



Financial Statements and Auditors' Report
31 December 2005

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AUDITORS' REPORT

To the Board of Directors and Management of JSC KazInvestBank:

- 1 We have audited the accompanying balance sheet of JSC KazInvestBank (the "Bank") as at 31 December 2005, and the related statements of income, cash flows and changes in equity for the year then ended. These financial statements are the responsibility of the Bank's Management. Our responsibility is to express an opinion on these financial statements based on our audit.
- 2 We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
- 3 In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as of 31 December 2005 and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Almaty, Kazakhstan
27 March 2006

JSC KazInvestBank
Balance Sheet

<i>In thousands of Kazakhstani Tenge</i>	Note	31 December 2005	31 December 2004 (Restated)
ASSETS			
Cash and cash equivalents	7	3,184,243	1,139,552
Mandatory cash balances with the National Bank of the Republic of Kazakhstan		218,828	99,664
Trading securities	8	1,334,932	103,974
Due from other banks	9	268,032	416,144
Loans and advances to customers	10	6,835,722	4,315,678
Investment securities available for sale	11	1,334,646	-
Investment securities held to maturity	12	-	1,608,352
Current income tax prepayment		26,514	17,312
Deferred income tax asset	27	22,186	5,560
Intangible assets	13	54,152	63,636
Premises and equipment	13	948,888	659,747
Other assets	14	30,169	146,900
TOTAL ASSETS		14,258,312	8,576,519
LIABILITIES			
Due to other banks	15	558,813	413,003
Customer accounts	16	8,589,753	5,411,030
Subordinated debt	17	299,253	-
Other borrowed funds	18	1,995,477	1,250,275
Other liabilities	19	59,243	5,502
TOTAL LIABILITIES		11,502,539	7,079,810
EQUITY			
Share capital	20	2,665,630	1,450,000
Retained earnings/(accumulated loss)		32,918	(10,005)
Other reserves	21	57,225	56,714
TOTAL EQUITY		2,755,773	1,496,709
TOTAL LIABILITIES AND EQUITY		14,258,312	8,576,519

Approved for issue and signed on behalf of the Board of Directors on 27 March 2006.

 Adnan Alii Agha
 Chief Executive Officer

 Natalya Merzlyakova
 Chief Accountant

JSC KazInvestBank
Income Statement

<i>In thousands of Kazakhstani Tenge</i>	Note	2005	2004 (Restated)
Interest income	22	866,531	455,856
Interest expense	22	(405,741)	(179,348)
Net interest income		460,790	276,508
Recovery of/(provision for) loan impairment	10	93,079	(43,695)
Net interest income after provision for loan impairment		553,869	232,813
Gains less losses from trading securities		(436)	119
Gains less losses from trading in foreign currency		58,675	23,569
Foreign exchange translation gains less losses		9,174	(1,545)
Fee and commission income	23	104,003	72,825
Fee and commission expense	23	(21,208)	(5,995)
Gain on sale of investment securities available for sale	11	49,626	-
Other operating income	24	879	9,530
Operating income		754,582	331,316
Administrative and other operating expenses	25	(728,285)	(323,291)
Profit before tax		26,297	8,025
Income tax credit/(expense)	27	16,626	(18,030)
Profit/(loss) for the year		42,923	(10,005)

JSC KazInvestBank
Statement of Changes in Equity

<i>In thousands of Kazakhstani Tenge</i>	Note	Share capital	Other reserves	Retained earnings	Total equity
Balance at 1 January 2004		1,000,000	73,769	(17,055)	1,056,714
Profit for the year (restated)	26	-	-	(10,005)	(10,005)
Share issue	20	450,000	-	-	450,000
Transfers		-	(17,055)	17,055	-
Balance at 31 December 2004 (restated)		1,450,000	56,714	(10,005)	1,496,709
Available for sale investments:					
- Fair value gains less losses	11	-	50,137	-	50,137
- Disposals	11	-	(49,626)	-	(49,626)
Net income recognised directly in equity		-	511	-	511
Profit for the year		-	-	42,923	42,923
Total recognised income for 2005		-	511	42,923	43,434
Share issue	20	1,215,630	-	-	1,215,630
Balance at 31 December 2005		2,665,630	57,225	32,918	2,755,773

JSC KazInvestBank
Statement of Cash Flows

<i>In thousands of Kazakhstani Tenge</i>	Note	2005	2004
Cash flows from operating activities			
Interest received		814,669	420,387
Interest paid		(389,652)	(120,582)
Income received from trading in trading securities		49,190	-
Income received from trading in foreign currency		74,351	-
Fees and commissions received		98,449	79,916
Fees and commissions paid		(17,123)	(5,995)
Other operating income received		12,003	33,647
Staff costs paid		(402,930)	(181,699)
Administrative and other operating expenses paid		(245,959)	(117,381)
Income tax paid		(9,202)	(36,977)
Cash flows (used in)/ from operating activities before changes in operating assets and liabilities		(16,204)	71,316
Changes in operating assets and liabilities			
Net increase in Mandatory cash balances with the NBRK		(119,164)	(99,609)
Net increase in trading securities		(1,236,896)	(103,640)
Net decrease/(increase) in due from other banks		148,190	(416,089)
Net increase in loans and advances to customers		(2,357,920)	(3,365,963)
Net decrease/(increase) in other assets		121,824	(137,236)
Net increase in due to other banks		142,676	387,145
Net increase in customer accounts		3,166,724	5,256,874
Net increase in other borrowed funds		744,865	1,250,275
Net increase in other liabilities		5,378	1,142
Net cash from operating activities		599,473	2,844,215
Cash flows from investing activities			
Proceeds from disposal of investment securities available for sale	11	950,461	-
Acquisition of investment securities held to maturity		(9,798,396)	(1,602,748)
Proceeds from redemption of investment securities held to maturity		9,111,900	-
Acquisition of premises and equipment	13	(341,268)	(650,953)
Proceeds from disposal of premises and equipment		2,566	64,984
Acquisition of intangible assets	13	(3,483)	(61,984)
Proceeds from disposal of intangible assets		-	74
Net cash used in investing activities		(78,220)	(2,250,627)
Cash flows from financing activities			
Issue of ordinary shares	20	1,215,630	450,000
Issue of debt securities		298,634	-
Net cash from financing activities		1,514,264	450,000
Effect of exchange rate changes on cash and cash equivalents		9,174	-
Net increase in cash and cash equivalents		2,044,691	1,043,588
Cash and cash equivalents at the beginning of the year		1,139,552	95,964
Cash and cash equivalents at the end of the year		3,184,243	1,139,552

1 Introduction

These financial statements have been prepared in accordance with International Financial Reporting Standards for the year ended 31 December 2005 for Joint Stock Company KazInvestBank (the "Bank").

The Bank was established in September 1993, is incorporated and domiciled in the Republic of Kazakhstan. The Bank is a joint stock company limited by shares and was set up in accordance with Kazakhstani regulations.

Principal activity. The Bank's principal business activity is commercial and retail banking operations within the Republic of Kazakhstan. The Bank has operated under a banking license reissued by the National Bank of the Republic of Kazakhstan (the "NBRK") in 1 April 2004.

The Bank has two (31 December 2004: two) branches within the Republic of Kazakhstan.

Registered address and place of business. The Bank's registered address is:

172, Dostyk Avenue
Almaty, Republic of Kazakhstan

2 Operating Environment of the Bank

Whilst there have been improvements in recent years in the economic situation in the Republic of Kazakhstan, the economy of Kazakhstan continues to display characteristics of an emerging market. These characteristics include, but are not limited to, the existence of a currency that is not freely convertible outside of the country and a low level of liquidity in the public and private debt and equity markets.

Additionally, the banking sector in Kazakhstan is particularly impacted by political, legislative, fiscal and regulatory developments in Kazakhstan. The prospects for future economic stability in Kazakhstan are largely dependent upon the effectiveness of a range of measures undertaken by the government, the Ministry of Finance of Republic of Kazakhstan (the "MFRK"), the NBRK, Agency of the Republic of Kazakhstan on Regulation and Supervision of Financial Market and Financial Organizations (the "Agency") and other authorities. There remains the possibility of unpredictable changes in the financial and economic environment that may have an adverse effect on the Bank's operations. Management of the Bank is unable to predict the extent and duration of future economic difficulties; consequently the accompanying financial statements do not include any adjustments that may result from the future resolution of these uncertainties. Such adjustments, if any, will be reported in the Bank's financial statements in the period when they become known and estimable.

Economic conditions continue to limit the volume of activity in the financial markets. Market quotations may not be reflective of the values for financial instruments, which would be determined in an efficient, active market involving many willing buyers and willing sellers.

3 Basis of Preparation and Significant Accounting Policies

Basis of Preparation. These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") under the historical cost convention, as modified by the revaluation of available-for-sale and trading financial assets. The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

3 Basis of Preparation and Significant Accounting Policies (Continued)

Key measurement terms. Depending on their classification financial instruments are carried at cost, fair value, or amortised cost as described below.

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition and includes *transaction costs*. *Transaction costs* are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial instrument. An incremental cost is one that would not have been incurred if the transaction had not taken place. Transaction costs include fees and commissions paid to agents (including employees acting as selling agents), advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Fair value is the current bid price for financial assets and current asking price for financial liabilities which are quoted in an active market. For assets and liabilities with offsetting market risks, the Bank may use mid-market prices as a basis for establishing fair values for the offsetting risk positions and apply the bid or asking price to the net open position as appropriate. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange or other institution and those prices represent actual and regularly occurring market transactions on an arm's length basis.

In other than active markets, the most recent arms length transactions are the basis of current fair values. Recent transaction prices are appropriately adjusted if they do not reflect current fair values, for example because the transaction was a distress sale. Fair value is not the amount that an entity would receive or pay in a forced transaction, involuntary liquidation or distress sale.

Valuation techniques such as discounted cash flows models and consideration of financial data of the investees are used to fair value certain financial instruments for which external market pricing information is not available. Valuation techniques may require assumptions not supported by observable market data. Disclosures are made in these financial statements if changing any such assumptions to a reasonably possible alternative would result in significantly different profit, income, total assets or total liabilities.

Amortised cost is the amount at which the financial instrument was recognised at initial recognition less any principal repayments, plus accrued interest, and for financial assets less any write-down for incurred impairment losses. Accrued interest includes amortisation of transaction costs deferred at initial recognition and of any premium or discount to maturity amount using the effective interest method. Accrued interest income and accrued interest expense, including both accrued coupon and amortised discount, are not presented separately and are included in the carrying values of related balance sheet items.

The effective interest method is a method of allocating interest income or interest expense over the relevant period so as to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (excluding future credit losses) through the expected life of the financial instrument or a shorter period, if appropriate, to the net carrying amount of the financial instrument. The effective interest rate discounts cash flows of variable interest instruments to the next interest repricing date except for the premium or discount which reflects the credit spread over the floating rate specified in the instrument, or other variables that are not reset to market rates. Such premiums or discounts are amortised over the whole expected life of the instrument. The present value calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate (refer to income and expense recognition policy).

3 Basis of Preparation and Significant Accounting Policies (Continued)

Initial recognition of financial instruments. Trading securities and derivatives are initially recorded at fair value. All other financial instruments are initially recorded at fair value plus transaction costs. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets.

All purchases and sales of financial instruments that require delivery within the time frame established by regulation or market convention (“regular way” purchases and sales) are recorded at trade date, which is the date that the Bank commits to deliver a financial instrument. All other purchases and sales are recognised on the settlement date with the change in value between the commitment date and settlement date not recognised for assets carried at cost or amortised cost; recognised in profit or loss for trading securities, derivatives and other financial assets at fair value through profit or loss; and recognised in equity for assets classified as available for sale.

Cash and cash equivalents. Cash and cash equivalents are items which can be converted into cash within a day. All short term interbank placements, beyond overnight placements, are included in due from other banks. Amounts, which relate to funds that are of a restricted nature, are excluded from cash and cash equivalents. Cash and cash equivalents are carried at amortised cost.

Mandatory cash balances with the NBRK. Mandatory cash balances with the NBRK are carried at amortised cost and represent non-interest bearing mandatory reserve deposits which are not available to finance the Bank’s day to day operations and hence are not considered as part of cash and cash equivalents for the purposes of the cash flow statement.

Trading securities. Trading securities are securities, which are either acquired for generating a profit from short-term fluctuations in price or trader’s margin, or are securities included in a portfolio in which a pattern of short-term trading exists. The Bank classifies securities into trading securities if it has an intention to sell them within a short period after purchase, i.e. within three to six months. Trading securities are not reclassified out of this category even when the Bank’s intentions subsequently change.

Trading securities are carried at fair value. Interest earned on trading securities calculated using the effective interest method is presented in the income statement as interest income. Dividends are included in dividend income within other operating income when the Bank’s right to receive the dividend payment is established. All other elements of the changes in the fair value and gains or losses on derecognition are recorded in profit or loss as gains less losses from trading securities in the period in which they arise.

Due from other banks. Amounts due from other banks are recorded when the Bank advances money to counterparty banks with no intention of trading the resulting unquoted non-derivative receivable due on fixed or determinable dates. Amounts due from other banks are carried at amortised cost.

Loans and advances to customers. Loans and advances to customers are recorded when the Bank advances money to purchase or originate an unquoted non-derivative receivable from a customer due on fixed or determinable dates and has no intention of trading the receivable. Loans and advances to customers are carried at amortised cost.

Loans and advances to customers include loans and advances issued to financial and credit institutions. Financial and credit institutions operate under licences that allow limited scope of banking activities.

Impairment of financial assets carried at amortised cost. Impairment losses are recognised in profit or loss when incurred as a result of one or more events (“loss events”) that occurred after the initial recognition of the financial asset and which have an impact on the amount or timing of the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. If the Bank determines that no objective evidence exists that impairment was incurred for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment.

3 Basis of Preparation and Significant Accounting Policies (Continued)

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets and the experience of management in respect of the extent to which amounts will become overdue as a result of past loss events and the success of recovery of overdue amounts. Past experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect past periods and to remove the effects of past conditions that do not exist currently.

Impairment losses are recognised through an allowance account to write down the asset's carrying amount to the present value of expected cash flows (which exclude future credit losses that have not been incurred) discounted at the effective interest rate of the asset. The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

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 recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account through profit or loss.

Uncollectible assets are written off against the related impairment loss provision after all the necessary procedures to recover the asset have been completed and the amount of the loss has been determined.

Investment securities available for sale. This classification includes investment securities which the Bank intends to hold for an indefinite period of time and which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices. The Bank classifies investments as available for sale at the time of purchase and reassesses that classification at each subsequent balance sheet date.

Investment securities available for sale are carried at fair value. Interest income on available for sale debt securities is calculated using the effective interest method and recognised in profit or loss. Dividends on available-for-sale equity instruments are recognised in profit or loss when the Bank's right to receive payment is established. All other elements of changes in the fair value are deferred in equity until the investment is derecognised or impaired, at which time the cumulative gain or loss is removed from equity to profit or loss.

Impairment losses are recognised in profit or loss when incurred as a result of one or more events ("loss events") that occurred after the initial recognition of investment securities available for sale. A significant or prolonged decline in the fair value of an equity security below its cost is an indicator that it is impaired. The cumulative impairment loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss. Impairment losses on equity instruments are not reversed through profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through current period's profit or loss.

3 Basis of Preparation and Significant Accounting Policies (Continued)

Sale and repurchase agreements and lending of securities. Sale and repurchase agreements (“repo agreements”) are treated as secured financing transactions. Securities sold under sale and repurchase agreements are not derecognised. The securities are not reclassified in the balance sheet unless the transferee has the right by contract or custom to sell or re-pledge the securities, in which case they are reclassified as repurchase receivables. The corresponding liability is presented within amounts due to other banks or other borrowed funds.

Securities purchased under agreements to resell (“reverse repo agreements”) are recorded as due from other banks or loans and advances to customers, as appropriate. The difference between the sale and repurchase price is treated as interest income and accrued over the life of repo agreements using the effective interest method.

Securities lent to counterparties are retained in the financial statements in their original balance sheet category unless the counterparty has the right by contract or custom to sell or re-pledge the securities, in which case they are reclassified and presented separately. Securities borrowed are not recorded in the financial statements, unless these are sold to third parties, in which case the purchase and sale are recorded in profit or loss within gains less losses arising from trading securities. The obligation to return the securities is recorded at fair value in other borrowed funds.

Investment securities held to maturity. This classification includes quoted non-derivative financial assets with fixed or determinable payments and fixed maturities that the Bank has both the intention and ability to hold to maturity. Management determines the classification of investment securities held to maturity at their initial recognition and reassesses the appropriateness of that classification at each balance sheet date. Investment securities held to maturity are carried at amortised cost.

The Bank does not classify any financial assets as held to maturity if during the current financial year or during the two preceding financial years, it sold or reclassified more than an insignificant amount of held-to-maturity investments before maturity (more than insignificant in relation to the total amount of held-to-maturity investments) other than sales or reclassifications that: (i) are so close to maturity or the financial asset's call date that changes in the market rate of interest would not have a significant effect on the financial asset's fair value; (ii) occur after the Bank has collected substantially all of the financial asset's original principal through scheduled payments or prepayments; (iii) are attributable to an isolated event that is beyond the entity's control, is non-recurring and could not have been reasonably anticipated by the entity.

Derecognition of financial assets. The Bank derecognises financial assets when (i) the assets are redeemed or the rights to cash flows from the assets otherwise expired or (ii) the Bank has transferred substantially all the risks and rewards of ownership of the assets or (iii) the Bank has neither transferred nor retained substantially all risks and rewards of ownership but has not retained control. Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose additional restrictions on the sale.

Premises and equipment. Premises and equipment are stated at cost less accumulated depreciation and provision for impairment, where required.

Costs of minor repairs and maintenance are expensed when incurred. Cost of replacing major parts or components of premises and equipment items are capitalised and the replaced part is retired.

If impaired, premises and equipment are written down to the higher of their value in use and fair value less costs to sell. The decrease in carrying amount is charged to profit or loss. An impairment loss recognised for an asset in prior years is reversed if there has been a change in the estimates used to determine the asset's value in use or fair value less costs to sell.

Gains and losses on disposals determined by comparing proceeds with carrying amount are recognised in profit or loss.

3 Basis of Preparation and Significant Accounting Policies (Continued)

Depreciation. Land is not depreciated. Depreciation on other items of premises and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives at the following annual rates:

Premises	2%;
Computers and Computer Equipment	9 – 30%;
Vehicles	10 – 17%; and
Other fixed assets	4 – 60%.

The residual value of an asset is the estimated amount that the Bank would currently obtain from disposal of the asset less the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life. The residual value of an asset is nil if the Bank expects to use the asset until the end of its physical life. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Intangible assets. All of the Bank's intangible assets have definite useful life and primarily include capitalised computer software.

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Development costs that are directly associated with identifiable and unique software controlled by the Bank are recorded as intangible assets if inflow of incremental economic benefits exceeding costs is probable. Capitalised costs include staff costs of the software development team and an appropriate portion of relevant overheads. All other costs associated with computer software, e.g. its maintenance, are expensed when incurred. Capitalised computer software is amortised on a straight line basis over expected useful lives of three to six years.

Operating leases. Where the Bank is a lessee in a lease which does not transfer substantially all the risks and rewards incidental to ownership from the lessor to the Bank, the total lease payments, including those on expected termination, are charged to profit or loss on a straight-line basis over the period of the lease.

Due to other banks. Amounts due to other banks are recorded when money or other assets are advanced to the Bank by counterparty banks. The non-derivative liability is carried at amortised cost. If the Bank purchases its own debt, it is removed from the balance sheet and the difference between the carrying amount of the liability and the consideration paid is included in gains or losses arising from retirement of debt. Financial and credit institutions operate under licences that allow limited scope of banking activities and represent legal entities other than banks.

Customer accounts. Customer accounts are non-derivative liabilities to individuals, state or corporate customers and are carried at amortised cost.

Customer accounts include non-derivative liabilities to financial and credit institutions. Financial and credit institutions operate under licences that allow limited scope of banking activities and represent legal entities other than banks.

Subordinated debt. Subordinated debt include subordinated bonds issued by the Bank. Debt securities are stated at amortised cost.

Other borrowed funds. Other borrowed funds include obligation to return securities borrowed and sold to third parties and other loans received from companies. Obligation to return securities borrowed and sold to third parties is carried at fair value through profit or loss. Other loans received are carried at amortised cost.

Other borrowed funds include obligation to return securities borrowed and sold to financial and credit institutions. Financial and credit institutions operate under licences that allow limited scope of banking activities and represent legal entities other than banks.

3 Basis of Preparation and Significant Accounting Policies (Continued)

Derivative financial instruments. Derivative financial instruments, including foreign exchange futures and foreign exchange swaps are carried at their fair value.

All derivative instruments are carried as assets when fair value is positive and as liabilities when fair value is negative. Changes in the fair value of derivative instruments are included in profit or loss as gains less losses arising from trading in foreign currency. The Bank does not apply hedge accounting.

Income taxes. Income taxes have been provided for in the financial statements in accordance with Kazakhstani legislation enacted or substantively enacted by the balance sheet date. The income tax charge comprises current tax and deferred tax and is recognised in the income statement except if it is recognised directly in equity because it relates to transactions that are also recognised, in the same or a different period, directly in equity.

Current tax is the amount expected to be paid to or recovered from the taxation authorities in respect of taxable profits or losses for the current and prior periods. Taxable profits or losses are based on estimates if financial statements are authorised prior to filing relevant tax returns. Taxes, other than on income, are recorded within administrative and other operating expenses.

Deferred income tax is provided using the balance sheet liability method for tax loss carry forwards and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. In accordance with the initial recognition exemption, deferred taxes are not recorded for temporary differences on initial recognition of an asset or a liability in a transaction other than a business combination if the transaction, when initially recorded, affects neither accounting nor taxable profit. Deferred tax balances are measured at tax rates enacted or substantively enacted at the balance sheet date which are expected to apply to the period when the temporary differences will reverse or the tax loss carry forwards will be utilised. Deferred tax assets and liabilities are netted only within the individual companies of the Bank. Deferred tax assets for deductible temporary differences and tax loss carry forwards are recorded only to the extent that it is probable that future taxable profit will be available against which the deductions can be utilised.

Provisions for liabilities and charges. Provisions for liabilities and charges are non-financial liabilities of uncertain timing or amount. They are accrued when the Bank 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 amount of the obligation can be made.

Trade and other payables. Trade payables are accrued when the counterparty performed its obligations under the contract and are carried at amortised cost.

Dividends. Dividends are recorded in equity in the period in which they are declared. Dividends declared after the balance sheet date and before the financial statements are authorised for issue are disclosed in the subsequent events note. The statutory accounting reports of the Bank are the basis for profit distribution and other appropriations. Kazakhstani legislation identifies the basis of distribution as the current year net profit.

Income and expense recognition. Interest income and expense are recorded in the income statement for all debt instruments on an accrual basis using the effective interest method. This method defers, as part of interest income or expense, all fees paid or received between the parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Fees integral to the effective interest rate include origination fees received or paid by the Bank relating to the creation or acquisition of a financial asset or issuance of a financial liability, for example fees for evaluating creditworthiness, evaluating and recording guarantees or collateral, negotiating the terms of the instrument and for processing transaction documents. Commitment fees received by the Bank to originate loans at market interest rates are integral to the effective interest rate if it is probable that the Bank will enter into a specific lending arrangement and does not expect to sell the resulting loan shortly after origination. The Bank does not designate loan commitments as financial liabilities at fair value through profit or loss.

3 Basis of Preparation and Significant Accounting Policies (Continued)

When loans and other debt instruments become doubtful of collection, they are written down to present value of expected cash inflows and interest income is thereafter recorded for the unwinding of the present value discount based on the asset's effective interest rate which was used to measure the impairment loss.

All other fees, commissions and other income and expense items are generally recorded on an accrual basis by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

Portfolio and other management advisory and service fees are recognised based on the applicable service contracts, usually on a time-proportion basis. Asset management fees related to investment funds are recorded ratably over the period the service is provided. The same principle is applied for wealth management, financial planning and custody services that are continuously provided over an extended period of time.

Foreign currency translation. Functional currency of the Bank is the currency of the primary economic environment in which the Bank operates. The Bank's functional currency and the Bank's presentation currency is the national currency of the Republic of Kazakhstan, Kazakhstani Tenge ("Tenge").

Monetary assets and liabilities are translated into Bank's functional currency at the official exchange rate of the NBRK at the respective balance sheet dates. Foreign exchange gains and losses resulting from the settlement of the transactions and from the translation of monetary assets and liabilities into the Bank's functional currency at year-end official exchange rates of the NBRK are recognised in profit or loss. Translation at year-end rates does not apply to non-monetary items, including equity investments. Effects of exchange rate changes on the fair value of equity securities are recorded as part of the fair value gain or loss.

At 31 December 2005 the principal rate of exchange used for translating foreign currency balances was USD 1 = Tenge 133.77 (2004: USD 1 = Tenge 133.00). Exchange restrictions and controls exist relating to converting Kazakhstani Tenge into other currencies. At present, the Kazakhstani Tenge is not a freely convertible currency in most countries outside of the Republic of Kazakhstan.

Offsetting. Financial assets and liabilities are offset and the net amount reported in the balance sheet only when there is a legally enforceable right to offset the recognised amounts, and there is an intention to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

Staff costs and related contributions. Wages, salaries, contributions to the Republic of Kazakhstan pension funds, paid annual leave and sick leave and bonuses are accrued in the year in which the associated services are rendered by the employees of the Bank. In accordance with the legal requirements of the Republic of Kazakhstan, the Bank withholds pension contributions from employee salaries and transfers them into state or private pension funds. Upon retirement of employees, all pension payments are administered by the above pension funds. The Bank does not have any legal or constructive obligation to provide further funding if the state or private pensions funds fail to make the pension payments.

3 Basis of Preparation and Significant Accounting Policies (Continued)

Changes in presentation. Where necessary, corresponding figures have been adjusted to conform with changes in the presentation of the current year. The effect of reclassifications is as follows:

<i>In thousands of Kazakhstani Tenge</i>	31 December 2004
Increase in	
Loans and advances to customers	1,115,521
Customer accounts	2,635,943
Other borrowed funds	1,250,275
Decrease in	
Cash and cash equivalents	(1,100,000)
Due from other banks	(15,521)
Due to other banks	(3,886,218)

The outstanding Reverse REPO balances of Tenge 1,100,000 thousand were disclosed previously within "Cash and Cash Equivalents". It was reclassified to "Loans and Advances to Customers" because in accordance to accounting policy effective from 1 January of 2005, Reverse REPO balances are not considered Cash and Cash Equivalents.

The term deposits from financial institutions, other than bank, in the amount of Tenge 2,635,943 thousand were previously disclosed within "Due to other banks". The balances were reclassified to "Customer Accounts".

Other borrowed funds represent outstanding REPO balances in the amount of Tenge 1,250,275 thousand with financial institutions, other than bank, and have been previously disclosed within "Due to other banks". They were reclassified to "Loans and Advances to Customers".

The outstanding balance of loan issued to the financial institution, other than banks, in the amount of Tenge 15,521 thousand was previously disclosed within "Due from other banks". It was reclassified to "Loans and Advances to Customers".

Accounting for errors. The Bank corrects prior period errors retrospectively by restating the comparative amounts for the prior periods presented in which the error occurred; or if the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and equity for the earliest prior period presented. See Notes 26 and 27.

As of 31 December 2004, deferred tax liability has been increased by Tenge 5,676 thousand and deferred tax asset has been decreased by Tenge 6,574 thousand. Net loss for the year 2004 was increased by Tenge 12,250 thousand and retained earnings as of 31 December 2004 were decreased by Tenge 12,250 thousand.

4 Critical Accounting Estimates, and Judgements in Applying Accounting Policies

The Bank makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgements, apart from those involving estimations, in the process of applying the accounting policies. Judgements that have the most significant effect on the amounts recognised in the financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

Held-to-maturity financial assets. Management applies judgement in assessing whether financial assets can be categorised as held-to-maturity, in particular its intention and ability to hold the assets to maturity. If the Bank fails to keep these investments to maturity other than for certain specific circumstances – for example, selling an insignificant amount close to maturity – it will be required to reclassify the entire class as available-for-sale.

4 Critical Accounting Estimates, and Judgements in Applying Accounting Policies (continued)

Impairment of available for-sale equity investments. The Bank determines that available-for-sale equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgement. In making this judgement, the Bank evaluates among other factors, the volatility in share price. In addition, impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology, and operational or financing cash flows.

Impairment losses on loans and advances. The Bank regularly reviews its loan portfolios to assess impairment. In determining whether an impairment loss should be recorded in the income statement, the Bank makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or 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 portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Fair value of derivatives. The fair values of financial derivatives that are not quoted in active markets are determined by using valuation techniques. Where valuation techniques (for example, models) are used to determine fair values, they are validated and periodically reviewed by qualified personnel independent of the area that created them. All models are certified before they are used, and models are calibrated to ensure that outputs reflect actual data and comparative market prices. To the extent practical, models use only observable data, however areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect reported fair values. Changing the assumptions not supported by observable market data to a reasonably possible alternative would not result in a significantly different profit, income, total assets or total liabilities.

Tax legislation. Kazakhstani tax, currency and customs legislation is subject to varying interpretations. Refer to Note 29.

Deferred income tax asset recognition. The net deferred tax asset represents income taxes recoverable through future deductions from taxable profits and is recorded on the balance sheet. Deferred income tax assets are recorded to the extent that realisation of the related tax benefit is probable. In determining future taxable profits and the amount of tax benefits that are probable in the future Management makes judgements and applies estimation based on last three years taxable profits and expectations of future income that are believed to be reasonable under the circumstances.

Related party transactions. In the normal course of business the Bank enters into transactions with its related parties. These transactions are priced predominantly at market rates. Judgement is applied in determining if transactions are priced at market or non-market interest rates, where there is no active market for such transactions. The basis for judgement is pricing for similar types of transactions with unrelated parties and effective interest rate analysis.

5 Adoption of New or Revised Standards and Interpretations

Certain new IFRSs became effective for the Bank from 1 January 2005. Listed below are those new or amended standards or interpretations which are or in the future could be relevant to the Bank's operations and the nature of their impact on the Bank's accounting policies. All changes in accounting policies were applied retrospectively with adjustments made to the retained earnings at 1 January 2004, unless otherwise described below.

IAS 1 (revised 2003), Presentation of Financial Statements. Certain new disclosures and changes in presentation required by the revised standard were made in these financial statements.

5 Adoption of New or Revised Standards and Interpretations (Continued)

IAS 8 (revised 2003) Accounting Policies, Changes in Accounting Estimates and Errors. The Bank now applies all voluntary changes in accounting policies retrospectively. Comparatives are amended in accordance with the new policies.

IAS 16 (revised 2003) Property, Plant and Equipment. The residual value is now defined as the amount that the Bank estimates it would receive currently for the asset if the asset were already of the age and in the condition expected at the end of its useful life. The Bank's policy is now not to cease depreciating assets during temporary periods when the assets are idle. The Bank now derecognises the carrying amount of a component of premises and equipment which has been replaced and capitalises the cost of the replacement. The previous version of IAS 16 did not extend its derecognition principle to components; rather, its recognition principle for subsequent expenditures effectively precluded the cost of a replacement from being capitalised. All changes to accounting policies as a result of the revised IAS 16 were accounted for retrospectively and did not have a significant effect on the carrying amount of the Bank's assets.

IAS 24 (revised 2003) Related Party Disclosures. The definition of related parties was extended and additional disclosures required by the revised standard were made in these financial statements.

IAS 38 (revised 2004) Intangible Assets. The revised IAS 38 is applied prospectively in accordance with its transitional provisions. The amended accounting policies apply to intangible assets acquired in business combinations for which the agreement date is on or after 31 March 2004 and to all other intangible assets acquired on or after 1 January 2005. Intangible assets now include assets that arise from contractual or other legal rights, regardless of whether those rights are transferable or separable. The probability of inflow of economic benefits recognition criterion is now deemed to be always met for intangibles that are acquired separately or in a business combination. The Bank's policies were amended to introduce the concept of indefinite life intangible assets which exist when, based on an analysis of all of the relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows. Such intangibles are not amortised but tested for impairment at least annually. The Bank has reassessed the useful lives of its intangible assets in accordance with the transitional provisions of IAS 38.

IAS 39 (revised 2003) Financial Instruments: Recognition and Measurement. The definition of 'originated loans and receivables' was amended to become 'loans and receivables'. This category now comprises originated or purchased loans and receivables that are not quoted in an active market. The Bank amended its policies and may designate any financial instrument on initial recognition as one to be measured at fair value, with changes in fair value recognised in profit or loss. Subsequent reclassifications into or out of the 'at fair value through profit or loss' category are prohibited.

The Bank amended its policies for derecognition of financial assets. Under the original IAS 39, several concepts governed derecognition. The revised IAS 39 retains the two main concepts of risks and rewards and control, but clarifies that the evaluation of the transfer of risks and rewards precedes the evaluation of the transfer of control. The Bank now applies the guidance added to IAS 39 on how to determine fair values using valuation techniques and how to evaluate impairment in a group of loans, receivables or held-to-maturity investments which cannot yet be identified with any individual asset in the group. In accordance with the standard's transitional provisions the revised accounting policies are applied retrospectively except for the clarified derecognition rules which are applied prospectively from 1 January 2004. Although allowed by the standard, the Bank has not redesignated any financial instrument into 'at fair value through profit or loss' or 'available for sale' categories at the date of initial application of the revised IAS 39.

6 New Accounting Pronouncements

Certain new standards and interpretations have been published that are mandatory for the Bank's accounting periods beginning on or after 1 January 2006 or later periods and which the Bank has not early adopted:

IFRIC 4, Determining whether an Arrangement contains a Lease. IFRIC 4 requires that determining whether an arrangement is, or contains, a lease be based on the substance of the arrangement. It requires an assessment of whether (a) fulfilment of the arrangement is dependent on the use of a specific asset or assets (the asset); and (b) the arrangement conveys a right to use the asset.

IAS 39 (Amendment) – The Fair Value Option. IAS 39 (as revised in 2003) permitted entities to designate irrevocably on initial recognition practically any financial instrument as one to be measured at fair value with gains and losses recognised in profit or loss ('fair value through profit or loss'). The amendment changes the definition of financial instruments 'at fair value through profit or loss' and restricts the ability to designate financial instruments as part of this category.

IFRS 7 Financial Instruments: Disclosures and a complementary Amendment to IAS 1 Presentation of Financial Statements - Capital Disclosures. The IFRS introduces new disclosures to improve the information about financial instruments. It replaces IAS 30, Disclosures in the Financial Statements of Banks and Similar Financial Institutions, and some of the requirements in IAS 32, Financial Instruments: Disclosure and Presentation. The Amendment to IAS 1 introduces disclosures about level of an entity's capital and how it manages capital. The Bank is currently assessing what impact the new IFRS and the amendment to IAS 1 will have on disclosures in its financial statements.

Other new standards or interpretations. The Bank has also not early adopted amendments to IAS 19, Actuarial Gains and Losses, Group Plans and Disclosures, IAS 21, Net Investment in a Foreign Operation, IAS 39, Cash Flow Hedge Accounting of Forecast Intragroup Transactions; Financial Guarantee Contracts, the new IFRIC interpretations 4 to 9 and the new standard IFRS 6 including related subsequent corrections to it and to IFRS 1. These changes to IFRSs are not expected to have a material effect on the Bank when they will be adopted on 1 January 2006 or later.

Unless otherwise described above, the new standards and interpretations are not expected to significantly affect the Bank's financial statements.

7 Cash and Cash Equivalents

<i>In thousands of Kazakhstani Tenge</i>	2005	2004
Cash on hand	199,192	2,968
Cash balances with the NBRK	2,870,928	123,247
Correspondent accounts and overnight placements with other banks:		
- Republic of Kazakhstan	64,599	1,011,035
- Other countries	49,524	2,302
Total cash and cash equivalents	3,184,243	1,139,552

Geographical, currency and interest rate analyses of cash and cash equivalents are disclosed in Note 29.

8 Trading Securities

<i>In thousands of Kazakhstani Tenge</i>	2005	2004
Notes of the NBRK	1,334,932	-
Treasury bills of the Ministry of Finance	-	103,974
Total trading securities	1,334,932	103,974

The Notes of the National Bank of the Republic of Kazakhstan are short-term discount notes redeemable at par value of Tenge 100 within 28 days from the issue date. The notes matured on 6 to 27 January 2006 and yielded from 2.11 to 2.19 percent.

Geographical, currency and interest rate analyses of trading securities are disclosed in Note 29.

9 Due from Other Banks

<i>In thousands of Kazakhstani Tenge</i>	2005	2004
Short-term placements with other banks	268,032	416,144
Total due from other banks	268,032	416,144

At 31 December 2005 the estimated fair value of due from other banks was Tenge 268,032 thousand (2004: Tenge 416,144 thousand). Refer to Note 31.

Geographical, currency, maturity and interest rate analyses of due from other banks are disclosed in Note 29.

10 Loans and Advances to Customers

<i>In thousands of Kazakhstani Tenge</i>	2005	2004
Current loans	6,856,422	3,153,682
Reverse sale and repurchase agreements	-	1,100,000
Overdue loans	-	186,304
Less: Provision for loan impairment	(20,700)	(124,308)
Total loans and advances to customers	6,835,722	4,315,678

Movements in the provision for loan impairment are as follows:

<i>In thousands of Kazakhstani Tenge</i>	2005	2004
Provision for loan impairment at 1 January	124,308	160,465
(Recovery of)/provision for loan impairment during the year	(93,079)	43,695
Loans and advances to customers written off during the year as uncollectible	(10,529)	(79,852)
Provision for loan impairment at 31 December	20,700	124,308

10 Loans and Advances to Customers (Continued)

Economic sector risk concentrations within the customer loan portfolio are as follows:

<i>In thousands of Kazakhstani Tenge</i>	2005		2004	
	Amount	%	Amount	%
Construction	2,187,207	32	102,185	2
Retail and wholesale of consumer goods	1,908,529	28	2,023,573	45
Metals and mining	495,007	7	76,297	2
Catering	425,035	6	122,693	3
Brokerage	424,646	6	-	-
Airlines	403,683	6	-	-
Automobile	262,481	4	-	-
Consulting	223,527	3	-	-
Individuals	191,781	3	210,411	5
Production machinery and equipment	142,607	2	120,047	3
Communication	54,110	1	78,582	2
Financial institutions	53,160	1	1,115,521	25
Other	84,649	1	590,677	13
Total loans and advances to customers (before impairment)	6,856,422	100	4,439,986	100

Loans to financial institutions represent loans given to companies with limited scope of financial services, like lease, mortgages, insurance, etc.

At 31 December 2005 the Bank had four borrowers (2004: one borrower) with aggregate loan amounts above Tenge 400,000 thousand. The total aggregate amount of these loans was Tenge 1,949,642 thousand (2004: Tenge 416,299 thousand) or 28.4 percent of the gross loan portfolio (2004: 9.4 percent).

At 31 December 2005 the estimated fair value of loans and advances to customers was Tenge 6,835,722 thousand (2004: Tenge 4,315,678 thousand). Refer to Note 31.

Geographical, currency, maturity and interest rate analyses of loans and advances to customers are disclosed in Note 29. The information on related party balances is disclosed in Note 32.

11 Investment Securities Available for Sale

<i>In thousands of Kazakhstani Tenge</i>	2005	2004
Treasury bills of the Ministry of Finance	1,334,646	-
Total investment securities available for sale	1,334,646	-

The movements in investment securities available for sale are as follows:

<i>In thousands of Kazakhstani Tenge</i>	Note	2005	2004
Carrying amount at 1 January		-	-
Reclassification from held to maturity securities		2,234,970	-
Revaluation	21	50,137	-
Disposals of current investment securities available for sale		(950,461)	-
Carrying amount at 31 December		1,334,646	-

11 Investment Securities Available for Sale (Continued)

On 18 November 2005 prior to selling of treasury bills categorised as held to maturity the Bank has transferred treasury bills into category of investment securities available for sale. Refer to Note 12.

At 31 December 2005 included in investment securities available for sale are securities pledged under sale and repurchase agreements whose fair value is Tenge 1,155,446 thousand. Refer to Note 18.

Geographical, currency, maturity and interest rate analyses of investment securities available for sale are disclosed in Note 29.

12 Investment Securities Held to Maturity

<i>In thousands of Kazakhstani Tenge</i>	2005	2004
Treasury bills of the Ministry of Finance	-	597,451
Notes of the National Bank	-	1,010,901
Total investment securities held to maturity	-	1,608,352

On 18 November 2005 prior to selling of treasury bills categorised as held to maturity the Bank has transferred treasury bills into category of investment securities available for sale. Refer to Note 11.

At 31 December 2005 the estimated fair value of investment securities held to maturity was Tenge nil (2004: Tenge 1,608,352 thousand). Refer to Note 31.

Geographical, currency, maturity and interest rate analyses of investment securities held to maturity are disclosed in Note 29.

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13 Premises, Equipment and Intangible Assets

<i>In thousands of Kazakhstani Tenge</i>	Note	Land and premises	Office and computer equipment	Vehicles	Computer Software and licences	Construction in progress	Total
Cost at 1 January 2004		66,000	24,965	13,443	5,156	-	109,564
Accumulated depreciation		-	(12,900)	(5,976)	(1,837)	-	(20,713)
Carrying amount at 1 January 2004		66,000	12,065	7,467	3,319	-	88,851
Additions		-	124,130	10,876	61,984	515,947	712,937
Disposals (at cost)		(66,000)	(8,429)	-	(163)	-	(74,592)
Disposals (accumulated depreciation)		-	9,445	-	89	-	9,534
Depreciation charge	25	-	(9,797)	(1,957)	(1,593)	-	(13,347)
Carrying amount at 31 December 2004		-	127,414	16,386	63,636	515,947	723,383
Cost at 31 December 2004		-	140,666	24,319	66,977	515,947	747,909
Accumulated depreciation		-	(13,252)	(7,933)	(3,341)	-	(24,526)
Carrying amount at 31 December 2004		-	127,414	16,386	63,636	515,947	659,747
Additions		-	74,784	44,169	3,483	222,315	344,751
Transfers		728,276	-	-	-	(728,276)	-
Disposals (at cost)		-	(3,316)	(19,952)	-	-	(23,268)
Disposals (accumulated depreciation)		-	1,126	8,452	-	-	9,578
Depreciation charge	25	(5,718)	(29,003)	(3,716)	(12,967)	-	(51,404)
Carrying amount at 31 December 2005		722,558	171,005	45,339	54,152	9,986	1,003,040
Cost at 31 December 2005		728,276	212,134	48,536	70,460	9,986	9,986
Accumulated depreciation		(5,718)	(41,129)	(3,197)	(16,308)	-	(50,044)
Carrying amount at 31 December 2005		722,558	171,005	45,339	54,152	9,986	1,003,040

Construction in progress consists of construction and refurbishment of branch premises. Upon completion, assets are transferred to land and premises.

14 Other Assets

<i>In thousands of Kazakhstani Tenge</i>	Note	2005	2004
Prepayments		17,734	143,329
Other investments		2,200	-
Prepaid capital expenditures		1,134	-
Foreign exchange forward contracts	30	610	-
Taxes receivable		375	100
Other		8,116	3,471
Less: Provision for impairment		-	-
Total other assets		30,169	146,900

Movements in the provision for impairment of other assets are as follows:

<i>In thousands of Kazakhstani Tenge</i>	Note	2005	2004
Provision for impairment of other assets at 1 January		-	20,374
Provision for impairment of other assets during the year	25	-	10,864
Other assets written off during the year as uncollectible		-	(31,238)
Provision for impairment of other assets at 31 December		-	-

Geographical, currency and maturity analyses of other assets are disclosed in Note 29. The information on related party balances is disclosed in Note 32.

15 Due to Other Banks

<i>In thousands of Kazakhstani Tenge</i>	2005	2004
Short-term placements of other banks	558,813	413,003
Total due to other banks	558,813	413,003

At 31 December 2005 the estimated fair value of due to other banks was Tenge 558,813 thousand (2004: Tenge 413,003 thousand). Refer to Note 31.

Geographical, currency, maturity and interest rate analyses of due to other banks are disclosed in Note 29.

16 Customer Accounts

<i>In thousands of Kazakhstani Tenge</i>	2005	2004
State and public organisations		
- Current/settlement accounts	1,477,820	236,161
- Term deposits	763,604	1,157,371
Other legal entities		
- Term deposits	3,785,720	3,161,364
- Current/settlement accounts	2,036,862	616,687
Individuals		
- Term deposits	422,869	217,484
- Current/demand accounts	102,878	21,963
Total customer accounts	8,589,753	5,411,030

State and public organisations exclude government owned profit oriented businesses.

Economic sector concentrations within customer accounts are as follows:

<i>In thousands of Kazakhstani Tenge</i>	2005		2004	
	Amount	%	Amount	%
Insurance and financial services	2,544,473	30	2,635,943	49
Agriculture	1,029,847	12	565,994	11
Construction	997,133	12	103,659	2
Activity of associations and unions	818,357	10	-	-
Transport	740,103	9	335,788	6
Individuals	525,747	6	239,447	5
Energy	455,943	5	507,389	9
Communication	315,893	4	124,896	2
Chemical	275,772	3	609,318	11
Wholesale trade	200,047	2	6,765	0
Printing plant	119,828	1	93,674	2
Other	566,610	6	188,157	3
Total customer accounts	8,589,753	100	5,411,030	100

At 31 December 2005 the Bank had four customers (2004: five customers) with balances above Tenge 400,000 thousand. The aggregate balance of these customers was Tenge 2,280,247 thousand (2004: Tenge 4,109,972 thousand) or 26 percent (2004: 76 percent) of total customer accounts.

At 31 December 2005 included in customer accounts are deposits of Tenge 223,527 thousand (2004: Tenge nil) held as collateral for loans and advances to customers.

At 31 December 2005 the estimated fair value of customer accounts was Tenge 8,589,753 thousand (2004: Tenge 5,411,030 thousand). Refer to Note 31.

Geographical, currency, maturity and interest rate analyses of customer accounts are disclosed in Note 29. The information on related party balances is disclosed in Note 32.

17 Subordinated Debt

<i>In thousands of Kazakhstani Tenge</i>	2005	2004
Subordinated bonds issued	299,253	-
Total subordinated debt	299,253	-

At 31 December 2005 the Bank had subordinated bonds with nominal value of Tenge 297,356 thousand denominated in Tenge. These borrowings mature on December 2007, have coupon rate of 9.50 percent and yield to maturity of 10.81 percent.

At 31 December 2005 the estimated fair value of subordinated debt was Tenge 299,253 thousand.

Geographical, currency, maturity and interest rate analyses of subordinated debt are disclosed in Note 29.

18 Other Borrowed Funds

<i>In thousands of Kazakhstani Tenge</i>	2005	2004
Sale and repurchase agreements with other banks	1,040,610	1,250,275
Other borrowings from a financial institution	954,867	-
Total other borrowed funds	1,995,477	1,250,275

As at 31 December 2005 securities sold under sale and repurchase agreements consist of treasury bills of the Ministry of Finance with a fair value of Tenge 1,155,446 thousand (31 December 2004: Tenge 1,287,206 thousand). As at 31 December 2005 these securities were recorded on the balance sheet within investment securities available for sale. Refer to Note 11.

As at 31 December 2005, other borrowings from a financial institution include borrowing of Euro 6,000 thousand in the form of a loan from JSC Reabilitatsionnyi Fond. The loan has interest rate of seven percent and matures on 20 December 2008. According to the loan agreement the borrowing can also be repayable on demand.

At 31 December 2005 the estimated fair value of other borrowed funds was Tenge 1,995,477 thousand (2004: Tenge 1,250,275 thousand). Refer to Note 31.

Geographical, currency, maturity and interest rate analyses of other borrowed funds are disclosed in Note 29. The information on related party balances is disclosed in Note 32.

19 Other Liabilities

Comprise the following:

<i>In thousands of Kazakhstani Tenge</i>	Note	2005	2004
Accrued employee costs		17,775	-
Derivative financial instruments	30	16,286	-
Taxes other than on income payable		10,450	5,502
Trade payables		5,269	-
Advances received		4,321	-
Other accrued liabilities		5,142	-
Total other liabilities		59,243	5,502

Geographical, currency and maturity analyses of other liabilities are disclosed in Note 29. The information on related party balances is disclosed in Note 32.

20 Share Capital

	Ordinary shares
At 1 January 2004	10,000,000
New shares issued	4,500,000
At 31 December 2004	14,500,000
New shares issued	12,156,300
At 31 December 2005	26,656,300

Nominal registered amount of the Bank's issued share capital is Tenge 2,665,630 thousand (31 December 2004: Tenge 1,450,000 thousand). At 31 December 2005, all of the Bank's outstanding shares were authorised, issued and fully paid in.

All ordinary shares have a par value of Tenge 100 per share (2004: Tenge 100 per share) and rank equally. Each share carries one vote.

The shareholders' structure is as follows:

Shareholder	31 December 2005	31 December 2004
	%	%
Mr. Kapparov Nurlan	41.9	62.5
Mr. Kaniyev Berik	17.6	13.2
Mr. Pak Yuriy	17.0	11.0
Mr. Park Yu Sil	8.4	-
Zineto Enterprises Limited	4.9	-
Mr. Kaniyev Galymzhan	3.6	-
JSC Pana Insurance	1.9	10.2
Other shareholders	4.7	3.1
Total	100	100

21 Other Reserves

<i>In thousands of Kazakhstani Tenge</i>	Note	Revaluation reserve for available for sale securities	Other reserves	Total reserves
At 1 January 2004		-	73,769	73,769
Appropriation of other reserves		-	(17,055)	(17,055)
At 31 December 2004		-	56,714	56,714
Revaluation	11	50,137	-	50,137
Realised revaluation reserve		(49,626)	-	(49,626)
At 31 December 2005		511	56,714	57,225

Revaluation reserve for available for sale securities is transferred to profit or loss when realised through sale of the securities.

Other reserves represent mandatory reserves created by the shareholders of the Bank in accordance with the statutory requirements.

22 Interest Income and Expense

<i>In thousands of Kazakhstani Tenge</i>	2005	2004
Interest income		
Loans and advances to customers	713,566	387,198
Investment securities held to maturity	72,613	56,023
Due from other banks	39,123	6,765
Debt trading securities	25,334	2,283
Correspondent accounts with other banks	6,967	3,184
Investment securities available for sale	6,000	-
Overnight placements with other banks	1,846	30
Reverse sale and repurchase agreements	1,082	373
Total interest income	866,531	455,856
Interest expense		
Term deposits of legal entities	257,281	4,592
Term deposits of individuals	82,808	144,233
Term placements of other banks	38,095	14,790
Other borrowed funds	26,938	15,733
Subordinated debt	619	-
Total interest expense	405,741	179,348
Net interest income	460,790	276,508

23 Fee and Commission Income and Expense

<i>In thousands of Kazakhstani Tenge</i>	2005	2004
Fee and commission income		
- Guarantees issued	39,016	27,277
- Settlement transactions	24,076	7,536
- Cash transactions	16,989	2,955
- Purchase and sale of foreign currency	16,384	6,576
- Other	7,538	28,481
Total fee and commission income	104,003	72,825
Fee and commission expense		
- Settlement transactions	9,735	2,689
- Transactions with securities	4,574	255
- Cash transactions	1,673	1,371
- Letters of credit	1,245	1,358
- Other	3,981	322
Total fee and commission expense	21,208	5,995
Net fee and commission income	82,795	66,830

24 Other Operating Income

<i>In thousands of Kazakhstani Tenge</i>	Note	2005	2004
Income from insurance recovery		5,000	-
(Loss)/gain on disposal of premises and equipment		(11,124)	991
Other		7,003	8,539
Total other operating income		879	9,530

25 Administrative and Other Operating Expenses

<i>In thousands of Kazakhstani Tenge</i>	Note	2005	2004
Staff costs		420,705	181,699
Office and equipment maintenance expenses		57,737	16,524
Depreciation of premises and equipment	13	38,437	11,754
Professional services		36,390	5,118
Advertising and marketing services		32,321	20,929
Administrative expenses		24,255	7,533
Rent expenses		26,673	37,648
Taxes other than on income		20,949	5,366
Business trip and representative expenses		13,893	16,040
Amortisation of software and other intangible assets	13	12,967	1,593
Cash collection expenses		4,557	1,117
Provision for impairment of other assets	14	-	10,864
Other general and administrative expenses		39,401	7,106
Total administrative and other operating expenses		728,285	323,291

Included in staff costs is statutory social tax of Tenge 39,322 thousand (2004: Tenge 10,725 thousand).

26 Restatement of Comparative Information

<i>In thousands of Kazakhstani Tenge</i>	Retained Earnings
Profit for 2004 (as previously reported)	2,245
Restatement related to deferred tax expense (Note 27)	(12,250)
Loss for 2004 (restated)	(10,005)

27 Income Taxes

Income tax expense comprises the following:

<i>In thousands of Kazakhstani Tenge</i>	2005	2004
Current tax expense	-	19,496
Deferred tax benefit	(16,626)	(1,466)
Income tax (credit)/expense for the year	(16,626)	18,030

27 Income Taxes (Continued)

The income tax rate applicable to the majority of the Bank's income is 30 percent (2004: 30 percent). Reconciliation between the expected and the actual taxation charge is provided below.

<i>In thousands of Kazakhstani Tenge</i>	2005	2004
IFRS profit before tax	26,297	8,025
Theoretical tax charge at statutory rate (2005 and 2004: 30%)	7,889	2,408
Tax effect of items which are not deductible or assessable for taxation purposes:		
- Income on government securities which is exempt from taxation	(38,309)	(13,812)
- Non-deductible provisions for impairment of loans and advances to customers	4,367	4,287
- Non-deductible loss on disposal of premises and equipment	4,373	-
- Other non deductible expenses	5,054	25,147
Income tax (credit)/expense for the year	(16,626)	18,030

Differences between IFRS and Kazakhstani statutory taxation regulations give rise to temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and their tax bases. The tax effect of the movements in these temporary differences is detailed below and is recorded at the rate of 30 percent (2004: 30 percent).

<i>In thousands of Kazakhstani Tenge</i>	31 Dec 2003	Charged/ (credited) to profit or loss	31 Dec 2004	Charged/ (credited) to profit or loss	31 Dec 2005
Tax effect of deductible temporary differences					
Loan impairment provision	-	10,457	10,457	(10,457)	-
Premises and equipment	4,094	(4,094)	-	-	-
Intangible assets	-	-	-	820	820
Unrealised foreign exchange loss	-	-	-	4,702	4,702
Tax losses carried forward	-	-	-	37,355	37,355
Accruals	-	779	779	821	1,600
Gross deferred tax asset	4,094	7,142	11,236	33,241	44,477
Tax effect of taxable temporary differences					
Premises and equipment	-	5,617	5,617	16,590	22,207
Intangible assets	-	59	59	(59)	-
Accruals	-	-	-	84	84
Gross deferred tax liability	-	5,676	5,676	16,615	22,291
Recognised deferred tax asset	4,094	1,466	5,560	16,626	22,186

27 Income Taxes (Continued)

In 2005 the Bank has discovered a prior year clerical error in accounting for deferred tax. The comparative balances of deferred tax have been restated as shown in the table below:

<i>In thousands of Kazakhstani Tenge</i>	Deferred tax asset	Deferred tax liability	Net effect
Balance at 31 December 2004 (as previously reported)	17,810	-	17,810
Restatement related to deferred tax expense	(6,574)	(5,676)	(12,250)
Balance at 1 January 2005 (restated)	11,236	(5,676)	5,560

28 Financial Risk Management

The risk management function within the Bank is carried out in respect of financial risks (credit, market, geographical, currency, liquidity and interest rate), operational risks and legal risks. The primary objectives of the financial risk management function are to establish risk limits, and then ensure that exposure to risks stays within these limits. The operational and legal risk management functions are intended to ensure proper functioning of internal policies and procedures to minimise operational and legal risks.

Credit risk. The Bank takes on exposure to credit risk which is the risk that a counterparty will be unable to pay all amounts in full when due. The Bank structures the levels 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 geographical and industry segments. Such risks are monitored on a revolving basis and subject to an annual or more frequent review. Limits on the level of credit risk by product, borrower and industry sector are approved regularly by the Board of Directors.

The exposure to any one borrower including banks and brokers is further restricted by sub-limits covering on and off-balance sheet exposures and daily delivery risk limits in relation to trading items such as forward foreign exchange contracts. Actual exposures against limits are monitored daily.

Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and principal repayment obligations and by changing these lending limits where appropriate. Exposure to credit risk is also managed, in part, by obtaining collateral and corporate and personal guarantees.

The Bank's maximum exposure to credit risk is primarily reflected in the carrying amounts of financial assets on the balance sheet. The impact of possible netting of assets and liabilities to reduce potential credit exposure is not significant.

Credit risk for off-balance sheet financial instruments is defined as the possibility of sustaining a loss as a result of another party to a financial instrument failing to perform in accordance with the terms of the contract. The Bank uses the same credit policies in making conditional obligations as it does for on-balance sheet financial instruments through established credit approvals, risk control limits and monitoring procedures.

28 Financial Risk Management (Continued)

Market risk. The Bank takes on exposure to market risks. Market risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements. The Board of Directors sets limits on the value of risk that may be accepted, which is monitored on a daily basis. However, the use of this approach does not prevent losses outside of these limits in the event of more significant market movements.

Geographical risk. The geographical concentration of the Bank's assets and liabilities at 31 December 2005 is set out below:

<i>In thousands of Kazakhstani Tenge</i>	Kazakhstan	OECD	Non OECD	Total
Assets				
Cash and cash equivalents	3,134,719	48,959	565	3,184,243
Mandatory cash balances with the NBRK	218,828	-	-	218,828
Trading securities	1,334,932	-	-	1,334,932
Due from other banks	268,032	-	-	268,032
Loans and advances to customers	6,835,722	-	-	6,835,722
Investment securities available for sale	1,334,646	-	-	1,334,646
Current income tax prepayment	26,514	-	-	26,514
Deferred tax asset	22,186	-	-	22,186
Intangible assets	54,152	-	-	54,152
Premises and equipment	948,888	-	-	948,888
Other assets	30,169	-	-	30,169
Total assets	14,208,788	48,959	565	14,258,312
Liabilities				
Due to other banks	415,210	143,603	-	558,813
Customer accounts	8,589,753	-	-	8,589,753
Subordinated debt	299,253	-	-	299,253
Other borrowed funds	1,995,477	-	-	1,995,477
Other liabilities	59,243	-	-	59,243
Total liabilities	11,358,936	143,603	-	11,502,539
Net balance sheet position	2,849,852	(94,644)	565	2,755,773
Credit related commitments (Note 29)	5,129,355	7,500	-	5,136,855

Assets, liabilities and credit related commitments have been based on the country in which the counterparty is located. Balances with Kazakhstani counterparties actually outstanding to/from off-shore companies of these Kazakhstani counterparties are allocated to the caption "Kazakhstan". Cash on hand and premises and equipment have been allocated based on the country in which they are physically held.

28 Financial Risk Management (Continued)

The geographical concentration of the Bank's assets and liabilities at 31 December 2004 is set out below:

<i>In thousands of Kazakhstani Tenge</i>	Kazakhstan	OECD	Non OECD	Total
Assets				
Cash and cash equivalents	1,137,250	2,302	-	1,139,552
Mandatory cash balances with the NBRK	99,664	-	-	99,664
Trading securities	103,974	-	-	103,974
Due from other banks	416,144	-	-	416,144
Loans and advances to customers	4,315,678	-	-	4,315,678
Investment securities held to maturity	1,608,352	-	-	1,608,352
Current income tax prepayment	17,312	-	-	17,312
Deferred tax income asset	5,560	-	-	5,560
Intangible assets	63,636	-	-	63,636
Premises and equipment	659,747	-	-	659,747
Other assets	146,900	-	-	146,900
Total assets	8,574,217	2,302	-	8,576,519
Liabilities				
Due to other banks	413,003	-	-	413,003
Customer accounts	5,411,030	-	-	5,411,030
Other borrowed funds	1,250,275	-	-	1,250,275
Other liabilities	5,502	-	-	5,502
Total liabilities	7,079,810	-	-	7,079,810
Net balance sheet position	1,494,407	2,302	-	1,496,709
Credit related commitments (Note 29)	1,760,405	-	-	1,760,405

28 Financial Risk Management (Continued)

Currency risk. The Bank takes on exposure to effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Board of Directors sets limits on the level of exposure by currency and in total for both overnight and intra-day positions, which are monitored daily. The table below summarises the Bank's exposure to foreign currency exchange rate risk at 31 December 2005:

<i>In thousands of Kazakhstani Tenge</i>	Tenge	USD	Euro	Other	Total
Assets					
Cash and cash equivalents	2,038,147	966,356	174,296	5,444	3,184,243
Mandatory cash balances with the NBRK	218,828	-	-	-	218,828
Trading securities	1,334,932	-	-	-	1,334,932
Due from other banks	-	268,032	-	-	268,032
Loans and advances to customers	5,856,602	979,120	-	-	6,835,722
Investment securities available for sale	1,334,646	-	-	-	1,334,646
Current income tax prepayment	26,514	-	-	-	26,514
Deferred tax asset	22,186	-	-	-	22,186
Intangible assets	54,152	-	-	-	54,152
Premises and equipment	948,888	-	-	-	948,888
Other assets	29,559	610	-	-	30,169
Total assets	11,864,454	2,214,118	174,296	5,444	14,258,312
Liabilities					
Due to other banks	415,210	-	143,603	-	558,813
Customer accounts	6,584,739	1,990,438	14,576	-	8,589,753
Subordinated debt	299,253	-	-	-	299,253
Other borrowed funds	1,040,610	-	954,867	-	1,995,477
Other liabilities	41,709	669	16,865	-	59,243
Total liabilities	8,381,521	1,991,107	1,129,911	-	11,502,539
Less fair value of currency derivatives	-	(610)	16,286	-	15,676
Net balance sheet position, excluding currency derivatives	3,482,933	222,401	(939,329)	5,444	2,771,449
Currency derivatives (Note 30)	(267,350)	(543,276)	(794,950)	-	(15,676)
Credit related commitments (Note 29)	1,571,770	3,457,571	107,514	-	5,136,855

28 Financial Risk Management (Continued)

At 31 December 2004, the Bank had the following positions in currencies:

<i>In thousands of Kazakhstani Tenge</i>	Tenge	USD	Euro	Other	Total
Assets					
Cash and cash equivalents	116,988	11,245	1,011,221	98	1,139,552
Mandatory cash balances with the NBRK	99,664	-	-	-	99,664
Trading securities	103,974	-	-	-	103,974
Due from other banks	-	416,144	-	-	416,144
Loans and advances to customers	3,107,454	1,114,580	93,644	-	4,315,678
Investment securities held to maturity	1,608,352	-	-	-	1,608,352
Current income tax prepayment	17,312	-	-	-	17,312
Deferred tax income asset	5,560	-	-	-	5,560
Intangible assets	63,636	-	-	-	63,636
Premises and equipment	659,747	-	-	-	659,747
Other assets	146,900	-	-	-	146,900
Total assets	5,929,587	1,541,969	1,104,865	98	8,576,519
Liabilities					
Due to other banks	413,003	-	-	-	413,003
Customer accounts	3,075,479	1,229,710	1,105,841	-	5,411,030
Other borrowed funds	1,250,275	-	-	-	1,250,275
Other liabilities	5,502	-	-	-	5,502
Total liabilities	4,744,259	1,229,710	1,105,841	-	7,079,810
Net balance sheet position	1,185,328	312,259	(976)	98	1,496,709
Credit related commitments (Note 29)	613,605	830,336	316,464	-	1,760,405

The currency derivatives position in each column represents the fair value, at the balance sheet date, of the respective currency that the Bank agreed to buy (positive amount) or sell (negative amount). The amounts by currency are presented gross as stated in Note 30. The net total represents fair value of the derivatives.

28 Financial Risk Management (Continued)

Liquidity risk. Liquidity risk is defined as the risk when the maturity of assets and liabilities does not match. The Bank is exposed to daily calls on its available cash resources from overnight deposits, current accounts, maturing deposits, loan draw downs, guarantees and from margin and other calls on cash settled derivative instruments. The Bank does not maintain cash resources to meet all of these needs as experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty. Liquidity risk is managed by the Asset/Liability Committee of the Bank.

The table below shows assets and liabilities at 31 December 2005 by their remaining contractual maturity, unless there is evidence that any of the assets are impaired and will be settled after their contractual maturity dates, in which case the expected date of settlement of the assets is used. Some of the assets and liabilities, however, may be of a longer term nature; for example, loans are frequently renewed and accordingly short term loans can have longer term duration.

Overdue liabilities, such as term deposits not withdrawn by the Bank's customers, are classified within the "demand and less than 1 month" column. Overdue assets are allocated based on their expected maturity. The entire portfolio of trading securities is classified within demand and less than one month based on management's assessment of portfolio's realisability and their view that it is a fairer portrayal of the Bank's liquidity position. Certain assets which do not have a contractual maturity date, for example available for sale equity securities are assumed to mature on the expected date on which the assets will be realised.

28 Financial Risk Management (Continued)

The liquidity position of the Bank at 31 December 2005 is set out below.

	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	Over 12 months	Total
<i>In thousands of Kazakhstani Tenge</i>					
Assets					
Cash and cash equivalents	3,184,243	-	-	-	3,184,243
Mandatory cash balances with the NBRK	218,828	-	-	-	218,828
Trading securities	1,334,932	-	-	-	1,334,932
Due from other banks	268,032	-	-	-	268,032
Loans and advances to customers	675,406	2,852,509	1,097,605	2,210,202	6,835,722
Investment securities available for sale	-	1,334,646	-	-	1,334,646
Current income tax prepayment	-	26,514	-	-	26,514
Deferred tax asset	-	-	-	22,186	22,186
Intangible assets	-	-	-	54,152	54,152
Premises and equipment	-	-	-	948,888	948,888
Other assets	19,173	1,402	2,431	7,163	30,169
Total assets	5,700,614	4,215,071	1,100,036	3,242,591	14,258,312
Liabilities					
Due to other banks	144,330	-	414,483	-	558,813
Customer accounts	4,045,367	2,241,325	2,134,936	168,125	8,589,753
Subordinated debt	-	-	-	299,253	299,253
Other borrowed funds	1,995,477	-	-	-	1,995,477
Other liabilities	59,243	-	-	-	59,243
Total liabilities	6,244,417	2,241,325	2,549,419	467,378	11,502,539
Net liquidity gap	(543,803)	1,973,746	(1,449,383)	2,775,213	2,755,773
Cumulative net liquidity gap at 31 December 2005	(543,803)	1,429,943	(19,440)	2,755,773	

28 Financial Risk Management (Continued)

The liquidity position of the Bank at 31 December 2004 is set out below.

<i>In thousands of Kazakhstani Tenge</i>	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	Over 12 months	Total
Assets					
Cash and cash equivalents	1,139,552	-	-	-	1,139,552
Mandatory cash balances with the NBRK	99,664	-	-	-	99,664
Trading securities	103,974	-	-	-	103,974
Due from other banks	-	416,144	-	-	416,144
Loans and advances to customers	1,100,000	1,277,845	938,298	999,535	4,315,678
Investment securities held to maturity	-	-	-	1,608,352	1,608,352
Current income tax prepayment	-	17,312	-	-	17,312
Deferred income tax asset	-	-	-	5,560	5,560
Intangible assets	-	-	-	63,636	63,636
Premises and equipment	-	-	-	659,747	659,747
Other assets	12,214	134,686	-	-	146,900
Total assets	2,455,404	1,845,987	938,298	3,336,830	8,576,519
Liabilities					
Due to other banks	-	413,003	-	-	413,003
Customer accounts	1,075,340	1,548,092	1,611,934	1,175,664	5,411,030
Other borrowed funds	1,250,275	-	-	-	1,250,275
Other liabilities	5,502	-	-	-	5,502
Total liabilities	2,331,117	1,961,095	1,611,934	1,175,664	7,079,810
Net liquidity gap	124,287	(115,108)	(673,636)	2,161,166	1,496,709
Cumulative net liquidity gap at 31 December 2004	124,287	9,179	(664,457)	1,496,709	

The matching and/or controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of the Bank. It is unusual for banks ever to be completely matched since business transacted is often of an uncertain term and of different types. An unmatched position potentially enhances profitability, but can also increase the risk of losses. The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature, are important factors in assessing the liquidity of the Bank and its exposure to changes in interest and exchange rates.

Management believes that in spite of a substantial portion of customers accounts being on demand, diversification of these deposits by number and type of depositors, and the past experience of the Bank would indicate that these customers' accounts provide a long-term and stable source of funding for the Bank.

28 Financial Risk Management (Continued)

Customer accounts are classified in the above analysis based on contractual maturities. However, in accordance with Kazakhstani Civil Code, individuals have a right to withdraw their deposits prior to maturity if they forfeit their right to accrued interest.

Liquidity requirements to support calls under guarantees and standby letters of credit are considerably less than the amount of the commitment because the Bank does not generally expect the third party to draw funds under the agreement. The total outstanding contractual amount of commitments to extend credit does not necessarily represent future cash requirements, since many of these commitments will expire or terminate without being funded.

Interest rate risk. The Bank takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase as a result of such changes but may reduce or create losses in the event that unexpected movements arise. The table below summarises the Bank's exposure to interest rate risks at 31 December 2005. Included in the table are the Bank's assets and liabilities at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

<i>In thousands of Kazakhstani Tenge</i>	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	Over 12 months	Total
Assets					
Cash and cash equivalents	3,184,243	-	-	-	3,184,243
Mandatory cash balances with the NBRK	218,828	-	-	-	218,828
Trading securities	1,334,932	-	-	-	1,334,932
Due from other banks	268,032	-	-	-	268,032
Loans and advances to customers	675,406	2,852,509	1,097,605	2,210,202	6,835,722
Investment securities available for sale	-	1,334,646	-	-	1,334,646
Current income tax prepayment	-	26,514	-	-	26,514
Deferred tax asset	-	-	-	22,186	22,186
Intangible assets	-	-	-	54,152	54,152
Premises and equipment	-	-	-	948,888	948,888
Other assets	19,173	1,402	2,431	7,163	30,169
Total assets	5,700,614	4,215,071	1,100,036	3,242,591	14,258,312
Liabilities					
Due to other banks	144,330	-	414,483	-	558,813
Customer accounts	4,045,367	2,241,325	2,134,936	168,125	8,589,753
Subordinated debt	-	-	-	299,253	299,253
Other borrowed funds	1,995,477	-	-	-	1,995,477
Other liabilities	59,243	-	-	-	59,243
Total liabilities	6,244,417	2,241,325	2,549,419	467,378	11,502,539
Net sensitivity gap	(543,803)	1,973,746	(1,449,383)	2,775,213	2,755,773
Cumulative net sensitivity gap at 31 December 2005	(543,803)	1,429,943	(19,440)	2,755,773	2,755,773

28 Financial Risk Management (Continued)

The following table summarises the Bank's exposure to interest rate risks at 31 December 2004 by showing assets and liabilities in categories based on the earlier of contractual repricing or maturity dates.

<i>In thousands of Kazakhstani Tenge</i>	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	Over 12 months	Total
Assets					
Cash and cash equivalents	1,139,552	-	-	-	1,139,552
Mandatory cash balances with the NBRK	99,664	-	-	-	99,664
Trading securities	103,974	-	-	-	103,974
Due from other banks	-	416,144	-	-	416,144
Loans and advances to customers	1,100,000	1,277,845	938,298	999,535	4,315,678
Investment securities held to maturity	-	-	-	1,608,352	1,608,352
Current income tax prepayment	-	17,312	-	-	17,312
Deferred income tax asset	-	-	-	5,560	5,560
Intangible assets	-	-	-	63,636	63,636
Premises and equipment	-	-	-	659,747	659,747
Other assets	12,214	134,686	-	-	146,900
Total assets	2,455,404	1,845,987	938,298	3,336,830	8,576,519
Liabilities					
Due to other banks	-	413,003	-	-	413,003
Customer accounts	1,075,340	1,548,092	1,611,934	1,175,664	5,411,030
Other borrowed funds	1,250,275	-	-	-	1,250,275
Other liabilities	5,502	-	-	-	5,502
Total liabilities	2,331,117	1,961,095	1,611,934	1,175,664	7,079,810
Net sensitivity gap	124,287	(115,108)	(673,636)	2,161,166	1,496,709
Cumulative net sensitivity gap at 31 December 2004	124,287	9,179	(664,457)	1,496,709	1,496,709

28 Financial Risk Management (Continued)

The Bank is exposed to cash flow interest rate risk, principally through assets and liabilities for which interest rates are reset as market rates change. Such assets and liabilities are primarily presented in the above table as being repriced in the short-term. The Bank is exposed to fair value interest rate risk as a result of assets and liabilities at fixed interest rates; these are primarily presented in the above table as being repriced in the long-term. In practice, interest rates that are contractually fixed on both assets and liabilities are usually renegotiated to reflect current market conditions.

The Board monitors on a daily basis and sets limits on the level of mismatch of interest rate repricing that may be undertaken. In the absence of any available hedging instruments, the Bank normally seeks to match its interest rate positions.

The table below summarises the effective interest rates by major currencies for major debt instruments. The analysis has been prepared based on period-end effective rates used for amortisation of the respective assets/liabilities.

<i>In % p.a.</i>	2005				2004			
	USD	Tenge	Euro	Other	USD	Tenge	Euro	Other
Assets								
Cash and cash equivalents	0.4	3.5	0.6	0.0	0.4	3.0	0.6	0
Mandatory cash balances with the NBRK	-	0.0	-	-	-	0.0	-	-
Trading securities	-	2.2	-	-	-	5.1	-	-
Due from other banks	4.9	-	-	-	3.5	-	-	-
Loans and advances to customers	14.5	15.8	-	-	13.7	14.4	13.5	-
Debt investment securities available for sale	-	2.4	-	-	-	-	-	-
Debt investment securities held to maturity	-	-	-	-	-	5.0	-	-
Liabilities								
Due to other banks	-	8.3	6.2	-	-	7.8	-	-
Customer accounts								
- current and settlement accounts	1.1	1.3	0.8	-	1.1	1.3	1.3	-
- term deposits	6.1	9.5	10.0	-	7.8	7.3	7.1	-
Subordinated debt	-	10.8	-	-	-	-	-	-
Other borrowed funds	-	3.4	7.0	-	-	1.7	-	-

The sign “-“ in the table above means that the Bank does not have the respective assets or liabilities in corresponding currency.

29 Contingencies and Commitments

Legal proceedings. From time to time and in the normal course of business, claims against the Bank are received. On the basis of its own estimates and both internal and external professional advice the Management is of the opinion that no material losses will be incurred in respect of claims and accordingly no provision has been made in these financial statements.

Tax legislation. Due to the presence in Kazakhstani commercial legislation, and tax legislation in particular, of provisions allowing more than one interpretation, and also due to the practice developed in a generally unstable environment by the tax authorities of making arbitrary judgement of business activities, Management’s judgement of the Bank’s business activities may not coincide with the interpretation of the same activities by tax authorities.

If a particular treatment was to be challenged by the tax authorities, the Bank may be assessed additional taxes, penalties and interest, which can be significant. Tax years remain open to review by the tax authorities for five years.

29 Contingencies and Commitments (Continued)

Capital expenditure commitments. At 31 December 2005 the Bank has contractual capital expenditure commitment in respect of premises totaling Tenge 23,301 thousand (2004: Tenge 118,978 thousand) and in respect of software of Tenge 2,079 thousand (2004: Tenge nil).

The Bank has already allocated the necessary resources in respect of these commitments. The Bank believes that future net income and funding will be sufficient to cover this and any similar such commitments.

Operating lease commitments. Where the Bank is the lessee, the future minimum lease payments under non-cancellable operating leases are as follows:

<i>In thousands of Kazakhstani Tenge</i>	2005	2004
Not later than 1 year	9,116	19,608
Later than 1 year and not later than 5 years	-	9,116
Total operating lease commitments	9,116	28,724

As of 31 December 2005 the Bank had one non-cancellable agreement for rent of branch office premises that matures in May 2006.

Credit related commitments. The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit, which represent irrevocable assurances that the Bank will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans. Documentary and commercial letters of credit, which are written undertakings by the Bank on behalf of a customer authorising a third party to draw drafts on the Bank up to a stipulated amount under specific terms and conditions, are collateralised by the underlying shipments of goods to which they relate or cash deposits and therefore carry less risk than a direct borrowing.

Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Bank is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments since most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Bank monitors the term to maturity of credit related commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments. Outstanding credit related commitments are as follows:

<i>In thousands of Kazakhstani Tenge</i>	2005	2004
Undrawn credit lines	3,125,285	1,393,898
Guarantees issued	1,818,460	352,145
Commitments to extend credit	108,524	-
Export letters of credit	84,586	14,362
Total credit related commitments	5,136,855	1,760,405

The total outstanding contractual amount of undrawn credit lines, letters of credit, and guarantees does not necessarily represent future cash requirements, as these financial instruments may expire or terminate without being funded.

29 Contingencies and Commitments (Continued)

Assets pledged and restricted. At 31 December 2005 the Bank has the following assets pledged as collateral:

<i>In thousands of Kazakhstani Tenge</i>	Notes	2005		2004	
		Asset pledged	Related liability	Asset pledged	Related liability
Investment securities available for sale	11, 18	1,155,446	1,040,610	-	-
Investment securities held to maturity	12	-	-	1,266,231	1,250,275
Total		1,155,446	1,040,610	1,266,231	1,250,275

30 Derivative Financial Instruments

Foreign exchange derivative financial instruments entered into by the Bank are generally traded in an over-the-counter market with professional market counterparties on standardised contractual terms and conditions. Derivatives have potentially favourable (assets) or unfavourable (liabilities) conditions as a result of fluctuations in market interest rates, foreign exchange rates or other variables relative to their terms. The aggregate fair values of derivative financial assets and liabilities can fluctuate significantly from time to time.

The table below sets out fair values, at the balance sheet date, of currencies receivable or payable under foreign exchange forwards contracts entered into by the Bank. The table reflects gross positions before the netting of any counterparty positions and covers the contracts with settlement dates after the respective balance sheet date. The contracts are short term in nature.

<i>In thousands of Kazakhstani Tenge</i>	2005		2004	
	Net asset forwards	Net liability forwards	Net asset forwards	Net liability forwards
Foreign exchange forwards: fair values, at the balance sheet date, of				
- USD receivable on settlement (+)	267,960	-	-	-
- USD payable on settlement (-)	-	(811,236)	-	-
- Euros receivable on settlement (+)	-	794,950	-	-
- Tenge payable on settlement (-)	(267,350)	-	-	-
Net fair value of foreign exchange forwards	610	(16,286)	-	-

In 2005, the Bank has recorded a net loss of Tenge 17,573 thousand arising from foreign currency derivatives within gains less losses from trading in foreign currency (2004: nil).

31 Fair Value of Financial Instruments

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by an active quoted market price.

The estimated fair values of financial instruments have been determined by the Bank using available market information, where it exists, and appropriate valuation methodologies. However, judgement is necessarily required to interpret market data to determine the estimated fair value. The Republic of Kazakhstan continues to display some characteristics of an emerging market and economic conditions continue to limit the volume of activity in the financial markets. Market quotations may be outdated or reflect distress sale transactions and therefore not represent fair values of financial instruments. Management has used all available market information in estimating the fair value of financial instruments.

Financial instruments carried at fair value. Trading securities, investment securities available for sale and financial derivatives are carried on the balance sheet at their fair value. Cash and cash equivalents are carried at amortised cost which approximates current fair value.

Loans and receivables carried at amortised cost. The fair value of floating rate instruments is normally their carrying amount. The estimated fair value of fixed interest rate instruments is based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risk and remaining maturity. Refer to Notes 9 and 10 for the estimated fair values of due from other banks and loans and advances to customers, respectively.

Investment securities held to maturity. Fair value for investment securities held to maturity is based on quoted market prices. Refer to Note 12 for the estimated fair value of investment securities held to maturity.

Liabilities carried at amortised cost. The fair value is based on quoted market prices, if available. The estimated fair value of fixed interest rate instruments with stated maturity, for which a quoted market price is not available, was estimated based on expected cash flows discounted at current interest rates for new instruments with similar credit risk and remaining maturity. The fair value of liabilities repayable on demand or after a notice period ("demandable liabilities") is estimated as the amount payable on demand, discounted from the first date that the amount could be required to be paid. Refer to Notes 15, 16, 17 and 18 for the estimated fair values of due to other banks, customer accounts, subordinated debt and other borrowed funds, respectively.

Derivative financial instruments. All derivative financial instruments are carried at fair value as assets when the fair value is positive and as liabilities when the fair value is negative. Refer to Note 30.

32 Related Party Transactions

For the purposes of these financial statements, parties are considered to be related if one party has the ability to control the other party, is under common control, or can exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form. New disclosures are made below for transactions with state and other state controlled entities due to an amendment of IAS 24, *Related Party Disclosures*.

At 31 December 2005, the outstanding balances with related parties were as follows:

<i>In thousands of Kazakhstani Tenge</i>	Shareholders *	Board
Assets		
Gross amount of loans and advances to customers (contractual interest rate: 8 – 13%)	147,460	-
Liabilities		
Customer accounts (contractual interest rate: 2 – 6%)	411,434	4,828

The income and expense items with related parties for the year 2005 were as follows:

<i>In thousands of Kazakhstani Tenge</i>	Shareholders *	Board
Interest income	18,646	
Interest expense	(10,481)	(75)
Consulting expense	(21,622)	-

At 31 December 2005, credit related commitments with related parties were as follows:

<i>In thousands of Kazakhstani Tenge</i>	Shareholders *	Board
Guarantees issued by the Bank at the year end	36,853	-
Undrawn credit lines	442,346	-
Other contingent obligations	-	2,000

Movements in the loans and advances to customers are as follows:

<i>In thousands of Kazakhstani Tenge</i>	Shareholders *	Board
Loans and advances to customers at 1 January 2005	239,088	-
Amounts lent to related parties during the period	168,486	-
Accrued interest income	18,646	-
Amounts repaid by related parties during the period	(278,760)	-
Loans and advances to customers at 31 December 2005	147,460	-

The Bank's policy is to lend funds to related parties if they have an appropriate credit history and provide sufficient guarantees from third parties or pledge collateral valued in excess of the committed credit lines.

* Includes legal entities owned by shareholders.

32 Related Party Transactions (Continued)

At 31 December 2004, the outstanding balances with related parties were as follows:

<i>In thousands of Kazakhstani Tenge</i>	Shareholders *	Board
Assets		
Gross amount of loans and advances to customers (contractual interest rate: 13 – 15%)	239,088	-
Liabilities		
Customer accounts (contractual interest rate: 4 – 11.75%)	113,154	46,128

The income and expense items with related parties for the year 2004 were as follows:

<i>In thousands of Kazakhstani Tenge</i>	Shareholders *	Board
Interest income	36,839	-
Interest expense	(9,252)	(12,665)
Provision for losses on credit related commitments	-	-

The Bank's policy is to lend funds to related parties if they have an appropriate credit history and provide sufficient guarantees from third parties or pledge collateral valued in excess of the committed credit lines.

At 31 December 2004, credit related commitments with related parties were as follows:

<i>In thousands of Kazakhstani Tenge</i>	Shareholders *	Board
Guarantees issued by the Bank at the year end	21,617	-

Movements in the loans and advances to customers are as follows:

<i>In thousands of Kazakhstani Tenge</i>	Shareholders *	Board
Loans and advances to customers at 1 January 2004		
	20,775	-
Amounts lent to related parties during the period	1,024,299	-
Accrued interest income	36,839	-
Amounts repaid by related parties during the period	(842,826)	-
Loans and advances to customers at 31 December 2004		
	239,088	-

In 2005, the remuneration of members of the Board comprised salaries, discretionary bonuses and other short-term benefits totalling to Tenge 51,288 thousand (2004: Tenge 65,308 thousand).