VTB BANK

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

31 March 2010

CONTENTS

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

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Interim Condensed Consolidated Statement of Financial Position 1
Interim Condensed Consolidated Income Statement 2
Interim Condensed Consolidated Statement of Comprehensive Income 3
Interim Condensed Consolidated Statement of Cash Flows 4
Interim Condensed Consolidated Statement of Changes in Shareholders' Equity 6

SELECTED NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Principal Activities 7
2. Operating Environment of the Group 7
3. Basis of Preparation 8
4. Adoption of New or Revised Standards and Interpretations 8
5. Cash and Short-Term Funds 10
6. Financial Assets at Fair Value through Profit or Loss 10
7. Financial Assets Pledged under Repurchase Agreements and Loaned Financial Assets 11
8. Due from Other Banks 12
9. Loans and Advances to Customers 12
10. Financial Assets Available-for-sale 13
11. Investments in Associates 13
12. Investment Securities Held-to-maturity 13
13. Due to Other Banks 13
14. Customer Deposits 14
15. Other Borrowed Funds 14
16. Debt Securities Issued 14
17. Subordinated Debt 15
18. Interest Income and Expense 15
19. Fee and Commission Income and Expense 16
20. Staff Costs and Administrative Expenses 16
21. Allowances for Impairment and Provisions 17
22. Basic and Diluted Earnings per Share 17
23. Income Tax 18
24. Contingencies, Commitments and Derivative Financial Instruments 18
25. Analysis by Segment 19
26. Related Party Transactions 22
27. Consolidated Subsidiaries and Associates 23
28. Capital Adequacy 24
29. Subsequent Events 24

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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 31 March 2010, and the related interim condensed consolidated income statement and interim condensed consolidated statement of comprehensive income, interim condensed consolidated statements of cash flows and changes in shareholders' 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.

Ernst & Young Vneshaudit

31 May 2010

(in billions of Russian Roubles)

	Note	31 March 2010 (unaudited)	31 December 2009
Assets			
Cash and short-term funds	5	169.3	260.2
Mandatory cash balances with central banks		22.3	23.9
Financial assets at fair value through profit or loss	6	258.3	267.9
Financial assets pledged under repurchase agreements and loaned financial assets	7	10.5	96.2
Due from other banks	8	282.1	345.6
Loans and advances to customers	9	2,291.0	2,309.9
Financial assets available-for-sale	10	25.3	24.9
Investments in associates	11	13.8	13.9
Investment securities held-to-maturity	12	32.6	11.7
Premises and equipment		64.8	65.9
Investment property		79.1	79.8
Intangible assets and goodwill		11.5	11.9
Deferred tax asset		33.9	31.4
Other assets		67.5	67.6
Total assets		**3,362.0**	**3,610.8**
Liabilities			
Due to other banks	13	309.0	287.0
Customer deposits	14	1,554.5	1,568.8
Other borrowed funds	15	161.5	470.9
Debt securities issued	16	535.1	485.7
Deferred tax liability		6.7	7.0
Other liabilities		89.1	91.2
Total liabilities before subordinated debt		**2,655.9**	**2,910.6**
Subordinated debt	17	185.6	195.3
Total liabilities		**2,841.5**	**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		3.6	3.4
Premises revaluation reserve		11.8	11.8
Currency translation difference		10.1	13.2
Retained earnings		21.4	2.7
Equity attributable to shareholders of the parent		**518.1**	**502.3**
Non-controlling interests		2.4	2.6
Total equity		**520.5**	**504.9**
Total liabilities and equity		**3,362.0**	**3,610.8**

Approved for issue and signed on 31 May 2010.

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

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

(in billions of Russian Roubles)

		For the three-month period ended 31 March	
	Note	***2010***	***2009***
Interest income	18	83.6	94.0
Interest expense	18	(41.6)	(59.7)
Net interest income		**42.0**	**34.3**
Provision charge for impairment	21	(15.5)	(49.2)
Net interest income / (expense) after provision for impairment		**26.5**	**(14.9)**
Gains less losses / (losses net of gains) arising from financial instruments at fair value through profit or loss		8.4	(11.3)
Gains less losses arising from extinguishment of liability		–	5.5
Losses net of gains arising from dealing in foreign currencies		(12.0)	(42.6)
Foreign exchange translation gains less losses		13.5	52.1
Fee and commission income	19	6.2	5.6
Fee and commission expense	19	(1.1)	(1.3)
Share in income of associates		0.1	–
Provision charge for impairment of other assets and credit related commitments	21	(1.9)	(0.6)
Income arising from non-banking activities		1.3	0.6
Expenses arising from non-banking activities		(0.8)	(0.2)
Other operating income		0.5	0.5
Net non-interest income		**14.2**	**8.3**
Operating income / (loss)		**40.7**	**(6.6)**
Staff costs and administrative expenses	20	(22.2)	(17.1)
Profit / (loss) before taxation		**18.5**	**(23.7)**
Income tax (expense) / recovery	23	(3.2)	3.2
Net profit / (loss) for the period		**15.3**	**(20.5)**
Net profit / (loss) attributable to:			
Shareholders of the parent		**15.3**	**(21.4)**
Non-controlling interests		**–**	**0.9**
Basic and diluted earnings per share (expressed in Russian Roubles per share)	22	**0.0015**	**(0.0032)**

(in billions of Russian Roubles)

	For the three-month period ended 31 March	
	2010	2009
Net profit / (loss) for the period	**15.3**	**(20.5)**
Other comprehensive income:		
Unrealized gain on financial assets available-for-sale, net of tax	0.2	0.9
Cash flow hedges, net of tax	–	(0.1)
Effect of translation, net of tax	(3.6)	7.6
Other comprehensive income for the period, net of tax	**(3.4)**	**8.4**
Total comprehensive income for the period	**11.9**	**(12.1)**
Total comprehensive income attributable to:		
Shareholders of the parent	**12.4**	**(13.0)**
Non-controlling interests	**(0.5)**	**0.9**

(in billions of Russian Roubles)

	Note	*For the three-month period ended 31 March* 2010	2009
Cash flows from (used in) operating activities			
Interest received		67.6	80.7
Interest paid		(38.8)	(41.5)
Income received / (loss incurred) on operations with financial assets at fair value through profit or loss		6.2	(3.0)
Loss incurred on dealing in foreign currency		(15.5)	(46.9)
Fees and commissions received		6.8	5.7
Fees and commissions paid		(1.4)	(1.4)
Income arising from non-banking activities and other operating income received		0.2	1.5
Staff costs, administrative expenses and expenses arising from non-banking activities paid		(20.4)	(18.1)
Income tax paid		(4.7)	(3.7)
Cash flows used in operating activities before changes in operating assets and liabilities		**–**	**(26.7)**
Net decrease / (increase) in operating assets			
Net decrease / (increase) in mandatory cash balances with central banks		0.9	(3.5)
Net decrease / (increase) in restricted cash		0.1	(0.3)
Net decrease in financial assets at fair value through profit or loss		58.3	5.8
Net decrease in due from other banks		50.2	27.5
Net decrease / (increase) in loans and advances to customers		3.4	(53.9)
Net (increase) / decrease in other assets		(0.8)	5.9
Net (decrease) / increase in operating liabilities			
Net increase / (decrease) in due to other banks		37.2	(71.8)
Net increase in customer deposits		14.6	61.0
Net increase / (decrease) in debt securities issued		7.5	(12.9)
Net increase / (decrease) in other liabilities		6.3	(16.5)
Net cash from (used in) operating activities		**177.7**	**(85.4)**
Cash flows (used in) from investing activities			
Proceeds from sales or maturities of financial assets available-for-sale		0.7	4.7
Purchase of financial assets available-for-sale		(1.2)	(1.8)
Proceeds from share issue by subsidiaries to minorities		0.3	–
Purchase of subsidiaries, net of cash acquired		–	(0.1)
Disposal of subsidiaries, net of cash disposed		–	1.4
Purchase of non-controlling interests in subsidiaries		–	(0.2)
Purchase of investment securities held-to-maturity		(0.1)	–
Proceeds from redemption of investment securities held-to-maturity		0.5	3.2
Purchase of premises and equipment		(3.1)	(1.9)
Proceeds from sale of premises and equipment		2.2	0.7
Purchase of intangible assets		(0.1)	(0.3)
Net cash (used in) from investing activities		**(0.8)**	**5.7**

(in billions of Russian Roubles)

		For the three-month period ended 31 March	
	Note	***2010***	***2009***
Cash flows used in financing activities			
Proceeds from issuance of local bonds		20.0	8.0
Repayment of local bonds		–	(3.0)
Proceeds from sale of previously bought-back local bonds		–	3.9
Proceeds from issuance of Eurobonds		38.4	–
Repayment of Eurobonds		(8.4)	(45.0)
Buy-back of Eurobonds		–	(8.3)
Proceeds from sale of previously bought-back Eurobonds		–	0.5
Repayment of syndicated loans		(8.2)	(4.4)
Proceeds from other borrowings		31.6	301.0
Repayment of other borrowings		(328.0)	(264.2)
Buy-back of subordinated debt		–	(6.1)
Repayment of subordinated debt		(9.3)	–
Net cash used in financing activities		**(263.9)**	**(17.6)**
Effect of exchange rate changes on cash and cash equivalents		**(3.8)**	**35.1**
Net decrease in cash and cash equivalents		**(90.8)**	**(62.2)**
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	**168.0**	**352.8**

(in billions of Russian Roubles)

	Attributable to shareholders of the parent									
	Share capital	Share premium	Treasury shares	Unrealized gain on financial assets available-for-sale and cash flow hedge	Premises revaluation reserve	Currency translation difference	Retained earnings	Total	Non-controlling interests	Total equity
Balance at 1 January 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 non-controlling 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**
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**
Increase in share capital of subsidiaries (Note 27)	–	–	–	–	–	–	–	**–**	0.3	**0.3**
Total comprehensive income for the period	–	–	–	0.2	–	(3.1)	15.3	**12.4**	(0.5)	**11.9**
Expiration of put options over non-controlling interests	–	–	–	–	–	–	3.4	**3.4**	–	**3.4**
Balance at 31 March 2010	**113.1**	**358.5**	**(0.4)**	**3.6**	**11.8**	**10.1**	**21.4**	**518.1**	**2.4**	**520.5**

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, 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 27. In March 2007, the Bank for Foreign Trade was renamed into "VTB Bank" (Open Joint-Stock Company).

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

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

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

A list of major subsidiaries and associates included in these interim condensed consolidated financial statements is provided in Note 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 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 3 representative offices located in Italy, China and the Kyrgyz Republic and through 2 VTB branches in China and India and 2 branches of "VTB Capital", Plc in Singapore and Dubai.

VTB's majority shareholder is the Russian Federation state, acting through the Federal Property Agency, which holds 85.50% of VTB's issued and outstanding shares at 31 March 2010 (31 December 2009: 85.50%).

The number of employees of the Group at 31 March 2010 was 40,608 (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 three-month period ended 31 March 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 31 March 2010, the principal closing rate of exchange used for translating balances in USD to Russian Roubles was USD 1 to RUR 29.3638 (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 39.7028 (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 recognised 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

	31 March 2010 (unaudited)	*31 December 2009*
Cash on hand	40.3	52.3
Cash balances with central banks (other than mandatory reserve deposits)	46.2	115.6
Correspondent accounts with other banks		
- Russian Federation	26.4	21.5
- Other countries	56.4	70.8
Total cash and short-term funds	**169.3**	**260.2**
Less: restricted cash	(1.3)	(1.4)
Total cash and cash equivalents	**168.0**	**258.8**

6. Financial Assets at Fair Value through Profit or Loss

	31 March 2010 (unaudited)	*31 December 2009*
Financial assets held for trading	237.5	244.6
Financial assets designated as at fair value through profit or loss	20.8	23.3
Total financial assets at fair value through profit or loss	**258.3**	**267.9**

Financial Assets Held for Trading

	31 March 2010 (unaudited)	*31 December 2009*
Debt securities denominated in USD		
Eurobonds of Russian companies and banks	12.2	6.6
Bonds and eurobonds of foreign companies and banks	11.7	11.9
Bonds and eurobonds of foreign governments	0.3	–
Eurobonds of the Russian Federation	0.2	0.1
Debt securities denominated in RUR		
Bonds of Russian companies and banks	143.3	166.9
Russian Federal loan bonds (OFZ)	1.8	1.8
Eurobonds of foreign companies and banks	1.2	1.0
Russian municipal bonds	0.9	2.1
Promissory notes of Russian companies and banks	0.8	1.1
Debt securities denominated in other currencies		
Bonds of foreign governments	0.7	1.0
Eurobonds of Russian companies and banks	0.3	1.1
Bonds of foreign companies and banks	0.1	–
Equity securities	40.9	26.0
Balances arising from derivative financial instruments	23.1	25.0
Total financial assets held for trading	**237.5**	**244.6**

At 31 March 2010 bonds of Russian companies and banks are mostly represented by debt securities issued by Russian oil and gas companies, energy, telecommunication, transportation companies and banks. At 31 March 2010 equity securities are represented by securities issued by Russian metal, energy, construction and oil and gas companies.

(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

	31 March 2010 (unaudited)	*31 December 2009*
Bonds of foreign companies and banks	5.2	7.5
Bonds of Russian companies and banks	4.8	8.2
Bonds of foreign governments	4.0	2.7
Equity securities	4.7	2.1
Balances arising from derivative financial instruments	2.1	2.8
Total financial assets designated as at fair value through profit or loss	**20.8**	**23.3**

Equity securities in the amount of RUR 2.7 billion at 31 March 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 2.1 billion at 31 March 2010 (31 December 2009: RUR 2.8 billion).

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

	31 March 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	5.1	0.5
Equity securities	2.2	–
Bonds of foreign companies and banks	1.3	–
Bonds of foreign governments	0.1	–
Bonds of Russian companies and banks	–	59.6
Total Financial assets held for trading	*8.7*	*60.1*
Financial assets designated as at fair value through profit or loss		
Eurobonds of Russian companies and banks	1.6	0.4
Total Financial assets designated as at fair value through profit or loss	*1.6*	*0.4*
Total Financial assets at fair value through profit or loss	***10.3***	***60.5***
Financial assets available-for-sale		
Bonds of foreign governments	0.2	0.3
Total Financial assets available-for-sale	***0.2***	***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***
Total financial assets pledged under repurchase agreements and loaned financial assets	**10.5**	**96.2**

(in billions of Russian Roubles)

8. Due from Other Banks

	31 March 2010 (unaudited)	31 December 2009
Current term placements with other banks	241.7	334.6
Reverse sale and repurchase agreements with other banks	40.0	10.7
Overdue placements	1.5	1.6
Total gross due from other banks	**283.2**	**346.9**
Less: Allowance for impairment (Note 21)	(1.1)	(1.3)
Total due from other banks	**282.1**	**345.6**

9. Loans and Advances to Customers

	31 March 2010 (unaudited)	31 December 2009
Current loans and advances	1,942.9	1,998.4
Reverse sale and repurchase agreements	42.8	49.0
Renegotiated loans and advances	327.1	300.5
Overdue loans and advances	227.2	196.9
Total gross loans and advances to customers	**2,540.0**	**2,544.8**
Less: Allowance for impairment (Note 21)	(249.0)	(234.9)
Total loans and advances to customers	**2,291.0**	**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 31 March 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:

	31 March 2010 (unaudited)		31 December 2009	
	Amount	%	Amount	%
Metals	423.0	17	417.3	16
Individuals	419.1	17	435.3	17
Finance	367.6	14	359.0	14
Building construction	275.3	11	278.6	11
Manufacturing	235.2	9	219.8	9
Trade and commerce	162.5	6	169.1	7
Transport	143.9	5	141.5	5
Oil and Gas	94.2	4	103.1	4
Energy	88.7	3	88.6	3
Coal mining	75.0	3	73.7	3
Government bodies	72.2	3	70.3	3
Food and agriculture	71.0	3	71.5	3
Chemical	29.6	1	28.6	1
Aircraft	20.3	1	24.0	1
Telecommunications and media	14.8	1	17.9	1
Other	47.6	2	46.5	2
Total gross loans and advances to customers	**2,540.0**	**100**	**2,544.8**	**100**

At 31 March 2010, the total amount of outstanding loans issued by the Group to the 10 largest groups of interrelated borrowers comprises RUR 595.3 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

	31 March 2010 (unaudited)	*31 December 2009*
Equity investments	19.6	19.3
Bonds of foreign companies and banks	4.2	4.2
Bonds of foreign governments	0.9	1.1
Bonds of Russian companies and banks	0.3	–
Promissory notes of Russian companies and banks	0.3	0.3
Total financial assets available-for-sale	**25.3**	**24.9**

11. Investments in Associates

			31 March 2010 (unaudited)		*31 December 2009*	
	Country of registration	*Activity*	*Carrying amount*	*Ownership percentage*	*Carrying amount*	*Ownership percentage*
“Eurofinance Mosnarbank”, OJSC	Russia	Banking	4.1	34.83%	4.0	34.83%
“Vietnam-Russia Joint Venture Bank”	Vietnam	Banking	0.9	49.00%	0.9	49.00%
“Interbank Trading House”, Ltd	Russia	Commerce	–	50.00%	–	50.00%
“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%
"Sistemapsys S.A.R.L.", JCS	Luxembourg	Construction	1.0	50.00%	1.2	50.00%
"Astanda", Ltd	Cyprus	Construction	0.4	50.00%	0.4	50.00%
"Sistema Saraya", Ltd	Cayman Islands	Construction	0.1	50.00%	0.1	50.00%
"Telecom-Development", CJSC	Russia	Construction	1.4	50.00%	1.4	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%
Total investments in associates			**13.8**		**13.9**	

12. Investment Securities Held-to-maturity

	31 March 2010 (unaudited)	*31 December 2009*
Bonds of Russian companies and banks	33.9	11.1
Bonds of foreign companies and banks	0.4	0.4
Bonds of foreign governments	0.2	0.3
Eurobonds of Russian companies and banks	–	2.1
Total gross investment securities held-to-maturity	**34.5**	**13.9**
Less: Allowance for impairment (Note 21)	(1.9)	(2.2)
Total investment securities held-to-maturity	**32.6**	**11.7**

13. Due to Other Banks

	31 March 2010 (unaudited)	*31 December 2009*
Correspondent accounts and overnight deposits of other banks	179.3	174.1
Term loans and deposits	119.8	111.6
Sale and repurchase agreements with other banks	9.9	1.3
Total due to other banks	**309.0**	**287.0**

(in billions of Russian Roubles)

14. Customer Deposits

	31 March 2010 (unaudited)	*31 December 2009*
Government bodies		
Current/settlement deposits	15.2	7.7
Term deposits	102.9	101.1
Other legal entities		
Current/settlement deposits	382.1	464.5
Term deposits	553.4	515.7
Individuals		
Current/settlement deposits	80.9	84.5
Term deposits	412.7	392.0
Sale and repurchase agreements	7.3	3.3
Total customer deposits	**1,554.5**	**1,568.8**

15. Other Borrowed Funds

	31 March 2010 (unaudited)	*31 December 2009*
Syndicated loans	39.9	49.4
Other borrowings	121.6	421.5
Total other borrowed funds	**161.5**	**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 comprise RUR 32.7 billion at 31 March 2010 (31 December 2009: RUR 314.8 billion).

16. Debt Securities Issued

	31 March 2010 (unaudited)	*31 December 2009*
Bonds	384.7	346.0
Promissory notes	150.1	139.3
Deposit certificates	0.3	0.4
Total debt securities issued	**535.1**	**485.7**

In March 2010, VTB Capital Plc. issued USD 30 million (RUR 0.9 billion) equity-linked notes with maturity in July 2010 and a rate of 5.68% payable at maturity. These notes contain embedded put option on the shares of the Russian leading metals company. The Group is the buyer of this put option.

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 bonds for the total amount of RUR 20.0 billion. The securities due March 2013 are issued with a coupon rate of 7.6% 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.

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 first quarter 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 first quarter of 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.

(in billions of Russian Roubles)

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 the Group during the fist quarter of 2009 amounted to RUR 9.6 billion, which resulted in the recognition of a gain on the extinguishment of liability of RUR 3.7 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 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. During the first quarter of 2010 the Group did not buy-back these subordinated Eurobonds. The notional amount of Eurobonds bought-back by the Group during the first quarter 2009 amounted to RUR 0.3 billion, which resulted in the recognition of a gain on the extinguishment of liability of RUR 0.1 billion for the period. As of 31 March 2010 the carrying amount of this subordinated debt was RUR 8.8 billion (31 December 2009: RUR 9.2 billion).

In October and November 2008, VTB received two subordinated loans of RUR 100 billion each with a rate of 8% p.a. maturing in December 2019 from Vnesheconombank (VEB), which is a related party to the Group. As at 31 December 2008 in accordance with IAS 20 “Accounting for Government Grants and Disclosure of Government Assistance” the Group discounted these loans using an appropriate market rate adjusted for loan premium. As of 31 March 2010 the carrying amount of this subordinated debt is RUR 176.8 billion with zero deferred income (31 December 2009: RUR 176.4 billion and nil, 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)	
	2010	***2009***
Interest income		
Loans and advances to customers	74.8	87.7
Securities	6.6	3.1
Due from other banks	2.2	3.2
Total interest income	**83.6**	**94.0**
Interest expense		
Customer deposits	(20.6)	(17.5)
Debt securities issued	(10.0)	(9.8)
Due to banks and other borrowed funds	(6.5)	(27.7)
Subordinated debt	(4.5)	(4.7)
Total interest expense	**(41.6)**	**(59.7)**
Net interest income	**42.0**	**34.3**

(in billions of Russian Roubles)

19. Fee and Commission Income and Expense

	For the three-month period ended 31 March (unaudited)	
	2010	***2009***
Commission on settlement transactions	3.2	3.1
Commission on guarantees issued and trade finance	1.2	1.2
Commission on cash transactions	0.6	0.5
Commission on operations with securities	0.4	0.5
Other	0.8	0.3
Total fee and commission income	**6.2**	**5.6**
Commission on settlement transactions	(0.5)	(0.6)
Commission on cash transactions	(0.2)	(0.1)
Other	(0.4)	(0.6)
Total fee and commission expense	**(1.1)**	**(1.3)**
Net fee and commission income	**5.1**	**4.3**

20. Staff Costs and Administrative Expenses

	For the three-month period ended 31 March (unaudited)	
	2010	***2009***
Staff costs	11.8	8.8
Defined contribution pension expense	1.2	1.0
Depreciation and other expenses related to premises and equipment	2.3	1.8
Leasing and rent expenses	1.2	1.4
Taxes other than on income	1.1	0.6
Professional services	0.8	0.5
Participation in deposit insurance system	0.5	0.4
Post and telecommunication expenses	0.4	0.4
Advertising expenses	0.4	0.3
Charity	0.4	0.3
Impairment, amortization and other expenses related to intangibles, except for core deposit intangible	0.4	0.3
Security expenses	0.3	0.3
Amortization of core deposit intangible	0.2	0.2
Transport expenses	0.2	0.1
Insurance	0.1	0.1
Other	0.9	0.6
Total staff costs and administrative expenses	**22.2**	**17.1**

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	**0.7**	**94.7**	**1.3**	**1.5**	**0.1**	**0.1**	**98.4**
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**	**0.1**	**0.1**	**149.3**
Balance at 1 January 2010	**1.3**	**234.9**	**2.2**	**1.6**	**1.4**	**0.1**	**241.5**
(Reversal of provision) / provision for impairment during the period	(0.2)	16.0	(0.3)	0.3	1.6	–	**17.4**
Write-offs	–	(0.5)	–	–	(0.2)	(0.1)	**(0.8)**
Recoveries of amounts written-off in previous period	–	0.1	–	–	–	–	**0.1**
Currency translation difference	–	(1.5)	–	0.1	–	–	**(1.4)**
Balance at 31 March 2010 (unaudited)	**1.1**	**249.0**	**1.9**	**2.0**	**2.8**	**–**	**256.8**

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 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 31 March (unaudited)	
	2010	*2009*
Net profit / (loss) attributable to shareholders of the parent *(in billions of Russian Roubles)*	15.3	(21.4)
Weighted average number of ordinary shares in issue	10,457,751,703,349	6,721,345,627,252
Basic and diluted earnings per share (expressed in Russian Roubles per share)	**0.0015**	**(0.0032)**

(in billions of Russian Roubles)

23. Income Tax

The Group's effective income tax rate for the three months of 2010 was 17% (the first three months 2009: 14%). The effective income tax rate for the three months of 2010 was lower than theoretical tax rate due to difference associated with events adjusting current tax, related to prior periods, which materialized subsequent to the date of release of the 2009 consolidated financial statements.

The following tables provide disclosure of income tax effects relating to each component of other comprehensive income for the three months ended 31 March 2010 and 31 March 2009:

	For the three-month period ended 31 March (unaudited)					
	2010			*2009*		
	Before tax	*Tax expense*	*Net of tax*	*Before tax*	*Tax expense*	*Net of tax*
Unrealized gain on financial assets available-for-sale	0.3	(0.1)	0.2	1.0	(0.1)	0.9
Cash flow hedges	–	–	–	(0.1)	–	(0.1)
Effect of translation	(3.6)	–	(3.6)	7.3	–	7.3
Changes in associates' equity (not recognized in profit or loss)	–	–	–	0.4	(0.1)	0.3
Other comprehensive income	**(3.3)**	**(0.1)**	**(3.4)**	**8.6**	**(0.2)**	**8.4**

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. 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.

Outstanding credit related commitments are as follows:

	31 March 2010 (unaudited)	*31 December 2009*
Guarantees issued	147.7	190.6
Undrawn credit lines	195.1	197.0
Import letters of credit	24.7	29.9
Commitments to extend credit	86.3	97.4
Less: allowance for impairment on credit related commitments (Note 21)	(2.0)	(1.6)
Total credit related commitments	**451.8**	**513.3**

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

The Bank received export letters of credit for further advising to its customers. The total amount of received letters of credit as of 31 March 2010 was RUR 109.8 billion (31 December 2009: RUR 89.4 billion). Commitments under import letters of credit and guarantees are collateralized by customer deposits of RUR 7.9 billion (31 December 2009: RUR 9.4 billion).

At 31 March 2010, included in guarantees issued are guarantees issued for a related company (Russian entity) of RUR 23.3 billion or 16% 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.

Cash flow hedges

In 2009 the Group discontinued prospectively the hedge accounting for cash flow hedges as some hedging instruments were terminated and the others were no longer meeting the criteria for application of hedge accounting. As at 31 March 2010 the Group has no hedging instruments qualifying for cash flow hedges.

Fair value hedges

As at 31 December 2009 the Group discontinued prospectively hedge accounting for fair value hedges as some hedging instruments were terminated and others no longer met the criteria for application of hedge accounting.

25. 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)

25. Analysis by Segment (continued)

Segment information for the reportable segments of the Group as at 31 March 2010 (unaudited) and results for the three months ended 31 March 2010 (unaudited) is set out below:

	Corporate business	*Retail business*	*Investment business*	*Ukraine*	*Other*	*Total before intersegment eliminations*	*Intersegment eliminations*	*Total*
For the three-month period ended 31 March 2010 (unaudited):								
Revenues from:								
External customers	56.0	24.0	16.6	3.8	2.6	**103.0**	–	**103.0**
Other segments	7.6	2.6	0.5	–	0.4	**11.1**	(11.1)	**–**
Total revenues	**63.6**	**26.6**	**17.1**	**3.8**	**3.0**	**114.1**	**(11.1)**	**103.0**
Segment income and expense								
Interest income	60.0	23.0	6.1	3.5	1.2	**93.8**	(10.2)	**83.6**
Interest expense	(32.9)	(10.2)	(4.7)	(2.3)	(1.7)	**(51.8)**	10.2	**(41.6)**
Net interest income / (expense)	**27.1**	**12.8**	**1.4**	**1.2**	**(0.5)**	**42.0**	**–**	**42.0**
Provision charge for impairment	(10.1)	(2.9)	(0.9)	(1.5)	(0.1)	**(15.5)**	–	**(15.5)**
Net interest income / (expense) after provision for impairment	**17.0**	**9.9**	**0.5**	**(0.3)**	**(0.6)**	**26.5**	**–**	**26.5**
(Losses net of gains) / gains less losses arising from other financial instruments	(0.5)	0.5	8.7	0.1	–	**8.8**	(0.4)	**8.4**
(Losses net of gains) / gains less losses arising from dealing in foreign currencies	(11.4)	(0.7)	(0.2)	0.1	0.2	**(12.0)**	–	**(12.0)**
Foreign exchange translation gains less losses	12.0	0.9	1.1	–	–	**14.0**	(0.5)	**13.5**
Net fee and commission income / (expense)	2.2	2.1	0.7	0.1	(0.2)	**4.9**	0.2	**5.1**
Share in income of associates	0.1	–	–	–	–	**0.1**	–	**0.1**
(Provision charge for) / reversal of impairment of other assets and credit related commitments	(1.5)	–	–	0.1	(0.5)	**(1.9)**	–	**(1.9)**
Net other operating income	0.1	–	0.6	–	0.7	**1.4**	(0.4)	**1.0**
Operating income / (expense)	**18.0**	**12.7**	**11.4**	**0.1**	**(0.4)**	**41.8**	**(1.1)**	**40.7**
Staff costs and administrative expenses	(8.9)	(6.0)	(5.3)	(0.7)	(1.6)	**(22.5)**	0.3	**(22.2)**
Segment results: Profit / (loss) before taxation	**9.1**	**6.7**	**6.1**	**(0.6)**	**(2.0)**	**19.3**	**(0.8)**	**18.5**
Income tax expense								**(3.2)**
Net profit								**15.3**
As at 31 March 2010 (unaudited):								
Cash and short-term funds	101.7	46.4	12.9	8.2	9.3	**178.5**	(9.2)	**169.3**
Mandatory cash balances with central banks	16.2	4.5	-	0.9	0.7	**22.3**	–	**22.3**
Other financial instruments	113.3	31.0	191.1	1.2	3.3	**339.9**	(13.2)	**326.7**
Due from other banks	284.2	163.1	77.3	0.5	3.8	**528.9**	(246.8)	**282.1**
Loans and advances to customers	1,917.6	439.4	58.9	83.2	20.4	**2,519.5**	(228.5)	**2,291.0**
Investments in associates	10.9	–	–	–	2.9	**13.8**	–	**13.8**
Other asset items	171.5	17.0	11.5	5.5	53.4	**258.9**	(2.1)	**256.8**
Segment assets	**2,615.4**	**701.4**	**351.7**	**99.5**	**93.8**	**3,861.8**	**(499.8)**	**3,362.0**
Due to other banks	436.4	1.7	209.8	58.4	8.3	**714.6**	(405.6)	**309.0**
Customer deposits	974.9	530.9	13.9	26.1	16.1	**1,561.9**	(7.4)	**1,554.5**
Other borrowed funds	114.2	10.8	29.5	0.1	40.5	**195.1**	(33.6)	**161.5**
Debt securities issued	490.2	47.7	1.2	0.3	6.9	**546.3**	(11.2)	**535.1**
Subordinated debt	187.3	17.9	17.6	6.2	1.4	**230.4**	(44.8)	**185.6**
Other liability items	39.0	4.4	35.5	0.3	18.3	**97.5**	(1.7)	**95.8**
Segment liabilities	**2,242.0**	**613.4**	**307.5**	**91.4**	**91.5**	**3,345.8**	**(504.3)**	**2,841.5**

(in billions of Russian Roubles)

25. Analysis by Segment (continued)

Segment information for the reportable segments of the Group as at 31 December 2009 and results for the three months ended 31 March 2009 (unaudited) is as follows:

	Corporate business	*Retail business*	*Investment business*	*Ukraine*	*Other*	*Total before intersegment eliminations and adjustments*	*Intersegment eliminations and adjustments*	*Total*
For the three-month period ended 31 March 2009 (unaudited):								
Revenues from:								
External customers	79.4	20.6	13.6	4.2	3.5	**121.3**	–	**121.3**
Other segments	8.2	1.6	0.6	–	0.3	**10.7**	(10.7)	**–**
Effect recognized on the Group level							4.2	**4.2**
Total revenues	**87.6**	**22.2**	**14.2**	**4.2**	**3.8**	**132.0**	**(6.5)**	**125.5**
Segment income and expense								
Interest income	72.7	19.7	5.1	3.9	2.4	**103.8**	(9.8)	**94.0**
Interest expense	(48.7)	(10.2)	(6.4)	(2.5)	(1.7)	**(69.5)**	9.8	**(59.7)**
Net interest income / (expense)	**24.0**	**9.5**	**(1.3)**	**1.4**	**0.7**	**34.3**	**–**	**34.3**
Provision charge for impairment	(31.6)	(10.3)	(1.5)	(5.3)	(0.5)	**(49.2)**	–	**(49.2)**
Net interest (expense) / income after provision for impairment	**(7.6)**	**(0.8)**	**(2.8)**	**(3.9)**	**0.2**	**(14.9)**	**–**	**(14.9)**
(Losses net of gains) / gains less losses arising from other financial instruments	(17.0)	–	7.7	–	0.1	**(9.2)**	(2.1)	**(11.3)**
Gains less losses arising from extinguishment of liability	–	–	–	–	–	**–**	5.5	**5.5**
(Losses net of gains) / gains less losses arising from dealing in foreign currencies	(43.3)	(1.3)	0.6	0.1	0.3	**(43.6)**	1.0	**(42.6)**
Foreign exchange translation gains less losses / (losses net of gains)	54.6	1.8	–	–	(0.2)	**56.2**	(4.1)	**52.1**
Net fee and commission income / (expense)	3.3	0.9	–	0.1	(0.1)	**4.2**	0.1	**4.3**
(Provision charge for) / reversal of impairment of other assets and credit related commitments	(0.8)	–	–	0.1	0.1	**(0.6)**	–	**(0.6)**
Net other operating income	0.1	0.2	0.5	–	0.7	**1.5**	(0.6)	**0.9**
Operating (expense) / income	**(10.7)**	**0.8**	**6.0**	**(3.6)**	**1.1**	**(6.4)**	**(0.2)**	**(6.6)**
Staff costs and administrative expenses	(7.5)	(5.1)	(3.0)	(0.6)	(1.1)	**(17.3)**	0.2	**(17.1)**
Segment results: (Loss) / profit before taxation	**(18.2)**	**(4.3)**	**3.0**	**(4.2)**	**–**	**(23.7)**	**–**	**(23.7)**
Income tax recovery								**3.2**
Net loss								**(20.5)**
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	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" of the above table in the line "Segment results: (Loss) / profit before taxation)" for the three-month period ended 31 March 2009 includes an adjustment in the amount of RUR (0.9) 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)

25. 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.

26. 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

	31 March 2010 (unaudited)		*31 December 2009*	
	State-owned entities	*Associates*	*State-owned entities*	*Associates*
Assets				
Cash and short-term funds	58.9	–	123.5	–
Mandatory cash balances with central banks	14.2	–	14.7	–
Financial assets at fair value through profit or loss	160.2	–	139.9	–
Financial assets pledged under repurchase agreements and loaned financial assets	1.7	–	64.3	–
Due from other banks	38.6	2.0	29.1	2.5
Gross loans and advances to customers	381.5	7.7	401.9	7.8
Allowance for loan impairment	(14.4)	(4.9)	(14.1)	(5.0)
Financial assets available-for-sale	5.0	0.3	4.8	0.3
Investment securities held-to-maturity	0.5	–	0.6	–
Liabilities				
Due to other banks	54.6	0.3	40.9	0.4
Customer deposits	553.2	1.6	567.2	1.6
Other borrowed funds	62.1	–	354.5	–
Subordinated debt	176.8	–	176.4	–
Credit Related Commitments				
Guarantees issued	88.1	–	116.5	–
Undrawn credit lines	32.0	–	16.3	–
Import letters of credit	2.6	–	1.6	–
Commitments to extend credit	14.4	0.7	13.3	0.7

(in billions of Russian Roubles)

26. Related Party Transactions (continued)

Income statements

	For the three-month period ended 31 March (unaudited)	
	2010	*2009*
Interest income		
Loans and advances to customers	11.3	14.6
Securities	4.5	1.6
Due from other banks	0.7	0.8
Interest expense		
Customer deposits	(7.0)	(5.1)
Due to other banks and other borrowed funds	(4.2)	(20.5)
Subordinated debt	(4.3)	(4.3)
Provision charge for impairment	(0.4)	(1.0)

For the three month-period ended 31 March 2010, the total remuneration of the directors and key management personnel of the Group including pension contributions amounted to RUR 1.3 billion (31 March 2009: RUR 0.5 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 31 March 2010 amounted to RUR 0.3 billion (31 December 2009: RUR 0.3 billion).

27. Consolidated Subsidiaries and Associates

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

			Percentage of ownership	
Name	*Activity*	*Country of registration*	*31 March 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	87.38%	87.38%
“VTB Bank (Belarus)”, CJSC	Banking	Belarus	69.70%	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	95.52%	95.52%
“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	95.52%	95.52%
“VTB Europe Finance”, B.V.	Finance	Netherlands	95.52%	95.52%
“Nevsky Property”, Ltd	Property	Cyprus	95.52%	95.52%
“Business-Finance”, Ltd	Finance	Russia	100.00%	100.00%

(in billions of Russian Roubles)

27. Consolidated Subsidiaries and Associates (continued)

Name	Activity	Country of registration	Percentage of ownership 31 March 2010 (unaudited)	Percentage of ownership 31 December 2009
"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%
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%
"KS Holding", CJSC	Russia	Insurance	49.00%	49.00%
"POLIEF", OJSC	Russia	Chemical	32.50%	32.50%
"Sistemapsys S.A.R.L.", JSC	Luxembourg	Construction	50.00%	50.00%
"Telecom-Development", CJSC	Russia	Construction	50.00%	50.00%

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

28. 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 31 March 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 31 March 2010 and 31 December 2009 was 22.2% and 20.7%, respectively. These ratios exceeded the minimum ratio of 8.0% recommended by the Basle Accord.

29. Subsequent Events

Within the program of integration of business of VTB North-West into the Group, the Management Board of Bank VTB North-West has approved a legal merger with VTB Bank. Further steps in relation to this legal merger are subject to approval of the Supervisory Council and the shareholders of VTB.

In April 2010 VTB has increased its ownership from 69.7% to 71.42% in VTB Bank (Belarus), CJSC by purchasing ordinary shares from minority shareholders for RUR 49 million.