VTB BANK

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

30 June 2011

CONTENTS

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

To the Supervisory Council and Shareholders of VTB Bank:

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of VTB Bank ("the Bank") and its subsidiaries (together "the Group") as at 30 June 2011, comprising of the interim consolidated statement of financial position as at 30 June 2011 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 Review

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

30 August 2011

(in billions of Russian Roubles)

	Note	30 June 2011 (unaudited)	31 December 2010
Assets			
Cash and short-term funds	5	228.0	275.5
Mandatory reserve deposits with central banks		44.8	26.4
Financial assets at fair value through profit or loss	6	546.9	344.6
Financial assets pledged under repurchase agreements and loaned financial assets	7	5.5	16.9
Due from other banks	8	291.6	349.9
Loans and advances to customers	9	2,996.6	2,785.4
Financial assets available-for-sale	10	51.6	55.9
Investments in associates and joint ventures	11	120.0	15.7
Investment securities held-to-maturity	12	32.2	34.2
Premises and equipment		105.3	113.2
Investment property		109.3	102.2
Intangible assets and goodwill		29.8	30.5
Deferred tax asset		32.3	37.9
Other assets		126.1	102.6
Total assets		**4,720.0**	**4,290.9**
Liabilities			
Due to other banks	13	436.9	397.3
Customer deposits	14	2,634.7	2,212.9
Other borrowed funds	15	125.1	185.7
Debt securities issued	16	555.6	593.1
Deferred tax liability		7.8	7.3
Other liabilities		156.0	110.9
Total liabilities before subordinated debt		**3,916.1**	**3,507.2**
Subordinated debt	17	206.4	205.5
Total liabilities		**4,122.5**	**3,712.7**
Equity			
Share capital		113.1	113.1
Share premium		358.5	358.5
Treasury shares		(0.9)	(0.3)
Unrealized gain on financial assets available-for-sale and cash flow hedge		7.9	4.0
Premises revaluation reserve		11.3	11.4
Currency translation difference		4.6	11.0
Retained earnings		80.3	56.6
Equity attributable to shareholders of the parent		**574.8**	**554.3**
Non-controlling interests		22.7	23.9
Total equity		**597.5**	**578.2**
Total liabilities and equity		**4,720.0**	**4,290.9**

Approved for issue and signed on 30 August 2011.

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

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

(in billions of Russian Roubles)

	Note	For the three-month period ended 30 June		For the six-month period ended 30 June	
		2011	2010	2011	2010
Interest income	18	90.4	84.3	176.6	167.9
Interest expense	18	(41.3)	(39.9)	(81.5)	(81.5)
Net interest income		**49.1**	**44.4**	**95.1**	**86.4**
Provision charge for impairment of debt financial assets	21	(9.6)	(11.7)	(17.3)	(27.2)
Net interest income after provision for impairment		**39.5**	**32.7**	**77.8**	**59.2**
(Losses net of gains) / gains less losses arising from financial instruments at fair value through profit or loss		(0.6)	(5.2)	9.1	3.2
Gains less losses / (losses net of gains) from available-for-sale financial assets		0.4	(0.4)	0.4	(0.4)
Net recovery of losses on initial recognition of financial instruments and loans restructuring		10.3	0.1	9.9	0.1
Gains less losses / (losses net of gains) arising from dealing in foreign currencies		14.3	(14.1)	26.0	(26.1)
Foreign exchange translation (losses net of gains) / gains less losses		(8.8)	15.1	(14.6)	28.6
Fee and commission income	19	11.7	7.6	20.8	13.8
Fee and commission expense	19	(1.8)	(0.9)	(2.9)	(2.0)
Share in income / (loss) of associates and joint ventures		0.2	(0.3)	1.5	(0.2)
(Provision charge for) / recovery of impairment of other assets and credit related commitments	21	(1.4)	0.2	(1.5)	(1.7)
Income arising from non-banking activities		4.6	0.5	7.9	1.8
Expenses arising from non-banking activities		(1.9)	(0.9)	(3.6)	(1.7)
Other operating income		2.6	1.4	3.4	1.9
Net non-interest income		**29.6**	**3.1**	**56.4**	**17.3**
Operating income		**69.1**	**35.8**	**134.2**	**76.5**
Staff costs and administrative expenses	20	(34.3)	(21.7)	(67.3)	(43.9)
Impairment of goodwill		–	(1.1)	–	(1.1)
Profit from disposal of associates and subsidiaries	11	0.6	0.1	1.5	0.1
Profit before taxation		**35.4**	**13.1**	**68.4**	**31.6**
Income tax expense	24	(7.9)	(3.3)	(14.8)	(6.5)
Net profit		**27.5**	**9.8**	**53.6**	**25.1**
Net profit / (loss) attributable to:					
Shareholders of the parent		**27.4**	**11.6**	**53.4**	**26.9**
Non-controlling interests		**0.1**	**(1.8)**	**0.2**	**(1.8)**
Basic and diluted earnings per share (expressed in Russian Roubles per share)	23	**0.0026**	**0.0011**	**0.0051**	**0.0026**

(in billions of Russian Roubles)

	For the three-month period ended 30 June		***For the six-month period ended 30 June***	
	2011	***2010***	***2011***	***2010***
Net profit for the period	**27.5**	**9.8**	**53.6**	**25.1**
Other comprehensive income (Note 24):				
Net result on financial assets available-for-sale, net of tax	3.9	(1.2)	3.9	(1.0)
Cash flow hedges, net of tax	(0.2)	–	(0.2)	–
Share of other comprehensive income of associates	–	–	(0.2)	–
Effect of translation, net of tax	(1.1)	1.1	(4.5)	(2.5)
Other comprehensive income for the period, net of tax	**2.6**	**(0.1)**	**(1.0)**	**(3.5)**
Total comprehensive income for the period	**30.1**	**9.7**	**52.6**	**21.6**
Total comprehensive income attributable to:				
Shareholders of the parent	30.3	11.1	53.3	23.5
Non-controlling interests	(0.2)	(1.4)	(0.7)	(1.9)

(in billions of Russian Roubles)

	Note	For the six-month period ended 30 June 2011	For the six-month period ended 30 June 2010
Cash flows from operating activities			
Interest received		160.6	134.1
Interest paid		(80.8)	(79.2)
(Loss incurred) / income received on operations with financial instruments at fair value through profit or loss		(0.6)	7.8
Income received / (loss incurred) on dealing in foreign currency		27.8	(32.5)
Fees and commissions received		21.5	14.0
Fees and commissions paid		(2.6)	(2.2)
Other operating income received		0.7	0.6
Staff costs, administrative expenses paid and net cash flow arising from non-banking activities		(54.5)	(39.1)
Income tax paid		(17.5)	(14.8)
Cash flows from / (used in) operating activities before changes in operating assets and liabilities		**54.6**	**(11.3)**
Net decrease / (increase) in operating assets			
Net (increase) / decrease in mandatory reserve deposits with central banks		(18.5)	0.1
Net (increase) / decrease in restricted cash		(0.2)	0.2
Net (increase) / decrease in financial assets at fair value through profit or loss		(184.6)	74.6
Net decrease in due from other banks		42.2	75.9
Net increase in loans and advances to customers		(280.2)	(226.0)
Net increase in other assets		(24.0)	(7.8)
Net increase in operating liabilities			
Net increase in due to other banks		52.0	59.4
Net increase in customer deposits		470.4	136.7
Net increase in debt securities issued other than bonds issued		24.6	16.5
Net increase in other liabilities		9.8	9.6
Net cash from operating activities		**146.1**	**127.9**
Cash flows used in investing activities			
Dividends received		0.7	0.7
Proceeds from sale or maturity of financial assets available-for-sale		26.7	1.0
Purchase of financial assets available-for-sale		(14.6)	(6.4)
Purchase of subsidiaries, net of cash	29	(3.2)	(3.6)
Disposal of subsidiaries, net of cash	29	(1.1)	0.2
Purchase of and contributions to associates and joint ventures	11	(106.1)	(0.6)
Proceeds from sale of share in associates	11	2.3	–
Purchase of investment securities held-to-maturity		(0.4)	(0.1)
Proceeds from redemption of investment securities held-to-maturity		2.0	1.2
Purchase of premises and equipment		(15.7)	(7.8)
Proceeds from sale of premises and equipment		22.9	2.2
Purchase of intangible assets		(0.7)	(0.2)
Proceeds from sale of intangible assets		0.1	–
Purchase or construction of investment property		(0.8)	(0.4)
Proceeds from sale of investment property		0.9	–
Net cash used in investing activities		**(87.0)**	**(13.8)**

(in billions of Russian Roubles)

	Note	*For the six-month period ended 30 June* 2011	2010
Cash flows used in financing activities			
Dividends paid		(0.1)	–
Proceeds from issuance of local bonds		2.4	20.0
Repayment of local bonds		(26.7)	(13.4)
Buy-back of local bonds		(3.7)	(14.5)
Proceeds from sale of previously bought-back local bonds		5.6	15.4
Proceeds from issuance of Eurobonds		33.5	41.4
Repayment of Eurobonds		(53.1)	(9.5)
Buy-back of Eurobonds		(22.6)	(30.6)
Proceeds from sale of previously bought-back Eurobonds		20.1	28.8
Repayment of syndicated loans		(30.5)	(10.1)
Proceeds from other borrowings		1.3	183.6
Repayment of other borrowings		(23.7)	(411.0)
Repayment of subordinated debt		–	(9.3)
Buy-back of subordinated debt		(1.8)	(0.3)
Proceeds from sale of previously bought-back subordinated debt		1.6	–
Share issue to minorities		–	0.3
Proceeds from sale of treasury shares		0.3	–
Purchase of treasury shares		(0.9)	–
Net cash used in financing activities		**(98.3)**	**(209.2)**
Effect of exchange rate changes on cash and cash equivalents		**(8.5)**	**(1.3)**
Net decrease in cash and cash equivalents		**(47.7)**	**(96.4)**
Cash and cash equivalents at the beginning of the period		274.4	258.8
Cash and cash equivalents at the end of the period	5	**226.7**	**162.4**

(in billions of Russian Roubles)

	Attributable to shareholders of the parent									
	Share capital	***Share premium***	***Treasury shares***	***Unrealized gain on financial assets available-for-sale and cash flow hedge***	***Premises revaluation reserve***	***Currency translation difference***	***Retained earnings***	***Total***	***Non-controlling interests***	***Total equity***
Balance at 1 January 2010 (audited)	**113.1**	**358.5**	**(0.4)**	**3.4**	**11.8**	**13.2**	**2.7**	**502.3**	**2.6**	**504.9**
Increase in share capital of subsidiaries	–	–	–	–	–	–	–	**–**	0.3	**0.3**
Total comprehensive income for the period	–	–	–	(1.0)	–	(2.3)	26.8	**23.5**	(1.9)	**21.6**
Transfer of premises revaluation reserve upon disposal or depreciation	–	–	–	–	(0.1)	–	0.1	**–**	–	**–**
Dividends declared	–	–	–	–	–	–	(6.1)	**(6.1)**	–	**(6.1)**
Expiration of put options over non-controlling interests	–	–	–	–	–	–	3.4	**3.4**	–	**3.4**
Balance at 30 June 2010	**113.1**	**358.5**	**(0.4)**	**2.4**	**11.7**	**10.9**	**26.9**	**523.1**	**1.0**	**524.1**
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 (Note 29)	–	–	–	–	–	–	–	**–**	1.2	**1.2**
Disposal of subsidiaries (Note 29)	–	–	–	–	–	–	–	**–**	(0.4)	**(0.4)**
Result from treasury shares transactions	–	–	(0.6)	–	–	–	–	**(0.6)**	–	**(0.6)**
Change of ownership share in subsidiary (Note 29)	–	–	–	–	–	–	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 (Note 29)	–	–	–	–	–	(2.4)	2.4	**–**	–	**–**
Dividends declared (Note 22)	–	–	–	–	–	–	(6.1)	**(6.1)**	(0.1)	**(6.2)**
Put options over non-controlling interests (Note 22)	–	–	–	–	–	–	(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**

1. Principal Activities

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

VTB Bank, formerly known as Vneshtorgbank (the "Bank", or "VTB"), was formed as Russia's foreign trade bank under the laws of the Russian Federation on 17 October 1990. In 1998, following several reorganisations, VTB was reorganized into an open joint stock company. In October 2006 the Group started re-branding to change its name from Vneshtorgbank to VTB. Simultaneously, the names of some of VTB's subsidiaries were changed as presented in Note 29. In March 2007, the Bank for Foreign Trade was renamed into "VTB Bank" (Open Joint-Stock Company).

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

On 29 December 2004, the Bank became a member of the obligatory deposit insurance system provided by the State Corporation "Deposit Insurance Agency". All Group subsidiary banks in Russia: VTB 24, CJSC and TransCreditBank, JSC are also members of the obligatory deposit insurance system provided by the State Corporation "Deposit Insurance Agency". The State deposit insurance scheme implies that the State Corporation "Deposit Insurance Agency" guarantees repayment of individual deposits up to the maximum total amount of guaranteed payment of RUR 700 thousand with a 100% compensation of deposited amount from 1 October 2008.

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

A list of principal subsidiaries included in these interim condensed consolidated financial statements is provided in Note 29.

The Group operates predominantly in the commercial banking sector. This includes deposit taking and commercial lending in freely convertible currencies and in Russian Roubles, support of clients' export/import transactions, foreign exchange, securities trading, and trading in derivative financial instruments. The Group's operations are conducted in both Russian and international markets. The Group's operations are not subject to seasonal fluctuations. The Group conducts its banking business in Russia through VTB as a parent and 2 subsidiary banks with its network of 121 full service branches, including 72 branches of VTB, 8 branches of VTB 24 and 41 branches of TransCreditBank, located in major Russian regions. In March VTB North-West ceased its operations as a subsidiary of VTB following the legal merger of VTB and VTB North-West.The Group operates outside Russia through 12 bank subsidiaries, located in the Commonwealth of Independent States ("CIS") (Armenia, Ukraine, Belarus, Kazakhstan and Azerbaijan), Europe (Austria, Cyprus, Germany, France and Great Britain), Georgia, Africa (Angola) and through 2 representative offices located in Italy and China and through 2 VTB branches in China and India and 2 branches of "VTB Capital", Plc in Singapore and Dubai.

VTB's majority shareholder is the Russian Federation state, acting through the Federal Property Agency, which holds 75.5% of VTB's issued and outstanding shares at 30 June 2011 (31 December 2010: 85.5%).

In February 2011, the Russian Federation state, acting through the Federal Property Agency, reduced its share from 85.5% to 75.5% of VTB's issued and outstanding shares as a result of offering in the form of shares and global depositary receipts.

The number of employees of the Group at 30 June 2011 was 54,606 (31 December 2010: 51,781).

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 2011 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.

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 2011 are not necessarily indicative of the results that may be expected for the year ending 31 December 2011. 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 2010. Income tax expense in respect of the current tax assets and liabilities is recognized based on the income tax rates enacted by the end of the reporting period in relevant tax jurisdictions where the Group presents. Income tax expense in respect of the deferred tax assets and liabilities is measured at the income tax rates that are expected to apply to the period when deferred assets are realized or liability are settled based on the income tax rates officially enacted by the end of the reporting period.

These interim condensed consolidated financial statements should be read in conjunction with the complete consolidated financial statements as of 31 December 2010.

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

At 30 June 2011, the principal closing rate of exchange used for translating balances in USD to Russian Roubles was USD 1 to RUR 28.0758 (at 31 December 2010: USD 1 to RUR 30.4769), and the principal closing rate of exchange used for translating balances in Euro was EUR 1 to RUR 40.3870 (at 31 December 2010: EUR 1 to RUR 40.3331).

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 2010, except for the adoption of new standards and interpretations as of 1 January 2011, noted below:

IAS 32 Financial Instruments: Presentation – Classification of Rights Issues (effective for annual periods beginning on or after 1 February 2010) – The Amendment was issued in October 2009. It exempts certain rights issues of shares with proceeds denominated in foreign currencies from classification as derivatives. The amendment does not have any impact on the Group's financial statements.

IAS 24 Related Party Disclosures (effective for annual periods beginning on or after 1 January 2011) – IAS 24 was revised in November 2009 by: (a) simplifying the definition of a related party, clarifying its intended meaning and eliminating inconsistencies; and by (b) providing a partial exemption from the disclosure requirements for government-related entities. The Group has not applied the exemption provided for government-related entities in the revised IAS 24 and disclosed all transactions with government-related entities.

IFRS 1 First-time Adoption of International Financial Reporting Standards – Amendment: Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters (effective for annual periods beginning on or after 1 July 2010). – Existing IFRS preparers were granted relief from presenting comparative information for the new disclosures required by the March 2009 amendments to IFRS 7*, Financial Instruments: Disclosures*. This amendment to IFRS 1 provides first-time adopters with the same transition provisions as included in the amendment to IFRS 7. The amendment does not have any impact on the Group's financial statements.

IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction – Amendment: Prepayments of a Minimum Funding Requirement (effective for annual periods beginning on or after 1 January 2011). – This amendment will have a limited impact as it applies only to companies that are required to make minimum funding contributions to a defined benefit pension plan. It removes an unintended consequence of IFRIC 14 related to voluntary pension prepayments when there is a minimum funding requirement. The amendment does not have any impact on the Group's financial statements.

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments (effective for annual periods beginning on or after 1 July 2010) – IFRIC Interpretation 19 was issued in November 2009. The interpretation clarifies the accounting for the transactions when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor of the entity to extinguish all or part of the financial liability. IFRIC 19 does not have any impact on the Group's financial statements.

Improvements to International Financial Reporting Standards (issued in May 2010 and effective for annual periods beginning on or after 1 January 2011). The improvements consist of a mixture of substantive changes and clarifications in the following standards and interpretations: IFRS 1 was amended (i) to allow previous GAAP carrying value to be used as deemed cost of an item of property, plant and equipment or an intangible asset if that item was used in operations subject to rate regulation, (ii) to allow an event driven revaluation to be used as deemed cost of property, plant and equipment even if the revaluation occurs during a period covered by the first IFRS financial statements and (iii) to require a first-time adopter to explain changes in accounting policies or in the IFRS 1 exemptions between its first IFRS interim report and its first IFRS financial statements; IFRS 3 was amended (i) to require measurement at fair value (unless another measurement basis is required by other IFRS standards) of non-controlling interests that are not present ownership interest or do not entitle the holder to a proportionate share of net assets in the event of liquidation, (ii) to provide guidance on acquiree’s share-based payment arrangements that were not replaced or were voluntarily replaced as a result of a business combination and (iii) to clarify that the contingent considerations from business combinations that occurred before the effective date of revised IFRS 3 (issued in January 2008) will be accounted for in accordance with the guidance in the previous version of IFRS 3; IFRS 7 was amended to clarify certain disclosure requirements, in particular (i) by adding an explicit emphasis on the interaction between qualitative and quantitative disclosures about the nature and extent of financial risks, (ii) by removing the requirement to disclose carrying amount of renegotiated financial assets that would otherwise be past due or impaired, (iii) by replacing the requirement to disclose fair value of collateral by a more general requirement to disclose its financial effect, and (iv) by clarifying that an entity should disclose the amount of foreclosed collateral held at the reporting date and not the amount obtained during the reporting period; IAS 1 was amended to clarify the requirements for the presentation and content of the statement of changes in equity with regard to a reconciliation between the carrying amount at the beginning and the end of the period for each component of equity either in the statement of changes in equity or in the notes to the financial statements; IAS 27 was amended by clarifying the transition rules for amendments to IAS 21, 28 and 31 made by the revised IAS 27 (as amended in January 2008); IAS 34 was amended to add additional examples of significant events and transactions requiring disclosure in a condensed interim financial report, including transfers between the levels of fair value hierarchy, changes in classification of financial assets or changes in business or economic environment that affect the fair values of the entity’s financial instruments; and IFRIC 13 was amended to clarify measurement of fair value of award credits. The amendments do not have any material effect on the Group’s financial statements.

(in billions of Russian Roubles)

5. Cash and Short-Term Funds

	30 June 2011 (unaudited)	*31 December 2010*
Cash on hand	58.8	70.1
Cash balances with central banks (other than mandatory reserve deposits)	77.8	105.9
Correspondent accounts with other banks		
- Russian Federation	22.9	18.4
- Other countries	68.5	81.1
Total cash and short-term funds	**228.0**	**275.5**
Less: restricted cash	(1.3)	(1.1)
Total cash and cash equivalents	**226.7**	**274.4**

6. Financial Assets at Fair Value Through Profit or Loss

	30 June 2011 (unaudited)	*31 December 2010*
Financial assets held for trading	510.7	320.0
Financial assets designated as at fair value through profit or loss	36.2	24.6
Total financial assets at fair value through profit or loss	**546.9**	**344.6**

The 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 2011 (unaudited)	*31 December 2010*
Debt securities denominated in USD		
Eurobonds of Russian companies and banks	38.8	16.1
Bonds and eurobonds of foreign governments	18.5	5.1
Bonds and eurobonds of foreign companies and banks	12.6	13.0
Eurobonds of the Russian Federation	–	1.4
Debt securities denominated in RUR		
Bonds of Russian companies and banks	212.2	129.1
Russian Federal loan bonds (OFZ)	59.1	18.7
Russian municipal bonds	2.7	2.8
Eurobonds of foreign companies and banks	0.9	0.3
Promissory notes of Russian companies and banks	0.6	0.1
Bonds of foreign governments	0.1	–
Bonds of the Central Bank of the Russian Federation	–	14.4
Debt securities denominated in other currencies		
Bonds and eurobonds of foreign companies and banks	7.6	0.8
Bonds of foreign governments	5.6	3.5
Eurobonds of Russian companies and banks	0.8	0.2
Bonds and eurobonds of Russian municipalities	0.1	–
Equity securities	*102.0*	*75.6*
Balances arising from derivative financial instruments	*49.1*	*38.9*
Total financial assets held for trading	**510.7**	**320.0**

At 30 June 2011, bonds of Russian companies and banks are primarily represented by debt securities issued by Russian oil and gas companies, chemical, transportation, manufacturing and telecommunication companies and banks.

At 30 June 2011, equity securities are primarily represented by securities issued by Russian metals, oil and gas companies, banks and building construction companies.

(in billions of Russian Roubles)

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

Financial assets designated as at fair value through profit or loss

	30 June 2011 (unaudited)	*31 December 2010*
Bonds of foreign companies and banks	11.9	8.4
Bonds and eurobonds of Russian companies and banks	9.4	4.6
Bonds of foreign governments	8.7	4.9
Equity securities	6.2	6.7
Total financial assets designated as at fair value through profit or loss	**36.2**	**24.6**

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

	30 June 2011 (unaudited)	*31 December 2010*
Financial assets at fair value through profit or loss		
Financial assets held for trading		
Bonds of foreign governments	0.6	0.1
Eurobonds of Russian companies and banks	0.6	–
Equity securities	0.3	1.2
Bonds of Russian companies and banks	0.1	6.1
Bonds of foreign companies and banks	–	0.1
Total financial assets held for trading	*1.6*	*7.5*
Financial assets designated as at fair value through profit or loss		
Eurobonds of Russian companies and banks	0.3	1.2
Bonds of foreign governments	–	1.5
Bonds of foreign companies and banks	–	0.7
Total financial assets designated as at fair value through profit or loss	*0.3*	*3.4*
Total financial assets at fair value through profit or loss	***1.9***	***10.9***
Financial assets available-for-sale		
Bonds of foreign governments	0.2	3.0
Bonds of Russian companies and banks	–	1.7
Total financial assets available-for-sale	***0.2***	***4.7***
Financial assets classified as loans and advances to customers	***2.8***	***–***
Financial assets classified as due from other banks	***0.6***	***1.3***
Total financial assets pledged under repurchase agreements and loaned financial assets	**5.5**	**16.9**

8. Due from Other Banks

	30 June 2011 (unaudited)	*31 December 2010*
Current term placements with other banks	234.9	285.6
Reverse sale and repurchase agreements with other banks	56.7	64.8
Overdue placements	2.3	2.4
Total gross due from other banks	**293.9**	**352.8**
Less: Allowance for impairment (Note 21)	(2.3)	(2.9)
Total due from other banks	**291.6**	**349.9**

(in billions of Russian Roubles)

9. Loans and Advances to Customers

	30 June 2011 (unaudited)	*31 December 2010*
Current loans and advances	2,691.6	2,475.0
Reverse sale and repurchase agreements	87.1	51.9
Renegotiated loans and advances	256.4	270.4
Overdue loans and advances	241.9	262.3
Total gross loans and advances to customers	**3,277.0**	**3,059.6**
Less: Allowance for impairment (Note 21)	(280.4)	(274.2)
Total loans and advances to customers	**2,996.6**	**2,785.4**

For the purposes of the above table, the amount of overdue loans and advances includes only the overdue portions of loans where the payment of either principal or interest is overdue by one day or more, rather than the entire outstanding amount of the loans.

At 30 June 2011, included in gross loans are finance lease receivables of RUR 133.8 billion (31 December 2010: RUR 116.6 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 2011 (unaudited)		*31 December 2010*	
	Amount	***%***	***Amount***	***%***
Individuals	608.6	19	541.5	18
Finance	485.1	15	382.3	12
Building construction	343.9	10	303.2	10
Metals	329.4	10	334.5	11
Manufacturing	297.0	9	267.7	9
Trade and commerce	248.8	7	230.6	7
Transport	224.8	7	186.2	6
Chemical	167.0	5	226.6	7
Oil and gas	124.6	4	139.7	4
Government bodies	112.4	3	115.4	4
Energy	93.1	3	97.8	3
Food and agriculture	82.7	3	81.6	3
Coal mining	56.2	2	55.6	2
Telecommunications and media	34.5	1	23.6	1
Aircraft	10.7	–	20.5	1
Other	58.2	2	52.8	2
Total gross loans and advances to customers	**3,277.0**	**100**	**3,059.6**	**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.

At 30 June 2011, the total amount of outstanding loans issued by the Group to 10 largest groups of interrelated borrowers comprises RUR 638.2 billion, or 19 % of the gross loan portfolio (31 December 2010: RUR 643.7 billion, or 21%).

(in billions of Russian Roubles)

10. Financial Assets Available-for-Sale

	30 June 2011 (unaudited)	*31 December 2010*
Equity investments	30.0	28.8
Bonds of foreign governments	9.6	16.4
Bonds of foreign companies and banks	6.3	9.0
Eurobonds of Russian companies and banks	5.7	1.0
Bonds of Russian companies and banks	–	0.4
Promissory notes of Russian companies and banks	–	0.3
Total financial assets available-for-sale	**51.6**	**55.9**

11. Investments in Associates and Joint Ventures

			30 June 2011 (unaudited)		*31 December 2010*	
	Country of registration	*Activity*	*Carrying amount*	*Ownership percentage*	*Carrying amount*	*Ownership percentage*
"Bank of Moscow", OJSC	Russia	Banking	92.8	46.48%	–	–
"Eurofinance Mosnarbank", OJSC	Russia	Banking	3.3	25.00%	4.3	35.85%
"Vietnam-Russia Joint Venture Bank"	Vietnam	Banking	2.2	50.00%	0.9	49.00%
"Metropolitan Insurance Group", OJSC	Russia	Insurance	10.2	25.00%	–	–
"KS Holding", CJSC	Russia	Insurance	5.6	49.00%	4.8	49.00%
"Sistemapsys S.a.r.l."	Luxembourg	Construction	1.4	50.00%	1.3	50.00%
"Thalita Trading", Ltd	Cyprus	Finance	1.2	50.00%	0.9	50.00%
"Finnist Real Estate S.a.r.l."	Luxembourg	Real estate	1.1	19.90%	0.8	19.90%
"Haberma Enterprises", Ltd	Cyprus	Real estate	1.1	39.10%	–	–
"Gelosa Holdings", Ltd	Cyprus	Real estate	0.1	36.92%	–	–
"Hals-Technopark", CJSC	Russia	Construction	1.0	50.00%	1.0	50.00%
"Izumrudniy Gorod 2000", Ltd	Russia	Construction	–	50.00%	–	50.00%
"Tagar-City", Ltd	Russia	Construction	–	50.00%	–	50.00%
"Amiral' B. V.", Ltd	Russia	Construction	–	50.00%	–	50.00%
"Ilinoza investments limited", Ltd	Russia	Construction	–	45.00%	–	45.00%
"Interbank Trading House", Ltd	Russia	Commerce	–	50.00%	–	50.00%
"POLIEF", OJSC	Russia	Chemical	–	–	1.1	32.50%
"Telecom-Development", CJSC	Russia	Construction	–	–	0.6	50.00%
Total investments in associates and joint ventures			**120.0**		**15.7**	

In January 2011, "Vietnam-Russia Joint Venture Bank" increased its share capital to USD 168.5 million, and VTB increased its share in "Vietnam-Russia Joint Venture Bank" from 49.00% to 50.00% by contribution of USD 53.6 million (RUR 1.6 billion).

In February 2011, VTB purchased 46.48% of "Bank of Moscow", OJSC for RUR 92.8 billion and 25% plus 1 share of "Metropolitan Insurance Group", OJSC for RUR 10.2 billion.

In February 2011, the Group entered into an agreement to sell shares of "Eurofinance Mosnarbank", OJSC, for RUR 2.3 billion effectively decreasing the Group's ownership in "Eurofinance Mosnarbank", OJSC associate to 25% plus 0.5 share and recognising profit before tax of RUR 0.9 billion from partial disposal of the associate.

In May 2011, the Group acquired a share of 36.92% of Gelosa Holdings Ltd. for USD 5.2 million (RUR 0.1 billion) and 39.1% of Haberma Enterprises Ltd. for USD 40 million (RUR 1.1 billion).

In June 2011, as a result of restructuring of the joint venture "Telecom-Development", CJSC the Group has acquired two former 100% subsidiaries of "Telecom-Development", CJSC and sold its 50% stake in "Telecom-Development", CJSC to a third party after the acquisition of the joint venture's subsidiaries.

In June 2011, the Group sold its 32.50% stake in "POLIEF", OJSC to a third party recognising profit before tax of RUR 0.6 billion from disposal of the associate.

In the second quarter 2011 the Group increased its investment in "Finnist Real Estate S.a.r.l." by USD 10.8 million (RUR 0.3 billion), retaining the ownership share of 19.9%.

(in billions of Russian Roubles)

12. Investment Securities Held-to-Maturity

	30 June 2011 (unaudited)	*31 December 2010*
Bonds of Russian companies and banks	32.3	32.6
Russian municipal bonds	1.2	2.4
Bonds of foreign governments	0.7	0.8
Bonds of foreign companies and banks	–	0.4
Total gross investment securities held-to-maturity	**34.2**	**36.2**
Less: Allowance for impairment (Note 21)	(2.0)	(2.0)
Total investment securities held-to-maturity	**32.2**	**34.2**

13. Due to Other Banks

	30 June 2011 (unaudited)	*31 December 2010*
Correspondent accounts and overnight deposits of other banks	240.4	226.7
Term loans and deposits	191.9	161.6
Sale and repurchase agreements with other banks	4.6	9.0
Total due to other banks	**436.9**	**397.3**

14. Customer Deposits

	30 June 2011 (unaudited)	*31 December 2010*
Government bodies		
Current / settlement deposits	23.3	14.0
Term deposits	365.4	83.6
Other legal entities		
Current / settlement deposits	517.5	475.7
Term deposits	851.7	882.0
Individuals		
Current / settlement deposits	160.4	142.6
Term deposits	701.9	605.3
Sale and repurchase agreements	14.5	9.7
Total customer deposits	**2,634.7**	**2,212.9**

15. Other Borrowed Funds

	30 June 2011 (unaudited)	*31 December 2010*
Syndicated loans	11.6	45.1
Other borrowings	113.5	140.6
Total other borrowed funds	**125.1**	**185.7**

Included in other borrowings are borrowings received by the Group from other banks, mainly OECD based, under non-revolving open credit lines, and funds attracted from central banks.

In June 2011, VTB fully repaid USD 1.0 billion (RUR 28.3 billion) of Tranche A of a dual tranche syndicated loan upon maturity.

(in billions of Russian Roubles)

16. Debt Securities Issued

	30 June 2011 (unaudited)	*31 December 2010*
Bonds	409.8	470.6
Promissory notes	144.9	122.2
Deposit certificates	0.9	0.3
Total debt securities issued	**555.6**	**593.1**

In February 2011, VTB issued USD 750 million (RUR 21.9 billion) Series 12 Eurobonds under European Medium Term Notes (EMTN) Programme 2 with maturity in February 2018 and a fixed coupon rate of 6.315% p.a. payable semi-annually.

In February 2011, VTB partially redeemed Series 9 Eurobonds in the amount of EUR 195.4 million (RUR 7.8 billion) under investor put option.

In February 2011, VTB 24 redeemed local bonds in the amount of RUR 10.0 billion under investor put option.

In the second quarter 2011 "VTB Capital", Plc issued notes under the European Medium Term Note program in the amount of USD 30 million (RUR 0.8 billion) with a coupon rate of 0.25% p.a. maturing in August 2011, and RUR 3.0 billion at fixed rates ranging from 9.05% p.a. to 9.5% p.a. maturing in the range from June 2014 till June 2016.

In June 2011, VTB issued SGD 300 million (RUR 6.8 billion) Series 13 Eurobonds under EMTN Programme 2 with maturity in June 2014 and a fixed coupon rate of 3.4% p.a. payable semi-annually.

In June 2011, VTB redeemed Series 5 Eurobonds under European Medium Term Notes (EMTN) Programme 2 in the outstanding amount of EUR 900 million (RUR 36.3 billion) upon maturity.

In June 2011, VTB 24 redeemed Series 3 local bonds in the amount of RUR 6.0 billion under investor put option.

In June 2011, a subsidiary of “TransCreditBank”, JSC redeemed RUR 3.0 billion of Series 2 local bonds upon maturity.

In June 2011 “TransCreditBank”, JSC redeemed its Eurobonds in the outstanding amount of USD 303 million (RUR 8.4 billion) upon maturity.

In June 2011, VTB-Leasing Finance redeemed Series 3 local bonds in the amount of RUR 1.7 billion under investor put option and Series 4 local bonds in the amount of RUR 2.0 billion under investor put option.

During the first half 2011 VTB-Leasing Finance partially redeemed nominal value of Series 1, 2, 3, 4 and 7 of local bonds in the total amount of RUR 2.2 billion.

17. Subordinated Debt

On 29 September 2005, OJSC “Industry and Construction Bank” (further renamed to OJSC “Bank VTB North-West”) issued USD 400 million subordinated Eurobonds due September 2015 with early redemption call option 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”. At 30 June 2011 the carrying amount of this subordinated debt was RUR 9.9 billion (31 December 2010: RUR 10.2 billion).

In October and November 2008, VTB received two subordinated loans of RUR 100 billion each with a rate of 8% p.a. maturing in December 2019 from Vnesheconombank (VEB), which is a related party to the Group. At 31 December 2008 in accordance with IAS 20 “Accounting for Government Grants and Disclosure of Government Assistance” the Group discounted these loans using an appropriate market rate adjusted for loan premium. In August 2010 an interest rate on these two subordinated loans was reduced from 8% to 6.5% p.a. in accordance with the Federal Law requirements. At 30 June 2011 the carrying amount of this subordinated debt is RUR 178.8 billion (31 December 2010: RUR 178.0 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% to 12.1% p.a. maturing in the period from December 2012 to January 2020. At 30 June 2011 the carrying amount of this subordinated debt is RUR 14.9 billion. At 31 December 2010 the carrying amount of these subordinated loans was RUR 14.5 billion which represented the fair value determined on the acquisition date for the consolidation purposes.

(in billions of Russian Roubles)

17. 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 (VEB), which is a related party to the Group. In August 2010 an interest rate on this subordinated loan was reduced from 8% to 6.5% p.a. in accordance with the Federal Law requirements. At 30 June 2011 the carrying amount of this subordinated debt is RUR 2.8 billion. At 31 December 2010 the carrying amount of this subordinated loan was RUR 2.8 billion, which represented the fair value determined on the acquisition date for the consolidation purposes.

18. Interest Income and Expense

	For the three-month period ended 30 June (unaudited)		*For the six-month period ended 30 June (unaudited)*	
	2011	*2010*	*2011*	*2010*
Interest income				
Loans and advances to customers	81.2	78.2	159.3	153.0
Securities	6.9	4.7	13.0	11.3
Due from other banks	2.3	1.4	4.3	3.6
Total interest income	**90.4**	**84.3**	**176.6**	**167.9**
Interest expense				
Customer deposits	(24.1)	(21.9)	(47.2)	(42.5)
Debt securities issued	(9.6)	(10.1)	(19.2)	(20.1)
Subordinated debt	(4.1)	(4.5)	(8.2)	(9.0)
Due to banks and other borrowed funds	(3.5)	(3.4)	(6.9)	(9.9)
Total interest expense	**(41.3)**	**(39.9)**	**(81.5)**	**(81.5)**
Net interest income	**49.1**	**44.4**	**95.1**	**86.4**

19. Fee and Commission Income and Expense

	For the three-month period ended 30 June (unaudited)		*For the six-month period ended 30 June (unaudited)*	
	2011	*2010*	*2011*	*2010*
Commission on settlement transactions	5.8	3.9	10.7	7.1
Commission on operations with securities and on capital markets	2.6	1.7	4.1	2.6
Commission on guarantees issued and trade finance	1.5	1.1	2.7	2.3
Commission on cash transactions	1.1	0.6	1.9	1.2
Other	0.7	0.3	1.4	0.6
Total fee and commission income	**11.7**	**7.6**	**20.8**	**13.8**
Commission on settlement transactions	(1.0)	(0.5)	(1.8)	(1.0)
Commission on cash transactions	(0.4)	(0.3)	(0.6)	(0.5)
Other	(0.4)	(0.1)	(0.5)	(0.5)
Total fee and commission expense	**(1.8)**	**(0.9)**	**(2.9)**	**(2.0)**
Net fee and commission income	**9.9**	**6.7**	**17.9**	**11.8**

(in billions of Russian Roubles)

20. Staff Costs and Administrative Expenses

	For the three-month period ended 30 June (unaudited)		*For the six-month period ended 30 June (unaudited)*	
	2011	*2010*	*2011*	*2010*
Staff costs	18.2	10.0	36.4	21.8
Defined contribution pension expense	1.2	0.8	2.9	2.0
Depreciation and other expenses related to premises and equipment	4.0	2.4	7.8	4.7
Taxes other than on income	1.4	1.8	3.0	2.9
Leasing and rent expenses	1.5	1.1	2.9	2.3
Professional services	1.2	1.1	2.3	1.9
Advertising expenses	1.3	1.1	2.0	1.5
Payments to deposit insurance system	0.8	0.5	1.6	1.0
Post and telecommunication expenses	0.6	0.5	1.1	0.9
Impairment, amortization and other expenses related to intangibles, except for core deposit intangible	0.9	0.4	1.5	0.8
Charity	0.5	0.5	0.9	0.9
Security expenses	0.5	0.3	0.9	0.6
Amortization of core deposit intangible	0.2	0.3	0.5	0.5
Other	2.0	0.9	3.5	2.1
Total staff costs and administrative expenses	**34.3**	**21.7**	**67.3**	**43.9**

21. Allowances for Impairment and Provisions

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

	Due from other banks	*Loans and advances to customers*	*Investment securities held-to-maturity*	*Credit related commit-ments*	*Other assets*	*Legal claims*	*Total*
Balance at 1 January 2010 (audited)	**1.3**	**234.9**	**2.2**	**1.6**	**1.4**	**0.1**	**241.5**
(Reversal of provision) / provision charge for impairment during the period	(0.2)	27.6	(0.2)	–	1.6	0.1	**28.9**
Write-offs	–	(2.2)	–	–	(0.7)	(0.1)	**(3.0)**
Recoveries of amounts written-off in previous period	–	0.5	–	–	–	–	**0.5**
Currency translation difference	–	1.4	–	–	–	–	**1.4**
Balance at 30 June 2010	**1.1**	**262.2**	**2.0**	**1.6**	**2.3**	**0.1**	**269.3**
Balance at 1 January 2011 (audited)	**2.9**	**274.2**	**2.0**	**1.6**	**2.4**	**0.1**	**283.2**
(Reversal of provision) / provision charge 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**

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.

(in billions of Russian Roubles)

22. Dividends and Retained Earnings

In accordance with the Russian legislation in April 2011, the Group made the binding offer to repurchase the non-controlling interests of TransCreditBank, JSC in the amount of RUR 27.3 billion. The Group made the relevant accrual in Other liabilities with corresponding entry in retained earnings, as this transaction is defined as an equity transaction.

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). In June 2010 Annual General Meeting of JSC VTB Bank shareholders declared dividends of RUR 6.1 billion for 2009 (RUR 0.00058 per share).

23. Basic and Diluted Earnings per Share

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

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

	For the three-month period ended 30 June (unaudited)		***For the six-month period ended 30 June (unaudited)***	
	2011	***2010***	***2011***	***2010***
Net profit attributable to shareholders of the parent *(in billons of Russian Roubles)*	27.4	11.6	53.4	26.9
Weighted average number of ordinary shares in issue	10,485,771,762,503	10,457,756,617,879	10,472,141,025,894	10,457,754,174,190
Basic and diluted earnings per share (expressed in Russian Roubles per share)	**0.0026**	**0.0011**	**0.0051**	**0.0026**

24. Income Tax

The Group's effective income tax rate for the first six months of 2011 was 22% (the first six months of 2010: 21%) which is close to the theoretical tax rate.

The following tables provide disclosure of income tax effects relating to each component of other comprehensive income for the three months ended 30 June 2011 and 30 June 2010 and for the six months ended 30 June 2011 and 30 June 2010:

	For the three-month period ended 30 June (unaudited)					
	2011			***2010***		
	Before tax	***Tax (expense) / credit***	***Net of tax***	***Before tax***	***Tax (expense) / credit***	***Net of tax***
Unrealized gain / (loss) on financial assets available-for-sale	4.5	(0.6)	3.9	(1.5)	0.3	(1.2)
Cash flow hedges	(0.2)	–	(0.2)	–	–	–
Effect of translation	(1.1)	–	(1.1)	1.1	–	1.1
Other comprehensive income	**3.2**	**(0.6)**	**2.6**	**(0.4)**	**0.3**	**(0.1)**

(in billions of Russian Roubles)

24. Income Tax (continued)

	For the six-month period ended 30 June (unaudited)					
	2011			2010		
	Before tax	Tax (expense) / credit	Net of tax	Before tax	Tax (expense) / credit	Net of tax
Unrealized gain / (loss) on financial assets available-for-sale	4.5	(0.6)	3.9	(1.2)	0.2	(1.0)
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)	(2.5)	–	(2.5)
Other comprehensive income	**(0.4)**	**(0.6)**	**(1.0)**	**(3.7)**	**0.2**	**(3.5)**

25. Contingencies, Commitments and Derivative Financial Instruments

Legal proceedings. From time to time and in the normal course of business, claims against the Group are received. At the reporting date, the Group had several unresolved legal claims. Management is of the opinion that there would be no material outflow of resources and accordingly no material provision has been made in these financial statements.

Credit related commitments. The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees that represent irrevocable assurances that the Group will make payments in the event that a customer cannot meet its obligations to third parties carry the same credit risk as loans. Documentary and commercial letters of credit (L/Cs), which are written undertakings by the Group on behalf of a customer authorizing a third party to draw drafts on the Group up to a stipulated amount under specific terms and conditions, are collateralized by cash deposits and therefore carry less risk than direct borrowings.

Commitments to extend credit represent unused portions of authorizations to extend credit in the form of loans, guarantees, or letters of credit. With respect to credit risk on commitments to extend credit, the Group is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments since most commitments to extend credit are contingent upon customers maintaining specific credit standards and/or the Bank confirming its willingness to extend a loan.

The Group monitors the term to maturity of credit related commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

The total outstanding contractual amount of undrawn credit lines, letters of credit and guarantees does not necessarily represent future cash requirements, as these financial instruments may expire or terminate without being funded.

Outstanding credit related commitments are as follows:

	30 June 2011 (unaudited)	31 December 2010
Guarantees issued	244.7	216.5
Undrawn credit lines	258.2	190.3
Import letters of credit	30.9	29.2
Commitments to extend credit	208.5	176.3
Other credit related commitments	0.4	–
Less: allowance for impairment on credit related commitments (Note 21)	(1.5)	(1.6)
Total credit related commitments	**741.2**	**610.7**

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 2011 was RUR 110.1 billion (31 December 2010: RUR 154.0 billion). Commitments under import letters of credit and guarantees are collateralized by customer deposits of RUR 10.5 billion (31 December 2010: RUR 9.6 billion).

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

At 30 June 2011, included in guarantees issued are guarantees issued for a related Russian company of RUR 26.4 billion or 10.8% of the guarantees issued. At 31 December 2010, included in guarantees issued are guarantees issued for 2 related Russian companies of RUR 48.1 billion or 22% of the guarantees issued.

Movements in the allowance for impairment on credit related commitments are disclosed in Note 21.

Cash flow hedges

The Group is exposed to variability in future variable interest cash flows on its loan portfolio. The Group uses interest rate swaps (IRSs) as cash flow hedges of risks of change in the benchmark interest rates relating to these cash flows. The cash flows are expected to occur and affect future interest received until 12 October 2012.

The fair value of IRSs used as cash flow hedges was accounted within “Other liabilities" for negative items, which amounted to RUR 0.9 billion (31 December 2010: nil).

The Group recognized a cumulative effect of RUR 0.2 billion debiting the cash flow hedge reserve, net of taxes, at 30 June 2011 (31 December 2010: nil), which was accounted within “Unrealized gain on financial assets available-for-sale and cash flow hedge” caption in equity.

Fair value hedges

Fair value hedges are used by the Group to protect it against the changes in the fair value of financial assets and financial liabilities due to movements in interest and currency rates. The financial instruments hedged for interest rate risk and currency risk include debt securities issued.

For the period ended 30 June 2011, the Group recognized a net gain of RUR 1.0 billion, representing the gain on the hedging instruments. The net loss on hedged items attributable to the hedged risk amounted to RUR 1.0 billion for the period ended 30 June 2011. At 30 June 2010 the Group had no fair value hedges.

26. Analysis by Segment

In accordance with IFRS 8, *Operating Segments*, the Group defined as its 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. These operating segments represented by the global business lines are accompanied by entity based segments of those Group's entities that have not yet been integrated into the global business lines as of the reporting date. 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 and Transaction banking subsegments), Retail banking, CIS and Georgia, Europe 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. Intersegment transactions were carried out predominantly in the normal course of business. 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 segments composition is mainly caused by the change in the system of the Group management and the integration of activities of certain entities into the global business lines. The united Corporate-Investment Banking function in the Group was established in the first quarter 2011, which resulted in the combination of Corporate business and Investment business reportable segments data presented in 2010 annual consolidated financial statements into the one Corporate-Investment banking (CIB) segment with further subdivision to 3 subsegments as described above. Additionally following the further integration of TransCreditBank’s activities into the Group’s global business lines such as CIB and Retail banking TransCreditBank’s data is presented within CIB, Retail and Other segments starting from the second quarter 2011.

Revenues disclosed in the note include the following: interest income, fee and commission income, other operating income, income arising from non-banking activities, gains less losses from financial assets available-for-sale, gains less losses arising from financial assets at fair value through profit or loss, gains less losses from dealing in foreign currencies together with foreign exchange translation gains less losses, gains less losses arising from extinguishment of liability and share in income of associates. Each element is included in calculation of revenues by each 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.

(in billions of Russian Roubles)

26. Analysis by Segment (continued)

Segment information for the reportable segments of the Group at 30 June 2011 (unaudited) and results for the six months ended 30 June 2011 (unaudited) is set out below:

	Corporate-Investment banking (CIB)											
	Investment banking	Loans and Deposits	Transaction banking	Inter-CIB eliminations	Total CIB	Retail banking	CIS and Georgia	Europe	Other	Total before Intersegment eliminations	Inter-segment eliminations	Total
For the six-month period ended 30 June 2011:												
Revenues from:												
External customers	34.0	111.8	5.4	–	151.2	60.6	9.8	6.8	5.5	**233.9**	–	**233.9**
Other segments	14.0	18.5	6.6	(29.0)	10.1	13.2	0.1	0.6	1.1	**25.1**	(25.1)	**–**
Total revenues	**48.0**	**130.3**	**12.0**	**(29.0)**	**161.3**	**73.8**	**9.9**	**7.4**	**6.6**	**259.0**	**(25.1)**	**233.9**
Segment income and expense												
Interest income	26.9	115.5	6.5	(27.7)	121.2	62.4	8.7	6.3	0.4	**199.0**	(22.4)	**176.6**
Interest expense	(20.7)	(71.8)	(0.7)	27.8	(65.4)	(28.2)	(4.7)	(2.6)	(3.0)	**(103.9)**	22.4	**(81.5)**
Net interest income	**6.2**	**43.7**	**5.8**	**0.1**	**55.8**	**34.2**	**4.0**	**3.7**	**(2.6)**	**95.1**	**–**	**95.1**
Provision charge for impairment of debt financial assets	0.1	(11.9)	–	–	(11.8)	(2.8)	(1.1)	(0.4)	(0.1)	**(16.2)**	(1.1)	**(17.3)**
Net interest income after provision for impairment	**6.3**	**31.8**	**5.8**	**0.1**	**44.0**	**31.4**	**2.9**	**3.3**	**(2.7)**	**78.9**	**(1.1)**	**77.8**
Gains less losses arising from other financial instruments	11.3	(1.7)	–	–	9.6	0.1	–	(0.1)	–	**9.6**	(0.1)	**9.5**
Net recovery of losses on initial recognition of financial instruments and on loans restructuring	–	10.1	–	–	10.1	(0.2)	–	–	–	**9.9**	–	**9.9**
Gains less losses arising from dealing in foreign currencies	4.4	14.5	–	–	18.9	2.5	3.9	–	0.7	**26.0**	–	**26.0**
Foreign exchange translation losses net of gains	–	(8.8)	–	(0.2)	(9.0)	(1.6)	(3.9)	–	–	**(14.5)**	(0.1)	**(14.6)**
Net fee and commission income	3.4	0.9	5.1	(0.2)	9.2	8.1	0.8	0.8	(1.2)	**17.7**	0.2	**17.9**
Share in income of associates and joint ventures	0.2	1.2	–	–	1.4	–	–	0.1	–	**1.5**	–	**1.5**
Provision charge for impairment of other assets and credit related commitments	–	(1.4)	–	–	(1.4)	–	(0.1)	–	–	**(1.5)**	–	**(1.5)**
Other operating income / (expense)	1.4	5.1	–	(0.2)	6.3	0.6	0.2	–	1.8	**8.9**	(1.2)	**7.7**
Operating income	**27.0**	**51.7**	**10.9**	**(0.5)**	**89.1**	**40.9**	**3.8**	**4.1**	**(1.4)**	**136.5**	**(2.3)**	**134.2**
Staff costs and administrative expenses	(11.9)	(25.3)	(2.4)	0.2	(39.4)	(20.7)	(3.4)	(1.4)	(3.4)	**(68.3)**	1.0	**(67.3)**
Profit from disposal of associates and subsidiaries	–	1.5	–	–	1.5	–	–	–	–	**1.5**	–	**1.5**
Segment results: Profit before taxation	**15.1**	**27.9**	**8.5**	**(0.3)**	**51.2**	**20.2**	**0.4**	**2.7**	**(4.8)**	**69.7**	**(1.3)**	**68.4**
Income tax expense												**(14.8)**
Net profit												**53.6**

(in billions of Russian Roubles)

26. Analysis by Segment (continued)

	Corporate-Investment banking (CIB)											
	Investment banking	***Loans and Deposits***	***Transaction banking***	***Inter-CIB eliminations***	***Total CIB***	***Retail banking***	***CIS and Georgia***	***Europe***	***Other***	***Total before Intersegment eliminations***	***Inter-segment eliminations***	***Total***
As at 30 June 2011:												
Cash and short-term funds	*15.0*	*134.4*	*–*	*(1.5)*	147.9	65.8	15.5	9.2	8.1	**246.5**	(18.5)	**228.0**
Mandatory reserve deposits with central banks	*–*	*31.2*	*–*	*–*	31.2	10.3	1.4	1.9	–	**44.8**	–	**44.8**
Due from other banks	*328.6*	*375.0*	*398.7*	*(742.8)*	359.5	341.0	5.3	114.5	2.9	**823.2**	(531.6)	**291.6**
Loans and advances to customers	*179.7*	*2,073.8*	*–*	*(74.8)*	2,178.7	621.6	126.6	150.4	4.6	**3,081.9**	(85.3)	**2,996.6**
Other financial instruments	*387.4*	*216.3*	*–*	*(2.6)*	601.1	18.8	13.0	28.9	2.7	**664.5**	(28.3)	**636.2**
Investments in associates and joint ventures	*3.5*	*113.0*	*–*	*–*	116.5	–	–	1.1	2.4	**120.0**	–	**120.0**
Other assets items	*16.4*	*198.5*	*–*	*(15.8)*	199.1	25.4	11.7	7.3	164.9	**408.4**	(5.6)	**402.8**
Segment assets	***930.6***	***3,142.2***	***398.7***	***(837.5)***	**3,634.0**	**1,082.9**	**173.5**	**313.3**	**185.6**	**5,389.3**	**(669.3)**	**4,720.0**
Due to other banks	*214.7*	*1,199.9*	*–*	*(791.8)*	622.8	43.4	76.8	204.6	8.6	**956.2**	(519.3)	**436.9**
Customer deposits	*441.5*	*851.8*	*398.7*	*(9.0)*	1,683.0	870.5	58.8	32.9	0.6	**2,645.8**	(11.1)	**2,634.7**
Other borrowed funds	*36.8*	*70.1*	*–*	*–*	106.9	9.9	1.6	3.8	79.2	**201.4**	(76.3)	**125.1**
Debt securities issued	*95.4*	*433.1*	*–*	*(1.1)*	527.4	24.1	2.7	3.0	0.3	**557.5**	(1.9)	**555.6**
Subordinated debt	*16.8*	*207.5*	*–*	*(17.8)*	206.5	17.8	7.2	32.1	0.2	**263.8**	(57.4)	**206.4**
Other liabilities items	*65.4*	*78.1*	*–*	*(16.4)*	127.1	8.7	0.9	9.9	24.5	**171.1**	(7.3)	**163.8**
Segment liabilities	***870.6***	***2,840.5***	***398.7***	***(836.1)***	**3,273.7**	**974.4**	**148.0**	**286.3**	**113.4**	**4,795.8**	**(673.3)**	**4,122.5**

(in billions of Russian Roubles)

26. Analysis by Segment (continued)

Segment information for the reportable segments of the Group at 31 December 2010 and results for the six months ended 30 June 2010 (unaudited) is set out below:

	Corporate-Investment banking (CIB)											
	Investment banking	*Loans and Deposits*	*Transaction banking*	*Inter-CIB eliminations*	*Total CIB*	*Retail banking*	*CIS and Georgia*	*Europe*	*Other*	*Total before Intersegment eliminations*	*Inter-segment eliminations*	*Total*
For the six-month period ended 30 June 2010:												
Revenues from:												
External customers	*19.6*	*104.7*	*3.9*	*–*	128.2	48.1	10.3	6.4	2.9	**195.9**	–	**195.9**
Other segments	*14.4*	*14.3*	*5.7*	*(27.0)*	7.4	5.4	–	0.2	0.4	**13.4**	(13.4)	**–**
Total revenues	***34.0***	***119.0***	***9.6***	***(27.0)***	**135.6**	**53.5**	**10.3**	**6.6**	**3.3**	**209.3**	**(13.4)**	**195.9**
Segment income and expense												
Interest income	*23.6*	*116.9*	*5.5*	*(26.8)*	119.2	46.1	9.0	5.2	0.3	**179.8**	(11.9)	**167.9**
Interest expense	*(19.5)*	*(68.4)*	*(1.3)*	*26.8*	(62.4)	(20.6)	(5.8)	(1.8)	(2.8)	**(93.4)**	11.9	**(81.5)**
Net interest income	***4.1***	***48.5***	***4.2***	***–***	**56.8**	**25.5**	**3.2**	**3.4**	**(2.5)**	**86.4**	**–**	**86.4**
Provision charge for impairment of debt financial assets	*–*	*(16.6)*	*–*	*–*	(16.6)	(6.9)	(3.4)	(0.9)	–	**(27.8)**	0.6	**(27.2)**
Net interest income after provision for impairment	***4.1***	***31.9***	***4.2***	***–***	**40.2**	**18.6**	**(0.2)**	**2.5**	**(2.5)**	**58.6**	**0.6**	**59.2**
Gains less losses arising from other financial instruments	*4.8*	*(2.5)*	*–*	*0.1*	2.4	0.1	–	0.3	–	**2.8**	–	**2.8**
New recovery of losses on initial recognition of financial instruments and on loans restructuring	*–*	*0.2*	*–*	*–*	0.2	(0.1)	–	–	–	**0.1**	–	**0.1**
Gains less losses / (losses net of gains) arising from dealing in foreign currencies	*1.6*	*(27.0)*	*–*	*–*	(25.4)	(1.3)	0.5	0.2	(0.1)	**(26.1)**	–	**(26.1)**
Foreign exchange translation gains less losses	*1.0*	*25.3*	*–*	*–*	26.3	2.2	–	–	–	**28.5**	0.1	**28.6**
Net fee and commission income	*1.6*	*0.6*	*3.9*	*–*	6.1	4.8	0.5	0.8	(0.5)	**11.7**	0.1	**11.8**
Share in income / (loss) of associates and joint ventures	*0.2*	*0.1*	*–*	*–*	0.3	–	–	–	(0.5)	**(0.2)**	–	**(0.2)**
Provision charge for impairment of other assets and credit related commitments	*–*	*(1.1)*	*–*	*–*	(1.1)	(0.1)	–	–	(0.5)	**(1.7)**	–	**(1.7)**
Other operating income / (expense)	*0.9*	*0.9*	*–*	*(0.1)*	1.7	0.3	0.2	–	0.2	**2.4**	(0.4)	**2.0**
Operating income	***14.2***	***28.4***	***8.1***	***–***	**50.7**	**24.5**	**1.0**	**3.8**	**(3.9)**	**76.1**	**0.4**	**76.5**
Staff costs and administrative expenses	*(7.1)*	*(16.9)*	*(1.3)*	*0.1*	(25.2)	(13.3)	(2.5)	(1.7)	(1.6)	**(44.3)**	0.4	**(43.9)**
Impairment of goodwill	*–*	*–*	*–*	*–*	–	–	–	–	(1.1)	**(1.1)**	–	**(1.1)**
Profit from disposal of associates and subsidiaries	*0.1*	*–*	*–*	*–*	0.1	–	–	–	–	**0.1**	–	**0.1**
Segment results: Profit before taxation	***7.2***	***11.5***	***6.8***	***0.1***	**25.6**	**11.2**	**(1.5)**	**2.1**	**(6.6)**	**30.8**	**0.8**	**31.6**
Income tax expense												**(6.5)**
Net profit												**25.1**

(in billions of Russian Roubles)

26. Analysis by Segment (continued)

	Corporate-Investment banking (CIB)											
	Investment banking	*Loans and Deposits*	*Transaction banking*	*Inter-CIB eliminations*	*Total CIB*	*Retail banking*	*CIS and Georgia*	*Europe*	*Other*	*Total before Intersegment eliminations*	*Inter-segment eliminations*	*Total*
As at 31 December 2010:												
Cash and short-term funds	*7.1*	*183.8*	*–*	*(1.8)*	189.1	71.6	13.1	13.2	4.2	**291.2**	(15.7)	**275.5**
Mandatory reserve deposits with central banks	*–*	*17.9*	*–*	*–*	17.9	5.5	1.4	1.6	–	**26.4**	–	**26.4**
Due from other banks	*485.2*	*344.7*	*328.4*	*(803.5)*	354.8	304.0	1.1	129.9	3.0	**792.8**	(442.9)	**349.9**
Loans and advances to customers	*132.3*	*1,948.6*	*–*	*(47.7)*	2,033.2	545.4	128.9	128.3	3.7	**2,839.5**	(54.1)	**2,785.4**
Other financial instruments	*282.5*	*138.3*	*–*	*(3.2)*	417.6	22.9	13.7	21.7	3.3	**479.2**	(27.6)	**451.6**
Investments in associates and joint ventures	*1.7*	*10.1*	*–*	*–*	11.8	–	–	1.0	2.9	**15.7**	–	**15.7**
Other assets items	*20.2*	*188.5*	*–*	*–*	208.7	19.2	10.1	6.5	148.3	**392.8**	(6.4)	**386.4**
Segment assets	***929.0***	***2,831.9***	***328.4***	***(856.2)***	**3,233.1**	**968.6**	**168.3**	**302.2**	**165.4**	**4,837.6**	**(546.7)**	**4,290.9**
Due to other banks	*133.6*	*1,181.7*	*–*	*(820.1)*	495.2	26.3	78.3	208.5	5.5	**813.8**	(416.5)	**397.3**
Customer deposits	*547.2*	*524.5*	*328.4*	*(12.6)*	1,387.5	764.2	50.3	17.5	0.7	**2,220.2**	(7.3)	**2,212.9**
Other borrowed funds	*52.0*	*110.1*	*–*	*–*	162.1	11.9	1.6	7.7	63.3	**246.6**	(60.9)	**185.7**
Debt securities issued	*72.0*	*479.4*	*–*	*(1.8)*	549.6	41.0	2.5	1.7	0.3	**595.1**	(2.0)	**593.1**
Subordinated debt	*18.3*	*207.8*	*–*	*(20.5)*	205.6	18.0	7.9	32.7	–	**264.2**	(58.7)	**205.5**
Other liabilities items	*44.4*	*45.2*	*–*	*(0.8)*	88.8	9.6	0.8	4.8	20.9	**124.9**	(6.7)	**118.2**
Segment liabilities	***867.5***	***2,548.7***	***328.4***	***(855.8)***	**2,888.8**	**871.0**	**141.4**	**272.9**	**90.7**	**4,264.8**	**(552.1)**	**3,712.7**

(in billions of Russian Roubles)

27. 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 significant inputs other than quoted prices included within Level 1 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 2011 (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	411.2	48.2	2.2	**461.6**
Financial assets designated as at fair value through profit or loss	31.6	1.6	3.0	**36.2**
Trading derivative financial instruments	*0.4*	*47.7*	*1.0*	***49.1***
Hedging derivative financial instruments	–	*1.0*	–	***1.0***
Financial assets pledged under repurchase agreements and loaned financial assets				
Financial assets held for trading	1.6	–	–	**1.6**
Financial assets designated as at fair value through profit or loss	0.2	0.1	–	**0.3**
Financial assets available-for-sale	–	0.2	–	**0.2**
Financial assets available-for-sale	*21.7*	*9.2*	*20.7*	***51.6***
Financial liabilities				
Trading derivative financial instruments	*(0.2)*	*(42.8)*	*(0.1)*	***(43.1)***
Hedging derivative financial instruments	–	*(0.9)*	–	***(0.9)***

For financial instruments carried at fair value, the level in the fair value hierarchy into which the fair values are categorized as follows as at 31 December 2010:

	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	261.1	17.2	2.8	**281.1**
Financial assets designated as at fair value through profit or loss	23.0	1.2	0.4	**24.6**
Trading derivative financial instruments	*0.4*	*37.5*	*1.0*	***38.9***
Hedging derivative financial instruments	–	*0.6*	–	***0.6***
Financial assets pledged under repurchase agreements and loaned financial assets				
Financial assets held for trading	7.5	–	–	**7.5**
Financial assets designated as at fair value through profit or loss	1.0	2.4	–	**3.4**
Financial assets available-for-sale	4.7	–	–	**4.7**
Financial assets available-for-sale	*25.5*	*7.6*	*22.8*	***55.9***
Financial liabilities				
Trading derivative financial instruments	*(0.6)*	*(35.4)*	–	***(36.0)***

(in billions of Russian Roubles)

27. Fair Value Hierarchy (continued)

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

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

The Group enters into a number of cross currency interest rate swaps to hedge the risks associated with fluctuating foreign exchange rates and interest rates for bonds issued by the Group. Changes in foreign exchange rates, interest rates and other basic assets for those derivatives not designated in hedge relationships therefore have a direct impact on the financial assets and liabilities recognized in the statement of financial position.

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 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 or losses recognized in profit or loss for the period	–	–	0.2	(0.1)
Gains or losses recognized in other comprehensive income	–	–	1.8	–
Purchases	0.1	3.0	0.5	–
Sales	(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**
Unrealized gains less losses recognized 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)

27. Fair Value Hierarchy (continued)

Movement in Level 3 financial instruments measured at fair value (continued)

A reconciliation of movements in Level 3 of the fair value hierarchy by class of instruments for the period ended 30 June 2010 (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 2010 (audited)	**–**	**1.6**	**18.1**	**1.0**
Gains or losses recognized in other comprehensive income	–	–	(0.4)	–
Purchases	–	–	0.9	–
Sales	–	–	(0.3)	–
Eliminated at consolidation	–	–	(2.6)	–
Transfers out of Level 3	–	(1.6)	(0.7)	–
Fair value at 30 June 2010	**–**	**–**	**15.0**	**1.0**
Unrealized gains less losses recognized in profit or loss or other comprehensive income for the current period for assets held at 30 June 2010	**–**	**–**	**(0.4)**	**–**

Transfers between levels

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 from Level 1 to Level 2 and from Level 2 to Level 1 during the period ended 30 June 2011.

During the period ended 30 June 2010, the Group transferred financial assets designated as at fair value through profit or loss and financial assets available-for-sale from Level 3 to Level 2 of the fair value hierarchy. The carrying amount of the total assets transferred was RUR 1.6 billion and RUR 0.7 billion correspondingly. 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 from Level 1 to Level 2 and from Level 2 to Level 1 during the period ended 30 June 2010.

(in billions of Russian Roubles)

28. 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 (unaudited):

Statements of financial position

	30 June 2011		*31 December 2010*	
	Government-related entities	*Associates and joint ventures*	*Government-related entities*	*Associates and joint ventures*
Assets				
Cash and short-term funds	82.7	–	104.8	–
Mandatory reserve deposits with central banks	35.9	–	19.0	–
Financial assets at fair value through profit or loss	273.1	12.0	164.2	–
Financial assets pledged under repurchase agreements and loaned financial assets	3.7	–	9.0	–
Due from other banks	90.0	6.0	82.8	3.7
Loans and advances to customers	431.5	7.4	391.7	12.4
Allowance for loan impairment	(15.0)	(0.8)	(16.9)	(1.6)
Financial assets available-for-sale	9.1	–	8.3	0.3
Investment securities held-to-maturity	31.4	–	32.7	–
Liabilities				
Due to other banks	113.4	15.3	75.5	1.3
Customer deposits	1,000.1	2.4	565.8	3.5
Other borrowed funds	43.4	–	170.2	–
Subordinated debt	196.5	–	195.3	–
Credit Related Commitments				
Guarantees issued	100.7	0.8	136.7	0.7
Undrawn credit lines	25.7	–	27.6	–
Import letters of credit	5.2	–	2.8	–
Commitments to extend credit	40.3	1.7	40.0	1.7
Other credit related commitments	–	–	1.0	–

Income statements

	For the six-month period ended 30 June	
	2011	*2010*
Interest income		
Loans and advances to customers	17.3	21.9
Securities	8.8	7.7
Due from other banks	1.2	1.3
Interest expense		
Customer deposits	(10.3)	(13.6)
Due to other banks and other borrowed funds	(1.8)	(5.4)
Subordinated debt	(8.0)	(8.6)
Recovery of provision for impairment	**2.7**	**2.5**

For the six month-period ended 30 June 2011, the total remuneration of the directors and key management personnel of the Group including pension contributions amounted to RUR 3.2 billion (30 June 2010: RUR 1.6 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 2011 amounted to RUR 0.5 billion (31 December 2010: RUR 0.5 billion).

(in billions of Russian Roubles)

29. Consolidated Subsidiaries

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

			Percentage of ownership	
Name	***Activity***	***Country of registration***	***30 June 2011 (unaudited)***	***31 December 2010***
"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%
"VTB Bank (Deutschland)", AG	Banking	Germany	100.00%	100.00%
"Bank VTB (Kazakhstan)", JSC	Banking	Kazakhstan	100.00%	100.00%
"VTB Bank (Azerbaijan)", OJSC	Banking	Azerbaijan	51.00%	51.00%
"Bank VTB North-West", OJSC	Banking	Russia	n/a	100.00%
"VTB Bank (France)"	Banking	France	87.04%	87.04%
"VTB Capital", Plc	Banking	Great Britain	95.54%	95.54%
"Banco VTB Africa S.A."	Banking	Angola	66.00%	66.00%
"TransCreditBank", JSC	Banking	Russia	43.18%	43.18%
"VTB Capital (Namibia) (Proprietary) Limited"	Investment	Namibia	50.33%	50.33%
"Multicarta", Ltd	Plastic cards (processing)	Russia	100.00%	100.00%
"ITC Consultants (Cyprus)", Ltd	Finance	Cyprus	100.00%	100.00%
"VB-Service", Ltd	Commerce	Russia	100.00%	100.00%
"Almaz-Press", CJSC	Publishing	Russia	100.00%	100.00%
"VTB-Leasing", OJSC	Leasing	Russia	100.00%	100.00%
"Embassy Development Limited"	Finance	Jersey	100.00%	100.00%
"VTB-Development", CJSC	Development	Russia	100.00%	100.00%
"VTB Europe Strategic Investments Limited"	Investment	Great Britain	100.00%	100.00%
"VTB Europe Finance", B.V.	Finance	Netherlands	100.00%	100.00%
"Nevsky Property", Ltd	Property	Cyprus	100.00%	100.00%
"Business-Finance", Ltd	Finance	Russia	100.00%	100.00%
"VTB Dolgovoi centre", CJSC	Finance	Russia	100.00%	100.00%
"Sistema Leasing 24", CJSC	Finance	Russia	100.00%	100.00%
"VTB-Capital", CJSC	Finance	Russia	100.00%	100.00%
"Insurance Company VTB-Insurance", Ltd	Insurance	Russia	100.00%	100.00%
"VTB-Leasing Ukraine", Ltd	Leasing	Ukraine	100.00%	100.00%
"Capablue", Ltd	Leasing	Ireland	100.00%	100.00%
"VTB Leasing (Europe)", Ltd	Leasing	Cyprus	100.00%	100.00%
"VTB-Leasing Finance", Ltd	Finance	Russia	99.99%	99.99%
"VTB-Leasing", Ltd	Leasing	Belarus	100.00%	100.00%
"VTB-Leasing Capital", Ltd	Finance	Ireland	100.00%	100.00%
"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 Registrar", CJSC	Finance	Russia	100.00%	20.00%
"VTB Factoring", Ltd	Factoring	Russia	100.00%	100.00%
"HALS-Development", JSC (former "Sistema-Hals", OJSC)	Real Estate	Russia	51.24%	51.24%
"M", CJSC	Real Estate	Russia	100.00%	100.00%
"VTB Arena", CJSC	Real Estate	Russia	75.00%	75.00%
"VTB Real Estate", LLC	Real Estate	Russia	100.00%	–
"Hotel and Office Complex "Peking", OJSC	Real Estate	Russia	100.00%	–
"Citer Invest", B.V.	Real Estate	Netherlands	50.50%	–

29. Consolidated Subsidiaries (continued)

In January 2011, as a result of a transaction between the Group’s subsidiaries in which Management Company “Dinamo”, CJSC sold its 50.92% stake in Football Club “Dinamo”, CJSC to Petrovsky Park Arena, CJSC non-controlling interests decreased by RUR 1.2 billion.

In March 2011, “VTB Dolgovoi centre”, CJSC, a 100%-owned Group’s subsidiary, issued 2,825.2 million additional ordinary shares with nominal value of RUR 2,825.2 million, which were fully purchased by VTB at par.

In March 2011, VTB North-West ceased its operations as a subsidiary of VTB following the legal merger of VTB and VTB North-West. As a result of the legal merger RUR 2.4 billion of currency translation difference was transferred to the retained earnings.

In March 2011, the Group acquired a 100% ownership share in OJSC “Hotel and Office Complex “Peking” for RUR 1.7 billion which was equal to the fair value of the identifiable net assets at the acquisition date.

In April 2011, VTB established a 100% subsidiary “VTB Real Estate”, LLC to manage its investment property projects.

In May 2011, the Group purchased 80% of shares of “VTB Registrar”, CJSC (former “Central United Registrar”, CJSC) for USD 4.5 million (RUR 0.1 billion) increasing its share to 100% in “VTB Registrar”, CJSC.

In June 2011, “Bank VTB (Kazakhstan)”, JSC issued 1,100,000 additional ordinary shares with nominal value of KZT 10,000 each for KZT 11 billion (RUR 2.1 billion), which were fully purchased by the Group.

In June 2011, the Group sold its 51% stake in “TCB Capital”, CJSC (a subsidiary of “TransCreditBank”, JSC) for RUR 0.4 billion to a third party. As at the date of disposal the net assets of "TCB Capital", CJSC amounted to RUR 0.9 billion and cash items disposed amounted to RUR 1.5 billion.

In June 2011, the Group purchased 50.5% of shares of “Citer Invest”, B.V. for USD 45.6 million (RUR 1.3 billion). At the date of acquisition the fair value of the net assets was RUR 2.4 billion and the share of non-controlling interests in the net assets of the acquired company was RUR 1.2 billion. As a result of the acquisition the Group recognised goodwill of RUR 0.1 billion.

30. 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 of 30 June 2011 and 31 December 2010 the Bank’s capital adequacy ratio on this basis exceeded the statutory minimum.

The Group’s international risk based capital adequacy ratio, computed in accordance with the Basel Accord guidelines issued in 1988, with subsequent amendments including the amendment to incorporate market risks, as of 30 June 2011 and 31 December 2010 was 14.1% and 16.8%, respectively. These ratios exceeded the minimum ratio of 8.0% recommended by the Basel Accord.

31. Subsequent Events

In July 2011 “TransCreditBank”, JSC redeemed RUR 5.0 billion of Series 3 local bonds upon maturity.

In July 2011 Russian Commercial Bank (Cyprus) paid interim dividends in the amount of USD 100 million (RUR 2.8 billion).

In July 2011 the Group, “Bank of Moscow”, OJSC and the State Corporation “Deposit Insurance Agency” signed a general agreement following implementation of the plan of support of “Bank of Moscow”, OJSC earlier signed by the Central Bank of the Russian Federation and the State Corporation “Deposit Insurance Agency”. In accordance with the general agreement upon obtaining by the Group an ownership share of 75% or above in “Bank of Moscow”, OJSC, the State Corporation on “Deposit Insurance Agency” provides to “Bank of Moscow”, OJSC RUR 295 billion in secured loan facility at 0.51% per annum maturing in 10 years, and the Group is expected to further contribute additional RUR 100 billion to the share capital of “Bank of Moscow”, OJSC in the period till the 2012 year-end.

In July 2011, VTB received a syndicated loan in the total amount of USD 3,130 million (RUR 87.3 billion) maturing in July 2014 with a floating interest rate of LIBOR + 1.3%.

In July and August 2011, the Group increased its ownership share in "TransCreditBank", JSC from 43.18% to 74.48% by purchasing 715,694,742 shares from the non-controlling interests for RUR 17.4 billion including 6,957,836 shares purchased under the binding offer (Note 22).

31. Subsequent Events (continued)

In the third quarter of 2011 deterioration in economic conditions in Belarus has continued accompanied by considerable devaluation of local currency, high inflation rates and large negative trade balance. The management of the Group monitors the situation on a permanent basis. Further deterioration of economic conditions in Belarus may lead to impairment of a number the Group's assets. As at the date of these financial statements the management of the Group is unable to estimate the potential economic effect reliably.