

## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated financial statements of Bank SEVERNAYA KAZNA and its subsidiary (the "Bank"), which comprise the consolidated balance sheet as at December 31, 2007, and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement 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 consolidated 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.

### *Auditors' Responsibility*

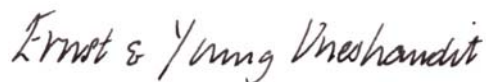
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated 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 auditors' 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 consolidated 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 consolidated financial statements present fairly, in all material respects, the financial position of the Bank as at December 31, 2007, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.



April 30, 2008

**CONSOLIDATED BALANCE SHEET****As of December 31, 2007***(Thousands of Russian Rubles)*

|  | <i>Notes</i> | <i>2007</i>       | <i>2006</i>       |
|--|--------------|-------------------|-------------------|
| <b>Assets</b>  |              |                   |                   |
| Cash and cash equivalents                                    | 5            | 5,405,297         | 2,098,761         |
| Precious metals  |              | 39,605            | 18,472            |
| Trading securities   | 6            | 3,982,063         | 4,134,597         |
| Amounts due from credit institutions                         | 7            | 693,996           | 544,152           |
| Derivative financial assets                                  | 8            | 5,095             | 24,146            |
| Loans to customers   | 9            | 22,179,190        | 15,574,141        |
| Available-for-sale investment securities                     | 10           | 650,891           | 1,248,869         |
| Investment property  |              | 272,860           | –                 |
| Property and equipment                                       | 11           | 3,869,942         | 3,278,885         |
| Other assets   | 13           | 162,704           | 73,038            |
| <b>Total assets</b>  |              | <b>37,261,643</b> | <b>26,995,061</b> |
| <b>Liabilities</b>   |              |                   |                   |
| Amounts due to credit institutions                           | 14           | 1,504,527         | 788,411           |
| Derivative financial liabilities                             | 8            | 56,420            | 13,520            |
| Amounts due to customers                                     | 15           | 29,952,699        | 19,440,683        |
| Debt securities issued                                       | 16           | 1,591,274         | 3,246,035         |
| Current income tax liabilities                               |              | 13,165            | 703               |
| Deferred income tax liabilities                              | 12           | 425,301           | 417,526           |
| Other liabilities  | 13           | 147,191           | 119,683           |
| <b>Total liabilities</b>                                     |              | <b>33,690,577</b> | <b>24,026,561</b> |
| <b>Equity</b>  |              |                   |                   |
| Share capital  | 17           | 808,133           | 808,133           |
| General reserve  |              | 53,631            | 50,631            |
| Unrealized gains on investment securities available-for-sale |              | 12,790            | 121,110           |
| Revaluation reserve for buildings                            |              | 1,640,917         | 1,308,761         |
| Retained earnings  |              | 1,055,595         | 679,865           |
| <b>Total equity</b>  |              | <b>3,571,066</b>  | <b>2,968,500</b>  |
| <b>Total liabilities and equity</b>                          |              | <b>37,261,643</b> | <b>26,995,061</b> |

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

Volchik A.V.

Chairman of the Board

Romanova T.V.

Chief Accountant

April 30, 2008

*The accompanying notes on pages 5 to 45 are an integral part of these consolidated financial statements.*

**CONSOLIDATED INCOME STATEMENT****For the year ended December 31, 2007***(Thousands of Russian Rubles)*

|  | <i>Notes</i> | <i>2007</i>      | <i>2006</i>      |
|--|--------------|------------------|------------------|
| <b>Interest income</b>   |              |                  |                  |
| Loans to customers   |              | 2,929,512        | 1,998,564        |
| Trading securities   |              | 393,757          | 306,614          |
| Amounts due from credit institutions                           |              | 33,834           | 14,981           |
|  |              | <b>3,357,103</b> | <b>2,320,159</b> |
| <b>Interest expense</b>  |              |                  |                  |
| Amounts due to customers                                       |              | 1,641,997        | 1,094,616        |
| Debt securities issued   |              | 210,268          | 182,480          |
| Amounts due to credit institutions                             |              | 139,227          | 64,821           |
|  |              | <b>1,991,492</b> | <b>1,341,917</b> |
| <b>Net interest income</b>                                     |              | <b>1,365,611</b> | <b>978,242</b>   |
| Change in allowance for loan impairment                        | 9            | 205,121          | (58,632)         |
| <b>Net interest income after allowance for loan impairment</b> |              | <b>1,160,490</b> | <b>1,036,874</b> |
| Net fee and commission income                                  | 19           | 693,856          | 347,551          |
| Net gains from trading securities                              |              | 57,192           | 140,698          |
| Net gains from investment securities available-for-sale        | 20           | 159,270          | –                |
| Net gains from derivatives                                     |              | 15,954           | 55,908           |
| Net gains/(losses) from foreign currencies:                    |              |                  |                  |
| - dealing  |              | 25,320           | 76,923           |
| - translation differences                                      |              | (55,166)         | (57,985)         |
| Net gains from investment property                             |              | 12,855           | –                |
| Other income   |              | 60,133           | 42,958           |
| <b>Non-interest income</b>                                     |              | <b>969,414</b>   | <b>606,053</b>   |
| Personnel expenses   | 21           | 788,610          | 580,546          |
| Administrative and operating expenses                          | 21           | 572,988          | 420,878          |
| Depreciation and amortisation                                  |              | 210,299          | 179,910          |
| Loss on revaluation of buildings                               |              | 4,513            | 3,083            |
| Impairment of other assets                                     | 13           | –                | 4,348            |
| <b>Non-interest expense</b>                                    |              | <b>1,576,410</b> | <b>1,188,765</b> |
| <b>Profit before income tax expense</b>                        |              | <b>553,494</b>   | <b>454,162</b>   |
| Income tax expense   | 12           | 113,714          | 92,176           |
| <b>Profit for the year</b>                                     |              | <b>439,780</b>   | <b>361,986</b>   |

*The accompanying notes on pages 5 to 45 are an integral part of these consolidated financial statements.*

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

For the year ended December 31, 2007

*(Thousands of Russian Rubles)*

|  | <i>Share capital</i> | <i>Inflation impact on share capital</i> | <i>General reserve</i> | <i>Unrealised gains on investment securities available-for-sale</i> | <i>Revaluation reserve for buildings</i> | <i>Retained earnings</i> | <i>Total</i>     |
|--|----------------------|--|------------------------|---|--|--------------------------|------------------|
| <b>December 31, 2005</b>   | <b>500,000</b>       | <b>253,133</b>                           | <b>47,881</b>          | <b>–</b>  | <b>811,753</b>                           | <b>375,629</b>           | <b>1,988,396</b> |
| Net unrealised gains on investment securities available-for-sale                                 | –                    | –  | –                      | 159,270   | –  | –                        | 159,270          |
| Tax effect of net gains on investment securities available-for-sale                              | –                    | –  | –                      | (38,160)  | –  | –                        | (38,160)         |
| Revaluation of buildings   | –                    | –  | –                      | –   | 653,956                                  | –                        | 653,956          |
| Tax effect of revaluation of buildings   | –                    | –  | –                      | –   | (156,948)                                | –                        | (156,948)        |
| <b>Total income and expense recognized directly in equity</b>                                    | <b>–</b>             | <b>–</b>                                 | <b>–</b>               | <b>121,110</b>  | <b>497,008</b>                           | <b>–</b>                 | <b>618,118</b>   |
| Profit for the year  | –                    | –  | –                      | –   | –  | 361,986                  | 361,986          |
| <b>Total income and expense for the year</b>   | <b>–</b>             | <b>–</b>                                 | <b>–</b>               | <b>121,110</b>  | <b>497,008</b>                           | <b>361,986</b>           | <b>980,104</b>   |
| Issuance of share capital (Note 17)  | 55,000               | –  | –                      | –   | –  | –                        | 55,000           |
| Dividends to shareholders of the Bank (Note 17)  | –                    | –  | –                      | –   | –  | (55,000)                 | (55,000)         |
| Allocation to general reserve (Note 17)  | –                    | –  | 2,750                  | –   | –  | (2,750)                  | –                |
| <b>December 31, 2006</b>   | <b>555,000</b>       | <b>253,133</b>                           | <b>50,631</b>          | <b>121,110</b>  | <b>1,308,761</b>                         | <b>679,865</b>           | <b>2,968,500</b> |
| Realized (gains)/losses on available-for-sale securities reclassified to the statement of income | –                    | –  | –                      | (159,270)   | –  | –                        | (159,270)        |
| Net unrealised gains on investment securities available-for-sale                                 | –                    | –  | –                      | 16,385  | –  | –                        | 16,385           |
| Tax effect of net gains on investment securities available-for-sale                              | –                    | –  | –                      | 34,565  | –  | –                        | 34,565           |
| Revaluation of buildings   | –                    | –  | –                      | –   | 437,049                                  | –                        | 437,049          |
| Tax effect of revaluation of buildings   | –                    | –  | –                      | –   | (104,893)                                | –                        | (104,893)        |
| <b>Total income and expense recognized directly in equity</b>                                    | <b>–</b>             | <b>–</b>                                 | <b>–</b>               | <b>(108,320)</b>  | <b>332,156</b>                           | <b>–</b>                 | <b>223,836</b>   |
| Profit for the year  | –                    | –  | –                      | –   | –  | 439,780                  | 439,780          |
| <b>Total income and expense for the year</b>   | <b>–</b>             | <b>–</b>                                 | <b>–</b>               | <b>(108,320)</b>  | <b>332,156</b>                           | <b>439,780</b>           | <b>663,616</b>   |
| Dividends to shareholders of the Bank (Note 17)  | –                    | –  | –                      | –   | –  | (61,050)                 | (61,050)         |
| Allocation to general reserve (Note 17)  | –                    | –  | 3,000                  | –   | –  | (3,000)                  | –                |
|  | <b>555,000</b>       | <b>253,133</b>                           | <b>53,631</b>          | <b>12,790</b>   | <b>1,640,917</b>                         | <b>1,055,595</b>         | <b>3,571,066</b> |

The accompanying notes on pages 5 to 45 are an integral part of these consolidated financial statements.

**CONSOLIDATED CASH FLOW STATEMENT**

For the year ended December 31, 2007

*(Thousands of Russian Rubles)*

|  | <i>Notes</i> | <i>2007</i>        | <i>2006</i>        |
|--|--------------|--------------------|--------------------|
| <b>Cash flows from operating activities</b>  |              |                    |                    |
| Interest received  |              | 3,368,395          | 2,212,085          |
| Interest paid  |              | (2,211,761)        | (1,387,596)        |
| Fees and commissions received  |              | 760,425            | 486,480            |
| Fees and commissions paid  |              | (41,923)           | (22,899)           |
| Gains less losses from trading securities  |              | 159,906            | 195,358            |
| Realised gains less losses from dealing in foreign currencies                                  |              | 25,320             | 76,923             |
| Other income received  |              | 49,046             | 43,091             |
| Personnel expenses paid  |              | (788,559)          | (577,305)          |
| Other operating expenses paid  |              | (568,661)          | (464,545)          |
| <b>Cash flows from operating activities before changes in operating assets and liabilities</b> |              | <b>752,188</b>     | <b>561,592</b>     |
| <i>Net (increase)/ decrease in operating assets</i>  |              |                    |                    |
| Obligatory reserve with CBR  |              | (67,115)           | (99,614)           |
| Trading securities   |              | 144,356            | (2,160,893)        |
| Amounts due from credit institutions   |              | (88,353)           | 241,904            |
| Loans to customers   |              | (6,951,161)        | (5,053,683)        |
| Other assets   |              | (129,836)          | 75,863             |
| <i>Net increase / (decrease) in operating liabilities</i>                                      |              |                    |                    |
| Amounts due to credit institutions   |              | 729,459            | 562,849            |
| Amounts due to customers   |              | 10,732,741         | 6,846,732          |
| Promissory notes   |              | (600,204)          | 110,793            |
| Other liabilities  |              | 23,132             | (16,613)           |
| <b>Net cash flows from operating activities before income tax</b>                              |              | <b>4,545,207</b>   | <b>1,068,930</b>   |
| Income tax paid  |              | (163,804)          | (121,822)          |
| <b>Net cash from operating activities</b>  |              | <b>4,381,403</b>   | <b>947,108</b>     |
| <b>Cash flows from investing activities</b>  |              |                    |                    |
| Purchase of available-for-sale investment securities   |              | (649,823)          | (656,356)          |
| Proceeds from sale of available-for-sale investment securities                                 |              | 1,225,089          | –                  |
| Purchase of investment property  |              | (260,005)          | –                  |
| Purchase of property and equipment   |              | (489,150)          | (883,987)          |
| Proceeds from sale of property and equipment   |              | 152,998            | 108,607            |
| <b>Net cash from/(used in) investing activities</b>  |              | <b>(20,891)</b>    | <b>(1,431,736)</b> |
| <b>Cash flows from financing activities</b>  |              |                    |                    |
| Proceeds from issuance of share capital  |              | –                  | 55,000             |
| Proceeds from bonds issued   |              | –                  | 1,000,000          |
| Redemption of bonds issued   |              | (987,701)          | –                  |
| Dividends paid to shareholders of the Bank   |              | (61,050)           | (55,000)           |
| <b>Net cash from/(used in) financing activities</b>  |              | <b>(1,048,751)</b> | <b>1,000,000</b>   |
| Effect of exchange rates changes on cash and cash equivalents                                  |              | (5,225)            | (28,040)           |
| <b>Net increase in cash and cash equivalents</b>   |              | <b>3,306,536</b>   | <b>487,332</b>     |
| <b>Cash and cash equivalents, beginning</b>  |              | <b>2,098,761</b>   | <b>1,611,429</b>   |
| <b>Cash and cash equivalents, ending</b>   | 5            | <b>5,405,297</b>   | <b>2,098,761</b>   |

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