



Financial Statements and Auditor's Report
31 December 2006

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Management of JSC KazInvestBank:

We have audited the accompanying financial statements of JSC KazInvestBank (the "Bank") which comprise the balance sheet as at 31 December 2006 and the income statement, statement of changes in equity and statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Bank as of 31 December 2006, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers LLP

Almaty, Kazakhstan
10 March 2007

Approved by:



Zhanbota T. Bekenov

General Director of PricewaterhouseCoopers LLP (General State License of the Ministry of Finance of the Republic of Kazakhstan №0000005 dated 21 October 1999)

Auditor in charge (Qualified Auditor's Certificate №0000047 dated 28 February 1994)



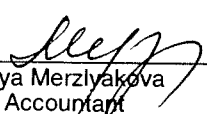
JSC KazInvestBank
Balance Sheet

<i>In thousands of Kazakhstani Tenge</i>	Note	31 December 2006	31 December 2005
ASSETS			
Cash and cash equivalents	7	8,034,859	3,671,103
Trading securities	8	249,268	1,334,932
Loans and advances to customers	9	16,165,731	6,835,722
Investment securities available for sale	10	-	1,334,646
Current income tax prepayment	24	-	26,514
Deferred income tax asset	24	-	22,186
Premises and equipment	11	481,282	948,888
Intangible assets	11	61,207	54,152
Other assets	12	274,686	37,616
TOTAL ASSETS		25,267,033	14,265,759
LIABILITIES			
Due to other banks	13	845,210	1,599,423
Customer accounts	14	17,258,773	8,589,753
Debt securities in issue	15	1,161,019	299,253
Other borrowed funds	16	1,004,670	954,867
Current income tax liability	24	14,959	-
Deferred income tax liability	24	2,938	-
Other liabilities	17	273,743	66,690
TOTAL LIABILITIES		20,561,312	11,509,986
EQUITY			
Share capital	18	4,500,991	2,665,630
Retained earnings		138,014	32,918
Other reserves	19	66,716	57,225
TOTAL EQUITY		4,705,721	2,755,773
TOTAL LIABILITIES AND EQUITY		25,267,033	14,265,759

Approved for issue and signed on behalf of the Board of Directors on 10 March 2007.


Adnan Alli Agha
Chief Executive Officer




Natalya Merzlyakova
Chief Accountant

JSC KazInvestBank
Income Statement

<i>In thousands of Kazakhstani Tenge</i>	Note	2006	2005
Interest income	20	1,768,686	866,531
Interest expense	20	(942,452)	(405,741)
Net interest income		826,234	460,790
(Provision for)/recovery of loan impairment	9	(114,513)	93,079
Net interest income after provision for loan impairment		711,721	553,869
Fee and commission income	21	186,425	104,003
Fee and commission expense	21	(38,660)	(21,208)
Gains less losses from trading securities		99	(436)
Gains less losses from financial derivatives		50,035	(17,573)
Gains on sale of investment securities available for sale		-	49,626
Gains less losses from trading in foreign currencies		223,829	76,248
Foreign exchange translation gains less losses		(36,776)	9,174
Other operating income	22	5,862	879
Administrative and other operating expenses	23	(919,138)	(728,285)
Operating profit		183,397	26,297
Profit before tax		183,397	26,297
Income tax (expense)/credit	24	(68,299)	16,626
Profit for the year		115,098	42,923
Earnings per share for profit attributable to the equity holders of the Bank, basic (expressed in Tenge per share)	25	2.66	1.93

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 31 December 2004		1,450,000	56,714	(10,005)	1,496,709
Available for sale investments:					
- Fair value gains less losses	10	-	50,137	-	50,137
- Disposals		-	(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	18	1,215,630	-	-	1,215,630
Balance at 31 December 2005		2,665,630	57,225	32,918	2,755,773
Available for sale investments:					
- Fair value gains less losses	10	-	(511)	-	(511)
Net loss recognised directly in equity		-	(511)	-	(511)
Profit for the year		-	-	115,098	115,098
Total recognised income/(loss) for 2006		-	(511)	115,098	114,587
Contribution to reserve fund		-	10,002	(10,002)	-
Share issue	18	1,831,435	-	-	1,831,435
Share premium		8,396	-	-	8,396
Treasury shares:					
- Acquisitions		(4,470)	-	-	(4,470)
Balance at 31 December 2006		4,500,991	66,716	138,014	4,705,721

JSC KazInvestBank
Statement of Cash Flows

<i>In thousands of Kazakhstani Tenge</i>	Note	2006	2005
Cash flows from operating activities			
Interest received		1,643,342	814,669
Interest paid		(1,050,648)	(389,652)
Income received from trading in trading securities		99	49,190
Income received from trading financial derivatives		34,359	-
Income received from trading in foreign currency		223,829	74,351
Fees and commissions received		191,385	98,449
Fees and commissions paid		(41,852)	(17,123)
Other operating income received		5,121	12,003
Staff costs paid		(408,873)	(402,930)
Administrative and other operating expenses paid		(331,425)	(245,959)
Income tax paid		(1,702)	(9,202)
Cash flows from/ (used in) operating activities before changes in operating assets and liabilities		263,635	(16,204)
Changes in operating assets and liabilities			
Net decrease/(increase) in trading securities		1,085,664	(1,236,896)
Net increase in loans and advances to customers		(9,319,714)	(2,357,920)
Net (increase)/decrease in other assets		(219,046)	121,824
Net decrease in due to other banks		(754,765)	(66,989)
Net increase in customer accounts		8,771,333	3,166,724
Net increase in other borrowed funds		49,803	954,530
Net increase in other liabilities		72,873	5,378
Net cash (used in)/ from operating activities		(50,217)	570,447
Cash flows from investing activities			
Proceeds from disposal of investment securities available for sale	10	1,334,135	950,461
Acquisition of investment securities held to maturity		-	(9,798,396)
Proceeds from redemption of investment securities held to maturity		-	9,111,900
Acquisition of premises and equipment	11	(226,485)	(341,268)
Proceeds from disposal of premises and equipment		653,073	2,566
Acquisition of intangible assets	11	(15,026)	(3,483)
Proceeds from disposal of intangible assets		955	-
Net cash from/ (used in) investing activities		1,746,652	(78,220)
Cash flows from financing activities			
Issue of ordinary shares	18	1,839,831	1,215,630
Issue of debt securities		868,200	298,634
Acquisition of treasury shares	18	(4,470)	-
Net cash from financing activities		2,703,561	1,514,264
Effect of exchange rate changes on cash and cash equivalents		(36,776)	9,174
Net increase in cash and cash equivalents		4,363,220	2,015,665
Cash and cash equivalents at the beginning of the year		3,671,025	1,655,360
Cash and cash equivalents at the end of the year	7	8,034,245	3,671,025

Excluded from cash and cash equivalents at 31 December 2006 is interest income receivable on short term placements with other banks of Tenge 614 thousand (2005: Tenge 78 thousand).

1 Introduction

These financial statements have been prepared in accordance with International Financial Reporting Standards for the year ended 31 December 2006 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 Agency of the Republic of Kazakhstan on Regulation and Supervision of Financial Market and Financial Organizations (the “Agency”) on 25 January 2006.

The Bank has three (31 December 2005: two) branches within the Republic of Kazakhstan. The average number of employees during the year was 165 (2005: 161).

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

172, Dostyk Avenue
Almaty, Republic of Kazakhstan

Presentation currency. These financial statements are presented in thousands of Kazakhstani Tenge.

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 National Bank of the Republic of Kazakhstan (the “NBRK”), 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 these 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 Summary of 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 financial assets, 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.

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

3 Summary of Significant Accounting Policies (Continued)

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.

Valuation techniques such as discounted cash flow models or models based on recent arms length transactions or 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.

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.

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 or premium (including fees deferred at origination, if any), 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).

Initial recognition of financial instruments. Trading securities, derivatives and other financial instruments at fair value through profit or loss 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 assets 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 asset. 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.

3 Summary of Significant Accounting Policies (Continued)

Cash and cash equivalents. Cash and cash equivalents are items which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents include mandatory reserve deposits with the NBRK and all interbank placements with original maturities of less than three months. Funds restricted for a period of more than three months are excluded from cash and cash equivalents. Cash and cash equivalents are carried at amortised cost.

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.

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.

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.

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 original 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.

3 Summary of Significant Accounting Policies (Continued)

Credit related commitments. The Bank enters into credit related commitments, including letters of credit and financial guarantees. Financial guarantees represent irrevocable assurances to make payments in the event a customer cannot meet its obligations to third parties and carry the same credit risk that as loans. Financial guarantees and commitments to provide a loan are initially recognised at their fair value, which is normally evidenced by the amount of fees received. This amount is amortised on a straight line basis over the life of the commitment. At each balance sheet date, the commitments are measured at the higher of (i) the unamortised balance of the amount at initial recognition and (ii) the best estimate of expenditure required to settle the commitment at the balance sheet date.

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.

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.

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 repledge 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 repledge 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.

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.

Construction in progress is carried at cost less provision for impairment where required. Upon completion, assets are transferred to premises and equipment at their carrying amount. Construction in progress is not depreciated until the asset is available for use.

3 Summary of Significant Accounting Policies (Continued)

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.

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 the 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, eg 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 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. Obligation to return securities borrowed and sold to third parties is carried at fair value through profit or loss.

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

Debt securities in issue. Debt securities in issue include bonds issued by the Bank. Debt securities are stated at amortised cost. If the Bank purchases its own debt securities in issue, they are removed from the balance sheet and the difference between the carrying amount of the liability and the consideration paid is included in gains arising from retirement of debt.

Other borrowed funds. Other borrowed funds include loans received from third parties. Loans are carried at amortised cost.

3 Summary of Significant Accounting Policies (Continued)

Derivative financial instruments. Derivative financial instruments, including foreign exchange contracts, interest rate futures, forward rate agreements, currency and interest rate swaps, currency and interest rate options 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. The Bank does not apply hedge accounting.

Certain derivative instruments embedded in other financial instruments are treated as separate derivative instruments when their risks and characteristics are not closely related to those of the host contract.

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.

Share premium. Share premium represents the excess of contributions over the nominal value of the shares issued.

Treasury shares. Where the Bank purchase its equity instruments, the consideration paid including any attributable incremental external costs net of income taxes is deducted from equity attributable to the equity holders of the Bank until they are cancelled or disposed of. Where such shares are subsequently disposed or reissued, any consideration received is included in equity.

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.

3 Summary of Significant Accounting Policies (Continued)

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 entity 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.

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. Loan syndication fees are recognised as income when the syndication has been completed and the Bank retained no part of the loan package for itself or retained a part at the same effective interest rate for the other participants.

Commissions and fees arising from negotiating, or participating in the negotiation of a transaction for a third party, such as the acquisition of loans, shares or other securities or the purchase or sale of businesses, which are earned on execution of the underlying transaction are recorded on its completion. 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. The functional currency of the Bank is the currency of the primary economic environment in which the entity operates. The Bank's functional currency and the Bank's presentation currency is the national currency of the Republic of Kazakhstan, Kazakhstani Tenge ("Tenge").

At 31 December 2006 the principal rate of exchange used for translating foreign currency balances was USD 1 = Tenge 127.00 (2005: USD 1 = Tenge 133.77); and Euro 1 = 167.12 Tenge (2005: Euro 1 = 158.54 Tenge).

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 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.

Segment reporting. A segment is a distinguishable component of the Bank that is engaged either in providing products or services (business segment) or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. Segments with a majority of revenue earned from sales to external customers and whose revenue, result or assets are ten percent or more of all the segments are reported separately.

3 Summary of Significant Accounting Policies (Continued)

Changes in accounting policies and presentation. Where necessary, corresponding figures have been adjusted to conform with changes in accounting policies and in the presentation of the current year amounts.

The Bank changed its accounting policy for cash and cash equivalents and now also considers as part of cash and cash equivalents (a) mandatory reserve deposits with the NBRK and (b) interbank deposits with original maturities of less than three months. The change was made to align the Bank's policies with practices in other countries that apply IFRSs in order to enhance comparability of the Bank's financial position.

The effect of changes in accounting policies and of reclassifications is as follows:

<i>In thousands of Kazakhstani Tenge</i>	31 December 2006	31 December 2005
Increase in		
Cash and cash equivalents	1,488,426	486,860
Decrease in		
Mandatory cash balances with the NBRK	(1,107,312)	(218,828)
Due from other banks	(381,114)	(268,032)

The outstanding "Mandatory cash balances with the NBRK" of Tenge 218,828 thousand and "Due from other banks" of Tenge 268,032 thousand was previously disclosed separately on the face of balance sheet.

Any further changes to these financial statements require approval of the Bank's management who authorised these financial statements for issue.

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:

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 a deterioration in the financial health of the investee, industry and sector performance, changes in technology, and operational or financing cash flows.

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

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.

Tax legislation. Kazakhstani tax, currency and customs legislation is subject to varying interpretations. Refer to Note 28.

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.

Initial recognition of related party transactions. In the normal course of business the Bank enters into transactions with its related parties. IAS 39 requires initial recognition of financial instruments based on their fair values. 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 2006. 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 2005, unless otherwise described below.

IFRIC 4, Determining whether an Arrangement contains a Lease (effective from 1 January 2006). 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 (effective from 1 January 2006). 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.

IAS 39 (Amendment) – Financial Guarantee Contracts (effective from 1 January 2006). As a result of this amendment, the Bank measures issued financial guarantees initially at their fair value, which is normally evidenced by the amount of fees received. This amount is then amortised on a straight line basis over the life of the guarantee. At each balance sheet date, the guarantees are measured at the higher of (i) the unamortised balance of the amount at initial recognition and (ii) the best estimate of expenditure required to settle the commitment at the balance sheet date. The effect of adoption of the above revised standard and interpretations on the Bank's financial position at 31 December 2006 and 2005 can be summarised in the table as follows:

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

<i>In thousands of Kazakhstani Tenge</i>	Note	31 December 2006	31 December 2005
Increase in other assets	12	30,430	7,447
Increase in other liabilities	17	30,430	7,447

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 2007 or later periods and which the Bank has not early adopted:

IFRS 7 Financial Instruments: Disclosures and a complementary Amendment to IAS 1 Presentation of Financial Statements - Capital Disclosures (effective from 1 January 2007). The IFRS introduces new disclosures to improve the information about financial instruments. The volume of disclosures will increase significantly with an emphasis on quantitative aspects of risk exposures and the methods of risk management. The quantitative disclosures will provide information about the extent of exposure to risk, based on information provided internally to the entity's key management personnel. Qualitative and quantitative disclosures will cover exposure to credit risk, liquidity risk and market risk including sensitivity analysis to market risk. IFRS 7 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 not early adopted the following other new standards or interpretations:

- IFRIC 7, Applying the Restatement Approach under IAS 29 (effective for periods beginning on or after 1 March 2006, that is from 1 January 2007);
- IFRIC 8, Scope of IFRS 2 (effective for periods beginning on or after 1 May 2006, that is from 1 January 2007);
- IFRIC 9, Reassessment of Embedded Derivatives (effective for annual periods beginning on or after 1 June 2006);
- IFRIC 10, Interim Financial Reporting and Impairment (effective for annual periods beginning on or after 1 November 2006);
- IFRIC 11, IFRS 2—Bank and Treasury Share Transactions (effective for annual periods beginning on or after 1 March 2007).

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>	2006	2005
Cash on hand	428,160	199,192
Cash balances with the NBRK (other than mandatory reserve deposits)	5,004,477	2,870,928
Mandatory cash balances with NBRK	1,107,312	218,828
Correspondent accounts and overnight placements with other banks:		
- Republic of Kazakhstan	71,449	64,599
- Other countries	1,042,347	49,524
Placements with other banks with original maturities of less than three months	381,114	268,032
Total cash and cash equivalents	8,034,859	3,671,103

Geographical, currency and interest rate analyses of cash and cash equivalents are disclosed in Note 27.

8 Trading Securities

<i>In thousands of Kazakhstani Tenge</i>	2006	2005
Notes of the NBRK	249,268	1,334,932
Total trading securities	249,268	1,334,932

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 mature on 19 January 2007 and have yield to maturity of 4.52 percent.

At 31 December 2006 the estimated fair value of trading securities was Tenge 249,268 thousand (2005: Tenge 1,334,932 thousand). Refer to Note 30.

Geographical, currency and interest rate analyses of trading securities are disclosed in Note 27.

9 Loans and Advances to Customers

<i>In thousands of Kazakhstani Tenge</i>	2006	2005
Current loans	16,176,688	6,856,422
Overdue loans	58,256	-
Less: Provision for loan impairment	(69,213)	(20,700)
Total loans and advances to customers	16,165,731	6,835,722

Movements in the provision for loan impairment are as follows:

<i>In thousands of Kazakhstani Tenge</i>	2006	2005
Provision for loan impairment at 1 January	20,700	124,308
Provision/ (recovery of) for loan impairment during the year	114,513	(93,079)
Loans and advances to customers written off during the year as uncollectible	(66,000)	(10,529)
Provision for loan impairment at 31 December	69,213	20,700

9 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>	2006		2005	
	Amount	%	Amount	%
Construction	4,099,250	25	1,182,252	18
Wholesale and retail of consumer goods	2,750,914	17	2,171,256	32
Agricultural and food products	2,109,545	13	143,427	2
Recycling	1,915,433	12	494,631	7
Metals	1,494,002	9	80,966	1
Individuals	1,271,880	8	191,781	3
Printing	686,923	4	-	-
Real estate	559,690	3	469,455	7
Brokerage	259,772	2	424,646	6
Mining	207,134	1	359,939	5
Chemical	184,948	1	-	-
Catering	141,730	1	281,607	4
Recreation	101,210	1	84,649	1
Consulting	48,417	-	223,527	3
Other	404,096	3	748,286	11
Total loans and advances to customers (before impairment)	16,234,944	100	6,856,422	100

At 31 December 2006 the Bank had seven borrowers (2005: four borrowers) with aggregate loan amounts above Tenge 800,000 thousand. The total aggregate amount of these loans was Tenge 7,015,732 thousand (2005: Tenge 1,949,642 thousand) or 43.4 percent of the total loan portfolio (2005: 28.4 percent).

At 31 December 2006 the estimated fair value of loans and advances to customers was Tenge 16,165,731 thousand (2005: Tenge 6,835,722 thousand). Refer to Note 30.

Geographical, currency, maturity and interest rate analyses of loans and advances to customers are disclosed in Note 27. The information on related party balances is disclosed in Note 31.

10 Investment Securities Available for Sale

<i>In thousands of Kazakhstani Tenge</i>	2006	2005
Treasury bills of the Ministry of Finance	-	1,334,646
Total investment securities available for sale	-	1,334,646

10 Investment Securities Available for Sale (Continued)

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

<i>In thousands of Kazakhstani Tenge</i>	Note	2006	2005
Carrying amount at 1 January		1,334,646	2,234,970
Fair value gains less losses	19	(511)	50,137
Disposals of current investment securities available for sale		(1,334,135)	(950,461)
Carrying amount at 31 December		-	1,334,646

At 31 December 2006 the estimated fair value of investment securities available for sale was Tenge nil thousand (2005: Tenge 1,334,646 thousand). Refer to Note 30.

Geographical, currency, maturity and interest rate analyses of investment securities available for sale are disclosed in Note 27.

11 Premises, Equipment and Intangible Assets

<i>In thousands of Kazakhstani Tenge</i>	Note	Land and premises	Office and computere quipment	Vehicles	Construction in progress	Total premises and equipment	Computer Software and licences	Total
Cost at 1 January 2005		-	140,666	24,319	515,947	680,932	66,977	747,909
Accumulated depreciation		-	(13,252)	(7,933)	-	(21,185)	(3,341)	(24,526)
Carrying amount at 1 January 2005		-	127,414	16,386	515,947	659,747	63,636	723,383
Additions		-	74,784	44,169	222,315	341,268	3,483	344,751
Transfers		728,276	-	-	(728,276)	-	-	-
Disposals (at cost)		-	(3,316)	(19,952)	-	(23,268)	-	(23,268)
Disposals (accumulated depreciation)		-	1,126	8,452	-	9,578	-	9,578
Depreciation charge	23	(5,718)	(29,003)	(3,716)	-	(38,437)	(12,967)	(51,404)
Carrying amount at 31 December 2005		722,558	171,005	45,339	9,986	948,888	54,152	1,003,040
Cost at 31 December 2005		728,276	212,134	48,536	9,986	998,932	70,460	1,069,392
Accumulated depreciation		(5,718)	(41,129)	(3,197)	-	(50,044)	(16,308)	(66,352)
Carrying amount at 31 December 2005		722,558	171,005	45,339	9,986	948,888	54,152	1,003,040
Additions		71,903	50,479	11,206	92,897	226,485	15,026	241,511
Disposals (at cost)		(648,366)	(14,036)	(6,893)	-	(669,295)	(1,377)	(670,672)
Disposals (accumulated depreciation)		15,790	2,992	976	-	19,758	422	20,180
Depreciation charge	23	(12,892)	(26,272)	(5,373)	-	(44,537)	(7,033)	(51,570)
Carrying amount at 31 December 2006		148,993	184,168	45,255	102,883	481,299	61,190	542,489
Cost at 31 December 2006		151,813	248,577	52,849	102,883	556,122	84,109	640,231
Accumulated depreciation		(2,820)	(64,256)	(7,764)	-	(74,840)	(22,902)	(97,742)
Carrying amount at 31 December 2006		148,993	184,321	45,085	102,883	481,282	61,207	542,489

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

12 Other Assets

<i>In thousands of Kazakhstani Tenge</i>	Note	2006	2005
Prepaid capital expenditure		173,070	1,134
Prepayments		30,910	17,734
Commission fee receivable on issued guarantees	5	30,430	7,447
Prepaid taxes		7,149	375
Other investments		2,200	2,200
Foreign exchange forwards	29	-	610
Other		30,927	8,116
Total other assets		274,686	37,616

Included in the amount of prepaid capital expenditure are prepayments for buildings in Aktobe and Karaganda in the amount of Tenge 96,264 thousand (2005: Tenge nil thousand), and prepayment for banking software to 3I Infotech in the amount of Tenge 44,046 thousand (2005: Tenge nil thousand).

Geographical, currency and maturity analyses of other assets are disclosed in Note 27.

13 Due to Other Banks

<i>In thousands of Kazakhstani Tenge</i>	2006	2005
Short-term placements of other banks	610,152	558,813
Sale and repurchase agreements with other banks	235,058	1,040,610
Total due to other banks	845,210	1,599,423

As at 31 December 2006 securities sold under sale and repurchase agreements consist of treasury bills of Ministry of Finance with a fair value of Tenge 247,276 thousand (2005: Tenge 1,155,446 thousand). As at 31 December 2006 and 2005 these securities are recorded on the balance sheet within trading securities. Refer to Note 8.

At 31 December 2006 the estimated fair value of due to other banks was Tenge 845,210 thousand (2005: Tenge 1,599,423 thousand). Refer to Note 30.

14 Customer Accounts

<i>In thousands of Kazakhstani Tenge</i>	2006	2005
State and public organisations		
- Current/settlement accounts	940,705	1,477,820
- Term deposits	1,762,618	763,604
Other legal entities		
- Current/settlement accounts	1,994,737	3,785,720
- Term deposits	11,171,678	2,036,862
Individuals		
- Current/demand accounts	289,980	422,869
- Term deposits	1,099,055	102,878
Total customer accounts	17,258,773	8,589,753

State and public organisations exclude government owned profit oriented businesses.

14 Customer Accounts (Continued)

Economic sector concentrations within customer accounts are as follows:

<i>In thousands of Kazakhstani Tenge</i>	2006		2005	
	Amount	%	Amount	%
Insurance and financial services	6,012,477	35	2,544,473	30
Construction	3,081,565	18	997,133	12
Individuals	1,389,035	7	525,747	6
Agriculture	1,286,617	7	1,029,847	12
Oil and gas sector	961,221	6	21,953	-
Activity of associations and unions	900,052	5	818,357	10
Transport	787,400	5	740,103	9
Research and development	698,577	4	50,123	1
Communication	459,048	3	315,893	4
Energy	332,366	2	455,943	5
Wholesale trade	290,968	2	200,047	2
Other	1,059,447	6	890,134	9
Total customer accounts	17,258,773	100	8,589,753	100

At 31 December 2006 the Bank had seven customers (2005: four customers) with balances above Tenge 600,000 thousand. The aggregate balance of these customers was Tenge 7,274,741 thousand (2005: Tenge 2,280,247 thousand) or 42 percent (2005: 26 percent) of total customer accounts.

At 31 December 2006 included in customer accounts are deposits of Tenge 3,221,981 thousand (2005: Tenge 223,527 thousand) held as collateral for loans and advances to customers.

At 31 December 2006 the estimated fair value of customer accounts was Tenge 17,258,773 thousand (2005: Tenge 8,589,753 thousand). Refer to Note 30.

Geographical, currency, maturity and interest rate analyses of customer accounts are disclosed in Note 27. The information on related party balances is disclosed in Note 31.

15 Debt Securities in Issue

<i>In thousands of Kazakhstani Tenge</i>	2006	2005
Debt securities in issue	1,161,019	299,253
Total debt securities in issue	1,161,019	299,253

At 31 December 2006 the Bank has debt securities in issue of Tenge 1,161,019 thousand (2005: Tenge 299,253 thousand) in Tenge. These bonds mature on December 2012, have coupon rate of 10.5 percent (2005: 9.50 percent) and yield to maturity of 12.30 percent (2005: 10.81 percent).

At 31 December 2006 the estimated fair value of debt securities in issue was Tenge 1,161,019 thousand (2005: Tenge 299,253 thousand). Refer to Note 30.

16 Other Borrowed Funds

<i>In thousands of Kazakhstani Tenge</i>	2006	2005
Term borrowings from companies/government agencies	1,004,670	954,867
Total other borrowed funds	1,004,670	954,867

As at 31 December 2006, other borrowings from a financial institution include borrowings of Euro 6,000 thousand in the form of a loan from JSC Reabilitatsionnyi Fond. The loan has an 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 2006 the estimated fair value of other borrowed funds was Tenge 1,004,670 thousand (2005: Tenge 954,867 thousand). Refer to Note 30.

17 Other Liabilities

Other liabilities comprise the following:

<i>In thousands of Kazakhstani Tenge</i>	Note	2006	2005
Taxes other than on income payable		119,945	10,450
Salaries, bonuses	23	91,430	17,775
Fees received from issuance of financial guarantees	5	30,430	7,447
Advances received		22,951	4,321
Trade payables		8,064	5,269
Other derivative financial instruments	29	-	16,286
Other accrued liabilities		923	5,142
Total other liabilities		273,743	66,690

Included in salaries and bonuses is the amount Tenge 91,424 thousand (2005: Tenge 17,771 thousand) which represents annual performance bonus provided to the Bank's personnel.

Included in taxes other than on income payable is the amount of Tenge 94,261 thousand (2005: Tenge 120 thousand), which represents value added tax on sale of building.

Geographical, currency and maturity analyses of provisions for liabilities and charges and other liabilities are disclosed in Note 27. The information on related party balances is disclosed in Note 31.

18 Share Capital

<i>In thousands of Kazakhstani Tenge, except for number of shares</i>	Number of outstanding shares in thousands	Ordinary shares	Share premium	Treasury shares	Total
At 1 January 2005	14,500	1,450,000	-	-	1,450,000
New shares issued	12,156	1,215,630	-	-	1,215,630
At 31 December 2005	26,656	2,665,630	-	-	2,665,630
New shares issued	18,314	1,831,435	8,396	-	1,839,831
Treasury shares purchased	(29)	-	(1,535)	(2,935)	(4,470)
At 31 December 2006	44,941	4,497,065	6,861	(2,935)	4,500,991

18 Share Capital (Continued)

Nominal registered amount of the Bank's issued share capital is Tenge 4,497,065 (31 December 2005: Tenge 2,665,630 thousand). At 31 December 2005, all of the Bank's outstanding shares were authorised, issued and fully paid.

All ordinary shares have a par value of Tenge 100 per share (2005: Tenge 100 per share) and rank equally. Each share carries one vote.

At 31 December 2006 treasury shares include 29,254 ordinary shares of the Bank (2005: nil shares) owned by the Bank. These ordinary shares carry voting rights in the same proportion as other ordinary shares. Voting rights of ordinary shares of the Bank held by the entities within the Bank are effectively controlled by the Management of the Bank.

Share premium represents the excess of contributions received over the nominal value of shares issued.

The shareholders' structure is as follows:

Shareholder	31 December 2006 %	31 December 2005 %
Mr. Kapparov Nurlan	37.7	41.9
Mr. Kaniyev Berik	26.9	17.6
Mr. Pak Yuriy	19.5	17.0
Mr. Park Yu Sil	5.0	8.4
Zineto Enterprises Limited	2.9	4.9
Mr. Kaniyev Galymzhan	2.5	3.6
JSC Pana Insurance	-	1.9
Other shareholders	5.5	4.7
Total	100	100

19 Other Reserves

<i>In thousands of Kazakhstani Tenge</i>	Note	Revaluation reserve for available for sale securities	Other	Total reserves
At 1 January 2005		-	56,714	56,714
Revaluation	10	50,137	-	50,137
Realised revaluation reserve		(49,626)	-	(49,626)
At 31 December 2005		511	56,714	57,225
Revaluation	10	(511)	-	(511)
Realised revaluation reserve		-	-	-
Contribution to reserve fund		-	10,002	10,002
At 31 December 2006		-	66,716	66,716

Revaluation reserve for available for sale securities, including those classified as held for sale 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.

20 Interest Income and Expense

<i>In thousands of Kazakhstani Tenge</i>	2006	2005
Interest income		
Loans and advances to customers	1,661,216	713,566
Due from other banks	57,256	39,123
Correspondent accounts with other banks	24,228	6,967
Investment securities available for sale	13,133	6,000
Overnight placements with other banks	7,041	1,846
Debt trading securities	5,812	25,334
Investment securities held to maturity	-	72,613
Repurchase receivable	-	1,082
Total interest income	1,768,686	866,531
Interest expense		
Term deposits of legal entities	592,561	257,281
Debt securities in issue	115,882	619
Term deposits of individuals	82,154	82,808
Other borrowed funds	75,875	26,938
Term placements of other banks	56,055	38,095
Current/settlement accounts	19,925	-
Total interest expense	942,452	405,741
Net interest income	826,234	460,790

21 Fee and Commission Income and Expense

<i>In thousands of Kazakhstani Tenge</i>	2006	2005
Fee and commission income		
- Settlement transactions	53,126	24,076
- Cash transactions	37,445	16,989
- Guarantees issued	36,841	39,016
- Purchase and sale of foreign currency	28,436	16,384
- Letters of credit	13,591	4,314
- Others	16,986	3,224
Total fee and commission income	186,425	104,003
Fee and commission expense		
- Settlement transactions	14,944	9,735
- Cash transactions	11,042	1,673
- Letters of credit	2,322	1,245
- Transactions with securities	875	4,575
- Other	9,477	3,980
Total fee and commission expense	38,660	21,208
Net fee and commission income	147,765	82,795

22 Other Operating Income

<i>In thousands of Kazakhstani Tenge</i>	2006	2005
Gain/(loss) on disposal of premises and equipment	3,536	(11,124)
Income from insurance recovery	-	5,000
Other	2,326	7,003
Total other operating income	5,862	879

23 Administrative and Other Operating Expenses

<i>In thousands of Kazakhstani Tenge</i>	Note	2006	2005
Staff costs		518,078	420,705
Office and equipment maintenance expenses		57,983	57,737
Professional services		75,946	36,390
Depreciation of premises and equipment	11	44,537	38,437
Rent expenses		43,042	26,673
Advertising and marketing services		33,176	32,321
Administrative expenses		23,627	24,255
Taxes other than on income		27,646	20,949
Business trip and representative expenses		20,394	13,893
Cash collection expenses		11,800	4,557
Amortisation of software and other intangible assets	11	7,033	12,967
Insurance expenses		5,968	2,123
Other general and administrative expenses		49,908	37,278
Total administrative and other operating expenses		919,138	728,285

Included in staff costs is statutory social tax of Tenge 41,893 thousand (2005: Tenge 39,322 thousand).

Included in staff costs is the amount of Tenge 91,424 thousand (2005: Tenge 17,771 thousand), which represents annual performance bonus to the Bank's personnel. See Note 17.

24 Income Taxes

Income tax expenses comprise the following:

<i>In thousands of Kazakhstani Tenge</i>	2006	2005
Current tax	43,175	-
Deferred tax	25,124	(16,626)
Income tax expense/(credit) for the year	68,299	(16,626)

24 Income Taxes (Continued)

The income tax rate applicable to the majority of the Bank's income is 30 percent (2005: 30 percent). A reconciliation between the expected and the actual taxation charge is provided below.

<i>In thousands of Kazakhstani Tenge</i>	2006	2005
IFRS profit before tax	183,397	26,297
Theoretical tax charge at statutory rate (2006 and 2005: 30%)	55,019	7,889
Tax effect of items which are not deductible or assessable for taxation purposes:		
- Income on government securities which is exempt from taxation	(3,725)	(38,309)
- Non-deductible provisions for impairment of loans and advances to customers	15,305	4,367
- Non-deductible (gain)/loss on disposal of premises and equipment	(1,035)	4,373
- Other non deductible expenses	2,735	5,054
Income tax expense/(credit) for the year	68,299	(16,626)

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% (2005: 30%).

<i>In thousands of Kazakhstani Tenge</i>	31 Dec 2004	Charged/ (credited) to profit or loss	31 Dec 2005	Charged/ (credited) to profit or loss	31 Dec 2006
Tax effect of deductible temporary differences					
Loan impairment provision	10,457	(10,457)	-	-	-
Intangible assets	-	820	820	(820)	-
Unrealised foreign exchange loss	-	4,702	4,702	(4,702)	-
Tax losses carried forward	-	37,355	37,355	(37,355)	-
Accruals	779	821	1,600	28,228	29,828
Gross deferred tax asset	11,236	33,241	44,477	(14,649)	29,828
Tax effect of taxable temporary differences					
Premises and equipment	5,617	16,590	22,207	10,559	32,766
Intangible assets	59	(59)	-	-	-
Accruals	-	84	84	(84)	-
Gross deferred tax liability	5,676	16,615	22,291	10,475	32,766
Recognised deferred tax asset/(liabilities)	5,560	16,626	22,186	(25,124)	(2,938)

25 Earnings per Share

Basic earnings per share are calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year, excluding treasury shares.

<i>In thousands of Kazakhstani Tenge</i>	Note	2006	2005
Profit for the year attributable to ordinary shareholders		115,098	42,923
Profit for the year		115,098	42,923
Weighted average number of ordinary shares in issue (thousands)	18	43,124	22,214
Basic earnings per ordinary share (expressed in tenge per share)		2.66	1.93

26 Segment Reporting

A segment is a distinguishable component of the Bank that is engaged either in providing products or services (business segment) or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

The Bank is organised on the basis of one main business segment – corporate banking which represents direct debit facilities, current accounts, deposits, overdrafts, loan and other credit facilities, foreign currency and derivative products. The Bank also has retail banking which represents private banking services, private customer current accounts, savings, deposits and debit cards, consumer loans and mortgages. However, retail banking comprises less than ten percent of total revenue and total assets. Currently the Bank is managed as a whole and management is unable to present business segmental information as the Bank's accounting records do not allow it. Geographical segments of the Bank have been reported in Note 27 of these financial statements based on the ultimate domicile of the counterparty, e.g. based on economic risk rather than legal risk of the counterparty.

27 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 Banks 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.

27 Financial Risk Management (Continued)

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.

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 2006 is set out below:

<i>In thousands of Kazakhstani Tenge</i>	Kazakhstan	OECD	Non OECD	Total
Assets				
Cash and cash equivalents	6,992,512	1,039,495	2,852	8,034,859
Trading securities	249,268	-	-	249,268
Loans and advances to customers	16,165,731	-	-	16,165,731
Premises and equipment	481,282	-	-	481,282
Intangible assets	61,207	-	-	61,207
Other assets	230,640	-	44,046	274,686
Total assets	24,180,640	1,039,495	46,898	25,267,033
Liabilities				
Due to other banks	585,554	259,656	-	845,210
Customer accounts	17,258,773	-	-	17,258,773
Debt securities in issue	1,161,019	-	-	1,161,019
Other borrowed funds	1,004,670	-	-	1,004,670
Current income tax liabilities	14,959	-	-	14,959
Deferred income tax liability	2,938	-	-	2,938
Other liabilities	273,743	-	-	273,743
Total liabilities	20,301,656	259,656	-	20,561,312
Net balance sheet position	3,878,984	779,839	46,898	4,705,721
Credit related commitments (Note 28)	10,669,310	-	-	10,669,310

Assets, liabilities and credit related commitments have generally 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.

27 Financial Risk Management (Continued)

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	3,621,579	48,959	565	3,671,103
Trading securities	1,334,932	-	-	1,334,932
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
Premises and equipment	948,888	-	-	948,888
Intangible assets	54,152	-	-	54,152
Other assets	37,616	-	-	37,616
Total assets	14,216,235	48,959	565	14,265,759
Liabilities				
Due to other banks	1,455,820	143,603	-	1,599,423
Customer accounts	8,589,753	-	-	8,589,753
Debt securities in issue	299,253	-	-	299,253
Other borrowed funds	954,867	-	-	954,867
Other liabilities	66,690	-	-	66,690
Total liabilities	11,366,383	143,603	-	11,509,986
Net balance sheet position	2,849,852	(94,644)	565	2,755,773
Credit related commitments (Note 28)	5,129,355	7,500	-	5,136,855

27 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 2006:

<i>In thousands of Kazakhstani Tenge</i>	Tenge	USD	Euro	Other	Total
Assets					
Cash and cash equivalents	5,375,396	1,350,536	1,301,343	7,584	8,034,859
Trading securities	249,268	-	-	-	249,268
Loans and advances to customers	15,279,099	615,990	270,642	-	16,165,731
Premises and equipment	481,282	-	-	-	481,282
Intangible assets	61,207	-	-	-	61,207
Other assets	215,726	58,896	64	-	274,686
Total assets	21,661,978	2,025,422	1,572,049	7,584	25,267,033
Liabilities					
Due to other banks	585,554	259,656	-	-	845,210
Customer accounts	14,931,191	1,757,146	562,155	8,281	17,258,773
Debt securities in issue	1,161,019	-	-	-	1,161,019
Other borrowed funds	-	-	1,004,670	-	1,004,670
Current income tax liabilities	14,959	-	-	-	14,959
Deferred income tax liability	2,938	-	-	-	2,938
Other liabilities	271,627	1,823	293	-	273,743
Total liabilities	16,967,288	2,018,625	1,567,118	8,281	20,561,312
Net balance sheet position, excluding currency derivatives	4,694,690	6,797	4,931	(697)	4,705,721
Credit related commitments (Note 28)	7,228,711	3,440,599	-	-	10,669,310

27 Financial Risk Management (Continued)

At 31 December 2005, 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	2,256,975	1,234,388	174,296	5,444	3,671,103
Trading securities	1,334,932	-	-	-	1,334,932
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
Premises and equipment	948,888	-	-	-	948,888
Intangible assets	54,152	-	-	-	54,152
Other assets	37,006	610	-	-	37,616
Total assets	11,871,901	2,214,118	174,296	5,444	14,265,759
Liabilities					
Due to other banks	1,455,820	-	143,603	-	1,599,423
Customer accounts	6,584,739	1,990,438	14,576	-	8,589,753
Debt securities in issue	299,253	-	-	-	299,253
Other borrowed funds	-	-	954,867	-	954,867
Other liabilities	49,156	669	16,865	-	66,690
Total liabilities	8,388,968	1,991,107	1,129,911	-	11,509,986
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 29)	(267,350)	(543,276)	794,950	-	(15,676)
Credit related commitments (Note 28)	1,571,770	3,457,571	107,514	-	5,136,855

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 29. The net total represents fair value of the derivatives.

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 and Liability Management Committee of the Bank.

The table below shows assets and liabilities at 31 December 2006 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 a 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.

27 Financial Risk Management (Continued)

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.

The liquidity position of the Bank at 31 December 2006 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	8,034,859	-	-	-	8,034,859
Trading securities	249,268	-	-	-	249,268
Loans and advances to customers	2,103,357	8,293,552	3,111,651	2,657,171	16,165,731
Premises and equipment	-	-	-	481,282	481,282
Intangible assets	-	-	-	61,207	61,207
Other assets	187,598	48,680	20,172	18,236	274,686
Total assets	10,575,082	8,342,232	3,131,823	3,217,896	25,267,033
Liabilities					
Due to other banks	235,058	610,152	-	-	845,210
Customer accounts	5,433,243	6,431,189	4,050,329	1,344,012	17,258,773
Debt securities in issue	-	-	-	1,161,019	1,161,019
Other borrowed funds	-	-	-	1,004,670	1,004,670
Current income tax liabilities	14,959	-	-	-	14,959
Deferred income tax liability	-	-	2,938	-	2,938
Other liabilities	220,362	32,981	4,364	16,036	273,743
Total liabilities	5,903,622	7,074,322	4,057,631	3,525,737	20,561,312
Net liquidity gap	4,671,460	1,267,910	(925,808)	(307,841)	4,705,721
Cumulative liquidity gap	4,671,460	5,939,370	5,013,562	4,705,721	

All of the Bank's financial assets and liabilities mature within five years except debt securities in issue of Tenge 1,161,019 thousand which mature within seven years (2005: all maturing within five years except debt securities in issue of Tenge 299,253 thousand which mature within eight years).

27 Financial Risk Management (Continued)

The liquidity position of the Bank at 31 December 2005 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	3,671,103	-	-	-	3,671,103
Trading securities	1,334,932	-	-	-	1,334,932
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 income tax asset	-	-	-	22,186	22,186
Premises and equipment	-	-	-	948,888	948,888
Intangible assets	-	-	-	54,152	54,152
Other assets	26,620	1,402	2,431	7,163	37,616
Total assets	5,708,061	4,215,071	1,100,036	3,242,591	14,265,759
Liabilities					
Due to other banks	1,184,940	-	414,483	-	1,599,423
Customer accounts	4,045,367	2,241,325	2,134,936	168,125	8,589,753
Debt securities in issue	-	-	-	299,253	299,253
Other borrowed funds	954,867	-	-	-	954,867
Other liabilities	66,690	-	-	-	66,690
Total liabilities	6,251,864	2,241,325	2,549,419	467,378	11,509,986
Net liquidity gap	(543,803)	1,973,746	(1,449,383)	2,775,213	2,755,773
Cumulative liquidity gap	(543,803)	1,429,943	(19,440)	2,755,773	

27 Financial Risk Management (Continued)

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.

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 2006. 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	8,034,859	-	-	-	8,034,859
Trading securities	249,268	-	-	-	249,268
Loans and advances to customers	2,103,357	8,293,552	3,111,651	2,657,171	16,165,731
Premises and equipment	-	-	-	481,282	481,282
Intangible assets	-	-	-	61,207	61,207
Other assets	187,598	48,680	20,172	18,236	274,686
Total assets	10,575,082	8,342,232	3,131,823	3,217,896	25,267,033
Liabilities					
Due to other banks	235,058	610,152	-	-	845,210
Customer accounts	5,433,243	6,431,189	4,050,329	1,344,012	17,258,773
Debt securities in issue	-	-	-	1,161,019	1,161,019
Other borrowed funds	-	-	-	1,004,670	1,004,670
Current income tax liabilities	14,959	-	-	-	14,959
Deferred income tax liability	-	-	2,938	-	2,938
Other liabilities	220,362	32,981	4,364	16,036	273,743
Total liabilities	5,903,622	7,074,322	4,057,631	3,525,737	20,561,312
Net sensitivity gap	4,671,460	1,267,910	(925,808)	(307,841)	4,705,721

27 Financial Risk Management (Continued)

The following table summarises the Bank's exposure to interest rate risks at 31 December 2005 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	3,671,103	-	-	-	3,671,103
Trading securities	1,334,932	-	-	-	1,334,932
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
Premises and equipment	-	-	-	948,888	948,888
Intangible assets	-	-	-	54,152	54,152
Other assets	26,620	1,402	2,431	7,163	37,616
Total assets	5,708,061	4,215,071	1,100,036	3,242,591	14,265,759
Liabilities					
Due to other banks	1,184,940	-	414,483	-	1,599,423
Customer accounts	4,045,367	2,241,325	2,134,936	168,125	8,589,753
Debt securities in issue	-	-	-	299,253	299,253
Other borrowed funds	954,867	-	-	-	954,867
Other liabilities	66,690	-	-	-	66,690
Total liabilities	6,251,864	2,241,325	2,549,419	467,378	11,509,986
Net sensitivity gap	(543,803)	1,973,746	(1,449,383)	2,775,213	2,755,773

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 of Directors 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.

27 Financial Risk Management (Continued)

In % p.a.	2006				2005			
	USD	Tenge	Euro	Other	USD	Tenge	Euro	Other
Assets								
Cash and cash equivalents	5.4	4.5	0.0	0.0	1.4	3.5	0.6	0.0
Trading securities	-	4.5	-	-	-	2.2	-	-
Loans and advances to customers	13.2	14.2	15.0	-	14.5	15.8	-	-
Debt investment securities available for sale	-	-	-	-	-	2.4	-	-
Other assets	0.0	0.0	0.0	-	0.0	0.0	-	-
Liabilities								
Due to other banks	8.6	6.3	-	-	-	8.3	6.2	-
Customer accounts								
- current and settlement accounts	0.8	1.2	0.5	0.0	1.1	1.3	0.8	-
- term deposits	6.9	10.1	6.9	-	6.1	9.5	10.0	-
Debt securities in issue	-	12.3	-	-	-	10.8	-	-
Other borrowed funds	-	-	7.0	-	-	3.4	7.0	-
Income tax payables	-	0.0	-	-	-	-	-	-
Other liabilities	0.0	0.0	0.0	-	0.0	0.0	0.0	-

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

28 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. Kazakhstani tax and other current existing legislation are subject to varying interpretations, and changes, which can occur frequently. Management’s interpretation of such legislation as applied to the transactions and activity of the Bank may be challenged by tax authorities.

The tax authorities may take a more assertive position in their interpretation of the legislation and assessments, and it is possible that transactions and activities that have not been challenged in the past may be challenged by tax authorities. As a result, significant additional taxes, penalties and interest may be assessed. Fiscal periods remain open to review by the authorities in respect of taxes for five calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods.

The Agency examination. Currently the Agency performs statutory examination of the business activity of the Bank for the period of one year starting 1 December 2005 to 1 December 2006 The Bank believes that the results of the examination will not materially affect the financial statements of the Bank.

Capital expenditure commitments. At 31 December 2006 the Bank has contractual capital expenditure commitments in respect of premises and equipment totalling Tenge 9,045 thousand (2005: Tenge 23,301 thousand) and in respect of software and other intangible assets of Tenge 52,332 thousand (2005: Tenge 2,079 thousand).

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:

28 Contingencies and Commitments (Continued)

<i>In thousands of Kazakhstani Tenge</i>	2006	2005
Not later than 1 year	159,786	9,116
Later than 1 year and not later than 5 years	552,741	-
Total operating lease commitments	712,527	9,116

Included in long term operating lease commitment is the amount of Tenge 706,995 thousand (2005: Tenge nil thousand) which represents one non-cancellable long term agreement for rent of head office premise with maturity of October 2011.

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>	2006	2005
Undrawn credit lines	7,328,165	3,125,285
Guarantees issued	3,305,349	1,818,460
Commitments to extend credit	35,796	108,524
Export letters of credit	-	84,586
Total credit related commitments	10,669,310	5,136,855

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. Fair value of credit related commitments was Tenge 10,669,310 thousand at 31 December 2006 (2005: Tenge 5,136,855 thousand). Credit related commitments are denominated in currencies as follows:

28 Contingencies and Commitments (Continued)

<i>In thousands of Kazakhstani Tenge</i>	Note	2006	2005
Kazakhstani Tenge		7,228,711	1,619,402
US Dollars		3,440,599	3,409,939
Euro		-	107,514
Total		10,669,310	5,136,855

Assets pledged and restricted. At 31 December 2006 the Bank has the following assets pledged as collateral:

<i>In thousands of Kazakhstani Tenge</i>	Notes	2006		2005	
		Asset pledged	Related liability	Asset pledged	Related liability
Trading securities	8, 13	247,276	235,058	-	-
Investment securities available for sale	10, 13	-	-	1,155,446	1,040,610
Total		247,276	235,058	1,155,646	1,040,610

29 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>	Note	2006		2005	
		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	12,17	-	-	610	(16,286)

30 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 Note 9 for the estimated fair values of loans and advances to customers.

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 13, 14, 15 and 16 for the estimated fair values of due to other banks, customer accounts, debt securities in issue 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. Their fair values are based on observable market prices. Refer to Notes 3 and 29.

31 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.

At 31 December 2006, 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: 4.3 – 14%)	-	82,052
Liabilities		
Customer accounts (contractual interest rate: 2 – 13.75%)	557	128

* Includes legal entities owned by shareholders.

31 Related Party Transactions (Continued)

The income and expense items with related parties for the year 2006 were as follows:

<i>In thousands of Kazakhstani Tenge</i>	Shareholders *	Board
Interest income	12,475	5,212
Interest expense	38,729	7,595
Commission income	-	260
Consulting expense	62,491	-
Office maintenance expenses	40,980	-
Proceeds from disposal of building and equipment	645,680	-

At 31 December 2006, credit related commitments with related parties were as follows:

<i>In thousands of Kazakhstani Tenge</i>	Shareholders *	Board
Undrawn credit line	124,500	-
Total	124,500	-

Aggregate amounts lent to and repaid by related parties during 2006 were:

<i>In thousands of Kazakhstani Tenge</i>	Shareholders *	Board
Loans and advances to customers at 1 January 2006	147,460	-
Amounts lent to related parties during the period	351,190	81,159
Accrued interest income	12,475	5,212
Amounts repaid by related parties during the period	(511,125)	(4,319)
Loans and advances to customers at 31 December 2006	-	82,052

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)	-

31 Related Party Transactions (Continued)

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

Aggregate amounts lent to and repaid by related parties during 2005 were:

<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	-

Key management compensation was as follows:

<i>In thousands of Kazakhstani Tenge</i>	2006		2005	
	Expense	Accrued liability	Expense	Accrued liability
<i>Short-term benefits:</i>				
- Salaries	141,051	-	135,195	-
- Short-term bonuses	83,763	83,763	15,405	15,405
Total	224,814	83,763	150,600	15,405

Short-term bonuses fall due wholly within twelve months after the end of the period in which management rendered the related services.