VTB BANK

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

30 September 2008

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

To the Board of Directors and Shareholders of VTB Bank:

Introduction

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

Scope of work

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

Conclusion

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

Ernst & Young Vneshaudit

29 January 2009

(expressed in millions of US dollars)

	Note	30 September 2008 (unaudited)	31 December 2007
Assets			
Cash and short-term funds	4	6,061	5,160
Mandatory cash balances with central banks		609	825
Financial assets at fair value through profit or loss	5	4,988	10,436
Financial assets pledged under repurchase agreements and loaned financial assets	6	1,265	2,212
Due from other banks	7	10,214	9,733
Loans and advances to customers	8	81,749	58,549
Financial assets available-for-sale	9	715	858
Investments in associates	10	189	167
Investment securities held-to-maturity	11	1,819	5
Premises and equipment		2,347	1,997
Investment property		163	168
Intangible assets		453	480
Deferred tax asset		381	215
Other assets		2,111	1,804
Total assets		**113,064**	**92,609**
Liabilities			
Due to other banks	12	11,768	14,794
Customer deposits	13	52,575	37,098
Other borrowed funds	14	7,174	5,176
Debt securities issued	15	21,965	16,489
Deferred tax liability		161	149
Other liabilities		2,637	1,231
Total liabilities before subordinated debt		**96,280**	**74,937**
Subordinated debt	16	1,155	1,171
Total liabilities		**97,435**	**76,108**
Equity			
Share capital		3,084	3,084
Share premium		8,792	8,792
Treasury shares		(16)	(21)
Unrealized gain on financial assets available-for-sale and cash flow hedge		11	109
Premises revaluation reserve		578	587
Currency translation difference		254	663
Retained earnings		2,767	2,993
Equity attributable to shareholders of the parent		**15,470**	**16,207**
Minority interest		159	294
Total equity		**15,629**	**16,501**
Total liabilities and equity		**113,064**	**92,609**

Approved for issue and signed on 29 January 2008.

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

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

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

		For the three-month period ended 30 September		For the nine-month period ended 30 September	
	Note	**2008**	**2007**	**2008**	**2007**
Interest income	17	2,563	1,408	6,879	3,643
Interest expense	17	(1,341)	(680)	(3,524)	(1,911)
Net interest income		**1,222**	**728**	**3,355**	**1,732**
Provision charge for impairment	20	(788)	(215)	(1,380)	(355)
Net interest income after provision for impairment		**434**	**513**	**1,975**	**1,377**
Gains less losses / (losses net of gains) arising from financial assets at fair value through profit or loss	5	(273)	110	(501)	196
Gains less losses / (losses net of gains) from available-for-sale financial assets		–	(34)	51	(33)
Gains less losses / (losses net of gains) arising from dealing in foreign currencies		(1,274)	206	(368)	347
Foreign exchange translation gains less losses		1,250	107	757	134
Fee and commission income	18	207	168	570	468
Fee and commission expense	18	(34)	(21)	(86)	(54)
Share in income /(loss) of associates		(2)	–	5	7
Income arising from non-banking activities		21	30	82	73
Other operating income		39	14	121	55
Net non-interest (expense) / income		**(66)**	**580**	**631**	**1,193**
Operating income		**368**	**1,093**	**2,606**	**2,570**
Staff costs and administrative expenses	19	(706)	(480)	(1,948)	(1,289)
Expenses arising from non-banking activities		(9)	(20)	(48)	(47)
Profit from disposal of associates and subsidiaries		–	62	–	80
(Loss) / Profit before taxation		**(347)**	**655**	**610**	**1,314**
Income tax expense	22	(16)	(108)	(294)	(263)
Net (loss) / profit		**(363)**	**547**	**316**	**1,051**
Net (loss) / profit attributable to:					
Shareholders of the parent		**(369)**	**555**	**297**	**1,029**
Minority interest		**6**	**(8)**	**19**	**22**
Basic and diluted earnings per share (expressed in USD per share)	21	(0.000055)	0.000095	0.000044	0.000186

(expressed in millions of US dollars)

	Note	For the nine-month period ended 30 September 2008	2007
Cash flows from operating activities			
Interest received		6,630	3,571
Interest paid		(3,231)	(1,871)
(Losses) / gains incurred on operations with financial assets at fair value through profit or loss		(516)	145
Income received on dealing in foreign currency		276	203
Fees and commissions received		562	468
Fees and commissions paid		(78)	(70)
Income arising from non-banking activities and other operating income received		192	106
Staff costs, administrative expenses and expenses arising from non-banking activities paid		(1,751)	(1,196)
Income tax paid		(551)	(265)
Cash flows from operating activities before changes in operating assets and liabilities		**1,533**	**1,091**
Net decrease (increase) in operating assets			
Net decrease (increase) in mandatory cash balances with central banks		197	(449)
Net decrease in restricted cash		14	11
Net decrease (increase) in financial assets at fair value through profit or loss		3,281	(4,655)
Net decrease in due from other banks		20	557
Net increase in loans and advances to customers		(23,807)	(15,078)
Net increase in other assets		(101)	(895)
Net (decrease) increase in operating liabilities			
Net (decrease) increase in due to other banks		(2,921)	1,423
Net increase in customer deposits		16,153	7,989
Net increase (decrease) in promissory notes and certificates of deposits issued		3,342	(576)
Net increase in other liabilities		83	184
Net cash used in operating activities		**(2,206)**	**(10,398)**
Cash flows from investing activities			
Dividends received		40	22
Proceeds from sales or maturities of financial assets available-for-sale		402	690
Purchase of financial assets available-for-sale		(291)	(443)
Purchase of subsidiaries, net of cash acquired		(3)	(11)
Disposal of associates		–	44
Disposal of subsidiaries, net of cash disposed		–	66
Contributions to associates		(16)	(10)
Purchase of minority interest in subsidiaries		(261)	(50)
Purchase of investment securities held-to-maturity		(278)	(9)
Proceeds from redemption of investment securities held-to-maturity		–	6
Purchase of premises and equipment		(255)	(216)
Proceeds from sale of premises and equipment		18	30
Purchase of intangible assets		(14)	(12)
Net cash (used in) from investing activities		**(658)**	**107**

(expressed in millions of US dollars)

	Note	For the nine-month period ended 30 September 2008	2007
Cash flows from financing activities			
Dividends paid		(384)	(133)
Proceeds from issuance of bonds denominated in RUR		947	–
Redemption of bonds denominated in RUR		(110)	(102)
Proceeds from issuance of Eurobonds		3,588	2,524
Repayment of Eurobonds		(2,275)	(1,300)
Redemption of SSD debentures (Schuldscheindarlehen)		–	(227)
Proceeds from syndicated loans		1,742	1,518
Repayment of syndicated loans		(575)	(595)
Proceeds from other borrowings		2,603	1,294
Repayment of other borrowings		(1,688)	(918)
Proceeds from share issue, less transaction costs		–	7,842
Cash received from sale of treasury shares		4	–
Cash paid for treasury shares		–	(20)
Net cash from financing activities		**3,852**	**9,883**
Effect of exchange rate changes on cash and cash equivalents		**(73)**	**135**
Net increase (decrease) in cash and cash equivalents		**915**	**(273)**
Cash and cash equivalents at beginning of the year	4	5,096	3,479
Cash and cash equivalents at the end of the period	4	**6,011**	**3,206**

(expressed in millions of US dollars)

	Attributable to shareholders of the parent									
	Share capital	**Share premium**	**Treasury shares**	**Unrealized gain on financial assets available-for-sale and cash flow hedge**	**Premises revaluation reserve**	**Currency translation difference**	**Retained earnings**	**Total**	**Minority interest**	**Total equity**
Balance at 1 January 2007 (audited)	**2,500**	**1,513**	**–**	**154**	**341**	**352**	**1,744**	**6,604**	**388**	**6,992**
Unrealized loss on financial assets available-for-sale, net of tax	–	–	–	(98)	–	–	–	**(98)**	(2)	**(100)**
Unrealized loss on cash flow hedge, net of tax	–	–	–	(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	**–**	–	**–**
Total income and expense recognized directly in equity	**–**	**–**	**–**	**(92)**	**(9)**	**228**	**11**	**138**	**23**	**161**
Net profit	**–**	**–**	**–**	**–**	**–**	**–**	**1,029**	**1,029**	**22**	**1,051**
Total income and expense for the period	**–**	**–**	**–**	**(92)**	**(9)**	**228**	**1,040**	**1,167**	**45**	**1,212**
Dividends declared	–	–	–	–	–	–	(133)	**(133)**	(2)	**(135)**
Share issue	584	7,279	–	–	–	–	–	**7,863**	–	**7,863**
Treasury shares	–	–	(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 ownership share in associates (not recognized in associate's profit or loss)	–	–	–	–	–	–	4	**4**	–	**4**
Disposal of subsidiaries	–	–	–	–	–	–	–	–	(2)	**(2)**
Establishment of subsidiary	–	–	–	–	–	–	–	**–**	6	**6**
Balance at 30 September 2007	**3,084**	**8,792**	**(20)**	**62**	**332**	**580**	**2,674**	**15,504**	**388**	**15,892**
Balance at 1 January 2008 (audited)	**3,084**	**8,792**	**(21)**	**109**	**587**	**663**	**2,993**	**16,207**	**294**	**16,501**
Unrealized loss on financial assets available-for-sale, net of tax	–	–	–	(28)	–	–	–	**(28)**	(4)	**(32)**
Transferred to profit or loss on sale or impairment on financial assets available-for-sale, net of tax (Note 9)	–	–	–	(45)	–	–	–	**(45)**	–	**(45)**
Unrealized gain on cash flow hedge, net of tax	–	–	–	8	–	–	–	**8**	–	**8**
Transferred to profit or loss realized gain on cash flow hedges, net of tax (Note 24)	–	–	–	(33)	–	–	–	**(33)**	–	**(33)**
Transfer of premises revaluation reserve upon disposal or depreciation	–	–	–	–	(9)	–	9	**–**	–	**–**
Effect of translation	–	–	–	–	–	(409)	**–**	**(409)**	(15)	**(424)**
Total income and expense recognized directly in equity	**–**	**–**	**–**	**(98)**	**(9)**	**(409)**	**9**	**(507)**	**(19)**	**(526)**
Net profit	**–**	**–**	**–**	**–**	**–**	**–**	**297**	**297**	**19**	**316**
Total income and expense for the period	**–**	**–**	**–**	**(98)**	**(9)**	**(409)**	**306**	**(210)**	**–**	**(210)**
Dividends declared (Note 23)	–	–	–	–	–	–	(382)	**(382)**	(26)	**(408)**
Treasury shares	–	–	5	–	–	–	(1)	**4**	–	**4**
Acquisition of subsidiaries	–	–	–	–	–	–	–	**–**	3	**3**
Increase in share capital of subsidiaries	–	–	–	–	–	–	1	**1**	(1)	**–**
Acquisition of minority interests	–	–	–	–	–	–	(150)	**(150)**	(111)	**(261)**
Balance at 30 September 2008	**3,084**	**8,792**	**(16)**	**11**	**578**	**254**	**2,767**	**15,470**	**159**	**15,629**

1. Principal Activities

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

VTB Bank, also known as Vneshtorgbank (the "Bank", "Vneshtorgbank", or "VTB"), was formed as Russia's foreign trade bank under the laws of the Russian Federation on 17 October 1990. In 1998, following several reorganisations, VTB was reorganized into an open joint stock company. In October 2006 the Group started re-branding to change its name from Vneshtorgbank to VTB. Simultaneously, the names of some of VTB's subsidiaries were changed as presented in Note 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 depositary services. VTB and other Russian Group banks are regulated and supervised by the CBR and the Federal Service for Financial Markets. Foreign Group banks operate under the bank regulatory regimes of their respective countries.

On 29 December 2004, the Bank became a member of the obligatory deposit insurance system provided by the State Corporation "Agency for Deposits Insurance". The main retail subsidiary bank - VTB 24, CJSC is also a member of the obligatory deposit insurance system provided by the State Corporation "Agency for Deposits Insurance" since February 22, 2005. OJSC "Bank VTB North-West" (former OJSC "Industry & Construction Bank"), a subsidiary acquired at the end of 2005, is also a member of the obligatory deposit insurance system since 11 January 2005. The State deposit insurance scheme implied that the State Corporation "Agency for Deposits Insurance" will guarantee repayment of individual deposits up to 100 thousand Russian Roubles ("RUR") (approximately USD 4 thousand) per individual in case of the withdrawal of a license of a bank or a CBR imposed moratorium on payments in full amount and for individual deposits exceeding RUR 100 thousand a 90% payment is guaranteed. From 25 March 2007 the maximum total amount of guaranteed payment was increased up to RUR 400 thousand (approximately USD 17 thousand). From 1 October 2008 the maximum total amount of guaranteed payment was increased up to RUR 700 thousand (approximately USD 28 thousand) with a 100% compensation of deposited amount.

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

A list of major subsidiaries and associates included in these interim condensed consolidated financial statements is provided in Note 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 2 subsidiary banks with its network of 123 full service branches, including 55 branches of VTB, 34 branches of bank VTB 24 and 34 branches of OJSC "Bank VTB North-West", located in major Russian regions. The Group operates outside Russia through 11 bank subsidiaries, located in the Commonwealth of Independent States ("CIS") (Armenia, Georgia, Ukraine, Belarus), Europe (Austria, Cyprus, Switzerland, Germany, France and Great Britain), Africa (Angola) and through 4 representative offices located in Italy, China, Kyrgyz Republic and Republic of Kazakhstan and through 2 VTB branches in China and India and VTB Europe Singapore branch.

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 2008 (31 December 2007: 77.47%).

The number of employees of the Group at 30 September 2008 was 42,025 (31 December 2007: 35,945).

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

2. Operating Environment of the Group

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.

The Russian economy is vulnerable to market downturns and economic slowdowns elsewhere in the world. The ongoing global financial crisis has resulted in capital markets instability, significant deterioration of liquidity in the banking sector, and tighter credit conditions within Russia. While the Russian Government has introduced a range of stabilization measures aimed at providing liquidity and supporting refinancing of foreign debt for Russian banks and companies, there continues to be uncertainty regarding the access to capital and cost of capital for the Group and its counterparties, which could affect the Group's financial position, results of operations and business prospects.

Due to the fall in prices in global and Russian securities markets, the Group may face a significant decrease in the values of securities, which may have a material negative impact on the Group financial result. To the extent that information is available, the Group has reflected revised estimates of expected future cash flows in its impairment assessment.

Also, the borrowers of the Group may have been affected by the deterioration in liquidity, which could in turn impact their ability to repay the amounts due to the Group. Due to the fall in securities markets, the Group may face a significant decrease in the values of securities pledged as collateral against loans extended by the Group. The Group also bears the risk of adverse effect from the credit related commitments as a result of deterioration in market situation. To the extent that information is available, the Group has reflected revised estimates of expected future cash flows in its impairment assessment.

While management believes it is taking appropriate measures to support the sustainability of the Group's business in the current circumstances, unexpected further deterioration in the areas described above could negatively affect the Group's results and financial position in a manner not currently determinable.

3. Basis of Preparation

General

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

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

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

3. Basis of Preparation (continued)

General (continued)

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

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

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

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

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

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

Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year, except for IAS 39 and IFRS 7 amendment, described below.

Fair value hedges

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

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

Amendment to IAS 39 "Financial Instruments: Recognition and Measurement" and IFRS 7 "Financial instruments: Disclosures" – "Reclassification of Financial Assets"

The amendments to IAS 39 and IFRS 7 were issued on 13 October 2008 and allowed the reclassification from the category of non-derivative financial assets held for trading:

- to loans and advances to customers or to due from other banks in case these financial assets meet the definition of loans and receivables under IAS 39, or
- to investment securities held-to-maturity or to available-for-sale financial assets in case of change in intention "in rare circumstances".

(expressed in millions of US dollars)

3. Basis of Preparation (continued)

Changes in Accounting Policies (continued)

The amendments also allowed transfer of certain financial assets from the available-for-sale category to loans and receivables category in case these financial assets meet the definition of loans and receivables under IAS 39.

The effective date of those amendments is 1 July 2008. Any reclassification made in periods beginning on or after 1 November 2008 shall take effect only from the date when the reclassification is made. The disclosures about reclassifications made are presented below.

Reclassifications

Following the amendments to IAS 39 and IFRS 7, "Reclassification of Financial Assets", the Group reclassified certain financial assets held for trading to loans and advances to customers, due from other banks and investment securities held-to-maturity.

The Asset and Liability Management Committee of VTB acknowledged the occurrence of "rare circumstances" due to the crisis in international financial markets starting from September 1, 2008. The declines in market prices that occurred in the third quarter of 2008 represent a rare event, as they significantly exceeded historical volatilities observed in financial markets.

The Group identified debt instruments previously booked either as held for trading or available-for-sale, which were no longer held for the purpose of selling or repurchasing in the near term and for which the Group has the intention and ability to hold for the foreseeable future or until maturity and for which markets have become inactive. These debt instruments were reclassified into loans and advances to customers or to amounts due from other banks.

The Group also identified debt instruments previously booked as held for trading, which circulate in active markets and for which the Group has the positive intention and ability to hold to maturity. These debt instruments were reclassified to investment securities held-to-maturity upon occurrence of "rare circumstances", i.e. 1 September 2008.

The following tables show carrying values and fair values of the reclassified debt securities (which are not pledged under repurchase agreements (see Note 6)) at each reclassification date.

	1 July 2008	30 September 2008	
	Fair value	**Carrying value**	**Fair value**
Financial assets held for trading reclassified to due from other banks	417	418	401
Financial assets held for trading reclassified to loans and advances to customers	549	554	524
Financial assets available-for-sale reclassified to due from other banks	56	58	54
Financial assets available-for-sale reclassified to loans and advances to customers	83	83	79
Total financial assets reclassified on 1 July 2008	**1,105**	**1,113**	**1,058**

(expressed in millions of US dollars)

3. Basis of Preparation (continued)

Reclassifications (continued)

	1 September 2008	30 September 2008	
	Fair value	Carrying value	Fair value
Financial assets held for trading reclassified to loans and advances to customers	66	66	62
Financial assets held for trading reclassified to investment securities held-to-maturity	1,516	1,525	1,483
Total financial assets reclassified on 1 September 2008	**1,582**	**1,591**	**1,545**

	Other dates	30 September 2008	
	Fair value	Carrying value	Fair value
Financial assets held for trading reclassified to due from other banks	48	48	43
Financial assets held for trading reclassified to loans and advances to customers	136	135	132
Financial assets available-for-sale reclassified to due from other banks	10	10	10
Financial assets available-for-sale reclassified to loans and advances to customers	3	3	3
Total financial assets reclassified on other dates	**197**	**196**	**188**

The following tables show carrying values and fair values of the reclassified debt securities (pledged under repurchase agreements) at each reclassification date.

	1 July 2008	30 September 2008	
	Fair value	Carrying value	Fair value
Financial assets held for trading reclassified to due from other banks	337	336	332
Financial assets held for trading reclassified to loans and advances to customers	51	51	50
Financial assets available-for-sale reclassified to loans and advances to customers	29	28	25
Total financial assets reclassified on 1 July 2008	**417**	**415**	**407**

	Other dates	30 September 2008	
	Fair value	Carrying value	Fair value
Financial assets held for trading reclassified to due from other banks	49	48	47
Financial assets held for trading reclassified to loans and advances to customers	35	35	34
Total financial assets reclassified on other dates	**84**	**83**	**81**

(expressed in millions of US dollars)

3. Basis of Preparation (continued)

Reclassifications (continued)

The fair value gain or loss on financial assets (which are not pledged under repurchase agreements) recognised in profit or loss or other equity components up to the date of reclassification, income or loss recognised after reclassification, and fair value gain or loss that would have been recognised if the assets had not been reclassified, were as follows:

	The fair value gain/(loss) recognised up to the date of reclassification				
Reclassification date 1 July 2008	**2008**	**From purchase date till 31 December 2007**	**Interest income recognised after reclassification**	**Provision charge recognised after reclassification**	**Loss that would have been recognised if the assets had not been reclassified**
Financial assets held for trading reclassified to due from other banks	2	–	6	(6)	(11)
Financial assets held for trading reclassified to loans and advances to customers	2	(7)	13	(13)	(17)
Financial assets available-for-sale reclassified to due from other banks	(1)	–	1	–	(4)
Financial assets available-for-sale reclassified to loans and advances to customers	(3)	(2)	2	–	(4)
Total financial assets reclassified on 1 July 2008	**–**	**(9)**	**22**	**(19)**	**(36)**

	The fair value gain/(loss) recognised up to the date of reclassification				
Reclassification date 1 September 2008	**2008**	**From purchase date till 31 December 2007**	**Interest income recognised after reclassification**	**Provision charge recognised after reclassification**	**Loss that would have been recognised if the assets had not been reclassified**
Financial assets held for trading reclassified to loans and advances to customers	(2)	(1)	1	(1)	(3)
Financial assets held for trading reclassified to investment securities held-to-maturity	8	(9)	10	(1)	(41)
Total financial assets reclassified on 1 September 2008	**6**	**(10)**	**11**	**(2)**	**(44)**

3. Basis of Preparation (continued)

Reclassifications (continued)

	The fair value gain/(loss) recognised up to the date of reclassification				
Other reclassification dates	**2008**	**From purchase date till 31 December 2007**	**Interest income recognised after reclassification**	**Provision charge recognised after reclassification**	**Loss that would have been recognised if the assets had not been reclassified**
Financial assets held for trading reclassified to due from other banks	(2)	(5)	–	–	(5)
Financial assets held for trading reclassified to loans and advances to customers	(2)	(4)	2	–	(3)
Total financial assets reclassified on other dates	**(4)**	**(9)**	**2**	**–**	**(8)**

The fair value gain or loss on financial assets (pledged under repurchase agreements) recognised in profit or loss or other equity components up to the date of reclassification, income or loss recognised after reclassification, and fair value gain or loss that would have been recognised if the assets had not been reclassified, were as follows:

	The fair value gain/(loss) recognised up to the date of reclassification				
Reclassification date 1 July 2008	**2008**	**From purchase date till 31 December 2007**	**Interest income recognised after reclassification**	**Provision charge recognised after reclassification**	**Loss that would have been recognised if the assets had not been reclassified**
Financial assets held for trading reclassified to due from other banks	1	–	2	–	(4)
Financial assets held for trading reclassified to loans and advances to customers	(1)	(1)	–	–	(1)
Financial assets available-for-sale reclassified to loans and advances to customers	(1)	(2)	–	–	(3)
Total financial assets reclassified on 1 July 2008	**(1)**	**(3)**	**2**	**–**	**(8)**

(expressed in millions of US dollars)

3. Basis of Preparation (continued)

Reclassifications (continued)

Other reclassification dates	The fair value gain/(loss) recognised up to the date of reclassification: 2008	The fair value gain/(loss) recognised up to the date of reclassification: From purchase date till 31 December 2007	Interest income recognised after reclassification	Provision charge recognised after reclassification	Loss that would have been recognised if the assets had not been reclassified
Financial assets held for trading reclassified to due from other banks	–	(1)	–	–	(1)
Financial assets held for trading reclassified to loans and advances to customers	–	(1)	–	–	(1)
Total financial assets reclassified on other reclassification dates	**–**	**(2)**	**–**	**–**	**(2)**

Estimated amounts of present values of cash flows, the Group expects to recover as at the date of reclassification of financial assets were the following:

	Financial assets which are not pledged under repurchase agreements			Financial assets pledged under repurchase agreements	
	Reclassifi-cation date 1 July 2008	Reclassifi-cation date 1 September 2008	Other reclassification dates	Reclassifi-cation date 1 July 2008	Other reclassification dates
Financial assets held for trading reclassified to due from other banks	417	66	48	337	49
Financial assets held for trading reclassified to loans and advances to customers	549	–	136	51	35
Financial assets held for trading reclassified to investment securities held-to-maturity	–	1,516	–	–	–
Financial assets available- for-sale reclassified to due from other banks	56	–	10	–	–
Financial assets available- for-sale reclassified to loans and advances to customers	83	–	3	29	–
Total financial assets reclassified	**1,105**	**1,582**	**197**	**417**	**84**

As of the reclassification date, effective interest rates on financial assets were as follows:

	Financial assets not pledged under repurchase agreements		Financial assets pledged under repurchase agreements	
	Maximum effective interest rate	Minimum effective interest rate	Maximum effective interest rate	Minimum effective interest rate
Financial assets held for trading reclassified to due from other banks	17.35%	2.44%	11.19%	6.44%
Financial assets held for trading reclassified to loans and advances to customers	24.25%	2.05%	11.14%	5.61%
Financial assets held for trading reclassified to investment securities held-to-maturity	17.69%	6.53%	–	–
Financial assets available-for-sale reclassified to due from other banks	16.78%	6.72%	–	–
Financial assets available-for-sale reclassified to loans and advances to customers	10.70%	3.00%	8.72%	4.78%

(expressed in millions of US dollars)

3. Basis of Preparation (continued)

Foreign Currency Translation

At 30 September 2008, the principal rate of exchange used for translating balances in Russian Roubles to USD was USD 1 to RUR 25.2464 (at 31 December 2007: USD 1 to RUR 24.5462), and the principal rate of exchange used for translating balances in Euro was USD 1 to Euro 0.6942 (at 31 December 2007: USD 1 to Euro 0.6831).

4. Cash and Short-Term Funds

	30 September 2008 (unaudited)	31 December 2007
Cash on hand	1,298	1,256
Cash balances with central banks (other than mandatory reserve deposits)	1,973	2,591
Correspondent accounts with other banks		
- Russian Federation	778	557
- Other countries	2,012	756
Total cash and short-term funds	**6,061**	**5,160**
Less: restricted cash	(50)	(64)
Total cash and cash equivalents	**6,011**	**5,096**

5. Financial Assets at Fair Value through Profit or Loss

	30 September 2008 (unaudited)	31 December 2007
Financial assets held for trading	3,954	9,112
Financial assets designated as at fair value through profit or loss	1,034	1,324
Total financial assets at fair value through profit or loss	**4,988**	**10,436**

Financial Assets Held for Trading

	30 September 2008 (unaudited)	31 December 2007
Debt securities denominated in USD		
Bonds and eurobonds of foreign companies and banks	458	385
Eurobonds of Russian companies and banks	122	263
Eurobonds of the Russian Federation	–	59
Russian MinFin bonds (OVGVZ)	–	5
Debt securities denominated in RUR		
Bonds of Russian companies and banks	558	3,536
Promissory notes of Russian companies and banks	247	354
Russian municipal bonds	210	740
Russian Federal loan bonds (OFZ)	46	1,358
Eurobonds of foreign companies and banks	21	37
Debt securities denominated in other currencies		
Bonds of foreign governments	22	20
Eurobonds of Russian companies and banks	–	17
Bonds of foreign companies and banks	–	8
Equity securities	1,394	1,771
Balances arising from derivative financial instruments	876	559
Total financial assets held for trading	**3,954**	**9,112**

(expressed in millions of US dollars)

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

Financial Assets Held for Trading (continued)

Equity securities at 30 September 2008 include USD 744 million (31 December 2007: USD 503 million) representing structured customer financing transactions whereby market risk is offset via forward sale agreements on the same securities (recorded within derivative instruments). Other equity securities mostly represent shares of major Russian energy, telecommunication and manufacturing companies and shares of world-leading blue chip companies.

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

The negative cumulative financial result from financial assets at fair value through profit or loss amounting to USD 501 million comprise the amount of USD 453 million loss arising from financial assets at fair value through profit or loss occurred in the three-month period ended 31 March, 2008, which reflected losses on the securities portfolio realized by the Group in the first quarter of 2008 in line with the Group's risk management strategy and the medium-term aim to reduce overall earnings volatility and USD 273 million loss as a result of the downfall in securities prices in the third quarter of 2008, which were partially offset by gains amounting to USD 225 million in the second quarter of 2008.

The significant decrease in financial assets held for trading in the third quarter of 2008 also resulted from application of amendments to IAS 39 allowing reclassification from this category (see Note 3).

Financial Assets Designated as at Fair Value through Profit or Loss

	30 September 2008 (unaudited)	31 December 2007
Bonds of Russian companies and banks	351	415
Bonds of foreign companies and banks	270	354
Equity securities	235	384
Bonds of foreign governments	78	61
Investments in mutual funds	38	98
Eurobonds of the Russian Federation	24	1
Russian municipal bonds	5	10
Promissory notes of foreign companies and banks	1	–
Balances arising from derivative financial instruments	32	1
Total financial assets designated as at fair value through profit or loss	**1,034**	**1,324**

Equity securities in the amount of USD 188 million at 30 September 2008 (31 December 2007: USD 384 million) and balances arising from derivative financial instruments in the amount of USD 32 million at 30 September 2008 (31 December 2008: USD 1 million) represent structured customer financing transactions whereby market risk is offset via forward sale agreements on the same securities (recorded within derivative instruments). These equity securities are issued by Russian energy companies.

(expressed in millions of US dollars)

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

	30 September 2008 (unaudited)	31 December 2007
Financial assets at fair value through profit or loss		
Financial assets held for trading		
Russian municipal bonds	28	32
Bonds of Russian companies and banks	6	84
Bonds of foreign companies and banks	1	–
Russian Federal loan bonds (OFZ)	–	290
Promissory notes of Russian companies and banks	–	245
Equity securities	–	226
Total Financial assets held for trading	*35*	*877*
Financial assets designated as at fair value through profit or loss		
Eurobonds of Russian companies and banks	130	121
Bonds of foreign governments	75	103
Bonds of foreign companies and banks	18	58
Eurobonds of Russian Federation and MinFin Bonds	–	29
Russian municipal bonds	–	5
Total Financial assets designated as at fair value through profit or loss	*223*	*316*
Total Financial assets at fair value through profit or loss	***258***	***1,193***
Financial assets available-for-sale		
Bonds of foreign companies and banks	347	490
Bonds of foreign governments	–	326
Bonds of Russian companies and banks	–	30
Russian municipal bonds	–	10
Total financial assets available-for-sale	***347***	***856***
Financial assets classified as loans and advances to customers	***114***	***–***
Financial assets classified as due from other banks	***384***	***–***
Loaned financial assets classified as loans and advances to customers	***162***	***163***
Total financial assets pledged under repurchase agreements and loaned financial assets	**1,265**	**2,212**

Financial assets classified as due from other banks and Financial assets classified as loans and advances to customers represent financial assets, which are not quoted in an active market, including those reclassified from Financial assets at fair value through profit or loss and Financial assets available-for-sale, which the Group intends to hold for foreseeable future. For details of reclassification refer to Note 3.

7. Due from Other Banks

	30 September 2008 (unaudited)	31 December 2007
Current term placements	9,966	9,070
Reverse sale and repurchase agreements	274	676
Overdue placements	2	–
Total gross due from other banks	**10,242**	**9,746**
Less: Allowance for impairment (Note 20)	(28)	(13)
Total due from other banks	**10,214**	**9,733**

(expressed in millions of US dollars)

8. Loans and Advances to Customers

	30 September 2008 (unaudited)	31 December 2007
Current loans and advances	80,648	57,547
Reverse sale and repurchase agreements	2,000	1,640
Rescheduled loans and advances	499	136
Overdue loans and advances	1,312	698
Total gross loans and advances to customers	**84,459**	**60,021**
Less: Allowance for impairment (Note 20)	(2,710)	(1,472)
Total loans and advances to customers	**81,749**	**58,549**

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

At 30 September 2008, included in gross loans are finance lease receivables of USD 3,105 million (31 December 2007: USD 1,926 million), equal to the net investment in lease.

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

	30 September 2008 (unaudited)		31 December 2007	
	Amount	%	Amount	%
Finance	15,040	18	12,020	20
Individuals	13,643	16	7,682	13
Building construction	11,445	14	5,170	8
Trade and commerce	9,872	12	7,142	12
Manufacturing	6,383	8	5,316	9
Transport	4,582	5	2,992	5
Metals	4,217	5	2,476	4
Oil and Gas	3,679	4	3,778	6
Food and agriculture	2,836	3	2,175	4
Government bodies	2,636	3	2,891	5
Chemical	2,627	3	1,057	2
Energy	2,025	2	2,508	4
Coal mining	1,918	2	1,712	3
Telecommunications and media	705	1	560	1
Aircraft	623	1	756	1
Other	2,228	3	1,786	3
Total gross loans and advances to customers	**84,459**	**100**	**60,021**	**100**

At 30 September 2008, the total amount of outstanding loans issued by the Group to 10 largest groups of interrelated borrowers comprise USD 15,820 million, or 19% of the gross loan portfolio (31 December 2007: USD 12,565 million, or 21%).

(expressed in millions of US dollars)

9. Financial Assets Available-for-sale

	30 September 2008 (unaudited)	31 December 2007
Eurobonds of Russian companies and banks	139	65
Bonds of foreign companies and banks	97	120
Bonds of foreign governments	31	46
Russian municipal bonds	25	3
Other equity investments	423	244
CJSC “Alrosa” shares	–	346
Russian MinFin bonds (OVGVZ)	–	24
Promissory notes of Russian companies and banks	–	10
Total financial assets available-for-sale	**715**	**858**

In 2008 the Group sold CJSC “Alrosa” shares to a state-owned party and transferred upon the sale the realized gain of USD 51 million (47 million, net of tax), from a separate caption within equity to the statement of income.

10. Investments in Associates

			30 September 2008 (unaudited)		31 December 2007	
	Country of registration	**Activity**	**Carrying amount**	**Ownership percentage**	**Carrying amount**	**Ownership percentage**
“Eurofinance Mosnarbank”, OJSC	Russia	Banking	160	34.83%	152	34.83%
“Vietnam-Russia Joint Venture Bank”	Vietnam	Banking	29	49.00%	15	49.00%
“Interbank Trading House”, Ltd	Russia	Commerce	–	50.00%	–	50.00%
Total investments in associates			**189**		**167**	

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

11. Investment Securities Held-to-maturity

	30 September 2008 (unaudited)	31 December 2007
Bonds of Russian companies and banks	1,550	–
Eurobonds of Russian companies and banks	149	–
Bonds of foreign companies and banks	103	2
Bonds of foreign governments	13	3
Russian municipal bonds	4	–
Total investment securities held-to-maturity	**1,819**	**5**

Bonds issued by Russian companies and banks mostly represent securities issued by Russian banks and include securities with maturities ranging from December 2008 to February 2017 and coupon rates from 4% to 18%.

The increase in investment securities held-to-maturity is mainly the result of reclassification of securities under the amendment to IAS 39 and IFRS 7 “Reclassification of Financial assets”. For details of reclassification refer to Note 3.

(expressed in millions of US dollars)

12. Due to Other Banks

	30 September 2008 (unaudited)	31 December 2007
Term loans and deposits	8,706	9,546
Correspondent accounts and overnight deposits	2,213	3,224
Sale and repurchase agreements	849	2,024
Total due to other banks	**11,768**	**14,794**

Financial assets pledged against sale and repurchase agreements are financial assets pledged, stated in Note 6, except for the specifically stated pledged assets in Note 13, with a total fair value of USD 1,075 million (31 December 2007: USD 2,048 million).

13. Customer Deposits

	30 September 2008 (unaudited)	31 December 2007
Government bodies		
Current / settlement deposits	614	933
Term deposits	12,912	2,011
Legal entities		
Current / settlement deposits	9,427	8,701
Term deposits	17,261	14,769
Individuals		
Current / settlement deposits	3,252	2,974
Term deposits	9,082	7,709
Sale and repurchase agreements	27	1
Total customer deposits	**52,575**	**37,098**

At 30 September 2008 sale and repurchase agreements of USD 27 million (31 December 2007: USD 1 million) represent the amounts payable to legal entities under the sale and repurchase agreements. Assets pledged against sale and repurchase agreements are financial assets at fair value through profit and loss – Russian municipal bonds with fair value of USD 28 million (31 December 2007: USD 1 million) (see Note 6).

14. Other Borrowed Funds

	30 September 2008 (unaudited)	31 December 2007
Syndicated loans	3,593	2,489
Other borrowings	3,581	2,687
Total other borrowed funds	**7,174**	**5,176**

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

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

(expressed in millions of US dollars)

15. Debt Securities Issued

	30 September 2008 (unaudited)	31 December 2007
Bonds	16,403	14,394
Promissory notes	5,561	2,082
Deposit certificates	1	13
Total debt securities issued	**21,965**	**16,489**

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

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

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

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

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

In August 2008, VTB redeemed its USD-denominated Eurobonds Series 10 with notional amount of USD 1,750 million at maturity.

Promissory notes represent notes primarily issued by VTB in the local market, which primarily act as an alternative to customer/bank deposits.

16. 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 September 2008 the carrying amount of this subordinated debt was USD 756 million (31 December 2007: USD 768 million).

On 29 September 2005, OJSC “Industry & Construction Bank” (further renamed to OJSC “Bank VTB North-West”) issued USD 400 million subordinated Eurobonds due September 2015 with early redemption option (1 October 2010; price 100; type call). The Eurobonds bear interest at 6.2% per annum payable semi-annually, with an interest rate step-up in 2010. The transaction was structured as an issue of notes by Or-ICB S.A. (Luxembourg) for the purpose of financing a subordinated loan to the Bank. As of 30 September 2008, the carrying amount of this subordinated debt was USD 384 million (31 December 2007: USD 388 million).

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

(expressed in millions of US dollars)

17. Interest Income and Expense

	For the three-month period ended 30 September (unaudited)		For the nine-month period ended 30 September (unaudited)	
	2008	**2007**	**2008**	**2007**
Interest income				
Loans and advances to customers	2,302	1,145	6,031	2,882
Securities	126	157	490	406
Due from other banks	135	106	358	355
Total interest income	**2,563**	**1,408**	**6,879**	**3,643**
Interest expense				
Customer deposits	(726)	(308)	(1,854)	(816)
Debt securities issued	(360)	(173)	(950)	(548)
Subordinated debt	(19)	(19)	(57)	(57)
Due to banks and other borrowed funds	(236)	(180)	(663)	(490)
Total interest expense	**(1,341)**	**(680)**	**(3,524)**	**(1,911)**
Net interest income	**1,222**	**728**	**3,355**	**1,732**

18. Fee and Commission Income and Expense

	For the three-month period ended 30 September (unaudited)		For the nine-month period ended 30 September (unaudited)	
	2008	**2007**	**2008**	**2007**
Commission on settlement transactions	99	92	292	225
Depositary appointment fee	–	–	–	57
Commission on cash transactions	38	35	82	77
Commission on guarantees issued and trade finance	41	24	112	56
Commission on operations with securities	13	9	50	30
Other	16	8	34	23
Total fee and commission income	**207**	**168**	**570**	**468**
Commission on settlement transactions	(21)	(10)	(45)	(29)
Commission on cash transactions	(8)	(5)	(18)	(10)
Other	(5)	(6)	(23)	(15)
Total fee and commission expense	**(34)**	**(21)**	**(86)**	**(54)**
Net fee and commission income	**173**	**147**	**484**	**414**

(expressed in millions of US dollars)

19. Staff Costs and Administrative Expenses

	For the three-month period ended 30 September (unaudited)		For the nine-month period ended 30 September (unaudited)	
	2008	**2007**	**2008**	**2007**
Staff costs	379	219	988	570
Defined contribution pension expense	31	18	93	63
Depreciation and other expenses related to premises and equipment	80	62	229	165
Leasing and rent expenses	47	28	132	73
Taxes other than on income	40	31	105	74
Advertising expenses	30	25	86	63
Professional services	20	13	60	32
Participation in deposit insurance system	15	15	46	41
Security expenses	13	10	37	28
Charity	5	4	26	18
Amortization of core deposit intangible	10	9	28	29
Post and telecommunication expenses	17	10	45	26
Insurance	1	2	10	7
Transport expenses	4	2	9	5
Impairment, amortization and other expenses related to intangibles, except for core deposit intangible	8	4	26	12
Other	6	28	28	83
Total staff costs and administrative expenses	**706**	**480**	**1,948**	**1,289**

20. Allowances for Impairment and Provisions

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

	Due from other banks	**Loans and advances to customers**	**Total**
Balance at 1 January 2007	**8**	**973**	**981**
Provision for impairment during the period	–	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	–	(9)	**(9)**
Balance at 30 September 2007 (unaudited)	**8**	**1,320**	**1,328**
Balance at 1 January 2008	**13**	**1,472**	**1,485**
Provision for impairment during the period	16	1,364	**1,380**
Write-offs	–	(41)	**(41)**
Cash received for loans written-off in previous periods	–	2	**2**
Currency translation difference	(1)	(87)	**(88)**
Balance at 30 September 2008 (unaudited)	**28**	**2,710**	**2,738**

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. Allowances for Impairment and Provisions (continued)

For the purpose of loan loss allowance calculation as of 30 September 2008, VTB Bank upgraded methodology of the historical loss data collection by pools of group of assets with similar risk characteristics (by industry) which mostly resulted in a significantly lower historical loss ratios by industry, compared to previous method. Also, based on the requirements of IAS 39, in the third quarter 2008, VTB Bank used its experienced judgment and adjusted the historical loss experience to reflect the events of current conditions that did not affect the periods on which the historical loss experience was based. The judgmental adjustments were done by pools of assets with similar risk characteristics and ranged from 0% to 6%. The net result of the use of the upgraded methodology adjusted for the events of current circumstances compared to the provision charge that would have been based on the previous methodology was not material as of 30 September 2008.

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)**	
	2008	**2007**	**2008**	**2007**
Net (loss) / profit attributable to shareholders of the parent _(in millions of US dollars)_	(369)	555	297	1,029
Weighted average number of ordinary shares in issue	6,721,360,971,399	5,837,032,855,999	6,720,777,218,628	5,526,778,490,689
Basic and diluted earnings per share (expressed in USD per share)	**(0.000055)**	**0.000095**	**0.000044**	**0.000186**

22. Income Tax

The Group's effective tax rate for the nine months of 2008 was 48.2% (nine months 2007: 20.0%) due to the influence of non-deductible items on pretax profit. Such items arose in the normal course of business in the period under review, however due to a reduction in pretax profit, their influence on the effective interest rates increased compared to prior periods.

23. Dividends

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

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

(expressed in millions of US dollars)

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

Legal proceedings (continued).
As of 30 September 2008, a USD 14 million compensation claim filed against VTB's subsidiary bank with respect to the arrest, upon the subsidiary bank's application, of the collateral to a loan issued by the subsidiary bank in precedent periods, was pending in the Court. The subsidiary bank has been advised by its attorney that it is possible, but not probable, that the compensation claim will succeed, therefore no provision for the claim has been made. The final Court decision has not been taken yet.

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 and/or the Bank confirming its willingness to extend a loan. The Group monitors the term to maturity of credit related commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

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

Outstanding credit related commitments are as follows:

	30 September 2008 (unaudited)	31 December 2007
Guarantees issued	9,019	7,056
Undrawn credit lines	6,890	7,054
Import letters of credit	2,223	1,930
Commitments to extend credit	5,061	4,304
Less: allowance for losses on credit related commitments	(5)	(2)
Total credit related commitments	**23,188**	**20,342**

The Bank has received export letters of credit for further advising to its customers. The total amount of received letters of credit as of 30 September 2008 was USD 3,012 million (31 December 2007: USD 2,630 million). Commitments under import letters of credit and guarantees are collateralized by customer deposits of USD 482 million (31 December 2007: USD 385 million).

At 30 September 2008, included in guarantees issued is a guarantee of USD 2,155 million or 24% (31 December 2007: 2,724 million or 39%) of the guarantees issued which acts as additional collateral for a transaction between unrelated third parties whereby credit risk is fully collateralized by the shares of a major state-owned oil and gas Russian company.

At 30 September 2008, included in guarantees issued are guarantees issued for a related state-owned company of USD 578 million or 6% (31 December 2007: 684 million or 10%) of the guarantees issued.

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

Cash flow hedges

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

The Group recognized a gain of USD 33 million (net of tax) in the income statement as certain hedged items related to cash flow hedges are no longer highly probable.

Fair value hedges

Fair value hedges are used by the Group to protect it against the changes in the fair value of financial assets and financial liabilities due to movements in interest rates. The financial instruments hedged for interest rate risk include loans and debt securities issued. For the nine months ended 30 September 2008, the Group recognized a net loss of USD 95 million (for the nine months ended 30 September 2007: nil), representing the loss on the hedging instruments. The total gain on hedged items attributable to the hedged risk amounted to USD 86 million (for the nine months ended 30 September 2007: nil).

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.

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

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

(expressed in millions of US dollars)

25. Analysis by Segment (continued)

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 ended 30 September 2008 (unaudited):

	Russia	Other CIS	Europe and other	Total before intersegment eliminations	Inter-segment eliminations	Total
Revenues from:						
External customers	6,319	509	768	7,596	–	**7,596**
Other segments	297	–	94	391	(391)	**–**
Total revenues	**6,616**	**509**	**862**	**7,987**	**(391)**	**7,596**
Segment results (profit before taxation)	465	81	64	610	–	**610**
Income tax expense						**(294)**
Net profit						**316**
Segment assets as of 30 September 2008 less income tax assets	98,824	5,962	18,963	123,749	(11,191)	**112,558**
Income tax assets	344	3	159	506		**506**
Segment assets as of 30 September 2008	**99,168**	**5,965**	**19,122**	**124,255**	**(11,191)**	**113,064**
Segment liabilities as of 30 September 2008 less income tax liabilities	86,347	5,175	16,899	108,421	(11,193)	**97,228**
Income tax liabilities	138	31	38	207		**207**
Segment liabilities as of 30 September 2008	**86,485**	**5,206**	**16,937**	**108,628**	**(11,193)**	**97,435**
Other segment items						
Share in income of associates	1	–	4	5	–	**5**
Capital expenditure	475	51	18	544	–	**544**
Depreciation and amortization charge	93	13	12	118	–	**118**
Other non-cash income (expenses)						
Provision for loan impairment	(1,257)	(60)	(63)	(1,380)	–	**(1,380)**
Interest income	6,021	411	840	7,272	(393)	**6,879**
Interest expense	(3,152)	(228)	(537)	(3,917)	393	**(3,524)**
Net interest income	**2,869**	**183**	**303**	**3,355**	**–**	**3,355**

(expressed in millions of US dollars)

25. Analysis by Segment (continued)

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

	Russia	Other CIS	Europe and other	Total before intersegment eliminations	Inter-segment eliminations	Total
Revenues from:						
External customers	4,037	184	669	4,890	–	**4,890**
Other segments	109	1	17	127	(127)	–
Total revenues	**4,146**	**185**	**686**	**5,017**	**(127)**	**4,890**
Segment results (profit before taxation)	1,242	(6)	78	1,314	–	**1,314**
Income tax expense						**(263)**
Net profit						**1,051**
Segment assets as of 31 December 2007 less income tax assets	79,451	3,993	15,892	99,336	(6,978)	**92,358**
Income tax assets	120	5	126	251		**251**
Segment assets as of 31 December 2007	**79,571**	**3,998**	**16,018**	**99,587**	**(6,978)**	**92,609**
Segment liabilities as of 31 December 2007 less income tax liabilities	65,535	3,622	13,728	82,885	(6,978)	**75,907**
Income tax liabilities	173	13	15	201		**201**
Segment liabilities as of 31 December 2007	**65,708**	**3,635**	**13,743**	**83,086**	**(6,978)**	**76,108**
Other segment items						
Profit from disposal of subsidiaries	62	–	18	80	–	**80**
Share in income of associates	(2)	–	9	7	–	**7**
Capital expenditure	177	35	20	232	(1)	**231**
Depreciation and amortization charge	69	6	8	83	–	**83**
Other non-cash income (expenses)						
Provision for loan impairment	(287)	(55)	(13)	(355)	–	**(355)**
Interest income	2,961	149	658	3,768	(125)	**3,643**
Interest expense	(1,514)	(68)	(454)	(2,036)	125	**(1,911)**
Net interest income	**1,447**	**81**	**204**	**1,732**	**–**	**1,732**

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.

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

(expressed in millions of US dollars)

26. Related Party Transactions (continued)

Balance sheet and credit related commitments:

	30 September 2008 (unaudited)		31 December 2007	
	State-owned entities	**Associates**	**State-owned entities**	**Associates**
Assets				
Cash and short-term funds	2,341	–	2,809	–
Mandatory cash balances with central banks	492	–	720	–
Financial assets at fair value through profit or loss	934	22	6,120	–
Financial assets pledged under repurchase agreements and loaned financial assets	421	–	904	–
Due from other banks	1,922	125	1,959	69
Loans and advances to customers	11,476	67	11,889	65
Allowance for impairment	(141)	(30)	(125)	(29)
Financial assets available-for-sale	139	–	430	9
Investment securities held-to-maturity	44	–	–	–
Liabilities				
Due to other banks	1,169	5	2,679	13
Customer deposits	20,084	65	10,210	2
Other borrowed funds	1,346	–	1,413	–
Credit related commitments				
Guarantees issued	2,114	2	1,944	–
Undrawn credit lines	738	–	692	–
Import letters of credit	121	–	163	–
Commitments to extend credit	1,006	8	759	8

Income statement:

	For the nine-month period ended 30 September (unaudited)	
	2008	**2007**
Interest income		
Loans and advances to customers	885	464
Securities	170	166
Due from other banks	77	43
Interest expense		
Customer deposits	(683)	(189)
Due to other banks and other borrowed funds	(113)	(28)
Provision for impairment	(12)	(9)

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

For the period ended 30 September 2008, the total remuneration of the directors and key management personnel of the Group including pension contributions amounted to USD 79.3 million (30 September 2007: USD 46.2 million). Key management personnel include VTB Supervisory Council, VTB Management Board, VTB Statutory Audit Committee and key management of subsidiaries. Loans to the directors and key management personnel amounted to USD 16.8 million (31 December 2007: USD 15.1 million).

(expressed in millions of US dollars)

27. Consolidated Subsidiaries and Associates

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

Name	Activity	Country of registration	Percentage of ownership: 30 September 2008 (unaudited)	Percentage of ownership: 31 December 2007
Subsidiaries:				
"VTB Bank (Austria)" AG	Banking	Austria	100.00%	100.00%
"Russian Commercial Bank (Cyprus) Limited"	Banking	Cyprus	100.00%	100.00%
"Russian Commercial Bank Ltd"	Banking	Switzerland	100.00%	100.00%
"VTB Bank", OJSC (former "Mriya", OJSC, merged with Vneshtorgbank (Ukraine), CJSC)	Banking	Ukraine	99.90%	99.81%
"VTB Bank (Armenia)", CJSC	Banking	Armenia	100.00%	100.00%
"VTB Bank (Georgia)", JSC	Banking	Georgia	77.57%	70.52%
"VTB Bank (Belarus)", CJSC	Banking	Belarus	64.87%	64.87%
"VTB 24", CJSC	Banking	Russia	100.00%	100.00%
"VTB Bank (Deutschland)" AG	Banking	Germany	100.00%	97.69%
"Bank VTB North-West", OJSC	Banking	Russia	97.01%	86.32%
"VTB Bank (France)"	Banking	France	87.04%	87.04%
"VTB Bank (Europe)", Plc.	Banking	Great Britain	91.97%	91.97%
"Banco VTB Africa S.A."	Banking	Angola	66.00%	66.00%
"VTB Capital (Namibia) (Proprietary) Limited"	Investment	Namibia	50.03%	50.03%
"Multicarta", Ltd	Plastic cards (processing)	Russia	100.00%	100.00%
"ITC Consultants (Cyprus)", Ltd	Finance	Cyprus	100.00%	100.00%
"VB-Service", Ltd	Commerce	Russia	100.00%	100.00%
"Almaz-Press", CJSC	Publishing	Russia	100.00%	100.00%
"VTB-Leasing", OJSC	Leasing	Russia	100.00%	100.00%
"Embassy Development Limited"	Finance	Jersey	100.00%	100.00%
"VTB-Development", CJSC (former "VTB-Capital", CJSC)	Development	Russia	100.00%	100.00%
"VTB Europe Strategic Investments Limited"	Investment	Great Britain	91.97%	91.97%
"VTB Europe Finance", B.V.	Finance	Netherlands	91.97%	91.97%
"Nevsky Property", Ltd	Property	Cyprus	91.97%	45.99%
"Business-Finance", Ltd	Finance	Russia	100.00%	100.00%
"Dolgovoi centre", Ltd	Finance	Russia	100.00%	100.00%
"Sistema Leasing 24", CJSC	Finance	Russia	100.00%	100.00%
"VTB-Invest", CJSC	Finance	Russia	100.00%	100.00%
"Insurance Company VTB-Insurance", Ltd	Insurance	Russia	100.00%	100.00%
"VTB-Leasing Ukraine", Ltd	Leasing	Ukraine	100.00%	100.00%
"Capablue", Ltd	Leasing	Ireland	100.00%	100.00%
"VTB Leasing (Europe)", Ltd	Leasing	Cyprus	100.00%	100.00%
"VTB-leasing Finance", LLC	Finance	Russia	99.99%	99.99%
"VTB-Leasing", Ltd	Leasing	Belarus	100.00%	100.00%
"VTB-Leasing Capital" Ltd	Finance	Ireland	100.00%	100.00%
"Obyedinennaya Depositarnaya companya", CJSC	Finance	Russia	100.00%	99.99%
"VTB Asset Management", CJSC	Finance	Russia	19.00%	19.00%
Associates:				
"Eurofinance Mosnarbank", OJSC	Banking	Russia	34.83%	34.83%
"Vietnam-Russia Joint Venture Bank"	Banking	Vietnam	49.00%	49.00%
"Interbank Trading House", Ltd	Commerce	Russia	50.00%	50.00%

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

27. Consolidated Subsidiaries and Associates (continued)

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

In February 2008, the minority shareholders of "VTB Bank (Georgia)", JSC paid for the authorized share capital (21,098,492 shares, 1.00 georgian lari each), thus decreasing VTB's share to 53.15%. In March 2008 the minority shareholders sold 21,093,914 shares to VTB for USD 16 million, increasing VTB's share to 77.57%.

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

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

On 15 November 2007, VTB 24 announced an offer to purchase the remaining minority stakes in "Bank VTB North-West", OJSC in accordance with the plan approved by VTB's Supervisory Council on 16 October 2007 for further integration of the business of "Bank VTB North-West", OJSC into the Group. Under the terms of the offer, "Bank VTB North-West", OJSC shareholders could, within the period from 15 November 2007 to 14 December 2007, sell their shares for RUR 41.72 (USD 1.71 at the close offer date) per share and/or swap them for VTB's shares at an exchange ratio of "Bank VTB North-West", OJSC shares to VTB shares of 1 to 361. On 14 April 2008, VTB announced an offer to purchase the remaining minority stakes in VTB North-West in accordance with the Russian legal requirements and the plan approved by VTB's Supervisory Council on 16 October 2007 for further integration of the business of VTB North-West into the Group. Under the terms of the offer, VTB North-West shareholders could, within the period till 23 June 2008, accept the offer to sell their shares for RUR 45.00 (USD 1.9 at the close offer date) per share. As a result of this offer, at 30 September 2008 VTB bought 129,928,754 ordinary shares from minority shareholders of VTB North-West, increasing the share of VTB in VTB North-West up to 96.77%.

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

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

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

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

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

In August 2008, the share capital of "VTB-Invest", CJSC was increased. VTB contributed RUR 4,560 million (USD 181 million).

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

28. Capital Adequacy

The CBR requires banks to maintain a capital adequacy ratio of 10.0% of risk-weighted assets, computed based on Russian accounting legislation. As of 30 September 2008 and 31 December 2007 the Bank's capital adequacy ratio on this basis exceeded the statutory minimum.

The Group's international risk based capital adequacy ratio, computed in accordance with the Basle Accord guidelines issued in 1988, with subsequent amendments including the amendment to incorporate market risks, as of 30 September 2008 and 31 December 2007 was 14.0% and 16.3%, respectively. These ratios exceeded the minimum ratio of 8.0% recommended by the Basle Accord.

29. Subsequent Events

Under the applicable Russian legislation, VTB has got the right to a compulsory or "on demand" buyout of VTB North-West remaining shares (as a result of increase in VTB's shareholding over 95%). On 11 August 2008, the Bank sent a compulsory buyout offer to VTB North-West minority shareholders in order to increase VTB's shareholding in VTB North-West to 100%. Under the terms of the buyout offer, VTB Bank was obliged to purchase each VTB North-West ordinary registered share of RUR 1 nominal value for RUR 45.00. In October 2008 VTB purchased the remaining shares and became 100% shareholder of VTB North-West.

In December 2008, VTB purchased additional 4.78% share in "VTB Bank (Belarus)" CJSC for USD 15 million, which resulted in an increase of VTB ownership in "VTB Bank (Belarus)", CJSC to 69.65% during the process of increase in share capital of "VTB Bank (Belarus)" CJSC.

In January 2009, the Group acquired a 51% share in AF-Bank, located in Azerbaijan, from an unrelated party for USD 16 million.

In December 2008, VTB contributed KZT 6,040 million (USD 50 million) to the share capital of a newly established 100%-owned Bank VTB (Kazakhstan), which will start its operations in 2009.

In the fourth quarter of 2008 a downfall in the prices of Russian securities occurred, impacting predominantly the stock market. As of 31 December 2008, the RTS index decreased by 47.9% and the MICEX index decreased by 39.7% compared to 30 September 2008. Accordingly, the Group may book a revaluation loss on its securities portfolio in the fourth quarter of 2008. Such booking, if any, will be conducted by the Group in the due course of preparation of IFRS annual accounts for 2008.

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

In November 2008, VTB prolonged RUR 30 billion bonds (or USD 1,188 million) under USD 20 billion EMTN Programme until November 2012. The coupon rate increased to 12% p.a. Also the bondholders received annual put option, executable in November.

In October and November 2008, VTB received 2 subordinated loans of RUR 100 billion each (USD 3,715 million and USD 3,703 million respectively) with a rate of 8% p.a. paid quarterly maturing in December 2019 from a Russian state-owned bank.

In December 2008, VTB received 2 loans from a Russian state-owned bank in the total amount of USD 712.5 million with a rate of 1 year LIBOR + 5% maturing in December 2009.

29. Subsequent Events (continued)

In December 2008, Series 1 bond issue under EMTN Programme for the principal amount of USD 550 million was repaid at maturity.

In November 2008, "VTB-Invest", CJSC was renamed to "VTB-Capital", CJSC.

In November 2008, the Russian government issued an amendment to the Tax Code relating to change of the corporate income tax rate from 24% to 20% effective from 1 January 2009. This change will be accounted in the consolidated financial statements as at 31 December 2008 as this change was announced after 30 September 2008.

In December 2008, "VTB Bank (Europe)", Plc issued additional 250 million ordinary shares. VTB purchased all shares issued by "VTB Bank (Europe)", Plc for USD 250 million. As a result of this transaction, VTB increased its ownership in "VTB Bank (Europe)" Plc to 93.42%.

In January 2009, "VTB Bank (Europe)", Plc was renamed to "VTB Capital", Plc as a part of restructuring the investment business of the VTB Group.

The VTB Group members from time to time seek to retire all or part of any of its issued and outstanding debt financial issuances through open market purchases, privately negotiated transactions or otherwise. Such repurchases or exchanges, if any, will depend on prevailing market conditions, VTB's liquidity requirements, contractual restrictions and other factors. The notional amount of Eurobonds bought-back by VTB Group during the fourth quarter of 2008 amounted to USD 1.2 billion.