JOINT STOCK COMPANY CASPIAN BANK

Consolidated Financial Statements
For the Years Ended 31 December 2006 and 2005

and Independent Auditors' Report

JOINT STOCK COMPANY BANK CASPIAN

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STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006 AND 2005

The following statement, which should be read in conjunction with the independent auditors' responsibilities stated in the independent auditor's report set out on pages 2-3, is made with a view to distinguishing the respective responsibilities of management and those of the independent auditors in relation to the consolidated financial statements of Joint Stock Company Bank Caspian and its subsidiary (the "Group").

Management is responsible for the preparation of the consolidated financial statements that present fairly the financial position of the Group at 31 December 2006 and 2005, and the results of its operations, cash flows and changes in equity for the years then ended, in accordance with International Financial Reporting Standards ("IFRS").

In preparing the consolidated financial statements, management is responsible for:

- Selecting suitable accounting principles and applying them consistently;
- Making judgements and estimates that are reasonable and prudent;
- Stating whether IFRS have been followed, subject to any material departures disclosed and explained in the consolidated financial statements, and
- Preparing the consolidated financial statements on a going concern basis, unless it is inappropriate to presume that the Group will continue in business for the foreseeable future.

Management is also responsible for:

- Designing, implementing and maintaining an effective and sound system of internal controls, throughout the Group;
- Maintaining proper accounting records that disclose, with reasonable accuracy at any time, the financial position of the Group, and which enable them to ensure that the consolidated financial statements of the Group comply with IFRS;
- Maintaining statutory accounting records in compliance with legislation and accounting standards of the Republic of Kazakhstan;
- Taking such steps as are reasonably available to them to safeguard the assets of the Group, and
- Detecting and preventing fraud and other irregularities.

The consolidated financial statements for the years ended 31 December 2006 and 2005 were authorised for issue on 2 March 2007 by the Management Board.

On behalf of the Management Board:

Bektemisov N.A.	**Ualibekova N.A.**
Chairman	**Chief Accountant**
14 March 2007	14 March 2007
Almaty	Almaty

Deloitte.

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INDEPENDENT AUDITORS' REPORT

To the Shareholders and Board of Directors of Joint Stock Company Bank Caspian:

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of JSC Bank Caspian and its subsidiary (the "Group"), which comprise the consolidated balance sheet as at 31 December 2006 and 2005, and the consolidated income statement, statements of changes in equity and cash flows for the years 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 consolidated financial statements present fairly, in all material respects the financial position of the Group as at 31 December 2006 and 2005, and of its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

As discussed in Note 4 to the consolidated financial statements, the Group has restated its consolidated balance sheet as at 31 December 2005, consolidated income statement and it's statement of changes in equity and cash flows for the year then ended to comply with the requirements of International Accounting Standard 32, "Financial Instruments: Presentation".

Deloitte, LLP

Deloitte, LLP
State license on auditing of the Republic of Kazakhstan
Number 0000015, type MFU-2, given by the Ministry of
Finance of the Republic of Kazakhstan
dated 13 September 2006

14 March 2007
Almaty

Bekenov Nurlan
Engagement Partner
General Director
Deloitte, LLP

JOINT STOCK COMPANY BANK CASPIAN

CONSOLIDATED INCOME STATEMENTS
FOR THE YEARS ENDED 31 DECEMBER 2006 AND 2005

(in thousands of tenge)

	Notes	Year ended 31 December 2006	Year ended 31 December 2005 (restated)
Interest income	5	29,342,153	18,310,298
Interest expense	5	(11,689, 947)	(6,114,081)
NET INTEREST INCOME BEFORE PROVISION FOR IMPAIRMENT LOSSES ON INTEREST BEARING ASSETS		17,652,206	12,196,217
Provision for impairment losses on interest bearing assets	6	(5,927,351)	(4,070,948)
NET INTEREST INCOME		11,724,855	8,125,269
Net (loss)/gain on financial assets at fair value through profit or loss	7	(425,648)	216,284
Net gain on foreign exchange operations	8	1,022,508	291,347
Fee and commission income	9	3,071,692	2,262,632
Fee and commission expense	10	(600,365)	(317,207)
Net loss on disposal of available-for-sale securities		(10,225)	-
Insurance premium, net of claims paid		96,793	68,654
Other income/(loss)		24,740	(84,346)
NET NON-INTEREST INCOME		3,179,495	2,437,364
OPERATING INCOME		14,904,350	10,562,633
OPERATING EXPENSES	10	(8,108,821)	(5,459,297)
OPERATING PROFIT		6,795,529	5,103,336
(Provision)/recovery of provision for impairment losses on other transactions	6	(36,597)	75,192
PROFIT BEFORE INCOME TAX		6,758,932	5,178,528
Income tax expense	10	(972,434)	(684,677)
NET PROFIT		5,786,498	4,493,851
EARNINGS PER SHARE			
Basic and diluted earnings per share (KZT)	12	361	340

On behalf of the Management Board:

Bektemisov N.A.
Chairman

2 March 2007
Almaty

Ualibekova N.A.
Chief Accountant

2 March 2007
Almaty

The notes on pages 9-48 form an integral part of these consolidated financial statements. The Independent Auditors' Report is on page 2-3.

JOINT STOCK COMPANY BANK CASPIAN

CONSOLIDATED BALANCE SHEETS
AS AT 31 DECEMBER 2006 AND 2005
(in thousands of tenge)

	Notes	31 December 2006	31 December 2005 (restated)
ASSETS:			
Cash and balances with the National Bank of the Republic of Kazakhstan	13	23,487,545	6,335,884
Financial assets at fair value through profit or loss	14	8,990,087	24,194,231
Due from banks	15	13,567,025	7,404,079
Loans to customers	16	122,411,152	107,724,202
Investments available for sale	17	17,834,478	183,911
Investments held to maturity	18	4,226,227	-
Property, equipment and intangible assets	19	6,429,966	3,281,577
Other assets	20	1,940,479	2,400,994
TOTAL ASSETS		198,886,959	151,524,878
LIABILITIES AND EQUITY			
LIABILITIES:			
Due to banks	21	42,782,153	45,987,377
Customer accounts	22	78,151,729	42,390,504
Debt securities issued	23	36,865,928	35,285,180
Other borrowed funds	24	66,727	94,604
Provisions	6	219,019	193,656
Deferred income tax liabilities	11	856,439	29,885
Other liabilities	25	2,072,918	1,031,470
		161,014,913	125,012,676
Subordinated debt	26	10,546,954	10,529,591
Total liabilities		171,561,867	135,542,267
EQUITY:			
Share capital	27	11,909,583	7,609,803
Share premium		729,250	525,347
Investments available for sale fair value reserve		(489,441)	49,525
Property and equipment revaluation reserve		1,972,461	429,438
Retained earnings		13,203,239	7,368,498
Total equity		27,325,092	15,982,611
TOTAL LIABILITIES AND EQUITY		198,886,959	151,524,878

On behalf of the Management Board:

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JOINT STOCK COMPANY BANK CASPIAN

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEARS ENDED 31 DECEMBER 2006 AND 2005
(in thousands of tenge)

	Share capital (restated)	Share premium	Investments available for sale fair value reserve/ (deficit)	Property and equipment revaluation reserve	Retained earnings	Total equity
31 December 2004	5,772,295	521,530	-	443,599	2,860,486	9,597,910
Share capital increase	1,888,218	-	-	-	-	1,888,218
Reclassification of preferred shares to subordinated debt	(21,511)	-	-	-	-	(21,511)
Gains on revaluation of available-for-sale investments	-	-	49,525	-	-	49,525
Write-off of property and equipment revaluation reserve	-	-	-	(14,161)	14,161	-
Purchase of treasury stock	(76,588)	-	-	-	-	(76,588)
Sale of treasury stock	47,389	3,817	-	-	-	51,206
Net profit	-	-	-	-	4,493,851	4,493,851
31 December 2005 (restated)	7,609,803	525,347	49,525	429,438	7,368,498	15,982,611
Share capital increase	4,435,389	-	-	-	-	4,435,389
Losses on revaluation of available-for-sale investments	-	-	(549,191)	-	-	(549,191)
Losses transferred to profit or loss on sale of available-for-sale investments	-	-	10,225	-	-	10,225
Gains on revaluation of fixed assets	-	-	-	1,591,266	-	1,591,266
Write-off of property and equipment revaluation reserve	-	-	-	(48,243)	48,243	-
Purchase of treasury shares	(382,531)	-	-	-	-	(382,531)
Sale of treasury shares	246,922	203,903	-	-	-	450,825
Net profit	-	-	-	-	5,786,498	5,786,498
31 December 2006	11,909,583	729,250	(489,441)	1,972,461	13,203,239	27,325,092

On behalf of the Management Board:

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2 March 2007
Almaty

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2 March 2007
Almaty

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JOINT STOCK COMPANY BANK CASPIAN

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED 31 DECEMBER 2006 AND 2005
(in thousands of tenge)

	Notes	Year ended 31 December 2006	Year ended 31 December 2005 (restated)
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit before income tax		6,758,932	5,178,528
Adjustments for:			
Provision for impairment losses on interest bearing assets		5,927,351	4,070,948
Provision/(recovery of provision) for impairment losses on other transactions		36,597	(75,192)
Unrealised loss/(gain) and amortisation of premiums/(discounts) on securities		144,061	(138,237)
Unrealised loss/(gain) on foreign exchange operations		32,399	(94,972)
Amortization of discount/(premium) on issued securities		179,324	121,811
Depreciation and amortisation		394,853	242,686
Gain on disposal of property, equipment and intangible assets, net		(41,151)	(2,973)
Change in interest accruals, net		(256,146)	(301,720)
Cash flows from operating activities before changes in operating assets and liabilities		13,176,220	9,000,879
Changes in operating assets and liabilities			
(Increase)/decrease in operating assets:			
Minimum reserve deposit with the National Bank of Kazakhstan		(10,808,386)	(1,106,692)
Due from banks		(7,074,168)	(4,866,694)
Financial assets at fair value through profit or loss		14,912,847	(10,309,938)
Loans to customers		(19,616,591)	(62,139,447)
Other assets		434,237	(1,693,361)
Increase/(decrease) in operating liabilities			
Due to banks		(3,228,143)	25,798,063
Customer accounts		36,300,138	10,582,464
Other borrowed funds		(27,640)	21,344
Other liabilities		1,041,447	460,276
Cash inflow/(outflow) from operating activities before taxation		25,109,961	(34,253,106)
Income tax paid		(995,933)	(654,792)
Net cash inflow/(outflow) from operating activities		24,114,028	(34,907,898)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property, equipment and intangible assets		(2,021,898)	(1,003,394)
Proceeds on sale of property, equipment and intangible assets		793,045	42,210
Net outgoings on purchase of investments available for sale		(18,376,839)	(134,386)
Net outgoings on purchase of investments held to maturity		(4,325,215)	-
Net cash outflow from investing activities		(23,930,907)	(1,095,570)

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE YEARS ENDED 31 DECEMBER 2006 AND 2005
(in thousands of tenge)

	Notes	Year ended 31 December 2006	Year ended 31 December 2005 (restated)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Issue of ordinary share capital		4,435,389	1,888,218
Proceeds from debt securities issued, net		1,452,932	28,588,812
Treasury shares purchased		(382,531)	(76,588)
Sale of treasury shares		450,825	51,206
Dividends paid		(2,317)	(2,366)
Net cash inflow from financing activities		5,954,298	30,449,282
NET INCREASE /(DECREASE) IN CASH AND CASH EQUIVALENTS		6,137,419	(5,554,186)
CASH AND CASH EQUIVALENTS, beginning of year	13	4,080,333	9,587,033
Effect of changes in foreign exchange rate on cash and cash equivalents		(4,134)	47,486
CASH AND CASH EQUIVALENTS, end of year	13	10,213,618	4,080,333

Interest paid and received by the Group during the year ended 31 December 2006 amounted to KZT 11,645,655 thousand and KZT 24,767,175 thousand, respectively.

Interest paid and received by the Group during the year ended 31 December 2005 amounted to KZT 5,010,538 thousand and KZT 12,043,442 thousand, respectively.

On behalf of the Management Board:

Bektemisov N.A.
Chairman

2 March 2007
Almaty

Ualibekova N.A.
Chief Accountant

2 March 2007
Almaty

The notes on pages 9-48 form an integral part of these consolidated financial statements. The Independent Auditors' Report is on page 2-3.

(in thousands of tenge, unless otherwise stated)

1. ORGANISATION

JSC Bank Caspian (the "Bank") is a joint-stock company, which was incorporated in the Republic of Kazakhstan in December 1997. The Bank is regulated by the National Bank of the Republic of Kazakhstan (NBRK) and the Agency of the Republic of Kazakhstan on the regulation and the supervision of financial market and financial organizations (FMSA) and conducts its business under general license for conducting bank operations number No. 245 issued on 30 September 2005. The Bank's primary business consists of commercial activities, trading with securities, foreign currencies and derivative instruments, originating loans and guarantees.

The registered address of the Bank is 90 Adi Sharipov Street, Almaty, 050012, Republic of Kazakhstan.

As of 31 December 2006 and 31 December 2005 the Bank has 40 branches in the Republic of Kazakhstan.

The Bank is a parent company of the banking group (the "Group") which includes subsidiary JSC Insurance Company Almaty International Insurance Group (AIIG) in the consolidated financial statements with 100% ownership. AIIG was formed as a joint stock company under the laws of the Republic of Kazakhstan in late 1994. The company's principal activity is property and casualty insurance. The company possesses licenses No. DOS 5-2/1 and No. OS 5-2/1 dated 3 December 2002 issued by NBRK for provision voluntary and obligatory insurance.

During the year ended 31 December 2006 and 2005 the Group had an average of 3,621 и 2,735 employees, respectively.

As of 31 December 2006 and 2005 the following shareholders individually owned more than 5% of the issued shares:

Shareholder	**30 December 2006, %**	**31 December 2005, %**
Caspian Group B.V.	94.11	-
Baizhuminov K.T.	-	23.10
Osalia Invest & Trade S.A.	-	8.00
Tsoi T.M.	-	7.90
Kim L.S.	-	7.30
Derkunskiy A.Y.	-	7.20
Tskhai U.A.	-	5.90
Palixol Business LTD	-	5.40
Others (individually hold less than 5%)	5.89	35.20
	100.00	100.00

2. BASIS OF PRESENTATION

These consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

These consolidated financial statements are presented in thousands of Kazakhstani Tenge ("KZT"), unless otherwise indicated, excluding income indices per share. These financial statements have been prepared under the historical cost conversion, except for the measurement at fair value of certain financial instruments and measurement of buildings at revalued amounts according to International Accounting Standard ("IAS") No. 16 "Property, Plant and Equipment".

The Group maintains its records and prepares its consolidated financial statements in accordance with IFRS.

Accounting policies in relation to insurance activities have not been disclosed as these activities are not considered significant to the operations and consolidated financial position of the Group.

Key assumptions

The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates that are particularly susceptible to change relate to the provisions for impairment losses and the fair value of financial instruments.

Functional currency

The functional currency of these financial statements is the Kazakhstani Tenge ("KZT" or "Tenge").

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Bank and entity controlled by the Bank (its subsidiary) made up to 31 December each year. Control is achieved whether Bank has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

On acquisition, the assets and liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognized as goodwill. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired (i.e. discount on acquisition) is credited to the consolidated profit and loss in the period of acquisition.

Where necessary, adjustments are made to the financial statements of subsidiary to bring the accounting policies used into line with those used by the Group.

All significant intra-group transactions, balances, income and expenses are eliminated on consolidation.

Recognition and measurement of financial instruments

The Group recognizes financial assets and liabilities on its balance sheet when it becomes a party to the contractual obligation of the instrument. Regular way purchase and sale of the financial assets and liabilities are recognized using settlement date accounting. Regular way purchases of financial instruments that will be subsequently measured at fair value between trade date and settlement date are accounted for in the same way as for acquired instruments.

Financial assets and liabilities are initially recognized at fair value plus, in the case of a financial asset or financial liability not at fair value through profit or loss transaction costs that are directly attributable to acquisition or issue of the financial asset or financial liability. The accounting policies for subsequent re-measurement of these items are disclosed in the respective accounting policies set out below.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, unrestricted balances on correspondent and time deposit accounts with the National Bank of the Republic of Kazakhstan with original maturity within 90 days, advances to banks in countries included in the Organization for Economic Co-operation and Development ("OECD"), except for margin deposits for operations with plastic cards and government securities denominated in KZT carried at fair value through profit or loss, which may be converted to cash within a short period of time. For purposes of determining cash flows, the minimum reserve deposit required by the National Bank of the Republic of Kazakhstan is not included as a cash equivalent due to restrictions on its availability.

Due from banks

In the normal course of business, the Bank maintains advances and deposits for various periods of time with other banks. Due from banks with a fixed maturity term are subsequently measured at amortized cost using the effective interest method. Those that do not have fixed maturities are carried at amortized cost based on expected maturities. Amounts due from credit institutions are carried net of any allowance for impairment losses, if any.

Financial assets and liabilities at fair value through profit or loss

Financial assets and liabilities at fair value through profit or loss represent derivative instruments or securities acquired principally for the purpose of selling them in the near future, or are a part of portfolio of identified financial instruments that are managed together and for which there is evidence of a recent and actual pattern of short-term profit taking or securities that upon initial recognition are designated by the Group at fair value through profit or loss or is a derivative. Financial assets at fair value through profit or loss are initially recorded and subsequently measured at fair value. The Group uses quoted market prices to determine fair value for financial assets and liabilities at fair value through profit or loss. Fair value adjustment on financial assets and liabilities at fair value through profit or loss is recognized in the consolidated income statement for the period. The Group does not reclassify financial instruments in or out of this category while they are held.

The Group enters into derivative financial instruments to manage currency and liquidity risks. Derivative financial instruments are entered into by the Group principally for trading purposes and include forwards on foreign currency, precious metals and securities. No derivatives are used by the Group for hedging purposes.

Repurchase and reverse repurchase agreements

The Group enters into sale and purchase back agreements ("repos") and purchase and sale back agreements ("reverse repos") in the normal course of its business. Repos and reverse repos are utilized by the Group as an element of its treasury management and trading business.

A repo is an agreement to transfer a financial asset to another party in exchange for cash or other consideration and a concurrent obligation to reacquire the financial assets at a future date for an amount equal to the cash or other consideration exchanged plus interest. These agreements are accounted for as financing transactions. Financial assets sold under repo are retained in the consolidated financial statements and consideration received under these agreements is recorded as collaterized deposit received.

Assets purchased under reverse repos are recorded in the consolidated financial statements as cash placed on deposit which is collaterized by securities and other assets.

In the event that assets purchased under reverse repo are sold to third parties, the results are recorded with the gain or loss included in net gains/(losses) on respective assets. Any related income or expense arising from the pricing difference between purchase and sale of the underlying assets is recognized as interest income or expense.

Loans to customers

Loans to customers are non-derivative assets with fixed or determinable payments that are not quoted in an active mark other than those classified in other categories of financial assets.

Loans granted by the Group with fixed maturities are initially recognized at fair value plus related transaction costs. Where the fair value of consideration given does not equal the fair value of the loan, for example where the loan is issued at lower than market rates, the difference between the fair value of consideration given and the fair value of the loan is recognized as a loss on initial recognition of the loan and included in the income statement according to nature of these losses. Subsequently, loans are carried at amortized cost using the effective interest method. Loans to customers are carried net of any allowance for impairment losses.

Write off of loans

Loans are written off against allowance for impairment losses in case of uncollectibility of loans, including through repossession of collateral. Loans are written off after management has exercised all possibilities available to collect amounts due to the Group and after the Group has sold all available collateral. Loans are written off against allowance for impairment losses in case of uncollectibility of loans, including through repossession of collateral. Loans are written off after management has exercised all possibilities available to collect amounts due to the Group and after the Group has sold all available collateral.

Allowance for impairment losses

The Group establishes an allowance for impairment losses of financial assets when there is objective evidence that a financial asset or group of financial assets is impaired. The allowance for impairment losses is measured as the difference between carrying amounts and the present value of expected future cash flows, including amounts recoverable from guarantees and collateral, discounted at the financial asset's original effective interest rate, for financial assets which are carried at amortized cost. If in a subsequent period the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed by adjusted an allowance account. For financial assets carried at cost the allowance for impairment losses is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

The determination of the allowance for impairment losses is based on an analysis of the risk assets and reflects the amount which, in the judgment of management, is adequate to provide for losses incurred. Provisions are made as a result of an individual appraisal of risk for financial assets that are individually significant, and an individual or collective assessment for financial assets that are not individually significant.

The change in the allowance for impairment losses is charged to the consolidated profit and loss and the total of the allowance for impairment losses is deducted in arriving at assets as shown in balance sheet. Factors that the Group considers in determining whether it has objective evidence that an impairment loss has been incurred include information about the debtors' or issuers' liquidity, solvency and business and financial risk exposures, levels of and trends in delinquencies for similar financial assets, national and local economic trends and conditions, and the fair value of collateral and guarantees. These and other factors may, either individually or taken together, provide sufficient objective evidence that an impairment loss has been incurred in a financial asset or group of financial assets.

It should be understood that estimates of losses involve an exercise of judgment. While it is possible that in particular periods the Group may sustain losses, which are substantial relative to the allowance for impairment losses, it is the judgment of management that the allowance for impairment losses is adequate to absorb losses incurred on the risk assets.

Investments held to maturity

Investments held to maturity are debt securities with determinable or fixed payments. The Group has the positive intent and ability to hold them to maturity. Such securities are carried at amortized cost, less any allowance for impairment, if any. Amortized discounts are recognized in interest income over the period to maturity using the effective interest method.

Investments available-for-sale

Investments available-for-sale represent debt and equity investments that are intended to be held for an indefinite period of time. Such securities are initially recorded at fair value. Subsequently the securities are measured at fair value, with such re-measurement recognized directly in equity until sold when gain/loss previously recorded in equity recycles through the income statement, except for impairment losses, foreign exchange gains or losses and interest income accrued using the effective interest method, which are recognized directly in the income statement. The Group uses quoted market prices to determine the fair value for the Group's investments available-for-sale. If the market for investments is not active, the Group establishes fair value by using a valuation technique. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the Group uses that technique. Dividends received are included in dividend income in the consolidated and income statement.

Non-marketable debt and equity securities are stated at amortized cost and cost, respectively, less impairment losses, if any, unless fair value can be reliably measured.

When there is objective evidence that such securities have been impaired, the cumulative loss previously recognized in equity is removed from equity and recognized in the income statement for the period. Reversals of such impairment losses on debt instruments, which are objectively related to events occurring after the impairment, are recognized in the income statement for the period. Reversals of such impairment losses on equity instruments are not recognized in the income statement.

Property, equipment and intangible assets

Property, equipment and intangible assets, except buildings, are carried at historical cost less accumulated depreciation and any recognized impairment loss, if any. Depreciation on assets under construction and those not placed in service commences from the date the assets are ready for their intended use.

Depreciation of property, equipment and intangible assets is charged on the carrying value of property and equipment and is designed to write off assets over their useful economic lives. It is calculated on a straight line basis at the following annual prescribed rates:

Buildings	2%
Furniture and fixtures	10%-33%
Vehicles	12.5%-25%
Intangible assets	23.5%

Leasehold improvements are amortized over the life of the related leased asset. Expenses related to repairs and renewals are charged when incurred and included in operating expenses unless they qualify for capitalization.

The carrying amounts of property, equipment and intangible assets are reviewed at each balance sheet date to assess whether they are recorded in excess of their recoverable amounts, and where carrying values exceed this estimated recoverable amount, assets are written down to their recoverable amount.

An impairment is recognized in the respective period and is included in operating expenses. After the recognition of an impairment loss the depreciation charge for property and equipment is adjusted in future periods to allocate the assets' revised carrying value, less its residual value (if any), on a systematic basis over its remaining useful life.

Land and buildings held for use in supply of services, or for administrative purposes, are stated in the balance sheet at their revalued amounts, being the fair value at the date of revaluation, determined from market-based evidence by appraisal undertaken by professional independent appraisers, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Any revaluation increase arising on the revaluation of such land and buildings is credited to the property and equipment revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognized as an expense, in which case the increase is credited to the income statement to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation of such land and buildings is charged as an expense to the extent that it exceeds the balance, if any, held in the properties revaluation reserve relating to a previous revaluation of that asset.

Depreciation on revalued buildings is charged to income. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the properties revaluation reserve is transferred directly to retained earnings.

Taxation

Income tax expense represents the sum of the current and deferred tax expense.

The current tax expense is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's current tax expense is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realized. Deferred tax is charged or credited in the consolidated income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

In Kazakhstan where the Group operates also have various other taxes, which are assessed on the Group's activities. These taxes are included as a component of operating expenses in the consolidated income statement.

Due to banks and customer accounts

Due to banks and customer accounts are initially recognized at fair value. Subsequently amounts due are stated at amortized cost and any difference between carrying and redemption value is recognized in the consolidated income statement over the period of the borrowings using the effective interest method.

Debt securities issued

Debt securities issued represent bonds issued by the Group. They are accounted for according to the same principles used for due to banks and customer accounts.

Subordinated debt

Subordinated debt is initially recognized at fair value. Subsequently, subordinated debt is stated at amortized cost using the effective interest method. Subsequently amounts due are stated at amortized cost and any difference between carrying and redemption value is recognized in the consolidated income statement over the period of the borrowings using the effective interest method.

Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the obligation can be made.

Financial guarantee contracts issued and letters of credit

Financial guarantee contracts and letters of credit issued by the Group are credit insurance that provides for specified payments to be made to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due under the original or modified terms of a debt instrument. Such financial guarantee contracts and letters of credit issued are initially recognized at fair value. Subsequently they are measured at the higher of (a) the amount recognized as a provision and (b) the amount initially recognized less, where appropriate, cumulative amortization of initial premium revenue received over the financial guarantee contracts or letter of credit issued.

Share capital and share premium

Contributions to share capital, made before 1 January 2003 are recognized at their cost restated for inflation. Contributions to share capital, made after 1 January 2003 are recognized at cost. Non-cash contributions are not included into the share capital until realized in cash. Share premium represents the excess of contributions over the nominal value of the shares issued. Gains and losses on sales of treasury stock are charged or credited to share premium.

External costs directly attributable to the issue of new shares, other than on a business combination, are deducted from equity net of any related income taxes.

Dividends on ordinary shares are recognized in equity as a reduction in the period in which they are declared. Dividends that are declared after the balance sheet date are treated as a subsequent event under International Accounting Standard 10 "Events after the Balance Sheet Date" ("IAS 10") and disclosed accordingly.

Retirement and other benefit obligations

The Group does not have any pension arrangements separate from the State pension system of the Republic of Kazakhstan, which requires current contributions by the employer calculated as a percentage of current gross salary payments; such expense is charged in the period the related salaries are earned. In addition, the Group has no post-retirement benefits or significant other compensated benefits requiring accrual.

Recognition of income and expense

Interest income and expense are recognized on an accrual basis using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

Once a financial asset or a group of similar financial assets has been written down (partly written down) as a result of an impairment loss, interest income is thereafter recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Interest income also includes income earned on investments in securities. Other income is credited to consolidated income statement when the related transactions are completed.

Loan origination fees are deferred, together with the related direct costs, and recognized as an adjustment to the effective interest rate of the loan. Where it is probable that a loan commitment will lead to a specific lending arrangement, the loan commitment fees are deferred, together with the related direct costs, and recognized as an adjustment to the effective interest rate of the resulting loan. Where it is unlikely that a loan commitment will lead to a specific lending arrangement, the loan commitment fees are recognized in the consolidated profit and loss over the remaining period of the loan commitment. Where a loan commitment expires without resulting in a loan, the loan commitment fee is recognized in the consolidated profit and loss on expiry. Loan servicing fees are recognized as revenue as the services are provided. Loan syndication fees are recognized in the consolidated profit and loss when the syndication has been completed. All other commissions are recognized when services are provided.

Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into KZT at the appropriate spot rates of exchange ruling at the balance sheet date. Foreign currency transactions are accounted for at the exchange rates prevailing at the date of the transaction. Profits and losses arising from these translations are included in net gain on foreign exchange operations.

Rates of exchange

The exchange rates at the year-end used by the Group in the preparation of the consolidated financial statements are as follows:

	31 December 2006	31 December 2005
KZT/US Dollar	127.00	133.77
KZT/Euro	167.12	158.54

Offset of financial assets and liabilities

Financial assets and liabilities are offset and reported net on the balance sheet when the Group has a legally enforceable right to set off the recognized amounts and the Group intends either to settle on a net basis or to realize the asset and settle the liability simultaneously. In accounting for a transfer of a financial asset that does not qualify for derecognition, the Group does not offset the transferred asset and the associated liability.

Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment) or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. Segments with a majority of revenue earned from sales to external customers and whose revenue, result or assets are ten per cent or more of all the segments are reported separately. Geographical segments of the Group have been reported separately within these consolidated financial statements based on the ultimate domicile of the counterparty, e.g. based on economic risk rather than legal risk of the counterparty.

4. PRIOR PERIOD ADJUSTMENTS AND RECLASSIFICATIONS

Prior period adjustment

Subsequent to the issuance of the Group's consolidated financial statements for the year ended 31 December 2005 issued on 17 February 2006, the Bank's management determined that according to the International Accounting Standard (IAS) 32, "Financial Instruments: Presentation" (revised), preferred shares are considered a compound instrument, having a contractual obligation to pay dividends (liability part) and a right to participate in final distributions to shareholders (equity part). Therefore, subordinated debt and interest expense were understated and share capital was overstated. To comply with the changes in IAS 32, the Bank has restated its consolidated balance sheet as at 31 December 2005, consolidated income statement and statement of changes in equity for the year then ended. Due to the insignificance of the restated amounts the Bank has not reissued its consolidated financial statements for 2005. The table below presents changes made to the previously issued financial statements to comply with the requirements of IAS 32.

	Amount per these financial statements 2005	**Amount per previous financial statements 2005**
Subordinated debt	10,529,591	10,505,665
Share capital	7,609,803	7,631,314
Interest expense	6,114,081	6,111,666

Reclassifications

Certain reclassifications have been made to the financial statements as at 31 December 2005 and for the year then ended to conform to the presentation as at 31 December 2006 and for the year then ended as current year presentation provides better view of the financial position of the Group.

Nature of reclassification	Amount	Balance sheet/Income statement line as per current report	Balance sheet/Income statement line as per the previous report
Reclassification of penalties on loans to customers from fines and penalties to interest income	658,297	Interest income	Fines and penalties
Reclassification of commission income on loans to customers from fee and commission income to interest income	262,185	Interest income	Fee and commission income
Reclassification of interest income on express loans to customers from insurance premium to interest income	728,270	Interest income	Insurance premium, net of claims paid
Reclassification of provision for impairment losses on express loans to customers from insurance premium to provision for impairment losses on interest bearing assets	(958,080)	Provision for impairment losses on interest bearing assets	Insurance premium, net of claims paid
Reclassification of provision for loans to customers from provision for guarantees and other off-balance sheet contingencies to provision for impairment losses on interest bearing assets	(183,126)	Provision for impairment losses on interest bearing assets	Provision for guarantees and other off-balance sheet contingencies
Reclassification of operating expenses to other expenses	(3,447)	Other expenses	Operating expenses
Reclassification of losses on currency swaps from net gain on foreign exchange operations to net (loss)/gain on financial assets at fair value through profit or loss	(1,895)	Net (loss)/gain on financial assets at fair value through profit or loss	Net gain on foreign exchange operations
Reclassification of obligatory reserve in NBRK to cash and balances with the National Bank of the Republic of Kazakhstan	2,118,420	Cash and balances with the National Bank of the Republic of Kazakhstan	Obligatory reserves
Reclassification of advances paid to other assets	1,311,830	Advances paid	Other assets
Reclassification of allowance for impairment losses on other assets to allowance for impairment losses on loans to customers	(183,126)	Loans to customers	Other assets
Reclassification of subordinated debt securities from debt securities issued to subordinated debt	10,505,665	Subordinated debt	Debt securities issued
Reclassification of other liabilities to customer accounts	112,904	Customer accounts	Other liabilities

Adoption of new and revised International Financial Reporting Standards

In 2006 the following interpretations and amendments applicable to the Bank became effective:

- IFRIC 4 "Determining Whether an Arrangement Contains a Lease" (effective 1 January 2006);
- IFRIC 8 "Scope of IFRS 2" (effective 1 May 2006);
- IFRIC 9 "Reassessment of Embedded Derivatives" (effective 1 June 2006);
- Amendment to IAS 39 regarding the financial guarantee contracts (effective 1 January 2006);
- Amendment to IAS 39 regarding the fair value option (effective 1 January 2006).

The effect of these changes on the consolidated financial statements of the Group is not significant.

At the date of authorisation of these financial statements, the following Standards and Interpretations applicable to the Bank were issued but not yet effective:

- IFRS 7 "Financial Instruments: Disclosures" (effective 1 January 2007);
- IFRIC 10 "Interim Financial Reporting and Impairment" (effective 1 November 2006);
- Amendments to IAS 1 regarding disclosure on the Bank's objectives, policies and processes for managing capital (effective 1 January 2007).

The management is currently assessing the impact of the adoption of these new and revised Standards in future periods.

5. NET INTEREST INCOME

	Year ended 31 December 2006	Year ended 31 December 2005 (restated)
Interest income		
Interest on loans to customers	26,685,012	17,077,766
Interest on debt securities	1,691,557	777,917
Interest on due from banks	965,584	454,615
Total interest income	29,342,153	18,310,298
Interest expense		
Interest on debt securities issued	(3,406,293)	(1,512,871)
Interest on customer accounts	(3,896,487)	(2,076,879)
Interest on due to banks	(3,423,473)	(1,555,765)
Interest on subordinated debt	(963,694)	(968,566)
Total interest expense	(11,689,947)	(6,114,081)
Net interest income before provision for impairment losses on interest bearing assets	17,652,206	12,196,217

6. ALLOWANCE FOR IMPAIRMENT LOSSES, OTHER PROVISIONS

The movements in allowance for impairment losses on interest earning assets were as follows:

	Due from banks	Loans to customers	Investments available for sale	Total
31 December 2004	-	2,513,764	-	2,513,764
Provision	3,500	4,067,448	-	4,067,448
Allowances offset to assets	-	(958,080)	-	(958,080)
Write-off of assets	(3,500)	(469,356)	-	(469,356)
Recoveries of assets previously written off	-	107,538	-	107,538
31 December 2005	-	5,261,314	-	5,261,314
Provision	610,104	5,158,636	158,611	5,927,351
Allowances offset to assets	-	(1,578,682)	-	(1,578,682)
Write-off of assets	-	(3,436,575)	-	(3,436,575)
Recoveries of assets previously written off	-	252,330	-	252,330
31 December 2006	610,104	5,657,023	158,611	6,425,738

Allowances for impairment losses offset on interest earning assets include allowances for impairment losses on unsecured loans to individuals.

The movements in allowances for impairment losses on other transactions were as follows:

	2006	2005
At the beginning of the year	7,213	100,481
Provision	11,234	(79,113)
Write-off of assets	(16,955)	(14,155)
Recoveries of assets previously written off	738	-
At the end of the year	2,230	7,213

The movements in allowances for provisions on guarantees and other commitments were as follows:

	2006	2005
At the beginning of the year	193,656	189,735
Provision	25,363	3,921
At the end of the year	219,019	193,656

7. NET (LOSS)/GAIN ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Net (loss)/gain on financial assets at fair value through profit or loss comprises:

	Year ended 31 December 2006	Year ended 31 December 2005
Trading gain on operations with financial assets at fair value through profit or loss, net		
- Bonds	(161,597)	44,509
- Derivative financial instruments on foreign currency	(401,043)	(1,895)
Fair value adjustment on financial assets at fair value through profit or loss, net		
- Bonds	(241,524)	173,670
- Derivative financial instruments on foreign currency	378,516	-
Total net (loss)/gain on financial assets at fair value through profit or loss	(425,648)	216,284

8. NET GAIN ON FOREIGN EXCHANGE OPERATIONS

Net gain on foreign exchange operations comprise:

	Year ended 31 December 2006	Year ended 31 December 2005
Dealing, net	442,751	466,523
Translation differences, net	579,757	(175,176)
Total net gain on foreign exchange operations	1,022,508	291,347

9. FEE AND COMMISSION INCOME AND EXPENSE

Fee and commission income and expense comprise:

	Year ended 31 December 2006	Year ended 31 December 2005
Fee and commission income:		
Cash operations	1,111,850	760,385
Settlements	582,044	432,439
Documentary operations	539,146	561,825
Foreign exchange and securities operations	288,134	175,588
Trust operations	253,668	133,751
Gains from opening and maintaining customer accounts	170,041	121,875
Other	126,809	76,769
Total fee and commission income	3,071,692	2,262,632
Fee and commission expense:		
Settlements	(158,465)	(106,604)
Documentary operations	(319,187)	(107,559)
Operations related to Eurobonds issue	(44,746)	(41,703)
Foreign currency and securities operations	(26,943)	(28,897)
Expenses on attracting deposits and loans	(13,993)	(19,778)
Other	(37,031)	(12,666)
Total fee and commission expense	(600,365)	(317,207)

10. OPERATING EXPENSES

Operating expenses comprise:

	Year ended 31 December 2006	Year ended 31 December 2005
Staff costs	4,384,837	2,731,070
Taxes, other than income tax	747,076	416,016
Advertising costs	738,832	481,239
Occupancy and rent	411,700	265,889
Depreciation and amortization	394,853	242,686
Administrative expenses	219,214	186,686
Professional services	187,006	56,264
Communications	182,337	163,634
Transportation	103,045	71,251
Business trip expenses	85,080	119,420
Property and equipment maintenance	82,575	73,696
Insurance expenses	80,190	68,894
Security expenses	76,053	56,825
Cash collection expenses	29,790	16,541
Stationery	28,788	32,718
Representative expenses	17,739	64,118
Charity and sponsorship expenses	15,683	134,530
Expenses on agent agreements	36,423	-
Other expenses	287,600	277,820
Total operating expenses	8,108,821	5,459,297

11. INCOME TAXES

The Group provides for taxes based on the tax accounts maintained and prepared in accordance with the tax regulations of Kazakhstan where the Group and its subsidiary operate and which may differ from International Financial Reporting Standards.

The Group is subject to certain permanent tax differences due to non-tax deductibility of certain expenses and a tax free regime for certain income.

Deferred taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. Temporary differences as at 31 December 2006 and 2005 relate mostly to different methods of income and expense recognition as well as to recorded values of certain assets.

Temporary differences as at 31 December 2006 and 2005 comprise:

	31 December 2006	31 December 2005
Deferred assets:		
Loans to customers	276,630	277,606
Penalties	61,229	-
Accounts payable on reinsurance transactions	6,677	-
Vacation reserve	15,583	-
Other assets	-	9,293
Total deferred assets	360,119	286,899
Deferred liabilities:		
Property, equipment and intangible assets	1,133,906	316,784
Unearned premium reserve, reinsure's share	82,652	-
Total deferred liabilities	(1,216,558)	(316,784)
Net deferred tax liability	(856,439)	(29,885)

Relationships between tax expenses and accounting profit for the years ended 31 December 2006 and 2005 are explained as follows:

	Year ended 31 December 2006	Year ended 31 December 2005 (restated)
Profit before income tax	6,758,932	5,178,528
Tax at the statutory tax rate (30%)	2,027,680	1,553,558
Non-taxable income from securities	(104,994)	(297,779)
Non-taxable income from mortgages	(295,666)	(44,374)
Tax effect on income of subsidiary taxed at different tax rate	(1,789,768)	(697,001)
Change in valuation allowance	-	21,687
Non-deductible expense	1,135,182	148,586
Income tax expense	972,434	684,677
Current income tax expense	827,851	654,792
Provision for deferred tax liabilities	144,583	29,885
Income tax expense	972,434	684,677

Deferred income tax liabilities	2006	2005
At the beginning of the year	29,885	-
Tax effect of changes in property and equipment revaluation reserve	681,971	-
Increase in income tax liability for the period charged to profit	144,583	29,885
At the end of the year	856,439	29,885

12. EARNINGS PER SHARE

	Year ended 31 December 2006	Year ended 31 December 2005
Profit:		
Net profit for the year	5,786,498	4,493,851
Weighted average number of ordinary shares	16,009,719	13,198,089
Earnings per share – basic and diluted (KZT)	361	340

13. CASH AND BALANCES WITH THE NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

	31 December 2006	31 December 2005
Cash	5,813,116	2,690,748
Current accounts with other banks	3,966,013	811,672
Balances with the National Bank of the Republic of Kazakhstan	13,708,416	2,833,464
Total cash and balances with the National Bank of the Republic of Kazakhstan	23,487,545	6,335,884

The balances with National Bank of the Republic of Kazakhstan as at 31 December 2006 and 2005 include KZT 12,926,806 thousand and KZT 2,118,420 thousand, respectively, which represents the obligatory minimum reserve deposits with by the NBRK. The Bank is required to maintain the reserve balance at the NBRK at all times.

Cash and cash equivalents for the purposes of the statement of cash flows comprise the following:

	31 December 2006	31 December 2005
Cash and balances with the National Bank of the Republic of Kazakhstan	19,521,532	5,524,212
Correspondent accounts with OECD banks	3,618,892	674,541
	23,140,424	6,198,753
Less minimum reserve deposit with the NBRK	(12,926,806)	(2,118,420)
Total cash and cash equivalents	10,213,618	4,080,333

14. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Interest to nominal %	31 December 2006	Interest to nominal %	31 December 2005
Debt securities:				
Bonds of the Ministry of Finance of the Republic of Kazakhstan	3.8-6.5	4,243,389	2.6-8.3	15,162,754
Corporate bonds	9.0-12.0	1,837,178	8.0-12.0	4,121,439
Promissory notes of Kazakhstani corporations	-	-	7.0-11.0	2,081,254
Eurobonds of the Ministry of Finance of the Republic of Kazakhstan	11.1	1,824,087	11.1	2,029,146
Eurobonds of JSC Development Bank Kazakhstan	6.5	801,310	6.5	799,638
Derivative financial instruments		284,123		-
Total securities held-for-trading		8,990,087		24,194,231

	31 December 2006			31 December 2005		
	Nominal amount	Net fair value Asset	Net fair value Liability	Nominal amount	Net fair value Asset	Net fair value Liability
Foreign currency contracts						
Forwards	34,776,127	32,036	92,165	-	-	-
Swaps	8,468,460	247,303	4,180			
Options	1,950,042	4,784	70,072	-	-	-
Interest rate contracts						
Swaps	6,350,000	-	42,481		-	-
		284,123	208,898		-	-

As at 31 December 2006 and 2005 included in assets held-for-trading is accrued interest income on debt securities amounting to KZT 147,236 thousand and KZT 234,031 thousand, respectively.

As at 31 December 2006 and 2005 assets held-for-trading included Bonds of the Ministry of Finance of the Republic of Kazakhstan and corporate bonds pledged under repurchase agreements with other banks amounting to KZT Nil and KZT 12,107,964 thousand, respectively. All the agreements as of 31 December 2005 have maturity in January 2006.

15. DUE FROM BANKS

	31 December 2006	31 December 2005
Loans and advances to financial organizations	164,724	96,432
Deposits and overnight placements with other banks	8,056,769	2,064,006
Loans under reverse repurchase agreements	5,955,636	5,243,641
Less allowance for impairment losses	(610,104)	-
Total due from banks	13,567,025	7,404,079

Movements in allowances for impairment losses and advances to banks for the years ended 31 December 2006 and 2005 are disclosed in Note 6.

Included in loans and advances to banks are accrued interest in the amount of KZT 23,553 thousand and KZT 16,513 thousand as at 31 December 2006 and 2005, respectively.

As at 31 December 2006 and 2005 the Group had loans and advances to five banks, which represented 28% and 14% of the Group's equity.

As at 31 December 2006 and 2005 the maximum credit risk exposure on loans and advances to banks amounted to KZT 3,175,926 thousand and KZT 1,058,000 thousand, respectively.

Fair value of assets pledged and carrying value of loans under reverse repurchase agreements as of 31 December 2006 and 2005 are presented as follows:

	31 December 2006		31 December 2005	
	Fair value of collateral	Carrying amount of loans	Fair value of collateral	Carrying amount of loans
Bonds of Kazakhstan companies	500,000	514,572	-	-
Shares of Kazakhstan companies	4,776,798	3,456,796	7,735,439	4,558,349
State short-term obligations of the Ministry of Finance of the Republic of Kazakhstan	199,820	184,025	477,788	685,292
Notes of the National Bank of the Republic of Kazakhstan	1,895,659	1,800,243	-	-
Total	7,372,277	5,955,636	8,213,227	5,243,641

As of 31 December 2006 and 2005 included in loans and advances to banks are guarantee deposits placed by the Bank for its operations with plastic cards in the amount of KZT 60,579 thousand and KZT 6,699 thousand, respectively.

16. LOANS TO CUSTOMERS

	31 December 2006	31 December 2005
Originated loans	127,628,801	112,616,189
Investments in financial leasing	439,374	369,327
	128,068,175	112,985,516
Less allowance for impairment losses	(5,657,023)	(5,261,314)
Total loans to customers, net	122,411,152	107,724,202

As of 31 December 2006 and 2005 accrued interest income included in loans to customers amounted to KZT 2,108,179 thousand and KZT 2,185,176 thousand, respectively.

Movements in allowances for impairment losses for the years ended 31 December 2006 and 2005 are disclosed in Note 6.

	31 December 2006	31 December 2005
Loans collateralized by real estate	64,548,824	55,121,648
Loans collateralized by guarantees of enterprises	6,926,866	3,357,193
Loans collateralized by cash	3,255,172	2,017,815
Loans collateralized by transportation equipment	2,459,516	877,067
Loans collateralized by inventory	2,393,411	3,259,522
Loans collateralized by shares	2,379,502	924,569
Loans collateralized by equipment	1,675,942	1,769,449
Leasing operations	433,435	347,573
Loans collateralized by grain receipt	371,490	642,624
Other collateral	20,510,510	23,933,473
Unsecured loans	23,113,507	20,734,583
	128,068,175	112,985,516
Less allowance for impairment losses	(5,657,023)	(5,261,314)
Total loans to customers	122,411,152	107,724,202

	31 December 2006	31 December 2005
Analysis by sector:		
Individuals	62,790,076	41,171,520
Trade	45,274,748	47,559,228
Services	6,706,816	4,841,127
Construction	4,937,888	7,274,154
Oil & Gas	2,244,929	2,528,111
Agriculture and food processing	2,181,697	2,943,235
Transport and communication	1,548,475	808,646
Manufacturing	1,150,181	4,220,487
Other	1,233,365	1,639,008
	128,068,175	112,985,516
Less allowance for impairment losses	(5,657,023)	(5,261,314)
Total loans to customers	122,411,152	107,724,202

Loans to individuals comprise the following products:

	31 December 2006	31 December 2005
Mortgage loans	12,728,571	4,840,624
Consumer loans	43,486,955	35,528,991
Other	11,164,748	3,198,091
	67,380,274	43,567,706
Less allowance for impairment losses	(1,996,524)	(540,156)
Total loans to individuals	65,383,750	43,027,550

As at 31 December 2006 and 2005 the Group provided loans to 11 and 10 customers, totalling KZT 36,337,509 thousand and KZT 28,162,093 thousand, respectively, which individually exceeded 10% of the Group's equity.

A significant amount of loans (90% and 84% of total portfolio) is granted to companies operating in the Republic of Kazakhstan, which represents significant geographical concentration in one region.

As at 31 December 2006 and 2005 a maximum credit risk exposure of loans to customers amounted to KZT 5,365,750 thousand and KZT 4,019,400 thousand, respectively.

The components of net investment in finance lease as of 31 December 2006 and 2005 are as follows:

	31 December 2006	31 December 2005
Minimum lease payments	587,278	414,774
Less: unearned finance income	(147,904)	(45,447)
Net investment in finance lease	439,374	369,327
Current portion	1,176	60,703
Long-term portion	438,198	308,624
Net investment in finance lease	439,374	369,327

The present value of future minimum lease payments due from customer under finance lease as of 31 December 2006 and 2005 are as follows:

	31 December 2006	31 December 2005
Not later than one year	-	-
From one year to five years	439,374	369,327
More than 5 years	-	-
Total present value of future minimum lease payments	439,374	369,327

17. INVESTMENTS AVAILABLE FOR SALE

	Interest to nominal %	31 December 2006	Interest to nominal %	31 December 2005
Debt securities				
Corporate bonds	8.0-11.3	8,099,405	-	-
Bonds of the Ministry of Finance of the Republic of Kazakhstan	3.5-9.8	4,562,653	-	-
Eurobonds of the Development Bank of Kazakhstan	6.5	2,442,565	-	-
Notes of National Bank of the Republic of Kazakhstan	-	1,993,628	-	-
		17,098,251		-

	Share %	31 December 2006	Share %	31 December 2005
Equity securities				
Shares of JSC Bank CenterCredit	0.58	788,308	0.72	183,911
Shares of ATF Bank	0.04	74,669	-	-
Shares of JSC KASE	6.99	11,001	-	-
Centras Investment share of stock	-	10,606	-	-
Shares of JSC Processing Center	1.37	10,000	-	-
Shares of JSC Central Securities Depositary	1.11	200	-	-
Shares of JSC ARS Finance	0.01	54	-	-
			-	
Less allowance for impairment losses		(158,611)		-
		736,227		183,911
Total investments available for sale		17,834,478		183,911

Movements in allowances for impairment losses for the years ended 31 December 2006 and 2005 are disclosed in Note 6.

18. INVESTMENTS HELD TO MATURITY

	Interest to nominal %	31 December 2006	Interest to nominal %	31 December 2005
Bonds of the Ministry of Finance of the Republic of Kazakhstan	3.50-4.50	4,226,227	-	-
Total investments held to maturity		4,226,227		-

As of 31 December 2006 and 2005 interest income on debt securities amounting to KZT 90,686 thousand and KZT nil thousand, respectively, was accrued and included in investments held to maturity.

19. PROPERTY, EQUIPMENT AND INTANGIBLE ASSETS

	Buildings	Furniture and equipment	Intangible assets	Construction in progress	Total
At initial/revalued cost					
31 December 2004	2,204,514	871,658	49,808	123,004	3,248,984
Additions	-	740,198	87,344	175,852	1,003,394
Transfers	173,969	-	-	(173,969)	-
Disposals	(25,817)	(36,614)	-	-	(62,431)
31 December 2005	2,352,666	1,575,242	137,152	124,887	4,189,947
Additions	412,936	1,134,533	349,549	124,880	2,021,898
Revaluation increase	2,493,476	-	-	-	2,493,476
Transfers	234,447	-	-	(234,447)	-
Disposals	(650,178)	(340,494)	(1,061)	-	(991,733)
31 December 2006	4,843,347	2,369,281	485,640	15,320	7,713,588
Accumulated depreciation					
31 December 2004	313,242	346,509	29,127	-	688,878
Charge for the year	63,197	173,704	5,785	-	242,686
Disposals	(9,354)	(13,840)	-	-	(23,194)
31 December 2005	367,085	506.373	34,912		908,370
Charge for the year	87,582	278,805	28,466	-	394,853
Acquisition of subsidiaries	-	-	-	-	-
Revaluation increase	220,238	-	-	-	220,238
Eliminated on disposals	(145,433)	(93,345)	(1,061)	-	(239,839)
31 December 2006	529,472	691,833	62,317	-	1,283,622
Net book value					
31 December 2006	4,313,875	1,677,448	423,323	15,320	6,429,966
31 December 2005	1,985,581	1,068,869	102,240	124,887	3,281,577

As at 31 December 2006 and 2005 fixed and intangible assets included fully depreciated and amortized assets in amount of KZT 186,581 thousands and KZT 160,999 thousands, respectively.

As at 31 December 2006 the buildings owned by the Group were revalued to market prices according to the opinion of the independent appraiser. As a result, revaluation surplus for these buildings amounted to KZT 2,493,476 thousand. If the buildings were accounted at historical cost less accumulated depreciation and impairment losses, its carrying value would be KZT 2,040,637 thousand as at 31 December 2006.

Buildings owned by the Group were revalued by independent appraisers as of 29 December 2006. The following methods were used for the estimation of their fair value: discounted cash flow method (income approach) and method of sales comparison (comparative approach).

20. OTHER ASSETS

Other assets comprise:

	31 December 2006	31 December 2005
Prepayments and other debtors	798,456	658,796
Advances paid	442,265	1,311,830
Other prepayments	259,554	177,211
Corporate income tax prepayment	168,082	-
Insurance debtors	69,937	92,462
Inventory	64,461	36,358
Fee income accrued	38,251	48,060
Tax settlements, other than income tax	32,123	31,755
Other	69,580	51,735
Less allowance for impairment losses on other assets	(2,230)	(7,213)
Total other assets, net	1,940,479	2,400,994

Movements in allowances for impairment losses for the years ended 31 December 2006 and 2005 are disclosed in Note 6.

21. DUE TO BANKS

Due to banks comprise:

	31 December 2006	31 December 2005
Correspondent accounts of other banks	4,763	1,589
Loans from banks and financial institutions, including:	41,216,559	29,127,199
Syndicated loan from group of banks (UniCredit Group & Citibank N.A.):		
Tranche A, interest rate 6.55%, maturity- September 2007	10,201,924	-
Tranche B, interest rate 6.9%, maturity- September 2008	7,693,626	-
Syndicated loan from a group of banks (ING Wholesale Banking и UniCredit Group), interest rate 7.11%, maturity- March 2007	16,511,543	-
Loan from Standart Bank London, interest rate 7.3%, maturity- July 2007	1,651,000	-
Loans from other banks and financial institutions	5,158,466	29,127,199
Deposits of banks	1,547,423	4,708,414
Loans from the Small Business Development Fund	13,408	42,211
Loans under repurchase agreements	-	12,107,964
Total due to banks	42,782,153	45,987,377

As of 31 December 2006 and 2005 accrued interest expenses included in loans and advances from banks amounted to KZT 374,056 thousand and KZT 396,975 thousand, respectively.

As at 31 December 2006 and 2005 included in due to banks are loans under repurchase agreements amounting to KZT nil thousand and KZT 12,107,964 thousand with maturity in January 2006.

Fair value of assets pledged and carrying value of loans under reverse repurchase agreements as of 31 December 2006 and 2005 are presented as follows:

	31 December 2006		31 December 2005	
	Carrying value of loans	Fair value of collateral	Carrying value of loans	Fair value of collateral
Bonds	-	-	2,062,788	2,212,085
Euronotes of the Ministry of Finance of the Republic of Kazakhstan	-	-	1,601,818	1,729,703
State short-term obligations of the Ministry of Finance of the Republic of Kazakhstan	-	-	8,443,358	9,050,544
Total	-	-	12,107,964	12,992,332

As of 31 December 2006 and 2005 the due to banks in the amounts of KZT 41,605,884 thousand (97%) and KZT 27,090,290 thousand (79%), respectively, were due to 10 banks, which represents significant concentration.

22. CUSTOMER ACCOUNTS

Customer accounts comprise:

	31 December 2006	31 December 2005
Time deposits	62,269,705	30,058,538
Current accounts	15,882,024	12,331,966
Total customer accounts	78,151,729	42,390,504

As of 31 December 2006 and 2005 accrued interest expenses included in customers accounts amounted to KZT 1,599,015 thousand and KZT 485,687 thousand, respectively.

As at 31 December 2006 and 2005 customer accounts amounted to KZT 18,584,667 thousand and KZT 4,552,786 thousand, respectively, were held as security against letters of credit issued and other transaction related contingent obligations.

As of 31 December 2006 and 2005 the customer accounts in the amounts of KZT 16,864,571 thousand (21.7%) and KZT 9,889,156 thousand (23.4%), respectively, were due to 10 customers, which represents significant concentration.

	31 December 2006	31 December 2005
Analysis by sector:		
Individuals	30,055,789	17,737,422
Trade	21,630,892	5,822,989
Services	19,025,332	11,236,544
Construction	2,598,653	2,105,993
Manufacturing	1,704,458	1,126,179
Transport and communication	732,927	595,864
Oil and gas sector and chemical industry	650,495	1,234,623
Agriculture	541,173	1,317,273
Other	1,212,010	1,213,617
Total customer accounts	78,151,729	42,390,504

23. DEBT SECURITIES ISSUED

	Maturity date month/year	Interest rate %	31 December 2006	31 December 2005
Fourth issue	Jun-11	8.40%	6,762,357	6,197,274
Bond program – first issue	Jan-12	8.50%	3,552,785	3,520,923
Bond program – second issue	May-15	8.50%	7,372,697	5,428,176
Eurobonds of Caspian Bank issued at price of 99.672%	Oct-08	7.875%	19,178,089	20,138,807
Total debt securities issued			36,865,928	35,285,180

As at 31 December 2006 and 2005 accrued interest expense is included in debt securities issued amounting to KZT 615,433 thousand and KZT 581,618 thousand, respectively.

24. OTHER BORROWED FUNDS

	Currency	Maturity	Interest rate %	31 December 2006	Interest rate %	31 December 2005
Funding by the government of the Republic of Kazakhstan	Tenge	2008-2009	6-7.1%	66,727	6-7.1%	94,604
Total other borrowed funds				66,727		94,604

As at 31 December 2006 and 2005 accrued interest expense is included in other borrowed funds amounting to KZT 379 thousand and KZT 142 thousand, respectively.

25. OTHER LIABILITIES

	31 December 2006	31 December 2005
Insurance reserves	810,643	382,780
Taxes payable, other than income tax	478,480	237,851
Derivative financial instruments	208,898	-
Settlements with re-insurers	166,929	-
Accrued administrative expenses	119,901	100,377
Creditors on capital investments	96,332	-
Commission prepaid	33,171	41,845
Accrued commission expenses	11,555	1,658
Due to employees	7,078	61,577
Other creditors	139,931	205,382
Total other liabilities	2,072,918	1,031,470

26. SUBORDINATED DEBT

	Currency	Maturity date month/year	Interest rate %	31 December 2006	31 December 2005 (restated)
Subordinated debt securities issued:					
Third issue	Tenge	Dec-10	8.75%	7,425,570	7,417,166
Second issue	Tenge	May-10	9.50%	3,097,458	3,088,499
Preferred shares				23,926	23,926
Total subordinated debt				10,546,954	10,529,591

As at 31 December 2006 and 2005 accrued interest expense included in subordinated debt amounted to KZT 70,258 thousand and KZT 81,261 thousand, respectively. The amount of cumulative preference dividends recognized in the financial statements as at 31 December 2006 and 2005 amounted to KZT 2,415 thousand and KZT 2,415 thousand, respectively.

In the event of bankruptcy or liquidation of the Group, repayment of this debt is subordinate to the repayments of the Group's liabilities to all other creditors.

27. SHARE CAPITAL AND SHARE PREMIUM

As at 31 December 2006 and 2005 the Group's share capital comprised the following:

	31 December 2006		31 December 2005 (restated)	
	Number of shares	Amount KZT'000	Number of shares	Amount KZT'000
Ordinary shares	17,617,006	11,480,113	15,770,317	7,180,333
Preferred shares	112,681	2,152	112,681	23,663
Inflation	-	427,318	-	427,318
Less: Preferred shares reclassified to subordinated debt	-	-	-	(21,511)
Total	17,729,687	11,909,583	15,882,998	7,609,803

In 2006 and 2005 the shareholders of the Group increased its share capital by KZT 4,461,307 thousand and KZT 3,219,000 thousand, respectively.

The amount of dividends proposed or declared subsequently to 31 December 2006 and 2005 amounted to KZT 2,415 thousand and KZT 21 per share, respectively.

In connection with the preparation of these financial statements the Group determined that the preference shares include certain provisions that require the preference shares to be reflected as a liability in accordance with IAS 32 "Financial instruments: Presentation" (IAS 32). IAS 32 requires that preference shares or their component parts to be classified as a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial liability and an equity instrument. The Group has reclassified that portion of the preference shares from equity to subordinated debt which has been calculated as the present value of future cash flows as at 31 December 2005 which resulted in an increase in subordinated debt of KZT 23,926 thousand including accrued dividends in amount KZT 2,415 thousand.

The Group's distributable among shareholders reserves are limited to the amount of its reserves as disclosed in its statutory accounts. Non-distributable reserves are represented by a reserve fund, which is created as required by the statutory regulations, in respect of general banking risks, including future losses and other unforeseen risks or contingencies. The reserve has been created in accordance with the Bank's statutes that provide for the creation of a reserve for these purposes of not less than 5% of the Bank's non-impaired assets reported in statutory books.

Share premium represents the excess of contributions received over the nominal value of shares issued and the excess of contributions received for treasury shares sold over their purchase price.

28. FINANCIAL COMMITMENTS AND CONTINGENCIES

In the normal course of business the Group is a party to financial instruments with off-balance sheet risk in order to meet the needs of its customers. These instruments, involving varying degrees of credit risk, are not reflected in the balance sheet.

The Group's maximum exposure to credit loss under contingent liabilities and commitments to extend credit, in the event of non-performance by the other party where all counterclaims, collateral or security prove valueless, is represented by the contractual amounts of those instruments.

The Group uses the same credit control and management policies in undertaking off-balance sheet commitments as it does for on-balance operations.

At 31 December 2006 and 31 December 2005, the Group's financial commitments and contingencies comprised the following:

	31 December 2006		31 December 2005	
	Nominal Amount	**Risk weighted amount**	**Nominal amount**	**Risk weighted amount**
Contingent liabilities and credit commitments				
Guarantees issued and similar commitments	6,876,716	6,699,986	4,879,401	4,681,091
Letters of credit and other transaction related contingent obligations	4,511,018	2,190,611	2,341,863	1,151,470
Commitments on loans and unused credit lines	23,566,893	483,976	13,705,395	-
Total contingent liabilities and credit commitments	34,954,627	9,374,573	20,926,659	5,832,561

Operating environment

The Group's principal business activities are within the Republic of Kazakhstan. Laws and regulations affecting business environment in the Republic of Kazakhstan are subject to rapid changes and the Group's assets and operations could be at risk due to negative changes in the political and business environment.

Legal proceedings

From time to time and in the normal course of business, claims against the Group are received from customers and counterparties. Management is of the opinion that no material unaccrued losses will be incurred and accordingly no provision has been made in these consolidated financial statements.

Taxes

Kazakhstani commercial legislation, and tax legislation in particular may give rise to varying interpretations and amendments, which may be retrospective. In addition, as Management's interpretation of tax legislation may differ from that of the tax authorities, transactions may be challenged by the tax authorities, and as a result the Group may be assessed additional taxes, penalties and interest. The Group believes that it has already made all tax payments, and therefore no allowance has been made in the consolidated financial statements. Tax years remain open to review by the tax authorities for five years.

Pensions and retirement plans

Employees receive pension benefits in accordance with the laws and regulations of the Republic of Kazakhstan. As of 31 December 2006 and 31 December 2005, the Group was not liable for any supplementary pensions, post-retirement health care, insurance benefits, or retirement indemnities to its current or former employees.

29. SUBSEQUENT EVENTS

In January 2007 the Bank issued 285 ordinary shares in the amount KZT 718 thousand. In February 2007 the Bank issued 385,000 preferred shares on amount of KZT 385,000 thousand and 1,841,640 ordinary shares in the amount of KZT 5,340,756 thousand.

30. RELATED PARTY TRANSACTION

Related parties, as defined by IAS 24 "Related Party Disclosures", are those counter parts that represent:

(a) enterprises that directly, or indirectly through one or more intermediaries, control, or are controlled by, or are under common control with, the reporting enterprise.

(b) individuals owning, directly or indirectly, an interest in the voting power of the Group that gives them significant influence over the Group, and anyone expected to influence, or be influenced by, that person in their dealings with the Group;

(c) key management personnel, that is, those persons having authority and responsibility for planning, directing and controlling the activities of the Group, including directors and officers of the Group and close members of the families of such individuals; and

(d) enterprises in which a substantial interest in the voting power is owned, directly or indirectly, by any person described in (b) or (c) or over which such a person is able to exercise significant influence. This includes enterprises owned by directors or major shareholders of the Group and enterprises that have a member of key management in common with the Group.

In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form. At 31 December, the Group had the following transactions with related parties:

	31 December 2006		31 December 2005	
	Related party transactions	Total asset or liability category	Related party transactions	Total asset or liability category
Balance sheet				
Loans to customers	528,743	128,068,175	362,399	112,985,516
- to key management personnel	397,524		249,474	
- to other related parties	131,219		112,925	
Allowance for loan impairment	(4,172)	(5,657,023)	(796)	(5,261,314)
- to key management personnel	(4,172)		(796)	
- to other related parties	-		-	
Amounts due to customers	669,204	78,151,729	444,200	42,390,504
- to key management personnel	29,976		299,162	
- to other related parties	639,228		145,038	
Off-balance sheet				
Liabilities on loans and unused credit-lines	38,505	23,566,893	12,361	13,705,395
- to key management personnel	38,505		210	
- to other related parties	-		12,151	
Guarantees issued	3,900	6,876,716	4,963	4,879,401
- to key management personnel				
- to other related parties	3,900		4,963	
Guarantees received	86,647	38,978,047	33,155	28,310,385
- to key management personnel	1,213		1,077	
- to other related parties	85,434		32,078	
	Year ended 31 December 2006		**Year ended 31 December 2005**	
Income statement				
Interest income on loans to customers	28,129	26,685,012	11,191	17,077,766
- of key management personnel	21,147		7,703	
- of other related parties	6,982		3,488	
Fee and commission income	6,483	3,071,692	5,379	2,262,632
Interest expense on amounts due to customers	(8,834)	(3,896,487)	(43,198)	(2,076,879)
- to key management personnel	(3,008)		(29,094)	
- to other related parties	(5,826)		(14,104)	
Impairment reserves	(4,172)	(5,927,351)	(796)	(4,070,948)
- to key management personnel	(4,172)		(796)	
- to other related parties	-		-	

31. SEGMENT INFORMATION

The Group's primary format for reporting segment information is business segments and the secondary format is geographical segments.

Business Segments

The Group is organized on the basis of two main business segments:

- Retail banking – representing private banking services, private customer current accounts, savings, deposits, investment savings products, custody, credit and debit cards, consumer loans and mortgages.

- Corporate banking – representing direct debit facilities, current accounts, deposits, overdrafts, loan and other credit facilities, foreign currency and derivative products.

Segment information about these businesses as of 31 December 2006 is presented below:

	Retail banking	Corporate banking	Unallocated	Total
External revenues	14,411,963	6,748,405	(5,655,653)	15,504,715
Costs and expenses	(5,947,132)	(2,798,651)	-	(8,745,783)
Profit before tax	8,464,831	3,949,754	(5,655,653)	6,758,932
Income tax expense	(776,901)	(195,533)	-	(972,434)
Net profit	7,687,930	3,754,221	(5,655,653)	5,786,498
Total assets	70,739,846	58,101,272	70,045,841	198,886,959
Total liabilities	30,609,126	47,542,603	93,410,138	171,561,867

Segment information about these businesses as of 31 December 2005 is presented below:

	Retail banking	Corporate banking	Unallocated	Total
External revenues	8,111,859	4,756,007	(2,022,547)	10,845,319
Costs and expenses	(3,626,746)	(2,040,044)	-	(5,666,790)
Profit before tax	4,485,113	2,715,963	(2,022,547)	5,178,528
Income tax expense	(516,314)	(168,363)	-	(684,677)
Net profit	3,968,799	2,547,600	(2,022,547)	4,493,851
Total assets	44,555,334	66,633,571	40,335,973	151,524,878
Total liabilities	18,168,506	24,109,094	93,264,667	135,542,267

32. FAIR VALUE OF FINANCIAL INSTRUMENTS

Estimated fair value disclosures of financial instruments are made in accordance with the requirements of IAS 32 "Financial Instruments: Presentation" and IAS 39 "Financial Instruments: Recognition and Measurement". Fair value is defined as the amount at which the instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in forced or liquidation sale. The estimates presented herein are not necessarily indicative of the amounts the Group could realize in a market exchange from the sale of its full holdings of a particular instrument.

The fair value of financial assets and liabilities compared with the corresponding carrying amount in the balance sheet of the Group is presented below:

	31 December 2006		**31 December 2005**	
	Current value	**Fair value**	**Current value**	**Fair value**
Cash and balances with the National Bank of the Republic of Kazakhstan	23,487,545	23,487,545	6,335,884	6,335,884
Financial assets at fair value through profit or loss	8,990,087	8,990,087	24,194,231	24,194,231
Due from banks	13,567,025	13,567,025	7,404,079	7,404,079
Investments available for sale	17,834,478	17,834,478	183,911	183,911
Investments held to maturity	4,226,227	4,226,227	-	-
Due to banks	42,782,153	42,782,153	45,987,377	45,987,377
Customer accounts	78,151,729	78,151,729	42,390,504	42,390,504
Debt securities issued	36,865,928	36,865,928	35,285,180	35,285,180
Other borrowed funds	66,727	66,727	94,604	94,604
Subordinated debt	10,546,594	10,546,594	10,529,591	10,529,591

The fair value of loans to customers and investments available for sale can not be measured reliably as it is not practicable to obtain market information or apply any other valuation techniques on such instruments.

33. REGULATORY MATTERS

Quantitative measures established by regulation to ensure capital adequacy require the Group to maintain minimum amounts and ratios (as set forth in the table below) of total (8%) and tier 1 capital (4%) to risk weighted assets.

The ratio was calculated according to the principles employed by the Basle Committee by applying the following risk estimates to the assets and off-balance sheet commitments net of allowances for impairment losses:

Estimate	**Description of position**
0%	Cash and balances with the National Bank of the Republic of Kazakhstan
0%	State debt securities
20%	Loans and advances to banks for up to 1 year
100%	Loans to customers
100%	Guarantees
50%	Obligations and commitments on unused loans with the initial maturity of over 1 year
100%	Other assets

As at 31 December 2006 the Group's total capital amount for Capital Adequacy purposes was KZT 35 368 794 thousand and tier 1 capital amount was KZT 25,279,674 thousand with ratios of 22.5% and 16.1%, respectively.

As at 31 December 2005 the Group's total capital amount for Capital Adequacy purposes was KZT 23,529,995 thousand and tier 1 capital amount was KZT 15,454,010 thousand with ratios of 19.6% and 12.9%, respectively.

As at 31 December 2006 the Group included in the computation of Total capital for Capital adequacy purposes the subordinated debt received, limited to 50% of Tier 1 capital. In the event of bankruptcy or liquidation of the Group, repayment of this debt is subordinate to the repayments of the Group's liabilities to all other creditors.

34. RISK MANAGEMENT POLICIES

Management of risk is fundamental to the Group's banking business and is an essential element of the Group's operations. The main risks inherent to the Group's operations are those related to credit exposures, liquidity and market movements in interest rates and foreign exchange rates. A description of the Group's risk management policies in relation to those risks follows.

The Group manages the following risks:

Liquidity risk

Liquidity risk refers to the availability of sufficient funds to meet deposit withdrawals and other financial commitments associated with financial instruments as they actually fall due.

The Assets and Liabilities Management Committee ("ALMC") controls these types of risks by means of maturity analysis, determining the Group's strategy for the next financial period. Current liquidity is managed by the Treasury Department, which deals in the money markets for current liquidity support and cash flow optimisation.

In order to manage liquidity risk, the Group performs daily monitoring of future expected cash flows on clients' and banking operations, which is a part of assets/liabilities management process. The Management Board sets limits on the minimum proportion of maturing funds available to meet deposit withdrawals and on the minimum level on interbank and other borrowing facilities that should be in place to cover withdrawals at unexpected levels of demand.

Cash flow interest rate risk

The following table presents an analysis of interest rate risk and thus the potential of the Group for gain or loss. Effective interest rates are presented by categories of financial assets and liabilities to determine interest rate exposure and effectiveness of the interest rate policy used by the Group.

	2006			2005		
	KZT	**USD**	**Other currencies**	**KZT**	**USD**	**Other currencies**
ASSETS						
Financial assets at fair value through profit or loss	6.7	9.7	-	6.2	9.7	-
Due from banks	-	5.3	3.5	8.8	-	-
Loans to customers	22.1	14.2	9.2	21.0	13.7	11.0
Investments available for sale	5.8	6.0	-	-	-	-
Investments held to maturity	4.0	-	-	-	-	-
LIABILITIES						
Due to banks	8.4	6.5	6.8	8.2	5.6	5.7
Customer accounts	6.1	6.8	0.1	6.0	5.5	-
Debt securities issued	8.8	7.9	-	8.4	7.9	-
Other borrowed funds	5.9	-	-	5.6	-	-
Subordinated debt	9.0	-	-	9.0	-	-

The analysis of interest rate and liquidity risk on balance sheet transactions is presented in the following table:

	Up to 1 month	**1 month to 3 months**	**3 month to 1 year**	**1 year to 5 years**	**Over 5 years**	**Expired**	**Maturity undefined**	**31 December 2006 Total**
ASSETS								
Financial assets at fair value through profit or loss	6,067,478	41,597	16,429	2,066,988	797,595	-	-	8,990,087
Due from banks	10,355,904	1,141,262	1,893,650	105,630	60,579	10,000	-	13,567,025
Loans to customers	10,062,403	4,742,392	40,672,810	43,145,812	23,560,907	226,828	-	122,411,152
Investments available for sale	6,560,227	56,462	19,603	368,360	9,945,594	-	-	16,950,246
Investments held to maturity	4,226,227	-	-	-	-	-	-	4,226,227
Total interest bearing assets	37,272,239	5,981,713	42,602,492	45,686,790	34,364,675	236,828		166,144,737
Cash and balances with the National Bank of the Republic of Kazakhstan	23,487,545	-	-	-	-	-	-	23,487,545
Investments available for sale	-	-	-	-	884,232	-	-	884,232
Property, equipment and intangible assets	-	-	-	-	-	-	6,429,966	6,429,966
Other assets	1,063,152	493,001	320,770	335	-	312	62,909	1,940,479
TOTAL ASSETS	61,822,936	6,474,714	42,923,262	45,687,125	35,248,907	237,140	6,492,875	198,886,959
LIABILITIES								
Due to banks	90,300	19,084,208	16,019,225	7,588,250	170	-	-	42,782,153
Customer accounts	21,853,249	5,324,597	27,896,264	22,861,299	216,320		-	78,151,729
Debt securities issued	154,667	-	460,766	25,585,947	10,664,548	-	-	36,865,928
Other borrowed funds	-	-	-	66,727	-	-	-	66,727
Subordinated debt	-	-	72,673	10,452,770	-	-	21,511	10,546,954
Total interest bearing liabilities	22,098,216	24,408,805	44,448,928	66,554,993	10,881,038	-	21,511	168,413,491
Other reserves	92,630	27,826	48,064	25,099	25,400	-	-	219,019
Deferred taxes	-	-	856,439	-	-	-	-	856,439
Other liabilities	701,836	656,505	679,674	34,903	-	-	-	2,072,918
TOTAL LIABILITIES	22,892,682	25,093,136	46,033,105	66,614,995	10,906,438	-	21,511	171,561,867
Liquidity gap	38,762,172	(18,618,422)	(3,109,843)	(20,927,870)	24,342,469	237,140		
Interest sensitivity gap	15,174,023	(18,427,092)	(1,846,436)	(20,868,203)	23,483,637	236,828		
Cumulative interest sensitivity gap	15,174,023	(3,253,069)	(5,099,505)	(25,967,708)	(2,484,071)	(2,247,243)		
Cumulative interest sensitivity gap as a percentage of total assets	24.5%	(50.2%)	(11.9%)	(56.8%)	(7.0%)			

	Up to 1 month	1 month to 3 months	3 month to 1 year	1 year to 5 years	Over 5 years	Expired	Maturity undefined	31 December 2005 Total
ASSETS								
Financial assets at fair value through profit or loss	24,194,231	-	-	-	-	-	-	24,194,231
Due from banks	5,881,718	210,000	1,299,855	5,807	6,699	-	-	7,404,079
Loans to customers	8,816,352	10,654,607	48,382,454	32,785,653	6,885,423	199,713	-	107,724,202
Total interest bearing assets	38,892,301	10,864,607	49,682,309	32,791,460	6,892,122	199,713	-	139,322,512
Cash and balances with the National Bank of the Republic of Kazakhstan	6,335,884	-	-	-	-	-	-	6,335,884
Investments available for sale	-	-	-	-	183,911	-	-	183,911
Property, equipment and intangible assets	-	-	-	-	-	-	3,281,577	3,281,577
Other assets	136,288	548,694	1,311,830		366,407	1,417	36,358	2,400,994
TOTAL ASSETS	45,364,473	11,413,301	50,994,139	32,791,460	7,442,440	201,130	3,317,935	151,524,878
LIABILITIES								
Loans and advances from banks	14,076,325	11,382,727	18,148,159	2,379,996	170	-	-	45,987,377
Customer accounts	20,639,207	863,667	11,186,421	9,683,209	18,000	-	-	42,390,504
Debt securities issued	136,889	-	444,729	19,817,883	14,885,679	-	-	35,285,180
Other borrowed funds	287	-	5,500	88,817	-	-	-	94,604
Subordinated loan	-	69,928	2,415	10,435,737	-	-	21,511	10,529,591
Total interest bearing liabilities	34,852,708	12,316,322	29,787,224	42,405,642	14,903,849	-	21,511	134,287,256
Other reserves	11,866	2,367	125,329	502	53,592			193,656
Deferred taxes	-	-	-	-	29,885	-	-	29,885
Other liabilities	805,881	107,822	117,767	-	-	-	-	1,031,470
TOTAL LIABILITIES	35,670,455	12,426,511	30,030,320	42,406,144	14,987,326	-	21,511	135,542,267
Liquidity gap	9,694,018	(1,013,210)	20,963,819	(9,614,684)	(7,544,886)	201,130		
Interest sensitivity gap	4,039,593	(1,451,715)	19,895,085	(9,614,182)	(8,011,727)	199,713		
Cumulative interest sensitivity gap	4,039,593	2,587,878	22,482,963	12,868,781	4,857,054	5,056,767		
Cumulative interest sensitivity gap as a percentage of total assets	8.9%	22.7%	44.1%	39.2%	65.3%			

Currency risk

Currency risk is defined as the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group is exposed to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows.

The ALMC controls currency risk by management of the open currency position on the estimated basis of RUR devaluation and other macroeconomic indicators, which gives the Group an opportunity to minimize losses from significant currency rates fluctuations toward its national currency. The Treasury Department performs daily monitoring of the Group's open currency position with the aim to match the requirements of national (central) banks.

The Group's exposure to foreign currency exchange rate risk is presented in the table below:

	KZT	USD USD 1 = 127 KZT	EUR EUR 1 = KZT 167.12	Other currency	31 December 2006 Total
ASSETS					
Cash and balances with the National Bank of the Republic of Kazakhstan	7,879,925	3,126,128	4,073,616	8,407,876	23,487,545
Financial assets at fair value through profit or loss	4,243,390	4,746,697	-	-	8,990,087
Due from banks	7,170,296	3,555,129	2,841,600-	-	13,567,025
Loans to customers	87,443,089	34,057,303	910,760	-	122,411,152
Investments available for sale	15,391,913	2,442,565	-	-	17,834,478
Investments held to maturity	4,226,227	-	-	-	4,226,227
Property, equipment and intangible assets	6,429,966	-	-	-	6,429,966
Other assets	1,658,232	280,202	1,921	124	1,940,479
TOTAL ASSETS	134,443,038	48,208,024	7,827,897	8,408,000	198,886,959
LIABILITIES					
Loans and advances from banks	1,483,941	40,552,556	742,036	3,620	42,782,153
Customer accounts	46,057,288	20,316,362	9,790,630	1,987,449	78,151,729
Debt securities issued	17,687,839	19,178,089	-	-	36,865,928
Other borrowed funds	66,727	-	-	-	66,727
Provisions	7,786	67,376	116,976	26,881	219,019
Deferred income tax liabilities	856,439	-	-	-	856,439
Other liabilities	1,888,732	165,029	11,967	7,190	2,072,918
Subordinated debt	10,546,954	-	-	-	10,546,954
TOTAL LIABILITIES	78,595,706	80,279,412	10,661,609	2,025,140	171,561,867
OPEN BALANCE SHEET POSITION	55,847,332	(32,071,388)	(2,833,712)	6,382,860	27,325,092

Derivative financial instruments and spot contracts

Fair value of derivative financial instruments and spot contracts are included in the currency analysis presented above and the following table presents further analysis of currency risk by types of derivative financial instruments and spot contracts as at 31 December 2006:

	Tenge	USD USD 1 = KZT 127.00	EUR EUR 1 = KZT 167.12_	Other currency	31 December 2006 Total
Accounts payable on spot and derivative contracts	25,104,850	969,170	835,600	8,302,443	35,212,063
Accounts receivable on spot and derivative contracts	381,390	30,346,282	2,841,040	1,826,646	35,395,358
NET SPOT AND DERIVATIVE FINANCIAL INSTRUMENTS POSITION	(24,723,460)	29,377,112	2,005,440	(6,475,797)	183,295
TOTAL OPEN POSITION	31,123,872	(2,694,276)	(828,272)	(92,937)	27,508,387

	RUR	USD USD 1 = KZT 133.77	EUR EUR 1 = KZT 158.54	Other currency	31 December 2005 Total
ASSETS					
Cash and balances with the National Bank of the Republic of Kazakhstan	4,600,308	987,301	645,606	102,669	6,335,884
Financial assets at fair value through profit or loss	17,692,049	6,502,182	-	-	24,194,231
Due from banks	7,397,380	6,699	-	-	7,404,079
Loans to customers	72,601,841	30,707,205	4,415,156		107,724,202
Investments available for sale	183,911	-	-	-	183,911
Property, equipment and intangible assets	3,281,577	-	-	-	3,281,577
Other assets	2,298,064	98,246	2,904	1,780	2,400,994
TOTAL ASSETS	108,055,130	38,301,633	5,063,666	104,449	151,524,878
LIABILITIES					
Loans and advances from banks	16,826,130	21,993,906	7,167,244	97	45,987,377
Customer accounts	32,545,137	9,215,895	629,472	-	42,390,504
Debt securities issued	15,146,373	20,138,807	-	-	35,285,180
Other borrowed funds	94,604	-	-	-	94,604
Other reserves	16,974	176,682	-	-	193,656
Deferred taxes	29,885	-	-	-	29,885
Other liabilities	986,022	41,724	936	2,788	1,031,470
Subordinated debt	10,529,591	-	-	-	10,529,591
TOTAL LIABILITIES	76,174,716	51,567,014	7,797,652	2,885	135,542,267
OPEN BALANCE SHEET POSITION	31,880,414	(13,265,381)	(2,733,986)	101,564	15,982,611

Derivative financial instruments and spot contracts

Fair value of derivative financial instruments and spot contracts are included in the currency analysis presented above and the following table presents further analysis of currency risk by types of derivative financial instruments and spot contracts as at 31 December 2005:

	Tenge	USD USD 1 =133.77 KZT	EUR EUR 1 =158.54 KZT	Other currency	31 December 2005 Total
Accounts payable on spot and derivative contracts	11,380,210	439,899	-	-	11,820,109
Accounts receivable on spot and derivative contracts	44,764	11,388,300	397,475	-	11,830,539
NET SPOT AND DERIVATIVE FINANCIAL INSTRUMENTS POSITION	(11,335,446)	10,948,401	397,475		10,430
TOTAL OPEN POSITION	20,572,324	(2,316,980)	(2,336,511)	101,564	16,020,397

Price risk

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices whether those changes are caused by factors specific to the individual security or its issuer or factors affecting all securities traded in the market. The Group is exposed to price risks of its products which are subject to general and specific market fluctuations.

The Group manages price risk through periodic estimation of potential losses that could arise from adverse changes in market conditions and establishing and maintaining appropriate stop-loss limits and margin and collateral requirements. With respect to undrawn loan commitments the Group is potentially exposed to a loss of an amount equal to the total amount of such commitments. However, the likely amount of a loss is less than that, since most commitments are contingent upon certain conditions set out in the loan agreements.

Fair value interest rate risk

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

The Group manage fair value interest rate risk through periodic estimation of potential losses that could arise from adverse changes in market conditions. The Department of Financial Control conducts monitoring of the Group's current financial performance, estimates the Group's sensitivity to changes in fair value interest rates and its influence on the Group's profitability.

Credit risk

The Group is exposed to credit risk which is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

Risk management and monitoring is performed within set limits of authority, by the Credit Committees and the Group's Management Board. Before any application is made by the Credit Committee, all recommendations on credit processes (borrower's limits approved, or amendments made to loan agreements, etc.) are reviewed and approved by the branch risk-manager or the Risk Management Department. Daily risk management is performed by the Head of Credit Departments and Branch Credit Divisions.

The Group structures the level of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to industry (and geographical) segments. Limits on the level of credit risk by a borrower and a product (by industry sector, by region) are approved monthly (quarterly) by the Management Board. The exposure to any one borrower including banks and brokers is further restricted by sub-limits covering on and off-balance sheet exposures which are set by the Credit Committee. Actual exposures against limits are monitored daily.

Where appropriate, and in the case of most loans, the Group obtains collateral and corporate and personal guarantees but a significant portion is personal lending, where no such facilities can be obtained. Such risks are monitored on a continuous basis and subject to annual or more frequent reviews.

Commitments to extend credit represent unused portions of credit in the form of loans, guarantees or letters of credit. The credit risk on off-balance sheet financial instruments is defined as a probability of losses due to the inability of a counterparty to comply with the contractual terms and conditions. With respect to credit risk on commitments to extend credit, the Group is potentially exposed to a loss in an amount equal to the total unused commitments. However, the likely amount of the loss is less than the total unused commitments since most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Group applies the same credit policy to the contingent liabilities as it does to the balance sheet financial instruments, i.e. the one based on the procedures for approving the grant of loans, using limits to mitigate the risk, and current monitoring. The Group monitors the term to maturity of off balance sheet contingencies because longer term commitments generally have a greater degree of credit risk than short-term commitments.

Geographical concentration

The ALMC exercises control over the risk in the legislation and regulatory arena and assesses its influence on the Group's activity. This approach allows the Group to minimize potential losses from the investment climate fluctuations in the Kazakhstan. The Group's Management Board sets up country limits, which mainly applies to banks of the Commonwealth of Independent States and Baltic countries.

The geographical concentration of assets and liabilities is set out below:

	Kazakhstan	OECD countries	Other non-OECD countries	31 December 2006 Total
ASSETS				
Cash and balances with the National Bank of the Republic of Kazakhstan	19,572,614	3,618,892	296,039	23,487,545
Financial assets at fair value through profit or loss	8,990,087	-	-	8,990,087
Due from banks	7,549,499	6,017,526	-	13,567,025
Loans to customers	110,209,749	6,752,496	5,448,907	122,411,152
Investments available for sale	17,834,478	-	-	17,834,478
Investments held to maturity	4,226,227	-	-	4,226,227
Property, equipment and intangible assets	6,429,966	-	-	6,429,966
Other assets	1,629,872	247,176	63,431	1,940,479
TOTAL ASSETS	176,442,492	16,636,090	5,808,377	198,886,959
LIABILITIES				
Loans and advances from banks	1,172,506	40,124,771	1,484,876	42,782,153
Customer accounts	60,445,993	5,339,015	12,366,721	78,151,729
Debt securities issued	17,687,839	19,178,089	-	36,865,928
Other borrowed funds	66,727	-	-	66,727
Other reserves	219,019	-	-	219,019
Deferred taxes	856,439	-	-	856,439
Other liabilities	1,775,563	272,964	24,391	2,072,918
Subordinated debt	10,546,954	-	-	10,546,954
TOTAL LIABILITIES	92,771,039	64,914,839	13,875,988	171,561,867
NET POSITION	83,671,453	(48,278,749)	(8,067,611)	27,325,092

	Kazakhstan	OECD countries	Other non-OECD countries	31 December 2005 Total
ASSETS				
Cash and balances with the National Bank of the Republic of Kazakhstan	4,646,161	1,545,936	143,787	6,335,884
Financial assets at fair value through profit or loss	24,194,231	-	-	24,194,231
Due from banks	7,404,079	-	-	7,404,079
Loans to customers	91,077,116	12,822,725	3,824,361	107,724,202
Investments available for sale	183,911	-	-	183,911
Property, equipment and intangible assets	3,281,577	-	-	3,281,577
Other assets	2,283,904	39,963	77,127	2,400,994
TOTAL ASSETS	133,070,979	14,408,624	4,045,275	151,524,878
LIABILITIES				
Loans and advances from banks	17,714,249	26,784,966	1,488,162	45,987,377
Customer accounts	40,193,604	855,349	1,341,551	42,390,504
Debt securities issued	15,146,373	20,138,807	-	35,285,180
Other borrowed funds	94,604	-	-	94,604
Provisions	186,001	7,655	-	193,656
Deferred taxes	29,885	-	-	29,885
Other liabilities	1,001,190	13,704	16,576	1,031,470
Subordinated debt	10,529,591	-	-	10,529,591
TOTAL LIABILITIES	84,895,497	47,800,481	2,846,289	135,542,267
NET POSITION	48,175,482	(33,391,857)	1,198,986	15,982,611