

REPORT OF INDEPENDENT AUDITORS

To the Shareholders and Board of Directors of Bank SEVERNAYA KAZNA –

We have audited the accompanying balance sheet of Bank SEVERNAYA KAZNA (the "Bank") as of December 31, 2005, and the related statements of income, changes in equity, and cash flows for the year then ended. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Bank as of December 31, 2005, and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Without qualifying our opinion, we draw attention to Notes 2 and 23 to the accompanying financial statements, which include analysis of the liquidity position of the Bank.



May 31, 2006

BALANCE SHEET**For the year ended December 31, 2005***(Thousands of Russian Rubles)*

	<i>Notes</i>	<i>2005</i>	<i>2004</i>
Assets			
Cash and cash equivalents	5	1,611,429	883,716
Trading securities	6	1,951,544	1,816,795
Amounts due from credit institutions	7	685,796	470,683
Derivative financial assets	8	17,151	5,396
Loans to customers	9	10,441,864	6,753,939
Available-for-sale investment securities	10	433,243	607,514
Property and equipment	11	2,029,839	732,465
Intangible assets	12	22,472	33,395
Current tax asset		2,406	20,327
Other assets	15	65,829	23,486
Total assets		17,261,573	11,347,716
Liabilities			
Amounts due to credit institutions	16	218,377	618,901
Derivative financial liabilities	8	29,933	3,911
Amounts due to customers	17	12,534,334	8,207,620
Debt securities issued	18	2,164,165	1,626,907
Deferred tax liability	13	253,767	4,048
Other liabilities	15	72,601	29,776
Total liabilities		15,273,177	10,491,163
Equity			
Share capital	19	753,133	653,133
Retained earnings		1,235,263	203,420
Total equity		1,988,396	856,553
Total equity and liabilities		17,261,573	11,347,716
Financial commitments and contingencies	20		

Signed and authorised for release on behalf of the Management Board of the Bank

Volchik A.V.

Chairman of the Board

Glebova L.I.

Chief Accountant

May 31, 2006

The accompanying notes on pages 5 to 33 are an integral part of these financial statements.

STATEMENT OF INCOME**For the year ended December 31, 2005***(Thousands of Russian Rubles)*

	<i>Notes</i>	<i>2005</i>	<i>2004</i>
Interest income			
Loans to customers		1,244,377	858,023
Securities		190,364	132,368
Amounts due from credit institutions		24,040	22,558
		1,458,781	1,012,949
Interest expense			
Amounts due to customers		720,059	518,365
Debt securities issued		74,258	55,718
Amounts due to credit institutions		22,382	17,224
		816,699	591,307
Net interest income		642,082	421,642
Impairment of interest earning assets	14	82,453	38,170
Net interest income after impairment of interest earning assets		559,629	383,472
Fee and commission income		244,501	164,348
Fee and commission expense		12,436	16,236
Net fee and commission income	21	232,065	148,112
Gains less losses from trading securities		113,293	111,375
Gains less losses from available-for-sale investment securities		14,733	25,537
Gains less losses from foreign currencies:			
- dealing		74,897	73,182
- translation differences		75,271	(33,867)
Other income		29,894	10,316
Other non interest income		308,088	186,543
Salaries and benefits	22	447,102	321,142
Administrative and operating expenses	22	248,053	203,039
Depreciation and amortisation	11, 12	100,232	88,525
Impairment of other assets and provisions (reversal)	14	1,531	(111)
Net (income) / loss from initial recognition of loans to customers to fair value		(15,640)	15,640
Other non interest expense		781,278	628,235
Profit before income tax expense		318,504	89,892
Income tax expense	13	46,414	664
Profit for the year		272,090	89,228

The accompanying notes on pages 5 to 33 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY**For the year ended December 31, 2005***(Thousands of Russian Rubles)*

	<i>Share capital</i>	<i>Inflation impact on share capital</i>	<i>General reserve</i>	<i>Revaluation reserve</i>	<i>Retained earnings</i>	<i>Total</i>
December 31, 2003	300,000	253,133	36,633	–	116,559	706,325
Issue of share capital	100,000	–	–	–	–	100,000
Dividends to shareholders of the Bank	–	–	–	–	(39,000)	(39,000)
Transfers	–	–	6,248	–	(6,248)	–
Profit for the year	–	–	–	–	89,228	89,228
December 31, 2004	400,000	253,133	42,881	–	160,539	856,553
Issue of share capital	100,000	–	–	–	–	100,000
Dividends to shareholders of the Bank	–	–	–	–	(52,000)	(52,000)
Revaluation of property and equipment, net of tax	–	–	–	811,753	–	811,753
Transfers	–	–	5,000	–	(5,000)	–
Profit for the year	–	–	–	–	272,090	272,090
December 31, 2005	500,000	253,133	47,881	811,753	375,629	1,988,396

The accompanying notes on pages 5 to 33 are an integral part of these financial statements.

STATEMENT OF CASH FLOWS

For the year ended December 31, 2005

(Thousands of Russian Rubles)

	<i>Notes</i>	2005	2004
Cash flows from operating activities			
Interest received		1,427,807	1,015,634
Interest paid		(593,221)	(560,884)
Fees and commissions received		287,342	189,627
Fees and commissions paid		(12,428)	(16,236)
Gains less losses from trading securities		136,368	125,933
Realised gains less losses from dealing in foreign currencies		74,897	73,182
Other income received		29,775	10,316
Salaries and benefits paid		(419,875)	(321,804)
Other operating expenses paid		(309,948)	(226,487)
Cash flows from operating activities before changes in operating assets and liabilities		620,717	289,281
<i>Net (increase)/decrease in operating assets</i>			
Obligatory reserve with CBR		(83,290)	354,448
Trading securities		(142,317)	(1,166,140)
Amounts due from credit institutions		(131,064)	(49,551)
Loans to customers		(3,588,018)	(1,239,690)
Other assets		(67,892)	(22,411)
<i>Net increase/(decrease) in operating liabilities</i>			
Amounts due to credit institutions		(395,112)	(123,563)
Amounts due to customers		4,151,653	1,972,757
Other liabilities		13,661	(11,523)
Net cash flows from operating activities before income tax		378,338	3,608
Income tax paid		(35,109)	(15,420)
Net cash from/(used in) operating activities		343,229	(11,812)
Cash flows from investing activities			
Available-for-sale investment securities		174,271	(923,423)
Purchase of property and equipment		(357,958)	(279,747)
Proceeds from sale of property and equipment		1,370	88,327
Net cash from/(used in) investing activities		(182,317)	(1,114,843)
Cash flows from financing activities			
Proceeds from issue of share capital		100,000	100,000
Proceeds from debt securities issued and redemption		544,098	941,421
Dividends paid to shareholders of the Bank		(52,000)	(39,000)
Net cash from/(used in) financing activities		592,098	1,002,421
Effect of exchange rates changes on cash and cash equivalents		(25,297)	(13,233)
Net increase/(decrease) in cash and cash equivalents		727,713	(137,467)
Cash and cash equivalents, beginning		883,716	1,021,183
Cash and cash equivalents, ending	5	1,611,429	883,716

The accompanying notes on pages 5 to 33 are an integral part of these financial statements.