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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

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**ANNUAL AUDITED REPORT  
FORM X-17A-5  
PART III**

MAR 02 2015  
Washington DC

SEC FILE NUMBER
8- 68766

FACING PAGE

**Information Required of Brokers and Dealers Pursuant to Section 17 of the  
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder**

REPORT FOR THE PERIOD BEGINNING 01/01/2014 AND ENDING 13/31/2014  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: VTB Capital Inc.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

452 Fifth Avenue, Floor 23

OFFICIAL USE ONLY
FIRM I.D. NO.

(No. and Street)

New York

NY

10018

(City)

(State)

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

Stephen Zak

646-527-6363

(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*

CITRIN COOPERMAN & COMPANT, LLC

(Name - if individual, state last, first, middle name)

529 Fifth Avenue

New York

NY

10017

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

- Certified Public Accountant
- Public Accountant
- Accountant not resident in United States or any of its possessions.

SECURITIES AND EXCHANGE COMMISSION <b>RECEIVED</b> MAR 02 2015 REGISTRATIONS BRANCH 02
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\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

SEC 1410 (06-02)

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OATH OR AFFIRMATION

I, Stephen Zak, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of VTB Capital Inc. of December 31, 2014, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

NONE

MARIYA Y AFONINA
NOTARY PUBLIC-STATE OF NEW YORK
No. 01AF6251157
Qualified in New York County
My Commission Expires November 14, 2015

Stephen Zak
Signature
Chief Operating Officer
Title

Mariya Y Afonina
Notary Public

This report \*\* contains (check all applicable boxes):

- (a) Facing Page.
(b) Statement of Financial Condition.
(c) Statement of Income (Loss).
(d) Statement of Changes in Financial Condition.
(e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
(f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
(g) Computation of Net Capital.
(h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
(i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
(j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
(k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
(l) An Oath or Affirmation.
(m) A copy of the SIPC Supplemental Report.
(n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

\*\*For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

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**MAR 02 2015  
Washington DC  
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**VTB CAPITAL INC.  
STATEMENT OF FINANCIAL CONDITION  
DECEMBER 31, 2014**

**VTB CAPITAL INC.  
DECEMBER 31, 2014**

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MAR 02 2015

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**CITRINCOOPERMAN**

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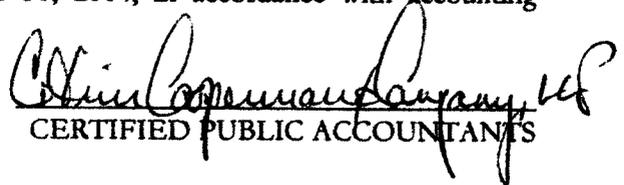
## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholder  
of VTB Capital Inc.

We have audited the accompanying statement of financial condition of VTB Capital Inc. as of December 31, 2014. This financial statement is the responsibility of VTB Capital Inc.'s management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statement of financial condition is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statement of financial condition. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the statement of financial condition referred to above presents fairly, in all material respects, the financial condition of VTB Capital Inc. as of December 31, 2014, in accordance with accounting principles generally accepted in the United States of America.

  
CERTIFIED PUBLIC ACCOUNTANTS

New York, New York  
February 27, 2015

**VTB CAPITAL INC.  
STATEMENT OF FINANCIAL CONDITION  
DECEMBER 31, 2014**

**ASSETS**

	Note	
Cash		\$ 15,303,548
Due from clearing broker		174,946
Due from related party	7	334,412
Prepaid expenses		136,426
Leasehold improvement, less accumulated depreciation of \$25,809		134,454
Deposit	4	1,429,236
Prepaid income taxes receivable	5	847,992
Deferred tax asset	5	<u>1,627,862</u>
<b>TOTAL ASSETS</b>		<b><u>\$ 19,988,876</u></b>

**LIABILITIES AND STOCKHOLDER'S EQUITY**

<b>Liabilities:</b>		
Accrued expenses	3	\$ 7,136,395
Income taxes payable	5	232,908
Due to related party		<u>7,252</u>
Total liabilities		<u>7,376,555</u>
Commitments and contingencies	4, 6, 8, 9 and 11	
<b>Stockholder's equity:</b>		
Common stock, \$.01 par value; 1,000,000 shares authorized, 440,000 shares issued and outstanding		4,400
Additional paid-in capital		10,995,600
Retained earnings		<u>1,888,181</u>
		12,888,181
Less: unexpired incentive plan benefit	9	<u>(275,860)</u>
Total stockholder's equity		<u>12,612,321</u>
<b>TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY</b>		<b><u>\$ 19,988,876</u></b>

See accompanying notes to statement of financial condition

**VTB CAPITAL INC.**  
**NOTES TO STATEMENT OF FINANCIAL CONDITION**  
**DECEMBER 31, 2014**

**NOTE 1. ORGANIZATION AND NATURE OF OPERATIONS**

VTB Capital Inc. (the "Company") is a wholly-owned subsidiary of VTB Capital IB Holding Limited (the "Parent"), which is based in Moscow. The Company was formed as a corporation under the laws of the state of Delaware on November 16, 2010, and is based in New York City.

The Company is a registered broker-dealer under the Securities Exchange Act of 1934 and is a member of the Financial Industry Regulatory Authority, Inc. ("FINRA"). On December 10, 2013, the Company also registered as an Introducing Broker with the Commodity Futures Trading Commission ("CFTC") and was approved as a member of the National Futures Association.

The Company has entered into an agreement with VTB Capital, plc ("VTB UK"), a direct subsidiary of the Parent, to effect certain securities transactions with U.S. institutional investors and major U.S. institutional investors, as defined in Rule 15a-6 under the Securities Exchange Act of 1934 ("Rule 15a-6") (the "Service Level Agreement"). In addition, as more fully described in Note 7, the Company, on behalf of VTB UK, distributes research to an institutional investor client base. Virtually all of the Company's revenues are derived from its research services provided under the Service Level Agreement. The Company is exempt from the reserve requirement provisions of Rule 15c3-3 under the Securities Exchange Act of 1934 ("Rule 15c3-3") pursuant to paragraph (k)(2)(i) of Rule 15c3-3.

The Company is also permitted by FINRA to engage in the solicitation of U.S. institutional investors to establish and maintain accounts on a fully disclosed basis with a registered clearing firm for the purpose of purchasing and selling U.S. equity and debt securities pursuant to paragraph (k)(2)(ii) of Rule 15c3-3.

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Use of estimates

The preparation of a statement of financial condition in conformity with accounting principles generally accepted in the United States of America ("GAAP") requires the Company's management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statement. Actual results could differ from those estimates.

Revenue recognition

Revenue consists of amounts received from affiliated parties pursuant to the Service Level Agreement discussed above and other agreements. Revenue is recognized as eligible costs are incurred.

Depreciation

Depreciation of leasehold improvement is provided using the straight-line method over ten years.

**VTB CAPITAL INC.**  
**NOTES TO STATEMENT OF FINANCIAL CONDITION**  
**DECEMBER 31, 2014**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Income taxes

The Company recognizes and measures its unrecognized tax benefits in accordance with Financial Accounting Standards Board Accounting Standards Codification ("FASB ASC") 740, *Income Taxes*. Under that guidance, the Company assesses the likelihood, based on their technical merit, that tax positions will be sustained upon examination based on the facts, circumstances and information available at the end of each period. The measurement of unrecognized tax benefits is adjusted when new information is available, or when an event occurs that requires a change.

The Company uses the asset and liability method of accounting for income taxes pursuant to FASB ASC 740. Under the asset and liability method of FASB ASC 740, deferred tax assets and liabilities shall be recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets, including tax loss and credit carryforwards, and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Deferred income tax expense represents the change during the period in the deferred tax assets and deferred tax liabilities. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized.

Stock-based compensation

Certain employees of the Company are permitted to participate in the VTB Capital Plc Incentive Plan (the "Incentive Plan"). The Incentive Plan is accounted for in accordance with current accounting for share-based payments, which requires companies to recognize an expense for stock-based compensation in the statement of income. The Company has recorded compensation expense on a straight-line basis over the vesting period of the awards.

Bonus awards

Certain employees of the Company are awarded bonuses for performance which will be payable in cash and deferred over a three-year period. The Company records a liability for the awards as the terms of the award are met and also providing that the respective employees continue their employment.

Advertising costs

Advertising costs are expensed as incurred. They include marketing and public relations costs.

Subsequent Events

The Company evaluates events occurring after the date of the statement of financial condition for potential recognition or disclosure in its financial statement. Except as disclosed in Note 4, the Company did not identify any material subsequent events requiring adjustment to or disclosure in its financial statement.

**VTB CAPITAL INC.  
NOTES TO STATEMENT OF FINANCIAL CONDITION  
DECEMBER 31, 2014**

**NOTE 3. ACCRUED EXPENSES**

Accrued expenses consisted of the following at December 31, 2014:

Accrued compensation	\$ 5,838,283
Professional fees	92,470
Deferred rent	951,477
Accrued rent tax	41,780
Contribution payable to 401(k) plan	134,000
Other	78,385
	<u>\$ 7,136,395</u>

**NOTE 4. COMMITMENTS AND CONTINGENCIES**

Operating lease

The Company leases office space under an operating sublease with VTB Capital Property Services, Inc. ("VTBCP"), an entity related by common ownership, which expires in 2022. The sublease for the premises is under the same terms as VTBCP's lease with the landlord. VTB UK has guaranteed performance of the lease obligation to the landlord.

Under the GAAP rent is recognized on a straight-line basis over the term of the lease. The difference between the straight-line rent expense and the cash payment is reported as deferred rent in the accompanying financial statement. The approximate minimum future rental payments required as of December 31, 2014, over the initial term of the sublease are as follows

<u>Year ending December 31:</u>	
2015	\$ 1,429,000
2016	1,429,000
2017	1,454,000
2018	1,528,000
2019	1,528,000
Thereafter	4,201,000
	<u>\$ 11,569,000</u>

During 2014, pursuant to the sublease discussed above, the Company reimbursed VTBCP for certain lease-related items totaling approximately \$600,000 of which approximately \$235,000 related to costs of the leasehold and \$365,000 related to costs of leased equipment and furniture. The Company agreed to lease the equipment and furniture from VTBCP for one year, subject to an annual renewal.

At December 31, 2014, the landlord held a deposit provided by the Company amounting to approximately \$1,429,000.

**VTB CAPITAL INC.**  
**NOTES TO STATEMENT OF FINANCIAL CONDITION**  
**DECEMBER 31, 2014**

**NOTE 4. COMMITMENTS AND CONTINGENCIES (CONTINUED)**

Employee arrangements

The Company maintains a number of compensation arrangements with employees whereby employees can be granted various incentive-based awards payable in cash. Generally, under the Company's incentive compensation plans, awards granted are payable over stipulated time frames provided that the employees continue their employment with the Company throughout the period. The total awards to be recognized in operating expenses subsequent to December 31, 2014, pursuant to the terms of the plans, provided that the respective employees are employed through the relevant awards period amounts to approximately \$1,218,000.

**NOTE 5. INCOME TAXES**

At December 31, 2014, the Company has recorded a deferred tax asset of approximately \$1,628,000, which relates primarily to accrued bonus compensation and straight-line rent expense for financial statement purposes neither of which are currently deductible for income tax purposes. The deferred tax asset is recorded net of a valuation allowance of approximately \$278,000, which was recorded in 2014. The valuation allowance is related to difference between the book and tax treatment of the Incentive Plan (see Note 9).

The reported amount of income tax expense differs from the expected tax based on statutory rates because of the increase to the valuation allowance in 2014 discussed above.

The Company has adopted FASB ASC 740. As required by the uncertain tax position guidance, the Company recognizes the financial statement benefit of a tax position only after determining that the relevant authority would more likely than not uphold the position following an audit. Management's conclusions regarding uncertain tax positions may be subject to review and adjustment at a later date based upon ongoing analyses of tax laws, regulations, and interpretations thereof as well as other factors.

The Company files income tax returns in the United States federal jurisdiction, New York State and New York City. With few exceptions the Company is no longer subject to U.S. federal, state and local income tax examinations by taxing authorities before 2011.

The Company recognizes interest accrued related to unrecognized tax benefits and penalties in income taxes. During the year ended December 31 2014, the Company recognized \$38,818 in interest and penalties.

A summary of income tax on uncertain tax positions during 2014 is as follows:

Balance at January 1, 2014	\$	-
Additions based on tax positions related to the current year		194,090
Accrual of interest and penalties in income taxes		<u>38,818</u>
Balance at December 31, 2014	\$	<u>232,908</u>

**VTB CAPITAL INC.**  
**NOTES TO STATEMENT OF FINANCIAL CONDITION**  
**DECEMBER 31, 2014**

**NOTE 6. NET CAPITAL REQUIREMENTS**

The Company is subject to the SEC's Uniform Net Capital Rule 15c3-1 (the "Rule"), and the CFTC's Regulation 1.17, which specify, among other things, minimum net capital requirements for registered broker-dealers. The Company has elected to compute its net capital in accordance with the Alternative Standard permitted by the Rule. Under this alternative, the Company's minimum net capital requirements is equal to the greater of 2% of aggregate debit items, as defined, or \$250,000. Net capital changes from day to day. At December 31, 2014, the Company had net capital of approximately \$8,102,000, which exceeded its required net capital by approximately \$7,852,000.

**NOTE 7. RELATED PARTY TRANSACTIONS**

The Company has entered into a number of agreements with VTB UK (including the Service Level Agreement) pursuant to which it has agreed to undertake the activities of a broker-dealer in New York. Such activities include building an institutional investor client base in North America to trade in Russian and Commonwealth of Independent States financial products and providing sales and distribution coverage and other services to its institutional investors.

Pursuant to its agreements with VTB UK, the Company provides assistance to VTB UK so that VTB UK may provide certain research reports to, and effect certain securities transactions with, institutional investors. The agreements generally provide that the Company will be reimbursed for its agreed-upon costs based on the total of such costs, as defined.

On December 11, 2014, the Company and VTB UK agreed to amend the Service Level Agreement and remove the 10% markup charged on the total costs. The change is effective from January 1, 2014, as agreed.

Note 4 discusses the Company's leasing arrangements with VTBCP.

During 2014, the Company received advances from VTB UK amounting to \$19,087,000. In addition, VTB UK charged the Company \$463,780 for services provided to the Company.

The Company operates as a broker-dealer pursuant to the exemption provided under SEC Rule 15c3-3(k)(2)(i) and acts as an intermediary for VTB UK pursuant to SEC Rule 15a-6. As such, the Company records trades that fail on the statement of financial condition, should they occur. At December 31, 2014, there were no trades that had failed to settle in the course of the Company's role as a financial intermediary.

At December 31, 2013, the Company had recorded a receivable from its affiliate for costs to be reimbursed in connection with costs of improving the leasehold. During 2014 management determined that such costs would be absorbed by the Company. The costs were reclassified to leasehold improvements.

**VTB CAPITAL INC.**  
**NOTES TO STATEMENT OF FINANCIAL CONDITION**  
**DECEMBER 31, 2014**

**NOTE 8. INDEMNIFICATION**

During 2014, the Company conducted business with a clearing broker on behalf of its customers pursuant to a clearance agreement with the clearing broker. Pursuant to the agreement, the Company introduces the customers to the clearing broker, and the clearing broker clears customer transactions on a fully disclosed basis. Commissions are earned by the Company as an introducing broker for the transactions of its customers.

Pursuant to this agreement, the Company's clearing broker is exposed to risk of loss on customer transactions in the event a customer fails to satisfy its obligations. The clearing broker may be required to purchase or sell securities at prevailing market prices in order to fulfill a customer's obligations. The Company has agreed to indemnify its clearing broker for losses the clearing broker may sustain from customer accounts introduced by the Company. The Company and its clearing broker monitor the settlement of customer transactions.

In connection with the agreement, the Company has funded a deposit of \$100,000.

**NOTE 9. STOCK-BASED COMPENSATION**

During January 2012, the Company's ultimate parent, JSC VTB Bank ("VTB Bank"), approved the Incentive Plan (see Note 2). The Incentive Plan provides for the grant of either conditional awards or "Zero Strike Price Options" for the acquisition of VTB Bank, London Stock Exchange ("LSE") listed global depository receipts ("GDRs") to eligible employees, as defined in the Incentive Plan. The first awards were made in February 2012.

Under the terms of the Incentive Plan, the selected employees are granted Zero Strike Price Options to purchase GDRs exercisable over ten years from each respective grant date. The vesting conditions require that an employee remain in service for a certain vesting period to receive the GDRs award. The awarded GDRs vest gradually in three equal installments over the vesting periods of one, two and three years, subject to the employee's continuous employment with the Company during the relevant vesting period. An award, or a portion of it, may be forfeited if the employee terminates employment before the end of the relevant vesting period, voluntarily or subject to certain other conditions as described in the Incentive Plan rules. The number of GDRs to be received is determined by reference to a fixed monetary value communicated to employees on the grant date and a weighted average market price for the GDRs on the grant day. At December 31, 2014, the total value of the outstanding awards granted under the Incentive Plan was \$1,093,233, represented by 313,083 GDRs of VTB Bank. Each GDR represents 2,000 VTB Bank shares.

**VTB CAPITAL INC.  
NOTES TO STATEMENT OF FINANCIAL CONDITION  
DECEMBER 31, 2014**

**NOTE 9. STOCK-BASED COMPENSATION (CONTINUED)**

Details of options transactions during the year ended December 31, 2014, are as follows:

	<u>Number of stock options</u>
Outstanding at the beginning of the year	241,709
Granted during the year	107,723
Forfeited during the year	(222)
Exercised during the year	(36,127)
Expired during the year	-
Outstanding at the end of the year	<u>313,083</u>
Exercisable at the end of the year	<u>52,496</u>

The weighted average fair value of awards granted in 2014 was \$2.59, based on market price on the grant day, February 19, 2014.

The exercise price for all awards outstanding both at the beginning and end of the year, as well as those granted and exercised during the year, and exercisable at December 31, 2014, was nil.

The weighted average remaining contractual life for the awards granted in 2012 as at December 31, 2014 is 0.17 years and for those awarded in 2013 and 2014 is 0.67 years and 1.17 years respectively.

The weighted average share price of the GDRs listed on the LSE during 2014 was \$2.25.

The Company's policy is to pay the affiliate for the cost of re-acquiring the shares awarded under the Incentive Plan. The shares are traded on the LSE.

**NOTE 10. 401(K) SAVINGS PLAN**

The Company sponsors a defined contribution savings plan under Section 401(k) of the Internal Revenue Code. This plan covers substantially all employees who meet minimum age and service requirements and allows participants to defer a portion of their annual compensation on a pretax basis. Company contributions to the plan may be made at the discretion of the Company's Board of Directors. Management has determined that it will contribute approximately \$134,000 to the plan for the year ended December 31, 2014 and has accrued this amount at December 31, 2014.

**VTB CAPITAL INC.**  
**NOTES TO STATEMENT OF FINANCIAL CONDITION**  
**DECEMBER 31, 2014**

**NOTE 11. UNITED STATES TREASURY SANCTIONS**

As a result of the unfolding geopolitical crisis in the Ukraine, in 2014 the U.S. Department of the Treasury imposed certain economic sanctions (the “sanctions”) prohibiting certain U.S. entities and entities within the United States from transacting in certain financial activities (as defined) with various Russian entities. VTB OAO, which is one of the Company's corporate affiliates, has been named as an entity subject to these sanctions.

Management is in routine consultation with legal counsel in connection with the sanctions, and it believes that the Company is in compliance with the prohibitions imposed. Management also believes that the sanctions will not materially prohibit its ongoing activities in the United States. Finally, management of the Company and its affiliated entities have stated their intention to comply with the sanctions.