VTB BANK

Interim Condensed Consolidated Financial Statements
with Independent Auditors' Report on Review of Interim
Condensed Consolidated Financial Statements

30 September 2009

CONTENTS

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Independent Auditors' Report on Review of Interim Condensed Consolidated Financial Statements

To the Supervisory Board and Shareholders of VTB Bank:

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of VTB Bank ("the Bank") and its subsidiaries (together "the Group") as at 30 September 2009, and the related interim condensed consolidated income statement and interim condensed consolidated statement of comprehensive income for the three-month and nine-month periods then ended, interim condensed consolidated statements of cash flows and changes in equity for the nine-month period then ended and explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard 34, "Interim Financial Reporting" ("IAS 34"). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of work

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Ernst & Young Vneshaudit

28 December 2009

(in billions of Russian Roubles)

	Note	*30 September 2009 (unaudited)*	*31 December 2008*
Assets			
Cash and short-term funds	5	165.5	416.1
Mandatory cash balances with central banks		21.8	7.6
Financial assets at fair value through profit or loss	6	277.2	170.8
Financial assets pledged under repurchase agreements and loaned financial assets	7	23.3	44.5
Due from other banks	8	333.1	308.0
Loans and advances to customers	9	2,512.7	2,555.6
Assets of disposal group held for sale	26	14.8	–
Financial assets available-for-sale	10	33.5	23.9
Investments in associates	11	4.7	4.5
Investment securities held-to-maturity	12	32.7	20.7
Premises and equipment		64.6	60.8
Investment property		5.8	4.3
Intangible assets		11.2	11.3
Deferred tax asset		30.2	9.3
Other assets		52.7	60.0
Total assets		**3,583.8**	**3,697.4**
Liabilities			
Due to other banks	13	262.1	388.7
Customer deposits	14	1,518.4	1,101.9
Liabilities of disposal group held for sale	26	5.1	–
Other borrowed funds	15	462.4	848.7
Debt securities issued	16	531.6	560.1
Deferred tax liability		3.5	5.5
Other liabilities		75.7	174.1
Total liabilities before subordinated debt		**2,858.8**	**3,079.0**
Subordinated debt	17	194.8	226.3
Total liabilities		**3,053.6**	**3,305.3**
Equity			
Share capital	18	113.1	75.7
Share premium		358.5	215.8
Treasury shares		(0.4)	(0.4)
Unrealized gain on financial assets available-for-sale and cash flow hedge		1.3	0.1
Premises revaluation reserve		13.8	14.2
Currency translation difference		13.8	13.1
Retained earnings		19.8	70.9
Equity attributable to shareholders of the parent		**519.9**	**389.4**
Non-controlling interests		10.3	2.7
Total equity		**530.2**	**392.1**
Total liabilities and equity		**3,583.8**	**3,697.4**

Approved for issue and signed on 28 December 2009.

A.L. Kostin
President - Chairman of the Management Board

Herbert Moos
Chief Financial Officer – Deputy Chairman of the Management Board

(in billions of Russian Roubles)

		For the three-month period ended 30 September		For the nine-month period ended 30 September	
	Note	***2009***	***2008***	***2009***	***2008***
Interest income	19	92.2	62.7	280.8	166.0
Interest expense	19	(55.1)	(32.4)	(173.4)	(84.7)
Net interest income		**37.1**	**30.3**	**107.4**	**81.3**
Provision charge for impairment	22	(29.8)	(19.0)	(126.4)	(33.2)
Net interest income / (expense) after provision for impairment		**7.3**	**11.3**	**(19.0)**	**48.1**
Losses net of gains arising from financial assets at fair value through profit or loss		(1.8)	(6.5)	(15.8)	(12.0)
Gains less losses from available-for-sale financial assets		2.4	–	1.9	1.2
Gains less losses arising from extinguishment of liability	13, 16, 17	–	–	14.7	–
Losses on initial recognition of financial instruments and on loans restructuring	9	(16.9)	–	(19.0)	–
Gains less losses / (losses net of gains) arising from dealing in foreign currencies		14.4	(30.5)	(9.9)	(8.8)
Foreign exchange translation (losses net of gains) / gains less losses		(13.3)	30.0	24.5	18.2
Fee and commission income	20	6.2	5.0	17.9	13.7
Fee and commission expense	20	(1.2)	(0.9)	(3.2)	(2.1)
Share in (loss) / income of associates		–	(0.1)	0.1	0.1
Recovery / (provision charge) for impairment of other assets and credit related commitments	22	1.0	(0.2)	(1.3)	(0.3)
Income arising from non-banking activities		0.6	0.5	1.9	2.0
Other operating income		0.6	0.5	2.1	2.6
Net non-interest (loss) / income		**(8.0)**	**(2.2)**	**13.9**	**14.6**
Operating (loss) / income		**(0.7)**	**9.1**	**(5.1)**	**62.7**
Staff costs and administrative expenses	21	(16.8)	(17.1)	(52.5)	(46.8)
Expenses arising from non-banking activities		(0.1)	(0.3)	(0.8)	(1.2)
Profit from disposal of subsidiaries	30	–	–	1.0	–
(Loss) / Profit before taxation		**(17.6)**	**(8.3)**	**(57.4)**	**14.7**
Income tax recovery / (expense)	24	3.6	(0.4)	11.9	(7.1)
Net (loss) / profit		**(14.0)**	**(8.7)**	**(45.5)**	**7.6**
Net (loss) / profit attributable to:					
Shareholders of the parent		**(15.0)**	**(8.8)**	**(48.8)**	**7.1**
Non-controlling interests		**1.0**	**0.1**	**3.3**	**0.5**
Basic and diluted earnings per share (expressed in Russian Roubles per share)	23	(0.0022)	(0.0013)	(0.0072)	0.0011

(in billions of Russian Roubles)

	For the three-month period ended 30 September		*For the nine-month period ended 30 September*	
	2009	***2008***	***2009***	***2008***
Net (loss) / profit for the period	**(14.0)**	**(8.7)**	**(45.5)**	**7.6**
Other comprehensive income (Note 24):				
Unrealized gain / (loss) on financial assets available-for-sale, net of tax	0.6	0.1	1.5	(1.6)
Cash flow hedges, net of tax	–	(0.1)	(0.3)	(0.6)
Effect of translation, net of tax	(2.5)	0.5	1.7	–
Other comprehensive income for the period, net of tax	**(1.9)**	**0.5**	**2.9**	**(2.2)**
Total comprehensive income for the period	**(15.9)**	**(8.2)**	**(42.6)**	**5.4**
Total comprehensive income attributable to:				
Shareholders of the parent	(16.5)	(8.2)	(45.7)	5.0
Non-controlling interests	0.6	–	3.1	0.4

(in billions of Russian Roubles)

	Note	For the nine-month period ended 30 September 2009	2008
Cash flows from operating activities			
Interest received		237.5	159.4
Interest paid		(170.4)	(77.7)
Income received / (Loss incurred) on operations with financial assets at fair value through profit or loss		0.1	(12.4)
Income received from extinguishment of liability		7.4	–
(Loss incurred) / Income received on dealing in foreign currency		(47.5)	6.6
Fees and commissions received		17.9	13.5
Fees and commissions paid		(3.1)	(1.9)
Income arising from non-banking activities and other operating income received		6.3	4.6
Staff costs, administrative expenses and expenses arising from non-banking activities paid		(44.4)	(42.1)
Income tax paid		(12.7)	(13.2)
Cash flows (used in) / from operating activities before changes in operating assets and liabilities		**(8.9)**	**36.8**
Net decrease / (increase) in operating assets			
Net (increase) / decrease in mandatory cash balances with central banks		(13.9)	4.7
Net (increase) / decrease in restricted cash		(0.4)	0.3
Net (increase) / decrease in financial assets at fair value through profit or loss		(151.8)	78.9
Net (increase) / decrease in due from other banks		(1.7)	0.5
Net increase in loans and advances to customers		(111.4)	(572.4)
Net decrease / (increase) in other assets		3.0	(2.4)
Net (decrease) / increase in operating liabilities			
Net decrease in due to other banks		(100.4)	(70.2)
Net increase in customer deposits		413.3	388.4
Net increase in promissory notes and certificates of deposits issued		11.1	80.4
Net (decrease) / increase in other liabilities		(13.1)	2.0
Net cash from / (used in) operating activities		**25.8**	**(53.0)**
Cash flows from investing activities			
Dividends received		0.1	1.0
Proceeds from sales or maturities of financial assets available-for-sale		7.9	9.7
Purchase of financial assets available-for-sale		(13.0)	(7.0)
Purchase of subsidiaries, net of cash acquired		(0.3)	(0.1)
Share issue to minorities		1.5	–
Decrease of share capital of subsidiaries, paid to minorities		(0.1)	–
Disposal of subsidiaries, net of cash disposed		(0.4)	–
Contributions to associates		–	(0.4)
Purchase of non-controlling interests in subsidiaries		(0.2)	(6.3)
Purchase of investment securities held-to-maturity		(0.2)	(6.7)
Proceeds from redemption of investment securities held-to-maturity		3.4	–
Purchase of premises and equipment		(8.2)	(6.1)
Proceeds from sale of premises and equipment		1.6	0.4
Purchase of intangible assets		(0.4)	(0.3)
Net cash used in investing activities		**(8.3)**	**(15.8)**

(in billions of Russian Roubles)

	Note	*For the nine-month period ended 30 September* 2009	2008
Cash flows from financing activities			
Dividends paid		(4.6)	(9.2)
Proceeds from issuance of local bonds		18.7	22.8
Repayment of local bonds		(4.4)	(2.6)
Buy-back of local bonds		(2.7)	–
Proceeds from sale of previously bought-back local bonds		6.3	–
Proceeds from issuance of Eurobonds		22.0	86.3
Repayment of Eurobonds		(69.1)	(54.7)
Buy-back of Eurobonds		(20.8)	–
Proceeds from sale of previously bought-back Eurobonds		0.5	–
Proceeds from syndicated loans		–	41.9
Repayment of syndicated loans		(24.9)	(13.8)
Proceeds from other borrowings		845.4	62.6
Repayment of other borrowings		(1,214.9)	(40.6)
Buy-back of subordinated debt		(6.7)	–
Proceeds from share issue, less transaction costs		180.1	–
Cash received from sale of treasury shares		–	0.1
Net cash (used in) / from financing activities		**(275.1)**	**92.8**
Effect of exchange rate changes on cash and cash equivalents		**6.7**	**2.7**
Net (decrease) / increase in cash and cash equivalents		**(250.9)**	**26.7**
Cash and cash equivalents at beginning of the year	5	415.0	125.1
Cash and cash equivalents at the end of the period	5	**164.1**	**151.8**

(in billions of Russian Roubles)

	Attributable to shareholders of the parent									
	Share capital	*Share premium*	*Treasury shares*	*Unrealized gain on financial assets available-for-sale and cash flow hedge*	*Premises revaluation reserve*	*Currency translation difference*	*Retained earnings*	*Total*	*Non-controlling interests*	*Total equity*
Balance at 1 January 2008 (audited)	**93.5**	**232.1**	**(0.5)**	**2.9**	**15.2**	**(25.6)**	**80.3**	**397.9**	**7.2**	**405.1**
Effect of changes in functional currency	(17.8)	(16.3)	–	(0.7)	(0.8)	37.0	(1.4)	**–**	–	**–**
Balance at 1 January 2008 (audited)	**75.7**	**215.8**	**(0.5)**	**2.2**	**14.4**	**11.4**	**78.9**	**397.9**	**7.2**	**405.1**
Dividends declared	–	–	–	–	–	–	(9.0)	**(9.0)**	(0.6)	**(9.6)**
Treasury shares	–	–	0.1	–	–	–	–	**0.1**	–	**0.1**
Acquisition of subsidiaries	–	–	–	–	–	–	–	**–**	0.1	**0.1**
Acquisition of non-controlling interests	–	–	–	–	–	–	(3.4)	**(3.4)**	(2.9)	**(6.3)**
Total comprehensive income for the period	–	–	–	(2.1)	–	–	7.1	**5.0**	0.4	**5.4**
Transfer of premises revaluation reserve upon disposal or depreciation	–	–	–	–	(0.2)	–	0.2	**–**	–	**–**
Balance at 30 September 2008	**75.7**	**215.8**	**(0.4)**	**0.1**	**14.2**	**11.4**	**73.8**	**390.6**	**4.2**	**394.8**
Balance at 1 January 2009 (audited)	**75.7**	**215.8**	**(0.4)**	**0.1**	**14.2**	**13.1**	**70.9**	**389.4**	**2.7**	**392.1**
Share issue (Note 18)	37.4	142.7	–	–	–	–	–	**180.1**	–	**180.1**
Acquisition of subsidiaries (Note 26, 30)	–	–	–	–	–	–	–	**–**	5.1	**5.1**
Increase in share capital of subsidiaries	–	–	–	–	–	–	0.5	**0.5**	1.0	**1.5**
Acquisition of non-controlling interests	–	–	–	–	–	–	(0.2)	**(0.2)**	–	**(0.2)**
Total comprehensive income for the period	–	–	–	1.2	–	1.9	(48.8)	**(45.7)**	3.1	**(42.6)**
Transfer of premises revaluation reserve upon disposal or depreciation	–	–	–	–	(0.4)	–	0.4	**–**	–	**–**
Dividends declared (Note 25)	–	–	–	–	–	–	(3.0)	**(3.0)**	(1.6)	**(4.6)**
Disposal of subsidiary (Note 30)	–	–	–	–	–	(1.2)	–	**(1.2)**	–	**(1.2)**
Balance at 30 September 2009	**113.1**	**358.5**	**(0.4)**	**1.3**	**13.8**	**13.8**	**19.8**	**519.9**	**10.3**	**530.2**

1. Principal Activities

VTB Bank and its subsidiaries (the "Group") comprise Russian and foreign commercial banks, and other companies and entities controlled by the Group.

VTB Bank, formerly known as Vneshtorgbank (the "Bank", or "VTB"), was formed as Russia's foreign trade bank under the laws of the Russian Federation on 17 October 1990. In 1998, following several reorganisations, VTB was reorganized into an open joint stock company. In October 2006 the Group started re-branding to change its name from Vneshtorgbank to VTB. Simultaneously, the names of some of VTB's subsidiaries were changed as presented in Note 30. In March 2007, the Bank for Foreign Trade was renamed into "VTB Bank" (Open Joint-Stock Company).

On 2 January 1991, VTB received a general banking license (number 1000) from the Central Bank of the Russian Federation (CBR). In addition, VTB holds licenses required for trading and holding securities and engaging in other securities-related activities, including acting as a broker, a dealer and a custodian, and providing asset management and special depositary services. VTB and other Russian Group banks are regulated and supervised by the CBR and the Federal Financial Markets Service. Foreign Group banks operate under the bank regulatory regimes of their respective countries.

On 29 December 2004, the Bank became a member of the obligatory deposit insurance system provided by the State Corporation "Deposit Insurance Agency". The main retail subsidiary bank - VTB 24, CJSC is also a member of the obligatory deposit insurance system provided by the State Corporation "Deposit Insurance Agency" since 22 February 2005. OJSC "Bank VTB North-West" (former OJSC "Industry & Construction Bank"), a subsidiary acquired at the end of 2005, is also a member of the obligatory deposit insurance system since 11 January 2005. The State deposit insurance scheme implies that the State Corporation "Deposit Insurance Agency" guarantees repayment of individual deposits up to the maximum total amount of guaranteed payment of RUR 700 thousand with a 100% compensation of deposited amount from 1 October 2008.

On 5 October 2005, VTB re-registered its legal address to 29 Bolshaya Morskaya Street, Saint-Petersburg 190000, Russian Federation. VTB's Head Office is located in Moscow.

A list of major subsidiaries and associates included in these interim condensed consolidated financial statements is provided in Note 30.

The Group operates predominantly in the commercial banking sector. This includes deposit taking and commercial lending in freely convertible currencies and in Russian Roubles, support of clients' export/import transactions, foreign exchange, securities trading, and trading in derivative financial instruments. The Group's operations are conducted in both Russian and international markets. The Group's operations are not subject to seasonal fluctuations. The Group conducts its banking business in Russia through VTB as a parent and 2 subsidiary banks with its network of 89 full service branches, including 55 branches of VTB, 16 branches of bank VTB 24 and 18 branches of VTB North-West, located in major Russian regions. The Group operates outside Russia through 12 bank subsidiaries, located in the Commonwealth of Independent States ("CIS") (Armenia, Ukraine, Belarus, Kazakhstan, and Azerbaijan), Europe (Austria, Cyprus, Germany, France, Great Britain and Georgia), Africa (Angola) and through 3 representative offices located in Italy, China and Kyrgyz Republic and through 2 VTB branches in China and India and 2 branches of "VTB Capital", Plc in Singapore and Dubai.

VTB's majority shareholder is the Russian Federation state, acting through the Federal Property Agency, which holds 85.50% of VTB's issued and outstanding shares at 30 September 2009 (31 December 2008: 77.47%).

The number of employees of the Group at 30 September 2009 was 40,142 (31 December 2008: 41,992).

Unless otherwise noted herein, all amounts are expressed in billions of Russian Roubles rounded off to one decimal.

2. Operating Environment of the Group

Russia continues economic reforms and development of its legal, tax and regulatory frameworks as required by a market economy. The future stability of the Russian economy is largely dependent upon these reforms and developments and the effectiveness of economic, financial and monetary measures undertaken by the government.

The Russian economy is vulnerable to market downturns and economic slowdowns elsewhere in the world. The global financial crisis has resulted in a decline in the gross domestic product, capital markets instability, significant deterioration of liquidity in the banking sector, and tighter credit conditions within Russia. While the Russian Government has introduced a range of stabilization measures aimed at providing liquidity to Russian banks and companies, there continues to be uncertainty regarding the access to capital and cost of capital for the Group and its counterparties, which could affect the Group's financial position, results of operations and business prospects.

Also, factors including increased unemployment in Russia, reduced corporate liquidity and profitability, and increased corporate and personal insolvencies, have affected the Group's borrowers' ability to repay the amounts due to the Group. In addition, changes in economic conditions have resulted in deterioration in the value of collateral held against loans and other obligations. To the extent that information is available, the Group has reflected revised estimates of expected future cash flows in its impairment assessment.

While management believes it is taking appropriate measures to support the sustainability of the Group's business in the current circumstances, unexpected further deterioration in the areas described above could negatively affect the Group's results and financial position in a manner not currently determinable.

3. Basis of Preparation

General

These interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard (IAS) 34 "Interim Financial Reporting". As a result, they do not include all of the information required by International Financial Reporting Standards (IFRS) for a complete set of financial statements. Operating results for the nine-month period ended 30 September 2009 are not necessarily indicative of the results that may be expected for the year ending 31 December 2009. The Bank and its subsidiaries and associates maintain their accounting records in accordance with regulations applicable in their country of registration. These interim condensed consolidated financial statements are based on those accounting books and records, as adjusted and reclassified to comply with International Accounting Standard 34 "Interim Financial Reporting".

These interim condensed consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of premises, available-for-sale financial assets, and financial instruments categorized as at fair value through profit or loss.

These interim condensed consolidated financial statements are presented in Russian Roubles (RUR), the national currency of the Russian Federation, where the Bank is domiciled. Historically, for the purpose of presentation of IFRS financial statements, the Management of the Group used the United States Dollar ("USD"). Starting from 1 January 2009 the Management of the Group has decided to use Russian Roubles as the presentation currency and translated the comparative data for the purpose of these condensed consolidated financial statements at the applicable exchange rates in accordance with International Accounting Standard 21 "The Effects of Changes in Foreign Exchange Rates".

(in billions of Russian Roubles)

3. Basis of Preparation (continued)

General (continued)

These interim condensed consolidated financial statements should be read in conjunction with the complete consolidated financial statements as of 31 December 2008.

The preparation of financial statements requires management to make estimates and assumptions that affect reported amounts. These estimates are based on information available as of the date of the financial statements. Actual results can differ significantly from such estimates.

At 30 September 2009, the principal closing rate of exchange used for translating balances in USD to Russian Roubles was USD 1 to RUR 30.0922 (at 31 December 2008: USD 1 to RUR 29.3804), and the principal closing rate of exchange used for translating balances in Euro was Euro 1 to RUR 44.0068 (at 31 December 2008: Euro 1 to RUR 41.4411).

Reclassifications

Following the amendments to IAS 39 and IFRS 7, "Reclassification of Financial Assets", the Group reclassified certain financial assets held for trading and financial assets available-for-sale to loans and advances to customers, due from other banks and investment securities held-to-maturity.

The Asset and Liability Management Committee of VTB acknowledged the occurrence of "rare circumstances" due to the crisis in international financial markets starting from 1 September 2008. The declines in market prices that occurred in the third quarter of 2008 represent a rare event, as they significantly exceeded historical volatilities observed in financial markets.

The Group identified debt instruments previously booked either as held for trading or available-for-sale, which were no longer held for the purpose of selling or repurchasing in the near term, for which the Group has the intention and ability to hold them for the foreseeable future or until maturity and for which markets have become inactive. These debt instruments were reclassified into loans and advances to customers or to amounts due from other banks.

The Group also identified debt instruments previously booked as held for trading, which are traded in active markets and for which the Group has the positive intention and ability to hold them to maturity. These debt instruments were reclassified to investment securities held-to-maturity upon occurrence of "rare circumstances", i.e. 1 September 2008. The following tables show carrying values and fair values of the reclassified debt securities, which are not pledged under repurchase agreements, at each reclassification date.

	30 September 2009	
	Carrying value	*Fair value*
Financial assets held for trading reclassified to due from other banks	13.7	13.8
Financial assets held for trading reclassified to loans and advances to customers	7.9	6.7
Financial assets available-for-sale reclassified to due from other banks	1.5	1.4
Financial assets available-for-sale reclassified to loans and advances to customers	2.0	2.2
Total financial assets reclassified on 1 July 2008	**25.1**	**24.1**

(in billions of Russian Roubles)

3. Basis of Preparation (continued)

Reclassifications (continued)

	30 September 2009	
	Carrying value	*Fair value*
Financial assets held for trading reclassified to loans and advances to customers	0.4	0.4
Financial assets held for trading reclassified to investment securities held-to-maturity	32.5	32.4
Total financial assets reclassified on 1 September 2008	**32.9**	**32.8**

	30 September 2009	
	Carrying value	*Fair value*
Financial assets held for trading reclassified to due from other banks	0.2	0.2
Financial assets held for trading reclassified to loans and advances to customers	3.1	3.0
Financial assets available-for-sale reclassified to due from other banks	0.3	0.3
Financial assets available-for-sale reclassified to loans and advances to customers	0.1	0.1
Total financial assets reclassified on other dates of 2008	**3.7**	**3.6**

The following table shows carrying values and fair values of the reclassified debt securities, pledged under repurchase agreements at the reclassification date of 1 July 2008.

	30 September 2009	
	Carrying value	*Fair value*
Financial assets held for trading reclassified to loans and advances to customers	4.4	4.4
Total financial assets reclassified on 1 July 2008	**4.4**	**4.4**

For reclassified financial assets interest income and provision charge recognized in the nine months ended 30 September 2009, and fair value gain or loss for the same period that would have been recognized if the assets had not been reclassified, were as follows:

	Interest income	*Provision charge*	*(Loss) / gain, that would have been recognized if the assets had not been reclassified*
Financial assets held for trading reclassified to due from other banks	0.5	(0.1)	0.4
Financial assets held for trading reclassified to loans and advances to customers	0.6	(0.1)	(0.7)
Financial assets held for trading reclassified to investment securities held-to-maturity	2.7	–	–
Financial assets available-for-sale reclassified to due from other banks	–	–	(0.1)
Financial assets available-for-sale reclassified to loans and advances to customers	–	–	0.2
Total for financial assets reclassified	**3.8**	**(0.2)**	**(0.2)**

4. Adoption of New or Revised Standards and Interpretations

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2008, except for the adoption of new standards and interpretations as of 1 January 2009, noted below:

4. Adoption of New or Revised Standards and Interpretations (continued)

IAS 1 "Presentation of Financial Statements" (revised September 2007; effective for annual periods beginning on or after 1 January 2009). The main change in IAS 1 is the replacement of the statement of income by a statement of comprehensive income, which also includes all non-owner changes in equity, such as the revaluation of available-for-sale financial assets. Alternatively, entities are allowed to present two statements: a separate statement of income and a statement of comprehensive income.

The Group has opted to present two separate statements: interim condensed consolidated income statement and interim condensed consolidated statement of comprehensive income. As a result of other changes the Group has presented the interim condensed consolidated statement of financial position previously referred to as the interim condensed consolidated balance sheet.

IFRS 7 "Financial Instruments: Disclosures" (effective for annual periods beginning on or after 1 January 2009). The amended standard requires additional disclosure about fair value measurement and liquidity risk. Fair value measurements are to be disclosed by source of inputs using a three level hierarchy for each class of financial instrument. In addition, a reconciliation between the beginning and ending balance for Level 3 fair value measurements is now required, as well significant transfers between Level 1 and Level 2 fair value measurements. The amendments also clarify the requirements for liquidity risk disclosures. The Group is assessing the fair value measurement disclosures in the Group's annual financial statements for the year ended 31 December 2009.

IFRS 8 "Operating Segments" (effective for annual periods beginning on or after 1 January 2009). The Standard applies to entities whose debt or equity instruments are traded in a public market or that file, or are in the process of filing, their financial statements with a regulatory organization for the purpose of issuing any class of instruments in a public market. IFRS 8 requires an entity to report financial and descriptive information about its operating segments and specifies how an entity should report such information. The Management of the Group has determined the operating segments as shown in Note 28 and presented the revised comparative information.

IAS 23 "Borrowing Costs" (effective for periods beginning on or after 1 January 2009). A revised IAS 23 Borrowing costs was issued in March 2007. The standard has been revised to require capitalization of borrowing costs when such costs relate to a qualifying asset. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. In accordance with the transitional requirements in the Standard, the Group has adopted this as a prospective change. Accordingly, borrowing costs are capitalized on qualifying assets with a commencement date of 1 January 2009. No changes have been made for borrowing costs incurred prior to this date that have been expensed.

IAS 32 "Financial Instruments: Presentation" and IAS 1 "Presentation of Financial Statements" – "Puttable Financial Instruments" (effective for annual periods beginning on or after 1 January 2009). Amendment was issued in February 2008 and requires certain puttable financial instruments and obligations arising on liquidation to be classified as equity if certain criteria are met. The revised IAS 1 requires disclosure of certain information relating to puttable instruments classified as equity. These amendments had no impact on the financial statements of the Group.

Improvements to IFRS. In May 2008 International Accounting Standards Board issued its first omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. Amendments included in May 2008 "Improvements to IFRS" did not have any impact on the accounting policies, financial position or performance of the Group, except for the amendment to IAS 20 "Accounting for Government Grants and Disclosure of Government Assistance", as described below.

IAS 20 has been amended to require that loans received from the government that have a below-market rate of interest be recognized and measured in accordance with IAS 39 "Financial Instruments: Recognition and Measurement". The benefit of the government loan is measured at the inception of the loan as the difference between the cash received and the amount at which the loan is initially recognised in the statement of financial position. This benefit is accounted for in accordance with IAS 20. The amendment is early applied to government loans received on or after 1 January 2008.

(in billions of Russian Roubles)

4. Adoption of New or Revised Standards and Interpretations (continued)

IFRS 3 “Business Combinations” effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. The revised IFRS 3 allows entities to choose to measure non-controlling interests using the existing IFRS 3 method (proportionate share of the acquiree’s identifiable net assets) or at fair value. The revised IFRS 3 is more detailed in providing guidance on the application of the purchase method to business combinations. The requirement to measure at fair value every asset and liability at each step in a step acquisition for the purposes of calculating a portion of goodwill has been removed. Instead, in a business combination achieved in stages, the acquirer has to remeasure its previously held equity interest in the acquiree at its acquisition-date fair value and recognise the resulting gain or loss, if any, in profit or loss. Acquisition-related costs should be accounted for separately from the business combination and therefore recognised as expenses rather than included in goodwill. An acquirer has to recognise at the acquisition date a liability for any contingent purchase consideration. Changes in the value of that liability after the acquisition date are recognised in accordance with other applicable IFRSs, as appropriate, rather than by adjusting goodwill. The revised IFRS 3 brings into its scope business combinations involving only mutual entities and business combinations achieved by contract alone. The Group early adopted revised IFRS 3 from 1 January 2009.

IAS 27 “Consolidated and Separate Financial Statements” effective for annual periods beginning on or after 1 July 2009. The revised IAS 27 requires an entity to attribute total comprehensive income to the owners of the parent and to the non-controlling interests (previously “minority interests”) even if this results in the non-controlling interests having a deficit balance (the current standard requires the excess losses to be allocated to the owners of the parent in most cases). The revised standard specifies that changes in a parent’s ownership interest in a subsidiary that do not result in the loss of control must be accounted for as equity transactions – which is in line with current Group accounting policies. It also specifies how an entity should measure any gain or loss arising on the loss of control of a subsidiary. At the date when control is lost, any investment retained in the former subsidiary will have to be measured at its fair value. The Group early adopted revised IAS 27 from 1 January 2009.

The following new or revised standards and interpretations effective from 2009 did not have any impact on the accounting policies, financial position or performance of the Group:

- IFRS 2 “Share-based Payment” Amendment “Vesting Conditions and Cancellations”;
- Amendments “Embedded Derivatives “ to IFRIC 9 “Reassessment of Embedded Derivatives” and to IAS 39 “Financial Instruments: Recognition and Measurement”;
- IFRIC 13 “Customer Loyalty Programmes”;
- IFRIC 15 “Agreements for the Construction of Real Estate”;
- IFRIC 16 “Hedges of a Net Investment in a Foreign Operation”.

5. Cash and Short-Term Funds

	30 September 2009 (unaudited)	***31 December 2008***
Cash on hand	37.5	52.6
Cash balances with central banks (other than mandatory reserve deposits)	46.5	229.7
Correspondent accounts with other banks		
- Russian Federation	22.5	78.8
- Other countries	59.0	55.0
Total cash and short-term funds	**165.5**	**416.1**
Less: restricted cash	(1.4)	(1.1)
Total cash and cash equivalents	**164.1**	**415.0**

(in billions of Russian Roubles)

6. Financial Assets at Fair Value through Profit or Loss

	30 September 2009 (unaudited)	*31 December 2008*
Financial assets held for trading	248.6	142.6
Financial assets designated as at fair value through profit or loss	28.6	28.2
Total financial assets at fair value through profit or loss	**277.2**	**170.8**

Financial Assets Held for Trading

	30 September 2009 (unaudited)	*31 December 2008*
Debt securities denominated in USD		
Bonds and eurobonds of foreign companies and banks	11.9	6.1
Eurobonds of Russian companies and banks	9.8	0.6
Eurobonds of the Russian Federation	0.2	–
Debt securities denominated in RUR		
Bonds and eurobonds of Russian companies and banks	141.4	12.9
Russian Federal loan bonds (OFZ)	1.3	1.3
Russian municipal bonds	1.0	3.8
Promissory notes of Russian companies and banks	1.0	1.1
Eurobonds of foreign companies and banks	0.8	–
Debt securities denominated in other currencies		
Eurobonds of Russian companies and banks	1.0	–
Bonds of foreign governments	0.9	0.6
Russian municipal bonds	0.1	–
Equity securities	*43.6*	*45.7*
Balances arising from derivative financial instruments	*35.6*	*70.5*
Total financial assets held for trading	**248.6**	**142.6**

The bonds of Russian companies and banks consist mainly of bonds of oil, gas and transportation companies.

Financial Assets Designated as at Fair Value through Profit or Loss

	30 September 2009 (unaudited)	*31 December 2008*
Bonds and eurobonds of Russian companies and banks	11.1	11.0
Bonds of foreign companies and banks	7.8	8.0
Equity securities	6.2	7.3
Bonds of foreign governments	3.5	1.6
Investments in mutual funds	–	0.2
Russian municipal bonds	–	0.1
Total financial assets designated as at fair value through profit or loss	**28.6**	**28.2**

Equity securities in the amount of RUR 5.6 billion at 30 September 2009 (31 December 2008: RUR 6.6 billion) represent structured customer financing transactions whereby market risk is offset via forward sale agreements on the same securities (recorded within derivative instruments). These equity securities are issued by Russian energy companies. Financial liabilities at fair value through profit or loss – held for trading (negative fair value of derivatives) relating to these transactions are accounted for within "Other liabilities" in the amount of RUR 0.9 billion at 30 September 2009 (31 December 2008: RUR 2.3 billion).

(in billions of Russian Roubles)

7. Financial Assets Pledged under Repurchase Agreements and Loaned Financial Assets

	30 September 2009 (unaudited)	*31 December 2008*
Financial assets at fair value through profit or loss		
Financial assets held for trading		
Bonds and eurobonds of Russian companies and banks	14.7	3.7
Russian Federal loan bonds (OFZ)	0.3	–
Equity securities	0.2	–
Total financial assets held for trading	*15.2*	*3.7*
Financial assets designated as at fair value through profit or loss		
Bonds and eurobonds of Russian companies and banks	0.7	2.1
Bonds of foreign governments	–	1.9
Total financial assets designated as at fair value through profit or loss	*0.7*	*4.0*
Total financial assets at fair value through profit or loss	***15.9***	***7.7***
Financial assets available-for-sale		
Bonds of foreign companies and banks	–	4.6
Bonds of foreign governments	–	0.4
Total financial assets available-for-sale	***–***	***5.0***
Investment securities held-to-maturity		
Bonds and eurobonds of Russian companies and banks	1.0	18.4
Total investment securities held-to-maturity	***1.0***	***18.4***
Financial assets classified as loans and advances to customers	***2.5***	***3.1***
Financial assets classified as due from other banks	***3.9***	***10.3***
Total financial assets pledged under repurchase agreements and loaned financial assets	**23.3**	**44.5**

8. Due from Other Banks

	30 September 2009 (unaudited)	*31 December 2008*
Current term placements	326.5	302.1
Reverse sale and repurchase agreements	6.5	5.9
Overdue placements	1.6	0.7
Total gross due from other banks	**334.6**	**308.7**
Less: Allowance for impairment (Note 22)	(1.5)	(0.7)
Total due from other banks	**333.1**	**308.0**

9. Loans and Advances to Customers

	30 September 2009 (unaudited)	*31 December 2008*
Current loans and advances	2,283.8	2,527.5
Reverse sale and repurchase agreements	42.5	58.6
Rescheduled loans and advances	225.7	16.3
Overdue loans and advances	176.8	47.9
Total gross loans and advances to customers	**2,728.8**	**2,650.3**
Less: Allowance for impairment (Note 22)	(216.1)	(94.7)
Total loans and advances to customers	**2,512.7**	**2,555.6**

(in billions of Russian Roubles)

9. Loans and Advances to Customers (continued)

For the purposes of the above table, the amount of overdue loans and advances includes overdue portions of loans where the payment of either principal or interest is overdue by one day or more, and not the entire outstanding amount of the loans.

At 30 September 2009, included in gross loans are finance lease receivables of RUR 95.5 billion (31 December 2008: RUR 96.2 billion), equal to the net investment in lease.

Economic sector risk concentrations within the customer loan portfolio are as follows:

	30 September 2009 (unaudited)		*31 December 2008*	
	Amount	*%*	*Amount*	*%*
Individuals	420.8	15	387.1	15
Metals	401.0	15	196.3	7
Building construction	383.0	14	375.9	14
Finance	379.6	14	492.6	19
Manufacturing	219.6	8	196.2	7
Trade and commerce	190.5	7	253.0	10
Transport	138.6	5	146.7	5
Oil and Gas	107.7	4	145.2	5
Energy	89.2	3	62.7	2
Government bodies	82.8	3	88.6	3
Coal mining	78.9	3	69.3	3
Chemical	75.5	3	71.5	3
Food and agriculture	72.3	3	75.1	3
Aircraft	28.1	1	17.7	1
Telecommunications and media	17.9	1	18.5	1
Other	43.3	1	53.9	2
Total gross loans and advances to customers	**2,728.8**	**100**	**2,650.3**	**100**

At 30 September 2009, the total amount of outstanding loans issued by the Group to the 10 largest groups of interrelated borrowers comprises RUR 602.9 billion, or 22% of the gross loan portfolio (31 December 2008: RUR 546.9 billion, or 21%).

In the third quarter of 2009, the Group restructured several loans setting preferential interest rates and/or repayment schedule to the borrowers to support operations of Russian companies. These loans were not considered to be impaired neither before nor after restructuring. The Group booked the loss on loans restructuring of RUR 14.6 billion related to the above loans.

10. Financial Assets Available-for-sale

	30 September 2009 (unaudited)	*31 December 2008*
Equity investments	17.5	11.9
Bonds of foreign companies and banks	13.6	9.5
Eurobonds of Russian companies and banks	1.1	0.5
Bonds of foreign governments	0.9	1.1
Promissory notes of Russian companies and banks	0.3	0.3
Russian municipal bonds	0.1	0.6
Total financial assets available-for-sale	**33.5**	**23.9**

(in billions of Russian Roubles)

11. Investments in Associates

			30 September 2009 (unaudited)		*31 December 2008*	
	Country of registration	***Activity***	***Carrying amount***	***Ownership percentage***	***Carrying amount***	***Ownership percentage***
"Eurofinance Mosnarbank", OJSC	Russia	Banking	3.8	34.83%	3.8	34.83%
"Vietnam-Russia Joint Venture Bank"	Vietnam	Banking	0.9	49.00%	0.7	49.00%
"Interbank Trading House", Ltd	Russia	Commerce	–	50.00%	–	50.00%
Total investments in associates			**4.7**		**4.5**	

12. Investment Securities Held-to-maturity

	30 September 2009 (unaudited)	*31 December 2008*
Bonds of Russian companies and banks	32.5	14.8
Eurobonds of Russian companies and banks	2.0	2.5
Bonds of foreign companies and banks	0.4	2.8
Promissory notes of Russian companies and banks	–	1.7
Bonds of foreign governments	–	0.2
Total gross investment securities held-to-maturity	**34.9**	**22.0**
Less: Allowance for impairment (Note 22)	(2.2)	(1.3)
Total investment securities held-to-maturity	**32.7**	**20.7**

13. Due to Other Banks

	30 September 2009 (unaudited)	*31 December 2008*
Correspondent accounts and overnight deposits	148.4	116.4
Term loans and deposits	110.7	264.0
Sale and repurchase agreements	3.0	8.3
Total due to other banks	**262.1**	**388.7**

During the second quarter of 2009 the Group redeemed before maturity a term deposit under the request of the third party bank, and recognized a gain of RUR 7.4 billion, which was classified as gains less losses arising from extinguishment of liability.

(in billions of Russian Roubles)

14. Customer Deposits

	30 September 2009 (unaudited)	*31 December 2008*
Government bodies		
Current / settlement deposits	13.8	15.0
Term deposits	218.7	30.2
Legal entities		
Current / settlement deposits	412.3	256.2
Term deposits	441.3	446.4
Individuals		
Current / settlement deposits	89.6	84.8
Term deposits	340.6	269.3
Sale and repurchase agreements	2.1	–
Total customer deposits	**1,518.4**	**1,101.9**

15. Other Borrowed Funds

	30 September 2009 (unaudited)	*31 December 2008*
Syndicated loans	62.6	85.3
Other borrowings	399.8	763.4
Total other borrowed funds	**462.4**	**848.7**

Included in other borrowings are borrowings received by the Group from other banks, mainly OECD based, under non-revolving open credit lines, and funds attracted from Central banks.

16. Debt Securities Issued

	30 September 2009 (unaudited)	*31 December 2008*
Bonds	371.6	408.9
Promissory notes	156.9	150.7
Deposit certificates	3.1	0.5
Total debt securities issued	**531.6**	**560.1**

In February 2009, Bank VTB 24 issued local bonds for RUR 8 billion with interest rate of 11.85% payable semi-annually and a 1.5-year embedded put option maturing in February 2014.

In March 2009, VTB Bank redeemed the 11th series of Eurobonds in the amount EUR 1,000 million (RUR 45 billion) and the 4th series of RUR bonds in the amount of RUR 3 billion at maturity date.

In April 2009, VTB redeemed Eurobonds in the amount of RUR 10 billion upon maturity.

In April 2009, VTB Capital, Plc. redeemed Eurobonds in the amount of USD 500 million upon maturity.

In May 2009 VTB legally cancelled some Eurobonds purchased in 2009 and the fourth quarter of 2008 for the notional amount of RUR 38.3 billion.

16. Debt Securities Issued (continued)

In June 2009, the Group arranged a securitization transaction, under which, three tranches of Mortgage-backed notes were issued for RUR 10 billion, RUR 2 billion and RUR 2.5 billion respectively with maturity in February 2039 and coupon rate of 10.5% for the first tranche, 11% for the second tranche and the floating coupon for the third tranche. These securities were collateralized with a portfolio of RUR 14.5 billion mortgage loans to individuals secured by residential properties (the loans were not derecognized). These securities were issued through a special purpose entity. At 30 September 2009 VTB 24 is the sole holder of the notes, thus these notes are eliminated in these condensed consolidated financial statements.

In June 2009, VTB-Leasing Finance issued series 3 and 4 of local bonds in Russia in the amount of RUR 5 billion each due in June 2016 with an interest rate of 14% payable quarterly and a one year put option for the bondholders.

In August 2009, VTB Capital S.A. (Luxembourg) issued CHF 750 million (RUR 22.2 billion) Eurobonds under a European Medium Term Note Programme with a fixed rate of 7.5% maturing in August 2011.

VTB Group members from time to time seek to retire all or part of any of their issued and outstanding debt through open market purchases, privately negotiated transactions or otherwise. Such repurchases or exchanges, if any, depend on prevailing market conditions, VTB's liquidity requirements, contractual restrictions and other factors. The notional amount of Eurobonds bought-back (excluding subordinated debt) by VTB Group during the nine months ended 30 September 2009 amounted to RUR 20.2 billion, which resulted in the recognition of a gain on the extinguishment of debt of RUR 3.3 billion for the period.

17. Subordinated Debt

On 4 February 2005, VTB Capital S.A., a Luxembourg based special purpose entity of the Group used for issuance of Eurobonds, issued USD 750 million of Eurobonds (with a call option for early repayment on the fifth anniversary of such date) due February 2015, the proceeds of which financed a subordinated loan to VTB. The Eurobonds bear interest at 6.315% per annum payable semi-annually, with an interest rate step-up in 2010. The notional amount of Eurobonds bought-back by VTB Group during the nine months ended 30 September 2009 amounted to RUR 10.0 billion, which resulted in the recognition of a gain on the extinguishment of liability of RUR 3.8 billion for the period. As of 30 September 2009 the carrying amount of this subordinated debt was RUR 9.6 billion (31 December 2008: RUR 18.1 billion).

On 29 September 2005, OJSC “Industry & Construction Bank” (further renamed to OJSC “Bank VTB North-West”) issued USD 400 million subordinated Eurobonds due September 2015 with early redemption option (1 October 2010; price 100; type call). The Eurobonds bear interest at 6.2% per annum payable semi-annually, with an interest rate step-up in 2010. The transaction was structured as an issue of notes by Or-ICB S.A. (Luxembourg) for the purpose of financing a subordinated loan to the Bank. The notional amount of Eurobonds bought-back by VTB Group during the nine months ended 30 September 2009 amounted to RUR 0.4 billion, which resulted in the recognition of a gain on the extinguishment of liability of RUR 0.2 billion for the period. As of 30 September 2009 the carrying amount of this subordinated debt was RUR 9.1 billion (31 December 2008: RUR 9.5 billion).

In October and November 2008, VTB received two subordinated loans of RUR 100 billion each with a rate of 8% p.a. maturing in December 2019 from Vnesheconombank (VEB), which is a related party to the Group. As at 31 December 2008 in accordance with IAS 20 “Accounting for Government Grants and Disclosure of Government Assistance” the Group discounted these loans using an appropriate market rate adjusted for loan premium. As of 30 September 2009 the carrying amount of this subordinated debt is RUR 176.1 billion with zero deferred income (31 December 2008: RUR 175.1 billion and RUR 23.6 billion, respectively). The deferred income was accounted for within subordinated debt and was eligible for setting-off against the losses on initial recognition of the loans extended by the Group at preferential interest rates to support operations of Russian companies. During the first quarter of 2009 the amount of the above deferred income was utilized in full.

(in billions of Russian Roubles)

18. Share Capital and Reserves

On 25 September 2009, the Central Bank of the Russian Federation registered the results of additional issuance of common shares of VTB Bank. The total number of the additionally issued shares is 3,736,402,828,319 with a nominal value of RUR 0.01 each at the actual offering price of RUR 0.0482 per share. The proceeds from the additional share issuance amounted to RUR 180.1 billion. Upon finalization of this issuance VTB's majority shareholder's share increased to 85.50%.

19. Interest Income and Expense

	For the three-month period ended 30 September (unaudited)		*For the nine-month period ended 30 September (unaudited)*	
	2009	***2008***	***2009***	***2008***
Interest income				
Loans and advances to customers	84.8	56.3	259.8	145.6
Securities	5.3	3.1	12.2	11.8
Due from other banks	2.1	3.3	8.8	8.6
Total interest income	**92.2**	**62.7**	**280.8**	**166.0**
Interest expense				
Customer deposits	(25.6)	(17.5)	(65.5)	(44.6)
Debt securities issued	(9.5)	(8.7)	(28.2)	(22.8)
Subordinated debt	(4.7)	(0.5)	(14.0)	(1.4)
Due to other banks and other borrowed funds	(15.3)	(5.7)	(65.7)	(15.9)
Total interest expense	**(55.1)**	**(32.4)**	**(173.4)**	**(84.7)**
Net interest income	**37.1**	**30.3**	**107.4**	**81.3**

20. Fee and Commission Income and Expense

	For the three-month period ended 30 September (unaudited)		*For the nine-month period ended 30 September (unaudited)*	
	2009	***2008***	***2009***	***2008***
Commission on settlement transactions	3.2	2.6	9.4	7.1
Commission on guarantees issued and trade finance	1.1	1.0	3.2	2.7
Commission on cash transactions	0.7	0.7	1.9	1.9
Commission on operations with securities	0.7	0.3	1.6	1.2
Other	0.5	0.4	1.8	0.8
Total fee and commission income	**6.2**	**5.0**	**17.9**	**13.7**
Commission on settlement transactions	(0.7)	(0.5)	(1.4)	(1.1)
Commission on cash transactions	(0.3)	(0.2)	(0.7)	(0.4)
Other	(0.2)	(0.2)	(1.1)	(0.6)
Total fee and commission expense	**(1.2)**	**(0.9)**	**(3.2)**	**(2.1)**
Net fee and commission income	**5.0**	**4.1**	**14.7**	**11.6**

(in billions of Russian Roubles)

21. Staff Costs and Administrative Expenses

	For the three-month period ended 30 September (unaudited)		For the nine-month period ended 30 September (unaudited)	
	2009	2008	2009	2008
Staff costs	8.2	9.2	26.7	23.8
Defined contribution pension expense	0.6	0.7	2.4	2.2
Depreciation and other expenses related to premises and equipment	1.8	1.9	5.9	5.5
Leasing and rent expenses	1.2	1.2	4.0	3.2
Taxes other than on income	0.8	0.9	2.1	2.5
Professional services	0.7	0.5	1.9	1.4
Advertising expenses	0.6	0.8	1.4	2.1
Post and telecommunication expenses	0.5	0.4	1.4	1.1
Participation in deposit insurance system	0.4	0.4	1.2	1.1
Impairment, amortization and other expenses related to intangibles, except for core deposit intangible	0.4	0.1	1.1	0.6
Security expenses	0.3	0.3	1.0	0.9
Amortization of core deposit intangible	0.2	0.3	0.7	0.7
Charity	0.4	0.1	0.9	0.6
Other	0.7	0.3	1.8	1.1
Total staff costs and administrative expenses	**16.8**	**17.1**	**52.5**	**46.8**

22. Allowances for Impairment and Provisions

The movements in allowances for impairment of due from other banks, loans and advances to customers, investment securities held-to-maturity, credit related commitments, other assets and legal claims were as follows (unaudited):

	Due from other banks	Loans and advances to customers	Investment securities held-to-maturity	Credit related commit-ments	Other assets	Legal claims	Total
Balance at 1 January 2008	**0.3**	**36.1**	**–**	**–**	**–**	**–**	**36.4**
Provision for impairment during the period	0.4	32.8	–	0.1	0.1	0.1	**33.5**
Write-offs	–	(1.0)	–	–	(0.1)	–	**(1.1)**
Recoveries of amounts written-off in previous period	–	0.1	–	–	0.1	–	**0.2**
Currency translation difference	–	0.4	–	–	–	–	**0.4**
Balance at 30 September 2008 (unaudited)	**0.7**	**68.4**	**–**	**0.1**	**0.1**	**0.1**	**69.4**
Balance at 1 January 2009	**0.7**	**94.7**	**1.3**	**1.5**	**0.1**	**0.1**	**98.4**
Provision for impairment during the period	1.1	124.4	0.9	0.8	0.5	–	**127.7**
Write-offs	–	(1.6)	–	–	(0.1)	–	**(1.7)**
Recoveries of amounts written-off in previous period	–	0.2	–	–	–	–	**0.2**
Currency translation difference	–	(1.0)	–	0.1	–	–	**(0.9)**
Deconsolidation of subsidiary (Note 30)	(0.3)	(0.6)	–	(0.1)	–	–	**(1.0)**
Balance at 30 September 2009 (unaudited)	**1.5**	**216.1**	**2.2**	**2.3**	**0.5**	**0.1**	**222.7**

22. Allowances for Impairment and Provisions (continued)

Allowances for impairment of assets are deducted from the carrying amounts of the related assets. Provisions for claims, guarantees and credit-related commitments are recorded in liabilities. In accordance with Russian legislation, loans may only be written off with the approval of the Supervisory Board and, in certain cases, with the respective decision of the Court.

23. Basic and Diluted Earnings per Share

Basic earnings per share are calculated by dividing the net profit or loss attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the year, excluding the average number of ordinary shares purchased by the Group and held as treasury shares.

The Group has no dilutive potential ordinary shares; therefore, the diluted earnings per share are equal to basic earnings per share.

	For the three-month period ended 30 September (unaudited)		*For the nine-month period ended 30 September (unaudited)*	
	2009	***2008***	***2009***	***2008***
Net (loss) / profit attributable to shareholders of the parent *(in billions of Russian Roubles)*	(15.0)	(8.8)	(48.8)	7.1
Weighted average number of ordinary shares in issue	6,965,039,542,577	6,721,360,971,399	6,803,474,740,732	6,720,777,218,628
Basic and diluted earnings per share (expressed in Russian Roubles per share)	**(0.0022)**	**(0.0013)**	**(0.0072)**	**0.0011**

24. Income Tax

The Group's effective income tax rate for the nine months of 2009 was 21% (nine months 2008: 48%). The effective income tax rate for nine months of 2008 was influenced by non-deductible items on pretax profit, which arose in the normal course of business, however due to a reduction in pretax profit, their influence on the effective income tax rate increased.

The following tables provide disclosure of income tax effects relating to each component of other comprehensive income for the three months ended 30 September 2009 and 30 September 2008 and for the nine months ended 30 September 2009 and 30 September 2008:

	For the three-month period ended 30 September (unaudited)					
	2009			***2008***		
	Before tax	***Tax (expense) / recovery***	***Net of tax***	***Before tax***	***Tax (expense) / recovery***	***Net of tax***
Unrealized gain / (loss) on financial assets available-for-sale	0.8	(0.2)	**0.6**	0.1	–	**0.1**
Cash flow hedges	–	–	**–**	(0.1)	–	**(0.1)**
Effect of translation	(3.1)	0.6	**(2.5)**	0.7	(0.2)	**0.5**
Other comprehensive income	**(2.3)**	**0.4**	**(1.9)**	**0.7**	**(0.2)**	**0.5**

(in billions of Russian Roubles)

24. Income Tax (continued)

	For the nine-month period ended 30 September (unaudited)					
	2009			*2008*		
	Before tax	*Tax (expense) / recovery*	*Net of tax*	*Before tax*	*Tax (expense) / recovery*	*Net of tax*
Unrealized gain / (loss) on financial assets available-for-sale	1.9	(0.4)	**1.5**	(2.1)	0.5	**(1.6)**
Cash flow hedges	(0.4)	0.1	**(0.3)**	(0.8)	0.2	**(0.6)**
Effect of translation	2.1	(0.4)	**1.7**	–	–	**–**
Other comprehensive income	**3.6**	**(0.7)**	**2.9**	**(2.9)**	**0.7**	**(2.2)**

25. Dividends

On 29 June 2009 VTB's annual shareholders' meeting declared dividends of RUR 3.0 billion for 2008 (RUR 0.000447 per share), which were paid in August 2009.

On 24 September 2009, the Board of Directors of "Russian Commercial Bank (Cyprus) Limited" declared interim dividends for 2009 of USD 130 million (RUR 3.9 billion at the exchange rate of RUR 30.0004 per USD 1.00) (RUR 468 or USD 15.6 per share), from which RUR 1.6 billion related to non-controlling interests (related party to the Group).

26. Disposal Group Held for Sale

In September 2009, VTB received controlling interest in several former subsidiary companies of OJSC "Rosspirtprom", involved in the alcohol business. The Management intends to sell these investments within 12 months; the Bank accounted for these investments as a disposal group held for sale under IFRS 5. The Bank has calculated fair values of the received assets and liabilities at the acquisition date amounting to RUR 14.8 billion and RUR 5.1 billion, respectively. These investments were classified as a disposal group held for sale under provisions of IFRS 5 and included in the segment "Other". The also Bank recognized in equity the fair value of non-controlling interest in the amount of RUR 4.7 billion related to this disposal group held for sale.

27. Contingencies, Commitments and Derivative Financial Instruments

Legal proceedings. From time to time and in the normal course of business, claims against the Group are received. The Group has established protocol for dealing with such legal claims. Once professional advice has been obtained and the amount of damages reasonably estimated, the Group makes adjustments to account for any adverse effects, which the claims may have on its financial position. At the reporting date the Group had several unresolved legal claims.

As of 30 September 2009, a USD 14 million (RUR 0.4 billion) compensation claim filed against VTB's subsidiary bank with respect to the arrest, upon the subsidiary bank's application, of the collateral to a loan issued by the subsidiary bank in precedent periods, was pending in the Court. The subsidiary bank has been advised by its attorney that it is possible, but not probable, that the compensation claim will succeed, therefore no provision for the claim has been made. The final Court decision has not been taken yet.

Credit related commitments. The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees that represent irrevocable assurances that the Group will make payments in the event that a customer cannot meet its obligations to third parties carry the same credit risk as loans. Documentary and commercial letters of credit, which are written undertakings by the Group on behalf of a customer authorizing a third party to draw drafts on the Group up to a stipulated amount under specific terms and conditions, are collateralized by cash deposits and therefore carry less risk than direct lending.

(in billions of Russian Roubles)

27. Contingencies, Commitments and Derivative Financial Instruments (continued)

Commitments to extend credit represent unused portions of authorizations to extend credit in the form of loans, guarantees, or letters of credit. With respect to credit risk on commitments to extend credit, the Group is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments since most commitments to extend credit are contingent upon customers maintaining specific credit standards and/or the Bank confirming its willingness to extend a loan. The Group monitors the term to maturity of credit related commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

The total outstanding contractual amount of undrawn credit lines, letters of credit and guarantees does not necessarily represent future cash requirements, as these financial instruments may expire or terminate without being funded.

Outstanding credit related commitments are as follows:

	30 September 2009 (unaudited)	*31 December 2008*
Undrawn credit lines	188.8	169.6
Guarantees issued	152.0	219.2
Commitments to extend credit	79.4	112.1
Import letters of credit	28.3	49.5
Less: Allowance for losses on credit related commitments (Note 22)	(2.3)	(1.5)
Total credit related commitments	**446.2**	**548.9**

The Bank has received export letters of credit for further advising to its customers. The total amount of received letters of credit as of 30 September 2009 was RUR 90.6 billion (31 December 2008: RUR 86.2 billion). Commitments under import letters of credit and guarantees are collateralized by customer deposits of RUR 10.5 billion (31 December 2008: RUR 9.0 billion).

At 30 September 2009, included in guarantees issued are guarantees issued for a related state-owned company of RUR 27.6 billion or 18% (31 December 2008: 27.1 billion or 12%) of the guarantees issued.

Cash flow hedges

As at 30 September 2009 the Group has discontinued prospectively the hedge accounting for cash flow hedges as some hedging instruments were terminated and the others were no longer meeting the criteria for application of hedge accounting.

Fair value hedges

As at 30 September 2009 the Group has discontinued prospectively hedge accounting for fair value hedges as some hedging instruments were terminated and others did no longer meet the criteria for application of hedge accounting.

In the nine months ended 30 September 2009 the Group discontinued all outstanding fair value hedge relationships, which led to recognition of the loss of RUR 17.5 billion in the income statement.

28. Analysis by Segment

Before 1 January 2009 the Group's primary format for reporting segment information was geographical segments in accordance with IAS 14, "Segment Reporting". Geographical segment information was based on the geographical location of assets and liabilities and related revenues of entities within the Group. VTB had predominantly one business segment, commercial banking, therefore no business segment disclosure was presented.

(in billions of Russian Roubles)

28. Analysis by Segment (continued)

In accordance with IFRS 8, "Operating Segments", the Group defined as the primary operating segments its key business lines. This segment disclosure is presented on the basis of IFRS compliant data on legal entities of the Group adjusted, where necessary, for intersegment reallocation and managerial adjustments, which primarily include replacement of valuation model prices on equity securities with the market quotes regardless of whether such markets are active or not. Qualitative and quantitative information on operating segments is reported to the appropriate operating decision makers for the purposes of making operating decisions on allocation of resources to the segment and assessment of its performance. On this basis, the Group aggregated these operating segments in accordance with IFRS 8 into the following reportable segments: Corporate business (Russia), Retail business (Russia), Investment business, Corporate and retail business (Ukraine) and Other.

Revenues disclosed in the note include the following: interest income, fee and commission income, other operating income, income arising from non-banking activities, gains less losses from financial assets available-for-sale, gains less losses arising from financial assets at fair value through profit or loss, gains less losses from dealing in foreign currencies together with foreign exchange translation gains less losses, gains less losses arising from extinguishment of liability and share in income of associates. Each element is included in calculation of revenues by segment in case it is positive.

Intersegment operations were executed predominantly in the normal course of business.

Segment information for the reportable segments of the Group is set out below for the nine months ended 30 September 2009 (unaudited):

	Corporate Business (Russia)	*Retail Business (Russia)*	*Investment Business*	*Corporate and Retail Business (Ukraine)*	*Other*	*Total before Intersegment Eliminations and Adjustments*	*Intersegment Eliminations and Adjustments*	*Total*
Revenues from:								
External customers	239.5	63.4	35.1	12.6	7.4	**358.0**	–	**358.0**
Other segments	11.4	4.6	0.6	–	1.1	**17.7**	(17.7)	**–**
Effect recognized on the Group level							5.6	**5.6**
Total revenues	**250.9**	**68.0**	**35.7**	**12.6**	**8.5**	**375.7**	**(12.1)**	**363.6**
Segment results ((loss) / profit before taxation)	(49.8)	(1.2)	11.7	(3.9)	0.3	**(42.9)**	(14.5)	**(57.4)**
Income tax recovery								**11.9**
Net loss								**(45.5)**
Segment assets as of 30 September 2009	**2,872.1**	**680.0**	**480.1**	**101.6**	**59.2**	**4,193.0**	**(609.2)**	**3,583.8**
Segment liabilities as of 30 September 2009	**2,482.8**	**603.1**	**451.6**	**96.8**	**38.2**	**3,672.5**	**(618.9)**	**3,053.6**
Other segment items:								
Provision charge for impairment	(95.7)	(19.7)	(1.7)	(8.1)	(1.2)	**(126.4)**	–	**(126.4)**
Interest income	216.5	60.9	12.6	11.5	4.6	**306.1**	(25.3)	**280.8**
Interest expense	(144.4)	(30.7)	(14.5)	(6.4)	(2.7)	**(198.7)**	25.3	**(173.4)**
Net interest income / (loss)	**72.1**	**30.2**	**(1.9)**	**5.1**	**1.9**	**107.4**	**–**	**107.4**

(in billions of Russian Roubles)

28. Analysis by Segment (continued)

Segment information for the reportable segments of the Group at 31 December 2008 and results for the nine months ended 30 September 2008 (unaudited):

	Corporate Business (Russia)	*Retail Business (Russia)*	*Investment Business*	*Corporate and Retail Business (Ukraine)*	*Other*	*Total before Intersegment Eliminations and Adjustments*	*Intersegment Eliminations and Adjustments*	*Total*
Revenues from:								
External customers	139.8	41.4	15.1	7.1	6.6	**210.0**	–	**210.0**
Other segments	4.8	1.5	0.3	–	0.9	**7.5**	(7.5)	**–**
Total revenues	**144.6**	**42.9**	**15.4**	**7.1**	**7.5**	**217.5**	**(7.5)**	**210.0**
Segment results (profit / (loss) before taxation)	30.1	3.6	(24.4)	0.7	0.3	**10.3**	4.4	**14.7**
Income tax expense								**(7.1)**
Net profit								**7.6**
Segment assets as of 31 December 2008	**2,869.6**	**598.1**	**350.5**	**103.4**	**111.2**	**4,032.8**	**(335.4)**	**3,697.4**
Segment liabilities as of 31 December 2008	**2,607.0**	**538.7**	**327.5**	**95.7**	**95.5**	**3,664.4**	**(359.1)**	**3,305.3**
Other segment items:								
Provision charge for impairment	(24.4)	(6.3)	(0.7)	(0.6)	(1.2)	**(33.2)**	–	**(33.2)**
Interest income	120.3	38.2	13.5	6.3	3.4	**181.7**	(15.7)	**166.0**
Interest expense	(65.3)	(16.8)	(12.8)	(3.5)	(2.0)	**(100.4)**	15.7	**(84.7)**
Net interest income	**55.0**	**21.4**	**0.7**	**2.8**	**1.4**	**81.3**	**–**	**81.3**

The column “Intersegment Eliminations and Adjustments” of the above tables in the line ”Segment results ((loss) / profit before taxation)” includes adjustment in the amount of RUR (15.3) billion (2008: RUR 4.5 billion), which relates to replacement of valuation model prices on equity securities with the market quotes regardless of whether such markets are active or not.

29. Related Party Transactions

For the purposes of these consolidated financial statements, parties are considered to be related if one party has the ability to control the other party or exercises significant influence over the other party in making financial or operational decisions or the parties are under common control as defined by IAS 24 “Related Party Disclosures”. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

Transactions and balances with related parties comprise transactions and balances with state-owned entities and the Group’s associates and are stated in the tables below.

(in billions of Russian Roubles)

29. Related Party Transactions (continued)

Statements of financial position and credit related commitments

	30 September 2009 (unaudited)		*31 December 2008*	
	State-owned entities	*Associates*	*State-owned entities*	*Associates*
Assets				
Cash and short-term funds	56.6	–	297.2	–
Mandatory cash balances with central banks	15.0	–	2.7	–
Financial assets at fair value through profit or loss	152.9	–	40.0	–
Financial assets pledged under repurchase agreements and loaned financial assets	19.3	–	14.4	–
Due from other banks	31.1	2.1	46.2	2.1
Gross loans and advances to customers	424.9	2.6	548.2	2.5
Allowance for loan impairment	(9.8)	(1.4)	(4.5)	(1.6)
Financial assets available-for-sale	3.6	0.3	3.7	0.3
Investment securities held-to-maturity	0.6	–	2.3	–
Liabilities				
Due to other banks	36.7	0.4	52.8	1.2
Customer deposits	589.2	1.7	230.2	1.6
Other borrowed funds	340.5	–	732.5	–
Subordinated debt	176.1	–	175.1	–
Credit related commitments				
Guarantees issued	96.9	–	68.1	–
Undrawn credit lines	4.9	–	10.4	–
Import letters of credit	1.6	–	2.0	–
Commitments to extend credit	14.6	0.2	10.1	0.2

Income statements

	For the nine-month period ended 30 September (unaudited)	
	2009	*2008*
Interest income		
Loans and advances to customers	44.9	21.3
Securities	4.7	4.1
Due from other banks	5.0	1.9
Interest expense		
Customer deposits	(28.5)	(16.4)
Due to other banks and other borrowed funds	(49.5)	(2.7)
Subordinated debt	(12.6)	–
Provision for impairment	**(5.1)**	**(0.3)**

For the nine month-period ended 30 September 2009, the total remuneration of the directors and key management personnel of the Group including pension contributions amounted to RUR 1.9 billion (30 September 2008: RUR 1.9 billion). Key management personnel include VTB Supervisory Board, VTB Management Board, VTB Statutory Audit Committee and key management of subsidiaries. Loans to the directors and key management personnel as at 30 September 2009 amounted to RUR 0.3 billion (31 December 2008: RUR 0.5 billion).

(in billions of Russian Roubles)

30. Consolidated Subsidiaries and Associates

The principal subsidiaries and associates included in these interim condensed consolidated financial statements are presented in the table below:

			Percentage of ownership	
Name	*Activity*	*Country of registration*	*30 September 2009 (unaudited)*	*31 December 2008*
Subsidiaries:				
"VTB Bank (Austria)" AG	Banking	Austria	100.00%	100.00%
"Russian Commercial Bank (Cyprus) Limited"	Banking	Cyprus	60.00%	100.00%
"Russian Commercial Bank Ltd"	Banking	Switzerland	–	100.00%
"VTB Bank", OJSC (Ukraine)	Banking	Ukraine	99.95%	99.95%
"VTB Bank (Armenia)", CJSC	Banking	Armenia	100.00%	100.00%
"VTB Bank (Georgia)", JSC	Banking	Georgia	87.05%	77.57%
"VTB Bank (Belarus)", CJSC	Banking	Belarus	69.70%	69.65%
"Bank VTB 24", CJSC	Banking	Russia	100.00%	100.00%
"VTB Bank (Deutschland)", AG	Banking	Germany	100.00%	100.00%
"Bank VTB (Kazakhstan)", JSC	Banking	Kazakhstan	100.00%	100.00%
"VTB Bank (Azerbaijan)", OJSC	Banking	Azerbaijan	51.00%	–
"Bank VTB North-West", OJSC	Banking	Russia	100.00%	100.00%
"VTB Bank (France)"	Banking	France	87.04%	87.04%
"VTB Capital", Plc	Banking	Great Britain	95.61%	95.61%
"Banco VTB Africa S.A."	Banking	Angola	66.00%	66.00%
"VTB Capital (Namibia) (Proprietary) Limited"	Investment	Namibia	50.33%	50.03%
"Multicarta", Ltd	Plastic cards (processing)	Russia	100.00%	100.00%
"ITC Consultants (Cyprus)", Ltd	Finance	Cyprus	100.00%	100.00%
"VB-Service", Ltd	Commerce	Russia	100.00%	100.00%
"Almaz-Press", CJSC	Publishing	Russia	100.00%	100.00%
"VTB-Leasing", OJSC	Leasing	Russia	100.00%	100.00%
"Embassy Development Limited"	Finance	Jersey	100.00%	100.00%
"VTB-Development", CJSC	Development	Russia	100.00%	100.00%
"VTB Europe Strategic Investments Limited"	Investment	Great Britain	95.61%	95.61%
"VTB Europe Finance", B.V.	Finance	Netherlands	95.61%	95.61%
"Nevsky Property", Ltd	Property	Cyprus	95.61%	95.61%
"Business-Finance", Ltd	Finance	Russia	100.00%	100.00%
"Dolgovoi centre", CJSC	Finance	Russia	100.00%	100.00%
"Sistema Leasing 24", CJSC	Finance	Russia	100.00%	100.00%
"VTB-Capital", CJSC	Finance	Russia	100.00%	100.00%
"Insurance Company VTB-Insurance", Ltd	Insurance	Russia	100.00%	100.00%
"VTB-Leasing Ukraine", Ltd	Leasing	Ukraine	100.00%	100.00%
"Capablue", Ltd	Leasing	Ireland	100.00%	100.00%
"VTB Leasing (Europe)", Ltd	Leasing	Cyprus	100.00%	100.00%
"VTB-Leasing Finance", Ltd	Finance	Russia	99.99%	99.99%
"VTB-Leasing", Ltd	Leasing	Belarus	100.00%	100.00%
"VTB-Leasing Capital", Ltd	Finance	Ireland	100.00%	100.00%
"Obyedinennaya Depositarnaya companya", CJSC	Finance	Russia	100.00%	100.00%
"VTB Asset Management", CJSC	Finance	Russia	19.00%	19.00%
"Holding VTB Capital", CJS	Finance	Russia	100.00%	–
"VTB Factoring", Ltd	Factoring	Russia	100.00%	100.00%
Associates:				
"Eurofinance Mosnarbank", OJSC	Banking	Russia	34.83%	34.83%
"Vietnam-Russia Joint Venture Bank"	Banking	Vietnam	49.00%	49.00%
"Interbank Trading House", Ltd	Commerce	Russia	50.00%	50.00%

(in billions of Russian Roubles)

30. Consolidated Subsidiaries and Associates (continued)

In the first quarter of 2009, Russian Commercial Bank (Cyprus) Limited issued 3,333,333 new shares of EUR 1.71 each totalling RUR 0.2 billion (EUR 5,700,000) of nominal value. The new shares were issued to a private company, which is controlled by the key management personnel (related party to the Group), at USD 11.71 per share for a total amount of RUR 1.4 billion (USD 39 million). Upon finalization of the issue, the share of this company in the share capital of Russian Commercial Bank (Cyprus) Limited amounted to 40%. The valuation of Russian Commercial Bank (Cyprus) Limited for the purpose of this transaction was performed by an independent appraiser.

In January 2009, the Group acquired a 51% share in AF-Bank, located in Azerbaijan, from an unrelated party for RUR 0.5 billion (USD 16 million). In February 2009, the bank was renamed into VTB Azerbaijan.

In January 2009, VTB Bank (Europe), Plc was renamed to “VTB Capital”, Plc as a part of restructuring the investment business of VTB Group.

On 30 March 2009, Bank VTB 24 issued 635,703 additional ordinary shares with nominal amount of RUR 1,000 each for RUR 1,717. The total issue amounted to RUR 1,092 million and was fully purchased by the Group.

In March 2009, VTB-Leasing, OJSC issued 51,612 additional ordinary shares with nominal amount of RUR 31,000 each for the total amount of RUR 1,600 million, which was fully purchased by the Group.

In March 2009, VTB acquired shares of “VTB Bank (Georgia)", JSC from minorities, increasing its share to 84.72%.

In May 2009, VTB increased its ownership in "VTB Bank (Georgia)", JSC from 84.72% to 86.76% by purchasing 13,341,718 ordinary shares of 15,748,425 ordinary shares for the nominal value of 13,341,718 Georgian lari (RUR 271.7 million).

In June 2009, VTB sold its 100% stake in Russian Commercial Bank Ltd to a third party which is not related to the Group, for a debt financial instrument with fair value of RUR 3.5 billion. Currency translation difference transferred from equity to income statement amounted to RUR 1.2 billion. The assets and liabilities disposed are as follows:

	4 June 2009
Assets	
Cash and short-term funds	0.4
Financial assets at fair value through profit or loss	1.2
Due from other banks	4.2
Loans and advances to customers	62.0
Investment securities held-to-maturity	0.5
Premises and equipment	0.3
Other assets	0.1
Total assets	**68.7**
Liabilities	
Due to other banks	(53.5)
Customer deposits	(8.9)
Other borrowed funds	(2.5)
Other liabilities	(0.1)
Total liabilities	**(65.0)**
Net assets	3.7
Total carrying amount of net assets disposed	3.7

The gain from disposal of subsidiary amounted to RUR 1.0 billion.

30. Consolidated Subsidiaries and Associates (continued)

In August 2009, the Federal Financial Markets Service registered the results of issuance of common shares of a newly established entity “Holding VTB Capital”, CJSC. VTB Group has a 100% ownership of this entity.

On 1 September 2009, the Central Bank of the Russian Federation registered the results of additional issuance of common shares of VTB 24 that were fully purchased by VTB Bank. The total number of the additionally issued shares was 16,433,159 with a nominal value of RUR 1,000 each. The actual offering price per share was RUR 1,465 per share.

In September 2009, VTB Bank increased its ownership in "VTB Bank (Georgia)", JSC from 86.76% to 87.05% by purchasing 2,406,707 newly issued ordinary shares for the nominal value of 2,406,707 Georgian lari (RUR 43.5 million).

In September 2009, VTB received controlling interest in a number of companies under former control of OJSC “Rosspirtprom”, involved in the alcohol business, as a consideration for the redemption of the loans to Rosspirtprom with nominal amount of RUR 5 billion. These companies were classified as a disposal group held for sale (Note 26).

31. Capital Adequacy

The CBR requires banks to maintain a minimum capital adequacy ratio of 10.0% of risk-weighted assets, computed based on Russian accounting legislation. As of 30 September 2009 and 31 December 2008 the Bank’s capital adequacy ratio on this basis exceeded the statutory minimum.

The Group’s international risk based capital adequacy ratio, computed in accordance with the Basle Accord guidelines issued in 1988, with subsequent amendments including the amendment to incorporate market risks, as of 30 September 2009 and 31 December 2008 was 19.5% and 17.3%, respectively. These ratios exceeded the minimum ratio of 8.0% recommended by the Basle Accord.

32. Subsequent Events

In October 2009, VTB Bank received approval from the Federal Antimonopoly Service for the purchase of controlling share in Sistema-Hals, thus obtaining control over Sistema-Hals development business based on the potential voting rights existence. As the initial accounting for this business combination has not been finalized yet, the Group does not disclose in these interim condensed financial statements the respective required information. In December 2009, VTB exercised the call option (abovementioned potential voting right) for RUR 30, which resulted in the increase of the percentage of ownership held by the Group from 19.7% to 51.2%.

In October 2009, “VTB Capital”, Plc redeemed Eurobonds in the amount of USD 500 million (RUR 15.0 billion) upon maturity.

In October 2009, “VTB Bank”, OJSC (Ukraine) issued 7,700,000,000 additional ordinary shares with a notional value of UAH 0.1 each. VTB Bank purchased 7,698,896,282 shares of the new issue for UAH 769,9 million (RUR 2.7 billion). As a result of new issue the Group’s ownership has increased to 99.96%.

In November 2009, VTB Bank redeemed Eurobonds in the amount of USD 714 million (RUR 20.7 billion) upon maturity.

In November 2009, "VTB Asset Management", CJSC issued 113,207,660 shares ordinary shares for RUR 113 million, which were fully purchased by the Group.

32. Subsequent Events (continued)

On 27 November 2009, the Central Bank of the Russian Federation registered the results of additional issuance of common shares of “Bank VTB North-West”, OJSC. The total number of the additionally issued shares is 293,255,132 with a nominal value of RUR 1.00 each at the actual offering price of RUR 20.46 per share. VTB Bank purchased 100% of the new shares issued.

In November 2009, “VTB-Leasing Ukraine”, Ltd made a private placement of USD 789.4 million floating rate Notes due in May 2019 at LIBOR+10.5% p.a. paid monthly.

In December 2009, "Holding VTB Capital", CJSC issued 3.172 million additional ordinary shares with notional amount of RUR 1,000 each for RUR 3,172 million, which are fully purchased by the Group.

In December 2009, VTB increased its ownership in "VTB Bank (Georgia)", JSC from 87.05% to 87.38% by purchasing 100% of 2,438,575 ordinary shares issued for the nominal value of 2,438,575 Georgian lari (RUR 44 million).

In December 2009, "VTB-Leasing Finance”, Ltd issued RUR 5 billion local bonds maturing in November 2016 with a coupon rate of 9.7% p.a. paid quarterly with 1-year investor put option.

In December 2009, VTB 24 redeemed Eurobonds in the amount of USD 500 million (RUR 14.6 billion) upon maturity.

In December 2009, VTB 24 issued RUR 15 billion local mortgage-backed amortizing bonds maturing in December 2014 with a fixed rate of 9.7% p.a. paid quarterly with 2-year investor put option.

In December 2009 the Group sold the Disposal group held for sale (Note 26, Note 30) to the unrelated third parties. The consideration received is close to the carrying amount of the Disposal Group as at 30 September 2009, thus no material gain or loss under this deal is expected to be recognized.