

VTB BANK

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

31 March 2009

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INDEPENDENT AUDITORS' REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

To the Board of Directors 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 31 March 2009, and the related interim condensed consolidated income statement, interim condensed consolidated statement of comprehensive income, interim condensed consolidated statements of cash flows and changes in equity for the three-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.



18 August 2009

VTB Bank**Interim Condensed Consolidated Statement of Financial Position as at 31 March 2009***(expressed in billions of Russian Roubles)*

	Note	31 March 2009 (unaudited)	31 December 2008
Assets			
Cash and short-term funds	5	354.1	416.1
Mandatory cash balances with central banks		11.8	7.6
Financial assets at fair value through profit or loss	6	192.9	170.8
Financial assets pledged under repurchase agreements and loaned financial assets	7	11.1	44.5
Due from other banks	8	309.6	308.0
Loans and advances to customers	9	2,703.5	2,555.6
Financial assets available-for-sale	10	29.0	23.9
Investments in associates	11	4.8	4.5
Investment securities held-to-maturity	12	36.1	20.7
Premises and equipment		62.4	60.8
Investment property		4.4	4.3
Intangible assets		11.8	11.3
Deferred tax asset		19.9	9.3
Other assets		61.3	60.0
Total assets		3,812.7	3,697.4
Liabilities			
Due to other banks	13	351.8	388.7
Customer deposits	14	1,222.6	1,101.9
Other borrowed funds	15	925.2	848.7
Debt securities issued	16	543.6	560.1
Deferred tax liability		6.2	5.5
Other liabilities		185.0	174.1
Total liabilities before subordinated debt		3,234.4	3,079.0
Subordinated debt	17	196.8	226.3
Total liabilities		3,431.2	3,305.3
Equity			
Share capital		75.7	75.7
Share premium		215.8	215.8
Treasury shares		(0.4)	(0.4)
Unrealized gain on financial assets available-for-sale and cash flow hedge		0.9	0.1
Premises revaluation reserve		14.0	14.2
Currency translation difference		20.7	13.1
Retained earnings		49.6	70.9
Equity attributable to shareholders of the parent		376.3	389.4
Minority interest		5.2	2.7
Total equity		381.5	392.1
Total liabilities and equity		3,812.7	3,697.4

Approved for issue and signed on 18 August 2009.



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



M.V. Tsekhomsky
Chief Financial Officer – Member of the Management Board

VTB Bank**Interim Condensed Consolidated Income Statement for the Three Months Ended 31 March 2009
(unaudited)***(expressed in billions of Russian Roubles)*

	Note	For the three-month period ended 31 March	
		2009	2008
Interest income	18	94.0	51.1
Interest expense	18	(59.7)	(24.9)
Net interest income		34.3	26.2
Provision charge for impairment	21	(49.2)	(4.7)
Net interest (loss) / income after provision for impairment		(14.9)	21.5
Losses net of gains arising from financial instruments at fair value through profit or loss		(11.3)	(11.0)
Gains less losses arising from extinguishment of liability	16,17	5.5	–
(Losses net of gains) / gains less losses arising from dealing in foreign currencies		(42.6)	14.8
Foreign exchange translation gains less losses/ (losses net of gains)		52.1	(12.2)
Fee and commission income	19	5.6	4.1
Fee and commission expense	19	(1.3)	(0.6)
Share in income of associates		–	0.1
Provision charge for impairment of other assets and credit related commitments	21	(0.6)	–
Income arising from non-banking activities		0.6	0.8
Other operating income		0.5	0.8
Net non-interest income / (loss)		8.5	(3.2)
Operating (loss) / income		(6.4)	18.3
Staff costs and administrative expenses	20	(17.1)	(13.1)
Expenses arising from non-banking activities		(0.2)	(0.6)
(Loss) / profit before taxation		(23.7)	4.6
Income tax benefit / (expense)	23	3.2	(1.7)
Net (loss) / profit for the period		(20.5)	2.9
Net (loss) / profit attributable to:			
Shareholders of the parent		(21.4)	2.7
Minority interests		0.9	0.2
Basic and diluted earnings per share (expressed in Russian Roubles per share)	22	(0.0032)	0.0004

VTB Bank**Interim Condensed Consolidated Statement of Comprehensive Income for the Three Months Ended 31 March 2009 (unaudited)***(expressed in billions of Russian Roubles)*

	For the three-month period ended	
	31 March	
	2009	2008
Net (loss) / profit for the period	(20.5)	2.9
Other comprehensive income (Note 23):		
Unrealized gain on financial assets available-for-sale, net of tax	0.9	0.1
Cash flow hedges, net of tax	(0.1)	(0.4)
Effect of translation, net of tax	7.6	(1.3)
Other comprehensive income for the period, net of tax	8.4	(1.6)
Total comprehensive income for the period	(12.1)	1.3
Total comprehensive income attributable to:		
Shareholders of the parent	(13.0)	1.4
Minority interest	0.9	(0.1)

VTB Bank
Interim Condensed Consolidated Statement of Cash Flows for the Three Months
Ended 31 March 2009 (unaudited)
(expressed in billions of Russian Roubles)

	Note	For the three-month period ended 31 March	
		2009	2008
Cash flows from operating activities			
Interest received		80.7	46.5
Interest paid		(41.5)	(27.1)
Loss incurred on operations with financial assets at fair value through profit or loss		(3.0)	(5.7)
(Loss incurred) / Income received on dealing in foreign currency		(46.9)	16.3
Fees and commissions received		5.7	4.0
Fees and commissions paid		(1.4)	(0.7)
Income arising from non-banking activities and other operating income received		1.7	2.9
Staff costs, administrative expenses and expenses arising from non-banking activities paid		(18.3)	(12.6)
Income tax paid		(3.7)	(3.2)
Cash flows (used in)/ from operating activities before changes in operating assets and liabilities		(26.7)	20.4
Net decrease / (increase) in operating assets			
Net increase in mandatory cash balances with central banks		(3.5)	(11.0)
Net (increase)/ decrease in restricted cash		(0.3)	0.5
Net decrease in financial assets at fair value through profit or loss		5.8	57.0
Net decrease in due from other banks		27.5	38.2
Net increase in loans and advances to customers		(53.9)	(192.4)
Net decrease / (increase) in other assets		5.9	(6.0)
Net (decrease) / increase in operating liabilities			
Net decrease in due to other banks		(71.8)	(83.5)
Net increase in customer deposits		61.0	118.1
Net (decrease) / increase in promissory notes and certificates of deposits issued		(12.9)	38.0
Net decrease in other liabilities		(16.5)	(1.6)
Net cash used in operating activities		(85.4)	(22.3)
Cash flows from investing activities			
Dividends received		–	0.1
Proceeds from sales or maturities of financial assets available-for-sale		4.7	4.8
Purchase of financial assets available-for-sale		(1.8)	(2.0)
Purchase of subsidiaries, net of cash acquired		(0.1)	–
Disposal of subsidiaries, net of cash disposed		1.4	(0.8)
Contributions to associates		–	(0.4)
Purchase of minority interests in subsidiaries		(0.2)	(0.2)
Proceeds from redemption of investment securities held-to-maturity		3.2	–
Purchase of premises and equipment		(1.9)	(1.1)
Proceeds from sale of premises and equipment		0.7	0.3
Purchase of intangible assets		(0.3)	–
Net cash from investing activities		5.7	0.7

VTB Bank**Interim Condensed Consolidated Statement of Cash Flows for the Three Months Ended 31 March 2009 (unaudited) (Continued)***(expressed in billions of Russian Roubles)*

	Note	For the three-month period ended 31 March	
		2009	2008
Cash flows from financing activities			
Proceeds from issuance of local bonds denominated in RUR		8.0	9.8
Redemption of local bonds denominated in RUR		(3.0)	–
Proceeds from sale of previously bought-back bonds denominated in RUR		3.9	–
Repayment of Eurobonds		(45.0)	(1.8)
Buy-back of Eurobonds		(8.3)	–
Proceeds from sale of previously bought-back Eurobonds		0.5	–
Proceeds from syndicated loans		–	5.3
Repayment of syndicated loans		(4.4)	(4.8)
Proceeds from other borrowings		301.0	6.6
Repayment of other borrowings		(264.2)	(0.6)
Buy-back of subordinated debt		(6.1)	–
Net cash (used in) / from financing activities		(17.6)	14.5
Effect of exchange rate changes on cash and cash equivalents		35.1	(0.6)
Net decrease in cash and cash equivalents		(62.2)	(7.7)
Cash and cash equivalents at beginning of the year	5	415.0	125.0
Cash and cash equivalents at the end of the period	5	352.8	117.3

VTB Bank
Interim Condensed Consolidated Statement of Changes in Shareholders' Equity for the Three Months ended 31 March 2009 (unaudited)
(expressed 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	Minority interest	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
Acquisition of minority interests	–	–	–	–	–	–	–	–	(0.2)	(0.2)
Total comprehensive income for the period	–	–	–	(0.3)	–	(1.0)	2.7	1.4	(0.1)	1.3
Transfer of premises revaluation reserve upon disposal or depreciation	–	–	–	–	(0.1)	–	0.1	–	–	–
Balance at 31 March 2008	75.7	215.8	(0.5)	1.9	14.3	10.4	81.7	399.3	6.9	406.2
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
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	0.2	0.2
Increase in share capital of subsidiaries	–	–	–	–	–	–	–	–	1.4	1.4
Acquisition of minority interests	–	–	–	–	–	–	(0.1)	(0.1)	–	(0.1)
Total comprehensive income for the period	–	–	–	0.8	–	7.6	(21.4)	(13.0)	0.9	(12.1)
Transfer of premises revaluation reserve upon disposal or depreciation	–	–	–	–	(0.2)	–	0.2	–	–	–
Balance at 31 March 2009	75.7	215.8	(0.4)	0.9	14.0	20.7	49.6	376.3	5.2	381.5

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, also known as Vneshtorgbank (the “Bank”, “Vneshtorgbank”, 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 27. In March 2007, the Bank for Foreign Trade was renamed into “VTB Bank” (Open Joint-Stock Company).

On January 2, 1991, VTB received a general banking license (number 1000) from the Central Bank of Russia (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 depository services. VTB and other Russian Group banks are regulated and supervised by the CBR and the Federal Service for Financial Markets. 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 “Agency for Deposits Insurance”. The main retail subsidiary bank - VTB 24, CJSC is also a member of the obligatory deposit insurance system provided by the State Corporation “Agency for Deposits Insurance” since February 22, 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 “Agency for Deposits Insurance” will guarantee 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 27.

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 102 full service branches, including 55 branches of VTB, 21 branches of bank VTB 24 and 26 branches of VTB North-West, located in major Russian regions. The Group operates outside Russia through 13 bank subsidiaries, located in the Commonwealth of Independent States (“CIS”) (Armenia, Georgia, Ukraine, Belarus, Kazakhstan, Azerbaijan), Europe (Austria, Cyprus, Switzerland, Germany, France and Great Britain), Africa (Angola) and through 4 representative offices located in Italy, China, Kyrgyz Republic and Republic of Kazakhstan and through 2 VTB branches in China and India and “VTB Capital”, Plc Singapore branch.

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

The number of employees of the Group at 31 March 2009 was 41,427 (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 ongoing global financial crisis has resulted in capital markets instability, 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 and supporting refinancing of foreign debt for 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.

Due to the fall 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 Group financial result. 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 have been affected by the deterioration in liquidity, which could in turn impact their ability to repay the amounts due to the Group. Due to the instability 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 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 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 three-month period ended 31 March 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".

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 31 March 2009, the principal closing rate of exchange used for translating balances in USD to Russian Roubles was USD 1 to RUR 34.0134 (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 44.9419 (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 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 (see Note 6), at each reclassification date.

	31 March 2009	
	Carrying value	Fair value
Financial assets held for trading reclassified to due from other banks	14.0	13.9
Financial assets held for trading reclassified to loans and advances to customers	13.9	11.8
Financial assets available-for-sale reclassified to due from other banks	2.1	2.1
Financial assets available-for-sale reclassified to loans and advances to customers	3.0	2.9
Total financial assets reclassified on 1 July 2008	33.0	30.7

3. Basis of Preparation (continued)

Reclassifications (continued)

	31 March 2009	
	Carrying value	Fair value
Financial assets held for trading reclassified to loans and advances to customers	1.1	1.0
Financial assets held for trading reclassified to investment securities held-to-maturity	32.9	32.6
Total financial assets reclassified on 1 September 2008	34.0	33.6

	31 March 2009	
	Carrying value	Fair value
Financial assets held for trading reclassified to due from other banks	3.4	2.9
Financial assets held for trading reclassified to loans and advances to customers	4.2	3.8
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	8.0	7.1

The following tables show carrying values and fair values of the reclassified debt securities, pledged under repurchase agreements, at each reclassification date.

	31 March 2009	
	Carrying value	Fair value
Financial assets held for trading reclassified to due from other banks	0.9	0.9
Financial assets held for trading reclassified to loans and advances to customers	1.5	1.5
Total financial assets reclassified on 1 July 2008	2.4	2.4

	31 March 2009	
	Carrying value	Fair value
Financial assets held for trading reclassified to due from other banks	4.4	4.4
Financial assets held for trading reclassified to loans and advances to customers	0.7	0.7
Total financial assets reclassified on 1 September 2008	5.1	5.1

3. Basis of Preparation (continued)**Reclassifications (continued)**

For financial assets, which are not pledged and pledged under repurchase agreements, interest income and provision charge recognized in the first quarter of 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	0.6	0.1	(1.0)
Financial assets held for trading reclassified to loans and advances to customers	0.4	0.1	1.1
Financial assets held for trading reclassified to investment securities held-to-maturity	0.8	0.1	0.4
Financial assets available-for-sale reclassified to due from other banks	0.1	–	(0.1)
Financial assets available-for-sale reclassified to loans and advances to customers	0.1	–	–
Total financial assets not pledged reclassified	2.0	0.3	0.4

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:

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 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.

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

FRS 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 organisation 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 25 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 after 1 January 2009. No changes have been made for borrowing costs incurred 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 applied to government loans received on or after 1 January 2008.

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

	31 March 2009 (unaudited)	31 December 2008
Cash on hand	48.1	52.6
Cash balances with central banks (other than mandatory reserve deposits)	184.4	229.7
Correspondent accounts with other banks		
- Russian Federation	61.2	78.8
- Other countries	60.4	55.0
Total cash and short-term funds	354.1	416.1
Less: restricted cash	(1.3)	(1.1)
Total cash and cash equivalents	352.8	415.0

6. Financial Assets at Fair Value through Profit or Loss

	31 March 2009 (unaudited)	31 December 2008
Financial assets held for trading	163.5	142.6
Financial assets designated as at fair value through profit or loss	29.4	28.2
Total financial assets at fair value through profit or loss	192.9	170.8

Financial Assets Held for Trading

	31 March 2009 (unaudited)	31 December 2008
<i>Debt securities denominated in USD</i>		
Bonds and eurobonds of foreign companies and banks	5.5	6.1
Eurobonds of Russian companies and banks	4.6	0.6
<i>Debt securities denominated in RUR</i>		
Bonds of Russian companies and banks	19.4	12.9
Russian municipal bonds	5.1	3.8
Russian Federal loan bonds (OFZ)	1.6	1.3
Promissory notes of Russian companies and banks	1.2	1.1
<i>Debt securities denominated in other currencies</i>		
Eurobonds of Russian companies and banks	0.4	–
Bonds of foreign governments	0.3	0.6
<i>Equity securities</i>	39.4	45.7
<i>Balances arising from derivative financial instruments</i>	86.0	70.5
Total financial assets held for trading	163.5	142.6

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

Financial Assets Designated as at Fair Value through Profit or Loss

	31 March 2009 (unaudited)	31 December 2008
Bonds of Russian companies and banks	11.5	11.0
Bonds of foreign companies and banks	8.3	8.0
Equity securities	6.8	7.3
Bonds of foreign governments	1.6	1.6
Eurobonds of the Russian Federation	0.8	–
Investments in mutual funds	0.2	0.2
Russian municipal bonds	0.1	0.1
<i>Balances arising from derivative financial instruments</i>	0.1	–
Total financial assets designated as at fair value through profit or loss	29.4	28.2

Equity securities in the amount of RUR 6.1 billion at 31 March 2009 (31 December 2008: RUR 6.6 billion) and balances arising from derivative financial instruments 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 within “Other liabilities” in the amount of RUR 1.0 billion at 31 March 2009 (31 December 2008: RUR 2.3 billion).

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

	31 March 2009 (unaudited)	31 December 2008
Financial assets at fair value through profit or loss		
<i>Financial assets held for trading</i>		
Bonds of foreign governments	0.3	–
Equity securities	0.1	–
Bonds of Russian companies and banks	–	3.7
<i>Total financial assets held for trading</i>	<i>0.4</i>	<i>3.7</i>
<i>Financial assets designated as at fair value through profit or loss</i>		
Bonds of foreign governments	2.0	1.9
Eurobonds of Russian companies and banks	0.9	2.1
<i>Total financial assets designated as at fair value through profit or loss</i>	<i>2.9</i>	<i>4.0</i>
Total financial assets at fair value through profit or loss	3.3	7.7
Financial assets available-for-sale		
Bonds of foreign governments	0.3	0.4
Bonds of foreign companies and banks	–	4.6
Total financial assets available-for-sale	0.3	5.0
Investment securities held-to-maturity		
Bonds of Russian companies and banks	–	18.4
Total investment securities held-to-maturity	–	18.4
Financial assets classified as loans and advances to customers	2.2	3.1
Financial assets classified as due from other banks	5.3	10.3
Total financial assets pledged under repurchase agreements and loaned financial assets	11.1	44.5

8. Due from Other Banks

	31 March 2009 (unaudited)	31 December 2008
Current term placements	306.5	302.1
Reverse sale and repurchase agreements	3.1	5.9
Overdue placements	1.0	0.7
Total gross due from other banks	310.6	308.7
Less: Allowance for impairment (Note 21)	(1.0)	(0.7)
Total due from other banks	309.6	308.0

9. Loans and Advances to Customers

	31 March 2009 (unaudited)	31 December 2008
Current loans and advances	2,678.8	2,527.5
Reverse sale and repurchase agreements	47.0	58.6
Rescheduled loans and advances	23.6	16.3
Overdue loans and advances	98.5	47.9
Total gross loans and advances to customers	2,847.9	2,650.3
Less: Allowance for impairment (Note 21)	(144.4)	(94.7)
Total loans and advances to customers	2,703.5	2,555.6

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 31 March 2009, included in gross loans are finance lease receivables of RUR 103.6 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:

	31 March 2009 (unaudited)		31 December 2008	
	Amount	%	Amount	%
Building construction	412.4	14	375.9	14
Individuals	409.5	14	387.1	15
Finance	388.2	14	492.6	19
Metals	338.6	12	196.3	7
Trade and commerce	266.6	9	253.0	10
Oil and Gas	204.7	7	145.2	5
Manufacturing	199.5	7	196.2	7
Transport	145.1	5	146.7	5
Government bodies	95.1	3	88.6	3
Chemical	82.0	3	71.5	3
Coal mining	79.2	3	69.3	3
Food and agriculture	76.6	3	75.1	3
Energy	70.1	2	62.7	2
Telecommunications and media	19.1	1	18.5	1
Aircraft	14.7	1	17.7	1
Other	46.5	2	53.9	2
Total gross loans and advances to customers	2,847.9	100	2,650.3	100

At 31 March 2009, the total amount of outstanding loans issued by the Group to the 10 largest groups of interrelated borrowers comprise RUR 583.3 billion, or 20% of the gross loan portfolio (31 December 2008: RUR 546.9 billion, or 21%).

10. Financial Assets Available-for-sale

	31 March 2009 (unaudited)	31 December 2008
Bonds of foreign companies and banks	14.1	9.5
Equity investments	12.2	11.9
Bonds of foreign governments	1.6	1.1
Eurobonds of Russian companies and banks	0.8	0.5
Promissory notes of Russian companies and banks	0.3	0.3
Russian municipal bonds	–	0.6
Total financial assets available-for-sale	29.0	23.9

11. Investments in Associates

	Country of registration	Activity	31 March 2009 (unaudited)		31 December 2008	
			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	1.0	49.00%	0.7	49.00%
“Interbank Trading House”, Ltd	Russia	Commerce	–	50.00%	–	50.00%
Total investments in associates			4.8		4.5	

12. Investment Securities Held-to-maturity

	31 March 2009 (unaudited)	31 December 2008
Bonds of Russian companies and banks	33.9	14.8
Eurobonds of Russian companies and banks	2.2	2.5
Promissory notes of Russian companies and banks	1.0	1.7
Bonds of foreign companies and banks	0.5	2.8
Bonds of foreign governments	0.1	0.2
Total gross investment securities held-to-maturity	37.7	22.0
Less: Allowance for impairment (Note 21)	(1.6)	(1.3)
Total investment securities held-to-maturity	36.1	20.7

13. Due to Other Banks

	31 March 2009 (unaudited)	31 December 2008
Term loans and deposits	248.5	264.0
Correspondent accounts and overnight deposits	100.7	116.4
Sale and repurchase agreements	2.6	8.3
Total due to other banks	351.8	388.7

Financial assets pledged against sale and repurchase agreements are financial assets at fair value through profit or loss and financial assets available-for-sale with a total fair value of RUR 2.8 billion (31 December 2008: RUR 9.0 billion) and those reclassified to loans and advances to customers with amortized cost of nil (31 December 2008: RUR 1.0 billion) (see Note 7).

14. Customer Deposits

	31 March 2009 (unaudited)	31 December 2008
Government bodies		
Current / settlement deposits	18.2	15.0
Term deposits	70.0	30.2
Legal entities		
Current / settlement deposits	305.2	256.2
Term deposits	435.1	446.4
Individuals		
Current / settlement deposits	83.7	84.8
Term deposits	310.2	269.3
Sale and repurchase agreements	0.2	–
Total customer deposits	1,222.6	1,101.9

15. Other Borrowed Funds

	31 March 2009 (unaudited)	31 December 2008
Syndicated loans	86.3	85.3
Other borrowings	838.9	763.4
Total other borrowed funds	925.2	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.

At 31 March 2009, financial assets pledged against sale and repurchase agreements included in Other borrowed funds are financial assets at fair value through profit or loss with a total fair value of RUR 0.6 billion; due from banks, loans and advances to customers with amortized cost of RUR 5.3 billion, RUR 2.2 billion, respectively (Note 7) (31 December 2008: financial assets at fair value through profit or loss with a total fair value of RUR 3.7 billion; due from banks, loans and advances to customers and investment securities held to maturity with amortized cost of RUR 10.3 billion, RUR 2.1 billion, RUR 18.4 billion, respectively)

16. Debt securities Issued

	31 March 2009 (unaudited)	31 December 2008
Bonds	405.9	408.9
Promissory notes	137.4	150.7
Deposit certificates	0.3	0.5
Total debt securities issued	543.6	560.1

16. Debt securities Issued (continued)

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 put option embedded 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.

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 first quarter 2009 amounted to RUR 10.0 billion, which resulted in the recognition of a gain on the extinguishment of debt of RUR 1.7 billion for the period. As at 31 March 2009 the total notional amount of Eurobonds bought-back by VTB Group amounted to RUR 45.4 billion (31 December 2008: RUR 30.6 billion).

During the first quarter of 2009 VTB Group sold out local bonds issued by VTB-Leasing Finance with notional amount of RUR 3.9 billion.

During the first quarter of 2009 VTB Group sold out previously purchased Eurobonds issued by VTB with notional amount of RUR 0.5 billion.

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 first quarter of 2009 amounted to RUR 9.6 billion, which resulted in the recognition of a gain on the extinguishment of debt of RUR 3.7 billion for the period. As at 31 March 2009 the total notional amount of Eurobonds bought-back by VTB Group amounted to RUR 14.9 billion. As of 31 March 2009 the carrying amount of this subordinated debt was RUR 10.9 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 first quarter of 2009 amounted to RUR 0.3 billion, which resulted in the recognition of a gain on the extinguishment of debt of RUR 0.1 billion for the period. As at 31 March 2009 the total notional amount of Eurobonds bought-back by VTB Group amounted to RUR 3.1 billion. As of 31 March 2009 the carrying amount of this subordinated debt was RUR 10.5 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. 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 31 March 2009 the carrying amount of this subordinated debt was RUR 175.4 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.

18. Interest Income and Expense

	For the three-month period ended 31 March (unaudited)	
	2009	2008
Interest income		
Loans and advances to customers	87.7	42.9
Due from other banks	3.9	3.2
Securities	2.4	5.0
Total interest income	94.0	51.1
Interest expense		
Customer deposits	(17.5)	(12.5)
Debt securities issued	(9.8)	(6.1)
Due to banks and other borrowed funds	(27.7)	(5.8)
Subordinated debt	(4.7)	(0.5)
Total interest expense	(59.7)	(24.9)
Net interest income	34.3	26.2

19. Fee and Commission Income and Expense

	For the three-month period ended 31 March (unaudited)	
	2009	2008
Commission on settlement transactions	3.1	2.3
Commission on cash transactions	0.5	0.5
Commission on guarantees issued and trade finance	1.2	0.8
Commission on operations with securities	0.5	0.4
Other	0.3	0.1
Total fee and commission income	5.6	4.1
Commission on settlement transactions	(0.6)	(0.4)
Commission on cash transactions	(0.1)	(0.1)
Other	(0.6)	(0.1)
Total fee and commission expense	(1.3)	(0.6)
Net fee and commission income	4.3	3.5

20. Staff Costs and Administrative Expenses

	For the three-month period ended 31 March (unaudited)	
	2009	2008
Staff costs	8.8	6.5
Defined contribution pension expense	1.0	0.6
Depreciation and other expenses related to premises and equipment	1.8	1.6
Leasing and rent expenses	1.4	0.9
Taxes other than on income	0.6	0.7
Professional services	0.5	0.4
Participation in deposit insurance system	0.4	0.4
Post and telecommunication expenses	0.4	0.2
Advertising expenses	0.3	0.5
Charity	0.3	0.3
Security expenses	0.3	0.3
Impairment, amortization and other expenses related to intangibles, except for core deposit intangible	0.3	0.1
Amortization of core deposit intangible	0.2	0.2
Insurance	0.1	0.1
Transport expenses	0.1	–
Other	0.6	0.3
Total staff costs and administrative expenses	17.1	13.1

21. Allowances for Impairment and Provisions

The movements in allowances for impairment of due from other banks and loans and advances to customers were as follows (unaudited):

	Due from other banks	Loans and advances to customers	Investment securities held-to- maturity	Credit related commit- ments	Total
Balance at 1 January 2008	0.3	36.1	–	–	36.4
Provision for impairment during the period	–	4.7	–	–	4.7
Write-offs	–	(0.5)	–	–	(0.5)
Currency translation difference	–	0.2	–	–	0.2
Balance at 31 March 2008 (unaudited)	0.3	40.5	–	–	40.8
Balance at 1 January 2009	0.7	94.7	1.3	1.5	98.2
Provision for impairment during the period	0.2	48.7	0.3	0.6	49.8
Write-offs	–	(0.2)	–	–	(0.2)
Recoveries of amounts written-off in previous period	–	0.2	–	–	0.2
Currency translation difference	0.1	1.0	–	–	1.1
Balance at 31 March 2009 (unaudited)	1.0	144.4	1.6	2.1	149.1

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 Council and, in certain cases, with the respective decision of the Court.

22. Basic and Diluted Earnings per Share

Basic earning 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 earning per share.

	For the three-month period ended 31 March (unaudited)	
	2009	2008
Net (loss) / profit attributable to shareholders of the parent (in billions of Russian Roubles)	(21.4)	2.7
Weighted average number of ordinary shares in issue	6,721,345,627,252	6,720,388,912,353
Basic and diluted earnings per share (expressed in Russian Roubles per share)	(0.0032)	0.0004

23. Income Tax

The Group's effective tax rate for the first three months of 2009 was 14% (first three months 2008: 37%). The effective tax rate was influenced by non-taxable items in pre-tax profit, which arise in the normal course of business, and recognition of deferred tax assets in Group entities.

The following table provides disclosure of income tax effects relating to each component of other comprehensive income for the three months ended 31 March 2009 and 31 March 2008:

	For the three-month period ended 31 March (unaudited)					
	2009			2008		
	Before tax	Tax (expense)/ credit	Net of tax	Before tax	Tax (expense)/ credit	Net of tax
Unrealized gain / (loss) on financial assets available-for-sale	1.0	(0.1)	0.9	–	0.1	0.1
Cash flow hedges	(0.1)	–	(0.1)	(0.2)	(0.2)	(0.4)
Effect of translation	8.9	(1.6)	7.3	(1.0)	(0.3)	(1.3)
Changes in associates' equity (not recognized in profit or loss)	0.4	(0.1)	0.3	–	–	–
Other comprehensive income	10.2	(1.8)	8.4	(1.2)	(0.4)	(1.6)

24. 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 standing. At the reporting date the Group had several unresolved legal claims.

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

Legal proceedings (continued).

As of 31 March 2009, a USD 14 million 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 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.

Outstanding credit related commitments are as follows:

	31 March 2009 (unaudited)	31 December 2008
Guarantees issued	203.9	219.2
Undrawn credit lines	175.6	169.6
Import letters of credit	49.0	49.5
Commitments to extend credit	112.3	112.1
Other credit related commitments	0.6	–
Less: Allowance for losses on credit related commitments (Note 21)	(2.1)	(1.5)
Total credit related commitments	539.3	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 31 March 2009 was RUR 92.8 billion (31 December 2008: RUR 86.2 billion). Commitments under import letters of credit and guarantees are collateralized by customer deposits of RUR 7.3 billion (31 December 2008: RUR 9.0 billion).

At 31 March 2009, included in guarantees issued are guarantees issued for a related state-owned company of RUR 31.1 billion or 15% (31 December 2008: 27.1 billion or 12%) of the guarantees issued.

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

Cash flow hedges

The Group is exposed to variability in future variable interest cash flows on its loan portfolio. The Group uses interest rate swaps (IRSs) as cash flow hedges of risks of change in the benchmark interest rates relating to these cash flows. The cash flows are expected to occur and affect future interest received until 30 June 2015.

The fair value of IRSs used as cash flow hedges was accounted for within “Other assets” for positive items, which amounted to RUR 1.1 billion (31 December 2008: RUR 2.6 billion was accounted for within “Financial assets at fair value through profit or loss”).

The Group recognized a cumulative effect of RUR 0.4 billion credited to the cash flow hedge reserve, net of taxes, at 31 March 2009 (31 December 2008: RUR 1.7 billion), which was accounted for within “Unrealized gain on financial assets available-for-sale and cash flow hedge” caption in equity.

In the first quarter 2009, the Group recognized a gain of RUR 0.1 billion (net of tax) in the statement of income as certain hedged items related to cash flow hedges are no longer highly probable.

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 rates. The financial instruments hedged for interest rate risk include loans and debt securities issued. For the three months ended 31 March 2009, the Group recognized a net gain of RUR 1.6 billion (for the three months ended 31 March 2008: nil), representing the gain on the hedging instruments. The net loss on hedged items attributable to the hedged risk amounted to RUR 1.5 billion for the three months ended 31 March 2009 (for the three months ended 31 March 2008: nil).

In the first quarter 2009 some fair value hedges became ineffective, which led to recognition of losses of RUR 10.3 million in the statement of income.

25. 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 accordance with IFRS 8, “Operating Segments”, the Group defined legal entities as the primary operating segments at the current stage which are reported in these interim consolidated condensed financial statements. 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 banking, 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.

25. Analysis by Segment (continued)

Segment information for the reportable segments of the Group is set out below for the three months ended 31 March 2009 (unaudited):

	Corporate Business	Retail Business	Investment Banking	Ukraine	Other	Total before Intersegment eliminations	Inter- segment	Total
Revenues from:								
External customers	83.5	20.5	6.4	4.1	3.4	117.9	–	117.9
Other segments	4.3	1.0	0.6	0.1	0.4	6.4	(6.4)	–
Effect recognized on the Group level	–	–	–	–	–	–	1.7	1.7
Total revenues	87.8	21.5	7.0	4.2	3.8	124.3	(4.7)	119.6
Segment results (profit before taxation)	(12.3)	(4.8)	(0.7)	(4.1)	0.1	(21.8)	(1.9)	(23.7)
Income tax benefit								3.2
Net profit								(20.5)
Segment assets as of 31 March 2009	3,038.7	616.5	271.2	106.6	120.3	4,153.3	(340.6)	3,812.7
Segment liabilities as of 31 March 2009	2,763.7	562.5	245.7	101.4	103.8	3,777.1	(345.9)	3,431.2
Other segment items:								
Provision charge for impairment	(31.6)	(10.3)	(1.5)	(5.3)	(0.5)	(49.2)	–	(49.2)
Interest income	71.8	19.1	3.4	3.9	2.5	100.7	(6.7)	94.0
Interest expense	(48.0)	(10.0)	(3.1)	(2.4)	(1.7)	(65.2)	5.5	(59.7)
Net interest income	23.8	9.1	0.3	1.5	0.8	35.5	(1.2)	34.3

25. Analysis by Segment (continued)

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

	Corporate business	Retail business	Investment banking	Ukraine	Other	Total before Intersegment eliminations	Inter- segment	Total
Revenues from:								
External customers	42.3	11.4	2.2	1.7	2.7	60.3	–	60.3
Other segments	1.1	0.3	–	–	0.1	1.5	(1.5)	–
Total revenues	43.4	11.7	2.2	1.7	2.8	61.8	(1.5)	60.3
Segment results (profit before taxation)	3.5	0.7	0.1	0.2	0.1	4.6	–	4.6
Income tax expense								(1.7)
Net profit								2.9
Segment assets as of 31 December 2008	2,919.0	598.1	245.6	103.4	111.2	3,977.3	(279.9)	3,697.4
Segment liabilities as of 31 December 2008	2,640.1	541.2	222.4	95.7	95.5	3,594.9	(289.6)	3,305.3
Other segment items:								
Provision charge for impairment	(2.5)	(1.5)	–	–	(0.7)	(4.7)	–	(4.7)
Interest income	37.8	10.3	1.9	1.5	1.0	52.5	(1.4)	51.1
Interest expense	(18.9)	(4.6)	(1.3)	(0.9)	(0.6)	(26.3)	1.4	(24.9)
Net interest income	18.9	5.7	0.6	0.6	0.4	26.2	–	26.2

26. 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 associates and are stated in the tables below.

26. Related Party Transactions (continued)

Statements of financial position and credit related commitments

	31 March 2009 (unaudited)		31 December 2008	
	State-owned entities	Associates	State-owned entities	Associates
Assets				
Cash and short-term funds	236.4	–	297.2	–
Mandatory cash balances with central banks	3.5	–	2.7	–
Financial assets at fair value through profit or loss	47.9	–	40.0	–
Financial assets pledged under repurchase agreements and loaned financial assets	5.8	–	14.4	–
Due from other banks	70.9	2.3	46.2	2.1
Gross loans and advances to customers	512.2	2.6	548.2	2.5
Allowance for loan impairment	(5.5)	(1.6)	(4.5)	(1.6)
Financial assets available-for-sale	2.7	0.3	3.7	0.3
Investment securities held-to-maturity	1.9	–	2.3	–
Liabilities				
Due to other banks	69.4	1.4	52.8	1.2
Customer deposits	348.7	1.9	230.2	1.6
Other borrowed funds	773.4	–	732.5	–
Subordinated debt	175.4	–	175.1	–
Credit related commitments				
Guarantees issued	89.3	–	68.1	–
Undrawn credit lines	7.0	–	10.4	–
Import letters of credit	2.2	–	2.0	–
Commitments to extend credit	7.2	0.2	10.1	0.2

Income statements

	For the three-month period ended	
	31 March (unaudited) 2009	2008
Interest income		
Loans and advances to customers	14.6	5.5
Securities	1.6	1.2
Due from other banks	0.8	0.5
Interest expense		
Customer deposits	(5.1)	(3.9)
Due to other banks and other borrowed funds	(20.5)	(1.0)
Subordinated debt	(4.3)	–
Provision for impairment		
	(1.0)	(0.2)

For the period ended 31 March 2009, the total remuneration of the directors and key management personnel of the Group including pension contributions amounted to RUR 460.8 million (31 March 2008: RUR 276.7 million). 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 amounted to RUR 361.4 million (31 December 2008: RUR 455.4 million).

VTB Bank**Selected notes to the Interim Condensed Consolidated Financial Statements – 31 March 2009
(continued)***(expressed in billions of Russian Roubles)***27. Consolidated Subsidiaries and Associates**

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

Name	Activity	Country of registration	Percentage of ownership	
			31 March 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%	100.00%
"VTB Bank", OJSC (former "Mriya", OJSC, merged with Vneshtorgbank (Ukraine), CJSC)	Banking	Ukraine	99.95%	99.95%
"VTB Bank (Armenia)", CJSC	Banking	Armenia	100.00%	100.00%
"VTB Bank (Georgia)", JSC	Banking	Georgia	84.72%	77.57%
"VTB Bank (Belarus)", CJSC	Banking	Belarus	69.65%	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	50.03%	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 (former "VTB-Capital", 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", LLC	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 kompaniya", CJSC	Finance	Russia	100.00%	99.99%
"VTB Asset Management", CJSC	Finance	Russia	19.00%	19.00%
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%

27. Consolidated Subsidiaries and Associates (continued)

During 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 of 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%.

28. Capital Adequacy

The CBR requires banks to maintain a capital adequacy ratio of 10.0% of risk-weighted assets, computed based on Russian accounting legislation. As of 31 March 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 31 March 2009 and 31 December 2008 was 15.5% and 17.3%, respectively. These ratios exceeded the minimum ratio of 8.0% recommended by the Basle Accord.

29. Subsequent Events

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

In April 2009, VTB Bank (Europe) redeemed Eurobonds in the amount of USD 500 million upon maturity.

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

In June 2009 VTB Bank sold its share in "Russian Commercial Bank Ltd" to an unrelated party. No significant financial result was recognized on the sale.

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

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).

29. Subsequent Events (continued)

In July 2009, VTB Capital S. A. Luxembourg issued CHF 750 million (RUR 21,914 million) Eurobonds under a European Medium Term Note Programme with a fixed rate of 7.5% maturing in July 2011.

In June 2009, the Group arranged a securitization transaction, upon which issued three tranches of Mortgage-backed notes 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 billion (as at July 31 2009) mortgage loans to individuals secured by residential properties (the loans were not derecognized). These securities were issued through a special purpose entity. At 30 June 2009 VTB 24 was the sole holder of the notes, thus these notes will be eliminated in the consolidated financial statements for the 6-month period of 2009.

In June 2009, VTB shareholders' annual meeting approved the issue of 9 trillion additional shares (57.24% of VTB number of shares after the increase) with a nominal value of 0.01 RUR each.

In July 2009, a newly established entity "Holding VTB Capital", CJSC was registered. VTB Group has a 100% ownership of this entity.