

**VTB BANK**

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

*30 September 2007*

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

To the Supervisory Council 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 September 2007, and the related interim condensed consolidated statements of income for the three months and the nine months then ended and interim condensed consolidated statements of cash flows and changes in equity for the nine 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.



19 December 2007

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

	Note	30 September 2007 (unaudited)	31 December 2006
<b>Assets</b>			
Cash and short-term funds	4	3,297	3,581
Mandatory cash balances with central banks		1,133	648
Financial assets at fair value through profit or loss	5	9,583	5,120
Financial assets pledged under repurchase agreements and loaned financial assets	6	3,149	2,938
Due from other banks	7	6,452	6,813
Loans and advances to customers	8	45,025	29,262
Financial assets available-for-sale	9	1,239	888
Investments in associates	10	191	200
Investment securities held-to-maturity		14	11
Premises and equipment		1,566	1,422
Investment property		188	178
Intangible assets		479	455
Deferred tax asset		211	93
Other assets		1,728	794
<b>Total assets</b>		<b>74,255</b>	<b>52,403</b>
<b>Liabilities</b>			
Due to other banks	11	9,245	7,587
Customer deposits	12	28,923	19,988
Other borrowed funds	13	5,714	4,468
Debt securities issued	14	12,130	11,565
Deferred tax liability		114	125
Other liabilities		1,070	509
<b>Total liabilities before subordinated debt</b>		<b>57,196</b>	<b>44,242</b>
Subordinated debt	15	1,167	1,169
<b>Total liabilities</b>		<b>58,363</b>	<b>45,411</b>
<b>Equity</b>			
Share capital	20	3,084	2,500
Share premium	20	8,792	1,513
Treasury stock		(20)	–
Unrealized gain on financial assets available-for-sale and cash flow hedge	20	62	154
Currency translation difference		580	352
Premises revaluation reserve		332	341
Retained earnings		2,674	1,744
<b>Equity attributable to shareholders of the parent</b>		<b>15,504</b>	<b>6,604</b>
Minority interest		388	388
<b>Total equity</b>		<b>15,892</b>	<b>6,992</b>
<b>Total liabilities and equity</b>		<b>74,255</b>	<b>52,403</b>

Approved for issue and signed on 19 December 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 Nine Months Ended 30 September 2007 (unaudited)***(expressed in millions of US dollars, except earnings per share data)*

	Note	For the three-month period ended		For the nine-month period ended	
		30 September		30 September	
		2007	2006	2007	2006
Interest income	16	1,408	942	3,643	2,580
Interest expense	16	(680)	(551)	(1,911)	(1,395)
<b>Net interest income</b>		<b>728</b>	<b>391</b>	<b>1,732</b>	<b>1,185</b>
Provision charge for impairment	19	(215)	(188)	(355)	(373)
<b>Net interest income after provision impairment</b>		<b>513</b>	<b>203</b>	<b>1,377</b>	<b>812</b>
Gains less losses arising from financial assets at fair value through profit or loss		110	88	196	174
Net gains (losses) from available-for-sale financial assets		(34)	–	(33)	119
Gains less losses arising from dealing in foreign currencies		206	48	347	48
Foreign exchange translation gains less losses		107	26	134	253
Fee and commission income	17	168	121	468	303
Fee and commission expense	17	(21)	(18)	(54)	(39)
Share in income of associates		–	8	7	13
Income arising from non-banking activities		30	23	73	61
Other operating income		14	19	55	67
<b>Net non-interest income</b>		<b>580</b>	<b>315</b>	<b>1,193</b>	<b>999</b>
<b>Operating income</b>		<b>1,093</b>	<b>518</b>	<b>2,570</b>	<b>1,811</b>
Staff costs and administrative expenses	18	(480)	(306)	(1,289)	(883)
Expenses arising from non-banking activities		(20)	(17)	(47)	(50)
Profit from disposal of associates and subsidiaries	10,27	62	56	80	56
<b>Profit before taxation</b>		<b>655</b>	<b>251</b>	<b>1,314</b>	<b>934</b>
Income tax expense	22	(108)	(19)	(263)	(128)
<b>Profit after taxation from continuing operations</b>		<b>547</b>	<b>232</b>	<b>1,051</b>	<b>806</b>
Profit from discontinued operations		–	8	–	10
<b>Net profit</b>		<b>547</b>	<b>240</b>	<b>1,051</b>	<b>816</b>
<b>Net profit attributable to:</b>					
Shareholders of the parent		<b>555</b>	<b>227</b>	<b>1,029</b>	<b>781</b>
Minority interest		<b>(8)</b>	<b>13</b>	<b>22</b>	<b>35</b>
<b>Basic and diluted earnings per share (expressed in USD per share)</b>	21	0.000095	0.000044	0.000186	0.000150
Basic and diluted earnings per share – continuing operations (expressed in USD per share)	21	0.000095	0.000042	0.000186	0.000148
Basic and diluted earnings per share – discontinued operations (expressed in USD per share)	21	0.000000	0.000002	0.000000	0.000002

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

	For the nine-month period ended 30 September	
	2007	2006
	<b>Note</b>	
<b>Cash flows from operating activities</b>		
Interest received	3,571	2,288
Interest paid	(1,871)	(1,321)
Income received on operations with financial assets at fair value through profit or loss	145	111
Income received on dealing in foreign currency	203	73
Fees and commissions received	468	303
Fees and commissions paid	(70)	(37)
Income arising from non-banking activities and other operating income received	106	128
Staff costs, administrative expenses and expenses arising from non-banking activities paid	(1,196)	(921)
Income tax paid	(265)	(206)
<b>Cash flows from operating activities before changes in operating assets and liabilities</b>	<b>1,091</b>	<b>418</b>
<b>Net decrease (increase) in operating assets</b>		
Net increase in mandatory cash balances with central banks	(449)	(112)
Net decrease in restricted cash	11	8
Net (increase) decrease in financial assets at fair value through profit or loss	(4,655)	572
Net decrease (increase) in due from other banks	557	(1,339)
Net increase in loans and advances to customers	(15,078)	(6,751)
Net increase in other assets	(895)	(380)
<b>Net (decrease) increase in operating liabilities</b>		
Net increase (decrease) in due to other banks	1,423	(183)
Net increase in customer deposits	7,989	6,504
Net decrease in promissory notes and certificates of deposits issued	(576)	(430)
Net increase in other liabilities	184	130
<b>Net cash used in operating activities</b>	<b>(10,398)</b>	<b>(1,563)</b>
<b>Cash flows from investing activities</b>		
Dividends received	22	27
Proceeds from sales or maturities of financial assets available-for-sale	690	616
Purchase of financial assets available-for-sale	(443)	(2,040)
Purchase of subsidiaries, net of cash acquired	(11)	(14)
Sale of disposal group held for sale	–	122
Acquisition of minority interest in subsidiaries	(50)	–
Disposal of associates	44	–
Disposal of subsidiaries, net of cash disposed	66	(16)
Purchase of associates	(10)	–
Purchase of investment securities held-to-maturity	(9)	–
Proceeds from redemption of investment securities held-to-maturity	6	2
Purchase of premises and equipment	(216)	(184)
Proceeds from sale of premises and equipment	30	32
Purchase of intangible assets	(12)	(2)
Proceeds from sale of intangible assets	–	6
<b>Net cash from (used in) investing activities</b>	<b>107</b>	<b>(1,451)</b>

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

	Note	For the nine-month period ended 30 September	
		2007	2006
<b>Cash flows from financing activities</b>			
Dividends paid		(133)	(63)
Proceeds from issuance of RUR denominated bonds		–	659
Redemption of RUR denominated bonds		(102)	(72)
Proceeds from issuance of Eurobonds		2,524	1,248
Redemption of Eurobonds		(1,300)	(350)
Proceeds from issuance of SSD debentures (Schuldscheindarlehen)		–	254
Redemption of SSD debentures (Schuldscheindarlehen)		(227)	(157)
Proceeds from syndicated loans		1,518	2,963
Repayment of syndicated loans		(595)	(1,210)
Proceeds from other borrowings		1,294	709
Repayment of other borrowings		(918)	(499)
Proceeds from share issue, less transaction costs		7,842	–
Cash paid for treasury stock		(20)	–
<b>Net cash from financing activities</b>		<b>9,883</b>	<b>3,482</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>		<b>135</b>	<b>116</b>
<b>Net (decrease) increase in cash and cash equivalents</b>		<b>(273)</b>	<b>584</b>
Cash and cash equivalents at beginning of the year	4	3,479	2,541
<b>Cash and cash equivalents at the end of the period</b>	<b>4</b>	<b>3,206</b>	<b>3,125</b>

**VTB Bank**  
**Interim Condensed Consolidated Statement of Changes in Shareholders' Equity (unaudited)**  
*(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
<b>Balance at 31 December 2005 (audited)</b>	<b>2,500</b>	<b>1,513</b>	<b>–</b>	<b>89</b>	<b>72</b>	<b>86</b>	<b>660</b>	<b>4,920</b>	<b>349</b>	<b>5,269</b>
Unrealized gain on financial assets available-for-sale, net of tax	–	–	–	87	–	–	–	87	22	109
Transferred to profit or loss on sale of financial assets available-for-sale, net of tax	–	–	–	(89)	–	–	–	(89)	–	(89)
Effect of translation	–	–	–	–	–	146	–	146	22	168
<b>Total income and expense recognized directly in equity</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(2)</b>	<b>–</b>	<b>146</b>	<b>–</b>	<b>144</b>	<b>44</b>	<b>188</b>
<b>Net profit</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>781</b>	<b>781</b>	<b>35</b>	<b>816</b>
<b>Total income and expense for the period</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(2)</b>	<b>–</b>	<b>146</b>	<b>781</b>	<b>925</b>	<b>79</b>	<b>1,004</b>
Dividends declared (Note 23)	–	–	–	–	–	–	(63)	(63)	(1)	(64)
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	1	1
Increase in share capital of subsidiaries	–	–	–	–	–	–	(3)	(3)	5	2
Acquisition of minority interest	–	–	–	–	–	–	3	3	(7)	(4)
<b>Balance at 30 September 2006</b>	<b>2,500</b>	<b>1,513</b>	<b>–</b>	<b>87</b>	<b>72</b>	<b>232</b>	<b>1,378</b>	<b>5,782</b>	<b>426</b>	<b>6,208</b>
<b>Balance at 31 December 2006 (audited)</b>	<b>2,500</b>	<b>1,513</b>	<b>–</b>	<b>154</b>	<b>341</b>	<b>352</b>	<b>1,744</b>	<b>6,604</b>	<b>388</b>	<b>6,992</b>
Unrealized loss on financial assets available-for-sale, net of tax	–	–	–	(98)	–	–	–	(98)	(2)	(100)
Unrealized loss on cash flow hedge, net of tax (Note 24)	–	–	–	(4)	–	–	–	(4)	–	(4)
Effect of translation	–	–	–	–	–	228	–	228	25	253
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	–	–	–	10	–	–	–	10	–	10
Transfer of premises revaluation reserve upon disposal or depreciation	–	–	–	–	(11)	–	11	–	–	–
<b>Total income and expense recognized directly in equity</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(92)</b>	<b>(9)</b>	<b>228</b>	<b>11</b>	<b>138</b>	<b>23</b>	<b>161</b>
<b>Net profit</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>1,029</b>	<b>1,029</b>	<b>22</b>	<b>1,051</b>
<b>Total income and expense for the period</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(92)</b>	<b>(9)</b>	<b>228</b>	<b>1,040</b>	<b>1,167</b>	<b>45</b>	<b>1,212</b>
Dividends declared (Note 23)	–	–	–	–	–	–	(133)	(133)	(2)	(135)
Share issue (Note 20)	584	7,279	–	–	–	–	–	7,863	–	7,863
Treasury stock	–	–	(20)	–	–	–	–	(20)	–	(20)
Acquisition of new subsidiaries	–	–	–	–	–	–	–	–	25	25
Increase in share capital of subsidiaries	–	–	–	–	–	–	26	26	(26)	–
Acquisition of minority interests	–	–	–	–	–	–	(7)	(7)	(46)	(53)
Change in associates' equity (not recognised in associate's profit or loss)	–	–	–	–	–	–	4	4	–	4
Disposal of subsidiaries	–	–	–	–	–	–	–	–	(2)	(2)
Establishment of subsidiaries	–	–	–	–	–	–	–	–	6	6
<b>Balance at 30 September 2007</b>	<b>3,084</b>	<b>8,792</b>	<b>(20)</b>	<b>62</b>	<b>332</b>	<b>580</b>	<b>2,674</b>	<b>15,504</b>	<b>388</b>	<b>15,892</b>



## 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 2 January 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 16 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 VTB as a parent and 3 subsidiary banks with its network of 157 full service branches, including 57 branches of VTB, 48 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 3 representative offices located in India, Italy and China.

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 September 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 September 2007 was 33,948 (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 nine-month period ended 30 September 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 within “Unrealized gain on financial assets available-for-sale and cash flow hedge” caption. 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 September 2007, the principal rate of exchange used for translating balances in Russian Roubles to USD was USD 1 to RUR 24.9493 (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 0.7059 (at 31 December 2006: USD 1 to Euro 0.7589).

**Reclassifications**

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

	As previously reported	Reclassification	As adjusted
Interest income	2,605	(25)	2,580
Gains less losses arising from financial assets at fair value through profit or loss	149	25	174
Gains less losses arising from dealing in foreign currencies	73	(25)	48
Fee and commission expense	(37)	(2)	(39)
Income arising from non-banking activities	–	61	61
Other operating income	128	(61)	67
Expenses arising from non-banking activities	–	(50)	(50)
Staff costs and administrative expenses	(960)	77	(883)

**3. Basis of Preparation (continued)**

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

	As previously reported	Reclassification	As adjusted
Interest income	953	(11)	942
Gains less losses arising from financial assets at fair value through profit or loss	77	11	88
Gains less losses arising from dealing in foreign currencies	73	(25)	48
Fee and commission expense	(16)	(2)	(18)
Income arising from non-banking activities	–	23	23
Other operating income	41	(22)	19
Expenses arising from non-banking activities	–	(17)	(17)
Staff costs and administrative expenses	(350)	44	(306)
Reversal (impairment charge) for other provisions	1	(1)	–

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

	As previously reported	Reclassification	As adjusted
Interest received	2,313	(25)	2,288
Income received on operations with financial assets at fair value through profit or loss	86	25	111

**4. Cash and Short-Term Funds**

	30 September 2007 (unaudited)	31 December 2006
Cash on hand	803	930
Cash balances with central banks (other than mandatory reserve deposits)	1,133	1,267
Correspondent accounts with other banks		
- Russian Federation	638	551
- Other countries	723	833
<b>Total cash and short-term funds</b>	<b>3,297</b>	<b>3,581</b>
Less: restricted cash	(91)	(102)
<b>Total cash and cash equivalents</b>	<b>3,206</b>	<b>3,479</b>

**5. Financial Assets at Fair Value through Profit or Loss**

	30 September 2007 (unaudited)	31 December 2006
Financial assets held for trading	8,641	4,786
Financial assets designated as at fair value through profit or loss	942	334
<b>Total financial assets at fair value through profit or loss</b>	<b>9,583</b>	<b>5,120</b>

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

## Financial Assets Held for Trading

	30 September 2007 (unaudited)	31 December 2006
<b>Debt securities denominated in USD</b>		
Bonds and eurobonds of foreign companies and banks	638	369
Eurobonds of Russian companies and banks	243	583
Eurobonds of the Russian Federation	19	37
Bonds and eurobonds of foreign governments	–	12
Russian MinFin bonds (OVGVZ)	–	74
Promissory notes of Russian companies and banks	–	8
<b>Debt securities denominated in RUR</b>		
Bonds of Russian companies and banks	2,100	1,308
Russian Federal loan bonds (OFZ)	1,578	902
Promissory notes of Russian companies and banks	664	299
Russian municipal bonds	585	536
Bonds of the Central Bank of the Russian Federation	24	–
Eurobonds of foreign companies and banks	–	28
<b>Debt securities denominated in other currencies</b>		
Bonds of foreign companies and banks	168	157
Bonds of foreign governments	38	75
Eurobonds of Russian companies and banks	7	15
<b>Equity securities</b>	<b>2,004</b>	<b>308</b>
<b>Balances arising from derivative financial instruments</b>	<b>573</b>	<b>75</b>
<b>Total financial assets held for trading</b>	<b>8,641</b>	<b>4,786</b>

During the nine months ended 30 September 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 September 2007 (unaudited)	31 December 2006
Equity securities	301	6
Bonds of Russian companies and banks	274	74
Investments in mutual funds	244	–
Bonds of foreign companies and banks	66	123
Russian municipal bonds	24	16
Eurobonds of the Russian Federation	6	107
Bonds of foreign governments	2	8
<b>Balances arising from derivative financial instruments</b>	<b>25</b>	<b>–</b>
<b>Total financial assets designated as at fair value through profit or loss</b>	<b>942</b>	<b>334</b>

Equity securities at 30 September 2007 represent 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 are issued by Russian energy companies.

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

	30 September 2007 (unaudited)	31 December 2006
<b>Financial assets at fair value through profit or loss</b>		
Eurobonds of Russian Federation and MinFin Bonds	363	–
Eurobonds of Russian companies and banks	328	43
Promissory notes of Russian companies and banks	152	139
Bonds of foreign governments	145	26
Bonds of Russian companies and banks	133	3
Russian Federal loan bonds (OFZ)	78	43
Bonds of foreign companies and banks	77	52
Russian municipal bonds	28	7
Equity securities	–	27
<b>Total financial assets at fair value through profit or loss</b>	<b>1,304</b>	<b>340</b>
<b>Financial assets available-for-sale</b>		
EADS shares	1,236	1,402
Bonds of foreign governments	332	645
Bonds of foreign companies and banks	277	551
<b>Total financial assets available-for-sale</b>	<b>1,845</b>	<b>2,598</b>
<b>Total financial assets pledged under repurchase agreements and loaned financial assets</b>	<b>3,149</b>	<b>2,938</b>

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 19 million, net of tax, accounted within equity under caption "Unrealized gain or loss on financial assets available-for-sale and cash flow hedge" at 30 September 2007 (31 December 2006: USD 111 million) .

## 7. Due from Other Banks

	30 September 2007 (unaudited)	31 December 2006
Current term placements	6,041	6,013
Reverse sale and repurchase agreements	419	808
<b>Total gross due from other banks</b>	<b>6,460</b>	<b>6,821</b>
Less: Allowance for impairment (Note 19)	(8)	(8)
<b>Total due from other banks</b>	<b>6,452</b>	<b>6,813</b>

## 8. Loans and Advances to Customers

	30 September 2007 (unaudited)	31 December 2006
Current loans and advances	44,347	28,437
Reverse sale and repurchase agreements	1,301	1,152
Rescheduled loans and advances	87	242
Overdue loans and advances	610	404
<b>Total gross loans and advances to customers</b>	<b>46,345</b>	<b>30,235</b>
Less: Allowance for impairment (Note 19)	(1,320)	(973)
<b>Total loans and advances to customers</b>	<b>45,025</b>	<b>29,262</b>

**8. Loans and Advances to Customers (continued)**

At 30 September 2007, included in current loans are lease receivables of USD 1,436 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 September 2007 (unaudited)		31 December 2006	
	Amount	%	Amount	%
Finance	7,358	16	5,049	17
Trade and commerce	6,588	14	4,790	16
Individuals	5,617	12	2,533	8
Manufacturing	4,312	9	4,067	13
Building construction	4,081	9	2,364	8
Oil and Gas	3,152	7	1,507	5
Transport	2,458	5	1,288	4
Metals	2,276	5	1,556	5
Government bodies	2,109	5	1,668	6
Food and agriculture	1,872	4	1,104	4
Coal mining	1,536	3	705	2
Energy	1,281	3	937	3
Chemical	886	2	789	3
Telecommunications and media	494	1	406	1
Aircraft	451	1	243	1
Other	1,874	4	1,229	4
<b>Total gross loans and advances to customers</b>	<b>46,345</b>	<b>100</b>	<b>30,235</b>	<b>100</b>

At 30 September 2007, the total amount of outstanding loans issued by the Group to 10 largest groups of interrelated borrowers comprise USD 9,495 million, or 20% of the gross loan portfolio (31 December 2006: USD 5,342 million, or 18%).

**9. Financial Assets Available-for-sale**

	30 September 2007 (unaudited)	31 December 2006
Bonds of foreign companies and banks	489	162
CJSC "ALROSA" shares	342	333
Other equity investments	202	159
Eurobonds of Russian companies and banks	69	85
EADS shares	50	10
Bonds of foreign governments	29	15
Russian MinFin bonds (OVGVZ)	24	30
Eurobonds of the Russian Federation	21	55
Russian municipal bonds	13	13
Promissory notes of Russian companies and banks	–	26
<b>Total financial assets available-for-sale</b>	<b>1,239</b>	<b>888</b>

**VTB Bank****Notes to the Interim Condensed Consolidated Financial Statements – 30 September 2007  
(continued)***(expressed in millions of US dollars)***10. Investments in Associates**

	Country of registration	Activity	30 September 2007 (unaudited)		31 December 2006	
			Carrying amount	Ownership percentage	Carrying amount	Ownership percentage
"Eurofinance Mosnarbank", OJSC	Russia	Banking	134	34.29%	116	34.07%
"East-West United Bank", S.A.	Luxembourg	Banking	39	48.61%	40	48.55%
"Vietnam-Russia Joint Venture Bank"	Vietnam	Banking	15	49.00%	5	49.00%
"Management Company ICB", limited	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%
<b>Total investments in associates</b>			<b>191</b>		<b>200</b>	

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 an unrelated third 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 Consultants Ltd. purchased 0.02% and 49.99% of Insurance Company VTB-Rosno for the total amount of USD 5 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 to the capital USD 10 million retaining a 49% ownership (see Note 27).

**11. Due to Other Banks**

	30 September 2007 (unaudited)	31 December 2006
Term loans and deposits	4,961	3,080
Correspondent accounts and overnight deposits	1,669	1,931
Sale and repurchase agreements	2,615	2,576
<b>Total due to other banks</b>	<b>9,245</b>	<b>7,587</b>

Financial assets pledged under sale and repurchase agreements with banks are financial assets at fair value through profit or loss and financial assets available-for-sale with a total fair value of USD 3,136 million (31 December 2006: USD 2,929 million) (see Note 6).

In August and September 2007, VTB received two USD 500 million Forward Rate Bias loans due August 2017 with a floating rate based on Forward Rate Bias index (FRB). The loans may be redeemed at the option of the creditor at their respective first anniversaries.



**12. Customer Deposits**

	<b>30 September 2007 (unaudited)</b>	<b>31 December 2006</b>
<b>Government bodies</b>		
Current/settlement deposits	281	257
Term deposits	5,822	1,281
<b>Legal entities</b>		
Current/settlement deposits	7,340	6,115
Term deposits	5,837	5,000
<b>Individuals</b>		
Current/settlement deposits	2,511	1,777
Term deposits	7,119	5,549
<b>Sale and repurchase agreements</b>	13	9
<b>Total customer deposits</b>	<b>28,923</b>	<b>19,988</b>

**13. Other Borrowed Funds**

	<b>30 September 2007 (unaudited)</b>	<b>31 December 2006</b>
Syndicated loans	3,778	2,864
Other borrowings	1,936	1,604
<b>Total other borrowed funds</b>	<b>5,714</b>	<b>4,468</b>

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%. In March 2007 VTB Bank (Austria) AG 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) AG received a syndicated loan in the amount of USD 180 million with maturity in February 2010 at the interest rate of 5.71%.

In August 2007 VTB Bank (Austria) AG received a syndicated loan in the amount of USD 75 million at the interest rate of 5.56% maturing in July 2010. In August 2007 Russian Commercial Bank Ltd. received a syndicated loan in the amount of USD 75 million at the interest rate of 5.79% maturing in August 2010. In September 2007 VTB Bank (Austria) AG received a syndicated loan in the amount of USD 80 million at the interest rate of 5.41% maturing in September 2010.

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 the first quarter of 2007 VTB Bank (France) fully repaid a syndicated loan in the total contractual amount of USD 150 million.

Included in "Syndicated loans" is a short-term loan in August 2007 VTB received in the amount of USD 1,000 million, at the interest rate of LIBOR+0.1%, with maturity in October 2007. The loan was redeemed upon maturity.

**14. Debt Securities Issued**

	<b>30 September 2007 (unaudited)</b>	<b>31 December 2006</b>
Bonds	10,649	9,341
Promissory notes	1,427	1,877
Deposit certificates	54	106
Debentures	–	241
<b>Total debt securities issued</b>	<b>12,130</b>	<b>11,565</b>

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 USD 500 million Floating Rate Notes due in April 2009 at LIBOR+0.625%.

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

In July 2007 VTB redeemed its Series 3 issue under its USD 10 billion European Medium Term Notes (EMTN) Programme in the amount of USD 300 million.

In September 2007, VTB redeemed Series 8 USD denominated Eurobonds with face value of USD 1,000 million issued under USD 10 billion EMTN Programme.

The decrease in the amount of promissory notes during the period ended 30 September 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 of 6.315% per annum payable semi-annually, with an interest rate step-up in 2010. As of 30 September 2007 the carrying amount of this subordinated debt was USD 756 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” (further renamed to OJSC “Bank VTB North-West”) 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 of 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 September 2007, the carrying amount of this subordinated debt was USD 397 million (31 December 2006: USD 397 million).

## 16. Interest Income and Expense

	For the three-month period ended 30 September (unaudited)		For the nine-month period ended 30 September (unaudited)	
	2007	2006	2007	2006
<b>Interest income</b>				
Loans and advances to customers	1,145	745	2,882	2,020
Securities	157	104	406	326
Due from other banks	106	93	355	234
<b>Total interest income</b>	<b>1,408</b>	<b>942</b>	<b>3,643</b>	<b>2,580</b>
<b>Interest expense</b>				
Customer deposits	(308)	(232)	(816)	(545)
Debt securities issued	(173)	(149)	(548)	(363)
Subordinated debt	(19)	(18)	(57)	(55)
Due to banks and other borrowed funds	(180)	(152)	(490)	(432)
<b>Total interest expense</b>	<b>(680)</b>	<b>(551)</b>	<b>(1,911)</b>	<b>(1,395)</b>
<b>Net interest income</b>	<b>728</b>	<b>391</b>	<b>1,732</b>	<b>1,185</b>

## 17. Fee and Commission Income and Expense

	For the three-month period ended 30 September (unaudited)		For the nine-month period ended 30 September (unaudited)	
	2007	2006	2007	2006
Commission on settlement transactions	92	64	225	152
Depository appointment fee	–	–	57	–
Commission on cash transactions	35	23	77	54
Commission on guarantees issued	19	18	46	46
Commission on operations with securities	9	11	30	26
Other	13	5	33	25
<b>Total fee and commission income</b>	<b>168</b>	<b>121</b>	<b>468</b>	<b>303</b>
Commission on settlement transactions	(10)	(8)	(29)	(18)
Commission on cash transactions	(5)	(2)	(10)	(6)
Other	(6)	(8)	(15)	(15)
<b>Total fee and commission expense</b>	<b>(21)</b>	<b>(18)</b>	<b>(54)</b>	<b>(39)</b>
<b>Net fee and commission income</b>	<b>147</b>	<b>103</b>	<b>414</b>	<b>264</b>

## 18. Staff Costs and Administrative Expenses

	For the three-month period ended		For the nine-month period ended	
	30 September (unaudited)	30 September (unaudited)	30 September (unaudited)	30 September (unaudited)
	2007	2006	2007	2006
Staff costs	219	152	570	401
Defined contribution pension expense	18	2	63	33
Depreciation and other expenses related to premises and equipment	65	34	173	117
Taxes other than on income	31	13	74	46
Leasing and rent expenses	28	14	73	51
Advertising expenses	25	16	63	43
Participation in deposit insurance system	15	8	41	23
Professional services	13	8	32	22
Amortization of core deposit intangible	9	8	29	23
Security expenses	10	8	28	23
Post and telecommunication expenses	10	7	26	19
Charity	4	6	18	11
Insurance	2	2	7	3
Transport expenses	2	3	5	8
Impairment and amortization of intangibles, except for core deposit intangible	1	2	4	4
Other	28	23	83	56
<b>Total staff costs and administrative expenses</b>	<b>480</b>	<b>306</b>	<b>1,289</b>	<b>883</b>

## 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
<b>Balance at 31 December 2005</b>	<b>7</b>	<b>608</b>	<b>615</b>
Provision for impairment during the period	7	366	373
Write-offs	–	(8)	(8)
Currency translation difference	5	11	16
Deconsolidation of subsidiary	–	(61)	(61)
<b>Balance at 30 September 2006 (unaudited)</b>	<b>19</b>	<b>916</b>	<b>935</b>
<b>Balance at 31 December 2006</b>	<b>8</b>	<b>973</b>	<b>981</b>
Provision for impairment during the period	–	355	355
Write-offs	–	(9)	(9)
Cash received for loans written-off in previous periods	–	3	3
Currency translation difference	–	7	7
Deconsolidation of subsidiary (Note 27)	–	(9)	(9)
<b>Balance at 30 September 2007 (unaudited)</b>	<b>8</b>	<b>1,320</b>	<b>1,328</b>

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. 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 September (unaudited)		For the nine-month period ended 30 September (unaudited)	
	2007	2006	2007	2006
Net profit attributable to shareholders of the parent (in millions of US dollars)	555	227	1,029	781
Weighted average number of ordinary shares (adjusted retrospectively for split of 1 share to 100,000 shares in 2006) in issue	5,837,032,855,999	5,211,112,400,000	5,526,778,490,689	5,211,112,400,000
<b>Basic and diluted earnings per share (expressed in USD per share)</b>	<b>0.000095</b>	<b>0.000044</b>	<b>0.000186</b>	<b>0.000150</b>
Basic and diluted earnings per share – continuing operations (expressed in USD per share)	0.000095	0.000042	0.000186	0.000148
Basic and diluted earnings per share – discontinued operations (expressed in USD per share)	0.000000	0.000002	0.000000	0.000002

## 22. Income Tax

In the first nine months 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 50 million, USD 41 million and USD 19 million, which contributed to the reduction of the Group's effective tax rate for the first nine months of 2006 to 14%. In the first nine months of 2007, the effective tax rate was 20% as there were no such significant non-taxable profits and gains, except for non-taxable foreign exchange 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 (RUR 0.00033 per share or USD 0.000012 per share). 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), which 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, 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.

In May 2007, "VTB Bank (Deutschland)" AG declared and paid 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 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 interim 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)**

***Credit related commitments (continued)***

Outstanding credit related commitments are as follows:

	<b>30 September 2007 (unaudited)</b>	<b>31 December 2006</b>
Guarantees issued	7,770	3,164
Undrawn credit lines	5,284	3,944
Import letters of credit	1,451	999
Commitments to extend credit	4,201	1,814
Less: allowance for losses on credit related commitments	(1)	(3)
<b>Total credit related commitments</b>	<b>18,705</b>	<b>9,918</b>

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 September 2007 was USD 2,062 million (31 December 2006: USD 2,120 million). Commitments under import letters of credit and guarantees are collateralized by customer deposits of USD 418 million (31 December 2006: USD 66 million).

At 30 September 2007, included in guarantees issued is a guarantee of USD 2,115 million or 27% 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 September 2007, included in guarantees issued are guarantees issued for one Russian company of USD 1,862 million or 24% of the guarantees issued. At 31 December 2006, included in guarantees issued are guarantees issued for a Russian company of 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 26 million and USD 6 million as of 30 September 2007, respectively.

The Group recognized USD 4 million debiting the cash flow hedge reserve, net of taxes, at 30 September 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 nine months period ended 30 September 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
<b>Total revenues</b>	<b>4,146</b>	<b>185</b>	<b>686</b>	<b>5,017</b>	<b>(127)</b>	<b>4,890</b>
External customers	4,037	184	669	4,890	–	4,890
Other segments	109	1	17	127	(127)	–
<b>Segment results (profit before taxation)</b>	<b>1,242</b>	<b>(6)</b>	<b>78</b>	<b>1,314</b>	<b>–</b>	<b>1,314</b>
Income tax expense						(263)
<b>Net profit</b>						<b>1,051</b>
<b>Segment assets as of 30 September 2007</b>						
<b>less income tax assets</b>	61,653	2,220	13,917	77,790	(3,754)	<b>74,036</b>
Income tax assets	96	6	117	219	–	<b>219</b>
<b>Total assets as of 30 September 2007</b>	<b>61,749</b>	<b>2,226</b>	<b>14,034</b>	<b>78,009</b>	<b>(3,754)</b>	<b>74,255</b>
<b>Segment liabilities as of 30 September 2007</b>						
<b>less income tax liabilities</b>	48,011	1,950	11,962	61,923	(3,754)	<b>58,169</b>
Income tax liabilities	177	6	11	194	–	<b>194</b>
<b>Total liabilities as of 30 September 2007</b>	<b>48,188</b>	<b>1,956</b>	<b>11,973</b>	<b>62,117</b>	<b>(3,754)</b>	<b>58,363</b>
<b>Other segment items</b>						
Profit from disposal of associates and subsidiaries	62	–	18	80	–	<b>80</b>
Share in income of associates	(2)	–	9	7	–	<b>7</b>
Capital expenditure	177	35	20	232	(1)	<b>231</b>
Depreciation and amortization charge	69	6	8	83	–	<b>83</b>
<b>Other non-cash income (expenses)</b>						
Provision for impairment	(287)	(55)	(13)	(355)	–	<b>(355)</b>
Interest income	2,961	149	658	3,768	(125)	<b>3,643</b>
Interest expense	(1,514)	(68)	(454)	(2,036)	125	<b>(1,911)</b>
<b>Net interest income</b>	<b>1,447</b>	<b>81</b>	<b>204</b>	<b>1,732</b>	<b>–</b>	<b>1,732</b>

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 nine months ended 30 September 2006 are set out below (unaudited):

	Russia	Other CIS	Europe and other	Total before intersegment eliminations	Intersegment eliminations	Total
<b>Total revenues</b>	<b>2,966</b>	<b>91</b>	<b>653</b>	<b>3,710</b>	<b>(92)</b>	<b>3,618</b>
External customers	2,883	91	644	3,618	–	3,618
Other segments	83	–	9	92	(92)	–
<b>Segment results (profit before taxation)</b>	<b>853</b>	<b>16</b>	<b>65</b>	<b>934</b>	<b>–</b>	<b>934</b>
Income tax expense						(128)
<b>Profit after taxation from continuing operations</b>						<b>806</b>
Profit from discontinued operations	10	–	–	10	–	<b>10</b>
<b>Net profit</b>						<b>816</b>
<b>Segment assets as of 31 December 2006 less income tax assets</b>	41,161	1,233	12,367	54,761	(2,468)	<b>52,293</b>
Income tax assets	16	4	90	110	–	<b>110</b>
<b>Total assets as of 31 December 2006</b>	<b>41,177</b>	<b>1,237</b>	<b>12,457</b>	<b>54,871</b>	<b>(2,468)</b>	<b>52,403</b>
<b>Segment liabilities as of 31 December 2006 less income tax liabilities</b>	36,218	1,049	10,455	47,722	(2,468)	<b>45,254</b>
Income tax liabilities	136	4	17	157	–	<b>157</b>
<b>Total liabilities as of 31 December 2006</b>	<b>36,354</b>	<b>1,053</b>	<b>10,472</b>	<b>47,879</b>	<b>(2,468)</b>	<b>45,411</b>
<b>Other segment items</b>						
Profit from disposal of associates and subsidiaries	56	–	–	56	–	<b>56</b>
Share in income of associates	3	–	10	13	–	<b>13</b>
Capital expenditure	179	9	6	194	–	<b>194</b>
Depreciation and amortization charge	49	2	6	57	–	<b>57</b>
<b>Other non-cash income (expenses)</b>						
Provision for impairment	(329)	(9)	(35)	(373)	–	<b>(373)</b>
Interest income	2,004	73	593	2,670	(90)	<b>2,580</b>
Interest expense	(1,014)	(37)	(434)	(1,485)	90	<b>(1,395)</b>
<b>Net interest income</b>	<b>990</b>	<b>36</b>	<b>159</b>	<b>1,185</b>	<b>–</b>	<b>1,185</b>



## 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 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.

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 for USD 40 million.

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 September 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 September 2007 (unaudited)		31 December 2006	
	State-owned entities	Associates	State-owned entities	Associates
<b>Assets</b>				
Cash and short-term funds	1,442	–	1,236	–
Mandatory cash balances with central banks	1,038	–	571	–
Financial assets at fair value through profit or loss	5,131	21	2,456	–
Financial assets pledged under repurchase agreements and loaned financial assets	590	–	207	–
Due from other banks	62	76	731	72
Loans and advances to customers	8,654	70	5,435	65
Allowance for impairment	(91)	(29)	(80)	(31)
Financial assets available-for-sale	455	–	470	–
<b>Liabilities</b>				
Due to other banks	687	1	495	7
Customer deposits	9,225	57	4,221	6
Other borrowed funds	545	–	653	–
<b>Credit related commitments</b>				
Guarantees issued	1,485	–	1,758	2
Undrawn credit lines	1,015	–	1,179	–
Import letters of credit	214	–	100	–
Commitments to extend credit	1,195	8	333	34

**26. Related Party Transactions (continued)**

**Income statement:**

	For the nine-month period ended 30 September (unaudited)	
	2007	2006
<b>Interest income</b>		
Loans and advances to customers	464	284
Securities	166	169
Due from other banks	43	18
<b>Interest expense</b>		
Customer deposits	(189)	(113)
Due to other banks and other borrowed funds	(28)	(65)
Reversal of allowance (provision) for impairment	(9)	4
Gain from disposal of subsidiaries	–	51

For the period ended 30 September 2007, the total remuneration of the directors and key management personnel amounted to USD 46.2 million (30 September 2006: USD 35.2 million), including pension contributions. 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 September 2007 (unaudited)	31 December 2006
<b>Subsidiaries:</b>				
"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	99.73%	98.47%
"VTB Bank (Armenia)", CJSC	Banking	Armenia	100.00%	70.00%
"VTB Bank (Georgia)", JSC	Banking	Georgia	53.17%	53.17%
"Slavneftebank", CJSC	Banking	Belarus	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	–	99.58%
"VTB Bank (Deutschland)" AG	Banking	Germany	89.90%	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%

**VTB Bank****Notes to the Interim Condensed Consolidated Financial Statements – 30 September 2007  
(continued)***(expressed in millions of US dollars)***27. Consolidated Subsidiaries and Associates (continued)**

Name	Activity	Country of registration	Percentage of ownership	
			30 September 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 Europe Strategic Investments Limited"	Investment	Great Britain	92.02%	89.10%
"VTB Europe Finance", B.V.	Finance	Netherlands	92.02%	89.10%
"VTB Europe Strategic Investments (Russia) Limited"	Investment	Great Britain	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%
"ICB-Invest Group", OJSC	Finance	Russia	–	74.25%
"MC ICB", Ltd	Real estate	Russia	75.00%	–
"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	100.00%	90.00%
"Insurance Company VTB-Rosno", Ltd	Insurance	Russia	100.00%	49.99%
"Ost-West Vermögensanlagen, GmbH"	Real estate	Germany	89.90%	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%	–
"VTB-leasing Finance", LLC	Leasing	Russia	99.00%	–
"Obyedinennaya Depositarnaya companya", CJSC	Finance	Russia	99.99%	–
<b>Associates:</b>				
"Eurofinance Mosnarbank", OJSC	Banking	Russia	34.29%	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), which constitute 7.69% of share capital of the issuer, for RUR 234 million (USD 9 million), which resulted in the increase of ownership in VTB Bank (Deutschland) from 81.43% to 88.48%.

**VTB Bank****Notes to the Interim Condensed Consolidated Financial Statements – 30 September 2007  
(continued)***(expressed in millions of US dollars)***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 10 million for the newly issued shares. Upon completion of the share issue, the share of VTB remained 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. 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 Slavneftebank at acquisition date (before additional contribution to the capital from VTB) are as follows:

	<b>30 April 2007</b>
<b>Assets</b>	
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
<b>Total assets</b>	<b>167</b>
<b>Liabilities</b>	
Due to other banks	3
Customer deposits	138
Other liabilities	1
<b>Total liabilities</b>	<b>142</b>
<b>Fair value of net assets</b>	<b>25</b>
Acquired share	50%
Contribution to the capital paid by VTB in cash	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 “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.

On July 23, 2007 VTB acquired 30% stake in VTB Bank (Armenia) from an unrelated third party for USD 15 million, increasing VTB’s share to 100%.

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.

**27. Consolidated Subsidiaries and Associates (continued)**

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 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 remained at 66%.

On 3 September 2007, the Supervisory Council of VTB cancelled the extraordinary meeting of shareholders, planned on 27 September 2007 to approve the merger of Bank VTB North-West into VTB.

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. The assets and liabilities disposed are as follows:

	<b>21 September 2007 (unaudited)</b>
<b>Assets</b>	
Cash and short-term funds	39
Mandatory cash balances with central banks	5
Financial assets at fair value through profit or loss	121
Due from other banks	30
Loans and advances to customers	63
Premises and equipment	14
Other assets	1
<b>Total assets</b>	<b>273</b>
<b>Liabilities</b>	
Due to other banks	3
Customer deposits	223
Deferred tax liability	2
Other liabilities	1
<b>Total liabilities</b>	<b>229</b>
<b>Net assets</b>	<b>44</b>
<b>Total carrying amount of net assets disposed</b>	<b>44</b>

The Group has recorded a gain from disposal of “Novosibirskvneshtorgbank”, CJSC in the amount of USD 62 million within “Profit from disposal of associates and subsidiaries” caption.

In the 3rd quarter of 2007 VTB Bank (Europe) purchased 1.54% in VTB Bank (Deutschland) from a third party for USD 1.6 million, which resulted in the increase of share of the Group in VTB Bank (Deutschland) to 89.90%.

On 26 September 2007, VTB purchased 99.99% of CJSC “Obyedinennaya Depositarnaya companya” from an unrelated third party for USD 53 million. CJSC “Obyedinennaya Depositarnaya companya” (ODK) had zero profit 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 ODK as of the acquisition date.

## 27. Consolidated Subsidiaries and Associates (continued)

The provisional fair values, which are not materially different from carrying values, of identifiable assets and liabilities of the CJSC “Obyedinennaya Depositarnaya companya” at the acquisition date were as follows:

	<b>26 September 2007</b>
<b>Assets</b>	
Cash and short-term funds	4
Due from other banks	32
Intangible assets	18
Other assets	1
<b>Total assets</b>	<b>55</b>
<b>Liabilities</b>	
Other liabilities	5
<b>Total liabilities</b>	<b>5</b>
<b>Fair value of net assets</b>	
Acquired share	99.99%
Consideration paid in cash	53
Goodwill	3

## 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 September 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 September 2007 and 31 December 2006 was 17.4% and 14.0%, respectively. These ratios exceeded the minimum ratio of 8% recommended by the Basle Accord.

## 29. Subsequent Events

In October 2007, VTB 24 issued bonds in the amount of RUR 6 billion with an interest rate of 8.2% maturing in October 2011 with a one-year put option.

In October 2007, VTB issued USD 1,200 million Eurobonds with a fixed rate of 6.609% maturing in 2012 and USD 800 million Eurobonds with a floating rate of LIBOR+1.7% maturing in 2009.

In October 2007, VTB Europe redeemed USD 200 million Eurobonds on maturity.

In October 2007, the Group finalized the merger of Vneshtorgbank (Ukraine) and “VTB Bank” (former “Mriya”, OJSC) to “VTB Bank”, domiciled in Ukraine.

In October 2007, “Insurance Company VTB-Rosno”, Ltd was renamed into “Insurance Company VTB-Insurance”, Ltd.

On 15 November 2007, VTB Leasing Finance, a subsidiary of VTB Leasing, issued RUR bonds of RUR 8 billion with a rate of 8.2% maturing in November 2014.

**29. Subsequent Events (continued)**

On 15 November 2007, VTB24 announced an offer to purchase the remaining minority stakes in VTB North-West in accordance with the plan approved by VTB's Supervisory Board on 16 October 2007 for further integration of the business of VTB North-West into the Group. Under the terms of the offer, VTB North-West shareholders can, within the period from 15 November 2007 to 14 December 2007, sell their shares for RUR 41.72 per share and/or swap them for VTB's shares at an exchange ratio of VTB North-West shares to VTB shares of 1 to 361. The results of the above offer are to be finalized subsequently to the date of issuance of these financial statements.

In October 2007, VTB sold 89% of VTB Broker for USD 2 million. As a result of this transaction VTB decreased its ownership in VTB Broker to 10.83%.

In October 2007 VTB purchased additional 14% shares in Slavneftebank for RUR 172 million, which resulted in an increase of VTB ownership in Slavneftebank to 64%. On 27 November 2007 the shareholders' meeting of Slavneftebank approved the renaming of CJSC "Slavneftebank" to CJSC VTB Bank (Belarus).

In December 2007 VTB issued RUR 30 billion bonds under USD 20 billion EMTN Programme with a rate of 7.25% maturing in December 2008.

In December 2007 VTB sold its stake in "East-West United Bank", S.A. (Luxembourg) to the third party, which is not related to the Group for EUR 31 million.