



# ***VTB Group 1H 2008 Results Conference Call***

***Nikolai Tsekhomsky, CFO, Member of the Management  
Board***

***September 24, 2008***



Some of the information in this presentation may contain projections or other forward-looking statements regarding future events or the future financial performance of JSC VTB ("VTB") and its subsidiaries (together with VTB, the "Group"). Such forward-looking statements are based on numerous assumptions regarding the Group's present and future business strategies and the environment in which the Group will operate in the future. We caution you that these statements are not guarantees of future performance and involve risks, uncertainties and other important factors that we cannot predict with certainty. Accordingly, our actual outcomes and results may differ materially from what we have expressed or forecasted in the forward-looking statements. These forward-looking statements speak only as at the date of this presentation and are subject to change without notice. We do not intend to update these statements to make them conform with actual results.



***Highlights 1H'08***  
***Update on strategic initiatives***

■ Net profit up 34.7% to US\$ 679 million y-o-y

■ Core income more than doubled to US\$ 2.4 billion in 1H'08 y-o-y

■ Net interest margin at 4.8% in 1H'08

■ Total loans up 29.3% to US\$ 77.6 billion from year end 2007

■ Debt refinancing program is well in hand

■ VTB backed by solid capital with BIS ratio at 15%

## Retail banking

- VTB24 profitable ~ US\$ 75 mln in 1H'08\*
- Branch expansion program essentially completed: 90 VTB24 branches opened to total 418
- New deposit sales model with more competitive pricing

## Corporate banking

- More selective lending with focus on maturities, funding, risk and margins
- Improving profitability in cross selling
- Already enhancing corporate relationships with IB expertise

## Investment banking

- Team essentially completed: operations start in October, 2008
- Significant deal pipeline
- Research coverage launched with sales and trading to follow

## VTB North-West

- Compulsory buyout finalized by October 26, 2008
- Business and process integration is well underway

## CIS expansion

- Kazakhstan: approval to open a subsidiary
- Azerbaijan: approval for AF-Bank acquisition is requested from the regulator

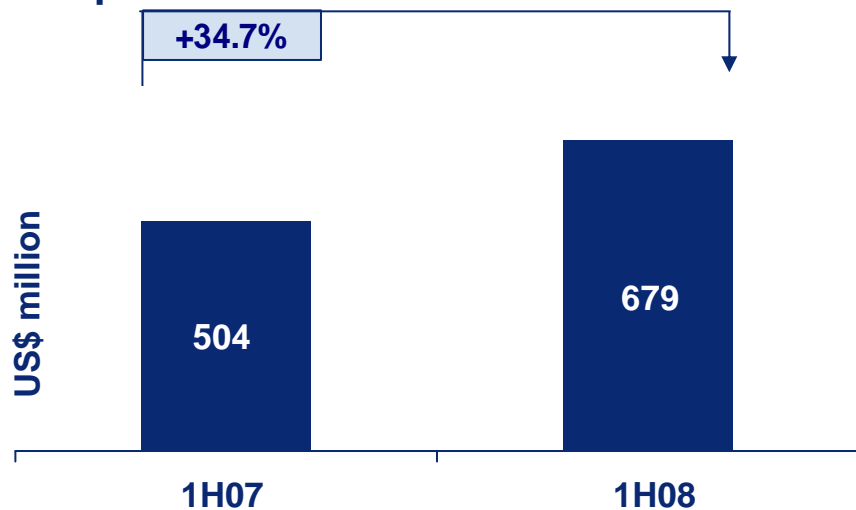


# ***Financial performance***

# Solid net profit backed by healthy core income growth

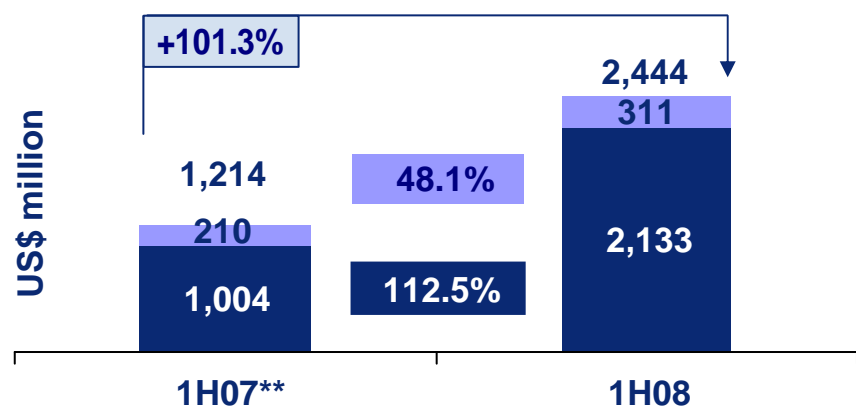
Unaudited figures

## Net profit\*



- Net profit increased by 34.7% to US\$ 679 million in H1'08 from US\$ 504 million in H1'07
- Strong Q2'08 with net profit up to US\$ 558 million
- Core income more than doubled in H1'08 year on year due to significant lending growth
- US\$ 276 million securities gain booked in Q2'08

## Core income

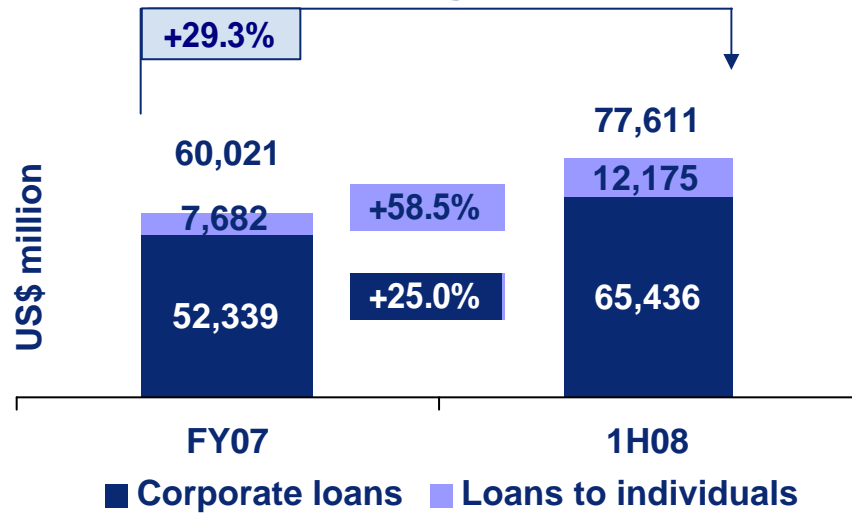


- Net fee and commission income
- Net interest income before provisions\*\*

\* The details on differences in accounting functional currency change adjustments in 1H2007 versus 1H2008 are presented in Appendix on page 20

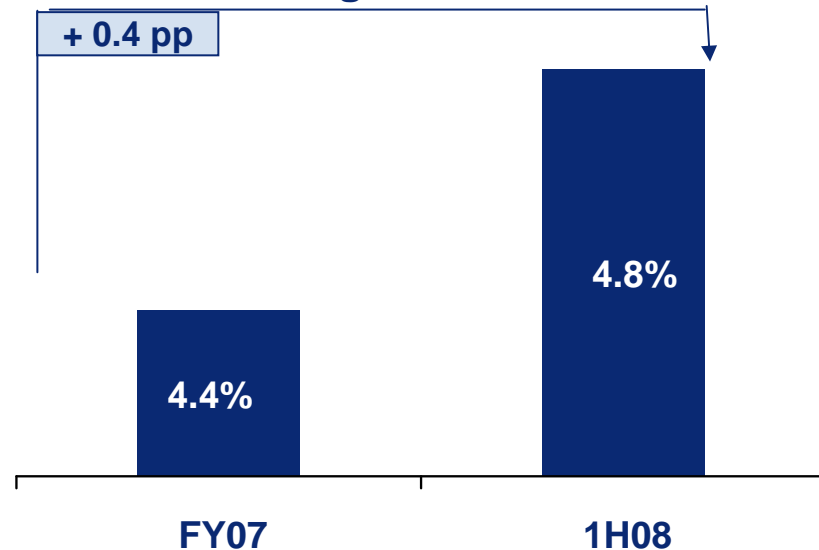
\*\*The figure excludes US\$ 57 million depositary fee received in 2Q'07

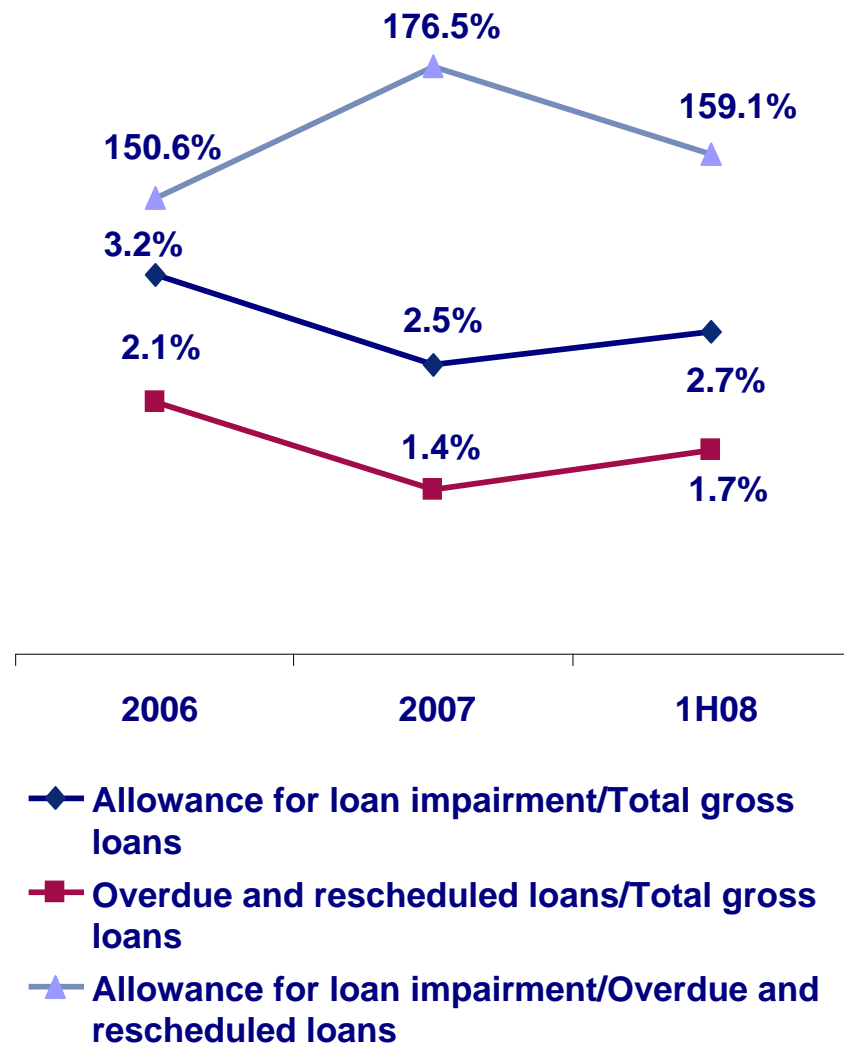
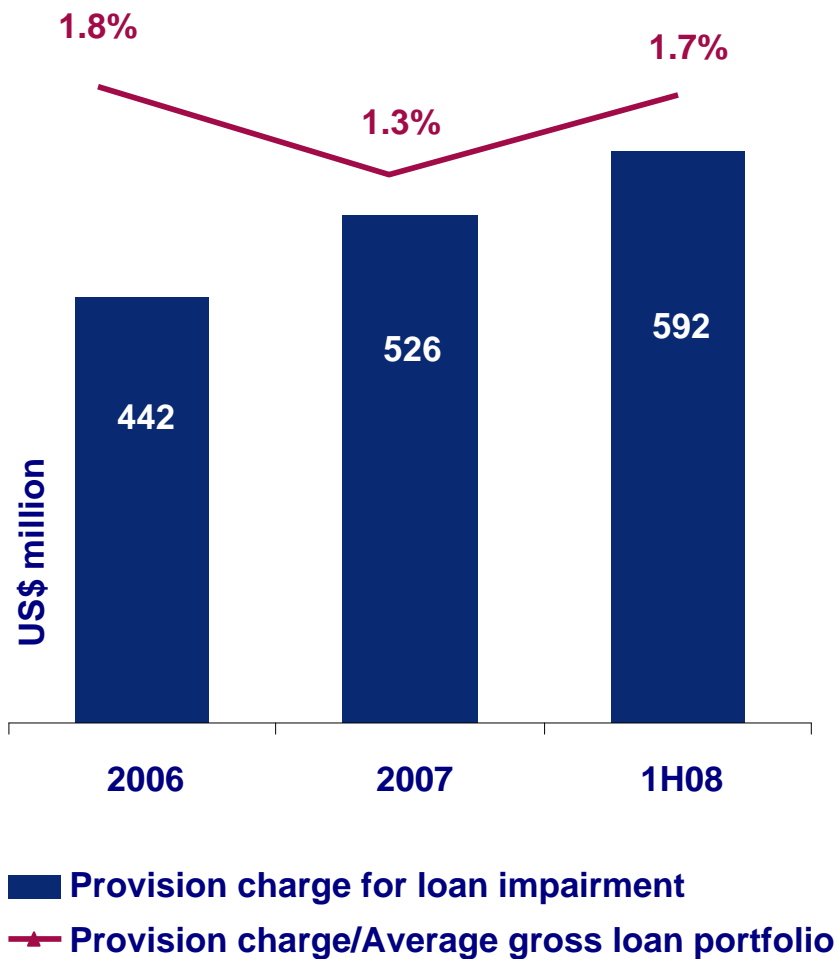
## Loans to customers (gross)



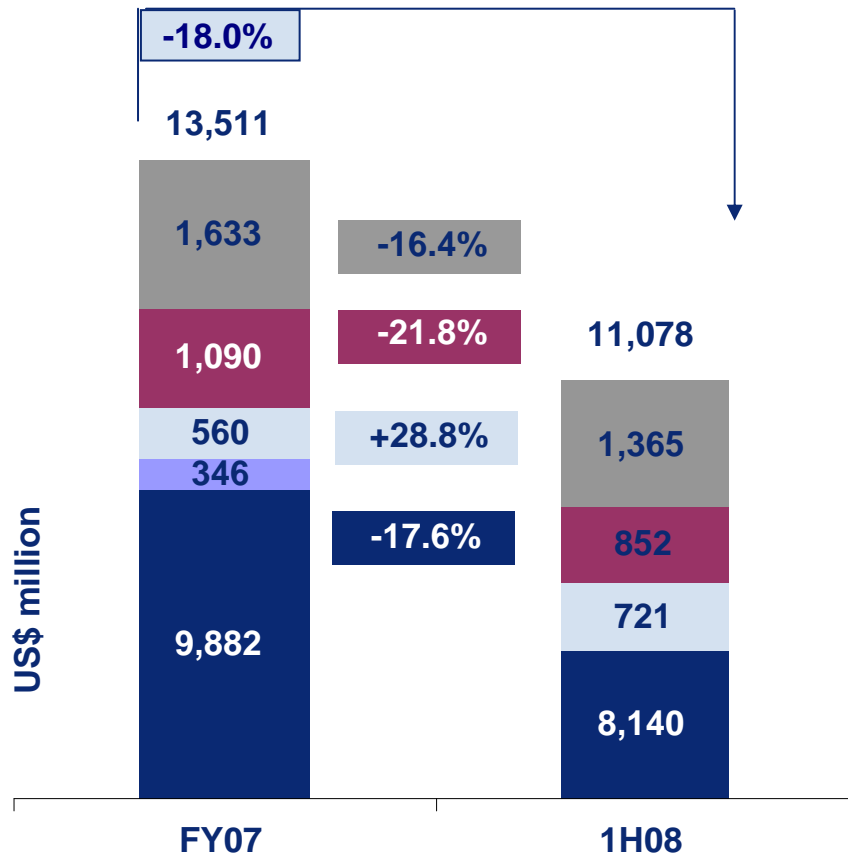
- Total loans increased by 29.3% to US\$ 77.6 billion from the year end 2007
- Corporate loans increased by 25.0% to US\$ 65.4 billion
- Retail loans up by 58.5% to US\$ 12.2 billion, with significant market share increase to 7.5% from 5.9% at year end 2007
- Net interest margin up to 4.8% in 1H'08 from 4.4% in 2007

## Net interest margin





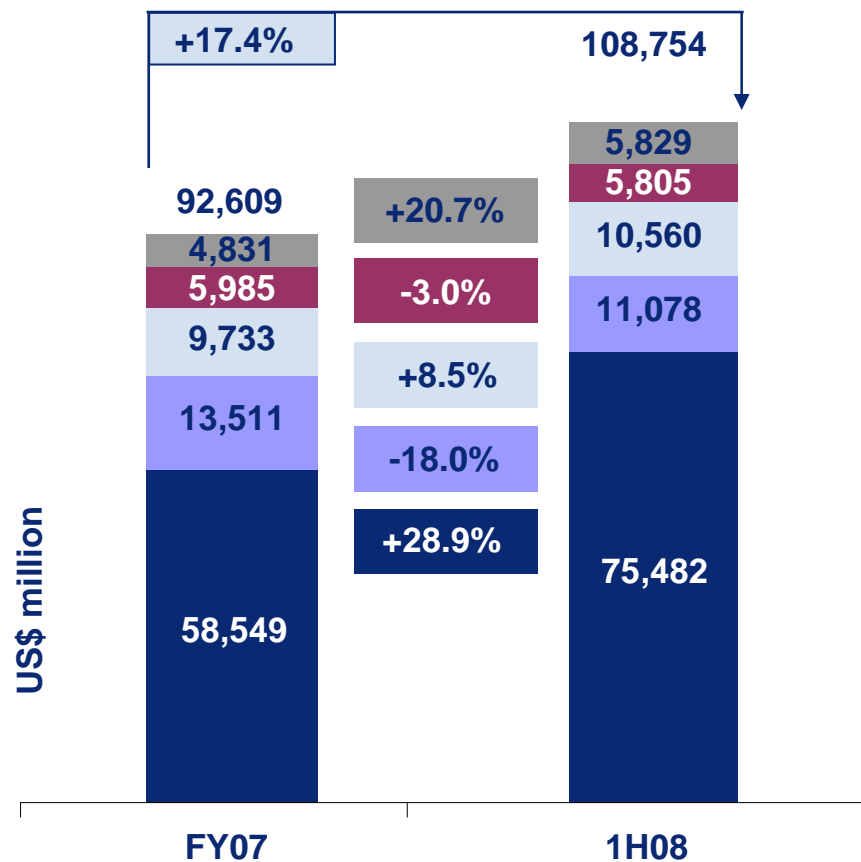
## Total securities



- Proprietary equity securities
- Structured client transactions
- Balances on derivatives
- Alrosa
- Debt securities

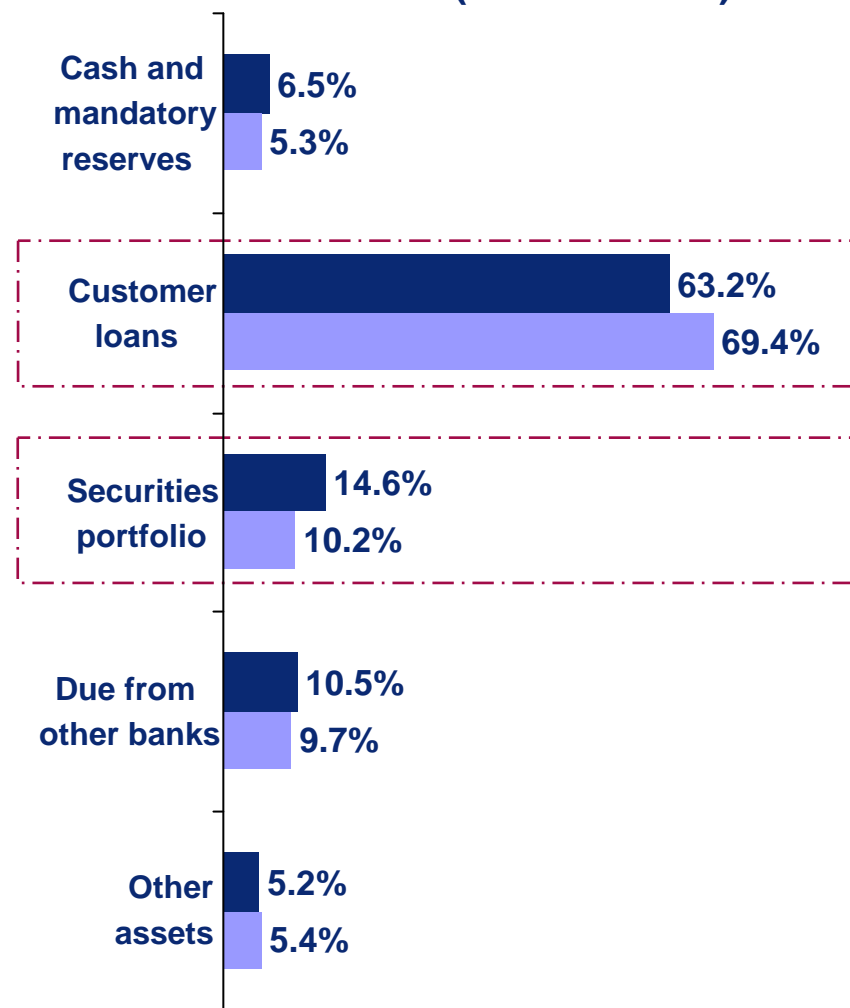
- Securities portfolio cut by US\$ 2.4 billion in 1H'08
- 10.63% stake in Alrosa sold in Q2'08 with a pre-tax gain of US\$ 51 million
- Proprietary book and risk limits revised. Securities portfolio reduction is planned
- Professional investment banking team now manages the proprietary position

## Total assets



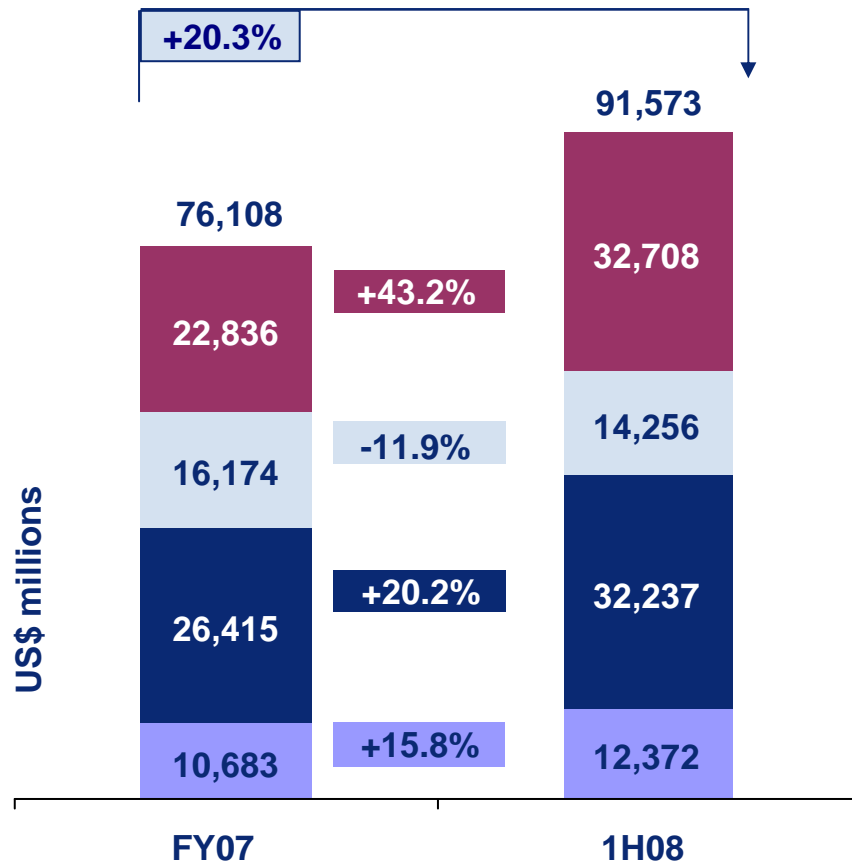
- Loans to customers (net)
- Securities portfolio
- Due from other banks
- Cash and mandatory reserves
- Other assets

## Breakdown of assets (as % of total)



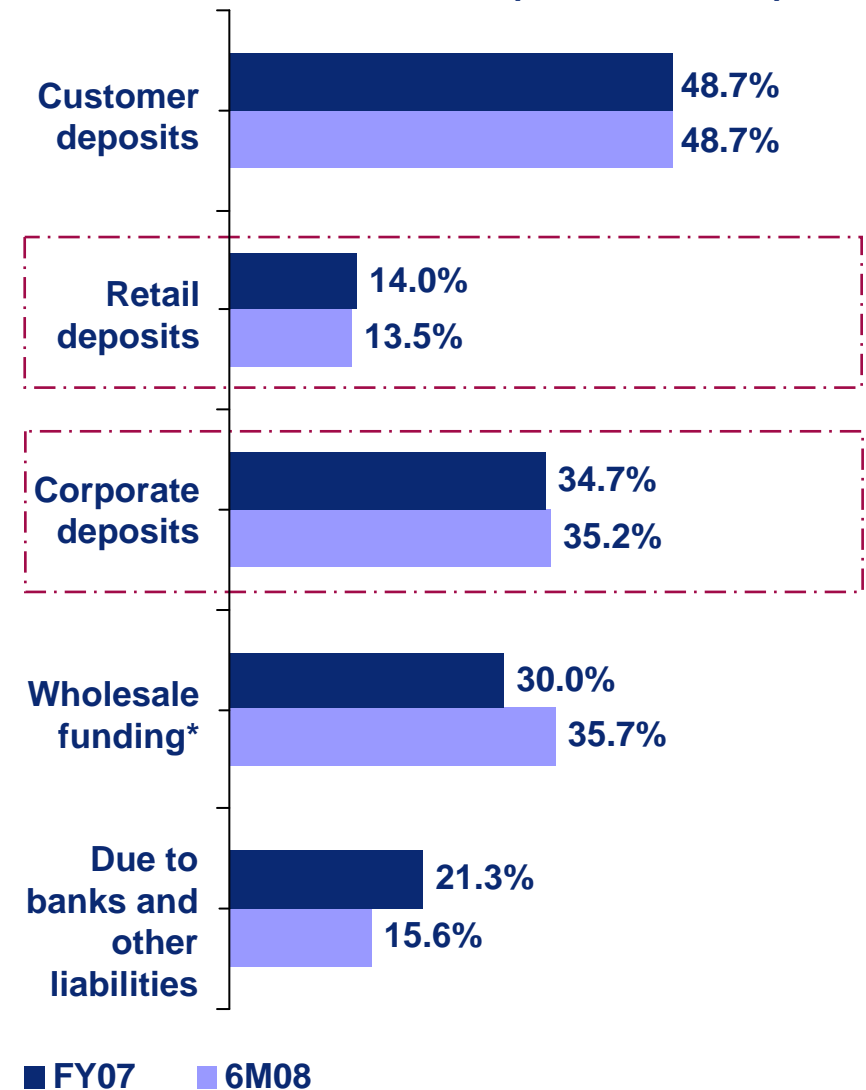
- FY07
- 1H08

## Total liabilities



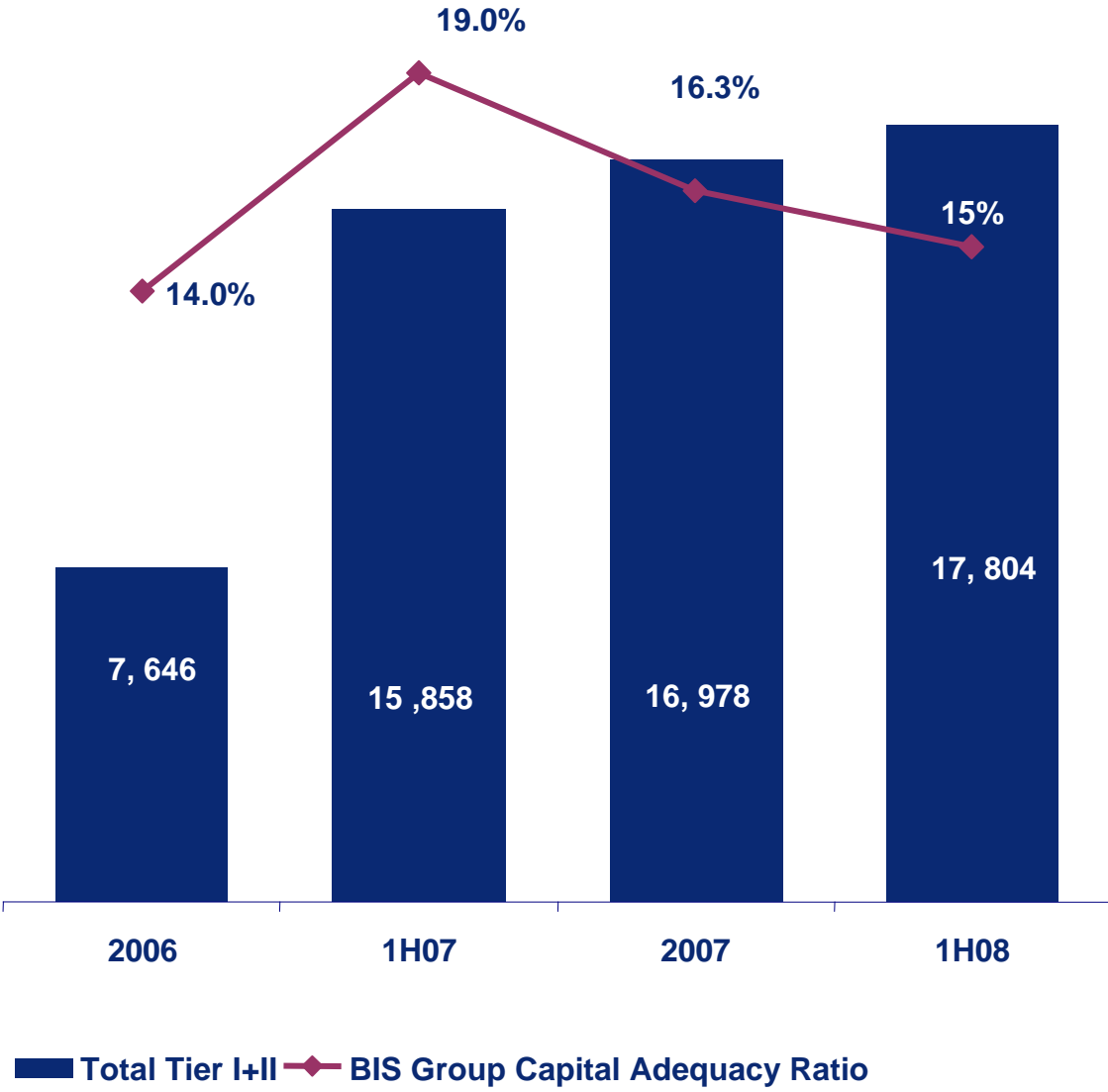
- Wholesale funding\*
- Due to banks and other liabilities
- Corporate deposits
- Retail deposits

## Breakdown of liabilities (as % of total)



\* Including debt securities issued, other borrowed funds and subordinated debt

# Strong capital position





# ***Update on current situation***

## Environment

Perceived high risk

- Ongoing problems with financial institutions in US and Europe
- Increased perception of political risks
- Increased volatility in the global capital markets
- Widespread liquidity problems witnessed globally
- Significant change in global asset allocation

*Strong impact on international financial stocks and Russian capital markets*

## VTB's competitive strengths

Unique VTB positioning

- Highly resilient business model
- Russia's second largest bank with leading franchise and high-quality customer base
- Universal banking uniquely suited to Russia
- Strong brand awareness and state ownership enhance financial strength and customer confidence
- Strong relationships with leading Russian companies across major industries
- Unique ability to service the needs of Russian clients on an international scale

*Strong fundamentals for future business success*

## Direct banking system liquidity injections

- Finance Ministry doubles potential budget fund deposits at 28 banks to 1.5 trillion roubles
- Budget funds auctioned for 1-week, 5-weeks and 3-months

## Reserve requirements

- Banks' reserve requirements reduced by 4 percentage points
- Increased the coefficient used for collateral accepted by CBR

## Stock market

- Government “pledges” 500 billion roubles to support and stabilize the stock market
- FFMS limits short selling and margin call sales

## Interest rates

- One-day tenor, currency swap, fixed repo and Lombard rates cut to 8%

## Tax cuts

- VAT remittances deferred for 3 months
- Sales of shares held for one year period exempt from profit tax
- Plans to liberalize securities market taxation

## Future progress in core business expected

- Retail: increasing contribution to net profit
- Investment banking: significant new revenue generation
- Corporate: enhanced business effectiveness
- Continue to develop products and services range to fit the changing needs of clients
- RoE and capital effectiveness

## VTB Group Targets by 2010

- Grow faster than Russian banking market both in corporate and retail business
- Increase share of retail business in bank portfolio up to 25-30%
- Maintain current level of net interest margin
- Accelerate commission income growth
- Target cost to income ratio of  $\leq 50\%$
- Improve return on equity to 15-20%



# *Appendix*

# Income statement

Unaudited figures

US\$ million	H1/08	H1/07	%	Q2/08	Q1/08	%	Q2/07	%	FY/07
Interest income	4,316	2,235	93.1%	2,211	2,105	5.0%	1,176	88.0%	5,387
Interest expense	-2,183	-1,231	77.3%	-1,157	-1,026	12.8%	-651	77.7%	-2,831
<b>Net interest income</b>	<b>2,133</b>	<b>1,004</b>	<b>112.5%</b>	<b>1,054</b>	<b>1,079</b>	<b>-2.3%</b>	<b>525</b>	<b>100.8%</b>	<b>2,556</b>
Provision charge for impairment	-592	-140	322.9%	-398	-194	105.2%	-78	410.3%	-526
<b>Net Fee and Commission Income</b>	<b>311</b>	<b>267</b>	<b>16.5%</b>	<b>166</b>	<b>145</b>	<b>14.5%</b>	<b>175</b>	<b>-5.1%</b>	<b>557</b>
Gains less losses arising from securities	-177	87	-	276	-453	-	45	513.3%	254
FX translation gains less losses	-493	27	-	9	-502	-	14	-35.7%	108
Gains less losses arising from dealing in foreign currencies	906	141	542.6%	294	612	-52.0%	63	366.7%	547
Other operating income	150	91	64.8%	80	70	14.3%	59	35.6%	236
<b>Operating income</b>	<b>2,238</b>	<b>1,477</b>	<b>51.5%</b>	<b>1,481</b>	<b>757</b>	<b>95.6%</b>	<b>803</b>	<b>84.4%</b>	<b>3,732</b>
Staff costs and administrative expenses	-1,242	-809	53.5%	-700	-542	29.2%	-444	57.7%	-1,948
of which staff costs & pensions	-671	-396	69.4%	-379	-292	29.8%	-213	77.9%	-960
Profit from disposal of subsidiaries and associates	-	18	-	-	-	-	-	-	98
Profit before taxation	957	659	45.2%	765	192	298.4%	346	121.1%	1,819
Income tax expense	-278	-155	79.4%	-207	-71	191.5%	-74	179.7%	-305
<b>Net profit</b>	<b>679</b>	<b>504</b>	<b>34.7%</b>	<b>558</b>	<b>121</b>	<b>361.2%</b>	<b>272</b>	<b>105.1%</b>	<b>1,514</b>
of which minority interest	13	30	-56.7%	5	8	-37.5%	16	-68.8%	34

# Balance sheet

Unaudited figures

US\$ million	30-Jun-08	31-Dec-07	%	31-Mar-08	%	30-Jun-07
<b>Assets</b>						
Cash and short-term funds	4,377	5,160	-15.2%	5,028	-12.9%	3,441
Mandatory cash balances with central banks	1,428	825	73.1%	1,318	8.3%	850
Financial assets at fair value through profit or loss	8,523	10,436	-18.3%	8,431	1.1%	10,301
Financial assets pledged under repurchase agreements and loaned financial assets	1,408	2,212	-36.3%	1,538	-8.5%	1,156
Due from other banks	10,560	9,733	8.5%	8,537	23.7%	8,453
Loans and advances to customers	75,482	58,549	28.9%	67,693	11.5%	35,693
Financial assets available-for-sale, net	875	858	2.0%	1,346	-35.0%	2,591
Investments in associates	193	167	15.6%	190	1.6%	185
Investment securities held-to-maturity	272	5	5340.0%	39	597.4%	5
Other assets	5,636	4,664	20.8%	5,173	9.0%	3,548
<b>Total assets</b>	<b>108,754</b>	<b>92,609</b>	<b>17.4%</b>	<b>99,293</b>	<b>9.5%</b>	<b>66,223</b>

# Balance sheet

Unaudited figures

US\$ million	30-Jun-08	31-Dec-07	%	31-Mar-08	%	30-Jun-07
<b>Liabilities</b>						
Due to other banks	11,730	14,794	-20.7%	11,689	0.4%	5,753
Customer deposits	44,609	37,098	20.2%	43,603	2.3%	25,083
Other borrowed funds	7,027	5,176	35.8%	5,437	29.2%	4,679
Debt securities issued	24,508	16,489	48.6%	18,644	31.5%	13,189
Other liabilities	2,526	1,380	83.0%	1,492	69.3%	1,118
Total liabilities before subordinated debt	90,400	74,937	20.6%	80,865	11.8%	49,822
Subordinated debt	1,173	1,171	0.2%	1,154	1.6%	1,185
<b>Total liabilities</b>	<b>91,573</b>	<b>76,108</b>	<b>20.3%</b>	<b>82,019</b>	<b>11.6%</b>	<b>51,007</b>
<b>Equity</b>						
Share capital	3,084	3,084	0.0%	3,084	0.0%	3,084
Share premium	8,792	8,792	0.0%	8,792	0.0%	8,792
Treasury shares	-16	-21	-23.8%	-21	-23.8%	-21
Unrealized gain on financial assets available-for-sale and cash flow hedge	16	109	-85.3%	90	-82.2%	92
Currency translation difference	1,403	663	111.6%	1,339	4.8%	417
Premises revaluation reserve	581	587	-1.0%	584	-0.5%	334
Retained earnings	3,142	2,993	5.0%	3,111	1.0%	2,123
Equity attributable to shareholders of the parent	17,002	16,207	4.9%	16,979	0.1%	14,821
Minority interest	179	294	-39.1%	295	-39.3%	395
<b>Total equity</b>	<b>17,181</b>	<b>16,501</b>	<b>4.1%</b>	<b>17,274</b>	<b>-0.5%</b>	<b>15,216</b>
<b>Total liabilities and equity</b>	<b>108,754</b>	<b>92,609</b>	<b>17.4%</b>	<b>99,293</b>	<b>9.5%</b>	<b>66,223</b>

## Key financial ratios

Unaudited figures

	H1/08	H1/07	Q2/08	Q1/08	Q2/07	FY/07
Net Interest Spread <sup>(1)</sup>	<b>4.3%</b>	3.9%	<b>4.0%</b>	4.7%	<b>3.9%</b>	4.1%
Net Interest Margin <sup>(2)</sup>	<b>4.8%</b>	4.1%	<b>4.5%</b>	5.1%	<b>4.1%</b>	4.4%
Cost to income <sup>(3)</sup>	<b>57.1%</b>	56.4%	<b>48.2%</b>	74.9%	<b>56.8%</b>	53.6%
Return on equity <sup>(4)</sup>	<b>8.0%</b>	10.3%	<b>13.0%</b>	2.9%	<b>9.7%</b>	12.3%
Return on assets <sup>(4)</sup>	<b>1.4%</b>	1.7%	<b>2.1%</b>	0.5%	<b>1.8%</b>	2.2%

(1)  $(\text{Interest Income}/\text{Avg. Interest Earning Assets}) - (\text{Interest Expense}/\text{Avg. Interest Bearing Liabilities})$ . Averages are calculated as a simple quarterly average.

(2) Net interest income divided by average interest earning assets, which include gross loans and advances to customers, due from other banks (gross) and debt securities.

(3) Calculated including provision for loan impairment and excluding income and expenses from non-banking activities.

(4) Calculated using net profit and average assets/equity (all including minority interest).

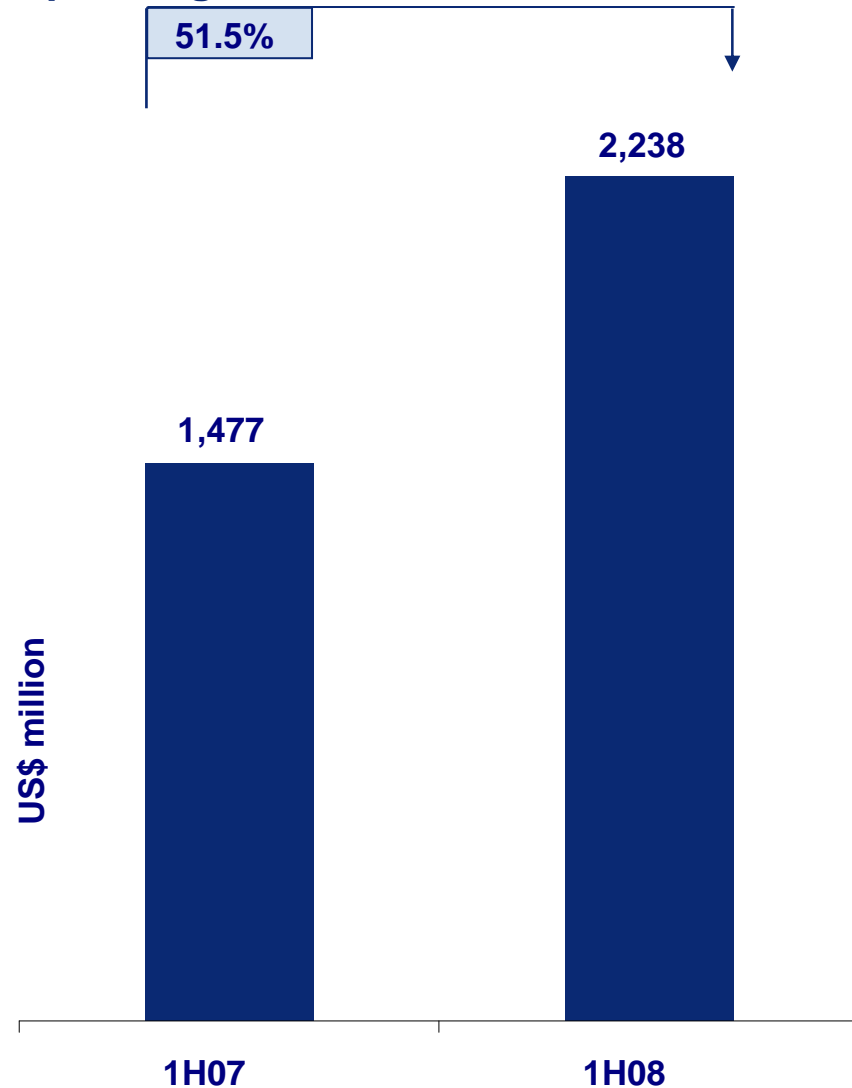
- The table below is a summary of possible foreign currency translation gains represented as if VTB left functional currency in US\$ in order to show H1'08 and H1'07 results on a comparable basis (i.e. transferring the H1'08 gains from equity to P&L)
- All adjustments are based on VTB's internal estimates

	(US\$, mln.)
<b>VTB capital as of 01/01/08 in IFRS</b>	<b>14 313</b>
<b>Investments in non-monetary assets as of 01/01/08</b>	
- Investments in consolidated entities	2 764
- Premises and equipment	891
<b>Total currency position exposed to revaluation</b>	<b>10 658</b>
<b>Revaluation per half – year</b>	<b>+ 498</b>

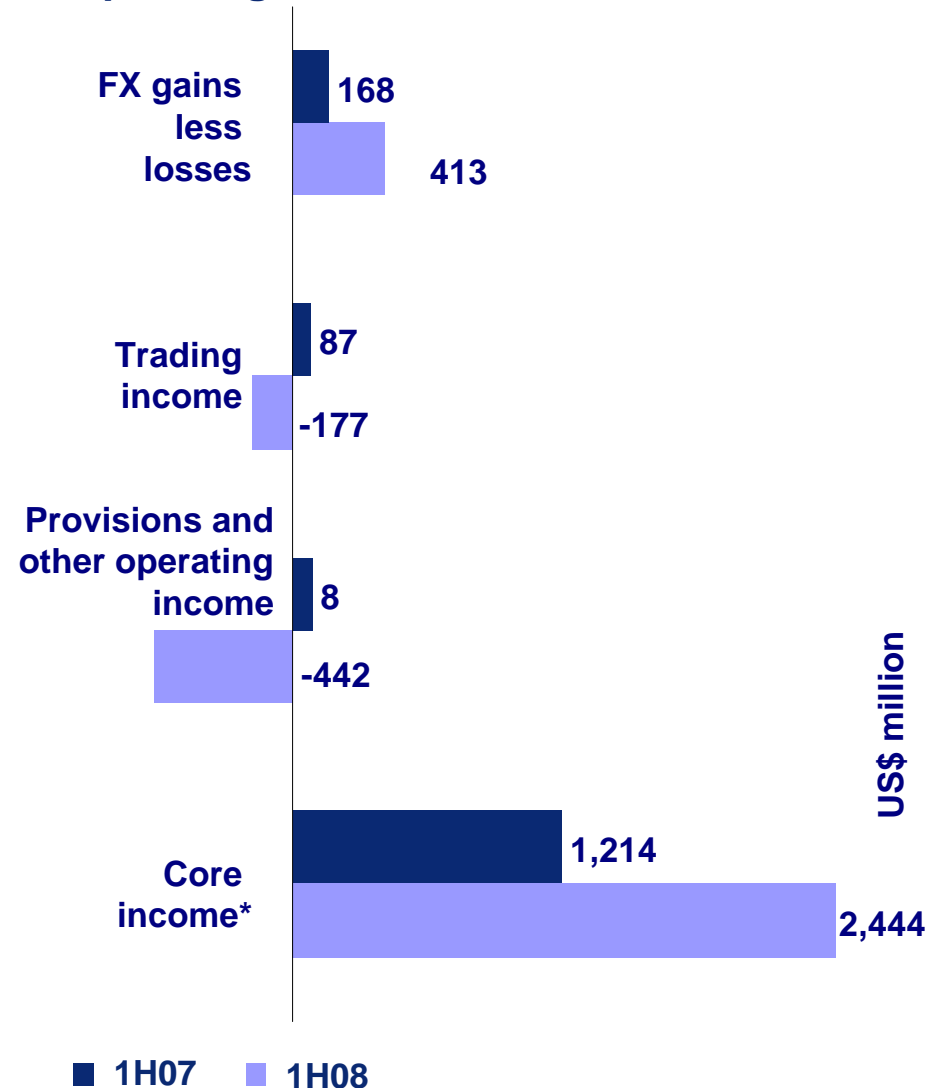
## Note

US\$ as of 01/01/08	24.5462
US\$ as of 30/06/08	23.4573
Depreciation towards Rouble in H1'08 (\$)	- 1.0889
Depreciation towards Rouble in H1'08(%)	4.44%

## Operating income



## Operating income breakdown



\* Defined as net interest income before provisions and net fee and commission income. The figure excludes US\$ 57 million depositary fee received in 2Q'07.

# Securities portfolio and derivatives

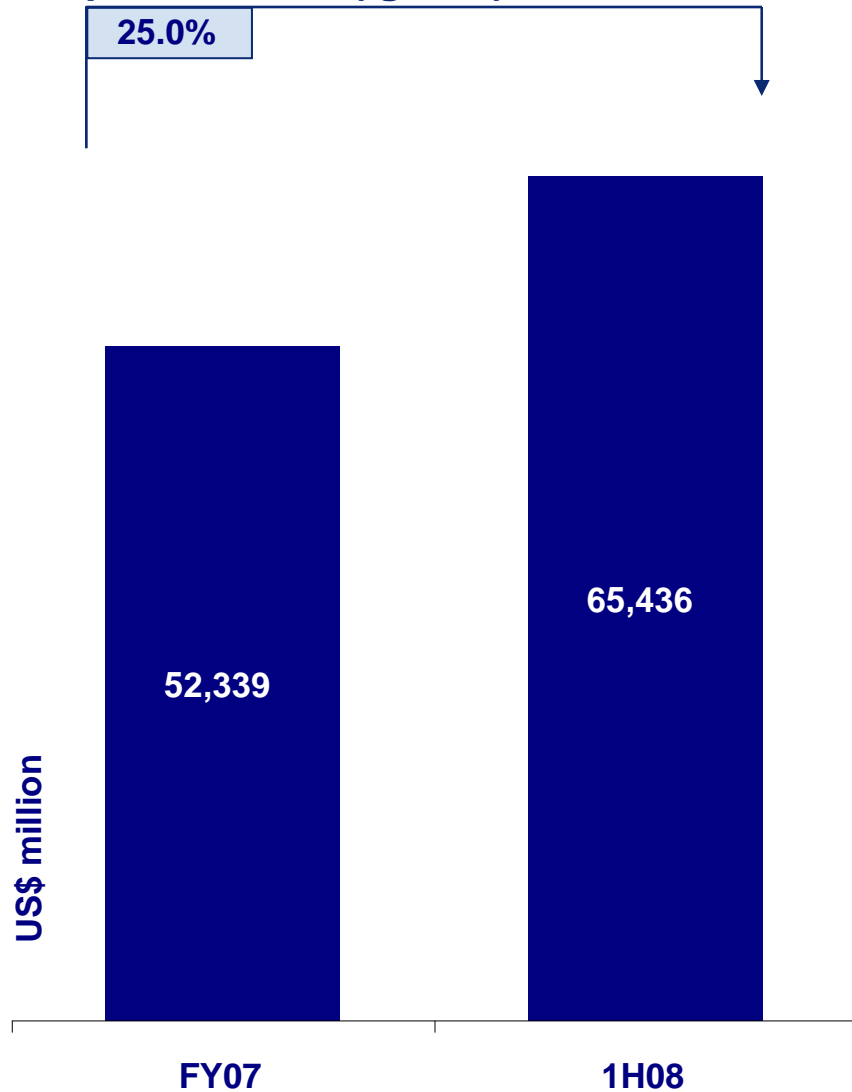
Unaudited figures

<b>30.06.08</b> in US\$ mln	<b>At fair value through P&amp;L</b>	<b>Repo + loaned securities</b>	<b>Available- for-sale</b>	<b>Held-to- maturity</b>	<b>Total</b>
Debt securities	6,017	1,404	447	272	8,140
- Russian	5,228	928	169	161	6,486
- Foreign	789	476	278	111	1,654
Equity securities	1,785	4	428	0	2,217
Alrosa	0	0	0	0	0
Structured client deals	848	4	0	0	852
Proprietary equity securities	937	0	428	0	1,365
Balances on derivatives	721	0	0	0	721
<b>Total securities and derivatives</b>	<b>8,523</b>	<b>1,408</b>	<b>875</b>	<b>272</b>	<b>11,078</b>

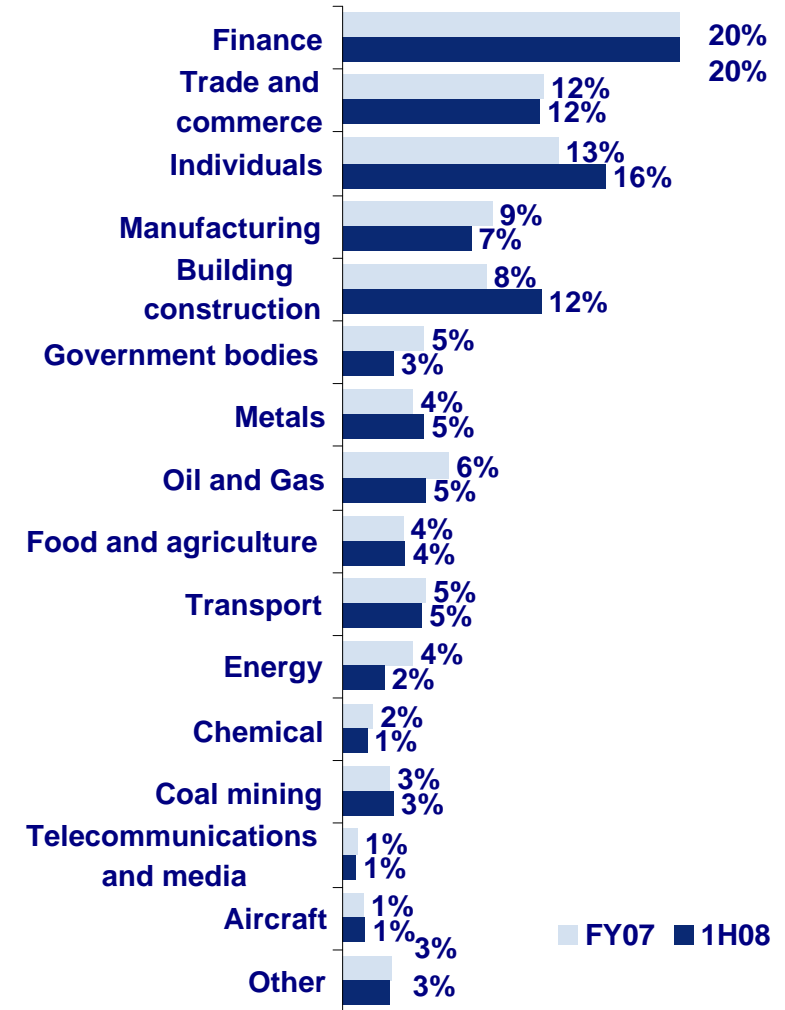
<b>31.03.08</b> in US\$ mln	<b>At fair value through P&amp;L</b>	<b>Repo + loaned securities</b>	<b>Available- for-sale</b>	<b>Held-to- maturity</b>	<b>Total</b>
Debt securities	6,276	1,538	742	39	8,595
- Russian	5,414	1,104	157	0	6,675
- Foreign	862	434	585	39	1,920
Equity securities	1,583	0	604	0	2,187
Alrosa	0	0	367	0	367
Structured client deals	772	0	0	0	772
Proprietary equity securities	811	0	237	0	1,048
Balances on derivatives	572	0	0	0	572
<b>Total securities and derivatives</b>	<b>8,431</b>	<b>1,538</b>	<b>1,346</b>	<b>39</b>	<b>11,354</b>

31.12.07 In US\$ mln	At fair value through P&L	Repo + loaned securities	Available- for-sale	Held-to- maturity	Total
Debt securities	7,623	1,986	268	5	9,882
- Russian	6,758	1,009	102	0	7,869
- Foreign	865	977	166	5	2,013
Equity securities	2,253	226	590	0	3,069
Alrosa	0	0	346	0	346
Structured client deals	887	203	0	0	1,090
Proprietary equity securities	1,366	23	244	0	1,633
Balances on derivatives	560	0	0	0	560
<b>Total securities and derivatives</b>	<b>10,436</b>	<b>2,212</b>	<b>858</b>	<b>5</b>	<b>13,511</b>

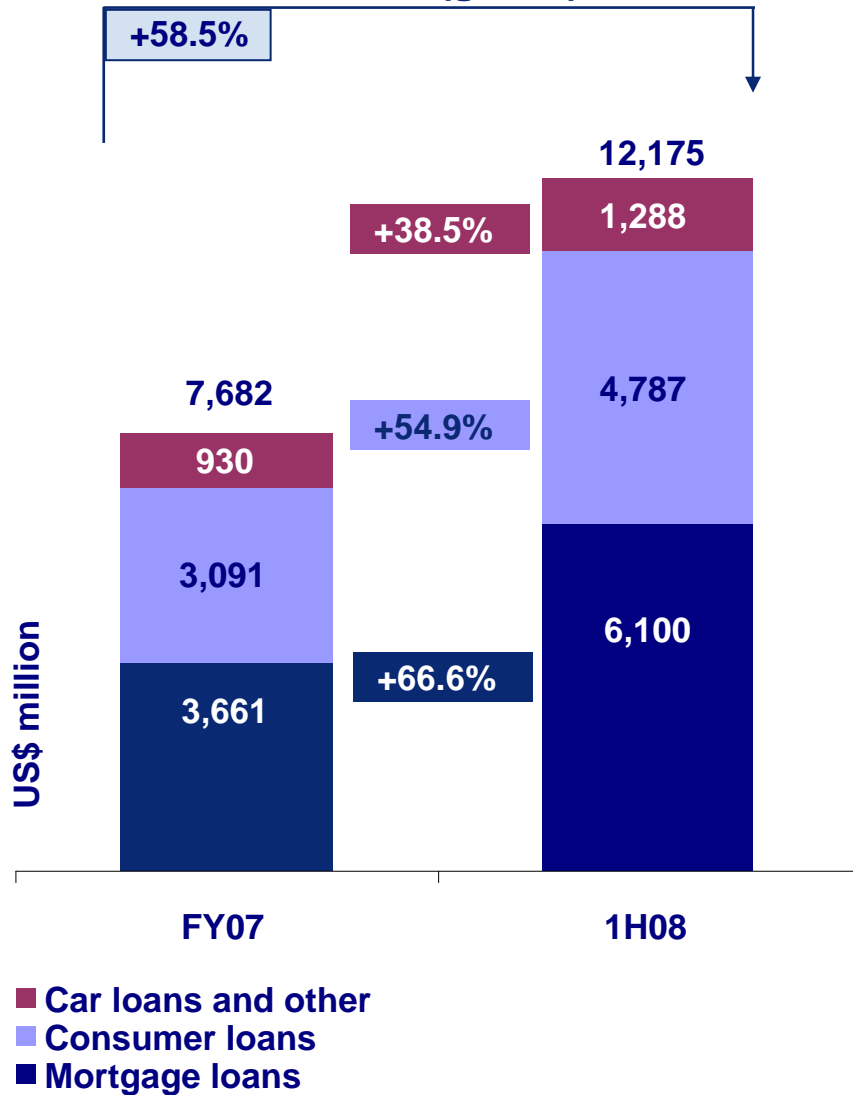
## Corporate loans ( gross)



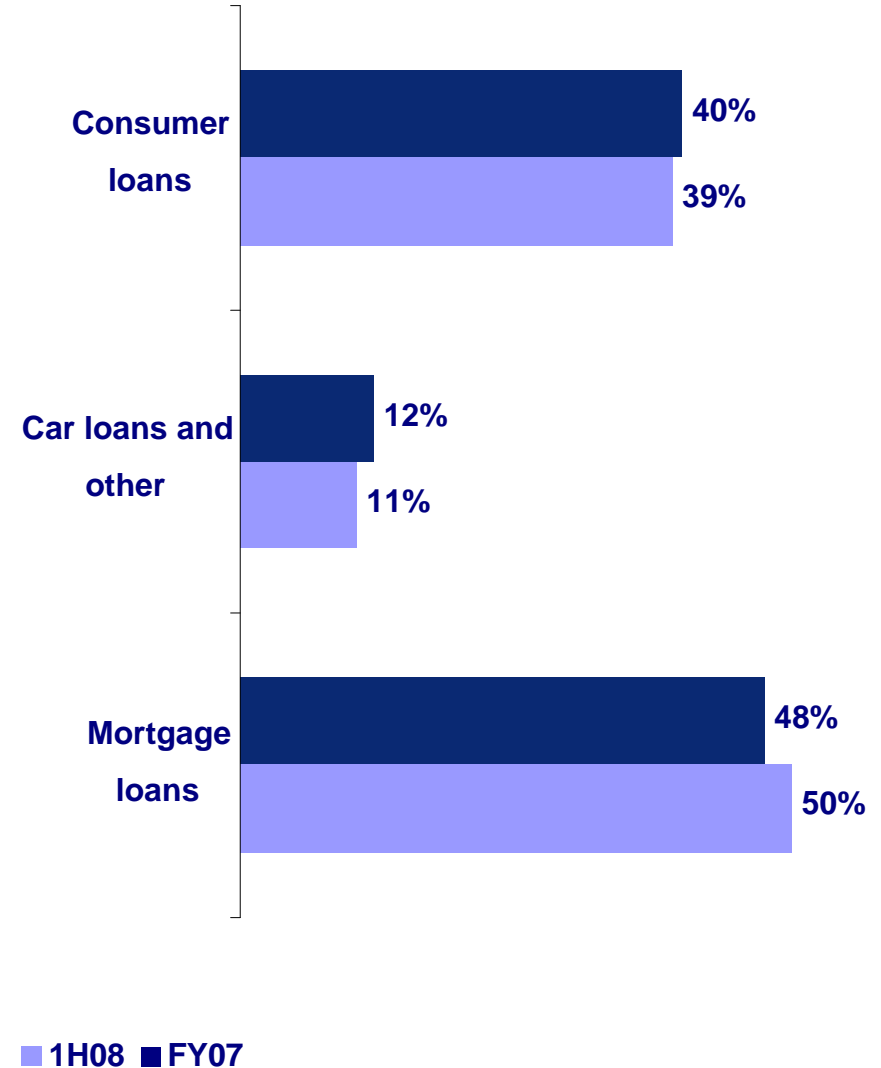
## Customer loans breakdown by sectors



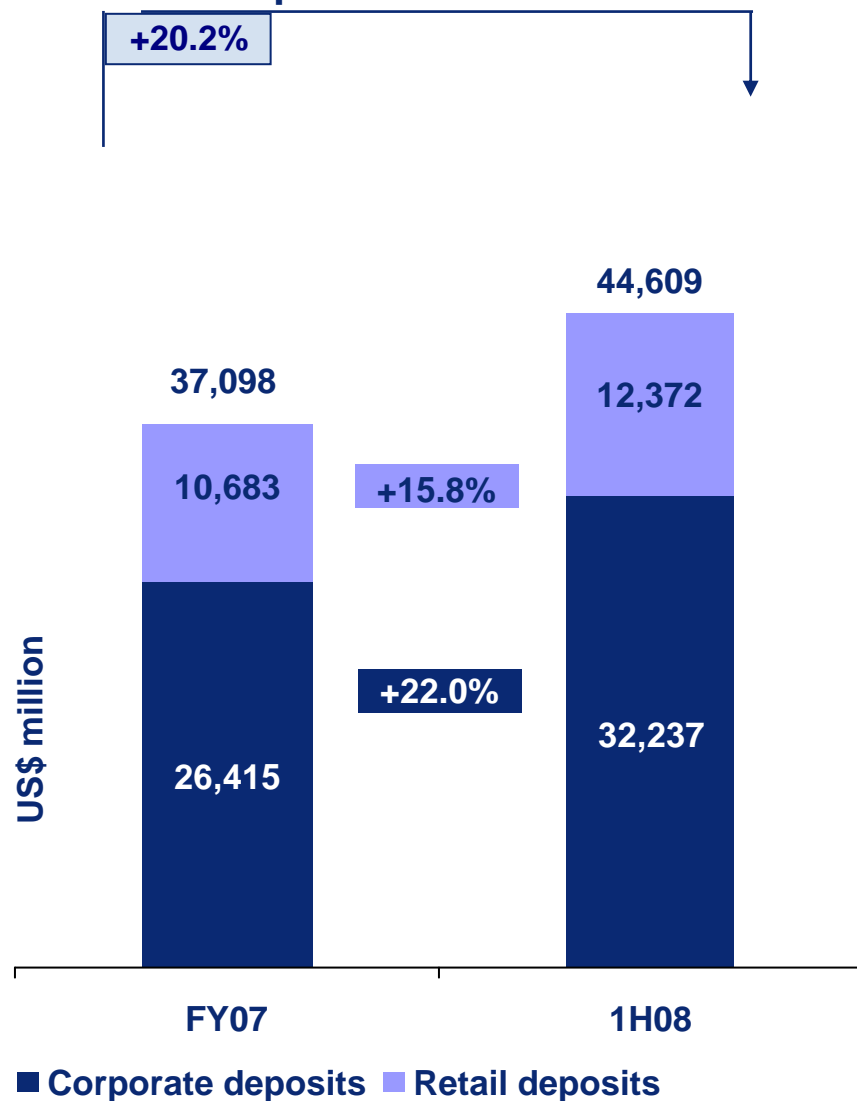
## Loans to individuals (gross)



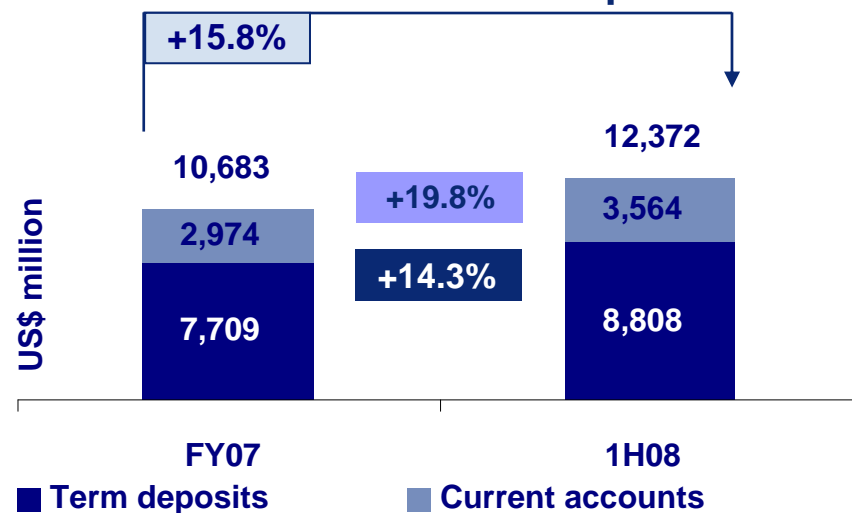
## Breakdown by loan type



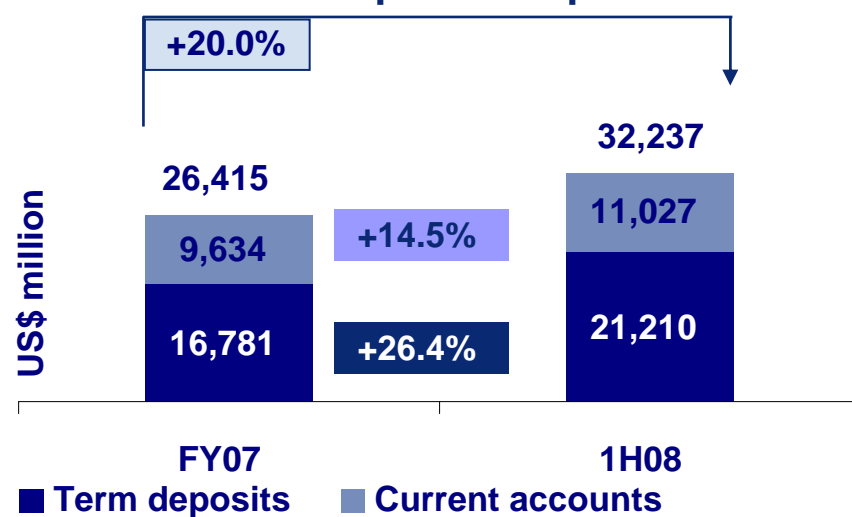
## Customer deposit breakdown



## Breakdown of individuals' deposits



## Breakdown of corporate deposits



## VTB Group public debt instruments repaid this year

Unaudited figures

Borrower	Amount (US\$, mln)	Instrument	Maturity Date	Coupon
<b>2008</b>				
VTB Europe	73	Debt Instruments	January 2008	E+1.2%
VTB Europe	150	Debt Instruments	June 2008	4.375%
VTB N-W	300	Debt Instruments	July 2008	6.875%
VTB	1,750	Series 10 EMTN 1	August 2008	L+0.6%
<b>Total</b>	<b>2,273</b>			

# VTB Group public debt Instruments issued in 2008 so far

Unaudited figures

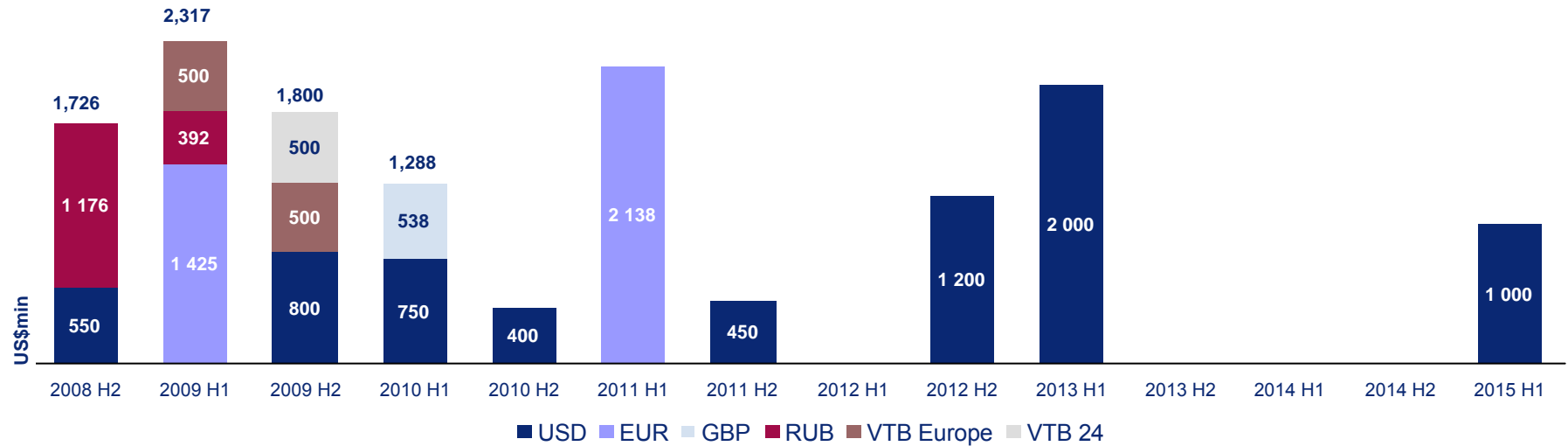
Borrower	Date of Issue	Amount (million)	Instrument	Maturity Date/ Put or Call Option	Coupon
VTB24	February 2008	RUR 10,000	Domestic Ruble Bond	February 2013	7.70%
VTB	May 2008	USD 2,000	Series 4 EMTN 2	May 2018/ May 2013 – put option	6.875%
VTB24	June 2008	RUR 6,000	Domestic Ruble Bond	May 2013	8.18%
VTB	June 2008	EUR 1,000	Series 5 EMTN 2	January 2011	8.25%
VTB	June 2008	USD 1,400	Syndicated loan	December 2009	L+0.60%
				June 2011	L+0.65%
VTB-Leasing	July 2008	RUR 10,000	Domestic Ruble Bond	July 2015	8.90%

# VTB Group public debt instruments outstanding

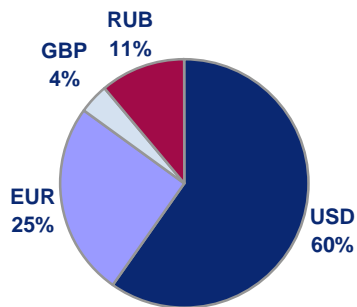
Unaudited figures

Borrower	Amount (US\$, mln)	Instrument	Maturity Date/Put or Call Option	Coupon
<b>2008</b>				
VTB	1,176	Series 3 RUB EMTN 2	November 2008	7.25%
VTB	550	Series 1 EMTN 1	December 2008	6.875%
<b>Subtotal</b>	<b>1,726</b>			
<b>2009</b>				
VTB	1,425	Series 11 EUR EMTN 1	March 2009	E+0.6%
VTB	392	Dali RUB Debt Instruments	April 2009	7.000%
VTB Europe	500	Debt Instruments	April 2009	L+0.625%
VTB Europe	500	Debt Instruments	October 2009	L+0.8%
VTB	800	Series 2 EMTN 2	November 2009	L+1.70%
VTB 24	500	Debt Instruments	December 2009	L+0.820%
<b>Subtotal</b>	<b>4,117</b>			
<b>2010</b>				
VTB	750	Subordinated Debt Instruments (call option)	February 2010	6.315%
VTB	538	Series 12 GBP EMTN 1	March 2010	6.332%
VTB N-W	400	Subordinated Debt Instruments (call option)	September 2010	6.2%
<b>Subtotal</b>	<b>1,688</b>			
<b>2011</b>				
VTB	713	Series 9 EUR EMTN 1 (put option)	February 2011	4.25%
VTB	1,425	Series 5 EUR EMTN 2	June 2011	8.25%
VTB	450	Series 4 EMTN 1	October 2011	7.5%
<b>Subtotal</b>	<b>2,588</b>			
<b>2012</b>				
VTB	1,200	Series 1 EMTN 2	October 2012	6.609%
<b>2013</b>				
VTB	2,000	Series 4 EMTN 2 (put option)	May 2013	6.875%
<b>2015</b>				
VTB	1,000	Series 6 EMTN 1 (put option)	June 2015	6.25%
<b>Total</b>	<b>14,319</b>			

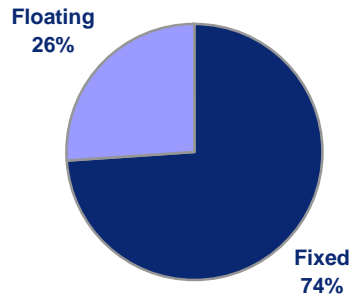
## VTB Group public debt maturity profile\*



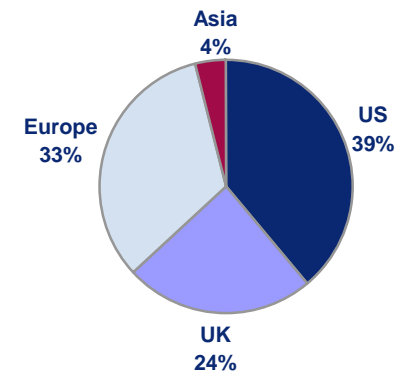
## Currency split



## Interest rate split



## Geography of investors\*\*

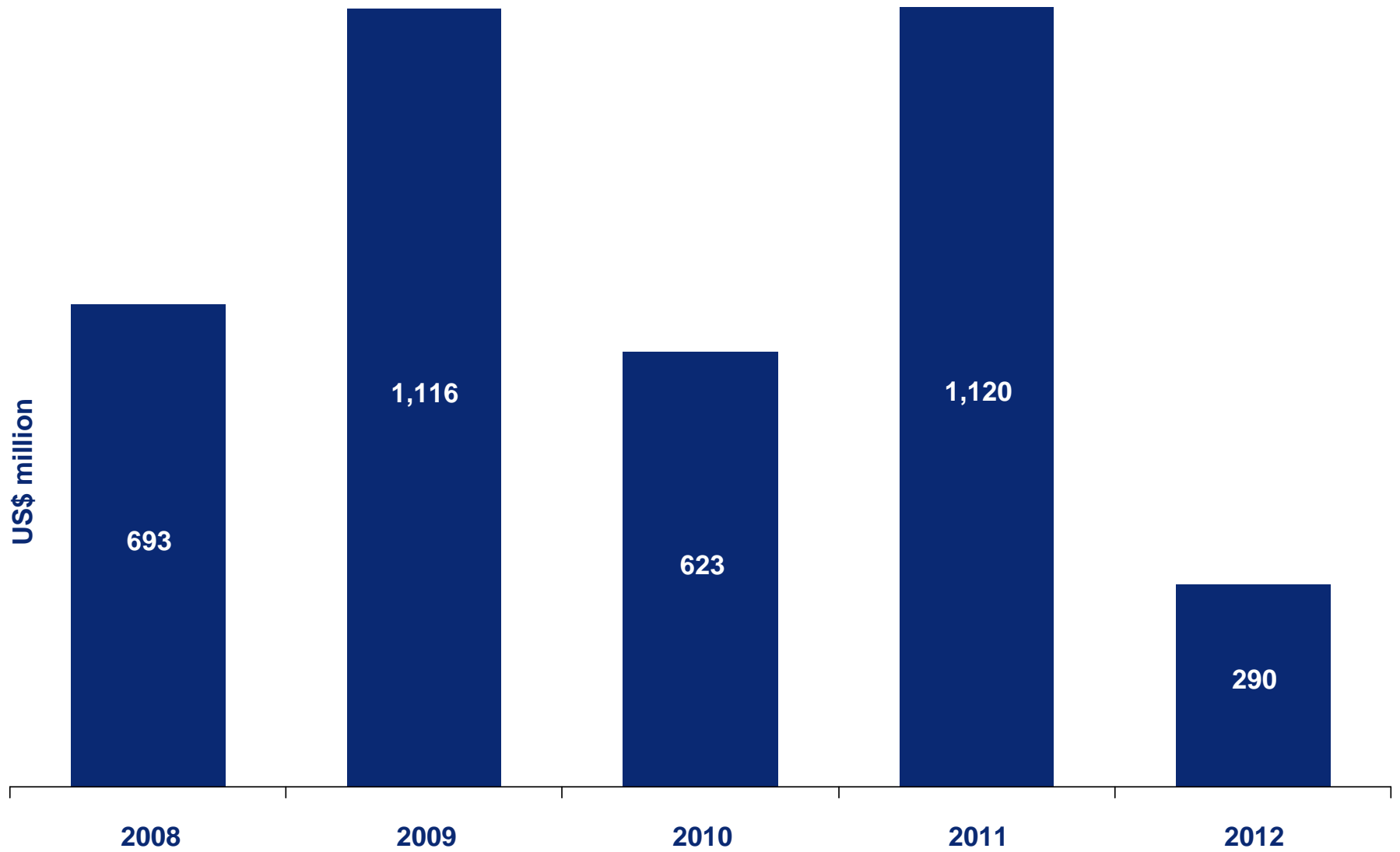


\* Assuming, where applicable, all Call and Put options are exercised when due.

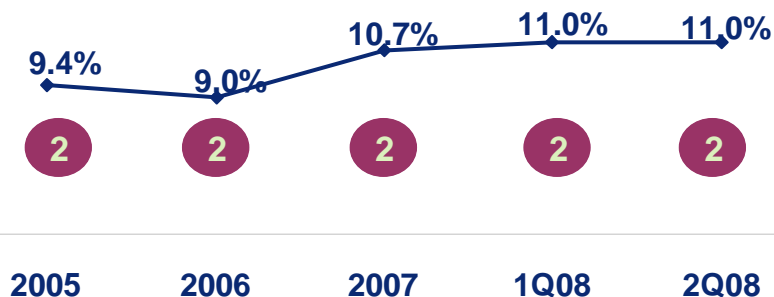
\*\* Cumulative breakdown for VTB's issue in the last 12 months comprising EUR1 billion 3 year, \$2 billion 10 Put 5, \$800 million 2yr FRN and \$1.2 billion 5 year.

# VTB Group syndicated loans maturity schedule

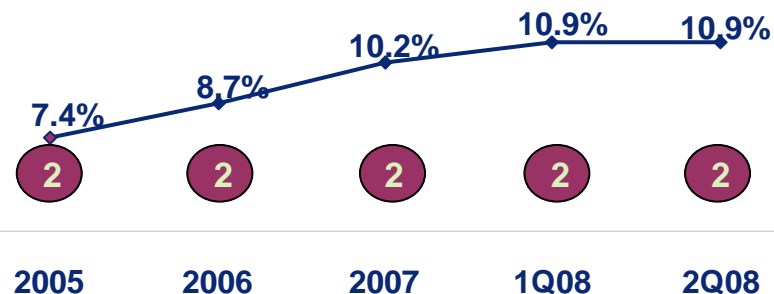
Unaudited figures



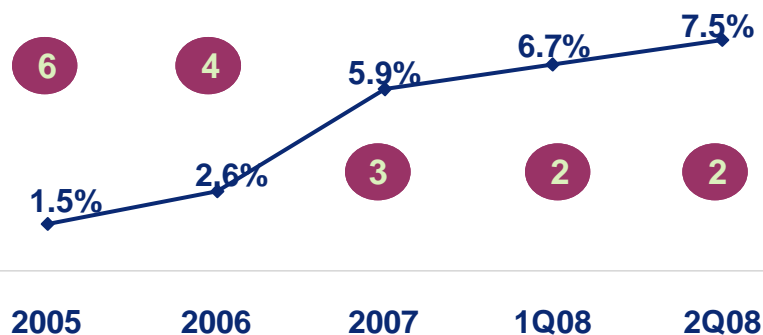
## VTB corporate loans market share and market position



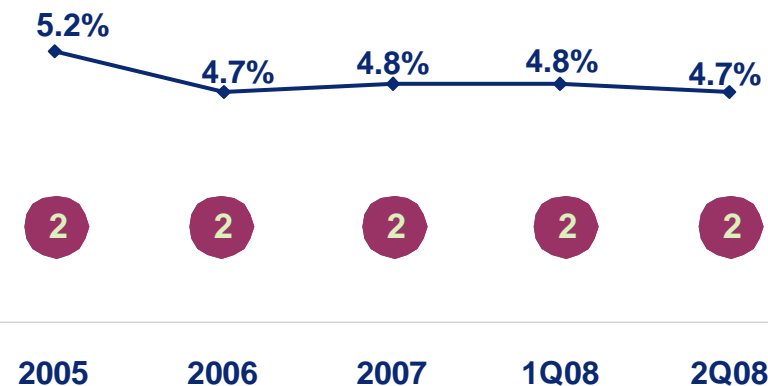
## VTB corporate deposits market share and market position



## VTB retail loans market share and market position



## VTB retail deposits market share and market position



## VTB Group branch network

	30-Jun-08	31-Dec-07	% y-o-y	31-Mar-08	% q-o-q	30-Jun-07	31-Dec-06
<b>Branches</b>	<b>1,001</b>	<b>932</b>	<b>69</b>	<b>980</b>	<b>21</b>	<b>825</b>	<b>778</b>
Russia	659	583	76	626	33	522	506
of which VTB24	418	328	90	378	40	198	163
CIS & Europe	342	349	-7	354	-12	303	272

## VTB Group headcount

	30-Jun-08	31-Dec-07	% y-o-y	31-Mar-08	% q-o-q	30-Jun-07	31-Dec-06
<b>Employees</b>	<b>40,704</b>	<b>35,945</b>	<b>4,759</b>	<b>38,151</b>	<b>2,553</b>	<b>31,682</b>	<b>28,466</b>
Russia	33,434	29,976	3,458	31,428	2,006	27,000	24,163
Europe	625	573	52	603	22	566	613
CIS & other	6,645	5,396	1,249	6,120	525	4,116	3,690



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