

**Absolut Bank Group**

**Consolidated Financial Statements  
and Auditors' Report**

**31 December 2005**

**AUDITORS' REPORT**

To the Shareholders and the Board of Directors of Absolut Bank Group:

- 1 We have audited the accompanying consolidated balance sheet of Absolut Bank Group (the "Group" as defined in Note 1 to the consolidated financial statements) as at 31 December 2005, and the related consolidated statements of income, cash flows and changes in equity for the year then ended. These consolidated financial statements are the responsibility of the Group's Management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.
- 2 We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by Management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
- 3 In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of 31 December 2005 and the consolidated results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.


*ZAO PricewaterhouseCoopers Audit*

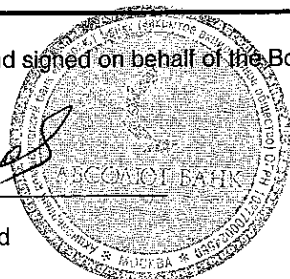
Moscow, Russian Federation  
3 March 2006

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

<i>In thousands of Russian Roubles</i>	Note	31 December 2005	31 December 2004
<b>ASSETS</b>			
Cash and cash equivalents	7	5 003 330	3 611 069
Mandatory cash balances with the Central Bank of the Russian Federation		325 638	144 501
Trading securities	8	1 593 280	355 363
Due from other banks	9	1 914 231	745 363
Loans and advances to customers	10	17 550 531	8 250 477
Premises and equipment	11	1 199 671	806 392
Software	11	14 696	11 419
Other assets	12	98 416	102 423
<b>TOTAL ASSETS</b>		<b>27 699 793</b>	<b>14 027 007</b>
<b>LIABILITIES</b>			
Due to other banks	13	9 508 362	4 349 955
Customer accounts	14	6 945 683	3 947 194
Debt securities in issue	15	7 002 674	2 821 392
Other borrowed funds	16	487 669	136 143
Current income tax liability		114 516	-
Deferred tax liability	23	179 229	226 718
Other liabilities	17	63 472	76 114
Subordinated deposits	18	431 738	332 984
<b>TOTAL LIABILITIES</b>		<b>24 733 343</b>	<b>11 890 500</b>
<b>EQUITY</b>			
Share capital	19	1 339 609	1 284 869
Share premium		772 096	573 149
Revaluation reserve	11	361 475	189 153
Retained earnings		493 270	89 336
<b>TOTAL EQUITY</b>		<b>2 966 450</b>	<b>2 136 507</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>27 699 793</b>	<b>14 027 007</b>

Approved for issue and signed on behalf of the Board of Directors on 3 March 2006.

  
 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>Note</b>	<b>2005</b>	<b>2004</b>
Interest income	20	1 852 261	1 157 805
Interest expense	20	(817 138)	(397 542)
<b>Net interest income</b>		<b>1 035 123</b>	<b>760 263</b>
Provision for loan impairment	10	(329 164)	(27 554)
<b>Net interest income after provision for loan impairment</b>		<b>705 959</b>	<b>732 709</b>
Gains less losses from trading securities		95 637	26 574
Gains less losses from trading in foreign currencies		42 313	65 618
Foreign exchange translation gains less losses/(losses less gains)		55 259	(75 010)
Fee and commission income	21	366 076	211 052
Fee and commission expense	21	(162 542)	(115 506)
Provision for losses on credit related commitments	26	35 666	(25 933)
Dividend income		1 318	299
Other operating income		22 166	18 227
<b>Operating income</b>		<b>1 161 852</b>	<b>838 030</b>
Administrative and other operating expenses	22	(612 818)	(359 517)
<b>Profit before tax</b>		<b>549 034</b>	<b>478 513</b>
Income tax expense	23	(145 100)	(132 241)
<b>Profit for the year</b>		<b>403 934</b>	<b>346 272</b>

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

<i>In thousands of Russian Roubles</i>	<b>Note</b>	<b>2005</b>	<b>2004</b>
<b>Cash flows from operating activities</b>			
Interest received		1 788 814	1 161 198
Interest paid		(680 065)	(358 685)
Income received from trading in trading securities		95 798	8 809
Income received from trading in foreign currencies		44 723	63 844
Fees and commissions received		359 408	208 722
Fees and commissions paid		(181 189)	(115 506)
Other operating income received		23 415	17 972
Administrative and other operating expenses paid		(593 837)	(340 164)
Income tax paid		(120 921)	(44 887)
<b>Cash flows from operating activities before changes in operating assets and liabilities</b>		<b>736 146</b>	<b>601 303</b>
<b>Changes in operating assets and liabilities</b>			
Net (increase)/decrease in mandatory cash balances with the Central Bank of the Russian Federation		(181 137)	136 332
Net (increase)/decrease in trading securities		(1 208 738)	305 019
Net increase in due from other banks		(1 127 544)	(184 523)
Net increase in loans and advances to customers		(7 392 617)	(3 198 946)
Net decrease/(increase) in other assets		26 333	(52 330)
Net increase in due to other banks		3 669 038	2 358 290
Net increase in customer accounts		2 397 598	1 016 977
Net increase in promissory notes issued		2 426 694	1 279 074
Net increase/(decrease) in other liabilities		21 457	(2 217)
<b>Net cash (used in)/from operating activities</b>		<b>(632 770)</b>	<b>2 258 979</b>
<b>Cash flows from investing activities</b>			
Acquisition of premises and equipment	11	(211 965)	(529 218)
Proceeds from disposal of premises and equipment		2 580	239
Dividend income received		1 318	299
<b>Net cash used in investing activities</b>		<b>(208 067)</b>	<b>(528 680)</b>
<b>Cash flows from financing activities</b>			
Proceeds from other borrowed funds		295 793	136 143
Proceeds from subordinated deposits		98 921	-
Proceeds from issue of Rouble denominated bonds	15	240 093	245 050
Proceeds from issue of short-term notes		1 070 084	-
Issue of ordinary shares	19	253 687	-
<b>Net cash from financing activities</b>		<b>1 958 578</b>	<b>381 193</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>		<b>274 520</b>	<b>(56 832)</b>
<b>Net increase in cash and cash equivalents</b>		<b>1 392 261</b>	<b>2 054 660</b>
Cash and cash equivalents at the beginning of the year		3 611 069	1 556 409
<b>Cash and cash equivalents at the end of the year</b>		<b>5 003 330</b>	<b>3 611 069</b>

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

	Note	Share capital	Share premium	Revaluation reserve	Retained earnings	Total equity
<i>In thousands of Russian Roubles</i>						
<b>Balance at 31 December 2003 (as previously reported)</b>		<b>1 284 869</b>	<b>573 149</b>	<b>-</b>	<b>(238 607)</b>	<b>1 619 411</b>
Reclassification of Revaluation reserve	4	-	-	18 329	(18 329)	-
<b>Balance at 31 December 2003</b>		<b>1 284 869</b>	<b>573 149</b>	<b>18 329</b>	<b>(256 936)</b>	<b>1 619 411</b>
Revaluation of premises	11	-	-	224 768	-	224 768
Income tax recorded in equity	23	-	-	(53 944)	-	(53 944)
Net income recognised directly in equity		-	-	170 824	-	170 824
Profit for the year		-	-	-	346 272	346 272
Total recognised income for 2004		-	-	170 824	346 272	517 096
<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	11	-	-	226 740	-	226 740
Income tax recorded in equity	23	-	-	(54 418)	-	(54 418)
Net income recognised directly in equity		-	-	172 322	-	172 322
Profit for the year		-	-	-	403 934	403 934
Total recognised income for 2005		-	-	172 322	403 934	576 256
Share issue	19	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>