VTB BANK

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

30 September 2010

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Independent auditors' report on review of interim condensed consolidated financial statements

To the Supervisory Council 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 2010, 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 shareholders' 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

1 December 2010

VTB Bank
Interim Condensed Consolidated Statement of Financial Position as at 30 September 2010
(in billions of Russian Roubles)

	Note	30 September 2010 (unaudited)	31 December 2009
Assets			
Cash and short-term funds	5	182.2	260.2
Mandatory cash balances with central banks		26.7	23.9
Financial assets at fair value through profit or loss	6	315.3	267.9
Financial assets pledged under repurchase agreements and loaned financial assets	7	16.7	96.2
Due from other banks	8	255.5	345.6
Loans and advances to customers	9	2,528.2	2,309.9
Financial assets available-for-sale	10	40.6	24.9
Investments in associates and joint ventures	11	14.6	13.9
Investment securities held-to-maturity	12	32.0	11.7
Premises and equipment		88.9	65.9
Investment property		110.2	79.8
Intangible assets and goodwill		17.6	11.9
Deferred tax asset		36.4	31.4
Other assets		88.4	67.6
Total assets		**3,753.3**	**3,610.8**
Liabilities			
Due to other banks	13	380.9	287.0
Customer deposits	14	1,839.3	1,568.8
Other borrowed funds	15	141.3	470.9
Debt securities issued	16	541.4	485.7
Deferred tax liability		6.9	7.0
Other liabilities		111.6	91.2
Total liabilities before subordinated debt		**3,021.4**	**2,910.6**
Subordinated debt	17	186.5	195.3
Total liabilities		**3,207.9**	**3,105.9**
Equity			
Share capital		113.1	113.1
Share premium		358.5	358.5
Treasury shares		(0.4)	(0.4)
Unrealized gain on financial assets available-for-sale and cash flow hedge		3.1	3.4
Premises revaluation reserve		11.5	11.8
Currency translation difference		12.2	13.2
Retained earnings		41.7	2.7
Equity attributable to shareholders of the parent		**539.7**	**502.3**
Non-controlling interests		5.7	2.6
Total equity		**545.4**	**504.9**
Total liabilities and equity		**3,753.3**	**3,610.8**

Approved for issue and signed on 1 December 2010.

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

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

(in billions of Russian Roubles)

	Note	For the three-month period ended 30 September		For the nine-month period ended 30 September	
		2010	2009	2010	2009
Interest income	18	82.5	92.2	250.4	280.8
Interest expense	18	(39.4)	(55.1)	(120.9)	(173.4)
Net interest income		**43.1**	**37.1**	**129.5**	**107.4**
Provision charge for impairment	21	(13.1)	(29.8)	(40.3)	(126.4)
Net interest income / (expense) after provision for impairment		**30.0**	**7.3**	**89.2**	**(19.0)**
Gains less losses / (losses net of gains) arising from financial assets at fair value through profit or loss		4.4	(1.8)	7.6	(15.8)
Gains less losses from available-for-sale financial assets		0.7	2.4	0.3	1.9
Gains less losses arising from extinguishment of liability		–	–	–	14.7
Losses on initial recognition of financial instruments		(0.2)	(16.9)	(0.1)	(19.0)
Gains less losses / (losses net of gains) arising from dealing in foreign currencies		20.4	14.4	(5.7)	(9.9)
Foreign exchange translation (losses net of gains) / gains less losses		(21.2)	(13.3)	7.4	24.5
Fee and commission income	19	7.0	6.2	20.8	17.9
Fee and commission expense	19	(1.0)	(1.2)	(3.0)	(3.2)
Share in income / (loss) of associates		0.1	–	(0.1)	0.1
(Provision charge for)/recovery of impairment of other assets and credit related commitments	21	(0.3)	1.0	(2.0)	(1.3)
Income arising from non-banking activities		2.1	0.6	3.9	1.9
Expenses arising from non-banking activities		(0.9)	(0.2)	(2.6)	(0.8)
Other operating income		0.8	0.7	2.7	2.1
Net non-interest income / (loss)		**11.9**	**(8.1)**	**29.2**	**13.1**
Operating income / (loss)		**41.9**	**(0.8)**	**118.4**	**(5.9)**
Staff costs and administrative expenses	20	(24.1)	(16.8)	(68.0)	(52.5)
Impairment of goodwill	28	–	–	(1.1)	–
Profit from disposal of associates and subsidiaries	11	–	–	0.1	1.0
Profit / (loss) before taxation		**17.8**	**(17.6)**	**49.4**	**(57.4)**
Income tax (expense) / recovery		(4.1)	3.6	(10.6)	11.9
Net profit / (loss)		**13.7**	**(14.0)**	**38.8**	**(45.5)**
Net profit / (loss) attributable to:					
Shareholders of the parent		**14.7**	**(15.0)**	**41.6**	**(48.8)**
Non-controlling interests		**(1.0)**	**1.0**	**(2.8)**	**3.3**
Basic and diluted earnings per share (expressed in Russian Roubles per share)	22	0.0014	(0.0022)	0.0040	(0.0072)

(in billions of Russian Roubles)

	For the three-month period ended 30 September		*For the nine-month period ended 30 September*	
	2010	***2009***	***2010***	***2009***
Net profit / (loss) for the period	**13.7**	**(14.0)**	**38.8**	**(45.5)**
Other comprehensive income (Note 23):				
Unrealized gain / (loss) on financial assets available-for-sale, net of tax	0.7	0.6	(0.3)	1.5
Cash flow hedges, net of tax	–	–	–	(0.3)
Share of other comprehensive income of associates	(0.2)	–	(0.2)	0.2
Effect of translation, net of tax	1.4	(2.5)	(1.1)	1.5
Reclassification adjustment of currency translation difference due to disposal of subsidiary	–	–	–	(1.2)
Other comprehensive income for the period, net of tax	**1.9**	**(1.9)**	**(1.6)**	**1.7**
Total comprehensive income for the period	**15.6**	**(15.9)**	**37.2**	**(43.8)**
Total comprehensive income attributable to:				
Shareholders of the parent	16.7	(16.5)	40.2	(46.9)
Non-controlling interests	(1.1)	0.6	(3.0)	3.1

(in billions of Russian Roubles)

	Note	For the nine-month period ended 30 September 2010	2009
Cash flows from operating activities			
Interest received		215.8	237.5
Interest paid		(108.5)	(170.4)
Income received on operations with financial assets at fair value through profit or loss		10.3	0.1
Income received from extinguishment of liability		–	7.4
Loss incurred on dealing in foreign currency		(16.2)	(47.5)
Fees and commissions received		21.0	17.9
Fees and commissions paid		(3.3)	(3.1)
Income arising from non-banking activities and other operating income received		1.2	6.3
Staff costs, administrative expenses and expenses arising from non-banking activities paid		(55.7)	(44.4)
Income tax paid		(19.6)	(12.7)
Cash flows from (used in) operating activities before changes in operating assets and liabilities		**45.0**	**(8.9)**
Net decrease / (increase) in operating assets			
Net increase in mandatory cash balances with central banks		(3.3)	(13.9)
Net decrease / (increase) in restricted cash		0.3	(0.4)
Net decrease / (increase) in financial assets at fair value through profit or loss		7.1	(151.8)
Net decrease / (increase) in due from other banks		66.9	(1.7)
Net increase in loans and advances to customers		(206.1)	(111.4)
Net (increase) / decrease in other assets		(17.4)	3.0
Net (decrease) / increase in operating liabilities			
Net increase / (decrease) in due to other banks		91.4	(100.4)
Net increase in customer deposits		260.5	413.3
Net increase in debt securities issued		0.9	11.1
Net increase / (decrease) in other liabilities		16.2	(13.1)
Net cash from operating activities		**261.5**	**25.8**
Cash flows used in investing activities			
Dividends received		0.6	0.1
Proceeds from sales or maturities of financial assets available-for-sale		1.6	7.9
Purchase of financial assets available-for-sale		(20.4)	(13.0)
Purchase of subsidiaries, net of cash acquired	28	(3.6)	(0.3)
Disposal of subsidiaries, net of cash disposed	11	0.2	(0.4)
Contributions to associates and joint ventures	11	(0.6)	–
Purchase of investment securities held-to-maturity		(0.4)	(0.2)
Proceeds from redemption of investment securities held-to-maturity		1.2	3.4
Purchase of premises and equipment		(19.4)	(8.2)
Proceeds from sale of premises and equipment		2.3	1.6
Purchase of intangible assets		(0.4)	(0.4)
Purchase of investment property		(1.4)	–
Net cash used in investing activities		**(40.3)**	**(9.5)**

(in billions of Russian Roubles)

	Note	For the nine-month period ended 30 September 2010	2009
Cash flows used in financing activities			
Dividends paid	24	(6.1)	(4.6)
Proceeds from issuance of local bonds		31.7	18.7
Repayment of local bonds		(24.5)	(4.4)
Buy-back of local bonds		(4.6)	(2.7)
Proceeds from sale of previously bought-back local bonds		1.9	6.3
Proceeds from issuance of Eurobonds		57.7	22.0
Repayment of Eurobonds		(11.5)	(69.1)
Buy-back of Eurobonds		(3.0)	(20.8)
Proceeds from sale of previously bought-back Eurobonds		4.6	0.5
Repayment of syndicated loans		(14.9)	(24.9)
Proceeds from other borrowings		204.1	845.4
Repayment of other borrowings		(523.3)	(1,214.9)
Buy-back of subordinated debt		(0.3)	(6.7)
Proceeds from share issue, less transaction costs		–	180.1
Repayment of subordinated debt		(9.3)	–
Share issue to minorities	28	0.3	1.5
Decrease of share capital of subsidiaries, paid to minorities		–	(0.1)
Purchase of non-controlling interests in subsidiaries	28	(0.1)	(0.2)
Net cash used in financing activities		**(297.3)**	**(273.9)**
Effect of exchange rate changes on cash and cash equivalents		**(1.5)**	**6.7**
Net decrease in cash and cash equivalents		**(77.6)**	**(250.9)**
Cash and cash equivalents at beginning of the year	5	258.8	415.0
Cash and cash equivalents at the end of the period	5	**181.2**	**164.1**

(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 2009 (audited)	**75.7**	**215.8**	**(0.4)**	**0.1**	**14.2**	**13.1**	**70.9**	**389.4**	**2.7**	**392.1**
Share issue	37.4	142.7	–	–	–	–	–	**180.1**	–	**180.1**
Acquisition of subsidiaries	–	–	–	–	–	–	–	**–**	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	–	0.7	(48.8)	**(46.9)**	3.1	**(43.8)**
Transfer of premises revaluation reserve upon disposal or depreciation	–	–	–	–	(0.4)	–	0.4	**–**	–	**–**
Dividends declared	–	–	–	–	–	–	(3.0)	**(3.0)**	(1.6)	**(4.6)**
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**
Balance at 1 January 2010 (audited)	**113.1**	**358.5**	**(0.4)**	**3.4**	**11.8**	**13.2**	**2.7**	**502.3**	**2.6**	**504.9**
Acquisition of subsidiaries (Note 28)	–	–	–	–	–	–	–	**–**	5.8	**5.8**
Increase in share capital of subsidiaries (Note 28)	–	–	–	–	–	–	–	**–**	0.3	**0.3**
Acquisition of non-controlling interests (Note 28)	–	–	–	–	–	–	(0.1)	**(0.1)**	–	**(0.1)**
Total comprehensive income for the period	–	–	–	(0.3)	(0.1)	(1.0)	41.6	**40.2**	(3.0)	**37.2**
Transfer of premises revaluation reserve upon disposal or depreciation	–	–	–	–	(0.2)	–	0.2	**–**	–	**–**
Dividends declared (Note 24)	–	–	–	–	–	–	(6.1)	**(6.1)**	–	**(6.1)**
Expiration of put options over non-controlling interests	–	–	–	–	–	–	3.4	**3.4**	–	**3.4**
Balance at 30 September 2010	**113.1**	**358.5**	**(0.4)**	**3.1**	**11.5**	**12.2**	**41.7**	**539.7**	**5.7**	**545.4**

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 28. 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, associates and joint ventures included in these interim condensed consolidated financial statements is provided in Note 28.

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 82 full service branches, including 55 branches of VTB, 10 branches of VTB 24 and 17 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 and Great Britain), Georgia, Africa (Angola) and through 2 representative offices located in Italy and China 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 2010 (31 December 2009: 85.50%).

The number of employees of the Group at 30 September 2010 was 42,837 (31 December 2009: 40,447).

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, increased unemployment in Russia, reduced corporate liquidity and profitability, and increased corporate and personal insolvencies and tighter credit conditions within Russia. While the Russian Government has introduced a range of stabilization measures, including these 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.

2. Operating Environment of the Group (continued)

Subject to fluctuations in prices in global and Russian securities markets, the Group may face a significant decrease in the values of securities, which may have a material negative impact on the financial result of the Group. To the extent that information is available, the Group has reflected revised estimates of expected future cash flows in its impairment assessment.

Also, the borrowers of the Group may be affected by the deterioration in liquidity, which could in turn impact their ability to repay the amounts due to the Group. Due to the fall in securities markets, the Group may face a significant decrease in the values of securities pledged as collateral against loans extended by the Group. The Group also bears the risk of adverse effect from the credit related commitments as a result of deterioration in the market situation. 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 ("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 2010 are not necessarily indicative of the results that may be expected for the year ending 31 December 2010. 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 initial recognition of financial instruments based on fair value, 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.

These interim condensed consolidated financial statements should be read in conjunction with the complete consolidated financial statements as of 31 December 2009.

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 2010, the principal closing rate of exchange used for translating balances in USD to Russian Roubles was USD 1 to RUR 30.4030 (at 31 December 2009: USD 1 to RUR 30.2442), and the principal closing rate of exchange used for translating balances in Euro was EUR 1 to RUR 41.3481 (at 31 December 2009: EUR 1 to RUR 43.3883).

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 2009, except for the adoption of new standards and interpretations as of 1 January 2010, noted below:

IAS 39 "Financial Instruments: Recognition and Measurement" – "Eligible Hedged Items" (effective for annual periods beginning on or after 1 July 2009) – The amendment to IAS 39 was issued in August 2008. The amendment addresses the designation of a one-sided risk in a hedged item, and designation of inflation as a hedged risk or portion in particular situations. It clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as hedged item. The amendment has not affected the Group's financial statements.

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

IFRS 1 "First-time Adoption of International Financial Reporting Standards" (following an Amendment in December 2008, effective for the first IFRS financial statements for a period beginning on or after 1 July 2009) – The revised IFRS 1 retains the substance of its previous version but within a changed structure in order to make it easier for the reader to understand and to better accommodate future changes. The Group concluded that the revised standard does not have any effect on its financial statements.

IFRS 1 "First-time Adoption of International Financial Reporting Standards" – "Additional Exemptions for First-time Adopters" (effective for annual periods beginning on or after 1 January 2010) – The amendments exempt entities using the full cost method from retrospective application of IFRSs for oil and gas assets and also exempt entities with existing leasing contracts from reassessing the classification of those contracts in accordance with IFRIC 4, "Determining Whether an Arrangement Contains a Lease" when the application of their national accounting requirements produced the same result. The amendments do not have any impact on the Group's financial statements.

IFRS 2 "Share-based Payment" – "Group Cash-settled Share-based Payment Transactions" (effective for annual periods beginning on or after 1 January 2010) – The amendment provides a clear basis to determine the classification of share-based payment awards in both consolidated and separate financial statements. The amendment incorporates into the standard the guidance in IFRIC 8 and IFRIC 11, which are withdrawn. The amendment expands on the guidance given in IFRIC 11 to address plans that were previously not considered in the interpretation. The amendment also clarifies the defined terms in the Appendix to the standard. The amendment does not have any material effect on the Group's financial statements.

"Improvements to International Financial Reporting Standards" (issued in April 2009) – The second omnibus of amendments to IFRS 2, IAS 38, IFRIC 9 and IFRIC 16, effective for annual periods beginning on or after 1 July 2009; and amendments to IFRS 5, IFRS 8, IAS 1, IAS 7, IAS 17, IAS 36 and IAS 39, effective for annual periods beginning on or after 1 January 2010). The improvements consist of a mixture of substantive changes and clarifications in the following standards and interpretations: clarification that contributions of businesses in common control transactions and formation of joint ventures are not within the scope of IFRS 2; clarification of disclosure requirements set by IFRS 5 and other standards for non-current assets (or disposal groups) classified as held for sale or discontinued operations; requiring to report a measure of total assets and liabilities for each reportable segment under IFRS 8 only if such amounts are regularly provided to the chief operating decision maker; amending IAS 1 to allow classification of certain liabilities settled by an entity's own equity instruments as non-current; changing IAS 7 such that only expenditures that result in a recognized asset are eligible for classification as investing activities; allowing classification of certain long-term land leases as finance leases under IAS 17 even without transfer of ownership of the land at the end of the lease; providing additional guidance in IAS 18 for determining whether an entity acts as a principal or an agent; clarification in IAS 36 that a cash generating unit shall not be larger than an operating segment before aggregation; supplementing IAS 38 regarding measurement of fair value of intangible assets acquired in a business combination; amending IAS 39:

(i) to include in its scope option contracts that could result in business combinations,

(ii) to clarify the period of reclassifying gains or losses on cash flow hedging instruments from equity to profit or loss for the year and (iii) to state that a prepayment option is closely related to the host contract if upon exercise the borrower reimburses the economic loss of the lender; amending IFRIC 9 to state that embedded derivatives in contracts acquired in common control transactions and formation of joint ventures are not within its scope; and removing the restriction in IFRIC 16 that hedging instruments may not be held by the foreign operation that itself is being hedged.

The amendments do not have any material effect on the Group's financial statements.

IFRIC 17 "Distribution of Non-Cash Assets to Owners" (effective for annual periods beginning on or after 1 July 2009) – The Interpretation clarifies when and how distribution of non-cash assets as dividends to the owners should be recognized. An entity should measure a liability to distribute non-cash assets as a dividend to its owners at the fair value of the assets to be distributed. A gain or loss on disposal of the distributed non-cash assets will be recognized in profit or loss when the entity settles the dividend payable. IFRIC 17 is not applicable to the Group's operations because it does not distribute non-cash assets to owners.

(in billions of Russian Roubles)

5. Cash and Short-Term Funds

	30 September 2010 (unaudited)	*31 December 2009*
Cash on hand	44.6	52.3
Cash balances with central banks (other than mandatory reserve deposits)	56.3	115.6
Correspondent accounts with other banks		
- Russian Federation	19.3	21.5
- Other countries	62.0	70.8
Total cash and short-term funds	**182.2**	**260.2**
Less: restricted cash	(1.0)	(1.4)
Total cash and cash equivalents	**181.2**	**258.8**

6. Financial Assets at Fair Value through Profit or Loss

	30 September 2010 (unaudited)	*31 December 2009*
Financial assets held for trading	286.0	244.6
Financial assets designated as at fair value through profit or loss	29.3	23.3
Total financial assets at fair value through profit or loss	**315.3**	**267.9**

Financial Assets Held for Trading

	30 September 2010 (unaudited)	*31 December 2009*
Debt securities denominated in USD		
Eurobonds of Russian companies and banks	20.4	6.6
Bonds and eurobonds of foreign companies and banks	13.9	11.9
Bonds and eurobonds of foreign governments	9.1	–
Eurobonds of the Russian Federation	1.3	0.1
Debt securities denominated in RUR		
Bonds of Russian companies and banks	122.9	166.9
Russian Federal loan bonds (OFZ)	1.8	1.8
Russian municipal bonds	1.4	2.1
Eurobonds of foreign companies and banks	0.3	1.0
Promissory notes of Russian companies and banks	0.1	1.1
Debt securities denominated in other currencies		
Bonds of foreign governments	2.6	1.0
Eurobonds of Russian companies and banks	0.9	1.1
Bonds of foreign companies and banks	0.7	–
Russian municipal bonds	0.1	–
Equity securities	*69.7*	*26.0*
Balances arising from derivative financial instruments	*40.8*	*25.0*
Total financial assets held for trading	**286.0**	**244.6**

At 30 September 2010 bonds of Russian companies and banks are mostly represented by debt securities issued by Russian oil and gas companies, banks and transportation companies. At 30 September 2010 equity securities are mainly represented by securities issued by Russian oil and gas, metal companies and banks.

(in billions of Russian Roubles)

6. Financial Assets at Fair Value through Profit or Loss (continued)

Financial Assets Designated as at Fair Value Through Profit or Loss

	30 September 2010 (unaudited)	*31 December 2009*
Bonds of foreign companies and banks	9.9	7.5
Bonds of foreign governments	4.7	2.7
Bonds of Russian companies and banks	3.9	8.2
Equity securities	7.5	2.1
Balances arising from derivative financial instruments	*3.3*	*2.8*
Total financial assets designated as at fair value through profit or loss	**29.3**	**23.3**

Equity securities in the amount of RUR 2.0 billion at 30 September 2010 (31 December 2009: RUR 2.1 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. Positive fair value of derivatives relating to these transactions is accounted for within balances arising from derivative financial instruments in the amount of RUR 3.3 billion at 30 September 2010 (31 December 2009: RUR 2.8 billion).

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

	30 September 2010 (unaudited)	*31 December 2009*
Financial assets at fair value through profit or loss		
Financial assets held for trading		
Eurobonds of Russian companies and banks	3.4	0.5
Bonds of Russian companies and banks	2.9	59.6
Bonds of foreign companies and banks	1.4	–
Russian municipal bonds	0.3	–
Bonds of foreign governments	0.2	–
Eurobonds of the Russian Federation	0.1	–
Equity securities	3.2	–
Total Financial assets held for trading	*11.5*	*60.1*
Financial assets designated as at fair value through profit or loss		
Eurobonds of Russian companies and banks	1.0	0.4
Total Financial assets designated as at fair value through profit or loss	*1.0*	*0.4*
Total Financial assets at fair value through profit or loss	***12.5***	***60.5***
Financial assets available-for-sale		
Bonds of Russian companies and banks	1.1	–
Bonds of foreign companies and banks	0.5	–
Bonds of foreign governments	–	0.3
Total Financial assets available-for-sale	***1.6***	***0.3***
Investment securities held-to-maturity		
Bonds of Russian companies and banks	–	21.2
Total Investment securities held-to-maturity	***–***	***21.2***
Financial assets classified as loans and advances to customers	***–***	***14.2***
Financial assets classified as due from other banks	***2.6***	***–***
Total financial assets pledged under repurchase agreements and loaned financial assets	**16.7**	**96.2**

(in billions of Russian Roubles)

8. Due from Other Banks

	30 September 2010 (unaudited)	*31 December 2009*
Current term placements with other banks	206.3	334.6
Reverse sale and repurchase agreements with other banks	49.2	10.7
Overdue placements with other banks	1.7	1.6
Total gross due from other banks	**257.2**	**346.9**
Less: Allowance for impairment (Note 21)	(1.7)	(1.3)
Total due from other banks	**255.5**	**345.6**

9. Loans and Advances to Customers

	30 September 2010 (unaudited)	*31 December 2009*
Current loans and advances	2,181.3	1,998.4
Reverse sale and repurchase agreements	53.2	49.0
Renegotiated loans and advances	306.5	300.5
Overdue loans and advances	255.7	196.9
Total gross loans and advances to customers	**2,796.7**	**2,544.8**
Less: Allowance for impairment (Note 21)	(268.5)	(234.9)
Total loans and advances to customers	**2,528.2**	**2,309.9**

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, rather than the entire outstanding amount of the loans.

At 30 September 2010, included in gross loans are finance lease receivables of RUR 97.8 billion (31 December 2009: RUR 97.2 billion), equal to the net investment in lease before allowance for impairment.

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

	30 September 2010 (unaudited)		*31 December 2009*	
	Amount	*%*	*Amount*	*%*
Individuals	457.0	16	435.3	17
Metals	398.3	14	417.3	16
Finance	380.4	13	359.0	14
Building construction	254.8	9	278.6	11
Manufacturing	243.2	9	219.8	9
Chemical	196.0	7	28.6	1
Trade and commerce	173.5	6	169.1	7
Transport	140.3	5	141.5	5
Oil and gas	126.9	5	103.1	4
Government bodies	120.5	4	70.3	3
Energy	86.1	3	88.6	3
Food and agriculture	75.8	3	71.5	3
Coal mining	53.3	2	73.7	3
Telecommunications and media	19.2	1	17.9	1
Aircraft	18.6	1	24.0	1
Other	52.8	2	46.5	2
Total gross loans and advances to customers	**2,796.7**	**100**	**2,544.8**	**100**

At 30 September 2010, the aggregated amount of outstanding loans issued by the Group to the 10 largest groups of interrelated borrowers totals to RUR 657.0 billion, or 23% of the gross loan portfolio (31 December 2009: RUR 583.0 billion, or 23%).

(in billions of Russian Roubles)

10. Financial Assets Available-for-sale

	30 September 2010 (unaudited)	31 December 2009
Equity investments	20.5	19.3
Bonds of foreign governments	14.5	1.1
Bonds of foreign companies and banks	4.8	4.2
Eurobonds of Russian companies and banks	0.5	–
Promissory notes of Russian companies and banks	0.3	0.3
Total financial assets available-for-sale	**40.6**	**24.9**

11. Investments in Associates and Joint Ventures

			30 September 2010 (unaudited)		31 December 2009	
	Country of registration	Activity	Carrying amount	Ownership percentage	Carrying amount	Ownership percentage
"Eurofinance Mosnarbank", OJSC	Russia	Banking	4.2	35.86%	4.0	35.86%
"Vietnam-Russia Joint Venture Bank"	Vietnam	Banking	0.9	49.00%	0.9	49.00%
"KS Holding", CJSC	Russia	Insurance	4.8	49.00%	4.8	49.00%
"POLIEF", OJSC	Russia	Chemical	1.1	32.50%	1.1	32.50%
"Thalita Trading", Ltd	Cyprus	Finance	0.9	50.00%	–	57.50%
"Finnist Real Estate S.a.r.l."	Luxembourg	Real estate	0.6	19.90%	–	–
"Telecom-Development", CJSC	Russia	Construction	1.2	50.00%	1.4	50.00%
"Sistemapsys S.A.R.L.", JCS	Luxembourg	Construction	0.9	50.00%	1.2	50.00%
"Astanda", Ltd	Cyprus	Construction	–	100.00%	0.4	50.00%
"Sistema Saraya", Ltd	Cayman Islands	Construction	–	100.00%	0.1	50.00%
"Izumrudniy Gorod 2000", Ltd	Russia	Construction	–	50.00%	–	50.00%
"Tagar-City", Ltd	Russia	Construction	–	50.00%	–	50.00%
"Amiral' B. V.", Ltd	Russia	Construction	–	50.00%	–	50.00%
"Ilinoza investments limited", Ltd	Russia	Construction	–	45.00%	–	45.00%
"Interbank Trading House", Ltd	Russia	Commerce	–	50.00%	–	50.00%
Total investments in associates and joint ventures			**14.6**		**13.9**	

In the second quarter 2010 the Group sold a 7.5% stake in Thalita Trading (minor former Group subsidiary) to a third party which is a related party to the Group, for a consideration of RUR 0.2 billion. The related gain of RUR 0.1 billion is booked in the income statement caption "Profit from disposal of associates and subsidiaries".

In the second quarter 2010 the Group purchased shares of the additional issue of Finnist Real Estate S.a r. l. for the nominal value for RUR 0.6 billion.

12. Investment Securities Held-to-maturity

	30 September 2010 (unaudited)	31 December 2009
Bonds of Russian companies and banks	33.2	11.1
Bonds of foreign companies and banks	0.4	0.4
Bonds of foreign governments	0.3	0.3
Eurobonds of Russian companies and banks	–	2.1
Total gross investment securities held-to-maturity	**33.9**	**13.9**
Less: Allowance for impairment (Note 21)	(1.9)	(2.2)
Total investment securities held-to-maturity	**32.0**	**11.7**

(in billions of Russian Roubles)

13. Due to Other Banks

	30 September 2010 (unaudited)	*31 December 2009*
Correspondent accounts and overnight deposits of other banks	202.9	174.1
Term loans and deposits of other banks	164.4	111.6
Sale and repurchase agreements with other banks	13.6	1.3
Total due to other banks	**380.9**	**287.0**

14. Customer Deposits

	30 September 2010 (unaudited)	*31 December 2009*
Government bodies		
Current/settlement deposits	11.3	7.7
Term deposits	199.7	101.1
Other legal entities		
Current/settlement deposits	370.2	464.5
Term deposits	647.1	515.7
Individuals		
Current/settlement deposits	95.8	84.5
Term deposits	504.3	392.0
Sale and repurchase agreements	10.9	3.3
Total customer deposits	**1,839.3**	**1,568.8**

15. Other Borrowed Funds

	30 September 2010 (unaudited)	*31 December 2009*
Syndicated loans	35.2	49.4
Other borrowings	106.1	421.5
Total other borrowed funds	**141.3**	**470.9**

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. Funds attracted from local central banks included in other borrowings amount to RUR 3.4 billion at 30 September 2010 (31 December 2009: RUR 314.8 billion).

16. Debt Securities Issued

	30 September 2010 (unaudited)	*31 December 2009*
Bonds	398.1	346.0
Promissory notes	143.0	139.3
Deposit certificates	0.3	0.4
Total debt securities issued	**541.4**	**485.7**

16. Debt Securities Issued (continued)

In March 2010, VTB issued USD 1,250 million (RUR 37.5 billion) Series 7 Eurobonds under European Medium Term Notes (EMTN) Programme 2 with maturity in March 2015 and a fixed coupon rate of 6.465% p.a. payable semi-annually.

In March 2010, VTB placed Series 1, 2 and 5 of domestic stock exchange traded bonds for the total amount of RUR 20.0 billion. The securities due March 2013 are issued with a coupon rate of 7.6% p.a. payable quarterly.

In March 2010, VTB redeemed Series 12 Eurobonds under European Medium Term Notes (EMTN) Programme 1 in the outstanding amount of GBP 234 million (RUR 10.4 billion) upon maturity.

In April 2010, Sistema-Hals repaid Series 1 and 2 domestic bonds with notional amount of RUR 5.0 billion under investor put option.

In April 2010, VTB repaid RUR 13.4 billion of Series 5 domestic bonds under investor put option. In the third quarter 2010, VTB placed RUR 1.4 billion of these bonds.

In August 2010, “VTB-Leasing Finance”, Ltd. issued tranches 8 and 9 of local amortizing bonds for RUR 5.0 billion each maturing in August 2017. One tranche bears 6.65% p.a. coupon rate payable quarterly with 1-year investor put option, the other tranche bears 7.05% p.a. coupon rate payable quarterly with 1.5-year put investor option.

In August 2010, VTB issued SGD 400 million (RUR 8.9 billion) Series 8 Eurobonds under European Medium Term Notes (EMTN) Programme 2 maturing in August 2012 with fixed coupon rate of 4.2% p.a. payable semi-annually.

In August 2010, VTB issued CHF 400 million (RUR 11.6 billion) Series 9 Eurobonds under European Medium Term Notes (EMTN) Programme 2 maturing in August 2013 with fixed coupon rate of 4.0% p.a. payable annually.

In September 2010, Bank VTB 24 repaid Series 4 local bonds with notional amount of RUR 6.1 billion under investor put option.

“VTB Capital”, Plc has established a USD 5.0 billion European Medium Term Note program. Under the terms of the program “VTB Capital”, Plc is issuing short and medium term notes and structured notes with embedded derivatives, which are mainly linked to Russia / CIS risk. The outstanding amount of the notes is USD 25 million (RUR 0.7 billion) issued at a discount of 3.25% in September 2010 and which mature in December 2010.

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. During the nine months of 2010 the Group did not retire any Eurobonds or bonds issued. The notional amount of Eurobonds bought-back (excluding subordinated debt) by the Group during the nine months of 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% p.a. payable semi-annually, with an interest rate step-up in 2010. The notional amount of Eurobonds bought-back by the Group during the nine months of 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 31 December 2009 the carrying amount of this subordinated debt was RUR 9.7 billion. In February 2010, VTB executed a call option and early repaid these Eurobonds in accordance with the call option provisions.

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 rate at 6.2% p.a. payable semi-annually. From 1 October 2010 interest rate under the Eurobonds is equal to US Treasury yield increased by 226 bp and step-up of 150 bp. In August 2010 the Group announced a decision not to exercise the redemption option. The transaction was structured as an issue of notes by Or-ICB S.A. (Luxembourg) for the purpose of financing a subordinated loan to OJSC “Bank VTB North-West”. During the nine months ended 30 September 2010 the Group did not buy-back these subordinated Eurobonds. The notional amount of Eurobonds bought-back by the Group during the first nine months of 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 at 30 September 2010 the carrying amount of this subordinated debt was RUR 9.0 billion (31 December 2009: RUR 9.2 billion).

(in billions of Russian Roubles)

17. Subordinated Debt (continued)

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. In August 2010 an interest rate on these two subordinated loans was reduced from 8% to 6.5% p.a. in accordance with the Federal Law requirements. As at 30 September 2010 the carrying amount of this subordinated debt is RUR 177.5 billion (31 December 2009: RUR 176.4 billion).

18. Interest Income and Expense

	For the three-month period ended 30 September (unaudited)		_For the nine-month period ended 30 September (unaudited)_	
	_2010_	_2009_	_2010_	_2009_
Interest income				
Loans and advances to customers	75.4	84.8	228.4	259.8
Securities	5.3	5.3	16.6	12.2
Due from other banks	1.8	2.1	5.4	8.8
Total interest income	**82.5**	**92.2**	**250.4**	**280.8**
Interest expense				
Customer deposits	(21.8)	(25.6)	(64.3)	(65.5)
Debt securities issued	(10.4)	(9.5)	(30.5)	(28.2)
Subordinated debt	(4.1)	(4.7)	(13.1)	(14.0)
Due to banks and other borrowed funds	(3.1)	(15.3)	(13.0)	(65.7)
Total interest expense	**(39.4)**	**(55.1)**	**(120.9)**	**(173.4)**
Net interest income	**43.1**	**37.1**	**129.5**	**107.4**

19. Fee and Commission Income and Expense

	For the three-month period ended 30 September (unaudited)		_For the nine-month period ended 30 September (unaudited)_	
	_2010_	_2009_	_2010_	_2009_
Commission on settlement transactions	4.1	3.2	11.2	9.4
Commission on guarantees issued and trade finance	1.0	1.1	3.3	3.2
Commission on cash transactions	0.7	0.7	1.9	1.9
Commission on operations with securities and on capital markets	0.8	1.1	3.4	2.9
Other	0.4	0.1	1.0	0.5
Total fee and commission income	**7.0**	**6.2**	**20.8**	**17.9**
Commission on settlement transactions	(0.5)	(0.7)	(1.5)	(1.4)
Commission on cash transactions	(0.2)	(0.3)	(0.7)	(0.7)
Other	(0.3)	(0.2)	(0.8)	(1.1)
Total fee and commission expense	**(1.0)**	**(1.2)**	**(3.0)**	**(3.2)**
Net fee and commission income	**6.0**	**5.0**	**17.8**	**14.7**

(in billions of Russian Roubles)

20. Staff Costs and Administrative Expenses

	For the three-month period ended 30 September (unaudited)		For the nine-month period ended 30 September (unaudited)	
	2010	2009	2010	2009
Staff costs	12.5	8.2	34.3	26.7
Defined contribution pension expense	0.7	0.6	2.7	2.4
Depreciation and other expenses related to premises and equipment	3.2	1.8	7.9	5.9
Advertising expenses	1.4	0.6	2.9	1.4
Leasing and rent expenses	1.2	1.2	3.5	4.0
Professional services	1.2	0.7	3.1	1.9
Participation in deposit insurance system	0.6	0.4	1.6	1.2
Taxes other than on income	0.5	0.8	3.4	2.1
Post and telecommunication expenses	0.5	0.5	1.4	1.4
Impairment, amortization and other expenses related to intangibles, except for core deposit intangible	0.4	0.4	1.2	1.1
Charity	0.3	0.4	1.2	0.9
Security expenses	0.3	0.3	0.9	1.0
Amortization of core deposit intangible	0.2	0.2	0.7	0.7
Other	1.1	0.7	3.2	1.8
Total staff costs and administrative expenses	**24.1**	**16.8**	**68.0**	**52.5**

21. 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 2009 (audited)	**0.7**	**94.7**	**1.3**	**1.5**	**0.1**	**0.1**	**98.4**
Provision charge 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)**
Recovery of amounts written-off in previous period	–	0.2	–	–	–	–	**0.2**
Currency translation difference	–	(1.0)	–	0.1	–	–	**(0.9)**
Deconsolidation of subsidiary	(0.3)	(0.6)	–	(0.1)	–	–	**(1.0)**
Balance at 30 September 2009	**1.5**	**216.1**	**2.2**	**2.3**	**0.5**	**0.1**	**222.7**
Balance at 1 January 2010 (audited)	**1.3**	**234.9**	**2.2**	**1.6**	**1.4**	**0.1**	**241.5**
Provision charge for impairment / (Recovery of provision) during the period	0.5	40.1	(0.3)	0.1	1.8	0.1	**42.3**
Write-offs	–	(7.4)	–	–	(1.1)	–	**(8.5)**
Recovery of amounts written-off in previous period	–	0.5	–	–	–	–	**0.5**
Currency translation difference	(0.1)	0.4	–	–	–	–	**0.3**
Balance at 30 September 2010	**1.7**	**268.5**	**1.9**	**1.7**	**2.1**	**0.2**	**276.1**

(in billions of Russian Roubles)

21. 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 authorized management body and, in certain cases, with the respective decision of the Court.

22. 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 potential dilutive 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)*	
	2010	***2009***	***2010***	***2009***
Net profit / (loss) attributable to shareholders of the parent *(in billons of Russian Roubles)*	14.7	(15.0)	41.6	(48.8)
Weighted average number of ordinary shares in issue	10,458,078,516,029	6,965,039,542,577	10,458,010,474,392	6,803,474,740,732
Basic and diluted earnings per share (expressed in Russian Roubles per share)	**0.0014**	**(0.0022)**	**0.0040**	**(0.0072)**

23. Income Tax

The Group's effective income tax rate for the nine months of 2010 was 21% (the nine months of 2009: 21%) which is close to the theoretical tax rate.

The following tables provide disclosure of income tax effects relating to each component of other comprehensive income for the three months ended 30 September 2010 and 30 September 2009 and for the nine months ended 30 September 2010 and 30 September 2009:

	For the three-month period ended 30 September (unaudited)					
	2010			***2009***		
	Before tax	***Tax (expense) / credit***	***Net of tax***	***Before tax***	***Tax (expense) / credit***	***Net of tax***
Unrealized (loss) / gain on financial assets available-for-sale	0.9	(0.2)	**0.7**	0.8	(0.2)	**0.6**
Share of other comprehensive income of associates	(0.2)	–	**(0.2)**	–	–	**–**
Effect of translation	1.4	–	**1.4**	(2.5)	–	**(2.5)**
Other comprehensive income	**2.1**	**(0.2)**	**1.9**	**(1.7)**	**(0.2)**	**(1.9)**

(in billions of Russian Roubles)

23. Income Tax (continued)

	For the nine-month period ended 30 September (unaudited)					
	2010			2009		
	Before tax	Tax (expense) / credit	Net of tax	Before tax	Tax (expense) / credit	Net of tax
Unrealized (loss) / gain on financial assets available-for-sale	(0.4)	0.1	**(0.3)**	1.9	(0.4)	**1.5**
Cash flow hedges	–	–	**–**	(0.4)	0.1	**(0.3)**
Share of other comprehensive income of associates	(0.2)	–	**(0.2)**	0.2	–	**0.2**
Effect of translation	(1.1)	–	**(1.1)**	1.5	–	**1.5**
Reclassification adjustment of currency translation difference due to disposal of subsidiary	–	–	**–**	(1.5)	0.3	**(1.2)**
Other comprehensive income	**(1.7)**	**0.1**	**(1.6)**	**1.7**	**–**	**1.7**

24. Dividends

On 4 June 2010, VTB's annual shareholders' meeting declared dividends of RUR 6.1 billion for 2009 (RUR 0.00058 per share). Dividends were fully paid in July and August 2010.

25. 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. At the reporting date the Group had several unresolved legal claims. Management is of the opinion that there would be no material outflow of resources and accordingly no provision has been made in these consolidated financial statements.

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 (L/Cs), 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 borrowings.

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.

(in billions of Russian Roubles)

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

Outstanding credit related commitments are as follows:

	30 September 2010 (unaudited)	_31 December 2009_
Guarantees issued	174.2	190.6
Undrawn credit lines	183.2	197.0
Import letters of credit	26.6	29.9
Commitments to extend credit	137.5	97.4
Less: allowance for impairment on credit related commitments (Note 21)	(1.7)	(1.6)
Total credit related commitments	**519.8**	**513.3**

The Bank received export letters of credit for further advising to its customers. The total amount of received letters of credit as of 30 September 2010 was RUR 104.4 billion (31 December 2009: RUR 89.4 billion). Commitments under import letters of credit and guarantees are collateralized by customer deposits of RUR 8.9 billion (31 December 2009: RUR 9.4 billion).

At 30 September 2010, included in guarantees issued are guarantees issued for a related company (Russian entity) of RUR 25.2 billion or 14% of the guarantees issued. At 31 December 2009, included in guarantees issued are guarantees issued for a related company (Russian entity) of RUR 27.3 billion or 14% of the guarantees issued.

Fair value hedges

Fair value hedges are used by the Group to protect it against the changes in the fair value of financial assets and financial liabilities due to movements in interest and currency rates. The financial instruments hedged for interest rate risk and currency risk include debt securities issued. For the three months ended 30 September 2010, the Group recognized a net gain of RUR 0.3 billion, representing the gain on the hedging instruments. The net loss on hedged items attributable to the hedged risk amounted to RUR 0.3 billion for the three months ended 30 September 2010.

26. Analysis by Segment

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 of 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 the markets are active or not. Qualitative and quantitative information about 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, Retail business, Investment 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 each segment in case it is positive for this segment.

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

(in billions of Russian Roubles)

26. Analysis by Segment (continued)

Segment information for the reportable segments of the Group as at 30 September 2010 and results for the nine months ended 30 September 2010 is set out below:

	Corporate business	_Retail business_	_Investment business_	_Ukraine_	_Other_	_Total before intersegment eliminations_	_Intersegment eliminations_	_Total_
**For the nine-month period ended 30 September 2010 (unaudited):**								
Revenues from:								
External customers	171.1	72.8	35.5	11.5	4.9	**295.8**	–	**295.8**
Other segments	22.4	9.3	7.0	–	1.3	**40.0**	(40.0)	**–**
Total revenues	**193.5**	**82.1**	**42.5**	**11.5**	**6.2**	**335.8**	**(40.0)**	**295.8**
Segment income and expense								
Interest income	179.2	70.7	17.7	10.7	3.5	**281.8**	(31.4)	**250.4**
Interest expense	(95.0)	(31.7)	(12.8)	(7.3)	(5.5)	**(152.3)**	31.4	**(120.9)**
Net interest income / (expense)	**84.2**	**39.0**	**4.9**	**3.4**	**(2.0)**	**129.5**	–	**129.5**
Provision charge for impairment	(24.6)	(10.8)	(0.2)	(4.2)	(0.6)	**(40.4)**	0.1	**(40.3)**
Net interest income / (expense) after provision for impairment	**59.6**	**28.2**	**4.7**	**(0.8)**	**(2.6)**	**89.1**	**0.1**	**89.2**
(Losses net of gains) / gains less losses arising from other financial instruments	(4.4)	–	12.6	–	–	**8.2**	(0.3)	**7.9**
(Losses net of gains) / gains less losses arising from dealing in foreign currencies	(7.8)	0.1	1.5	0.3	0.4	**(5.5)**	(0.2)	**(5.7)**
Foreign exchange translation gains less losses / (losses net of gains)	5.8	1.1	1.0	(0.1)	–	**7.8**	(0.4)	**7.4**
Gain / (loss) on initial recognition of financial instruments	0.1	(0.2)	–	–	–	**(0.1)**	–	**(0.1)**
Net fee and commission income / (expense)	7.8	7.1	2.3	0.5	(0.5)	17.2	0.6	**17.8**
Share in income / (loss) of associates	0.2	–	0.2	–	(0.5)	**(0.1)**	–	**(0.1)**
Provision charge for impairment of other assets and credit related commitments	(1.4)	–	–	–	(0.6)	**(2.0)**	–	**(2.0)**
Net other operating (loss) / income	(0.6)	0.7	6.3	–	(1.0)	**5.4**	(1.4)	**4.0**
Operating income / (expense)	**59.3**	**37.0**	**28.6**	**(0.1)**	**(4.8)**	**120.0**	**(1.6)**	**118.4**
Staff costs and administrative expenses	(28.9)	(20.4)	(12.7)	(2.4)	(4.5)	**(68.9)**	0.9	**(68.0)**
Impairment of goodwill	–	–	–	–	(1.1)	**(1.1)**	–	**(1.1)**
Profit from disposal of associates and subsidiaries	–	–	0.1	–	–	**0.1**	–	**0.1**
Segment results: Profit / (loss) before taxation	**30.4**	**16.6**	**16.0**	**(2.5)**	**(10.4)**	**50.1**	**(0.7)**	**49.4**
Income tax expense								**(10.6)**
Net profit								**38.8**
**As at 30 September 2010 (unaudited):**								
Cash and short-term funds	114.3	49.3	8.3	11.3	8.6	**191.8**	(9.6)	**182.2**
Mandatory cash balances with central banks	19.1	5.0	–	2.0	0.6	**26.7**	–	**26.7**
Other financial instruments	139.4	12.7	256.0	12.4	5.7	**426.2**	(21.6)	**404.6**
Due from other banks	257.4	247.4	88.8	0.5	7.0	**601.1**	(345.6)	**255.5**
Loans and advances to customers	2,175.2	466.1	88.2	82.7	25.8	**2,838.0**	(309.8)	**2,528.2**
Investments in associates and joint ventures	11.0	–	1.5	–	2.1	**14.6**	–	**14.6**
Other asset items	233.4	17.5	14.1	5.7	88.9	**359.6**	(18.1)	**341.5**
Segment assets	**2,949.8**	**798.0**	**456.9**	**114.6**	**138.7**	**4,458.0**	**(704.7)**	**3,753.3**
Due to other banks	591.3	2.1	273.2	53.8	9.1	**929.5**	(548.6)	**380.9**
Customer deposits	1,151.2	629.8	27.2	36.7	17.5	**1,862.4**	(23.1)	**1,839.3**
Other borrowed funds	85.6	7.3	41.9	0.1	60.9	**195.8**	(54.5)	**141.3**
Debt securities issued	510.6	41.0	0.9	0.3	2.8	**555.6**	(14.2)	**541.4**
Subordinated debt	188.5	18.0	18.2	6.4	1.4	**232.5**	(46.0)	**186.5**
Other liability items	41.9	10.8	53.1	9.9	24.9	**140.6**	(22.1)	**118.5**
Segment liabilities	**2,569.1**	**709.0**	**414.5**	**107.2**	**116.6**	**3,916.4**	**(708.5)**	**3,207.9**

(in billions of Russian Roubles)

26. Analysis by Segment (continued)

Segment information for the reportable segments of the Group as at 31 December 2009 and results for the nine months ended 30 September 2009 is as follows:

	Corporate business	*Retail business*	*Investment business*	*Ukraine*	*Other*	*Total before intersegment eliminations and adjustments*	*Intersegment eliminations and adjustments*	*Total*
For the nine-month period ended 30 September 2009 (unaudited):								
Revenues from:								
External customers	227.3	63.4	34.9	12.6	7.4	**345.6**	–	**345.6**
Other segments	21.9	6.0	2.7	–	1.1	**31.7**	(31.7)	**–**
Effect recognized on the Group level							5.6	**5.6**
Total revenues	**249.2**	**69.4**	**37.6**	**12.6**	**8.5**	**377.3**	**(26.1)**	**351.2**
Segment income and expense								
Interest income	217.6	61.7	12.9	11.5	4.6	**308.3**	(27.5)	**280.8**
Interest expense	(145.4)	(31.2)	(14.2)	(7.3)	(2.8)	**(200.9)**	27.5	**(173.4)**
Net interest income / (expense)	**72.2**	**30.5**	**(1.3)**	**4.2**	**1.8**	**107.4**	**–**	**107.4**
Provision charge for impairment	(95.8)	(19.7)	(1.7)	(8.1)	(1.1)	**(126.4)**	–	**(126.4)**
Net interest (expense) / income after provision for impairment	**(23.6)**	**10.8**	**(3.0)**	**(3.9)**	**0.7**	**(19.0)**	**–**	**(19.0)**
(Losses net of gains) / gains less losses arising from other financial instruments	(12.7)	0.2	16.2	–	0.1	**3.8**	(17.7)	**(13.9)**
Gains less losses arising from extinguishment of liability	7.4	–	–	–	–	**7.4**	7.3	**14.7**
(Losses net of gains) / gains less losses arising from dealing in foreign currencies	(12.7)	(0.6)	2.3	0.4	0.5	**(10.1)**	0.2	**(9.9)**
Foreign exchange translation gains less losses / (losses net of gains)	23.3	0.7	0.9	0.2	(0.2)	**24.9**	(0.4)	**24.5**
Loss on initial recognition of financial instruments	(19.0)	–	–	–	–	**(19.0)**	–	**(19.0)**
Net fee and commission income / (expense)	8.2	4.9	1.3	0.4	(0.3)	**14.5**	0.2	**14.7**
(Provision charge for) / recovery of impairment of other assets and credit related commitments	(1.1)	(0.2)	(0.2)	0.1	0.1	**(1.3)**	–	**(1.3)**
Share in income of associates	0.1	–	–	–	–	**0.1**	–	**0.1**
Net other operating (loss) / income	(0.5)	0.4	2.5	0.1	2.0	**4.5**	(1.3)	**3.2**
Operating (expense) / income	**(30.6)**	**16.2**	**20.0**	**(2.7)**	**2.9**	**5.8**	**(11.7)**	**(5.9)**
Staff costs and administrative expenses	(21.8)	(16.7)	(9.7)	(2.0)	(3.2)	**(53.4)**	0.9	**(52.5)**
Profit from disposal of associates and subsidiaries	1.0	–	–	–	–	**1.0**	–	**1.0**
Segment results: (Loss) / profit before taxation	**(51.4)**	**(0.5)**	**10.3**	**(4.7)**	**(0.3)**	**(46.6)**	**(10.8)**	**(57.4)**
Income tax recovery								**11.9**
Net loss								**(45.5)**
As at 31 December 2009:								
Cash and short-term funds	181.8	59.3	11.2	10.6	10.8	**273.7**	(13.5)	**260.2**
Mandatory cash balances with central banks	16.0	4.3	1.8	0.9	0.9	**23.9**	–	**23.9**
Other financial instruments	138.8	16.8	255.3	0.4	2.9	**414.2**	(13.5)	**400.7**
Due from other banks	399.3	158.1	49.0	0.8	2.9	**610.1**	(264.5)	**345.6**
Loans and advances to customers	1,905.8	459.7	52.3	85.7	23.2	**2,526.7**	(216.8)	**2,309.9**
Investments in associates and joint ventures	10.8	–	–	–	3.1	**13.9**	–	**13.9**
Other asset items	171.0	16.4	10.8	5.3	54.9	**258.4**	(1.8)	**256.6**
Segment assets	**2,823.5**	**714.6**	**380.4**	**103.7**	**98.7**	**4,120.9**	**(510.1)**	**3,610.8**
Due to other banks	356.7	17.1	239.2	68.7	11.6	**693.3**	(406.3)	**287.0**
Customer deposits	1,014.3	517.6	9.0	19.5	16.5	**1,576.9**	(8.1)	**1,568.8**
Other borrowed funds	398.0	24.2	41.4	0.1	39.7	**503.4**	(32.5)	**470.9**
Debt securities issued	443.1	47.3	0.2	0.3	6.3	**497.2**	(11.5)	**485.7**
Subordinated debt	210.7	21.1	18.1	6.4	1.5	**257.8**	(62.5)	**195.3**
Other liability items	45.6	4.6	30.1	0.3	19.1	**99.7**	(1.5)	**98.2**
Segment liabilities	**2,468.4**	**631.9**	**338.0**	**95.3**	**94.7**	**3,628.3**	**(522.4)**	**3,105.9**

The column "Intersegment Eliminations and Adjustments" in the above table within the line "Segment results: (Loss) / profit before taxation" for the nine months ended 30 September 2009 includes an adjustment in the amount of RUR (15.3) 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.

(in billions of Russian Roubles)

26. Analysis by Segment (continued)

For the purpose of the above segment disclosure, Corporate business incorporates operations of the Group's entities in Russia and in Europe, Retail business incorporates operations in Russia.

For the purpose of the above segment disclosure, Other financial instruments incorporate Financial assets at fair value through profit or loss, Financial assets pledged under repurchase agreements and loaned financial assets, Financial assets available-for-sale and Investment securities held-to-maturity.

27. Related Party Transactions

For the purposes of these 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.

Statements of financial position and credit related commitments

	30 September 2010 (unaudited)		*31 December 2009*	
	State-owned entities	*Associates*	*State-owned entities*	*Associates*
Assets				
Cash and short-term funds	56.2	–	123.5	–
Mandatory cash balances with central banks	17.1	–	14.7	–
Financial assets at fair value through profit or loss	146.4	–	139.9	–
Financial assets pledged under repurchase agreements and loaned financial assets	3.6	–	64.3	–
Due from other banks	47.7	2.0	29.1	2.5
Gross loans and advances to customers	374.6	8.1	401.9	7.8
Allowance for loan impairment	(13.3)	(1.5)	(14.1)	(5.0)
Financial assets available-for-sale	5.0	0.3	4.8	0.3
Investment securities held-to-maturity	0.3	–	0.6	–
Liabilities				
Due to other banks	75.6	0.9	40.9	0.4
Customer deposits	518.8	4.0	567.2	1.6
Other borrowed funds	42.9	–	354.5	–
Subordinated debt	177.5	–	176.4	–
Credit Related Commitments				
Guarantees issued	111.8	0.7	116.5	–
Undrawn credit lines	33.1	–	16.3	–
Import letters of credit	0.8	–	1.6	–
Commitments to extend credit	27.1	1.7	13.3	0.7

Income statements

	For the nine-month period ended 30 September (unaudited)	
	2010	*2009*
Interest income		
Loans and advances to customers	30.9	44.9
Securities	10.4	4.7
Due from other banks	1.7	5.0
Interest expense		
Customer deposits	(20.0)	(28.5)
Due to other banks and other borrowed funds	(6.0)	(49.5)
Subordinated debt	(12.8)	(12.6)
Recovery of / (provision charge for) impairment	**3.8**	**(5.1)**

(in billions of Russian Roubles)

27. Related Party Transactions (continued)

For the nine month-period ended 30 September 2010, the total remuneration of the directors and key management personnel of the Group including pension contributions amounted to RUR 3.1 billion (30 September 2009: RUR 1.9 billion). Key management personnel include VTB Supervisory Council, VTB Management Board, VTB Statutory Audit Committee and key management of subsidiaries. Loans to the directors and key management personnel as at 30 September 2010 amounted to RUR 0.3 billion (31 December 2009: RUR 0.3 billion).

28. Consolidated Subsidiaries, Associates and Joint Ventures

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

			Percentage of ownership	
Name	***Activity***	***Country of registration***	***30 September 2010 (unaudited)***	***31 December 2009***
Subsidiaries:				
“VTB Bank (Austria)” AG	Banking	Austria	100.00%	100.00%
“Russian Commercial Bank (Cyprus) Limited”	Banking	Cyprus	60.00%	60.00%
“VTB Bank”, OJSC (Ukraine)	Banking	Ukraine	99.96%	99.96%
“VTB Bank (Armenia)”, CJSC	Banking	Armenia	100.00%	100.00%
“VTB Bank (Georgia)”, JSC	Banking	Georgia	96.16%	87.38%
“VTB Bank (Belarus)”, CJSC	Banking	Belarus	71.42%	69.70%
“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%	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	95.54%	95.54%
“Banco VTB Africa S.A.”	Banking	Angola	66.00%	66.00%
“VTB Capital (Namibia) (Proprietary) Limited”	Investment	Namibia	50.33%	50.33%
“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	100.00%	100.00%
“VTB Europe Finance”, B.V.	Finance	Netherlands	100.00%	100.00%
“Nevsky Property”, Ltd	Property	Cyprus	100.00%	100.00%
“Business-Finance”, Ltd	Finance	Russia	100.00%	100.00%
“VTB 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”, CJSC	Finance	Russia	100.00%	100.00%
“VTB Factoring”, Ltd	Factoring	Russia	100.00%	100.00%
“Sistema-Hals”, OJSC	Real Estate	Russia	51.24%	51.24%
“M”, CJSC	Real Estate	Russia	100.00%	–
“VTB Arena”, CJSC	Real Estate	Russia	75.00%	–

(in billions of Russian Roubles)

28. Consolidated Subsidiaries, Associates and Joint Ventures (continued)

Name	*Activity*	*Country of registration*	*Percentage of ownership: 30 September 2010 (unaudited)*	*Percentage of ownership: 31 December 2009*
Associates and joint ventures:				
"Eurofinance Mosnarbank", OJSC	Banking	Russia	35.86%	35.86%
"Vietnam-Russia Joint Venture Bank"	Banking	Vietnam	49.00%	49.00%
"Interbank Trading House", Ltd	Commerce	Russia	50.00%	50.00%
"KS Holding", CJSC	Insurance	Russia	49.00%	49.00%
"POLIEF", OJSC	Chemical	Russia	32.50%	32.50%
"Sistemapsys S.A.R.L.", JSC	Construction	Luxembourg	50.00%	50.00%
"Telecom-Development", CJSC	Construction	Russia	50.00%	50.00%
"Thalita Trading"	Finance	Cyprus	50.00%	57.50%
"Finnist Real Estate S.a.r.l."	Real Estate	Luxembourg	19.90%	–

In February 2010 VTB Bank (Azerbaijan) issued 16,000,000 additional ordinary shares with notional amount of AZN 1.0 each (RUR 37.5) for AZN 16 million (RUR 0.6 billion). The Group purchased 8,160,000 ordinary shares for AZN 8 million (RUR 0.3 billion), thus the ownership share remained unchanged.

In April 2010, VTB increased its ownership in "VTB Bank (Belarus)", CJSC from 69.70% to 71.42% by purchasing 4,826 ordinary shares from minorities for RUR 48.6 million.

In April 2010 the Group gained a 100% ownership share in "M", CJSC by purchasing 50% share in "Ekvivalent", CJSC, the holding company of "M", CJSC for USD 80 million (RUR 2.3 billion) through "Sistema-Hals", OJSC subsidiary. In 2008 the Group invested USD 87.5 million in 50% of "Ekvivalent", CJSC. At acquisition date fair value of the financial asset amounted to RUR 2.3 billion.

The fair values of identifiable assets and liabilities of "M", CJSC at the acquisition date were not materially different from carrying values of these assets and liabilities immediately before the acquisition. The fair values of identifiable assets and liabilities of "M", CJSC at the acquisition date were as follows:

	Fair value
Assets	
Investment property	8.1
Deferred tax asset	0.2
Other assets	0.7
Total assets	**9.0**
Liabilities	
Other borrowed funds	2.8
Deferred tax liability	1.3
Other liabilities	0.4
Total liabilities	**4.5**
Fair value of identifiable net assets of subsidiary	**4.5**
Goodwill arising from the acquisition:	
Consideration paid	2.3
Fair value of the acquirer's previously held equity interest in the acquiree	2.3
Less: fair value of identifiable net assets of subsidiary	(4.5)
Goodwill arising from the acquisition	**0.1**

At acquisition date goodwill of RUR 0.1 billion allocated to "M", CJSC was written-off through impairment charge, due to uncertainty about future cash inflows and economic benefits from this business in the observable future.

(in billions of Russian Roubles)

28. Consolidated Subsidiaries, Associates and Joint Ventures (continued)

In April 2010 the Group obtained a 100% share in the Group of companies "Russian Elevator" by taking possession in accordance with additional agreements with its borrowers of collateral held as security in exchange for the loans receivable from these borrowers. The fair value of the identifiable assets and liabilities acquired and goodwill arising as at the acquisition date was as follows:

	Fair value
Assets	
Financial assets available-for-sale	0.1
Premises and equipment	0.6
Total assets	**0.7**
Liabilities	
Other liabilities related to non-banking activities	0.1
Total liabilities	**0.1**
Fair value of identifiable net assets of subsidiary	**0.6**
Goodwill arising from the acquisition:	
Loans receivable	0.6
Less: fair value of identifiable net assets of subsidiary	(0.6)
Goodwill arising from the acquisition	**–**

In May 2010, the Group purchased a 50% share in PL Kamelia, OJSC for USD 42.4 million (RUR 1.3 billion), thus obtaining a 100% ownership share in PL Kamelia, OJSC. Previously held 50% share in PL Kamelia, OJSC was booked through associates "Astanda", Ltd and "Sistema Saraya", Ltd as the holding entities.

The fair values of identifiable assets and liabilities of PL Kamelia, OJSC at acquisition date were not materially different from their carrying values immediately before the acquisition. The fair values of identifiable assets and liabilities of PL Kamelia, OJSC at the acquisition date were:

	Fair value
Assets	
Premises and equipment	0.7
Total assets	**0.7**
Liabilities	
Other liabilities related to non-banking activities	–
Total liabilities	**–**
Fair value of identifiable net assets of subsidiary	**0.7**
Goodwill arising from the acquisition:	
Consideration paid	1.3
Fair value of the acquirer's previously held equity interest in the acquiree	0.4
Less: fair value of identifiable net assets of subsidiary	(0.7)
Goodwill arising from the acquisition	**1.0**

At acquisition date goodwill of RUR 1.0 billion allocated to PL Kamelia, OJSC was written-off through impairment charge due to uncertainty about future cash inflows and economic benefits from this business in the observable future.

In June 2010, VTB increased its ownership in "VTB Bank (Georgia)", JSC from 87.38% to 90.74% by purchasing 100% of 38,008,734 newly issued ordinary shares for the nominal value of GEL 38 million (RUR 0.6 billion).

(in billions of Russian Roubles)

28. Consolidated Subsidiaries, Associates and Joint Ventures (continued)

In August 2010, VTB increased its ownership in "VTB Bank (Georgia)", JSC from 90.74% to 96.16% by purchasing from minorities 5.42% (7,730,073 ordinary shares) for USD 4.25 million (RUR 128.5 million).

In July 2010, "Bank VTB (Kazakhstan)", JSC issued 296,000 additional ordinary shares with nominal value of KZT 10,000 each for KZT 2,960 million (RUR 0.6 billion), which are fully purchased by the Group. The ownership share of 100% remained unchanged.

In September 2010 the Group obtained a 75% less 1 share ownership share in VTB Arena, CJSC, which owns 100% of Petrovsky Park Arena, CJSC and 75% less 1 share in Management Company "Dinamo", CJSC that owns 68.92% of Football Club "Dinamo", CJSC. The cash totalling RUR 18.0 billion was contributed to the equity of newly established entity VTB Arena. The fair values of consolidated identifiable assets and liabilities of VTB Arena, CJSC at the acquisition date were not materially different from carrying values of these assets and liabilities immediately before the acquisition except for the fair value of financial liability represented by the loan obtained by Petrovsky Park Arena, CJSC from the Bank before the acquisition date.

For the purpose of determining goodwill from the acquisition the fair values of identifiable assets and liabilities of VTB Arena, CJSC at the acquisition date were as follows:

	Fair value
Assets	
Cash and short-term funds	15.5
Investment property	13.9
Premises and equipment	1.5
Intangible assets and goodwill	2.2
Deferred tax asset	0.3
Other assets	1.1
Total assets	**34.5**
Liabilities	
Due to other banks	11.9
Deferred tax liability	0.4
Other liabilities	2.7
Total liabilities	**15.0**
Fair value of identifiable net assets of subsidiary	**19.5**
Goodwill arising from the acquisition:	
Consideration paid	18.0
Non-controlling interests (proportionate share of the acquiree's identifiable net assets)	5.8
Less: fair value of identifiable net assets of subsidiary	(19.5)
Goodwill arising from the acquisition	**4.3**

Within the program of integration of business of VTB North-West into the Group, the Supervisory Council and the shareholders have approved a legal merger of VTB and VTB North-West.

29. 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 2010 and 31 December 2009 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 2010 and 31 December 2009 was 18.8% and 20.7%, respectively. These ratios exceeded the minimum ratio of 8.0% recommended by the Basle Accord.

30. Subsequent Events

In October 2010, VTB issued USD 1.0 billion (RUR 30.4 billion) Series 10 Eurobonds under European Medium Term Notes (EMTN) Programme 2 maturing in October 2020 with fixed coupon rate of 6.551% p.a. payable semi-annually.

In October 2010, VTB Bank, OJSC (Ukraine) issued 24,870 million additional ordinary shares with nominal value of UAH 2,487 million, 99.99% of which are purchased by the Group. As a result VTB's ownership share in VTB Bank, OJSC (Ukraine) increased from 99.96% to 99.97%.

On 4 October 2010, VTB's Supervisory Council approved the acquisition of controlling share in JSC TransCreditBank. VTB is negotiating acquisition of controlling stake in JSC TransCreditBank. JSC TransCreditBank is currently controlled by the Russian state-owned company Russian Railways.

In October 2010, the Group entered into the agreement to sell shares of Eurofinance Mosnarbank, OJSC, effectively decreasing the Group's ownership in Eurofinance Mosnarbank, OJSC associate to 25% plus 1 share. Eurofinance Mosnarbank, OJSC is subsequently planned to be renamed to Russian-Venezuelan bank.

In November 2010 VTB Capital plc also issued under its EMTN program a UAH 800 million foreign exchange linked note which pays a fixed rate of interest. These securities mature in November 2011.

In November 2010, VTB increased its ownership in "VTB Bank (Georgia)", JSC from 96.16% to 96.31% by purchasing additionally issued 5,491,266 ordinary shares with nominal value of GEL 1 each for GEL 5.5 million (RUR 95.1 million).