

## **VTB Bank**

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

*30 September 2014*

## Contents

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

#### Interim Condensed Consolidated Financial Statements

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

#### Selected Notes to the Interim Condensed Consolidated Financial Statements

|   |    |
|---|----|
| 1. Principal Activities.....  | 7  |
| 2. Operating Environment of the Group.....  | 7  |
| 3. Basis of Preparation.....  | 8  |
| 4. Adoption of New or Revised Standards and Interpretations.....  | 8  |
| 5. Cash and Short-Term Funds.....   | 9  |
| 6. Financial Assets at Fair Value through Profit or Loss.....   | 9  |
| 7. Financial Assets, Other than Loans and Advances to Customers and Due from Other Banks, Pledged under Repurchase Agreements.....        | 11 |
| 8. Due from Other Banks, Including Pledged under Repurchase Agreements.....   | 12 |
| 9. Loans and Advances to Customers, Including Pledged under Repurchase Agreements.....  | 12 |
| 10. Investment Financial Assets.....  | 14 |
| 11. Investments in Associates and Joint Ventures.....   | 15 |
| 12. Disposal Groups Held for Sale.....  | 15 |
| 13. Due to Other Banks.....   | 16 |
| 14. Customer Deposits.....  | 16 |
| 15. Other Borrowed Funds.....   | 17 |
| 16. Debt Securities Issued.....   | 17 |
| 17. Subordinated Debt.....  | 18 |
| 18. Share Capital.....  | 18 |
| 19. Other Reserves.....   | 19 |
| 20. Interest Income and Expense.....  | 19 |
| 21. Fee and Commission Income and Expense.....  | 20 |
| 22. Gains Net of Losses / (Losses Net of Gains) Arising from Financial Instruments at Fair Value Through Profit or Loss.....              | 20 |
| 23. (Losses Net of Gains) / Gains Net of Losses Arising from Foreign Currencies.....  | 21 |
| 24. Gains/(losses) on Initial Recognition of Financial Instruments, Restructuring and Other Gains on Loans and Advances to Customers..... | 21 |
| 25. Staff Costs and Administrative Expenses.....  | 21 |
| 26. Allowances for Impairment and Provisions.....   | 22 |
| 27. Dividends and Amounts Paid and Due under Perpetual Loan Participation Notes.....  | 22 |
| 28. Share-Based Payments.....   | 23 |
| 29. Basic and Diluted Earnings per Share.....   | 23 |
| 30. Income Tax.....   | 24 |
| 31. Contingencies, Commitments and Derivative Financial Instruments.....  | 25 |
| 32. Analysis by Segment.....  | 27 |
| 33. Fair Values of Financial Instruments.....   | 32 |
| 34. Related Party Transactions.....   | 39 |
| 35. Capital Management and Capital Adequacy.....  | 40 |
| 36. Consolidated Subsidiaries, Business Combinations and Disposal of Subsidiaries.....  | 41 |
| 37. Subsequent Events.....  | 43 |

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## Report on review of interim condensed consolidated financial statements

To the Shareholders and Supervisory Council 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 September 2014, comprising of the interim consolidated statement of financial position as at 30 September 2014 and the related interim consolidated income statement, interim consolidated statement of comprehensive income for the three-month and nine-month periods then ended, interim consolidated statements of cash flows and changes in shareholders’ equity for the nine-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.

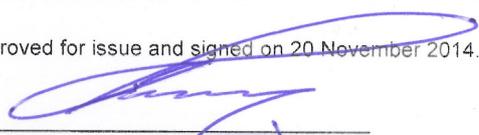


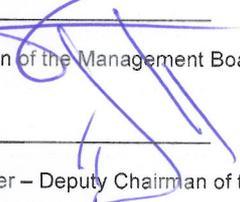
20 November 2014

**VTB Bank**
**Interim Consolidated Statement of Financial Position as at 30 September 2014**
*(in billions of Russian Roubles)*

|  | Note | 30 September<br>2014<br>(unaudited) | 31 December<br>2013 |
|--|------|-------------------------------------|---------------------|
| <b>Assets</b>  |      |                                     |                     |
| Cash and short-term funds  | 5    | 448.9                               | 354.3               |
| Mandatory cash balances with central banks   |      | 68.7                                | 58.7                |
| Financial assets at fair value through profit or loss  | 6    | 429.2                               | 411.1               |
| Financial assets, other than loans and advances to customers and due from other banks, pledged under repurchase agreements | 7    | 208.4                               | 173.2               |
| Due from other banks, including pledged under repurchase agreements  | 8    | 305.6                               | 446.2               |
| - Due from other banks   |      | 302.8                               | 443.4               |
| - Due from other banks, pledged under repurchase agreements  |      | 2.8                                 | 2.8                 |
| Loans and advances to customers, including pledged under repurchase agreements   | 9    | 7,515.8                             | 6,259.6             |
| - Loans and advances to customers  |      | 7,136.8                             | 5,969.0             |
| - Loans and advances to customers, pledged under repurchase agreements   |      | 379.0                               | 290.6               |
| Investment financial assets  | 10   | 138.9                               | 136.1               |
| Investments in associates and joint ventures   | 11   | 79.5                                | 87.6                |
| Assets of disposal groups held for sale  | 12   | 15.0                                | 36.7                |
| Land, premises and equipment   |      | 232.4                               | 170.3               |
| Investment property  |      | 188.5                               | 160.7               |
| Goodwill and other intangible assets   |      | 161.3                               | 162.5               |
| Deferred income tax asset  |      | 57.2                                | 45.5                |
| Other assets   |      | 285.8                               | 266.0               |
| <b>Total assets</b>  |      | <b>10,135.2</b>                     | <b>8,768.5</b>      |
| <b>Liabilities</b>   |      |                                     |                     |
| Due to other banks   | 13   | 614.3                               | 666.6               |
| Customer deposits  | 14   | 5,321.4                             | 4,341.4             |
| Other borrowed funds   | 15   | 1,746.4                             | 1,485.9             |
| Debt securities issued   | 16   | 755.0                               | 738.2               |
| Liabilities of disposal groups held for sale   | 12   | 1.7                                 | 20.7                |
| Deferred income tax liability  |      | 17.1                                | 15.0                |
| Other liabilities  |      | 429.4                               | 262.6               |
| <b>Total liabilities before subordinated debt</b>  |      | <b>8,885.3</b>                      | <b>7,530.4</b>      |
| Subordinated debt  | 17   | 118.6                               | 291.0               |
| <b>Total liabilities</b>   |      | <b>9,003.9</b>                      | <b>7,821.4</b>      |
| <b>Equity</b>  |      |                                     |                     |
| Share capital  | 18   | 352.1                               | 138.1               |
| Share premium  |      | 433.8                               | 433.8               |
| Perpetual loan participation notes   |      | 88.6                                | 73.6                |
| Treasury shares and bought back perpetual loan participation notes   |      | (6.7)                               | (3.6)               |
| Other reserves   | 19   | 39.7                                | 35.6                |
| Retained earnings  |      | 201.3                               | 262.0               |
| <b>Equity attributable to shareholders of the parent</b>   |      | <b>1,108.8</b>                      | <b>939.5</b>        |
| <b>Non-controlling interests</b>   |      | <b>22.5</b>                         | <b>7.6</b>          |
| <b>Total equity</b>  |      | <b>1,131.3</b>                      | <b>947.1</b>        |
| <b>Total liabilities and equity</b>  |      | <b>10,135.2</b>                     | <b>8,768.5</b>      |

Approved for issue and signed on 20 November 2014.


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


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

**VTB Bank**
**Interim Consolidated Income Statement for the Three Months and Nine Months Ended 30 September 2014**
**(unaudited)**
*(in billions of Russian Roubles)*

|   | Note     | For the three-month period<br>ended 30 September |               | For the nine-month period<br>ended 30 September |                |
|---|----------|--|---------------|---|----------------|
|   |          | 2014   | 2013          | 2014  | 2013           |
| Interest income   | 20       | 217.2  | 176.1         | 605.5   | 500.7          |
| Interest expense  | 20       | (126.2)  | (93.2)        | (337.3)   | (267.5)        |
| <b>Net interest income</b>  |          | <b>91.0</b>                                      | <b>82.9</b>   | <b>268.2</b>                                    | <b>233.2</b>   |
| Provision charge for impairment of debt financial assets  | 26       | (65.0)   | (22.1)        | (157.8)   | (72.8)         |
| <b>Net interest income after provision for impairment</b>   |          | <b>26.0</b>                                      | <b>60.8</b>   | <b>110.4</b>                                    | <b>160.4</b>   |
| <b>Net fee and commission income</b>  | 21       | <b>16.0</b>                                      | <b>13.3</b>   | <b>44.8</b>                                     | <b>38.9</b>    |
| Gains net of losses / (losses net of gains) arising from financial instruments at fair value through profit or loss   | 22       | 1.3  | 4.2           | 6.8   | (3.6)          |
| Gains net of losses from available-for-sale financial assets  |          | –  | 0.2           | 0.8   | –              |
| (Losses net of gains) / gains net of losses arising from foreign currencies   | 23       | 5.9  | (8.9)         | (5.5)   | (9.2)          |
| Gains/(losses) on initial recognition of financial instruments, restructuring and other gains on loans and advances to customers  | 24       | (0.1)  | –             | 1.6   | 2.9            |
| Share in profit of associates and joint ventures  |          | (0.2)  | –             | 0.1   | 0.9            |
| Gain from disposal of subsidiaries and associates   | 11,12,36 | 3.1  | 1.1           | 12.4  | 1.9            |
| Losses net of gains arising from extinguishment of liability (Provision charge) / reversal of provision for impairment of other assets, credit related commitments and legal claims | 26       | (0.3)  | (0.4)         | (1.1)   | (2.6)          |
| Excess of fair value of acquired net asset over cost  |          | –  | –             | –   | 1.5            |
| Other operating income  |          | 5.0  | 2.7           | 11.4  | 6.1            |
| <b>Non-interest gains/(losses)</b>  |          | <b>10.1</b>                                      | <b>(1.0)</b>  | <b>18.0</b>                                     | <b>(4.0)</b>   |
| Net insurance premiums earned   |          | 11.6   | 6.3           | 34.5  | 17.4           |
| Net insurance claims incurred and movement in liabilities to policyholders  |          | (7.3)  | (2.5)         | (22.3)  | (7.8)          |
| Revenue from non-banking activities   |          | 14.1   | 8.2           | 27.4  | 26.3           |
| Cost of sales and other expenses from non-banking activities  |          | (8.7)  | (9.8)         | (27.1)  | (24.6)         |
| <b>Revenues less expenses from non-banking operations</b>   |          | <b>9.7</b>                                       | <b>2.2</b>    | <b>12.5</b>                                     | <b>11.3</b>    |
| Impairment of goodwill  |          | (0.2)  | –             | (0.7)   | –              |
| Staff costs and administrative expenses   | 25       | (54.9)   | (51.9)        | (163.9)   | (149.2)        |
| <b>Non-interest expenses</b>  |          | <b>(55.1)</b>                                    | <b>(51.9)</b> | <b>(164.6)</b>                                  | <b>(149.2)</b> |
| <b>Profit before tax</b>  |          | <b>6.7</b>                                       | <b>23.4</b>   | <b>21.1</b>                                     | <b>57.4</b>    |
| Income tax expense  | 30       | (4.8)  | (6.5)         | (17.2)  | (15.9)         |
| <b>Net profit after tax</b>   |          | <b>1.9</b>                                       | <b>16.9</b>   | <b>3.9</b>                                      | <b>41.5</b>    |
| Profit/(loss) after tax from subsidiaries acquired exclusively with a view to resale  |          | (1.5)  | 1.5           | 1.5   | 4.5            |
| <b>Net profit</b>   |          | <b>0.4</b>                                       | <b>18.4</b>   | <b>5.4</b>                                      | <b>46.0</b>    |
| <b>Net profit/(loss) attributable to:</b>   |          |  |               |   |                |
| Shareholders of the parent  |          | 1.8  | 17.9          | 6.1   | 45.8           |
| Non-controlling interests   |          | (1.4)  | 0.5           | (0.7)   | 0.2            |
| <b>Basic and diluted earnings per share (expressed in Russian Roubles per share)</b>  | 29       | <b>0.0001</b>                                    | <b>0.0014</b> | <b>(0.00002)</b>                                | <b>0.0035</b>  |
| <b>Basic and diluted earnings per share before profit after tax from subsidiaries acquired exclusively with a view to resale (expressed in Russian Roubles per share)</b>           | 29       | <b>0.0002</b>                                    | <b>0.0013</b> | <b>(0.0001)</b>                                 | <b>0.0031</b>  |

**VTB Bank****Interim Consolidated Statement of Comprehensive Income****for the Three Months and Nine Months Ended 30 September 2014 (unaudited)***(in billions of Russian Roubles)*

|  | <i>For the three-month period<br/>ended 30 September</i> |             | <i>For the nine-month period<br/>ended 30 September</i> |             |
|--|--|-------------|---|-------------|
|  | <i>2014</i>  | <i>2013</i> | <i>2014</i>   | <i>2013</i> |
| <b>Net profit</b>  | <b>0.4</b>   | <b>18.4</b> | <b>5.4</b>  | <b>46.0</b> |
| <b>Other comprehensive income:</b>   |  |             |   |             |
| <i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>          |  |             |   |             |
| Net result on financial assets available-for-sale, net of tax  | (5.7)  | 1.5         | (7.7)   | 2.2         |
| Cash flow hedges, net of tax   | 0.2  | 0.7         | 0.4   | 0.6         |
| Share in other comprehensive income of associates and joint ventures                                   | (0.1)  | (0.1)       | (0.1)   | –           |
| Exchange differences on translation of foreign operations  | 9.9  | 1.4         | 13.6  | 2.3         |
| <i>Total other comprehensive income to be reclassified to profit or loss in subsequent periods</i>     | <i>4.3</i>   | <i>3.5</i>  | <i>6.2</i>  | <i>5.1</i>  |
| <i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods:</i>      |  |             |   |             |
| Actuarial losses net of gains arising from difference between pension plan assets and obligations      | –  | –           | (0.2)   | –           |
| <i>Total other comprehensive income not to be reclassified to profit or loss in subsequent periods</i> | <i>–</i>   | <i>–</i>    | <i>(0.2)</i>  | <i>–</i>    |
| <b>Other comprehensive income, net of tax</b>  | <b>4.3</b>   | <b>3.5</b>  | <b>6.0</b>  | <b>5.1</b>  |
| <b>Total comprehensive income</b>  | <b>4.7</b>   | <b>21.9</b> | <b>11.4</b>   | <b>51.1</b> |
| <b>Total comprehensive income attributable to:</b>   |  |             |   |             |
| Shareholders of the parent   | 4.9  | 21.4        | 10.8  | 50.6        |
| Non-controlling interests  | (0.2)  | 0.5         | 0.6   | 0.5         |

**VTB Bank****Interim Consolidated Statement of Cash Flows for the Nine Months Ended 30 September 2014 (unaudited)**  
(in billions of Russian Roubles)

|  | Note | For the nine-month period<br>ended 30 September |                |
|--|------|---|----------------|
|  |      | 2014  | 2013           |
| <b>Cash flows from operating activities</b>  |      |   |                |
| Interest received  |      | 594.4   | 491.6          |
| Interest paid  |      | (291.7)   | (227.7)        |
| Income received on operations with financial assets at fair value through profit or loss       |      | 2.7   | 7.1            |
| Income received from extinguishment of liability   |      | 0.1   | –              |
| Income received on dealing in foreign currency   |      | 34.5  | 5.7            |
| Fees and commissions received  |      | 59.9  | 50.0           |
| Fees and commissions paid  |      | (12.9)  | (11.0)         |
| Other operating income received  |      | 7.3   | 3.6            |
| Staff costs, administrative expenses paid  |      | (148.6)   | (138.5)        |
| Income received from non-banking activities  |      | 33.4  | 21.6           |
| Expenses paid in non-banking activities  |      | (29.2)  | (26.6)         |
| Insurance premium received   |      | 35.3  | 21.9           |
| Net insurance claims paid  |      | (24.3)  | (7.4)          |
| Income tax paid  |      | (17.1)  | (14.2)         |
| <b>Cash flows from operating activities before changes in operating assets and liabilities</b> |      | <b>243.8</b>                                    | <b>176.1</b>   |
| <b>Net decrease/(increase) in operating assets</b>   |      |   |                |
| Net increase in mandatory cash balances with central banks                                     |      | (9.1)   | (12.6)         |
| Net decrease in restricted cash  |      | 0.4   | 0.2            |
| Net decrease in correspondent accounts in precious metals                                      |      | 1.0   | 1.9            |
| Net decrease in financial assets at fair value through profit or loss                          |      | 152.2   | 12.1           |
| Net decrease/(increase) in due from other banks  |      | 167.7   | (57.5)         |
| Net increase in loans and advances to customers  |      | (1,262.0)                                       | (884.1)        |
| Net (increase)/decrease in other assets  |      | (19.0)  | 6.8            |
| <b>Net (decrease) increase in operating liabilities</b>  |      |   |                |
| Net decrease in due to other banks   |      | (85.6)  | (49.1)         |
| Net increase in customer deposits  |      | 880.9   | 394.0          |
| Net (decrease)/increase in debt securities issued other than bonds issued                      |      | (15.5)  | 1.0            |
| Net increase in other liabilities  |      | 5.6   | 14.4           |
| <b>Net cash from / (used in) operating activities</b>  |      | <b>60.4</b>                                     | <b>(396.8)</b> |
| <b>Cash flows used in investing activities</b>   |      |   |                |
| Dividends and other distributions received   |      | 0.6   | 1.0            |
| Proceeds from sales or maturities of financial assets available-for-sale                       |      | 118.4   | 81.1           |
| Purchase of financial assets available-for-sale  |      | (224.2)   | (161.0)        |
| Purchase of subsidiaries, net of cash  |      | 2.5   | (78.3)         |
| Disposal of subsidiaries, net of cash  |      | 19.2  | 0.3            |
| Purchase of and contributions to associates and joint ventures                                 |      | (0.7)   | (1.7)          |
| Proceeds from sale of associates   |      | 4.0   | 1.6            |
| Proceeds from distribution to shareholders of associates                                       |      | 1.6   | –              |
| Purchase of investment securities held-to-maturity   |      | (1.5)   | –              |
| Proceeds from redemption of investment securities held-to-maturity                             |      | 1.5   | 0.2            |
| Purchase of land, premises and equipment   |      | (32.8)  | (21.7)         |
| Proceeds from sale of land, premises and equipment   |      | 1.5   | 2.5            |
| Purchase or construction of investment property  |      | (17.0)  | (11.7)         |
| Proceeds from sale of investment property  |      | 2.3   | 3.7            |
| Purchase of intangible assets  |      | (4.3)   | (3.4)          |
| Proceeds from sale of intangible assets  |      | 0.3   | 0.1            |
| <b>Net cash used in investing activities</b>   |      | <b>(128.6)</b>                                  | <b>(187.3)</b> |

**VTB Bank****Interim Consolidated Statement of Cash Flows for the Nine Months Ended 30 September 2014 (unaudited)**  
(in billions of Russian Roubles)

|  | Note | For the nine-month period<br>ended 30 September |                |
|--|------|---|----------------|
|  |      | 2014  | 2013           |
| <b>Cash flows from financing activities</b>  |      |   |                |
| Dividends paid   |      | (16.0)  | (15.5)         |
| Proceeds from issuance of local bonds  |      | 21.4  | 48.4           |
| Repayment of local bonds   |      | (16.6)  | (62.0)         |
| Buy-back of local bonds  |      | (17.5)  | (31.0)         |
| Proceeds from sale of previously bought-back local bonds   |      | 11.1  | 20.8           |
| Proceeds from issuance of Eurobonds  |      | 7.5   | 31.9           |
| Repayment of Eurobonds   |      | (40.3)  | (56.2)         |
| Buy-back of Eurobonds  |      | (27.1)  | (6.4)          |
| Proceeds from sale of previously bought-back Eurobonds   |      | 14.7  | 15.0           |
| Proceeds from syndicated loans   |      | 1.9   | 62.1           |
| Repayment of syndicated loans  |      | (107.7)   | (0.1)          |
| Proceeds from other borrowings and funds from local central banks  |      | 5,340.6   | 2,211.7        |
| Repayment of other borrowings and funds from local central banks   |      | (5,025.6)                                       | (1,980.0)      |
| Proceeds from subordinated debt  |      | 13.5  | –              |
| Repayment of subordinated debt   |      | (218.8)   | (2.2)          |
| Buy-back of subordinated debt  |      | (1.1)   | (0.6)          |
| Proceeds from sale of previously bought-back subordinated debt   |      | 1.1   | 0.2            |
| Proceeds from share issue, less transaction costs  |      | 214.0   | 100.3          |
| Cash received from sale of treasury shares   |      | 12.5  | 27.8           |
| Cash paid for treasury shares  |      | (15.6)  | (24.9)         |
| Cash paid for purchase of non-controlling interests in subsidiaries and non-parent interests in consolidated funds |      | (20.0)  | (0.6)          |
| Buy-back of perpetual loan participation notes   |      | (2.1)   | (3.8)          |
| Proceeds from sale of previously bought-back perpetual loan participation notes                                    |      | 2.1   | 3.7            |
| Amounts paid on perpetual loan participation notes   | 27   | (3.7)   | (3.4)          |
| <b>Net cash from financing activities</b>  |      | <b>128.3</b>                                    | <b>335.2</b>   |
| Effect of exchange rate changes on cash and cash equivalents   |      | 36.7  | 22.2           |
| Effect of hyperinflation   |      | (0.8)   | (0.5)          |
| <b>Net increase/(decrease) in cash and cash equivalents</b>  |      | <b>96.0</b>                                     | <b>(227.2)</b> |
| <b>At the beginning of period</b>  | 5    | <b>348.6</b>                                    | <b>560.9</b>   |
| <b>At the end of period</b>  | 5    | <b>444.6</b>                                    | <b>333.7</b>   |

**VTB Bank**  
**Interim Consolidated Statement of Changes in Shareholders' Equity**  
**for the Nine Months Ended 30 September 2014 (unaudited)**  
*(in billions of Russian Roubles)*

|   | <i>Attributable to shareholders of the parent</i> |                      |   |   |                                 |                          |              |                                  |                     |
|---|---|----------------------|---|---|---------------------------------|--------------------------|--------------|----------------------------------|---------------------|
|   | <i>Share capital</i>                              | <i>Share premium</i> | <i>Perpetual loan participation notes</i> | <i>Treasury shares and bought back perpetual loan notes</i> | <i>Other reserves (Note 19)</i> | <i>Retained earnings</i> | <i>Total</i> | <i>Non-controlling interests</i> | <i>Total equity</i> |
| <b>Balance at 1 January 2013</b>  | 113.1   | 358.5                | 68.3                                      | (13.7)  | 33.9                            | 193.7                    | 753.8        | 12.3                             | 766.1               |
| Net result from treasury shares transactions                                    | –   | –                    | –   | 9.5   | –                               | (6.7)                    | 2.8          | –                                | 2.8                 |
| Profit for the period   | –   | –                    | –   | –   | –                               | 46.0                     | 46.0         | –                                | 46.0                |
| Other comprehensive income  | –   | –                    | –   | –   | 4.7                             | (0.1)                    | 4.6          | 0.5                              | 5.1                 |
| <b>Total comprehensive income for the period</b>                                | –   | –                    | –   | –   | 4.7                             | 45.9                     | 50.6         | 0.5                              | 51.1                |
| Transfer of land and premises revaluation reserve upon disposal or depreciation | –   | –                    | –   | –   | (0.5)                           | 0.5                      | –            | –                                | –                   |
| Ordinary share issue  | 25.0  | 75.3                 | –   | –   | –                               | –                        | 100.3        | –                                | 100.3               |
| Share-based payments  | –   | –                    | –   | –   | –                               | 0.6                      | 0.6          | –                                | 0.6                 |
| Acquisition of subsidiaries   | –   | –                    | –   | –   | –                               | –                        | –            | (1.2)                            | (1.2)               |
| Increase in share capital of subsidiaries                                       | –   | –                    | –   | –   | –                               | (0.1)                    | (0.1)        | 0.1                              | –                   |
| Acquisition of non-controlling interests and other capital transactions         | –   | –                    | –   | –   | –                               | (3.7)                    | (3.7)        | 0.5                              | (3.2)               |
| Disposal of subsidiaries  | –   | –                    | –   | –   | –                               | 0.3                      | 0.3          | (1.6)                            | 1.3                 |
| Foreign exchange translation of perpetual loan participation notes              | –   | –                    | 4.4                                       | –   | –                               | (4.4)                    | –            | –                                | –                   |
| Amounts paid and due on perpetual loan participation notes (Note 27)            | –   | –                    | –   | –   | –                               | (6.9)                    | (6.9)        | –                                | (6.9)               |
| Tax effect recognised on perpetual loan participation notes                     | –   | –                    | –   | –   | –                               | 2.3                      | 2.3          | –                                | 2.3                 |
| Dividends declared (Note 27)  | –   | –                    | –   | –   | –                               | (15.0)                   | (15.0)       | (0.6)                            | (15.6)              |
| <b>Balance at 30 September 2013</b>   | 138.1   | 433.8                | 72.7                                      | (4.2)   | 38.1                            | 206.5                    | 885.0        | 10.0                             | 895.0               |
| <b>Balance at 1 January 2014</b>  | 138.1   | 433.8                | 73.6                                      | (3.6)   | 35.6                            | 262.0                    | 939.5        | 7.6                              | 947.1               |
| Net result from treasury shares transactions                                    | –   | –                    | –   | (3.1)   | –                               | (0.2)                    | (3.3)        | –                                | (3.3)               |
| Profit for the period   | –   | –                    | –   | –   | –                               | 6.1                      | 6.1          | (0.7)                            | 5.4                 |
| Other comprehensive income  | –   | –                    | –   | –   | 4.7                             | –                        | 4.7          | 1.3                              | 6.0                 |
| <b>Total comprehensive income for the period</b>                                | –   | –                    | –   | –   | 4.7                             | 6.1                      | 10.8         | 0.6                              | 11.4                |
| Preference share issue (Note 18)  | 214.0   | –                    | –   | –   | –                               | (12.3)                   | 201.7        | –                                | 201.7               |
| Transfer of land and premises revaluation reserve upon disposal or depreciation | –   | –                    | –   | –   | (0.8)                           | 0.8                      | –            | –                                | –                   |
| Share-based payments  | –   | –                    | –   | –   | –                               | (0.1)                    | (0.1)        | –                                | (0.1)               |
| Increase in share capital of subsidiaries                                       | –   | –                    | –   | –   | –                               | –                        | –            | 0.1                              | 0.1                 |
| Acquisition of subsidiaries   | –   | –                    | –   | –   | –                               | –                        | –            | 0.5                              | 0.5                 |
| Disposal of subsidiaries  | –   | –                    | –   | –   | –                               | 0.6                      | 0.6          | 0.7                              | 1.3                 |
| Acquisition of non-controlling interests  | –   | –                    | –   | –   | 0.2                             | (22.2)                   | (22.0)       | 14.3                             | (7.7)               |
| Amounts paid and due on perpetual loan participation notes (Note 27)            | –   | –                    | –   | –   | –                               | (8.0)                    | (8.0)        | –                                | (8.0)               |
| Foreign exchange translation of perpetual loan participation notes              | –   | –                    | 15.0                                      | –   | –                               | (15.0)                   | –            | –                                | –                   |
| Tax effect recognized on perpetual loan participation notes                     | –   | –                    | –   | –   | –                               | 4.6                      | 4.6          | –                                | 4.6                 |
| Dividends declared (Note 27)  | –   | –                    | –   | –   | –                               | (15.0)                   | (15.0)       | (1.3)                            | (16.3)              |
| <b>Balance at 30 September 2014</b>   | 352.1   | 433.8                | 88.6                                      | (6.7)   | 39.7                            | 201.3                    | 1,108.8      | 22.5                             | 1,131.3             |

## 1. Principal Activities

VTB Bank and its subsidiaries (the “Group”) comprise Russian and foreign commercial banks, insurance, leasing 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. 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 depository services. VTB and other Russian Group banks are regulated and supervised by the CBR. 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). The Group subsidiary banks in Russia: “Bank VTB 24”, CJSC, “Bank of Moscow”, OJSC and “Leto 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.

The Group operates in the corporate and investment banking, retail, real estate and other sectors. 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 conducts its banking business in Russia through VTB as a parent and several subsidiary banks with its network of 60 full service branches, including 23 branches of VTB, 27 branches of “Bank VTB 24”, CJSC, 10 branches of “Bank of Moscow”, OJSC located in major Russian regions.

The Group operates outside Russia through 15 bank subsidiaries, located in Austria, Germany, France, Great Britain, Cyprus, Serbia, Armenia, Belarus (2 banks), Kazakhstan, Azerbaijan, Ukraine (2 banks), Georgia and 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 60.9% of VTB’s issued and outstanding ordinary shares at 30 September 2014 (31 December 2013: 60.9%).

The number of employees of the Group at 30 September 2014 was 102,548 (31 December 2013: 103,808).

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 is continuing economic reforms and the 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. Management believes it is taking appropriate measures to support the sustainability of the Group’s business in the current circumstances.

During nine months of 2014, the economic and political uncertainty in Ukraine was increasing. These uncertainties have been taken into consideration in valuing the Group’s assets and liabilities related to its activities in Ukraine. At 30 September 2014, the Group’s investments in Ukrainian sovereign and municipal securities as well as loans to Ukrainian government fully or majority owned enterprises amounted to less than 0.3% of the Group’s total assets. The Group continues to monitor the situation in Ukraine and take appropriate actions in order to minimize the effects of these risks. The risk assessment is reviewed constantly to reflect the current situation. Further significant negative developments in Ukraine could adversely impact the results and financial position of the Group and or the Group’s Ukrainian subsidiaries in a manner not currently determinable

In July-September 2014, several countries imposed limited sectorial sanctions on the Group. The Group considers these sanctions in its activities, continuously monitors them and analyses the effect of the sanctions on the Group’s financial position and its financial performance.

### 3. Basis of Preparation

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 nine-month period ended 30 September 2014 are not necessarily indicative of the results that may be expected for the year ending 31 December 2014. 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 2013. 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 operates. 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 2013.

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 September 2014, the principal closing rate of exchange used for translating balances in USD to Russian Roubles was USD 1 to RUR 39.3866 (at 31 December 2013: USD 1 to RUR 32.7292), and the principal closing rate of exchange used for translating balances in Euro was EUR 1 to RUR 49.9540 (at 31 December 2013: EUR 1 to RUR 44.9699).

### 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 2013, except for the adoption of new standards and interpretations as of 1 January 2014 noted below:

***Investment Entities – Amendments to IFRS 10, IFRS 12 and IAS 27 (issued on 31 October 2012 and effective for annual periods beginning 1 January 2014).*** The amendment introduced a definition of an investment entity as an entity that (i) obtains funds from investors for the purpose of providing them with investment management services, (ii) commits to its investors that its business purpose is to invest funds solely for capital appreciation or investment income and (iii) measures and evaluates its investments on a fair value basis. An investment entity will be required to account for its subsidiaries at fair value through profit or loss, and to consolidate only those subsidiaries that provide services that are related to the entity’s investment activities. IFRS 12 was amended to introduce new disclosures, including any significant judgements made in determining whether an entity is an investment entity and information about financial or other support to an unconsolidated subsidiary, whether intended or already provided to the subsidiary. These amendments had no impact on the Group’s financial position since the parent and consolidated entities do not qualify as investment entities.

***Offsetting Financial Assets and Financial Liabilities – Amendments to IAS 32 (issued in December 2011 and effective for annual periods beginning on or after 1 January 2014).*** The amendment added application guidance to IAS 32 to address inconsistencies identified in applying some of the offsetting criteria. This includes clarifying the meaning of ‘currently has a legally enforceable right of set-off’ and that some gross settlement systems may be considered equivalent to net settlement. The Group is considering the implications of the amendment and its impact on the Group’s financial position.

***Recoverable Amount Disclosures for Non-financial Assets – Amendments to IAS 36 (issued on 29 May 2013 and effective for annual periods beginning 1 January 2014; earlier application is permitted if IFRS 13 is applied for the same accounting and comparative period).*** These amendments remove the unintended consequences of IFRS 13 *Fair Value Measurement* on the disclosures required under IAS 36 *Impairment of Assets*. In addition, these amendments require disclosure of the recoverable amounts for the assets or cash-generating units for which an impairment loss has been recognised or reversed during the period. These amendments had no impact on the Group’s financial position.

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

**Novation of Derivatives and Continuation of Hedge Accounting – Amendments to IAS 39 (issued on 27 June 2013 and effective for annual periods beginning 1 January 2014).** The amendments will allow hedge accounting to continue in a situation where a derivative, which has been designated as a hedging instrument, is novated (i.e. parties have agreed to replace their original counterparty with a new one) to effect clearing with a central counterparty as a result of laws or regulation, if specific conditions are met. These amendments had no impact on the Group's financial position since the Group has no novation of its derivatives during the current period.

**IFRIC 21 Levies (issued on 20 May 2013 and effective for annual periods beginning 1 January 2014).** The interpretation clarifies the accounting for an obligation to pay a levy that is not income tax. The obligating event that gives rise to a liability is the event identified by the legislation that triggers the obligation to pay the levy. The fact that an entity is economically compelled to continue operating in a future period, or prepares its financial statements under the going concern assumption, does not create an obligation. The same recognition principles apply in interim and annual financial statements. The application of the interpretation to liabilities arising from emissions trading schemes is optional. This IFRIC had no impact on the Group's financial position.

**Amendments to IAS 16 Property, Plant and Equipment and IAS 41 Agriculture for Bearer Plants (issued on 30 June 2014 and effective for annual periods beginning 1 January 2016).** The amendments change the financial reporting for bearer plants. In accordance with these amendments bearer plants should be accounted for in the same way as property, plant and equipment in IAS 16 *Property, Plant and Equipment*. These amendments had no impact on the Group's financial position since the Group does not own or control bearer plants.

**Amendments to IAS 16 and IAS 38 – Clarification of Acceptable Methods of Depreciation and Amortisation (issued on 12 May 2014).** The amendments have clarified that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The amendments have clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances.

**Amendments to IFRS 11 Joint Arrangements (issued on 6 May 2014).** The amendments add new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business. The amendments specify the appropriate accounting treatment for such acquisitions.

## 5. Cash and Short-Term Funds

|   | <b>30 September<br/>2014<br/>(unaudited)</b> | <b>31 December<br/>2013</b> |
|---|--|-----------------------------|
| Cash on hand  | 136.9  | 116.9                       |
| Cash balances (other than mandatory) with central banks | 181.4  | 120.4                       |
| Correspondent accounts with other banks                 |  |                             |
| - Russia  | 78.0   | 44.3                        |
| - OECD  | 46.1   | 70.0                        |
| - Other countries                                       | 6.5  | 2.7                         |
| <b>Total cash and short-term funds</b>                  | <b>448.9</b>                                 | <b>354.3</b>                |
| Less: correspondent accounts in precious metals         | (2.8)  | (3.8)                       |
| Less: restricted cash                                   | (1.5)  | (1.9)                       |
| <b>Total cash and cash equivalents</b>                  | <b>444.6</b>                                 | <b>348.6</b>                |

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

|   | <b>30 September<br/>2014<br/>(unaudited)</b> | <b>31 December<br/>2013</b> |
|---|--|-----------------------------|
| Financial assets held for trading                                   | 389.2  | 377.1                       |
| Financial assets designated as at fair value through profit or loss | 40.0   | 34.0                        |
| <b>Total financial assets at fair value through profit or loss</b>  | <b>429.2</b>                                 | <b>411.1</b>                |

**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**

|  | <b>30 September<br/>2014<br/>(unaudited)</b> | <b>31 December<br/>2013</b> |
|--|--|-----------------------------|
| <i>Debt securities</i>                               |  |                             |
| - Bonds and eurobonds of Russian companies and banks | 91.1   | 159.1                       |
| - Bonds and eurobonds of foreign companies and banks | 30.8   | 47.5                        |
| - Bonds and eurobonds of foreign governments         | 20.0   | 14.4                        |
| - Russian municipal bonds and eurobonds              | 14.2   | 5.0                         |
| - Russian Federal loan bonds (OFZ)                   | 5.9  | 4.4                         |
| - Promissory notes of Russian companies and banks    | 0.8  | 1.1                         |
| - Eurobonds of the Russian Federation                | –  | 1.6                         |
| <i>Total debt securities</i>                         | <b>162.8</b>                                 | <b>233.1</b>                |
| <i>Derivative financial assets (Note 31)</i>         | <b>164.1</b>                                 | <b>80.2</b>                 |
| <i>Trading credit products</i>                       | <b>58.0</b>                                  | <b>49.0</b>                 |
| <i>Equity securities</i>                             | <b>4.3</b>                                   | <b>14.8</b>                 |
| <b>Total financial assets held for trading</b>       | <b>389.2</b>                                 | <b>377.1</b>                |

At 30 September 2014, bonds and eurobonds of Russian companies and banks are represented mostly by debt securities issued by banks, metal and finance companies; equity securities are represented mostly by securities issued by Russian gas and foreign insurance companies.

**Reclassifications**

During the nine-month period ended 30 September 2014, the Group reclassified certain financial assets that met the definition of loans and receivables from the financial assets at fair value through profit or loss to loans and advances to customers. The Group considered holding these investments for the foreseeable future or till maturity, due to lower market liquidity and reduced price transparency as well as positive outlook for the issuers' credit risk. Information about the reclassified financial assets is presented in the table below:

|  | <b>30 September<br/>2014<br/>(unaudited)</b> |
|--|--|
| Fair value as at the date of reclassification  | 77.2   |
| Carrying amount as at 30 September   | 72.4   |
| Fair value as at 30 September  | 70.1   |
| Fair value loss recognized up to the date of reclassification  | (4.6)  |
| Fair value loss that would have been recognized on the assets reclassified in 2014 for the nine-month period ended 30 September 2014 if the reclassification had not been made | (2.8)  |
| Gain/(loss), income/(expense) recognized after reclassification in profit or loss for the nine-month period ended 30 September 2014  | 1.0  |

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

Financial assets designated as at fair value through profit or loss

|  | 30 September<br>2014<br>(unaudited) | 31 December<br>2013 |
|--|-------------------------------------|---------------------|
| Equity securities  | 22.5                                | 16.9                |
| Reverse sale and repurchase agreements to maturity                               | 13.8                                | 11.4                |
| Debt securities  |                                     |                     |
| - Bonds and eurobonds of foreign companies and banks                             | 3.5                                 | 5.5                 |
| - Bonds and eurobonds of Russian companies and banks                             | 0.2                                 | 0.2                 |
| Total debt securities  | 3.7                                 | 5.7                 |
| <b>Total financial assets designated as at fair value through profit or loss</b> | <b>40.0</b>                         | <b>34.0</b>         |

At 30 September 2014 equity securities are represented mostly by securities issued by Russian and foreign retail companies.

## 7. Financial Assets, Other than Loans and Advances to Customers and Due from Other Banks, Pledged under Repurchase Agreements

|   | 30 September<br>2014<br>(unaudited) | 31 December<br>2013 |
|---|-------------------------------------|---------------------|
| <b>Financial assets at fair value through profit or loss</b>  |                                     |                     |
| <i>Financial assets held for trading</i>  |                                     |                     |
| Debt securities   |                                     |                     |
| - Bonds and eurobonds of Russian companies and banks  | 104.2                               | 133.7               |
| - Russian municipal bonds   | 4.0                                 | –                   |
| - Russian Federal loan bonds (OFZ)  | 2.0                                 | 0.8                 |
| - Bonds and eurobonds of foreign companies and banks  | 0.4                                 | 0.8                 |
| - Bonds and eurobonds of foreign governments  | 0.1                                 | 0.8                 |
| - Eurobonds of the Russian Federation   | –                                   | 0.2                 |
| Equity securities   | 11.6                                | 8.7                 |
| Total financial assets held for trading   | 122.3                               | 145.0               |
| <b>Total financial assets at fair value through profit or loss</b>  | <b>122.3</b>                        | <b>145.0</b>        |
| <b>Financial assets available-for-sale</b>  |                                     |                     |
| - Bonds and eurobonds of Russian companies and banks  | 55.9                                | 11.2                |
| - Bonds and eurobonds of foreign governments  | 12.8                                | –                   |
| - Russian Federal loan bonds (OFZ)  | 12.6                                | 12.8                |
| - Eurobonds of the Russian Federation   | 4.6                                 | 4.1                 |
| - Bonds and eurobonds of foreign companies and banks  | 0.2                                 | –                   |
| Total financial assets available-for-sale   | 86.1                                | 28.1                |
| <b>Investment securities held-to-maturity</b>   | <b>–</b>                            | <b>0.1</b>          |
| <b>Total financial assets, other than loans and advances to customers and due from other banks, pledged under repurchase agreements</b> | <b>208.4</b>                        | <b>173.2</b>        |

As at 30 September 2014, bonds and eurobonds of Russian companies and banks included in financial assets pledged under repurchase agreements are mostly represented by debt securities issued by banks, oil and metal companies.

## 8. Due from Other Banks, Including Pledged under Repurchase Agreements

|  | 30 September<br>2014<br>(unaudited) | 31 December<br>2013 |
|--|-------------------------------------|---------------------|
| <b>Due from other banks</b>  |                                     |                     |
| Russia   | 168.1                               | 99.8                |
| OECD   | 90.7                                | 303.9               |
| Other countries  | 47.6                                | 42.5                |
| <b>Total gross due from other banks</b>  | <b>306.4</b>                        | <b>446.2</b>        |
| <b>Due from other banks pledged under repurchase agreements</b>                  |                                     |                     |
| Russia   | 2.8                                 | 2.8                 |
| <b>Total gross due from other banks, pledged under repurchase agreements</b>     | <b>2.8</b>                          | <b>2.8</b>          |
| Less: Allowance for impairment (Note 26)   | (3.6)                               | (2.8)               |
| <b>Total due from other banks, including pledged under repurchase agreements</b> | <b>305.6</b>                        | <b>446.2</b>        |

## 9. Loans and Advances to Customers, Including Pledged under Repurchase Agreements

|   | 30 September<br>2014<br>(unaudited) | 31 December<br>2013 |
|---|-------------------------------------|---------------------|
| <b>Loans to legal entities</b>  |                                     |                     |
| Current activity financing  | 3,800.9                             | 3,196.8             |
| Project finance and other   | 1,497.4                             | 1,125.5             |
| Finance leases  | 281.6                               | 277.6               |
| Reverse sale and repurchase agreements  | 225.6                               | 209.4               |
| <b>Total gross loans to legal entities</b>  | <b>5,805.5</b>                      | <b>4,809.3</b>      |
| <b>Loans to individuals</b>   |                                     |                     |
| Consumer loans and other  | 894.1                               | 758.6               |
| Mortgages   | 706.8                               | 539.9               |
| Car loans   | 127.1                               | 133.2               |
| Credit cards  | 107.6                               | 86.2                |
| Reverse sale and repurchase agreements  | 2.5                                 | 2.9                 |
| <b>Total gross loans to individuals</b>   | <b>1,838.1</b>                      | <b>1,520.8</b>      |
| <b>Loans and advances to customers pledged under repurchase agreements</b>                  |                                     |                     |
| Current activity financing  | 122.9                               | 31.4                |
| Other   | 256.4                               | 259.2               |
| <b>Total gross loans and advances to customers pledged under repurchase agreements</b>      | <b>379.3</b>                        | <b>290.6</b>        |
| Less: Allowance for impairment (Note 26)  | (507.1)                             | (361.1)             |
| <b>Total loans and advances to customers, including pledged under repurchase agreements</b> | <b>7,515.8</b>                      | <b>6,259.6</b>      |

**9. Loans and Advances to Customers, Including Pledged under Repurchase Agreements (continued)**

Finance leases represent loans to leasing companies and net investment in leases. As at 30 September 2014, included in gross loans are finance lease receivables of RUR 179.7 billion (31 December 2013: RUR 192.0 billion), equal to the net investment in lease before allowance for impairment.

As at 30 September 2014, loans and advances to customers pledged under repurchase agreements are represented mostly by federal loan bonds with debt amortization (OFZ-AD) with the carrying amount of RUR 252.7 billion (31 December 2013: RUR 259.2 billion) which were purchased by “Bank of Moscow”, OJSC in September 2011 from proceeds of loan from DIA.

Economic sector risk concentrations within the customer loan portfolio are as follows:

|   | <b>30 September 2014</b><br><i>(unaudited)</i> |              | <b>31 December 2013</b> |              |
|---|--|--------------|-------------------------|--------------|
|   | <b>Amount</b>                                  | <b>%</b>     | <b>Amount</b>           | <b>%</b>     |
| Individuals   | 1,838.1  | 22.9         | 1,520.8                 | 23.0         |
| Building construction   | 951.9  | 11.9         | 725.6                   | 11.0         |
| Manufacturing   | 850.7  | 10.6         | 670.3                   | 10.1         |
| Oil and gas   | 647.5  | 8.1          | 297.0                   | 4.5          |
| Trade and commerce  | 598.8  | 7.5          | 557.3                   | 8.4          |
| Metals  | 581.0  | 7.2          | 519.4                   | 7.8          |
| Finance   | 566.1  | 7.1          | 536.7                   | 8.1          |
| Government bodies   | 444.4  | 5.5          | 409.7                   | 6.2          |
| Chemical  | 383.5  | 4.8          | 305.3                   | 4.6          |
| Energy  | 335.5  | 4.2          | 321.2                   | 4.9          |
| Transport   | 296.5  | 3.7          | 269.6                   | 4.1          |
| Telecommunications and media  | 135.4  | 1.7          | 107.2                   | 1.6          |
| Coal mining   | 124.3  | 1.5          | 130.3                   | 2.0          |
| Food and agriculture  | 123.1  | 1.5          | 109.1                   | 1.6          |
| Aircraft  | 20.5   | 0.3          | 21.0                    | 0.3          |
| Other   | 125.6  | 1.5          | 120.2                   | 1.8          |
| <b>Total gross loans and advances to customers, including pledged under repurchase agreements</b> | <b>8,022.9</b>                                 | <b>100.0</b> | <b>6,620.7</b>          | <b>100.0</b> |

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 September 2014, the total amount of outstanding loans issued by the Group to 10 largest groups of interrelated borrowers comprises RUR 1,400.4 billion, or 17.5% of the gross loan portfolio, including loans pledged under repurchase agreements (31 December 2013: RUR 1,189.2 billion or 18.0%).

As at 30 September 2014, the gross amount of non-performing loans which the Group defines as impaired loans with repayments overdue by over 90 days was RUR 478.7 billion or 6.0% of the aggregate of the gross loan portfolio, including loans pledged under repurchase agreements (31 December 2013: RUR 312.7 billion, or 4.7%).

## 10. Investment Financial Assets

|   | 30 September<br>2014<br>(unaudited) | 31 December<br>2013 |
|---|-------------------------------------|---------------------|
| <b>Investment financial assets available-for-sale</b>       |                                     |                     |
| <i>Debt securities</i>                                      |                                     |                     |
| - Bonds and eurobonds of Russian companies and banks        | 38.6                                | 36.2                |
| - Bonds and eurobonds of foreign governments                | 31.0                                | 32.3                |
| - Russian Federal loan bonds (OFZ)                          | 21.3                                | 26.3                |
| - Bonds and eurobonds of foreign companies and banks        | 10.1                                | 9.3                 |
| - Eurobonds of the Russian Federation                       | 3.5                                 | 5.3                 |
| - Promissory notes of Russian Companies and banks           | 1.5                                 | 1.3                 |
| <i>Total debt securities</i>                                | 106.0                               | 110.7               |
| <i>Equity securities</i>                                    | 32.1                                | 24.7                |
| <b>Total investment financial assets available-for-sale</b> | <b>138.1</b>                        | <b>135.4</b>        |
| <b>Investment financial assets held-to-maturity</b>         |                                     |                     |
| <i>Debt securities</i>                                      |                                     |                     |
| - Bonds and eurobonds of foreign companies and banks        | 0.5                                 | 0.1                 |
| - Bonds and eurobonds of Russian companies and banks        | 0.3                                 | 0.3                 |
| - Bonds and eurobonds of foreign governments                | –                                   | 0.2                 |
| - Russian municipal bonds and eurobonds                     | –                                   | 0.1                 |
| <i>Total debt securities</i>                                | 0.8                                 | 0.7                 |
| <b>Total investment financial assets held-to-maturity</b>   | <b>0.8</b>                          | <b>0.7</b>          |
| <b>Total investment financial assets</b>                    | <b>138.9</b>                        | <b>136.1</b>        |

Included in equity securities in investment financial assets available-for-sale is a 27.89% ownership interest in a real estate development company held by the Group at 30 September 2014 (31 December 2013: 19.9%). The Group acquired additional ownership interest in this company in July 2014 in connection with a disposition of its subsidiary "Gorki-8", Ltd. (Note 12). The Group determined it does not have significant influence over the investee company, as defined in IAS 28 *Investments in Associates and Joint Ventures*, because the Group does not have currently and cannot unilaterally secure representation on the board of directors of the investee company, and does not have significant influence over the earnings distribution and other key decisions of the investee company. Accordingly, the Group classified its ownership interest as an investment financial asset available-for-sale.

As at 30 September 2014, bonds and eurobonds of Russian companies and banks of the investment financial assets available-for-sale are represented mostly by bonds of banks and oil companies; equity securities are represented mostly by shares of Russian metal, building construction and finance companies.

As at 30 September 2014, bonds and eurobonds of foreign governments of the investment financial assets available-for-sale are represented mostly by bonds issued by German government and municipal bodies.

**Reclassifications**

During the nine-month period ended 30 September 2014, the Group reclassified certain financial assets that met the definition of loans and receivables from the investment financial assets available-for-sale to loans and advances to customers. The Group considered holding these investments for the foreseeable future or till maturity, due to lower market liquidity and reduced price transparency as well as positive outlook for the issuers' credit risk. Information about the reclassified financial assets is presented in the table below:

|  | 30 September<br>2014<br>(unaudited) |
|--|-------------------------------------|
| Fair value as at the date of reclassification  | 70.6                                |
| Carrying amount as at 30 September   | 70.5                                |
| Fair value as at 30 September  | 67.3                                |
| Fair value loss recognized up to the date of reclassification  | (0.2)                               |
| Fair value loss that would have been recognized on the assets reclassified in 2014 for the nine-month period ended 30 September 2014 if the reclassification had not been made | (2.9)                               |
| Gain/(loss), income/(expense) recognized after reclassification in profit or loss for the nine-month period ended 30 September 2014  | 2.8                                 |

## 11. Investments in Associates and Joint Ventures

|   | 30 September<br>2014<br>(unaudited) | 31 December<br>2013 |
|---|-------------------------------------|---------------------|
| Investments in associates and joint ventures designated as at fair value through profit or loss | 59.4                                | 55.2                |
| Investments in associates and joint ventures accounted under the equity method                  | 20.1                                | 32.4                |
| <b>Total investments in associates and joint ventures</b>                                       | <b>79.5</b>                         | <b>87.6</b>         |

In March 2014, "Lenta Limited", the Group's associate accounted under the equity method, completed initial public offering (IPO). As a result of the IPO, the Group reduced its stake in "Lenta Limited" from 11.73% to 9.10% and discontinued equity accounting of its investment in "Lenta Limited" as the Group lost its significance influence. The Group designated its remaining investment in "Lenta Limited" as at fair value through profit or loss. As a result of the IPO, the Group recognized RUR 1.7 billion gain on partial disposal of its investment in "Lenta Limited" and RUR 6.2 billion gain on revaluation of the remaining stake at the transaction date.

In January 2014, the Group acquired a 22.5% equity stake in Lagartino Partners Inc., a parent company of Russian Fitness Group ("RFG"), for USD 19.3 million (RUR 0.7 billion) and designated this investment as at fair value through profit or loss.

In January 2014, the Group sold a 12.2% stake in Burger King Russia (Cyprus) Ltd. for USD 25 million (RUR 0.9 billion) to a financial investor. As a result, the stake of Golden Star Investment Ltd. in Burger King Russia (Cyprus) Ltd. decreased to 36.6%.

In April 2014, the Group acquired a 29.75% equity stake in Perovskoe, OJSC for non-cash consideration of RUR 0.4 billion and accounted this investment using the equity method.

As at 30 September 2014, the fair value of the Group's investments in T2 (Netherlands) B.V., a joint venture designated as at fair value through profit or loss, was RUR 53.1 billion (31 December 2013: RUR 53.1 billion).

## 12. Disposal Groups Held for Sale

The Group has investments in the disposal groups held for sale, including subsidiaries acquired exclusively with a view to resale, accounted for in accordance with IFRS 5. The Management of the Group is committed to dispose of these investments in the near future, generally within one year from the initial classification as a disposal group.

|   |                                 | 30 September<br>2014<br>(unaudited) | 31 December<br>2013 |
|---|---------------------------------|-------------------------------------|---------------------|
| <b>Assets of disposal groups held for sale</b>            |                                 |                                     |                     |
| Mariisky NPZ, CJSC  | 99.3% owned subsidiary          | 8.6                                 | 6.1                 |
| Tower B of Skylight Business Centre                       | non-current asset held for sale | 4.9                                 | 5.2                 |
| Segezha Pulp and Paper Mill, OJSC                         | 100% owned subsidiary           | –                                   | 17.2                |
| Derevoobrabotka - Proekt, LLC                             | 100% owned subsidiary           | –                                   | n/a                 |
| BM Bank, Ltd., Ukraine                                    | 100% owned subsidiary           | n/a                                 | 7.0                 |
| Other   |                                 | 1.5                                 | 1.2                 |
| <b>Total assets of disposal groups held for sale</b>      |                                 | <b>15.0</b>                         | <b>36.7</b>         |
| <b>Liabilities of disposal groups held for sale</b>       |                                 |                                     |                     |
| Mariisky NPZ, CJSC  | 99.3% owned subsidiary          | 0.4                                 | 0.4                 |
| Segezha Pulp and Paper Mill, OJSC                         | 100% owned subsidiary           | –                                   | 12.7                |
| Derevoobrabotka - Proekt, LLC                             | 100% owned subsidiary           | –                                   | n/a                 |
| BM Bank, Ltd., Ukraine                                    | 100% owned subsidiary           | n/a                                 | 6.9                 |
| Other   |                                 | 1.3                                 | 0.7                 |
| <b>Total liabilities of disposal groups held for sale</b> |                                 | <b>1.7</b>                          | <b>20.7</b>         |

**12. Disposal Groups Held for Sale (continued)**

In the first quarter 2014, the Group ceased to classify BM Bank, Ltd., Ukraine as a disposal group held for sale as significantly increased economic and political uncertainty in Ukraine did not allow the Group to classify the sale of BM Bank, Ltd. as highly probable.

In February 2014, the Group obtained 100% share in Derevoobrabotka-Proekt, LLC for non-cash consideration of RUR 4.0 billion.

In September 2014, the Group disposed 100% of its shares in “Segezha Pulp and Paper Mill, OJSC” and 100% share in “Derevoobrabotka-Proekt, LLC” for the total consideration of RUR 11.4 billion.

In June 2014, the Group classified Gorki-8, Ltd. as a disposal group held for sale. In July 2014, the Group disposed of its 74.9% ownership interest in Gorki-8, Ltd. and recognised RUR 2.5 billion within gain from disposal of subsidiaries and associates. As a result of disposal, the Group also acquired additional available-for-sale investment in a real estate development company (Note 10).

**13. Due to Other Banks**

|   | <b>30 September<br/>2014<br/>(unaudited)</b> | <b>31 December<br/>2013</b> |
|---|--|-----------------------------|
| Term loans and deposits                       | 395.7  | 345.5                       |
| Correspondent accounts and overnight deposits | 132.0  | 214.7                       |
| Sale and repurchase agreements                | 86.6   | 106.4                       |
| <b>Total due to other banks</b>               | <b>614.3</b>                                 | <b>666.6</b>                |

**14. Customer Deposits**

|                                       | <b>30 September<br/>2014<br/>(unaudited)</b> | <b>31 December<br/>2013</b> |
|---------------------------------------|--|-----------------------------|
| <b>Government bodies</b>              |  |                             |
| Current/settlement deposits           | 119.2  | 126.9                       |
| Term deposits                         | 865.0  | 258.9                       |
| <b>Other legal entities</b>           |  |                             |
| Current/settlement deposits           | 641.5  | 751.5                       |
| Term deposits                         | 1,736.0                                      | 1,398.7                     |
| <b>Individuals</b>                    |  |                             |
| Current/settlement deposits           | 337.3  | 337.2                       |
| Term deposits                         | 1,611.1                                      | 1,456.2                     |
| <b>Sale and repurchase agreements</b> | <b>11.3</b>                                  | <b>12.0</b>                 |
| <b>Total customer deposits</b>        | <b>5,321.4</b>                               | <b>4,341.4</b>              |

As at 30 September 2014, term deposits of other legal entities include RUR 32.9 billion (31 December 2013: RUR 70.2 billion) of promissory notes issued, which represent in-substance deposit relationships.

As at 30 September 2014, the Group's 10 largest groups of interrelated customers had aggregated balances amounting to RUR 1,684.6 billion, or 31.7% of total customer deposits (31 December 2013: RUR 1,060.6 billion or 24.4%).

## 15. Other Borrowed Funds

|                                   | 30 September<br>2014<br>(unaudited) | 31 December<br>2013 |
|-----------------------------------|-------------------------------------|---------------------|
| Funds from local central banks    | 1,370.2                             | 1,028.5             |
| Syndicated loans                  | 92.2                                | 179.1               |
| Other borrowings                  | 284.0                               | 278.3               |
| <b>Total other borrowed funds</b> | <b>1,746.4</b>                      | <b>1,485.9</b>      |

As at 30 September 2014, funds from local central banks include short-term repurchase facilities as well as special funding facilities collateralised by loans and sureties. As at 30 September 2014, the special funding facilities in the amount of RUR 603.2 billion (31 December 2013: RUR 547.7 billion) were secured by pledged loans to customers in the amount of RUR 846.5 billion (31 December 2013: RUR 625.6 billion).

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 recognized the loan initially at fair value. As at 30 September 2014, the carrying amount of the loan of RUR 164.3 billion was included in other borrowings (31 December 2013: RUR 159.0 billion). The loan was secured by pledged loans to customers in the amount of RUR 162.8 billion (31 December 2013: RUR 205.4 billion).

## 16. Debt Securities Issued

|                                     | 30 September<br>2014<br>(unaudited) | 31 December<br>2013 |
|-------------------------------------|-------------------------------------|---------------------|
| Bonds                               | 620.0                               | 592.1               |
| Promissory notes                    | 121.8                               | 133.4               |
| Deposit certificates                | 13.2                                | 12.7                |
| <b>Total debt securities issued</b> | <b>755.0</b>                        | <b>738.2</b>        |

Promissory notes represent notes primarily issued by VTB in the local market as an alternative to customer/bank deposits.

The bonds represent eurobonds issued mostly under EMTN and ECP programs and local bonds issued by VTB and other Group members with the carrying amounts at the end of the reporting periods as follows:

|                      | Rates, p.a.     | Maturity  | 30 September<br>2014<br>(unaudited) | 31 December<br>2013 |
|----------------------|-----------------|-----------|-------------------------------------|---------------------|
| USD Eurobonds (EMTN) | 2.03% to 6.88%  | 2014-2035 | 284.0                               | 249.2               |
| Local bonds          | 3.00% to 9.99%  | 2014-2046 | 178.4                               | 179.7               |
| Other Eurobonds      | 2.31% to 13.23% | 2014-2034 | 98.5                                | 97.6                |
| CHF Eurobonds (EMTN) | 2.90% to 5.00%  | 2015-2018 | 50.6                                | 43.9                |
| ECP                  | n/a             | 2014-2015 | 8.5                                 | 21.7                |
| <b>Total bonds</b>   |                 |           | <b>620.0</b>                        | <b>592.1</b>        |

## 17. Subordinated Debt

|   | <i>Rates, p.a.</i> | <i>Maturity</i> | <b>30 September<br/>2014<br/>(unaudited)</b> | <b>31 December<br/>2013</b> |
|---|--------------------|-----------------|--|-----------------------------|
| <b>VTB:</b>   |                    |                 |  |                             |
| USD 1.5 billion subordinated Eurobonds                                    | 6.95%              | 2022            | 60.7   | 49.5                        |
| CHF 350 million subordinated Eurobonds                                    | 5.00%              | 2024            | 14.4   | –                           |
| USD 400 million subordinated Eurobonds                                    | 5.01%              | 2015            | 13.4   | 11.5                        |
| RUR 200 billion subordinated loans  | 6.50%              | 2019            | –  | 183.6                       |
| <b>“Bank of Moscow”, OJSC:</b>  |                    |                 |  |                             |
| USD 400 million subordinated Eurobonds                                    | 6.02%              | 2017            | 15.8   | 12.7                        |
| USD 300 million subordinated Eurobonds                                    | 5.97%              | 2015            | 11.8   | 9.6                         |
|   | 6M USD LIBOR       |                 |  |                             |
| USD 100 million subordinated loans  | + 2.65%            | 2016            | 0.2  | 3.3                         |
| RUR 11.1 billion subordinated loans                                       | 6.50%              | 2019            | –  | 10.4                        |
| <b>“Bank VTB 24”, CJSC (including former<br/>“TransCreditBank”, JSC):</b> |                    |                 |  |                             |
| RUR 2.0 billion subordinated loans<br>(31 December 2013: RUR 6.8 billion) | 10.00%             | 2020            | 2.3  | 7.5                         |
| RUR 2.9 billion subordinated loans  | 6.50%              | 2019            | –  | 2.9                         |
| <b>Total subordinated debt</b>  |                    |                 | <b>118.6</b>                                 | <b>291.0</b>                |

In July 2014, VTB issued CHF 350 million (RUR 13.5 billion) Series 4 Subordinated Eurobonds under EMTN Programme 3 maturing in October 2024 with a fixed coupon of 5.0% p.a. payable annually till a call option in October 2019 with a coupon reset after call option date.

In September 2014, the Group repaid the subordinated loan facilities previously granted by the Bank for Development and Foreign Economic Affairs (VEB) to VTB, “Bank of Moscow”, OJSC and “Bank VTB 24”, CJSC. The proceeds from the repayment of these subordinated loan facilities were used by the Ministry of Finance of the Russian Federation to purchase the preference shares of VTB (Note 18).

## 18. Share Capital

Authorized, issued and fully paid share capital of the Bank comprises:

|                            | <b>30 September 2014<br/>(unaudited)</b> |                           | <b>31 December 2013</b>     |                           |
|----------------------------|--|---------------------------|-----------------------------|---------------------------|
|                            | <i>Number<br/>of shares</i>              | <i>Nominal<br/>amount</i> | <i>Number<br/>of shares</i> | <i>Nominal<br/>amount</i> |
| Ordinary shares            | 12,960,541,337,338                       | 138.1                     | 12,960,541,337,338          | 138.1                     |
| Preference shares          | 21,403,797,025,000                       | 214.0                     | –                           | –                         |
| <b>Total share capital</b> | <b>34,364,338,362,338</b>                | <b>352.1</b>              | <b>12,960,541,337,338</b>   | <b>138.1</b>              |

In September 2014, following the amendments to the Federal Law of the Russian Federation dated 13 October 2008 “On additional measures for supporting the financial system of the Russian Federation”, the Ministry of Finance of the Russian Federation acquired 21,403,797,025,000 non-cumulative preference shares of VTB for RUR 214 billion. The proceeds from the repayment of certain subordinated loan facilities (Note 17) were used by the Ministry of Finance of the Russian Federation to purchase the preference shares of VTB. At the repayment date, the notional and carrying values of the Group’s outstanding subordinated loan facilities were RUR 200 billion and 185.3 billion in VTB, RUR 11.1 billion and RUR 10.4 billion in “Bank of Moscow”, OJSC and RUR 2.9 billion and RUR 2.9 billion in “Bank VTB 24”, CJSC, respectively. The difference of RUR 12.3 billion between the carrying amount of the preference shares issued by VTB and the carrying amount of the repaid subordinated loan facilities, net of income tax, represented an equity component of the subordinated debt to preference shares conversion and was recognised within retained earnings.

The terms of the preference shares do not include any fixed dividend. The Annual General Meeting of VTB shareholders will approve the size of the dividends on preference shares, if any. The preference shares are not included in determining a quorum at the the Annual General Meeting of VTB shareholders and do not change the total number of votes attributable to VTB’s common shareholders.

## 19. Other Reserves

Movements in other reserves were as follows (unaudited):

|   | <i>Unrealized<br/>gain/(loss) on<br/>financial assets<br/>available-for-<br/>sale and cash<br/>flow hedge</i> | <i>Land and<br/>premises<br/>revaluation<br/>reserve</i> | <i>Currency<br/>translation<br/>difference</i> | <i>Total</i> |
|---|---|--|--|--------------|
| <b>Balance at 1 January 2013</b>  | <b>4.3</b>  | <b>20.8</b>  | <b>8.8</b>                                     | <b>33.9</b>  |
| Total comprehensive income for the period                                       | 2.4   | –  | 2.3  | <b>4.7</b>   |
| Transfer of land and premises revaluation reserve upon disposal or depreciation | –   | (0.5)  | –  | <b>(0.5)</b> |
| <b>Balance at 30 September 2013</b>   | <b>6.7</b>  | <b>20.3</b>  | <b>11.1</b>                                    | <b>38.1</b>  |
| <b>Balance at 1 January 2014</b>  | <b>3.0</b>  | <b>20.1</b>  | <b>12.5</b>                                    | <b>35.6</b>  |
| Total comprehensive income for the period                                       | (7.4)   | –  | 12.1   | <b>4.7</b>   |
| Transfer of land and premises revaluation reserve upon disposal or depreciation | –   | (0.8)  | –  | <b>(0.8)</b> |
| Acquisition of non-controlling interests and other capital transactions         | –   | 0.2  | –  | <b>0.2</b>   |
| <b>Balance at 30 September 2014</b>   | <b>(4.4)</b>  | <b>19.5</b>  | <b>24.6</b>                                    | <b>39.7</b>  |

## 20. Interest Income and Expense

|  | <i>For the three-month period<br/>ended 30 September<br/>(unaudited)</i> |               | <i>For the nine-month period<br/>ended 30 September<br/>(unaudited)</i> |                |
|--|--|---------------|---|----------------|
|  | <i>2014</i>  | <i>2013</i>   | <i>2014</i>   | <i>2013</i>    |
| <b>Interest income</b>   |  |               |   |                |
| <b>Financial assets at fair value through profit or loss</b>     | <b>6.8</b>   | <b>9.9</b>    | <b>23.7</b>   | <b>27.7</b>    |
| Loans and advances to customers                                  | 205.8  | 164.4         | 570.6   | 465.4          |
| Due from other banks   | 3.0  | 0.9           | 6.9   | 4.3            |
| Other financial assets, including securities                     | 1.6  | 0.9           | 4.3   | 3.3            |
| <b>Financial assets not at fair value through profit or loss</b> | <b>210.4</b>   | <b>166.2</b>  | <b>581.8</b>  | <b>473.0</b>   |
| <b>Total interest income</b>                                     | <b>217.2</b>   | <b>176.1</b>  | <b>605.5</b>  | <b>500.7</b>   |
| <b>Interest expense</b>  |  |               |   |                |
| Customer deposits  | (65.0)   | (53.7)        | (179.2)   | (154.7)        |
| Due to other banks and other borrowed funds                      | (42.9)   | (21.2)        | (104.1)   | (58.5)         |
| Debt securities issued   | (12.6)   | (12.7)        | (37.1)  | (37.7)         |
| Subordinated debt  | (5.7)  | (5.6)         | (16.9)  | (16.6)         |
| <b>Total interest expense</b>                                    | <b>(126.2)</b>   | <b>(93.2)</b> | <b>(337.3)</b>  | <b>(267.5)</b> |
| <b>Net interest income</b>                                       | <b>91.0</b>  | <b>82.9</b>   | <b>268.2</b>  | <b>233.2</b>   |

## 21. Fee and Commission Income and Expense

|  | <i>For the three-month period<br/>ended 30 September<br/>(unaudited)</i> |              | <i>For the nine-month period<br/>ended 30 September<br/>(unaudited)</i> |               |
|--|--|--------------|---|---------------|
|  | <b>2014</b>  | <b>2013</b>  | <b>2014</b>   | <b>2013</b>   |
| Commission on settlement transactions                        | 12.5   | 10.9         | 36.6  | 30.8          |
| Commission on guarantees issued and trade finance            | 3.3  | 2.6          | 9.2   | 7.5           |
| Commission on operations with securities and capital markets | 1.0  | 1.7          | 3.8   | 5.1           |
| Commission on cash transactions                              | 1.2  | 1.2          | 3.2   | 3.6           |
| Other  | 2.7  | 0.7          | 5.1   | 2.8           |
| <b>Total fee and commission income</b>                       | <b>20.7</b>  | <b>17.1</b>  | <b>57.9</b>   | <b>49.8</b>   |
| Commission on settlement transactions                        | (2.9)  | (2.6)        | (8.4)   | (7.3)         |
| Commission on cash transactions                              | (0.6)  | (0.6)        | (1.9)   | (1.7)         |
| Other  | (1.2)  | (0.6)        | (2.8)   | (1.9)         |
| <b>Total fee and commission expense</b>                      | <b>(4.7)</b>   | <b>(3.8)</b> | <b>(13.1)</b>   | <b>(10.9)</b> |
| <b>Net fee and commission income</b>                         | <b>16.0</b>  | <b>13.3</b>  | <b>44.8</b>   | <b>38.9</b>   |

## 22. Gains Net of Losses / (Losses Net of Gains) Arising from Financial Instruments at Fair Value Through Profit or Loss

|   | <i>For the three-month period<br/>ended 30 September<br/>(unaudited)</i> |             | <i>For the nine-month period<br/>ended 30 September<br/>(unaudited)</i> |              |
|---|--|-------------|---|--------------|
|   | <b>2014</b>  | <b>2013</b> | <b>2014</b>   | <b>2013</b>  |
| (Losses net of gains) / gains net of losses arising from trading financial instruments  | 1.7  | 4.3         | (1.0)   | (3.9)        |
| (Losses net of gains) / gains net of losses arising from financial instruments designated as at fair value through profit or loss | (2.6)  | (0.1)       | (2.9)   | 0.2          |
| Gains net of losses arising from associates and joint-ventures designated as at fair value through profit or loss                 | 2.5  | –           | 3.4   | 0.1          |
| Gains/(losses) from puttable financial instruments arising from non-parent interests in consolidated funds                        | (0.3)  | –           | 7.3   | –            |
| <b>Total gains net of losses / (losses net of gains) arising from financial instruments at fair value through profit or loss</b>  | <b>1.3</b>   | <b>4.2</b>  | <b>6.8</b>  | <b>(3.6)</b> |

In June and August 2014 the Group acquired for RUR 12.7 billion from certain third-party holders 66.3% interests in the consolidated VTB – Long term investments, Closed-end Unit Investment Fund which were previously accounted for within other liabilities, and as a result, the Group recognised a RUR 7.3 billion gain from puttable financial instruments arising from non-parent interests in consolidated funds.

## 23. (Losses Net of Gains) / Gains Net of Losses Arising from Foreign Currencies

|  | For the three-month period<br>ended 30 September<br>(unaudited) |              | For the nine-month period<br>ended 30 September<br>(unaudited) |              |
|--|---|--------------|--|--------------|
|  | 2014  | 2013         | 2014   | 2013         |
| Gains net of losses / (losses net of gains) /<br>arising from dealing in foreign currencies  | 15.7  | (9.9)        | 18.4   | 16.4         |
| Foreign exchange translation (losses net of<br>gains) / gains net of losses                  | (9.8)   | 1.0          | (23.9)   | (25.6)       |
| <b>Total (losses net of gains) / gains net of<br/>losses arising from foreign currencies</b> | <b>5.9</b>  | <b>(8.9)</b> | <b>(5.5)</b>   | <b>(9.2)</b> |

## 24. Gains/(losses) on Initial Recognition of Financial Instruments, Restructuring and Other Gains on Loans and Advances to Customers

|   | For the three-month period<br>ended 30 September<br>(unaudited) |          | For the nine-month period<br>ended 30 September<br>(unaudited) |            |
|---|---|----------|--|------------|
|   | 2014  | 2013     | 2014   | 2013       |
| Net gains/(losses) on initial recognition of<br>financial instruments   | (0.1)   | (0.3)    | 0.1  | (0.6)      |
| Other gains on loans and advances to<br>customers   | –   | 0.3      | 1.5  | 3.5        |
| <b>Total gains/(losses) on initial recognition of<br/>financial instruments, restructuring and<br/>other gains on loans and advances to<br/>customers</b> | <b>(0.1)</b>  | <b>–</b> | <b>1.6</b>   | <b>2.9</b> |

## 25. Staff Costs and Administrative Expenses

|   | For the three-month period<br>ended 30 September<br>(unaudited) |             | For the nine-month period<br>ended 30 September<br>(unaudited) |              |
|---|---|-------------|--|--------------|
|   | 2014  | 2013        | 2014   | 2013         |
| Staff costs   | 27.6  | 25.6        | 85.0   | 76.5         |
| Defined contribution pension expense  | 2.7   | 2.4         | 9.2  | 8.3          |
| Depreciation and other expenses related to<br>premises and equipment  | 6.0   | 5.1         | 17.5   | 14.3         |
| Leasing and rent expenses   | 3.1   | 2.6         | 8.5  | 7.5          |
| Advertising expenses  | 1.7   | 2.2         | 5.3  | 4.9          |
| Taxes other than on income  | 1.9   | 2.3         | 5.2  | 6.4          |
| Payments to deposit insurance system  | 1.8   | 1.7         | 5.2  | 4.5          |
| Professional services   | 1.8   | 1.3         | 4.8  | 4.1          |
| Impairment, amortization and other expenses<br>related to intangibles, except for amortization<br>of core deposit and customer loan intangibles | 1.5   | 1.6         | 4.1  | 3.7          |
| Amortization of core deposit and customer loan<br>intangibles   | 1.3   | 1.3         | 3.8  | 3.8          |
| Post and telecommunication expenses   | 1.2   | 1.1         | 3.3  | 2.6          |
| Transport expenses  | 1.1   | 0.7         | 2.8  | 1.9          |
| Security expenses   | 0.9   | 0.9         | 2.6  | 2.3          |
| Charity   | 0.7   | 1.1         | 1.8  | 2.8          |
| Insurance costs   | 0.1   | 0.1         | 0.4  | 0.7          |
| Other   | 1.5   | 1.9         | 4.4  | 4.9          |
| <b>Total staff costs and administrative<br/>expenses</b>  | <b>54.9</b>   | <b>51.9</b> | <b>163.9</b>   | <b>149.2</b> |

**26. Allowances for Impairment and Provisions**

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

|  | <i>Due from other banks, including pledged under repurchase Agreements</i> | <i>Loans and advances to customers, including repurchased under repurchase Agreements</i> | <i>Investment securities held-to-maturity</i> | <i>Credit related commitments</i> | <i>Other assets</i> | <i>Legal claims</i> | <i>Total</i>  |
|--|--|---|---|-----------------------------------|---------------------|---------------------|---------------|
| <b>Balance at 1 January 2013 (audited)</b>                             | <b>2.2</b>   | <b>323.3</b>  | <b>2.0</b>                                    | <b>0.9</b>                        | <b>2.9</b>          | <b>1.9</b>          | <b>333.2</b>  |
| Provision for impairment during the period                             | –  | 72.8  | –   | –                                 | 1.5                 | 0.4                 | <b>74.7</b>   |
| Write-offs   | –  | (15.5)  | –   | –                                 | (0.4)               | –                   | <b>(15.9)</b> |
| Recoveries of amounts written-off in previous periods                  | –  | 0.3   | –   | –                                 | 0.1                 | –                   | <b>0.4</b>    |
| Effect of translation  | 0.1  | 8.1   | –   | –                                 | –                   | –                   | <b>8.2</b>    |
| Reclassification to assets of disposal groups held for sale (IFRS 5)   | –  | (0.4)   | –   | –                                 | –                   | –                   | <b>(0.4)</b>  |
| <b>Balance at 30 September 2013</b>                                    | <b>2.3</b>   | <b>388.6</b>  | <b>2.0</b>                                    | <b>0.9</b>                        | <b>4.1</b>          | <b>2.3</b>          | <b>400.2</b>  |
| <b>Balance at 1 January 2014 (audited)</b>                             | <b>2.8</b>   | <b>361.1</b>  | <b>–</b>                                      | <b>0.8</b>                        | <b>3.3</b>          | <b>2.8</b>          | <b>370.8</b>  |
| Provision / (reversal of provision) for impairment during the period   | 0.5  | 157.4   | (0.1)   | 8.9                               | 1.4                 | (1.8)               | <b>166.3</b>  |
| Write-offs   | –  | (32.2)  | –   | –                                 | (1.2)               | (0.3)               | <b>(33.7)</b> |
| Recoveries of amounts written-off in previous periods                  | –  | 0.5   | 0.1   | –                                 | 0.1                 | –                   | <b>0.7</b>    |
| Effect of translation  | 0.3  | 16.8  | –   | 0.1                               | 0.2                 | (0.6)               | <b>16.8</b>   |
| Disposal of subsidiaries   | –  | (0.4)   | –   | –                                 | –                   | –                   | <b>(0.4)</b>  |
| Reclassification from assets of disposal groups held for sale (IFRS 5) | –  | 3.9   | –   | –                                 | –                   | –                   | <b>3.9</b>    |
| <b>Balance at 30 September 2014</b>                                    | <b>3.6</b>   | <b>507.1</b>  | <b>–</b>                                      | <b>9.8</b>                        | <b>3.8</b>          | <b>0.1</b>          | <b>524.4</b>  |

Allowances for impairment of assets are deducted from the carrying amounts of the related assets. Provisions for legal claims and credit-related commitments are recorded in liabilities. In accordance with the Group policies and procedures based on 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.

**27. Dividends and Amounts Paid and Due under Perpetual Loan Participation Notes**

In June 2014, the Annual General Meeting of VTB shareholders declared dividends of RUR 15.0 billion for 2013 (RUR 0.00116 per share) which were paid in July-August 2014.

In June 2013, the Annual General Meeting of VTB shareholders declared dividends of RUR 15.0 billion for 2012 (RUR 0.00143 per share) which were paid in July-August 2013.

In June 2014, VTB paid USD 106.9 million (RUR 3.7 billion) due under Perpetual Loan Participation Notes. The amounts due of USD 106.9 million (RUR 4.3 billion) under Perpetual Loan Participation Notes payable in the next six months period became mandatory after declaration of dividends by Annual General Meeting of VTB shareholders.

In June 2013, VTB paid USD 106.9 million (RUR 3.4 billion) due under Perpetual Loan Participation Notes. The amounts due of USD 106.9 million (RUR 3.5) under Perpetual Loan Participation Notes payable in the next six months period became mandatory after declaration of dividends by Annual General Meeting of VTB shareholders.

In May 2014, the Annual General Meeting of VTB Africa S.A. shareholders approved dividends of RUR 0.1 billion (AOA 0.3 billion at exchange rate of RUR 0.3446 per AOA 1.00) (RUR 26.9 or AOA 78.1 per share) including dividends payable to non-controlling shareholders in amount RUR 0.1 billion.

**27. Dividends and Amounts Paid and Due under Perpetual Loan Participation Notes (continued)**

In May 2014, the Annual General Meeting of VTB Capital AD shareholders approved dividends of RUR 0.3 billion (BGN 44,180 per B-class share without voting right) including dividends payable to non-controlling shareholders in amount RUR 0.3 billion.

In June 2014, the Annual General Meeting of “Bank of Moscow”, OJSC shareholders approved dividends of RUR 25.8 billion (RUR 95.68 per share) including dividends payable to non-controlling shareholders in amount RUR 0.9 billion in June-August 2014.

**28. Share-Based Payments**

*Shares Plan.* As at 30 September 2014, the total value of the awards granted under the Shares Plan was RUR 1.2 billion (31 December 2013: RUR 1.6 billion) represented by 20.5 billion shares of VTB (31 December 2013: 24.7 billion).

*GDRs Plan.* As at 30 September 2014, the total value of the awards granted under the GDRs Plan was RUR 1.5 billion (31 December 2013: RUR 1.3 billion) represented by 10.3 million GDRs of VTB (31 December 2013: 9.7 million). Each GDR contains 2,000 VTB shares.

For the three-month and nine-month periods ended 30 September 2014, the Group recognized in Staff costs the amount of RUR 0.2 billion and RUR 0.7 billion, respectively (for the three-month and nine-month periods ended 30 September 2013: RUR 0.2 billion and RUR 0.9 billion, respectively) as expenses related to the above equity-settled share-based payment transactions.

**29. 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.

|   | <i>For the three-month period<br/>ended 30 September (unaudited)</i> |                    | <i>For the nine-month period<br/>ended 30 September (unaudited)</i> |                    |
|---|--|--------------------|---|--------------------|
|   | <i>2014</i>  | <i>2013</i>        | <i>2014</i>   | <i>2013</i>        |
| Weighted average number of ordinary shares in issue   | 12,911,988,047,663   | 12,898,658,443,397 | 12,909,437,841,217  | 11,574,501,195,332 |
| Net profit attributable to shareholders of the parent   | 1.8  | 17.9               | 6.1   | 45.8               |
| Amounts due and paid on perpetual loan participation notes, net of tax  | (0.5)  | –                  | (6.4)   | (5.5)              |
| <b>Total net (loss)/profit attributable to shareholders of the parent</b>   | <b>1.3</b>   | <b>17.9</b>        | <b>(0.3)</b>  | <b>40.3</b>        |
| <b>Basic and diluted earnings per share (expressed in Russian Roubles per share)</b>  | <b>0.0001</b>  | <b>0.0014</b>      | <b>(0.00002)</b>  | <b>0.0035</b>      |
| Profit/(loss) after tax from subsidiaries acquired exclusively with a view to resale  | (1.5)  | 1.5                | 1.5   | 4.5                |
| <b>Basic and diluted earnings per share based on profit after tax from subsidiaries acquired exclusively with a view to resale (expressed in Russian Roubles per share)</b> | <b>(0.0001)</b>  | <b>0.0001</b>      | <b>0.0001</b>   | <b>0.0004</b>      |
| Total net (loss)/profit attributable to shareholders of the parent before profit after tax from subsidiaries acquired exclusively with a view to resale                     | 2.8  | 16.4               | (1.8)   | 35.8               |
| <b>Basic and diluted earnings per share before profit after tax from subsidiaries acquired exclusively with a view to resale (expressed in Russian Roubles per share)</b>   | <b>0.0002</b>  | <b>0.0013</b>      | <b>(0.0001)</b>   | <b>0.0031</b>      |

## 30. Income Tax

|  | <i>For the three-month period ended 30 September (unaudited)</i> |             | <i>For the nine-month period ended 30 September (unaudited)</i> |             |
|--|--|-------------|---|-------------|
|  | <b>2014</b>  | <b>2013</b> | <b>2014</b>   | <b>2013</b> |
| Current tax expense  | 4.2  | 4.3         | 18.0  | 14.9        |
| Deferred tax expense/(recovery) due to the origination and reversal of temporary differences | 0.6  | 2.2         | (0.8)   | 1.0         |
| <b>Income tax expense for the period</b>   | <b>4.8</b>   | <b>6.5</b>  | <b>17.2</b>   | <b>15.9</b> |

The Group's effective income tax rate for the nine-month period ended 30 September 2014 was 81.5% (for the nine-month period ended 30 September 2013: 27.7%). The effective income tax rate for the nine-month period ended 30 September 2014 differs from the theoretical tax rate mainly due to unrecognised deferred tax assets of Ukrainian subsidiaries and differences associated with non-deductible expenses and income taxed at different rates.

The following tables provide disclosure of income tax effects relating to each component of other comprehensive income for the three-month and nine-month periods ended 30 September 2014 and 2013:

|  | <i>For the three-month period ended 30 September (unaudited)</i> |                              |                   |                   |                    |                   |
|--|--|------------------------------|-------------------|-------------------|--------------------|-------------------|
|  | <b>2014</b>  |                              |                   | <b>2013</b>       |                    |                   |
|  | <i>Before tax</i>  | <i>Tax (expense)/ credit</i> | <i>Net of tax</i> | <i>Before tax</i> | <i>Tax expense</i> | <i>Net of tax</i> |
| Net result on financial assets available-for-sale                    | (7.0)  | 1.3                          | (5.7)             | 1.9               | (0.4)              | 1.5               |
| Cash flow hedges   | 0.4  | (0.2)                        | 0.2               | 0.9               | (0.2)              | 0.7               |
| Exchange differences on translation of foreign operations            | 9.9  | –                            | 9.9               | 1.4               | –                  | 1.4               |
| Share in other comprehensive income of associates and joint ventures | (0.1)  | –                            | (0.1)             | (0.1)             | –                  | (0.1)             |
| <b>Other comprehensive income</b>                                    | <b>3.2</b>   | <b>1.1</b>                   | <b>4.3</b>        | <b>4.1</b>        | <b>(0.6)</b>       | <b>3.5</b>        |

|   | <i>For the nine-month period ended 30 September (unaudited)</i> |                              |                   |                   |                    |                   |
|---|---|------------------------------|-------------------|-------------------|--------------------|-------------------|
|   | <b>2014</b>   |                              |                   | <b>2013</b>       |                    |                   |
|   | <i>Before tax</i>   | <i>Tax (expense)/ credit</i> | <i>Net of tax</i> | <i>Before tax</i> | <i>Tax expense</i> | <i>Net of tax</i> |
| Net result on financial assets available-for-sale   | (9.1)   | 1.4                          | (7.7)             | 2.7               | (0.5)              | 2.2               |
| Cash flow hedges  | 0.6   | (0.2)                        | 0.4               | 0.8               | (0.2)              | 0.6               |
| Exchange differences on translation of foreign operations   | 13.6  | –                            | 13.6              | 2.3               | –                  | 2.3               |
| Share in other comprehensive income of associates and joint ventures                              | (0.1)   | –                            | (0.1)             | –                 | –                  | –                 |
| Actuarial losses net of gains arising from difference between pension plan assets and obligations | (0.2)   | –                            | (0.2)             | –                 | –                  | –                 |
| <b>Other comprehensive income</b>   | <b>4.8</b>  | <b>1.2</b>                   | <b>6.0</b>        | <b>5.8</b>        | <b>(0.7)</b>       | <b>5.1</b>        |

### 31. 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. Management assessed probable outflow of resources and respective provision in the amount of RUR 0.1 billion was established at 30 September 2014 (31 December 2013: RUR 2.8 billion).

**Tax contingencies.** Major part of the Group's business activity is carried out in the Russian Federation. Russian tax, currency and customs legislation as currently in effect is vaguely drafted and is subject to varying interpretations, selective and inconsistent application and changes, which can occur frequently, at short notice and may apply retrospectively. Management's interpretation of such legislation as applied to the transactions and activity of the Group may be challenged by the relevant regional and federal authorities.

Trends within the Russian Federation suggest that the tax authorities are taking a more assertive position in their interpretation of the legislation and assessments and, as a result, it is possible that transactions and activities that have not been challenged in the past may be challenged. As such, significant additional taxes, penalties and late payment interest may be assessed by the relevant authorities. Fiscal periods remain open and subject to review by the tax authorities for a period of three calendar years immediately preceding the year in which the decision to conduct a tax review is taken. Under certain circumstances tax reviews may cover longer periods.

The Russian transfer pricing legislation allows the Russian tax authority to apply transfer pricing adjustments and impose additional profits tax and VAT liabilities in respect of all "controlled" transactions if the transaction price differs from the market level of prices unless the Group is able to demonstrate the use of market prices with respect to the "controlled" transactions supported by appropriate available transfer pricing documentation and proper reporting to the Russian tax authorities. In 2014, the Group determined its tax liabilities arising from "controlled" transactions using actual transaction prices. Management believes that the Group complies with the Russian transfer pricing legislation requirements in respect to "controlled" transactions, including a duly prepared notification submitted to the tax authorities and transfer pricing documentation confirming application of market prices by the Group with respect to its "controlled" transactions.

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 non-Russian 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 and courts to their interpretation and application, the non-taxable status of some or all of the foreign companies of the Group in Russia may be challenged.

There is a draft law which if adopted would introduce the concepts of "tax residency" for foreign legal entities, "beneficial ownership" and "controlled foreign companies" in the Russian tax legislation starting from 2015. No assurance can currently be given as to how the new rules will apply, their potential interpretation by the Russian tax authorities and the possible impact on the taxpayers. It is possible that the Group may be affected by these potential changes albeit it is currently impossible to assess the impact thereof.

As at 30 September 2014, management believes that its interpretation of the relevant legislation is appropriate and that the Group's tax, currency and customs positions will be sustained.

**Credit related commitments.** The total outstanding contractual amount of irrevocable undrawn credit lines, letters of credit and guarantees issued does not necessarily represent future cash requirements, as these financial instruments may expire or terminate without being funded. The outstanding credit related commitments were as follows:

|  | <b>30 September<br/>2014<br/>(unaudited)</b> | <b>31 December<br/>2013</b> |
|--|--|-----------------------------|
| Guarantees issued  | 1,118.1                                      | 975.2                       |
| Letters of credit  | 43.9   | 46.0                        |
| Undrawn credit lines   | 35.1   | 28.0                        |
| Commitments to extend credit   | 4.0  | 2.6                         |
| Less: provision for impairment on credit related commitments (Note 26) | (9.8)  | (0.8)                       |
| <b>Total credit related commitments</b>                                | <b>1,191.3</b>                               | <b>1,051.0</b>              |

The Bank has received export letters of credit for further advising to its customers. The total amount of received letters of credit as at 30 September 2014 is RUR 225.9 billion (31 December 2013: RUR 109.0 billion). Commitments under import letters of credit and guarantees are collateralized by customer deposits of RUR 10.4 billion (31 December 2013: RUR 10.5 billion).

As at 30 September 2014, included in guarantees issued are guarantees issued for a related Russian entity of RUR 98.1 billion or 8.8% of the guarantees issued. (31 December 2013: RUR 52.9 billion or 5.4% of the guarantees issued).

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

**Purchase commitments.** As at 30 September 2014, the Group had RUR 34.0 billion of outstanding commitments for the purchase of precious metals (31 December 2013: RUR 27.8 billion). As the price of these contracts is linked to the fair value of precious metals at the date of delivery, no gain or loss is recognized on these contracts.

**Derivative financial instruments.** Foreign exchange and other financial instruments are generally traded in an over-the-counter market with professional market counterparties on standardized contractual terms and conditions.

The table below includes derivative contracts outstanding at 30 September 2014 and 31 December 2013:

|   | 30 September 2014<br>(unaudited) |                        | 31 December 2013       |                        |
|---|----------------------------------|------------------------|------------------------|------------------------|
|   | Positive<br>fair value           | Negative<br>fair value | Positive<br>fair value | Negative<br>fair value |
| <b>Derivative financial instruments at fair value through profit or loss held for trading</b>       |                                  |                        |                        |                        |
| <i>Foreign exchange and precious metals contracts</i>   |                                  |                        |                        |                        |
| Forwards  | 12.6                             | (6.1)                  | 4.6                    | (4.3)                  |
| Futures   | 8.1                              | (0.7)                  | 0.1                    | (0.7)                  |
| Swaps   | 22.1                             | (31.0)                 | 13.4                   | (10.2)                 |
| Options   | 20.8                             | (19.7)                 | 3.1                    | (4.9)                  |
| <i>Contracts with securities</i>  |                                  |                        |                        |                        |
| Swap with securities  | –                                | –                      | 0.2                    | (0.2)                  |
| Futures with securities   | 0.1                              | –                      | –                      | –                      |
| Options   | 4.8                              | (4.8)                  | 4.2                    | (8.1)                  |
| <i>Interest Rate contracts</i>  |                                  |                        |                        |                        |
| Single currency interest rate swaps   | 14.1                             | (14.4)                 | 10.1                   | (10.0)                 |
| Cross currency interest rate swaps  | 66.9                             | (62.7)                 | 34.1                   | (23.4)                 |
| Cap/Floor   | 0.4                              | (0.8)                  | 0.6                    | (0.9)                  |
| <i>Contracts with other basic variables</i>   |                                  |                        |                        |                        |
| Sale of credit default swaps  | 4.0                              | (3.2)                  | 3.2                    | (1.4)                  |
| Purchase of credit default swaps  | 0.6                              | (2.4)                  | 0.6                    | (1.9)                  |
| Futures on Indexes  | –                                | (0.2)                  | 0.1                    | –                      |
| Options on Indexes  | 4.7                              | (3.4)                  | 1.7                    | (1.2)                  |
| Commodity swaps   | 0.4                              | (0.6)                  | 0.4                    | (0.2)                  |
| Commodity futures   | 0.5                              | (0.4)                  | 0.5                    | (0.5)                  |
| Commodity options   | 0.9                              | (0.4)                  | 0.1                    | (0.2)                  |
| Purchase of commodity forwards  | –                                | (0.2)                  | –                      | –                      |
| Sale of commodity forwards  | 0.5                              | –                      | –                      | –                      |
| <i>Embedded derivatives on structured instruments</i>   |                                  |                        |                        |                        |
| Embedded derivatives on foreign exchange instruments  | 2.2                              | (0.1)                  | 1.9                    | –                      |
| Embedded derivatives on securities instruments  | –                                | (0.2)                  | –                      | (0.1)                  |
| Embedded derivatives on indexes   | –                                | (0.4)                  | –                      | (0.9)                  |
| Embedded derivatives on interest rate instruments   | 0.1                              | –                      | 1.0                    | –                      |
| Embedded derivatives on credit risk   | 0.3                              | –                      | 0.3                    | –                      |
| <b>Total derivative financial instruments at fair value through profit or loss held for trading</b> | <b>164.1</b>                     | <b>(151.7)</b>         | <b>80.2</b>            | <b>(69.1)</b>          |
| <b>Derivative financial instruments designated as hedging instruments</b>                           |                                  |                        |                        |                        |
| <i>Derivatives held as fair value hedges</i>  |                                  |                        |                        |                        |
| Interest rate swaps   | –                                | (2.7)                  | 0.1                    | (2.4)                  |
| Foreign exchange swaps  | –                                | (0.1)                  | –                      | –                      |
| <i>Derivatives held as cash flow hedges</i>   |                                  |                        |                        |                        |
| Interest rate swaps   | –                                | (0.1)                  | 0.2                    | (0.1)                  |
| Foreign exchange swaps  | 0.7                              | –                      | 0.8                    | –                      |
| Forward sale of equity securities   | 9.6                              | –                      | 7.8                    | –                      |
| <b>Total derivative financial instruments designated as hedging instruments</b>                     | <b>10.3</b>                      | <b>(2.9)</b>           | <b>8.9</b>             | <b>(2.5)</b>           |
| <b>Total derivative financial instruments</b>   | <b>174.4</b>                     | <b>(154.6)</b>         | <b>89.1</b>            | <b>(71.6)</b>          |

**32. Analysis by Segment**

Operating segments are components that engage in business activities that may earn revenues or incur expenses, whose operating results are regularly reviewed by the chief operating decision maker (CODM), and for which discrete financial information is available. The CODM is group of persons – who allocates resources and assesses the performance for the entity. The functions of the CODM are performed by the Group Managing Committee.

In accordance with IFRS 8, Operating Segments, the Group defined as the major operating segments the global business lines. 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; Mid-Corporate banking (MCB) – Investment banking, Loans and Deposits, Transaction banking subsegments; Retail business (RB) – Retail banking and Insurance subsegments; Treasury, Corporate Centre and Other business (OB) – Construction and development and Other subsegments.

During the nine-month period ended 30 September 2014, the Group introduced a new reportable segments – Mid-Corporate banking (MCB). MCB was previously combined in CIB and was introduced as a new reportable segment following introduction of a new global business line of Mid-Corporate banking and subsequent client segmentation on the base of the clients' revenue and global business line geographical scope. Also the Group divided the Other business segment into subsegments and Construction and development was introduced as a new reportable subsegment due to the growth of the business of the Group's entities operating in construction and development industry.

The segment information as at 31 December 2013 and for the nine months ended 30 September 2013 was not retrospectively restated to reflect the change in segment composition because the necessary information was not readily available and the cost to develop it would be excessive. Accordingly, the segment information as at 30 September 2014 and for the nine months then ended is not comparable to the preceding year and nine months ended 30 September 2013.

**VTB Bank**
**Selected notes to the Interim Condensed Consolidated Financial Statements – 30 September 2014 (continued)**
*(in billions of Russian Roubles)*
**32. Analysis by Segment (continued)**

Segment information for the reportable segments of the Group at 30 September 2014 (unaudited) and results for the nine-month period ended 30 September 2014 (unaudited) is set out below:

|   | <u>Corporate-Investment banking (CIB)</u> |                           |                            |                               |                  | <u>Mid-Corporate banking (MCB)</u> |                           |                            |                               |                  | <u>Retail business (RB)</u> |                  |                              |                 |                 | <u>Other business (OB)</u> |                                     |              |                              |                 | <u>Total before inter-segment eliminations</u> | <u>Inter-segment eliminations</u> | <u>Total</u> |
|---|---|---------------------------|----------------------------|-------------------------------|------------------|------------------------------------|---------------------------|----------------------------|-------------------------------|------------------|-----------------------------|------------------|------------------------------|-----------------|-----------------|----------------------------|-------------------------------------|--------------|------------------------------|-----------------|--|-----------------------------------|--------------|
|   | <u>Investment banking</u>                 | <u>Loans and deposits</u> | <u>Transaction banking</u> | <u>Inter-CIB eliminations</u> | <u>Total CIB</u> | <u>Investment banking</u>          | <u>Loans and deposits</u> | <u>Transaction banking</u> | <u>Inter-MCB eliminations</u> | <u>Total MCB</u> | <u>Retail banking</u>       | <u>Insurance</u> | <u>Inter-RB eliminations</u> | <u>Total RB</u> | <u>Treasury</u> | <u>Corporate centre</u>    | <u>Construction and development</u> | <u>Other</u> | <u>Inter-OB eliminations</u> | <u>Total OB</u> |  |                                   |              |
| <b>For the nine months ended 30 September 2014:</b>   |   |                           |                            |                               |                  |                                    |                           |                            |                               |                  |                             |                  |                              |                 |                 |                            |                                     |              |                              |                 |  |                                   |              |
| <b>Revenues from:</b>   |   |                           |                            |                               |                  |                                    |                           |                            |                               |                  |                             |                  |                              |                 |                 |                            |                                     |              |                              |                 |  |                                   |              |
| External customers  | 79.6                                      | 221.9                     | 6.5                        | –                             | 308.0            | 0.7                                | 66.2                      | 10.6                       | –                             | 77.5             | 262.7                       | 35.6             | –                            | 298.3           | 36.5            | –                          | 16.6                                | 21.1         | –                            | 37.7            | 758.0  | –                                 | 758.0        |
| Other segments  | 53.9                                      | 24.2                      | 9.5                        | (0.7)                         | 86.9             | –                                  | 14.1                      | 7.7                        | –                             | 21.8             | 36.5                        | 2.3              | (1.2)                        | 37.6            | 300.7           | –                          | 0.9                                 | 4.1          | (0.2)                        | 4.8             | 451.8  | (451.8)                           | –            |
| <b>Total revenues</b>   | <b>133.5</b>                              | <b>246.1</b>              | <b>16.0</b>                | <b>(0.7)</b>                  | <b>394.9</b>     | <b>0.7</b>                         | <b>80.3</b>               | <b>18.3</b>                | <b>–</b>                      | <b>99.3</b>      | <b>299.2</b>                | <b>37.9</b>      | <b>(1.2)</b>                 | <b>335.9</b>    | <b>337.2</b>    | <b>–</b>                   | <b>17.5</b>                         | <b>25.2</b>  | <b>(0.2)</b>                 | <b>42.5</b>     | <b>1,209.8</b>                                 | <b>(451.8)</b>                    | <b>758.0</b> |
| <b>Segment income and expense</b>   |   |                           |                            |                               |                  |                                    |                           |                            |                               |                  |                             |                  |                              |                 |                 |                            |                                     |              |                              |                 |  |                                   |              |
| Interest income   | 123.1                                     | 238.8                     | 9.3                        | (0.1)                         | 371.1            | 0.2                                | 79.8                      | 7.7                        | –                             | 87.7             | 256.6                       | 1.2              | (0.6)                        | 257.2           | 333.8           | –                          | 0.9                                 | 0.5          | (0.2)                        | 1.2             | 1,051.0  | (445.5)                           | 605.5        |
| Interest expense  | (95.6)                                    | (190.0)                   | (1.4)                      | 0.1                           | (286.9)          | (0.2)                              | (65.6)                    | (1.0)                      | –                             | (66.8)           | (116.1)                     | (0.2)            | 0.3                          | (116.0)         | (298.4)         | –                          | (9.0)                               | (5.5)        | 0.2                          | (14.3)          | (782.4)  | 445.1                             | (337.3)      |
| Treasury result allocation  | 1.0                                       | 2.7                       | –                          | –                             | 3.7              | –                                  | 6.9                       | –                          | –                             | 6.9              | 3.1                         | –                | –                            | 3.1             | (21.6)          | –                          | –                                   | 7.9          | –                            | 7.9             | –  | –                                 | –            |
| <b>Net interest income</b>  | <b>28.5</b>                               | <b>51.5</b>               | <b>7.9</b>                 | <b>–</b>                      | <b>87.9</b>      | <b>–</b>                           | <b>21.1</b>               | <b>6.7</b>                 | <b>–</b>                      | <b>27.8</b>      | <b>143.6</b>                | <b>1.0</b>       | <b>(0.3)</b>                 | <b>144.3</b>    | <b>13.8</b>     | <b>–</b>                   | <b>(8.1)</b>                        | <b>2.9</b>   | <b>–</b>                     | <b>(5.2)</b>    | <b>268.6</b>                                   | <b>(0.4)</b>                      | <b>268.2</b> |
| (Provision charge) / reversal of provision for impairment of debt financial assets            | (1.6)                                     | (67.0)                    | –                          | –                             | (68.6)           | –                                  | (16.4)                    | –                          | –                             | (16.4)           | (73.9)                      | –                | (0.4)                        | (74.3)          | 1.6             | –                          | (0.1)                               | –            | –                            | (0.1)           | (157.8)  | –                                 | (157.8)      |
| <b>Net interest income after provision for impairment</b>                                     | <b>26.9</b>                               | <b>(15.5)</b>             | <b>7.9</b>                 | <b>–</b>                      | <b>19.3</b>      | <b>–</b>                           | <b>4.7</b>                | <b>6.7</b>                 | <b>–</b>                      | <b>11.4</b>      | <b>69.7</b>                 | <b>1.0</b>       | <b>(0.7)</b>                 | <b>70.0</b>     | <b>15.4</b>     | <b>–</b>                   | <b>(8.2)</b>                        | <b>2.9</b>   | <b>–</b>                     | <b>(5.3)</b>    | <b>110.8</b>                                   | <b>(0.4)</b>                      | <b>110.4</b> |
| Net fee and commission income/(expense)   | 3.0                                       | 0.5                       | 6.3                        | (0.1)                         | 9.7              | –                                  | –                         | 8.7                        | –                             | 8.7              | 25.0                        | (0.1)            | –                            | 24.9            | 0.7             | –                          | (0.1)                               | 0.8          | –                            | 0.7             | 44.7   | 0.1                               | 44.8         |
| Other gains less losses arising from financial instruments and foreign currencies             | 5.3                                       | (1.8)                     | –                          | –                             | 3.5              | 0.5                                | (0.2)                     | –                          | –                             | 0.3              | 4.1                         | 0.2              | –                            | 4.3             | (10.7)          | –                          | (0.8)                               | 5.9          | –                            | 5.1             | 2.5  | 0.1                               | 2.6          |
| Share in income of associates and joint ventures  | (0.2)                                     | 0.1                       | –                          | –                             | (0.1)            | –                                  | 0.1                       | –                          | –                             | 0.1              | –                           | –                | –                            | 0.1             | –               | –                          | –                                   | –            | –                            | –               | 0.1  | –                                 | 0.1          |
| Profit from disposal of subsidiaries and associates   | 7.9                                       | 1.2                       | –                          | –                             | 9.1              | –                                  | –                         | –                          | –                             | –                | –                           | –                | –                            | (0.1)           | –               | –                          | 2.5                                 | 0.9          | –                            | 3.4             | 12.4   | –                                 | 12.4         |
| Provision charge for impairment of other assets, contingencies and credit related commitments | –   | 1.7                       | (1.2)                      | –                             | 0.5              | –                                  | 0.1                       | (7.7)                      | –                             | (7.6)            | (1.1)                       | (0.3)            | –                            | (1.4)           | (0.1)           | –                          | –                                   | 0.1          | –                            | 0.1             | (8.5)  | –                                 | (8.5)        |
| Other operating income/(expense) items  | 0.6                                       | 6.0                       | –                          | –                             | 6.6              | –                                  | (0.4)                     | –                          | –                             | (0.4)            | 3.1                         | 12.4             | 0.8                          | 16.3            | (0.2)           | –                          | 7.1                                 | (1.5)        | –                            | 5.6             | 27.9   | (4.7)                             | 23.2         |
| <b>Net operating income</b>   | <b>43.5</b>                               | <b>(7.8)</b>              | <b>13.0</b>                | <b>(0.1)</b>                  | <b>48.6</b>      | <b>0.5</b>                         | <b>4.3</b>                | <b>7.7</b>                 | <b>–</b>                      | <b>12.5</b>      | <b>100.8</b>                | <b>13.2</b>      | <b>0.1</b>                   | <b>114.1</b>    | <b>5.1</b>      | <b>–</b>                   | <b>0.5</b>                          | <b>9.1</b>   | <b>–</b>                     | <b>9.6</b>      | <b>189.9</b>                                   | <b>(4.9)</b>                      | <b>185.0</b> |
| Staff costs and administrative expenses   | (18.3)                                    | (16.4)                    | (5.5)                      | 0.1                           | (40.1)           | (0.1)                              | (11.9)                    | (9.3)                      | –                             | (21.3)           | (80.3)                      | (5.2)            | 0.3                          | (85.2)          | (5.1)           | (13.0)                     | (0.3)                               | (4.0)        | –                            | (4.3)           | (169.0)  | 5.1                               | (163.9)      |
| <b>Segment results: profit before taxation</b>  | <b>25.2</b>                               | <b>(24.2)</b>             | <b>7.5</b>                 | <b>–</b>                      | <b>8.5</b>       | <b>0.4</b>                         | <b>(7.6)</b>              | <b>(1.6)</b>               | <b>–</b>                      | <b>(8.8)</b>     | <b>20.5</b>                 | <b>8.0</b>       | <b>0.4</b>                   | <b>28.9</b>     | <b>–</b>        | <b>(13.0)</b>              | <b>0.2</b>                          | <b>5.1</b>   | <b>–</b>                     | <b>5.3</b>      | <b>20.9</b>                                    | <b>0.2</b>                        | <b>21.1</b>  |
| Income tax expense  | (4.9)                                     | (3.4)                     | (1.5)                      | –                             | (9.8)            | (0.1)                              | (0.2)                     | 0.2                        | –                             | (0.1)            | (4.9)                       | (2.1)            | –                            | (7.0)           | –               | 1.9                        | (0.9)                               | (1.3)        | –                            | (2.2)           | (17.2)   | –                                 | (17.2)       |
| <b>Net profit after tax</b>   | <b>20.3</b>                               | <b>(27.6)</b>             | <b>6.0</b>                 | <b>–</b>                      | <b>(1.3)</b>     | <b>0.3</b>                         | <b>(7.8)</b>              | <b>(1.4)</b>               | <b>–</b>                      | <b>(8.9)</b>     | <b>15.6</b>                 | <b>5.9</b>       | <b>0.4</b>                   | <b>21.9</b>     | <b>–</b>        | <b>(11.1)</b>              | <b>(0.7)</b>                        | <b>3.8</b>   | <b>–</b>                     | <b>3.1</b>      | <b>3.7</b>                                     | <b>0.2</b>                        | <b>3.9</b>   |
| Profit after tax from subsidiaries acquired exclusively with a view to resale                 | –   | (0.1)                     | –                          | –                             | (0.1)            | –                                  | –                         | –                          | –                             | –                | –                           | –                | –                            | –               | –               | –                          | –                                   | 1.1          | –                            | 1.1             | 1.0  | 0.5                               | 1.5          |
| <b>Net profit</b>   | <b>20.3</b>                               | <b>(27.7)</b>             | <b>6.0</b>                 | <b>–</b>                      | <b>(1.4)</b>     | <b>0.3</b>                         | <b>(7.8)</b>              | <b>(1.4)</b>               | <b>–</b>                      | <b>(8.9)</b>     | <b>15.6</b>                 | <b>5.9</b>       | <b>0.4</b>                   | <b>21.9</b>     | <b>–</b>        | <b>(11.1)</b>              | <b>(0.7)</b>                        | <b>4.9</b>   | <b>–</b>                     | <b>4.2</b>      | <b>4.7</b>                                     | <b>0.7</b>                        | <b>5.4</b>   |



**VTB Bank**
**Selected notes to the Interim Condensed Consolidated Financial Statements – 30 September 2014 (continued)**
*(in billions of Russian Roubles)*
**32. Analysis by Segment (continued)**

Segment information for the reportable segments of the Group at 31 December 2013 and results for the nine-month period ended 30 September 2013 (unaudited) is set out below:

| For the nine months ended 30 September 2013  | Corporate-Investment banking (CIB) |                    |                     |                        |              | Retail banking | Treasury     | Insurance   | Other         | Total before inter-segment |                            | Total          |
|--|------------------------------------|--------------------|---------------------|------------------------|--------------|----------------|--------------|-------------|---------------|----------------------------|----------------------------|----------------|
|  | Investment banking                 | Loans and deposits | Transaction banking | Inter-CIB eliminations | Total CIB    |                |              |             |               | eliminations               | Inter-segment eliminations |                |
| <b>Revenues from:</b>  |                                    |                    |                     |                        |              |                |              |             |               |                            |                            |                |
| External customers   | 55.7                               | 253.6              | 15.0                | –                      | 324.3        | 202.5          | 46.5         | 17.8        | 29.9          | <b>621.0</b>               | –                          | <b>621.0</b>   |
| Other segments   | 45.8                               | 33.5               | 18.3                | (1.1)                  | 96.5         | 39.1           | 250.8        | 1.7         | 3.8           | <b>391.9</b>               | (391.9)                    | –              |
| <b>Total revenues</b>  | <b>101.5</b>                       | <b>287.1</b>       | <b>33.3</b>         | <b>(1.1)</b>           | <b>420.8</b> | <b>241.6</b>   | <b>297.3</b> | <b>19.5</b> | <b>33.7</b>   | <b>1,012.9</b>             | <b>(391.9)</b>             | <b>621.0</b>   |
| <b>Segment income and expense</b>  |                                    |                    |                     |                        |              |                |              |             |               |                            |                            |                |
| Interest income  | 82.4                               | 278.8              | 18.1                | (0.4)                  | 378.9        | 210.9          | 293.2        | 0.7         | 0.7           | <b>884.4</b>               | (383.7)                    | <b>500.7</b>   |
| Interest expense   | (70.8)                             | (221.2)            | (3.2)               | 0.1                    | (295.1)      | (100.0)        | (243.2)      | –           | (12.0)        | <b>(650.3)</b>             | 382.8                      | <b>(267.5)</b> |
| Treasury result allocation   | 0.4                                | 8.9                | –                   | –                      | 9.3          | 10.2           | (19.5)       | –           | –             | –                          | –                          | –              |
| <b>Net interest income</b>   | <b>12.0</b>                        | <b>66.5</b>        | <b>14.9</b>         | <b>(0.3)</b>           | <b>93.1</b>  | <b>121.1</b>   | <b>30.5</b>  | <b>0.7</b>  | <b>(11.3)</b> | <b>234.1</b>               | <b>(0.9)</b>               | <b>233.2</b>   |
| Provision charge for impairment of debt financial assets                                     | (0.5)                              | (28.6)             | –                   | –                      | (29.1)       | (38.2)         | (5.3)        | –           | –             | <b>(72.6)</b>              | (0.2)                      | <b>(72.8)</b>  |
| <b>Net interest income after provision for impairment</b>                                    | <b>11.5</b>                        | <b>37.9</b>        | <b>14.9</b>         | <b>(0.3)</b>           | <b>64.0</b>  | <b>82.9</b>    | <b>25.2</b>  | <b>0.7</b>  | <b>(11.3)</b> | <b>161.5</b>               | <b>(1.1)</b>               | <b>160.4</b>   |
| Net fee and commission income/(expense)  | 4.3                                | 0.9                | 12.7                | –                      | 17.9         | 19.8           | 0.9          | –           | 0.6           | <b>39.2</b>                | (0.3)                      | <b>38.9</b>    |
| Other gains less losses arising from financial instruments and foreign currencies            | 12.1                               | 0.6                | –                   | –                      | 12.7         | 1.9            | (20.2)       | 0.3         | (7.6)         | <b>(12.9)</b>              | 0.4                        | <b>(12.5)</b>  |
| Share in income of associates and joint ventures   | 0.2                                | 0.5                | –                   | –                      | 0.7          | –              | 0.2          | –           | –             | <b>0.9</b>                 | –                          | <b>0.9</b>     |
| Profit from disposal of subsidiaries and associates  | 0.1                                | –                  | –                   | –                      | 0.1          | –              | –            | –           | 1.8           | <b>1.9</b>                 | –                          | <b>1.9</b>     |
| Provision charge for impairment of other assets, credit related commitments and legal claims | (0.1)                              | (1.0)              | –                   | –                      | (1.1)        | (0.3)          | –            | (0.1)       | (0.4)         | <b>(1.9)</b>               | –                          | <b>(1.9)</b>   |
| Other operating income/(expense) items   | 0.4                                | 4.3                | 0.3                 | –                      | 5.0          | 1.4            | 0.1          | 9.2         | 8.0           | <b>23.7</b>                | (4.8)                      | <b>18.9</b>    |
| <b>Operating income</b>  | <b>28.5</b>                        | <b>43.2</b>        | <b>27.9</b>         | <b>(0.3)</b>           | <b>99.3</b>  | <b>105.7</b>   | <b>6.2</b>   | <b>10.1</b> | <b>(8.9)</b>  | <b>212.4</b>               | <b>(5.8)</b>               | <b>206.6</b>   |
| Staff costs and administrative expenses  | (17.2)                             | (30.9)             | (18.3)              | –                      | (66.4)       | (74.1)         | (6.2)        | (2.7)       | (4.9)         | <b>(154.3)</b>             | 5.1                        | <b>(149.2)</b> |
| <b>Segment results: profit before taxation</b>   | <b>11.3</b>                        | <b>12.3</b>        | <b>9.6</b>          | <b>(0.3)</b>           | <b>32.9</b>  | <b>31.6</b>    | <b>–</b>     | <b>7.4</b>  | <b>(13.8)</b> | <b>58.1</b>                | <b>(0.7)</b>               | <b>57.4</b>    |
| Income tax expense   | (4.2)                              | (1.2)              | (2.8)               | –                      | (8.2)        | (6.6)          | –            | (1.6)       | 0.4           | <b>(16.0)</b>              | 0.1                        | <b>(15.9)</b>  |
| <b>Net profit after tax</b>  | <b>7.1</b>                         | <b>11.1</b>        | <b>6.8</b>          | <b>(0.3)</b>           | <b>24.7</b>  | <b>25.0</b>    | <b>–</b>     | <b>5.8</b>  | <b>(13.4)</b> | <b>42.1</b>                | <b>(0.6)</b>               | <b>41.5</b>    |
| Profit after tax from subsidiaries acquired exclusively with a view to resale                | 4.2                                | –                  | –                   | 0.3                    | 4.5          | –              | –            | –           | –             | <b>4.5</b>                 | –                          | <b>4.5</b>     |
| <b>Net profit</b>  | <b>11.3</b>                        | <b>11.1</b>        | <b>6.8</b>          | <b>–</b>               | <b>29.2</b>  | <b>25.0</b>    | <b>–</b>     | <b>5.8</b>  | <b>(13.4)</b> | <b>46.6</b>                | <b>(0.6)</b>               | <b>46.0</b>    |

**VTB Bank**
**Selected notes to the Interim Condensed Consolidated Financial Statements – 30 September 2014 (continued)**
*(in billions of Russian Roubles)*
**32. Analysis by Segment (continued)**

| As at 31 December 2013   | Corporate-Investment banking (CIB) |                    |                     |                        |                | Retail business (RB) |             |                       |                | Treasury       | Corporate centre | Other        | Total before Inter-segment eliminations | Inter-segment eliminations | Total          |
|--|------------------------------------|--------------------|---------------------|------------------------|----------------|----------------------|-------------|-----------------------|----------------|----------------|------------------|--------------|---|----------------------------|----------------|
|  | Investment banking                 | Loans and deposits | Transaction banking | Inter-CIB eliminations | Total CIB      | Retail banking       | Insurance   | Inter-RB eliminations | Total RB       |                |                  |              |   |                            |                |
| Cash and short-term funds  | 39.6                               | 0.4                | 1.9                 | –                      | 41.9           | 142.2                | 0.3         | –                     | 142.5          | 169.6          | –                | 0.3          | 354.3                                   | –                          | 354.3          |
| Mandatory cash balances with central banks                                     | –                                  | –                  | –                   | –                      | –              | 17.4                 | –           | –                     | 17.4           | 41.3           | –                | –            | 58.7                                    | –                          | 58.7           |
| Due from other banks, including pledged under repurchase agreements            | 62.7                               | 28.2               | –                   | –                      | 90.9           | 6.5                  | 3.1         | –                     | 9.6            | 345.4          | –                | 0.3          | 446.2                                   | –                          | 446.2          |
| Loans and advances to customers, including pledged under repurchase agreements | 485.8                              | 3,810.9            | –                   | –                      | 4,296.7        | 1,629.8              | –           | –                     | 1,629.8        | 303.0          | –                | 30.1         | 6,259.6                                 | –                          | 6,259.6        |
| Other financial instruments  | 474.5                              | 7.6                | –                   | –                      | 482.1          | 40.9                 | 8.0         | –                     | 48.9           | 157.4          | –                | 32.0         | 720.4                                   | –                          | 720.4          |
| Investments in associates and joint ventures                                   | 75.0                               | 6.8                | –                   | –                      | 81.8           | –                    | –           | –                     | –              | 5.8            | –                | –            | 87.6                                    | –                          | 87.6           |
| Other assets items   | 71.1                               | 224.0              | 48.0                | –                      | 343.1          | 120.8                | 19.6        | –                     | 140.4          | 19.3           | –                | 338.9        | 841.7                                   | –                          | 841.7          |
| Net amount of intersegment settlements   | 164.3                              | –                  | 652.1               | (816.4)                | –              | 527.9                | 17.0        | –                     | 544.9          | 1,874.3        | –                | –            | 2,419.2                                 | (2,419.2)                  | –              |
| <b>Segment assets</b>  | <b>1,373.0</b>                     | <b>4,077.9</b>     | <b>702.0</b>        | <b>(816.4)</b>         | <b>5,336.5</b> | <b>2,485.5</b>       | <b>48.0</b> | <b>–</b>              | <b>2,533.5</b> | <b>2,916.1</b> | <b>–</b>         | <b>401.6</b> | <b>11,187.7</b>                         | <b>(2,419.2)</b>           | <b>8,768.5</b> |
| Due to other banks   | 97.4                               | 10.4               | –                   | –                      | 107.8          | 26.9                 | –           | –                     | 26.9           | 531.5          | –                | 0.4          | 666.6                                   | –                          | 666.6          |
| Customer deposits  | 943.3                              | 482.3              | 649.8               | –                      | 2,075.4        | 2,099.9              | –           | –                     | 2,099.9        | 161.4          | –                | 4.7          | 4,341.4                                 | –                          | 4,341.4        |
| Other borrowed funds   | 61.3                               | 88.3               | –                   | –                      | 149.6          | 52.1                 | 1.2         | –                     | 53.3           | 1,277.6        | –                | 5.4          | 1,485.9                                 | –                          | 1,485.9        |
| Debt securities issued   | 39.6                               | 64.6               | –                   | –                      | 104.2          | 54.2                 | –           | –                     | 54.2           | 577.9          | –                | 1.9          | 738.2                                   | –                          | 738.2          |
| Subordinated debt  | –                                  | –                  | –                   | –                      | –              | 10.4                 | –           | –                     | 10.4           | 280.6          | –                | –            | 291.0                                   | –                          | 291.0          |
| Other liabilities items  | 113.8                              | 23.5               | 6.2                 | –                      | 143.5          | 21.2                 | 38.9        | –                     | 60.1           | 8.5            | –                | 86.2         | 298.3                                   | –                          | 298.3          |
| Net amount of intersegment settlements   | –                                  | 2,950.5            | –                   | (816.4)                | 2,134.1        | –                    | –           | –                     | –              | –              | –                | 285.1        | 2,419.2                                 | (2,419.2)                  | –              |
| <b>Segment liabilities</b>   | <b>1,255.4</b>                     | <b>3,619.6</b>     | <b>656.0</b>        | <b>(816.4)</b>         | <b>4,714.6</b> | <b>2,264.7</b>       | <b>40.1</b> | <b>–</b>              | <b>2,304.8</b> | <b>2,837.5</b> | <b>–</b>         | <b>383.7</b> | <b>10,240.6</b>                         | <b>(2,419.2)</b>           | <b>7,821.4</b> |

## 33. Fair Values of Financial Instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability; or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) Level 1 are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) Level 2 measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) Level 3 measurements are valuations not based on observable market data (that is, unobservable inputs). Management applies judgment in categorising financial instruments using the fair value hierarchy. If a fair value measurement uses observable inputs that require significant adjustment, that measurement is a Level 3 measurement. The significance of a valuation input is assessed against the fair value measurement of a financial instrument in its entirety.

The following table shows an analysis of financial instruments recorded at recurring fair value by level of the fair value hierarchy as at 30 September 2014 (unaudited):

|  | <i>Quoted prices<br/>in active<br/>markets</i> | <i>Significant<br/>observable<br/>inputs</i> | <i>Significant<br/>unobservable<br/>inputs</i> |               |
|--|--|--|--|---------------|
|  | <i>Level 1</i>                                 | <i>Level 2</i>                               | <i>Level 3</i>                                 | <i>Total</i>  |
| <b>Financial assets measured at fair value</b>   |  |  |  |               |
| <b>Non-derivative financial assets at fair value through profit or loss</b>  |  |  |  |               |
| <i>Financial assets held for trading</i>   |  |  |  |               |
| Debt securities  | 76.3   | 61.7   | 24.8   | <b>162.8</b>  |
| Trading credit products  | –  | 47.6   | 10.4   | <b>58.0</b>   |
| Equity securities  | 4.2  | 0.1  | –  | <b>4.3</b>    |
| <i>Financial assets designated as at fair value through profit or loss</i>   |  |  |  |               |
| Equity securities  | 15.0   | –  | 7.5  | <b>22.5</b>   |
| Reverse sale and repurchase agreements to maturity   | –  | 13.8   | –  | <b>13.8</b>   |
| Debt securities  | –  | 0.4  | 3.3  | <b>3.7</b>    |
| <b>Derivative financial assets</b>   |  |  |  |               |
| <i>Trading derivative financial instruments</i>  |  |  |  |               |
| Interest rate contracts  | –  | 75.2   | 6.2  | <b>81.4</b>   |
| Foreign exchange and precious metals contracts   | 0.1  | 57.1   | 6.4  | <b>63.6</b>   |
| Contracts with other basic variables   | –  | 11.6   | –  | <b>11.6</b>   |
| Contracts with securities  | –  | 4.4  | 0.5  | <b>4.9</b>    |
| Embedded derivatives on structured instruments   | –  | 0.3  | 2.3  | <b>2.6</b>    |
| <i>Hedging derivative financial instruments</i>  |  |  |  |               |
| Derivatives held as cash flow hedges   | –  | 0.7  | 9.6  | <b>10.3</b>   |
| <b>Financial assets, other than loans and advances and due from other banks, pledged under repurchase agreements</b> |  |  |  |               |
|  | 73.0   | 130.1  | 5.3  | <b>208.4</b>  |
| <b>Investment financial assets available-for-sale</b>  |  |  |  |               |
| Debt securities  | 42.8   | 61.9   | 1.3  | <b>106.0</b>  |
| Equity securities  | 0.2  | –  | 31.9   | <b>32.1</b>   |
| Investments in associates and joint ventures at fair value through profit or loss                                    | –  | –  | 59.4   | <b>59.4</b>   |
| <b>Financial liabilities measured at fair value</b>  |  |  |  |               |
| Financial liabilities  |  |  |  |               |
| <i>Trading derivative financial instruments</i>  |  |  |  |               |
| Interest rate contracts  | –  | (77.9)                                       | –  | <b>(77.9)</b> |
| Foreign exchange and precious metals contracts   | –  | (57.5)                                       | –  | <b>(57.5)</b> |
| Contracts with securities  | –  | (1.0)  | (3.8)  | <b>(4.8)</b>  |
| Contracts with other basic variables   | –  | (10.8)                                       | –  | <b>(10.8)</b> |
| Embedded derivatives on structured instruments   | –  | (0.7)  | –  | <b>(0.7)</b>  |
| <i>Hedging derivative financial instruments</i>  |  |  |  |               |
| Derivatives held as fair value hedges  | –  | (2.8)  | –  | <b>(2.8)</b>  |
| Derivatives held as cash flow hedges   | –  | (0.1)  | –  | <b>(0.1)</b>  |
| <i>Obligation to deliver securities</i>  | (21.6)   | (1.3)  | –  | <b>(22.9)</b> |

## 33. Fair Values of Financial Instruments (continued)

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy as at 31 December 2013:

|  | Quoted prices<br>in active<br>markets<br>Level 1 | Significant<br>observable<br>inputs<br>Level 2 | Significant<br>unobservable<br>inputs<br>Level 3 | Total  |
|--|--|--|--|--------|
| <b>Financial assets measured at fair value</b>   |  |  |  |        |
| <b>Non-derivative financial assets at fair value through profit or loss</b>  |  |  |  |        |
| <i>Financial assets held for trading</i>   |  |  |  |        |
| Debt securities  | 170.9  | 58.1   | 4.1  | 233.1  |
| Trading credit products  | –  | 49.0   | –  | 49.0   |
| Equity securities  | 9.4  | 5.4  | –  | 14.8   |
| <i>Financial assets designated as at fair value through profit or loss</i>   |  |  |  |        |
| Equity securities  | –  | 1.4  | 15.5   | 16.9   |
| Reverse sale and repurchase agreements to maturity   | –  | 11.4   | –  | 11.4   |
| Debt securities  | 0.4  | –  | 5.3  | 5.7    |
| <b>Derivative financial assets</b>   |  |  |  |        |
| <i>Trading derivative financial instruments</i>  |  |  |  |        |
| Interest rate contracts  | –  | 43.6   | 1.2  | 44.8   |
| Foreign exchange and precious metals contracts   | –  | 16.1   | 5.1  | 21.2   |
| Contracts with other basic variables   | –  | 6.6  | –  | 6.6    |
| Contracts with securities  | –  | 4.4  | –  | 4.4    |
| Embedded derivatives on structured instruments   | –  | 2.9  | 0.3  | 3.2    |
| <i>Hedging derivative financial instruments</i>  |  |  |  |        |
| Derivatives held as fair value hedges  | –  | 0.1  | –  | 0.1    |
| Derivatives held as cash flow hedges   | –  | 1.0  | 7.8  | 8.8    |
| <b>Financial assets, other than loans and advances and due from other banks, pledged under repurchase agreements</b> | 101.7  | 71.1   | 0.3  | 173.1  |
| <b>Investment financial assets available-for-sale</b>  |  |  |  |        |
| Debt securities  | 56.0   | 54.1   | 0.6  | 110.7  |
| Equity securities  | 0.1  | 0.7  | 23.9   | 24.7   |
| Investments in associates and joint ventures at fair value through profit or loss                                    | –  | –  | 55.2   | 55.2   |
| Financial assets measured at fair value within assets of disposal group held for sale                                | –  | 0.2  | –  | 0.2    |
| <b>Financial liabilities measured at fair value</b>  |  |  |  |        |
| Financial liabilities  |  |  |  |        |
| <i>Trading derivative financial instruments</i>  |  |  |  |        |
| Interest rate contracts  | –  | (34.3)   | –  | (34.3) |
| Foreign exchange and precious metals contracts   | –  | (20.1)   | –  | (20.1) |
| Contracts with securities  | –  | (2.0)  | (6.3)  | (8.3)  |
| Contracts with other basic variables   | –  | (5.4)  | –  | (5.4)  |
| Embedded derivatives on structured instruments   | –  | (1.0)  | –  | (1.0)  |
| <i>Hedging derivative financial instruments</i>  |  |  |  |        |
| Derivatives held as fair value hedges  | –  | (2.4)  | –  | (2.4)  |
| Derivatives held as cash flow hedges   | –  | (0.1)  | –  | (0.1)  |
| <i>Obligation to deliver securities</i>  | (25.5)   | (1.4)  | –  | (26.9) |

For financial instruments that are recognised at fair value on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

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, credit spreads, 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 these investments.

## 33. Fair Values of Financial Instruments (continued)

## Movement in Level 3 financial assets and liabilities measured at fair value

A reconciliation of movements in Level 3 of the fair value hierarchy by class of financial instruments for the nine months ended 30 September 2014 (unaudited) is as follows:

|  | <i>Financial assets at fair value through profit or loss including</i>                 |  |  |  |   |  |
|--|--|--|--|--|---|--|
|  | <i>Financial assets held for trading including pledged under repurchase agreements</i> | <i>Financial assets designated as at fair value through profit or loss</i> | <i>Financial assets available-for-sale including pledged under repurchase agreements</i> | <i>Investments in associates and joint ventures at fair value through profit or loss</i> | <i>Trading derivative financial instruments</i> | <i>Derivative financial instruments designated as hedging instrument</i> |
| Fair value at 1 January 2014   | 4.4  | 20.8   | 24.5   | 55.2   | 0.3   | 7.8  |
| Gains less losses arising from financial instruments at fair value through profit or loss  | 0.4  | 0.4  | –  | 3.5  | 5.1   | –  |
| Gains less losses recognized in net result on financial assets available-for-sale and cash flow hedge  | –  | –  | 6.2  | –  | –   | 1.8  |
| Initial recognition – purchase   | 6.3  | –  | 4.5  | 0.7  | 0.1   | –  |
| Derecognition – sale   | (0.7)  | (10.4)   | (2.1)  | –  | 0.8   | –  |
| Derecognition – settlement   | (3.1)  | –  | (1.0)  | –  | 5.3   | –  |
| Acquisition of subsidiaries  | 8.7  | –  | –  | –  | –   | –  |
| Transfers into Level 3   | 29.7   | –  | 2.6  | –  | –   | –  |
| Transfers out of Level 3 including reclassifications to other categories   | (5.2)  | –  | (1.5)  | –  | –   | –  |
| <b>Fair value at 30 September 2014</b>   | <b>40.5</b>  | <b>10.8</b>  | <b>33.2</b>  | <b>59.4</b>  | <b>11.6</b>                                     | <b>9.6</b>   |
| Unrealized gains less losses recognized in net result on financial assets available-for-sale and cash flow hedge in other comprehensive income             | –  | –  | 6.7  | –  | –   | 1.2  |
| Unrealized gains less losses recognized in gains less losses / (losses less gains) arising from financial instruments at fair value through profit or loss | 0.8  | 6.8  | –  | 3.5  | 5.1   | –  |
| Gains less losses / (losses less gains) from available-for-sale financial assets   | –  | –  | (0.7)  | –  | –   | 0.6  |

A reconciliation of movements in Level 3 of the fair value hierarchy by class of instruments for the nine months ended 30 September 2013 (unaudited) is as follows:

|  | <i>Financial assets at fair value through profit or loss</i>                           |  |  |   |   |  |
|--|--|--|--|---|---|--|
|  | <i>Financial assets held for trading including pledged under repurchase agreements</i> | <i>Financial assets designated as at fair value through profit or loss</i> | <i>Financial assets available-for-sale</i> | <i>Investments in associates at fair value through profit or loss</i> | <i>Trading derivative financial instruments</i> |  |
| Fair value at 1 January 2013   | 1.9  | 9.5  | 40.0                                       | 1.3   | 7.0   |  |
| Gains less losses arising from financial instruments at fair value through profit or loss  | (0.1)  | 0.5  | (1.7)                                      | 0.2   | 0.4   |  |
| Gains less losses recognized in net result on financial assets available-for-sale  | –  | –  | 2.7  | –   | –   |  |
| Initial recognition (purchase or issue)  | 2.1  | –  | 2.2  | 0.1   | (0.5)   |  |
| Derecognition (sale or settlement)   | –  | –  | (7.4)                                      | –   | (2.6)   |  |
| Transfers into Level 3   | –  | –  | 0.1  | –   | –   |  |
| Transfers out of Level 3 to other Levels   | (2.1)  | –  | (7.8)                                      | –   | –   |  |
| <b>Fair value at 30 September 2013</b>   | <b>1.8</b>   | <b>10.0</b>  | <b>28.1</b>                                | <b>1.6</b>  | <b>4.3</b>                                      |  |
| Unrealized gains less losses recognized in net result on financial assets available-for-sale in other comprehensive income   | –  | –  | 0.3  | –   | –   |  |
| Unrealized gains less losses / (losses less gains) recognized in gains less losses / (losses less gains) arising from financial instruments at fair value through profit or loss | (0.1)  | 0.5  | (1.8)                                      | 0.2   | 0.4   |  |

## 33. Fair Values of Financial Instruments (continued)

## Transfers between levels

| <i>During the nine months ended 30 September 2014 (unaudited)</i> | <i>Reason for transfer (valuation at the reporting date)</i> | <i>Financial assets at fair value through profit or loss including pledged under repurchase agreements</i> | <i>Financial assets designated as at fair value through profit or loss</i> | <i>Financial assets available-for-sale including pledged under repurchase agreements</i> | <i>Total</i> |
|---|--|--|--|--|--------------|
| <b>From Level 1:</b>  |  |  |  |  |              |
| - to Level 2  | valuation models with market observable inputs               | 162.5  | 0.3  | 56.1   | <b>218.9</b> |
| - to Level 3  | valuation models with non-market-observable inputs           | 6.2  | –  | 0.5  | <b>6.7</b>   |
| <b>From Level 2:</b>  |  |  |  |  |              |
| - to Level 1  | active market quotes   | 38.1   | 1.1  | 1.0  | <b>40.2</b>  |
| - to Level 3  | valuation models with non-market-observable inputs           | 23.5   | –  | 2.1  | <b>25.6</b>  |
| <b>From Level 3:</b>  |  |  |  |  |              |
| - to Level 1  | active market quotes   | 0.4  | –  | –  | <b>0.4</b>   |
| - to Level 2  | valuation models with market observable inputs               | 2.2  | –  | 1.5  | <b>3.7</b>   |
| <b>Total</b>  |  | <b>232.9</b>   | <b>1.4</b>   | <b>61.2</b>  | <b>295.5</b> |

| <i>During the nine months ended 30 September 2013 (unaudited)</i> | <i>Reason for transfer (valuation at the reporting date)</i> | <i>Financial assets held for trading</i> | <i>Financial assets available-for-sale</i> | <i>Total</i> |
|---|--|--|--|--------------|
| <b>From Level 1:</b>  |  |  |  |              |
| - to Level 2  | valuation models with market observable inputs               | 49.2                                     | 31.5                                       | <b>80.7</b>  |
| <b>From Level 2:</b>  |  |  |  |              |
| - to Level 1  | active market quotes   | 2.1                                      | –  | <b>2.1</b>   |
| <b>From Level 3:</b>  |  |  |  |              |
| - to Level 1  | active market quotes   | –  | 7.6  | <b>7.6</b>   |
| - to Level 2  | valuation models with market observable inputs               | 2.1                                      | 0.2  | <b>2.3</b>   |
| <b>Total</b>  |  | <b>53.4</b>                              | <b>39.3</b>                                | <b>92.7</b>  |

## 33. Fair Values of Financial Instruments (continued)

## Impact on fair value of Level 3 financial instruments of changes to key assumptions

The following table shows the quantitative information as at 30 September 2014 (unaudited) about significant unobservable inputs used in the fair value measurement categorized within Level 3 of the fair value hierarchy:

|   | Carrying amount | Valuation techniques                        | Unobservable input description  | Input  |
|---|-----------------|---|---|--|
| <b>Financial assets held for trading, including pledged under repurchase agreements</b>   |                 |   |   |  |
| <b>Debt securities</b>  |                 |   |   |  |
| Banks and finance companies   | 1.8             | Discounted Cash flow                        | Credit spread   | -1% - 1% (0%)  |
|   | 0.7             | Discounted Cash flow                        | Future expected volatility  | 10%-43% (25.5%)  |
|   | 8.4             | Other                                       | Credit spread   | 4.95%-7.95% (5.95%)  |
|   |                 |   | n/a   | n/a  |
| Mortgage lending agency   | 6.0             | Discounted Cash flow                        | Credit spread   | 1%-3% (2%)   |
|   | 1.5             | Other                                       | n/a   | n/a  |
| Oil companies   | 2.0             | Discounted Cash flow                        | Credit spread   | -2.10% - 1.56% (-0.45%)  |
|   | 0.6             | Other                                       | n/a   | n/a  |
| Government bodies   | 1.5             | Discounted Cash flow                        | Credit spread   | -0.8% - 1.2% (0.2%)  |
|   | 2.2             | Other                                       | n/a   | n/a  |
| Other economic sectors  | 5.4             | Other                                       | n/a   | n/a  |
| <b>Trading credit products</b>  |                 |   |   |  |
| Food and agriculture  | 7.5             | Discounted Cash flow                        | Credit spread   | 4.5% - 5.5% (4.5%)   |
| Metals  | 2.9             | Discounted Cash flow                        | Credit spread   | 3.19%-7.19% (5.19%)  |
| <b>Derivative financial instruments</b>   |                 |   |   |  |
| Foreign exchange  | 6.4             | Interest rate parity                        | Overnight BYR yield   | 17%-20% (19.5%)  |
| Interest rate derivatives   | 6.2             | Discounted Cash flow                        | CDS spread  | 1.64%-4.59% (3.12%)  |
| Embedded derivatives on structured instruments  | 2.3             | Modified Black model                        | CDS spread  | 6.96%-8.69% (7.69%)  |
| Equity options  | (3.3)           | Option model                                | Volatility  | 25%-45% (35%)  |
| <b>Financial assets designated as at fair value through profit or loss</b>                |                 |   |   |  |
| <b>Equity securities</b>  |                 |   |   |  |
| Trade and commerce  | 7.1             | NAV   | n/a   | n/a  |
| Other economic sectors  | 0.4             | Other                                       | n/a   | n/a  |
| <b>Debt securities</b>  |                 |   |   |  |
| Finance companies   | 3.3             | NAV+option adjustment                       | Volatility  | 25%-45% (35%)  |
| <b>Derivative financial instruments designated as hedging instruments</b>                 |                 |   |   |  |
| Equity forwards   | 9.6             | Forward model                               | CDS spread<br>Fair value of underlying equity investment  | 4.5%-6.5% (5.5%)<br>RUR 8.4 billion- RUR 11.3 billion (RUR 8.4 billion)                  |
| <b>Financial Assets Available-for-Sale, including pledged under repurchase agreements</b> |                 |   |   |  |
| <b>Debt securities</b>  |                 |   |   |  |
| Banks and finance companies   | 0.8             | Discounted Cash flow                        | Credit spread   | 4.95%-7.95% (5.95%)  |
|   | 0.4             | Other                                       | n/a   | n/a  |
| Other economic sectors  | 0.1             | Other                                       | n/a   | n/a  |
| <b>Equity securities</b>  |                 |   |   |  |
| Non-ferrous metals  | 8.4             | Discounted cash flow                        | Weighted average cost of capital<br>Terminal growth<br>Cost of Debt (USD, pre-tax)  | 12.4%-15.5% (12.8%)<br>3%-3% (3%)<br>8.5%-8.5% (8.5%)                                    |
| Building construction, developing and associated works                                    | 7.8             | NAV   | n/a   | n/a  |
| Manufacturing   | 4.1             | Comparative method                          | EV/EBITDA (defence/security systems)<br>EV/EBITDA (microelectronics)  | 6.22-10.22 (8.22)<br>7.99-11.99 (9.99)   |
| Trade and commerce  | 3.5             | NAV   | n/a   | n/a  |
| Air transport   | 2.2             | Market comparable companies                 | EV/pax, comparable airports   | 94.6 - 115.6 (105.1)   |
| Banks, leasing and other finance companies  | 1.3             | Discounted cash flow                        | Weighted average cost of capital<br>Exit multiple   | 11.3%-15.3% (13.3%)<br>0.6-1 (0.8)   |
|   | 0.5             | Other                                       | n/a   | n/a  |
| Railway vehicle construction  | 0.8             | Discounted Cash flow;<br>EV/EBITDA multiple | Change in Rental Rate<br>Change in Price of Railcars  | -5% - +5% (0%)<br>-6% - +6% (0%)   |
| Other mechanical engineering  | 0.5             | Discounted cash flow                        | Weighted average cost of capital<br>Terminal growth<br>Cost of Debt   | 10%-20% (15.2%)<br>2%-7% (5%)<br>6%-10% (8.3%)   |
| Other economic sectors  | 2.8             | Other                                       | n/a   | n/a  |
| <b>Investments in associates and joint ventures at fair value through profit or loss</b>  |                 |   |   |  |
| Telecommunication   | 53.1            | Discounted cash flow                        | Weighted average cost of capital<br>Terminal growth<br>Minutes of use additional growth<br>CAGR in 2G subscribers<br>Long-term CAPEX/Sales ratio after 2020 | 13.1%-15.1% (14.08%)<br>1%-5% (3%)<br>-1.5%-1.5% (0%)<br>-4.65% - -0.65%<br>5.77%-11.77% |
| Building construction and development   | 5.6             | Discounted Dividend flow                    | Weighted average cost of capital  | 14.4%-22.8% (17.1%)  |
|   | 0.7             | Discounted Cash flow;<br>EV/EBITDA multiple | Change in Growth of Cards Sold (%)<br>Change in PT Growth per Client (%)  | -2% - +2% (0%)<br>-5% - +5% (0%)   |

**33. Fair Values of Financial Instruments (continued)**

**Impact on fair value of Level 3 financial instruments of changes to key assumptions (continued)**

The following table shows the quantitative information as at 31 December 2013 about significant unobservable inputs used in the fair value measurement categorized within Level 3 of the fair value hierarchy:

| 31 December 2013   | Carrying amount | Valuation techniques        | Unobservable input description  | Input   |
|--|-----------------|-----------------------------|---|---|
| <b>Financial assets held for trading, including pledged under repurchase agreements</b>  |                 |                             |   |   |
| <b>Equity securities</b>   |                 |                             |   |   |
| Other economic sectors   | 4.4             | Net asset value             | n/a   | n/a   |
| <b>Derivative financial instruments</b>  |                 |                             |   |   |
| Foreign exchange   | 5.1             | Discounted Cash flow        | BYR interest rate curve   | 20%-30% / (25%)   |
| Interest rate derivatives  | 1.2             | Discounted Cash flow        | CDS spread  | 1.64%-4.59% / (3.12%)   |
| Embedded derivatives on structured instruments   | 0.3             | Modified Black model        | CDS spread  | 6.96%-8.69% / (7.69%)   |
| Equity options   | (6.3)           | Option model                | Volatility  | 10%-30% / (20%)   |
| <b>Financial assets designated as at fair value through profit or loss</b>               |                 |                             |   |   |
| <b>Equity securities</b>   |                 |                             |   |   |
| Mass Media   | 13.6            | Net asset value             | n/a   | n/a   |
| Finance companies and banks  | 1.7             | Net asset value             | n/a   | n/a   |
| Other economic sectors   | 0.2             | Net asset value             | n/a   | n/a   |
| <b>Debt securities</b>   |                 |                             |   |   |
| Finance companies and banks  | 5.3             | Probable yield              | Volatility  | 10%-30% / (20%)   |
| <b>Derivative financial instruments designated as hedging instruments</b>                |                 |                             |   |   |
| Equity forward   | 7.8             | Forward model               | CDS spread<br>Fair value of underlying equity investment  | 4.5%-6.5% / (5.5%)<br>RUR 4.7 billion – RUR 6.2 billion<br>(RUR 6.2 billion)                |
| <b>Financial Assets Available-for-Sale</b>   |                 |                             |   |   |
| Non-ferrous metals   | 6.3             | Discounted cash flow        | Weighted average cost of capital<br>Terminal growth<br>Cost of Debt   | 12.4%-15.5% / (12.8%)<br>3%-3% / (3%)<br>8.5%-8.5% / (8.5%)                                 |
| Finance companies, banks and leasing companies   | 2.4             | Net asset value             | n/a   | n/a   |
|  | 1.2             | Discounted cash flow        | Weighted average cost of capital<br>Utilization Rate<br>Change in Price of Railcars<br>Change in Rental Rate  | 8%-12% / (9.97%)<br>97%-100% / (98.50%)<br>-6%-6% / (0%)<br>-5%-5% / (0%)                   |
|  | 1.1             | Discounted cash flow        | Weighted average cost of capital<br>exit multiple   | 12.3%-16.3% / (14.3%)<br>0.6%-1% / (0.8%)   |
| Trade and commerce   | 2.0             | Net asset value             | n/a   | n/a   |
| Manufacturing  | 4.1             | Comparative method          | EV/EBITDA (defense/security systems)<br>EV/EBITDA (microelectronics)  | 6.22-10.22 / (8.22)<br>7.99-11.99 / (9.99)  |
| Real estate  | 0.5             | Other                       | Real estate prices  | -10%-10% / (0%)   |
| Air transport  | 1.8             | Market comparable companies | EV/pax, comparable airports   | 100-132.9 / (123.22)  |
| Building construction  | 3.2             | Other                       | n/a   | n/a   |
| Other mechanical engineering   | 0.5             | Discounted cash flow        | Weighted average cost of capital<br>Terminal growth<br>Cost of Debt   | 10%-20% / (15.2%)<br>2%-7% / (5%)<br>6%-10% / (8.3%)  |
| Other economic sectors   | 1.4             | Net asset value             | n/a   | n/a   |
| <b>Investments in associates and joint ventures at fair value through profit or loss</b> |                 |                             |   |   |
| Telecommunications   | 53.1            | Discounted cash flow        | Weighted average cost of capital<br>Terminal growth<br>Minutes of use additional growth<br>CAGR in 2G subscribers<br>Long-term CAPEX/Sales ratio after 2020 | 13.1%-15.1% / (14.08%)<br>1%-5% / (3%)<br>-1.5%-1.5% / (0%)<br>-4.65%-0.65%<br>5.77%-11.77% |
| Building construction and development  | 2.1             | Discounted dividend flow    | Weighted average cost of capital<br>Base equity risk premium  | 14.4%-22.8% / (17.1%)<br>7%-8% / (7.5%)   |

## 33. Fair Values of Financial Instruments (continued)

## Impact on fair value of Level 3 financial instruments of changes to key assumptions (continued)

The following table shows the quantitative information about sensitivity of the fair value measurement categorized within Level 3 of the fair value hierarchy to changes in significant unobservable inputs:

|   | 30 September 2014<br>(unaudited) |   | 31 December 2013 |   |
|---|----------------------------------|---|------------------|---|
|   | Carrying amount                  | Effect of reasonably possible alternative assumptions | Carrying amount  | Effect of reasonably possible alternative assumptions |
| Non-derivative financial assets held for trading, including pledged under repurchase agreements | 40.5                             | 39.9-41.2   | 4.4              | 4.4-4.4   |
| Trading derivative financial instruments  | 11.6                             | 11.6-11.6   | 0.3              | 0.3-0.3   |
| Financial assets designated as at fair value through profit or loss                             | 10.8                             | 10.8-10.8   | 20.8             | 19.6-20.1   |
| Investment financial assets – available-for-sale, including pledged under repurchase agreements | 33.2                             | 31.1-38.4   | 24.5             | 20.2-26.8   |
| Investments in associates and joint ventures designated as at fair value through profit or loss | 59.4                             | 50.2-68.9   | 55.2             | 46.3-64.8   |
| Derivative financial instruments designated as hedging instruments                              | 9.6                              | 6.9-10.0  | 7.8              | 7.5-9.5   |

## Methods and assumptions for Level 2 financial instruments

The fair value of financial assets at fair value through profit or loss, available-for-sale and derivative financial instruments valued according to Level 2 models was estimated based on DCF (projected cash flows) method using the assumption of future coupon payment and recent transactions prices. The fair value of structured financial assets was estimated based on stochastic modelling (Level 2 model). Probability models were calibrated using market indicators (currency forward, ITRAX Index). Value at Risk was calculated based on full historical recalculation and Monte-Carlo simulation.

## Fair value of financial assets and liabilities not carried at fair value

Set out below is a comparison by class of the carrying amounts and fair values of the Group's financial instruments that are not carried at fair value in the consolidated statement of financial position. The table does not include the fair values of non-financial assets and non-financial liabilities.

|  | 30 September 2014<br>(unaudited) |            | 31 December 2013 |            |
|--|----------------------------------|------------|------------------|------------|
|  | Carrying amount                  | Fair value | Carrying amount  | Fair value |
| <b>Financial assets</b>  |                                  |            |                  |            |
| Cash and short-term funds  | 448.9                            | 448.9      | 354.3            | 354.3      |
| Mandatory cash balances with central banks                                     | 68.7                             | 68.7       | 58.7             | 58.7       |
| Financial assets, other than loans, pledged under repurchase agreements        | –                                | –          | 0.1              | 0.1        |
| Due from other banks, including pledged under repurchase agreements            | 305.6                            | 299.2      | 446.2            | 447.8      |
| <i>Russia</i>  | 170.1                            | 163.8      | 101.2            | 101.7      |
| <i>OECD</i>  | 90.6                             | 90.7       | 303.8            | 303.9      |
| <i>Other countries</i>   | 44.9                             | 44.7       | 41.2             | 42.2       |
| Loans and advances to customers, including pledged under repurchase agreements | 7,515.8                          | 7,574.7    | 6,259.6          | 6,383.0    |
| <i>Loans to legal entities</i>   | 5,818.5                          | 5,823.2    | 4,821.7          | 4,884.4    |
| <i>Loans to individuals</i>  | 1,697.3                          | 1,751.5    | 1,437.9          | 1,498.6    |
| Investment securities held-to-maturity   | 0.8                              | 0.8        | 0.7              | 0.7        |
| Financial assets within assets of disposal groups held for sale                | 2.3                              | 2.3        | 6.9              | 6.9        |
| Other financial assets   | 91.4                             | 91.4       | 66.4             | 66.4       |
| <b>Financial liabilities</b>   |                                  |            |                  |            |
| Due to other banks   | 614.3                            | 617.6      | 666.6            | 679.9      |
| Customer deposits  | 5,321.4                          | 5,271.3    | 4,341.4          | 4,299.2    |
| <i>Deposits of legal entities</i>  | 3,373.0                          | 3,332.2    | 2,548.0          | 2,528.8    |
| <i>Deposits of individuals</i>   | 1,948.4                          | 1,939.1    | 1,793.4          | 1,770.4    |
| Other borrowed funds   | 1,746.4                          | 1,750.9    | 1,485.9          | 1,496.5    |
| Debt securities issued   | 755.0                            | 749.6      | 738.2            | 743.6      |
| Subordinated debt  | 118.6                            | 113.3      | 291.0            | 288.4      |
| Financial liabilities within liabilities of disposal groups held for sale      | 1.0                              | 1.0        | 13.4             | 13.4       |
| Other financial liabilities  | 55.8                             | 55.8       | 25.5             | 25.5       |

**33. Fair Values of Financial Instruments (continued)****Impact on fair value of Level 3 financial instruments of changes to key assumptions (continued)**

The following describes the methodologies and assumptions used to determine fair values for those financial instruments which are not already recorded at fair value in the financial statements.

*Assets for which fair value approximates carrying value.* For financial assets and financial liabilities that are liquid or having a short term maturity it is assumed that the carrying amounts approximate to their fair value. This assumption is also applied to customer current/settlement deposits without a specific maturity.

*Fixed and variable rate financial instruments.* For quoted debt instruments the fair values are determined based on quoted market prices. The fair values of unquoted debt instruments are estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities.

**34. 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 of the Group and are stated in the tables below:

**Statements of financial position**

|  | <b>30 September 2014</b>                |  | <b>31 December 2013</b>                 |  |
|--|---|--|---|--|
|  | <i>(unaudited)</i>                      |  |   |  |
|  | <b>Government-<br/>related entities</b> | <b>Associates and<br/>joint ventures<br/>and other</b> | <b>Government-<br/>related entities</b> | <b>Associates and<br/>joint ventures<br/>and other</b> |
| <b>Assets</b>  |   |  |   |  |
| Cash and short-term funds  | 155.2                                   | 0.3  | 135.3                                   | 0.3  |
| Mandatory reserve deposits with central banks                                  | 59.3                                    | –  | 48.7                                    | –  |
| Financial assets at fair value through profit or loss                          | 89.7                                    | –  | 128.5                                   | 1.9  |
| Financial assets, other than loans, pledged under repurchase agreements        | 158.8                                   | –  | 146.5                                   | 0.1  |
| Due from other banks, including pledged under repurchase agreements            | 106.2                                   | 0.9  | 42.5                                    | 0.2  |
| Loans and advances to customers, including pledged under repurchase agreements | 1,821.0                                 | 90.3   | 1,436.9                                 | 127.4  |
| Allowance for loan impairment  | (20.8)                                  | (4.8)  | (18.5)                                  | (6.7)  |
| Investment financial assets  | 42.6                                    | –  | 48.8                                    | 0.1  |
| Other assets   | 10.8                                    | 0.2  | 40.5                                    | 3.7  |
| <b>Liabilities</b>   |   |  |   |  |
| Due to other banks   | 217.8                                   | 16.9   | 253.8                                   | 5.4  |
| Customer deposits  | 1,820.8                                 | 31.9   | 1,178.4                                 | 48.8   |
| Other borrowed funds   | 1,527.3                                 | –  | 1,190.9                                 | –  |
| Subordinated debt  | 2.3                                     | 0.2  | 201.5                                   | 0.2  |
| Other liabilities  | 17.3                                    | 0.4  | 3.3                                     | 0.5  |
| <b>Credit Related Commitments</b>  |   |  |   |  |
| Guarantees issued  | 488.6                                   | 6.8  | 400.5                                   | 6.6  |
| Import letters of credit   | 9.1                                     | –  | 13.6                                    | –  |
| Undrawn credit lines   | 0.8                                     | –  | 1.3                                     | –  |
| Commitments to extend credit   | –                                       | –  | 0.1                                     | –  |

## 34. Related Party Transactions (continued)

## Income statements

|  | <i>For the nine-month period<br/>ended 30 September</i> |             |
|--|---|-------------|
|  | <b>2014</b>   | <b>2013</b> |
| <b>Interest income</b>                                   |   |             |
| Loans and advances to customers                          | 104.9   | 81.2        |
| Securities   | 22.2  | 17.1        |
| Due from other banks                                     | 2.0   | 1.5         |
| <b>Interest expense</b>                                  |   |             |
| Due to other banks and other borrowed funds              | (91.2)  | (53.0)      |
| Customer deposits  | (68.5)  | (42.8)      |
| Subordinated debt  | (12.4)  | (12.7)      |
| Provision charge for impairment of debt financial assets | (2.1)   | (5.7)       |

Gains net of losses arising from associates and joint-ventures designated as at fair value through profit or loss are disclosed in the Note 22.

For the nine month-period ended 30 September 2014, the total remuneration of the directors and key management personnel of the Group including pension contributions amounted to RUR 5.3 billion (30 September 2013: RUR 7.9 billion). Key management personnel include VTB Supervisory Council, VTB Management Board, VTB Statutory Audit Committee and key management of subsidiaries. Loans to the key management personnel as at 30 September 2014 amounted to RUR 0.3 billion (31 December 2013: RUR 0.7 billion). Compensation to key management personnel primarily consists of short term employee benefits.

## 35. Capital Management and Capital Adequacy

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of its business.

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 September 2014 and 31 December 2013, the Bank's capital adequacy ratio on this basis exceeded the statutory minimum.

The Group's international risk based capital adequacy ratio is computed in accordance with the Basel Accord guidelines issued in 1988, with subsequent amendments including the amendment to incorporate market risks.

**35. Capital Management and Capital Adequacy (continued)**

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

|  | <b>30 September<br/>2014<br/>(unaudited)</b> | <b>31 December<br/>2013</b> |
|--|--|-----------------------------|
| <b>Tier 1 capital</b>  |  |                             |
| Share capital  | 352.1  | 138.1                       |
| Share premium  | 433.8  | 433.8                       |
| Perpetual loan participation notes   | 88.6   | 73.6                        |
| Treasury shares and bought back perpetual loan participation notes             | (6.7)  | (3.6)                       |
| Retained earnings  | 201.3  | 262.0                       |
| Unrealized gain on financial assets available-for-sale and cash flow hedge     | (4.4)  | 3.0                         |
| Currency translation difference  | 24.6   | 12.5                        |
| Non-controlling interests  | 22.5   | 7.6                         |
| Deducted: Goodwill   | (120.4)                                      | (120.4)                     |
| <b>Total Tier 1 capital</b>  | <b>991.4</b>                                 | <b>806.6</b>                |
| <b>Tier 2 capital</b>  |  |                             |
| Land and premises revaluation reserve  | 19.5   | 20.1                        |
| Subordinated debt  | 91.1   | 271.9                       |
| <b>Total Tier 2 capital</b>  | <b>110.6</b>                                 | <b>292.0</b>                |
| <b>Total capital before deductions</b>   | <b>1,102.0</b>                               | <b>1,098.6</b>              |
| Deducted: Investments in the capital of other banks and financial institutions | (6.2)  | (5.8)                       |
| <b>Total capital after deductions</b>  | <b>1,095.8</b>                               | <b>1,092.8</b>              |
| <b>Risk-weighted assets</b>  |  |                             |
| Credit risk  | 8,235.5                                      | 6,735.8                     |
| Market risks   | 759.2  | 695.0                       |
| <b>Total risk-weighted assets</b>  | <b>8,994.7</b>                               | <b>7,430.8</b>              |
| <b>Tier 1 capital ratio to total risk-weighted assets</b>                      | <b>11.0%</b>                                 | <b>10.9%</b>                |
| <b>Total capital ratio to total risk-weighted assets</b>                       | <b>12.2%</b>                                 | <b>14.7%</b>                |

**36. Consolidated Subsidiaries, Business Combinations and Disposal of Subsidiaries**

In the first quarter 2014, the Group disposed of its shares in “Orenburgskaya burovaya kompaniya” to a government-related entity for the total consideration of RUR 2.8 billion. The gain from disposal of subsidiary amounted to RUR 1.2 billion.

In March 2014, the Group disposed of “Russian National Commercial Bank”, OJSC for total consideration RUR 1.2 billion. The loss from disposal of subsidiary amounted to RUR 0.1 billion.

In February 2014, the Group acquired 95% share in “Moscow invest-construction company”, OJSC for RUR 0.7 billion, which was equal to the fair value of the acquiree’s net assets.

In March 2014, the Group obtained control over “Construction management Cosmos-M”, LLC. As a result of acquisition, the Group recognized and subsequently impaired goodwill in the amount of RUR 0.5 billion.

In June 2014, the Group disposed of its shares in “Office-Hotel complex, LLC” for the total consideration of RUR 5.1 billion. The gain from disposal of subsidiary amounted to RUR 0.1 billion.

In April 2014, the Group acquired 100% of the shares of the “Velozavodsky Market”, OJSC for RUR 0.5 billion, 100% shares of the “Kuntsevsky Market”, OJSC for RUR 0.7 billion and 100% shares of MGKL “Mosgorlombard”, OJSC for RUR 0.7 billion. For each company the consideration given was equal to the fair value of the acquiree’s net assets.

In April 2014, the Group acquired 100% of the shares of open joint stock company “Hotel Company”, open joint stock company “Agrokombinat yuzhnyj”, open joint stock company “Aviapark”. For each company the consideration given was equal to the fair value of the acquiree’s net assets.

**36. Consolidated Subsidiaries, Business Combinations and Disposal of Subsidiaries (continued)**

In June 2014, the Group obtained 74.4% controlling share in the open joint stock company “Bumazhno-poligraficheskoe obyedinenie Pechatniki” as a result of the debt settlement agreement with ZAO Investlesprom, which resulted in control over “Print House “Pushkinskaya ploshad”, OJSC and “Media Center”, OJSC.

The acquisition date fair values of identifiable assets and liabilities acquired by the Group during nine months ended 30 September 2014 were based on the valuation provided by the experienced independent valuation firms and were as follows:

|  | “Hotel<br>Company”,<br>OJSC | “Agrokombinat<br>yuzhnyj”,<br>OJSC | “Bumazhno-<br>poligraficheskoe<br>obyedinenie<br>Pechatniki”,<br>OJSC | “Aviapark”, Ltd. |
|--|-----------------------------|------------------------------------|---|------------------|
| <b>Assets</b>  |                             |                                    |   |                  |
| Cash and short-term funds                                  | 0.2                         | –                                  | 0.6   | –                |
| Due from other banks                                       | 3.2                         | –                                  | –   | –                |
| Premises and equipment                                     | 16.1                        | 3.9                                | 2.2   | –                |
| Investment property  | –                           | –                                  | –   | 4.4              |
| Other assets   | 0.2                         | 0.3                                | 0.7   | –                |
| <b>Total assets</b>  | <b>19.7</b>                 | <b>4.2</b>                         | <b>3.5</b>  | <b>4.4</b>       |
| <b>Liabilities</b>   |                             |                                    |   |                  |
| Due to other banks and other borrowed funds                | –                           | 0.4                                | –   | –                |
| Deferred tax liability                                     | –                           | 0.1                                | 0.1   | –                |
| Other liabilities  | 0.3                         | 0.3                                | 0.3   | –                |
| <b>Total liabilities</b>                                   | <b>0.3</b>                  | <b>0.8</b>                         | <b>0.4</b>  | <b>–</b>         |
| <b>Fair value of identifiable net assets of subsidiary</b> | <b>19.4</b>                 | <b>3.4</b>                         | <b>3.1</b>  | <b>4.4</b>       |
| <b>Goodwill</b>  |                             |                                    |   |                  |
| Consideration given  | 19.4                        | 3.4                                | 2.6   | 4.4              |
| Non-controlling interest                                   | –                           | –                                  | 0.5   | –                |
| Less: fair value of identifiable net assets of subsidiary  | (19.4)                      | (3.4)                              | (3.1)   | (4.4)            |
| <b>Total Goodwill</b>                                      | <b>–</b>                    | <b>–</b>                           | <b>–</b>  | <b>–</b>         |

If all acquisitions of the Group during the nine-month period ended 30 September 2014 had taken place at the beginning of the period, the net profit and operating income of the Group would not have been materially different.

In August 2014, the Group increased its share in “Hals-Development”, OJSC to 93.51% from 51.24% by purchasing 4,741,540 ordinary shares for RUR 7.3 billion from third party shareholders. As a result retained earning of the Group decreased by RUR 21.5 billion and non-controlling interests decreased by RUR by 14.2 billion. In September 2014 the Group made a mandatory offer to purchase the remaining 728,271 shares of “Hals-Development”, OJSC from their owners at 1,543 RUR for a share. The period of time for acceptance of the mandatory offer has been 70 days from the date the information on mandatory offer was published.

In September 2014, the Group disposed of its shares in “Aviapark”, Ltd. for RUR 4.4 billion with no gain or loss recognised in profit or loss.

**36. Consolidated Subsidiaries, Business Combinations and Disposal of Subsidiaries (continued)**

In September 2014 due to current legislation requirements applicable to non-state pension funds, Non-state pension fund "VTB Pension Fund" has changed its legal form to opened joint stock company. The Group obtained control over VTB Pension Fund for RUR 0.2 billion. Starting from financial statements for the nine months ended 30 September 2014 the Group has consolidated the Pension fund using business combination method under IFRS 3. As a result of acquisition, the Group recognised and subsequently impaired goodwill in the amount of RUR 0.2 billion. The provisional fair value of the identified assets and liabilities as at the acquisition date were as follows:

|   |             |
|---|-------------|
| <b>Assets</b>   |             |
| Cash and short-term funds   | 1.6         |
| Financial assets at fair value through profit or loss               | 52.3        |
| Due from other banks, including pledged under repurchase agreements | 13.5        |
| Deferred tax asset  | 0.1         |
| <b>Total assets</b>   | <b>67.5</b> |
| <b>Liabilities</b>  |             |
| Other liabilities   | 67.5        |
| <b>Total liabilities</b>  | <b>67.5</b> |
| <b>Fair value of identifiable net assets of subsidiary</b>          | <b>–</b>    |
| <b>Goodwill:</b>  |             |
| Consideration given   | 0.2         |
| Less: fair value of identifiable net assets of subsidiary           | –           |
| <b>Goodwill</b>   | <b>0.2</b>  |

Other liabilities of RUR 66.7 billion represent pension liabilities accounted under IFRS 4 Insurance contracts.

**37. Subsequent Events**

In October 2014 the Group sold to third non-related parties its 100% stake in "Bank Moscow-Minsk", OJSC for USD 55.7 million (RUR 2.4 billion).

In September 2014, the Supervisory Council of VTB Bank approved an increase in the equity capital of RCB Bank Ltd., its Cyprus-based majority-owned subsidiary, through the issuance of additional common shares. The newly issued shares are planned to be acquired by a third party financial institution, and when and if the issuance is completed, the Group's ownership interest in RCB Bank Ltd. will be decreased to 46.29%. The completion of the issuance is subject to certain conditions which have not been met as of the date of approval of these financial statements.

In October 2014 the "Bank of Moscow", OJSC received control over 76% controlling shares of Investstroy-15, CJSC as a result of the debt settlement with the investee. As at the date of these financial statements were authorised for issue the initial accounting was incomplete and provisional amounts were not determined due to close timing of the acquisition to the reporting and issue date, the information on fair value of acquired assets and liabilities and consideration given was in the process of preparation and analysis.