



World without barriers

Annual report

2009



Presence Overcoming Distance

Cooperation with VTB, an international financial group, enables you to control all your business processes, no matter where you are.



Mission and values

Mission

To provide world-class financial services for a sustainably better future for our customers, our shareholders and our society.

Values

Customer confidence. Our customers' confidence is our most important value.

Reliability. Our prominent position in financial markets, our international expertise and our global scale guarantee our strength and reliability.

Transparency. Our business is open and transparent with a focus on partnership and cooperation.

Versatility. Our expertise in different financial areas allows us to offer all customers comprehensive and sophisticated solutions.

Team Spirit. Our dedicated team of professionals has the advantage of the synergy of knowledge, potential, energy and creative insight of each team member.

Vision

VTB will be a champion in all our target markets.

Identity

VTB Group is the leading Russian financial institution with global presence and scale.

Statement of the Chairman of the Supervisory Council



Dear shareholders, clients and partners,

Looking back at 2009, we are pleased that within the overall context of the global economic crisis Russia managed to avoid the worst fears of the market. The domestic economy largely overcame the issues posed by the crisis and even entered the first stage of economic recovery.

The current state of the national banking sector can also be considered in a positive light as, in general, it has already achieved stability. The measures undertaken by the Government and the Bank of Russia to support banks in the second half of 2008 and throughout 2009 generally overcame the lack of liquidity in the market and maintained the stability of the financial system by meeting the credit supply needs of the real economy. Furthermore, by the end of the year, it was evident that the large-scale crisis of bad debt, which had been predicted by some experts, had also been avoided.

At the same time, our financial sector still faces major problems, as the limited diversification of resources, combined with the low availability of loans to companies and individuals, remains an issue in the market. Early solutions to these problems will be the key factors in putting the country back on a path to further economic growth.

I am pleased to note that VTB passed through the crisis steadfastly. The Group not only maintained financial stability, but also continued to develop its main business areas. Despite significantly worsening economic conditions, VTB managed to increase its market share in both its corporate and retail businesses. At the same time, VTB Group took the leading position in the Russian market for investment banking services.

This positive outcome has been driven by timely decision-making and proper prioritisation. At the end of 2008, the Supervisory Council approved the core guidelines for the Bank's activities during the period of financial instability and, in the reporting period, the VTB management team concentrated their efforts on implementing anti-crisis measures in the most efficient manner.

Analysing the 2009 results, it is important to note the speed with which the Bank's Supervisory Council and its executive management interacted. It was these prompt and effective decisions at the operational level of governance that enabled the Bank to maintain strong positions in its operating markets, even at the most critical stages of the crisis.

In 2009, VTB Bank issued and placed an additional RUB 180 billion of ordinary shares. The Bank required this secondary placement in order to increase its capital and lending volumes to the real sector of the economy. The funds raised were used to accumulate assets in the Bank's corporate and retail businesses. Most of the placed VTB shares were purchased by the State and this acquisition was a profitable investment of budgetary resources by the State as VTB's share price had subsequently risen 45% by the end of 2009.

While fulfilling its anti-crisis objectives, VTB remained focused on developing its corporate governance system further in accordance with international best practice. In 2009, two new independent directors became members of the Supervisory Council. This step is intended to enhance the transparency of the Council's decisions and to enable better responsiveness to the interests of shareholders.

The results of the anti-crisis programme encouraged the Supervisory Council to set a new objective to prepare a strategy for the Bank's development from 2010 to 2013, taking into account the new conditions created by the external environment and the Bank's business priorities. The main objective of the new strategy is to increase VTB shareholder value and the efficiency of all the Group's business

areas. It is expected that the new strategy will be adopted in mid-2010.

During the reporting period, the Group introduced a number of serious restrictions on the remuneration of the management team. Nevertheless, we consider that the creation of an effective incentive scheme for managers is one of the key factors contributing to VTB's dynamic development and its growth in shareholder value. That is why, in 2009, the Staff & Remuneration Committee, which is responsible for developing a strategy for VTB in this area, was formed under the auspices of the Supervisory Council. The Supervisory Council, together with the Committee, intends to develop a long-term employee motivation plan for senior managers of the Group whose activities directly influence the stock market value. The purpose of the programme is to align the remuneration of the management team strictly with specific financial results and attaining targets for the growth in shareholder value.

2010 is expected to be a turning point for VTB Bank. We must move forward from successfully implementing the anti-crisis programme to realising a long-term strategy of maximising the Bank's value. Our shareholders are anticipating that we can successfully accomplish this objective and I am confident that VTB has the potential to achieve its new strategic goals.

I would like to extend our gratitude to the Bank's shareholders and partners for their support during the crisis, and to our clients for their loyalty and trust.

*Deputy Prime Minister of the Government of the Russian Federation –
Finance Minister of the Russian Federation,
Chairman of the Supervisory Council of JSC VTB Bank*

Alexei L. Kudrin



Statement of the President and Chairman



Dear shareholders, clients and partners,

The global financial crisis, which was fully manifested in Russia during 2009, presented a serious challenge for VTB Group. Nevertheless, we managed to minimise its impact and produce significant achievements across all of our business areas. VTB made considerable progress in developing its retail bank, VTB24, and its investment bank, VTB Capital, both of which are already contributing significantly to the Group's revenue and operating profits. Due to our secure funding structure, we also succeeded in expanding our customer base by strengthening relationships with corporate clients during the year.

In 2009, VTB retained its leading position in corporate banking and increased its lending market share in Russia from 12.7% at the end of 2008 to 13.0%.

The first half of 2009 was characterised by a marked economic slowdown, which inevitably impacted the ability of many corporate customers to meet their obligations. The priority in this climate has been to monitor the loan book rigidly and stay close to customers. This has enabled VTB to identify potential problems at an early stage and work with customers to identify strategies to support the business while protecting the interests of the Bank and its shareholders.

As one of the few banks open for business throughout the crisis, VTB was able to win major customers in key sectors of the economy. The Bank's readiness, despite a conservative approach to risk, to engage constructively with businesses and support them when other sources of finance were unavailable, was appreciated by both existing clients

and those who, as a result of the crisis, have become clients for the first time. The strategic role that VTB played in refinancing industry leaders in Russia has opened up new perspectives for both the corporate and investment banking.

At the end of 2009, the Group's total corporate debt financing in the form of loans and financing through public debt instruments increased 2% to RUB 2.4 trillion.

In 2009, VTB's retail business consolidated its position as the second largest player in retail banking. In retail lending, 2009 saw a significant shift to shorter term and higher-margin products. The total increase in the retail loan book (12.5% from the start of 2009) was mainly driven by the growth in consumer loans, which were up 17.8% to RUB 182.9 billion. During the year, the growth rate in the Group's retail loan portfolio was consistently above the market average, resulting in an increased market share of 10.2% in this segment. In a period of financial market instability, the Group successfully utilised its competitive advantages, including its stable capital base, strong VTB24 brand and state backing, to attract deposits. At the year-end, the Group's retail deposits increased 34.6% to RUB 476.5 billion, giving VTB 6.0% of the Russian market.

One of the key priorities for VTB in the last year was driving improvements in customer service. A continuing shift from a "product-oriented" approach to one based on customer value and developing loyalty programmes has delivered an improvement in customer satisfaction ratings.

In the first 18 months since the launch of VTB Capital, the Group's investment business took the leading positions in all major market segments, including the debt and equity capital markets and securities trading. In 2009, VTB Capital became the leader amongst arrangers of bond and Eurobond issues in the CIS and Eastern European markets, and its analysts were once again recognised as some

of the industry's best. VTB Capital more than achieved its objective of breaking even in its first full year of operations, reporting a pre-tax profit of RUB 16.4 billion in 2009.

The development of the corporate, investment and retail businesses enabled the Group to deliver a strong top-line performance at the end of 2009. During the reporting period, VTB Group's core income increased 33.3% to RUB 173.2 billion, while net interest income before provisions increased 34.0%, and net fee and commission income grew 28.8%. The net interest margin was 4.6% at the end of the reporting period, compared with 4.8% at the end of 2008. During 2009, the net interest margin continued to recover gradually. Thus, in the fourth quarter, the margin increased to 5.3% – the highest level in VTB's public history.

Against the backdrop of worsening economic conditions, VTB focused its efforts on managing costs, liquidity and risks. As a result of headcount reductions, the optimisation of business processes and reduced investment activity, the Group's costs grew at a slower rate than its income, and the ratio of costs to core income decreased from 51.9% in 2008 to 44.1%.

The weakened financial condition of some of the Group's clients understandably led to increased costs for provisions, and at the year-end these amounted to RUB 154.7 billion, or 5.7% of the average loan portfolio on an annualised basis. Nevertheless, given the improving economic environment during the course of the reporting period, the growth in provision costs began to decelerate, reaching 4.3% on an annualised basis in the fourth quarter of 2009. A significant growth in provision costs resulted in the Group posting a financial loss of RUB 59.6 billion.

Despite the difficult macroeconomic environment and instability in the banking sector, VTB made considerable progress in all business areas, which provides a solid foundation for the Group's successful development within the context of the economic growth that is anticipated in 2010.

Today, we are in the process of transitioning from an anti-crisis strategy to a strategy of efficient growth, which will be officially introduced in June 2010. The key priority of this strategy is to increase return on equity in the interests of VTB shareholders. In order to achieve this goal, the Group intends to utilise its unique market positions, benefiting from the synergies between the corporate, retail and investment banking businesses. Under the new strategy, the Group also intends to further align management with the interests of shareholders

by setting clear capital return targets for each business segment to drive operational and cost efficiencies within all of the Group's divisions.

In conclusion, I would like to express my gratitude to our colleagues for their professionalism and commitment, and to wish them success in achieving our new aims. I would also like to thank VTB's shareholders, clients and partners for their trust and support.

VTB Bank President and Chairman of the Management Board

Andrei L. Kostin

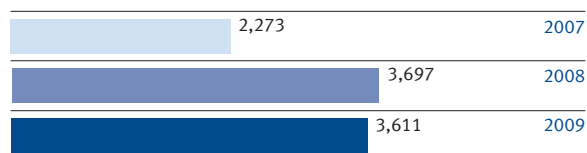


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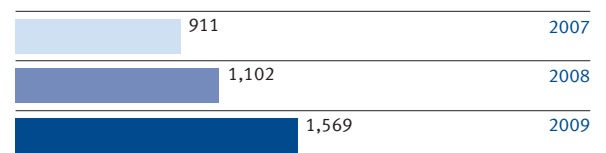
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1. Financial highlights¹

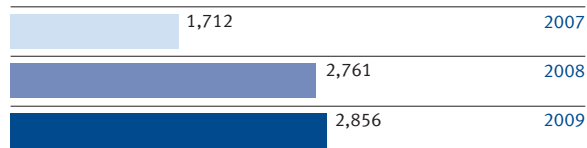
Total assets, RUB billion



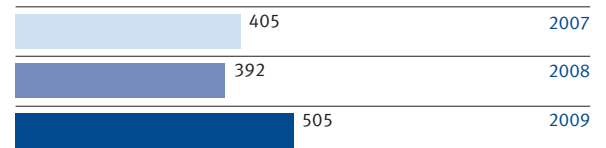
Customer deposits, RUB billion



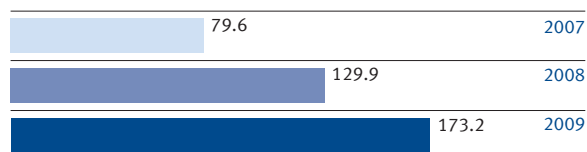
Customer debt financing², RUB billion



Total shareholders' equity, RUB billion

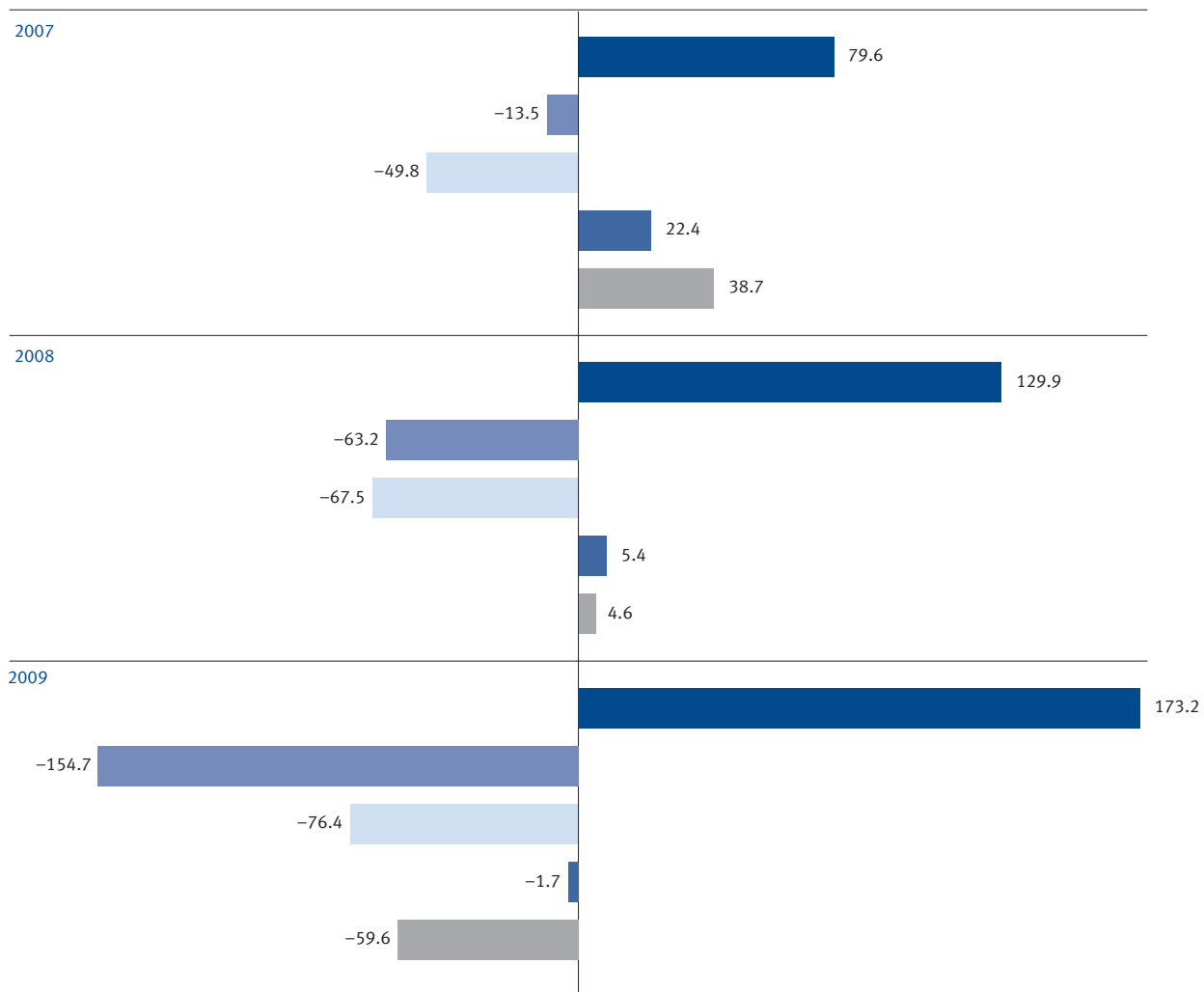


Core income³, RUB billion



1. This section is based on the IFRS consolidated financial statements of VTB Group for the years ended 31 December 2009 and 2008.
2. Customer debt financing consists of total gross loans and debt securities portfolio.
3. Core income consists of net fee and commission income and net interest income before provisions.

Financial performance, RUB billion



Core income
 Provision charge for loan impairment
 Staff and administrative expenses

Other items⁴
 Net result

4. Other items consist of gains/losses arising from dealing in foreign currencies, FX translation gains/losses, income from buy-back of bonds and subordinated debt, income arising from interbank note repayment, gain/loss from trading and AFS securities, loss on initial recognition of financial instruments and on loans restructuring, share in income of associates, net result arising from non-banking activities, other operating income, profit from disposal of subsidiaries and associates, income tax recovery/expense, provision charge for impairment of other assets and credit related commitments.

2. VTB's market position

VTB Group is the largest international financial group of Russian origin. VTB has organically combined corporate, retail and investment banking businesses, as well as non-banking financial services (insurance, factoring and leasing),

in order to offer a complete range of banking products to the market. The Group adopts a unified approach to customer relations and provides professional financial services in all countries where it operates.

Corporate banking	Retail banking	Investment banking
VTB provides services to large- and medium-sized companies, financial institutions, as well as government executive bodies and local authorities.	Focuses on working with individuals and small businesses.	The most dynamic area of activity of the Group. This segment focuses on serving the investment needs of financial institutions, companies and individuals, as well as government bodies.
<ul style="list-style-type: none"> Loans to large- and medium-sized businesses Trade and export financing Deposits and cash management services Leasing, factoring 	<ul style="list-style-type: none"> Loans to individuals and small businesses Deposits Payments Brokerage Private banking 	<ul style="list-style-type: none"> Research Global markets Global banking Investment management
64% ⁵ of the Group's total revenue in 2009 Assets: RUB 2,824 billion Loans: RUB 1,906 billion Deposits: RUB 1,014 billion	20% of the Group's total revenue in 2009 Assets: RUB 715 billion Loans: RUB 460 billion Deposits: RUB 518 billion	11% of the Group's total revenue in 2009 Profit before tax: RUB 16.4 billion in 2009

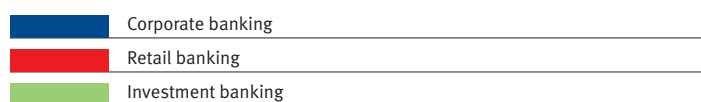
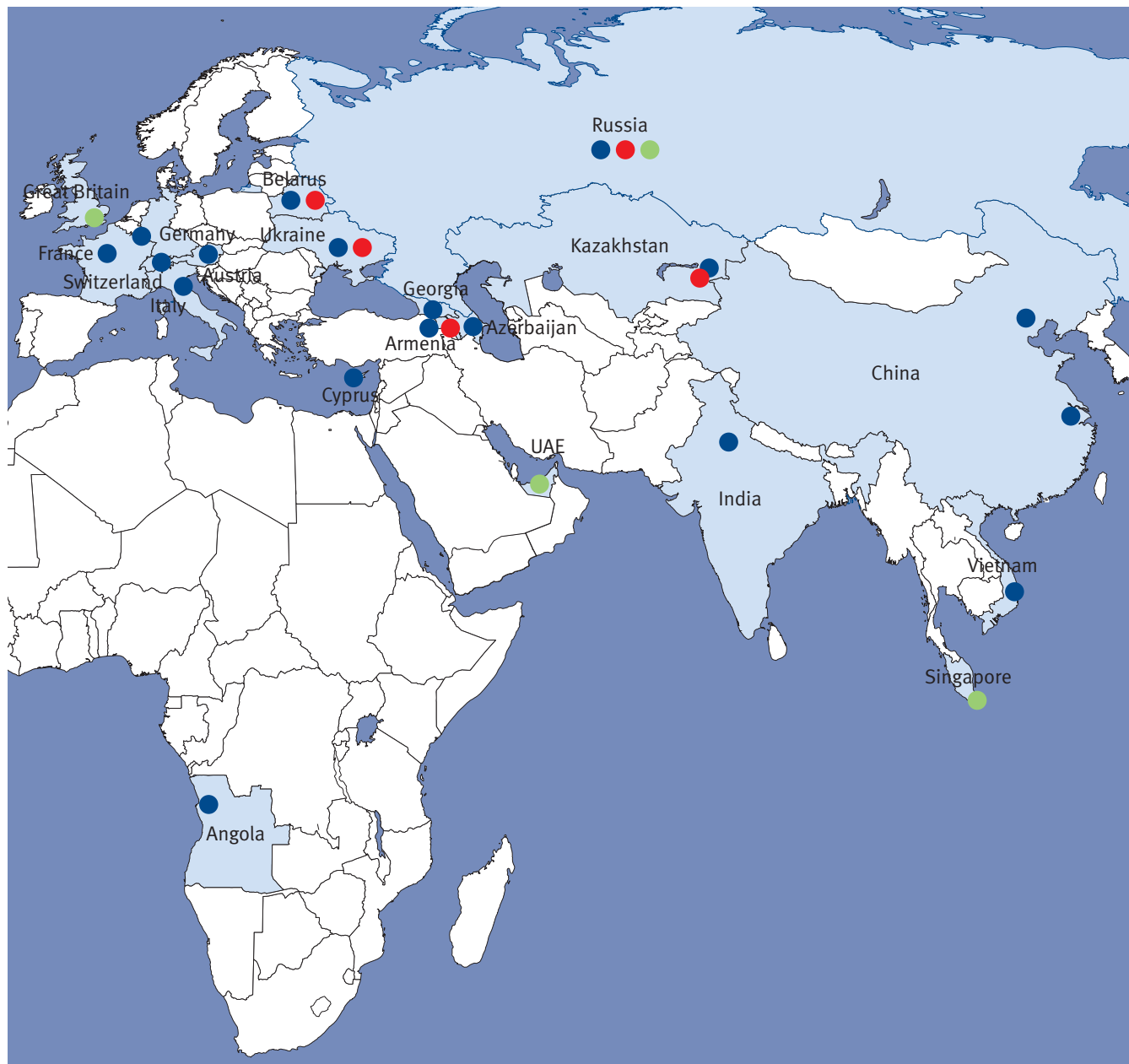
VTB Group in the Russian banking market

Segments	2007		2008		2009	
	Market share	Rank	Market share	Rank	Market share	Rank
Corporate loans	10.7%	2	12.7%	2	13.0%	2
Corporate accounts and deposits	10.2%	2	10.2%	2	12.7%	2
Retail loans	5.9%	3	8.8%	2	10.2%	2
Retail accounts and deposits	4.8%	2	5.7%	2	6.0%	2

Source: VTB Bank estimates are based on RAS financial results of VTB Bank, VTB24 and VTB North-West, the Bank of Russia data

5. Data presented as reported in VTB Bank's consolidated financial statements for the years ended 31 December 2009 and 2008, revenues presented excluding intragroup revenues. See note No. 36 "Analysis by segment" to the accounts.

VTB Group's international presence (including representative offices, subsidiaries and foreign branches):



Presence Overcoming Distance



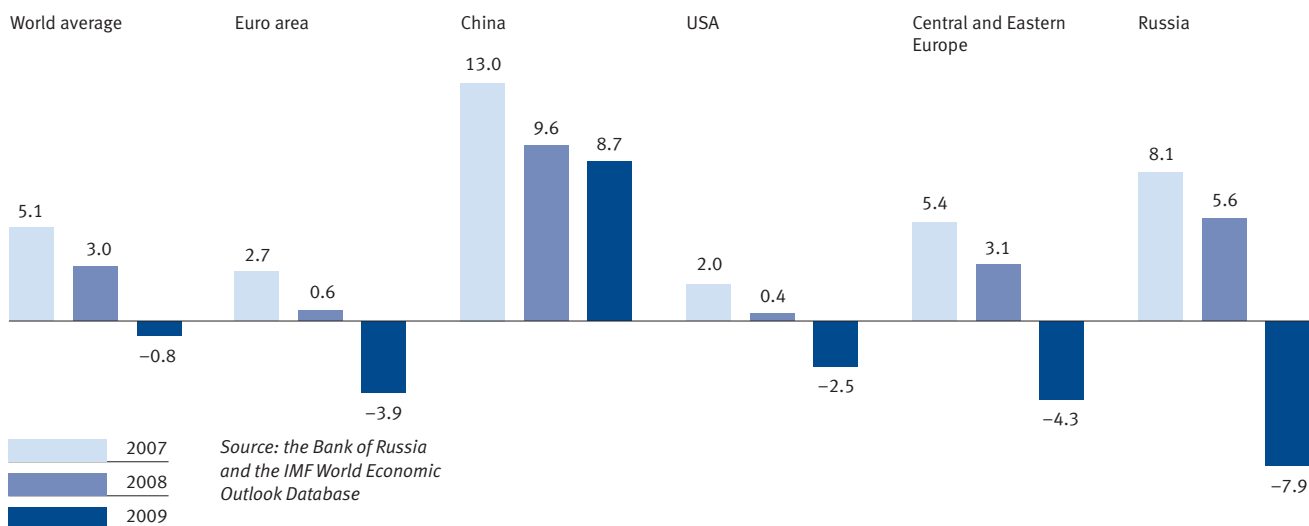
VTB is one of the few banks that continued to develop their business in 2009 and succeeded in attracting new customers in key sectors of the Russian economy. Its ability to set up mutually beneficial relations with borrowers and support them when other fund sources were not available was appreciated both by the existing corporate customers and those who switched to VTB's services last year.

Preserving Financial Stability



3. The economy and the financial sector

Real growth of Russian GDP compared with other countries, %



In 2009, the Russian economy experienced the effects of the global economic crisis to their full extent. At the year-end, national GDP totalled RUB 39 trillion, a decrease of 7.9% in real terms. The key driver for these negative dynamics was a decrease in the level of inventory, which was particularly prominent in the first half of the year. In 2009, retail turnover declined 5.5%, manufacturing output was reduced 10.8%, and fixed capital investments decreased 17%. Nevertheless, the second half of 2009 was marked by positive trends in the economy.

Domestic demand stabilised in August 2009, which was in part related to an increase in federal expenditures, positive changes in the labour market and sharp disinflation in the second half of the year. During the reporting period, the Russian population's disposable income grew 2.3%, despite a slight decline (of 2.8%) in real wages across the economy.

Overall, across the economy, companies reached pre-crisis levels of profitability, which will help to support further income growth throughout the population in the future.

In 2009, the inflation rate decreased significantly, to 8.8%, from 13.3% in 2008. During the autumn season, consumer pricing did not increase substantially, and in October there was actually deflation of 0.1% in the services sector for the first time in Russian history. A minimisation of inflationary pressure, as well as the need to resume bank lending and stimulate the economy, created the necessary conditions for the reduction of the Bank of Russia base rate by 425 basis points in 2009, down to a historic low of 8.75%.

At the end of February, the controlled depreciation of the national currency which began in the second half of 2008 came to an end and the average RUB/

USD exchange rate was 35.76. The rouble was maintained at an average RUB/USD exchange rate of 31.03 in June with the help of rising oil prices and lower expectations across the population of a 'second wave' in the financial crisis. At the end of the summer, the rouble was temporarily under pressure due to an increase in speculation regarding potential new problems in the banking sector and a new wave of depreciation, following which it again continued to gain strength. As a result, at the end of the year, the exchange rate for the national currency against the US dollar reached 29.94, 16% lower than the rate in February.

In 2009, the net capital outflow from the Russian private sector totalled USD 52.3 billion, which was significantly less than the outflow of USD 130 billion recorded in 2008. At the same time, the capital inflow was fixed at USD 4.5 billion and USD 11.6 billion in the third and fourth quarters, respectively.

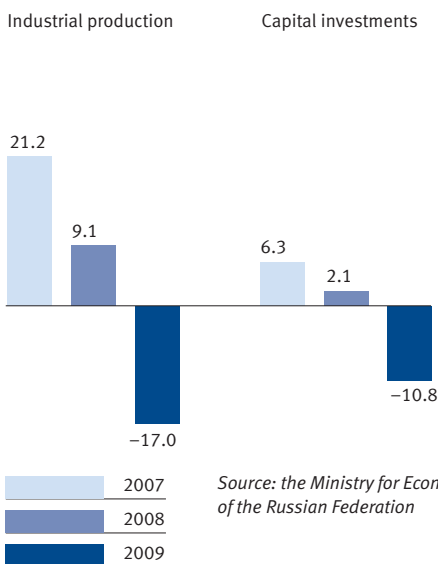
In the second half of 2009, Russian companies were better able to refinance and attract new capital loans, and Russian banks continued to

pay down their foreign debts. Overall, according to the Bank of Russia, Russia's gross foreign debt declined USD 10.2 billion in 2009 and amounted to USD 469.7 billion. Banking sector debt was reduced USD 40.7 billion, to USD 125.6 billion, while corporate debtors increased their external debt USD 18.4 billion up to USD 299.8 billion.

In 2009, the Russian banking sector showed positive trends; however, the growth of banks' loan portfolios was constrained by the complicated situation within the domestic economy and world financial markets, which in turn slowed down the industry's growth rates. The Russian banking sector's assets increased 5.0% during the year, compared with 39% growth in 2008. However, the penetration of the banking sector, which is defined as banks' total assets to GDP ratio, totalled 73%, a growth of 6%, compared with 2008.

Meanwhile, as of 1 January 2010, the total loan portfolio decreased 2.5% and its ratio against GDP was 39.9%. Banks were forced to strengthen the requirements for their loans due to negative trends

Industrial production and capital investments, %



Russia's national debt, USD billion



in certain industries within the Russian economy, which had a negative impact on overall loan portfolio growth. At the same time, the uncertain economic situation led customers to reduce their demand for loan products.

This was especially true in the retail lending sector, where the total loan portfolio decreased 11% during the year. The volume of loans to non-financial organisations remained substantially unchanged, however, with 0.3% growth for the year. Meanwhile, in the second half, a trend developed whereby banks began acquiring companies' bonds rather than lending directly. This began to evolve as a means of lending in the real economy, and there was a 110% increase in such investment over the year as a whole.

Asset quality remained the key concern in the banking sector throughout the year, and the proportion of non-performing loans

will see an improvement in the situation against the backdrop of a recovery in the Russian economy in the second half of 2010.

During the reporting period, the main source for the funding of banks' activities was through customers' funds. The amount of funding attracted from banking customers increased to approximately 66% of gross liabilities in 2009, compared with 14.5% in the previous year.

Meanwhile, the proportion of customer funds to GDP grew to 42%, compared with 35% in 2008. As before, significant deposit growth strengthened the banks' resource bases, creating the foundation for expanding the lending segment in 2010. The loan to deposit ratio was 96% at the end of the year, compared with 115% in 2008, reflecting a reduction in the loan portfolio and deposit base growth.

The active support of the state and, in some cases, shareholders, enabled the banking sector to remain stable. As of 1 January 2010, the gross capital adequacy ratio was 20.9%.

as a percentage of the total portfolio increased from 2.5% in 2008 to 6.2% in 2009 (from 2.1% to 6.1% in the corporate portfolio, and from 3.7% to 6.8% in the retail portfolio). The decline in asset quality triggered an increase in allowances for loan loss provisions, which increased from 5.4% to 11.3% over the course of the year. The substantial growth in reserves had a negative impact on banks' profitability, becoming one of the causes for losses amongst a number of lending institutions.

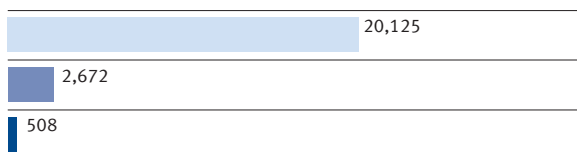
The credit risk coverage ratio amounted to 181% at the end of 2009, which was a suitable level for the banking sector. The amount of non-performing loans and reserves is expected to grow in 2010, although it is anticipated that the peak will be reached near the middle of the year and that banks

Within the reporting period, the amount of unprofitable banks in the banking sector increased sharply to 120, compared with 56 in 2008. The growing deterioration of lending institutions' financial situations had a negative influence on their total levels of capital. Nevertheless, the active support of the state and, in some cases, shareholders, enabled the banking sector to remain stable. As of 1 January 2010, the gross capital adequacy ratio was 20.9%, testament to the fact that the sector is able to mitigate negative factors and can further develop its operations in 2010.

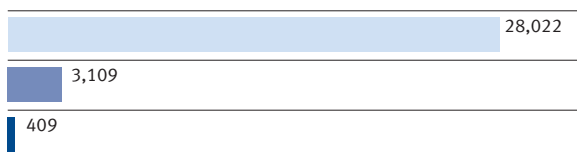
The concentration of assets in the Russian banking sector did not change substantially during the year, with 68.3% of assets held by the twenty largest lending institutions at the year-end, compared with 67.3% in 2008. At the same time, the five largest banks further consolidated their positions, with shares in the sector increasing to 47.9%, compared with 46.2% in the previous year. Sberbank's and VTB Bank's shares totalled 25.9% and 12.1%, respectively, compared with 24.7% and 11.8% in 2008.

Banking system indicators, RUB billion

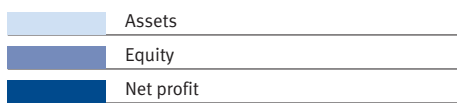
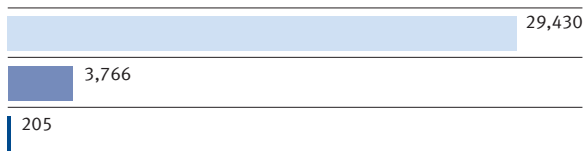
2007



2008



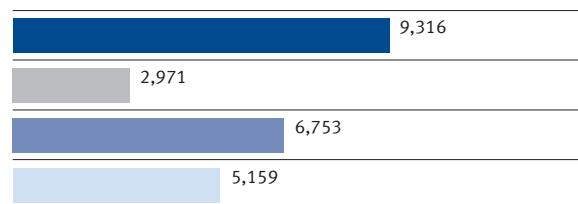
2009



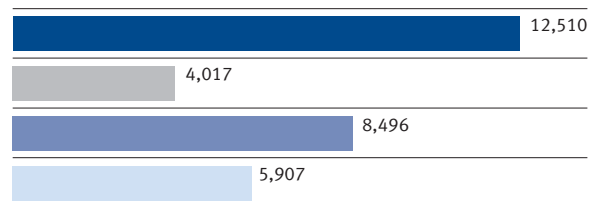
Source: the Bank of Russia

Russian banking sector loan portfolio and customer deposits, RUB billion

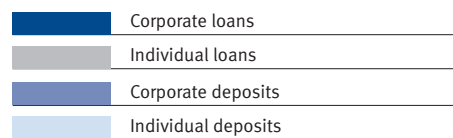
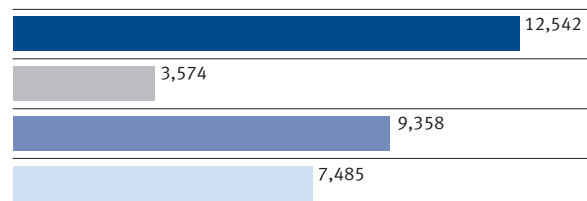
2007



2008



2009



Source: the Bank of Russia

4. Management report

4.1. Key events in 2009

1st quarter

EBRD recognised VTB Bank as the most active bank in export finance in 2008 within the EBRD Trade Facilitation Programme.

VTB Bank launched a specialised Financial Services Centre in order to provide services to state corporations.

A specialised Debt Centre began operating within VTB Group.

VTB's management team held a meeting with the Bank's minority shareholders.

Global Finance Magazine recognised VTB Bank as the best Russian bank in Central and Eastern Europe operating in emerging markets.

The Bank of New York Mellon named VTB Bank one of the world's best clearing correspondent banks.

2nd quarter

VTB announced the launch of its factoring business within a new subsidiary called VTB Factoring.

VTB Group enhanced its penetration into the Kazakhstan market by obtaining a banking licence for SJSC VTB Bank (Kazakhstan).

VTB Group placed three issues of mortgage-backed securities worth RUB 14.48 billion.

Thomson Reuters recognised VTB Bank as the best public company within the financial sector for its

Investor Relations performance, according to the Thomson Reuters Extel Survey – Focus Russia 2009.

3rd quarter

VTB's management team held the first meeting with the VTB Shareholders Consultative Council.

VTB Bank successfully placed its first Eurobond issue in Swiss francs.

VTB Bank completed the placement of an additional share issuance at RUB 0.0482 per ordinary share, resulting in a gain of RUB 180.1 billion.

VTB Bank became the first Russian bank to attain the status of a "Strategic Partner of the city of St. Petersburg".

4th quarter

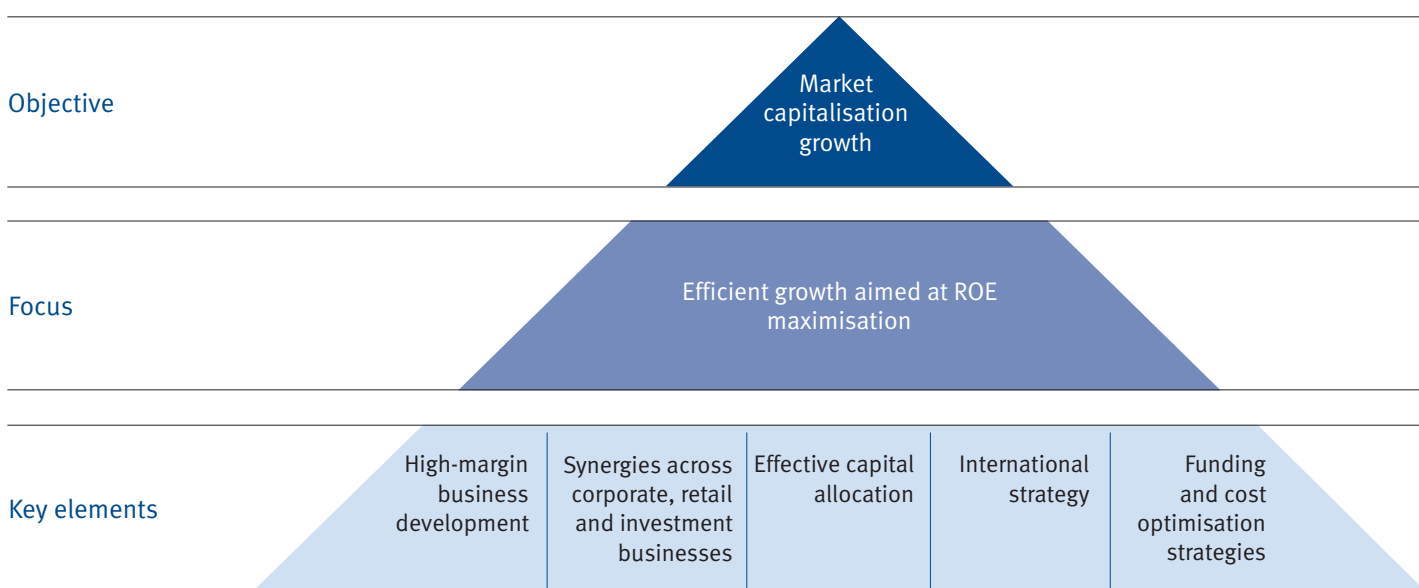
VTB published its inaugural Sustainability Report in accordance with the international reporting standards of GRI G3.

VTB launched operations in Azerbaijan through its subsidiary, OJSC VTB Bank (Azerbaijan).

VTB Bank exercised a call option to acquire a controlling stake in OJSC Sistema-Hals.

4.2. VTB Group strategy

VTB Group's strategy for 2010–2013



The Group is currently finalising the details of its new strategy, the focus of which will be increasing returns to VTB shareholders. To achieve this objective, the Group intends to leverage its unique market positions and capitalise on the synergies between its corporate, retail and investment businesses.

The Group also intends to transform its corporate business, with the ambition of becoming a leading transactional bank. The Group will concentrate on growing the share of revenues that it generates from high-margin businesses, such as retail and investment banking. VTB will continue to focus on growing its market share in retail lending and deposits to individuals, while improving its service quality, expanding the retail chain network, utilising an advanced operational platform and competitive VTB24 product offering. At the same time, the Group intends to become the clear leader in the Russian market for investment banking services.

Under the new strategy, VTB intends to align management objectives more closely with the interests of shareholders by setting clear profitability and return targets for each business area to drive operational and cost efficiencies throughout the Group's businesses.

4.3. Review of operating performance

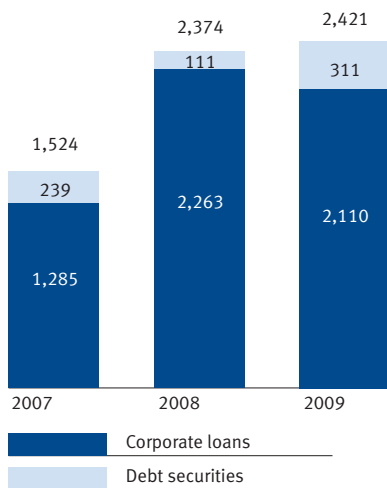
4.3.1. Corporate banking

Historically, the provision of services to corporate customers forms the core of VTB Group's business. Despite the active growth of the Group's retail and investment businesses in recent years, corporate banking continues to generate the bulk of the Group's revenue, reaching 64% in 2009. Taking a longer term perspective, VTB is on course for steady growth in the corporate segment by establishing itself as a full-service provider and the only settlement bank for its customers.

Despite the challenging external environment, the Group's corporate business fulfilled the majority of its objectives in 2009, preserving its long-term relationship with key customers, attracting new customers in the form of major regional companies, and providing an attractive offering of banking products for its clients. In addition, as one of the few banks whose business continued to expand during the recession, VTB was successful in attracting new large customers in the key sectors of the Russian economy. Thus, VTB increased the number of customers in the retail and service sectors, thereby diversifying away from manufacturing and heavy industry sectors which have historically been the dominant business areas. Diversification of the customer base will enable VTB to increase business profitability and to control the level of risk more effectively, which is why the Group places such importance on strengthening relations with new customers as market conditions return to normal, and to increasing its reach in segments where there is significant growth potential (the lower tier of large businesses and medium-sized businesses).

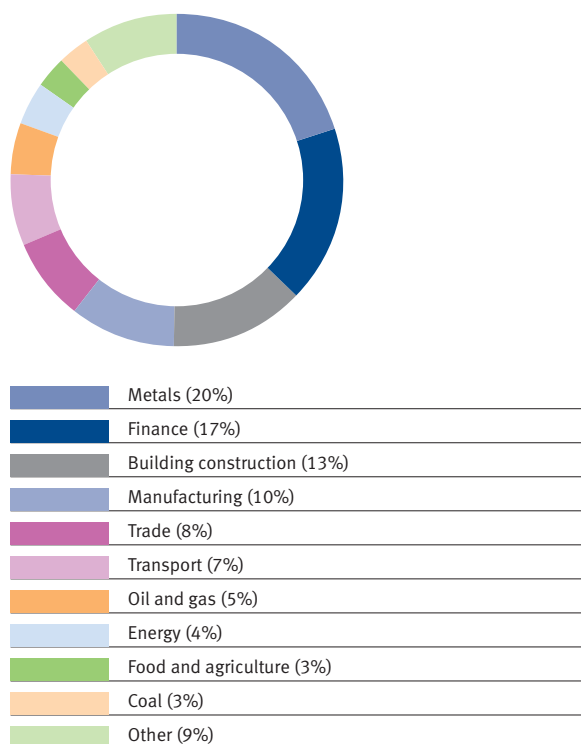
A key priority during the reporting period was continued support for companies which are strategically important for the Russian economy.

Corporate debt financing, RUB billion



Source: VTB Group IFRS consolidated financial statements for 2009

Breakdown of corporate loans by industry as at 31 December 2009



Source: VTB Group IFRS consolidated financial statements for 2009

Against the backdrop of reduced demand for loans from Russian companies, the Group's corporate loan portfolio decreased 6.8% to RUB 2.1 trillion, although the Group's market share in the Russian corporate lending segment increased 0.3% to 13.0% by the end of 2009. At the same time, the contraction of the corporate lending portfolio was more than offset by the increase in the volume of customer financing through public debt instruments. As a result, in the reporting period, the overall level of corporate debt financing provided by the Group rose 2% to RUB 2.4 trillion.

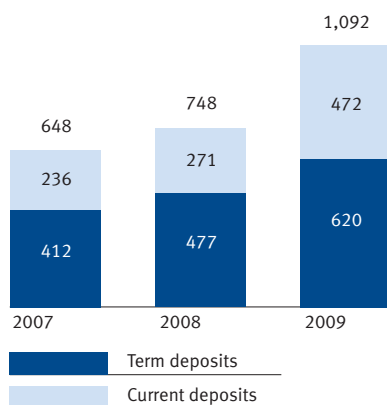
VTB Bank's active lending activity required constant efforts to strengthen the resource base. Against the backdrop of limited access to funding sources and their relatively high cost, VTB placed particular emphasis on attracting customers' funds. To reflect

the new market conditions, existing deposit products were revamped and new products launched, including deposits with early redemption and withdrawal facilities. Also, for the first time, the Bank offered its corporate customers interest on minimum and average monthly current account balances. In addition to updating its line of deposit products, VTB also made major strides in the price positioning of these products to ensure that they maintain a high level of competitiveness in the market. VTB's reputation as a reliable bank, supported by the State, in combination with an accessible and affordable product offering, enabled the Group to substantially increase its volume of corporate deposits 46.1% to RUB 1.1 trillion in 2009. At the end of the year, VTB's market share in this segment rose to 12.7%, compared with 10.2% in 2008. In 2009, VTB Group was the unrivalled leader in terms of growth in the deposit market.

The macroeconomic downturn, which was particularly acute in the first six months of 2009, affected the ability of many corporate customers to meet their obligations in a timely manner. Within this context, one of VTB's priorities in corporate lending was to help customers manage their working capital and liquidity while reducing leverage.

In order to realise the goal of increasing lending to the corporate segment, it was necessary for

Corporate deposits, RUB billion



Source: VTB Group IFRS consolidated financial statements for 2009

VTB Group to pay particular attention to maintaining the quality of its loan portfolio. During the reporting period, VTB was one of the first in the market to utilise the state guarantee scheme for strategically significant enterprises to reduce risk when lending to large companies. Additionally, VTB reacted quickly to fine-tune its lending terms and the valuation of collateral assets in order to adapt to market conditions. The VTB Debt Centre was also established in order to manage bad debt on a Group-wide basis. In working with problem loans, the approach taken was to ensure that as much of the loan as possible was repaid in cash without recourse to legal action.

A great deal of attention was given to the effective management of non-core assets brought onto the VTB balance sheet, for which purpose a specialised division was created within VTB Bank.

In 2009, VTB placed particular emphasis on working closely with other Group divisions in the development of a cross-selling system and full-service approach to customer service. For example, during the reporting period, a model for interaction between the Group's corporate and investment businesses was developed to ensure maximum coordination in the servicing of major accounts. Also, a line of structured investment products was developed.

In 2009, VTB Bank continued the implementation of its programme to improve the quality of customer service. To support its work with large corporate customers, the Bank has launched a new segment-oriented sales model conforming to the relevant business process standards in each sector. In 2010, the Bank plans to roll out this model to branch operations and to create reference points for the development of retail business in the Russian regions.

2009 saw the continued implementation of the cross-selling programme, with VTB24 payroll projects being offered through VTB Bank's corporate channel. This programme now encompasses the entire regional network of both banks in around 60 regions across Russia. Alongside this programme, and with the participation of VTB customer accounts managers,

the companies VTB Insurance, VTB Factoring and VTB Pension Fund are now able to offer their products and services to the Bank's customers. VTB adjusted its remuneration package for customer accounts managers in 2009 to encourage more active development of the cross-selling system.

Services for large clients

At the end of 2009, VTB Bank had approximately 3,900 large corporate clients, including financial institutions.

During the reporting period, the Bank substantially expanded its lending to the Russian economy. Priority was given to companies in the defence sector, car manufacturing, aviation and power industries, metals, as well as to the coal, oil and gas sectors.

During the reporting period, a model for interaction between the Group's corporate and investment businesses was developed to ensure maximum coordination in the servicing of major accounts.

The Bank conducted lending operations both with and without the protection of the government guarantee scheme, and committed substantial funding to its own programmes to develop cooperation with major Russian companies.

Some of the strategically important companies which benefited from VTB financing in 2009 were: JSC Gazprom, JSC VO Technopromexport, JSC Atomstroyexport, JSC NPK, JSC Polymetal, JSC Mikhailovsky GOK, JSC TMK and JSC SUEK. In addition, during the reporting period, the Bank introduced an effective mechanism to provide services to some of the most resource-intensive multi-industry State corporations. Inaugurated in January 2009, the Financial Services Centre is a specialised subdivision of the Bank responsible for managing the fund flows of State corporations on a centralised basis and maintaining the highest standards of banking services for these customers

across the board. During the year, 43 major Russian State corporations and their subsidiaries took advantage of the services offered by the Centre. These included the Russian Technologies State Corporation, JSC ALROSA and JSC Atomenergoprom.

In 2009, the Bank continued to finance the day-to-day operations of some of the country's biggest retail networks, such as X5 Retail Group N.V., JSC Seventh Continent, Linia, Dixy Group and Holiday Group. Moreover, despite the difficult economic environment which prevailed during the reporting year, VTB Bank not only developed previously established relationships, but also sought to foster cooperation with other retail leaders. For example, the Bank set credit risk limits for the companies JSC Kopeika, OJSC Company M.Video, Detsky Mir and Sportmaster Ltd.

A broad spectrum of products was also made available in 2009 for key players in the food industry and agriculture. In 2009, financing was provided to such industry leaders as State corporations JSC Synergy, Efko Group and Russian Sea Group.

During the reporting period, VTB continued to be involved in a number of major State investment projects, including the SSJ 100 Russian regional aircraft construction, the project to build fourteen federal state-of-the-art medical technology centres as part of the "Healthcare" national programme, and infrastructure projects in Sochi for the 2014 Olympic Games.

Services for medium-sized clients

2009 was a very challenging year for medium-sized businesses in Russia. Companies had to cope with declining sales, increasing accounts receivable, and a consequent worsening of their financial position. At the same time, credit institutions raised their qualifying criteria for potential borrowers and for loan collateral, which led to a squeeze on credit in this customer segment.

It was within this climate that VTB Bank set itself the task of maximising support for viable

medium-sized businesses (companies with annual earnings of between RUB 90 million and RUB 3 billion), largely through financing their day-to-day operations and restructuring their existing debt. In parallel, the Bank tackled the issue of reducing risk in the medium-sized business segment: loan decision procedures were tightened, preventive monitoring systems were established in order to track the financial situation of companies, and standard response mechanisms were introduced to guard against unforeseen credit risk factors.

In addition, in 2009, the Bank's activity in the medium-sized client segment was directed towards expanding the customer base, improving clearing operations, and building up the resource base. In particular, a new customer service model was deployed to support these initiatives, including the assignment of a customer account manager to businesses and the provision of access to "complex" banking products.

Services for financial institutions

The Group's flagship bank, VTB, has traditionally offered a full range of products and services to financial institutions, including liquidity management, trade and structured finance, depositary and investment banking services. At the end of 2009, the Bank's network of correspondent banks comprised more than two thousand credit institutions in 110 countries.

During the reporting period, VTB Bank raised over USD 450 million in the international capital markets for trade finance transactions. The total value of trade finance transactions arranged by the Bank for its counterparty banks exceeded USD 355 million. In 2009, Global Finance magazine named VTB Bank the Best Russian bank in Trade Finance.

By the end of 2009, VTB Bank established 36 agreements with foreign counterparties, including export credit agencies from the United Kingdom, Germany, Italy, the USA, China, India and other countries, to provide medium- and long-term

financing for the Bank's customers. In total, these credit lines are worth approximately USD 6 billion, which considerably boosts the Bank's resource base for lending to VTB customers.

During the reporting period, the Bank arranged a club credit facility for Belagroprombank JSC (Belarus) totalling USD 43.5 million. At the end of the year, the Bank was also commissioned to arrange a syndicated loan for ASB Belarusbank (Belarus) in the first quarter of 2010 for a total value of USD 60 million.

In the medium-sized business segment, VTB Bank tackled the issue of reducing risk: loan decision procedures were tightened, preventive monitoring systems were established in order to track companies' financial situation, and standard response mechanisms were introduced to guard against unforeseen credit risk factors.

The Bank has put considerable effort into developing cooperation with Chinese partners. In October 2009, an additional agreement to the existing merchant acquiring agreement between VTB Bank and the Chinese payments system China UnionPay was signed, establishing the Bank's authority and its right to make the services of China UnionPay available to third-party banks. Under this arrangement, VTB Bank can contract with partner banks to service China UnionPay cardholders through their ATM networks and Point of Sale terminals.

Key priorities in 2010

At the new stage of VTB Group's development, the key priorities of Corporate Banking are the transition from a bank of unique deals to the main bank for customers and the development of strong transactional banking and the concept of customer-oriented approach.

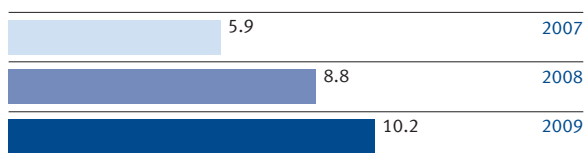
To expand its corporate business further in the post-recession environment, the Bank is concentrating its efforts on introducing targeted product offerings

for large customers, tailored to their economic profile, on developing online banking products and on attracting free cash. In the area of customer service, VTB Bank intends to streamline the decision-making process for customer applications, to improve pricing flexibility, and to introduce a system for delivering personalised banking services effectively. VTB Bank will continue to focus on developing integrated cross-selling strategies for banking, investments, leasing, insurance, pensions and other products and services through personal customer account managers with the participation of the various VTB Group companies.

4.3.2. Retail banking

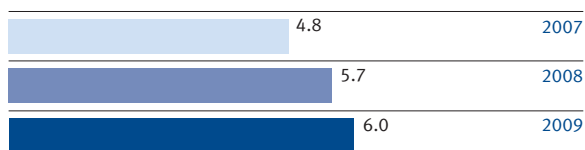
Despite the difficult economic environment in Russia, 2009 was a year in which great opportunities were successfully realised within VTB Group's retail business. Bucking the main trends in the banking sector, the Group managed to increase lending volumes and substantially expand the base of deposits. Furthermore, VTB grew its share within key business segments and also increased customer loyalty. During the reporting period, VTB's retail division became one of the core business lines in the Group, despite the challenging market conditions.

VTB Group retail loan market share in Russia, %



Source: VTB Bank estimates based on RAS financial results of VTB Bank, VTB24 and VTB North-West, the Bank of Russia data

VTB Group retail deposit market share in Russia, %



Source: VTB Bank estimates based on RAS financial results of VTB Bank, VTB24 and VTB North-West, the Bank of Russia data

The core of VTB Group's retail business is VTB24, the second-largest bank in Russia serving individuals and small businesses. At the end of 2009, VTB24's active customer base totalled 4.7 million people, in comparison with 3.5 million at the end of 2008. In total, the number of active retail customers of VTB Group in Russia at the end of the reporting period was 5.8 million.

VTB24's experience and technologies are successfully utilised in order to develop its retail business outside of Russia. VTB Group's banks in CIS countries (Ukraine, Georgia, Armenia, Azerbaijan, Kazakhstan and Belarus) served nearly 395 thousand individuals at the end of the year.

The key areas of focus for VTB Group within retail banking in 2009 were driven by external market factors and the ongoing implementation of the general strategy to develop the retail business and increase its share in the Group's total business portfolio. The division's core efforts concentrated on realising the concept of a customer-oriented approach, the outcome being an improved product line and service quality and increased efficiency of the division's sales channels.

The most significant market factors influencing the performance of VTB Group's retail business during the reporting period were the growth in the number of non-performing loans and a reduction in demand for long-term loan products. These developments meant that it was necessary to focus on maintaining the volumes of business within the loan portfolio, introducing additional programmes for restructuring loans, while managing the non-performing debts within the business.

The crisis did not prevent VTB Group neither from continuing to successfully implement its targeted marketing strategy. This is aimed at increasing the volume of sales through targeted product offers, nor from continuing to work on retaining customers by increasing loyalty levels. Furthermore, it is precisely the unstable situation in the market that has illustrated so well the effectiveness of this

strategy. As part of this new approach, in 2009 VBT24 developed and implemented targeted campaigns to promote loan products, devising distribution mechanisms that integrate SMS channels, email and customer calling. A loyalty module was also launched and was aimed at replicating business in all existing and future bank programmes. All of this made a significant contribution to the improvement of the Group's market positions in the key business segments.

In spite of the contraction in demand for individual loan products and increased risks during 2009, the Group did not cease lending. This resulted in VTB becoming one of the few players in the retail banking market to increase its volumes materially towards the end of the year. The retail loan portfolio of VTB Group rose 12.5% to RUB 435.3 billion by the end of the year, from RUB 387.1 billion in 2008.

Such high growth rates in personal lending allowed VTB Group to increase its share of the Russian retail lending segment to 10.2% of the total market (versus 8.8% in 2008). By the end of the year, VTB was the second largest player in this segment of the Russian market.

Despite the difficult external environment, the Group managed to maintain high growth rates in retail deposits, far outstripping the market average. At the end of the reporting period, VTB retail deposits totalled RUB 476.5 billion, which was 34.6% ahead of the 2008 figure (by way of comparison, the annual growth in the Russian market was 26.7%). In a financially unstable market, VTB Group managed to fully utilise its brand advantage to secure an additional inflow of customer funds. At the end of the year, VTB increased its share of the retail deposit market in Russia to 6.0% from 5.7% in 2008.

Loan products

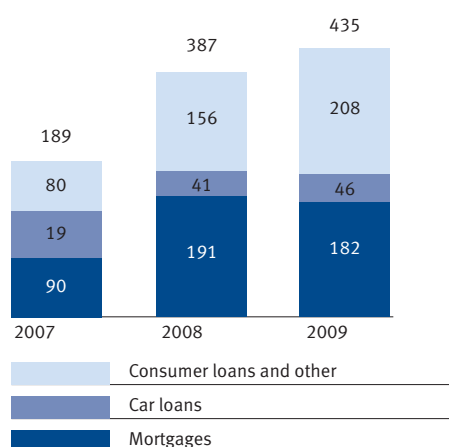
Despite the negative trends in the individual loan market – particularly in the long-term high-value loan segment – in 2009, VTB Group set itself the

goal of not only safeguarding its loan portfolio, but also increasing it. The banks within the Group, above all VTB24, played an active role in the lending market, engaging in targeted sales activities and the promotion of loan products, effectively managing loan rates to attract new customers. Particular attention was paid to effective non-performing loans management.

Consumer loans – Consumer lending has become a key driver of growth in VTB Group's retail loan portfolio. In 2009, VTB24 offered approximately 370 thousand consumer loans totalling RUB 74.7 billion. As a result, during the reporting period, VTB Group's consumer loans increased 18% to RUB 182.9 billion, compared with RUB 155.3 billion at the end of 2008.

During the reporting period, the key tasks for VTB24 in the consumer lending segment were ensuring profitability and reducing the level of non-performing loans. To support the required rate of return, interest rates were increased on all loan products. To reduce risks and to see a reduction in the level of non-performing debt in 2009, VTB24 offered customers the option of restructuring their debt

Loans to individuals, RUB billion



Source: VTB Group IFRS consolidated financial statements for 2009. The data for 2007 is presented on the basis of a conversion from USD to RUB at the official exchange rate set by the Bank of Russia as of 31 December 2007

and also converting foreign currency liabilities into Russian roubles. Furthermore, the Group offered the option of reducing annuity payments, by means of increasing the loan term and, additionally, receiving a number of preferential payments.

Car loans – In 2009, VTB Group continued to strengthen its position in the car loan market. The car loan portfolio increased 12% to RUB 45.5 billion, compared with RUB 40.6 billion at the end of 2008.

VTB24 successfully refinanced part of its mortgage portfolio and, in November and December, was one of the first players in the Russian market to realise a balance sheet securitisation transaction.

In 2009, VTB24 executed more than 53 thousand car loan agreements, as a result of which VTB Group's market share in Russia within this segment rose from 7.1% to 10.5%.

In 2009, VTB24 actively developed joint programmes with car manufacturers. Thus, special loan offers were launched, allowing customers to use loans on the most favourable terms to buy vehicles manufactured by Suzuki, Subaru, Jaguar, Land Rover, KIA, Mazda, Daewoo, Mitsubishi and Lada. In April 2009, the Bank joined in the implementation of a government subsidised loan programme for the car sector, as part of which 11,500 loans were provided.

In 2010, VTB24 is planning to increase its share of the car loan market by expanding programmes with manufacturers, improving the existing product line and launching sales of car loans through new sales channels.

Mortgage lending – In the mortgage lending segment, which was most heavily impacted by the challenging economic environment, VTB24's attention was focused on reducing risks in the mortgage portfolio and increasing its quality and return. Therefore, from the end of 2008 to the autumn of 2009,

a number of mortgage products were suspended. Furthermore, the lending requirements imposed on borrowers were increasingly tightened.

During the reporting period, VTB24 actively worked on mortgage loan restructurings where this was needed. A programme was devised in-house and launched externally to restructure the loans of borrowers who were experiencing temporary financial difficulties. An important supplement to this programme was the implementation of a scheme for the Bank to participate in the State restructuring programme of the Agency for Restructuring of Housing Mortgage Loans (ARHML). As part of this programme, 1,500 of VTB24's mortgage borrowers were able to receive State support through ARHML and, during the most difficult period, make timely and full payment of their mortgage obligations.

Throughout 2009, VTB24 actively worked to devise special mortgage offers in accordance with the new market requirements. As a result, by 1 January 2010, the mortgage loans portfolio of VTB Group comprised approximately 100 thousand loans with a total value exceeding RUB 180 billion.

By the end of the year, VTB24's mortgage products were available from the Bank's 107 sales points in 98 Russian cities. Today, more than 60% of the mortgage portfolio is attributable to regional branches of the bank.

The high level of trust in VTB24 and the quality of the loan portfolio is evidenced by the bank's successful completion of transactions to securitise mortgage assets. In March 2009, VTB24 successfully refinanced part of its mortgage portfolio and, in November and December, was one of the first players in the Russian market to realise a balance sheet securitisation transaction. The volume of capital placed was RUB 15 billion, for a term of 5 years and a coupon rate of 9.7%, denominated in Russian roubles. This transaction

was the first market placement of mortgage-based securities in the Russian market in 2009.

Non-performing debt management – In order to increase the effectiveness with which the non-performing debt was managed and to ensure the necessary quality of the loan portfolio within all VTB Group banks, organisational, technological, and product changes have been carried out. In 2009, within the structure of VTB24, a specialised subdivision was created to work on non-performing assets, which became the nucleus of a system for managing non-performing debt. The bank also launched a programme to restructure loans, which enabled many customers to resolve problems servicing their debt.

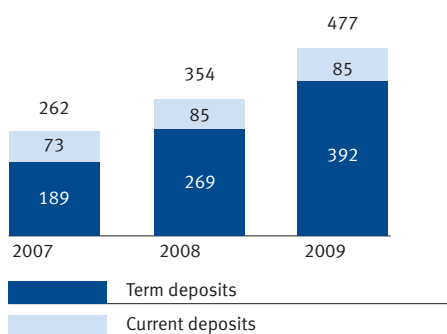
Particular attention was paid by VTB Group's banks to increase the effectiveness with which non-performing debt is collected. To this end, VTB24 introduced and implemented a modern IT platform to support work executed with customers at various stages of the collection process. This system enabled increased volumes of non-performing loans to be processed and managed effectively. In 2009, the role of internal subdivisions of all of the banks in the Group involved in collecting non-performing debt was greatly strengthened, and the services of external debt-collection agencies were engaged to a greater extent.

Deposit products

VTB Group's increased share in the market for retail deposits was chiefly attributable to positive trends in the deposit base of VTB24. The greatest focus for the largest retail bank in the Group in the area of attracting customer funds was to increase efforts to optimise and further develop term deposit product lines.

In 2009, VTB24 launched special deposit products for future mortgage borrowers (VTB24 Mortgage Accumulator and VTB Mortgage Index), which are not simply instruments for accumulating funds

Deposits of individuals, RUB billion



Source: VTB Group IFRS consolidated financial statements for 2009. The data for 2007 is presented on the basis of a conversion from USD to RUB at the official exchange rate set by the Bank of Russia as of 31 December 2007

for a down-payment on mortgaged residential property, but also represent an opportunity to receive benefits when the mortgage is actually taken up.

At the same time, in response to the changing market conditions, VTB24 modified its deposit products. During the course of the reporting period, within the deposit product VTB24 Income, special offers were regularly made available that allowed customer funds to be placed with a maximum return for specially set periods. Furthermore, beneficial terms were introduced for the premature calling in of funds on deposit in nearly all basic deposit products.

In 2010, VTB24 plans to modify the terms of existing deposit product lines further so that their terms best match the services demanded by customers.

Commission-based products

One of the key tasks for the retail business of the Group in 2009 was developing commission-based product business. A significant contribution to the growth of the Group's commission income was made by VTB24 as a result of growth in commissions on card transactions, customer sale/purchase transactions for foreign currency, small business customer transactions as part of the settlements and cash services, and also commissions on customer investment transactions.

Bank cards – The bank card business is one of the most promising areas of growth in non-interest income for VTB Group. Taking into account the relatively low level of penetration of cards in Russian regions of the Group's banking operations and effective marketing opportunities for cross-selling and increasing loyalty presented by this type of product, this area of growth in banking services was a constant focus, even during the crisis.

On 1 January 2010, VTB24 had more than 5.8 million plastic cards (credit and debit) in circulation, of which almost 2 million were credit cards (including salary payment cards).

Most of the Group's cards are issued by VTB24. On 1 January 2010, the bank had more than 5.8 million plastic cards (credit and debit) in circulation, of which almost 2 million were credit cards (including salary payment cards).

Thus, VTB24's proactive policy to promote credit cards in conjunction with a sensible policy on rates resulted in a significant increase in the bank's market share in this segment⁶ in Russia for the year, increasing from 7.5% to 11% during the reporting period.

In 2009, the quantity of salary payment cards in circulation increased 46% and, as of 1 January 2010, exceeded 3.2 million.

The total number of companies that are customers of VTB24 as part of salary-related projects has now reached 27 thousand. In 2009, VTB24 realised 10.5 thousand new salary-related projects.

VTB24 bank cards in circulation

Million	2007	2008	2009
Credit	0.6	1.3	1.9
Debit	1.3	2.6	3.9
Total	1.9	3.9	5.8
Including salary payment cards	1.1	2.2	3.2

To increase the competitiveness of its products, during the course of the reporting period VTB24 introduced new programmes and services, including an indirect method for income verification when issuing credit cards, the technology of issuing credit cards with zero limits for salary-related projects, and a reduction in the fixed element of the minimum payment on cards.

In 2010, VTB24 is planning to launch new loyalty programmes, including co-branded bank cards with leading air travel firms, offering cash back services, and also programmes to reward customers for using the bank's products and services.

Investment services for retail customers – VTB Group, through VTB24, is one of the leaders in the segment of investment services for private investors, occupying fourth place⁷ in the ranking of the largest brokers in Russia and leading positions in terms of serving customers on the international foreign exchange market Forex.

At the end of 2009, VTB24 had more than 153 thousand customer broker accounts registered on the Moscow Interbank Currency Exchange (MICEX) and 4,682 customers using its Forex services. Within the reporting period, VTB24 increased its share of the brokerage service market from 10.8% to 16.2%⁸.

Despite the difficult economic environment, which also affected the securities market, the volume of VTB24 customer transactions involving shares on MICEX was RUB 2.2 trillion, compared with RUB 1.27 trillion in 2008. The volume of VTB24 customers' transactions in the trading platform for futures and options (FORTS) on the Russian Trading System (RTS) exceeded RUB 770 billion. The volume of customer operations on the international currency market was approximately USD 150 billion, including SWAP transactions.

6. Share in terms of the loan portfolio volume, including outstanding balances on credit and overdraft cards.

7. Evaluation by RBC as of January 2010.

8. Volume of transactions participated in by customers of VTB24 as a share of total MICEX transaction volume (basic share trading).

In 2009, VTB24's brokerage services market penetration grew significantly. Further development and active use of remote customer service technology in the bank's branch network and sales offices enabled the number of customers using VTB brokerage services in 2009 to increase by more than 9 thousand, up from 144 thousand to approximately 153 thousand.

Customer-oriented service and growth in the quality of investment services offered by VTB24 were key factors in the increase in investment activity by customers during the reporting period. By December 2009, the number of active customers⁹ had grown more than 40% year-on-year (from 7,230 to 10,200 people). The average number of transactions concluded in the course of a day by VTB24 customers on Russian stock exchanges more than doubled, reaching 80 thousand transactions, with the maximum number of transactions reaching 155 thousand. The value of transactions conducted by VTB24 customers as part of basic share trading on MICEX in 2009 was RUB 2.24 trillion, 1.7 times more than in 2008 (RUB 1.27 trillion).

As part of the development of the product line, in 2009, VTB24 introduced a series of new investment solutions. The most important of these are the opportunities to access the Eurobond market and to conclude transactions in the currency pairs of USD/RUB and EUR/RUB on the Forex market.

In 2010, the investment business of VTB24 is focusing its efforts on increasing the quality of customer service and broadening the range of services and investment products offered.

Remote services – A significant factor in the growth of fee and commission income and, indeed, one of the overall trends in the retail banking market in the reporting period, was the active growth in popularity of the remote banking technology, above all Internet

banking. In 2009, the number of remote banking customers of the VTB24 Telebank System more than doubled, exceeding 500 thousand people. The number of orders (transactions carried out by customers using the Telebank System) also doubled, reaching 4.6 million. The volume of balances left on term deposit accounts in the Telebank System had grown 80% by the end of 2009, while the volume of current accounts increased 20%.

The average number of transactions concluded in the course of a day by VTB24 customers on Russian stock exchanges more than doubled, reaching 80 thousand transactions, with the maximum number of transactions reaching 155 thousand.

With an eye towards further growth in the demand for remote banking services, during the course of 2009 VTB24 continued working intensively on improving its Telebank System. Key efforts were focused on developing and promoting the Internet platform. In August 2009, a new website for the system was launched, which formed the basis for further development of Telebank in terms of new functionalities. Furthermore, VTB24 substantially increased accessibility to the system in its regional office network. As of 1 January 2010, Telebank customers were being served in 460 offices of VTB24, compared with 380 as at the end of 2008.

In 2010, VTB24 intends to continue developing remote banking for individuals, specifically focusing on increasing ease of use, broadening functionality and expanding the means of accessing the Telebank System.

High net worth customer services

During the reporting period, VTB24 continued to realise its segmented approach to working with customers and designing tailored offerings of banking products. In 2009, the bank worked most actively on this approach with high net worth customers.

9. Customers who executed transactions during the course of the accounting period.

Today, in this segment, VTB24 offers two products: the Prime package and the Privilege programme. Prime is a composite offer for VIP customers who are planning to place more than USD 500 thousand with the bank. The Privilege programme is designed for middle class customers and includes a range of premium services, high quality customer service and special offers from partners of the bank. Both products have shown robust growth in demand during the reporting period.

The Privilege programme – Towards the end of 2009, sales of the Privilege programme totalled more than 6,500 customers. Over the course of the entire year, VTB24 actively improved the quality of service and launched new products as part of the Privilege programme. Thus, regional clients were offered their own loyalty programme, involving more than 200 partners in major Russian cities. Furthermore, during the course of 2009, the package was supplemented with new banking products: the VTB24 Privilege (Income) and VTB24 Privilege (Multi-Currency) accounts, as well as a supplementary platinum card.

In 2010, VTB24 plans to further evolve the services within the programme, including supplementing the programme with new options, further improving the quality of customer service and offering discounts to Privilege holders on services within the framework of other VTB24 products.

Prime package – In 2009, the Prime package was supplemented by the VTB24 Prime (Multi-Currency) and VTB24 Prime (Income) accounts, special loan offers, as well as structured investment products. Furthermore, the number of VIP customers increased 16%, and the funds placed by them grew 46%. As at the end of the year, VTB24 was servicing more than three thousand VIP customers who have placed more than RUB 142 billion with the bank. The average credit balance per customer grew 25% and reached RUB 45 million at the end of the reporting period.

VTB24 Private Banking – In 2009, as part of the realisation of a client-oriented approach,

VTB24 launched a separate sub-brand, VTB24 Private Banking, aimed at strengthening the position of the bank in the highest net worth customer segment. The customers of VTB24 Private Banking were offered exclusive partner programmes and consulting services in various lines of business. Further, combined products were devised with other companies in VTB Group, including VTB Asset Management and VTB Insurance, amongst others.

In the reporting period, the development of the bank's premium network continued. The VIP office in Moscow was turned into a VIP branch, the opening of which enabled the confidentiality of VIP account servicing and customer transactions to be ensured. Furthermore, a new VIP office was opened in Krasnodar, and the provision of Private Banking services in the regional network was launched.

In 2010, VTB24 plans to open three new VIP offices and to broaden the geographical reach of Prime and Privilege sales, which will enable VTB24 and VTB Group overall to continue strengthening their positions in the Russian Private Banking market.

Services for small businesses

VTB24 provides services to small businesses with annual revenues of up to RUB 90 million. At the end of 2009, the bank's small business client base consisted of over 50 thousand Russian companies.

During the reporting period, VTB24 continued to provide loans to small businesses with a total value of RUB 22.7 billion. At the end of the year, the bank's loan portfolio for this segment totalled RUB 71.6 billion under IFRS, with a total of 20 thousand loans. An updated and optimised assessment technique of customers' financial situations and new product launches enabled VTB24 to reduce the risk of deterioration in the quality of its small business loan portfolio significantly in 2009. These innovations included Collateral Showcase project, a new product Credit for Business Recovery, as well as restructuring programmes.

In 2009, VTB24 joined a State programme to support small and medium-sized businesses, and began extending loans to small businesses, also taking advantage of funds provided by the Russian Bank for Development.

One of the most significant events in 2009 was the launch of a programme to provide leasing services to small businesses through VTB Group's own lease operator, Leasing System 24. According to Expert RA rating agency, the company was ranked among the five largest lessors based on its volume of new small business-oriented services.

Network and ATMs

As part of the programme to increase the effectiveness of the sales network, in 2009, VTB24 completed the network's transformation, setting up base branches in each federal district and organising regional operational offices in the regions where it operates. These measures enabled a number of functions to be centralised and the cost of the sales network to be reduced.

During the reporting period, work was continued to optimise the network, with 33 of the least effective sites being closed and five new sales points being opened. As a result, at the beginning of 2010, VTB24 had a network of 476 offices. Today, VTB24 has sales offices in 69 regions and 194 cities, ensuring that 70% of the urban population of Russia is covered.

In 2010, VTB24 will continue to extend its regional network by intensifying its presence in the largest markets. Furthermore, VTB24 plans to make important qualitative changes to the network, including increasing the productivity of offices and the speed with which customers are serviced, as well as introducing a mobile format for sales points in business and shopping centres.

Key priorities for 2010

In 2010, VTB Group intends to maintain the pace at which it is developing retail products

In 2009, as part of the realisation of a client-oriented approach, VTB24 launched a separate sub-brand, VTB24 Private Banking, aimed at strengthening the position of the bank in the highest net worth customer segment.

and services, as well as to continue increasing its market share in terms of the volume of lending to individuals and attracting savings from individuals. To maintain productivity figures, the programme to control operating expenses will remain in place. The Group will continue implementing its programme to manage risk and non-performing debt to ensure that the figures which reflect the quality of the portfolio remain at a high level. Also, in 2010, work will continue to restructure borrowers' debt and ensure the repayment of non-performing loans.

VTB24 retail network

	2007	2008	2009
Number of sales points	328	504	476
Branches	48	28	9
Regional operational offices	10	39	59
Additional offices /operational offices	258	429	401
Lending and cash offices	6	1	0
Cashier points	6	7	7
VTB24 ATM network	1,347	2,124	4,046
VTB Group ATM network	3,274	3,667	4,564

Presence Overcoming Distance



*Meeting
Consumer Needs*

Despite the general 2009 trends in the banking sector, VTB Group banks maintained their lending activities. As a result, VTB24 became one of the few market players to considerably increase its loan portfolio by the year-end. This allowed VTB Group to raise its full year retail portfolio by 12.5%.



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A key focus for VTB24 in 2010 will be the modernisation of its product offering, as well as of the infrastructure that supports business processes. The Group is proposing measures to continue improving the quality of customer service, to modernise and broaden the range of services provided by the telephone service centre, to develop a network of self-service machines, and to continue modernising the IT infrastructure. As part of the programme to broaden its regional presence, VTB24 is planning to open an additional fifty sales points.

4.3.3. Investment banking

VTB Capital, the investment business of VTB Group, was established in April 2008 and is one of the Group's three strategic business areas, alongside retail and corporate. Over a short period of time, VTB Capital has become one of the leading Russian investment companies, giving Russian clients access to global capital markets and offering international investors an array of opportunities to invest in Russia-based assets.

VTB Capital offers a full range of investment banking services in the Russian and international markets, with an emphasis on arranging operations in the debt and equity markets, developing private investment, as well as operations in the global commodities markets and asset management and advising clients on ECM and M&A deals in Russia and abroad.

VTB Capital has offices in Moscow, London, Singapore and Dubai and is headquartered in Moscow. It is actively expanding into the Russian, European and Asian markets where there are many countries of considerable interest from the standpoint of raising capital and investment opportunities.

VTB Capital's business model is based on three core investment strategies: global markets trading, global banking services and investment management. It is these businesses that constitute VTB Capital's principal revenue streams and which have enabled

it to gain leading positions in strategic markets. The Research Department is the intellectual hub for the development of investment business. Risk management also plays a significant role in developing the company's business.

VTB Capital's presence in the international arena, its profound knowledge of the Russian market, and its ability to offer customers the most effective investment solutions, are the driving forces behind the company's dynamic development.

VTB Capital reported an overall pre-tax profit of RUB 16.4 billion. In a climate of instability within the global financial markets, VTB Capital managed to achieve outstanding results in terms of attracting investment into the Russian economy and providing Russian companies with the resources needed to sustain their development.

Research

VTB Capital's research products provide full coverage of the capital markets and most sectors of the economy, offering customers a comprehensive and in-depth analysis service. VTB Capital's research team includes analysts from different countries with a wealth of experience in international markets.

The company's analysts are regularly awarded the highest ratings by Institutional Investor, the Thomson Reuters Extel Survey and RBC. According to the Thomson Reuters Extel Survey 2009, VTB Capital analysts were included in the top three research teams in nine different categories. In 2009, Elena Sakhnova was rated second amongst Russian industrial sector analysts in the All-Russia rating published by the Institutional Investor magazine. In 2009, VTB Capital's Research Department was awarded second place for "Best FI Research" in the Cbonds Awards. In March 2010, the Industrials, Transportation, Materials team headed by Elena Sakhnova and the Power and Utilities team headed by Dmitry Skryabin were each awarded second place in the Institutional Investor 2010 Emerging EMEA

Research Team rating in the EMEA Chemicals and EMEA Utilities categories, respectively.

VTB Capital's research unit significantly expanded the scope of its activities in 2009. Customers were offered new products, including monthly energy sector reports and daily analytical digests on the commodity markets. VTB Capital also substantially increased its analytical coverage of the Russian economy. At the end of 2009, the VTB Capital's team submitted analyst reports on 80 companies and 15 sectors.

Global banking

VTB Capital offers its customers a broad spectrum of investment banking services, including M&A services, loan financing and equity capital and corporate and infrastructure financing. Based on the 2009 financial results, VTB Capital is the undisputed leader in bond and Eurobond issues in the CIS and Eastern European markets. During the reporting period, a total of 31 local and international deals with a total value of approximately USD 10.5 billion were successfully closed. This brought VTB Capital's market share to over 20% in the CIS and 10% in Eastern Europe.

In January 2010, the mortgage-backed bond issue by VTB24 (worth USD 470 million) was rated as the best deal by EMEA Finance in the structured finance category.

During the reporting period, VTB Capital was rated first amongst Russia and CIS issuers in the Eurobond

provider segment for the international market. During the year, VTB Capital arranged nine Eurobond issues with a total value of USD 2.8 billion, equating to a market share of 14.7%.

According to Dealogic, VTB Capital was one of the three main issuers in the debt securities market in Central and Eastern Europe, the Middle East and Africa (CEEMEA) in 2009. The company's market share in this segment was 7.1%. VTB Capital was the only Russian investment company to be included in the CEEMEA rating of bond loan providers.

VTB Capital is also a leader in the domestic public debt market. VTB Capital was awarded first place in the rating of investment banks providing local bond loans, having closed a total of 39 deals worth approximately RUB 277 billion in 2009. This gave VTB Capital a market share of 24.1% in Russia. The largest transactions included 10 bond issues for OJSC Russian Railways totalling RUB 145 billion, two bond issues for OJSC Mobile TeleSystems with a total value of RUB 30 billion, and a bond issue for JSC Mechel worth RUB 5 billion.

Based on the 2009 results, VTB Capital was second in bookrunner deals in the Russian equity capital market. The value of transactions arranged by VTB Capital during the reporting period was USD 460.82 million. VTB Capital took part in four issues, including a secondary stock offering for Globaltrans Investment plc (USD 175 million) and JSC Synergy (USD 80 million). VTB Capital's market share in this segment was 18.2%.

VTB Capital	Market position	Value	Number of deals	Market share, %
Eurobonds, Russia and CIS	1	USD 2.8 billion	9	14.7
Bonds and international bonds, Russia and CIS, Eastern Europe	1	USD 10.5 billion	31	20.8
Bonds, Russia	1	RUB 277 billion	39	24.1
Bonds and international bonds, Russia, CIS and Eastern Europe	1	USD 10.5 billion	31	11.2
Bonds and international bonds, Eastern Europe	1	USD 10.5 billion	31	11.2

Source: Dealogic, Bloomberg, Cbonds, 2009

One of Russia's largest equity placements in 2009 involving VTB Capital was the SPO for JSC Magnit (total value: USD 526 million), which was rated as the "Deal of the Year" by Business New Europe magazine.

The most significant event in infrastructure capital for VTB Capital in 2009 was the successful negotiation by the Northern Capital Gateway Consortium of a public-private partnership agreement with the Government of St. Petersburg for the redevelopment, expansion and operation of Pulkovo Airport. The duration of the agreement is 30 years. As one of the investors in, and financial consultants to, the Consortium, VTB Capital will take an active role in arranging an optimum financing package for the project, which has a total investment requirement of approximately EUR 1.2 billion.

In 2009, VTB Capital also began active operations in the M&A market, acting as a financial consultant in a number of successful deals.

Global markets

VTB Capital offers its customers the opportunity to take advantage of a full spectrum of foreign exchange transactions, shares, bonds and other security trades in major Russian and foreign stock exchanges and over-the-counter platforms. Alongside conventional trading services, VTB Capital offers a wide range of derivative instruments and structured products, providing for the effective implementation of various asset management and risk management strategies.

In 2009, VTB Capital strengthened its positions in the share trading market. The company's client base has steadily expanded, including new major foreign investors. VTB Capital is one of the top three repo market operators in the MICEX share trading segment.

VTB Capital was the best performer in the fixed-income instruments market. In the reporting period, the Fixed Income Trading sales team was rated as

best in the market by Cbonds. VTB Capital has expanded its line of derivative financial instruments offered to customers in the Forex, commodity and interest rate markets, enabling customers to put their financial strategies into effect.

As part of its strategy to develop investment banking in the international markets, VTB Capital actively serves the interests of Russian and international business through its offices in London, Singapore and Dubai. In 2010, the company plans to extend its reach in international markets both through existing VTB Group offices and new VTB Capital offices, which will be opened in Hong Kong and New York, in particular.





























Investment management

VTB Capital provides a wide range of investment and financial solutions and other asset management services for private, corporate and institutional customers. In this business area, VTB Capital manages unit funds, direct investment, venture and property investment funds, as well as undertaking trust management of assets for private, corporate and institutional customers.

During the reporting period, VTB Capital achieved tangible results in the management of direct and venture investments. In 2009, the company established the first direct investment fund, VTBC-DB Real Estate Partners I L.P., specialising in the Russian property market. The focus of the fund's activity will be on development projects in Moscow, St. Petersburg and other major Russian cities. VTB Capital's partners in this venture are the global Commercial Real Estate Group of Deutsche Bank AG and the Finnish construction company SRV, which will be in charge of project management for construction of the new facilities.

In the autumn of 2009, ROSNANO and VTB Group announced the establishment of the DFJ-VTB Aurora family of nanotechnology and innovation

Major VTB Capital deals in 2009

 <p>Nomos Bank USD 200 million Eurobonds issue</p> <p>VTB Capital Co-Lead Manager 2009</p>	 <p>VTB-Leasing RUR 790 million Eurobonds issue</p> <p>VTB Capital Sole Lead Manager 2009</p>	 <p>Eurasian Development Bank USD 500 million Eurobonds issue</p> <p>VTB Capital Co-Manager 2009</p>	 <p>VTB Bank CHF 750 million Eurobonds</p> <p>VTB Capital Joint Bookrunner 2009</p>	 <p>Gazprom USD 500 million 5 year LPN Issue</p> <p>VTB Capital Sole Lead Manager 2009</p>
 <p>Gazprom USD 800 million 5 year LPN Issue</p> <p>VTB Capital Sole Lead Manager 2009</p>	 <p>TMK USD 600 million Tender and consent solicitation for Eurobonds due 2011</p> <p>VTB Capital Joint Dealer-Manager 2009</p>	 <p>ALROSA USD 40 million Placement of ECP</p> <p>VTB Capital Dealer 2009</p>	 <p>ALROSA USD 115 million Placement of ECP</p> <p>VTB Capital Dealer 2009</p>	 <p>ALROSA USD 145 million Placement of ECP</p> <p>VTB Capital Dealer 2009</p>
 <p>ALROSA USD 350 million Placement of ECP</p> <p>VTB Capital Dealer 2009</p>	 <p>Alliance Oil Company USD 265 million 7.250% bonds maturity 2014 Convertible Bonds</p> <p>VTB Capital Co-Manager 2009</p>	 <p>VTB Bank USD 750 million 6.315% bonds maturity 2015 Tender Offer</p> <p>VTB Capital Sole Agent and Arranger 2009</p>	 <p>Globaltrans USD 175 million Secondary Public Offering</p> <p>VTB Capital Joint Bookrunner 2009</p>	 <p>Bank Saint Peterburg USD 200 million Convertible Preferred Share Offering</p> <p>VTB Capital Joint Global Coordinator and Bookrunner 2009</p>
 <p>Magnit USD 527 million Secondary Public Offering</p> <p>VTB Capital Joint Global Coordinator and Bookrunner 2009</p>	 <p>SYNERGY USD 80 million Secondary Public Offering</p> <p>VTB Capital Joint Bookrunner 2009</p>	 <p>Alliance Oil Company USD 125 million Equity Offering</p> <p>VTB Capital Senior Co-Lead Manager 2009</p>	 <p>Lenta Ltd. Purchase of minority stake</p> <p>VTB Capital 2009</p>	 <p>JSC Sistema-Hals Acquisition of 51% in JSC Sistema-Hals</p> <p>VTB Capital Financial adviser 2009</p>
 <p>Transneft RUR 100 billion Rouble bond issues</p> <p>VTB Capital Arranger and underwriter 2009</p>	 <p>Russian Railways RUR 90 billion Rouble bond issues</p> <p>VTB Capital Arranger and underwriter 2009</p>	 <p>ATOMENERGOPROM RUR 50 billion Rouble bond issues</p> <p>VTB Capital Arranger and underwriter 2009</p>	 <p>MTS RUR 30 billion Rouble bond issues</p> <p>VTB Capital Arranger and underwriter 2009</p>	 <p>Evrax Group S.A. RUR 20 billion Rouble bond issues</p> <p>VTB Capital Arranger and underwriter 2009</p>
 <p>JSFC SISTEMA RUR 19 billion Rouble bond issue</p> <p>VTB Capital Arranger and underwriter 2009</p>	 <p>VTB-Leasing RUR 15 billion Rouble bond issues</p> <p>VTB Capital Arranger and underwriter 2009</p>	 <p>VTB24 RUR 15 billion Rouble MBS issue</p> <p>VTB Capital Arranger and underwriter 2009</p>	 <p>Otkritie Financial Corp USD 137.5 million Acquisition of 19.9% in Otkritie Financial Corporation</p> <p>VTB Capital Financial adviser 2009</p>	 <p>Pulkovo Airport EUR 1.4 billion Airport Development project (PPP)</p> <p>VTB Capital Financial adviser 2009</p>

Assets under management, RUB million

	2009	2008
Total assets under management	16,315	11,887
Open unit funds	1,734	845
Closed unit funds	8,150	7,621
Trust management	6,247	3,330
Pension funds	183	90

funds with the participation of the international venture market leader Draper Fisher Jurvetson (DFJ). The first tranche of this funding will be worth USD 100 million, of which USD 50 million will be invested by ROSNANO and USD 50 million by VTB. VTB Capital and DFJ are the managing partners. VTB Capital's remit in this venture will include the initiation, basic evaluation and agreement of investment projects in Russia and strategic project management.

Marketing and development

In October 2009, VTB Capital organised the first RUSSIA CALLING! Investment Forum in Moscow. The forum hosted over 1,500 guests and delegates from 24 countries. The programme of events included over 1,000 one-on-one meetings between representatives of Russian companies and investors. Over 50 highly-ranked speakers, including federal level government representatives, Russian and international business people, key international investors and leading economists contributed to the plenary session and panel discussions. The discussion topics covered a wide spectrum of current issues including lessons learned from, and ways of tackling the financial crisis, corporate governance in Russia, international investments and diversification of the economy. The forum was one of the most notable events in the 2009 business calendar and enabled VTB Capital to strengthen its position as a leading investment institution in Russia. The inaugural RUSSIA CALLING! Investment Forum organised by VTB Capital made a significant contribution to raising the profile of Russia, the country's investment climate and the Russian economy as a whole.

In 2009, following the launch of the VTB Capital brand in Moscow, VTB Capital's transition to a single brand was completed in all regions of presence, marking an important milestone in the development and progress of VTB Group's investment business. VTB Bank Europe plc – the foundation on which the Group's investment business in London and Singapore is built – was re-registered as VTB Capital plc.

Meanwhile, business development in strategic regions and the expansion of geographical presence in global markets has continued apace. In June 2009, with the opening of an office in Dubai, VTB Capital entered the promising Persian Gulf market. This presence in a new region will make it possible to meet the growing demands of investors from the countries of the Middle East and North Africa (MENA) for investment in the Russian economy, as well as the interests of Russian customers in opportunities offered by the local capital market, including Islamic financing services.

Key priorities in 2010

In 2010, VTB Capital intends to build on its success by maintaining leading positions in the Russian and international markets, strengthening its relations with both Russian and international customers, and bringing new products to market.

4.3.4. Other businesses

In addition to banking services, VTB Group offers its clients a number of other financial services, including leasing, insurance, factoring and non-state pension provision.

Leasing

VTB Leasing, a company established in 2002, is one of the leading Russian leasing companies. It offers a broad spectrum of leasing services and operates both within Russia and abroad. During the reporting period, the company maintained its leading positions in the market. As at the end of 2009, the company's leasing portfolio amounted to more than USD 5.1 billion and the volume of new contracts totalled over USD 885 million. In 2009, commercial relationships with railway and airline transport companies remained one of the company's top priorities.

The key concern for Russian leasing companies in 2009 was being able to access the necessary funding for leasing transactions. For this reason, VTB Leasing was active in the domestic bond market, successfully issuing several bonded loans totalling RUB 15 billion during the year. These resources have enabled the company to expand the funding of its leasing projects and programmes.

At the end of 2009, VTB Leasing issued additional shares with a value of RUB 12.6 billion. The growth of the share capital will allow the company to maintain the necessary level of the capital, in line with international standards, as well as to increase the volume of leasing transactions in 2010.

In 2009, the company was rated as one of the top players in the industry. For example, the Expert RA agency acknowledged VTB Leasing as the best Russian leasing company in three categories: "Leader in the Segment of Aircraft Leasing – 2009", "Leader in the Segment of Railway Equipment Leasing – 2009", "Russia's Largest Leasing Company – 2009". This is a testament to the company's sensible market strategy and efficient implementation, even during the conditions of economic instability.

Insurance

VTB Insurance has been operating in the insurance market and providing individuals and institutions with a full and high quality service offering for the underwriting of property, civil, professional and personal risks (excluding life insurance) since 2000. The company is a member of the All-Russian Insurance Union, the Russian Union of Auto Insurers, the National Union of Insurers of Liability and other industrial associations.

As at the end of 2009, the registered capital of VTB Insurance was RUB 540 million. In 2009, the amount of premiums accrued for all direct insurance businesses increased to RUB 3.5 billion, up 67% year-on-year. These results were attained despite the overall decrease in voluntary insurance and compulsory civil liability motor-vehicle insurance payments by 7.1% in the Russian market. As a result, the company was rated amongst the top 25 Russian insurers by the volume of premiums income in 2009.

Despite the complicated economic situation, especially within the insurance sector, VTB Insurance remained one of the most reliable insurance companies in Russia during 2009. The company was assigned a rating of "BB" (rating outlook: Stable) for financial stability by Fitch Ratings and an "A+" (with a "Very high level of stability") by the Expert RA agency.

Factoring

VTB Factoring was launched at the end of 2008 and began actively operating in the second half of 2009. As at the end of 2009, the registered capital of the company was RUB 470 million. The main product is traditional factoring with recourse.

During the reporting period, VTB Factoring increased its business capacity. As of 1 January 2010, VTB Factoring's turnover amounted to nearly RUB 7 billion. Meanwhile, the portfolio of assigned receivables totalled RUB 2.8 billion.

VTB Group key financial indicators

RUB billion	2009	2008	Change
Net interest income	152.2	113.6	34.0%
Net fee and commission income	21.0	16.3	28.8%
Core income	173.2	129.9	33.3%
Provision change for impairment	-154.7	-63.2	144.8%
Staff costs and administrative expenses	-76.4	-67.5	13.2%
Net loss / profit	-59.6	4.6	-
Loans and advances to customers (gross)	2,544.8	2,650.3	-4.0%
Debt securities	311.3	110.9	180.7%
Customer debt financing	2,856.1	2,761.2	3.4%
Customer deposits	1,568.8	1,101.9	42.4%
Net interest margin	4.6%	4.8%	-20 b.p.
Cost-to-core income ratio	44.1%	51.9%	-780 b.p.
Allowance for loan impairment / Total gross loans	9.2%	3.6%	560 b.p.
NPL ratio	9.8%	1.9%	790 b.p.
BIS capital adequacy ratio	20.7%	17.3%	340 b.p.

In 2009, VTB Factoring signed more than 120 agreements to provide factoring services. Among its clients are companies operating in the wholesale and manufacturing sectors.

In 2009, VTB Factoring also became a member of International Factors Group, an international association of factoring companies, which will facilitate the company's entry into international markets in the longer term.

Key priorities in 2010

In 2010, VTB Group is determined to continue developing its financial services division. In the leasing segment, the Group is aiming to maintain a leading position in the Russian market, while increasing the diversification of its portfolio and lending terms. VTB Insurance will continue to develop its business organically by focusing on growing its market customer base through the existing Group network and by cross-selling its insurance products. The key goal of the factoring division will be to extend its product line utilising the development of non-recourse and international factoring.

4.4. Review of financial performance¹⁰

Financial highlights

- Core income increased 33.3% to RUB 173.2 billion year-on-year. Net interest income up 34.0% to RUB 152.2 billion.
- Net interest margin up to 5.3% in the fourth quarter of 2009, the highest level in VTB's public history, compared with 4.4% in the third quarter of 2009 and 4.6% in the fourth quarter of 2008.
- Net fee and commission income up 28.8% to RUB 21.0 billion.
- Cost-to-core income ratio down to 44.1%, compared with 51.9% in 2008.
- Net loss for the year totalled RUB 59.6 billion as a result of provision charges of RUB 154.7 billion.

10. This review is based on VTB Group IFRS consolidated financial statements for the years ended 31 December 2009 and 2008.

11. Bank for International Settlements (BIS) capital ratio is the key figure for international banks. Expressed in %, it is the ratio between their capital and their risk-weighted position for regulatory purposes.

RUB billion	2009	2008	Change
Interest income			
Financial assets at fair value through profit or loss	16.1	11.6	38.8%
Loans and advances to customers	343.9	216.8	58.6%
Due from other banks	11.1	14.2	-21.8%
Securities	2.6	2.6	—
Financial assets not at fair value through profit or loss	357.6	233.6	53.1%
Total interest income	373.7	245.2	52.4%
Interest expense			
Customer deposits	-89.9	-65.2	37.9%
Debt securities issued	-38.1	-32.6	16.9%
Due to other banks and other borrowed funds	-74.8	-29.1	157.0%
Subordinated debt	-18.7	-4.7	297.9%
Total interest expense	-221.5	-131.6	68.3%
Net interest income	152.2	113.6	40.0%

Source: VTB Group IFRS consolidated financial statements for 2009

- Provisions for non-performing loans impairment stood at a comfortable level of 95%.
- BIS capital ratio¹¹ increased to 20.7% following the placement of an additional share issue.

Profit & loss statement analysis

Core income

At the end of 2009, core income, defined as net interest income before provisions and net fee and commission income, grew a substantial 33.3% to RUB 173.2 billion, from RUB 129.9 billion in 2008. In the reporting period, net interest income before provisions was 87.9% of core income, including 12.1% for net fee and commission income.

Net interest income before provisions

Historically, net interest income has formed the bulk of VTB Group's revenue. In 2009, net interest income stood at RUB 152.2 billion, up 34.0% year-on-year (RUB 113.6 billion for the full year in 2008).

Interest income growth during the reporting period was primarily due to the increase in interest

income on loans and advances to customers. In 2009, this indicator rose 58.6% to RUB 343.9 billion, from RUB 216.8 billion in 2008, due mainly to the increase in average annual lending volumes and the rise in interest rates. In 2009, the average annual interest rate on loans and advances to customers increased to 12.7%, from 11.3% for the full year in 2008. At the same time, 2009 was notable for substantial growth in interest income from security investments, which were up 31.7% to RUB 18.7 billion, from RUB 14.2 billion in 2008. This trend was the consequence of an increase in customer funding through public debt instruments – during the reporting year, the size of VTB's debt securities portfolio increased to RUB 311.3 billion, from RUB 110.9 billion at the start of the year.

The Group's interest expenses rose 68.3% in 2009, which is mainly attributable to interest expenses on funds from credit institutions increasing 157% to RUB 74.8 billion. This category of expenses includes, in particular, the costs of servicing loans from the Bank of Russia, which to a large extent determined VTB's funding costs in the first half of 2009. In the third and fourth quarters 2009, the Group fully repaid the costliest Bank of Russia unsecured loans, which had a positive impact on interest expense-related trends.

Net interest spread and margin

RUB billion	2009	2008	Change
Average interest rate on interest-earning assets	11.2%	10.2%	100 b.p.
Average interest rate on interest-bearing liabilities	7.1%	5.9%	120 b.p.
Net interest margin	4.6%	4.8%	-20 b.p.

The 37.9% rise in interest costs on customer deposits to RUB 89.8 billion was due to the increase in average annual customer liabilities and their increase in value in 2009. In 2009, the average annual value of customer deposits increased to 6.4%, from 6.1% in 2008.

The Group's net interest margin in 2009 fell 20 b.p. to 4.6% as a result of the increased cost of interest-bearing liabilities. Following a sharp decline in the first quarter of the reporting period, the margin rate gradually recovered as the year progressed because of the reduced cost of funding which was possible due to the repayment of a substantial part of the Bank's liabilities to the Bank of Russia and the Ministry of Finance in the second half of the year. In the fourth quarter of 2009, the net interest margin rose to 5.3%, its highest level in VTB's history as a public Group, compared with 4.4% in the third quarter and 4.2% in the first half of 2009.

Net fee and commission income

One of the Group's strategic objectives is to increase fee and commission income. During the reporting

period, VTB achieved notable success in this regard with a 28.8% increase in fee and commission income to RUB 21.0 billion. This positive trend was supported by an increase in the client base in the corporate and retail business divisions, an expansion of the investment banking business, and increased operations generating commission income.

In 2009, gross fee and commission income increased 31.4% to RUB 25.5 billion, from RUB 19.4 billion in 2008. The bulk of fee and commission income (63.1%) was generated by settlements and cash transactions. Aggregate fee and commission income received by VTB Group from settlements and cash transactions in the reporting period was RUB 16.1 billion, up 25.8% year-on-year.

A substantial increase in fee and commission income was generated from the provision of customer services associated with trade financing and guarantees issued. Revenues for this item were up 27% to RUB 4.7 billion in 2009 from RUB 3.7 billion in 2008, and

RUB billion	2009	2008	Change
Commission on settlement transactions	14.0	10.5	33.3%
Commission on guarantees issued and trade finance	4.7	3.7	27.0%
Commission on cash transactions	2.1	2.3	-8.7%
Commission on operations with securities	2.2	1.6	37.5%
Other	2.5	1.3	92.3%
Total fee and commission income	25.5	19.4	31.4%
Commission on settlement transactions	-1.8	-1.6	12.5%
Commission on cash transactions	-1.0	-0.7	42.9%
Other	-1.7	-0.8	112.5%
Total commission expense	-4.5	-3.1	45.2%
Net fee and commission income	21.0	16.3	28.8%

Source: VTB Group IFRS consolidated financial statements for 2009

were attributable to VTB's drive to expand its documentary and guarantee business. Also, during the reporting period, the Group increased the commission generated from securities transactions 37.5% to RUB 2.2 billion from RUB 1.6 billion in 2008. The main factor behind this increase was the increased volume of customer securities transactions in the investment and retail business segments of the Group.

In 2009, VTB's fee and commission expense increased 45.2% to RUB 4.5 billion, from RUB 3.1 billion in 2008. Fees and commissions paid by the Group on settlement and cash transactions stood at RUB 2.8 billion. The increase in fee and commission expense resulted from the overall growth of the Group's operations.

Provision charge for loan impairment

During the reporting period, VTB Group made substantial provisions for loan impairment following the weakened economic position of corporate customers during the financial crisis.

The provisioning charge increased to RUB 154.7 billion, or 5.7% of the average gross loan portfolio, from RUB 63.2 billion, or 3.2% of the portfolio, in 2008. At the same time, due to the improving economic situation, the growth rate of the provision charge decelerated progressively during the reporting period from 7.1%, on an annualised basis in the first quarter of 2009, to 6.6% in the second quarter and 4.3% in the third and fourth quarters.

As a result of the increase in loan impairment provision charges, the allowance for loan impairment to the gross loan portfolio increased to 9.2%, from 3.6% at the end of 2008. The largest proportion of provision for impairment was accounted for provisions on corporate loans. During 2009, these provisions increased from 3.6% of the gross corporate loan portfolio to 9.7%. The highest level of provisioning is assigned to companies operating in agriculture, retail trade and the commercial and residential construction sectors.

The ratio of the impairment provision for loans to individuals to the Group's gross retail loan portfolio increased during the reporting period to 6.8%, compared with 3.7% in 2008.

Staff costs and administrative expenses

Given the challenging economic situation in Russia, VTB concentrated its efforts on managing costs. As a result of headcount reductions and the optimisation of business processes, the Group's costs grew at a slower rate than its income, and the ratio of costs to core income fell to 44.1% in the reporting period, from 51.9% in 2008.

VTB Group's staff and administrative costs increased 13.2% in 2009 to RUB 76.4 billion. The main reason for this increase was the active development of investment and retail banking.

Net profit/loss

A financial loss for VTB in the amount of RUB 59.6 billion in 2009 was attributable to the Group's substantial provisioning charges.

Analysis of VTB Group's financial position

Assets

VTB Group's total assets in 2009 stood at RUB 3,610.8 billion, compared with RUB 3,697.4 billion at the end of 2008. The Group's gross loan portfolio (loans and advances to customers before provisions) decreased 4.0% to RUB 2,544.8 billion.

VTB's corporate loan portfolio decreased 6.8% to RUB 2,109.5 billion due to reduced demand for credit from Russian companies. The contraction of the corporate loan portfolio was successfully offset by an increase in the volume of customer funding through public debt instruments. In 2009, the Group's debt securities portfolio increased to RUB 311.3 billion, from RUB 110.9 billion at the start of the year, and the Group's total corporate debt financing increased 2%

RUB billion	31.12.2009	31.12.2008	Change
Cash and short-term funds	260.2	416.1	-37.5%
Mandatory cash balances with central banks	23.9	7.6	214.5%
Financial assets at fair value through profit or loss	267.9	170.8	56.9%
Financial assets pledged under repurchase agreements and loaned financial assets	96.2	44.5	116.2%
Due from other banks	345.6	308.0	12.2%
Loans and advances to customers	2,309.9	2,555.6	-9.6%
Financial assets available-for-sale	24.9	23.9	4.2%
Investments in associates	13.9	4.5	208.9%
Investment securities held-to-maturity	11.7	20.7	-43.5%
Premises and equipment	65.9	60.8	8.4%
Investment property	79.8	4.3	n/a
Intangible assets and goodwill	11.9	11.3	5.3%
Deferred tax assets	31.4	9.3	237.6%
Other assets	67.6	60.0	12.7%
Total assets	3,610.8	3,697.4	-2.3%

Source: VTB Group IFRS consolidated financial statements for 2009

to RUB 2,420.8 billion. VTB's retail loan portfolio expanded 12.5% to RUB 435.3 billion, substantially outperforming the market average, mainly due to the increase in consumer lending (including card credit) by 17.8% to RUB 182.9 billion.

Liabilities

The Group's total liabilities in 2009 decreased 6.0% to RUB 3,105.9 billion, mainly as a result of a 44.5% reduction in the volume of other borrowed funds to RUB 470.9 billion. This decrease was attributable to reduced borrowing from the Bank of Russia. In order to optimise costs and structure funding,

the Group fully repaid its unsecured loans with the Bank of Russia in the second half of 2009, thereby reducing the proportion of government and Bank of Russia short-term funds on the liabilities side of its balance sheet to 2%.

Due to the high level of trust in the VTB brand, total customer deposits increased 42.4% to RUB 1,568.8 billion, from RUB 1,101.9 billion in 2008. Retail deposits increased 34.6% to RUB 476.5 billion, from RUB 354.1 billion at the end of 2008. Corporate deposits, including government bodies, also demonstrated substantial growth, increasing 46.1% to RUB 1,092.3 billion, from

RUB billion	31.12.2009	31.12.2008	Change
Due to other banks	287.0	388.7	-26.2%
Customer deposits	1,568.8	1,101.9	42.4%
Other borrowed funds	470.9	848.7	-44.5%
Debt securities issued	485.7	560.1	-13.3%
Deferred tax liability	7.0	5.5	27.3%
Other liabilities	91.2	174.1	-47.6%
Total liabilities before subordinated debt	2,910.6	3,079.0	-5.5%
Subordinated debt	195.3	226.3	-13.7%
Total liabilities	3,105.9	3,305.3	-6.0%

Source: VTB Group IFRS consolidated financial statements for 2009

Capital and capital adequacy

RUB billion	31.12.2009	31.12.2008	Change
Tier 1 capital	485.2	367.9	31.8%
Tier 2 capital	207.1	243.0	-14.7%
Deductions	-12.2	-4.5	171%
Total capital	680.1	606.4	12.1%
Risk-weighted assets	3,284.0	3,511.9	-6.4%
Tier 1 capital ratio	14.8%	10.5%	430 b.p.
Capital adequacy ratio	20.7%	17.3%	340 b.p.

RUB 747.8 billion as at the end of 2008. As a result, the share of customer deposits in the Group's overall liabilities exceeded 50% at the year-end, which reflects the improvement in VTB's liabilities structure in the post-crisis period.

Total capital and capital adequacy

In 2009, VTB's BIS capital adequacy ratio increased to 20.7%, from 17.3% at the end of 2008. At the same time, the Tier 1 capital ratio increased from 10.5% to 14.8%. This trend was driven by VTB's additional share issue worth RUB 180.1 billion in the third quarter of 2009, and also by the reduction in risk-weighted assets during the reporting period.

Analysis¹² by segment

In 2009, VTB Group's corporate banking revenues grew 65.4% to RUB 287.5 billion, or 63.5% of total Group revenues. Net interest income increased 37.0% to RUB 102.2 billion, equivalent to 67.1% of the Group's net interest income. VTB retained leading positions in the corporate business segment, increasing its market share in lending to 13.0% from 12.7% at the end of 2008. The Group's market share in the corporate deposits market increased 10.2% to 12.7%.

A financial loss reported for this segment in 2009 in the amount of RUB 66.5 billion was attributable to substantial provisioning charges.

In 2009, VTB Group's retail banking revenues were up 42.8% to RUB 88.4 billion, or 19.5% of total Group revenues. Net interest income in this segment increased 43.0% to 43.6 billion, equivalent to 28.6% of the Group's net interest income. The Group is the second-largest player in the Russian retail banking market. VTB's market share in the retail deposits market stood at 6% at the end of the reporting period. Despite substantial provisioning charges during the reporting period, the Group's retail business reported a positive financial result, with a pre-tax profit of RUB 7.2 billion, up 30.9% year-on-year.

VTB Capital continued to consolidate its positions as one of the leading Russian investment banks. The company's revenues increased 118.7% to RUB 50.3 billion, and its share in the Group's revenues increased to 11.1%. VTB Capital more than achieved its 2009 objectives and reported RUB 16.4 billion in pre-tax profits.

4.5. Risk management

Risk management policy, organisation and structure

VTB Group risk management

The principal risks facing the Group's business are credit risk, liquidity risk, market risk (including securities portfolio risk, interest rate risk and currency risk), and operational risk. The Group's risk management includes risk evaluation and

12. This analysis covers VTB Group's key businesses.

Corporate Banking

RUB billion	2009	2008	Change
Revenues	287.5	173.8	65.4%
Operating income before provisions	95.3	89.3	6.7%
Loss / Pre-tax profit	-66.5	12.5	—

Source: VTB Group IFRS consolidated financial statements for 2009

Retail Banking

RUB billion	2009	2008	Change
Revenues	88.4	61.9	42.8%
Operating income before provisions	51.5	36.6	40.7%
Pre-tax profit	7.2	5.5	30.9%

Source: VTB Group IFRS consolidated financial statements for 2009

Investment Banking

RUB billion	2009	2008	Change
Revenues	50.3	23.0	118.7%
Operating income before provisions	30.7	-19.8	—
Pre-tax profit / loss	16.4	-30.6	—

Source: VTB Group IFRS consolidated financial statements for 2009

monitoring, risk size and concentration control, finding efficient solutions for risk optimisation and minimisation (including maintaining the optimal balance between the risks and benefits of operations).

The main risk management principles adopted in VTB Group are:

- consideration of all risk types inherent to banking activity;
- a systematic and multifaceted approach to analysing the various types of risk;
- clear allocation of responsibilities between management bodies and employees in the decision-making process;
- independence of functions carrying out risk assessment and control from banking operations functions;
- application of state-of-the-art risk assessment methods;
- a rigorous reporting system at each management level.

In 2009, the Group continued the process of integrating risk management systems. To support this process, to coordinate timely information exchange and analysis, and to ensure systematic and timely implementation of risk management procedures, a number of commissions under VTB Group's Management Committee have been established, in particular:

- Risk Management Commission;
- Assets and Liabilities Committee;
- VTB Group's Credit Committee, which began to function in early 2009 as a result of the implementation of a credit risk consolidated management system within the Group.

VTB Bank risk management

VTB Bank's risk management policy is aimed at creating an integrated risk management system adequate for the nature and scale

of the Bank's activities and risk profile, and complying with the Bank's needs for further development. The development and improvement of risk management in the Bank is carried out in accordance with best banking practices, the Bank of Russia regulations and recommendations, generally recognised international standards and the recommendations of the Basel Committee on Banking Supervision.

In terms of organisation, the risk management system of VTB Bank comprises various collective bodies (the Management Board, the Credit Committee, the Small Credit Committee, the Moscow Branch Credit Committee, the Branch Credit Committees, and the Assets and Liabilities Committee) and the Bank's structural units.

VTB Bank Risk Department

The division that is responsible for the development of the risk management system and control of risks taken by VTB Group and VTB Bank is the VTB Bank Risk Department. It comprises the following structural units:

1. Operating units for principal risks and/or credit procedure functions:

- Credit Risk Division;
- Market and Operational Risk Division;
- Credit Applications Examining Service;
- Credit and Pledge Operations Division;
- Group for Monitoring Loans Funded by State Programmes.

2. Consolidated Risk Analysis Division, which is responsible for VTB Group-wide risk management, as well as the implementation of Basel II standards and the concept of economic capital in VTB Bank and VTB Group.

In 2009, the Risk Department at VTB Bank introduced measures to raise the effectiveness of the Group's risk management system further. In all of the Group's companies, a unified system for industry and country risks control was launched. Furthermore, basic elements of the consolidated credit risk control system for corporate clients were implemented. Databases of interconnected counterparties and non-performing debtors in the VTB Group have been created and updated as integral parts of a process to coordinate risk management throughout the Group. The development of a standardised reporting system and VTB Group's consolidated risk reporting are the crucial elements of this process.

Successful and timely implementation of the risk management system effectively ensured the provision of the necessary liquidity for VTB Group and VTB Bank against the background of the global financial crisis. Timely assessment of risks, associated with the crisis developments in Russia, helped the Bank to minimise its losses in the context of declining profitability and growth in non-performing debts.

Credit risk

Credit risk is the risk that a counterparty will not be able to meet its obligations in full when they are due. VTB Group and VTB Bank are primarily exposed to credit risk through their loan portfolios, securities portfolios, guarantees, commitments and other on- and off-balance sheet credit exposures.

VTB Group credit risk management

Management of lending activities and credit risk within the Group is based on a combination of the following approaches:

- local credit risk management at Group company level;
- consolidated credit risk management at VTB Group level.

VTB Group loan portfolio quality under IFRS as at 31 December 2009

Total gross loans and advances to customers, RUB billion	2,544.8
NPL ratio, %	9.8%
Allowance for loan impairment / NPLs, %	94.5%
Renegotiated loans / Total gross loans, %	11.8%
Allowance for loan impairment, RUB billion	234.9
Allowance for impairment / Total gross loans, %	9.2%

Within the framework of the local credit risk management system, Group companies assume and manage credit risks independently (including, for instance, insurance and hedging risks) within the scope of their authority and limits with regard to risk indicators, in accordance with the national regulations and the standards of VTB Group. Group companies are responsible for the results of their lending activity, for the quality of their loan portfolios and for monitoring and controlling credit risks associated with their portfolios.

Consolidated credit risk management performs the following functions:

- consideration and approval of Group-wide standards for lending and credit risk management;
- centralised regulation and control of strategic and other important issues associated with the organisation and the functioning of lending procedures and credit risk management of the Group and its subsidiaries.

Consolidated risk management covers the most essential assets items and off-balance sheet operations of Group companies, which bear credit risk and require the control of their concentration within the Group as a whole. In the context of consolidated control and reporting, the scope of such operations is defined by the coordinating bodies of the Group.

The key elements of consolidated risk management within the Group are as follows:

- development of a unified lending policy for VTB Group and harmonising and streamlining lending policies of the subsidiaries with the Group's lending policy;
- development of unified principles for borrower assessment (rating systems for large corporate clients and credit institutions; scoring systems for retail clients);
- assessment of the economic capital (capital-at-risk) necessary to cover credit risks;
- consolidated reporting on credit risks.

VTB Bank credit risk management

The main elements of credit risk management in the Bank are established limits in relation to single borrowers, groups of borrowers, industries, regions and foreign countries. These limits are set and regularly reviewed by the VTB Bank Risk Department, approved by the Credit Committee and comply with regulations established by the Bank of Russia. In the face of the existing liquidity crisis and in order to limit the increase in overdue debts, VTB Bank introduced a number of significant changes to its lending procedures.

During 2009, VTB Bank undertook the following additional measures to manage credit risk:

- requirements for financial stability, cash flow forecast assessment, credit quality and liquidity were strengthened;
- a centralised system to identify and monitor the risk of credit deals was implemented;
- the evaluation of collateral value was updated;
- the institution of regional risk managers, responsible for improving the quality of credit analysis and compliance with credit procedures in the Bank's branches, was introduced.

During the crisis, the Bank implemented measures to enhance managers' responsiveness to the changing situations of specific borrowers and to increase their responsibility for monitoring clients assigned to them. When the 'acute phase' of the crisis had passed, limits which were set to restrict lending activity were abolished, providing easier access to loans for medium-sized businesses.

VTB Bank's policy in dealing with borrowers includes assessment of their financial viability in changed economic conditions and their influence on other actors in the business environment (by causing a recovery of / an increase in their activities), and is also guided by principles of corporate social responsibility.

During the reporting period, VTB Bank's priority borrowers included companies and organisations supported by State programmes.

An analysis of the credit quality of loans and advances to customers, individually and collectively assessed, is presented in the table below.

The credit quality of loans and advances to customers is presented according to five categories:

- Pass – provision rate from 0% to 2%;
- Watch – provision rate from 2% to 5%;
- Substandard – provision rate from 5% to 20%;
- Doubtful – provision rate from 20% to 50%;
- Loss – provision rate from 50% to 100%.

Provision rate represents the weighted ratio of allowance for impairment to gross loan portfolio (before provisions) under each pool of loans with similar credit risk or individually impaired loan.

Liquidity risk

Liquidity risk is the risk of a mismatch between the maturities of assets and liabilities, which might result in the inability to liquidate a position in a timely manner at a reasonable price to meet funding obligations (including non-utilisation of funds at an above-average market rate).

RUB billion	Not impaired					Impaired	
	Pass	Watch	Substandard	Doubtful	Loss	Total	
Loans to legal entities	1,221.4	331.5	290.2	61.8	204.6	2,109.5	
Loans to individuals	377.3	2.1	6.5	26.3	23.1	435.3	
Total loans and advances to customers	1,598.7	333.6	296.7	88.1	227.7	2,544.8	

Source: VTB Group IFRS consolidated financial statements for 2009

VTB Group liquidity risk management

During 2009, the liquidity management policy was applied not only within VTB Bank, but across the Group as a whole.

Liquidity management within the Group is carried out at three basic levels:

- each bank of the Group manages its own liquidity on an individual basis in order to meet its obligations and to comply with the requirements of the national regulator and the recommendations of VTB Bank;
- VTB manages Group liquidity by coordinating the redistribution of funds within the Group through borrowing from, and lending to, the banks of the Group;
- the Group's medium-term and long-term financing programmes are developed and implemented under the supervision of VTB Bank.

VTB Bank liquidity risk management

The Bank separates current and instant liquidity risk management.

Management of current liquidity is one of the essential tasks handled by the Bank as part of its asset and liability operational management and entails short-term forecasting and control of fund flows in terms of currencies and timings to ensure that the Bank meets its obligations, completing settlements on behalf of customers and funding the Bank's active operations.

Current liquidity management is carried out by the Treasury Finance Department based on real-time (intraday) determination of the Bank's current payment position and forecasted future payment position, taking into account the payments schedule and other scenarios.

The main task in instant liquidity management is to develop and implement a number of instruments for managing assets and liabilities, aimed at supporting the Bank's instant funding ability, as well as to plan increases in its asset portfolio by optimising the ratio of liquid assets and profitability.

The Bank achieves this by making long-term liquidity forecasts and by adhering to internal liquidity standards based on currencies and timings formulated by the Assets and Liabilities Management Committee. Forecasted liquidity management is also conducted according to the liquidity accounting standards of the Bank of Russia.

Long-term liquidity forecasts and risk analysis across VTB Group, and within VTB Bank, are prepared by the Market and Operational Risk Division, which presents the results in a consolidated report to the Bank's Assets and Liabilities Committee, VTB Group Management Committee and the Assets and Liabilities Commission operating under the Management Committee.

Each forecast includes receivables and payments according to the contractual terms for these transactions, while also taking into account planned operations. In so doing, consideration is given to the possible outflow of unstable "on-demand" capital.

In addition, the Market and Operational Risk Division conducts contingency modelling (stress-testing) with allowance for risk factors liable to influence the Bank's forecast liquidity, and taking into consideration its ability to mobilise liquid assets in order to alleviate a lack of liquidity.

The table below illustrates VTB Group's cash flows as at 31 December 2009 on contractual terms to maturity/payment on assets and liabilities.

A significant portion of VTB Group's liabilities is represented by customer deposits, promissory notes, bonds, current accounts of corporate and retail customers, Eurobonds and syndicated loans.

Despite the fact that a considerable portion of customer liabilities are mature in less than one month and on-demand deposits, diversification of these deposits and VTB's past experience indicate that these liabilities are consistently refinanced by customers and for the most part they are a stable source of funding. The stable element of resources on demand is determined for separate currencies on the basis of statistical

trend analysis of the dynamics of cumulative balances on these accounts.

Money market instruments (interbank loans and deposits, repurchase agreements) are used to control short-term liquidity and are not considered as a source of funding for long-term assets.

During 2009, VTB Group took an active role in the Russian Government's anti-crisis programme to support the real economy. While loans to corporate clients predominantly exceeded one year, the funding instruments offered by the Bank of Russia to carry this programme forward were issued for terms

Time Band	Inflow	Outflow	Gap	Gap cumulative	FX swap cumulative	Dynamic gap (total) Cumulative
Position in roubles						
Opening balance	–	–	152.5	152.5	–	152.5
Up to 1 month	119.8	–440.6	–320.8	–168.3	–13.9	–182.2
From 1 to 3 months	110.7	–305.0	–194.3	–362.6	–4.0	–366.6
From 3 months to 1 year	517.1	–435.0	82.1	–280.5	–0.7	–281.2
From 1 to 3 years	665.0	–241.4	423.6	143.1	4.8	147.9
More than 3 years	1,254.3	–324.3	930.0	1,073.1	4.8	1,077.9
Positions in other currencies						
Opening balance	–	–	59.6	59.6	–	59.6
Up to 1 month	284.0	–213.8	70.2	129.8	9.7	139.5
From 1 to 3 months	92.9	–140.3	–47.4	82.4	–3.7	78.7
From 3 months to 1 year	380.9	–316.4	64.5	146.9	–6.8	140.1
From 1 to 3 years	367.8	–431.8	–64.0	82.9	–10.5	72.4
More than 3 years	361.0	–196.8	164.2	247.1	–10.5	236.6
Total						
Opening balance	–	–	212.1	212.1	–	212.1
Up to 1 month	403.8	–654.4	–250.6	–38.5	–4.2	–42.7
From 1 to 3 months	203.6	–445.3	–241.7	–280.2	–7.7	–287.9
From 3 months to 1 year	898.0	–751.4	146.6	–133.6	–7.5	–141.1
From 1 to 3 years	1,032.8	–673.2	359.6	226.0	–5.7	220.3
More than 3 years	1,615.3	–521.1	1,094.2	1,320.2	–5.7	1,314.5

Source: VTB Group IFRS consolidated financial statements for 2009

Presence Overcoming Distance



Owing to its strong international positions, expertise and the ability to offer the most efficient solutions to its customers, VTB Group's investment business rapidly gained the lead in the Russian investment market. VTB Capital won the recognition of professionals as the most dynamic company in 2009.

Grasping Investment Opportunities



VTB Group interest rate sensitivity

Currency	Interest rate increase, b.p.	Effect on net interest income, RUB billion	Interest rate decrease, b.p.	Effect on net interest income, RUB billion
RUB	300	-11.0	-200	7.3
USD	100	1.0	-25	-0.2
EUR	100	0.9	-25	-0.2
GBP	100	0.1	-25	-
Other	100	-0.1	-25	-
Total		-9.1		6.9

Source: VTB Group IFRS consolidated financial statements for 2009

not longer than one year, which accounts for the lack of liquidity in one-year term pools on the contractual terms of assets and liabilities.

At the same time, the Group has additional funding facilities enabling it to comfortably control any negative liquidity gaps. The unused portion of the Bank of Russia's collateral-free borrowing limit set for the Group's Russian banks (VTB, VTB24 and VTB North-West) exceeded RUB 1,050 billion as at 31 December 2009. This limit is calculated on the basis of the banks' regulatory capital multiplied by 1.5. Repo and collateralised borrowing capacity is limited by eligible collateral in the form of debt, securities and discount rates, and its utilised limit amounted to approximately RUB 150 billion as at 31 December 2009. VTB Group also has additional borrowing facilities in the interbank market, estimated at approximately RUB 90 billion as at the end of 2009.

Market risk

Market risk is the risk of downward pressure on the Group's financial results in response to the revaluation of balance-sheet assets and liabilities, off-balance-sheet demands and liabilities, and derivative financial instruments due to unfavourable changes in market parameters, such as interest rates (interest rate risk), exchange rates (currency risk) and securities prices (price risk).

Interest rate risk

The general principles for managing interest rate risk are as follows:

- setting standard interest rates for deposits and basis point rates for borrowing that take the current state of the market into consideration;
- calculating interest rate risk indicators and setting limits/reference points of interest rate risk for VTB Group and individual banks by currencies and temporary pools.

The basic parameters used to assess interest rate risk are:

- the susceptibility of the Group's interest rate gap to a change in Basis Point Value and the degree of sensitivity to interest rates, determined in relation to (1) the reduction in the net present value of the interest position and (2) net interest income under an unfavourable parallel movement of the yield curves by one basis point;
- the economic capital for covering interest rate risk, evaluated using the IRRC indicator (Interest Rate Risk Charge) and assessment of a reduction in the net present value of the Bank's position under a potential unfavourable parallel movement of the yield curves by an amount determined using the Value at Risk indicator.

The table “VTB Group interest rate sensitivity” shows the sensitivity of the Group’s annual net interest income to a parallel shift of the yield curves by currencies as at 31 December 2009.

Currency risk

The Group manages its currency risk by matching the currency of its assets with that of its liabilities and maintaining an open currency position (OCP) in each of the Group’s banks within the established limits, including internal OCP limits and regulatory OCP limits set by the Bank of Russia.

A quantitative risk assessment is carried out using the VaR (Value at Risk) method, which estimates the largest potential negative effect (within a specified confidence interval) of changes in the value of foreign exchange positions on the financial result. The VaR assessment is based on an historical simulation approach over a historical period of two years with a 10-trading day holding period and a confidence interval of 99%. As at 31 December 2009, this indicator stood at RUB 3.4 billion for the Group.

Price risk

The general principles for managing price risk are as follows:

- restricting the size of price risk taken on by setting limits across instruments, portfolios and types of transactions;
- control over adherence to the established limits and restrictions (for example, a minimum discount size on “reverse repo” operations and margin call conditions) for taking on price risk;
- organisation of ongoing monitoring, analysis and reporting of price risk.

A quantitative risk assessment is carried out using the VaR method with the parameters described

above for currency risk. Original historical data was used for instruments with a quote history of at least 100 trading days in the previous year, and not more than ten successive trading days without quotes and the issue date as early as the beginning of the reporting period. The vast majority of such instruments in the Group’s portfolio had a history of 250 trading days in the reporting year.

For instruments not satisfying these criteria (but nevertheless circulating in the market and carrying market risk), the price history used was that of equivalent (proxy) instruments, selected using the following criteria:

- the proxy instrument represents the same type of financial instruments as the original instrument (bonds/Eurobonds);
- the issuer of the proxy instrument is in the same sector and the same country as that of the original instrument, and the issuers have comparable credit ratings;
- the proxy instrument and original instrument are denominated in the same currency;
- the proxy instrument and original instrument have comparable durations.

Proxy instruments are used to make the VaR calculation for approximately half of the portfolio by volume and 28% of the total number of instruments. As at 31 December 2009, this indicator calculated for the Group’s securities portfolio, when taking diversification effect into consideration, was worth approximately RUB 5.7 billion.

Operational risk

Operational risk is the risk of loss resulting from the inadequacy or failure of internal processes, employees and IT systems, inconsistencies with

legislative requirements or external events not controlled by the Bank (primarily, natural disasters).

VTB Bank's operational risk management system is designed to prevent possible losses and reduce the possibility of business process failures and the inability to provide high quality services to the Bank's clients caused by staff errors, system breakdowns, internal or external fraud, and violation of the law.

In its operational risk management practices, the Bank follows the principles set by the Bank of Russia regulations, as well as the recommendations of the Basel Committee on Banking Supervision (including Basel II). To implement the Bank's operational risk management strategy, VTB carries out regular procedures to identify, assess, control and limit risk. All significant deficiencies from a risk perspective, identified within the internal control system, are subjected to rigorous analysis. Based on the analysis, measures are developed and implemented to eliminate the cause and source of the risk. To facilitate a consolidated assessment of operational risk within the Bank, a mechanism for collecting information on operational losses and key risk indicators, compliant with Basel II and the Bank of Russia requirements, was introduced at the beginning of 2007. A similar system is currently being introduced in VTB Group banks.

The key operational risk limitation instruments are:

- application of the principles of division and limitation of the functions, authorities and responsibilities of employees; implementation of dual controls; collective decision-making and limit-setting for the terms and scale of operations;
 - automation of banking operations, the use of high-performance information systems and their constant monitoring and immediate repair;
 - provision of physical and information security, control over access to the Bank's facilities;
 - careful HR policy, staff training and education.
- These risk limitation strategies are supported by appropriate insurance programmes. In 2009, the Bank's operational risk insurance amounted to approximately RUB 10 billion, and included complex crime insurance under the Financial Institution's Blanket Bond scheme (including electronic and computer crime), insurance of valuables during transit and while in storage and insurance of the "card business", including cash dispensers and cover against bank card fraud.
- To implement unified mechanisms for the identifying, monitoring and controlling operational risk, both at the level of Group companies, and at a consolidated level across VTB Group, a new procedure for information gathering on VTB Group's operational risk indicators and preparing operational risk reporting within the Group was introduced at the end of 2009. These regulations, which were approved by the Risk Commission under VTB Group Management Committee, set out the general requirements for the methodological and procedural aspects of the information gathering on operating losses and operational risk events in the Group's subsidiaries, and outline the procedure for regular reporting to the head bank. Following the approval of this document by VTB's Management Committee, the risk management teams of the Group's subsidiaries will
- a complex system of internal control that is common to all business units and operations throughout the Bank;
 - regulation of key operations by internal standards and codes of practice;
 - registration and documentation of banking operations and transactions and the regular control of primary documents and operating accounts;

draft and present their local regulations for approval in 2010.

Programme for implementing Basel II standards

In 2009, a comprehensive analysis was undertaken to assess the readiness of VTB Group banks to implement Basel II standards. Following the results of this analysis, each of the Group's banks began preparing a plan of further actions in this regard.

At the same time, VTB Bank and VTB24 took part in the Banking Regulation and Supervision (Basel II) programme, organised by the Bank of Russia in conjunction with leading EU experts in banking regulation. This programme included seminars and meetings with representatives from the Central Bank of Russia and European regulators for the purpose of developing optimum approaches to ensure the smooth transition of Russian banks to Basel II standards. In particular, a survey was carried out as part of this programme, which enabled VTB Bank to self-assess its compliance with Basel II in the following areas:

- the Bank's internal policies on credit risk management for compliance with the content and minimum requirements of IRB policy;
- the organisation of risk management, internal control and equity (capital) planning systems for compliance with the recommendations for the organisation of these systems as specified in Component 2 of the Basel II standard.

Also, in the context of the phased implementation of requirements of Basel II Component 2, a procedure for calculating economic capital was introduced in the Bank and Group-wide. This procedure is regarded as a component of ICAAP. The Bank's internal methodology is also based on the state-of-the-art principles embodied in Basel II.

Once the timeframe for incorporating the Basel II recommendations into Russian banking legislation becomes clear, the Bank intends to formulate a strategy for the transition of risk management systems to the new standards with the necessary procedural documents, with simultaneous preparation of the corresponding budget and close coordination of the Bank's subdivisions to carry this project forward.

VTB Group banks based in Western Europe have been working under the Basel II standards since 1 January 2008.

Key priorities in 2010

In 2010, VTB Bank plans to improve its risk management system in three key areas:

- further implementation of best global banking practices and Basel II standards, along with increasing the efficiency and conservatism in the assessment of the risk taken by the Bank;
- development of existing risk control procedures at a VTB Group level based on the consolidated risk management concept developed and approved by the Group;
- completion of the development of a mature risk management system within the Group's investment business, which is the key factor for its active development.

In order to achieve these improvements, it is necessary to expand the practice of establishing consolidated limits of credit risk for general VTB contractors amongst corporate clients and banks. The Bank also intends to adhere to the provisions and principles for controlling credit operations and the risks associated with them, provided by the "JSC VTB Bank Credit Policy 2009–2010", taking into account the current global financial situation.

Within the framework of the new policy, adopted in 2009, the Bank will continue to improve its ranking system for borrowers and its procedures for issuing credits to different categories of client. In particular, the delegation of credit issuing responsibilities will be improved.

It will be especially important to develop an information and technical infrastructure specialised in risk management, in order to meet stringent requirements (quality, accuracy and

timeliness) concerning the quantitative evaluation of risk. In order to improve the availability of data and to utilise sophisticated mathematical models, the Bank is spearheading several high technology projects. In particular, it is expected to complete the first stage of the project of an automated risk management system for VTB Group. The first stage of the project is based on Kamakura Risk Manager software and includes an automated assessment of market risks, as well as asset and liability management.

5. Corporate governance

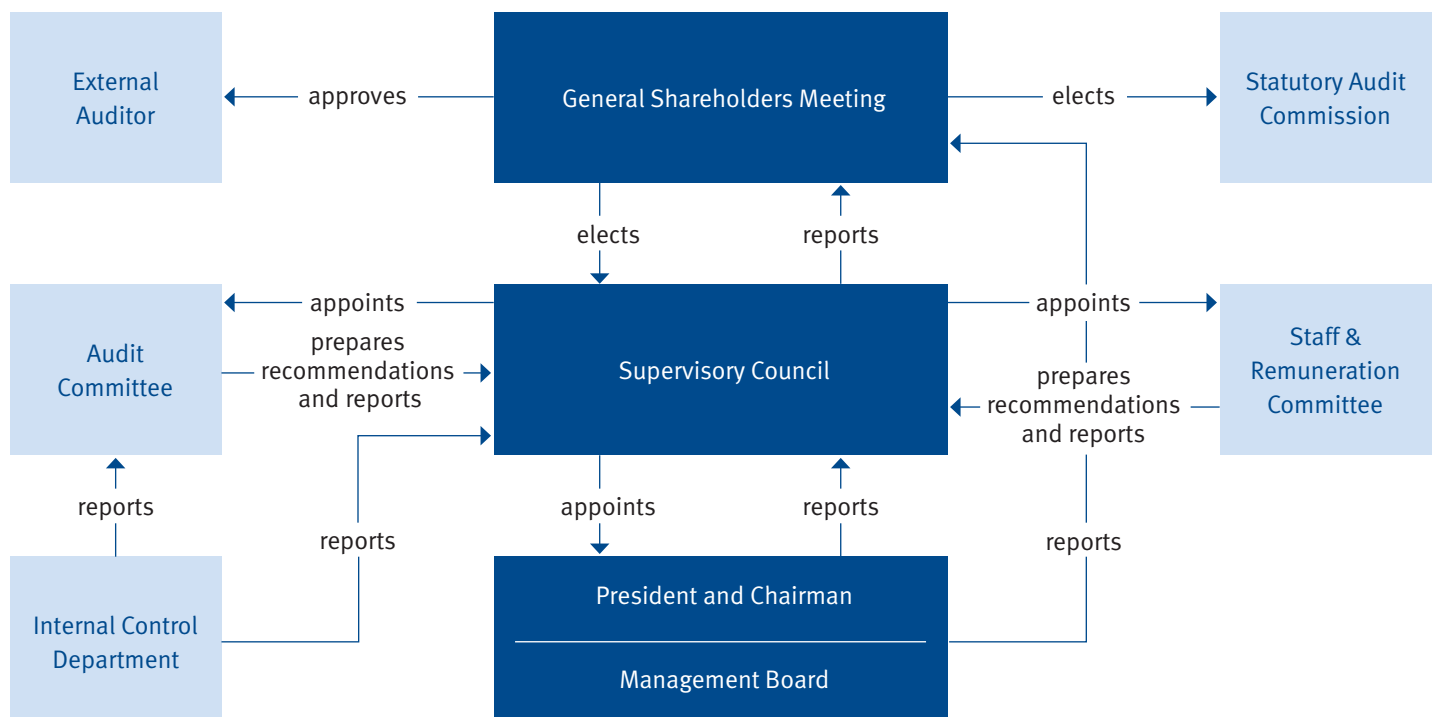
5.1. Overview of the corporate governance system

VTB Bank's corporate governance system is founded on the principle of unconditional compliance with the requirements of Russian legislation and the Bank of Russia regulations and the recommendations of the Russian Federal Financial Markets Service. It also takes international standards of best practice into account. VTB Bank guarantees equal treatment of all shareholders and affords them the opportunity to participate in the Bank's management via the General

Shareholders Meeting and to exercise their right to receive dividends and information on the Bank's operations.

The General Shareholders Meeting is VTB Bank's highest governing body. The Bank's Supervisory Council, elected by shareholders and accountable to them, provides strategic management and oversight of the work of the executive bodies, namely the President and Chairman and the Management Board. The President and Chairman and the Management Board are responsible for the day-to-day management of the Bank and carry out the tasks entrusted to them by shareholders and the Supervisory Council.

VTB Bank corporate governance structure



VTB Bank has built an effective system of corporate governance and internal control of its financial and economic affairs as a means of safeguarding the rights and lawful interests of shareholders. The Supervisory Council oversees the Audit Committee which, in conjunction with the Internal Control Department, supports the management function in ensuring the smooth running of the Bank's operations. The Audit Commission monitors the Bank's compliance with applicable statutory codes and regulations and the legality of its business transactions.

VTB Bank operates a policy of timely and full disclosure of reliable information, including details of its financial position, economic performance and asset structure, thereby giving shareholders and investors the opportunity to make properly informed decisions.

For the purpose of inspecting and verifying the Bank's financial returns and reports, VTB engages on an annual basis the services of an external auditor which has no vested interest in the Bank's or its shareholders' financial affairs.

The Staff & Remuneration Committee reports to the Supervisory Council and drafts recommendations on key appointments and incentives for members of the Supervisory Council and the Bank's executive and control bodies.

The Bank operates a policy of timely and full disclosure of reliable information, including details of its financial position, economic performance and asset structure, thereby giving shareholders and investors the opportunity to make properly informed decisions. Disclosure of information is carried out in compliance with the requirements of Russian legislation and the UK financial regulator the Financial Services Authority (FSA). In 2008, VTB Bank introduced a Regulation on Information

Policy which, inter alia, establishes rules for the protection of confidential and insider information.

Development of the corporate governance system

Recessionary pressures affecting the Russian economy and the financial sector during the reporting period acted as a catalyst, raising the significance of corporate governance as an effective tool in overcoming the impact of the global crisis. This was evident, first and foremost, in the increasingly prominent role played by the Supervisory Council as a force for governance, balancing the interests of all stakeholders and overseeing the implementation of anti-crisis measures.

Besides carrying forward the Bank's anti-recessionary programme, work continued in 2009 on the planned development of the corporate governance system in line with best practice.

Thus, two new independent directors joined the Supervisory Council during the reporting period, bringing the total number to four.

The inauguration in 2009 of the Staff & Remuneration Committee under the auspices of the Supervisory Council marked an important step in further improvement of corporate governance within VTB Bank.

During the reporting period, VTB Bank set up a Consultative Council for minority shareholders. This independent consultative body is designed to provide a vehicle for effective dialogue between the Bank and its individual shareholders.

Developing the corporate governance system will remain one of VTB Bank's priority tasks in 2010. Key goals include drafting a plan for further improvement of the Bank's corporate governance as part of VTB's Group Development Strategy for 2010–2013.

5.2. The General Shareholders Meeting of JSC VTB Bank

The annual General Shareholders Meeting is VTB Bank's highest governing body. In making decisions at shareholders meetings, the Bank's owners exercise their right to participate in its management.

The 2009 annual General Shareholders Meeting of VTB Bank was held on 29 June in Moscow under the chairmanship of the First Deputy Chairman of the Bank of Russia and member of the VTB Supervisory Council Alexei Ulyukhaev. The meeting was attended by 744 shareholders and their representatives.

During the meeting, shareholders took part in discussions and voted on the following matters:

- approval of VTB Bank's Annual Report for 2008;
- approval of the annual accounts for 2008;
- distribution of profits and announcement of dividends for 2008;
- determination of the composition and election of the Supervisory Council;
- determination of the composition and election of the Audit Commission;
- approval of the external auditor;
- approval of related party transactions;
- approval of the new edition of the VTB Bank Charter;
- increase in the Bank's share capital by placing additional ordinary registered shares;
- remuneration payments to independent members of the Supervisory Council.

More detailed information about the General Shareholders Meeting is available on the VTB website.

5.3. The Supervisory Council of JSC VTB Bank

The Supervisory Council is one of the most important elements of VTB Bank's corporate governance system. It provides general oversight of the Bank's operations, formulates its long-term strategy, and acts on the basis of Russian legislation, the Charter and the Supervisory Council Regulation.

The essential functions of the Supervisory Council are defined in the Supervisory Council Regulation which can be viewed on the Bank's website at: <http://vtb.ru/about/documents/supervisory>.

The members of the Supervisory Council are elected by the General Shareholders Meeting for the period until the next annual meeting. The right to nominate candidates for membership in the Supervisory Council is open to shareholders holding in aggregate not less than two percent of the Bank's voting shares. Election of members to the Supervisory Council takes place by cumulative ballot at the General Shareholders Meeting.

Meetings of the Bank's Supervisory Council are convened at the initiative of its Chairman, or at the request of a member of the Supervisory Council, the Audit Commission, the auditor, the Management Board, or the President and Chairman. A quorum for meetings of the Bank's Supervisory Council is formed by half the number of elected members of the Supervisory Council. Decisions at Supervisory Council meetings are carried by a majority vote of the participating members, except where otherwise provided in the Charter and the Supervisory Council Regulation. For decision-making purposes at Supervisory Council meetings, each member of the Council has one vote.

Chairman of the Supervisory Council

The Supervisory Council Chairman is elected by the members of the Supervisory Council from their number by a majority vote. The Bank's Supervisory Council has the right to re-elect its Chairman at any time by a majority vote (of the total number) of Supervisory Council members.

The Supervisory Council Chairman organises the Council's business, convenes and chairs its meetings, and also presides at General Shareholders Meetings of the Bank.

In the absence of the Supervisory Council Chairman, his or her duties are assumed by one of the Supervisory Council members by decision of the Supervisory Council.

Deputy Prime Minister of the Government of the Russian Federation and Finance Minister of the Russian Federation Alexei L. Kudrin has been the Chairman of VTB Bank's Supervisory Council since 2002.

Composition of the Supervisory Council

At the present time, the Bank's Supervisory Council is composed of 11 people. Four of the Supervisory Council members are independent. VTB Bank strives to operate in line with international best practices in corporate governance and is exploring the possibility of increasing the number of independent directors to five in 2010.

On 29 June 2009, the annual General Shareholders Meeting elected three new members to the Supervisory Council: Grigorii Y. Glazkov (independent member of the Supervisory Council), Vitaly G. Saveliev and Mukhadin A. Eskindarov (independent member of the Supervisory Council).

Yurii M. Medvedev, Anna V. Popova and Anton G. Siluanov were outgoing members from the Supervisory Council in 2009.

Alexei L. Kudrin

Chairman of the Supervisory Council of VTB Bank

From 2007 to date – Deputy Prime Minister of the Government of the Russian Federation and Finance Minister of the Russian Federation. Member of the Supervisory Council of JSC Sberbank, Board Chairman of the State Corporation Deposit Insurance Agency, Board Chairman of JSC ALROSA, member of the Supervisory Council of the State Corporation Bank for Development and Foreign Economic Affairs (Vnesheconombank).

Previous positions:

2004–2007 – Finance Minister of the Russian Federation;

2000–2004 – Deputy Prime Minister of the Government of the Russian Federation – Finance Minister of the Russian Federation; 1997–2000 – First Deputy Finance Minister of the Russian Federation;

1996–1997 – Deputy Director of the Office of the President of the Russian Federation, head of the Presidential Control Directorate of the Russian Federation.

Acting State Advisor of the Russian Federation, Class 1.

Born in 1960. Graduated from Leningrad State University (now St. Petersburg State University) in 1983. Has a PhD in Economics and is also a Professor.

Holds no shares in the Bank.

Matthias Warnig

Independent member of the Supervisory Council of VTB Bank

2006 to date – Managing Director of Nord-Stream AG (Switzerland). Board Member of JSC Bank Rossiya, Board Member of the East-West Institute (USA), member of the international consultative committee of Cr dit Agricole S.A. (France).

Previous positions:

2005–2006 – Chairman of the Board of Directors of CJSC Dresdner Bank;
 2004–2005 – Chairman of the Management Committee of Dresden Kleinwort for Russia and the CIS;
 2002–2005 – President of CJSC Dresdner Bank;
 2000–2002 – Chief Coordinator of Dresdner Bank Group in Russia;
 1999–2000 – Managing Director of the BNP-Dresdner Bank branch in St. Petersburg, later renamed Dresdner Bank;
 1997–1999 – Deputy Manager of the Moscow branch of BNP-Dresdner Bank;
 From 1990 – Management Board Advisor, Head of Trade Finance Division of Dresdner Bank;
 1981–1990 – Ministry of Foreign Trade, Cabinet of Ministers of the German Democratic Republic, officer with the German Main Intelligence Directorate.

Born in 1955. Graduated in 1981 from Higher School of Economics (Berlin) majoring in Economics.

Holds no shares in the Bank.

Grigoriy Y. Glazkov

Independent member of the Supervisory Council of VTB Bank

2004 to date – Independent consultant. Member of the National Register of Independent Directors under the Russian Union of Industrialists & Entrepreneurs (RSPP).

Previous positions:

2002–2004 – Director of the Viewpoint Psychological Consulting Centre, Consultant Psychologist;
 1997–2002 – Head of International Financial Institutions Department of the Ministry of Finance of the Russian Federation;
 1995–1997 – Regional Representative of the European Bank for Reconstruction and Development in St. Petersburg & Advisor to the EBRD Russian Department in London;

1992–1995 – Advisor to the Russian Director at the International Monetary Fund, Washington D.C., United States.

Acting State Advisor of the Russian Federation, Class 3.

Born in 1953. Graduated in 1979 from Leningrad State University (now St. Petersburg State University), and in 2006 from Higher School of Psychology. Mr. Glazkov is an economist and psychologist.

Holds no shares in the Bank.

Arkady V. Dvorkovich

Member of the Supervisory Council of VTB Bank

2008 to date – Aide to the President of the Russian Federation.

Since June 2004 – Member of National Banking Council (representative of the President of the Russian Federation).

Chairman of the Supervisory Council of the Agency for Housing Mortgage Lending; Member of the Supervisory Council of JSC Sberbank; Board Member of the Deposit Insurance Agency; and Member of the Supervisory Council of the Support Fund for Reform of the Housing and Utilities Sector.

Previous positions:

2004–2008 – Head of the Presidential Expert Directorate;
 2000–2004 – Ministerial Advisor, Deputy Minister for Economic Development & Trade of the Russian Federation;
 1994–2000 – Consultant, Senior Expert, Managing Director and Scientific Director of the JSC Economic Expert Group.

Senior State Advisor of the Russian Federation, Class 1.

Born in 1972. Graduated in 1994 from the Lomonosov Moscow State University, Russian School of Economics, and in 1997 from Duke University (USA), Economist-Mathematician, master of economics.

Holds no shares in the Bank.

Anton V. Drozdov

Member of the Supervisory Council of VTB Bank

2008 to date – Chairman of the Management Board of the Pension Fund of the Russian Federation.

Previous positions:

2004–2008 – Director of the Economics & Finance Division for the Government Central Office of the Russian Federation;

2003–2004 – Deputy Director of the Government Central Office of the Russian Federation;

1999–2003 – Head of the Finance Division for the Government Central Office of the Russian Federation; 1994–1999 – Deputy Head of the Federal Treasury Department of the Ministry of Finance of the Russian Federation.

Senior State Advisor of the Russian Federation, Class 1.

Born in 1964. Graduated in 1986 from the Moscow Financial Institute majoring in “Finance and Credit”. Economist.

Holds no shares in the Bank.

Andrei L. Kostin

Member of the Supervisory Council of VTB Bank

2002 to date – President and Chairman of the Management Board.

Chairman of the Supervisory Council of CJSC Bank VTB 24, OJSC VTB Bank North-West and VTB Bank (Ukraine) JSC; Chairman of the Consultative Committee of VTB Capital plc, as well as Board Member of OJSC Sovkomflot, JSC NK Rosneft, JSC United Aircraft Construction Corporation, and

JSC Russian Railways; Chairman of the Board of Directors of CJSC VTB-Capital, CJSC Holding VTB Capital; President of the CIS Finance & Banking Council and the national community organisation “Russian Gymnastics Federation”; member of the Bureau of the Russian Union of Engineers; member of the Managing Bureau of the Russian Union of Industrialists and Entrepreneurs; member of the Council of the Association of Russian Banks.

Previous positions:

1996–2002 – Chairman of Vnesheconombank (VEB); 1995–1996 – First Deputy Chairman of the Management Board of the National Reserve Bank.

Born in 1956. Graduated with Honours in 1979 from the Economics Faculty of Lomonosov Moscow State University. PhD in Economics.

Holds shares equivalent to 0.00183% of the charter capital of the Bank.

Nikolai M. Kropachev

Independent member of the Supervisory Council of VTB Bank

2008 to date – Rector of St. Petersburg State University. Head of St. Petersburg and Leningrad region Bar Associations and Presidium Member of the Bar Association of Russia.

Previous positions:

2006–2008 – First Vice Principal of St. Petersburg State University;

2000–2005 – President of the Statutory Court of St. Petersburg.

Acting State Advisor of St. Petersburg, Class 1.

Born in 1959. Graduated in 1981 from the Legal Faculty of Leningrad State University (now St. Petersburg State University). Doctor of Law and Professor.

Holds no shares in the Bank.

Alexei L. Savatyugin*Member of the Supervisory Council of VTB Bank*

2009 to date – Deputy Minister for Financial Policy at the Ministry of Finance of the Russian Federation. Board Chairman of JSC Rosgosstrakh; member of the Supervisory Council of JSC Sberbank; and Board Member of the State Corporation Deposit Insurance Agency.

Previous positions:

2004–2009 – Director of the Department of Financial Policy at the Ministry of Finance of the Russian Federation;
 1992–2004 – Assistant and senior lecturer in the Department of Economic Theory and Economic Policy at St. Petersburg State University.

Acting State Advisor of the Russian Federation, Class 3.

Born in 1970. Graduated in 1992 from St. Petersburg State University majoring in Political Economy.

Holds no shares in the Bank.

Vitaly G. Saveliev*Member of the Supervisory Council of VTB Bank*

2009 to date – General Manager at JSC Aeroflot – Russian Airlines.

Previous positions:

2007–2009 – First Vice President and Business Unit Director (Telecommunications Assets) of Sistema Finance Corporation;
 2004–2007 – Deputy Minister of Economic Development;
 2002–2004 – Vice President of Financial Affairs with Gross United Company Ltd.;
 2001–2002 – Deputy Chairman of the Management Board of OJSC Gazprom.

Born in 1954. Graduated in 1977 from the M.I. Kalinin Order of Lenin Polytechnical Institute in Leningrad, majoring in Construction and Roadbuilding Machinery

and Equipment, and in 1986 from P. Togliatti Institute of Engineering and Economics in Leningrad, majoring in Construction Management.

Holds no shares in the Bank.

Alexey V. Ulyukaev*Member of the Supervisory Council of VTB Bank*

2004 to date – First Deputy Chairman of the Central Bank of the Russian Federation. Deputy Chairman of the Supervisory Council of JSC Sberbank.

Previous positions:

2000–2004 – First Deputy Finance Minister of the Russian Federation;
 1999–2000 – Deputy Director of Institute for the Economy in Transition;
 1998–1999 – Deputy Director of the Institute for Problems of the Economy in Transition;
 1996–1998 – Member of the Moscow City Duma.

Senior State Advisor of the Russian Federation, Class 1.

Born in 1956. Graduated in 1979 from the Economics Faculty of the Lomonosov Moscow State University. PhD in Economics, Professor.

Holds no shares in the Bank.

Mukhadin A. Eskindarov*Independent member of the Supervisory Council*

2006 to date – Principal of the Federal Institute of Higher Professional Education “Financial Academy under the Government of the Russian Federation”. Board Member of the Pipe & Metallurgical Company, the Bank of Moscow and Moscow Industrial Bank; Member of the Supervisory Council of the Bank for Development & Foreign Trade (VEB).

Previous positions:

1996–2006 – Vice Principal for Economic Affairs; Vice Principal for Academic Affairs; First Vice Principal for Academic Affairs; and First Vice Principal

of the Financial Academy under the Government of the Russian Federation.

Born in 1951. Graduated in 1976 from the Moscow Financial Institute with a Doctor of Economics. Professor and Fellow of Academy of Management and Markets of the Russian Federation.

Holds no shares in the Bank.

Results of the Supervisory Council's work

Against the backdrop of the financial crisis in the Russian economy and the banking sector, there was a considerable increase in the role of the Supervisory Council as representative of the Bank's principal shareholder – the State – and as the governing body charged with implementing a balanced development strategy for the Bank and exercising control over the activity of its senior management.

During the reporting period, the Supervisory Council held six meetings and 15 postal ballots.

Some of the main issues addressed in 2009 were:

- setting the agenda for the annual General Shareholders Meeting, preliminary approval of the Annual Report and recommendations on the level of dividends and remuneration;
- review and approval of VTB Bank's 2009 action plan during the recession;
- liability insurance cover for the Bank's executives through VTB Insurance;
- arrangements for the issue of additional ordinary registered shares by VTB Bank and setting of the Offer price of these shares;
- election of Vasily N. Titov as First Deputy Chairman of the Bank, election of Herbert Moos as Deputy Chairman of the Management Board of the Bank, and election of Erkin R. Norov, Ekaterina V. Petelina and Alexander G. Yastrib as members of the Management Board;
- approval of related party transactions;
- review and approval of quarterly reports on the current financial and economic position of JSC VTB Bank.

During the year, the members of the Supervisory Council attended meetings as detailed below:

Supervisory Council member	Number of meetings /postal ballots attended by the Supervisory Council member
Alexei L. Kudrin	20
Arkady V. Dvorkovich	19
Anton V. Drozdov	21
Andrei L. Kostin	13
Yurii M. Medvedev (left office on 29.06.2009)	5
Alexei L. Savatyugin	21
Alexey V. Ulyukaev	21
Mukhadin A. Eskindarov (elected 29.06.2009)	14
Vitaly G. Saveliev (elected 29.06.2009)	8
Nikolai M. Kropachev	20
Grigorii Y. Glazkov (elected 29.06.2009)	15
Anna V. Popova (left office on 29.06.2009)	6
Anton G. Siluanov (left office on 29.06.2009)	5
Matthias Warnig	6

During the reporting period, the Supervisory Council placed particular emphasis on achieving the key targets set for the Bank by the government relating to the provision of support for major business customers who are crucial to the development of the Russian economy. In addition, the members of the Supervisory Council carried out a far-reaching review of issues affecting the economic activity of VTB. For example, the Supervisory Council looked at ways of streamlining costs and management expenses in 2009 and also set the agenda for an energy saving programme.

In the current climate of growing public sensitivity around the issue of senior management compensation within financial institutions, close scrutiny of the means and level of remuneration for the Bank's executives was one of the Supervisory Council's top priorities. The Council met in March 2009 to outline the basic principles of a long-term incentive scheme for VTB Bank's top executives. The Supervisory Council also looked into the matter of setting remuneration and compensation levels for newly appointed members of the Management Board, and the terms on which the President and Chairman and members of the Management Board are permitted to combine their duties with positions in the management bodies of other organisations. The Staff & Remuneration Committee was also set up under the aegis of the Supervisory Council. The Committee's basic remit is to assist and brief the Supervisory Council in the matter of appointments and remuneration for members of the Bank's management bodies and the Audit Commission.

In 2009, the Supervisory Council was given the new task of formulating a long-term strategy for the Bank's development in 2010–2013, taking account of changing external conditions and the need to identify new business priorities.

Committees of the Supervisory Council

The Supervisory Council has two standing committees, which provide recommendations on the issues that the Council deems most important,

in order to ensure that it performs its managerial functions within VTB Bank effectively:

- Audit Committee;
- Staff & Remuneration Committee.

The Supervisory Council committees are not governing bodies of the Bank and cannot act in the name of the Supervisory Council.

Audit Committee

The Audit Committee performs an analysis and support function to ensure that the Bank's internal control system works adequately and effectively. The Committee's exclusive remit includes appraising candidates for VTB Bank's external audit team, reviewing the audit report, assessing the effectiveness of the Bank's internal control procedures and drafting proposals improving them.

As of 31 December 2009, the Audit Committee was composed of:

- Matthias Warnig, Committee Chairman, independent member of the Supervisory Council of VTB Bank;
- Alexei L. Savatyugin, Committee Member, member of the Supervisory Council of VTB Bank;
- Aleksey V. Ulyukaev, Committee Member, member of the Supervisory Council of VTB Bank.


During the reporting period, a total of four meetings and three postal votes were organised by the Audit Committee, in which matters covering all priority areas of the Bank's activity were considered. Considerable focus was placed on improving internal control procedures within the Bank and VTB Group and on developing the risk management system.

Within the area of internal control, the following topics were addressed:

- results of the tender for external auditor;

Presence Overcoming Distance

*Creating
Business Synergy*



VTB Group is determined to use its unique market position to pursue growth based on the synergy of corporate, retail and investment business lines. Improved interaction across the Group will help to provide VTB customers with highly flexible conditions within a comprehensive product offering.



- plan and activity report of the Bank's Internal Control Department;
- reports by inspectors on the Bank's professional activity in the securities market and specialised depositary;
- results of measures to prevent money laundering and the financing of terrorism;
- results of Bank inspections by outside regulatory authorities.
- development of proposals on the form, methods, level and timing of remuneration and compensation for members of the governing bodies and the Statutory Audit Commission;
- assistance in ensuring compliance with the legislation governing the activity of the members of governing bodies and the Statutory Audit Commission.

The Committee is accountable to the Supervisory Council and reports to the Council on the results of its work at least once a year.

The Committee looked into the following aspects of the Bank's activity in the area of financial oversight and risk management:

- regular consolidated financial reporting in compliance with International Financial Reporting Standards (IFRS);
- establishment of reserves and organisation of risk management;
- assessment of the quality of the Bank's credit portfolio and the trends in reserves to cover possible losses on credit and equivalent indebtedness;
- the status and prospects for the development and performance of the investment business of VTB Group.

Staff & Remuneration Committee

The Staff & Remuneration Committee was set up in 2009 to assist the Supervisory Council in the sphere of appointments and remuneration for members of the Bank's governing bodies and the Statutory Audit Commission. The Committee's key tasks include:

- liaison with the independent directors on the Supervisory Council;
- organisation of appraisals of the work of the governing bodies and the Statutory Audit Commission;

As at 31 December 2009, the Staff & Remuneration Committee had the following composition:

- Nikolai M. Kropachev, Committee Chairman, independent member of the Supervisory Council;
- Mukhadin A. Eskindarov, Committee member, independent member of the Supervisory Council;
- Alexei L. Savatyugin, Committee member, member of the Supervisory Council.

The Committee is served by the Committee Secretary appointed by the President and Chairman of the Bank.

5.4. The Management Board of JSC VTB Bank

The Management Board is the collective executive body of VTB Bank that oversees the Bank's day-to-day operations in conjunction with the President and Chairman. The Management Board reports to the General Shareholders Meeting and the Supervisory Council.

The Management Board acts on the basis of Russian legislation, the VTB Bank Charter and the Regulation on the Management Board of VTB Bank, which is approved by a resolution of the General Shareholders Meeting.

The Supervisory Council is responsible for determining the size and composition of the Management Board and electing its members. The members of the Management Board are appointed by the Supervisory Council upon nomination by the President and Chairman.

The Management Board is in charge of the day-to-day operations of VTB Bank, with the exception of matters within the exclusive remit of the General Shareholders Meeting and the Supervisory Council, and implements decisions handed down by these bodies. More detailed information on the powers of the Management Board is given in the Regulation on the Management Board of VTB Bank, which is available on the Bank's website.

Composition of the Management Board

As at 31 December 2009, the Management Board of VTB Bank was composed of 11 people.

Andrei L. Kostin

President and Chairman of the Management Board of VTB Bank, member of the Supervisory Council of VTB Bank

(For a detailed biography see the "Supervisory Council" section on page 64.)

Mikhail V. Kuzovlev

First Deputy Chairman of VTB Bank Management Board

Mr. Kuzovlev joined VTB Bank in 2002. He is also Board Chairman of the Russian Commercial Bank (Cyprus) Ltd.

Previous positions:

2005–2008 – Executive Managing Director of the Russian Commercial Bank (Cyprus) Ltd;
2004–2005 – President and Chairman of the Management Board of Guta Bank (later renamed VTB24);
2002–2004 – Vice President of Vneshtorgbank;
1997–2002 – Head of Financial Operations,

Deputy Chairman of the Management Board, Senior Vice President of Probusiness Bank; 1994–1996 – Vice President of Probusiness Holding.

Born in 1966. Graduated in 1989 from Moscow State Institute of International Relations of the USSR Ministry of Foreign Affairs.

Holds no shares in the Bank.

Vasily N. Titov

First Deputy Chairman of VTB Bank Management Board

Mr. Titov joined VTB Bank in 2002. He is also a member of the Supervisory Councils of VTB Bank (France) S.A., and JSC VTB Bank (Ukraine), Chairman of the Board of Directors of Moscow Dynamo Football Club, a member of the Boards of Directors of IDGC Holding, GMK NorNickel and CJSC Interfax-China, a member of the Coordinating Committee of the CIS Financial & Banking Council, a member of the Board of Trustees of the Russian National Museum Development Foundation "Friends of the Russian Museum" and the Early Music Renaissance Foundation, Chairman of the non-profit organisation Bolshoi Theatre Fund, and a Council Member of the non-profit organisation Association of Regional Banks of Russia.

Previous positions:

1998–2002 – Deputy Head of the Administrative Department, External and Public Relations Director, Head of Information and Communications Division of Vnesheconombank, and Member of the Board of Directors of Vnesheconombank;
1996–1998 – Deputy Managing Director of the All-Russian Automobile Alliance;
1996 – Assistant to the First Deputy Prime Minister of the Russian Federation.

Born in 1960. Graduated in 1983 from A.A. Zhdanov Leningrad State University, and in 2002 from the Financial Academy under the Government of the Russian Federation.

His equity holding in the Bank is 0.00049%.

Herbert Moos*Deputy Chairman of VTB Bank Management Board*

Mr. Moos joined VTB Bank in 2009. Until November 2009, he was Senior Vice President. He is also a member of the Supervisory Council of CJSC Bank VTB 24; Chairman of the Board of Directors of VTB Factoring Ltd; a member of the Boards of Directors of JSC VTB-Leasing, CJSC VTB-Capital, CJSC Holding VTB Capital and CJSC VTB Asset Management.

Previous positions:

2008–2009 – CEO at VTB Capital plc, London;
 2007–2008 – CFO at Lehman Brothers Asia-Pacific, Hong Kong;
 2002–2007 – Head of Asset and Liability Management and Treasurer at Lehman Brothers Asia-Pacific, Tokyo;
 1995–2002 – Debt Management, Capital Planning, Asset and Liability Management, Lehman Brothers Bank, London.

Born in 1972. Graduated with honours in 1993 from Kiev State Economic University majoring in Finance and Credit. Graduated in 2002 from London Business School with a Master's Degree in Finance.

Holds no shares in the Bank.

Andrei S. Puchkov*Deputy Chairman of VTB Bank Management Board*

Mr. Puchkov joined VTB Bank in 2002. He has held the following positions in the Bank's legal department: Deputy Head of Department, Head of Department, Vice President (Head of Department), Senior Vice President (Head of Department), Senior Vice President, member of the Management Board.

He is also Chairman of the Board of Directors of CJSC VTB Debt Centre and OJSC VTB-Leasing, Chairman of the Supervisory Council of CJSC VTB-Development, member of the Boards of Directors of the Russian Commercial Bank (Cyprus) Ltd, CJSC Holding VTB Capital, JSC Dynamo Management Company, OJSC System-Hals, and a member

of the Supervisory Councils of VTB Bank (France) S.A., CJSC Bank VTB 24, OJSC VTB Bank (Ukraine), and OJSC VTB Bank North-West.

Previous positions:

1999–2002 – Member of the Moscow City Bar;
 1996–1997 – Legal consultant in the Central Economic Department of the Bank of Russia.

Born in 1977. Graduated in 1998 from the Law Faculty of Lomonosov Moscow State University. Lawyer.

Holds shares equivalent to 0.00037% in the charter capital of the Bank.

Gennady V. Soldatenkov*Deputy Chairman of VTB Bank Management Board*

Gennady Soldatenkov joined VTB Bank in 2001. He is also a member of the Exchange Board of the Moscow Stock Exchange Non-Commercial Partnership, a member of the Presidium of the Moscow Chamber of Commerce and Industry, and a member of the Board of Directors of Moscow Dynamo Football Club.

Previous positions:

1997–2001 – Deputy Chairman of JSC Sberbank, Chairman of the Moscow Bank of JSC Sberbank;
 1992–1997 – Vice President of JSC Sberbank, Chairman of the Moscow Bank of JSC Sberbank.

Born in 1952. Graduated with honours in 1975 from the Moscow Financial Institute majoring in Finance and Credit. Graduated with honours in 1989 from Moscow Higher Party School, and in 1990 from the Higher Commerce School of the Academy of National Economy under the USSR Council of Ministers.

Holds shares equivalent to 0.00148% in the charter capital of the Bank.

Olga K. Dergunova*Member of VTB Bank Management Board*

Ms. Dergunova joined VTB Bank in 2007. She is also a member of the Supervisory Council of

CJSC Bank VTB 24, a member of the Boards of Directors of VTB Insurance Ltd, VTB Factoring Ltd, Sistematika Group and CJSC Holding VTB Capital, and a member of the Investment Policy Committee under the Supervisory Council of the Russian Nanotechnology Corporation.

Previous positions:

2004–2007 – Managing Director of OJSC Microsoft-Rus, President of Microsoft in Russia and the CIS;
1999–2004 – Head of the Moscow office of Microsoft Airland Operations Ltd;
1992–1994 – Sales and Marketing Director at Microinform;
1990–1991 – Senior Researcher for the Soviet-American joint venture Paragraph.

Born in 1965. Graduated with honours in 1987 from G.V. Plekhanov Russian Academy of National Economy majoring in Economic Cybernetics, gaining the qualification of Economist-Mathematician, and in 1991 from the Post-Graduate School of G.V. Plekhanov Russian Academy of National Economy. In February 2009, she became one of the Top-100 managers to receive the patronage of the President of the Russian Federation.

Holds shares equivalent to 0.00021% in the charter capital of the Bank.

Valery V. Lukyanenko

Member of VTB Bank Management Board

Mr. Lukyanenko joined VTB Bank in 2002. Before 2008, he was Head of the First Corporate Business Division, Senior Vice President, Senior Vice President – Head of Mid-Size Business in the First Corporate Business Division, Senior Vice President in the First Corporate Business Division, Vice President – Head of Large Corporate Business in the First Corporate Business Division, Vice President, and Advisor to the VTB President and Chairman of the Management Board.

He is also Chairman of the Administrative Council of Banco VTB-Africa S.A., a member of the Russian

party on Intergovernmental Commissions for Trade and Economic Cooperation with Angola, Bulgaria, Greece, Macedonia, Namibia, Serbia, Slovenia, Croatia and Montenegro.

Previous positions:

2001–2002 – Chairman of the Council of Experts in Project Financing and Forecasts at Lanta-Bank (Moscow);
1994–2002 – Deputy Head of State Programmes Division, Head of Foreign Economic Relations Division at the Office of the President of the Russian Federation;
1993–1994 – Director, Chairman of the GagarinStroi Industrial and Investment Centre.

Born in 1955. Graduated in 1982 from Novosibirsk Agricultural Institute, and in 1991 from the Academy of the Office of the President of the Russian Federation. Doctor of Economics and Professor.

He holds shares equivalent to 0.00058% in the charter capital of the Bank.

Erkin R. Norov

Member of VTB Bank Management Board

Mr. Norov joined VTB Bank in 2002 and was a Management Board member from 2002 to 2007 and again from September 2009 to date.

Previous positions:

2007–2009 – Senior Vice President, Management Board member of JSC NOMOS-BANK;
2002–2007 – Vice President, Senior Vice President, Management Board member of the Bank for Foreign Trade of the Russian Federation (JSC Vneshtorgbank);
1999–2002 – Development Director, Development and Strategic Planning Director, JSC Vneshtorgbank;
1999 – Department Head, Calculation of Taxable Base and Tax Revenue Planning Department, Russian Ministry of Taxes and Levies;
1992–1999 – AvtoVaz Corporation, Deputy Chairman of the Management Board for Development of JSC AvtoVAZ servicing – Lada Service, Marketing and Trade Director, General Director of the Economy and Finance Department.

Recipient of the medal of the Order for Services to the Fatherland, II Degree.

Born in 1954. Graduated in 1976 from Lomonosov Moscow State University, and in 2001 from the Academy of National Economy under the Government of the Russian Federation; Executive Master of Business Administration (EMBA) in Bank Management and Candidate of Economic Sciences.

Holds no shares in the Bank.

Ekaterina V. Petelina

Member of VTB Bank Management Board

Ms. Petelina joined VTB Bank in 2006. Prior to February 2010, she was Senior Vice President, Manager Head of Strategy and Corporate Development Department, Senior Vice President – Head of Corporate Development and Strategy Division, and Vice President – Head of Corporate Development and Strategy Division.

She is also a member Supervisory Council of CJSC Bank VTB 24, OJSC VTB Bank North-West, and JSC VTB Bank (Ukraine), as well as a member of the Boards of Directors of VTB Factoring Ltd and VTB Insurance Ltd.

Previous positions:

2003–2006 – Junior Consultant and then Consultant with the Moscow Office of McKinsey & Company Inc., FSU;

2000–2003 – Manager at Praktika Training Center;

1993–2000 – Expert in the Public Relations and Advertising, Marketing and Banking Products Promotion departments at NBD Bank.

Born in 1973. Graduated with Honours in 1996 from N.I. Lobachevsky State University in Nizhny Novgorod, and with distinction in 2003 from the MBA Degree Programme at Emory University, Atlanta, USA.

Holds shares equivalent to 0.00002% in the charter capital of the Bank.

Alexander G. Yastrib

Member of VTB Bank Management Board

Mr. Yastrib joined VTB Bank in 2006. Prior to February 2010, he was Senior Vice President; Senior Vice President – Head of Investment Business Development Division, and Senior Vice President – Head of Corporate Business Products and Support Segment.

He is also Chairman of the Board of Directors of CJSC VTB Project Management; member of the Supervisory Council of OJSC VTB Bank North-West; and a member of the Boards of Directors of GLAVKINO Ltd, CJSC VTB Debt Centre, OJSC VTB-Leasing; VTB Insurance Ltd and VTB Factoring Ltd.

Previous positions:

2005–2006 – Senior Vice President, Director of Network Distribution Development and Management Department, a member of the Management Board at JSC Guta Bank (later renamed VTB24);

1995–2005 – Deputy Chairman of the Management Board, First Vice President in charge of corporate business at Probusiness Commercial Bank;

1994–1995 – Head of Financial Division at Probusiness Holding.

Born in 1968. Graduated in 1991 from Moscow State Automobile and Road Institute. PhD in Economics.

Holds no shares in the Bank.

5.5. The President and Chairman of the Management Board of JSC VTB Bank

The President and Chairman of the Management Board of VTB Bank oversees the Bank's day-to-day operations and ensures that its targets are met and its strategy is put into effect. The Management Board Chairman reports to the General Shareholders Meeting and the Supervisory Council of the Bank.

Andrei L. Kostin has been the President and Chairman of the Management Board of VTB Bank since June 2002. In April 2007, he was re-elected to this position until June 2012.

5.6. Remuneration of the members of the Supervisory Council and the Management Board

During their term in office, by resolution of the General Shareholders Meeting, the members of VTB's Supervisory Council may receive remuneration and may also be compensated for expenses incurred in the course of their duties.

The level of remuneration and compensation is determined by the annual General Shareholders Meeting of VTB Bank. In 2009, the amount paid to the independent members of the Bank's Supervisory Council was RUB 6.0 million (RUB 4.4 million in 2008). The other members of the Supervisory Council representing the state did not receive any remuneration in 2009.

Determining the amount of remuneration and compensation for members of the Management Board of VTB Bank is part of the Supervisory Council's remit. Salaries, including compensation and incentive payments, are fixed in the employment contracts of the Management Board members.

In 2009, the members of the Management Board received remuneration of RUB 204.5 million (compared with RUB 534 million in 2008). The Bank did not pay out bonuses to the members of the Management Board based on the 2008 results.

5.7. Internal control and audit

VTB Bank's internal control and audit system is integral to its corporate governance philosophy

and is one of the most important factors in ensuring that the Bank performs effectively and maintains its attractiveness for shareholders and investors.

The internal control and audit functions within VTB Bank operate in compliance with the requirements of Russian legislation and with the applicable legislation in the countries of presence of the Bank's subsidiaries in relation to the corresponding geographical subdivisions. In addition, VTB Bank strives to achieve international best practices in the sphere of banking oversight and internal audit.

VTB's internal control system ensures:

- efficient transactions and delivery of results;
- effective management of assets and liabilities, including safekeeping of assets;
- reliability and timeliness of financial and managerial information and reporting;
- security of information;
- compliance with the requirements of legislation, regulations and standards;
- avoidance of involvement of the Bank and its employees in unlawful activity;
- management of banking risks on a consolidated basis.

Uniform principles for organising the internal control and audit systems are established in the internal documents of VTB Group. Nevertheless, the Bank works continuously to develop its internal control system. In 2009, the Audit Committee of the Supervisory Council approved a number of initiatives to improve the further internal control processes on a Group-wide basis with the aim of strengthening the role of the corporate centre and raising standards in the internal control system.

Internal control within VTB Bank is currently undertaken by:

- the Bank's governing bodies (the General Shareholders Meeting, the Supervisory Council, including the Audit Committee, the Management Board and the President and Chairman);
- the Audit Commission;
- the Bank's Chief Accountant;
- Directors and Chief Accountants of the Bank's branches;
- the Internal Control Department;
- other operational divisions and officers in charge of internal control in accordance with the powers granted by the Bank's bylaws.

Measures to prevent money laundering and the financing of terrorism are important aspects of VTB Bank's internal control system. Amongst other internal control programmes and initiatives in this area, a customer identification and survey programme based on the "know your client" principle was launched by VTB Bank in 2009. This programme helped the Bank to manage risk effectively in this area during the reporting period.

Audit Committee

Responsibility for the smooth running of the internal control system lies with the Supervisory Council of VTB Bank. The Audit Committee was set up under the aegis of the Supervisory Council to ensure that this task is carried out effectively. The Committee's activity is governed by the Regulation on the Audit Committee of the Supervisory Council of VTB Bank.

The Committee's main task is to analyse and support the effective and adequate functioning of VTB's internal control system.

More detailed information about the composition and activity of the Audit Committee can be found in the Supervisory Council section on page 67.

Statutory Audit Commission

The Statutory Audit Commission operates within the Bank in accordance with the Federal Law on Joint Stock Companies. The Statutory Audit Commission verifies the Bank's compliance with applicable legislation and other statutory instruments governing its activity, the functioning of the Bank's internal controls, and the legality of transactions carried out.

The Statutory Audit Commission is elected at the annual General Shareholders Meeting of the Bank, which determines its size and composition for the period to the next annual General Shareholders Meeting.

The composition of the Statutory Audit Commission elected at the Bank's annual General Shareholders Meeting on 29 June 2009 is as follows:

- Vladimir V. Lukov, Chairman of the Statutory Audit Commission, Deputy Head of the Financial Policy Department, Russian Ministry of Finance;
- Tatyana A. Bogomolova, member of the Statutory Audit Commission, Deputy Head of the Department for Non-Production and Foreign Property Organisations and Head of the Department for Credit and Finance, Foreign Trade, Land Use and Tax Organisations of the Federal Agency for State Property Management;
- Natalia A. Logunova, member of the Statutory Audit Commission, Head of the Audit Unit of the Federal Property Valuation and Audit Division of the Federal Agency for State Property Management;
- Zakhar B. Sabantsev, member of the Statutory Audit Commission, Head of the Banking Sector Monitoring, Consolidation and Analytics Unit, Financial Policy Department of the Russian Ministry of Finance;

- Dmitry V. Skripichnikov, member of the Statutory Audit Commission, Deputy Director of Corporate Governance Department, Russian Ministry of Economic Development.

Internal Control Department

The Internal Control Department (ICD) is an independent structural unit within VTB responsible for providing direct support to the governing bodies to ensure that both the Bank and VTB Group work effectively. It does this by monitoring internal control systems, conducting targeted and company-wide inspections, and by providing impartial recommendations for the improvement of banking operations and control procedures. The ICD was inaugurated in 2009 following the restructuring of the former Internal Control Administration that was previously in charge of these activities within VTB Bank.

The Internal Control Department includes units responsible for day-to-day monitoring activities, coordination of internal control systems, inspection and auditing functions, as well as a compliance control section to monitor professional participation in the securities market tasked with monitoring the Bank's activity in the stock market and its work as a specialised depository of corporate investment funds, mutual funds and private-sector pension funds.

Additionally, in order to increase the effectiveness of internal control systems in regions, the ICD structure includes dedicated internal control teams in branches.

The Internal Control Department has the remit to:

- monitor and assess the effectiveness of the internal control system;
- monitor the operation of the risk management system,
- verify the reliability and adequacy of procedures instituted to safeguard the Bank's property;

- verify the reliability, completeness, objectivity and timely preparation of accounting and management reports;
- verify the compliance of self-regulating institutions with statutory requirements and standards;
- verify the adequacy and reliability of internal control over the use of computerised information systems;
- establish uniform approaches to the organisation of internal control systems in subsidiary organisations.

One of the ICD's priority tasks is to put in place a risk-oriented internal audit system. This approach will increase the effectiveness of the auditing function, as it means that auditing activity will be targeted at those areas which have the greatest impact on the level of risk.

Within its terms of reference, the ICD liaises with the Bank's Audit Committee and external auditors in providing information on the internal control system and reporting any deficiencies identified by the Internal Control Department during the audited period.

VTB Bank independent auditor

VTB Bank appoints an independent professional firm of auditors to externally audit and verify the compliance of its annual financial statements.

In accordance with the applicable legislation, the auditor is chosen by an open tender based on the following selection criteria:

- qualifications and impartiality;
- work plan and the scope of auditing procedures, including the duration of the external auditor's services for auditing the Bank's financial statements;
- independence of the auditor and potential conflicts of interest, including whether or not the external auditor has proprietary interests in the Bank (excepting

payment for auditing services) and whether or not there is any affiliation between the external auditor and the Bank or members of the Bank's governing bodies;

- the level of remuneration payable by the Bank to the external auditor;
- the provision of consulting services or otherwise by the external auditor to the Bank as defined in Article 1, paragraph 6 of the Federal Law on Auditing.

The Audit Committee has the responsibility of overseeing the tender and drafting recommendations on the award of the tender to select an independent auditor for presentation to the Supervisory Council. The awardee is subject to approval by the Bank's Supervisory Council and is endorsed at the annual General Shareholders Meeting.

Based on its inspection of the financial and commercial operations of VTB Bank, the independent auditor prepares a report, which is submitted to the Audit Committee for preliminary review. The final audit report is submitted to the Bank's Supervisory Council and is also presented to the annual General Shareholders Meeting.

JSC Ernst & Young Vneshaudit, a Russian subsidiary of one of the world's leading auditing firms, was appointed the external auditor of VTB Bank in 2009.

JSC Ernst & Young Vneshaudit has been VTB Bank's external auditor since 2003. Besides the payment it receives for auditing services, the company has no other proprietary interests in VTB Bank and no relationship of affiliation with the Bank and the members of its governing bodies or VTB subsidiaries, and has not provided consultancy services to the Bank as defined in Article 1, paragraph 6 of the Federal Law on Auditing.

5.8. Shareholder and investor relations

Effective interaction with minority shareholders is an important aspect of corporate governance and sustainable development within VTB Bank. Activity in this area in 2009 was focused on further improving channels of communication with the minority owners of the Bank. The most significant event in this area during the reporting period was the establishment of the Shareholders Consultative Council (SCC) – an independent consultative and advisory body composed of VTB shareholders elected by open ballot.

The Consultative Council is governed in its work by the Regulation on the SCC drafted and adopted by the Council members themselves.

Information about the Council's day-to-day activities is available in the Shareholders Consultative Council section of the VTB website at <http://vtb.ru/ir/sovet>.

Developing interaction with minority shareholders also continued through other channels. For example, Shareholders Support Centres were opened in Moscow and Ekaterinburg at the beginning of 2009. The St. Petersburg Centre continued to operate successfully, giving shareholders the opportunity to obtain professional advice on buying and selling procedures related to VTB shares, on owning shares in VTB Bank, payment and taxation of dividends, protection of the rights and interests of the Bank's shareholders, as well as to peruse information related to shareholder meetings and other documents.

Seminars bringing together the Bank's top management and individual shareholders were held in the first and second quarters of 2009, at which VTB's financial results and share price trends were discussed, as well as ways of improving interaction with shareholders, the Bank's development strategy, dividend policy, and a range of other issues. In addition, training seminars on share trading in the securities market and VTB24 products

were also offered to individual shareholders. At the meeting on 29 May 2009, each shareholder was given the opportunity to propose their candidacy for membership of the Shareholders Consultative Council.

The quarterly newsletter, *Controlling Interest*, is published for shareholders. Each issue contains news about VTB, new products, who to contact, and a wealth of other useful information ranging from the history of the stock market to dividend payment procedures. *Controlling Interest* gives a fascinating insight into the work of the Shareholders' Consultative Council. The newsletter is given out at all shareholders' events and is also distributed via the Shareholder Support Centres and offices of the Bank's Registrar (JSC Central Consolidated Registrar).

In 2009, further improvements were made to the shareholders and investors section of the VTB website, including the introduction of new interactive features and a section devoted to the Consultative Council. The website is now the most immediately accessible source of information for shareholders, offering a broad spectrum of information and services. A comprehensive range of corporate documents, including the Bank's Annual Report and financials, are freely available on the website.

Despite the negative external environment, during the reporting period VTB Bank expanded its operations with institutional shareholders and investors. In 2009, the Bank held over 600 investor meetings, including two roadshows. The Bank's senior management devoted a total of 23 days to interaction with shareholders and investors, and participated in more than 15 investment conferences. VTB Bank's policy of transparency and openness did not go unnoticed by the investment community. Thomson Reuters recognised VTB Bank as the best public company within the financial sector for its Investor Relations performance, according to the Thomson Reuters Extel Survey – Focus Russia 2009.

5.9. Management of VTB Group

VTB Group operates a matrix management system, according to which the Group is governed along two key lines:

- administrative management – managing subsidiary companies as legal entities within the Group's organisational structure;
- functional management – managing the Group's business areas and other functional divisions within the Group as a whole.

VTB Bank's policy of transparency and openness did not go unnoticed by the investment community. Thomson Reuters recognised VTB Bank as the best public company within the financial sector for its Investor Relations performance, according to the Thomson Reuters Extel Survey – Focus Russia 2009.

The Group's governance system is aimed at achieving the fullest possible benefit from the Group's competitive strengths, increasing its share in its target markets, enhancing its performance and, consequently, increasing the level of capitalisation.

The fundamental management mechanism employed throughout the Group is its corporate governance, whereby VTB exploits the Bank's position as a major shareholder by participating in the management bodies of its subsidiaries.

An additional management mechanism is the functional coordination of VTB Group's main business activities, including its business areas and support and control functions. This mechanism is applied in order to achieve the greatest possible synergies within the Group, to disseminate best practices amongst VTB Group member companies alongside certain business lines and to limit the risks taken by the Group. Functional coordination facilitates knowledge and exchange of experiences amongst the companies within the Group, and enables

resources to be pooled in order to implement specific projects. Within the functional coordination framework, common standards, principles and limits are created to implement particular business lines of VTB Group.

In terms of integration, the Group has adopted a “strategic holding” approach, which implies a common single development strategy for all companies within the Group, a single brand, centralised management of financial performance and risk, coordination of planning and reporting processes, and a focus on interaction to disseminate best practices and create common standards.

The main coordination and advisory body for the Group’s companies is VTB Group Management Committee (GMC). The Management Committee makes all major decisions within the VTB Group, such as: approving business plans and development strategies for various business areas; examining reports on the business performance of subsidiaries, as well as liquidity and risk parameters; overseeing the implementation of priority projects; and approving standards, approaches and principles of the Group’s operations prior to their approval by the relative administrative authorities of the Group’s companies.

As of 31 December 2009, VTB Group Management Committee consisted of the following members:

- Andrei L. Kostin – Chairman of the GMC, President and Chairman of VTB Bank Management Board, member of the Supervisory Council of VTB Bank;
- Mikhail V. Kuzovlev – member of the GMC, First Deputy Chairman of VTB Bank Management Board;
- Vasily N. Titov – member of the GMC, First Deputy Chairman of VTB Bank Management Board;
- Herbert Moos – member of the GMC, Deputy Chairman of VTB Bank Management Board;
- Andrei S. Puchkov – member of the GMC, Deputy Chairman of VTB Bank Management Board;

- Gennady V. Soldatenkov – member of the GMC, Deputy Chairman of VTB Bank Management Board;
- Olga K. Dergunova – member of the GMC, member of VTB Bank Management Board;
- Valery V. Lukyanenko – member of the GMC, member of VTB Bank Management Board;
- Erkin R. Norov – member of the GMC, member of VTB Bank Management Board;
- Ekaterina V. Petelina – member of the GMC, member of VTB Bank Management Board;
- Alexander G. Yastrib – member of the GMC, member of VTB Bank Management Board;
- Nikolay A. Kuznetsov – member of the GMC, Senior Vice President of VTB Bank;
- Yuri A. Soloviev – member of the GMC, Senior Vice President of VTB Bank;
- Mikhail M. Zadornov – member of the GMC, President and Chairman of VTB24 Management Board;
- Dmitry V. Rudenko – member of the GMC, First Deputy President and Chairman of VTB24 Management Board;
- Dmitry Y. Olyunin – member of the GMC, Chairman of VTB Bank North-West Management Board;
- Evgeny V. Novikov – member of the GMC, First Deputy Chairman of VTB Bank North-West Management Board;
- Vadim V. Pushkarev – member of the GMC, Chairman of VTB Ukraine Management Board.

GMC meetings are held regularly on the basis of quarterly work plans. In 2009, the GMC of VTB held 23 meetings, at which it addressed the following priority issues:

- approval of a consolidated risk management concept for VTB Group;

- establishment of control mechanisms to monitor country and industry risks at the Group level, whereby consolidated country and industry limits were set;
- approval of procedures applied to common customer relationships within VTB Group;
- approval of a cross-selling system approach to sell VTB Group's subsidiaries' products and services;
- development and approval of regulations for an incentive scheme for senior executives of the Group companies, which supports the matrix management structure of the Group;
- development and approval of key performance indicators (KPIs) for each functional division, including executives of functional divisions in subsidiaries and functional coordinators in the parent bank, as well as managers of subsidiaries in units of the parent bank;
- establishment of a single project office for major cross-functional projects within the Group;
- development of a modified platform for the VTB brand;
- approval of a business plan for VTB Group companies for 2009;
- adopting measures to reduce the time and improve the quality, of IFRS reporting procedures in subsidiary banks and the Group's companies;
- approval of the approach to regulate individuals' bad debt in subsidiary banks of VTB Group;
- strengthening of control measures and requirements to ensure the quality of the loan portfolio in the Group's banks;
- implementation of unified rules on a number of administrative expenses within the VTB Group companies located in Russia.

In order to provide a platform for discussion and analysis of VTB Group's performance, the Management Committee set up 12 Coordination Commissions in the Bank's main business lines (corporate business, business with financial institutions, risks, planning and reporting, assets and liabilities, internal control and audit, internal control to counter money laundering and the financing of terrorism, branding and marketing communications, personnel, logistical support, property, and security). The Commissions are managed by the heads of the of the Bank's relative divisions. Members of the Commissions are experts from a range of backgrounds from all of the banks and companies in the Group. One of the remits of these Commissions is to identify best practices and find ways of implementing them, which are then finally approved by the Management Committee.

In 2009, a complex analysis of the Commissions' activities was conducted. It illustrated that, since 2006, when the Commissions were launched, they have fulfilled the following objectives to establish a governance system within VTB Group:

- establishing a working relationship and ensuring information exchange in the functional business areas;
- examination of situations within the VTB Group of companies and implementation of their work plans;
- taking steps to implement common standards, principles and approaches;
- training and development activities for employees from relevant functional areas;
- development and formalisation of common standards, including drafting regulations, policies and procedures in subsidiary companies of the Group;
- creating a system of management reporting;

- optimisation and standardisation of internal processes, including methodological aspects of the operations.

VTB has systematically improved the Group's governance system by applying, in particular, best practices for managing holding companies. Further steps to develop VTB Group's governance system are scheduled to take place in 2010–2011:

- further improvement of VTB Group's corporate governance systems (i.e., increasing the efficiency of the Supervisory Councils' and the Boards of Directors' performance, introducing the position of Corporate Secretary, implementing codes of corporate conduct and ethics, as well as other documents regulating corporate governance, based on common approaches, and more);
- greater unification of policies and procedures within the Group, including customer relationships,

product offering, limit setting, reporting, compliance, monitoring and control;

- optimisation of the reporting system and document flows within the Group, implementation of customer relationship management (CRM) and a consolidated system of management reporting within VTB Group.

VTB Group's governance system is designed to comply fully with the corporate and antitrust legislation of the countries in which the Group's companies operate. In particular, the regulations of VTB Group Management Committee ensure that no decisions can be made which would limit competition in the markets in which the VTB Group companies operate, nor can they violate the peremptory legislation norms and statutory documents of these companies. Also, adhering to the civil law requirements, VTB Group's governance system is founded on the principle of the independence of the legal entities which are members of the Group.

6. Corporate social responsibility

VTB Group strives to position itself as a leader in all areas where it conducts business. At the same time, VTB is fully aware that achieving a high level of operating and financial performance, management efficiency and sustainability in development is in large measure governed by the tenor of its corporate social responsibility. The Group recognises its responsibility towards shareholders for the results of its operations, towards customers for the quality of its products and services, towards its partners for the proper fulfilment of its obligations, and towards society and the state for the respect of human rights and freedoms. VTB Group endeavours to make a positive contribution to the betterment of the Russian economy and to the well-being of society.

VTB's social responsibility is underpinned by the following principles:

- equality, fairness and mutual respect in relations with employees, partners, customers and shareholders;
- commitment to a policy of maximum openness and transparency in business for the benefit of shareholders, customers, partners and employees;
- maintenance of reputation and adherence to principles of corporate ethics;
- provision of high quality services tailored to customers' needs;
- creation of comfortable and safe working conditions and protection of the health of employees;
- support for local communities within the Group's regions of operation.

In 2009, VTB published its first Sustainability Report, which was prepared in compliance with GRI G3 international reporting standards. The report outlines the socio economic aspects of VTB Bank's operations in 2008. In particular, it provides an account of the Bank's interaction with customers and partners, employees, shareholders, the State and society. VTB was the first of the Russian state-owned banks to present such a report.

6.1. Personnel

The professional competence and knowledge of our employees, allied with the trust and mutual respect that are the cornerstones of staff relations within VTB Group, have helped keep the business on track against the backdrop of global recessionary pressures. The cohesiveness and effectiveness of a multinational team were amply demonstrated in the difficult conditions of 2009, when VTB and its employees rose to the challenges of the economic crisis.

During the reporting period, and in line with the strategy of improving staff performance that was adopted in November 2008, VTB instituted a range of measures to optimise the organisational structure and staffing levels aimed at reducing personnel costs. Nevertheless, the trend towards business expansion was maintained, including expansion into new countries and regions of operation. Over the course of the year, active efforts were made to establish teams in newly opened subsidiary banks in CIS countries (Azerbaijan and Kazakhstan) as well as in new subsidiary financial services companies in Russia (VTB Factoring and VTB Debt Centre). The reporting period saw VTB Group complete the process of setting up its own investment arm

through the company VTB Capital. The Group currently employs a workforce of more than 40 thousand people.

The Electronic Recruitment project inaugurated in 2008 came into its own during the reporting period as a full-fledged staff recruitment tool. VTB Group now runs a dedicated online career portal accessible to everyone at www.vtbcareer.com. As well as standard recommendations and reviews, the portal features specific job offers, testimonials by VTB

VTB Bank's staff training scheme was actively developed in 2009. Particular emphasis was placed on developing distance learning courses, including online courses, testing and video seminars, taking into account personnel development objectives during the business process optimisation period.

employees, and advice for potential job seekers from the top minds within the Group companies.

A Staff & Remuneration Committee was set up in June 2009 within the structure of the Bank's Supervisory Board. Part of the Committee's remit is to align staff pay with the Group's long-term goals and to establish a competitive compensation package. The VTB incentive scheme is designed to motivate staff to realise their highest potential in terms of efficiency and results oriented performance. Bonus incentives are geared to reflect the Bank's operating results and the individual performance of staff members. In 2009, the scheme was updated to include an approved staff expenditure optimisation programme; and other components of the VTB compensation package were also revised. Within this context, medical insurance and pension provisions remained unchanged overall, while the scope of staff support programmes was widened.

VTB Bank's staff training scheme was actively developed in 2009. Academic activities were substantially up-scaled and existing corporate programmes were updated to reflect the Bank's

business priorities. Particular emphasis was placed on developing distance learning courses, including online courses, testing and video seminars, taking into account personnel development objectives during the business process optimisation period.

A number of new educational initiatives were successfully implemented thanks in part to targeted efforts to establish the internal resource base of the knowledge management system. A targeted recruitment campaign was held to promote training in the "Energy of Leadership" programme run by VTB Corporate University. Recruits to the programme included 35 young managers from 14 VTB Group companies in Russia and the CIS. These trainees were set the task of exchanging experiences in anti-crisis management and implementation of best management practices on a group-wide basis. The VTB Corporate University Club was inaugurated in March 2009, bringing together graduates and participants in the programmes run by the University. The Club's remit includes promoting the exchange of management experience, initiatives to support business projects, corporate policies and social programmes, assistance for Corporate University students, and self-learning.

In 2009, VTB directed particular attention to the development of internal communications, with the aim of enhancing the effectiveness of staff interaction and loyalty during the period of economic instability. The information system established within the Group includes regular meetings and video-conferences with VTB's top managers, an intranet portal and forum, the Team Energy corporate magazine, bulletin boards, and regular news digests for employees. To support staff's efforts, a creative competition called "VTB Staff Reporters" was held in the summer of 2009. The competition winners were invited to join the VTB corporate editorial team and the fruits of their labour were featured on the intranet portal and published in a special edition of the Team Energy magazine.

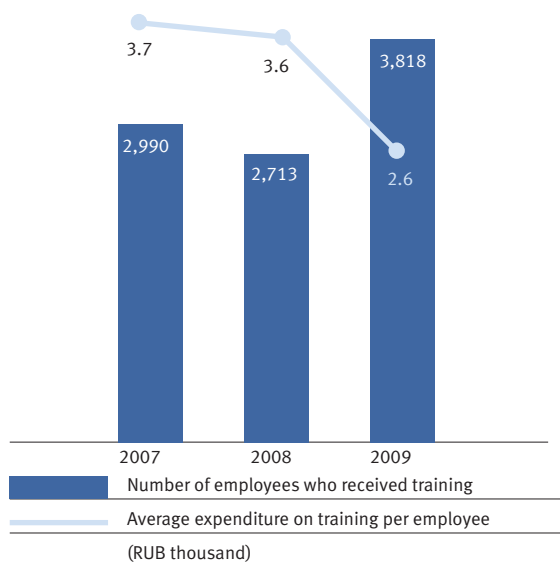
Volunteer initiatives carried out by the Group's staff acquired special resonance and scope during

the credit crunch, giving a renewed impetus to VTB's policy of Corporate Social Responsibility (CSR). During 2009, wide-ranging actions were undertaken throughout the Group companies across Russia and the CIS as part of the VTB-Countrywide social project which was launched in the previous year. The main goals of this project are to raise the financial literacy of the general public (VTB Open Doors Day), to protect the environment (VTB Garden), and to provide a vehicle for hands-on charity work (VTB Volunteers).

Alongside the Bank's staff, an active role in many aspects of the VTB-Countrywide project was taken on by VTB customers, partners and shareholders, as well as the business community, higher education students in relevant disciplines, and children from affiliated orphanages.

The scale of social activity undertaken by VTB staff in 2009 gave momentum to the creation of a corporate Volunteers Club as a way of organising employee activity around CSR and developing the VTB-Countrywide project.

Corporate training in VTB Bank



Corporate events organised for the Bank's employees, their children, family members, and also retirees, are an effective way of encouraging team building and promoting staff loyalty. Continuing VTB's sporting traditions, a virtual "Spartakiad" was held in the summer of 2009.

6.2. Social programmes

VTB Group considers it essential to relate its business goals to society's interests and expectations and to coordinate its business in harmony with the development priorities of the nation as a whole. Maintaining a high level of civic awareness and constructive relations with the community is no less important for VTB than is the Group's concern for its own customers and staff. VTB is keen to maintain a two-way dialogue with community institutions, basing its activity on their needs and expectations.

VTB regards the engagement of business in tackling key social problems as an integral part of corporate responsibility. The Group counts among its main priorities wide-scale support for social values, the nation's cultural and scientific heritage, and socially vulnerable groups in the population.

VTB's sponsorship and charitable work is a combination of long-term support for projects and one-off donations. Decisions about charity projects are made collectively by VTB Bank's Charities Committee.

The guiding principles governing the Committee's consideration of organisations applying for financial assistance are:

- relevance;
- social orientation;
- possibility of cooperation on a long-term basis.

In 2009, VTB bank lent its support to numerous cultural, healthcare, sporting, religious and social

establishments and institutions. Select examples of these activities are described in this section.

A more detailed account of the bank's charitable and sponsorship work, including support for war veterans and religious organisations, can be found in the VTB Sustainability Report for 2009.

The arts and culture

During the reporting period, VTB Bank sponsored the *Diaghilev P.S.* International Festival in St. Petersburg to celebrate the centenary of Sergei Diaghilev's famous "Russian Seasons". The Festival opened with a performance by the renowned Hamburg John Neumeier ballet. Two major exhibitions were staged during the Festival: *Diaghilev: The Beginning*, at the Russian National Museum, and *Dance: A Tribute to Diaghilev*, at the National Hermitage. Also, with the Bank's support, the National Tretyakov Gallery mounted an exhibition

VTB Bank also sponsored one of the most prestigious nationwide cultural events, the Moscow Easter Festival, which took place in the spring of 2009 in Moscow and 28 cities across Russia.

entitled *Vision of Dance* dedicated to the legendary Russian Ballets of Sergey Diaghilev in Paris.

In 2009, VTB Bank acquired a collection of rare Russian books from Christie's auction house for donation to the Presidential Library. The collection consists of more than two thousand titles. It includes printed books and maps, art editions and manuscripts published in Russia and abroad in the 16th–20th centuries. The collection also features publications on history and related sub-disciplines (numismatics, heraldry), philosophy, religion, natural sciences and geography, art, bibliographies, fiction and reference works, as well as the Rossica collection. This book collection possesses enormous scientific, historical, artistic, cultural and material value.

VTB Bank also sponsored one of the most prestigious nationwide cultural events, the Moscow Easter Festival, which took place in the spring of 2009 in Moscow and 28 cities across Russia. Valery Gergiyev was the festival's Artistic Director. The festival programme included 100 concerts in which over 500 performers took part, including leading soloists and artists from various music groups.

With the Bank's support, a whole range of music festivals and competitions were held in 2009, including the 9th "Marinsky" Ballet Festival, the 17th *Stars of the White Nights* Music Festival, and the first *Golden Harp* International Music Competition named after Empress Elizaveta Petrovna.

VTB Bank provided financial assistance to its long-standing partners, including the Bolshoi Theatre and the Pyotr Fomenko Workshop Theatre in Moscow.

Television and cinematography

The documentary film *Justification of Gogol*, produced with the assistance of VTB Bank, was shown on Russian television in the spring of 2009. This project was created to mark the bicentenary of the great writer, one of the most enigmatic authors in all of Russian literature. Surrounded by legends and myths from an early age, public attitudes towards Gogol have always been ambivalent. *The Justification of Gogol* is a documentary-style search for truth, an attempt to uncover the secrets of the writer's life, to reveal the story of his soul. The footage was shot on location in Russia, Ukraine, Switzerland, France, Italy, Germany and Israel.

Business events

With VTB Bank's support, the fifth annual "RussiaTALK" investment forum organised jointly by the Russo-British Chamber of Commerce and the Russian Federation Chamber of Commerce and Industry (RFCCI) was held on 21 October 2009 at the RFCCI Congress Centre. For many years this

forum has been a platform for practical dialogue between business and government, creating real opportunities for constructive discussions.

Collaboration with aviation companies, including carriers and airports, is one of the Bank's most important business areas. The Bank's customers include some of the biggest operators in the aviation industry. In 2009, VTB Bank sponsored the "Wings of Russia" award scheme, which is the only professional rating system designed to objectively assess the performance of Russian airline companies utilising a comprehensive range of criteria.

Education and science

During the reporting period, the Bank gave financial assistance to a large number of educational institutions in a wide variety of disciplines, including:

- Finance and Development Fund, for the development of economic and financial research, including charter activity and development of a Finance & Credit Department in the Economics Faculty of Lomonosov Moscow State University;
- Finance Academy, under the Government of the Russian Federation, for training of foreign students enrolled in the Finance and Credit programme;
- Russian State University for the Humanities, for development of new educational programmes, provision of social and economic support for students, and the "Humanitarian Research about Russia" programme;
- Moscow School of Economics of Lomonosov Moscow State University;
- St. Petersburg State University of Economics and Finance, for material assistance to teaching staff and student scholarships funded by VTB;
- Lomonosov Moscow State University, State University Higher School of Economics, Moscow State Institute

of International Relations, and the Financial Academy under the Government of the Russian Federation, for VTB personalised student scholarships.

Sport

VTB Bank traditionally takes an active social role by lending its support to Russian sportsmen and sportswomen representing our country in the international arena. Over a number of years, the Bank has enjoyed a successful track record of cooperation with, and support of the following sporting organisations:

- Russian Basketball Federation;
- All-Russian Volleyball Federation;
- Russian Gymnastics Federation;
- International Gymnastics Federation;
- International Judo Federation, and others.

VTB Bank also sponsors individual clubs, including the Dynamo Football Club (Moscow) and the Professional Hockey Club of the Ministry of Internal Affairs.

In 2009, the Bank continued its support of Kamaz-Master rally team. The team's history is one of outstanding achievements in national motorsport. No other Russian team has succeeded in becoming the three-time winner of the off-road Rally World Cup or a multiple medal winner and champion of the Dakar transcontinental supermarathon.

The 2009 Dakar Rally Raid was held for the first time in Argentina and Chile. The crews of the Kamaz-Master team came through brilliantly to achieve a magnificent victory, chalking up their eighth win in what is regarded as the world's most challenging and prestigious rally motorsport event and is given the highest difficulty rating in the sport.

Presence Overcoming Distance

*Benchmarking
Future Growth*



Within the 2010–2013 development strategy, VTB intends to establish a closer connection between management objectives and shareholders' interests, identifying clear-cut targets for profit and return on equity in each business line.



Healthcare

In 2009, VTB Bank lent its financial support to a number of children's healthcare institutions as part of the World Without Tears charity programme.

On 19 February 2009, the Bank funded the acquisition of rehabilitation equipment for the State healthcare institution Regional Specialist Childcare Centre in Kazan. These rehabilitation facilities included equipment for sensory therapy, which is one of the most advanced methods of treating disorders of the central nervous system and locomotory problems.

In April, the Bank donated resuscitation and intensive therapy equipment to the N.F. Filatov Municipal Children's Hospital No.13. Recognising the hospital's need for modern medical technology, the Bank sponsored the purchase of equipment from the Italian company Siare, thus enabling the medical staff to improve the effectiveness of care and avoid complications.

On 4 September 2009, another chapter of VTB's World Without Tears charity programme unfolded at the St. Vladimir Municipal Children's Hospital in Moscow. The Bank paid for the acquisition of a suite of modern equipment for the intensive care unit, which can be used for children of all age groups – from newborn babies to teenagers. On 23–24 November 2009, charitable events were also organised in Stavropol and Krasnodar as part of the World Without Tears programme.

The Bank marked the New Year's Eve celebrations by organising a large-scale charity event under the "VTB is Back" banner. The event took place in five Moscow hospitals which VTB has helped in previous years through the World Without Tears programme. The Bank funded the purchase of gaming equipment, children's furniture, a wide variety of toys, art easels, stationery supplies and board games. The Bank also arranged for decorated New Year trees to be set up in the hospital grounds.

Overall in 2009, the financial assistance VTB provided to children's medical institutions totalled in excess of RUB 21 million.

7. Management responsibility statement

Management is responsible for preparing the Annual Report and the Group's consolidated financial statements in accordance with applicable law and regulations. The management responsibility statement forms an integral part of the Annual Report and is prepared in accordance with the requirements of the UK Financial Services Authority.

- make judgements and estimates that are reasonable and prudent
- state whether applicable accounting standards have been followed, with any material deviations from the standards being disclosed and explained in the statements

VTB Group's internal regulations require management to prepare the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) and applicable laws and regulations.

- prepare consolidated financial statements on a going concern basis, unless it is inappropriate to presume that the Group will continue in business in the near future.

The consolidated financial statements, as required by law and IFRS, present a true and fair view of the Group's state of affairs and profit.

Management is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group, and to enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Group and, hence, for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In preparing the consolidated financial statements, management is required to:

- select suitable accounting policies and then apply them consistently

VTB Bank President and Chairman
of the Management Board

Andrei L. Kostin

*8. Summarised consolidated financial statements in accordance with IFRS**

derived from the audited consolidated financial statements and auditors' report for the years ended 31 December 2009 and 2008

* For a better understanding of the Group's financial position and the results of its operations, and of the scope of the audit, these summarised consolidated financial statements should be read in conjunction with the consolidated financial statements, from which these summarised consolidated financial statements have been derived, and audit report thereon. Copies of audited consolidated financial statements can be obtained from VTB Bank.

Independent Auditors' Report

To the Supervisory Council and Shareholders of VTB Bank:

We have audited the consolidated financial statements of VTB Bank ("the Bank") and its subsidiaries (together "the Group") as at and for the years ended 31 December 2009 and 2008, from which the accompanying summarised consolidated financial statements (which comprise the summarised consolidated statements of financial position as at 31 December 2009 and 2008, summarised consolidated income statements, summarised consolidated statements of comprehensive income, summarised consolidated statements of cash flows and summarised consolidated statements of changes in shareholders' equity for the years then ended) were derived, in accordance with International Standards on Auditing.

In our report dated 25 March 2010, we expressed an unqualified opinion on the consolidated financial statements from which the summarised consolidated financial statements were derived.

In our opinion, the accompanying summarised consolidated financial statements are consistent, in all material respects, with the consolidated financial statements from which they were derived.

For a better understanding of the Group's financial position as at 31 December 2009 and 2008, and the result of its financial performance and its cash flows for the years then ended and of the scope of our audit, the summarised consolidated financial statements should be read in conjunction with the consolidated financial statements from which the summarised consolidated financial statements were derived and our audit report thereon.



25 March 2010

Summarised consolidated statements of financial position as at 31 December

(in billions of Russian Roubles)

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	2009	2008
Assets		
Cash and short-term funds	260.2	416.1
Mandatory cash balances with central banks	23.9	7.6
Financial assets at fair value through profit or loss	267.9	170.8
Financial assets pledged under repurchase agreements and loaned financial assets	96.2	44.5
Due from other banks	345.6	308.0
Loans and advances to customers	2,309.9	2,555.6
Financial assets available-for-sale	24.9	23.9
Investments in associates	13.9	4.5
Investment securities held-to-maturity	11.7	20.7
Premises and equipment	65.9	60.8
Investment property	79.8	4.3
Intangible assets	11.9	11.3
Deferred tax asset	31.4	9.3
Other assets	67.6	60.0
Total assets	3,610.8	3,697.4
Liabilities		
Due to other banks	287.0	388.7
Customer deposits	1,568.8	1,101.9
Other borrowed funds	470.9	848.7
Debt securities issued	485.7	560.1
Deferred tax liability	7.0	5.5
Other liabilities	91.2	174.1
Total liabilities before subordinated debt	2,910.6	3,079.0
Subordinated debt	195.3	226.3
Total liabilities	3,105.9	3,305.3

* For a better understanding of the Group's financial position and the results of its operations, and of the scope of the audit, these summarised consolidated financial statements should be read in conjunction with the consolidated financial statements, from which these summarised consolidated financial statements have been derived, and audit report thereon. Copies of audited consolidated financial statements can be obtained from VTB Bank.

*Summarised consolidated statements of financial position
as at 31 December (in billions of Russian Roubles)
(continued)*

	2009	2008
Equity		
Share capital	113.1	75.7
Share premium	358.5	215.8
Treasury shares	-0.4	-0.4
Unrealised gain / (loss) on financial assets available-for-sale and cash flow hedge	3.4	0.1
Premises revaluation reserve	11.8	14.2
Currency translation difference	13.2	13.1
Retained earnings	2.7	70.9
Equity attributable to shareholders of the parent	502.3	389.4
Non-controlling interests	2.6	2.7
Total equity	504.9	392.1
Total liabilities and equity	3,610.8	3,697.4

Approved for issue and signed on 25 March 2010.

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

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

Summarised consolidated income statements for the years ended 31 December

(in billions of Russian Roubles)

	2009	2008
Interest income	373.7	245.2
Interest expense	-221.5	-131.6
Net interest income	152.2	113.6
Provision charge for impairment	-154.7	-63.2
Net interest (expense) / income after provision for impairment	-2.5	50.4
(Losses net of gains) / gains less losses arising from financial instruments at fair value through profit or loss	-21.3	4.0
Gains less losses arising from extinguishment of liability	14.7	9.5
Gains less losses / (losses net of gains) from available-for-sale financial assets	1.1	-1.6
Losses on initial recognition of financial instruments and on loans restructuring	-19.7	—
Losses net of gains arising from dealing in foreign currencies	-12.4	-64.7
Foreign exchange translation gains less losses	26.6	67.0
Fee and commission income	25.5	19.4
Fee and commission expense	-4.5	-3.1
Share in income of associates	0.3	0.2
Provision charge for impairment of other assets and credit related commitments	-1.7	-1.5
Income arising from non-banking activities	2.8	3.2
Other operating income	3.0	4.4
Net non-interest income	14.4	36.8

* For a better understanding of the Group's financial position and the results of its operations, and of the scope of the audit, these summarised consolidated financial statements should be read in conjunction with the consolidated financial statements, from which these summarised consolidated financial statements have been derived, and audit report thereon. Copies of audited consolidated financial statements can be obtained from VTB Bank.

*Summarised consolidated income statements
for the years ended 31 December
(in billions of Russian Roubles)
(continued)*

	2009	2008
Operating income	11.9	87.2
Staff costs and administrative expenses	-76.4	-67.5
Expenses arising from non-banking activities	-1.1	-1.4
Impairment of goodwill	-3.7	-0.2
Profit from disposal of subsidiaries and associates	1.0	—
(Loss) / profit before taxation	-68.3	18.1
Income tax recovery / (expense)	8.7	-13.5
Net (loss) / profit	-59.6	4.6
Net (loss) / profit attributable to:		
Shareholders of the parent	-63.4	4.8
Non-controlling interests	3.8	-0.2
Basic and diluted earnings per share (expressed in Russian Roubles per share)	-0.00821	0.00072

*Summarised consolidated income statements
for the years ended 31 December
(in billions of Russian Roubles)
(continued)*

	2009	2008
Net (loss) / profit for the period	-59.6	4.6
Other comprehensive income:		
Unrealised gain / (loss) on financial assets available-for-sale, net of tax	3.8	-1.3
Cash flow hedges, net of tax	-0.4	-0.8
Revaluation of premises, net of tax	-1.0	0.6
Actuarial gains less losses arising from difference between pension plan assets and obligations	-	-0.5
Effect of translation, net of tax	0.7	1.7
Reclassification adjustment of currency translation difference due to disposal of subsidiary	-1.2	-
Other comprehensive income for the period, net of tax	1.9	-0.3
Total comprehensive income for the period	-57.7	4.3
Total comprehensive income attributable to:		
Shareholders of the parent	-61.0	4.7
Non-controlling interests	3.3	-0.4

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Summarised consolidated statements of cash flows for the years ended 31 December

(in billions of Russian Roubles)

	2009	2008
Cash flows from (used in) operating activities		
Interest received	324.1	236.3
Interest paid	-219.1	-120.2
Income received / (losses incurred) on operations with financial instruments at fair value through profit or loss	2.7	-8.0
Income received from extinguishment of liability	7.4	—
Loss incurred on dealing in foreign currency	-37.4	-33.2
Fees and commissions received	25.7	18.5
Fees and commissions paid	-4.0	-2.7
Income arising from non-banking activities and other operating income received	5.7	5.0
Staff costs, administrative expenses and expenses arising from non-banking activities paid	-65.4	-59.9
Income tax paid	-13.2	-14.6
Cash flows from operating activities before changes in operating assets and liabilities	26.5	21.2
Net decrease / (increase) in operating assets		
Net (increase) / decrease in mandatory cash balances with central banks	-16.1	13.1
Net (increase) / decrease in restricted cash	-0.3	0.7
Net (increase) / decrease in financial assets at fair value through profit or loss	-216.8	115.2
Net increase in due from other banks	-17.2	-23.9
Net increase in loans and advances to customers	-65.4	-888.9
Net decrease / (increase) in other assets	9.8	-18.6
Net decrease / (increase) in operating liabilities		
Net decrease in due to other banks	-67.8	-20.1
Net increase in customer deposits	465.3	126.7
Net (decrease) / increase in promissory notes and deposit certificates issued	-5.5	66.5
Net (decrease) / increase in other liabilities	-10.5	7.7
Net cash from (used in) operating activities	102.0	-600.4

*Summarised consolidated statements of cash flows
for the years ended 31 December
(in billions of Russian Roubles)
(continued)*

	2009	2008
Cash flows from (used in) investing activities		
Dividends received	0.2	1.3
Proceeds from sale or maturities of financial assets available-for-sale	69.2	25.7
Purchase of financial assets available-for-sale	-15.6	-13.6
Purchase of subsidiaries, net of cash acquired	-0.4	-0.2
Share issue to minorities	1.5	-
Decrease of share capital of subsidiaries, paid to minorities	-0.1	-
Disposal of subsidiaries, net of cash disposed	-0.4	-
Purchase of / contributions to associates	-4.8	-0.4
Purchase of non-controlling interest in subsidiaries	-0.2	-7.8
Purchase of investment securities held-to-maturity	-1.4	-8.3
Proceeds from redemption of investment securities held-to-maturity	3.4	-
Purchase of premises and equipment	-11.5	-10.4
Proceeds from sale of premises and equipment	1.6	2.6
Purchase of intangible assets	-0.8	-0.8
Net cash from (used in) investing activities	40.7	-11.9

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*Summarised consolidated statements of cash flows
for the years ended 31 December
(in billions of Russian Roubles)
(continued)*

	2009	2008
Cash flows (used in) from financing activities		
Dividends paid	-4.6	-9.0
Proceeds from issuance of local bonds	35.9	26.0
Repayment of local bonds	-4.9	-7.6
Buy-back of local bonds	-6.9	-0.2
Proceeds from sale of previously bought-back local bonds	6.3	—
Proceeds from issuance of Eurobonds	22.2	84.7
Repayment of Eurobonds	-116.4	-68.8
Buy-back of Eurobonds	-18.0	-18.6
Proceeds from sale of previously bought-back Eurobonds	1.1	—
Proceeds from syndicated loans	—	38.9
Repayment of syndicated loans	-38.4	-27.2
Proceeds from other borrowings	1,261.8	699.5
Repayment of other borrowings	-1,617.3	-47.3
Proceeds from share issue, less transaction costs	180.1	—
Proceeds from subordinated debt	—	200.0
Repayment of subordinated debt	—	-0.4
Buy-back of subordinated debt	-6.4	-3.9
Proceeds from sale of treasury shares	—	0.1
Net cash (used in) from financing activities	-305.5	866.2
Effect of exchange rate changes on cash and cash equivalents	6.6	36.0
Net (decrease) / increase in cash and cash equivalents	-156.2	289.9
Cash and cash equivalents at the beginning of the year	415.0	125.1
Cash and cash equivalents at the end of the year	258.8	415.0

Summarised consolidated statements of changes in shareholders' equity for the years ended 31 December 2009 and 2008

(in billions of Russian Roubles)

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	Share capital	Share premium	Treasury shares
Balance at 1 January 2008	93.5	232.1	-0.5
Effect of changes in functional currency	-17.8	-16.3	-
Balance at 1 January 2008	75.7	215.8	-0.5
Dividends declared	-	-	-
Treasury shares	-	-	0.1
Acquisition of subsidiaries	-	-	-
Acquisition of non-controlling interests	-	-	-
Increase in share capital of subsidiaries	-	-	-
Total comprehensive income for the period	-	-	-
Transfer of premises revaluation reserve upon disposal or depreciation	-	-	-
Balance at 31 December 2008	75.7	215.8	-0.4
Share issue	37.4	142.7	-
Acquisition of subsidiaries	-	-	-
Increase in share capital of subsidiaries	-	-	-
Acquisition of non-controlling interests	-	-	-
Total comprehensive income for the period	-	-	-
Transfer of premises revaluation reserve upon disposal or depreciation	-	-	-
Dividends declared	-	-	-
Put options over non-controlling interests	-	-	-
Balance at 31 December 2009	113.1	358.5	-0.4

* For a better understanding of the Group's financial position and the results of its operations, and of the scope of the audit, these summarised consolidated financial statements should be read in conjunction with the consolidated financial statements, from which these summarised consolidated financial statements have been derived, and audit report thereon. Copies of audited consolidated financial statements can be obtained from VTB Bank.

	Attributable to shareholders of the parent					Non-controlling interests	Total equity
	Unrealised gain on financial assets available-for-sale and cash flow hedge	Premises revaluation reserve	Currency translation difference	Retained earnings	Total		
	2.9	15.2	-25.7	80.3	397.8	7.2	405.0
	-0.7	-0.8	37.0	-1.4	—	—	—
	2.2	14.4	11.3	78.9	397.8	7.2	405.0
	—	—	—	-9.0	-9.0	-0.6	-9.6
	—	—	—	—	0.1	—	0.1
	—	—	—	—	—	0.1	0.1
	—	—	—	-4.3	-4.3	-3.5	-7.8
	—	—	—	0.1	0.1	-0.1	—
	-2.1	0.7	1.8	4.3	4.7	-0.4	4.3
	—	-0.9	—	0.9	—	—	—
	0.1	14.2	13.1	70.9	389.4	2.7	392.1
	—	—	—	—	180.1	—	180.1
	—	—	—	—	—	-2.8	-2.8
	—	—	—	0.4	0.4	1.0	1.4
	—	—	—	-0.2	-0.2	—	-0.2
	3.3	-1.0	0.1	-63.4	-61.0	3.3	-57.7
	—	-1.4	—	1.4	—	—	—
	—	—	—	-3.0	-3.0	-1.6	-4.6
	—	—	—	-3.4	-3.4	—	-3.4
	3.4	11.8	13.2	2.7	502.3	2.6	504.9

9. Summarised financial statements in accordance with RAS

Audit report

on the Annual Report VTB Bank (open joint-stock company) prepared on the basis of its results for 2009

To the shareholders of VTB Bank (open joint stock company)

The Auditor:

Full name: Closed Joint Stock Company “Ernst & Young Vneshaudit”.

Address: 77 bldg 1, Sadovnicheskaya Emb., Moscow 115035, Russia

Certificate of entry made to the Uniform State Register of Legal Entities Concerning a Legal Entity Registered before 1 July 2002; date of entry – 16 September 2002, series 77 No. 008050714, registered by the State Institution Moscow Registration Chamber at No. 033.468 on 30 August 1994, Main State Registration Number 1027739199333.

Audit License No. E003246, approved by Order No. 9 of the Ministry of Finance of the Russian Federation dated 17 January 2003, valid for five years, extended until 17 January 2013 by Order No. 746 of the Ministry of Finance of the Russian Federation dated 14 December 2007.

CJSC Ernst & Young Vneshaudit is a member of Non-Profit Partnership Audit Chamber of Russia (NPP ACR), registered in the state register of self-regulatory audit organisations under record number 01. CJSC Ernst & Young Vneshaudit is registered in the NPP ACR register of auditors and audit organisations under record number 3027 and included in the controlled copy of the auditors and audit organisations register under main record number 10301017410.

The Audited Entity:

Full name: VTB Bank (open joint stock company), (hereinafter the “Bank”).

Short name: JSC VTB Bank.

Address: 29, Bolshaya Morskaya St., St. Petersburg 190000, Russia.

Entry of state registration of the credit organisation by the Central Bank of the Russian Federation: No. 1000 dated 17 October 1990.

Certificate of entry made to the Unified State Register No. 1027739609391, issued by the Ministry of Taxes and Levies of the Russian Federation on 22 November 2002.

We have audited the accompanying annual report of the Bank for the period from 1 January 2009 till 31 December 2009, which includes: the annual balance sheet as of 1 January 2010; the income statement for 2009; the statement of capital adequacy and loan impairment for bad loans and other assets as of 1 January 2010; the information on mandatory ratios as of 1 January 2010; the cash flow statement for 2009; the explanatory note (only in terms of points 1, 2, 4, 6–8).

The preparation and presentation of the Annual Report is the responsibility of the Bank’s management. Our responsibility is to express an opinion based on our audit on whether this annual report is presented fairly in all material respects and whether the accounting procedures comply with the legislation of the Russian Federation.

We conducted our audit in accordance with the Federal Law on Auditing Activity, the Federal Rules (Standards) on Auditing, the Rules (Standards) for Auditing Activities, as approved by the Committee on Auditing Activity under the President of the Russian Federation and the International Standards on Auditing.

The audit was planned and performed to obtain reasonable assurance whether the annual report is free from material misstatement. The audit was performed on a selective basis and included an examination, on a test basis, of the evidence supporting the amounts and disclosures about the financial performance of the audited entity contained in its annual report; an assessment of compliance with the accounting principles and rules used in the preparation of this annual report, and a review of significant estimates derived by the management of the audited entity; as well as a valuation of the overall presentation of the annual report. We believe that our audit provides a reasonable basis for our opinion on whether this annual report is presented fairly in all material respects, and as well as on compliance of accounting procedures with the legislation of the Russian Federation.

In our opinion, the annual report presents fairly, in all material respects, the financial position of VTB Bank (open joint stock company) as at 1 January 2010 and its financial performance for the period from 1 January 2009 till 31 December 2009 according to the laws and regulations governing the preparation of annual reports in the Russian Federation.

According to clause 9 of the Explanatory Note, the decision was taken by the management of the Bank not to publish the Explanatory Note to the annual report in printed mass media in accordance with the instructions of the Central Bank of Russia dated 20 January 2009, No. 2172-U, "On Publishing and Presenting Information on the Activities of Credit Institutions and Banking (Consolidated) Groups". We draw your attention to the fact that the auditor's conclusion on the enclosed annual report should be

considered together with all of the published forms of the financial statements and the Explanatory Note, which are integral parts of the annual report. The full annual report, including all forms of financial reporting and the Explanatory Note, will be placed on the Internet site used by the Bank for information disclosure, at www.vbank.ru, after the approval of the annual report by the General Shareholders Meeting of the Bank.

The accompanying annual report is not intended to present the financial position and performance results in accordance with the accounting and reporting principles or practices generally accepted in countries and jurisdictions other than the Russian Federation. Accordingly, this annual report is not designed for those who are not informed about the accounting and reporting principles, procedures and practices in the Russian Federation.

1 April 2010

Partner (signed) Oleg V. Youshenkov

Auditor (signed) Natalia J. Badmaeva

(Auditor's Qualification Certificate No. K029654,
issued on 22 January 2009
for an indefinite period of time)

Balance sheet

(published form)

as at 1 January 2010

Name of the credit institution:

VTB Bank (open joint-stock company)

JSC VTB Bank

(full and short name)

Postal address

37, Plyushchikha St., Moscow 119121

Form code 0409806

Annual,

RUB thousand

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No.	Line item	Data as at the reporting date	Data as at the reporting date of the previous year
I. Assets			
1	Cash	8,304,996	11,302,667
2	Funds with the Central Bank of the Russian Federation	100,196,535	214,143,624
2.1	Mandatory reserves	9,500,028	1,920,244
3	Funds with credit institutions	20,580,847	210,134,317
4	Net investments into securities at fair value through profit or loss	245,648,801	75,481,279
5	Net loans	1,884,654,931	1,787,587,453
6	Net investments into securities and other financial assets available-for-sale	240,276,305	157,892,162
6.1	Investments into subsidiaries and associates	199,904,129	136,743,362
7	Net investments into securities held-to-maturity	6,752,944	10,894,006
8	Fixed assets, intangible assets and materials	85,116,877	28,277,998
9	Other assets	76,860,887	55,061,137
10	Total assets	2,668,393,123	2,550,774,643
II. Liabilities			
11	Loans, deposits and other funds of the Central Bank of the Russian Federation	287,170,904	510,423,542
12	Funds of credit institutions	597,015,565	727,659,590
13	Funds of clients (non-credit institutions)	1,011,670,445	730,455,916
13.1	Individual deposits	9,316,863	12,118,192
14	Financial liabilities at fair value through profit or loss	0	1,131,417
15	Debt instruments issued	162,226,300	185,444,779
16	Other liabilities	31,328,946	24,258,874
17	Provisions for possible losses on the credit commitments and contingencies, for other possible losses and for operations with offshore residents	2,873,792	1,840,016
18	Total liabilities	2,092,285,952	2,181,214,134

*Balance sheet
(published form)
as at 1 January 2010
(continued)*

No.	Line item	Data as at the reporting date	Data as at the reporting date of the previous year
III. Sources of equity			
19	Share capital	104,605,413	67,241,385
20	Treasury shares	0	0
21	Share premium	361,901,101	219,170,513
22	Reserve fund	3,362,069	3,362,069
23	Unrealised gain or (loss) on securities available-for-sale	-3,095,508	-12,578,481
24	Revaluation of fixed assets	6,794,676	10,599,206
25	Retained earning / (accumulated deficit) of the previous years	78,787,574	54,871,444
26	Profit / (loss) for the reported period	23,751,846	26,894,373
27	Total sources of equity	576,107,171	369,560,509
IV. Off-balance liabilities			
28	Irrevocable liabilities of the credit institution	693,081,148	799,821,292
29	Guarantees issued by the credit institution	153,392,408	182,533,666

The Annual Report is available at the Bank's website: www.vtb.ru.

President and Chairman of the Management Board

(signed)

Andrei L. Kostin

Chief Accountant

(signed)

Olga A. Avdeeva

Income statement

(published form)

for 2009

Translation from the original in Russian

Name of the credit institution:

VTB Bank (open joint-stock company)

JSC VTB Bank

(full and short name)

Postal address

37, Plyushchikha St., Moscow 119121

Form code 0409807

Annual,

RUB thousand

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No.	Line item	Data for the reporting period	Data for the same period of the previous year
1	Total interest income including income from:	238,245,509	143,118,356
1.1	Funds placement with credit organisations	29,118,318	25,918,559
1.2	Loans, granted to clients (non-credit organisations)	189,790,045	108,716,592
1.3	Financial leasing	0	0
1.4	Investments in securities	19,337,146	8,483,205
2	Total interest expenses including expenses on:	170,538,766	92,326,065
2.1	Attracted funds of credit organisations	90,325,722	30,889,443
2.2	Attracted funds of clients (non-credit organisations)	66,984,291	51,063,379
2.3	Debt securities issued	13,228,753	10,373,243
3	Net interest income / (negative interest margin)	67,706,743	50,792,291
4	Change of provisions for possible losses on loans, other similar indebtedness and funds on correspondent accounts including:	-68,740,406	-22,239,549
4.1	Change of provisions for possible losses on accrued interest	-4,574,602	-1,921,742
5	Net interest income / (negative interest margin) after provisions for possible losses	-1,033,663	28,552,742
6	Gains less losses from operations with securities at fair value through profit or loss	-43,035,462	-66,900,445
7	Gains less losses from operations with securities available-for-sale	10,211,771	5,229,239
8	Gains less losses from operations with securities held-to-maturity	-15,675	-106,109
9	Gains less losses from operations with foreign currency	15,161,177	5,026,484
10	Foreign exchange translation gains less losses	25,108,166	65,438,766
11	Income from participation in other companies	17,061,728	6,139,888
12	Fee and commission income	17,390,691	24,137,428
13	Fee and commission expense	1,326,468	7,563,045
14	Change of provisions for possible losses on securities available-for-sale	26,610	-16,869
15	Change of provisions for possible losses on securities held-to-maturity	-1,279,760	-14,964
16	Change of provisions for other losses	-4,026,605	-1,132,102
17	Other operating income	29,528,485	20,875,656
18	Net income / (loss)	63,770,995	79,666,669
19	Operating expenses	28,057,793	41,348,515
20	Profit before taxes	35,713,202	38,318,154
21	Accrued / (paid) taxes	11,961,356	11,423,781
22	Profit / (loss) after taxation	23,751,846	26,894,373

*Income statement
(published form)
for 2009
(continued)*

No.	Line item	Data for the reporting period	Data for the same period of the previous year
23	Total payments from profit after taxation, including:	0	0
23.1	Distribution of dividends among shareholders (participants)	0	0
23.2	Assignments for creation and charging of Reserve Fund	0	0
24	Profit (loss) for the reporting period	23,751,846	26,894,373

The Annual Report is available at the Bank's website: www.vtb.ru.

President and Chairman of the Management Board

(signed)

Andrei L. Kostin

Chief Accountant

(signed)

Olga A. Avdeeva

Statement of capital adequacy and loan impairment for bad loans and other assets

(published form)

as at 1 January 2010

Translation from the original in Russian

Name of the credit institution:

VTB Bank (open joint-stock company)

JSC VTB Bank

(full and short name)

Postal address

37, Plyushchikha St., Moscow 119121

Form code 0409808

Annual

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No.	Line item	Data as at the reporting date of the previous year	Increase (+) / decrease (-) during the reporting period	Data as at the reporting date
1	Equity (capital), RUB thousand, including:	397,070,541	168,092,438	565,162,979
1.1	Authorised capital, including	67,241,385	37,364,028	104,605,413
1.1.1	Face value of registered common shares	67,241,385	37,364,028	104,605,413
1.1.2	Face value of registered preferred shares	0	0	0
1.1.3	Unregistered authorised capital of non-share credit institutions	0	0	0
1.2	Treasury shares	0	0	0
1.3	Share premium	219,170,513	142,730,588	361,901,101
1.4	Reserve fund	3,362,069	0	3,362,069
1.5	Retained earnings (accumulated deficit):	80,901,284	5,305,734	86,207,018
1.5.1	of the previous years	54,803,541	23,913,408	78,716,949
1.5.2	of the reporting period	26,097,743	-18,607,674	7,490,069
1.6	Intangible assets	28,218	13,250	41,468
1.7	Subordinated loan (credit, deposit) balance value	222,035,300	647,409	222,682,709
1.8	Sources (part of sources) of capital for creation of which investors utilised inappropriate assets	0	0	0
2	Standard capital adequacy level, %	10.0	X	10.0
3	Actual capital adequacy level, %	16.1	X	23.8
4	Actual provisions for possible losses (RUB thousand), including:	33,493,842	72,987,032	106,480,874
4.1	on loans and similar indebtedness	31,871,065	68,250,362	100,121,427
4.2	on other assets liable to risk of losses and for other possible losses	480,781	3,015,543	3,496,324
4.3	on credit commitments and contingencies recorded on off-balance accounts and forward transactions	1,141,996	1,721,127	2,863,123
4.4	on operations with offshore residents	0	0	0

The Annual Report is available at the Bank's website: www.vtb.ru.

*Statement of capital adequacy and loan impairment
for bad loans and other assets
(published form)
as at 1 January 2010
(continued)*

Additional information

Total (charging of) provisions for possible losses on loans during the period (RUB thousand) due to:	184,910,047
New loans issued	9,362,496
Changes in loan quality	117,281,858
Exchange rate changes	3,272,893
Other	54,992,800
Total recovery of (decrease in) provisions for possible losses on loans during the period (RUB thousand) due to:	116,659,685
Bad loans written off	846,810
Repayment of loans	20,417,566
Changes in loan quality	29,879,990
Exchange rate changes	17,566,089
Other	47,949,230

The Annual Report is available at the Bank's website: www.vtb.ru.

President and Chairman of the Management Board (signed) Andrei L. Kostin

Chief Accountant (signed) Olga A. Avdeeva

Information on mandatory ratios

(published form)

as at 1 January 2010

Translation from the original in Russian

Name of the credit institution:

VTB Bank (open joint-stock company)

JSC VTB Bank

(full and short name)

Postal address

37, Plyushchikha St., Moscow 119121

Form code 0409813

Annual,

percent

No.	Line item	Regulatory value		Actual value		
		as at the reporting date	as at the preceding reporting date	as at the reporting date	as at the preceding reporting date	
1	Capital adequacy ratio (N1)	10.0	23.8	16.1		
2	Instant liquidity ratio (N2)	15.0	29.1	127.5		
3	Current liquidity ratio (N3)	50.0	86.5	143.5		
4	Long-term liquidity ratio (N4)	120.0	81.3	87.9		
5	The ratio of maximum risk per borrower/group of related borrowers (N6)	25.0	Maximum	18.6	Maximum	19.8
			Minimum	0.5	Minimum	1.0
6	Maximum large credit risk ratio (N7)	800.0	165.8	259.1		
7	Maximum loans, bank guarantees and sureties granted by the bank to its shareholders (N9.1)	50.0	0.0	0.0		
8	Aggregate risk by the bank's insiders (N10.1)	3.0	0.0	0.0		
9	Allocation of equity funds (capital) to purchase shares (stake) in other legal entities (N12)	25.0	1.8	0.8		
10	The ratio of liquid assets with 30-day maturity to NSCA total liabilities (N15)					
11	Maximum aggregate loans to customers participating in settlements to complete payment (N16)					
12	Provision of loans to borrowers granted on behalf and for account of NSCA, excluding customers participating in settlements (N16.1)					

*Information on mandatory ratios
(published form)
as at 1 January 2010
(continued)*

No.	Line item	Regulatory value		Actual value
		as at the reporting date	as at the preceding reporting date	as at the preceding reporting date
13	The ratio of minimum mortgage-backed loans to equity funds (capital) (N17)			
14	The ratio of minimum mortgage-backed amount to the volume of mortgage-backed bonds issued (N18)			
15	Maximum ratio of total liabilities of a credit institution, acting as the issuer, to senior debt lenders (in accordance with the applicable federal law), with respect to holders of mortgage-backed bonds, to equity funds (capital) (N19)			

The annual report is available at the Bank's website: www.vtb.ru.

President and Chairman of the Management Board

(signed)

Andrei L. Kostin

Chief Accountant

(signed)

Olga A. Avdeeva

Cash flow statement

(published form)

for 2009

Name of the credit institution:
VTB Bank (open joint-stock company)
JSC VTB Bank
(full and short name)
Postal address
37, Plyushchikha St., Moscow 119121

Form code 0409814
Annual
RUB thousand

No.	Line item	Cash flows for the reporting period	Cash flows for the preceding reporting period
I Net cash received from/used in operating activities			
1.1	Total cash received from/used in operating activities before changes in operating assets and liabilities, including:	-3,410,725	-8,679,564
1.1.1	Interest received	198,358,995	131,003,046
1.1.2	Interest paid	-168,028,853	-91,917,467
1.1.3	Fees and commission received	17,390,691	24,137,428
1.1.4	Fees and commission paid	-1,326,468	-7,563,045
1.1.5	Gains less losses on financial assets at fair value through profit or loss, financial assets available-for-sale	-59,073,856	-45,829,717
1.1.6	Gains less losses on investment securities held-to-maturity	0	0
1.1.7	Gains less losses arising from dealing in foreign currency	37,146,481	12,181,237
1.1.8	Other operating income received	10,126,271	20,508,041
1.1.9	Operating expense	-27,787,942	-41,562,360
1.1.10	Income tax paid	-10,216,044	-9,636,728
1.2	Total increase/decrease in net cash from operating assets and liabilities, including:	-258,193,592	160,758,302
1.2.1	Net increase/decrease in mandatory cash balances with the Central Bank of Russia	-7,579,784	10,427,702
1.2.2	Net increase/decrease in investment securities at fair value through profit or loss	-151,570,916	9,927,044
1.2.3	Net increase/decrease in due from other banks	193,331,641	-137,863,763
1.2.4	Net increase/decrease in loans	-182,412,963	-640,936,703
1.2.5	Net increase/decrease in other assets	9,938,656	6,169,129
1.2.6	Net increase/decrease in loans, deposits and due from the Central Bank of Russia	-223,252,638	495,003,542
1.2.7	Net increase/decrease in due from other banks	-140,542,637	235,012,463
1.2.8	Net increase/decrease in customer deposits (non-credit institutions)	265,917,036	72,751,210
1.2.9	Net increase/decrease in financial liabilities at fair value through profit or loss	-1,131,417	1,131,417
1.2.10	Net increase/decrease in promissory notes issued	-21,555,180	108,279,478
1.2.11	Net increase/decrease in other liabilities	664,610	856,782
1.3	Section 1 (items 1.1 + 1.2), total	-261,604,317	152,078,738

*Cash flow statement
(published form)
for 2009
(continued)*

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No.	Line item	Cash flows for the reporting period	Cash flows for the preceding reporting period
II Net cash received from/used in investing activities			
2.1	Purchase of securities and other financial assets available-for-sale	-142,421,863	73,067,320
2.2	Proceeds from sale and maturities of investment securities and other financial assets available-for-sale	83,530,604	-29,222,539
2.3	Purchase of investment securities held-to-maturity	3,544,483	-13,438,416
2.4	Proceeds from redemption of investment securities held-to-maturity	-15,675	-110,852
2.5	Purchase of premises and equipment, intangible assets and inventories	-3,755,757	-17,151,585
2.6	Proceeds from sale of premises and equipment, intangible assets and inventories	-244,935	9,091,348
2.7	Dividends received	16,848,561	5,894,251
2.8	Section 2 (items 2.1–2.7), total	-42,514,582	28,129,527
III Net cash used in operating activities			
3.1	Proceeds from share issue	180,094,616	
3.2	Purchase of treasury shares	0	
3.3	Sale of treasury shares	0	
3.4	Dividends paid	-3,005,355	-9,010,036
3.5	Section 3 (items 3.1–3.4), total	177,089,261	-9,010,036
IV Effect of exchange rate changes on cash and cash equivalents		2,505,094	1,927,290
V Increase in cash and cash equivalents		-124,524,544	173,125,519
5.1	Cash and cash equivalents at the beginning of the year	223,526,047	50,400,528
5.2	Cash and cash equivalents at the end of the year	99,001,503	223,526,047

The Annual Report is available at the Bank's website: www.vtb.ru.

President and Chairman of the Management Board	(signed)	Andrei L. Kostin
Chief Accountant	(signed)	Olga A. Avdeeva

10. Transactions of JSC VTB Bank

Major transactions of JSC VTB Bank

In 2009, VTB Bank did not perform any transactions that were material as defined in accordance with article 79 of Federal Law No. 208-FZ dated 26 December 1995 “On Joint Stock Companies”.

Interested party transactions of JSC VTB Bank

VTB Bank participated in the following interested party transactions between 2004 and 2009, which were approved by either its Supervisory Council or the General Shareholders Meeting:

Year	Total number of transactions	Total amount of transactions, RUB thousand
2004	208	406,774,471
2005	1,376	563,968,082
2006	4,756	1,437,468,855
2007	5,309	4,071,978,368
2008	6,640	7,811,570,233
2009	7,157	8,919,312,502

11. Other Group information

11.1. Details and correspondent accounts of JSC VTB Bank

General information	
Full name	VTB Bank (joint stock company)
General banking licence	No. 1000
Legal address	29, Bolshaya Morskaya St., St. Petersburg
Postal address	
for Russian mail	37, Plyushchikha St., Moscow 119121
for international mail	43, Vorontsovskaya St., Moscow 109044
Call centre	8 800 200 7799 (Russian toll-free) +7 (495) 739 77 99
Fax	+7 (495) 258 47 81
E-mail address	info@vtb.ru (for queries and proposals)
Website	http://www.vtb.ru/

Details	
OKPO code	00032520
TIN	7702070139
Correspondent Account with the Clearing House of the Moscow Main Territorial Department of the Bank of Russia	30101810700000000187
Russian BIC	044525187
All-Russian Classifier of Political Subdivisions	40262563000
Taxpayer Record Validity Code	997950001
TELEX	412362 BFTR RU
SPRINTMAIL	PROTOCOL/MOSVTB0/CEA
SWIFT	VTBRRUMM VTBRRUMM SEC VTBRRUMM CSD (Custody)

Main correspondent accounts

Currency	Bank Name	Account No.
AUD	Westpac Banking Corporation, Sydney (WPAC AU 2S)*	RAR0001975
CAD	Royal Bank of Canada, Toronto (ROYC CA T2)*	095912098408
CHF	Russian Commercial Bank Ltd., Zurich (RKBZ CH ZZ)*	666000.0048
CHF	UBS AG, Zurich (UBSW CH ZH)	0230-69082.05T
DKK	Danske Bank, Copenhagen (DABA DK KK)*	3996019136
EUR	VTB Bank (Deutschland) AG, Frankfurt am Main (OWHB DE FF)*	0102758018
GBP	HSBC Bank plc, London (MIDL GB 22)*	36505983
JPY	Bank of Tokyo-Mitsubishi UFJ Ltd, Tokyo (BOTK JP JT)*	653-0408522
NOK	DNB NOR Bank ASA, Oslo (DNBA NO KK)*	7002.02.05170
NZD	ASB Bank Ltd, Auckland (ASBB NZ 2A)	12-3121-0060126-00
SEK	Nordea Bank Sweden AB, Stockholm (NDEA SE SS)*	39527908930 SEK
SGD	VTB Bank Europe plc, Singapore (MNBL SG SG)*	315150-7321
USD	Bank of New York, New York (IRVT US 3N)	890-0055-006
USD	JPMorgan Chase Bank, New York (CHAS US 33)*	001-1-907557

* Note: Banks marked with asterisk are also designated for MM, FX and derivatives operations.

11.2. Licences of JSC VTB Bank

- General licence to conduct banking operations No. 1000, dated 9 March 2007.
- Licence to perform banking activities with precious metals No. 1000, dated 9 March 2007.
- Licence of professional participant on the securities market for depository activities No. 178-06497-000100, dated 25 March 2003.
- Licence of professional participant on the securities market for brokerage activities No. 177-06492-00000, dated 25 March 2003.
- Licence of professional participant on the securities market for dealing activities No. 177-06493-010000, dated 25 March 2003.
- Licence of professional participant on the securities market for securities management No. 177-06496-001000, dated 25 March 2003.
- Licence of a specialised depository for investment funds, unit trust and non-state pension funds No. 22-000-0-00011, dated 4 October 2000.
- Licence of the stock exchange intermediary for futures and options transactions at stock exchanges No. 1451, dated 9 October 2009.
- General licence for exports of refined gold in standard bars No. LG0270900300327, dated 9 June 2009.
- General licence for exports of refined silver in standard bars No. LG0270900300072, dated 2 February 2009.
- Licence for activities involving State secrecy information No. 2747, dated 5 July 2007.
- Licence to take measures and/or provide services to protect State secrecy information No. 3099, dated 14 August 2008.
- Licence to perform technical maintenance of encoding devices No. 342X, dated 16 November 2009.
- Licence for distribution of encoding devices No. 343R, dated 16 November 2009.
- Licence to render information encoding services No. 344U, dated 16 November 2009.

- Notification No. 62 of the Federal Customs Service, dated 1 September 2009, on inclusion in the Registry of Banks and Other Credit Institutions Authorised to Act as Guarantors to Customs Authorities.

11.3. Contact information

VTB Bank regional branch network

VTB Bank's operating offices in Moscow and the Moscow region

Operating office "Financial Services Centre"

Address: 1, Burdenko St., Moscow 119121
Phone: + 7 495 775 5454

Operating office No. 3 "Turgenevskiy"

Address: 35, Myasnitskaya St., Moscow 103450
Phone: + 7 495 775 5454

Operating office No. 4 "Kutuzovskiy"

Address: 2, bldg 2, Pobedy St., Moscow 121170
Phone: + 7 495 775 5454

Operating office No. 5

Address: 7, bldg 2, Pogorelskiy Per., Moscow 119017
Phone: + 7 495 775 5454

Operating office No. 6

Address: 43, bldg 1, Vorontsovskaya St., Moscow 109147
Phone: + 7 495 775 5454

Operating office No. 11 "Danilovskiy"

Address: 72, Lyusinovskaya St., Moscow 115162
Phone: + 7 495 775 5454

Operating office No. 13 "Mayakovskiy"

Address: 7, Gasheka St., Moscow 123056
Phone: + 7 495 775 5454

Operating office No. 16 "Zemlyanoy Val"

Address: 14–16, bldg 1, Zemlyanoy Val St., Moscow 105064
Phone: + 7 495 775 5454

Operating office No. 18 "Gagarinskiy"

Address: 11, bldg 1, Leninskiy Avenue, Moscow 119049
Phone: + 7 495 775 5454

Operating office No. 19 "Alekseevskiy"

Address: 81, Mira Avenue, Moscow 129085
Phone: + 7 495 775 5454

Operating office No. 26 "Lubyanskiy"

Address: 14, bldg 1, B. Lubyanka St., Moscow 101000
Phone: + 7 495 775 5454

Operating office No. 31 "Podolskiy"

Address: 8, Klementa Gotvalda St., Podolsk, Moscow Region 142114
Phone: + 7 495 775 5454

Operating office No. 39 "Ramenskiy"

Address: 3a, Karla Marksa St., Ramenskoye, Moscow Region 140100
Phone: + 7 495 775 5454

Operating office No. 40 "Dmitrovskiy"

Address: 75/74, bldg 1, Butyrskaya St., Moscow 127015
Phone: + 7 495 775 5454

Operating office No. 41 "Khimki"

Address: 8, bldg 1, Proletarskaya St., Khimki, Moscow Region 141400
Phone: + 7 495 775 5454

Central Federal District

Branch of JSC VTB Bank in Belgorod

Address: 35A, Slavy Avenue, Belgorod 308600
Phone: +7 4722 58 0200

Branch of JSC VTB Bank in Bryansk

Address: 16, Arsenalskaya St., Bryansk 241050
Phone: +7 4832 66 0695

Branch of JSC VTB Bank in Vladimir

Address: 21, Razina St., Vladimir 600001
Phone: +7 4922 32 0970

Branch of JSC VTB Bank in Voronezh

Address: 58, Revolyutsii Avenue, Voronezh 394006
Phone: +7 4732 53 1926

Branch of JSC VTB Bank in Kaluga

Address: 20, Dostoevskogo St., Kaluga 248000
Phone: +7 4842 56 5085

Branch of JSC VTB Bank in Kostroma

Address: 49, Sovetskaya St., Kostroma 156000
Phone: +7 4942 31 4448

Branch of JSC VTB Bank in Kursk

Address: 24, Radishcheva St., Kursk 305000
Phone: +7 4712 36 0500

Branch of JSC VTB Bank in Lipetsk

Address: 1, Pervomaiskaya St., Lipetsk 398001
Phone: +7 4742 22 7007

Branch of JSC VTB Bank in Oryol

Address: 47, Maksima Gorkogo St., Oryol 302040
Phone: +7 4862 43 7273

Branch of JSC VTB Bank in Ryazan

Address: 5 bldg 39, Moskovskoe shosse,
Ryazan 390044
Phone: +7 4912 34-7080

Branch of JSC VTB Bank in Smolensk

Address: 5A, Gagarina Avenue, Smolensk 214000
Phone: +7 4812 49 9604

Branch of JSC VTB Bank in Tambov

Address: 16A, Internatsionalnaya St.,
Tambov 392000
Phone: +7 4752 63 2035

Branch of JSC VTB Bank in Tver

Address: 9, Svobodny per., Tver 170100
Phone: +7 4822 77 7067

Branch of JSC VTB Bank in Tula

Address: 134, L. Tolstogo St., Tula 300034
Phone: +7 4872 36 0025

Branch of JSC VTB Bank in Yaroslavl

Address: 44A, Rybinskaya St., Yaroslavl 150014
Phone: +7 4852 45 7157

Northwest Federal District**Branch of JSC VTB Bank in Vologda**

Address: 9, Chelyuskintsev St., Vologda 160001
Phone: +7 8172 57 1601

Branch of JSC VTB Bank in Kaliningrad

Address: 5, Bolnichnaya St., Kaliningrad 236040
Phone: +7 401 235 0111

Branch of JSC VTB Bank in St. Petersburg

Address: 30A, B. Morskaya St.,
St. Petersburg, 190000
Phone: +7 812 494 9454

Branch of JSC VTB Bank in Syktyvkar

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Syktyvkar, Komi Republic 167610
Phone: +7 8212 39 19 80

Southern Federal District**Branch of JSC VTB Bank in Astrakhan**

Address: 67, Kuibysheva St., Astrakhan 414056
Phone: +7 8512 25 5878

Branch of JSC VTB Bank in Volgograd

Address: 30A, Raboche-Krestyanskaya St.,
Volgograd 400074
Phone: +7 8442 93 0969

Branch of JSC VTB Bank in Krasnodar

Address: 116, bldg. 2, Krasnoarmeyskaya/
Kuznechnaya St., Krasnodar 350000
Phone: +7 8612 79 5701

Branch of JSC VTB Bank in Rostov-na-Donu

Address: 62, bldg 284, Voroshilovsky Avenue,
Rostov-na-Donu 344010
Phone: +7 8632 97 2728

Branch of JSC VTB Bank in Stavropol

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Volga Federal District**Branch of JSC VTB Bank in Izhevsk**

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Udmurt Republic 426034
Phone: +7 3412 75 7319

Branch of JSC VTB Bank in Ioshkar-Ola

Address: 112, Palantaya St., Ioshkar-Ola,
Republic of Mari El 424000
Phone: +7 8362 45 0403

Tatar Branch of JSC VTB Bank in Kazan

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Republic of Tatarstan 420107
Phone: +7 843 570 6701

Branch of JSC VTB Bank in Nizhny Novgorod

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Nizhny Novgorod 603950
Phone: +7 8312 28 0434

Branch of JSC VTB Bank in Orenburg

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Branch of JSC VTB Bank in Penza

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Branch of JSC VTB Bank in Perm

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Phone: +7 342 237 7711

Branch of JSC VTB Bank in Samara

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Phone: +7 8463 37 5333

Branch of JSC VTB Bank in Saransk

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Saransk, Republic of Mordovia 430005
Phone: +7 8342 27 0458

Branch of JSC VTB Bank in Saratov

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Branch of JSC VTB Bank in Ulyanovsk

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Branch of JSC VTB Bank in Ufa

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Republic of Bashkortostan 450096
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Branch of JSC VTB Bank in Cheboksary

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Chuvash Republic 428018
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Urals Federal District**Branch of JSC VTB Bank in Ekaterinburg**

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Ekaterinburg 620219
Phone: +7 343 379 6696

Branch of JSC VTB Bank in Tyumen

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Phone: +7 3452 54 0454

Branch of JSC VTB Bank in Chelyabinsk

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Chelyabinsk 454092
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Siberian Federal District**Branch of JSC VTB Bank in Barnaul**

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Branch of JSC VTB Bank in Irkutsk

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Phone: +7 3952 24 3940

Branch of JSC VTB Bank in Kemerovo

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Branch of JSC VTB Bank in Krasnoyarsk

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Branch of JSC VTB Bank in Novosibirsk

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Branch of JSC VTB Bank in Omsk

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Branch of JSC VTB Bank in Tomsk

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Branch of JSC VTB Bank in Ulan-Ude

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Republic of Buryatia 670013
Phone: +7 3012 41 5415

Branch of JSC VTB Bank in Chita

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Far Eastern Federal District**Branch of JSC VTB Bank in Blagoveshchensk**

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Branch of JSC VTB Bank in Vladivostok

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Branch of JSC VTB Bank in Magadan

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Magadan 685000
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Branch of JSC VTB Bank in Petropavlovsk-Kamchatsky

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Petropavlovsk-Kamchatsky 683024
Phone: +7 4152 26 8900

Branch of JSC VTB Bank in Khabarovsk

Address: 7, Moskovskaya St., Khabarovsk 680000
Phone: +7 4212 41 3601

Branch of JSC VTB Bank in Yakutsk

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Republic of Sakha (Yakutia) 677000
Phone: +7 4112 36 7300

Banks and financial companies of VTB Group in Russia**JSC VTB Bank**

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St. Petersburg 190000
Phone: 8 800 200 7799 (toll-free in Russia);
+7 495 739 7799
Fax: +7 495 258 4781
Website: www.vtb.com
E-mail: info@vtb.ru

CJSC Bank VTB 24

Address: 35, Myasnitskaya St., Moscow 101000
Phone: +7 495 777 2424
Fax: +7 495 980 4666
Website: www.vtb24.ru
E-mail: info@vtb24.ru

OJSC VTB Bank North-West

Address: 9A, office 10H, Leo Tolstoy St.,
St. Petersburg 197022
Phone: +7 812 329 8329
Fax: +7 812 310 6173
Website: www.vtb-sz.ru
E-mail: lider@vtb-sz.ru

CJSC ODK (CJSC United Depository Company)

Address: 35, Myasnitskaya St., Moscow 101000
Phone: +7 495 956 3070
Fax: +7 495 956 3071
Website: www.odk.ru
E-mail: odk@odk.ru

OJSC VTB-Leasing

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Moscow 107078
Phone: +7 495 514 1651
Fax: +7 495 514 1650
Website: www.vtb-leasing.com
E-mail: info@vtb-leasing.com

Insurance Company VTB-Insurance Ltd

Address: 2/4 bldg. 1, Turgenevskaya sq.,
Moscow 101000
Phone: +7 495 580 7333
Fax: +7 495 230 7295
Website: www.vtbins.ru
E-mail: info@vtbins.ru

MultiCarta Ltd

Address: 43, Vorontsovskaya St., Moscow 109147
Phone: +7 495 784 6055
Fax: +7 495 785 1224
Website: www.multicarta.ru
E-mail: info@multicarta.vtb.ru

CJSC VTB Capital

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Moscow 125047
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Fax: +7 495 664 4700
Website: www.vtbcapital.com
E-mail: info@vtbcapital.com

VTB Factoring Ltd

Address: 31 bldg. 8, Shabalovka St., Moscow 115162
Phone: +7 495 783 3534
Fax: +7 495 783 3534
Website: www.vtb-factoring.ru
E-mail: factoring@vtbf.ru

Banks and financial companies of VTB Group abroad

Banks and financial companies in Europe

VTB Capital Plc

Address: 14, Cornhill, London EC3V 3ND,
United Kingdom

Phone: + 44 20 3334 8000
Fax: +44 20 3345 8900
Website: www.vtbcapital.com

VTB Bank (Austria) AG

Address: A-1010 Wien, Parkring 6, Postfach 560,
Wien, Austria
Phone: + 43 15 153 5226
Fax: + 43 15 153 5316
Website: www.vtb-bank.at
E-mail: general@vtb-bank.at

VTB Bank (France) SA

Address: 79/81, Boulevard Haussmann 75382,
Paris Cedex 08, France
Phone: +33 14 006 4321
Fax: +33 14 006 4848
Website: <http://france.vtb.com>

VTB Bank (Deutschland) AG

Address: 13, Walter-Kolb-Strasse, D-60594,
Frankfurt-am-Main, Germany
Phone: +49 69 216 8218
Fax: + 49 69 216 8389
Website: www.vtb.de
E-mail: service@vtb.de

Russian Commercial Bank (Cyprus) Ltd.

Address: 2, Amathuntos St., P.O. Box 56868,
3310 Limassol, Cyprus
Phone: + 35 72 583 7300
Fax: +35 72 534 2350
Website: www.rcbcy.com
E-mail: rbc@rcbcy.com

Banks in the CIS

OJSC VTB Bank (Ukraine)

Address: 8/26, Taras Shevchenko blv/
Pushkinskaya St., Kiev, 01004 Ukraine
Phone: +38 044 391 5409,
+38 044 239 3539
Fax: +38 044 391 5409
Website: www.vtb.com.ua
E-mail: info@vtb.com.ua

CJSC VTB Bank (Belarus)

Address: 51, K. Tsetkin str., Minsk 220004, Belarus
 Phone: +37 517 306 2636
 Fax: +37 517 306 2637
 Website: www.vtb-bank.by
 E-mail: info@vtb-bank.by

VTB Bank (Armenia) CJSC

Address: 46, Nalbandyana St., Yerevan, Armenia 375010
 Phone: +37 410 56 5860
 Fax: +37 410 56 5578
 Website: www.vtb.am
 E-mail: headoffice@vtb.am

OJSC VTB Bank (Azerbaijan)

Address: 96, Nizami St., Baku AZ1010, Azerbaijan
 Phone: +99 412 492 0080
 Fax: +99 412 437 7121
 Website: www.vtb.az
 E-mail: info@vtb.com.az

Subsidiary JSC VTB Bank (Kazakhstan)

Address: 28B, Timiryazeva St., Almaty 050040, Kazakhstan
 Phone: +77 27 330 5050
 Fax: +77 27 330 4050
 Website: www.vtb-bank.kz
 E-mail: info@vtb-bank.kz

Banks and financial companies in other regions**JSC VTB Bank (Georgia)**

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 Phone: +99 532 50 5505
 Fax: +99 532 99 91 39,
 +99 532 95 6085
 Website: www.vtb.com.ge
 E-mail: admin@vtb.com.ge

Banco VTB Africa S.A.

Address: 22, Rua da Missao, Luanda, Angola
 Phone: +244 222 39 5997
 Fax: +244 222 39 5297
 E-mail: info@vtb.ao

Branches and representative offices abroad**Branch of JSC VTB Bank in Shanghai (China)**

Address: offices 1101A, 1102-03 (11 floor), 1266, Nanjing Xilu, Jing'an district, Shanghai municipality, 200040, the People's Republic of China
 Phone: + 8621 6136 6236
 Fax: + 8621 6136 6265
 E-mail: shanghaibranch@vtb.ru

Branch of JSC VTB Bank in New Delhi (India)

Address: Mezzanine floor, Taj Mahal Hotel, 1 Mansingh Road, New Delhi, 110011, India
 Phone: +91 11 6622 1000
 Fax: +91 11 6622 1024
 E-mail: indiabbranch@vtb.com

Representative office of JSC VTB Bank in China

Address: 18BC, CITIC bldg, 19, Jianguomenwai dajie, Beijing 100004, China
 Phone: +86 10 8526 2800
 Fax: +86 10 8526 2810
 E-mail: chinavtb@public3.bta.net.cn

Representative office of JSC VTB Bank in Italy

Address: 8, Piazzale Principessa Clotilde, Milan 20121, Italy
 Phone: +39 02 2901 3278
 Fax: +39 02 2906 0007
 E-mail: m.volkov@vtbitalia.com

12. Shareholders' Information

Ordinary shares

In 2007, VTB Bank launched an Initial Public Offering (IPO), placing 1,513,026,109,019 ordinary shares with a par value of RUB 0.01. As a result, the share capital of the Bank increased to 6,724,138,509,019 ordinary shares with a par value of RUB 0.01.

In 2009, VTB Bank placed an additional ordinary share issue amounting to 3,736,402,828,319 shares. During the placement, 796 shareholders of the Bank used their pre-emptive rights to buy 3,735,146,982,583 shares, while 99.95% shares were acquired by the State, represented by the Federal Agency for State Property Management. 1,255,845,736 additional shares were placed through an open subscription. According to the decision of the VTB Bank Supervisory Council, the offering price was set at RUB 0.0482 per share. The total amount of funds raised equalled RUB 180.1 billion.

To date, the share capital of the Bank is divided into 10,460,541,337,338 shares with a par value of RUB 0.01. The Bank's shares are traded on Russian stock exchanges (RTS and MICEX) and on the London Stock Exchange (LSE) in the form of Global Depository Receipts (GDRs).

Global Depository Receipts (GDRs)

Each VTB Bank GDR is equivalent to two thousand ordinary shares. The Bank of New York International

Stock exchange	Ticker symbol
RTS	VTBR
MICEX	VTBR
LSE	VTBR

Nominees is the depository bank for VTB's GDR Programme. As of 31 December 2009, GDRs accounted for 7.7% of the Bank's share capital (53.4% of free float shares).

Trading results in 2009

Trading results for VTB Bank GDRs on LSE

Closing price	
Highest (USD)	4.95
Lowest (USD)	1.02
At year-end (USD)	4.72
Volume (billion of GDRs)	1.38

Trading results for VTB Bank ordinary shares on MICEX

Closing price	
Highest (RUB)	0.0721
Lowest (RUB)	0.0194
At year-end (RUB)	0.0694
Volume (trillions of shares)	14.34

Trading results for VTB Bank ordinary shares on RTS

Closing price	
Highest (USD)	0.00235
Lowest (USD)	0.00051
At year-end (USD)	0.00231
Volume (billions of shares)	7.53

Shareholders' structure

Shareholder	Share as of	
	31.12.09 ¹³	13.05.09 ¹⁴
Russian Federation, represented by the Federal Agency for State Property Management	85.5%	77.5%
Institutional investors	11.1%	17.2%
Individual investors	3.4%	5.3%

Dividend policy

VTB shareholders have the right to receive a share from net profit of the Bank in the form of dividend payments. Dividend payments are approved by the annual General Shareholders Meeting of VTB Bank following recommendations made by the Supervisory Council. The Supervisory Council submits recommendations regarding the size of the dividend payment based on the Bank's net profit calculated in accordance with Russian Accounting Standards.

The annual General Shareholders Meeting makes decisions regarding the size of the dividend payment per share, period and form of payment. The size of the dividend payment cannot exceed the one recommended by the Supervisory Council.

Declared dividend payments are made in Russian roubles during the 60-day period following the decision made by the annual General Shareholders Meeting either by bank transfer into shareholders' accounts or in cash.

Dividend payments

The decision regarding dividend payments for 2009 will be made by the annual General Shareholders Meeting in 2010.

The amount of dividend payments for the years 2003–2008 is set out below.

Dividend taxation

As a tax agent, VTB Bank calculates and deducts tax from dividend payments it made at the year-end. The dividend tax rate for individuals and companies who are residents of the Russian Federation is 9%, and for non-residents the rate is 15%. The rate is applied to the rateable dividend value.

Disclosure

Publication of information, which is obligatory for disclosure in accordance with Russian legislation and the requirements of the Central Bank's

Dividend payments

	2003	2004	2005	2006	2007	2008
Net profit in accordance with RAS, RUB million	8,947	9,541	12,919	17,176	17,978	26,894
Dividend amount per one ordinary share, RUB	37.98	40.5	32.75	0.00066	0.00134	0.000447
Total amount of dividend payments, RUB million	1,600	1,707	1,707	3,439	9,010	3,006
Dividend payment ratio, % of net profit	17.9	17.9	13.2	20.0	50.1	11.1

13. The structure is based on the preliminary results after the additional issue of shares.

14. The structure is based on the official information as at the record date, when the list of people who have the right to participate in the annual General Shareholders Meeting was composed.

of the Russian Federation requirements, is conducted through authorised news agencies and the corporate website at <http://vtb.ru/ir/disclosure>.

The Bank places announcements of financial results on the website of the London Stock Exchange via an information distribution system (RNS), followed by publication of press releases on the corporate website and dissemination to members of the media.

An electronic version of the Annual Report is uploaded on the Bank's corporate website. A hard copy of the Annual Report can be ordered through the Shareholders' Support Centres.

Contact information

Legal address

29, Bolshaya Morskaya St., St. Petersburg, Russia
Primary State Registration Number (PSRN) of the VTB Bank – 1027739609391.

Postal address

37, Plyushchikha St., Moscow 119121, Russia

Auditor

CJSC Ernst & Young Vneshaudit

77, bldg 1, Sadovnicheskaya Emb., Moscow 115035, Russia
Phone: +7 495 755 9700
Fax: +7 495 755 9701

Depository bank for VTB's GDR programme

The Bank of New York International Nominees

Legal address

One Wall Street, New York, NY, 10286, USA

Postal address

ADR Department 101 Barclay Street – 22nd Floor,
West New York, NY, 10286, USA
Telex: 177612
Fax: + 1 212 571 3050
SWIFT: IRVTUS3NADR

Registrar

CJSC Tsentralnyi Obedinennyi Registrator (Central Joint Registrar)

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Postal address: P.O. Box 54, Moscow 127137, Russia
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Investor Relations

Institutional investors and analysts:
+7 495 775 7139

Individual shareholders:

+7 495 258 4947 or +7 495 775 7075
Email: investorrelations@vtb.ru

Shareholders Consultative Council

Website: www.vtb.ru/ir/sovet
Phone: +7 985 774 3155
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Shareholders' Support Centre in Moscow

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Shareholders Support Centre in St. Petersburg

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