

**JOINT STOCK
COMPANY
ASTANA FINANCE**

Consolidated Financial Statements
For the Years Ended 31 December 2007 and 2006

and Independent Auditors' Report

JOINT STOCK COMPANY ASTANA FINANCE

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JOINT STOCK COMPANY ASTANA FINANCE

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2007 AND 2006

The following statement, which should be read in conjunction with the independent auditors' responsibilities stated in the independent auditors' 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 Astana Finance and its subsidiaries (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 2007 and 2006, the results of its operations, cash flows and changes in equity for the year 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 judgments 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 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, errors and other irregularities.

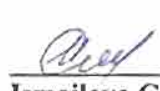
The consolidated financial statements for the years ended 31 December 2007 and 2006 were authorized for issue on 28 March 2008 by the Management Board.

On behalf of the Management Board:


Savchuk A.V.
Chairman of the Management Board

28 March 2008
Astana, Kazakhstan




Ismailova G. A.
Chief Accountant

28 March 2008
Astana, Kazakhstan

INDEPENDENT AUDITORS' REPORT

To the Shareholders and the Board of Directors of Joint Stock Company Astana Finance:

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Joint Stock Company Astana Finance and its subsidiaries, which comprise the consolidated balance sheets as at 31 December 2007 and 2006, the consolidated income statements, the consolidated 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 JSC Astana Finance and its subsidiaries as at 31 December 2007 and 2006, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

As discussed in Note 45, the consolidated financial statements for the year ended 31 December 2006 have been restated.



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

Nurlan Bekenov
Engagement Partner
Qualified auditor 0082
of the Republic of Kazakhstan
Qualification certificate №0082
General Director
Deloitte, LLP

28 March 2008
Almaty, Kazakhstan

JOINT STOCK COMPANY ASTANA FINANCE

CONSOLIDATED INCOME STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2007 AND 2006

(in Kazakhstani Tenge and in thousands, unless otherwise stated)

	Notes	Year ended 31 December 2007	Year ended 31 December 2006 (restated*)
CONTINUING OPERATIONS			
Interest income	5,40	25,886,385	8,456,900
Interest expense	5	(13,803,946)	(6,043,636)
NET INTEREST INCOME BEFORE PROVISION FOR IMPAIRMENT LOSSES ON INTEREST BEARING ASSETS		12,082,439	2,413,264
Provision for impairment losses on interest bearing assets	6	(3,875,441)	(1,057,951)
NET INTEREST INCOME		8,206,998	1,355,313
Net gain on financial assets and liabilities at fair value through profit or loss	7	1,243,581	2,557,213
Net loss on foreign exchange operations		(2,867,053)	(480,677)
Fee and commission income	8	182,040	4,418
Fee and commission expense	8	(96,909)	(89,914)
Gain from sale of property and equipment		342,130	7,341
Dividends income		192,989	24,167
Other income	10	335,319	379,171
NET NON-INTEREST INCOME		(667,903)	2,401,719
OPERATING INCOME		7,539,095	3,757,032
OPERATING EXPENSES	11	(4,783,260)	(2,136,411)
PROFIT BEFORE IMPAIRMENT LOSSES ON OTHER TRANSACTIONS		2,755,835	1,620,621
Recovery of provision /(provision) for impairment losses on other transactions	6	363,567	(260,078)
OPERATING PROFIT		3,119,402	1,360,543
Income tax expense	12	(1,166,171)	(228,446)
NET PROFIT FROM CONTINUING OPERATIONS		1,953,231	1,132,097
DISCONTINUED OPERATIONS			
Profit from discontinued operations, net of tax	9	456,352	783,350
NET PROFIT		2,409,583	1,915,447
Attributable to:			
Equity holders of the parent		2,254,820	1,820,039
Minority interest	13	154,763	95,408
		2,409,583	1,915,447
BASIC AND DILUTED EARNINGS PER SHARE (tenge)			
From continuing and discontinued operations	14	531	547
From continuing operations	14	475	340

*See Note 45 to the consolidated financial statements

On behalf of the Management Board:

Saychub A.V.
Chairman of the Management Board

28 March 2008
Astana, Kazakhstan

Ismailova G.A.
Chief Accountant

28 March 2008
Astana, Kazakhstan

The notes on pages 9-70 form an integral part of these consolidated financial statements. The Independent Auditor's Report is on pages 2-3.

JOINT STOCK COMPANY ASTANA FINANCE

CONSOLIDATED BALANCE SHEETS AS AT 31 DECEMBER 2007 AND 2006 (in Kazakhstani Tenge and in thousands)

	Notes	31 December 2007	31 December 2006 (restated*)
ASSETS:			
Cash and cash equivalents	15	2,661,918	5,182,150
Financial assets at fair value through profit or loss	16	26,280,002	14,017,330
Due from banks	17	10,158,230	2,057,803
Loans to customers	18,40	170,256,836	92,170,490
Investments available-for-sale	19	767,964	171,512
Investments held to maturity	20	206,907	185,547
Trade debtors	21	1,449,293	249,068
Advances paid	22	6,396,728	6,001,795
Goodwill		124,376	-
Investment in property and equipment to be leased under finance lease		1,825,729	2,392,445
Property, equipment and intangible assets	23	2,892,905	2,126,911
Investment property	24	1,075,084	1,099,667
Other assets	25,40	1,844,775	1,490,221
Total assets before non-current assets held for sale		225,940,747	127,144,939
Non-current assets held for sale	4,26	749,123	4,220,544
TOTAL ASSETS		226,689,870	131,365,483
LIABILITIES AND EQUITY			
LIABILITIES:			
Financial liabilities at fair value through profit or loss	16	440,530	164,302
Due to banks	27	53,643,744	39,113,811
Customer accounts	28	2,549,394	-
Debt securities issued	29	137,934,291	57,028,905
Payable to state organizations	30	1,623,111	1,526,574
Trade creditors	31	308,703	158,652
Taxes payable	33	97,220	137,405
Advances received	34	1,375,537	3,909,953
Deferred income tax liabilities	12	140,534	77,630
Other liabilities	32	65,761	147,099
Subordinated debt	35,40	10,229,255	15,992,392
Debt component of preferred shares	36	5,775,000	-
Total liabilities before liabilities directly associated with non-current assets held for sale		214,183,080	118,256,723
Liability directly associated with non-current assets held for sale	4	-	2,215,282
Total liabilities		214,183,080	120,472,005
EQUITY:			
Equity attributable to equity holders of the parent:			
Share capital	37	4,450,000	4,450,000
Share premium		231,370	231,370
Investments available-for-sale fair value reserve		95,701	68,745
Cumulative translation reserve		45,449	-
Retained earnings		7,680,980	5,691,524
Total equity attributable to equity holders of the parent		12,503,500	10,441,639
Minority interest	13	3,290	451,839
Total equity		12,506,790	10,893,478
TOTAL LIABILITIES AND EQUITY		226,689,870	131,365,483

*See Note 45 to the consolidated financial statements
On behalf of the Management Board:

Savchuk A.
Chairman of the Management Board

28 March 2008
Astana, Kazakhstan



Ismailova G.A.
Chief Accountant

28 March 2008
Astana, Kazakhstan

The notes on pages 9-70 form an integral part of these consolidated financial statements. The Independent Auditor's Report is on pages 2-3.

JOINT STOCK COMPANY ASTANA FINANCE

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER 2007 AND 2006 (in Kazakhstani Tenge and in thousands)

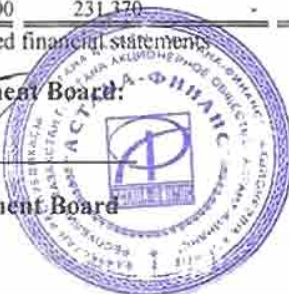
	Notes	Share capital	Share premium	Treasury shares	Investments available-for-sale fair value reserve	Cumulative translation reserve	Retained earnings	Total equity attributable to equity holders of the parent	Minority interest	Total Equity
31 December 2005 (restated*)		3,598,267	231,228	(20)	-	-	4,088,890	7,918,365	260,919	8,179,284
Gains on revaluation of investments available-for-sale, net of income tax effect of nil tenge		-	-	-	68,745	-	-	68,745	-	68,745
Net income recognized directly in equity		-	-	-	68,745	-	-	68,745	-	68,745
Net profit		-	-	-	-	-	1,820,039	1,820,039	95,408	1,915,447
Total recognized income and expense		-	-	-	68,745	-	1,820,039	1,888,784	95,408	1,984,192
Common shares issued	37	851,733	-	-	-	-	-	851,733	130,000	981,733
Disposal of subsidiary		-	142	20	-	-	-	162	(34,488)	(34,326)
Dividends declared on common shares	37	-	-	-	-	-	(217,405)	(217,405)	-	(217,405)
31 December 2006 (restated*)		4,450,000	231,370	-	68,745	-	5,691,524	10,441,639	451,839	10,893,478
Exchange rate differences on translation of foreign operations, net of income tax effect of nil tenge		-	-	-	-	45,449	-	45,449	-	45,449
Gains on revaluation of investments available-for-sale, net of income tax effect of nil tenge		-	-	-	26,956	-	-	26,956	-	26,956
Net income recognized directly in equity		-	-	-	26,956	45,449	-	72,405	-	72,405
Net profit		-	-	-	-	-	2,254,820	2,254,820	154,763	2,409,583
Total recognized income and expense		-	-	-	26,956	45,449	2,254,820	2,327,225	154,763	2,481,988
Preferred shares issued	37	577,500	-	-	-	-	-	577,500	-	577,500
Return of capital to holders of preferred shares	37	(577,500)	-	-	-	-	-	(577,500)	-	(577,500)
Common shares issued by OJSC AF Bank		-	-	-	-	-	-	-	3,176	3,176
Dividends declared on common shares	37	-	-	-	-	-	(265,364)	(265,364)	-	(265,364)
Disposal of subsidiary		-	-	-	-	-	-	-	(606,488)	(606,488)
31 December 2007		4,450,000	231,370	-	95,701	45,449	7,680,980	12,503,500	3,290	12,506,790

*See Note 45 to the consolidated financial statements

On behalf of the Management Board:

Savchuk A.V.
Chairman of the Management Board

28 March 2008
Astana, Kazakhstan



Ismailova G.A.
Chief Accountant

28 March 2008
Astana, Kazakhstan

The notes on pages 9-70 form an integral part of these consolidated financial statements. The Independent Auditor's Report is on pages 2-3.

JOINT STOCK COMPANY ASTANA FINANCE

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED 31 DECEMBER 2007 AND 2006 (in Kazakhstani Tenge and in thousands)

	Notes	Year ended 31 December 2007	Year ended 31 December 2006 (restated*)
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net profit		2,409,583	1,915,447
Adjustments for:			
Income tax expense recognized in profit or loss	12	1,166,171	228,446
Gain from sale of subsidiary	9	(84,423)	(281,942)
Provision for impairment losses on interest bearing assets	6	3,875,441	1,057,951
(Recovery of provision)/provision for impairment losses on other transactions	6	(363,567)	260,078
Net change in fair value of financial assets and liabilities through profit or loss		(408,603)	(1,424,473)
Gain from sale of property and equipment		(342,130)	(7,341)
Loss on foreign exchange operations		2,867,053	480,677
Depreciation and amortization expense of property, equipment, intangible assets and investment property	11	246,318	163,795
Amortization of discount on debt securities issued		260,834	65,986
Amortization of discount on investments held to maturity		(21,360)	(7,429)
Change in interest accruals, net		(499,746)	477,797
Cash flows from operating activities before changes in operating assets and liabilities		9,105,571	2,928,992
Changes in operating assets and liabilities			
(Increase)/decrease in operating assets:			
Financial assets at fair value through profit or loss		(11,271,101)	(5,779,511)
Due from banks		(8,111,741)	(2,015,664)
Loans to customers		(77,277,947)	(65,389,053)
Trade debtors		(1,199,656)	37,549
Advances paid		(566,177)	(4,121,623)
Property and equipment purchased to be leased under finance lease		566,716	(2,116,453)
Other assets		62,285	(1,168,165)
Increase/(decrease) in operating liabilities			
Due to banks		13,924,087	27,141,929
Taxes payable		(40,185)	41,917
Trade creditors		76,587	(68,546)
Advances received		(2,457,949)	3,627,064
Customer accounts		2,361,370	-
Other liabilities		(155,684)	(331,574)
Cash outflow from operating activities before taxation		(74,983,824)	(47,213,138)
Income tax paid		(1,186,730)	(121,743)
Net cash outflow from operating activities		(76,170,554)	(47,334,881)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Proceeds from sale of construction in progress		-	315,172
Proceeds from sale of subsidiaries, net of cash disposed	4	499,772	371,179
Acquisition of subsidiaries, net of cash of acquired entities	4	(1,390,722)	(129,097)
Purchase of property, equipment and intangible assets	23	(1,510,591)	(1,659,954)
Proceeds on sale of property, equipment and intangible assets		879,861	588,869

JOINT STOCK COMPANY ASTANA FINANCE

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED) FOR THE YEARS ENDED 31 DECEMBER 2007 AND 2006 (in Kazakhstani Tenge and in thousands)

	Notes	Year ended 31 December 2007	Year ended 31 December 2006 (restated*)
Purchase of investments available-for-sale		(551,239)	(23,995)
Purchase of assets held for sale		(749,123)	-
Purchase of investment property		-	(35,408)
Purchase of investments held to maturity		-	(178,118)
Net cash outflow from investing activities		<u>(2,822,042)</u>	<u>(751,352)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:			
Issue of ordinary shares	37	-	851,733
Issue of preferred shares	36	5,775,000	-
Return of capital to holders of preferred shares		(577,500)	-
Payable to state organizations		96,537	117,987
Debt securities issued		76,938,345	44,220,756
Repayment of debt securities issued		(11,574)	-
Share capital issued by subsidiaries to minority interest holders		3,176	130,000
Other		-	162
Dividends paid		(265,180)	(212,890)
Repayment of subordinated debt		(5,465,952)	7,366,948
Net cash inflow from financing activities		<u>76,492,852</u>	<u>52,474,696</u>
<i>Effect of changes in foreign exchange rate fluctuations on cash and cash equivalents</i>		<u>(155,446)</u>	<u>(110,146)</u>
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(2,655,190)	4,278,317
CASH AND CASH EQUIVALENTS, beginning of year	15	<u>5,317,108</u>	<u>1,038,791</u>
CASH AND CASH EQUIVALENTS, end of year	15	<u><u>2,661,918</u></u>	<u><u>5,317,108</u></u>

*See Note 45 to the consolidated financial statements

Interest paid and received by the Group during the year ended 31 December 2007 amounted to KZT 10,834,249 thousand and KZT 22,416,942 thousand, respectively.

Interest paid and received by the Group during the year ended 31 December 2006 amounted to KZT 3,847,952 thousand and KZT 6,558,513 thousand, respectively.

On behalf of the Management Board:

Savchuk A.Y.
Chairman of the Management Board

28 March 2008
Astana, Kazakhstan



Ismalova G.A.
Ismalova G.A.
Chief Accountant

28 March 2008
Astana, Kazakhstan

The notes on pages 9-70 form an integral part of these consolidated financial statements. The Independent Auditor's Report is on pages 2-3.

JOINT STOCK COMPANY ASTANA FINANCE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2007 AND 2006

(in Kazakhstani tenge and in thousands, unless otherwise stated)

1. ORGANIZATION

JSC Astana Finance (the “Company”) is a joint-stock company, which was incorporated in the Republic of Kazakhstan on 27 December 1997 as the State Enterprise Fund of Economic and Social Development of Akmola Special Economic Zone and was re-registered as the JSC Astana Finance on 30 March 2004.

The Company operates under the state license of the Agency of the Republic of Kazakhstan for regulation and supervision of the financial markets and financial organizations (“Agency”). The Company is entitled to perform the following operations: loan operations, trust operations, cash and securities management, leasing, the issuance of securities, factoring and other operations in compliance with the bank legislation.

The registered office of the Company is located at: 12, Bigeldinova St., Astana, 010000, Republic of Kazakhstan. As at 31 December 2007 the Company has 3 branches operating in the Republic of Kazakhstan.

The consolidated financial statements include the financial position and results of operations of the Company and its subsidiaries (together, “the Group”). The Company’s subsidiaries as at 31 December 2007 and 2006 include the following:

Name	Country of operation	Proportion or ownership interest/voting rights (%)		Type of operation
		2007	2006	
JSC Astana Finance Mortgage Company	Kazakhstan	100.00%	100.00%	Mortgage operations
JSC Astana Finance Leasing Company	Kazakhstan	100.00%	100.00%	Leasing operations
Standard Leasing Corporation	Republic of Seychelles	100.00%	100.00%	Leasing operations
JSC Ecoton Plus	Kazakhstan	-	50.00%	Production of construction materials
JSC Astana Finance Micro Loan Company	Kazakhstan	100.00%	100.00%	Loan operations
JSC Astana Finance Brokerage Company	Kazakhstan	100.00%	100.00%	Brokerage operations
Astana Finance BV	The Netherlands	100.00%	100.00%	Raising funds for the Company on international capital markets
OJSC AF Bank	Russia	99.94%	-	Commercial bank

JSC Astana Finance Mortgage Company was formed as a joint stock company under the laws of the Republic of Kazakhstan on 28 September 2005. The company’s principal activity is providing mortgage loans to customers. The company possesses a license for banking operations granted by the Agency on 19 June 2006.

JSC Astana Finance Leasing Company was formed as a joint stock company under the laws of the Republic of Kazakhstan on 20 October 2005. The company’s principal activity is providing finance leases to customers.

Standard Leasing Corporation was formed as a joint stock company under the laws of the Republic of Seychelles in May 2003. The company's principal activity is providing finance leases to customers.

JSC Ecoton Plus was formed as a joint stock company under the laws of the Republic of Kazakhstan on 14 May 2002. The company's principal activity is production of construction materials. The company possesses a license on production of the construction materials granted by the Construction Committee of the Ministry of Justice and Trade of the Republic of Kazakhstan on 12 August 2003. JSC Ecoton Plus was sold on 29 June 2007, see Note 4 for additional information.

JSC Astana Finance Micro Loan Company was formed as a joint stock company under the laws of the Republic of Kazakhstan on 29 August 2005. The company's principal activity is providing micro loans operations to customers.

JSC Astana Finance Brokerage Company was formed as a joint stock company under the laws of the Republic of Kazakhstan on 1 November 2006. The company's principal activity is brokerage operations. The company possesses a license on brokerage and dealing activity granted by the Agency on 8 January 2007.

Astana Finance B.V. was formed under the laws of the Netherlands in January 2006. The company's principal activity is raising funds for the company on international capital markets.

In May 2007 JSC Astana Finance purchased 99.94% of the shares of OJSC "Alfa Bank Bashkortostan". In May 2007 OJSC "Alfa Bank Bashkortostan" was re-registered as OJSC "AF Bank". OJSC "AF Bank" operates under the laws of the Russian Federation.

As at 31 December 2007 and 2006, the following shareholders owned the issued shares of the Company.

Shareholder	31 December 2007, %	31 December 2006, %
Akimat of Astana City	25.50	25.50
LLP Astana Stroy Service	16.54	16.14
Kazakhstan Standard Invest	14.98	14.98
LLP Saya Invest	14.34	13.84
LLP Kazdon Service	6.26	6.26
Srednevolzhskaya Logistic Company "Eurasia"	6.07	6.07
JSC Astana Nedvizhimost	5.35	-
LLP SM Center	-	5.35
Other shareholders (each not exceeding 5% of the total)	10.96	11.86
Total	100.00	100.00

As of 31 December 2007 and 2006 management and directors of the Company control indirectly 28.29% of the Company through certain shareholders.

These consolidated financial statements were authorized for issue by the Management Board of the Group on 28 March 2008.

2. BASIS OF PRESENTATION

Accounting basis

The 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").

The consolidated financial statements are presented in thousands of Kazakhstani Tenge (“KZT”), unless otherwise indicated. The consolidated financial statements have been prepared under the historical cost convention, except for the measurement at fair value of certain financial instruments.

The Group maintains its accounting records in accordance with the laws of the Republic of Kazakhstan, the Netherlands, the Republic of Seychelles and the Russian Federation.

The Company and its Kazakhstan subsidiaries maintain their accounting records in accordance with IFRS, while its foreign subsidiaries maintain accounting records in accordance with the requirements of the countries where these subsidiaries operate. These consolidated financial statements have been prepared based on accounting records of the Company and its Kazakhstan subsidiaries, and financial statements of foreign subsidiaries, which have been adjusted to conform to IFRS. Adjustments include certain reclassifications to reflect the economic substance of underlying transactions including reclassifications of certain assets and liabilities, income and expenses to appropriate financial statement captions.

Functional currency

Transactions and balances included in the financial statements of each entity of the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to that entity (the “functional currency”). The functional currency of the Company and the presentational currency of the Group is the Kazakhstani tenge (“KZT”).

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries 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.

The difference, if any, between the carrying amount of minority interest and the amount received on its purchase is recognized in equity attributable to the equity holders of the parent.

In translating the financial statements of a foreign subsidiary into the presentation currency for incorporation in the consolidated financial statements, the Group follows a translation policy in accordance with International Accounting Standard (“IAS”) 21 “The Effects of Changes in Foreign Exchange Rates” and performs the following procedures:

- Assets and liabilities, both monetary and non-monetary, of the foreign entity are translated at closing rate;
- Income and expense items of the foreign entity are translated at exchange rates at the dates of transactions;
- All resulting exchange differences are classified as equity until the disposal of the subsidiary.

Goodwill

Goodwill arising on the acquisition of a subsidiary represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of a subsidiary, associate or jointly controlled entity at the date of acquisition. Goodwill is initially recognized as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

The Group tests goodwill for impairment annually or more frequently when there is an indication that impairment may exist. An impairment loss recognized for goodwill is not reversed in a subsequent period.

If the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the Group:

- (a) Reassesses the identification and measurement of the Group's identifiable assets, liabilities and contingent liabilities and the measurement of the cost of the combination; and
- (b) Recognizes immediately in profit or loss any excess remaining after that reassessment.

On disposal of an investment, the amount of goodwill attributable is included in the determination of the profit or loss on disposal.

Business combinations

The assets, 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 income statement in the period of acquisition.

Minority interest is initially measured at the minority owner's proportion of the fair values of the assets, liabilities and contingent liabilities recognized. The equity not attributable to equity holders of the parent and net income attributable to minority shareholders' interests are shown separately in the consolidated balance sheet and income statement, respectively.

The Group accounts for increases in ownership of a controlled entity by revaluing all identified assets and liabilities of the subsidiary to fair value at the date of exchange in proportion to the amounts attributable to the additional interest acquired. Goodwill is recognized for any excess of the cost of the increase over the Group's interest in the net fair value of the identifiable assets and liabilities.

For a business combination involving an entity or business under common control, all assets and liabilities of the subsidiary are measured at the carrying values recorded in the stand-alone financial statements of the subsidiary. The difference between the carrying value of the acquired share in net assets of the subsidiary and the cost of acquisition are recorded directly in equity attributable to the equity holders of the parent.

Recognition and measurement of financial instruments

The Group recognizes financial assets and liabilities on its consolidated balance sheet when it becomes a party to the contractual obligations of the instrument. Regular way purchases and sales of 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.

Derecognition of financial assets and liabilities

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized where:

- the rights to receive cash flows from the asset have expired;
- the Group has transferred its rights to receive cash flows from the asset, or retained the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; and
- the Group either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

A financial asset is derecognized when it has been transferred and the transfer qualifies for derecognition. A transfer requires that the Group either: (a) transfers the contractual rights to receive the asset's cash flows; or (b) retains the right to the asset's cash flows but assumes a contractual obligation to pay those cash flows to a third party. After a transfer, the Group reassesses the extent to which it has retained the risks and rewards of ownership of the transferred asset. If substantially all the risks and rewards have been retained, the asset remains on the balance sheet. If substantially all of the risks and rewards have been transferred, the asset is derecognized. If substantially all the risks and rewards have been neither retained nor transferred, the Group assesses whether or not it has retained control of the asset. If it has not retained control, the asset is derecognized. Where the Group has retained control of the asset, it continues to recognize the asset to the extent of its continuing involvement.

Financial liabilities

A financial liability is derecognized when the obligation is discharged, cancelled, or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the consolidated income statement.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, unrestricted balances on current accounts and deposits with banks with original maturities within 90 days.

Due from banks

In the normal course of business, the Group 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, and are carried net of any allowance for impairment losses. Those that do not have fixed maturities are carried at amortized cost based on expected maturities.

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 (1) acquired principally for the purpose of selling them in the near future, (2) which are a part of a 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 (3) which are designated by the Group at fair value through profit or loss upon initial recognition. 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, except for certain derivative instruments, as discussed below. Changes in the fair value of financial assets and liabilities at fair value through profit or loss are recognized in the consolidated income statement. 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 and also for trading purposes. These instruments include forward contracts on foreign currencies, precious metals and securities. Derivative financial instruments entered into by the Group are not designated as hedges and do not qualify for hedge accounting. When there are no quoted market prices available, fair values of derivative financial instruments are determined with the use of appropriate valuation techniques.

Embedded derivatives

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value with changes in fair value recognized in profit or loss.

Repurchase and reverse repurchase agreements

The Group enters into sale and repurchase agreements (“repos”) and purchases securities under agreements to resell (“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.

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 asset 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 repos are retained in the consolidated balance sheet and consideration received under these agreements is recorded as collateralized deposit received within balances due to banks in the consolidated balance sheet. The difference between the sale and repurchase prices is treated as interest expense in the consolidated income statement and accrued over the life of the repo agreement using the effective interest rate method.

The Group enters into repos and reverse repo agreements using the automated system of the Kazakhstan Stock Exchange (KASE) in accordance with the trading rules established by the KASE (the “Rules”). According to the Rules the automated repos and reverse repos are concluded using open sale methods. For open sale methods the counterparty remains undefined and all risks the Group undertakes, including credit and settlement risks, are with the KASE.

Loans to customers

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

Loans to customers granted by the Group 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 consolidated income statement according to the nature of the loss. Subsequently, loans are carried at amortized cost using the effective interest method. Loans to customers are carried net of any allowance for impairment losses.

Allowance for impairment losses

Investments held to maturity and loans and receivables

The Group accounts for impairment losses of financial assets when there is objective evidence that a financial asset or group of financial assets is impaired. Impairment losses are 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.

Such impairment losses are not reversed, unless 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, such as recoveries, in which case the previously recognized impairment loss is reversed.

For financial assets carried at amortized cost, impairment losses are 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.

Financial assets are written off against the allowance for impairment losses when deemed uncollectible. Financial assets 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. Subsequent recoveries of amounts previously written off are reflected as an offset to the provision for impairment losses on interest bearing assets in the consolidated income statement in the period of recovery.

Investments available-for-sale

If an available-for-sale asset is deemed impaired, the difference between its amortized cost and its current fair value, less any impairment loss previously recognized in the consolidated income statement, is transferred from equity to income. Reversals of impairment losses in respect of equity instruments classified as available-for-sale are not recognized in the consolidated income statement only. Reversals of impairment losses on debt instruments are reversed through the consolidated income statement only if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognized in the consolidated income statement.

Finance leases

Finance leases are leases that transfer substantially all the risks and rewards incident to ownership of an asset. Title may or may not eventually be transferred. Whether a lease is a finance lease or an operating lease depends on the substance of the transaction rather than the form of the contract. A lease is classified as a finance lease if:

- The lease transfers ownership of the asset to the lessee by the end of the lease term;
- The lessee has the option to purchase the asset at a price which is expected to be sufficiently lower than the fair value at the date the option becomes exercisable such that, at the inception of the lease, it is reasonably certain that the option will be exercised;
- The lease term is for the major part of the economic life of the asset even if title is not transferred;
- At the inception of the lease the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset; and
- The leased assets are of a specialized nature such that only the lessee can use them without major modifications being made.

The Group as lessor

The Group as a lessor presents finance leases as loans and initially measures them in the amount equal to the net investment in the lease. Subsequently, the recognition of finance income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment in the finance lease.

Before the commencement date of the lease, property and equipment purchased for purposes of leasing under a finance lease are recognized at cost in the consolidated financial statements within investment in property and equipment to be leased under finance leases.

Investments held to maturity

Investments held to maturity are debt securities with determinable or fixed payments for which 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. 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. Investments available-for-sale are initially recorded at fair value and subsequently measured at fair value, with gains and losses on re-measurement recognized directly in equity, except for impairment losses, foreign exchange gains or losses and interest income accrued using the effective interest method, which are recognized directly in the consolidated income statement. Upon sale of an available-for-sale investment, any gains or losses previously recorded in equity are reclassified to income. The Group uses quoted market prices to determine the fair value for the Group's investments available-for-sale, where available. If the market for investments is not active, the Group establishes fair value by using valuation techniques. Valuation techniques include the use of recent arm's length market transactions between knowledgeable, willing parties; reference to the current fair value of other instruments that are substantially similar; discounted cash flow analyses; and option pricing models. If there is one 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 on investments available-for-sale are included in dividend income in the consolidated income statement.

Trade debtors and advances paid

Trade debtors and advances paid are stated initially at fair value, which approximates cost due to the short-term nature of these assets, with the carrying value subsequently reduced for any allowance for impairment losses.

Trade creditors and advances received

Trade creditors and advances received are stated initially at fair value, which approximates cost due to the short-term nature of these liabilities.

Non-current assets and liabilities directly associated with non-current assets held for sale

A non-current asset and the liability directly associated with non-current assets are classified as held for sale ("disposal group") if it is highly probable that the net asset's carrying amount will be recovered through a sale transaction rather than through continuing use and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification of an asset as held for sale.

Non-current assets and the liabilities directly associated with non-current assets held for sale are measured at the lower of their carrying amount and fair value less costs to sell. If the fair value less costs to sell of an asset held for sale is lower than its carrying amount, an impairment loss is recognized in the consolidated income statement as loss from non-current assets held for sale. Any subsequent increase in an asset's fair value less costs to sell is recognized to the extent of the cumulative impairment loss that was previously recognized in relation to that specific asset.

Property, equipment and intangible assets

Property, equipment and intangible assets are carried at historical cost less accumulated depreciation and any recognized impairment losses.

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

Buildings and other real estate	4%-6%
Equipment and furniture	8%-20%
Vehicles	15%
Intangible assets	15%-20%

The carrying amounts of property and equipment are reviewed at each balance sheet date to assess whether they are in excess of their recoverable amounts. The recoverable amount is the higher of fair value less costs to sell and value in use. Where carrying values exceed the estimated recoverable amount, assets are written down to their recoverable amount.

Intangible assets acquired separately are reported at cost less accumulated amortization and accumulated impairment losses. Amortization is charged on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Any impairments are recognized in the respective period and 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.

Investment property

Investment property comprises office buildings not occupied by the Group, and is held for long-term rental yields or appreciation in value. Investment property is initially measured at cost, including transaction costs. Subsequent to initial recognition, investment property is carried at historical cost net of accumulated depreciation and recognized impairment loss. Depreciation is calculated on a straight line basis at an annual rate of two percent.

Taxation

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

Current tax expense is based on taxable profit for the year. Taxable profit differs from net profit as reported in the consolidated 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 during the reporting period.

Deferred tax expense is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the assets and liability method.

Deferred tax liabilities are recognized for taxable temporary differences arising on investments in subsidiaries, 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. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only

recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to 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 expense 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 recorded within equity.

Deferred income tax assets and deferred income tax liabilities are offset and reported net on the balance sheet if:

- The Group has a legally enforceable right to set off current income tax assets against current income tax liabilities; and
- Deferred income tax assets and the deferred income tax liabilities relate to income taxes levied by the same taxation authority on the same taxable entity.

Kazakhstan and other countries 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, customer accounts, debt securities issued, payable to state organizations and subordinated debt

Due to banks, customer accounts, debt securities issued, payable to state organizations and subordinated debt are initially recognized at fair value. Subsequently, amounts due are stated at amortized cost with any difference between the net proceeds, net of transaction costs incurred, and the 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, 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.

Retirement and other benefit obligations

In accordance with the requirements of the Kazakhstani legislation, certain percentages of pension payments are withheld from total disbursements to staff to be transferred to pension funds, such that a portion of salary expense is withheld from the employee and instead paid to a pension fund on behalf of the employee. This expense is charged in the period in which the related salaries are earned. Upon retirement, all retirement benefit payments are made by the pension funds as selected by employees. The Group does not have any pension arrangements separate from the state pension system of the Republic of Kazakhstan. In addition, the Group has no post-retirement benefits or other significant compensated benefits requiring accrual.

Financial guarantee contracts issued and letters of credit

Financial guarantee contracts and letters of credit issued by the Group provide for specified payments to be made in order to reimburse the holder for a loss incurred such that payments are made when 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 in accordance with IAS 37 "Provisions, Contingent Liabilities and Contingent Assets"; 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 are recognized at cost. 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.

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 IAS 10 "Events after the Balance Sheet Date" ("IAS 10") and disclosed accordingly.

Preferred shares

Preferred shares having a prescribed dividend amount are considered to be compound financial instruments in accordance with the substance of the contractual arrangement and accordingly the liability and equity components are presented separately in the consolidated balance sheet. On initial recognition the equity component is assigned the residual amount after deducting from the initial carrying amount of the instrument as a whole the fair value determined for the liability component. The fair value of the liability component on initial recognition is estimated by discounting expected future cash flows at a market interest rate for a comparable debt instrument. Subsequently the liability component is measured according to the same principles used for subordinated debt, and the equity component is measured according to the same principles used for share capital.

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 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 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 earned on assets at fair value is classified within interest income.

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 income statement over the remaining period of the loan commitment. Loan servicing fees are recognized as revenue as the services are provided. Loan syndication fees are recognized in the consolidated income statement when the syndication has been completed. All other commissions are recognized when services are provided.

Foreign currency translation

The consolidated financial statements are presented in KZT, which is the functional currency of the Company and each of its subsidiaries, except for foreign subsidiaries. Transactions in foreign currencies are initially recorded in the functional currency, converted at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are remeasured at the currency rate of exchange prevailing as of the balance sheet date. Gains and losses resulting from the translation of foreign currency transactions are recognized in the consolidated income statement as net gain on foreign exchange operations. Non-monetary items that are measured

in terms of historical cost in a foreign currency are translated using the exchange rates as of the dates of the initial transactions.

Differences between the contractual exchange rate of a transaction in a foreign currency and the market exchange rate on the date of the transaction are included in net gain on foreign exchange operations.

Rates of exchange

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

	31 December 2007	31 December 2006
KZT/1 US Dollar	120.30	127.00
KZT/1 Euro	177.17	167.12

Offset of financial assets and liabilities

Financial assets and liabilities are offset and reported net on the consolidated 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 de-recognition, the Group does not offset the transferred asset and the associated liability.

Fiduciary activities

The Group provides trustee services to its customers. The Group also provides depository services to its customers, which include transactions with securities on their depository accounts. Assets accepted and liabilities incurred under the fiduciary activities are not included in the Group's consolidated financial statements. While the Group accepts the operational risk of these activities the customers bear the credit and market risks associated with such operations.

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.

Areas of significant management judgment and sources of estimation uncertainty

The preparation of the Group's consolidated financial statements requires management to make estimates and judgments that affect the reported amounts of assets and liabilities at the balance sheet date and the reported amount of income and expenses during the period ended. Management evaluates its estimates and judgments on an ongoing basis. Management bases its estimates and judgments on historical experience and on various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions. The following estimates and judgments are considered important to the portrayal of the Group's financial condition.

Allowance for impairment of loans and receivables

The Group regularly reviews its loans and receivables to assess for impairment. The Group's loan impairment provisions are established to recognize incurred impairment losses in its portfolio of loans and receivables. The Group considers accounting estimates related to allowance for impairment of loans and receivables a key source of estimation uncertainty because (i) they are highly susceptible to change from period to period as the assumptions about future default rates and valuation of potential losses relating to impaired loans and receivables are based on recent performance experience, and (ii) any significant difference between the Group's estimated losses and actual losses would require the

Group to record provisions which could have a material impact on its financial statements in future periods.

The Group uses management's judgment to estimate the amount of any impairment loss in cases where a borrower has financial difficulties and there are few available sources of historical data relating to similar borrowers. Similarly, the Group estimates changes in future cash flows based on past performance, past customer behaviour, observable data indicating an adverse change in the payment status of borrowers in a group, and national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the group of loans and receivables. The Group uses management's judgment to adjust observable data for a group of loans or receivables to reflect current circumstances not reflected in historical data.

The allowances for impairment of financial assets in the consolidated financial statements have been determined on the basis of existing economic and political conditions. The Group is not in a position to predict what changes in conditions will take place in Kazakhstan and what effect such changes might have on the adequacy of the allowances for impairment of financial assets in future periods.

The carrying amount of the allowance for impairment of loans and receivables is KZT 5,935,007 and KZT 2,073,382 as at 31 December 2007 and 2006, respectively.

Valuation of Financial Instruments

Financial instruments that are classified at fair value through profit or loss or available for sale, and all derivatives, are stated at fair value. The fair value of such financial instruments is the estimated amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. If a quoted market price is available for an instrument, the fair value is calculated based on the market price. When valuation parameters are not observable in the market or cannot be derived from observable market prices, the fair value is derived through analysis of other observable market data appropriate for each instrument and pricing models which use a mathematical methodology based on accepted financial theories. Pricing models take into account the contract terms of the securities as well as market-based valuation parameters, such as interest rates, volatility, exchange rates and the credit rating of the counterparty. Where market-based valuation parameters are not directly observable, management will make a judgment as to its best estimate of that parameter in order to determine a reasonable reflection of how the market would be expected to price the instrument. In exercising this judgment, a variety of tools are used including proxy observable data, historical data, and extrapolation techniques. The best evidence of fair value of a financial instrument at initial recognition is the transaction price unless the instrument is evidenced by comparison with data from observable markets. Any difference between the transaction price and the value based on a valuation technique is not recognized in the consolidated income statement on initial recognition. Subsequent gains or losses are only recognized to the extent that it arises from a change in a factor that market participants would consider in setting a price.

The Group considers that accounting estimates related to the valuation of financial instruments where quoted markets prices are not available are a key source of estimation uncertainty because: (i) these are highly susceptible to change from period to period as they require management to make assumptions about interest rates, volatility, exchange rates, the credit rating of the counterparty, valuation adjustments and (ii) the impact of changes in the valuations could have a material impact on the assets reported on the consolidated balance sheet as well as on the consolidated income statement.

Had management used different assumptions regarding the interest rates, volatility, exchange rates, the credit rating of the counterparty and valuation adjustments, a larger or smaller change in the valuation of financial instruments where quoted market prices are not available would have resulted which could have had a material impact on the Group's reported net income for the period. The financial instruments for which quoted market prices are not available include embedded derivatives included within financial assets at fair value through profit or loss.

The carrying amounts of embedded derivatives included in the financial assets at fair value through profit or loss at 31 December 2007 and 2006 are as follows:

	31 December 2007	31 December 2006
Financial assets at fair value through profit or loss	3,927,534	3,456,858

Adoption of new and revised standards

In the current year, the Group has adopted all of the new and revised Standards and Interpretations issued by the IASB and the IFRIC that are relevant to its operations and effective for reporting periods beginning on 1 January 2007. The adoption of these new and revised Standards and Interpretations has not resulted in significant changes to the Group's accounting policies that have affected the amounts reported for the current or prior years except for the effect of application of IFRS 7 "Financial Instruments: Disclosure" ("IFRS 7") and IAS 1 "Presentation of Financial Statements" ("IAS 1").

IFRS 7 is effective for annual period beginning on or after 1 January 2007. IFRS 7 establishes new requirements and recommendations for disclosure of financial instruments. Adoption of IFRS 7 did not affect the classification and measurement of Group's financial instruments in the consolidated financial statements. Additional information is disclosed in the consolidated financial statements for the current and comparative reporting periods as required by IFRS 7.

Amendment to IAS 1 "Capital Disclosures" - On 18 August 2005, the IASB issued an amendment to IAS 1 which requires certain disclosures to be made regarding the entity's objectives, policies and processes for managing capital. Additional information is disclosed in the consolidated financial statements for the current and comparative reporting periods as required by IAS 1, as amended.

Standards and interpretations issued and not yet adopted

The Group has not adopted the following standards and interpretations that have been issued but are not yet effective:

- IFRS 8 "Operating Segments" - On 30 November 2006, the IASB issued IFRS 8 which requires segmental analysis reported by an entity to be based on information used by management. IFRS 8 is effective for periods beginning on or after 1 January 2009. The Group is evaluating the impact of IFRS 8 on the consolidated financial statements.
- Amendment to IAS 1 "Presentation of Financial Statements" - On 6 September 2007, the IASB issued an amendment to IAS 1 which changes the way in which non-owner changes in equity are required to be presented. The Group does not expect the adoption of the amendment to IAS 1 to have an impact on the consolidated financial statements. The amendment to IAS 1 is effective for periods beginning on or after 1 January 2009.
- IFRIC 11 "IFRS 2 – Group and Treasury Share Transactions" - On 30 November 2006 IFRIC issued IFRIC 11 which requires treasury share transactions to be treated as equity-settled, and share-based payments involving equity instruments of the parent to be treated as cash-settled. The Group does not expect the adoption of IFRIC 11 to have a material impact on the Group's consolidated financial position or results of operations. IFRIC 11 is effective for periods beginning on or after 1 March 2007.
- IFRS 3 "Business Combinations" - The IASB published IFRS 3 and related revisions to IAS 27 "Consolidated and Separate Financial Statements" following the completion in January 2008 of its project on the acquisition and disposal of subsidiaries. They are effective for accounting periods beginning on or after 1 July 2009.

4. ACQUISITIONS AND DISPOSALS

Subsidiaries acquired in 2007

	Principal activity	Date of acquisition	Proportion of shares acquired	Cost of acquisition
OJSC AF Bank	Banking	7 May 2007	99.94%	2,011,856

In May 2007 JSC Astana Finance purchased 99.94% of the shares of OJSC "Alfa Bank Bashkortostan" (the "Bank") to expand its banking operations in Russian Federation. The Bank operates under the law of Russian Federation. In May 2007 OJSC "Alfa Bank Bashkortostan" was re-registered as OJSC "AF Bank".

The net assets of OJSC "AF Bank", which have been recorded at fair value and the goodwill acquired are as follows:

	Book value	7 May (acquisition date) Fair value adjustment on acquisition	Fair value on acquisition
Due from banks	16,790	-	16,790
Loans to customers	1,436,387	-	1,436,387
Investments available-for-sale	549	-	549
Trade accounts receivable	569	-	569
Property and equipment	5,566	-	5,566
Other assets	10,301	-	10,301
Due to banks	(11,043)	-	(11,043)
Customer accounts	(179,869)	-	(179,869)
Debt securities issued	(11,574)	-	(11,574)
Trade accounts payable	(108)	-	(108)
Other liabilities	(1,222)	-	(1,222)
	<u>1,266,346</u>	<u>-</u>	<u>1,266,346</u>
Goodwill			<u>124,376</u>
Total consideration, satisfied by cash			<u>1,390,722</u>
Net cash outflow on acquisition:			
Cash consideration paid			(2,011,856)
Cash acquired			<u>621,134</u>
Total			<u>(1,390,722)</u>

Had this acquisition been effected at 1 January 2007, the operating income of the Group from continuing operations would have been KZT 7,784,686 thousand, and the net profit for the year from continuing operations would have been KZT 2,018,746 thousand.

OJSC "AF Bank" contributed KZT 439,994 thousand of revenue and a net profit of KZT 71,257 thousand to the Group's profit for the period between the date of acquisition (7 May 2007) and 31 December 2007.

As at 31 December 2007 no objective evidence of goodwill impairment, such as deterioration of the Bank's liquidity, solvency, business and financial risk exposures, national and local economic trends and conditions, was identified. The goodwill arising on the acquisition of OJSC AF Bank is attributable to the anticipated profitability of the distribution of the Group's products in the new markets.

Goodwill impairment is usually determined by discounted future cash inflows. For the forecast cash inflows the period of 5 years is used based on financial budgets using discounting rate of 10%. The management uses the following main assumptions as the basis for forecast cash inflows:

- Economic growth of the Russian Federation;
- General license
- Stable structure of the customer base
- Organizational structure
- Possible sales of several complimentary products.

Subsidiaries disposed of in 2007

On 29 June 2006 the Company's Board of Directors approved a decision to dispose of the Group's 50% share in JSC Ecoton Plus. As a result of the subsequent sale of JSC Ecoton Plus on 29 June 2007, the Group recorded a gain in the amount of KZT 84,423 thousand.

Net assets disposed of were as follows:

	29 June 2007	31 December 2006
ASSETS:		
Property, equipment and intangible assets	3,121,401	3,011,462
Trade accounts receivable	250,303	61,145
Advances paid	283,674	343,833
Other assets	1,428,461	603,909
Due from banks	-	65,237
Cash and cash equivalents	160,228	134,958
	<u>5,244,067</u>	<u>4,220,544</u>
LIABILITIES:		
Due to banks	(2,594,582)	(1,677,206)
Advances received	(223,868)	(216,467)
Trade accounts payable	(46,094)	(27,303)
Deferred tax liabilities	(126,761)	(242,529)
Taxes payable	-	(11,947)
Other liabilities	(108,892)	(39,830)
	<u>3,100,197</u>	<u>2,215,282</u>
Net assets	2,143,870	<u>2,005,262</u>
Minority interest	<u>(606,488)</u>	
Net assets attributable to equity holders of the parent	1,537,382	
Total consideration	<u>(1,621,805)</u>	
Gain on disposal of subsidiary	<u>84,423</u>	
Total consideration satisfied by:		
Deferred consideration	961,805	
Cash received	660,000	
	<u>1,621,805</u>	
Net cash inflow on disposal:		
Cash consideration received	660,000	
Cash and cash equivalents disposed of	<u>(160,228)</u>	
	<u>499,772</u>	

5. NET INTEREST INCOME

	Year ended 31 December 2007	Year ended 31 December 2006 (restated)
Interest income comprises:		
Interest income on assets recorded at amortized cost:		
- interest income on unimpaired assets	19,719,830	7,514,866
- interest income on impaired assets	4,972,708	817,938
Interest income on financial assets at fair value through profit or loss	1,158,108	124,096
Interest income on investments available for sale	35,739	-
	<u>25,886,385</u>	<u>8,456,900</u>
Total interest income		
Interest income on assets recorded at amortized cost comprises:		
Interest on loans to customers	24,552,766	8,231,811
Interest on due from banks	118,412	93,564
Interest on investments held to maturity	21,360	7,429
	<u>24,692,538</u>	<u>8,332,804</u>
Total interest income on financial assets recorded at amortized cost		
Interest income on financial assets at fair value through profit or loss:		
Interest income on financial assets held-for-trading	1,158,108	124,096
	<u>1,158,108</u>	<u>124,096</u>
Total interest income on financial assets at fair value through profit or loss		
	<u>1,158,108</u>	<u>124,096</u>
Interest income on available for sale investment securities	35,739	-
	<u>35,739</u>	<u>-</u>
Total interest income	<u>25,886,385</u>	<u>8,456,900</u>
Interest expense comprises:		
Interest expense on liabilities recorded at amortized cost comprise:		
Interest on debt securities issued	8,688,153	2,673,763
Interest on due to banks	4,396,208	3,153,310
Dividends accrued on preferred shares	577,500	-
Interest on payable to state organizations	142,085	216,563
	<u>13,803,946</u>	<u>6,043,636</u>
Total interest expense on liabilities recorded at amortized cost		
	<u>13,803,946</u>	<u>6,043,636</u>
Total interest expense		
	<u>13,803,946</u>	<u>6,043,636</u>
Net interest income before provision for impairment losses on interest bearing assets	<u>12,082,439</u>	<u>2,413,264</u>

6. ALLOWANCE FOR IMPAIRMENT LOSSES AND OTHER PROVISIONS

	2007	2006
Beginning of the year	2,073,382	960,037
Additional provision recognized	3,875,441	1,057,951
Write-off of assets	(13,816)	-
Transfer from allowances for impairment losses on other items	-	55,394
	<u>5,935,007</u>	<u>2,073,382</u>
End of the year		

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

	Advances paid	Other Assets	Trade debtors	Guarantees	Investments available-for-sale	Total
31 December 2005	-	84,772	55,394	81,689	99,637	321,492
Additional provision recognized/(Recovery of provision)	400,000	(74,706)	-	(81,689)	16,473	260,078
Write-off of assets	-	(3,810)	-	-	-	(3,810)
Transfer to allowance for impairment losses on loans to customers	-	-	(55,394)	-	-	(55,394)
31 December 2006	400,000	6,256	-	-	116,110	522,366
Write-off of assets (Recovery of provision)/Additional provision recognized	(400,000)	28,883	-	7,550	-	(363,567)
31 December 2007	-	35,139	-	7,550	-	42,689

7. NET GAIN ON FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	Year ended 31 December 2007	Year ended 31 December 2006 (restated)
Embedded derivatives		
Net fair value adjustment	(2,761,307)	(72,798)
Realized gain on embedded derivatives	578,511	271,754
Net gain on operations with financial assets and liabilities at fair value through profit or loss:		
Net fair value adjustment on assets held-for-trading	3,169,910	1,497,271
Gain on trading operations	256,467	860,986
Total net gain on financial assets and liabilities at fair value through profit or loss	1,243,581	2,557,213

8. FEE AND COMMISSION INCOME AND EXPENSE

	Year ended 31 December 2007	Year ended 31 December 2006
Fee and commission income:		
Underwriting services	87,464	-
Agency fees	64,603	4,418
Brokerage services	15,996	-
Settlement operations	9,810	-
Cash operations	3,643	-
Trust and other fiduciary activities	524	-
	<hr/>	<hr/>
Total fee and commission income	<u>182,040</u>	<u>4,418</u>
Fee and commission expense:		
Settlement operations	48,242	4,778
Foreign currency operations	35,028	62,283
Custody bank services	7,742	13,788
Plastic cards operations	5,806	1,705
Documentary operations	91	7,360
	<hr/>	<hr/>
Total fee and commission expense	<u>96,909</u>	<u>89,914</u>

9. PROFIT FROM DISCONTINUED OPERATIONS

On 29 June 2006 the Company's Board of Directors approved a decision to dispose of the 50% share in JSC Ecoton Plus. Until the date of the sale of JSC Ecoton Plus on 29 June 2007, the Group recognized net income from discontinued operations amounting to KZT 371,929 thousand and recognized a gain in the amount of KZT 84,423 thousand in 2007. The assets and liabilities of JSC Ecoton Plus were included in non-current assets held for sale at 31 December 2006, as discussed in Note 4.

On 29 June 2006 the Group's Board of Directors approved a decision to dispose of 100% interest in the share capital of LLP Kumys Kaskyr (security service), 91.35% interest in the share capital of JSC Astana Gas Service (sale and distribution of gas) and 70% interest in the share capital of JSC Ak Jaik Nedvizhimost (real estate business).

On 20 December 2006 the Group entered into a sale-purchase agreement with LLP Investment Company Capital Management to sell shares of JSC Astana Gas Service for the amount of KZT 343,058 thousand.

On 21 December 2006 the Group entered into a sale-purchase agreement with LLP Investment Company Capital Management to sell shares of LLP Kumys Kaskyr for the amount of KZT 45,000 thousand.

On 22 December 2006 the Group entered into a sale-purchase agreement with LLP Investment Company Capital Management to sell shares of JSC Ak Jaik Nedvizhimost for the amount of KZT 5,000 thousand.

As at 31 December 2006 the control of LLP Kumys Kaskyr, JSC Astana Gas Service and JSC Ak Jaik Nedvizhimost passed to the acquirer.

The profit from discontinued operations is analyzed as follows:

	Year ended 31 December 2007	Year ended 31 December 2006
Net income/(loss) of discontinued operations		
JSC Ecoton Plus	371,929	377,347
LLP Kumys Kaskyr	-	(13,591)
JSC Astana Gas Service	-	48,740
JSC Ak Jaik Nedvizhimost	-	88,912
	<u>371,929</u>	<u>501,408</u>
Total net income of discontinued operations		
Gain on disposal net of tax effect of nil tenge		
JSC Ecoton Plus	84,423	-
LLP Kumys Kaskyr	-	14,940
JSC Astana Gas Service	-	263,692
JSC Ak Jaik Nedvizhimost	-	3,310
	<u>84,423</u>	<u>281,942</u>
Total gain on disposal	<u>84,423</u>	<u>281,942</u>
Total profit from discontinued operations	<u>456,352</u>	<u>783,350</u>
		Period ended 29 June 2007 JSC Ecoton Plus
Sales		1,267,201
Cost of sales		<u>(712,876)</u>
Gross margin		<u>554,325</u>
Selling expenses		(9,982)
Operating expenses		(101,650)
Interest expense		<u>(88,652)</u>
Operating loss		<u>(200,284)</u>
Operating income		354,041
Other income		<u>17,888</u>
Net income before taxation		371,929
Income tax expense		<u>-</u>
Net income		<u>371,929</u>

	Year ended 31 December 2006				Total
	LLP Kumys Kaskyr	JSC Ecoton Plus	JSC Astana Gas Service	JSC Ak Zhaik Nedvizhimost	
Sales	112,705	1,875,626	1,131,316	493,455	3,613,102
Cost of sales	<u>(92,683)</u>	<u>(1,011,563)</u>	<u>(892,413)</u>	<u>(296,338)</u>	<u>(2,292,997)</u>
Gross margin	20,022	864,063	238,903	197,117	1,320,105
Selling expenses	-	(38,493)	(197,045)	(49,450)	(284,988)
Operating expenses	<u>(34,316)</u>	<u>(272,500)</u>	<u>(108,799)</u>	<u>(53,712)</u>	<u>(469,327)</u>
Interest expense	-	<u>(93,613)</u>	-	-	<u>(93,613)</u>
Operating (loss)/profit	(14,294)	459,457	(66,941)	93,955	472,177
Other income/(loss)	<u>703</u>	<u>49,228</u>	<u>115,681</u>	<u>(543)</u>	<u>165,069</u>
Net (loss)/income before taxation	(13,591)	508,685	48,740	93,412	637,246
Income tax expense	-	<u>(131,338)</u>	-	<u>(4,500)</u>	<u>(135,838)</u>
Net (loss)/ income	<u>(13,591)</u>	<u>377,347</u>	<u>48,740</u>	<u>88,912</u>	<u>501,408</u>

Cash flows from discontinued operations:

	Year ended 31 December 2007	Year ended 31 December 2006
Net cash inflow from operating activities	742,707	8,870
Net cash inflow from investing activities	340,937	711,323
Net cash outflow from financing activities	<u>(1,043,677)</u>	<u>(745,133)</u>
Net cash inflow/(outflow)	<u>39,967</u>	<u>(24,940)</u>

10. OTHER INCOME

	Year ended 31 December 2007	Year ended 31 December 2006
Operating lease income	158,094	218,993
Income on sale of goods and services	144,791	107,336
Commission income from asset management	29,187	-
Income from valuation of property	-	5,105
Other income from non banking activities	<u>3,247</u>	<u>47,737</u>
Total other income	<u>335,319</u>	<u>379,171</u>

11. OPERATING EXPENSES

	Year ended 31 December 2007	Year ended 31 December 2006
Staff costs	1,803,629	719,423
Advertising expenses	502,671	293,940
Taxes other than income tax	426,439	274,938
Sponsorship and charity	299,118	14,069
Rent and maintenance	275,086	72,364
Depreciation and amortization	246,318	163,795
Representative expenses	242,968	60,840
Consulting fees	155,902	22,187
Business trip expenses	133,321	80,604
Telecommunication expense	112,602	65,283
Information fees	97,083	16,879
Professional fees	87,013	66,885
Insurance expense	74,946	96,078
Audit fees	47,701	32,514
Credit rating fees	39,416	23,885
Transportation services	38,016	21,252
Legal services	37,818	18,549
Inventory	35,629	11,334
Security expenses	22,875	25,815
Other expenses	104,709	55,777
Total operating expenses	4,783,260	2,136,411

12. INCOME TAXES

The Group provides for taxes based on the tax accounts maintained and prepared in accordance with the tax regulations of countries where the Group and its subsidiaries operate.

The Group is subject to permanent tax differences arising from certain non-deductible expenses and a non-taxable 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 2007 and 2006 relate primarily to different timing of recognition of income and expenses.

Temporary differences as at 31 December 2007 and 2006 comprise:

	31 December 2007	31 December 2006 (restated)
Deductible temporary difference:		
Discount on loans to customers	3,685,767	3,209,379
Deferred commission income on loans to customers	379,368	58,159
Other accrued taxes	787	44,316
Losses carried forward	-	207,876
Fair value adjustment of derivative financial instruments	-	164,302
	<u>4,065,922</u>	<u>3,684,032</u>
Taxable temporary differences:		
Fair value adjustment of embedded derivatives	(3,927,534)	(3,456,858)
Fair value adjustment of derivative financial instruments	(204,073)	-
Property, equipment and intangible assets	(402,763)	(220,765)
	<u>(4,534,370)</u>	<u>(3,677,623)</u>
Net temporary differences	(468,448)	6,409
Net deferred income tax (liability)/asset at the statutory tax rate (30%)	(140,534)	1,923
Less: unrecognized deferred income tax asset	-	(79,553)
	<u>(140,534)</u>	<u>(77,630)</u>
Net deferred income tax liability associated with continuing operations	(140,534)	(77,630)
Property, equipment and intangible assets included within non-current assets held for sale (Note 4)	-	(242,529)
	<u>(140,534)</u>	<u>(320,159)</u>

The relationship between tax expense and accounting profit for the years ended 31 December 2007 and 2006 are explained below:

	Year ended 31 December 2007	Year ended 31 December 2006
Profit before income tax from continuing operations	3,119,402	1,360,543
Profit before income tax from discontinued operations	456,352	919,188
	<u>3,575,754</u>	<u>2,279,731</u>
Tax at the statutory tax rate	1,072,726	683,919
Change in unrecognized deferred tax assets	(79,553)	(13,853)
Non-taxable income on state securities and other qualifying securities	(783,997)	(570,428)
Non-taxable income on sale of subsidiaries	(25,327)	(84,583)
Non-taxable income on finance lease	(737,411)	(111,155)
Non-taxable income on mortgages to individuals	(580,118)	(155,405)
Non-deductible expenses on provision for advances paid	-	120,000
Income tax of foreign subsidiary at different tax rate	290,045	-
Non-deductible interest expense	1,332,381	318,904
Other non deductible operating expenses	23,873	36,966
Other permanent differences	653,552	139,919
	<u>1,166,171</u>	<u>364,284</u>
Income tax expense		

Tax expense comprises:		
Current income tax expense	1,182,820	368,554
Recovery of unrecognized deferred tax asset of prior years	(79,553)	-
Deferred income tax expense/(benefit)	<u>62,904</u>	<u>(4,270)</u>
Total tax expense	<u>1,166,171</u>	<u>364,284</u>
Attributable to:		
Continuing operations	1,166,171	228,446
Discontinued operations	-	<u>135,838</u>
Total tax expense	<u>1,166,171</u>	<u>364,284</u>

The tax rate used for the 2007 and 2006 reconciliations above is the corporate tax rate of 30% payable by corporate entities in the Republic of Kazakhstan on taxable profits under tax law in that jurisdiction.

	2007	2006 (restated)
Deferred income tax liabilities from continuing operations		
Beginning of the year	77,630	81,900
Increase in income tax liability for the period charged to profit	<u>62,904</u>	<u>(4,270)</u>
End of the year	<u>140,534</u>	<u>77,630</u>

As of 31 December 2006, the Group had unrecognized deductible temporary differences in the amount of KZT 265,177 thousand primarily related to loss carryforwards on the sale of securities. These were utilized against taxable income during 2007.

The following deferred tax assets have not been recognized at the balance sheet date:

	31 December 2007	31 December 2006
Deferred commission income on loans to customers	-	17,190
Losses carried forward	-	<u>62,363</u>
Total unrecognized deferred tax assets	-	<u>79,553</u>

No deferred tax liability has been recognized in respect of temporary differences associated with unremitted earnings of subsidiaries, because the Group is in a position to control the timing of the reversal of the temporary difference and it is probable that such differences will not reverse in the foreseeable future. It is not practicable to estimate the amount of unrecognized deferred tax liabilities in respect of these unremitted earnings.

13. MINORITY INTEREST

	JSC Ak Zhaik Nedvizhimost 30%	JSC Astana Gas Service 8.65%	JSC Ecoton Plus 50%	AF Bank 0.16%	Total
Minority interest					
31 December 2005	-	4,421	256,498	-	260,919
Net profit	26,569	3,498	65,341	-	95,408
Increase of share capital	-	-	130,000	-	130,000
Disposal of subsidiary	(26,569)	(7,919)	-	-	(34,488)
31 December 2006	-	-	451,839	-	451,839
Net profit	-	-	154,649	114	154,763
Increase of share capital	-	-	-	3,176	3,176
Disposal of subsidiary	-	-	(606,488)	-	(606,488)
31 December 2007	-	-	-	3,290	3,290

14. EARNINGS PER SHARE

	Year ended 31 December 2007	Year ended 31 December 2006 (restated)
Profit from continuing operations	1,953,231	1,132,097
Less: profit from continuing operations attributable to minority interest	(114)	-
Profit from continuing operations attributable to equity holders of the parent	1,953,117	1,132,097
Less: additional dividends that would be paid to preferred shareholders on full distribution of profits	(197,261)	-
Earnings used in the calculation of basic and diluted earnings per share from continuing operations	1,755,856	1,132,097
Profit from discontinued operations	456,352	783,350
Less: profit from discontinued operations attributable to minority interest	(154,649)	(95,408)
Profit from discontinued operations attributable to equity holders of the parent	301,703	687,942
Less: additional dividends that would be paid to preferred shareholders on full distribution of profits	(92,368)	-
Earnings used in the calculation of basic and diluted earnings per share from discontinued operations	209,335	687,942
Earnings used in the calculation of basic and diluted earnings per share from continuing and discontinued operations	1,965,191	1,820,039
Weighted average number of ordinary shares for purposes of basic and diluted earnings per share	3,700,000	3,325,800
Earnings per share – basic and diluted (KZT)		
From continuing and discontinued operations	531	547
From continuing operations	475	340

15. CASH AND CASH EQUIVALENTS

	31 December 2007	31 December 2006
Current accounts in banks	2,560,852	5,174,027
Petty cash	<u>101,066</u>	<u>8,123</u>
Total cash and cash equivalents	<u>2,661,918</u>	<u>5,182,150</u>

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

	31 December 2007	31 December 2006
Cash and cash equivalents	2,661,918	5,182,150
Cash and cash equivalents included in a disposal group held for sale	<u>-</u>	<u>134,958</u>
Total cash and cash equivalents	<u>2,661,918</u>	<u>5,317,108</u>

16. FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 December 2007	31 December 2006 (restated)
Debt securities	11,905,799	5,188,837
Equity investments	9,802,066	5,371,635
Derivative financial instruments	<u>4,572,137</u>	<u>3,456,858</u>
Total financial assets and liabilities at fair value through profit or loss	<u>26,280,002</u>	<u>14,017,330</u>

Financial assets held for trading comprise:

	31 December 2007		31 December 2006	
	Nominal interest rate, %	Amount	Nominal interest rate, %	Amount
Debt securities:				
JSC Burlingazstroj	10.0	2,632,554	-	-
JSC Concern Tsesna Astyk	9.0	2,516,957	9.0	2,685,262
JSC AkmolaKurlylysMaterialdary	9.0	2,512,644	-	-
JSC EximBank	9.0	1,674,177	-	-
JSC Kazakhstan Distribution Company	9.5	943,665	-	-
JSC Corporation Tsesna	9.0	918,807	-	-
JSC Build Investment Group	9.0	391,673	-	-
JSC Ecoton Plus	10.0	295,298	-	-
JSC Kazakhstan Mortgage Company	11.3	16,965	-	-
JSC Bank CenterCredit	9.8	2,239	-	-
JSC Bank Turan Alem	9.0	820	9.0	822
JSC Astana Nedvizhimost	-	-	-	2,173,751
Ministry of Finance of Republic of Kazakhstan	-	-	-	<u>329,002</u>
Total debt securities		<u>11,905,799</u>		<u>5,188,837</u>
	Ownership interest, %	Amount	Ownership interest, %	Amount
Equity investments:				
JSC EP Kazmunaigas	0.63	9,559,790	0.51	5,235,574
JSC Kazkommertsbank	0.40	175,480	0.40	123,406
JSC Halyk Bank	0.28	20,689	0.28	12,655
Eurasian Natural Resources Corporation	2.33	<u>46,107</u>	-	-
Total equity investments		<u>9,802,066</u>		<u>5,371,635</u>

	31 December 2007			31 December 2006 (restated)		
	Nominal Amount	Net fair value		Nominal amount	Net fair value	
Derivative financial instruments:		Asset	Liability		Asset	Liability
Embedded derivatives	-	3,927,534	-	-	3,456,858	-
Interest rate contracts						
Swaps	1,503,750	-	(13,998)	3,175,000	-	(19,276)
Foreign currency contracts						
Forwards	36,835,643	-	(243,396)	-	-	-
Swaps	15,326,096	582,299	(78,522)	8,905,400	-	(145,026)
Options	11,670,250	-	(104,614)	-	-	-
Credit default swap	38,801,067	62,304	-	-	-	-
Total derivative financial instruments		<u>4,572,137</u>	<u>(440,530)</u>		<u>3,456,858</u>	<u>(164,302)</u>

To manage the Group's exposure to foreign exchange risk, certain loans to customers and finance leases agreements that are denominated in KZT are indexed to either the US Dollar or EURO. These agreements require that the borrower repay the loans or finance leases and respective interest in KZT; however, the amount to be repaid is adjusted by the changes in US Dollar or EURO exchange rates from the inception of the loan or lease agreements to the payment date. The contracts also provide for a floor exchange rate which is equal to the spot rates on the origination date of the loans or leases. The Group has determined that the embedded derivative is not closely related to the host contract and should be separately measured at fair value. The Group uses a valuation technique based on option valuation models and market data related to forward exchange rates and volatility at each balance sheet date to determine the fair value of the embedded derivatives.

As at 31 December 2007 and 2006 financial assets at fair value through profit or loss included accrued interest on debt securities of KZT 327,918 thousand and KZT 19,423 thousand, respectively.

17. DUE FROM BANKS

	31 December 2007	31 December 2006
Recorded as loans and receivables:		
Loans to banks	7,936,019	2,000,000
Deposits to banks	2,198,069	-
Cash under letters of credit	24,142	57,803
Total due from banks	<u>10,158,230</u>	<u>2,057,803</u>

As at 31 December 2007 and 2006 due from banks included accrued interest of KZT 667 thousand and nil tenge, respectively.

As at 31 December 2007 and 2006 the Group had due from 6 and 1 bank, respectively.

As at 31 December 2007 and 2006 the maximum credit risk exposure on due from banks amounted to KZT 2,681,202 thousand and KZT 2,000,000 thousand, respectively.

18. LOANS TO CUSTOMERS

	31 December 2007	31 December 2006 (restated)
Originated loans	149,431,002	70,917,466
Net investment in finance lease	25,039,203	13,042,230
Loans under reverse repurchase agreements	<u>1,721,638</u>	<u>10,284,176</u>
	176,191,843	94,243,872
Less: allowance for impairment losses	<u>(5,935,007)</u>	<u>(2,073,382)</u>
Total loans to customers	<u>170,256,836</u>	<u>92,170,490</u>

As at 31 December 2007 and 2006, loans to customers included accrued interest of KZT 5,809,574 thousand and KZT 2,667,002 thousand, respectively.

The table below summarizes the amount of loans secured by type of collateral, rather than the fair value of the collateral itself:

	31 December 2007	31 December 2006 (restated)
Loans collateralized by real estate or rights thereon	70,717,367	45,559,573
Loans collateralized by shares of other companies	31,478,678	23,552,909
Finance lease	25,039,203	13,042,230
Loans collateralized by combined collateral	22,161,289	7,330,318
Unsecured loans	20,985,732	2,091,840
Accrued interest income on loans to customers	<u>5,809,574</u>	<u>2,667,002</u>
	176,191,843	94,243,872
Less: allowance for impairment losses	<u>(5,935,007)</u>	<u>(2,073,382)</u>
Total loans to customers	<u>170,256,836</u>	<u>92,170,490</u>

	31 December 2007	31 December 2006 (restated)
Analysis by sector:		
Individuals	33,772,016	12,538,036
Agriculture	22,346,368	13,718,621
Trade	19,525,717	15,752,943
Finance sector	18,931,764	9,935,963
Construction	17,912,128	18,398,899
Services	14,883,376	2,286,411
Transportation services	9,531,901	1,357,314
Production of construction materials	8,043,696	7,545,532
Rent	6,730,010	8,008,419
Hotel and restaurant business	4,312,072	-
Production and distribution of electricity and gas	3,818,919	-
Wood industry	1,822,342	-
Mining and metallurgy	987,086	25,458
Health care	52,719	-
Real estate	-	2,009,274
Other	7,712,155	-
Accrued interest income on loans to customers	<u>5,809,574</u>	<u>2,667,002</u>
	176,191,843	94,243,872
Less: allowance for impairment losses	<u>(5,935,007)</u>	<u>(2,073,382)</u>
Total loans to customers	<u>170,256,836</u>	<u>92,170,490</u>

Loans to individuals comprise the following products:

	31 December 2007	31 December 2006 (restated)
Mortgage loans	21,732,736	11,280,362
Consumer loans	10,697,165	1,097,751
Car loans	<u>1,342,115</u>	<u>159,923</u>
	33,772,016	12,538,036
Less: allowance for impairment losses	<u>(400,754)</u>	<u>(340,081)</u>
Total loans to individuals	<u><u>33,371,262</u></u>	<u><u>12,197,955</u></u>

As at 31 December 2007 and 2006, the Group granted loans to 33 and 26 customers, totaling KZT 89,729,000 thousand and KZT 48,268,385 thousand, respectively, which individually exceeded 10% of the Group's equity.

As at 31 December 2007 and 2006, a significant amount of loans (95% of the total portfolio as at 31 December 2007 and 97% of the total portfolio as at 31 December 2006) has been granted to companies operating in the Republic of Kazakhstan, which represents a significant geographical concentration in one region.

As at 31 December 2007 and 2006, the maximum credit risk exposure on loans to customers amounted to KZT 4,743,937 thousand and KZT 3,767,376 thousand, respectively. As at 31 December 2007 and 2006, the maximum credit risk exposure on loan commitments and overdrafts extended by the Group to its customers amounted to KZT 15,755,251 thousand and KZT 8,158,429 thousand, respectively.

As at 31 December 2007 and 2006 loans to customers included loans in amount of KZT 1,354,458 thousand and KZT 857,449 thousand, respectively, whose terms have been renegotiated. Otherwise these loans would be past due or impaired.

Carrying value of loans under reverse repurchase agreements and fair value of assets pledged as at 31 December 2007 and 2006 are presented as follows:

	31 December 2007		31 December 2006 (restated)	
	Carrying value of loans	Fair value of collateral	Carrying value of loans	Fair value of collateral
Shares of JSC Bank CenterCredit	1,583,856	1,889,468	-	-
Bonds of JSC Deltabank	137,782	115,825	-	-
Shares of JSC Bank Turan Alem	-	-	9,389,720	13,085,520
Shares of LLP Kazagrotrade	-	-	702,907	628,550
Shares of JSC Temirleasing	-	-	108,636	116,908
Shares of JSC Temir Bank	-	-	<u>82,913</u>	<u>316,667</u>
Total	<u><u>1,721,638</u></u>	<u><u>2,005,293</u></u>	<u><u>10,284,176</u></u>	<u><u>14,147,645</u></u>

The components of net investment in finance lease as at 31 December 2007 and 2006 are as follows:

	31 December 2007	31 December 2006 (restated)
Not later than one year	10,927,718	5,482,466
From one year to five years	18,850,625	9,791,519
More than five years	<u>1,820,666</u>	<u>385,742</u>
Minimum lease payments	31,599,009	15,659,727
Less: unearned finance income	<u>(6,559,806)</u>	<u>(2,617,497)</u>
Net investment in finance lease	<u><u>25,039,203</u></u>	<u><u>13,042,230</u></u>

Movements in allowances for impairment losses for the years ended 31 December 2007 and 2006 are disclosed in Note 6.

19. INVESTMENTS AVAILABLE-FOR-SALE

	31 December 2007	31 December 2006
Debt securities	570,171	-
Equity investments	<u>197,793</u>	<u>171,512</u>
Total investments available-for-sale	<u><u>767,964</u></u>	<u><u>171,512</u></u>

	31 December 2007		31 December 2006	
	Nominal interest rate	Amount	Nominal interest rate	Amount
Debt securities				
El Dos Corporation	11.90%	<u>570,171</u>	-	<u>-</u>
Total debt securities		<u>570,171</u>		<u>-</u>

	31 December 2007		31 December 2006	
	Ownership interest, %	31 December 2007	Ownership interest, %	31 December 2006
Equity investments				
JSC Tsesna Bank	0.48	171,404	1.00	145,128
JSC Entertainment Center Duman	10.00	15,000	10.00	15,000
JSC Astana Energoservice	0.002	5,134	-	5,134
JSC First Credit Bureau	2.00	4,050	2.00	4,050
JSC Kazakhstan Stock Exchange	1.34	1,467	1.00	2,200
OJSC Bashkortostan satellite telecommunications	0.01	738	-	-
Aurado Energy Share Inc	-	<u>-</u>	1.00	<u>116,110</u>
		197,793		287,622
Less allowance for impairment losses		<u>-</u>		<u>(116,110)</u>
Total equity investments		<u>197,793</u>		<u>171,512</u>
Total investments available-for-sale		<u><u>767,964</u></u>		<u><u>171,512</u></u>

As at 31 December 2007 and 2006 investments available-for-sale included accrued interest on debt securities of KZT 17,709 thousand and nil tenge, respectively.

Movements in allowances for impairment losses for the years ended 31 December 2007 and 2006 are disclosed in Note 6.

20. INVESTMENTS HELD TO MATURITY

As at 31 December 2007 investments held to maturity include bonds recorded at amortized cost in the amount of KZT 206,907 thousand (as at 31 December 2006 KZT 185,547 thousand) issued on 25 January 2006 by JSC Astana Gas Service with a maturity of 25 January 2011.

21. TRADE DEBTORS

	31 December 2007	31 December 2006
Accounts receivable from sale of railway equipment	1,378,170	-
Accounts receivable from services rendered	23,747	-
Commission receivable	18,529	15,854
Accounts receivable from underwriting activities	9,483	30,000
Accounts receivable from sale of equipment	7,730	8,970
Accounts receivable from sale of fixed assets	7,618	-
Accounts receivable from brokerage activity	2,911	-
Accounts receivable from rent	460	438
Accounts receivable from sale of land	-	138,000
Other	645	55,806
	<u>1,449,293</u>	<u>249,068</u>
Total trade debtors	1,449,293	249,068

22. ADVANCES PAID

	31 December 2007	31 December 2006
Advances paid to suppliers on finance lease	5,647,290	4,059,25
Advances paid for services	406,638	174,67
Advances paid for acquisition of property and equipment	244,803	
Advances paid for acquisition of software	83,858	
Advances paid for materials	14,139	38,76
Advances paid for other goods	-	2,000,00
Advances paid for acquisition of foreign entity	-	129,09
	<u>6,396,728</u>	<u>6,401,79</u>
Less allowance for impairment losses	-	(400,00)
Total advances paid	6,396,728	6,001,79

23. PROPERTY, EQUIPMENT AND INTANGIBLE ASSETS

	Land	Buildings and other real estate	Furniture and equipment	Vehicles	Construction in progress	Intangible assets	Total
At cost							
31 December 2005	188,078	2,394,016	2,030,560	257,572	-	33,388	4,903,614
Additions	63,713	75,270	558,845	95,726	619,336	247,064	1,659,954
Disposals	(130,618)	(125,840)	(27,167)	(54,994)	(131,579)	-	(470,198)
Transfer to assets held for sale	(88,147)	(488,699)	(2,236,933)	(71,163)	(486,869)	(11,819)	(3,383,630)
Disposal of subsidiaries	(26,330)	(209,123)	(66,060)	(43,609)	(888)	(2,380)	(348,390)
31 December 2006	6,696	1,645,624	259,245	183,532	-	266,253	2,361,350
Acquisition of subsidiaries	-	8,743	15,171	-	-	-	23,914
Additions	995	751,985	317,992	121,480	-	318,139	1,510,591
Disposals	-	480,242	41,754	60,416	-	6,567	588,979
31 December 2007	7,691	1,926,110	550,654	244,596	-	577,825	3,306,876
Accumulated depreciation and impairment							
31 December 2005	-	(119,058)	(243,372)	(61,240)	-	(3,907)	(427,577)
Charge for the year	-	(64,091)	(44,690)	(21,119)	-	(19,235)	(149,135)
Disposals	-	24,267	17,103	22,815	-	-	64,185
Transfer to assets held for sale	-	53,766	130,799	9,725	-	2,363	196,653
Disposal of subsidiaries	-	37,835	29,966	11,992	-	1,642	81,435
31 December 2006	-	(67,281)	(110,194)	(37,827)	-	(19,137)	(234,439)
Acquisition of subsidiaries	-	-	(9,045)	-	-	-	(9,045)
Charge for the year	-	(74,396)	(79,555)	(39,099)	-	(28,685)	(221,735)
Disposals	-	485	20,011	26,313	-	4,439	51,248
31 December 2007	-	(141,192)	(178,783)	(50,613)	-	(43,383)	(413,971)
Net book value							
As at 31 December 2007	7,691	1,784,918	371,871	193,983	-	534,442	2,892,905
As at 31 December 2006	6,696	1,578,343	149,051	145,705	-	247,116	2,126,911

As at 31 December 2007 and 2006 included in property and equipment were fully depreciated assets of KZT 53,415 thousand and KZT 55,120 thousand, respectively.

As at 31 December 2007 and 2006 property and equipment of KZT nil thousand and KZT 1,094,854 thousand were pledged as collateral on due to banks (Note 27).

24. INVESTMENT PROPERTY

	2007	2006
At cost		
At the beginning of the year	1,229,169	1,193,761
Additions	<u>-</u>	<u>35,408</u>
At the end of the year	<u>1,229,169</u>	<u>1,229,169</u>
Accumulated depreciation		
At the beginning of the year	(129,502)	(114,842)
Charge for the year	<u>(24,583)</u>	<u>(14,660)</u>
At the end of the year	<u>(154,085)</u>	<u>(129,502)</u>
Net book value		
At the end of the year	<u>1,075,084</u>	<u>1,099,667</u>

Investment property is represented by the trading centre "City Market" located in Astana.

As at 31 December 2007 and 2006 investment property of KZT 1,075,084 thousand and KZT 1,099,667 thousand, respectively, were pledged as collateral for loans received from the Department of Capital Construction of Astana city (Note 35).

Included in operating lease income within other income is investment property rental income for the year ended 31 December 2007 and 2006 in the amount of KZT 157,895 thousand and KZT 163,478 thousand, respectively.

Operating expenses arising from the investment property that generated rental income during the year ended 31 December 2007 and 2006 amounted to KZT 6,252 thousand and KZT 5,341 thousand, respectively.

25. OTHER ASSETS

	31 December 2007	31 December 2006
Prepaid expenses	766,500	615,225
Taxes receivable	483,441	505,473
Penalties receivable	350,022	146,977
Receivables from employees	83,668	123,654
Inventory	74,863	76,508
Prepaid insurance expense	26,249	-
Other	<u>95,171</u>	<u>28,640</u>
	1,879,914	1,496,477
Less allowance for impairment losses	<u>(35,139)</u>	<u>(6,256)</u>
Total other assets	<u>1,844,775</u>	<u>1,490,221</u>

Movements in allowances for impairment losses on other assets for the years ended 31 December 2007 and 2006 are disclosed in Note 6.

26. NON-CURRENT ASSETS HELD FOR SALE

As at 31 December 2007 non-current assets held for sale represented property amounting to KZT 749,123 thousand.

As at 31 December 2006 non-current assets held for sale represented assets of JSC Ecoton Plus, which are disclosed in Note 4.

27. DUE TO BANKS

	31 December 2007	31 December 2006
Recorded at amortized cost:		
Loans from OECD based banks	37,662,648	25,176,315
Loans from international financial institutions	12,226,248	7,398,803
Loans under repurchase agreements	3,334,992	3,261,650
Loans and deposits from non-OECD based banks	418,200	1,225,634
Loans from Kazakhstani banks	-	2,043,648
Other	1,656	7,761
Total due to banks	<u>53,643,744</u>	<u>39,113,811</u>

As at 31 December 2007 and 2006 included in due to banks are accrued interest expenses of KZT 843,982 thousand and KZT 703,204 thousand, respectively.

Interest rates and maturities of amounts due to credit institutions are presented as follows:

	31 December 2007		31 December 2006	
	%	Maturity	%	Maturity
Loans and deposits from OECD based banks	3.5-9.2	2008-2016	3.5-9.2	2007-2014
Loans and deposits from Kazakhstan banks	-	-	8.7-13.0	2008-2013
Loans and deposits from non-OECD based banks	3.5-10.0	2008	10.0	2007
Loans from other financial institutions	5.1-8.7	2008-2013	5.1-8.7	2008-2013

As at 31 December 2007 and 2006 included in due to banks are loans under repurchase agreements of KZT 3,334,992 thousand and KZT 3,261,650 thousand with maturities of June 2008 and February 2007, respectively.

Fair value of assets pledged and carrying value of loans under repurchase agreements as at 31 December 2007 and 2006 are presented as follows:

	31 December 2007		31 December 2006	
	Fair value of collateral	Carrying value of loans	Fair value of collateral	Carrying value of loans
Bonds of JSC Astana-Finance	1,726,809	1,552,650	-	-
Shares of EP KazMunaiGas	1,428,586	1,002,118	3,694,405	3,261,650
Bonds of JSC Build Investment Group	780,224	780,224	-	-
Total	<u>3,935,619</u>	<u>3,334,992</u>	<u>3,694,405</u>	<u>3,261,650</u>

As at 31 December 2007 and 2006 due to banks in the amounts of KZT 49,494,824 thousand (92%) and KZT 37,774,184 thousand (96%), respectively, were due to 15 and 11 banks, which represents significant concentration.

28. CUSTOMER ACCOUNTS

	31 December 2007	31 December 2006
Recorded at amortized cost:		
Current accounts	1,915,533	-
Term deposits	633,861	-
Total customer accounts	2,549,394	-

As at 31 December 2007 and 2006 included in customer accounts are accrued interest expenses of KZT 8,155 thousand and nil tenge, respectively.

As at 31 December 2007, the Group's ten largest customers accounted for approximately 56% of the total amounts due to customers.

	31 December 2007	31 December 2006
Analysis by sector:		
Production	1,218,100	-
Individuals	680,156	-
Financial sector	198,277	-
Trade	173,971	-
Services	111,677	-
Non-commercial entities	84,968	-
Construction	22,446	-
Other	59,799	-
Total customer accounts	2,549,394	-

29. DEBT SECURITIES ISSUED

	Maturity date month/year	Annual coupon rate %	31 December 2007	31 December 2006
Recorded at amortized cost:				
Eurobonds of Astana Finance BV				
issued at price of				
99.652%	June 2010	7.88	53,151,000	-
99.017%	November 2011	9.0	21,052,500	22,225,000
99.041%	February 2009	7.625	15,037,500	15,875,000
94.900%	June 2010	7.88	7,047,147	-
			<u>96,288,147</u>	<u>38,100,000</u>
(Less)/including:				
Discount on debt securities issued			(1,581,992)	(408,059)
Accrued interest on debt securities issued			<u>2,867,759</u>	<u>709,710</u>
Total Eurobonds issued by Astana Finance BV			<u>97,573,914</u>	<u>38,401,651</u>
Private placement of Notes				
issued at price of				
95.00%	March 2014	4.7	9,054,963	-
100.00%	March 2012	9.16	6,580,454	-
100.00%	January 2009	8.7	1,797,839	-
100.00%	March 2012	8.21	1,762,852	-
			<u>19,196,108</u>	<u>-</u>
(Less)/including				
Discount on debt securities issued			(412,220)	-
Amount of accrued interest on			<u>293,738</u>	<u>-</u>
Total private placement of Notes			<u>19,077,626</u>	<u>-</u>
Local bonds				
issued on:				
29 March 2007 (Issue 14)	March 2019	7.8	6,414,490	-
25 September 2006 (Issue 12)	September 2008	10.0	6,156,667	6,156,667
28 September 2006 (Issue 11)	September 2016	7.5	1,293	428,765
28 September 2006 (Issue 10)	September 2016	7.5	95,148	456,926
12 May 2006 (Issue 8)	May 2011	6.0	441,626	462,573
22 June 2005 (Issue 6)	June 2012	10.5	679,473	1,576,890
21 January 2005 (Issue 5)	January 2010	10.9	4,879,767	4,887,152
18 May 2004 (Issue 4)	May 2011	11.2	1,494,376	1,501,885
27 November 2003 (Issue 3)	November 2008	7.0	988,087	977,052
			<u>21,150,927</u>	<u>16,447,910</u>
Total local bonds			<u>21,150,927</u>	<u>16,447,910</u>
Promissory notes			119,786	2,179,344
Including:				
Amounts of accrued interest on promissory notes			<u>12,038</u>	<u>-</u>
Total debt securities issued			<u>137,934,291</u>	<u>57,028,905</u>

As at 31 December 2007 and 2006 included in debt securities issued are accrued interest expenses in the amount of KZT 3,712,842 and KZT 1,172,393 thousand, respectively.

Eurobonds have been issued by Astana Finance BV, the Company's subsidiary. The Company together with JSC Leasing Company Astana Finance act as a guarantor for the Eurobonds which mature on 16 February 2009 and for Eurobonds which mature on 16 November 2011. Interest on the Eurobonds, which mature on 16 February 2009 is paid semi-annually on 16 February and 16 August, and interest on the Eurobonds, which mature on 16 November 2011 is paid semi-annually on 16 May and 16 November. Interest on the Eurobonds with maturity on 8 June 2010 is paid annually on 8 June. Principal of Eurobonds issued by the Astana Finance BV is repaid at maturity date.

30. PAYABLE TO STATE ORGANISATIONS

	Maturity	Interest rate %	31 December 2007	Interest rate %	31 December 2006 (restated)
Payable to Administrative Counsel of Astana	2016	2.00	1,321,793	2.00	1,250,085
Payable to Atyrau Akimat	2016	0.01	<u>301,318</u>	0.01	<u>276,489</u>
Total payable to state organisations			<u><u>1,623,111</u></u>		<u><u>1,526,574</u></u>

The payable to Atyrau Akimat was incurred through a loan agreement dated 28 August 2001. The loan was granted for 15 years with repayment of total principal amounting to KZT 550,000 thousand starting on 1 September 2012. The payable to Administrative Counsel of Astana was incurred through two loan agreements dated 29 May 2002 in the amount of KZT 1,200,000 thousand and dated 10 April 2001 in the amount of KZT 840,000 thousand. These loans from state organizations were obtained at below market rates and were recalculated at market rate to be initially recognized at fair value.

31. TRADE CREDITORS

	31 December 2007	31 December 2006
Payables for agricultural and transport equipment	187,710	-
Payables for services	51,169	23,947
Payables for implementation of software	30,317	47,541
Payables for property and equipment	9,977	789
Payables for goods	1,652	63,307
Other	<u>27,878</u>	<u>23,068</u>
Total trade creditors	<u><u>308,703</u></u>	<u><u>158,652</u></u>

32. OTHER LIABILITIES

	31 December 2007	31 December 2006
Payable to JSC Kazakhstan Mortgage Company	16,872	26,507
Settlements with employees	15,567	9,773
Dividends payables to shareholders	8,749	8,565
Provision for guarantees	7,550	-
Payable to pension fund	3,434	2,222
Payable under forward contracts	-	49,000
Payable of initial installment on terminated agreements	-	26,983
Clients' accounts on brokerage activities	-	19,258
Other	<u>13,589</u>	<u>4,791</u>
Total other liabilities	<u><u>65,761</u></u>	<u><u>147,099</u></u>

Movements in provision for guarantees and other commitments for the years ended 31 December 2007 and 2006 are disclosed in Note 6.

33. TAXES PAYABLE

	31 December 2007	31 December 2006
Withholding income tax	95,401	43,669
Value added tax	27	90,903
Other taxes	1,792	2,833
Total taxes payable	97,220	137,405

34. ADVANCES RECEIVED

	31 December 2007	31 December 2006
Advances received for property and equipment to be leased under finance leases	1,255,577	3,533,817
Advances received for services	119,960	376,136
Total advances received	1,375,537	3,909,953

35. SUBORDINATED DEBT

	Maturity date year	Interest rate %	31 December 2007	31 December 2006 (restated)
Subordinated bonds issued on 12 May 2006 (Issue 9)	2021	8.0	7,561,963	7,520,977
Subordinated bonds issued on 30 June 2005 (Issue 7)	2015	10.5	1,342,915	7,256,391
Subordinated loan from Department of Capital Construction of Astana	2011- 2016	-	1,324,377	1,215,024
Total subordinated debt			10,229,255	15,992,392

As at 31 December 2007 and 2006 included in subordinated debt are accrued interest expenses in the amount of KZT 237,148 thousand and KZT 534,333 thousand, respectively.

On 10 January 2003 the Group entered into a loan which amounted to KZT 2,219,839 thousand with the Department of Capital Construction of Astana city (DCC) to provide financing for a mortgage loans issuance program. The terms are such that this loan represents a subordinated interest-free loan with annual repayments of principal amounts on a straight line basis over the years from 2011 to 2016.

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.

36. DEBT COMPONENT OF PREFERRED SHARES

On 19 February 2007 JSC Astana Finance issued and fully placed 1,925,000 preferred shares at the price of KZT 3,000 each. Dividends on the preferred shares are paid at a rate of 10% per annum and are not cumulative in nature. The preferred shares are denominated in KZT and have no defined maturity. The preferred shares are not redeemable and not convertible to ordinary shares.

The debt component of preferred shares represents the present value of mandatory dividends on preferred shares in perpetuity. As at 31 December 2007 accrued dividends included in the debt component of preferred shares amounted to KZT 577,500 thousand.

These non-convertible preferred shares are classified as compound instruments. On a return of capital on liquidation, the assets of the Company available for distribution are paid to the preferred shareholders only in an amount equal to the nominal capital paid up or credited as paid up.

37. SHARE CAPITAL

As of 31 December 2007 share capital issued and outstanding consisted of 2,200,000 ordinary shares with a par value of KZT 1,000, 1,500,000 ordinary shares with par value of KZT 1,500 and 1,925,000 preferred shares with par value of KZT 3,000 (Note 36).

As at 31 December 2007 the Group's share capital comprised of the following number of shares:

	Share capital authorized	Share capital authorized and not issued	Share capital repurchased	Share capital issued
Ordinary shares	5,775,000	(2,075,000)	-	3,700,000
Preferred shares	1,925,000	-	-	1,925,000

As of 31 December 2006 share capital issued and outstanding consisted of 2,200,000 ordinary shares with par value of KZT 1,000 and 1,500,000 ordinary shares with par value of KZT 1,500.

As at 31 December 2006, the Group's share capital comprised the following number of shares:

	Share capital authorized	Share capital authorized and not issued	Share capital repurchased	Share capital issued
Ordinary shares	3,700,000	-	-	3,700,000

During 2007, the Company authorized an increase of share capital by issue of 2,075,000 ordinary shares none of which were issued and outstanding as at 31 December 2007. Par value of the shares will be determined by Board of Directors at the issuance of shares. Additionally, during 2007, the Company authorized issued and fully paid 1,925,000 preferred shares at KZT 3,000 each. Debt component of preferred shares amounted to KZT 5,197,500 thousand and equity component of preferred shares amounted to KZT 577,500 thousand. In May 2007 the Company returned capital to holders of preferred shares in the amount of KZT 577,500. Further details are provided in Note 36. During 2006, the Company increased its share capital by KZT 851,733 thousand by issuing 567,822 ordinary shares at KZT 1,500 each.

Each common share is entitled to one vote and is equal for dividends. The preferred shares do not have any voting rights, unless the payment of preferred dividends has been delayed for three months or more from the date they became due.

During 2007 dividends declared on preferred shares amounted to KZT 577,500 thousand (2006: nil tenge) and dividends declared on ordinary shares amounted to KZT 265,364 thousand (2006: KZT 217,405 thousand).

38. 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 consolidated 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.

Provisions for losses on contingent liabilities amounted to KZT 7,550 thousand and KZT nil thousand as at 31 December 2007 and 2006, respectively.

As at 31 December 2007 and 2006 the nominal amounts were:

	31 December 2007	31 December 2006
Contingent liabilities and credit commitments		
Guarantees issued and similar commitments	997,884	4,623,241
Commitments on loans and unused credit lines	<u>9,855,273</u>	<u>4,608,653</u>
Total contingent liabilities and credit commitments	<u>10,853,157</u>	<u>9,231,894</u>

Extensions of loans to customers within credit line limits are approved by management of the Group on a case-by-case basis and depend on the borrowers' financial performance, debt service and other conditions. As at 31 December 2007 and 2006, such unused credit lines amounted to KZT 9,855,273 thousand and KZT 4,608,653 thousand, respectively.

Fiduciary activities

In the normal course of its business the Group enters into agreements with clients for assets management in accordance with specific criteria established by clients. The Group may be liable for losses or actions for any misappropriation of the clients' funds until such funds or securities are not returned to the client if due to gross negligence or willful misconduct by the Group. The maximum potential financial risk of the Group at any given point in time moment is equal to the volume of the clients' funds adjusted for any unrealized gains or losses on the clients' position. As at 31 December 2007 and 2006 the maximum potential exposure on securities accepted by the Group on behalf of its clients does not exceed KZT 43,860 thousand and KZT 19,258 thousand, respectively. These amounts represent customers' funds under the management of the Group under trusteeship as at 31 December 2007 and 2006, including assets. These assets are not included in the consolidated balance sheet of the Group, as these assets do not represent assets of the Group.

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.

The Group has received claims from individual customers with respect to certain commissions withheld by the Group for servicing of loan agreements. The National Bank of Republic of Kazakhstan ("NBRK") has issued instruction requiring banks and credit institutions to disclose effective interest rates on loans granted to individuals. Management is of the opinion that such claims

would not have adverse consequences for the Group, and is in the process of establishing procedures on disclosing the additional information in loan agreements in compliance with the NBRK instruction.

Taxation

Kazakhstani commercial legislation, and tax legislation in particular, may give rise to varying interpretations and amendments, which may be retroactive. In addition, as management's interpretation of tax legislation may differ from that of the tax authorities, transactions may be challenged, and as a result the Group may be assessed additional taxes, penalties and interest. The Group believes that it has made all necessary tax payments, and therefore no additional provision has been made in the consolidated financial statements.

Tax years remain open to review by the tax authorities for a period of five years. However, tax authorities may perform additional reviews beyond that period, if considered necessary. In accordance with judicial rulings, the period of review can be altered if the court acknowledges the fact of interdiction to conducting the tax review by the tax authorities.

39. SUBSEQUENT EVENTS

In March 2008 the Company registered two subsidiaries JSC Life insurance company Astana Finance, and JSC Insurance Company Astana Finance for provision of life insurance and general insurance services, respectively.

40. TRANSACTIONS WITH RELATED PARTIES

Related parties and transactions with related parties are assessed in accordance with IAS 24 "Related Party Disclosures." Related parties may enter into transactions which unrelated parties might not. Transactions between related parties are generally effected on the same terms, conditions and amounts as transactions between unrelated parties.

In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form. Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below:

	31 December 2007		31 December 2006	
	Related party balances	Total category as per financial statements caption	Related party balances	Total category as per financial statements caption
Loans to customers	2,443,955	176,191,843	7,806,554	94,243,872
- <i>entities with joint control or significant influence over the entity</i>	512,306		6,596,875	
- <i>key management personnel of the entity or its parent</i>	452,309		140,983	
- <i>other related parties</i>	1,479,340		1,068,696	
Allowance for impairment losses on loans to customers	(71,552)	(5,935,007)	(195,070)	(2,073,382)
- <i>entities with joint control or significant influence over the entity</i>	(25,573)		-	
- <i>key management personnel of the entity or its parent</i>	(64)		(195,070)	
- <i>other related parties</i>	(45,915)		-	
Other assets	59,979	1,844,775	-	1,490,221
- <i>key management personnel of the entity or its parent</i>	59,979		-	
Subordinated debt	1,324,377	10,229,255	1,215,024	15,992,392
- <i>entities with joint control or significant influence over the entity</i>	1,324,377		1,215,024	

Included in the consolidated income statement for the years ended 31 December 2007 and 2006 are the following amounts which arose due to transactions with related parties:

	Year ended 31 December 2007		Year ended 31 December 2006	
	Related party transactions	Total category as per financial statements caption	Related party transactions	Total category as per financial statements caption
Interest income	922,017	25,886,385	61,247	8,456,900
- <i>entities with joint control or significant influence over the entity</i>	647,168		-	
- <i>key management personnel of the entity or its parent</i>	87,089		18,016	
- <i>other related parties</i>	187,760		43,231	

The remuneration of directors and other members of key management was as follows:

	Year ended 31 December 2007		Year ended 31 December 2006	
	Related party transactions	Total category as per financial statements caption	Related party transactions	Total category as per financial statements caption
Key management personnel compensation:				
- <i>short-term employee benefits</i>	408,432	1,803,629	207,975	719,423

41. SEGMENT REPORTING

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

There were no transactions between business segments during 2007 and 2006.

Segment information for the main reportable business segments of the Group for the years ended 31 December 2007 and 2006 is set out below:

	Retail Banking	Corporate banking	Other	Year ended 31 December 2007 Total
External revenues	4,884,196	21,526,359	1,771,889	28,182,444
Total revenues	<u>4,884,196</u>	<u>21,526,359</u>	<u>1,771,889</u>	<u>28,182,444</u>
Total revenues comprise:				
- Interest income	4,884,196	21,002,189	-	25,886,385
- Net gain on financial assets and liabilities at fair value through profit or loss	-	-	1,243,581	1,243,581
- Fee and commission income	-	182,040	-	182,040
- Gain from sale of property and equipment	-	342,130	-	342,130
- Dividends income	-	-	192,989	192,989
- Other income	-	-	335,319	335,319
	<u>-</u>	<u>-</u>	<u>335,319</u>	<u>335,319</u>
Total revenues	<u>4,884,196</u>	<u>21,526,359</u>	<u>1,771,889</u>	<u>28,182,444</u>
- Interest expense	(7,059)	(13,796,887)	-	(13,803,946)
- Impairment charge	(60,673)	(3,814,768)	-	(3,875,441)
- Fee and commission expense	-	(96,909)	-	(96,909)
- Net loss on foreign exchange operations	-	-	(2,867,053)	(2,867,053)
- Recovery of provision	-	-	363,567	363,567
- Operating expenses	(1,051,791)	(3,731,469)	-	(4,783,260)
	<u>(1,051,791)</u>	<u>(3,731,469)</u>	<u>-</u>	<u>(4,783,260)</u>
Segment result	<u>3,764,673</u>	<u>86,326</u>	<u>(731,597)</u>	<u>3,119,402</u>
Net profit before income tax and discontinued operations				3,119,402
Income tax expense				<u>(1,166,171)</u>
Net profit before discontinued operations				1,953,231
Profit from discontinued				<u>456,352</u>
Net profit				<u><u>2,409,583</u></u>
Total segment assets	33,772,016	192,603,369	-	226,375,385
Unallocated assets				<u>314,485</u>
Total assets				<u>226,689,870</u>
Total segment liabilities	680,156	213,362,390	-	214,042,546
Unallocated liabilities				<u>140,534</u>
Total liabilities				<u><u>214,183,080</u></u>
Other segment items:				
Capital expenditure (unallocated)				(1,510,591)
Depreciation and amortization expense (unallocated)				(246,318)

	Retail Banking	Corporate banking	Other	Year ended 31 December 2006 Total
External revenues	927,607	7,541,052	2,960,551	11,429,210
Total revenues	927,607	7,541,052	2,960,551	11,429,210
Total revenues comprise:				
- Interest income	927,6	7,5	-	8,456,900
- Net gain on financial assets and liabilities at fair value through profit or loss	-	-	2,557,213	2,557,213
- Fee and commission income	-	4,4	-	4,418
- Gain from sale of property and equipment	-	7,3	-	7,341
- Dividends income	-	-	24,167	24,167
- Other income	-	-	379,171	379,171
Total revenues	927,607	7,541,052	2,960,551	11,429,210
- Interest expense	-	(6,043,636)	-	(6,043,636)
- Impairment charge	(169,810)	(888,141)	-	(1,057,951)
- Fee and commission expense	-	(89,914)	-	(89,914)
- Net loss on foreign exchange operations	-	-	(480,677)	(480,677)
- Provision for impairment losses on other transactions	-	-	(260,078)	(260,078)
- Operating expenses	(336,066)	(1,800,345)	-	(2,136,411)
Segment result	421,731	(1,280,984)	2,219,796	1,360,543
Net profit before income tax and discontinued operations				1,360,543
Income tax expense				(228,446)
Net profit before discontinued operations				1,132,097
Profit from discontinued operations				783,350
Net profit				1,915,447
Total segment assets	12,5	118,5	-	131,134,461
Unallocated assets				231,022
Total assets				131,365,483
Total segment liabilities	35,6	120,3	-	120,394,375
Unallocated liabilities				77,630
Total liabilities				120,472,005
Other segment items:				
Capital expenditure (unallocated)				(1,659,954)
Depreciation and amortization expense (unallocated)				(163,795)

During 2006 and 2007, the Group disposed of several of its subsidiaries, the operations of which had been included in the "other segment". The results of operations of the disposed businesses have been included in Note 9.

Geographical segments

Segment information for the main geographical segments of the Group is set out below as at 31 December 2007 and 2006 and for the years then ended.

	Kazakhstan	OECD	Non OECD	Total
2007				
Total segment assets	208,795,581	5,865,450	11,700,000	226,361,031
External revenues	27,742,450	-	439,994	28,182,444
Capital expenditure	(1,510,591)	-	-	(1,510,591)
2006				
Total segment assets	125,000,000	1,000,000	4,000,000	131,000,000
External revenues	11,429,210	-	-	11,429,210
Capital expenditure	(1,659,954)	-	-	(1,659,954)

External revenues, assets and credit related commitments have generally been allocated based on domicile of the counterparty. Cash on hand, property and equipment and capital expenditure have been allocated based on the country in which they are physically held.

42. FAIR VALUE OF FINANCIAL INSTRUMENTS

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 following methods and assumptions are used by the Group to estimate the fair value of financial instruments not carried at fair value.

Investments held to maturity - Fair value was estimated as the present value of estimated future cash flows discounted at the appropriate year-end market rates.

Due from banks - For assets maturing within one month, the carrying amount is considered to approximate fair value due to the relatively short- term maturity of these financial instruments. For assets maturing in greater than one month, the fair value was estimated as the present value of estimated future cash flows discounted at the appropriate year-end market rates.

Loans to customers – Fair value has been estimated by discounting the scheduled future cash flows of the individual loans through the estimated maturity using prevailing market rates as at the balance sheet date.

Payable to state organizations – the fair value estimated as the present value of estimated future cash flows discounted at the year-end market rates.

Customer accounts - Interest rates charged to customers closely approximate market interest rates and accordingly, the carrying amounts approximate fair values.

Debt component of preferred shares – The dividend rate on preferred shares closely approximates market interest rates at the balance sheet date and accordingly, the carrying amount approximates fair value.

Debt securities issued and Subordinated debt - Market values have been used to determine the fair value of debt securities traded on an active market. For other debt securities, the fair value was estimated as the present value of estimated future cash flows discounted at the year-end market rates.

The fair values of financial assets and liabilities compared with the corresponding carrying amounts in the consolidated balance sheet of the Group are presented below:

	31 December 2007		31 December 2006	
	Carrying value	Fair value	Carrying value	Fair value
Financial assets				
Investment held to maturity	206,907	189,007	185,547	169,971
Due from banks	10,158,230	9,909,506	2,057,803	1,968,899
Loans to customers	170,256,836	170,540,491	92,170,490	99,326,689
Financial liabilities				
Due to banks	53,643,744	54,244,371	39,113,811	39,546,566
Payable to state organizations	1,623,111	1,623,111	1,526,574	1,526,574
Customer accounts	2,549,394	2,549,394	-	-
Debt securities issued	137,934,291	133,103,257	57,028,905	54,347,928
Debt component of preferred shares	5,775,000	5,775,000	-	-
Subordinated debt	10,152,691	7,821,349	15,992,392	15,367,431

Financial assets at fair value through profit or loss and available-for-sale investment securities are carried at fair value in the consolidated balance sheet. The carrying amounts of cash and cash equivalents, trade debtors, trade creditors and other financial assets and financial liabilities approximates fair value due to the short-term nature of such financial instruments.

43. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities within the Group will be able to continue in operation while also maximizing the return to stakeholders through the optimization of the debt and equity balance.

The capital structure of the Group consists of debt, which includes subordinated debt disclosed in Note 35, debt component of preferred shares disclosed in Note 36, and equity attributable to equity holders of the parent, which includes issued capital, reserves and retained earnings as disclosed in the consolidated statement of changes in equity.

The Management Board reviews the capital structure on a quarterly basis. As a part of this review, the Board considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the Board, the Group balances its overall capital structure through the payment of dividends, new share issues, and the issue of new debt or the redemption of existing debt.

As at 31 December 2007 and 2006 the Group's total capital amount for risk management purposes was KZT 18,437,835 thousand and KZT 23,393,128 thousand, respectively.

The Group's overall capital risk management policy remains unchanged from 2006.

44. 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 risk
- Market risk

The Group recognizes that it is essential to have efficient and effective risk management processes in place. To enable this, the Group has established a risk management framework, whose main purpose is to protect the Group from risk and allow it to achieve its performance objectives. Through the risk management framework, the Group manages the risks the following risks:

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. These processes are performed 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 risk-manager or the Risk Management Department.

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 and by region are approved 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.

Where appropriate, and in the case of most loans, the Group obtains collateral and corporate and personal guarantee. However, a significant portion of loans 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.

Maximum Exposure

The Groups maximum exposure to credit risk varies significantly and is dependant on both individual risks and general market economy risks.

The following table presents the maximum exposure to credit risk of financial assets and contingent liabilities. For financial assets in the consolidated balance sheet, the maximum exposure is equal to the carrying amount of those assets prior to any offset or collateral. For financial guarantees and other commitments, the maximum exposure to credit risk is the maximum amount the Group would have to pay if the guarantee was called on or in the case of commitments, if the loan amount was called on. The collateral pledged was determined based on its fair value and limited to the outstanding balance of each loan.

As at 31 December 2007:

	Maximum exposure	Offset	Net exposure after offset	Collateral Pledged	Net exposure after offset and collateral
Financial assets at fair value through profit or loss	26,280,002	-	26,280,002	-	26,280,002
Due from banks	10,158,230	-	10,158,230	-	10,158,230
Loans to customers	170,256,836	-	170,256,836	150,320,391	19,936,445
Investments available-for-sale	767,964	-	767,964	-	767,964
Investments held to maturity	206,907	-	206,907	-	206,907
Trade debtors	1,449,293	-	1,449,293	-	1,449,293
Contingent liabilities	990,334	-	990,334	451,640	538,694

As at 31 December 2006:

	Maximum exposure	Offset	Net exposure after offset	Collateral Pledged	Net exposure after offset and collateral
Financial assets at fair value through profit or loss	14,017,330	-	14,017,330	-	14,017,330
Due from banks	2,057,803	-	2,057,803	-	2,057,803
Loans to customers	92,170,490	-	92,170,490	90,183,242	1,987,248
Investments available-for-sale	171,512	-	171,512	-	171,512
Investments held to maturity	185,547	-	185,547	-	185,547
Trade debtors	249,068	-	249,068	-	249,068
Contingent liabilities	4,623,241	-	4,623,241	1,410,667	3,212,574

Financial assets are graded according to the current credit rating they have been issued by an internationally regarded agency such as Standard and Poors. The highest possible rating is AAA. Investment grade financial assets have ratings from AAA to BBB. Financial assets which have ratings lower than BBB are classed as speculative grade.

The following table details the credit ratings of financial assets held by the Group as at 31 December 2007:

	AAA	AA	A	BBB	>BBB	Not Rated	Total at 31 December 2007
Financial assets at fair value through profit or loss	510,397	-	-	-	11,450,159	14,319,446	26,280,002
Due from banks	-	2,681,202	-	-	7,170,000	307,028	10,158,230
Loans to customers	-	-	-	-	-	170,256,836	170,256,836
Investments available-for-sale	-	-	-	-	171,404	596,560	767,964
Investments held to maturity	-	-	-	-	-	206,907	206,907
Trade debtors	-	-	-	-	-	1,449,293	1,449,293

As at 31 December 2006:

	AAA	AA	A	BBB	>BBB	Not Rated	Total at 31 December 2006
Financial assets at fair value through profit or loss	-	-	-	-	5,372,458	8,644,872	14,017,330
Due from banks	-	-	-	-	2,057,803	-	2,057,803
Loans to customers	-	-	-	-	-	92,170,490	92,170,490
Investments available-for-sale	-	-	-	-	-	171,512	171,512
Investments held to maturity	-	-	-	-	-	185,547	185,547
Trade debtors	-	-	-	-	-	249,068	249,068

The banking industry is generally exposed to credit risk through its loans to customers and inter bank deposits. With regard to the loans to customers this risk exposure is concentrated within Kazakhstan. The exposure is monitored on a regular basis to ensure that the credit limits and credit worthiness guidelines established by the Group's risk management policy are not breached.

The Group enters into numerous transactions where the counterparties are not rated by international rating agencies. The Group has developed internal models, which allow it to determine the rating of counterparties, which are comparable to ratings of international rating agencies. These models include rating models for corporate customers and scoring models for individuals and small business.

Rating model

The Group has developed an internal rating model, based on the principles and methods used by international rating agencies for the assessment of credit risk of corporate borrowers and FMSA requirements. The rating of corporate borrower is based on an analysis of the financial ratios of the borrower, and an analysis of the industry sector, in which the borrower operates. The model takes into account specific local market conditions.

The quality of the internal rating model is examined on a regular basis through an assessment of both its effectiveness and validity. The Group revises the model when deficiencies are identified.

Scoring models

The Group uses scoring models as a statistical tool to assess the creditworthiness of new borrowers of the Group. Scoring models are applied for assessment of the credit risk of individuals only.

The scoring models interpret credit history of borrowers and historic data from external sources, such as credit bureau reports. Each of the parameters inserted into scoring model has a numeric value, the sum of which represents the borrower's internal credit score. The assigned score reflects the probability of default of the borrower.

The scoring model is assessed on a continual basis for its effectiveness and validity.

The Group applies internal rating and scoring methodologies to specific corporate loans and groups of retail loans, which incorporate various underlying master scales that are different from that used by international rating agencies. The scoring methodologies are tailor-made for specific products and are

applied at various stages over the life of the loan. As a result, it is not possible to make a cross-product score comparison which would agree to the outstanding balance of loans to customers per the consolidated balance sheet. As such, more detailed information is not being presented.

The following table details the carrying value of assets that are impaired and the ageing of those that are past due but not impaired:

As at 31 December 2007:

	Financial assets past due but not impaired					Financial assets that have been impaired	Total at 31 December 2007
	Neither past due nor impaired	0-3 months	3-6 Months	6 months to 1 year	Greater than one year		
Financial assets at fair value through profit or loss	26,280,002	-	-	-	-	-	26,280,002
Due from banks	10,158,230	-	-	-	-	-	10,158,230
Loans to customers	104,457,869	1,810	-	-	-	65,797,157	170,256,836
Investments available-for-sale	767,964	-	-	-	-	-	767,964
Investments held to maturity	206,907	-	-	-	-	-	206,907
Trade debtors	1,449,293	-	-	-	-	-	1,449,293

As at 31 December 2006:

	Financial assets past due but not impaired					Financial assets that have been impaired	Total at 31 December 2006
	Neither past due nor impaired	0-3 months	3-6 months	6 months to 1 year	Greater than one year		
Financial assets at fair value through profit or loss	14,017,330	-	-	-	-	-	14,017,330
Due from banks	2,057,803	-	-	-	-	-	2,057,803
Loans to customers	70,927,722	-	-	-	-	21,197,768	92,170,490
Investments available-for-sale	171,512	-	-	-	-	-	171,512
Investments held to maturity	185,547	-	-	-	-	-	185,547
Trade debtors	249,068	-	-	-	-	-	249,068

Geographical concentration

The Assets and Liabilities Management Committee (“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 2007 Total
ASSETS				
Cash and cash equivalents	2,573,691	65,272	22,955	2,661,918
Financial assets at fair value through profit or loss	25,589,292	690,710	-	26,280,002
Goodwill	124,376	-	-	124,376
Due from banks	7,236,114	2,690,151	231,965	10,158,230
Loans to customers	161,131,059	-	9,125,777	170,256,836
Investments available-for-sale	767,226	-	738	767,964
Investments held to maturity	-	206,907	-	206,907
Trade debtors	1,449,293	-	-	1,449,293
Advances paid	2,766,995	1,615,138	2,014,595	6,396,728
Property and equipment purchased for transfer into finance lease	1,825,729	-	-	1,825,729
Property, equipment and intangible assets	2,820,830	-	72,075	2,892,905
Investment property	1,075,084	-	-	1,075,084
Non-current assets held for sale	749,123	-	-	749,123
Other assets	1,001,254	597,272	246,249	1,844,775
TOTAL ASSETS	209,110,066	5,865,450	11,714,354	226,689,870
LIABILITIES				
Due to banks	3,336,648	49,888,896	418,200	53,643,744
Financial liabilities at fair value through profit or loss	-	440,530	-	440,530
Payable to state organizations	1,623,111	-	-	1,623,111
Debt securities issued	21,150,927	116,780,209	3,155	137,934,291
Customer accounts	1,328	16	2,548,050	2,549,394
Trade creditors	93,148	186,327	29,228	308,703
Advances received	1,375,537	-	-	1,375,537
Taxes payable	97,220	-	-	97,220
Deferred income tax liabilities	140,534	-	-	140,534
Other liabilities	58,718	450	6,593	65,761
Subordinated debt	10,229,255	-	-	10,229,255
Debt component of preferred shares	5,775,000	-	-	5,775,000
TOTAL LIABILITIES	43,881,426	167,296,428	3,005,226	214,183,080
NET POSITION	165,228,640	(161,430,978)	8,709,128	

	Kazakhstan	OECD countries	Other non-OECD countries	31 December 2006 Total
ASSETS				
Cash and cash equivalents	5,176,162	4,163	1,825	5,182,150
Financial assets at fair value through profit or loss	14,017,330	-	-	14,017,330
Due from banks	2,057,803	-	-	2,057,803
Loans to customers	89,499,519	-	2,670,971	92,170,490
Investments available-for-sale	171,512	-	-	171,512
Investments held to maturity	185,547	-	-	185,547
Trade debtors	206,134	42,826	108	249,068
Advances paid	2,905,642	1,202,257	1,893,896	6,001,795
Property and equipment purchased for transfer into finance lease	2,392,445	-	-	2,392,445
Property, equipment and intangible assets	2,126,911	-	-	2,126,911
Investment property	1,099,667	-	-	1,099,667
Non-current assets held for sale	4,220,544	-	-	4,220,544
Other assets	1,483,884	3,255	3,082	1,490,221
TOTAL ASSETS	125,543,100	1,252,501	4,569,882	131,365,483
LIABILITIES				
Due to banks	6,538,693	32,575,118	-	39,113,811
Financial liabilities at fair value through profit or loss	-	164,302	-	164,302
Payable to state organizations	1,526,574	-	-	1,526,574
Debt securities issued	12,435,492	44,593,413	-	57,028,905
Trade creditors	86,297	7,541	64,814	158,652
Advances received	3,909,953	-	-	3,909,953
Taxes payable	137,405	-	-	137,405
Deferred income tax liabilities	77,630	-	-	77,630
Liability directly associated with non-current assets held for sale	2,215,282	-	-	2,215,282
Other liabilities	142,592	-	4,507	147,099
Subordinated debt	15,992,392	-	-	15,992,392
TOTAL LIABILITIES	43,062,310	77,340,374	69,321	120,472,005
NET POSITION	82,480,790	(76,087,873)	4,500,561	

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 ALMC controls these types of risks by means of maturity analysis in 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 optimization.

In order to manage liquidity risk, the Group performs daily monitoring of future expected cash flows, 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.

An analysis of the liquidity and interest rate risks is presented in the following table. The presentation below is based upon the information provided internally to key management personnel of the Group.

	Up to 1 month	1 month to 3 months	3 month to 1 year	1 year to 5 years	Over 5 years	Maturity undefined	31 December 2007 Total
FINANCIAL ASSETS							
Financial assets at fair value through profit or loss	-	-	12,550,402	-	-	-	12,550,402
Due from banks	5,477,589	-	1,990,490	2,690,151	-	-	10,158,230
Loans to customers	<u>9,706,553</u>	<u>12,546,526</u>	<u>22,593,300</u>	<u>82,402,356</u>	<u>35,734,153</u>	-	<u>162,982,888</u>
Total interest bearing financial assets with fixed interest rate	<u>15,184,142</u>	<u>12,546,526</u>	<u>37,134,192</u>	<u>85,092,507</u>	<u>35,734,153</u>	-	<u>185,691,520</u>
Loans to customers	-	-	-	<u>7,273,948</u>	-	-	<u>7,273,948</u>
Total interest bearing financial assets with floating interest rate	-	-	-	<u>7,273,948</u>	-	-	<u>7,273,948</u>
Total interest bearing financial assets	15,184,142	12,546,526	37,134,192	92,366,455	35,734,153	-	192,965,468
Cash and cash equivalents	2,661,918	-	-	-	-	-	2,661,918
Investments available-for- sale	197,793	-	-	570,171	-	-	767,964
Investments held to maturity	-	-	-	206,907	-	-	206,907
Financial assets at fair value through profit or loss	-	-	9,802,066	3,927,534	-	-	13,729,600
Trade debtors	-	<u>1,449,293</u>	-	-	-	-	<u>1,449,293</u>
Total non- interest bearing financial assets	<u>2,859,711</u>	<u>1,449,293</u>	<u>9,802,066</u>	<u>4,704,612</u>	-	-	<u>18,815,682</u>
Total financial assets	<u>18,043,853</u>	<u>13,995,819</u>	<u>46,936,258</u>	<u>97,071,067</u>	<u>35,734,153</u>	-	<u>211,781,150</u>

	Up to 1 month	1 month to 3 months	3 month to 1 year	1 year to 5 years	Over 5 years	Maturity undefined	31 December 2007 Total
FINANCIAL LIABILITIES							
Due to banks	2,824,200	3,334,992	9,893,145	8,749,899	-	-	24,802,236
Payable to state organizations	-	-	-	-	1,623,111	-	1,623,111
Debt securities issued	5,590	143,823	7,131,101	108,593,792	6,338,012	-	122,212,318
Financial liabilities at fair value through profit or loss	-	113,759	-	-	-	-	113,759
Customer accounts	260,291	35,575	282,248	315,313	-	-	893,427
Debt component of preferred shares	-	-	577,500	-	-	5,197,500	5,775,000
Subordinated debt	-	-	95,766	-	7,466,198	-	7,561,964
Total interest bearing financial liabilities with fixed interest rate	<u>3,090,081</u>	<u>3,628,149</u>	<u>17,979,760</u>	<u>117,659,004</u>	<u>15,427,321</u>	<u>5,197,500</u>	<u>162,981,814</u>
Due to banks	-	-	7,314,637	12,964,505	8,562,366	-	28,841,508
Debt securities issued	203,351	-	47,778	6,824,946	8,642,743	-	15,718,818
Financial liabilities at fair value through profit or loss	-	-	13,998	-	-	-	13,998
Subordinated debt	-	-	141,381	-	1,201,534	-	1,342,915
Total interest bearing financial liabilities with floating interest rate	<u>203,351</u>	<u>-</u>	<u>7,517,794</u>	<u>19,789,451</u>	<u>18,406,643</u>	<u>-</u>	<u>45,917,239</u>
Total interest bearing financial liabilities	<u>3,293,432</u>	<u>3,628,149</u>	<u>25,497,554</u>	<u>137,448,455</u>	<u>33,833,964</u>	<u>5,197,500</u>	<u>208,899,053</u>
Subordinated debt	-	-	88,956	-	1,235,421	-	1,324,377
Debt securities issued	-	-	3,155	-	-	-	3,155
Trade creditors	-	308,703	-	-	-	-	308,703
Customer accounts	1,655,967	-	-	-	-	-	1,655,967
Financial liabilities at fair value through profit or loss	-	287,461	25,312	-	-	-	312,773
Total non interest bearing financial liabilities	<u>1,655,967</u>	<u>596,164</u>	<u>117,423</u>	<u>-</u>	<u>1,235,421</u>	<u>-</u>	<u>3,604,975</u>
Total financial liabilities	<u>4,949,399</u>	<u>4,224,313</u>	<u>25,614,977</u>	<u>137,448,455</u>	<u>35,069,385</u>	<u>5,197,500</u>	<u>212,504,028</u>
Liquidity gap	<u>13,094,454</u>	<u>9,771,506</u>	<u>21,321,282</u>	<u>(40,377,388)</u>	<u>664,768</u>		
Interest sensitivity gap	<u>11,890,710</u>	<u>8,918,377</u>	<u>11,636,639</u>	<u>(45,082,000)</u>	<u>1,900,189</u>		
Cumulative interest sensitivity gap	<u>11,890,710</u>	<u>20,809,087</u>	<u>32,445,726</u>	<u>(12,636,274)</u>	<u>(10,736,085)</u>		
Cumulative interest sensitivity gap as a percentage of total financial assets	<u>5.6%</u>	<u>9.8%</u>	<u>15.3%</u>	<u>(6.0%)</u>	<u>(5.1%)</u>		

	Up to 1 month	1 month to 3 months	3 month to 1 year	1 year to 5 years	Over 5 years	Maturity undefined	31 December 2006 Total
FINANCIAL ASSETS							
Financial assets at fair value through profit or loss	-	14,017,330	-	-	-	-	14,017,330
Due from banks		57,803	-	2,000,000	-	-	2,057,803
Loans to customers	20,739,933	5,444,944	19,965,223	31,885,905	6,713,150	-	84,749,155
Total interest bearing financial assets with fixed interest rate	20,739,933	19,520,077	19,965,223	33,885,905	6,713,150	-	100,824,288
Loans to customers	-	-	-	7,421,335	-	-	7,421,335
Total interest bearing financial assets with floating interest rate	-	-	-	7,421,335	-	-	7,421,335
Total interest bearing financial assets	20,739,933	19,520,077	19,965,223	41,307,240	6,713,150	-	108,245,623
Cash and cash equivalents	5,182,150	-	-	-	-	-	5,182,150
Investments held to maturity	-	-	-	185,547	-	-	185,547
Investment available-for-sale	171,512	-	-	-	-	-	171,512
Trade debtors	-	249,068	-	-	-	-	249,068
Total financial assets	26,093,595	19,769,145	19,965,223	41,492,787	6,713,150	-	114,033,900
FINANCIAL LIABILITIES							
Due to banks	1,217,930	1,225,634	3,269,412	18,950,321	-	-	24,663,297
Payable to state organizations	-	-	-	-	1,526,574	-	1,526,574
Debt securities issued	231,356	481,080	2,617,591	51,258,992	2,439,886	-	57,028,905
Financial liabilities at fair value through profit or loss	-	-	164,302	-	-	-	164,302
Subordinated debt	-	-	96,000	-	7,424,976	-	7,520,976
Total interest bearing financial liabilities with fixed interest rate	1,449,286	1,706,714	6,147,305	70,209,313	11,391,436	-	90,904,054
Due to banks	3,733,665	270,885	588,411	9,380,848	476,705	-	14,450,514
Subordinated debt	-	-	438,333	-	6,818,058	-	7,256,391
Total interest bearing financial liabilities with floating interest rate	3,733,665	270,885	1,026,744	9,380,848	7,294,763	-	21,706,905
Total interest bearing financial liabilities	5,182,951	1,977,599	7,174,049	79,590,161	18,686,199	-	112,610,959
Trade creditors	-	158,652	-	-	-	-	158,652
Subordinated debt	-	-	-	-	1,215,025	-	1,215,025
Total non interest bearing financial liabilities	-	158,652	-	-	1,215,025	-	1,373,677
Total financial liabilities	5,182,951	2,136,251	7,174,049	79,590,161	19,901,224	-	113,984,636
Liquidity gap	20,910,644	17,632,894	12,791,174	(38,097,374)	(13,188,074)		
Interest sensitivity gap	15,556,982	17,542,478	12,791,174	(38,282,921)	(11,973,049)		
Cumulative interest sensitivity gap	15,556,982	33,099,460	45,890,634	7,607,713	(4,365,336)		
Cumulative interest sensitivity gap as a percentage of total financial assets	13.6%	29.0%	40.2%	6.7%	(3.8%)		

A further analysis of the liquidity and interest rate risks is presented in the following tables in accordance with IFRS 7. The amounts disclosed in these tables do not correspond to the amounts recorded on the balance sheet as the presentation below includes a maturity analysis for financial liabilities that indicates the total remaining contractual payments (including interest payments), which are not recognized in the balance sheet under the effective interest rate method.

	Weighted average effective interest rate	Up to 1 month	1 month to 3 months	3 month to 1 year	1 year to 5 years	Over 5 years	Maturity undefined	31 December 2007 Total
FINANCIAL LIABILITIES								
Due to banks	7.0%	3,281,740	1,470,264	15,394,600	38,624,233	11,727,815	-	70,498,652
Financial liabilities at fair value through profit or loss	8.8%	-	401,220	39,310	-	-	-	440,530
Trade creditors	-	-	308,703	-	-	-	-	308,703
Customer accounts	8.2%	86,239	102,941	282,248	315,313	-	1,932,754	2,719,495
Debt securities issued	8.0%	226,806	1,033,024	17,171,253	120,535,333	9,204,430	-	148,170,846
Payable to state organizations	2.0%	-	-	40,855	865,260	1,953,070	-	2,859,185
Debt component of preferred shares	10.0%	-	-	577,500	-	-	5,197,500	5,775,000
Subordinated debt	8.7%	-	-	906,889	5,257,660	18,029,447	-	24,193,996
Total financial liabilities		3,594,785	3,316,152	34,412,655	165,597,799	40,914,762	7,130,254	254,966,407
	Weighted average effective interest rate	Up to 1 month	1 month to 3 months	3 month to 1 year	1 year to 5 years	Over 5 years	Maturity undefined	31 December 2006 Total
FINANCIAL LIABILITIES								
Due to banks	7.0%	943,979	2,857,969	4,379,939	34,622,181	299,188	-	43,103,256
Financial liabilities at fair value through profit or loss	8.8%	-	-	164,302	-	-	-	164,302
Trade creditors	-	-	158,652	-	-	-	-	158,652
Debt securities issued	8.0%	225,000	-	1,959,209	57,475,791	2,450,000	-	62,110,000
Payable to state organizations	2.0%	-	-	-	240,000	2,350,000	-	2,590,000
Subordinated debt	8.7%	-	-	-	443,967	17,200,850	-	17,644,817
Total financial liabilities		1,168,979	3,016,621	6,503,450	92,781,939	22,300,038	-	125,771,027

Market Risk

Market risk covers interest rate risk, currency risk and other pricing risks to which the Group is exposed. There have been no changes as to the way the Group measures risk or to the risk it is exposed.

The Group is exposed to interest rate risks as entities in the Group borrow funds at both fixed and floating rates. The risk is managed by the Group maintaining an appropriate mix between fixed and floating rate borrowings.

The ALMC also manages interest rate and market risks by matching the Group's interest rate position, which provides the Group with a positive interest margin. Risk Management Department conducts monitoring of the Group's current financial performance, estimates the Group's sensitivity to changes in interest rates and its influence on the Group's profitability.

Interest rate risk

Interest rate risk is the risk of the losses as the result of changes in the future cash flow of a financial instrument fluctuation because of changes in market interest rates.

The Group is exposed to changes in interest rates through its placement of funds with both fixed and floating interest rates. The Group attempts to mitigate this risk through having corresponding assets and liabilities with fixed and floating interest rates.

The ALMC manages interest rate and market risks by matching the Group's interest rate position, so as to ensure the Group maintains a positive interest margin. Although a significant portion of the Group's assets are placed with a fixed interest rate. The Department of Financial Control monitors the results of the financial activity of the Group and continually assesses the vulnerability of the Group to changes in interest rates.

The following table presents an analysis of interest rate risk. 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.

	31 December 2007			31 December 2006		
	% in KZT	% in USD	% in other currencies	% in KZT	% in USD	% in other currencies
ASSETS:						
Financial assets at fair value through profit or loss	9.47	-	-	9.15	-	-
Due from banks	13.90	-	-	13.90	-	-
Loans to customers	14.90	15.00	11.60	13.59	12.62	8.37
Investments held to maturity	11.20	-	-	11.20	-	-
LIABILITIES:						
Due to banks	-	7.1	5.1	8.1	8.1	5.15
Customer accounts	-	-	8.1	-	-	-
Debt securities issued	8.1	6.1	7.1	9.1	8.1	3.15
Subordinated debt	8.1	-	-	8.1	-	-

The Group uses derivative financial instruments to mitigate the results of changes in interest rates and control the interest rate margin by types of products. Management monitors the interest rate margin of the Group and believes that the Group is not exposed to significant risk of change in interest rates and related cash flow interest rate risk.

Interest rate sensitivity

The Group manages fair value interest rate risk through periodic estimation of potential losses that could arise from adverse changes in market conditions. Risk Management Department 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.

The following table presents a sensitivity analysis of interest rate risk, which has been determined based on "reasonably possible changes in the risk variable". The impact on profit before tax is the effect of the assumed changes in interest rate on the net interest income for one year, based on the floating rate financial assets and liabilities held as at 31 December 2007 and 2006 and the effect of revaluing instruments with fixed rates accounted at fair value. The impact on equity is the effect of the assumed changes in interest rate due to changes in retained earnings and the effect of revaluing available for sale investment securities with fixed rates. The level of these changes is determined by management and is contained within the risk reports provided to key management personnel.

Impact on profit before tax based on asset values as at 31 December 2007 and 31 December 2006:

	As at 31 December 2007		As at 31 December 2006	
	Interest rate +1%	Interest rate -1%	Interest rate +1%	Interest rate -1%
Assets:				
Financial assets at fair value through profit or loss	(97,297)	105,201	6,584	(6,229)
Loans to customers	72,739	(72,739)	74,213	(74,213)
Liabilities:				
Due to banks	(288,415)	288,415	(144,505)	144,505
Debt securities issued	(157,188)	157,188	-	-
Subordinated debt	(13,429)	13,429	(72,564)	72,564
Financial liabilities at fair value through profit or loss	(140)	140	-	-
Net impact on profit before tax	<u>(483,730)</u>	<u>491,634</u>	<u>(136,272)</u>	<u>136,627</u>

Impact on shareholders equity:

	As at 31 December 2007		As at 31 December 2006	
	Interest rate +1%	Interest rate -1%	Interest rate +1%	Interest rate -1%
Assets:				
Financial assets at fair value through profit or loss	(97,297)	105,201	6,584	(6,229)
Loans to customers	72,739	(72,739)	74,213	(74,213)
Liabilities:				
Due to banks	(288,415)	288,415	(144,505)	144,505
Debt securities issued	(157,188)	157,188	-	-
Subordinated debt	(13,429)	13,429	(72,564)	72,564
Financial liabilities at fair value through profit or loss	(140)	140	-	-
Net impact on shareholders equity	<u>(483,730)</u>	<u>491,634</u>	<u>(136,272)</u>	<u>136,627</u>

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 KZT 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.

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

	KZT	USD USD 1 = KZT 120.30	EUR EUR 1 = KZT 177.17	Other currency	31 December 2007 Total
Financial assets:					
Cash and cash equivalents	471,111	494,672	19,623	1,676,512	2,661,918
Financial assets at fair value through profit or loss	22,003,917	2,636,301	1,593,677	46,107	26,280,002
Due from banks	7,234,718	1,396	2,690,151	231,965	10,158,230
Loans to customers	131,215,237	26,109,469	5,715,166	7,216,964	170,256,836
Investments available-for-sale	767,226	-	-	738	767,964
Investments held to maturity	206,907	-	-	-	206,907
Trade debtors	1,449,293	-	-	-	1,449,293
Total financial assets	<u>163,348,409</u>	<u>29,241,838</u>	<u>10,018,617</u>	<u>9,172,286</u>	<u>211,781,150</u>
Financial liabilities:					
Due to banks	12,942,576	28,137,056	11,845,359	718,753	53,643,744
Payable to state organizations	1,623,111	-	-	-	1,623,111
Debt securities issued	21,150,927	45,139,517	63,027,045	8,616,802	137,934,291
Trade creditors	93,148	29,183	186,326	46	308,703
Financial liabilities at fair value through profit or loss	426,532	13,998	-	-	440,530
Customer accounts	1,327	13,309	12,182	2,522,576	2,549,394
Subordinated debt	10,229,255	-	-	-	10,229,255
Debt component of preferred shares	5,775,000	-	-	-	5,775,000
Total liabilities	<u>52,241,876</u>	<u>73,333,063</u>	<u>75,070,912</u>	<u>11,858,177</u>	<u>212,504,028</u>
OPEN BALANCE SHEET POSITION	<u>111,106,533</u>	<u>(44,091,225)</u>	<u>(65,052,295)</u>	<u>(2,685,891)</u>	

	KZT	USD USD 1 = KZT 127.00	EUR EUR 1 = KZT 167.12	Other currencies	31 December 2006 Total
Financial assets:					
Cash and cash equivalents	5,172,311	8,422	1,413	4	5,182,150
Financial assets at fair value through profit or loss	11,582,049	1,487,972	947,309	-	14,017,330
Due from banks	2,000,000	-	57,803	-	2,057,803
Loans to customers	77,526,807	11,531,697	2,735,430	376,556	92,170,490
Investments available-for-sale	171,512	-	-	-	171,512
Investments held to maturity	185,547	-	-	-	185,547
Trade debtors	249,068	-	-	-	249,068
Total financial assets	96,887,294	13,028,091	3,741,955	376,560	114,033,900
Financial liabilities:					
Due to banks	12,939,018	19,771,323	6,027,115	376,355	39,113,811
Financial liabilities at fair value through profit or loss	130,814	33,488	-	-	164,302
Debt securities issued	18,592,158	38,401,650	35,097	-	57,028,905
Payable to state organizations	1,526,574	-	-	-	1,526,574
Trade creditors	158,652	-	-	-	158,652
Subordinated debt	15,992,392	-	-	-	15,992,392
Total financial liabilities	49,339,608	58,206,461	6,062,212	376,355	113,984,636
OPEN BALANCE SHEET POSITION	47,547,686	(45,178,370)	(2,320,257)	205	

Currency risk sensitivity

The following table details the Group's Sensitivity to a 10% increase and decrease in the USD and EUR against the KZT, as the primary exposure to foreign currency risk is due to positions in the USD and EUR. Ten percent is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign currency exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the period for a 10% change in foreign currency rates.

Impact on net profit before tax and equity based on asset values as at 31 December 2007 and 31 December 2006:

	As at 31 December 2007		As at 31 December 2006	
	KZT/USD +10%	KZT/USD -10%	KZT/USD +10%	KZT/USD -10%
Impact on profit or loss before tax and equity	4,409,122	(4,409,122)	4,517,837	(4,517,837)
	As at 31 December 2007		As at 31 December 2006	
	KZT/EUR +10%	KZT/EUR -10%	KZT/EUR +10%	KZT/EUR -10%
Impact on profit or loss before tax and equity	6,505,230	(6,505,230)	232,026	(232,026)

Limitations of sensitivity analysis

The above tables demonstrate the effect of a change in a key assumption while other assumptions remain unchanged. In reality, there is a correlation between the assumptions and other factors. It should also be noted that these sensitivities are non-linear, and larger or smaller impacts should not be interpolated or extrapolated from these results.

The sensitivity analyses do not take into consideration that the Group's assets and liabilities are actively managed. Additionally, the financial position of the Group may vary at the time that any actual market movement occurs. For example, the Group's financial risk management strategy aims to manage the exposure to market fluctuations. As investment markets move past various trigger levels, management actions could include selling investments, changing investment portfolio allocation and taking other protective action. Consequently, the actual impact of a change in the assumptions may not have any impact on the liabilities, whereas assets are held at market value on the balance sheet. In these circumstances, the different measurement bases for liabilities and assets may lead to volatility in shareholder equity.

Other limitations in the above sensitivity analyses include the use of hypothetical market movements to demonstrate potential risk that only represent the Group's view of possible near-term market changes that cannot be predicted with any certainty; and the assumption that all interest rates move in an identical fashion.

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.

45. RESTATEMENTS DUE TO CORRECTION OF ERRORS

Embedded derivatives

Subsequent to the issuance of the Group's consolidated financial statements for the year ended 31 December 2006, the Group's management identified embedded derivatives in certain loans to customer and finance lease agreements which were entered into during previous periods. Certain loans to customers and finance leases agreements that are denominated in KZT are indexed to either the US Dollar or EURO. These agreements require that the borrower repay the loans or finance leases and respective interest in KZT; however, the amount to be repaid is adjusted by changes in the US Dollar or EURO exchange rates from inception of the loan or lease agreement to the payment date. The contracts also provide for a floor exchange rate which is equal to the spot rates on the origination date of the loans or leases. The Group has determined that the embedded derivative is not closely related to the host contract and should be separately measured at fair value. The Group uses a valuation technique based on option valuation models and market data related to forward exchange rates and volatility at each balance sheet date to determine the fair value of any embedded derivatives. As a result of the identification and recording of embedded derivatives, the consolidated balance sheet as at 31 December 2006, the related consolidated income statement, and the consolidated statements of cash flows and changes in equity for the year ended 31 December 2006 have been restated from the amounts previously reported.

Loans recorded initially at fair value

Subsequent to the issuance of the Group's consolidated financial statements for the year ended 31 December 2006, the Group's management identified that payables to state organisations and subordinated debt were not initially recognised at fair value in accordance with IAS 39.

As a result of the identification and recording of the fair value of payables to state organizations and subordinated debt as at the dates of origination, the consolidated balance sheet as at 31 December 2006, the related consolidated income statement, and the consolidated statements of cash flows and changes in equity for the year ended 31 December 2006 have been restated from the amounts previously reported.

Other adjustments

Several additional adjustments have been made to the 2006 consolidated financial statements as previously issued related to various corrections and reclassifications of an insignificant nature. These adjustments were identified in the process of restating the prior year amounts for the adjustments discussed above.

The table below includes the impact of these corrections on the previously issued consolidated financial statements as of and for the year ended 31 December 2006. The impact to beginning retained earnings of these corrections as of 1 January 2006 was an increase of KZT 2,271,902 thousand.

	As reported	Embedded derivatives	Loans recorded at fair value	Other adjustments	As restated
Consolidated income statement:					
Interest income	7,904,758	291,098	-	261,044	8,456,900
Interest expense	(5,869,154)	-	(174,482)	-	(6,043,636)
Net interest income before provision for impairment losses on interest bearing assets	2,035,604	291,098	(174,482)	261,044	2,413,264
Net interest income	977,653	291,098	(174,482)	261,044	1,355,313
Net loss on foreign exchange operations	(208,923)	(271,754)	-	-	(480,677)
Net gain on financial assets and liabilities at fair value through profit or loss	2,358,257	198,956	-	-	2,557,213
Other income	723,566	-	-	(344,395)	379,171
Net non-interest income	2,818,912	(72,798)	-	(344,395)	2,401,719
Operating income	3,796,565	218,300	(174,482)	(83,351)	3,757,032
Profit before impairment losses on other transactions	1,660,154	218,300	(174,482)	(83,351)	1,620,621
Operating profit	1,400,076	218,300	(174,482)	(83,351)	1,360,543
Income tax expense	(183,505)	(74,244)	-	29,303	(228,446)
Net profit from continuing operations	1,216,571	144,056	(174,482)	(54,048)	1,132,097
NET PROFIT	1,999,921	144,056	(174,482)	(54,048)	1,915,447
BASIC AND DILUTED EARNINGS PER SHARE (tenge)					
From continuing and discontinued operations	573	43	(52)	(16)	547
From continuing operations	451	43	(52)	(101)	340
Consolidated balance sheet:					
Financial assets at fair value through profit or loss	10,560,472	3,456,858	-	-	14,017,330
Loans to customers	95,463,220	(3,209,379)	-	(83,351)	92,170,490
Total assets	131,201,355	247,479	-	(83,351)	131,365,483
Payable to state organizations	2,590,000	-	(1,063,426)	-	1,526,574
Deferred income tax liabilities	32,689	74,244	-	(29,303)	77,630
Subordinated debt	16,997,207	-	(1,004,815)	-	15,992,392
Total liabilities	122,495,305	74,244	(2,068,241)	(29,303)	120,472,005
Retained earnings	3,504,096	173,235	2,068,241	(54,048)	5,691,524
Total equity attributable to equity holders of the parent	8,254,211	173,235	2,068,241	(54,048)	10,441,649
Total equity	8,706,050	173,235	2,068,241	(54,048)	10,893,478
Total liabilities and equity	131,201,355	247,479	-	(83,351)	131,365,483