VTB BANK

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

30 June 2008

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INDEPENDENT AUDITORS' REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

To the Board of Directors and Shareholders of VTB Bank:

Introduction

We have reviewed the accompanying interim condensed consolidated balance sheet of VTB Bank ("the Bank") and its subsidiaries (together "the Group") as at 30 June 2008, and the related interim condensed consolidated statements of income for the three-months and the six-months periods then ended and interim condensed consolidated statements of cash flows and changes in equity for the six-months period then ended and explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard 34, "Interim Financial Reporting" ("IAS 34"). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of work

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Ernst & Young Vneshaudit

03 October 2008

VTB Bank
Interim Condensed Consolidated Balance Sheet as at 30 June 2008
(expressed in millions of US dollars)

	Note	30 June 2008 (unaudited)	31 December 2007
Assets			
Cash and short-term funds	4	4,377	5,160
Mandatory cash balances with central banks		1,428	825
Financial assets at fair value through profit or loss	5	8,523	10,436
Financial assets pledged under repurchase agreements and loaned financial assets	6	1,408	2,212
Due from other banks	7	10,560	9,733
Loans and advances to customers	8	75,482	58,549
Financial assets available-for-sale	9	875	858
Investments in associates	10	193	167
Investment securities held-to-maturity		272	5
Premises and equipment		2,159	1,997
Investment property		176	168
Intangible assets		489	480
Deferred tax asset		296	215
Other assets		2,516	1,804
Total assets		**108,754**	**92,609**
Liabilities			
Due to other banks	11	11,730	14,794
Customer deposits	12	44,609	37,098
Other borrowed funds	13	7,027	5,176
Debt securities issued	14	24,508	16,489
Deferred tax liability		143	149
Other liabilities		2,383	1,231
Total liabilities before subordinated debt		**90,400**	**74,937**
Subordinated debt	15	1,173	1,171
Total liabilities		**91,573**	**76,108**
Equity			
Share capital		3,084	3,084
Share premium		8,792	8,792
Treasury shares		(16)	(21)
Unrealized gain on financial assets available-for-sale and cash flow hedge		16	109
Currency translation difference		1,403	663
Premises revaluation reserve		581	587
Retained earnings		3,142	2,993
Equity attributable to shareholders of the parent		**17,002**	**16,207**
Minority interest		179	294
Total equity		**17,181**	**16,501**
Total liabilities and equity		**108,754**	**92,609**

Approved for issue and signed on 03 October 2008.

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

N.V. Tsekhomsky
Chief Financial Officer – Member of the Management Board

(expressed in millions of US dollars, except earnings per share data)

		For the three-month period ended 30 June		For the six-month period ended 30 June	
	Note	**2008**	**2007**	**2008**	**2007**
Interest income	16	2,211	1,176	4,316	2,235
Interest expense	16	(1,157)	(651)	(2,183)	(1,231)
Net interest income		**1,054**	**525**	**2,133**	**1,004**
Provision charge for impairment	19	(398)	(78)	(592)	(140)
Net interest income after provision for impairment		**656**	**447**	**1,541**	**864**
Gains less losses / (losses net of gains) arising from financial assets at fair value through profit or loss	5	225	44	(228)	86
Gains less losses from available-for-sale financial assets		51	1	51	1
Gains less losses arising from dealing in foreign currencies		294	63	906	141
Foreign exchange translation (losses net of gains) / gains less losses		9	14	(493)	27
Fee and commission income	17	195	189	363	300
Fee and commission expense	17	(29)	(14)	(52)	(33)
Share in income of associates		4	8	7	7
Income arising from non-banking activities		28	21	61	43
Other operating income		48	30	82	41
Net non-interest income		**825**	**356**	**697**	**613**
Operating income		**1,481**	**803**	**2,238**	**1,477**
Staff costs and administrative expenses	18	(700)	(444)	(1,242)	(809)
Expenses arising from non-banking activities		(16)	(13)	(39)	(27)
Profit from disposal of associates and subsidiaries		–	–	–	18
Profit before taxation		**765**	**346**	**957**	**659**
Income tax expense	21	(207)	(74)	(278)	(155)
Net profit		**558**	**272**	**679**	**504**
Net profit attributable to:					
Shareholders of the parent		**553**	**256**	**666**	**474**
Minority interest		**5**	**16**	**13**	**30**
Basic and diluted earnings per share (expressed in USD per share)	20	0.000082	0.000044	0.000099	0.000086

(expressed in millions of US dollars)

	Note	For the six-month period ended 30 June 2008	2007
Cash flows from operating activities			
Interest received		4,198	2,215
Interest paid		(1,996)	(1,188)
(Losses) / gains incurred on operations with financial assets at fair value through profit or loss		(67)	118
Income received on dealing in foreign currency		699	76
Fees and commissions received		371	300
Fees and commissions paid		(63)	(33)
Income arising from non-banking activities and other operating income received		132	65
Staff costs, administrative expenses and expenses arising from non-banking activities paid		(1,117)	(768)
Income tax paid		(261)	(175)
Cash flows from operating activities before changes in operating assets and liabilities		**1,896**	**610**
Net decrease (increase) in operating assets			
Net increase in mandatory cash balances with central banks		(564)	(190)
Net decrease in restricted cash		21	50
Net decrease (increase) in financial assets at fair value through profit or loss		2,697	(5,301)
Net increase in due from other banks		(451)	(1,556)
Net increase in loans and advances to customers		(15,692)	(6,112)
Net increase in other assets		(265)	(461)
Net (decrease) increase in operating liabilities			
Net decrease in due to other banks		(3,601)	(1,889)
Net increase in customer deposits		5,725	4,577
Net increase (decrease) in promissory notes and certificates of deposits issued		3,647	(430)
Net increase in other liabilities		435	195
Net cash used in operating activities		**(6,152)**	**(10,507)**
Cash flows from investing activities			
Dividends received		20	19
Proceeds from sales or maturities of financial assets available-for-sale		629	462
Purchase of financial assets available-for-sale		(387)	(46)
Purchase of subsidiaries, net of cash acquired		(3)	38
Disposal of associates		–	44
Contributions to associates		(16)	(10)
Purchase of minority interest in subsidiaries		(256)	(35)
Purchase of investment securities held-to-maturity		(260)	–
Proceeds from redemption of investment securities held-to-maturity		–	6
Purchase of premises and equipment		(158)	(119)
Proceeds from sale of premises and equipment		16	45
Purchase of intangible assets		(13)	(7)
Net cash (used in) from investing activities		**(428)**	**397**

(expressed in millions of US dollars)

	Note	For the six-month period ended 30 June	
		2008	**2007**
Cash flows from financing activities			
Proceeds from issuance of bonds denominated in RUR		689	–
Redemption of bonds denominated in RUR		(302)	(216)
Proceeds from issuance of Eurobonds		3,573	2,394
Repayment of Eurobonds		(150)	(227)
Proceeds from syndicated loans		1,754	539
Repayment of syndicated loans		(408)	(594)
Proceeds from other borrowings		2,077	662
Repayment of other borrowings		(1,649)	(409)
Proceeds from share issue, less transaction costs		–	7,842
Cash received from sale of treasury shares		4	–
Cash paid for treasury shares		–	(21)
Net cash from financing activities		**5,588**	**9,970**
Effect of exchange rate changes on cash and cash equivalents		**230**	**50**
Net decrease in cash and cash equivalents		**(762)**	**(90)**
Cash and cash equivalents at beginning of the year	4	5,096	3,479
Cash and cash equivalents at the end of the period	4	**4,334**	**3,389**

(expressed in millions of US dollars)

	Attributable to shareholders of the parent									
	Share capital	**Share premium**	**Treasury shares**	**Unrealized gain on financial assets available-for-sale and cash flow hedge**	**Premises revaluation reserve**	**Currency translation difference**	**Retained earnings**	**Total**	**Minority interest**	**Total equity**
Balance at 1 January 2007 (audited)	**2,500**	**1,513**	**–**	**154**	**341**	**352**	**1,744**	**6,604**	**388**	**6,992**
Unrealized loss on financial assets available-for-sale, net of tax	–	–	–	(39)	–	–	–	**(39)**	(1)	**(40)**
Unrealized loss on cash flow hedge, net of tax	–	–	–	(22)	–	–	–	**(22)**	–	**(22)**
Effect of translation	–	–	–	–	–	65	–	**65**	10	**75**
Premises revaluation, net of tax	–	–	–	–	2	–	–	**2**	–	**2**
Transferred to profit or loss on sale and impairment of financial assets available-for-sale, net of tax	–	–	–	(1)	–	–	–	**(1)**	–	**(1)**
Transfer of premises revaluation reserve upon disposal or depreciation	–	–	–	–	(9)	–	9	**–**	–	**–**
Total income and expense recognized directly in equity	**–**	**–**	**–**	**(62)**	**(7)**	**65**	**9**	**5**	**9**	**14**
Net profit	**–**	**–**	**–**	**–**	**–**	**–**	**474**	**474**	**30**	**504**
Total income and expense for the period	**–**	**–**	**–**	**(62)**	**(7)**	**65**	**483**	**479**	**39**	**518**
Dividends declared	–	–	–	–	–	–	(133)	**(133)**	(2)	**(135)**
Share issue	584	7,279	–	–	–	–	–	**7,863**	–	**7,863**
Treasury shares	–	–	(21)	–	–	–	–	**(21)**	–	**(21)**
Acquisition of new subsidiaries	–	–	–	–	–	–	–	**–**	25	**25**
Increase in share capital of subsidiaries	–	–	–	–	–	–	25	**25**	(25)	**–**
Acquisition of minority interests	–	–	–	–	–	–	–	**–**	(35)	**(35)**
Change in ownership share in associates (not recognized in associate's profit or loss)	–	–	–	–	–	–	4	**4**	–	**4**
Establishment of subsidiary	–	–	–	–	–	–	–	**–**	5	**5**
Balance at 30 June 2007	**3,084**	**8,792**	**(21)**	**92**	**334**	**417**	**2,123**	**14,821**	**395**	**15,216**
Balance at 1 January 2008 (audited)	**3,084**	**8,792**	**(21)**	**109**	**587**	**663**	**2,993**	**16,207**	**294**	**16,501**
Unrealized gain /(loss) on financial assets available-for-sale, net of tax	–	–	–	(24)	–	–	–	**(24)**	1	**(23)**
Transferred to profit or loss on sale or impairment on financial assets available-for-sale, net of tax (Note 9)	–	–	–	(47)	–	–	–	**(47)**	–	**(47)**
Unrealized gain on cash flow hedge, net of tax	–	–	–	6	–	–	–	**6**	–	**6**
Transferred to profit or loss realized gain on cash flow hedges, net of tax (Note 23)	–	–	–	(28)	–	–	–	**(28)**	–	**(28)**
Transfer of premises revaluation reserve upon disposal or depreciation	–	–	–	–	(6)	–	6	**–**	–	**–**
Effect of translation (Note 3)	–	–	–	–	–	740	–	**740**	9	**749**
Total income and expense recognized directly in equity	**–**	**–**	**–**	**(93)**	**(6)**	**740**	**6**	**647**	**10**	**657**
Net profit	**–**	**–**	**–**	**–**	**–**	**–**	**666**	**666**	**13**	**679**
Total income and expense for the period	**–**	**–**	**–**	**(93)**	**(6)**	**740**	**672**	**1,313**	**23**	**1,336**
Dividends declared (Note 22)	–	–	–	–	–	–	(381)	**(381)**	(26)	**(407)**
Treasury shares	–	–	5	–	–	–	(1)	**4**	–	**4**
Acquisition of subsidiaries	–	–	–	–	–	–	–	**–**	3	**3**
Increase in share capital of subsidiaries	–	–	–	–	–	–	1	**1**	(1)	**–**
Acquisition of minority interests	–	–	–	–	–	–	(142)	**(142)**	(114)	**(256)**
Balance at 30 June 2008	**3,084**	**8,792**	**(16)**	**16**	**581**	**1,403**	**3,142**	**17,002**	**179**	**17,181**

1. Principal Activities

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

VTB Bank, also known as Vneshtorgbank (the "Bank", "Vneshtorgbank", or "VTB"), was formed as Russia's foreign trade bank under the laws of the Russian Federation on 17 October 1990. In 1998, following several reorganisations, VTB was reorganized into an open joint stock company. In October 2006 the Group started re-branding to change its name from Vneshtorgbank to VTB. Simultaneously, the names of some of VTB's subsidiaries were changed as presented in Note 26. In March 2007, the Bank for Foreign Trade was renamed into "VTB Bank" (Open Joint-Stock Company).

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

On 29 December 2004, the Bank became a member of the obligatory deposit insurance system provided by the State Corporation "Agency for Deposits Insurance". The main retail subsidiary "Bank VTB 24", CJSC is also a member of the obligatory deposit insurance system provided by the State Corporation "Agency for Deposits Insurance" since February 22, 2005. OJSC "Bank VTB North-West" (former OJSC "Industry & Construction Bank"), a subsidiary acquired at the end of 2005, is also a member of the obligatory deposit insurance system since 11 January 2005. The State deposit insurance scheme implied that the State Corporation "Agency for Deposits Insurance" will guarantee repayment of individual deposits up to 100 thousand Russian Roubles ("RUR") (approximately USD 4 thousand) per individual in case of the withdrawal of a license of a bank or a CBR imposed moratorium on payments in full amount and for individual deposits exceeding RUR 100 thousand a 90% payment is guaranteed. From 25 March 2007 the maximum total amount of guaranteed payment was increased up to RUR 400 thousand (approximately USD 17 thousand).

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

A list of major subsidiaries and associates included in these interim condensed consolidated financial statements is provided in Note 26.

The Group operates predominantly in the commercial banking sector. This includes deposit taking and commercial lending in freely convertible currencies and in Russian Roubles, support of clients' export/import transactions, foreign exchange, securities trading, and trading in derivative financial instruments. The Group's operations are conducted in both Russian and international markets. The Group's operations are not subject to seasonal fluctuations. The Group conducts its banking business in Russia through VTB as a parent and 2 subsidiary banks with its network of 147 full service branches, including 55 branches of VTB, 43 branches of CJSC "Bank VTB 24" and 49 branches of OJSC "Bank VTB North-West", located in major Russian regions. The Group operates outside Russia through 11 bank subsidiaries, located in the Commonwealth of Independent States ("CIS") (Armenia, Georgia, Ukraine, Belarus), Europe (Austria, Cyprus, Switzerland, Germany, France and Great Britain), Africa (Angola) and through 4 representative offices located in Italy, China, Kyrgyz Republic and Republic of Kazakhstan.

VTB's majority shareholder is the Russian Federation state, acting through the Federal Property Agency, which holds 77.47% of VTB's issued and outstanding shares at 30 June 2008 (31 December 2007: 77.47%).

The number of employees of the Group at 30 June 2008 was 40,704 (31 December 2007: 35,945).

Unless otherwise noted herein, all amounts are expressed in millions of US dollars.

2. Operating Environment of the Group

The Group operates primarily within the Russian Federation. Whilst there have been improvements in the Russian economic situation, Russia continues economic reforms and development of its legal, tax and regulatory frameworks as required by a market economy. The future stability of the Russian economy is largely dependent upon these reforms and developments and the effectiveness of economic, financial and monetary measures undertaken by the government.

3. Basis of Preparation

General

These interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard (IAS) 34 "Interim Financial Reporting". As a result, they do not include all of the information required by International Financial Reporting Standards (IFRS) for a complete set of financial statements. Operating results for the six-month period ended 30 June 2008 are not necessarily indicative of the results that may be expected for the year ending 31 December 2008. The Bank and its subsidiaries and associates maintain their accounting records in accordance with regulations applicable in their country of registration. These interim condensed consolidated financial statements are based on those accounting books and records, as adjusted and reclassified to comply with International Accounting Standard 34 "Interim Financial Reporting".

These interim condensed consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of premises, available-for-sale financial assets, and financial instruments categorized as at fair value through profit or loss.

The national currency of the Russian Federation, where the Bank is domiciled, is the Russian rouble (RUR). Historically, for the purpose of preparation of IFRS financial statements, the Management of the Bank selected the United States Dollar ("USD") as the functional currency.

In 2007, the Bank performed a re-assessment of its functional currency for the purposes of compliance with International Accounting Standard 21 "The Effects of Changes in Foreign Exchange Rates" (IAS 21) due to the following reasons:

- The Rouble share of the Bank's assets and liabilities is constantly increasing;
- The Bank's customer base is expanding to include more Russian corporations and individuals, whose revenues are generated in Russian Roubles;
- The Russian Rouble is the currency of the primary economic environment in which the Bank operates.

As a result, the Bank changed the functional currency of the Bank from the USD to the Russian Rouble (RUR) starting from 1 January 2008.

In accordance with IAS 21 "The Effects of Changes in Foreign Exchange Rates", the change in the functional currency was accounted for prospectively from 1 January 2008.

These interim condensed consolidated financial statements should be read in conjunction with the complete consolidated financial statements as of 31 December 2007.

The preparation of financial statements requires management to make estimates and assumptions that affect reported amounts. These estimates are based on information available as of the date of the financial statements. Actual results can differ significantly from such estimates.

Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year.

(expressed in millions of US dollars)

3. Basis of Preparation (continued)

Fair Value Hedges

For designated and qualifying fair value hedges, the change in the fair value of a hedging derivative is recognized in the income statement in the lines relating to hedged items. Meanwhile, the change in the fair value of the hedged item, attributable to the risk hedged, is recorded as part of the carrying value of the hedged item and is also recognized in related lines in the income statement.

If the hedging instrument expires or is sold, terminated or exercised, or where the hedge no longer meets the criteria for hedge accounting, the hedge relationship is terminated. For hedged items recorded at amortized cost, using the effective interest rate method, the difference between the carrying value of the hedged item on termination and the face value is amortized over the remaining term of the original hedge. If the hedged item is derecognized, the unamortized fair value adjustment is recognized immediately in the income statement.

Foreign Currency Translation

At 30 June 2008, the principal rate of exchange used for translating balances in Russian Roubles to USD was USD 1 to RUR 23.4573 (at 31 December 2007: USD 1 to RUR 24.5462), and the principal rate of exchange used for translating balances in Euro was USD 1 to Euro 0.6356 (at 31 December 2007: USD 1 to Euro 0.6831).

4. Cash and Short-Term Funds

	30 June 2008 (unaudited)	31 December 2007
Cash on hand	1,093	1,256
Cash balances with central banks (other than mandatory reserve deposits)	1,729	2,591
Correspondent accounts with other banks		
- Russian Federation	854	557
- Other countries	701	756
Total cash and short-term funds	**4,377**	**5,160**
Less: restricted cash	(42)	(64)
Total cash and cash equivalents	**4,335**	**5,096**

5. Financial Assets at Fair Value through Profit or Loss

	30 June 2008 (unaudited)	31 December 2007
Financial assets held for trading	7,428	9,112
Financial assets designated as at fair value through profit or loss	1,095	1,324
Total financial assets at fair value through profit or loss	**8,523**	**10,436**

(expressed in millions of US dollars)

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

Financial Assets Held for Trading

	30 June 2008 (unaudited)	31 December 2007
Debt securities denominated in USD		
Bonds and eurobonds of foreign companies and banks	373	385
Eurobonds of Russian companies and banks	158	263
Eurobonds of the Russian Federation	1	59
Bonds and eurobonds of foreign governments	1	–
Russian MinFin bonds (OVGVZ)	–	5
Debt securities denominated in RUR		
Bonds of Russian companies and banks	3,467	3,536
Promissory notes of Russian companies and banks	652	354
Russian municipal bonds	480	740
Russian Federal loan bonds (OFZ)	47	1,358
Eurobonds of foreign companies and banks	35	37
Debt securities denominated in other currencies		
Bonds of foreign governments	21	20
Eurobonds of Russian companies and banks	18	17
Bonds of foreign companies and banks	–	8
Equity securities	1,454	1,771
Balances arising from derivative financial instruments	721	559
Total financial assets held for trading	**7,428**	**9,112**

Equity securities at 30 June 2008 include USD 608 million (31 December 2007: USD 503 million) representing structured customer financing transactions whereby market risk is offset via forward sale agreements on the same securities (recorded within derivative instruments). Other equity securities mostly represent shares of major Russian oil and gas, energy, telecommunication and manufacturing companies and banks and shares of the world-leading blue chip companies.

Debt securities mostly represent securities issued by Russian oil and gas companies, energy, telecommunication and manufacturing companies, banks, the Russian Federation and the Central Bank of the Russian Federation. During first three months of 2008 the Group sold significant part of Russian Federal loan bonds.

The negative cumulative financial result amounting to USD 228 million arising from financial assets at fair value through profit or loss in the six-month period ended June 30, 2008, reflected losses on the securities portfolio realized by the Group in the first quarter of 2008 in line with the Group's risk management strategy and the medium-term aim to reduce overall earnings volatility, and also mark-to-market adjustments to the fair value of the securities portfolio reflecting the performance of the debt and equity markets during the period under review.

(expressed in millions of US dollars)

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

Financial Assets Designated as at Fair Value through Profit or Loss

	30 June 2008 (unaudited)	31 December 2007
Bonds of Russian companies and banks	355	415
Bonds of foreign companies and banks	294	354
Equity securities	289	384
Bonds of foreign governments	64	61
Investments in mutual funds	42	98
Eurobonds of the Russian Federation	29	1
Russian municipal bonds	21	10
Promissory notes of foreign companies and banks	1	–
Balances arising from derivative financial instruments	–	1
Total financial assets designated as at fair value through profit or loss	**1,095**	**1,324**

Equity securities in the amount of USD 240 million at 30 June 2008 (31 December 2007: USD 384 million) represent structured customer financing transactions whereby market risk is offset via forward sale agreements on the same securities (recorded within derivative instruments). Equity securities are issued by Russian energy companies. Financial liabilities at fair value through profit or loss (negative fair value of derivatives) relating to these transactions are accounted for within “Other liabilities” in the amount of USD 25 million (31 December 2007: USD 3 million).

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

	30 June 2008 (unaudited)	31 December 2007
Financial assets at fair value through profit or loss		
Financial assets held for trading		
Bonds of Russian companies and banks	562	84
Russian municipal bonds	83	32
Russian Federal loan bonds (OFZ)	–	290
Promissory notes of Russian companies and banks	–	245
Equity securities	4	226
Total Financial assets held for trading	*649*	*877*
Financial assets designated as at fair value through profit or loss		
Eurobonds of Russian companies and banks	102	121
Bonds of foreign companies and banks	99	58
Bonds of foreign governments	95	103
Eurobonds of Russian Federation and MinFin Bonds	–	29
Russian municipal bonds	–	5
Total Financial assets designated as at fair value through profit or loss	*296*	*316*
Total Financial assets at fair value through profit or loss	***945***	***1,193***
Financial assets available-for-sale		
Bonds of foreign companies and banks	276	490
Bonds of Russian companies and banks	12	30
Bonds of foreign governments	6	326
Russian municipal bonds	–	10
Total financial assets available-for-sale	***294***	***856***
Unquoted promissory notes of Russian companies and banks	***169***	***163***
Total financial assets pledged under repurchase agreements and loaned financial assets	**1,408**	**2,212**

Equity securities at 30 June 2008 within “Financial assets held for trading” include USD 4 million (31 December 2007: USD 203 million) representing structured customer financing transactions whereby market risk is offset via forward sale agreements on the same securities (recorded within derivative instruments). These equity securities are issued by Russian energy and mining companies.

(expressed in millions of US dollars)

7. Due from Other Banks

	30 June 2008 (unaudited)	31 December 2007
Current term placements	10,384	9,070
Reverse sale and repurchase agreements with banks	189	676
Total gross due from other banks	**10,573**	**9,746**
Less: Allowance for impairment (Note 19)	(13)	(13)
Total due from other banks	**10,560**	**9,733**

8. Loans and Advances to Customers

	30 June 2008 (unaudited)	31 December 2007
Current loans and advances	73,717	57,547
Reverse sale and repurchase agreements with customers	2,556	1,640
Rescheduled loans and advances	324	136
Overdue loans and advances	1,014	698
Total gross loans and advances to customers	**77,611**	**60,021**
Less: Allowance for impairment (Note 19)	(2,129)	(1,472)
Total loans and advances to customers	**75,482**	**58,549**

For the purposes of the above table, the amount of overdue loans and advances includes overdue portions of loans where the payment of either principal or interest is overdue by one day or more, and not the entire outstanding amount of the loans.

At 30 June 2008, included in current loans are finance lease receivables of USD 2,760 million (31 December 2007: USD 1,926 million), equal to the net investment in lease.

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

	30 June 2008 (unaudited)		31 December 2007	
	Amount	**%**	**Amount**	**%**
Finance	15,537	20	12,020	20
Individuals	12,175	16	7,682	13
Building construction	9,159	12	5,170	8
Trade and commerce	9,107	12	7,142	12
Manufacturing	5,940	7	5,316	9
Oil and Gas	3,842	5	3,778	6
Metals	3,750	5	2,476	4
Transport	3,684	5	2,992	5
Food and agriculture	2,870	4	2,175	4
Government bodies	2,356	3	2,891	5
Coal mining	2,335	3	1,712	3
Energy	1,880	2	2,508	4
Chemical	1,157	1	1,057	2
Aircraft	1,042	1	756	1
Telecommunications and media	579	1	560	1
Other	2,198	3	1,786	3
Total gross loans and advances to customers	**77,611**	**100**	**60,021**	**100**

At 30 June 2008, the total amount of outstanding loans issued by the Group to 10 largest groups of interrelated borrowers comprise USD 14,927 million, or 19% of the gross loan portfolio (31 December 2007: USD 12,565 million, or 21%).

(expressed in millions of US dollars)

9. Financial Assets Available-for-sale

	30 June 2008 (unaudited)	31 December 2007
Bonds of foreign companies and banks	233	120
CJSC "Alrosa" shares	–	346
Other equity investments	428	244
Eurobonds of Russian companies and banks	121	65
Bonds of foreign governments	45	46
Russian MinFin bonds (OVGVZ)	25	24
Russian municipal bonds	14	3
Promissory notes of Russian companies and banks	9	10
Total financial assets available-for-sale	**875**	**858**

In June 2008, the Group sold CJSC "Alrosa" shares to a state-owned party and transferred upon the sale the realized gain of USD 47 million, net of tax, from separate caption within equity to the statement of income.

10. Investments in Associates

			30 June 2008 (unaudited)		31 December 2007	
	Country of registration	**Activity**	**Carrying amount**	**Ownership percentage**	**Carrying amount**	**Ownership percentage**
"Eurofinance Mosnarbank", OJSC	Russia	Banking	162	34.83%	152	34.83%
"Vietnam-Russia Joint Venture Bank"	Vietnam	Banking	31	49.00%	15	49.00%
"Interbank Trading House", Ltd	Russia	Commerce	–	50.00%	–	50.00%
Total investments in associates			**193**		**167**	

In March 2008, the share capital of "Vietnam-Russia Joint Venture Bank" was increased. VTB contributed to the capital USD 15.9 million retaining a 49% ownership.

11. Due to Other Banks

	30 June 2008 (unaudited)	31 December 2007
Term loans and deposits	8,212	9,546
Correspondent accounts and overnight deposits	2,556	3,224
Sale and repurchase agreements with banks	962	2,024
Total due to other banks	**11,730**	**14,794**

Financial assets pledged against sale and repurchase agreements are financial assets at fair value through profit or loss and financial assets available-for-sale with a total fair value of USD 1,076 million (31 December 2007: USD 2,048 million) (see Note 6).

(expressed in millions of US dollars)

12. Customer Deposits

	30 June 2008 (unaudited)	31 December 2007
Government bodies		
Current / settlement deposits	630	933
Term deposits	5,403	2,011
Legal entities		
Current / settlement deposits	10,397	8,701
Term deposits	15,649	14,769
Individuals		
Current / settlement deposits	3,564	2,974
Term deposits	8,808	7,709
Sale and repurchase agreements with customers	158	1
Total customer deposits	**44,609**	**37,098**

At 30 June 2008 sale and repurchase agreements of USD 158 million (31 December 2007: USD 1 million) represent the amounts payable to legal entities in connection with sale and repurchase agreements. Securities pledged against sale and repurchase agreements are financial assets through profit and loss with fair value of USD 163 million (31 December 2007: USD 1 million). (see Note 6).

13. Other Borrowed Funds

	30 June 2008 (unaudited)	31 December 2007
Syndicated loans	3,830	2,489
Other borrowings	3,197	2,687
Total other borrowed funds	**7,027**	**5,176**

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

In June 2008 VTB received dual tranche syndicated loan in the total amount of USD 1,400 million (Tranche A - USD 1,000 million and Tranche B - USD 400 million) maturing in June 2011 and in December 2009 with the floating interest rate of LIBOR + 0.65% and LIBOR + 0.6%, respectively.

(expressed in millions of US dollars)

14. Debt Securities Issued

	30 June 2008 (unaudited)	31 December 2007
Bonds	18,579	14,394
Promissory notes	5,918	2,082
Deposit certificates	11	13
Total debt securities issued	**24,508**	**16,489**

In February 2008, VTB 24 issued 2nd Tranche of RUR 10 billion (USD 405 million) bonds maturing in February 2013 with a coupon rate of 7.7% p.a. paid semi-annually and 1-year put option embedded.

In May 2008, VTB issued USD 2,000 million Eurobonds under European Medium Term Note Programme with a fixed rate of 6.875% maturing in 2018 which may be redeemed in May 2013 at the option of note-holders (5-year put option).

In June 2008, VTB issued EUR 1,000 million (or USD 1,576 million) Eurobonds at a fixed rate of 8.25% maturing in June 2011.

In June 2008, VTB 24 issued 3rd Tranche of RUR 6 billion (USD 250 million) bonds maturing in May 2013 with coupon rate of 8.2% p.a. paid semi-annually.

Promissory notes represent notes primarily issued by VTB in the local market.

15. Subordinated Debt

On 4 February 2005, VTB Capital S.A., a Luxembourg based special purpose entity of the Group used for issuance of Eurobonds, issued USD 750 million of Eurobonds (with a call option for early repayment on the fifth anniversary of such date) due February 2015, the proceeds of which financed a subordinated loan to VTB. The eurobonds bear interest at 6.315% per annum payable semi-annually, with an interest rate step-up in 2010. As of 30 June 2008 the carrying amount of this subordinated debt was USD 768 million (31 December 2007: USD 768 million). Management expects to settle the debt in 2010 before the interest rate step-up.

On 29 September 2005, OJSC “Industry & Construction Bank” (further renamed to OJSC “Bank VTB North-West”) issued USD 400 million subordinated Eurobonds due September 2015 with early redemption option (1 October 2010; price 100; type call). The Eurobonds bear interest at 6.2% per annum payable semi-annually, with an interest rate step-up in 2010. The transaction was structured as an issue of notes by Or-ICB S.A. (Luxembourg) for the purpose of financing a subordinated loan to the Bank. As of 30 June 2008, the carrying amount of this subordinated debt was USD 390 million (31 December 2007: USD 388 million).

Upon deconsolidation of "Interbank Trading House", Ltd. the Group recognized a subordinated loan raised by CJSC "VTB 24" in October 2000 due October 2015 with interest rate at 6.0% per annum. As of 30 June 2008 the carrying amount of this subordinated debt was USD 15 million (31 December 2007: USD 15 million).

(expressed in millions of US dollars)

16. Interest Income and Expense

	For the three-month period ended 30 June (unaudited)		For the six-month period ended 30 June (unaudited)	
	2008	**2007**	**2008**	**2007**
Interest income				
Loans and advances to customers	1,963	883	3,729	1,737
Securities	156	141	364	249
Due from other banks	92	152	223	249
Total interest income	**2,211**	**1,176**	**4,316**	**2,235**
Interest expense				
Customer deposits	(615)	(272)	(1,128)	(508)
Debt securities issued	(337)	(196)	(590)	(375)
Subordinated debt	(19)	(19)	(38)	(38)
Due to banks and other borrowed funds	(186)	(164)	(427)	(310)
Total interest expense	**(1,157)**	**(651)**	**(2,183)**	**(1,231)**
Net interest income	**1,054**	**525**	**2,133**	**1,004**

17. Fee and Commission Income and Expense

	For the three-month period ended 30 June (unaudited)		For the six-month period ended 30 June (unaudited)	
	2008	**2007**	**2008**	**2007**
Commission on settlement transactions	102	69	193	133
Depositary appointment fee	–	57	-	57
Commission on cash transactions	24	23	44	42
Commission on guarantees issued	24	17	46	27
Commission on operations with securities	20	11	37	21
Other	25	12	43	20
Total fee and commission income	**195**	**189**	**363**	**300**
Commission on settlement transactions	(11)	(10)	(24)	(19)
Commission on cash transactions	(7)	(2)	(10)	(5)
Other	(11)	(2)	(18)	(9)
Total fee and commission expense	**(29)**	**(14)**	**(52)**	**(33)**
Net fee and commission income	**166**	**175**	**311**	**267**

(expressed in millions of US dollars)

18. Staff Costs and Administrative Expenses

	For the three-month period ended 30 June (unaudited)		For the six-month period ended 30 June (unaudited)	
	2008	**2007**	**2008**	**2007**
Staff costs	342	184	609	351
Defined contribution pension expense	37	29	62	45
Depreciation and other expenses related to premises and equipment	83	67	149	108
Leasing and rent expenses	46	22	85	45
Taxes other than on income	38	24	65	43
Advertising expenses	36	21	56	38
Professional services	31	9	51	19
Participation in deposit insurance system	15	17	31	26
Security expenses	13	9	24	18
Charity	10	10	21	14
Amortization of core deposit intangible	8	9	18	20
Post and telecommunication expenses	18	9	28	16
Insurance	5	3	9	5
Transport expenses	3	2	5	3
Impairment and amortization of intangibles, except for core deposit intangible	5	1	7	3
Other	10	28	22	55
Total staff costs and administrative expenses	**700**	**444**	**1,242**	**809**

19. Allowances for Impairment and Provisions

The movements in allowances for impairment of due from other banks and loans and advances to customers were as follows (unaudited):

	Due from other banks	Loans and advances to customers	Total
Balance at 1 January 2007	**8**	**973**	**981**
Provision for impairment during the period	–	140	**140**
Write-offs	–	(2)	**(2)**
Cash received for loans written-off in previous periods	–	2	**2**
Currency translation difference	–	5	**5**
Balance at 30 June 2007 (unaudited)	**8**	**1,118**	**1,126**
Balance at 1 January 2008	**13**	**1,472**	**1,485**
Provision for impairment during the period	–	592	**592**
Write-offs	–	(21)	**(21)**
Cash received for loans written-off in previous periods	–	3	**3**
Currency translation difference	–	83	**83**
Balance at 30 June 2008 (unaudited)	**13**	**2,129**	**2,142**

Allowances for impairment of assets are deducted from the carrying amounts of the related assets. Provisions for claims, guarantees and commitments are recorded in liabilities. In accordance with Russian legislation, loans may only be written off with the approval of the Supervisory Council and, in certain cases, with the respective decision of the Court.

20. Basic and Diluted Earnings per Share

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

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

	For the three-month period ended 30 June (unaudited)		**For the six-month period ended 30 June (unaudited)**	
	2008	**2007**	**2008**	**2007**
Net profit attributable to shareholders of the parent _(in millions of US dollars)_	553	256	666	474
Weighted average number of ordinary shares in issue	6,724,369,657,780	5,840,736,165,570	6,720,482,134,809	5,527,663,574,955
Basic and diluted earnings per share (expressed in USD per share)	**0.000082**	**0.000044**	**0.000099**	**0.000086**

21. Income Tax

The Group's effective tax rate for the six months of 2008 was 29% (six months 2007: 24%) due to the influence of non-deductible items on pretax profit. The decrease in the cumulative effective tax rate for the first six months of 2008 compared to 34% effective tax rate for the first three months of 2008 reflects the higher growth of taxable income relative to non-deductible expenses.

22. Dividends

On 26 June 2008, VTB's annual shareholders' meeting declared dividends of RUR 9 billion (USD 381 million at the exchange rate of RUR 23.6113 per USD 1.00) for 2007 (RUR 0.00134 per share or USD 0.000057 per share).

On 27 June 2008, annual shareholders' meeting of OJSC "Bank VTB North-West" declared dividends of RUR 4.6 billion (USD 195 million at the exchange rate of RUR 23.5245 per USD 1.00) for 2007 (RUR 3.64588 per share or USD 0.1549822 per share).

23. Contingencies, Commitments and Derivative Financial Instruments

Legal proceedings. From time to time and in the normal course of business, claims against the Group are received. The Group has established protocol for dealing with such legal claims. Once professional advice has been obtained and the amount of damages reasonably estimated, the Group makes adjustments to account for any adverse effects, which the claims may have on its financial standing. At the reporting date the Group had several unresolved legal claims.

As of June 30, 2008, a USD 14 million compensation claim filed against VTB's subsidiary bank with respect to the arrest, upon the subsidiary bank's application, of the collateral to a loan issued by the subsidiary bank in precedent periods, was pending in the Court. The subsidiary bank has been advised by its attorney that it is possible, but not probable, that the compensation claim will succeed, therefore no provision for the claim has been made. The Court hearing is scheduled for October 15, 2008.

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

(expressed in millions of US dollars)

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

Credit related commitments (continued). Commitments to extend credit represent unused portions of authorizations to extend credit in the form of loans, guarantees, or letters of credit. With respect to credit risk on commitments to extend credit, the Group is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments since most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Group monitors the term to maturity of credit related commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

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

Outstanding credit related commitments are as follows:

	30 June 2008 (unaudited)	31 December 2007
Guarantees issued	9,922	7,056
Undrawn credit lines	6,426	7,054
Import letters of credit	2,536	1,930
Commitments to extend credit	4,842	4,304
Less: allowance for losses on credit related commitments	(2)	(2)
Total credit related commitments	**23,724**	**20,342**

The Bank has received export letters of credit for further advising to its customers. The total amount of received letters of credit as of 30 June 2008 was USD 2,793 million (31 December 2007: USD 2,630 million). Commitments under import letters of credit and guarantees are collateralized by customer deposits of USD 544 million (31 December 2007: USD 385 million).

At 30 June 2008, included in guarantees issued is a guarantee of USD 2,800 million or 28% (31 December 2007: 2,724 million or 39%) of the guarantees issued which acts as additional collateral for a transaction between unrelated third parties whereby credit risk is fully collateralized by the shares of a major state-owned oil and gas Russian company.

At 30 June 2008, included in guarantees issued are guarantees issued for a related state-owned company of USD 584 million or 6% (31 December 2007: 684 million or 10%) of the guarantees issued.

Cash Flow Hedges

The Group is exposed to variability in future variable interest cash flows on its loan portfolio. The Group uses interest rate swaps (IRSs) as cash flow hedges of risks of change in the benchmark interest rates relating to these cash flows. The cash flows are expected to occur and affect future interest received until 30 June 2015.

The Group recognized a gain of USD 28 million (net of tax) in the income statement as some hedged items related to cash flow hedges are no longer highly probable.

Fair Value Hedges

Fair value hedges are used by the Group to protect it against the changes in the fair value of financial assets and financial liabilities due to movements in interest rates. The financial instruments hedged for interest rate risk include loans and debt securities issued. For the six months ended 30 June 2008, the Group recognized a net loss of USD 52 million (for the six months ended 30 June 2007: nil), representing the loss on the hedging instruments. The total gain on hedged items attributable to the hedged risk amounted to USD 54 million (for the six months ended 30 June 2007: nil).

(expressed in millions of US dollars)

24. Analysis by Segment

In accordance with IAS 14, “Segment Reporting”, the Group’s primary format for reporting segment information is geographical segments. Geographical segment information is based on geographical location of assets and liabilities and related revenues of entities within the Group. VTB has predominantly one business segment, commercial banking, therefore no business segment disclosure is presented.

Revenues disclosed in the note include the following: interest income, fee and commission income, other operating income, income arising from non-banking activities, gains less losses from financial assets available-for-sale, gains less losses (losses net of gains) arising from financial assets at fair value through profit or loss, gains less losses from dealing in foreign currencies and share in income of associates, foreign exchange translation (losses net of gains) / gains less losses.

Intersegment operations were executed predominantly in the normal course of business.

Segment information for the three main reportable geographical segments of the Group, Russia, Other CIS and Europe and Other, is set out below for the six months ended 30 June 2008 (unaudited):

	Russia	Other CIS	Europe and other	Total before intersegment eliminations	Inter-segment	Total
Revenues from:						
External customers	4,228	314	523	5,065	–	**5,065**
Other segments	176	–	46	222	(222)	–
Total revenues	**4,404**	**314**	**569**	**5,287**	**(222)**	**5,065**
Segment results (profit before taxation)	800	58	99	957	–	**957**
Income tax expense						**(278)**
Net profit						**679**
Segment assets as of 30 June 2008 less income tax assets	94,099	5,261	16,284	115,644	(7,214)	**108,430**
Income tax assets	194	2	128	324	–	**324**
Segment assets as of 30 June 2008	**94,293**	**5,263**	**16,412**	**115,968**	**(7,214)**	**108,754**
Segment liabilities as of 30 June 2008 less income tax liabilities	80,067	4,492	13,962	98,521	(7,214)	**91,307**
Income tax liabilities	219	26	21	266	–	**266**
Segment liabilities as of 30 June 2008	**80,286**	**4,518**	**13,983**	**98,787**	**(7,214)**	**91,573**
Other segment items						
Share in income of associates	2	–	5	7	–	7
Capital expenditure	129	32	4	165	–	**165**
Depreciation and amortization charge	62	9	9	80	–	**80**
Other non-cash income (expenses)						
Provision for loan impairment	(529)	(43)	(20)	(592)	–	**(592)**
Interest income	3,783	238	516	4,537	(221)	**4,316**
Interest expense	(1,953)	(126)	(325)	(2,404)	221	**(2,183)**
Net interest income	**1,830**	**112**	**191**	**2,133**	**–**	**2,133**

(expressed in millions of US dollars)

24. Analysis by Segment (continued)

Segment information for the three main reportable geographical segments of the Group: Russia, Other CIS and Europe, and Other, at 31 December 2007 and results for the six months ended 30 June 2007 are set out below (unaudited):

	Russia	Other CIS	Europe and other	Total before intersegment eliminations	Inter-segment	Total
Revenues from:						
External customers	2,308	109	464	2,881	–	**2,881**
Other segments	61	–	12	73	(73)	–
Total revenues	**2,369**	**109**	**476**	**2,954**	**(73)**	2,881
Segment results (profit before taxation)	548	16	95	659	–	**659**
Income tax expense						**(155)**
Net profit						**504**
Segment assets as of 31 December 2007 less income tax assets	79,451	3,993	15,892	99,336	(6,978)	**92,358**
Income tax assets	120	5	126	251		**251**
Segment assets as of 31 December 2007	**79,571**	**3,998**	**16,018**	**99,587**	**(6,978)**	92,609
Segment liabilities as of 31 December 2007 less income tax liabilities	65,535	3,622	13,728	82,885	(6,978)	**75,907**
Income tax liabilities	173	13	15	201		**201**
Segment liabilities as of 31 December 2007	**65,708**	**3,635**	**13,743**	**83,086**	**(6,978)**	76,108
Other segment items						
Profit from disposal of subsidiaries	–	–	18	18	–	**18**
Share in income of associates	(1)	–	8	7	–	**7**
Capital expenditure	99	13	15	127	–	**127**
Depreciation and amortization charge	46	4	5	55	–	**55**
Other non-cash income (expenses)						
Provision for loan impairment	(120)	(15)	(5)	(140)	–	**(140)**
Interest income	1,804	89	415	2,308	(73)	**2,235**
Interest expense	(976)	(37)	(291)	(1,304)	73	**(1,231)**
Net interest income	**828**	**52**	**124**	**1,004**	**–**	1,004

25. Related Party Transactions

For the purposes of these consolidated financial statements, parties are considered to be related if one party has the ability to control the other party or exercises significant influence over the other party in making financial or operational decisions or the parties are under common control as defined by IAS 24 “Related Party Disclosures”. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

Transactions and balances with related parties comprise transactions and balances with state-owned entities and associates and are stated in the tables below.

(expressed in millions of US dollars)

25. Related Party Transactions (continued)

Balance sheet and credit related commitments:

	30 June 2008 (unaudited)		31 December 2007	
	State-owned entities	**Associates**	**State-owned entities**	**Associates**
Assets				
Cash and short-term funds	2,179	–	2,809	–
Mandatory cash balances with central banks	1,324	–	720	–
Financial assets at fair value through profit or loss	4,418	14	6,120	–
Financial assets pledged under repurchase agreements and loaned financial assets	586	–	904	–
Due from other banks	4,059	117	1,959	69
Loans and advances to customers	11,067	68	11,889	65
Allowance for impairment	(177)	(30)	(125)	(29)
Financial assets available-for-sale	117	9	430	9
Liabilities				
Due to other banks	1,231	1	2,679	13
Customer deposits	13,668	1	10,210	2
Other borrowed funds	1,237	–	1,413	–
Credit related commitments				
Guarantees issued	2,215	–	1,944	–
Undrawn credit lines	867	–	692	–
Import letters of credit	192	–	163	–
Commitments to extend credit	873	9	759	8

Income statement:

	For the six-month period ended 30 June (unaudited)	
	2008	**2007**
Interest income		
Loans and advances to customers	553	298
Securities	146	94
Due from other banks	45	32
Interest expense		
Customer deposits	(383)	(90)
Due to other banks and other borrowed funds	(77)	(19)
Provision / (Reversal of provision) for impairment	(48)	9

In June 2008, the Group sold CJSC “Alrosa” shares to a state-owned party and recognized the gain from available-for-sale financial assets of USD 51 million, before tax, in the statement of income.

For the period ended 30 June 2008, the total remuneration of the directors and key management personnel of the Group including pension contributions amounted to USD 36.9 million (30 June 2007: USD 30.2 million). Key management personnel include VTB Supervisory Council, VTB Management Board, VTB Statutory Audit Committee and key management of subsidiaries. Loans to the directors and key management personnel amounted to USD 14.6 million (31 December 2007: USD 15.1 million).

(expressed in millions of US dollars)

26. Consolidated Subsidiaries and Associates

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

Name	Activity	Country of registration	Percentage of ownership 30 June 2008 (unaudited)	Percentage of ownership 31 December 2007
Subsidiaries:				
"VTB Bank (Austria)" AG	Banking	Austria	100.00%	100.00%
"Russian Commercial Bank (Cyprus) Limited"	Banking	Cyprus	100.00%	100.00%
"Russian Commercial Bank Ltd"	Banking	Switzerland	100.00%	100.00%
"VTB Bank", OJSC (former "Mriya", OJSC, merged with Vneshtorgbank (Ukraine), CJSC)	Banking	Ukraine	99.90%	99.81%
"VTB Bank (Armenia)", CJSC	Banking	Armenia	100.00%	100.00%
"VTB Bank (Georgia)", JSC	Banking	Georgia	77.57%	70.52%
"VTB Bank (Belarus), CJSC	Banking	Belarus	64.87%	64.87%
"Bank VTB 24", CJSC	Banking	Russia	100.00%	100.00%
"VTB Bank (Deutschland)" AG	Banking	Germany	100.00%	97.69%
"Bank VTB North-West", OJSC	Banking	Russia	96.77%	86.32%
"VTB Bank (France)"	Banking	France	87.04%	87.04%
"VTB Bank (Europe)", Plc.	Banking	Great Britain	91.97%	91.97%
"Banco VTB Africa S.A."	Banking	Angola	66.00%	66.00%
"VTB Capital (Namibia) (Proprietary) Limited"	Investment	Namibia	50.03%	50.03%
"Multicarta", Ltd	Plastic cards (processing)	Russia	100.00%	100.00%
"ITC Consultants (Cyprus)", Ltd	Finance	Cyprus	100.00%	100.00%
"VB-Service", Ltd	Commerce	Russia	100.00%	100.00%
"Almaz-Press", CJSC	Publishing	Russia	100.00%	100.00%
"VTB-Leasing", OJSC	Leasing	Russia	100.00%	100.00%
"Embassy Development Limited"	Finance	Jersey	100.00%	100.00%
"VTB-Development", CJSC (former "VTB-Capital", CJSC)	Development	Russia	100.00%	100.00%
"VTB Europe Strategic Investments Limited"	Investment	Great Britain	91.97%	91.97%
"VTB Europe Finance", B.V.	Finance	Netherlands	91.97%	91.97%
"Nevsky Property" Ltd	Property	Cyprus	45.99%	45.99%
"Business-Finance", Ltd	Finance	Russia	100.00%	100.00%
"MC ICB", Ltd	Real estate	Russia	86.55%	86.32%
"Dolgovoi centre", Ltd	Finance	Russia	100.00%	100.00%
"Sistema Leasing 24", CJSC	Finance	Russia	100.00%	100.00%
"VTB-Invest", CJSC	Finance	Russia	100.00%	100.00%
"Insurance Company VTB-Insurance", Ltd	Insurance	Russia	100.00%	100.00%
"VTB-Leasing Ukraine", Ltd	Leasing	Ukraine	100.00%	100.00%
"Capablue", Ltd	Leasing	Ireland	100.00%	100.00%
"Verulamium Finance", Ltd	Leasing	Cyprus	100.00%	100.00%
"VTB-Leasing Finance", LLC	Leasing	Russia	99.99%	99.99%
"VTB-Leasing (Belarus)", Ltd	Leasing	Belarus	100.00%	100.00%
"VTB-Leasing Capital" Ltd (Ireland)	Leasing	Ireland	100.00%	100.00%
"Obyedinennaya Depositarnaya companya", CJSC	Finance	Russia	100.00%	99.99%
"VTB Asset Management", CJSC	Finance	Russia	19.00%	19.00%
Associates:				
"Eurofinance Mosnarbank", OJSC	Banking	Russia	34.83%	34.83%
"Vietnam-Russia Joint Venture Bank"	Banking	Vietnam	49.00%	49.00%
"Interbank Trading House", Ltd	Commerce	Russia	50.00%	50.00%

In January 2008, VTB increased its investment in "VTB Bank (Armenia)", CJSC by USD 21 million retaining a 100% ownership.

In January 2008, VTB increased its investment in "VTB-Capital", CJSC by USD 10 million retaining a 100% ownership.

26. Consolidated Subsidiaries and Associates (continued)

In February 2008, the minority shareholders of "VTB Bank (Georgia)", JSC paid for the authorized share capital (21 098 492 shares, 1 georgian lari each), thus decreasing VTB's share to 53.15%. In March 2008 the minority shareholders sold 21 093 914 shares to VTB for USD 16 million, increasing VTB's share to 77.57%.

In February 2008, VTB purchased 4 shares for RUR 70,400 (USD 3,001) of "Obyedinennaya Depositarnaya companya", CJSC increasing its ownership to 100%.

In March 2008, "VTB Bank (Austria)" AG purchased 30 shares of "VTB Bank (Deutschland)" AG for EUR 2,564 thousand (USD 4,034 thousand) thus increasing the Group's share in this subsidiary to 100%.

On 15 November 2007, "Bank VTB 24", CJSC announced an offer to purchase the remaining minority stakes in "Bank VTB North-West", OJSC in accordance with the plan approved by VTB's Supervisory Council on 16 October 2007 for further integration of the business of "Bank VTB North-West", OJSC into the Group. Under the terms of the offer, "Bank VTB North-West", OJSC shareholders could, within the period from 15 November 2007 to 14 December 2007, sell their shares for RUR 41.72 (USD 1.71 at the close offer date) per share and/or swap them for VTB's shares at an exchange ratio of "Bank VTB North-West", OJSC shares to VTB shares of 1 to 361. On 14 April 2008, VTB announced an offer to purchase the remaining minority stakes in "Bank VTB North-West" in accordance with the Russian legal requirements and the plan approved by VTB's Supervisory Council on 16 October 2007 for further integration of the business of "Bank VTB North-West" into the Group. Under the terms of the offer, "Bank VTB North-West" shareholders can, within the period till 23 June 2008, accept the offer to sell their shares for RUR 45.00 (USD 1.9 at the close offer date) per share. As a result of this offer VTB has bought 129 928 754 ordinary shares from minority shareholders of "Bank VTB North-West", increasing the share of VTB in "Bank VTB North-West" upto 96.77%.

In the first quarter of 2008 CJSC "Sistema Plus", was renamed to CJSC "Sistema Leasing 24".

In February 2008, VTB increased its ownership in "VTB Bank" (former "Mriya", OJSC)(Ukraine) from 99.81% to 99.90% by purchasing the major part (15,138,335,707 ordinary shares) of the additional issue of 15,150,000,002 ordinary shares of "VTB Bank", OJSC for the nominal value of 1,514 million Ukrainian hryvnias (USD 300 million).

In June 2008, "VTB-Capital", CJSC was renamed into "VTB-Development", CJSC.

In June 2008, the capital of "Insurance Company VTB-Insurance", Ltd was increased. VTB contributed USD 4 million.

In June 2008 "Bank VTB 24", CJSC issued 380,190 ordinary shares for RUR 717 millon (USD 31 million), which were fully purchased by the Group.

27. Capital Adequacy

The CBR requires banks to maintain a capital adequacy ratio of 10% of risk-weighted assets, computed based on Russian accounting legislation. As of 30 June 2008 and 31 December 2007 the Bank's capital adequacy ratio on this basis exceeded the statutory minimum.

The Group's international risk based capital adequacy ratio, computed in accordance with the Basle Accord guidelines issued in 1988, with subsequent amendments including the amendment to incorporate market risks, as of 30 June 2008 and 31 December 2007 was 15.8% and 16.3%, respectively. These ratios exceeded the minimum ratio of 8% recommended by the Basle Accord.

28. Subsequent Events

In July 2008, "VTB-Leasing Finance", LLC issued 2nd Tranche of RUR 10 billion (USD 430 million) bonds with a partial principal redemption from July 2009 finally maturing in July 2015 with a coupon rate of 8.9% p.a. paid quarterly and 1-year put option embedded.

Under the applicable Russian legislation, VTB has got the right to a compulsory or "on demand" buyout of VTB NW remaining shares (as a result of increase in VTB's shareholding over 95%). On 11 August 2008, the Bank sent a compulsory buyout offer to VTB North-West shareholders in order to increase VTB's shareholding in VTB NW to 100%. Under the terms of buyout offer, VTB Bank shall purchase each VTB NW ordinary registered share of RUR 1 nominal value for RUR 45. Payment for shares will be effected not later than 20 October 2008.

In August 2008, VTB repaid its USD-denominated Eurobonds Series 10 for USD 1,750 million at maturity.

Dividends declared by VTB in June 2008, were paid in August 2008.

In September 2008, "Bank VTB 24", CJSC issued 3,179,650 ordinary shares for RUR 6,000 million (USD 236 million), which were fully purchased by the Group.

The conflict between Russia and Georgia in August 2008 may have an adverse effect on the Group's business, financial condition and results of operations, as the Group has operations in Georgia which may have been impacted by these events. As of the date of issuance of these interim financial statements, such impact cannot be reliably estimated. The financial statements of the Group for the subsequent periods will incorporate the results of such estimates.

VTB Group intends to enter the Kazakh market as part of the Group's expansion of its presence throughout the CIS. In August, the Republic of Kazakhstan's Agency for Regulation and Supervision of Financial Markets and Financial Organizations took a decision to grant VTB Bank a licence to open VTB Bank (Kazakhstan).

In the third quarter of 2008 a downfall in the prices of Russian securities occurred, impacting predominantly the stock market. As of October 3, 2008, the RTS index decreased by 53.5% and the MICEX index decreased by 47.3% compared to June 30, 2008. Accordingly, the Group will book a material negative mark-to-market revaluation on its securities portfolio in the third quarter of 2008. Such booking will be conducted by the Group in the due course of preparation of IFRS accounts for the third quarter of 2008.

Due to a downfall in prices in global and Russian securities markets in the third quarter of 2008, the Group may face a significant decrease in the fair value of securities pledged as collateral against loans extended by the Group. Currently, the management is negotiating the additional collateral to be provided by the borrowers. Also, the borrowers of the Group may have been affected by the lower liquidity situation, which could in turn impact their ability to repay the amounts due to the Group. Deterioration of operating conditions may have an impact on the respective cash flow forecasts and Group's assessment of loan impairment. As a result, the Group may book additional provisions for loan impairment in accordance with IFRS in the third quarter of 2008. The necessity and the amounts (if required) of such additional provisioning will be assessed by the Group in due course during the third quarter of 2008 IFRS Financial Statements closing process, taking into account further market developments and the efficiency of the Group's efforts to ameliorate the recoverability and collaterization of its loan portfolio.