

THE CENTRAL BANK OF THE RUSSIAN FEDERATION



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



Approved by the Bank of Russia Board of Directors on 8 May 2013

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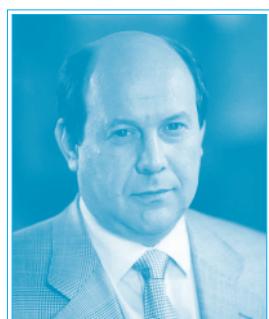
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## INTRODUCTION

**T**he Bank of Russia Annual Report for 2012 has been compiled in accordance with the Federal Law ‘On the Central Bank of the Russian Federation (Bank of Russia)’. This report reflects the results of the bank’s performance during the reporting period and contains an analysis of the internal and external conditions of its activities, the Bank of Russia’s annual financial statements, the auditor’s report and a statement by the Audit Chamber of the Russian Federation.

In 2012, the Russian economy remained fairly stable. Nevertheless, the uncertain economic situation in the global economy and low business activity in countries which are Russia’s trading partners affected economic activity.

The world’s oil prices changed slightly against the previous year. At the same time, the surplus of the country’s balance of payments current account was less than it had been the year before. The net outflow of private capital declined as compared with 2011 but still remained significant.

In 2012, the Bank of Russia continued to execute its exchange rate policy within the managed floating exchange rate regime without interfering in the rouble exchange rate trends, which depended on fundamental factors. To create the conditions for increasing the efficiency of the interest rate policy and preparing for transition to monetary policy implementation within the framework of the inflation targeting regime, the Bank of Russia increased the exchange rate flexibility by extending the floating band of dual-

currency basket fluctuations. The volume of the Bank of Russia’s interventions in the foreign exchange market fell considerably against the previous year, whereas the rouble slightly appreciated.

In 2012, the growth of domestic demand slowed down, thus reducing the GDP growth rate. Nevertheless, according to estimates, the GDP growth rate in Russia exceeded the average growth rate of global output of goods and services. The number of people who were employed kept increasing and the level of unemployment decreased noticeably.

According to the year’s outcome, the inflation target was exceeded, primarily due to the rapid growth of food prices. At the same time, according to estimates, the actual output of goods and services was close to its potential level, which was an indication of the absence of excessive demand in the economy.

The dynamics of monetary aggregates in 2012 testified to a gradual decrease in the inflationary pressure on the money supply side. The annual rate of growth in monetary aggregate M2 was substantially lower than in the previous year.

When making decisions related to the monetary policy, the Bank of Russia aimed at maintaining a balance between the risk of inflation accelerating and the risk of a slowdown in economic growth, proceeding from the analysis of a wide range of macroeconomic indicators. In September, against the backdrop of a substantial

growth in inflation expectations, the Bank of Russia increased the interest rates on its operations by 0.25 percentage points. In other months, the Bank of Russia did not change the stance of its policy.

Given the limited access to external borrowing, Russian banks built up their funding base mostly by relying on domestic sources. The volume of refinancing the Bank of Russia provided to credit institutions grew. To attract the funds of households, many banks in 2012 improved the terms of their deposits, especially long-term ones. This made it necessary for the Bank of Russia to take supervisory actions towards banks which pursued more aggressive policies in the market for household deposits.

In 2012, banks continued to increase their credit portfolios, changing the lending structure. The rate of growth in loans issued to non-financial organisations slowed down. Among other factors, this was due to the influence of tougher non-pricing terms of lending<sup>1</sup> and a certain increase in the interest rates on long-term loans. At the same time, some banks shifted their focus to the highly profitable retail lending market. In 2012, this market, for the first time, accounted for almost a half of the annual growth in the volume of loans issued to non-financial organisations and households. The aggregate retail loan portfolio grew alongside a slight mitigation of the non-pricing terms of lending and a moderate growth of interest rates on loans issued to households. De-

spite the interest rate growth, the volume of housing mortgage lending increased quickly.

In 2012, risk-based approaches to the assessment of credit institutions' financial soundness in the course of supervision were applied more than ever. Problems in the activity of these institutions were revealed at early stages, in order to take prompt measures to ensure the stability of the banking sector. Close attention was paid to the adequacy of the quality assessment of credit portfolios. As usual, the Bank of Russia focused its attention on the largest credit institutions: those that are systemically important for the Russian banking system and for the Russian Federation regions. Assessments of the banking sector's soundness have revealed that the Russian banking sector remains stable and can resist external shocks. On the whole, the systemic risks of the financial sector remained low.

Along with the existing functions of settlements regulation, the Bank of Russia was granted additional legal authority to ensure the stability and development of the national payment system, the key element of which is the Bank of Russia's payment system. The further improvement of the technical infrastructure of the Bank of Russia's payment system contributed to the increase of quality and demand for its services; these improvements ensured its efficient and reliable functioning by making extensive use of modern technology, including the use of remote access channels for making payments.

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<sup>1</sup> Changes in non-pricing terms of bank lending are estimated according to the results of quarterly reviews of the largest Russian banks by the Bank of Russia.



# **THE ECONOMIC AND FINANCIAL SITUATION IN RUSSIA**

**I**

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

*In* 2012, the deterioration of external economic conditions for Russia that had started in the second half of 2011 continued as a result of the exacerbation of the eurozone's government finance crisis. The economic growth of Russia's trading partners slowed down. The global financial markets were still suffering from fluctuations and their situation was largely determined by investors' risk aversion, as they preferred assets with a high credit quality.

The Eurosystem<sup>1</sup> took measures in order to mitigate the impact of the crisis on the economy and the financial market of the eurozone. Thus, in order to ensure the stability of the banking systems' liquidity in the eurozone countries, the European Central Bank (ECB) twice performed refinancing operations along exceptional terms (for a term of three years). Within the framework of these operations, credit institutions were granted a total of more than 1 trillion euros in liquidity.

The acceptance of a budget stabilisation programme by Greece in February 2012 laid the foundation for the regulated restructuring of its public debt and made it possible to provide the country with an official support package that was its second since the beginning of 2010. Nevertheless, the regular manifestation of new as-

pects of the crisis resulted in the depth and duration of the recession in the eurozone being greater than expected. This affected other countries' economies, first and foremost the emerging markets in Europe and Asia. In May—June 2012, the situation worsened because of the events that revealed problems in the cooperation of Greece with its official creditors and difficulties in the Spanish banking sector, which required state support.

According to the International Monetary Fund (IMF), the growth rate of the global economy in 2012 declined to 3.2% from 4.0% in 2011.

In 2012, the GDP of the eurozone decreased by 0.6%. Its unemployment rate increased to its highest reported level since the beginning of the monetary union, reaching 11.8% by the end of 2012. Unemployment growth, lower household real income and corporate profits, together with the instability of the financial market resulted in a drop in consumption and a reduction in fixed capital investments. The GDP of Greece, Italy, Spain, the Netherlands and some other countries which are members of the monetary union declined year on year.

Germany suffered from lower external demand on the part of its European trading partners, including demand for its investment prod-

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

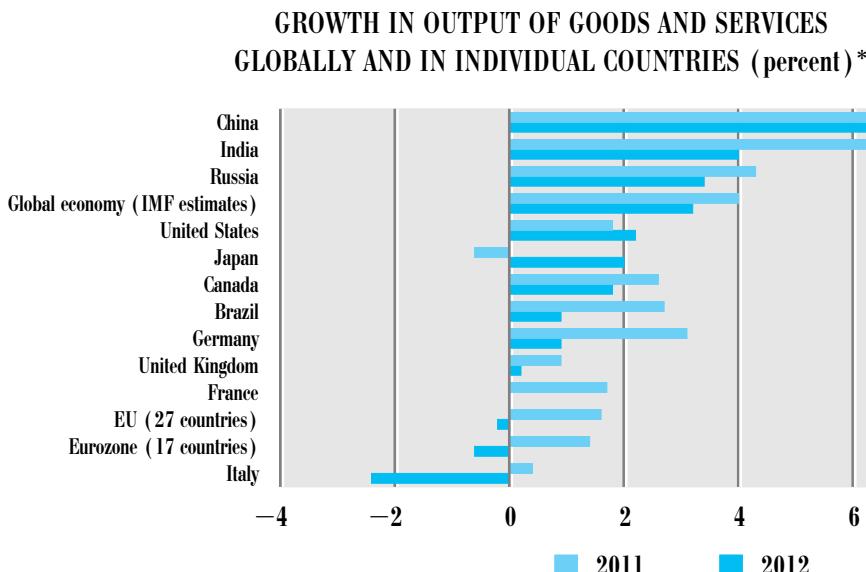


Chart 1

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

ucts, which led to a reduction in its industrial output and domestic investments. Germany's GDP growth rate declined to 0.9% in 2012 from 3.1% in 2011.

The increase of the USA's GDP growth rate (from 1.8% in 2011 to 2.2% in 2012) was influenced by the acceleration of a post-crisis recovery of housing construction volumes. Additionally, employment in the American economy increased at a slower pace in 2012 when compared to 2011, which led to a reduction in the household domestic consumption growth rate.

The consumption of imported goods in the eurozone fell. Meanwhile, in the USA it grew at a lower rate than in 2011. According to IMF estimates, the growth of international trade in goods and services slowed from 6.0% in 2011 to 2.5% in 2012. Weak demand in the largest economies, which contributed to world consumption most, was the reason for slower GDP growth among emerging markets.

The economic growth rate in developing countries in Asia decreased, according to IMF, from 8.1% in 2011 to 6.6% in 2012, and in the countries of Central and Eastern Europe the year-on-year economic growth rate decreased from 5.2% to 1.6%. The growth of China's GDP slowed from 9.3% to 7.8% because of a slower rate of growth in exports, as well as domestic spending on consumption and investment in fixed capital. The growth rates of other leading emerging market

economies such as India, Brazil, the Republic of South Africa and Turkey also decreased.

The decelerated growth of prices for energy and agricultural products in 2012 encouraged a decrease in the inflation rates in most of Russia's trading partners. Both in the eurozone and the USA, growth in prices of goods and services included in the calculation of core inflation made a smaller contribution to inflation than in 2011. The main factor driving the decline in inflation in both economies was the slower growth in energy and food prices. In China, inflation decreased mostly due to the smaller contribution of the food component. With regard to the larger emerging market economies, prices grew more slowly in 2012 in Brazil, South Africa and Turkey, although in India their growth accelerated.

In 2012, the average annual level of food prices in the global markets (according to an index published by the Food and Agriculture Organisation of the UN (FAO)) decreased by 7.0%. The prices of grains remained low due to a big harvest during the previous agricultural year.

The prices of Brent, Dubai and West Texas crudes grew in 2012 by only 1.0% on average (by 31.6% in 2011), and in December they were 3.0% lower than in December 2011. The price dynamics were influenced by the relatively weak and unstable nature of the increase of oil consumption in the world.

An easing of inflationary pressure on foreign economies in 2012 made it possible to loosen the monetary policy. The European Central Bank lowered its refinancing rate from 1% to 0.75% p.a. Interest rates were lowered in the countries of Northern and Central Europe, as well as in China, India, the Republic of Korea, Brazil, South Africa, Turkey, Australia and some other countries.

In the USA, the United Kingdom and Japan, where interest rates remained close to zero, the systematic purchase of the sovereign and corporate debt by monetary authorities had led to the substantial growth of their assets and liabilities and continued to be an instrument for stimulating business activity. The volumes of corresponding programmes were increased in 2012 by the Bank of England (100 billion pounds) and by the Bank of Japan (46 trillion yen).

Until September 2012, the US Federal Reserve System (Fed) performed operations which were aimed at maintaining the stability of its securities portfolios and increasing the share of long-term investment. That contributed to the reduction of long-term interest rates. Considering the slower growth of employment in the USA in 2012 and the signs of business activity slacking (observed in 2012 Q3), the Fed resumed the purchasing of mortgage-backed securities (MBS) in September, which were placed with the guarantees of US federal mortgage agencies. In December, the Fed decided to engage in the purchase of long-term government bonds in 2013; this led, like the purchase of MBS, to an increase in its own portfolio of assets.

In September 2012, the European Stability Mechanism Treaty entered into force. The European Central Bank disclosed the details of a new programme (Outright Monetary Transactions) which makes it possible to restrain fluctuations in the yields of government securities of eurozone member-countries that receive official support. Under the instructions of the eurozone summit, the European Commission published a plan for establishing a single banking supervision mechanism in the eurozone on the basis of the ECB.

A combination of new monetary incentives in the USA and the eurozone's measures to ensure the protection of financial stability facilitated the development of a declining trend in the volatility of prices for financial assets in the world stock markets and of exchange rates set in the second

half of 2012. One of the factors contributing to the stabilisation of business sentiment and the situation in the world financial markets was the eurozone's official financial support to Spain; this was provided in December 2012 for the purpose of bank recapitalisation, along with new tranches of support for Greece. It was intended, among other things, for the further restructuring of its debt.

In the second half of 2012, the world stock indices were mostly rising. In particular, prices for shares of financial sector companies in Europe were growing. The spreads between LIBOR (EURIBOR) rates in US dollars and euros and overnight indices of interest rate swaps were decreasing, which testified to the lowering of the credit risk exposure of money market participants. The spread between interest rates on loans placed in the international capital market by sovereign and corporate borrowers with different credit ratings was falling.

In 2012, the volume of sovereign and corporate borrowings placed in the world capital markets increased. The borrowings of companies which lacked an investment-grade credit rating grew at faster rates when compared with the borrowings of corporations with investment-grade ratings. The placement of debt securities by corporations in emerging economies, among which the larger issuers were Indian and Brazilian companies, increased. The capital markets, including international ones, constituted a more easily available and advantageous source of long-term funds for corporations than the credit markets.

In 2012, the level of market interest rates in freely convertible currencies (US dollars, euros, pounds sterling and yen) remained low. They continued to decrease due to negative output gaps in the corresponding economies and the response measures of monetary stimulation that influenced the long-term segment of the yield curve.

An essential factor determining the conditions in financial markets was still investors' preference for reliable assets (first of all, the government securities of the countries with the highest sovereign credit ratings) that ensured the integrity of investments against the backdrop of risks that had been systematically destabilising the financial markets. From the middle of 2012, the yields of short-term and, in certain periods,

**GROWTH IN EXCHANGE RATES OF SOME CURRENCIES AGAINST THE US DOLLAR IN 2012**  
 (December 2012 as a percentage of December 2011)\*

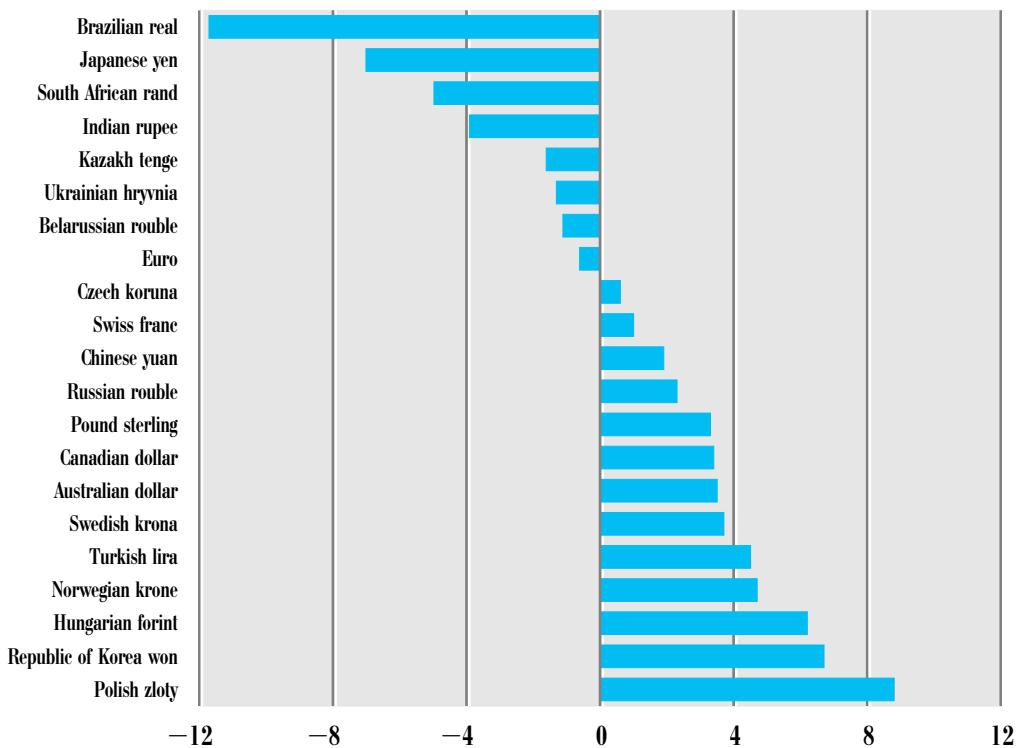


Chart 2

\* A ‘–’ denotes the appreciation of the US dollar, while a ‘+’ denotes the depreciation of the US dollar.

middle-term government bonds of Germany, Switzerland and other financially stable European countries had negative nominal values.

According to the results of 2012 (December on December 2011) the US dollar/euro exchange rate remained almost the same. The Japanese yen, Indian rupee, South African rand and Brazilian real depreciated against both currencies. Most of the world’s currencies appreciated, including the Swiss franc, Chinese yuan, pound sterling, Canadian and Australian dollars, Norwegian krone, Swedish krona, Turkish lira, Polish zloty, Hungarian forint and the Korean won.

Some countries performed currency interventions to counter the excessive appreciation of national currencies. In particular, the Swiss National Bank performed interventions under its obligation to prevent the appreciation of the Swiss franc to values less than 1.2 francs per euro. In China the gradual increase of the exchange rate flexibility continued, and from April the range of permissible daily fluctuations of the yuan rate expanded. The depreciation of the yen was due to some difficulties in the Japanese economy and the scale of the measures taken to stop the deflation processes.

## I.2. THE ECONOMIC SITUATION IN RUSSIA

*In* 2012, production growth in most of the main types of economic activity slowed down. Given the instability of the world economy, weak external demand for Russian exports restricted the economic growth rate.

In 2012, **Russia's GDP** increased by 3.4% (by 4.3% in 2011). The primary contributors to its growth were wholesale and retail trade, financial activities and operations with real estate. Industrial production rose by 2.6% (by 4.7% in 2011). The harvest of the main agricultural crops fell year on year, which resulted in lower agricultural production in general.

In 2012, **the size of the economically active population** continued to grow. The unemployment rate went down to its low of 5.5% of the economically active population over the past 20 years (6.5% in 2011). In 2012, the unemployment rate is estimated as being lower than the long-term trend.

Domestic demand remained the main economic growth factor in 2012. Of the GDP consumption, the biggest contribution to economic growth was made by household final consumption expenditures. In 2012, they grew by 6.8% (by 6.4% in 2011). Household spending on the purchase of goods and services increased due to the growth of household income and the amount of lending to households. Household real disposable income grew by 4.4%. The rise in interest rates on household deposits at the year's end led

to increased personal savings in the form of deposits and securities.

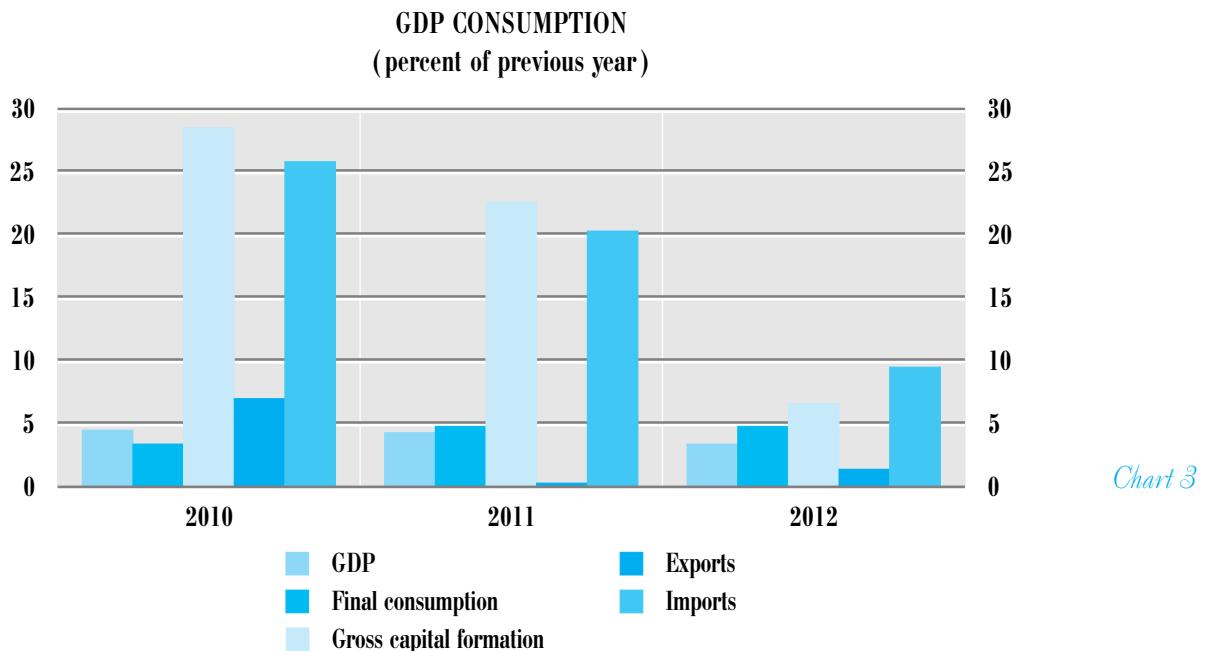
Expenditures on final consumption of general government and non-commercial organisations servicing households in 2012 did not exceed their 2011 level.

Given the decelerating growth of non-financial organisations' profits, investment activity decreased. In 2012, gross fixed capital formation went up by 6.0% (10.2% in 2011). The slowing growth of fixed capital investments in 2012 and a considerable decrease in the growth of inventories resulted in a smaller contribution of gross capital formation to the GDP growth. Gross capital formation increased by 6.6% (by 22.6% in 2011).

Actual output of goods and services was, according to estimates, close to its potential level. Thus, the demand did not contribute to inflation growth.

In January—May 2012, **inflation** was decreasing and in May it stood at 3.6% (month on the same month of the previous year). Inflation dynamics were influenced by the low growth rate of consumer prices of foodstuffs. In the first half of 2012, inflation was also contained by the shift of indexation of administered prices and tariffs in the housing and utilities sector from January to the third quarter.

In June, inflation started to speed up because of the rise in prices of certain types of foodstuffs;



first of all, fruit and vegetables. In the third quarter, the administered prices and tariffs for housing and utilities services were increased. On the whole, inflation in 2012 amounted to 6.6% (6.1% in 2011) and exceeded the target of 5–6% set for the year in the ‘Guidelines for the Single State Monetary Policy in 2012 and for 2013 and 2014’. According to the results of 2012, core inflation was 5.7% (6.6% in 2011).

Increased inflation in 2012 was related to the dynamics of prices for fruit and vegetables. In 2012, food prices rose overall by 7.5%, as against 3.9% in 2011. The high increase in prices of grains and legumes (31.9%) that influenced the rise in the prices of flour (by 28.3%) as well as bread and bakery products (by 12%) had an adverse impact on food price dynamics in 2012.

In 2012, the growth in prices of non-food goods and paid services to households slowed by 1.5 and 1.4 percentage points, respectively. Non-food prices grew by 5.2%, and service prices — by 7.3%.

**Industrial producer prices** in the domestic market rose by 5.1% in 2012 as compared to 12.0% in 2011 (December on December).

Against the backdrop of a slowing growth or decline in world commodity prices in 2012, producer prices in the mining sector went down by 17 percentage points as compared with 2011 to

9.3%. Producer price growth also slowed in the manufacturing sector. In 2012, their growth rate was 3.2%, which is 5.1 percentage points less than the previous year’s corresponding figure. Price growth in the production and distribution of electricity, gas and water was 7.0% in 2012 (as against 5.1% in 2011).

**The price situation in global commodity markets** in 2012 was, on the whole, favourable for Russian exporters. The average annual price of Russian Urals crude in the world market went up from \$109.6 per barrel in 2011 to \$110.8 per barrel in 2012. Petroleum product and natural gas prices in the European market were higher than in the previous year; while the prices of ferrous, non-ferrous and precious metals (except for gold) went down. Food prices in 2012 fell on average as compared with 2011, despite a remarkable growth in grain and sugar prices in the middle of the year. The terms of trade of the Russian Federation with other countries were improving, but significantly more slowly than in the previous two years.

As domestic demand was growing, the import of goods in 2012 continued to increase but at a slower pace than in 2010—2011. The import growth was mostly caused, as in the previous two years, by the expansion of import quantities from foreign countries. On average, prices for im-

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

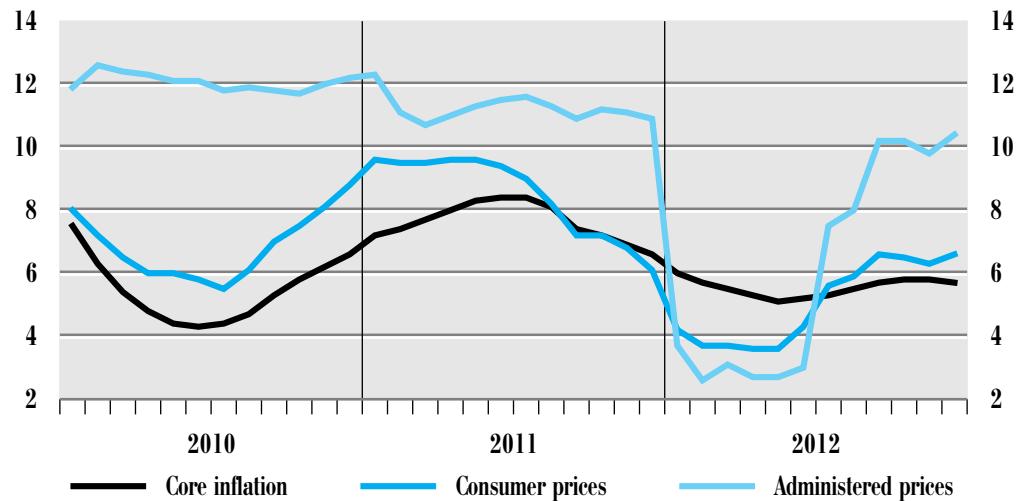


Chart 4

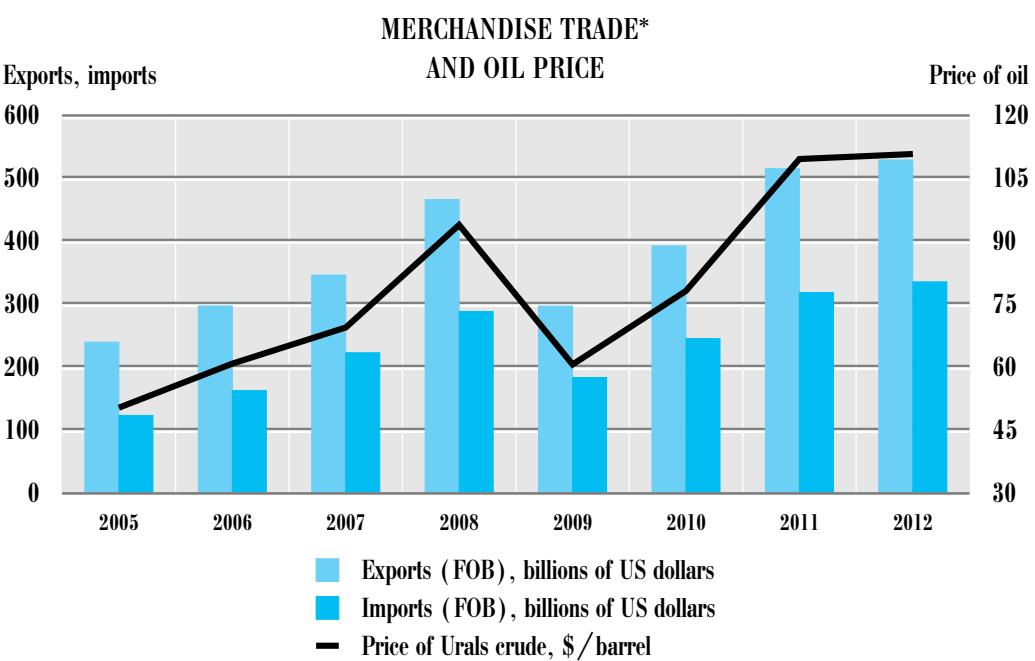


Chart 5

\* According to balance of payments data.

ported goods in 2012 practically remained at the same level as a year earlier. Growth in the import of investment goods again exceeded the import growth in general. The import of food-stuffs and agricultural raw materials for their production declined as compared with the previous year.

With external demand being weak, the export of goods in 2012 increased primarily due to the growth of prices. When compared to 2011, export quantities of oil, natural gas, ferrous metals, timber and plywood reduced; and those of petroleum products, non-ferrous metals, potash fertilisers, automobiles and wheat increased. The

rates of growth in exports of fuel and energy products were, in general, somewhat higher than those of general exports, due to the rise in the export volume of petroleum products and coal and the fall in the export volume of oil and natural gas. The export of foodstuffs and agricultural raw materials, including grain, reached its record high and accounted for about a quarter of the export volume in general. The export of engineering products was higher than in 2011. The main contribution to the export growth of this commodity group was made by an increase in the export of

automobiles. The export of metals and metal products, chemicals and rubber, timber and pulp-and-paper products decreased.

According to the results of 2012, the positive net **financial result** in the economy<sup>1</sup> increased 9.9% year on year (by 19.8% in 2011). The share of loss-making organisations in their total number dropped by 2.2 percentage points year on year and accounted for 25.9%.

The rate of return on goods, products, work and services<sup>2</sup> sold in 2012 stood at 8.9%, which is 1.4 percentage points less than in 2011.

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

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

## I.3. GOVERNMENT FINANCE AND DOMESTIC GOVERNMENT DEBT

*T*he federal budget policy in 2012 was aimed at creating conditions for sustainable economic development and maintaining macroeconomic stability so that there would be no dispute as to the Russian Federation's ability to fulfil its expenditure obligations.

According to the Federal Treasury's report, Russia's federal budget revenue in 2012 amounted to 12,855.5 billion roubles, or 99.5% of the revenue approved by the Federal Law 'On the Federal Budget for 2012 and the Plan Period of 2013 and 2014' (hereinafter referred to as the Federal Budget Law). Federal budget revenue relative to GDP increased by 0.1 percentage points year on year to 20.5%, mainly due to the growing share of oil and gas revenues in GDP.

According to the Federal Treasury's report, federal budget expenditure totalled 12,895.0 billion roubles in 2012, or 99.5% of the expenditures approved by the Federal Budget Law, and 20.6% of GDP (1.0 percentage points higher than in 2011).

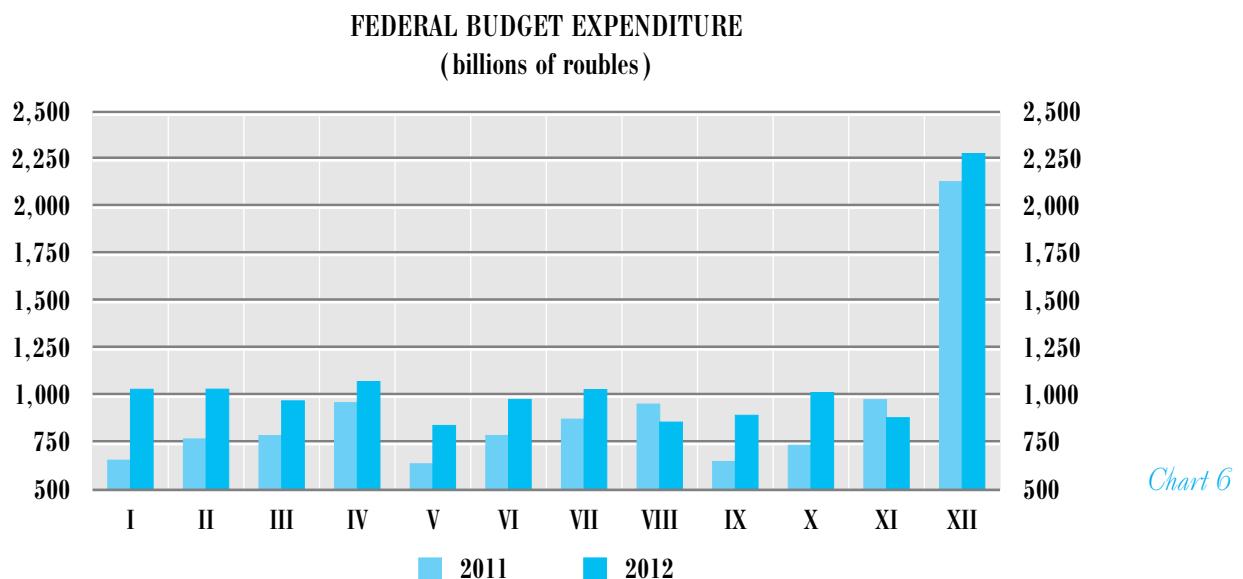
As a result, the federal budget deficit decreased by 5.6 billion roubles over 2012 as compared with the deficit approved by the Federal Budget Law and reached 39.4 billion roubles, or 0.1% of GDP; in 2011 there was a federal budget surplus of 442.0 billion roubles, or 0.8% of GDP.

The balances of the rouble-denominated federal budget accounts with the Bank of Russia decreased in 2011 by 466.6 billion roubles, or by a

factor of 1.5, and as of 1 January 2013 totalled 877.8 billion roubles. The balances of the foreign currency-denominated federal budget accounts increased in 2012 in rouble terms by 936.8 billion roubles, or 30%, and amounted to 4,035.9 billion roubles. These included the balances of the Reserve Fund accounts, which totalled 1,885.7 billion roubles (which had increased by 1,074.2 billion roubles, or 2.3 times) and the balances of the National Wealth Fund accounts, which totalled 2,026.7 billion roubles (which had decreased by 92.4 billion roubles, or by 4.4%).

According to the Federal Treasury, the revenue of the consolidated federal budget and government extra-budgetary funds totalled 23,435.1 billion roubles in 2012 (or 37.4% of GDP) and expenditure totalled 23,174.7 billion roubles (or 37.0% of GDP). The surplus was 260.4 billion roubles (or 0.4% of GDP), as against a surplus of 860.7 billion roubles (or 1.5% of GDP) in 2011.

The surplus of the consolidated federal budget and government extra-budgetary funds was reached due to the surplus of budgets of government extra-budgetary funds. According to the Federal Treasury, the revenues of the Pension Fund of the Russian Federation in 2012 accounted for 5,890.4 billion roubles. Its expenditures totalled 5,451.2 billion roubles and the surplus came to 439.1 billion roubles. The revenues of the Federal Compulsory Medical Insurance Fund in



2012 accounted for 966.5 billion roubles; its expenditures totalled 932.2 billion roubles and its surplus totalled 34.4 billion roubles. The revenues of the Social Insurance Fund of the Russian Federation, its expenditures and its surplus accounted for 630.8 billion roubles; 531.2 billion roubles and 99.6 billion roubles, respectively.

The revenues and expenditures of the consolidated budgets of the constituent territories of the Russian Federation stood at 8,064.5 billion roubles and 8,343.2 billion roubles, respectively, and the deficit amounted to 278.7 billion roubles (12.9%, 13.3% and 0.4% of GDP, respectively).

According to Russia's Ministry of Finance, Russia's domestic government debt as of 1 January 2013 amounted to 4,977.9 billion roubles, which is 484.2 billion roubles, or 8.9%, less than the ceiling set for it by the Federal Budget Law, and 787.3 billion roubles, or 18.8%, higher than its level as of 1 January 2012. Russia's domestic government debt relative to GDP was estimated at 8.0%, an increase of 0.5 percentage points compared to the same indicator as of 1 January 2012.

The value of outstanding government securities increased in the year under review by 517.9 billion roubles, or by 14.6% of Russia's domestic government debt, to 4,064.3 billion roubles, or 81.6%. Government guarantees rose by 269.3 billion roubles (by 42.3%), to

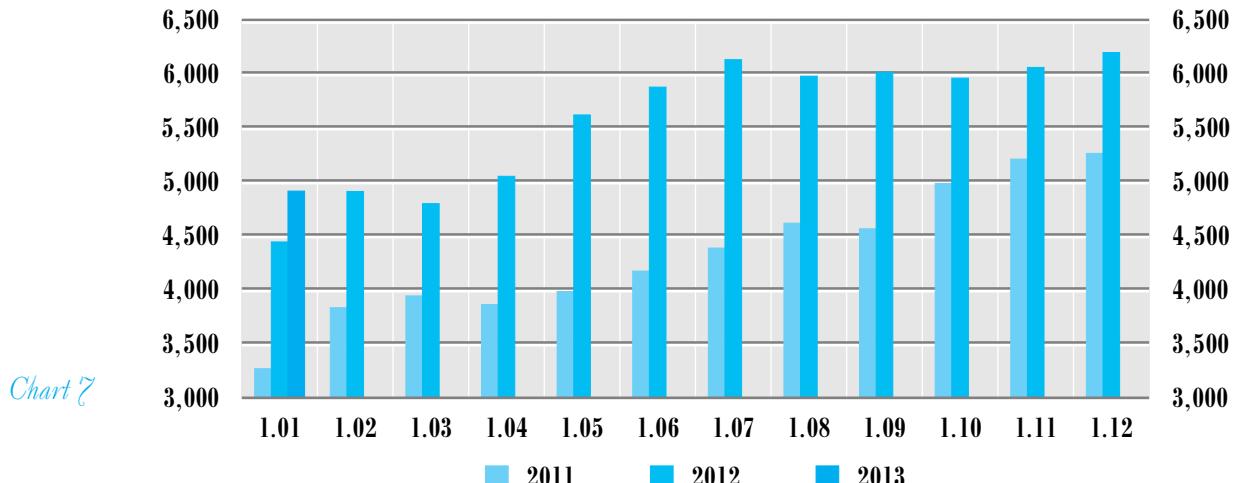
906.6 billion roubles, or 18.2% of the debt. Russia's other debt obligations grew by 0.2 billion roubles (by 2.8%), to 7.0 billion roubles, or 0.2% of the debt.

Federal government bonds with a permanent coupon income accounted for 55.3% (2,248.2 billion roubles) of government securities, while debt depreciation federal government bonds made up 25.8% (1,048.6 billion roubles), government savings bonds represented 16.7% (677.5 billion roubles), and Ministry of Finance (MinFin) bonds stood at 2.2% (90.0 billion roubles).

The volume of outstanding government securities in the domestic market increased by 14.0% to 3,196.7 billion roubles as of 1 January 2013, or 78.7% of government securities. However, the share of these securities in Russia's domestic government debt decreased from 66.9% as of 1 January 2012 to 64.2% as of 1 January 2013 due to growth in the share of debt obligations of the Russian Federation that are not circulating in the domestic market (government savings bonds and guarantees) from 28.4% to 31.9%.

The share of the Ministry of Finance's debt to the Bank of Russia denominated in the currency of the Russian Federation, including the government securities of the Russian Federation purchased by the Bank of Russia under repo transactions, stood at 25.9% of Russia's total domestic government debt as of 1 January 2013, an in-

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



crease of 9.3 percentage points over the year. But when repo transactions are excluded, it stood at 5.2%, having decreased by 1.0 percentage points year on year.

The Ministry of Finance's rouble-denominated debt to the Bank of Russia measured at the nominal value of government securities, including securities purchased by the Bank of Russia under repo transactions, grew by 595.3 billion roubles in 2012 (or 85.6%) and stood at 1,290.5 billion roubles. However, excluding repo transactions, it did not change and stood at 259.2 billion roubles.

The Ministry of Finance's foreign currency-denominated debt to the Bank of Russia in rouble terms, including repo transactions, as of 1 January 2013 accounted for 95.7 billion roubles at the nominal value of government securities and declined by 18.3 billion roubles, or 16.1%; excluding repo transactions, it accounted for 95.7 billion roubles and decreased by 5.8 billion roubles, or 5.7%, due to the partial redemption of Russian Eurobonds and change of the US dollar/rouble exchange rate from 32.1961 roubles as of 1 January 2012 to 30.3727 roubles as of 1 January 2013.

## I.4. THE FINANCIAL SECTOR

The financial sector of the Russian economy in 2012 was comprised of 956 operating credit institutions (including 897 banks and 59 non-bank credit institutions), 469 insurance companies, 1,550 unit investment funds and 138 non-government pension funds<sup>1</sup>.

In 2012, GDP growth decelerated slightly and the ratio of credit institutions' equity capital to GDP increased by 0.4 percentage points to 9.8% as of 1 January 2013. The unit investment funds' Net Asset Value (except for those for qualified investors) to GDP ratio as of 1 January 2013 stood at 0.8%, mirroring the beginning of 2012. The insurance companies' authorised capital to GDP ratio did not change and accounted for 0.3%, and that of own property of non-governmental pension funds increased by 0.3 percentage points, to 2.4%<sup>2</sup>. In 2012, the increase in the volume of the main bond market segments continued, while there was no apparent trend indicating changes in the stock market's capitalisation. The Moscow Exchange stock market capitalisation to GDP ra-

tio decreased from 44.3% in late 2011 to 40.3% in late 2012. Bank loans to non-financial organisations in 2012 grew 12.7% and bank loans to households grew 39.4%. The ratio of lending to non-financial organisations and households to GDP increased from 41.7% as of 1 January 2012 to 44.3% as of 1 January 2013.

The rates and yields of rouble-denominated instruments in the main segments of the Russian financial market in 2012 were mostly growing or fluctuated within a horizontal band at a level that had formed by the end of 2011. Their average annual values went up as compared with 2011. In the interbank money market, the average MIACR<sup>3</sup> on overnight rouble loans increased from 4.0% p.a. in 2011 to 5.5% p.a. in 2012. In all the segments of the domestic secondary market of rouble-denominated bonds, the average yield in 2012 rose as compared with 2011. The average yield of Russian federal government bonds<sup>4</sup> rose by 0.3 percentage points, that of sub-federal and municipal bonds<sup>5</sup> rose by 0.4 percentage points and the yield of corporate bonds<sup>6</sup> rose by

<sup>1</sup> Number of non-governmental pension funds, as of 1 October 2012.

<sup>2</sup> For calculations related to insurance companies and non-governmental pension funds, data as of 1 October 2011 and 1 October 2012 were used.

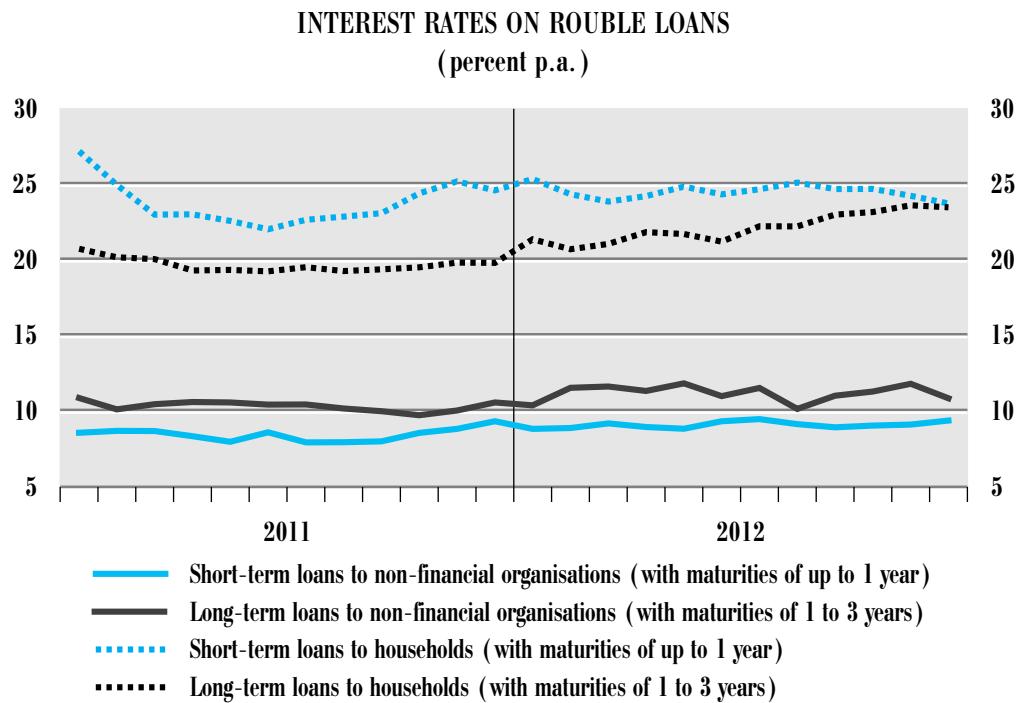
<sup>3</sup> MIACR (Moscow Interbank Actual Credit Rate) is the average weighted rate on interbank loans placed.

<sup>4</sup> Gross yield to maturity of federal government bonds (RGBY index), calculated by the Moscow Exchange.

<sup>5</sup> Effective indicator of yields of the most liquid rouble-denominated bonds of Russia's regions and municipalities, calculated by the news agency Cbonds.ru.

<sup>6</sup> Effective indicator of yields of the most liquid rouble-denominated corporate bonds, calculated by the news agency Cbonds.ru.

Chart 8



1.1 percentage points; these made 7.6%; 8.1% and 8.7% p.a., respectively.

The needs of the banking sector for domestic sources of funding rose in 2012, thus leading to an increase of interest rates on household and corporate deposits. The average annual rouble rate on household deposits with maturities of up to one year increased from 5.4% p.a. in 2011 to 6.5% p.a. in 2012. The rate on corporate rouble deposits with maturities of up to one year stood in 2012 at 5.3% p.a., which is 1.6 percentage points higher than in 2011. The average annual rate on household rouble deposits for a term of one to three years increased from 6.2% p.a. in 2011 to 7.8% p.a. in 2012, on corporate rouble deposits for the same term — from 6.8% p.a. to 8.1% p.a., respectively.

The rise in the cost of the resource base of credit institutions was one of the main causes of growth in average annual interest rates on bank loans to non-financial organisations and households in 2012 as compared with 2011. The average annual interest rate on rouble loans to non-financial organisations for a term of up to one year increased in 2012 as compared with 2011 by 0.6 percentage

points to 9.1% p.a.; for loans with a term of one to three years — by 0.9 percentage points to 11.2% p.a. The rate on rouble loans to households for a term of up to one year rose from 23.8% p.a. in 2011 to 24.5% p.a. in 2012. The most prominent increase during the period was seen in the rate on household rouble loans for a term of one to three years: from 19.7% p.a. to 22.1% p.a.

In 2012, credit institutions continued tightening the non-price terms of lending to non-financial organisations that had started to form in the second half of 2011. Tougher requirements regarding the financial standing of borrowers and their collateral were the main trend in the change of the non-price terms of lending as at the end of 2011. In the household lending segment, a slight easing of the non-price terms of lending was observed.

The spread<sup>1</sup> between interest rates on rouble-denominated loans and the deposit operations of banks with non-financial organisations and households for all terms decreased from 6.4 percentage points in 2011 to 5.7 percentage points in 2012. Despite this, the financial result of credit institutions in 2012 continued to rise. The

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

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

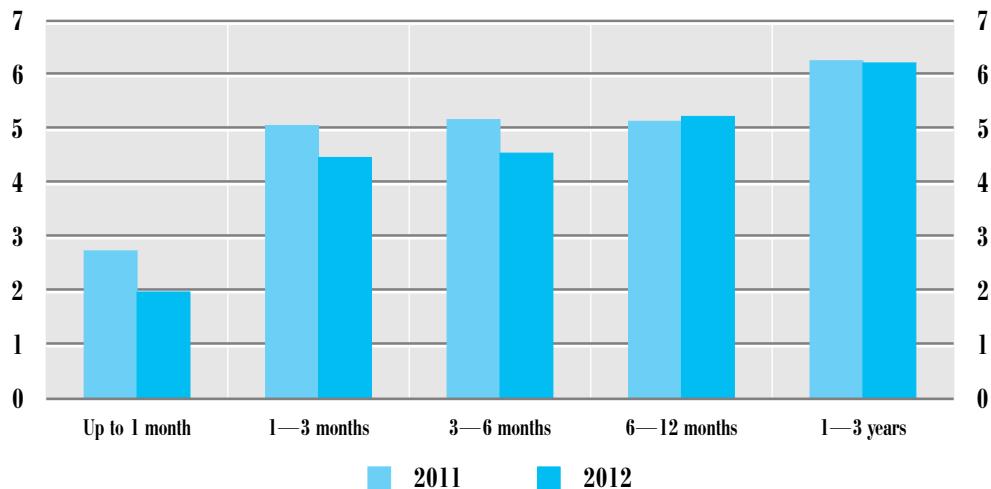


Chart 9

spread on the household lending and deposit operations of any maturity stood at 12.6 percentage points in 2012 as in 2011, exceeding the spread on similar operations with non-financial

organisations by 8.3 percentage points (by 7.3 percentage points in 2011). Retail lending was still more attractive for banks when compared with corporate lending.

## I.4.1. CREDIT INSTITUTIONS

The Russian economy decelerated somewhat in 2012, which most notably caused a decrease in lending to non-financial organisations, and also caused a decrease in bank assets' growth rates.

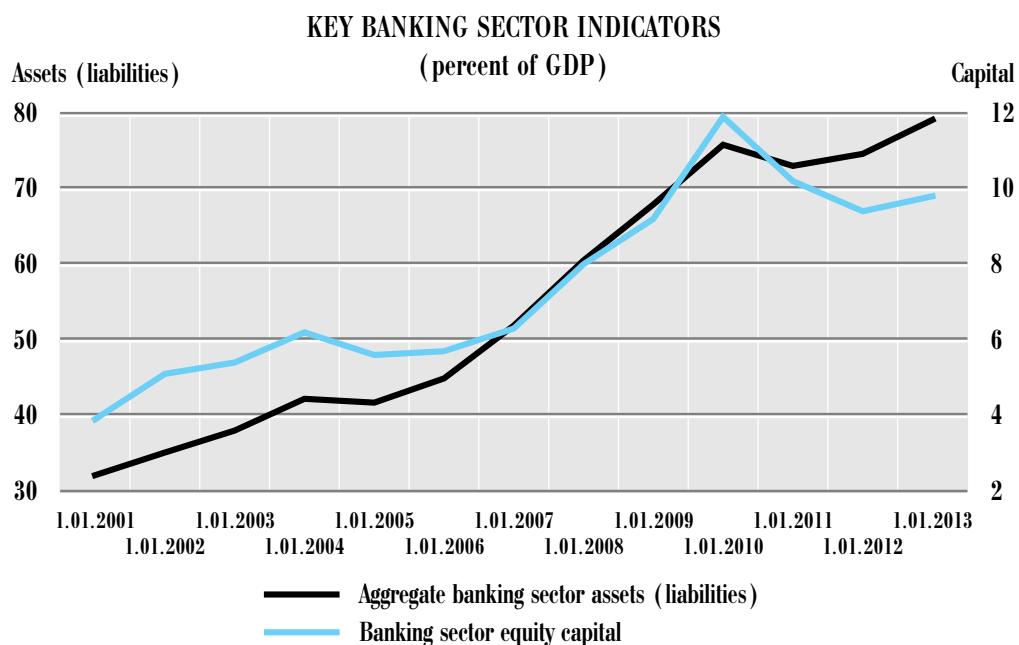
Given the restricted access to external borrowing, Russian banks increased their resource base in 2012. They mostly did so by relying on domestic sources of funding such as household savings and corporate funds. During the year, banks' demand for the refinancing instruments of the Bank of Russia and the deposits of the Federal Treasury remained high. The amounts and intensity of operations allowed banks to manage their current liquidity efficiently. Household lending developed rapidly, which, together with some improvement in the quality of credit portfolios, helped the banking sector reach its highest profits in recent history. That led to conditions that favoured the increasing of the capitalisation of credit institutions.

In 2012, the banking sector's assets increased 18.9% (as against 23.1% in 2011), to 49,509.6 billion roubles; their ratio to GDP rose from 74.6% as of 1 January 2012 to 79.1% as of 1 January 2013.

The equity capital of credit institutions grew 16.6% in 2012 (by 10.8% in 2011) to 6,112.9 billion roubles. Due to the banks' equity growing more intensively than the nominal GDP, the ratio of the banking sector capital to GDP increased from 9.4% as of 1 January 2012 to 9.8% as of 1 January 2013.

The number of credit institutions with equity capital over 1 billion roubles rose in 2012 from 315 to 346 (they accounted for almost 96.4% of total positive equity of the banking sector). The number of credit institutions with equity capital of over 300 million roubles<sup>1</sup> increased over 2012 from 623 to 654 with their share in total positive equity having risen from 98.7% to 99.0%.

Chart 10



<sup>1</sup> Taking into account the entry into force of the requirements of Federal Law No. 391-FZ, dated 3 December 2011, ‘On Amending the Federal Law ‘On Banks and Banking Activities’’, which is related to the increase of the minimum amount of equity capital for newly-established credit institutions to 300 million roubles as of 1 January 2012, and for all credit institutions as of 1 January 2015.

On the whole, the number of operating credit institutions fell in 2012 by 22 units and stood at 956. The bank branch network continued its regional development.

**BANKING SECTOR LIABILITY STRUCTURE.** In the context of the structural deficit of liquidity, the structure of the resource base experienced certain changes in 2012. The demand of banks for the refinancing instruments of the Bank of Russia grew. The debt on loans, deposits and other borrowed funds issued by the Bank of Russia to credit institutions increased 2.2-fold to 2,690.9 billion roubles. As of 1 January 2013, this source accounted for 5.4% of the banking

sector's liabilities (1,212.1 billion roubles, or 2.9% of liabilities as of 1 January 2012). The amount of the Federal Treasury deposits decreased over 2012 by 10.2% to 504.0 billion roubles; their share in the liabilities fell from 1.3% to 1.0%.

In 2012, the traditional sources of funding of credit institutions grew steadily. The balances of customer<sup>1</sup> accounts increased by 15.5% in 2012, reaching 30,120.0 billion roubles, but their share in the banking sector's liabilities decreased from 62.7% to 60.8%.

Over 2012, the amount of household deposits rose by 20.0% (by 20.9% in 2011) to 14,251.0 billion roubles, and their share in the

BANKING SECTOR LIABILITIES (percent)

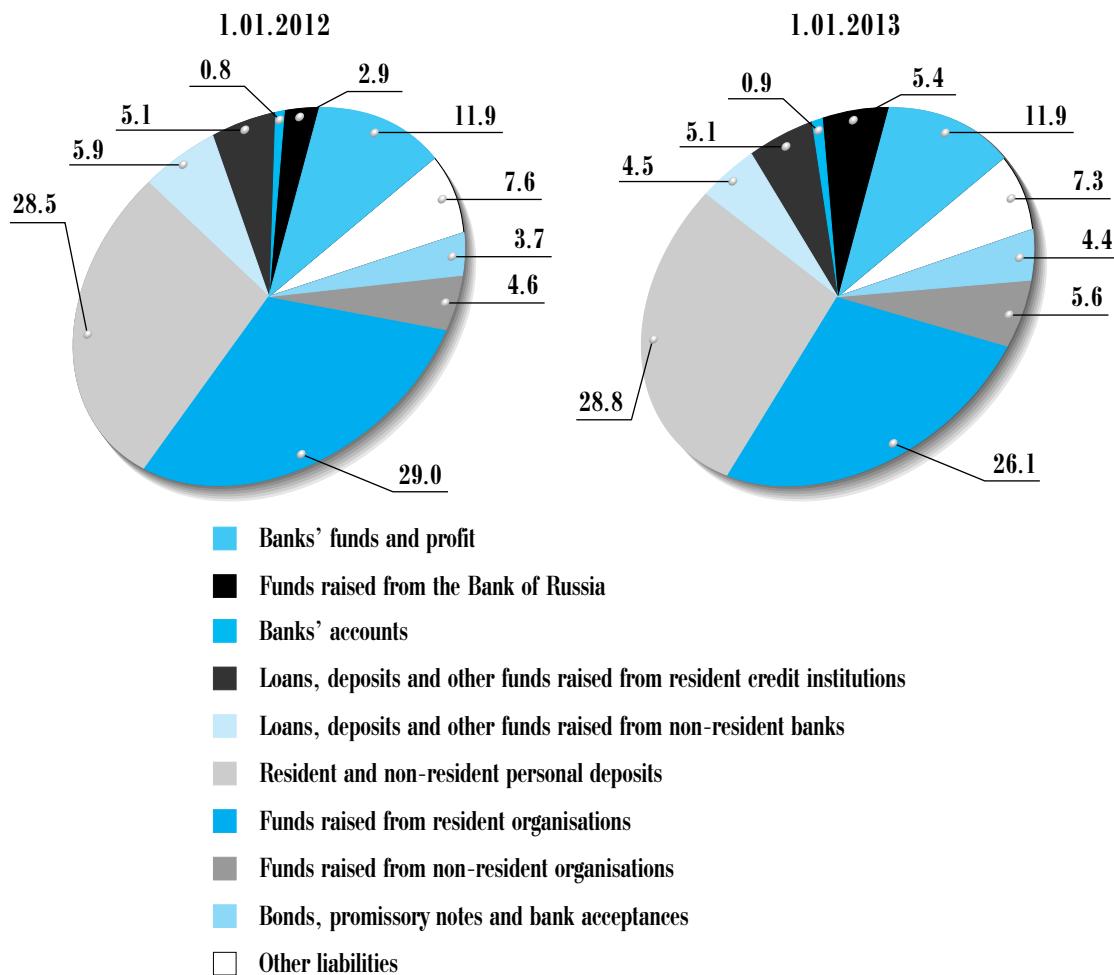


Chart 14

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

banking sector's liabilities increased from 28.5% to 28.8%. Rouble- and foreign currency-denominated deposits (in US dollar terms) were growing at almost the same pace: by 21.2% and 21.6%, respectively. But the share of foreign currency deposits in the total volume of deposits went down over the year from 18.3% as of 1 January 2012 to 17.5% as of 1 January 2013. The competition in the household deposit market intensified. The share of OJSC Sberbank of Russia in the total volume of deposits over 2012 fell from 46.6% to 45.7%, and the number of banks with deposit volumes in excess of 1 billion roubles rose from 415 to 437.

Total funds raised from organisations other than credit institutions<sup>1</sup> in 2012 increased by 12.7% (as against 22.5% in 2011) to 15,144.2 billion roubles. Their share in the banking sector's liabilities stood at 30.6% as of 1 January 2013 (as against 32.3% as of 1 January 2012). As for corporate deposits<sup>2</sup>, their volume increased by 16.8% in 2012 (as against 32.8% in 2011). The rate of growth in balances of settlement and other accounts of companies fell compared to 2011 (from 9.9% to 7.1%), while the share of this item in liabilities decreased from 12.8% to 11.5% in 2012.

Demand for the debt obligations (bonds and promissory notes) of credit institutions remained stable and, as a result, the share of issued bonds in bank liabilities increased in 2012 from 1.6% to 2.1%, and the share of issued promissory notes — from 2.1% to 2.3%.

**BANKING SECTOR ASSET STRUCTURE.** The structure of Russian banks' assets was determined by the dynamics of credit transactions and, most importantly, of consumer lending. The total volume of loans to non-financial organisations and households went up in 2012 by 19.1% to 27,708.5 billion roubles with a slight increase of their share in banking sector assets (from 55.9% to 56.0%). The ratio of total loans to this category of borrowers to GDP increased over 2012 from 41.7% to 44.3%.

Loans and other funds extended to non-financial organisations increased by 12.7% in 2012 (by 26.0% in 2011) to 19,971.4 billion roubles and their share in the banking sector's assets decreased from 42.6% to 40.3%. Most loans (78.1% as of 1 January 2013) were extended in roubles. The decline of the corporate credit portfolio growth rate was influenced by such factors as the deceleration of economic growth in Russia, the re-focusing of many banks on the consumer lending market, the decreased level of capital adequacy in many banks and its low 'reserve' when compared with the acceptable minimum value.

The growth in lending to households accelerated in the year under review. The volume of loans to households<sup>3</sup> grew by 39.4% in 2012 (by 35.9% in 2011) to 7,737.1 billion roubles. The share of household loans in the total volume of loans issued by the banking sector increased over 2012 from 19.3% to 22.8%, and increased in the total banking sector's assets from 13.3% to 15.6%. Most (96.8% as of 1 January 2013) of the household loans were issued in roubles.

Banks' securities portfolio increased in 2012 by 13.3% (by 6.6% in 2011) to 7,034.9 billion roubles. Meanwhile, its share in the total banking sector's assets fell from 14.9% to 14.2%. The bulk of the securities portfolio was made up of investments in debt obligations (74.8% as of 1 January 2013). Their volume increased in 2012 by 12.6% (by 5.8% in 2011) to 5,265.1 billion roubles. The share of discounted promissory notes in the securities portfolio increased as well: from 3.8% as of 1 January 2012 to 5.7% as of 1 January 2013. Investments in equities over 2012 decreased by 13.4% (over 2011, they grew by 28.6%) with their share in the total securities portfolio falling from 14.7% to 11.3%.

The assets of credit institutions in foreign currency (in US dollar terms) increased by 13.9% over 2012, and their share in the total banking sector's assets went down from 23.3% to 21.0%.

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

<sup>2</sup> Excluding Federal Treasury deposits.

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

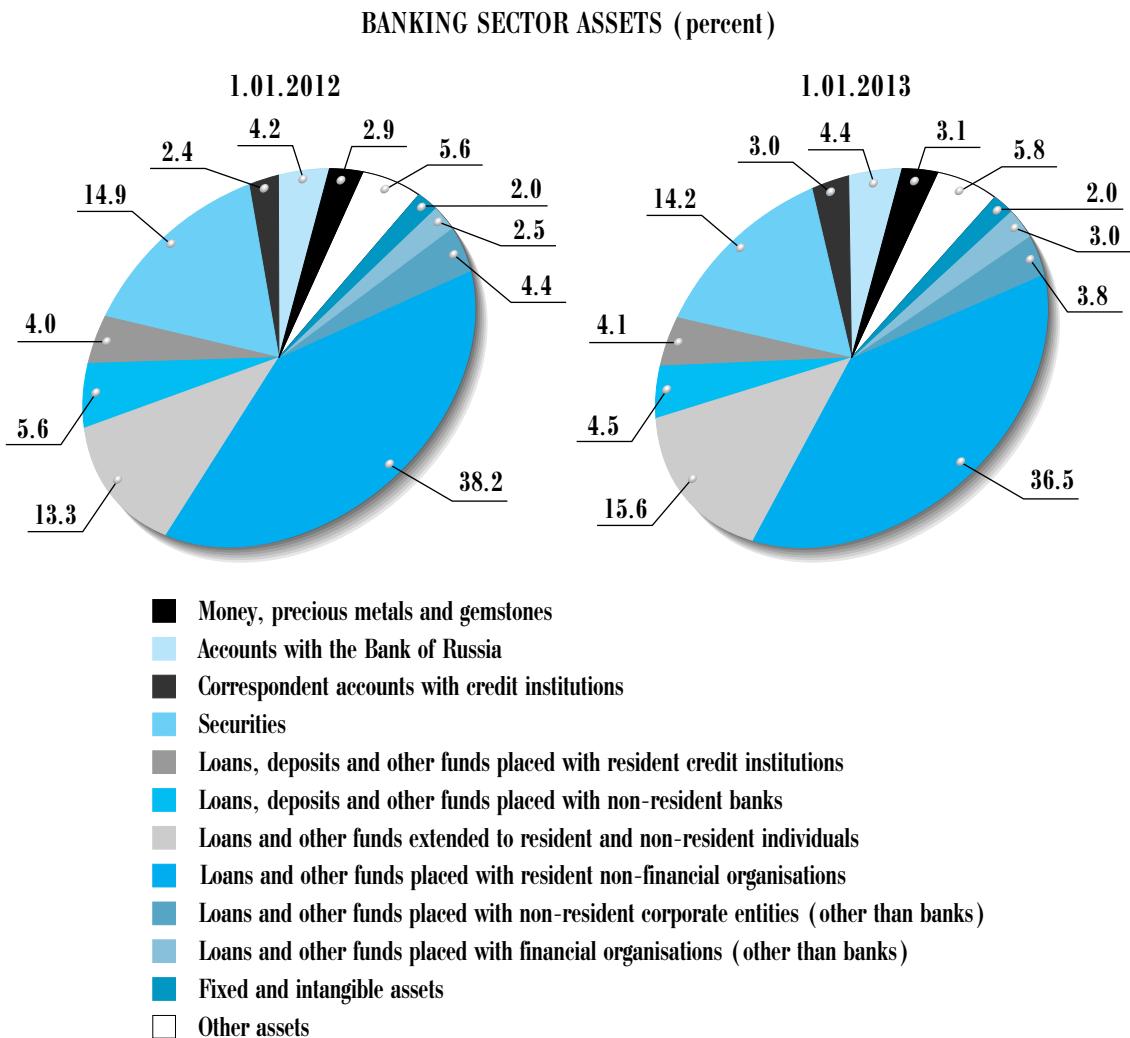


Chart 12

#### CLAIMS AND OBLIGATIONS ON INTERBANK LOANS.

The volume of interbank loans (IBL)<sup>1</sup> extended in 2012 increased 6.9% (by 35.5% in 2011), but their share in the banking sector assets declined from 9.5% to 8.5%, due to, among other things, a reduction (by 4.2%) in the volume of lending to non-resident banks. Interbank loans extended to resident credit institutions increased 22.4% in 2012, and their share in the banking sector's total assets went up from 4.0% to 4.1%.

The volume of IBLs attracted over 2012 grew by 3.9% (by 21.4% in 2011), and their share in the banking sector liabilities stood at 9.6% as of 1 January 2013 (11.0% as of 1 January 2012). The volume of IBLs attracted in the domestic

market grew by 17.8% with external borrowings falling by 8.2%.

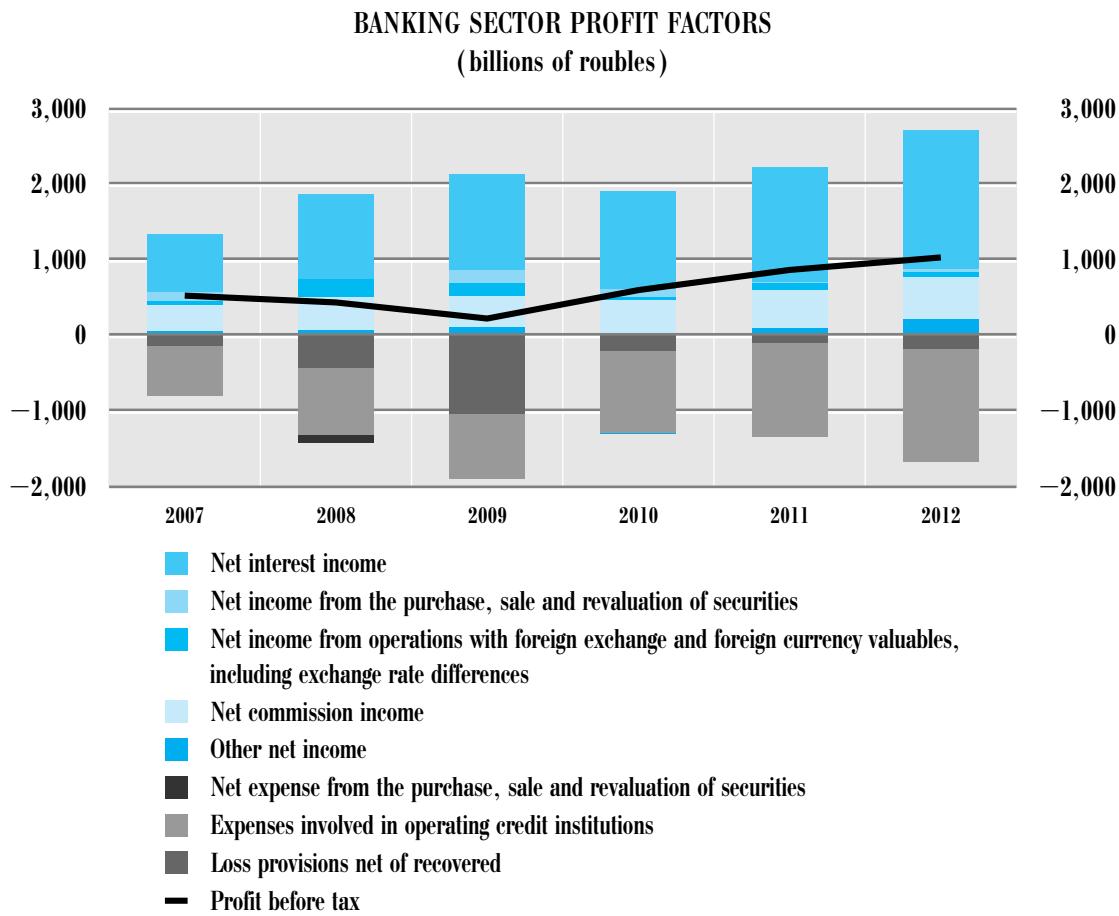
According to the results of 2012, the total net liabilities to non-resident banks declined from 125.4 billion roubles to 22.7 billion roubles (from 0.3% to 0.05% of liabilities). As of most of the 2012 intra-annual reporting dates (from 1 March 2012 to 1 December 2012), the banking sector acted as a net lender in operations with non-resident banks.

#### THE FINANCIAL STANDING OF CREDIT INSTITUTIONS.

In 2012, the net profit of operating credit institutions hit a record high in the entire history of the development of the banking business in

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

Chart 13



Russia: 1,011.9 billion roubles (848.2 billion roubles in 2011).

The share of profit-making institutions in the total number of operating credit institutions in 2012 decreased from 94.9% to 94.2%. The number of loss-making institutions increased from 50 to 55 or from 5.1% to 5.8% of all operating credit institutions. Their losses amounted to 9.4 billion roubles in 2012 (5.6 billion roubles in 2011).

The rate of return on credit institution assets in 2012 reached 2.3%, and the rate of return on equity was 18.2% (the respective percentages in 2011 were 2.4% and 17.6%)<sup>1</sup>.

Profit growth in 2012 was mostly a result of the increased volume of lending (while the quality of the credit portfolio remained stable). The

most important item influencing the financial result of banks in 2012<sup>2</sup> was net interest income. Its share in the profit growth factors was 67.8% as of 1 January 2013 (68.6% as of 1 January 2012). In 2012, this income rose by 321.6 billion roubles, or by 21.3% (as against 16.7% in 2011).

The share of net fee income in the structure of profit growth factors fell over 2012 from 22.7% to 20.9%, and the share of net income from operations with foreign currency and currency valuables, including exchange rate differences, fell from 4.3% to 2.2%.

The share of net income from operations involving the purchase, sale and revaluation of securities in the structure of profit growth factors

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

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

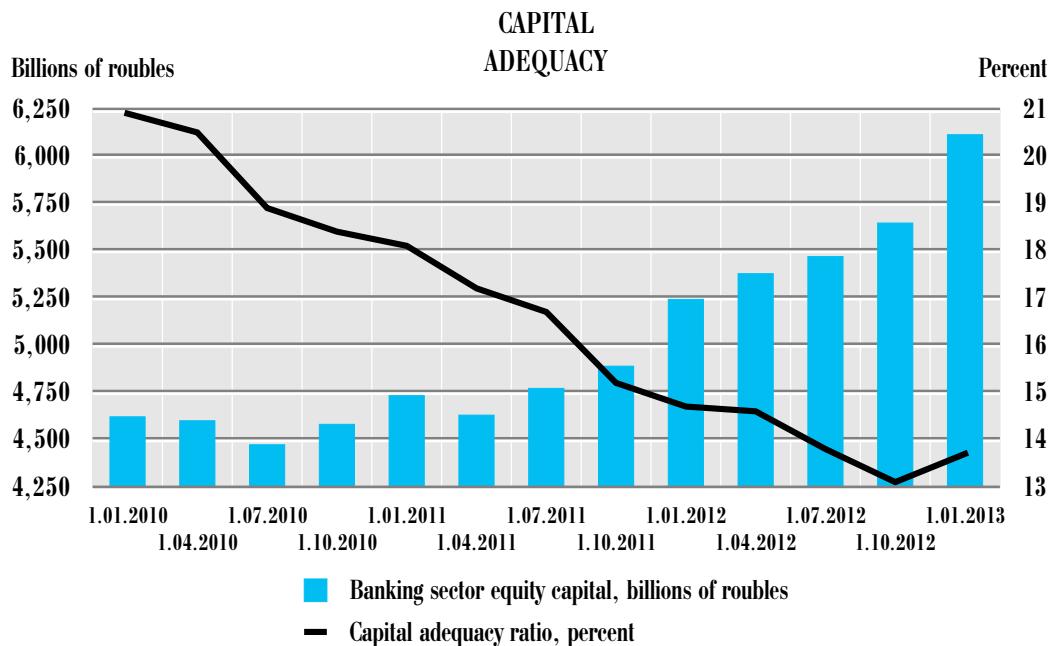


Chart 14

rose over 2012 from 0.4% to 1.7%, the share of other net income rose from 4.0% to 7.4%.

Expenses related to the support of credit institutions' operations increased by 19.5% in 2012, but their share in the structure of profit reduction factors fell from 91.8% to 87.8%.

The volume of additionally-formed net loan loss provisions (net of recovered ones) increased by almost 90% over 2012, or by 95.0 billion roubles, and reached 12.2% in the structure of profit reduction factors (8.2% in 2011).

Profit and funds formed out of this profit remained the main source of capital growth in 2012 (608.1 billion roubles, or 53.1% of the amount of capital growth sources<sup>1</sup>). Subordinated loans were the second important source of capital growth (totalling 289.8 billion roubles, or 25.3% of total sources of growth); in 2011 they increased by a mere 37.4 billion roubles, or 5.1% of total sources of growth. The more active attraction of subordinated loans at the end of 2012 was primarily caused by the banks' desire to use subordinated instruments before the Basel III requirements are implemented in 2013. The growth in authorised capital and share premium was 224.2 billion roubles, or 19.6% of total sources of growth (in 2011 such sources increased by

184.5 billion roubles, or 25.0% of total sources of growth).

As the banking sector's capital grew on the whole, a reduction of equity capital was observed in some credit institutions: it was registered in 126 credit institutions totalling 43.7 billion roubles, or 10.1% of these credit institutions' capital. In 2011, the capital of 126 credit institutions also fell, but the fall was more significant: 155.8 billion roubles, or 15.4%, respectively.

The capital adequacy ratio across the banking sector decreased from 14.7% as of 1 January 2012 to 13.7% as of 1 January 2013. As in 2011, it was caused by a faster growth of risk-weighted assets against the background of lower rate of growth in equity capital. In 2012 4Q, the capital adequacy ratio began showing signs of an increase, mostly due to subordinated loans (their growth over 2012 4Q amounted to 252.4 billion roubles).

**FOREIGN-CONTROLLED BANKS.** In 2012, the number of banks controlled by non-residents<sup>2</sup> grew from 113 to 117 (17 of them rank among Russia's top 50 credit institutions in terms of assets). Simultaneously, their share in the banking services market increased from 16.9% to 17.8%

<sup>1</sup> Hereinafter referred to as total sources of growth.

<sup>2</sup> Credit institutions with a 50%-plus stake in the authorised capital.

of the total banking sector's assets, and from 17.6% to 19.3% of total equity capital.

The share of loans issued by banks controlled by foreign capital to non-financial organisations rose by 14.6% over 2012, that of loans issued to households grew by 43.1%, and their share in the total volume of such loans in the banking sector as a whole as of 1 January 2013 reached 14.2% and 22.6%, respectively (14.0% and 22.0% as of 1 January 2012). The share of overdue debt in the corporate credit portfolio of banks controlled by non-residents fell over 2012 from 4.2% to 3.9%, and its share in the household loan portfolio fell from 7.7% to 5.6%.

The share of banks controlled by foreign capital in the household deposit market increased over 2012 from 11.4% to 13.5%.

The conditions of external financial markets, including those formed as a result of a decreased financial leverage in the European banking market, led to a substantial reduction of the share of non-resident banks' funds in the liabilities of banks controlled by foreign capital (from 13.5% to 8.3% in 2012). Despite the fact that during the year credit institutions controlled by foreign capital remained net borrowers from non-residents in the IBL market, the volume of net borrowings declined over 2012 by 65.3% or 96.0 billion roubles to 51.1 billion roubles as of 1 January 2013, and the ratio of net external borrowings to liabilities of the said group fell from 2.1% as of 1 January 2012 to 0.6% as of 1 January 2013. Moreover, some banks became the net creditors of non-resident banks, according to the results of 2012.

**BANKING SECTOR RISKS.** The annual rate of growth in overdue debt was 11.0% in 2012 (as against 9.4% in 2011). Considering the decelerated growth of the total loan portfolio, the share of overdue debt in the loan portfolio over 2012 declined less substantially (from 3.9% to 3.7%) than in 2011 (from 4.7% to 3.9%).

In the corporate portfolio the overdue debt increased over 2012 by 12.3% (by 10.7% over

2011), and its share in the portfolio did not change, remaining at 4.6% as of 1 January 2013. Among household loans, overdue debt rose by 7.6% in 2012 (as against 3.1% in 2011), while its share in the corresponding loan portfolio fell from 5.2% to 4.0%.

In the most risky portfolio of unsecured<sup>1</sup> homogenous consumer loans, the share of those with payments that were overdue for over 90 days fell from 6.9% to 5.9% in 2012. Thus, the share of non-performing loans in this retail segment is at an acceptable level; its reduction is a result of the fairly intensive increase of the said portfolio.

The share of problem (IV category) and loss (V category) loans in total loans<sup>2</sup> in 2012 receded from 6.6% to 6.0%. The total of actual loan loss provisions as of 1 January 2013 stood at 6.1% of the loan portfolio (as against 6.9% as of 1 January 2012), and covered (with some excess) the outstanding debt on bad (IV and V category) loans.

At the same time, credit institutions still have a significant amount of rollover loans on their balance sheets: they account for 995.4 billion roubles, or 15.3% of the large loans portfolio, as of 1 January 2013.

Over 2012, the level of market risks grew by 11.3% (by 14.2% over 2011). Traditionally, the maximum share in the market risk structure has fallen upon the interest rate risk (76.0% as of 1 January 2013).

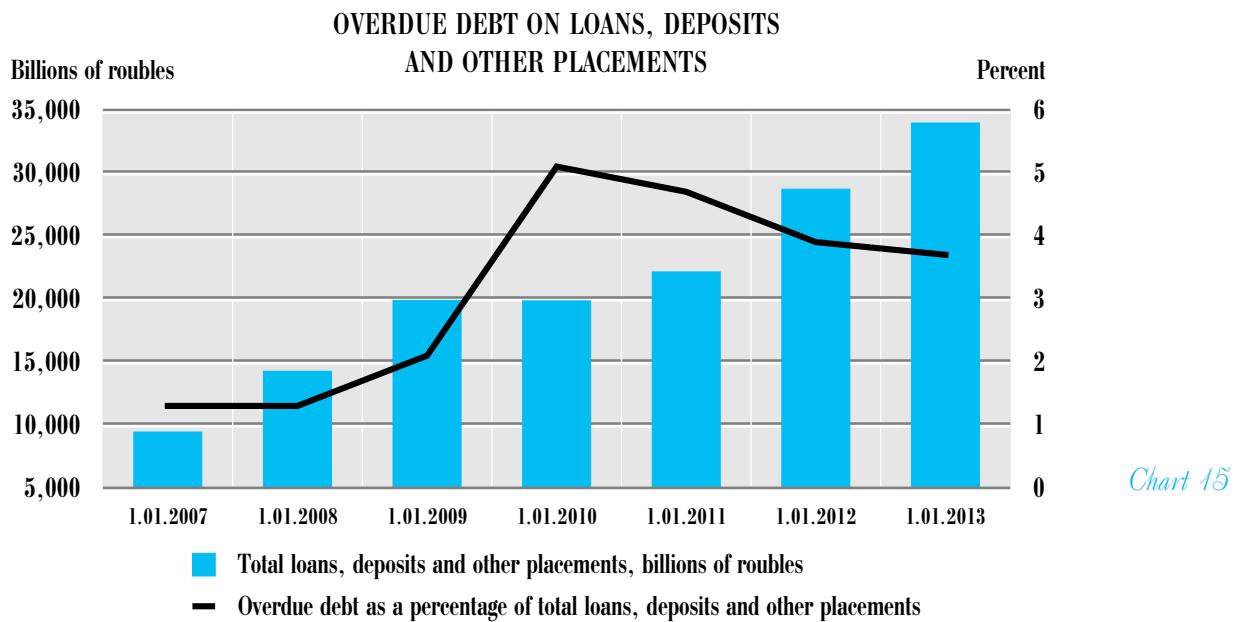
In the structure of the banking sector's market risks, the share of equity position risk decreased by almost a half over 2012 (to 12.6% as of 1 January 2013) owing to the reduced equity trading books.

Foreign exchange risk grew over 2012: its share of total market risks rose from 6.0% to 11.4%. At the same time, the ratio of excess of balance-sheet foreign currency claims (in rouble terms) over obligations relative to total capital dropped dramatically: from 14.0% as of 1 January 2012 to 1.1% as of 1 January 2013. For off-balance-sheet items<sup>3</sup> the same figure as of 1 January 2013 was 7.0% (as of 1 January 2012 the

<sup>1</sup> Other consumer loans (according to the statements of credit institutions prepared by form 0409II5: section 3. Information on the portfolios of homogenous exposures and loans issued to households).

<sup>2</sup> Hereinafter, according to data reported by credit institutions in reporting form 0409II5 (sections 1, 2, and 3).

<sup>3</sup> In forward transactions (Section D of the Chart of Accounts).



rouble equivalent of foreign currency obligations exceeded the claims; the difference between their ratios relative to total capital was  $-3.2\%$ ).

Stress-testing of the systemic soundness of the Russian banking sector revealed that the overall

banking sector's capital adequacy ratio would not drop below 10% in both of the scenarios under consideration<sup>1</sup>. This proves that the Russian banking sector is sufficiently sound and can withstand external shocks.

<sup>1</sup> As of 1 January 2013, stress-testing was performed on the basis of two stress macroscenarios. The pessimistic scenario assumes a substantial slowing down of the Russian economy due to a recession in Europe and a drop in the price of Russia's main exports, accompanied by some interest rate growth and a moderate decline in stock indices. The worst case scenario includes a drop in GDP (down to negative values), coupled with a more substantial fall in stock indices and rising market interest rates. According to the stress-test results, capital deficits can be seen in 23—32% of operating credit institutions, depending on the scenario.

## I.4.2. OTHER FINANCIAL INSTITUTIONS

**I**NSURANCE COMPANIES. According to Russia's Federal Financial Markets Service (FFMS of Russia), in 2012 the number of insurance companies listed in the Single State Register of Insurers dropped by 110 to 469 (by 46 in 2011). The number of mutual insurance companies among them grew by 4 to 11. The tightening of legislative requirements to the level of insurers' capitalisation from 1 January 2012 became the main cause of growth in their total authorised capital: by 12.2% to 208.0 billion roubles.

According to 450 insurance companies that provided their financial statements to the FFMS of Russia, the total volume of collected insurance premiums in 2012 grew by 21.0% over 2011, to 809.1 billion roubles, and insurance indemnities rose by 21.0%, to 369.4 billion roubles<sup>1</sup>. These rates of growth are the highest over the past several years. The ratio of insurance indemnities to insurance premiums in 2012 did not change and stood at 45.7% as of 1 January 2013.

The volume of voluntary insurance contributions in 2012 increased by 18.2% year on year (by 20.2% in 2011). Their share in the total volume of insurance contributions declined from 83.3% as of 1 January 2012 to 81.5% as of 1 January 2013 because of a more intensive increase in compulsory insurance contributions. Almost 40% of the increase in voluntary insurance contributions are provided by property insurance, mostly at the account of insurance of ground transport vehicles (except railway transport).

The volume of compulsory insurance contributions increased in 2012 year on year by 34.8% (by 12.6% in 2011). Accelerated growth was a result of compulsory third-party liability car insurance, primarily, due to more sales of cars and an increase in adjustment factors for such types of insurance by some insurers.

According to the reports of insurance companies provided to the Bank of Russia<sup>2</sup>, the rate of growth in insurers' assets over the first nine months of 2012 amounted to 6.6%. Deposits and debt securities accounted for the largest shares in total assets: 28.5% and 22.1%, respectively, as of 1 October 2012.

The rate of growth in insurance reserves over the first nine months of 2012 was 12.6%, having decreased by 0.2 percentage points as against the same figure of 2011. The reinsurers' share in insurance reserves, which is a measure of risks passed on by insurance companies to reinsurers, totalled 7.4% as of 1 October 2012 (as against 7.5% as of 1 October 2011). The share of non-resident reinsurers expanded in the structure of these funds between 1 October 2011 and 1 October 2012 by 6.4 percentage points, reaching 67.8%.

In the structure of insurance companies' investments, those in the banking system prevailed: 36.8% as of 1 October 2012 (38.2% as of 1 October 2011), 77.4% of which were deposits. The dynamics of investments in certain financial instruments were different: the deposits of insurers grew by 2.5%, investments in debt securities grew by 2.4%; and investments in equity securities decreased by 8.4%.

The foreign assets of insurance companies grew by 18.9% over the first nine months of 2012, and their share in the structure of insurers' investments was 10.4% as of 1 October 2012.

Investments in the non-financial sector and in the sector of other financial institutions as of 1 October 2012 stood at 10.5% and 8.8%, respectively (as of 1 October 2011, 10.5% and 9.4%). Over the first nine months of 2012, the investments of insurers in the non-financial sector increased by 1.8% (portfolios of the equity securities of non-financial organisations grew by 21.5%, while debt securities portfolios declined

<sup>1</sup> Hereinafter, excluding compulsory medical insurance. Pursuant to Federal Law No. 326-FZ, dated 29 November 2010, 'On Compulsory Medical Insurance in the Russian Federation', from 1 January 2012 the funds intended for payment for medical care and received by an insurance company operating in the sphere of compulsory medical insurance, are targeted financing funds.

<sup>2</sup> According to Rosstat Order No. 42, dated 15 February 2011, 'On the Approval of Statistical Tools for Organising Statistical Surveillance by the Bank of Russia of Borrowings and Placements Made by Insurers'.

by 11.2%). Investments in the sector of other financial institutions decreased by 4.9% (portfolios of the equity securities of other financial institutions decreased by 6.3%, of debt securities grew by 24.7%).

**UNIT INVESTMENT FUNDS (PIFs).** In 2012, the number of PIFs increased by 80 to 1,550 (by 26 the year before), because of the growth of closed-end unit investment funds. The number of retail (open-end and interval) PIFs decreased by 15, primarily due to the termination of hybrid and index funds<sup>1</sup>. Among PIFs grouped by category, the number of real estate funds increased the most (by 52), and the maximum reduction was seen in the number of open-end hybrid funds (by 7).

The total net asset value (NAV) of PIFs increased by 17.4% to 513.8 billion roubles in 2012 (they decreased by 5.7% in 2011)<sup>2</sup>. The NAV of closed-end funds grew to their maximum extent (by 22.6%), due to real estate funds and rent funds. The share of closed-end PIFs in the total NAV of the funds increased by 3.4 percentage points to 80.1% as of 1 January 2013.

The NAV dynamics of retail PIFs were different in 2012. The NAV of open-end funds increased by 5.5% due to the net inflow of funds from unit holders in the bond PIFs and the positive investment result of such funds. The NAV of interval PIFs decreased by 22.6%, primarily because of the termination of a number of large funds.

The number of PIF management companies declined by four in 2012 to 330. Their share in the total number of registered asset management companies was 79.9% as of 1 January 2013<sup>3</sup>.

**NON-GOVERNMENTAL PENSION FUNDS (NPFs).** According to the FFMS of Russia, the number of NPFs dropped by eight over January—Septem-

ber 2012 to 138. The total value of their own property increased by 22.5% to 1,470.9 billion roubles as of 1 October 2012 (by 22.7% over the same period of 2011), mostly due to the pension savings transferred from the Pension Fund of the Russian Federation. The value of property to support the authorised activities grew by 12.8%, which is partially the result of tightened legislative requirements from 1 July 2012 regarding the minimum value of such property for an NPF participating in the obligatory pension support system. Over the same period of 2011, the value of property for the support of authorised activities decreased by 3.4%.

In the NPF liability structure, the pension reserves still prevailed during the period under review. The rate of their growth (6.6% over January—September 2012) turned to be the minimal for the past several years. This was partly caused by the fact that the growth rate of pension payments substantially exceeded (2.7-fold) that of pension contributions. The number of NPF participants in the non-governmental pension support programmes rose by 4.0% over January—September 2012 to 6.9 million people. The average monthly pension of NPFs rose by 11.0% to 1,968.6 roubles in January—September 2012, which is 4.7 times lower than government pensions.

The total volume of pension savings in NPFs over January—September 2012 increased by 53.7%. The number of participants in the compulsory pension insurance programme in NPFs increased by 32.7% over January—September 2012 and exceeded the number of participants in the non-governmental pension support system 2.3-fold.

According to the reports on NPF financial operations provided to the Bank of Russia<sup>4</sup>, the rate of growth in NPF assets over the first nine months

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

<sup>2</sup> Hereinafter, exclusive of PIFs that held the status of funds for qualified investors as of 1 January 2013. In accordance with Federal Law No. 334-FZ, dated 6 December 2007, ‘On Amending the Federal Law ‘On Investment Funds’ and Certain Laws of the Russian Federation’, PIFs for qualified investors are not bound to publicly disclose information about their activities.

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

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

of 2012 stood at 22.5%. Securities portfolios accounted for the biggest share in total NPF assets (68.6% as of 1 October 2012).

As of 1 October 2012, the maximum share of NPF investments (33.4%) was made in the banking system (25.8% as of 1 October 2011). These investments grew over the first nine months of 2012 by 37.0% (bank deposits increased by 42.0%, debt portfolios by 26.3%, and equity portfolios by 17.2%).

Investments in the sector of other financial institutions reached 31.8% of the NPF asset structure as of 1 October 2012 (27.6% as of 1 October 2011), having grown over the first nine months of 2012 by 35.2% due to a higher volume

of debt securities (1.5 times) and equity portfolios (by 26.9%).

NPF investments in the sector of non-financial organisations decreased by 4.2% over the first nine months of 2012 (due to the reduction of the equity securities of non-financial organisations in the NPF portfolio by 19.0% with a corresponding 10.2% increase of debt securities). In the total NPF investments their share declined to 25% as of 1 October 2012 (36.8% as of 1 October 2011).

NPF investments in non-resident securities went up by 28.1% over the first nine months of 2012, but their share remained insignificant in the structure of NPF securities portfolios: 1.1% as of 1 October 2012.

### I.4.3. FINANCIAL MARKETS

#### INTERBANK MONEY MARKET

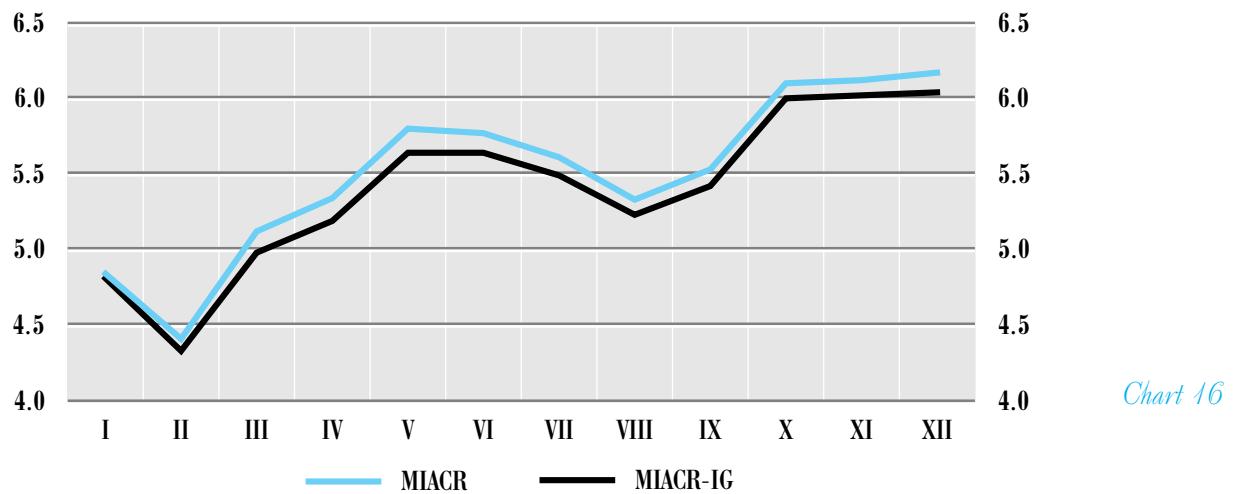
**In** 2012, the activity of the Russian participants in the interbank money market continued to grow. As of late 2012, the total debt on interbank loans placed by Russian banks in the domestic market amounted to 2.02 trillion roubles, as against 1.65 trillion roubles as of the end of 2011. The average value of rouble-denominated overnight interbank loans, placed by the largest banks operating in the Russian market, amounted to 174 billion roubles per day in 2012. This exceeded the same figure for 2011 by 20%.

During most of 2012, given banks' high demand for rouble liquidity, the MIACR on overnight rouble-denominated interbank loans exceeded the minimum rate at the Bank of Russia's repo auctions. The only exceptions were January and February 2012, as during these months the substantial level of liquid rouble funds of Russian banks formed in the last ten days of December 2011 continued. The average MIACR on overnight rouble-

denominated interbank loans in January—February 2012 was 4.6% p.a., while in March—December 2012 it was 5.7% p.a. (4.0% p.a. in 2011). Rates on interbank loans with longer maturities were growing in 2012 at a slower pace or remained at the previous level. According to the 2012 results, the spread between the MIACR on rouble loans with maturities of 6 to 12 months and overnight loans fell slightly. This may serve as proof that the market participants did not expect further short-term growth in such rates.

In 2012, major market participants serviced their debts on interbank loans in a timely fashion. During most of 2012, overdue loans accounted for no more than 0.15% of the total amount of interbank loans issued by Russian banks. As the credit quality of the portfolio of interbank loans placed by Russian banks remained fairly high, the average monthly spread between the overnight rouble-denominated MIACR-B<sup>1</sup> and MIACR-IG<sup>2</sup> with the same ma-

AVERAGE MONTHLY INTEREST RATES ON OVERNIGHT ROUBLE-DENOMINATED  
INTERBANK LOANS IN 2012 (percent p.a.)

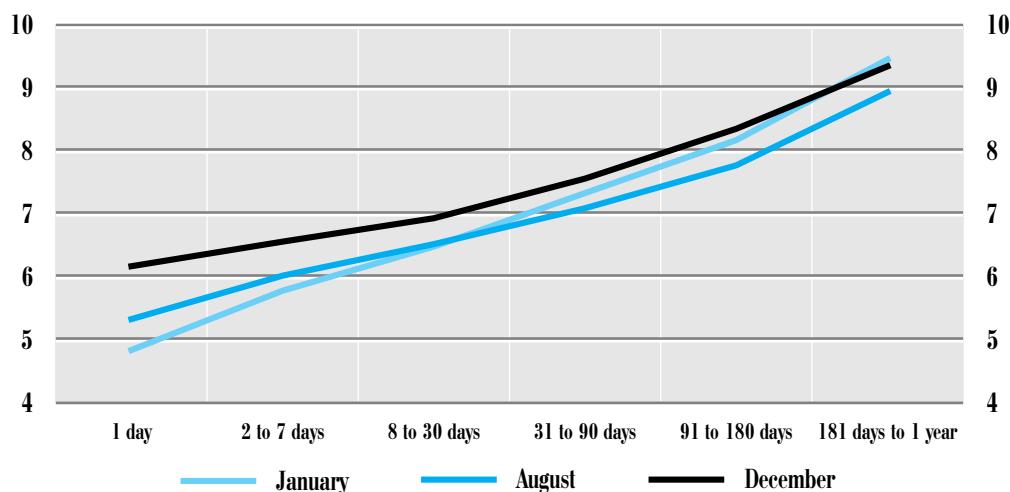


<sup>1</sup> The MIACR-B is an average weighted rate on interbank loans issued by the largest operators of the Russian interbank loan market to Russian banks with a speculative credit rating (from B3 to B1 by the scale of Moody's Investors Service or from B- to B+ by the scale of Fitch Ratings and Standard & Poor's).

<sup>2</sup> The MIACR-IG is an average weighted rate on interbank loans issued by the largest operators of the Russian interbank loan market to Russian banks with an investment grade rating (not lower than Baa3 according to the Moody's Investors Service scale or BBB- according to the scale of Fitch Ratings and Standard & Poor's).

**INTEREST RATES ON ROUBLE-DENOMINATED INTERBANK LOANS (MIACR)  
IN 2012 BY TERM (percent p.a.)**

Chart 17



turity did not exceed 0.4 percentage points throughout 2012. In the segment of longer maturities, the spread also remained low, thus proving that the financial situation of the market participants was not expected to deteriorate from a short-term perspective.

The volatility of interbank lending rates remained moderate in 2012, which was reflected in the low bid-offer spread (MIBID and MIBOR, respectively). Intramonth rate dynamics during

most of 2012 remained cyclic. The last ten days of a given month saw local peaks of rates because banks and their customers were obliged to make obligatory payments. The turnovers of the interbank lending market in 2012 were fairly volatile. The volume of overnight rouble-denominated interbank loans placed by the largest banks operating in the Russian interbank market ranged between 82 billion roubles and 293 billion roubles on certain days of 2012.

## REPO MARKET

*In* 2012, the interdealer repo market remained one of the key mechanisms of liquidity distribution in the banking sector. The average daily volume of overnight repo transactions with bonds (MICEX BORR sample) in 2012 amounted to 117 billion roubles, while the rate of overnight repo transactions with shares (MICEX EQRR sample) amounted to 78 billion roubles.

Banks that performed repo transactions, both on their own behalf and on behalf of their customers, remained the key participants in the repo market in 2012. In such an environment the formation of rates on repo transactions was defined on the whole by the same factors that defined the

formation of interbank loan rates. During most of 2012, the rates on repo transactions changed in the same direction as interbank loan rates. As the borrowers in the repo market were mostly bank customers, repo rates were slightly higher than interbank loan rates. The average spread between overnight repos with bonds (MICEX BORR index) and the overnight rouble-denominated MIACR in 2012 was 0.3 percentage points, as against 0.5 percentage points in 2011.

The structure of the repo market did not change significantly in 2012. As before, short-term operations (primarily, with one-day and one-week maturities) dominated the market. As in 2011, repo transactions secured by high qual-

ity assets accounted for most operations. More than a half of the market turnover consisted of transactions secured with papers of the govern-

ment (federal government bonds and Moscow Government bonds) and the leading Russian companies with government participation.

## FOREIGN EXCHANGE MARKET

*In* 2012, the domestic foreign exchange market was influenced by the situation in the global energy market and by capital flows. In January—April 2012, against the background of an increased inflow of funds from foreign trade operations into the country caused by seasonal reduction in import quantities, the rouble appreciated against the major world currencies. In May—June 2012, as the external economic situation deteriorated and the pressure in the global financial markets increased after aggravation of debt problems in the major developed countries, the rouble depreciated. In the second half of 2012, the resumed growth in oil prices and stabilisation of the situation in the financial markets, due to, inter alia, the announcement of stimulating measures by the European Central Bank and the US Federal Reserve, resulted in the appreciation of the rouble.

As of 1 January 2013, the official US dollar/rouble rate was 30.3727, and the official euro/rouble rate was 40.2286, representing 5.7% and 3.5% decreases, respectively, as against 1 January 2012.

The total average daily turnover in the interbank exchange and OTC spot FX market in 2012 amounted to \$57.0 billion, having increased by 4.0% when compared with 2011. At the same time, the average daily turnover in the forward domestic foreign exchange market fell by 13.5% to \$1.8 billion<sup>1</sup>. The share of forward transactions in the total volume of interbank foreign exchange market slightly decreased over the reporting period to 3.0%.

Rouble/US dollar transactions prevailed in the currency structure of the interbank market. Their share grew from 64.8% in 2011 to 70.9% in 2012 for spot operations and from 56.3% to 65.5% for

### OFFICIAL US DOLLAR/ROUBLE AND EURO/ROUBLE EXCHANGE RATES

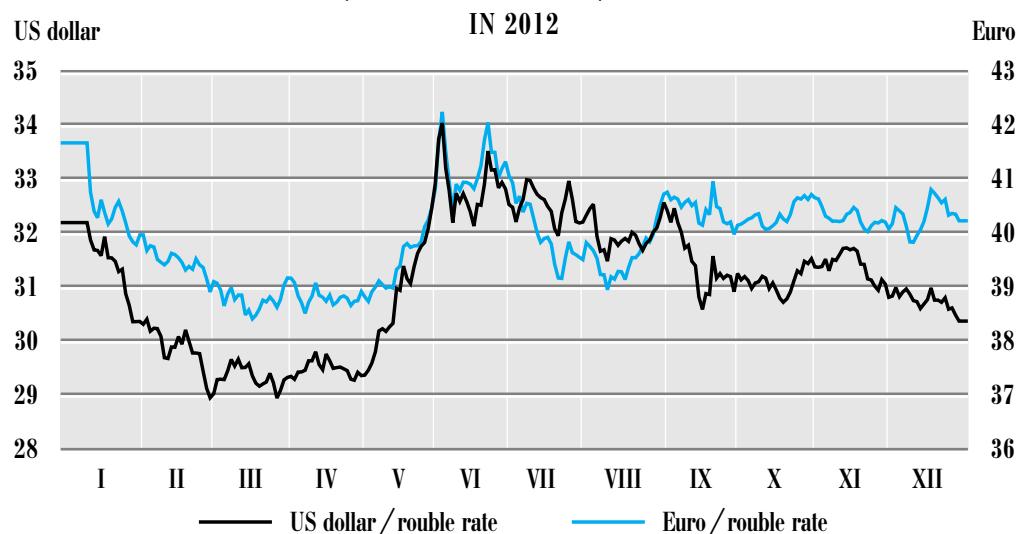


Chart 18

<sup>1</sup> Calculation of average daily turnover of the interbank spot and forward foreign exchange operations also includes the corresponding legs of FX swaps. If both legs of an FX swap relate to spot operations, it is recognised in the turnover of spot operations; in other cases an FX swap is included in calculation of turnover of forward operations. Annual reports before 2011 contain indicators that include both legs of FX swaps.

**INTERBANK FOREIGN EXCHANGE MARKET TURNOVER IN 2012 BY CURRENCY  
(percent)\***

	Spot operations	Forward operations
US dollar	91.8	92.8
Russian rouble	78.0	70.0
Euro	25.3	25.9
Pound sterling	1.7	2.4
Swiss franc	1.2	4.0
Other	2.0	4.9

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

forward operations. The share of exchange transactions in the total turnover of the interbank for-

ign exchange market somewhat increased to about 25%.

**GOVERNMENT SECURITIES MARKET**

**FEDERAL GOVERNMENT BONDS (OFZ).** Over 2012, the nominal amount of outstanding OFZ issues increased by 0.4 trillion roubles and reached 3.2 trillion roubles.

In January—May 2012, OFZ market yield dynamics were mostly determined by the money market conditions. A short-term surplus of banking sector liquidity in January—February was accompanied by a decline in money market interest rates. However, these rates started to rise again as the banking sector returned to a liquidity deficit, starting from March 2012. Under these circumstances, the gross yield to maturity of Russian government bonds decreased from 7.86% p.a. at the end of 2011 to 7.35% p.a. by the beginning of March 2012, and then it increased to 8.54% p.a. as of the beginning of June. In the second half of 2012, the key factor driving OFZ market yield change was market participants' positive expectations regarding the completion of the process of liberalising foreign investors' access to the OFZ market. Despite the persistently high level of money market rates, the gross yield to maturity of Russian government bonds started to decrease in June 2012: as of the end of 2012, it stood at 6.71% p.a.

**REGIONAL GOVERNMENT BONDS.** Ministry of Finance data indicate that the nominal value of regional government bonds placed in the domes-

tic market totalled 375.4 billion roubles as of 1 January 2013 (as against 343.9 billion roubles as of 1 January 2012). The value of municipal domestic bond debt increased from 7.2 billion roubles as of 1 January 2012 to 8.6 billion roubles as of 1 January 2013.

In 2012, the financial standing of most Russian regions was improving, but some Russian federal constituents and municipalities still needed to borrow funds in order to finance their budgets and re-finance bonds that they had issued earlier. The nominal value of regional (sub-federal and municipal) bonds placed on the Moscow Exchange in 2012 increased 2.1 times year on year to 114.7 billion roubles. As in 2011, in 2012 the largest issuer (Moscow) did not place any bonds. The largest bond issues were placed by the Krasnoyarsk and Krasnodar Territories and Samara and Nizhni Novgorod regions (16.9, 8.6, 10.0 and 8.0 billion roubles at face value, respectively).

The secondary trade turnover of regional bonds on the Moscow Exchange in 2012 fell by 5.8% year on year, accounting for 444.3 billion roubles. The structure of trade in regional bonds in the secondary market by issuer changed significantly: due to a substantial reduction in the Moscow Government bonds' share in the trade turnover, the combined share of the bonds of three other large issuers, Nizhni Novgorod Region,

**AVERAGE GROSS YIELD TO MATURITY OF RUSSIAN GOVERNMENT BONDS  
(percent p.a.)**

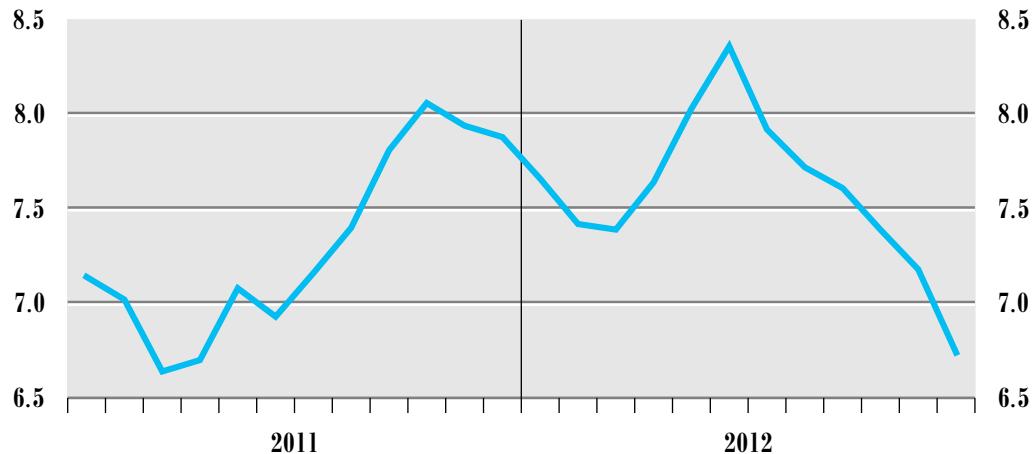


Chart 19

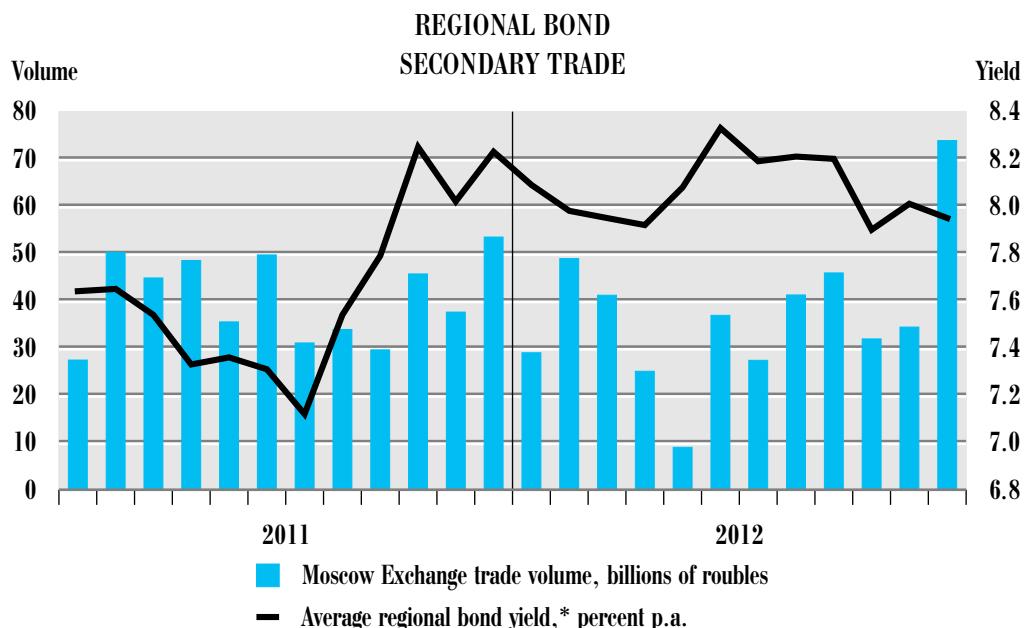


Chart 20

\* According to the news agency Chords.ru.

Krasnoyarsk Territory and the Republic of Sakha (Yakutia), increased more than twofold.

The yield of sub-federal and municipal bonds in the secondary market in the group of leading issuers fluctuated in 2012 within the 7.8–8.5% p.a. range (7.1–8.7% p.a. in 2011).

**RUSSIAN GOVERNMENT DEBT OBLIGATIONS CIRCULATING IN THE INTERNATIONAL MARKET.** In 2012, the Russian Federation placed three Eurobond issues with maturities of 5, 10 and 30 years, and yields of 3.325% p.a., 4.591% p.a. and

5.798% p.a., respectively, and with a total nominal value of \$7.0 billion in the international capital market.

According to the payment schedule for 2012, in March and September a part of the principal debt on the issue of the Russian Federation's Eurobonds with a final maturity in 2030 was repaid. The coupon payments on all Russian government securities circulating in the international capital market were made in full. According to the Russian Ministry of Finance, in 2012 the amount of payments on the principal debt on foreign cur-

rency bonds was \$1.3 billion, the amount of coupon payments stood at \$2.4 billion for foreign currency bonds and 7.1 billion roubles for MinFin bonds (OVOZ).

According to the Russian Ministry of Finance, as of 1 January 2013 eight of the Russian Federa-

tion's Eurobond issues were circulating in the international market for a total of \$34.9 billion at par value issued in 1998—2012; these will mature between 2015 and 2042. One OVOZ bond issue was placed in 2011 with a maturity of seven years and a nominal amount of 90.0 billion roubles.

## CORPORATE SECURITIES MARKET<sup>1</sup>

*In* 2012, the Russian corporate securities market, while still experiencing external shocks, remained relatively stable. In 2012, the outflow of non-residents' capital from the Russian corporate securities market declined by more than 50%, since the withdrawal of funds from the equity market fell significantly. The balance of non-resident operations (total purchases net of total sales) in the secondary trade on the Moscow Exchange remained negative in 2012: transactions with shares<sup>2</sup> accounted for 136.5 billion roubles (441.6 billion roubles in 2011) and transactions with corporate bonds accounted for 100.0 billion roubles (75.8 billion roubles in 2011).

The volume of publicly placed **shares** of Russian companies on the largest Russian and international stock exchanges in 2012 fell slightly year on year. With the unstable situation in the international stock markets, investors' demand for high-risk assets remained restrained, and some of the share placements which had been planned by Russian issuers for 2012 were postponed for an indefinite period of time.

The Russian MICEX and RTS indices fluctuated in 2012 with no apparent trend; their volatility was substantially lower than it had been in 2011. According to the results of 2012, the MICEX and RTS indices went up against the end of December, 2011 by 5.2% and 10.5%, respectively (they had declined by 16.9% and 21.9%, respectively, in 2011). The Moscow Exchange's<sup>3</sup> equity market capitalisation increased by the end of 2012 compared to the end of 2011 (by 2.1%)

to 25.2 trillion roubles (in 2011, it decreased by 14.8%).

In 2012, practically all exchange transactions with equities were executed on the Moscow Exchange. The amount of secondary trade on this trading floor in 2012 accounted for 11.5 trillion roubles. Most exchange transactions were performed with the equities of credit institutions as well as with equities of oil and gas, metallurgical, electrical engineering and telecommunications companies.

In the domestic **corporate bond market** a record high volume of securities was issued in 2012: 255 new issues as well as two additional corporate bonds issues totalling 1,218.4 at par were placed on the Moscow Exchange. Fifteen issues of corporate bonds totalling 23.5 billion roubles were placed in the domestic over-the-counter market. Most placements in 2012 involved the securities of issuers with high credit ratings.

The number of defaults on corporate issues in 2012 fell fourfold as compared with 2011 and stood at 18<sup>4</sup>. The bonds of issuers experiencing difficulties in servicing their bonded loans in 2008—2011 ran the highest credit risk.

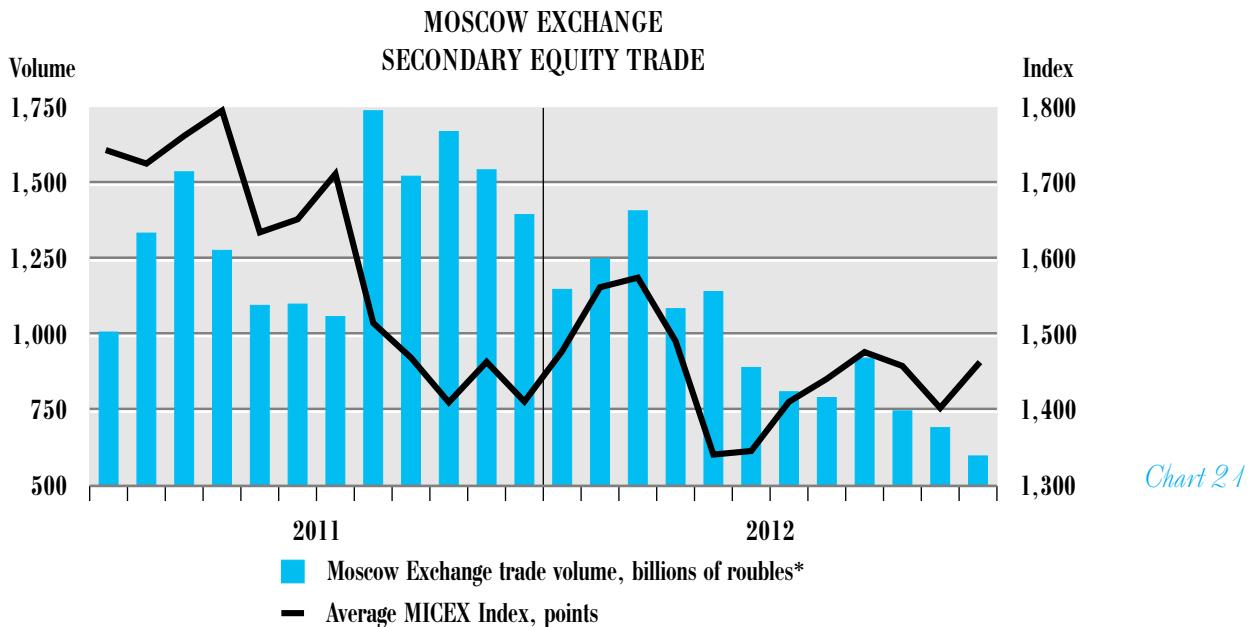
The secondary trade turnover of corporate bonds on the Moscow Exchange grew in 2012 by 2.7% year on year, amounting to 5,286.1 billion roubles. In the structure of secondary trades in corporate bonds on the Moscow Exchange, the highest share was of instruments issued by credit institutions, railway transport companies, and the metallurgical and electric power enterprises.

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

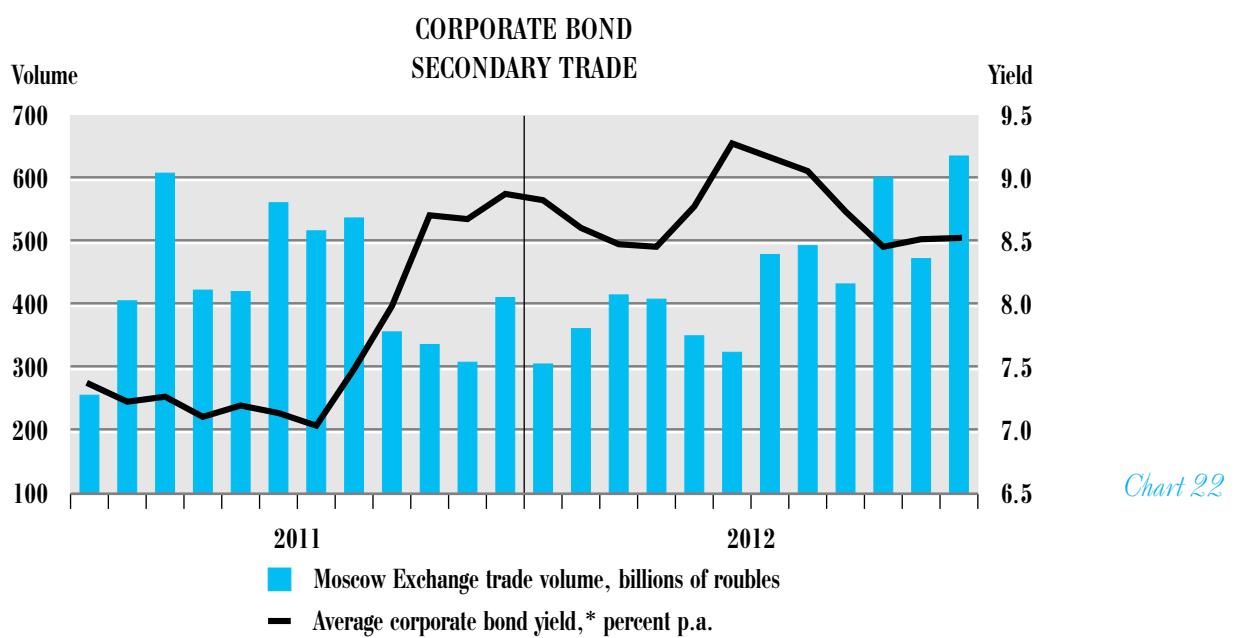
<sup>2</sup> Including operations with Russian depositary receipts (RDR) for shares of foreign issuers.

<sup>3</sup> Data on the capitalisation of the equity market in the Core Market sector of the Moscow Exchange.

<sup>4</sup> Source: the news agency Cbonds.ru.



\* Before 19 December 2011, data of the MICEX Stock Exchange; from 19 December 2011, data of the MICEX-RTS unified exchange renamed Moscow Exchange on 29 June 2012.



\* According to the news agency Cbonds.ru.

During 2012, the yield of corporate bonds fluctuated within a horizontal band. The yield fluctuated within the 8.3% to 9.5% p.a. range (in 2011: from 6.9% to 9.1% p.a.).

As of the end of 2012, the portfolio of **promissory notes** of resident non-bank organisations discounted by Russian banks was

58.3 billion roubles, which is 79% higher than the same figure as of the beginning of 2012. The average interest rate on bank-discounted, rouble-denominated, non-bank promissory notes with a maturity of up to one year increased from 10.8% p.a. in 2011 to 11.6% p.a. in 2012.

## SECURITIES ISSUED BY CREDIT INSTITUTIONS.

In 2012, the Bank of Russia registered 224 issues of credit institutions' securities. Their number decreased compared to 2011 (301 issues) because of the drop in the number of share issues registered during the reporting period (from 250 to 170).

During the reporting period, the nominal value of share issues aimed at increasing the credit institutions' authorised capital by subscription for ordinary and preferred shares stood at 95.7 billion roubles with 136 issues (202 issues totalling 104.4 billion roubles in 2011). The nominal value of share issues paid with own funds of credit institutions accounted for 13.5 billion roubles with 16 issues (20 issues totalling 12.8 billion roubles in 2011). Two issues of shares for 0.4 billion roubles were registered in the course of establishing a credit institution, five issues of shares for 4.0 billion roubles were registered in the course of reorganising credit institutions via a merger, and four issues for 2.6 billion roubles were registered in the course of reorganising credit institutions from limited liability companies into joint-stock companies (in 2011: two issues for 0.3 billion roubles, 16 issues for 8.4 billion roubles and five issues for 4.6 billion roubles, respectively). In order to convert preferred shares into shares with other rights, three issues were registered for less than 0.1 billion roubles (two issues for 0.6 billion roubles in 2011). Four issues were registered in connection with a decrease in the par value of shares for 0.5 billion roubles (two issues for 0.7 billion roubles in 2011).

According to the reports on the results of securities issues registered in 2012, the nominal amount of shares placed was 118.1 billion roubles (112.3 billion roubles in 2011).

Fifty-four issues of bonds with a nominal value of 200.0 billion roubles were registered during the period under review (51 issues for 203.7 billion roubles in 2011). Reports were registered and notifications were received on the results of bond issues for 158.4 billion roubles (87.8 billion roubles in 2011).

In 2012, 16 issues of shares (for 4.1 billion roubles) and 16 issues of bonds (for 55.6 billion roubles) were cancelled because not a single paper of those issues was placed during the emission or because the Russian Federation's legislation on securities was breached (in 2011: 24 issues of shares for 5.8 billion roubles and 9 issues of bonds for 40.0 billion roubles).

The share of credit institutions' equities in the total volume of secondary equity trades on the Moscow Exchange in 2012 remained at the level of 2011, almost 40%. In 2012, the bonds of credit institutions accounted for 35% of all secondary trades in corporate bonds on the Moscow Exchange (22% in 2011).

The volume of the bank promissory note market increased noticeably in 2012. As of the end of 2012, the volume of promissory notes and bank acceptances placed by Russian credit institutions was 1.15 trillion roubles, which is 34% higher than the same figure as of 1 January 2012. The average rate on rouble-denominated promissory notes with maturities of up to one year placed by banks in 2012 was 7.5% p.a. as against 6.0% p.a. in 2011.

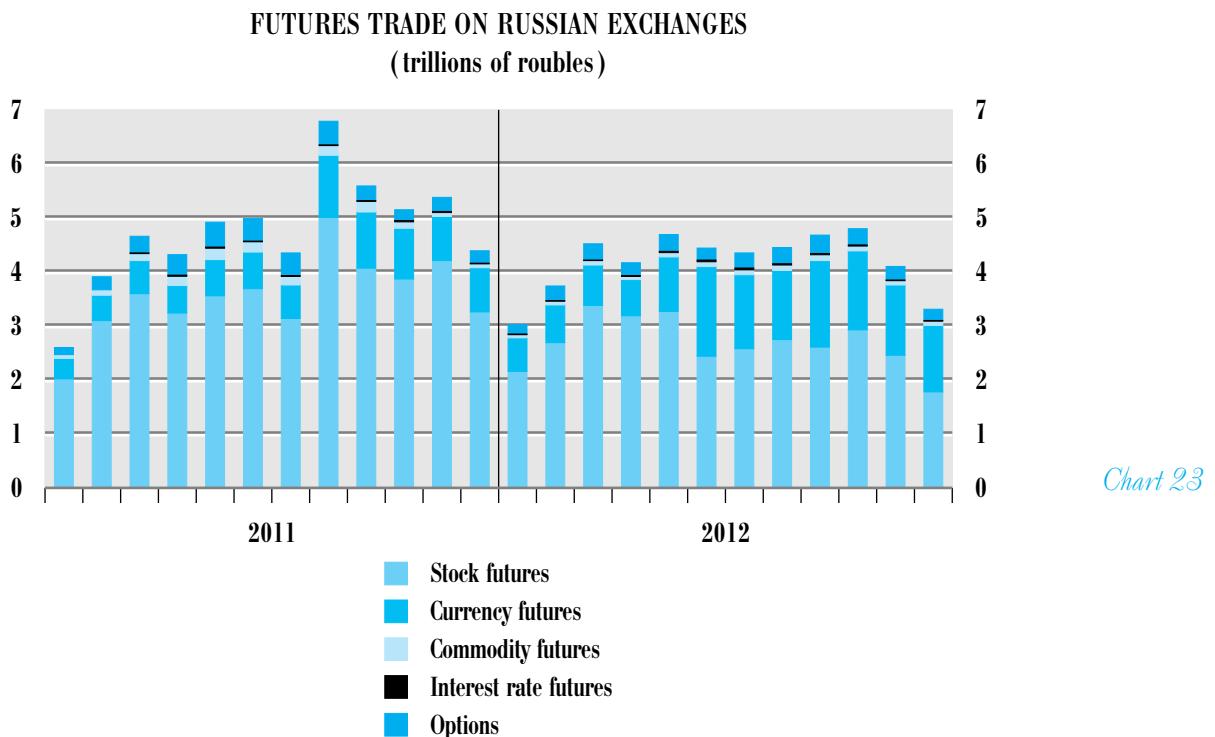
In 2012, the Bank of Russia registered 15 terms of issue and trade of certificates of deposit, and 10 terms of issue of savings certificates. As in 2011, most of the certificates of deposit and savings certificates (441.4 billion roubles) were issued by credit institutions based in Moscow and the Moscow Region.

## FINANCIAL DERIVATIVES MARKET

*T*otal futures and options trade turnover on Russian exchanges<sup>1</sup> in 2012 amounted to 50.3 trillion roubles, which is 12% less than in 2011. The aver-

age annual value of open positions on exchange derivatives (in contracts) on the Moscow Exchange increased in 2012 by 11% compared to 2011.

<sup>1</sup> Moscow Exchange, St Petersburg Exchange.



In 2012, the largest transactions in terms of value were performed in the stock futures segment (contracts for stock indices and equities). In the context of lower activity in the core asset market (the equity market), the volume of transactions with stock futures in 2012 went down substantially, and their share in total turnover of trade in exchange derivatives reduced to 64% as against 75% in 2011. Against the background of the uncertainty of exchange rate expectations of foreign exchange market participants, the demand for foreign exchange futures as instruments to hedge the risk of exchange rate fluctuations and instruments for speculative and arbitrage transactions increased. As a result, the share of foreign exchange

futures in the total trade turnover of futures and options rose to 27% (15% in 2011). Among commodity futures (2% of total exchange derivatives trade turnover) the most liquid were contracts for Brent crude, gold and silver futures. The segment of interest rate futures suffered from low trading activity (less than 1% of futures and options total trade turnover). The activity of options trade market participants (6% of exchange derivatives total trade turnover) decreased compared to 2011.

The most actively traded exchange derivatives in 2012 were futures for the RTS index (29.2 trillion roubles in trade turnover) and the US dollar/rouble exchange rate (11.8 trillion roubles in trade turnover).

## I.5. THE NATIONAL PAYMENT SYSTEM

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

*In* 2012, the national payment system was developing to meet the needs of its entities and their customers in providing payment services based on the extensive use of modern technology.

As of 1 January 2013, the national payment system included the following entities:

- Operators of money transfers (the Bank of Russia, Vnesheconombank, 956 credit institutions);
- Payment system operators (the Bank of Russia, 12 credit institutions and 7 organisations other than credit institutions);
- 23 operations offices;
- 21 payment clearing centres;
- 22 settlement centres;
- 38 electronic money operators;
- The Federal State Unitary Enterprise ‘Russian Post’ (hereinafter, FSUE Russian Post);
- 12,000 bank payment agents and payment agents<sup>1</sup>.

Additionally, the network of entities of the national payment system that provide payment

services included: 505 Bank of Russia divisions; 956 head offices, 2,300 branches and 42,600 internal structural units<sup>2</sup> of credit institutions, and 41,600 FSUE Russian Post offices.

In 2012, the national payment system processed 3.8 billion payments<sup>3</sup> for a total of 1,591.0 trillion roubles, an increase of 15.4% and 22.6%, respectively, compared to 2011. The national payment system processed 15.1 million payments totalling 6.4 trillion roubles per day on average (in 2011, 13.2 million payments totalling 5.2 trillion roubles per day).

Two systemically important payment systems were functioning within the national payment system in 2012: the Bank of Russia payment system and the payment system of a non-bank credit institution, the National Settlement Depository.

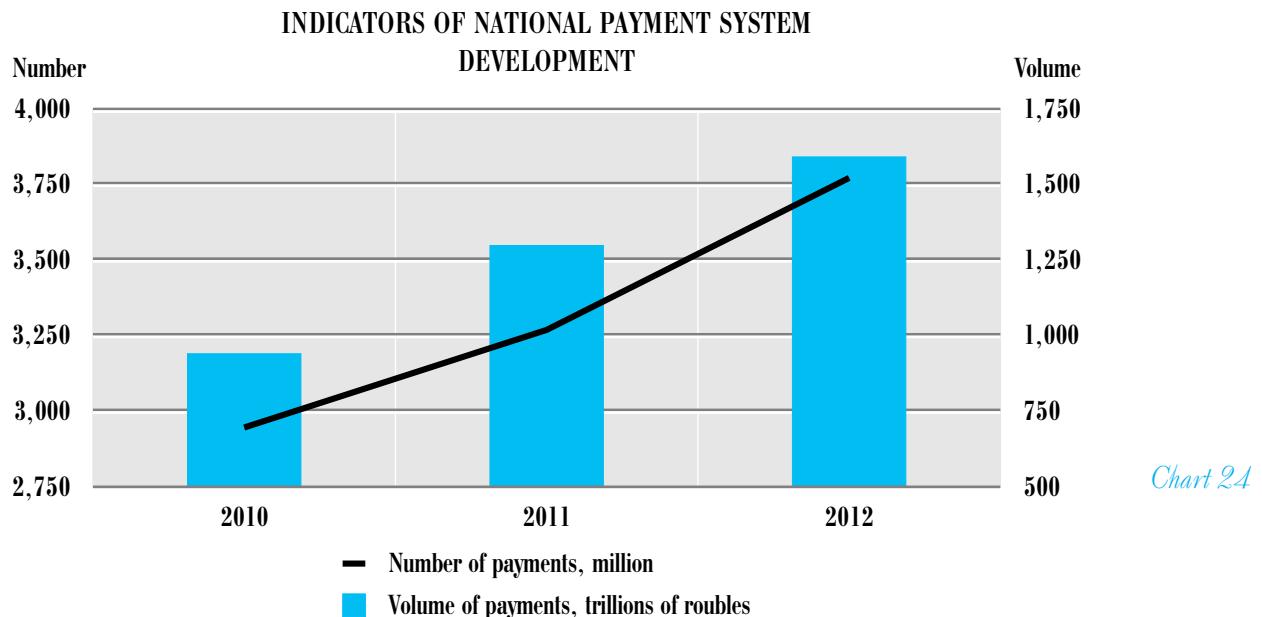
In 2012, the Bank of Russia payment system processed 1,259.0 million money transfers for a total of 1,150.5 trillion roubles (an increase of 6.0% and 25.6%, respectively).

The National Settlement Depository mostly ensured money settlements in the securities mar-

<sup>1</sup> According to the National Association of E-Trade Participants.

<sup>2</sup> Excluding external cash desks.

<sup>3</sup> Including rouble-denominated payments from the accounts of Bank of Russia customers and credit institutions (households, credit institutions and legal entities other than credit institutions); own payments of the Bank of Russia and credit institutions; money transfers conducted by households without opening a bank account. Payments involving the use of payment cards and the transactions of credit institutions’ customers in financial markets are not included. The orders of credit institutions’ customers are recognised in the consolidated orders of credit institutions.



ket. The turnover of cash through the accounts of settlement participants of the National Settlement Depository on transactions in the stock market amounted to 116 trillion roubles in 2012 (a 43% year-on-year increase), 6 trillion roubles in the government securities market (an 80% decrease), and 1 trillion roubles in the forward market (a 50% decrease)<sup>1</sup>. The differently bound dynamics of changes in cash turnovers in the government securities market and in the stock market were caused by the transfer of transactions with government securities to the stock market that took place in March 2012, and by the open possibility of over-the-counter transactions with federal government bonds. The decline of turnover in the forward market was related to the low volatility of the market and the lower activity of its participants against the background of the current macroeconomic conditions in Russia and global markets.

In 2012, the banking sector that serves as the institutional foundation of the national payment system was characterised by a growing number of institutions which provided payment services<sup>2</sup>.

Over the year their number increased by 3.7% and totalled 45,900 as of 1 January 2013. There were 320 banking system institutions for every million residents (310 as of 1 January 2012).

Money transfer operators — credit institutions executed 2.5 billion payments for 440.5 trillion roubles (in 2011, 2.1 billion payments for 382.1 trillion roubles). Own payments of credit institutions and payments of their customers other than credit institutions (both legal entities and households) increased over the year by 9.8% in terms of volume and by 10.2% in terms of value. When compared to 2011, the structure of forms of non-cash settlements applied did not change substantially. Credit transfers<sup>3</sup> represented an essential share in the total volume and value of payments (62.0% and 98.4%, respectively). The operations of legal entities prevailed in the value of credit transfers (92.1%), but the payments of households prevailed in terms of volume (57.0%); these were mostly transfers which were executed without the opening of a bank account.

Direct debit payments<sup>4</sup> still constituted an insignificant share. Only two payments out of ev-

<sup>1</sup> According to data provided by the non-bank credit institution ZAO National Settlement Depository.

<sup>2</sup> Credit institutions and their branches, additional offices, operations offices, credit and cash offices and external cash desks.

<sup>3</sup> A credit transfer is a payment service involving one-off or periodic write-downs from the payer's account triggered by the payer.

<sup>4</sup> Including payments under payment requests and collection orders.

**OWN PAYMENTS MADE BY CREDIT INSTITUTIONS  
AND THEIR CUSTOMERS OTHER THAN CREDIT INSTITUTIONS IN 2012**  
(by number and volume of transactions, percent)

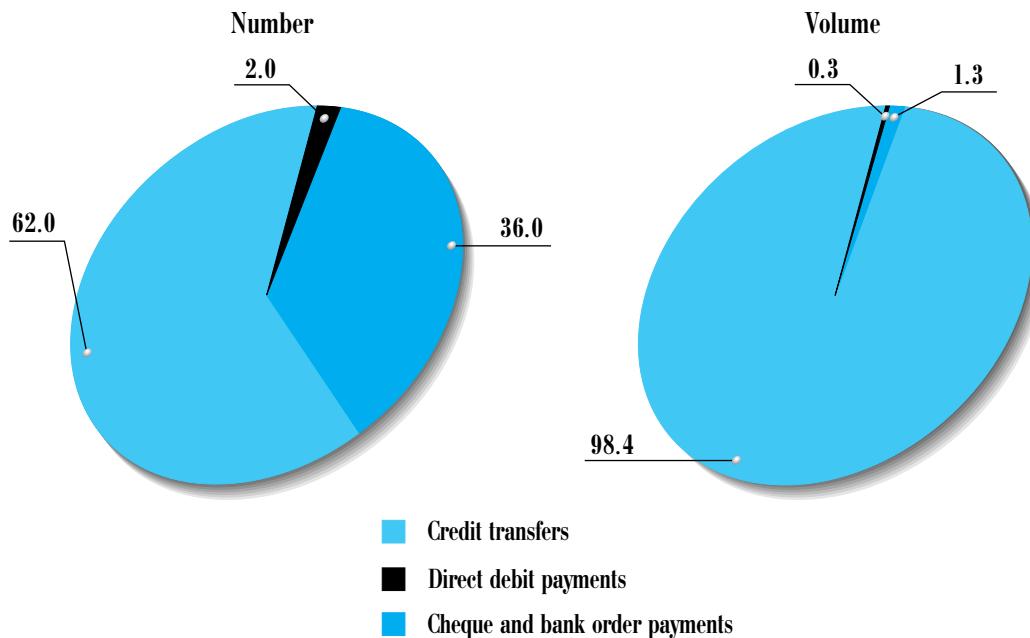


Chart 25

ery 100 were executed via direct debiting, and their share in the total value of payments did not exceed 1% because of the low level of integration of the payment infrastructure of the national payment system entities and the low level of utilisation of electronic document workflow among them.

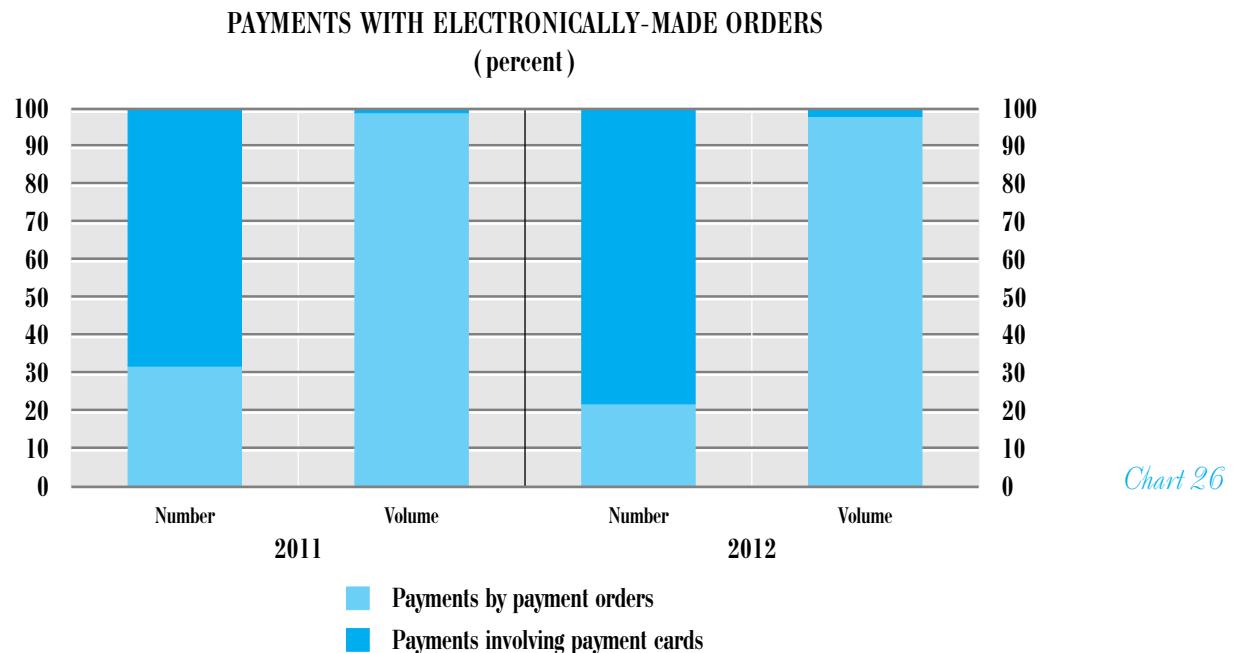
Along with credit institutions, one of the important entities within the national payment system is the FSUE Russian Post, which has a large and geographically well-distributed network of post offices (as of 1 January 2013, 41,600 offices). Pursuant to Federal Law No. 176-FZ, dated 17 July 1999, ‘On Postal Communications’, the FSUE Russian Post has been providing services to households including money transfers, the acceptance of payments for utility services as well as goods and services, and other activities allowed under Russian federal law.

In 2012, Russian banks continued to expand the use of electronic payment instruments and stimulated their customers (including price stimulation) to use remote access channels for pay-

ments. The number of accounts with remote access opened with credit institutions for households and legal entities other than credit institutions grew over the year by more than a quarter and reached 99.9 million accounts<sup>1</sup>. The number of accounts which were accessible via the Internet or mobile phones increased by 40%. However, despite their high rate of growth, the share of such accounts in the total number of accounts with remote access remained relatively low: as of 1 January 2013, 30.8% of the accounts were accessible via the Internet (26.9% as of 1 January 2012) and 25.7% were accessible via mobile phones (22.5% as of 1 January 2012).

In 2012, customers sent 4.0 billion electronic orders for 319.3 trillion roubles to credit institutions, including those involving the use of payment cards (the growth against 2011 was 52.7% by volume and 14.1% by value). These included payments that were made via the Internet and mobile phones: 20.3% in terms of volume and 64.0% in terms of value. In the structure of payments with the orders sent electronically, the

<sup>1</sup> Including accounts, on which cashless transactions were performed during the year, including those with the use of settlement and credit cards.



maximum share in terms of value was accounted for by payments with payment orders (98.2%), and in terms of volume — by payments involving payment cards (77.6%).

During 2012, the number of payment cards issued by Russian credit institutions increased by 19.6% and amounted to 239.5 million; 70.6% of them were settlement (debit) cards, 9.4% were credit cards and 20.0% were prepaid cards, which are used for electronic money transactions. The highest growth rate was seen in credit card offers (50%); the number of settlement (debit) and prepaid cards grew by 14.3% and 28.7%, respectively.

Holders of payment cards issued by Russian credit institutions performed 5.9 billion operations (up 40.5% since 2011) totalling 23.8 trillion roubles (up 34.5% since 2011), including 5.7 billion operations for 23.1 trillion roubles inside Russia and 0.2 billion operations for 0.7 trillion roubles outside Russia. The share of cash withdrawals in the total number of operations involving payment cards issued by Russian credit institutions decreased by 10.0 percentage points year on year to 48.2%, and in total value decreased by 3.4 percentage points to 76.4%. The share of cashless trans-

actions involving payment cards<sup>1</sup> represented 51.8% and 23.6%, respectively.

Additionally, the Russian payment infrastructure serviced the payment cards of foreign issuers: in 2012 holders of payment cards issued by non-resident banks performed 61.8 million operations for 244.2 billion roubles inside Russia, of which cashless transactions accounted for 65.8% by volume and 49.6% by value.

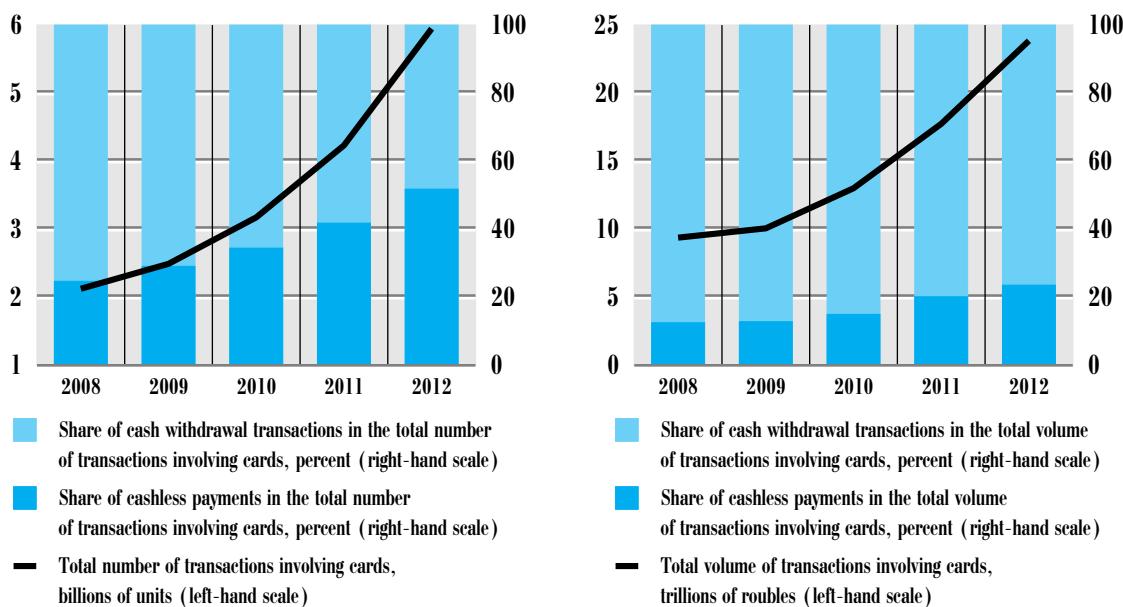
The development of a payment card acceptance infrastructure was one of the key factors responsible for the essential growth of cashless transactions with their use (1.7 times in terms of volume and 1.6 times in terms of value). The number of payment card devices (ATMs, point-of-sale terminals and imprinters) used to pay for goods and services grew over the year by 27.5% and stood at 904,300 as of 1 January 2013.

The high rate of growth in the number of cash receipts made via ATMs (both with or without the use of payment cards) and the payment terminals of credit institutions continued. Their value increased by 60% to 3.5 trillion roubles year on year (from 15,300 roubles in 2011 to 24,700 roubles in 2012 for every Russian resident). This was stimulated by an expansion of the ATM and payment terminal network and the

<sup>1</sup> Cashless transactions are direct payments for goods and services, customs payments and other transactions (for example, payments from one bank account to the other).

**TRANSACTIONS INVOLVING PAYMENT CARDS ISSUED BY CREDIT INSTITUTIONS**  
**(by number and volume of transactions)**

Chart 27



expansion of the range of payment services that can be rendered with the use of such devices, including payments for government services.

Payment agents and bank payment agents continued to develop their payment infrastructure, which supplements the payment infrastructure of credit institutions. In 2012, the value of cash received by them from households rose 2.0 times to 974.6 billion roubles; 89.5% of the cash was received through payment agents and 10.5% was received through bank payment agents. The high growth rate of the payment value

through payment agents and bank payment agents was mostly caused by the extended list of payments performed via payment and bank payment agents. Together with payments for communication services that still have the maximum share in the total number of such payments, payments for higher amounts related to public utilities, the repayment of bank loans, payments for the benefit of the Russian State Register, the Federal Court Bailiffs Service and the State Traffic Safety Inspectorate, as well as visa and consular fees and others are becoming more and more popular.

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

*P*ursuant to Federal Law No.161-FZ, dated 27 June 2011, ‘On the National Payment System’ (hereinafter, Federal Law No. 161-FZ), the Bank of Russia operates its own payment system, combining its activities as a payment system operator and money transfer operator as well as those of an operational, clearing and settlement centre.

The Bank of Russia payment system is a key element of the national payment system. In 2012, the Bank of Russia payment system processed 1,259 million money transfers for a total of 1,150.5 trillion roubles (up 6.0% year on year in terms of volume and 25.6% in terms of value). The ratio of the value of money transfers effected through the Bank of Russia payment system to GDP in 2012 was 18.5 (16.8 in 2011). The average daily number of money transfers through the Bank of Russia payment system grew from 4.8 million in 2011 to 5.1 million in 2012.

Indicators characterising the performance of the Bank of Russia’s payment system in 2012 reflect a trend towards an increase in payment turnover and in the use of the Bank of Russia’s services for the satisfaction of transaction demand and, first of all, that of credit institutions.

The volume and value of money transfers of credit institutions (branches) effected through the Bank of Russia’s payment system increased year on year by 6.3% and 24.6%, respectively, totalling 1,068.0 million and 879.7 trillion roubles. As in 2011, the credit institutions’ (branches’) transfers accounted for most of the total volume and value of money transfers through the Bank of Russia’s payment system; they stood at 84.8% in terms of volume and 76.4% in terms of value. The average daily number of transfers of credit institutions (branches) effected through the Bank of Russia’s payment system increased from 4.1 million in 2011 to 4.3 million in 2012. With the increase in the volume and value of credit institutions’ (branches’) money transfers, the number of Bank of Russia customers — credit institutions (branches) fell by the end of 2012 by 4.5% and amounted to 2,909 as of 1 January 2013 (3,047 as of 1 January 2012) owing to the

on-going reorganisation of credit institutions, including the reorganisation of credit institutions’ branches into internal structural units.

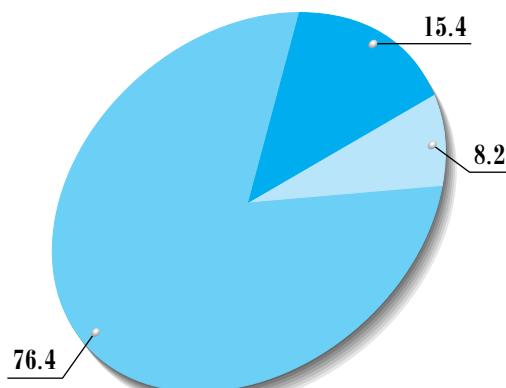
The number of customers other than credit institutions (branches) serviced by the Bank of Russia according to the Russian Federation legislation, declined over 2012 by 37.7% (from 9,584 to 5,971). That was a result of the implementation of the requirements of Federal Law No. 83-FZ, dated 8 May 2010, ‘On Amending Certain Laws of the Russian Federation in Connection with the Improvement of the Legal Status of Government (Municipal) Institutions’. The law was related to the Federal Treasury authorities and financial authorities of Russian regions (municipalities) servicing public, budgetary and autonomous institutions as well as improvement of the procedure for servicing the accounts of the Russian Federation’s budgetary system. The share of such customers in 2012 amounted to 15.1% of the total volume and 8.2% of the total value of money transfers through the Bank of Russia’s payment system.

The share of transfers related to own operations of the Bank of Russia in 2012 constituted 0.1% of the total volume and 15.4% of the total value of payments effected through the Bank of Russia’s payment system.

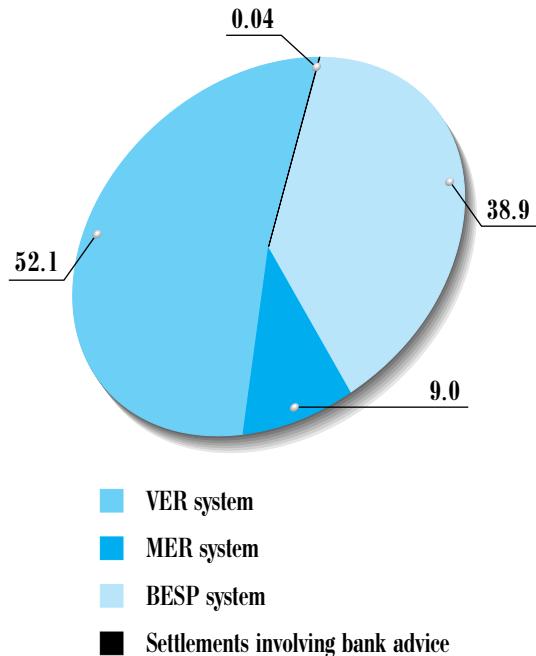
In 2012, as in 2011, practically all money transfers effected through the Bank of Russia’s payment system were electronic (over 99.9%). The share of the Bank of Russia’s customers — credit institutions (branches) participating in electronic document exchange with the Bank of Russia was 98.3% as of 1 January 2013 (98.4% as of 1 January 2012), the share of the Bank of Russia’s customers other than credit institutions (branches) was 33.8% (17.2% as of 1 January 2012). The Federal Treasury and all its territorial subdivisions participate in the electronic document exchange with the Bank of Russia.

The intraregional electronic settlement system (VER) processed 923.4 million transfers totalling 599.2 trillion roubles (in 2011: 898.7 million totalling 600.6 trillion roubles), the inter-regional electronic settlement system (MER) pro-

**VOLUME OF CUSTOMER TRANSFERS  
AND TRANSFERS ON BANK OF RUSSIA  
OWN OPERATIONS EFFECTED THROUGH  
THE BANK OF RUSSIA  
PAYMENT SYSTEM IN 2012 (percent)**



**VOLUME OF MONEY TRANSFERS  
EFFECTED THROUGH  
THE BANK OF RUSSIA  
PAYMENT SYSTEM IN 2012,  
BY SETTLEMENT SYSTEM (percent)**



Charts 28, 29

- Transfers of credit institutions (branches)
- Transfers of customers other than credit institutions
- Transfers on Bank of Russia own operations

- VER system
- MER system
- BESP system
- Settlements involving bank advice

cessed 333.9 million transfers totalling 103.5 trillion roubles (in 2011: 287.6 million totalling 92.4 trillion roubles), settlement systems involving the use of bank advice processed 0.5 million transfers totalling 0.5 trillion roubles (in 2011: 0.7 million totalling 0.4 trillion roubles).

Money transfers that were conducted via VER amounted in 2012 to 73.4% of the total volume and 52.1% of the total value of transfers through the Bank of Russia's payment system (in 2011: 75.7% and 65.6%, respectively), whereas money transfers conducted through MER amounted to 26.5% and 9.0% in 2012 (in 2011: 24.2% and 10.1%, respectively). The share of money transfers conducted through the settlement systems involving bank advice remained insignificant: less than 0.1% in terms of volume and in terms of value.

In 2012, the number of money transfers conducted through BESP continued to grow, which was the cause for the increase of their share in the total value of payments effected through the Bank of Russia's payment system to 38.9% (in 2011: 24.3%). In 2012, BESP processed 1,188,800 transfers totalling 447.3 trillion

roubles, which exceeded their 2011 volume and value almost twofold (in 2011: 626,100 transfers for 222.8 trillion roubles). Money transfers for over a million roubles effected through BESP represented 85.76% of the total volume and 99.98% of the total value. In the structure of money transfers effected through BESP, the share of those performed by credit institutions (branches) remained, as in 2011, the largest one: 95.5% in terms of volume and 60.4% in terms of value.

The total number of BESP participants as of the beginning of 2013 was 2,894: 82 of them were special settlement participants (SSP), 511 were direct settlement participants (DSP) and 2,301 were associated settlement participants (ASP), including the Federal Treasury and its territorial subdivisions. All of the credit institutions (branches) — participants in electronic document exchange with the Bank of Russia were participants in the BESP system.

In 2012, the average monthly accessibility ratios of the Bank of Russia's payment system

(readiness to execute orders for the transfer of the Bank of Russia customer money in the course of interregional and intraregional electronic settlements) ranged between 99.85% and 99.99% (in 2011: between 97.98% and 99.98%).

The average time it took to perform settlement transactions (considering the number of transfers through all the settlement systems used by the Bank of Russia) remained in 2012 at its 2011

level: 0.6 days at the intraregional level and 0.91 days at the interregional level.

The structure of money transfers effected through the Bank of Russia's payment system changed towards the increase in the share of paid transfers performed by the Bank of Russia: from 49.9% in 2011 to 52.0% in 2012. This increase happened because of the growing number of transfers of credit institutions (branches) that were made through BESP.

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

### I.6.1. BALANCE OF PAYMENTS<sup>1</sup>

*In* 2012, as the growth of Russian exports slowed down, the current account became more balanced. There appeared grounds for the more active attraction of foreign financial resources and a reduction in the net outflow of private capital. The rouble exchange rate remained stable, and the accumulation of international reserves continued.

#### CURRENT ACCOUNT AND CAPITAL ACCOUNT

The current account surplus declined year on year in 2012 by 23.1% and stood at \$74.8 billion. Against the backdrop of a slight reduction in the trade surplus (to \$193.3 billion) the key contributing factor was the cumulative effect of the growing deficit of the balance of services and primary and secondary income.

In 2012, **the export of goods** reached its latest high of \$529.1 billion with 2.7% growth. The cost of exported goods increased because of the growth in contract prices and a slight increase in the quantity of shipments.

Exports of the main fuel and energy goods rose by 1.6% due to the price factor. However, the

export of crude oil in kind decreased by 1.8%, and the export of natural gas dropped by 5.8%, while the export of petroleum products went up by 4.6%. The share of crude oil, petroleum products and natural gas supplied abroad in the export structure remained practically at its 2011 level of 65.7%.

An apparent reduction in contract prices for ferrous and non-ferrous metals, as well as their corresponding products, has caused a decrease of their export by 6.5% to \$44.4 billion. The share of metallurgical products has declined to 8.5%.

Growth in the export of engineering products by \$0.5 billion to \$26.5 billion was supported primarily by the export of ground and water transportation vehicles. The share of machinery, equipment and mechanisms in total exports remained practically the same, at 5.1%.

The export of foodstuffs and raw materials for their production increased (from \$13.3 billion to \$16.7 billion) mostly as a result of growing grain exports. The share of this commodity group exceeded 3.2%.

Geographically, the export share of the EU countries increased by 1.3 percentage points to

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<sup>1</sup> The balance of payments of the Russian Federation is developed using the methodology of the sixth edition of the IMF's Balance of Payments and International Investment Position Manual (BPM6); the use of symbols corresponds to BPM5.

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

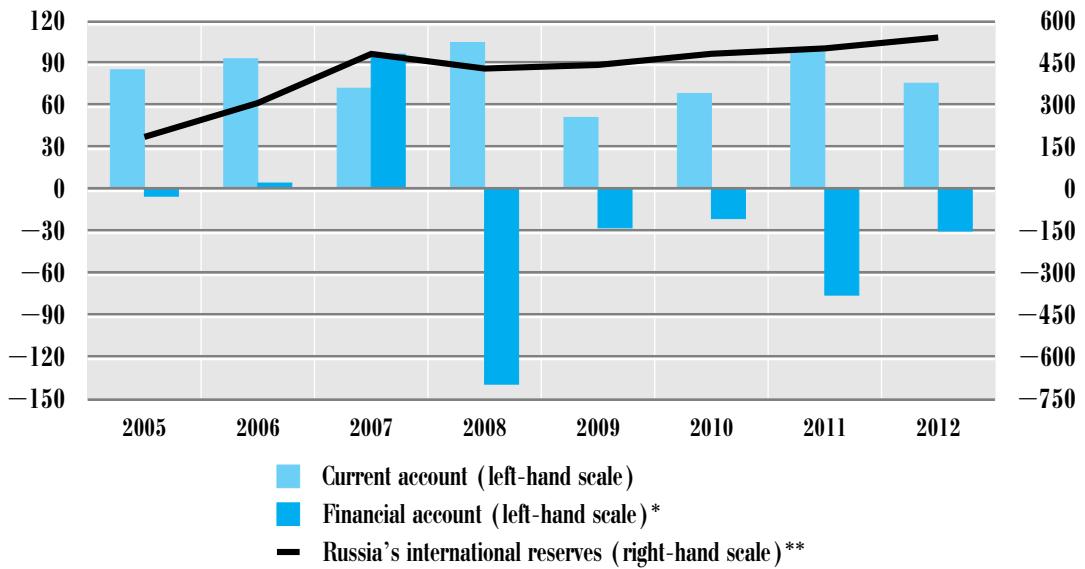


Chart 30

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

52.9%, whereas the share of APEC countries decreased to 17.4%. The highest amounts, as in 2011, were exported to the Netherlands (14.6%), China and Germany (6.8% each).

The import of goods amounted to \$335.8 billion. The rate of its growth (5.4%) decreased by a factor of 5.5 compared to 2011. All the annual import growth was due to the increase in quantities; the level of contract prices remained practically the same.

The growth rate of the import of machinery, equipment and transport vehicles (that determined the amount of the cumulative index in 2011) decreased from 45.4% to 6.4% in 2012. Nevertheless, it still exceeded the growth of total imports of other goods, as a result of which the share of engineering products in total imports rose to 50.1%. The import of chemicals and related industries' products increased from \$46.1 billion in 2011 to \$47.9 billion in 2012. The share of this commodity group was 15.3%. Foodstuffs, including raw materials for their production, were imported for a total of \$40.4 billion, which is 5.1% less than in 2011. As a result, the share of the foodstuffs group fell to 12.9%.

The geographical distribution of imports in 2012 remained practically the same. The share of the European Union countries is estimated at

42.2%, while the positions of APEC countries strengthened to some extent (to 34.8%). Russia's most important partners were China (16.5%), Germany (12.2%) and Ukraine (5.7%).

The deficit in the balance of external trade in services increased by 38.1% year on year to \$46.2 billion. In 2012, the backward creep of dynamics of services rendered to non-residents against the growth in the rate of services received from foreign counterparties continued.

The export of services amounted to \$62.7 billion. When compared to 2011, its rate of growth decelerated 2.3-fold, to 8.0%. The cost of transportation services rendered to foreign consumers grew by 10.4% to \$19.2 billion (by 16.7% in 2011). The export of other services exceeded \$32.3 billion, having grown by 10.1% year on year. The spending of non-residents on travelling to Russia, on the contrary, declined by 1.2% year on year and totalled \$11.2 billion. With the increased number of non-residents arriving to the country, a structural shift towards less expensive visits by the citizens of CIS countries has caused a decrease in the export item 'Trips'.

The import of services reached \$108.9 billion, having grown by 19.0% year on year. The spending of Russian residents on foreign trips increased to \$42.8 billion, and their share in the

import of services rose from 36.0% in 2011 to 39.3% in 2012. The cost of other services increased to \$49.7 billion, and their share, while remaining higher than the other items, declined slightly (to 45.6%). The relative slowing of the growth rate of transportation services received (partially due to the slower increase in the import of goods) caused a decrease of their share in the total cost of services rendered to residents to 15.1% (\$16.4 billion).

The deficit in **the compensation of employees' balance** rose from \$9.5 billion to \$11.8 billion. Payments to non-residents increased by 17.3% and accounted for \$15.7 billion, reflecting a simultaneous growth in the number of foreign employees working in Russia and the US dollar equivalent of their average compensation. Compensations received by residents in 2012 grew by 2.2%.

The deficit in **the balance of investment income** increased to \$55.5 billion (\$51.0 billion in 2011). Increased payouts of dividends to foreign investors and the distribution of retained earnings (which had reached their historic maximum) played a key role in the dynamics of this metric. The balance of income of other sectors registered a deficit of \$53.6 billion. The deficit in Russian banks' income balance was \$3.3 billion, and that of government authorities, including Russian regions, exceeded \$1.3 billion. The surplus of the balance of income of the Bank of Russia decreased by 35.0% to \$2.7 billion due to a drop in the yield of financial instruments of the global market.

**Deficit in the balance of secondary income** increased from \$5.7 billion to \$6.1 billion, mostly as a result of the growing remittances of employees and other household remittances for the benefit of non-residents. The operations of the public sector in the form of remittances of funds as export and import duties within the Customs Union remained significant.

The negative \$5.3 billion **balance of the capital account** formed as a result of Russia's debt forgiveness of loans issued by the former USSR.

The cumulative **balance from the current and capital account** characterising the amount of net lending to other nations by the Russian economy stood in 2012 at \$69.5 billion, or 3.5% of the country's GDP.

## FINANCIAL ACCOUNT

The negative **financial account balance** (excluding reserve assets) in 2012 decreased more than twice and stood at \$30.3 billion (\$76.1 billion in 2011).

**The net incurrence of liabilities** by the Russian economy amounted to \$89.5 billion (\$67.5 billion in 2011).

The government's foreign liabilities grew by \$12.3 billion. The increase of the sector's liabilities, together with a large-scale placement of new Eurobonds by the Russian Government for a total of \$6.9 billion was related to the more active purchasing of rouble-denominated government bonds by foreign investors. The higher attractiveness of federal government bonds (OFZs) caused, among other things, by the gradual liberalisation of their circulation, led to an almost-fourfold increase in the positive net result of non-residents' transactions in the secondary market (\$8.2 billion).

Payments related to the repayment and servicing of external government debt fell from \$6.2 billion to \$5.0 billion in 2012. The elimination of debt burdens on the economy continued: the coefficient that characterises the ratio of payments on external government debt to the export of goods and services was 0.8%, and the ratio of payments on external debt to the income of the consolidated budget was 0.7%.

The liabilities of the Bank of Russia increased by \$3.9 billion, mostly as a result of repo transactions with non-residents.

The aggregate foreign capital raised by the private sector stood at \$73.2 billion (\$66.8 billion in 2011). The distinctive feature of 2012 was the strengthening of the role of banks in the acquisition of external resources.

In spite of stagnation in the global lending market, the net incurrence of liabilities by the banking sector grew and, according to the year's results, amounted to \$33.3 billion (\$7.8 billion in 2011). The high dynamics of new borrowings could partly be explained by the changed structure of foreign investments in emerging economies in favour of more risky instruments. In this context (unlike in 2011, when funds were mostly raised in the form of syndicated loans) Russian banks in 2012 expanded their placement

of new Eurobond loans via related companies to \$31.5 billion.

Other sectors<sup>1</sup> reduced their external borrowings by almost one-third: from \$58.9 billion in 2011 to \$39.9 billion in 2012. In the imported capital, a substantial portion consisted of loans from related foreign companies that funded loans to Russian corporations through the placement of Eurobonds in external markets. The value of Eurobond loans placed on behalf of resident companies in 2012 was \$18.1 billion.

At the same time, new contributions to the capital of non-financial organisations on a net basis were close to zero. According to the year's results, there was a net outflow of foreign portfolio investments that reached \$8.1 billion (\$6.2 billion in 2011). The growth in the loan debt of other sectors decelerated; it fell by almost two-thirds, from \$16.1 billion in 2011 to \$5.9 billion in 2012.

**The net acquisition of financial assets**, excluding reserve assets, dropped from \$143.6 billion in 2011 to \$119.8 billion in 2012.

The operations of government authorities with foreign assets rose significantly. The volume of loans issued by the sector reached \$4.7 billion. The government's external claims fell over the year by \$0.4 billion, first of all, because of the forgiveness of foreign countries' debt to the former USSR.

The private sector increased its foreign assets by \$118.1 billion (by \$139.5 billion in 2011).

The growth of the external claims of banks in 2012 slowed down to \$14.8 billion. This, together with the much higher amount of foreign capital raised by credit institutions in 2012, led to the recovery of the banking sector's role as a channel for Russian borrowers to access to international lending markets. At the end of the year, the dynamics of Russian credit institutions' assets in non-resident banks decreased because of the additional influence of FX swap transactions with the Bank of Russia. These resulted in the transfer of foreign currency-de-

nominated assets from their accounts to the Bank of Russia.

Other sectors increased their external claims by \$103.4 billion (by \$107.7 billion in 2011). Increase of direct investments of other sectors declined by one-third to \$44.8 billion. The dynamics of the index were mostly influenced by an essential reduction of issued intercompany loans, with the value of investment in the capital of foreign companies remaining unchanged (\$22.2 billion). Russian residents' investments in foreign real estate also remained significant, and their activity rose noticeably by the end of the year.

The adaptation of households to the exchange rate volatility that grew in the first half of 2012 manifested itself in foreign currency cash balances growing by \$1.4 billion.

The value of doubtful operations<sup>2</sup> stood at \$38.1 billion. They increased by 14.7% year on year amid a reduced value of operations with securities and growth in doubtful transactions under foreign trade contracts.

**Net outflow of private capital** in 2012 decreased to \$54.1 billion (\$81.3 billion in 2011) as a result of a more intensive incurrence of foreign liabilities by banks and corporations, accompanied by a slowdown of asset growth.

## INTERNATIONAL RESERVES

The international reserves of the Russian Federation as of 1 January 2013 amounted to \$537.6 billion. From the beginning of 2012, they grew by \$39.0 billion, including the \$30.0 billion in growth attributable to operations recognised in the balance of payments. Unlike in previous years, most of the growth was caused by the operations of the Russian Ministry of Finance, repo transactions with non-resident counterparties and the FX swap transactions of the Bank of Russia, whereas the aggregate value of interventions in the domestic foreign exchange market fell by more than one-third.

<sup>1</sup> Other sectors include other financial institutions (other than banks), non-financial organisations, households and non-profit organisations providing services to households.

<sup>2</sup> Doubtful operations include those having signs of being forged and those related to trading in goods and services, the sales/purchase of securities, the issuance of loans and the transfer of funds to own accounts outside Russia with the purpose of cross-border money transferring.

The value of monetary gold as of 1 January 2013 was \$51.0 billion. In 2012, its share in the international reserves continued to increase as a result of both the Bank of Russia's purchases of this metal in the domestic market and a positive revaluation. Ultimately, despite the increase of the foreign currency component of the reserve

assets, the share of gold as of 1 January 2013 rose to 9.5%. The share of foreign currency reserves amounted to 90.5%.

As of 1 January 2013, as in the beginning of 2012, the international reserves were sufficient to finance the import of goods and services for 15 months.

## I.6.2. EXTERNAL DEBT

The external debt of the Russian Federation (to non-residents) increased by \$92.9 billion over 2012, and reached \$631.8 billion as of 1 January 2013. It increased both as a result of operations recorded in the balance of payments (by \$83.4 billion), and as a result of other changes that included exchange rate and monetary revaluations (by \$9.5 billion).

The external debt obligations of the private sector grew to \$568.0 billion (89.9% of the total external debt of the Russian Federation). The debt of the general government and the Bank of Russia amounted to \$63.8 billion (10.1%). The external debt of the extended government<sup>1</sup> increased to \$273.5 billion, and its share stood at 43.3%.

The liabilities of the federal government exceeded \$46.9 billion. The new Russian debt grew amid the planned reduction of debt assumed by the Russian Federation as a legal successor to the

former USSR. The issue of Eurobonds by the Russian Government and the increased purchase of OFZs by non-residents in the secondary market led to a 5.2 percentage point increase in securities (to 94.1%) — the most significant component of the new Russian sovereign debt. The share of rouble-denominated bonds therein doubled as of 1 January 2013 and reached 39.0%; and the share of instruments denominated in foreign currency, on the contrary, decreased from 69.8% to 55.1%.

The external debt of the Russian Federation's constituent territories fell as of 1 January 2013 to \$0.9 billion due to the scheduled redemption of regional and municipal securities issues.

The Bank of Russia's liabilities to the IMF<sup>2</sup>, on SDR distributed to the Russian Federation, accounted for 54.5% of its liabilities; the liabilities on repo transactions with non-residents accounted for 18.7% and cash roubles held by non-

RUSSIA'S EXTERNAL DEBT  
(billions of US dollars)

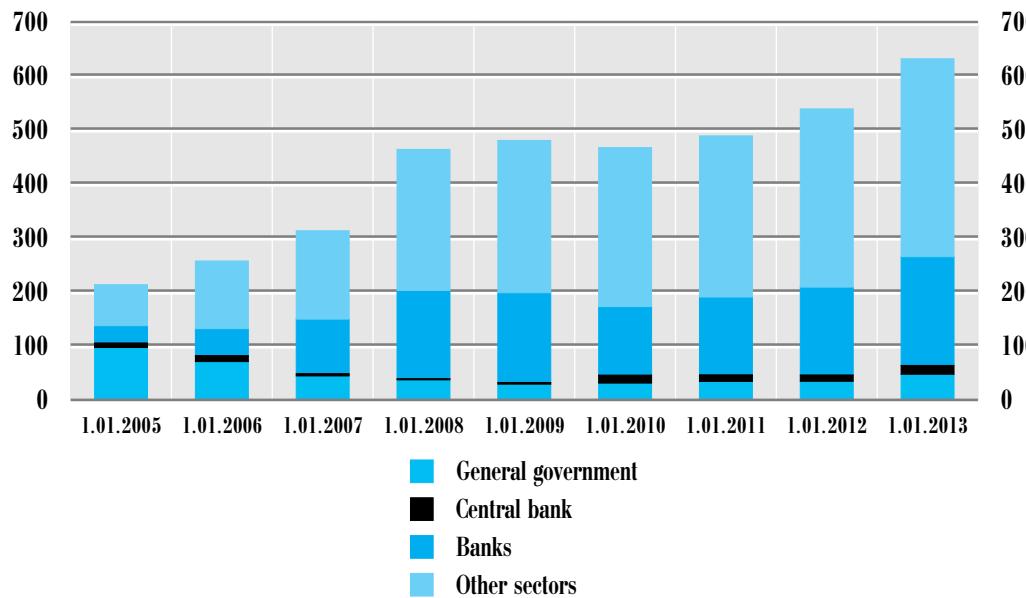
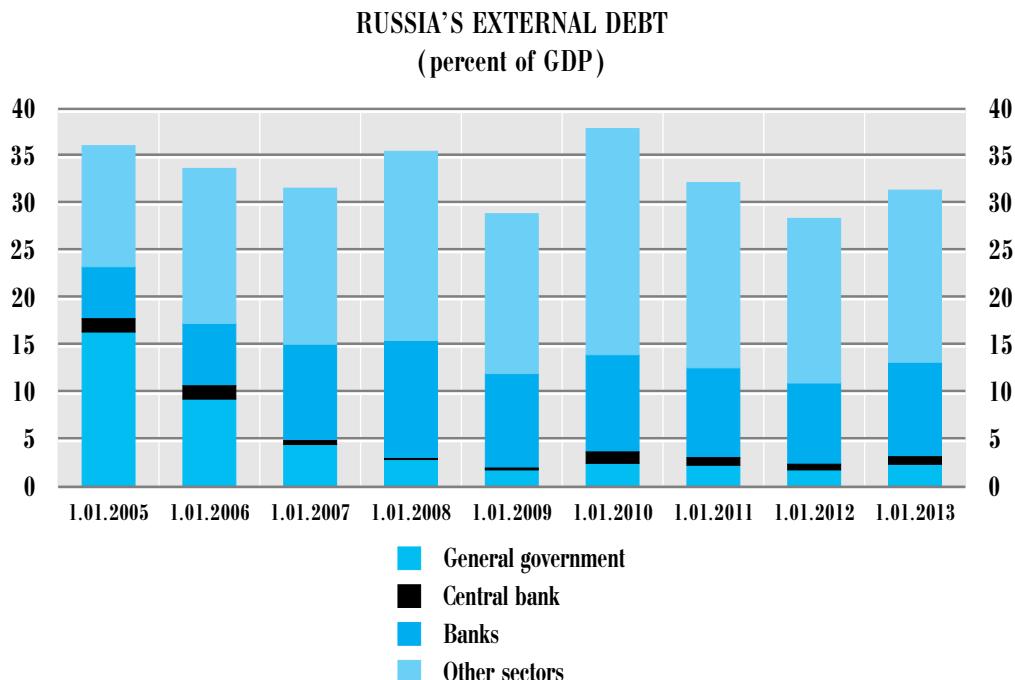


Chart 34

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

<sup>2</sup> Previously, the sums were recorded as the debt of monetary authorities: before 2010, in the liabilities of the Russian Ministry of Finance and from 2011 — in the operations of the Bank of Russia, as it had been assigned with the functions of performing operations and transactions with the IMF.

Chart 32



residents as well as accounts and deposits accounted for 26.8%.

The external debt of banks grew in 2012 by almost a quarter and reached \$201.6 billion as of 1 January 2013. The share of debt of the Russian banks in the structure of foreign borrowings grew from 30.2% to 31.9%.

The external debt of other sectors increased by \$36.6 billion to \$366.4 billion. The most active growth in its structure was demonstrated by debt to direct investors and direct investment companies, which reached \$112.3 billion. The share of other sectors' debt declined to 58.0% of the total external debt.

In terms of maturity, long-term liabilities prevailed, with 87.0% (\$549.8 billion); short-term liabilities accounted for 13.0% (\$82.0 billion). Rouble-denominated external debt constituted 27.6% of the total debt (\$174.1 billion), while foreign currency-denominated debt accounted for 72.4% (\$457.7 billion).

As of 1 January 2013, the Russian Federation's debt sustainability indicators remained moderate, according to international standards: the ratio of external debt to GDP was 31.4% (28.4% as of the beginning of 2012), and the ratio of external debt of the general government to GDP was 2.4% (1.8%).

**BANK OF RUSSIA  
ACTIVITIES**

**III**

## II.1. MONETARY POLICY

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

**A**ccording to the principles of the Bank of Russia's mid-term monetary policy, as defined in 'Guidelines for the Single State Monetary Policy in 2012 and for 2013 and 2014', the main objective was to reach annual inflation of 4—5% by 2014. At the same time, a 5—6% annual rise in consumer prices was expected in 2012.

Inflation and inflation risk dynamics were uneven over the reporting year. After a considerable slowdown in the growth of consumer prices in the first half of the year, inflation started growing in June and amounted to 6.6% in December 2012.

When making decisions in the sphere of monetary policy, the Bank of Russia tried to ensure a balance between the risks of inflation acceleration and a slowdown in economic growth. At the same time, the uncertain external economic conditions, some economic slowdown combined with a high level of consumer and lending activity and negative inflation expectations in the second half of the year were taken into account.

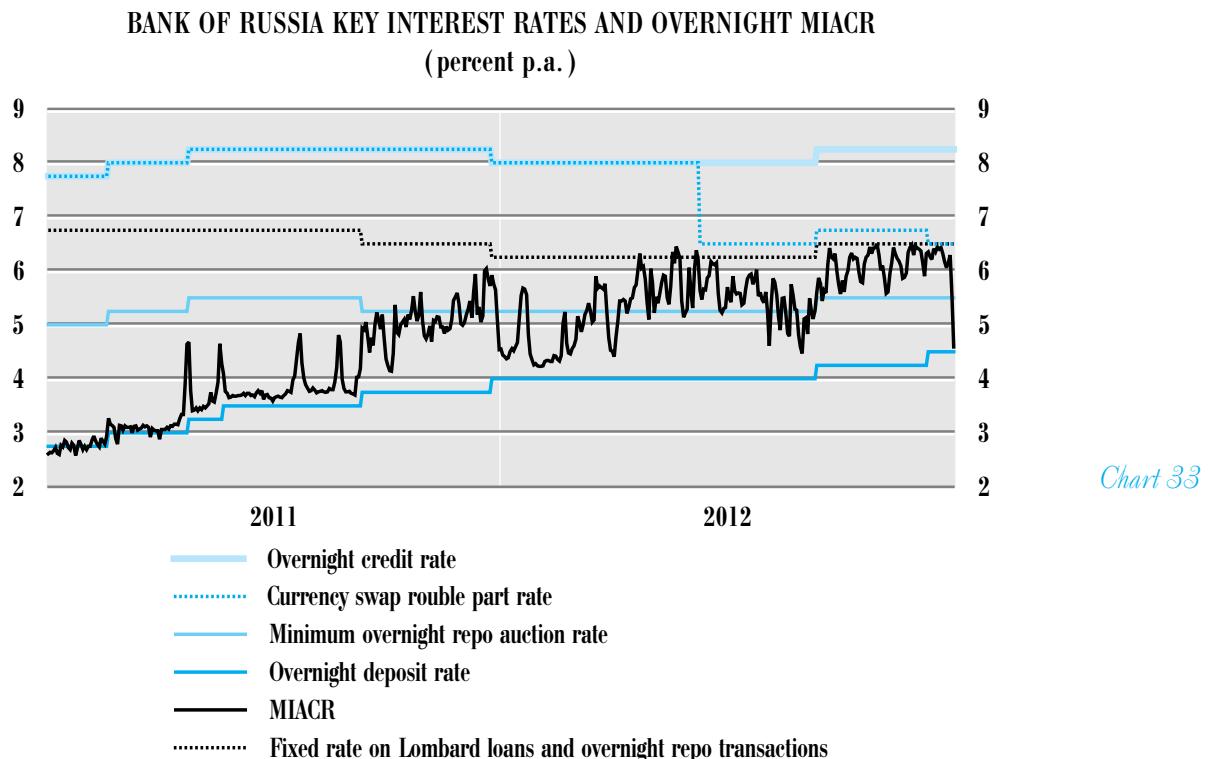
#### KEY DECISIONS RELATED TO MONETARY POLICY

A temporary slowdown in inflation in the first half of 2012 was related to the postponement of expected growth in administered prices and tariffs from January to July 2012 and to a slowdown in the growth of food prices. The inflation rise to

the target range ceiling was expected in the second half of the year. The Bank of Russia deemed it a potential growth factor for inflation expectations. Consumption stayed high in 2012 due to an increase in real household incomes and a continued expansion in household lending, whereas the dynamics of output indicators and expected estimates demonstrated the possibility of an economic slowdown from a short- and mid-term perspective. Considering the obtained balance of inflation risks and economic growth in January—August 2012, the Bank of Russia did not change the interest rates on its operations.

The expected acceleration of consumer price growth started in July 2012 due to non-monetary factors. Moreover, the ceiling of the inflation target range was exceeded in September 2012, which formed the prerequisites for an increase of mid-term inflation risks against the background of a close to zero output gap. In light of the continuously high lending activities, the Bank of Russia Board of Directors decided to increase the refinancing rate and interest rates on the Bank of Russia's operations by 0.25 percentage points from 14 September 2012 to restrain the inflation expectations.

Against the background of an economic slowdown in October—December 2012, the aggregate demand did not have a significant impact on inflation. Inflation expectations were restrained by the stabilised dynamics of the core consumer price



index, a slowdown in the growth of non-food (excluding petrol) prices and the continued slowdown in the growth of money supply.

Additionally, annual inflation rates still exceeded the target range ceiling over the fourth quarter of 2012. Considering the fact that the excise duties on certain groups of goods were to be increased in January 2013 and the expected dynamics of food prices, the inflation rates were expected to stay over 6% in the first half of 2013. The Bank of Russia deemed it a factor that led to the inertia of inflation from a mid-term perspective. In October—December 2012, the Bank of Russia did not change the stance of its monetary policy, taking into account the balance of risks formed by an aggregate of the considered trends.

When making decisions in the sphere of interest rate policy in 2012, the Bank of Russia took into account the banking sector liquidity, along with the current and expected dynamics of inflation indicators and economic growth. It took measures to limit the volatility of the money market interest rates. As a result of the narrowing of interest rate bands on certain operations to provide and absorb liquidity, the short-term interest rate band (except for overnight interest rates) nar-

rowed by 0.25 percentage points to 2.0 percentage points, whereas the band's borders became symmetric with respect to the Bank of Russia's minimum rate on one-day and one-week liquidity auctions. Additionally, the rouble rate on FX swaps was reduced to the fixed rate on repo transactions and one-day Lombard loans. The aforementioned measures and a continued increase of the exchange rate flexibility formed a part of the Bank of Russia's long-term strategy for boosting the efficiency of the interest rate channel of the monetary policy transmission mechanism. For changes in the refinancing rate and Bank of Russia interest rates in 2012, see Table 42 in Section IV.4 'Statistical Tables'.

In the interbank money market, the periods of increase and decline in the interest rates interchanged over 2012; upward dynamics dominated. As a result of the increase of the banking sector structural liquidity deficit over the reporting period, the average weighted MIACR on one-day interbank rouble-denominated loans was close to the ceiling of the Bank of Russia's interest rate band in the fourth quarter of 2012. Along with that, its average weighted deviation from the rate on short-term transactions to provide liquidity

through auctions increased to 0.84 percentage points in December 2012 from 0.44 percentage points for the same period of the previous year. At the same time, over 2012 the MIACR stayed within the short-term interest rate band of the Bank of Russia.

## MONEY SUPPLY

The dynamics of the annual growth of monetary aggregate M2 did not reflect any pronounced trends in the first half of 2012. However, the rouble-denominated money supply growth started to gradually slow down from the second quarter of 2012. The trend increased in the third and fourth quarters. As a result, the growth rate of monetary aggregate M2 amounted to 11.9% in 2012. It was much lower than it had been in 2011 (22.3%). During most of 2012, the general money supply dynamics reflected the preservation of moderate inflation risks. A considerable slowdown in inflation in the first half of 2012 and its acceleration in the second half of the year were not related to the preceding monetary dynamics. At the same time, the slowdown in money supply growth in the second half of 2012 would contribute to the mitigation of inflation risks from a mid-term perspective.

The dynamics of household deposits was the most stable component of the rouble-denominated money supply. In spite of a slight deceleration, their annual growth rate was rather stable over 2012 and was close to 20%. At the beginning of 2013, it was 19.0% (22.4% as of 1 January 2012). Compared to household deposits, the dynamics of the rouble-denominated deposits of financial and non-financial organisations were unstable in 2012. In January—July 2012, their annual growth rate exceeded that of household deposits, whereas in the second half of the year it declined considerably to 6.4% as of 1 January 2013 (as against 26.0% as of 1 January 2012).

Annual growth in foreign-currency denominated deposits (in rouble terms) was 12.9% as of 1 January 2013 (13.0% as of 1 January 2012). At the same time, fluctuations in the exchange rate dynamics encouraged the growth in foreign-currency deposits in the second and third quarters of 2012. In spite of a slight increase of deposit dollarisation<sup>1</sup> in June—October, the dollarisation dynamics were less dramatic in reflecting the rouble exchange rate fluctuations than in previous years. In the fourth quarter of 2012, the growth in foreign-currency deposits and dollarisation of deposits started to decline. As a

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

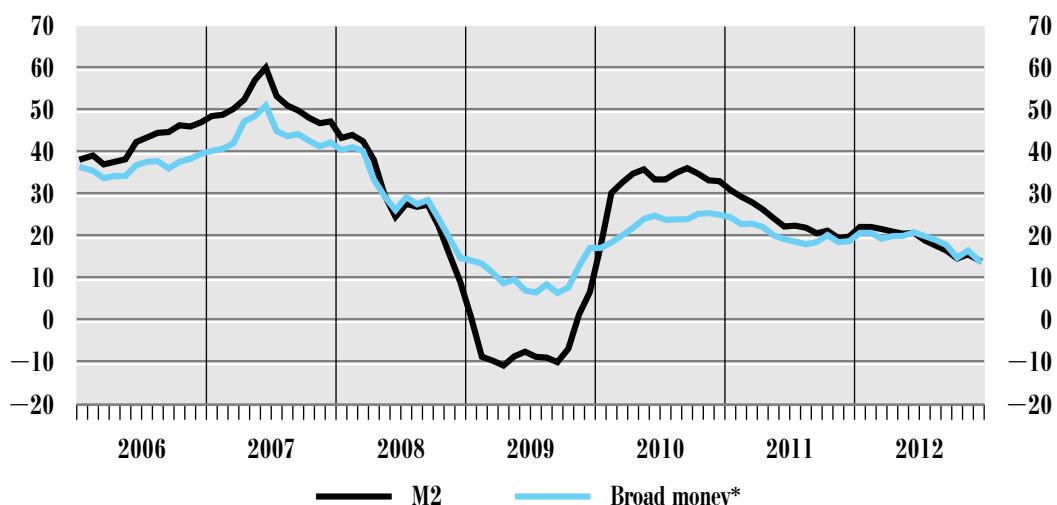


Chart 34

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

<sup>1</sup> Dollarisation here means the share of foreign-currency deposits in the total volume of banking sector deposits.

result, the share of foreign-currency deposits in the total volume of deposits was 18.7% as of 1 January 2013, i.e. it stayed at the level of the previous year. According to the estimates of the balance of payments of the Russian Federation,

the volume of foreign currency cash outside banks increased by \$1.4 billion in 2012 (in 2011 it had dropped by almost \$4 billion).

Annual broad money growth slowed down over 2012 in the same way as monetary aggre-

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

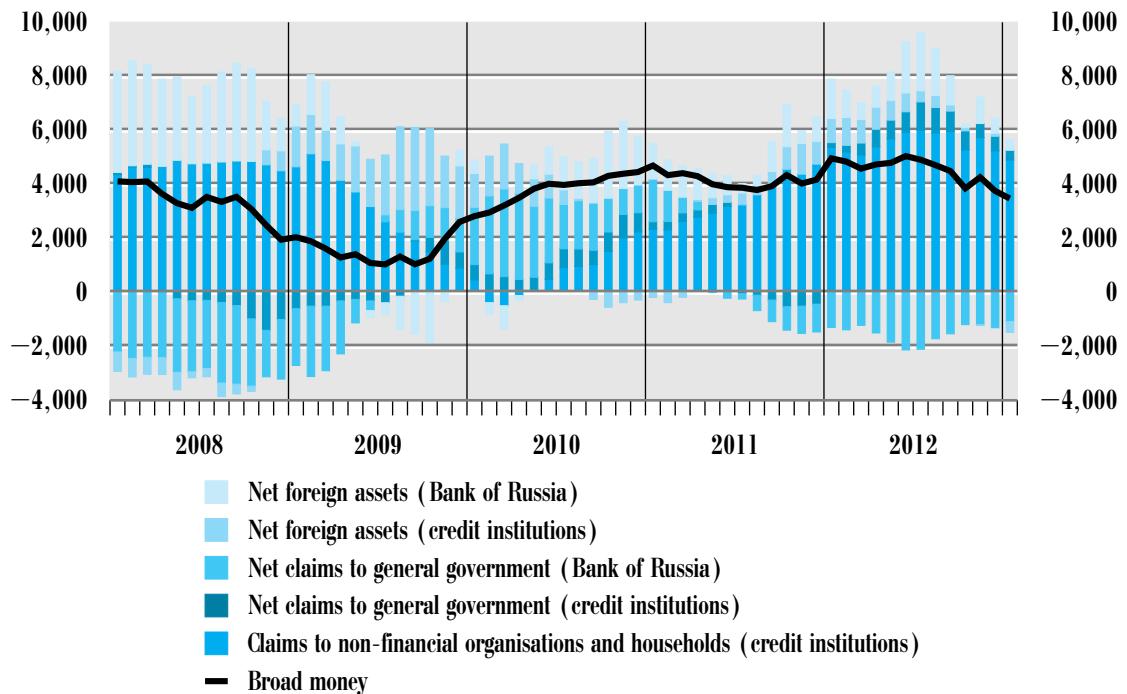


Chart 35

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

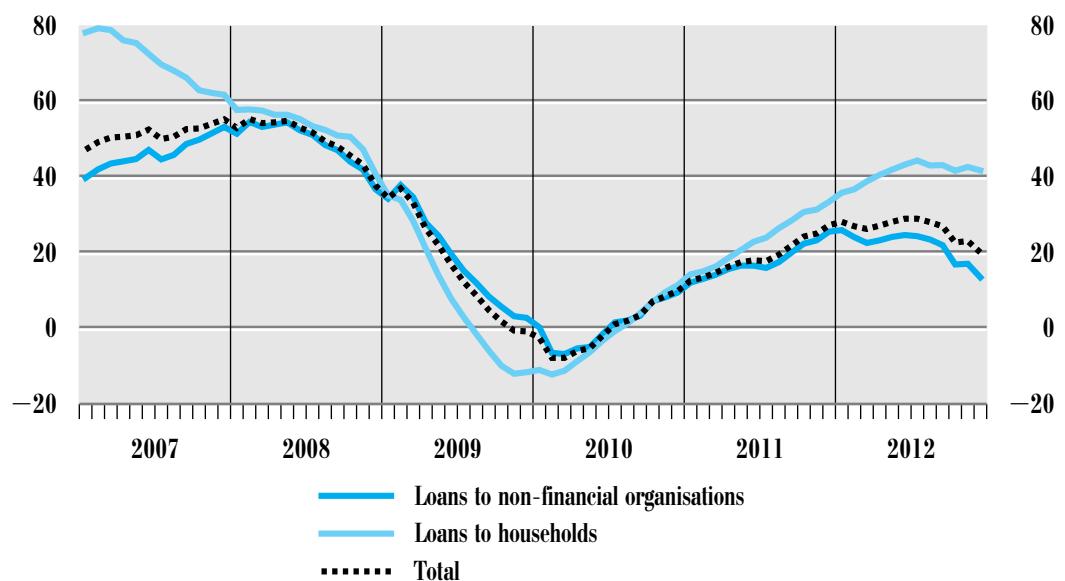
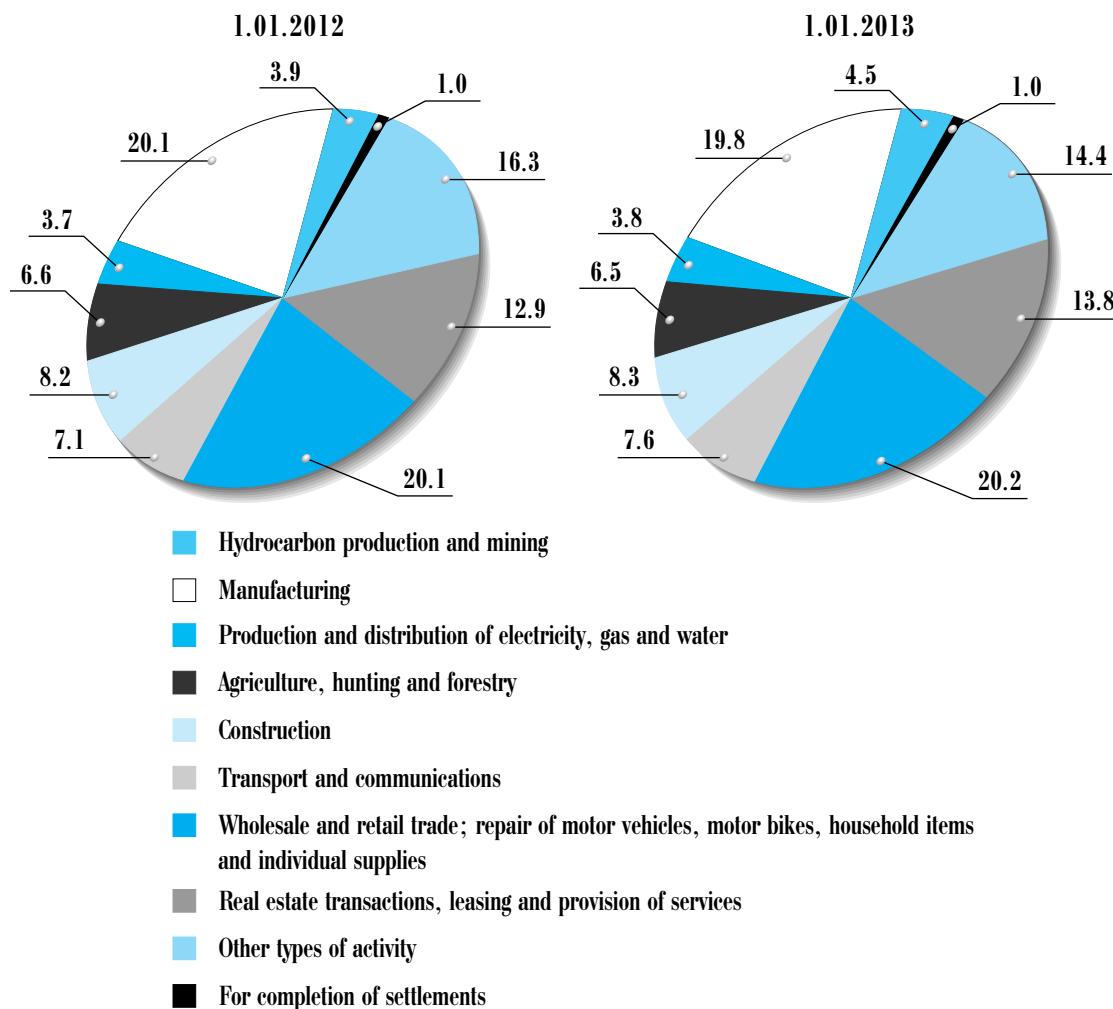


Chart 36

**DEBT ON LOANS BY TYPE OF ECONOMIC ACTIVITY AND MODE OF APPLICATION OF FUNDS  
(percent)**



gate M2 and amounted to 12.1% as of 1 January 2013 (20.9% as of 1 January 2012).

The growth in loans to the economy was the major source of broad money growth in 2012. At the same time, loan increment became moderate in the last quarter of the reporting year. It contributed to the slowdown in money supply growth. Money supply dynamics were restrained greatly over the year by a decline in the Bank of Russia's net claims to the general government. The contribution of the growth in the Bank of Russia's net foreign assets to money supply expansion decreased year on year. The importance of this source in the context of money supply dynamics declined substantially.

The annual growth in the total volume of debt on loans issued to non-financial organisations and

households amounted to 19.1% over 2012 (28.2% over 2011). A distinctive feature of the credit market situation in 2012 was the mixed dynamics of loans issued to different sectors of the economy. Banks increased their retail loan portfolio more actively than they increased lending to non-financial organisations. The former rose by 39.4% in 2012. Household loans generated almost half of the annual growth in the total volume of loans issued to non-financial organisations and households for the first time in the history of the Russian credit market.

The most loan-consuming economic activities in the portfolio of corporate loans issued from the beginning of the year have traditionally been the wholesale and retail trade; repair of motor vehicles, motor bikes, household items and indi-

vidual supplies, which accounted for 7,061 billion roubles (5,985.5 billion roubles in 2011); and manufacturing industries, which accounted for 4,188.8 billion roubles (4,360.1 billion roubles in 2011). Borrowers engaged in construction, transport and communications, real estate transactions, leasing and provision of services

obtained 5,634.6 billion roubles (4,809.5 billion roubles in 2011).

The volume of loans issued to small and medium-sized enterprises increased by 14.6% to 6,942.5 billion roubles in 2012 and accounted for 22.9% of the total volume of the corporate loan portfolio.

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

*In* 2012, the structural liquidity deficit in the banking sector played the key role in the dynamics of monetary authorities' monetary indicators. Against the background of the credit institutions' increased demand for loans, the Bank of Russia took mea-

sures to improve the system of monetary policy instruments and use them more actively. The measures were aimed at providing credit institutions with broader access to refinancing instruments and limiting the volatility of money market rates.

### THE DYNAMICS AND SOURCES OF BROAD MONETARY BASE

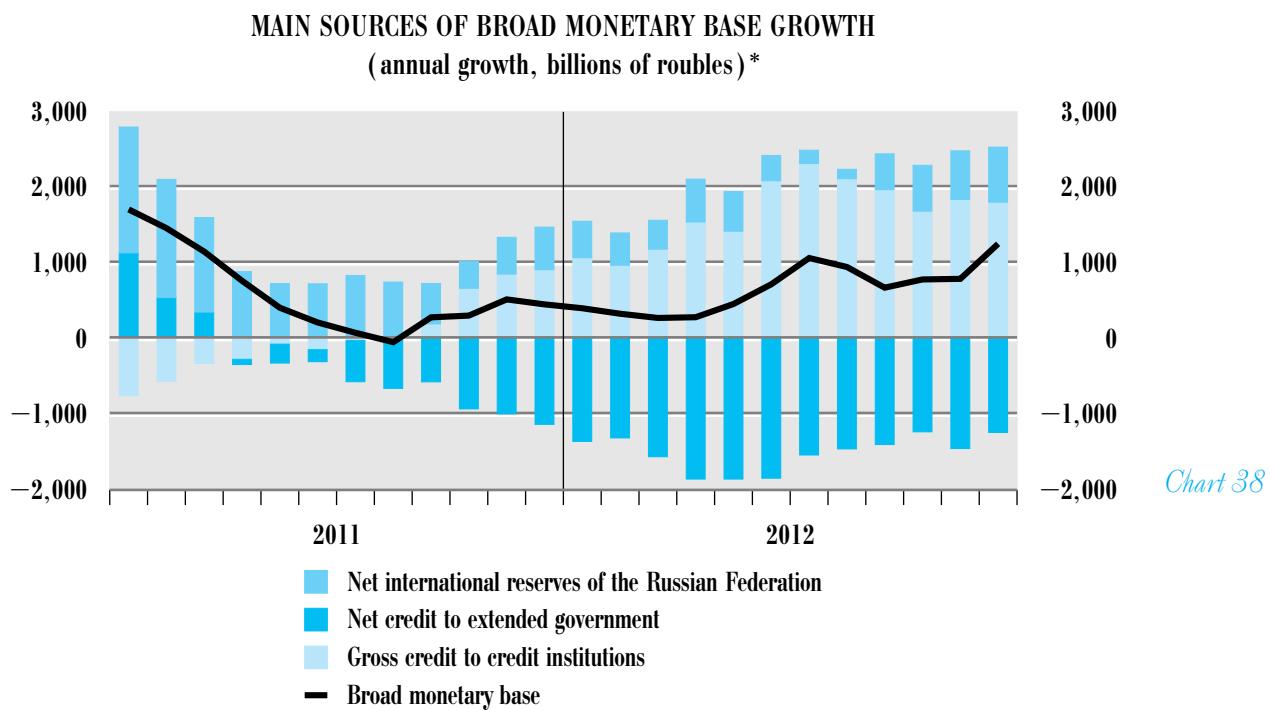
*T*he broad monetary base characterising the money supply provided by the monetary authorities<sup>1</sup> increased in general by 1.2 trillion roubles or 14.0% over 2012, including an increase of 1.6 trillion roubles over December. As in 2011, the budget system transactions were characterised by a substantial irregularity over the year and were among the major sources of monetary base dynamics (its decline during the larger part of the year and fast growth in the last month). In general, over the year the liquidity was absorbed from the banking sector via the budget channel because of the accumulation of sizeable cash balances on the extended government's accounts with the Bank of Russia<sup>2</sup>. Net credit to the extended government fell by 1.2 trillion roubles over 2012. This is equal to a 13.5% fall in the monetary base formed as of 1 January 2012 (the same factor formed the prerequisites for a monetary base fall of 32.8% in January–November and growth of 19.3% in December). The placement of temporarily idle federal budget funds in deposit accounts with commercial banks in the reporting period partially

mitigated the effect of the budget factor on monetary base dynamics during the year. In the first months of the year, when the liquidity level was high, the reduction of the banks' debt on the aforementioned deposits ensured the absorption, whereas the placement of deposits with credit institutions in the second half of the year was one of the sources of liquidity replenishment in the banking sector.

In 2012, the diminution of the role of the foreign currency channel in the money supply continued due to the increased flexibility of the exchange rate and to the situation with the balance of payments. The aggregate share premium from the Bank of Russia's foreign exchange interventions in the reporting period amounted to 0.2 trillion roubles (0.3 trillion roubles in 2011 and 1.0 trillion roubles in 2010). Against the background of rouble appreciation in January–May 2012, the Bank of Russia was a net buyer of foreign currency for a total amount of 0.4 trillion roubles. The deterioration of the conditions in the global commodity markets caused an 8.6% increase in the rouble value of the dual-currency

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

<sup>2</sup> Cash balances on the extended government's accounts with the Bank of Russia are cash balances on the accounts, opened with the Bank of Russia for the federal budget, budgets of the Russian Federation's constituent territories, local budgets, government extra-budgetary funds and the extra-budgetary funds of the Russian Federation's constituent territories and local authorities.



\* Indicators have been calculated at fixed rate as of the beginning of 2012.

basket in the second quarter of 2012 and made the Bank of Russia start net sales of foreign currency in June—July 2012. During the larger part of the second half of 2012, the rouble exchange rate against the dual-currency basket stayed within the neutral band, which is why the Bank of Russia interventions did not have a substantial impact on the monetary base dynamics in August—December 2012.

Under such circumstances, the Bank of Russia substantially extended the refinancing of the banking sector. The Bank of Russia's gross lending to credit institutions, which became the main source of monetary base growth in 2012, increased by 1.8 trillion roubles (by 0.9 trillion roubles in 2011).

The factors determining the monetary base dynamics had an impact on the total banking sec-

tor reserves<sup>1</sup>. In 2011, the banking sector's transition from a liquidity surplus to a structural liquidity deficit was followed by an absolute decline in total reserves, especially by a substantial decline in cash balances on credit institutions' accounts with the Bank of Russia and their holdings of Bank of Russia bonds. In 2012, the total reserves increased by 26.5% or by 0.7 trillion roubles; over 90% of them were generated by the increased balance of the credit institutions' correspondent accounts with the Bank of Russia and cash balances in credit institutions' tills. In addition to 'the base effect', the dynamics were influenced by a seasonal increase of the budget expenditure in December and a corresponding decline in the balances of the extended government accounts with the Bank of Russia, which were much higher than in 2011.

<sup>1</sup> The total banking sector reserves are comprised of cash balances in credit institutions' tills, credit institutions' required reserve accounts with the Bank of Russia, credit institutions' correspondent accounts in roubles (including the averaged balances of the required reserves) and deposit accounts with the Bank of Russia, as well as other rouble-denominated Bank of Russia liabilities to credit institutions.

## USE OF MONETARY POLICY INSTRUMENTS

*In* the course of managing banking liquidity, the Bank of Russia tried to satisfy the banking sector's demand for refinancing (or free liquidity placement). Such demand depended on the ratio between the credit institutions' demand for liquidity and its supply, by way of open market operations, the parameters of which were set on the basis of an overall liquidity forecast.

The volume and focus of credit institutions' demand for the Bank of Russia's operations over 2012 were determined by the banking sector liquidity conditions. At the same time, insufficient interaction between its segments and an uneven distribution of market collateral among the market participants significantly affected the level of use of certain instruments.

In the first months of the year, against the background of a temporary liquidity surplus, banks exhibited a high demand for idle funds placement operations with the Bank of Russia. As the banking sector returned to a liquidity deficit, credit institutions used refinancing instruments more and more often. As in 2011, the Bank of Russia provided liquidity to credit institutions through auctions.

In 2012, the Bank of Russia's repo operations remained the key refinancing instrument for credit institutions. The total outstanding repo transactions increased by 1.3 trillion roubles over the reporting period to 1.8 trillion roubles as of 1 January 2013. At the same time, the amount outstanding in repo transactions on certain days of December 2012 was close to 2.0 trillion roubles. This was the highest level over the entire period since the instrument's introduction.

In 2012, the structure of market operations changed significantly with credit institutions increasingly using one-week repo auctions as the main source of liquidity supplied by the Bank of Russia. From the second quarter of 2012, the credit institutions' demand for one-week repo transactions increased gradually. In the second half of 2012, the average amount outstanding in such operations exceeded 1.0 trillion roubles (0.25 trillion roubles for overnight operations). The volume of liquidity provision

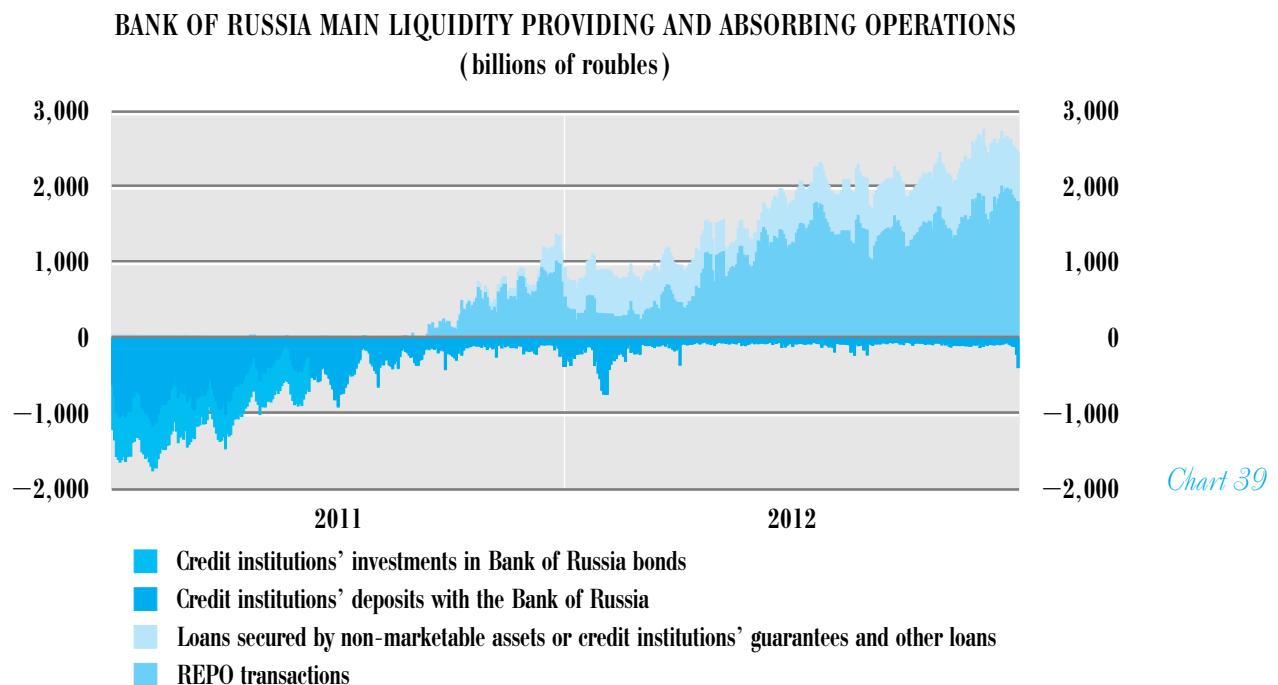
through overnight standing repo facility was low during 2012.

In order to steer money market rates, the Bank of Russia set limits on the amount of liquidity provided through repo auctions. The limits were determined based on the comparison of the liquidity demand and supply estimates according to the overall liquidity forecast.

Credit institutions' demand for the Bank of Russia's longer-term liquidity-providing market operations remained rather low. The amount outstanding in three-month repo transactions fell by 34.6 billion roubles to 135.9 billion roubles as of the end of 2012. In the second quarter of the year, the Bank of Russia resumed 12-month repo auctions and Lombard loan auctions. However, credit institutions' demand for the aforementioned transactions was low and the amount outstanding in such transactions totalled 31.6 billion roubles as of the end of 2012.

Credit institutions' demand for liquidity for periods in excess of one month was mostly satisfied with Bank of Russia loans, which were secured with non-marketable assets and credit institutions' sureties. The debt on the aforementioned transactions increased by 271.2 billion roubles in 2012 to 649.9 billion roubles as of 1 January 2013. In the second quarter of 2012, the maximum term of loans secured with non-marketable assets and sureties was extended to one year, but 91–180-day loans prevailed in the structure of debt on this instrument in the second half of 2012.

In 2012, the volume of FX swap transactions was low, and they were conducted irregularly. The Bank of Russia reduced its rouble rates on FX swaps twice in 2012 and made them equal to the rates on repo transactions and overnight standing Lombard loans. The Bank of Russia did so to contain the volatility of the money market interest rates and boost the efficiency of the interest rate channel of the monetary policy transmission mechanism. As a result, credit institutions' demand for the instrument increased, especially in the periods characterised by elevated money market interest rates, in particular on the days when tax payments were made. Under these



circumstances, the average daily volume of liquidity provision through FX swaps increased to 17.3 billion roubles in the second half of 2012 from 3.1 billion roubles in the first half of the year. The maximum daily volume of Bank of Russia FX swaps exceeded 300 billion roubles.

In 2012, the Bank of Russia continued to provide the banking sector with overnight loans, Lombard loans and loans secured with gold, but the volume of the aforementioned transactions was low. The data on the volume of Bank of Russia liquidity provision and absorption operations and on the changes in the respective debt are presented in Table 43, Section IV.4 ‘Statistical Tables’.

Due to the increase of credit institutions’ demand for credit in 2012, the Bank of Russia took measures to broaden their access to refinancing. The value of the market collateral within the Bank of Russia Lombard List increased as a result of the inclusion of corporate and bank bonds and a change in adjustment ratios (discounts) for certain securities issues. In the second quarter of 2012, repo transactions with shares on the Bank of Russia Lombard List resumed. As for non-marketable collateral, the Bank of Russia extended the list of economic activities of the institutions that were liable under loan agreements and promissory notes accepted as collateral for Bank of

Russia loans. The described measures increased the volume of potential collateral (securities and non-marketable assets) available to credit institutions on refinancing transactions of the Bank of Russia to 5.0 trillion roubles, as of 1 January 2013.

In the first quarter of 2012, against the background of a temporary liquidity surplus, credit institutions used Bank of Russia deposit facility rather actively. At the same time, the average daily debt on the aforementioned transactions fell more than threefold to 133.5 billion roubles over 2012 year on year. No auctions were carried out in 2012 to place the Bank of Russia’s bonds or sell securities from its own portfolio.

In April 2012, the Bank of Russia decided to add another instrument to its system (auctions for one-week deposits at a rate of 4.75% p.a.) and to suspend auctions for one-month deposits. It was done to limit the possible volatility of money market rates in periods when the banking system returned to a liquidity surplus. Moreover, one-week auctions were carried out only in one direction (to provide or absorb liquidity) from 17 April 2012.

The Bank of Russia decided to carry out weekly deposit transactions at a fixed interest rate with a standard term, ‘tom-1 month’, from the third quarter of 2012.

In December 2012, the fixed rate on the Bank of Russia's deposit transactions was increased by 0.25 percentage points.

The Bank of Russia continued to use required reserve ratios in 2012 as an instrument for regulating banking liquidity.

The required reserve ratios did not change in 2012 and stood at:

- 5.5% on credit institutions' liabilities to non-resident legal entities denominated in Russian roubles and in foreign currency;
- 4.0% on credit institutions' liabilities to households and other liabilities denominated in Russian roubles and in foreign currency.

The averaging ratio used to calculate the averaged volume of required reserves did not change either: 1.0 — for settlement and payment non-bank credit institutions; 0.6 — for other credit institutions.

As of 1 January 2013, the required reserves deposited by credit institutions in their required reserve accounts with the Bank of Russia amounted to 425.6 billion roubles. They increased by 47.2 billion roubles or 12.5% in 2012.

Credit institutions continued to actively average required reserves, i.e. they fulfilled a part of their reserve requirements by maintaining sufficient average monthly balances on their correspondent accounts and sub-accounts with the Bank of Russia. During the averaging period that lasted from 10 December 2012 till 10 January 2013, 676 credit institutions or 70.4% of the operating credit institutions exercised their right to average the required reserves. The averaged value of the required reserves for the aforementioned period was 569.5 billion roubles. It increased by 67.8 billion roubles or 13.5% from the beginning of the year.

### II.1.3. EXCHANGE RATE POLICY

In 2012, the Bank of Russia implemented its exchange rate policy under the managed floating exchange rate regime, without hindering the trends in the rouble exchange rate dynamics that resulted from fundamental macroeconomic factors, and without setting any target values or imposing limitations on the exchange rate or on its growth rate. The mechanism of transactions in the domestic foreign exchange market remained unchanged. The Bank of Russia continued to use the rouble value of the dual-currency basket (0.55 US dollars and 0.45 euros) as an operational indicator. Its range was determined by the floating operational band whose borders were automatically adjusted in accordance with the volume of the Bank of Russia's foreign exchange interventions. Foreign exchange interventions took place when the value of the dual-currency basket breached the 'neutral' range. Otherwise no sales or purchases of foreign currency were conducted. In 2012, the borders of the floating operational band were adjusted automatically only once — in March.

The Bank of Russia continued to increase the flexibility of the rouble exchange rate in order to create conditions to raise the efficiency of the interest rate policy and to prepare for a transition to an inflation targeting regime. The floating operational band was expanded from 6 to 7 roubles starting from 24 July 2012 (throughout the rest of the year its borders stood at 31.65 and 38.65 roubles for the dual-currency basket). At the same time, the cumulative interventions triggering a 5 kopeck shift in the operational band were reduced from \$500 million to \$450 million.

The greater exchange rate flexibility ensured the accordance of the rouble exchange rate dynamics with external conditions, thus mitigating the impact of such conditions on the Russian economy. At the same time, economic agents demonstrated a high enough adaptation to the flexible exchange rate, which was confirmed by the economic agents' moderate response to a short-term exchange rate volatility and the absence of significant changes in the currency structure of their deposits.

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

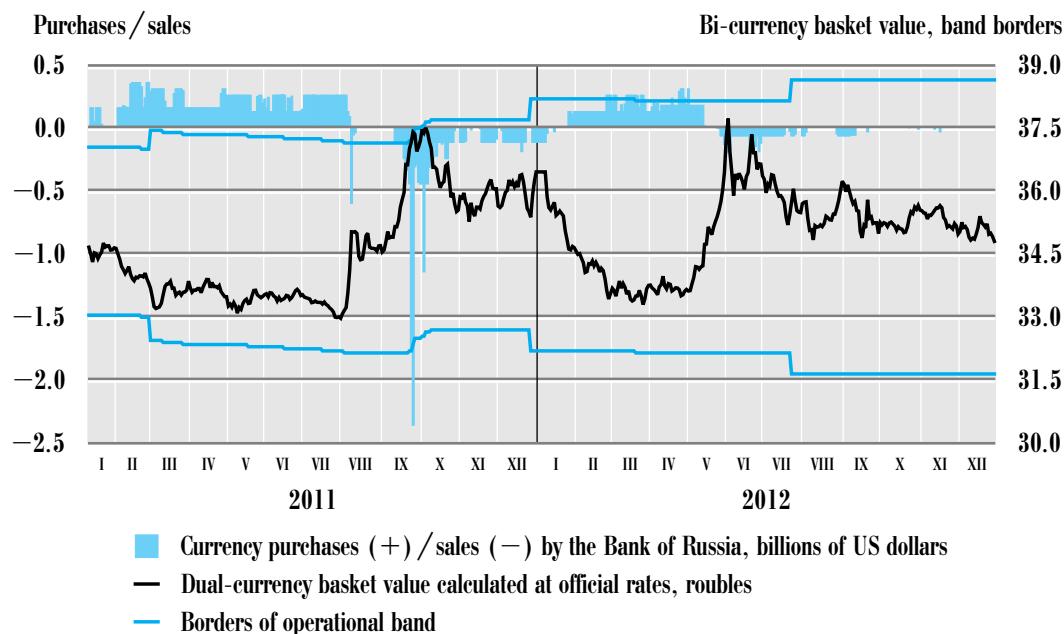


Chart 40

Rouble exchange rate dynamics did not exhibit any pronounced trends in 2012. The dual-currency basket value stayed within the floating operational band throughout the year and did not reach its borders. In the first half of the year, the Bank of Russia bought or sold foreign currency depending on the situation in the market, but the volume of such transactions was rather low. During the larger part of the second half of the year, the dual-currency basket value stayed within the ‘neutral’ range where the

Bank of Russia did not conduct any foreign exchange interventions. In general, the Bank of Russia’s net foreign currency purchases in the domestic foreign exchange market in 2012 amounted to \$7.6 billion (\$12.4 billion in 2011). At the same time, the volume of foreign currency sales by the Bank of Russia was \$5.6 billion (\$16.9 billion in 2011). The rouble value of the dual-currency basket amounted to 34.81 roubles as of 1 January 2013. It had decreased by 4.5% over the course of 2012.

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

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

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

While managing foreign exchange reserve assets, the Bank of Russia takes into account other assets which are denominated in eligible currencies but not belonging to the reserve category<sup>4</sup> (non-reserve assets); it also takes foreign currency liabilities<sup>5</sup> into account. The gold assets of the Bank of Russia are managed separately.

In 2012, the safety of the Bank of Russia's foreign exchange reserve assets was ensured through the use of an integrated risk management framework. This assumes that funds are invested

in high-quality financial instruments, as well as the limited exposure on the Bank of Russia's counterparties, their high credit quality, and legal agreements governing transactions with foreign counterparties that protect the Bank of Russia's interests.

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

Over 2012, the foreign exchange reserve assets of the Bank of Russia grew by \$31.5 billion. The main drivers of this growth were the Bank of Russia's operations in the domestic foreign exchange market, foreign currency revaluations due to the depreciation of the US dollar against the euro and pound sterling, and receipts of foreign currency from the sale of OJSC Sberbank of Russia shares.

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

<sup>2</sup> The Bank of Russia's claims on foreign counterparties, net of foreign counterparties' claims on the Bank of Russia.

<sup>3</sup> Excluding foreign issuers' securities denominated in eligible currencies obtained through reverse repo transactions.

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

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

**FACTORS BEHIND CHANGES IN BANK OF RUSSIA FOREIGN EXCHANGE RESERVE ASSETS  
IN 2012 (billions of US dollars)**

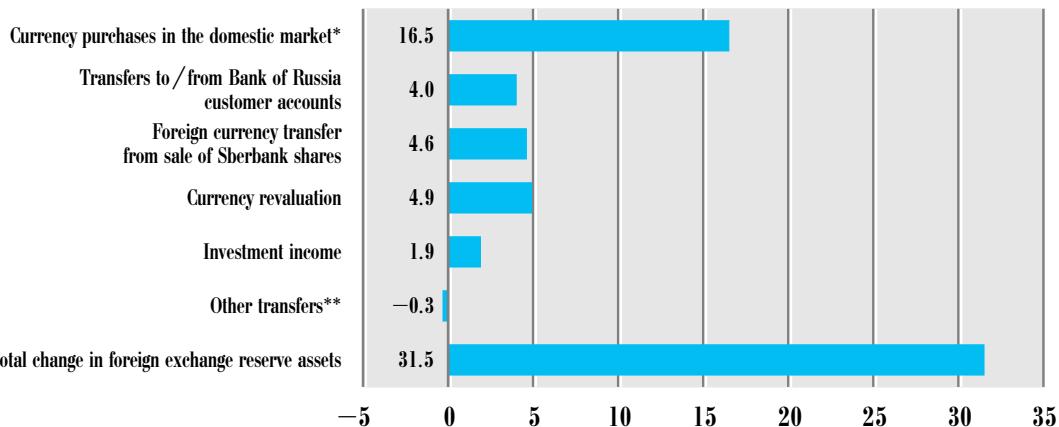


Chart 4.1

\* Including currency received by the Bank of Russia in FX swap transactions in the amount of \$8.8 billion (as of 1 January 2012, the Bank of Russia had no open FX swap transactions).

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

\*\* 'Other transfers' include transfers from other operations, including operations with precious metals.

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

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

Since the US dollar is the base currency for the calculation of the total amount and composition of the Bank of Russia's foreign exchange assets and liabilities, **the foreign exchange risk** is the probability of a decrease in the value of foreign exchange assets resulting from changes in foreign currencies' exchange rates against the US dollar. The exposure to the foreign exchange risk is equal to net foreign exchange assets, which is the sum of the foreign exchange reserve and non-reserve assets of the Bank of Russia, net of its liabilities in reserve currencies. The Bank of Russia sets limits on the level of foreign exchange risk by specifying a benchmark currency structure of net foreign exchange assets with target

weights of eligible currencies and the limits of their deviations.

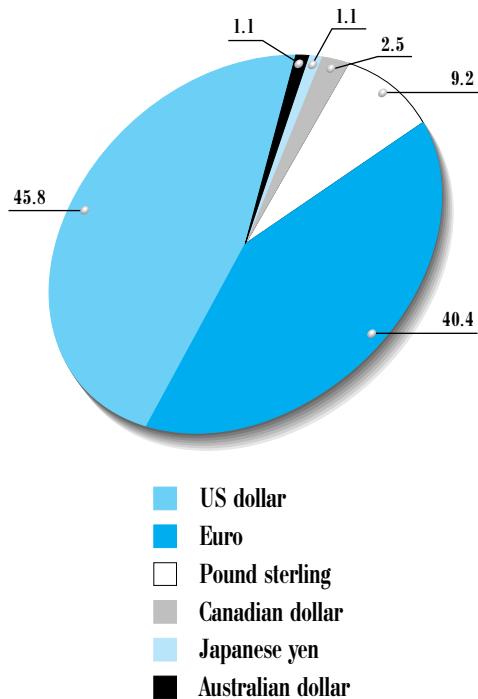
In June 2012, the weight of the Australian dollar in the benchmark currency structure was increased against a reduction in the weights of the euro and Japanese yen. In November 2012, the weights of the Canadian dollar and the Australian dollar were increased against a reduction in the weights of the euro and the US dollar.

As of 1 January 2013, 45.8% of the Bank of Russia's foreign exchange reserve assets were denominated in US dollars (45.5% as of 1 January 2012); 40.4% in euros (42.1%); 9.2% in pounds sterling (9.2%); 1.1% in Japanese yen (1.6%); 2.5% in Canadian dollars (1.6%) and 1.1% in Australian dollars (0%). In 2012 as in 2011, the reserve assets in Swiss francs remained negligible.

In order to manage **credit risk** during the reporting period, the Bank of Russia limited exposure on counterparties and set requirements for the credit quality of issuers and securities eligible for the Bank of Russia's foreign exchange reserve assets. The minimum required long-term credit rating of the Bank of Russia's counterparties<sup>1</sup> was 'A' (Fitch Ratings and Standard & Poor's), or

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

**BANK OF RUSSIA  
FOREIGN EXCHANGE RESERVE ASSETS  
BY RESERVE CURRENCY\*  
AS OF 1 JANUARY 2013\*\*  
(as a percentage of their market value)**



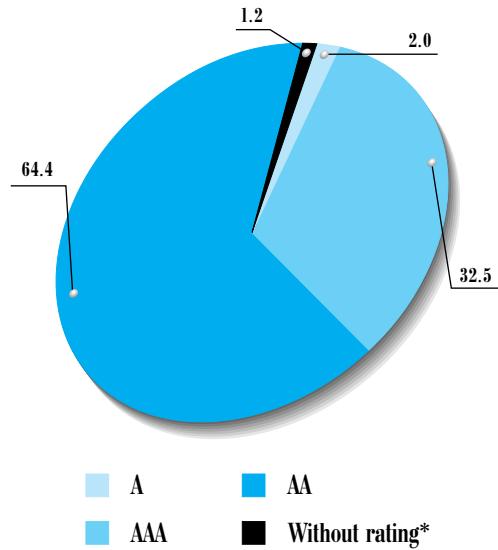
\* The Russian Federation's position with the IMF in SDR is considered here as a basket of currencies in the proportions defined by the IMF (0.66 US dollars; 0.423 euros; 0.111 pounds sterling; 12.1 Japanese yen).

\*\* The distribution of Bank of Russia foreign exchange reserve assets by reserve currency does not include foreign exchange transactions not settled as of 1 January 2013.

'A2' (Moody's Investors Service). The minimum rating of securities or the long-term credit rating of the issuer (if a securities issue has no rating) was 'AA-' (Fitch Ratings and Standard & Poor's), and 'Aa3' (Moody's Investors Service)<sup>1</sup>.

As of 1 January 2013, 'AAA'-rated assets accounted for 32.5% of all of the foreign exchange reserve assets of the Bank of Russia, followed by 'AA'-rated assets, which accounted for 64.4%

**BANK OF RUSSIA  
FOREIGN EXCHANGE RESERVE ASSETS  
BY CREDIT RATING AS OF 1 JANUARY 2013  
(percentage)**



Charts 42, 43

\* Assets without rating are mostly the Russian Federation's position with the IMF.

and 'A'-rated assets, which accounted for 2.0%<sup>2</sup>. The share of assets without any rating was 1.2%. The reduction in the share of 'AAA'-rated assets in 2012 (60.0% as of 1 January 2012) and growth in the share of 'AA'-rated assets (35.4% as of 1 January 2012) resulted from Standard & Poor's cut of France's long-term credit rating from 'AAA' to 'AA+' on 13 January 2012<sup>3</sup>.

**Interest rate risk** is the probability of a decrease in the value of foreign exchange assets due to an unfavourable change in interest rates (and, correspondingly, the prices of financial assets). The benchmark portfolios of each of the eligible currencies reflect the target distribution of the Bank of Russia's assets and are used to compare the risk and the rate of return on the Bank of Russia's assets.

<sup>1</sup> Excluding requirements to the rating of securities of Japanese government set at 'A' by Fitch Ratings and Standard & Poor's, and 'A2' by Moody's Investors Service.

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

<sup>3</sup> Moody's Investors Service also cut France's rating from 'Aaa' to 'Aa1' on 19 November 2012.

**BANK OF RUSSIA FOREIGN EXCHANGE RESERVE ASSETS BY INSTRUMENT  
AS OF 1 JANUARY 2013 (percentage)**

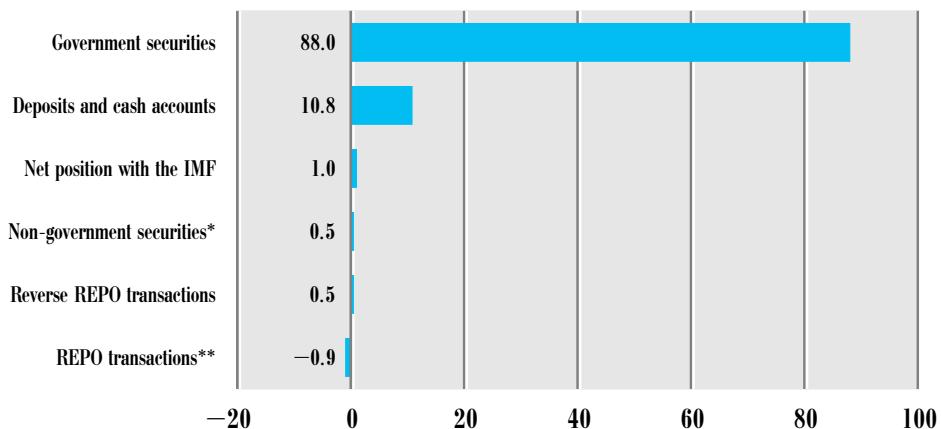


Chart 44

\* Non-government debt securities guaranteed by the government have been categorised as government securities.  
 \*\* Bank of Russia obligations to repay the funds obtained through repo transactions.

**BANK OF RUSSIA FOREIGN EXCHANGE RESERVE ASSETS BY COUNTRY  
AS OF 1 JANUARY 2013 (percentage)**

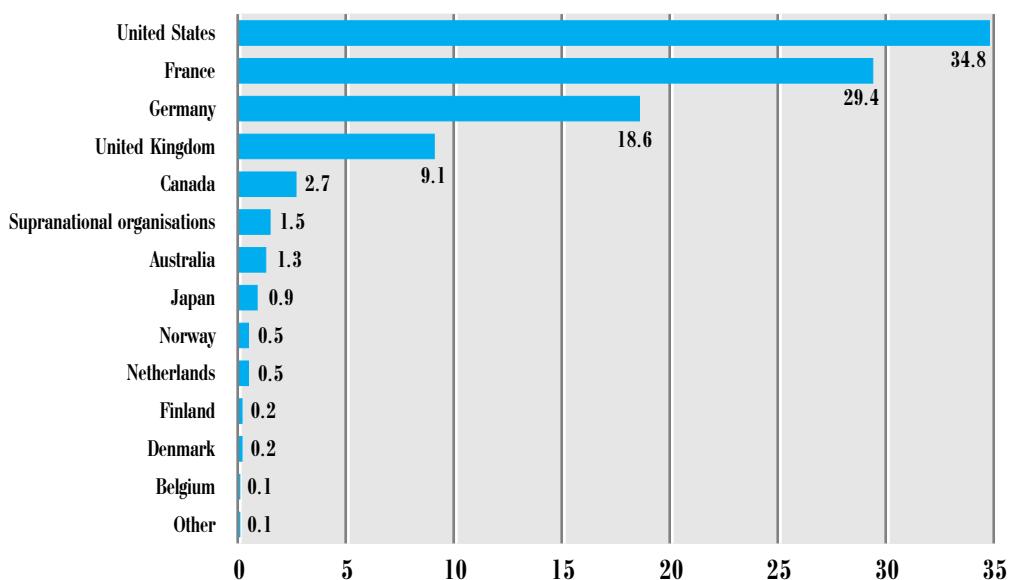


Chart 45

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

The rate of return on the Bank of Russia's foreign exchange assets was calculated as total (realised and unrealised) return on investment in percentage p.a. for each of the eligible currencies. The cumulative rates of return on the Bank of Russia's foreign exchange assets over 2012 are

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

given in Chapter IV ‘Addenda’, Section IV.4 ‘Statistical Tables’.

As of 1 January 2013, the Bank of Russia’s foreign exchange reserve assets were invested in the following instruments: the government securities of foreign issuers (88.0%); the non-government securities of foreign issuers (0.5%); deposits and cash balances on correspondent accounts with foreign banks (10.8%); reverse repo transactions (0.5%); and net position with the IMF (1.0%). Moreover, the Bank of Russia had obligations to repay the funds obtained through repo transactions with the Bank of Russia’s foreign counterparties: 0.9% of foreign exchange assets.

Foreign issuers’ securities mostly consisted of US treasuries, the government bonds and bills of France, Germany, the UK, Japan, Canada, Aus-

tralia, the Netherlands, Finland, Denmark, Sweden and Austria, non-government bonds guaranteed by the aforementioned governments, and the bonds of supranational financial institutions.

The geographic distribution of foreign exchange reserve assets<sup>1</sup> as of 1 January 2013 was as follows: the USA accounted for 34.8% of the assets, France accounted for 29.4%, Germany accounted for 18.6%, the United Kingdom accounted for 9.1%, and other countries accounted for 8.1%.

Over 2012, the Bank of Russia’s gold reserves grew by 66.9 tonnes and amounted to 1,011.0 tonnes as of 1 January 2013, where 932.8 tonnes were comprised of monetary gold, which increased by 66.8 tonnes in 2012, reflecting the purchase of gold in the domestic market.

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<sup>1</sup> The distribution is based on the country of domicile of Bank of Russia counterparties and issuers of securities included in the foreign exchange reserve assets of the Bank of Russia.

## II.3. BANKING REGULATION AND SUPERVISION

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

*In* 2012, the total number of credit institutions registered on the territory of the Russian Federation declined by 18 or by 1.6% to 1,094 as of 1 January 2013 (by 34 or 3.0% in 2011). The number of operating credit institutions holding banking licences declined by 22 in 2012 or 2.2% to 956 as of 1 January 2013, including 897 banks (by 34 or 3.4% in 2011 to 978 as of 1 January 2012, including 922 banks).

In 2012, nine newly-established credit institutions were registered, including six non-bank credit institutions that held licences for transferring money without opening bank accounts and associated banking operations (two banks and one non-bank settlement credit institution in 2011).

Certain structural changes were taking place in the banking sector (see Table).

The Bank of Russia replaced banking licences of 496 credit institutions in 2012 due to the entry into force of Federal Law No.162-FZ, dated

27 June 2011, ‘On Amending Certain Laws of the Russian Federation in Connection with the Adoption of the Federal Law ‘On the National Payment System’’.

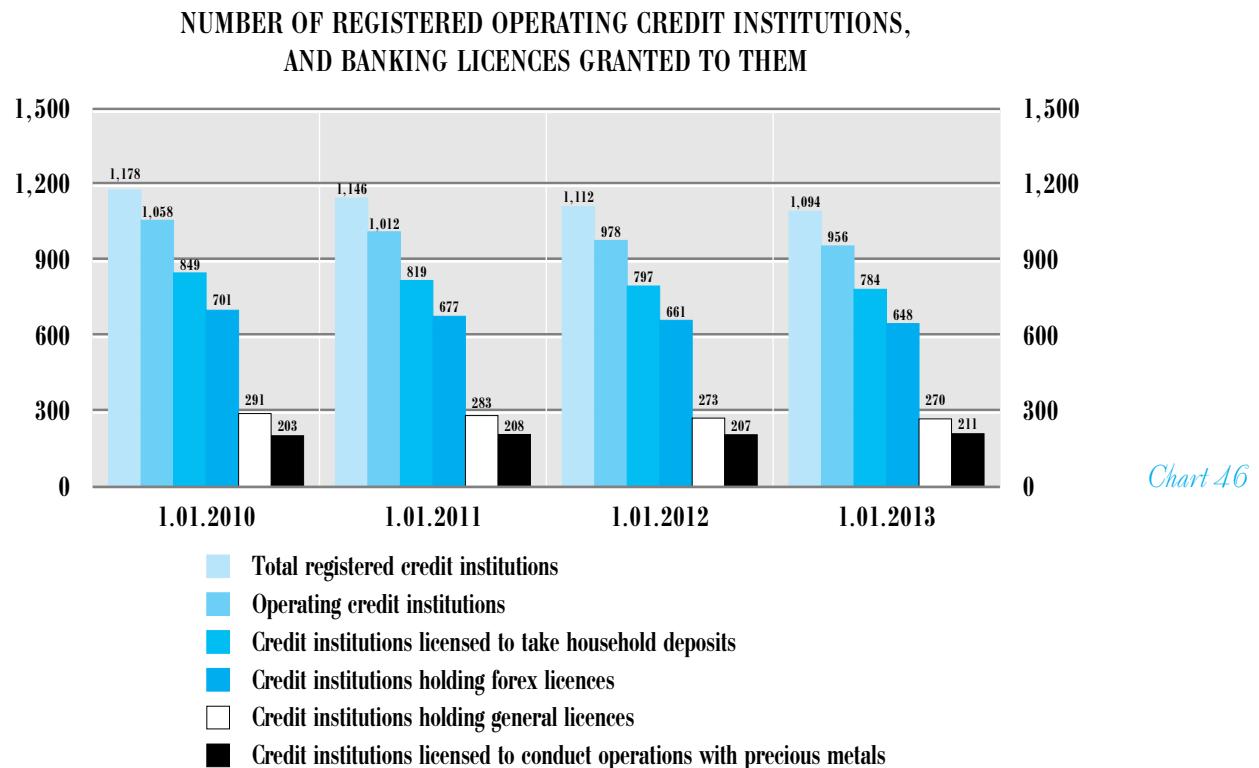
In 2012, 27 credit institutions or 2.8% of the total number of operating ones (18 credit institutions in 2011 or 1.8% of them) expanded their businesses by obtaining banking licences, of which eight banks were issued licences to take household deposits.

As of 1 January 2013, 784 out of 956 operating credit institutions (82.0%) have licences to take household deposits and 648 (67.8%) have licences to perform banking operations in roubles and foreign currencies, while 270 banks (28.2%) have general banking licences and 211 (22.1%) have licences to take on deposit and place precious metals.

Federal Law No. 391-FZ, dated 3 December 2011, ‘On Amending the Federal Law ‘On Banks and Banking Activities’’, provided for an increase

Indicator	2011	2012
1. Number of credit institutions that have closed their businesses as a result of consolidation (merger)	18	7
2. Number of credit institutions that have changed their status of non-bank credit institution to that of a bank	0	2
3. Number of credit institutions that have changed their bank status to that of a non-bank credit institution	0	4*

\* As a result of non-compliance with the minimum equity capital requirements, subject to Article II.2 of Federal Law No. 395-1, dated 2 December 1990, ‘On Banks and Banking Activities’.



of the operating banks' minimum authorised capital to 300 million roubles from 1 January 2015.

As of 1 January 2013, the equity capital of 246 banks was below 300 million roubles. Their recapitalisation required about 17 billion roubles, or 29.9% of these banks' equity capital (as of 1 January 2012, 304 banks, 25 billion roubles and 38%, respectively).

In 2012, the operating credit institutions increased their total authorised capital by 127.1 billion roubles: from 1,214.3 billion roubles as of 1 January 2012 to 1,341.4 billion roubles as of 1 January 2013. The registered authorised capital increased by 10.5% in 2012 (by 2.4% in 2011). The largest share in the total number of operating credit institutions (444 or 46.5%) belonged to credit institutions with authorised capital ranging between 60 and 300 million roubles. The total share of operating credit institutions with authorised capital exceeding 300 million roubles increased to 41.3% as of 1 January 2013; the total number of such credit institutions was 395.

The total stake of non-residents in the authorised capital of operating credit institutions increased by 26.3 billion roubles or by 7.8% to

362.7 billion roubles as of 1 January 2013 as against 1 January 2012. Thus, the growth in the total registered authorised capital of all operating credit institutions (10.5%) outpaced that of non-residents' investment (7.8%). As a result, the stake of non-residents in the total registered authorised capital of Russian credit institutions declined slightly to 27.0% as of 1 January 2013 (27.7% as of 1 January 2012).

Non-residents were under the material influence of Russian residents at 28 credit institutions, where foreign participation in the authorised capital exceeded 50%. Net of the share of non-residents under the material influence of Russian residents, the non-residents' stake in the total registered authorised capital of credit institutions stood at 23.0% as of 1 January 2013 (as against 24.0% as of 1 January 2012).

Credit institutions with foreign investments were located in 37 constituent territories of the Russian Federation: 159 credit institutions (or 65.2% of their total number) were in Moscow and the Moscow Region and 13 (or 5.3%) were in St Petersburg; 27 banks with a 100% foreign stake had 136 branches in the Russian Federation.

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

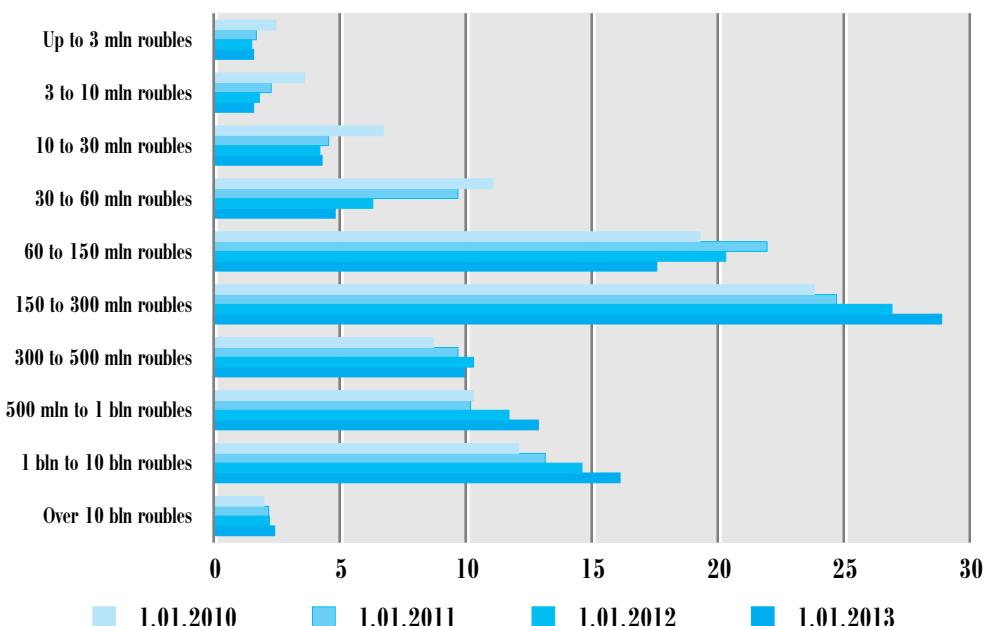


Chart 47

**REGISTERED AUTHORISED CAPITAL OF OPERATING CREDIT INSTITUTIONS**  
 (millions of roubles)

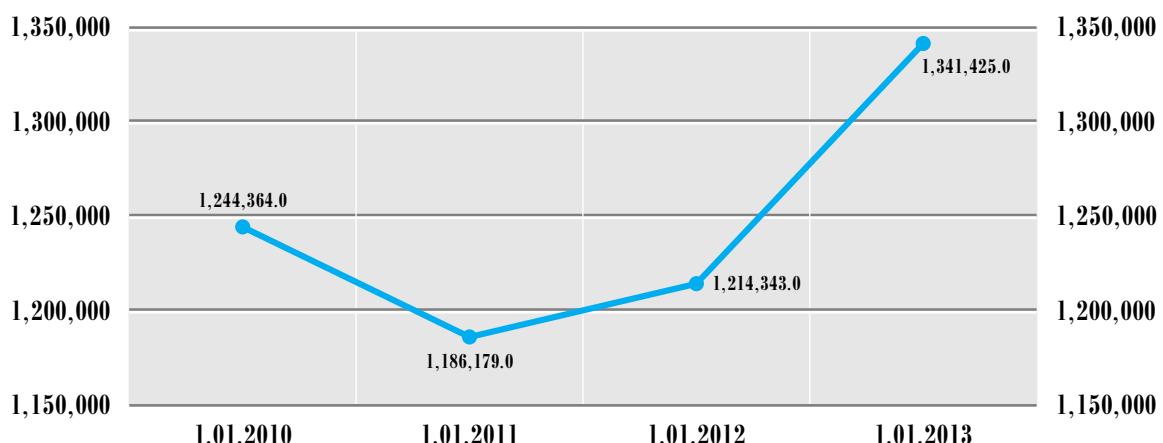


Chart 48

In 2012, credit institutions continued the development and optimisation of their regional networks. Considering their ability to provide a wide variety of banking services, credit institutions opened operations offices (their number increased by 2,087 or by 38.9%: from 5,360 as of 1 January 2012 to 7,447 as of 1 January 2013) and additional offices (their number increased by 782 or 3.5%: from 22,565 as of 1 January 2012 to 23,347 as of 1 January 2013) more actively.

The number of credit and cash offices increased by 436 or 25.3% (from 1,725 as of 1 January 2012 to 2,161 as of 1 January 2013) and mobile cash offices increased by 18 or 18% (from 100 as of 1 January 2012 to 118 as of 1 January 2013). At the same time, the number of such internal divisions as external cash desks declined by 1,175 or 10.8% to 9,685 as of 1 January 2013. The total number of internal divisions of credit institutions increased by 2,148 in 2012.

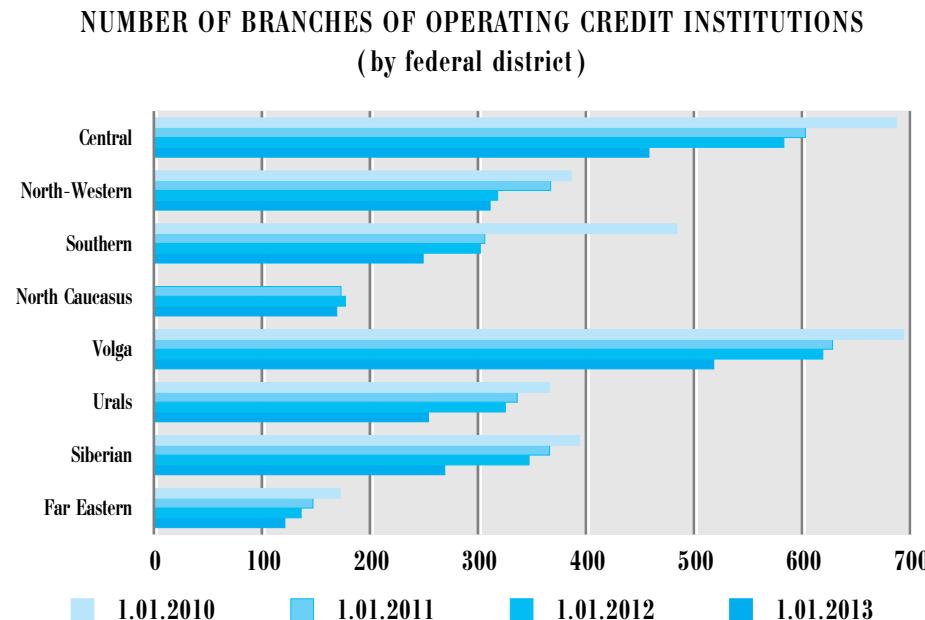


Chart 49

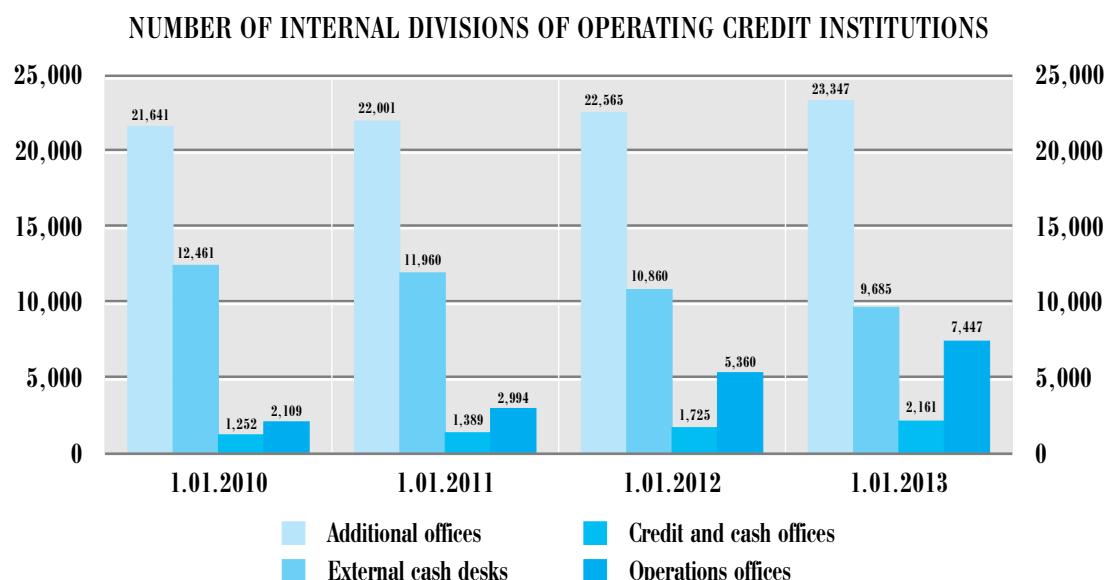


Chart 50

(or by 5.3%) to 42,758 as of 1 January 2013 (40,610 as of 1 January 2012). The coverage of households with internal divisions went up. The number of internal divisions per 100,000 people increased from 28.4 as of the end of 2011 to 29.9 as of the end of 2012.

In 2012, the number of branches of operating credit institutions continued to fall. Their number declined from 2,807 as of 1 January 2012 to 2,349 as of 1 January 2013, or by 16.3%, mostly due to the closing of 285 Sberbank branches. The aforementioned decline

in the number of branches was due to the transformation of separate units into internal divisions, which were characterised by a notification procedure of opening (closing), minimum staff and, consequently, minimised administrative costs. The described processes took place most actively in the Central, Urals and Siberian Federal Districts: the number of branches there declined by 21.4%, 21.8% and 22.5%, respectively.

In 2012, the number of representative offices of credit institutions increased from 378 as of 1 January 2012 to 415 as of 1 January 2013.

## II.3.2. OFF-SITE SUPERVISION

*In* 2012, the key objectives of banking supervision remained unchanged; they were to develop comprehensive risk-based approaches to assessing the stability of credit institutions, implement supervisory measures focused on protecting the interests of credit institutions' creditors and depositors, and to support the banking sector stability. The focus was still placed on the early identification of problems in credit institutions' activity. In 2012, an important task related to off-site supervision was still increasing the transparency of credit institutions' operations and ensuring that their risks were adequately reflected in the reporting.

In 2012, special attention was paid to the largest credit institutions that were systemically important for the Russian banking system and for the constituent territories of the Russian Federation (institutions forming the 'second line' of supervision).

Due to the on-going trend of risk concentration in consumer lending, the adequacy of the banks' internal methods which were used to assess credit quality and consumer lending risk were analysed, and the consumer loan portfolio management and provisioning models were assessed.

Market risks were also analysed. This analysis covered the plausibility of securities issuers' business activities, the recognition of the value of securities on credit institutions' balance sheets and adequate provisioning.

When necessary, the owners and managers of credit institutions were prompted to develop plans in order to increase the credit institutions' stability. Depending on their quality and implementation, supervisory responses were determined, including corrective measures.

In 2012, efforts were made to identify fiduciary deals between banks which intended to hide their non-compliance with prudential standards.

For this purpose, the economic nature of banks' transactions, as well as the quality of corporate governance and internal controls were analysed.

Due to the detection of inadequate recognition of amounts of cash in the statements of certain credit institutions, in 2012 the Bank of Russia paid special attention to the analysis of cash transactions performed by banks. If credit institutions didn't have the same amount of cash as that recognised in their balance-sheet accounts, or documents confirming the acceptance (credit) of funds and (or) cheques by credit institutions' tills were missing, the Bank of Russia demanded that the banks make provisions for the actual losses.

In 2012, when shares in credit institutions were purchased by dubious entities which lacked transparency, the quality of their assets was assessed.

The banking supervision was also focused on credit institutions that were pursuing aggressive policy in different segments of the banking services market, including soliciting deposits from households and retail lending. Interest rates on household deposits were constantly monitored in the reporting year on the basis of the market average interest rates on rouble deposits<sup>1</sup>. From September 2012, the average maximum interest rates on deposits were monitored without taking into account the impact of combined deposit products<sup>2</sup>. When banks' rates on deposit agreements exceeded the market average maximum interest rate by more than two percentage points, the appropriate recommendations and proposals were forwarded to those credit institutions. The Bank of Russia took corrective supervisory response measures when detecting banks' non-compliance with prudential standards; the banks in question were pursuing risky credit policies and raising funds from households on non-market terms.

<sup>1</sup> Market average maximum interest rates on rouble deposits were determined every ten days for the ten credit institutions which raised the largest household deposit volumes. The results were posted on the Bank of Russia's official website.

<sup>2</sup> For the purpose of the present document, combined deposit products mean deposits subject to additional conditions besides the deposit as such (e.g. the purchase of investment stakes of a certain value or execution of an insurance agreement with an insurance company).

In 2012, the measures that the Bank of Russia took regarding credit institutions were predominantly preventive. Corrective measures in the form of prescriptions to eliminate violations were applied to 454 credit institutions; penalties were applied to 192 credit institutions. Operational restrictions were applied to 94 banks, bans on certain operations and prohibitions to open branches were applied to 34 and 27 credit institutions, respectively.

In 2012, supervisory college meetings were held over the groups of the largest Russian banks to ensure the transparency and determine the supervisory techniques used at the credit institutions which were members of banking groups, including international ones. Moreover, the Bank of Russia's representatives participated in foreign supervisory college meetings held by the supervisory authorities of Hungary, Italy, the Netherlands and India.

Within the framework of its efforts to increase the transparency of the banking sector, the Bank of Russia continued to work with banks on information disclosure about the structure of equity capital and compliance with the required ratios. As of 1 January 2013, 908 credit institutions or almost 95% of total operating credit institutions gave their consent to disclosing such information.

Credit institutions also disclosed information by offering their account books and income statements; 922 credit institutions or 96% of total

operating credit institutions gave their consent to the disclosure of such information as of 1 January 2013.

In December 2012, a new page became available on the Bank of Russia's website — Answers to the Standard Queries of Credit Institutions and Bank of Russia Branches on Banking Regulation and Supervision.

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

The Bank of Russia used financial soundness indicators (hereinafter, FSI) for macroprudential analysis purposes. The Bank of Russia posted FSI on the IMF website (in 2012, FSI were calculated by 65 countries and published by the IMF).

In order to improve the quality of supervision within the framework of risk-based approaches, in 2012, the reliability of the non-financial sector's enterprises was assessed, the database that includes registered data about the shareholders, borrowers, creditors and affiliated entities of credit institutions was updated, and a common database containing the accounting (financial statements) data of non-financial organisations was created.

## II.3.3. BANKING REGULATION

*In* 2012, substantial steps were taken to implement international documents aimed at the improvement of the financial stability of credit institutions and the financial market on the whole.

Within the framework of implementing the recommendations of the Basel Committee on Banking Supervision (hereinafter, BCBS), the Bank of Russia:

### *With regard to Basel II*

- Changed the procedure for calculating required ratios in order to better implement Pillar 1 of Basel II: ‘Minimum Capital Requirements’. Specifically the bank had an option to use a simple approach or a comprehensive approach to collateral recognition. The calculation of the N1 ratio for repo transactions was brought in compliance with Basel II, which specified the inclusion of counterparty risk related to the return of securities under repo transactions (if the central counterparty was a party to the transaction, the central counterparty’s risk shall be assessed with a 5% weight);
- Prepared methodological recommendations for credit institutions that have decided to use the Basel II approach to the assessment of credit risk on the basis of internal bank ratings (IBR-approach) for the purpose of the regulatory assessment of capital. The Bank of Russia has been staying in contact with the banks that are implementing the IBR-approach and plans to assess the quantitative impact of its implementation on the regulatory assessment of capital adequacy;

### *With regard to Basel 2.5*

- Tightened its requirements with respect to the capital covering special interest rate and equity position risks, in accordance with the standardised approach to their assessment. It also specified the procedure for calculating market risks, i.e. financial instruments with a high level of risk shall be measured with a 12% weight when assessing the special interest rate risk, while an 8% weight replaced the

2% and 4% weights for the assessment of the special equity position risk;

### *With regard to Basel III*

- Developed the procedure for calculating credit institutions’ equity capital and assessing its adequacy in light of international approaches to increasing banking sector stability. In April 2013, the Bank of Russia started to measure equity capital and assess its adequacy simultaneously.

In order to ensure that the Russian Federation performed its obligations within the framework of the G20, with respect to the implementation of the Principles and Standards of the Financial Stability Board (FSB), the Bank of Russia supplemented its methodology for assessing the banks’ economic standing with the assessment of managing the risk of staff financial incentives to implement FSB Principles and Standards, which are aimed at lowering executives’ incentives to take excessive risks.

In order to ensure the reliability of credit institutions’ statements, a procedure was established for the inclusion of the financial result of transactions with financial derivatives in the credit institutions’ equity capital calculation. Moreover, pursuant to the Bank of Russia’s prescriptions, credit institutions’ equity capital should be adjusted for the amount actually under-provisioned by credit institutions, in accordance with the requirements of Bank of Russia regulations.

In addition, when transactions were not accompanied by confirming documents, 100% loan loss provisioning requirements were introduced in relation to the credit institutions’ reserve base (including cash and cheques), as recognised in the balance sheet and other financial statements. A requirement was introduced that loans should be placed in quality category V with 100% loss provisioning if documents confirming the transactions with the borrower were absent.

In order to obtain a more precise assessment of export credit risks, risk weights were reduced in relation to creditors’ claims and accrued (accumulated) interest claims when export credits and in-

vestment insurance agreements secured with guarantees of the Bank for Development and Foreign Economic Affairs (a state corporation, hereinafter, Vnesheconombank), were available. The performance of obligations under these agreements was secured with government guarantees, issued in line with the budget legislation of the Russian Federation. Export credit and investment insurance agreements secured with government guarantees and (or) Vnesheconombank guarantees were included in the list of quality category I collateral.

Within the framework of the Bank of Russia's efforts to control the submission and publication of consolidated financial statements compiled by credit institutions according to the International Financial Reporting Standards (hereinafter, IFRS), the Bank of Russia:

- Set rules regarding how credit institutions must disclose their annual consolidated IFRS financial statements, together with an auditor's report confirming their reliability;
- Set the materiality threshold in line with IFRS approaches to ensure the compulsory recognition of minority shareholders' data in the consolidated statements;

- Set formats, procedure and deadlines for the submission of consolidated IFRS financial statements to the Bank of Russia.

As a result, requirements regarding the compilation, submission and publication of annual consolidated statements in accordance with Russian Accounting Standards were cancelled.

Within the framework of bringing the regulatory assessment of risks related to unsecured consumer loans into conformity with the actual level, and as part of its efforts to prevent the accumulation of excessive risks from consumer lending, the Bank of Russia:

- Tightened its requirements regarding the capital coverage of unsecured consumer loans issued after 1 July 2013 with a high effective interest rate;
- Minimum loan loss provisioning was increased twofold for unsecured consumer loan portfolios without overdue payments or payments overdue by no more than 30 days issued after 1 January 2013;
- 100% provisioning was required for unsecured consumer loan portfolios with payments overdue by more than 360 calendar days.

## II.3.4. INSPECTION OF CREDIT INSTITUTIONS

*In* 2012, the Bank of Russia continued its efforts to increase the quality of supervision, including the creation of the necessary organisational and legal conditions. After the third stage of the centralisation of the Bank of Russia's supervisory activities<sup>1</sup>, from 1 January 2013 interregional inspectorates operated in all the federal districts (except for Moscow and the Moscow Region) within the single centralised supervisory structure. Some measures were taken to prepare the Moscow Branch of the Bank of Russia for centralisation.

Authorised representatives of the Bank of Russia conducted 1,118 inspections of 692 credit institutions<sup>2</sup> in 2012.

In line with the Consolidated Plan of Comprehensive and Thematic Inspections of Credit Institutions and their Branches for 2012, 757 inspections (68%) were conducted. There were 361 unscheduled inspections (32%), including 168 inspections which were conducted to address particular issues<sup>3</sup>. There were also 103 unscheduled inspections which were conducted when the authorised bodies of these credit institutions applied to increase their authorised capital by more than 20%; 12 inspections were conducted in response to credit institutions applying to expand their businesses by obtaining the appropriate licences. Four inspections were conducted to determine the credit institutions' grounds for implementing measures to prevent insolvency (bankruptcy), and two inspections were connected with the elimination of the causes of such grounds. Four inspections concerned information regarding the violation by credit institutions of Bank of Russia regulations on cash circulation. One in-

spection was conducted in connection with the reorganisation of the credit institution in the form of a takeover. The management of the Bank of Russia mandated that 67 inspections be conducted due to changes in the financial standing of credit institutions (36 inspections) and in response to applications which were filed by federal authorities, including law-enforcement agencies (31 inspections).

The working groups were focused on the material aspects of credit institutions' activities, therefore thematic inspections were mostly conducted (899 inspections or 80% of inspections).

In the course of conducting 82 inspections in accordance with Article 32 of Federal Law No.177-FZ with the participation of the Deposit Insurance Agency (a state corporation, hereinafter, DIA), the volume and structure of banks' obligations to the depositors, payment of insurance premiums by banks and performance by banks of other obligations prescribed by the aforementioned federal law were analysed.

The Bank of Russia conducted 446 inspections in order to assess the banks' compliance with legislative requirements on anti-money laundering and countering the financing of terrorism (hereinafter, AML/CFT). Based on the results of these inspections, reports were made (including the reports on thematic inspections) which assessed the credit institutions' compliance (or non-compliance) with AML/CFT legislation. In addition, a number of transactions in which banks and their customers were engaged in economic activity abroad were revealed to be phony and intended for transferring money offshore.

<sup>1</sup> At the third stage of centralisation, interregional inspectorates were established in the Volga, Southern and North Caucasus Federal Districts.

<sup>2</sup> Including:

- 828 inspections (74%) were conducted in credit institutions having no branches and in the head offices of credit institutions having branches;
- 290 inspections (26%) were conducted in branches. Some credit institutions were subject to several inspections, including head offices and (or) branches and internal divisions.

<sup>3</sup> Inspections were conducted by the decision of the heads of the regional branches of the Bank of Russia. Compliance with the required ratios, transactions with foreign currency and cheques by authorised banks (their branches) were inspected.

In the course of the inspections, the following was uncovered: credit risks were being underestimated, partly as a result of their collateral not complying with requirements; loans were being made to special purpose vehicles which were not conducting real business and had no legal or economic relation to the final objects of investment; and contingent credit obligations emerged for assigned retail loan portfolios. Some cases were revealed where investors obtained capital using inappropriate assets, as well as transactions which were designed to circumvent the operational prohibitions of the Bank of Russia. Sometimes results were achieved in the course of the inspections due to the application of new approaches, including the use of information technology in checking the reliability of reports submitted to credit institutions by borrowers.

In order to understand the nature and level of risk associated with multi-branch credit institutions, 141 interregional inspections were conducted which involved a simultaneous inspection of the head offices and branches where a substantial volume of operations was concentrated. In order to assess the risks on a consolidated basis, nine inspections were conducted of credit institutions which were members of two banking groups<sup>1</sup> (hereinafter, consolidated inspections). The results of one of these consolidated inspections were discussed at a supervisory college meeting with the participation of the Bank of Russia's representatives, as well as the managers and owners of the credit institutions.

The approach allowed the detection of banking operations which were aimed at the artificial overstatement of asset quality. For example, some problem loans were transferred from the balance sheet of one credit institution and (or) its divisions to another credit institution and (or) its divisions; in other cases the rights to loan portfolios were transferred to third parties, financed by the banks themselves or sold for a token fee. Sometimes groups of special purpose vehicles not conducting real business participated in such schemes, while their debts, as a rule, were restructured several times and financed by the credit institutions them-

selves, which provided funds through a chain of payments between the companies.

The practice of prompt control of quality of the inspection activities was continued. The major elements of such control were the monitoring of organisation and conduct of inspections in banks that formed the 'second line' of supervision, the coordination of interregional inspections in multi-branch banks and the simultaneous inspection of banks which belonged to the same banking groups. In the interregional inspections, centralised supervision ensured the monitoring of inspections in all the credit institutions which were situated in their respective territories<sup>2</sup>.

Within the framework of interaction between the Bank of Russia's divisions, which is also subject to Bank of Russia Ordinance No. 2791-U, dated 13 March 2012, 'On the Procedure for Interaction among the Bank of Russia Divisions when Preparing Proposals and Making Decisions for Applying Corrective Measures to Credit Institutions', the inspection results were communicated to the Bank of Russia's management, supervisory bodies and regional branches for the purpose of making timely and prompt supervisory decisions. On the initiative of the off-site supervisory bodies, situations requiring amelioration were discussed at meetings with the managers and (or) owners of banks in order to develop measures for their elimination.

After inspections, information was shared with supervisory, controlling and law-enforcement authorities. According to Decree of the President of the Russian Federation No. 224, dated 3 March 1998, 'On Ensuring Cooperation between Government Authorities in Combating Violations in the Economic Sphere', 75 informative messages on operations and transactions of credit institutions and their customers which showed signs of economic offences, were forwarded to the General Prosecutor's Office of the Russian Federation; 49 queries of inspection results were received, and advice was provided in seven cases. In the course of 15 inspections of credit institutions, queries on credit institutions' customers and requests for the investigation of

<sup>1</sup> Including one non-formalised banking group (the credit institutions which had common owners did not establish the banking group officially).

<sup>2</sup> Except the thematic inspections of credit institutions.

their involvement in illegal activities were forwarded to law-enforcement authorities.

In order to ensure internal controls over the quality of inspection activities, post-inspection materials were prepared: an express analysis of the inspection's results and the reports of general inspectors on the inspection's results; an analysis of the quality of inspection materials, when necessary, including an analysis in the course of preparation of the Bank of Russia's regional branches' reports for hearing. The system of supervisory measures of the Chief Inspection of Credit Institutions (CICI) was also aimed at the preparation of proposals on increasing the efficiency of the inspection monitoring procedure.

A video conference sub-system was implemented and used by the centralised inspectorate in the head office and all interregional inspectorates of the CICI to ensure day-to-day management.

In the course of the inspections, many of the violations that were identified were related to the underestimation of credit risks (37.2% of all violations); others were violations of laws and Bank of Russia regulations in the sphere of AML/CFT (15.8%). Some violations were related to the organisation of accounting (4.9%) and cash operations (5.1%), non-compliance with the foreign exchange legislation of the Russian Federation and the regulations of the foreign exchange regulation authorities (6.4%).

## II.3.5. BANK INSOLVENCY (BANKRUPTCY) PREVENTION AND THE WITHDRAWAL OF INSOLVENT CREDIT INSTITUTIONS FROM THE BANKING SERVICES MARKET

*In* 2012, the Bank of Russia took steps to prevent the insolvency (bankruptcy) of credit institutions under Federal Law No. 175-FZ, dated 27 October 2008, ‘On Additional Measures to Strengthen the Stability of the Banking System in the Period until 31 December 2014’ (hereinafter referred to as Federal Law No. 175-FZ), and 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).

As part of the set of measures that have been taken since September 2008 under Federal Law No. 175-FZ to ensure the solvency of banks that had experienced financial difficulties during the world financial and economic crisis, the Bank of Russia, jointly with the DIA, took measures to prevent the bankruptcy of seven banks in 2012. Activities in two of these banks have already been completed; in five banks the planned measures were still in place as of 1 January 2013 in accordance with the approved plans of the DIA’s participation in their bankruptcy prevention.

Financial rehabilitation initiatives implemented pursuant to Federal Law No. 175-FZ were funded with the Russian Federation’s property contribution to the DIA or with Bank of Russia loans that were extended to the agency. As of 1 January 2013, the DIA’s debt to the Bank of Russia totalled 335.4 billion roubles. In 2012, the volume of funds repaid by the DIA to the Bank of Russia was 11 billion roubles.

The number of credit institutions that qualified for insolvency (bankruptcy) prevention measures pursuant to Article 4 of Federal Law No. 40-FZ decreased from 56 in 2011 to 49 in 2012, of which 23 credit institutions eliminated the causes of their problems. Three credit institutions qualified to undergo insolvency (bankruptcy) prevention measures, as estab-

lished by Paragraph 7 of Article 4 of Federal Law No. 40-FZ (including requests to two credit institutions to bring their authorised capital in alignment with the equity capital within the terms that have not expired yet in the reporting period; and one credit institution that operated for less than two years since the issue of its banking licence, so under specific provisions of the aforementioned Federal Law, no measures were taken to prevent its bankruptcy). Two credit institutions were requested to take financial rehabilitation measures; two credit institutions continued to operate while implementing planned financial rehabilitation measures; two banks implemented bankruptcy prevention measures according to Federal Law No. 175-FZ; and 17 credit institutions had their banking licences (hereinafter, licences) revoked. As of 1 January 2013, 10 credit institutions<sup>1</sup> qualified for insolvency (bankruptcy) measures under Article 4 of Federal Law No. 40-FZ.

In 2012, under Article 74 of Federal Law No. 86-FZ, dated 10 July 2002, ‘On the Central Bank of the Russian Federation (Bank of Russia)’ (hereinafter referred to as Federal Law No. 86-FZ), and Article 20 of Federal Law No. 395-1, dated 2 December 1990, ‘On Banks and Banking Activities’ (hereinafter referred to as Federal Law No. 395-1), the Bank of Russia revoked the licences of 22 credit institutions (18 credit institutions in 2011).

Its grounds for revoking the licences were:

- Non-compliance with federal banking laws and Bank of Russia regulations, if within one year measures stipulated by Federal Law No. 86-FZ have been applied with respect to the credit institution more than once: 21 cases (18 in 2011);
- Inability to comply with creditors’ claims regarding pecuniary obligations and (or) obligations to make mandatory payments within

<sup>1</sup> Including one bank taking bankruptcy prevention measures according to Federal Law No. 175-FZ.

- 14 days after their due date: 10 cases (eight in 2011);
- Evidence of significant misreporting of data with respect to seven credit institutions (six in 2011);
- Seven cases where capital adequacy was below 2% (five in 2011);
- Six cases where there was a decrease in the credit institution's equity capital below the minimum authorised capital required by the Bank of Russia, as of the date of the state registration of the credit institution (six in 2011);
- Repeated violations, within one year, of the requirements set by Articles 6 and 7 (except Clause 3 of Article 7) of Federal Law No. 115-FZ, dated 7 August 2001, 'On Countering the Legalisation (Laundering) of Criminally Obtained Incomes and the Financing of Terrorism' (hereinafter, Federal Law No. 115-FZ) with respect to one case (three in 2011).

Half of the credit institutions which had their licences revoked in 2012 were registered in Moscow and the Moscow Region: 10 banks and one non-bank credit institution.

Moreover, one credit institution's licence was revoked in connection with a voluntary liquidation decision, which was taken by its shareholders (four in 2011).

In order to protect the legitimate interests of credit institutions' creditors (depositors), in 2012 the Bank of Russia appointed 22 provisional administrations to manage credit institutions after their licences had been revoked. In 2012, there were 27 provisional administrations which had been appointed for the aforementioned reasons; 20 of them included DIA representatives under Clause 2 of Article 19 of Federal Law No. 40-FZ. As of 1 January 2013, there were six provisional administrations in place which had been appointed after the credit institutions had been stripped of their licences.

As of 1 January 2013, the Bank of Russia had not received state registration certificates from the registration authority in connection with the liquidation of 137 credit institutions that had had their licences revoked (cancelled). In 131 of them, liquidation procedures were being conducted. With respect to the remaining six credit institutions, as of 1 January 2013, no court rul-

ings had been taken after their licences had been revoked.

Most of the liquidated credit institutions (123) were declared insolvent (bankrupt) and bankruptcy proceeding had been initiated against them. Of these, 20 credit institutions were declared bankrupt in 2012. With regard to one of them, the arbitration court previously ruled that it should be liquidated. With respect to three credit institutions, the arbitration courts ruled that they be liquidated (including one in 2012). Additionally, five credit institutions are being liquidated voluntarily, as decided by their founders (participants). In 2012, one credit institution's founders decided to voluntarily liquidate it.

In 119 credit institutions facing liquidation as of 1 January 2013, the liquidation proceedings were conducted by the corporate liquidator, the DIA, which was appointed pursuant to Clause 2 of Article 50.11 of Federal Law No. 40-FZ and Article 23.2 of Federal Law No. 395-1. In 117 of them, the DIA performed the functions of the receiver and in two it performed the functions of the liquidator.

During the entire period that the banking system had functioned in the Russian Federation as of 1 January 2013, the state had registered the liquidation of 1,594 credit institutions. According to the reports submitted to the Bank of Russia, the average percentage of creditors' claims that were satisfied by those credit institutions was 10.6%, including 73.5% of preferential creditors' claims.

Since 2004, when the DIA became the receiver (liquidator), the DIA had completed bankruptcy proceedings (liquidation) at 174 credit institutions. The average percentage of creditors' claims that were satisfied by those credit institutions was 24.9%, including 55.3% of preferential creditors' claims, 68.9% of second-priority creditors and 18.8% of third-priority creditors and other junior creditors.

In order to exercise the powers granted to the Bank of Russia under Article 50.22 of Federal Law No. 40-FZ to control the activity of credit institutions' receivers (liquidators), the Bank of Russia conducted 16 inspections in 2012, including 14 inspections of DIA activity and two inspections of individual receivers.

In 2012, 20 receivers were accredited with the Bank of Russia as receivers in bankruptcy

proceedings in credit institutions, 20 receivers had their accreditations extended, and one receiver was denied accreditation due to a failure to meet the accreditation criteria. As of 1 January 2013, 40 receivers were accredited with the Bank of Russia.

In 2012, the Bank of Russia's Board of Directors took no decisions on any payments to be made by the Bank of Russia, pursuant to Federal Law No. 96-FZ, dated 29 July 2004, 'On

Bank of Russia Compensation Payments for Household Deposits with Bankrupt Banks Uncovered by the Deposit Insurance System'. As of 1 January 2013, the Bank of Russia decided to make payments to 40,308 depositors amounting to 1,264.7 million roubles, and 36,173 depositors (89.7% of those entitled) had received payments from the Bank of Russia, totalling 1,231.2 million roubles (97.4% of all the funds allocated).

## II.3.6. HOUSEHOLD DEPOSIT INSURANCE

*In* 2012, the Bank of Russia supervised banks to make sure they complied with the deposit insurance system's requirements, pursuant to Federal Law No. 177-FZ, and took measures envisaged by Federal Law No. 177-FZ for non-compliance with these requirements.

During the reporting period, two banks were prohibited from taking household deposits and opening household accounts pursuant to Article 48 of Federal Law No. 177-FZ, since those banks were subject to the measures stipulated by Clause 4 of Part II of Article 74 of Federal Law No. 86-FZ for three consecutive months. These two banks eventually had their banking licences revoked.

As required by Federal Law No. 177-FZ and previous agreements, in 2012 the Bank of Russia interacted, co-ordinated and exchanged information with the DIA. It did so on matters related to the operation of the deposit insurance system, banks' participation therein, and also the payment of insurance premiums and deposit compensations, and inspections of banks participating in the deposit insurance system and application of sanctions against them by the Bank of Russia, and on other matters related to the operation of the deposit insurance system.

Out of the 891 banks participating in the deposit insurance system as of 1 January 2013 (896 as of 1 January 2012), 98 banks had had their banking licences revoked (cancelled) earlier.

Seven banks were admitted to the deposit insurance system in 2012 and 12 banks were excluded (six due to reorganisation, six due to liquidation).

Throughout the period after the launch of the deposit insurance system (as of 1 January 2013), insured events occurred at 130 banks which participated in the deposit insurance system, including 14 banks which experienced such events in 2012 (their banking licences were revoked). All the banks began paying their depositors in the time established by the law, i.e. no later than 14 days after the date of the revocation of their licences.

In order to ensure the implementation of the Banking Sector Development Strategy until 2015, the Bank of Russia will continue its work drafting the Federal Law 'On Amending the Federal Law 'On the Insurance of Household Deposits with Russian Banks''. It is doing this to unify the supervisory requirements with respect to the assessment of the soundness of credit institutions and eligibility requirements for the deposit insurance system, based on the application of international supervisory principles and remedies.

## II.3.7. CENTRAL CATALOGUE OF CREDIT HISTORIES

*In* 2012, about 33 million credit history titles were transmitted to the Central Catalogue of Credit Histories (hereinafter, CCCH) which functioned under Federal Law No. 218-FZ, dated 30 December 2004, ‘On Credit Histories’, which was 11% more than in 2011.

Due to a 39.4% growth in consumer lending in the year under review (35.9% in 2011), the number of titles of individual borrowers’ credit histories increased. Thus, in 2012, the number of titles of individual borrowers’ credit histories increased by 23.2% and totalled 174.6 million as of the beginning of 2013.

Despite a slowdown in corporate lending, the number of titles of credit histories held by legal entities increased by 35.5% in 2012 and totalled 0.4 million as of the beginning of 2013. In 2012, the number of titles of credit histories held by legal entities transmitted to the CCCH was twice that of the previous year.

Thus, by the end of 2012, 175.0 million<sup>1</sup> credit history titles became available to credit history holders and users at the CCCH.

In 2012, over 3 million queries from credit history holders and users for information on the credit bureaus (hereinafter, CB) where their credit histories were stored, and requests for the registration or cancellation of credit history holders’ codes were transmitted to the CCCH. The largest number of queries on CB (61.4% of the total number of queries) was received by the CCCH automated system in 2012 from credit institutions that were credit history users: 1.8 million queries in absolute terms in 2012.

The number of queries from credit history holders for information on the CB, which were transmitted to the CCCH, increased by 19% year on year in 2012 and amounted to almost 0.4 million in absolute terms.

In 2012, the share of inquiries of credit history holders and users on the CB where credit histories were stored on which information was found in the CCCH in the total number of inquiries for information (received from credit history holders and users) was 72.3%. This ratio shows that most potential borrowers have already had their credit histories established.

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<sup>1</sup> The number of credit history titles is the number of credit history titles transmitted to the CCCH by all credit bureaus (several credit bureaus store information about the same borrower) and credit history titles formed at the creditor’s request.

## II.3.8. BANK OF RUSSIA ACTIVITIES AIMED AT PREVENTING MONEY LAUNDERING AND TERRORISM FINANCING

*In* 2012, the Bank of Russia took further steps to implement the functions stipulated 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). Special attention was paid to maintaining the conditions that ensured the efficient compliance of credit institutions with the AML/CFT legislation at the required quality level.

According to Federal Law No. 115-FZ<sup>1</sup> the Bank of Russia set requirements to credit institutions’ internal control rules, which were coordinated with Rosfinmonitoring, for the purpose of AML/CFT.<sup>2</sup>

The requirements were developed by the Bank of Russia in light of the amended international AML/CFT<sup>3</sup> standards. According to the requirements, the main principles of anti-money laundering activities included mitigating the risk of legalising criminally obtained income and the financing of terrorism, independence of the officer in charge of compliance with AML/CFT internal control rules, and involvement of credit institutions’ employees in revealing the cases qualifying for mandatory control and suspicious operations that may be performed for the purpose of legalising (laundering) the criminally obtained income or terrorism financing. The priority tasks of credit institutions’ AML/CFT internal control rules included, in particular, the task of maintaining the efficiency of the AML/CFT internal control system at a level sufficient for managing the risk of legalising (laundering) criminally obtained incomes or terrorism financing, as well as

the task of excluding the involvement of credit institutions, their managers and employees in legalising (laundering) criminally obtained incomes or terrorism financing.

In 2012, the Bank of Russia continued to perform its duties under Federal Law No. 176-FZ, dated 23 July 2010, ‘On Amending the Federal Law ‘On Countering the Legalisation (Laundering) of Criminally Obtained Incomes and the Financing of Terrorism’’ and the Russian Federation Code of Administrative Offences in terms of the initiation and consideration of administrative offence cases related to the non-compliance of credit institutions and their officers with legislative requirements concerning AML/CFT.

In 2012, the authorised officers of Bank of Russia regional branches initiated 1,497 administrative offence cases with respect to 405 credit institutions and (or) their officers. 110 administrative offense cases were closed at the investigation stage. As a result, during 2012, the consideration of 1,322 administrative offense cases was completed, with regard to which 307 resolutions were passed imposing fines, including 48 resolutions (approximately 16%) with respect to bank officers. Additionally, 490 resolutions contained warnings, including 262 (53%) with respect to officers; 525 resolutions terminated the proceedings on the administrative cases, including 186 (35%) on cases with respect to officers.

In 2012, the Bank of Russia continued to develop a methodological framework for credit institutions to implement anti-money laundering legislation.

Thus, in order to increase credit institutions’ ability to check customer data, the Bank of Rus-

<sup>1</sup> Clause 2 of Article 7 of Federal Law No. 115-FZ, dated 7 August 2001, ‘On Countering the Legalisation (Laundering) of Criminally Obtained Incomes and the Financing of Terrorism’.

<sup>2</sup> Bank of Russia Regulation No. 375-P, dated 2 March 2012, ‘On the Requirements to the Internal Control Rules of Credit Institutions for the Purpose of Countering the Legalisation (Laundering) of Criminally Obtained Incomes and the Financing of Terrorism’.

<sup>3</sup> New version of FATF Recommendations adopted in February 2012 — ‘International Standards on Combating Money Laundering and the Financing of Terrorism and the Financing of Proliferation of Weapons of Mass Destruction’.

sia issued letters containing recommendations on credit institutions' actions to be taken with regard to customers who were unavailable at the address (location) specified in the Single State Register of Legal Entities, customers undergoing liquidation or customers whose business was liquidated or excluded from the Single State Register of Legal Entities by the decision of the registration authority<sup>1</sup>.

In 2012, the Bank of Russia, based on the analysis of information obtained in the course of its supervisory activities, and in cooperation with the authorised body, continued the practice of is-

suing recommendations for credit institutions. These contained descriptions of characteristics of transactions that call for special attention in the course of implementing internal control rules, and were designed to help detect such transactions and take steps towards the mitigation of risk as they are carried out<sup>2</sup>.

The aforementioned recommendations gave special consideration to checking bills of loading submitted by the customers to authorised banks to confirm the transfer of goods from the Republic of Belarus or Republic of Kazakhstan in the course of foreign exchange transactions.

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<sup>1</sup> *Bank of Russia Letters No. 90-T, dated 28 June 2012, ‘On Information Posted on the Official Website of the Federal Tax Service (FTS of Russia)’; and No. I76-T, dated 21 December 2012, ‘On Information of the FTS of Russia Concerning Liquidated Legal Entities and Legal Entities under Liquidation’.*

<sup>2</sup> *Bank of Russia Letters No. I57-T, dated 16 November 2012, ‘On Authorised Banks’ Foreign Exchange Control over Foreign Exchange Transactions Performed by Residents in Relation to the Payment for the Goods Transferred within Customs Union Territory’ and No. I67-T, dated 7 December 2012, ‘On Increasing Credit Institutions’ Attention to Certain Customer Transactions’.*

## II.4. ENSURING FINANCIAL STABILITY

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

*In* 2012, the Russian financial system developed against the background of a slowdown in global growth and a decline in the uncertainty in the global markets. Despite the difficulties involved in settling the budget problems of advanced economies and the economic imbalances in emerging economies, the risk appetite among investors increased compared to 2011, mostly due to the extensive measures taken by the leading central banks of the world to support their economies and strengthen the financial system.

In 2012, the Russian economy demonstrated trends that were similar to the global ones: a slowdown in GDP growth was observed against the background of continued low systemic risks in the financial sector. At the same time, the foreign economic conditions were rather favourable for the Russian economy, including exceptionally high oil prices.

In 2012, the dynamics of the Russian banking sector were characterised by a rather high growth in assets and capital. The main risks to the banking sector stability were declining capital adequacy and accelerated growth in the consumer lending market. Moreover, credit institutions were still exposed to potential external threats,

both macroeconomic and financial. Due to the specific nature of the Russian economic structure and a big share of oil and gas incomes in total export revenues, the fall in energy prices, net outflow of private capital and a consequent weakening of the balance of payments were the most significant factors driving the deterioration of the situation in the Russian financial sector.

Throughout more than half of the reporting period, the banks' capital adequacy was decreasing. The capital adequacy ratio of banks decreased from 14.7% to 13.7% over the year and still exceeded the minimum required ratio due to the outpacing growth of risk-weighted assets in comparison with equity capital.

In 2012, consumer lending<sup>1</sup> demonstrated the fastest growth rates in the structure of banks' claims to households. The fast growth in consumer lending was a kind of compensation for weak lending dynamics during the crisis and several years thereafter. Moreover, the situation was also caused by growth in consumer demand, supported with income growth and low unemployment.

Many credit institutions switched to consumer lending to increase the profitability of their businesses. As a result, the supply and

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<sup>1</sup> Consumer lending hereinafter means banks' claims to households, referring to 'Other consumer loans' in accordance with reporting form No. 0409115.



availability of credit products in the market increased. Banks with an increased concentration in the consumer lending market may be exposed to credit risk in the event of deterioration in the macroeconomic conditions and unemployment growth. This may undermine the Russian financial system's stability.

In 2012, in response to the increase of systemic risks related to consumer lending, the Bank of Russia decided to take macroprudential measures in 2013, such as a twofold increase of the minimum loan loss provisions for unsecured consumer loans issued after 1 January 2013 (loans without overdue payments or with debt overdue by no more than 30 days), and an increase of the risk weights for capital adequacy assessment in the case of unsecured consumer loans.

In 2012, the demand for the Bank of Russia's refinancing instruments increased in the banking sector due to a large-scale net withdrawal of funds to the extended government's accounts with the Bank of Russia and a simultaneous reduction of liquidity provided by the Bank of Russia through the purchase of foreign currency in the domestic foreign exchange market.

Thus, in 2012 the Russian banking sector continuously utilised the refinancing instruments of the Bank of Russia. This contributed to the increase in the efficiency of the Bank of Russia's interest rate policy. At the same time, the encumbrance of the banking sector assets accepted as collateral by the Bank of Russia (mostly securities) increased in 2012. This is evidence of a decline in the potential of additional refinancing in the banking sector within the framework of the current monetary policy instruments.

In this respect, the Bank of Russia took into account not only the possible urgent need of certain institutions for short-term funding, but also

the potential rate of use of other collateral. Against the background of the increase in credit institutions' demand for refinancing in 2012, the Bank of Russia enlarged the list of securities accepted as collateral. In particular, the Bank of Russia resumed the practice of providing liquidity against a pledge of shares.

The total market value of banking portfolios of securities accepted as collateral on the transactions with the Bank of Russia was about 4 trillion roubles as of 1 January 2013. Since credit institutions have the ability to obtain loans from the Bank of Russia against non-marketable assets and the guarantees of credit institutions, the banking sector was well protected against liquidity shocks.

Possible restrictions on the volume of collateral play an important role, not only in the Bank of Russia's refinancing mechanisms, but also in the raising of funds in the money markets. That is why, when assessing the financial system's stability, the Bank of Russia paid special attention to the analysis of systemic risks in the domestic money market, especially in the interdealer repo market.

The changes in the systemic risks in the interdealer repo market were heterogeneous in 2012. On the one hand, the percentage of shares in the structure of collateral on interdealer repo transactions had fallen by the end of 2012, while the percentage of bonds increased. This demonstrated an improvement in the reliability of collateral and a slight decline in market risk. On the other hand, the share of customer operations in the interdealer repo market increased, which caused a certain growth of counterparty risks. The stress testing performed in the market showed that the factors compensated for each other, which prevented a substantial increase of systemic risks.

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

*T*he development of the Russian financial market's infrastructure was a significant factor in making this market more competitive and contributing to the creation of favourable conditions for the international financial centre's operation. In 2012, significant steps were made with the support of the Bank of Russia towards the implementation of this task.

The Bank of Russia developed procedures for the assessment of the management quality of the credit institution, acting as the central counterparty<sup>1</sup>. These were conducted in order to implement international recommendations in the Russian system for regulating **central counterparty** activity, and in line with the G20 decision on the mandatory transfer of standardised over-the-counter derivatives for centralised clearing.

In order to regulate **central depository** activity and limit its risks, the Bank of Russia set requirements for credit institutions and foreign banks with which the central depository may place funds in correspondent accounts and deposits<sup>2</sup>.

The National Settlement Depository Closed Joint-Stock Company — Non-Bank Credit Institution was assigned the status of central depository on 6 November 2012. So a new, systemically

important component of the financial market's infrastructure, the central depository, started operating from the end of 2012.

The establishment of the central depository contributed to the commencement of opening foreign nominal holders' depo accounts (rights to the securities of the nominal holder's customers) by international centralised systems recording the title to securities and (or) settlements on securities, and by foreign central depositories. In particular, the National Settlement Depository signed agreements on foreign nominal holders' depo accounts with the largest European accounting systems: Euroclear Bank S.A. / N.V. (December 2012), and Luxemburg Clearstream Banking S.A. (February 2013). The opened accounts would improve the efficiency of cross-border settlements and the investment attractiveness of Russian securities.

All the described measures contributed to improving the Russian financial system's stability and competitiveness, since they were aimed at allowing the financial market's infrastructure to meet global standards and ensure favourable conditions and a wide range of instruments for the attraction of long-term investments.

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<sup>1</sup> Bank of Russia Ordinance No. 2919-U, dated 3 December 2012, 'On the Assessment of the Management Quality of the Credit Institution Acting as the Central Counterparty'.

<sup>2</sup> Bank of Russia Ordinance No. 2830-U, dated 9 June 2012, 'On Requirements Pertaining to Credit Institutions and Foreign Banks the Central Depository May Place Funds With'.

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

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

*In* 2012, the Bank of Russia continued to implement the provisions of Federal Law No. 161-FZ and Federal Law No. 162-FZ, dated 27 June 2011, ‘On Amending Certain Laws of the Russian Federation in Connection with the Adoption of the Federal Law ‘On the National Payment System’. They determined new objectives and gave new powers to the Bank of Russia. First of all, they enabled the Bank of Russia to ensure the stability and development of the national payment system (effective from 1 July 2012). The Bank of Russia had to work hard in the sphere of regulatory control: 20 Bank of Russia regulations were prepared and registered within a short period of time with the Russian Ministry of Justice. These regulations:

- Determined the composition of the national payment system;
- Determined the procedure for money transfers;
- Regulated the supervision and monitoring of activities in the national payment system;
- Set requirements for the implementation and uninterrupted operation of payment systems and for the protection of data during the course of money transfers.

The list of the Bank of Russia regulations adopted in 2012 pursuant to Federal Law No. 161-FZ has been annexed to the Annual Report.

In order to exercise its powers and ensure the stability and development of the national payment system, the Bank of Russia determined the procedures for supervision and monitoring in the national payment system, as well as inspections of supervised institutions and control over compliance with data protection requirements during the course of money transfers. The form, deadlines and reporting procedure were determined in order to identify money transfer operators obliged to apply for registration as payment system operators, and in order to identify systematically and socially important payment systems which materially influence the national payment system’s stability.

The registration of the payment system operators commenced. The register of payment system operators posted on the Bank of Russia’s official website contained 19 institutions as of 1 January 2013; seven of them were not credit institutions. The largest payment systems whose operators

were registered in 2012 by the Bank of Russia included Visa, MasterCard and the National Settlement Depository Payment System.

In October 2012, the transfer of electronic funds was included in the area of regulation and supervision by the Bank of Russia, according to Federal Law No. 161-FZ. Only credit institutions, including non-bank credit institutions (payment non-bank credit institutions) with a simplified procedure for establishment and regulation were entitled to transfer electronic funds; 38 credit institutions notified the Bank of Russia that they would commence transferring electronic funds as of 1 January 2013.

At the same time, the Bank of Russia monitored the payment services market to reveal schemes involving electronic fund transfers that violated Federal Law No. 161-FZ.

To ensure the due implementation of legislation, the Bank of Russia prepared explanations and recommendations concerning:

- The regulation of money transfers;
- The registration of the payment system operators with the Bank of Russia;
- Activities of the payment system operators, payment agents and bank payment agents;
- Credit institutions' compliance with Article 9 of Federal Law No. 161-FZ.

The Bank of Russia approved an action plan for the improvement of security when performing electronic payments to increase the quality of payment services and mitigate the risk of money being stolen.

The regulation of supervision in the national payment system was carried out. The priority was assigned to the monitoring of significant payment systems via the collection and systematisation of information, the assessment of the supervised institutions' performance and the development of proposals for adjustments to the supervised institutions' activities. Together with the Committee on Payment and Settlement Systems of the Bank for International Settlements and the Interna-

tional Organisation of Securities Commissions, the Bank of Russia started implementing international standards (Principles for Financial Market Infrastructures) in the systemically important payment systems and other financial market infrastructures in order to mitigate the risks related to the operation of such infrastructures.

Within the framework of the Bank of Russia's international cooperation in terms of the supervision and monitoring of the national payment system, a Memorandum of Understanding was executed between the National Bank of Belgium and the Central Bank of the Russian Federation for interaction within the scope of S.W.I.F.T. system monitoring. Subject to the Memorandum, the parties exchanged the results of S.W.I.F.T. audits and jointly controlled the system's management to ensure the stability of the system's operation in accordance with the users' needs. The Bank of Russia also prepares for the execution of the Memorandum of Understanding with the National Bank of Belgium in order to exchange information within the scope of MasterCard payment system monitoring.

The activities of the Technical Committee for Standardisation, 'Financial Transaction Standards'<sup>1</sup>, were also aimed at the further development of the national payment system. It operated under the coordination of the Bank of Russia and with its direct involvement. To match the basic notions of ISO 20022<sup>2</sup> with the terms and definitions used in the cashless settlement system of the Russian Federation, national standards were drafted: GOST R 'Financial Transactions — Universal Scheme of Financial Messages, Part 1, Metamodel' (the direct application of ISO 20022-1); and GOST R 'Financial Transactions: Terms and Definitions Used in Payment and Settlement Systems'. The standards would help create the basis for the application of the ISO 20022 methodology in cashless settlements in the Russian Federation. To improve the infrastructure of the cross-border exchange of financial in-

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

<sup>2</sup> ISO 20022 is an open standard containing a methodology for the formalised description of business processes involving the exchange of electronic financial messages and for designing the schemes and formats of such messages.

formation, a national standard was drafted: GOST R ‘Certificates for Financial Services, Part 1, Public Key Certificates’ (the direct application of ISO 15782-1). This standard set unified international ISO 15782-1:2009 requirements for the authorities maintaining public key certificates throughout Russia.

The Bank of Russia contributed to the development of integration among the players in the payment services market. The National Payment Council Non-Commercial Partnership was created in 2012. Together with the National Payment Council Association (created in 2011) it was aimed at the consolidation of the market players’

positions in terms of the operation and development of the national payment system in Russia. The Bank of Russia’s cooperation with the aforementioned bodies contributed to the adoption of coordinated solutions for the development of the national payment system.

In order to increase the financial literacy of the population in terms of payment services, the Bank of Russia took part in the operation of the Interdepartmental Commission for the Preparation and Implementation of the Project ‘Promotion of Financial Literacy and the Development of Financial Education in the Russian Federation’, and worked within its working group.

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

*In* 2012, the Bank of Russia payment system was developed in line with the Concept of the Bank of Russia Payment System's Development until 2015 and Federal Law No. 161-FZ, which provide for a further improvement of its efficient and smooth operation.

The legal framework of the Bank of Russia Payment System, its institutional and technical infrastructure, ways and methods of managing participation, and regulations and settlements using modern information technologies were further developed.

Pursuant to Bank of Russia Regulation No. 384-P, dated 29 June 2012, 'On the Bank of Russia Payment System', the Bank of Russia's customers participating in electronic message exchanges in all the regions of the Russian Federation were allowed to submit orders in any type in electronic format, including cash collection orders, payment requests and payment orders. Thus, the creation of a reliable institutional basis for a single national payment area providing equal access to the Bank of Russia Payment System services was completed.

The aforementioned options with respect to using electronic cash collection orders in the BESP system may be applied by the infrastructures of the financial markets in order to finalise settlements involving the funds in the accounts with the Bank of Russia using 'delivery versus payment' and 'payment versus payment' mechanisms. The Bank of Russia and the Federal Treasury may apply them in order to implement the single state monetary and fiscal policy.

In order to improve the payment system's liquidity management mechanisms, the participants in the Bank of Russia payment system implemented centralised access to bank accounts, irrespective of the location of the Bank of Russia branches servicing them.

Necessary measures were taken to centralise the participants' accounts and settlements as of

1 January 2013, in accordance with Bank of Russia Regulation No. 368-P, dated 14 March 2011, 'On the Cash Settlement Centre of the Bank of Russia'. Thus, the conditions for the further reduction of operational risks and expenses relating to settlement transactions were created. The aforementioned measures did not require additional spending from the participants in the Bank of Russia payment system and their customers.

While improving the technical infrastructure of its payment system, the Bank of Russia completed its work on ensuring payment data processing in the Collective Data Processing System for all of its regional branches, including the North Caucasus regions. The unification and backup of the applied software and technical support systems was ensured.

In 2012, during the course of the implementation of the action plan on the creation of an international financial centre in Moscow, the Bank of Russia contacted Continuous Linked Settlement (CLS) Bank to prepare the inclusion of the Russian rouble in the settlement currencies of the CLS System, a centralised multi-currency settlement infrastructure that provides for making settlements through a 'payment versus payment' mechanism and eliminates the risk of loss of the principal amount by the parties to conversion deals. During the course of this co-operation, steps aimed at ensuring the compliance with the operating requirements to the payment system were carried out, including the development of a format for an interbank transfer order. The format was convertible into electronic messages used in the settlements of the CLS System.

The Bank of Russia continued optimising the performance of its cash settlement centres; 38 of the Bank of Russia's cash settlement centres were liquidated (8.2% of the number of centres operating as of the beginning of the year).

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

**T**he technical infrastructure of the Bank of Russia payment system was further improved and developed to ensure its efficient and reliable operation.

To ensure the migration of the payment system to a single unified standard software package for the processing of accounting and operational information (RABIS-NP), the shift of the processing of accounting and operational information of Bank of Russia regional branches from the CDPC-2 (St Petersburg) collective data processing centre to CDPC-MR (Moscow) and CDPC-1 (Nizhni Novgorod) was completed. As of 1 January 2013, CDPC-MR was processing the payment information of Moscow and the Moscow Region as well as 31 Bank of Russia regional branches, while CDPC-1 was processing the payment information of 47 Bank of Russia regional branches.

In order to ensure the stable operation of the applied transportation systems, the components of the Bank of Russia Electronic Settlement

Transportation System (ESTS) were upgraded in 19 of the Bank of Russia's regional branches.

In order to improve the electronic interaction between the Bank of Russia's regional branches and the Bank of Russia's customers, the Unified Transport Environment for Electronic Interaction between Bank of Russia Regional Branches and Bank of Russia Customers was upgraded in 19 Bank of Russia regional branches. The Environment Monitoring subsystem was introduced to automate the procedure for exercising control over the environment monitoring.

To ensure the interaction between the automated systems operating in information segments of the local computer network of Bank of Russia branches with the automated systems of the payment segments of the Bank of Russia network, ESTS gateways were created in the Bank of Russia's regional branches.

The Bank of Russia continued improving the IT security subsystems of the Bank of Russia's payment system.

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

*In* 2012, pursuant to the provisions of Federal Law No. 406-FZ, dated 6 December 2011, ‘On Amending the Federal Law ‘On Foreign Exchange Regulation and Foreign Exchange Control’ with Respect to Simplifying the Foreign Exchange Control Procedures’ (hereinafter, Federal Law No. 406-FZ, dated 6 December 2011), the Bank of Russia developed new regulations and amended applicable Bank of Russia rules on foreign exchange regulation and foreign exchange control.

The Bank of Russia prepared and issued Bank of Russia Instruction No. 138-I, dated 4 June 2012, ‘On the Procedure for Submitting Documents and Information Related to Foreign Exchange Transactions to Authorised Banks by Residents and Non-Residents; the Procedure for Executing the Operation Specification and the Procedure for the Registering and Monitoring of Foreign Exchange Transactions by Authorised Banks’ (hereinafter, Bank of Russia Instruction No. 138-I). The Instruction became effective on 1 October 2012.

The number of foreign exchange control documents executed and submitted to the authorised bank by residents performing foreign exchange transactions was reduced twofold (from four to two) by Bank of Russia Instruction No. 138-I when it replaced the previous procedure. At the same time, according to Federal Law No. 406-FZ, dated 6 December 2011, the information to be

specified by residents in foreign exchange control documents was supplemented with the expected maximum period until the receipt of foreign currency earnings, under agreements or period of performance by non-residents of their liabilities against the received advance payments.

Bank of Russia Instruction No. 138-I has also established a new procedure for keeping the unique operation identification number under the corresponding contract (loan agreement) unchanged during the entire period of the contract (loan agreement). This number is assigned by the authorised bank at the initial execution of the operation specification under the corresponding contract (loan agreement). It also established the procedure for keeping a single record of bank control by forwarding the given documents in electronic form, in the event of the contract’s transfer, to another authorised bank (authorised bank’s branch) for settlement servicing. This will increase the efficiency of foreign exchange control over performance, by residents, of their obligations under the contract (loan agreement). These obligations include the repatriation of foreign currency earnings and repayment of advance payments made to non-residents earlier during the entire term of the agreement, irrespective of the number of authorised banks servicing the corresponding contract (loan agreement). The interaction between the authorised bank and the customer performing foreign exchange transac-

tions was improved as a result of the broader opportunities for electronic document and data exchange.

In order to improve the information support of the foreign exchange control authorities and agents, the Bank of Russia amended the regulations determining the procedure for submitting by authorised banks information necessary for performing foreign exchange control.

Thus, Bank of Russia Ordinance No. 2828-U, dated 4 June 2012, ‘On Amending Bank of Russia Ordinance 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’’ established the procedure for transferring the bank control records, which contain information confirming such violations. The procedure was established in addition to the current procedure for passing information by authorised banks to the Federal Service of Financial and Budgetary Oversight of Russia (Rosfinnadzor) about the violations of the foreign exchange legislation committed by residents.

In 2012, 590,000 messages about the violations recorded by the authorised banks were passed to Rosfinnadzor; 6.6% of such messages were related to violations of the requirements for the repatriation of foreign currency earnings.

The Bank of Russia issued Ordinance No. 2869-U, dated 28 August 2012, ‘On Amending Bank of Russia Regulation No. 364-P, Dated 29 December 2010, ‘On the Procedure for Transferring Electronic Information on Operation

Specifications under Foreign Trade Agreements (Contracts) by Authorised Banks and Bank of Russia Regional Branches to the Customs Authorities to Perform Their Functions as Foreign Exchange Control Agents’’. This changed the format of the information being transferred electronically and mandated that its content be extended, which enabled the Federal Tax Service of Russia to cancel its requirement to foreign trade participants that they submit hard copies of operation specifications when presenting goods for customs clearance.

In 2012, 980,000 operation specifications under foreign trade agreements (contracts) were transferred to the Federal Tax Service of Russia by authorised banks.

In 2012, households’ activity in the FX cash market continued to grow. The volume of FX cash purchased by households from authorised banks grew by 20% from the previous year and totalled an equivalent of \$62 billion, with the volume of foreign currency sold to the authorised banks falling by 2% to an equivalent of \$33 billion.

To satisfy the demand, authorised banks increased the volume of FX cash imports. In total, FX cash imported in 2012 amounted to an equivalent of about \$17.0 billion, which is almost 57% higher than the year before. The share of US dollars in the import structure increased to 58% (50% in 2011), and the share of euros decreased to 38% (45% in 2011). The volume of FX cash exported by authorised banks decreased by 18%, to an equivalent of \$5.8 billion. In 2012, exported cash US dollars accounted for almost 74%, while cash euros accounted for 26% (in 2011, 68% and 31%, respectively).

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

*In* 2012, the Bank of Russia's public finance activity was aimed at: supporting the Federal Treasury and its regional branches in servicing the budget execution of the Russian budgetary system, further improving the procedure for servicing the budget accounts and administering certain types of federal budget revenue, improving the information exchange with the Federal Treasury, and preparing for the Bank of Russia's transfer of information to the State Information System for Government and Municipal Payments.

Within the scope of developing the respective regulatory framework to reform the budgetary payment system (in accordance with the Russian Federation Government Programme for the Optimisation of Budgetary Expenditures until 2012<sup>1</sup>), the Bank of Russia took part in the drafting of the Concept of the Budgetary Payment System Reform until 2017.

To support the Federal Treasury in the implementation of Resolution of the Government of the Russian Federation No. 1121, dated 24 December 2011, 'On the Placement of Federal Budget Funds in Bank Deposits', the Bank of Russia and the Federal Treasury executed a supplemental agreement on information exchange. Recommendations on signing supplemental agreements to the correspon-

dent account (subaccount) agreements with credit institutions (branches) were forwarded to regional branches. Such supplemental agreements authorise the Bank of Russia to debit the amounts of overdue debts of credit institutions under deposit repayment, and the amount of interest thereon, from the correspondent accounts (subaccounts) of credit institutions (branches) for the benefit of the Federal Treasury.

The volume of transactions performed by the Federal Treasury and its regional branches through the Bank of Russia payment system increased by 15.2 trillion roubles (32.0%) to 62.6 trillion roubles; 45.1% of the transactions were performed through the BESP System. This happened as a result of improvements that were made in the efficiency of fund management in the single federal budget account, and in the growth of the value of payments under the Federal Budget Law.

In 2012, within the scope of preparing the regulatory framework for the implementation of Federal Law No. 161-FZ, the Bank of Russia and Federal Treasury amended the unified bank account agreements signed between the Bank of Russia's branches and the Federal Treasury and financial authorities of the constituent territories of the Russian Federation (municipalities), when opening accounts to record the budget funds of the Rus-

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<sup>1</sup> The Programme was approved by Directive of the Government of the Russian Federation No. II01-r, dated 30 June 2010.



sian Federation budget system, funds received for temporary use, as well as funds of organisations that are not participants in the budget process.

In order to determine the specific features of the cash and settlement servicing of the financial authorities of the Russian Federation's constituent territories (municipalities) when customer accounts of budget funds recipients were opened with the financial authorities, the Bank of Russia and Russia's Ministry of Finance amended Regulation No. 298-P/173n, dated 13 December 2006, which determines the features of the cash and settlement services of the aforementioned authorities. The amendment was also conducted due to the necessity to change the procedure for executing the settlement documents that underlie the transactions performed by banks on the accounts of the Federal Treasury and the financial authorities of the Russian Federation's constituent territories (municipalities).

In order to minimise the circulation of cash in the government sector, the Bank of Russia coordinated Russia's Ministry of Finance Order No. 177n, dated 28 December 2012, which provided for settlements for purchased goods, works and services using corporate payment cards. Moreover, the Bank of Russia determined the procedure for opening separate customer accounts for the transactions performed via the payment cards for the Federal Treasury and financial authorities of the Russian Federation's constituent territories (municipalities).

Amendments were made to Bank of Russia Regulation No. 320-P, dated 27 August 2008, 'On the Procedure for Administering Certain Types of Budget Revenues by the Central Bank of the Russian Federation'. These were made in order to further improve the administration of the receipt of certain types of federal budget revenue by the Bank of Russia, as well as in connection with the Bank of Russia's duty to administer the penalties it imposed under Article 15.36 of the

Russian Federal Code of Administrative Offences (adopted in accordance with the Federal Law 'On Amending Certain Laws of the Russian Federation in Connection with the Adoption of the Federal Law 'On the National Payment System').

Pursuant to Article 6 of the Federal Budget Law, the Bank of Russia monitored the closing of the Federal Treasury's regional branches' accounts for recording receipts from income-generating activities in 2012. To ensure the closing by government agencies and budget organisations of their accounts with the Bank of Russia and credit institutions, the Bank of Russia forwarded information about the opened accounts to the Federal Treasury and its regional authorities on a quarterly basis.

As a result of the completed work, in 2012 the total number of Bank of Russia customers other than credit institutions fell by 3,600 or 37.7% to 6,000, including that of the Federal Treasury which fell by about 100 or 19.7% to about 500. The total number of accounts of Bank of Russia customers other than credit institutions fell by 13,400 or 17.8% in 2012 to 61,800, including that of the Federal Treasury which fell by 7,600 or 13.1% to 50,100.

Pursuant to Federal Law No. 210-FZ, dated 27 July 2010, 'On Providing Public and Municipal Services', the Bank of Russia took part in the development and coordination of Federal Treasury Order No. 19n, dated 30 November 2012, 'On the Approval of the Procedure for Maintaining the State Information System for Government and Municipal Payments'. To determine the procedure for transferring information on the charging, cancelling and specification of accrued penalties (fines) to the State Information System for Government and Municipal Payments, Bank of Russia Letter No. 178-T, dated 24 December 2012, which explains the aforementioned provisions, was forwarded to Bank of Russia regional branches.

## II.8. CASH CIRCULATION MANAGEMENT

*In* 2012, the Bank of Russia worked on maintaining the stability of cash circulation and ensuring that payment turnover was supplied with banknotes and coins of various denominations.

During the reporting period, the amount of cash in circulation continued to grow. The relevant indicator's growth rate was 11.2% in 2012 (as against 19.2% in 2011).

According to balance-sheet data, as of 1 January 2013, 7,675.6 billion roubles in Bank of Russia banknotes and coins were in circulation, including cash in the cash offices of Bank of Russia establishments and coins made of precious metals. Of this amount, 7,616.2 billion roubles were in banknotes (6.5 billion pieces), 59.2 billion roubles were in coins (54.1 billion pieces), and 0.2 billion roubles were in coins made of precious metals. Banknotes accounted for 99.2% of the total value of cash in circulation and coins accounted for 0.8%. As for the total number of banknotes and coins, the former made up 10.7% and the latter 89.3%.

According to balance-sheet data, the amount of Bank of Russia banknotes and coins, including coins made of precious metals, increased by 772.6 billion roubles in 2012. The aggregate value of banknotes grew by 761.9 billion roubles, while that of coins grew by 10.7 billion roubles. The number of banknotes increased by 0.18 billion, while the number of coins increased by 3.0 billion.

As for the note structure of cash in circulation, the share of 5,000-rouble banknotes expanded from 57.0% to 62.9% in the period under review. In the meantime, the share of 1,000-rouble banknotes contracted from 34.1% to 29.3%, and the share of 500-rouble banknotes contracted from 6.7% to 5.8%. The shares of 100-ruble, 50-ruble, 10-ruble and 5-ruble banknotes remained virtually unchanged at their 2011 level.

In 2012, 10-ruble banknotes were actively replaced with coins with the same face value, and the number of such coins increased by 40%.

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

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

In 2012, the Bank of Russia improved its regulations related to the organisation of cash circulation, cash issuance and other cash operations, as well as the storage, collection and transportation of cash, considering the changes in the economic conditions and in federal legislation.

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

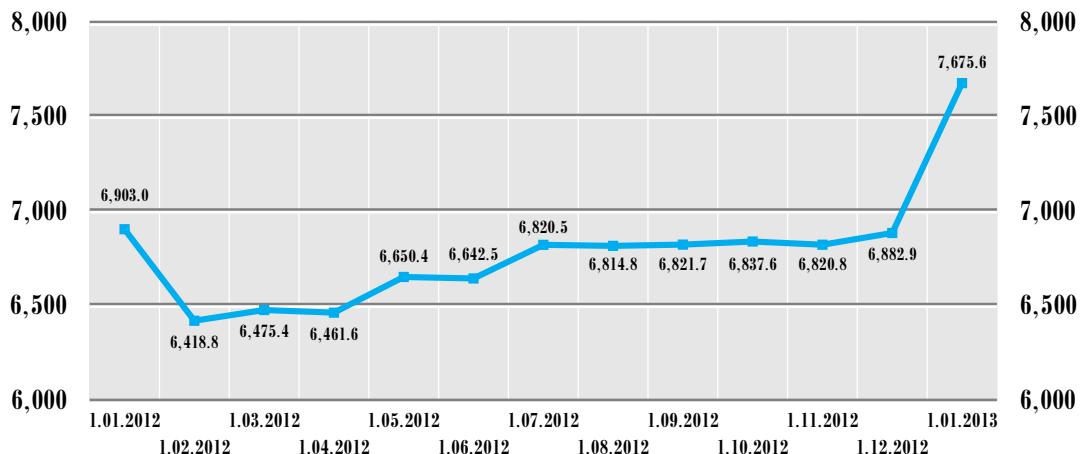


Chart 51

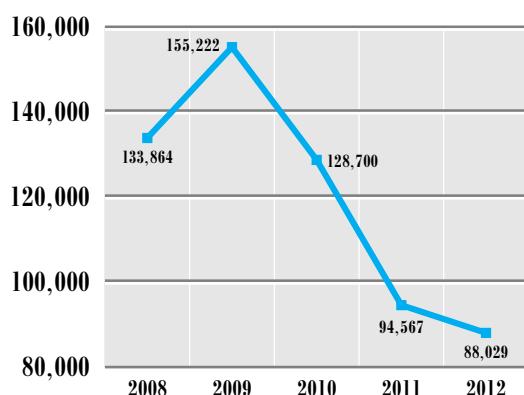
As of 1 January 2013, Bank of Russia establishments provided cash services to 8,813 credit institutions and their divisions, as well as 97,958 non-credit institutions. In 2012, the number of credit institutions and their divisions that used the cash services of Bank of Russia establishments increased by 312. The number of non-credit institutions using cash services of the Bank of Russia decreased by 12,622 due to closing of budget organisations' accounts with Bank of Russia establishments.

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

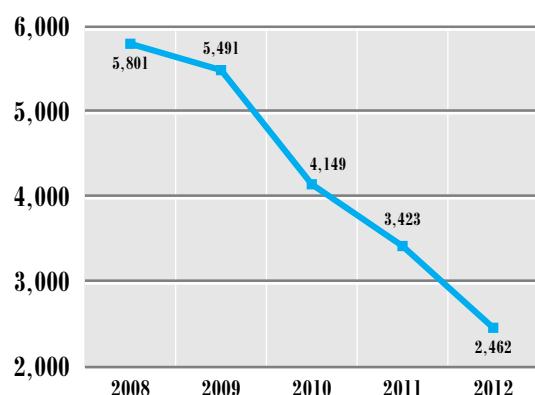
In 2012, Bank of Russia establishments carried out 1.28 million expert assessments of Bank of Russia notes and coins, including 0.63 million assessments of suspect notes and coins and 0.65 million control assessments of the correctness of the exchange of banknotes and coins. According to data reported by Bank of Russia regional branches, 88,029 counterfeit Bank of Russia notes and coins were detected, withdrawn from circulation and handed over to law-enforcement authorities in the period under review, which is 6.9% less than in 2011.

The share of counterfeit 1,000-ruble banknotes in the total number of forged banknotes reached 60.2% in 2012 (in 2011, this figure was 82.9%). The number of counterfeit 5,000-ruble banknotes increased by 24.2%.

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



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



Charts 52, 53

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

The share of counterfeit Bank of Russia banknotes and coins identified by credit institutions decreased by 2 percentage points year on year and amounted to 39.6% of the total volume of forged banknotes and coins.

In 2012, Bank of Russia establishments and credit institutions identified 2,462 counterfeit

banknotes of foreign countries (or groups of foreign countries) and delivered them to law-enforcement authorities.

During the reporting period, the Bank of Russia issued 71 types of precious metal coins into circulation, including 17 gold and 54 silver coins, as well as 40 types of commemorative coins that were made of non-precious metals.

In 2012, the sale of the second series of the 'Sochi 2014' coin programme commenced.

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

**W**hen the regulation of accounting was executed in 2012, it took into account changes in the accounting legislation related to the application of the International Financial Reporting Standards as the basis for working out federal and industry-specific standards. This was done in accordance with Federal Law No. 208-FZ, dated 27 July 2010, ‘On Consolidated Financial Statements’ and pursuant to the adoption of a new law, Federal Law No. 402-FZ, dated 6 December 2011, ‘On Accounting’ (hereinafter, the Federal Law ‘On Accounting’). It was executed in light of the implementation of the Plan of Russia’s Ministry of Finance for 2012—2015 for the development of accounting and financial reporting in the Russian Federation; a number of activities in the plan shall be performed together with the Bank of Russia.

The accounting regulation system was changed by the Federal Law ‘On Accounting’: the Bank of Russia, together with the Ministry of Finance, is defined as a government body which regulates accounting in the Russian Federation. Additionally, it participates in the preparation and approval of the programme for developing federal standards, the examination of proposed federal standards and development of international standards together with the Ministry of Finance. It approves industry-specific standards in the banking sector, summarising the practice of their ap-

plication, and preparing recommendations related to accounting.

In 2012, the Bank of Russia participated in recognising the IFRS and IFRS Clarifications for their use in the Russian Federation. It considered and prepared recommendations and proposals of amendments to the texts of IFRS documents and coordinated the draft decisions of the Ministry of Finance on the implementation of IFRS documents in the Russian Federation. In line with the requirements of the Federal Law ‘On Accounting’ that provide for the Bank of Russia’s participation in the preparation of the programme for the development of federal standards, a draft programme for the development of federal standards was forwarded to the Ministry of Finance in 2012.

In order to improve the Bank of Russia’s regulatory base on issues related to the presentation and publishing of annual financial (non-consolidated) IFRS statements by credit institutions, the Bank of Russia issued Ordinance No. 2964-U, dated 16 January 2013, ‘On the Presentation and Publishing of Annual Financial Statements Compiled under the International Financial Reporting Standards by Credit Institutions’. It also issued annual recommendations on the compilation and presentation of IFRS statements by credit institutions.

In 2012, in line with Federal Law ‘On Accounting’, the Bank of Russia developed IFRS-

based draft industry-specific standards for the accounting of credit institutions' property, deferred tax liabilities and deferred tax assets, remuneration to employees, income, expenses and other total credit institution income. It drafted methodological recommendations related to the testing by credit institutions of the assets to be checked for devaluation, as well as recommendations related to accounting for deferred taxes.

The accounting rules for credit institutions and the Bank of Russia were amended in terms of: the recognition of the money operations of clearing participants or of other entities in order to perform and (or) secure the performance of the clearing liabilities; liabilities to pay remuneration to organisations supporting the signing and executing the transactions; the clearing transactions of professional securities market participants; and transfers against the orders of the payment system participants (payers). This was done to ensure the implementation of the requirements of Federal Laws No. 7-FZ, dated 7 February 2011, 'On Clearing and Clearing Activities'; No. 161-FZ dated 27 June 2011, 'On the National Payment System'; and Bank of Russia Regulation No. 383-P, dated 19 June 2012, 'On Funds Transfer Rules'.

In the reporting year, the Bank of Russia amended the procedure for accounting for the provisions — estimated non-credit liabilities, contingent non-credit liabilities and the unused guarantee limits of credit institutions.

During the previous year, the Bank of Russia's Board of Directors approved the Concept for Organising and Keeping the Accounting and Compiling of the Accounting (Financial) Statements at the Bank of Russia (hereinafter, the Concept). It provided for the centralisation of the functions of the accounting divisions of the Bank of Russia at the regional level, the determination of the main vectors for the further improvement of information compilation about the Bank of Russia's activity, and general framework for improving the

accounting and organisation of accounting at the Bank of Russia.

To implement the measures stipulated by the Concept as well as the provisions of Bank of Russia Regulation No. 368-P, dated 14 March 2011, 'On the Cash Settlement Centre of the Bank of Russia', the structure and functions of the accounting divisions of the Bank of Russia's regional branches were optimised to apply a single approach to the organisation of accounting and reporting at Bank of Russia regional branches.

The accounting of internal economic transactions at Bank of Russia regional branches was fully centralised, and the procedure for monthly balance sheet compilation at Bank of Russia regional branches was simplified.

Within the framework of the Bank of Russia's activities related to the amendment of issue and cash transactions at Bank of Russia divisions, the Bank of Russia Accounting Rules were amended in terms of accounting for issue transactions.

A new Bank of Russia Regulation, No. 393-P, dated 26 December 2012, 'On the Chief Accountant of a Regional Branch of the Central Bank of the Russian Federation' was issued taking into consideration the provisions of the Federal Law 'On Accounting' and the centralisation of accounting and the daily balance sheet's compilation at the level of the regional branches.

Since the Bank of Russia was assigned the responsibility for operations and transactions with the International Monetary Fund under the International Monetary Fund Articles of Agreement and agreements with the International Monetary Fund, the accounting of transactions performed at the Bank of Russia within the framework of the membership of the Russian Federation in the International Monetary Fund was amended. As a result, the procedure for compiling IFRS financial statements at the Bank of Russia and the accounting policy of the Group of the Bank of Russia for IFRS financial statements compilation were amended.

## II.10. INTERNATIONAL COOPERATION

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

*In* 2012, within the framework of the International Monetary Fund's activity, the Bank of Russia participated in the discussion of a number of issues, including the replenishment of the Fund's assets, the introduction of integrated multilateral surveillance into the IMF's surveillance practices, and the review of the IMF quota formula. According to Article IV of the IMF's Articles of Agreement, consultations were held concerning the improvement of Russian legislation in the sphere of banking regulation and supervision, the application of monetary policy instruments and banking sector liquidity regulation, as well as the forecasting of inflation and the balance of payments.

As an IMF member country with a sustainable balance of payments and sufficient international reserves, the Russian Federation continued to finance the IMF's lending to other countries. The amount of financing provided by the Bank of Russia to the IMF under New Agreements to Borrow in the reporting year was 0.4 billion SDR. The funds were extended to the Fund to help overcome the financial crisis. In July 2012, Russia ratified the 7<sup>th</sup> amendment to the IMF Articles of Agreement, providing for the Executive Board reform and the 14<sup>th</sup> General Review of Quotas.

The Bank of Russia participated in the IMF's annual survey 'Access to and Use of Financial Services', in the elaboration of a new version of Monetary and Financial Statistics Manual and Handbook on Securities Statistics.

In 2012, the Bank of Russia shifted to a new standard of publishing the Russian Federation's balance of payments in accordance with the IMF's methodology, as specified in the sixth edition of the Balance of Payments and International Investment Position Manual (BPM6).

In order to study the experience of central banks in other countries, the Bank of Russia participated in the Bank for International Settlements (BIS) research of changes that were made in the organisational structure of central banks within the framework of the financial stability measures. The Bank of Russia participated in the preparation of reports under the auspices of the BIS Committee on Payment and Settlement Systems 'Principles for Financial Market Infrastructures' and 'Recovery and Resolution of Financial Market Infrastructures', as well as the Committee on the Global Financial System 'The Selection and Application of Macroprudential Instruments' and 'Improving the BIS International Banking Statistics'.

In 2012, the list of indicators characterising the market for debt securities by economy sec-

tor, type of income and maturity was enlarged. The Bank of Russia regularly forwarded them to the BIS Database.

The Bank of Russia representatives participated in the activities of the Basel Committee on Banking Supervision (BCBS) and its working groups for macroprudential supervision and supervisory colleges, in mutual assessment of BCBS member countries' compliance with BCBS documents such as 'Principles for Sound Stress Testing Practices and Supervision' and 'Good Practice Principles on Supervisory Colleges', etc.

In 2012, the Bank of Russia continued its co-operation with international organisations in terms of the improvement of the database and elimination of the existing gaps in the monetary and financial statistics. Within the framework of the Irving Fisher Committee's (IFC) activity, the Bank of Russia representatives took part in the sixth international conference 'Statistical Issues and Activities in a Changing Environment' and workshop 'Financial Inclusion Indicators'. There the shadow banking system, real estate price indicators and the methodological issues associated with compiling the financial account in the national accounts system were discussed.

The Bank of Russia participated in the IFC's annual research of the main vectors of central banks' statistical activity and in defining the current tasks and problems associated with improving statistical activity.

The IFC's final report based on the results of the above survey contained recommendations concerning the development of statistics within the framework of the G20 initiative on eliminating information gaps. Priority issues included the improvement of the statistics of financial stability indicators and securities, the study of interrelations between systemically important financial institutions and risks associated with such institutions, as well as the compilation of the consolidated statements of financial and non-financial corporations.

During the reporting year, the Bank of Russia started to cooperate more actively with the Financial Stability Board. The latter was assigned a higher status by the G20 Summit in Cannes and prepared the incorporation documents for reorganisation into an association acting under Swiss legislation. Based on the results

of the session of the appropriate Interdepartmental Commission, the Government of the Russian Federation recommended that Russia's Ministry of Finance, the Bank of Russia and the Federal Financial Markets Service become members of the association, which would be created in 2013.

Russia's Ministry of Finance delegated its authority to represent Russia in the FSB's Standing Committee on Standards Implementation and in its working group Implementation Monitoring Network to the Bank of Russia. These coordinated the collection of information and the preparation of a report to the G20 on the implementation of G20 and FSB recommendations related to financial regulation reform. The Bank of Russia's representatives participated in all the main meetings, phone and video conferences of the Plenary Meeting and other bodies of the FSB.

In 2012, the Bank of Russia participated in the preparation of FSB reports on the adverse effect of financial regulation reform and on the scale of the shadow banking system, as well as in topical surveys of risk management practices, legal resolution regimes for financial institutions, and the use of rating agencies' assessments. Within the framework of its obligations as an FSB member, assessing (in the first half of 2014) the implementation of recommendations received by the Russian Federation in the course of its participation in the IMF / World Bank Joint Programme of Financial Sector Assessment was coordinated with the FSB Secretariat.

Within the framework of implementing the FSB recommendations, the Bank of Russia issued Letter No. 193-T, dated 29 December 2012, 'On Methodological Recommendations for the Elaboration of Financial Stability Recovery Plans by Credit Institutions'. The Bank of Russia's website displays a Russian translation of the 'FSB Principles for Sound Compensation Practices' and their implementation standards. In order to implement the aforementioned Principles and FSB Standards, the Bank of Russia amended the procedure for assessing the banks' economic standing and included in it the assessment of the staff monetary incentives risk management.

In October 2012, a three-year Memorandum of Understanding was signed between the European Central Bank and the Central Bank of the

Russian Federation. The memorandum provides for an information exchange and cooperation in the economic and financial sectors, and contains a joint action plan.

In 2012, the Bank of Russia took part in three meetings of the Ministers of Finance and the Central Bank Governors of the G20 countries, and in five meetings of their deputies. It took part in the meetings of the G20 Working Groups on the implementation of the Framework for Strong, Sustainable and Balanced Growth, on international financial architecture (IFA) and on environmental risk management.

The IFA working group's activity contributed to the IMF's official creditors assuming the obligation to provide an additional \$461 billion to the IMF; the Russian Federation agreed to provide \$10 billion. Another significant result of the group's activity was the development of the Integrated Supervision Decision approved by the IMF. The decision was aimed at strengthening the IMF's supervisory mechanism.

In the course of implementing the Framework Agreement and the G20 Seoul Action Plan in terms of financial sector development, the Bank of Russia took measures to increase the transparency of the banking services market, improve the legal framework of its operation and implement international financial reporting standards.

In the course of the mutual assessment provided for by the Framework Agreement, the Bank of Russia informed the G20 on the fulfilment of Russia's obligations under the Cannes Action Plan, including lowering inflation, increasing the flexibility of the rouble exchange rate and maintaining the banking sector's dynamics, in accordance with the planned targets.

The Bank of Russia participated in the preparation of the Los Cabos Action Plan adopted by the G20 at the Mexican Summit in June 2012. The Action Plan was aimed at supporting economic growth and the creation of jobs, and contained the Mechanism of Assessing the Fulfilment of Obligations by the G20 Countries. The document positively assessed the widening of the rouble-denominated floating operational band of the dual-currency (euro — US dollar) basket value in Russia.

On 1 December 2012, Russia's one-year presidency of the G20 commenced. The Bank of Rus-

sia participated in setting the priorities and agenda of the 'financial twenty', and in approving the Concept of Russia's Presidency of the G20 in 2013, adopted in December 2012.

In 2012, Russia chaired (for the first time) the Asia-Pacific Economic Cooperation (APEC) Forum, including the Finance Ministers' Process.

As a result of these events, it was decided to enhance the APEC countries' efforts to improve the stability of the financial sector, speed up the transition to market mechanisms of exchange rate formation and abandon the competitive devaluation of currencies. APEC members agreed to develop complex national strategies for enhancing financial literacy and education, and complex financial measures to manage the risk of natural disasters occurring, together with ensuring the financial authorities' readiness for such events.

The Bank of Russia confirmed its readiness to participate in the implementation of the project 'Complex Action Plan of the Russian Federation in the APEC Forum in 2013—2015', and in the APEC project (as a sponsor) to survey the supervisory authorities' activities related to risk management in the banking systems of the Asia-Pacific Region.

During the reporting period, the Bank of Russia's representatives continued to participate in negotiations on Russia's accession to the Organisation of Economic Cooperation and Development (OECD) and in regular sessions of its Investment Committee and Committee on Financial Markets. Its main efforts were concentrated on bringing Russia's banking legislation in line with the country's future obligations, in conjunction with OECD accession.

After Russia joined the World Trade Organisation (WTO) in August 2012, the Bank of Russia's representatives participated in the work of the WTO's standing authorities (its Council for Trade in Services and its Committee on Trade in Financial Services).

In April 2012, the third meeting of the Russia—EU Dialogue Working Group on Banking and Securities was held at the Bank of Russia, where the impact of Basel III on economic growth in Russia and the European Union, the regulation of the activities of professional players in the securities market, the creation of an international

financial centre in Russia and the implementation of the G20 decisions on financial regulation were discussed.

The high-level meeting of the Russia—EU Dialogue on financial and macroeconomic policies was held in Moscow in November 2012. It

was very important, in light of the planned creation of a common economic area on the basis of the convergence of the approaches of Russia and the EU countries to monetary and foreign exchange policy, as well as the regulation and supervision of banks.

## II.10.2. COOPERATION BETWEEN THE BANK OF RUSSIA AND FOREIGN COUNTRIES, AND THEIR CENTRAL (NATIONAL) BANKS

*In* 2012, the priority of the Bank of Russia's cooperation with foreign countries and their central (national) banks was the implementation of agreements that form the contractual and legal basis of the Customs Union (CU) and the Common Economic Area (CEA) that is comprised of the Republic of Belarus, Republic of Kazakhstan and the Russian Federation.

According to the Treaty on Harmonised Foreign Exchange Policy between these states, which are parties to the Agreement on Harmonised Foreign Exchange Policy Principles, dated 9 December 2010, the Advisory Council on the Foreign Exchange Policy of Central (National) Banks of the Parties to the CU and CEA started operation. Its main task was to elaborate harmonised approaches to exchange rate policy coordination, in order to increase the use of national currencies in mutual settlements. Two meetings of the Advisory Council were held in 2012.

The Bank of Russia participated in the work of the Advisory Committee on Macroeconomic Policy, the Advisory Committee on Financial Markets and the Advisory Committee on Statistics, which were created under the Board of the Eurasian Economic Commission (the governing body of the CU and CEA).

In 2012, interaction with the integration authorities of the Eurasian Economic Community (EurAsEC) was in place.

Two meetings of the EurAsEC Council of Central (National) Bank Governors were held. They discussed measures for maintaining the steady development of the banking sector, maintaining its financial stability, harmonising the legal and regulatory frameworks of the member countries and implementing the Cooperation Agreement on the creation of an integrated foreign exchange market in the EurAsEC member states.

In 2012, two meetings of the Interbank Monetary Council of the Bank of Russia and the National Bank of the Republic of Belarus were held. Their governors analysed the implementation of the monetary policy, the improvement of the pay-

ment card market, their cooperation and shared experience in cashless settlements, as well as the development of payment system supervision in Russia and Belarus.

In 2012, the Bank of Russia signed a Cooperation Agreement with the National Bank of Ukraine. The Interbank Advisory Council of the Central Bank of the Russian Federation and the National Bank of Ukraine was created to coordinate the cooperation. In December 2012, their first meeting was held.

The Bank of Russia participated in the execution of the Action Plan for the Implementation of the Second Stage (2012—2015) of the CIS Economic Development Strategy until 2020.

Cooperation with the National Bank of the Republic of Abkhazia and the National Bank of the Republic of South Ossetia was further developed. The Bank of Russia signed framework cooperation agreements with them in the reporting period.

The Bank of Russia's representatives worked in the research group studying the economies of the BRICS countries (Brazil, Russia, India, China and South Africa) and in the working group researching the possibility of creating a foreign exchange reserve pool. In February 2012, within the framework of the G20 activities, a meeting of the Governors of the Central Banks of the BRICS countries was held. They approved India's initiative to create a joint Development Bank for the promotion of infrastructural projects.

In 2012, regular sessions were held among the working bodies on interbank cooperation that were established by bilateral intergovernmental commissions on the trade and economic cooperation of the Russian Federation with Armenia, Vietnam, India, Kazakhstan, Kyrgyzstan, China, Tajikistan, Turkey and Ukraine.

They focused on issues related to the improvement of settlement and payment relations, the broader use of national currencies in mutual settlements, as well as the development of correspondent relations and opening mutual credit lines.

In October 2012, a Cooperation Agreement was signed between the Central Bank of the Russian Federation and the National Bank of Poland.

In the same month, the third round of consultations between the Bank of Russia and the Bank of Korea was held. They discussed small enterprises' access to financial services, the financial literacy of the population, as well as the role of central banks in the elimination of consequences of natural disasters in terms of ensuring the stability of the banking system.

In the reporting year, the Bank of Russia signed memoranda of understanding with Finansinspektionen (the Swedish Financial Supervisory Authority) and the Reserve Bank of India.

In July 2012, during the course of a meeting with the governors of the German Federal Financial Supervisory Authority (BaFin) and the Bundesbank, banking regulation and supervision, the prospects of implementing the recommenda-

tions of the Basel Committee on Banking Supervision and the Financial Stability Board, and the development of bilateral cooperation were discussed.

In 2012, the Bank of Russia's representatives participated in consultations with colleagues from the supervisory authorities of Austria, Belarus, Hungary, Kazakhstan, Latvia and India, and took part in the work of supervisory colleges established by foreign supervisory authorities.

In June 2012, a regular meeting of the Banks and Financial Services Subgroup under the auspices of the Russian-German High-Level Working Group on Strategic, Economic and Financial Cooperation was held at the Bank of Russia.

In June 2012, in St Petersburg, the Bank of Russia and the Government of St Petersburg organised the XXI International Banking Congress — Banking Business and Banking Regulation: Strategies, Results, Prospects.

## II.11. UPGRADING THE BANK OF RUSSIA SYSTEM AND ENHANCING ITS EFFICIENCY

### II.11.1. BANK OF RUSSIA ORGANISATIONAL STRUCTURE AND MEASURES TO IMPROVE IT

*In* 2012, the Bank of Russia continued its work (which has lasted several years) to streamline the organisational structure and reduce the staff of the Bank of Russia.

According to the schedule of the Cash Settlement Centres' Liquidation in 2011—2015 (which had been approved by the Board of Directors), 38 cash settlement centres were liquidated. Additionally, four field institutions of the Bank of Russia were eliminated in 2012.

The extension of certain Bank of Russia functions necessitated changes in the organisational structure of the head office.

The Banking Regulation and Supervision Department was divided into two departments — the Banking Regulation Department and the Banking Supervision Department — in order to improve banking regulation and divide the functions of methodology and the organisation of supervision over credit institutions.

In the course of the stage-by-stage centralisation of inspection activity, interregional inspections were established in the Southern, North Caucasus and Volga Federal Districts within the Chief Inspection of Credit Institutions, while the inspection units at the regional branches were liquidated.

In 2012, the implementation of the Concept for the Improvement of the Chief Auditor's Service of the Bank of Russia continued. Two internal audit centres were created — the North-Western Centre for Internal Auditing at the Bank of Russia's St Petersburg Branch and the Far Eastern Centre for Internal Auditing at the Bank of Russia's Regional Branch for the Primorsky Territory.

NUMBER OF BANK OF RUSSIA EMPLOYEES BY DIVISION AS OF 1 JANUARY 2013 (percent)

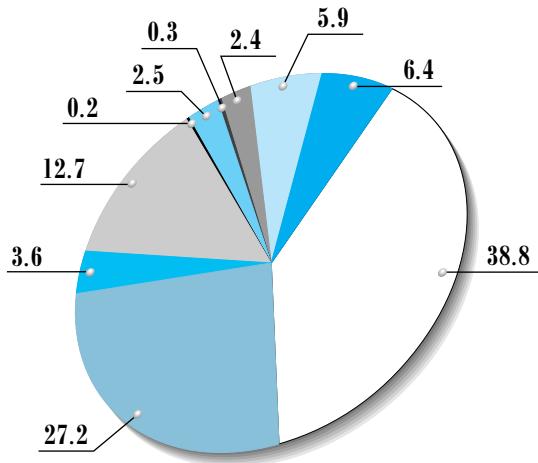


Chart 54

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



As of 1 January 2013, the Bank of Russia's structure is comprised of 883 divisions, including: the head office, the First Operations Department, 79 regional branches, 498 settlement network units, the five outlets and the Operations Department of the Moscow Branch, two internal audit centres, the Interregional Security Cen-

tre, the three divisions of the Central Depository, 95 field institutions, four IT divisions, and other auxiliary divisions.

In general, as a result of the organisational and staffing optimisation in 2012, the staff of the Bank of Russia decreased by 400 employees or by 0.6% to 65,900 employees as of the beginning of 2013.

## II.11.2. STAFFING AND PERSONNEL TRAINING

*In* 2012, the Bank of Russia's human resources policy was aimed at improving staff performance and enhancing the quality of employee activity against the background of the centralisation of the Bank of Russia's functions and the optimisation of its structure.

As of 1 January 2013, the number of executive and specialist positions at the Bank of Russia increased by 1%, while the staffing level at those positions remained the same: 98.6%. The number of employees under 30 years of age decreased by 0.5 percentage points to reach 9.7%. More than half of the Bank of Russia's personnel are between 30 and 50 years old (54.4%), while the share of employees with 3 to 15 years' experience of work at the Bank of Russia decreased by 3.7 percentage points to 32.4%.

The share of staff with more than 15 years' experience of work at the Bank of Russia increased by 4.6 percentage points, and the share of staff who have reached the retirement age increased by 2.3 percentage points.

In the last few years, the number of executives and specialists with a higher professional education increased.

Monitoring and a motivating environment played a significant role in personnel manage-

ment. In the reporting period, 78 regional branches and six other divisions of the Bank of Russia conducted regular staff assessments; 95.3% of the executives and specialists were involved. The assessment results were taken into account in 38,000 managerial decisions.

One of the priorities of the Bank of Russia's human resources policy was compliance with federal legislation. Therefore, the Procedure of Insider List Compilation and the Notification of the Enlisted Entities of their Inclusion in (Exclusion from) the Insider List was elaborated in 2012. Its implementation helped compile the list of insiders of the Bank of Russia.

The Bank of Russia continued its work on maintaining the legislative support of anti-corruption activity. The Anti-Corruption Plan of the Central Bank of the Russian Federation for 2012–2013 and the Bank of Russia's Action Plan on the Preparation of Regulations Concerning the Procedure for Submitting by the Bank of Russia's Staff of Income, Expense, Property and Real Estate Liability Records were approved.

The Bank of Russia's staff training priorities in 2012 included:

- Providing refresher training to executives and specialists of the Bank of Russia's divisions with respect to monetary, foreign exchange

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

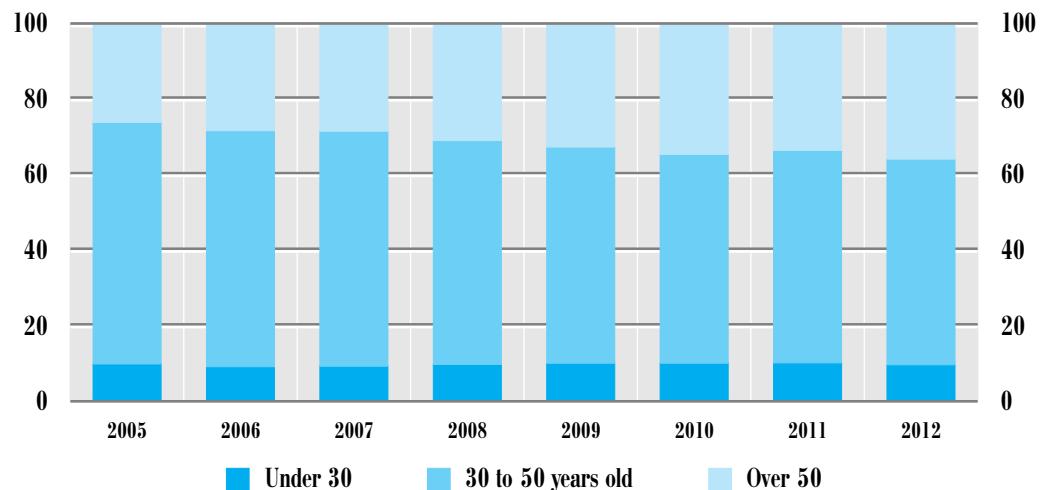


Chart 55

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

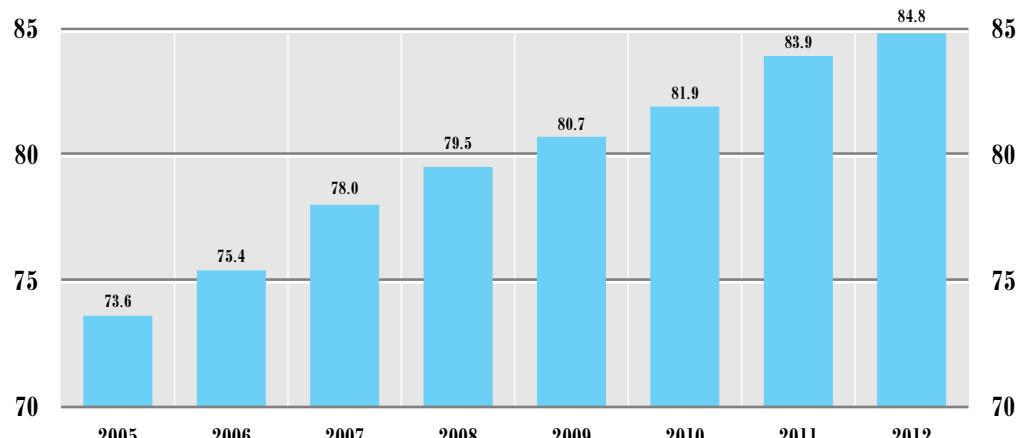


Chart 56

and fiscal policy, financial stability, the improvement of the banking system, banking regulation and supervision, the inspection and licensing of banking activities, the rehabilitation of credit institutions, the payment system, cash circulation, accounting and auditing, countering the legalisation (laundering) of criminally obtained incomes and the financing of terrorism, data security and protection, and the application of International Financial Reporting Standards;

- The professional retraining of the Bank of Russia's divisions' executives and specialists;
- The improvement of the competence of division heads and candidates for the Bank of Russia's division head positions, the development of cooperation within the institution, positive motivation and personal efficiency, improving the mechanism of cooperation between the Bank of Russia's regional branches, and mastering modern computer technologies in the banking business.

In 2012, 4,900 training events were held under additional professional training programmes at the Bank of Russia, involving more than 40,000 executives and specialists.

Over 23,000 employees of the Bank of Russia have taken centralised and decentralised training under agreements on commercial educational/advisory services in 2012.

Special importance in the professional retraining of the Bank of Russia's personnel was still assigned to training according to specialised cur-

ricula (including Master of Business Administration programmes) ordered by the Bank of Russia and developed by leading institutions of higher education in Moscow. 1,359 people were trained under the basic retraining programmes since the project was launched in 2003; 28% of them obtained Master of Business Administration degrees.

The Bank of Russia employees continued training to understand IFRS accounting standards. The executives and specialists of the head office and regional branches, having taken the basic training programmes in previous years, attended specialised courses in order to obtain more in-depth knowledge of certain standards and their application in practice; 11 specialised IFRS courses were held in 2012 and attended by more than 200 people.

As in previous years, the Bank of Russia's IT employees were centrally trained to implement and use modern information technology in order to provide documentary support to management, automate managerial document turnover, and provide better forwarding and archiving for the Bank of Russia's documents. During the reporting period, 16 training events were held within the scope of the project; they were attended by 358 office work executives and specialists.

The retraining of specialists in informational support (about 2,400 people), maintenance of cash equipment (over 300 people) and data security and protection (over 400 people) accounted for a large amount of the total volume of agreements with third-party institutions.

The Bank of Russia banking schools (colleges) played an important role in the retraining of the regional branches' staff. Over half of the total number of the trained employees of regional branches were trained there. In 2012, the aforementioned training institutions held about 500 courses and trained over 8,000 employees of the Bank of Russia.

In 2012, the Bank of Russia's cooperation with foreign central (national) banks, international organisations and training centres developed actively in the sphere of personnel training.

The Bank of Russia employees participated in international training events; 272 international events (including 211 events abroad) were held and attended by more than 1,500 employees of the Bank of Russia.

The employees of the head office and regional branches of the Bank of Russia took a remote training course under the FSI Connect Programme, which had been developed for the financial sector supervision authorities by the Financial Stability Institute of the Bank for International Settlements, in order to obtain international experience in banking supervision. Over 150 employees of the Bank of Russia completed the aforementioned training in 2012.

According to the Programme of Professional Training of the Personnel of Central (National) Banks of the EurAsEC Member States, 31 international seminars were held in 2012, 14 of which were hosted by the Bank of Russia's training centres and regional branches. Thirteen internships were organised for their employees in different divisions of the Bank of Russia. More than 500 representatives of EurAsEC, CIS and the European member states' central (national) banks participated in international seminars.

### BANK OF RUSSIA PERSONNEL TRAINING IN 2012 (as a percentage of total trainees)

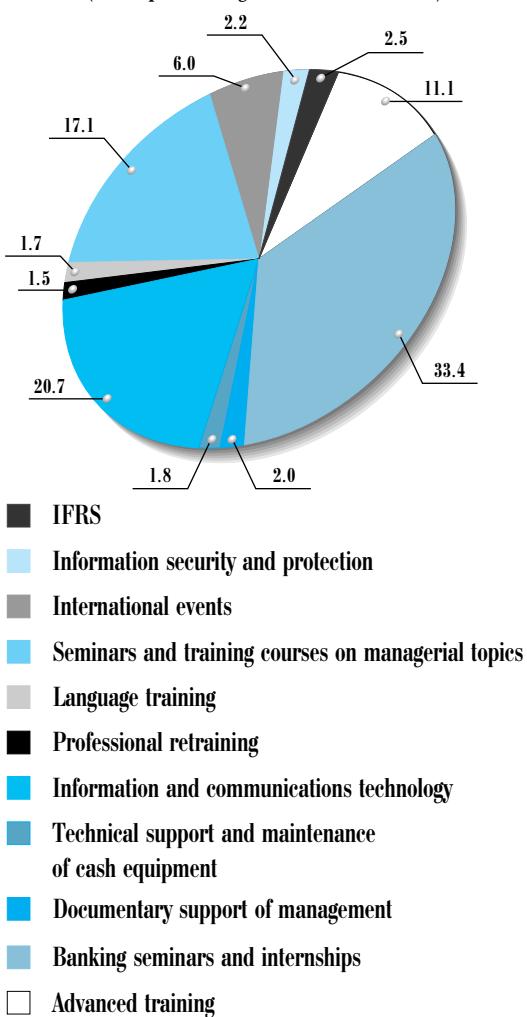


Chart 57

About 80 executives and specialists of the Bank of Russia made reports concerning the issues that were covered by the training programmes.

## II.11.3. BANK OF RUSSIA INFORMATION AND TELECOMMUNICATIONS SYSTEM DEVELOPMENT

**D**uring the reporting period, the Bank of Russia continued to develop a centralised IT model by improving technical support for the Bank of Russia's information and telecommunication systems (ITS) and creating system-wide application suites.

The development of the Unified IT System for Bank of Russia Support in the Sphere of Banking Supervision continued.

The Analysis of Correspondent Accounts of Credit Institutions Automated System (ACA AS) was improved. It was created on the basis of the information of the Bank of Russia Payment System for the benefit of its users. At the same time, the Centralised Information and Analytical System of the Bank was developed on the basis of the ACA AS, and the Corporate Data Warehouse of the Bank of Russia was integrated with the ACA AS.

The functionality of the centralised automated budgeting and financing system was further developed.

In order to increase the quality and reliability of services provided in support of the payment system and information and analytical systems, the creation of a multiservice banking telecommunications network for Moscow and the Moscow Region was completed. The modernisation of departmental telephone communications, satellite communications, local computer networks and structured cabling systems, and base primary networks continued in the Bank of Russia's regional branches. It ensured an integrated information exchange (payment, reporting, statisti-

cal, analytical, executive and technical data) via high-speed digital channels with dynamic resource distribution.

Server consolidation systems were further developed in order to process and store the regional branches' data and allocate the server components of the Bank of Russia's Intranet regional segment and electronic message exchange service. The transition to virtualisation of the computing resources increased their utilisation rate significantly.

Work continued to improve the protection of the Bank of Russia's electronic information systems. The first stage of the centralised system for managing the Bank of Russia's user access rights to the resources of the Bank of Russia's information and analytical systems was commissioned to automate the catalogues of users and their access rights. It reduced the labour intensity of creation of accounting records and increased service flexibility.

The Bank of Russia consolidated the tools it uses to protect its data from unauthorised access.

To ensure the reliability of its ITS operation, the management, operation, software and technical support of the Bank of Russia's ITS were upgraded.

Work continued to provide for the electronic exchange of information between the Bank of Russia and the federal executive authorities. The Bank of Russia's website displays information for credit institutions on liquidated legal entities and those undergoing liquidation from the Single State Register of Legal Entities maintained by the FTS of Russia.

## II.11.4. BANK OF RUSSIA ACTIVITIES AIMED AT UPGRADING BANKING LEGISLATION. MANAGING SUITS AND CLAIMS AT BANK OF RUSSIA ESTABLISHMENTS

### BANK OF RUSSIA ACTIVITIES AIMED AT UPGRADING BANKING LEGISLATION

*In* 2012, a number of important laws aimed directly at the improvement of the legal framework of banking activity or related to banking activity were approved.

Federal Law No. 144-FZ, dated 28 July 2012, ‘On Amending Certain Laws of the Russian Federation’ (in terms of the improvement of the bankruptcy proceedings at credit institutions and other financial institutions, and the enhancement of responsibility for illegal actions taken prior to bankruptcy) provided for an alternative mechanism for satisfying the creditors’ claims during the course of bankruptcy proceedings: the transfer of the debtor bank’s property and liabilities to its acquirers, along with the responsibility for the repayment of debt to its creditors. This mechanism enabled bankruptcy proceedings to be completed more quickly, ensured a considerable efficiency in the liquidation of bankruptcy assets (by reducing current expenses), and that creditors’ claims were better satisfied.

An important innovation of the aforementioned law is its solution of the problem of how credit institutions store electronic information regarding their performance. The Federal Law ‘On Banks and Banking Activities’ has been supplemented with Article 40.1, which obliges credit institutions to store information on operations and transactions in electronic databases and to make backups. In the event that there are grounds for the revocation of the banks’ licences, credit institutions shall transfer the backup to the Bank of Russia. If a credit institution fails to ensure the storage of its database information (including back-up) as stipulated in the aforementioned article, the head of that credit institution shall bear subsidiary liability if the credit institution’s assets aren’t sufficient to satisfy the creditors’ claims.

After the approval of Federal Law No. 282-FZ, dated 29 December 2012, ‘On Amending Certain Laws of the Russian Federation and Declaring Null and Void Certain Provisions of Laws of the Russian Federation’, the Federal Law ‘On the Securities Market’ was amended to enable credit institutions, in certain cases, to submit to the registration authorities a notice instead of a report on the issue of equity securities (except when issuing equity during the establishment of a credit institution). These cases included the placement of securities by public offering, the admission of securities to organised trade, and cash payment for securities when they were being placed.

Thus, the law simplifies the issue of securities for credit institutions and, consequently, reduces the associated expenses.

Moreover, the law improves the mechanism for the Bank of Russia’s control over the acquisition of large shares (stakes) in credit institutions. It puts in place a system for instigating corrective measures against acquirers who purchase stakes in a way which contravenes the legislation.

Federal Law No. 97-FZ, dated 29 June 2012, ‘On Amending Part I and Part II of the Tax Code of the Russian Federation and Article 26 of the Federal Law ‘On Banks and Banking Activities’’ supplemented a corresponding article of the Federal Law ‘On Banks and Banking Activities’ with a new rule. The rule specifies that statements of accounts, deposits and (or) balances of accounts and deposits, statements on operations on the accounts and deposits of households, statements on the electronic money balances of households and electronic money transfers shall be issued by a credit institution in the manner prescribed by the Russian Federation legislation on taxes and duties, at the request of tax authorities, and based on the requests of foreign authorities, in compliance with the international agreements of the Russian Federation. The Federal Law also added a corresponding rule to Article 86 of Part I of the

Tax Code of the Russian Federation. The amendments are in line with the international practice on the implementation of double taxation agreements.

Federal Law No. 145-FZ, dated 28 July 2012, ‘On Amending Certain Laws of the Russian Federation’ released the Bank of Russia from a number of provisions of antimonopoly and corporate legislation. Previously the Bank of Russia was subject to those provisions when executing repo transactions with corporate securities.

The legislator took into consideration the fact that the Bank of Russia had no economic interest in holding the issuers’ shares, while their acquisition under repo agreements was exclusively for the purpose of refinancing credit institutions. Now the Bank of Russia is not subject to the rules on mandatory offers, on obtaining preliminary consent from the antimonopoly authorities and notifying them or disclosing information in the securities market when purchasing large stakes.

Federal Law No. 266-FZ, dated 22 December 2012, ‘On Amending Article 46 of the Federal Law ‘On the Central Bank of the Russian Federation (Bank of Russia)’’ enabled the Bank of Russia to perform banking operations and other transactions with international organisations, foreign central (national) banks or other foreign legal entities in the course of the management of the Bank of Russia’s assets in foreign currency and precious metals, including the gold and foreign exchange reserves of the Bank of Russia. The law also enabled the Bank of Russia to open and maintain the correspondent accounts of foreign central (national) banks denominated in Russian roubles, and to transfer funds in their accounts on foreign central (national) banks’ instructions.

Federal Law No. 30-FZ, dated 2 April 2012, ‘On Amending the Russian Federation Code of Administrative Offences’ cancelled the administrative responsibility for the failure of credit institution officers to control the bank’s compliance with the rules on cash transactions made by organisations or their associations (Article 15.2 of the Code of Administrative Offences).

The cancellation of the aforementioned administrative responsibility of bank officers will

contribute to the elimination of excessive administrative procedures, reduce credit institutions’ expenses and, consequently, reduce financial service prices and increase the competitiveness of the Russian banking system.

Along with the work on the preparation and consideration of the aforementioned federal laws and the consideration of other draft federal laws, the Bank of Russia issued 214 regulatory documents during the period from 1 January till 31 December 2012: two Bank of Russia instructions, 27 Bank of Russia regulations and 185 Bank of Russia ordinances.

Of those issued, 103 Bank of Russia regulatory documents, including two instructions, 18 regulations and 83 ordinances, were submitted to the Ministry of Justice of the Russian Federation and formally registered.

The Bank of Russia prepared and sent out 193 letters to its regional branches for informative, methodological, organisational and instructive purposes.

## **MANAGING SUITS AND CLAIMS AT BANK OF RUSSIA ESTABLISHMENTS**

In 2012, the Bank of Russia’s regional branches had 305 property-related claims and suits, which demanded an amount totalling 128.76 million roubles, of which 116 claims and suits (for a total of 1.02 million roubles) were satisfied, indicating that most of the claims and suits were unfounded.

In 2012, 13 labour relations suits were initiated against the Bank of Russia.

Some credit institutions disputed the sanctions used against them by the Bank of Russia in court and 31 of the 130 suits filed were decided in favour of the banks.

In turn, the Bank of Russia’s regional branches made claims and brought suits as part of their supervision of credit institutions; 1,444 claims and 55 suits (1,499 in total) were initiated against credit institutions, for an amount totalling 33.6 million roubles, of which 1,212 claims and suits, for an amount totalling 31.97 million roubles, were satisfied.

## II.11.5. BANK OF RUSSIA INTERNAL AUDITING

*In* 2012, the Bank of Russia's chief auditor's service audited all of the main activities of the Bank of Russia, including cash circulation, operations executed within the framework of implementing the Bank of Russia's monetary policy, credit institution supervision, money transfers, security and informational support for the Bank of Russia's activities, expenditures, etc.

The chief auditor's service assessed the Bank of Russia's current internal control system and risk management, as well as the Bank of Russia's divisions' compliance with the nature and scale of transactions in the course of fulfilling their functions in all activities.

As a result of audits carried out by the chief auditor's service of the Bank of Russia in 2012, the management of the Bank of Russia was provided with information on the irregularities and shortcomings detected in the activities of its structural units. Managerial decisions were taken to prevent them, and recommendations were made concerning improvements in the Bank of Russia's activities and regulations.

In order to provide the management of the Bank of Russia with independent information and an analysis of the sufficiency of internal control procedures, the Bank of Russia chief auditor's service conducted daily monitoring of transactions in assets in foreign currency and precious metals.

Coordination of the cooperation between the Bank of Russia's divisions and the Audit Chamber of the Russian Federation was ensured in the course of its inspections and other activities at the Bank of Russia.

As part of the Bank of Russia's cooperation with the external auditor (the auditor of its annual financial statements), a consideration of the external auditor's report of the Bank of Russia's annual financial statements by the Bank of Russia's divisions was arranged, an action plan for implementing the external auditor's recommendations was prepared, and its implementation was monitored.

Measures were taken in accordance with the insider information and market manipulation legislation of the Russian Federation.

Bank of Russia Regulation No. 376-P, dated 6 April 2012, 'On Internal Auditing at the Central Bank of the Russian Federation' was adopted. It determined the main tasks, principles of organisation and implementation of internal auditing at the Bank of Russia.

The Bank of Russia Board of Directors decided to create internal auditing centres in seven regional branches of the Bank of Russia and gradually liquidate internal auditing divisions in the rest of the regional branches of the Bank of Russia. In December 2012, the North-Western and Far Eastern Internal Auditing Centres were created within the Bank of Russia St Petersburg and Primorsky Branches.

According to the instruction of the National Banking Board, a report on the risk management system of the Bank of Russia was presented.

Pursuant to Articles 13 and 95 of the Federal Law 'On the Central Bank of the Russian Federation (Bank of Russia)', the chief auditor of the Bank of Russia submitted a report entitled 'The Activities of the Bank of Russia's Chief Auditing Service in 2012' to the National Banking Board.

## II.12. BANK OF RUSSIA STAKEHOLDINGS IN THE CAPITAL OF RUSSIAN AND FOREIGN CREDIT INSTITUTIONS, AND OTHER ORGANISATIONS

**P**ursuant to Article 8 of Federal Law No. 86-FZ, dated 10 July 2002, ‘On the Central Bank of the Russian Federation (Bank of Russia)’ (hereinafter, Federal Law No. 86-FZ), the Bank of Russia participated in the capital of Sberbank of Russia, an open joint-stock company, and in the capital of resident organisations that supported the operations of the Bank of Russia. These included the MICEX-RTS Moscow Exchange, an open joint-stock company (OJSC Moscow Exchange; before 29 June 2012 — MICEX-RTS, an open joint-stock company (OJSC MICEX-RTS), and the St Petersburg Currency Exchange, a closed joint-stock company (CJSC SPCEX). It was involved in these organisations through representatives it had in their management and controlling bodies for the purpose of implementing the strategic objectives of the economic policy of the state, and consistently upgrading the financial market’s infrastructure.

The Bank of Russia’s stake in Sberbank’s capital decreased from 57.58% to 50% plus one voting share in 2012 upon the sale of 1,712,994,999 ordinary shares in Sberbank by the Bank of Russia in September 2012. The shares sold formed a 7.58% stake in Sberbank’s authorised capital. It

was done to implement the National Banking Board’s Decision, dated 22 March 2011, on reducing the Bank of Russia’s stake in Sberbank’s authorised capital. The Decision was approved by the Government of the Russian Federation (Russian Government Order No. 852-r, dated 17 May 2011).

This transaction was preceded by a great deal of preparatory work, which the Bank of Russia conducted with the participation of Sberbank as a technical agent and managing banks: Credit Suisse, Goldman Sachs, Morgan Stanley, J.P. Morgan and Sberbank CIB Closed Joint-Stock Company (before 14 September 2012 — Troika Dialogue Investment Company, a closed joint-stock company). Sberbank shares were sold in the form of shares and global depository receipts representing shares. It was the largest transaction in the secondary public offering market in Russia. It was for the first time (simultaneously with an over-the-counter offering in the international financial markets), that investors were offered shares via a public offering at the MICEX Stock Exchange, a closed joint-stock company. Exchange distribution became possible due to the development of exchange technologies aimed at the improvement of the com-

petitiveness of the leading stock exchange in Russia, within the scope of the creation of an international financial centre in Moscow.

The Bank of Russia's net income from the sale of Sberbank shares amounted to 149.7 billion roubles. According to Article 1 of Federal Law No. 247-FZ, dated 3 December 2012, 'On Amending the Federal Law 'On the Federal Budget for 2012 and the Plan Period of 2013 and 2014'', the net income was transferred in full by the Bank of Russia to the federal budget on 4 December 2012.

The Bank of Russia's dividends obtained in 2012 from Sberbank increased considerably, to more than 27.0 billion roubles (11.9 billion roubles in 2010), due to the growth in the net income of Sberbank in 2011.

In 2012, the Bank of Russia's stake in the authorised capital of OJSC Moscow Exchange increased from 21.6% to 24.33% due to the fulfilment in January 2012 of the obligations under the exchange agreement executed by the Bank of Russia and one of the integrated exchange shareholders in 2011. Subject to this agreement, OJSC RTS Stock Exchange shares payable as dividends to the Bank of Russia were transferred to the shareholder in exchange for shares of OJSC MICEX-RTS that the shareholder transferred to the Bank of Russia.

In the course of integrating the markets in 2012, OJSC MICEX-RTS was transformed into OJSC Moscow Exchange.

In August 2012, the Board of Directors of OJSC Moscow Exchange approved an IPO schedule to build an independent public company which would be the leader in terms of offering and circulating financial instruments and after-trading services in Russia and the CIS. In the second half of 2012, the exchange's collegial bodies were focused on preparing IPOs and the additional issue of shares. According to the strategy of the Bank of Russia to exit the capital of OJSC Moscow Exchange stage-by-stage during the two years following the IPO, the Bank of Russia did not participate in the purchase of the aforementioned additional issue, which reduced the Bank of Russia's stake in the capital of OJSC Moscow Exchange to 22.47% at the beginning of 2013.

The dividends paid to the Bank of Russia by OJSC Moscow Exchange for 2011 amounted to

150.8 million roubles. The dividend policy of OJSC Moscow Exchange for the three coming years, adopted in February 2013, provides for dividend payments for 2012 in the amount of at least 30% of the net income of the Moscow Exchange Group according to the International Financial Reporting Standards.

The Bank of Russia's stake in the capital of the SPCEX did not change in 2012 and stood at 8.9%. The Bank of Russia holds a stake in the SPCEX because St Petersburg is the country's second largest financial centre and the SPCEX may be used as a reserve trading floor.

Pursuant to Article 9 of Federal Law No. 86-FZ, the Bank of Russia in 2012 participated in the capital and activities of international organisations such as the Basel-based Bank for International Settlements (0.57% of authorised capital), the Moscow-based Interstate Bank (50.0% of authorised capital), and the Belgium-based Society for Worldwide Interbank Financial Telecommunications, or S.W.I.F.T. (0.006% of authorised capital).

Moreover, in accordance with Federal Law No. 86-FZ, the Bank of Russia is the depository of the International Monetary Fund (IMF) in the Russian currency. It also performs operations and transactions according to the provisions of the IMF Articles of Agreement and agreements with the IMF. That is why the Russian Federation's quota with the IMF, which amounts to 5.95 billion SDR, is recognised on the Bank of Russia's balance sheet from 2011. The Bank of Russia's interest in the IMF's aggregate quotas (capital) did not change in 2012 and amounted to 2.5%, representing 2.39% of the total number of its member countries' votes. In 2012, part of the IMF's aggregate reserve formed in 2009—2010 by the income from sale of the IMF gold reserve was distributed between the member countries proportionately to their quotas with the IMF. The sum payable to the Russian Federation was 17.5 million SDR. Due to the decision on increasing the countries' quotas with the IMF at the 14<sup>th</sup> quota review meeting, the Russian Federation's new quota will increase to 12.9 billion SDR or 2.7% of the total number of all the IMF quotas. The payment of the increased national quotas has been coordinated by the IMF and postponed to 2013.



**BANK OF RUSSIA ANNUAL  
FINANCIAL STATEMENTS  
AS OF 1 JANUARY 2013**



## INTRODUCTION

**T**he 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)’, as amended (hereinafter, the Federal Law ‘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 2013, are comprised of:

- Annual Balance Sheet;
- Profit and Loss Account;
- Statement of Profit and its Allocation;
- Statement of Bank of Russia Reserves and Funds;
- Statement of Bank of Russia Management of Securities and Stakeholdings in the Capital of Organisations Constituting Bank of Russia Property;
- Statement of Volume of Bank of Russia Transactions on Stock Exchanges and (or) Other Trade Organisers in the Securities Market;
- Statement of Bank of Russia Personnel Costs;
- Statement of Capital Investment Budget Performance.

The principal objectives of the Bank of Russia are:

- to protect the rouble and ensure its stability;
- to upgrade and strengthen the Russian banking system;
- to ensure the stability and development of the national payment system.

In 2012, against the background of slowing-down global growth and partial stabilisation in the global financial markets, the Bank of Russia was taking efforts to maintain stable functioning of the Russian banking system and to curb the inflation. During the reporting period, private capital net outflow, along with the balance of pay-

ments current account surplus, were responsible for continued stability of the national currency exchange rate in view of the Bank of Russia’s decreasing interference with the exchange rate formation.

In the reporting year, the Bank of Russia continued to implement the exchange rate policy under the managed floating exchange rate regime, using the rouble value of the dual-currency basket as an operational indicator. The Bank of Russia assured the safety of the country’s foreign exchange reserve assets by employing an integrated risk management system. This was based on the exclusive use of high quality financial instruments, stringent requirements for the foreign counterparties of the Bank of Russia and limited exposure on each of them (depending on their credit quality).

In 2012, against the backdrop of slowing-down Russian economy, the banking sector continued to increase steadily its assets and equity capital. For the purpose of developing and strengthening the banking sector, the Bank of Russia kept improving its regulation and supervision practices, as well as its techniques of monitoring and assessing key types of credit institutions’ risks.

In 2012, the Bank of Russia payment system was developing in line with the Concept of the Bank of Russia Payment System Development until 2015, which provides for establishing a modern, single, universal and nationally centralised system of settlements for speedy and non-speedy money transfers, and for further improvement of the Bank of Russia payment system’s functionality and expansion of the range of its services. Pursuant to Federal Law No. 161-FZ, dated 27 June 2011, ‘On the National Payment System’, the regulatory framework for the Bank of Russia payment system was substantially improved in 2012.

## ANNUAL BALANCE SHEET AS OF 1 JANUARY 2013

(millions of roubles)

	Note	2012	2011
<b>ASSETS</b>			
<b>1. Precious metals</b>	3	<b>1,646,187</b>	<b>1,527,545</b>
<b>2. Funds placed with non-residents and foreign securities</b>	4	<b>14,525,436</b>	<b>14,245,276</b>
<b>3. Loans and deposits</b>	5	<b>3,158,355</b>	<b>1,663,280</b>
<b>4. Securities, of which:</b>	6	<b>456,314</b>	<b>426,150</b>
4.1. Federal government debt obligations		370,182	332,738
<b>5. Claims on the IMF</b>	7	<b>592,903</b>	<b>602,627</b>
<b>6. Other assets, of which:</b>	8	<b>251,549</b>	<b>97,857</b>
6.1. Fixed assets		76,276	75,429
6.2. Profit tax advance payments		159	167
<b>Total assets</b>		<b>20,630,744</b>	<b>18,562,735</b>
<b>LIABILITIES</b>			
<b>1. Cash in circulation</b>	9	<b>7,667,950</b>	<b>6,896,064</b>
<b>2. Funds in accounts with the Bank of Russia, of which:</b>	10	<b>9,404,984</b>	<b>7,742,221</b>
2.1. Federal government funds	1	4,913,764	4,426,298
2.2. Funds of resident credit institutions		2,185,349	1,748,402
<b>3. Float</b>	11	<b>158</b>	<b>36,217</b>
<b>4. Securities issued</b>	12	<b>0</b>	<b>0</b>
<b>5. Obligations to the IMF</b>	13	<b>447,686</b>	<b>472,335</b>
<b>6. Прочие пассивы</b>	14	<b>138,183</b>	<b>158,612</b>
<b>7. Capital, of which:</b>		<b>2,724,457</b>	<b>3,235,383</b>
7.1. Authorised capital		3,000	3,000
7.2. Reserves and funds		2,721,457	3,232,383
<b>8. Reporting year profit</b>	15	<b>247,326</b>	<b>21,903</b>
<b>Total liabilities</b>		<b>20,630,744</b>	<b>18,562,735</b>

Bank of Russia Chairman

S.M. Ignatiev

Bank of Russia Chief Accountant

L.I. Gudenko

8 May 2013

## PROFIT AND LOSS ACCOUNT

		<i>(millions of roubles)</i>	
	Note	2012	2011
<b>INCOME</b>			
Interest income	16	238,494	182,748
Income from securities trading	17	33,341	31,144
Net income from the sale of OJSC Sberbank of Russia shares	18	149,657	0
Income from stakeholdings in credit institutions and other organisations	19	27,253	15,929
Net income from the recovery of provisions	25	0	12,323
Other income	20	18,060	14,361
<b>Total income</b>		<b>466,805</b>	<b>256,505</b>
<b>EXPENSES</b>			
Interest expenses	21	34,820	78,245
Expenses on securities trading	22	4,320	8,837
Cash turnover management expenses	23	19,797	15,906
Expenses on negative revaluation of securities available for sale	24	473	4,070
Net expenses from the creation of provisions	25	14,239	0
Other operating expenses	26	55,412	47,997
Personnel costs	27	90,418	79,547
<b>Total expenses</b>		<b>219,479</b>	<b>234,602</b>
<b>Financial result: profit</b>		<b>247,326</b>	<b>21,903</b>

## CAPITAL, FUNDS AND PROFIT ALLOCATION

*(millions of roubles)*

	Authorised capital	Reserves	Social fund	Accrued revaluation of precious metals	Accrued foreign currency exchange rate differences	Positive revaluation of securities available for sale	Growth in property value due to revaluation	Total capital	Profit for the year
<b>Balance as of 1 January 2011, before taxation and allocation of profit for 2010</b>	<b>3,000</b>	<b>207,054</b>	<b>5,413</b>	<b>1,002,098</b>	<b>1,065,491</b>	<b>67,857</b>	<b>7,965</b>	<b>2,358,878</b>	<b>204,265</b>
Taxes and duties paid from Bank of Russia profit for 2010	0	0	0	0	0	0	0	0	(172)
Allocation of profit for 2010	0	48,982	2,041	0	0	0	0	51,023	(51,023)
Transferred to the federal budget	0	0	0	0	0	0	0	0	(153,070)
<b>Balance as of 1 January 2011, after taxation and allocation of profit for 2010 in 2011</b>	<b>3,000</b>	<b>256,036</b>	<b>7,454</b>	<b>1,002,098</b>	<b>1,065,491</b>	<b>67,857</b>	<b>7,965</b>	<b>2,409,901</b>	<b>0</b>
Profit for the year	0	0	0	0	0	0	0	0	21,903
Transferred to funds	0	0	2	197,709	593,010	69,555	1	860,277	0
Paid from funds	0	0	(2,719)	0	0	(32,076)	0	(34,795)	0
<b>Balance as of 1 January 2012, before taxation and allocation of profit for 2011</b>	<b>3,000</b>	<b>256,036</b>	<b>4,737</b>	<b>1,199,807</b>	<b>1,658,501</b>	<b>105,336</b>	<b>7,966</b>	<b>3,235,383</b>	<b>21,903</b>
Taxes and duties paid from Bank of Russia profit for 2011	0	0	0	0	0	0	0	0	(168)
Allocation of profit for 2011	0	5,217	217	0	0	0	0	5,434	(5,434)
Transferred to the federal budget	0	0	0	0	0	0	0	0	(16,301)
<b>Balance as of 1 January 2012, after taxation and allocation of profit for 2011 in 2012</b>	<b>3,000</b>	<b>261,253</b>	<b>4,954</b>	<b>1,199,807</b>	<b>1,658,501</b>	<b>105,336</b>	<b>7,966</b>	<b>3,240,817</b>	<b>0</b>
Profit for the year	0	0	0	0	0	0	0	0	247,326
Transferred to funds	0	0	4	0	0	38,341	0	38,345	0
Paid from funds	0	0	(750)	(2,583)	(498,457)	(52,915)	0	(554,705)	0

	(millions of roubles)								
	Authorised capital	Reserves	Social fund	Accrued revaluation of precious metals	Accrued foreign currency exchange rate differences	Positive valuation of securities available for sale	Growth in property value due to revaluation	Total capital	Profit for the year
<b>Balance as of 1 January 2013, after taxation and allocation of profit for 2011 in 2012</b>	<b>3,000</b>	<b>261,253</b>	<b>4,208</b>	<b>1,197,224</b>	<b>1,160,044</b>	<b>90,762</b>	<b>7,966</b>	<b>2,724,457</b>	<b>247,326</b>
Taxes and duties paid in advance in 2012 from Bank of Russia profit	0	0	0	0	0	0	0	0	(159)
Taxes and duties levied additionally in 2013 after final settlement from Bank of Russia profit for 2012	0	0	0	0	0	0	0	0	(3)
Profit for 2012 after tax and duty payments effected under the Tax Code of the Russian Federation	0	0	0	0	0	0	0	0	247,164
Funds transferred to the federal budget in 2012 from the proceeds of sale of OJSC Sberbank of Russia shares according to Article 1 of Federal Law No. 247-FZ, dated 3 December 2012	0	0	0	0	0	0	0	0	(149,657)
<b>Total funds to be transferred to the federal budget and to be allocated to Bank of Russia funds in 2013 from profit for 2012</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>97,507</b>

Precious metals in their physical form and funds in precious metals in unallocated metal accounts and deposits are accounted for at book price and revalued in compliance with Bank of Russia regulations. The negative unrealised differences resulting from the revaluation of precious metal balances, due to the change in the book price of precious metals, totalling 2,583 million roubles, are written off against the previously accrued revaluation recorded to the balance sheet account *Accrued revaluation of precious metals* as part of capital which, as of 1 January 2013, totalled 1,197,224 million roubles (as against 1,199,807 million roubles in 2011) (Note 1 (c) and Statement of Bank of Russia Reserves and Funds).

In 2012, there was an excess of negative unrealised foreign currency exchange rate differences over positive unrealised foreign currency exchange rate differences. This excess, totalling 498,457 million roubles, is written off as part of capital against the previously accrued revaluation recorded to the balance sheet account *Accrued foreign currency exchange rate differences*. As of 1 January 2013, accrued foreign currency exchange rate differences as part of capital amounted to 1,160,044 million roubles (as against 1,658,501 million roubles in 2011) (Note 1 (d) and Statement of the Bank of Russia Reserves and Funds).

In 2012, there was a 14,574 million roubles decrease in the accrued revaluation of securities available for sale (due to writing off the excess of the negative revaluation of available for sale securities of the corresponding issue) over the positive revaluation not exceeding the previously accrued revaluation, recorded as capital, of the issue and previously accrued revaluation, recorded as capital, for securities sold in 2012, to a total amount of 52,915 million roubles (as against 32,076 million roubles in 2011). It was also due to the recording of the excess of the surplus revaluation of available for sale securities of the corresponding issue over the negative revaluation of the issue, including the one recorded as expenses in previous years, to the total amount of 38,341 million roubles (as against 69,555 million roubles in 2011). As of 1 January 2013, the accrued revaluation of securities available for sale and accounted for as capital totalled 90,762 million roubles (as against 105,336 million roubles in 2011) (Note 1 (e) and Statement of Bank of Russia Reserves and Funds).

In 2012, the Bank of Russia paid 162 million roubles in profit taxes, including 159 million roubles in advance payments for 2012 (Note 8 and Statement of Profit and its Allocation).

An adjustment in total taxes and duties paid upon the final settlement for the reporting tax period in the amount of 3 million roubles is recognised in Bank of Russia accounting records in 2013 (Note 29 and Statement of Profit and Its Allocation).

Pursuant to Clause 12 (c) Article 1 of Federal Law No. 247-FZ, dated 3 December 2012, ‘On Amending the Federal Law ‘On the Federal Budget for 2012 and the Plan Period of 2013 and 2014’’, funds received by the Bank of Russia from the sale of its shares in Sberbank of Russia, an open joint-stock company (hereinafter, OJSC Sberbank of Russia or Sberbank), defined as the difference between sales proceeds and the balance sheet value of the mentioned shares net of transaction costs, were partially transferred by the Bank of Russia to the federal budget on 4 December 2012.

## NOTES TO ANNUAL FINANCIAL STATEMENTS AS OF 1 JANUARY 2013

### 1. ACCOUNTING AND FINANCIAL REPORTING PRINCIPLES

The Bank of Russia's accounting and financial reporting practices conform to the Federal Law 'On the Central Bank of the Russian Federation (Bank of Russia)', the Federal Law 'On Accounting', Bank of Russia Regulation No. 66-P, dated 1 January 2006, 'On Accounting Rules in the Central Bank of the Russian Federation (Bank of Russia)' (hereinafter, 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 contractual terms and conditions. The principles used for revaluing individual asset and liability items are described below.

#### *(b) Financial reporting principles*

These financial statements have been compiled on the basis of the balance sheet data provided by the Bank of Russia, its regional branches, and other divisions incorporated in the Bank of Russia as a legal entity.

These financial statements have been compiled exclusive of the financial statements of credit institutions and other organisations within and outside Russia in which the Bank of Russia holds a stake, and/or which it controls. Under Russian law, the Bank of Russia is not required to compile a consolidated financial statement that includes 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, the rouble), in millions of roubles.

Data in the Table *Capital, funds and profit allocation* and in the Statement of Profit and its Allocation have been adjusted for the purpose of compiling Bank of Russia annual financial statements, taking into account events that occurred after the reporting date (Note 29, Statement of Profit and Its Allocation, and Table *Capital, funds and profit allocation*).

Figures shown in the Tables in brackets denote negative values.

For the purposes of these financial statements, Bank of Russia operations with credit institutions and the Bank for Development and Foreign Economic Affairs (Vnesheconombank), a state corporation, are referred to as operations with resident banks.

#### *(c) Precious metals*

Precious metals are recorded at their book price and revalued, as the book prices of precious metals are set in accordance with Bank of Russia regulations.

The Bank of Russia calculates book prices on the basis of the current fixed prices of precious metals on the London Metal Exchange. The fixed prices of precious metals, denominated in US dollars, are recalculated into roubles at the official US dollar/rouble exchange rate, effective as of the day following the day the book prices are fixed, which in their turn also become effective as of the following day.

The excess of positive unrealised differences that arise from the revaluation of precious metal balances, due to the change in the book prices of precious metals, over 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 to 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 mentioned balance sheet account) recorded to Bank of Russia operating expenses for the corresponding reporting year, by the decision of the Bank of Russia Board of Directors.

The realised differences (income or expenses), that arise when trade operations with precious metals are conducted at a price different from the book price of such precious metals, are calculated individually for each operation. The realised difference is the difference between the actual value of a transaction and the value based on the book price of the corresponding precious metal. The realised differences in operations with precious metals are determined as of the date when the title for the precious metal in the transaction is transferred. Net positive realised differences are recorded as other income, while net negative realised differences are recorded as other operating expenses.

Precious metals placed on deposits or unallocated metal accounts in non-resident credit institutions are accounted for at their book price, revalued under Bank of Russia regulations, and recorded to *Funds placed with non-residents and foreign securities*.

Precious metals in commemorative and investment coins are not revalued.

Bank of Russia claims and obligations with respect to the delivery of precious metals in forward transactions under signed contracts are recorded to off-balance sheet accounts from the transaction date to the settlement date, and revalued as the book prices of precious metals are set.

Book prices used to recalculate assets and liabilities in precious metals as of 1 January 2013, were as follows: 1,618.5600 roubles per gram of gold (2011: 1,629.8100 roubles per gram of gold); 29.4400 roubles per gram of silver (2011: 27.0800 roubles per gram of silver); 1,491.1200 roubles per gram of platinum (2011: 1,429.5100 roubles per gram of platinum); 687.4600 roubles per gram of palladium (2011: 658.3400 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, 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, such excess is offset by previously accrued exchange rate differences accounted for as *Accrued foreign currency exchange rate differences* as part of capital by the decision of the Bank of Russia Board of Directors. If the balance sheet account *Accrued foreign currency exchange rate differences* is empty or insufficient, the negative unrealised exchange rate differences are entirely (or in the amount that exceeds the credit balance of the mentioned balance sheet account) recorded to Bank of Russia expenses for the corresponding reporting year by the decision of the Bank of Russia Board of Directors.

Realised exchange rate differences that arise in foreign exchange transactions conducted at a rate that differs from the official exchange rates are calculated individually for each transaction, and are recorded to Bank of Russia income or expenses. The total excess of the positive realised exchange rate differences from foreign exchange operations over the negative realised exchange rate differences is

recorded as part of other income to *Net positive realised foreign currency exchange rate differences*, whereas the total excess of the negative realised exchange rate differences from foreign exchange operations over the positive realised exchange rate differences is recorded as part of other operating expenses to *Net negative realised foreign currency exchange rate differences*.

Bank of Russia claims and obligations under foreign currency purchase and sale forward contracts are recorded to off-balance sheet accounts from the transaction date to the settlement date and revalued at the official exchange rates.

The official exchange rates used in recalculating foreign currency assets and liabilities as of 1 January 2013, were as follows: 30.3727 roubles to the US dollar (2011: 32.1961 roubles to the US dollar); 40.2286 roubles to the euro (2011: 41.6714 roubles to the euro); 48.9638 roubles to the pound sterling (2011: 49.6335 roubles to the pound sterling); 30.5407 roubles to the Canadian dollar (2011: 31.5679 roubles to the Canadian dollar); 35.1516 roubles to 100 Japanese yen (2011: 41.4978 roubles to 100 Japanese yen); 46.8189 roubles to the SDR (special drawing rights) (2011: 49.2729 roubles to the SDR); and 31.5481 roubles to the Australian dollar (2011: 32.7209 roubles to the Australian dollar).

#### (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 corresponding currencies.

Investments in securities other than promissory notes are categorised as follows, depending on the purpose of the purchase:

Debt obligations appraised at fair value through profit or loss. These securities are purchased for short-term sale (up to one year) and their current (fair) value can be determined;

Debt obligations held until redemption. These are securities that the Bank of Russia intends to hold to redemption, regardless of the period between the purchase date and the redemption date;

Debt obligations available for sale. These are securities that are not categorised when purchased as 'appraised at fair value through profit or loss' or 'held to redemption'.

The balance sheet value of securities after their initial recognition is altered by the amount of the discount (premium) and coupon (interest) income accrued and received from their initial recognition until retirement.

The amount of the discount (premium) and coupon (interest) income on securities is recognised as interest income accrued in the period to maturity.

Interest income on securities is recognised as income on the last working day of the month in which the securities are retired (sold) or when interest income is paid by the issuer.

Securities categorised as securities appraised at fair value through profit or loss and securities categorised as available for sale are revalued at current (fair) value.

Market prices from the latest trades are used to evaluate securities at current (fair) value (if the securities are listed on the exchange). Alternately, the latest available representative purchase prices quoted by Bloomberg are used, if the securities are traded in the over-the-counter market. Appraisals based on market data are used if it is impossible to determine the market price of securities from external independent sources.

The securities revaluation sum is the difference between the fair price of securities and their balance sheet price, inclusive of accrued interest income. Revaluation amounts that arise during the year due to the change in the current (fair) value are recorded to 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 to the accounts reflecting the income from securities trading (positive differences) or the accounts recording expenses incurred in securities trading (negative differences).

At end-year, 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), recorded to the account showing the expenses on securities trading in previous years, and in the absence of the negative revaluation of the corresponding issue (issuer), recorded 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.

At end-year, 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 showing expenses on 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 on the negative revaluation of securities available for sale in the profit and loss account.

The financial result of the retirement of securities available for sale is determined as the difference between the balance sheet price of the security as of the retirement date (inclusive of accrued interest income and accrued revaluation as of the retirement date) and the retirement (selling) price set by the contract.

Realised income and expenses from the sale of securities are recorded as income and expenses on securities trading in the profit and loss account.

Securities received by the Bank of Russia in repo transactions with resident or non-resident credit institutions are recorded in off-balance sheet accounts as securities received as collateral in repos; and they are revalued at their current (fair) value. The funds provided through repos with resident or non-resident credit institutions are recorded on the Bank of Russia balance sheet as operations to provide funds against the collateral of securities. Income from these placements is recorded as interest income.

Securities passed by the Bank of Russia in operations conducted on a revocable basis, including securities passed as collateral in repo transactions with resident or non-resident credit institutions, continue to be accounted for on the Bank of Russia balance sheet in the same category of securities as they were accounted for, prior to the repos, in separate balance sheet accounts. The raising of funds through repos with resident or non-resident credit institutions is accounted for on the Bank of Russia balance sheet as fund-raising operations conducted against the collateral of securities. Expenses involved in raising funds through repos are recorded as interest expenses.

Securities received by the Bank of Russia as dividends paid with property (in a cashless form) are recorded as of the date when the title for the respective securities is transferred.

Promissory notes issued by credit institutions are accounted for at their purchase price net of depreciation provisions.

#### *(f) Bank of Russia bonds*

Bank of Russia bonds (OBRs), when placed and sold, are accounted for at a nominal value net of the discount (the difference between their nominal 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 to the expense accounts on the last working day of the month when the bonds are bought back or redeemed.

When OBRs are bought back by the Bank of Russia, securities that were placed first are written off the Bank of Russia balance sheet, while the difference between the balance sheet price of the securities (inclusive of accrued interest expenses) and the amount paid is recorded to the profit and loss account as expenses (income) relating to securities trading.

OBR repos are accounted for in the same way as securities repos. OBRs received by the Bank of Russia in repos with resident credit institutions are recorded to off-balance sheet accounts as securities received as collateral in repos. Funds received in repos with resident credit institutions are recorded on the Bank of Russia balance sheet as placements made against the collateral of securities. Income from these placements is recorded as interest income.

#### *(g) Investments*

Bank of Russia investments in the authorised capital of credit institutions and other organisations inside and outside Russia are accounted for at their purchase price.

#### *(h) Loans and deposits*

Loans and deposits extended to credit institutions and state corporations, including those extended pursuant to federal laws and decisions made by the Bank of Russia Board of Directors, are recorded to the principal debt, net of depreciation provisions.

The Bank of Russia extends loans against gold, the collateral (blocking) of securities, and the assets or guarantees of credit institutions.

The Bank of Russia places deposits and extends subordinated and unsecured loans in roubles and foreign currency in accordance with certain federal laws and decisions of the Bank of Russia Board of Directors.

Foreign currency-denominated deposits placed with non-resident banks are recorded to the principal debt, net of depreciation provisions.

#### *(i) Bank of Russia loss provisions*

To cover the risks (probable losses) to which it may be exposed when conducting its operations or fulfilling its obligations, the Bank of Russia, pursuant to the applicable laws of the Russian Federation, makes provisions for: probable losses on credit and other similar exposure; claims on interest income related to loans and other similar exposure; securities held to redemption; the Ministry of Finance's debt to the Bank of Russia (except debt in the form of government securities); Bank of Russia compensation payments to the depositors-individuals of bankrupt banks uncovered by the compulsory household deposit insurance system; other Bank of Russia operations in roubles and foreign currency; deferred expenses involved in guaranteeing obligations to the participants in the Bank of Russia's pension scheme; deferred expenses related to streamlining the Bank of Russia's structure and the need to cover losses due to the shortage of its reserves and funds; and for the contingent credit obligations of the Bank of Russia. The Bank of Russia may make provisions for other assets and probable losses if there is any reason to believe that losses may occur.

Provisions for credit and other similar exposures of the Bank of Russia in roubles and foreign currency are made according to the single scale for measuring credit risk on an individual basis and/or for homogenous loan portfolios with similar credit exposure characteristics.

Loss provisions for the homogeneous credit portfolio are made for the portfolio as a whole and reflect the amount of probable losses that may result from the overall depreciation of homogenous credit claims pooled (grouped) in the portfolio. When determining which credit exposure characteristics are similar, the Bank of Russia may take into account types of credit claims; claims emerging from transactions under a single agreement; placement of funds in compliance with certain federal laws; the net settlement of debt obligations in several transactions; and other transaction characteristics.

Provisions are made in roubles. Bank of Russia provisions are made by the decision of the Bank of Russia Board of Directors and recorded as Bank of Russia expenses. When the amount of the provi-

sions made decreases as a result of: a full or partial redemption of loans and repayment of deposits, settlement of interest claims, repayment of promissory notes and other debts, retirement of other assets, reduction of obligations and/or expenses, termination of contingency obligations, return of funds that remain unclaimed by the depositors of a bankrupt bank and are transferred to the Bank of Russia by the agent bank after the completion of Bank of Russia payments, or the settlement by the receiver of a bankrupt bank of the Bank of Russia's claims, change of the official rate of exchange of foreign currencies against the rouble, improvement of assets quality and mitigation of the risk of probable losses for Bank of Russia assets (contingency obligations), the corresponding part of provisions is recovered to Bank of Russia income.

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

The risk of probable losses on the Bank of Russia's assets (for which provisions are made) is assessed by determining the probability of losing funds placed by the Bank of Russia, and the amount of Bank of Russia probable losses according to its provisioning procedure approved by the National Banking Board.

Provisions for credit and similar exposure, and exposure to interest income from credit and similar exposure are made by the Bank of Russia when the risk of probable losses (credit risk) arises in rouble- and foreign currency-denominated operations with credit institutions and other borrowers. Such risks are due to the non-fulfilment or inappropriate fulfilment (if there is a threat of such non-fulfilment or inappropriate fulfilment) by borrowers of their obligations with respect to Bank of Russia loans (deposits) and other placements, under the terms and conditions of agreements or other relevant documents that confirm the extension of loans (placement of deposits) and the placement of other funds by the Bank of Russia, other Bank of Russia claims, and non-payment of promissory notes.

The Bank of Russia assesses credit risk associated with the following credit and similar exposures: loans extended (deposits placed) by the Bank of Russia; promissory notes; and other claims exposed to credit risks. When assessing credit risk, the Bank of Russia evaluates the financial condition of a borrower and the quality of its debt servicing. The amount of provisions is determined, taking into account the value (amount) of collateral provided under concluded agreements, and calculated using adjustment ratios (discounts), unless the Bank of Russia Board of Directors decides otherwise. The debt on credit exposures is not adjusted for the value of collateral provided for a loan if the Bank of Russia has neither possibility of recourse nor the right to recover the corresponding collateral.

Provisions for Bank of Russia compensation payments for household deposits in bankrupt banks, uncovered by the compulsory deposit insurance system (hereinafter, Bank of Russia compensation payments), are made in the amount of the funds the Bank of Russia actually transferred to the agent bank to effect Bank of Russia compensation payments, and also in the amount of debt the bankrupt bank owes to the Bank of Russia on obligations that arose in connection with the transfer of funds to the bankrupt bank's depositors by the Bank of Russia.

Provisions to guarantee Bank of Russia obligations to participants in the Bank of Russia's pension scheme are made for the purpose of ensuring the fulfilment of the complementary pension obligations to Bank of Russia employees, under the terms and conditions of the pension plan, according to the forecasted value of pension obligations as of the end of the year following the reporting year, based on the actuarial appraisal of pension obligations of the Bank of Russia. The amount of provisions to be made is determined by the excess of the forecasted value of pension obligations over the forecasted balance of funds on the pension account as of the end-year following the reporting year.

Loss provisions for the funds deposited by the Bank of Russia with a credit institution to compensate for part of the losses (expenses) sustained by the credit institution in transactions with other credit institutions that had their banking licenses revoked (pursuant to Federal Law No. 173, 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 in whole or in part.

Provisions for a possible write-off of funds recorded to the provisional administered account of the Russian Federation with the International Monetary Fund (hereinafter, the IMF) amount to 100%.

Bank of Russia assets for which provisions are made are accounted for in the balance sheet net of the amount of the provisions made.

#### *(j) Fixed assets*

The Bank of Russia’s fixed assets are part of its property with a service life in excess of 12 months and a value in excess of the limit set by the Bank of Russia for the recognition of property as fixed assets. As of 1 January 2012, this limit was set at 40,000 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 when the asset is in the process of reconstruction or modernisation for more than 12 months or has been deactivated for more than three months following the decision of the Bank of Russia), and discontinued from the first day of the month following the month during which the cost of the asset was completely repaid or written off the books.

The maximum amount of accrued depreciation should equal the balance sheet value of the fixed asset.

Fixed assets acquired and put into operation prior to 1 January 2002, are depreciated at the official rates of depreciation set by USSR Council of Ministers Resolution No. 1072, dated 22 October 1990, ‘On Standard Rates of Depreciation Allowances for the Complete Restoration of Fixed Assets of the National Economy of the USSR’:

	%
Buildings and other facilities	1—10
Equipment (including computers, furniture, transport vehicles, etc.)	1—10

Fixed assets put into operation from 1 January 2002, are depreciated according to Bank of Russia Order No. OD-715, dated 28 September 2011, ‘On the Approval of the List of Bank of Russia Depreciated Fixed Assets, Categorised by Depreciation Group and Having their Service Life Indicated and the Procedure for Using the List of Bank of Russia Depreciated Fixed Assets Categorised by Depreciation Group and Having their Service Life Indicated’, issued pursuant to Russian Federation Government Resolution No. 1, dated 1 January 2002, ‘On the Classification of Fixed Assets Included in Depreciation Groups’ (revised by Russian Federation Government Resolutions No. 415, dated 9 July 2003; No. 476, dated 8 August 2003; No. 697, dated 18 November 2006; No. 676, dated 12 September 2008; No. 165, dated 24 February 2009; and No. 1011, dated 10 December 2010):

	%
Buildings and other facilities	2—28
Equipment (including computers, furniture, transport vehicles, etc.)	2—67

The annual depreciation rate increases if the fixed assets are improved which increases their value without changing their service life span.

Fixed assets’ repair and maintenance expenses are recorded to the profit and loss account as other operating expenses.

Profit and losses arising due to the retirement of fixed assets are calculated as the difference between their balance sheet value and retirement value, including accrued depreciation, and recorded to the profit and loss account as other income or other operating expenses.

*(k) Intangible assets*

Intangible assets are identifiable objects which do not possess physical 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 put into operation from 1 January 2002:

	%
Intangible assets	9—50

The annual depreciation rate decreases due to the retirement of intangible assets that were subject to the highest depreciation rates in the preceding reporting year.

The Bank of Russia establishes the service life of its intangible assets in compliance with Bank of Russia Ordinance No. 2581-U, dated 22 February 2011, ‘On the Service Life of Software Products and/or Databases Used by the Bank of Russia, and on Procedures for Recording the Acquisition of Software Licenses to Bank of Russia Expenses’.

Profit and losses arising from the retirement of intangible assets are calculated as the difference between their balance sheet value and retirement value, inclusive of accrued depreciation, and recorded to the profit and loss account as other income or other operating expenses.

*(l) Cash in circulation*

The Bank of Russia is the sole issuer of cash and organiser of cash circulation. The banknotes and coins put into circulation are accounted for in the balance sheet at their nominal value, exclusive of rouble cash at Bank of Russia cash desks and cash in transit.

*(m) Funds in accounts with the Bank of Russia*

Funds in accounts with the Bank of Russia are comprised of federal government funds, credit institutions’ correspondent accounts and required reserves deposited with the Bank of Russia, credit institutions’ and other organisations’ deposits taken by the Bank of Russia, as well as regional and local government budget funds and government extra-budgetary funds. Funds in accounts with the Bank of Russia are accounted for in the balance sheet at their nominal value.

*(n) Float*

As of end-year, float includes the balances of funds connected with the completion of settlement operations across electronic and letter of advice settlement accounts, and the balances of funds resulting from operations between Bank of Russia establishments connected with the transfer of payments

of Bank of Russia establishments and their customers. Float is accounted for in the balance sheet at its nominal value.

*(o) Capital*

Bank of Russia capital consists of:

- Authorised capital. Under Article 10 of the Federal Law ‘On the Central Bank of the Russian Federation (Bank of Russia)’, the Bank of Russia has authorised capital of 3 billion roubles;
- Various reserves and funds created to enable the Bank of Russia to fulfil the functions assigned to it by the Federal Law ‘On the Central Bank of the Russian Federation (Bank of Russia)’. Information about the sources and use of Bank of Russia reserves and funds is contained in the Statement of Bank of Russia Reserves and Funds, which is part of these Annual Financial Statements as of 1 January 2013.

*(p) Reporting year profit*

Bank of Russia profit is recognised as the difference between total income from the transactions stipulated by Article 46 of the Federal Law ‘On the Central Bank of the Russian Federation (Bank of Russia)’ and income from participation in the capital of credit institutions, and expenses involved in the Bank of Russia’s fulfilment of the functions assigned to it by Article 4 of this Federal Law.

Reporting year profit, accounted for in the Bank of Russia’s balance sheet, is the financial result of its performance during the reporting year.

In compliance with Clause 12 (c) Article 1 of Federal Law No. 247-FZ, dated 3 December 2012, ‘On Amending the Federal Law ‘On the Federal Budget for 2012 and the Plan Period of 2013 and 2014’’, funds received by the Bank of Russia from the sale of its shares in Sberbank, determined as the difference between sales proceeds and the balance sheet price of the above-mentioned shares net of transaction costs, were partially transferred by the Bank of Russia to the federal budget on 4 December 2012.

Pursuant to Articles 5 and 6 of Federal Law No. 245-FZ, dated 30 September 2010, ‘On Amending the Budget Code and Other Laws of the Russian Federation’ (as amended), after the Annual Financial Statements of the Bank of Russia for the reporting year have been approved by the Board of Directors, the Bank of Russia shall transfer to the federal budget 75% of the actual full-year profit remaining after the payment of taxes and duties under the Tax Code of the Russian Federation, taking into account the funds from the sale of Sberbank shares transferred to the federal budget in 2012 in compliance with Federal Law No. 247-FZ, dated 3 December 2012, ‘On Amending the Federal Law ‘On the Federal Budget for 2012 and the Plan Period of 2013 and 2014’’. The remaining profit of the Bank of Russia is transferred by its Board of Directors to various reserves and funds.

Financial result, i.e., profit or loss, is defined as the difference between total income and total expenses relating to the core and non-core activities of the Bank of Russia, which are recorded in the books for the reporting year.

*(q) Recognition of Bank of Russia income and expenses*

Income and expenses are recorded to the profit and loss account on an accrual basis, if the amounts of income or expenses can be established, and there is no uncertainty concerning their receipt or payment; that is, they are recorded as soon as they occur rather than after the funds (or their equivalents) have been actually received or paid.

Income from participation in credit institutions or other organisations’ capital is recorded to the profit and loss account after the funds have been actually received.

Expenses on the replenishment of supplementary pension funds for Bank of Russia employees are recorded to the profit and loss account, after they have been actually made based on the actuarial appraisal of pension obligations of the Bank of Russia.

Income (expenses) received (incurred) and accrued in previous reporting periods is recorded to the corresponding items of the profit and loss account for the reporting period.

The receipt of interest income on all credit and other similar claims with regard to borrowers, which depending on the risk and according to the provisioning procedure are assigned to substandard loan groups, or the receipt of interest income on operations that are pooled to homogenous loan portfolios, is recognised as uncertain from the date of assignment. Interest on such loans and similar claims is recorded to off-balance sheet accounts.

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

*(r) Taxation of the Bank of Russia*

The Bank of Russia pays taxes and duties in compliance with the Tax Code of the Russian Federation. It has drawn up and approved its accounting policy for the purposes of taxation, which sets out the tax accounting principles, and methods and rules on and the procedure for creating a tax base for the calculation of taxes and duties paid by the Bank of Russia.

*(s) Transfer of profit to the federal budget*

Pursuant to Article 26 of the Federal Law ‘On the Central Bank of the Russian Federation (Bank of Russia)’, once the Annual Financial Statements have been approved by the Board of Directors, the Bank of Russia transfers 50% of the actual annual profit retained after the payment of taxes and duties under the Tax Code of the Russian Federation to the federal budget.

Article 5 of Federal Law No. 245-FZ, dated 30 September 2010, ‘On Amending the Budget Code and Other Laws of the Russian Federation’ (as amended), suspended Part 1 of Article 26 of the Federal Law ‘On the Central Bank of the Russian Federation (Bank of Russia)’ until 1 January 2016. The suspended portion relates to the percentage of actual profit received for the year which remains after the payment of taxes and duties under the Tax Code of the Russian Federation, which the Bank of Russia must transfer to the federal budget.

Article 6 of Federal Law No. 245-FZ, dated 30 September 2010, ‘On Amending the Budget Code and Other Laws of the Russian Federation’ (as amended), stipulated that 75% of actual profit received by the Bank of Russia for 2010, 2011, 2012, 2013 and 2014 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 its Board of Directors.

In compliance with Clause 12 (e) Article 1 of Federal Law No. 247-FZ, dated 3 December 2012, ‘On Amending the Federal Law ‘On the Federal Budget for 2012 and the Plan Period of 2013 and 2014’’, funds received by the Bank of Russia from the sale of its Sberbank shares, defined as the difference between sales proceeds and the balance sheet price of the above-mentioned shares net of transaction costs, were partially transferred by the Bank of Russia to the federal budget on 4 December 2012.

*(t) Claims on the IMF and obligations to the IMF*

Pursuant to Federal Law No. 86-FZ, dated 10 July 2002, ‘On the Central Bank of the Russian Federation (Bank of Russia)’, the Bank of Russia serves as a depository for the Russian rouble funds of the IMF and performs operations and transactions stipulated by the IMF’s Articles of Agreement and in line with its agreements with the IMF.

The Bank of Russia keeps records of the Russian Federation’s claims on the IMF (including the Russian Federation’s quota in the Fund) and the Russian Federation’s debt obligations to the IMF.

Claims on the IMF include the Russian Federation’s quota in the Fund; funds on the Russian Federation account with the IMF’s Special Drawing Rights Department (SDR Department); loans extended by the Bank of Russia to the IMF according to the New Arrangements to Borrow (NAB); and funds on the Russian Federation provisional administered account with the IMF.

IMF quotas are subscriptions of all members, which are paid in national and foreign currencies. The part of a quota paid in foreign currency constitutes a position on the IMF reserve tranche. Quotas are denominated in Special Drawing Rights (SDRs).

The SDR is a reserve asset created by the IMF. The SDR value is posted daily based on a basket of four currencies, consisting of the U.S. dollar, euro, Japanese yen, and pound sterling.

The New Arrangements to Borrow (NAB) are a lending facility to provide funds to the IMF, based on credit arrangements between the IMF and a group of member countries with sustainable balance of payments and sufficient international reserves. In 2012, upon agreement with member countries, the maximum maturity of NAB claims, including previously issued loans, was extended from five to 10 years, while other terms and conditions remained unchanged. The Bank of Russia can recall its committed funds at any moment, if necessary.

Allocation of the IMF's general reserve funds to the membership represents the member countries' profits. Funds, allocated to the Russian Federation proportionally to its IMF quota when the IMF decides to reduce its general reserve, are recorded to the Russian Federation provisional administered account with the IMF. The received funds must be transferred to the IMF Poverty Reduction and Growth Trust (PRGT) as subsidy resources for concessional lending programmes, therefore provisions for possible writing off of these funds are made in the amount of 100%.

Obligations to the IMF are represented by the rouble balances on the IMF's Number 1 and 2 Accounts with the Bank of Russia; by the promissory note issued by the Bank of Russia in roubles to the IMF; and by the amount of obligations on SDRs received by the Russian Federation during previous issues of SDRs by the IMF.

The recording of claims on the IMF and obligations to the IMF, as well as interest accrual, is performed in line with the IMF recommendations. In order to maintain the total of the Russian Federation rouble-denominated obligations to the IMF in SDR terms at the rouble exchange rate set by the IMF, the Bank of Russia promissory note and the balance on IMF Number 1 and 2 Accounts are revalued on a regular basis. Total exchange rate differences accrued on the mentioned promissory note and on the Number 1 Account, are reflected in correspondence with the account for the part of the quota paid in roubles. Total exchange rate differences accrued to the Number 2 Account are recorded to the Bank of Russia's income or expenses. Revaluation at the rate of exchange of the SDR to the rouble is set by the IMF and is accrued by the Bank of Russia monthly on the first working day of the month following the reporting month. At the end of the IMF fiscal year (30 April), at the request of the IMF or the Bank of Russia, the amount of the accrued revaluation rate differences (related to Bank of Russia promissory note and the Number 1 Account) is recorded to the increase (decrease) of obligations on the promissory note and/or Number 1 Account balance; the revaluation of the Number 2 Account is recorded to the increase (decrease) of this account balance.

SDR-denominated claims on the IMF and obligations to the IMF are revalued at the official rate of exchange of the SDR to the rouble set by the Bank of Russia.

*(u) Changes to comparative data*

The Ministry of Finance and the Federal Treasury, as explained by the Ministry of Finance, do not include funds of financial institutions owned by the federal government into sources of financing federal budget deficit as part of the federal budget balance. The said funds totalling 17,248 million roubles are moved from the *Federal government funds* item to the *Other* item in the *Funds in accounts with the Bank of Russia* Note.

(millions of roubles)

Balance sheet items	Note	2011 (previously recorded amounts)	Changes	2011 (recalculated amounts)
<b>LIABILITIES</b>				
<b>Funds in accounts with the Bank of Russia, of which:</b>				
Federal government funds	10	4,443,546	(17,248)	4,426,298
Other	10	410,069	17,248	427,317

Due to the Bank of Russia Board of Directors' decision to include data on the Bank of Russia funds provided in the first leg of repos into the Statement of Volume of Bank of Russia Transactions on Stock Exchanges and/or Other Trade Organisers in the Securities Market, funds repaid to the Bank of Russia by credit institutions in the second leg of repos are excluded from the *Volume of Bank of Russia own securities trading, including repos* column.

(millions of roubles)

Items of the Statement of volume of Bank of Russia transactions on stock exchanges and/or other trade organisers in the securities market	2011 (previously recorded amounts)	Changes	2011 (recalculated amounts)
<b>Volume of Bank of Russia own securities trading, including repos</b>			
Moscow Exchange	28,269,566	(13,656,498)	14,613,068
MICEX Stock Exchange	15,781,069	(7,846,900)	7,934,169
St Petersburg Currency Exchange (SPCEX)	2,152	(1,076)	1,076
	44,052,787	(21,504,474)	22,548,313

## 2. IMPACT OF ECONOMIC CONDITIONS ON BANK OF RUSSIA FINANCIAL STATEMENTS

In the year under review, the annual balance sheet of the Bank of Russia and its financial performance were affected by internal and external economic conditions and by the actions and decisions of the Russian Federation Government and the Bank of Russia.

In 2012, domestic demand acted as the key driver of the national economic growth. Despite high employment and production capacity utilisation rates, economic growth somewhat slowed down, which was mainly due to external conditions. Unstable performance of developed economies was curbing the demand in global markets, thus affecting the export-oriented domestic production. At the same time, due to uncertain economic development outlook, Russian investors and consumers' activity remained relatively low. Against this backdrop, the inflation rate in the first six months of 2012 stayed below 4% p.a. In the second six months, due to the accelerated growth of food prices and increase of administered tariffs and prices, consumer price growth rate went up above 6%.

In 2012, the extended budget was executed with a surplus of 0.4% of GDP. The balances of the Russian Government on its accounts with the Bank of Russia increased by 0.5 trillion roubles or 11%, but its share in the annual balance sheet liabilities remained practically the same at 23.8%.

All the factors listed above had an impact on the business entities' demand for cash. Cash in circulation grew by 11.2% in the year under review, its share in liabilities remaining the same at 37.2%. Credit institutions' funds in accounts with the Bank of Russia increased by 25.0%; their share in Bank of Russia annual balance sheet liabilities rose from 9.4% to 10.6%.

Despite certain negative trends surfacing in the global economy, the price situation in the commodity markets remained favourable for Russian producers, which resulted in a current account surplus of the balance of payment. At the same time, foreign investors were not keen on substantial investing in Russian assets, whereas preference for foreign financial assets on the part of domestic investors was rising occasionally, which led to capital outflows and affected exchange rate dynamics. Against the backdrop of increasing debt crisis in the eurozone in April—June 2012, the demand for US dollars was increasing in the global forex market, which led to the weakening of other currencies of developed and developing countries (including the Russian rouble) to the US dollar. Consequently, at the end of May 2012, the Bank of Russia within the framework of its foreign exchange policy, switched from buying foreign currencies in the domestic market to selling them, which helped smooth foreign exchange rate fluctuations. However, overall, the rouble became somewhat stronger against the international reserve currencies, and the Russian Federation international reserves went up. All of the above jointly led to a 2.0% increase in the item *Funds placed with non-residents and foreign securities*, while its share dropped from 76.7% to 70.4% in the annual balance sheet assets of the Bank of Russia.

In 2012, amid the continued structural liquidity deficit, credit institutions were demonstrating a high demand for Bank of Russia refinancing. As a result, the balance in the *Loans and Deposits* item almost doubled, and its share in the annual balance sheet assets of the Bank of Russia grew from 9.0% to 15.3%.

The Bank of Russia's financial performance indicators in the reporting year were predominantly shaped by its operations in the domestic market. As interest rates were going down in the global financial markets, the Bank of Russia's income from the placement of reserve assets and the interest expenses on funds placed in the Reserve Fund and National Wealth Fund were lower than in the previous year. At the same time, the Bank of Russia's interest income from standard refinancing operations grew significantly compared to 2011 due to the high demand for liquidity in the banking sector and the ensuing level of interest rates on Bank of Russia market operations. The above factor, coupled with the partial sale in September 2012 of Sberbank shares owned by the Bank of Russia, made the Bank of Russia's financial performance in 2012 substantially better than in 2011.

### 3. PRECIOUS METALS

	<i>(millions of roubles)</i>	
	<b>2012</b>	<b>2011</b>
Precious metals	1,646,187	1,527,545
<b>Total</b>	<b>1,646,187</b>	<b>1,527,545</b>

The increase in this item was largely due to the purchase of gold from Russian credit institutions under master agreements.

### 4. FUNDS PLACED WITH NON-RESIDENTS AND FOREIGN SECURITIES

	<i>(millions of roubles)</i>	
	<b>2012</b>	<b>2011</b>
Foreign securities	12,741,131	12,309,665
Balances on correspondent accounts and deposits placed with non-resident banks	1,709,390	1,841,269
Funds placed with non-residents in repo transactions	74,915	94,342
<b>Total</b>	<b>14,525,436</b>	<b>14,245,276</b>

Foreign securities are categorised as securities available for sale. Foreign securities are mostly US Treasuries and the government debt obligations of France, Germany, the United Kingdom, Canada, Australia, Japan, the Netherlands, Finland, Denmark, Sweden and Austria, as well as debt obligations issued by supranational financial organisations, and non-government debt securities guaranteed by the governments of the above countries.

This item includes securities passed by the Bank of Russia in transactions in international markets to sell securities with an obligation to repurchase, with a total current (fair) value of 234,856 million roubles (2011: 208,240 million roubles), including those passed in repos, with a total current (fair) value of 128,962 million roubles (2011: 16,118 million roubles) (Note 10); those passed as additional collateral (margin) in repos with a total current (fair) value of 4 million roubles (2011: 324 million roubles); and those passed as a loan, with a total current (fair) value of 105,890 million roubles (2011: 191,798 million roubles).

The growth in this item was mostly due to increased Bank of Russia investment in securities issued by foreign governments.

The current (fair) value of foreign securities in the Bank of Russia's portfolio as of 1 January 2013, was 12,741,131 million roubles (2011: 12,309,665 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 on correspondent accounts and deposits placed with non-resident banks* is mostly due to decrease in the placements of funds in foreign currencies.

Within the framework of the Customs Union between Belarus, Kazakhstan and Russia and in accordance with a number of agreements signed by the Republic of Belarus, the Republic of Kazakhstan and the Russian Federation, the Bank of Russia has the obligation to sell US dollars for Russian roubles at the official exchange rate. This obligation is pursuant to several agreements: the Agreement to establish and apply a procedure for recording and allocating import customs duties (other equivalent taxes and duties) in the Customs Union, dated 20 May 2010; the Agreement on the application of special protective, anti-dumping, and compensatory measures during the transition period, dated 19 November 2010; the Agreement on the application of special protective, anti-dumping, and compensatory measures in relation to third parties, dated 25 January 2008; the Agreement on certain aspects of securing the payment of customs duties and taxes in relation to goods transported according to the customs procedure for customs transit, procedures for collecting customs duties and taxes, and procedures for transferring collected amounts in relation to such goods, dated 21 May 2010.

According to the bilateral agreements of the Bank of Russia with the National Bank of the Republic of Belarus and the National Bank of the Republic of Kazakhstan, correspondent accounts were opened in the national currencies of the member countries of the Customs Union.

Pursuant to the agreements listed above, the Bank of Russia is in charge of setting off mutual obligations which are denominated in US dollars; import duties allocated by the Federal Treasury in favour of Belarus and Kazakhstan and other equivalent duties, taxes and fees denominated in Russian roubles, and other import and equivalent duties; taxes and fees denominated in the national currencies of the member countries and allocated by their respective competent authorities in favour of the Russian Federation.

As of 1 January 2013, a total of 699 million roubles (2011: 417 million roubles) were accounted for in the correspondent accounts of the Bank of Russia with the National Bank of the Republic of Belarus and the National Bank of the Republic of Kazakhstan which were established within the framework of the Customs Union.

The item *Funds placed with non-residents in repo transactions* shows the funds placed with non-resident banks in transactions to purchase foreign securities with an obligation to resell (reverse repo transactions). These funds include 38,297 million roubles (2011: 16,100 million roubles) received in transactions to sell securities with an obligation to repurchase (repo transactions), concluded with the same counterparty (Note 10).

Securities received by the Bank of Russia as collateral in reverse repos with non-residents are recorded to off-balance sheet accounts at the current (fair) value and total 74,986 million roubles (2011: 95,357 million roubles) (Note 28). Of these, securities received in reverse repos concluded for the purpose of placing funds received in repo transactions have a current (fair) value of 38,313 million roubles (2011: 16,117 million roubles) (Notes 10 and 28).

The decrease in the item *Funds placed with non-residents in repo transactions* is due to a contraction of the total amount of funds provided by the Bank of Russia in repos as of the year's end.

## 5. LOANS AND DEPOSITS

	(millions of roubles)	
	2012	2011
Loans to and deposits with resident banks (in roubles), of which:		
— extended and placed under certain federal laws	300,000	300,000
— unsecured loans	2,559	2,559
Other funds placed with credit institutions (through repo transactions)	1,784,610	520,369
Other, of which:	348,532	357,517
— extended and placed under certain federal laws	337,747	348,705
Provisions	(176,679)	(164,510)
<b>Total</b>	<b>3,158,355</b>	<b>1,663,280</b>

*Loans to and deposits with resident banks (in roubles)* item reflects the debt on the Bank of Russia's loans that are secured with pledges of gold, promissory notes, credit claims under credit agreements or guarantees of credit institutions, as well as the pledges of securities from the Lombard List of the Bank of Russia. The item also reflects the debt on an unsecured loan extended to a credit institution; the subordinated loans to Sberbank issued in 2008 that were part of measures taken pursuant to the federal laws of the Russian Federation to support the Russian financial system; and the deposits placed with Vnesheconombank in 2008—2009, following the decisions of the Bank of Russia Board of Directors.

The debt on loans and deposits (in roubles) with resident banks with a 50% to 100% government stake in their authorised capital amounts to 1,009,516 million roubles (2011: 826,296 million roubles).

The increase in *Loans to and deposits with resident banks (in roubles)* was caused by the substantial demand among credit institutions for Bank of Russia loans that were secured with the pledges of credit claims or guarantees of credit institutions.

Collateral value, including guarantees, received for the loans extended by the Bank of Russia, amounts to 629,143 million roubles (2011: 412,895 million roubles).

Securities and gold bars received as loan collateral or accepted for the reduction of required provisions are assessed at the securities' market value or at the gold bars' value calculated at the book price for gold set by the Bank of Russia, as of the date when collateral is transferred to the Bank of Russia to secure its loans, using adjustment ratios established by the Bank of Russia.

Additionally, the item *Loans to and deposits with resident banks (in roubles)* includes restructured loans originally extended to credit institutions as unsecured loans as part of the measures taken in compliance with the federal laws of the Russian Federation to support the Russian financial system pursuant to Article 46 of the Federal Law ‘On the Central Bank of the Russian Federation (Bank of Russia)’, which was amended by Federal Law No. 171-FZ, dated 13 October 2008, ‘On Amending Article 46 of the Federal Law ‘On the Central Bank of the Russian Federation (Bank of Russia)’’, and by Federal Law No. 317-FZ, dated 30 December 2008, ‘On Amending Articles 46 and 76 of the Federal Law ‘On the Central Bank of the Russian Federation (Bank of Russia)’’.

The debt on restructured loans amounts to 30,384 million roubles (2011: 42,972 million roubles). All borrowers who have defaulted on restructured loans are currently subject to bankruptcy proceedings due to the revocation of their licenses.

The debt on restructured loans decreased by 13,141 million roubles in total due to the sale of assets pledged with the Bank of Russia. Besides, following the re-establishment of a debt on a restructured loan owed to the Bank of Russia, pursuant to the Moscow Court of Arbitration ruling, the debt on restructured loans increased by 553 million roubles.

The item *Loans to and deposits with resident banks (in roubles), of which: extended and placed under certain federal laws* lists operations to provide 300,000 million roubles in subordinated loans to Sberbank (2011: 300,000 million roubles), where the Bank of Russia owns 50% stake plus one voting share in the authorised capital. The item *Loans to and deposits with resident banks (in roubles), of which: unsecured loans* reflects the overdue debt on unsecured loans to credit institutions, totalling 2,559 million roubles (2011: 2,559 million roubles), which were extended as part of the measures taken (pursuant to federal law) to support the Russian financial system.

The item *Other funds placed with credit institutions (through repo transactions)* reflects funds placed with credit institutions in transactions to purchase securities with an obligation to resell.

The increase in this item is attributable to the growth of the overall amount of funds provided by the Bank of Russia in the domestic market in transactions to buy securities with an obligation to resell.

The amount of other funds placed with credit institutions (through repo transactions) in which the government holds a 50%-plus stake in the authorised capital, totals 808,678 million roubles (2011: 176,376 million roubles).

Securities received by the Bank of Russia as collateral in repo transactions with credit institutions are accounted for in off-balance sheet accounts at their current (fair) value and total 1,970,173 million roubles (2011: 561,035 million roubles) (Note 28).

Available collateral, accepted by the Bank of Russia for the reduction of provisions, helped bring down the amount of provisions made for loans and other funds placed with resident banks (in roubles) by 238,756 million roubles (2011: 48,165 million roubles).

The item *Other* reflects the debt on loans extended to the Deposit Insurance Agency (DIA), a state-owned corporation, in the amount of 335,446 million roubles (2011: 346,404 million roubles), and the compensation deposit of 2,301 million roubles (2011: 2,301 million roubles). This was placed by the Bank of Russia with the credit institution in compliance with Federal Law No. 173-FZ, dated 13 November 2008, ‘On Additional Measures to Support the Financial System of the Russian Federation’, in order to partially compensate for this credit institution’s losses (expenses) that had been caused by the default of a borrower whose banking license was revoked, as well as the Bank of Russia’s claim on the re-established debt owed to the Bank of Russia on unsecured loans, pursuant to the Moscow Court of Arbitration ruling. In 2012, due to funds transferred to the Bank of Russia by the receiver when satisfying claims of third-ranking creditors whose claims were included in the register of creditors’ claims, the above-mentioned claim totalling 1,226 million roubles, was reduced by 324 million roubles, and as of 1 January 2013, it totalled 902 million roubles (2011: 0 million roubles).

The increase in *Other* was caused by the declining debt on the loans the Bank of Russia extended to the DIA as part of measures to prevent the bankruptcy of credit institutions.

Provisions totalling 176,679 million roubles were made for loans, deposits and other funds placed in roubles and foreign currency (2011: 164,510 million roubles). Of these:

- provisions for the collateralised rouble-denominated loans extended by the Bank of Russia to resident banks and deposits placed by the Bank of Russia with Vnesheconombank in roubles, totalled 70,915 million roubles (2011: 44,910 million roubles);
- provisions for the debt on restructured loans, initially extended to credit institutions as unsecured loans, totalled 30,384 million roubles (2011: 42,972 million roubles);
- provisions for the debt on the unsecured rouble-denominated loan extended to a credit institution totalled 2,559 million roubles (2011: 2,559 million roubles);
- provisions for funds provided by the Bank of Russia to finance bankruptcy prevention measures totalled 67,089 million roubles (2011: 69,281 million roubles);

- provisions for other loans and deposits, repo transactions, and for the Bank of Russia's claim on the re-established debt owed to the Bank of Russia on unsecured loans, pursuant to the Moscow Court of Arbitration ruling, totalled 5,732 million roubles (2011: 4,788 million roubles).

## 6. SECURITIES

	<i>(millions of roubles)</i>	
	<b>2012</b>	<b>2011</b>
<b>Russian federal government debt obligations</b>		
Federal government bonds (OFZ)	217,324	183,926
Russian government external foreign currency-denominated loan bonds (Russian eurobonds)	152,858	148,812
<b>Total</b>	<b>370,182</b>	<b>332,738</b>
Shares issued by credit institutions and other organisations (Bank of Russia stakeholdings)	85,709	93,005
Other Russian issuers' debt obligations	411	407
Credit institutions' promissory notes acquired by the Bank of Russia	23	23
Provisions	(11)	(23)
<b>Total</b>	<b>456,314</b>	<b>426,150</b>

Debt obligations in the Bank of Russia's portfolio are categorised as securities available for sale.

### *Federal government bonds (OFZs)*

The OFZ portfolio of the Bank of Russia is a result of the 2003—2005 restructuring of government securities, pursuant to federal budget laws for the respective financial years, as well as a result of the purchase and subsequent sale of securities in the domestic market in 2007—2009. The characteristics of the securities received as a result of the restructuring comply with federal legal requirements and agreements between the Ministry of Finance of the Russian Federation and the Bank of Russia.

The table below shows the structure of the OFZ portfolio as of 1 January 2013.

(millions of roubles)

OFZ type	2012		2011	
	Current coupon income rate, percent	Current (fair) value	Current coupon income rate, percent	Current (fair) value
Debt-depreciation OFZ due in 2025—2028*	10	67,582	0	53,059
Debt-depreciation OFZ due in 2019—2027*	0	51,944	0	40,556
Debt-depreciation OFZ due in 2029	1.36	32,439	3.74	29,270
Debt-depreciation OFZ due in 2036	6.9	22,775	6.9	20,870
Debt-depreciation varying coupon-income OFZ due in 2018	6	17,598	6.5	16,874
Debt-depreciation OFZ due in 2021	7	13,208	8	12,547
Debt-depreciation OFZ due in 2019*	3	9,564	0	8,704
Debt-depreciation OFZ due in 2018—2023	6 to 6.5	2,214	6 to 6.5	2,046
<b>Total</b>		<b>217,324</b>		<b>183,926</b>

The difference between the OFZ current coupon income rates as of 1 January 2013 and those as of 1 January 2012, is due to the change in the coupon income rates under the terms and conditions of the securities issue.

The OFZs as of 1 January 2013 and as of 1 January 2012, are recorded in the statements at their current (fair) value.

The current (fair) value of OFZ issues was determined on the basis of market prices provided by the trade organiser MICEX Stock Exchange or using a model for the assessment of the future cash flows which were discounted using the coupon-free interest rates on government securities, calculated by the trade organiser as of the last trading day.

As of 1 January 2013, the current (fair) value of OFZs assessed at market prices totalled 134,477 million roubles. As of 1 January 2012, the current (fair) value of these securities was 118,631 million roubles.

As of 1 January 2013, the current (fair) value of OFZs, assessed using the model for the assessment of future cash flows, totals 82,847 million roubles. As of 1 January 2012, the current (fair) value of these securities was 65,295 million roubles.

The change in the OFZ value is due to their revaluation at current (fair) value.

As of 1 January 2013, the Bank of Russia had in its portfolio OFZ bonds maturing from 2018 to 2036; of them zero-coupon-income bonds amounted to 40% in terms of nominal value or 24% in terms of current (fair) value.

As of 1 January 2012, the Bank of Russia had in its portfolio OFZ bonds maturing from 2018 to 2036; of them zero-coupon-income bonds amounted to 64% in terms of nominal value or 56% in terms of current (fair) value.

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\* These securities, as of 1 January 2012, were included into the item Debt-depreciation OFZ due in 2019—2028 with a total current (fair) value of 102,319 million roubles.

The reduction of zero-coupon-income bonds' share in the overall nominal value and in the overall portfolio value assessed at current (fair) price, as of the reporting date against the previous reporting date is due to the change in coupon income rate for bonds maturing in 2019—2028 in line with the conditions of their issue.

#### *Russian government external foreign currency-denominated loan bonds*

Russian government external foreign currency-denominated loan bonds (Russian eurobonds) are US dollar-denominated government securities issued by the Ministry of Finance. They are due between 2018 and 2030, and have a coupon income of 7.5% to 12.75% p.a. The current (fair) value of Russian eurobonds as of 1 January 2013 was 152,858 million roubles. The current (fair) value of Russian eurobonds as of 1 January 2012 was 148,812 million roubles.

The change in the value of Russian government external foreign currency-denominated loan bonds is mainly due to the revaluation of Russian eurobonds at current (fair) value and the change in the US dollar exchange rate against the rouble.

The current (fair) value of the Russian eurobonds is determined using their latest representative quoted purchase prices, as cited by the financial news and data service Bloomberg.

#### *Shares issued by credit institutions and other organisations (Bank of Russia stakeholdings)*

The change in the value of shares issued by credit institutions and other organisations is due to the reduced Bank of Russia stake in the authorised capital of Sberbank after the sale by the Bank of Russia in September 2012 of 1,712,994,999 ordinary shares of Sberbank that amounted to 7.58% of Sberbank's authorised capital.

The structure of Bank of Russia investments in the shares of credit institutions and other organisations is shown in the Statement of Bank of Russia Management of Securities and Stakeholdings in the Capital of Organisations Constituting Bank of Russia Property.

#### *Other Russian issuers' debt obligations*

Other Russian issuers' debt obligations as of 1 January 2013 and 1 January 2012 were represented by rouble-denominated bonds issued by the regional governments of the Russian Federation.

Russian regional government bonds will mature in 2014 or 2015 and have a coupon income of 7% to 8% p.a.

The current (fair) value of other Russian issuers' debt obligations as of 1 January 2013 was 411 million roubles. The current (fair) value of other Russian issuers' debt obligations as of 1 January 2012 was 407 million roubles.

To determine the current (fair) value of other Russian issuers' debt obligations, the Bank of Russia used the latest market prices quoted by the trade organiser (MICEX Stock Exchange).

#### *Credit institutions' promissory notes acquired by the Bank of Russia*

This item includes debt on a promissory note acquired by the Bank of Russia in 2001 under the terms and conditions of the Amicable Agreement.

The item *Provisions* shows provisions made for the promissory note issued by a credit institution in the amount of 11 million roubles (2011: 23 million roubles).

The reduced balance on the *Provisions* item is due to a higher assessment of the quality of debt servicing by the credit institution.

## 7. CLAIMS ON THE IMF

	(millions of roubles)	
	2012	2011
The Russian Federation's quota with the IMF	278,357	292,947
— quota with the IMF paid in roubles	182,137	192,868
— position on the IMF reserve tranche	95,679	100,690
— revaluation of the Russian Federation's quota with the IMF paid in roubles (positive differences)	541	0
— revaluation of the Russian Federation's quota with the IMF paid in roubles (negative differences)	0	(611)
Funds on the Russian Federation account with the IMF SDR Department	266,252	280,057
Loans to the IMF extended by the Bank of Russia according to the New Arrangements to Borrow (NAB)	48,294	29,623
Funds on the Russian Federation provisional administered account with the IMF	818	0
Provisions	(818)	0
<b>Total</b>	<b>592,903</b>	<b>602,627</b>

The Russian Federation's quota with the IMF (in SDRs) did not change in 2012 (5,945.4 million SDRs or 2.5% of all IMF quotas). The decrease in the rouble equivalent of the quota by 14,590 million roubles was due to the depreciation of the rouble against the SDR at the official exchange rate.

Due to the Russian Federation's participation in the IMF credit facility under the New Arrangements to Borrow, in 2012 the Bank of Russia issued loans to the IMF amounting to 438.8 million SDRs and received from the IMF 8.5 million SDRs as early repayment. As of 1 January 2013, claims on the IMF under the NAB totalled 1,031.5 million SDRs (48,294 million roubles); the undrawn balance of the credit line totalled 7,709.3 million SDRs (360,942 million roubles) (Note 28). According to the current plan for January—March 2013, the Russian Federation participation in the NAB could not exceed 1,425.7 million SDRs.

In October 2012, the Russian Federation received 17.5 million SDRs to the Russian Federation provisional administered account with the IMF. These funds represented a part of the IMF general reserve generated by windfall gold sales profits that was allocated to the member countries in proportion to their quota shares. Upon completion of internal approval procedures, the Russian Federation will transfer these funds on a gratuitous basis to the Poverty Reduction and Growth Trust (PRGT) for subsidising IMF loans to low-income countries. Consequently, the Bank of Russia made a provision for a possible write-off of these funds in the amount of 818 million roubles (100%).

**8. OTHER ASSETS**

	<i>(millions of roubles)</i>	
	<b>2012</b>	<b>2011</b>
<b>Fixed assets (at residual value)</b>		
Buildings and other facilities	42,146	42,456
Equipment (including computers, IT and data processing systems, furniture, transport vehicles, etc.)	34,130	32,973
<b>Subtotal fixed assets</b>	<b>76,276</b>	<b>75,429</b>
Funds received from the sale of Sberbank shares and transferred to the federal budget in 2012 according to Article 1 of Federal Law No. 247-FZ, dated 3 December 2012 (Notes 1 and 18)	149,657	0
Incomplete construction projects	8,928	7,598
Bank of Russia interest claims	6,414	5,337
Settlements with suppliers, contractors and buyers	3,627	1,658
Intangible assets (at residual value)	1,448	1,007
Till cash	187	205
Profit tax advance payments	159	167
Funds transferred by the Bank of Russia to agent banks for payments to the depositors of bankrupt banks	78	279
Bank of Russia correspondent accounts	2	4
Claims on securities trading	0	3,845
Other	5,995	4,834
Provisions	(1,222)	(2,506)
<b>Subtotal other assets</b>	<b>175,273</b>	<b>22,428</b>
<b>Total</b>	<b>251,549</b>	<b>97,857</b>

The table below shows the movement of fixed assets:

(millions of roubles)

	2012	2011
<b>Fixed asset value net of accrued depreciation</b>		
Balance as of 1 January	144,081	135,954
Receipt	12,012	11,748
Retirement	(4,253)	(3,621)
<b>Balance as of end of year</b>	<b>151,840</b>	<b>144,081</b>
<b>Accrued depreciation</b>		
Balance as of 1 January	68,652	61,566
Depreciation allowances due to expenses	10,953	10,546
Depreciation allowances due to other sources	3	2
Accrued depreciation of retired fixed assets	(4,044)	(3,462)
<b>Balance as of end of year</b>	<b>75,564</b>	<b>68,652</b>
<b>Fixed asset residual value as of end of year</b>	<b>76,276</b>	<b>75,429</b>
Fixed asset structure and value, net of accrued depreciation:		
(millions of roubles)		
	2012	2011
Buildings and other facilities	51,588	50,934
Equipment	44,989	41,957
Computers, office equipment and furniture	27,911	25,979
IT and data processing systems	23,128	21,028
Transport vehicles	3,375	3,346
Other	849	837
<b>Total</b>	<b>151,840</b>	<b>144,081</b>

The increase in *Buildings and other facilities* is largely due to the construction and reconstruction of Bank of Russia office buildings.

The increase in *Equipment* is due to the purchase of equipment for the automation of cash processing, cash machines and other technical equipment and technology for the development and upgrading of the engineering equipment for the Bank of Russia's IT and telecommunications system.

The increase in *Computers, office equipment and furniture* is due to the purchases of computer equipment, hardware systems and devices of various modifications supporting the operation of accounting systems, including equipment for the scaling-up of the technical framework of Collective Data Processing Centres, the development of Bank of Russia information analysis and data storage systems, as well as additional computer equipment, copiers and printers.

The increase in *IT and data processing systems* is mostly due to the purchase of telecommunications equipment, including equipment for the trunk line component of the Unified Banking Telecom-

munications Network, communication facilities, as well as the creation and upgrading of local computer networks aimed at the development and modernisation of Bank of Russia IT and communications systems.

The increase in *Incomplete construction projects* is mainly due to the expanded construction and renovation of Bank of Russia administrative buildings, the creation and development of Bank of Russia information analysis and data storage systems, and also banking information protection tools and security equipment.

The increase in *Bank of Russia interest claims* is due to the increase of the debt on rouble placements with credit institutions, related to operations to provide Bank of Russia loans to credit institutions and also to repo operations, in which the receipt of interest is recognised as definitive, but is not due yet.

The item *Claims on securities trading* includes the recording in 2011 of the Bank of Russia's claim on the share exchange agreement which appeared in connection with the reorganisation of the Moscow Interbank Currency Exchange by way of merger with the Russian Trading System Stock Exchange (since June 2012 — the Moscow Exchange).

The increase in *Intangible assets* is related to the purchase of software products which the Bank of Russia has the exclusive right to use.

The item *Till cash* reflects monetary funds in foreign currencies.

The item *Profit tax advance payments* reflects profit tax advance payments for 2012.

The item *Other* mostly reflects expenses related to the purchase and acquisition of software products, licenses, and certificates, as well as shares of a closed unit investment fund, which the Bank of Russia retained pursuant to the Agreement on off-the-court foreclosure of the received collateral for the partial repayment of debt on a restructured loan in the amount of 819 million roubles (2011: 0 million roubles).

The item *Provisions* reflects provisions totalling 1,222 million roubles (2011: 2,506 million roubles) of the following created provisions:

- 78 million roubles (2011: 279 million roubles) for transfers to the agent banks, for the payment of compensation to the depositors of bankrupt banks;
- 1,144 million roubles (2011: 2,227 million roubles) for other assets, of which 819 million roubles (2011: 0 million roubles) were allocated for investments in shares of the closed unit investment fund; 0 million roubles (2011: 1,923 million roubles) were allocated for the Bank of Russia's claims on the share exchange agreement.

## 9. CASH IN CIRCULATION

The increase in *Cash in circulation* is attributable to the expansion of cash turnover capacity.

## 10. FUNDS IN ACCOUNTS WITH THE BANK OF RUSSIA

	<i>(millions of roubles)</i>	
	<b>2012</b>	<b>2011</b>
Federal government funds, of which:	4,913,764	4,426,298
— Reserve Fund	1,885,676	811,517
— National Wealth Fund	2,026,657	2,119,050
Credit institutions' funds in correspondent accounts, of which:	1,356,621	981,773
— foreign currency funds in correspondent accounts	13	87
Government and other extra-budgetary funds	1,026,094	633,990
Regional and local budget funds	555,105	490,114
Required reserves deposited with the Bank of Russia	425,586	378,370
Deposits taken by the Bank of Russia from credit institutions	403,142	388,259
Non-resident banks' funds raised in repo transactions	128,984	16,100
Other	595,688	427,317
<b>Total</b>	<b>9,404,984</b>	<b>7,742,221</b>

The increase in the balance of the *Federal government funds* results from the growth of balances in foreign currencies on the Reserve Fund accounts. In order to comply with the federal government's resolutions, the Bank of Russia concluded bank account agreements with the Federal Treasury, whereby the Bank of Russia opened foreign currency accounts to record Reserve Fund and National Wealth Fund assets.

The item *Credit institutions' funds in correspondent accounts, of which: foreign currency funds in correspondent accounts* reflects the balances of resident banks' foreign currency correspondent accounts opened under bank account agreements.

The growth in *Government and other extra-budgetary funds* is due to an increase in the account balances of the Pension Fund of the Russian Federation, the Social Insurance Fund of the Russian Federation, and the Federal Compulsory Medical Insurance Fund.

The increase in *Required reserves deposited with the Bank of Russia* is due to the growth in the volume of reservable liabilities.

The item *Deposits taken by the Bank of Russia from credit institutions* is comprised of the balances of funds raised from resident credit institutions in Russian roubles, including deposits from credit institutions in whose authorised capital the government holds a stake from 50% to 100%, inclusive, totalling 16,266 million roubles (2011: 52,236 million roubles).

*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 them (repo transactions). The Bank of Russia concludes repos to bridge cash gaps and to lend securities to a foreign counterparty.

The lending takes the form of repos and reverse repos that are simultaneously concluded with a counterparty. Under a repo transaction the counterparty is provided with securities of interest to the latter, with an obligation of the counterparty to return the securities to the Bank of Russia. Under a reverse repo transaction, the Bank of Russia places the funds received in a repo transaction at a

higher interest and receives other securities as collateral. The reverse repos and repos are concluded for the same tenor. The Bank of Russia benefits from the difference between the repo and reverse repo interest rates. The amount of funds raised in repos and placed in reverse repos opened by the end of the year totalled 38,297 million roubles (2011: 16,100 million roubles). Foreign issuers' securities provided in these deals have a total current (fair) value of 38,313 million roubles (2011: 16,118 million roubles). Foreign issuers' securities received in these deals as collateral have a total current (fair) value of 38,313 million roubles (2011: 16,117 million roubles) (Notes 4 and 28).

The interest income received from these repos amounted to 175 million roubles (2011: 98 million roubles); it is recorded to *Interest income from foreign currency loans, deposits and other placements* to the amount of 166 million roubles (2011: 67 million roubles), and *Other* to the amount of 9 million roubles (2011: 31 million roubles) in Note 16 *Interest income*. The interest expenses amounted to 128 million roubles (2011: 30 million roubles); they are recorded to *Interest expenses on funds raised against the collateral of foreign currency-denominated securities in international markets* in Note 21 *Interest expenses*.

The increase in the balance of *Non-resident banks' funds raised in repo transactions* is due to the increase 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 128,962 million roubles (2011: 16,118 million roubles) are accounted for as foreign issuers' securities in *Foreign issuers' securities* in Note 4.

*Other* includes balances on accounts of government, non-profit, and non-governmental organisations, and other clients, as well as deposits taken from the DIA, a state-owned corporation, and funds on correspondent accounts of the National Bank of the Republic of Belarus and the National Bank of Kazakhstan which were opened with the Bank of Russia in the framework of the Customs Union, to the amount 518 million roubles (2011: 215 million roubles).

The increase in this item is mainly caused by the growth of the funds of government organisations.

Pursuant to Article 23 of the Federal Law 'On the Central Bank of the Russian Federation (Bank of Russia)', the Bank of Russia conducts operations with federal budget funds, government extra-budgetary funds, and regional and local government budget funds without charging a commission.

## 11. FLOAT

This item's balance decreased due to verification and completion of intra-regional and inter-regional electronic payments prior to 1 January 2013.

## 12. SECURITIES ISSUED

Given the money market situation and the banking system's liquidity condition in 2012, as well as in the fourth quarter of 2011, the Bank of Russia did not conduct any OBR placement operations. Thus, as of 1 January 2013 and as of 1 January 2012, the *Securities issued* item balance equalled zero.

### 13. OBLIGATIONS TO THE IMF

	<i>(millions of roubles)</i>	
	<b>2012</b>	<b>2011</b>
Liabilities on the funds provided to the Russian Federation as a result of the SDR allocation by the IMF	265,547	279,466
Bank of Russia rouble promissory note in favour of the IMF	129,736	129,736
Balances on IMF Number 1 and 2 Accounts with the Bank of Russia	52,403	63,133
<b>Total</b>	<b>447,686</b>	<b>472,335</b>

The SDR liabilities on the funds provided to the Russian Federation as a result of the SDR allocation by the IMF have not changed.

The IMF has Number 1 and 2 Accounts opened with the Bank of Russia. The Number 1 Account is mainly replenished by crediting funds that the Russian Federation provides in execution of its obligations under the promissory note issued to the IMF. The Number 1 Account is used to conduct financial operations and transactions. The Number 2 Account is used to pay for the administrative expenses of the IMF office in the Russian Federation; it is replenished by debiting funds from the Number 1 Account.

The obligations under the promissory note are to be repaid on the first request of the IMF by crediting funds to the Number 1 Account.

To maintain the Number 1 Account balance and the amount of the promissory note issued to the IMF equal to the SDR equivalent, as established by the IMF, part of the Russian Federation quota with the IMF, paid in roubles, is revalued at the IMF's exchange rate on the first business day of each month. In the reporting period, the accrual revaluation of the Bank of Russia's promissory note and of the Number 1 Account, totalling 10,727 million roubles, was debited from the Number 1 Account. The decrease of the Number 1 and 2 Account balances with the Bank of Russia by 3 million roubles was due, among other things, to paying IMF administrative expenses at the instruction of the IMF.

### 14. OTHER LIABILITIES

	<i>(millions of roubles)</i>	
	<b>2012</b>	<b>2011</b>
Supplementary pension provisions for Bank of Russia employees	97,605	91,663
Interest obligations	28,080	56,893
Other	1,083	989
Provisions	11,415	9,067
<b>Total</b>	<b>138,183</b>	<b>158,612</b>

Under the Federal Law 'On the Central Bank of the Russian Federation (Bank of Russia)', the Bank of Russia has the right to set up a supplementary pension fund for its employees. The Bank of Russia is implementing a pension plan with payments regulated by its own instructions. These take into account the fact that Bank of Russia employees are not covered by guarantees to which civil servants are entitled, and that similar pension arrangements are widely used by other central banks.

The volume of funds allocated for supplementary pension payments to Bank of Russia employees is determined on the basis of the actuarial appraisal, which is made by a certified actuary. As of 1 January 2013, the Bank of Russia added 7,143 million roubles (2011: 2,487 million roubles) to the supplementary pension fund, recording this sum to its expenses (Note 26).

The decrease in *Interest obligations* is mainly caused by the decrease in the total interest obligations for the use of funds in the Reserve Fund and National Wealth Fund. Under the bank account agreement, interest accrued on the funds placed in the Reserve Fund and National Wealth Fund accounts is paid on the 15<sup>th</sup> of January of the year following the reporting year (Notes 21 and 29). In the period of 16 January to 31 December 2012, 27,893 million roubles were accrued (2011: in the period of 16 January to 31 December 2011, 56,723 million roubles were accrued).

*Other* mostly reflects the amounts of taxes and duties accrued, payable to the federal budget and extra-budgetary funds; accrued obligations of the Bank of Russia under intra-bank agreements; the funds of educational institutions (banking schools/colleges and secondary educational institutions founded by the Bank of Russia), and funds withdrawn by pretrial inquiry and investigation authorities.

The item *Provisions* reflects provisions set up to meet the obligations to the participants in the Bank of Russia's Pension Programme, created as per the decision of the Bank of Russia Board of Directors, in the amount of 11,415 million roubles, on the basis of indicative evaluation of the Bank of Russia pension obligations as of 1 January 2014, conducted by independent professional actuaries.

## 15. REPORTING YEAR PROFIT

Reporting year profit is a balance-sheet item recognising the Bank of Russia's financial result for the year 2012. It results from the recognition in the accounts of the income received and accrued as definitive, as well as the expenses paid and accrued (where there is no uncertainty with respect to the performance of contractual obligations).

The Bank of Russia's 2012 financial result changed, as compared to that of 2011, mainly on account of:

- net income from the partial sale of Sberbank ordinary shares owned by the Bank of Russia (Note 18);
- increase in the interest income, mainly from rouble loans, deposits, and other placements with resident banks (Note 16);
- increase in the income from stakeholdings in credit institutions and other organisations (Note 19);
- decrease in interest expenses with regard to the Reserve Fund and National Wealth Fund; in deposits taken from credit institutions in the domestic market; and in operations with OBRs (Note 21);
- increase in net expenses on provisioning (Note 25).

## 16. INTEREST INCOME

	<i>(millions of roubles)</i>	
	<b>2012</b>	<b>2011</b>
Interest income from rouble loans, deposits and other placements with resident banks	129,976	38,134
of which:		
— extended and placed pursuant to certain federal laws	19,500	19,500
Interest income from securities	98,401	131,140
Interest income from foreign currency loans, deposits and other placements	5,004	6,385
Interest income from Bank of Russia claims on the IMF	414	1,290
Other,	4,699	5,799
of which:		
— extended and placed under certain federal laws	4,297	5,388
<b>Total</b>	<b>238,494</b>	<b>182,748</b>

*Interest income from rouble loans, deposits and other placements with resident banks* reflects interest income from Bank of Russia loans extended against the collateral of securities from the Bank of Russia Lombard List, gold, rights of claim under credit institutions' loan agreements or guarantees; subordinated loans extended in 2008 to Sberbank in the context of measures designed to support the financial system of the Russian Federation, as prescribed by Russian federal legislation; rouble deposits placed with Vnesheconombank in 2008–2009 pursuant to the decisions of the Bank of Russia Board of Directors; repo transactions; and from restructured loans initially extended as unsecured loans.

*Interest income from rouble loans, deposits and other placements with resident Banks, of which: extended and placed pursuant to certain federal laws* reflects interest income from subordinated loans extended to Sberbank, totalling 19,500 million roubles (2011: 19,500 million roubles).

The increase in *Interest income from rouble loans, deposits and other placements with resident banks* is driven by a high demand among credit institutions for liquidity from the Bank of Russia in 2012.

*Interest income from securities* consists of 80,911 million roubles (2011: 116,105 million roubles) in interest income from foreign issuers' debt obligations acquired for the purpose of managing foreign exchange reserves, and of 17,490 million roubles (2011: 15,035 million roubles) in interest income from Russian issuers' 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 on deposits which were placed with non-resident banks in foreign currency and precious metals.

*Interest income from Bank of Russia claims on the IMF* reflects interest accrued on the funds in the account with the SDR Department; on loans extended under the New Arrangements to Borrow; the amounts of remuneration on the reserve tranche position; and investment income from funds placed in the Russian Federation provisional administered account with the IMF.

*Other* mostly includes interest income from loans extended to the DIA pursuant to Federal Law No. 175-FZ, dated 27 October 2008, from operations to provide securities to non-resident banks on a collectible basis, and also interest income received on accounts opened with non-resident banks.

## 17. INCOME FROM SECURITIES TRADING

	<i>(millions of roubles)</i>	
	<b>2012</b>	<b>2011</b>
Income from operations with foreign securities, of which:		
income from compensation for previous years' expenses relating to securities revaluation	18,403	28,284
405	4,960	
Income from operations with Russian securities, of which:		
income from compensation for previous years' expenses relating to securities revaluation	14,938	2,860
14,938	2,812	
<b>Total</b>	<b>33,341</b>	<b>31,144</b>

*Income from operations with foreign securities* consists of income from the sale and revaluation, at current (fair) value, of retired (sold) foreign government securities, as well as securities issued by non-resident banks and other non-resident debt obligations. It also includes income from the positive revaluation of foreign securities, which was used to offset the negative revaluation of the respective issues recorded to expenses in previous years.

In 2012, the item *Income from operations with Russian securities* reflects income from the positive revaluation, at current (fair) value, of Russian debt obligations, which was used to offset the negative revaluation, at current (fair) value, of the respective issues recorded to expenses in previous years. In 2011, this item, besides the above-mentioned income from revaluation, also reflected income from the sale and revaluation of retired (sold) Russian debt obligations.

## 18. NET INCOME FROM THE SALE OF OJSC SBERBANK OF RUSSIA SHARES

	<i>(millions of roubles)</i>	
	<b>2012</b>	<b>2011</b>
Net income from the sale of Sberbank shares	149,657	0
<b>Total</b>	<b>149,657</b>	<b>0</b>

Pursuant to the decision of the National Banking Board, dated 22 March 2011, and approved by the Russian Government (Russian Federation Government Executive Order No. 852-r, dated 17 May 2011) in compliance with Article 8 of the Federal Law ‘On the Central Bank of the Russian Federation (Bank of Russia)’, to reduce the Bank of Russia’s stake in the authorised capital of Sberbank, in September 2012 the Bank of Russia sold its 1,712,994,999 ordinary shares of Sberbank that made up to 7.58% of Sberbank’s authorised capital.

These Sberbank shares were sold through the MICEX Stock Exchange and in the over-the-counter market, including in the form of Global Depositary Receipts.

This sale reduced the Bank of Russia’s share in Sberbank’s authorised capital from 57.58% to 50% plus one voting share (Statement of Bank of Russia Management of Securities and Stakeholdings in the Capital of Organisations Constituting Bank of Russia Property).

## 19. INCOME FROM STAKEHOLDINGS IN CREDIT INSTITUTIONS AND OTHER ORGANISATIONS

	(millions of roubles)	
	2012	2011
Income from investments in shares of subsidiary and affiliated credit institutions	27,053	11,966
Income from investments in shares of subsidiary and affiliated organisations	151	3,920
Income from investments in shares of non-resident banks (excluding subsidiary and affiliated banks)	49	43
<b>Total</b>	<b>27,253</b>	<b>15,929</b>

*Income from investments in shares of subsidiary and affiliated credit institutions* reflects income from the Bank of Russia's stakeholdings in Sberbank.

*Income from investments in shares of subsidiary and affiliated organisations* includes income from stakeholdings in the capital of Open Joint Stock Company Moscow Exchange MICEX-RTS (short name: Moscow Exchange).

*Income from investments in shares of non-resident banks (excluding subsidiary and affiliated banks)* reflects income from the Bank of Russia's stakeholdings in the Bank for International Settlements (Basel).

## 20. OTHER INCOME

	(millions of roubles)	
	2012	2011
Fees for Bank of Russia services provided to customers	7,640	6,896
Net positive realised foreign currency exchange rate differences	5,912	0
Income from the sale of coins made of precious metals	2,226	5,537
Fines and penalties received	60	58
Income of previous years (net of interest income) identified in the reporting year	51	156
Income from technological processing of precious metals and other income	2	3
Net positive realised differences for precious metals	0	347
Other	2,169	1,364
<b>Total</b>	<b>18,060</b>	<b>14,361</b>

*Fees for Bank of Russia services provided to customers* mostly consist of 7,609 million roubles (2011: 6,864 million roubles) received in fees for the settlement services provided by the Bank of Russia, and other fees totalling 31 million roubles (2011: 32 million roubles).

*Net positive realised foreign currency exchange rate differences* reflect those arising from the purchase (sale) of foreign currency in the domestic and international markets at exchange rates that differ from the official rates established by the Bank of Russia.

*Income from the sale of coins made of precious metals* is income from the sale of Russian coins made of precious metals in the domestic and international financial markets. The decrease in this item was attributable to lower sales of coins and the falling price of gold.

*Net positive realised differences for precious metals* as of 1 January 2012, reflect net positive realised differences for precious metals purchase and sale transactions in the domestic and foreign financial markets.

*Other* mainly reflects income resulting from the allocation of part of IMF general reserve, created in 2009—2010 by windfall gold sales profits, in the amount of 834 million roubles (2011: 0 million roubles).

## 21. INTEREST EXPENSES

	(millions of roubles)	
	2012	2011
Interest expenses on federal budget fund balances, including	27,455	53,013
— Reserve Fund balances	12,850	14,737
— National Wealth Fund balances	14,605	38,276
Interest expenses on deposits taken from credit institutions in the domestic market	5,749	14,678
Interest expenses on deposits attracted from the state-owned corporation	835	607
Interest expenses on Bank of Russia obligations to the IMF	284	1,010
Interest expenses on funds raised against the collateral of foreign currency-denominated securities in international markets	141	44
Interest expenses on Bank of Russia debt obligations	0	8,890
Other	356	3
<b>Total</b>	<b>34,820</b>	<b>78,245</b>

Pursuant to resolutions of the Government of the Russian Federation, in 2008, the Bank of Russia concluded bank account agreements with the Federal Treasury, whereby the Bank of Russia opened accounts in roubles and foreign currencies for the Reserve Fund and National Wealth Fund, to which the balances of the Stabilisation Fund accounts were transferred on 30 January 2008.

*Interest expenses on federal budget fund balances* as of 1 January 2013 reflect the interest accrued on the balances of the Reserve Fund and National Wealth Fund foreign currency accounts, in accordance with the bank account agreements, for the period of 16 January to 31 December 2012, with downward adjustment of the interest expenses for the period of 1 to 15 January 2012, totalling 438 million roubles.

Under the bank account agreements, the Bank of Russia pays an interest based on the yields of indices, each of which is a set of foreign governments' securities that have specific shares in the given aggregate. The set of foreign governments' securities that are included in these indices is established and regularly revised in compliance with procedures set forth in the bank account agreements between the Bank of Russia and the Federal Treasury.

The decrease in this item results from the decreased yields of securities included in these indices. The impact of this factor on interest expenses on the Reserve Fund account was largely offset by the growth in the balances on the Reserve Fund accounts during the reporting period.

Under the bank account agreements, interest was paid to the federal budget revenue for the period of 16 January 2011 to 15 January 2012 on 20 January 2012, and for the period of 16 January 2012 to 15 January 2013 on 21 January 2013 (Notes 14 and 29).

The decrease of the expenses in the *Interest expenses on deposits taken from credit institutions in the domestic market* item results from a decrease in the volume of monetary funds deposited by credit institutions with the Bank of Russia in 2012.

*Interest expenses on deposits attracted from the state-owned corporation* include interest expenses on deposits attracted from the DIA.

*Interest expenses on Bank of Russia obligations to the IMF* include the interest paid and accrued on the balance of the Russian Federation's obligations to the IMF with regard to the allocated SDRs.

*Interest expenses on funds raised against the collateral of foreign currency-denominated securities in international markets* include interest expenses on other funds raised from non-resident banks (repo).

As of 1 January 2012, *Interest expenses on the Bank of Russia debt obligations* include interest expenses on OBRs.

## 22. EXPENSES ON SECURITIES TRADING

	(millions of roubles)	
	2012	2011
Expenses on operations with foreign securities	3,525	7,831
Expenses on operations with debt obligations of Russian issuers	0	782
Other	795	224
<b>Total</b>	<b>4,320</b>	<b>8,837</b>

*Expenses on operations with foreign securities* are comprised of expenses from the sale and negative revaluation, at current (fair) value, of retired (sold) foreign government securities, securities issued by non-resident banks and other non-resident debt obligations.

As of 1 January 2012, *Expenses on operations with debt obligations of Russian issuers* include expenses from the sale and negative revaluation of retired (sold) Russian government debt obligations.

*Other* includes the expenses on fee payments to organisations supporting the securities trading in the domestic market.

## 23. CASH TURNOVER MANAGEMENT EXPENSES

This balance sheet item includes expenses involved in the manufacture, destruction and anti-counterfeit protection of banknotes and coins, as well as the purchase and delivery of packaging materials and accessories necessary for the processing of cash.

The increase in expenses in this item is due to the increased volumes of manufacturing of banknotes and coins in comparison to 2011.

**24. EXPENSES ON NEGATIVE REVALUATION OF SECURITIES AVAILABLE FOR SALE**

	<i>(millions of roubles)</i>	
	<b>2012</b>	<b>2011</b>
Expenses on negative revaluation of securities available for sale	473	4,070
<b>Total</b>	<b>473</b>	<b>4,070</b>

At the end of 2012, there existed significant negative unrealised revaluation of foreign issuers' debt obligations totalling 473 million roubles (2011: 395 million roubles), that was recorded to the expenses of the Bank of Russia (Note 1 (e)).

At the end of 2011, there was negative unrealised revaluation of securities available for sale for certain issues of federal government debt obligations totalling 3,675 million roubles and in foreign issuers' debt obligations totalling 395 million roubles.

**25. NET EXPENSES (INCOME) FROM THE CREATION (RECOVERY) OF PROVISIONS**

	<i>(millions of roubles)</i>	
	<b>2012</b>	<b>2011</b>
Increase/(decrease) in provisions for rouble loans and deposits placed with resident banks	26,101	(62,068)
Increase in provisions to secure obligations to participants in the Bank of Russia's Pension Programme	2,348	0
Increase in provisions for other active operations	1,721	0
Increase in provisions for possible debit of funds from the Russian Federation provisional administered account with the IMF	818	0
(Decrease) in provisions for Bank of Russia compensation payments to depositors of bankrupt banks	(1)	(5)
(Decrease) in provisions for promissory notes acquired from credit institutions	(12)	(4)
(Decrease)/increase in provisions for credit institutions' debt on other operations	(1,956)	2,699
(Decrease)/increase in provisions for funds provided to the state-owned corporation	(2,192)	47,955
(Decrease) in provisions for restructured loans initially provided as unsecured loans	(12,588)	(900)
<b>Total</b>	<b>14,239</b>	<b>(12,323)</b>

The increase in provisions for rouble loans and deposits placed with resident banks is a result of increased volume of Bank of Russia loans secured with the pledge of promissory notes, credit claims or guarantees of credit institutions, as stipulated by 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’ (Note 5).

The increase in earlier created provisions to secure obligations to participants in the Bank of Russia’s Pension Programme is made pursuant to the Bank of Russia Board of Directors’ decision and according to the forecasted value of pension obligations as of end-2012, based on the actuarial estimate of pension obligations of the Bank of Russia (Note 14).

Provisions for other active operations are made for the Bank of Russia’s claim on re-established debt on unsecured loans owed to the Bank of Russia, pursuant to the Moscow Court of Arbitration ruling, and for shares of a closed unit investment fund, which the Bank of Russia retained pursuant to the Agreement on out-of-the-court foreclosure of the received collateral for the partial repayment of the debt of a credit institution (Notes 5 and 8).

Provisions for a possible debit of funds from the Russian Federation provisional administered account with the IMF are created pursuant to the Bank of Russia Board of Directors’ decision (Note 7).

Provisions for Bank of Russia payments to depositors of bankrupt banks are made pursuant to Federal Law No. 96-FZ, dated 29 July 2004, ‘On Bank of Russia Compensation Payments on Household Deposits with Bankrupt Banks Uncovered by the Deposit Insurance System’, and Bank of Russia regulations. The decrease in provisions is connected with the decrease in funds transferred by the Bank of Russia to agent banks for compensation payments to the depositors of bankrupt banks (Note 8).

The decrease in provisions for promissory notes acquired from credit institutions is due to the improved quality of debt servicing by credit institutions (Note 6).

The decrease in provisions for credit institutions’ debt on other operations results mainly from credit institutions fulfilling their obligations to the Bank of Russia in compliance with the share exchange agreement (Note 8).

The decrease in provisions for the funds extended to the DIA, a state-owned corporation, as part of measures to prevent bankruptcy of credit institutions, results from partial repayment of the debt (Note 5).

The decrease in provisions for restructured loans, which were initially provided as unsecured loans, mainly results from the partial repayment of the debt of credit institutions whose banking licenses have been revoked with funds transferred by the receiver (the DIA, a state-owned corporation), and also from the sale of assets received by the Bank of Russia under pledge agreements (Note 5).

## 26. OTHER OPERATING EXPENSES

	<i>(millions of roubles)</i>	
	<b>2012</b>	<b>2011</b>
Depreciation allowances	11,325	10,935
Expenses on IT maintenance and logistics	7,614	6,622
Expenses on the replenishment of supplementary pension funds	7,143	2,487
Expenses on the delivery of bank documents and valuables	5,378	4,552
Security expenses	4,985	4,154
Repair expenses	3,729	3,687
Expenses on the maintenance of buildings	2,985	2,965
Expenses involved in the use of titles to intellectual property	2,388	1,955
Taxes and duties paid	1,960	1,955
Postage, telegraph and telephone expenses and expenses on renting communication lines and channels	1,684	1,620
Net negative realised differences for precious metals	624	0
Expenses on operations with precious metals	73	127
Expenses on foreign currency operations	32	14
Net negative realised foreign currency exchange rate differences	0	1,725
Other	5,492	5,199
<b>Total</b>	<b>55,412</b>	<b>47,997</b>

As of 1 January 2013, the Bank of Russia added 7,143 million roubles to the supplementary pension fund for its employees. This was done on the basis of the IFRS-based actuarial appraisal of the pension obligations of the Bank of Russia as of 1 January 2013 (along with the pension expenses for 2012), and recorded as Bank of Russia expenses for 2012 (Note 14).

*Net negative realised differences for precious metals* item reflects net negative realised differences arising from the purchase (sale) of precious metals in the domestic and international markets.

*Expenses on operations with precious metals* mainly reflect payment for such services as receiving and storing precious metals in non-resident banks and for refining precious metals.

*Expenses on foreign currency operations* are mainly comprised of expenses on commissions paid under relevant agreements to the administrator of the unified trading session of interbank currency exchanges and to the credit institution authorised to buy and sell foreign currency on the exchange, as well as expenses related to the maintenance of Bank of Russia correspondent accounts with non-resident banks.

*Net negative realised foreign currency exchange rate differences* reflect those arising from the purchase (sale) of foreign currency in the domestic and international markets at exchange rates that differ from the official rates established by the Bank of Russia as of 1 January 2012. In 2011, the net realised exchange rate differences were negative due to the expenses on the purchase (sale) of foreign currency incurred by the Bank of Russia in the international market as a result of fluctuations of foreign currency exchange rates.

*Other* mainly reflects personnel training expenses; property retirement/sale expenses; business travel expenses; printing and other expenses for the production, purchase and mailing of blank forms and data media; expenses related to the purchase of equipment and accessories put into operation/use, and the annual charge to compensate the administrative expenses of the IMF SDR Department.

## 27. PERSONNEL COSTS

For explanation, see the Statement of Bank of Russia Personnel Costs.

## 28. OFF-BALANCE SHEET CLAIMS AND OBLIGATIONS ACCOUNTS

Claims and obligations on forward operations recorded to off-balance sheet accounts are as follows:

	<i>(millions of roubles)</i>	
	<b>2012</b>	<b>2011</b>
<b>Claims</b>		
Claims for the delivery of roubles in spot transactions	268,341	3,863
Claims for the delivery of foreign currency from non-residents in spot transactions	11,664	45,618
Claims for the delivery of foreign currency-denominated securities from non-residents in spot transactions	484	6,418
Claims for the delivery of foreign currency from non-residents in forward transactions	27,977	32,371
Claims for the delivery of foreign currency-denominated securities from non-residents in forward transactions	15,143	0
Unrealised (negative) exchange rate differences from the revaluation of foreign currency	26	22
<b>Total claims</b>	<b>323,635</b>	<b>88,292</b>
<b>Obligations</b>		
Obligations to deliver foreign currency in spot transactions	268,338	3,864
Obligations to deliver foreign currency from non-residents in spot transactions	11,616	25,189
Obligations to deliver foreign currency-denominated securities from non-residents in spot transactions	484	26,797
Obligations to deliver foreign currency from non-residents in forward transactions	41,825	32,442
Obligations to deliver precious metals from non-residents in forward transactions	1,283	0
Unrealised (positive) exchange rate differences from the revaluation of precious metals	89	0
<b>Total obligations</b>	<b>323,635</b>	<b>88,292</b>

The increase in *Claims for the delivery of roubles in spot transactions* and in *Obligations to deliver foreign currency in spot transactions* results from the existence of spot foreign exchange swap deals in the domestic market as of the reporting date.

The decrease in *Claims for the delivery of foreign currency from non-residents in spot transactions* is attributable to the decrease in spot conversion deals and deals to sell securities in international financial markets as of the reporting date.

The decrease in *Claims for the delivery of foreign currency-denominated securities from non-residents in spot transactions* results from the decrease in spot deals to buy securities in international markets as of the reporting date.

The decrease in *Claims for the delivery of foreign currency from non-residents in forward transactions* results from the reduction in the volume of forward conversion deals in international financial markets in the period between the previous and current reporting dates, with a simultaneous increase, due to their existence as of the reporting date, in put options for precious metals contracted in the course of placing precious metals in conditional deposits.

The increase in *Claims for the delivery of foreign currency-denominated securities from non-residents in forward transactions* results from the existence of deals to buy securities in international financial markets as of the reporting date.

The decrease in *Obligations to deliver foreign currency from non-residents in spot transactions* results from the reduction in the volume of spot conversion deals and deals to buy securities in international financial markets in the period between the previous and current reporting dates.

The decrease in *Obligations to deliver foreign currency-denominated securities from non-residents in spot transactions* results from the decrease of spot deals to sell securities in international financial markets as of the reporting date.

The increase in *Obligations to deliver foreign currency from non-residents in forward transactions* as of the reporting date versus the previous reporting date results from the existence of deals to buy securities in international financial markets with a simultaneous decrease in the volume of forward conversion deals in international financial markets.

The increase in *Obligations to deliver precious metals from non-residents in forward transactions* results from the existence, as of the reporting date, of put options for precious metals contracted in international markets in the course of placing precious metals in conditional deposits.

Other claims and obligations recorded to the off-balance sheet accounts include:

	(millions of roubles)	
	2012	2011
Securities accepted as collateral for funds placed	13,813	18,812
Securities received on a repo basis	2,045,257	656,392
Guarantees and sureties received	369,065	297,020
Assets accepted as collateral for funds placed, except securities and precious metals	366,664	133,008
Unused lines of credit facilities	363,459	408,683
Guarantees and sureties issued	325,780	342,856
Settlements with the IMF related to servicing funds raised and placed	4,018	590
Arrears in interest payments on the principal debts not written off the balance sheet	3,820	2,107

Securities accepted as collateral for funds placed are securities accepted by the Bank of Russia from credit institutions as collateral for its extended loans.

Securities received by the Bank of Russia on a repo basis are mainly securities accepted as collateral in repos with credit institutions in the domestic securities market, and foreign issuers' securities received by the Bank of Russia as collateral in repos with non-residents in international markets.

Securities received by the Bank of Russia as collateral in repos with resident credit institutions in the domestic securities market are accounted for at their current (fair) value, totalling 1,970,173 million roubles (2011: 561,035 million roubles) (Note 5).

Securities received by the Bank of Russia as collateral in repos with non-residents are accounted for at their current (fair) value, totalling 74,986 million roubles (2011: 95,357 million roubles), of these, securities received in reverse repos that match repos have a current (fair) value of 38,313 million roubles (2011: 16,117 million roubles) (Notes 4 and 10).

Besides, as of end-2012, the Bank of Russia received additional collateral (margin) in the form of securities of foreign issuers in repos with non-residents in international markets, with the total current (fair) value of 98 million roubles (2011: 0 million roubles). These securities were received due to the excess of the total volume of Bank of Russia counterparty's obligations over the total volume of Bank of Russia obligations in all repos with that counterparty.

The increase in this item results from the growth in the volume of repos concluded in the domestic market.

The guarantees and sureties received by the Bank of Russia are credit institutions' guarantees accepted as collateral on loans extended.

Assets accepted as collateral for funds placed, except for securities and precious metals, are claims under loan agreements accepted by the Bank of Russia as collateral for loans extended to credit institutions; these assets total 366,664 million roubles (2011: 133,008 million roubles).

Unused lines of credit facilities amounting to 363,459 million roubles (2011: 408,683 million roubles) consist mainly of the unused credit line of IMF loans under the New Arrangements to Borrow, totalling 7,709.3 million SDRs or 360,942 million roubles (2011: 8,139.6 million SDRs or 401,063 million roubles) (Note 7).

The guarantees and sureties issued are Bank of Russia contingent liabilities to the IMF to pay for the increase in the Russian Federation's quota with the IMF in line with the General Review of Quotas. The Bank of Russia records its contingent liabilities to the IMF to pay for the increase in the Russian Federation's quota with the IMF in the amount of 6,958.3 million SDRs or 325,780 million roubles (2011: 6,958.3 million SDRs or 342,856 million roubles) (Note 13). The decision to increase country quotas with the IMF under the 14<sup>th</sup> General Review of Quotas raises the new Russian Federation's quota to 12,903.7 million SDRs or to 2.7% of the total of all IMF quotas. The payment of all membership quota increases is coordinated by the IMF and is rescheduled for 2013. Simultaneously with the increase of IMF membership quotas, the amounts of credit lines opened for the IMF by the parties to the New Arrangements to Borrow will be decreased. Accordingly, the maximum ceiling for the participation of the Russian Federation (represented by the Bank of Russia) in the NAB will be lowered from 8,740.8 million SDRs to 4,440.9 million SDRs.

As an IMF member country, the Russian Federation participates in the burden-sharing mechanism offsetting protracted arrears of certain members on the payment of their overdue obligations to the IMF. Under this mechanism, the SDR interest rate charged to IMF borrowers and paid to IMF creditors is increased and lowered, respectively. Settlements with the IMF related to servicing raised and placed funds represent amounts of the Russian Federation claims on the IMF for paid interest rate surcharges and charged interest rate discounts that accrued in 1993—2005 and in 2009—2012 within the framework of the burden-sharing mechanism, and totalled 85.8 million SDRs (4,018 million roubles) as of 1 January 2013.

Arrears in interest payments on the principal debt not written off the balance sheet are mainly comprised of interest unassigned for receipt, which accrued on loans and other funds placed, provided by the Bank of Russia to credit institutions.

## 29. POST-ACCOUNTING DATE EVENTS

The adjustment of the amount of taxes and duties after the final settlement for the reporting tax period are recognised in Bank of Russia accounting records in 2013. Taxes and duties after the final settlement, paid on 27 March 2013, from the Bank of Russia's 2012 profit, amounted to 3 million roubles (*Statement of Profit and its Allocation and Table Capital, funds and profit allocation*).

With respect to the relative amount of actual profit for the year remaining in the Bank of Russia after the payment of taxes and duties pursuant to the Tax Code of the Russian Federation, 97,507 million roubles are to be transferred to the federal budget and allocated to the Bank of Russia's Funds (*Statement of Profit and its Allocation and Table Capital, funds and profit allocation*). This is done pursuant to Federal Law No. 245-FZ, dated 30 September 2010, 'On Amending the Budget Code and Other Laws of the Russian Federation' (as amended), which suspends Part 1 of Article 26 of the Federal Law 'On the Central Bank of the Russian Federation (Bank of Russia)' until 1 January 2016. This also takes into account the transfer to the federal budget of proceeds from the sale of Sberbank shares in 2012 in compliance with Federal Law No. 247-FZ, dated 3 December 2012, 'On Amending the Federal Law 'On the Federal Budget for 2012 and the Plan Period of 2013 and 2014''.

Interest on the assets of the Reserve Fund and National Wealth Fund for the period of 16 January to 31 December 2012 totalled 27,893 million roubles. Under the agreement, the calculated amount of the interest income was verified, resulting in a downward adjustment by 2,247 million roubles of the accrued interest for the period of 1 January to 15 January 2013. The amount of adjustment is accounted for in 2013 as part of other income of the Bank of Russia.

In January 2013, the Bank of Russia partially recovered the funds written off the compensation deposit placed by the Bank of Russia with a credit institution under Federal Law No. 173-FZ, dated 13 December 2008, 'On Additional Measures to Support the Financial System of the Russian Federation', in order to partially compensate this credit institution's losses (expenses), which had been caused by the default of borrowers that had their banking licenses revoked, in the amount of 38 million roubles. As of 14 January 2013, the compensation deposit totalled 2,263 million roubles. Provisions for possible losses of funds placed by the Bank of Russia in the compensation deposit, that were created for 100% of the written-off compensation deposit pursuant to the Bank of Russia Board of Directors' decision, have been reduced in 2013 by the amount of the recovered part of the compensation deposit.

The Bank of Russia's stakeholding in the authorised capital of Moscow Exchange went down to 22.47% in February 2013, after the authorised capital was increased as part of preparations for the IPO of its ordinary shares by means of offering additional ordinary uncertificated shares through closed subscription for the benefit of MICEX-Finance, a limited liability company (decision of Moscow Exchange extraordinary general shareholders meeting, dated 21 September 2012).

In January 2013, under the NAB, the Bank of Russia lent to the IMF 58.5 million SDRs (or 2,730 million roubles at the official SDR to the rouble exchange rate as of the transaction date). In February 2013, the IMF repaid part of the debt under the NAB in the amount of 12.3 million SDRs (or 569 million roubles at the official exchange rate as of the transaction date), and also transferred 44.0 million SDRs (or 2,034 million roubles at the official exchange rate as of the transaction date) towards decreasing the reserve tranche position.

According to the communication received from the IMF in February 2013, the accrued remuneration on the reserve tranche in November and December 2012 was decreased by the discount under the burden-sharing mechanism. Consequently, the previously recorded income was adjusted by 1.4 million roubles. The withheld amount (30,099 SDRs) was recognised on the off-balance sheet account that records the appropriate claims on the IMF.

In March 2013, the Bank of Russia signed a bilateral agreement with the IMF to extend a loan of 10 billion USD to the IMF. The Bank of Russia opened a credit line for this amount in order to record its contingency obligations to the IMF. Lending under bilateral agreements is meant to become a second, after the NAB, line of resource support provided to the IMF and can be requested by the IMF only when the total potential of its available quota and borrowed resources falls below the threshold

of 100 billion SDRs (in March 2013, the uncommitted balance of IMF resources amounted to 226 billion SDRs). The agreement is based on the IMF standard terms. Claims on the IMF under this agreement will be included in the Russian Federation international reserves.

In 2013, the IMF plans a second allocation of 2009—2010 windfall gold sales profits from its general reserve, similar to the first one. The Russian Federation's share of profits, equal to its quota share, is preliminary estimated at 43.69 million SDRs and will be defined more precisely as of the date of the general reserve allocation. The IMF funds allocation schemes and their further use will be similar to the 2012 allocation. The funds are again expected to be transferred by member countries to the IMF Poverty Reduction and Growth Trust (PRGT).

In 2013, the Bank of Russia is working on establishing a single financial market mega-regulator based on the Bank of Russia by means of integrating the Federal Financial Markets Service (FFMS) into the Bank of Russia system as a separate Bank of Russia structural division starting from 1 August 2013.

The Bank of Russia Board of Directors decided to pay a one-off compensation payment to its employees who reach the age of retirement, upon terminating their employment in 2013. Funds for such one-off payments are included in the 2013 expense budget of the Bank of Russia Social Fund.

## STATEMENT OF PROFIT AND ITS ALLOCATION

	<i>(millions of roubles)</i>	
	<b>2012</b>	<b>2011</b>
1. Actual profit for the year	247,326	21,903
2. Taxes and duties paid from Bank of Russia profit under the Tax Code of the Russian Federation, total:	162	168
of which:		
— advance payments in the reporting year	159	167
— after the final settlement for the reporting year*	3	1
3. Profit after the payment of taxes and duties under the Tax Code of the Russian Federation	247,164	21,735
4. Proceeds received from the sale of Sberbank shares and transferred to the federal budget in 2012	149,657	0
5. Funds to be transferred to the federal budget and allocated to Bank of Russia funds	97,507	21,735

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 by calculating 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 this law.

In the reporting year, the Bank of Russia operations in the domestic market had dominating influence on its financial performance. As interest rates were going down in global financial markets, the Bank of Russia’ income from reserve assets placement and interest expenses on the assets of the Reserve Fund and National Wealth Fund were lower than in the previous year. At the same time, the banking sector’s high demand for liquidity and ensuing level of rates on Bank of Russia market operations resulted in a significant growth of its interest income on standard facility operations. This factor, along with partial sale in September 2012 of Sberbank shares owned by the Bank of Russia, generated the 2012 financial result on a substantially higher level than in 2011.

The Bank of Russia’s profit for the year is allocated according to the procedure established by Article 26 of the Federal Law ‘On the Central Bank of the Russian Federation (Bank of Russia)’. This article stipulates that after the Bank of Russia’s annual financial statements have been approved by its Board of Directors, the Bank of Russia must transfer 50% of its actual year profit remaining after the payment of taxes and duties under the Tax Code of the Russian Federation to the federal budget. The Bank of Russia Board of Directors transfers retained profit to reserves and various funds.

Pursuant to Articles 5 and 6 of Federal Law No. 245-FZ, dated 30 September 2010, ‘On Amending the Budget Code and Other Laws of the Russian Federation’ (as amended), Part 1 of Article 26 of the Federal Law ‘On the Central Bank of the Russian Federation (Bank of Russia)’ has been suspended until 1 January 2016. The share of the actual year profit for 2012 remaining after the payment of taxes and duties under the Tax Code of the Russian Federation and to be transferred by the Bank of Russia to the federal budget has been set at 75%.

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\*The payment of taxes and duties from the reporting year’s profit pursuant to the Tax Code of the Russian Federation after the final calculation of profit for the reporting tax period, and the allocation of the reporting years’ actual profit retained after the payment of taxes and duties, including proceeds from the sale of Sberbank shares that were transferred to the federal budget in 2012, in compliance with Federal Law No. 247-FZ, dated 3 December 2012, ‘On Amending the Federal Law ‘On the Federal Budget for 2012 and the Plan Period of 2013 and 2014’, are recognised in the Bank of Russia’s balance sheet for the current year.

In compliance with Clause 12 (c) Article 1 of Federal Law No. 247-FZ, dated 3 December 2012, ‘On Amending the Federal Law ‘On the Federal Budget for 2012 and the Plan Period of 2013 and 2014’’, a part of funds totalling 149,657 million roubles, received by the Bank of Russia from the sale of its Sberbank shares, appraised as the difference between sales proceeds and the balance sheet value of the above-mentioned shares net of transaction costs, was transferred by the Bank of Russia to the federal budget on 4 December 2012.

A part of the 2012 profit after the payment of taxes and duties under the Tax Code of the Russian Federation, including proceeds from the sale of Sberbank shares that were transferred to the federal budget in 2012, in compliance with Federal Law No. 247-FZ, dated 3 December 2012, ‘On Amending the Federal Law ‘On the Federal Budget for 2012 and the Plan Period of 2013 and 2014’’, in the amount of 97,507 million roubles (2011: 21,735 million roubles), is to be transferred to the federal budget and allocated to the Bank of Russia’s Funds in the current year.

The amount in the item *Funds to be transferred to federal budget and allocated to Bank of Russia funds* for 2011 (21,735 million roubles) includes funds transferred to the federal budget in 2012 from the 2011 profit, totalling 16,301 million roubles, and funds, transferred in 2012 to Bank of Russia funds in line with the procedures of allocating retained profit for 2011, totalling 5,434 million roubles, of which 5,217 million roubles were transferred to the Bank of Russia Reserve Fund and 217 million roubles went to the Bank of Russia Social Fund (*Table Capital, funds and profit allocation*).

## STATEMENT OF BANK OF RUSSIA RESERVES AND FUNDS

	<i>(millions of roubles)</i>						
	Reserve Fund	Social Fund	Accrued precious metal revaluation	Positive revaluation of securities available for sale	Accrued foreign currency exchange rate	Growth in the value of property after differences	Total
<b>Opening balance of the reporting year inclusive of funds received as a result of profit allocation for the year preceding the reporting year*</b>							
	261,253	4,954	1,199,807	105,336	1,658,501	7,966	3,237,817
Transferred to funds from other sources	0	4	0	38,341	0	0	38,345
Funds used	0	(750)	(2,583)	(52,915)	(498,457)	0	(554,705)
<b>Opening balance of the year following the reporting year</b>							
	261,253	4,208	1,197,224	90,762	1,160,044	7,966	2,721,457



\* The allocation of the actual profit for 2011 retained by the Bank of Russia is recognised in its balance sheet for the reporting year, of which 217 million roubles were transferred to the Social Fund, and 5,217 million roubles went to the Reserve Fund (Table Capital, funds and profit allocation).

Pursuant to Article 26 of the Federal Law ‘On the Central Bank of the Russian Federation (Bank of Russia)’, once the Annual Financial Statements have been approved by the Board of Directors, the Bank of Russia allocates to reserves and funds its profit, retained after the payment of taxes and duties under the Tax Code of the Russian Federation and after transferring a part of this profit to the federal budget. The procedure for allocating Bank of Russia retained profit is established by the Bank of Russia Regulation ‘On the Procedure for Allocating Profit Retained by the Bank of Russia’, which was approved by the National Banking Board on 9 April 2003.

Pursuant to the Bank of Russia Regulation ‘On the Bank of Russia Reserve Fund’, the Bank of Russia created the Reserve Fund for the purpose of ensuring stability for the fulfilment by the Bank of Russia of the functions assigned to it by law. The Bank of Russia Reserve Fund is formed from its profits. According to the decision of its 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.

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 Social Fund is mainly used to provide one-off social benefits to Bank of Russia employees. The Social Fund is formed with Bank of Russia retained profit.

The procedure for creating and using the Social Fund is governed by the Bank of Russia Regulation ‘On the Social Fund of the Central Bank of the Russian Federation’.

According to the decision of the Bank of Russia Board of Directors, beginning from 1 January 2007, precious metals are recognised in the accounting records at their book price and revalued daily. In 2012, the negative unrealised differences exceeded the positive ones by 2,583 million roubles. This excess was written off on account of the previously accrued revaluation recorded to the balance sheet account *Accrued precious metal revaluation* as part of the Bank of Russia capital (in 2011, the positive unrealised differences exceeded the negative ones by 197,709 million roubles) (Table *Capital, funds, and profit allocation*).

The accrued foreign currency exchange rate differences result from the revaluation of foreign currency funds, caused by changes in the official rate of foreign currencies against the rouble. In 2012, the negative unrealised foreign currency exchange rate differences exceeded the positive ones by 498,457 million roubles. This excess was written off on account of the previously accrued revaluation recorded to the balance sheet account *Accrued foreign currency exchange rate differences* as part of the Bank of Russia capital (in 2011, the positive unrealised foreign currency exchange rate differences exceeded the negative ones by 593,010 million roubles) (Table *Capital, funds, and profit allocation*).

In compliance with the Bank of Russia’s accounting rules, beginning from 1 January 2008, securities available for sale have been evaluated (revalued) at their current (fair) value. In 2012, the accrued positive revaluation of securities available for sale, totalling 38,341 million roubles (2011: 69,555 million roubles), was recorded to the balance sheet account *Positive revaluation of securities available for sale* as part of Bank of Russia capital. The positive revaluation accrued in previous years was written off, as the securities of the corresponding issue (issuer) were retired (sold) in 2012, and also used to settle the negative unrealised revaluation of the securities of the corresponding issue (issuer) accrued in 2012 and totalling 52,915 million roubles (2011: 32,076 million roubles) (Table *Capital, funds, and profit allocation*).

The fixed asset revaluation fund is the increase in the value of property due to the revaluation of fixed assets, made in compliance with the Russian Federation Government Resolutions 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>	
	<b>2012</b>	<b>2011</b>
<b>Foreign issuers' debt obligations, of which:</b>		
US and Canadian issuers' debt obligations	5,235,903	5,082,950
— denominated in US dollars	4,907,346	4,860,551
— denominated in euros	0	0
— denominated in Canadian dollars	328,557	222,399
EU issuers' debt obligations	7,151,246	6,925,705
— denominated in US dollars	151,485	140,232
— denominated in euros	5,731,152	5,710,820
— denominated in pounds sterling	1,267,730	1,074,653
— denominated in Australian dollars	879	0
Japanese issuers' debt obligations	134,474	214,616
— denominated in Japanese yen	134,474	214,616
Australian issuers' debt obligations	147,193	0
— denominated in Australian dollars	147,193	0
Debt obligations of international organisations	72,315	86,394
— denominated in US dollars	67,281	50,873
— denominated in euros	3,136	32,932
— denominated in pounds sterling	1,328	2,589
— denominated in Australian dollars	570	0
<b>Subtotal</b>	<b>12,741,131</b>	<b>12,309,665</b>
<b>Russian issuers' debt obligations, of which:</b>		
Russian federal government debt obligations	370,182	332,738
— denominated in roubles	217,324	183,926
— denominated in US dollars	152,858	148,812
Other Russian issuers' debt obligations (excluding promissory notes)	411	407
— denominated in roubles	411	407
Promissory notes issued by credit institutions	23	23
<b>Subtotal</b>	<b>370,616</b>	<b>333,168</b>
<b>Total</b>	<b>13,111,747</b>	<b>12,642,833</b>

Foreign securities are mostly US Treasuries and government debt obligations of France, Germany, the United Kingdom, Canada, Australia, Japan, the Netherlands, Finland, Denmark, Sweden and Austria, as well as debt obligations issued by supranational financial organisations, non-government debt securities guaranteed by the governments of the above countries.

This item grew due to the increase in the Bank of Russia's investments in foreign government securities. Against the background of growing foreign exchange reserve assets, the Bank of Russia has been investing into instruments with the lowest risk, namely, in securities issued by foreign governments.

In 2012, the Bank of Russia did not perform any operations with its own portfolio securities or bonds in the domestic securities market. As a result of the situation in the monetary sphere, the Bank of Russia performed operations in the domestic securities market to provide money to credit institutions, namely, overnight, seven-day, three-month and twelve-month repos with securities, including government securities, debt obligations, and other Russian issuers' stock.

Rouble-denominated Russian government debt obligations are known as OFZ bonds (federal government bonds).

The increase in the balance in this item results from the revaluation of securities at current (fair) value.

US dollar-denominated Russian government debt obligations are known as external foreign currency bonds. The increase in the balance in this item results from the revaluation of securities at current (fair) value.

Debt obligations of other Russian issuers denominated in roubles are securities issued by the regional governments of the Russian Federation. The increase in the balance of this item results from the revaluation of securities at current (fair) value.

**BANK OF RUSSIA INVESTMENTS IN AUTHORISED CAPITAL  
OF BANKS AND OTHER ORGANISATIONS**

(millions of roubles)

<b>Title</b>	<b>2012</b>		<b>2011</b>	
	<b>Balance sheet value</b>	<b>Share in authorised capital, percent (at par)</b>	<b>Balance sheet value</b>	<b>Share in authorised capital, percent (at par)</b>
<b>Investments in resident shares, of which:</b>	<b>84,362</b>		<b>91,582</b>	
Sberbank of Russia, Moscow	72,938	50.00% + 1 voting share	84,004	57.58
MICEX-RTS, Moscow	11,421	24.33	7,575	21.60
St Petersburg Currency Exchange (SPCEX)	3	8.90	3	8.90
<b>Investments in non-resident shares, of which:</b>	<b>1,347</b>		<b>1,423</b>	
Bank for International Settlements, Basel	1,346	0.57	1,422	0.57
Society for Worldwide Interbank Financial Telecommunications (S.W.I.F.T.), Belgium	0.648	0.006	0.671	0.006
<b>Other investments, of which:</b>	<b>10</b>		<b>10</b>	
Interstate Bank, Moscow	10	50.00	10	50.00

The Bank of Russia participates in the capital of credit institutions and other resident organisations, pursuant to Article 8 of the Federal Law ‘On the Central Bank of the Russian Federation (Bank of Russia)’.

Pursuant to the decision taken by the National Banking Board, dated 22 March 2011, and approved by the Russian Government (Russian Federation Government Executive Order No. 852-r, dated 17 May 2011), to reduce Bank of Russia stake in Sberbank’s authorised capital in 2011–2013, in September 2012, the Bank of Russia sold its 1,712,994,999 ordinary shares of Sberbank that constituted 7.58% of the latter’s authorised capital. This sale reduced the Bank of Russia’s share in Sberbank’s authorised capital from 57.58% to 50% plus one voting share.

The Bank of Russia’s stake in the authorised capital of Moscow Exchange went up from 21.6% to 24.33% as a result of executed obligations, in January 2012, under the share exchange agreement that the Bank of Russia had concluded with one of the shareholders of the united exchange in 2011. Under this agreement, the RTS shares payable as dividends to the Bank of Russia were transferred to that shareholder in exchange for shares in the MICEX-RTS that the shareholder transferred to the Bank of Russia.

Change in *Shares of credit institutions and other organisations* (investments in non-resident shares) was caused by the revaluation of the Bank of Russia’s investments in the authorised capital of the Basel-based Bank for International Settlements and Society for Worldwide Interbank Financial Telecommunications (S.W.I.F.T.), Belgium, as a result of the change in the exchange rate of foreign currencies against the rouble.

**STATEMENT OF VOLUME OF BANK OF RUSSIA TRANSACTIONS  
ON STOCK EXCHANGES AND / OR OTHER TRADE ORGANISERS  
IN THE SECURITIES MARKET**

(millions of roubles)

Trade organiser	Volume of Bank of Russia own securities trading, including repos		Volume of Bank of Russia securities trading at the instruction of its customers		Volume of Bank of Russia sales of collateral for Lombard loans and repos	
	2012	2011	2012	2011	2012	2011
Moscow Exchange*	1,750,712	14,613,068	717,758	826,528	0	0
MICEX Stock Exchange	85,486,211	7,934,169	93,290	0	0	0
St Petersburg Currency Exchange (SPCEX)	6,946	1,076	0	0	0	0
	<b>87,243,869</b>	<b>22,548,313</b>	<b>811,048</b>	<b>826,528</b>	<b>0</b>	<b>0</b>

The column *Volume of Bank of Russia own securities trading, including repos* shows summary volumes of the following Bank of Russia operations with securities:

- the purchase of securities in the first leg of repos;
- the sale of Russian government securities from the Bank of Russia's portfolio;
- the placement (sale) and repurchase of securities issued by the Bank of Russia (Bank of Russia bonds);

The change in the volume of transactions was mostly caused by a significant increase in repo transactions, as well as by the lack of the Bank of Russia's operations with its own portfolio in the domestic securities market in 2012.

The column *Volume of Bank of Russia securities trading at the instruction of its customers* shows summary data for the corresponding year on the purchase and sale of Russian government securities by the Bank of Russia at the instruction of the Pension Fund and Ministry of Finance under agency agreements. In 2012, the Bank of Russia did not perform any operations at the instruction of the Russian Federation Pension Fund.

In 2011 and 2012, the Bank of Russia did not sell collateral for Lombard loans and repos.

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\* On 29 June 2012, the MICEX-RTS, an open joint-stock company, was renamed to Moscow Exchange MICEX-RTS, an open joint-stock company (short name: Moscow Exchange).

## STATEMENT OF BANK OF RUSSIA PERSONNEL COSTS

<b>Expenditure items</b>	<i>(millions of roubles)</i>	
	<b>2012</b>	<b>2011</b>
Compensation	76,265	69,032
Compensation charges	14,153	10,515
<b>Total Bank of Russia personnel costs</b>	<b>90,418</b>	<b>79,547</b>

The Bank of Russia's personnel costs grew by 10,871 million roubles, or 13.7%, against 2011, with compensation-related expenses up by 7,233 million roubles, or 10.5%, and compensation charges up by 3,638 million roubles, or 34.6%.

Compensation expenses include: salary payments; seniority bonuses for length of service with the Bank of Russia; additional payments for participation in audits and inspections; other increments and benefits established by Bank of Russia regulations; monthly and year-end bonuses; regular paid leaves and study leaves; a one-off allowance for annual paid leaves; emergency allowances; benefits for employees living or working in regions affected by the Chernobyl nuclear power plant disaster; benefits for employees taking leave to care after children under the age of three; allowances for temporary disability due to disease or injury paid in the first three days of disability; and other benefits.

Bank of Russia employees receive other benefits under applicable legislation of the Russian Federation and Bank of Russia regulations. These are as follows: hardship bonus payments (regional premiums and percentage increments) to employees working in the Extreme North and similar regions, compensation for holiday travel expenses to these employees and their non-working family members for the payment of their round-trip tickets, and for the expenses incurred in moving to a new place of residence in a different region upon the expiration of their labour contracts or due to retirement.

The number of Bank of Russia employees decreased by 1,977 people in 2012 (3.0%) to 64,475. The decrease resulted from measures to optimise the Bank of Russia's structure and staff size.

The average monthly income of a Bank of Russia employee in 2012 was 98,572 roubles (2011: 86,568 roubles).

Insurance contributions to government extra-budgetary funds constituted 18.4% of total compensation-related expenses (2011: 15%). Charges to the Social Insurance Fund for compulsory social insurance against employment injury and occupational disease were made at the fixed rate of 0.2%.

The expenses for the remuneration of key management personnel (members of the Bank of Russia Board of Directors, the Deputy Chairpersons of the Bank of Russia, and the Chief Auditor of the Bank of Russia — 17 persons) amounted to 258.1 million roubles, or 0.3% of the total Bank of Russia personnel costs, including 48.3 million roubles in year-end bonuses for 2011 (2011: 233.7 million roubles or 0.3%, including 46.6 million roubles in year-end bonuses for 2010).

## STATEMENT OF CAPITAL INVESTMENT BUDGET PERFORMANCE

<b>Capital investment</b>		<i>(millions of roubles)</i>	
	<b>Approved for 2012</b>	<b>Actual amount in 2012</b>	<b>Actual amount in 2011</b>
<b>Capital investment</b>	<b>18,940</b>	<b>16,185</b>	<b>14,173</b>
Capital investment in fixed assets, of which:			
— capital investment in information technology	7,266	6,354	6,359
— capital investment in construction (reconstruction) and logistics (except cash turnover management)	6,143	5,394	3,852
— capital investment relating to cash turnover management	2,945	2,602	1,918
— capital investment relating to security and protection of Bank of Russia facilities	1,188	1,164	1,527
Capital investment in intangible assets	861	671	517
Centralised capital investment reserve	537	0	0
Memo item:			
<b>Other capital expenses</b>	<b>2,051</b>	<b>1,819</b>	<b>1,578</b>
<b>Total capital expenses</b>	<b>20,991</b>	<b>18,004</b>	<b>15,751</b>

Capital investment in information technology made up the largest part of Bank of Russia capital investment (39.3%), followed by construction (reconstruction) and logistics (33.3%). The share of capital investment in cash turnover management was 16.1%, capital investment in the security and protection of Bank of Russia facilities made up 7.2%, and capital investment in intangible assets was 4.1%.

Capital investment in information technology in 2012 remained at the same level as in 2011, and was used for the following purposes: to maintain the existing operation of accounting systems; to complete the transfer of regional payment data processing systems to the Collective Data Processing Centres in Moscow and in Nizhny Novgorod; and to develop the information analysis systems of the Bank of Russia, including the unified information system for supporting Bank of Russia activities in the area of banking sector regulation and development. The funds were also used to develop the functionality of the transport system of electronic settlements and the unified transport environment for electronic interaction between Bank of Russia regional branches and their clients, and of applied transport networks, Intranet, and the security components of information analysis systems; to develop the technical infrastructure (including the engineering systems) supporting the operation of Bank of Russia information and telecommunications system; and to ensure data security and protection.

The Bank of Russia's capital investments in construction (reconstruction) and logistics (except for cash turnover management) increased by 1,542 million roubles or by 40%, and were used to build (reconstruct) 115 office buildings and other facilities; to set up engineering and technical systems and installations for building operation and maintenance; to purchase replacement equipment, tools and furniture; and to additionally equip operating facilities, refurbish facilities, and purchase vehicles.

Capital investment in cash turnover management grew by 684 million roubles, or by 35.7%. In 2012, the funds were used to reconstruct (build) 10 cash depositaries and cash centres; to modernise cash processing equipment and re-equip the Bank of Russia's offices with modern and highly efficient systems, including creation of modular facilities on the basis of banknote processing systems; and to develop (modernise) video systems for the surveillance and recording of operations with valuables.

Capital investment relating to the security and protection of Bank of Russia facilities decreased by 363 million roubles, or 23.8%. The funds were used to establish and develop fire-alarm systems, video security and surveillance systems, control and access systems, as well as to replace expired and obsolete facilities.

Capital investment in intangible assets increased by 154 million roubles, or 29.8%, in the year under review. It was used to purchase and develop software products (constituting the intellectual property of the Bank of Russia) for information technology support and to ensure the security and protection of information.

Other capital expenses include expenses for the purchase of the right to use certain software products (not categorised as intangible assets), as well as licences, certificates and permits that are valid for over one year. Compared to 2011, these expenses increased by 241 million roubles, or by 15.3%.



**Auditor's Report  
on the Bank of Russia Annual Financial Statements as of 1 January 2013**

**To the management of the Central Bank of the Russian Federation:**

**Audited Entity**

Full title of the Bank: The Central Bank of the Russian Federation (Bank of Russia).

Domicile: 12 Neglinnaya Street, Moscow 107016, Russian Federation.

State registration certificate: 77 No. 006996300, issued on 10 January 2003.

The Bank of Russia performs its functions pursuant to the Constitution of the Russian Federation, Federal Law No. 86-FZ, dated 10 July 2002, 'On the Central Bank of the Russian Federation (Bank of Russia)' (as amended) and other federal laws.

**Auditor**

PricewaterhouseCoopers Audit, a closed joint-stock company (PwC Audit), located at: 10 Butyrsky Val Street, Moscow 125047, Russian Federation.

The joint-stock company's state registration certificate No. 008.890 was issued by the Moscow Registration Chamber on 28 February 1992.

The certificate of registration of a legal entity registered before 1 July 2002, in the Single State Register of Legal Entities No. 1027700148431, dated 22 August 2002, was issued by Moscow Interdistrict Inspectorate No. 39 of the Russian Federation Ministry of Taxes and Duties.

PwC Audit is a member of the Russian Audit Chamber (NP APR), a non-profit partnership and self-regulated organisation of auditors; it has registration number 870 in the NP APR members' register.

PwC Audit is included in the register of auditors and audit organisations under main registration entry number (MREN) 10201003683.

**Subcontractor**

Financial and Accounting Consultants, a limited liability company (FBK), located at: Bldg. 2AB, 44/1 Myasnitskaya Street, Moscow 101990, Russian Federation.

Certificate of state registration YuZ 3 No. 484.583 was issued by the Moscow Registration Chamber on 15 November 1993.

The certificate of registration in the Single State Register of Legal Entities was issued on 24 July 2002 under main state number 1027700058286.

FBK is a member of the Russian Audit Chamber, a non-profit partnership (NP APR); and it has registration number 5353 in the NP APR members' register.

PwC MREN in the register of auditors and audit organisations is 10201039470.

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*PricewaterhouseCoopers Audit, a closed joint-stock company (PwC Audit)  
White Square Business Centre, 10 Butyrsky Val Street, Moscow 125047, Russia  
Phone: +7 (495) 967-6000, fax: +7 (495) 967-6001, www.pwc.ru*



## **Auditor's Report**

We have conducted an audit of the attached Annual Financial Statements of the Central Bank of the Russian Federation (hereinafter, the Bank of Russia) for the period from 1 January to 31 December 2012. Pursuant to Article 25 of Federal Law No. 86-FZ, dated 10 July 2002, 'On the Central Bank of the Russian Federation (Bank of Russia)' (as amended), the Bank of Russia Annual Financial Statements consist of: the annual balance sheet, the profit and loss account (including the statement of profit and its allocation), the statement of Bank of Russia reserves and funds, the statement of Bank of Russia management of securities and stakeholdings in the capital of organisations constituting Bank of Russia property, the statement of Bank of Russia personnel costs, the statement of capital investment budget performance, and the statement of volume of Bank of Russia transactions on stock exchanges and (or) other trade organisers in the securities market (hereinafter all these statements are collectively referred to as the Annual Financial Statements). The Annual Financial Statements were prepared based on the financial reporting that was compiled according to the requirements of the legislation of the Russian Federation and regulations of the Bank of Russia. The Annual Financial Statements prepared on that basis differ from financial reporting prepared according to the International Financial Reporting Standards.

### **Responsibility of the Audited Entity for the Annual Financial Statements**

The management of the Bank of Russia bears responsibility for the compilation and credibility of the Annual Financial Statements, in accordance with the requirements of the Federal Law 'On the Central Bank of the Russian Federation (Bank of Russia)' (as amended); the Federal Law 'On Accounting'; and also according to Bank of Russia Regulation No. 66-P, dated 1 January 2006, 'On the Accounting Rules in the Central Bank of the Russian Federation (Bank of Russia)' (as amended), and bears responsibility for the internal control system required for preparing Annual Financial Statements that are free of material distortions which could result from malpractice or errors.

### **Responsibility of the Auditor**

Our duty is to express our opinion, based on the audit we have conducted, with regards to the credibility of these Annual Financial Statements in every material respect. We have conducted the audit in compliance with the Russian federal standards that govern auditing activities. These standards mandate that we comply with all applicable ethical norms, and the audit was planned and conducted in such a way as to allow us to become reasonably convinced that the Annual Financial Statements contain no material distortions.

The audit includes auditing procedures which are aimed at obtaining audit evidence confirming the numerical indicators of the Annual Financial Statements and disclosure of information. The choice of auditing procedures is subject to our judgement, which is based on our assessment of the risk of material distortions, which may result from malpractice or errors. In the process of assessing this risk, we examined the internal control system that ensures the compilation and credibility of the Annual Financial Statements in order to select the relevant auditing procedures and not for the purpose of expressing an opinion on the efficiency of the internal control system. The audit also includes an assessment of the Bank of Russia's compliance with accounting principles, rules used and the validity of reference indicators obtained by the management, as well as an assessment of the general presentation of the Annual Financial Statements. We believe that the evidence we have obtained in the course of the audit gives us sufficient grounds to formulate a conclusive opinion on the credibility of the Annual Financial Statements, given the limited scope of the audit.



### Audit Scope

The scope of our work and the audit report were qualified with respect to certain accounts and operations of the balance sheet and profit and loss account, to which access was restricted by the provisions of Federal Law No. 5485-1, dated 21 July 1993, 'On State Secrecy' (as amended). Pursuant to Article 25 of Federal Law No. 86-FZ, dated 10 July 2002, 'On the Central Bank of the Russian Federation (Bank of Russia)' (as amended), the credibility of the following data included in the items of the balance sheet and profit and loss account that make up the Annual Financial Statements of the Bank of Russia has been confirmed by the Audit Chamber of the Russian Federation. It did so in its Statement of 26 April 2013, as a result of an audit of the accounts and operations of the Central Bank of the Russian Federation and also information that is covered by Federal Law No. 5485-1, dated 21 July 1993, 'On State Secrecy' (as amended), as of 1 January 2013, and for the period from 1 January to 31 December 2012, inclusive. These operations and items in the Bank of Russia Annual Financial Statements as of 1 January 2013, and for the period from 1 January 2012 to 31 December 2012, consist of:

- Assets totalling 56,745 million roubles;
- Expenses totalling 18,486 million roubles;
- Positive unrealised differences resulting from the revaluation of precious metals totalling 2,064.4 million roubles.

### Opinion

In our opinion, except for the possible impact of the circumstances outlined in the Audit Scope section, the Annual Financial Statements present a reliable reflection, in all material respects, of the Bank of Russia's financial situation as of 1 January 2013 and the outcomes of its financial and economic activity for the period from 1 January 2012 to 31 December 2012, inclusive, as required by the Federal Law 'On the Central Bank of the Russian Federation (Bank of Russia)' (as amended), the Federal Law 'On Accounting' and Bank of Russia Regulation No. 66-P, dated 1 January 2006, 'On the Accounting Rules in the Central Bank of the Russian Federation (Bank of Russia)' (as amended).

General Director

PricewaterhouseCoopers Audit, CJSC

Ye.V. Filippova

8 May 2013



# THE AUDIT CHAMBER OF THE RUSSIAN FEDERATION

2 Zubovskaya St., Moscow 119991

Tel.: 986-05-09, fax: 986-09-52

26 April 2013

No. 06-191/06-03

To the Chairman of the Central Bank  
of the Russian Federation

S.M. IGNATIEV

## STATEMENT

**on the Results of the Examination of the Accounts and Operations  
of the Central Bank of the Russian Federation (Bank of Russia)  
and Data for 2012 Covered by the Federal Law 'On State Secrecy'**

**(approved by the decision of the Collegium of the Audit Chamber of the Russian Federation  
of 26 April 2013, protocol No. 20K (911))**

The Audit Chamber of the Russian Federation has examined the accounts and operations of the Central Bank of the Russian Federation (Bank of Russia) and data for 2012 covered by the Federal Law 'On State Secrecy' at the Bank of Russia's structural divisions and regional branches, pursuant to the provisions of Article 25 of the Federal Law 'On the Central Bank of the Russian Federation (Bank of Russia)' and in accordance with the Work Plan of the Audit Chamber of the Russian Federation for 2013.

The management of the Bank of Russia is responsible for relating information to the category of data covered by the Federal Law 'On State Secrecy', and for delineating the competences of the Audit Chamber of the Russian Federation and the auditing organisation PricewaterhouseCoopers Audit, CJSC, the auditor of the Bank of Russia Annual Financial Statements as of 1 January 2013.

Under the applicable legislation, the Audit Chamber's duty is to present to the Bank of Russia a statement, compiled as a result of the examination of the accounts and operations of the Central Bank of the Russian Federation (Bank of Russia) and data for 2012, covered by the Federal Law 'On State Secrecy', and to express an opinion on the credibility in all material aspects of the Bank of Russia Annual Financial Statements as of 1 January 2013, and on the compliance of the accounting procedure with Russian federal legislation and Bank of Russia regulations.

The Audit Chamber of the Russian Federation has conducted an examination of Bank of Russia accounts and operations, and also data for 2012 covered by the Federal Law ‘On State Secrecy’, in the structural divisions and regional branches of the Central Bank of the Russian Federation (Bank of Russia) in such a way as to become sufficiently convinced that the Bank of Russia’s consolidated annual balance sheet (with respect to sub-accounts and off-balance sheet accounts) as of 1 January 2013, and its consolidated income statement for 2012, falling within the scope of competence of the Audit Chamber of the Russian Federation, do not contain any material errors and adequately recognise in all material aspects the assets and liabilities of the Central Bank of the Russian Federation (Bank of Russia) as of 1 January 2013, and the income and expenses of the Central Bank of the Russian Federation (Bank of Russia) for 2012, in line with the Bank of Russia’s accounting policy.

Having examined the Bank of Russia’s accounts and operations and data for 2012, covered by the Federal Law ‘On State Secrecy’, the Audit Chamber of the Russian Federation confirms, within the scope of its competence, the following data:

Bank of Russia annual balance sheet as of 1 January 2013 (balance sheet assets totalling 56,745 million roubles and balance sheet liabilities totalling 0 million roubles), profit and loss account as of 1 January 2013 (income totalling 0 million roubles and expenses totalling 18,486 million roubles);

precious metals revaluation for the reporting year and as of 1 January 2013: positive unrealised differences from the revaluation of precious metals totalling 2,064.4 million roubles;

consolidated annual balance sheet as of 1 January 2013 (with respect to sub-accounts and off-balance sheet accounts) and the consolidated income statement for 2012;

data on the total number of Bank of Russia notes and coins of 1997 (exclusive of commemorative coins containing precious metals), which should be in circulation as of 1 January 2013.

According to the accounting data of the Central Bank of the Russian Federation relating to the accounts and operations covered by the Federal Law ‘On State Secrecy’, a total of 7,675,387.0 million roubles in Bank of Russia notes and coins of 1997 should be in circulation as of 1 January 2013 (exclusive of commemorative coins containing precious metals).

Over the period from 1 January 2012 to 31 December 2012, the Bank of Russia put into circulation banknotes and coins of 1997 (exclusive of commemorative coins containing precious metals) totalling 10,866,750.0 million roubles, and withdrew from circulation Bank of Russia banknotes and coins of 1997 (exclusive of commemorative coins containing precious metals) totalling 10,094,153.1 million roubles.

Consequently, in the period under review, the amount of Bank of Russia notes and coins of 1997 (exclusive of commemorative coins containing precious metals) in circulation increased by 772,596.9 million roubles.

Auditor

M.I. Beskhmelnitsyn

IV

ADDENDA

## IV.1. PRINCIPAL MEASURES TAKEN BY THE BANK OF RUSSIA TO IMPLEMENT THE SINGLE STATE MONETARY POLICY IN 2012

### MONETARY POLICY INSTRUMENTS AND MEASURES

**INTEREST RATES.** As of the beginning of 2012, the Bank of Russia's refinancing rate and overnight credit rate stood at 8% p.a. The Bank of Russia Board of Directors decided to increase these rates to 8.25% p.a. from 14 September 2012.

The Bank of Russia Board of Directors set the following minimum Lombard credit auction rates:

- Seven-day loans: 5.25% as of the beginning of 2012, and 5.5% p.a. from 14 September 2012;
- Three-month loans: 6.75% as of the beginning of 2012, and 7% p.a. from 14 September 2012;
- Six-month loans<sup>1</sup>: 7.25% as of the beginning of 2012, and 7.5% p.a. from 14 September 2012;
- Twelve-month loans<sup>2</sup>: 7.75% as of the beginning of 2012, and 8% p.a. from 14 September 2012.

The Bank of Russia Board of Directors set the following fixed interest rates on Lombard loans extended pursuant to Bank of Russia Regulation No. 236-P, dated 4 August 2003:

- Overnight, seven-day<sup>3</sup> and 30-day<sup>1</sup>: 6.25% as of the beginning of 2012, and 6.5% p.a. from 14 September 2012.

The Bank of Russia Board of Directors set the following interest rates on loans secured by assets or guarantees that were provided under Bank of Russia Regulation No. 312-P, dated 12 November 2007:

- 90-day: 7% as of the beginning of 2012, and 7.25% p.a. from 14 September 2012;
- 91-day to 180-day: 7.5% as of the beginning of 2012, and 7.75% p.a. from 14 September 2012;
- 181-day to 365-day<sup>2</sup>: 8% as of the beginning of 2012, and 8.25% p.a. from 14 September 2012.

The Bank of Russia Board of Directors set the following interest rates on loans secured by gold provided under Bank of Russia Regulation No. 362-P, dated 30 November 2010:

- 90-day: 6.75% as of the beginning of 2012, and 7% p.a. from 14 September 2012;
- 91-day to 180-day: 7.25% as of the beginning of 2012, and 7.5% p.a. from 14 September 2012;
- 181-day to 365-day: 7.75% from 2 April 2012, and 8% p.a. from 14 September 2012.

The Bank of Russia Board of Directors set the following maximum deposit auction interest rates:

- Seven-day: 4.75% from 10 April 2012, and 5% p.a. from 14 September 2012;
- One-month<sup>4</sup>: 5.5% as of the beginning of 2012, and 5.75% p.a. from 14 September 2012;
- Three-month<sup>1</sup>: 6.5% as of the beginning of 2012, and 6.75% p.a. from 14 September 2012.

The Bank of Russia Board of Directors set the following fixed interest rates on deposit operations:

- Standard 'overnight', 'tom-next', 'spot-next', 'call', '1-week'<sup>3</sup>, and 'spot-week'<sup>3</sup>: 4% as of the beginning of 2012, 4.25% from 14 September 2012, and 4.5% p.a. from 11 December 2012;
- Standard 'tom-1 month': 4% from 2 July 2012, 4.25% from 14 September 2012, and 4.5% from 11 December 2012.

In 2012, the Bank of Russia Board of Directors set the following minimum repo auction interest rates:

- Overnight and seven-day: 5.25% as of the beginning of 2012, and 5.5% p.a. from 14 September 2012;
- Three-month: 6.75% as of the beginning of 2012, and 7% p.a. from 14 September 2012;
- Six-month<sup>1</sup>: 7.25% as of the beginning of 2012, and 7.5% p.a. from 14 September 2012;
- Twelve-month<sup>2</sup>: 7.75% as of the beginning of 2012, and 8% p.a. from 14 September 2012.

<sup>1</sup> These operations were suspended as of the beginning of 2012.

<sup>2</sup> These operations were suspended as of the beginning of 2012 and resumed from 2 April 2012.

<sup>3</sup> These operations were suspended from 17 April 2012.

<sup>4</sup> These operations were suspended from 1 July 2012.



In 2012, the Bank of Russia Board of Directors set the following fixed interest rates on repo operations:

- Overnight and seven-day<sup>1</sup>: 6.25% as of the beginning of 2012, and 6.5% p.a. from 14 September 2012;
- Twelve-month<sup>1</sup>: 7.75% as of the beginning of 2012, and 8% p.a. from 14 September 2012.

In 2012, the Bank of Russia Board of Directors set the following US dollar and euro overnight foreign exchange swap interest rates:

- As of the beginning of 2012: 8% p.a. for the rouble leg of foreign exchange swap transactions, linked to the key interest rate of the US Federal Reserve System for the foreign currency leg of rouble/US dollar FX swaps, and linked to the key interest rate of the European Central Bank for the foreign currency leg of rouble/euro FX swaps;
- From 18 June 2012: 6.5% for the rouble leg of FX swaps, 0% p.a. for the foreign currency leg of FX swaps;
- From 14 September 2012: 6.75% p.a. for the rouble leg of FX swaps;
- From 11 December 2012: 6.5% p.a. for the rouble leg of FX swaps.

**REFINANCING OF CREDIT INSTITUTIONS.** 1. On 9 April 2012, as part of its efforts to improve the system of monetary policy instruments, the Bank of Russia Monetary Policy Committee made the following decisions:

- Instead of conducting one-week repo and Lombard auctions at all times, from 17 April 2012 to conduct weekly auction-based one-week operations either to provide liquidity (repo auction and Lombard credit auction) or to absorb liquidity (deposit auction);
- When calculating the use of limit on the maximum volume of liquidity provided through one-week repo auctions, to take into account bids above or equal to the fixed one-week repo auction interest rates (from 17 April 2012).

2. In 2012, given credit institutions' increased demand for refinancing, the Bank of Russia took a number of steps to broaden credit institutions' access to the Bank of Russia's refinancing facilities and to maintain the banking sector liquidity:

- On 23 March 2012, the Bank of Russia Monetary Policy Committee decided to resume extending Bank of Russia auction-based 12-month Lombard loans pursuant to Bank of Russia Regulation No. 236-P, dated 4 August 2003, and to resume extending its 181-day to 365-day loans secured by assets or guarantees pursuant to Bank of Russia Regulation No. 312-P, dated 12 November 2007 (from 2 April 2012);
- On 30 March 2012, the Bank of Russia Board of Directors decided to extend its 181-day to 365-day loans secured by gold pursuant to Bank of Russia Regulation No. 362-P, dated 30 November 2010 (from 2 April 2012);
- The Bank of Russia amended its Order No. OD-355, dated 13 May 2011, 'On Extending Bank of Russia Loans Secured by Gold to Credit Institutions', by the following documents: Order No. OD-37, dated 17 January 2012; Order No. OD-149, dated 7 March 2012; Order No. OD-273, dated 12 April 2012; and Order No. OD-584, dated 29 August 2012. These orders expand the list of Bank of Russia regional branches, authorised to conclude general credit agreements on extending Bank of Russia loans secured by gold, to twelve branches (the Moscow Branch, Bank of Russia regional branches in Amur, Samara, Chelyabinsk, Novosibirsk, Nizhny Novgorod, Sverdlovsk, and Rostov Regions; in Krasnodar and Primorsky Territories; and the National Banks of the Republic of Buryatia and of the Republic of Sakha (Yakutia) of the Bank of Russia);
- On 21 May 2012, the Bank of Russia Monetary Policy Committee decided to resume its exchange equity repo transactions;

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<sup>1</sup> These operations were suspended as of the beginning of 2012.



— On 23 March 2012, the Bank of Russia Monetary Policy Committee decided to resume 12-month repo auctions (from 2 April 2012).

3. The following documents were prepared to establish a list of assets that may be used as collateral for Bank of Russia refinancing operations:

- Ordinances No. 2804-U, dated 9 April 2012, ‘On Amending Paragraph 2 of Bank of Russia Ordinance No. 2134-U, Dated 27 November 2008, ‘On the Securities Included on the Bank of Russia Lombard List’’, and No. 2861-U, dated 10 August 2012, ‘On the Securities Included on the Bank of Russia Lombard List’, drafted pursuant to the Bank of Russia Board of Directors’ decision to change the minimum international rating required of the issuer/issue of securities that may be included on the Bank of Russia Lombard List;
- Letters No. 24-T, dated 17 February 2012; No. 46-T, dated 4 April 2012; No. 72-T, dated 18 May 2012; No. 82-T, dated 5 June 2012; No. 100-T, dated 9 July 2012; No. 117-T, dated 15 August 2012; No. 131-T, dated 14 September 2012; No. 155-T, dated 14 November 2012; No. 168-T, dated 10 December 2012; No. 182-T, dated 26 December 2012, ‘On the Inclusion of Securities on the Bank of Russia Lombard List’; No. 73-T, dated 18 May 2012, and No. 156-T, dated 14 November 2012, ‘On the Exclusion of Securities from the Bank of Russia Lombard List’;
- Letters No. 27-T, dated 17 February 2012; No. 45-T, dated 30 March 2012; No. 62-T, dated 27 April 2012; No. 91-T, dated 29 June 2012; No. 113-T, dated 10 August 2012; No. 130-T, dated 14 September 2012; No. 139-T, dated 8 October 2012; No. 153-T, dated 1 November 2012; No. 175-T, dated 21 December 2012, ‘On the List of Institutions’.

4. In line with the decisions of the Bank of Russia Board of Directors on the change of interest rates on some of its operations, the Bank of Russia in 2012 issued the following regulatory documents:

- Ordinance No. 2873-U, dated 13 September 2012, ‘On the Bank of Russia Refinancing Rate’;
- Ordinance No. 2878-U, dated 13 September 2012, ‘On the Bank of Russia Overnight Credit Interest Rate’;
- Ordinance No. 2875-U, dated 13 September 2012, ‘On the Bank of Russia Lombard Credit Interest Rate’;
- Ordinance No. 2876-U, dated 13 September 2012, ‘On Interest Rates on Loans Secured by Assets or Guarantees’;
- Ordinances No. 2798-U, dated 30 March 2012, and No. 2877-U, dated 13 September 2012, ‘On Interest Rates on Loans Secured by Gold’.

**DEPOSIT OPERATIONS.** 1. To optimise the system of monetary policy instruments and increase its efficiency, the Bank of Russia implemented the following measures:

- Pursuant to decisions taken by the Bank of Russia Monetary Policy Committee, dated 28 February 2012, and by the Bank of Russia Board of Directors, dated 9 April 2012, one-week deposit auctions were added to the Bank of Russia system of monetary policy instruments (from 10 April 2012);
- On 9 April 2012, the Bank of Russia Monetary Policy Committee decided to suspend one-week and spot-week deposit operations at fixed interest rates (from 17 April 2012);
- On 18 June 2012, the Bank of Russia Monetary Policy Committee decided to suspend one-month deposit auctions and to begin conducting tom-1 month deposit operations at a fixed interest rate on a weekly basis, every Thursday (from the third quarter of 2012).

2. From 1 October 2012, the Bank of Russia Monetary Policy Committee decided to give credit institutions in the Primorsky Territory the right to settle deposit dealings, concluded using the Moscow Exchange trading system, via correspondent accounts opened with the Bank of Russia Primorsky Territory regional branch, along with opening deposit accounts in the said branch.

3. Due to changes in credit institutions’ Chart of Accounts, the Bank of Russia issued Letter No. 162-T, dated 27 November 2012, ‘On Additional Agreements to Master Deposit Agreements and Additional Agreements to Loan Agreements Due to Changed Bank Account Details’.



4. In compliance with the Bank of Russia Board of Directors' decisions to establish a fixed interest rate on standard tom-1 month deposit operations and to change interest rates on its deposit operations, the Bank of Russia issued Ordinances No. 2843-U, dated 29 June 2012; No. 2874-U, dated 13 September 2012; and 2929-U, dated 10 December 2012, 'On Bank of Russia Deposit Interest Rates'.

**OPERATIONS WITH BANK OF RUSSIA BONDS.** Given the money market conditions and factors affecting the banking sector liquidity, on 28 February 2012, the Bank of Russia Monetary Policy Committee decided to suspend quarterly issues of Bank of Russia bonds from March 2012.

### EXCHANGE RATE POLICY MEASURES

In 2012, seeking to increase the flexibility of the rouble exchange rate and to ensure a gradual transition to the inflation targeting regime, the Bank of Russia made the following changes to the parameters of its exchange rate policy mechanism:

- On 24 July 2012, the operational band which limits the fluctuations of the rouble value of the dual-currency basket (0.45 euros and 0.55 US dollars) was symmetrically widened from 6 to 7 roubles, and the cumulative volume of interventions triggering a 5-kopeck shift of the operational band was reduced from \$500 million to \$450 million.

### FOREIGN EXCHANGE REGULATION AND FOREIGN EXCHANGE CONTROL

Within its mandate established by Federal Law No. 173-FZ, dated 10 December 2003, 'On Foreign Exchange Regulation and Foreign Exchange Control', the Bank of Russia in 2012 continued to improve foreign exchange control mechanisms in order to increase its efficiency.

Pursuant to Federal Law No. 406-FZ, dated 6 December 2011, 'On Amending the Federal Law 'On Foreign Exchange Regulation and Foreign Exchange Control' to Simplify Foreign Exchange Control Procedures', the Bank of Russia drafted and issued the following documents:

- Instruction No. 138-I, dated 4 June 2012, 'On Procedures for Residents and Non-residents to Provide Authorised Banks with Documents and Information on Foreign Exchange Operations; on Procedures for Preparing Operations' Identifying Documents; and on Procedures for the Accounting of Foreign Exchange Transactions and Control over Their Execution by Authorised Banks', aimed at optimising foreign exchange control, also by means of reducing hard copy document workflow and expanding the exchange of electronic documents and information between authorised banks and their customers (hereinafter, Bank of Russia Instruction No. 138-I);
- Ordinance No. 2828-U, dated 4 June 2012, 'On Amending Bank of Russia Regulation No. 308-P, Dated 20 July 2007, 'On the Procedure for Passing Information by Authorised Banks about the Violations by Individuals Conducting Foreign Exchange Operations of Foreign Exchange Laws of the Russian Federation and Regulations of Foreign Exchange Control Authorities'', that establishes procedures for electronic submission of bank control records that contain information confirming violations of the requirements of Article 19 of Federal Law No. 173-FZ about Russian and foreign currency repatriation by residents if foreign exchange control authorities receive information concerning such violations in electronic format.

Pursuant to the enacted on 1 October 2012 Bank of Russia Instruction No. 138-I, the Bank of Russia issued Ordinance No. 2869-U, dated 28 August 2012, 'On Amending Bank of Russia Regulation No. 364-P, Dated 29 December 2010, 'On the Procedure for Transferring Electronic Information on Operation IDs under Foreign Trade Agreements (Contracts) by Authorised Banks and Bank of Russia Regional Branches to the Customs Authorities to Perform Their Functions as Foreign Exchange Control Agents'', that changes the list and formats of data transferred to the Federal Customs Service (FCS) and expands the scope of information transferred to the FCS by including foreign trade agreements (contracts) for services, works, transfer of information, or results of intellectual activity, as well as exclusive rights thereof.

## IV.2. PRINCIPAL MEASURES TO UPGRADE BANKING REGULATION AND SUPERVISION IN 2012

### LICENSING OF CREDIT INSTITUTIONS' ACTIVITIES

In 2012, the Bank of Russia continued its efforts to improve the regulatory framework for the state registration of credit institutions and the issuance of banking licences.

Following Russia's accession to the World Trade Organisation (WTO), in order to ensure the equality of conditions for opening branches by subsidiary credit institutions of foreign banks with the conditions existing for Russian credit institutions, the Bank of Russia issued Ordinance No. 2818-U, dated 17 May 2012, 'On Invalidating Clause 28 of Bank of Russia Regulation No. 437, Dated 23 April 1997, 'On the Specifics of the Registration of Credit Institutions with Foreign Investments'', that amends the above-mentioned regulation. The amendments cancel obligations for subsidiary credit institutions of foreign banks (Russian Federation residents) to obtain a preliminary permission from the Bank of Russia when opening a branch in the Russian Federation. Thus, opening of a branch in the Russian Federation by a subsidiary credit organisation of a foreign bank is now subject to a notification requirement instead of an authorisation requirement.

Seeking to improve its regulatory framework and relying on the review of its application, the Bank of Russia adopted Regulation No. 386-P, dated 29 August 2012, 'On the Reorganisation of Credit Institutions in the Form of Merger and Acquisition', which is an updated version of Bank of Russia Regulation No. 230-P, dated 4 June 2003, 'On the Reorganisation of Credit Institutions in the Form of Merger and Acquisition', that, among other things, stipulates the following:

- it specifies the procedure for submitting documents for the state registration of a credit institution established in the form of merger and acquisition when such documents are filed with the Bank of Russia in electronic format;
- it cancels provisions concerning the preparation of an auditor's report on the compliance of reorganisation-related procedures conducted by a reorganised credit institution with applicable law (due to the absence of rules regulating the preparation of such a report by an audit organisation (an individual auditor) in Federal Law No. 307-FZ, dated 30 December 2008, 'On Audit Activities').

Ordinance No. 2839-U, dated 21 June 2012, 'On Amending Clause 5.1 of Bank of Russia 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'' introduces changes that shorten the list of documents, established by Bank of Russia Regulation No. 337-P, dated 19 June 2012, for the assessment of the financial situation of a legal entity whose long-term credit rating assigned by international or national rating agencies is not lower than the minimum rating set in Bank of Russia Regulation No. 337-P, dated 19 June 2012.

Besides, in order to improve the procedures of issuing permits to credit institutions for opening non-resident subsidiaries and acquiring the status of a parent company in relation to operating non-resident legal entities, the Bank of Russia issued Ordinance No. 2955-U, dated 27 December 2012, 'On Amending Bank of Russia Regulation No. 290-P, Dated 4 July 2006, 'On the Procedure for the Issuance of Permits by the Bank of Russia to Credit Institutions to Open Subsidiaries in Foreign Countries'', that stipulates obtaining by a credit institution of a single permit for acquiring a parent company status in relation to an operating non-resident organisation that has non-residents subsidiaries at the time of such acquisition, and introduces other amendments related to the application of the above-mentioned Bank of Russia Regulation.

The Bank of Russia ensures control over the disclosure of ownership structure by credit institutions. For that purpose, the Bank of Russia issued in 2012 the following documents:



- Ordinance No. 2788-U, dated 28 February 2012, ‘On Amending Clause 61.1 of Bank of Russia Ordinance No. 1379-U, Dated 16 January 2004, ‘On the Assessment of Financial Soundness of a Bank for the Purpose of Ascertaining its Adequacy for Participating in the Deposit Insurance System’.

The Ordinance requires that banks participating in the deposit insurance system post data on their official websites concerning the persons that have material influence (direct or indirect) on their activities, following samples and examples provided in Bank of Russia 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’, as a List of persons who have material influence (direct or indirect) on the bank activity and a Chart showing connections between the bank and the persons who have material influence (direct or indirect) on its activity.

- Ordinance No. 2827-U, dated 4 June 2012, ‘On Amending Bank of Russia 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’.

The Ordinance specifies procedures for banks to notify Bank of Russia regional branches about their refusal to use the Bank of Russia official website to post data on persons who have material (direct or indirect) influence on their activity; and also specifies procedures for compiling the List and drawing the Chart of persons who have material (direct or indirect) influence on their activity.

- Ordinance No. 2852-U, dated 19 July 2012, ‘On Amending Bank of Russia Regulation No. 307-P, Dated 20 July 2007, ‘On the Procedure for the Accounting and Disclosure of Information on Affiliated Persons of Credit Institutions’.

The Ordinance is prepared pursuant to the adoption of Federal Law No. 401-FZ, dated 6 December 2011, ‘On Amending the Federal Law ‘On the Protection of Competition’ and Certain Other Laws of the Russian Federation’, that changed the features of a group of persons.

## **MEASURES TO UPGRADE BANKING RISK ASSESSMENT, MANAGEMENT AND SUPERVISION METHODOLOGIES**

In order to implement Basel II, the Bank of Russia issued the following documents:

- Instruction No. 139-I, dated 3 December 2012, ‘On Banks’ Required Ratios’ (hereinafter, Instruction No. 139-I), that introduces new procedures for calculating banks’ required ratios;
- Ordinance No. 2922-U, dated 3 December 2012, ‘On Amending Bank of Russia Regulation No. 283-P, Dated 20 March 2006, ‘On the Procedure for Making Loan Loss Provisions by Credit Institutions’ (hereinafter, Ordinance No. 2922-U and Regulation No. 283-P), that amends Bank of Russia Regulation No. 283-P and sets requirements to establish provisions for possible losses related to called-back securities under repo transactions;
- Letter No. 192-T, dated 29 December 2012, ‘On Methodological Recommendations for Implementing Credit Risk Assessment Using Internal Bank Ratings Approach’, that informs credit institutions of the methodological recommendations for calculating credit risk based on internal bank ratings.

In order to implement standardised approach to assessing interest rate and equity risks based on Basel 2.5, the Bank of Russia issued Regulation No. 387-P, dated 28 September 2012, ‘On the Procedure for Calculating Market Risk by Credit Institutions’, that sets forth more stringent requirements for capital covering these risks.

Within the framework of implementing Basel III requirements, the Bank of Russia issued Regulation No. 395-P, dated 28 December 2012, ‘Regulation on the Methodology for Calculating the Amount and Assessing the Adequacy of Credit Institutions’ Capital (Basel III)’, that establishes a methodology for determining the amount of credit institutions’ capital and assessing the capital adequacy.

Bank of Russia Letters No. 14-T, dated 6 February 2012, ‘On the Basel Committee on Banking Supervision Guidance ‘Principles for Enhancing Corporate Governance’’; No. 38-T, dated 21 March 2012, ‘On the Basel Committee on Banking Supervision Guidance ‘Range of Methodologies for Risk and Performance Alignment of Remuneration’’; and No. 69-T, dated 16 May 2012, ‘On the Basel Committee on Banking Supervision Guidance ‘Principles for the Sound Management of Operational Risk’’, informed credit institutions about the BCBS recommendations concerning corporate governance, aligning remuneration with risk and performance, and operational risk management, respectively.

Besides, in order to meet commitments taken by the Russian Federation at a G20 meeting, the Bank of Russia issued Ordinance No. 2894-U, dated 1 October 2012, ‘On Amending Bank of Russia Ordinance No. 2005-U, Dated 30 April 2008, ‘On the Assessment of the Economic Situation of Banks’’, that outlines the methodology for assessing the compliance of compensation systems in banks with the FSB recommendations, aimed at reducing the financial incentives for banks’ executives to take excessive risks and constituted an integral part of Basel 2.5.

Due to a full entry into force of Federal Law No. 208-FZ, dated 27 July 2010, ‘On Consolidated Financial Statements’, that stipulates the application of the International Financial Reporting Standards (IFRS) in Russia, the Bank of Russia amended its regulatory framework that defines the procedures for preparing, submitting, and publishing consolidated financial statements by credit institutions.

In view of this, the Bank of Russia issued Ordinance No. 2923-U, dated 3 December 2012, ‘On Publishing and Submitting Consolidated Financial Statements by Credit Institutions’, that establishes rules for the disclosure of annual consolidated IFRS financial statements jointly with audit reports on their accuracy.

In addition, for the purpose of aligning the ‘materiality threshold’ with IFRS requirements for mandatory inclusion of minority interest data in the consolidated reporting, the Bank of Russia issued Ordinance No. 2817-U, dated 3 May 2012, ‘On Amending Bank of Russia Regulation No. 191-P, Dated 30 July 2002, ‘On Consolidated Statements’’.

Due to the cancellation from 1 January 2013 of mandatory auditing and publishing of annual consolidated financial statements, the Bank of Russia issued Ordinance No. 2925-U, dated 3 December 2012, ‘On Amending Bank 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’’, excluding the provisions of Ordinance No. 2172-U, dated 20 January 2009, that established procedure for submitting and disclosing consolidated financial statements.

Besides, in order to establish formats, procedures and deadlines for filing consolidated IFRS financial statements with the Bank of Russia, the Bank of Russia issued Ordinance No. 2926-U, dated 3 December 2012, ‘On Amending Bank 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’’, introducing respective amendments in Bank of Russia Ordinance No. 2332-U, dated 12 November 2009.

**UPGRADING BANKING REGULATION.** In order to bring regulatory assessment of credit risk in line with the existing level of such risk and to prevent the accumulation in the banking system of excessive risks related to consumer loans, the Bank of Russia issued the following documents:

- Instruction No. 139-I that establishes enhanced requirements for covering with equity capital the risks related to unsecured consumer loans with a high effective interest rate issued after 1 July 2013; and provides for specific collateral in the form of insurance contracts for export loans and investments secured by government guarantees and/or by guarantees of the state corporation Bank for Development and Foreign Economic Affairs (Vnesheconombank), when monetary claims secured by this collateral are classified for the purpose of calculating the capital adequacy ratio;
- Ordinance No. 2920-U, dated 3 December 2012, ‘On Amending Bank of Russia Regulation No. 254-P, Dated 26 March 2004, ‘On the Procedure for Making Loss Provisions by Credit Insti-

- tutions for Loans, Loan and Similar Debts'' (hereinafter, Ordinance No. 2920-U), that increased twofold the minimum provisions for portfolios of unsecured consumer loans with no overdue payments or with payments overdue for no more than 30 days, issued after 1 January 2013; introduced the requirement on 100% provisioning for portfolios of unsecured consumer loans with overdue payments in excess of 360 calendar days; made guarantees of the Agency for Housing Mortgage Lending (AHML) on mortgages, accepted as collateral for issued loans, included in the collateral of Quality Category II; made insurance contracts for export loans and investments, secured by government guarantees and/or Vnesheconombank guarantees, included in the collateral of Quality Category I;
- Ordinance No. 2922-U that amends Bank of Russia Regulation No. 283-P with respect to bringing it in line with accounting standards that came into force as of 1 January 2013, with respect to provisions — estimated non-credit liabilities, and also sets requirements on 100% loan loss provisioning with respect to assets that are recorded in bank accounts without transaction-confirming documentation;
  - Ordinance No. 2841-U, dated 25 June 2012, ‘On Amending Bank of Russia Ordinance No. 2732-U, Dated 17 November 2011, ‘On the Specifics of Making Provisions for Possible Losses by Credit Institutions for Operations with Securities, the Rights to Which Are Certified by Organisations (Depositories)’’, stipulating that requirements set in Bank of Russia Ordinance No. 2732-U, dated 17 November 2011, are applicable only to securities, the rights to which are certified by depositories, and also excluding the requirement to use data on long-term credit ratings of depositories taken from Reuters and Bloomberg systems and specifying calculation base components for provisions with respect to the value of securities accepted as collateral for placed funds;
  - Ordinances No. 2920-U, dated 3 December 2012, and No. 2860, dated 10 August 2012, ‘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’’, which provide that credit institutions with outstanding debt on loans that they extended to persons affected by an emergency situation, may retain their actually existing provisions on such loans in case a borrower’s financial situation and/or debt service quality deteriorates.

Beside changes in the market risk calculation methodology due to the implementation of Basel 2.5 provisions, the Bank of Russia issued Ordinance No. 2811-U, dated 28 April 2012, ‘On Amending Bank of Russia Instruction No. 124-I, Dated 15 July 2005, ‘On Setting Limits on Open Currency Position, the Methodology of Calculating them, and the Specifics of Supervising their Observance by Credit Institutions’’, that amends Bank of Russia Instruction No. 124-I, dated 15 July 2005, with respect to finalising procedures for factoring financial derivatives risk in the calculations of foreign exchange risk.

With respect to regulating the operational risk, the Bank of Russia issued Ordinance No. 2846-U, dated 3 July 2012, ‘On Amending Bank of Russia Regulation No. 346-P, Dated 3 November 2009, ‘On the Procedure for Calculating Operational Risk’’, that provides, among other things, that for the purpose of calculating operational risk, the ‘Net non-interest income’ indicator should include net income from the revaluation of foreign currency and precious metals and net income from operations with precious metals.

Besides, due to the adoption of federal legislation concerning the national payment system, the Bank of Russia issued Ordinance No. 2840-U, dated 25 June 2012, ‘On Operational Risk Management Requirements for Non-Bank Credit Institutions Entitled to Transfer Money Funds without Opening Bank Accounts and Perform Other Related Banking Operations’.

With respect to the methodology for calculating credit institutions’ equity capital, the Bank of Russia amended its Regulation No. 215-P, dated 10 February 2003, ‘On the Methodology of Calculating the Equity Capital of Credit Institutions’, by issuing the following documents:

- Ordinance No. 2809-U, dated 28 April 2012, ‘On Amending Bank of Russia Regulation No. 215-P, Dated 10 February 2003, ‘On the Methodology of Calculating the Equity Capital of Credit Institu-

tions'', established a procedure for factoring financial results of operations with financial derivatives in the calculation of credit institutions' equity capital;

- Ordinance No. 2921-U, dated 3 December 2012, 'On Amending Bank of Russia Regulation No. 215-P, Dated 10 February 2003, 'On the Methodology of Calculating the Equity Capital of Credit Institutions'', established the expiration date of 1 December 2013 for the currently used procedure of factoring in unrealised income from financial derivatives.

Due to discontinued regulation of trust management activities of credit institutions, the Bank of Russia issued Ordinance No. 2789-U, dated 28 February 2012, 'On Harmonising Certain Acts of the Bank of Russia', that invalidates as of 1 January 2013, Bank of Russia Instruction No. 63, dated 2 July 1997, 'On the Procedure for Conducting Trust Management Operations and Making Accounts of Such Operations by Credit Institutions in the Russian Federation'. The Bank of Russia also issued Letter No. 47-T, dated 4 April 2012, 'On the Validity of Trust Management Contracts for Bank-managed Mutual Funds', that informs credit institutions about the Bank of Russia's view on the extension of trust management contracts for bank-managed mutual funds.

Due to amendments to certain federal laws, the Bank of Russia issued Ordinance No. 2910-U, dated 14 November 2012, 'On Amending Bank of Russia Instruction No. 112-I, Dated 31 March 2004, 'On the Required Ratios for Credit Institutions Issuing Mortgage-Backed Bonds'', that amends Bank of Russia Instruction No. 112-I, dated 31 March 2004, and retains only one additional required ratio (N18) for credit institutions issuing mortgage-backed bonds.

Pursuant to Federal Law No. 414-FZ, dated 7 December 2011, 'On the Central Depository', the Bank of Russia issued Ordinance No. 2830-U, dated 9 June 2012, 'On Requirements for Credit Institutions and Foreign Banks Where the Central Depository Is Entitled to Place Money Funds'. This Ordinance establishes requirements for credit institutions and foreign banks, where the Central Depository is entitled to place funds on correspondent accounts and deposits.

In order to implement the approach stipulated by Instruction 139-I with respect to reduced risk weights applied by credit institutions — clearing members to exchange and over-the-counter financial market transactions, where one of the parties is a credit institution that performs functions of a central counterparty, whose management quality is recognised by the Bank of Russia as satisfactory, the Bank of Russia issued Ordinance No. 2919-U, dated 3 December 2012, 'On Evaluating the Management Quality of Credit Institutions that Perform Functions of Central Counterparties'.

## MEASURES TO IMPROVE ON-SITE INSPECTIONS

In 2012, in order to further improve procedures of organising and conducting on-site inspections of credit institutions (branches), the Bank of Russia issued, among others, the following acts:

- Ordinance No. 2891-U, dated 28 September 2012, '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'', and Bank of Russia Ordinance No. 2892-U, dated 28 September 2012, '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)'', aimed at eliminating grounds for credit institutions to contest inspection reports in court as non-regulatory acts and to invalidate them. The above ordinances also formalise the obligation of credit institutions to ensure confidentiality of the Bank of Russia documentation drawn while organising and conducting inspections and reporting their findings;
- methodological recommendations on inspecting credit institutions' compliance with required reserve ratios<sup>1</sup>, as well as on inspecting credit institutions' compliance with AML/CFT legislation

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<sup>1</sup> Bank of Russia Letter No. 31-T, dated 2 March 2012, 'On Methodological Recommendations for Inspections of Credit Institutions' Compliance with the Required Reserve Ratios'.

and reporting facts of non-compliance of credit institutions' actions (inaction) with the said legislation in a separate inspection act to be presented to an authorised officer for filing an administrative offence report<sup>1</sup>.

In order to increase the efficiency and improve the results of inspections the Bank of Russia issued Ordinance No. 2791-U, dated 13 March 2012, 'On the Procedures of Interaction between the Bank of Russia Divisions in Preparing Proposals and Making Decisions on Applying Corrective Measures to Credit Institutions', that establishes procedures for the interaction between the Bank of Russia head office and regional branches in preparing proposals and making decisions concerning the application of corrective measures to banks that form the 'second line' of supervision, based on inspection findings and in the course of off-site supervision.

Within the framework of phased centralisation of inspection activities the Bank of Russia issued a number of regulations that provide inspectors-general of centralised interregional inspectorates<sup>2</sup> and heads of the Bank of Russia regional branches<sup>3</sup> with mandates necessary for their current activities ensuring the compliance with labour legislation and social insurance requirements.

In order to comply with the Russian Federation legislation and Bank of Russia regulations on countering the misuse of insider information and market manipulation, the Bank of Russia issued a number of regulations that define procedures for sharing the said information concerning inspections<sup>4</sup> of credit institutions (branches).

## FINANCIAL REHABILITATION AND LIQUIDATION OF CREDIT INSTITUTIONS

In pursue of key recommendations of the Financial Stability Board (FSB) regarding efficient financial rehabilitation/liquidation of financial institutions as applicable to the Russian financial system, the Bank of Russia issued Letter No. 193-T, dated 29 December 2012, 'On Recommended Methodology for Developing Financial Rehabilitation Plans by Credit Institutions', that recommends credit institutions, primarily the largest ones, commence the development of financial rehabilitation plans.

The Bank of Russia's recommended methodology stipulates the conditions for the development of financial rehabilitation plans by credit institutions, the said plans' structure, possible variants (scenarios) of actions under different stress conditions, as well as early warning signals and indicators that must trigger the implementation of financial rehabilitation plans. These plans should be aligned with credit institutions' development strategy, should be integrated into the corporate governance of credit institutions, besides they should reflect the actual structure of credit institutions' business operations, and take into account stress-testing results.

It is also recommended that credit institutions' financial rehabilitation plans be regularly (annually) updated and approved by credit institutions' boards of directors (supervisory boards).

Financial rehabilitation plans, as developed by credit institutions and submitted to the Bank of Russia, will be assessed by the latter. The Bank of Russia assumes that availability of up-to-date and efficient strategic plans of timely actions, including during crisis, serves the best interests of owners, management, lenders, customers, and employees of credit institutions themselves, since all of them

<sup>1</sup> *Bank of Russia Letter No. 41-T, dated 23 March 2012, 'Methodological Recommendations for Reporting Facts of Credit Institutions' Actions (Inaction) That Breach the Legislation on Countering the Legalisation (Laundering) of Criminally Obtained Incomes and the Financing of Terrorism in Credit Institutions (Branches) Inspection Documentation'.*

<sup>2</sup> *Bank of Russia Order No. R-202, dated 23 March 2012, 'On Amending Bank of Russia Order No. R-III3, Dated 8 September 2010, 'On Organising the Phased Centralisation of Inspection Activities of the Bank of Russia''.*

<sup>3</sup> *Bank of Russia Order No. R-612, dated 3 September 2012, 'On Amending Bank of Russia Order No. R-III3, Dated 8 September 2010'.*

<sup>4</sup> *The Federal Financial Markets Service Order No. II-55/pz-n, Bank of Russia Order No. 374-P, dated 27 October 2011, 'On Approving the Regulation on Procedure for the Federal Financial Markets Service Jointly with the Central Bank of the Russian Federation to Verify the Compliance with the Legislation on Countering the Misuse of Insider Information and Market Manipulation'.*

have a vested interest in their credit institution's continued operation and retention of all its most important functions in any economic environment.

In order to protect rights and legitimate interests of credit institutions' lenders and to improve the general soundness of the banking system, Federal Law No. 144-FZ, dated 28 July 2012, 'On Amending Certain Laws of the Russian Federation' (hereinafter, Federal Law No. 144-FZ), co-authored by the Bank of Russia, was adopted.

Federal Law No. 144-FZ expands ways to satisfy lenders' claims on credit institutions to be liquidated; streamlines the procedures for moving from compulsory liquidation of a credit institution to its bankruptcy; establishes legal procedures for enforcing court orders concerning the recovery of funds on accounts of customers of credit institutions whose banking licences had been revoked, or attachment of such funds, or other constraints imposed on such funds; and establishes procedures for the distribution and assignment of assets remaining after creditors' claims have been satisfied to founders (members) of a credit institution to be liquidated.

Besides, in order to minimise the negative impact that the revocation of the to-be-liquidated credit institution's banking licence can have on its customers, the receiver of this credit institution (in case when its functions are performed by the state-owned corporation Deposit Insurance Agency) is authorised to take a set of measures for assigning the assets and liabilities of a credit institution to be liquidated to an operating credit institution without including them into the bankruptcy assets and into the register of creditors' claims to such debtor.

Moreover, in order to maximise the bankruptcy assets used to settle the creditors' claims, restrictions are imposed on amounts of compensations paid to the liquidated legal entity (credit institution) executives, and the priority of satisfying their claims is changed. These standards were necessary to resolve the issues arising during bankruptcy proceedings, when, in the course of fulfilling current obligations of an insolvent company or while satisfying claims of second-ranking creditors, executives of such company receive compensation payments many times exceeding their average earnings (the so-called 'golden parachutes'). The introduced amendments stipulate that the claims of insolvent company executives as to the severance pay and/or other compensations, as provided for under their labour contracts, due to the termination of such contracts to the extent that they exceed minimum amounts established under the labour laws, will be satisfied after the third-ranking creditors' claims are satisfied.

Credit institutions are also obliged to maintain electronic databases containing information on all their operations and other transactions and to store such data for at least five years after entering them into the database. Federal Law No. 144-FZ stipulates that failure to properly maintain such databases or failure to properly transfer this database to provisional administration or a receiver may result in a subsidiary liability of the chief executive of an insolvent credit institution for the latter's debts to lenders.

In compliance with Federal Law No. 144-FZ, the Bank of Russia issued a set of regulations (Ordinances No. 2911-U, dated 16 November 2012, 'On Amending Appendix 1 to Bank of Russia Ordinance No. 1594-U, Dated 14 July 2005, 'On the List, Forms and Procedures for Drawing up and Providing Reporting by Credit Institutions to be Liquidated to the Central Bank of the Russian Federation''; No. 2912-U, dated 16 November 2012, 'On Amending Bank of Russia Regulation No. 279-P, Dated 9 November 2005, 'On the Provisional Administration of a Credit Institution''; No. 2913-U, dated 16 November 2012, 'On Amending Bank of Russia Regulation No. 301-P, Dated 16 January 2007, 'On the Procedure for Compiling and Presenting an Interim Liquidation Balance Sheet and Liquidation Balance Sheet of a Credit Institution to be Liquidated and Their Approval by Bank of Russia Regional Branches''; No. 2914-U, dated 16 November 2012, 'On Amending Bank of Russia Ordinance No. 1517-U, Dated 17 November 2004, 'On Bank of Russia Payments on Household Deposits with Bankrupt Banks Uncovered by the Compulsory Deposit Insurance System and on the Procedure for Cooperation between Agent Banks and the Bank of Russia''), that amend the existing Bank of Russia regulations governing liquidation proceedings of credit institutions. The Bank of Russia also published Ordinance No. 2904-U, dated 30 October 2012, 'On the Grounds for the

Banking Supervision Committee of the Bank of Russia to Deny Approval of the Transfer of Property (Assets) and Liabilities of a Credit Institution in Whole or in Part to a Purchaser(s) Proposed by the Deposit Insurance Agency, a State-Owned Corporation, in Its Capacity of a Credit Institution's Receiver, and to Deny Approval of the Said Purchaser(s) of a Credit Institution's Property (Assets) and Liabilities'.

## **COUNTERING THE LEGALISATION (LAUNDERING) OF CRIMINALLY OBTAINED INCOMES AND THE FINANCING OF TERRORISM**

In 2012, the Bank of Russia took further steps to implement its mandate envisaged by Federal Law No. 115-FZ, dated 7 August 2001, ‘On Countering the Legalisation (Laundering) of Criminally Obtained Incomes and the Financing of Terrorism’.

In 2012, within the framework of the above activity, the Bank of Russia issued the following documents:

- Regulation No. 375-P, dated 2 March 2012, ‘On Requirements to a Credit Institution’s Internal Control Rules Designed to Prevent the Legalisation (Laundering) of Criminally Obtained Incomes and the Financing of Terrorism’, that established the approved by the Federal Financial Monitoring Service (hereinafter, Rosfinmonitoring) requirements for rules of credit institutions’ internal control aimed at countering the legalisation (laundering) of criminally obtained incomes and the financing of terrorism (hereinafter, AML/CFT);
- Ordinance No. 2785-U, dated 10 February 2012, ‘On Amending Bank of Russia Regulation No. 262-P, Dated 19 August 2004, ‘On the Identification by Credit Institutions of Customers and Beneficiaries for the Purpose of Countering the Legalisation (Laundering) of Criminally Obtained Incomes and the Financing of Terrorism’’, that specifies the procedures for the identification of customers and beneficiaries by credit institutions for AML/CFT purposes;
- Ordinance No. 2833-U, dated 9 June 2012, ‘On Amending Paragraphs 2.11 and 2.12 of Bank of Russia 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’’’, that clarifies the procedure for passing by credit institutions of information about their customers’ operations to Rosfinmonitoring;
- Ordinance No. 2906-U, dated 1 November 2012, ‘On Amending Appendix 8 to Bank of Russia 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’’’, that expands the list of operations to be reported to Rosfinmonitoring;
- Letter No. 90-T, dated 28 June 2012, ‘On Information Posted on the Federal Tax Service (FTS of Russia) Official Website’, that recommends credit institutions use the information posted on the FTS website with respect to legal entities that cannot be contacted at their addresses (locations) recorded in the Unified State Register of Legal Entities;
- Letter No. 157-T, dated 16 November 2012, ‘On Foreign Exchange Control Performed by Authorised Banks with Respect to Residents’ Foreign Exchange Operations Related to Payment for Goods Transported Across the Customs Union Territory’, that contains the list of documents that authorised banks in their capacity of foreign exchange control agents should consider as transportation documentation when they execute foreign exchange control over residents’ foreign exchange operations under foreign trade contracts related to the transportation of goods across the Customs Union territory, and also specifies actions of authorised banks in case they have doubts about the accuracy of the said documents;
- Letter No. 167-T, dated 7 December 2012, ‘On Enhancing Attention of Credit Institutions to Certain Operations by Their Customers’, that includes recommendations for credit institutions,

related to transactions that lack evident economic sense or evident lawful purpose, aimed at facilitating identification of such transactions and mitigation of associated risks;

- Letter No. 176-T, dated 21 December 2012, ‘On the Information from the FTS of Russia about Legal Entities to Be Liquidated or Liquidated’, that recommends credit institutions to use data from the database created by the Bank of Russia on legal entities that are either in the process of liquidation, or have been terminated by means of liquidation or by exclusion from the Unified State Register of Legal Entities upon decision of a registrar.

## UPGRADING THE LEGISLATIVE FRAMEWORK OF OPERATION OF CREDIT INSTITUTIONS, AND BANKING REGULATION AND SUPERVISION

In 2012, the following federal laws were adopted with the involvement of the Bank of Russia:

- Federal Law No. 144-FZ (with respect to streamlining bankruptcy procedures for credit and other financial institutions; increasing responsibility for illegal actions committed in anticipation of bankruptcy; and obliging credit institutions to create electronic databases and ensure their security);
- Federal Law No. 145-FZ, dated 28 July 2012, ‘On Invalidating Certain Laws of the Russian Federation’ (among other things, with respect to extending the validity of the provisions of Federal Law No. 181-FZ, dated 18 July 2009, ‘On Using Russian Federation Government Securities to Increase the Capitalisation of Banks’);
- Federal Law No. 271-FZ, dated 25 December 2012, ‘On Amending the Housing Code of the Russian Federation and Certain Laws of the Russian Federation and on Invalidating Certain Provisions of Russian Laws’ (with respect to establishing a system for financing capital repairs of apartment buildings);
- Federal Law No. 282-FZ, dated 29 December 2012, ‘On Amending Certain Laws of the Russian Federation and on Invalidating Certain Provisions of Russian Laws’ (with respect to simplifying the procedures for issuing securities by issuers, whose securities are listed on stock exchanges; changing the procedures for issuing preferred shares in the event of a change in the scope of rights they certify; specifying requirements for the disclosure of information in the prospectus of an issue; improving the legal regulation of share issuing procedures in case of a corporate reorganisation).

In 2012, the Bank of Russia took part in the work on the following drafts of federal laws that concern different areas of credit institution activity:

- ‘On Amending the Criminal Code of the Russian Federation and Other Russian Laws’ (with respect to establishing criminal responsibility of credit institutions’ officers for including obviously incomplete or false information (fraudulent misrepresentation) in credit institutions’ accounting reports and other statements in order to conceal material information about such credit institutions’ actual financial standing, and for reporting such false information to the Bank of Russia, or for its publishing, or for its disclosing in cases stipulated by federal laws that regulate credit institutions’ activity);
- ‘On Amending the Federal Law ‘On the Securities Market’ and Certain Laws of the Russian Federation’ (with respect to bringing the Russian legislation in line with the requirements of the International Organisation of Securities Commissions (IOSCO) to join the Multilateral Memorandum of IOSCO);
- ‘On Amending the Federal Law ‘On Banks and Banking Activities’ and Other Laws of the Russian Federation due to the Improved Regulation of Credit Institutions’ Operations with Deposit and Savings Certificates’ (with respect to the Bank of Russia’s regulation of the procedures of deposit and savings certificates issue, circulation, and redemption (including early redemption));
- ‘On Amending Article 22 of the Federal Law ‘On Banks and Banking Activities’ and Article 1 of the Federal Law ‘On Foreign Investments in the Russian Federation’’ (with respect to setting forth transparent procedures related to the registration (accreditation) of foreign banks’ representative offices in Russia, and authorising the Bank of Russia to duly perform their registration (accreditation));



- ‘On Public Corporations’ (with respect to introducing in the Russian legislation a new type of legal entities — legal entities of public law that exercise their powers in economic domain (public corporations));
- ‘On Building Savings Banks’ (with respect to establishing specialised banks that attract deposits from individuals and subsequently grant loans for housing improvements);
- ‘On Amending Part 2 of the Civil Code of the Russian Federation and Certain Laws of the Russian Federation’ (in the part authorising banks to conclude a bank deposit agreement with a depositor on conditions that do not include the right of the depositor to an early withdrawal of the deposit, even if the deposit is executed with a certificate);
- ‘On Amending Parts 1, 2, 3 and 4 of the Civil Code of the Russian Federation and Certain Laws of the Russian Federation’ (No. 47538-6);
- ‘On Amending Chapters 1, 2, 3, and 4 of Part 1 of the Civil Code of the Russian Federation’ (No. 47538-6/1);
- ‘On Amending Chapter 4 of Part 1 of the Russian Civil Code, Article 1 of the Federal Law ‘On Insolvency (Bankruptcy)’, and on Invalidating Certain Provisions of Russian Federation Laws’ (No. 47538-6/2);
- ‘On Amending Article 20 of the Federal Law ‘On the Support Fund for the Reform of the Housing and Utilities Sector’ (with respect to involving a broader range of credit institutions in the implementation of state programmes by the Support Fund for the Reform of the Housing and Utilities Sector);
- ‘On Amending the Code of Arbitration Procedure of the Russian Federation’ (with respect to creating a specialised judicial mechanism for considering disputes in the financial market);
- ‘On Amending the Law of the Russian Federation ‘On Consumer Protection’ and the Federal Law ‘On the Main Principles of State Regulation of Trade Activities in the Russian Federation’ (with respect to cash or cashless payment for goods (work, services));
- ‘On Amending Article 8 of the Federal Law ‘On Banks and Banking Activities’ (with respect to obliging credit institutions to post on their official websites information on the professional qualifications and expertise of their executives);
- ‘On Amending Article 18 of the Federal Law ‘On Banks and Banking Activities’ (with respect to invalidating the reciprocity provision);
- ‘On Amending the Federal Law ‘On the Protection of Competition’ and Certain Laws of the Russian Federation’ (with respect to terminating the activities of organisations that display signs of financial ‘pyramids’);
- ‘On Approving Transactions of Certain Legal Entities with Stock (Shares) in Authorised (Partnership) Capital of Business Partnerships, Business Societies, and Business Partners’ (with respect to necessity to receive an approval of the Russian Federation Government and the Bank of Russia for performing certain transactions by organisations that have government participation and adhere to criteria set forth in the draft law);
- ‘On Amending Certain Laws of the Russian Federation’ (with respect to simplifying the procedure for credit institutions’ issuing securities, ensuring control over large purchases of shares (stakes) of the credit institutions and specifying requirements to executives and founders of credit institutions);
- ‘On Financial Ombudsman for Consumers of Financial Services’;
- ‘On Amending Certain Laws of the Russian Federation Pursuant to the Adoption of the Federal Law ‘On Financial Ombudsman for Consumers of Financial Services’’;
- ‘On Amending Certain Laws of the Russian Federation Pursuant to the Adoption of Federal Law No. 402-FZ, Dated 6 December 2011, ‘On Accounting’’;
- ‘On Amending the Federal Law ‘On the Securities Market’ and Article 284 of the Tax Code of the Russian Federation in Order to Foster Investment in Concessionaire Bonds’;
- ‘On Postal Service’;

- ‘On Amending Certain Laws of the Russian Federation Pursuant to the Adoption of the Federal Law ‘On Postal Service’’;
- ‘On Amending Certain Laws of the Russian Federation’ (with respect to forbidding foreign banks to open branches);
- ‘On Invalidating Article 11.11 of the Federal Law ‘On Banks and Banking Activities’’ (with respect to cancelling the prohibition against bank founders’ leaving their positions within first 3 years from the state registration of the bank);
- ‘On the Financial Markets Mega-Regulator’;
- ‘On Amending Certain Laws of the Russian Federation Pursuant to the Adoption of the Federal Law ‘On the Financial Markets Mega-regulator’’;
- ‘On Amending the Federal Law ‘On Credit Cooperatives’’ (No. 143963-6);
- ‘On Amending the Federal Law ‘On Joint-Stock Companies’ and Some Other Laws of the Russian Federation’ (with respect to improving legal regulation covering the purchase of large blocks of open joint-stock companies’ shares);
- ‘On Approving Transactions of Certain Legal Entities with Stock (Shares) in Authorised (Partnership) Capital of Business Partnerships, Business Societies, and Business Partners’;
- ‘On Amending the Federal Law ‘On Insurance of Household Deposits in Russian Banks’’ (with respect to the unification of supervisory requirements to assess the stability of credit institutions and requirements for the participation in the deposit insurance system according to international principles of supervision, and applying enforcement measures);
- ‘On Amending Article 11.2 of the Federal Law ‘On Banks and Banking Activities’’ (with respect to imposing until 1 January 2020, a moratorium on increasing equity capital over 300 million roubles for banks established before 1 January 2015) (No. 83019-6);
- ‘On Amending Federal Law No. 175-FZ, Dated 27 October 2008, ‘On Additional Measures to Strengthen the Stability of the Banking System in the Period until 31 December 2014’’ (with the purpose of making this Federal Law permanent);
- ‘On Amending the Federal Law ‘On the Central Bank of the Russian Federation (Bank of Russia)’’ (with respect to authorising the Bank of Russia to limit the size of interest rates used by banks in bank deposit agreements) (No. 126502-6);
- ‘On Amending the Federal Law ‘On Insolvency (Bankruptcy)’ and Certain Laws of the Russian Federation’ (with respect to regulating rehabilitation procedures applied to debtors-individuals);
- ‘On Amending the Federal Law ‘On Credit Histories’’ (with respect to specifying the procedure of interaction of credit bureaus, credit history holders and credit history users with the Central Catalogue of Credit Histories).



## **IV.3. REGULATIONS ISSUED BY THE BANK OF RUSSIA IN 2012 TO IMPROVE REGULATION IN THE NATIONAL PAYMENT SYSTEM**

To implement Federal Law No. 161-FZ, dated 27 June 2011, ‘On the National Payment System’ the Bank of Russia issued the following regulations:

- Regulation No. 378-P, dated 2 May 2012, ‘On the Procedure for Applying to the Bank of Russia for Registering a Payment System Operator’;
- Ordinance No. 2814-U, dated 2 May 2012, ‘On Funds Transfer Amount the Excess of which shall Oblige Funds Transfer Operators to Apply to the Bank of Russia for the Registration of Payment System Operators’;
- Ordinance No. 2815-U, dated 2 May 2012, ‘On Setting Criteria Values for Qualifying Payment Systems as Important’;
- Regulation No. 379-P, dated 31 May 2012, ‘On the Uninterrupted Functioning of Payment Systems and on Analysing Payment Systems Risks’;
- Regulation No. 380-P, dated 31 May 2012, ‘On Procedures for the National Payment System Monitoring’;
- Ordinance No. 2821-U, dated 31 May 2012, ‘On Amending Bank of Russia Regulation No. 303-P, Dated 25 April 2007, ‘On the Real-Time Gross Settlement System of the Bank of Russia’’;
- Ordinance No. 2822-U, dated 31 May 2012, ‘On Amending Bank of Russia Ordinance No. 1822-U, Dated 25 April 2007, ‘On the Procedure for Making Payments and Settlements in the Real-Time Gross Settlement System of the Bank of Russia’’;
- Ordinance No. 2824-U, dated 31 May 2012, ‘On Payment System Reporting by Payment System Operators’;
- Ordinance No. 2829-U, dated 7 June 2012, ‘On Procedures for Funds Transfer Operators to Notify the Bank of Russia about Commencement of Their Participation in a Payment System to Perform Cross-Border Funds Transfers’;
- Regulation No. 381-P, dated 9 June 2012, ‘On Supervision of the Compliance by Non-Credit Institutions — Payment System Operators and Payment Infrastructure Service Operators — with Federal Law No. 161-FZ, Dated 27 June 2011, ‘On the National Payment System’, and with the Relevant Bank of Russia Regulations’;
- Ordinance No. 2832-U, dated 9 June 2012, ‘On the Specifics of Payment System Rules Which Regulate Funds Transfer Transactions in Organised Trading’;
- Regulation No. 382-P, dated 9 June 2012, ‘On Requirements to Protect Information Related to Funds Transfers and on the Procedures of the Bank of Russia Control over the Compliance with the Requirements to Protect Information Related to Funds Transfers’;
- Regulation No. 383-P, dated 19 June 2012, ‘On Funds Transfer Rules’, that establishes general rules for funds transfers by banks in the territory and in the national currency of the Russian Federation, both via bank accounts and without opening bank accounts, using applicable forms of cashless settlements;
- Ordinance No. 2831-U, dated 9 June 2012, ‘On Reporting about the Protection of Information Related to Funds Transfers by Payment System Operators, Payment Infrastructure Service Operators, and Funds Transfer Operators’;
- Regulation No. 384-P, dated 29 June 2012, ‘On the Bank of Russia Payment System’;
- Ordinance No. 2871-U, dated 11 September 2012, ‘On the List of Bank of Russia Officers Authorised to Compile Records on Administrative Offences’;
- Ordinance No. 2836-U, dated 19 June 2012, ‘On the Requirements Established by the Bank of Russia for Important Payment Systems’;

- Ordinance No. 2837-U, dated 20 June 2012, ‘On Procedures for the Bank of Russia Requesting and Receiving Information from the Federal Postal Service Organisations’;
- Ordinance No. 2862-U, dated 10 August 2012, ‘On Amending Bank of Russia Regulation No. 266-P, Dated 24 December 2004, ‘On the Issuance of Bank Cards and on Operations Conducted Using Payment Cards’’, issued pursuant to Federal Law No. 161-FZ requirements concerning means of electronic payment and electronic money transfers.



## IV.4. STATISTICAL TABLES

*Table 1*

**KEY MACROECONOMIC INDICATORS  
(in constant prices, percent of previous year)**

	2010	2011	2012
Gross domestic product	104.5	104.3	103.4
of which:			
— agriculture, hunting and forestry	87.9	114.8	96.2
— hydrocarbon production and mining	106.6	102.9	101.0
— manufacturing	108.6	105.3	103.3
— production and distribution of electricity, gas and water	104.0	100.5	100.1
— construction	104.4	104.5	102.0
— wholesale and retail trade, and other	105.8	103.3	106.5
— transport and communications	105.5	106.6	102.6
GDP deflator index	114.2	115.5	108.5
Consumer price index (December on previous December)	108.8	106.1	106.6
Fixed capital investment	106.0	110.8	106.6
Retail trade turnover	106.5	107.1	106.3
Unemployment rate according to ILO methodology (annual average), percent of economically active population	7.3	6.5	5.5

*Table 2*

**CONSUMER PRICES BY GROUP OF GOODS AND SERVICES  
(growth, December as a percentage of previous December)**

	2010	2011	2012
Consumer prices, total	8.8	6.1	6.6
of which:			
— food prices	12.9	3.9	7.5
of which:			
— food prices exclusive of fruit and vegetables	9.4	7.4	7.1
— fruit and vegetable prices	45.6	-24.7	11.0
— non-food prices	5.0	6.7	5.2
— paid services provided to the public	8.1	8.7	7.3
Prices of goods and services included in calculation of core consumer price index (CCPI)	6.6	6.6	5.7

Note: Tables 1, 2 and 6 to 9 are based on Rosstat data as of 6 May 2013.

Tables 3 to 5 are based on Rosstat data as of 6 May 2013 and Bank of Russia calculations.

Table 3

## CONSUMER PRICE INFLATION STRUCTURE

	2011		2012	
	Growth in percentage points	Contribution to growth, percent	Growth in percentage points	Contribution to growth, percent
<b>Headline inflation (December on December)</b>	<b>6.1</b>	<b>100.0</b>	<b>6.6</b>	<b>100.0</b>
Inflation growth due to:				
— change in prices of goods and services included in CCPI calculation	5.3	86.5	4.6	70.0
— change in prices of goods and services not included in CCPI calculation	0.8	13.5	2.0	30.0
of which:				
— change in fruit and vegetable prices	-1.0	-16.9	0.4	5.7
— change in administered service and fuel prices	1.9	30.3	1.6	24.3

Table 4

GROSS VALUE ADDED STRUCTURE BY ECONOMIC ACTIVITY IN BASIC PRICES  
(percent)

	2010	2011	2012
<b>Gross value added</b>	<b>100</b>	<b>100</b>	<b>100</b>
of which:			
— agriculture, hunting and forestry	3.6	4.2	3.7
— hydrocarbon production and mining	9.6	10.9	10.9
— manufacturing	14.8	15.5	15.2
— production and distribution of electricity, gas and water	3.8	3.8	3.5
— construction	6.5	6.5	6.5
— wholesale and retail trade, and other	20.0	19.7	19.6
— transport and communications	9.1	8.4	8.2
— other activities	32.6	31.0	32.4

Table 5

**STRUCTURE OF GDP CALCULATED BY INCOME CONSUMPTION METHOD IN CURRENT MARKET PRICES  
(percent)**

	2010	2011	2012
<b>GDP calculated by income consumption method</b>	<b>100</b>	<b>100</b>	<b>100</b>
Expenditure on final consumption	69.6	66.5	67.1
of which:			
— household sector	50.5	48.2	48.1
— government sector	18.6	17.8	18.5
— non-profit organisations providing services to households	0.5	0.5	0.5
Gross capital formation	22.4	25.1	25.7
of which:			
— gross fixed capital formation (including net acquisition of valuables)	21.4	21.4	21.8
Net exports of goods and services	8.0	8.4	7.2

Table 6

**GDP CONSUMPTION ELEMENTS IN CONSTANT PRICES (percent of previous year)**

	2010	2011	2012
<b>Gross Domestic Product</b>	<b>104.5</b>	<b>104.3</b>	<b>103.4</b>
of which:			
— expenditure on final consumption	103.5	104.8	104.8
— by household sector	105.5	106.4	106.8
— by government sector	98.5	100.8	99.8
— by non-profit organisations providing services to households	99.5	95.1	99.0
— gross capital formation (including net acquisition of valuables)	128.5	122.6	106.6
— exports of goods and services	107.0	100.3	101.4
— imports of goods and services	125.8	120.3	109.5

Table 7

**GDP FORMATION STRUCTURE BY SOURCE OF INCOME IN CURRENT MARKET PRICES (percent)**

	2010	2011	2012
<b>Gross Domestic Product</b>	<b>100</b>	<b>100</b>	<b>100</b>
of which:			
— compensation paid to hired workers (including unreported earnings)	49.6	49.5	50.4
— net taxes on production and imports	17.8	19.5	19.8
— gross profit of the economy and gross mixed income	32.6	31.0	29.8

Table 8

**BALANCE OF HOUSEHOLD MONEY INCOME AND EXPENSES**  
**(millions of roubles)**

	2011	2012	2012 as a percentage of 2011
<b>Money income</b>	<b>35,648,673.8</b>	<b>39,318,221.7</b>	<b>110.3</b>
Wages and salaries	23,388,148.6	26,033,798.9	111.3
Share, percent	65.6	66.2	
Social allowances	6,513,817.4	7,156,718.7	109.9
Share, percent	18.3	18.2	
Income from entrepreneurial activities	3,187,375.4	3,343,011.1	104.9
Share, percent	8.9	8.5	
Income from property	1,846,358.8	2,006,424.2	108.7
Share, percent	5.2	5.1	
Other income	712,973.6	778,268.8	109.2
Share, percent	2.0	2.0	
<b>Money expenses</b>	<b>29,863,626.9</b>	<b>33,431,675.5</b>	<b>111.9</b>
— consumer expenses	26,185,910.7	29,216,215.6	111.6
— compulsory payments and contributions	3,677,716.2	4,215,459.9	114.6
<b>Growth in savings and cash on hand, purchase of foreign currency</b>	<b>5,785,046.9</b>	<b>5,886,546.2</b>	<b>101.8</b>
— savings <sup>1</sup>	3,703,966.8	3,967,782.4	107.1
of which:			
— deposits and securities	1,870,066.5	2,464,803.5	131.8
— foreign currency purchase	1,499,509.6	1,903,228.4	126.9
— cash on hand	581,570.5	15,535.4	2.7
Memo item			
<b>Share of money income, percent</b>			
— consumer expenses	73.5	74.3	
— compulsory payments and contributions	10.3	10.7	
— savings	10.4	10.1	
of which:			
— deposits and securities	5.3	6.3	
— foreign currency purchase	4.2	4.9	
— cash on hand	1.6	0.0	
<b>Disposable money income</b>	<b>32,112,845.0</b>	<b>35,236,940.6</b>	<b>109.7</b>
Share of, percent			
— consumer expenses	81.6	82.9	
— savings	11.5	11.3	
of which:			
— deposits and securities	5.8	7.0	
— foreign currency purchase	4.7	5.4	
— cash on hand	1.8	0.0	
— remittances	0.4	0.4	

<sup>1</sup> Savings include increase (decrease) in deposits, purchase of securities, change in accounts of individual entrepreneurs, change in debt on loans, purchase of real estate and cattle and poultry.

Table 9

## DIFFERENTIATION OF POPULATION BY INCOME

	2010	2011	2012
Funds ratio, times <sup>1</sup>	16.6	16.2	16.4
Gini coefficient, units <sup>2</sup>	0.421	0.417	0.420

<sup>1</sup> The funds ratio is the ratio between the average income of the highest-income 10% of the population and the lowest-income 10% of the population.

<sup>2</sup> The Gini coefficient (income concentration index) shows the extent to which the actual distribution of household income deviates from the even distribution line. When income is distributed evenly, the Gini coefficient tends towards zero; the greater the income differentiation of the population, the closer the Gini coefficient is to 1.

Table 10

**MERCHANDISE TRADE OF THE RUSSIAN FEDERATION**  
**(per balance of payments methodology)**

	Billions of US dollars							Percent of previous year						
	2006	2007	2008	2009	2010	2011	2012	2006	2007	2008	2009	2010	2011	2012
<b>All countries</b>														
Turnover	460.7	569.6	755.0	481.1	638.4	834.0	864.9	127	124	133	64	133	131	104
Exports	297.5	346.5	466.3	297.2	392.7	515.4	529.1	124	116	135	64	132	131	103
Imports	163.2	223.1	288.7	183.9	245.7	318.6	335.8	132	137	129	64	134	130	105
Balance	134.3	123.4	177.6	113.2	147.0	196.9	193.3	116	92	144	64	130	134	98
<b>Non-CIS countries</b>														
Turnover	397.1	489.0	651.5	414.7	546.9	710.6	733.7	127	123	133	64	132	130	103
Exports	255.8	294.8	397.7	252.0	333.6	436.7	445.2	123	115	135	63	132	131	102
Imports	141.3	194.1	253.8	162.7	213.2	273.8	288.5	135	137	131	64	131	128	105
Balance	114.5	100.7	143.8	89.3	120.4	162.9	156.7	111	88	143	62	135	135	96
<b>CIS countries</b>														
Turnover	63.5	80.6	103.5	66.4	91.5	123.4	131.2	122	127	128	64	138	135	106
Exports	41.7	51.7	68.6	45.1	59.0	78.7	83.9	127	124	133	66	131	133	107
Imports	21.9	28.9	34.8	21.3	32.4	44.7	47.3	112	132	120	61	153	138	106
Balance	19.8	22.8	33.8	23.9	26.6	34.0	36.6	150	115	148	71	111	128	108

Note: In Tables 10, 13 and 14, the CIS data cover 12 member states in 2006—2008 and 11 member states since September 2009.

Table 14

**COMMODITY STRUCTURE OF RUSSIAN EXPORTS**  
**(per methodology of customs statistics)**

	Structure, percent							Growth rates, percent of previous year						
	2006	2007	2008	2009	2010	2011	2012	2006	2007	2008	2009	2010	2011	2012
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>125</b>	<b>117</b>	<b>133</b>	<b>65</b>	<b>132</b>	<b>130</b>	<b>102</b>
Mineral products	65.9	64.9	69.8	67.4	68.8	71.1	71.4	127	115	143	62	134	134	102
of which:														
— fuel and energy products	65.4	64.2	68.8	66.7	68.0	70.1	70.3	127	115	142	63	134	134	102
of which:														
— oil	34.0	34.5	34.5	33.3	34.2	35.2	34.4	123	119	133	62	135	134	100
— natural gas	14.5	12.7	14.8	13.9	12.0	12.4	12.0	140	102	154	61	114	135	98
Metals, metal products	13.7	14.0	11.7	11.1	10.7	9.2	8.5	122	119	111	61	127	111	93
Chemicals, rubber	5.6	5.9	6.5	6.2	6.4	6.3	6.1	117	124	145	62	135	129	98
Machinery, equipment, transport vehicles	5.8	5.5	4.8	5.9	5.6	5.0	5.1	129	113	116	79	126	116	102
Foodstuffs and agricultural raw materials (except textiles)	1.8	2.6	2.0	3.3	2.4	2.6	3.2	122	165	102	107	94	143	125
Gemstones, precious metals and articles made of them	2.6	1.9	1.5	1.7	2.2	2.2	2.6	114	88	106	70	171	129	124
Timber and pulp-and-paper products	3.2	3.5	2.5	2.8	2.5	2.2	1.9	115	129	94	73	117	114	90
Textiles, textile products, footwear	0.3	0.3	0.2	0.2	0.2	0.2	0.1	100	98	92	82	113	115	80
Leather, furs and articles made of them	0.1	0.1	0.1	0.1	0.1	0.1	0.1	111	92	106	68	127	128	128
Other goods	1.0	1.3	0.9	1.3	1.1	1.1	1.0	125	141	100	85	117	128	95
Memo item														
Total exports, billions of US dollars (Source: Federal Customs Service)	301.2	351.9	467.6	301.7	397.1	516.7	525.4							

Table 12

**COMMODITY STRUCTURE OF RUSSIAN IMPORTS**  
**(per methodology of customs statistics)**

	Structure, percent							Growth rates, percent of previous year						
	2006	2007	2008	2009	2010	2011	2012	2006	2007	2008	2009	2010	2011	2012
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>140</b>	<b>145</b>	<b>134</b>	<b>63</b>	<b>137</b>	<b>134</b>	<b>103</b>
Machinery, equipment, transport vehicles	47.7	50.9	52.7	43.4	44.5	48.4	50.1	151	155	138	52	140	145	106
Chemicals, rubber	15.8	13.8	13.2	16.7	16.3	15.1	15.3	134	126	128	79	134	124	104
Foodstuffs and agricultural raw materials (except textiles)	15.7	13.8	13.2	17.9	15.9	13.9	12.9	124	128	127	85	121	117	95
Metals, metal products	7.5	7.9	6.9	6.5	7.4	7.3	7.0	140	153	118	59	156	132	99
Textiles, textile products, footwear	4.0	4.3	4.4	5.7	6.2	5.5	5.6	152	157	135	82	148	118	105
Mineral products	2.4	2.3	3.1	2.4	2.6	3.2	2.4	109	142	177	49	145	167	75
of which:														
— fuel and energy products	1.4	1.2	1.5	1.4	1.6	2.0	1.3	115	134	166	58	155	162	67
Timber and pulp-and-paper products	2.9	2.7	2.4	3.0	2.6	2.2	2.0	121	134	122	78	115	114	91
Leather, fur and articles made of them	0.3	0.4	0.4	0.5	0.5	0.5	0.5	157	161	149	74	161	127	101
Gemstones, precious metals and articles made of them	0.2	0.3	0.3	0.3	0.2	0.2	0.2	119	173	134	58	117	131	113
Other goods	3.5	3.6	3.4	3.6	3.8	3.7	4.0	131	148	128	65	145	128	114
Memo item														
Total imports, billions of US dollars (Source: Federal Customs Service)	137.8	199.8	267.1	167.3	228.9	305.8	314.2							

Table 13

**RUSSIA'S EXPORTS TO MAJOR TRADING PARTNERS**  
**(per methodology of customs statistics)**

	Structure, percent							Growth rates, percent of previous year						
	2006	2007	2008	2009	2010	2011	2012	2006	2007	2008	2009	2010	2011	2012
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>125</b>	<b>117</b>	<b>133</b>	<b>65</b>	<b>132</b>	<b>130</b>	<b>102</b>
of which:														
CIS countries	14.0	15.0	14.9	15.5	15.0	15.4	14.9	130	124	132	67	127	133	98
of which:														
EurAsEC countries	8.0	9.2	8.8	9.1	7.7	7.9	8.0	139	134	127	67	111	134	103
of which:														
Customs Union countries					7.2	7.6	7.5						136	102
Other countries	6.0	5.8	6.1	6.4	7.3	7.5	6.9	119	112	141	68	150	132	94
Non-CIS countries	86.0	85.0	85.1	84.5	85.0	84.6	85.1	124	116	133	64	132	130	102
of which:														
EU countries	56.6	55.7	56.9	53.3	53.3	51.6	52.9	128	115	136	61	131	126	104
APEC countries	11.8	12.2	12.9	15.1	16.9	17.9	17.4	119	121	140	75	148	138	99
Other countries	17.6	17.1	15.3	16.1	14.8	15.1	14.8	116	115	119	68	121	133	100
Memo item														
OECD countries	66.6	65.5	66.8	64.2	65.3	63.7	64.2	128	115	135	62	134	127	102

Note: In Tables I3 and I4, the EU data in 2006 cover 25 member states and since 2007, 27 member states; EurAsEC includes the Republic of Uzbekistan until 2009. In Tables I3 to I5, the OECD data from June 2010 cover 31 member states, from August 2010, 32 member states, from October 2010, 33 member states, and since 2011, 34 member states.

*End*

	Structure, percent							Growth rates, percent of previous year						
	2006	2007	2008	2009	2010	2011	2012	2006	2007	2008	2009	2010	2011	2012
<b>Major trading partners</b>														
The Netherlands	11.9	12.2	12.2	12.1	13.6	12.1	14.6	146	119	133	64	148	116	123
China	5.2	4.5	4.5	5.5	5.1	6.8	6.8	121	101	133	79	122	172	102
Germany	8.1	7.5	7.1	6.2	6.5	6.6	6.8	124	108	126	56	137	133	104
Italy	8.3	7.8	9.0	8.3	6.9	6.3	6.2	132	110	153	60	109	119	99
Turkey	4.7	5.3	5.9	5.4	5.1	4.9	5.2	132	130	149	59	124	125	108
Ukraine	5.0	4.7	5.0	4.6	5.8	5.9	5.2	121	110	143	59	167	132	89
Belarus	4.3	4.9	5.0	5.5	4.6	4.8	4.7	129	131	137	71	108	138	99
Poland	3.8	3.8	4.3	4.1	3.8	4.1	3.8	133	116	152	62	119	143	93
Japan	1.5	2.2	2.2	2.4	3.2	2.8	3.0	120	171	135	70	177	114	106
Kazakhstan	3.0	3.4	2.8	3.0	2.7	2.7	2.9	137	133	112	69	117	132	107
United Kingdom	3.5	3.1	3.2	3.0	2.8	2.7	2.9	123	106	135	61	125	124	107
Korea, Republic of	0.9	1.8	1.7	1.9	2.6	2.6	2.6	116	226	126	73	184	128	104
United States	2.9	2.4	2.9	3.0	3.1	3.2	2.5	137	96	161	68	135	133	79
Finland	3.1	3.1	3.4	3.0	3.1	2.6	2.3	120	117	146	58	133	108	91
Switzerland	4.0	3.8	2.1	2.1	2.2	2.2	2.0	113	111	71	65	140	131	94
France	2.5	2.5	2.6	2.9	3.1	2.9	2.0	125	113	140	72	142	120	71
Memo item														
Total exports, billions of US dollars (Source: Federal Customs Service)	301.2	351.9	467.6	301.7	397.1	516.7	525.4							

Table 14

**RUSSIA'S IMPORTS FROM MAJOR TRADING PARTNERS**  
**(per methodology of customs statistics)**

	Structure, percent							Growth rates, percent of previous year						
	2006	2007	2008	2009	2010	2011	2012	2006	2007	2008	2009	2010	2011	2012
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>140</b>	<b>145</b>	<b>134</b>	<b>63</b>	<b>137</b>	<b>134</b>	<b>103</b>
of which:														
CIS countries	16.2	15.0	13.7	13.0	13.9	14.7	13.3	118	134	123	60	145	141	93
of which:														
EurAsEC countries	8.9	7.7	7.1	6.6	6.6	7.0	6.6	134	125	123	58	137	143	97
of which:														
Customs Union countries					6.3	6.9	6.5						146	97
Other countries	7.3	7.3	6.6	6.4	7.3	7.7	6.7	103	143	122	61	154	140	89
Non-CIS countries	83.8	85.0	86.3	87.0	86.1	85.3	86.7	145	147	136	63	135	132	104
of which:														
EU countries	44.0	43.7	43.6	45.1	41.7	41.7	42.2	139	144	134	65	127	134	104
APEC countries	28.5	31.9	33.4	30.9	34.1	33.8	34.8	156	162	140	58	151	133	106
Other countries	11.3	9.4	9.3	11.0	10.3	9.8	9.7	144	123	131	74	129	126	102
Memo item														
OECD countries	62.6	61.9	62.7	60.4	57.3	59.2	59.9	142	143	135	60	130	138	104

*End*

	Structure, percent							Growth rates, percent of previous year						
	2006	2007	2008	2009	2010	2011	2012	2006	2007	2008	2009	2010	2011	2012
<b>Major trading partners</b>														
China	9.4	12.2	13.0	13.6	17.0	15.8	16.5	178	189	142	66	171	124	108
Germany	13.4	13.3	12.8	12.7	11.7	12.3	12.2	139	144	129	62	126	141	102
Ukraine	6.7	6.7	6.1	5.5	6.1	6.6	5.7	118	144	122	56	154	143	89
Japan	5.6	6.4	7.0	4.3	4.5	4.9	5.0	134	163	146	39	141	146	104
United States	4.6	4.7	5.2	5.5	4.8	4.8	4.9	140	148	146	66	121	131	105
France	4.3	3.9	3.7	5.0	4.4	4.3	4.4	160	132	129	84	119	132	104
Italy	4.2	4.3	4.1	4.7	4.4	4.4	4.3	130	149	129	72	127	133	100
Belarus	5.0	4.4	4.0	4.0	4.3	4.7	3.8	120	130	119	64	148	146	82
Korea, Republic of	4.9	4.4	4.0	2.9	3.2	3.8	3.5	169	130	120	46	150	159	95
Kazakhstan	2.8	2.3	2.4	2.2	1.9	2.2	2.7	119	120	138	58	120	148	131
United Kingdom	2.7	2.8	2.9	2.1	2.0	2.3	2.6	132	154	135	47	129	157	114
Poland	2.5	2.3	2.6	2.5	2.5	2.2	2.4	124	136	152	60	138	114	112
Turkey	2.0	2.1	2.3	1.9	2.1	2.1	2.2	159	152	147	52	151	131	108
The Netherlands	1.9	1.9	1.8	2.1	1.9	1.9	1.9	138	144	125	75	124	133	101
Finland	2.9	2.5	2.5	2.4	2.0	1.9	1.6	129	126	132	60	116	124	88
Switzerland	0.9	0.9	0.9	1.2	1.1	1.0	1.0	148	135	137	82	123	123	101
Memo item														
Total imports, billions of US dollars (Source: Federal Customs Service)	137.8	199.8	267.1	167.3	228.9	305.8	314.2							

Table 15

**RUSSIA'S EXTERNAL TRADE IN SERVICES BY GROUP OF COUNTRIES**  
**(millions of US dollars)**

	Turnover			Exports			Imports			Balance		
	2011	2012	Growth rates, percent	2011	2012	Growth rates, percent	2011	2012	Growth rates, percent	2011	2012	Growth rates, percent
<b>Total</b>	<b>149,534</b>	<b>171,580</b>	<b>115</b>	<b>58,039</b>	<b>62,686</b>	<b>108</b>	<b>91,495</b>	<b>108,894</b>	<b>119</b>	<b>-33,456</b>	<b>-46,209</b>	<b>138</b>
of which:												
CIS countries	19,081	20,656	108	10,434	10,466	100	8,647	10,190	118	1,786	276	15
of which:												
EurAsEC countries	6,553	7,075	108	3,921	4,034	103	2,632	3,041	116	1,289	993	77
of which:												
Customs Union countries	4,864	5,191	107	2,687	2,708	101	2,177	2,484	114	510	224	44
Other countries	10,481	11,010	105	5,744	5,597	97	4,737	5,413	114	1,007	183	18
Services not allocated by country	2,047	2,570	126	769	835	109	1,279	1,735	136	-510	-899	176
Non-CIS countries	130,454	150,924	116	47,605	52,220	110	82,848	98,705	119	-35,243	-46,485	132
of which:												
EU countries	62,089	70,706	114	21,317	23,801	112	40,772	46,905	115	-19,454	-23,104	119
APEC countries	19,310	21,821	113	8,058	8,075	100	11,252	13,746	122	-3,193	-5,670	178
Other countries	29,742	35,871	121	12,496	13,438	108	17,246	22,433	130	-4,751	-8,995	189
Services not allocated by country	19,313	22,527	117	5,734	6,906	120	13,578	15,621	115	-7,844	-8,715	111
Memo item												
OECD countries	81,566	93,051	114	30,761	32,596	106	50,805	60,456	119	-20,044	-27,860	139

Table 16

**STRUCTURE OF BANK OF RUSSIA CUSTOMERS OTHER THAN CREDIT INSTITUTIONS AND NUMBER OF ACCOUNTS OPENED FOR THEM (thousand)**

	Number of customers			Number of accounts		
	as of 1.01.2012	as of 1.01.2013	change over 2012	as of 1.01.2012	as of 1.01.2013	change over 2012
<b>Total</b>	<b>9.6<sup>1</sup></b>	<b>6.0</b>	<b>-3.6</b>	<b>75.2</b>	<b>61.8</b>	<b>-13.4<sup>1</sup></b>
Federal Treasury	0.7	0.5	-0.1 <sup>1</sup>	57.7	50.1	-7.6
Regional and local budget management bodies	1.4	1.3	-0.1	6.2	5.1	-1.1
State-owned institutions financed from budgets of all levels	2.5	0.6	-1.9	3.5	0.7	-2.8
Government and other extra-budgetary funds	2.4	2.4	0.0	4.2	4.2	0.0
Election commissions (referendum commissions)	1.4	0.2	-1.2	1.7	0.2	-1.4 <sup>1</sup>
Other organisations	1.3	1.0	-0.3	1.9	1.5	-0.4

<sup>1</sup> Discrepancies in the sum are due to the rounding of data.

Table 17

**RUSSIA'S DOMESTIC GOVERNMENT DEBT AS OF 1 JANUARY 2013**  
**(at face value, billions of roubles)**

Debt instruments	Total within domestic government debt	Of these, traded on domestic securities market
Permanent coupon-income federal loan bonds (OFZ-PD)	2,248.2	2,248.2
Debt depreciation federal loan bonds (OFZ-AD)	1,048.6	948.6
Government savings bonds (GSO)	677.5	—
MinFin bonds (OVOZ)	90.0	—
Other debt recognised as part of domestic government debt	913.6	—
<b>Total</b>	<b>4,977.9</b>	<b>3,196.7<sup>1</sup></b>

<sup>1</sup> Discrepancies in the sum are due to the rounding of data.

Table 18

**FINANCE MINISTRY DEBT TO THE BANK OF RUSSIA AS OF 1 JANUARY 2013**  
**(millions of roubles)<sup>1</sup>**

	At face value
Russian government debt obligations	354,905
of which:	
— Russian government debt obligations available for sale, in national currency	259,160
— Russian government debt obligations available for sale, in foreign currency	95,745

<sup>1</sup> Exclusive of repo transactions.

Table 19

**RUSSIAN GOVERNMENT OUTSTANDING FOREIGN CURRENCY-DENOMINATED<sup>1</sup> BONDS**  
**(as of 1 January 2013)**

Date of placement	Date of redemption	Volume in circulation at par, millions of US dollars	Coupon rate, percent p.a.
<b>Eurobonds due in 2015</b>			
29.04.2010	29.04.2015	2,000	3.625
<b>Eurobonds due in 2017</b>			
4.04.2012	4.04.2017	2,000	3.25
<b>Eurobonds due in 2018 (issued in the course of restructuring GKOs)</b>			
24.07.1998	24.07.2018	3,466	11
<b>Eurobonds due in 2020</b>			
29.04.2010	29.04.2020	3,500	5
<b>Eurobonds due in 2022</b>			
4.04.2012	4.04.2022	2,000	4.5
<b>Eurobonds due in 2028</b>			
24.06.1998	24.06.2028	2,500	12.75
<b>Eurobonds due in 2030 (issued in the course of restructuring debt to the London Club of commercial bank creditors)</b>			
31.03.2000	31.03.2030	16,444	7.5
<b>Eurobonds due in 2042</b>			
4.04.2012	4.04.2042	3,000	5.625

<sup>1</sup> In US dollars.

Table 20

**VOLUME (TURNOVER) OF RESIDENT OPERATIONS WITH NON-RESIDENTS TO BUY AND SELL  
RUSSIAN GOVERNMENT OUTSTANDING FOREIGN CURRENCY DEBT OBLIGATIONS IN SECONDARY MARKET  
(at market prices, billions of US dollars)**

	Q1	Q2	Q3	Q4	2012
Eurobonds due in 2015, 2020 and 2028	0.8	1.3	1.7	2.0	5.9
Eurobonds due in 2017, 2022 and 2042	—	1.6	1.2	1.4	4.1
Eurobonds due in 2018 (issued in the course of restructuring GKOs)	0.0	0.0	0.0	0.0	0.1
Eurobonds due in 2030 (issued in the course of the second restructuring of debt to London Club of commercial bank creditors)	1.7	3.5	2.6	1.8	9.4

*Note: Minor discrepancies between the total and the sum of components are due to the rounding of data.*

Table 21

**INSTITUTIONALISED FINANCIAL INTERMEDIARIES**

	1.01.2013	Memo item: 1.01.2012
<b>Credit institutions</b>		
Operating credit institutions, total	956	978
of which:		
— banks	897	922
— non-bank credit institutions	59	56
Operating credit institutions with foreign stakes in authorised capital	244	230
Branches of credit institutions operating in Russia	2,349	2,807
Representative offices of operating Russian credit institutions	415	378
<b>Insurance companies<sup>1</sup></b>		
Registered insurance companies	469	579
<b>Unit investment funds<sup>2</sup></b>		
Unit investment funds, total	1,550	1,470
of which:		
— open-end	435	443
— interval	64	71
— closed-end	1,051	956
<b>Non-governmental pension funds<sup>1</sup></b>		
Operating non-governmental pension funds	138 <sup>3</sup>	146

<sup>1</sup> Source: Federal Financial Markets Service.

<sup>2</sup> Source: News agency Cbonds.ru.

<sup>3</sup> As of 1 October 2012.

Table 22

BALANCE OF PAYMENTS OF THE RUSSIAN FEDERATION<sup>1</sup> (analytical presentation, millions of US dollars)

	Q1	Q2	Q3	Q4	2012	Memo item: 2011
<b>Current account</b>	<b>39,181</b>	<b>16,535</b>	<b>6,250</b>	<b>12,832</b>	<b>74,798</b>	<b>97,274</b>
Goods	58,691	49,405	38,540	46,638	193,274	196,854
<i>Export</i>	<i>131,664</i>	<i>131,563</i>	<i>125,552</i>	<i>140,325</i>	<i>529,104</i>	<i>515,409</i>
oil	46,136	45,476	42,689	46,615	180,916	181,812
oil products	25,628	26,409	25,222	26,289	103,547	95,710
natural gas	18,854	13,744	13,347	17,042	62,987	64,290
other	41,047	45,935	44,294	50,378	181,654	173,597
<i>Import</i>	<i>-72,974</i>	<i>-82,158</i>	<i>-87,012</i>	<i>-93,686</i>	<i>-335,830</i>	<i>-318,555</i>
Services	-8,321	-10,212	-15,396	-12,280	-46,209	-33,456
<i>Export</i>	<i>13,241</i>	<i>15,828</i>	<i>16,471</i>	<i>17,145</i>	<i>62,686</i>	<i>58,039</i>
transportation	4,012	5,189	4,988	4,972	19,161	17,350
travel	2,257	2,728	3,444	2,758	11,187	11,328
other services	6,972	7,911	8,039	9,416	32,339	29,361
<i>Import</i>	<i>-21,562</i>	<i>-26,039</i>	<i>-31,867</i>	<i>-29,426</i>	<i>-108,894</i>	<i>-91,495</i>
transportation	-3,355	-4,162	-4,369	-4,557	-16,443	-15,415
travel	-7,553	-10,085	-14,945	-10,214	-42,798	-32,902
other services	-10,654	-11,792	-12,553	-14,655	-49,654	-43,178
Compensation of employees	-2,188	-2,630	-3,172	-3,768	-11,758	-9,522
Investment income	-8,232	-19,990	-11,293	-15,947	-55,462	-51,031
Receivable	12,702	8,260	12,950	9,347	43,260	38,625
Payable	-20,934	-28,250	-24,243	-25,294	-98,722	-89,656
<i>General government</i>	<i>117</i>	<i>-419</i>	<i>-421</i>	<i>-534</i>	<i>-1,257</i>	<i>-925</i>
Receivable	642	177	191	130	1,140	1,067
Payable	-525	-595	-612	-664	-2,397	-1,992
<i>Local government (payable)</i>	<i>-11</i>	<i>-10</i>	<i>-5</i>	<i>-33</i>	<i>-58</i>	<i>-157</i>
Central bank	797	701	632	593	2,722	4,186
Receivable	800	703	633	595	2,732	4,222
Payable	-3	-3	-2	-2	-10	-36

*Cont.*

	Q1	Q2	Q3	Q4	2012	Memo item: 2011
<i>Banks</i>	-636	-351	-743	-1,561	-3,291	-2,271
Receivable	2,498	3,381	2,827	2,559	11,265	9,467
Payable	-3,134	-3,732	-3,569	-4,120	-14,555	-11,738
<i>Other sectors<sup>2</sup></i>	-8,498	-19,911	-10,756	-14,413	-53,578	-51,864
Receivable	8,762	3,999	9,299	6,063	28,123	23,868
Payable	-17,261	-23,911	-20,054	-20,476	-81,702	-75,732
Rent	229	260	270	249	1,008	153
Secondary income	-999	-299	-2,698	-2,059	-6,055	-5,725
<b>Capital account</b>	<b>-4,760</b>	<b>-17</b>	<b>-235</b>	<b>-265</b>	<b>-5,276</b>	<b>130</b>
<b>Balance from current and capital account</b>	<b>34,421</b>	<b>16,518</b>	<b>6,016</b>	<b>12,567</b>	<b>69,522</b>	<b>97,404</b>
<b>Financial account (excluding reserve assets)</b>	<b>-24,720</b>	<b>1,335</b>	<b>-4,721</b>	<b>-2,176</b>	<b>-30,282</b>	<b>-76,143</b>
<b>Net incurrence of liabilities ('+' — increase, '-' — decrease)</b>	<b>11,680</b>	<b>19,498</b>	<b>24,082</b>	<b>34,229</b>	<b>89,488</b>	<b>67,472</b>
<i>Federal government</i>	681	6,288	590	5,012	12,571	2,125
Portfolio investment	1,008	6,557	914	5,183	13,663	3,302
Issue	0	6,640	0	0	6,640	3,011
Redemption	-1,408	-285	-1,364	-454	-3,511	-3,818
principal	-578	0	-549	0	-1,127	-1,860
coupons	-830	-285	-816	-454	-2,384	-1,958
Interest reinvestment	504	571	594	642	2,310	1,883
Secondary market	1,912	-368	1,685	4,996	8,224	2,226
Loans	-333	-237	-330	-142	-1,042	-1,208
Other liabilities	6	-32	6	-30	-50	30
<i>Local government</i>	-30	-289	-57	146	-231	-1,119
<i>Central bank</i>	229	741	892	2,089	3,950	-324
<i>Banks</i>	430	6,886	15,261	10,702	33,278	7,843
Direct investment	1,663	1,604	2,103	2,416	7,786	5,081
Loans and deposits	-2,119	11,676	8,156	11,501	29,215	20,464
Other liabilities	886	-6,394	5,002	-3,215	-3,723	-17,702

End

	Q1	Q2	Q3	Q4	2012	Memo item: 2011
<i>Other sectors</i> <sup>2</sup>	<i>10,371</i>	<i>5,872</i>	<i>7,396</i>	<i>16,281</i>	<i>39,920</i>	<i>58,948</i>
Direct investment	11,177	2,771	14,653	15,030	43,630	50,003
Portfolio investment	-549	-4,421	-1,093	-2,065	-8,128	-6,226
Loans	-150	2,499	-141	3,693	5,901	16,068
Other liabilities	-107	5,024	-6,023	-376	-1,483	-897
<b>Net acquisition of financial assets, excluding reserve assets (‘+’ — decrease, ‘-’ — increase)</b>	<b>-36,400</b>	<b>-18,162</b>	<b>-28,803</b>	<b>-36,405</b>	<b>-119,770</b>	<b>-143,615</b>
<i>General government</i>	<i>1,997</i>	<i>-1,059</i>	<i>1,068</i>	<i>-1,653</i>	<i>353</i>	<i>-2,468</i>
Loans	1,820	169	64	-1,799	254	-750
Other assets	177	-1,227	1,004	146	99	-1,718
<i>Central bank</i>	<i>5</i>	<i>-1</i>	<i>-2</i>	<i>-75</i>	<i>-73</i>	<i>-7</i>
<i>Banks</i>	<i>-10,177</i>	<i>4,704</i>	<i>-7,541</i>	<i>-1,755</i>	<i>-14,769</i>	<i>-31,767</i>
Direct investment	-668	-498	-4,759	-318	-6,244	-884
Loans and deposits	-13,754	2,228	-2,158	-5,720	-19,404	-38,106
Other assets	4,245	2,975	-624	4,282	10,878	7,224
<i>Other sectors</i> <sup>2</sup>	<i>-28,225</i>	<i>-21,807</i>	<i>-22,329</i>	<i>-32,921</i>	<i>-105,282</i>	<i>-109,373</i>
Direct investment	-10,666	-11,254	-9,950	-12,911	-44,782	-65,904
Portfolio investment	-101	-116	-489	-971	-1,677	-4,355
Cash foreign currency	-2,723	1,279	-1,436	1,469	-1,410	4,013
Trade credits and advances	-4,141	-453	-551	-5,073	-10,218	-3,235
Indebtedness on supplies according to intergovernmental agreements	852	-1,939	389	-1,231	-1,928	-1,652
Fictitious transactions <sup>3</sup>	-9,917	-8,235	-8,203	-11,792	-38,147	-33,263
Other assets	-1,528	-1,090	-2,088	-2,413	-7,119	-4,978
<b>Net errors and omissions</b>	<b>-5,098</b>	<b>-2,888</b>	<b>225</b>	<b>-1,462</b>	<b>-9,223</b>	<b>-8,630</b>
<b>Change in reserve assets (‘+’ — decrease, ‘-’ — increase)</b>	<b>-4,602</b>	<b>-14,965</b>	<b>-1,520</b>	<b>-8,929</b>	<b>-30,017</b>	<b>-12,630</b>

<sup>1</sup> The table is compiled on the basis of the methodology set out in the 6<sup>th</sup> edition of the IMF's Balance of Payments and International Investment Position Manual (BPM6). The use of signs corresponds to the 5<sup>th</sup> edition of the Balance of Payments Manual (BPM5).

<sup>2</sup> Other sectors include other financial corporations (except banks), non-financial corporations, households, and non-profit institutions serving households.

<sup>3</sup> Include fictitious transactions related to trade in goods and services, securities trading, lending to non-residents and fictitious transactions with money transfers to residents' accounts abroad.

Table 23

**PRIVATE SECTOR NET CAPITAL INFLOW (OUTFLOW)**  
**(according to balance of payments data, billions of US dollars)**

	Private sector net capital inflow (outflow), total	Banking sector net capital inflow (outflow)	Of which		Other sectors' net capital inflow (outflow)	Of which		
			foreign assets	foreign liabilities		foreign assets <sup>1</sup>	foreign liabilities	balance of payments net errors and omissions <sup>2</sup>
2005	-0.3	5.9	-13.4	19.2	-6.2	-56.4	55.2	-5.0
2006	43.7	27.5	-23.6	51.1	16.1	-56.3	61.1	11.2
2007	88.6	45.8	-25.1	70.9	42.8	-94.7	144.9	-7.4
2008	-133.6	-55.2	-63.3	8.1	-78.3	-174.2	98.9	-3.1
2009	-57.5	-32.2	10.0	-42.1	-25.3	-53.3	34.3	-6.4
2010	-30.8	15.9	-1.7	17.6	-46.7	-62.9	25.4	-9.1
2011	-81.3	-23.9	-31.8	7.8	-57.4	-107.7	58.9	-8.6
Q1	-18.7	-7.3	-10.0	2.8	-11.5	-23.3	14.2	-2.4
Q2	-10.1	-1.7	-7.9	6.3	-8.5	-24.4	18.6	-2.7
Q3	-18.1	-8.3	-5.4	-2.9	-9.8	-17.2	7.7	-0.3
Q4	-34.4	-6.7	-8.4	1.7	-27.7	-42.8	18.4	-3.3
2012	-54.1	18.5	-14.8	33.3	-72.7	-103.4	39.9	-9.2
Q1	-33.6	-9.7	-10.2	0.4	-23.8	-29.1	10.4	-5.1
Q2	-5.3	11.6	4.7	6.9	-16.9	-19.9	5.9	-2.9
Q3	-7.4	7.7	-7.5	15.3	-15.1	-22.7	7.4	0.2
Q4	-7.9	8.9	-1.8	10.7	-16.9	-31.7	16.3	-1.5

<sup>1</sup> Excluding debt for goods supplied under intergovernmental agreements.

<sup>2</sup> Net errors and omissions item fully relates to other sectors' operations. It is assumed that accounting for financial operations of these sectors is most complicated for balance of payments compilation.

Note: '-' signifies capital outflow, '+' signifies capital inflow.

Table 24

**PRIVATE SECTOR NET CAPITAL INFLOW (OUTFLOW) BY TYPE OF INVESTMENT**  
 (according to balance of payments data, billions of US dollars)

	Q1	Q2	Q3	Q4	2012	Memo item: 2011
Direct investment	1.5	-7.4	2.0	4.2	0.4	-11.7
Liabilities	12.8	4.4	16.8	17.4	51.4	55.1
Banks	1.7	1.6	2.1	2.4	7.8	5.1
Other sectors	11.2	2.8	14.7	15.0	43.6	50.0
Assets	-11.3	-11.8	-14.7	-13.2	-51.0	-66.8
Banks	-0.7	-0.5	-4.8	-0.3	-6.2	-0.9
Other sectors	-10.7	-11.3	-10.0	-12.9	-44.8	-65.9
Portfolio investment	6.7	-5.7	1.6	-2.4	0.3	-18.0
Liabilities	5.3	-5.2	5.8	-3.4	2.4	-8.1
Banks	5.9	-0.8	6.8	-1.3	10.6	-1.9
Other sectors	-0.5	-4.4	-1.1	-2.1	-8.1	-6.2
Assets	1.4	-0.4	-4.1	1.0	-2.2	-9.8
Banks	1.5	-0.3	-3.6	2.0	-0.5	-5.5
Other sectors	-0.1	-0.1	-0.5	-1.0	-1.7	-4.4
Derivatives	0.2	-1.7	0.0	0.1	-1.4	-1.4
Liabilities	-6.4	-5.5	-3.7	-2.5	-18.1	-17.8
Banks	-5.8	-5.0	-3.1	-2.1	-16.1	-16.1
Other sectors	-0.5	-0.5	-0.6	-0.4	-2.0	-1.7
Assets	6.5	3.9	3.7	2.6	16.7	16.4
Banks	6.1	3.4	3.3	2.3	15.2	14.8
Other sectors	0.4	0.5	0.4	0.2	1.5	1.6
Other investment	-36.8	12.3	-11.3	-8.4	-44.2	-41.6
Liabilities	-1.0	19.2	3.8	15.4	37.4	37.7
Banks	-1.3	11.1	9.4	11.7	31.0	20.8
Other sectors	0.3	8.0	-5.6	3.7	6.4	16.9
Assets	-35.8	-6.9	-15.1	-23.8	-81.6	-79.3
Banks	-17.1	2.1	-2.4	-5.7	-23.2	-40.2
Other sectors <sup>1</sup>	-18.7	-9.0	-12.7	-18.0	-58.4	-39.1
Balance of payments net errors and omissions	-5.1	-2.9	0.2	-1.5	-9.2	-8.6
<b>Private sector net capital inflow (outflow), total</b>	<b>-33.6</b>	<b>-5.3</b>	<b>-7.4</b>	<b>-7.9</b>	<b>-54.1</b>	<b>-81.3</b>

<sup>1</sup> Excluding debt for goods supplied under intergovernmental agreements.

Note: ‘-’ signifies capital outflow, ‘+’ signifies capital inflow.

Table 25

CROSS-BORDER TRANSACTIONS OF INDIVIDUALS (RESIDENTS AND NON-RESIDENTS)<sup>1</sup>

	Q1	Q2	Q3	Q4	2011	Q1	Q2	Q3	Q4	2012
	Total, millions of US dollars									
<b>Money transfers from the Russian Federation by individuals</b>	<b>8,658</b>	<b>10,899</b>	<b>12,321</b>	<b>11,940</b>	<b>43,819</b>	<b>9,581</b>	<b>11,560</b>	<b>13,491</b>	<b>13,957</b>	<b>48,588</b>
to non-CIS countries	6,092	6,860	7,187	7,678	27,816	6,373	7,059	7,498	8,453	29,384
to CIS countries	2,566	4,040	5,134	4,262	16,002	3,207	4,501	5,993	5,504	19,205
<b>Money transfers to the Russian Federation for the benefit of individuals</b>	<b>2,718</b>	<b>3,312</b>	<b>3,097</b>	<b>3,307</b>	<b>12,434</b>	<b>3,021</b>	<b>3,927</b>	<b>3,281</b>	<b>3,827</b>	<b>14,056</b>
from non-CIS countries	2,237	2,642	2,360	2,580	9,820	2,352	3,109	2,453	2,821	10,735
from CIS countries	482	670	737	727	2,614	669	818	828	1,006	3,321
<b>Balance<sup>2</sup></b>	<b>-5,940</b>	<b>-7,588</b>	<b>-9,224</b>	<b>-8,633</b>	<b>-31,385</b>	<b>-6,560</b>	<b>-7,633</b>	<b>-10,210</b>	<b>-10,130</b>	<b>-34,532</b>
with non-CIS countries	-3,855	-4,218	-4,827	-5,097	-17,997	-4,021	-3,951	-5,045	-5,632	-18,649
with CIS countries	-2,085	-3,370	-4,398	-3,536	-13,388	-2,538	-3,682	-5,165	-4,498	-15,884
<b>Average amount of transaction, US dollars</b>										
<b>Money transfers from the Russian Federation by individuals</b>	<b>1,165</b>	<b>990</b>	<b>937</b>	<b>959</b>	<b>995</b>	<b>824</b>	<b>775</b>	<b>875</b>	<b>866</b>	<b>837</b>
to non-CIS countries	5,426	4,420	4,437	4,036	4,489	3,113	3,333	4,374	4,974	3,877
to CIS countries	407	427	445	404	423	335	352	437	382	380
<b>Money transfers to the Russian Federation for the benefit of individuals</b>	<b>2,319</b>	<b>2,568</b>	<b>2,659</b>	<b>2,573</b>	<b>2,533</b>	<b>2,406</b>	<b>2,958</b>	<b>2,544</b>	<b>2,503</b>	<b>2,602</b>
from non-CIS countries	3,844	4,222	3,981	4,081	4,036	3,841	4,770	3,820	3,994	4,109
from CIS countries	816	1,009	1,288	1,113	1,055	1,040	1,211	1,279	1,222	1,191

<sup>1</sup> Money transfers to Russia for the benefit of resident and non-resident individuals and money transfers from Russia of resident and non-resident individuals made via credit institutions (with or without opening an account) including remittances via money transfer systems and Russia's Post Service.

<sup>2</sup> Negative balance reflects the excess of the amount of remittances from the Russian Federation over the amount of remittances to the Russian Federation.

Table 26

## CROSS-BORDER REMITTANCES VIA MONEY TRANSFER SYSTEMS

	Q1	Q2	Q3	Q4	2011	Q1	Q2	Q3	Q4	2012
<b>Total, millions of US dollars</b>										
<b>Remittances from Russia</b>	<b>2,873</b>	<b>4,378</b>	<b>5,595</b>	<b>4,687</b>	<b>17,533</b>	<b>3,560</b>	<b>4,884</b>	<b>6,474</b>	<b>5,974</b>	<b>20,893</b>
to non-CIS countries	476	584	679	651	2,390	565	638	723	758	2,684
to CIS countries	2,398	3,793	4,916	4,036	15,143	2,996	4,246	5,751	5,216	18,209
<b>Remittances to Russia</b>	<b>557</b>	<b>716</b>	<b>770</b>	<b>724</b>	<b>2,767</b>	<b>685</b>	<b>807</b>	<b>829</b>	<b>965</b>	<b>3,286</b>
from non-CIS countries	219	259	258	245	981	219	262	252	272	1,005
from CIS countries	339	457	512	479	1,786	466	545	576	693	2,280
<b>Balance<sup>1</sup></b>	<b>-2,316</b>	<b>-3,662</b>	<b>-4,825</b>	<b>-3,963</b>	<b>-14,766</b>	<b>-2,875</b>	<b>-4,078</b>	<b>-5,645</b>	<b>-5,010</b>	<b>-17,607</b>
with non-CIS countries	-257	-325	-421	-406	-1,410	-346	-376	-471	-486	-1,678
with CIS countries	-2,059	-3,337	-4,404	-3,557	-13,357	-2,529	-3,701	-5,175	-4,524	-15,929
<b>Average amount of remittance, US dollars</b>										
<b>Remittances from Russia</b>	<b>475</b>	<b>515</b>	<b>574</b>	<b>531</b>	<b>530</b>	<b>458</b>	<b>474</b>	<b>537</b>	<b>521</b>	<b>502</b>
to non-CIS countries	904	932	1,009	969	956	903	909	973	951	936
to CIS countries	435	482	542	495	495	419	443	508	489	470
<b>Remittances to Russia</b>	<b>598</b>	<b>698</b>	<b>850</b>	<b>721</b>	<b>715</b>	<b>702</b>	<b>774</b>	<b>838</b>	<b>798</b>	<b>779</b>
from non-CIS countries	596	662	708	637	651	604	653	674	642	644
from CIS countries	598	719	946	774	757	760	849	939	882	859

<sup>1</sup> Negative balance reflects the excess of the amount of remittances from the Russian Federation over the amount of remittances to the Russian Federation.

Note: Money transfer systems include Anelik, BLIZKO, Caspian Money Transfer, Coinstar Money Transfer, Contact, Faster, InterExpress, Migom, MoneyGram, PrivatMoney, UNISTream, Western Union, AsiaExpress, ALLUR, Blitz, Bystraya Pochta, Zolotaya Korona, LIDER and Russia's Post Service.

Table 27

**FUNCTIONAL STRUCTURE OF FOREIGN INVESTMENT IN RUSSIA**  
**(billions of US dollars)<sup>1</sup>**

Type of investment	Q1	Q2	Q3	Q4	2012	Memo item: 2011
Direct	12.8	4.4	16.8	17.4	51.4	55.1
Portfolio	6.3	1.0	6.6	1.9	15.9	-5.4
Derivatives	-6.4	-5.5	-3.7	-2.5	-18.1	-17.8
Other	-1.1	19.6	4.4	17.3	40.2	35.7
<b>Total</b>	<b>11.7</b>	<b>19.5</b>	<b>24.1</b>	<b>34.2</b>	<b>89.5</b>	<b>67.5</b>

<sup>1</sup> Net incurrence of liabilities by residents according to balance of payments data.

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)<sup>1</sup>**

Type of investment	Q1	Q2	Q3	Q4	2012	Memo item: 2011
Direct	11.3	11.8	14.7	13.2	51.1	66.9
Portfolio	-1.4	0.4	4.1	-1.0	2.2	9.8
Derivatives	-6.5	-3.9	-3.7	-2.6	-16.7	-16.4
Other	33.0	9.9	13.7	26.7	83.2	83.4
<b>Total</b>	<b>36.4</b>	<b>18.2</b>	<b>28.8</b>	<b>36.4</b>	<b>119.8</b>	<b>143.6</b>

<sup>1</sup> Net acquisition of financial assets by residents according to balance of payments data.

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 1.01.2012	Transactions	Valuation changes	Other adjustments	Total changes	Balance as of 1.01.2013
	1	2	3	4	5	6
<b>Assets</b>	<b>214,927</b>	<b>14,769</b>	<b>17,366</b>	<b>-215</b>	<b>31,921</b>	<b>246,847</b>
<b>Direct investment</b>	<b>6,506</b>	<b>6,244</b>	<b>-1,090</b>	<b>165</b>	<b>5,319</b>	<b>11,825</b>
Equity and investment fund shares (including reinvestment of earnings)	5,707	5,441	-1,124	40	4,357	10,064
Debt instruments	799	803	34	125	961	1,761
<b>Portfolio investment</b>	<b>33,673</b>	<b>515</b>	<b>759</b>	<b>-59</b>	<b>1,215</b>	<b>34,888</b>
Equity and investment fund shares	3,812	322	203	-354	171	3,982
Debt securities	29,861	193	556	295	1,044	30,905
Short-term	1,189	274	-138	-48	88	1,277
Long-term	28,672	-81	694	343	956	29,628
<b>Derivatives</b>	<b>5,119</b>	<b>-15,156</b>	<b>15,521</b>	<b>0</b>	<b>364</b>	<b>5,483</b>
Options	904	485	-270	0	216	1,120
Forward-type contracts	4,215	-15,643	15,791	0	148	4,364
<b>Other investment</b>	<b>169,629</b>	<b>23,167</b>	<b>2,175</b>	<b>-320</b>	<b>25,023</b>	<b>194,652</b>
Foreign currency	5,152	837	79	-19	897	6,049
Current accounts and deposits	99,255	14,639	1,531	-262	15,907	115,162
Short-term	65,524	14,859	984	-259	15,584	81,108
Long-term	33,731	-220	546	-3	323	34,054
Loans	59,454	4,765	636	340	5,741	65,195
Short-term	19,847	-1,916	33	194	-1,689	18,158
Long-term	39,607	6,682	603	146	7,430	47,037
Other accounts receivable	5,768	2,926	-70	-378	2,478	8,246
Short-term	3,907	-215	93	-341	-463	3,444
Long-term	1,861	3,142	-163	-37	2,941	4,802

	Balance as of 1.01.2012	Transactions	Valuation changes	Other adjustments	Total changes	Balance as of 1.01.2013
	1	2	3	4	5	6
<b>Liabilities</b>	<b>216,077</b>	<b>33,278</b>	<b>21,586</b>	<b>310</b>	<b>55,174</b>	<b>271,251</b>
<b>Direct investment</b>	<b>27,555</b>	<b>7,786</b>	<b>534</b>	<b>7</b>	<b>8,328</b>	<b>35,883</b>
Equity (including reinvestment of earnings)	26,934	6,371	522	53	6,946	33,880
Debt instruments	620	1,415	13	-45	1,382	2,003
<b>Portfolio investment</b>	<b>25,293</b>	<b>10,575</b>	<b>4,283</b>	<b>490</b>	<b>15,348</b>	<b>40,641</b>
Equity	20,801	6,645	4,111	-17	10,739	31,540
Debt securities	4,493	3,930	172	507	4,609	9,102
Short-term	883	3,280	15	88	3,384	4,266
Long-term	3,610	650	157	418	1,225	4,836
<b>Derivatives</b>	<b>5,579</b>	<b>-16,094</b>	<b>14,780</b>	<b>0</b>	<b>-1,314</b>	<b>4,265</b>
Options	363	165	-446	0	-281	82
Forward-type contracts	5,216	-16,259	15,226	0	-1,034	4,183
<b>Other investment</b>	<b>157,650</b>	<b>31,010</b>	<b>1,990</b>	<b>-188</b>	<b>32,812</b>	<b>190,462</b>
Current accounts and deposits <sup>1</sup>	154,726	28,709	2,038	-97	30,650	185,376
Short-term	45,571	1,952	591	-197	2,346	47,917
Long-term	109,155	26,757	1,447	100	28,304	137,459
Loans <sup>1</sup>	541	506	-39	-71	396	937
Short-term	541	506	-39	-71	396	937
Other accounts payable	2,383	1,796	-9	-21	1,766	4,149
Short-term	1,834	1,492	-8	2	1,486	3,320
Long-term	549	303	0	-22	280	830
<b>International investment position, net</b>	<b>-1,150</b>	<b>-18,508</b>	<b>-4,221</b>	<b>-524</b>	<b>-23,253</b>	<b>-24,404</b>

<sup>1</sup> Liabilities of banks are recorded as deposits with the exception of: (i) reverse transactions including securities repurchase agreements with non-residents which are not banks; (ii) accounts payable.

Notes.

1. The table covers data compiled by credit institutions, excluding non-bank credit institutions, and Vnesheconombank.
2. Forward-type contracts include forwards, swaps and futures.
3. '+' in columns 2 to 5 denotes net growth in assets and liabilities, '-' denotes their net decrease.
4. 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 <sup>1</sup>				
	US dollar	euro	rouble	other currencies	total	US dollar	euro	rouble	other currencies	total
1.01.2002	80.6	6.6	4.5	8.3	100.0	75.5	5.1	17.7	1.7	100.0
1.01.2003	78.2	10.3	4.9	6.6	100.0	79.7	8.2	11.0	1.1	100.0
1.01.2004	76.0	11.4	6.0	6.6	100.0	80.5	5.5	12.7	1.3	100.0
1.01.2005	70.8	15.7	5.2	8.3	100.0	80.9	7.0	11.0	1.1	100.0
1.01.2006	76.2	14.1	3.9	5.8	100.0	85.0	7.0	7.0	1.0	100.0
1.01.2007	69.2	15.6	10.5	4.7	100.0	72.9	9.2	17.0	0.9	100.0
1.01.2008	66.5	17.2	11.7	4.6	100.0	67.5	10.2	20.9	1.4	100.0
1.04.2008	64.0	18.9	12.5	4.6	100.0	66.3	10.3	21.9	1.5	100.0
1.07.2008	63.0	19.1	13.1	4.8	100.0	64.3	11.5	22.6	1.6	100.0
1.10.2008	63.9	18.8	12.9	4.4	100.0	64.3	11.2	22.7	1.8	100.0
1.01.2009	62.6	20.1	13.7	3.6	100.0	67.0	13.5	17.4	2.1	100.0
1.04.2009	56.6	22.6	16.8	4.0	100.0	69.5	13.0	15.5	2.0	100.0
1.07.2009	55.2	22.6	17.6	4.6	100.0	66.9	13.6	17.5	2.0	100.0
1.10.2009	54.0	26.1	15.8	4.1	100.0	64.1	14.6	18.9	2.4	100.0
1.01.2010	56.2	23.3	16.4	4.1	100.0	62.3	15.1	20.0	2.6	100.0
1.04.2010	53.6	24.7	17.2	4.5	100.0	61.4	13.8	22.9	1.9	100.0
1.07.2010	60.9	18.1	15.9	5.1	100.0	62.5	12.5	22.8	2.2	100.0
1.10.2010	65.1	17.4	13.0	4.5	100.0	64.4	12.1	20.7	2.8	100.0
1.01.2011	63.8	16.4	15.0	4.8	100.0	65.5	10.6	20.9	3.0	100.0
1.04.2011	60.0	18.0	17.0	5.0	100.0	65.0	9.9	21.9	3.2	100.0
1.07.2011	60.1	18.6	16.6	4.7	100.0	64.5	9.4	22.8	3.3	100.0
1.10.2011	60.4	17.9	17.0	4.7	100.0	67.9	9.6	19.8	2.7	100.0
1.01.2012	59.9	16.9	18.7	4.5	100.0	66.1	11.0	20.1	2.8	100.0
1.04.2012	56.5	19.6	18.5	5.4	100.0	67.2	8.0	21.8	3.1	100.0
1.07.2012	60.4	17.2	17.3	5.2	100.0	70.3	7.3	19.8	2.5	100.0
1.10.2012	57.6	16.6	18.7	7.1	100.0	67.6	7.0	21.7	3.7	100.0
1.01.2013	59.1	14.0	20.4	6.5	100.0	68.1	7.2	20.9	3.8	100.0

<sup>1</sup> Foreign liabilities exclude equities.

Note: Financial derivatives are not included.

Table 34

## RUSSIAN BANKING SECTOR FOREIGN ASSETS AND LIABILITIES BY GROUP OF COUNTRIES AS OF 1 JANUARY 2013 (millions of US dollars)

	Foreign assets						Foreign liabilities						Balance of foreign assets and liabilities	
	on interbank operations		on other operations		total		on interbank operations		on other operations		total			
	short- term	long- term	short- term	long- term	short- term	long- term	short- term	long- term	short- term	long- term	short- term	long- term	short- term	long- term
<b>Total</b>	<b>85,838</b>	<b>50,988</b>	<b>33,029</b>	<b>76,992</b>	<b>118,867</b>	<b>127,980</b>	<b>32,037</b>	<b>88,083</b>	<b>29,904</b>	<b>121,226</b>	<b>61,941</b>	<b>209,310</b>	<b>56,926</b>	<b>-81,329</b>
of which:														
<b>CIS countries</b>	<b>3,825</b>	<b>9,602</b>	<b>2,658</b>	<b>3,493</b>	<b>6,483</b>	<b>13,095</b>	<b>2,234</b>	<b>1,013</b>	<b>2,151</b>	<b>1,081</b>	<b>4,385</b>	<b>2,094</b>	<b>2,098</b>	<b>11,001</b>
of which:														
EurAsEC countries	2,085	2,769	332	1,927	2,416	4,695	1,444	665	1,364	539	2,809	1,204	-392	3,492
of which:														
Customs Union countries	<b>2,029</b>	<b>2,768</b>	<b>217</b>	<b>1,880</b>	<b>2,245</b>	<b>4,648</b>	<b>1,236</b>	<b>634</b>	<b>1,165</b>	<b>334</b>	<b>2,401</b>	<b>968</b>	<b>-156</b>	<b>3,680</b>
Other countries	1,740	6,833	2,326	1,567	4,067	8,400	790	348	787	542	1,577	891	2,490	7,509
<b>Non-CIS countries</b>	<b>82,014</b>	<b>41,386</b>	<b>30,308</b>	<b>71,960</b>	<b>112,322</b>	<b>113,346</b>	<b>29,802</b>	<b>87,070</b>	<b>26,590</b>	<b>117,477</b>	<b>56,393</b>	<b>204,547</b>	<b>55,929</b>	<b>-91,202</b>
of which:														
EU countries	58,591	36,122	24,032	59,090	82,624	95,212	21,555	67,665	19,453	99,563	41,008	167,228	41,616	-72,016
APEC countries	18,720	1,136	4,318	1,758	23,038	2,894	2,980	16,200	1,677	11,217	4,657	27,417	18,381	-24,523
Other countries	4,702	4,129	1,958	11,111	6,660	15,240	5,268	3,205	5,461	6,697	10,728	9,902	-4,068	5,338
<b>International organisations</b>	—	—	<b>63</b>	<b>1,539</b>	<b>63</b>	<b>1,539</b>	—	—	<b>1,163</b>	<b>2,668</b>	<b>1,163</b>	<b>2,668</b>	<b>-1,101</b>	<b>-1,129</b>
Memo item														
OECD countries	71,292	34,983	10,730	36,914	82,022	71,897	22,941	82,467	9,315	95,614	32,256	178,082	49,766	-106,185

Table 32

## RUSSIA'S INTERNATIONAL RESERVES (billions of US dollars)

	2012											2013	
	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	498.6	505.4	514.0	513.5	524.4	510.4	514.3	510.5	514.6	529.9	526.8	528.2	537.6
Foreign currency assets	454.0	456.5	463.8	465.7	476.5	465.1	468.0	461.9	464.9	476.4	475.3	476.2	486.6
Monetary gold	44.7	48.8	50.2	47.8	47.9	45.3	46.3	48.7	49.7	53.5	51.5	52.0	51.0

Note: Minor discrepancies between the total and the sum of components are due to the rounding of data.

Table 33

RETURN<sup>1</sup> ON BANK OF RUSSIA FOREIGN EXCHANGE RESERVES IN 2012<sup>2</sup> (percent p.a.)<sup>3</sup>

	Actual	Standard
US dollar	0.29	0.27
Euro	0.53	0.51
Pound sterling	0.38	0.33
Yen	0.13	0.14
Canadian dollar	1.01	0.99

<sup>1</sup> Percentage change in the value of the portfolio during one business day. The daily portfolio rate of return is calculated according to this formula:

$$R = \frac{MV_t - MV_o \pm CF}{MV_o}, \text{ where}$$

$R$  is the daily rate of return;

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

$MV_t$  is the market value of the portfolio as of the end of the day;

$CF$  is the cash flows into or out of the portfolio during the day.

<sup>2</sup> Cumulative portfolio rate of return is calculated on the basis of the chained indices method. The rate of return over period is calculated according to this formula:

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

$R_i$  is the portfolio rate of return over day  $i$ .

<sup>3</sup> The foreign exchange reserve portfolio denominated in Australian dollars was created in the middle of 2010 and its rate of return is not representative.

Table 34

## BANK OF RUSSIA FOREIGN EXCHANGE INTERVENTIONS IN 2012

Table 35

## BASIC INDICATORS OF ROUBLE'S EXCHANGE RATES IN 2012

	January	February	March	April	May	June	July	August	September	October	November	December
Nominal exchange rate of US dollar against rouble, end of period	30.36	28.95	29.33	29.36	32.45	32.82	32.19	32.29	30.92	31.53	31.06	30.37
Nominal exchange rate of US dollar against rouble, period averages	31.51	29.88	29.37	29.47	30.65	32.91	32.50	31.97	31.52	31.09	31.41	30.74
Nominal exchange rate of US dollar against rouble, period averages from the start of the year	31.51	30.68	30.24	30.05	30.17	30.61	30.87	31.01	31.06	31.07	31.10	31.07
Nominal exchange rate of euro against rouble, end of period	39.97	38.91	39.17	38.92	40.46	41.32	39.55	40.53	39.98	40.71	40.21	40.23
Nominal exchange rate of euro against rouble, period averages	40.73	39.49	38.80	38.82	39.38	41.23	40.03	39.56	40.45	40.32	40.31	40.29
Nominal exchange rate of euro against rouble, period averages from the start of the year	40.73	40.11	39.66	39.45	39.44	39.73	39.77	39.75	39.82	39.87	39.91	39.94
Dual-currency basket value in terms of roubles, end of period	34.69	33.43	33.76	33.66	36.05	36.64	35.50	36.00	34.99	35.66	35.17	34.81
Dual-currency basket value in term of roubles, period averages	35.66	34.21	33.61	33.68	34.58	36.66	35.89	35.39	35.54	35.25	35.41	35.04
Dual-currency basket value in terms of roubles, period averages from the start of the year	35.66	34.92	34.48	34.28	34.34	34.71	34.88	34.94	35.01	35.03	35.06	35.06

*End*

	January	February	March	April	May	June	July	August	September	October	November	December
<b>Percent change over December 2011<sup>1</sup></b>												
Index of nominal exchange rate of rouble against US dollar	-0.2	5.3	7.1	6.7	2.6	-4.4	-3.2	-1.6	-0.2	1.2	0.1	2.3
Index of nominal exchange rate of rouble against euro	1.8	5.0	6.9	6.8	5.3	0.6	3.6	4.9	2.5	2.9	2.9	2.9
Index of nominal effective exchange rate of rouble vis-a-vis foreign currencies	0.6	4.0	6.0	5.9	3.6	-1.8	0.1	1.2	0.6	1.4	1.1	2.1
Index of average value of dual-currency basket	-0.9	-4.9	-6.5	-6.4	-3.9	1.9	-0.2	-1.6	-1.2	-2.0	-1.5	-2.6
Index of real exchange rate of rouble against US dollar	-0.1	5.3	7.0	6.6	3.1	-3.0	-0.4	0.8	2.4	4.4	4.1	7.2
Index of real exchange rate of rouble against euro	2.4	5.4	7.2	7.1	6.2	2.4	6.6	7.6	5.7	6.3	6.9	7.2
Index of real effective exchange rate of rouble vis-a-vis foreign currencies	0.7	4.1	6.2	5.8	4.0	-0.3	2.7	3.5	3.1	4.0	4.1	5.3
<b>Percent change over previous period<sup>1</sup></b>												
Index of nominal exchange rate of rouble against US dollar	-0.2	5.4	1.8	-0.4	-3.8	-6.9	1.3	1.7	1.4	1.4	-1.0	2.2
Index of nominal exchange rate of rouble against euro	1.8	3.1	1.8	-0.1	-1.4	-4.5	3.0	1.2	-2.2	0.3	0.0	0.0
Index of nominal effective exchange rate of rouble vis-a-vis foreign currencies	0.6	3.4	2.0	-0.2	-2.2	-5.2	1.9	1.1	-0.6	0.7	-0.3	1.0
Index of average value of dual-currency basket	-0.9	-4.1	-1.7	0.2	2.7	6.0	-2.1	-1.4	0.4	-0.8	0.5	-1.1
Index of real exchange rate of rouble against US dollar	-0.1	5.4	1.6	-0.4	-3.2	-5.9	2.7	1.2	1.6	1.9	-0.2	3.0
Index of real exchange rate of rouble against euro	2.4	3.0	1.7	-0.2	-0.8	-3.5	4.1	1.0	-1.8	0.6	0.6	0.3
Index of real effective exchange rate of rouble vis-a-vis foreign currencies	0.7	3.3	2.0	-0.3	-1.7	-4.2	3.0	0.8	-0.4	0.9	0.0	1.2

<sup>1</sup> '+' denotes appreciation of the Russian rouble vis-a-vis foreign currencies, '-' denotes depreciation of the Russian rouble vis-a-vis foreign currencies.

Table 36

## EXTERNAL DEBT OF THE RUSSIAN FEDERATION (millions of US dollars)

	1.01.2012	1.04.2012	1.07.2012	1.10.2012	1.01.2013
<b>Total</b>	<b>538,843</b>	<b>557,537</b>	<b>570,576</b>	<b>595,331</b>	<b>631,784</b>
General government	34,693	36,349	41,142	42,572	47,822
Federal government	33,578	35,196	40,367	41,837	46,908
<i>New Russian debt</i>	31,067	32,786	38,048	39,658	44,756
Multilateral creditors	2,534	2,363	2,230	2,099	2,009
IBRD	2,069	1,912	1,799	1,680	1,611
Other	465	450	430	419	398
Other credits	545	463	424	379	321
Foreign currency bonds	21,693	20,921	26,745	25,786	24,661
<i>Eurobonds due in 2015, 2017, 2018, 2020, 2022, 2028 and 2042</i>	6,200	6,049	11,861	11,786	11,146
<i>Eurobonds due in 2030 (issued in the course of the second restructuring of debt to the London Club of commercial bank creditors)</i>	15,492	14,872	14,884	14,000	13,514
Rouble-denominated bonds	5,938	8,673	8,320	11,056	17,458
OFZ	3,325	5,821	5,831	8,549	15,022
<i>Eurobonds due in 2018</i>	2,613	2,853	2,489	2,508	2,436
Other	358	365	330	338	307
<i>Debt of the former USSR</i>	2,510	2,410	2,319	2,179	2,151
Paris Club member countries	7	7	6	6	6
Debt owed to former socialist countries	1,013	1,033	987	996	1,004
Other official creditors	1,444	1,325	1,280	1,131	1,096
Other	46	46	46	46	46
<b>Local government</b>	<b>1,116</b>	<b>1,152</b>	<b>775</b>	<b>734</b>	<b>914</b>
Loans	527	544	512	526	539
Rouble-denominated bonds	589	609	262	208	375

*End*

	1.01.2012	1.04.2012	1.07.2012	1.10.2012	1.01.2013
<b>Central bank</b>	<b>11,547</b>	<b>12,130</b>	<b>12,286</b>	<b>13,733</b>	<b>15,984</b>
Loans	0	0	0	1,250	2,986
Currency and deposits	2,836	3,342	3,677	3,735	4,280
Other (cumulative SDR allocations)	8,710	8,788	8,609	8,748	8,718
<b>Banks</b>	<b>162,764</b>	<b>169,234</b>	<b>175,357</b>	<b>189,876</b>	<b>201,567</b>
Debt liabilities to direct investors and to direct investment enterprises	620	913	1,271	1,502	2,003
Loans <sup>1</sup>	541	307	1,793	1,920	937
Demand and term deposits <sup>1</sup>	154,726	155,846	161,383	171,914	185,376
Debt securities	4,493	8,819	8,286	10,507	9,102
Other	2,383	3,348	2,624	4,033	4,149
<b>Other sectors</b>	<b>329,840</b>	<b>339,825</b>	<b>341,790</b>	<b>349,150</b>	<b>366,412</b>
Debt liabilities to direct investors and to direct investment enterprises	83,767	87,086	92,381	100,904	112,299
Loans	227,869	234,464	227,984	231,322	237,976
Debt securities	12,252	11,872	9,585	10,316	9,605
Commercial loans	2,418	2,852	2,832	2,779	2,932
Financial leases	2,357	2,297	2,323	2,325	2,238
Other	1,177	1,254	6,687	1,505	1,363

<sup>1</sup> Bank liabilities, excluding debt to non-residents other than banks, on operations with securities on a returnable basis without terminating the recognition of transferable securities, and payables, are accounted for as deposits.

Note: Included is the external debt in both domestic and foreign currencies. Government securities are accounted for in the part of the debt owed to non-residents at face value. Data for Banks do not include non-bank credit institutions and include Vnesheconombank data. Data of non-bank credit institutions are accounted for in Other assets.

Table 37

## EXTERNAL DEBT OF THE RUSSIAN FEDERATION (analytical presentation, millions of US dollars)

	1.01.2012	1.04.2012	1.07.2012	1.10.2012	1.01.2013
<b>External debt of the Russian Federation</b>	<b>538,843</b>	<b>557,537</b>	<b>570,576</b>	<b>595,331</b>	<b>631,784</b>
Short-term	68,194	70,817	80,785	78,498	81,967
Long-term	470,649	486,720	489,791	516,832	549,818
<b>Public sector external debt<sup>1</sup></b>	<b>221,556</b>	<b>230,972</b>	<b>246,415</b>	<b>259,089</b>	<b>273,483</b>
Short-term	17,858	18,484	24,951	21,057	23,004
Long-term	203,698	212,489	221,464	238,032	250,479
<b>General government</b>	<b>34,693</b>	<b>36,349</b>	<b>41,142</b>	<b>42,572</b>	<b>47,822</b>
Short-term	350	358	322	330	300
Long-term	34,343	35,991	40,820	42,242	47,522
<b>Central bank</b>	<b>11,547</b>	<b>12,130</b>	<b>12,286</b>	<b>13,733</b>	<b>15,984</b>
Short-term	2,836	3,342	3,677	4,985	7,265
Long-term	8,710	8,788	8,609	8,748	8,718
<b>Banks</b>	<b>73,232</b>	<b>78,631</b>	<b>85,472</b>	<b>91,519</b>	<b>97,110</b>
Short-term	14,095	14,051	17,962	15,187	14,751
Long-term	59,138	64,580	67,510	76,332	82,358
<b>Other sectors</b>	<b>102,083</b>	<b>103,862</b>	<b>107,515</b>	<b>111,265</b>	<b>112,568</b>
Short-term	577	733	2,990	555	688
Long-term	101,507	103,129	104,525	110,710	111,880
<b>Private sector external debt<sup>1</sup></b>	<b>317,288</b>	<b>326,565</b>	<b>324,160</b>	<b>336,242</b>	<b>358,302</b>
Short-term	50,337	52,333	55,833	57,442	58,963
Long-term	266,951	274,232	268,327	278,801	299,339
<b>Banks</b>	<b>89,531</b>	<b>90,602</b>	<b>89,885</b>	<b>98,357</b>	<b>104,457</b>
Short-term	34,734	35,734	34,998	40,870	41,689
Long-term	54,797	54,868	54,887	57,486	62,768
<b>Other sectors</b>	<b>227,756</b>	<b>235,963</b>	<b>234,276</b>	<b>237,886</b>	<b>253,844</b>
Short-term	15,602	16,599	20,836	16,571	17,274
Long-term	212,154	219,364	213,440	221,315	236,571

<sup>1</sup> Public sector external debt covers liabilities of the general government, central bank, and banks and non-bank corporations in which the government and central bank 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 LEADING TRADING PARTNERS<sup>1</sup>

	Real GDP, growth as a percentage of previous year			Consumer prices, growth in December of reporting year as a percentage of December of previous year <sup>2</sup>			Current account balance, percent of GDP <sup>3</sup>			Foreign exchange reserve assets, billions of US dollars <sup>4</sup>		
	2010	2011	2012	2010	2011	2012	2010	2011	2012	2010	2011	2012
United States	2.4	1.8	2.2	1.5	3.0	1.7	-3.0	-3.1	-3.0	121.4	136.9	139.1
European Union (27 countries)	2.0	1.6	-0.2	2.7	3.0	2.3	0.1	0.4	1.0	682.0	721.1	765.0
Eurozone (17 countries)	2.0	1.4	-0.6	2.2	2.7	2.2	0.0	0.1	1.2	300.2	316.7	332.5
Germany	4.0	3.1	0.9	1.9	2.3	2.0	6.2	6.2	7.0	62.3	66.9	67.4
France	1.7	1.7	0.0	2.0	2.7	1.5	-1.6	-2.0	-2.4	55.8	48.6	54.2
Italy	1.7	0.4	-2.4	2.1	3.7	2.6	-3.5	-3.1	-0.5	47.7	49.2	50.5
Spain	-0.3	0.4	-1.4	2.9	2.4	3.0	-4.5	-3.7	-1.1	19.1	32.8	35.5
The Netherlands	1.6	1.0	-0.9	1.8	2.5	3.4	7.7	9.7	8.3	18.5	20.3	22.1
Belgium	2.4	1.8	-0.2	3.4	3.2	2.1	1.9	-1.4	-0.5	16.5	17.9	18.6
Finland	3.3	2.8	-0.2	2.8	2.6	3.5	1.5	-1.6	-1.7	7.3	7.9	8.5
Slovak Republic	4.4	3.2	2.0	1.3	4.6	3.4	-3.7	-2.1	2.3	0.7	0.9	0.8
United Kingdom	1.8	0.9	0.2	3.7	4.2	2.7	-2.5	-1.3	-3.5	68.3	79.3	88.6
Sweden	6.3	3.8	1.2	2.3	2.3	-0.1	6.9	7.0	7.1	42.6	44.0	45.5
Poland	3.9	4.3	2.0	3.1	4.6	2.4	-5.1	-4.9	-3.6	88.8	92.6	103.4
Czech Republic	2.5	1.9	-1.2	2.3	2.4	2.4	-3.8	-2.9	-2.7	41.9	39.7	44.3
Hungary	1.2	1.7	-1.7	4.7	4.1	5.0	1.1	0.9	1.7	44.8	48.7	44.5
Latvia	-0.9	5.5	5.6	2.5	4.0	1.6	2.9	-2.1	-1.7	7.3	6.0	7.1
Lithuania	1.5	5.9	3.6	3.8	3.4	2.8	0.0	-3.7	-0.9	6.3	7.9	8.2
Bulgaria	0.4	1.8	0.8	4.5	2.8	4.2	-1.5	0.3	-0.7	15.4	15.3	18.4

	Real GDP, growth as a percentage of previous year			Consumer prices, growth in December of reporting year as a percentage of December of previous year <sup>2</sup>			Current account balance, percent of GDP <sup>3</sup>			Foreign exchange reserve assets, billions of US dollars <sup>4</sup>		
	2010	2011	2012	2010	2011	2012	2010	2011	2012	2010	2011	2012
Switzerland	3.0	1.9	1.0	0.5	-0.7	-0.4	14.3	8.4	13.4	223.5	279.4	475.7
Turkey	9.2	8.5	2.6	6.4	10.4	6.2	-6.2	-9.7	-5.9	80.7	78.3	99.9
Belarus	7.7	5.5	1.5	9.9	108.7	21.8	-15.0	-9.7	-2.9	3.4	6.0	5.8
Ukraine	4.1	5.2	0.2	9.1	4.6	-0.2	-2.2	-6.3	-8.2	33.3	30.4	22.7
Kazakhstan	7.3	7.5	5.0	7.8	7.4	6.0	1.2	7.4	4.6	25.2	25.2	22.1
Japan	4.7	-0.6	2.0	0.0	-0.2	-0.1	3.7	2.0	1.0	1,061.5	1,258.2	1,227.2
China	10.4	9.3	7.8	4.6	4.1	2.5	4.0	2.8	2.6	2,866.1	3,202.8	3,331.1
Korea, Republic of	6.3	3.6	2.0	3.0	4.2	1.4	2.9	2.3	3.7	291.5	304.3	323.2
India	11.2	7.7	4.0	9.5	6.5	11.2	-3.2	-3.4	-5.1	275.3	271.3	270.6
Brazil	7.5	2.7	0.9	5.9	6.5	5.8	-2.2	-2.1	-2.3	287.1	350.4	369.6

<sup>1</sup> According to official sources of statistical information of corresponding countries, the EUROSTAT agency, and the IMF.

<sup>2</sup> For EU, the United Kingdom, eurozone, and certain eurozone member states: harmonised consumer price indices calculated in accordance with the EU Commission's general recommendations with respect to the consumer goods basket and the methods of determining unit weights of goods and services and calculating averages.

<sup>3</sup> '+' denotes surplus, '-' denotes deficit.

<sup>4</sup> As of end of year; including monetary authorities' assets in foreign currency and SDRs, and reserve position in the IMF (reserve tranche position and IMF quotas). For the EU: sum total of foreign exchange reserve assets of EU member states (based on IMF data). For the eurozone: as determined by the European system of central banks.

Table 39

**CIS BANKING STATISTICS INDICATORS<sup>1</sup>**

	Azerbaijan	Armenia	Belarus	Kazakhstan	Kyrgyzstan	Moldova	Russia	Tajikistan	Ukraine
<b>Official central (national) bank rate (refinancing rate), as of end of year, percent</b>									
2011	5.25	8	45	7.5	13.61	9.5	8	9.8	7.75
2012	5	8	30	5.5	2.64	5	8.25	6.5	7.5
<b>Official central (national) bank exchange rate (units of national currency), as of end of year</b>									
against Russian rouble:									
2011	0.0245	11.98	261	4.61	1.4438	0.3635	—	0.1474	0.2495
2012	0.0258	13.27	282	4.96	1.5607	0.3957	—	0.1571	0.2632
against US dollar:									
2011	0.7865	385.77	8,350	148.40	46.4847	11.7154	32.1961	4.7585	7.9898
2012	0.7850	403.58	8,570	150.74	47.4012	12.0634	30.3727	4.7644	7.9930
against euro:									
2011	1.0178	498.72	10,800	191.72	60.0652	15.0737	41.6714	6.1565	10.2981
2012	1.0377	532.24	11,340	199.22	62.6573	15.9967	40.2286	6.3009	10.5372
<b>Number of registered commercial banks, as of end of year</b>									
2011	44	22	31	38	22	15	1,051	15	198
2012	43	22	32	38	23	14	1,027	16	176

<sup>1</sup> According to data compiled by CIS national (central) banks.

Table 40

## MONEY SUPPLY (NATIONAL DEFINITION) AND ITS STRUCTURE

	As of 1.01.2012		As of 1.01.2013		1.01.2013 as a percentage of 1.01.2012
	billions of roubles	percent	billions of roubles	percent	
<b>Money supply (M2), total</b>	<b>24,483.1</b>	<b>100.0</b>	<b>27,405.4</b>	<b>100.0</b>	<b>111.9</b>
of which:					
— cash in circulation (M0) <sup>1</sup>	5,938.6	24.3	6,430.1	23.5	108.3
— cashless funds	18,544.6	75.7	20,975.3	76.5	113.1
of which:					
— funds of non-financial and financial organisations <sup>2</sup>	8,690.2	35.5	9,250.0	33.8	106.4
— household deposits	9,854.4	40.2	11,725.3	42.8	119.0

<sup>1</sup> Cash in circulation outside the banking system.<sup>2</sup> Except credit institutions.

Table 41

## MONETARY BASE AND ITS STRUCTURE

	As of 1.01.2012		As of 1.01.2013		1.01.2013 as a percentage of 1.01.2012
	billions of roubles	percent	billions of roubles	percent	
<b>Monetary base (broad definition)</b>	<b>8,644.1</b>	<b>100.0</b>	<b>9,852.8</b>	<b>100.0</b>	<b>114.0</b>
of which:					
— cash in circulation, including balances in credit institutions' cash vaults <sup>1</sup>	6,895.8	79.8	7,667.7	77.8	111.2
— credit institutions' correspondent accounts with the Bank of Russia <sup>2</sup>	981.6	11.4	1,356.3	13.8	138.2
— required reserves <sup>3</sup>	378.4	4.4	425.6	4.3	112.5
— credit institutions' deposits with the Bank of Russia	388.3	4.5	403.3	4.1	103.8

<sup>1</sup> Excluding cash in Bank of Russia establishments' cash vaults as well as coins made of precious metals in circulation.<sup>2</sup> Balances of rouble-denominated accounts, including the average amount of required reserves.<sup>3</sup> Balances of required reserve accounts deposited by credit institutions with the Bank of Russia on funds attracted in roubles and foreign currency.

Table 42

## BANK OF RUSSIA INTEREST RATES IN 2012 (percent p.a.)

Purpose	Type of instrument	Instrument	Maturity	As of 1.01	Rate from		
					18.06	14.09	11.12
Liquidity provision	Standing facilities (fixed rates)	Overnight loans	1 day	8.00	8.00	8.25	8.25
		FX swap (rouble rate)	1 day	8.00	6.50	6.75	6.50
		Lombard loans, REPO	1 day, 1 week <sup>1</sup>	6.25	6.25	6.50	6.50
		Lombard loans	30 days <sup>1</sup>	6.25	6.25	6.50	6.50
		REPO	12 months <sup>1</sup>	7.75	7.75	8.00	8.00
			Up to 90 days	6.75	6.75	7.00	7.00
		Loans secured by gold	From 91 to 180 days	7.25	7.25	7.50	7.50
			From 181 to 365 days	—	7.75 <sup>2</sup>	8.00	8.00
	Open market operations (minimum interest rates)	Loans secured by non-marketable assets and guarantees	Up to 90 days	7.00	7.00	7.25	7.25
			From 91 to 180 days	7.50	7.50	7.75	7.75
			From 181 to 365 days	8.00	8.00	8.25	8.25
		Lombard and REPO auctions	REPO auctions	1 day	5.25	5.25	5.50
				1 week	5.25	5.25	5.50
				3 months	6.75	6.75	7.00
				6 months <sup>1</sup>	7.25	7.25	7.50
				12 months	7.75	7.75	8.00
Liquidity absorption	Open market operations (maximum interest rates)	Deposit auctions	1 week	—	4.75 <sup>3</sup>	5.00	5.00
			1 month <sup>1</sup>	5.50	5.50	5.75	5.75
			3 months <sup>1</sup>	6.50	6.50	6.75	6.75
	Standing facilities (fixed rates)	Deposit operations	1 day, 1 week <sup>1</sup> , 1 month <sup>4</sup> and call	4.00	4.00	4.25	4.50
Memo item							
Refinancing rate				8.00	8.00	8.25	8.25

<sup>1</sup> Operations were suspended.<sup>2</sup> The interest rate was set from 2 April 2012.<sup>3</sup> The interest rate was set from 10 April 2012.<sup>4</sup> The interest rate was set from 2 July 2012.

Table 43

## BANK OF RUSSIA OPERATIONS TO PROVIDE AND ABSORB LIQUIDITY AND CHANGE IN DEBT ON THEM (billions of roubles)

Purpose	Type of instrument	Instrument	Operations in		Change in debt in	
			2011	2012	2011	2012
Liquidity provision	Standing facilities (fixed rates)	Intraday loans	38,189.2	52,673.7	—	—
		Overnight loans	209.0	172.3	2.4	-2.4
		REPO	209.4	1,816.5	0	1.5
		Lombard loans	76.8	52.7	0.03	-1.1
		FX swaps	0.0	2,607.4	0	267.8
		Loans secured by non-marketable assets and guarantees	431.3	1,520.4	369.9	268.0
	Open market operations	Loans secured by gold	0.02	2.2	0	0.5
		REPO auctions	22,025.3	88,029.4	521.2	1,269.4
		Lombard auctions	36.0	158.6	4.9	-0.4
		Operations to buy government securities by the Bank of Russia	—	—	—	—
Liquidity absorption	Standing facilities (fixed rates)	Fixed-rate deposits	69,470.9	25,906.0	-223.9	32.1
		Deposit auctions	651.8	89.9	-21.0	-17.2
	Open market operations	Operations to sell government securities from Bank of Russia portfolio	8.0	—	—	—
		Operations with Bank of Russia bonds <sup>1</sup>	527.2	—	-588.9	—

<sup>1</sup> Placement at market value.

Table 44

## BANKING SECTOR SURVEY (billions of roubles)

	1.01.2012	1.01.2013	1.01.2013 as a percentage of 1.01.2012
Net foreign assets	17,391.9	17,314.4	99.6
Claims on non-residents	22,861.8	23,722.4	103.8
Obligations to non-residents	5,469.9	6,408.0	117.2
Domestic claims	22,155.6	26,579.4	120.0
Net claims on government	-4,465.2	-5,201.6	—
Claims on government	3,022.0	3,229.7	106.9
Obligations to government	7,487.2	8,431.2	112.6
Claims on other sectors	26,620.8	31,781.0	119.4
Other financial organisations	1,177.5	1,488.9	126.4
Non-financial government organisations	376.6	385.2	102.3
Other non-financial organisations	19,011.2	21,493.9	113.1
Households	6,055.4	8,413.0	138.9
Obligations included in broad money	28,754.6	32,226.4	112.1
Cash outside banking system	5,938.6	6,430.1	108.3
Transfer deposits	6,918.9	7,323.5	105.8
Other financial organisations	393.6	372.5	94.6
Non-financial government organisations	573.5	542.5	94.6
Other non-financial organisations	3,782.1	3,823.2	101.1
Households	2,169.7	2,585.3	119.2
Other deposits	15,897.2	18,472.8	116.2
Other financial organisations	889.6	1,239.8	139.4
Non-financial government organisations	203.6	209.8	103.0
Other non-financial organisations	5,013.1	5,472.8	109.2
Households	9,790.8	11,550.4	118.0
Deposits not included in broad money	533.3	573.1	107.5
Securities other than shares not included in broad money	806.5	1,120.0	138.9
Shares and other stakeholdings in capital	8,421.7	8,753.0	103.9
Other items (net)	1,031.3	1,221.4	118.4
Other liabilities	4,356.7	5,053.0	116.0
Other assets	2,915.8	3,482.2	119.4
Consolidating correction	-409.5	-349.4	—

Table 45

## SURVEY OF CREDIT INSTITUTIONS (billions of roubles)

	1.01.2012	1.01.2013	1.01.2013 as a percentage of 1.01.2012
Net foreign assets	1,588.5	1,218.1	76.7
Claims on non-residents	6,777.2	7,268.9	107.3
Foreign currency	166.2	183.9	110.6
Deposits	3,255.5	3,537.7	108.7
Securities other than shares	984.3	923.3	93.8
Loans	1,950.1	2,056.4	105.5
Other	421.1	567.6	134.8
Obligations to non-residents	5,188.6	6,090.8	116.6
Deposits	5,032.9	5,743.4	114.1
Securities other than shares	110.8	237.1	214.0
Loans	17.6	33.7	191.5
Other	27.4	36.6	133.6
Claims on the central bank	2,705.6	3,423.0	126.5
Cash foreign currency	957.3	1,237.6	129.3
Deposits	1,748.3	2,185.4	125.0
Securities other than shares	0.0	0.0	—
Net claims on government	941.1	1,298.1	137.9
Claims on government	2,688.7	2,859.0	106.3
Securities	2,296.5	2,306.6	100.4
Other claims	392.3	552.4	140.8
Obligations to government	1,747.6	1,560.8	89.3
Deposits	1,729.1	1,533.8	88.7
Other obligations	18.5	27.0	145.9
Claims on other sectors	26,265.3	31,432.3	119.7
Other financial organisations	823.5	1,142.0	138.7
Non-financial government organisations	376.6	385.2	102.3
Other non-financial organisations	19,009.7	21,492.1	113.1
Households	6,055.4	8,413.0	138.9
Obligations to the central bank	1,477.7	3,006.2	203.4
Deposits included in broad money	22,674.8	25,754.2	113.6
Transfer deposits	6,799.3	7,281.4	107.1
Other financial organisations	392.7	351.4	89.5
Non-financial government organisations	464.4	522.0	112.4
Other non-financial organisations	3,772.4	3,822.7	101.3
Households	2,169.7	2,585.3	119.2
Other deposits	15,875.5	18,472.8	116.4
Other financial organisations	867.9	1,239.8	142.9
Non-financial government organisations	203.6	209.8	103.0
Other non-financial organisations	5,013.1	5,472.8	109.2
Households	9,790.8	11,550.4	118.0

*End*

	1.01.2012	1.01.2013	1.01.2013 as a percentage of 1.01.2012
Deposits not included in broad money	533.3	573.1	107.5
Securities other than shares not included in broad money	806.5	1,120.0	138.9
Shares and other stakeholdings in capital	5,186.3	6,028.5	116.2
Other items (net)	821.9	889.5	108.2
Other liabilities	3,755.5	4,360.8	116.1
Other assets	2,608.0	3,183.5	122.1
Consolidating correction	-325.6	-287.7	—

Table 46

## CORRECTIVE MEASURES TAKEN AGAINST CREDIT INSTITUTIONS IN 2012

No.	Description of measures	Number of credit institutions
<b>Preventive measures</b>		
1	Notifying in writing the management and/or board of directors (supervisory board) of a credit institution on shortcomings in its work, and recommending remedial action	914
2	Calling a meeting	478
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.)	253
<b>Punitive measures</b>		
4	Fines <sup>1</sup>	192
	of which:	
4.1	for non-compliance with reserve requirements	36
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	163
5	Restrictions on individual banking operations conducted by credit institutions, such as:	94
5.1	taking personal deposits	54
5.2	settlements on behalf of corporate entities relating to transfer of funds to budgets of all levels and government extra-budgetary funds	10
6	Prohibiting credit institutions from conducting certain banking operations <sup>1</sup>	27
	such as:	
6.1	taking personal deposits	14
6.2	opening personal bank accounts, including unallocated metal accounts (demand and time accounts)	12
6.3	other	27
	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	2
7	Prescriptive orders	454
	of which:	
7.1	orders to comply with Bank of Russia required ratios	5
7.2	orders to replace managers	2
8	Prohibiting credit institutions from opening branches	34
9	Appointing provisional administrations to credit institutions without revoking their licences	—
10	Banking licence revocation	22

<sup>1</sup> The number of credit institutions indicated under points 4 and 6 differs from the sub-points total, as in some cases banks have been subjected to several corrective actions and placed under several sub-points.

As of 1 January 2013, 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 2013, there were no credit institutions with a backlog of non-executed settlement documents on payments to budgets of all levels.

Table 47

## NATIONAL PAYMENT SYSTEM KEY INDICATORS

	2011	2012
<b>National payment system participants<sup>1</sup></b>		
Number of money transfer operators	980	958
of which:		
— Bank of Russia	1	1
— Vnesheconombank	1	1
— credit institutions	978	956
Number of payment system operators	—	20
of which:		
— Bank of Russia	—	1
— credit institutions	—	12
— organisations other than credit institutions	—	7
Number of operators of payment infrastructure services		
— operating centres	—	23
— payment clearing centres	—	21
— settlement centres	—	22
Number of e-money operators	—	38
Russia's Post Service	1	1
Number of bank payment agents and payment agents <sup>2</sup>	—	12,000
Memo item		
Number of Bank of Russia establishments	543	505
Number of branches of credit institutions	2,807	2,349
Number of internal divisions of credit institutions <sup>3</sup>	40,510	42,641
of which:		
— additional offices	22,565	23,347
— operations offices	5,360	7,447
Number of post offices of Russia's Post Service <sup>4</sup>	41,617	42,641
Number of accounts <sup>1..5</sup> opened with Bank of Russia establishments and credit institutions for customers other than credit institutions, million	601.5	671.0
of which:		
— private individuals	594.5	663.7
— corporate entities other than credit institutions	7.0	7.3
<b>Payments effected by national payment system<sup>6</sup></b>		
Number of payments <sup>7</sup> , million		
<b>Total</b>	<b>3,269.4</b>	<b>3,771.3</b>
of which payments effected:		
— by Bank of Russia payment system	1,187.6	1,259.0
— by interbank payment systems <sup>8</sup>	185.9	171.8
— between divisions of one credit institution	422.7	459.8
Volume of payments, trillions of roubles		
<b>Total</b>	<b>1,298.2</b>	<b>1,591.0</b>
of which payments effected:		
— by Bank of Russia payment system	916.2	1,150.5
— by interbank payment systems <sup>8</sup>	30.1	27.2
— between divisions of one credit institution	161.6	194.9

*End*

	2011	2012
<b>Cashless payment instruments used by credit institutions and their customers other than credit institutions</b>		
Number of payments, million		
<b>Total</b>	<b>3,696.0</b>	<b>4,056.8</b>
of which:		
— credit transfers <sup>9</sup>	2,501.9	2,516.2
— direct debits <sup>10</sup>	118.0	82.1
— other payment instruments <sup>11</sup>	1,076.1	1,458.5
Volume of payments, trillions of roubles		
<b>Total</b>	<b>364.4</b>	<b>401.5</b>
of which:		
— credit transfers <sup>9</sup>	357.4	395.2
— direct debits <sup>10</sup>	1.4	1.3
— other payment instruments <sup>11</sup>	5.6	5.0
<b>Payment card market key indicators</b>		
Number of payment cards issued by Russian credit institutions <sup>1</sup> , million	200.2	239.5
of which:		
— debit cards	147.9	169.0
— credit cards	15.0	22.5
— prepaid cards	37.3	48.0
Total number of payment card operations in Russia and abroad <sup>12</sup> , million	4,232.2	5,947.0
of which:		
— debit cards	3,969.1	5,402.9
— credit cards	155.8	315.7
— prepaid cards	107.3	228.4
Total volume of payment card operations in Russia and abroad <sup>12</sup> , trillions of roubles	17.7	23.8
of which:		
— debit cards	17.0	22.5
— credit cards	0.5	0.9
— prepaid cards	0.2	0.4

<sup>1</sup> As of end of year.<sup>2</sup> According to data of the National Association of Electronic Trade Participants.<sup>3</sup> Excluding mobile banking vehicles.<sup>4</sup> According to data of Russia's Post Service.<sup>5</sup> Accounts that can be used to effect payments.<sup>6</sup> Including rouble payments from accounts of customers of the Bank of Russia and credit institutions (individuals, credit institutions and corporate entities other than credit institutions including Russia's Post Service); own payments of the Bank of Russia and credit institutions; and remittances without opening an account of an individual payer. Excluding payments using bank cards and operations in financial markets by customers of credit institutions.<sup>7</sup> Orders of customers of credit institutions are accounted for in cumulative orders of credit institutions.<sup>8</sup> Including payments effected via correspondent accounts of credit institutions and non-resident banks opened with credit institutions.<sup>9</sup> Including payments effected using payment orders and letters of credit as well as remittances without opening a bank account.<sup>10</sup> Including payments effected using payment requests and collection orders.<sup>11</sup> Including payments effected using cheques and bank orders.<sup>12</sup> Including operations to withdraw cash, pay for goods and services, customs payments and other operations (for example, payments from one bank account to another) using payment cards issued by Russian credit institutions.

Table 48

## BANK OF RUSSIA PAYMENT SYSTEM

	2011	2012
Number of customers served <sup>1</sup>	12,631	8,880
of which:		
— credit institutions	978.0	956.0
— branches of credit institutions	2,069.0	1,953.0
— customers other than credit institutions	9,584.0	5,971.0
Number of remittances effected, million	1,187.6	1,259.0
of which:		
— by credit institutions (branches)	1,005.0	1,068.0
— by customers other than credit institutions	181.7	190.2
— by Bank of Russia divisions	0.9	0.8
Volume of remittances effected, trillions of roubles	916.2	1,150.5
of which:		
— by credit institutions (branches)	706.1	879.7
— by customers other than credit institutions	76.2	94.1
— by Bank of Russia divisions	133.9	176.7
Number of electronic remittances, million	1,186.9	1,258.5
Volume of electronic remittances, trillions of roubles	915.9	1,150.0
Number of Bank of Russia establishments participating in intraregional electronic settlements <sup>1</sup>	542.0	85.0
Number of Bank of Russia establishments participating in interregional electronic settlements <sup>1</sup>	543.0	86.0
Number of Bank of Russia establishments participating in the BESP system <sup>1</sup>	279.0	82.0
Total number of customers exchanging electronic messages <sup>1</sup>	4,647.0	4,875.0
of which:		
— credit institutions (branches)	2,998.0	2,859.0
— Federal Treasury bodies	199.0	224.0
— customers other than credit institutions	1,450	1,792
Number of orders on remittances effected through communication channels, million	1,161.3	1,232.9
Number of remittances effected on paper, million	0.7	0.5
Volume of remittances effected on paper, trillions of roubles	0.3	0.5

<sup>1</sup> As of end of year.

Table 49

## STRUCTURE OF BANK OF RUSSIA BANKNOTES IN CIRCULATION

Denomination, roubles	Total in circulation, millions of roubles		Percent of 1.01.2012	Share, percent	
	as of 1.01.2012	as of 1.01.2013		as of 1.01.2012	as of 1.01.2013
5,000	3,904,441.2	4,790,626.6	122.7	57.0	62.9
1,000	2,338,646.0	2,230,522.3	95.4	34.1	29.3
500	462,991.8	441,356.4	95.3	6.7	5.8
100	110,897.9	115,158.7	103.8	1.6	1.5
50	32,213.8	32,369.2	100.5	0.5	0.4
10	5,095.9	6,145.5	120.6	0.1	0.1
5	35.7	35.6	99.7	0.0	0.0
<b>Total balance sheet number of banknotes of 1997</b>	<b>6,854,322.3</b>	<b>7,616,214.3</b>	<b>111.1</b>	<b>100.0</b>	<b>100.0</b>

Table 50

STRUCTURE OF BANK OF RUSSIA COINS IN CIRCULATION<sup>1</sup>

Denomination	Total in circulation, millions of roubles		Percent of 1.01.2012	Share, percent	
	as of 1.01.2012	as of 1.01.2013		as of 1.01.2012	as of 1.01.2013
1 kopeck	72.7	72.7	100.0	0.1	0.1
5 kopecks	288.2	288.3	100.0	0.6	0.5
10 kopecks	2,072.1	2,176.7	105.0	4.3	3.7
50 kopecks	2,579.5	2,798.7	108.5	5.3	4.7
1 rouble	5,593.0	5,872.6	105.0	11.5	9.9
2 roubles	4,664.0	5,056.8	108.4	9.6	8.5
5 roubles	9,577.0	10,341.0	108.0	19.8	17.5
10 roubles	23,587.4	32,301.5	136.9	48.7	54.6
25 roubles	33.9	264.4	779.9	0.1	0.5
<b>Total balance sheet number of coins of 1997</b>	<b>48,467.8</b>	<b>59,172.7</b>	<b>122.1</b>	<b>100.0</b>	<b>100.0</b>

<sup>1</sup> Excluding coins made of precious metals.

Table 51

## BANK OF RUSSIA STAKEHOLDINGS IN RUSSIAN AND FOREIGN ORGANISATIONS

Name of organisation, place of registration	Currency	Nominal value of Bank of Russia-owned shares and stakes		Bank of Russia share as of 1.01.2013, percent	
		as of 1.01.2012	as of 1.01.2013	in authorised capital	in voting capital
Sberbank, Moscow <sup>1</sup>	thousands of roubles	39,019,407	33,880,422	50% + 1 voting share	52.32
Moscow Exchange, Moscow <sup>2</sup>	thousands of roubles	474,650	534,548	24.33	24.33
St Petersburg Currency Exchange (SPCEX), St Petersburg	thousands of roubles	302	302	8.9	8.9
Bank for International Settlements, Basel	millions of SDR	16,055	16,055	0.57	0.54
Society for Worldwide Interbank Financial Telecommunications (S.W.I.F.T.), Belgium	euros	875	875	0.006	—
Interstate Bank, Moscow	thousands of roubles	10,000	10,000	50.0	50.0

<sup>1</sup> In September 2012, the Bank of Russia sold 1,712,994,999 ordinary Sberbank shares constituting 7.58% of the authorised capital of Sberbank of Russia to implement the decision of the National Banking Board taken on 22 March 2011 and approved by the Russian Federation Government (Resolution No. 852-r dated 17 May 2011).

<sup>2</sup> As a result of integration of the unified exchange trading floors in 2012 the Open Joint-Stock Company MICEX-RTS was reorganised into the Open Joint-Stock Company Moscow Exchange (from 29 June 2012). The Bank of Russia's share in the authorised capital of the Moscow Exchange increased from 21.6% to 24.33% due to the fulfilment in January 2012 of obligations under the exchange contract concluded in 2011 between the Bank of Russia and one of the shareholders of the unified exchange.

Note: In compliance with Federal Law No. 86-FZ, dated 10 July 2002, ‘On the Central Bank of the Russian Federation (Bank of Russia)’, the Bank of Russia has been recording on its balance sheet Russia's quota in the IMF in the amount of SDR 5,945.4 million since 2011. In 2012, the Bank of Russia's share in total IMF quotas (capital) remained unchanged at 2.5%, and in the total voting shares of member countries, at 2.39%.

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