

**RUSSIAN STANDARD BANK GROUP**

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

**31 December 2006**

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of JSC Russian Standard Bank:

We have audited the accompanying consolidated financial statements of JSC Russian Standard 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 present fairly in all material respects the financial position of the Group as of 31 December 2006, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

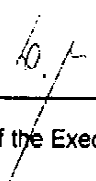
*ZAO PricewaterhouseCoopers Audit*

Moscow, Russian Federation  
2 April 2007

**Russian Standard Bank Group  
Consolidated Balance Sheet**

<i>In thousands of Russian Roubles</i>	Note	31 December 2006	31 December 2005
<b>Assets</b>			
Cash and cash equivalents	7	17 531 718	7 773 101
Mandatory cash balances with the Central Bank of the Russian Federation		1 783 854	523 845
Due from other banks	8	590 643	1 339 047
Loans and advances to customers	9	163 694 490	98 678 095
Deferred income tax asset	23	-	557 044
Other assets	10	3 121 095	1 835 265
Premises and equipment		4 349 015	1 895 975
Income tax prepaid		1 305 246	-
Intangible assets		234 449	133 493
Goodwill	31	298 641	-
<b>Total assets</b>		<b>192 909 151</b>	<b>112 735 865</b>
<b>Liabilities</b>			
Due to other banks	11	33 043 791	22 905 047
Customer accounts	12	14 312 982	10 523 005
Debt securities in issue	13	106 790 112	59 970 790
Subordinated debt	14	10 531 722	5 744 156
Deferred income tax liability	23	417 422	-
Other liabilities	15	2 584 419	1 505 058
<b>Total liabilities</b>		<b>167 680 448</b>	<b>100 648 056</b>
<b>Equity</b>			
Share capital	16	1 738 516	1 738 516
Share premium		672 932	672 932
Additional paid-in capital		148 286	148 286
Translation reserve	17	(11 580)	-
Retained earnings	18	22 680 529	9 528 075
<b>Total equity</b>		<b>25 228 703</b>	<b>12 087 809</b>
<b>Total liabilities and equity</b>		<b>192 909 151</b>	<b>112 735 865</b>

Approved for issue and signed on behalf of the Board of Directors on 2 April 2007.

  
D.O. Levin  
Chairman of the Executive Board

  
N.A. Itskov  
Chief Financial Officer

**Russian Standard Bank Group**  
**Consolidated Income Statement**

<i>In thousands of Russian Roubles</i>	<b>Note</b>	<b>2006</b>	<b>2005</b>
Interest income	19	61 919 450	23 591 358
Interest expense	19	(9 771 405)	(4 094 384)
<b>Net interest income</b>		<b>52 148 045</b>	<b>19 496 974</b>
Provision for impairment of loans to customers	9	(22 412 675)	(7 258 032)
<b>Net interest income after provision for loan impairment</b>		<b>29 735 370</b>	<b>12 238 942</b>
Fee and commission income	20	3 078 756	892 143
Fee and commission expense		(199 648)	(73 657)
Net foreign exchange translation gains / (losses)		4 921 338	(894 104)
Net trading losses/ gains	21	(6 272 105)	507 399
Other operating results		106 527	(15 766)
Administrative and other operating expenses	22	(11 900 736)	(4 905 094)
<b>Profit before tax</b>		<b>19 469 502</b>	<b>7 749 863</b>
Income tax expense	23	(4 922 987)	(1 886 904)
<b>Profit for the year</b>		<b>14 546 515</b>	<b>5 862 959</b>

**Russian Standard Bank Group**  
**Consolidated Statement of Changes in Equity**

<i>In thousands of Russian Roubles</i>	Share capital	Share premium	Additional paid-in capital	Translation reserve	Retained earnings	Total equity
<b>Balance as at 1 January 2005</b>	<b>1 738 516</b>	<b>672 932</b>	<b>148 286</b>	-	<b>5 052 558</b>	<b>7 612 292</b>
Profit for the year	-	-	-	-	5 862 959	5 862 959
Dividends paid (Note 24)	-	-	-	-	(1 387 442)	(1 387 442)
<b>Balance as at 31 December 2005</b>	<b>1 738 516</b>	<b>672 932</b>	<b>148 286</b>	-	<b>9 528 075</b>	<b>12 087 809</b>
Translation reserve (Note 17)	-	-	-	(11 560)	-	(11 560)
Profit for the year	-	-	-	-	14 546 515	14 546 515
Total recognised income for 2006	-	-	-	(11 560)	14 546 515	14 534 955
Dividends paid (Note 24)	-	-	-	-	(1 394 061)	(1 394 061)
<b>Balance as at 31 December 2006</b>	<b>1 738 516</b>	<b>672 932</b>	<b>148 286</b>	<b>(11 560)</b>	<b>22 680 529</b>	<b>25 228 703</b>

**Russian Standard Bank Group**  
**Consolidated Statement of Cash Flows**

<i>In thousands of Russian Roubles</i>	<b>Note</b>	<b>2006</b>	<b>2005</b>
<b>Cash flows from operating activities</b>			
Interest received		55 042 048	21 985 325
Interest paid		(8 321 364)	(3 415 782)
Net trading losses paid		(5 329 781)	(108 640)
Fees and commissions received		3 190 071	794 548
Fees and commissions paid		(199 648)	(73 658)
Other operating income received		63 667	5 702
Staff cost paid		(5 054 733)	(2 437 577)
Administrative and other operating expenses paid		(5 451 670)	(2 328 325)
Income tax paid		(5 429 868)	(2 330 585)
<b>Cash flows from operating activities before changes in operating assets and liabilities</b>		<b>28 508 722</b>	<b>12 091 008</b>
<b>Changes in operating assets and liabilities</b>			
Net increase in mandatory cash balances with the Central Bank of the Russian Federation		(1 260 009)	(256 812)
Net decrease in due from other banks		218 849	852 716
Net increase in loans and advances to customers		(80 696 410)	(69 971 241)
Net increase in other assets		(1 566 567)	(773 515)
Net increase in due to other banks		11 445 523	17 807 709
Net increase in customer accounts		3 758 579	6 250 197
Net decrease in promissory notes issued		(297 193)	(1 675 153)
Net (decrease)/increase in other liabilities		(5 096)	1 088 639
<b>Net cash used in operating activities</b>		<b>(39 893 602)</b>	<b>(34 586 452)</b>
<b>Cash flows from investing activities</b>			
Acquisition of premises and equipment		(2 986 605)	(1 326 623)
Proceeds from disposal of premises and equipment		8 361	13 980
Acquisition of intangible assets		(162 986)	(98 263)
Acquisition of the subsidiary		(302 494)	-
<b>Net cash used in investing activities</b>		<b>(3 443 724)</b>	<b>(1 410 906)</b>
<b>Cash flows from financing activities</b>			
Issue of debt securities, other than promissory notes		57 147 294	37 886 595
Repayment of debt securities, other than promissory notes		(8 067 057)	(1 314 418)
Issue of subordinated debt		5 229 040	5 704 954
Dividends paid	24	(1 394 061)	(1 387 442)
Other		-	(113 608)
<b>Net cash from financing activities</b>		<b>52 915 216</b>	<b>40 776 081</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>		<b>180 727</b>	<b>144 089</b>
<b>Net increase in cash and cash equivalents</b>		<b>9 758 617</b>	<b>4 922 812</b>
Cash and cash equivalents as at the beginning of the period	7	7 773 101	2 850 289
<b>Cash and cash equivalents as at the end of the period</b>	<b>7</b>	<b>17 531 718</b>	<b>7 773 101</b>