# VTB BANK

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

*31 March 2012*

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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 financial statements of VTB Bank ("the Bank") and its subsidiaries (together "the Group") as at 31 March 2012, comprising of the interim consolidated statement of financial position as at 31 March 2012 and the related interim consolidated income statement and interim consolidated statement of comprehensive income for the three-month period then ended, interim consolidated statements of cash flows and changes in shareholders' equity for the three-month period then ended and selected 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

4 July 2012

*(in billions of Russian Roubles)*

| | Note | 31 March 2012 (unaudited) | 31 December 2011 |
|---|---|---|---|
| **Assets** | | | |
| Cash and short-term funds | 5 | 330.1 | 407.0 |
| Mandatory cash balances with central banks | | 60.2 | 71.9 |
| Financial assets at fair value through profit or loss | 6 | 515.1 | 571.5 |
| Financial assets pledged under repurchase agreements and loaned financial assets | 7 | 79.3 | 198.6 |
| Due from other banks | 8 | 377.0 | 424.6 |
| Loans and advances to customers | 9 | 4,252.8 | 4,301.6 |
| Assets of disposal group held for sale | 13 | 8.7 | 10.3 |
| Financial assets available-for-sale | 10 | 172.5 | 167.7 |
| Investments in associates and joint ventures | 11 | 31.5 | 32.5 |
| Investment securities held-to-maturity | 12 | 33.2 | 32.4 |
| Premises and equipment | | 110.7 | 116.8 |
| Investment property | | 132.2 | 122.5 |
| Intangible assets and goodwill | | 141.4 | 141.2 |
| Deferred tax asset | | 41.3 | 42.7 |
| Other assets | | 164.5 | 148.3 |
| **Total assets** | | **6,450.5** | **6,789.6** |
| **Liabilities** | | | |
| Due to other banks | 14 | 637.7 | 699.7 |
| Customer deposits | 15 | 3,332.9 | 3,596.7 |
| Liabilities of disposal group held for sale | 13 | 6.8 | 8.5 |
| Other borrowed funds | 16 | 549.1 | 734.6 |
| Debt securities issued | 17 | 829.9 | 664.5 |
| Deferred tax liability | | 9.9 | 10.0 |
| Other liabilities | | 215.4 | 209.4 |
| **Total liabilities before subordinated debt** | | **5,581.7** | **5,923.4** |
| Subordinated debt | 18 | 239.5 | 241.1 |
| **Total liabilities** | | **5,821.2** | **6,164.5** |
| **Equity** | | | |
| Share capital | | 113.1 | 113.1 |
| Share premium | | 358.5 | 358.5 |
| Treasury shares | | (0.3) | (0.6) |
| Unrealized gain on financial assets available-for-sale and cash flow hedge | | 6.0 | 7.9 |
| Premises revaluation reserve | | 11.4 | 11.4 |
| Currency translation difference | | 7.3 | 11.0 |
| Retained earnings | | 111.2 | 102.2 |
| **Equity attributable to shareholders of the parent** | | **607.2** | **603.5** |
| **Non-controlling interests** | | **22.1** | **21.6** |
| **Total equity** | | **629.3** | **625.1** |
| **Total liabilities and equity** | | **6,450.5** | **6,789.6** |

Approved for issue and signed on 4 July 2012.

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)*

| | Note | For the three-month period ended 31 March 2012 | 2011 |
|---|---|---|---|
| Interest income | 19 | 127.0 | 86.2 |
| Interest expense | 19 | (73.0) | (40.2) |
| **Net interest income** | | **54.0** | **46.0** |
| Provision charge for impairment of debt financial assets | 22 | (20.4) | (7.7) |
| **Net interest income after provision for impairment** | | **33.6** | **38.3** |
| Net fee and commission income | 20 | 10.3 | 8.0 |
| Gains less losses arising from financial instruments at fair value through profit or loss | | 1.0 | 9.7 |
| Gains less losses from available-for-sale financial assets | | 3.7 | – |
| Losses net of gains arising from extinguishment of liability | | (0.7) | – |
| Losses on initial recognition of financial instruments, restructuring and other gains / (losses) on loans and advances to customers | | 0.1 | (0.4) |
| Gains less losses arising from dealing in foreign currencies | | 25.4 | 11.7 |
| Foreign exchange translation losses net of gains | | (6.6) | (5.8) |
| Share in income of associates and joint ventures | | 0.1 | 1.3 |
| Provision charge for impairment of other assets, credit related commitments and legal claims | 22 | (0.2) | (0.1) |
| Income arising from non-banking activities | | 8.7 | 3.7 |
| Expenses arising from non-banking activities | | (4.0) | (2.1) |
| Other operating income | | 3.4 | 0.8 |
| **Net non-interest income** | | **41.2** | **26.8** |
| **Operating income** | | **74.8** | **65.1** |
| Staff costs and administrative expenses | 21 | (42.5) | (33.0) |
| (Loss) / profit from disposal of associates | 31 | (0.4) | 0.9 |
| **Profit before taxation** | | **31.9** | **33.0** |
| Income tax expense | | (8.6) | (6.9) |
| **Net profit** | | **23.3** | **26.1** |
| **Net profit attributable to:** | | | |
| **Shareholders of the parent** | | **22.7** | **26.0** |
| **Non-controlling interests** | | **0.6** | **0.1** |
| **Basic and diluted earnings per share (expressed in Russian Roubles per share)** | 24 | **0.0022** | **0.0025** |

*(in billions of Russian Roubles)*

| | *For the three-month period ended 31 March* | |
|---|---|---|
| | ***2012*** | ***2011*** |
| **Net profit for the period** | **23.3** | **26.1** |
| **Other comprehensive income:** | | |
| Net result on financial assets available-for-sale, net of tax | (1.9) | – |
| Effect of changes in tax rates recognized in premises revaluation reserve | 0.1 | – |
| Share of other comprehensive income of associates | (0.2) | (0.2) |
| Effect of translation, net of tax | (4.1) | (3.4) |
| **Other comprehensive income, net of tax** | **(6.1)** | **(3.6)** |
| **Total comprehensive income** | **17.2** | **22.5** |
| **Total comprehensive income attributable to:** | | |
| **Shareholders of the parent** | **17.2** | **23.0** |
| **Non-controlling interests** | **–** | **(0.5)** |

*(in billions of Russian Roubles)*

| | Note | For the three-month period ended 31 March 2012 | 2011 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Interest received | | 124.5 | 73.7 |
| Interest paid | | (59.9) | (36.3) |
| (Loss incurred) / income received on operations with financial instruments at fair value through profit or loss | | (10.2) | 3.2 |
| Income received on dealing in foreign currency | | 18.3 | 15.7 |
| Fees and commissions received | | 13.3 | 9.7 |
| Fees and commissions paid | | (2.7) | (1.2) |
| Other operating income received | | 0.8 | 0.4 |
| Staff costs and administrative expenses paid | | (41.0) | (30.8) |
| Income received from non-banking activities | | 12.3 | 1.9 |
| Expenses paid in non-banking activities | | (2.7) | (2.0) |
| Income tax paid | | (8.3) | (6.6) |
| **Cash flows from operating activities before changes in operating assets and liabilities** | | **44.4** | **27.7** |
| **Net decrease / (increase) in operating assets** | | | |
| Net decrease / (increase) in mandatory cash balances with central banks | | 11.1 | (6.1) |
| Net decrease / (increase) in restricted cash | | 0.1 | (0.2) |
| Net increase in correspondent accounts in precious metals | | (0.4) | (0.8) |
| Net decrease / (increase) in financial assets at fair value through profit or loss | | 17.4 | (14.1) |
| Net decrease / (increase) in due from other banks | | 25.0 | (61.7) |
| Net decrease / (increase) in loans and advances to customers | | 28.3 | (76.5) |
| Net increase in other assets | | (15.0) | (9.1) |
| **Net increase / (decrease) in operating liabilities** | | | |
| Net (decrease) / increase in due to other banks | | (24.7) | 14.8 |
| Net (decrease) / increase in customer deposits | | (183.8) | 199.6 |
| Net increase in debt securities issued | | 156.6 | 5.2 |
| Net increase in other liabilities | | 19.4 | 5.7 |
| **Net cash from operating activities** | | **78.4** | **84.5** |
| **Cash flows used in investing activities** | | | |
| Dividends received | | 2.0 | – |
| Proceeds from sale or maturities of financial assets available-for-sale | | 15.0 | 16.5 |
| Purchase of financial assets available-for-sale | | (19.7) | (5.0) |
| Purchase of subsidiaries, net of cash | 31 | (1.2) | (1.7) |
| Purchase of and contributions to associates and joint ventures | | (0.1) | (104.6) |
| Proceeds from sale of share in associates and joint ventures | | – | 2.3 |
| Purchase of investment securities held-to-maturity | | (0.5) | (0.1) |
| Proceeds from redemption of investment securities held-to-maturity | | 0.4 | 0.5 |
| Purchase of premises and equipment | | (1.9) | (8.9) |
| Proceeds from sale of premises and equipment | | 5.9 | 6.8 |
| Purchase or construction of investment property | | (1.4) | (0.6) |
| Proceeds from sale of investment property | | 0.8 | – |
| Purchase of intangible assets | | (1.2) | (0.3) |
| Proceeds from sale of intangible assets | | – | 0.1 |
| **Net cash used in investing activities** | | **(1.9)** | **(95.0)** |

*(in billions of Russian Roubles)*

| | Note | *For the three-month period ended 31 March* 2012 | 2011 |
|---|---|---|---|
| **Cash flows used in financing activities** | | | |
| Proceeds from issuance of local bonds | | 20.2 | 1.1 |
| Repayment of local bonds | | (1.9) | (11.9) |
| Buy-back of local bonds | | (2.2) | (1.8) |
| Proceeds from sale of previously bought-back local bonds | | 4.8 | 4.8 |
| Proceeds from issuance of Eurobonds | | 6.3 | 22.1 |
| Repayment of Eurobonds | | (0.2) | (7.8) |
| Buy-back of Eurobonds | | (20.5) | (11.6) |
| Proceeds from sale of previously bought-back Eurobonds | | 20.5 | 10.6 |
| Proceeds from syndicated loans | | 0.2 | – |
| Repayment of syndicated loans | | (0.2) | (3.6) |
| Proceeds from sale of previously bought-back syndicated loans | | 2.9 | – |
| Proceeds from other borrowings and funds from local central banks | | 100.0 | 1.2 |
| Repayment of other borrowings and funds from local central banks | | (272.8) | (13.5) |
| Buy-back of other borrowings and funds from local central banks | | (0.7) | – |
| Buy-back of subordinated debt | | (0.5) | (0.9) |
| Proceeds from sale of previously bought-back subordinated debt | | – | 0.7 |
| Purchase of treasury shares | | (0.3) | – |
| Proceeds from sale of treasury shares | | 0.6 | – |
| **Net cash used in financing activities** | | **(143.8)** | **(10.6)** |
| Effect of exchange rate changes on cash and cash equivalents | | (9.8) | (7.2) |
| Effect of hyperinflation | | (0.1) | – |
| **Net decrease in cash and cash equivalents** | | **(77.2)** | **(28.3)** |
| Cash and cash equivalents at the beginning of the period | | 397.5 | 272.8 |
| **Cash and cash equivalents at the end of the period** | 5 | **320.3** | **244.5** |

*(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 2011 (audited)** | **113.1** | **358.5** | **(0.3)** | **4.0** | **11.4** | **11.0** | **56.6** | **554.3** | **23.9** | **578.2** |
| Net result from treasury shares transactions | – | – | 0.1 | – | – | – | – | **0.1** | – | **0.1** |
| Change of ownership share in subsidiary | – | – | – | – | – | – | 1.2 | **1.2** | (1.2) | **–** |
| Total comprehensive income for the period | – | – | – | 0.1 | – | (3.1) | 26.0 | **23.0** | (0.5) | **22.5** |
| Transfer of premises revaluation reserve upon disposal or depreciation | – | – | – | – | (0.1) | – | 0.1 | **–** | – | **–** |
| Transfer of currency translation difference upon legal merger of subsidiary | – | – | – | – | – | (2.4) | 2.4 | **–** | – | **–** |
| Dividends declared | – | – | – | – | – | – | – | **–** | (0.1) | **(0.1)** |
| **Balance at 31 March 2011** | **113.1** | **358.5** | **(0.2)** | **4.1** | **11.3** | **5.5** | **86.3** | **578.6** | **22.1** | **600.7** |
| **Balance at 1 January 2012 (audited)** | **113.1** | **358.5** | **(0.6)** | **7.9** | **11.4** | **11.0** | **102.2** | **603.5** | **21.6** | **625.1** |
| Net result from treasury shares transactions | – | – | 0.3 | – | – | – | – | **0.3** | – | **0.3** |
| Total comprehensive income for the period | – | – | – | (1.9) | 0.1 | (3.7) | 22.7 | **17.2** | – | **17.2** |
| Transfer of premises revaluation reserve upon disposal or depreciation | – | – | – | – | (0.1) | – | 0.1 | **–** | – | **–** |
| Share-based payments (Note 26) | – | – | – | – | – | – | 0.4 | **0.4** | – | **0.4** |
| Increase in share capital of subsidiaries (Note 31) | – | – | – | – | – | – | (0.3) | **(0.3)** | 0.4 | **0.1** |
| Acquisition of subsidiaries (Note 31) | – | – | – | – | – | – | – | **–** | 0.2 | **0.2** |
| Obligation to purchase non-controlling interests (Note 23) | – | – | – | – | – | – | (0.1) | **(0.1)** | – | **(0.1)** |
| Obligation to purchase treasury shares (Note 23) | – | – | – | – | – | – | (13.8) | **(13.8)** | – | **(13.8)** |
| Dividends declared | – | – | – | – | – | – | – | **–** | (0.1) | **(0.1)** |
| **Balance at 31 March 2012** | **113.1** | **358.5** | **(0.3)** | **6.0** | **11.4** | **7.3** | **111.2** | **607.2** | **22.1** | **629.3** |

## 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 reorganizations, 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 31. In March 2007 Vneshtorgbank 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" (DIA). All Group subsidiary banks in Russia: "Bank VTB 24", CJSC, "TransCreditBank", JSC, "Bank of Moscow", OJSC, "Mosvodokanalbank", OJSC and "Bezhitsa-Bank", OJSC are also members of the obligatory deposit insurance system provided by DIA. The State deposit insurance scheme implies that DIA 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 principal subsidiaries included in these interim condensed consolidated financial statements is provided in Note 31.

The Group operates in the corporate and investment banking, retail, real estate and other segments. Corporate and investment banking include 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 6 subsidiary banks with its network of 163 full service branches, including 69 branches of VTB, 8 branches of "Bank VTB 24", CJSC, 41 branches of "TransCreditBank", JSC and 45 branches of "Bank of Moscow", OJSC located in major Russian regions. Within acquisition of "Bank of Moscow", OJSC the Group has also obtained control over "Mosvodokanalbank", OJSC and "Bezhitsa-Bank", OJSC, "Bank Moscow-Minsk", OJSC and "BM Bank", Ltd. In February 2012, the Group obtained control over "Russian National Commercial Bank", OJSC.

The Group operates outside Russia through 15 bank subsidiaries, located in the Commonwealth of Independent States ("CIS") (Armenia, Ukraine (2 banks), Belarus (2 banks), Kazakhstan and Azerbaijan), Europe (Austria, Cyprus, Germany, France, Great Britain and Serbia), Georgia, Africa (Angola); through 2 representative offices located in Italy and China; through 2 VTB branches in China and India and 2 branches of "VTB Capital", Plc in Singapore and Dubai. The Group investment banking division also performs broker/dealer operations in the United States of America, securities dealing and financial advisory in Hong Kong and investment banking operations in Bulgaria.

VTB's majority shareholder is the Russian Federation state, acting through the Federal Property Agency, which holds 75.5% of VTB's issued and outstanding shares at 31 March 2012 (31 December 2011: 75.5%).

The number of employees of the Group at 31 March 2012 was 69,403 (31 December 2011: 67,912).

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. In 2012 the Russian Government continued to take measures to support the economy in order to overcome the consequences of the global financial crisis. Despite some indications of recovery there continues to be uncertainty regarding further economic growth, access to capital and cost of capital, which could negatively affect the Group's future financial position, results of operations and business prospects.

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

In 2011 deterioration in economic conditions in Belarus accompanied by considerable devaluation of local currency, high inflation rates and large negative trade balance lead Management to consider the Belorussian economy to be hyperinflationary as defined by IAS 29 *Financial Reporting in Hyperinflationary Economies* with the effect from 1 January 2011.

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 2012 are not necessarily indicative of the results that may be expected for the year ending 31 December 2012. 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 and investment property, available-for-sale financial assets, and financial instruments categorized as at fair value through profit or loss.

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. Judgments and significant estimates in these financial statements are consistent with those applied in the preparation of the Group's annual financial statements for the year ended 31 December 2011. Income tax expense in respect of the current tax assets and liabilities is recognized based on the income tax rates enacted by the end of the reporting period in relevant tax jurisdictions where the Group presents. Income tax expense in respect of the deferred tax assets and liabilities is measured at the income tax rates that are expected to apply to the period when deferred assets are realized or liability are settled based on the income tax rates officially enacted by the end of the reporting period.

These interim condensed consolidated financial statements should be read in conjunction with the complete consolidated financial statements as of 31 December 2011.

These interim condensed consolidated financial statements are presented in Russian Roubles (RUR), the national currency of the Russian Federation, where the Bank is domiciled.

As at 31 March 2012, the principal closing rate of exchange used for translating balances in USD to Russian Roubles was USD 1 to RUR 29.3282 (at 31 December 2011: USD 1 to RUR 32.1961), and the principal closing rate of exchange used for translating balances in Euro was EUR 1 to RUR 39.1707 (at 31 December 2011: EUR 1 to RUR 41.6714).

_(in billions of Russian Roubles)_

## 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 2011, except for the adoption of new standards and interpretations as of 1 January 2012, noted below:

***IFRS 1 First-time Adoption of International Financial Reporting Standards – Amendments: Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*** (effective for annual periods beginning on or after 1 July 2011). – The first amendment provides guidance on how an entity should resume presenting financial statements in accordance with IFRSs after a period when the entity was unable to comply with IFRSs because its functional currency was subject to severe hyperinflation. The second amendment replaces references to a fixed date of '1 January 2004' with 'the date of transition to IFRSs', thus eliminating the need for companies adopting IFRSs for the first time to restate derecognition transactions that occurred before the date of transition to IFRSs. The amendments do not have any impact on the Group's financial statements.

***IFRS 7 Financial Instruments: Disclosures – Amendment: Transfers of Financial Assets*** (effective for annual periods beginning on or after 1 July 2011). – The amendment was issued in October 2010. It requires additional disclosures in respect of risk exposures arising from transferred financial assets. The amendment includes a requirement to disclose by class of asset the nature, carrying amount and a description of the risks and rewards of financial assets that have been transferred to another party, yet remain on the entity's statement of financial position. Disclosures are also required to enable a user to understand the amount of any associated liabilities, and the relationship between the financial assets and associated liabilities. Where financial assets have been derecognized, but the entity is still exposed to certain risks and rewards associated with the transferred asset, additional disclosure is required to enable the effects of those risks to be understood. The amendment does not have any impact on the Group's financial statements.

***IAS 12 Income Taxes – Amendments: Deferred tax: Recovery of underlying assets*** (effective for annual periods beginning on or after 1 January 2012). – The amendment was issued in December 2010. The amendment clarifies the determination of deferred tax on investment property measured at fair value. The amendment introduces a rebuttable presumption that deferred tax on investment property measured using the fair value model in IAS 40 should be determined on the basis that its carrying amount will be recovered through sale. Furthermore, it introduces the requirement that deferred tax on non-depreciable assets that are measured using the revaluation model in IAS 16 always be measured on a sale basis of the asset. The amendments do not have any impact on the Group's financial statements.

## 5. Cash and Short-Term Funds

| | *31 March 2012 (unaudited)* | *31 December 2011* |
|---|---|---|
| Cash on hand | 75.1 | 104.3 |
| Cash balances with central banks (other than mandatory reserve deposits) | 163.8 | 197.1 |
| Correspondent accounts with other banks | | |
| - Russian Federation | 24.8 | 31.2 |
| - Other countries | 66.4 | 74.4 |
| **Total cash and short-term funds** | **330.1** | **407.0** |
| Less: correspondent accounts in precious metals | (8.8) | (8.4) |
| Less: restricted cash | (1.0) | (1.1) |
| **Total cash and cash equivalents** | **320.3** | **397.5** |

## 6. Financial Assets at Fair Value Through Profit or Loss

| | *31 March 2012 (unaudited)* | *31 December 2011* |
|---|---|---|
| Financial assets held for trading | 468.0 | 540.7 |
| Financial assets designated as at fair value through profit or loss | 47.1 | 30.8 |
| **Total financial assets at fair value through profit or loss** | **515.1** | **571.5** |

*(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 are managed on a fair value basis, in accordance with the risk management or investment strategies adopted by each Group member and the information provided to key management personnel.

**Financial assets held for trading**

| | *31 March 2012 (unaudited)* | *31 December 2011* |
|---|---|---|
| ***Debt securities denominated in USD*** | | |
| Eurobonds of Russian companies and banks | 22.0 | 33.4 |
| Bonds and eurobonds of foreign governments and municipal authorities | 13.0 | 16.0 |
| Bonds and eurobonds of foreign companies and banks | 11.9 | 13.6 |
| Eurobonds of the Russian Federation | 2.2 | 1.4 |
| ***Debt securities denominated in RUR*** | | |
| Bonds of Russian companies and banks | 189.6 | 200.0 |
| Russian Federal loan bonds (OFZ) | 31.8 | 55.6 |
| Russian municipal bonds | 1.4 | 4.1 |
| Promissory notes of Russian companies and banks | 1.1 | 3.3 |
| Bonds of foreign governments | 0.7 | 0.7 |
| Eurobonds of foreign companies and banks | 0.4 | 0.4 |
| ***Debt securities denominated in other currencies*** | | |
| Bonds of foreign governments | 2.0 | 4.5 |
| Eurobonds of Russian companies and banks | 0.6 | 1.1 |
| Russian municipal bonds | 0.4 | 0.5 |
| Bonds and eurobonds of foreign companies and banks | – | 2.3 |
| *Equity securities* | *122.9* | *124.9* |
| *Balances arising from derivative financial instruments* | *68.0* | *78.9* |
| **Total financial assets held for trading** | **468.0** | **540.7** |

At 31 March 2012, bonds of Russian companies and banks are mostly represented by debt securities issued by Russian oil and gas companies, banks and other financial companies, manufacturing, metals, transportation, aircraft and telecommunication companies.

At 31 March 2012, equity securities are represented by securities issued by Russian metal companies, banks, oil and gas and building construction companies.

**Financial assets designated as at fair value through profit or loss**

| | *31 March 2012 (unaudited)* | *31 December 2011* |
|---|---|---|
| Bonds of foreign companies and banks | 21.3 | 10.9 |
| Equity securities | 10.9 | 11.0 |
| Bonds and eurobonds of Russian companies and banks | 9.8 | 7.5 |
| Bonds of foreign governments and municipal authorities | 5.1 | 1.4 |
| **Total financial assets designated as at fair value through profit or loss** | **47.1** | **30.8** |

*(in billions of Russian Roubles)*

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

| | *31 March 2012 (unaudited)* | *31 December 2011* |
|---|---|---|
| ***Financial assets at fair value through profit or loss*** | | |
| *Financial assets held for trading* | | |
| Bonds of Russian companies and banks | 17.5 | 2.4 |
| Eurobonds of Russian companies and banks | 1.6 | – |
| Russian municipal bonds | 1.5 | – |
| Equity securities | 0.5 | 0.1 |
| Russian Federal loan bonds (OFZ) | 0.2 | 0.9 |
| *Total Financial assets held for trading* | *21.3* | *3.4* |
| *Financial assets designated as at fair value through profit or loss* | | |
| Eurobonds of Russian companies and banks | 2.0 | 2.9 |
| Bonds of foreign governments | 0.2 | 0.5 |
| Bonds of foreign companies and banks | – | 0.8 |
| *Total Financial assets designated as at fair value through profit or loss* | *2.2* | *4.2* |
| ***Total Financial assets at fair value through profit or loss*** | ***23.5*** | ***7.6*** |
| ***Financial assets available-for-sale*** | | |
| Bonds of foreign governments | 0.1 | 0.6 |
| Bonds of Russian companies and banks | – | 1.3 |
| Russian Federal loan bonds (OFZ) | – | 0.4 |
| ***Total Financial assets available-for-sale*** | ***0.1*** | ***2.3*** |
| ***Financial assets classified as loans and advances to customers*** | ***55.7*** | ***188.3*** |
| ***Financial assets classified as due from other banks*** | ***–*** | ***0.4*** |
| **Total financial assets pledged under repurchase agreements and loaned financial assets** | **79.3** | **198.6** |

As at 31 March 2012, bonds of Russian companies and banks included in the above table are mostly represented by debt securities issued by Russian banks, oil and gas companies, transportation, metals, coal mining and telecommunication companies.

As at 31 March 2012, financial assets classified as loans and advances to customers pledged under repurchase agreements are mostly represented by federal loan bonds with debt amortization (OFZ-AD) with the carrying amount of RUR 48.0 billion which were purchased by “Bank of Moscow”, OJSC in September 2011 from proceeds of loan from DIA (31 December 2011: RUR 175.5 billion).

## 8. Due from Other Banks

| | *31 March 2012 (unaudited)* | *31 December 2011* |
|---|---|---|
| OECD | 237.1 | 204.6 |
| Russia | 89.2 | 171.8 |
| Other countries | 53.1 | 50.8 |
| **Total gross due from other banks** | **379.4** | **427.2** |
| Less: Allowance for impairment (Note 22) | (2.4) | (2.6) |
| **Total due from other banks** | **377.0** | **424.6** |

*(in billions of Russian Roubles)*

## 9. Loans and Advances to Customers

The table below shows loans and advances to customers by class.

| | *31 March 2012 (unaudited)* | *31 December 2011* |
|---|---|---|
| **Loans to legal entities** | | |
| Current activity financing | 1,888.8 | 2,091.9 |
| Project finance and other | 1,437.8 | 1,314.7 |
| Finance leases | 248.4 | 244.1 |
| Reverse sale and repurchase agreements | 115.4 | 115.3 |
| **Total loans to legal entities** | **3,690.4** | **3,766.0** |
| **Loans to individuals** | | |
| Consumer loans and other | 466.6 | 436.2 |
| Mortgages | 312.0 | 309.0 |
| Car loans | 79.3 | 75.5 |
| Reverse sale and repurchase agreements | 3.2 | 3.4 |
| **Total loans to individuals** | **861.1** | **824.1** |
| Less: Allowance for impairment (Note 22) | (298.7) | (288.5) |
| **Total loans and advances to customers** | **4,252.8** | **4,301.6** |

Finance leases represent loans to leasing companies and net investment in leases.

As at 31 March 2012, included in gross loans are finance lease receivables of RUR 166.5 billion (31 December 2011: RUR 166.4 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 2012 (unaudited)* | | *31 December 2011* | |
|---|---|---|---|---|
| | *Amount* | *%* | *Amount* | *%* |
| Individuals | 861.1 | 19 | 824.1 | 18 |
| Finance | 620.0 | 13 | 619.6 | 13 |
| Building construction | 528.0 | 11 | 530.7 | 12 |
| Manufacturing | 438.2 | 10 | 464.3 | 10 |
| Government bodies | 361.6 | 8 | 248.8 | 5 |
| Trade and commerce | 359.6 | 8 | 357.0 | 8 |
| Metals | 321.1 | 7 | 363.2 | 8 |
| Transport | 320.9 | 7 | 386.9 | 8 |
| Chemical | 164.2 | 4 | 214.9 | 5 |
| Energy | 135.0 | 3 | 145.7 | 3 |
| Oil and gas | 132.0 | 3 | 119.2 | 3 |
| Food and agriculture | 94.6 | 2 | 94.1 | 2 |
| Telecommunications and media | 82.0 | 2 | 69.5 | 2 |
| Coal mining | 43.7 | 1 | 58.0 | 1 |
| Aircraft | 18.1 | – | 18.0 | – |
| Other | 71.4 | 2 | 76.1 | 2 |
| **Total gross loans and advances to customers** | **4,551.5** | **100** | **4,590.1** | **100** |

Finance industry includes loans issued to holding companies of industrial groups, mergers and acquisitions financing, and loans to leasing, insurance and other non-bank financial companies.

As at 31 March 2012, the total amount of outstanding loans issued by the Group to 10 largest groups of interrelated borrowers comprises RUR 972.6 billion, or 21% of the gross loan portfolio (31 December 2011: RUR 1,036.8 billion, or 23%).

As at 31 March 2012, loans and advances to customers represented by federal loan bonds with debt amortization (OFZ-AD) purchased in September 2011 by "Bank of Moscow", OJSC with the carrying amount of RUR 240.2 billion are included in loans to government bodies for the purpose of economic sector risk concentrations disclosure (31 December 2011: RUR 115.4 billion).

*(in billions of Russian Roubles)*

## 10. Financial Assets Available-for-Sale

| | *31 March 2012 (unaudited)* | *31 December 2011* |
|---|---|---|
| Equity investments | 130.8 | 135.8 |
| Bonds and eurobonds of foreign governments | 12.5 | 10.6 |
| Russian Federal loan bonds (OFZ) | 10.2 | 10.2 |
| Eurobonds of Russian companies and banks | 6.2 | 6.4 |
| Bonds of foreign companies and banks | 4.0 | 3.7 |
| Promissory notes of Russian companies and banks | 1.4 | 0.6 |
| Bonds of Russian companies and banks | 7.4 | 0.4 |
| **Total financial assets available-for-sale** | **172.5** | **167.7** |

As at 31 March 2012, equity investments are represented mostly by shares of Russian metal, finance and retail companies.

## 11. Investments in Associates and Joint Ventures

| | | | *31 March 2012 (unaudited)* | | *31 December 2011* | |
|---|---|---|---|---|---|---|
| | *Country of registration* | *Activity* | *Carrying amount* | *Ownership percentage* | *Carrying amount* | *Ownership percentage* |
| "Metropolitan Insurance Group", OJSC | Russia | Insurance | 16.0 | 50.00% | 16.0 | 50.00% |
| "KS Holding", CJSC | Russia | Insurance | 5.8 | 49.00% | 5.7 | 49.00% |
| "Eurofinance Mosnarbank", OJSC | Russia | Banking | 3.4 | 25.00% | 3.3 | 25.00% |
| "Vietnam-Russia Joint Venture Bank" | Vietnam | Banking | 1.8 | 50.00% | 2.0 | 50.00% |
| "Haberma Enterprises", Ltd | Cyprus | Real estate | 1.2 | 39.10% | 1.2 | 39.10% |
| "Hals-Technopark", CJSC | Russia | Construction | 1.0 | 50.00% | 1.0 | 50.00% |
| "Thalita Trading", Ltd | Cyprus | Finance | 0.9 | 50.00% | 0.7 | 50.00% |
| "Finnist Real Estate S.a.r.l." | Luxembourg | Real estate | 0.5 | 19.99% | 0.5 | 19.99% |
| "Gelosa Holdings", Ltd | Cyprus | Real estate | 0.4 | 21.16% | 0.4 | 21.16% |
| "Estonian Credit Bank", JSC | Estonia | Banking | 0.4 | 43.79% | 0.2 | 43.79% |
| VTB Capital I2BF JVC (Cayman) Ltd | Cayman Islands | Finance | 0.1 | 50.00% | – | – |
| "Sistemapsys S.a.r.l." | Luxembourg | Construction | n/a | n/a | 1.0 | 50.00% |
| "Russian National Commercial Bank", JSC | Russia | Banking | n/a | n/a | 0.5 | 39.80% |
| "Izumrudniy Gorod 2000", Ltd | Russia | Construction | – | 50.00% | – | 50.00% |
| "Tagar-City", Ltd | Russia | Construction | – | 50.00% | – | 50.00% |
| "Amiral' B. V.", Ltd | Russia | Construction | – | 50.00% | – | 50.00% |
| "Ilinoza investments limited", Ltd | Russia | Construction | – | 45.00% | – | 45.00% |
| "Interbank Trading House", Ltd | Russia | Commerce | – | 50.00% | – | 50.00% |
| "Automated Banking Technologies", CJSC | Russia | IT | – | 25.86% | – | 25.86% |
| "Pension Reserve", Ltd | Russia | Finance | – | 19.00% | – | 19.00% |
| **Total investments in associates and joint ventures** | | | **31.5** | | **32.5** | |

In the first quarter 2012 the Group obtained 100% control in "Sistemapsys S.a.r.l." and 84.91% controlling share in "Russian National Commercial Bank", OJSC (Note 31).

## 12. Investment Securities Held-to-Maturity

| | *31 March 2012 (unaudited)* | *31 December 2011* |
|---|---|---|
| Bonds of Russian companies and banks | 33.4 | 32.8 |
| Russian municipal bonds | 1.1 | 1.0 |
| Bonds of foreign governments | 0.6 | 0.5 |
| Russian Federal loan bonds (OFZ) | 0.1 | 0.1 |
| **Total gross investment securities held-to-maturity** | **35.2** | **34.4** |
| Less: Allowance for impairment (Note 22) | (2.0) | (2.0) |
| **Total investment securities held-to-maturity** | **33.2** | **32.4** |

Bonds of Russian companies and banks are mostly represented by debt securities issued by major Russian banks.

*(in billions of Russian Roubles)*

## 13. Disposal Group Held for Sale

In September 2011, when acquiring “Bank of Moscow”, OJSC the Group received controlling interest in “BM Bank”, Ltd., located in Kiev, Ukraine. In the fourth quarter of 2011 the Management decided to sell these investments and intends to do it within 12 months, as at 31 March 2012 the negotiations had not been finished. The Group accounted for these investments as a disposal group held for sale under IFRS 5. As at 31 March 2012 the carrying values of assets and liabilities of a disposal group held for sale amounted to RUR 8.7 billion and RUR 6.8 billion, respectively (31 December 2011: RUR 10.3 billion and RUR 8.5 billion, respectively).

## 14. Due to Other Banks

| | *31 March 2012 (unaudited)* | *31 December 2011* |
|---|---|---|
| Term loans and deposits | 342.1 | 369.2 |
| Correspondent accounts and overnight deposits of other banks | 271.8 | 310.6 |
| Sale and repurchase agreements with other banks | 23.8 | 19.9 |
| **Total due to other banks** | **637.7** | **699.7** |

## 15. Customer Deposits

| | *31 March 2012 (unaudited)* | *31 December 2011* |
|---|---|---|
| **Government bodies** | | |
| Current / settlement deposits | 43.3 | 38.0 |
| Term deposits | 228.0 | 482.1 |
| **Other legal entities** | | |
| Current / settlement deposits | 696.8 | 610.8 |
| Term deposits | 1,169.1 | 1,296.3 |
| **Individuals** | | |
| Current / settlement deposits | 241.5 | 254.7 |
| Term deposits | 946.8 | 906.1 |
| **Sale and repurchase agreements** | 7.4 | 8.7 |
| **Total customer deposits** | **3,332.9** | **3,596.7** |

## 16. Other Borrowed Funds

| | *31 March 2012 (unaudited)* | *31 December 2011* |
|---|---|---|
| Funds from local central banks | 196.6 | 365.9 |
| Syndicated loans | 99.8 | 106.8 |
| Other borrowings | 252.7 | 261.9 |
| **Total other borrowed funds** | **549.1** | **734.6** |

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.

In September 2011 “Bank of Moscow”, OJSC received a RUR 294.8 billion loan from the related party DIA at 0.51% per annum maturing in 10 years under the plan of support of “Bank of Moscow”, OJSC earlier signed by CBR and DIA. The Group recognized the loan initially at fair value. As at 31 March 2012 the carrying amount of the loan of RUR 145.9 billion was included in Other borrowings (31 December 2011: RUR 144.4 billion).

*(in billions of Russian Roubles)*

## 17. Debt Securities Issued

| | *31 March 2012 (unaudited)* | *31 December 2011* |
|---|---|---|
| Bonds | 461.6 | 457.5 |
| Promissory notes | 368.2 | 206.1 |
| Deposit certificates | 0.1 | 0.9 |
| **Total debt securities issued** | **829.9** | **664.5** |

In January 2012, VTB placed RUR 10.0 billion Series 7 local bond issue maturing in January 2015 with a coupon rate of 7.95% p.a. payable quarterly and one year put option.

In the first quarter of 2012, "VTB Capital", Plc issued short term and medium term notes, denominated in USD, EUR and TRY in the total equivalent amount of RUR 2.3 billion under its EMTN Programme maturing from February 2013 till February 2015 with a coupon rate from 0% to 3.35% p.a.

In February 2012, "VTB Capital", Plc issued credit linked notes in the total amount of RUR 0.7 billion under its EMTN Programme maturing in September 2015 with a coupon rate 11.9% p.a.

In March 2012, VTB placed Series 3 and Series 4 local bond issues in the amount of RUR 5.0 billion each maturing in 2015 with a coupon rate of 8.0% p.a. payable quarterly and two years put option.

During the first quarter of 2012, "VTB Leasing Finance", Ltd. partially redeemed nominal value of Series 2, 8 and 9 of local bonds in the total amount of RUR 1.3 billion.

During the first quarter 2012, "VTB Capital", Plc issued foreign exchange linked notes in the total amount of BYR 816 billion (RUR 3.0 billion) under its EMTN Programme maturing in May and June 2012 with a coupon rate from 22% p.a. to 31.76% p.a.

In the first quarter of 2012, "Bank VTB 24", CJSC placed previously bought-back Series 2 local bonds in the total amount of RUR 3.7 billion maturing in 2013 with and a coupon rate of 7.75% p.a. payable semi-annually.

In the first quarter of 2012, "VTB Bank", PJSC (Ukraine) partially redeemed nominal value of Series C local bonds in the amount of RUR 1.1 billion.

## 18. Subordinated Debt

On 29 September 2005, OJSC "Industry and Construction Bank" (further renamed to OJSC "Bank VTB North-West") issued USD 400 million subordinated Eurobonds due September 2015 with early redemption call option on 1 October 2010 at par. The Eurobonds bear interest rate at 6.2% p.a. payable semi-annually. From 1 October 2010 interest rate under the Eurobonds is equal to US Treasury yield increased by 226 b.p. and step-up of 150 b.p. In August 2010 the Group announced a decision not to exercise the redemption option. The transaction was structured as an issue of notes by Or-ICB S.A. (Luxembourg) for the purpose of financing a subordinated loan to OJSC "Bank VTB North-West". As at 31 March 2012 the carrying amount of this subordinated debt was RUR 10.0 billion (31 December 2011: RUR 11.1 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. In August 2010 an interest rate on these two subordinated loans was reduced from 8% to 6.5% p.a. in accordance with the Federal Law requirements. As at 31 March 2012 the carrying amount of this subordinated debt was RUR 180.2 billion (31 December 2011: RUR 179.7 billion).

Over a period from 2003 to 2009 "TransCreditBank", JSC received subordinated loans from JSC "RZD" and its related parties in the aggregate amount of RUR 13.1 billion with interest rates from 9% p.a. to 12.1% p.a. maturing in the period from December 2012 to November 2020. As at 31 March 2012 the carrying amount of this subordinated debt was RUR 14.4 billion (31 December 2011: RUR 14.2 billion).

In July 2009, "TransCreditBank", JSC received a subordinated loan of RUR 2.9 billion with an interest rate of 8% p.a. maturing in October 2019 from Vnesheconombank. In August 2010 an interest rate on this subordinated loan was reduced from 8% to 6.5% p.a. in accordance with the Federal Law requirements. As at 31 March 2012 the carrying amount of this subordinated debt was RUR 2.9 billion (31 December 2011: RUR 2.9 billion).

_(in billions of Russian Roubles)_

## 18. Subordinated Debt (continued)

In November 2005, "Bank of Moscow", OJSC issued USD 300 million subordinated Loan Participation Notes due November 2015 bearing interest rate 7.5% p.a. payable semi-annually and with early redemption call option in November 2010, which was not exercised. From 25 November 2010 step-up interest rate was set at 5.967%, equal to 5-year US Treasury yield increased by 306.7 b.p. and step-up of 150 b.p. The transaction was structured as an issue of notes by "Kuznetski Capital" S.A. (Luxembourg) for the purpose of financing a subordinated loan to "Bank of Moscow", OJSC. As at 31 March 2012 the carrying amount of this subordinated debt was RUR 8.3 billion (31 December 2011: RUR 9.0 billion).

In December 2006, "Bank of Moscow", OJSC received a subordinated loan of USD 100 million with an interest rate of LIBOR + 2.65% p.a. maturing in December 2016 from Royal Bank of London N.V. (London). As at 31 March 2012 the carrying amount of this subordinated debt was RUR 3.0 billion (31 December 2011: RUR 3.2 billion).

In May 2007, "Bank of Moscow", OJSC issued USD 400 million subordinated Loan Participation Notes due in May 2017 bearing interest rate 6.807% p.a. payable semi-annually and with prepayment option in May 2012. In May 2012 "Bank of Moscow", OJSC decided not to exercise the prepayment option. The step-up interest rate is equal to 5-year US Treasury yield increased by 375 b.p. and step-up of 150 b.p. The transaction was structured as an issue of notes by "Kuznetski Capital" S.A. (Luxembourg) for the purpose of financing a subordinated loan to "Bank of Moscow", OJSC. As at 31 March 2012 the carrying amount of this subordinated debt was RUR 10.3 billion (31 December 2011: RUR 10.8 billion).

In October 2009, "Bank of Moscow", OJSC received a subordinated loan of RUR 11.1 billion with an interest rate of 8.0% p.a. maturing in December 2019 from Vnesheconombank. In August 2010 an interest rate on this subordinated loan was reduced to 6.5% p.a. in accordance with the Federal Law requirements. As at 31 March 2012 the carrying amount of this subordinated debt was RUR 10.4 billion (31 December 2011: RUR 10.2 billion).

## 19. Interest Income and Expense

| | ***For the three-month period ended 31 March (unaudited)*** | |
|---|---|---|
| | ***2012*** | ***2011*** |
| **Interest income** | | |
| Loans and advances to customers | 115.0 | 78.1 |
| Securities | 8.0 | 6.1 |
| Due from other banks | 4.0 | 2.0 |
| **Total interest income** | **127.0** | **86.2** |
| **Interest expense** | | |
| Customer deposits | (41.0) | (23.1) |
| Due to other banks and other borrowed funds | (16.2) | (3.4) |
| Debt securities issued | (10.9) | (9.6) |
| Subordinated debt | (4.9) | (4.1) |
| **Total interest expense** | **(73.0)** | **(40.2)** |
| **Net interest income** | **54.0** | **46.0** |

*(in billions of Russian Roubles)*

## 20. Fee and Commission Income and Expense

| | *For the three-month period ended 31 March (unaudited)* | |
|---|---|---|
| | ***2012*** | ***2011*** |
| Commission on settlement transactions | 7.4 | 4.9 |
| Commission on guarantees issued and trade finance | 2.0 | 1.2 |
| Commission on cash transactions | 1.5 | 0.8 |
| Commission on operations with securities and capital markets | 1.0 | 1.5 |
| Other | 0.7 | 0.7 |
| **Total fee and commission income** | **12.6** | **9.1** |
| Commission on settlement transactions | (1.4) | (0.8) |
| Commission on cash transactions | (0.6) | (0.2) |
| Other | (0.3) | (0.1) |
| **Total fee and commission expense** | **(2.3)** | **(1.1)** |
| **Net fee and commission income** | **10.3** | **8.0** |

## 21. Staff Costs and Administrative Expenses

| | *For the three-month period ended 31 March (unaudited)* | |
|---|---|---|
| | ***2012*** | ***2011*** |
| Staff costs | 20.5 | 18.2 |
| Defined contribution pension expense | 2.2 | 1.7 |
| Depreciation and other expenses related to premises and equipment | 4.7 | 3.8 |
| Leasing and rent expenses | 2.3 | 1.4 |
| Taxes other than on income | 1.8 | 1.6 |
| Professional services | 1.8 | 1.1 |
| Impairment, amortization and other expenses related to intangibles, except for amortization of core deposit intangible | 1.3 | 0.6 |
| Amortization of core deposit intangible | 1.3 | 0.3 |
| Advertising expenses | 1.2 | 0.7 |
| Payments to deposit insurance system | 1.1 | 0.8 |
| Post and telecommunication expenses | 0.6 | 0.5 |
| Transport expenses | 0.6 | 0.4 |
| Security expenses | 0.5 | 0.4 |
| Charity | 0.3 | 0.4 |
| Insurance | 0.1 | 0.2 |
| Other | 2.2 | 0.9 |
| **Total staff costs and administrative expenses** | **42.5** | **33.0** |

*(in billions of Russian Roubles)*

## 22. Allowances for Impairment and Provisions

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

| | *Due from other banks* | *Loans and advances to customers* | *Investment securities held-to-maturity* | *Credit related commit-ments* | *Other assets* | *Legal claims* | *Total* |
|---|---|---|---|---|---|---|---|
| **Balance at 1 January 2011 (audited)** | **2.9** | **274.2** | **2.0** | **1.6** | **2.4** | **0.1** | **283.2** |
| Provision / (reversal of provision) for impairment during the period | (0.8) | 8.5 | – | – | 0.1 | – | **7.8** |
| Write-offs | – | (5.7) | – | – | (0.2) | – | **(5.9)** |
| Recoveries of amounts written-off in previous period | – | 0.1 | – | – | – | – | **0.1** |
| Currency translation difference | (0.1) | (3.3) | – | – | (0.2) | – | **(3.6)** |
| **Balance at 31 March 2011** | **2.0** | **273.8** | **2.0** | **1.6** | **2.1** | **0.1** | **281.6** |
| **Balance at 1 January 2012 (audited)** | **2.6** | **288.5** | **2.0** | **1.1** | **2.7** | **0.9** | **297.8** |
| Provision / (reversal of provision) for impairment during the period | – | 20.4 | – | – | 0.4 | (0.2) | **20.6** |
| Write-offs | – | (0.9) | – | – | (0.1) | – | **(1.0)** |
| Currency translation difference | (0.2) | (9.3) | – | – | – | – | **(9.5)** |
| **Balance at 31 March 2012** | **2.4** | **298.7** | **2.0** | **1.1** | **3.0** | **0.7** | **307.9** |

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

## 23. Retained Earnings

In March 2012, the Group made the voluntary offer to repurchase ordinary shares of the Bank from the shareholders participated in 2007 IPO of the Bank at the price of RUR 0.136 and maximum number of 3,676,471 shares from each eligible shareholder. The Group has estimated the maximum amount of shares to be repurchased and made the relevant accrual in the amount of RUR 13.8 billion in Other liabilities with corresponding entry in Retained earnings, as this transaction is defined as a capital (equity) transaction. The offer has expired on 13 April 2012.

In March 2012, the Group made a voluntary offer to purchase ordinary shares of “Bank of Moscow”, OJSC from selected current shareholders of “Bank of Moscow”, OJSC at the price RUR 1,108.65 per share. Maximum number of shares to be purchased by the Group from these selected current shareholders should not exceed the number of shares owned by these selected current shareholders at the date when the Group has purchased 46.48% “Bank of Moscow”, OJSC in February 2011. The Group has estimated the maximum amount of shares to be repurchased and made the relevant accrual in the amount of RUR 0.1 billion in Other liabilities with corresponding entry in Retained earnings, as this transaction is defined as a capital (equity) transaction. The offer has expired on 15 April 2012.

## 24. Basic and Diluted Earnings per Share

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

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

| | *For the three-month period ended 31 March (unaudited)* | |
|---|---|---|
| | ***2012*** | ***2011*** |
| Net profit attributable to shareholders of the parent | 22.7 | 26.0 |
| Weighted average number of ordinary shares in issue | 10,459,037,922,847 | 10,458,358,836,655 |
| **Basic and diluted earnings per share (expressed in Russian Roubles per share)** | **0.0022** | **0.0025** |

*(in billions of Russian Roubles)*

## 25. Income Tax

The Group's effective income tax rate for the first three months of 2012 was 27% (the first three months of 2011: 21%) which is close to the theoretical tax rate. The effective income tax rate for the first three months of 2012 differs from the theoretical tax rate due to difference associated with non-deductible expenses and income taxed at different rates.

The following tables provide disclosure of income tax effects relating to each component of other comprehensive income for the three months ended 31 March 2012 and 31 March 2011:

| | *For the three-month period ended 31 March (unaudited)* | | | | | |
|---|---|---|---|---|---|---|
| | *2012* | | | *2011* | | |
| | *Before tax* | *Tax recovery / (expense)* | *Net of tax* | *Before tax* | *Tax (expense) / recovery* | *Net of tax* |
| Unrealized gain on financial assets available-for-sale | (2.4) | 0.5 | (1.9) | – | – | – |
| Effect of changes in tax rates recognized in premises revaluation reserve | 0.1 | – | 0.1 | – | – | – |
| Share of other comprehensive income of associates | (0.2) | – | (0.2) | (0.2) | – | (0.2) |
| Effect of translation | (4.1) | – | (4.1) | (3.4) | – | (3.4) |
| **Other comprehensive income** | **(6.6)** | **0.5** | **(6.1)** | **(3.6)** | – | **(3.6)** |

## 26. Share-based Payments

In February 2012, several Group members introduced for their selected employees a share-based remuneration plan. This plan has established a right of those employees to receive common shares ("Shares Plan") or GDR ("GDRs Plan") of VTB (depending on the employing entity's country of incorporation) contingent on their service over a specified period of time.

*Shares Plan.* The vesting conditions envisage that an employee remains in service for a certain vesting period to receive the shares award. The awarded shares vest gradually in three equal installments over the vesting periods of one, two and three years, subject to employee's continuous employment with the Group during the relevant vesting period. An award, or portion of it, may be forfeited if the employee terminates employment before the end of the relevant vesting period voluntarily or subject to certain other conditions as described in the Plan rules. The number of shares awarded under the Shares Plan was determined by reference to a fixed monetary value communicated to employees on the grant date and a weighted-average market price of shares for 30 days prior to 2 April 2012. At 31 March 2012 the total value of the award granted under the Shares Plan was RUR 1.4 billion represented by 19.6 billion shares of VTB.

*GDRs Plan.* Under GDRs Plan the selected employees are granted zero strike price options to purchase GDRs exercisable over ten years from each respective vesting date. The vesting conditions envisage that an employee remains in service for a certain vesting period to receive the GDRs award. The awarded GDRs vest gradually in three equal installments over the vesting periods of one, two and three years, subject to employee's continuous employment with the Group during the relevant vesting period. An award, or portion of it, may be forfeited if the employee terminates employment before the end of the relevant vesting period voluntarily or subject to certain other conditions as described in the Plan rules. The number of GDRs to receive under zero strike price options awarded was determined by reference to a fixed monetary value communicated to employees on the grant date and a weighted-average market price of GDR for 30 days prior to 2 April 2012. At 31 March 2012 the total value of the award granted under the GDRs Plan was RUR 1.0 billion represented by 7.1 million of GDRs of VTB. Each GDR contains 2,000 VTB shares.

For the period ended 31 March 2012 the Group recognized in Staff costs the amount of RUR 0.4 billion as expenses related to the above equity-settled share-based payment transactions with a corresponding credit to Retained earnings as the above share-based payments have not vested yet.

## 27. Contingencies, Commitments and Derivative Financial Instruments

***Legal proceedings.*** From time to time and in the normal course of business, claims against the Group are received. 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 material provision has been made in these financial statements.

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

***Tax contingencies.*** Transfer pricing legislation became effective in the Russian Federation on 1 January 1999. This legislation allows the tax authorities to make transfer pricing adjustments and impose additional tax liabilities in respect of all "controlled" transactions, provided that the transaction price differs from the market price by more than 20 percent. "Controlled" transactions include transactions with related parties, barter transactions, foreign trade transactions and transactions with third (unrelated) parties with significant price fluctuations (i.e., if the price of such transactions differs from the prices on similar transactions by more than 20 percent within a short period of time). In addition, specific transfer pricing rules allow the tax authorities to make transfer pricing adjustments in respect of securities and derivative transactions. There has been no formal guidance as to how some of the rules relating to transfer pricing legislation should apply.

The new transfer pricing rules is effective from 1 January 2012. Compared to the previous Russian transfer pricing rules, the new rules are more technically elaborate and, to a certain extent, better aligned with the international transfer pricing principles developed by the OECD. The list of the "controlled" transactions under the new transfer pricing legislation includes transactions with related parties and certain types of cross-border transactions. The new transfer pricing rules may have a potential impact on tax costs arising from the pricing mechanism applied in "controlled" transactions, in particular, transactions with related parties located in and outside of Russia. The price of the "controlled" transactions should be confirmed by functional and benchmarking analysis as well as by the relevant transfer pricing documentation which should be available for the Russian tax authorities.

The tax authorities will have right to accrue additional tax liabilities if the prices under the "controlled" transactions differ from those which would have been used by independent counterparties under similar conditions. However, it is still unclear what effect the new transfer pricing rules may have on the Russian entities of the Group.

The Group also operates in various jurisdictions and includes companies incorporated outside of Russia that are taxed at different rates and under different legislation. Tax liabilities of the Group are determined on the basis that these companies do not have a permanent establishment in Russia and hence are not subject to Russian profits tax except for Russian tax withheld at source (i.e. dividend, interest, certain capital gains, etc.). Russian tax laws do not provide detailed rules on taxation of foreign companies. It is possible that with the evolution of these rules and changes in the approach of the Russian tax authorities, some or all of the foreign companies of the Group may be treated as having a permanent establishment in Russia and thus subject to Russian taxation in a manner broadly similar to the taxation of a Russian legal entity.

The interpretations of the relevant authorities could differ and if the authorities were successful in enforcing their interpretation, additional taxes and related fines and penalties may be assessed, the effect, of which cannot be practicably estimated, but could be significant to the financial condition of the Group. However, based upon Management's understanding of the tax regulations, Management believes that its interpretation of the relevant tax legislation is reasonable and will be sustainable. Moreover, Management believes that the Group has accrued all applicable taxes.

The Group includes subsidiaries incorporated and operating in various jurisdictions. In some jurisdictions where the Group operates tax, currency and customs legislation as currently in effect is subject to varying interpretations, and changes, which can occur frequently at short notice and may apply retroactively. Based upon its understanding of the applicable tax regulations Management of the Group believes that based upon the best estimates Group subsidiaries have paid or accrued all taxes that are applicable to their operations as of 31 March 2012 in jurisdictions of their incorporation, and complied with all provisions of laws and regulations in the jurisdictions to which the Group is subject. If however the relevant tax authorities differently interpret the applicable tax legislation as applied to the transactions and activity of the Group, the tax position may be challenged; if the authorities were successful in enforcing their interpretation of these regulations, additional taxes, penalties and interest may be assessed, which may affect the financial position of the Group.

***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 irrevocable undrawn credit lines, letters of credit and guarantees does not necessarily represent future cash requirements, as these financial instruments may expire or terminate without being funded.

*(in billions of Russian Roubles)*

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

Outstanding credit related commitments are as follows:

| | *31 March 2012 (unaudited)* | *31 December 2011* |
|---|---|---|
| Guarantees issued | 526.1 | 510.9 |
| Undrawn credit lines | 39.7 | 43.1 |
| Letters of credit | 35.0 | 35.4 |
| Commitments to extend credit | 32.2 | 36.7 |
| Less: provision for impairment on credit related commitments (Note 22) | (1.1) | (1.1) |
| **Total credit related commitments** | **631.9** | **625.0** |

The Bank received export letters of credit for further advising to its customers. The total amount of received letters of credit as at 31 March 2012 was RUR 133.7 billion (31 December 2011: RUR 172.8 billion). Commitments under import letters of credit and guarantees are collateralized by customer deposits of RUR 9.5 billion (31 December 2011: RUR 11.9 billion).

As at 31 March 2012, included in guarantees issued are guarantees issued for a Russian company of RUR 25.8 billion or 5% of guarantees issued. As at 31 December 2011, included in guarantees issued are guarantees issued for a Russian company of RUR 27.4 billion or 5% of the guarantees issued.

Movements in the provision for impairment on credit related commitments are disclosed in Note 22.

***Purchase commitments.*** As at 31 March 2012, the Group had RUR 49.6 billion of outstanding commitments for the purchase of precious metals (31 December 2011: RUR 35.0 billion). As the price of these contracts is linked to the fair value of precious metals at the date of delivery, no gain or loss is recognized on these contracts.

## 28. Analysis by Segment

In accordance with IFRS 8, *Operating Segments*, the Group defined as the major operating segments the global business lines. Majority of the Group's entities' activities and resources are allocated and managed and their performance is assessed based on the respective global business line segment information. On this basis, the Group aggregated these operating segments in accordance with IFRS 8 into the following reportable segments: Corporate-Investment banking (CIB) (Investment banking, Loans and Deposits, Transaction banking subsegments), Retail banking and Other.

This segment disclosure is presented on the basis of IFRS compliant data of the global business lines and entities adjusted, where necessary, for intersegment reallocation. 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.

The change in reportable segment composition is mainly caused by the change in the system of the Group management and the integration of activities of certain entities into the global business lines. The united Corporate-Investment Banking function in the Group was established in the first quarter 2011, which resulted in the combination of Corporate business and Investment business reportable segments data presented in 2010 annual consolidated financial statements into the one Corporate-Investment banking (CIB) segment with further subdivision to 3 subsegments as described above. Additionally following the further integration of activities of "TransCreditBank", JSC, "Bank of Moscow", OJSC, CIS and Georgia and Europe geographical segments into the Group's global business lines such as CIB, Retail banking and Other, the data for these subsidiaries and segments is presented within CIB, Retail and Other segments. Comparative information was amended in accordance with the above description.

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, losses net of gains arising from extinguishment of liability, losses on initial recognition of financial instruments and loans restructuring and other gains / (losses) on loans and advances to customers and share in income of associates. Each element is included in calculation of revenues by each subsegment / segment without subsegments in case it is positive for this subsegment / segment without subsegments. The totals are calculated as sum of the line components.

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

*(in billions of Russian Roubles)*

## 28. Analysis by Segment (continued)

Segment information for the reportable segments of the Group at 31 March 2012 (unaudited) and results for the three months ended 31 March 2012 (unaudited) is set out below:

| | *Corporate-Investment banking (CIB)* | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | *Investment banking* | *Loans and deposits* | *Transaction banking* | *Inter-CIB eliminations* | *Total CIB* | *Retail banking* | *Other* | *Total before inter-segment eliminations* | *Inter-segment eliminations* | *Total* |
| ***For the three-month period ended 31 March 2012:*** | | | | | | | | | | |
| **Revenues from:** | | | | | | | | | | |
| External customers | *21.0* | *99.5* | *4.5* | – | 125.0 | 45.2 | 9.4 | **179.6** | – | **179.6** |
| Other segments | *16.5* | *16.2* | *7.3* | *(32.4)* | 7.6 | 11.4 | 1.5 | **20.5** | (20.5) | **–** |
| **Total revenues** | ***37.5*** | ***115.7*** | ***11.8*** | ***(32.4)*** | **132.6** | **56.6** | **10.9** | **200.1** | **(20.5)** | **179.6** |
| **Segment income and expense** | | | | | | | | | | |
| Interest income | *23.6* | *95.1* | *7.3* | *(28.8)* | 97.2 | 46.9 | 0.3 | **144.4** | (17.4) | **127.0** |
| Interest expense | *(21.0)* | *(73.5)* | *(1.4)* | *28.8* | (67.1) | (20.9) | (2.3) | **(90.3)** | 17.3 | **(73.0)** |
| **Net interest income** | ***2.6*** | ***21.6*** | ***5.9*** | **–** | **30.1** | **26.0** | **(2.0)** | **54.1** | **(0.1)** | **54.0** |
| Provision charge for impairment of debt financial assets | *(0.2)* | *(13.6)* | – | – | (13.8) | (6.6) | – | **(20.4)** | – | **(20.4)** |
| **Net interest income after provision for impairment** | ***2.4*** | ***8.0*** | ***5.9*** | **–** | **16.3** | **19.4** | **(2.0)** | **33.7** | **(0.1)** | **33.6** |
| Net fee and commission income / (expense) | *0.8* | *0.8* | *3.5* | – | 5.1 | 6.3 | (1.1) | **10.3** | – | **10.3** |
| Other gains less losses arising from financial instruments and foreign currencies | *3.7* | *17.3* | *0.1* | *(0.4)* | 20.7 | 1.5 | 0.7 | **22.9** | – | **22.9** |
| Share in income of associates and joint ventures | *0.2* | *(0.1)* | – | – | 0.1 | – | – | **0.1** | – | **0.1** |
| Other operating income / (expense) items | *5.4* | *(1.7)* | – | *(0.1)* | 3.6 | 0.4 | 5.2 | **9.2** | (1.3) | **7.9** |
| **Operating income** | ***12.5*** | ***24.3*** | ***9.5*** | ***(0.5)*** | **45.8** | **27.6** | **2.8** | **76.2** | **(1.4)** | **74.8** |
| Staff costs and administrative expenses | (5.4) | (12.9) | (5.0) | 0.1 | (23.2) | (16.7) | (3.7) | **(43.6)** | 1.1 | **(42.5)** |
| Loss from disposal of subsidiaries and associates | – | – | – | – | – | – | (0.4) | **(0.4)** | – | **(0.4)** |
| **Segment results: Profit before taxation** | ***7.1*** | ***11.4*** | ***4.5*** | ***(0.4)*** | **22.6** | **10.9** | **(1.3)** | **32.2** | **(0.3)** | **31.9** |
| Income tax expense | | | | | | | | | | **(8.6)** |
| **Net profit** | | | | | | | | | | **23.3** |

_(in billions of Russian Roubles)_

## 28. Analysis by Segment (continued)

| | Corporate-Investment banking (CIB) | | | | | | | Total before inter-segment eliminations | Inter-segment eliminations | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| | Investment banking | Loans and deposits | Transaction banking | Inter-CIB eliminations | Total CIB | Retail banking | Other | | | |
| ***As at 31 March 2012:*** | | | | | | | | | | |
| Cash and short-term funds | *13.5* | *236.5* | – | *(4.5)* | 245.5 | 85.0 | 7.0 | **337.5** | (7.4) | **330.1** |
| Mandatory reserve deposits with central banks | – | *46.3* | – | – | 46.3 | 13.9 | – | **60.2** | – | **60.2** |
| Due from other banks | *74.2* | *290.6* | – | – | 364.8 | 11.6 | 0.6 | **377.0** | – | **377.0** |
| Loans and advances to customers | *202.0* | *3,155.4* | – | – | 3,357.4 | 893.5 | 1.9 | **4,252.8** | – | **4,252.8** |
| Other financial instruments | *542.3* | *242.2* | – | *(8.6)* | 775.9 | 22.8 | 2.2 | **800.9** | (0.8) | **800.1** |
| Investments in associates and joint ventures | *3.1* | *27.4* | – | – | 30.5 | – | 1.0 | **31.5** | – | **31.5** |
| Other assets items | *36.4* | *303.2* | *7.8* | *(6.0)* | 341.4 | 37.2 | 222.7 | **601.3** | (2.5) | **598.8** |
| Net amount of intersegment settlements | *217.2* | – | *633.3* | *(850.5)* | – | 457.1 | – | **457.1** | (457.1) | **–** |
| **Segment assets** | ***1,088.7*** | ***4,301.6*** | ***641.1*** | ***(869.6)*** | **5,161.8** | **1,521.1** | **235.4** | **6,918.3** | **(467.8)** | **6,450.5** |
| Due to other banks | *39.0* | *585.4* | – | *(0.2)* | 624.2 | 14.8 | – | **639.0** | (1.3) | **637.7** |
| Customer deposits | *649.4* | *730.3* | *639.7* | *(4.3)* | 2,015.1 | 1,322.9 | 0.7 | **3,338.7** | (5.8) | **3,332.9** |
| Other borrowed funds | *48.0* | *483.0* | – | – | 531.0 | 14.3 | 3.8 | **549.1** | – | **549.1** |
| Debt securities issued | *172.9* | *649.4* | – | *(5.7)* | 816.6 | 13.7 | 0.1 | **830.4** | (0.5) | **829.9** |
| Subordinated debt | – | *241.8* | – | *(2.3)* | 239.5 | – | – | **239.5** | – | **239.5** |
| Other liabilities items | *91.5* | *96.1* | *0.7* | *(6.3)* | 182.0 | 6.4 | 46.7 | **235.1** | (3.0) | **232.1** |
| Net amount of intersegment settlements | – | *1,197.2* | – | *(850.5)* | 346.7 | – | 110.4 | **457.1** | (457.1) | **–** |
| **Segment liabilities** | ***1,000.8*** | ***3,983.2*** | ***640.4*** | ***(869.3)*** | **4,755.1** | **1,372.1** | **161.7** | **6,288.9** | **(467.7)** | **5,821.2** |

*(in billions of Russian Roubles)*

## 28. Analysis by Segment (continued)

Segment information for the reportable segments of the Group at 31 December 2011 and results for the three months ended 31 March 2011 (unaudited) is set out below:

| | *Corporate-Investment banking (CIB)* | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | ***Investment banking*** | ***Loans and deposits*** | ***Transaction banking*** | ***Inter-CIB eliminations*** | ***Total CIB*** | ***Retail banking*** | ***Other*** | ***Total before inter-segment eliminations*** | ***Inter-segment eliminations*** | ***Total*** |
| ***For the three-month period ended 31 March 2011:*** | | | | | | | | | | |
| **Revenues from:** | | | | | | | | | | |
| External customers | *19.4* | *62.9* | *3.0* | – | 85.3 | 29.7 | 2.8 | **117.8** | – | **117.8** |
| Other segments | *13.5* | *8.1* | *3.8* | *(21.6)* | 3.8 | 7.1 | 0.5 | **11.4** | (11.4) | **–** |
| **Total revenues** | ***32.9*** | ***71.0*** | ***6.8*** | ***(21.6)*** | **89.1** | **36.8** | **3.3** | **129.2** | **(11.4)** | **117.8** |
| **Segment income and expense** | | | | | | | | | | |
| Interest income | *14.4* | *62.3* | *3.8* | *(15.7)* | 64.8 | 31.4 | 0.2 | **96.4** | (10.2) | **86.2** |
| Interest expense | *(11.5)* | *(37.5)* | *(0.6)* | *15.7* | (33.9) | (14.9) | (1.5) | **(50.3)** | 10.1 | **(40.2)** |
| **Net interest income** | ***2.9*** | ***24.8*** | ***3.2*** | **–** | **30.9** | **16.5** | **(1.3)** | **46.1** | **(0.1)** | **46.0** |
| Provision charge for impairment of debt financial assets | – | *(5.6)* | – | – | (5.6) | (2.1) | – | **(7.7)** | – | **(7.7)** |
| **Net interest income after provision for impairment** | ***2.9*** | ***19.2*** | ***3.2*** | **–** | **25.3** | **14.4** | **(1.3)** | **38.4** | **(0.1)** | **38.3** |
| Net fee and commission income / (expense) | *1.4* | *0.5* | *2.8* | – | 4.7 | 3.8 | (0.6) | **7.9** | 0.1 | **8.0** |
| Other gains less losses arising from financial instruments and foreign currencies | *11.1* | *3.2* | – | *(0.1)* | 14.2 | 0.5 | 0.5 | **15.2** | – | **15.2** |
| Share in income of associates and joint ventures | – | *1.1* | – | – | 1.1 | – | 0.2 | **1.3** | – | **1.3** |
| Other operating income / (expense) items | *5.7* | *(3.8)* | – | *(0.1)* | 1.8 | 0.3 | 0.8 | **2.9** | (0.6) | **2.3** |
| **Operating income** | ***21.1*** | ***20.2*** | ***6.0*** | ***(0.2)*** | **47.1** | **19.0** | **(0.4)** | **65.7** | **(0.6)** | **65.1** |
| Staff costs and administrative expenses | *(8.2)* | *(8.7)* | *(3.3)* | *0.1* | (20.1) | (11.6) | (1.8) | **(33.5)** | 0.5 | **(33.0)** |
| Profit from disposal of subsidiaries and associates | – | *0.9* | – | – | 0.9 | – | – | **0.9** | – | **0.9** |
| **Segment results: Profit before taxation** | ***12.9*** | ***12.4*** | ***2.7*** | ***(0.1)*** | **27.9** | **7.4** | **(2.2)** | **33.1** | **(0.1)** | **33.0** |
| Income tax expense | | | | | | | | | | **(6.9)** |
| **Net profit** | | | | | | | | | | **26.1** |

_(in billions of Russian Roubles)_

## 28. Analysis by Segment (continued)

| | Corporate-Investment banking (CIB) | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **_Investment banking_** | **_Loans and deposits_** | **_Transaction banking_** | **_Inter-CIB eliminations_** | **_Total CIB_** | **_Retail banking_** | **_Other_** | **_Total before inter-segment eliminations_** | **_Inter-segment eliminations_** | **_Total_** |
| **_As at 31 December 2011:_** | | | | | | | | | | |
| Cash and short-term funds | _13.5_ | _306.5_ | – | _(1.6)_ | 318.4 | 107.7 | 4.9 | **431.0** | (24.0) | **407.0** |
| Mandatory reserve deposits with central banks | – | _58.1_ | – | – | 58.1 | 13.8 | – | **71.9** | – | **71.9** |
| Due from other banks | _76.1_ | _338.6_ | – | – | 414.7 | 9.3 | 0.6 | **424.6** | – | **424.6** |
| Loans and advances to customers | _193.9_ | _3,234.4_ | – | – | 3,428.3 | 864.6 | 8.7 | **4,301.6** | – | **4,301.6** |
| Other financial instruments | _604.6_ | _353.1_ | – | _(7.7)_ | 950.0 | 18.5 | 2.3 | **970.8** | (0.6) | **970.2** |
| Investments in associates and joint ventures | _2.8_ | _27.7_ | – | – | 30.5 | – | 2.0 | **32.5** | – | **32.5** |
| Other assets items | _30.7_ | _308.4_ | _7.7_ | _(0.1)_ | 346.7 | 35.5 | 200.3 | **582.5** | (0.7) | **581.8** |
| Net amount of intersegment settlements | _235.2_ | – | _526.6_ | _(761.8)_ | – | 454.2 | – | **454.2** | (454.2) | **–** |
| **Segment assets** | **_1,156.8_** | **_4,626.8_** | **_534.3_** | **_(771.2)_** | **5,546.7** | **1,503.6** | **218.8** | **7,269.1** | **(479.5)** | **6,789.6** |
| Due to other banks | _20.2_ | _676.0_ | – | _(0.3)_ | 695.9 | 20.8 | – | **716.7** | (17.0) | **699.7** |
| Customer deposits | _796.8_ | _951.3_ | _533.2_ | _(1.3)_ | 2,280.0 | 1,320.5 | 0.6 | **3,601.1** | (4.4) | **3,596.7** |
| Other borrowed funds | _56.3_ | _665.8_ | – | – | 722.1 | 8.3 | 4.2 | **734.6** | – | **734.6** |
| Debt securities issued | _102.6_ | _556.6_ | – | _(4.7)_ | 654.5 | 10.3 | 0.2 | **665.0** | (0.5) | **664.5** |
| Subordinated debt | – | _243.8_ | – | _(2.7)_ | 241.1 | – | – | **241.1** | – | **241.1** |
| Other liabilities items | _88.1_ | _99.0_ | _0.2_ | _(0.1)_ | 187.2 | 6.2 | 37.9 | **231.3** | (3.4) | **227.9** |
| Net amount of intersegment settlements | – | _1,113.0_ | – | _(761.8)_ | 351.2 | – | 103.0 | **454.2** | (454.2) | **–** |
| **Segment liabilities** | **_1,064.0_** | **_4,305.5_** | **_533.4_** | **_(770.9)_** | **5,132.0** | **1,366.1** | **145.9** | **6,644.0** | **(479.5)** | **6,164.5** |

*(in billions of Russian Roubles)*

## 29. Fair Value Hierarchy

The Group classifies fair value measurements of financial instruments using the following fair value hierarchy:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2: all inputs in valuation models are directly or indirectly observable;
- Level 3: inputs in valuation models are not based on observable market data.

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy as at 31 March 2012 (unaudited):

| | *Level 1* | *Level 2* | *Level 3* | *Total* |
|---|---|---|---|---|
| ***Financial assets*** | | | | |
| *Non-derivative financial assets at fair value through profit or loss* | | | | |
| Financial assets held for trading | 352.7 | 45.6 | 1.7 | **400.0** |
| Financial assets designated as at fair value through profit or loss | 34.9 | 3.3 | 8.9 | **47.1** |
| *Trading Derivative financial instruments* | *9.4* | *57.4* | *1.2* | ***68.0*** |
| *Hedging Derivative financial instruments* | – | *0.8* | – | ***0.8*** |
| *Financial assets pledged under repurchase agreements and loaned financial assets* | | | | |
| Financial assets held for trading | 21.2 | 0.1 | – | **21.3** |
| Financial assets designated as at fair value through profit or loss | 1.8 | 0.4 | – | **2.2** |
| Financial assets available-for-sale | – | 0.1 | – | **0.1** |
| *Financial assets available-for-sale* | *29.3* | *14.3* | *128.9* | ***172.5*** |
| ***Financial liabilities*** | | | | |
| *Trading Derivative financial instruments* | *(9.0)* | *(49.6)* | *(0.2)* | ***(58.8)*** |
| Other financial liabilities | – | – | (20.7) | **(20.7)** |

For financial instruments carried at fair value, the level in the fair value hierarchy into which the fair values are categorized as follows as at 31 December 2011:

| | *Level 1* | *Level 2* | *Level 3* | *Total* |
|---|---|---|---|---|
| ***Financial assets*** | | | | |
| *Non-derivative financial assets at fair value through profit or loss* | | | | |
| Financial assets held for trading | 408.1 | 52.0 | 1.7 | **461.8** |
| Financial assets designated as at fair value through profit or loss | 19.1 | 1.9 | 9.8 | **30.8** |
| *Trading Derivative financial instruments* | *10.2* | *68.0* | *0.7* | ***78.9*** |
| *Hedging Derivative financial instruments* | – | *0.5* | – | ***0.5*** |
| *Financial assets pledged under repurchase agreements and loaned financial assets* | | | | |
| Financial assets held for trading | 3.4 | – | – | **3.4** |
| Financial assets designated as at fair value through profit or loss | 4.1 | 0.1 | – | **4.2** |
| Financial assets available-for-sale | 1.7 | 0.6 | – | **2.3** |
| *Financial assets available-for-sale* | *20.6* | *97.7* | *49.4* | ***167.7*** |
| ***Financial liabilities*** | | | | |
| *Trading Derivative financial instruments* | *(9.7)* | *(71.6)* | *(0.2)* | ***(81.5)*** |
| Other financial liabilities | – | – | (21.1) | **(21.1)** |

The tables above illustrate the classification of the Group's financial instruments based on the fair value hierarchy as required for complete sets of financial statements. This classification provides a reasonable basis to illustrate the nature and extent of risks associated with those financial instruments.

Financial assets at fair value through profit or loss are mainly dependent on the change of input variables used to determine fair value, such as interest rates and foreign exchange rates. A significant portion of the available-for-sale financial assets in Level 3 is invested in shares of a non-listed companies which are valued based on non-market observable information. Changes in assumptions can lead to adjustments in the fair value of the investment.

*(in billions of Russian Roubles)*

## 29. Fair Value Hierarchy (continued)

### Movement in Level 3 financial instruments measured at fair value

A reconciliation of movements in Level 3 of the fair value hierarchy by class of instruments for the period ended 31 March 2012 (unaudited) is as follows:

| | *Financial assets at fair value through profit or loss* | | | | |
|---|---|---|---|---|---|
| | *Financial assets held for trading* | *Financial assets designated as at fair value through profit or loss* | *Financial assets available-for-sale* | *Financial derivative assets and liabilities (net)* | *Other financial liabilities* |
| ***Fair value at 1 January 2012 (audited)*** | ***1.7*** | ***9.8*** | ***49.4*** | ***0.5*** | ***(21.1)*** |
| Gains less losses / (losses net of gains) recognized in profit or loss for the period | – | (0.9) | – | 0.5 | 0.4 |
| Gains less losses recognized in other comprehensive income | – | – | 0.2 | – | – |
| Initial recognition (purchase or issue) | – | – | 2.1 | – | – |
| Derecognition (sale or settlement) | – | – | (0.1) | – | – |
| Transfers into level 3 | – | – | 78.9 | – | – |
| Transfers out of level 3 | – | – | (1.6) | – | – |
| ***Fair value at 31 March 2012*** | ***1.7*** | ***8.9*** | ***128.9*** | ***1.0*** | ***(20.7)*** |
| ***Unrealized gains less losses / (losses net of gains) recognized in profit or loss or other comprehensive income for the current period for assets and liabilities held at 31 March 2012*** | ***–*** | ***(0.9)*** | ***0.2*** | ***0.5*** | ***0.4*** |

| | *Financial assets at fair value through profit or loss* | | | | |
|---|---|---|---|---|---|
| | *Financial assets held for trading* | *Financial assets designated as at fair value through profit or loss* | *Financial assets available-for-sale* | *Financial derivative assets and liabilities (net)* | *Other financial liabilities* |
| ***Fair value at 1 January 2011 (audited)*** | ***2.8*** | ***0.4*** | ***22.8*** | ***1.0*** | ***–*** |
| Gains or losses recognized in profit or loss for the period | – | (0.1) | – | 0.1 | – |
| Purchases | – | 2.8 | – | (0.1) | – |
| Sales | (0.8) | – | (1.2) | – | – |
| Transfers out of Level 3 | – | (0.3) | – | – | – |
| ***Fair value at 31 March 2011*** | ***2.0*** | ***2.8*** | ***21.6*** | ***1.0*** | ***–*** |
| ***Unrealized gains less losses recognized in profit or loss or other comprehensive income for the current period for assets held at 31 March 2011*** | ***–*** | ***(0.1)*** | ***–*** | ***0.1*** | ***–*** |

### Transfers between levels

During the period ended 31 March 2012, the Group transferred financial assets available-for-sale from Level 2 to Level 3 of the fair value hierarchy in the carrying amount of RUR 78.9 billion due to the change in the basis of valuation of the fair value from the recent market transaction as at 31 December 2011 to the valuation models with significant non market-observable inputs as at 31 March 2012.

During the period ended 31 March 2012, the Group transferred financial assets available-for-sale from Level 3 to Level 1 of the fair value hierarchy in the carrying amount of RUR 1.6 billion. The reason for the transfer from Level 3 to Level 1 is the change in the basis of valuation of the fair value due to the appearance of the active market for these instruments.

*(in billions of Russian Roubles)*

## 29. Fair Value Hierarchy (continued)

There have been no significant transfers between Level 1 and Level 2 during the period ended 31 March 2012.

During the period ended 31 March 2011, the Group transferred financial assets designated as at fair value through profit or loss from level 3 to level 2 of the fair value hierarchy. The carrying amount of the total assets transferred was RUR 0.3 billion. The reason for the transfers from Level 3 to Level 2 is that inputs to the valuation models became observable. Prior to transfer, the fair value of the instruments was determined incorporating significant non market-observable inputs.

There have been no transfers between Level 1 and Level 2 during the period ended 31 March 2011.

## 30. Related Party Transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions 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 Russian government-related entities (both directly and indirectly) and associates and joint ventures and are stated in the tables below:

**Statements of financial position**

| | *31 March 2012 (unaudited)* | | *31 December 2011* | |
|---|---|---|---|---|
| | *Government-related entities* | *Associates and joint ventures* | *Government-related entities* | *Associates and joint ventures* |
| **Assets** | | | | |
| Cash and short-term funds | 145.2 | – | 174.4 | – |
| Mandatory cash balances with central banks | 52.1 | – | 58.7 | – |
| Financial assets at fair value through profit or loss | 254.1 | – | 308.0 | – |
| Financial assets pledged under repurchase agreements and loaned financial assets | 73.1 | – | 191.4 | – |
| Due from other banks | 11.4 | 0.2 | 97.1 | 2.1 |
| Loans and advances to customers | 833.7 | 14.3 | 778.7 | 27.0 |
| Allowance for loan impairment | (21.4) | (0.6) | (20.3) | (0.6) |
| Financial assets available-for-sale | 25.2 | – | 19.4 | – |
| Investment securities held-to-maturity | 32.4 | – | 31.6 | – |
| **Liabilities** | | | | |
| Due to other banks | 182.2 | 0.6 | 176.0 | 0.3 |
| Customer deposits | 1,035.8 | 7.6 | 1,269.7 | 8.4 |
| Other borrowed funds | 380.5 | – | 558.7 | – |
| Subordinated debt | 206.8 | – | 207.0 | – |
| Other liabilities | 25.3 | 0.6 | 35.6 | 0.2 |
| **Credit Related Commitments** | | | | |
| Guarantees issued | 257.6 | 0.8 | 238.7 | 1.6 |
| Undrawn credit lines | 0.4 | – | 1.8 | – |
| Import letters of credit | 2.9 | – | 4.2 | – |

**Income statements**

| | *For the three-month period ended 31 March (unaudited)* | |
|---|---|---|
| | *2012* | *2011* |
| **Interest income** | | |
| Loans and advances to customers | 19.4 | 8.6 |
| Securities | 5.6 | 3.7 |
| Due from other banks | 0.6 | 0.9 |
| **Interest expense** | | |
| Customer deposits | (21.7) | (5.1) |
| Subordinated debt | (10.6) | (1.2) |
| Due to other banks and other borrowed funds | (7.7) | (4.0) |
| **(Provision) / recovery of provision for impairment** | (1.1) | 3.9 |

_(in billions of Russian Roubles)_

## 30. Related Party Transactions (continued)

For the three month-period ended 31 March 2012, the total remuneration of the directors and key management personnel of the Group including pension contributions amounted to RUR 0.7 billion (31 March 2011: RUR 1.5 billion). Key management personnel include VTB Supervisory Council, VTB Management Board, VTB Statutory Audit Committee and key management of subsidiaries. Loans to the key management personnel as at 31 March 2012 amounted to RUR 0.9 billion (31 December 2011: RUR 0.4 billion). Compensation to key management personnel consists of short term employee benefits and share-based payments.

## 31. Consolidated Subsidiaries and Business combinations

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

| | | | *Percentage of ownership* | |
|---|---|---|---|---|
| ***Name*** | ***Activity*** | ***Country of registration*** | ***31 March 2012 (unaudited)*** | ***31 December 2011*** |
| **Subsidiaries:** | | | | |
| “VTB Bank (Austria)” AG | Banking | Austria | 100.00% | 100.00% |
| “Russian Commercial Bank (Cyprus) Limited” | Banking | Cyprus | 60.00% | 60.00% |
| “VTB Bank”, PJSC (Ukraine) | Banking | Ukraine | 99.97% | 99.97% |
| “VTB Bank (Armenia)”, CJSC | Banking | Armenia | 100.00% | 100.00% |
| “VTB Bank (Georgia)”, JSC | Banking | Georgia | 96.31% | 96.31% |
| “VTB Bank (Belarus)”, CJSC | Banking | Belarus | 71.42% | 71.42% |
| “Bank VTB 24”, CJSC | Banking | Russia | 100.00% | 100.00% |
| “TransCreditBank”, JSC | Banking | Russia | 77.86% | 74.62% |
| “Bank of Moscow”, OJSC | Banking | Russia | 94.85% | 94.85% |
| “Bezhitsa-Bank”, OJSC | Banking | Russia | 100.00% | 100.00% |
| “Bank Moscow-Minsk”, OJSC | Banking | Belarus | 100.00% | 100.00% |
| “BM Bank”, Ltd | Banking | Ukraine | 100.00% | 100.00% |
| “Mosvodokanalbank”, OJSC | Banking | Russia | 65.87% | 65.87% |
| “Bank of Moscow - Belgrade”, OJSC | Banking | Serbia | 100.00% | 100.00% |
| "Russian National Commercial Bank" | Banking | Russia | 84.91% | n/a |
| “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% |
| “VTB Bank (France)” | Banking | France | 96.22% | 96.22% |
| “VTB Capital”, Plc | Banking | Great Britain | 95.54% | 95.54% |
| “Banco VTB Africa S.A.” | Banking | Angola | 66.00% | 66.00% |
| “VTB Capital (Namibia) (Proprietary) Limited” | Investment | Namibia | 50.33% | 50.33% |
| “Multicarta”, Ltd | Plastic cards (processing) | Russia | 100.00% | 100.00% |
| “ITC Consultants (Cyprus)”, Ltd | Finance | Cyprus | 100.00% | 100.00% |
| “VB-Service”, Ltd | Commerce | Russia | 100.00% | 100.00% |
| “Almaz-Press”, CJSC | Publishing | Russia | 100.00% | 100.00% |
| “VTB-Leasing”, OJSC | Leasing | Russia | 100.00% | 100.00% |
| “Embassy Development Limited” | Finance | Jersey | 100.00% | 100.00% |
| “VTB-Development”, CJSC | Development | Russia | 100.00% | 100.00% |
| “VTB Europe Strategic Investments Limited” | Investment | Great Britain | 100.00% | 100.00% |
| “Nevsky Property”, Ltd | Property | Cyprus | 100.00% | 100.00% |
| “Business-Finance”, Ltd | Finance | Russia | 100.00% | 100.00% |
| “VTB Dolgovoi centre”, LLC (former “VTB Dolgovoi centre”, CJSC) | Finance | Russia | 100.00% | 100.00% |
| “VTB DC”, Ltd | 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 | 99.99% | 99.99% |
| “VTB-Leasing Capital”, Ltd | Finance | Ireland | 100.00% | 100.00% |
| "VTB Specialized Depository", CJSC | Finance | Russia | 100.00% | 100.00% |
| “VTB Capital 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% |
| “Financial Assistant”, CJSC | Finance | Russia | 100.00% | 100.00% |
| “VTB Registrar”, CJSC | Finance | Russia | 100.00% | 100.00% |
| “Hals-Development”, OJSC | Real Estate | Russia | 51.24% | 51.24% |
| “M”, CJSC | Real Estate | Russia | 100.00% | 100.00% |
| "Sistemapsys S.a.r.l." | Development | Luxembourg | 100.00% | n/a |
| “VTB Arena”, CJSC | Real Estate | Russia | 76.91% | 77.30% |
| “VTB Real Estate”, LLC | Real Estate | Russia | 100.00% | 100.00% |
| “Hotel and Office Complex ”Peking”, OJSC | Real Estate | Russia | 100.00% | 100.00% |
| “Citer Invest”, B.V. | Real Estate | Netherlands | 50.50% | 50.50% |
| “VTB Pension administrator”, Ltd | Finance | Russia | 100.00% | 100.00% |
| "Consolidated companies", OJSC | Winery | Russia | 100.00% | 100.00% |

## 31. Consolidated Subsidiaries and Business Combinations (continued)

In February 2012, the Group obtained 84.91% controlling share in “Russian National Commercial Bank”, OJSC by purchasing additional 45.11% for RUR 0.4 billion from the third parties which are not related to the Group. As a result of acquisition the Group recognised an excess of fair value of the acquired net assets over cost in the amount of RUR 0.1 billion in Other operating income.

In February 2012, CBR registered an additional share issue of “TransCreditBank”, JSC that increased its share capital to RUR 4.3 billion. The Group purchased the whole share issue, representing 334,373,607 shares, at price of RUR 22.69 per share for total amount of RUR 7.6 billion and increased its share in “TransCreditBank”, JSC to 77.86%. As a result of the additional share issue non-controlling interests have increased by RUR 0.3 billion.

In March 2012 “VTB Dolgovoi centre”, CJSC was reorganized in “VTB Dolgovoi centre”, LLC according to the Group’s decision.

In March 2012 the non-controlling shareholders of “VTB Arena”, CJSC exercised their right to buy 33,812 additional shares issued with notional amount of RUR 24,010, which resulted in the increase of non-controlling interests by RUR 0.1 billion and decrease of VTB's ownership in “VTB Arena”, CJSC from 77.3% to 76.91%.

In January 2012, the Group obtained 100% control in “Sistemapsys S.a.r.l.” by purchasing additional 50% for RUR 1.3 billion from the third parties which are not related to the Group. As a result of the acquisition the Group recognized goodwill in the amount of RUR 0.7 billion and loss from disposal of associate of RUR 0.4 billion due to the fair valuation of previously held share in the subsidiary.

## 32. Capital Management and 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 at 31 March 2012 and 31 December 2011 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 Basel Accord guidelines issued in 1988, with subsequent amendments including the amendment to incorporate market risks, as at 31 March 2012 and 31 December 2011 was 13.7% and 13.0%, respectively. These ratios exceeded the minimum ratio of 8.0% recommended by the Basel Accord.

## 33. Subsequent Events

In April 2012, the Group has increased its share to 94.87% in “Bank of Moscow”, OJSC following its voluntary offer to shareholders of “Bank of Moscow”, OJSC made in March 2012. Only shareholders who held their shares at the date VTB made its acquisition of the Moscow city government’s stake in “Bank of Moscow”, OJSC were eligible. The offer therefore applied to 1,030 shareholders of “Bank of Moscow”, OJSC, holding up to 0.05% of the bank’s shares. Less than 80 shareholders accepted the offer and sold 75,700 shares of “Bank of Moscow”, OJSC for a total consideration of RUR 0.1 billion.

In April 2012, the Group has acquired 83.4 billion voting shares of the Bank on expiration of the voluntary offer to repurchase ordinary shares of the Bank from the shareholders participated in 2007 IPO of the Bank at the price of RUR 0.136 and maximum number of 3,676,471 shares from each eligible shareholder. The payments to eligible shareholders, who accepted the offer were completed in April 2012.

In April 2012, VTB placed USD 1.5 billion Series 15 Eurobonds under EMTN Programme 2 with maturity in April 2017 and a fixed coupon rate of 6% p.a. payable semi-annually.

In April and May 2012, “Bank VTB 24”, CJSC placed previously bought-back Series 2 local bonds in the total amount of RUR 3.1 billion maturing in 2013 with a coupon rate of 7.75% p.a. payable semi-annually.

In the second quarter of 2012, “Bank VTB 24”, CJSC placed previously bought-back Series 3 local bonds in the total amount of RUR 3.3 billion maturing in 2013 with and a coupon rate of 8% p.a. payable semi-annually.

In April 2012, the Group acquired 100% of the shares of JSC “StroyPromObyekt” for RUR 1.0 billion, which owns 50% of the shares of JSC Hals-Technopark, a former associate of the Group. After the acquisition the Group owns 100% of the shares of JSC Hals-Technopark.

In April 2012, “VTB Capital”, Plc issued notes in USD, GBP and TRY under its EMTN Program in the total equivalent amount of RUR 6.5 billion maturing from April 2015 till June 2015 and coupon rates from 6.2% p.a. to 11.28% p.a.

## 33. Subsequent Events (continued)

In May 2012, "Bank of Moscow", OJSC decided not to exercise the prepayment option in respect of USD 400 million subordinated Loan Participation Notes maturing in May 2017 and a new coupon interest rate is set at 6.02% p.a. payable semi-annually.

In June 2012, "VTB Capital Finance", LLC issued RUR 5.0 billion Series 11 local bonds maturing in May 2022 with a fixed coupon rate of 0.1% plus floating rate linked to MICEX index payable semi-annually and 3 years put option.

In June 2012, the Group acquired a share of 47.22% for USD 50 million (RUR 1.5 billion) in a joint venture with Burger King Worldwide Holdings Inc and Burger Rus LLC.

In June 2012, the annual general meeting of VTB shareholders declared dividends in the amount of RUR 9.2 billion for 2011 (RUR 0.00088 per share).

In June 2012, "TransCreditBank", JSC repaid its Series 2 local bonds in the amount of RUR 0.8 billion upon maturity.

In June 2012, "TransCreditFactoring", CJSC repaid its Series 1 local bonds in the amount of RUR 1.5 billion upon maturity.