currency swap transactions. A total of 0.54 trillion roubles was provided through the Bank of Russia's rouble/US dollar and rouble/euro swaps in 2009 (1.91 trillion roubles in 2008).

Yet another channel for providing liquidity to the banking sector was depositing temporarily uncommitted federal budget funds with credit institutions. Conducted from April to December 2009, these operations helped infuse credit institutions with 0.7 trillion roubles (1.8 trillion roubles in 2008).

In order to regulate banking sector liquidity, the Bank of Russia conducted deposit operations, which allowed it to absorb temporarily uncommitted funds from credit institutions. Deposit operations were conducted at fixed interest rates on standard tom-next, spot-next, call, 1-week and spot-week conditions and also at interest rates set at the 4-week and 3-month deposit auctions. The total volume of Bank of Russia deposit transactions in 2009 contracted slightly year on year (by 90.5 billion roubles, or 0.5%) and stood at 17.6 trillion roubles, of which the value of deposit operations conducted at fixed interest rates amounted to 17.3 trillion roubles and the value of deposit auction operations amounted to 0.3 trillion roubles. Call and 1-week deposit operations accounted for 44.8% and 43.3% of the total value of deposit operations in 2009, respectively (in 2008 call deposits accounted for 47.3% and 1-week deposits accounted for 31%).

Bank of Russia bonds (OBR) were yet another instrument used by the Bank of Russia to regulate banking sector liquidity. Their value increased significantly in the fourth quarter of 2009 amid the rise in the general level of banking sector liquidity. The value of funds raised by the Bank of Russia at OBR auctions in 2009 reached 297.5 billion roubles, or three times the amount registered in 2008. The average daily nominal value of outstanding Bank of Russia bonds re-

mained virtually unchanged from 2008 at 39.7 billion roubles. Bank of Russia bond sales and purchases on the secondary market in 2009 stood at 14.9 billion roubles and 2.5 billion roubles, respectively.

In the year under review, the Bank of Russia also purchased and sold foreign currency-denominated securities from its own portfolio (without an obligation to resell and repurchase). These operations were valued at 16.0 billion roubles and 1.7 billion roubles, respectively.

In 2009, the Bank of Russia continued to use the reserve requirements as a banking sector liquidity regulation instrument. To maintain banking sector stability, it put off twice the decision to gradually raise the required reserve ratios, which had been lowered in September and October 2008 amid the deteriorated banking sector liquidity situation. In January 2009, decisions to raise the required reserve ratios were adjourned from 1 February and 1 March to 1 May and 1 June, 2009, respectively. In April 2009, the Bank of Russia Board of Directors decided to raise the required reserve ratios in four stages (on 1 May, 1 June, 1 July and 1 August 2009) from 0.5% to 2.5% (by half a percentage point at each stage).

The total required reserves deposited by credit institutions with the Bank of Russia in 2009 increased by 121.5 billion roubles and reached 151.4 billion roubles as of 1 January 2010.

In 2009, credit institutions continued to use the required reserve averaging procedure. At the end of the year, credit institutions using this procedure accounted for 76.7% of total operating credit institutions. Allowing for the gradual raising of the required reserve ratios, the averaged amount of the required reserves in 2009 increased by a factor of 5.3, or 158.0 billion roubles.

To maintain banking sector liquidity, the Bank of Russia allowed credit institutions until 1 March 2010, to average their required reserves, regardless of the classification groups these credit institutions were assigned to as a result of the assessment of their economic situation, in compliance with the requirements of Bank of Russia regulations.

In addition, the Bank of Russia granted credit institutions, when calculating the sum total of their required reserves, the right to not include in them their obligations to the Deposit Insurance

Agency (hereinafter referred to as the Agency) and (or) obligations to investors other than credit institutions arising from the financial aid provided in line with the plans for the Agency's participation in bankruptcy prevention measures, pursuant to 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' (hereinafter referred to as Federal Law No. 175-FZ).

In 2009, the Bank of Russia changed the time period for the averaging of the required reserves so that its end did not coincide with the time when credit institutions needed liquidity the most, that is, the days when they paid taxes to the budget, and also revised the deadlines for the required reserve regulation.

As part of the measures to enhance the stability of the national financial system, pursuant to Article 3 of 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 concluded agreements with banks on providing them with compensation for some of the losses (costs) they incurred in transactions with other credit institutions that had their banking licences revoked in the period lasting from 14 October 2008 to 31 December 2009. The credit institutions with which the Bank of Russia concluded such agreements had to meet the equity capital requirements and have a long-term credit rating. On 9 February 2009, the Bank of Russia Board of Directors took the decision to lower the equity capital requirements from 30 billion roubles to 20 billion roubles, and this measure allowed it to broaden the range of banks that could count on support

from the Bank of Russia in the event of defaults on loans provided on the interbank market.

As of 1 January 2010, the Bank of Russia had concluded such agreements with 16 banks and the state corporation "Bank for Development and Foreign Economic Affairs (Vnesheconombank)" and the number of borrower credit institutions with which transactions fell within the scope of these agreements reached 373. In 2009, banks conducted about 20,508 compensation transactions totalling 4.4 trillion roubles. During that period, 207 credit institutions received interbank loans under these agreements. The average daily debt on compensation deals reached about 37 billion roubles in 2009.

One 'insured' event was registered in 2009, when a credit institution failed to repay an interbank loan to a creditor bank on time. Under the agreement concluded with the creditor bank, the Bank of Russia placed a 'compensation' deposit of 14 million roubles with this bank. When the borrower credit institution repaid the overdue debt, the creditor bank paid back the 'compensation' deposit to the Bank of Russia.

Pursuant to Federal Law No. 279-FZ, dated 25 November 2009, 'On Amending Article 3 of the Federal Law on Additional Measures to Support the Financial System of the Russian Federation,' the Bank of Russia extended the term of the compensation procedure until 31 December 2010. The procedure stipulated that the Bank of Russia offset a portion of the losses (costs) incurred by credit institutions on loans that they had extended to other credit institutions. This required the Bank of Russia to make the corresponding changes in the agreements concluded earlier.

II.1.3. EXCHANGE RATE POLICY

In 2009, the Bank of Russia implemented its exchange rate policy in the context of the managed floating exchange rate regime. This was aimed at ensuring the stability of the national financial system and mitigating the effect of external shocks on the Russian economy.

Taking into consideration that the external economic conditions which had created the objective preconditions for the weakening of the rouble were still there, in November 2008 the Bank of Russia began to drastically change the limits of permissible fluctuations in the operational benchmark of the exchange rate policy, the value of the bi-currency basket. At the same time, it conducted large-scale interventions on the domestic foreign exchange market in order to contain the pace of rouble devaluation and to create conditions conducive to the gradual adaptation of the economy to the ongoing changes. Net sales of foreign currency by the Bank of Russia in January 2009 totalled \$39.6 billion.

In order to stem the outflow of capital and prevent instability on the domestic foreign exchange market, the Bank of Russia took a series of additional measures, such as sending its authorised representatives to certain banks and recommending that credit institutions maintain a stable level of foreign assets and net balance-sheet positions in foreign currencies. Banks' compliance with these recommendations was taken into account by the Bank of Russia when it set limits on the unsecured loans it extended to banks.

By the end of January, when the market rate of the rouble had approached a level that ensured the balanced current account given the changed external conditions, the Bank of Russia decided to end the gradual readjustment of the rate-setting conditions. On 22 January, it announced that the new limits of permissible fluctuations in the exchange rate would be set at 41 roubles and 26 roubles for the bi-currency basket.

As the new exchange rate policy mechanism came into effect in February 2009, the Bank of Russia began to use the floating operational intraday band of fluctuations in the value of the bi-currency basket. The limits of this band were

automatically readjusted, depending on the volume of Bank of Russia interventions. The width of the band was initially set at two roubles, but in June 2009 it was increased to three roubles.

The Bank of Russia's procedure for conducting operations on the domestic foreign exchange market included the use of planned purchases and sales of foreign currency (along with the standard currency interventions, conducted whenever the operational benchmark reached the pre-set limits of permissible fluctuations). When the purpose and volume of these operations were determined, the balance of payment factors, the budget policy and the situation on the domestic and foreign financial markets were taken into account. This mechanism was designed to mitigate the effect of spontaneous external shocks and balance of payments imbalances on the exchange rate trends and the situation on the domestic financial market.

On the whole, the changes made in the Bank of Russia's exchange rate policy in 2009 served the purpose of gradually increasing the flexibility of the rate-setting system and creating conditions that would help market participants adapt to the floating exchange rate.

As the market participants' exchange rate expectations steadied after the Bank of Russia had readjusted the limits of permissible fluctuations in the rouble value of the bi-currency basket, demand for foreign exchange fell and tension on the domestic foreign exchange and money market subsided.

The normalisation of the situation on world financial markets, the resumption of growth in raw materials prices amid the gradual recovery of the world economy, and market participants' increased interest in Russian financial assets created the necessary conditions for the rouble's appreciation. At the same time, investors' persisting high sensitivity to risk and uncertainty on the emerging markets predetermined the volatility of cross-border capital flows, and this did not fail to affect the domestic foreign exchange market. As a result, the periods when the rouble appreciated (March—May and September—November) al-

**BANK OF RUSSIA INTERVENTIONS ON DOMESTIC FOREX MARKET
AND BI-CURRENCY BASKET VALUE**

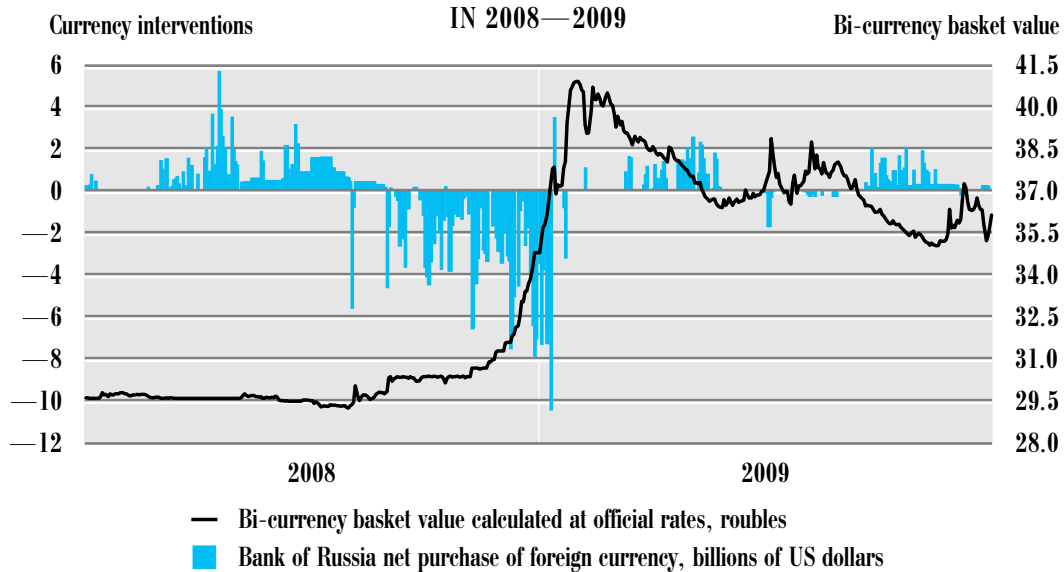


Chart 37

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

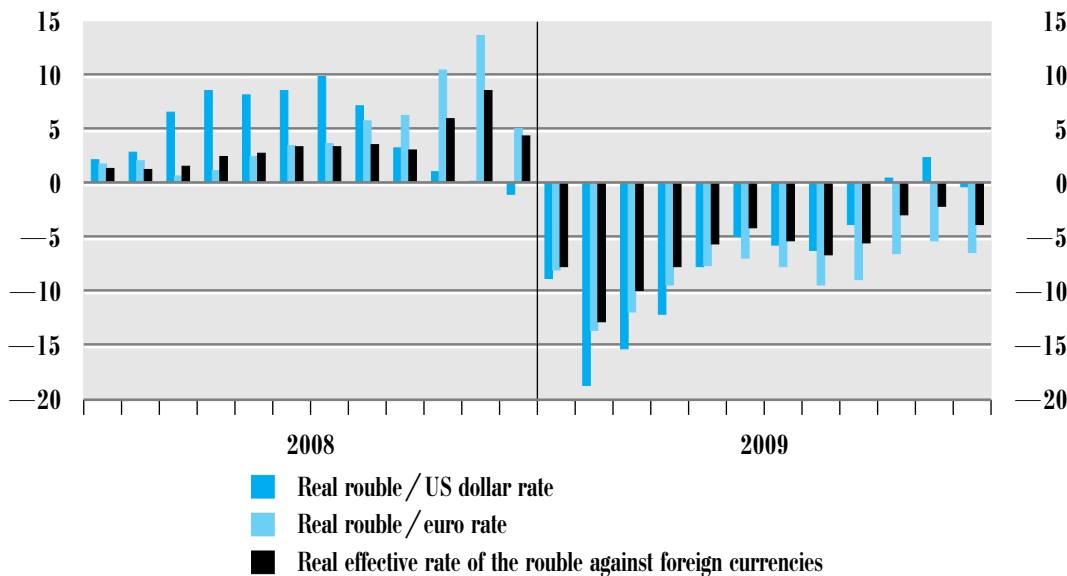


Chart 38

terminated with periods of increased rouble exchange rate volatility, when the national currency got neither stronger nor weaker (June—August and December).

On the whole, the changes in the rouble rate since February 2009 offset in large measure the devaluation of late 2008 and early 2009. As of 31 December 2009, the bi-currency basket was

valued at 36.16 roubles, a fall by 11.7% from the maximum registered on 5 February 2009, and a rise of 3.9% on the end of 2008.

The total value of Bank of Russia operations on the domestic foreign exchange market in 2009 contracted year on year, whereas the planned interventions' share expanded in total operations. Over the year, the Bank of Russia's purchases of

foreign currencies exceeded its sales: the net purchase of foreign currencies in 2009 totalled \$17.2 billion, whereas in 2008 there was a foreign currency net sale of \$69.2 billion.

The real effective rate of the rouble against foreign currencies fell by 3.9% in 2009; in real terms the rouble lost 0.4% of its value against the US dollar and 6.5% against the euro.

II.2. RESERVE MANAGEMENT¹

Bank of Russia foreign exchange reserves are Bank of Russia claims on foreign counterparties, denominated in US dollars, euros, pounds sterling, yen and Swiss francs² (hereinafter referred to as the reserve currencies), and Bank of Russia-owned foreign issuers' securities denominated in these foreign currencies.³

The purpose of managing Bank of Russia foreign currency reserves is to ensure their safety, liquidity and profitability in the most effective way.

In 2009, the Bank of Russia grouped its reserve currency⁴ assets in portfolios by currency. Their safety was ensured by the use of a comprehensive risk management system. The system was based on the use of highly secure financial market instruments, stringent requirements for the Bank of Russia's foreign counterparties (risk limits were set for each of them, depending on their credit rating), and conduct of operations pursuant to agreements with foreign counterparties which protected the interests of the Bank of Russia.

The optimal combination of reserve currency asset liquidity and profitability was ensured by the use of short- and long-term instruments, such as deposits, repo transactions with Bank of Russia foreign counterparties, and short- and long-term securities floated by foreign issuers.

In order to increase profitability, the Bank of Russia made investment decisions that took into account the current situation on the world's currency and financial markets and the forecasts of their future dynamics, bearing in mind the need to ensure the necessary level of safety and liquidity of the assets.

Reserve currency asset management involved the assuming of financial risks by the Bank of Russia, especially market (foreign exchange and interest rate) risk and credit risk. The risk management process used in the course of conducting operations with the Bank of Russia's reserve currency assets includes procedures for identifying and assessing risks, setting risk limits and monitoring compliance with them.

¹All distributions and indicators cited in this section have been calculated based on data contained in management reports.

²Data on Bank of Russia reserves in Swiss francs are too small to be cited here.

³Except for foreign issuers' securities denominated in the reserve currencies and purchased by Bank of Russia with an obligation to resell (reverse repo).

⁴Bank of Russia assets in reserve currencies are Bank of Russia foreign exchange reserves and Bank of Russia-owned foreign currency assets in reserve currencies that are not categorised as reserves, such as Bank of Russia investments in Russian eurobonds, foreign currency deposits with Russian banks and other reserve currency assets.

**BANK OF RUSSIA
RESERVE CURRENCY ASSETS
BY RESERVE CURRENCY
AS OF 1 JANUARY 2010**
(as a percentage of their market value)

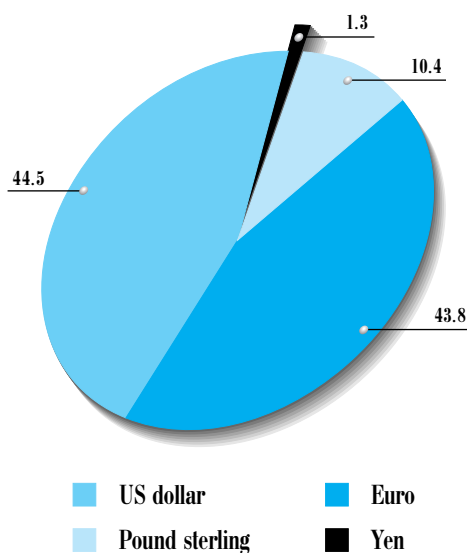


Chart 39

The distribution of Bank of Russia reserve currency assets by reserve currency is shown without taking into account the conversion operations on which settlements had not been completed as of the end of the reporting year.

In the period under review, the Bank of Russia also had liabilities in reserve currencies (balances in customer accounts, including the Federal Treasury's accounts with the Bank of Russia, and funds raised in repo transactions with foreign counterparties) and foreign currency assets other than reserves. The difference between Bank of Russia's reserve currency assets and reserve currency liabilities represents net currency assets, whose currency structure is the principal source of foreign exchange risk. The level of foreign exchange risk¹ taken by the Bank of Russia is limited by permissible deviations from the required currency structure (the required cur-

rency structure determines the target ratios of reserve currencies in net currency assets).

In 2009, the Bank of Russia conducted conversion transactions with reserve currencies on the international forex market. Due to the vast amounts of US dollars purchased and sold on the domestic foreign exchange market, the Bank of Russia mostly purchased and sold US dollars against other reserve currencies for the purpose of matching their ratio in net foreign assets with the required one.

The value of Bank of Russia reserve currency assets declined by \$1.8 billion in 2009. The principal factor of this decline was write-downs from Bank of Russia customer accounts. The purchase of foreign currency on the domestic foreign exchange market,² the appreciation of the major foreign currencies against the US dollar, income from investments and other revenues had a favourable effect on the Bank of Russia's reserve currency assets in 2009. Other write-downs/receipts include the change of value as a result of Bank of Russia deposit placements with Russian banks (including Vnesheconombank), Bank of Russia eurobond operations and write-downs/receipts from other operations.

As of the end of the period under review, Bank of Russia reserve currency assets were invested in the following instruments: the deposits and balances of correspondent accounts in foreign banks (5.4%); repo transactions with the Bank of Russia's foreign counterparties (1.4%); and foreign securities (93.2%). Foreign securities were, for the most part: US treasuries; the government debt obligations of Germany, France, the UK, Sweden, Belgium, the Netherlands, Austria, Spain, Finland and Japan; the debt securities of extra-budgetary funds of these countries and international financial organisations, and the covered securities of German credit institutions.

Credit risk was controlled by limits set on Bank of Russia counterparties and the requirements set for the issuers' credit quality, and se-

¹ Since foreign currency assets are measured in US dollars, foreign exchange risk involved in their management is understood as the probability of a reduction in the value of these assets owing to the deviation of the actual currency structure from the required one as a result of unfavourable fluctuations in the exchange rates of foreign currencies against the US dollar.

² Inclusive of currency swap transactions. Operations in euros have been recalculated in US dollars at the end-of-period exchange rate.

FACTORS BEHIND CHANGES IN BANK OF RUSSIA RESERVE CURRENCY ASSETS IN 2009
(billions of US dollars)

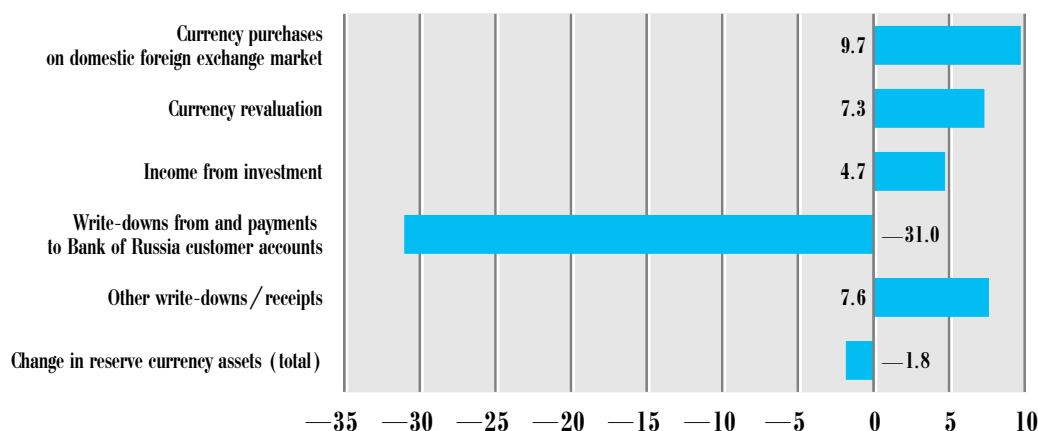


Chart 40

curities issues included in the Bank of Russia reserve currency assets. The minimum permissible long-term credit rating of the Bank of Russia’s counterparties and debtors in operations with Bank of Russia reserve currency assets was set at ‘A’ according to the classifications of rating agencies Fitch Ratings and Standard & Poor’s, or ‘A2’ according to the classification system used by Moody’s Investors Service. The minimum debt securities or debt securities issuer rating was set at ‘AA-’ according to the Fitch Ratings and Standard & Poor’s classifications, or ‘Aa3’ according to the Moody’s Investors Service classification.

The distribution of the Bank of Russia’s reserve currency assets, in terms of their credit rating as of the end of the reporting period, is based on information about the long-term credit ratings assigned to the foreign counterparties of the Bank of Russia and the Bank of Russia-owned securities issues by Fitch Ratings, Standard & Poor’s and Moody’s Investors Service. Whenever the counterparty or issue ratings awarded by these agencies differed, the worst rating was considered. Ratings are shown in major rating categories ‘AAA’, ‘AA’ and ‘A’ without breaking down the rating scale within each category.¹ Unrated assets are Bank of Russia deposits with the Bank for International Settlements.

BANK OF RUSSIA RESERVE CURRENCY ASSETS BY INSTRUMENT AS OF 1 JANUARY 2010
(percent)

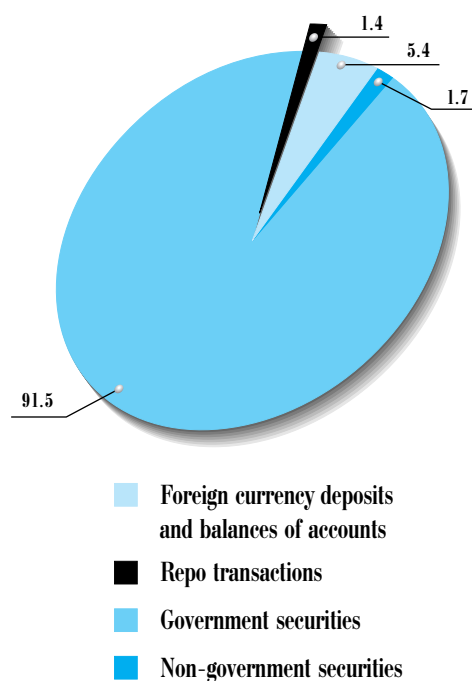


Chart 41

Geographically, Bank of Russia reserve currency assets were distributed as follows, as of the end of the reporting period: the United States accounted for 40.6%, Germany 19.1%, France

¹To compare long-term credit ratings within each rating category, Standard & Poor’s and Fitch Ratings affix ‘+’ or ‘-’ to their ratings and Moody’s Investors Service uses the digits 1, 2 and 3.

**BANK OF RUSSIA RESERVE
CURRENCY ASSETS BY CREDIT RATING
AS OF 1 JANUARY 2010
(percent)**

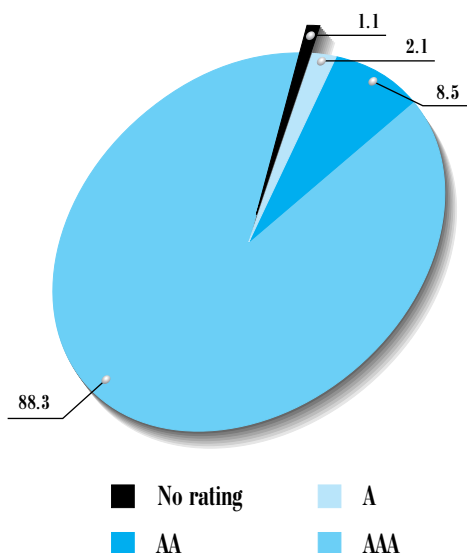


Chart 42

16.7%, the United Kingdom 9.4% and other countries 14.2%. This structure is based on the residence of Bank of Russia foreign counterparties and the foreign issuers of securities owned by the Bank of Russia.

The Bank of Russia used standard portfolios as a benchmark to assess the interest rate risk and return on reserve currency assets. A standard portfolio comprised a set of instruments assembled by assigning a weight (share) to each instrument in the portfolio. An instrument's weight in the portfolio was determined depending on the capacity of the market for this instrument. The standard portfolios were rebalanced on a weekly basis.

Effective duration was used as an indicator of the level of interest rate risk, which signifies the probability of financial loss resulting from changes in interest rates on each reserve currency. To limit interest rate risk, the Bank of Russia set the minimum and maximum effective duration values for its assets in each reserve currency.

The return on Bank of Russia reserve currency assets and their effective duration, as well as the corresponding standard portfolios, were assessed on a daily basis. Returns on assets were accounted for as realised income and as changes in the value of these assets.¹ The return on Bank of Russia reserve currency assets was estimated for each one-currency portfolio.

After a major fall in 2008, the yield on securities issued in the industrialised nations (which are the principal investment instrument for the Bank of Russia reserve currency assets), remained extremely low for short-term securities, while long-term interest rates increased. Therefore, the return on Bank of Russia reserve currency assets in 2009 declined significantly year on year. Rates of return on Bank of Russia reserve currency assets for 2009, calculated on an accrual basis,² are shown in Table 33 of section IV. *Statistical Tables*.

In 2009, the Bank of Russia took a series of additional measures to reduce the possible negative effect of instability on foreign markets on the Bank of Russia reserve currency assets to a minimum. Throughout the year, the Bank of Russia reduced the value of its deposits in foreign commercial banks and investments in foreign non-government securities,

¹ Relative index of the change in the value of the asset 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 portfolio rate of return for one day;

MV_1 is the market value of the portfolio as of the end of the current 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) to or from the portfolio during the current day.

² Aggregate portfolio rate of return is calculated according to the linked indices method. The rate of return for the period has been calculated according to this formula:

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

R_i is the day's rate of return.

**BANK OF RUSSIA RESERVE CURRENCY ASSETS BY COUNTRY AS OF 1 JANUARY 2010
(percent)**

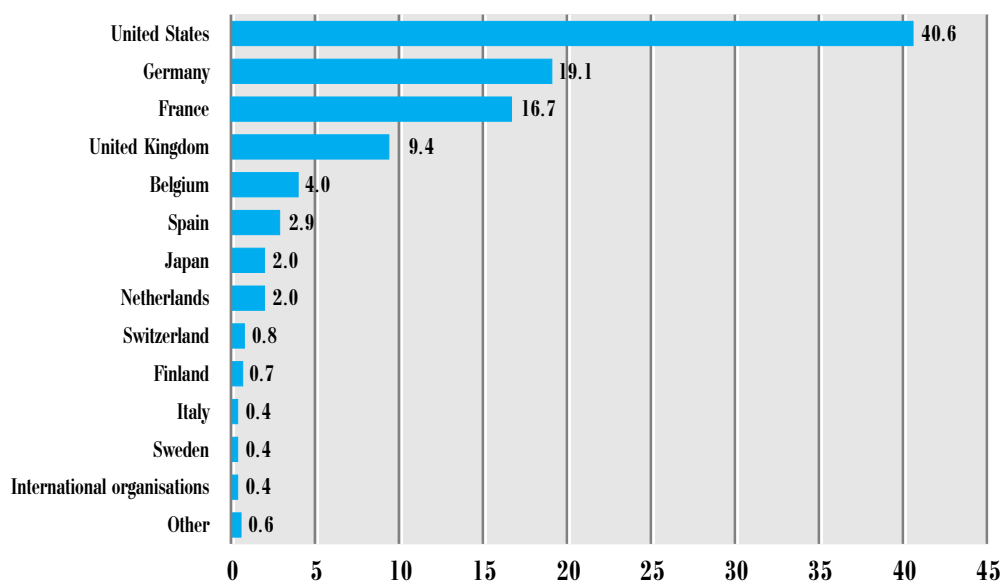


Chart 43

including the securities of US federal mortgage agencies.¹ Meanwhile, investments in foreign government securities increased significantly, in tandem with the value of the Bank of Russia's deposits with central banks and the Bank for International Settlements. In addition, the Bank of Russia set limits on the maximum amount of funds placed under long-term reverse repo transactions and credit limits were lowered for Bank of Russia foreign

counterparties on operations with reserve currency assets.

Bank of Russia assets in precious metals, including gold, were managed separately from the Bank of Russia's foreign exchange assets. In 2009, the Bank of Russia increased its monetary gold assets by 142.87 tonnes (an increase of 29.43% on the beginning of the year) and continued to place gold in short-term deposits with foreign prime banks.

¹As investor confidence in non-government securities fell and the economic situation in the United States deteriorated, the Bank of Russia decided to sell US federal mortgage agencies' securities. All such debt owned by the Bank of Russia was sold in January 2009.

II.3. BANKING REGULATION AND SUPERVISION

II.3.1. REGISTRATION AND LICENSING OF BANKING ACTIVITIES

The development of the institutional structure of the banking sector in 2009 was characterised by accelerated consolidation. Over the year, the number of operating credit institutions licensed to conduct banking operations declined by 4.5% (taking the reorganisation procedures into account) and as of 1 January 2010, it stood at 1,058 (1,007 banks and 51 non-bank credit institutions), while the total number of registered credit institutions fell by 4.1% to 1,178.

In 2009, the total authorised capital of operating credit institutions increased from 881.4 billion roubles to 1,244.4 billion roubles; that is, by 363 billion roubles or 41.2%. Their equity capital grew from 3,811.1 billion roubles to 4,620.6 billion roubles; that is, by 809.5 billion roubles, or 21.2%. A total of 227.9 billion roubles was paid to the authorised capital of state-controlled banks, including banks controlled by regional governments.

Since the enforcement of Federal Law No. 395-1, dated 2 December 1990, 'On Banks and Banking Activities', which provided for the gradual increase of the minimum equity capital of a credit institution, bank owners have been actively building up authorised capital. Reported data indicate that the number of banks with equity capital of less than 90 million roubles declined

from 145 as of 1 April 2009 to 22 as of 1 January 2010, that is, by 123. Of these:

- 86 banks increased their authorised capital by 5.4 billion roubles, while their equity capital grew by 6.8 billion roubles;
- 29 banks increased their equity capital by raising funds from other sources (without increasing their authorised capital) by 0.7 billion roubles;
- one bank merged with another bank with an equity capital of over 90 million roubles;
- six banks had their banking licences revoked;
- one bank changed its status to become a non-bank credit institution.

The share of credit institutions with authorised capital of more than 150 million roubles increased in 2009. As of 1 January 2010, there were 602 such credit institutions, or 56.9% of total operating credit institutions. Of these, 350 credit institutions, or 33.1% of the total, have authorised capital in excess of 300 million roubles (this compares with 339 credit institutions, or 30.6% of the total, as of 1 January 2009); 252 credit institutions, or 23.8% of the total, have authorised capital of 150 million roubles to 300 million roubles (254 credit institutions, or 22.9% of the total, as of 1 January 2009).

Seven new credit institutions were registered in the year under review, five banks (three of

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

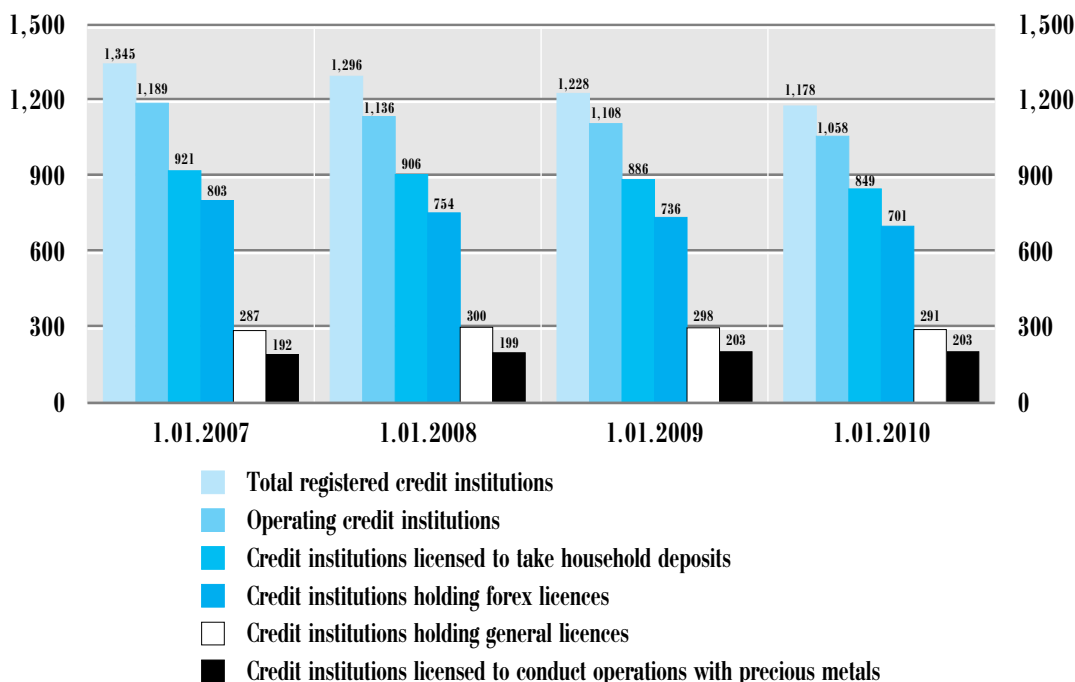


Chart 44

REGISTERED AUTHORISED CAPITAL
OF OPERATING CREDIT INSTITUTIONS

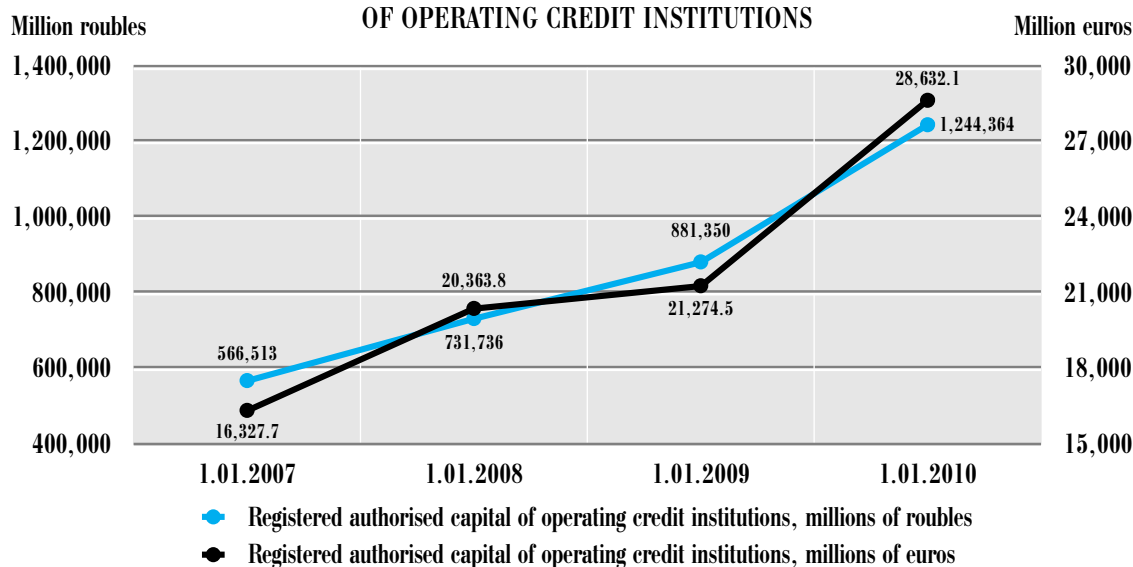


Chart 45

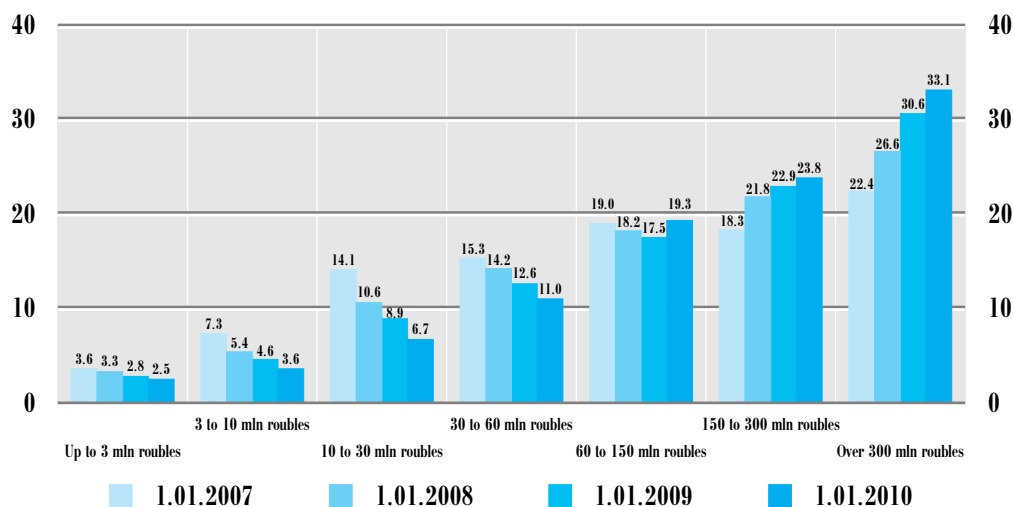
which had foreign interest) and two non-bank credit institutions (this compares with 13 new credit institutions registered in 2008, of which eight were banks, five of these with foreign interest, and five non-bank credit institutions).

Acquisition is one of the principal means of consolidating banking capital. During the year

under review, changes in the charter of eight credit institutions were registered in connection with acquisitions. As a result of this reorganisation, 12 banks closed their businesses. In addition, seven credit institutions that were limited liability companies changed their form of incorporation and became joint-stock companies that

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

Chart 46



year. Two banks became non-bank settlement credit institutions, one of them because of its failure to meet the minimum equity capital requirements set by Article 11.2 of the Federal Law on Banks and Banking Activities.

Twenty-three credit institutions diversified their businesses by obtaining additional licences in 2009 (four of them received several licences). Of these:

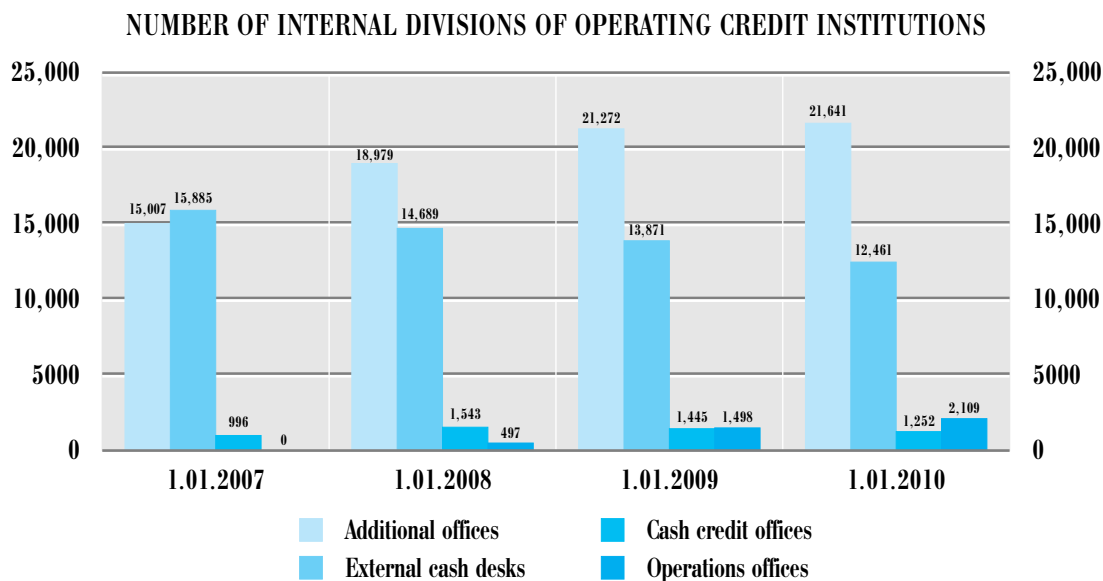
- four banks received general licences;
- 10 banks were licensed to take on deposit and place precious metals; one of these banks obtained this licence along with a licence to take household deposits in roubles and foreign currencies, one bank was given this licence along with licences to conduct banking operations in roubles and foreign currencies (without the right to take household deposits) and to take household deposits in roubles and foreign currencies, and one bank was given a licence to replace the permit it had to conduct operations with precious metals;
- two banks, which were members of the deposit insurance system and were licensed to conduct 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;
- two banks received a licence to conduct banking operations in roubles and foreign currencies

(without the right to take household deposits);

- seven banks received a licence to take household deposits in roubles and foreign currencies, of which three banks received this licence for the first time (one of them was also given a licence to conduct banking operations in roubles and foreign currencies without the right to take household deposits);
- one non-bank credit institution was given a licence to conduct banking operations with funds in roubles and foreign currencies for the non-bank settlement credit institutions, which permitted a wider range of banking operations than the previous one.

In 2009, the Bank of Russia refused to give permission to nine banks (six banks in 2008) to diversify their banking operations, because they failed to comply with the requirements of Federal Law No. 177-FZ, dated 23 December 2003, 'On Insurance of Household Deposits in Russian Banks' and Bank of Russia regulations. In addition, one non-bank credit institution was refused the status of a bank and a licence to conduct banking operations in roubles and foreign currencies (without the right to take household deposits) for non-compliance with the requirements of federal laws and Bank of Russia regulations.

As of 1 January 2010, 849 out of 1,058 operating credit institutions (80.2%) had licences to take household deposits; 701 credit institutions



(66.3%) had licences to conduct banking operations in roubles and foreign currencies (without the right to take household deposits); 291 credit institutions (27.5%) had general licences; 203 credit institutions (19.2%) had a licence to take on deposit and place precious metals, or a permit to conduct operations with precious metals.

Total foreign investment in the authorised capital of Russian credit institutions increased by 54.1 billion roubles in 2009 and as of 1 January 2010 stood at 305.2 billion roubles. The total non-resident stake in the authorised capital of operating credit institutions, not counting non-residents under the material influence of residents, amounted to 264.6 billion roubles as of 1 January 2010. In 2009, growth in the total registered authorised capital of credit institutions (41.2%) exceeded the increase in non-resident investments in the authorised capital of credit institutions (21.6%) almost by twofold. As a result, the non-resident share of the total registered authorised capital of operating credit institutions stood at 24.5% as of 1 January 2010 (as against 28.5% a year earlier). Net of the share of non-residents that were materially influenced by residents, the non-resident share of the total registered authorised capital of credit institutions stood at 21.3% as of 1 January 2010 (as against 26.2% as of 1 January 2009). It should be recalled that in 2006—2008, growth in foreign investments in the authorised capital

of credit institutions far surpassed the increase in total registered authorised capital. In 2008, foreign investments in the authorised capital of credit institutions grew by 36.8%, while the increase in total registered authorised capital stood at 20.4%; in 2007 the respective percentages were 103.7% and 29.2% and in 2006, they were 81.8% and 27.5%.

Of the 226 operating credit institutions with a foreign interest, 108 credit institutions, or 47.8% of the total, have a foreign stake in authorised capital that exceeds 50%.

Credit institutions with foreign investments are located in 37 constituent territories of the Russian Federation; 136 of them, or 60.2% of the total, are in Moscow and the Moscow Region and 13 are in St Petersburg.

Virtually all credit institutions cut the number of their branches in 2009. The number of branches of operating credit institutions declined by 287, or 8.3% (Sberbank closed 130 branches) and stood at 3,183 as of 1 January 2010.

When expanding their regional networks, credit institutions gave preference to the internal divisions that provide comprehensive banking services (operations offices) and banking services for individual customers in far-off territories (mobile cash points). The number of operations offices increased from 1,498 to 2,109 in the year under review (an increase of 40.8%) and the number of mobile cash points grew from 62

to 84, or 35.5%. In addition, credit institutions continued to expand their networks to include additional offices: the number of additional offices increased by 1.7% and reached 21,641 as of 1 January 2010. At the same time, the number of external cash desks decreased by 1,410 to 12,461 and the number of cash credit offices decreased by 193 to 1,252. The total number of in-

ternal divisions of credit institutions declined by 601 over the year under review to stand at 37,547 as of 1 January 2010 (this compares with 38,148 as of 1 January 2009). As a result, the density (penetration rate) of the internal divisions of credit institutions per 100,000 people decreased from 27 as of end of 2008 to 26.5 as of end of 2009.

II.3.2. OFF-SITE SUPERVISION

In 2009, the Bank of Russia continued to take steps to improve the quality of supervision of credit institutions. The principal objective of off-site supervision in 2009 was to detect problems in credit institutions at early stages, and take corrective action in the financially-troubled banks for the purpose of stabilising their situation. To accomplish this task, the Bank of Russia continued to use and upgrade its substantive, risk-based approaches to the supervision of credit institutions.

Despite the improvement of the banking sector's liquidity situation in 2009, the Bank of Russia continued to watch it closely. It continued to use the liquidity monitoring system, introduced in 2008, monitoring the turnovers of systemically important credit institutions on a daily basis, as well as the balances of accounts opened for them with the Bank of Russia. Special attention was paid to the availability of an adequate liquidity risk management system in credit institutions. This analysis was backed up by the assessment of the situation on the stock market and interbank money market, and the ability of credit institutions to meet their obligations on loans they took from the Bank of Russia.

The worsening of the quality of credit institutions' assets and significant growth in overdue loans, caused by economic adversities and mismanagement in banks, required the Bank of Russia to keep the quality of bank assets and the adequacy of their assessment under close scrutiny.

Supervisors focused on the detection and assessment of credit operations and transactions conducted by banks with affiliated persons, lending to intermediary borrowers, the use by banks of manipulative schemes to conceal real risk levels, and the study of the actual credit risk concentrations in the field of investment and other areas. The Bank of Russia also paid close attention to the significantly increased volumes of operations conducted by banks with securities, investments in closed unit investment funds, and transactions to purchase property in the course of implementing payoff agreements or restructuring loans.

Against the background of slowing inflation and regular cuts in the Bank of Russia refinancing rate, the Bank of Russia constantly drew the attention of credit institutions to the problem of interest rate risk management. It developed a system designed to determine the maximum market interest rates on household deposits denominated in the national currency and monitor the interest rates set by credit institutions. The Bank of Russia contacted credit institutions that took household deposits at interest rates that exceeded market rates to make sure that their interest rates were justified and, whenever necessary, took supervisory response measures. Special attention was paid to the banks that pursued an aggressive household deposit policy and used household deposits as their main source of funds.

In order to analyse possible foreign exchange risks, the Bank of Russia in 2009 made sure that credit institutions follow its recommendations to limit growth in foreign assets and to analyse open currency positions.

For the purpose of providing additional assessment of the situation and a supervisory response, the Bank of Russia took steps further to upgrade its approaches to the regular monitoring of systemic banking risks, make this monitoring more effective, and get its regional branches to take more stringent measures with regard to monitored credit institutions that had shortcomings in their work.

In 2009, amid the crisis, the Bank of Russia began to conduct stress tests more frequently: in January—September 2009, the Russian banking sector was stress tested on a monthly basis. Subsequently, as the situation in the banking sector started to stabilise, the Bank of Russia returned to its previous practice of conducting stress tests on a quarterly basis. To improve the stress testing methodology, it expanded its range of analysed scenarios, emphasising the probability of negative developments related to credit risk assessment. The Bank of Russia will continue to improve its stress test scenarios, taking into account the actual turbulence it observed on the financial markets.

As for the regulator's supervisory cooperation with credit institutions, the principal task was that of avoiding formal approaches to supervision. In some cases, this made the credit institutions and their operations more transparent and made it possible to identify situations that posed a threat to the interests of creditors and depositors. In the future, the Bank of Russia intends to continue to place more emphasis on risk-based approaches to supervision, improve the analysis of operations conducted by banks and determine real risk concentrations, especially those associated with the owners of banks and their businesses.

For this purpose, in 2009 the Bank of Russia completed the process of appointing curators to all large federal- and regional-level banks under its Regulation No. 310-P, dated 7 September 2007, 'On the Curators of Credit Institutions'.

The advantages of 'second line' supervision became apparent as federal and regional credit institutions were supervised by both the Bank of Russia's regional branches and head office supervisors. The introduction of 'second line' supervision helped establish closer contacts between the regulator and managers and owners of supervised banks, and accelerate supervisory responses aimed at stabilising the financial situation of banks. The Bank of Russia regularly held meetings at its head office with the managers and owners of the 'second line' banks in which shortcomings had been discovered.

The Bank of Russia appointed its authorised representatives to the credit institutions that had received government aid funds. At the end of 2009, the Bank of Russia's authorised representatives were in 42 banks. These executives expanded the range of banking supervision tools and allowed the Bank of Russia to receive additional updated information about the government-aided credit institutions, including information about their financial situation and risk management quality. In some cases, the Bank of Russia's authorised representatives allowed the Bank of Russia to take supervisory decisions quicker, and to prevent situations that could jeopardise the interests of banks' creditors and depositors.

In 2009, the Bank of Russia continued to document cases in which investors used inappropriate assets as sources of equity capital of credit

institutions. A total of 290 credit institutions were investigated to this effect, and such cases were documented in 11 credit institutions. In addition, eight credit institutions readjusted their equity capital on their own.

Preventive measures continued to prevail in supervisory responses to credit institutions in 2009. Over the year, their number decreased to 7,182. In most cases, the Bank of Russia sent notices to banks' management (1,031 banks received such letters). The Bank of Russia's regional branches held meetings with the managers of 514 banks.

In addition to signing cooperation agreements (memoranda of understanding) with foreign banking (financial) supervision authorities, Bank of Russia representatives in 2009 began to participate in the work of the so-called 'supervisory colleges', set up by the parent bank supervisory authorities to coordinate supervision for the largest international banking groups. At the same time, preparations were conducted to organise supervisory colleges for Russian credit institutions with subsidiaries abroad.

The Bank of Russia made considerable efforts in 2009 to upgrade its methodologies in the major areas of banking supervision, using internationally accepted approaches.

In order to implement the international equity capital adequacy measurement practices encouraged by the Basel Committee for Banking Supervision document *International Convergence of Capital Measurement and Capital Standards: A Revised Framework* (Pillar I of Basel II), the Bank of Russia has developed, for the purpose of calculating the equity capital adequacy ratio (NI), a procedure meeting the requirements of the *Simplified Standardised Approach to Credit Risk Assessment* and a procedure implementing the standards of the *Basic Indicator Approach to Operational Risk Measurement*. At the same time, in view of the implementation of the approaches recommended by Pillar I of Basel II, the Bank of Russia made amendments to some of its regulatory documents that were necessary for the transition of its capital adequacy measurement practices to the use of country estimates. These were to replace its old approach, which was based on categorising countries as belonging to the 'group of developed nations'.

To settle the problem of enhancing the capitalisation of the banking system, the Bank of Russia extended the list of the possible sources of tier 1 capital (core capital) of a credit institution by including in it:

- a new type of subordinated instruments (a subordinated loan with additional conditions);
- a portion of the authorised capital of credit institutions in the form of a joint-stock company, raised by issuing and floating preferred shares, pursuant to Federal Law No. 181-FZ, dated 18 July 2009, ‘On the Use of Russian Federal Government Securities for the Purpose of Increasing the Capitalisation of Banks’.

In the course of implementing its anti-crisis measures, the Bank of Russia made some amendments to its regulations to encourage credit institutions to extend loans to the real economy, promote mortgage lending programmes and support small and medium-sized businesses.

The Bank of Russia took steps to promote a substantive approach to credit risk assessment procedures with regard to funds in banks’ correspondent accounts in counterparty credit institutions, and with regard to the adequate assessment of the risks taken by credit institutions performing the functions of the central party on the organised trading floors.

In 2009, the Bank of Russia continued to upgrade its approaches to the consolidated supervision of credit institutions and harmonise them with international best practices. It collaborated with the Finance Ministry and other ministries and government agencies in drafting amendments to 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 key provisions on consolidated supervision and requirements for credit institutions, banking groups and bank holdings to disclose information to interested users. The Bank of Russia also continued to upgrade the legislative framework of consolidated supervision regulating the compila-

tion of consolidated statements by banking groups and bank holdings.

It took rigorous efforts to make credit institutions more transparent and to improve the reporting forms used for supervisory purposes (prudential reporting). To more fully implement the principles of effective banking supervision that were recommended by the Basel Committee on Banking Supervision, including the principle of obtaining comprehensive information about the financial situation, profitability and risk assumed by credit institutions, the Bank of Russia granted its regional branches the power to require problem banks to present reporting forms for supervisory purposes more often than once a month. Bearing IFRS in mind, the Bank of Russia also specified approaches to relating loans to overdue loans and restructured loans (reporting form 0409115 *Information about the Quality of a Credit Institution’s Assets* and reporting form 0409117 *Data on Large-Value Loans*), encouraging the supervisory authority to take a more conservative approach to the assessment and monitoring of overdue loans and tighten control over credit risk.¹

To harmonise the amount and content of information disclosed by credit institutions (banking groups) with IFRS, the Bank of Russia added a *Cash Flow Report*² to its set of published reporting forms. At the same time, the Bank of Russia established a requirement that banks publish an explanatory note alongside their published reporting forms if the decision to do so is taken by the credit institution or parent credit institution of the banking (consolidated) group, and set different times for publishing quarterly statements, depending on the availability or absence of the auditor’s report. In addition, pursuant to Article 8 of the Federal Law on Banks and Banking Activities, the Bank of Russia described and set the procedure for the disclosure of information by credit institutions and banking (consolidated) groups, recommended that they provide information about the full cost of a loan and distribute borrower’s handbooks in places where they pro-

¹Bank of Russia Ordinance No. 2332-U, dated 12 November 2009, ‘On the Reporting Forms and the Procedure for Presenting them by Credit Institutions to the Central Bank of the Russian Federation’.

²Bank of Russia Ordinance No. 2172-U, dated 20 January 2009, ‘On the Publication and Presentation of Information about the Activities of Credit Institutions and Banking (Consolidated) Groups’.

vide services to individuals and corporate entities, and established the periodicity of updating this information.

In order to receive information about credit institutions' compliance with the information disclosure requirements, the Bank of Russia rewrote reporting form 0409809, which previously only contained information about the credit institutions that had not published their statements. The new form contains information about the title and circulation of the periodical in which the statements are to be published, the date of their publication and the date of the shareholders' meeting (the latter should be published for the purposes of control over compliance with the annual report publication times).

As of 1 January 2010, over 95% of total operating credit institutions disclosed information on the Bank of Russia website (86% as of 1 January 2009). As of the beginning of 2010, 927 credit institutions, or more than 87% of the total, agreed to disclose data on their turnovers, balances of accounts, profits and losses.¹

In 2009, the Bank of Russia released its annual *Banking Supervision Report* and continued to publish the monthly online version of the

Russian Banking Sector Review and its express version.

In order to provide information analysis material to its supervisory divisions, the Bank of Russia, using data compiled as a result of monitoring non-financial organisations (with a special emphasis on risk-based supervision), regularly analysed the conditions and economic performance of non-financial sector of the Russian economy.

The results of the assessment of the financial situation of organisations were used by the Bank of Russia when considering the appropriateness of the classification of organisations' loan debt. This was done for the purpose of assessing credit risk and ascertaining the correctness of the loan loss provisions.

The results of the assessment of the soundness of non-financial organisations (including organisations that were not monitored by the Bank of Russia) and of the analysis of the debtor assessment methodologies approved by intrabank documents, were used by curators of credit institutions to monitor the financial situation of borrowers taking into account the changes in the regional economies and individual types of economic activity.

¹ In reporting form 0409101 and reporting form 0409102, in compliance with Bank of Russia Letter No. 165-T of 21 December 2006, 'On Information Disclosure by Credit Institutions'.

II.3.3. INSPECTION OF CREDIT INSTITUTIONS

In 2009, the Bank of Russia inspected credit institutions in compliance with the requirements set in *Guidelines for the Single State Monetary Policy in 2009 and for 2010 and 2011* and the *Consolidated Plan of Comprehensive and Thematic Inspections of Credit Institutions and their Branches for 2009*.

In 2009, the Bank of Russia carried out 1,224 inspections of credit institutions and their branches. Of these, 884 inspections, or about 72% of the total, were scheduled and 340 inspections, or 28%, were unscheduled. At the same time, 1,079 inspections, or about 88% of the total, were thematic and 145 inspections, or 12% of the total, were comprehensive. Of the total number of inspections, 527 inspections (including 280 inspections of credit institution branches) were conducted in credit institutions that are on the Bank of Russia's watch list. Of these, 452 inspections were conducted in line with the Consolidated Plan and 75 inspections were unscheduled.

Eighty-one inspections, of which 80 were scheduled inspections, were conducted with the participation of the Deposit Insurance Agency (DIA), a state corporation.

Priority was attached to the thematic inspections of credit institutions and their branches in areas indicated by off-site supervisors. In 2009, thematic inspections were carried out to find out how credit institutions and their branches assessed the risks they took, whether their transactions complied with federal law, what kind of operations banks conducted after they had received government aid, and what effect the violations discovered in credit institutions had on their financial situation.

After the Bank of Russia had introduced a special supervision regime for credit institutions that exerted material influence on the systemic stability of the banking sector (the so-called systemically important or relevant credit institutions), the Main Inspectorate for Credit Institutions began to regularly monitor the results of the inspections of these credit institutions. The purpose of the monitoring was to make sure that credit in-

stitutions, especially members of banking groups and parent and subsidiary (affiliated) structures, do not conduct operations designed to conceal the real quality of assets, and to coordinate simultaneously conducted inspections.

The monitoring had a favourable impact on the effectiveness and quality of inspections, as it allowed supervisors to quickly respond to interim results received by working groups, change the course of inspections, and instantly initiate a supervisory response.

To minimise its legal risk and improve the quality of inspection reports, the Bank of Russia used internal procedures to supervise inspections while they were being planned, organised and carried out, and considered their results.

At the stage of planning and organising, inspections were supervised by the inspectors-general of the interregional inspectorates and the Main Inspectorate, which made sure that inspectors clearly set the targets and questions for inspection of a credit institution or its branch, and precisely registered the divisions they intended to inspect.

At the final stage, supervisors analysed the quality of inspection reports, including the express analysis of reports, and whenever necessary, the reports presented by inspectors-general. The express analysis of inspection material contained information about violations discovered in credit institutions and their (possible) effect on the assessment of the financial situation. This information was sent by the Main Inspectorate to the Central Bank's supervisory divisions within three working days after the receipt of the inspection reports, to ensure a rapid response to the inspection material. The reports made by inspectors-general evaluated the quality of inspection reports, including comments on the adequacy of the conclusions made by the working group, with respect to the results of the consideration of the issues included in the inspection assignment.

The quality of inspections was also assessed in the course of the in-depth analysis of inspection results, from the viewpoint of the completeness of the description of the inspected matters,

the assessment of the risks taken by credit institutions and the financial (economic) situation of credit institutions. The quality of 826 credit institution inspection reports was analysed in 2009 and 206 statements on the analysis results were compiled to describe the shortcomings discovered in the analysed reports.

In the course of inspections conducted in 2009, inspectors uncovered 16,422 violations committed by credit institutions and their branches. Most of them (3,979, or 24.2% of the total) were violations of the federal law on countering money laundering and terrorist financing. Credit institutions and their branches committed 3,714 violations in conducting lending operations (22.6% of total violations) and there were 1,443 cases of false accounting and misreporting (8.7%), 1,279 violations of the settlement discipline (7.7%) and 1,156 violations of accounting rules (7.0%). There were 987 violations of the foreign currency laws (6.0%) and 674 violations of the cash operation rules (4.1%). The results of 593 inspections led to sanctions against credit institutions.

To improve the organisation of inspections, the Bank of Russia conducted an experiment to centralise all inspection work in the North-Western Federal District. The experiment allowed it to carry out organisational measures which were difficult to implement when the Bank of Russia inspection divisions had a decentralised structure (compiling detailed inspection assignments, manoeuvring and rotating personnel, and organising and coordinating counter-inspections in several banks at the same time). After information received in the course of inspections at each level of internal control was analysed, the necessary changes were made in the process of organising and carrying out inspections, and the Bank of Russia arranged cooperation with the corresponding federal agencies.

To upgrade the procedure for organising and conducting inspections of credit institutions, the Bank of Russia in 2009 made amendments to its Instruction No. 105-I, dated 25 August 2003, 'On the Procedure for Conducting Inspections of Credit Institutions and their Branches by the

Authorised Representatives of the Central Bank of the Russian Federation', and Instruction No. 108-I, dated 1 December 2003, 'On the Organising of Inspections by the Central Bank of the Russian Federation (Bank of Russia)', which required inspectors to pay closer attention to systemically important credit institutions and credit institutions that had received government aid, and gave the inspectors-general of the interregional inspectorates a more important part to play in coordinating inspections and analysing the quality of inspection materials.

To avoid a conflict of interest, the Bank of Russia expanded the information disclosure requirements for the DIA's employees included in the working groups.

To provide organisational and methodological support for the monitoring of inspections of the systemically important credit institutions, the Bank of Russia set up a single procedure for the sharing of information between the working groups, interregional inspectorates and head office, and a procedure for arranging cooperation and informing the Bank of Russia off-site supervision divisions and management. It established a requirement for the inspector-general to compile reports on the results of inspections of the systemically important credit institutions.

To provide methodological support for oversight of the credit institutions that had received government aid, the Bank of Russia gave recommendations to the interregional inspectorates and its regional branches with regard to signs that may indicate that these credit institutions conduct operations with the purpose of taking government aid funds out of the country. It explained how the reports of such inspections should be prepared.

The Bank of Russia also issued recommendations on the procedure for conducting inspections of credit institutions that have signed agreements with the Bank of Russia on compensation for a portion of the costs (losses) involved in operations on the interbank market, and arranging information cooperation between the inspectors-general and the heads of the working groups in the course of conducting these inspections.

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

In 2009, the Bank of Russia continued to implement a package of measures (launched in September 2008) to ensure the solvency of banks that had experienced financial problems during the world financial and economic crisis.

Pursuant to 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 collaborated with the DIA to prevent the bankruptcy of 17 banks, including 14 banks where it had begun to carry out bankruptcy prevention measures in 2008.

In two of these banks, the DIA in 2009 had completed the transfer of household deposits and the equivalent amount of property to financially sound banks, which had won the DIA-organised closed auctions for the acquisition of the property and obligations of problem banks, and offered the least expensive commercial solutions. As a result, the acquiring banks had provided services to all depositors in places where the problem banks were present, on the same terms and conditions that were effective in the problem banks. After the deposit transfer procedure had been completed, the problem banks had their banking licences revoked.

Pursuant to Federal Law No. 175-FZ, in 2009 the Bank of Russia and the DIA sent proposals for the DIA’s participation in preventing the bankruptcy of three banks. The DIA’s bankruptcy prevention plans for these three banks were approved by the Bank of Russia’s Banking Supervision Committee (two of these plans, which provided for the use of Bank of Russia funds, were approved by the Bank of Russia’s Board of Directors).

Financial rehabilitation is financed, pursuant to Federal Law No. 175-FZ, by the federal government’s property contribution to the DIA or by Bank of Russia loans extended to the DIA

for a term of five years. In 2009, the Bank of Russia provided a total of 73.3 billion roubles via these loans. Meanwhile, in the period under review, the DIA repaid the Bank of Russia 20.7 billion roubles. As of 1 January 2010, the DIA’s debt to the Bank of Russia for loans provided pursuant to Federal Law No. 175-FZ totalled 166.9 billion roubles.

In December 2009, the DIA submitted to the Bank of Russia its first report on the completion of bankruptcy prevention measures regarding ZAO Nizhegorodpromstroibank, a closed joint-stock company. All the measures envisaged by the DIA’s plan have been carried out and the bank has been financially rehabilitated: it has stabilised its activities, has a sustained trend towards growth, operates according to normal procedures and has no debt to the DIA. On 1 January 2010, the bank was put on the common supervision regime.

In 2009, in line with the approved plans for the DIA’s participation in the prevention of credit institution bankruptcies, the Bank of Russia issued orders assigning to the DIA the functions of a provisional administration in three banks. In 2009, the DIA performed the functions of a provisional administration in six banks, of which two banks later had their licences revoked. In three of these banks, the provisional administrations were disbanded before the expiration of their terms at the DIA’s request, and in one of the six banks, the provisional administration was dismissed when its term expired.

According to the Bank of Russia-approved plans for the DIA’s participation in bankruptcy prevention, it was decided to reduce the authorised capital of four banks to 1 rouble due to their negative equity capital. Subsequently, these banks floated additional share issues, which were bought up by new investors. This allowed the banks to restore their capital (including with the DIA’s participation) to the amount of 8.7 billion roubles and resume full-scale activities.

As of 1 January 2010, the DIA is participating in the implementation of bankruptcy prevention measures, pursuant to Federal Law No. 175-FZ, in 14 banks.

In addition, the financial rehabilitation of four banks continued with the participation of other investors. The decisions to rehabilitate them using government funds had been taken before Federal Law No. 175-FZ came into force.

In 2009, a total of 112 credit institutions (95 credit institutions in 2008) were subject to insolvency (bankruptcy) prevention measures pursuant to Article 4 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). Of these, two credit institutions recovered financially as a result of their fulfilment of financial rehabilitation plans. Yet another bank is implementing measures in line with a plan approved by the Bank of Russia Banking Supervision Committee, pursuant to Article 11 of Federal Law No. 175-FZ, and 48 credit institutions have eliminated the grounds that made them subject to bankruptcy prevention measures.

Pursuant to 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 Bank of Russia in 2009 issued orders to revoke (cancel) the licences of 47 credit institutions. Of these, three credit institutions had their licences revoked in connection with their shareholders' decision (36 credit institutions and three credit institutions in 2008, respectively). Most of the credit institutions (29) that had their licences revoked were registered in Moscow and the Moscow Region.

Twenty-four credit institutions in 2009 (20 credit institutions in 2008) were stripped of their licences because of non-compliance with creditors' claims for pecuniary obligations, and (or) obligations to make compulsory payments. In addition, 17 credit institutions had their licences revoked because they had significantly misreported data. Ten credit institutions had theirs revoked for repeated failures, 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 Counter-

ing the Legalisation (Laundering) of Criminally Obtained Incomes and the Financing of Terrorism'.

In 2009, the Bank of Russia oversaw the provisional administration of 60 credit institutions, which carried out their duties pursuant to Federal Law No. 40-FZ. In 2009, the Bank of Russia appointed 44 provisional administrations and disbanded 48 provisional administrations. Out of the 48, three provisional administrations were dismissed by the ruling of the arbitration court to liquidate the provisional administration and appoint a liquidator, and 45 provisional administrations were dismissed when the arbitration court ruled the credit institution insolvent (bankrupt) and appointed a receiver. Pursuant to clause 2 of Article 19 of Federal Law No. 40-FZ, DIA representatives worked in 46 provisional administrations appointed by the Bank of Russia. As of 1 January 2010, 12 provisional administrations carried out their duties in connection with the revocation of licences from credit institutions.

As of 1 January 2010, the Bank of Russia had not received state registration certificates from the registration authority in connection with the liquidation of 119 credit institutions that had had their banking licences revoked (cancelled) and in 109 of them, liquidation proceedings were conducted. No court rulings had been received regarding the remaining 10 credit institutions as of the reporting date after the revocation of their licences. One of these 10 credit institutions had the bankruptcy proceedings against it suspended until the Interior Ministry's Criminal Expert Centre produced the results of its financial analysis. Another of these credit institutions had its liquidation proceedings suspended, pending the Moscow City Arbitration Court's ruling on the appeal against the Bank of Russia's decision to revoke its licence. Most of the liquidated credit institutions (90) were declared insolvent (bankrupt) and bankruptcy proceedings were initiated against them; of these, 48 credit institutions were pronounced bankrupt in 2009 and against one credit institution, the arbitration court had made the ruling on forcible liquidation earlier. With regard to 13 credit institutions, the arbitration courts made the ruling on forcible liquidation (in four of them, this ruling was made in 2009; one

of these was later declared bankrupt and another one was liquidated by its members). In addition, six credit institutions are being closed on a voluntary basis by their founders (members); at three of these credit institutions, the decisions to liquidate them were taken by their founders (members) in 2009.

In most of the credit institutions being liquidated as of 1 January 2010 (96 credit institutions), 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 85 of them, the DIA performed the functions of the receiver and in 11 it performed the functions of the liquidator.

In 2009, the Bank of Russia took the decisions on the state registration in connection with the liquidation of 44 credit institutions, of which the decisions on 21 credit institutions were taken on the basis of the arbitration court's ruling to complete bankruptcy proceedings, on 19 of these credit institutions in connection with the forcible liquidation by the ruling of the court without signs of bankruptcy. In the remaining four credit institutions, its decision was taken on the basis of the liquidation decision of their founders (members).

Forty receivers were accredited with the Bank of Russia and 21 receivers had their accreditation extended in 2009. Sixty-one receivers were accredited with the Bank of Russia as of 1 January 2010. In 2009, the Bank of Russia conducted 11 inspections of receivers (liquidators): in 10 cases, it inspected the DIA and in one case it inspected an individual receiver. Three letters of recommendation were sent to the DIA after the inspections, whereas the results of the inspection of the individual receiver were reported to the self-regulating organisation of receivers.

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', the Bank of Russia Board of Directors in 2009 decided to pay 50.96 million roubles to 265 depositors in four credit institutions.

In all, the Bank of Russia as of 1 January 2010, had decided to pay 1,264.7 million roubles to 40,308 depositors. Bank of Russia payments totalling 1,229.7 million roubles, or 97.2% of the total amount of funds allocated to Bank of Russia compensation payments, have been received by 36,169 depositors (or 89.7% of the total depositors entitled to these payments).

II.3.5. HOUSEHOLD DEPOSIT INSURANCE

Pursuant to Federal Law No. 177-FZ, dated 23 December 2003, 'On Insurance of Household Deposits in Russian Banks', hereinafter referred to as Federal Law No. 177-FZ, the Bank of Russia in 2009 supervised banks to make sure they complied with the deposit insurance system's requirements.

As of 1 January 2010, the compulsory deposit insurance system had 925 member banks (937 member banks as of 1 January 2009), of which 66 banks had had their banking licences revoked (cancelled) earlier.

Seven banks were admitted to the deposit insurance system in 2009 and 19 banks were barred from it (10 banks in connection with their reorganisation and nine in connection with their liquidation).

Insured events occurred in 31 banks in 2009: 29 of them had their banking licences revoked and two had their licences cancelled in connection with their decision to close voluntarily. In all the insured events connected with licence revocations, the Bank of Russia-appointed provisional administrations sent the registers of obligations to depositors to the DIA within the seven-day period established by Federal Law No. 177-FZ. This allowed the DIA to begin making insurance payments to depositors on time (within three working days after the depositor submitted the necessary documents to the DIA, but not sooner than 14 days after the day the insured event occurred).

To implement the provisions of Federal Law No. 177-FZ, the Bank of Russia constantly monitored compliance by all deposit insurance system member banks with the deposit insurance system's requirements.

In the first half of 2009, pursuant to Article 48 of Federal Law No. 177-FZ, the Bank of Russia Banking Supervision Committee prohibited three member banks from taking household deposits and open personal accounts for non-com-

pliance with the deposit insurance system's requirements (the ban was imposed on one bank because it had been subjected to forced supervisory measures for more than three months and on two banks because they had failed to comply with required profitability ratios as of two quarterly reporting dates in a row).

In order to maintain banking sector stability, Federal Law No. 227-FZ, dated 27 September 2009, 'On the Suspension of Certain Provisions of Article 48 of the Federal Law on Insurance of Household Deposits in Russian Banks', temporarily relieved the Bank of Russia of its duty to prohibit deposit insurance system member banks from taking household deposits and opening personal accounts for non-compliance with capital, asset, profitability and liquidity requirements as well as the required ratios.

The implementation of the provisions of this law allowed the Bank of Russia to be more flexible in formulating a supervisory response to deposit insurance system member banks during the crisis. As a result, as of 1 January 2010, 49 deposit insurance system member banks that failed to meet the deposit insurance system's profitability indicator requirements as of two consecutive quarterly dates or more were not prohibited from taking household deposits or opening personal accounts under Article 48 of Federal Law No. 177-FZ.

In compliance with the requirements of Federal Law No. 177-FZ and agreements signed in 2009, the Bank of Russia coordinated efforts and shared information with the DIA with regard to certain matters. These included the deposit insurance system, the participation of banks in it, the payment of insurance premiums, the payment of compensation for deposits, Bank of Russia inspections of the deposit insurance system's member banks and the use of sanctions against these banks, as well as other issues relating to the deposit insurance system.

II.3.6. CENTRAL CATALOGUE OF CREDIT HISTORIES

The Central Catalogue of Credit Histories (CCCH) was created by the Bank of Russia in 2005 pursuant to Federal Law No. 218-FZ, dated 30 December 2004, ‘On Credit Histories’ (hereinafter referred to as Federal Law No. 218-FZ). In 2009, it witnessed a significant contraction in household credit and a decline in the number of first-time loan-takers. Credit extended to households in 2009 decreased by 11.0%, whereas in 2008 it expanded by 35.2%.

The contraction of household credit in 2009 affected the CCCH. In 2009, the CCCH accumulated over 11 million credit history titles, whereas in 2008 it included 21 million titles. As of the end of 2009, pursuant to Federal Law No. 218-FZ and Bank of Russia regulations, credit history holders and users had access to 66.7 million credit history titles containing information on credit bureaus in which credit histories are kept. This number of credit history titles roughly corresponds to the 37.3 million credit histories of borrowers who have agreed to pass information to credit bureaus.

The share of individual credit histories whose titles are kept in the CCCH in 2009 remained unchanged from 2008 at 99.7% of total credit history holders as of 1 January 2010.

The total number of inquiries made to the CCCH fell to 0.9 million in 2009 from 1.6 million in 2008. Specifically, there was a significant decrease in the number of inquiries filed by credit history users through credit bureaus.

At the same time, the number of inquiries received from credit history holders in 2009 increased by 52% year on year, and as of 1 January 2010 it exceeded 257,000. The year 2009 saw a rise in the number of inquiries sent to the CCCH by both credit history holders and credit history users by other communication channels. Banks made wider use of credit bureaus for the purpose of risk management. There was a 163.0% rise in the number of inquiries made by credit history holders and users through credit institutions, and the total number of inquiries posted by credit history holders and users through the Bank of Russia’s website increased by 33.0%.

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

In 2009, the Bank of Russia continued to fulfil duties established by Federal Law No. 115-FZ, dated 7 August 2001, 'On Countering the Legalisation (Laundering) of Criminally Obtained Incomes and the Financing of Terrorism' (hereinafter referred to as Federal Law No. 115-FZ). It took an active part in implementing the plan of action to upgrade the Russian anti-money laundering/terrorist financing system, which was approved by the Russian Government on 10 November 2008 and based on the recommendations made by FATF¹ experts in their mutual assessment report on Russia at the third round of mutual assessments (hereinafter referred to as the Plan). Regarding the section of the Plan relating to the banking system, the Bank of Russia participated in drafting federal laws targeted, specifically, at upgrading customer and beneficiary identification procedures, and broadening the powers of credit institutions to allow them, unilaterally and without resorting to court action, to refuse to fulfil a bank account (deposit) agreement with an individual or corporate entity and accompany money transfers with information about the payer.

The Bank of Russia harmonised its regulations with the requirement that money transfers should be accompanied by information about the payer, established by the federal laws regulating the receipt of individual payments by payment agents.²

As of 1 January 2009, a Bank of Russia regulation came into force establishing a new procedure for credit institutions to send electronic messages about controllable operations to the relevant authority, for the purpose of enhancing the efficiency of the exchange of information. To facilitate this, the Bank of Russia carried out a lot of work to provide methodological aid to credit institutions. As a result, by March 2009 the number of messages returned by the relevant author-

ity due to error had fallen to the level registered at the end of 2008.

To improve the supervision of compliance by credit institutions and their branches with the anti-money laundering/combating the financing of terrorism laws (hereinafter referred to as the AML/CFT laws), the Bank of Russia initiated amendments to the Agreement of 17 May 2004, on Information Cooperation between the Central Bank of the Russian Federation and the Federal Financial Monitoring Service, conducted pursuant to the federal AML/CFT law. As a result, since 1 July 2009, the Bank of Russia has been able to quickly inform its regional branches about compliance by the supervised credit institutions and their branches with the deadlines set by Federal Law No. 115-FZ for reporting operations that are subject to the control of the relevant authority. In addition, the Bank of Russia issued methodological recommendations on how its regional branches should use this information in the course of off-site supervision, during preparations for inspections and when conducting inspections.

In the course of supervision, the Bank of Russia in 2009 inspected 911 credit institutions and/or their branches from the viewpoint of their compliance with AML/CFT legislation.

Various measures were taken against credit institutions for violations of Federal Law No. 115-FZ and Bank of Russia AML/CFT regulations and procedures. In 287 cases, the Bank of Russia informed the management of credit institutions about the shortcomings discovered in their work, in 196 cases it took forced measures, demanding that the errant credit institutions rectify the faults discovered in their work, in 122 cases it imposed fines, in 162 cases it prohibited credit institutions from conducting certain types of transactions, and in 10 cases it revoked licences from credit institutions.

¹ *Financial Action Task Force.*

² *Federal Law No. 103-FZ, dated 3 June 2009, 'On the Activities Relating to the Receipt of Individual Payments by Payment Agents', and Federal Law No. 121-FZ, dated 3 June 2009, 'On Amending Certain Federal Laws in Connection with the Passing of the Federal Law on the Activities Relating to the Receipt of Individual Payments by Payment Agents'.*

II.4. THE RUSSIAN PAYMENT SYSTEM

II.4.1. THE STATE OF THE RUSSIAN PAYMENT SYSTEM

The Russian payment system in 2009 conformed to the stringent security and efficiency standards deemed necessary in light of the effects of the world financial and economic crisis on the country's economy. At the same time, the macroeconomic situation had an adverse impact on the Russian payment services market.

The optimisation of the network of banking institutions providing payment services¹ led to a 2.2% decrease in their number in 2009, and as of 1 January 2010 they numbered 42,400. The number of banking institutions per million residents declined to 299 from 305 as of 1 January 2009.

As payment services became more accessible, the number of transaction accounts in credit institutions increased and customers were offered an array of services to access their accounts electronically. Over the year, the number of transaction accounts held by individuals and legal entities other than credit institutions grew by 8.0% to 505.0 million; of these, the number of electronically accessed accounts rose by 20.2% to 46.7 million. As the management of accounts using mobile phones and the Internet became in-

creasingly popular with customers, the number of corresponding accounts increased 1.6 times to 4.0 million and 1.3 times to 6.9 million, respectively.

As a result of the economic turmoil, the number and value of payments effected through the Russian payment system² in 2009 decreased by 2.1% and 0.5% year on year, respectively, to 2.7 billion payments totalling 877.5 trillion roubles. The value of payments equivalent to full-year GDP turned over in 11 days (in 2008 this figure was 12 days). The average daily number of transactions was 10.9 million and their value totalled 3.5 trillion roubles. The average payment stood at 322,200 roubles (as against 317,100 roubles in 2008).

Private payment systems in 2009 effected 1.8 billion payments totalling 267.7 trillion roubles (1.8 billion payments totalling 365.8 trillion roubles in 2008). Of these, 71.1% of the total number and 46.0% of the total value of payments were payments effected within one division of a credit institution. Interbranch settlements accounted for 24.0% and 41.3%, respectively, and settlements across credit institutions'

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

² Inclusive of 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 Bank of Russia and credit institutions.

correspondent accounts opened in other credit institutions accounted for 4.9% and 12.7%.

As in previous years, paying by payment orders predominated in the structure of cashless payments. Their share in the total number and value of payments made by customers of the Bank of Russia and credit institutions (individuals and legal entities other than credit institutions)¹ stood at 54.4% and 98.5% (1.2 billion transactions with a total value of 469.1 trillion roubles). Compared to 2008, their number and value fell by 4.6% and 11.1%, respectively. The average value of a transaction decreased from 424,800 roubles to 396,200 roubles. Operations conducted with the aid of other settlement documents were smaller on average. As a result, although they accounted for 45.6% of total payments, their total share in value terms was 1.5% at most.

Settlements on the securities market were mainly effected by non-bank credit institutions such as the MICEX Clearing House and RTS Clearing House. The turnover across the accounts of MICEX Clearing House participants in exchange transactions on the stock market in 2009 increased by 2.2% year on year, to 62.4 trillion roubles, whereas on the government securities market it contracted by 4.9% to 19.5 trillion roubles. The turnover across the accounts of settling participants of the RTS Clearing House in transactions on the stock market fell by 41.9% year on year, to 333 billion roubles.

Cash passed through the cash departments of Bank of Russia establishments and credit institutions, including cash payments and withdrawals made through ATMs, contracted by 6.2% year on year, to 46.1 trillion roubles. At the same time, cash continued to play the leading role in retail payments. The cash payment structure remained virtually unchanged. Proceeds from the sale of consumer goods and services (46.3%) and foreign exchange (7.1%) accounted for more than half of all cash received by the cash departments of Bank of Russia divisions and credit institutions. There was significant growth in 2009 in receipts from commercial organisations (other than credit

institutions) that were authorised to accept cash from individuals as payment for electronic communications, housing and utilities. These payments increased by 34.6% to 107.9 billion roubles.

Cash transfers made by individuals without opening a bank account made up over 80% of the total number and almost 30% of the total value of household payments effected through the credit institutions. Compared to 2008, this represents an increase of 1.7% to 827.7 million transactions, while in value terms, these payments declined by 9.9% to 2.3 trillion roubles. Electronic money transfers made using mobile phones became an increasingly popular type of retail payment. Their number and value increased by factors of 2.0 and 2.9, respectively, and reached 11.2 million transactions totalling 20.5 billion roubles. The rapid expansion in these operations registered in recent years testifies to the dynamic development of online banking, which makes payment services increasingly accessible and varied.

Indicators pertaining to the payment card market in 2009 showed that this market continued to develop and grow. The number of payment cards issued by credit institutions increased by 5.7% over the year. As of 1 January 2010, it stood at 126.0 million cards, of which nearly 50% were active cards.² A total of 2.5 billion transactions,³ valued at 9.9 trillion roubles, were carried out in Russia. Of these, cash withdrawals accounted for 71.6% of the number and 88.3% of the value of transactions, payments for goods and services (including customs payments) accounted for 27.4% and 9.8%, respectively, and other transactions 1.0% and 1.9%, respectively. Compared to 2008, the number of payment card transactions grew by 18.1% and their value increased by 8.2%. At the same time, there was a significant reduction in the rates of growth in cash withdrawal operations (in numbers — from 23.8% in 2008 to 11.0% in 2009, and in value — from 38.4% in 2008 to 7.4% in 2009). At the same time, the expansion by credit institutions of the range of banking services that could be paid for by pay-

¹ Inclusive of the Bank of Russia's and credit institutions' own payments.

² An active card is a card in use, where at least one operation was conducted during the reporting quarter to withdraw cash or make payments for goods and services, including customs payments.

³ Inclusive of transactions carried out using payment cards issued by Russian credit institutions and payment cards issued outside Russia.

ment cards, the increase in the number of card-processing machines and the expansion of the machines' functions explain, to a great extent, the high rates of growth in cashless payments for goods and services and card-to-card transfers (by

41.1% in number and 14.1% in value). The number of devices (ATMs, point-of-sale terminals and imprinters) used to pay for goods and services increased by 9.9% over the year and reached 503,600 as of 1 January 2010.

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

The Bank of Russia payment system remained the most important component of the Russian payment system in the year under review. The number and value of payments effected through the Bank of Russia payment system increased by 0.3% and 18.1%, respectively, and reached 942.9 million payments totalling 609.9 trillion roubles. They accounted for 34.6% of the total number and 69.5% of the total value of payments in the country (33.8% and 58.5% in 2008). Relative to GDP, payments effected through the Bank of Russia payment system increased from 12.4% in 2008 to 15.6% in 2009.

The average daily number of payments effected through the Bank of Russia payment system in 2009 totalled 3.8 million and the average payment grew by 17.8% in value to 646,800 roubles, as against 549,200 roubles in 2008. At the same time, the average payment effected

through the banking electronic speed payment (BESP) system was 1.7 billion roubles. The kernel of the matter is that the BESP system is intended for large-value and express payments made by credit institutions to settle trades on the interbank market, for settlements with the financial market infrastructure organisations, and for payments made by the Federal Treasury and its regional branches.

As in previous years, credit institutions accounted for the lion's share of payments effected through the Bank of Russia's payment system. In 2009, they amounted to 775.7 million payments and totalled 454.5 trillion roubles in value (786.3 million payments with a total value of 437.9 trillion roubles in 2008). At the same time, their share in the total number and value of interbank payments stood at 89.9% and 93.0%, respectively (89.1% and 88.1% in 2008).¹

BANK OF RUSSIA PAYMENT SYSTEM PARTICIPANTS
(number)

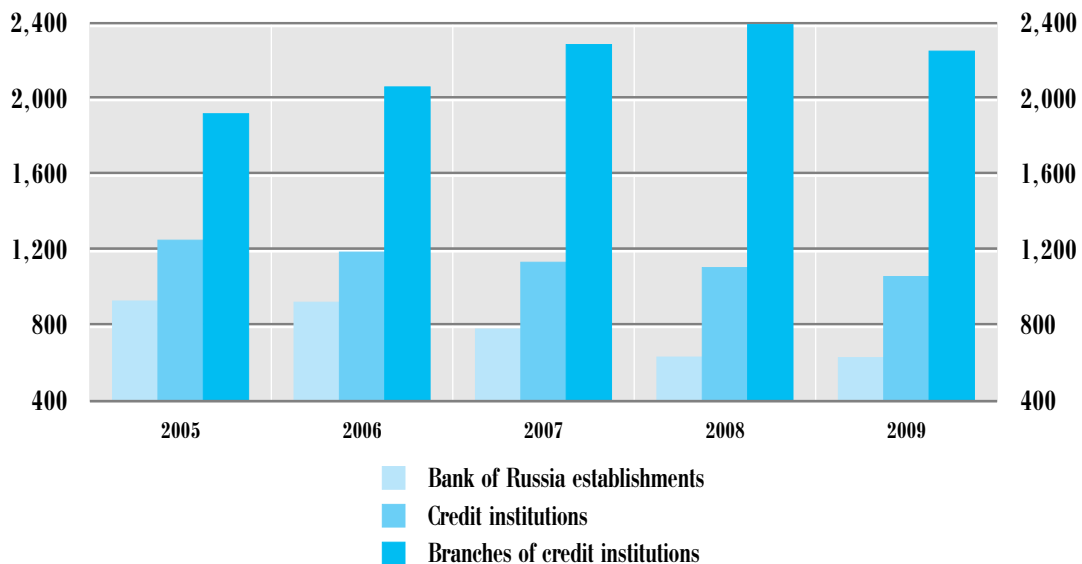


Chart 48

¹These include payments effected between credit institutions and their branches through the Bank of Russia payment system, payments effected by non-bank settlement credit institutions, and payments passed through credit institutions' correspondent accounts opened in other credit institutions.

As of 1 January 2010, 1,058 credit institutions (1,108 credit institutions as of 1 January 2009) and 2,253 branches of credit institutions (2,395 branches of credit institutions as of 1 January 2009) were members of the Bank of Russia payment system. As of 1 January 2010, credit institutions and their branches had 3,311 correspondent accounts and sub-accounts opened for them with the Bank of Russia, which represents a decrease by 5.5% on the previous year.

The number of BESP members rose by 56.2% and reached 1,155 in 2009.

As of the end of 2009, the BESP system included 870 credit institutions and their branches as its members, or 27% of the total number of credit institutions and their branches exchanging electronic documents. The BESP system included 14 out of the 30 largest Russian banks among its members and 194 credit institutions were in the process of being admitted to the BESP.

In 2009, the BESP system included as its members the infrastructural organisations of the financial market as well as the Federal Treasury and its 79 regional branches.

The number of Bank of Russia customers other than credit institutions, which in 2009 accounted for 17.6% of the total number and 9.6% of the total value of payments effected through the Bank of Russia payment system, declined in the period under review from 20,541 to 14,731, or by 28.3%. 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.

Most of the payments made via the Bank of Russia payment system (99.8% of their total number and 99.9% of their total value) were effected electronically. Payments transmitted to the Bank of Russia payment system by communication channels accounted for 98.7% of total payments made by credit institutions in 2009 (98.8% in 2008). The share of Bank of Russia customer credit institutions involved in the exchange of electronic documents with the Bank of Russia stood at 96.9% as of 1 January 2010 (as against 96.8% as of 1 January 2009).

**STRUCTURE OF BESP PARTICIPANTS
AS OF 1 JANUARY 2010
(percent)**

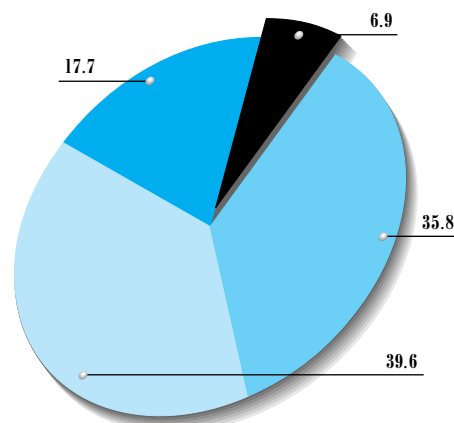


Chart 49

- Special settling participants (Bank of Russia divisions)
- Direct settling participants (credit institutions and their branches)
- Associated settling participants (credit institutions and their branches)
- Associated settling participants (Bank of Russia customers other than credit institutions)

The Bank of Russia has completed linking all its regional branches to the interregional and (or) intraregional electronic settlement systems.

There were no failures in the Bank of Russia payment system in 2009. Its average monthly accessibility ratios (the system's capability to accept settlement documents from Bank of Russia customers) ranged between 99.99% and 100%, with regard to the paper settlement documents (unchanged from 2008) and between 99.49% and 99.94% with regard to electronic documents (98.76% and 99.92% in 2008).

Average settlement times for the techniques used by the Bank of Russia at the intraregional level in 2009 declined slightly, to 0.61 days (as against 0.62 days in 2008), whereas at the interregional level they remained unchanged at 0.97 days.

Over the year, more than 63,000 payments with a total value of 106.6 trillion roubles were effected via the BESP system (9,000 payments with a total value of 2.3 trillion roubles in 2008).

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

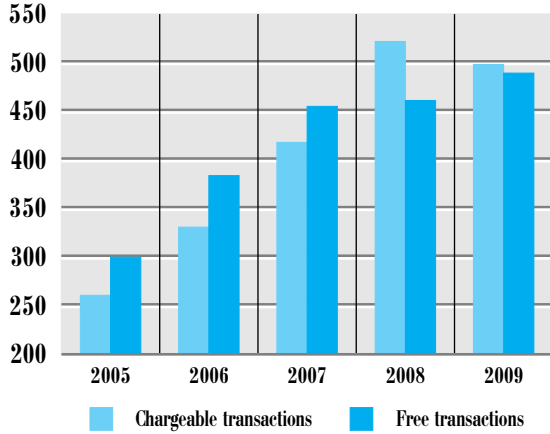


Chart 50

Of these, payments in excess of one million roubles accounted for 86.4% of payments in number and almost 100% in value.

A total of 748.7 million payments with a value of 432.7 trillion roubles were effected through the intraregional electronic payment system (VER) in the year under review (752.6 million payments with a value of 423.4 trillion roubles in 2008). They accounted for 79.4% of the total number and 70.9% of the total value of payments effected through the Bank of Russia payment system (80.1% and 82.0% in 2008, respectively).

A total of 192.5 million payments with a value of 69.6 trillion roubles were effected through the interregional electronic payment system (MER) in 2009 (this compares with 184.4 million pay-

ments with a value of 88.6 trillion roubles in 2008). They accounted for 20.4% of the total number and 11.4% of the total value of payments (19.6% and 17.2% in 2008, respectively). The contraction in the value of payments effected through the MER system was due to the increase in the value of payments effected through the BESP system. In the year under review, BESP payments increased each month by an average of 13.4% in number and 50.2% in value.

An analysis of the 2008–2009 BESP payment dynamics reveals a sustained trend towards growth in the number of payments and, to a greater extent, in their value; this growth testifies to high demand for the services the BESP system offers. Compared to 2008, the share of payments effected through the BESP system in the total number of payments effected through the Bank of Russia payment system increased more than 10 times, and their value reached 17.5% in 2009 (as against 0.4% in 2008).

In 2009, the Bank of Russia began to use the BESP system in settlements on the domestic government securities exchange market and at the unified trading session of several interbank currency exchanges.

The first stage of the automated BESP analysis sub-system, designed to oversee the BESP system, has been commissioned.

The share of payments effected by the Bank of Russia free of charge expanded from 46.9% in 2008 to 49.6%. This was due to the 2009 increase in the number of payments by Bank of Russia customers other than credit institutions, of which budget payments made up 92.5%.¹

¹ Pursuant to applicable federal legislation, operations with funds of budgets of all levels were carried out by the Bank of Russia free of charge.

II.4.3. BANK OF RUSSIA PAYMENT SYSTEM INFRASTRUCTURE DEVELOPMENT

The backbone of the Bank of Russia payment system infrastructure is its collective data processing system (CDPS), which is composed of three collective data processing centres (CDPC). The procedures for operating the Bank of Russia CDPS and arranging cooperation between the CDPS members are codified in Bank of Russia Regulation No. 348-P, dated 17 November 2009, 'On the Bank of Russia Collective Data Processing System'.

To process the payment data of Moscow and the Moscow Region, the divisions of the Bank of Russia head office and the BESS system, in compliance with the applicable Bank of Russia regulations, the Automated Operations Accounting System of Moscow and the Moscow Region has been commissioned using the standard software system RABIS-NP. The further standardisation of the operations accounting data processing software systems used in the Bank of Russia payment system will make it possible to retire the automated bank settlement system of Moscow and the Moscow Region (ASBR Moskva) and to reduce the number of standard software systems used by the CDPC to process the payment data of the 74 Bank of Russia regional branches to two systems: RABIS-NP and RABIS-2. RABIS-1 is used to process the payment information of Bank of Russia field establishments and four regional branches.

In order to standardise the electronic exchange and protect information in the course of this ex-

change with its customers, the Bank of Russia has created a single medium for the exchange of electronic information between its regional branches and its customers, and transferred its customers to this system. As of 1 January 2010, this system operated in 76 Bank of Russia regional branches. While payment data pertaining to Moscow and the Moscow Region were processed in the Moscow-based CDPC, Bank of Russia customers in Moscow and the Moscow Region were connected with the automated operations accounting system of Moscow and the Moscow Region through the first stage of the single information exchange medium, which was developed and put into operation at the Bank of Russia's Interregional IT Centre.

In order to make its payment system safer and more efficient, the Bank of Russia carried out work to enhance the reliability of the central unit of the Electronic Settlement Transportation System (ESTS) and put the ESTS management system into operation on a permanent basis. It also carried out work to develop a system of information cooperation between the CDPC and the remote support centre, which was designed to respond more quickly to emergency situations in the CDPC.

In order to expand the range of its customer services, the Bank of Russia has begun to develop a sub-system to link the BESS system with the Society for Worldwide Interbank Financial Telecommunications (S.W.I.F.T.).

II.5. FOREIGN EXCHANGE REGULATION AND FOREIGN EXCHANGE CONTROL

To fulfil the functions assigned to it by Federal Law No. 173-FZ, dated 10 December 2003, 'On Foreign Exchange Regulation and Foreign Exchange Control', (hereinafter referred to as Federal Law No. 173-FZ), the Bank of Russia in 2009 continued to upgrade its regulation of foreign exchange control.

It issued Ordinance No. 2265-U, dated 23 July 2009, 'On Amending Bank of Russia Regulation No. 308-P, Dated 20 July 2007, on the Procedure for Authorised Banks Passing Information about Violations by Persons Conducting Foreign Exchange Operations of the Federal Foreign Exchange Laws and Foreign Exchange Control Regulations'. This was targeted at reducing the number of additional documents and information requested of authorised banks as foreign exchange control agents by the regional branches of the Federal Service for Financial and Budget Supervision (Rosfinnadzor), in the course of examining matters relating to the use of sanctions against residents (other than credit institutions and currency exchanges) for violations of federal foreign exchange laws and foreign exchange control regulations. The document changed the structure of reports on violations committed by customers, which were passed by the authorised banks as foreign exchange control agents to Rosfinnadzor electronically. In 2009, the

authorised banks sent about 1.3 million reports of this kind to Rosfinnadzor (1.5 million reports were sent in 2008).

In order to provide methodological assistance to its regional branches, the Bank of Russia issued Letter No. 83-T, dated 7 July 2009, 'On Methodological Recommendations on the Inspection of the Authorised Banks, Conducted for the Purpose of Ensuring their Compliance with the Procedure for Passing Information about Violations of the Federal Foreign Exchange Law and Foreign Exchange Control Regulations by Individuals Conducting Foreign Exchange Operations'. These methodological recommendations apply to concrete types of violations of Federal Law No. 173-FZ and Bank of Russia regulations issued pursuant to this Law.

After a sharp rise at the end of 2008, household demand for foreign currency gradually declined in 2009.

In January 2009, the foreign exchange market continued to register record-high levels of net demand (the difference between the value of foreign currency sold by the authorised banks to individuals and paid to them from their foreign currency accounts, and the value of foreign currency bought from individuals and entered to their accounts), which reached \$8.3 billion in dollar terms. However, already in February net demand fell to \$0.6 billion in dollar terms. Net demand



was also registered from July to September 2009, when it aggregated \$3.3 billion in dollar terms. In the other months of 2009, there was a net supply on the spot currency market.

As a result, compared to 2008, net demand for foreign exchange in 2009 declined more than 9 times to \$4.0 billion in dollar terms.

As household demand dwindled, the authorised banks reduced the amount of foreign currency brought into the country. In all, \$14.8 billion was brought into Russia in 2009 in dollar terms, or almost three times less than in 2008. The share of the US dollar in the structure of foreign currency brought into the coun-

try expanded to 53.0% (as against 39.2% in 2008).

At the same time, the value of foreign currency taken out of the country by the authorised banks rose by 50% year on year, and reached \$18.2 billion in dollar terms. The US dollar accounted for 74.7% of this amount.

As a result, the amount of foreign currency taken out of the country by the authorised banks exceeded the amount brought in by \$3.4 billion in dollar terms. In 2008, the opposite was true: the amount of foreign currency brought into Russia exceeded the amount taken out of this country by \$32.2 billion in dollar terms.

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

The measures taken to implement the provisions of the Budget Code of the Russian Federation, and Bank of Russia, Finance Ministry and Federal Treasury regulations and directives, stipulating that the servicing of budget-financed organisations and the regional and municipal financial authorities should be transferred to the Federal Treasury bodies, led to a fall in 2009 in the overall number of Bank of Russia customers other than credit institutions and in the number of accounts opened for them by 6,000 and 6,900, respectively.

The Federal Treasury continued to centralise budget accounts at the level of its departments by the constituent territory of the Russian Federation. As a result, the number of Bank of Russia customers other than credit institutions and accounts opened for them in the Bank of Russia's main cash settlement centres increased in 2009, compared to the number of accounts opened in Bank of Russia cash settlement centres. As of 1 January 2010, they stood at 68.0% and 32.0% as against 64.0% and 36.0% as of 1 January 2009. The number and value of operations conducted by the Federal Treasury bodies through the Bank of Russia payment system rose over the year by 7.2% and 4.1%, respectively, and reached 185.3 million transactions and 66.6 trillion roubles.

To improve the management of funds in the single federal budget account and accelerate the

movement of federal budget funds to the Federal Treasury departments, in 2009 the Federal Treasury and its regional branches were admitted to the BEBP system as its associated members.

In December 2009 alone, when the Federal Treasury and its regional departments began to effect payments through the BEBP, 1,900 payments totalling more than 1.3 trillion roubles were made.

In 2009, Russian lawmakers continued to upgrade legislation relating to the servicing by the Bank of Russia establishments and (in the cases established by federal law) by credit institutions of the federal budget accounts, the completion of the transition to the cash execution of regional and municipal budgets by the Federal Treasury, the management by the Bank of Russia of some budget revenues, and the compiling of budget account reports by banks.

To make sure that all budget-financed organisations switched to the cash execution of their budgets through the Federal Treasury bodies, and closed their accounts with the Bank of Russia and credit institutions (pursuant to the Federal Law on the Federal Budget for 2009 and the 2010—2011 Plan Period) the Bank of Russia presented information to the Federal Treasury 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 gainful activi-

ties and funds received by budget-financed organisations for temporary use.

To ensure full information disclosure about the aforementioned accounts, the Bank of Russia made amendments to the corresponding bank statements, including in them information about the accounts opened for the regional and municipal budget-financed organisations, to account for gainful activities.

Pursuant to Federal Law No. 58-FZ, dated 9 April 2009, 'On Amending the Budget Code of the Russian Federation and Certain Federal Laws', the Bank of Russia created conditions for the centralisation of customs and other payments effected under the Tax Code of the Russian Federation. It did so via a separate account of the Federal Treasury Department for Moscow in the balance-sheet account of revenues distributed by the Federal Treasury between the various budgets of the Russian budget system. It also gave its approval to Ministry of Finance Order No. 102n of 1 October 2009, 'On Amending Ministry of Finance Order No. 106n of 24 November 2004, on the Approval of the Rules of Putting Information in the Margins of the Settlement Documents for the Transfer of Taxes, Duties and Other Payments to the Budget System of the Russian Federation'.

The Bank of Russia sent a letter to its regional branches requesting that accounts be opened for the Federal Treasury bodies to record the funds of corporate entities, which under the Budget Code of the Russian Federation are not participants in the budget process. It did so in order to implement Federal Law No. 145-FZ, dated 17 July 2009, 'On the State Company Rossiiskiye Avtomobilnye Doroghi (Russian Motorways) and on Amendments to Certain Federal Laws'. This law provides for the transfer of a federal budget subsidy to a separate account, opened for the Federal Treasury in Bank of Russia establishments to account for the operations conducted with this company's funds.

The Bank of Russia gave its approval to Ministry of Finance Order No. 49n of 4 June 2009, 'On the Endorsement of the Procedure for Conducting an Experiment to Provide the Recipients of Federal Budget Funds with Cash by the Federal Treasury, Using Settlement (Debit) Bank Cards'. It helped the Federal Treasury improve the procedure for providing the recipients of federal budget funds with cash and facilitating the payment of wages (salaries and travelling fees) to workers of the budget-financed organisations with the aid of bank cards.

II.7. CASH CIRCULATION MANAGEMENT

Throughout 2009, the Bank of Russia took steps to ensure that payment turnover is unfailingly supplied with banknotes and coins.

Cash in circulation continued to grow in the period under review, at a rate of 5.7% (as against 6.2% in 2008).

As of 1 January 2010, 4,629.9 billion roubles in Bank of Russia banknotes and coins, including coins made of precious metals, were in circulation, according to balance sheet data. Of these, there were 6.4 billion banknotes worth 4,603.5 billion roubles and 43.8 billion coins¹ worth 26.2 billion roubles. Banknotes accounted for 99.4% of the total value of cash and coins accounted for 0.6%. As for the total number of banknotes and coins, the former made up 12.7% and the latter 87.3%.

The banknotes and coins in circulation, including coins made of precious metals, increased by 251.7 billion roubles in 2009, according to balance sheet data. The banknotes grew by 249.0 billion roubles and the coins grew by 2.6 billion roubles. The number of banknotes decreased by 0.1 billion, whereas the number of coins rose by 3.7 billion.

As for the note structure of cash in circulation, the share of 5,000-rouble banknotes ex-

panded by 20% in the period under review, and as of 1 January 2010, it reached 40.4%. In the meantime, the share of 1,000-rouble banknotes contracted from 50.8% to 45.8%, 500-rouble banknotes from 12.1% to 10.6% and 100-rouble banknotes from 2.5% to 2.3%. The share of 50-rouble, 10-rouble and 5-rouble banknotes remained virtually unchanged from 2008.

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

The Bank of Russia issued enough cash to supply, on time and in full, the needs of the population and economic entities. There were no failures in cash payments by Bank of Russia establishments through the fault of the Bank of Russia in the period under review.

A sociological study conducted at the request of the Bank of Russia in 2009 to find out what means of payment people used to buy goods and services during the crisis showed that 90.2% of respondents used cash only to pay for goods and services, while 8.9% used both cash and electronic means of payment.

In 2009, the Bank of Russia took steps to upgrade its regulatory documents relating to the is-

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

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

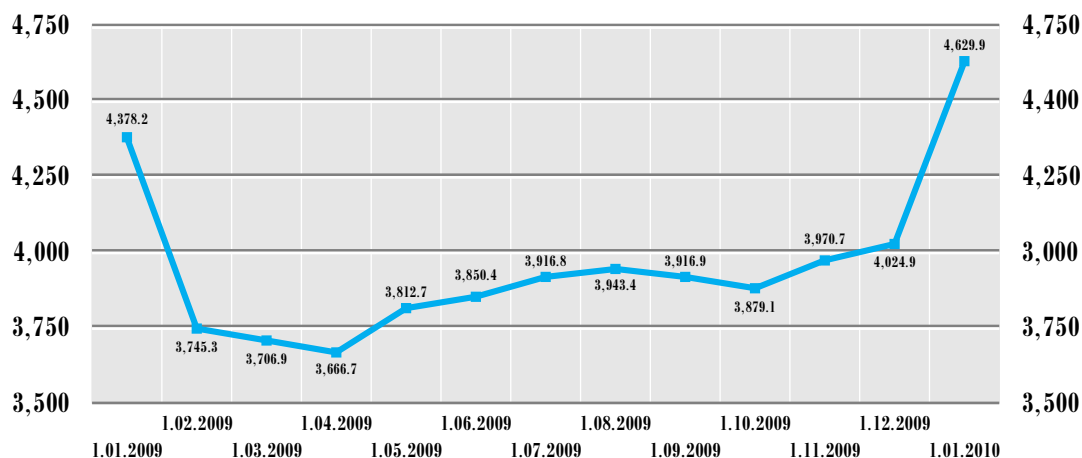


Chart 51

suance of cash and other cash operations, the storage, collection and transportation of cash, and the organisation of cash circulation.

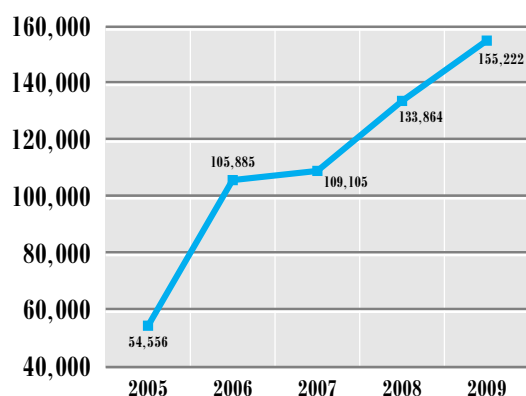
As of 1 January 2010, Bank of Russia establishments provided cash services to 8,014 credit institutions and their divisions, as well as 104,571 organisations other than credit institutions. The number of customers receiving Bank of Russia cash services declined in 2009, as some of them chose to receive cash services in credit institutions.

The Bank of Russia carried out measures to reduce the number of cash centres and enlarge them to cut the cost of processing, safekeeping and moving cash, and to raise the labour productivity of cash clerks.

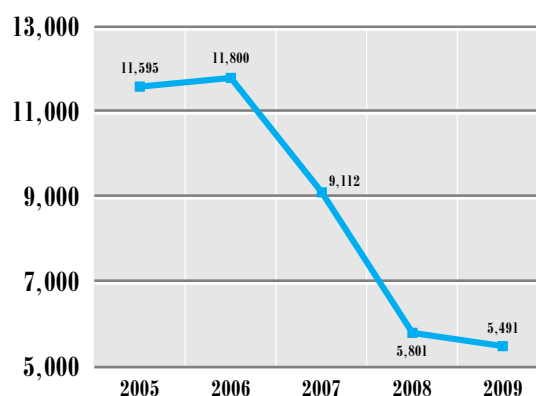
To optimise cash production costs, the Bank of Russia introduced a new 10-rouble coin, which is intended to replace the banknote of the same denomination in the future. The replacement will help the Bank of Russia cut expenses involved in the management of cash turnover.

In 2009, Bank of Russia establishments conducted 1.35 million expert assessments of Bank of Russia notes and coins: these included 0.67 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 the Bank of Russia's regional branches, 155,222 counterfeit Bank of Russia notes and coins were

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



DETECTION OF COUNTERFEIT FOREIGN BANKNOTES
(pieces)



Charts 52, 53

detected, withdrawn from circulation and passed over to law enforcement authorities in 2009. It should be noted that the number of forged coins declined from 340 in 2008 to 294 in 2009.

As in previous years, growth in the number of counterfeit banknotes in 2009 was connected with the 1,000-rouble banknote, which accounted for 97% of all forgeries.

Most counterfeit money was detected in the Central, North-Western and Volga Federal Districts.

The share of counterfeit Bank of Russia money detected in credit institutions in 2009 remained

unchanged from 2008, at 39.5% of the total value of counterfeit money, while the remaining 60.5% of forgeries were uncovered in Bank of Russia establishments.

Bank of Russia establishments and credit institutions detected 5,491 counterfeit foreign banknotes in 2009 and delivered them to law enforcement authorities.

In the period under review, the Bank of Russia issued 54 types of commemorative coins made of precious metals, including 15 gold coins, 38 silver coins, one silver coin with a gold inset, and nine commemorative coins made of non-precious metals.

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

To ensure that credit institutions accurately and consistently report banking operations, revealing their economic substance, and disclose (and make more transparent) useful and relevant information about their activities to supervisory authorities, banks, investors and other interested parties, the Bank of Russia in 2009 continued to elaborate new and upgrade existing accounting rules in the Russian banking system.

It has changed the titles and characteristics of the balance sheet accounts used to record the revenues distributed between the budgets of the federal budget system, and accounts used to record funds allocated from the federal budget, funds to pay cash to organisations and the regional and local government budget funds to harmonise them with the amendments made to certain federal laws.

Pursuant to Federal Law No. 103-FZ, dated 3 June 2009, 'On the Activities Relating to the Receipt of Individuals' Payments by Payment Agents', the Bank of Russia has changed the Chart of Accounts in the credit institutions to include in it a balance sheet account to record cash received and credited to accounts by payment agents and bank payment agents.

In connection with the passage of Federal Law No. 175-FZ, dated 27 October 2008, 'On Additional Measures to Strengthen the Stability of the Banking System in the Period until 31 December 2011', the Bank of Russia opened in its Chart of

Accounts a balance sheet account, to record the funds of organisations other than credit institutions relating to operations conducted in compliance with certain federal laws.

In order to upgrade accounting and reporting practices, the Bank of Russia and credit institutions have issued a number of new regulations designed to enable credit institutions:

- to keep their ledgers electronically or on paper, depending on how the operating accounting data are processed and the document turnover is organised when conducting concrete operations;
- in stipulated cases, to issue a memorandum order to register an operation by making the corresponding accounting entry;
- to keep an electronic register of open accounts;
- to store the accounting documents, accounting registers and accounting (financial) statements in an electronic format;
- to open and keep customer accounts electronically, and issue statements of customer accounts and attachments to them in an electronic format;
- to compile and keep the documents of the day electronically.

The Bank of Russia issued a regulation on its accounting procedure for Bank of Russia's compensation payments on household deposits with bankrupt banks uncovered by the compulsory deposit insurance system.

In the period under review, the Bank of Russia issued explanations of the accounting problems faced by credit institutions in connection with changes made to federal laws, Russian accounting rules and IFRS requirements. Specifically, it clarified the accounting procedures for:

- operations conducted in the course of reorganising credit institutions in the form of mergers (elaborated in compliance with the Finance Ministry's methodological instructions);
- post-reporting date events and the definition of the criteria of materiality for the purpose of recording these events;
- financial aid received from the Deposit Insurance Agency;
- operations conducted under compensation agreements and the accounting of property received under these agreements.

The TACIS Project *Transition to International Financial Reporting Standards (IFRS) in the Banking Sector — Introduction of International Accounting Principles and Preparation of IFRS Financial Statements in the Banking Sector* was completed in 2009. The material prepared by the TACIS Project's working group was used by the Bank of Russia in regulations on the accounting rules in credit institutions and the Bank of Russia, and in methodological recommendations on the procedure for the compilation of financial statements by credit institutions.

In order to upgrade the methodologies used by credit institutions in compiling IFRS financial statements and raise their quality, the Bank of Russia issued the following documents in 2009:

- methodological recommendations on the assessment of financial instruments at their current (fair) value (Bank of Russia Letter No. 186-T of 29 December 2009). These described the main characteristics of the active and inactive financial instrument markets, the procedure for using (quoted) prices, and the possibility that credit institutions might use estimation models to determine the current (fair) value of the financial instruments using available information;
- methodological recommendations on the procedure for calculating profit per share by credit institutions, when compiling IFRS financial statements (Bank of Russia Letter

No. 129-T of 26 October 2009). These described the calculation procedure and cites examples. The methodological recommendations on the assessment of financial instruments at their current (fair) value had been discussed and agreed upon with the National Stock Market Association;

- methodological recommendations on the procedure for compiling and presenting financial statements by credit institutions. These pertained to the compiling of financial statements for 2008 and the new methodological recommendations on the procedure for compiling and presenting financial statements by credit institutions for 2009 (Bank of Russia Letter No. 24-T of 17 February 2010).

In order to compile its financial statements for 2009 in compliance with IFRS, the Bank of Russia issued Ordinance No. 2396-U, dated 10 February 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', and made changes in the Bank of Russia Group's accounting policy for the purpose of financial reporting according to international financial reporting standards.

In 2009, the Bank of Russia continued to optimise the structure and functions of the accounting services of the main cash settlement centres, cash settlement centres and regional branches by centralising the accounting of intrabank transactions in the accounting services of Bank of Russia regional branches (this work began in 2008).

As a result, by 1 January 2010, the accounting of internal operations in 34 Bank of Russia regional branches had been completely centralised. These functions had been transferred from the main cash settlement centres (and partly from the cash settlement centres) to 38 Bank of Russia regional branches.

The centralisation of the accounting of internal operations in the accounting services of Bank of Russia regional branches allowed the Bank of Russia to create conditions for the further concentration of accounting functions, with regard to all operations within a single accounting service of a regional branch, in the years to come.

II.9. INTERNATIONAL COOPERATION

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

In 2009, the Bank of Russia took part in the regular meetings of the International Monetary Fund and the World Bank, which mostly discussed ways to overcome the crisis, the coordination of anti-crisis efforts, and the reform of the Bretton Woods institutions and worked out recommendations on these issues.

Over the year, Bank of Russia representatives held several meetings with IMF missions to discuss monetary policy and its instruments and liquidity management in Russian credit institutions. They also discussed ways to assess the current economic and financial situation in Russia and the Russian banking sector, and its regulation and supervision.

As the IMF financial soundness indicator (FSI) project continued, the Bank of Russia in 2009 calculated the FSI for Russia's banking sector and government securities market on a semi-annual basis.

In compliance with the requirements of the IMF Special Data Dissemination Standard (SDDS), the Bank of Russia provided data on the external and financial sectors to the national coordinator, the Finance Ministry, in order to post them on an Internet site, the National Summary Data Page.

In 2009, the Bank of Russia took part in a series of studies conducted jointly by the IMF, Financial Stability Board (FSB) and Bank for International Settlements (BIS) and by the BIS and the Committee on the Global Financial System to determine which criteria to use in order to assess the systemic importance (relevance) of financial institutions, markets and instruments, and to discuss problems involved in the use of macroprudential economic policy tools.

The Bank of Russia continued to participate on a regular basis in central bank governors' meetings at the BIS, which discussed measures to overcome the financial crisis (including the corresponding proposals by the Basel Committee on Banking Supervision), approaches to systemic risk measurement, the procyclicality of the financial system, and the volatility of financial flows to the emerging markets. The Bank of Russia also took part in the BIS annual meeting, which was devoted to the new concept of the financial system and macroeconomic stability.

In 2009, the Bank of Russia joined two committees working under the aegis of the BIS: the Basel Committee on Banking Supervision and the Committee on Payment and Settlement Systems. Its membership of the latter will help enhance the role played by the Bank of Russia in discussing

the fundamental issues relating to the payment systems, and the development of international standards in this field.

The Bank of Russia took part in the annual meeting of representatives of the member countries of the BIS Data Bank on the development and upgrading of information cooperation between central banks. It continued to expand the range of economic indicators it provides the BIS Data Bank.

Bank of Russia representatives participated in the 57th meeting of the International Statistical Institute, which discussed problems and prospects related to the development of central bank statistics amid the world financial crisis, and conversion to international statistical standards in line with the System of National Accounts (SNA 2008).

The Bank of Russia assessed investment projects that had been developed for the Russian banking sector by the International Finance Corporation and the European Bank for Reconstruction and Development (EBRD), and participated in drafting an agreement on the terms and conditions of the European Investment Bank's operations in Russia. The Bank of Russia took part in the annual meeting of the EBRD's Board of Governors, the board meetings of the International Investment Bank and International Bank for Economic Cooperation (plans to reform these banks were discussed), the annual meeting of the Board of Governors of the Black Sea Trade and Development Bank (BSTDB), international consultations on Russia's joining the Asian Development Bank and Inter-American Development Bank, and in drafting proposals for the development of banking cooperation with the Organisation of the Islamic Conference.

The main forum for international economic cooperation in the year under review was the Group of 20. When implementing the decisions of the Group of 20 summit meetings in Washington and London, the Bank of Russia prepared materials on measures it took to overcome the financial crisis and participated in four G-20 finance ministers' and central bank governors' meetings (in Horsham, Washington, London and St. Andrews) and two meetings of G-20 deputy finance ministers and central bank governors (in London and Basel), which focused on anti-crisis

actions. In order to carry out G-20 decisions, the Bank of Russia collaborated with foreign supervisory authorities at the level of supervisory colleges, the bodies created to coordinate activity on a multilateral basis with regard to the largest international banking groups.

In 2009, pursuant to a decision made by the Group of 20, the international Financial Stability Forum was transformed into the Financial Stability Board (FSB), which brought together the regulation and supervision authorities of all G-20 countries and several international organisations in a fight against the financial crisis. Bank of Russia representatives were admitted to the FSB's key policy-making bodies, such as the plenary meeting, Steering Committee, Standing Committee on Assessment of Vulnerabilities, and two working groups, and took part in all the events organised by these bodies. Bank of Russia representatives were also included in the interdepartmental commission for the participation of the Russian Federation in the Financial Stability Board. A working group has been formed in the Bank of Russia to organise cooperation with the Financial Stability Board.

In the year under review, the Bank of Russia took part in three G-8 meetings of finance ministers and central bank governors (in Rome, Washington and Istanbul), which discussed, among other things, plans to reform the financial regulation system and strengthen financial markets. The Bank of Russia participated within its competence in compiling the report on the fulfilment of the Russian President's instructions on the implementation of the decisions of the G-8 summit in L'Aquila, Italy, and presented progress reports on a quarterly basis on the advancement of Russia's interests in the Group of Eight.

The Bank of Russia continued to actively cooperate with the Asia-Pacific Economic Cooperation (APEC) Forum and took part in all the major events of the annual cycle of the APEC finance ministers' process — the meeting of deputy finance ministers and central bank governors, the meeting of finance ministers and the meetings of senior financial officers.

To promote cooperation with the World Trade Organisation (WTO), the Bank of Russia in May 2009 held an inter-departmental seminar, Rus-

sia and the WTO, which discussed the regulation of world trade in financial services and the experience of countries joining the WTO from the viewpoint of the regulation of financial services.

In the year under review, the Bank of Russia intensified its preparations for the forthcoming talks on Russia's admission to the Organisation for Economic Cooperation and Development (OECD). It was invited to work on drafting an Initial Memorandum, a summary document stating the country's position on its future obligations as a member of the OECD, and participate in the discussions of this document with the OECD Sec-

retariat. The Bank of Russia was also represented at the meeting of the OECD Committee on Financial Markets and the Working Group on Financial Stability.

The Bank of Russia continued to participate in drafting and discussing a new basic agreement on a strategic partnership between Russia and the European Union. A working group on banking services and securities, chaired by a Bank of Russia representative, was formed at the Russia-EU Dialogue summit meeting on financial and macroeconomic policy, which discussed ways to overcome the financial crisis.

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

Cooperation within the framework of the Commonwealth of Independent States (CIS), the Eurasian Economic Community (EurAsEC) and the Russia-Belarus Union was on top of the Bank of Russia's list of priorities in cooperation with foreign countries and their central (national) banks. The prime objective of this cooperation was to work out and implement joint measures to combat the world financial crisis.

The anti-crisis plans drawn up by these organisations attached priority to maintaining the stability of the national banking systems, the upgrading of banking supervision and the wider use of the national currencies in mutual trade and economic relations. As the US dollar experienced a crisis of confidence, the Russian leaders set the task of making the rouble a regional reserve currency and the Bank of Russia is one of the key players in implementing this plan.

In the year under review, the Bank of Russia was involved in drafting and developing conclusions regarding the agreement establishing the EurAsEC anti-crisis fund, the agreement on the management of the EurAsEC anti-crisis fund, and the agreement on the core principles of the EurAsEC member countries' policy regarding the regulation and control of operations connected with the movement of capital.

The Council of EurAsEC central (national) bank governors held two meetings in 2009, which discussed measures to support the banking sector, ensure the financial stability of the member states amid the world financial turmoil, and the development of an anti-money laundering/terrorist financing system.

The establishment of the customs union between Belarus, Kazakhstan and Russia was a new factor driving integration in the CIS/EurAsEC space. The Bank of Russia took an active part in drafting regulations for the new organisation.

The Interbank Monetary Council of the Bank of Russia and the National Bank of the Republic of Belarus continued to carry out its plans. In May

2009, the two central banks signed a memorandum of cooperation between their regional branches, and in line with this document the Bank of Russia's Smolensk and Pskov regional branches concluded an agreement with the Main Division of the National Bank of the Republic of Belarus for the Vitebsk Region.

Efforts have been stepped up under the aegis of the integrated CIS and EurAsEC bodies to enhance the role of the Interstate Bank (MGB), in which Russia holds a 50% stake, in promoting integration. In particular, efforts are being made to build a payment and settlement system, on the basis of the MGB bank, using the currencies of the MGB member states. Working groups have been formed with the participation of Bank of Russia representatives to discuss these issues.

In order to help implement Russia's inter-state treaties of friendship, cooperation and mutual assistance with Abkhazia and South Ossetia, the Bank of Russia continued to provide assistance to their central banks in developing those countries' national banking sectors. In October 2009, an agreement was signed whereby the Bank of Russia was to open a correspondent account in Russian roubles with the National Bank of Abkhazia.

Implementing bilateral cooperation agreements with foreign countries, the Bank of Russia in 2009 took part in intergovernmental commission meetings with Argentina, the Belgium-Luxembourg Economic Union, Brazil, Venezuela, Egypt, Indonesia, Kazakhstan, the Republic of Korea, Mexico, the United Kingdom, Tajikistan, Turkey, Uzbekistan, Chile, South Africa and Japan.

In the year under review, 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. It held bilateral consultations with representatives of the central banks of Argentina, Brazil, Venezuela, the Republic of Korea, Luxembourg, Mongolia and

Chile. The Bank of Russia and the central banks of China and Vietnam have set up bilateral working groups to develop a mechanism that will make it possible to use their national currencies in mutual trade settlements.

The Bank of Russia took part in the work of the sub-group Banks and Financial Services, which was formed under the aegis of the Russian-German high-level working group on long-term economic and financial cooperation.

At present the Bank of Russia has 29 bilateral agreements (memoranda) with foreign supervisory authorities in the field of banking supervision. In the year under review, it signed a memorandum on cooperation with the Central Bank of Argentina.

In 2009, consultations on banking supervision were held by the Bank of Russia with representatives of the central banks and supervisory authorities of Austria, Ukraine and the Netherlands.

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

The organisational structure of the Bank of Russia did not change much in 2009.

In the course of the optimisation of its settlement network (which started in 2003), the Bank of Russia closed two cash settlement centres in the year under review. The total number of cash settlement centres had decreased almost by half since 2003, and as of the end of 2009 the Bank of Russia had 546 cash settlement centres.

As of the beginning of 2010, the Bank of Russia had a staff of 71,600, representing an increase of 415 people, or 0.6%, over the year.

This slight growth in the number of Bank of Russia employees was dictated by the need to have enough qualified personnel to carry out anti-crisis measures, introduce new automated data processing systems in Moscow and the Moscow Region, and build new facilities.

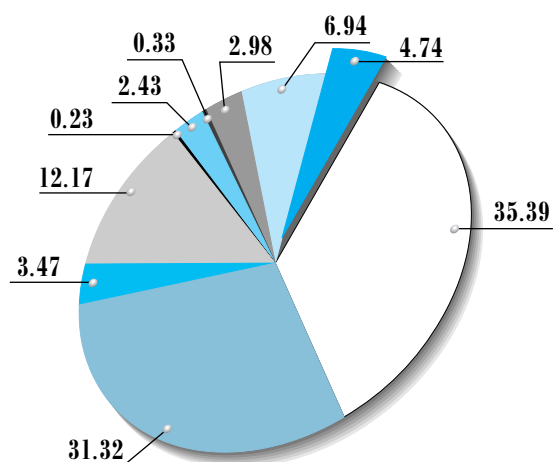
The expansion of certain functions of the Bank of Russia required the improvement of the internal structure of some divisions of the head office: in 2009 the structure of seven out of its 27 divisions changed.

The staff of the regional branches increased by 292, or 0.5%, mainly as a result of the commissioning of a new high-tech cash centre in the Bank of Russia's Krasnodar territorial branch.

The problem of filling vacancies in other fields was settled by the regional branches, which relocated their own employees.

In order to upgrade its accounting process, the Bank of Russia in 2009 continued to centralise the accounting of internal business transactions at the level of its regional branches. This process was not accompanied by any excesses over the

NUMBER OF BANK OF RUSSIA EMPLOYEES BY DIVISION AS OF 1 JANUARY 2010 (percent)



- Head Office
- Central Depository
- Field institutions
- First Operations Department
- IT divisions
- Training centres
- Social amenities divisions
- Divisions providing logistical support for the Head Office and Bank of Russia divisions in Moscow and Moscow Region
- Structural divisions within regional branches (main cash settlement centres, cash settlement centres, cash centres and divisions, and the Operations Department of the Moscow Branch)
- Regional branches

Chart 54

limits set by the regional branches on the staff and wage levels. As a result, the staff of the accounting services of the regional branches increased by more than a third, due to the relocation of employees from the network of settlement divisions. Efforts to concentrate the accounting functions within a single accounting service will continue.

The Bank of Russia's structure has 1,037 units: the head office, 79 regional branches, 623 settlement divisions, five divisions, as well as the Operations Department of the Moscow Branch, the First Operations Department, the Interregional Security Centre, the Central Depository, 123 field institutions, four IT divisions and other auxiliary divisions.

II.10.2. STAFFING AND PERSONNEL TRAINING

The principal objectives of the Bank of Russia's personnel policy in 2009 were to optimise the organisational structure of divisions, stimulate personnel efficiency, inculcate dedication to the values of the organisation in employees, guide the careers of young and promising employees and create a reserve of managers, promote positive leadership, enhance the responsibility of the heads of divisions for the selection, deployment and professional growth of personnel, and study the effects of advanced personnel management techniques on employee efficiency.

By 1 January 2010, the number of Bank of Russia executives and specialists had increased by 1.1% and the executive and specialist ratio (to total staff) rose by 1.0% to 98.4%. Most of them (57.2%) were aged 30 to 50 years, and nearly half (45.0%) have worked in the Bank of Russia system from three to 15 years.

A trend towards growth in the number of employees under 30 years of age has been registered since 2007. In 2009, the number of employees in this age category increased by 0.3% to 10.1%. The number of employees with more than 15 years' experience working in the Bank of Russia rose by 6.4%, while the share of the pension-age group grew by 1.8%.

The past few years have seen a persistent trend towards growth in the number of executives and specialists with a higher education. In 2009, 881 Bank of Russia employees graduated from institutions of higher learning and 2,630 employees continued their education.

In the period under review, the Bank of Russia's regional branches regularly assessed their personnel (the appraisal involved 89% of executives and specialists) and over 35,000 managerial decisions were taken as a result of these assessments. A comprehensive assessment plays a special role in personnel management, as it is a form of monitoring personnel and employee motivation. In the year under review 1,117 employees from 10 regional branches were monitored, and the monitoring results showed that all employees met the Bank of Russia's requirements, by and large. Eighty percent of those monitored said they were pleased with the way things were organised and managed in their divisions.

Sixty-six corporate and managerial socio-psychological training courses, which involved over 1,000 executives and specialists, were held in 2009 to improve the managerial competence of executives at all levels, improve cooperation between the Bank of Russia divisions, and enhance the positive motivation and individual efficiency of employees.

The performance demonstrated by the Bank of Russia during the 2009 economic crisis testifies to the competence and high sense of responsibility of its personnel, and its rapid adjustment to changing conditions and tightened requirements. Much of the credit for this belongs to the Bank of Russia's vocational training system. In the year under review, about 39,000 Bank of Russia executives and specialists received training at 3,000 courses, seminars, training sessions, consultations and internships in various fields of banking.

The Bank of Russia continued to retrain its specialists using programmes (more than 500 hours) that had been tailored to its needs and the changing objectives of the profession. Specialists

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

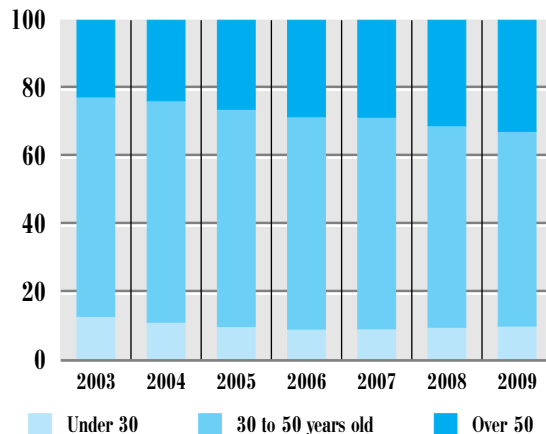


Chart 55

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

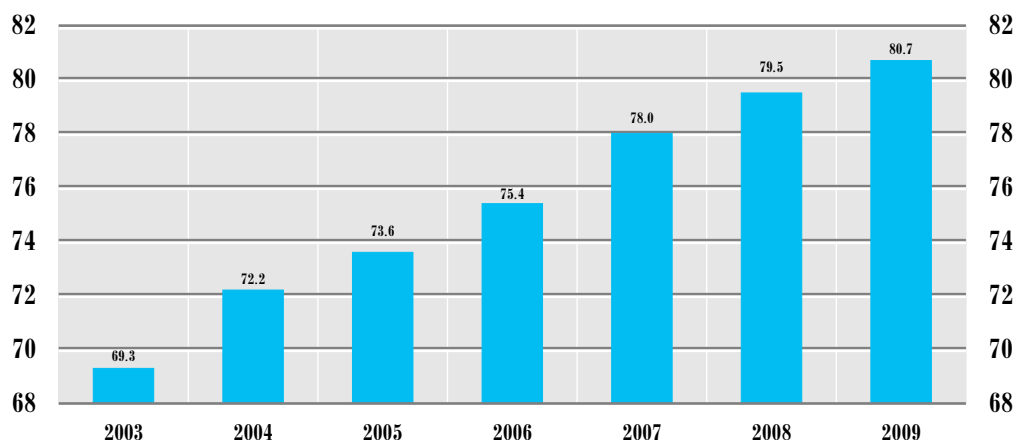


Chart 56

who were best prepared for further education took an MBA training course.

In all, 1,018 Bank of Russia executives and specialists, of whom 216 have been awarded an MBA, have received vocational retraining and received state diplomas.

In the year under review, a group of managers from the Bank of Russia’s regional branches and employees on the waiting list for promotion to these positions completed a training course in the Top Bank Manager programme, and a group of specialists completed a training course in the Bank Payment Systems Manager-Specialist programme. Another group of specialists completed a training course in the licensing and financial rehabilitation of credit institutions under the Receiver of a Commercial Bank/Bank Manager programme. Employees from the legal departments received training under the Finance and Law programme and the Economic and Legal Regulation of Banking programme, and two groups of supervisors finished a training course in the ‘Banks’ and ‘Finance and Banks’ MBA programmes.

The Bank of Russia has launched two new advanced training and retraining projects for the managers of its regional branches and employees of the legal services under the Banks MBA programme. It has also trained specialists from the Bank of Russia’s economics divisions under the Specialist in Monetary Policy-Bank Manager programme and Financial Analyst programme.

In view of the instalment in the Bank of Russia of the IT Division Management System (SOFPI), based on advanced methods for man-

aging IT systems, in December 2008 the Bank of Russia launched an ambitious education project comprising 35 training courses and involving more than 600 people to date.

BANK OF RUSSIA
PERSONNEL TRAINING IN 2009
(as a percentage of total trainees)

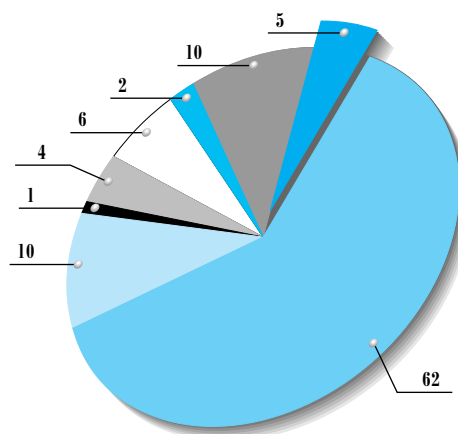


Chart 57

- International training courses
- Information technology
- Foreign language studies
- IFRS
- IT Division Management System (SOFPI)
- Vocational retraining
- Advanced training
- Banking seminars and internships

In 2009, 969 Bank of Russia employees received training in international financial reporting standards at 52 courses, organised under an agreement between the Bank of Russia and PricewaterhouseCoopers' Expert Corporate Training Centre concluded for 2007—2009.

In accordance with the Bank of Russia Catalogue of Personnel Vocational Training Programmes, 318 crash courses in banking, which involved about 7,000 people, were held in 2009 at the Bank of Russia's training centres and banking schools (colleges).

The Bank of Russia continued to cooperate with Russia's leading educational institutions and training centres to provide training to its personnel. It has concluded 89 agreements on the centralised training of almost 14,000 employees.

Throughout 2009 the Bank of Russia continued to make efforts to enhance the professional competence of its personnel by studying the expertise of foreign central banks, international organisations and financial institutions. Over 800 Bank of Russia specialists studied foreign expertise in various areas of banking at 220 interna-

tional training courses, 193 of which took place abroad.

Under the vocational training programme for executives and specialists of EurAsEC central (national) banks, 20 international seminars were held (13 of them in the Bank of Russia), and 20 reciprocal secondments were organised to various divisions of the EurAsEC banks. Seventy-six Bank of Russia specialists and over 300 specialists from the EurAsEC central (national) banks received the opportunity to study the experience and practical expertise of these banks in various fields.

The implementation of the educational component of the Eurosystem-Bank of Russia cooperation in banking supervision and internal auditing programme for 2008—2010 continued in the year under review. Seven seminars on risk-based auditing and IT system auditing and two seminars on foreign currency reserve auditing (involving 190 people) were held in 2009. In addition, six consultation visits to the national (central) banks of European countries were organised.

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

In the period under review, the Bank of Russia upgraded its information and telecommunications system (ITS) for the purpose of making a gradual transition from the decentralised model to a centralised model of building and operating information analysis and IT systems. This ensured the Bank of Russia the achievement of its principal objectives and the fulfilment of its main functions.

In the course of developing and expanding the Bank of Russia's Unified IT System for Banking Sector Regulation and Development, the Bank of Russia in 2009 transferred the following software systems to the centralised platform: Keeping the State Register of Credit Institutions, Applying Sanctions to Credit Institutions and Analysing Correspondent Accounts.

In order to ensure the centralised storage and processing of current information about credit institutions and provide Bank of Russia executives and specialists with instant access to this information, the Bank of Russia developed the Publication System of the Banking Regulation and Supervision Department.

It continued to build the Bank of Russia Corporate Data Warehouse (CDW), testing its interaction with related systems and working out the core principles for the information security of the centralised corporate information analysis systems.

The Bank of Russia has introduced the so-called one-window technique for the presentation of reports by credit institutions, which allows multi-branch credit institutions to present reports through their head offices.

Work is underway to connect all Bank of Russia divisions to a single standard software system for the collection of accounting reports.

In order to consolidate the processing of data supplied by the cash settlement centres, the Bank of Russia has launched in its regional branches a project called the Terminal Access System. As of 1 January 2010, this system was in operation in 25 Bank of Russia regional branches.

In nine regional branches the Bank of Russia has installed a consolidated server and data storage system which is designed to cut the cost of modernising, operating and managing the servers.

In order to meet growing requirements for the quality of services of the Bank of Russia's payment and information systems, the Bank of Russia continued to develop the trunk line component of the technologically advanced Unified Banking Telecommunications Network (UBTN) in 77 regional branches. It is currently modernising the Moscow-based central unit of the UBTN.

In the period under review, the Bank of Russia also carried out work to upgrade the operation and maintenance systems of the Bank of Russia's ITS.

II.10.4. BANK OF RUSSIA ACTIVITIES AIMED AT UPGRADING BANKING LEGISLATION. MANAGING SUITS AND CLAIMS AT BANK OF RUSSIA ESTABLISHMENTS

The effect of the world financial crisis on the Russian economy and the threats it posed to economic stability called for counter-measures, including a legislative response. The main laws were passed in 2008, and this work continued in 2009. As a result, the terms of many anti-crisis regulations and procedures were extended and some new measures were taken.

The financial crisis became the Bank of Russia's main concern in 2009.

Therefore, amendments were made to Federal Law No. 173-FZ, dated 13 October 2008, 'On Additional Measures to Support the Financial System of the Russian Federation', by Federal Law No. 168-FZ, dated 17 July 2009, 'On Amending the Federal Law on Additional Measures to Support the Financial System of the Russian Federation', which granted Vnesheconombank the right (up to 31 December 2010), to extend an unsecured subordinated loan with a term of up to 31 December 2020, to Russian credit institutions that had already received a subordinated loan from Vnesheconombank. The total value of an unsecured subordinated loan may not exceed by more than three times the value of new subordinated loans issued to the credit institution by third persons, and (or) the amount of payment to the authorised capital of this credit organisation in the part exceeding 15% of the value of equity (capital) of the borrower. This Federal Law also granted Vnesheconombank the right to extend long-term loans to the Agency for Housing Mortgage Lending from the National Wealth Fund's deposits in Vnesheconombank.

In addition, amendments were made twice to Federal Law No. 173-FZ, dated 13 October 2008, 'On Additional Measures to Support the Financial System of the Russian Federation'. Federal Law No. 279-FZ, dated 25 November 2009, 'On Amending Article 3 of the Federal Law on Additional Measures to Support the Financial System of the Russian Federation', extended un-

til 31 December 2010 the arrangement under which the Bank of Russia could compensate credit institutions for part of the losses (expenses) they incurred in transactions with other credit institutions which had had their banking licences revoked. Federal Law No. 361-FZ, dated 27 December 2009, 'On Amending the Federal Law on Additional Measures to Support the Financial System of the Russian Federation', stipulated that it was possible to extend the term of a foreign currency-denominated loan if it is used to repay and (or) service a loan received by an organisation from a foreign organisation before 25 September 2008.

Amendments were also made to 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'. Federal Law No. 193-FZ, dated 19 July 2009, 'On Amending Article 11 of the Federal Law on Additional Measures to Strengthen the Stability of the Banking System in the Period until 31 December 2011', stipulated that if, in the period lasting from 15 September 2008 to the day the Federal Law on Additional Measures to Strengthen the Stability of the Banking System in the Period until 31 December 2011, came into force, measures similar to the bankruptcy prevention measures (which the Deposit Insurance Agency may carry out under the law), are to be taken with regard to a deposit insurance system member bank without the participation of the Deposit Insurance Agency; the Bank of Russia may decide not to take measures such as sanctions, restrictions or prohibition against such banks. The indispensable condition for such a decision is its compliance with the plan to prevent the bankruptcy of these banks, if the plan is subsequently approved by the Bank of Russia's Banking Supervision Committee.

Federal Law No. 181-FZ, dated 18 July 2009, 'On the Use of Federal Government Securities to

Increase the Capitalisation of Banks', was passed for the purpose of increasing the capitalisation of the banking sector by exchanging Russian government securities (federal loan bonds) for the preferred shares of credit institutions meeting established requirements.

Federal Law No. 102-FZ, dated 3 June 2009, 'On the Report by the Government of the Russian Federation and the Communication of the Central Bank of the Russian Federation on the Implementation of Measures to Support the Financial Market, Banking System, Labour Market and the Economy of the Russian Federation, Social Security and Other Social Policy Activity', was passed, in order to make the anti-crisis measures carried out by the Government, Bank of Russia and some state corporations more transparent.

When reporting on the package of anti-crisis laws, mention should be made of Federal Law No. 227-FZ, dated 27 September 2009, 'On the Suspension of Certain Provisions of Article 48 of the Federal Law on Insurance of Household Deposits in Russian Banks'. This law temporarily relieved the Bank of Russia of its duty to prohibit deposit insurance system member banks from taking household deposits and opening personal accounts, if the faithful presentation in their reports of the provisions made for the credit portfolios, devalued by the crisis, adversely affects their profitability, capital, liquidity and asset indicators and required ratios. As for Federal Law No. 280-FZ, dated 25 November 2009, 'On Amending Article 4 of the Federal Law on Amendments to Article 11 of the Federal Law on Insurance of Household Deposits in Russian Banks and Some Other Federal Laws', it extended the term of the powers of the Bank of Russia to put a ceiling on deposit interest rates until 31 December 2010.

In addition, Russia passed a number of banking and economic laws of a general nature, which had been scheduled for adoption before the crisis.

Increasing equity capital, improving its quality and ensuring that there is enough capital to cover risks taken by credit institutions are the major conditions of banking sector development and stability. Federal Law No. 28-FZ, dated 28 February 2009, 'On Amending the Federal Law

on Banks and Banking Activities', was passed for the purpose of gradually raising minimum equity capital requirements.

Federal Law No. 73-FZ, dated 28 April 2009, 'On Amending Certain Federal Laws of the Russian Federation', which made amendments to the Federal Law on Banks and Banking Activities, the Federal Law on the Insolvency (Bankruptcy) of Credit Institutions and the Federal Law on Insolvency (Bankruptcy), was passed with the objective of enhancing the effectiveness of forced measures taken to make debtors settle their obligations to creditors through increasing the formers' bankruptcy assets and including in them the property of persons who take on vicarious liability.

The passage of Federal Law No. 103-FZ, dated 3 June 2009, 'On Activities Relating to the Receipt of Payments from Individuals by Payment Agents', led to the emergence of a new type of intermediaries, i.e. payment agents. This law regulates the relations arising between payment agents and their customers in the course of paying for goods, work and services, as well as paying to government agencies, local government bodies and budget-financed organisations under their control.

Federal Law No. 121-FZ, dated 3 June 2009, 'On Amending Certain Federal Laws in Connection with the Passage of the Federal Law on Activities Relating to the Receipt of Payments from Individuals by Payment Agents', made significant amendments to applicable legislation, such as the law on banks and banking activities, the law on the protection of consumers' rights, the law on countering money laundering and terrorist financing and some other laws.

In addition to drafting and discussing the aforementioned federal laws and considering the drafts and concepts of other federal laws, the Bank of Russia issued regulatory documents in 2009. Specifically, from 1 January to 31 December 2009, it issued:

- 227 regulatory documents, including two instructions, 20 regulations and 205 ordinances;
- 80 regulatory documents (six regulations and 74 ordinances) from among those listed above were registered by the Ministry of Justice;
- 191 letters were sent to Bank of Russia regional branches.

MANAGING SUITS AND CLAIMS AT BANK OF RUSSIA ESTABLISHMENTS

In 2009, Bank of Russia regional branches had 330 property claims and suits totalling 74.68 million roubles initiated against them, of which 102 claims and suits totalling 3.15 million roubles were satisfied. This figure shows that most of the claims and suits were legally untenable.

Twenty-seven labour relations suits were initiated against the Bank of Russia in 2009.

Some credit institutions disputed the sanctions used against them by the Bank of Russia in court and one of the six suits filed was satisfied.

Bank of Russia regional branches, for their part, initiated claims and suits in the course of supervising credit institutions: 574 claims and 60 suits (634 in all) totalling 19.55 million roubles were initiated against credit institutions, of which 616 claims and suits totalling 19.49 million roubles were satisfied.

II.10.5. BANK OF RUSSIA INTERNAL AUDITING

The main functions of the Bank of Russia chief auditor's service in 2009 were to inspect the Bank of Russia's divisions to make sure that they fulfil the functions assigned to them, to audit IT services, and to assess the efficacy of internal controls.

Audits covered all the main areas of Bank of Russia activity. Special attention was paid to the upgrading of operations on the financial markets, 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. The upgrading of internal audits relating to information technology allowed the Bank of Russia to develop, test and use a single methodology when auditing the Bank of Russia's IT systems.

Auditors verified the restrictions and limits set on operations conducted by the Bank of Russia in the course of managing its foreign exchange reserves.

The results of the audits conducted in 2009 and the violations and shortcomings detected in

divisions were reported to Bank of Russia's management, which took the corresponding managerial decisions.

Auditors monitored the destruction of worn banknotes by test-run equipment.

The chief auditor's service of the Bank of Russia coordinated cooperation between the Bank of Russia and Audit Chamber in conducting inspections.

To provide information support for the auditors, the Bank of Russia has developed a high-tech automated audit and inspection monitoring system.

In 2009, the Bank of Russia mapped out a plan for the optimisation and upgrading of the activities of the chief auditor's service.

Pursuant to Article 13 and Article 95 of the Federal Law on the Central Bank of the Russian Federation (Bank of Russia), the Bank of Russia's chief auditor presented to the National Banking Board a report entitled *The Activities of the Bank of Russia Chief Auditor's Service in 2009*.

II.10.6. BANK OF RUSSIA STAKEHOLDINGS IN THE CAPITAL OF RUSSIAN AND FOREIGN CREDIT INSTITUTIONS, AND OTHER ORGANISATIONS

Pursuant to Article 8 of the Federal Law on the Central Bank of the Russian Federation (Bank of Russia), the Bank of Russia in 2009 participated in the capital of the Savings Bank (Sberbank), an open joint-stock company, and the capital of resident organisations that helped the Bank of Russia perform its functions, such as the Moscow Interbank Currency Exchange (MICEX), a closed joint-stock company, the St Petersburg Currency Exchange (SPCEX), a closed joint-stock company, and the National Depository Centre (NDC), a closed joint-stock company. It did this through its representatives in the management or controlling bodies of these resident organisations for the purpose of implementing the strategic objectives of the economic policy of the state, and consistently upgrading the financial market infrastructure.

The Bank of Russia's stake in Sberbank remained unchanged in 2009 at 57.58%.

In March 2009, Sberbank's Supervisory Board approved guidelines for the bank's policy in 2009 and for the period lasting until 2011. These guidelines took into account the long-term objectives set in *Sberbank Development Strategy for the Period until 2014* and the priorities necessitated by the changes made in Sberbank's lending policy due to the impact of the world financial crisis (anti-crisis support for the Russian economy, guaranteeing satisfaction of the needs of the population and essential sectors, the defence sector, small business and agriculture and making credit more affordable for households).

In 2009, Sberbank's Supervisory Board considered a number of issues relating to cost optimisation and the establishment of a new personnel deployment structure in the bank. It approved changes in the branch network (Sberbank opened a branch in the Chechen Republic and founded the Moscow Regional Bank). It discussed the activities of the Minority Shareholders Liaison Committee, and liability insurance of the top

executives and members of the collegiate executive bodies as an element of best practice in corporate governance.

In 2009, Sberbank paid the Bank of Russia over 6.2 billion roubles in dividends received by Sberbank in 2008, a decrease by 0.4 billion roubles from the dividends received in 2007.

The participation in the capital of MICEX, SPCEX and the NDC in 2009 allowed the Bank of Russia to control operations on the domestic foreign exchange market and domestic government debt market, and use the exchange infrastructure for monetary policy operations.

The Bank of Russia's stake in the authorised capital of MICEX in 2009 remained unchanged at 29.79%. The decisions taken by the MICEX Board of Directors in the year under review were aimed at strengthening ties with some Russian regions (specifically, by founding the MICEX-Siberia Regional Exchange Centre and the MICEX-North-West Regional Exchange Centre), maintaining cooperation with the Bank of Russia in holding auctions of Bank of Russia unsecured loans for credit institutions, using the MICEX Electronic Trading System, and giving EurAsEC resident banks wider access to the Unified Trading Session (UTS).

In the course of elaborating its long-term policy, the MICEX Board of Directors in 2009 approved the MICEX Group Development Strategy for 2009—2011, which set the task of enhancing the group's efficiency by upgrading its corporate governance structure. It introduced a customer-oriented approach and launched an advanced risk management system to make the group competitive internationally and promote the development of the financial market. The Board determined the approaches to the projected transition of the MICEX Group to a single share. According to this concept, there should be a 'parent' company in full control of its subsidiaries.

In order to upgrade its corporate governance system, the MICEX Group in 2009 completed the reorganisation of its depository, the National Depository Centre, from a non-profit partnership into a closed joint-stock company. The shareholders of the newly-created joint-stock company are MICEX (50.2%), the Bank of Russia (42.3%) and the largest Russian banks. The MICEX Board of Directors also considered plans to merge the National Depository Centre with the MICEX Clearing House in 2009—2010.

In 2009, MICEX paid the Bank of Russia over 59.9 million roubles in dividends for 2008.

The Bank of Russia's stake in the capital of SPCEX remained unchanged in 2009 at 8.9%.

The Bank of Russia holds a stake in SPCEX on account of St Petersburg being the second largest financial centre in Russia and because SPCEX may be used as a reserve trading floor.

Pursuant to Article 9 of the Federal Law on the Central Bank of the Russian Federation (Bank of Russia), the Bank of Russia in 2009 also participated in the capital and activities of international organisations. These included 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 2010**



INTRODUCTION

The annual financial statements include operations conducted by the Bank of Russia to fulfil its principal purposes and functions, as stipulated by Federal Law No. 86-FZ, dated 10 July 2002, ‘On the Central Bank of the Russian Federation (Bank of Russia)’.

The annual financial statements presented below (hereinafter referred to as the financial statements) as of 1 January 2010, 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 on 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 2009, the Bank of Russia focused its efforts on the minimisation of the negative impact of the global financial and economic crisis on the Russian economy as a whole and the banking sector in particular, and on curbing inflation. It pursued its exchange rate policy within the framework of the managed floating exchange rate regime, using the rouble value of a basket of two currencies, the US dollar and the euro, as its operational benchmark.

The global crisis has confirmed the importance of carefully studying the profile and level of risks taken by banks, and quickly responding to problems that arise in individual banks and the banking sector as a whole. In 2009, the Bank of Russia continued to monitor the parameters of credit institutions’ liquidity, capital, assets and profitability, and quickly provided supervisory responses. It regularly assessed the current situation in the banking sector as a whole and in individual systemically important banks, including regional banks, and dealt with the financially troubled banks to find ways of salvaging them.

Throughout 2009, the Bank of Russia ensured the effective and uninterrupted functioning of the payment system. To ensure that the real-time gross settlement system fulfils all its functions, the Bank of Russia continued to take steps to broaden access to the BESS system for credit institutions, the Federal Treasury and other Bank of Russia customers.

ANNUAL BALANCE SHEET AS OF 1 JANUARY 2010

(millions of roubles)

	Note	2009	2008
ASSETS			
1. Precious metals	3	764,646	450,332
2. Funds placed with non-residents and securities issued by non-residents	4	12,383,329	12,091,074
3. Loans and deposits	5	1,705,755	3,871,335
4. Securities, of which:	6	465,936	441,019
4.1. Federal government debt obligations		357,100	353,205
5. Other assets, of which:	7	100,293	109,954
5.1. Fixed assets		64,563	63,973
5.2. Profit tax advance payments		159	187
Total assets		15,419,959	16,963,714
LIABILITIES			
1. Cash in circulation	8	4,629,863	4,378,238
2. Funds in accounts with the Bank of Russia, of which:	9	7,979,724	10,237,559
2.1. Federal government funds		4,980,193	7,093,937
2.2. Funds of resident credit institutions		1,731,339	2,010,099
3. Float	10	8,396	16,119
4. Securities issued	11	283,124	12,493
5. Other liabilities	12	168,319	319,165
6. Capital, of which:		2,099,113	1,902,352
6.1. Authorised capital		3,000	3,000
6.2. Reserves and funds		2,096,113	1,899,352
7. Reporting year profit	13	251,420	97,788
Total liabilities		15,419,959	16,963,714

Bank of Russia Chairman



S.M. Ignatiev

Bank of Russia Chief Accountant



L.I. Gudenko

13 May 2010

PROFIT AND LOSS ACCOUNT

		<i>(millions of roubles)</i>	
	Note	2009	2008
INCOME			
Interest income	14	521,992	620,344
Income from securities trading	15	244,766	129,716
Income from stakeholdings in credit institutions and other organisations		6,344	6,733
Other income	16	34,243	7,628
Total income		807,345	764,421
EXPENSES			
Interest expenses	17	135,431	289,457
Expenses on securities trading	18	34,612	37,147
Cash turnover management expenses	19	11,564	13,985
Net expenses on provisions	20	251,890	75,906
Expenses on negative revaluation of securities available for sale	21	10,916	98,048
Other operating expenses	22	46,161	95,848
Personnel costs	23	65,351	56,242
Total expenses		555,925	666,633
Financial result: profit		251,420	97,788

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	Other funds	Total capital	Profit for the year
Balance as of 1 January 2009 before taxation and allocation of profit for 2008	3,000	99,892	2,998	448,758	1,033,190	306,549	7,965	—	1,902,352	97,788
Taxes and duties paid from Bank of Russia profit for 2008										(164)
Allocation of profit for 2008		46,860	1,952						48,812	(48,812)
Transferred to federal budget										(48,812)
Balance as of 1 January 2009, after taxation and allocation of profit for 2008 in 2009	3,000	146,752	4,950	448,758	1,033,190	306,549	7,965	—	1,951,164	—
Profit for the year										251,420
Transferred to funds			2	211,616	151,392	29,079			392,089	
Paid from funds			(1,164)			(242,976)			(244,140)	
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 in advance in 2009 from Bank of Russia profit										(159)
Taxes and duties levied additionally in 2010 after final settlement from Bank of Russia profit for 2009										(2)
Profit for 2009 after tax and duty payments effected under the Tax Code of the Russian Federation										251,259
— to be transferred to federal budget										(188,444)
— to be allocated to funds		60,302		2,513					62,815	(62,815)
Total after taxation and allocation in 2010 of profit for 2009	3,000	207,054	6,301	660,374	1,184,582	92,652	7,965	—	2,161,928	—



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, are recorded to the balance sheet account *Accrued revaluation of precious metals* as part of capital and as of 1 January 2010, they totalled 660,374 million roubles (as against 448,758 million roubles in 2008) (Note 1 (c) and Statement of Bank of Russia Reserves and Funds).

There was an excess of positive unrealised foreign currency exchange rate differences over negative unrealised foreign currency exchange rate differences in 2009. This was recorded to the balance sheet account *Accrued foreign currency exchange rate differences* as part of capital and totalled 1,184,582 million roubles, as against 1,033,190 million roubles in 2008 (Note 1 (d) and Statement of Bank of Russia Reserves and Funds).

There was a decrease in the accrued revaluation of securities available for sale, mostly due to the writing off of the previously accrued revaluation, accounted for as capital, of securities available for sale and sold in 2009. This was also due to the writing off of the excess of the negative revaluation over the positive revaluation of securities, owing to the positive revaluation of securities available for sale of the corresponding issue (issuer), accounted for as capital, within the limits of the previously accrued positive revaluations of this issue (issuer). As of 1 January 2010, the positive revaluation of securities available for sale and accounted for as capital totalled 92,652 million roubles, as against 306,549 million roubles in 2008 (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 2 million roubles, the transfer to the federal budget and allocation of actual profit for 2009 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 Article 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', taking into account the amount of the profit tax settlement, are recognised in Bank of Russia accounting records in 2010 (Note 26 and Statement of Profit and its Allocation).

NOTES TO ANNUAL FINANCIAL STATEMENTS AS OF 1 JANUARY 2010

I. 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), 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 of revaluing individual items of assets and liabilities 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 transfer to the federal budget of 75% (50% in 2008) 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 reserves and funds of profit retained by the Bank of Russia (Note 26, 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.

Changes in comparative data as of 1 January 2009 are shown in Note 1 (u).

(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 *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 on 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 2010, were as follows: 1,062.3200 roubles per gram of gold (2008: 821.8000 roubles per gram of gold); 16.9400 roubles per gram of silver (2008: 10.3200 roubles per gram of silver); 1,423.5500 roubles per gram of platinum (2008: 856.7500 roubles per gram of platinum); 380.2000 roubles per gram of palladium (2008: 173.3300 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 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 on 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 2010, were as follows: 30.2442 roubles to the US dollar (2008: 29.3804 roubles to the US dollar); 43.3883 roubles to the euro (2008: 41.4411 roubles to the euro); and 48.0429 roubles to the pound sterling (2008: 42.6163 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 are 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 on the over-the-counter market. Appraisals based on market data are used if it is impossible to determine the market price of securities from external independent sources.

The securities revaluation sum is the difference between the fair price of the securities and their balance sheet price, inclusive of accrued interest income. Revaluation amounts that arose during the

year due to the change in the current (fair) value are recorded in the accounts, reflecting a positive or negative revaluation of securities.

The revaluation of securities categorised as securities appraised at fair value through profit or loss is recorded for the year on the accounts reflecting the income from securities trading (positive differences) or the accounts recording expenses incurred in securities trading (negative differences).

For the year's total, the excess of the positive revaluation over the negative revaluation of securities available for sale is written down to the account recording income on securities within the limits of the negative revaluation of the corresponding issue (issuer), related to the account recording the expenses involved in securities trading in previous years, and in the absence of the negative revaluation of the corresponding issue (issuer), related to the expenses incurred in previous years or in the amount exceeding it to the account *Positive revaluation of securities available for sale* as part of capital. As for securities available for sale that are acquired in the reporting year, the sum of the positive revaluation of the securities available for sale of the corresponding issue (issuer) is recorded to the balance sheet account *Positive revaluation of securities available for sale* as part of capital.

For the year's total, the excess of the negative revaluation over the positive revaluation of securities available for sale of the corresponding issue (issuer) is written down at the expense of the positive revaluation of securities available for sale and accounted for as capital within the limits of the previously accrued positive revaluations of this issue (issuer). In the absence (or shortage) of the previously accrued positive revaluations of this issue (issuer) accounted for as capital, it is recorded to the account recording the expenses involved in securities trading. As for securities available for sale and acquired in the reporting year, the sum of the negative revaluation of the securities available for sale of the corresponding issue (issuer) is written down to the account reflecting expenses related to the negative revaluation of securities available for sale in the profit and loss account.

The financial result of the retirement of securities available for sale is determined as the difference between the balance sheet price of the security as of the retirement date (inclusive of accrued interest income and accrued revaluation as of the retirement date) and the 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 repo transactions 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 repo transaction 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 provided to credit institutions and, pursuant to federal laws, to state corporations are recorded to the principal debt, net of depreciation provisions.

The Bank of Russia extends loans against the collateral 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 exposures; exposures on interest income on loans and other similar exposures; securities kept until redemption; the Finance Ministry'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 relating 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 contingency 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 taking into account the changes in the provisioning procedure which provide for the transition to a single scale for measuring credit risk for Bank of Russia exposures in roubles and foreign currency and loss provisioning for the portfolio of homogeneous exposures on the basis of the common level of depreciation of all the exposures included in the portfolio.

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 retire-

ment of other assets, the reduction of obligations and (or) expenses, the termination of contingency obligations, the return of the funds unclaimed by 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 Bank of Russia assets (contingency obligations), the corresponding part of the provisions is recovered to Bank of Russia income.

Provisions are used to write off assets the Bank of Russia cannot recover, when it has undertaken the necessary and adequate legal and actual activity to recover them and to 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 provisioning procedure approved by the National Banking Board.

Provisions for credit and similar exposures, and exposures on interest income from credit and similar exposures, 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 non-fulfilment or inappropriate fulfilment (if there is a threat of non-fulfilment or inappropriate fulfilment) by borrowers of their obligations on 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 repo transactions. When assessing credit risk, the Bank of Russia evaluates the financial situation of the borrower and the quality of its debt servicing. The amount of provisions is determined, taking into account the value (amount) of collateral provided under the agreements, and calculated using adjustment ratios (discounts), unless the Bank of Russia Board of Directors decides otherwise. Debt on credit 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.

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 devaluation of homogenous loans pooled in the portfolio. When determining the similar characteristics of credit risk, 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 deals and other transaction characteristics.

Provisions for the Finance Ministry's debt to the Bank of Russia, other than debt in the form of government securities, are made when the risk of loss arises due to the Finance Ministry's failure to repay or settle its debt.

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.

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 (pursuant to Federal Law No. 173-FZ, dated 13 October 2008, 'On Additional Measures to Support the Financial System of the Russian Federation') are made when the credit institution writes off the compensation deposit or a part thereof.

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 2009, this limit (set on 1 January 2008) was 20,000 roubles.

Fixed assets are accounted for at their residual value, i.e. at the purchase price inclusive of revaluation and exclusive of accrued depreciation.

Bank of Russia fixed assets have been revalued in compliance with Russian Federation Government resolutions. The latest revaluation was made as of 1 January 1997.

Depreciation allowances are made each month, on the first day of the month following the month the fixed assets were put into operation, at the rate of one-twelfth of the annual sum, and are continued throughout its entire service life (except in cases in which the asset is in the process of reconstruction or modernisation for more than 12 months or has been deactivated for more than three months following the decision of the Bank of Russia), and discontinued from the first day of the month following the month during which the cost of the asset was completely repaid or written off the books.

The maximum amount of accrued depreciation should equal the balance sheet value of the fixed asset.

Fixed assets acquired and put into operation prior to 1 January 2002, are depreciated at the official rates of depreciation set by USSR Council of Ministers Resolution No. 1072, dated 22 October 1990, 'On Standard Rates of Depreciation Allowances for the Complete Restoration of Fixed Assets of the National Economy of the USSR':

	%
Buildings and other facilities	1.0—14
Equipment (including computers, furniture, transport vehicles, etc.)	1—18

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, and No. 165 of 24 February 2009):

	%
Buildings and other facilities	1.0—14
Equipment (including computers, furniture, transport vehicles, etc.)	2—67

In view of the measures taken by the Bank of Russia to optimise its structure and transfer the accounting of business transactions, including fixed assets accounting, from some cash settlement centres to the regional branches, in 2009 the Bank of Russia continued to systematise its fixed assets in compliance with the National Fixed Assets Classifier (OKOF). This was approved by Gosstandart (Federal Agency on Technical Regulating and Metrology) Resolution No. 359 of 26 December 1994

(with changes and amendments) and Russian Federation Government Resolution No. 1, dated 1 January 2002, 'On the Classification of Fixed Assets Included in the Depreciation Groups' (with changes and amendments).

Fixed assets repair and maintenance expenses are recorded to the profit and loss account as other operating expenses.

Profit and losses arising from the retirement of fixed assets are calculated as the difference between their balance sheet value and retirement value, and recorded to the profit and loss account as other income or other operating expenses.

(k) Intangible assets

Intangible assets are identifiable objects which have no real material form, are intended for long-term use, and which the Bank of Russia has the exclusive right to use.

Intangible assets are accounted for at their residual value, that is, at the purchase price net of accrued depreciation.

A change in the value of an intangible asset is possible if it is revalued. Intangible assets are revalued by recalculating their residual value.

Intangible assets have not been revalued before.

Depreciation allowances are made each month, on the first day of the month following the month the intangible assets were put into operation, at the rate of one-twelfth of the annual sum, and are continued throughout its entire service life. They are discontinued from the first day of the month following the month during which the cost of the asset was completely repaid or written off the books.

The maximum amount of accrued depreciation should equal the balance sheet value of the intangible asset.

The following rates of depreciation are used for intangible assets acquired prior to 1 January 2002:

	%
Intangible assets	9—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 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, as part of these Annual Financial Statements as of 1 January 2010.

(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 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 Article 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', after the Bank of Russia Annual Financial Statements are approved by its Board of Directors, the Bank of Russia transfers 75% of its actual full-year profit that remains after the payment of taxes and duties to the federal budget 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 26, 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

The financial result, i.e. profit or loss, is the difference between total income and total expenses relating to the core and non-core activities of the Bank of Russia, which are recorded in the books for the reporting year.

(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 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), the Bank of Russia transfers to the federal budget (after the approval by the Bank of Russia Board of Directors of the Bank of Russia Annual Financial Statements for 2008) 50% of the actual profit it received for 2008 and retained, after the payment of taxes and duties under the Tax Code of the Russian Federation.

Article 4 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', suspended until 1 January 2013 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 by the Bank of Russia 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 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', stipulated that 75% of actual profit received by the Bank of Russia for 2009, 2010 and 2011 and remaining after the payment of taxes and duties under the Tax Code of the Russian Federation should be transferred to the federal budget, after the approval of the Bank of Russia Annual Financial Statements by the Bank of Russia Board of Directors (Note 26, Statement of Profit and its Allocation and Table *Capital, funds and profit allocation*).

(u) Changes to comparative data

In view of the Bank of Russia Board of Directors' decision to make changes in the group of accounts for the compiling of the balance sheet, the form of the profit and loss account and the group of its symbols, beginning from the statements as of 1 January 2010, comparative data in the annual financial statements as of 1 January 2009, have been adjusted to the changes in the form of presentation of the financial statements for the reporting year.

The changes to comparative data for 2009 are shown below.

Balance sheet items		<i>(millions of roubles)</i>		
		2008 (previously recorded amounts)	Changes	2008 (recalculated amounts)
Assets				
Other assests, of which:		109,954		109,954
fixed assets	A	64,656	(683)	63,973
intangible assets	A	—	683	683
Total assets		16,963,714	—	16,963,714

(A) Accounts recording intangible assets have been excluded from *Fixed assets* in the balance sheet item *Other assests* as unrelated to fixed assets, and included in other assets of the balance sheet item *Other assests* (Note 7).

(millions of roubles)

Profit and loss account items		2008 (previously recorded amounts)	Changes	2008 (recalculated amounts)
Income				
Income from operations with precious metals	B	4	(4)	—
Other income	B	7,624	4	7,628
Total income		764,421	—	764,421
Expenses				
Expenses involved in operations with precious metals	B	129	(129)	—
Other operating expenses	B, C	95,728	120	95,848
Personnel costs	C	56,233	9	56,242
Total expenses		666,633	—	666,633

(B) The change is due to the recognition as *Other income* of income from the reporting year operations with precious metals and operations of previous years, and identified in the reporting year, which were previously recorded to *Income from operations with precious metals*, and the recognition of expenses involved in operations with precious metals, which were previously recorded to *Expenses involved in operations with precious metals* as *Other operating expenses*, due to the negligible amount of this type of income and expenses.

(C) The change is due to the recognition as *Personnel costs* of the expenses involved in the redeployment of Bank of Russia employees in the cases and in the amounts stipulated by federal legislation, which were previously recorded to *Other operating expenses*.

(millions of roubles)

Personnel cost report items		2008 (previously recorded amounts)	Changes	2008 (recalculated amounts)
Other payments to employees	D	5,030	9	5,039
The Bank of Russia personnel costs		56,233	9	56,242

(D) The change is due to the inclusion in the Bank of Russia personnel costs of the expenses involved in the redeployment of Bank of Russia employees in the cases and in the amounts stipulated by federal legislation, which were previously recorded to *Other operating expenses* in the profit and loss account (Statement of Bank of Russia Personnel Costs).

2. IMPACT OF ECONOMIC CONDITIONS ON BANK OF RUSSIA FINANCIAL STATEMENTS

Bank of Russia annual balance sheet indicators and the financial performance of the Bank of Russia in 2009 were affected by the joint measures taken by the Bank of Russia and the Russian Government to support the Russian financial system, as well as the first signs of improvement in the external and internal economic conditions.

In 2009, the Bank of Russia implemented a monetary policy aimed at containing inflation and ensuring banking sector stability. To stimulate lending and domestic demand amid the reduction of price stability risk, the Bank of Russia, beginning from April 2009, repeatedly cut interest rates on its operations.

While retaining its managed floating exchange rate regime, the Bank of Russia took steps to support the rouble and conducted foreign exchange operations on the domestic market. As the gradual devaluation of the rouble concluded in January and the situation on the world raw materials markets improved, the rouble's appreciation became the main trend on the domestic market in 2009. Overall, in 2009 Russia's international reserves increased; this led to the significant expansion of the share of Bank of Russia funds placed with non-residents and invested in foreign securities in the annual balance sheet assets.

As the rouble appreciated, the dollar gradually lost its position in the Russian economy. The fall in household net purchases of foreign currency from commercial banks became one factor that drove growth in the share of cash in circulation in the Bank of Russia's annual balance sheet liabilities.

The improved macroeconomic dynamics and the stabilisation of the liquidity situation allowed the Bank of Russia to scale down its operations to provide liquidity to credit institutions, and the debt on these funds contracted. As a result, the share of *Loans and deposits* in the Bank of Russia's annual balance sheet assets had contracted by the end of 2009 by more than 11 percentage points, as compared with the beginning of the year.

As macroeconomic risks remained and the required reserve ratios were partly restored, there was no significant change in 2009 in the value of total banking sector reserves, or their share in the Bank of Russia's annual balance sheet liabilities.

The implementation of anti-crisis measures required increased federal budget expenditure, including Reserve Fund and National Wealth Fund expenditures. This, along with a fall in federal budget revenue, led to the significant contraction of the balance of the federal government's accounts, and its share in the Bank of Russia's annual balance sheet liabilities.

Bank of Russia financial performance indicators in the year under review were affected by different factors. Unlike the situation in previous years, Bank of Russia revenues from gold and foreign exchange reserve placements declined, as interest rates on world financial markets fell significantly. At the same time, the role played by interest income on loans and deposits provided to resident credit institutions and other Bank of Russia counterparties as part of the measures taken to support the financial system and regulate banking sector liquidity increased considerably. Meanwhile, interest expenses on the Reserve Fund and National Wealth Fund decreased, chiefly as a result of the contraction in the value of the Reserve Fund accounts with the Bank of Russia. Due to these factors, the Bank of Russia registered a better financial result in 2009 than in 2008.

3. PRECIOUS METALS

	<i>(millions of roubles)</i>	
	2009	2008
Precious metals	764,646	450,332
Total	764,646	450,332

The increase in this item was largely due to the purchase of gold from Russian credit institutions under the general agreements and the revaluation of precious metals at book prices.

4. FUNDS PLACED WITH NON-RESIDENTS AND FOREIGN SECURITIES

	<i>(millions of roubles)</i>	
	2009	2008
Foreign securities	11,349,067	10,841,756
Balances of correspondent accounts and deposits placed with non-resident banks	808,849	1,095,064
Funds placed with non-residents in repo transactions	225,413	154,254
Total	12,383,329	12,091,074

Foreign securities are categorised as securities available for sale.

Foreign securities are mostly US Treasuries and the government debt obligations of Germany, France, Britain, Sweden, Belgium, the Netherlands, Austria, Spain, Finland, Denmark and Japan, along with the debt obligations of the extra-budgetary funds of these countries and international financial organisations, and the covered securities of German credit institutions. This item includes securities passed by the Bank of Russia in repo transactions with non-residents to sell securities with an obligation to repurchase, with a current (fair) value of 86,624 million roubles (Note 9).

Growth in this item was due to the increase in investments in foreign government securities, the change in the official exchange rate of the rouble against foreign currencies, and the revaluation of securities in the Bank of Russia portfolio at current (fair) value. The current (fair) value of foreign securities in the Bank of Russia portfolio as of 1 January 2010 was 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 decrease in *Balances of correspondent accounts and deposits placed with non-resident banks* is largely due to the purchase of foreign securities.

Funds placed with non-residents in repo transactions show the funds placed with non-resident banks in transactions to purchase foreign securities with an obligation to resell. These funds include 15,119 million roubles (2008: 17,214 million roubles) placed in reverse repos, which had been received in deals to sell securities from the Bank of Russia portfolio with an obligation to repurchase (repo transactions), concluded with the same counterparty (Notes 9 and 24).

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 225,918 million roubles

(2008: 164,347 million roubles) (Note 24), of which, securities received in reverse repo transactions matched by repo transactions (Note 9) have a current (fair) value of 15,120 million roubles (2008: 17,570 million roubles).

The increase in *Funds placed with non-residents in repo transactions* is due to growth in the total amount of funds provided by the Bank of Russia in repos as of the end of the year, and the revaluation of foreign currency funds connected with the rise in the official exchange rates of foreign currencies against the rouble.

5. LOANS AND DEPOSITS

	<i>(millions of roubles)</i>	
	2009	2008
Loans to and deposits with resident banks (in roubles), of which:	1,389,215	2,866,787
— extended and placed under certain federal laws	692,991	2,265,223
Other funds placed with credit institutions (through repo transactions)	249,185	614,752
Loans to and deposits with resident banks (in foreign currency), of which:	234,591	360,818
— extended and placed under certain federal laws	234,591	287,367
Other, of which:	172,570	118,740
— extended and placed under certain federal laws	166,897	114,300
Provisions	(339,806)	(89,762)
Total	1,705,755	3,871,335

The decrease in *Loans to and deposits with resident banks (in roubles)* is mostly the result of the repayment (early repayment) of unsecured loans provided by the Bank of Russia to credit institutions pursuant to Federal Law No. 173-FZ, dated 13 October 2008, 'On Additional Measures to Support the Financial System of the Russian Federation', (hereinafter referred to as Federal Law No. 173-FZ) and Federal Law No. 86-FZ, dated 10 July 2002, 'On the Central Bank of the Russian Federation (Bank of Russia)' (Article 46 amended by Federal Law No. 176-FZ of 27 October 2009).

Loans to and deposits with resident banks (in roubles), of which: extended and placed under certain federal laws lists operations to provide 500,000 million roubles in subordinated loans to Sberbank (2008: 500,000 million roubles) and deposit a total of 192,991 million roubles (2008: 1,765,223 million roubles) with some credit institutions 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 amounted to 500,000 million roubles (2008: 730,747 million roubles).

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 on the domestic market in transactions to buy securities with an obligation to resell as of the end of the year. Securities received by the Bank of Russia as collateral in repo transactions with credit institutions are recorded in off-balance sheet accounts at their current (fair) value and total 281,758 million roubles (2008: 657,794 million roubles) (Note 24).

Other funds placed through repo transactions with credit institutions with a 50%-plus government stake in authorised capital amounted to 84,216 million roubles (2008: 250,082 million roubles).

The decrease in *Loans to and deposits with resident banks (in foreign currency)* is mostly due to the repayment (early repayment) of funds placed with Vnesheconombank in US dollars by the decision of the Bank of Russia Board of Directors, and for the purpose of implementing Federal Law No. 173-FZ.

The increase in *Other* is mainly due to the extension of loans to the Deposit Insurance Agency (DIA), a state corporation, as part of the measures taken under federal law to support the Russian financial system and prevent bank bankruptcies.

Provisions totalling 339,806 million roubles (2008: 89,762 million roubles) were made for loans, deposits and other funds placed in roubles and foreign currency. Of these:

- provisions for the collateralised rouble-denominated loans extended by the Bank of Russia to resident credit institutions and deposits placed by the Bank of Russia with Vnesheconombank in roubles totalled 113,074 million roubles (2008: 28,006 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 totalled 117,296 million roubles (2008: 36,082 million roubles);
- provisions for rouble loans extended to credit institutions under certain federal laws totalled 85,195 million roubles (2008: 25,057 million roubles);
- provisions for funds provided by the Bank of Russia to finance bankruptcy prevention measures totalled 23,606 million roubles (2008: zero roubles);
- provisions for other loans and deposits totalled 635 million roubles (2008: 617 million roubles).

6. SECURITIES

	<i>(millions of roubles)</i>	
	2009	2008
Federal government debt obligations		
Federal loan bonds (OFZ)	193,330	188,270
Russian government internal and external foreign currency-denominated loan bonds, of which:	163,770	164,935
— Russian government external foreign currency loan bonds (Russian eurobonds)	146,194	148,656
— Russian government internal foreign currency loan bonds (OVLVZ)	17 576	16 279
Subtotal	357,100	353,205
Shares issued by credit institutions and other organisations (Bank of Russia stakeholdings)	85,628	85,588
Other Russian issuers' debt obligations	23,208	2,226
Credit institutions' promissory notes acquired by the Bank of Russia	27	27
Provisions	(27)	(27)
Total	465,936	441,019

Debt obligations in the Bank of Russia portfolio are categorised as securities available for sale.

Federal loan bonds (OFZ)

The Bank of Russia's OFZ portfolio is the result of the 2003—2005 restructuring of government securities, pursuant to federal budget laws, and the purchase and sale transactions on the domestic securities market in 2007—2009. The characteristics of the securities received as a result of the restructuring comply with federal legal requirements and agreements between the Finance Ministry and the Bank of Russia.

This Table shows the structure of the OFZ portfolio by maturity and coupon income rate as of 1 January 2010.

(millions of roubles)

OFZ type	2009		2008	
	Current coupon income rate, percent	Current (fair) value	Current coupon income rate, percent	Current (fair) value
Debt-depreciation OFZ due in 2019—2028	0	80,142	0	77,668
Debt-depreciation coupon-income OFZ due in 2029	1.95	25,310	0.89	25,213
Debt-depreciation OFZ due in 2036	6.90	21,337	6.90	20,025
Debt-depreciation OFZ due in 2016—2023	7 to 7.5	13,581	7.5 to 8	12,549*
Debt-depreciation OFZ due in 2021	8.5	16,872	8.5	17,176
Debt-depreciation OFZ due in 2012—2018	8	8,672	9	8,326
Debt-depreciation OFZ due in 2010	10	397	10	777
Debt-depreciation OFZ due in 2018	13	18,814	10.5	19,108
Permanent coupon-income OFZ due in 2010—2013	5.80 to 6.1	7,421	5.80 to 6.1	6,662*
Permanent coupon-income OFZ due in 2010	7.4	784	7.4	766
Total		193,330		188,270

* In order to enhance the comparability of data on the current coupon income rates and maturity periods of OFZs issued in 2008 and 2009, OFZs represented in the reports for 2008 were grouped as follows:

— debt-depreciation OFZs with a coupon income of 8%, due in 2016, which have a current (fair) value of 7,341 million roubles, were put together with debt-depreciation OFZs with a coupon income of 7.5%, due in 2018—2023 and with a current (fair) value of 5,208 million roubles;

— *OFZs with a permanent income of 6.1% and a current (fair) value of 3,990 million roubles, due in 2012, were put together with OFZs with a permanent coupon income of 5.8% to 6.1%, due in 2010—2013 and with a current (fair) value of 2,672 million roubles.*

The difference between the OFZ current coupon income rates as of 1 January 2009 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.

To determine the current (fair) value of OFZ issues that are traded on the organised (exchange) securities market, the Bank of Russia used the market prices provided by the trade organiser (MICEX) based on the results of the latest trades. As of 1 January 2010, the current (fair) value of these papers was 164,400 million roubles. As of 1 January 2009, the current (fair) value of these papers was 165,779 million roubles.

In order to determine the current (fair) value of OFZ issues not traded on 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 2010, the current (fair) value of these securities, including zero-coupon-income bonds due in 2021—2027, was 28,930 million roubles. As of 1 January 2009, the current (fair) value of these papers was 22,491 million roubles.

The change in the value of the OFZ portfolio is due to the revaluation of these securities at their current (fair) value.

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 maturing in 2019—2028. As of 1 January 2009, 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 Finance Ministry and traded on the international market. They are due in 2010 to 2030, and have a coupon income of 7.5% to 12.75% p.a. Their current (fair) value as of 1 January 2010 was 146,194 million roubles. The current (fair) value of Russian eurobonds as of 1 January 2009 was 148,656 million roubles.

The change in the value of Russian government external foreign currency-denominated loan bonds is due to the purchase and sale of Russian eurobonds, their revaluation at current (fair) value and the change in the exchange rate of the US dollar against the rouble.

Russian government internal foreign currency-denominated loan bonds (OVGVZ) are US dollar-denominated government securities issued by the Finance Ministry and maturing in 2011 with a coupon income of 3% p.a. The current (fair) value of OVGZ bonds as of 1 January 2010 was 17,576 million roubles. The current (fair) value of OVGZ bonds as of 1 January 2009 was 16,279 million roubles.

The change in the value of Russian government internal foreign currency-denominated loan bonds is due to the purchase of OVGZ bonds by the Bank of Russia, their revaluation at current (fair) value and the change in the exchange rate of the US dollar against the rouble.

The current (fair) value of the Russian eurobonds and OVGZ 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

The debt obligations of other Russian issuers are securities denominated in roubles and US dollars.

The Bank of Russia acquired the US dollar-denominated bonds of other Russian issuers on the domestic market in 2009. They are due in 2010 and have a coupon income of 1.48% p.a. Their current (fair) value as of 1 January 2010 was 21,266 million roubles. To determine the current (fair) value of these bonds, the Bank of Russia used the bonds' latest representative quoted purchase prices, cited by the financial news and data service Bloomberg.

The rouble-denominated debt obligations of other Russian issuers were received by the Bank of Russia in 2008 as a result of the settlement of obligations on unexecuted repo transactions on the domestic market. These are the bonds of regional governments and other Russian issuers traded on the organised (exchange) securities market.

Russian regional government bonds mature from 2010 to 2015 and have a coupon income of 6.75% to 9.30% p.a. The current (fair) value of these securities as of 1 January 2010 was 1,404 million roubles. The current (fair) value of these securities as of 1 January 2009 was 1,346 million roubles. The change in the value of Russian regional government securities is due to the sale of securities on the domestic market, the redemption of securities due in 2009, and their revaluation at the current (fair) value.

The rouble-denominated bonds of other Russian issuers mature in 2010 to 2017 and have a coupon income of 7.35% to 9.00% p.a. The current (fair) value of these securities as of 1 January 2010 was 538 million roubles. The current (fair) value of these securities as of 1 January 2009 was 880 million roubles. The change in the value of Russian regional government securities is due to the sale of securities on the domestic market, the redemption of securities due in 2009, and their revaluation at the current (fair) value.

To determine the current (fair) value of securities traded on 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 the provisions made for 27 million roubles (2008: 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

	<i>(millions of roubles)</i>	
	2009	2008
Fixed assets (at residual value)		
Buildings and other facilities	34,486	33,891
Equipment (including computers, IT and data processing systems, furniture, transport vehicles, etc.)	30,077	30,082
Subtotal fixed assets	64,563	63,973
Incomplete construction projects	12,469	7,987
Bank of Russia interest claims	10,301	26,110
Till cash	6,986	6,237
Settlements with suppliers, contractors and buyers	1,275	1,047
Intangible assets (at residual value)	799	683
Funds transferred by the Bank of Russia to agent banks for payments to depositors of bankrupt banks	743	697
Profit tax advance payments	159	187
Bank of Russia correspondent accounts	4	5
Settlements with CIS and Baltic banks	—	1,446
Other	5,999	4,039
Provisions	(3,005)	(2,457)
Subtotal other assets	35,730	45,981
Total	100,293	109,954

This table shows the movement of fixed assets:

	<i>(millions of roubles)</i>	
	2009	2008
Fixed asset value net of accrued depreciation		
Balance as of 1 January	111,584	104,446
Receipt	10,284	11,059
Retirement	(2,630)	(3,921)
Balance as of end of year	119,238	111,584
Accrued depreciation		
Balance as of 1 January	47,611	42,513
Depreciation allowances due to expenses	9,585	8,616
Depreciation allowances due to other sources	6	22
Accrued depreciation of retired fixed assets	(2,527)	(3,540)
Balance as of end of year	54,675	47,611
Fixed asset residual value as of end of year	64,563	63,973

Fixed asset structure and value, net of accrued depreciation:

	<i>(millions of roubles)</i>	
	2009	2008
Buildings and other facilities	40,390	39,209
Computers, office equipment and furniture	36,808	35,024
Equipment	19,046	16,517
IT and data processing systems	18,317	16,379
Transport vehicles	2,932	2,727
Other	1,745	1,728
Total	119,238	111,584

The increase in *Buildings and other facilities* is largely due to the construction and reconstruction of Bank of Russia office buildings.

The increase in *Computers, office equipment and furniture* is mainly due to the purchase of: information technology; systems and devices designed to automate Bank of Russia operations systems and accounting and information analysis systems; additional computer equipment; printing and copying equipment; security and fire-alarm systems; video security and surveillance systems; and other systems supporting the activity of the Bank of Russia.

The increase in *Equipment* is due to the purchase of equipment for developing and upgrading engineering equipment for the Bank of Russia's IT and telecommunications systems, mechanising cash processing operations, cash machines and other equipment.

The increase in *IT and data processing systems* is largely due to the purchase of telecommunications and network equipment and other communications systems, and the development and upgrading of local IT systems.

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 increase in *Other* is primarily due to the purchase of production equipment and household goods.

The increase in *Incomplete construction projects* is mainly due to a number of carryover projects relating to the construction and reconstruction of administrative buildings and offices, the development of security and surveillance television systems, and the assembly of equipment.

The decrease in *Bank of Russia interest claims* is largely due to the contraction of debt on placements in roubles, foreign currency and precious metals; these are 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.

In accordance with the decision of the Bank of Russia Board of Directors, the debt owed by the CIS countries and Baltic states on cash of the 1961—1992 issue, which was not returned by the central (national) banks of the CIS countries and Baltic states, was partly written off in 2009 as the central (national) banks of some CIS countries and Baltic states had returned more cash than they had received in 1991—1993 (149 million roubles), and as provisions (1,297 million roubles) had been made for this purpose. The unused part of the provision (in the amount of 149 million roubles) was recovered to Bank of Russia income (Note 20).

The increase in *Other* is mostly due to an increase in expenses involved in obtaining licences for software products.

Provisions include:

- 743 million roubles (2008: 697 million roubles) transferred to the agent banks, for payment of compensation to depositors of bankrupt banks;
- 2,262 million roubles (2008: 314 million roubles) for other assets, of which 1,957 million roubles (2008: zero roubles) were provided for the Bank of Russia's interest exposures on loans extended to credit institutions;
- no provisions were made for debt on interstate settlements with the CIS countries and Baltic states for 1992—1993 (2008: 1,446 million roubles).

8. CASH IN CIRCULATION

The increase in *Cash in circulation* is attributable to cash turnover capacity.

9. FUNDS IN ACCOUNTS WITH THE BANK OF RUSSIA

	<i>(millions of roubles)</i>	
	2009	2008
Federal government funds, of which:	4,980,193	7,093,937
— Reserve Fund	1,783,426	4,007,199
— National Wealth Fund	2,274,507	2,184,494
Credit institutions' funds in correspondent accounts, of which:	1,070,927	1,843,537
— foreign currency funds in correspondent accounts	170,607	815,797
Regional and local budget funds	386,111	398,288
Government and other extra-budgetary funds	498,562	345,012
Deposits taken by the Bank of Russia from credit institutions	508,982	136,646
Required reserves deposited with the Bank of Russia	151,430	29,916
Non-resident banks' funds raised in repo transactions	86,791	17,214
Other	296,728	373,009
Total	7,979,724	10,237,559

The decrease in the balance of *Federal government funds* is due to the spending of federal budget funds (recorded in Reserve Fund accounts) on the implementation of anti-crisis measures. In compliance 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.

Foreign currency funds in correspondent accounts show, in compliance with the bank account agreements, the balances of foreign currency correspondent accounts of resident banks and other credit institutions that have concluded with the Bank of Russia general agreements on the provision of Bank of Russia unsecured loans, and for which the Bank of Russia has opened, beginning from 1 December 2008 foreign currency correspondent accounts for the purpose of providing credit institutions with wider opportunities for managing short-term liquidity. The decrease in this item is largely due to the reduction of the balances in credit institutions' correspondent accounts.

Growth in *Government and other extra-budgetary funds* is due to the increase in the balances of the Federal Pension Fund accounts.

Deposits taken by the Bank of Russia from credit institutions are comprised of the balances of funds raised from resident credit institutions in roubles, including a total of 279,042 million roubles (2008: 2,491 million roubles) raised in deposits taken from credit institutions in which the government holds a 50%-plus stake in authorised capital. The increase in the value of deposits taken by the Bank of Russia is due to growth in banking sector liquidity, connected with the relative improvement of the situation on the financial markets in late 2009.

The increase in *Required reserves deposited with the Bank of Russia* is the result of the Bank of Russia Board's decisions to raise the required reserve ratios for credit institutions.

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 (repo transactions). 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 15,119 million roubles (2008: 17,214 million roubles). The securities of foreign issuers provided in these deals had a total current (fair) value of 15,121 million roubles (2008: 17,120 million roubles) (Note 4).

The corresponding amount of funds placed pursuant to reverse repos concluded as of the end of the year, and matched by repos stood at 15,119 million roubles (2008: 17,214 million roubles). Foreign issuers' securities received in these deals as collateral have a total current (fair) value of 15,120 million roubles (2008: 17,570 million roubles) (Note 24).

Interest expenses in these repos and reverse repos totalled 32 million roubles (2008: 1,744 million roubles) and were recorded to *Interest expenses on funds raised against the collateral of foreign currency securities* in Note 17 *Interest expenses*; interest income totalled 299 million roubles (2008: 1,976 million roubles), of which 165 million roubles was recorded to *Interest income from loans, deposits and other foreign currency placements* and 134 million roubles was recorded to *Other interest income* in Note 14 *Interest income*.

The increase in the balance of *Non-resident bank funds raised in repo transactions* is due to growth 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 86,624 million roubles (2008: 17,120 million roubles) are accounted for as foreign issuers' securities in *Foreign issuers' securities* in Note 4.

Other includes the balances of accounts of federal government-owned organisations, non-profit organisations, non-government organisations, and other clients and deposits taken from the DIA. The decrease under this item is due to the reduction of DIA deposits taken by the Bank of Russia, the repayment of funds to the Pension Fund (in connection with settlements in operations with government securities) and the decrease in the balances of federally-owned non-profit organisations' accounts.

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 *Float* was due to a decrease in the value of unfinished interregional electronic payments, which the Bank of Russia completed in the first working days of January 2010.

11. SECURITIES ISSUED

	<i>(millions of roubles)</i>	
	2009	2008
Bank of Russia bonds	283,124	12,493
Total	283,124	12,493

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 operation volumes.

12. OTHER LIABILITIES

	<i>(millions of roubles)</i>	
	2009	2008
Interest obligations	83,033	241,883
Supplementary pension provisions for Bank of Russia employees	82,952	74,688
Other	2,334	2,594
Total	168,319	319,165

The decrease in *Interest obligations* is mainly due to the decrease of funds in the Reserve Fund accounts and, accordingly, interest obligations, the transfer on 20 January 2009 of 268,455 million roubles in interest for the use of Reserve Fund and National Wealth Fund assets, in the period of 30 January 2008 to 15 January 2009 (241,522 million roubles were transferred in the period of 30 January to 31 December 2008 and 26,933 million roubles in the period of 1 to 15 January 2009) to the Federal Treasury account, while the funds in this Federal Treasury account increased by 82,803 million roubles in the period of 16 January to 31 December 2009, mainly due to interest accrued for the use of funds in these accounts (Note 17). 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 26).

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. Payments under the Bank of Russia pension plan are regulated by the Bank of Russia's instructions. These take into account the fact that Bank of Russia employees are not covered by guarantees to which civil servants are entitled, and that similar pension arrangements are widely used by other central banks. The volume of funds allocated for supplementary pension payments to Bank of Russia employees is determined on the basis of the actuarial appraisal, made by a certified actuary. As of 1 January 2010, the Bank of Russia added 8,880 million roubles to the supplementary pension fund, recording this sum to its expenses (Note 22).

Other mostly shows funds deposited by credit institutions for the purpose of receiving cash.

13. REPORTING YEAR PROFIT

Reporting year profit is a balance sheet item recognising the Bank of Russia's financial result for 2009, resulting from the recognition in accounts of the income accrued and received, and the expenses accrued and paid.

The allocation of 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 Article 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', is recognised in the Bank of Russia accounting records in 2010 (Note 26, Statement of Profit and its Allocation and Table *Capital, funds and profit allocation*).

The main factors that affected the Bank of Russia's financial result in 2009 are as follows:

- the increase in interest income from loans extended to credit institutions in roubles, including loans provided under certain federal laws, and other funds placed in repo transactions on the domestic market (Note 14);
- the increase in income from selling foreign securities available for sale (Note 15);
- the increase in realised positive exchange rate differences in deals concluded by the Bank of Russia to buy and sell foreign currency on the domestic market (Note 16);
- the decrease in interest expenses on Reserve Fund and National Wealth Fund assets, owing to the reduction of the balances of the Reserve Fund accounts with the Bank of Russia (Note 17);
- the increase in interest expenses on deposits taken from credit institutions on the domestic market, and on the balances of other funds raised (Note 17);
- provisions made in connection with the deterioration of the quality of Bank of Russia assets and the increased risk of probable losses (Note 20).

14. INTEREST INCOME

	<i>(millions of roubles)</i>	
	2009	2008
Interest income from securities	231,542	407,702
Interest income from foreign currency loans, deposits and other placements, of which:	19,454	166,595
— placements made pursuant to certain federal laws	9,894	1,486
Interest income from rouble loans, deposits, and other placements with resident banks, of which:	262,941	44,053
— placements made pursuant to certain federal laws	161,033	29,578
Other, of which:	8,055	1,994
— made pursuant to certain federal laws	7,450	654
Total	521,992	620,344

Interest income from securities mostly consists of the 210,687 million roubles in interest income from foreign issuers' debt obligations, acquired in the course of managing foreign exchange reserves, and 20,855 million roubles in interest income from the federal government's debt obligations.

Interest income from foreign currency loans, deposits and other placements mostly recognises interest accrued and received from Bank of Russia placements with non-resident banks, and interest on funds provided in repo transactions with foreign securities and 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. The decrease in this item is attributable to the fall in interest rates on world financial markets.

Interest income from rouble loans, deposits and other placements with resident banks reflects interest income accrued and received on loans extended to credit institutions, deposits placed with residents banks, and funds provided to credit institutions in repo transactions. *Interest income from rouble loans, deposits and other placements with resident banks, of which placements made pursuant to individual laws* reflects interest income from the subordinated loans extended to Sberbank, deposits placed, and uncovered loans the Bank of Russia extended under certain federal laws. The increase in interest income under this item is the result of recording income from: funds placed with resident banks in roubles in the fourth quarter of 2008, and in 2009, pursuant to certain federal laws; and also the growth in the value of loans extended by the Bank of Russia to credit institutions against the collateral of securities on the Lombard list; promissory notes; claims under credit agreements with organisations; or claims guaranteed by credit institutions as part of the measures taken to support the financial system and regulate banking sector liquidity.

Other mainly includes interest income from loans extended to the DIA under certain federal laws and to some credit institutions pursuant to federal laws, and decisions taken by the Bank of Russia Board of Directors as part of the measures to support the Russian financial system, and from operations to provide securities to non-resident banks on a collectible basis, and also interest income received on accounts opened in non-resident banks.

15. INCOME FROM SECURITIES TRADING

	<i>(millions of roubles)</i>	
	2009	2008
Income from operations with foreign securities, of which:	228,565	120,405
— income from compensation for previous years' expenses relating to securities revaluation	2,596	—
Income from operations with Russian debt obligations, of which:	16,201	9,311
— income from compensation for previous years' expenses relating to securities revaluation	13,414	—
Total	244,766	129,716

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 debt obligations mainly reflects income from the revaluation of retired (sold) Russian federal and regional government securities, and other debt obligations available for sale. This item also includes income from the positive revaluation of Russian debt obligations, which was used to offset the negative revaluation of the corresponding issues, recorded to expenses in the previous year.

16. OTHER INCOME

	<i>(millions of roubles)</i>	
	2009	2008
Net realised exchange rate differences in foreign currency	27,429	—
Fees for Bank of Russia services provided to customers	4,310	4,846
Income from the sale of coins made of precious metals	857	899
Income of previous years (net of interest income) identified in reporting year	160	125
Fines and penalties received	71	67
Income from operations with precious metals	1	4
Other	1,415	1,687
Total	34,243	7,628

Net realised exchange rate differences in foreign currency mainly reflect income from the sale and purchase of foreign currency in deals concluded by the Bank of Russia on the domestic market. Net positive realised exchange rate differences result from fluctuations in the exchange rates of foreign currencies.

Fees for Bank of Russia services provided to customers mostly consist of 4,281 million roubles (2008: 4,815 million roubles) paid in fees for the settlement services provided by the Bank of Russia, 14 million roubles (2008: 12 million roubles) reimbursed by customers for telegraph expenses, and 15 million roubles (2008: 19 million roubles) paid for other services.

Income from the sale of coins made of precious metals is income received from the sale of Russian coins made of precious metals on the domestic and international markets. The decrease under this item was due to a fall in sales.

17. INTEREST EXPENSES

	<i>(millions of roubles)</i>	
	2009	2008
Interest expenses on federal budget fund balances, including	109,736	270,153
— Stabilisation Fund balances	—	28,631
— Reserve Fund balances	66,754	186,201
— National Wealth Fund balances	42,982	55,321
Interest expenses on deposits taken from credit institutions on the domestic market	17,688	10,601
Interest expenses on Bank of Russia debt obligations	2,868	2,419
Interest expenses on funds raised against the collateral of foreign currency-denominated securities on foreign markets	32	2,085
Other	5,107	4,199
Total	135,431	289,457

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 2010 reflect interest on the balances of the Reserve Fund and National Wealth Fund foreign currency accounts, according to the bank account agreements in the period of 1 to 15 January 2009 to the amount of 26,933 million roubles, and interest accrued in the period of 16 January to 31 December 2009 to the amount of 82,803 million roubles.

Under the bank account agreements, interest was paid to federal budget revenue for the period of 1 to 15 January 2009 on 20 January 2009, and for the period of 16 January to 31 December 2009 on 21 January 2010 (Note 26).

The decrease in this item is due to the reduction of the balance of the Reserve Fund accounts with the Bank of Russia.

The increase in *Interest expenses on deposits taken from credit institutions on the domestic market* is due to the rise in the number of deposit transactions, and growth in the value of Bank of Russia auction operations on the domestic market.

Interest expenses on Bank of Russia debt obligations include interest expenses on OBR.

Interest expenses on funds raised against the collateral of foreign currency-denominated securities on foreign markets include interest expenses on other funds raised from non-resident banks (repo). The decrease recorded under this item resulted from the reduction in interest rates on repo transactions on foreign markets to raise funds against the collateral of foreign currency-denominated securities.

Other mostly include interest expenses on deposits taken from the DIA, totalling 5,070 million roubles (2008: 99 million roubles) and expenses paid by the Bank of Russia on accounts opened for Vnesheconombank and VTB Bank in foreign currencies, totalling 34 million roubles (2008: 176 million roubles).

18. EXPENSES ON SECURITIES TRADING

	<i>(millions of roubles)</i>	
	2009	2008
Expenses on operations with foreign securities	34,035	36,470
Expenses on operations with Russian government debt obligations	311	534
Other	266	143
Total	34,612	37,147

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.

Other in this Note mainly include expenses on commission payments in securities trading and payments for the depository services.

19. CASH TURNOVER MANAGEMENT EXPENSES

This balance sheet item includes expenses involved in the manufacture, transportation, 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.

20. NET EXPENSES ON PROVISIONS / INCOME FROM THE RECOVERY OF PROVISIONS

	<i>(millions of roubles)</i>	
	2009	2008
Increase in provisions for foreign currency loans and deposits placed with resident banks	81,232	35,742
Increase in provisions for rouble loans and deposits placed with resident banks	85,068	28,006
Increase in provisions for rouble loans extended to credit institutions under certain federal laws	60,138	25,057
Increase in provisions for funds provided to state corporations	23,606	—
Increase/decrease in provisions for credit institutions' debt on other operations	1,948	(44)
Decrease in provisions for securities	—	(12,737)
Increase/decrease in provisions for Bank of Russia compensation payments to depositors of bankrupt banks	47	(67)
Decrease in provisions for other active operations	(149)	(51)
Total	251,890	75,906

The increase in net expenses on provisioning in the reporting year reflects the deterioration of the quality of Bank of Russia assets, and the increased risk of probable losses in operations to provide liquidity, due to the change in the financial situation of credit institutions.

The increase in provisions for foreign currency loans and deposits placed with resident banks is largely due to the provisioning for the US dollar-denominated deposits placed by the Bank of Russia with Vnesheconombank.

The increase in provisions for rouble loans and deposits placed with resident banks is connected with the increased risk of Bank of Russia probable losses in operations to provide liquidity due to the deterioration of the financial situation of credit institutions, counterparties of the Bank of Russia, and the worsened quality of debt service by some of the Bank of Russia's counterparties.

The increase in provisions for the rouble loans extended to credit institutions under certain federal laws is due to the provisioning for unsecured loans provided by the Bank of Russia, pursuant to federal law.

The increase in provisions for funds provided to state corporations resulted from the provisioning for the debt on the funds provided by the Bank of Russia for the implementation of bankruptcy prevention measures, pursuant to 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 increase in provisions for credit institutions' debt on other operations is due to the provisioning for the Bank of Russia's interest exposures on loans extended to credit institutions.

Provisions for Bank of Russia compensation payments to depositors of bankrupt banks were 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. Growth in these provisions is connected with the increase in funds transferred by the Bank of Russia to the agent banks for payments to depositors of bankrupt banks.

The decrease in provisions for other active operations is the result of the recovery of the previously unused part of the provision made for the debt owed by the CIS countries and Baltic states for cash of the 1961—1992 issue that has been paid to them, and the writing off of this debt from the Bank of Russia balance sheet.

21. EXPENSES ON NEGATIVE REVALUATION OF SECURITIES AVAILABLE FOR SALE

	<i>(millions of roubles)</i>	
	2009	2008
Expenses on negative revaluation of securities available for sale	10,916	98,048
Total	10,916	98,048

The accrued negative unrealised revaluation of securities available for sale, totalling 5,111 million roubles (2008: 95,433 million roubles) for certain issues of federal government debt obligations and 5,805 million roubles (2008: 2,615 million roubles) for foreign issuers' debt obligations, in 2009 was recorded to Bank of Russia expenses (Note 1(e)).

22. OTHER OPERATING EXPENSES

	<i>(millions of roubles)</i>	
	2009	2008
Depreciation allowances	9,880	8,905
Expenses on replenishment of supplementary pension funds	8,880	13,077
Expenses on IT maintenance and logistics	4,802	3,629
Security expenses	3,820	3,566
Repair expenses	3,347	3,064
Expenses on delivery of bank documents and valuables	2,750	2,663
Expenses on maintenance of buildings	2,271	2,010
Taxes and duties paid	1,855	1,548
Net negative realised differences for precious metals	1,645	804
Postage, telegraph and telephone expenses and expenses on renting communication lines and channels	1,322	1,224
Expenses involved in the use of titles to intellectual property	874	2,227
Expenses on foreign exchange operations	520	373
Expenses on operations with precious metals	102	129
Net realised foreign currency exchange rate differences	—	48,883
Other	4,093	3,746
Total	46,161	95,848

Additional funds totalling 8,880 million roubles were allocated to the supplementary pension fund for Bank of Russia employees as of 1 January 2010 on the basis of the actuarial appraisal report on the Bank of Russia pension obligations as of 1 January 2010 and pension expenses on 2009, and recorded to Bank of Russia expenses (Note 12).

Repair expenses reflect the cost of the repair of buildings and other facilities, security facilities, transport vehicles, equipment and appliances.

Net negative realised differences for precious metals are the realised differences that arose as a result of the purchase (sale) of precious metals on the domestic and foreign markets at higher (lower) prices than the Bank of Russia book prices (Note 1(c)).

Expenses on foreign exchange 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 refer 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 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:

	<i>(millions of roubles)</i>	
	2009	2008
Claims		
Claims for delivery of roubles in spot transactions	—	210,770
Claims for delivery of foreign currency in spot transactions	85,019	27,065
Claims for delivery of foreign currency-denominated securities in spot transactions	28,086	—
Claims for delivery of foreign currency in forward transactions	166,900	839,720
Claims for delivery of precious metals in forward transactions	95,609	22,188
Claims for delivery of foreign currency-denominated securities in forward transactions	18,985	14,672
Total claims	394,599	1,114,415
Obligations		
Obligations to deliver foreign currency in spot transactions	31,306	209,297
Obligations to deliver foreign currency-denominated securities in spot transactions	81,795	27,065
Obligations to deliver roubles in forward transactions	95,360	22,354
Obligations to deliver foreign currency in forward transactions	185,450	835,920
Obligations to deliver precious metals in forward transactions	211	—
Obligations to deliver foreign currency-denominated securities in forward transactions	—	16,531
Unrealised (positive) exchange rate differences	477	3,248
Total obligations	394,599	1,114,415

The decrease in *Claims for delivery of roubles in spot transactions* and *Obligations to deliver foreign currency in spot transactions* is attributable to the lack as of the reporting date of open spot conversion deals on the unified trading session of interbank currency exchanges.

The increase in *Claims for delivery of foreign currency in spot transactions* and *Obligations to deliver foreign currency-denominated securities in spot transactions* is connected with the conclusion of spot deals to sell securities by the Bank of Russia on the international financial market.

The emergence of *Claims for delivery of foreign currency in spot transactions* and *Obligations to deliver foreign currency in spot transactions* (accompanied by the decrease under this item owing to the lack of spot conversion deals as of the reporting date) is the result of the conclusion by the Bank of Russia of spot transactions to buy securities.

The decrease in *Claims for delivery of foreign currency in forward transactions* is due to the contraction of conversion transaction volumes on the domestic and foreign financial markets.

The increase in *Claims for delivery of precious metals in forward transactions* and *Obligations to deliver roubles in forward transactions* is the result of the conclusion of forward contracts to buy precious metals on the domestic market.

The increase in *Claims for delivery of foreign currency-denominated securities in forward transactions* is the result of the expansion of the volume of forward transactions to purchase securities on the international financial market.

The decrease in *Obligations to deliver foreign currency in forward transactions* is caused by the contraction of forward conversion volumes on the domestic and foreign financial markets.

The increase in *Obligations to deliver precious metals in forward transactions* is connected with the conclusion of precious metals option deals on the international market.

The decrease in *Obligations to deliver foreign currency-denominated securities in forward transactions* resulted from the contraction of forward securities sales on the international financial market.

Other claims and obligations recorded to off-balance sheet accounts include:

	<i>(millions of roubles)</i>	
	2009	2008
Securities accepted as collateral for funds placed	44,197	84,040
Securities received on a repo basis	507,710	822,141
Guarantees and sureties received by the Bank of Russia	297,940	270,285
Claims under credit agreements accepted as collateral for loans	204,590	121,162

Securities accepted as collateral for funds placed are securities accepted by the Bank of Russia from credit institutions as collateral for loans it extended to them.

Securities received on a repo basis are mostly securities accepted as collateral in repos with credit institutions on the domestic exchange and over-the-counter markets, and also foreign issuers' securities received by the Bank of Russia as collateral in repos with non-residents on the international market. The decrease is the result of the contraction in the volume of repos to provide funds against the collateral of securities on the domestic market as of the end of the year.

Securities received by the Bank of Russia as collateral in repos with resident credit institutions on the domestic exchange and over-the-counter markets are accounted for at their current (fair) value, totalling 281,758 million roubles (2008: 657,794 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 225,918 million roubles (2008: 164,347 million roubles), of which securities received in reverse repos that matched repos (Notes 4 and 9) had a current (fair) value of 15,120 million roubles (2008: 17,570 million roubles).

In addition, as of the end of 2009 the Bank of Russia received additional collateral in the form of foreign issuers' securities in repo transactions with non-residents on the international market, with a total current (fair) value of 34 million roubles.

Guarantees and sureties received by the Bank of Russia are the sureties accepted as collateral for the loans it extended.

Claims under credit agreements accepted as collateral for loans are claims under the credit agreements accepted by the Bank of Russia as collateral for 204,590 million roubles (2008: 121,162 million roubles) it extended in loans to credit institutions, of which claims under interbank credit agreements amounted to 400 million roubles (2008: zero roubles).

25. IMPACT OF GLOBAL FINANCIAL MARKET TURMOIL ON BANK OF RUSSIA MANAGEMENT OF FOREIGN EXCHANGE RESERVES

Credit risk on the international financial markets remained high in 2009 because of the global financial and economic crisis. In order to manage credit risk involved in investing its foreign exchange reserves, the Bank of Russia, mindful of the evolving situation, took the following measures:

- it continued to lower credit limits on its counterparties in operations on foreign markets;
- it reduced its investments in the securities of US federal mortgage agencies to zero;
- it set limits on the maximum value of funds placed in long-term reverse repos.

Thus, the measures taken by the Bank of Russia during the reporting year were aimed at minimising the adverse impact of the global financial market crisis on the value of its foreign exchange reserves, and ensuring in the most effective way that they are safe, liquid and profitable.

26. 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 2009 (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 Article 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', taking into account the profit tax settlement), were recognised in Bank of Russia accounting records in 2010 (Statement of Profit and its Allocation and Table *Capital, funds and profit allocation*).

Taxes and duties paid on 26 March 2010 after the final settlement from Bank of Russia profit for 2009 totalled 2 million roubles (Statement of Profit and its Allocation and Table *Capital, funds and profit allocation*).

Pursuant to 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', which suspended until 1 January 2013 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 profit for the year 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, 188,444 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, 60,302 million roubles were transferred from retained profit to the Bank of Russia Reserve Fund and 2,513 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 revenue on the Reserve Fund and National Wealth Fund assets for the period of 1 to 15 January 2009 totalled 26,933 million roubles. This amount was transferred by the Bank of Russia under the bank account agreements on 20 January 2009; interest paid for the period of 16 January to 31 December 2009 totalled 82,803 million roubles and interest paid for the period of 1 to 15 January 2010 totalled 9,587 million roubles; it was transferred on 21 January 2010.

In accordance with the decision of the general meeting of the National Depository Centre (NDC), a non-profit partnership, held on 28 April 2009, the NDC was reorganised into a closed joint-stock company and registered on 10 August 2009. NDC shares were floated as of the date of the reorganisation decision, in proportion to the number of votes of NDC members (the Bank of Russia has a 42.30% stake). The issue of NDC ordinary uncertified shares and the share issue report were registered by the Federal Financial Markets Service on 4 February 2010. The NDC shares received by the Bank of Russia were recorded to the Bank of Russia balance sheet on 30 March 2010.

In the first quarter of 2010, the Bank of Russia floated 544,425 million roubles of Bank of Russia bonds (OBR) and redeemed and bought back 100,318 million roubles of previously issued OBR.

STATEMENT OF PROFIT AND ITS ALLOCATION

	<i>(millions of roubles)</i>	
	2009	2008
1. Actual profit for the year	251,420	97,788
2. Taxes and duties paid from Bank of Russia profit under the Tax Code of the Russian Federation, total:		
of which:	161	164
— advance payments in the reporting year	159	187
— after the final settlement for the reporting year	2	(23)*
3. Profit after payment of taxes and duties under the Tax Code of the Russian Federation	251,259	97,624
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)**	188,444	48,812
5. Bank of Russia retained profit, total**	62,815	48,812
of which transferred to:		
— Bank of Russia Reserve Fund	60,302	46,860
— Bank of Russia Social Fund	2,513	1,952

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.

Different factors affected Bank of Russia profit in the reporting year. Unlike the situation in previous years, in 2009 Bank of Russia income from the placement of its gold and foreign exchange reserves decreased as interest rates on world financial markets fell significantly. At the same time, the role of interest income on the loans and deposits the Bank of Russia provided to resident credit institutions and other counterparties (as part of the measures taken to support the financial system and regulate banking sector liquidity) has grown considerably. Meanwhile, there was a fall in interest expenses related to the Reserve Fund and the National Wealth Fund, owing largely to the reduction in the value of the Reserve Fund accounts with the Bank of Russia. As a result of these factors, the financial result of the Bank of Russia in 2009 was better than in 2008.

Bank of Russia 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), which stipulates that after the Bank of Russia annual financial statements are approved by its Board of Directors, the Bank of Russia must transfer to the federal budget 50% of its actual profit for the year 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.

Pursuant to Article 4 and Article 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) has been suspended until 1 January 2013, and the share of Bank of Russia actual profit for the year transferred to the federal budget after the payment of taxes and duties under the Tax Code of the Russian Federation, has been set at 75 percent.

* Taxes and duties to be offset after the final settlement in 2009 as overpaid from Bank of Russia profit in 2008.

** Allocation of actual profit for the reporting year and remaining after payment of taxes, and duties under the Tax Code of the Russian Federation, is recognised in the Bank of Russia balance sheet in the current year (Note 26).

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	Other funds	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	146,752	4,950	448,758	306,549	1,033,190	7,965	—	1,948,164
Transferred to funds from other sources		2	211,616	29,079	151,392			392,089
Reserves and funds used		(1,164)		(242,976)				(244,140)
Balance as of beginning of year following reporting year	146,752	3,788	660,374	92,652	1,184,582	7,965	—	2,096,113
Transferred from reporting year profit*	60,302	2,513						62,815
Total inclusive of funds received as a result of allocation of reporting year profit	207,054	6,301	660,374	92,652	1,184,582	7,965	—	2,158,928

* 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 26).



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, 60,302 million roubles (2008: 46,860 million roubles) were allocated to the Bank of Russia Reserve Fund from retained profit for 2009.

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, which is formed from Bank of Russia retained profit, is mainly used to provide one-off social benefits to Bank of Russia employees.

The procedure for creating and using the Social Fund is established 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, 2,513 million roubles, or 4% (2008: 1,952 million roubles, or 4%) of Bank of Russia retained profit for 2009, has been transferred to the Bank of Russia Social Fund.

According to the decision by 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 211,616 million roubles (2008: 89,027 million roubles), was recorded in 2009 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 positive unrealised exchange rate differences over negative ones, totalling 151,392 million roubles (2008: 1,033,190 million roubles), in 2009 was 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 are evaluated (revalued) at their current (fair) value. The accrued positive revaluation of securities available for sale, totalling 29,079 million roubles (2008: 306,549 million roubles), was recorded in 2009 to the balance sheet account *Positive revaluation of securities available for sale* as part of Bank of Russia capital. The positive revaluation accrued in 2008 was written off, as securities of the corresponding issue (issuer) were retired (sold) in 2009, and also used to settle the negative unrealised revaluation of securities of the corresponding issue (issuer), accrued in 2008 and totalling 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

	<i>(millions of roubles)</i>	
	2009	2008
Foreign issuers' debt obligations, of which:		
US and Canadian issuers' debt obligations	4,843,693	4,064,894
— denominated in US dollars	4,843,693	4,064,894
— denominated in euros	—	—
EU issuers' debt obligations	6,308,483	6,503,907
— denominated in US dollars	197,202	261,136
— denominated in euros	5,029,741	5,174,291
— denominated in pounds sterling	1,081,540	1,068,480
Japanese issuers' debt obligations	153,097	151,225
— denominated in Japanese yen	153,097	151,225
Debt obligations of international organisations	43,794	121,730
— denominated in US dollars	7,799	35,278
— denominated in euros	35,250	63,185
— denominated in pounds sterling	745	23,267
Subtotal	11,349,067	10,841,756
Russian and foreign issuers' debt obligations issued in Russia, of which:		
Russian federal government debt obligations	357,100	353,205
— denominated in roubles	193,330	188,270
— denominated in US dollars	163,770	164,935
Other Russian issuers' debt obligations	23,208	2,226
— denominated in roubles	1,942	2,226
— denominated in US dollars	21,266	—
Foreign issuers' debt obligations issued in Russia	—	—
— denominated in roubles	—	—
Promissory notes issued by credit institutions	27	27
Subtotal	380,335	355,458
Total	11,729,402	11,197,214

Foreign securities are mostly US Treasuries and the government debt obligations of Germany, France, Britain, Sweden, Belgium, the Netherlands, Austria, Spain, Finland, Denmark and Japan, as well as the debt securities issued by extra-budgetary funds and federal agencies of these countries and international financial organisations, and the covered securities of German credit institutions.

The increase recorded under this item is due to growth in investments in foreign government securities connected with the contraction in the volume of Bank of Russia investments in instruments vulnerable to credit risk.

In 2009, the Bank of Russia continued to actively use the market instruments of monetary regulation. Depending on the monetary situation, it used government securities, its own bonds and other Russian debt obligations on the securities market to sterilise excess liquidity or provide funds to credit institutions. Specifically, the Bank of Russia

- bought securities with an obligation to resell for a term of one day, seven days, 180 days, and 360 days (repo operations);
- bought and sold Bank of Russia bonds placed without an obligation to repurchase.

Russian government debt obligations denominated in roubles are OFZ bonds.

The principal factor of growth in the balance recorded under this item is their revaluation at fair value.

Russian government debt obligations denominated in US dollars are internal and external foreign currency bonds. The change is attributable to the purchase and sale of bonds, their revaluation at current (fair) value and the change in the US dollar exchange rate against the rouble.

The rouble-denominated debt obligations of other Russian issuers are securities issued by regional governments and other Russian issuers. The change in the value of these securities is due to their sale on the domestic market and securities redemption by issuers.

The US dollar-denominated debt obligations of other Russian issuers are Vnesheconombank bonds purchased by the Bank of Russia on the domestic market.

**BANK OF RUSSIA INVESTMENTS IN AUTHORISED CAPITAL
OF BANKS AND OTHER ORGANISATIONS**

(millions of roubles)

Title	2009		2008	
	Balance sheet value	Share in authorised capital, percent (at par)	Balance sheet value	Share in authorised capital, percent (at par)
Investments in resident shares, of which:	84,307		84,307	
Sberbank	84,004	57.58	84,004	57.58
Moscow Interbank Currency Exchange (MICEX)	300	29.79	300	29.79
St Petersburg Currency Exchange (SPCEX)	3	8.90	3	8.90
Investments in non-resident shares, of which:	1,321		1,281	
Bank for International Settlements, Basel	1,320	0.59	1,280	0.59
Society for Worldwide Interbank Financial Telecommunications (S.W.I.F.T.), Belgium	0.698	0.006	0.667	0.006
Other investments in resident capital, of which:	25		25	
National Depository Centre (NDC)	25	42.30	25	49.00*
Other investments, of which:	10		10	
Interstate Bank	10	50.00	10	50.00

* Bank of Russia share in NDC property transferred by founders.

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 2009, the Bank of Russia did not conduct any operations with Sberbank, MICEX or SPCEX shares.

Growth in *Shares of credit institutions and other organisations* (investments in non-resident shares) was due to the revaluation of the Bank of Russia's investments in the authorised capital of the Basel-based Bank for International Settlements and Society for Worldwide Interbank Financial Telecommunications (S.W.I.F.T.), Belgium, as a result of the change in the exchange rate of foreign currencies against the rouble.

The National Depository Centre (NDC), a closed joint-stock company, was founded in 2009 as a result of the reorganisation of a non-profit partnership with the same name. NDC shares were floated as of the date of the reorganisation decision (28 April 2009) in proportion to the number of votes of NDC members (the Bank of Russia has a stake of 42.30%). The contraction of the Bank of Russia's share in 2009 resulted from the reorganisation and the switch to the share distribution method, according to the stakes in the NDC's voting capital. The issue of the NDC ordinary uncertified shares and the share issue report were registered on 4 February 2010.

**STATEMENT OF VOLUME OF BANK OF RUSSIA TRANSACTIONS
ON STOCK EXCHANGES AND (OR) OTHER TRADE ORGANISERS
ON 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 on behalf of its customers		Volume of Bank of Russia sales of collateral for Lombard loans and repos	
	2009	2008	2009	2008	2009	2008
MICEX	51,409,750	40,591,244	448,343	381,479	476	4,431
MICEX Stock Exchange	4,662,631	—	—	—	—	—
	56,072,381	40,591,244	448,343	381,479	476	4,431

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 purchase of Russian government securities to the Bank of Russia portfolio and sale of Russian government securities, regional government securities and other Russian issuer securities from the Bank of Russia 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 sale of securities in their second part.

The change in the volume of transactions was mainly the result of growth in repo and Bank of Russia bond trade volumes.

The column *Volume of Bank of Russia securities trading on behalf of its customers* shows summary data for the corresponding year on the purchase and sale of Russian government securities by the Bank of Russia on the instructions 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 lending operations, as a result of the failure by credit institutions to fulfil their obligations to repay loans to the Bank of Russia.

STATEMENT OF BANK OF RUSSIA PERSONNEL COSTS

Items of expenditure	<i>(millions of roubles)</i>	
	2009	2008
Compensation	52,696	44,763
Salary and other benefit accruals	6,857	6,440
Other benefits	5,798	5,039
Total Bank of Russia personnel costs	65,351	56,242

Bank of Russia personnel costs in 2009 increased by 9,109 million roubles, or 16.2%, year on year; of this, compensation grew by 7,933 million roubles, or 17.7%, while other benefits rose by 759 million roubles, or 15.1%, and salary accruals went up 417 million roubles, or 6.5%.

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 of holiday travel expenses on 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 region, 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, other benefits.

The number of Bank of Russia employees in 2009 decreased by 31 (or 0.04%) and totalled 69,511.

The average monthly income of a Bank of Russia employee in 2009 was 70,126 roubles (2008: 59,679 roubles).

The unified social tax rate averaged 12.8% in 2009 (2008: 14.2%). Deductions 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 2009	Actual amount in 2009	Actual amount in 2008
Capital investment	16,878	15,420	14,057
Capital investment in fixed assets, of which:	16,072	14,910	13,650
— capital investment in information technology	6,394	5,818	5,259
— capital investment relating to cash turnover management	5,181	4,778	4,496
— capital investment in construction (reconstruction) and logistics (except cash turnover management)	3,203	3,044	2,734
— capital investment relating to security and protection of Bank of Russia facilities	1,294	1,270	1,161
Capital investment in intangible assets	777	510	407
Centralised capital investment reserve	29	—	—
Memo item:			
Other capital expenses	389	362	261
Total capital expenses	17,267	15,782	14,318

Capital investment in information technology made up the largest part of Bank of Russia capital investment (37.7%). *Capital investment relating to cash turnover management* accounted for 31%, *capital investment in construction (reconstruction) and logistics* 19.8%, *capital investment relating to security and protection of Bank of Russia facilities* 8.2% and *capital investment in intangible assets* 3.3%.

Capital investment in information technology in 2009 increased by 559 million roubles, or 10.6%, year on year, and were used to finance: the maintenance and operation of accounting systems; the completion of the transfer of the Moscow and Moscow Region payment data processing systems to the Moscow-based collective data processing centre; the upgrading of the automated banking electronic speed payment, information analysis and applied transportation systems ensuring the protection and safety of information; the replacement of obsolete computer and office equipment; and the modernisation of the Bank of Russia's technical infrastructure.

Capital investment relating to cash turnover management increased by 282 million roubles, or 6.3%, and were used to finance the construction (reconstruction) of cash depositories and cash centres (in all, seven projects, of which two are carryover projects and five are at their blueprint stage), the modernisation of cash counting and sorting machines, the purchase of equipment to automate and mechanise cash operations, units for the destruction of worn banknotes and systems to remove and briquette worn note edges, the installation of video surveillance and registration systems for operations with valuables in the cash counting centres, and the purchase of specialised vehicles to carry and protect valuables.

Capital investment in the construction (reconstruction) of Bank of Russia logistics projects, excluding those relating to the management of cash turnover, in 2009 increased by 310 million roubles, or 11.3% year on year. They were used to finance the construction (reconstruction) of office buildings and other structures (in all, 83 projects, of which 12 were carryover projects, 17 were launched

and 54 were blueprinted), 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 security and protection of Bank of Russia facilities increased by 109 million roubles, or 9.4%, in 2009 year on year, and included expenses on the replacement of expired-date security, fire-alarm and video security and surveillance systems, as well as control and access control systems, and the development of new security systems.

Capital investment in intangible assets grew by 103 million roubles, or 25.3%, in 2009 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 are expenses on the purchase of (and title to) software products unrelated to intangible assets and licences, certificates and permits with terms of longer than one year. Compared to 2008, these expenses increased by 101 million roubles, or 38.7%.



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AUDITOR'S REPORT
on the Bank of Russia Annual Financial Statements for 2009
by an Independent Audit Firm

To the management of the Central Bank of the Russian Federation

Information about the Auditor:

Title: Closed Joint-Stock Company Ernst & Young Vneshaudit

Domicile: 115035, Russia, Moscow, Sadovnicheskaya Nab. 77, bld. 1

Certificate of registration in the Single State Register of Corporate Entities of a corporate entity registered before 1 July 2002, registration date 16 September 2002, serial number 77 No. 008050714, registered by state enterprise Moscow Registration Chamber on 30 August 1994, under No. 033.468, under main state registration number 1027739199333.

Ernst & Young Vneshaudit, a closed joint-stock company (ZAO), is a member of a non-profit partnership, Russian Audit Chamber (NP APR), which is registered in the state register of self-regulating audit organisations under registration No. 01. Ernst & Young Vneshaudit is registered in the NP APR register of auditors and audit organisations as No. 3027 and is also included in the register of auditors and audit organisations, under main registration entry number 10301017410.

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)', (with subsequent amendments) and other federal laws.

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 2009 until 31 December 2009. 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)' (with subsequent amendments), 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 on the securities market (hereinafter all these statements are collectively referred to as the Annual Financial Statements). Responsibility for the accounting procedure and the compilation and presentation of the Annual Financial Statements is borne by the Bank of Russia. Our duty is to express our opinion, based on the audit we have conducted, about the credibility of these Annual Financial Statements in all material respects.

We have conducted this audit in compliance with the Federal Law on Auditing, the Federal Law on the Central Bank of the Russian Federation (Bank of Russia), Federal Audit Rules (Standards), and Audit Rules (Standards) approved by the Russian Federation President's Audit Commission, and International Audit Standards.

With the exception of the circumstance described below, this audit was planned and conducted in such a way as to allow us to become reasonably convinced that the Annual Financial Statements contained no material distortions. This audit was conducted on a selective basis and included an examination through the testing of evidence confirming the numerical indicators and disclosure of information about the financial and economic activities in the Annual Financial Statements, an assessment of compliance with the accounting principles and rules used in compiling the Annual Financial Statements, a consideration of the material estimates made by the Bank of Russia management and an assessment of the general presentation of the Annual Financial Statements. We believe that the audit we have conducted gives us sufficient reason to express our opinion about the credibility of the Annual Financial Statements.

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 Russian Federation Law No. 5485-1, dated 21 July 1993, 'On State Secrecy' (with subsequent amendments). Pursuant to Article 25 of the Federal Law on the Central Bank of the Russian Federation (Bank of Russia), the



annual balance sheet and profit and loss account indicators listed below were confirmed by the Audit Chamber of the Russian Federation in its Statement of 27 April 2010, on the Results of the Examination of the Accounts and Operations of the Central Bank of the Russian Federation and Data Covered by the Russian Federation Law on State Secrecy as of 1 January 2010, and for the Period from 1 January 2009 until 31 December 2009. These operations and items in the Bank of Russia Annual Financial Statements as of 1 January 2010, and for the period from 1 January 2009 up to 31 December 2009, consist of:

- assets totalling 104,841 million roubles;
- liabilities totalling 1,343 million roubles;
- income totalling 13 million roubles;
- expenses totalling 13,665 million roubles;
- positive unrealised differences resulting from the revaluation of precious metals totalling 51,604 million roubles.

In our opinion, the aforementioned accounting procedure reflects, in all material aspects, the financial situation of the Bank of Russia as of 1 January 2010, and the results of its financial and economic activities for the period from 1 January to 31 December 2009, in compliance with the requirements of the Federal Law on the Central Bank of the Russian Federation (Bank of Russia), the Federal Law on Accounting, and Bank of Russia Regulation No. 66-P, dated 1 January 2006, 'On the Accounting Rules of the Central Bank of the Russian Federation (Bank of Russia)', except for the corrections (if there were any) that might be deemed necessary if we are able to verify the aforementioned indicators.

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.

13 May 2010

D.Y. Vainshtein,
Partner

Audit leader:
A.F. Lapina
Certificate of Competence (bank audit) No. K 030704,
of 30 October 2009, valid for an indefinite term

**THE AUDIT CHAMBER OF THE RUSSIAN FEDERATION**

119991, Moscow, ul. Zubovskaya, 2

Tel: 986-05-09, fax: 986-09-52

27 April 2010

No. 06-56/06-03

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 Russian Federation State Secrecy Law for 2009

**(approved by the decision of the Collegium of the Audit Chamber of the Russian Federation
of 26 April 2010, protocol No. 21K (723))**

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 covered by the Russian Federation State Secrecy Law for 2009 in the divisions and regional branches of the Central Bank of the Russian Federation, pursuant to 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 2010.

Responsibility for relating information to the category of data covered by the Russian Federation State Secrecy Law 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 2010, is borne by the management of the Central Bank of the Russian Federation (Bank of Russia).

It is the duty of the Audit Chamber of the Russian Federation under applicable legislation 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 and data covered by the Russian Federation State Secrecy Law for 2009 in the divisions and regional branches of the Central Bank of the Russian Federation, and express an opinion on credibility in all material aspects of the Bank of Russia Annual Financial Statements as of 1 January 2010, 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 2009, covered by the Russian Federation State Secrecy Law in the divisions and regional branches of the Central Bank of the Russian Federation, in such a way as to become sufficiently convinced that the Bank of Russia consolidated annual balance sheet (in respect to sub-accounts and off-balance sheet accounts) as of 1 January 2010, the consolidated income statement for 2009 and the statements included in the Bank of Russia Annual Financial Statements for 2009 and falling within the competence of the Audit Chamber of the Russian Federation do not contain any material errors and properly recognise in all material aspects the assets and liabilities of the Central Bank of the Russian Federation (Bank of Russia) as of 1 January 2010, and income and expenses of the Central Bank of the Russian Federation (Bank of Russia) for 2009, in line with the Bank of Russia's accounting policy.

Having examined Bank of Russia accounts and operations and data covered by the Russian Federation State Secrecy Law for 2009, 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 2010 (balance sheet assets totalling 104,841 million roubles and balance sheet liabilities totalling 1,343 million roubles), profit and loss account as of 1 January 2010 (income totalling 13 million roubles and expenses totalling 13,665 million roubles) and other statements included in the Bank of Russia Annual Financial Statements for 2009;

the revaluation of precious metals for the reporting year and as of 1 January 2010: positive unrealised differences from the revaluation of precious metals totalling 51,604 million roubles, of which: positive unrealised differences from the revaluation of precious metals totalling 45,034 million roubles and positive unrealised differences from the revaluation of silver in the period from 10 August to 31 December 2009 totalling 6,570 million roubles;

the consolidated annual balance sheet as of 1 January 2010 (in respect to sub-accounts and off-balance sheet accounts) and the consolidated income statement for 2009;

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 2010.

According to the accounting data of the Central Bank of the Russian Federation relating to the accounts and operations covered by the Russian Federation State Secrecy Law, a total of 4,629,715.9 million roubles in Bank of Russia notes and coins of the 1997 issue should be in circulation as of 1 January 2010 (exclusive of commemorative coins containing precious metals).

In the period from 1 January through 31 December 2009, the Bank of Russia put into circulation banknotes and coins (exclusive of commemorative coins containing precious metals) totalling 6,797,787.8 million roubles and withdrew from circulation Bank of Russia notes and coins of the 1997 issue (exclusive of commemorative coins containing precious metals) totalling 6,546,201.6 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 251,586.2 million roubles.

V.P. Goreglyad

ADDENDA

IV

IV.1. PRINCIPAL MEASURES TAKEN BY THE BANK OF RUSSIA TO IMPLEMENT THE SINGLE STATE MONETARY POLICY IN 2009

MONETARY POLICY INSTRUMENTS AND MEASURES

REQUIRED RESERVES. In order to implement the package of anti-crisis measures that was targeted at maintaining banking sector stability, the Bank of Russia issued the following documents:

- Ordinance No. 2170-U, dated 19 January 2009, ‘On the Setting of Required Reserve Ratios (Reserve Requirements) by the Bank of Russia’, which put off the gradual raising of the required reserve ratios (to 1.5% and 2.5%) from 1 February and 1 March 2009 to 1 May and 1 June 2009, respectively;
- Ordinance No. 2219-U, dated 23 April 2009, ‘On the Setting of Required Reserve Ratios (Reserve Requirements) by the Bank of Russia’, which provided for the raising of the required reserve ratios in four stages, by half a percentage point at each stage, on 1 May, 1 June, 1 July and 1 August 2009;
- Ordinance No. 2184-U, dated 10 February 2009, and Ordinance No. 2237-U, dated 22 May 2009, ‘On the Exclusion from the Reservable Obligations of the Obligations to the Deposit Insurance Agency and (or) Obligations to Investors Other than Credit Institutions’, which granted to credit institutions the right, first until 1 July 2009, and then until 1 March 2010, to not include in the reservable obligations those obligations arising in the course of providing financial aid in line with the Deposit Insurance Agency’s plan for participation in bankruptcy prevention measures, pursuant to 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’;
- Ordinance No. 2238-U, dated 22 May 2009, and Ordinance No. 2306-U, dated 9 October 2009, ‘On the Specifics of Granting Credit Institutions the Right to Average the Required Reserves’, which allowed credit institutions, until 1 March 2010, to average their required reserves (in compliance with Bank of Russia Regulation No. 255-P, dated 29 March 2004, ‘On Credit Institutions’ Required Reserves’, and Bank of Russia Regulation No. 342-P, dated 7 August 2009, ‘On Credit Institutions’ Required Reserves’) regardless of the classification group they are assigned to, as a result of the assessment of their economic situation, in compliance with the relevant Bank of Russia regulations.

To upgrade the required reserve mechanism, the Bank of Russia issued the following documents:

- Regulation No. 342-P, dated 7 August 2009, ‘On Credit Institutions’ Required Reserves’;
- Ordinance No. 2295-U, dated 17 September 2009, ‘On the Setting of Required Reserve Ratios (Reserve Requirements) by the Bank of Russia’, which set from 1 November 2009 at 2.5% the required reserve ratios for obligations to non-resident legal entities in roubles and foreign currency, obligations to individuals in roubles and foreign currency, and other credit institutions’ obligations in roubles and foreign currency. The following averaging ratios were set for the required reserve ratios, beginning from 1 November 2009: 1.0 for non-bank settlement credit institutions and clearing centres on the organised securities market and 0.6 for other credit institutions;
- Order No. OD-620, dated 17 September 2009, ‘On the Adjustment Ratio’, which set at 0.2, beginning from 1 November 2009, the adjustment ratio for the sum total of a credit institution’s obligations to other resident credit institutions on debt securities subject to exclusion from the reservable obligations;
- 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’, which excluded from the reservable obligations long-term obligations on credit institutions’ bonds with terms of

three years and more, and established a single procedure for presenting the calculation of the required reserves to the Bank of Russia and determining the required reserve averaging period for a large credit institution with a ramified network of divisions and for other credit institutions.

INTEREST RATES. As of the beginning of 2009, the *Bank of Russia's refinancing rate and overnight credit rate* stood at 13% p.a. By the decision of the Bank of Russia Board of Directors, these rates were lowered to 12.5% from 24 April 2009, 12% from 14 May 2009, 11.5% from 5 June 2009, 11% from 13 July 2009, 10.75% from 10 August 2009, 10.5% from 15 September 2009, 10% from 30 September 2009, 9.5% from 30 October 2009, 9% from 25 November 2009, and 8.75% p.a. from 28 December 2009.

The Bank of Russia Board of Directors set the following minimum *Lombard credit auction rates*:

Fourteen-day loans: 9.5% as of the beginning of 2009, 10.5% from 10 February 2009, 10% from 24 April 2009, 9.5% from 14 May 2009, 9% from 5 June 2009, 8.5% from 13 July 2009, 8.25% from 10 August 2009, 8% from 15 September 2009, 7.25% from 30 September 2009, 6.75% from 30 October 2009, 6.25% from 25 November 2009, and 6% p.a. from 28 December 2009;

Three-month loans: 10.5% as of the beginning of 2009, 11.5% from 10 February 2009, 11% from 24 April 2009, 10.75% from 14 May 2009, 10.25% from 5 June 2009, 9.75% from 13 July 2009, 9.5% from 10 August 2009, 9.25% from 15 September 2009, 8.75% from 30 September 2009, 8.25% from 30 October 2009, 7.75% from 25 November 2009, and 7.5% p.a. from 28 December 2009;

Six-month loans: 11.25% as of the beginning of 2009, 12.25% from 10 February 2009, 11.75% from 24 April 2009, 11.25% from 14 May 2009, 10.75% from 5 June 2009, 10.25% from 13 July 2009, 10% from 10 August 2009, 9.75% from 15 September 2009, 9.25% from 30 September 2009, 8.75% from 30 October 2009, 8.25% from 25 November 2009, and 8% p.a. from 28 December 2009;

Twelve-month loans: 11.75% as of the beginning of 2009, 12.75% from 10 February 2009, 12.25% from 24 April 2009, 11.75% from 14 May 2009, 11.25% from 5 June 2009, 10.75% from 13 July 2009, 10.5% from 10 August 2009, 10.25% from 15 September 2009, 9.75% from 30 September 2009, 9.25% from 30 October 2009, 8.75% from 25 November 2009, and 8.5% p.a. from 28 December 2009.

The Bank of Russia Board of Directors set the following minimum *repo auction interest rates*:

Overnight: 9.0% as of the beginning of 2009, 10.0% from 10 February 2009, 9.5% from 24 April 2009, 9% from 14 May 2009, 8.5% from 5 June 2009, 8% from 13 July 2009, 7.75% from 10 August 2009, 7.5% from 15 September 2009, 7.25% from 30 September 2009, 6.75% from 30 October 2009, 6.25% from 25 November 2009, and 6% p.a. from 28 December 2009;

Seven-day: 9.5% as of the beginning of 2009, 10.5% from 10 February 2009, 10% from 24 April 2009, 9.5% from 14 May 2009, 9% from 5 June 2009, 8.5% from 13 July 2009, 8.25% from 10 August 2009, 8% from 15 September 2009, 7.25% from 30 September 2009, 6.75% from 30 October 2009, 6.25% from 25 November 2009, and 6% p.a. from 28 December 2009;

Three-month: 10.5% as of the beginning of 2009, 11.5% from 10 February 2009, 11% from 24 April 2009, 10.75% from 14 May 2009, 10.25% from 5 June 2009, 9.75% from 13 July 2009, 9.5% from 10 August 2009, 9.25% from 15 September 2009, 8.75% from 30 September 2009, 8.25% from 30 October 2009, 7.75% from 25 November 2009, and 7.5% p.a. from 28 December 2009;

Six-month: 11.25% as of the beginning of 2009, 12.25% from 10 February 2009, 11.75% from 24 April 2009, 11.25% from 14 May 2009, 10.75% from 5 June 2009, 10.25% from 13 July 2009, 10% from 10 August 2009, 9.75% from 15 September 2009, 9.25% from 30 September 2009, 8.75% from 30 October 2009, 8.25% from 25 November 2009, and 8% p.a. from 28 December 2009;

Twelve-month: 11.75% as of the beginning of 2009, 12.75% from 10 February 2009, 12.25% from 24 April 2009, 11.75% from 14 May 2009, 11.25% from 5 June 2009, 10.75% from 13 July 2009, 10.5% from 10 August 2009, 10.25% from 15 September 2009, 9.75% from 30 September 2009, 9.25% from 30 October 2009, 8.75% from 25 November 2009, and 8.5% p.a. from 28 December 2009.

The Bank of Russia Board of Directors set the following *US dollar and euro overnight currency swap* interest rates:

13% as of the beginning of 2009, 12.5% from 24 April 2009, 12% from 14 May 2009, 11.5% from 5 June 2009, 11% from 13 July 2009, 10.75% from 10 August 2009, 10.5% from 15 September 2009, 10% from 30 September 2009, 9.5% from 30 October 2009, 9% from 25 November 2009, and 8.75% p.a. from 28 December 2009.

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: 10% as of the beginning of 2009, 11% from 2 February 2009, 12% from 10 February 2009, 11.5% from 24 April 2009, 11% from 14 May 2009, 10.5% from 5 June 2009, 10% from 13 July 2009, 9.75% from 10 August 2009, 9.5% from 15 September 2009, 9% from 30 September 2009, 8.5% from 30 October 2009, 8% from 25 November 2009, and 7.75% p.a. from 28 December 2009;

Seven-day: until 10 February 2009, interest rates were set at the level of the average weighted 14-day Lombard credit auction rate, 12% from 10 February 2009, 11.5% from 24 April 2009, 11% from 14 May 2009, 10.5% from 5 June 2009, 10% from 13 July 2009, 9.75% from 10 August 2009, 9.5% from 15 September 2009, 9% from 30 September 2009, 8.5% from 30 October 2009, 8% from 25 November 2009, and 7.75% p.a. from 28 December 2009;

30-day: 10.25% as of the beginning of 2009, 11% from 2 February 2009, 12% from 10 February 2009, 11.5% from 24 April 2009, 11% from 14 May 2009, 10.5% from 5 June 2009, 10% from 13 July 2009, 9.75% from 10 August 2009, 9.5% from 15 September 2009, 9% from 30 September 2009, 8.5% from 30 October 2009, 8% from 25 November 2009, and 7.75% p.a. from 28 December 2009.

The Bank of Russia Board of Directors set the following fixed interest rates on *repo operations*:

Overnight and 7-day: 10% as of the beginning of 2009, 11% from 2 February 2009, 12% from 10 February 2009, 11.5% from 24 April 2009, 11% from 14 May 2009, 10.5% from 5 June 2009, 10% from 13 July 2009, 9.75% from 10 August 2009, 9.5% from 15 September 2009, 9% from 30 September 2009, 8.5% from 30 October 2009, 8% from 25 November 2009, and 7.75% p.a. from 28 December 2009;

Twelve-month: 11.25% from 5 June 2009, 10.75% from 13 July 2009, 10.5% from 10 August 2009, 10.25% from 15 September 2009, 9.75% from 30 September 2009, 9.25% from 30 October 2009, 8.75% from 25 November 2009, and 8.5% p.a. from 28 December 2009.

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: 11% as of the beginning of 2009, 11.25% from 2 February 2009, 12% from 10 February 2009, 11.5% from 24 April 2009, 11% from 14 May 2009, 10.5% from 5 June 2009, 10% from 13 July 2009, 9.75% from 10 August 2009, 9.5% from 15 September 2009, 9% from 30 September 2009, 8.5% from 30 October 2009, 8% from 25 November 2009, and 7.75% p.a. from 28 December 2009;

91-day to 180-day: 12% as of the beginning of 2009, 12.5% from 10 February 2009, 12% from 24 April 2009, 11.5% from 14 May 2009, 11% from 5 June 2009, 10.5% from 13 July 2009, 10.25% from 10 August 2009, 10% from 15 September 2009, 9.5% from 30 September 2009, 9% from 30 October 2009, 8.5% from 25 November 2009, and 8.25% p.a. from 28 December 2009;

181-day to 365-day: 13% from 20 January 2009, 12.5% from 24 April 2009, 12% from 14 May 2009, 11.5% from 5 June 2009, 11% from 13 July 2009, 10.75% from 10 August 2009, 10.5% from 15 September 2009, 10% from 30 September 2009, 9.5% from 30 October 2009, 9% from 25 November 2009, and 8.75% p.a. from 28 December 2009.

The Bank of Russia Board of Directors set the following minimum interest rates at its *auctions of unsecured loans*:

One-week: 11.25% as of the beginning of 2009, 12.25% from 10 February 2009, 11.75% from 24 April 2009, 11.5% from 14 May 2009, 11% from 5 June 2009, 10.5% from 13 July 2009, 10.25% from 10 August 2009, and 10% p.a. from 15 September 2009;

Five-week: 11.5% as of the beginning of 2009, 12.5% from 10 February 2009, 12% from 24 April 2009, 11.75% from 14 May 2009, 11.25% from 5 June 2009, 10.75% from 13 July 2009, 10.5% from 10 August 2009, and 10.25% p.a. from 15 September 2009;

Three-month: 11.75% as of the beginning of 2009, 12.75% from 10 February 2009, 12.25% from 24 April 2009, 12% from 14 May 2009, 11.5% from 5 June 2009, 11% from 13 July 2009, 10.75% from 10 August 2009, and 10.5% p.a. from 15 September 2009;

Six-month: 12% as of the beginning of 2009, 13% from 10 February 2009, 12.5% from 24 April 2009, 12.25% from 14 May 2009, 11.75% from 5 June 2009, 11.25% from 13 July 2009, 11% from 10 August 2009, and 10.75% p.a. from 15 September 2009;

Twelve-month: 12.75% from 14 May 2009, 12.25% from 5 June 2009, 11.75% from 13 July 2009, 11.5% from 10 August 2009, and 11.25% p.a. from 15 September 2009.

The Bank of Russia Board of Directors set the following maximum *deposit auction* interest rates:

Four-week: 9% as of the beginning of 2009, 10% from 10 February 2009, 9.5% from 24 April 2009, 9% from 14 May 2009, 8.5% from 5 June 2009, 8% from 13 July 2009, 7.75% from 10 August 2009, 7.5% from 15 September 2009, 7% from 30 September 2009, 6.5% from 30 October 2009, 6% from 25 November 2009, and 5.75% p.a. from 28 December 2009;

Three-month: 10% as of the beginning of 2009, 11% from 10 February 2009, 10.5% from 24 April 2009, 10% from 14 May 2009, 9.5% from 5 June 2009, 9% from 13 July 2009, 8.75% from 10 August 2009, 8.5% from 15 September 2009, 8% from 30 September 2009, 7.5% from 30 October 2009, 7% from 25 November 2009, and 6.75% p.a. from 28 December 2009.

The Bank of Russia Board of Directors set the following fixed interest rates on *deposit operations conducted under Bank of Russia Regulation No. 203-P, dated 5 November 2002*:

Standard 'tom-next', 'spot-next' and 'call': 6.75% as of the beginning of 2009, 7.75% from 10 February 2009, 7.25% from 24 April 2009, 6.75% from 14 May 2009, 6.25% from 5 June 2009, 5.75% from 13 July 2009, 5.5% from 10 August 2009, 5.25% from 15 September 2009, 4.75% from 30 September 2009, 4.25% from 30 October 2009, 3.75% from 25 November 2009, and 3.5% p.a. from 28 December 2009;

Standard '1-week' and 'spot-week': 7.25% as of the beginning of 2009, 8.25% from 10 February 2009, 7.75% from 24 April 2009, 7.25% from 14 May 2009, 6.75% from 5 June 2009, 6.25% from 13 July 2009, 6% from 10 August 2009, 5.75% from 15 September 2009, 5.25% from 30 September 2009, 4.75% from 30 October 2009, 4.25% from 25 November 2009, and 4% p.a. from 28 December 2009.

REFINANCING OF CREDIT INSTITUTIONS. 1. To upgrade the procedure for extending Bank of Russia loans secured by credit institutions' assets and guarantees, the Bank of Russia issued the following documents:

- Order No. OD-93, dated 27 January 2009, 'On Amending Bank of Russia Order No. OD-101, Dated 14 February 2008, on Extending Bank of Russia Asset-Backed Loans to Credit Institutions', which set the adjustment ratios for the value of assets for which a regional government is liable, and the requirements for the international rating of credit institutions which can guarantee Bank of Russia loans;
- Order No. OD-251, dated 23 March 2009, 'On Extending Bank of Russia Loans Covered by Assets or Guarantees to the Correspondent Sub-accounts of Credit Institutions';
- Ordinance No. 2273-U, dated 10 August 2009, 'On Amending 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', which stipulated that promissory notes and claims under credit agreements for which the Russian federal government or municipal au-

thorities are liable, and promissory notes and claims under credit agreements of Quality Category 1 as well as Quality Category 2, for which limited liability companies or agricultural organisations are liable, could be accepted as collateral for Bank of Russia loans.

2. To extend the list of assets that may be used as collateral for Bank of Russia refinancing (lending) instruments, the Bank of Russia issued the following documents:

- Ordinance No. 2168-U, dated 13 January 2009, ‘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’, which stipulated that mortgage-backed bonds issued pursuant to Federal Law No. 152-FZ, dated 11 November 2003, ‘On Mortgage Securities’, could be put on the Bank of Russia Lombard List on the condition that the issuer’s obligations on these bonds are ensured by the joint guarantee of the Agency for Housing Mortgage Lending, an open joint-stock company;
- Ordinance No. 2180-U, dated 9 February 2009, ‘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’, which stipulated that shares and bonds of the issuers on the List of Systemically Important Organisations, approved by the government commission formed to enhance stability of the Russian economy could be put on the Bank of Russia Lombard List on the condition that these securities issues were listed at least on one stock exchange in Russia;
- Letters No. 17-T of 6 February 2009, No. 34-T of 6 March 2009, No. 39-T of 27 March 2009, No. 50-T of 20 April 2009, No. 62-T of 21 May 2009, No. 77-T of 25 June 2009, No. 89-T of 20 July 2009, No. 90-T of 24 July 2009, No. 98-T of 14 August 2009, No. 103-T of 28 August 2009, No. 113-T of 17 September 2009, No. 130-T of 26 October 2009, No. 136-T of 3 November 2009, No. 145-T of 17 November 2009, No. 171-T of 18 December 2009 and No. 184-T of 28 December 2009, ‘On the Inclusion of Securities in the Bank of Russia Lombard List’;
- Orders No. OD-341 of 20 April 2009, No. OD-454 of 9 June 2009, No. OD-520 of 13 July 2009, No. OD-553 of 6 August 2009, No. OD-616 of 15 September 2009, No. OD-630 of 29 September 2009, No. OD-726 of 11 November 2009, and No. OD-766 of 4 December 2009, ‘On Bank of Russia Adjustment Ratios’.

3. To adjust its refinancing procedure, the Bank of Russia issued Ordinance No. 2251-U, dated 23 June 2009, ‘On Invalidating Bank of Russia Regulation No. 65-P, Dated 30 December 1998, ‘On Bank of Russia Discounting Operations’.

4. To enhance the effectiveness of repo operations for the refinancing of credit institutions, the Bank of Russia carried out the following measures:

- on 9 February 2009, it began to conduct repo operations on the MICEX Stock Exchange under Bank of Russia Regulation No. 329-P, dated 28 November 2008, ‘On Terms and Conditions of Bank of Russia Repo Transactions with Russian Credit Institutions on the MICEX Stock Exchange’;
- on 26 February 2009, it began to conduct repo operations on the MICEX Stock Exchange with shares on the Bank of Russia Lombard List;
- on 13 May 2009, the Bank of Russia Board of Directors allowed the Bank of Russia to conduct repo operations at a fixed rate for a term of one year to refinance banks against the collateral of securities issued by Russian enterprises to finance infrastructure projects;
- on 2 June 2009, the Bank of Russia Monetary Policy Committee decided to hold 3-, 6- and 12-month repo auctions on a regular basis.

5. To improve the procedure for extending unsecured loans, the Bank of Russia passed the following amendments:

- Bank of Russia Ordinance No. 2202-U, dated 23 March 2009, ‘On Amending Bank of Russia Regulation No. 323-P, Dated 16 October 2008, on the Procedure for Extending Bank of Russia Unsecured Loans to Russian Credit Institutions’, which allowed the Bank of Russia to provide unsecured loans for a term of up to one year (the first auction of unsecured one-year loans was held on 8 June 2009) and set up a procedure for making uncompetitive bids (bids made without indicating the interest rate) at the auctions of Bank of Russia unsecured loans;

— on 10 April 2009, the Bank of Russia Board of Directors took the decision to temporarily raise credit risk limits for credit institutions being restructured.

6. To support the banking sector and facilitate the development of the financial markets, the Bank of Russia took part in the drafting of the following federal laws in 2009:

- Federal Law No. 181-FZ, dated 18 July 2009, ‘On Using Russian Federation Government Securities to Increase the Capitalisation of Banks’, which provided for the use of government securities as a means of increasing the capitalisation of Russian banks, and aimed to ensure the stability of the Russian financial system and supply the banking sector with the necessary resources for continued lending activity and for economic recovery;
- Federal Law No. 281-FZ, dated 25 November 2009, ‘On Amending Part 1 and Part 2 of the Tax Code of the Russian Federation and Certain Federal Laws’, which aimed to improve the regulation of forward transactions and defined financial derivatives and repo agreements;
- draft federal laws on clearing, the exchanges and organised trade, and the central depository, which aimed to improve the regulation of the domestic stock market and enhance its effectiveness.

7. In line with the decisions of its Board of Directors on the change in the level of interest rates on some of the Bank of Russia’s operations, the Bank of Russia in 2009 issued the following regulatory documents:

- Ordinances No. 2223-U of 23 April 2009, No. 2232-U of 13 May 2009, No. 2246-U of 4 June 2009, No. 2260-U of 10 July 2009, No. 2271-U of 7 August 2009, No. 2288-U of 14 September 2009, No. 2300-U of 29 September 2009, No. 2314-U of 29 October 2009, No. 2337-U of 24 November 2009, and No. 2370-U of 25 December 2009, ‘On the Bank of Russia Overnight Credit Interest Rate’;
- Ordinances No. 2222-U of 23 April 2009, No. 2230-U of 13 May 2009, No. 2247-U of 4 June 2009, No. 2259-U of 10 July 2009, No. 2270-U of 7 August 2009, No. 2287-U of 14 September 2009, No. 2299-U of 29 September 2009, No. 2313-U of 29 October 2009, No. 2336-U of 24 November 2009 and No. 2369-U of 25 December 2009, ‘On the Bank of Russia Refinancing Rate’;
- Ordinance No. 2171-U, dated 19 January 2009, ‘On Amending Clause 1 of Bank of Russia Ordinance No. 2139-U, Dated 28 November 2008, on Interest Rates on Asset-Backed Loans’;
- Ordinance No. 2174-U, dated 30 January 2009, ‘On Amending Bank of Russia Ordinance No. 2139-U, Dated 28 November 2008, on Interest Rates on Asset-Backed Loans’;
- Ordinances No. 2173-U of 30 January 2009, No. 2178-U of 9 February 2009, No. 2224-U of 23 April 2009, No. 2229-U of 13 May 2009, No. 2245-U of 4 June 2009, No. 2262-U of 10 July 2009, No. 2272-U of 7 August 2009, No. 2290-U of 14 September 2009, No. 2302-U of 29 September 2009, No. 2316-U of 29 October 2009, No. 2339-U of 24 November 2009, and No. 2372-U of 25 December 2009, ‘On the Bank of Russia Lombard Credit Interest Rate’;
- Ordinances No. 2179-U of 9 February 2009, No. 2220-U of 23 April 2009, No. 2233-U of 13 May 2009, No. 2243-U of 4 June 2009, No. 2263-U of 10 July 2009, No. 2269-U of 7 August 2009, No. 2291-U of 14 September 2009, No. 2303-U of 29 September 2009, No. 2317-U of 29 October 2009, No. 2340-U of 24 November 2009, and No. 2373-U of 25 December 2009, ‘On Interest Rates on Loans Secured by Assets or Guarantees’.

DEPOSIT OPERATIONS. To improve the procedure for conducting deposit operations and implement the decisions of its Board of Directors on the change of Bank of Russia deposit interest rates, the Bank of Russia issued the following documents:

- Letter No. 147-T of 20 November 2009 ‘On Appointment of Bank of Russia Regional Branch as Authorised Agent and on Authorised Agents of the Organised Securities Market Clearing Centres’, and Letter No. 148-T of 20 November 2009 ‘On Measures to Ensure the Implementation of Deposit Transactions in the MICEX Electronic Trade System in Connection with the Change in Authorised Agents of the Organised Securities Market Clearing Centres’, which changed the list of

the authorised agents at the organised securities market clearing centres implementing settlements of deposit transactions, conducted by the Bank of Russia with credit institutions using the MICEX Electronic Trade System (specifically, it included as its members the Samara and Siberian branches of the MICEX Clearing House);

- Ordinances No. 2177-U of 9 February 2009, No. 2221-U of 23 April 2009, No. 2231-U of 13 May 2009, No. 2244-U of 4 June 2009, No. 2261-U of 10 July 2009, No. 2268-U of 7 August 2009, No. 2289-U of 14 September 2009, No. 2301-U of 29 September 2009, No. 2315-U of 29 October 2009, No. 2338-U of 24 November 2009, and No. 2371-U of 25 December 2009, ‘On Bank of Russia Deposit Interest Rates’.

INTERRELATIONS WITH THE FEDERAL BUDGET AND GOVERNMENT EXTRA-BUDGETARY FUNDS

In order to implement the provisions of the Budget Code of the Russian Federation relating to the cash services provided for the execution of the budgets of the Russian Federation’s budget system by the Federal Treasury, and improve the procedure for servicing budget accounts, the Bank of Russia issued the following documents:

- Letter No. 115-T of 21 September 2009 ‘On the Procedure for Opening Accounts for the Regional Branches of the Federal Treasury to Record the Funds Transferred from the Federal Budget to Organisations Not Participating in the Budget Process’;
- Order No. OD-375, dated 30 April 2009, and Order No. 753-OD, dated 25 November 2009, amending Bank of Russia Order No. 278-OD, dated 21 April 2008, for the purpose of specifying the procedure for cooperation between Bank of Russia divisions fulfilling the obligations of the Bank of Russia under foreign currency bank (correspondent) account agreements between the latter and the federal bodies of executive power, and between the Bank of Russia and credit institutions;
- Ordinance No. 2363-U, dated 15 December 2009, ‘On Amending Bank of Russia Regulation No. 66-P, Dated 1 January 2006, on the Accounting Rules of the Central Bank of the Russian Federation (Bank of Russia)’, and Ordinance No. 2358-U, dated 11 December 2009, ‘On Amending Bank of Russia Regulation No. 302-P, Dated 26 March 2007, on the Accounting Rules of the Credit Institutions Located in the Russian Federation’, which amended (with the Federal Treasury’s approval) the titles and characteristics of the budget accounts;
- Bank of Russia Letter No. 104-T of 31 August 2009 ‘On Finance Ministry Order No. 46n, Dated 15 May 2009’, which set the procedure for transferring in 2009 the balances of funds received by federal budget-financed organisations from gainful activities, and funds they receive for temporary use from the corresponding accounts of the Federal Treasury’s regional branches to the federal budget, and also transferring them back to these accounts.

The Bank of Russia gave its approval for the following orders of the Finance Ministry:

- Order No. 102n, dated 1 October 2009, ‘On Amending Russian Federation Ministry of Finance Order No. 106n, Dated 24 November 2004, on Approval of the Rules on Posting Information in the Margins of Settlement Documents on the Transfer of Taxes, Duties and Other Payments to the Budget System of the Russian Federation’, the enforcement of which the Bank of Russia made known to its regional branches in its Letter No. 14-24/551 of 14 December 2009 and Letter No. 14-24/566 of 30 December 2009;
- Order No. 36n, dated 23 April 2009, ‘On the Approval of the Procedure for the Sending of Orders by the Federal Treasury and its Regional Branches to Suspend Operations in the Currency of the Russian Federation across the Accounts Opened for the Participants in the Budget Process in Bank of Russia Establishments and Credit Institutions for Violations of the Federal Budget Laws’, which the Bank of Russia made known to its regional branches in its Letter No. 125-T of 14 October 2009 ‘On Finance Ministry Order No. 36n, Dated 23 April 2009’;

- Order No. 49n, dated 4 June 2009, ‘On the Approval of the Procedure for Conducting an Experiment to Provide Cash to the Recipients of Federal Budget Funds by the Federal Treasury Using Settlement (Debit) Bank Cards’.

In order to administer certain types of budget revenues, the Bank of Russia issued the following documents:

- Ordinance No. 2334-U, dated 16 November 2009, ‘On Amending Bank of Russia Regulation No. 320-P, Dated 27 August 2008, on the Procedure for Administering Certain Types of Budget Revenues by the Central Bank of the Russian Federation’;
- Letter No. 27-T of 19 February 2009 ‘On Assigning the Powers to Coordinate the Receipt of Certain Types of Budget Revenues Administered by the Bank of Russia to the Divisions of its Regional Branches’;
- Ordinance No. 2239-U, dated 25 May 2009, ‘On Amending Bank of Russia Ordinance No. 2083-U, Dated 1 October 2008, on Assigning to the Bank of Russia Credit Institutions Licensing and Financial Rehabilitation Department the Powers to Administer Certain Sources of Budget Revenues’;
- Letter No. 81-T of 3 July 2009 ‘On Recommendations to Ensure Uniformity in the Approaches to Keeping Record Cards’;
- Letter No. 84-T of 8 July 2009 ‘On the Procedure for Verifying the Particulars of Payers Relating to the Receipts Administered by the Bank of Russia’;
- Letter No. 107-T of 7 September 2009 ‘On Control over the Presentation of Reports in Form 0409930’;
- Order No. OD-427, dated 25 May 2009, ‘On Amending Bank of Russia Order No. OD-122, Dated 21 March 2006, On the Administering of Certain Types of Budget Revenues by the Central Bank of the Russian Federation’.

To upgrade the procedure for compiling reports on the balances of budget accounts, the Bank of Russia issued Ordinance No. 2332-U, dated 12 November 2009, ‘On the List and Forms of and the Procedure for Compiling and Presenting Credit Institution Reports to the Central Bank of the Russian Federation’, Ordinance No. 2284-U of 31 August 2009, Ordinance No. 2304-U of 30 September 2009, and Ordinance No. 2376-U, dated 29 December 2009, ‘On Amending Bank of Russia Ordinance No. 1398-U, Dated 22 March 2004, on the List, Forms, Rules and Procedure for Compiling and Presenting Reports to the Central Bank of the Russian Federation by Bank of Russia Divisions’. These changed the forms of and procedure for presenting reports in forms 0409901, 0409902, 0409906, 0409907, 0409909, 0409911, 0409912, 0409919, 0409920, 0409926, 0409927 and 0409930.

Bank of Russia Ordinance No. 2292-U, dated 15 September 2009, ‘On Amending Bank of Russia Ordinance No. 1376-U, Dated 16 January 2004, on the List and Forms of and the Procedure for Compiling and Presenting Credit Institution Reports to the Central Bank of the Russian Federation’ and Ordinance No. 1398-U, dated 22 March 2004, on the List, Forms, Rules and Procedure for Compiling and Presenting Reports to the Central Bank of the Russian Federation by Bank of Russia Divisions’, repealed reporting in forms 0409904 and 0409914.

To account for the insurance premiums allocated to the financing of the funded part of retirement pensions, the Bank of Russia issued Ordinance No. 2361-U, dated 14 December 2009, ‘On Opening Accounts for the Pension Fund of the Russian Federation and its Branches in the Bank of Russia Divisions to Record the Allocated Amounts of Insurance Premiums for the Financing of the Funded Part of Retirement Pensions, Additional Insurance Premiums to the Funded Part of Retirement Pensions, and Employers’ Contributions in Favour of Insured Persons’, which was agreed with the Finance Ministry, Health and Social Development Ministry and Pension Fund of the Russian Federation.

Bank of Russia Letter No. 92-T of 28 July 2009 contains methodological recommendations for the Bank of Russia’s regional branches on the analysis of the execution of the consolidated budget of

the constituent territory of the Russian Federation, the budget of the constituent territory of the Russian Federation, and the municipal (local) budgets and the regional and municipal government debts.

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 2009 continued to upgrade foreign exchange control techniques.

For this purpose, it issued the following documents:

- Ordinance No. 2265-U, dated 23 July 2009, 'On Amending Bank of Russia Regulation No. 308-P, Dated 20 July 2007, on the Procedure for Passing Information by the Authorised Banks about the Violations by Individuals Conducting Foreign Exchange Operations of the Federal Foreign Exchange Laws, and the Regulations of the Foreign Exchange Control Authorities'. This changed the structure of reports about violations committed by customers presented by the authorised banks (as foreign exchange control agents) to the Russian Federal Service for Financial and Budget Supervision (Rosfinnadzor). The change is designed to reduce the amount of additional documents and information requested from the authorised banks by Rosfinnadzor regional branches in the course of carrying out procedures established by the Code of Administrative Offences of the Russian Federation;
- Letter No. 83-T of 7 July 2009 'On Methodological Recommendations on the Inspection of the Authorised Banks' Compliance with the Procedure for Passing Information about the Violations Committed by Persons Conducting Foreign Exchange Operations of the Federal Foreign Exchange Laws and the Regulations of the Foreign Exchange Control Authorities'. This was written for the purpose of providing methodological aid to Bank of Russia regional branches in preparing and conducting inspections of the authorised banks.

IV.2. PRINCIPAL MEASURES TO UPGRADE BANKING REGULATION AND SUPERVISION IN 2009

LICENSING OF CREDIT INSTITUTIONS' ACTIVITIES

In order to improve control over the sources of funds used to create the authorised capital of credit institutions and simplify the regulatory conditions of the placement of and trade in shares (stakes) of credit institutions, the Bank of Russia issued Regulation No. 337-P, dated 19 June 2009, 'On the Procedure and Criteria for the Assessment of the Financial Situation of Corporate Founders (Members) of a Credit Institution' (hereinafter referred to as Regulation No. 337-P) and Regulation No. 338-P, dated 19 June 2009, 'On the Procedure and Criteria for the Assessment of the Financial Situation of Individual Founders (Members) of a Credit Institution' (hereinafter referred to as Regulation No. 338-P), which:

- provided for the possibility of assessing the financial situation of not only corporate entities paying up shares (stakes) in a credit institution, but also their founders (members) and individuals that exert material influence on the decisions taken by management of the credit institution, provided that these individuals file the corresponding petition to the Bank of Russia;
- stipulated that regardless of the size of the shares (stakes) acquired in a credit institution, the assessment of the financial situation of the shareholders (members) is not to be made if they receive these shares (stakes) as a result of the increase of the authorised capital of the credit institution at the expense of its property, while equity capital adequacy is not to be assessed if the shares (stakes) in a credit institution have been received by way of succession as a result of the reorganisation of the credit institution's shareholders (members), or if the share owned by the credit institution is distributed among its members according to Federal Law No. 14-FZ, dated 8 February 1998, 'On Limited Liability Companies'.

In addition, Regulation No. 337-P:

- established the procedure for assessing the financial situation of corporate founders, taking account of the specific economic activity and the accounting regulation and net asset value calculation used by different investors, including unit and joint-stock investment funds, insurance companies, non-governmental pension funds, credit institutions and non-residents;
- reduced the amount of documents required of investors whose satisfactory financial situation is confirmed by the assigning to them by international rating agencies of a certain minimum long-term credit rating for foreign currency obligations or the assigning to them by the national rating agencies of certain minimum credit ratings.

Regulation No. 338-P also stipulates that the income (property) an individual may use as a source of funds to acquire shares (stakes) in a credit institution may additionally include the amount of the excess of the current market value of property (confirmed by an independent appraiser) over the value at which it was acquired and also the income (property) owned by his or her spouse, but in this case, the individual's income is additionally reduced by this individual's investments in the shares (stakes) of credit institutions and cash is excluded from the standard list of properties.

In view of the coming into force of Federal Law No. 28-FZ, dated 28 February 2009, 'On Amending the Federal Law on Banks and Banking Activities', the Bank of Russia made the relevant changes to its regulations on the state registration and licensing of credit institutions relating to the requirement for credit institutions to replace their euro-denominated equity capital with the rouble equivalent. Specifically, the Bank of Russia issued Ordinance No. 2256-U, dated 2 July 2009, 'On Amending Bank of Russia Ordinance No. 1807-U, Dated 27 March 2007, on the Procedure for Taking the Decision by the Bank of Russia on the State Registration of Changes Made to the Founding Documents of a Bank and Licensing Banking Operations, in Response to the Request by a Bank to Change

its Status to that of a Non-bank Credit Institution’, Ordinance No. 2257-U, dated 2 July 2009, ‘On Amending Clause 1.2 of Bank of Russia Regulation No. 275-P, Dated 11 August 2005, on the Procedure for Issuing Banking Licences to Credit Institutions which Had Bankruptcy Proceedings against them Terminated, Owing to the Settlement of their Obligations by their Founders (Members) or by a Third Party (Third Parties)’, Ordinance No. 2258-U, dated 2 July 2009, ‘On Invalidating Certain Regulations of the Bank of Russia’, and Ordinance No. 2277-U, dated 14 August 2009, ‘On Amending Bank of Russia Instruction No. 109-I, Dated 14 January 2004, on the Bank of Russia Decision-Making Procedure Relating to the State Registration of Credit Institutions and Licensing of Banking Operations’, (hereinafter referred to as Ordinance No. 2277-U).

In order to implement Federal Law No. 181-FZ, dated 18 July 2009, ‘On the Use of Federal Government Securities for the Purpose of Increasing the Capitalisation of Banks’, the Bank of Russia issued the following regulatory documents:

- Regulation No. 347-P, dated 12 November 2009, ‘On the Procedure for Paying up the Authorised Capital of Banks by Federal Loan Bonds and the Procedure for Issuing Preferred and Ordinary Shares for the Purpose of Increasing Capitalisation’ (hereinafter referred to as Regulation No. 347-P), which lifted the restrictions on the non-pecuniary authorised capital payment by property, the maximum amount of property (non-pecuniary) contributions to the authorised capital of a bank, and the restriction on the ratio of the nominal value of the floated preferred shares to the registered authorised capital of a credit institution, and removed the requirement to verify the correctness of the authorised capital payment of a bank participating in the capital-boosting procedure;
- Ordinance No. 2333-U, dated 12 November 2009, ‘On the Procedure for Taking the Decision by the Bank of Russia on the State Registration of Changes and Amendments Made to a Bank’s Charter and the Procedure for Obtaining Bank of Russia Prior Permission by a Bank to Acquire Russian Federal Government Preferred Shares in the Course of Implementing Capital-Boosting Procedures’ (hereinafter referred to as Ordinance No. 2333-U). Regulation No. 347-P and Ordinance No. 2333-U cut by half the time the Bank of Russia ordinarily took to consider the documents submitted by credit institutions;
- Ordinance No. 2364-U, dated 16 December 2009, ‘On Amending Bank of Russia Regulation No. 252-P, Dated 24 February 2004, on the Procedure for Considering by the Divisions of the Bank of Russia’s Head Office the Documents Submitted for the Decision-Making on the State Registration of Credit Institutions, the Decision-Making on the State Registration of Changes to the Founding Documents of Credit Institutions, and Obtaining Licences to Conduct Banking Operations’, and Ordinance No. 2365-U, dated 16 December 2009, ‘On the Procedure for Passing Information by the Bank of Russia to the Federal Executive Power Body Authorised by the Federal Government, about a Bank’s Compliance with the Requirements of the Federal Law on the Use of Federal Government Securities for the Purpose of Increasing the Capitalisation of Banks’, which set the time limits for consideration by the Bank of Russia of the documents relating to the changes made to the charter of a bank in connection with its participation in the capital-boosting procedure and the procedure for passing information to the Finance Ministry about a bank’s compliance with the requirements of the law.

The changes in the anti-monopoly (anti-trust) laws and the legal regulation of the limited liability companies also required the Bank of Russia to make amendments to its regulations. Its Ordinance No. 2277-U, dated 14 August 2009, brought Bank of Russia Instruction No. 109-I, dated 14 January 2004, ‘On the Bank of Russia Decision-Making Procedure Relating to the State Registration of Credit Institutions and Licensing of Banking Operations’ into compliance with Federal Law No. 135-FZ, dated 26 July 2006, ‘On the Protection of Competition’, and the changes made to the legislative regulation of the limited liability companies by Federal Law No. 312-FZ, dated 30 December 2008, ‘On Amending Part I of the Civil Code of the Russian Federation and Certain Laws of the Russian Federation’.

To make it easier for a credit institution to change its status to that of a non-bank credit institution, including cases in which a bank is unable to fulfil the order to gradually increase its equity capital, the Bank of Russia issued Ordinance No. 2279-U, dated 14 August 2009, ‘On Amending Bank of Russia Ordinance No. 1807-U, Dated 27 March 2007, on the Procedure for Taking the Decision by the Bank of Russia on the State Registration of Changes Made to the Founding Documents of a Bank and Licensing Banking Operations in Response to the Request by a Bank to Change its Status to that of a Non-bank Credit Institution’.

In addition, Bank of Russia Letter No. 180-T of 25 December 2009 ‘On the Activities of Credit Institutions in the Event of the Change of the Status of Bank to that of a Non-bank Credit Institution’, explained how a credit institution should settle obligations under the agreements it had concluded before it changed its status, which are off limits to non-bank credit institutions.

Bank of Russia Ordinance No. 2325-U, dated 5 November 2009, ‘On Amending Bank of Russia Ordinance No. 1176-U, Dated 5 July 2002, on the Business Plans of Credit Institutions’, cancelled the requirement that a credit institution should present to the Bank of Russia a business plan when changing its status to that of a non-bank credit institution or in the event of a merger or acquisition.

Bank of Russia Ordinance No. 2252-U, dated 26 July 2009, ‘On the Possibility of a Branch of a Credit Institution Keeping a Correspondent Sub-account for Some Time after its Status Was Changed to that of an Internal Division’, lifted the temporary restrictions on the powers of Bank of Russia regional branches to allow a branch of a credit institution reorganised into an internal division to keep (for some time) its correspondent sub-account (previously this decision could be taken by a Bank of Russia regional branch until 1 July 2009).

Bank of Russia Letter No. 72-T of 10 June 2009 ‘On Dealing with Banks in Connection with the Raising of their Equity Capital Requirements’, hereinafter referred to as Letter No. 72-T, contained recommendations that Bank of Russia regional branches tighten control over banks which would need to augment their capital in the next three years to meet the requirements of the law. Letter No. 72-T urged Bank of Russia regional branches to analyse in depth the augmentation of equity capital by banks in order to preclude fictitious capital augmentation, asset diversion or the unfair sale of a bank for the purpose of conducting suspect operations.

MEASURES TO UPGRADE BANKING RISK ASSESSMENT, MANAGEMENT AND SUPERVISION METHODOLOGIES

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 1), for the purpose of calculating the required equity capital adequacy ratio N1, the Bank of Russia issued 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 set up a procedure for implementing the standards of the simplified standardised approach to credit risk assessment, while Bank of Russia Regulation No. 346-P, dated November 3, 2009, ‘On the Procedure for Calculating Operational Risk’, put into practice the standards of the basic indicator approach to operational risk measurement.

In connection with the implementation of the aforementioned approaches, encouraged by Pillar 1 of Basel II, Bank of Russia 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’, made the necessary changes connected with the conversion of the capital adequacy measurement system to the use of country

estimates instead of the previously used approach based on a country's affiliation to the 'group of developed countries'.

To promote the use of the substantive approach to credit risk assessment with regard to the funds in banks' correspondent accounts in the counterparty credit institutions, the Bank of Russia issued Ordinance No. 2185-U, dated 12 February 2009, 'On Amending Bank of Russia Instruction No. 110-I, Dated 16 January 2004, on Banks' Required Ratios'. This set up the procedure for lifting the requirement for banks to calculate maximum risk per borrower or group of related borrowers (required ratio N6) regarding the funds in their correspondent accounts in the counterparty credit institutions. The only exception is the minimum balances of funds in correspondent accounts in the correspondent credit institutions, which must be kept (stored) in these accounts under the relevant agreements.

To adequately assess the risks taken by the credit institutions performing the functions of the central counterparty on the organised trading floors, the Bank of Russia issued Ordinance No. 2195-U, dated 6 March 2009, 'On Amending Bank of Russia Instruction No. 110-I, Dated 16 January 2004, on Banks' Required Ratios'. This set the procedure for including in the required ratio calculation the operations conducted on the organised trading floors with the participation of the central counterparty.

To assess the risks involved in banks' investments in the shares of closed unit investment funds, the Bank of Russia issued Letter No. 106-T of 4 September 2009, 'On the Specifics of the Assessment of the Risks Taken by Banks when Investing in the Shares of Closed Unit Investment Funds'. This explained the approaches to the risks taken by banks participating in the programmes (measures) to manage overdue (problem) debt by transferring rights to (claims on) overdue (problem) loans to the assets (property) of closed unit investment funds.

To provide guidelines for the banks that have changed their status to that of a non-bank credit institution, the Bank of Russia issued Letter No. 178-T of 24 December 2009, 'On the Specifics of Calculation of the Required Ratios by Credit Institutions that Have Changed their Status from a Bank to that of a Non-bank Credit Institution'.

To prevent non-bank settlement credit institutions from conducting non-statutory transactions, the Bank of Russia issued Ordinance No. 2285-U, dated 2 September 2009, 'On Amending Bank of Russia Instruction No. 129-I, Dated 26 April 2006, on Banking Operations and Other Transactions of Non-bank Settlement Credit Institutions, the Required Ratios for the Non-bank Settlement Credit Institutions and the Specifics of Bank of Russia Oversight of Compliance with These Requirements'. This:

- set the additional condition that for the loans extended to the settling participants to complete settlements from the liquidity-boosting fund to be categorised as Group 2 assets with a credit risk ratio of 10%, their term should not exceed three calendar days, and
- established the maximum amount of promissory note obligations of the non-bank settlement credit institutions (required ratio N16.2), prohibiting the non-bank settlement credit institutions from issuing their own promissory notes.

In order to upgrade the methodologies of classifying banks, and in light of the changes made to the regulations on which Bank of Russia Ordinance No. 2005-U, dated 30 April 2008, 'On the Assessment of the Economic Situation of Banks', is based, the Bank of Russia issued Ordinance No. 2267-U, dated 5 August 2009, 'On Amending Bank of Russia Ordinance No. 2005-U, Dated 30 April 2008, 'On the Assessment of the Economic Situation of Banks'. This set a limit on the use of profitability assessment indicators in evaluating the economic situation of the banks in classification group 3. It also specified the procedure for measuring a bank's financial result and the procedure and deadlines for reporting the classification group of a bank and the shortcomings discovered in its work on which the classification was based, to the one-man executive body of the bank, in the event where the Bank of Russia regional branch takes the decision to re-classify a bank within a quarter.

In order to upgrade the methodology for analysing organisations in the non-financial sector of the economy when supervising credit risk, the Bank of Russia in 2009 introduced a system designed to assess the financial soundness of these organisations.

In 2009, the Bank of Russia took steps to improve its methods for organising the consolidated supervision of credit institutions and to harmonise them with international best practices in this field. Specifically, it continued:

- to refine a federal law, which it had drafted jointly with the Finance Ministry, to amend the Federal Law on Banks and Banking Activities and the Federal Law on the Central Bank of the Russian Federation (Bank of Russia) for the purpose of specifying the main provisions of consolidated supervision and the disclosure of information by credit institutions, banking groups and bank holdings to interested users. On 4 June 2009, the Finance Ministry sent the draft law to the government. The document is now being refined on the instructions of the government, and agreed with the government ministries and departments concerned, and
- to upgrade the regulations on consolidated supervision, especially the procedures by which banking groups and bank holdings must present consolidated statements. The new regulations drafted by the Bank of Russia aim to upgrade the methodology for compiling consolidated statements and harmonise it with international practices, within the framework of the applicable versions of the Federal Law on Banks and Banking Activities and the Federal Law on the Central Bank of the Russian Federation (Bank of Russia).

MEASURES TO ORGANISE OFF-SITE SUPERVISION OF CREDIT INSTITUTIONS

To tighten control over the use by credit institutions of funds allocated for the support of the Russian financial system during the global economic crisis, Russian legislators in 2009 passed Federal Law No. 317-FZ, dated 30 December 2008, ‘On Amending Article 46 and Article 76 of the Federal Law on the Central Bank of the Russian Federation (Bank of Russia)’, hereinafter referred to as Federal Law No. 317-FZ, which instituted a body of Bank of Russia authorised representatives. Pursuant to this Federal Law, the Bank of Russia issued the following documents:

- Ordinance No. 2182-U, dated 9 February 2009, ‘On the Procedure for Appointing Bank of Russia Authorised Representatives, and Conducting and Terminating their Activities’. Approved by the Russian Government, this document stipulated the requirements for Bank of Russia employees whom the Bank of Russia could appoint as its authorised representatives, setting the procedures for appointing them and the procedures for conducting and terminating their activities, including the participation of the Bank of Russia’s authorised representatives on a non-voting basis in the meetings of bank executive bodies and bodies responsible for lending and assets and liabilities management;
- Ordinance No. 2181-U, dated 9 February 2009, ‘On the Procedure for Presenting Information and Documents by Credit Institutions to Bank of Russia Authorised Representatives’, which set the procedure for presenting information by a credit institution to a Bank of Russia authorised representative regarding its plans to carry out transactions (operations) and other information indicated in Federal Law No. 317-FZ.

In order to stimulate bank lending to the real economy and maintain banking sector stability during the crisis, the Bank of Russia issued the following documents:

- Ordinance No. 2359-U, dated 11 December 2009, ‘On Amending Clause 3 of 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’, which extended until 30 June 2010 the period during which credit institutions couldn’t downgrade the quality of loan debt service, in the event of an increase in the duration of overdue debt on loans (principal and (or) interest), the loan restructuring, and the use of the loan to repay the debt on a loan that had been extended to the borrower earlier;
- Ordinance No. 2205-U, dated 27 March 2009, ‘On Amending Bank of Russia Instruction No. 110-I, Dated 16 January 2004, on Banks’ Required Ratios’, which for the purpose of calculating banks’ equity capital adequacy ratio (N1) set at 50% the risk ratio for exposures to the

natural monopolies. For the purpose of calculating maximum risk ratio per borrower or group of related borrowers (N6), the ordinance stipulated that the participation of state corporations in the authorised capital of corporate entities put in their management should be considered analogous to the participation of the body of state power in the authorised capital of corporate entities, and cannot serve as grounds for assigning these corporate entities to the group of related borrowers.

To stimulate the mortgage lending programmes, the Bank of Russia issued the following documents:

- Ordinance No. 2254-U, dated 26 June 2009, ‘On Amending Bank of Russia Instruction No. 110-I, Dated 16 January 2004, on Banks’ Required Ratios’, which for the purpose of calculating the required equity capital adequacy ratio N1 and maximum risk per borrower or group of related borrowers N6, set the following risk mitigation factors: 70% for mortgage housing loans that met certain conditions and 10% for the exposures to mortgage loans extended to servicemen participating in the funded mortgage housing programmes;
- Ordinance No. 2355-U, dated 4 December 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 referred to as Ordinance No. 2355-U, which stipulated that when calculating loan loss provisions, credit institutions may include in their portfolios of homogenous loans mortgage-backed housing loans of up to 6 million roubles, if the borrower’s financial situation is categorised as average, and may not exclude these loans from the portfolios of homogenous loans if the borrower’s financial situation changes for the worse. In addition, the document added to the list of Category 1 collateral the mortgage of real estate provided as collateral for housing loans, and meeting a number of conditions.

In order to stimulate lending to small and medium-sized businesses, the Bank of Russia issued the following documents:

- Ordinance No. 2175-U, dated 2 February 2009, ‘On Amending Clause 5.1 of 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’, which enabled credit institutions for the purpose of making loan loss provisions to assign to their portfolios of homogenous loans the loans extended to small and medium-sized businesses, even if the latter are in arrears of principal and interest, and to include in the portfolios of homogenous loans loans of up to 1 million roubles when the financial situation of the borrower is evaluated as average, and not to remove these loans from the portfolios of homogenous loans if the borrower’s financial situation changed for the worse;
- Ordinance No. 2355-U lowered the requirement for the assessment of the financial situation of the mortgagor (third person) to ‘middle’ for the purpose of accepting the collateral provided by this person for inclusion in the calculation of the required loan loss provision.

To facilitate the additional capitalisation of the banking system, the Bank of Russia extended the list of possible sources of Tier 1 (core) capital of a credit institution by including in it:

- a new type of subordinated instrument (a subordinated loan with additional conditions attached), extended for a term of at least 30 years without any (coupon income) interest payments or accruals or loss coverage in case the borrower credit institution becomes liable for the bankruptcy prevention measures under Federal Law No. 40-FZ, dated 25 February 2009, ‘On the Insolvency (Bankruptcy) of Credit Institutions’. This subordinated loan may not be repaid sooner than 10 years after it was granted and the interest rate on it may be raised if the borrower reneges on its pledge for an early repayment (Bank of Russia Ordinance No. 2241-U, dated 1 June 2009, ‘On Amending Bank of Russia Regulation No. 215-P, Dated 10 February 2003, ‘On the Methodology for Measuring a Credit Institution’s Equity Capital’’).
- the part of the authorised capital of credit institutions, in the form of joint-stock companies, raised by issuing and floating preferred shares pursuant to Federal Law No. 181-FZ, dated 18 July 2009, ‘On the Use of Federal Government Securities for the Purpose of Increasing the Capitalisation of

Banks' (Bank of Russia Ordinance No. 2329-U, dated 11 November 2009, 'On Amending Bank of Russia Regulation No. 215-P, Dated 10 February 2003, 'On the Methodology for Measuring a Credit Institution's Equity Capital'').

To reduce the effect of the profitability assessment indicator on the overall assessment of the economic situation of banks amid the global crisis and economic recession, the Bank of Russia issued Ordinance No. 2226-U, dated 29 April 2009, 'On the Specifics of the Procedure for Assessing the Economic Situation of Banks', which placed a ban, until 31 December 2010, on the use of profitability assessment results for the classification of banks according to Bank of Russia Ordinance No. 2005-U, dated 30 April 2008, 'On the Assessment of the Economic Situation of Banks', and Letter No. 59-T of 30 April 2009, 'On the Specifics of the Assessment of the Economic Situation of Banks', which explained how Bank of Russia regional branches should behave during the moratorium.

In connection with the changes made to the accounting rules of credit institutions, and in order to harmonise the methodology for assessing the financial soundness of banks for the purpose of ascertaining their compliance with the deposit insurance system's requirements with the approaches used to assess the economic situation of banks, the Bank of Russia issued Ordinance No. 2242-U, dated 2 June 2009, 'On Amending Clause 5.2 of Bank of Russia Ordinance No. 1379-U, Dated 16 January 2004, on the Assessment of the Financial Soundness of a Bank for the Purpose of Ascertaining its Adequacy for Participation in the Deposit Insurance System', which specified the procedure for measuring the financial result of a bank and the profitability assessment indicators.

To harmonise the amount and content of information disclosed by credit institutions and banking groups with International Financial Reporting Standards (IFRS), the Bank of Russia issued Ordinance No. 2172-U, dated 20 January 2009, 'On the Publication and Presentation of Information about the Activity of Credit Institutions and Banking (Consolidated) Groups', which replaced Bank of Russia Ordinance No. 1270-U, dated 14 April 2003, 'On the Published Reports of Credit Institutions and Banking/Consolidated Groups'. The package of published reporting forms has been complemented by the Cash Flow Report. Ordinance No. 2172-U also provided for the disclosure of the explanatory note to the published reporting forms, if the credit institution or the parent credit institution of a banking (consolidated) group makes the corresponding decision, and the differentiation of the quarterly report publication times, depending on whether there is the auditor's report or there is not. In addition, pursuant to Article 8 of the Federal Law on Banks and Banking Activities, this ordinance established the order and procedure for presenting information by credit institutions and the parent credit institutions of banking (consolidated) groups, recommended them to provide individual and corporate customers with information about the full cost of a loan, in places where these customers are served, and set the periodicity for updating this information.

In addition, the Bank of Russia in 2009 sent the following regulatory documents to its regional branches:

- Ordinance No. 2194-U, dated 5 March 2009, 'On Amending Bank of Russia Regulation No. 242-P, Dated 16 December 2003, on the Organisation of Internal Controls in Credit Institutions and Banking Groups', which recommended measures that need to be taken to ensure continuity in the activities of credit institutions and (or) their recovery during an emergency;
- Letter No. 20-T of 10 February 2009 'On Relations with the US Financial Organisations', which dealt with issues relating to requests made by US financial organisations regarding the establishment or maintenance of correspondent relations, on behalf or on the instructions of organisations on the Fincen (US Financial Crime Enforcement Network) List;
- Letter No. 105-T of 3 September 2009 'On the Regulation of the Compensation Systems in Credit Institutions', which briefed credit institutions on international expertise involved in regulating the compensation systems in credit institutions and other financial organisations;
- Letter No. 143-T of 16 November 2009 'On Polling Credit Institutions', which provided advice on ways to conduct, on a voluntary basis, a survey of credit institutions for the purpose of monitoring their operational risk management practices.

MEASURES TO IMPROVE INSPECTION ACTIVITIES

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. 2196-U, dated 6 March 2009, ‘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. 2197-U, dated 6 March 2009, ‘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. 2266-U, dated 30 July 2009, ‘On Amending Clause 3.5 of Bank of Russia Ordinance No. 1542-U, Dated 13 January 2005, on the Specifics of Bank Inspections Conducted with the Participation of Deposit Insurance Agency Employees’;
- Letter No. 188-T of 30 December 2009 ‘On Methodological Recommendations for the Examination of the Organisation of Consumer Lending in a Credit Institution or its Branch’;
- Letter No. 175-T of 22 December 2009 ‘On the Presentation of the Bank Inspection Reports’;
- Joint Letter of the Main Inspectorate for Credit Institutions and the Bank of Russia’s Banking Regulation and Supervision Department No. 25-1-6/1669 of 3 September 2009 ‘On Cooperation in Organising Inspections’.

The following documents were issued in the course of the experiment to centralise inspections in the North-Western Federal District:

- Bank of Russia Ordinance No. 2204-U, dated 24 March 2009, ‘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 Ordinance No. 2328-U, dated 11 November 2009, ‘On the Specifics of the Compilation and Presentation of Reports in Form 0409038 *Information about Inspections Conducted by a Bank of Russia Regional Branch*’;
- Directive of the Main Inspectorate for Credit Institutions No. 53 of 27 October 2009 ‘On the Procedure for Monitoring and Inspecting an Organisation and the Internal Control of the Organisation of Inspections in the Course of the Experiment to Centralise Inspections in the North-Western Federal District’.

To supervise credit institutions that had received government aid funds, the Bank of Russia issued the following documents:

- Letter No. 40-T of 30 March 2009 ‘On the Letter Codes Used in Compiling Reports in Form 0409037 *Report on Inspections of Credit Institutions and their Branches*’;
- Letter No. 04-25-4/219 and Letter No. 04-25-4/220 of 20 January 2009 ‘On Conducting Inspections of Credit Institutions’;
- Letter No. 91-T of 27 July 2009 ‘On Cooperation between the Heads and Members of the Working Groups and the Bank of Russia Authorised Representatives Appointed to Credit Institutions Pursuant to Article 76 of the Federal Law on the Central Bank of the Russian Federation (Bank of Russia)’;
- Letter No. 189-T of 31 December 2009 ‘On Conducting Inspections of the Credit Institutions that Have Concluded Agreements with the Bank of Russia on Partial Compensation for Expenses (Losses) Incurred in Operations on the Interbank Market’.

FINANCIAL REHABILITATION AND LIQUIDATION OF CREDIT INSTITUTIONS

Bank of Russia Ordinance No. 2276-U, dated 14 August 2009, ‘On the Procedure for Revoking Banking Licences in the Event of the Reduction of the Equity Capital of a Bank Below the Level Set by the Federal Law on Banks and Banking Activities’, hereinafter referred to as Ordinance No. 2276-U,



was issued in connection with the passage of Federal Law No. 28-FZ, dated 28 February 2009, ‘On Amending the Federal Law on Banks and Banking Activities’, which raised the requirements for the equity capital of credit institutions and amended Article 20 of the Federal Law on Banks and Banking Activities, which established the grounds for the revocation of banking licences. Ordinance No. 2276-U set the procedure for establishing the grounds for taking the decision to revoke a bank’s licence in the event that its equity capital falls below the level set by Article 11.2 of the Federal Law on Banks and Banking Activities.

Bank of Russia Ordinance No. 2293-U, dated 17 September 2009, ‘On the Procedure for Revoking the Banking Licence from a Credit Institution in the Event of the Discovery of Significant Shortcomings in Reported Data’, hereinafter referred to as Ordinance No. 2293-U, was drafted to upgrade an applicable Bank of Russia regulation. The use of significant shortcomings in reported data as grounds for a licence revocation was made strictly conditional upon the preliminary submission to the credit institution of an order to rectify the faults discovered in it. Ordinance No. 2293-U introduced precise quantitative parameters for identifying significant shortcomings in reports and extended the list of violations that could result in the revocation of licences on these grounds.

Bank of Russia Ordinance No. 2218-U, dated 22 April 2009, ‘On the Procedure for Publishing in the *Bank of Russia Bulletin* the Announcement of the Ruling by the Arbitration Court to Declare a Credit Institution Bankrupt and Open Bankruptcy Proceedings (to Liquidate the Credit Institution)’, set the procedure for considering by Bank of Russia divisions the announcements sent to the Bank of Russia by receivers (liquidators and liquidation commissions).

Bank of Russia Ordinance No. 2282-U, dated 27 August 2009, ‘On Amending Clause 2.1 of Bank of Russia Ordinance No. 1516-U, Dated 17 November 2004, on the Procedure for the Competitive Selection of Agent Banks to Make Bank of Russia Compensation Payments on Household Deposits’, changed the requirements for the participation in the competitive selection of banks as follows:

- the minimum equity capital of the agent banks was raised to 20 billion roubles;
- an additional requirement was set, stipulating that to obtain the right to participate in the competitive selection, the bank should belong to Classification Group 1 or 2, established according to Bank of Russia Ordinance No. 2005-U, dated 30 April 2008, ‘On the Assessment of the Economic Situation of Banks’.

Bank of Russia Ordinance No. 2320-U, dated 3 November 2009, ‘On Amending 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’, hereinafter referred to as Ordinance No. 2320-U, and Bank of Russia Ordinance No. 2354-U, dated 3 December 2009, ‘On Amending Bank of Russia Ordinance No. 1528-U, Dated 14 December 2004, on the Rules of Procedure of the Commission to Accredit with the Bank of Russia Arbitration Managers as the Receivers of Bankrupt Credit Institutions’, hereinafter referred to as Ordinance No. 2354-U, were issued in connection with the passing of Federal Law No. 296-FZ, dated 30 December 2008, ‘On Amending the Federal Law on Insolvency (Bankruptcy)’, which changed the requirements set for the arbitration managers (receivers) by Article 20 of the Federal Law No. 127-FZ, dated 26 October 2002, ‘On Insolvency (Bankruptcy)’. Ordinance No. 2320-U and Ordinance No. 2354-U shortened the list of documents required for the accreditation of arbitration managers as the receivers of bankrupt credit institutions, while Ordinance No. 2320-U invalidated Bank of Russia Regulation No. 146-P, dated 7 August 2001, ‘On the Procedure for Certifying the Arbitration Managers (Liquidators) of Credit Institutions by the Bank of Russia’.

HOUSEHOLD DEPOSIT INSURANCE IN RUSSIAN BANKS

To implement the provisions of Federal Law No. 270-FZ, dated 22 December 2008, ‘On Amending the Federal Law on Insurance of Household Deposits in Russian Banks and Certain Other Laws of the Russian Federation’, the Bank of Russia issued the following regulatory documents:

- Regulation No. 345-P, dated 27 October 2009, ‘On the Procedure for Disclosing Information on the Bank of Russia Official Internet Site about Persons Exerting Material (Direct or Indirect) Influence on the Decisions Taken by the Management of Banks Participating in the Compulsory Household Deposit Insurance System’, which specified the composition of information and the procedure for posting it on the Bank of Russia’s official website in case the bank has opted for this means of disclosing information to the public;
- Ordinance No. 2312-U, dated 27 October 2009, ‘On Amending Bank of Russia Ordinance No. 1379-U, Dated 16 January 2004, on the Assessment of the Financial Soundness of a Bank for the Purpose of Ascertaining its Adequacy for Participation in the Deposit Insurance System’, which stipulated that a bank is considered to be ensuring an unlimited number of people access to information about individuals that exert material influence on it, if this information is posted on the bank’s website or on the Bank of Russia official website.

Bank of Russia Ordinance No. 2199-U, dated 17 March 2009, ‘On the Procedure for Taking the Decision to Demand that a Bank Keep a Register of its Obligations to Depositors’, hereinafter referred to as Ordinance No. 2199-U, systematised the requirements set by the Bank of Russia for the deposit insurance system member banks, relating to the creation of the register of obligations to depositors, pursuant to Federal Law No. 177-FZ, dated 23 December 2003, ‘On Insurance of Household Deposits in Russian Banks’, and Bank of Russia Ordinance No. 1417-U, dated 1 April 2004, ‘On the Form of the Register of a Bank’s Obligations to Depositors’, on a day-to-day basis and in the course of organising and carrying out scheduled and unscheduled inspections at various stages. The principal objective of Ordinance No. 2199-U is, on the one hand, to prevent unnecessary and exorbitant burden on banks when indefinitely requiring them to keep a register of obligations to depositors and, on the other hand, to create conditions allowing the Bank of Russia to require this whenever absolutely necessary.

Bank of Russia Ordinance No. 2296-U, dated 21 September 2009, ‘On the Procedure for Filing a Petition by a Bank to Terminate its Right to Handle Deposits in Response to the Demand by the Bank of Russia Made in the Event of the Bank’s Non-compliance with the Deposit Insurance System Requirements or Pursuant to Part 3.4 of Article 48 of the Federal Law on Insurance of Household Deposits in Russian Banks and the Procedure for Invalidating the Licence to Take Household Deposits in Roubles, or the Licence to Take Household Deposits in Roubles and Foreign Currency or the General Licence’, stipulated that the bank’s right to handle deposits is terminated on the day its licence is invalidated.

Bank of Russia Ordinance No. 2330-U, dated 11 November 2009, ‘On the Procedure for Prohibiting a Bank from Taking Household Deposits and Opening Personal Accounts’, established:

- the grounds on which the Bank of Russia *must* impose a ban and the grounds on which the Bank of Russia *may* impose a ban;
- the circumstances under which the Bank of Russia should be guided by the provisions of Federal Law No. 175-FZ, dated 27 October 2008, ‘On Additional Measures to Strengthen the Stability of the Banking System in the Period until 31 December 2011’, and not impose the ban;
- the time period during which the bank on which the ban was imposed cannot take household deposits or open bank accounts, and the procedure for handling the additional funds placed in a deposit (bank account) after the imposition of the ban;
- the duty of the bank on which the ban was imposed to post information about the termination of its right to accept household deposits and open personal accounts, and the recommendations on the content of this information;
- the procedure for taking the decision to impose the ban by the Bank of Russia Banking Supervision Committee and the procedure for executing the order to impose the ban, its form, the time period during which it should be imposed on the bank, and the time period during which the DIA should be notified about the date of the imposition of the ban.

MAINTAINING THE CENTRAL CATALOGUE OF CREDIT HISTORIES

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', stipulated that in addition to the existing channels used to make inquiries to and receive information from the Central Catalogue of Credit Histories (CCCH) about the credit bureaus where credit histories are kept (credit institutions, credit bureaus, the Bank of Russia website and post offices), a request with an inquiry may be filed to the CCCH through a notary.

Bank of Russia Ordinance No. 2351-U, dated 1 December 2009, '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 Website on the Internet', Bank of Russia Ordinance No. 2352-U, dated 1 December 2009, 'On Amending Bank of Russia Ordinance No. 1611-U, Dated 31 August 2005, on the Procedure for and Forms of Providing Information by Credit Bureaus Contained in Credit History Titles and the Codes of Credit History Holders to the Central Catalogue of Credit Histories', and Bank of Russia Ordinance No. 2353-U, dated 1 December 2009, 'On Amending Bank of Russia Ordinance No. 1612-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 to a Credit Institution'

- made it possible to deliver information in packages;
- specified the procedure for making up the code of a credit history holder;
- pursuant to Federal Law No. 218-FZ, dated 30 December 2004, 'On Credit Histories', which stipulated that the credit histories of individual unincorporated entrepreneurs are created in the same way as those of individuals, made similar changes to the procedure for sending credit history titles and requests about the location of credit histories to the CCCH;
- set the time limits for notifying credit history holders and users about the CCCH's replies to their inquiries about the availability of credit histories they made by filing requests to credit institutions.

COUNTERING THE LEGALISATION (LAUNDERING) OF CRIMINALLY OBTAINED INCOMES AND THE FINANCING OF TERRORISM

In 2009, 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'.

Pursuant to this Federal Law, the Bank of Russia issued the following regulatory documents:

- Regulation No. 321-P, dated 29 August 2008, 'On the Procedure for Passing Information by Credit Institutions to the Authorised Agency Required by the Federal Law on Countering the Legalisation (Laundering) of Criminally Obtained Incomes and the Financing of Terrorism' (this Regulation came into force on 1 January 2009);
- Letter No. 8-T of 23 January 2009 'In Addition to Bank of Russia Letter No. 137-T of 1 November 2008', which informed Bank of Russia regional branches and credit institutions about the elaboration by the Federal Customs Service of a procedure for considering credit institutions' inquiries, made to verify information in customs declarations, presented by customers to confirm foreign exchange transactions;
- Bank of Russia Letter No. 31-T of 27 February 2009 'On Information Posted on the Rosfinmonitoring (Federal Financial Monitoring Service) Website', containing information on

the posting on the Rosfinmonitoring official website of statements by international organisations working in the field of AML/FT;

- Bank of Russia Letter No. 144-T of 16 November 2009 ‘On the Use of Information Received from Rosfinmonitoring’ containing recommendations for Bank of Russia regional branches on the use of information received from Rosfinmonitoring under the Agreement of 17 May 2004 on Information Cooperation between the Central Bank of the Russian Federation and the Federal Financial Monitoring Service pursuant to the Federal Law on Countering the Legalisation (Laundering) of Criminally Obtained Incomes and the Financing of Terrorism’.

UPGRADING THE LEGISLATIVE FRAMEWORK OF OPERATION OF CREDIT INSTITUTIONS, AND BANKING REGULATION AND SUPERVISION

The following federal laws, drafted with the participation of the Bank of Russia, were passed in 2009:

- Federal Law No. 28-FZ, dated 28 February 2009, ‘On Amending the Federal Law on Banks and Banking Activities’, which provided for the step-by-step raising of minimum equity capital requirements for credit institutions;
- Federal Law No. 73-FZ, dated 28 April 2009, ‘On Amending Certain Laws of the Russian Federation’, which upgraded the procedure for disputing the debtor’s transactions in the course of bankruptcy proceedings and established vicarious liability against individuals who have or had the right to give instructions binding upon the debtor;
- Federal Law No. 103-FZ, dated 3 June 2009, ‘On the Activities Relating to the Receipt of Individual Payments by Payment Agents’, and Federal Law No. 121-FZ, dated 3 June 2009, ‘On Amending Certain Laws of the Russian Federation in Connection with the Passage of the Federal Law on the Activities Relating to the Receipt of Individual Payments by Payment Agents’;
- Federal Law No. 102-FZ, dated 3 June 2009, ‘On the Report by the Government of the Russian Federation and Communication by the Central Bank of the Russian Federation about the Implementation of Measures in Support of the Financial Market, Banking System, Labour Market, Sectors of the Russian Economy, Social Security and other Social Policy Measures’;
- Federal Law No. 168-FZ, dated 17 July 2009, ‘On Amending the Federal Law on Additional Measures to Support the Financial System of the Russian Federation’, which extended the period during which credit institutions could use the funds received in support of the financial system;
- Federal Law No. 181-FZ, dated 18 July 2009, ‘On Using Russian Federation Government Securities to Increase the Capitalisation of Banks’;
- Federal Law No. 193-FZ, dated 19 July 2009, ‘On Amending Article 11 of the Federal Law on Additional Measures to Strengthen Stability of the Banking System in the Period until 31 December 2011’, which extended Part 3 of Article 3 of this law to cover the banks, in regard to which the Bank of Russia in the period from 15 September 2008 to the day this law came into force took measures similar to the bankruptcy prevention measures stipulated by Article 2 of this law;
- Federal Law No. 227-FZ, dated 27 September 2009, ‘On the Suspension of Certain Provisions of Article 48 of the Federal Law on Insurance of Household Deposits in Russian Banks’, which temporarily repealed the duty of the Bank of Russia to prohibit the deposit insurance system member banks from taking household deposits and opening personal bank accounts in the event of non-compliance with the required capital, assets, profitability and liquidity assessment indicators and the required ratios;
- Federal Law No. 190-FZ, dated 18 July 2009, ‘On Credit Cooperation’;
- Federal Law No. 144-FZ, dated 1 July 2009, ‘On Amending Article 20 of the Federal Law on the Housing Reform Assistance Fund, and Article 65 of the Federal Law on Placing Orders to Deliver Goods, Perform Work and Provide Services for Federal Government and Municipal Projects’,

which set requirements for credit institutions in which residential property managers may open bank accounts;

- Federal Law No. 160-FZ, dated 17 July 2009, ‘On Amending the Code of Administrative Offences of the Russian Federation and Other Laws of the Russian Federation’, which improved anti-trust regulation and conditions for competition;
- Federal Law No. 216-FZ, dated 29 July 2009, ‘On Amending Article 178 of the Penal Code of the Russian Federation’, which provided for criminal responsibility for the infringement of the anti-trust laws;
- Federal Law No. 205-FZ, dated 19 July 2009, ‘On Amending Certain Laws of the Russian Federation’, which improved the procedures for settling corporate conflicts;
- Federal Law No. 212-FZ, dated 24 July 2009, ‘On Insurance Premiums to the Pension Fund of the Russian Federation, Social Insurance Fund of the Russian Federation, Federal Compulsory Medical Insurance Fund and Regional Compulsory Medical Insurance Funds’;
- Federal Law No. 280-FZ, dated 25 November 2009, ‘On Amending Article 4 of the Federal Law on Amending Article 11 of the Federal Law on Insurance of Household Deposits in Russian Banks and Certain Other Federal Laws’;
- Federal Law No. 281-FZ, dated 25 November 2009, ‘On Amending Part 1 and Part 2 of the Tax Code of the Russian Federation and Certain Laws of the Russian Federation’, which improved the legal regulation of taxation of the financial instruments used in forward transactions.

In 2009, the Bank of Russia participated in elaborating the following draft federal laws dealing with various aspects of the activities of credit institutions:

- draft federal law on micro-financial activities and micro-financial organisations, which established the legal framework for the registration, functioning and self-regulation of microfinancial organisations and set the regulatory requirements for them;
- draft federal law excluding the words ‘Russia’ and ‘Russian Federation’ from the applicable version of Article 7 of the Federal Law on Banks and Banking Activities;
- draft federal law amending the Federal Law on the Securities Market to require the nominal holder of shares in a credit institution to disclose information about individuals whose participation in the authorised capital of the credit institution should be disclosed to the Bank of Russia;
- draft federal law amending Article 61 of the Federal Law on the Central Bank of the Russian Federation (Bank of Russia) and the Federal Law on Banks and Banking Activities to specify the applicable legal standards regulating the procedure for obtaining the Bank of Russia’s prior permission to acquire and (or) receive in trust shares (stakes) in a credit institution;
- draft federal law 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 spell out the requirements for credit institution executives and grant to the Bank of Russia the right to determine criteria for their business reputation;
- draft federal law amending the Federal Law on Joint-Stock Companies to create a mechanism ensuring the election of independent directors to the board of directors (supervisory board) of joint-stock companies;
- draft federal law amending the Federal Law on the Securities Market and other federal laws to: simplify the procedure for issuing shares by issuers whose securities are listed on the stock exchanges, change the procedure for issuing shares in the event of a change in their nominal value or the amount of rights they certify, specify the requirements for the disclosure of information about the securities prospectuses, set the requirements for the same nominal value of shares of all categories (types), and upgrade the legal regulation of the share issuing procedure in the event of the reorganisation of a corporate entity;
- draft federal law amending the Federal Law on Banks and Banking Activities with regard to the implementation of operations with precious metals;

- draft federal law on the specifics of fulfilling financial obligations by the pledge of receivables and rights under the bank account (deposit) agreement;
- draft federal law amending certain federal laws with regard to the regulation of the securitisation of financial assets;
- draft federal law amending Article 5 of the Federal Law on Insurance of Household Deposits in Russian Banks to extend the safeguards provided by the deposit insurance system to funds in the bank accounts (deposit accounts) of individual unincorporated entrepreneurs and funds in the bank accounts (deposit accounts) of notaries, defence lawyers and other individuals, if these accounts (deposit accounts) were opened for professional activity;
- draft federal law amending the Federal Law on Insurance of Household Deposits in Russian Banks to prevent the receipt of insurance indemnity from the compulsory deposit insurance fund for artificially created bank obligations to corporate depositors, individual unincorporated entrepreneurs and private individuals whose funds in accounts (deposit accounts) exceed the maximum amount of funds that may be insured under this Federal Law;
- draft federal law amending the Federal Law on Additional Measures to Strengthen the Stability of the Banking System in the Period until 31 December 2011 to establish the responsibility of the chief executive officers, members of the board of directors (supervisory board), founders (members) and other persons who have or had the power to give binding instructions to the bank or determine in any other manner the actions of a bank which is being subjected to bankruptcy prevention measures by the DIA, in case the need to carry out these measures arose as a result of the guilty actions or inaction of these individuals;
- draft federal law amending certain federal laws to regulate the liquidation netting procedure with regard to the obligations assumed in financial deals;
- draft federal law amending certain laws in connection with the establishment of additional responsibility for the failure by banks to fulfil their obligations, which provided for the criminal responsibility of the chief executive officer and person responsible for the compilation and (or) presentation of accounting and other statements, for underreporting or false reporting for the purpose of concealing information about the actual financial situation of a credit institution or another financial organisation.

In 2009, the Bank of Russia continued to create a legislative framework for its interrelationship with the external auditors of credit institutions and the sharing of information with them and harmonise the procedure for this cooperation with international practices. Specifically, it elaborated the rules and regulations requiring the audit companies to inform the Bank of Russia about the serious violations they discovered in credit institutions, banking groups and bank holdings and (or) their members and about other aspects of their activity necessary for the Bank of Russia to perform its supervisory functions. It also granted the Bank of Russia the right to disclose to audit companies information about the activities of credit institutions, banking groups and bank holdings it received in the course of supervision, for the purpose of significantly improving the quality of banking supervision and audit.

To settle this matter, the Finance Ministry and the Bank of Russia are working together to introduce amendments to federal laws regulating banking and audit.

IV.3. STATISTICAL TABLES

Table 1

KEY MACROECONOMIC INDICATORS
(in constant prices, percent of previous year)

	2007	2008	2009
Gross domestic product	108.1	105.6	92.1
of which:			
— agriculture, hunting and forestry	102.5	107.2	100.3
— hydrocarbon production and mining	97.2	101.3	96.9
— manufacturing	107.9	99.3	84.7
— production and distribution of electricity, gas and water	100.1	100.5	92.1
— construction	113.7	111.2	83.0
— wholesale and retail trade, and other	112.1	109.6	91.4
— transport and telecommunications	105.4	106.0	97.0
GDP deflator index	113.8	118.0	102.3
Consumer price index (December on previous December)	111.9	113.3	108.8
Fixed capital investment	122.7	109.9	83.8
Retail trade turnover	116.1	113.5	95.1
Unemployment rate according to ILO methodology (annual average), percent of economically active population	6.1	6.4	8.4

Table 2

CONSUMER PRICES BY GROUP OF GOODS AND SERVICES
(growth, December as a percentage of previous December)

	2007	2008	2009
Consumer prices, total	11.9	13.3	8.8
of which:			
— food prices	15.6	16.5	6.1
of which:			
— food prices exclusive of fruit and vegetables	14.9	17.5	6.9
— fruit and vegetable prices	22.2	7.7	-1.7
— non-food prices	6.5	8.0	9.7
— paid services provided to the public	13.3	15.9	11.6
Prices of goods and services included in calculation of core consumer price index (CCPI)	11.0	13.6	8.3

Note: Tables 3, 4 and 5 are based on Rosstat data as of 12 May 2010 and Bank of Russia calculations.
Tables 1, 2 and 6 to 11 are based on Rosstat data as of 12 May 2010.

Table 3

CONSUMER PRICE INFLATION STRUCTURE

	2008		2009	
	growth in percentage points	contribution to growth, percent	growth in percentage points	contribution to growth, percent
Headline inflation (December on December)	13.3	100	8.8	100
Inflation growth due to:				
— change in prices of goods and services included in CCPI calculation	10.8	81.5	6.7	76.4
— change in prices of goods and services not included in CCPI calculation	2.5	18.5	2.1	23.6
of which:				
— change in fruit and vegetable prices	0.3	2.2	-0.1	-0.7
— change in administered service and fuel prices	2.2	16.3	2.1	24.2

Table 4

GROSS VALUE ADDED STRUCTURE BY ECONOMIC ACTIVITY IN BASIC PRICES
(percent)

	2007	2008	2009
Gross value added	100	100	100
of which:			
— agriculture, hunting and forestry	4.2	4.2	4.5
— hydrocarbon production and mining	10.1	9.3	9.1
— manufacturing	17.6	17.4	15.0
— production and distribution of electricity, gas and water	3.0	2.9	3.2
— construction	5.7	6.3	5.5
— wholesale and retail trade, and other	20.2	20.9	19.7
— transport and telecommunications	9.7	9.1	9.5
— other activities	29.5	29.9	33.5

Table 5

**STRUCTURE OF GDP CALCULATED BY INCOME CONSUMPTION METHOD IN CURRENT MARKET PRICES
(percent)**

	2007	2008	2009
GDP calculated by income consumption method	100	100	100
Expenditure on final consumption	66.7	65.7	74.1
of which:			
— household sector	48.7	48.0	53.6
— government sector	17.5	17.2	20.0
— non-profit organisations providing services to households	0.6	0.5	0.5
Gross capital formation	24.5	25.2	18.6
of which:			
— gross fixed capital formation (including net acquisition of valuables)	21.2	22.0	21.3
— change in inventories	3.2	3.2	-2.7
Net exports of goods and services	8.8	9.1	7.3

Table 6

GDP CONSUMPTION ELEMENTS IN CONSTANT PRICES (percent of previous year)

	2007	2008	2009
Gross Domestic Product	108.1	105.6	92.1
of which:			
— expenditure on final consumption	111.1	108.6	94.9
— by household sector	113.9	110.8	92.3
— by government sector	103.7	102.9	102.0
— by non-profit organisations providing services to households	102.4	98.6	98.6
— gross capital formation (including net acquisition of valuables)	121.0	110.5	62.6
— net exports of goods and services	72.8	64.5	156.8

Table 7

GDP FORMATION STRUCTURE BY SOURCE OF INCOME IN CURRENT MARKET PRICES (percent)

	2007	2008	2009
Gross Domestic Product	100	100	100
of which:			
— compensation paid to hired workers (including unreported earnings)	46.7	47.1	51.8
— net taxes on production and imports	19.4	19.8	16.4
— gross profit of the economy and gross mixed income	33.9	33.1	31.8

Table 8

BALANCE OF HOUSEHOLD MONEY INCOME AND EXPENSES (millions of roubles)

	2008	2009	2009 as a percentage of 2008
Money income	25,235,285.3	28,502,289.9	112.9
Wages and salaries	17,246,451.7	19,830,733.9	115.0
Share, percent	68.3	69.6	
Social allowances	3,333,999.9	4,127,954.5	123.8
Share, percent	13.2	14.5	
Income from entrepreneurial activities	2,583,572.3	2,750,165.6	106.4
Share, percent	10.2	9.6	
Income from property	1,565,665.8	1,222,263.1	78.1
Share, percent	6.2	4.3	
Other income	505,595.6	571,172.8	113.0
Share, percent	2.0	2.0	
Money expenses	21,794,970.0	22,743,434.7	104.4
— consumer expenses	18,700,136.4	19,708,412.9	105.4
— compulsory payments and contributions	3,094,833.6	3,035,021.8	98.1
Growth in savings and cash on hand, purchase of foreign currency	3,440,315.3	5,758,855.2	167.4
— savings ¹	1,344,191.9	4,129,257.3	307.2
of which:			
— deposits and securities	55.0	1,260,421.9	2,291,676.2
— foreign currency purchase	2,004,136.2	1,569,211.2	78.3
— cash on hand	91,987.2	60,386.7	65.6
Memo item:			
Share of money income, percent			
— consumer expenses	74.1	69.1	
— compulsory payments and contributions	12.3	10.7	
— savings	5.3	14.5	
of which:			
— deposits and securities	0.0	4.4	
— foreign currency purchase	7.9	5.5	
— cash on hand	0.4	0.2	
Disposable money income	22,493,516.5	25,682,357.6	114.2
Share of, percent			
— consumer expenses	83.1	76.8	
— savings	6.0	16.1	
of which:			
— deposits and securities	0.0	4.9	
— foreign currency purchase	8.9	6.1	
— cash on hand	0.4	0.2	
— remittances	1.6	0.8	

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

	2007	2008	2009
Funds ratio, times ¹	16.8	16.8	16.7
Gini coefficient, units ²	0.423	0.422	0.422

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 LARGE AND MEDIUM-SIZED ENTERPRISES IN 2009 (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	109.0	114.0	112.7	115.2	111.4	96.3	112.0	96.2
Agriculture, hunting and forestry	67.3	114.7	134.5	102.6	109.4	99.3	113.4	88.0
Hydrocarbon production and mining	105.9	107.6	107.9	95.3	106.5	65.7	116.3	70.2
of which:								
fuel and energy production	118.3	109.5	118.3	93.4	107.3	63.3	117.4	68.5
Manufacturing	58.3	107.7	104.6	104.8	110.7	97.8	112.1	95.9
Production and distribution of electricity, gas and water	167.3	132.2	97.4	126.6	127.3	112.5	128.0	128.0
Construction	75.5	108.3	108.2	93.8	98.9	99.8	108.0	99.9
Wholesale and retail trade, and other	210.7	114.4	129.0	89.7	112.3	123.6	112.7	96.5
Transport and telecommunications	105.8	114.3	106.4	203.3	111.9	112.1	91.0	88.1

Table 11

**PAYMENTS FOR PRODUCE SHIPPED (WORK PERFORMED AND SERVICES PROVIDED)
BY MAJOR TAXPAYERS AND INDUSTRIAL MONOPOLIES**

	2009		As a percentage of 2008
	billions of roubles	structure of payments, percent	
Value of produce shipped	16,503.8		88.7
of which:			
— paid-for produce	15,152.7	100.0	87.0
of which produce paid for with:			
— money	14,820.4	97.8	86.0
— promissory notes	51.1	0.3	2.2 times
— transfer of claims on pecuniary obligations	6.4	0.1	108.7
— netting of claims	256.3	1.7	2.2 times
— barter arrangements	1.8	0.0	61.9
— other kinds of settlement	16.7	0.1	60.5

Table 12

MERCHANDISE TRADE OF THE RUSSIAN FEDERATION
(per balance of payments methodology)

	Billions of US dollars							Percent of previous year						
	2003	2004	2005	2006	2007	2008	2009	2003	2004	2005	2006	2007	2008	2009
All countries														
Turnover	212.0	280.6	369.2	467.8	577.9	763.5	495.2	126.0	132.4	131.6	126.7	123.5	132.1	64.9
Exports	135.9	183.2	243.8	303.6	354.4	471.6	303.4	126.7	134.8	133.1	124.5	116.8	133.1	64.3
Imports	76.1	97.4	125.4	164.3	223.5	291.9	191.8	124.8	128.0	128.8	131.0	136.0	130.6	65.7
Balance	59.9	85.8	118.4	139.3	130.9	179.7	111.6	129.2	143.4	137.9	117.7	94.0	137.3	62.1
Non-CIS countries														
Turnover	175.6	230.5	313.8	400.4	492.3	653.4	423.0	125.6	131.3	136.1	127.6	122.9	132.7	64.7
Exports	114.6	153.0	210.2	260.2	300.6	400.5	255.3	126.0	133.5	137.4	123.7	115.5	133.2	63.7
Imports	61.0	77.5	103.5	140.2	191.7	252.9	167.7	124.9	127.0	133.6	135.4	136.7	131.9	66.3
Balance	53.6	75.5	106.7	119.9	108.9	147.5	87.5	127.2	140.9	141.3	112.4	90.8	135.5	59.3
CIS countries														
Turnover	36.4	50.1	55.4	67.4	85.6	110.1	72.2	127.7	137.5	110.7	121.6	127.0	128.6	65.6
Exports	21.4	30.2	33.5	43.4	53.8	71.1	48.1	130.4	141.4	111.1	129.3	124.1	132.2	67.6
Imports	15.1	19.9	21.9	24.0	31.8	39.0	24.1	124.1	131.9	110.1	109.8	132.2	122.5	61.8
Balance	6.3	10.3	11.7	19.3	22.0	32.2	24.0	148.7	164.2	113.0	166.0	114.0	146.0	74.7

Note: In Tables 12, 15 to 17, 25, 26 and 31, the CIS data cover 12 member states prior to September 2009 and 11 member states since then. Total exports for 2003 in Tables 12, 13 and 15 include the value of crude oil exported in 2003 and customs cleared in January 2004.

Table 13

COMMODITY STRUCTURE OF RUSSIAN EXPORTS
(per methodology of customs statistics)

	Structure, percent							Growth rates, percent of previous year						
	2003	2004	2005	2006	2007	2008	2009	2003	2004	2005	2006	2007	2008	2009
Total	100	100	100	100	100	100	100	126	135	133	125	117	133	65
Mineral products	57.6	57.8	64.8	65.9	64.9	69.8	67.4	132	136	149	127	115	143	62
of which:														
— fuel and energy products	57.0	57.2	64.0	65.4	64.2	68.8	66.7	132	135	149	127	115	142	63
of which:														
— oil	29.5	32.5	34.6	34.0	34.5	34.5	33.3	136	149	141	123	119	133	62
— natural gas	14.9	12.0	13.0	14.5	12.7	14.8	13.9	126	109	144	140	102	154	61
Metals, metal products	13.8	16.7	14.0	13.7	14.0	11.7	11.1	123	164	111	122	119	111	62
Chemicals, rubber	8.9	7.7	5.6	5.6	5.9	6.5	6.2	119	117	96	117	124	145	62
Machinery, equipment, transport vehicles	6.8	6.6	5.9	5.8	5.5	4.8	5.9	124	131	120	129	113	116	79
Foodstuffs and agricultural raw materials (except textiles)	2.5	1.8	1.9	1.8	2.6	2.0	3.3	122	96	137	122	165	103	106
Timber and pulp-and-paper products	4.2	3.9	3.4	3.2	3.5	2.5	2.8	114	126	118	115	129	94	73
Gemstones, precious metals and articles made from them	3.9	3.5	2.8	2.6	1.9	1.5	1.7	109	122	107	114	88	106	70
Textiles, textile products, footwear	0.7	0.6	0.4	0.3	0.3	0.2	0.2	107	118	86	100	98	93	79
Leather, furs and articles made from them	0.2	0.2	0.1	0.1	0.1	0.1	0.1	124	107	93	111	92	106	68
Other goods	1.4	1.2	1.1	1.0	1.3	0.9	1.3	117	113	117	125	141	98	87
Memo item:														
Total exports, billions of US dollars (Source: Federal Customs Service)	134.5	181.7	241.5	301.2	351.9	467.6	301.7							

Table 14

COMMODITY STRUCTURE OF RUSSIAN IMPORTS
(per methodology of customs statistics)

	Structure, percent							Growth rates, percent of previous year						
	2003	2004	2005	2006	2007	2008	2009	2003	2004	2005	2006	2007	2008	2009
Total	100	100	100	100	100	100	100	124	132	131	140	145	134	63
Machinery, equipment, transport vehicles	37.4	41.1	44.0	47.7	50.9	52.7	43.4	128	145	140	151	155	138	52
Foodstuffs and agricultural raw materials (except textiles)	21.0	18.3	17.7	15.7	13.8	13.2	18.0	116	115	126	124	128	127	85
Chemicals, rubber	16.8	15.8	16.5	15.8	13.8	13.2	16.6	124	124	136	134	126	128	79
Metals, metal products	7.2	7.7	7.5	7.5	7.9	6.9	6.5	141	141	127	140	153	118	58
Textiles, textile products, footwear	4.8	4.3	3.7	4.0	4.3	4.4	5.7	114	118	111	152	157	135	82
Timber and pulp-and-paper products	4.2	3.8	3.3	2.9	2.7	2.4	3.1	125	119	114	121	134	123	79
Mineral products	3.8	4.0	3.1	2.4	2.3	3.1	2.4	125	142	99	109	142	177	49
of which:														
— fuel and energy products	2.3	2.2	1.6	1.4	1.2	1.5	1.4	129	126	97	115	134	166	58
Leather, fur and articles made from them	0.4	0.3	0.3	0.3	0.4	0.4	0.5	110	109	112	157	161	149	74
Gemstones, precious metals and articles made from them	0.1	0.2	0.3	0.2	0.3	0.3	0.3	173	252	150	119	173	134	58
Other goods	4.3	4.5	3.6	3.5	3.6	3.4	3.5	122	130	114	131	148	127	67
Memo item:														
Total imports, billions of US dollars (Source: Federal Customs Service)	57.3	75.6	98.7	137.8	199.8	267.1	167.5							

Table 15

RUSSIA'S EXPORTS TO MAJOR TRADING PARTNERS
(per methodology of customs statistics)

	Structure, percent							Growth rates, percent of previous year						
	2003	2004	2005	2006	2007	2008	2009	2003	2004	2005	2006	2007	2008	2009
Total	100	100	100	100	100	100	100	126	135	133	125	117	133	65
of which:														
CIS countries	15.3	16.2	13.5	14.0	15.0	14.9	15.5	131	143	111	130	124	132	67
of which:														
EurAsEC countries	8.3	9.0	7.1	8.0	9.2	8.8	9.6	132	146	106	139	134	127	71
Other countries	7.0	7.2	6.4	6.0	5.8	6.1	5.9	130	140	117	119	112	141	62
Non-CIS countries	84.7	83.8	86.5	86.0	85.0	85.1	84.5	125	133	138	124	116	133	64
of which:														
EU countries	35.3	46.0	55.3	56.6	55.7	56.9	53.3	126	176	160	128	115	136	60
APEC countries	14.4	14.8	12.4	11.8	12.2	12.9	15.1	119	139	111	119	121	140	75
Other countries	35.0	23.0	18.8	17.6	17.1	15.3	16.1	128	88	110	116	115	119	68
	Memo item:													
OECD countries	56.6	58.3	64.6	66.6	65.5	66.8	64.2	124	139	147	128	115	135	62

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.

End

	Structure, percent							Growth rates, percent of previous year						
	2003	2004	2005	2006	2007	2008	2009	2003	2004	2005	2006	2007	2008	2009
Major trading partners														
Netherlands	6.6	8.4	10.2	11.9	12.2	12.2	12.0	119	173	161	146	119	133	64
Italy	6.5	6.7	7.9	8.3	7.8	9.0	8.3	117	139	158	132	110	153	60
Germany	7.8	7.3	8.2	8.1	7.5	7.1	6.2	130	127	148	124	108	126	56
Belarus	5.6	6.2	4.2	4.3	4.9	5.0	5.5	129	148	90	129	131	137	71
China	6.2	5.6	5.4	5.2	4.5	4.5	5.5	122	122	129	121	101	133	79
Turkey	3.6	4.1	4.5	4.7	5.3	5.9	5.4	145	153	146	132	130	149	59
Ukraine	5.7	5.9	5.1	5.0	4.7	5.0	4.6	130	141	115	121	110	143	58
Poland	3.4	3.1	3.6	3.8	3.8	4.3	4.1	124	123	151	133	116	152	62
United States	3.1	3.6	2.6	2.9	2.4	2.9	3.1	106	157	96	137	96	160	69
Finland	3.2	3.2	3.2	3.1	3.1	3.4	3.0	148	134	131	120	117	146	58
Kazakhstan	2.4	2.6	2.7	3.0	3.4	2.8	3.0	137	142	140	137	133	112	69
United Kingdom	3.7	3.1	3.5	3.5	3.1	3.2	3.0	130	114	149	123	106	135	61
France	2.6	2.4	2.5	2.5	2.5	2.6	2.9	132	126	138	125	113	141	72
Japan	1.8	1.9	1.5	1.5	2.2	2.2	2.4	135	140	110	120	171	135	70
Switzerland	4.3	4.2	4.5	4.0	3.8	2.0	2.1	109	132	140	113	111	71	66
Korea, Republic of	1.0	1.1	1.0	0.9	1.8	1.7	1.9	104	148	120	116	226	126	73
Memo item:														
Total exports, billions of US dollars (Source: Federal Customs Service)	134.5	181.7	241.5	301.2	351.9	467.6	301.7							

Table 16

RUSSIA'S IMPORTS FROM MAJOR TRADING PARTNERS
(per methodology of customs statistics)

	Structure, percent							Growth rates, percent of previous year						
	2003	2004	2005	2006	2007	2008	2009	2003	2004	2005	2006	2007	2008	2009
Total	100	100	100	100	100	100	100	124	132	131	140	145	134	63
of which:														
CIS countries	22.9	23.5	19.2	16.2	15.0	13.7	13.0	129	135	107	118	134	123	60
of which:														
EurAsEC countries	13.1	13.4	9.3	8.9	7.7	7.1	7.1	124	135	90	134	125	123	62
Other countries	9.8	10.1	9.9	7.3	7.3	6.6	5.9	137	135	130	103	143	122	56
Non-CIS countries	77.1	76.5	80.8	83.8	85.0	86.3	87.0	123	131	138	145	147	136	63
of which:														
EU countries	38.7	43.0	44.2	44.0	43.7	43.6	45.0	121	146	134	139	144	134	65
APEC countries	19.8	21.5	25.6	28.5	31.9	33.4	31.0	129	144	155	156	162	140	58
Other countries	18.6	12.0	11.0	11.3	9.4	9.3	11.0	120	85	118	144	123	131	74
	Memo item:													
OECD countries	58.7	59.0	61.3	62.6	61.9	62.7	60.4	123	132	136	142	143	135	60

End

	Structure, percent							Growth rates, percent of previous year						
	2003	2004	2005	2006	2007	2008	2009	2003	2004	2005	2006	2007	2008	2009
Major trading partners														
China	5.8	6.3	7.4	9.4	12.2	13.0	13.6	138	143	153	178	189	142	66
Germany	14.1	14.0	13.4	13.4	13.3	12.8	12.7	123	130	126	139	144	129	62
United States	5.2	4.2	4.6	4.6	4.7	5.2	5.5	99	108	143	140	148	146	67
Ukraine	7.7	8.1	7.9	6.7	6.7	6.1	5.4	137	137	128	118	144	122	56
France	4.1	4.1	3.7	4.3	3.9	3.7	5.0	124	131	120	160	132	129	84
Italy	4.2	4.2	4.5	4.2	4.3	4.1	4.7	108	133	138	130	149	129	72
Japan	3.3	5.2	5.9	5.6	6.4	7.0	4.3	192	209	148	134	163	146	39
Belarus	8.5	8.6	5.8	5.0	4.4	4.0	4.0	122	133	88	120	130	119	64
Korea, Republic of	2.3	2.7	4.1	4.9	4.4	4.0	2.9	143	152	198	169	130	120	46
Poland	3.0	3.1	2.8	2.5	2.3	2.6	2.5	132	135	119	124	136	152	60
Finland	3.2	3.1	3.1	2.9	2.5	2.5	2.4	122	126	133	129	126	132	60
Kazakhstan	4.3	4.6	3.3	2.8	2.3	2.4	2.2	127	139	94	119	120	138	58
Netherlands	2.2	1.8	2.0	1.9	1.9	1.8	2.1	119	109	141	138	144	125	74
United Kingdom	2.5	2.7	2.8	2.7	2.8	2.9	2.1	129	143	135	132	154	135	46
Turkey	1.6	1.6	1.8	2.0	2.1	2.3	1.9	127	133	141	159	152	147	52
Switzerland	0.9	0.9	0.9	0.9	0.9	0.9	1.2	127	122	135	148	135	137	82
Memo item:														
Total imports, billions of US dollars (Source: Federal Customs Service)	57.3	75.6	98.7	137.8	199.8	267.1	167.5							

Table 17

RUSSIA'S EXTERNAL TRADE IN SERVICES BY GROUP OF COUNTRIES (millions of US dollars)

	Turnover			Exports			Imports			Balance		
	2008	2009	growth rates, percent	2008	2009	growth rates, percent	2008	2009	growth rates, percent	2008	2009	growth rates, percent
Total	126,623	103,319	82	51,155	41,722	82	75,468	61,597	82	-24,313	-19,875	82
of which:												
CIS countries	18,724	14,464	77	11,238	8,178	73	7,486	6,287	84	3,752	1,891	50
of which:												
EurAsEC countries	8,586	6,499	76	5,774	4,419	77	2,812	2,079	74	2,962	2,340	79
Other countries	8,487	6,482	76	4,802	3,270	68	3,684	3,212	87	1,118	58	5
Services not allocated by country	1,651	1,484	90	662	488	74	990	996	101	-328	-507	155
Non-CIS countries	107,899	88,855	82	39,917	33,544	84	67,982	55,310	81	-28,064	-21,766	78
of which:												
EU countries	52,286	42,785	82	20,517	16,037	78	31,769	26,749	84	-11,252	-10,712	95
APEC countries	15,035	13,434	89	7,111	6,577	92	7,924	6,857	87	-812	-279	34
Other countries	26,292	21,415	81	9,551	7,943	83	16,741	13,472	80	-7,190	-5,529	77
Services not allocated by country	14,287	11,220	79	2,739	2,987	109	11,549	8,233	71	-8,810	-5,246	60
Memo item:												
OECD countries	66,687	55,450	83	25,628	21,286	83	41,059	34,164	83	-15,431	-12,879	83

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 1.01.2009	as of 1.01.2010	change over 2009	as of 1.01.2009	as of 1.01.2010	change over 2009
Total	21.9	15.9	-6.0	75.3	68.4	-6.9
Federal Treasury	0.9	0.9	0.0	41.1	41.3	0.2
Regional and local budget management bodies	1.6	1.7	0.1	4.9	5.7	0.8
Organisations financed from budgets of all levels	14.7	8.6	-6.1	22.2	14.2	-8.0
Government and other extra-budgetary funds	1.7	1.8	0.1	3.2	3.2	0.0
Election commissions (referendum commissions)	0.6	0.6	0.0	0.7	0.7	0.0
Other organisations	2.4	2.3	-0.1	3.2	3.3	0.1

Table 19

RUSSIA'S DOMESTIC GOVERNMENT DEBT AS OF 1 JANUARY 2010 (at face value, billions of roubles)

Debt instruments	Total within domestic government debt	Of these, traded on organised securities market
Debt depreciation federal loan bonds (OFZ-AD)	863.4	763.4
Permanent coupon-income federal loan bonds (OFZ-PD)	706.4	706.4
Government savings bonds (GSO)	267.4	—
Other debt recognised as part of domestic government debt	257.5	—
Total	2,094.7	1,469.8

Table 20

FINANCE MINISTRY DEBT TO THE BANK OF RUSSIA AS OF 1 JANUARY 2010 (millions of roubles)¹

	At face value
Russian government debt obligations	413,150
of which:	
— Russian government debt obligations available for sale, in national currency	295,345
— other debt obligations	117,805

¹ Exclusive of repo transactions.

Table 21

**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	2009
Eurobonds placed by open subscription	5.10	3.04	2.04	0.74	10.91
Eurobonds issued in the course of restructuring GKO's	0.17	0.01	0.38	1.19	1.74
Eurobonds issued in the course of restructuring debt to London Club of commercial bank creditors	6.65	11.56	12.65	9.68	40.54
OVGZ	0.02	0.02	0.01	0.03	0.09

Table 22

INSTITUTIONALISED FINANCIAL INTERMEDIARIES

	1.01.2010	Memo item: 1.01.2009
Credit institutions		
Operating credit institutions, total	1,058	1,108
of which:		
— banks	1,007	1,058
— non-bank credit institutions	51	50
Operating credit institutions with foreign stakes in authorised capital	226	221
Branches of credit institutions operating in Russia	3,183	3,470
Representative offices of operating Russian credit institutions	517	721
Insurance companies¹		
Registered insurance companies	702	786
Unit investment funds²		
Unit investment funds, total	1,307	1,134
of which:		
— open-end	435	488
— interval	91	99
— closed-end	781	547
Non-governmental pension funds³		
Operating non-governmental pension funds	172 ⁴	235

¹ Source: Federal Insurance Supervision Service.

² Source: News agency Cbonds.ru.

³ Source: Federal Financial Markets Service.

⁴ As of 1 October 2009.

Table 23

BALANCE OF PAYMENTS OF THE RUSSIAN FEDERATION FOR 2009 (analytical presentation, millions of US dollars)

	Q1	Q2	Q3	Q4	2009	Memo item: 2008
Current account	9,668	7,348	15,698	16,258	48,971	103,722
Goods	18,783	24,183	33,402	35,216	111,585	179,742
<i>Exports</i>	<i>57,265</i>	<i>68,113</i>	<i>82,451</i>	<i>95,559</i>	<i>303,388</i>	<i>471,603</i>
oil	17,864	22,875	28,403	31,451	100,593	161,147
oil products	9,174	9,584	13,823	15,564	48,145	79,886
natural gas	7,807	9,554	10,534	14,076	41,971	69,107
other	22,420	26,100	29,691	34,468	112,679	161,464
<i>Imports</i>	<i>-38,482</i>	<i>-43,930</i>	<i>-49,049</i>	<i>-60,342</i>	<i>-191,803</i>	<i>-291,861</i>
Services	-3,891	-4,091	-6,271	-5,622	-19,875	-24,313
<i>Exports</i>	<i>8,357</i>	<i>10,705</i>	<i>11,458</i>	<i>11,202</i>	<i>41,722</i>	<i>51,155</i>
transport	2,501	3,156	3,415	3,297	12,369	15,024
travel	1,673	2,460	3,132	2,126	9,392	11,819
other services	4,183	5,089	4,910	5,779	19,961	24,312
<i>Imports</i>	<i>-12,248</i>	<i>-14,796</i>	<i>-17,729</i>	<i>-16,824</i>	<i>-61,597</i>	<i>-75,468</i>
transport	-1,873	-2,249	-2,606	-2,723	-9,451	-12,960
travel	-3,585	-4,976	-7,437	-4,803	-20,801	-23,778
other services	-6,790	-7,571	-7,687	-9,298	-31,346	-38,730
Compensation of employees	-1,809	-2,145	-2,503	-2,246	-8,702	-14,179
Investment income	-3,133	-10,441	-7,771	-10,189	-31,534	-34,763
Receivable	8,645	7,500	7,980	8,317	32,443	58,483
Payable	-11,778	-17,941	-15,751	-18,507	-63,977	-93,246
<i>General government</i>	<i>457</i>	<i>-270</i>	<i>-360</i>	<i>-277</i>	<i>-451</i>	<i>-695</i>
Receivable	833	144	107	189	1,273	1,241
Payable	-376	-415	-467	-466	-1,725	-1,936
<i>Local government (payable)</i>	<i>-4</i>	<i>-5</i>	<i>-7</i>	<i>-75</i>	<i>-91</i>	<i>-100</i>
<i>Monetary authorities</i>	<i>2,215</i>	<i>1,621</i>	<i>1,562</i>	<i>1,489</i>	<i>6,887</i>	<i>18,148</i>
Receivable	2,215	1,621	1,564	1,494	6,894	18,148
Payable	0	0	-2	-6	-8	-1

Cont.

	Q1	Q2	Q3	Q4	2009	Memo item: 2008
<i>Banks</i>	-1,531	-1,180	-1,233	-1,739	-5,683	-6,983
Receivable	1,969	2,182	1,675	1,611	7,438	7,396
Payable	-3,500	-3,362	-2,909	-3,350	-13,121	-14,379
<i>Other sectors</i>	-4,270	-10,606	-7,732	-9,587	-32,195	-45,133
Receivable	3,627	3,553	4,634	5,023	16,838	31,698
Payable	-7,897	-14,159	-12,366	-14,610	-49,033	-76,831
Current transfers	-282	-159	-1,160	-902	-2,503	-2,765
Capital and financial account	-32,562	3,818	-25,953	10,327	-44,370	-131,320
Capital account	195	213	-12,162	106	-11,648	496
Financial account (excluding reserve assets)	-32,757	3,605	-13,791	10,221	-32,722	-131,816
Liabilities ('+' — increase, '-' — decrease)	-17,016	10,663	9,844	3,399	6,889	100,495
<i>General government</i>	-2,067	2,543	525	992	1,992	-8,043
Portfolio investment	-1,717	2,874	813	1,871	3,842	-6,505
issue	0	0	0	0	0	4
redemption	-1,005	-91	-1,209	-358	-2,663	-4,462
principal	-435	-3	-511	-65	-1,014	-2,722
coupons	-570	-89	-698	-292	-1,649	-1,740
reinvestment of earnings	321	346	424	413	1,503	1,552
secondary market	-1,032	2,620	1,599	1,816	5,002	-3,599
Loans	-349	-334	-289	-326	-1,298	-1,505
Arrears	0	18	0	-574	-556	-58
Other liabilities	-2	-16	0	21	4	25
<i>Local government</i>	0	216	59	153	428	-54
<i>Monetary authorities</i>	95	1,231	8,057	2,522	11,905	1,441
<i>Banks</i>	-19,320	-8,984	-7,417	-7,558	-43,279	8,168
Direct investment	1,601	1,387	1,843	1,610	6,441	10,075
Loans and deposits	-13,898	-7,386	-7,927	-7,567	-36,778	11,428
Other liabilities	-7,023	-2,985	-1,333	-1,601	-12,943	-13,336

End

	Q1	Q2	Q3	Q4	2009	Memo item: 2008
<i>Other sectors</i>	4,275	15,657	8,621	7,290	35,844	98,983
Direct investment	7,835	8,762	10,482	5,203	32,281	65,386
Portfolio investment	-789	3,283	1,278	-915	2,857	-16,488
Loans	-2,803	3,652	-3,434	3,008	422	49,354
Other liabilities	33	-40	296	-5	284	730
Assets, excluding reserve assets ('+' — decrease, '-' — increase)	-15,741	-7,058	-23,635	6,822	-39,611	-232,310
<i>General government</i>	-1,171	-1,303	12,642	181	10,349	-2,513
Loans	-400	-617	-1,033	-42	-2,092	-802
Arrears	-817	-178	12,315	-76	11,244	-1,116
Other assets	46	-508	1,360	299	1,197	-594
<i>Monetary authorities</i>	76	-15	17	-18	60	-61
<i>Banks</i>	12,392	3,119	-20,126	16,478	11,864	-65,114
Direct investment	-39	-443	113	-788	-1,157	-1,836
Loans and deposits	15,483	3,062	-21,383	14,642	11,803	-60,203
Other assets	-3,052	501	1,144	2,625	1,218	-3,074
<i>Other sectors</i>	-27,038	-8,859	-16,168	-9,819	-61,884	-164,623
Direct and portfolio investment	-14,435	-12,319	-10,088	-10,160	-47,003	-56,467
Cash foreign currency	-7,797	6,547	-103	5,387	4,035	-25,346
Trade credit and advances	2,743	766	893	1,213	5,616	-8,141
Indebtedness on supplies according to intergovernmental agreements	-2,267	-165	316	287	-1,829	18
Non-repatriation of export proceeds, non-supply of goods and services under pre-paid import contracts, remittances under fictitious transactions in securities	-4,573	-6,453	-7,250	-8,316	-26,592	-39,273
Other assets	-708	2,765	64	1,770	3,890	-35,413
Net errors and omissions	-7,620	3,037	1,182	2,176	-1,225	-11,327
Change in reserve assets ('+' — decrease, '-' — increase)	30,513	-14,204	9,074	-28,761	-3,377	38,925

Note: Other sectors are non-financial corporations, financial corporations except credit institutions, non-profit institutions serving households, and households.

Table 2.4

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	-133.9	-56.9	-65.1	8.2	-77.0	-164.6	99.0	-11.3
Q1	-24.5	-9.9	-14.3	4.4	-14.6	-34.0	25.5	-6.1
Q2	40.2	22.1	-0.2	22.2	18.1	-34.8	50.0	2.9
Q3	-19.1	-13.5	-23.6	10.1	-5.6	-29.1	28.3	-4.7
Q4	-130.5	-55.6	-27.0	-28.6	-74.9	-66.7	-4.8	-3.4
2009	-56.9	-31.4	11.9	-43.3	-25.4	-60.1	35.8	-1.2
Q1	-35.0	-6.9	12.4	-19.3	-28.1	-24.8	4.3	-7.6
Q2	4.1	-5.9	3.1	-9.0	10.0	-8.7	15.7	3.0
Q3	-34.2	-27.5	-20.1	-7.4	-6.7	-16.5	8.6	1.2
Q4	8.3	8.9	16.5	-7.6	-0.6	-10.1	7.3	2.2

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: '-' denotes capital outflow, '+' denotes capital inflow.

Table 25

CROSS-BORDER TRANSACTIONS OF INDIVIDUALS (RESIDENTS AND NON-RESIDENTS)¹

	Q1	Q2	Q3	Q4	2008	Q1	Q2	Q3	Q4	2009
Total, millions of US dollars										
Money transfers from the Russian Federation by individuals	7,992	10,600	11,084	11,389	41,066	4,902	5,703	7,517	7,240	25,362
to non-CIS countries	5,646	7,179	6,386	7,900	27,111	3,340	3,438	4,504	4,526	15,808
to CIS countries	2,346	3,421	4,699	3,489	13,955	1,562	2,265	3,013	2,714	9,555
Money transfers to the Russian Federation for the benefit of individuals	2,340	3,125	2,925	2,422	10,813	1,900	2,355	2,475	2,496	9,226
from non-CIS countries	1,918	2,628	2,372	1,917	8,834	1,520	1,931	1,965	2,030	7,446
from CIS countries	423	497	554	505	1,979	380	424	510	465	1,780
Balance²	-5,652	-7,475	-8,159	-8,967	-30,253	-3,002	-3,348	-5,042	-4,744	-16,136
with non-CIS countries	-3,729	-4,551	-4,014	-5,983	-18,277	-1,820	-1,507	-2,540	-2,495	-8,362
with CIS countries	-1,923	-2,924	-4,145	-2,984	-11,976	-1,182	-1,842	-2,502	-2,249	-7,775
Average amount of transaction, US dollars										
Money transfers from the Russian Federation by individuals	1,797	1,924	1,705	1,985	1,850	1,209	1,093	1,222	1,194	1,180
to non-CIS countries	10,226	11,420	9,745	11,903	10,846	6,513	6,794	7,425	4,906	6,204
to CIS countries	602	701	804	688	709	441	481	543	528	504
Money transfers to the Russian Federation for the benefit of individuals	2,467	3,097	2,505	2,365	2,606	1,990	2,176	2,632	2,323	2,277
from non-CIS countries	3,658	4,925	3,149	3,631	3,777	3,121	3,255	4,084	3,838	3,562
from CIS countries	995	1,046	1,335	1,018	1,093	813	867	1,111	853	907

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 26

CROSS-BORDER REMITTANCES VIA MONEY TRANSFER SYSTEMS¹ AND RUSSIA'S POST SERVICE

	Q1	Q2	Q3	Q4	2008	Q1	Q2	Q3	Q4	2009
Total, millions of US dollars										
Remittances from Russia	2,336	3,344	4,567	3,460	13,707	1,609	2,307	3,085	2,966	9,967
to non-CIS countries	248	278	287	285	1,098	162	192	252	442	1,048
to CIS countries	2,088	3,066	4,280	3,174	12,609	1,447	2,115	2,833	2,524	8,919
Remittances to Russia	440	513	522	502	1,977	413	423	461	484	1,780
from non-CIS countries	195	210	204	186	796	162	173	176	192	702
from CIS countries	245	304	317	315	1,182	250	250	285	292	1,077
Balance²	-1,896	-2,831	-4,045	-2,958	-11,729	-1,196	-1,884	-2,624	-2,483	-8,187
with non-CIS countries	-53	-68	-82	-99	-302	0	-19	-76	-250	-345
with CIS countries	-1,843	-2,763	-3,963	-2,859	-11,427	-1,197	-1,865	-2,547	-2,232	-7,842
Average amount of remittance, US dollars										
Remittances from Russia	601	688	786	680	698	447	485	551	543	513
to non-CIS countries	1,471	1,522	1,511	1,475	1,495	1,146	1,162	1,277	983	1,099
to CIS countries	561	656	761	649	667	418	460	524	503	483
Remittances to Russia	609	671	771	644	671	560	557	650	586	588
from non-CIS countries	608	666	713	608	647	560	592	647	629	607
from CIS countries	610	674	813	668	689	560	536	652	561	576

¹ Anelik, BLIZKO, Coinstar Money Transfer, Contact, InterExpress, Migom, MoneyGram, PrivatMoney, UNISStream, Western Union, AsiaExpress, ALLUR, Blitz, Bystraya Pochta, Zolotaya Korona, and LIDER.

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

FUNCTIONAL STRUCTURE OF FOREIGN INVESTMENT IN RUSSIA
(billions of US dollars)¹

Type of investment	Q1	Q2	Q3	Q4	2009	Memo item:	
						2009 ²	2008 ²
Direct	9.4	10.1	12.3	6.8	38.7	39.0	75.5
Portfolio	-3.4	6.3	2.8	2.5	8.2	8.2	-27.4
Financial derivatives	-6.6	-2.8	-2.0	-1.7	-13.1	-13.1	-10.5
Other	-16.5	-3.0	-3.2	-4.2	-26.9	-26.9	62.9
Total	-17.0	10.7	9.8	3.4	6.9	7.2	100.5

¹ Net growth in liabilities to non-residents according to balance of payments data.

² Exclusive of operations related to debt forgiveness.

Note: '–' denotes decrease in residents' foreign liabilities. Minor discrepancies between the total and the sum of components are due to the rounding of data.

Table 28

FUNCTIONAL STRUCTURE OF RESIDENTS' INVESTMENT IN FOREIGN ASSETS (EXCEPT RESERVES)
(billions of US dollars)¹

Type of investment	Q1	Q2	Q3	Q4	2009	Memo item:	
						2009 ²	2008 ²
Direct	13.6	11.6	9.8	11.0	46.1	46.1	56.1
Portfolio	5.9	4.5	1.5	-1.0	10.9	10.9	7.8
Financial derivatives	-3.5	-2.5	-2.2	-1.7	-9.9	-9.9	-9.1
Other	-0.3	-6.5	14.5	-15.1	-7.5	4.9	177.5
Total	15.7	7.1	23.6	-6.8	39.6	52.0	232.3

¹ Net growth in residents' assets according to balance of payments data.

² Exclusive of operations related to debt forgiveness.

Note: '–' denotes decrease in residents' foreign assets. Minor discrepancies between the total and the sum of components are due to the rounding of data.

Table 29

RUSSIAN BANKING SECTOR INTERNATIONAL INVESTMENT POSITION STATEMENT
(millions of US dollars)

	Balance as of 1.01.2009	Transactions	Revaluations	Other changes in volume	Total changes	Balance as of 1.01.2010
	1	2	3	4	5	6
Assets	167,825	-11,864	10,504	-469	-1,829	165,995
Direct investment abroad	3,413	1,157	270	223	1,649	5,062
Equity capital and reinvested earnings	2,963	895	252	219	1,366	4,329
Other capital	450	261	18	4	283	733
Portfolio investment	15,774	8,766	1,957	-239	10,484	26,258
Equity securities	1,512	288	-20	-219	50	1,561
Debt securities	14,262	8,478	1,977	-20	10,434	24,696
long-term	13,909	8,659	2,300	-310	10,649	24,559
short-term	353	-182	-323	290	-215	138
Financial derivatives	5,302	-9,890	6,841	0	-3,049	2,253
Other investment	143,336	-11,897	1,436	-453	-10,913	132,423
Currency and deposits	80,944	-10,126	1,451	-386	-9,061	71,883
Cash foreign currency	7,445	-2,004	-27	-15	-2,046	5,399
Demand and term deposits	73,499	-8,122	1,477	-371	-7,015	66,484
long-term	10,377	-1,242	78	0	-1,164	9,213
short-term	63,122	-6,880	1,399	-371	-5,852	57,271
Loans	58,543	-3,681	-79	-40	-3,800	54,743
long-term	24,987	8,123	-337	-14	7,772	32,759
short-term	33,556	-11,804	258	-26	-11,573	21,984
Arrears	213	1,306	29	-18	1,317	1,530
Other assets	3,636	605	36	-10	631	4,267
long-term	1,343	81	24	-2	102	1,446
short-term	2,293	525	12	-7	529	2,822

End

	Balance as of 1.01.2009	Transactions	Revaluations	Other changes in volume	Total changes	Balance as of 1.01.2010
	1	2	3	4	5	6
Liabilities	206,259	-43,279	16,964	-255	-26,570	179,689
Direct investment in Russia	22,670	6,441	-3,166	-216	3,058	25,728
Equity capital and reinvested earnings	20,981	6,598	-3,160	-188	3,250	24,231
Other capital	1,689	-157	-6	-28	-192	1,497
Portfolio investment	12,160	1,044	12,289	93	13,426	25,586
Equity securities	8,602	1,159	11,612	112	12,883	21,485
Debt securities	3,558	-115	677	-19	543	4,101
long-term	2,002	394	672	-5	1,061	3,063
short-term	1,556	-509	5	-14	-518	1,038
Financial derivatives	10,396	-13,134	9,499	0	-3,635	6,762
Other investment	161,033	-37,630	-1,658	-131	-39,419	121,614
Demand and term deposits	32,878	-2,314	-459	-79	-2,852	30,026
long-term	15,805	-1,033	-182	62	-1,153	14,652
short-term	17,073	-1,281	-277	-141	-1,699	15,374
Loans	124,654	-34,464	-806	-41	-35,311	89,343
long-term	103,398	-22,955	-194	-40	-23,189	80,208
short-term	21,256	-11,509	-612	-1	-12,121	9,135
Arrears	2	8	0	-2	6	9
Other liabilities	3,500	-861	-392	-9	-1,263	2,237
long-term	592	-73	-1	4	-70	521
short-term	2,908	-788	-391	-13	-1,192	1,715
International investment position, net	-38,434	31,415	-6,460	-214	24,740	-13,694

Notes.

1. '+' 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.

2. This table presents data compiled by credit institutions and Vnesheconombank.

3. Column 4 shows, inter alia, assets and liabilities of credit institutions that had their banking licences revoked in the period under review.

Table 30

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	67.2	13.5	17.4	1.9	100.0
1.04.2009	56.6	22.6	16.8	4.0	100.0	69.6	13.1	15.5	1.8	100.0
1.07.2009	55.2	22.6	17.6	4.6	100.0	67.1	13.6	17.5	1.8	100.0
1.10.2009	54.0	26.1	15.8	4.1	100.0	64.4	14.6	18.9	2.1	100.0
1.01.2010	56.2	23.3	16.4	4.1	100.0	62.9	15.3	20.0	1.8	100.0

¹ Foreign liabilities exclude equities.

Note: Financial derivatives are not included.

Table 31

RUSSIAN BANKING SECTOR FOREIGN ASSETS AND LIABILITIES ON INTERBANK OPERATIONS BY GROUP OF COUNTRIES AS OF 1 JANUARY 2010
(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	75,094.8	19,396.4	94,491.2	12,228.8	57,927.5	70,156.2	24,335.0
of which:							
CIS countries	1,397.7	3,672.6	5,070.3	1,287.5	242.1	1,529.5	3,540.7
of which:							
EurAsEC countries	880.7	351.3	1,232.0	735.7	145.5	881.2	350.8
Other countries	517.0	3,321.3	3,838.3	551.7	96.6	648.4	3,189.9
Non-CIS countries	73,591.8	15,723.8	89,315.6	10,878.0	57,671.0	68,549.0	20,766.6
of which:							
EU countries	53,357.2	14,640.0	67,997.3	7,302.2	50,790.4	58,092.6	9,904.7
APEC countries	15,290.6	389.1	15,679.6	372.9	3,768.6	4,141.6	11,538.1
Other countries	4,944.0	694.8	5,638.7	3,202.9	3,112.0	6,314.8	-676.1
International financial organisations	105.3	0.0	105.3	63.4	14.4	77.7	27.6
Memo item:							
OECD countries	65,799.8	15,241.8	81,041.6	7,740.3	52,409.2	60,149.6	20,892.0

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 32

RUSSIA'S INTERNATIONAL RESERVES (billions of US dollars)

	2009												2010
	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	426.3	386.9	384.1	383.8	383.8	404.2	412.5	401.9	409.5	413.4	434.4	447.7	439.0
Foreign currency assets	411.7	371.4	368.2	368.1	368.3	387.3	395.9	384.9	391.9	394.5	414.0	424.7	416.7
Monetary gold	14.5	15.5	15.9	15.7	15.4	16.9	16.6	17.0	17.7	18.8	20.4	23.0	22.4

Table 33

YIELD ON BANK OF RUSSIA FOREIGN EXCHANGE RESERVES IN 2009 (percent p.a.)

	Actual	Standard
US dollar	0.07	0.58
Euro	2.19	2.20
Pound sterling	1.76	1.65
Yen	0.61	0.56

Table 34

BANK OF RUSSIA CURRENCY INTERVENTIONS IN 2009

Reporting period	Bank of Russia US dollar operations, millions of US dollars			Bank of Russia euro operations, millions of euros		
	monthly total, net purchase	planned purchases	planned sales	monthly total, net purchase	planned purchases	planned sales
January	-34,161.67	3,561.09	0	-4,087.27	26.5	0
February	861.80	0	0	98.97	0	0
March	3,579.57	0	0	189.94	0	0
April	8,166.17	0	0	331.44	0	0
May	18,570.34	0	0	449.27	0	0
June	1,537.80	0	0	48.06	0	0
July	-3,093.77	0	588.7	-576.72	0	213.09
August	-1,156.22	0	1,156.22	-177.76	0	177.76
September	2,650.01	250	455.83	-39.12	0	39.12
October	15,219.81	2,386.58	0	484.55	177.68	0
November	7,316.88	2,898.33	0	745.14	641.01	0
December	601.79	1,013.57	411.78	240.68	240.68	0

Table 35

BASIC INDICATORS OF ROUBLE'S EXCHANGE RATES IN 2009

	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	35.41	35.72	34.01	33.25	30.98	31.29	31.76	31.57	30.09	29.05	29.82	30.24
Nominal exchange rates of US dollar in terms of roubles, period averages	31.47	35.76	34.67	33.56	32.06	31.03	31.52	31.63	30.81	29.47	28.98	29.94
Nominal exchange rates of US dollar in terms of roubles, period averages from the start of the year	31.47	33.55	33.92	33.83	33.46	33.05	32.82	32.67	32.46	32.15	31.85	31.68
Nominal exchange rates of euro in terms of roubles, end of period	45.66	45.35	44.94	43.84	43.38	43.82	44.69	45.30	44.01	43.07	44.36	43.39
Nominal exchange rates of euro in terms of roubles, period averages	42.36	45.70	45.28	44.26	43.62	43.51	44.35	45.08	44.83	43.65	43.18	43.81
Nominal exchange rates of euro in terms of roubles, period averages from the start of the year	42.36	44.00	44.42	44.38	44.23	44.11	44.14	44.26	44.32	44.26	44.16	44.13
Percent change over December 2008¹												
Index of nominal exchange rates of rouble in terms of US dollars	-10.6	-21.3	-18.9	-16.2	-12.2	-9.3	-10.7	-11.1	-8.7	-4.6	-2.9	-6.0
Index of nominal exchange rates of rouble in terms of euros	-10.4	-17.0	-16.2	-14.3	-13.0	-12.8	-14.5	-15.9	-15.4	-13.1	-12.1	-13.4
Index of nominal effective exchange rates of rouble vis-à-vis foreign currencies	-9.6	-15.7	-13.6	-11.8	-10.2	-9.2	-11.1	-12.1	-10.9	-8.2	-7.4	-9.2
Index of real exchange rates of rouble in terms of US dollars	-8.9	-18.8	-15.4	-12.2	-7.8	-5.0	-5.8	-6.3	-3.9	0.4	2.3	-0.4
Index of real exchange rates of rouble in terms of euros	-8.1	-13.7	-12.0	-9.5	-7.7	-7.0	-7.8	-9.5	-9.0	-6.6	-5.4	-6.5
Index of real effective exchange rates of rouble vis-à-vis foreign currencies	-7.8	-12.9	-10.0	-7.8	-5.7	-4.2	-5.4	-6.7	-5.6	-3.0	-2.2	-3.9

End

	January	February	March	April	May	June	July	August	September	October	November	December
Percent change over previous period¹												
Index of nominal exchange rates of rouble in terms of US dollars	-10.6	-12.0	3.2	3.3	4.7	3.3	-1.6	-0.4	2.6	4.5	1.7	-3.2
Index of nominal exchange rates of rouble in terms of euros	-10.4	-7.3	0.9	2.3	1.5	0.2	-1.9	-1.6	0.6	2.7	1.1	-1.4
Index of nominal effective exchange rates of rouble vis-à-vis foreign currencies	-9.6	-6.7	2.5	2.0	1.9	1.1	-2.0	-1.2	1.4	3.0	0.8	-1.9
Index of real exchange rates of rouble in terms of US dollars	-8.9	-10.9	4.2	3.8	5.0	3.1	-0.8	-0.6	2.6	4.4	1.9	-2.6
Index of real exchange rates of rouble in terms of euros	-8.1	-6.1	1.9	2.8	2.0	0.8	-0.9	-1.9	0.5	2.6	1.3	-1.2
Index of real effective exchange rates of rouble vis-à-vis foreign currencies	-7.8	-5.6	3.4	2.4	2.3	1.5	-1.3	-1.3	1.2	2.7	0.8	-1.8

¹ '+' denotes appreciation of the Russian rouble vis-à-vis foreign currencies, '-' denotes depreciation of the Russian rouble vis-à-vis foreign currencies.

Table 36

EXTERNAL DEBT OF THE RUSSIAN FEDERATION (billions of US dollars)

	1.01.2009	1.04.2009	1.07.2009	1.10.2009	1.01.2010
Total	479.4	446.4	467.9	476.8	471.6
General government	29.5	27.4	30.0	31.2	31.3
Federal government	28.2	26.2	28.5	29.5	29.5
<i>New Russian debt</i>	<i>23.6</i>	<i>21.7</i>	<i>24.1</i>	<i>25.0</i>	<i>26.3</i>
Multilateral creditors	4.5	4.3	4.1	3.9	3.8
<i>IBRD</i>	<i>3.8</i>	<i>3.6</i>	<i>3.5</i>	<i>3.3</i>	<i>3.2</i>
<i>Other</i>	<i>0.7</i>	<i>0.6</i>	<i>0.6</i>	<i>0.6</i>	<i>0.6</i>
Other credits	1.4	1.2	1.1	1.1	1.0
Foreign currency bonds	17.3	15.9	18.4	19.4	20.3
<i>Eurobonds issued by public subscription and Eurobonds related to GKO restructuring</i>	<i>1.7</i>	<i>1.4</i>	<i>1.7</i>	<i>1.8</i>	<i>1.8</i>
<i>Eurobonds related to London Club debt restructuring</i>	<i>15.1</i>	<i>14.0</i>	<i>16.3</i>	<i>17.3</i>	<i>18.1</i>
<i>MinFin Foreign Currency Bonds (Series VII)</i>	<i>0.4</i>	<i>0.4</i>	<i>0.4</i>	<i>0.4</i>	<i>0.4</i>
OFZ	0.1	0.1	0.1	0.2	0.8
Other	0.3	0.3	0.3	0.3	0.3
Debt of the former USSR	4.6	4.4	4.4	4.5	3.2
Paris Club member countries	0.0	0.0	0.0	0.0	0.0
Debt owed to former socialist countries	1.4	1.4	1.4	1.4	1.3
Other official creditors	1.9	1.9	1.9	1.9	1.8
MinFin Foreign Currency Bonds (Series III, IV, and V)	0.0	0.0	0.0	0.0	0.0
Other	1.2	1.2	1.2	1.2	0.0
Local government	1.3	1.2	1.5	1.7	1.8
Loans	1.1	1.0	1.1	1.1	1.1
Rouble-denominated bonds	0.2	0.2	0.4	0.5	0.7

End

	1.01.2009	1.04.2009	1.07.2009	1.10.2009	1.01.2010
Monetary authorities	2.8	2.5	3.9	12.2	14.6
Loans (repo)			0.9		2.4
Currency and deposits	2.8	2.5	3.1	3.2	3.4
Other (cumulative SDR allocations)				9.0	8.9
Banks	166.3	146.4	141.7	135.9	127.2
Debt liabilities to direct investors and to direct investment enterprises	1.7	1.5	1.4	1.6	1.5
Loans	124.7	111.0	105.2	98.5	89.3
Demand and term deposits	32.9	27.2	28.5	28.9	30.0
Debt securities	3.6	2.9	3.2	3.3	4.1
Other	3.5	3.8	3.4	3.6	2.2
Other sectors	280.9	270.2	292.3	297.6	298.5
Debt liabilities to direct investors and to direct investment enterprises	31.0	31.5	41.8	45.0	45.7
Loans	236.1	225.6	233.7	233.3	234.7
Debt securities	8.2	7.6	8.8	12.5	13.9
Financial leases	2.8	2.9	2.9	2.8	2.8
Other	2.8	2.6	5.1	3.9	1.4

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 37

EXTERNAL DEBT OF THE RUSSIAN FEDERATION (analytical presentation, billions of US dollars)

	1.01.2009	1.04.2009	1.07.2009	1.10.2009	1.01.2010
External debt of the Russian Federation	479.4	446.4	467.9	476.8	471.6
Short-term	72.4	59.0	57.0	48.3	50.0
Long-term	407.0	387.4	411.0	428.5	421.6
Public sector external debt¹	161.3	149.0	161.0	173.5	174.8
Short-term	15.7	14.2	13.8	11.5	12.7
Long-term	145.6	134.8	147.3	161.9	162.1
General government	29.5	27.4	30.0	31.2	31.3
Short-term	1.7	1.6	1.6	1.6	0.5
Long-term	27.8	25.8	28.4	29.6	30.8
Monetary authorities	2.8	2.5	3.9	12.2	14.6
Short-term	2.8	2.5	3.9	3.2	5.7
Long-term				9.0	8.9
Banks	61.7	54.4	54.1	55.2	50.2
Short-term	9.4	7.7	7.5	6.3	6.3
Long-term	52.2	46.7	46.6	48.9	43.8
Other sectors	67.4	64.8	72.9	74.8	78.6
Short-term	1.8	2.4	0.7	0.4	0.2
Long-term	65.5	62.3	72.2	74.4	78.5
Private sector external debt¹	318.1	297.5	306.9	303.4	296.9
Short-term	56.8	44.8	43.2	36.7	37.3
Long-term	261.4	252.6	263.7	266.6	259.6
Banks	104.6	92.1	87.5	80.6	77.0
Short-term	33.4	25.9	22.4	18.0	20.9
Long-term	71.2	66.2	65.1	62.7	56.1
Other sectors	213.5	205.4	219.4	222.7	219.8
Short-term	23.4	19.0	20.8	18.8	16.4
Long-term	190.1	186.4	198.6	204.0	203.5

¹ Public sector external debt covers liabilities of the general government, monetary authorities, and banks and non-financial 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 38

KEY ECONOMIC DEVELOPMENT INDICATORS OF RUSSIA'S MAJOR TRADING PARTNERS¹

	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		
	2007	2008	2009	2007	2008	2009	2007	2008	2009	2007	2008	2009
United States	2.1	0.4	-2.4	4.1	0.1	2.7	-5.2	-4.9	-2.9	59.5	66.6	119.7
European Union (27 countries) ⁵	2.9	0.7	-4.2	3.2	2.2	1.5	0.4	-0.8	-0.4	500.1	494.9	642.9
Eurozone (16 countries) ⁶	2.8	0.6	-4.1	3.1	1.6	0.9	-0.4	-1.1	-0.3	215.4	218.8	283.6
Belgium	2.9	1.0	-3.1	3.1	2.7	0.3	2.2	-2.5	-0.3	10.4	9.3	15.9
Germany	2.5	1.3	-5.0	3.1	1.1	0.8	7.6	6.7	4.8	44.3	43.1	60.4
Italy	1.5	-1.3	-5.0	2.8	2.4	1.1	-2.4	-3.4	-3.4	28.4	37.1	45.8
Spain	3.6	0.9	-3.6	4.3	1.5	0.9	-10.0	-9.6	-5.1	11.5	12.4	18.2
Netherlands	3.6	2.0	-4.0	1.6	1.7	0.7	8.7	4.8	5.2	10.3	11.5	18.1
Slovak Republic	10.6	6.2	-4.7	2.5	3.5	0.0	-5.3	-6.5	-3.2	18.0	17.9	0.7
Finland	4.9	1.2	-7.8	1.9	3.4	1.8	4.2	3.0	1.4	7.1	7.0	9.7
France	2.3	0.4	-2.2	2.8	1.2	1.0	-1.0	-2.3	-1.5	45.7	33.6	46.6
United Kingdom	2.6	0.5	-4.9	2.1	3.1	2.9	-2.7	-1.5	-1.3	49.0	44.3	55.7
Bulgaria	6.2	6.0	-5.0	12.5	7.8	0.6	-26.9	-24.2	-9.5	16.5	16.8	17.1
Hungary	1.0	0.6	-6.3	7.4	3.5	5.6	-6.8	-7.2	0.4	24.0	33.8	44.1
Latvia	10.0	-4.6	-18.0	14.1	10.5	-1.2	-22.3	-13.0	9.4	5.6	5.0	6.6
Lithuania	9.8	2.8	-14.8	8.1	8.5	1.3	-14.6	-11.9	3.8	7.6	6.3	6.5
Poland	6.8	5.0	1.7	4.0	3.3	3.5	-4.8	-5.1	-1.6	63.0	59.3	75.9
Romania	6.3	7.3	-7.1	6.6	6.3	4.7	-13.4	-12.2	-4.4	37.2	36.9	42.2
Czech Republic	6.1	2.5	-4.8	5.5	3.6	1.0	-3.1	-3.1	-1.0	34.5	36.7	41.2
Sweden	2.5	-0.2	-4.9	3.5	0.9	0.9	8.6	7.8	6.4	27.0	25.9	42.9

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		
	2007	2008	2009	2007	2008	2009	2007	2008	2009	2007	2008	2009
Switzerland	3.6	1.8	-1.5	2.0	0.7	0.3	10.0	2.4	8.7	44.5	45.1	98.2
Turkey	4.7	0.7	-4.7	8.4	10.1	6.5	-5.8	-5.7	-2.3	73.4	70.4	70.9
Belarus	8.6	10.2	0.2	12.1	13.3	10.1	-6.7	-8.6	-12.9	4.0	2.7	4.8
Ukraine	7.9	2.1	-15.1	16.6	22.3	12.3	-3.7	-7.1	-1.7	31.8	30.8	25.6
Kazakhstan	8.9	3.3	1.2	18.8	9.5	6.2	-7.9	4.6	-3.1	15.8	17.9	20.7
Japan	2.4	-1.2	-5.2	0.7	0.4	-1.7	4.8	3.2	2.8	952.8	1,009.4	1,022.2
China	13.0	9.6	8.7	6.5	1.2	1.9	11.0	9.4	5.8	1,530.3	1,949.3	2,344.3
Korea, Republic of	5.1	2.3	0.2	3.6	4.1	2.8	0.6	-0.6	5.1	262.2	201.1	269.9
India	9.9	6.3	5.7	5.5	9.7	15.0	-1.0	-2.2	-2.1	267.0	247.4	265.2
Brazil	6.1	5.1	-0.2	4.5	5.9	4.3	0.1	-1.7	-1.5	179.4	192.8	237.4

¹ According to official sources of statistical information of corresponding countries, the EUROSTAT agency, and the IMF as of 12 May 2010.

² For EU, the United Kingdom, eurozone, Germany, France and Italy: 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, the United Kingdom, Hungary, Germany, Greece, Denmark, Ireland, Spain, Italy, Cyprus, Latvia, Lithuania, Luxembourg, Malta, the Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Finland, France, the Czech Republic, Sweden, and Estonia.

⁶ Austria, Belgium, Germany, Greece, Ireland, Spain, Italy, Cyprus, Luxembourg, Malta, the Netherlands, Portugal, Slovakia, Slovenia, Finland, and France.

Table 39

CIS KEY MONETARY INDICATORS¹

	Azerbaijan	Armenia	Belarus	Kazakhstan	Kyrgyzstan	Moldova	Russia	Tajikistan	Ukraine
Official central (national) bank rate (refinancing rate), as of end of year, percent:									
2008	8	7.25	12	10.5	15.22	14	13	13.5	12
2009	2	5	13.5	7	0.90	5	8.75	8	10.25
Official central (national) bank exchange rate (units of national currency) as of end of year									
against Russian rouble:									
2008	0.0272	10.46	76.89	4.11	1.3590	0.3548	—	0.1122	0.2621
2009	0.0266	12.50	94.66	4.92	1.4984	0.4066	—	0.1430	0.2640
against US dollar:									
2008	0.8010	306.73	2,200	120.77	39.4181	10.4002	29.3804	3.4519	7.7000
2009	0.8031	377.89	2,863	148.36	44.0917	12.3017	30.2442	4.3710	7.9850
against euro:									
2008	1.1292	435.00	3,077.14	170.89	55.4790	14.7408	41.4411	4.8677	10.8555
2009	1.1499	542.23	4,106.11	212.84	63.5229	17.6252	43.3883	6.2839	11.4489
Number of registered commercial banks (as of end of year):									
2008	46	22	33	37 ²	21	16	1,172	16	198
2009	46	22	33	38 ²	22	15	1,124	17	197

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 40

MONEY SUPPLY (NATIONAL DEFINITION) AND ITS STRUCTURE

	As of 1.01.2009		As of 1.01.2010		1.01.2010 as a percentage of 1.01.2009
	billions of roubles	percent	billions of roubles	percent	
Money supply (M2), total	13,493.2	100.0	15,697.7	100.0	116.3
of which:					
— cash in circulation (M0) ¹	3,794.8	28.1	4,038.1	25.7	106.4
— cashless funds	9,698.3	71.9	11,659.7	74.3	120.2
of which:					
— non-financial organisation funds	5,287.4	39.2	6,052.5	38.6	114.5
— household deposits	4,410.9	32.7	5,607.1	35.7	127.1

¹ Cash in circulation outside the banking system.

Table 41

MONETARY BASE AND ITS STRUCTURE

	As of 1.01.2009		As of 1.01.2010		1.01.2010 as a percentage of 1.01.2009
	billions of roubles	percent	billions of roubles	percent	
Monetary base (broad definition)	5,578.7	100.0	6,467.3	100.0	115.9
of which:					
— cash in circulation, including balances in credit institutions' cash vaults ¹	4,372.1	78.4	4,622.9	71.5	105.7
— credit institutions' correspondent accounts with the Bank of Russia ²	1,027.6	18.4	900.3	13.9	87.6
— required reserves ³	29.9	0.5	151.4	2.3	5.1 times
— credit institutions' deposits with the Bank of Russia	136.6	2.5	509.0	7.9	3.7 times
— Bank of Russia bonds held by credit institutions ⁴	12.5	0.2	283.7	4.4	22.7 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 42

BANK OF RUSSIA INTEREST RATES IN 2009 (percent p.a.)

Type of instrument	Purpose	Instrument	Maturity	As of 1.01	From 2.02 ¹	From 10.02 ¹	From 24.04 ¹	From 14.05 ¹	From 5.06 ¹	From 13.07 ¹	From 10.08 ¹	From 15.09 ¹	From 30.09 ¹	From 30.10 ¹	From 25.11 ¹	From 28.12 ¹
Open market operations	Providing liquidity (minimum interest rates)	Lombard auctions	14 days	9.50	9.50	10.50	10.00	9.50	9.00	8.50	8.25	8.00	7.25	6.75	6.25	6.00
			3 months	10.50	10.50	11.50	11.00	10.75	10.25	9.75	9.50	9.25	8.75	8.25	7.75	7.50
			6 months	11.25	11.25	12.25	11.75	11.25	10.75	10.25	10.00	9.75	9.25	8.75	8.25	8.00
			12 months	11.75	11.75	12.75	12.25	11.75	11.25	10.75	10.50	10.25	9.75	9.25	8.75	8.50
		Auction-based (exchange and over-the-counter) repo	1 day	9.00	9.00	10.00	9.50	9.00	8.50	8.00	7.75	7.50	7.25	6.75	6.25	6.00
			7 days	9.50	9.50	10.50	10.00	9.50	9.00	8.50	8.25	8.00	7.25	6.75	6.25	6.00
			90 days	10.50	10.50	11.50	11.00	10.75	10.25	9.75	9.50	9.25	8.75	8.25	7.75	7.50
			6 months	11.25	11.25	12.25	11.75	11.25	10.75	10.25	10.00	9.75	9.25	8.75	8.25	8.00
		Unsecured loans	12 months	11.75	11.75	12.75	12.25	11.75	11.25	10.75	10.50	10.25	9.75	9.25	8.75	8.50
			1 week	11.25	11.25	12.25	11.75	11.50	11.00	10.50	10.25	10.00	10.00	10.00	10.00	10.00
			5 weeks	11.50	11.50	12.50	12.00	11.75	11.25	10.75	10.50	10.25	10.25	10.25	10.25	10.25
			3 months	11.75	11.75	12.75	12.25	12.00	11.50	11.00	10.75	10.50	10.50	10.50	10.50	10.50
	Deposit auctions	6 months	12.00	12.00	13.00	12.50	12.25	11.75	11.25	11.00	10.75	10.75	10.75	10.75	10.75	
		12 months	—	—	—	—	12.75	12.25	11.75	11.50	11.25	11.25	11.25	11.25	11.25	
		4 weeks	9.00	9.00	10.00	9.50	9.00	8.50	8.00	7.75	7.50	7.00	6.50	6.00	5.75	
		3 months	10.00	10.00	11.00	10.50	10.00	9.50	9.00	8.75	8.50	8.00	7.50	7.00	6.75	
Absorbing liquidity (maximum interest rates)	Deposit auctions	4 weeks	9.00	9.00	10.00	9.50	9.00	8.50	8.00	7.75	7.50	7.00	6.50	6.00	5.75	
		3 months	10.00	10.00	11.00	10.50	10.00	9.50	9.00	8.75	8.50	8.00	7.50	7.00	6.75	

End

Type of instrument	Purpose	Instrument	Maturity	As of 1.01	From 2.02 ¹	From 10.02 ¹	From 24.04 ¹	From 14.05 ¹	From 5.06 ¹	From 13.07 ¹	From 10.08 ¹	From 15.09 ¹	From 30.09 ¹	From 30.10 ¹	From 25.11 ¹	From 28.12 ¹
Standing facilities	Providing liquidity (fixed interest rates)	Overnight loans	1 day	13.00	13.00	13.00	12.50	12.00	11.50	11.00	10.75	10.50	10.00	9.50	9.00	8.75
			1 day	10.00	11.00	12.00	11.50	11.00	10.50	10.00	9.75	9.50	9.00	8.50	8.00	7.75
		Lombard loans	7 days ²	—	—	12.00	11.50	11.00	10.50	10.00	9.75	9.50	9.00	8.50	8.00	7.75
			30 days	10.25	11.00	12.00	11.50	11.00	10.50	10.00	9.75	9.50	9.00	8.50	8.00	7.75
		Repo	1 day	10.00	11.00	12.00	11.50	11.00	10.50	10.00	9.75	9.50	9.00	8.50	8.00	7.75
			7 days	10.00	11.00	12.00	11.50	11.00	10.50	10.00	9.75	9.50	9.00	8.50	8.00	7.75
			12 months	—	—	—	—	—	11.25	10.75	10.50	10.25	9.75	9.25	8.75	8.50
	Currency swap	1 day	13.00	13.00	13.00	12.50	12.00	11.50	11.00	10.75	10.50	10.00	9.50	9.00	8.75	
	Loans extended against the collateral of non-market assets or guarantees	Up to 90 days	11.00	11.25	12.00	11.50	11.00	10.50	10.00	9.75	9.50	9.00	8.50	8.00	7.75	
		From 91 to 180 days	12.00	12.00	12.50	12.00	11.50	11.00	10.50	10.25	10.00	9.50	9.00	8.50	8.25	
		From 181 to 365 days	13.00	13.00	13.00	12.50	12.00	11.50	11.00	10.75	10.50	10.00	9.50	9.00	8.75	
	Absorbing liquidity (fixed interest rates)	Deposit operations	Tom-next, spot-next and call	6.75	6.75	7.75	7.25	6.75	6.25	5.75	5.50	5.25	4.75	4.25	3.75	3.50
			1 week, spot-week	7.25	7.25	8.25	7.75	7.25	6.75	6.25	6.00	5.75	5.25	4.75	4.25	4.00
Memo item:																
Refinancing rate				13.00	13.00	13.00	12.50	12.00	11.50	11.00	10.75	10.50	10.00	9.50	9.00	8.75

¹ Prior to enforcement of Bank of Russia Board of Directors' decisions on interest rates.

² Before 10 February 2009, at average weighted 14-day Lombard auction rate.

Table 43

BANKING SECTOR SURVEY (billions of roubles)

	1.01.2009	1.01.2010	1.01.2010 as a percentage of 1.01.2009
Net foreign assets	12,191.4	13,910.3	114.1
Claims on non-residents	17,208.3	18,200.1	105.8
Obligations to non-residents	5,016.9	4,289.8	85.5
Domestic claims	10,645.1	13,345.8	125.4
Net claims on government	-7,345.1	-4,990.6	—
Claims on government	1,241.7	1,736.3	139.8
Obligations to government	8,586.8	6,726.8	78.3
Claims on other sectors	17,990.2	18,336.4	101.9
Other financial organisations	546.2	521.2	95.4
Non-financial government organisations	407.0	450.5	110.7
Other non-financial organisations	12,692.7	13,497.7	106.3
Households	4,344.3	3,866.9	89.0
Obligations included in broad money	16,774.7	19,520.1	116.4
Cash outside banking system	3,794.8	4,038.1	106.4
Transfer deposits	3,796.6	4,256.4	112.1
Other financial organisations	164.2	200.9	122.4
Non-financial government organisations	483.8	464.0	95.9
Other non-financial organisations	2,242.3	2,457.8	109.6
Households	906.4	1,133.8	125.1
Other deposits	9,183.3	11,225.6	122.2
Other financial organisations	445.2	542.5	121.9
Non-financial government organisations	435.9	462.8	106.2
Other non-financial organisations	3,249.3	3,812.0	117.3
Households	5,052.9	6,408.3	126.8
Deposits not included in broad money	238.0	182.6	76.7
Securities other than shares not included in broad money	644.8	576.7	89.4
Shares and other stakeholdings in capital	5,158.2	6,219.4	120.6
Other items (net)	20.9	757.3	36.2 times
Other liabilities	2,339.6	3,585.5	153.3
Other assets	2,065.0	2,463.8	119.3
Consolidating correction	-253.7	-364.3	—

Table 44

SURVEY OF CREDIT INSTITUTIONS (billions of roubles)

	1.01.2009	1.01.2010	1.01.2010 as a percentage of 1.01.2009
Net foreign assets	-336.5	899.1	—
Claims on non-residents	4,679.2	4,847.1	103.6
Foreign currency	219.1	163.4	74.6
Deposits	2,157.1	2,034.6	94.3
Securities other than shares	407.5	739.0	181.3
Loans	1,724.4	1,722.1	99.9
Other	171.0	188.1	110.0
Obligations to non-residents	5,015.6	3,948.0	78.7
Deposits	979.7	926.5	94.6
Securities other than shares	109.8	127.2	115.8
Loans	3,714.7	2,757.0	74.2
Other	211.3	137.3	65.0
Claims on the central bank	2,593.0	2,599.1	100.2
Cash foreign currency	577.3	584.9	101.3
Deposits	2,003.3	1,730.5	86.4
Securities other than shares	12.5	283.7	22.7 times
Net claims on government	196.9	584.1	3 times
Claims on government	887.0	1,377.7	155.3
Securities	709.1	1,120.6	158.0
Other claims	177.9	257.1	144.5
Obligations to government	690.1	793.6	115.0
Deposits	676.0	779.9	115.4
Other obligations	14.1	13.7	97.2
Claims on other sectors	17,873.9	18,167.4	101.6
Other financial organisations	545.6	520.5	95.4
Non-financial government organisations	292.6	283.6	96.9
Other non-financial organisations	12,691.4	13,496.3	106.3
Households	4,344.3	3,866.9	89.0
Obligations to the central bank	3,844.3	1,896.6	49.3
Deposits included in broad money	12,708.1	15,319.8	120.6
Transfer deposits	3,624.8	4,140.0	114.2
Other financial organisations	164.1	200.7	122.3
Non-financial government organisations	317.9	355.7	111.9
Other non-financial organisations	2,236.5	2,449.8	109.5
Households	906.4	1,133.8	125.1
Other deposits	9,083.3	11,179.9	123.1
Other financial organisations	445.2	542.5	121.9
Non-financial government organisations	335.9	417.1	124.2
Other non-financial organisations	3,249.3	3,812.0	117.3
Households	5,052.9	6,408.3	126.8

IV.3. STATISTICAL TABLES

End

	1.01.2009	1.01.2010	1.01.2010 as a percentage of 1.01.2009
Deposits not included in broad money	238.0	182.6	76.7
Securities other than shares not included in broad money	644.8	576.7	89.4
Shares and other stakeholdings in capital	3,255.8	4,120.3	126.6
Other items (net)	-363.6	153.7	—
Other liabilities	1,503.2	2,625.0	174.6
Other assets	1,690.4	2,190.1	129.6
Consolidating correction	-176.4	-281.2	—

Table 45

CORRECTIVE MEASURES TAKEN AGAINST CREDIT INSTITUTIONS IN 2009

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	1,031
2	Calling a meeting	514
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.)	138
Punitive measures		
4	Fines ¹	275
	of which:	
4.1	for non-compliance with reserve requirements	32
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	247
5	Restrictions on individual banking operations conducted by credit institutions, such as:	64
5.1	taking personal deposits	22
5.2	settlements on behalf of corporate entities relating to transfer of funds to budgets of all levels and government extra-budgetary funds	38
6	Prohibiting credit institutions from conducting individual banking operations ¹ , such as:	48
6.1	taking personal deposits	27
6.2	opening personal bank accounts, including unallocated metal accounts (demand and time accounts)	22
6.3	other	44
	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	594
	of which:	
7.1	orders to comply with Bank of Russia required ratios	13
7.2	orders to replace managers	4
8	Prohibiting credit institutions from opening branches	35
9	Appointing provisional administrations to credit institutions without revoking their licences	— ²
10	Banking licence revocation	44

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 In 2009, the Deposit Insurance Agency was appointed as provisional administrator of three banks 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'.

As of 1 January 2010, there were no credit institutions with regard to which the ban on carrying out settlements on behalf of corporate entities, such as transferring funds to budgets of all levels and government extra-budgetary funds, was in effect.

As of 1 January 2010, there were no credit institutions with a backlog of non-executed settlement documents on payments to budgets of all levels.

Table 46

RUSSIAN PAYMENT SYSTEM KEY INDICATORS

	2008	2009
Institutional structure of Russian payment system¹		
Number of payment system participants:	5,210	4,871
— Bank of Russia establishments	632	630
— credit institutions	1,108	1,058
of which:		
— non-bank settlement credit institutions	50	54
— branches of credit institutions	3,470	3,183
Memo item:		
Number of additional offices of credit institutions (branches)	21,272	21,667
Number of other internal divisions of credit institutions (branches) ²	16,812	15,822
of which:		
— operations offices	1,497	2,109
Number of accounts opened for customers by payment system participants ³ , million	467.8	505.1
of which:		
— personal accounts	461.6	498.7
— accounts of corporate entities other than credit institutions	6.2	6.4
Payments effected by individual payment systems		
Number of payments, thousands		
of which:		
— payments effected by Bank of Russia payment system	940,115.2	942,943.4
— payments effected by interbank private payment systems	95,194.1	86,495.3
— payments effected by intrabank payment systems between divisions of one bank	430,456.5	428,012.5
Value of payments, billions of roubles		
of which:		
— payments effected by Bank of Russia payment system	516,274.1	609,865.7
— payments effected by interbank private payment systems	58,731.2	33,946.9
— payments effected by intrabank payment systems between divisions of one bank	135,142.8	110,637.1
Cashless payment instruments used in Russian payment system		
Number of payments, thousands		
effected using:		
— payment orders	1,241,372.8	1,184,003.0
— payment requests and collection orders	105,203.0	136,100.1
— letters of credit	35.0	10.4
— cheques	32.6	9.8
— other payment instruments	907,990.7	855,821.9
Value of payments, billions of roubles		
effected using:		
— payment orders	527,367.8	469,052.6
— payment requests and collection orders	6,605.8	2,227.0
— letters of credit	368.8	36.2
— cheques	7.5	3.5
— other payment instruments	9,376.3	4,791.9

End

	2008	2009
Cashless payments in Russian payment system by technique		
Number of payments, thousands effected		
— electronically	1,917,678.1	1,893,340.4
— on paper	863,886.9	830,494.7
Value of payments, billions of roubles effected		
— electronically	817,144.6	823,884.7
— on paper	64,900.0	53,633.6
Payment card market key indicators		
Number of payment cards issued by Russian credit institutions, thousands ¹	119,242.3	126,032.8
of which:		
— credit cards, thousands	9,295.8	8,600.5
Total number of payment card operations in Russia, thousands ⁴	2,083,608.9	2,461,400.0
of which:		
— operations conducted using credit cards issued by Russian credit institutions, thousands	47,335.0	50,430.9
Total value of payment card operations in Russia, billions of roubles ⁴	9,130.0	9,874.4
of which:		
— operations conducted using credit cards issued by Russian credit institutions, billions of roubles	182.2	159.3

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 Payment cards issued by Russian credit institutions and payment cards issued outside Russia.

Note: Certain indicators have been specified as compared with those published in the Annual Report of the Bank of Russia for 2008.

Table 47

BANK OF RUSSIA PAYMENT SYSTEM

	2008	2009
Number of customers served ¹	24,044	18,042
of which:		
— credit institutions	1,108	1,058
— branches of credit institutions	2,395	2,253
— customers other than credit institutions	20,541	14,731
Number of payments effected, thousands	940,115.2	942,943.0
of which:		
— by credit institutions and their branches	786,269.0	775,747.0
— by customers other than credit institutions	151,694.6	166,414.0
— by Bank of Russia divisions	2,151.6	782.0
Value of payments effected, billions of roubles	516,274.1	609,866.0
of which:		
— by credit institutions and their branches	437,948.0	454,544.0
— by customers other than credit institutions	52,262.0	58,285.0
— by Bank of Russia divisions	26,064.1	97,037.0
Number of electronic payments, thousands	937,055.6	941,280.0
Value of electronic payments, billions of roubles	514,058.2	608,978.0
Number of Bank of Russia establishments participating in intraregional electronic settlements ¹	630	630
Number of Bank of Russia establishments participating in interregional electronic settlements ¹	630	628
Total number of customers exchanging electronic documents ¹	4,438	4,504
of which:		
— credit institutions and their branches	3,398	3,224
— Federal Treasury bodies	432	404
— customers other than credit institutions	608	876
Number of payments received through communication channels, thousands ²	919,170.7	923,810.0
Number of payments effected on paper, thousands	3,059.6	1,663.0
Value of payments effected on paper, billions of roubles	2,215.8	888.0

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 48

STRUCTURE OF BANK OF RUSSIA BANKNOTES IN CIRCULATION

Denomination, roubles	Total in circulation, millions of roubles		Percent of 1.01.2009	Share, percent	
	as of 1.01.2009	as of 1.01.2010		as of 1.01.2009	as of 1.01.2010
5,000	1,466,148.7	1,861,456.6	127.0	33.7	40.4
1,000	2,211,651.3	2,105,547.2	95.2	50.8	45.8
500	527,875.0	488,709.5	92.6	12.1	10.6
100	108,109.8	105,800.0	97.9	2.5	2.3
50	28,697.5	29,440.3	102.6	0.6	0.6
10	11,928.1	12,485.0	104.7	0.3	0.3
5	36.2	36.0	99.5	0.0	0.0
Total balance sheet number of banknotes of 1997 issue	4,354,446.6	4,603,474.6	105.7	100.0	100.0

Table 49

STRUCTURE OF BANK OF RUSSIA COINS IN CIRCULATION¹

Denomination	Total in circulation, millions of roubles		Percent of 1.01.2009	Share, percent	
	as of 1.01.2009	as of 1.01.2010		as of 1.01.2009	as of 1.01.2010
1 kopeck	69.7	72.4	103.9	0.3	0.3
5 kopecks	268.2	286.4	106.8	1.1	1.1
10 kopecks	1,566.3	1,755.3	112.1	6.6	6.7
50 kopecks	1,874.6	2,101.5	112.1	7.9	8.0
1 rouble	4,578.2	4,943.8	108.0	19.3	18.8
2 roubles	3,563.3	3,940.3	110.6	15.1	15.0
5 roubles	7,660.3	8,227.1	107.4	32.4	31.4
10 roubles	4,102.4	4,914.4	119.8	17.3	18.7
Total balance sheet number of coins of 1997 issue	23,683.0	26,241.2	110.8	100.0	100.0

¹ Excluding coins made from precious metals.

Table 50

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 1.01.2010, percent	
		as of 1.01.2009	as of 1.01.2010	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	thousand roubles	331,940	331,940	29.79	29.79
St Petersburg Currency Exchange (SPCEX), St Petersburg	thousand roubles	302	302	8.90	8.90
National Depository Centre, Moscow ¹	thousand roubles	24,500	24,500	42.30	42.30
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 The National Depository Centre (NDC), a closed joint-stock company, was founded in 2009 as a result of the transformation of a non-profit partnership of the same name. NDC shares were floated on 28 April 2009, the date on which the decision on the reorganisation was taken proportionally to the number of votes held by the NDC members (the Bank of Russia has a stake of 42.30%). The share issue and the report on the issue of NDC ordinary uncertified shares were registered on 4 February 2010.

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