

VTB BANK

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

30 June 2007

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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

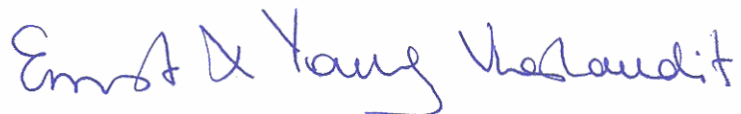
We have reviewed the accompanying interim condensed consolidated balance sheet of VTB Bank ("the Bank") and its subsidiaries (together "the Group") as at 30 June 2007, and the related interim condensed consolidated statements of income for the three months and the six months then ended and interim condensed consolidated statements of cash flows and changes in equity for the six months 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.

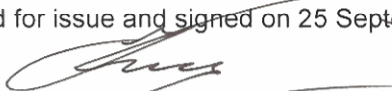


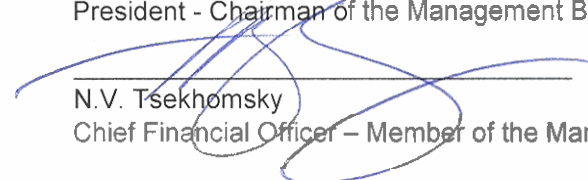
25 September 2007

VTB Bank
Interim Condensed Consolidated Balance Sheet as at 30 June 2007
(expressed in millions of US dollars)

	Note	30 June 2007 (unaudited)	31 December 2006
Assets			
Cash and short-term funds	4	3,441	3,581
Mandatory cash balances with central banks		850	648
Financial assets at fair value through profit or loss	5	10,301	5,120
Financial assets pledged under repurchase agreements and loaned financial assets	6	1,158	2,938
Due from other banks	7	8,453	6,813
Loans and advances to customers	8	35,693	29,262
Financial assets available-for-sale	9	2,591	888
Investments in associates	10	185	200
Investment securities held-to-maturity		5	11
Premises and equipment		1,489	1,422
Investment property		182	178
Intangible assets		450	455
Deferred tax asset		150	93
Other assets		1,275	794
Total assets		66,223	52,403
Liabilities			
Due to other banks	11	5,753	7,587
Customer deposits	12	25,083	19,988
Other borrowed funds	13	4,679	4,468
Debt securities issued	14	13,189	11,565
Deferred tax liability		113	125
Other liabilities		1,005	509
Total liabilities before subordinated debt		49,822	44,242
Subordinated debt	15	1,185	1,169
Total liabilities		51,007	45,411
Equity			
Share capital	20	3,084	2,500
Share premium	20	8,792	1,513
Treasury stock		(21)	–
Unrealized gain on financial assets available-for-sale and cash flow hedge	20	92	154
Currency translation difference		417	352
Premises revaluation reserve		334	341
Retained earnings		2,123	1,744
Equity attributable to shareholders of the parent		14,821	6,604
Minority interest		395	388
Total equity		15,216	6,992
Total liabilities and equity		66,223	52,403

Approved for issue and signed on 25 September 2007.


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


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

VTB Bank**Interim Condensed Consolidated Statements of Income for the Three Months and the Six Months Ended 30 June 2007 (unaudited)***(expressed in millions of US dollars, except earnings per share data)*

	Note	For the three-month period ended		For the six-month period ended	
		30 June (unaudited)		30 June (unaudited)	
		2007	2006	2007	2006
Interest income	16	1,176	913	2,235	1,638
Interest expense	16	(651)	(460)	(1,231)	(844)
Net interest income		525	453	1,004	794
Provision charge for loan impairment	19	(78)	(91)	(140)	(185)
Net interest income after provision for loan impairment		447	362	864	609
Gains less losses arising from financial assets at fair value through profit or loss		44	11	86	86
Gains less losses from available-for-sale financial assets		1	8	1	119
Gains less losses arising from dealing in foreign currencies		63	24	141	–
Foreign exchange translation gains less losses		14	104	27	227
Fee and commission income	17	189	91	300	182
Fee and commission expense	17	(14)	(11)	(33)	(21)
Share in income of associates		8	1	7	5
Income arising from non-banking activities		21	16	43	38
Other operating income		30	31	41	48
Net non-interest income		356	275	613	684
Operating income		803	637	1,477	1,293
Staff costs and administrative expenses	18	(444)	(313)	(809)	(577)
Expenses arising from non-banking activities		(13)	(16)	(27)	(33)
Profit from disposal of associates	10	–	–	18	–
Profit before taxation		346	308	659	683
Income tax expense	22	(74)	(68)	(155)	(109)
Profit after taxation from continued operations		272	240	504	574
Profit from discontinued operations		–	2	–	2
Net profit		272	242	504	576
Net profit attributable to:					
Shareholders of the parent		256	228	474	554
Minority interest		16	14	30	22
Basic and diluted earnings per share (expressed in USD per share)	21	0.000044	0.000044	0.000086	0.000106
Basic and diluted earnings per share – continuing operations (expressed in USD per share)	21	0.000044	0.000044	0.000086	0.000106
Basic and diluted earnings per share – discontinued operations (expressed in USD per share)	21	0.000000	0.000000	0.000000	0.000000

VTB Bank**Interim Condensed Consolidated Statement of Cash Flows for the Six Months Ended 30 June 2007
(unaudited)***(expressed in millions of US dollars)*

	Note	For the six-month period ended 30 June (unaudited)	
		2007	2006
Cash flows from operating activities			
Interest received		2,215	1,574
Interest paid		(1,188)	(780)
Income received on operations with financial assets at fair value through profit or loss		118	107
Income received (loss) on dealing in foreign currency		76	(36)
Fees and commissions received		300	180
Fees and commissions paid		(33)	(22)
Income arising from non-banking activities and other operating income received		65	82
Staff costs, administrative expenses and expenses arising from non-banking activities paid		(768)	(575)
Income tax paid		(175)	(106)
Cash flows from operating activities before changes in operating assets and liabilities		610	424
Net decrease (increase) in operating assets			
Net increase in mandatory cash balances with central banks		(190)	(142)
Net decrease in restricted cash		50	5
Net increase in financial assets at fair value through profit or loss		(5,301)	(1,386)
Net increase in due from banks		(1,556)	(994)
Net increase in loans and advances to customers		(6,112)	(2,816)
Net increase in other assets		(461)	(396)
Net (decrease) increase in operating liabilities			
Net decrease in due to banks		(1,889)	(698)
Net increase in customer deposits		4,577	4,906
Net (decrease) increase in promissory notes and certificates of deposits issued		(430)	132
Net increase in other liabilities		195	110
Net cash used in operating activities		(10,507)	(855)
Cash flows from investing activities			
Dividends received		19	10
Proceeds from sales or maturities of financial assets available-for-sale		462	160
Purchase of financial assets available-for-sale		(46)	(487)
Purchase of subsidiaries, net of cash acquired		38	(14)
Disposal of associates		44	–
Purchase of associates		(10)	–
Purchase of minority interest in subsidiaries		(35)	–
Proceeds from maturities of investment securities held-to-maturity		6	2
Purchase of premises and equipment		(119)	(81)
Proceeds from sale of premises and equipment		45	33
Purchase of intangible assets		(7)	(2)
Proceeds from sale of intangible assets		–	6
Net cash from (used in) investing activities		397	(373)

VTB Bank**Interim Condensed Consolidated Statement of Cash Flows for the Six Months Ended 30 June 2007
(unaudited) (Continued)***(expressed in millions of US dollars)*

	Note	For the six-month period ended 30 June (unaudited)	
		2007	2006
Cash flows from financing activities			
Decrease in Central Bank of the Russian Federation funding		(153)	(75)
Proceeds from other credit lines		662	140
Repayment of other credit lines		(256)	(134)
Proceeds from issuance of bonds denominated in RUR		–	361
Redemption of bonds denominated in RUR		(216)	(72)
Proceeds from issuance of Eurobonds		2,394	603
Repayment of Eurobonds		(227)	(350)
Proceeds from issuance of SSD debentures (Schuldscheindarlehen)		–	240
Redemption of SSD debentures (Schuldscheindarlehen)		–	(154)
Proceeds from syndicated loans		539	2,213
Repayment of syndicated loans		(594)	(1,120)
Proceeds from share issue, less transaction costs		7,842	–
Cash paid for treasury stock		(21)	–
Net cash from financing activities		9,970	1,652
Effect of exchange rate changes on cash and cash equivalents		50	129
Net (decrease) increase in cash and cash equivalents		(90)	553
Cash and cash equivalents at beginning of the year	4	3,479	2,541
Cash and cash equivalents at the end of the period	4	3,389	3,094

VTB Bank
Interim Condensed Consolidated Statement of Changes in Shareholders' Equity
(expressed in millions of US dollars)

	Attributable to shareholders of the parent									
	Share capital	Share premium	Treasury stock	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 31 December 2005	2,500	1,513	–	89	72	86	660	4,920	349	5,269
Unrealized loss on financial assets available-for-sale, net of tax	–	–	–	(17)	–	–	–	(17)	(2)	(19)
Transferred to profit or loss on sale, net of tax	–	–	–	(89)	–	–	–	(89)	–	(89)
Effect of translation	–	–	–	–	–	134	–	134	21	155
Total income and expense recognized directly in equity	–	–	–	(106)	–	134	–	28	19	47
Net profit	–	–	–	–	–	–	554	554	22	576
Total income and expense for the period	–	–	–	(106)	–	134	554	582	41	623
Dividends declared (Note 23)	–	–	–	–	–	–	(63)	(63)	(1)	(64)
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	1	1
Increase in share capital of subsidiaries	–	–	–	–	–	–	(5)	(5)	7	2
Balance at 30 June 2006 (unaudited)	2,500	1,513	–	(17)	72	220	1,146	5,434	397	5,831
Balance at 31 December 2006	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 (Note 24)	–	–	–	(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, 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 (Note 23)	–	–	–	–	–	–	(133)	(133)	(2)	(135)
Share issue (Note 20)	584	7,279	–	–	–	–	–	7,863	–	7,863
Treasury stock	–	–	(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 recognised in associate's profit or loss)	–	–	–	–	–	–	4	4	–	4
Establishment of subsidiary	–	–	–	–	–	–	–	–	5	5
Balance at 30 June 2007 (unaudited)	3,084	8,792	(21)	92	334	417	2,123	14,821	395	15,216

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 (the “Bank” or “VTB”) was formed as Russia’s foreign trade bank under the laws of the Russian Federation on 17 October 1990. In 1998, following several reorganisations, VTB was reorganised 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 27. 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 depository 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 December 29, 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 15 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 full list of subsidiaries and associates included in these condensed consolidated financial statements is provided in Note 27.

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 4 subsidiary banks with its network of 155 full service branches, including 57 branches of VTB, 46 branches of CJSC “Bank VTB 24” and 52 branches of OJSC “Bank VTB North-West”, located in major Russian regions. The Group operates outside Russia through 12 bank subsidiaries, located in the Commonwealth of Independent States (“CIS”) (Armenia, Georgia, Ukraine (2 banks), Belarus), Europe (Austria, Cyprus, Switzerland, Germany, France and Great Britain), Africa (Angola) and through 4 representative offices located in India, Italy, China and Belarus.

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 2007 (31 December 2006: 99.9 %), the decrease was due to initial public offering completed in May 2007 (Note 20).

The number of employees of the Group at 30 June 2007 was 31,682 (31 December 2006: 28,466). 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, such as an increase in gross domestic product and a reduced rate of inflation, 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”. Accordingly, 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 2007 are not necessarily indicative of the results that may be expected for the year ending 31 December 2007. 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 and equipment, available-for-sale financial assets, and financial instruments categorised 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). However, the Bank’s assets and liabilities are mostly concentrated in United States dollars (“US dollars” or “USD”) and RUR. The US dollar is used to a significant extent in, and has a significant impact on, the operations of the Bank, and the Bank’s cash flows are to a large extent denominated in US dollars. Also, the US dollar is the currency in which Management of the Bank manages the business risks and exposures, and measures the performance of the Bank’s business. Based upon these and other factors, the functional currency of the Bank is considered to be the US dollar.

These interim condensed consolidated financial statements should be read in conjunction with the complete consolidated financial statements as of 31 December 2006.

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.

Hedge accounting

The Group makes use of derivative instruments to manage exposures to fluctuations of cash flows from interest received and paid. As a result, the Group applies hedge accounting for transactions, which meet the specified criteria.

3. Basis of Preparation (continued)

Changes in Accounting Policies (continued)

At inception of the hedge relationship, the Group formally documents the relationship between the hedged item and the hedging instrument, including the nature of the risk, the objective and strategy for undertaking the hedge and the method that will be used to assess the effectiveness of the hedging relationship.

Also at the inception of the hedge relationship, a formal assessment is undertaken to ensure the hedging instrument is expected to be highly effective in offsetting the designated risk in the hedged item. Hedges are formally assessed each quarter. A hedge is regarded as highly effective if the changes in fair value or cash flows attributable to the hedged risk during the period for which the hedge is designated are expected to offset in a range of 80% to 125%. For situations where that hedged item is a forecast transaction, the Group assesses whether the transaction is highly probable and presents an exposure to variations in cash flows that could ultimately affect the income statement.

Cash flow hedges

For designated and qualifying cash flow hedges, the effective portion of the gain or loss on the hedging instrument is initially recognized directly in equity in the cash flow hedge reserve. The ineffective portion of the gain or loss on the hedging instrument is recognized immediately in the income statement in "Gains less losses arising from financial assets at fair value through profit or loss".

When the hedged cash flow affects the income statement, the gain or loss on the hedging instrument is "recycled" in the corresponding income or expense line of the income statement. When a hedging instrument expires, or is sold, terminated, exercised, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognized when the hedged forecast transaction is ultimately recognized in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement in "Gains less losses arising from financial assets at fair value through profit or loss".

Foreign Currency Translation

At 30 June 2007, the principal rate of exchange used for translating balances in Russian Roubles to USD was USD 1 to RUR 25.8162 (at 31 December 2006: USD 1 to RUR 26.3311), and the principal rate of exchange used for translating balances in Euro was USD 1 to Euro 0.7436 (at 31 December 2006: USD 1 to Euro 0.7589).

Reclassifications

The following reclassifications were recorded within the statement of income for the six months ended 30 June 2006 to conform to the 2007 presentation:

	As previously reported	Reclassification	As adjusted
Interest income	1,571	67	1,638
Interest expense	(828)	(16)	(844)
Foreign exchange translation gains less losses	218	9	227
Gains less losses arising from financial assets at fair value through profit or loss	146	(60)	86
Income arising from non-banking activities	–	38	38
Other operating income	87	(39)	48
Expenses arising from non-banking activities	–	(33)	(33)
Staff costs and administrative expenses	(610)	33	(577)
Provision for other assets impairment and provisions	(1)	1	–

3. Basis of Preparation (continued)

Reclassifications (continued)

The following reclassifications within the statement of income for the three months ended 31 March 2006 to conform to the 2007 presentation:

	As previously reported	Reclassification	As adjusted
Interest income	709	16	725
Interest expense	(379)	(5)	(384)
Foreign exchange translation gains less losses	119	4	123
Gains less losses arising from financial assets at fair value through profit or loss	90	(15)	75
Income arising from non-banking activities	–	22	22
Other operating income	42	(25)	17
Expenses arising from non-banking activities	–	(17)	(17)
Staff costs and administrative expenses	(281)	17	(264)
Provision for other assets impairment and provisions	(3)	3	–

The Group also made certain reclassifications within the statement of cash flows for the six months ended 30 June 2006 to conform to the 2007 presentation:

	As previously reported	Reclassification	As adjusted
Interest received	1,507	67	1,574
Interest paid	(764)	(16)	(780)
Income received on operations with financial assets at fair value through profit or loss	158	(51)	107

The Group also made certain reclassifications within the statement of income for the three months ended 31 March 2007:

	As previously reported	Reclassification	As adjusted
Interest income	1,066	(7)	1,059
Gains less losses arising from financial assets at fair value through profit or loss	20	22	42
Foreign exchange translation gains less losses	28	(15)	13

4. Cash and Short-Term Funds

	30 June 2007 (unaudited)	31 December 2006
Cash on hand	775	930
Cash balances with central banks (other than mandatory reserve deposits)	1,266	1,267
Correspondent accounts with other banks		
- Russian Federation	704	551
- Other countries	696	833
Total cash and short-term funds	3,441	3,581
Less: restricted cash	(52)	(102)
Total cash and cash equivalents	3,389	3,479

5. Financial Assets at Fair Value through Profit or Loss

	30 June 2007 (unaudited)	31 December 2006
Financial assets held for trading	9,967	4,786
Financial assets designated as at fair value through profit or loss	334	334
Total financial assets at fair value through profit or loss	10,301	5,120

Financial Assets Held for Trading

	30 June 2007 (unaudited)	31 December 2006
Debt securities denominated in USD		
Russian corporate Eurobonds	534	583
Bonds of foreign companies and banks	406	369
Eurobonds of the Russian Federation	81	37
Russian MinFin bonds (OVGVZ)	83	74
Bonds of foreign governments	–	12
Promissory notes and debentures	–	8
Debt securities denominated in RUR		
Promissory notes and debentures	3,365	2,171
Russian Federal loan bonds (OFZ)	1,911	902
Bonds of the Central Bank of the Russian Federation	594	–
Debt securities denominated in other currencies		
Foreign corporate bonds	171	157
Bonds of foreign governments	54	75
Russian corporate Eurobonds	22	15
Equity securities	2,588	308
Balances arising from derivative financial instruments	158	75
Total financial assets held for trading	9,967	4,786

During the six months ended 30 June 2007 financial assets held for trading increased mainly due to purchase of debt securities. The increase in equity securities reflected, to a large extent, structured customer financing transactions whereby market risk is offset via forward sale agreements on the same securities (booked as off-balance sheet derivative instruments). Equity securities mostly represent securities issued by Russian oil and gas companies, energy, telecommunication and manufacturing companies, and banks. 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.

Financial Assets Designated as at Fair Value through Profit or Loss

	30 June 2007 (unaudited)	31 December 2006
Bonds of foreign companies and banks	136	123
Bonds of Russian companies and banks	92	74
Municipal bonds	16	16
Bonds of foreign governments	8	8
Eurobonds of the Russian Federation	5	107
Russian MinFin bonds (OVGVZ)	1	–
Other	76	6
Total financial assets designated as at fair value through profit or loss	334	334

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

	30 June 2007 (unaudited)	31 December 2006
Financial assets at fair value through profit or loss		
Russian corporate Eurobonds	222	43
Promissory notes	145	139
Bonds of foreign companies and banks	101	52
Russian Federal loan bonds (OFZ)	75	43
Bonds of foreign governments	53	26
Eurobonds of Russian Federation and MinFin Bonds	49	–
Russian corporate bonds	43	3
Equity securities	23	27
Municipal bonds	17	7
Total financial assets at fair value through profit or loss	728	340
Financial assets available-for-sale		
Bonds of foreign governments	328	645
Bonds of foreign companies and banks	102	551
EADS shares	–	1,402
Total financial assets available-for-sale	430	2,598
Total financial assets pledged under repurchase agreements and loaned financial assets	1,158	2,938

Decrease in financial assets pledged under Repurchase Agreements and Loaned Financial Assets occurred mainly due to the expiration of the repurchase agreement for the shares of European Aeronautic Defence and Space Company (EADS) (approximately 5% of the share capital) in the second quarter 2007 and related classification of EADS shares as an available-for-sale financial asset as at 30 June 2007 (Note 9). Decrease in bonds of foreign governments and bonds of foreign companies and banks resulted from expiration of repurchase agreements.

7. Due from Other Banks

	30 June 2007 (unaudited)	31 December 2006
Current term placements with other banks	7,543	6,013
Reverse sale and repurchase agreements with other banks	918	808
Total gross due from other banks	8,461	6,821
Less: Allowance for loan impairment (Note 19)	(8)	(8)
Total due from other banks	8,453	6,813

8. Loans and Advances to Customers

	30 June 2007 (unaudited)	31 December 2006
Current loans and advances	34,534	28,437
Reverse sale and repurchase agreements with customers	1,627	1,152
Rescheduled loans and advances	134	242
Overdue loans and advances	516	404
Total gross loans and advances to customers	36,811	30,235
Less: Allowance for loan impairment (Note 19)	(1,118)	(973)
Total loans and advances to customers	35,693	29,262

At 30 June 2007, included in current loans are lease receivables of USD 752 million (31 December 2006: USD 469 million), equal to the net investment in lease.

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

	30 June 2007 (unaudited)		31 December 2006	
	Amount	%	Amount	%
Finance	5,907	16	5,049	17
Trade and commerce	5,676	16	4,790	16
Individuals	4,106	11	2,533	8
Manufacturing	4,089	11	4,067	13
Building construction	3,184	9	2,364	8
Oil and gas	2,167	6	1,507	5
Metals	1,847	5	1,556	5
Government bodies	1,827	5	1,668	6
Food and agriculture	1,599	4	1,104	4
Transport	1,574	4	1,288	4
Energy	967	3	937	3
Chemical	851	2	789	3
Coal mining	638	2	705	2
Telecommunications and media	382	1	406	1
Aircraft	360	1	243	1
Other	1,637	4	1,229	4
Total gross loans and advances to customers	36,811	100	30,235	100

At 30 June 2007, the total amount of outstanding loans issued by the Group to 10 largest groups of interrelated borrowers comprise USD 6,435 million, or 17% of the gross loan portfolio (31 December 2006: USD 5,342 million, or 18%).

9. Financial Assets Available-for-sale

	30 June 2007 (unaudited)	31 December 2006
EADS shares	1,341	–
Bonds of foreign companies and banks	538	162
CJSC "ALROSA" shares	336	333
Other equity investments	147	149
Eurobonds of the Russian Federation	59	55
Russian corporate Eurobonds	49	85
OJSC "Terminal" shares	41	–
Bonds of foreign governments	34	15
Russian MinFin bonds (OVGVZ)	23	30
Municipal bonds	12	13
Promissory notes	11	26
OJSC "International Moscow Bank" shares	–	20
Total financial assets available-for-sale	2,591	888

In the third quarter of 2006 VTB purchased 41 million shares of European Aeronautic Defence and Space Company (EADS) (approximately 5% of the share capital). The Group had unrealized gains on EADS shares of USD 65 million, net of tax, accounted within equity under caption "Unrealized gain or loss on available-for-sale financial assets" at 30 June 2007. At 31 December 2006 shares of EADS were classified as Financial Assets Pledged under Repurchase Agreements and Loaned Financial Assets.

In March 2007 VTB purchased 25%+1 shares in OJSC "Terminal". OJSC "Terminal" is established to finance the construction of "Sheremyetevo-3" airport terminal in Moscow region. Due to the specifics of the purchase agreement, which significantly reduce the ability of VTB to influence the operations of OJSC "Terminal", VTB classified this investment at initial recognition as an available-for-sale financial asset.

10. Investments in Associates

	Country of registration	Industry	30 June 2007 (unaudited)		31 December 2006	
			Carrying amount	Ownership percentage	Carrying amount	Ownership percentage
"Eurofinance Mosnarbank", OJSC	Russia	Bank	128	34.31%	116	34.07%
"East-West United Bank", S.A.	Luxembourg	Bank	39	48.61%	40	48.55%
"Vietnam – Russia Joint Venture Bank"	Vietnam	Bank	15	49.00%	5	49.00%
"Management Company ICB", Ltd	Russia	Finance	3	24.98%	4	24.98%
"Halladale PLC"	Great Britain	Property	–	–	26	23.00%
"Insurance Company VTB-Rosno", Ltd	Russia	Insurance	–	–	9	49.99%
"Interbank Trading House", Ltd	Russia	Commerce	–	50.00%	–	50.00%
Total investments in associates			185		200	

10. Investments in Associates (continued)

In March 2007 an equity investment in capital of Halladale Group plc., held through the VTB Bank (Europe)'s wholly owned subsidiary VTB Europe Strategic Investments, was sold to a third unrelated party for USD 44 million. The Group recognised profit arising from the transaction in the amount of USD 18 million.

In June 2007 VTB and ITC Ltd. purchased 0.02% and 49.99% of Insurance Company VTB-Rosno for the total amount of USD 11 million, accordingly at 30 June 2007 VTB-Rosno became a subsidiary of VTB and was consolidated (see Note 27).

During the second quarter of 2007 the share capital of Vietnam-Russia Joint Venture Bank was increased. VTB contributed into the capital USD 9.8 million retaining 49% ownership at 30 June 2007 (see Note 27).

11. Due to Other Banks

	30 June 2007 (unaudited)	31 December 2006
Term loans and deposits	3,248	3,080
Correspondent accounts and overnight deposits of other banks	1,592	1,931
Sale and repurchase agreements with other banks	913	2,576
Total due to other banks	5,753	7,587

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 1,123 million (31 December 2006: USD 2,929 million) (see Note 6).

Sale and repurchase agreements with other banks decreased during six months ended 30 June 2007 mainly due to expiration of agreements on EADS shares.

12. Customer Deposits

	30 June 2007 (unaudited)	31 December 2006
State and public organizations		
Current/settlement deposits	696	774
Term deposits	4,017	1,398
Other legal entities		
Current/settlement deposits	6,224	5,598
Term deposits	5,235	4,883
Individuals		
Current/settlement deposits	2,171	1,777
Term deposits	6,705	5,549
Sale and repurchase agreements	35	9
Total customer deposits	25,083	19,988

The increase in term deposits of state and public organizations during the period ended 30 June 2007 related to attraction of RUR denominated deposits from Russian local authorities.

13. Other Borrowed Funds

	30 June 2007 (unaudited)	31 December 2006
CBR deposits	507	653
Syndicated loans	2,816	2,864
Revolving credit lines	14	15
Other credit lines	1,342	936
Total other borrowed funds	4,679	4,468

In January 2007 VTB Bank Europe fully repaid a syndicated loan in the total contractual amount of USD 140 million. In February 2007, VTB fully repaid a syndicated loan in the total contractual amount of USD 300 million. During first quarter 2007 VTB Bank France fully repaid a syndicated loan in the total contractual amount of USD 150 million. In March 2007 VTB Bank Austria received two syndicated loans in the amount of USD 50 million each, maturing in February 2010 at fixed interest rates of 5.64% and 5.68%.

In May 2007 VTB Bank Austria received a syndicated loan in the amount of USD 180 million with maturity in February 2010 at the interest rate of 5.71%. In March 2007 VTB Bank Europe received a syndicated loan in the amount of USD 200 million maturing in September 2007 at the interest rate of 5.69%.

CBR deposits decreased due to repayment upon maturity.

14. Debt Securities Issued

	30 June 2007 (unaudited)	31 December 2006
Bonds	11,608	9,341
Promissory notes	1,530	1,877
Deposit certificates	51	106
Debentures	–	241
Total debt securities issued	13,189	11,565

In January 2007, VTB redeemed EUR denominated Schuldscheindarlehen with face value of EUR 200 million.

In March 2007, VTB issued EUR 1,000 million Eurobonds with a floating rate of EURIBOR+0.6% maturing in March 2009.

In March 2007, VTB issued GBP 300 million Eurobonds with a fixed rate of 6.332% maturing in March 2010.

In April 2007, VTB Bank Europe issued \$500 million Floating Rate Notes due in April 2009 at LIBOR+0.625%.

The decrease in the amount of promissory notes during the period ended 30 June 2007 was primarily associated with the substitution of promissory notes issued by “VTB-Leasing”, OJSC by a long-term RUR denominated loan from an unrelated foreign bank.

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 2007 the carrying amount of this subordinated debt was USD 768 million (31 December 2006: USD 766 million). The Bank's management expects to settle the debt in 2010 before the interest rate step-up.

On 29 September 2005, OJSC "Industry & Construction Bank" issued USD 400 million subordinated Eurobonds due September 2015 with early redemption call option on 1 October 2010 at face value. 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. (Luxemburg) for the purpose of financing a subordinated loan to the Bank. As of 30 June 2007, the carrying amount of this subordinated debt was USD 403 million (31 December 2006: USD 389 million). The Bank's management expects to settle the debt in 2010 before the interest rate step-up.

16. Interest Income and Expense

	For the three-month period ended		For the six-month period ended	
	30 June (unaudited)		30 June (unaudited)	
	2007	2006	2007	2006
Interest income				
Loans and advances to customers	883	709	1,737	1,275
Securities	141	131	249	222
Due from other banks	152	73	249	141
Total interest income	1,176	913	2,235	1,638
Interest expense				
Customer deposits	(272)	(178)	(508)	(313)
Debt securities issued	(196)	(111)	(375)	(214)
Subordinated debt	(19)	(19)	(38)	(37)
Due to banks and other borrowed funds	(164)	(152)	(310)	(280)
Total interest expense	(651)	(460)	(1,231)	(844)
Net interest income	525	453	1,004	794

17. Fee and Commission Income and Expense

	For the three-month period ended		For the six-month period ended	
	30 June (unaudited)		30 June (unaudited)	
	2007	2006	2007	2006
Commission on settlement transactions	69	52	133	88
Depositary appointment fee	57	–	57	–
Commission on cash transactions	23	18	42	31
Commission on guarantees issued	17	11	27	28
Commission on operations with securities	11	9	21	15
Other	12	1	20	20
Total fee and commission income	189	91	300	182
Commission on settlement transactions	(10)	(6)	(19)	(10)
Commission on cash transactions	(2)	(2)	(5)	(4)
Other	(2)	(3)	(9)	(7)
Total fee and commission expense	(14)	(11)	(33)	(21)
Net fee and commission income	175	80	267	161

18. Staff Costs and Administrative Expenses

	For the three-month period ended 30 June (unaudited)		For the six month period ended 30 June (unaudited)	
	2007	2006	2007	2006
Staff costs	184	129	351	249
Defined contribution pension expense	29	19	45	31
Depreciation and other expenses related to premises and equipment	67	48	108	80
Taxes other than on income	24	21	43	33
Insurance	23	8	31	15
Leasing and rent expenses	22	20	45	37
Advertising expenses	21	17	38	27
Charity	10	3	14	5
Professional services	9	10	19	14
Security expenses	9	8	18	15
Post and telecommunication expenses	9	7	16	12
Amortization of core deposit intangible	9	7	20	15
Transport expenses	2	2	3	5
Impairment and amortization of intangibles, except for core deposit intangible	1	–	3	5
Other	25	14	55	34
Total staff costs and administrative expenses	444	313	809	577

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:

	Due from other banks	Loans and advances to customers	Total
Balance at 31 December 2005	7	608	615
Provision for loan impairment during the period	1	184	185
Write-offs	–	(8)	(8)
Currency translation difference	–	4	4
Balance at 30 June 2006 (unaudited)	8	788	796
Balance at 31 December 2006	8	973	981
Provision for loan 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

19. Allowances for Impairment and Provisions (continued)

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 Board of Directors and, in certain cases, with the respective decision of the Court.

20. Share Capital and Reserves

In May 2007, VTB completed the Initial Public Offering (IPO) of its shares among Russian and foreign investors. On 24 May 2007, the Central Bank of Russia registered the issuance of 1,513,026,109,019 additional ordinary shares by VTB (22.5% of VTB number of shares after the increase) with a nominal value of RUR 0.01 each. The offer price per share was RUR 0.136 (USD 0.00528). The total number of shares placed in the form of GDRs was 983,387,340,000. Each GDR is worth 2,000 shares. Issued shares are freely traded at Moscow Interbank Currency Exchange (MICEX) and Russian Trading System (RTS) and global depository receipts (GDRs) issued on VTB's shares are freely traded at London Stock Exchange (LSE). The total amount of IPO proceeds was USD 7,977 million. The Bank incurred specific IPO-related expenses for the amount of USD 114 million, net of tax, which were posted directly to equity as a reduction of share premium. As a result, net equity increase related to the IPO process amounted to USD 7,863 million, less transaction costs, net of tax.

Unrealized gain on financial assets available-for-sale and cash flow hedge is a combined line of reserves for accounting of both changes in fair values of available-for-sale financial instruments and the effective portion of cash flow hedges.

21. 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)	
	2007	2006	2007	2006
Net profit attributable to shareholders of the parent (in millions of US dollars)	256	228	474	554
Weighted average number of ordinary shares (adjusted retrospectively for split of 1 share to 100,000 shares in 2006) in issue	5,840,736,165,570	5,211,112,400,000	5,527,663,574,955	5,211,112,400,000
Basic and diluted earnings per share (expressed in USD per share)	0.000044	0.000044	0.000086	0.000106
Basic and diluted earnings per share – continuing operations (expressed in USD per share)	0.000044	0.000044	0.000086	0.000106
Basic and diluted earnings per share – discontinued operations (expressed in USD per share)	0.000000	0.000000	0.000000	0.000000

22. Income Tax

In the first half of 2006, VTB earned non-taxable profits from operating activities, non-taxable gains from foreign exchange and one of the foreign subsidiaries recognized tax losses, respectively, giving rise to tax benefits of USD 38 million, USD 36 million and USD 11 million, which contributed to the reduction of the Group's effective tax rate for the first six months of 2006 to 16%. In the first half of 2007, the effective tax rate was 24% as there were no such significant non-taxable profits and gains.

23. Dividends

VTB does not have a formal policy for payment of dividends. The amount of dividends to be declared and paid is decided at the VTB's annual shareholders' meeting on the basis of VTB's net profit for the previous fiscal year determined in accordance with Russian Accounting Legislation on a stand-alone basis. On 29 June 2006, VTB's shareholders meeting approved dividends of RUR 1.7 billion (USD 63 million at the exchange rate of RUR 27.0611 per USD 1.00) for 2005, which were paid on 25 August 2006. On 20 June 2007 VTB's shareholders' meeting approved dividends of RUR 3.4 billion (USD 133 million at the exchange rate of RUR 25.9268 per USD 1.00) for 2006 (RUR 0.00066 per share or USD 0.000026 per share). Dividends were paid on 14 August 2007.

On 30 June 2006, OJSC "Bank VTB North-West" shareholders approved dividends of RUR 126 million (USD 4.7 million at the exchange rate of RUR 27.0789 per USD 1.00) for 2005, which were paid on 19 July 2006, thus resulting in decrease in minority interest by USD 1 million.

On 29 June 2007, OJSC "Bank VTB North-West" declared dividends of RUR 176 million (USD 6.8 million at the exchange rate of RUR 25.8162 per USD 1.00) for 2006, resulting in reduction of minority interest by USD 2 million. The dividends were paid on 6 August 2007.

On 23 May 2007, "VTB Bank (Deutschland)" AG declared dividends of EUR 7.8 million (USD 10.5 million at the exchange rate of EUR 0.7405 per USD 1.00) for 2006, resulting in reduction of minority interest in "VTB Bank (Deutschland)" AG by USD 0.4 million.

24. Contingencies, Commitments and Derivative Financial Instruments***Legal proceedings***

From time to time and in the normal course of business, claims against the Group are received. Management is of the opinion that there would be no material outflow of resources and accordingly no provision has been made in these consolidated financial statements.

Credit related commitments

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

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

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

Outstanding credit related commitments are as follows:

	30 June 2007 (unaudited)	31 December 2006
Guarantees issued	5,475	3,164
Undrawn credit lines	5,038	3,944
Import letters of credit	1,210	999
Commitments to extend credit	3,405	1,814
Less: allowance for losses on credit related commitments	(1)	(3)
Total credit related commitments	15,127	9,918

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 2007 was USD 1,982 million (31 December 2006: USD 2,120 million). Commitments under import letters of credit and guarantees are collateralized by customer deposits of USD 167 million (31 December 2006: USD 66 million).

At 30 June 2007, included in guarantees issued is a guarantee of USD 2,032 million or 37% 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 oil and gas Russian company.

At 30 June 2007, included in guarantees issued are guarantees issued for a Russian company of USD 722 million or 13% of the guarantees issued (31 December 2006: USD 806 million, or 25% of the guarantees issued).

Derivative Financial Instruments – Cash flow hedges

The Group is exposed to variability in future interest cash flows on its loan portfolio, which bears interest at variable rates. The Group uses interest rate swaps (IRSs) as cash flow hedges of underlying interest rate risks.

The fair value of IRSs used as cash flow hedges was accounted within “Financial assets at fair value through profit or loss” for positive items and within “Other liabilities” for negative items, which amounted to USD 8 million and USD 26 million as of 30 June 2007, respectively.

The Group recognized USD 22 million debiting the cash flow hedge reserve, net of taxes, at 30 June 2007 which was accounted within “Unrealized gain on financial assets available-for-sale and cash flow hedge” caption in equity.

25. 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. 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 period ended 30 June 2007 (unaudited). 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 from financial assets at fair value through profit or loss, gains less losses from dealing in foreign currencies and share in income of associates.

25. Analysis by Segment (continued)

	Russia	Other CIS	Europe and other	Total before intersegment eliminations	Intersegment eliminations	Total
Total revenues	2,369	109	476	2,954	(73)	2,881
External customers	2,308	109	464	2,881	–	2,881
Other segments	61	–	12	73	(73)	–
Segment results (profit before taxation)	548	16	95	659	–	659
Income tax expense						(155)
Net profit						504
Segment assets as of 30 June 2007						
less income tax assets	54,230	1,982	12,802	69,014	(2,960)	66,054
Income tax assets	58	5	106	169	–	169
Total assets as of 30 June 2007	54,288	1,987	12,908	69,183	(2,960)	66,223
Segment liabilities as of 30 June 2007						
less income tax liabilities	41,237	1,688	10,886	53,811	(2,960)	50,851
Income tax liabilities	133	4	19	156	–	156
Total liabilities as of 30 June 2007	41,370	1,692	10,905	53,967	(2,960)	51,007
Other segment items						
Profit from disposal of associate	–	–	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

Segment information for the three main reportable geographical segments of the Group: Russia, Other CIS and Europe and Other, at 31 December 2006 and results for the six months ended 30 June 2006 are set out below (unaudited):

	Russia	Other CIS	Europe and other	Total before intersegment eliminations	Intersegment eliminations	Total
Total revenues	1,940	51	400	2,391	(48)	2,343
External customers	1,898	51	394	2,343	–	2,343
Other segments	42	–	6	48	(48)	–
Segment results (profit before taxation)	642	10	31	683	–	683
Income tax expense						(109)
Profit after taxation from continued operations						574
Profit from discontinued operations	2	–	–	2	–	2
Net profit						576
Segment assets as of 31 December 2006 less income tax assets	41,161	1,233	12,367	54,761	(2,468)	52,293
Income tax assets	16	4	90	110	–	110
Assets as of 31 December 2006	41,177	1,237	12,457	54,871	(2,468)	52,403
Segment liabilities as of 31 December 2006 less income tax liabilities	36,218	1,049	10,455	47,722	(2,468)	45,254
Income tax liabilities	136	4	17	157	–	157
Liabilities as of 31 December 2006	36,354	1,053	10,472	47,879	(2,468)	45,411
Other segment items						
Share in income of associates	1	–	4	5	–	5
Capital expenditure	58	6	4	68	–	68
Depreciation and amortization charge	31	2	4	37	–	37
Other non-cash income (expenses)						
Provision for loan impairment	(155)	(3)	(27)	(185)	–	(185)
Interest income	1,263	40	382	1,685	(47)	1,638
Interest expense	(609)	(22)	(260)	(891)	47	(844)
Net interest income	654	18	122	794	–	794

26. 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 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.

During the first quarter of 2007, Bank VTB 24 repurchased its own shares from a minority shareholder, which is a related party to the Group, for USD 25 million, accordingly increasing the ownership of the Group in Bank VTB 24 to 100%.

In March 2007, VTB purchased 25%+1 share in OJSC “Terminal” from a related party (Note 9).

In the normal course of business the Group enters into a significant number of transactions with related parties, which include lending, deposit taking, settlements and other transactions. Such transactions entered by the Bank during the period ended 30 June 2007 were made on an arm’s length basis.

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

Balance sheet and credit related commitments:

	30 June 2007 (unaudited)		31 December 2006	
	State-owned entities	Associates	State-owned entities	Associates
Assets				
Cash and short-term funds	1,783	–	1,236	–
Mandatory cash balances with central banks	772	–	571	–
Financial assets at fair value through profit or loss	5,609	–	2,456	–
Financial assets pledged under repurchase agreements and loaned financial assets	312	–	207	–
Due from other banks	2,266	111	731	72
Loans and advances to customers	6,266	69	5,435	65
Allowance for loan impairment	(73)	(29)	(80)	(31)
Financial assets available-for-sale	476	–	470	–
Liabilities				
Due to other banks	662	1	495	7
Customer deposits	6,690	57	4,221	6
Other borrowed funds	612	–	653	–
Credit Related Commitments				
Guarantees issued	1,633	–	1,758	2
Undrawn credit lines	1,101	–	1,179	–
Import letters of credit	157	–	100	–
Commitments to extend credit	585	8	333	34

26. Related Party Transactions (continued)
Income Statement:

	For the six-month period ended 30 June 2007 (unaudited)	
	2007	2006
Interest income		
Loans and advances to customers	298	265
Securities	94	114
Due from other banks	32	14
Interest expense		
Customer deposits	(90)	(49)
Due to other banks	(19)	(23)
Reversal of provision for loan impairment	9	43

For the period ended 30 June 2007, the total remuneration of the directors and key management personnel, including pension contributions and discretionary compensation, amounted to USD 37.1 million (30 June 2006: USD 15.5 million), including pension contributions of the directors and key management personnel. Key management personnel include VTB Supervisory Council, VTB Management Board, VTB Statutory Audit Committee and key management of subsidiaries.

27. Consolidated Subsidiaries and Associates

The 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 2007 (unaudited)	31 December 2006
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%
"Vneshtorgbank (Ukraine)", CJSC	Banking	Ukraine	100.00%	100.00%
"VTB Bank", OJSC (former "Mriya", OJSC)	Banking	Ukraine	99.67%	98.47%
"VTB Bank (Armenia)", CJSC	Banking	Armenia	70.00%	70.00%
"VTB Bank (Georgia)", JSC	Banking	Georgia	53.17%	53.17%
"Slavneftebank", CJSC	Banking	Belorussia	50.00%	–
"Bank VTB 24", CJSC	Banking	Russia	100.00%	96.68%
"VTB Broker", OJSC	Banking	Russia	99.83%	99.83%
"Novosibirskvneshtorgbank", CJSC	Banking	Russia	97.58%	99.58%
"VTB Bank (Deutschland)" AG	Banking	Germany	88.48%	78.82%
"Bank VTB North-West", OJSC	Banking	Russia	75.00%	75.00%
"VTB Bank (France)"	Banking	France	80.26%	77.55%
"VTB Bank (Europe)", Plc.	Banking	Great Britain	92.02%	89.10%
"Banco VTB Africa S.A."	Banking	Angola	66.00%	–
"VTB Capital (Namibia) (Proprietary) Limited"	Investment	Namibia	50.03%	50.03%
"Multicarta", Ltd	Plastic cards	Russia	100.00%	100.00%
"Euroleasing", GMBH	Leasing	Germany	63.00%	63.00%
"I.T.C. Consultants (Cyprus)", Ltd	Finance	Cyprus	100.00%	100.00%
"VB-Service", Ltd	Commerce	Russia	100.00%	100.00%
"Non-state Pension Fund of Vneshtorgbank"	Insurance	Russia	100.00%	100.00%

27. Consolidated Subsidiaries and Associates (continued)

Name	Activity	Country of registration	Percentage of ownership	
			30 June 2007 (unaudited)	31 December 2006
"Almaz-Press", CJSC	Publishing	Russia	100.00%	100.00%
"Almaz-Print", CJSC	Publishing	Russia	100.00%	100.00%
"Rassvet-Expo", CJSC	Publishing	Russia	100.00%	100.00%
"Rasters", CJSC	Publishing	Russia	100.00%	100.00%
"Dom Rybaka", Ltd	Recreation	Russia	100.00%	100.00%
"VTB-Leasing", OJSC	Leasing	Russia	100.00%	100.00%
"Embassy Development Limited"	Finance	Jersey	100.00%	100.00%
"VTB-Capital", CJSC	Finance	Russia	100.00%	100.00%
"VTB-Capital-Stolitsa", CJSC	Trading	Russia	–	99.00%
"VTB Strategic Investments Limited"	Investment	England	92.02%	89.10%
"VTB Europe Finance", B.V.	Finance	Netherlands	92.02%	89.10%
"VTB Strategic Investments (Russia) Limited"	Investment	England	92.02%	89.10%
"Business-Finance", Ltd	Finance	Russia	100.00%	96.68%
"ICB Finance B.V."	Finance	Netherlands	75.00%	75.00%
"ICB Finance", Ltd	Finance	Russia	–	75.00%
"Uralpromstroyleasing", Ltd	Leasing	Russia	75.00%	75.00%
"ICB-Invest Group", OJSC	Finance	Russia	74.25%	74.25%
"MC ICB", Ltd	Real estate	Russia	74.25%	–
"Dolgovoi centre", Ltd	Finance	Russia	100.00%	96.68%
"Sistema Plus", CJSC	Finance	Russia	100.00%	96.68%
"Tekhnoinvest", CJSC	Trading	Russia	100.00%	96.68%
"VTB-Invest", CJSC	Finance	Russia	90.00%	90.00%
"Insurance Company VTB-Rosno", Ltd	Insurance	Russia	100.00%	49.99%
"Ost-West Vermögenanlagen, GmbH"	Real estate	Germany	88.48%	78.82%
"Megolin Holding", AG	Real estate	Switzerland	100.00%	100.00%
"VTB-Leasing Ukraine", Ltd	Leasing	Ukraine	100.00%	100.00%
"Capablue", Ltd	Leasing	Ireland	100.00%	–
"Verulamium Finance", Ltd	Leasing	Cyprus	100.00%	–
Associates:				
"Eurofinance Mosnarbank", OJSC	Banking	Russia	34.31%	34.07%
"Vietnam – Russia Joint Venture Bank"	Banking	Vietnam	49.00%	49.00%
"East-West United Bank", S.A.	Banking	Luxembourg	48.61%	48.55%
"Interbank Trading House", Ltd	Commerce	Russia	50.00%	50.00%
"Management Company ICB", Ltd	Finance	Russia	24.98%	24.98%
"Halladale PLC"	Property	Great Britain	–	23.00%

In March 2007, VTB's subsidiary bank in Angola, Banco VTB Africa SA (VTB Africa), with 66% shareholding of VTB was registered and started operations.

In March 2007, VTB Bank Europe issued additional 194,700,000 ordinary shares. VTB purchased all shares issued by VTB Bank Europe for GBP 52 million (USD 102 million). As a result of this transaction, VTB increased its ownership in VTB Bank Europe to 92.02%. Accordingly, the ownership of the Group in VTB Bank (France) and VTB Bank (Deutschland) increased to 80.26% and 81.43%, respectively.

During the first quarter of 2007, Bank VTB 24 repurchased its shares from minority shareholders for USD 25 million (Note 26).

In April 2007, VTB Bank Europe purchased 100 shares of VTB Bank (Deutschland), AG, which constitutes 7.69% of share capital of the issuer, for RUR 234 million (USD 9 million), that resulted in the increase of ownership in VTB Bank (Deutschland) from 81.43% to 88.48%.

27. Consolidated Subsidiaries and Associates (continued)

In April 2007, the increase of share capital of “Vietnam – Russia Joint Venture Bank” up to US 30 million was approved by participants. In May 2007, VTB transferred USD 9.8 million for the newly issued shares. Upon completion of the share issue, the share of VTB will remain at 49%.

In April 2007, VTB purchased 66,955 newly issued ordinary shares (50%+1 of the share capital) of the CJSC “Slavneftebank” located in Belarus with 6 branches for USD 25 million. CJSC “Slavneftebank” had profit of USD 1 million since the acquisition date which was included into the Group’s profit. VTB has hired an independent appraiser to determine the fair value of identifiable assets, liabilities and contingent liabilities of Slavneftebank as of the acquisition date.

The provisional fair values, which are not materially different from carrying values, of identifiable assets and liabilities of the Bank “Slavneftebank” at acquisition date are as follows:

Assets	30 April 2007
Cash and short-term funds	42
Financial assets at fair value through profit or loss	15
Due from other banks	11
Loans and advances to customers	86
Premises and equipment	10
Other assets	3
Total assets	167
Liabilities	
Due to other banks	3
Customer deposits	138
Other liabilities	1
Total liabilities	142
Fair value of net assets	25
Acquired share	50%
Contribution paid	25
Goodwill	–

In May 2007, VTB increased its ownership percentage in bank “Mriya”, OJSC from 98.47% to 99.27% by purchasing 10 698 520 ordinary shares from minority holders for USD 570 thousand and 6 351 814 ordinary treasury shares held by “Mriya” for the nominal value of 635 thousand Ukrainian hryvnias. In May 2007, VTB increased its ownership percentage in bank “Mriya”, OJSC from 99.27% to 99.67% by purchasing part of an additional issue of 2 345 950 827 ordinary shares of bank “Mriya”, OJSC for the nominal value of 234 million Ukrainian hryvnias (USD 46 million). In May 2007, bank “Mriya”, OJSC was renamed into VTB Bank, OJSC.

In June 2007, “Industry & Construction Bank”, OJSC was renamed into OJSC “Bank VTB North-West”.

In June 2007 the Group purchased 50.01% in Insurance company VTB-Rosno from a third party for USD 5 million. The purchased subsidiary’s assets and liabilities are not material, accordingly no disclosure of acquired assets and liabilities is provided.

28. 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 2007 and 31 December 2006 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 2007 and 31 December 2006 was 19.0% and 14.0%, respectively. These ratios exceeded the minimum ratio of 8% recommended by the Basle Accord.

29. Subsequent Events

In July 2007 VTB repaid its Series 3 issue under its \$10 billion EMTN Programme in the amount of USD 300 million.

On July 23, 2007 VTB acquired the remaining 30% stake in VTB Bank (Armenia) from an unrelated third party for USD 15 million.

In July 2007 VTB, fully repaid the loan received from the Central Bank of Russia in the amount of USD 500 million.

In July 2007 VTB increased its ownership share in "VTB-Invest", CJSC from 90.00% to 100.00% by purchasing additional 265,000 ordinary shares of "VTB-Invest" for the nominal value of RUR 265 million.

In July 2007 "VTB-Capital", CJSC issued 15,000,000 ordinary shares at a price of RUR 10 per share (par value RUR 1) for the total amount of RUR 150 million, which were fully purchased by the Bank .

In June 2007 "Bank VTB 24", CJSC made an additional share issue for the total amount of RUR 25,664 million, which was fully purchased by the Group. The share issue was registered by the CBR in July 2007.

In August 2007, VTB received USD 500 million loan due August 2017 with a floating rate based on Deutsche bank FRB (forward rate bias) index, the loan may be redeemed at the option of the creditor at its first anniversary.

On September 3, 2007, the Supervisory Council of VTB cancelled a planned September 27, 2007 extraordinary meeting of shareholders, which was to have been held to approve the merger of Bank VTB North-West into VTB. The Group may consider merging Bank VTB North-West into VTB at a later point in time, but effecting a legal merger of the two banks under Russian law is currently not an operational priority for the Group. However, the Group believes that its overall strategy to combine the businesses of the two banks will not be significantly impacted.

In August 2007 VTB paid in full (USD 2 million of USD 6.6 million total VTB payment) its contribution of its 66% shareholding in "Banco VTB Africa S.A.". Upon completion of the transaction, the share of VTB remains at 66%.

On 21 September 2007, VTB sold its stake of 97.58% in "Novosibirskvneshtorgbank", CJSC to the third parties which are not related to the Group, for USD 105 million.

In September 2007, VTB redeemed Series 8 USD denominated Eurobonds with face value of USD 1,000 million.