VTB BANK

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

30 June 2012

CONTENTS

CJSC Ernst & Young Vneshaudit
Sadovnicheskaya Nab., 77, bld. 1
Moscow, 115035, Russia
Tel: +7 (495) 705 9700
+7 (495) 755 9700
Fax: +7 (495) 755 9701
www.ey.com/russia

ЗАО «Эрнст энд Янг Внешаудит»
Россия, 115035, Москва
Садовническая наб., 77, стр. 1
Тел: +7 (495) 705 9700
+7 (495) 755 9700
Факс: +7 (495) 755 9701
ОКПО: 00139790

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 30 June 2012, comprising of the interim consolidated statement of financial position as at 30 June 2012 and the related interim consolidated income statement and interim consolidated statement of comprehensive income for the three-month and six-month periods then ended, interim consolidated statements of cash flows and changes in shareholders' equity for the six-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

19 September 2012

(in billions of Russian Roubles)

	Note	30 June 2012 (unaudited)	31 December 2011
Assets			
Cash and short-term funds	5	356.0	407.0
Mandatory cash balances with central banks		60.5	71.9
Financial assets at fair value through profit or loss	6	570.8	571.5
Financial assets pledged under repurchase agreements and loaned financial assets	7	242.5	198.6
Due from other banks	8	411.2	424.6
Loans and advances to customers	9	4,327.8	4,301.6
Assets of disposal group held for sale	13	9.6	10.3
Financial assets available-for-sale	10	184.1	167.7
Investments in associates and joint ventures	11	36.0	32.5
Investment securities held-to-maturity	12	32.3	32.4
Premises and equipment		120.4	116.8
Investment property		137.6	122.5
Intangible assets and goodwill		139.9	141.2
Deferred tax asset		45.4	42.7
Other assets		183.9	148.3
Total assets		**6,858.0**	**6,789.6**
Liabilities			
Due to other banks	14	630.7	699.7
Customer deposits	15	3,438.3	3,596.7
Liabilities of disposal group held for sale	13	8.4	8.5
Other borrowed funds	16	781.2	734.6
Debt securities issued	17	892.8	664.5
Deferred tax liability		10.3	10.0
Other liabilities		223.4	209.4
Total liabilities before subordinated debt		**5,985.1**	**5,923.4**
Subordinated debt	18	243.5	241.1
Total liabilities		**6,228.6**	**6,164.5**
Equity			
Share capital		113.1	113.1
Share premium		358.5	358.5
Treasury shares		(13.9)	(0.6)
Unrealised gain on financial assets available-for-sale and cash flow hedge		3.2	7.9
Premises revaluation reserve		9.8	11.4
Currency translation difference		11.3	11.0
Retained earnings		127.2	102.2
Equity attributable to shareholders of the parent		**609.2**	**603.5**
Non-controlling interests		**20.2**	**21.6**
Total equity		**629.4**	**625.1**
Total liabilities and equity		**6,858.0**	**6,789.6**

Approved for issue and signed on 19 September 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)

		For the three-month period ended 30 June		*For the six-month period ended 30 June*	
	Note	***2012***	***2011***	***2012***	***2011***
Interest income	19	132.0	90.4	259.0	176.6
Interest expense	19	(73.6)	(41.3)	(146.6)	(81.5)
Net interest income		**58.4**	**49.1**	**112.4**	**95.1**
Provision charge for impairment of debt financial assets	22	(11.9)	(9.6)	(32.3)	(17.3)
Net interest income after provision for impairment		**46.5**	**39.5**	**80.1**	**77.8**
Net fee and commission income	20	11.5	9.9	21.8	17.9
(Losses net of gains) / gains less losses arising from financial instruments at fair value through profit or loss		(5.0)	(0.6)	(4.0)	9.1
Gains less losses / (losses net of gains) from available-for-sale financial assets		(0.9)	0.4	2.8	0.4
Losses net of gains arising from extinguishment of liability		(0.2)	–	(0.9)	–
Gains on initial recognition of financial instruments, restructuring and other gains on loans and advances to customers		9.3	10.3	9.4	9.9
Gains less losses / (losses net of gains) arising from dealing in foreign currencies		(0.4)	14.3	25.0	26.0
Foreign exchange translation losses net of gains		(11.3)	(8.8)	(17.9)	(14.6)
Share in income of associates and joint ventures		0.4	0.2	0.5	1.5
(Provision charge) / reversal of provision for impairment of other assets, credit related commitments and legal claims	22	0.1	(1.4)	(0.1)	(1.5)
Income arising from non-banking activities		11.7	5.1	20.4	8.8
Expenses arising from non-banking activities		(7.7)	(2.4)	(11.7)	(4.5)
Other operating income		1.1	2.6	4.5	3.4
Net non-interest income		**8.6**	**29.6**	**49.8**	**56.4**
Operating income		**55.1**	**69.1**	**129.9**	**134.2**
Staff costs and administrative expenses	21	(44.6)	(34.3)	(87.1)	(67.3)
Gain from disposal of subsidiaries and associates		1.4	0.6	1.0	1.5
Profit before taxation		**11.9**	**35.4**	**43.8**	**68.4**
Income tax expense		(1.6)	(7.9)	(10.2)	(14.8)
Net profit		**10.3**	**27.5**	**33.6**	**53.6**
Net profit attributable to:					
Shareholders of the parent		**10.1**	**27.4**	**32.8**	**53.4**
Non-controlling interests		**0.2**	**0.1**	**0.8**	**0.2**
Basic and diluted earnings per share (expressed in Russian Roubles per share)	24	**0.0010**	**0.0026**	**0.0032**	**0.0051**

(in billions of Russian Roubles)

	For the three-month period ended 30 June		*For the six-month period ended 30 June*	
	2012	***2011***	***2012***	***2011***
Net profit for the period	**10.3**	**27.5**	**33.6**	**53.6**
Other comprehensive income (Note 25):				
Net result on financial assets available-for-sale, net of tax	(2.8)	3.9	(4.7)	3.9
Cash flow hedges, net of tax	–	(0.2)	–	(0.2)
Effect of changes in tax rates recognised in premises revaluation reserve	–	–	0.1	–
Share of other comprehensive income of associates	(0.2)	–	(0.4)	(0.2)
Effect of translation, net of tax	4.5	(1.1)	0.4	(4.5)
Other comprehensive income for the period, net of tax	**1.5**	**2.6**	**(4.6)**	**(1.0)**
Total comprehensive income for the period	**11.8**	**30.1**	**29.0**	**52.6**
Total comprehensive income attributable to:				
Shareholders of the parent	**10.9**	**30.3**	**28.1**	**53.3**
Non-controlling interests	**0.9**	**(0.2)**	**0.9**	**(0.7)**

(in billions of Russian Roubles)

	Note	*For the six-month period ended 30 June* 2012	2011
Cash flows (used in) / from operating activities			
Interest received		248.9	160.6
Interest paid		(125.8)	(80.8)
Loss incurred on operations with financial instruments at fair value through profit or loss		(7.2)	(0.6)
Income received on dealing in foreign currency		20.7	27.8
Fees and commissions received		26.6	21.5
Fees and commissions paid		(5.7)	(2.6)
Other operating income received		1.5	0.7
Staff costs and administrative expenses paid		(76.6)	(57.9)
Income received from non-banking activities		18.8	7.2
Expenses paid in non-banking activities		(6.6)	(3.8)
Income tax paid		(13.5)	(17.5)
Cash flows from operating activities before changes in operating assets and liabilities		**81.1**	**54.6**
Net decrease / (increase) in operating assets			
Net decrease / (increase) in mandatory cash balances with central banks		11.4	(18.5)
Net increase in restricted cash		–	(0.2)
Net decrease / (increase) in correspondent accounts in precious metals		2.3	(0.7)
Net increase in financial assets at fair value through profit or loss		(26.5)	(184.6)
Net decrease in due from other banks		14.5	42.2
Net increase in loans and advances to customers		(71.0)	(280.2)
Net increase in other assets		(24.3)	(24.0)
Net (decrease) / increase in operating liabilities			
Net (decrease) / increase in due to other banks		(71.4)	52.0
Net (decrease) / increase in customer deposits		(162.1)	470.4
Net increase in debt securities issued other than bonds issued		124.6	24.6
Net (decrease) / increase in other liabilities		(2.9)	9.8
Net cash (used in) / from operating activities		**(124.3)**	**145.4**
Cash flows used in investing activities			
Dividends and other distributions received		2.4	0.7
Proceeds from sale or maturity of financial assets available-for-sale		26.2	26.7
Purchase of financial assets available-for-sale		(46.1)	(14.6)
Purchase of subsidiaries, net of cash	31	(1.6)	(3.2)
Disposal of subsidiaries, net of cash	31	(0.3)	(1.1)
Purchase of and contributions to associates and joint ventures	11	(5.8)	(106.1)
Proceeds from sale of share in associates	11	–	2.3
Purchase of investment securities held-to-maturity		(1.2)	(0.4)
Proceeds from redemption of investment securities held-to-maturity		1.3	2.0
Purchase of premises and equipment		(10.0)	(15.7)
Proceeds from sale of premises and equipment		6.5	22.9
Purchase of intangible assets		(2.1)	(0.7)
Proceeds from sale of intangible assets		0.4	0.1
Purchase or construction of investment property		(1.8)	(0.8)
Proceeds from sale of investment property		1.7	0.9
Net cash used in investing activities		**(30.4)**	**(87.0)**

(in billions of Russian Roubles)

	Note	*For the six-month period ended 30 June* 2012	2011
Cash flows from / (used in) financing activities			
Dividends paid		(1.6)	(0.1)
Proceeds from issuance of local bonds		42.4	2.4
Repayment of local bonds		(11.2)	(26.7)
Buy-back of local bonds		(4.5)	(3.7)
Proceeds from sale of previously bought-back local bonds		2.6	5.6
Proceeds from issuance of Eurobonds		57.3	33.5
Repayment of Eurobonds		(3.3)	(53.1)
Buy-back of Eurobonds		(21.8)	(22.6)
Proceeds from sale of previously bought-back Eurobonds		24.7	20.1
Proceeds from syndicated loans		4.9	–
Repayment of syndicated loans		(2.5)	(30.5)
Proceeds from sale of previously bought-back syndicated loans		2.9	–
Proceeds from other borrowings and funds from local central banks		535.9	1.3
Repayment of other borrowings and funds from local central banks		(504.6)	(23.7)
Buy-back of subordinated debt		(1.1)	(1.8)
Proceeds from sale of previously bought-back subordinated debt		–	1.6
Purchase of minority interests		(1.7)	–
Proceeds from sale of treasury shares		0.3	0.3
Purchase of treasury shares		(13.6)	(0.9)
Net cash from / (used in) financing activities		**105.1**	**(98.3)**
Effect of exchange rate changes on cash and cash equivalents		1.2	(8.5)
Effect of hyperinflation		(0.3)	–
Net decrease in cash and cash equivalents		**(48.7)**	**(48.4)**
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	**348.8**	**224.4**

(in billions of Russian Roubles)

	Attributable to shareholders of the parent									
	Share capital	Share premium	Treasury shares	Unrealised 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**
Acquisition of subsidiaries	–	–	–	–	–	–	–	**–**	1.2	**1.2**
Disposal of subsidiaries	–	–	–	–	–	–	–	**–**	(0.4)	**(0.4)**
Result from treasury shares transactions	–	–	(0.6)	–	–	–	–	**(0.6)**	–	**(0.6)**
Change of ownership share in subsidiary	–	–	–	–	–	–	1.2	**1.2**	(1.2)	**–**
Total comprehensive income for the period	–	–	–	3.9	–	(4.0)	53.4	**53.3**	(0.7)	**52.6**
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	–	–	–	–	–	–	(6.1)	**(6.1)**	(0.1)	**(6.2)**
Put options over non-controlling interests	–	–	–	–	–	–	(27.3)	**(27.3)**	–	**(27.3)**
Balance at 30 June 2011	**113.1**	**358.5**	**(0.9)**	**7.9**	**11.3**	**4.6**	**80.3**	**574.8**	**22.7**	**597.5**
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 (Note 24)	–	–	(13.3)	–	–	–	–	**(13.3)**	–	**(13.3)**
Total comprehensive income for the period	–	–	–	(4.7)	0.1	0.3	32.4	**28.1**	0.9	**29.0**
Transfer of premises revaluation reserve upon disposal or depreciation	–	–	–	–	(1.7)	–	1.7	**–**	–	**–**
Share-based payments (Note 26)	–	–	–	–	–	–	0.9	**0.9**	–	**0.9**
Acquisition of subsidiaries (Note 31)	–	–	–	–	–	–	–	**–**	0.2	**0.2**
Increase in share capital of subsidiaries (Note 31)	–	–	–	–	–	–	(0.3)	**(0.3)**	0.4	**0.1**
Acquisition of non-controlling interests and other capital transactions (Note 31)	–	–	–	–	–	–	(0.6)	**(0.6)**	(1.3)	**(1.9)**
Dividends declared (Note 23)	–	–	–	–	–	–	(9.1)	**(9.1)**	(1.6)	**(10.7)**
Balance at 30 June 2012	**113.1**	**358.5**	**(13.9)**	**3.2**	**9.8**	**11.3**	**127.2**	**609.2**	**20.2**	**629.4**

1. Principal Activities

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

VTB Bank, formerly known as Vneshtorgbank (the "Bank", or "VTB"), was formed as Russia's foreign trade bank under the laws of the Russian Federation on 17 October 1990. In 1998, following several 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 158 full service branches, including 68 branches of VTB, 8 branches of "Bank VTB 24", CJSC, 41 branches of "TransCreditBank", JSC and 41 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 shares at 30 June 2012 (31 December 2011: 75.5%).

The number of employees of the Group at 30 June 2012 was 71,602 (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 led 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 six-month period ended 30 June 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 recognised based on the income tax rates enacted by the end of the reporting period in relevant tax jurisdictions where the Group is represented. 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 realised or liabilities 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 30 June 2012, the principal closing rate of exchange used for translating balances in US dollars to Russian Roubles was USD 1 to RUR 32.8169 (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 41.3230 (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 derecognised, 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

	30 June 2012 (unaudited)	*31 December 2011*
Cash on hand	81.2	104.3
Cash balances with central banks (other than mandatory cash balances)	155.6	197.1
Correspondent accounts with other banks		
- Russian Federation	29.8	31.2
- Other countries	89.4	74.4
Total cash and short-term funds	**356.0**	**407.0**
Less: correspondent accounts in precious metals	(6.1)	(8.4)
Less: restricted cash	(1.1)	(1.1)
Total cash and cash equivalents	**348.8**	**397.5**

6. Financial Assets at Fair Value through Profit or Loss

	30 June 2012 (unaudited)	*31 December 2011*
Financial assets held for trading	471.2	540.7
Financial assets designated as at fair value through profit or loss	99.6	30.8
Total financial assets at fair value through profit or loss	**570.8**	**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

	30 June 2012 (unaudited)	*31 December 2011*
Debt securities denominated in USD		
Eurobonds of Russian companies and banks	29.7	33.4
Bonds and eurobonds of foreign governments and municipal authorities	13.1	16.0
Bonds and eurobonds of foreign companies and banks	12.5	13.6
Eurobonds of the Russian Federation	0.1	1.4
Debt securities denominated in RUR		
Bonds of Russian companies and banks	191.0	200.0
Russian Federal loan bonds (OFZ)	25.0	55.6
Promissory notes of Russian companies and banks	3.2	3.3
Bonds of foreign governments	0.8	0.7
Russian municipal bonds	0.6	4.1
Eurobonds of foreign companies and banks	0.3	0.4
Debt securities denominated in other currencies		
Bonds of foreign governments	4.6	4.5
Bonds and eurobonds of foreign companies and banks	0.6	2.3
Russian municipal bonds	0.4	0.5
Eurobonds of Russian companies and banks	0.3	1.1
Equity securities	*103.8*	*124.9*
Balances arising from derivative financial instruments	*85.2*	*78.9*
Total financial assets held for trading	**471.2**	**540.7**

As at 30 June 2012, bonds of Russian companies and banks are mostly represented by debt securities issued by Russian oil and gas companies, manufacturing, financial companies and banks.

As at 30 June 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

	30 June 2012 (unaudited)	*31 December 2011*
Trading credit products to foreign companies	33.1	–
Bonds of foreign companies and banks	26.2	10.9
Bonds of foreign governments and municipal authorities	21.3	1.4
Bonds and eurobonds of Russian companies and banks	6.4	7.5
Trading credit products to Russian companies	0.6	–
Equity securities	*12.0*	*11.0*
Total financial assets designated as at fair value through profit or loss	**99.6**	**30.8**

(in billions of Russian Roubles)

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

	30 June 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	24.3	2.4
Russian Federal loan bonds (OFZ)	3.0	0.9
Eurobonds of Russian companies and banks	2.0	–
Russian municipal bonds	1.6	–
Equity securities	0.4	0.1
Total Financial assets held for trading	**31.3**	**3.4**
Financial assets designated as at fair value through profit or loss		
Eurobonds of Russian companies and banks	1.0	2.9
Bonds of foreign governments	–	0.5
Bonds of foreign companies and banks	–	0.8
Total Financial assets designated as at fair value through profit or loss	**1.0**	**4.2**
Total Financial assets at fair value through profit or loss	**32.3**	**7.6**
Financial assets available-for-sale		
Bonds of Russian companies and banks	2.3	1.3
Bonds of foreign companies and banks	0.7	–
Bonds of foreign governments	0.4	0.6
Russian Federal loan bonds (OFZ)	–	0.4
Total Financial assets available-for-sale	**3.4**	**2.3**
Investment securities held-to-maturity		
Russian municipal bonds	0.2	–
Total Investment securities held-to-maturity	**0.2**	**–**
Financial assets classified as loans and advances to customers	**203.8**	**188.3**
Financial assets classified as due from other banks	**2.8**	**0.4**
Total financial assets pledged under repurchase agreements and loaned financial assets	**242.5**	**198.6**

As at 30 June 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, metals and telecommunication companies.

As at 30 June 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 192.7 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

	30 June 2012 (unaudited)	*31 December 2011*
OECD	268.5	204.6
Russia	109.1	171.8
Other countries	35.9	50.8
Total gross due from other banks	**413.5**	**427.2**
Less: Allowance for impairment (Note 22)	(2.3)	(2.6)
Total due from other banks	**411.2**	**424.6**

(in billions of Russian Roubles)

9. Loans and Advances to Customers

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

	30 June 2012 (unaudited)	*31 December 2011*
Loans to legal entities		
Current activity financing	1,976.1	2,091.9
Project finance and other	1,347.2	1,314.7
Finance leases	247.7	244.1
Reverse sale and repurchase agreements	124.5	115.3
Total loans to legal entities	**3,695.5**	**3,766.0**
Loans to individuals		
Consumer loans and other	525.2	436.2
Mortgages	334.4	309.0
Car loans	87.4	75.5
Reverse sale and repurchase agreements	2.7	3.4
Total loans to individuals	**949.7**	**824.1**
Less: Allowance for impairment (Note 22)	(317.4)	(288.5)
Total loans and advances to customers	**4,327.8**	**4,301.6**

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

As at 30 June 2012, included in gross loans are finance lease receivables of RUR 176.6 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:

	30 June 2012 (unaudited)		*31 December 2011*	
	Amount	*%*	*Amount*	*%*
Individuals	949.7	20	824.1	18
Finance	593.3	13	619.6	13
Building construction	580.5	12	530.7	12
Manufacturing	471.7	10	464.3	10
Trade and commerce	379.0	8	357.0	8
Metals	338.6	7	363.2	8
Transport	322.5	7	386.9	8
Chemical	212.8	5	214.9	5
Government bodies	189.5	4	248.8	5
Energy	147.1	3	145.7	3
Oil and gas	119.9	3	119.2	3
Telecommunications and media	94.9	2	69.5	2
Food and agriculture	93.9	2	94.1	2
Coal mining	43.5	1	58.0	1
Aircraft	23.0	1	18.0	–
Other	85.3	2	76.1	2
Total gross loans and advances to customers	**4,645.2**	**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 30 June 2012, the total amount of outstanding loans issued by the Group to 10 largest groups of interrelated borrowers comprises RUR 990.2 billion or 20.4% of the gross loan portfolio represented by loans and advances to customers and financial assets pledged under repurchase agreement classified as loans to customers (31 December 2011: RUR 1,036.8 billion or 21.7%).

(in billions of Russian Roubles)

9. Loans and Advances to Customers (continued)

As at 30 June 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 101.3 billion are included in loans to government bodies for the purpose of economic sector risk concentrations disclosure (31 December 2011: RUR 115.4 billion).

As at 30 June 2012, the gross amount of non-performing loans which the Group defines as impaired loans with repayments overdue by over 90 days was RUR 271.2 billion or 5.6% of the aggregate of the gross loan portfolio and loans pledged under repurchase agreements (31 December 2011: RUR 259.1 billion, or 5.4%).

10. Financial Assets Available-for-Sale

	30 June 2012 (unaudited)	*31 December 2011*
Equity investments	130.5	135.8
Bonds and eurobonds of foreign governments	22.0	10.6
Russian Federal loan bonds (OFZ)	10.1	10.2
Bonds of Russian companies and banks	8.3	0.4
Eurobonds of Russian companies and banks	7.3	6.4
Bonds of foreign companies and banks	5.4	3.7
Promissory notes of Russian banks	0.5	0.6
Total financial assets available-for-sale	**184.1**	**167.7**

As at 30 June 2012, equity investments are represented mostly by shares of Russian metal, manufacturing, finance and retail companies.

11. Investments in Associates and Joint Ventures

			30 June 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	5.9	49.00%	5.7	49.00%
“News Out of Home”, BV	Netherlands	Mass media	4.1	35.77%	–	–
“Eurofinance Mosnarbank”, OJSC	Russia	Banking	3.2	25.00%	3.3	25.00%
“Vietnam-Russia Joint Venture Bank”	Vietnam	Banking	2.1	50.00%	2.0	50.00%
“Burger King Russia (Cyprus)”, Ltd	Cyprus	Fast food	1.6	48.80%	–	–
“Haberma Enterprises”, Ltd	Cyprus	Real estate	1.4	39.10%	1.2	39.10%
“Hals-Technopark”, CJSC	Russia	Construction	n/a	n/a	1.0	50.00%
“Thalita Trading”, Ltd	Cyprus	Finance	0.5	50.00%	0.7	50.00%
“Gelosa Holdings”, Ltd	Cyprus	Real estate	0.4	21.16%	0.4	21.16%
“Estonian Credit Bank”, JSC	Estonia	Banking	0.5	49.79%	0.2	43.79%
“Ysmer”, Ltd	Cyprus	Construction	0.2	50.00%	n/a	n/a
“VTB Capital I2BF JVC (Cayman)”, Ltd	Cayman Islands	Finance	0.1	50.00%	–	–
“Finnist Real Estate S.a.r.l.”	Luxembourg	Real estate	–	19.99%	0.5	19.99%
“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%
“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%
Total investments in associates and joint ventures			**36.0**		**32.5**	

In the first quarter of 2012, the Group obtained 100% control in “Sistemapsys S.a.r.l.”, 100% control in “Hals-Technopark”, CJSC and 84.91% controlling share in “Russian National Commercial Bank”, OJSC. (Note 31).

In the second quarter of 2012, the Group acquired a share of 48.8% in a joint venture “Burger King Russia (Cyprus)”, Limited with Burger King Worldwide Holdings Inc. and Burger Rus LLC for USD 50 million (RUR 1.6 billion).

(in billions of Russian Roubles)

11. Investments in Associates and Joint Ventures (continued)

In the second quarter of 2012, the Group acquired 100% of shares of JSC "StroyPromObyekt" for RUR 1.0 billion, which owns 50% of shares of JSC "Hals-Technopark", a former associate of the Group. After the acquisition the Group owns 100% of shares of JSC "Hals-Technopark" (Note 31).

12. Investment Securities Held-to-Maturity

	30 June 2012 (unaudited)	*31 December 2011*
Bonds of Russian companies and banks	32.7	32.8
Bonds of foreign governments	1.0	0.5
Russian municipal bonds	0.4	1.0
Bonds of foreign banks	0.2	–
Russian Federal loan bonds (OFZ)	0.1	0.1
Total gross investment securities held-to-maturity	**34.4**	**34.4**
Less: Allowance for impairment (Note 22)	(2.1)	(2.0)
Total investment securities held-to-maturity	**32.3**	**32.4**

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 30 June 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 30 June 2012 the carrying values of assets and liabilities of a disposal group held for sale amounted to RUR 9.6 billion and RUR 8.4 billion, respectively (31 December 2011: RUR 10.3 billion and RUR 8.5 billion, respectively).

14. Due to Other Banks

	30 June 2012 (unaudited)	*31 December 2011*
Correspondent accounts and overnight deposits of other banks	305.5	310.6
Term loans and deposits	298.4	369.2
Sale and repurchase agreements with other banks	26.8	19.9
Total due to other banks	**630.7**	**699.7**

15. Customer Deposits

	30 June 2012 (unaudited)	*31 December 2011*
Government bodies		
Current / settlement deposits	35.6	38.0
Term deposits	222.5	482.1
Other legal entities		
Current / settlement deposits	640.1	610.8
Term deposits	1,220.1	1,296.3
Individuals		
Current / settlement deposits	265.1	254.7
Term deposits	1,048.8	906.1
Sale and repurchase agreements	6.1	8.7
Total customer deposits	**3,438.3**	**3,596.7**

(in billions of Russian Roubles)

16. Other Borrowed Funds

	30 June 2012 (unaudited)	*31 December 2011*
Funds from local central banks	402.0	365.9
Syndicated loans	113.7	106.8
Other borrowings	265.5	261.9
Total other borrowed funds	**781.2**	**734.6**

In September 2011, "Bank of Moscow", OJSC received a RUR 294.8 billion loan from the related party DIA at 0.51% p.a. maturing in 10 years under the plan of support of "Bank of Moscow", OJSC earlier signed by CBR and DIA. The Group recognised the loan initially at fair value. As at 30 June 2012 the carrying amount of the loan of RUR 148.5 billion was included in other borrowings (31 December 2011: RUR 144.4 billion).

In June 2012, the Group received a syndicated loan of EUR 107 million (RUR 4.4 billion) maturing in July 2024 with a floating rate of EURIBOR + 1.6% p.a. guaranteed by a G7 country export credit agency in relation to a construction concession project, in which the Group has a 50% share (with costs capitalization). The Group has recognised the benefits of the below-market interest rate as the government grant in the amount of RUR 0.6 billion. The 50% of the government grant has been recognised upfront in gains on initial recognition of financial instruments as the benefits are not related to the Group's share in the construction concession project. The remaining 50% of the government grant is deferred and is to be amortised over the expected useful life of the concession.

17. Debt Securities Issued

	30 June 2012 (unaudited)	*31 December 2011*
Bonds	554.0	457.5
Promissory notes	338.7	206.1
Deposit certificates	0.1	0.9
Total debt securities issued	**892.8**	**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. which were repaid upon maturity.

In the first quarter of 2012, "Bank VTB 24", CJSC placed previously repaid at put option Series 2 local bonds in the total amount of RUR 3.6 billion maturing in 2013 with 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.

In April 2012, "VTB Bank", PJSC (Ukraine) early redeemed Series D and E of its local bonds with notional amount of UAH 500 million (RUR 1.9 billion) under investor put option.

In April 2012, VTB reissued its previously repaid at put option VTB 5 local bonds in the total amount of RUR 5.0 billion.

17. Debt securities issued (continued)

In April 2012, VTB placed USD 1.5 billion (RUR 44.7 billion) Series 15 Eurobonds under EMTN Programme 2 maturing 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 repaid at put option 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 April 2012, "VTB Capital", Plc issued notes in USD, GBP and TRY under its EMTN Programme in the total equivalent amount of RUR 5.3 billion maturing from April 2015 till June 2015 and coupon rates from 6.2% p.a. to 11.28% p.a.

In the second quarter of 2012, "Bank VTB 24", CJSC placed its Series 3 local bonds in the amount of RUR 6.0 billion maturing in 2013 with a coupon rate of 8% p.a. payable semi-annually, which were previously repaid at put option in the amount of RUR 2.7 billion.

In May 2012, "VTB Bank (Belarus)", CJSC repaid its two local bonds in the total equivalent amount of RUR 0.1 billion upon maturity.

In June 2012, "VTB Capital Finance", LLC issued RUR 4.3 billion Series 11 local bonds out of the nominal issue of RUR 5.0 billion maturing in July 2015 with a fixed coupon rate of 0.1% p.a. payable semi-annually plus floating rate linked to 95% participation in MICEX Index appreciation payable in 3 years.

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.

In June 2012, VTB placed USD 30 million (RUR 1.0 billion) Series 16 Eurobonds maturing in December 2012 and a fixed coupon rate of 1.5% p.a payable upon maturity.

During second quarter of 2012, "VTB Leasing Finance", Ltd. partially redeemed nominal value of Series 1, 3 and 4 of local bonds in the total amount of RUR 1.1 billion.

In the second quarter of 2012, "VTB Leasing Finance", Ltd bought back its Series 1 local bonds in the total amount of RUR 2.6 billion.

During the first half of 2012, "Bank VTB (Kazakhstan)", JSC issued additional tranches in the total amount of KZT 2.0 billion (RUR 0.4 billion) of local bonds maturing in December 2014 with a coupon rate of 7.0% p.a. payable semi-annually.

18. Subordinated Debt

On 29 September 2005, OJSC "Industry and Construction Bank" (further renamed to OJSC "Bank VTB North-West" and which had merged with VTB in 2011) issued USD 400 million subordinated Eurobonds due September 2015 with early redemption call option at par on 1 October 2010. 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 30 June 2012 the carrying amount of this subordinated debt was RUR 11.4 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, 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 the interest rate on these two subordinated loans was reduced from 8% to 6.5% p.a. in accordance with the Federal Law requirements. As at 30 June 2012 the carrying amount of this subordinated debt was RUR 180.6 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 30 June 2012 the carrying amount of this subordinated debt was RUR 14.6 billion (31 December 2011: RUR 14.2 billion).

(in billions of Russian Roubles)

18. Subordinated Debt (continued)

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 the interest rate on this subordinated loan was reduced from 8% to 6.5% p.a. in accordance with the Federal Law requirements. As at 30 June 2012 the carrying amount of this subordinated debt was RUR 2.9 billion (31 December 2011: RUR 2.9 billion).

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 30 June 2012 the carrying amount of this subordinated debt was RUR 9.1 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 30 June 2012 the carrying amount of this subordinated debt was RUR 3.3 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. 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. 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 was set at 6.02% p.a. payable semi-annually. As at 30 June 2012 the carrying amount of this subordinated debt was RUR 11.4 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 30 June 2012 the carrying amount of this subordinated debt was RUR 10.2 billion (31 December 2011: RUR 10.2 billion).

19. Interest Income and Expense

	For the three-month period ended 30 June (unaudited)		*For the six-month period ended 30 June (unaudited)*	
	2012	*2011*	*2012*	*2011*
Interest income				
Loans and advances to customers	120.4	81.2	235.4	159.3
Securities	8.6	6.9	16.6	13.0
Due from other banks	3.0	2.3	7.0	4.3
Total interest income	**132.0**	**90.4**	**259.0**	**176.6**
Interest expense				
Customer deposits	(40.7)	(24.1)	(81.9)	(47.2)
Due to banks and other borrowed funds	(13.9)	(3.5)	(30.1)	(6.9)
Debt securities issued	(14.2)	(9.6)	(25.1)	(19.2)
Subordinated debt	(4.8)	(4.1)	(9.5)	(8.2)
Total interest expense	**(73.6)**	**(41.3)**	**(146.6)**	**(81.5)**
Net interest income	**58.4**	**49.1**	**112.4**	**95.1**

(in billions of Russian Roubles)

20. Fee and Commission Income and Expense

	For the three-month period ended 30 June (unaudited)		*For the six-month period ended 30 June (unaudited)*	
	2012	*2011*	*2012*	*2011*
Commission on settlement transactions	8.2	5.8	15.6	10.7
Commission on guarantees issued and trade finance	2.3	1.5	4.3	2.7
Commission on cash transactions	1.8	1.1	3.3	1.9
Commission on operations with securities and on capital markets	1.5	2.6	2.5	4.1
Other	0.8	0.7	1.5	1.4
Total fee and commission income	**14.6**	**11.7**	**27.2**	**20.8**
Commission on settlement transactions	(1.9)	(1.0)	(3.3)	(1.8)
Commission on cash transactions	(0.6)	(0.4)	(1.2)	(0.6)
Other	(0.6)	(0.4)	(0.9)	(0.5)
Total fee and commission expense	**(3.1)**	**(1.8)**	**(5.4)**	**(2.9)**
Net fee and commission income	**11.5**	**9.9**	**21.8**	**17.9**

21. Staff Costs and Administrative Expenses

	For the three-month period ended 30 June (unaudited)		*For the six-month period ended 30 June (unaudited)*	
	2012	*2011*	*2012*	*2011*
Staff costs	22.3	18.2	42.8	36.4
Depreciation and other expenses related to premises and equipment	4.5	4.0	9.2	7.8
Leasing and rent expenses	2.2	1.5	4.5	2.9
Taxes other than on income	2.2	1.4	4.0	3.0
Defined contribution pension expense	1.9	1.2	4.1	2.9
Professional services	1.5	1.2	3.3	2.3
Impairment, amortization and other expenses related to intangibles, except for amortization of core deposit and customer loan intangible	1.5	0.9	2.8	1.5
Advertising expenses	1.4	1.3	2.6	2.0
Amortization of core deposit and customer loan intangible	1.2	0.2	2.5	0.5
Payments to deposit insurance system	1.2	0.8	2.3	1.6
Post and telecommunication expenses	0.9	0.6	1.5	1.1
Charity	0.8	0.5	1.1	0.9
Security expenses	0.7	0.5	1.2	0.9
Transport expenses	0.6	0.4	1.2	0.8
Insurance of own operations and assets	0.1	0.2	0.2	0.4
Other	1.6	1.4	3.8	2.3
Total staff costs and administrative expenses	**44.6**	**34.3**	**87.1**	**67.3**

(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	(0.5)	17.8	–	(0.1)	1.6	–	**18.8**
Write-offs	–	(7.9)	–	–	(1.7)	–	**(9.6)**
Recoveries of amounts written-off in previous period	–	0.1	–	–	–	–	**0.1**
Currency translation difference	(0.1)	(3.8)	–	–	(0.2)	–	**(4.1)**
Balance at 30 June 2011	**2.3**	**280.4**	**2.0**	**1.5**	**2.1**	**0.1**	**288.4**
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	(0.1)	32.3	0.1	(0.2)	0.6	(0.3)	**32.4**
Write-offs	(0.2)	(6.2)	–	–	(0.3)	–	**(6.7)**
Currency translation difference	–	2.8	–	–	–	–	**2.8**
Balance at 30 June 2012	**2.3**	**317.4**	**2.1**	**0.9**	**3.0**	**0.6**	**326.3**

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. Dividends and Retained Earnings

In June 2012, Annual General Meeting of JSC VTB Bank shareholders declared dividends of RUR 9.2 billion for 2011 (RUR 0.00088 per share), which were paid in July-August 2012 including RUR 0.1 billion to several Group's subsidiaries. In June 2011, Annual General Meeting of JSC VTB Bank shareholders declared dividends of RUR 6.1 billion for 2010 (RUR 0.00058 per share), which were paid in June-July 2011.

On 31 March 2012, the Annual General Shareholders' Meeting of "VTB Bank (Belarus)", CJSC shareholders approved dividends of RUR 0.2 billion (BYR 61.8 billion at the exchange rate of RUR 0.0039 per BYR 1.00) for 2011 (RUR 847.03 or BYR 219,647.72 per share). Dividends paid in April 2012 to non-controlling shareholders amounted to RUR 0.1 billion.

In June 2012, "Russian Commercial Bank (Cyprus) Limited" paid final dividends in the amount of USD 100 million for 2011 (RUR 3.2 billion), including USD 40 million (RUR 1.3 billion) attributable to non-controlling shareholders. In July 2011, "Russian Commercial Bank (Cyprus) Limited" paid interim dividends for 2011 in the amount of USD 100 million (RUR 2.8 billion).

On 4 June 2012, the Annual General Shareholders' Meeting of "Bank of Moscow", OJSC shareholders approved dividends of RUR 5.0 billion for 2011 (RUR 18.4 per share) which were paid in June 2012 including dividends paid to non-controlling shareholders in the amount of RUR 0.2 billion.

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.

(in billions of Russian Roubles)

24. Basic and Diluted Earnings per Share (continued)

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

	For the three-month period ended 30 June (unaudited)		*For the six-month period ended 30 June (unaudited)*	
	2012	***2011***	***2012***	***2011***
Net profit attributable to shareholders of the parent	10.1	27.4	32.8	53.4
Weighted average number of ordinary shares in issue	10,360,296,808,315	10,485,771,762,503	10,409,667,361,541	10,472,141,025,894
Basic and diluted earnings per share (expressed in Russian Roubles per share)	**0.0010**	**0.0026**	**0.0032**	**0.0051**

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 offer has expired on 13 April 2012. The payments to eligible shareholders, who accepted the offer were completed in April 2012 and with their heirs were completed till 29 June 2012. As result of this offer the Group has acquired 83,448,797,249 voting shares of the Bank for RUR 11.3 billion.

During the first half of 2012 the Bank's subsidiaries purchased 109,833,225,534 treasury shares. The total number of shares accounted within equity in separate caption "Treasury shares" increased to 119,510,719,533 shares. As a result the number of the outstanding shares at 30 June 2012 amounted to 10,341,030,617,805.

25. Income Tax

The Group's effective income tax rate for the first six months of 2012 was 23% (the first six months of 2011: 22%) which is close to the theoretical tax rate. The effective income tax rate for the six months of 2012 differs from the theoretical tax rate due to difference associated with non-deductible expenses, effect of changes in unrecognized deferred tax assets 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-month period ended 30 June (unaudited)					
	2012			***2011***		
	Before tax	*Tax (expense)/ credit*	*Net of tax*	*Before tax*	*Tax (expense)/ credit*	*Net of tax*
Unrealised gain / (loss) on financial assets available-for-sale	(3.5)	0.7	(2.8)	4.5	(0.6)	3.9
Cash flow hedges	–	–	–	(0.2)	–	(0.2)
Share of other comprehensive income of associates	(0.2)	–	(0.2)	–	–	–
Effect of translation	4.5	–	4.5	(1.1)	–	(1.1)
Other comprehensive income	**0.8**	**0.7**	**1.5**	**3.2**	**(0.6)**	**2.6**

	For the six-month period ended 30 June (unaudited)					
	2012			***2011***		
	Before tax	*Tax (expense)/ credit*	*Net of tax*	*Before tax*	*Tax (expense)/ credit*	*Net of tax*
Unrealised gain / (loss) on financial assets available-for-sale	(5.9)	1.2	(4.7)	4.5	(0.6)	3.9
Effect of changes in tax rates recognised in premises revaluation reserve	0.1	–	0.1	–	–	–
Cash flow hedges	–	–	–	(0.2)	–	(0.2)
Share of other comprehensive income of associates	(0.4)	–	(0.4)	(0.2)	–	(0.2)
Effect of translation	0.4	–	0.4	(4.5)	–	(4.5)
Other comprehensive income	**(5.8)**	**1.2**	**(4.6)**	**(0.4)**	**(0.6)**	**(1.0)**

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. As at 30 June 2012 the total value of the award granted under the Shares Plan was RUR 1.4 billion represented by 19.4 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. As at 30 June 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 three-month and six-month period ended 30 June 2012 the Group recognised in Staff costs the amount of RUR 0.5 billion and RUR 0.9 billion, respectively, 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 and Commitments

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.

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 are 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 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.

(in billions of Russian Roubles)

27. Contingencies and Commitments (continued)

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 30 June 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 collateralised 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.

Outstanding credit related commitments are as follows:

	30 June 2012 (unaudited)	***31 December 2011***
Guarantees issued	574.7	510.9
Undrawn credit lines	40.9	43.1
Import letters of credit	42.8	35.4
Commitments to extend credit	32.0	36.7
Less: provision for impairment on credit related commitments (Note 22)	(0.9)	(1.1)
Total credit related commitments	**689.5**	**625.0**

27. Contingencies and Commitments (continued)

The Bank received export letters of credit for further advising to its customers. The total amount of received letters of credit as at 30 June 2012 was RUR 140.6 billion (31 December 2011: RUR 172.8 billion). Commitments under import letters of credit and guarantees are collateralised by customer deposits of RUR 12.6 billion as at 30 June 2012 (31 December 2011: RUR 11.9 billion).

As at 30 June 2012, included in guarantees issued are guarantees issued for a Russian company of RUR 26.7 billion or 4.6% 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 5.4% of the guarantees issued.

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

Purchase commitments. As at 30 June 2012, the Group had RUR 37.7 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 recognised 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 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 arising from dealing in foreign currencies together with foreign exchange translation gains less losses, gains less losses arising from extinguishment of liability, gains less losses on initial recognition of financial instruments, restructuring and other gains less losses on loans and advances to customers and share in income of associates and joint ventures. 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 30 June 2012 (unaudited) consisting of results for the six months ended 30 June 2012 and other required segment information 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 six-month period ended 30 June 2012:										
Revenues from:										
External customers	27.7	181.4	9.4	-	218.5	93.2	21.3	**333.0**	-	**333.0**
Other segments	34.9	34.4	14.1	(67.8)	15.6	23.9	3.3	**42.8**	(42.8)	**-**
Total revenues	**62.6**	**215.8**	**23.5**	**(67.8)**	**234.1**	**117.1**	**24.6**	**375.8**	**(42.8)**	**333.0**
Segment income and expense										
Interest income	47.5	195.6	14.1	(59.5)	197.7	97.0	0.7	**295.4**	(36.4)	**259.0**
Interest expense	(44.5)	(145.4)	(2.8)	59.5	(133.2)	(45.0)	(4.8)	**(183.0)**	36.4	**(146.6)**
Net interest income	**3.0**	**50.2**	**11.3**	**-**	**64.5**	**52.0**	**(4.1)**	**112.4**	**-**	**112.4**
Provision charge for impairment of debt financial assets	-	(20.5)	-	-	(20.5)	(11.6)	(0.2)	**(32.3)**	-	**(32.3)**
Net interest income after provision for impairment	**3.0**	**29.7**	**11.3**	**-**	**44.0**	**40.4**	**(4.3)**	**80.1**	**-**	**80.1**
Net fee and commission income / (expense)	1.7	0.6	8.0	0.1	10.4	13.8	(2.4)	**21.8**	-	**21.8**
Other gains less losses arising from financial instruments and foreign currencies	(1.5)	14.9	0.1	(0.5)	13.0	1.4	0.4	**14.8**	(0.4)	**14.4**
Share in income of associates and joint ventures	0.5	0.1	-	-	0.6	-	(0.1)	**0.5**	-	**0.5**
Other operating income / (expense) items	9.8	(5.1)	-	(0.2)	4.5	0.7	10.8	**16.0**	(2.9)	**13.1**
Operating income	**13.5**	**40.2**	**19.4**	**(0.6)**	**72.5**	**56.3**	**4.4**	**133.2**	**(3.3)**	**129.9**
Staff costs and administrative expenses	(11.7)	(24.7)	(10.8)	0.1	(47.1)	(34.8)	(7.9)	**(89.8)**	2.7	**(87.1)**
Profit / (loss) from disposal of subsidiaries and associates	1.4	-	-	-	1.4	-	(0.4)	**1.0**	-	**1.0**
Segment results: Profit before taxation	**3.2**	**15.5**	**8.6**	**(0.5)**	**26.8**	**21.5**	**(3.9)**	**44.4**	**(0.6)**	**43.8**
Income tax expense										**(10.2)**
Net profit										**33.6**

(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 30 June 2012:										
Cash and short-term funds	*13.8*	*262.0*	*-*	*(2.0)*	273.8	83.9	7.8	**365.5**	(9.5)	**356.0**
Mandatory reserve deposits with central banks	*-*	*45.3*	*-*	*-*	45.3	15.2	-	**60.5**	-	**60.5**
Due from other banks	*78.4*	*324.7*	*-*	*-*	403.1	7.6	0.5	**411.2**	-	**411.2**
Loans and advances to customers	*209.9*	*3,128.5*	*-*	*-*	3,338.4	988.0	1.3	**4,327.7**	0.1	**4,327.8**
Other financial instruments	*618.1*	*391.5*	*-*	*(7.4)*	1,002.2	25.8	2.3	**1,030.3**	(0.6)	**1,029.7**
Investments in associates and joint ventures	*8.3*	*27.7*	*-*	*-*	36.0	-	-	**36.0**	-	**36.0**
Other assets items	*47.6*	*296.0*	*10.6*	*(0.2)*	354.0	50.4	239.2	**643.6**	(6.8)	**636.8**
Net amount of intersegment settlements	*168.7*	*-*	*550.8*	*(719.5)*	-	500.7	-	**500.7**	(500.7)	**-**
Segment assets	***1,144.8***	***4,475.7***	***561.4***	***(729.1)***	**5,452.8**	**1,671.6**	**251.1**	**7,375.5**	**(517.5)**	**6,858.0**
Due to other banks	*28.9*	*587.5*	*0.3*	*-*	616.7	14.9	-	**631.6**	(0.9)	**630.7**
Customer deposits	*692.0*	*757.7*	*551.5*	*(2.1)*	1,999.1	1,444.2	2.1	**3,445.4**	(7.1)	**3,438.3**
Other borrowed funds	*62.9*	*693.7*	*-*	*-*	756.6	20.6	4.0	**781.2**	-	**781.2**
Debt securities issued	*180.6*	*690.9*	*-*	*(2.2)*	869.3	20.3	3.7	**893.3**	(0.5)	**892.8**
Subordinated debt	*-*	*246.0*	*-*	*(2.5)*	243.5	-	-	**243.5**	-	**243.5**
Other liabilities items	*102.2*	*80.7*	*1.4*	*(0.4)*	183.9	18.2	47.9	**250.0**	(7.9)	**242.1**
Net amount of intersegment settlements	*-*	*1,101.2*	*-*	*(719.5)*	381.7	-	119.0	**500.7**	(500.7)	**-**
Segment liabilities	***1,066.6***	***4,157.7***	***553.2***	***(726.7)***	**5,050.8**	**1,518.2**	**176.7**	**6,745.7**	**(517.1)**	**6,228.6**

(in billions of Russian Roubles)

28. Analysis by Segment (continued)

Segment information for the reportable segments of the Group (unaudited) consisting of results for the six months ended 30 June 2011 and other required segment information at 31 December 2011 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 six-month period ended 30 June 2011:										
Revenues from:										
External customers	*34.6*	*133.2*	*6.6*	*-*	174.4	62.8	6.4	**243.6**	-	**243.6**
Other segments	*28.1*	*17.9*	*7.5*	*(45.2)*	8.3	14.9	1.1	**24.3**	(24.3)	**-**
Total revenues	***62.7***	***151.1***	***14.1***	***(45.2)***	**182.7**	**77.7**	**7.5**	**267.9**	**(24.3)**	**243.6**
Segment income and expense										
Interest income	*29.8*	*126.6*	*7.4*	*(31.7)*	132.1	65.7	0.4	**198.2**	(21.6)	**176.6**
Interest expense	*(23.4)*	*(76.4)*	*(0.9)*	*31.7*	(69.0)	(30.8)	(3.3)	**(103.1)**	21.6	**(81.5)**
Net interest income	***6.4***	***50.2***	***6.5***	***-***	**63.1**	**34.9**	**(2.9)**	**95.1**	**-**	**95.1**
Provision charge for impairment of debt financial assets	*0.1*	*(14.3)*	*-*	*-*	(14.2)	(2.9)	(0.2)	**(17.3)**	-	**(17.3)**
Net interest income after provision for impairment	***6.5***	***35.9***	***6.5***	***-***	**48.9**	**32.0**	**(3.1)**	**77.8**	**-**	**77.8**
Net fee and commission income / (expense)	*3.6*	*1.2*	*6.2*	*(0.1)*	10.9	8.2	(1.3)	**17.8**	0.1	**17.9**
Other gains less losses arising from financial instruments and foreign currencies	*14.4*	*15.4*	*-*	*(0.4)*	29.4	0.9	0.7	**31.0**	(0.2)	**30.8**
Share in income of associates and joint ventures	*0.1*	*1.4*	*-*	*-*	1.5	-	-	**1.5**	-	**1.5**
Other operating income / (expense) items	*14.6*	*(9.5)*	*-*	*(0.2)*	4.9	0.6	1.8	**7.3**	(1.1)	**6.2**
Operating income	***39.2***	***44.4***	***12.7***	***(0.7)***	**95.6**	**41.7**	**(1.9)**	**135.4**	**(1.2)**	**134.2**
Staff costs and administrative expenses	*(15.2)*	*(18.5)*	*(6.9)*	*0.3*	(40.3)	(23.9)	(4.1)	**(68.3)**	1.0	**(67.3)**
Loss from disposal of subsidiaries and associates	*-*	*1.5*	*-*	*-*	1.5	-	-	**1.5**	-	**1.5**
Segment results: Profit before taxation	***24.0***	***27.4***	***5.8***	***(0.4)***	**56.8**	**17.8**	**(6.0)**	**68.6**	**(0.2)**	**68.4**
Income tax expense										**(14.8)**
Net profit										**53.6**

(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*	*306.9*	-	*(1.9)*	318.5	107.7	4.8	**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	*76.4*	*338.3*	-	-	414.7	9.3	0.6	**424.6**	-	**424.6**
Loans and advances to customers	*209.5*	*3,227.4*	-	-	3,436.9	856.1	8.6	**4,301.6**	-	**4,301.6**
Other financial instruments	*613.9*	*347.4*	-	*(11.4)*	949.9	18.6	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	*31.3*	*290.5*	*10.7*	*(0.1)*	332.4	46.3	203.8	**582.5**	(0.7)	**581.8**
Net amount of intersegment settlements	*200.4*	-	*506.1*	*(706.5)*	-	478.7	-	**478.7**	(478.7)	**-**
Segment assets	***1,147.8***	***4,596.3***	***516.8***	***(719.9)***	**5,541.0**	**1,530.5**	**222.1**	**7,293.6**	**(504.0)**	**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	*794.6*	*952.3*	*512.4*	*(1.7)*	2,257.6	1,342.9	0.6	**3,601.1**	(4.4)	**3,596.7**
Other borrowed funds	*55.5*	*666.6*	-	-	722.1	8.3	4.2	**734.6**	-	**734.6**
Debt securities issued	*102.6*	*560.2*	-	*(8.3)*	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*	*93.6*	*1.2*	*(0.1)*	182.8	10.4	38.0	**231.2**	(3.3)	**227.9**
Net amount of intersegment settlements	-	*1,079.3*	-	*(706.5)*	372.8	-	105.9	**478.7**	(478.7)	**-**
Segment liabilities	***1,061.0***	***4,271.8***	***513.6***	***(719.6)***	**5,126.8**	**1,392.7**	**148.9**	**6,668.4**	**(503.9)**	**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 30 June 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	337.9	46.4	1.7	**386.0**
Financial assets designated as at fair value through profit or loss	54.0	35.7	9.9	**99.6**
Trading derivative financial instruments	*12.4*	*71.7*	*1.1*	***85.2***
Hedging derivative financial instruments	–	*0.8*	–	***0.8***
Financial assets pledged under repurchase agreements and loaned financial assets				
Financial assets held for trading	30.8	*0.5*	–	**31.3**
Financial assets designated as at fair value through profit or loss	0.9	*0.1*	–	**1.0**
Financial assets available-for-sale	3.0	*0.4*	–	**3.4**
Financial assets available-for-sale	*42.2*	*15.6*	*126.3*	***184.1***
Financial liabilities				
Trading derivative financial instruments	*(11.6)*	*(61.8)*	*(0.2)*	***(73.6)***
Other financial liabilities	–	–	(20.2)	**(20.2)**

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy 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.

(in billions of Russian Roubles)

29. Fair Value Hierarchy (continued)

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 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.

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 30 June 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) recognised in profit or loss for the period	–	0.1	(1.1)	0.4	0.9
Gains less losses recognised in other comprehensive income	–	–	(2.4)	–	–
Initial recognition (purchase or issue)	–	–	7.6	–	–
Derecognition (sale or settlement)	–	–	(4.7)	–	–
Transfers into Level 3	–	–	78.9	–	–
Transfers out of Level 3	–	–	(1.4)	–	–
Fair value at 30 June 2012	***1.7***	***9.9***	***126.3***	***0.9***	***(20.2)***
Unrealised gains less losses recognised in profit or loss or other comprehensive income for the current period for assets held at 30 June 2012	***–***	***0.1***	***(3.5)***	***0.4***	***0.9***

A reconciliation of movements in Level 3 of the fair value hierarchy by class of instruments for the period ended 30 June 2011 (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)*
Fair value at 1 January 2011 (audited)	**2.8**	**0.4**	**22.8**	**1.0**
Gains less losses / (losses net of gains) recognised in profit or loss for the period	–	–	0.2	(0.1)
Gains less losses recognised in other comprehensive income	–	–	1.8	–
Initial recognition (purchase or issue)	0.1	3.0	0.5	–
Derecognition (sale or settlement)	(0.7)	–	(4.6)	–
Transfers out of Level 3	–	(0.4)	–	–
Fair value at 30 June 2011	***2.2***	***3.0***	***20.7***	***0.9***
Unrealised gains less losses recognised in profit or loss or other comprehensive income for the current period for assets held at 30 June 2011	***–***	***–***	***1.8***	***(0.1)***

(in billions of Russian Roubles)

29. Fair Value Hierarchy (continued)

Transfers between levels

During the period ended 30 June 2012 the financial assets held for trading were transferred from Level 2 to Level 1 in the amount of RUR 1.1 billion as their fair values became determined using market quotes. Previously their fair values were estimated on the market internal model basis.

During the period ended 30 June 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 30 June 2012.

During the period ended 30 June 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 0.8 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.

During the period ended 30 June 2012, the Group transferred financial assets available-for-sale from Level 3 to Level 2 of the fair value hierarchy in the carrying amount of RUR 0.6 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 significant transfers from Level 1 to Level 2 during the period ended 30 June 2012.

During the period ended 30 June 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 0.4 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 30 June 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

	30 June 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	134.8	–	174.4	–
Mandatory cash balances with central banks	53.1	–	58.7	–
Financial assets at fair value through profit or loss	231.5	–	308.0	–
Financial assets pledged under repurchase agreements and loaned financial assets	231.5	–	191.4	–
Due from other banks	10.6	0.2	97.1	2.1
Loans and advances to customers	645.7	16.0	778.7	27.0
Allowance for loan impairment	(22.5)	(0.1)	(20.3)	(0.6)
Financial assets available-for-sale	24.8	–	19.4	–
Investment securities held-to-maturity	31.1	–	31.6	–
Liabilities				
Due to other banks	188.3	0.3	176.0	0.3
Customer deposits	943.7	11.9	1,269.7	8.4
Other borrowed funds	597.7	–	558.7	–
Subordinated debt	208.3	–	207.0	–
Other liabilities	41.3	–	35.6	0.2
Credit Related Commitments				
Guarantees issued	261.9	0.8	238.7	1.6
Undrawn credit lines	–	–	1.8	–
Import letters of credit	7.8	–	4.2	–

(in billions of Russian Roubles)

30. Related Party Transactions (continued)

Income statements

	For the six-month period ended 30 June (unaudited)	
	_2012_	**_2011_**
Interest income		
Loans and advances to customers	37.4	17.3
Securities	9.9	8.8
Due from other banks	0.8	1.2
Interest expense		
Customer deposits	(42.4)	(10.3)
Subordinated debt	(8.5)	(8.0)
Due to other banks and other borrowed funds	(18.1)	(1.8)
(Provision) / recovery of provision for impairment	**(1.7)**	**2.7**

For the six month-period ended 30 June 2012, the total remuneration of the directors and key management personnel of the Group including pension contributions amounted to RUR 3.5 billion (30 June 2011: RUR 3.2 billion). Key management personnel include VTB Supervisory Council, VTB Management Board, VTB Statutory Audit Committee and key management of subsidiaries. Loans to the directors and key management personnel as at 30 June 2012 amounted to RUR 1.0 billion (31 December 2011: RUR 0.4 billion). Compensation to key management consists of short-term employee benefits and share-based payments.

(in billions of Russian Roubles)

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*	*30 June 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	95.52%	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	92.74%	65.87%
"Bank of Moscow - Belgrade", OJSC	Banking	Serbia	100.00%	100.00%
"Russian National Commercial Bank", OJSC	Banking	Russia	96.80%	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)", SA	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%
"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	99.00%	99.00%
"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
"Hals-Technopark", CJSC	Real Estate	Russia	100.00%	n/a
"StroyPromObyekt", JSC	Real Estate	Russia	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 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 recognised 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.

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 and non-controlling intrests of RUR 0.2 billion. In June 2012, the Group increased its share in "Russian National Commercial Bank", OJSC to 96.80%.

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 partially 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 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 acquired 100% of the shares of JSC "StroyPromObyekt" for RUR 1.0 billion, which owns 50% of the shares of "Hals-Technopark", JSC, a former associate of the Group. After the acquisition the Group owns 100% of the shares of "Hals-Technopark", JSC.

In June 2012, the Group has increased its share in "Mosvodokanalbank", OJSC to 92.74% by purchasing additional 26.87% for RUR 0.1 billion.

In June 2012, the Group increased its ownership share in "Bank of Moscow", OJSC to 95.52% by purchasing 1,745,965 shares from the non-controlling interests for RUR 1.6 billion which resulted in decreasing of non-controlling interests by RUR 1.5 billion.

In the second quarter 2012, "VTB Arena", CJSC has granted debt relief of RUR 1.4 billion to its subsidiary in which non-controlling interests have significant influence which resulted in the increase of non-controlling interests by RUR 0.3 billion.

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 30 June 2012 and 31 December 2011 the Bank's capital adequacy ratio on this basis exceeded the statutory minimum.

(in billions of Russian Roubles)

32. Capital Management and Capital Adequacy (continued)

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. These ratios exceeded the minimum ratio of 8.0% recommended by the Basel Accord as disclosed below:

	30 June 2012 (unaudited)	*31 December 2011*
Tier 1 capital		
Share capital	113.1	113.1
Share premium	358.5	358.5
Treasury shares	(13.9)	(0.6)
Retained earnings	127.2	102.2
Unrealised gain on financial assets available-for-sale and cash flow hedge	3.2	7.9
Currency translation difference	11.3	11.0
Non-controlling interests	20.2	21.6
Deducted: Goodwill	(105.4)	(104.7)
Total Tier 1 capital	***514.2***	***509.0***
Tier 2 capital		
Premises revaluation reserve	9.8	11.4
Subordinated debt	233.2	234.0
Total Tier 2 capital	***243.0***	***245.4***
Total capital before deductions	**757.2**	**754.4**
Deducted: Investments in the capital of other banks and financial institutions	(20.3)	(21.0)
Total capital after deductions	**736.9**	**733.4**
Risk-weighted assets		
Credit risk	4,817.7	4,684.5
Market risks	955.3	971.4
Total risk-weighted assets	**5,773.0**	**5,655.9**
Tier 1 capital ratio to total risk-weighted assets	**8.9%**	**9.0%**
Total capital ratio to total risk-weighted assets	**12.8%**	**13.0%**

33. Subsequent Events

In July 2012, the Group sold a 92.74% interest in the share capital of "Mosvodokanalbank", OJSC for RUR 0.3 billion.

In August 2012, the Group's interest in the share capital of "Russian National Commercial Bank", OJSC increased from 96.8% to 98.8%.

In July 2012, VTB issued SGD 400 million (RUR 10.3 billion) Series 17 eurobond under EMTN programme 2 maturing in July 2015 with a coupon rate 4% p.a. payable semi-annually.

In July 2012, "Bank VTB 24", CJSC placed previously repaid at put option Series 4 local bonds in the total amount of RUR 3.1 billion maturing in 2014 with a coupon rate of 6.9% p.a. payable semi-annually.

In August 2012, VTB issued USD 1 billion (RUR 32.6 billion) Perpetual Loan Participation Notes. Coupon rate is fixed at 9.5% and will be reset in 10.5 years and then every 10 years as 10 year US Treasury yield increased by 806.7 b.p. Coupon payments are paid semi-annually from December 2012 and may be deferred at the discretion of VTB. The Notes have no fixed maturity and are redeemable at VTB's option from December 2022 at their principal amounts.

In August 2012, VTB repaid its Eurobonds in the amount of SGD 400 million (RUR 10.2 billion) upon maturity.

In August 2012, "VTB Capital Finance", LLC issued RUR 1.0 billion Series 01 Russian local bonds maturing in December 2015 with a fixed coupon rate of 0.1% p.a. payable semi-annually plus floating rate linked to 100% participation in MICEX Index appreciation payable in 3 years.

33. Subsequent Events (continued)

In August 2012, VTB taped Series 15 Eurobonds issued in April 2012 for the amount of USD 500 million (RUR 15.9 billion).

In August 2012, VTB placed CHF 600 million (RUR 19.7 billion) Series 19 Eurobonds under EMTN Programme 2 with maturity in December 2016 and a fixed coupon rate of 3.15% p.a.

In August 2012 "Bank VTB 24", CJSC arranged a structured transaction related to its car loan portfolio in the amount of RUR 14.0 billion through a sale to a special purpose entity, which further attracted funds through secured loan deal in the amount of USD 275 million with the expected maturity in August 2014. The USD loan bears the floating interest rate of monthly LIBOR plus 1.5% p.a. payable monthly.

In August 2012 the non-controlling shareholders of “VTB Arena”, CJSC exercised their right to buy 28,177 additional shares issued with notional amount of RUR 24,010, which resulted in the decrease of VTB's ownership in “VTB Arena”, CJSC from 76.91% to 75.00% minus 1 share.

In September 2012, VTB issued RUR 10.0 billion Series BO-08 local stock exchange bonds maturing in September 2015 with a coupon rate of 7.95% p.a. payable quarterly with one-year put option.

In September 2012, “Bank VTB 24”, CJSC issued 3-IP Series mortgage-backed bonds of Class A and B under the Vnesheconombank's programme for investing in mortgage housing construction projects for 2010-2013 with a par value of bonds amounted to RUR 4.0 billion and RUR 2.0 billion respectively. 3-IP series bonds of class A and B were issued at coupon rates of 9% and 3% respectively payable quarterly. These bonds are secured by a portfolio of mortgage loans.