

**Absolut Bank Group**

**Consolidated Financial Statements and  
Auditor's Report**

**31 December 2006**

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Absolut Bank Group:

We have audited the accompanying consolidated financial statements of Absolut Bank and its subsidiaries (the "Group") which comprise the consolidated balance sheet as at 31 December 2006 and the consolidated income statement, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the accompanying consolidated financial statements give a true and fair view of the financial position of the Group as of 31 December 2006, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

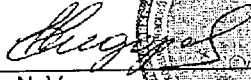
*ZAO PricewaterhouseCoopers Audit*

Moscow, Russian Federation  
1 March 2007

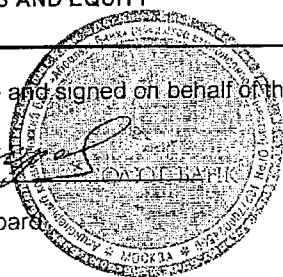
**Absolut Bank Group**  
**Consolidated Balance Sheet**

<i>In thousands of Russian Roubles</i>	<b>31 December 2006</b>	<b>31 December 2005</b>
<b>ASSETS</b>		
Cash and cash equivalents	10 996 406	5 003 330
Mandatory cash balances with the Central Bank of the Russian Federation	766 710	325 638
Trading securities	6 673 655	1 593 280
Repurchase receivables	182 338	-
Due from other banks	2 323 849	1 914 231
Loans and advances to customers	42 755 190	17 550 531
Premises, equipment and investment property	2 245 792	1 199 671
Software	40 203	14 696
Other assets	315 208	98 416
<b>TOTAL ASSETS</b>	<b>66 299 351</b>	<b>27 699 793</b>
<b>LIABILITIES</b>		
Due to other banks	18 890 514	9 508 362
Customer accounts	19 925 990	6 945 683
Debt securities in issue	18 079 951	7 002 674
Other borrowed funds	1 836 405	487 669
Current income tax payable	72 154	114 516
Deferred tax liability	107 970	179 229
Other liabilities	214 322	63 472
Subordinated debt	1 856 291	431 738
<b>TOTAL LIABILITIES</b>	<b>60 983 597</b>	<b>24 733 343</b>
<b>EQUITY</b>		
Share capital	1 714 609	1 339 609
Share premium	2 060 896	772 096
Revaluation reserve for premises	361 475	361 475
Retained earnings	1 178 774	493 270
<b>TOTAL EQUITY</b>	<b>5 315 754</b>	<b>2 966 450</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>66 299 351</b>	<b>27 699 793</b>

Approved for issue and signed on behalf of the Board of Directors on 1 March 2007.

  
 Sidorov N. V.  
 Chairman of the Board

  
 Prigornitskaya O.N.  
 Chief Accountant



**Absolut Bank Group**  
**Consolidated Income Statement**

<i>In thousands of Russian Roubles</i>	<b>2006</b>	<b>2005</b>
Interest income	4 491 266	1 852 261
Interest expense	(2 617 295)	(817 138)
<b>Net interest income</b>	<b>1 873 971</b>	<b>1 035 123</b>
Provision for loan impairment	(541 676)	(329 164)
<b>Net interest income after provision for loan impairment</b>	<b>1 332 295</b>	<b>705 959</b>
Fee and commission income	515 581	366 076
Fee and commission expense	(222 118)	(162 542)
Gains less losses from trading securities	532 392	95 637
Losses net of gains from operations with securities derivatives	(195 810)	(22)
Gains less losses from trading in foreign currencies	151 968	42 313
Foreign exchange translation gains less losses	22 612	55 259
Release of provision for losses on credit related commitments	20 691	35 666
Dividend income	12 070	1 318
Other operating income	54 632	22 188
Administrative and other operating expenses	(1 311 283)	(612 818)
<b>Profit before tax</b>	<b>913 030</b>	<b>549 034</b>
Income tax expense	(227 526)	(145 100)
<b>Profit for the year</b>	<b>685 504</b>	<b>403 934</b>

**Absolut Bank Group**  
**Consolidated Statement of Changes in Equity**

	Share capital	Share premium	Revaluation reserve for premises	Retained earnings	Total equity
<i>In thousands of Russian Roubles</i>					
<b>Balance at 31 December 2004</b>	<b>1 284 869</b>	<b>573 149</b>	<b>189 153</b>	<b>89 336</b>	<b>2 136 507</b>
Revaluation of premises	-	-	226 740	-	226 740
Income tax recorded in equity	-	-	(54 418)	-	(54 418)
<b>Net income recognised directly in equity</b>	-	-	<b>172 322</b>	-	<b>172 322</b>
Profit for the year	-	-	-	403 934	403 934
<b>Total recognised income for 2005</b>	-	-	<b>172 322</b>	<b>403 934</b>	<b>576 256</b>
Share issue	54 740	198 947	-	-	253 687
<b>Balance at 31 December 2005</b>	<b>1 339 609</b>	<b>772 096</b>	<b>361 475</b>	<b>493 270</b>	<b>2 966 450</b>
Profit for the year	-	-	-	685 504	685 504
<b>Total recognised income for 2006</b>	-	-	-	<b>685 504</b>	<b>685 504</b>
Share issue	375 000	1 288 800	-	-	1 663 800
<b>Balance at 31 December 2006</b>	<b>1 714 609</b>	<b>2 060 896</b>	<b>361 475</b>	<b>1 178 774</b>	<b>5 315 754</b>

**Absolut Bank Group**  
**Consolidated Statement of Cash Flows**

<i>In thousands of Russian Roubles</i>	<b>2006</b>	<b>2005</b>
<b>Cash flows from operating activities</b>		
Interest received	4 151 585	1 788 814
Interest paid	(1 869 848)	(680 065)
Income received from trading in trading securities	510 842	95 798
Income received from trading in foreign currencies	162 417	44 723
Fees and commissions received	611 376	359 408
Fees and commissions paid	(198 895)	(181 189)
Settlement of net losses from operations with securities derivatives	(195 810)	-
Other operating income received	54 632	23 415
Administrative and other operating expenses paid	(1 144 219)	(593 837)
Income tax paid	(344 881)	(120 921)
<b>Cash flows from operating activities before changes in operating assets and liabilities</b>	<b>1 737 199</b>	<b>736 146</b>
<b>Changes in operating assets and liabilities</b>		
Net increase in mandatory cash balances with the Central Bank of Russian Federation	(441 072)	(181 137)
Net increase in trading securities	(5 360 320)	(1 208 738)
Net increase in due from other banks	(411 176)	(1 127 544)
Net increase in loans and advances to customers	(25 805 552)	(7 392 617)
Net (increase)/decrease in other assets	(181 574)	26 333
Net increase in due to other banks	9 199 884	3 669 038
Net increase in customer accounts	12 908 431	2 397 598
Net increase in promissory notes issued	3 889 839	2 426 694
Net increase in other liabilities	13 067	21 457
<b>Net cash used in operating activities</b>	<b>(4 451 274)</b>	<b>(632 770)</b>
<b>Cash flows from investing activities</b>		
Acquisition of premises and equipment and software	(1 140 853)	(211 965)
Proceeds from disposal of premises, equipment and investment property	46 647	2 580
Proceeds from disposal of other investments	22 000	-
Dividend income received	12 070	1 318
<b>Net cash used in investing activities</b>	<b>(1 060 136)</b>	<b>(208 067)</b>
<b>Cash flows from financing activities</b>		
Proceeds from other borrowed funds	1 379 966	295 793
Proceeds from subordinated debt	1 867 091	98 921
Proceeds from issue of Rouble denominated bonds	997 616	240 093
Repayment of Rouble denominated bonds	(488 143)	-
Proceeds from issued short-term notes	2 524 297	1 070 084
Repayment of short-term notes	(1 002 310)	-
Proceeds from issue of loan participation notes	5 403 324	-
Issue of ordinary shares	1 248 297	253 687
<b>Net cash from financing activities</b>	<b>11 930 138</b>	<b>1 958 578</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>(425 652)</b>	<b>274 520</b>
<b>Net increase in cash and cash equivalents</b>	<b>5 993 076</b>	<b>1 392 261</b>
Cash and cash equivalents at the beginning of the year	5 003 330	3 611 069
<b>Cash and cash equivalents at the end of the year</b>	<b>10 996 406</b>	<b>5 003 330</b>